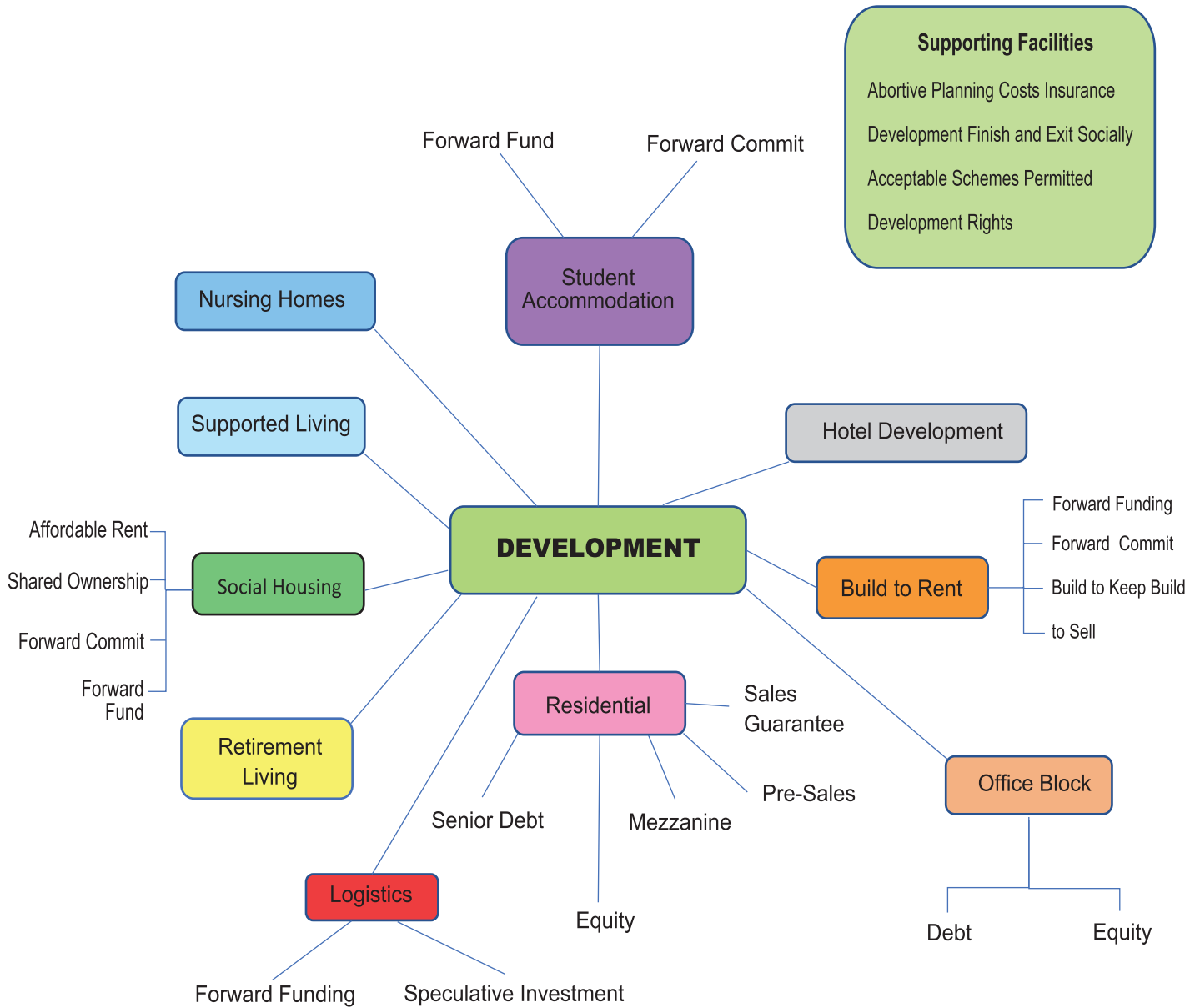


Product Guide for Development Funding



These products are offered by Brokers who are Authorised and Regulated by the Financial Conduct Authority.

