sqft.capital

8 Things You Should Know About Property Development Lenders

When raising capital for our clients, sqft.capital considers a lot more than relationships, interest rates and market profiles whilst securing the correct lenders to actually deliver on a development finance facility.

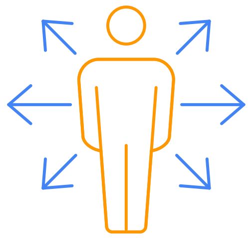
For explanations on any terms below, please see our Lending Glossary here.

1

Lenders do not work to one interest rate, they are IRR driven.

It's easy to be attracted to headline interest rates that lenders advertise, however this is not a reliable way to compare lenders' offerings.

2



Lenders are not proactive about Due Diligence speed or cost.

Due diligence is always undertaken by external professionals (valuers, monitoring surveyors and lawyers) to provide a perspective on which the lender can legally base their loan.

3

Senior lenders don't work with all mezzanine lenders.

Fitting together a senior debt and junior debt (mezzanine) lender is far from easy as both will require a charge on the site to protect their security in case of a default.

4

How lenders are funded (i.e. where their money is from) is hugely important.

Believe it or not, not all lenders have an endless bank of funds. Main banks typically lend customer deposits, all “challenger” banks will take a funding line from a funder of typically £25m to £300m per year.

5

Not all lenders have the same appetite about loan size, geography, type of scheme etc, unlike the mortgage market.

All lenders have an “appetite” to lend - but also a criteria of where and on what they would prefer to lend on - which is technically descrimination, but this lending industry is unregulated so they are able to pick and choose.

6

A Lenders’ Business Development Manager has the power to support or decline a deal on their own perception - they do not want to take a deal to credit that might not get sanctioned.

All BDM’s have a lending “target” per year so must look at as many proposals as possible in order to reach their target with the most secure loans.

7

Initial Valuations are as important for indemnity to a lender, as they are for the actual valuation figure.

A lender will appoint an external valuer to value each site, upon which, they can base their loan.

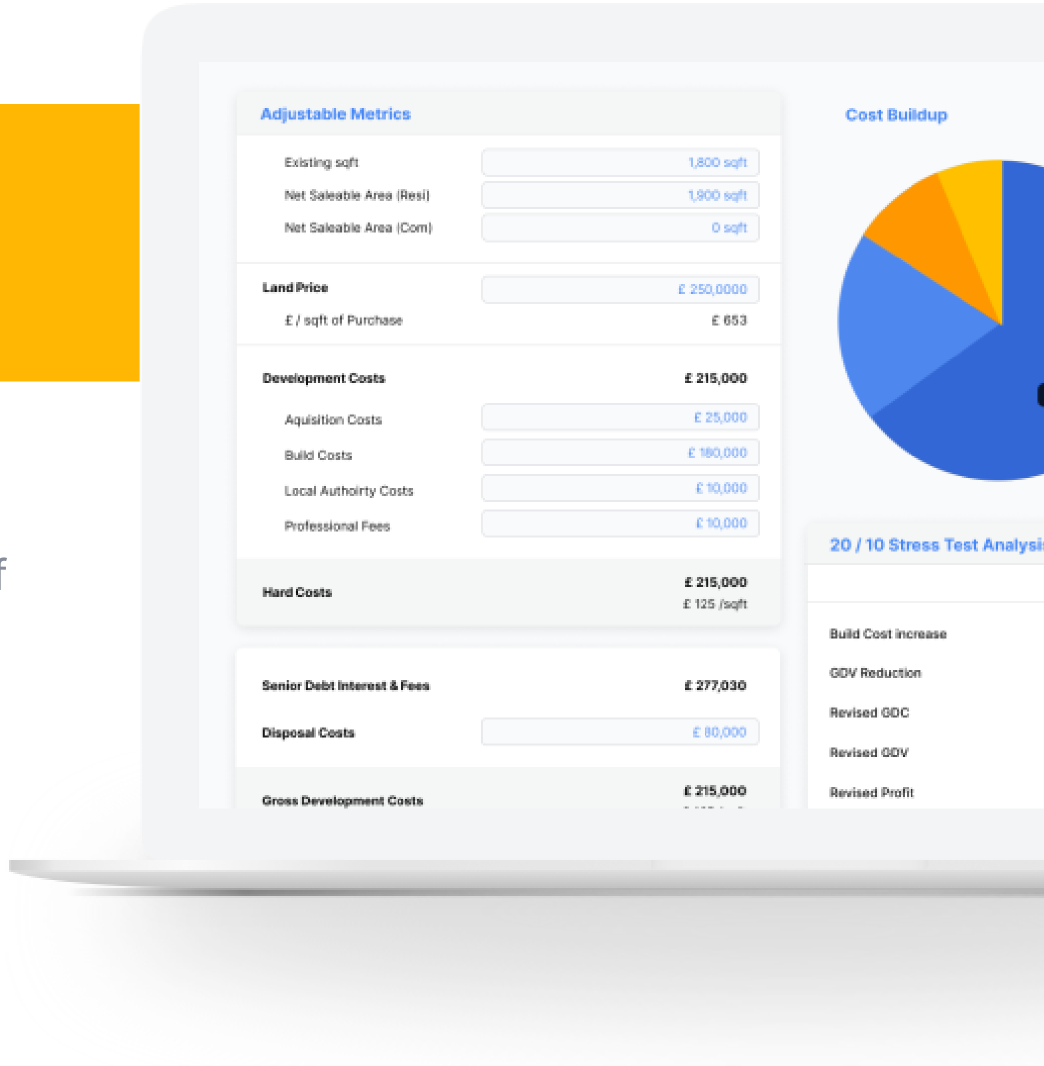
8

Why it can take months to fund a deal that could be done in days.

The process of a loan from origination to being lent to the developer, includes information sharing, credit paper drafting, credit committee sanction, site valuation, project monitoring report and legals.

Try it today

sqft.capital exists for developers only. We believe we can, through the right use of data and human oversight, reduce the average duration of a loan arrangement from 134 days to under 3 weeks.



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