

ASX ANNOUNCEMENT

14 September 2020

**Announcement No. 16/20
The Manager
Corporate Announcement Office
Australian Securities Exchange**

Rent Determination Results

ALE Property Group (ASX: LEP) ("ALE") has received the 2018 rent determinations ("Determinations") from the five independent determining valuers ("Independent Valuers").

In aggregate, the Independent Valuers have assessed that rent for the 43 properties that were the subject of Determinations will remain substantially unchanged from the rent immediately preceding November 2018.

Including the rents for the 36 properties that were previously agreed to increase by the full 10% cap, the rent for 79 properties subject to review has increased by 4.4%.

In addition to the 2018 rent reviews, 85 of ALE's 86 property leases continue to benefit from annual CPI increases.

ALE is currently undertaking a detailed review of all the information contained in the 43 Determinations. Further details of the Determinations are provided below.

Background

ALE owns a portfolio of 86 properties. These properties are all leased to Australian Leisure and Hospitality Group ("ALH"), a wholly owned subsidiary of Endeavour Group, which is 85.4% owned by Woolworths Group.

Within the portfolio, 79 properties were subject to a rent review in 2018, with a cap and collar of 10% relative to the then passing rents. The leases for these properties provide for a further open rent review (without a cap or collar) in November 2028.

ALE and ALH previously agreed that:

- Rents for 36 properties would increase by the full 10% cap as at November 2018; and
- Rents for the remaining 43 properties would be subject to determination by independent valuers in accordance with the terms of the leases.

Aggregate Rental Review Results

Of the 79 properties subject to a rental review process during calendar year 2018, the outcomes were as follows:

Rent Review Result	Number of Properties	Passing Rent Before Reviews (\$Million)	Passing Rent After Reviews (\$Million)	Percentage of Rent After Reviews
Properties increased by full 10% cap	50	32.9	36.18	65.7%
Properties within the cap and collar	14	10.2	10.2	18.5%
Properties decreased by full 10% collar	15	9.63	8.67	15.7%
Total properties subject to rent review	79	52.73	55.05	100.0%

The following table details the passing rent as at September 2020, including the results of the 43 Determinations, the 36 previously accepted properties and others not subject to review during 2018:

Number of Properties	2018 Rent Before Reviews ¹ (\$Million)	Passing Rent ¹ After Reviews November 2018 (\$Million)	Percentage Movements	Passing Rent ¹ September 2020
43 ²	29.05	29.01	-0.1%	29.53
36 ³	23.68	26.04	10.0%	26.49
Total 79	52.73	55.05	4.4%	56.02
7 ⁴	5.91			6.12
Total 86	58.64			62.14

Notes:

1. Passing rent represents annualised rent. In QLD only, this is prior to the deduction of land tax. All amounts are approximate.
2. 43 properties were subject to determination in the calendar 2018 rent reviews.
3. ALH agreed to a rent increase of the full 10% in the November 2018 review for 36 properties. The percentage movement of +10% does not take into account the CPI increase in November 2019 (the effect of which is shown in the final column).
4. ALE's remaining properties are subject to their first non-CPI rent reviews after November 2018.
5. In accordance with the Leases for the 43 properties subject to Determinations, the difference between the passing rent paid since the review date and the determined rent (including subsequent CPI reviews) amounting to \$0.35 million is expected to be paid by ALH on the next rent payment date, being 1 October 2020.

Rent Determination Results

The Independent Valuers' Determinations as at November 2018 are summarised in the following table:

State	Number of Properties	2018 Before Reviews ¹ (\$Million)	Determined Rent ² (Before Cap/Collar) (\$Million)	Percentage Movements	Determined Rent ² (After Cap/Collar) (\$Million)	Percentage Movements
VIC	19	18.00	18.85	4.7%	17.95	-0.3%
QLD	16	8.45	7.8	-7.7%	8.42	-0.3%
SA	6	1.79	1.90	5.6%	1.80	0.1%
NSW	1	0.53	0.55	4.0%	0.55	4.0%
WA	1	0.27	0.29	6.3%	0.29	6.3%
Totals	43	29.05	29.38	1.2%	29.01	-0.1%

Notes:

1. 2018 rent before reviews is the annualised passing rent for 2018 year prior to any rent reviews. In QLD only, this is prior to the deduction of land tax.
2. Determined and passing rent represents annualised rent. In QLD only, this is prior to the deduction of land tax.

There are differences in the approach taken by Determining Valuers in different jurisdictions. Within jurisdictions, the percentage change in determined rent (before cap / collar) also varies substantially across individual properties.

Next Annual CPI Rent Review

The majority of ALE's properties will be next subject to an annual CPI rent review in November 2020, noting that the rents will not decrease if the relevant State based CPI movements for the year to 30 September 2020 are negative.

Assessment of Determinations and Next Steps

The contents of the Determinations are complex and there are a range of issues that require further analysis across each of the States.

ALE is undertaking a detailed review of these issues, in conjunction with its advisers. Following that review, ALE will provide a further update relating to:

- Property valuations
- Capital management
- Distribution policy.

This ASX release was approved and authorised for release by the Board of Directors.

- Ends -

Contact:
Andrew Wilkinson
Managing Director

Guy Farrands
CEO Elect

ALE Property Group

Tel: 02 8231 8588

Website: www.alegroup.com.au