Charter Keck Cramer

Precisely Property Podcast Season 1 Episode 3

Addressing Australia's Housing Crisis: The Role of BTR and the Fund-Through Model

Charter Keck Cramer and Precisely Property Podcast respectfully acknowledge the traditional custodians of country throughout Australia. We pay our respects to their elders past, present and emerging.

Richard: Hi, everyone, welcome to the Precisely Property podcast. I'm your host, Richard Temlett.

And today, we're going to be having a discussion with Tim Chislett. Tim is a partner at Allen's and is a real estate specialist providing strategic advice in relation to complex property developments, capital transactions and real estate joint ventures. Tim has a unique perspective of real estate investment, funds management and development, having spent several years as a general counsel and general manager strategy at a property fund. Recognised by Chambers and Legal 500 as one of its next generation partners, Tim is particularly renowned for his Built to Rent expertise and deep experience negotiating fund-through development transactions. Some recent highlights include advising Mirvac on the establishment of its $1,800,000,000 BTR fund and many clients on BTR fund through transactions.

He's also been busy in the industrial space, notably recently acting for Logos on Amazon's facility in Craigieburn, the biggest industrial precinct ever in the southern hemisphere. Welcome, Tim.

Tim: Well, thank you very much. That's a very kind introduction, Rich, and very excited to be here. I've often thought you'd make a great podcast, so here we are.

Richard: Tim, thank you so much. As we were discussing beforehand for our listeners, this has been a long time coming. I can't wait to actually have a bit of a chat with you today, both about all things legal in the housing market and then jumping into BTR. When I was reading your profile, which is absolutely incredible, I realised we'll have to have a separate section or sessions on the industrial work that you're doing because I know a lot of our listeners are very, very keen to understand what's going on and certainly be very interested in working with yourself.

Tim: Oh, I'd love to. We'll see how we go today. And if I make the pass - great, I'll be happy to come back.

Richard: You definitely will. And I should also let our listeners know, I was reflecting last night, probably many of you don't know, I actually am a lawyer by background. I actually went to law school with Tim, and it's amazing when I read his resume, and I see how far he's come. It seems like a long time ago to me when we actually did some of those pub crawls at Flinders University together. And I just wanted to say I've been so impressed with your career, how far you've come. I am doing quite a bit of work in the BTR space, and what's absolutely incredible is pretty much every single client that I've spoken to, you seem to have already been working with or they are certainly aware of you. And I think that that's an incredibly good compliment for yourself. So congratulations for the years of hard work.

Tim: Oh, thank you, Rich. And, yeah, I've been reflecting on that too in the lead up to this podcast. It's incredible to think we've known each other for so long back in our days in Adelaide, and I've just really admired watching your career progress from a lawyer. And you identified that your true passion was in property, and it's been incredible to watch you, you know, go back and study. I was able to watch that closely as you went through and then to become one of Australia's leading experts in the property industry has been incredible to watch. So congratulations to you too.

Richard: Well, thank you very much for that. And listeners who obviously can't see, but I am blushing a little bit. So, but, no, thank you for that, for those very kind words.

Tim: Listeners can also not see Rich is, as always, dressed immaculately. I'm glad that I wore a suit today, sitting opposite you with your suit and tie, as always.

Richard: As always.

Tim: We could've just turned up in our trackies with a podcast.

Richard: I need to get a tracksuit with a suit and tie. Some of my colleagues have certainly said that. I seem to live in my suits and tie, which I love.

Timmy, in terms of today's podcast, as we've, discussed previously, what I'm keen to do is really have a discussion. The genesis of the podcast is to get preeminent experts like yourself onto the show to have a chat, forward looking view of what we're seeing on the ground in the market. It's really an education piece. It's to help our listeners understand what's going on right now. And in terms of today, what we've decided to do is we'll start off with a bit of a chat about the housing market and some of the things legal that you feel could be clarified or resolved to actually help the housing crisis, and then we're going to jump into BTR and specifically BTR fund-throughs. And that, I must admit, is what I'm fascinated to learn a lot more about. You definitely are leading the way there. I've spoken to a number of our mutual clients, they are so complimentary of what you do, both your service offering, the fact that you are so commercial and are able to see a number of sides of the deal. So those are two things I'm keen to talk with you about today.

