

# Folkestone launches new Green Square hotel fund



Carolyn Cummins

Folkestone Group is to take advantage of the booming Sydney hotel market with the launch of a new hotel fund, to raise about \$22.5 million of third party capital, to develop a 142-room property in South Sydney.

The group, run by chief executive Greg Paramor, will enter into a 50-50 joint venture with Furnished Property to develop the site at 18 O'Riordan Street, Alexandria. Furnished Property will be the operator.



An impression of the Green Square hotel that Folkestone will develop with Furnished Property. Photo: Nick Lenaghan

It comes as more than 10 major hotels are planned and a swath of redevelopments are set to enter the Sydney market in the next four years, which experts say is "significantly" under-supplied.

The new Green Square Hotel sits within the \$13 billion, 278-hectare Green Square urban regeneration area and near the Green Square train station, which is on the same line as the Sydney Airport domestic and international terminals. The Crown Group is developing apartment towers on the site.

Mr Paramor said Green Square is one of the most "significant urban transformation programs under construction in Australia, revitalising the industrial edge of Sydney's inner south into a vibrant global village".

Green Square Town Centre, which is the centrepiece of the urban regeneration area, is close to the proposed hotel.

Folkestone will use the \$22.5 million of third-party capital, with construction finance, to fund the development, with the Green Square Hotel Fund owning the hotel in the long term.

Construction is scheduled to begin early next year and the hotel forecast to open in late 2018. Furnished Property will take a 10-year lease, with a minimum base rent with annual increases, and a turnover rent.

Furnished Property will operate the hotel under its VERIU brand.

"We are delighted to be undertaking our first hotel development and partnering with Furnished Property, a boutique hotel operator in Sydney," Mr Paramor said.

"The Sydney hotel market, which has seen under-investment due to the strong residential market, is now experiencing buoyant trading conditions and we believe the outlook is positive."

He said inbound and domestic tourism is expected to increase, buoyed by the opening of the International Convention Centre at the end of the year, a lower Australian dollar and Sydney continuing to rate as a major tourism destination.

"The Folkestone Green Square Hotel Fund is consistent with Folkestone's strategy of manufacturing quality real estate investment product which can be owned long-term by an Folkestone managed fund," Mr Paramor said.