



TRUST UPDATE – DECEMBER 2016

- **DEVELOPMENT PIPELINE**
- **INCREASE IN DEBT FACILITIES LIMIT**
- **PROPERTY PORTFOLIO**
- **DISTRIBUTIONS**

Folkestone Investment Management Limited (“FIML”) as Responsible Entity of Folkestone Education Trust (“FET or Trust”) (ASX:FET) is pleased to provide Unitholders with an update regarding the Trust’s recent activities.

DEVELOPMENT PIPELINE

Since 30 June 2016, FET has continued to expand its development pipeline with a further 5 sites of which 2 are settled, 2 are contracted and 1 is under exclusive arrangement. The new transactions are consistent with FET’s demographic, population growth and land value based strategy, together with FET’s “best site, best operator and best lease” objectives.

These developments will add approximately \$27 million in “upon completion” value to the development pipeline. The expected total “upon completion” value of the development pipeline (22 sites) as at 31 December 2016 is approximately \$122 million. One development site (Camberwell, Victoria) has been completed since 30 June 2016 with a completion value of \$9.3 million.

INCREASE IN DEBT FACILITIES LIMIT

FET has increased the facility limits of its bilateral facilities by \$40 million to \$267 million. The facilities are currently drawn to \$218 million resulting in \$49 million remaining undrawn and available to fund FET’s development pipeline. The increase in facilities was provided equally by Australia and New Zealand Banking Group Limited and Hongkong and Shanghai Banking Corporation Limited on the same terms as the existing facilities.

Since 30 June 2016, further debt of \$25 million has been drawn and some additional hedging positions (\$10 million at a rate of 1.85 per cent) have been put in place for FY17 and FY18. FET has now hedged 63 per cent of its drawn debt for the remainder of FY17 and on average has now hedged 49 per cent of drawn debt through to June 2021.

PROPERTY PORTFOLIO

Highlights in relation to the property portfolio during the five months to 30 November 2016 include:

- 64 market rent reviews have been completed (26 of the completed market reviews were pending from FY16, being subject to external determination) achieving an average increase of 4.9 per cent over the prior year’s rental, noting that the majority of these leases have a capped rental increase of 5 per cent. For the remainder of FY17 there are 63 market reviews to be completed;



- 35 options (100 per cent) have been either renewed or extended;
- 3 new 15 year leases have been negotiated with new tenants for existing FET properties. A 28 per cent increase in the passing rent was achieved as a result of these transactions after the previous tenant had elected not to exercise the option term and subsequently sold each business prior to expiry of the existing lease;
- 53 independent valuations have been completed across the portfolio. 49 valuations were based on a like for like basis, providing an increase over the previous valuations (either independent or Director's valuations) of approximately \$7.7 million or 9.0 per cent. The average passing yield for these valuations compressed from 7.5 per cent to 6.9 per cent. These valuations were weighted towards regional locations in Australia and New Zealand, where market yield compression has typically lagged metropolitan areas. A further 4 properties were revalued to reflect new long term leases with significant rental increases. These valuations resulted in an increase of \$1.4 million or 24 per cent over the previous valuations. The independent valuations have resulted in a total increase of \$9.1 million or 11 per cent;
- 2 existing childcare properties in New South Wales and Queensland, with a combined value of \$6.5 million, have been acquired. Both were contracted at 30 June 2016, with the transactions having now settled. Both have new 15 year standard FET leases from the date of acquisition;
- 1 property has been contracted for sale located in regional Queensland. The sale price of \$1.9 million represents a premium of 10.4 per cent to the 30 June 2016 carrying value; and
- the WALE of the portfolio has increased from 8.2 years to 8.4 years as at 30 November 2016.

DISTRIBUTIONS

In accordance with the announcement on 9 December 2016, Management confirms its full year guidance of 14.2 cents per Unit with the December quarter's distribution of 3.55 cents per Unit to be paid to Unitholders on 20 January 2017.

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About Folkestone Education Trust

The Folkestone Education Trust (FET) is a listed real estate investment trust (A-REIT) that invests in early learning properties. FET's website, www.educationtrust.folkestone.com.au provides information on FET, its Manager, announcements, current activities and historical information.

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 more than \$1.0 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