But the first question that I had for yourself is really to set a bit of the context. There's probably a number of people that are going to listen to this podcast that look up to you and aspire to get to your level. You've obviously worn different hats throughout your legal career. Certainly, when I look at my career, the different roles that I've been in have actually helped me to understand risk and opportunity and make me better at what I do. I suspect your experience is the same, so could you please give our listeners a little bit of an overview of where you come from and then also how you got into Build to Rent?

Tim: Yeah. Sure thing. Well, as we mentioned earlier, we both came over from Adelaide to start our careers. I started my career at Allens, which is where I am today. I started at Allens and went the whole way through to senior associate. And when I was a senior associate, did a short secondment at Mirvac, who remains one of our really great clients. And I loved being on the other side of the fence, working with the commercial property teams, seeing the full picture of what our clients do. On the law firm side of the fence, you sometimes only get exposed to just a small slice of the whole circle. So, when I came back from that really great experience, I looked around at what in-house opportunities there were in Melbourne, and a really great opportunity came up at Newmark Capital, which at the time was sort of a young emerging property fund based in Melbourne.

I think we only had about 7 or 8 staff when I joined as their very first lawyer so it was a really big leap of faith, but I really wanted to jump right into the property industry.

Richard: I remember having discussions with you about that move and, yep, that was fascinating. Very admirable to see you do that.

Tim: Yeah, and I sort of see myself as having one foot in the legal industry and one foot in the property industry. I feel very much part of both. And so I wanted to fully immerse myself in the property industry proper, and it was a great opportunity, a really great organisation doing exciting things. Within a couple of months we had acquired the jam factory, did a number of really significant transactions while I was there, and I was working across buying or selling the real estate assets, setting up the funds, working on the tax issues, the finance issues, establishing the funds. It was a really exciting time, and it gave me that full exposure to the full circle, as I say. So really great opportunity there for a few years, which I'm very grateful for. But I did find towards the end of that period, what I was enjoying the most was the property transactions and in particular, the negotiation, the cut and thrust of the legal negotiations on those property transactions. So, I was finding I was missing what we do every single day at a place like Allens. So, when the opportunity came to go back and have a run at partnership, I did jump at it. That was back in 2018.

Since that time when I did return to Allen's that we've been extremely focused on Build to Rent, I can actually remember the first time I heard the term Build to Rent, and it was during my time at Newmark. It's one of those occasions sort of sitting around the kitchen table back in the days when everyone would be in the office five days a week and sit around the kitchen table at lunch reading the physical newspaper. And I remember there was an article about Build to Rent, and we're all chatting as a group of people that were really interested in property as to whether that could work in Australia. And there were very mixed views as it still is, and I remember thinking this just has to work. I think I'd recently come out of the rental market and dealing with all of the issues that you face with a private landlord and never getting anything fixed, et cetera, et cetera, the problems with share housing.

I remember thinking this just has to work. There's going to be so much tenant demand. The next generation of Australians are going to be much more likely to rent. So, when I came back to Allens, I made a real concerted effort for us to get on the front foot and be the sort of leading law firm in that market at a time when Build to Rent wasn't getting a lot of airtime in Australia. So, it was great to sort of get in the ground floor of what has been a really exciting journey for Build to Rent in Australia.

Richard: Brilliant. I did know a lot of your history there. It's funny. I was reflecting also last night. I actually got into Build to Rent the first time. The nature of my role is really research. So, we have a number of people at the beginning of the emergence of these asset classes coming to us. And I remember, I think it was 2016 where I first did a piece of work in multifamily.

Tim: Yep.

Richard: Which I had no idea. I was I literally had to look in the dictionary, look it up overseas, going, what on earth is this? And I remember doing some rental benchmarking, and that was really when it started for myself in terms of learning what was going on. Obviously, it has emerged significantly since that. It's still got a long way to go. In our view, anyway, it's got at least 1 to 2 market cycles to actually mature to a point where finance truly understands it. But, again, we were discussing off the podcast, the fundamentals certainly are here to support Build to Rent.

