



Development
Finance
Partners

*Turning plans
into reality*

FINANCE YOUR PROJECT WITH ZERO PRESALES

Some detailed examples of property developer clients wanting project finance without presales and the solutions achieved for them.





Location: Melbourne, VIC

\$11M Construction Facility, No Pre-Sales, during Stage 4 Covid-19 Lock Down in Melbourne, Victoria

■ BACKGROUND

Development Finance Partners (DFP) was engaged by its builder/developer client to procure funding for a 4 level, 19 apartment project to be constructed in suburban Melbourne.

■ THE KEY ISSUE IN SOURCING FUNDS

While the client was seeking a competitive funding package with no pre sales, the escalation of the Covid-19 crisis in Melbourne meant that many target lenders were reducing lending limits and/or loan-to-value ratios and/or were not prepared to proceed without pre sales.

Limits on the number of tradesmen on site and potential disruptions in accessing materials were also concerns. Plus, valuation firms and market commentators were, in general, marking down property values in line with ongoing difficult economic conditions.

■ DFP'S ROLE

DFP coordinated a collaborative negotiation between its capital partner, the client, their respective lawyers and the appointed Valuer and Quantity Surveyor consultants, to work through the various challenges. The result was a successful finance approval based on a 62% Loan to Net Realisable Value, with no pre sales required.

Financial close has recently taken place and construction is underway.

■ WHAT THE CLIENT SAYS

"We approached DFP in late 2019 to seek some options for funding on the basis that we wanted to start construction with no pre-sales. There was an offer on the table, but the impact of time and the onset of the Covid crisis meant the original offer was pulled. DFP offered to assist us in an alternative solution and found another financier willing to extend a funding offer similar to the original deal, fundamentally, with the no pre-sale condition that we were originally after."

DFP were able to pinpoint a suitable financier who was willing to support and back the Developer's ongoing development pipeline within the context of the macro-economic funding challenges bought on by Covid.

DFP being able to obtain an LVR in excess of 60% was also significant positive commercial result for the client given the current economic climate.

DFP have an extensive network of capital partners that can be utilised specific to a developer's project needs. Given the current very dynamic and shifting funding climate, DFP are a valuable partner who understand who is in the market, for what type of project and developer on any given day. Given their agility and closeness to the activity across the Australian Seaboard, they are critical partner in these unprecedented time."





Location: Sydney, NSW

\$3.6M Land Subdivision Finance North West Sydney

BACKGROUND

Development Finance Partners (DFP) was engaged to provide a development finance facility for a 15 Lot residential subdivision in North West Sydney, 50 klms from the CBD.

The client had engaged DFP over 12 months ago, however due to issues with access for services on the site and delays with the local council around determination of road access for the services, the settlement was delayed.

THE KEY ISSUES FACED FOR THIS PROPOSAL.

- Timeline delays with Local Council
- Right of easement issues for service providers
- Change of civil contractors mid-stream
- The advent of Covid-19 resulted in difficulties in securing presales and a more conservative approach by lenders in loan-to-value ratios

DFP'S ROLE

- The client provided DFP with an overview of funding requirements.
- DFP, together with the client, worked through a projected feasibility and funding cashflow timeline.
- Once a funding structure and outline was agreed, DFP provided the client with proposed terms via its Service Agreement, based on a 'stretch' funding structure (a combination of senior debt and mezzanine finance), assuming no presales.
- DFP was formally engaged by the client under the Service Agreement.
- DFP held several informal discussions with Capital Underwriters to gauge interest. A long time and proven Capital Partner agreed to work through and issue terms for the client.
- DFP immediately then prepared an executive summary for the Capital Partner.
- The Capital Partner subsequently issued an indicative loan approval, which resulted in loan documents being prepared and executed by the client.
- DFP managed the relationship between the client and the underwriter to keep the matter moving forward.

OUTCOMES

- The Capital Partner issued terms based on a 67% loan to value ratio with no presales
- 12-month Facility
- Land acquisition settled in September 2020
- Project now underway
- The client is delighted with the outstanding results delivered by the DFP Team.

THE RESULTS DFP DELIVERED:

- Finance – \$3.6 m 'stretch' loan secured, terms agreed, loan documents issued and concluded.

WHAT THE CLIENT SAYS

"DFP have been working closely together with me on this project. We have worked through project feasibilities and lending structures over the period and they also assisted to structure the finance in a way to not only suit my requirements but to also provide their Capital Partner with the comfort to provide the development finance."

