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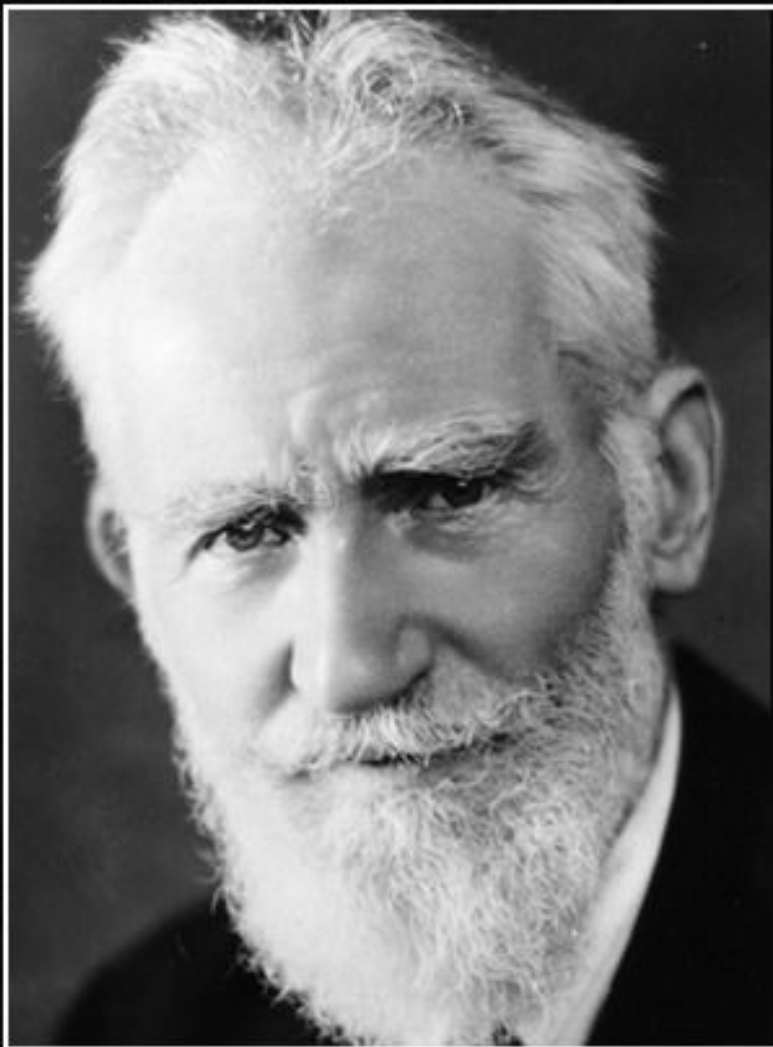
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WELCOME TO Property Mastermind



If you have an apple and I have an apple
and we exchange these apples then you
and I will still each have one apple. But if
you have an idea and I have an idea and
we exchange these ideas, then each of
us will have two ideas.

— *George Bernard Shaw* —

AZ QUOTES

Housekeeping

- Next session – Tuesday 26th March due to Easter, hotel availability and member feedback
- Parking
- Fire alarm

Timings

9.30	Welcome	
9.35	Neil Barfield Introduction	
9.45	Jay Lall	
10.00	Michael Primrose, Creative Deals Need Creative Finance	
10.45	Tea & coffee break	(15 mins)
11.00	Development finance discussion	
12.30	Light lunch	(60 mins)
1.30	Successes and challenges	
2.30	Tea & coffee break	(15 mins)
4.00	Close	