There is definitely conjecture about the financial viability of it, and I'm sure we'll touch on it now or touch on it in a few discussion topics time. But it has a significant role to play moving forward. Certainly, that's what I feel in my mind.

Tim: Absolutely.

Richard: In terms of before we get into BTR, I was keen to just talk a little bit more generally about the housing and the rental crisis.

Tim: Yep.

Richard: Certainly, from my end, I do a lot of work with the financiers. And what I found is often it does come back to the finance. Will financiers lend, and what are the terms on which they'll lend? And one of the things that I keep, and I learned this a while ago, but I keep explaining to the government is that finance needs as much certainty as they can get to make investment and development decisions. And part of that is tax related, but part of that is also legal related. So, I'd love to just talk to you a little bit about what you're seeing and hearing on the ground, what your views are in terms of what needs to actually occur to start addressing the very severe housing and rental crisis that we have, not just in Melbourne but across Australia.

Tim: It's a really good word to use there, the certainty financiers and investors need. And I think at the moment, they're not getting that certainty at a number of levels. The housing crisis, I definitely believe, is at its heart, a supply issue as I'm sure you agree.

Richard: Yep. I do agree.

Tim: You know, there's so many issues including legal ones that are causing that supply problem. As you well know, the extremely high immigration levels, the rising interest rates, construction costs is just probably the biggest one at the moment related to that's the skill shortage.

There's a range of other factors, including a complex planning system that we have here, our tax settings, and the foreign investor approval settings. All of those combined is creating a perfect storm for supply and, therefore, for housing in Australia. I have become increasingly frustrated with governments at all levels. You hear this all the time that they're using every lever possible to unlock more housing. And, you know, certainly more is being done, and full credit to state and federal governments for pulling some levers, especially for BTR, so the land tax discounts, MIT withholding rates, and the recent FIRB changes that are allowing a secondary market for BTR.

But it does feel like we are shooting ourselves in the foot a little bit. You know, we're giving with one hand with some of these levers, but then taking with the other and just not doing enough. So, the changes to withholding tax concessions, I think, are a prime example of that.

I think it was the perfect opportunity to give the BTR market the confidence it needs and certainty, back to your word. For finances and most importantly for offshore investors. But instead, we shot ourselves in the foot by having the affordable housing thresholds, 15-year limit, doesn't apply to capital gains, and it doesn't apply to existing sites. So, the first movers are sort of unfairly punished. So that's been a bit disappointing given it felt like we have been making some good inroads with land tax discounts and the FIRB changes, et cetera.

But to your point around certainty, that is absolutely critical. From what we hear from some of the offshore investors we work with, that's what they're really seeking. They sort of don't know what's next around the corner in Australia at the moment, and I must say that's probably particularly where we're sitting in Victoria. It feels like every week in Victoria at the moment, there's another issue that crops up that potentially dampens sentiment, whether it's a new property tax or some other idea that's floated. You know, the Victorian governments recently floated the idea of broadening the growth areas infrastructure contributions into a more livability charge.

We had last year, the idea floated of rent caps, which thankfully didn't proceed, but it created so much uncertainty. And I was involved in a number of transactions where they were put on hold. In the midst of a housing crisis, we had a government floating a policy that was literally putting, you know, thousands of new apartments on hold. Yes. I think anything that can be done to create more certainty with our legal settings would be most welcome.

