

Thinktank's new yield funds backed by commercial property

Thinktank Group, a specialist commercial property lender, is diversifying its funding sources and offering investors two yield-targeting investments by raising capital via bonds in two trusts, as an alternative to bank financing, its traditional source of debt.

Thinktank, which has been funding commercial property acquisitions valued up to \$3 million since 2006, will target the trusts' bonds at the wholesale investment market with a focus on (SMSF) trustees. The more conservative 'Income Trust' will offer a 5.33 per cent effective annual return, while the 'High Yield Trust' will offer an effective 8.55 per cent. Interest payments will be made monthly, the minimum investment period is one year, and there are no entry or exit fees for investments lasting the full term. The income trust will offer secured first mortgage commercial debt while the high-yield trust offers secured second mortgage commercial property loans subordinated to Thinktank's warehouse facility and term funding.

Jonathan Street, the company's chief executive, says that, in the current low interest rate environment, investors want yield without the volatility and uncertainty of the equities market.

"With these two trusts we saw an opportunity to offer investors diversification and stable, secure, and competitive returns in a traditional, yet growing commercial property sector," he said.

"In an oversaturated and uncertain equities market, investors are continually looking for alternative sources of debt investment, and as such mortgage-secured investment bonds are ripe for their attention.

"Access to these markets enables investors to effectively 'be the bank', in the process getting competitive returns of between 5.33-8.55 per cent without taking on ownership risks such as those found with construction or development. "Investors also receive a similar return with Thinktank bonds compared with investments in other unsecured alternate fixed income products, such as unsecured peer-to-peer lending."

Thinktank manages a loan book of about \$770 million comprising 1,135 first mortgages. The firm focuses on the "small-ticket" sector of the commercial property market, with an average property value of about \$1 million. This sector of the market performs differently to the big end of town, dominated by multi-story office towers and large industrial and retail complexes. The ownership of Thinktank properties is typically split about 50:50 between owner occupiers (such as accountants, mechanics and warehouse operators) and passive, long-term investors.

Street says property remains one of the favourite "knowns" to both the retail and wholesale investment communities, and although demand for investment opportunities is always strong, "investors understandably look for secure providers with deep experience who offer attractive yields"

