

Folkestone

ASX ANNOUNCEMENT

21 December 2012

2012 MARKET UPDATE

Real estate investment, development and funds management group Folkestone Limited (ASX:FLK) provides the following market update.

During the year we have:

- **exited two of the three legacy projects** - Folkestone sold its 20 per cent interest in Donnybrook Road, Mickleham to its joint venture partner AMP in June 2012. Whilst the sale transacted at book value, more importantly it unlocked capital of \$10.7 million and contributed \$0.8 million in net profit to our FY12 result. Our Clifton Hill residential development, again in joint venture with AMP, was completed in March 2012 and the final unit was sold in September 2012, with the project repatriating \$8.1 million in capital during 2012 to each joint venture partner.
- **expanded our funds management platform into social infrastructure** – we acquired 100 per cent of the Austock property business on deferred terms, 65 per cent in September 2012 and the remaining 35 per cent before 30 September 2013 unless accelerated. This acquisition provided \$550 million in funds under management across four listed and unlisted funds specialising in real estate related social infrastructure – childcare centres, medical centres and police stations/courthouses. It is expected that demographic and social changes, together with cash strapped governments, will provide some interesting opportunities in this space. The acquisition also provides a solid platform to grow our funds under management via the creation of new funds.
- **launched our first unlisted income syndicate** – the Folkestone Real Estate Income Fund at Sydney Olympic Park acquired a brand new commercial asset, with 100 per cent of the office space leased to Thales Australia for 10 years. The quality of the asset, strong tenant covenant and commencing annualised yield of 8.1 per cent, together with our simple and transparent fee structure, resulted in the Fund closing for applications oversubscribed. The Folkestone balance sheet was used to underwrite \$8 million of the Offer and it has been repaid. Based on the strong feedback from investors and their advisers, we believe the appetite for quality, yield orientated real estate investments will continue well into 2013.
- **opened The Ranges, Karratha** - we recently welcomed our first guests at The Ranges following the completion of 41 of 108 villas in Stage 1. The Ranges has provided much needed accommodation for business travellers to Karratha, a town pivotal to Australia's long-term LNG projects. We anticipate commencing construction of a further 32 villas in early 2013. For further information on The Ranges, please visit our website at <http://therangeskarratha.com.au/>

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- **commenced the Potters Grove, Officer sub-division** – after settling on the 14.1ha of land in July 2012, we have now secured sufficient pre-sales (33 out of 55 in Stage 1) to commence construction with earthmoving equipment on site and our first land settlements on track for early 2013. Despite the slowing Melbourne residential market, Potters Grove provides a well located, affordable product in the relatively undersupplied south-eastern corridor and sales should continue into 2013.
- **commenced construction of Tivoli** – our 65 apartment development located in West Melbourne, held in an unlisted development fund, commenced construction in May 2012 and has obtained 62 pre-sales leaving just 3 units unsold at this time.

Whilst local and international markets will continue to be challenging due to ongoing weakness, lower interest rates on cash deposits has many investors increasingly looking to redeploy capital into other higher yielding investments including real estate. We believe we are well placed to deliver on our strategy to be a leading real estate investor, developer and funds manager providing real estate wealth solutions particularly to private clients as well as select institutions.

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About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate investment, development and funds management company. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, with approximately \$600 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors.