

SPECIAL EDITION MARKET UPDATE - WINTER 2016  
Insights from the Front Line of Construction Finance



# Contents

Intro From Our Chairman.....	3
Market Status.....	4
Major Bank Dominance Due to No Alternative.....	5
The World Outside of Major Banks.....	6
Funding Options for Settling a Development Site.....	8
Funding Options for a Small Apartment Project.....	10
Small Apartment Project: Major Bank.....	10
Small Apartment Project: Minor Bank.....	12
Small Apartment Project: Specialist Lender.....	15
Small Apartment Project: Case Studies.....	22
Funding Options for a Large Apartment Project.....	25
Large Apartment Project: Major Bank.....	25
Large Apartment Project: Minor Bank.....	28
Large Apartment Project: Specialist Lender.....	31
Large Apartment Project: Mezzanine Debt.....	34
Large Apartment Project: Preferred Equity.....	37
Large Apartment Project: Stretch Senior Debt.....	40
Large Apartment Project: Case Studies.....	33
Funding Options for a Townhouse Project.....	47
Townhouse Project: Major Bank.....	47
Townhouse Project: Minor Bank.....	50
Townhouse Project: Specialist Lender.....	53
Townhouse Project: Case Studies.....	60
Funding Options for a Land Subdivision.....	62
Land Subdivision: Major Bank.....	62
Land Subdivision: Specialist Lender.....	65
Funding Options for a Retail Project.....	67
Retail Project: Major Bank.....	67
Retail Project: Mezzanine Debt.....	70
Retail Project: Preferred Equity.....	73
Retail Project: Fund Through.....	76
How does a Junior Developer get started? .....	78
Closing Comments.....	79
About HoldenCAPITAL.....	80
Client Testimonials.....	81
Recent Projects.....	82
HCAP Invest.....	84

# Intro From Our Chairman

In my 30+ years of involvement in construction finance I have seen quite a few booms and busts and the resulting impact on the construction finance sector. Amazingly, in all that time I have seen much the same loan products, day in day out with little of the innovation many other sectors have seen. We really haven't seen any disruptive technology impacting the landscape of our industry and there are no signs that we will.

Construction finance, while not overly complex, does require an understanding of the risks involved. The fact that loan products have largely stayed the same probably reflects the fact that those Lenders who are prepared to take those risks understand them, just as the appetite from developers keen to do bigger and better deals, means they are always pushing the boundaries. What has changed in the industry is how the debt is facilitated and there is no doubt that independent specialist brokers are emerging as a force that will shake up and reshape the future of the sector.

In 2002, only 8% of Australian home loans were written by brokers while today, 6 out of every 10 home loans are written not by the bank or lending institution involved but through an independent broker. In the commercial sector, we are witnessing a similar transition with 6% of all commercial loans being written by brokers in 2010, rising to over 38% in the past 12 months.

When you look at the mounting pressure on banks to maintain profitability, it stands to reason that if they can get the same outcome at a lower fixed cost, they will happily adopt the more efficient model. Likewise, developers are seeing

the benefit of working with specialists who have a range of products that are adaptable to their individual needs and as a result, can ensure their project gets the best deal available rather than just accepting the product their house bank sells to them.

On a daily basis our team here at HoldenCAPITAL are sharing their collective knowledge with you, our developer clients. This booklet is a way of further sharing that knowledge to help you profit more from your projects, undertake more of them and ultimately achieve it all with far less stress.

Prosperous developing,  
  
Steve Wiltshire  
Executive Chairman



**Steve Wiltshire**  
Executive Chairman

Steve was 26 years with Macquarie Bank as a Director responsible for financing and joint venturing project developments and more recently 3 years as Executive Director, ANZ Institutional Property

## Market Status

In late 2015, the major banks began to feel heat from APRA regarding their exposure to residential investor loans and how their appetite for this type of funding was driving new development product and impacting the market.

Prior to this inevitable crack down by ASIC and APRA in their respective spheres of responsibility, the major banks enjoyed a long and prosperous period where they were largely unchallenged in the construction finance sector.

However, now we are seeing changes as the capital requirements imposed on the banks start to take effect. Importantly, all political parties support the continued application of pressure via the regulatory levers to ensure that their contingent exposure to underwriting the banks deposit funds is appropriately controlled and “well managed”. This is because Australians have an expectation that their savings accounts will always be there when things get tough and they expect their politicians to ensure this is so. No political leader wants to be explaining why they allowed unscrupulous bankers to lose the hard earned savings of their Mum and Dad constituents.

These overriding regulatory requirements are not temporary responses to a specific event; they represent an ongoing constraint that will impact the pricing and structure of all future construction loans, resulting in permanent changes to bank lending policies which will now fluctuate within certain lower risk parameters.

This represents a new world order in construction finance and has been clearly demonstrated with all four banks being either closed for “new to bank” business; or, operating with significantly reduced appetite and lending parameters over the past 10 months.

These loans are assessed individually via a complex risk model that requires all the relevant factors to be input to ensure the banks satisfy and maintain the accepted risk levels required of them by APRA. As a consequence, there are far fewer “discretionary” decisions available to your bank manager when he deals with an application.

Developers can no longer expect their house bank to provide the necessary funding because “they have always done it in the past”. As many are learning, the fact that they may have had a long-term relationship with their bank is of no consequence and doesn’t guarantee an ability to borrow funds on the same terms that they have become accustomed to.

With the banks now limiting their exposure to the sector and pricing risk far more keenly than in the past, a wide range of alternative debt providers and equity players are entering the market or broadening their existing reach. The challenge for today’s developer is identifying which ones best fit both their business and specific project needs. This in turn requires a readjustment of expectations as to what constitutes an appropriate finance cost when assessing project viability as the cost of these funds is generally between 2-3% higher.

While all this sounds like the industry has become a lot more complicated, and in some ways it has, it also means there are far more options available to developers, enabling them to fulfil their project ambitions and maximise their available capital. Just as the housing mortgage market was completely restructured with the coming of the wholesale funds and brokerage structures, we expect to see the construction finance industry undergo a similar metamorphosis, ultimately with similar positive results for developers.

With the re-emergence of various second tier lenders, investment funds, managed trusts and private lenders all vying for a share of what will continue to be a growingly sophisticated market, the challenge for the Governments and the regulators will be ensuring that Mum and Dad investors in search of better returns get the appropriate levels of protection that their bank funds do.

## Major Bank Dominance Due to No Alternative

That fact the major banks currently have a stranglehold on the construction finance sector of Australia should come as no surprise, given the many horror stories following the GFC which saw many smaller financiers running out of funds, off shore banks calling in loans and deserting their clients and mismanagement of the mortgage trusts. It was inevitable that developers would revert to lenders they could depend on to be there in the tough times and the banks played on those fears to build their market dominance.

Throughout the previous decade we had seen a plethora of new lenders emerge, including the off shore banks and insurers who were attracted to the sound returns and stable economic and legal environments offered by Australian markets. However, when things got tough as they had in the past (for those who remember the eighties), they were again quick to call for refinance in order to repatriate funds to shore up their ailing balance sheets in their home markets.

In the case of the mortgage trusts, many were based on a model of “borrowing short and lending long”, with investors monies typically lured on the premise that they were effectively “at call”. However, the fund managers were lending the money to developers who typically required the funds for 9-18 months.

Another issue with many of the mortgage trust models involved them operating as a “pooled mortgage trust” resulting in funds being spread over as many as 20 deals, the theory being that if a few of those loans went bad, funds from the other deals effectively covered the losses. Sold as a “protection” mechanism, the argument was that by sharing the downside with other investors, it would lower their overall return but there would be minimal losses. In reality, you trusted the judgement of the fund manager and had limited knowledge or say as to where your money was going or what it was being used for once the projects were underway.

Often money was lent to “friendly” developers at nosebleed gearing levels without regard for the real risks involved. Managers are expected to manage risk and

return but greed for self-interest is often the weakness in the model and it certainly revealed itself when the markets tightened up and investors started to dig deeper to better understand their exposure.

With the sudden onset of the GFC, many of those mortgage trusts were decimated as investors frantically called for their money back, resulting in the fund managers cash reserves disappearing overnight. Once the protection of that buffer was gone, they had to waive the white flag, shutting down the whole trust and appointing external managers who then had to decide the quickest way to get as much of the investors’ money back to them as they could.

Some trusts actually continued to raise capital more quickly than the redemptions were being called, in order to keep the trust solvent on paper by bailing out the sinking boat. However, the lengths they were going to in order to achieve this such as paying exorbitant commissions to financial planners were akin to a Ponzi scheme where the new money invested paid out the old and hopefully no one noticed unless the money stopped flowing. Many experienced observers argued that it was inevitable this would happen but were ignored. There were no prizes for being right.

Prior to the GFC, the construction finance market boasted some 93 mortgage trust lenders who actively lent to professional property developers. I know this because I spent many years working for the then largest construction finance brokerage and funds management firm in Australia and we had a comprehensive catalogue of every fund and souped up solicitor’s trust fund operating in a professional

capacity.

Today I run my own specialist construction finance consulting firm with 11 staff who in the past 12 months set finance for over \$450million worth of new projects. We did this by providing over \$340million of debt and equity, which funded over 60 new development projects. In the dynamic construction market of 2016, we have trusted relationships with 8 such mortgage trusts, only 5 of which were survivors of the GFC. The 3 new entrants operate on very different terms to their failed former colleagues and while there are 2 or 3 others still in operation, we chose not to deal with them due to their previous conduct.

Prior to the GFC the construction finance market boasted some 93 mortgage trust lenders who actively lent to professional property developers.

**Daniel Holden**  
Director

Dan has over 16 years of development and finance experience and is a leading commentator in the construction finance sector with over 6 years leading his own advisory team.



# The World Outside of Major Banks

To most within the development sector, the world of construction finance beyond the major banks is largely opaque, with no clear signage or yellow pages directory to guide developers in the right direction to find the best fit for their business and project needs.

There are a multitude of sophisticated providers of private construction or site acquisition money available to be tapped into, however most do not have a front door as such and they certainly don't have a team of business development executives who pound the pavement looking for deals to invest in. They rely on origination businesses like HoldenCAPITAL to source and present the opportunities to them, which is why we commit a lot of our time to engaging with them to gain a clear understanding of what they will and won't invest in and the terms on which they will do so.

A point we often make to clients is that you wouldn't waste your time trying to negotiate an important town planning issue without input from an experienced town planner in order to draw on their experience, relationships and understanding of current approval authority expectations. Similarly, we see ourselves in the same light, tapping into the knowledge gained from settling over \$340million in new development transactions over the past 12 months and our accreditation with over 100 lenders to ensure we secure the best possible financial outcome for our clients.

In fact, our list of lenders and equity providers is growing at the rate of about one a week and of these, some 87 are currently active in one form or another with Investor Funds, Mezzanine Lenders and Private Lenders accounting for over 70% of them.

In particular, we are seeing a growing level of demand for and supply of, Stretch Senior funding options where lenders are prepared to provide up to 86% of the Total Development Cost, in return for a total interest cost in the order of 11% but with more relaxed terms and conditions. This is particularly evident in the area of pre-sale debt cover, where there is scope to reduce this figure to well below the 100%+ required by the banks.

The demand supply equation for construction funds tends to react quickly as evidenced when the major and second tier banks started to withdraw from the market under regulatory pressure and we saw increased demand on those smaller funds and private lenders to fill the gap. After a flurry of activity many were tapped out and we found ourselves looking further afield to meet the demand. Following interstate visits and trips to Asia we now have a significant number of new sources and as a result, we are finding that the capital supply is meeting demand and with a steadily growing supply of mandated transactions these new lenders are stepping up to meet the demand.

## Funding Examples

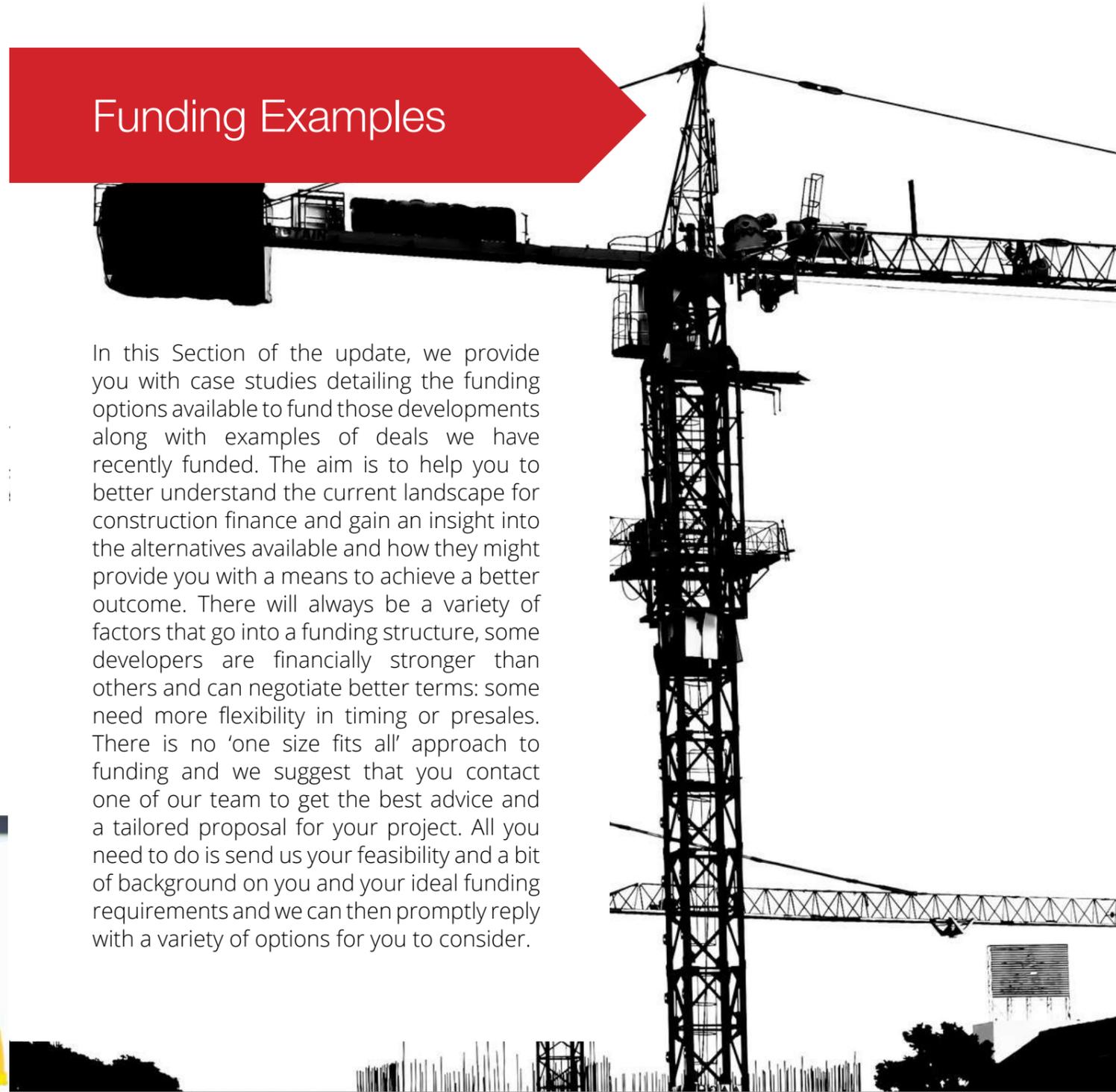
In this Section of the update, we provide you with case studies detailing the funding options available to fund those developments along with examples of deals we have recently funded. The aim is to help you to better understand the current landscape for construction finance and gain an insight into the alternatives available and how they might provide you with a means to achieve a better outcome. There will always be a variety of factors that go into a funding structure, some developers are financially stronger than others and can negotiate better terms: some need more flexibility in timing or presales. There is no 'one size fits all' approach to funding and we suggest that you contact one of our team to get the best advice and a tailored proposal for your project. All you need to do is send us your feasibility and a bit of background on you and your ideal funding requirements and we can then promptly reply with a variety of options for you to consider.

