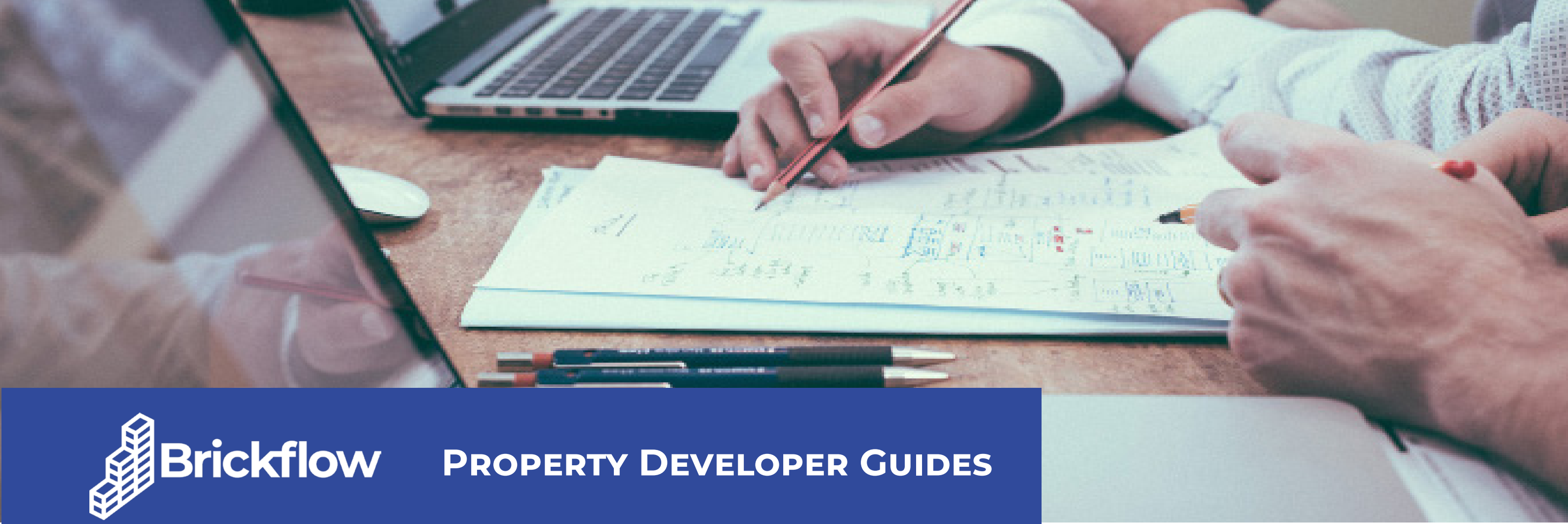


Brickflow **PROPERTY DEVELOPER GUIDES**

# Building the Perfect Project Presentation
# **The Smart Guide**

> *The presentation of information is key when assessing any new scheme for funding. The team at Brickflow really understand this and always deliver outstanding project appraisals, which gives their clients the very best chance of securing the right funding for their projects.*
>
> Terry Woodley, Managing Director
> **Development Finance, Shawbrook Bank**



## 1. Introduction

When we were building the Brickflow software we spoke to dozens of development finance lenders. We asked them all how many enquiries they were receiving for each loan that they completed. There were various answers, but the number that most agreed on was 1 in 25.

> *That means a staggering 96% of development finance enquiries lenders receive go nowhere.*

When you push lenders on why this is, there are two main reasons;

