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**FOLKESTONE MARKET UPDATE**

Folkestone is pleased to provide an update on key activities across the Group.

**FUNDS MANAGEMENT****Folkestone West Ryde Development Fund**

The Folkestone West Ryde Development Fund has a 50 per cent interest in Central Square, a 229 apartment residential development in West Ryde, Sydney. Folkestone has co-invested 50 per cent in the Fund (an effective 25 per cent interest in the project).

We are pleased to advise that we expect to settle circa 25 per cent of the apartments before 30 June 2015 with the remainder of the project scheduled to settle early in FY16 - 8 months ahead of schedule. Given the shorter timeframe, greater density and higher than forecast prices realised across the project, the Fund's return to investors is expected to be significantly above the forecast in the Information Memorandum. Folkestone is entitled to a performance fee based on 30 per cent of any outperformance above the hurdle of an equity IRR after fees and before tax of 18.0 per cent. Based on the current forecast, Folkestone expects to generate a performance fee of circa \$1.5 million which will be payable in FY16.

**Folkestone Truganina Development Fund**

The Folkestone Truganina Development Fund has an 80% interest in Elements, a 690 lot residential land subdivision in Truganina, Melbourne. Folkestone has co-invested 19.4 per cent in the Fund (an effective 15.0 per cent interest in the project).

Following the successful launch of Elements in November 2014, sales are well ahead of forecast with more than 166 lots sold representing 91 per cent of those released to date and 24 per cent of the total lots in the estate. Civil works on the initial stages have commenced with the first settlements forecast to occur in November 2015.

**DIRECT PROPERTY****Millers Junction Business, Altona North**

Millers Junction Business is Stage 2 of Folkestone's three stage Millers Junction, Altona North mixed use precinct. Folkestone has a 50/50 joint venture for Stage 2 with Wilmac Properties.



Planning approval was received on 27 May 2015 for the development of 74 office warehouses, an office and a café. To date, 80 per cent of the first stage has been pre-sold with strong interest in the project from both owner-occupiers and investors. Construction is expected to commence in September 2015.

## **Millers Junction Retail, Altona North**

Folkestone announced in May 2015 that it has entered into an option agreement with BWP Trust and Bunnings Group Limited to purchase the former Bunnings site adjacent to Folkestone's Millers Junction mixed use development in Altona North, Victoria.

Subject to planning approval, the 3.4 hectare parcel will be consolidated with Folkestone's existing Stage 3 land holding of 4.4 hectares to create a substantial development opportunity which will include traditional retail, large format retail, commercial and social infrastructure assets.

Work continues on the master plan for the site with discussions with anchor tenants and the Hobsons Bay City Council underway.

## **Potters Grove, Officer**

Stage 4 has one lot remaining with 37 settlements received to date, 3 expected prior to 30 June 2015 and the remaining 5 lots scheduled to settle over July and August 2015.

Stage 5, the final stage of Potters Grove, a 50/50 joint venture with ID Land, has seen 29 lots sold to date with only 7 lots remaining, taking total sales across the estate to 232 out of 240 representing 97 per cent of the estate. Stage 5 works are well underway with settlements forecast to commence in late September 2015.

## **Potters Northside, Officer**

Following on from the success of Potters Grove, Folkestone, together with its 50/50 joint venture partner ID Land, launched Potters Northside in March 2015. The 8 hectare site is located immediately across the road from Potters Grove. To date 25 lots (approximately 59 per cent) of the 44 lots in Stage 1 have been sold. Stage 2 is to be launched in early FY16.

The land was secured in August 2014 on deferred terms with the settlement of the first parcel for the development of Stages 1 and 2 expected to occur on or around 30 June 2015.

## **Commercial Development, Knoxfield**

Folkestone has now executed its 50/50 joint venture with Wilmac Properties to develop approximately 85 strata office/warehouse/retail mews in Knoxfield, Victoria. The \$30 million project is Folkestone's second with Wilmac Properties, the first being Millers Junction Business in Altona North. The Knoxfield site has been acquired on deferred settlement terms (April 2016) and together with the multi-stage project will result in an efficient capital structure with relatively low funds employed by Folkestone of approximately \$2.1 million.

A planning application will be lodged with Knox City Council prior to 30 June 2015.



## North-West Sydney

Folkestone together with its joint venture partner, the Lyon Group, has further expanded its land bank opposite a major north-west Sydney railway station. A two storey retail and office building on 443 square metres of land has been acquired. Folkestone and its joint venture partner are in negotiations with another adjoining land owner to amalgamate their site.

## Pipeline

Folkestone's current development book has an estimated end value of approximately \$1 billion, with Folkestone's balance sheet share approximately \$430 million. In addition, Folkestone has more than \$1.1 billion of opportunities under exclusive due diligence (Folkestone share approximately \$590 million) which will provide product for both our balance sheet and funds management platform.

Mr Paramor, Folkestone's Managing Director said "it has been a busy six months for Folkestone, with the advancement of a number of existing projects and the continued expansion of Folkestone's development pipeline. We have a number of opportunities across the commercial, residential and social infrastructure sector under due diligence that will provide attractive investment opportunities for both Folkestone's balance sheet and investors in our funds."

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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 \$870 million under management, offers listed and unlisted real estate funds to private clients and select institutional investors, while its on balance sheet activities focus on value-add and opportunistic (development) real estate investments. [www.folkestone.com.au](http://www.folkestone.com.au)