

# BWG Commercial Finance Specialists Limited



## Development Finance

### General Guidelines / Information Sheet

Commercial Mortgages

Development Finance

Homeowner Loans

Bridging Finance

Business Loans

Asset Finance

Leasing

- Site acquisition - Prime Lending Land loan upto 75% of purchase price or valuation.
  - Stretch Lending upto 85% purchase price or valuation.
  - Mezzanine Funding upto 100% is available.
- Construction - Development loan of upto 100% of full costs i.e. build costs, professional fees, finance costs
- Stretch Lending and Mezzanine Finance terms for land acquisition and development loans are normally subject to satisfaction with quality of proposition and track record of customer and may have an exit fee.
- Drawdown of development loan in stages against architect certificates
- Copy of planning permission has to be seen.
- Detailed costings to be provided to include all costs - site acquisition, ground works, construction, fees, finance. Should allow for 12 months interest and a contingency for cost overruns of say 10/20%.
- Lenders may ask for the costings to be independently checked by quantity surveyor or architect.
- Developer financial contribution to made up front and used first on both land and development loan. Contribution needs to be evidenced at outset.
- Normally Bullet repayments are made to the Lender from sale or refinance of project. Interest is allowed to roll up in the meantime.
- Project to be completed normally within 24 months as a maximum - usually 12 months.
- Valuation from Lenders agreed panel commenting on value of land pre and post development.
  - Valuer to provide positive commentary upon likely demand and prospects for timely disposal.
  - Valuer to confirm accuracy of both costings and anticipated sale price.
  - Valuer confirms proposed build mirrors planning consent held.
- Developer must demonstrate and evidence experience if undertaking the project themselves. Alternative is a project manager employed with suitable qualifications and experience.
- If builders employed, Lenders would need to ensure they have the ability to complete the project competently and have the financial wherewithal to complete the project. NHBC or similar insurance held by builder i.e. Zurich policy. Normally based on a fixed price contract.

