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Folkestone group keeps on delivering

By Carolyn Cummins
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Planned Veriu hotel at Green Square, Sydney
Photo: ATWD Studio

Developer and real estate funds manager, Folkestone will focus on boosting its suite of funds, including the largest Education trust, through acquisitions and new projects.

For the half year to December 31, 2017, Folkestone reported a net profit after tax of $9.9 million, an increase of 209.8 per cent over the same time last year.

Folkestone’s managing director, Greg Paramor, said Folkestone’s results reflect a very active first half with positive contributions from the funds management platform and development activities.

"Given pricing in certain property sectors and sub-markets are at an all-time high, Folkestone will remain disciplined and patient as it continues to look for investment opportunities across the residential, non-residential and social infrastructure sectors," Mr Paramor said.

Folkestone’s funds management division is a specialist real estate funds manager for private clients and select institutional investors. During the first half, Folkestone increased its funds under management from $1.3 billion to $1.5 billion, an increase of 14.1 per cent compared to June 30, 2017 and 23 per cent compared to first half of 2017. Total funds management revenue was $17.8 million, an increase of 139.3 per cent on the same period last year.

The group has a half share in the hotel fund with Furnished Property at Green Square, Sydney which is developing the 144 room Veriu hotel. This is separate from the recently-launched Folkestone Sydney Airport Hotel Fund to acquire the Mercure Sydney International Airport Hotel for $50 million.

In September 2017, Folkestone also entered into a 50/50 joint venture with ID_Land to develop 64 townhouses in Hadfield, known as The Walter, 14 kilometres north of the Melbourne CBD. The project has a forecast end value of about $40 million. One of the largest funds in the separately-listed Education trust, in which Folkestone holds a direct interest and manages, reported a 5.6 per cent increase in gross assets to $954 million. Mr Paramor said the fund has good traction for growth.

According to analysts, the trust, which owns child care centres, continues to generate attractive earnings per security growth, while remaining a healthy capital position.

Peter Zuk, analyst at Shaw & Partner said structurally he sees the education trust as well placed, given demand for childcare in Australia remains high, consistent with population growth and increased workforce participation rates.

"Occupancy is at 100 per cent with like for like growth of 3 per cent. Market rent reviews over 21 leases resulted in average rent increases of 4.8 per cent," Mr Zuk said.

"Management remain comfortable that across the portfolio, tenants are not under stress due to rents, and is it actively shifting away from old CPI-linked rent reviews to fixed annual reviews – typically a 3 per cent minimum. We assume an average 3 per cent rental growth per annum in our earnings estimates."