FOLKESTONE ACQUIRES SYDNEY AIRPORT HOTEL FOR NEW FUND

Folkestone's (ASX:FLK) real estate funds management subsidiary, Folkestone Funds Management Limited (FFM), is pleased to announce that the recently established Folkestone Sydney Airport Hotel Fund (Fund) has exchanged contracts for the acquisition of the Mercure Sydney International Airport Hotel (Hotel) for $76.4 million (excluding transaction costs).

The 271 room hotel, operated by the Accor Group under their Mercure brand, is located approximately 1.0 kilometre from the Sydney Airport International Terminal, 3.0 kilometres from the Sydney Airport Domestic Terminal and 9.0 kilometres from the Sydney CBD. The Hotel has a diverse revenue mix comprising leisure, corporate, local and overseas tourism and airline crew.

Folkestone plans to undertake an extensive refurbishment and repositioning of the Hotel to drive revenue and occupancy. Planned works include varying levels of refurbishment of guest rooms, and a refurbishment of the function/conference areas, bar and restaurant on the ground floor. The works will also include improvements to the Hotel's façade and external features to enhance its appearance, and an upgrade of plant and equipment to improve the operational efficiency of the Hotel.

Folkestone's Managing Director, Greg Paramor, said, "we are delighted to be able to secure a quality hotel opportunity in Sydney and in close proximity to the Sydney International Airport precinct, which we can renovate and reposition. The Sydney hotel market remains strong, driven by both domestic and inbound tourism, growing corporate travel and a buoyant conference and exhibitions market which has been enhanced following the opening of Sydney's new International Convention Centre. We believe there continues to be strong demand from investors for quality hotel investments in Sydney."

To assist with the acquisition of the Hotel, the Fund has secured underwriting commitments totalling $31.9 million, $15.0 million of which will be provided by Folkestone, which is consistent with Folkestone's strategy to utilise its balance sheet to secure attractive investment opportunities for its funds management platform.

The Fund has also secured a $49.4 million debt facility from a major Australian Bank which will provide the balance of funds required to acquire the Hotel and is inclusive of a $15.0 million short term debt facility whilst FFM completes fund raising activities.

FFM will be seeking to raise $50.0 million for the Offer, which will launch on or around 23 October 2017.

Folkestone is forecasting an equity IRR of 14.4 per cent per annum (post fees, pre-tax) over the life of the Fund, and a 7.0 per cent annualised yield following the refurbishment, which will be undertaken in 2018.

Mr Paramor said "The Folkestone Sydney Airport Hotel Fund will offer investors the opportunity to invest in a well-located hotel that is forecast to generate strong income returns and also provide the opportunity for capital growth from both the repositioning of the Hotel and the positive outlook for the Sydney hotel market."

"We expect strong interest in the Fund's capital raising from our investor base given the attractive forecast returns", said Mr Paramor.

The Hotel is expected to settle mid-November 2017.

For further information regarding this announcement please contact.

GREG PARAMOR
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