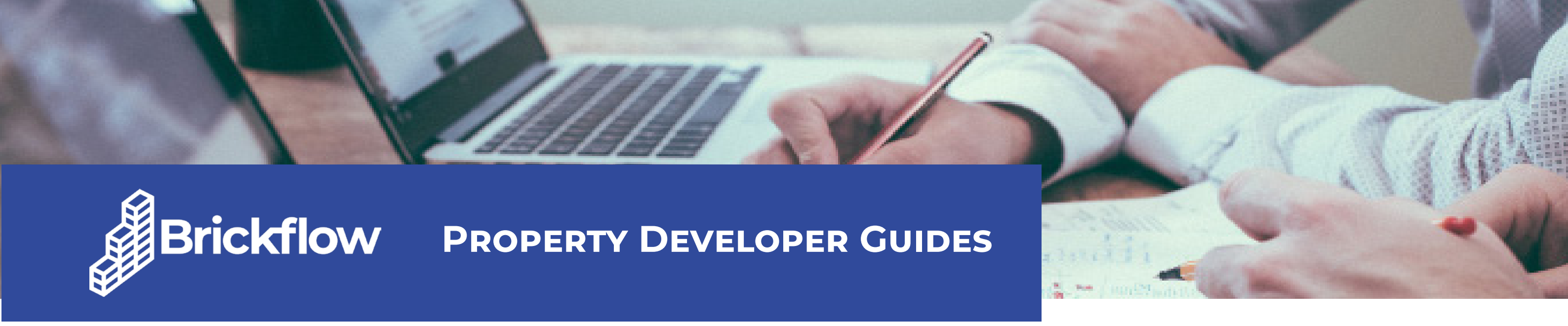
1. A mismatch in criteria between what a borrower wants and what the lender can offer; - either the borrower or the project don't meet the lenders criteria, or the loan the lender can offer is too small or too expensive for the borrower
2. Terrible presentation of project information

Brickflow deals with the 1st point by searching lender criteria and only showing lenders that match the borrowers requirements - ensuring developers have a much better chance of approval.

On the second point, once you've selected your lenders on Brickflow, borrowers are guided through the process of how to build the perfect lender presentation. After all, a good presentation is more than a development appraisal and property schedule.

> *Speak to lenders and they will all tell you that good presentation is critical, and can be the difference between whether your project gets the funding it deserves, or not.*

We explain the main points that need to be covered, so that when a lender has 25 new enquiries in their inbox, yours is the first they go to.



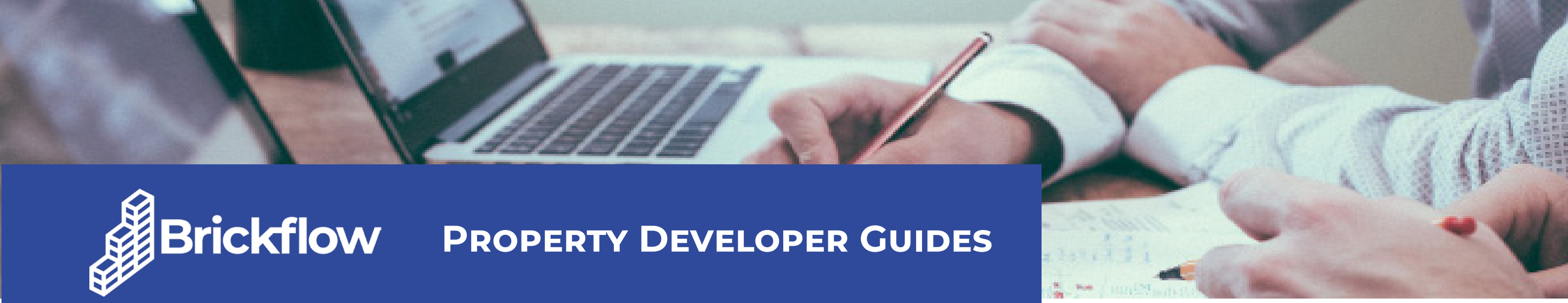


## 2. Case Overview

This is the summary of the project, that sets the scene for the lender. This should be a high-level overview of all that you know about the project and really sell the lending opportunity to your lenders. First impressions count, and this summary should pique their interest and make them want to read on.

What you need to cover:

- **Background on you and the other shareholders.**
  Highlight your and other shareholders strengths and why you are capable of delivering this project.
  Reference previous developments (both as an owner or employee) where relevant
- **Explain the role each shareholder will perform;**
  - E.g. I have an estate agency background and therefore feel I am strong at land procurements and the sales strategy.
  - My business partner, John, is a Chartered Construction Manager of 15 years and will deal with contract administration and site management through the construction phase
- **Site acquisition;**
  - Is it through an agent or privately?
  - Did you have an option?
  - Who was responsible for the planning?
  - Is there a planning uplift and you want the lender to take a view on sweat equity?
  - If so, what is / was the price on acquisition, what has been spent and what is the land worth today?
- **As part of the above, touch on the history of the site and the current condition.**
  - Is there any historical relevance?
  - Does the site have any protections that need to be considered?
  - Is it in a designated regeneration area?
  - Is the land cleared and ready to go?
  - Do you have planning, but you wish to revise it*?
- **Who are your professionals? Include and add to the following (where relevant);**
  - Architect
  - Building Control
  - Ground works / Civil Engineers
  - Interior Designers
  - Lawyers
  - Planning Consultant
  - Main Build Contractor (use a shortlist if you haven't finalised)
  - M&E Engineers
  - Quantity Surveyor
  - Party Wall Surveyor
  - Project Manager
  - Selling Agents
  - Structural Engineer
  - Valuers