FUNDING OPTIONS FOR:

Development Site | Small Apartment Project | Large Apartment Project  
Townhouse Project | Land Subdivision | Retail Project

THROUGH:

Major Bank | Minor Bank | Non-Bank | Mezzanine Debt | Preferred Equity  
Mortgage Trust | Private Lenders



# Funding Options for Settling a Development Site

Banks are very reluctant to get involved in lending against development sites. Some developers were getting sites funded as house investment loans because there was an existing house on the land they were purchasing. This was all too common until 2015, when the valuation industry was ordered to make a note wherever they thought the purchase was actually intended for a development project rather than a passive rental return house. The heads up from the valuer to the bank resulted in loans being declined if the bank believed it was for a development project.



Some of the reasons the banks are so reluctant to lend against a development site include;

- An inability to prove the borrower can service the monthly interest, usually requiring 1.5 times interest cover from recurring income.
- The main exit strategy is via a construction loan, which the banks are now only doing on a selective basis.

Banks take a view that if they will only lend up to 75% of total development cost for the construction loan, and the land in a development project typically takes up less than 20% of the total development cost. If they were to advance monies against the land, then they are reliant upon the developer putting in further cash to actually convert it into a construction facility. Being reliant upon a developer to find more money down the track is not a palatable credit answer. To put that in numbers, if you had a \$10mil TDC project and the land was \$1.8mil, the bank is only going to lend you \$7.5million to build the project, so if you don't have \$2.5million now, why would they rely on you finding it under your pillow in 6 months time.

Below is a typical funding table of a \$4,000,000 development site purchase

FUNDING CONTRIBUTIONS - (\$,000's)	Developer	Senior	TOTAL
Land	1,000	2,502	4,000
GST on Land Purchase	400		400
GST Refund on Land Purchase	-400		-400
Land transaction costs	200		200
Holding Costs		30	30
BA Costs	120		120
Presale Contract Prep	50		50
Marketing (40 presales @ \$15k)	600		600
<b>Sub Total</b>	<b>1,970</b>	<b>2,532</b>	<b>5,000</b>
Lender & Broker Fees ( 3.%)	15	69	84
Interest ( 15. % pa)		199	199
<b>TOTAL CONTRIBUTIONS</b>	<b>1,985</b>	<b>2,800</b>	<b>5,283</b>

Loan to End Value Ratio (Exc GST) 70.0%

We have seen a rise in developers using private capital to get these loans completed quickly and without the fuss of proving serviceability or an exit strategy. The cost of capital is higher at 15%p.a. however, at a lower LVR and/or with a robust sponsor we have been able to secure 12%p.a.. While 15%p.a. sounds high, it is typically just for 4-6 months while the developer finalises his BA and any marketing, so the overall burden to the project is fairly insignificant. It is also better than using cash for that period and if you're an elite property developer, you would want to see your cash invested at better than 15%pa.

CASHFLOW - Senior Debt (\$,000's)	0	1	2	3	4	5	6
Land	2,502						
GST on Land Purchase							
GST Refund on Land Purchase							
Land transaction costs							
Holding Costs		3	3	3	3	3	3
Marketing							
<b>Sub Total</b>	<b>2,502</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Lender & Broker Fees ( 3.%)	69						
Interest ( 15. % pa)		32	33	33	33	34	34
<b>Cumulative</b>	<b>2,571</b>	<b>2,605</b>	<b>2,640</b>	<b>2,676</b>	<b>2,712</b>	<b>2,748</b>	<b>2,785</b>

To the right is a typical funding table of a \$4,000,000 development site purchase

# Funding Options for Settling a Development Site

## Product Guide

The following table gives a guide of the general loan parameters for private capital loans on development sites.

LOAN PARAMETERS			
Loan Size	\$500k up to \$15million		
Target LVR	50%	65%	80%
Cost of Funds	12%p.a.	15%p.a.	18%p.a.
Establishment Fee	2.0-4.0% (or smaller loans a fixed consultancy fee may apply)		
Interest	Mostly gets capitalised, can be serviced if preferred		

The parameters are general guide, if you require terms beyond these terms we may still be able to accommodate those requests and suggest you send us the project information so we can review it.

## Case Studies

South Brisbane

Brisbane City

Woolloongabba

Nundah

**Facility Limit:** \$9,704,000  
**Interest Rate:** 15.5% P.A.  
**Term:** 9 months  
**LVR:** 60%

**Facility Limit:** \$2,500,000  
**Interest Rate:** 15% P.A.  
**Term:** 9 months  
**LVR:** 69%

**Facility Limit:** \$2,850,000  
**Interest Rate:** 18% P.A.  
**Term:** 6 months  
**LVR:** 69%

**Facility Limit:** \$3,200,000  
**Interest Rate:** 12% P.A.  
**Term:** 6 months  
**LVR:** 70%

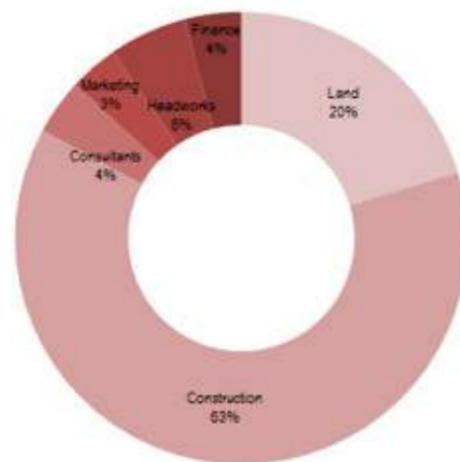
# Funding Options for a Small Apartment Project

## 19 Unit Project with Major Bank

The following feasibility was taken from a recent live project with funding negotiated by HoldenCAPITAL:

PROJECT FEASIBILITY (\$'000,s)	Total Project	Per Product
2 Bedroom Apartments	19	435
<b>Gross Realisation</b>	<b>8,270</b>	<b>435</b>
GST (Margin Scheme) 7.74%	641	34
Selling costs 2.0%	165	9
<b>NET REALISATION</b>	<b>7,464</b>	<b>393</b>
<b>Construction Costs - Excluding GST</b>		
Land	1,200	63
GST on Land Purchase	120	6
GST Refund on Land Purchase	-120	-6
Land transaction costs 5.0%	60	3
Construction Costs	3,700	195
GST on Construction Costs	28	1
GST Refund on Construction Costs	-28	-1
Contingency 5.0%	185	10
Consultants 5.4%	198	10
Development Management 1.0%	37	2
Headworks + Permits	330	17
Holding Costs	20	1
Miscellaneous	20	1
Marketing	80	4
Sales 2.5%	207	11
<b>Total Project Costs</b>	<b>6,037</b>	<b>318</b>
Lender & Broker Fees ( 1.25%)	59	3
Interest ( 4.04% pa)	100	5
Line Fee ( 1.50% pa)	80	4
<b>TOTAL DEVELOPMENT COST</b>	<b>6,275</b>	<b>330</b>
<b>PROJECT PROFIT</b>	<b>1,188</b>	<b>63</b>
Development Margin	18.9%	

Project Feasibility - Summary (\$'000,s)	
Gross Realisation	8,270
NET REALISATION	7,464
Land	1,200
Construction Costs	3,700
Other	1,137
Finance & Interest	239
TOTAL COSTS	6,275
PROFIT	1,188
Dev Margin	18.9%



# Funding Options for a Small Apartment Project

## 19 Unit Project with Major Bank

The following table represents the contributions made by the developer and the major bank:

FUNDING CONTRIBUTIONS (\$'000,s)	Developer	Senior	TOTAL
Land	1,200		1,200
GST on Land Purchase	120		120
GST Refund on Land Purchase	-120		-120
Land transaction costs	60		60
Construction Costs		3,700	3,700
GST on Construction Costs	28		28
GST Refund on Construction Costs	-28		-28
Contingency		185	185
Consultants	92	106	198
Development Management	37		37
Headworks + Permits		330	330
Holding Costs		20	20
Miscellaneous		20	20
Marketing	80		80
Marketing	83	124	207
<b>Sub Total</b>	<b>1,552</b>	<b>4,485</b>	<b>6,037</b>
Lender & Broker Fees ( 1.25%)	15	44	59
Interest ( 4.04% pa)		100	100
Line Fee ( 1.50% pa)		80	80
<b>TOTAL CONTRIBUTIONS</b>	<b>1,567</b>	<b>4,709</b>	<b>6,275</b>

**Loan to Cost Ratio** 25.0% **75.0%**  
**Loan to End Value Ratio (Exc GST)** 61.7%



The main constraint in the above funding table is the 75% Loan to Cost Ratio (LCR) which is generally the default position for the banks, followed by other factors such as location, borrower strength, owner/builder status to name just a few which would also effect their preference to lower the ratio to 70% or less.

As shown below, to achieve 100% net debt cover in presales, would require 12 sales:

LOAN PRE-SALE REQUIREMENTS		
Presales: 12	5,223	
Net Realisation: 92%	4,818	<b>102% Debt Cover</b>
Residual Security (Net of GST)	2,811	<b>0% Residual LVR</b>

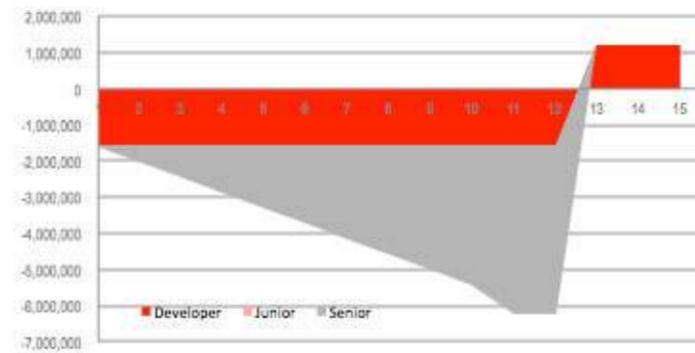
# Funding Options for a Small Apartment Project

## 19 Unit Project with Major Bank

The estimated project draws are summarised in the projected cashflow below:

	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17		
<b>PROJECT CASHFLOW - (Values in \$'000s)</b>															
<b>NET REALISATION</b>	12	12													7,464
Land	0	0													
GST on Land Purchase	0	0													
GST Refund on Land Purchase	0	0													
Land transaction costs	0	0													
Construction Costs	1	10	370	370	370	370	370	370	370	370	370	370			
GST on Construction Costs	0	0													
GST Refund on Construction Costs	0	0													
Contingency	1	10	19	19	19	19	19	19	19	19	19	19			
Consultants	1	10	11	11	11	11	11	11	11	11	11	11			
Development Management	1	10													
Headworks + Permits	10	10											330		
Holding Costs	1	10													
Miscellaneous	1	10	2	2	2	2	2	2	2	2	2	2	2		
Marketing	1	10													
Sub Total			44	416	416	416	416	416	416	416	416	416	416	746	
Lender & Broker Fees ( 1.25%)															
Interest ( 4.4% pa)				2	3	4	6	7	9	10	12	13	16	16	
Line Fee ( 1.50% pa)				6	6	6	6	6	6	6	6	6	6	6	
<b>Developer</b>			44	465	889	1,313	1,738	2,162	2,584	3,004	3,426	3,849	4,273	4,697	

The following graph depicts the project debt and equity cashflow:



**Pieter Eksteen**  
**Finance Consultant**  
 Prior to joining HoldenCAPITAL in 2013, Pieter was a development manager for 15 years working on projects that created 8,500 titles.

# Funding Options for a Small Apartment Project

## 19 Unit Project with Minor Bank

When structuring development facilities, the second tier banks in Australia are very similar to their major bank peers in many regards. Some areas where they differ include some leniencies as regards required levels of pre-sales and gearing against the "cost to compete" in order to win business. In terms of pricing, often these banks don't charge a line fee and while their interest rate looks substantially higher than the major banks, when cash-flowed out over the

life of the development, the cost often works out to be close to or marginally more expensive. Offsetting that is the fact that in many cases the lesser presale requirements can allow an earlier commencement and potentially shorter selling periods delivering an overall similar outcome.

The project feasibility below shows the same 19 unit project with a typical minor bank cost of funds:

<b>PROJECT FEASIBILITY (\$'000s)</b>	Total Project	Per Unit
<b>2 Bedroom Apartments</b>	19	435
<b>Gross Realisation</b>	8,270	435
GST (Margin Scheme)	7.74%	34
Selling costs	2.0%	9
<b>NET REALISATION</b>	<b>7,464</b>	<b>393</b>
<b>Construction Costs - Excluding GST</b>		
Land	1,200	63
GST on Land Purchase	120	6
GST Refund on Land Purchase	-120	-6
Land transaction costs	6.0%	3
Construction Costs	3,700	195
GST on Construction Costs	28	1
GST Refund on Construction Costs	-28	-1
Contingency	5.0%	10
Consultants	5.4%	10
Development Management	1.0%	2
Headworks + Permits	330	17
Holding Costs	20	1
Miscellaneous	20	1
Marketing	80	4
Sales	2.5%	11
<b>Total Project Costs</b>	<b>6,037</b>	<b>318</b>
Lender & Broker Fees ( 1.25%)	59	3
Interest ( 7.04% pa)	170	9
Line Fee ( .0% pa)		
<b>TOTAL DEVELOPMENT COST</b>	<b>6,265</b>	<b>330</b>
<b>PROJECT PROFIT</b>	<b>1,198</b>	<b>63</b>
Development Margin	19.1%	

# Funding Options for a Small Apartment Project

## 19 Unit Project with Minor Bank

The table below represents the contributions made by the developer and minor bank. This demonstrates that the LCR and LVR are fairly similar to that shown in the equivalent major bank example and while maybe on 2 out of 5 projects the overall funding costs might end up a little bit more aggressive, often it is not a substantially different cost.

FUNDING CONTRIBUTIONS (\$'000s)	Developer	Senior	TOTAL
Land	1,200		1,200
GST on Land Purchase	120		120
GST Refund on Land Purchase	-120		-120
Land transaction costs	60		60
Construction Costs		3,700	3,700
GST on Construction Costs	28		28
GST Refund on Construction Costs	-28		-28
Contingency		185	185
Consultants	99	99	198
Development Management	37		37
Headworks + Permits		330	330
Holding Costs		20	20
Miscellaneous		20	20
Marketing	80		80
Marketing	83	124	207
Sub Total	1,559	4,478	6,037
Lender & Broker Fees ( 1.25%)	15	44	59
Interest ( 7.04% pa)		170	170
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>1,574</b>	<b>4,692</b>	<b>6,266</b>
Loan to Cost Ratio	25.1%	74.9%	
Loan to End Value Ratio (Exc GST)		61.5%	

PRESALE REQUIREMENTS			
Presales: 6	2,612		
Net Realisation: 92%	2,409	51% Debt Cover	
Residual Security (Net of GST)	5,220	44% Residual LVR	

As shown above, the presales are a major area where these lenders would typically require less debt cover than a major bank. Often their focus is to support a good sponsor by giving them a target of a residual LVR position after presales that is around or below 50-55%, thereby enabling construction to commence earlier with an ability to roll that residual debt over into a holding loan facility upon completion.

## Comparison of Major & Minor Bank

Below we compare the major bank VS minor bank:

	Major Bank	Minor Bank
Developer Cash In	1,567	1,574
Cost of Capital	239	229
Developer Profit	1,188	1,198
Return on Equity	176%	176%
Developer IRR	76%	77%
Presales Required	12	6

# Funding Options for a Small Apartment Project

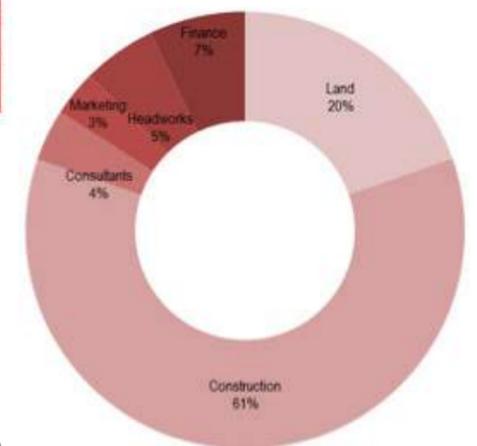
## 19 Unit Project with a Specialist Lender

The Specialist Lender cost of funds is slightly higher again as a third option. However, as they are largely "project/security" focussed, they can often accept a few more leniencies, mainly based around presales, borrower strength or track record but preferably not all of these.

