

FINANCIAL PRODUCT GUIDE FOR SETTLING A DEVELOPMENT SITE

The main variables that affect a development site loan are the approval status for the intended use and then understanding the difference between purchase price and a valuation prepared for a lender. Also, development sites requiring settlement can present themselves in many differing forms of approval status and this can result in a diverse range of funding options needing to be considered, so the following table is somewhat generic and there can be many permutations that may result in a better outcome.

Banks will only look at a development site based on very low levels of gearing and/or if the borrower/property has strong surplus income to service the debt. Many developers got around this by telling their bank the site is an investment property and not a development site. Banks are now wise to this, and most now refuse to provide standard mortgage loans for sites with approvals either attached to the land or pending.

ITEM	BANK	FUND A	FUND B	FUND C	JV
Loan Amounts		<\$2.5mil	<\$5mil	<\$ 5 to \$40mil	Up to \$5mil
LVR	Banks will only look at a development site if the borrower or property has strong surplus income to service the debt. Alternatively if it is an existing house and you lie to the bank and tell them it is an investment property and not a development site. It is possible but quite often results in a non-event.	65%	70%	65%	100% of costs
Locations		SYD, MEL & BNE	SYD, MEL & BNE	SYD, MEL & BNE	SYD, MEL & BNE
Application Fee Out-of-Pocket		\$10k + \$10k	\$10k + \$10k	\$10k + \$20k	\$10k + \$20k
Loan Establishment Fee		2.0%	3.0%	2.0%	3.0%
Interest Rate		10%	15%	11%	15%
Notes on the options		If no existing house / improvement, reduces to 50% LVR	Asset Lend. Quick settlement. Valuations sometimes not needed	Need to demonstrate short exit or longer term ability to service from cashflow or profit event	50% of profit after costs, mainly via sale of site with DA
Note		There are many variables regarding funding of development sites, the best way to understand what is currently available is a quick call to one of our team.			

38 TOWNHOUSE SITE REQUIRING DA

\$3,540,000



\$	LOAN AMOUNT \$2,100,000		
%	GEARING 60%	↑	INTEREST 15%p.a.
🏠	LENDER Private	🏠	PRESALES Nil

76 TOWNHOUSE SITE REQUIRING DA

\$5,000,000



\$	LOAN AMOUNT Snr \$2.76M Jnr \$490K		
%	GEARING Snr 60% Jnr 71%	↑	INTEREST Snr 15% p.a. Jnr 36% p.a.
🏠	LENDER Private	🏠	PRESALES Nil

13 LOT SUBDIVISION

\$2,200,000



\$	LOAN AMOUNT \$1,200,000		
%	GEARING 54%	↑	INTEREST 12%p.a.
🏠	LENDER Private	🏠	PRESALES N/A