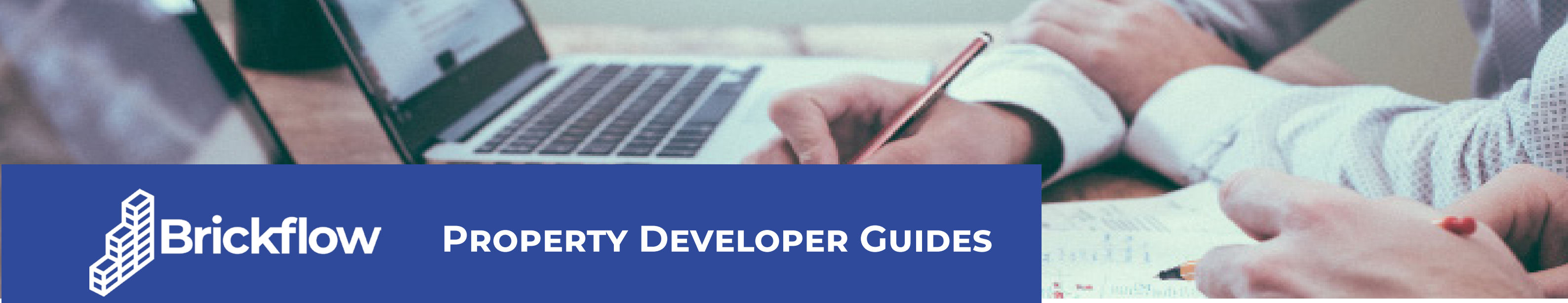




- **Exit strategy. The most important thing to any lender is how they are going to get their money back. It's the first question a lender asks.**
  - A coherent exit strategy is really important.
  - Whilst some developers will say, we might sell, we might let, we'll just see how the market is when we hit PC. In our experience this is not what a lender wants to hear.
  - Lenders want clear direction and to understand your plan.
  - If it's a larger scheme, they want to see an agent employed before you even put a spade in the ground.
  - Where will the show home or flat be and how soon will it be delivered? Will there be an agent on site constantly?
  - If it's a smaller site, will you have your own website for the project? Who are your agents and what budget and sales strategy have you discussed?
  - All lenders prefer sales as their repayment method, but if you want to keep some or all of the units, then that is fine, but again show you have thought about this.
  - What is the demand for rental? What are the monthly rentals?
  - What loan size is achievable on those rentals?
  - Does that repay the lender if you go over time and budget?
- **Deposit - where is it coming from and how much of it is yours?**
  - Lenders know a lot of developers raise deposits from external investors, but they all want some of that deposit to be yours.
  - Lenders want to see skin in the game. Everyone wants to see the same outcome; successful delivery of the scheme on time and on budget. Part or all of the deposit from you, helps ensure that.
  - As a guide most lenders will want to see 50% of the deposit to be coming from the main shareholders. Some lenders will accept less. We have seen 25% quite often, and on a few occasions less than that.
  - If you are borrowing from investors then you need to confirm the payment terms. Any interest or profit share should be deferred until the end, and only be paid after the main development lender is redeemed.
  - If their money is a loan rather than equity, then it would need to be subordinated in favour of the main lender(s).

The following are good examples of case overviews that
Brickflow users have put together on live cases
[Case Overview - Good Examples]

SCREENSHOT OF PAGE ON WEBSITE?





## 3. Developer CV or Track Record

We call this the Developer Profile on Brickflow. The system asks a series of questions which is the information lenders need from you each time. Every lender will ask for this, and the vast majority of developers do not have it up to date or in a format that lenders want.

> *On Brickflow that information is stored and automatically updated as you complete projects. So, never again will you have to complete another developer track record template. Result.*

*If you want to complete your own version, the key points are these (for each shareholder);*

- How many years have you been a developer?
- How many projects have you completed?
- What type of projects were they; commercial or residential?
- What did you do before you were a developer?
- Highlight whether you have worked in any relevant industries, such as a builder or QS? For how long and who for, what kind of projects did you work on?
- Do you have any professional qualifications (construction or otherwise)?