The following feasibility shows the same 19 unit project with the Specialist Lender cost of funds:

PROJECT FEASIBILITY (\$'000s)	Total Project	Net Project
2 Bedroom Apartments	19	435
<b>Gross Realisation</b>	<b>8,270</b>	<b>435</b>
GST (Margin Scheme)	7.74%	641
Selling costs	2.0%	165
<b>NET REALISATION</b>	<b>7,464</b>	<b>393</b>
<b>Construction Costs - Excluding GST</b>		
Land	1,200	63
GST on Land Purchase	120	6
GST Refund on Land Purchase	-120	-6
Land transaction costs	5.0%	60
Construction Costs		3,700
GST on Construction Costs		28
GST Refund on Construction Costs		-28
Contingency	5.0%	185
Consultants	5.4%	198
Development Management	1.0%	37
Headworks + Permits		330
Holding Costs		20
Miscellaneous		20
Marketing		80
Sales	2.5%	207
<b>Total Project Costs</b>	<b>6,037</b>	<b>318</b>
Lender & Broker Fees ( 2.5%)	133	7
Interest ( 9.95% pa)	300	16
Line Fee ( .0% pa)		
<b>TOTAL DEVELOPMENT COST</b>	<b>6,469</b>	<b>340</b>
<b>PROJECT PROFIT</b>	<b>994</b>	<b>52</b>
Development Margin	15.4%	

Project Feasibility - Summary (\$'000s)	
Gross Realisation	8,270
NET REALISATION	7,464
Land	1,200
Construction Costs	3,700
Other	1,137
Finance & Interest	433
<b>TOTAL COSTS</b>	<b>6,469</b>
PROFIT	994
Dev Margin	15.4%



### David Kelly Manager - Major Projects

Dave is a highly experienced property banker and deal negotiator focussed on property development and commercial property transactions. The majority of his 20 years experience was spent with Westpac, 8 years of which he spent as Head of the Queensland Institutional Property Finance Division.



# Funding Options for a Small Apartment Project

## 19 Unit Project with a Specialist Lender

As shown on the funding table below, the LCR and LVR are again substantially higher than a bank option and the typical focus for the Specialist Lender is on the "on completion" LVR.

The table outlines the contributions by the developer and the Specialist Lender:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Senior	TOTAL
Land	740	460	1,200
GST on Land Purchase	120		120
GST Refund on Land Purchase	-120		-120
Land transaction costs	60		60
Construction Costs		3,700	3,700
GST on Construction Costs	28		28
GST Refund on Construction Costs	-28		-28
Contingency		185	185
Consultants	99	99	198
Development Management	37		37
Headworks + Permits		330	330
Holding Costs		20	20
Miscellaneous		20	20
Marketing	80		80
Marketing	83	124	207
Sub Total	1,099	4,938	6,037
Lender & Broker Fees ( 2.5%)	15	118	133
Interest ( 9.95% pa)		300	300
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>1,114</b>	<b>5,356</b>	<b>6,469</b>
Loan to Cost Ratio	17.2%	82.8%	
Loan to End Value Ratio (Exc GST)		70.2%	



Historically pre-sales are often not needed for construction funding undertaken with a mortgage trust, however what we have seen in 2016 is that there is an increased demand on non-bank lenders and some deals that were close to getting bank funding but due to timing or impatience, were ultimately placed with a non-bank but they already had presales in place. Those projects are now being funded by non-bank lenders and as such these lenders are seeing a larger number of projects across their desk that have presales, therefore we are now seeing a requirement for a small number of pre-sales to "prove up" the market demand. Applications with this ability will certainly have an advantage over those seeking to go with none. In 2016 there is definitely more projects looking for non-bank money than there are funds available so developers need to take this into account in their strategies.

Presales: 3	1,306	
Net Realisation: 92%	1,205	22% Debt Cover
Residual Security (Net of GST)	6,424	65% Residual LVR

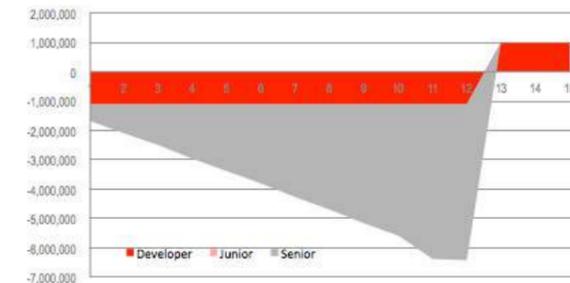
The project debt cashflow can be summarized in the estimated draws below:

PROJECT CASHFLOW (\$'000's)	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
	Jul-15	Aug-15	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
NET REALISATION															7,464
Land			460												
GST on Land Purchase															
GST Refund on Land Purchase															
Land transaction costs															
Construction Costs				370	370	370	370	370	370	370	370	370	370	370	
GST on Construction Costs															
GST Refund on Construction Costs															
Contingency				19	19	19	19	19	19	19	19	19	19	19	
Consultants				10	10	10	10	10	10	10	10	10	10	10	
Development Management															330
Headworks + Permits															
Holding Costs				2	2	2	2	2	2	2	2	2	2	2	
Miscellaneous				2	2	2	2	2	2	2	2	2	2	2	
Marketing				12	12	12	12	12	12	12	12	12	12	12	
Marketing															
Sub Total			460	415	415	415	415	415	415	415	415	415	415	415	745
Lender & Broker Fees ( 2.5%)			118												
Interest ( 9.95% pa)				5	8	12	16	19	22	26	30	33	37	44	
Line Fee ( .0% pa)															
<b>Cumulative</b>			370	681	1,426	2,607	3,777	5,113	6,146	7,586	9,223	11,056	13,085	15,209	18,597

# Funding Options for a Small Apartment Project

## 19 Unit Project with a Specialist Lender

The project debt and equity cashflow is summarised in the graph below:



Proceeds Waterfall	
NET REALISATION	7,464
1 Senior Debt Repayment	4,846
2 Junior Debt Repayment	
Proceeds after Senior Debt	2,618
4 Other Repayments	
Developer Profit	2,618

## Comparison

Below we compare the 3 options discussed so far:

	Major Bank	Minor Bank	Non-Bank
Developer Cash In	1,567	1,574	1,114
Cost of Capital	239	229	433
Developer Profit	1,188	1,198	994
Return on Equity	176%	176%	189%
Developer IRR	76%	77%	90%
Presales Required	12	6	3

The key benefits in this example are that in addition to being able to start sooner and without pre-sales thus enabling them to finish and secure their profit sooner with a lower market risk; the developer will also have \$450,000 more capital available in their back pocket to progress other projects. Other potential benefits include a lower cost of obtaining sales which, given that an ability to sell product that is closer to completion can often attract a premium over stock that is 10-12 months away, on vacant land with hoardings and attempting to sell the vision via a brochure.

## Comparing Apples with Apples

In the above comparison it appears the funding cost of a Specialist Lender facility is \$194,000 more expensive, or 181% compared to the major bank option, however adjusting for the fact you would be borrowing more money by comparing them at the same gearing and loan amount the differential is \$144,000 as shown below:

	Major Bank	Minor Bank	Non-Bank Low LVR	Non-Bank High LVR
Developer Cash In	1,567	1,574	1,574	1,114
Cost of Capital	239	229	383	433
Developer Profit	1,188	1,198	1,044	994
Return on Equity	176%	176%	166%	189%
Developer IRR	76%	77%	67%	90%
Presales Required	12	6	Nil to 3	Nil to 3

If we consider the benefits afforded by being able to avoid presales and start construction immediately, for many developers this benefit outweighs the cost, particularly where they can demand a premium for their apartments by marketing during construction rather than discounting or paying high commissions to secure pre-sales. If you can sell via a local agent at 2.5% rather than paying 6% through channel marketing, on product with an average value of \$435,000 that 3% saving equates to \$13,050 each. That potential uplift alone is significant before we consider the benefits of other potential cost savings due to potential materials cost increases, reduced overall project time and reduced risk by getting in and out of the market quicker.

# Funding Options for a Small Apartment Project

## 19 Unit Project with a More Widely Available Specialist Lender

The Specialist Lender marketplace is not unified, while they all offer a similar product, they often have their own peculiarities, some of which you only learn after multiple dealings with them over many years and/or credit cycles. To try and explain this in terms of the market place we have shown the lenders in terms of cost of capital and then in terms of deal size they can fund:

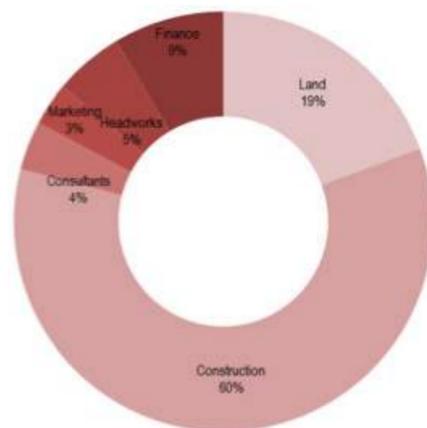


As you can see there are a few lenders that will fund projects at ~10%p.a. however, for a slightly higher cost you can access a wider range of providers. Likewise if you are only seeking \$5million or less, there is a good selection of providers. However, for projects seeking \$10million and above the choices thin out pretty quickly. Therefore we have also modelled up the same 19 apartment project with a cost of capital that would see more funders lining up to provide that capital to fund this project.

The feasibility below shows the same 19 unit project with the Specialist Lender cost of funds:

PROJECT FEASIBILITY (\$'000,s)	Total Project	Per Product
19		
2 Bedroom Apartments	8,270	435
<b>Gross Realisation</b>	<b>8,270</b>	<b>435</b>
GST (Margin Scheme)	7.74% 641	34
Selling costs	2.0% 165	9
<b>NET REALISATION</b>	<b>7,464</b>	<b>393</b>
<b>Construction Costs - Excluding GST</b>		
Land	1,200	63
GST on Land Purchase	120	6
GST Refund on Land Purchase	-120	-6
Land transaction costs	5.0% 60	3
Construction Costs	3,700	195
GST on Construction Costs	28	1
GST Refund on Construction Costs	-28	-1
Contingency	5.0% 185	10
Consultants	5.4% 198	10
Development Management	1.0% 37	2
Headworks + Permits	330	17
Holding Costs	20	1
Miscellaneous	20	1
Marketing	80	4
Sales	2.5% 207	11
<b>Total Project Costs</b>	<b>6,037</b>	<b>318</b>
Lender & Broker Fees ( 2.75%)	129	7
Interest ( 10.95% pa)	320	17
Line Fee ( 1.50% pa)	80	4
<b>TOTAL DEVELOPMENT COST</b>	<b>6,566</b>	<b>346</b>
<b>PROJECT PROFIT</b>		
	<b>898</b>	<b>47</b>
Development Margin	13.7%	

Project Feasibility - Summary (\$'000,s)	
Gross Realisation	8,270
NET REALISATION	7,464
Land	1,200
Construction Costs	3,700
Other	1,137
Finance & Interest	529
TOTAL COSTS	6,566
PROFIT	898
Dev Margin	13.7%



# Funding Options for a Small Apartment Project

## 19 Unit Project with a More Widely Available Specialist Lender

The table below represents the contributions by the developer and the Specialist Lender:

FUNDING CONTRIBUTIONS (\$'000,s)	Developer	Senior	TOTAL
Land	850	350	1,200
GST on Land Purchase	120		120
GST Refund on Land Purchase	-120		-120
Land transaction costs	60		60
Construction Costs		3,700	3,700
GST on Construction Costs	28		28
GST Refund on Construction Costs	-28		-28
Contingency		185	185
Consultants	99	99	198
Development Management	37		37
Headworks + Permits		330	330
Holding Costs		20	20
Miscellaneous		20	20
Marketing	80		80
Marketing	83	124	207
<b>Sub Total</b>	<b>1,209</b>	<b>4,828</b>	<b>6,037</b>
Lender & Broker Fees ( 2.75%)	15	114	129
Interest ( 10.95% pa)		320	320
Line Fee ( 1.50% pa)		80	80
<b>TOTAL CONTRIBUTIONS</b>	<b>1,224</b>	<b>5,342</b>	<b>6,566</b>
Loan to Cost Ratio	18.6%	81.4%	
Loan to End Value Ratio (Exc GST)		70.0%	



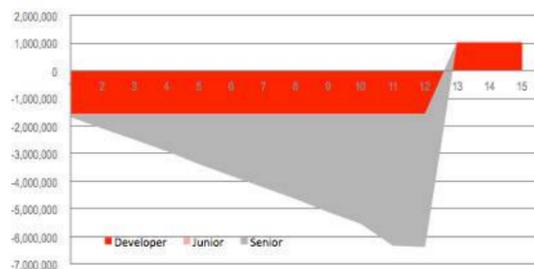
# Funding Options for a Small Apartment Project

## 19 Unit Project with a More Widely Available Specialist Lender

A development debt cashflow summarising the estimated debt and equity draws is detailed below:

	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
			Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
<b>PROJECT CASHFLOW - Review 04/15/2016</b>															
NET REALISATION	12	12													7,464
Land	0	0	350												
GST on Land Purchase	0	0													
GST Refund on Land Purchase	0	0													
Land transaction costs	0	0													
Construction Costs	1	10		370	370	370	370	370	370	370	370	370	370		
GST on Construction Costs	0	0													
GST Refund on Construction Costs	0	0													
Contingency	1	10		19	19	19	19	19	19	19	19	19	19		
Consultants	1	10		10	10	10	10	10	10	10	10	10	10		
Development Management	1	10													
Headworks + Permits	10	10												330	
Holding Costs	1	10		2	2	2	2	2	2	2	2	2	2	2	
Miscellaneous	1	10		2	2	2	2	2	2	2	2	2	2	2	
Marketing	1	10													
Marketing	1	10		12	12	12	12	12	12	12	12	12	12	12	
Sub Total			350	415	415	415	415	415	415	415	415	415	415	745	
Lender & Broker Fees ( 2.75%)			114												
Interest ( 10.95% pa)				4	8	12	16	20	24	28	32	36	40	48	48
Line Fee ( 1.50% pa)				6	6	6	6	6	6	6	6	6	6	6	6
Cumulative			464	879	1,318	1,751	2,187	2,628	3,073	3,521	3,974	4,431	4,822	5,276	

The project debt and equity cashflow can be summarised in the following graph:



Proceeds Waterfall	
NET REALISATION	7,464
1 Senior Debt Repayment	5,342
2 Junior Debt Repayment	
Proceeds after Senior Debt	2,121
4 Other Repayments	
Developer Profit	2,121



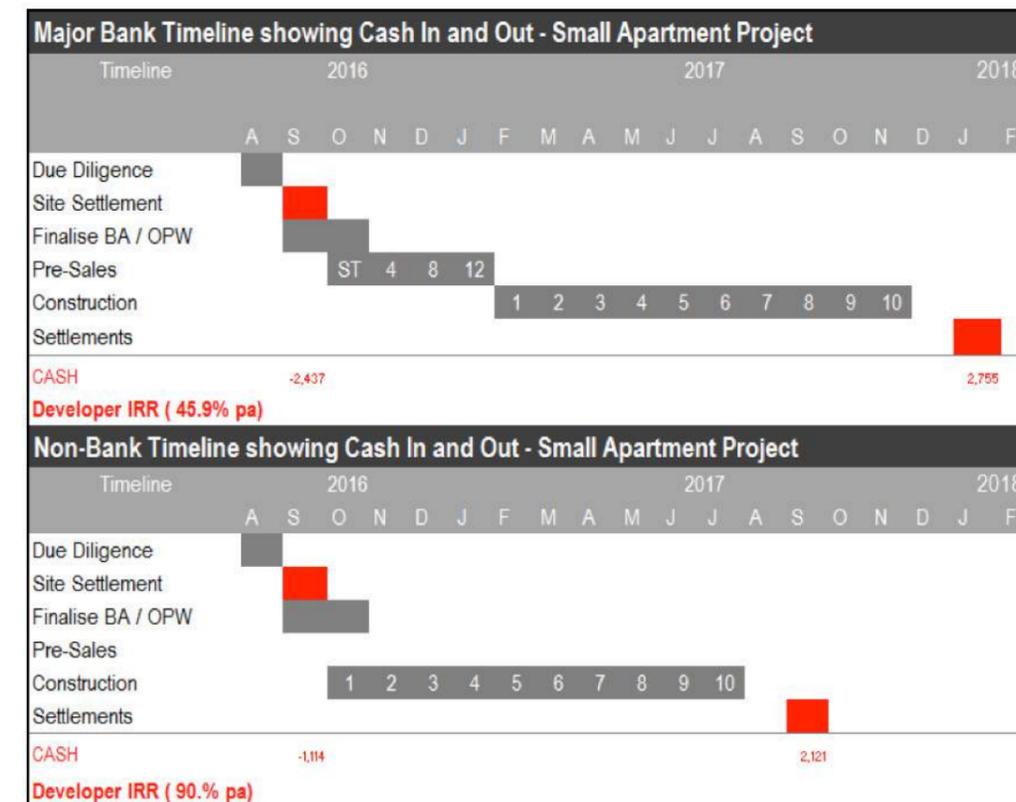
# Funding Options for a Small Apartment Project

## Comparison

Below we compare the 5 options discussed so far:

Small Apartment Project Comparison					
	Major Bank	Minor Bank	Non-Bank Low LVR	Non-Bank High LVR	Private Lender No Presales
Developer Cash In	1,567	1,574	1,574	1,114	1,224
Cost of Capital	239	229	383	433	529
Developer Profit	1,188	1,198	1,044	994	898
Return on Equity	176%	176%	166%	189%	173%
Developer IRR	46%	63%	67%	90%	74%
Presales Required	12	6	Nil to 3	Nil to 3	Nil

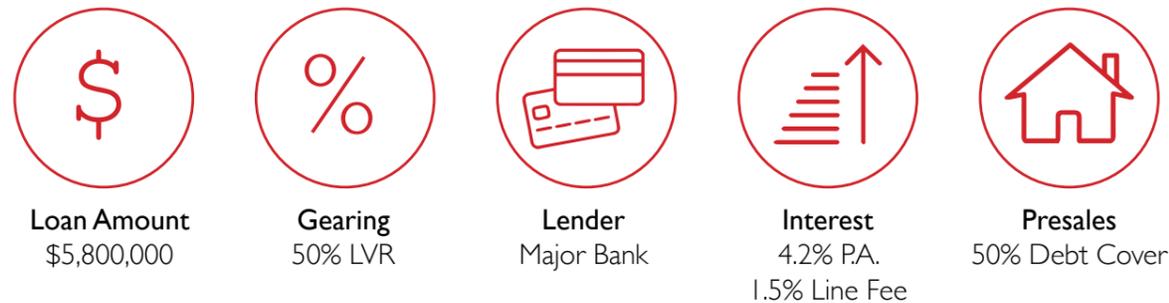
The below timeline shows the difference between the same project funded with a major bank and a non-bank and the relationship between monies in and monies out.