Due to some constraints on the site, the proposal had some complexities to be worked through with the Capital partner, Valuer and Quantity surveyor and at all times the DFP team of Bronko Kozel and Bob Hunter provided their assistance and expertise to help me navigate through the process. I'm delighted to work together with the DFP team and would highly recommend their services for anyone looking to secure Development Finance."





Location: Brisbane, QLD

\$7.7M Land Subdivision Finance North of Brisbane

■ BACKGROUND

Development Finance Partners (DFP) were engaged to advise the Developer regarding a seven-stage land subdivision in the emerging residential suburb Morayfield, just over 40km north of Brisbane. With all statutory approvals held and preliminary works commenced on site, the client was keen to turn soil and ensure the favourable civil contract quote was not allowed to expire. The incumbent lender, a Big 4 bank, was seeking unconditional presales with 10% deposits, and wasn't able to get comfortable with the Put & Call options held over most of the 130 residential lots to be completed.

■ THE KEY ISSUES FACED BY THIS RESIDENTIAL DEVELOPMENT PROJECT

- No conforming presales were held;
- Works had begun to commence on site, hence time was of the essence;
- Some "Vendor Lots" formed part of the sales held; and
- Approved project staging meant a large amount of works (and cost) were required up front to benefit future stages

■ DEVELOPMENT FINANCE PARTNER'S SCOPE

Development Finance Partners (DFP) were retained to provide advice, recommendations and to assist with deal structuring to mitigate the issues above and secure funding on appropriate terms to ensure the effective completion of the project in a timely manner.

■ RESIDENTIAL DEVELOPMENT FINANCE: THE RESULTS DELIVERED

- DFP secured unconditional finance approval to refinance the original mortgage over the land;
- DFP advised, arranged and settled a land subdivision construction finance from a "challenger" Australian Retail Bank on terms not comparable or superior terms to the Big 4;
- DFP assisted with and advised on the valuation and quantity surveying process, ensuring the proper treatment of sale agreements on foot, as well as the adoption of the minimum contingency amounts and removal of commercial risk weightings; and
- Construction works for Stages 1-3 are complete, with Stages 4-7 civil works commencing when this case study was published.

■ WHAT THE CLIENT SAYS

"We would like to thank the team at DFP for their assistance recently in relation to the financing of our land subdivision project."

We were frustrated with the Big 4 Banks as we had a shovel-ready, de-risked project that was being delayed by the ever-changing bank policies. Given the tight timeframes DFP performed, given their extensive relationships by providing competitive financing on terms compatible with our usual funding arrangements.

Our new relationship is beginning to flourish with the new Banker, and we are already discussing the second phase of the funding for our project. We look forward to dealing with DFP in the future on other projects and we would have no hesitation in recommending the team to other clients."

DAVID SHARPE, DEVELOPER, NEWCASTLE

■ WHAT THE NEW BANKER SAYS

"Thank you to the Development Finance Partners team for your assistance and professionalism. It was pleasing to deal with a proactive, knowledgeable and pleasant Development Finance Advisor (and good bunch of lads)..."



We are here to assist property developers.

Introducing Development Finance Partners

Development Finance Partners was established in 2012 as a specialist Property Development financial advisory firm working with property developers and partners across Australia.

DFP provides:

- Access to alternative (non-bank) forms of finance for property developers including:
- Joint venture funding
- Preferential equity/Mezzanine finance
- Land bank funding
- Corporate loan notes
- Bank funding
- Workouts – assisting property developers and funders with strategic advice and support as it relates to projects that are at risk of collapse or financial stress.
- Development Management – providing specialist support and project management to ensure efficient completion and a profitable outcome.
- DFP is challenging the traditional finance sector and in particular the top tier banks by providing:
- strategic advice to developers in how to achieve successful outcomes;
- support beyond the financial issue – by, for example, assisting with project management; and by
- facilitating access to capital outside of the traditional banking sector

SYDNEY OFFICE

LEVEL 3, 31 ALFRED ST
SYDNEY NSW 2000

 **BAXTER GAMBLE**
DIRECTOR

 0411 458 845

 bgamble@dfpartners.com.au

BRISBANE OFFICE

LEVEL 18, 175 EAGLE ST
BRISBANE QLD 4000

 **MATTHEW ROYAL**
DIRECTOR

 0450 505 433

 mroyal@dfpartners.com.au