Members of the Turnaround Management Association
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Funding	Type	Application	Scenarios	Overview
Development Finance	Residential Development	Senior Debt		First Charge. 85% loan with additional option of mezzanine finance to stretch loan
		Mezzanine		Second Charge. up to 75% loan to gross development value
		Equity Finance		Investor Profit Share. Investor will contribute further funding up to either 50% of the equity requirement or even 90% of the equity required, in return for a profit share
			No experience	UK wide, £5m-£20m loans with a Loan To Cost (LTC) of 95%, no need for PGs, Interest rate c.9% No need for the developer to have previous experience, providing an experienced contractor is being used
			Contractor proven experience without capital	Contractor experience, but no direct experience. Funding available for up to £30m, up to 65% LTGDV or 85% LTC,
			Joint Ventures (JV)	Developer with no experience or minimal capital can JV with experienced contractor or land owner
		Pre-Sales	Apartment Schemes (AS)	AS can be pre-sold to institutional or overseas investors
		Sales Guarantee	Houses only	Third party finance company will guarantee the sales for the houses whereby the project total value is discounted by 20%, & then 10% of that figure is advance to the developer on an unsecured basis towards the capital stack. Houses ONLY
	Office Block Repositioning	Senior Debt	See above	
		Equity Finance	See above	
	Build to Rent - PRS	Forward Fund		Long term investor buys the land, pays the developer to build out & retains the assets. Completely de-risked for the developer
		Forward Commit		Long term investor exchanges contracts & provides 10% deposit with the balance paid on the project completion
		Build to Keep		Developer builds out the project & then takes out a long term mortgage to retain the asset as a long term investment
		Build to Sell		Developer builds out on a speculative basis to sell to individual investors or private home owners
	Hotel Development	Refurbish/ conversion		To upgrade a tired hotel or convert a commercial property into a hotel (High street regeneration)
		Build out of the ground		A total new build from ground up via the <u>3 pillars</u> : Senior Debt, Mezzanine & Equity Finance - See above
	Student Accommodation	Forward Fund	See above	
		Forward Commit	See above	
	Nursing Homes	Operator - Owner		New build, conversion or refurbish for the owner occupier
		Investor - Owner		Institutional investor rents out the property to the nursing home operator
	Supported Living	Operator - Owner		Semi-controlled, safe environment in a small community
	Social Housing	Forward Fund	See above	
Forward Commit		See above		
Shared Ownership			Tenant has the option to buy increasing amounts of the equity in the property	
Affordable Rent			Property is rented out to the tenant at a discounted rented level/ rate	
Retirement Living	Investor - Operator		Community (villages) with health care & leisure facilities for the 55+	
Logistics	Forward Fund	See above	Where a pre-let is in place an institution will forward fund the build out of the asset	
	Speculative Investment		Where there is no pre-let or pre-sale speculative development finance is still available	