## Case Study for a Small Apartment Project

31 Units  
Murarrie QLD 4172

Project Value  
\$14,242,000



The Borrower approached us after his existing bank moved the goalposts. Initially his bank said they would do the loan "No Recourse" and "No Pre-Sales" not surprisingly both of these turned out to be sticking points, when his bank wanted 120% debt-cover and Directors guarantees.

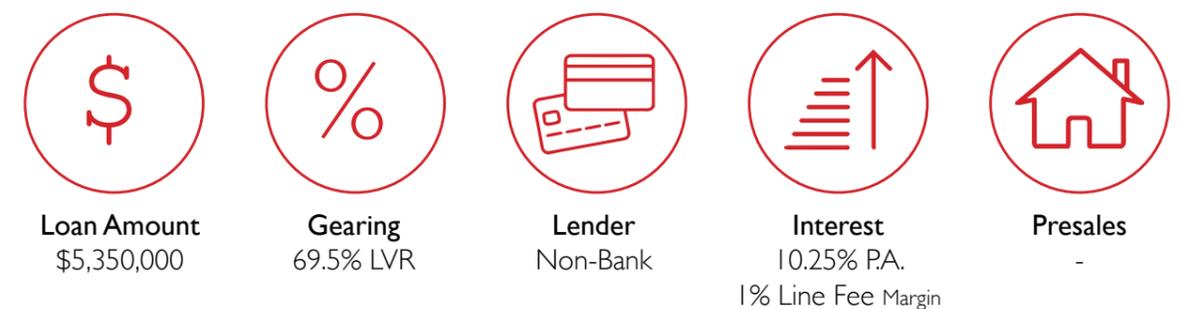
The borrowing entity is a syndicated of investors with multiple directors.

Our solution was to repackage the transaction and present to another bank. Results were only 50% Debt-Cover and only 1 Director required to provide a guarantee. Great result in the current market and a good example of what can be achieved when you package all the information correctly and you speak with the right people within the banks about a commercial outcome.

## Case Study for a Small Apartment Project

19 Units  
Nundah QLD 4012

Project Value  
\$8.3 million



A perfect example of a situation where construction timing led decisions on construction finance, this build job was quoted in August 2015 and one builder proposed that they could start on site in October at an attractive fixed price, but due to workload and the impact of the Christmas shut-down and anticipated January rain, they either wanted to start in October or delay until February but that would incur a \$280,000 higher cost.

The developer asked the presales agent to get 8 sales quickly, the agent knew that it was good product but 8 unconditional sales in a couple of weeks was logistically not achievable. So the agent referred the developer to HoldenCAPITAL, who demonstrated a "no presale" funding package would only cost an additional \$190,000 over and above the major bank option. The client ended up saving money and will now complete their project in July rather than December, allowing them to start their next project sooner.



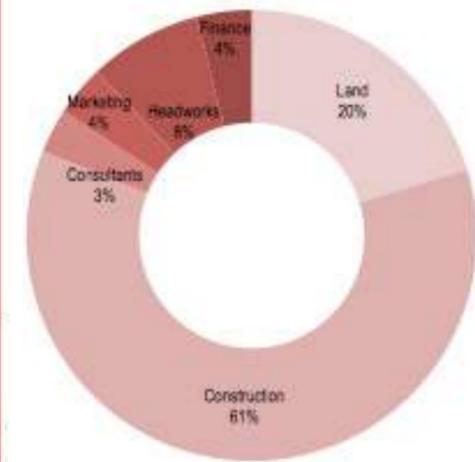
# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Major Bank

The feasibility below outlines a 77 apartment project with major bank funding:

PROJECT FEASIBILITY (\$'000's)	Total Project	Net Profit	
1 Bedroom Apartments	18	6,250	391
2 Bedroom Apartments	52	28,800	515
3 Bedroom Apartments	9	5,850	650
Management Rights		809	11
<b>Gross Realisation</b>		<b>39,709</b>	<b>661</b>
- GST (Margin Scheme)	0.28%	3,292	43
- Selling costs	2.5%	993	13
<b>NET REALISATION</b>		<b>35,424</b>	<b>480</b>
<b>Construction Costs - Excluding GST</b>			
Land		5,500	71
GST on Land Purchase		550	7
GST Refund on Land Purchase		-550	-7
Land transaction costs	5.0%	275	4
Construction Costs		16,500	214
GST on Construction Costs		125	2
GST Refund on Construction Costs		-125	-2
Contingency	5.0%	825	11
Consultants	4.3%	701	9
Development Management	1.0%	165	2
Headworks + Permits		2,200	29
Holding Costs		50	1
Miscellaneous		50	1
Marketing		400	5
Marketing	2.5%	993	13
<b>Total Project Costs</b>		<b>27,659</b>	<b>359</b>
Lender & Broker Fees ( 1.25%)		270	4
Interest ( 3.79% pa)		480	6
Line Fee ( 1.25% pa)		320	4
<b>TOTAL DEVELOPMENT COST</b>		<b>28,729</b>	<b>373</b>
<b>PROJECT PROFIT</b>		<b>6,695</b>	<b>87</b>
Development Margin		23.3%	

Project Feasibility - Summary (\$'000's)	
Gross Realisation	39,709
<b>NET REALISATION</b>	<b>35,424</b>
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	1,070
<b>TOTAL COSTS</b>	<b>28,729</b>
<b>PROFIT</b>	<b>6,695</b>
Dev Margin	23.3%



## Funding Options for a Large Apartment Project

### 77 Apartment Project with a Major Bank

The following table outlines the contributions to be made by the developer and the major bank:

FUNDING CONTRIBUTIONS (\$'000,000)	Developer	Senior	TOTAL
Land	5,500		5,500
GST on Land Purchase	550		550
GST Refund on Land Purchase	-550		-550
Land transaction costs	275		275
Construction Costs		16,500	16,500
GST on Construction Costs	125		125
GST Refund on Construction Costs	-125		-125
Contingency		825	825
Consultants	351	351	701
Development Management	165		165
Headworks + Permits		2,200	2,200
Holding Costs		50	50
Miscellaneous		50	50
Marketing	400		400
Marketing	387	586	983
Sub Total	7,088	20,571	27,659
Lender & Broker Fees ( 1.25%)	15	255	270
Interest ( 3.79% pa)		480	480
Line Fee ( 1.25% pa)		320	320
<b>TOTAL CONTRIBUTIONS</b>	<b>7,103</b>	<b>21,626</b>	<b>28,729</b>
<b>Loan to Cost Ratio</b>	<b>24.7%</b>	<b>75.3%</b>	
<b>Loan to End Value Ratio (Exc GST)</b>		<b>59.4%</b>	

#### PRESALE REQUIREMENTS

Presales: 36	23,595	
Net Realisation: 92%	21,639	100% Debt Cover
Residual Security (Net of GST)	14,778	0% Residual LVR



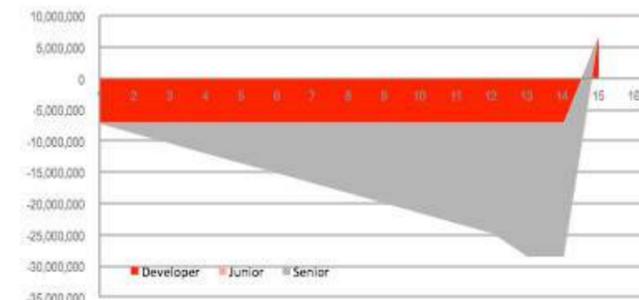
## Funding Options for a Large Apartment Project

### 77 Apartment Project with a Major Bank

A projected project debt cashflow summarising the estimated draws is detailed below:

PROJECT CASHFLOW (\$'000,000)	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17		
NET REALISATION																	35,424
Land	0	0															
GST on Land Purchase	0	0															
GST Refund on Land Purchase	0	0															
Land transaction costs	0	0															
Construction Costs	1	12															
GST on Construction Costs	0	0															
GST Refund on Construction Costs	0	0															
Contingency	1	12															
Consultants	1	12															
Development Management	1	12															
Headworks + Permits	12	12															2,200
Holding Costs	1	12															4
Miscellaneous	1	12															4
Marketing	1	12															4
Marketing	1	12															4
Sub Total			50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Lender & Broker Fees ( 1.25%)			255														
Interest ( 3.8% pa)			1	6	11	16	21	26	30	35	41	46	51	56	68	68	
Line Fee ( 1.25% pa)			23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
Cumulative			255	1,809	3,368	4,932	6,501	8,075	9,654	11,238	12,827	14,421	16,020	17,624	19,233	21,824	

The project debt and equity cashflow can be summarised in the following graph:



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	21,626
2 Junior Debt Repayment	
Proceeds after Senior Debt	13,798
4 Other Repayments	
Developer Profit	13,798



# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Minor Bank

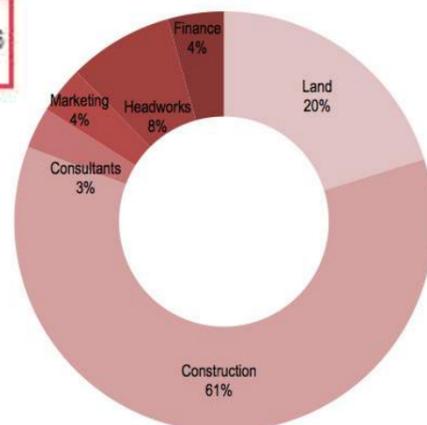
As noted previously, when structuring development facilities, the second tier banks in Australia are very similar to their major bank peers in many regards. Some areas where they differ include some leniencies as regards required levels of pre-sales and gearing against the "cost to compete" in order to win business. In terms of pricing, often these banks don't charge a line fee and while their interest rate looks substantially higher than the major banks, when cash-flowed out over the life of the development,

the cost often works out to be close to or marginally more expensive. Offsetting that is the fact that in many cases the lesser presale requirements can allow an earlier commencement and potentially shorter selling periods delivering an overall similar outcome.

The project feasibility below shows the same 77 unit project with a typical minor bank cost of funds:

PROJECT FEASIBILITY (\$'000's)		Total Project	Minor Project
1 Bedroom Apartments	16	6,250	391
2 Bedroom Apartments	52	28,800	515
3 Bedroom Apartments	9	5,850	650
Management Rights		809	11
<b>Gross Realisation</b>		<b>39,709</b>	<b>661</b>
GST (Margin Scheme)	0.29%	3,292	43
Selling costs	2.5%	993	13
<b>NET REALISATION</b>		<b>35,424</b>	<b>460</b>
<b>Construction Costs - Excluding GST</b>			
Land		5,500	71
GST on Land Purchase		550	7
GST Refund on Land Purchase		-550	-7
Land transaction costs	6.0%	275	4
Construction Costs		16,500	214
GST on Construction Costs		125	2
GST Refund on Construction Costs		-125	-2
Contingency	5.0%	825	11
Consultants	4.3%	701	9
Development Management	1.0%	165	2
Headworks + Permits		2,200	29
Holding Costs		50	1
Miscellaneous		50	1
Marketing		400	5
Marketing	2.5%	993	13
<b>Total Project Costs</b>		<b>27,659</b>	<b>359</b>
Lender & Broker Fees ( 1.25%)		276	4
Interest ( 7.04% pa)		900	12
Line Fee ( .0% pa)			
<b>TOTAL DEVELOPMENT COST</b>		<b>28,835</b>	<b>374</b>
<b>PROJECT PROFIT</b>			
Development Margin		<b>6,589</b>	<b>86</b>
		<b>22.8%</b>	

Project Feasibility - Summary (\$'000's)	
Gross Realisation	39,709
NET REALISATION	35,424
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	1,176
<b>TOTAL COSTS</b>	<b>28,835</b>
<b>PROFIT</b>	<b>6,589</b>
Dev Margin	22.8%



# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Minor Bank

The table below represents the contributions made by the developer and the minor bank.

Again, this demonstrates that the LCR and LVR are fairly similar to that shown in the equivalent major bank example and while possibly in 2 out of 5 projects the overall funding costs may end up a little bit more aggressive, often it is not a substantially different cost.

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Senior	TOTAL
Land	5,500		5,500
GST on Land Purchase	550		550
GST Refund on Land Purchase	-550		-550
Land transaction costs	275		275
Construction Costs		16,500	16,500
GST on Construction Costs	125		125
GST Refund on Construction Costs	-125		-125
Contingency		825	825
Consultants	175	526	701
Development Management		165	165
Headworks + Permits		2,200	2,200
Holding Costs		50	50
Miscellaneous		50	50
Marketing	400		400
Marketing	387	606	993
<b>Sub Total</b>	<b>6,737</b>	<b>20,922</b>	<b>27,659</b>
Lender & Broker Fees ( 1.25%)	15	261	276
Interest ( 7.04% pa)		900	900
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>6,752</b>	<b>22,083</b>	<b>28,835</b>
Loan to Cost Ratio	23.4%	76.6%	
Loan to End Value Ratio (Exc GST)		60.6%	

PRESALE REQUIREMENTS	
Presales: 30	19,500
Net Realisation: 92%	17,883
Residual Security (Net of GST)	18,533
	<b>81% Debt Cover</b>
	<b>23% Residual LVR</b>



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	22,083
2 Junior Debt Repayment	
Proceeds after Senior Debt	13,341
4 Builder Repayment	
<b>Developer Profit</b>	<b>13,341</b>

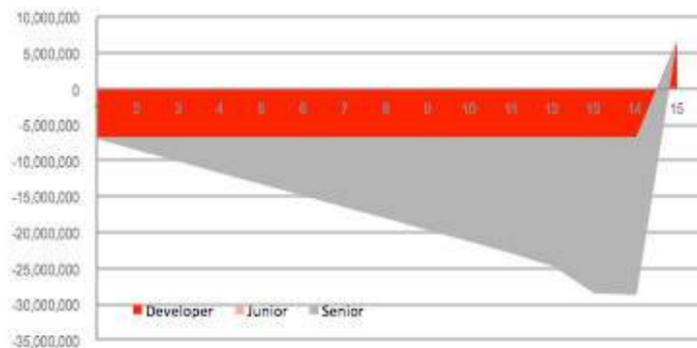
# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Minor Bank

The projected facility drawdowns are summarised in the following cashflow:

PROJECT CASHFLOW (Values in \$'000)	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17		
<b>NET REALISATION</b>																	35,424
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GST on Land Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GST Refund on Land Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land transaction costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Costs	1	12		1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375
GST on Construction Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GST Refund on Construction Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	1	12		69	69	69	69	69	69	69	69	69	69	69	69	69	69
Consultants	1	12		44	44	44	44	44	44	44	44	44	44	44	44	44	44
Development Management	1	12		14	14	14	14	14	14	14	14	14	14	14	14	14	14
Headworks + Permits	12	12															2,200
Holding Costs	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4	4
Miscellaneous	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4	4
Marketing	1	12															
Marketing	1	12		50	50	50	50	50	50	50	50	50	50	50	50	50	50
Sub Total				1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	1,560	3,760
Lender & Broker Fees (1.25%)				261													
Interest (7.5% pa)				2	11	20	29	39	48	57	67	76	86	96	105	128	129
Line Fee (1.0% pa)																	
<b>Drawdown</b>				261	1,823	3,384	4,944	6,505	8,065	9,775	11,387	13,014	14,651	16,297	17,953	21,818	21,946

The project debt and equity cashflow can be summarised in the following graph:



## Comparison of Major & Minor Bank

Below we compare major and minor bank:

	Major Bank	Minor Bank
Developer Cash In	7,103	6,752
Cost of Capital	1,070	1,176
Developer Profit	6,695	6,589
Return on Equity	194%	198%
Developer IRR	49%	51%
Presales Required	36	30



**Brett Cottam**  
Finance Consultant  
Brett has over 16 years of corporate banking experience with NAB and BOSI, specialising in property investment & development including residential, commercial, retail, industrial & mixed use assets.

