

ASX ANNOUNCEMENT

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FOLKESTONE SECURES OXLEY NEIGHBOURHOOD SHOPPING CENTRE FOR NEW INCOME FUND

- **Folkestone launches its fourth real estate income fund**
- **70% of the Centre income sourced from Woolworths and QLD State Government**

Folkestone Funds Management Limited, the real estate funds management subsidiary of Folkestone Limited (ASX:FLK) is pleased to announce that it has entered an agreement for the acquisition of The Station Oxley, a neighbourhood shopping centre (Centre) for the Folkestone Real Estate Income Fund at Oxley ("the Fund"). This is the fourth in its series of real estate income funds.

The recently developed Centre opened in July 2013 and is anchored by a 3,200 square metre Woolworths supermarket along with commercial offices leased to the Queensland Department of Communities, Child Safety and Disability Services. Together the two tenants (along with Woolworths subsidiary BWS) provide circa 70 per cent of the Centre's gross income. Further income is generated from sixteen specialty retailers including some of Australia's leading retail brands such as Flight Centre, CBA and Priceline Pharmacy.

Folkestone's Managing Director Mr Greg Paramor said "we are pleased to have acquired this high quality neighbourhood shopping centre and to be able to offer this Fund to our investors. The strength of the tenancy profile, with long term leases to both Woolworths and the Queensland Government, will underpin the attractive distribution yield to investors. The Centre capitalises on the relative strength of non-discretionary retail spending and crystallises Folkestone's strategy of targeting high quality neighbourhood shopping centres for its real estate income fund series".

The Station Oxley is located approximately 14km south-west of the Brisbane CBD, an area which is starting to undergo a gentrification. The Centre is situated opposite the Oxley train station and bus interchange providing a convenient shopping for commuters whilst two levels of basement car parking ensure ease of access for those travelling by car. The Centre was developed by experienced Brisbane based developers, Property Solutions in joint venture with QM Properties, and is to be acquired by the Folkestone Real Estate Income Fund at Oxley.

Folkestone Funds Management will be seeking to raise \$20.55 million with Folkestone Limited to underwrite the acquisition. This is consistent with Folkestone's strategy to utilise its balance sheet to secure attractive investment opportunities for its funds management platform.

The Fund has a forecast annualised distribution yield of 8.0 per cent per annum in FY14 and FY15 (paid quarterly) with distributions forecast to be 100 per cent tax deferred in FY14 and FY15. It should be noted that the Fund will be geared to 48 percent at the time of settlement of the acquisition of the Centre.

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Mr Greg Paramor said “This is the fourth in our real estate income fund series, and we believe the strong lease covenants, the weighted average lease expiry of 11.1 years, and the attractive yield will appeal to investors looking for long-term stable income from quality real estate assets”.

Mr Greg Paramor said “the acquisition of The Station Oxley demonstrates Folkestone’s ability to identify and negotiate the acquisition of quality real estate investment assets for our investor network and to generate recurring income streams from fund management fees for Folkestone”.

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About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager and developer providing real estate wealth solutions. Folkestone’s funds management platform, with \$700 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors with its on balance sheet activities focus on value-add and opportunistic real estate developments. For further information visit www.folkestone.com.au.