The above provides background and context.

> *Lenders also want details on your previous schemes. Lenders will run high-level due diligence on these, so make sure the info is relatively accurate (we know it can be difficult when the project was completed 10+ years ago);*

- Your role – developer (shareholder) or employee?
- Project type – new build / conversion / PDR / refurb
- Address
- Acquisition date
- Acquisition costs
- Did you use development finance? If so, which lender?
- Gross Internal Area (sq ft or sq m)
- Build costs
- Project time scale (in months)
- GDV
- Sold or retained on exit
- Description of works - notes on what exactly you did

List as many of these as you can and put the most relevant to the current scheme at the top. For example, if you have developed both houses and flats and this project is flats, list the schemes that were flats first.

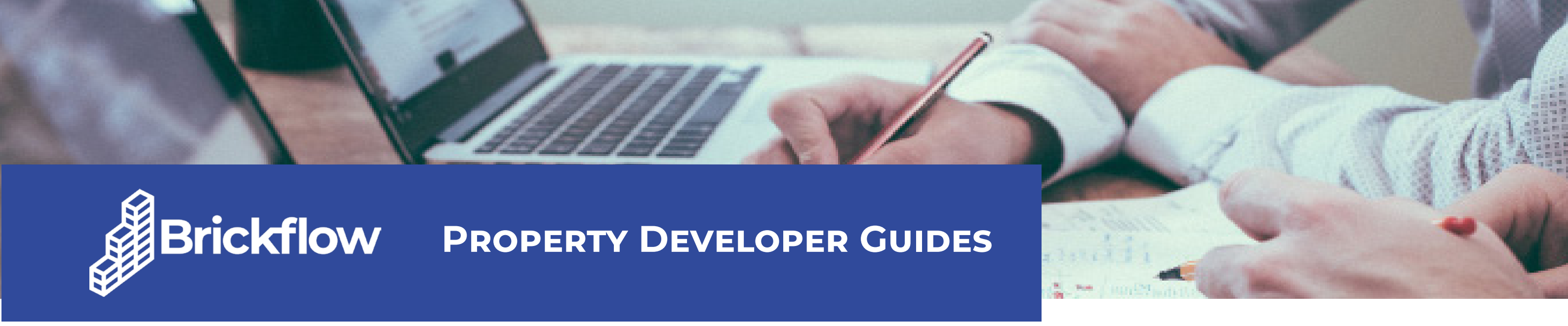
## 4. Development Appraisal

> *A good development appraisal should allow the reader to walk from start to finish and understand the scheme without any guidance from the developer.*

It needs to include the address and needs to detail every cost. We see all sorts of formats and there is no right way or wrong way, but ultimately it needs to include the following;

- The address
- Purchase price
- Purchase costs (stamp duty, legal costs, etc.)
- Main contractor build costs
- Contingency (list this separately so the amount is clear – most lenders currently want to see between 7.5% and 10%)

- Itemise your other costs:
  - Planning / architect
  - Building Control
  - Ground works / Civils (if not included in the main contractor cost)
  - M&E
  - Project manager
  - Quantity surveyor
  - Landscaping (give this some proper thought – it will cost more than £25k to landscape communal gardens around a block of 50x flats)
  - Party wall
  - S106 (don't double count this by putting it in as a cost and also reducing your GDV)
  - CIL
  - Marketing (make sure the budget is realistic based on the details in the case overview)
  - Agent fees (for sales)
  - Legal fees (for sales)
  - GDV (Gross Development Value)
  - NDV (Net Development Value - GDV minus marketing costs, agent fees, legal fees, lender exit fee)
  - Developer profit (make sure it is 20% or more (pre-finance) as otherwise the margins will be too fine for most lenders)





> *Cashflows aren't needed to get funding agreed for most developments. The only time they are needed is when a development is phased, so we can see the peak debt amounts and understand the development funding requirement throughout the scheme.*

At the simplest level a cashflow is the anticipated monthly build costs. The monthly costs and the build schedule normally aren't available until much closer to drawdown, and after the appointment of the main contractor and other professionals. Lenders assume a straight line draw on build costs for the purposes of loan approval, which should always more than cover the build cost loan requirement, providing the total build costs are correct.

After the loan is approved and the lender QS is appointed, they will need a cashflow to work to. They always change through the project, so it is a working document.