# Funding Options for a Large Apartment Project

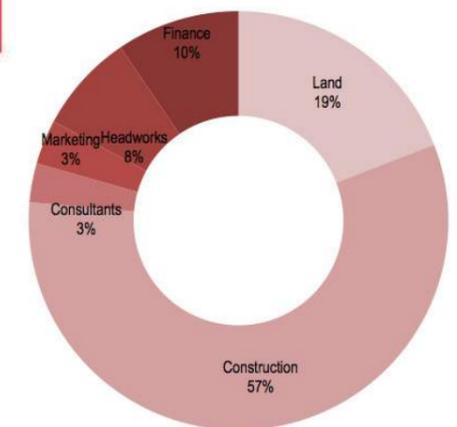
## 77 Apartment Project with a Specialist Lender

The Specialist Lender cost of funds is slightly higher again as a third option. However, as they are largely "project/security" focussed, they can often accept a few more leniencies, mainly based around presales, borrower strength or track record but preferably not all of these.

The following feasibility shows the same 77 unit project with the Specialist Lender cost of funds:

PROJECT FEASIBILITY (\$'000's)	Total Project	Per Product
<b>NET REALISATION</b>	<b>35,424</b>	<b>480</b>
1 Bedroom Apartments	18	6,250
2 Bedroom Apartments	52	26,800
3 Bedroom Apartments	9	5,850
Management Rights		809
Gross Realisation	39,709	881
GST (Margin Scheme)	8.29%	3,292
Selling costs	2.5%	993
<b>NET REALISATION</b>	<b>35,424</b>	<b>480</b>
<b>Construction Costs - Excluding GST</b>		
Land	5,500	71
GST on Land Purchase	550	7
GST Refund on Land Purchase	-550	-7
Land transaction costs	6.0%	275
Construction Costs	18,500	214
GST on Construction Costs	125	2
GST Refund on Construction Costs	-125	-2
Contingency	9.0%	825
Consultants	4.3%	701
Development Management	1.0%	165
Headworks + Permits	2,200	29
Holding Costs	50	1
Miscellaneous	50	1
Marketing	400	5
Marketing	2.5%	993
<b>Total Project Costs</b>	<b>27,659</b>	<b>359</b>
Lender & Broker Fees (2.5%)	608	8
Interest (11.95% pa)	1,700	22
Line Fee (1.50% pa)	430	6
<b>TOTAL DEVELOPMENT COST</b>	<b>30,396</b>	<b>395</b>
<b>PROJECT PROFIT</b>	<b>5,027</b>	<b>65</b>
Development Margin	16.5%	

Project Feasibility - Summary (Total)	
Gross Realisation	39,709
NET REALISATION	35,424
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	2,738
<b>TOTAL COSTS</b>	<b>30,396</b>
PROFIT	5,027
Dev Margin	16.5%



# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Specialist Lender

The following table outlines the contributions by the developer and the Specialist Lender and demonstrates that the LCR and LVR are fairly similar to a major bank although in many instances they will be a bit more aggressive but not substantially.

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Junior	Senior	TOTAL
Land	5,100		400	5,500
GST on Land Purchase	550			550
GST Refund on Land Purchase	-550			-550
Land transaction costs	275			275
Construction Costs			16,500	16,500
GST on Construction Costs	125			125
GST Refund on Construction Costs	-125			-125
Contingency			825	825
Consultants	100		601	701
Development Management			165	165
Headworks + Permits			2,200	2,200
Holding Costs			50	50
Miscellaneous			50	50
Marketing	400			400
Marketing	193		799	993
<b>Sub Total</b>	<b>6,068</b>		<b>21,591</b>	<b>27,659</b>
Lender & Broker Fees ( 2.5%)	15		593	608
Interest ( 11.95% pa)			1,700	1,700
Line Fee ( 1.50% pa)			430	430
<b>TOTAL CONTRIBUTIONS</b>	<b>6,083</b>		<b>24,313</b>	<b>30,396</b>
Loan to Cost Ratio	20.0%	80.0%	80.0%	
Loan to End Value Ratio (Exc GST)		66.8%	66.8%	

	Developer	Junior	Senior	TOTAL
Junior Debt Fees				
Junior Debt Coupon				
<b>TOTAL CONTRIBUTIONS</b>	<b>6,083</b>		<b>24,313</b>	<b>30,396</b>
<b>Presales: 15</b>	9,750			9,750
Net Realisation: 92%	8,942	37%	37%	12,689
Residual Security (Net of GST)	27,475	56%	56%	11,111



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	24,313
2 Junior Debt Repayment	
Proceeds after Senior Debt	11,111
4 Builder Repayment	
Developer Profit	11,111

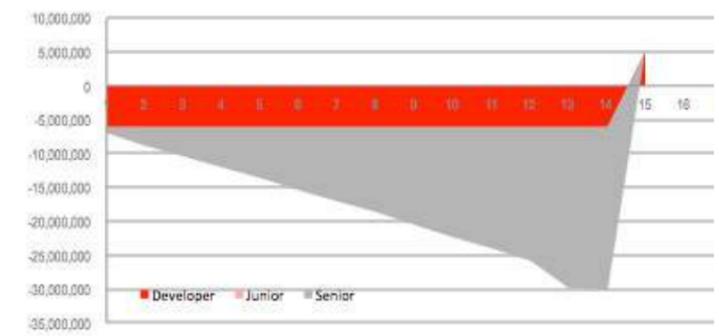
# Funding Options for a Large Apartment Project

## 77 Apartment Project with a Specialist Lender

A projected project debt cashflow summarising the estimated draws is detailed below:

PROJECT CASHFLOW	S	F	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	
NET REALISATION	14	14																35,424
Land	0	0	400															
GST on Land Purchase	0	0																
GST Refund on Land Purchase	0	0																
Land transaction costs	0	0																
Construction Costs	1	12		1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375		
GST on Construction Costs	0	0																
GST Refund on Construction Costs	0	0																
Contingency	1	12		69	69	69	69	69	69	69	69	69	69	69	69	69		
Consultants	1	12		50	50	50	50	50	50	50	50	50	50	50	50	50		
Development Management	1	12		14	14	14	14	14	14	14	14	14	14	14	14	14		
Headworks + Permits	12	12																2,200
Holding Costs	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4		4
Miscellaneous	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4		4
Marketing	1	12																
Marketing	1	12		67	67	67	67	67	67	67	67	67	67	67	67	67		67
Sub Total			400	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	1,583	3,783	
Lender & Broker Fees ( 2.5%)			593															
Interest ( 12.1% pa)				10	26	42	59	75	92	109	126	144	161	179	197	237	239	
Line Fee ( 1.50% pa)				30	30	30	30	30	30	30	30	30	30	30	30	30	30	
<b>Cumulative</b>			<b>893</b>	<b>2,815</b>	<b>4,254</b>	<b>5,910</b>	<b>7,681</b>	<b>9,270</b>	<b>10,979</b>	<b>12,697</b>	<b>14,437</b>	<b>16,193</b>	<b>17,967</b>	<b>19,758</b>	<b>21,569</b>	<b>23,408</b>		

The project debt and equity cashflow can be summarised in the following graph:



## Comparison

Below we compare the 3 options discussed so far:

	Major Bank	Minor Bank	Non-Bank
Developer Cash In	7,103	6,752	6,083
Cost of Capital	1,070	1,176	2,738
Developer Profit	6,695	6,589	5,027
Return on Equity	194%	198%	183%
Developer IRR	49%	51%	57%
Presales Required	36	30	15



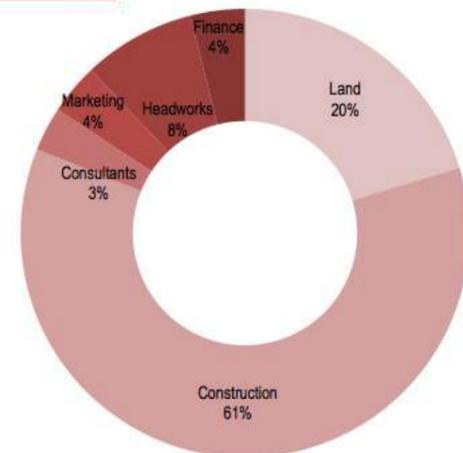
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Mezzanine Debt

The feasibility below reflects a live project we have funded recently:

PROJECT FEASIBILITY (\$'000's)	Total Project	NET REALISATION	
1 Bedroom Apartments	16	6,250	391
2 Bedroom Apartments	52	26,800	515
3 Bedroom Apartments	9	5,950	650
Management Rights		809	11
<b>Gross Realisation</b>		<b>39,709</b>	<b>661</b>
GST (Margin Scheme)	0.23%	3,292	49
Selling costs	2.3%	993	13
<b>NET REALISATION</b>		<b>35,424</b>	<b>460</b>
<b>Construction Costs - Excluding GST</b>			
Land		5,500	71
GST on Land Purchase		550	7
GST Refund on Land Purchase		-550	-7
Land transaction costs	5.0%	275	4
Construction Costs		16,500	214
GST on Construction Costs		125	2
GST Refund on Construction Costs		-125	-2
Contingency	5.0%	825	11
Consultants	4.3%	701	9
Development Management	1.0%	165	2
Headworks + Permits		2,200	29
Holding Costs		50	1
Miscellaneous		50	1
Marketing		400	5
Marketing	2.5%	993	13
<b>Total Project Costs</b>		<b>27,859</b>	<b>359</b>
Lender & Broker Fees ( 1.25%)		289	3
Interest ( 3.75% pa)		480	6
Line Fee ( 1.25% pa)		320	4
<b>TOTAL DEVELOPMENT COST</b>		<b>28,728</b>	<b>373</b>
<b>PROJECT PROFIT</b>		<b>6,896</b>	<b>87</b>
Development Margin		23.3%	

Project Feasibility - Summary (\$'000's)	
Gross Realisation	39,709
NET REALISATION	35,424
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	1,069
TOTAL COSTS	28,728
PROFIT	6,696
Dev Margin	23.3%



# Funding Options for a Large Apartment Project

## 77 Apartment Project with Mezzanine Debt

The following table represents the funding contributions made by the senior and junior debt parties involved:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Junior	Senior	TOTAL
Land	1,175	4,325		5,500
GST on Land Purchase	550			550
GST Refund on Land Purchase	-550			-550
Land transaction costs	275			275
Construction Costs	125		16,375	16,500
GST on Construction Costs	125			125
GST Refund on Construction Costs	-125			-125
Contingency			825	825
Consultants	175		526	701
Development Management	165			165
Headworks + Permits			2,200	2,200
Holding Costs			50	50
Miscellaneous			50	50
Marketing	400			400
Marketing	464		529	993
<b>Sub Total</b>	<b>2,779</b>	<b>4,325</b>	<b>20,555</b>	<b>27,659</b>
Lender & Broker Fees ( 1.25%)	15		254	269
Interest ( 3.75% pa)			480	480
Line Fee ( 1.25% pa)			320	320
<b>TOTAL CONTRIBUTIONS</b>	<b>2,794</b>	<b>4,325</b>	<b>21,609</b>	<b>28,728</b>
Loan to Cost Ratio	9.7%	90.3%	75.2%	
Loan to End Value Ratio (Excl GST)		71.2%	59.3%	
Junior Debt Fees	15	285		300
Junior Debt Coupon		1,382		1,382
<b>TOTAL CONTRIBUTIONS</b>	<b>2,809</b>	<b>6,992</b>	<b>21,609</b>	<b>30,410</b>
Presales: 36		23,400		
Net Realisation: 92%		21,480	78%	99% Debt Cover
Residual Security (Net of GST)		14,958	41%	0% Residual LVR



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	21,608
2 Junior Debt Repayment	4,325
Proceeds after Senior Debt	9,491
4 Builder Repayment	
Developer Profit	9,491

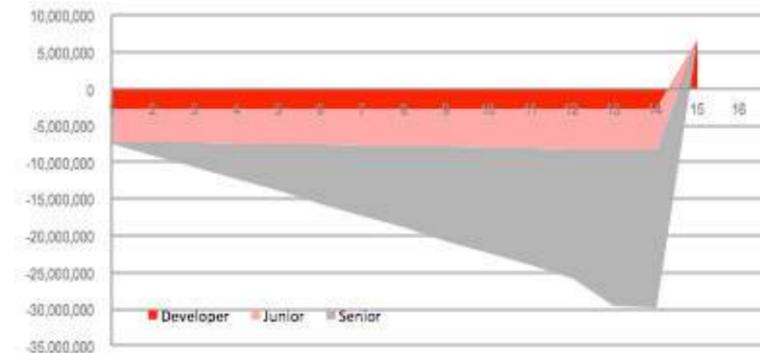
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Mezzanine Debt

The projected facility drawdowns are summarised in the following cashflow:

PROJECT CASHFLOW	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17		
<b>NET REALISATION</b>	14	14															35,424
Land	0	0															
GST on Land Purchase	0	0															
GST Refund on Land Purchase	0	0															
Land transaction costs	0	0															
Construction Costs	1	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365			
GST on Construction Costs	0	0															
GST Refund on Construction Costs	0	0															
Contingency	1	69	69	69	69	69	69	69	69	69	69	69	69	69			
Consultants	1	44	44	44	44	44	44	44	44	44	44	44	44	44			
Development Management	1	44	44	44	44	44	44	44	44	44	44	44	44	44			
Headworks + Permits	12																2,200
Holding Costs	1	4	4	4	4	4	4	4	4	4	4	4	4	4			
Miscellaneous	1	4	4	4	4	4	4	4	4	4	4	4	4	4			
Marketing	1	44	44	44	44	44	44	44	44	44	44	44	44	44			
Marketing	1	44	44	44	44	44	44	44	44	44	44	44	44	44			
Sub Total		1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	3,730			
Lender & Broker Fees (1.25%)		254															
Interest (3.8% pa)		1	6	11	16	21	25	30	35	40	45	51	56	68	68		
Line Fee (1.25% pa)		22	22	22	22	22	22	22	22	22	22	22	22	22	22		
<b>Cumulative</b>		254	1,308	3,364	4,927	6,494	8,067	9,644	11,220	12,814	14,426	16,054	17,696	19,414	21,524		

The project debt and equity cashflow can be summarised in the following graph:



## Comparison

Below we compare the 4 options discussed so far:

	Major Bank	Minor Bank	Non-Bank	Bank + Mezz
Developer Cash In	7,103	6,752	6,083	2,794
Cost of Capital	1,070	1,176	2,738	2,750
Developer Profit	6,695	6,589	5,027	5,014
Return on Equity	194%	198%	183%	279%
Developer IRR	49%	51%	57%	86%
Presales Required	36	30	15	36