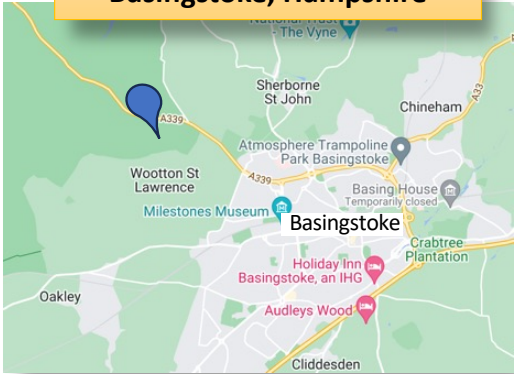
Neil Barfield

Introduction

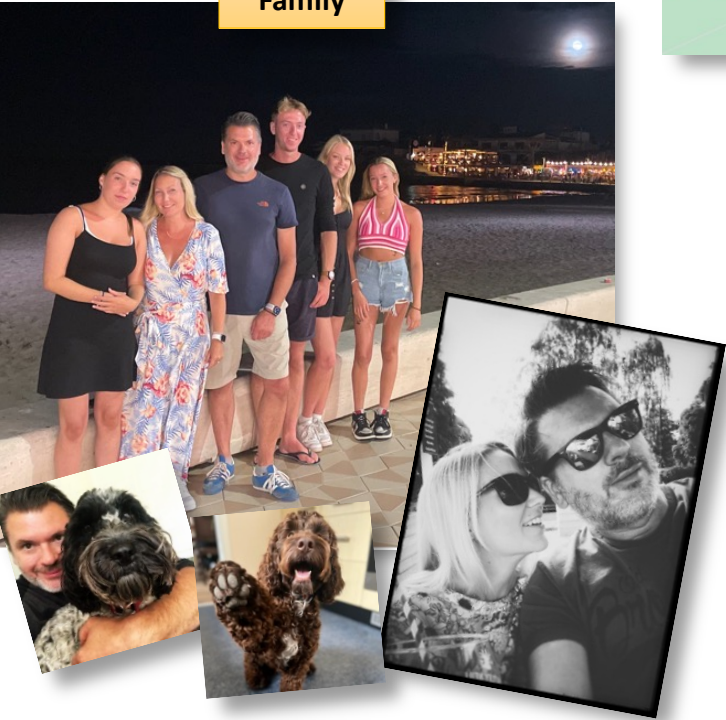


A bit about me

Basingstoke, Hampshire



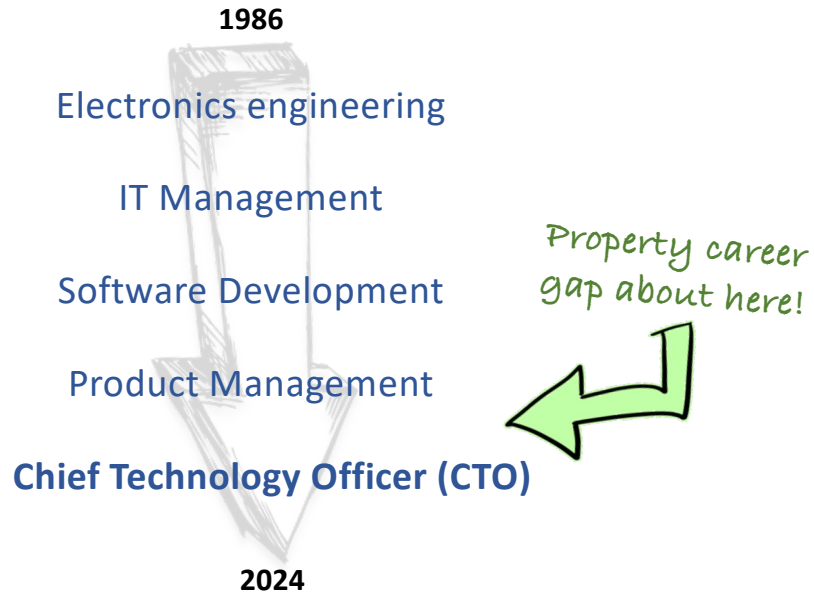
Family



Hobbies



Corporate Career



CTO (last 4 years)

- Patient services
- Clinical trial / pharma industry
- Delivered Technology Solutions
- Product development
- Software engineering
- Led a team of 40

M&A Exit → didn't work out!

Redundant Just Last Week!

Now what?

- Corporate AND Property
- Corporate: Part time 2 days a week
- Consultancy | Contract | NED
- Back to property 😊

Property

2017 - 2020



Build of 3 new terraced homes in Shirley, Southampton

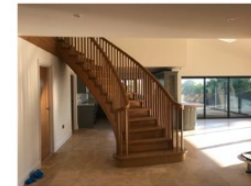


- Project management
- For clients
- New builds, refurbs, conversions



3-unit barn conversion, Timsbury

Build of 4000 sqft luxury new home in Nether Wallop



Development

2020 - 2022



Times Square

Duke Street, Trowbridge, Wiltshire.

Conversion of a large grade II listed historic building, into 9 new homes, consisting of 6 cottages and 3 apartments. One of the apartments was an air-space new build.

It was completed on time and all units sold quickly, with the final unit selling Jul/Aug 2022.

GDV c£1.8m
Profit was c£375k (pre-finance)

- **Commercial Conversion**
- **Planning Gain**
- **Some New Build (air space)**



Property

2019 - 2024



OakBee

Nr Basingstoke, Hampshire

Planning permission gained to build 6 new build houses.

4x 3-bedroom semi's and 2x 4-bedroom detached

Long drawn-out project with complications!

Was going to sell but exploring building – subject to securing lending.

- Direct to vendor
- Option Agreement
- Planning Gain
- New Build





Equa
ACADEMY

Jay Lall

Development Finance



Equa
ACADEMY

Michael Primrose

Creative Deals Need
Creative Finance




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THE
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COLLECTIVE

PRESENTS

CREATIVE DEALS NEED CREATIVE FINANCE



The Property Finance Collective is an independent commercial finance broker not a lender, as such we can introduce you to a wide range of finance providers depending on your requirements and circumstances.