Richard: Well, Timmy, just to respond to that a little bit, I most certainly agree with what you said. I do believe it's a supply issue, and we track a lot of the supply. And it's been devastating to see that some of the opportunities or the tools and levers, as you've said, have not actually been pulled or not enough have been pulled to actually stimulate supply, whether it's Build to Sell or Build to Rent apartments or townhouses or even house and land. I think you've been very polite and diplomatic saying that you're a bit disappointed, but certainly so have I. There are a number of tools and levers, and you can look overseas to see some other ones. Like, for example, in Ireland, there's some really good tools and levers, like an apartment viability fund that has been set up to try and get some of those projects activated. I've also just been very underwhelmed with both the state and the federal budgets. Really the lack of support for helping the industry mobilise supply. It's been really sad to see, Australia is one of the most livable countries in the world, and the increase in taxes and charges really are making it, certainly from an investment perspective, a lot less attractive. I have the privilege, probably like yourself, to be probably back for the same funds. I chat with a lot of them, and I give them these market updates. And they keep saying, Richard, we look at Melbourne, we look at Sydney, we look at Brisbane. Melbourne and Sydney are the tier one cities. Brisbane has now also become a tier one city for capital allocation. However, with all the uncertainty, with all the taxes and charges, Victoria is just a lot less attractive to us. We need to move forward with certainty so that we can make our investments in our development decisions.

And your point about every week, more uncertainty coming into the market, it's making it very difficult for them, and a lot of them do not want to take on either the development risk that comes with lack of proper planning or interest rate rises or build costs or a lot of the uncertainty that's coming through with some of the announcements or lack thereof. And I've actually been quite outspoken at some of the events that I've had the privilege to present at where I've actually said we have a federal election coming up later this year or early next year, and I would go as far as saying that the housing crisis is probably the worst it's ever been, certainly, since probably World War 2. The government needs to look and understand what they did back at the end of World War 2 coming out in terms of stimulating supply. I think it is going to be an election defining issue. And they need to, with all respect, work harder to find more tools and levers that they can pull. I don't necessarily accept that all of these are, going to put us into a higher budget deficit. There are actually tools and levers that can be pulled that are really revenue neutral. And, I'm happy to chat separately to the government. I'm sure you could also give some advice on what those tools and levers are.

But, really, we're dealing at a time where we need to mobilise supply because we've got decade levels of low levels of supply with population growth some of the strongest levels since 1950s. So, I suppose that that's a bit of a background to the housing crisis. I don't know if you wanted to add anything more before we jump into Build to Rent and potentially how Build to Rent can have a role to play.

Tim: Yeah. It was fascinating to hear you say that, and, hopefully, governments are listening to the leading experts like yourself as we approach another election cycle. And I agree, I think it is going to be election defining. It looks like they're trying to pitch the election as an election on immigration. I don't think cutting immigration's going to be the answer. I think we actually need more skilled workers, don't we?

Richard: I 100% agree. And I forgot to actually mention, I almost had a sleepless night when I saw some of the announcements about rental caps. There could be nothing worse in terms of stifling supply, and it's a short term fix to a longer term problem, a problem that's been 2 decades in the making.

Tim: Yeah.

Richard: And, really, putting rental caps on right now ultimately will just stifle investments. It'll make Australia even less attractive. I appreciate that there are rental caps in other countries, but all you need to do is look at the impact on the supply in other countries. And it's not the right way to go, nor is it the right way to go in terms of your comments about migration. I agree. We've got a massive aging baby boomer population. They're leaving the workforce. They actually need to have their lives and their services paid for, and that will be paid for by those skilled migrants.

Tim: Yeah. So, we need to be very deliberate, I suppose, about the types of workers coming in and ensuring they can help build more homes and, of course, the infrastructure that is needed to go alongside those homes. The other thing I think we need to urgently correct is streamlining planning approval processes. I think in the midst of a housing crisis like we have, it really isn't acceptable to have planning applications just sitting there for months on end. We need to throw resources at that to ensure that decisions can be made really quickly, get the supply moving.

Richard: Well, Timmy, let's jump into BTR because I know a lot of our listeners are really keen to understand a little bit more about BTR, about Fund-Throughs, some of the lessons learned. So, let's kick it off. Let's start with, I suppose, just the BTR. I see you've got a brilliant little chart in front of you here, and I'm happy to post this in the links below after our session if I have your permission. I have seen that before. But could you just explain to everyone, really, what Build to Rent is and then what the Fund-Through Model is? Because it's a new form of financing, certainly, for residential, but I'm keen to just learn a little bit more from yourself.