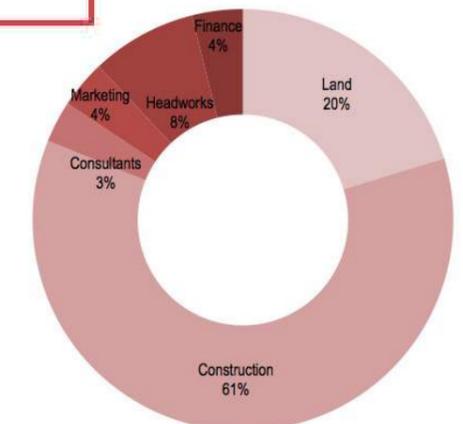
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Preferred Equity

Again, the following feasibility reflects the structure of a live project we have recently funded:

PROJECT FEASIBILITY (\$'000's)	Total Project	Net Project	
<b>NET REALISATION</b>	<b>35,424</b>	<b>480</b>	
1 Bedroom Apartments	18	6,250	391
2 Bedroom Apartments	52	28,800	515
3 Bedroom Apartments	0	5,850	650
Management Rights		809	11
<b>Gross Realisation</b>	<b>39,709</b>	<b>681</b>	
GST (Margin Scheme)	0.29%	3,292	43
Selling costs	2.5%	993	13
<b>NET REALISATION</b>	<b>35,424</b>	<b>480</b>	
<b>Construction Costs - Excluding GST</b>			
Land		5,500	71
GST on Land Purchase		550	7
GST Refund on Land Purchase		-550	-7
Land transaction costs	5.0%	275	4
Construction Costs		16,500	214
GST on Construction Costs		125	2
GST Refund on Construction Costs		-125	-2
Contingency	5.0%	825	11
Consultants	4.3%	701	9
Development Management	1.0%	165	2
Headworks + Permits		2,200	29
Holding Costs		50	1
Miscellaneous		50	1
Marketing		400	5
Marketing	2.5%	993	13
<b>Total Project Costs</b>	<b>27,659</b>	<b>359</b>	
Lender & Broker Fees (1.25%)		270	4
Interest (3.79% pa)		470	6
Line Fee (1.25% pa)		320	4
<b>TOTAL DEVELOPMENT COST</b>	<b>28,719</b>	<b>373</b>	
<b>PROJECT PROFIT</b>	<b>6,705</b>	<b>87</b>	
Development Margin	23.3%		

Project Feasibility - Summary (\$'000's)	
Gross Realisation	39,709
NET REALISATION	35,424
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	1,060
<b>TOTAL COSTS</b>	<b>28,719</b>
PROFIT	6,705
Dev Margin	23.3%



# Funding Options for a Large Apartment Project

## 77 Apartment Project with Preferred Equity

The following table represents the funding contributions made by the senior and preferred equity parties involved:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Pref Equity	Senior	TOTAL
Land	1,210	4,290		5,500
GST on Land Purchase	550			550
GST Refund on Land Purchase	-550			-550
Land transaction costs	275			275
Construction Costs			16,500	16,500
GST on Construction Costs	125			125
GST Refund on Construction Costs	-125			-125
Contingency			825	825
Consultants		585	116	701
Development Management			165	165
Headworks + Permits			2,200	2,200
Holding Costs			50	50
Miscellaneous			50	50
Marketing		400		400
Marketing	232	232	529	993
Sub Total	1,717	5,507	20,435	27,659
Lender & Broker Fees ( 1.25%)	15		255	270
Interest ( 3.79% pa)			470	470
Line Fee ( 1.25% pa)			320	320
<b>TOTAL CONTRIBUTIONS</b>	<b>1,732</b>	<b>5,507</b>	<b>21,480</b>	<b>28,719</b>
Loan to Cost Ratio	6.0%	94.0%	74.8%	
Loan to End Value Ratio (Exc GST)		74.1%	59.0%	
Junior Debt Fees	15	245		260
Junior Debt Coupon		823		823
<b>TOTAL CONTRIBUTIONS</b>	<b>1,747</b>	<b>6,575</b>	<b>21,480</b>	<b>29,802</b>
Presales: 36	23,400			
Net Realisation: 92%	21,460	76%	100% Debt Cover	
Residual Security (Net of GST)	14,956	44%	0% Residual LVR	



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	21,480
2 Preferred Equity Repayment	5,507
Proceeds after Debt	8,437
4 Preferred Equity Profit Share (33%)	2,213
Developer Profit	6,224

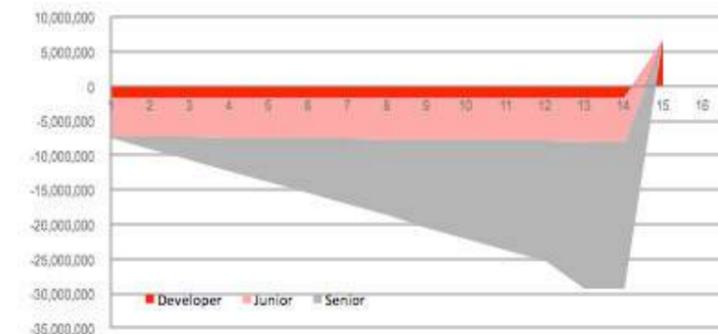
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Preferred Equity

The projected facility drawdowns are summarised in the following cashflow:

PROJECT CASHFLOW	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17		
NET REALISATION	14	14															35,424
Land	0	0															
GST on Land Purchase	0	0															
GST Refund on Land Purchase	0	0															
Land transaction costs	0	0															
Construction Costs	1	12		1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375		
GST on Construction Costs	0	0															
GST Refund on Construction Costs	0	0															
Contingency	1	12		69	69	69	69	69	69	69	69	69	69	69	69		
Consultants	1	12		10	10	10	10	10	10	10	10	10	10	10	10		
Development Management	1	12		14	14	14	14	14	14	14	14	14	14	14	14		
Headworks + Permits	12	12															2,200
Holding Costs	1	12		4	4	4	4	4	4	4	4	4	4	4	4		
Miscellaneous	1	12		4	4	4	4	4	4	4	4	4	4	4	4		
Marketing	1	12															
Marketing	1	12		44	44	44	44	44	44	44	44	44	44	44	44		
Sub Total				255	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	3,720	
Lender & Broker Fees ( 1.25%)				1	6	11	15	20	25	30	35	40	45	50	55	67	68
Interest ( 3.8% pa)				23	23	23	23	23	23	23	23	23	23	23	23	23	23
Line Fee ( 1.25% pa)																	
Cumulative				255	1,775	3,345	4,920	6,495	8,070	9,645	11,220	12,795	14,370	15,945	17,520	19,095	21,584

The project debt and equity cashflow can be summarized in the following graph:



## Comparison

Below we compare the 5 options discussed so far:

	Major Bank	Minor Bank	Non-Bank	Bank + Mezz	Bank + Pref
Developer Cash In	7,103	6,752	6,083	2,794	1,732
Cost of Capital	1,070	1,176	2,738	2,750	3,533
Developer Profit	6,695	6,589	5,027	5,014	3,409
Return on Equity	194%	198%	183%	279%	297%
Developer IRR	49%	51%	57%	86%	116%
Presales Required	36	30	15	36	36

### Eric Trieu Director

Eric joined HoldenCAPITAL in 2014 and brings with him over 20 years of project marketing experience. He was CEO of two international marketing firms, The Aldy Group and Empire Property Investors.



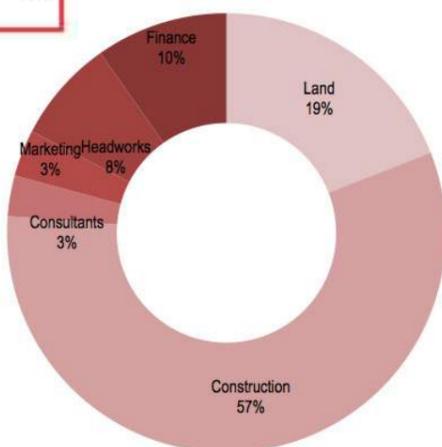
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Stretch Senior Debt

Again, the following feasibility reflects the structure of a live project we have recently funded, this time using Stretch Senior Debt:

PROJECT FEASIBILITY (\$'000's)	Total Project	Per Unit	
1 Bedroom Apartments	16	6,250	391
2 Bedroom Apartments	52	26,800	515
3 Bedroom Apartments	9	5,850	650
Management Rights		809	11
<b>Gross Realisation</b>		<b>39,709</b>	<b>681</b>
GST (Margin Scheme)	8.29%	3,292	43
Selling costs	2.5%	993	13
<b>NET REALISATION</b>		<b>35,424</b>	<b>480</b>
<b>Construction Costs - Excluding GST</b>			
Land	5,500	71	
GST on Land Purchase	550	7	
GST Refund on Land Purchase	-550	-7	
Land transaction costs	6.0%	275	4
Construction Costs	16,500	214	
GST on Construction Costs	125	2	
GST Refund on Construction Costs	-125	-2	
Contingency	5.0%	825	11
Consultants	4.3%	701	9
Development Management	1.0%	165	2
Headworks + Permits	2,200	29	
Holding Costs	50	1	
Miscellaneous	50	1	
Marketing	400	5	
Marketing	2.5%	993	13
<b>Total Project Costs</b>	<b>27,659</b>	<b>359</b>	
Lender & Broker Fees (2.5%)	660	9	
Interest (10.0% pa)	1,680	22	
Line Fee (1.50% pa)	470	6	
<b>TOTAL DEVELOPMENT COST</b>	<b>30,469</b>	<b>396</b>	
<b>PROJECT PROFIT</b>	<b>4,955</b>	<b>64</b>	
Development Margin	16.3%		

Project Feasibility - Summary (\$'000's)	
Gross Realisation	39,709
NET REALISATION	35,424
Land	5,500
Construction Costs	16,500
Other	5,659
Finance & Interest	2,810
<b>TOTAL COSTS</b>	<b>30,469</b>
<b>PROFIT</b>	<b>4,955</b>
Dev Margin	16.3%



# Funding Options for a Large Apartment Project

## 77 Apartment Project with Stretch Senior Debt

The following table represents the funding contributions made by the parties involved:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Junior	Senior	TOTAL
Land	3,000		2,500	5,500
GST on Land Purchase	550			550
GST Refund on Land Purchase	-550			-550
Land transaction costs	275			275
Construction Costs			16,500	16,500
GST on Construction Costs	125			125
GST Refund on Construction Costs	-125			-125
Contingency			825	825
Consultants	175		526	701
Development Management	165			165
Headworks + Permits			2,200	2,200
Holding Costs			50	50
Miscellaneous			50	50
Marketing			400	400
Marketing	397		596	993
<b>Sub Total</b>	<b>4,012</b>		<b>23,647</b>	<b>27,659</b>
Lender & Broker Fees (2.5%)	15		645	660
Interest (10.0% pa)			1,680	1,680
Line Fee (1.50% pa)			470	470
<b>TOTAL CONTRIBUTIONS</b>	<b>4,027</b>		<b>26,442</b>	<b>30,469</b>
Loan to Cost Ratio	13.2%	86.8%	86.8%	
Loan to End Value Ratio (Exc GST)		72.6%	72.6%	
Junior Debt Fees				
Junior Debt Coupon				
<b>TOTAL CONTRIBUTIONS</b>	<b>4,027</b>		<b>26,442</b>	<b>30,469</b>
Presales: 25	16,250			
Net Realisation: 92%	14,903	56%	56%	<b>Debt Cover</b>
Residual Security (Net of GST)	21,514	54%	54%	<b>Residual LVR</b>



Proceeds Waterfall	
NET REALISATION	35,424
1 Senior Debt Repayment	26,442
2 Junior Debt Repayment	
Proceeds after Senior Debt	8,982
4 Builder Repayment	
Developer Profit	8,982

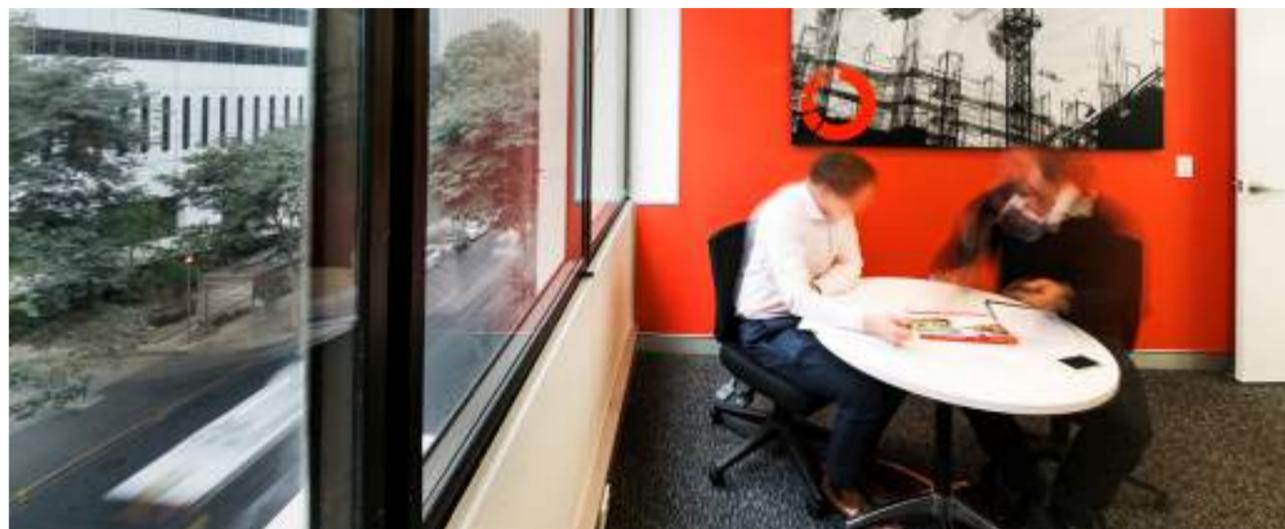
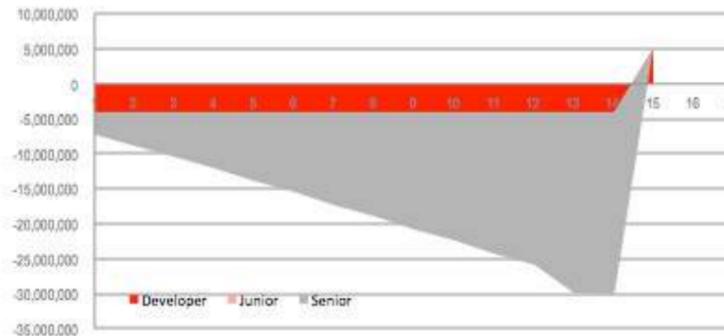
# Funding Options for a Large Apartment Project

## 77 Apartment Project with Stretch Senior Debt

The projected facility drawdowns are summarised in the following cashflow:

	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
			Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
<b>PROJECT CASHFLOW</b> (Values in \$,000s)																	
NET REALISATION	14	14															35,424
Land	0	0	2,500														
GST on Land Purchase	0	0															
GST Refund on Land Purchase	0	0															
Land transaction costs	0	0															
Construction Costs	1	12		1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375		
GST on Construction Costs	0	0															
GST Refund on Construction Costs	0	0															
Contingency	1	12		69	69	69	69	69	69	69	69	69	69	69	69		
Consultants	1	12		44	44	44	44	44	44	44	44	44	44	44	44		
Development Management	1	12															
Headworks + Permits	12	12														2,200	
Holding Costs	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4	
Miscellaneous	1	12		4	4	4	4	4	4	4	4	4	4	4	4	4	
Marketing	1	12		33	33	33	33	33	33	33	33	33	33	33	33	33	
Marketing	1	12		50	50	50	50	50	50	50	50	50	50	50	50	50	
Sub Total			2,500	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	3,779	
Lender & Broker Fees ( 2.5%)			645														
Interest ( 10.1% pa)				26	40	54	68	81	96	110	124	139	153	168	183	216	218
Line Fee ( 1.50% pa)				33	33	33	33	33	33	33	33	33	33	33	33	33	33
<b>Cumulative</b>			<b>3,145</b>	<b>4,783</b>	<b>6,435</b>	<b>8,100</b>	<b>9,780</b>	<b>11,473</b>	<b>13,181</b>	<b>14,902</b>	<b>16,638</b>	<b>18,389</b>	<b>20,154</b>	<b>21,934</b>	<b>23,829</b>	<b>25,178</b>	