## 5. Property Schedule

The Property Schedule or Schedule of Accommodation is a list of the end property units that you are building.

For houses you should include:

1. The property description – detached, semi-detached, terraced, etc.
2. Number of bedrooms
3. Number of bathrooms
4. Tenure (normally freehold for houses)
5. Area in sq ft or sq m
6. Sales price

For apartments:

1. The property description ¬– single storey, duplex, triplex,
2. Number of bedrooms
3. Number of bathrooms
4. Floor number
5. Does it have outside space?
6. Tenure – leasehold or share of freehold?
7. Lease length
8. Area in sq ft or sq m
9. Sales price

You also need to include the number of blocks in the development and how high the blocks are - why? Because some mortgage lenders have restrictions on block density and height, so if it is more difficult for en end buyer to get a mortgage on, then it is more difficult to sell, which in turn means there is more risk for the development lender.

## 6. Team Directory (The Power Team)

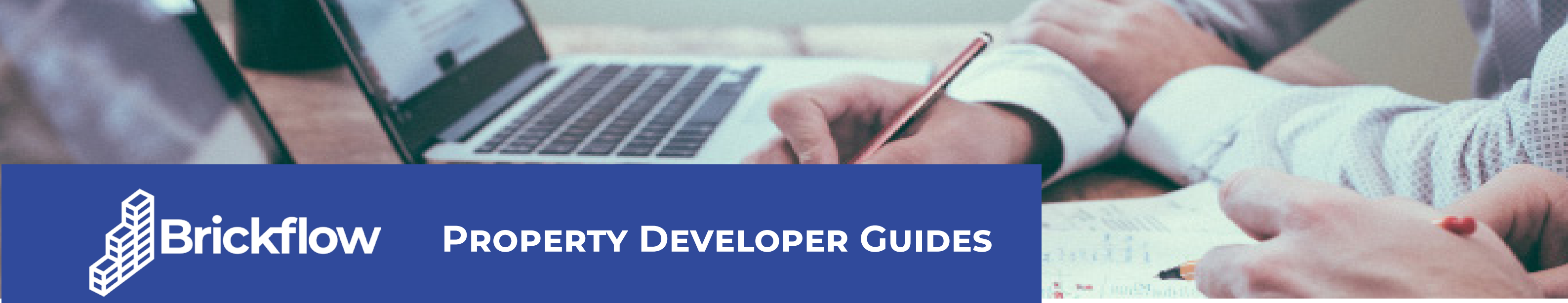
> *The team can be listed in the case overview, or simply referred to. It's good practice for you and makes it easier for any lender assessing your project to see them all in one place, in one document.*

You want to list them out with their name and contact details, but more importantly ensure you list their website address, but also if you've worked together before. Lenders love to see team members that have worked together before successfully.

Therefore your column headers might look something like this;

1. Name
2. Job title
3. Company name
4. Contact number
5. Email address
6. Company website
7. Have you worked together before?
8. (If yes) How many projects?

You could include a small biog on them as well or paste in a biog link from their company website or from LinkedIn.





## 7. Comparables

> *Analysing comparables is a hugely, time-consuming process for lenders and valuers, so any work you can do to help in this regard is appreciated. It's also exceptionally good practice for you.*

Don't speak to one agent or have one quick glance at for sale listings on one website and then decide to go ahead.

There are so many resources out there, your job is to study them and bring them together.

Concentrate on;

1. Sold prices more than those listed for sale - sales listings are useful as a guide, but the actual sale price is a better indication of what's going on
2. Concentrate on those that have sold in the last 6 months - before that is  ot current or relevant - for larger properties that is sometimes more difficult but be as near to present day as you can
3. A lot of the portals now have good analytics; average sale times, percentage of asking price achieved, the number of similar properties on the market
4. What are other developers doing, in terms of style of finish and layout? How are they marketing these properties, and why are some selling quicker than others?
5. What's all this data telling you? If there are 75x 2 bed flats available within your postcode, with an average listing time of 12 weeks, does the area really need the other 20x 2 beds that you're planning to build?