Additional Facilities	Type	Application	Overview
Abortive Planning Costs Insurance	Development	Minimal Capital	To protect the developer from losing excessive amounts of capital from a failed planning application. Up to 95% of costs can be insured
Development Finish & Exit	Development	Discharge Current Lender	To discharge current development lender, finish off the project & provide a period of grace during which the properties are sold
Socially Acceptable Schemes	Development	Bespoke Project Solution	Homeless, asylum seekers, battered wives etc. Term mortgages >25 years. Development finance >65% loan to value at 4.5% interest
Permitted Development Rights	Development	Commercial > Residential	To take a redundant commercial property & create a residential development project that has relevance
MMC Manufacturer	Development	Modular Housing	First charge. £3.5m>15m, 75% TGDV, 100% LTC, 7.5% to 9.5% interest, fees: 1.5% in out, term 3>18 months. Mezzanine second charge. £500k>5m, 18%>20% interest rate, fees 1.5% in&out, 75% LTGDV or 90% LTC, term 3>18 months. Equity. £1m>6m, >98% LTC or 90% of equity
Equity Investment Facilities	Development	Equity Shortfall	For the developer who has arranged senior debt & mezzanine & still needs further capital input
100% Joint Venture funding up to £7m	Development	Equity Shortfall	Lender is based in Yorkshire. If the loan required is no more than £7m, the project is within two hours drive of Sheffield & the project pre-finance profit is 27% of the gross development value, then this lender will provide 100% funding on a profit share basis
100% Joint Venture Funding up to £4m	Development	Equity Shortfall	If the project costs equate to no more than £4m, even though the developer may have little or no experience of development this lender will provide 100% funding for the project. Profit before costs must be 27% of the gross development value
90% of the Equity Required	Development	Equity Shortfall	Institution will sit behind a senior debt provider & advance up to 90% of the equity required on a profit share basis. The maximum advance is £1m
Private Investor Says "Developer Pays Only the Valuation & Legals"	Development	Equity Shortfall	Investor will sit behind a senior debt provider & provide the equity shortfall. Funding between £250,000 & £1m for a maximum term of 24 months. In return, the investor requires to "double my money" i.e. invest £750k the investor needs £750k profit
98% Loan to Costs	Development	Equity Shortfall	Investor will sit behind a deposit taking senior debt provider & provide sufficient funds to cover up to 98% of the total project costs. The maximum advance by the investor is £2m
The South & South East	Development	Equity Shortfall	Private investor will sit behind a senior debt provider & invest sufficient funds to cover the equity shortfall. The investor requires a profit share of 50%. The maximum investment is £2m
Institutional Funding up to £7m	Development	Equity Shortfall	Institution will provide up to £7m in equity funding to sit behind a senior debt provider & ensure the developer has 100% funding. This lender will take a profit share but not necessarily 50%. If the project is build to rent, this lender can consider buying the completed project for their portfolio
Big Deals	Development	Equity Shortfall	Institution will provide 80% of the equity required. For example: A project has total costs of £25m A senior debt provider advances £20m. Therefore, there is an equity shortfall of £5m. In turn, if the developer can input £1m, this institution will provide the £4m on the basis that the institution will charge a coupon of 20% & 50% of the project profits
Family Office.1	Development	Equity Shortfall	Family Office (FO) prefers to work with a specific selection of senior debt providers who will advance up to 65% LTGDV. Thereafter the FO will provide a mezzanine strip taking the total combined advance up to 75% LTGDV. Subsequently if there is still an equity shortfall this FO will provide 50% of the equity shortfall
Family Office.2	Development	Equity Shortfall	Family Office (FO) prefers to work with a specific selection of senior debt providers who will advance up to 65% LTGDV. Thereafter the FO will provide a mezzanine strip taking the total combined advance up to 75% LTGDV. Subsequently if there is still an equity shortfall this FO will provide 90% of the equity shortfall but on housing schemes only
Family Office.3	Development	Equity Shortfall	Family Office (FO) sits behind a senior debt provider & provide up to £2m to ensure that the developer has 100% funding to progress a project. The family office requires 50% of the project profits
HNWI Network	Development	Equity Shortfall	A network of investors will invest between £2>3m in equity but the profitability of the project has to be between 18>20% of project costs

Incidental Facilities	Type	Application	Overview
Stabilisation Fund	Development	Exit Funding	12 >36-month exit funding for student accommodation or hotel development whilst the income stabilises to allow a long term lender to provide a mortgage
Preferred Equity	Development	Equity Shortfall	A developer of a BTR project may decide to retain the asset on project completion to then fully occupy all the apartments as well as any commercial part of the asset. The developer may feel that in so doing an institutional investor will pay a higher price for a completely rented out scheme than an investor buying off plan who would require a substantial discount. In such circumstances there could be a shortfall on the refinance facility. In turn it is possible to obtain equity funding that will cover between 50% and 90% of the shortfall on a Joint Venture basis.
Special Opportunities Fund	Development	Rapid Growth	Specialised fund will provide up to £200m for a client with a good track record & a strong pipeline of opportunities to grow rapidly. The fund will provide 95% of all costs in return for a 20% IRR. For example, a hotel operator to buy, refurbish & operate hotels to create an enlarged group before selling in 4 >5 years' time to an institution
Social Housing	Development Pre-Sale	Non S106 Stock, Deposit Funds	Commercial property conversion to residential, 72%>75% of open market value (OMV) with a 15% deposit upfront on exchange of contracts. Deposit funds to be used in capital stack & funder will only buy a portion of development
Property Services – Warranties	Development	Insurance	<u>Deposit protection</u> for investors who wish to buy off plan apartments or houses whereby the investor exchanges contracts & pays over a 10% deposit. Deposit is protected in the event that the developer becomes insolvent
			<u>Structural Defect Warranty</u> 10 year structural defect warranty for new homes (required by mortgage lenders), 12 year structural defect warranty (required for social housing projects), new build projects, rebuild/conversion projects & retrospective projects cover
			<u>Building Control</u> fully compliant entity to complete a fully licenses & insured building control service, with ability to use one appointed representative both surveys on both products
Delinquent development project initiative	Development	Opportunity Purchase	Where a project has for what ever reason go into Delinquency or Administration there are funds which will help finance the next purchaser/ developer to complete the project
Western Europe	Development	Overseas Projects	Hotels, Office Blocks & Student Accommodation & Apartment schemes. Above £10m project funding throughout Western Europe