

Case example

Development Finance

- ✓ Residential scheme
- ✓ Planning permission
- ✓ 70% GDV



Residential Construction

You are an experienced building contractor with strong knowledge of a local area. You want to optimise your skill set and diversify your business into residential property development.

Your capital is predominantly held within the family home and your business. To this end, you are looking to gear up as much as possible, within sound parameters.

You have identified a potential development scheme in the local area. The site, a derelict warehouse, was purchased for £1.4M. It has full planning permission to demolish the existing building and construct 15 town houses; the development cost is £2.3M. The Gross Development Value (GDV) is £5.7M. You are also hopeful of being granted enhanced planning.

With Castle Trust, you may be able to raise:

1. 70% against the purchase price of the site from day 1 (i.e. £980,000)
2. 100% of the development cost (i.e. £2.3M)
3. 100% of the interest and lender fees (i.e. £520,000)

The total advance would therefore be £3,800,000. The loan to GDV would be 67%. The loan to cost would be 90%. This would be based on a term of 18 months allowing 15 months to build and 3 months to sell.

The debt is repaid as each unit is sold. If each unit is sold for £380,000, after the first ten properties are sold, then the remaining five are profit from the development. You can either hold onto them on a longer term Buy-to-Let, which can be arranged with Castle Trust, or you can sell them on.

Important information

Your property may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it. Loans are subject to status, terms and conditions.

This website is for information purposes only. If you are in any doubt regarding suitability of our products please seek advice from an accredited independent mortgage adviser.