The project debt and equity cashflow can be summarised in the following graph:



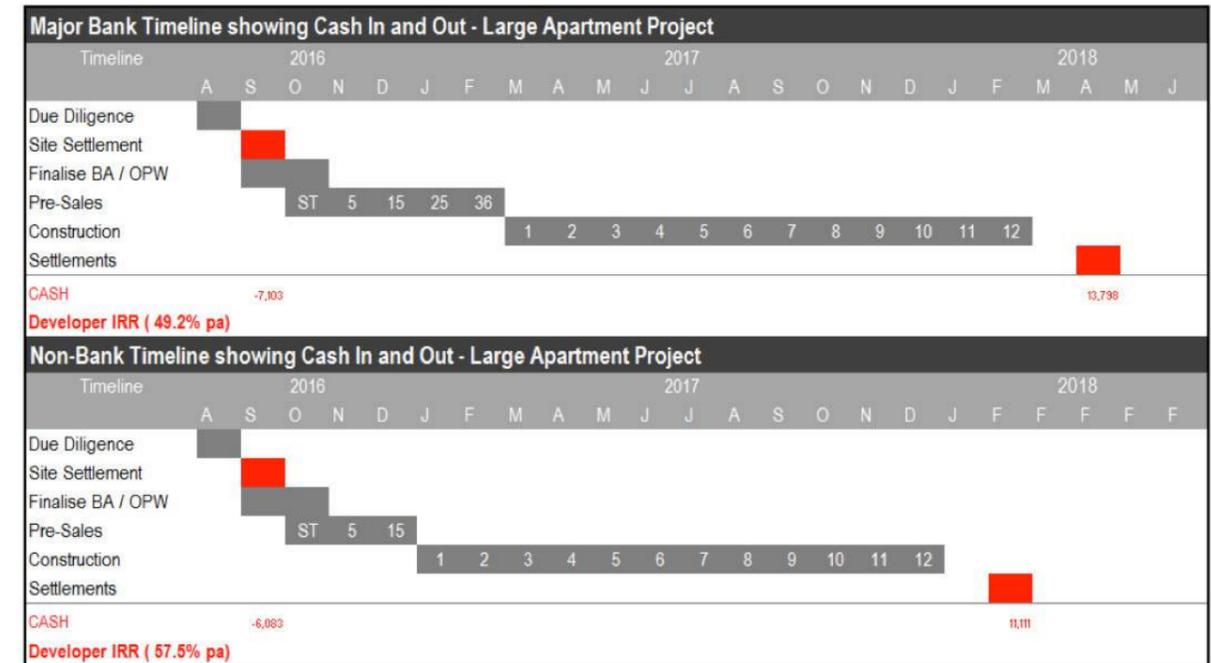
# Funding Options for a Large Apartment Project

## Comparison

Below we compare the 6 options discussed so far:

	Major Bank	Minor Bank	Non-Bank	Bank + Mezz	Bank + Pref	Stretch Senior
Developer Cash In	7,103	6,752	6,083	2,794	1,732	4,027
Cost of Capital	1,070	1,176	2,738	2,750	3,533	2,810
Developer Profit	6,695	6,589	5,027	5,014	3,409	4,955
Return on Equity	194%	198%	183%	279%	297%	223%
Developer IRR	49%	51%	57%	86%	116%	71%
Presales Required	36	30	15	36	36	25

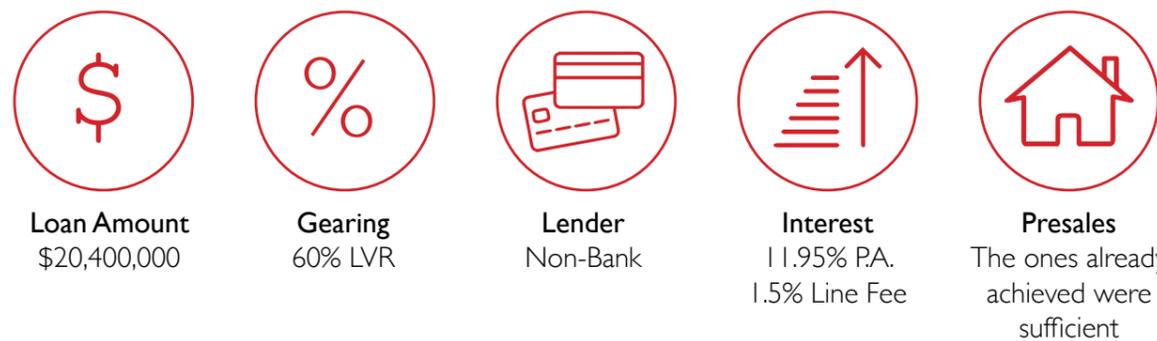
The below timeline shows the difference between the same project funded with a major bank and a non-bank and the relationship between monies in and monies out.



## Case Study for a Large Apartment Project

59 Units  
Mermaid Beach QLD 4218

Project Value  
\$34,000,000

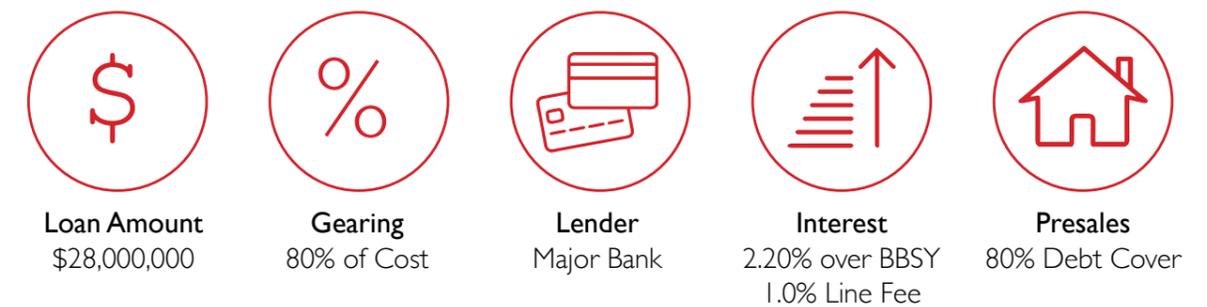


The developer had commenced presales and the project was well received by the market with sales volumes consistent and prices at healthy GR's. The developer chose to go non-bank to ensure funding was secured quickly and they could lock in the current build price on offer. By securing a quick funding approval they also were able to get the builder on site sooner and avoid potential price rises from the increase in activity on the Gold Coast in 2016.

## Case Study for a Large Apartment Project

106 Units  
West End QLD 4101

Project Value  
\$50,000,000



The developer structure is a syndicated equity pool. We got it approved so that only the project directors gave guarantees. The terms were secured early in the projects life and despite a number of major policy reforms within the bank prior to settlement, HoldenCAPITAL managed to maintain those terms.



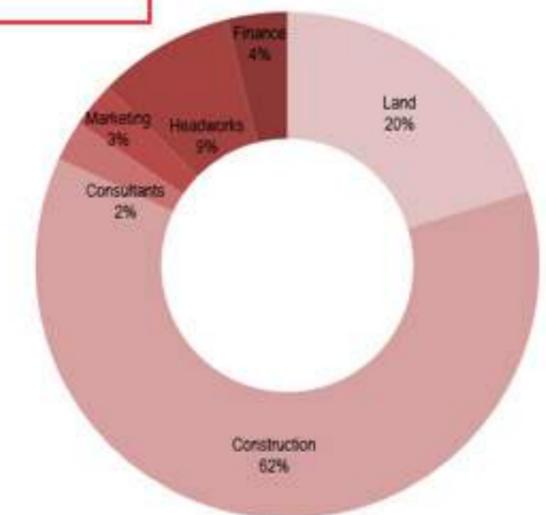
# Funding Options for a Townhouse Project

## 36 Townhouse Project with Major Bank

Here we look at typical townhouse project funded through a Major Bank:

PROJECT FEASIBILITY (\$'000.e)	Total Project	Net Product
Existing House	36	
4 Bedroom Townhouses	625	425
<b>Gross Realisation</b>	<b>15,925</b>	<b>425</b>
GST (Margin Scheme)	7.74%	1,185
Selling costs	2.0%	319
<b>NET REALISATION</b>	<b>14,422</b>	<b>401</b>
<b>Construction Costs - Excluding GST</b>		
Land	2,250	63
GST on Land Purchase	225	6
GST Refund on Land Purchase	-225	-6
Land transaction costs	5.0%	113
Construction Costs	6,840	190
GST on Construction Costs	52	1
GST Refund on Construction Costs	-52	-1
Contingency	5.0%	342
Consultants	3.2%	219
Development Management	1.0%	68
Headworks + Permits	972	27
Holding Costs	20	1
Marketing	50	1
Sales	2.0%	319
<b>Total Project Costs</b>	<b>11,192</b>	<b>311</b>
Lender & Broker Fees ( 1.25%)	109	3
Interest ( 4.04% pa)	180	5
Line Fee ( 1.50% pa)	140	4
<b>TOTAL DEVELOPMENT COST</b>	<b>11,621</b>	<b>323</b>
<b>PROJECT PROFIT</b>	<b>2,800</b>	<b>78</b>
Development Margin	24.1%	

Project Feasibility - Summary (\$'000,s)	
Gross Realisation	15,925
NET REALISATION	14,422
Land	2,250
Construction Costs	6,840
Other	2,102
Finance & Interest	429
<b>TOTAL COSTS</b>	<b>11,621</b>
PROFIT	2,800
Dev Margin	24.1%



# Funding Options for a Townhouse Project

## 36 Townhouse Project with Major Bank

The following table represents the funding contributions made by the parties involved:

FUNDING CONTRIBUTIONS (\$'000s)	Developer	Senior	TOTAL
Land	2,250		2,250
GST on Land Purchase	225		225
GST Refund on Land Purchase	-225		-225
Land transaction costs	113		113
Construction Costs	141	6,699	6,840
GST on Construction Costs	52		52
GST Refund on Construction Costs	-52		-52
Contingency		342	342
Consultants	142	77	219
Development Management		68	68
Headworks + Permits		972	972
Holding Costs		20	20
Marketing	50		50
Marketing	195	124	319
<b>Sub Total</b>	<b>2,890</b>	<b>8,302</b>	<b>11,192</b>
Lender & Broker Fees ( 1.25%)	15	94	109
Interest ( 4.04% pa)		180	180
Line Fee ( 1.50% pa)		140	140
<b>TOTAL CONTRIBUTIONS</b>	<b>2,905</b>	<b>8,716</b>	<b>11,621</b>
<b>Loan to Cost Ratio</b>	<b>25.0%</b>	<b>75.0%</b>	
<b>Loan to End Value Ratio (Exc GST)</b>		<b>59.1%</b>	

### LOAN PRE-SALE REQUIREMENTS

Presales: 22	9,350	
Net Realisation: 93%	8,654	<b>99% Debt Cover</b>
Residual Security (Net of GST)	6,086	<b>1% Residual LVR</b>

The main constraint here is 75%LCR, requiring the developer to have 25% of the total development cost invested in the project.

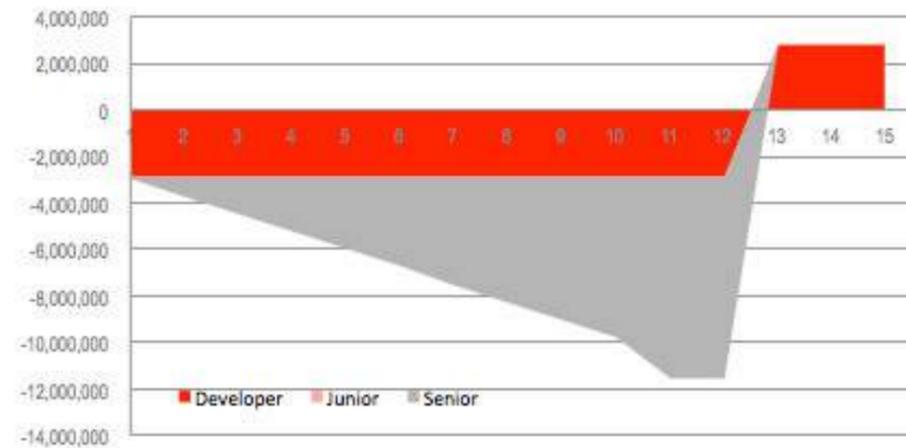


# Funding Options for a Townhouse Project

## 36 Townhouse Project with Major Bank

The projected facility drawdowns are summarised in the following cashflow:

PROJECT CASHFLOW	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17		
NET REALISATION	12	12													14,422
Land	0	0													
GST on Land Purchase	0	0													
GST Refund on Land Purchase	0	0													
Land transaction costs	0	0													
Construction Costs	0	0	670	670	670	670	670	670	670	670	670	670	670		
GST on Construction Costs	0	0													
GST Refund on Construction Costs	0	0													
Contingency	0	0													
Consultants	0	0	34	34	34	34	34	34	34	34	34	34	34		
Development Management	0	0	7	7	7	7	7	7	7	7	7	7	7		
Headworks + Permits	0	0	0	0	0	0	0	0	0	0	0	0	0		
Holding Costs	0	0	0	0	0	0	0	0	0	0	0	0	0		
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0		
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sub Total			735	735	735	735	735	735	735	735	735	735	735	1,706	
Lender & Broker Fees ( 1.25%)			34												
Interest ( 4% pa)			11	3	5	8	10	13	15	18	21	22	29	25	
Line Fee ( 1.50% pa)			11	11	11	11	11	11	11	11	11	11	11	11	
<b>Sub Total</b>			<b>34</b>	<b>836</b>	<b>1,585</b>	<b>2,324</b>	<b>3,063</b>	<b>3,802</b>	<b>4,541</b>	<b>5,280</b>	<b>6,019</b>	<b>6,758</b>	<b>7,497</b>	<b>8,236</b>	



Proceeds Waterfall	
NET REALISATION	14,422
1 Senior Debt Repayment	8,716
2 Junior Debt Repayment	
Proceeds after Senior Debt	5,706
4 Other Repayments	
Developer Profit	5,706

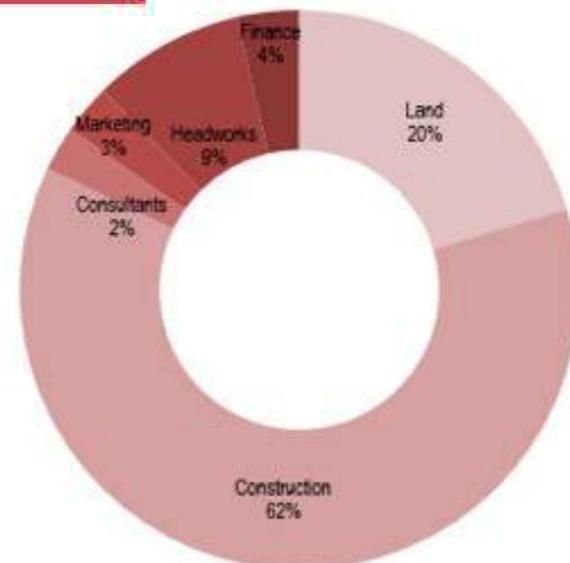
# Funding Options for a Townhouse Project

## 36 Townhouse Project with Minor Bank

Here we look at the same project funded through a Minor Bank:

PROJECT FEASIBILITY (\$'000s)	Total Project	Net Profit
Existing House	36	
4 Bedroom Townhouses	15,300	425
<b>Gross Realisation</b>	<b>15,925</b>	<b>425</b>
GST (Margin Scheme)	7,744	33
Selling costs	204	9
<b>NET REALISATION</b>	<b>14,422</b>	<b>401</b>
<b>Construction Costs - Excluding GST</b>		
Land	2,250	63
GST on Land Purchase	225	6
GST Refund on Land Purchase	-225	-6
Land transaction costs	113	3
Construction Costs	6,840	190
GST on Construction Costs	62	1
GST Refund on Construction Costs	-62	-1
Contingency	342	10
Consultants	219	6
Development Management	68	2
Headworks + Permits	972	27
Holding Costs	20	1
Marketing	50	1
Sales	319	9
<b>Total Project Costs</b>	<b>11,192</b>	<b>311</b>
Lender & Broker Fees ( 1.25%)	109	3
Interest ( 6.54% pa)	300	8
Line Fee ( .0% pa)		
<b>TOTAL DEVELOPMENT COST</b>	<b>11,601</b>	<b>322</b>
<b>PROJECT PROFIT</b>	<b>2,820</b>	<b>78</b>
Development Margin	24.3%	

Project Feasibility - Summary (\$'000s)	
Gross Realisation	15,925
NET REALISATION	14,422
Land	2,250
Construction Costs	6,840
Other	2,102
Finance & Interest	409
<b>TOTAL COSTS</b>	<b>11,601</b>
PROFIT	2,820
Dev Margin	24.3%



# Funding Options for a Townhouse Project

## 36 Townhouse Project with Minor Bank

The following table represents the funding contributions made by the parties involved.