Tim: Yeah. Sure thing. And just building on the broader housing issue we've just spoken about, I think Build to Rent has gone from being a nice to have part of our industry to a must have. I think it can play a really important role in addressing the housing crisis that we've just spoken about. I think it can, you know, provide a significant amount of housing supply at speed in an environment where, obviously, demand is growing, and supply is shrinking. But to make it truly shine, we need to get all of those right settings in place. We've been working on a lot of Fund-Through transactions over the last, probably, 24 months. Pre-COVID Fund-Through transactions were really prominent in the commercial office space.

So, it probably was 75% of my practice pre-COVID was working on Fund-Through transactions with commercial office. But, of course, that all came to a grinding halt during COVID. Pleasingly, you know, we've been able to use all of those skills in the Build to Rent market, though. We forecast that back in 2018, it would be a very suitable model for getting Build to Rent off the ground.

Richard: I remember reading those articles.

Tim: Yep. And it has turned out that way. I'm sure a lot of your listeners will be familiar. And as you say, I've got a nice chart in front of me. It's often hard to describe them without the chart in front of you.

And if anyone wants to speak with me separately, very happy to run a session because you could do a whole hour on Fund Throughs.

Richard: We definitely could. And for the listeners, I'll put both Timmy's details in the show notes as well as, obviously, a link to the charts. Before we kick off, Timmy, let's talk about what is the concept of a Fund-Through, whether it's commercial or, obviously, BTR. Just for some of our listeners, I appreciate there's an assumed level of knowledge. But the more I learn about it, the more I realise I actually don't know. So, I'm keen just at a high level to understand what it actually is.

Tim: So at its most basic, if you can imagine a developer, having control of a site, and in the Build to Rent context, that's often been, you know, private residential developer who no longer wants to do a Build to Sell project. They look to the market to find a takeout party, if you like, an investor. And the developer and the investor will negotiate a contract of sale and a development agreement / Fund-Through agreement, simultaneously, and those are the two key documents, but there's often a whole suite of documents that sits around it. But they get entered into at the same time. The investor will take title to the property upfront before any well, not necessarily before any constructions happen, but, normally, very early on, either before construction started or very early on in construction.

Richard: Very interesting. Okay. So, if they take title, they then are liable for things like holding costs.

Tim: Yeah. Unless they've contractually agreed otherwise, which they sometimes do. And one of the great benefits of this is it's a more stamp duty efficient model because the investor's taking title upfront, so we'll just pay duty on the land value. They then engage the developer immediately upon settlement of acquisition to develop this, whatever the building is in what we're talking about today is Build to Rent. So, investor engages the developer to carry out the development for it.

Richard: Gotcha.

Tim: It's great for private residential developers at the moment who may not want to pursue a Build to Sell strategy because they can deliver the project. They have one customer, and they can take a development profit through the Fund-Through agreement. And the basic premise is that the investor funds all of the construction and development costs along the way.

Richard: Yes.

Tim: The parties have agreed a fixed price upfront.

Richard: I was going to ask you about that because as you'd know, building costs, especially in the high density space, have increased by 40-60%. So, when I've read some of your very good articles, you basically say it's a fixed price construction contract. So, they've basically agreed this is going to be the total build cost or development cost upfront.

Tim: Yeah. So, the developer takes the risk, I suppose, on cost overruns.

Richard: Okay.

Tim: So, they've got to be sure that the fixed price they're agreeing to will allow them to, you know, deliver it for a lower than that fixed price so that they then get profit payment from the investor at the end. That is a risk that sits with the developer. The developer takes on pretty much all development risk in this model. So, time, cost, all other risk, really.

Richard: Well, I was going to ask you we've already explored at a high level what it is, and I'm assuming that you're actually or your team is responsible for drafting a lot of those documents, and you're able to identify and mitigate the risks and also the opportunities. In terms of the pros and cons, you started talking about let's start with some of the pros of it. I'm interested.

Tim: For the developer, the key benefit in this market, it gives them certainty regarding their end price, and it gives them an exit strategy, right up front.

Richard: Gotcha. Yep.

