
FOLKESTONE LAUNCHES GREEN SQUARE HOTEL FUND

Folkestone Limited's (ASX:FLK) real estate funds management subsidiary, Folkestone Funds Management Limited (FFM), is pleased to announce that it has launched the Folkestone Green Square Hotel Fund (Fund).

FFM is seeking to raise \$23.2 million which, together with borrowings of \$21.75 million, will be used to acquire a 144 room hotel to be constructed at 18 O'Riordan Street, Alexandria, New South Wales (Hotel). The site is located within the \$13 billion, 278 hectare Green Square Urban Regeneration Area and is strategically located approximately 120 metres from the Green Square Train Station. The Sydney Airport Domestic and International Terminals are two and three stops respectively to the south; Central Station is one stop to the north.

The Fund has agreed to acquire the Hotel for \$43.5 million on a fund-through basis from the developer, GS Hotel Development Pty Ltd (Developer), a joint venture between Folkestone Limited and Furnished Property, an associated party of Veriu Hotels & Suites. Veriu Hotels & Suites, a leading boutique hotel operator, have signed an agreement for lease to operate the Hotel for 10 years (with 8 x 5 year options), with a base rent with annual increases together with a turnover rent.

The Developer will develop the Hotel on behalf of the Fund, with the Fund not taking any development risk. The Fund has acquired the Land for \$9.4 million (including acquisition costs but excluding GST), which was funded by a loan from the Developer, of which \$9.0 million will be repaid to the Developer in December 2017, with the balance of \$0.4 million repaid at the time of Practical Completion of the Hotel, scheduled to be May 2019. The Fund will also make a development payment of \$34.1 million (excluding GST) to the Developer at the time of Practical Completion. The Developer will pay the Fund a land rent for access to the land to develop the Hotel. The Hotel is expected to open for trade in July 2019.

The Fund aims to provide Unitholders with sustainable income and the potential for capital growth. The forecast annualised distribution yield to Unitholders is 7.0 per cent in both FY18 and FY19. The Fund's forecast return on equity is 82.3 per cent (post fees, pre-tax) and an equity IRR of 12.6 per cent per annum (post fees, pre-tax) over the life of the Fund.

Folkestone's Managing Director, Mr Greg Paramor said, "we are delighted to be undertaking our first hotel development with Furnished Property and having their hotel business, Veriu Hotels & Suites, operate the Hotel. This is Folkestone's second hotel investment opportunity following the successful acquisition of the Mercure Sydney International Airport Hotel by the Folkestone Sydney Airport Hotel Fund last week."

"The Sydney hotel market is experiencing strong trading conditions and we believe the outlook is positive. Inbound and domestic tourism is expected to continue to grow, buoyed by the opening of the International Convention Centre, a lower Australian dollar and Sydney continuing to rate as a major tourism destination" said Mr Paramor.



“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 a Folkestone managed fund” said Mr Paramor.

“We expect strong interest in the Fund’s capital raising from our investor base given the attractive forecast returns and the fact the Folkestone Sydney Airport Hotel Fund, which raised \$50 million last week, was significantly oversubscribed” said Mr Paramor.

For further information regarding this announcement please contact.

GREG PARAMOR AO

Managing Director
Ph: 02 8667 2881

BEN DODWELL

Head of Real Estate
Ph: 02 8667 2884

ADRIAN HARRINGTON

Head of Funds Management
Ph: 02 8667 2882

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 \$1.3 billion 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

About Veriu Hotel & Suites

Veriu Hotel & Suites is a leading boutique operator of inner city hotels and suites. The current hotels and suites operated by Veriu Hotel & Suites include: Veriu Central, Veriu Broadway, Veriu Camperdown and Veriu Randwick.