We are not independent financial advisors and so are unable to provide you with independent financial advice

THE PROPERTY FINANCE GUY

MICHAEL PRIMROSE

- EX-CONVEYANCER
 - EX-ESTATE AGENT
 - COMMERCIAL FINANCE BROKER
 - HOST OF THE PROPERTY FINANCE PODCAST
 - WORKING ON 2 NEW BUILD DEVELOPMENTS OF 31 UNITS USING DEFERRED PAYMENTS
-





FINANCING



EDUCATING



CONNECTING



**BRIDGING
FINANCE**



**DEVELOPMENT
FINANCE**



**COMMERCIAL
MORTGAGES**

BRIDGING FINANCE



SHORT TERM

Designed to be short term. Realistically you shouldn't be taking Bridging for longer than 9 months, but you can have it for up to 2 years

EXIT

Always make sure your exit is lined up when going for Bridging Finance. It can be a very expensive product if you don't have an exit in time

FEES

Usually Lenders will charge a 2% Arrangement Fee, a 1% Exit Fee, approximately £1,500 for legals and £1000-£2,000 for the valuation

LOAN TO VALUE

Most Lenders will cap at 75% of Purchase Price, although it is possible for Lenders to go to 80% of Market Value. This can reduce your deposit

BRIDGING FINANCE



RATES

The rates will heavily depend on the leverage and the deal. You could be paying anywhere between 0.7% pcm and 1.25% pcm. It is case by case and depends on the leverage

AUCTIONS

Bridging is ideal for purchasing at auctions, especially if the property you are purchasing is un-mortgageable. Other products would struggle with the 28 day deadline

REFURBS

Bridging Lenders will allow Light and Heavy Refurbs to take place whilst you are on the products. They will not allow change of use or ground up development

SPEED

Bridging Finance can be put in place in as little as 4 working days. This makes it perfect for Auction Purchases and distressed Vendor situations

SENIOR DEBT

This is the standard level of development finance. Usually it caps at 65% LTGDV or 80% LTC. It is the easiest level of Development Finance to get

STRETCHED SENIOR

The next level from Senior Debt. The cap raises to 70% LTGDV and 90% LTC. It is intended for more experienced Developers

MEZZANINE FINANCE

Second Charge Development Finance that goes up to 75% LTGDV or 90% LTC. Also intended for more experienced Developers

TRANCHES

Remember that Development Finance is released in tranches. These tranches are released in arrears against invoices or materials secured on site

DEVELOPMENT FINANCE



DEVELOPMENT FINANCE



CONTINGENCY

Always ensure that you have a contingency built into your Build Costs. It is also good to take a few extra months on the loan to be safe!

EXIT

Always make sure your exit is lined up when going for Development Finance. It can be a very expensive product if you do not have a selection of exits

FEES

Usually Lenders will charge a 2% Arrangement Fee, a 1% Exit Fee, approximately £3,000 for legals and £1,500-£3,500 for the valuation

TEAM

Your team is very important here. Make sure you have a good Contractor and a good Project Manager. The Lenders will want to see CVs all round

DEVELOPMENT LOAN STRUCTURE

Interest for the term
of the loan

- Arrangement Fees
- Broker Fees
- QS Fees



BUILD COSTS

These are released in
arrears against
invoices for works
done, or against
materials secured on
site

DEVELOPER EXIT

Up to
75% LOAN TO VALUE

Ideal for refinancing out of expensive
development finance whilst you sell the
properties

TAKES 2-4 WEEKS TO PUT IN PLACE

INTEREST RATES FROM 0.7% UPWARDS

DEVELOPER EXIT CASE STUDY

8 BUNGALOWS

Woodhall Spa, Lincolnshire

ANTICIPATED MARKET VALUE: £3,200,000

Valuation came back at £3,200,000

£2,400,000

Gross loan

£2,250,000

net loan after costs for 9 months

Client had £1,600,000 outstanding in Development Finance. This allowed him to release £650,000 which he is now investing into 2 other projects

SECURITY

**FIRST
CHARGE**

**SECOND
CHARGE**

**PERSONAL
GUARANTEES**

DEBENTURE

**COLLATERAL
WARRANTIES**



DEBENTURE

**HOLDING
CO**

SPV 1

SPV 1





DEBENTURE

SPV 1

**HOLDING
CO**

SPV 1



BRIDGING BMV

CASE STUDY

PURCHASE PRICE - £151,250

MARKET VALUE - £220,000

Valuation came back at £220,000

Lender offered a Gross Loan of £172,700

NET LOAN £155,122.30

& interest and fees for a 6 month term



TITLE SPLITTING

PROS

VALUE

Splitting the title allows you to access the full market value of the property. It does not increase the value of the property. This is a myth!