Tim: So, they know they've got this one customer, and that customer's going to take the whole thing off them. For a certain price. So really excellent for the developer. For the investor, it also has certainty. Development cost gets exposure to this brand-new development asset without taking on development risk. The investor gets to be involved in development decisions along the way, which is often a big source of contention in negotiations as to how much, say, the investor gets. And then there's those stamp duty, the duty efficiency of the whole model as well. Usually, that efficiency would get shared, I suppose.

Many, many benefits. I think in terms of the downsides, you know, they are document heavy. They do take a long time to negotiate because there are so many issues that need to be walked through. Particularly around, you know, timing, what happens if it's late, what happens if a party defaults because you've got this strange scenario where an investor's already taken title to the land and is reliant on the developer to deliver it.

So, what happens if the developer goes bust? And, likewise, what happens if the investor goes bust halfway through when the developer is relying on the investor paying along the way, and the developer is only getting paid its profit at the end. And, of course, the developer taking development risk, and it is the one engaging the builder. So, the developer engages the builder, not the investors, which is another really interesting point at the moment in the market is design and construction contracts. And where the negotiations are going with those. We've seen a massive shift post-COVID in terms of the balance of, you know, risk in D&C contracts. And so, developers are going to have to be much more conscious of that, I think, going forward. Builders are no longer just laying down and accepting all manner of risk.

So, developers are going to have to be aware of that before they go into a fund through arrangement, as will investors.

Richard: Well, Timmy, that's fascinating. That could be the next thing I want us to talk about is really what you're seeing on the ground now as the market continues to evolve and finance starts to understand a little bit more about how the documentation can work. Certainly, from my end, I speak with a lot of builders, and they, right now, do want to transfer or shift the risk. I can't say that gone are the days of the D&C contract. That's not correct. But a lot of them are going, well, we're taking on a significant amount of risk right now. We've been badly burned from the pandemic. So, it sounds like what you're hearing is that there's certainly scope for negotiations to potentially allocate or share the risks. Is that actually what's happening now in terms of projects proceeding?

Tim: Yeah. We're seeing that. It's been threatened for a while, and now we're starting to see it on the ground. We've had some really drawn-out D&C negotiations. So, at Allens, we work very closely with our construction team. Which works very nicely with Fund-Through deals because, sitting in the real estate and development practice as I do, you know, we'll tend to run the Fund-Through part of the transaction and then, you know, hand it over to our construction team. And so, we can make sure that all risk is, or as much risk as possible, is passed through to the builders, but that is becoming increasingly difficult. Some of the D&C negotiations we've had have been very protracted as the market moves towards a more balanced correct contractual risk allocation.

Richard: Gotcha.

Tim: So, things like time, cost, area tolerances, site condition risks, scope of consequential loss, a whole range of things that builders would have once upon a time just accepted, they're no longer accepting. So, developers will have to be conscious of that.

Richard: So can I ask, do you and I know this is maybe a bit of a hard question to answer, but that sounds like it's a bit of a reflection of the impact of the pandemic, the domino effect of the pandemic, but also the point we're in the market cycle? That being said, do you think that that is actually here to stay, or do you think that perhaps when the market recalibrates, gets back to equilibrium, that there will be, again, going back to the older days with builders taking on more risk? Or do you think it's actually a new trend that's here to stay, and I suppose investors and financiers and developers also just need to be aware of it. What do you think?

Tim: Yeah. I think it's here to stay for the for the near term. You know, because it is just very much where the market forces are at in a world where, you know, construction pricing is going up. You've got builders collapsing. There are few builders to choose from. The competitive nature of the market is such that builders are now going to say, well, we're not going to be taking on that risk, and we have more power against the developers. So, I think it's here to stay, and I think it's going to take a long time for the market to reset itself or get back to that equilibrium that you mentioned. So, I think for the near term, this is the world we're going to be living in.

I know we've had a number of developer clients get quite a rude shock over this last year or so about what builders are insisting on, and they've got existing relationships with builders that, you know, they say, well, last time we did this, and the builders saying, well, no longer are we accepting that.

Richard: Well, Timmy, I know we could talk all day about, BTR and BTR Funds-Throughs. Did you have anything else closing remark wise before I'd obviously close off that you wanted to talk about or let the listeners know?

