

# Joint Venture Finance



## What is it?

A bespoke financial product allowing for 100% of the cost of land, fees and build to be covered by the finance lender. A holding company is formed whereby the finance company and you, the developer co-own the project. The Finance lender will seek interest on the loan and a percentage of profit upon sale of the asset(s).

## What to expect...

- Holding company formed by finance lender, with you named as a shareholder within the company
- Lending term typically offered between 12-24 months
- No early repayment penalty charges
- Lending rates offered in the net borrowing sum is typically 1.25% - 1.5% per month
  - Project value
  - Project risk
  - Project value
  - Builder/Developer Experience
- Fees and charges
  - All fees, including; legal fees, stamp duty, MS/QS costs are covered by the finance provider and added to your net loan amount.
- No Capital risk for the developer
  - By this we mean that you do not have to inject your own money into the purchase of the land or build
  - Typically, no personal guarantees are required by the finance lender
- Heavy Underwriting requirements
  - The finance lender are taking a 'Big Risk', so they need to be certain that you are a safe bet.
  - They will thoroughly check the land you wish to acquire and ensure the GDV stacks up to the level that you suggest.
  - This arrangement isn't one for everyone and so these lenders work with a small number of developers and look at repeat business with people they trust.

# Other things to consider...

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## Exit Strategies

The only acceptable repayment strategy is by way of selling the properties built to pay back the finance lender

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## Risks & Fees

When setting out your schedule of works and costs, ensure you include the accrual of interest on the total finance facility

Remember, the finance lender will take 50% of the profit made from the sell of the dwellings, after costs and interest accrue on the debt

Consider your minimum profit margin you would be happy with, just in case things don't go to plan

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## Other bits

The finance provider will only lend on land/site with planning permissions granted

Are you confident you can get the development built and sold within the time constraints set out by the finance provider?

Remember, you cannot retain any properties, they must be sold upon completion

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# Contact Details

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