FLEXIBILITY

Splitting the titles allows you the flexibility to finance the units individually or as a group. You can also sell off individual units if you hit a cashflow issue

LEVERAGE

As a block, you may only be able to access commercial mortgages, whereas splitting allows you to access BTL mortgages. This could allow you to access 75-80% LTV

RATES

Taking a mortgage over a block is notoriously more expensive. Splitting the titles allows you to access more vanilla products and bring the interest rates down

CONS

COMPLEXITY

The splitting of titles can be complex and will undoubtedly bring a hefty legal fee. Keep in mind that you will need to ensure that the Leases are over 125 years

MANAGEMENT CO

Splitting the titles will bring with it the headache of creating a management company and separate company to hold the leases. This will bring headaches

COST

There may be an increased cost for the finance as you will be taking more mortgages. You will have extra valuations, extra legal fees and extra mortgage fees

RISK

You have the risk the titles may not be split correctly and you could devalue the property. You may also have this risk if some of the units are below 30sqm

CASE STUDY

PURCHASE PRICE - £375,000

SPLIT VALUE - £547,000

Lender offered a Gross Loan of £410,250

Net advance of £353,307.30

**Solicitor had to give an undertaking to
split the titles on purchase**



OPTION AGREEMENTS

Option agreed for £100,000

A monetary exchange must
take place



Option terms are fully
negotiable

Look to make the option
assignable

Planning is granted and the
residual value of the land
becomes £200,000





LEASE OPTIONS



DEFERRED PAYMENT

PROS

CASH FLOW

Deferred payments allow the Developer spread the cost over time, thereby allowing the Developer to manage cash flow more effectively

MITIGATED RISK

Reduces the financial exposure at the outset of the project, reducing the risk of financial strain should the market shift. By keeping cash liquid upfront, it reduces risk

LEVERAGE

Using a deferred payment may increase the size of project that you can afford to get involved in, and may allow you to enhance the return on capital expended

TERMS

Not every Lender is keen on deferred payments, however, those that are will look upon the reduced LTGDV approvingly and may improve the terms you can access

CONS

INTEREST COSTS

Whilst terms could be improved, it is also likely that you may be charged more interest, as the Lenders in this space are niche, and know what they are offering!

DEFAULT

Many Vendors will want a charge over the deferred payment, this means that if a Developer runs into issues, then there is a risk of defaulting on this charge

COMPLICATED

Legal costs are often much higher as the agreements are extremely complicated and involved. There will also be increased costs for the Lender's legals

REDUCED BARGAINING

Having to offer on the basis of a deferred payment, means that Vendors hold the power, so you may end up paying more. As the purchaser, take the power back!

CASE STUDY

PURCHASE PRICE - £2,450,000

DAY ONE PAYMENT - £1,300,000

DEFERRED PAYMENT - £1,150,000

Lender offered a Day one advance of

£1,500,000 plus 100% of the cost of works

Vendor took a second charge to cover

their deferred payment

FINDING THE RIGHT LENDER

COMPARE

Make sure to use a good Broker so that you can compare all of the options available. There are too many options out there to find them all yourself

COST

Always make sure that you understand the total cost of the finance. Don't get drawn to the headline rate. Check all the fees and associated costs

FEES

Usually Lenders will charge a 2% Arrangement Fee, a 1% Exit Fee. They may also charge an application fee. There are also valuation/QS fees

RELATIONSHIP

Go for a Lender that you can work with in the future and build a relationship with. The more you work with a Lender, the easier it should be

QS

Always keep in touch with the QS. Work with them and the Lender to make sure you have a clear drawdown plan and you know when funds are coming

TRANCHES

Remember that the funds are released in arrears. You will always need to have some cashflow or credit available in order to cash flow the works.
Make sure you know the drawdown timescales

CONTRACTOR

Make sure the Contractor has funds to keep the build afloat. As well as keeping themselves afloat. If they go bust, it can have a huge effect on the development

LACK OF MONEY

If the money runs out. Speak to the Lender. Don't panic and look for additional borrowing. You could end up in spiralling debt.
Speak to the current Lender

MANAGE THE CASH

WHEN IT ALL GOES WRONG

CONTINGENCY

Always ensure that you have a contingency built into your Build Costs. It is also good to take a few extra months on the loan to be safe!

COMMUNICATE

Communicate to the Lender and Broker. Make sure they know early on if anything goes wrong on the deal. Burying your head doesn't help!

EXITS

Get exits lined up.
Development Exit, BTL
Mortgages and Sales are the three main exits. You could talk to guaranteed sales companies

QS

Utilise your QS as they may be able to assist with bringing costs down or helping to get the project back on track.
Utilise the team!



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Q&A



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SUCCESSSES & CHALLENGES



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Review





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