Tim: No. I don't think so. It's been fantastic to talk to you. We could talk all day. I always love catching up with you to have a coffee and talk about the market. It feels like we've just done that again, but with big microphones in front of us.

Richard: Well, that's right. Look, we've both done, I think, very well given these ginormous microphones and headphones in front of us. Just to close off, it's very clear to me that you have so much experience, both background experience on the Fund-Throughs in the commercial office market as well as, obviously, in the BTR space. I know that you're very well regarded by a number of developers or financiers. So, everyone that's listening, please do reach out to Tim. I suspect you could have a very good chat and, obviously, get some advice on those risks and opportunities that are very, very clear to me and need to be both managed and mitigated before we can actually move ahead with some of these BTR projects.

Just to conclude, I always like to try out three things that I've certainly learned today. And the three things that jumped out to me were, first of all, that tax and legal settings do need to really be clarified. It'll lead to more certainty that'll help with investment and develop decisions. The second one, I wasn't aware of the change in title. I think that that's actually fascinating, and that could lead to a lot of risks but also opportunities. And I hope that the listeners are aware of that, the ones that aren't, because I can see both sides of the coin there in terms of risks and opportunities.

And then the final one I've definitely picked up is this trend with builders and builders wanting to apportion the risk. I see it also in the BTS space where they're looking to either come to some sort of a different contractual arrangement with the developer. It'll be interesting to hear what the finance thinks of that. Ultimately, they're the gatekeepers of everything. They hold the purse strings. But certainly, I'm hearing that a lot. And it sounds like there's an opportunity to contractually put together these documents to respond to the point that we're in the market cycle. And it probably is also a bit unique given the huge impact on construction costs, which is certainly a result of the pandemic. So please, again, reach out to Tim if you're keen to get any of the legal side of things. Certainly, he's demonstrated to you that he is the person to speak with. And I do know a bunch of his colleagues. Again, they are absolutely fantastic at what they do. Just to close off then, I've certainly got the slides. So, thank you, Tim, for making those available.

I have seen you present them previously, and they are very detailed, but also make a concept that's actually quite complicated much more simple. And I think that there's a lot in this. It's interesting we can learn from other asset classes, for example, the Fund-Throughs for commercial office. I'm sure there's other things that we can learn both in the contractual side of things and the financing things to help BTR just get de-risked. Certainly, the BTR episodes that I present on and get people on, it's an education piece.

We give a little bit more away than we would for other asset classes quite simply because we need to educate the industry. I'm absolutely convinced BTR has a role to play, and in the longer term, it'll play a really big role. But the first step is educating the Australian public, the Australian finance industry, the Australian development industry on what BTR is in Australian conditions. That'll help everyone actually price the risk. And then also, hopefully, we can continue to educate the government on what this asset class is and how it can actually have a very positive impact both on supply of dwellings and longer term also more affordable forms of dwellings.

So, thank you very much, Tim. Certainly, we'd love to have you back on the podcast to talk again all things BTR, but also the industrial stuff. Certainly, the headline on what you're working on now sounds fascinating. And for another day, industrials and asset class that I'm also doing quite a bit of work in, and I'd love to have you back on the show.

Tim: I'd love to come back. Thank you very much for having me, and congratulations again for all that you're doing for the property industry. And well done on getting this podcast off the ground. I'm looking forward to being a keen listener.

Richard: Thanks very much, Tim.

Richard: Thank you very much for listening to this podcast. If you enjoyed the episode, please make sure to subscribe to our podcast so you never miss an episode as we've got more exciting content coming. We'd love to hear your thoughts. Please leave us a review on either Spotify or Apple Podcasts as it really helps us to grow. Also, follow us on Instagram at Precisely Property for updates and join the conversation. If you'd like to get in touch with us, subscribe to our newsletter via our website, charterkc.com.au or write to us at podcast@charterkc.com.au.

Lastly, if you found this episode interesting, please share it with your friends and family. Thank you again for listening and stay tuned for our next episode dropping in 2 weeks' time, plus bonus content also on the horizon.
