

## Media Release

### Specialist lender Thinktank hits \$1b in loans

**Sydney 18<sup>th</sup> April 2019.** Specialist commercial property lender Thinktank has hit the \$1 billion mark in loans under management – with demand for finance in this market sector growing significantly as the major banks tighten their lending.

Thinktank, which was founded in 2006, has been growing its loan book by 35% or more a year since 2013, and is poised to hit \$2 billion by the end of 2021.

Chief Executive Officer Jonathan Street says there was an initial solid run of business before the Global Financial Crisis (GFC) hit in 2008, but this tumultuous event curbed credit growth for several years.

“It was a difficult period for everyone in the industry during and post the GFC, but since then loan book growth has been strong, and we’re confident this will continue, especially in an environment where the Government is encouraging alternative credit providers to the ‘Big Four’.”

In delivering this growth, Thinktank has expanded its staff from six to 43, pushed out from Sydney into the Brisbane and Melbourne markets, and will see group turnover exceed \$75 million in 2018-19.

Thinktank provides finance for the purchase and refinance of commercial property up to \$3 million, with an average facility size of about \$700,000, primarily to self-employed businesses.

“Self-employed small businesses and SMEs are behind the demand for our loan products. The sector has proven itself to be a vital part of the broader economy over the past 70 plus years and, with our experience, that means few loans are in arrears and the number of loans that have defaulted and resulted in a loss over our 13-year history is minuscule at about 10 out of the more than 2500 we’ve made. Considering this period includes an event such as the GFC, it’s a record we are very proud of.”

Although major domestic and offshore banks, as well as more than \$1 billion in rated bonds issued to institutional investors, form the bulk of its wholesale funding, Thinktank also opted for an alternative source of capital last year when it launched two attractive yielding investments via bonds in two trusts aimed at the wholesale investment market with a strong focus on self-managed super fund (SMSF) trustees.

The more conservative Income Trust offers a 5.33 per cent effective annual return, while the High Yield Trust offer an effective 8.55 per cent. Interest payments are made monthly and the minimum investment period is one year. Since opening to investors, Thinktank has raised about \$35 million.

Street says: “We have been pleasantly surprised at the interest shown in the two funds. The initial thought was that it would attract most investor attention in the wholesale market, but we are finding small institutions, such as family offices and fund of funds, are also investing.

“We are offering investors diversification and stable, secure, and competitive returns in a growing commercial property sector, and, in the current low interest rate environment, they are attracted to an investment that offers yield without the volatility and uncertainty of the equities market.”

Street says the only foreseeable wrinkle in Thinktank’s growth path would be for the Labor Party to abolish Limited Recourse Borrowing Arrangements (LRBAs) – a proposal it is taking to the next federal election.

“We would ask Labor to think carefully about this proposal, particularly when it comes to commercial property. While we readily acknowledge there have been some issues in the residential SMSF/LRBA area which was in genuine need of tighter regulation, it’s our experience that LRBAs are proving a very important debt instrument that allow SMEs and self-employed owners the opportunity to dovetail their commercial and superannuation ambitions to very positive effect.

“It’s worth noting that since December 2013, we have financed more than 300 commercial property secured LRBAs with that part of the loan book currently standing at \$165 million. Importantly, we have had practically zero arrears history – only one loan has ever defaulted in the wake of a cyclone (and that loan did not incur a loss) and 81% are currently repaying principal and interest in alignment with their retirement targets. It’s proving an excellent, highly performing borrowing and wealth management option when in the hands of responsible, disciplined lenders and well-advised borrowers.”

#### **About Thinktank:**



Thinktank is an originator, credit underwriter and trust manager of small ticket (sub \$3m) commercial mortgages targeting the SME market. Thinktank was founded in 2006 by experienced banking & financial services professionals in commercial property & SME lending.

Property types include retail, industrial, office, as well as many other types of commercial property spanning such as child care, student accommodation, and boarding houses.

Thinktank is Sydney based and privately owned with 14 private shareholders [ until April 2018, when ASX: AFG acquired a 30% interest].

All senior staff have greater than 25 years in their respective fields of financial services expertise, at the core of this experience is a deep knowledge of the market segment that Thinktank specialises in.

<https://www.thinktank.net.au/>

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