

Folkestone Education Trust has one eye on residential market

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Childcare centre owner, Folkestone Education Trust, has one eye on the inner city residential market, as it expands its portfolio of assets.

The trust owns more than \$500 million worth of childcare centres and reported half-year distributable income up 16 per cent to \$13.1 million. It also upgraded its full-year distribution guidance from 12.7¢ to 12.8¢ a unit.

Chief executive Nick Anagnostou said a key priority was acquiring development sites for new childcare centres that also had high underlying land value, thus providing a future exit strategy for some of the trust's assets should buoyant market conditions change.

"We're looking for childcare sites with great residential utility down the track," Mr Anagnostou told *The Australian Financial Review*.

That included a site on Toorak Road, in blue-chip Camberwell that had development approval for 28 units.

The model had worked well, with FET developing new childcare centres on yields of about 7.8 per cent and selling non-core assets at sub 7 per cent yields.

"Yields have tightened and will continue to tighten," he said.

The Folkestone-managed trust reported a total property yield of 8.3 per cent with a 99.7 per cent occupancy ratio across its portfolio of 345 early learning centres and 10 development sites. A further four sites have been acquired but are yet to settle.

"Developing new childcare centres is our main strategy for growth. We will also look at portfolio acquisition opportunities." But, he said, the trust had moved on from the unsuccessful tilt at listed childcare owner, Arena REIT.

During the half-year 64 childcare properties were independently revalued with the value of 60 Australian properties increasing by \$9.8 million and the values of four New Zealand properties increasing by \$300,000.

"Both New South Wales and Victorian markets have continued their strong capital growth driven by yield compression," Mr Anagnostou said.

"The Queensland market is showing increased demand for early learning property assets, which is now translating to firmer yields being achieved for recent sales transactions."

The trust will pay a distribution of 6.35¢ a unit – in line with guidance – for the six months ended December 31. Statutory profit rose 145 per cent to \$52.3 million.

This story was found at: <http://www.theage.com.au/business/folkestone-education-trust-has-one-eye-on-residential-market-20150217-13grni.html>