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Market Update

Aspen Group (ASX:APZ) today announced an update on the carrying values of its investment property portfolio, loan portfolio and interest rate swap book following a comprehensive review. This review was seen as prudent in light of recent market volatility in the property sector and the significant movement in capitalisation rates in the last quarter of 2008.

The review has resulted in the following balance sheet movements:

1. A downward adjustment to the investment property portfolio of 3.1% or \$12.5 million on a total portfolio of \$378 million - strong portfolio rental growth and completion of the Karratha Village have limited the extent of the writedowns;
2. Nil writedowns to the loan receivable book; and
3. A downward adjustment to the interest rate swap book of \$10.4 million.

Importantly the movements to the asset portfolio and interest rate swap book have **no impact on the Group's underlying earnings or cashflow**.

The Group is still finalising its assessment of the carrying value of its equity accounted investments and inventories portfolio. These assets represent 17% of the Group's total assets.

It is anticipated that on completion of this review (to be reflected in the Group's half year reporting) Aspen's NTA will be between \$1.15 - \$1.20 per security.

The review process undertaken is significantly broader and more extensive than would normally be expected, however management believes that it is particularly important in the present market climate for asset carrying values to be both current and transparent. The review, which commenced in December 2008, incorporates obtaining independent valuations for all Aspen Group and Fund level property assets. To date, independent valuations on 98% of the Group's direct on-balance sheet assets have been completed. This together with independent valuations received on property assets within funds management entities means that over 85% of total Group property assets have been independently valued since December.

Aspen believes that this transparent process provides investors with greater confidence in the carrying value of the asset portfolio and the validity of Aspen's NTA. The revised NTA range reflects a 330% premium to the current APZ security price of \$0.265.

Additional detail of the review process:

1. Investment Portfolio

Updated independent valuations were obtained in December 2008 and January 2009 for 98% of the Group's directly owned investment property portfolio (or 63% of total Group assets). These independent valuations reflected an average expansion of capitalisation rates by 25%. This would normally lead to a corresponding decrease in asset values, however, the strong rental growth throughout Aspen's portfolio together with the successful completion of the Karratha Village development has resulted in only a 3.1% downward revision to asset values. Excluding Karratha the valuations on the balance of the portfolio fell 5.8%. These latest valuations have increased the portfolio's weighted average capitalisation rate by 200 points to 9.8%, up from 7.8% reported in June 2008.

The successful completion of the Karratha Accomodation Village has resulted in a total uplift in the value of this asset by \$12 million to \$41 million. This strong uplift has been offset by significant reductions in the book values of Septimus Roe (down \$6.1 million) and Currie Street (down \$10.3 million). Rental growth between valuations was on average 21%, which is the major factor protecting the portfolio from the significant expansion of capitalisation rates.

It is important to note that these results are based on independent valuations completed in December 2008 and January 2009 for 98% of the portfolio and therefore include the greater than anticipated softening in capitalisation rates which was experienced in late 2008.

Aspen is confident that current rental streams and projected growth are secure. Aspen's portfolio, which is diversified across a number of states and sectors, continues to maintain high occupancy levels and a healthy weighted average lease expiry of 4.1 years with major tenants (government and blue chip tenants) accounting for approximately 75% of the portfolios income.

The updated portfolio summary is tabled below:

Property:	New Valuation	% Change to Book Value	New Cap Rate	Prior Cap Rate
	(\$m)		(%)	(%)
Septimus Roe	88.0	-6.43%	11.00	7.75
Alcoa Office Complex	27.0	1.50%	8.50	7.75
Elders Woolstores	58.0	0.87%	11.00	8.50
Karratha Village	41.0	25.77%	17.00	16.50
564 St Kilda Road	34.0	1.49%	8.00	7.00
Noble Park	20.1	-12.23%	10.00	9.40
33 York Street	3.25	-1.52%	7.75	7.25
51 Heaton Street, Rocklea	13.4	-9.15%	8.75	7.75
55 Currie Street	84.0	-10.88%	9.25	7.25
Morrison Road, Midland	3.0	-33.33%		
Sovereign Gardens, Ballina	5.89	0.00%		
Total	377.6	-3.13%		
<i>Weighted Av Cap Rate</i>			11.32%	9.85%
<i>Weighted Av Cap Rate (ex Karratha)</i>			9.82%	7.80%

Note: This table excludes the sale of Gardentown Shopping Centre which settled on 19 January 2009.

2. Loan Portfolio

The loan portfolio of \$88.4 million consists entirely of loans to Aspen Group's funds management entities. A detailed review was performed on the recoverability of all loans to these entities. All these loans are considered fully recoverable and therefore no adjustment to carrying value is necessary.

3. Interest Rate Swaps

Aspen uses interest rate swaps to hedge its exposure to interest rate risks. Over the past six months the value of the swap book has decreased by \$10.4 million as a result of the sharply lower interest rate environment. It should be noted that this swap valuation does not affect cashflows and effectively unwinds over the remaining life of the swap book of two years and therefore the movement does not impact the Group's underlying earnings result.

Summary

Through the revaluation of the entire asset portfolio, Aspen is one of the few A-REITS that have elected to comprehensively update their entire property book, both at a Group and Fund level. More importantly these valuations incorporate the significant recent softening in capitalisation rates recorded through to the end of December 2008.

Final audited half year results are due for release on 25 February 2009.

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About Aspen Group

Aspen Group is an ASX listed property investment and funds management group, focused on acquiring quality property assets and creating and managing innovative property funds and syndicates.

Formed in 2001, Aspen has progressed rapidly and is now a member of the S&P/ASX 300 index with assets under management in excess of \$1.3 billion.

Aspen's core strength lies within the Group's broad expertise across property acquisition, development and management enabling the Group to provide leading edge property solutions.

Aspen directly owns and manages a well diversified portfolio of commercial property assets Australia-wide. The portfolio is spread across the office, industrial and retail sectors and has grown through acquisitions and portfolio revaluations of existing properties driven by a strong property management focus.

Aspen also has developed an outstanding reputation for creating unique and successful funds management products and related services. These managed funds have provided investment opportunities across a broad spectrum of property sectors including tourist parks, residential land subdivisions, CBD office developments, private hospital developments and retirement and accommodation villages.