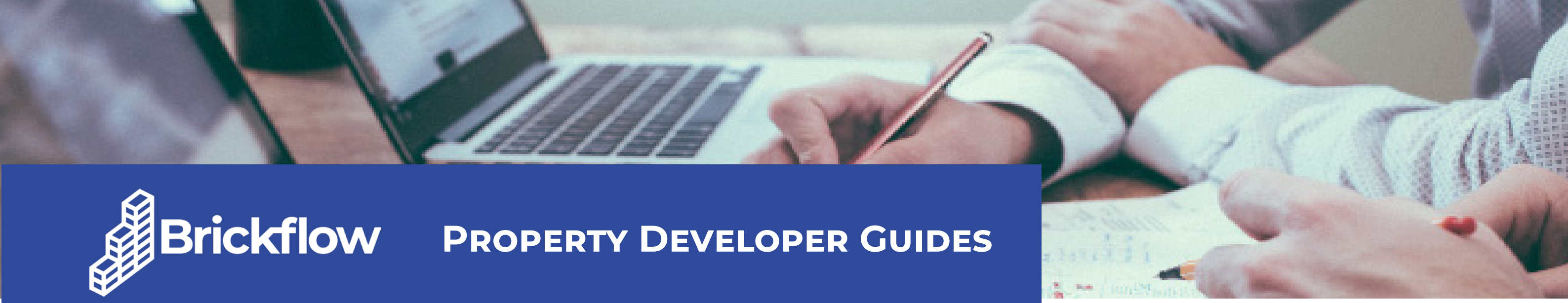
Once you've got your comparables, list them out. An ExCel sheet is fine.

- Include the address
- The property type
- Sold price
- Sold date
- Weblink for the property
- Your own comments as to whether this is a good comparable or not

> *On top of the comps, at Brickflow we always ask borrowers to include letters from agents explaining the local market dynamics and they're expected demand for your properties.*

They will normally include some ideas around marketing strategy as well.

This is great for the lender as it gives them local context and softer information & context that the raw data might not be able to give. But speaking to agents is also great for the developer. You will learn something new from every agent, as they've all had different experiences with sites over the years. Even if they can't tell you exactly what to do to achieve 100% sales above asking price on the day you hit practical completion, they should definitely be able to tell you now what to do. They'll all have horror stories of the developer that didn't listen and couldn't sell their scheme, so they are a very valuable resource.





## 8. Supporting Documents

> *These are a really key part of the presentation and allow the lender or investor to fill in any of the gaps.*

The following are not essential, but will give you a better chance at the outcome you want;

- Planning permission
- Design & Access statement
- Floor plans / elevations / technical drawings
- Brochures of previous projects – it shows what you're capable of
- CGIs / mock-ups of the end development – we all respond well to visual aids, so anything you can do to help visualise the end product is very helpful
- Build schedule - you've indicated your build term in the appraisal, but it is a different level of professionalism if you can show your build stages
- Cashflow – an accurate version won't normally be available until nearer to drawdown, but if you have an outline version then that puts you ahead of most developers
- Site tour video – this is one of our favourites and will really set you apart. You don't need fancy equipment, you just need to show us round your site using the video function on a mobile phone (with commentary)
- CVs – for you and your team

## 9. Summary

A good project appraisal should be suitable for both lenders and investors, and that is because the lender is essentially an investor in your scheme. They are offering to put money into your project, for a fixed return and all they really care about is how they get their money back. That is no different to an investor. The only difference is that the individual investor, might sit in the equity slot within your capital stack and want a higher return.

> *The key point to remember is that a lot of the time the lender or investor is lending into an area that they probably don't know as well as the developer does. You need to be their eyes and ears, to paint the picture and to sell them the vision you have.*

It's easy for anyone to design CGI's showing what the end scheme will look like, but it is the breakdown of the stages and the key personnel that will decide whether that scheme is delivered or not.

By going through this process step by step for each project, it results in a good presentation for lenders and investors, but most importantly developers are de-risking the project for themselves. They are looking at themselves and their team, identifying weaknesses. They are looking at the end properties in the context of the wider market and asking themselves what do I need to do to sell them and stand out?

> *All of these steps are built into Bricklfow for you. So by following this process, we know based on lender feedback, that this is really the information that they want to see to help them make a quick and confident credit decision.*

First impressions count, so don't be the developer that emails in spreadsheet with a few numbers on, as you won't be taken seriously.

* If you aren't ready to build straight away then you might need an interim bridge. Development lenders typically want construction to start within 3 to 4 months of the drawdown of the land loan. Brickflow can help with this. Build your presentation as normal, and then email us or call us to discuss the bridge.