# Specialist finance information
## ground-up development

The questions below will make sure you collect the relevant information to deal with your ground-up development enquiries as efficiently as possible.

These questions should not replace your own fact-find process – they are designed to be a guide to make sure your ground-up development enquiries are dealt with swiftly.

1. Name
2. Is planning permission in place or has it been applied for
3. Land value/purchase price
4. Total build costs
5. End value (Gross Development Value)
6. Loan required
7. Property address/ location
8. What experience does the applicant have, including the number of any previous builds
9. Brief description of proposed development (for example: three houses)
10. Exit - sale or refinance
11. Who's doing the build, for example The Joint Contracts Tribunal (JCT) as part of a fixed price contract?
12. Term needed
13. Is the application being made as a Special Purpose Vehicle (SPV) or an individual
14. Any quirks – or additional information that may aid or support the enquiry/ application
15. Any adverse credit or issues we should know about

See next page to find out why we think you should ask some of these questions.

If you need any further help with your enquiry, just get in touch with the Clever Lending team by calling **0800 316 2224** or emailing **tenet@cleverlending.co.uk**

Paradigm MORTGAGE SERVICES

CLEVER LENDING

# **Specialist finance information:** ground-up development

The notes below explain the reasons for - and relevance of - some of the questions we think you should ask as part of a ground-up development enquiry.

**2. Is planning permission in place or has it been applied for**

Planning consent clearly impacts the value of the property. Not having planning permission does not preclude anyone obtaining development finance, but it will have an impact on the loan amount and loan-to-value (LTV). Always be aware of any restrictions.

**3. Land value/purchase price**

If the applicant owns the land then they may borrow against its current value in order to build. However, if they do not own the land and are looking to purchase land on which to build then this may be a much lower LTV.

**4. Total build costs**

Finance may need to be taken over many months or years. Property finance becomes a more complex series of staged releases until completion of the project. It may also require major plans, teams of different tradesman and architects to cover purchase of the land for each stage of the development. It is always useful to have a contingency plan for any unexpected hold-ups or build interruptions.

**5. End value**

End value of the property development, otherwise known as the Gross Development Value (GDV) is extremely important to any lending decision. The lender will establish if the project is credible and lend worthy. Many lenders may not consider an application if the total build costs exceed 75% of the GDV. Many lenders view 65% of the GDV as a good benchmark, even if this equates to 100% of the total build cost.

**8. What experience does the applicant have, including the number of any previous builds**

Lenders like to see some previous build experience, even if this has only been gained from working on a small development - providing it has been successful and profitable. It is helpful to any funding application to provide details of builders, planners and architects that have been used previously. This influences the number of lenders willing to finance and the products that are offered.

**10. Exit - sale or refinance?**

When considering the exit, it largely depends on what type of development has been undertaken. If residential, a ground-up development will be sale of properties but not always. If the exit is to refinance then this needs to be considered at point of application and must be viable for both residential and commercial.

**11. Who's doing the build, for example The Joint Contracts Tribunal (JCT) as part of a fixed price contract?**

The JCT produces standard forms of contract for construction, guidance notes and other documents used in the construction industry.

**12. Term needed**

It is very useful to the lender to have clear timescales of the build plan. The answers to questions 8 and 10 will reinforce this to provide a strong and viable plan.

**13. Special Purpose Vehicle (SPV) or an individual**

A SPV is a legal entity (limited company) created for a limited purpose. SPVs are used for a number of purposes including the acquisition, financing of a project or managing property projects

Clever Lending is a trading name of Financial Makeover Limited. Financial Makeover Limited is a limited company registered in England and Wales with registered number 6111701. Registered Office: Kempton House, Kempton Way, PO Box 9562, Grantham, Lincolnshire NG31 0EA. Financial Makeover Limited is authorised and regulated by the Financial Conduct Authority (Financial Conduct Authority Register number: 706595).