FUNDING CONTRIBUTIONS (\$'000s)	Developer	Senior	TOTAL
Land	2,250		2,250
GST on Land Purchase	225		225
GST Refund on Land Purchase	-225		-225
Land transaction costs	113		113
Construction Costs		6,840	6,840
GST on Construction Costs	62		62
GST Refund on Construction Costs	-62		-62
Contingency		342	342
Consultants		219	219
Development Management		68	68
Headworks + Permits		972	972
Holding Costs		20	20
Marketing	50		50
Marketing	133	186	319
<b>Sub Total</b>	<b>2,545</b>	<b>8,647</b>	<b>11,192</b>
Lender & Broker Fees ( 1.25%)	15	94	109
Interest ( 6.54% pa)		300	300
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>2,560</b>	<b>9,041</b>	<b>11,601</b>

Loan to Cost Ratio	22.1%	77.9%
Loan to End Value Ratio (Exc GST)		61.3%

LOAN PRE-SALE REQUIREMENTS		
Pre-sales: 15	8,375	
Net Realisation: 93%	5,901	65% Debt Cover
Residual Security (Net of GST)	8,833	36% Residual LVR

The main constraint here is the 75% - 80% LCR requiring the developer to have 20-25% of the total development cost invested in the project. The other difference is the lower resale requirement. As you can see above, there is a residual LVR of 36% which will require a suitable merit based argument around the sponsor strength to ensure approval.

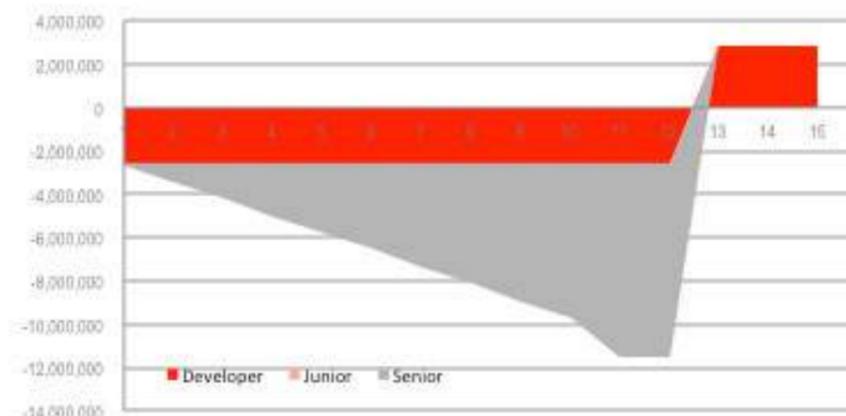


# Funding Options for a Townhouse Project

## 36 Townhouse Project with Minor Bank

The projected facility drawdowns are summarised in the following cashflow:

	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
			Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
<b>PROJECT CASHFLOW</b> (\$'000s)															
NET REALISATION	12	12													14,422
Land	0	0													
GST on Land Purchase	0	0													
GST Refund on Land Purchase	0	0													
Land transaction costs	0	0													
Construction Costs	1	10		684	684	684	684	684	684	684	684	684	684		
GST on Construction Costs	0	0													
GST Refund on Construction Costs	0	0													
Contingency	1	10		34	34	34	34	34	34	34	34	34	34		
Consultants	1	10		22	22	22	22	22	22	22	22	22	22		
Development Management	1	10		7	7	7	7	7	7	7	7	7	7		
Headworks + Permits	10	10													972
Holding Costs	1	10		2	2	2	2	2	2	2	2	2	2		2
Marketing	1	10													
Marketing	1	10		19	19	19	19	19	19	19	19	19	19		19
Sub Total				768	768	768	768	768	768	768	768	768	768		1,740
Lender & Broker Fees ( 1.25%)				94											
Interest ( 6.5% pa)				1	5	9	13	17	22	26	30	35	39	49	49
Line Fee ( .0% pa)															
Cumulative				94	892	1,634	2,410	3,191	3,976	4,765	5,559	6,358	7,159	8,007	8,996



Proceeds Waterfall	
NET REALISATION	14,422
1 Senior Debt Repayment	9,041
2 Junior Debt Repayment	
Proceeds after Senior Debt	5,381
4 Other Repayments	
Developer Profit	5,381

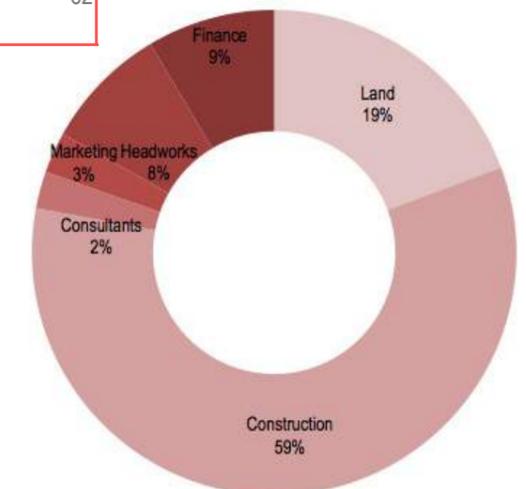
# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

The same project funded through a Non Bank Lender will look like the following:

PROJECT FEASIBILITY (\$'000,s)	Total Project	Per Product
Existing House	36	
4 Bedroom Townhouses	625	425
<b>Gross Realisation</b>	<b>15,925</b>	425
GST (Margin Scheme)	7.74%	1,185
Selling costs	2.0%	319
<b>NET REALISATION</b>	<b>14,422</b>	401
<b>Construction Costs - Excluding GST</b>		
Land	2,250	63
GST on Land Purchase	225	6
GST Refund on Land Purchase	-225	-6
Land transaction costs	5.0%	113
Construction Costs	6,840	190
GST on Construction Costs	52	1
GST Refund on Construction Costs	-52	-1
Contingency	5.0%	342
Consultants	3.2%	219
Development Management	1.0%	68
Headworks + Permits	972	27
Holding Costs	20	1
Marketing	50	1
Sales	2.0%	319
<b>Total Project Costs</b>	<b>11,192</b>	311
Lender & Broker Fees ( 2.5%)	245	7
Interest ( 11.95% pa)	600	17
Line Fee ( 1.50% pa)	150	4
<b>TOTAL DEVELOPMENT COST</b>	<b>12,187</b>	339
<b>PROJECT PROFIT</b>	<b>2,234</b>	62
Development Margin	18.3%	

Project Feasibility - Summary (\$'000,s)	
Gross Realisation	15,925
NET REALISATION	14,422
Land	2,250
Construction Costs	6,840
Other	2,102
Finance & Interest	995
<b>TOTAL COSTS</b>	<b>12,187</b>
PROFIT	2,234
Dev Margin	18.3%



# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

The following table represents the funding contributions made by the parties involved.

FUNDING CONTRIBUTIONS (\$'000.s)	Developer	Senior	TOTAL
Land	2,050	200	2,250
GST on Land Purchase	225		225
GST Refund on Land Purchase	-225		-225
Land transaction costs	113		113
Construction Costs		6,840	6,840
GST on Construction Costs	52		52
GST Refund on Construction Costs	-52		-52
Contingency		342	342
Consultants	142	77	219
Development Management		68	68
Headworks + Permits		972	972
Holding Costs		20	20
Marketing	50		50
Marketing	71	248	319
<b>Sub Total</b>	<b>2,426</b>	<b>8,767</b>	<b>11,192</b>
Lender & Broker Fees ( 2.5%)	15	230	245
Interest ( 11.95% pa)		600	600
Line Fee ( 1.50% pa)		150	150
<b>TOTAL CONTRIBUTIONS</b>	<b>2,441</b>	<b>9,747</b>	<b>12,187</b>
<b>Loan to Cost Ratio</b>	<b>20.0%</b>	<b>80.0%</b>	
<b>Loan to End Value Ratio (Exc GST)</b>		<b>66.1%</b>	

This particular project is a good case study for us to highlight the opaque world of non-bank lending. Because we are at ~\$10million of debt, there are only a small number of lenders that can provide this loan, and as at publication, they are currently inundated with bank quality applications, many with presales. So the primary terms applying to the funding of this

type project is the 80% Loan to Cost Ratio (LCR) and 66.6% Loan to Value Ratio (LVR). Presales will help your application and give you an edge over the other applications submitted at the same time but not make the interest rate cheaper. A strong sponsor story and balance sheet would have a good chance of minimising or avoiding formal presales.

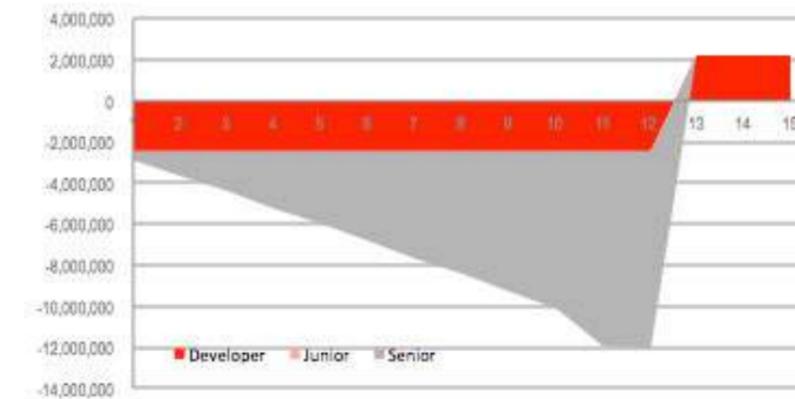


# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

The projected facility drawdowns are summarised in the following cashflow:

PROJECT CASHFLOW - Senior Debt (\$'000.s)	S	F	0	1	2	3	4	5	6	7	8	9	10	11	12
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17		
<b>NET REALISATION</b>	12	12													
Land	0	0	200												
GST on Land Purchase	0	0													
GST Refund on Land Purchase	0	0													
Land transaction costs	0	0													
Construction Costs	1	10	684	684	684	684	684	684	684	684	684	684	684		
GST on Construction Costs	0	0													
GST Refund on Construction Costs	0	0													
Contingency	1	10	34	34	34	34	34	34	34	34	34	34	34		
Consultants	1	10	8	8	8	8	8	8	8	8	8	8	8		
Development Management	1	10	7	7	7	7	7	7	7	7	7	7	7		
Headworks + Permits	10	10												572	
Holding Costs	1	10	2	2	2	2	2	2	2	2	2	2	2		
Marketing	1	10													
Marketing	1	10	25	25	25	25	25	25	25	25	25	25	25		
<b>Sub Total</b>			200	759	759	759	759	759	759	759	759	759	759	1,731	
Lender & Broker Fees ( 2.5%)			250												
Interest ( 11.95% pa)			4	12	20	28	38	44	52	60	68	77	85	98	
Line Fee ( 1.50% pa)			12	12	12	12	12	12	12	12	12	12	12	12	
<b>Cumulative</b>			430	1,248	1,998	2,757	3,516	4,275	5,034	5,793	6,552	7,311	8,070	8,829	



Proceeds Waterfall	
NET REALISATION	14,422
1 Senior Debt Repayment	9,747
2 Junior Debt Repayment	
Proceeds after Senior Debt	4,675
4 Other Repayments	
<b>Developer Profit</b>	<b>4,675</b>

# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

Summarised below is an alternative approach to the same project using a Specialist Lender is to look at staging the project where it is feasible in order to reduce the peak debt requirement:

PROJECT FEASIBILITY (\$'000.00)				Total Project	Peak Period
		18	18	36	
Existing House		625,000		625	
4 Bedroom Townhouses		7,650,000	7,650,000	15,300	425
<b>Gross Realisation</b>		<b>8,275</b>	<b>7,650</b>	<b>15,925</b>	<b>425</b>
GST (Margin Scheme)	7.74%	593	593	1,185	33
Selling costs	2.0%	166	153	319	9
<b>NET REALISATION</b>		<b>7,517</b>	<b>6,904</b>	<b>14,422</b>	<b>401</b>
<b>Construction Costs - Excluding GST</b>					
Land		750	1,500	2,250	63
Land transaction costs	5.0%	113		113	3
Construction Costs		3,420	3,420	6,840	190
Contingency	5.0%	171	171	342	10
Consultants	3.2%	109	109	219	6
Development Management	1.0%	34	34	68	2
Headworks + Permits		486	486	972	27
Holding Costs		10	10	20	1
Marketing		25	25	50	1
Sales Commissions	2.0%	159	159	319	9
<b>Total Project Costs</b>		<b>5,277</b>	<b>5,915</b>	<b>11,192</b>	<b>311</b>
Lender & Broker Fees ( 3.%)		189	141	330	9
Interest ( 12. % pa)		250	200	450	13
Line Fee ( .0% pa)					
<b>TOTAL DEVELOPMENT COST</b>		<b>5,716</b>	<b>6,256</b>	<b>11,972</b>	<b>333</b>
<b>PROJECT PROFIT</b>					
Development Margin		<b>1,600</b>	<b>648</b>	<b>2,449</b>	<b>68</b>
				<b>20.5%</b>	

# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

Funding Tables and Cash Flows for these staged Project are detailed as follows:

### FUNDING TABLE FOR STAGE 1

The following table represents the funding contributions made by the parties involved for Stage 1.

STG 1 FUNDING CONTRIBUTIONS (\$'000.s)	Developer	Senior	TOTAL
Land	225	525	750
Balance Land	450	1,050	1,500
Land transaction costs	113		113
Construction Costs		3,420	3,420
Contingency		171	171
Consultants	71	38	109
Development Management		34	34
Headworks + Permits		486	486
Holding Costs		10	10
Marketing	25		25
Sales Commissions		159	159
<b>Sub Total</b>	<b>884</b>	<b>5,894</b>	<b>6,777</b>
Lender & Broker Fees ( 3.%)	15	174	189
Interest ( 12. % pa)		250	250
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>899</b>	<b>6,318</b>	<b>7,216</b>

Loan to Cost Ratio	12.5%	87.5%
Loan to End Value Ratio (Exc GST)		68.8%

As shown above, the project now only requires \$6.3million of debt for this stage thereby opening up access to more non-bank lenders to fund it. As a result, we can see the headline numbers of the interest rate and line fee are also lower, albeit we now borrow the money over a longer period of time.

### DEBT CASH FLOW FOR STAGE 1

The projected facility drawdowns are summarised in the following cashflow:

STG 1 PROJECT CASHFLOW (\$'000.00)	S	F	0	1	2	3	4	5	6	7	8
			Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
<b>NET REALISATION</b>	8	8									7,517
Land	0	0	525								
Balance Land	1	0									
Land transaction costs	0	0									
Construction Costs	1	6		570	570	570	570	570	570		
Contingency	1	6		29	29	29	29	29	29		
Consultants	1	6		6	6	6	6	6	6		
Development Management	1	6		6	6	6	6	6	6		
Headworks + Permits	6	6								486	
Holding Costs	1	6		2	2	2	2	2	2		
Marketing	1	6									
Sales Commissions	1	6		27	27	27	27	27	27		
<b>Sub Total</b>			525	639	639	639	639	639	639	1,125	
Lender & Broker Fees ( 3.%)			174								
Interest ( 12. % pa)				6	13	20	27	33	40	52	52
Line Fee ( .0% pa)											
<b>Cumulative</b>			<b>899</b>	<b>1,343</b>	<b>1,996</b>	<b>2,654</b>	<b>3,320</b>	<b>3,992</b>	<b>5,156</b>	<b>5,208</b>	



# Funding Options for a Townhouse Project

## 36 Townhouse Project with a Specialist Construction Lender

### FUNDING TABLE FOR STAGE 2

The projected facility drawdowns are summarised in the following cashflow:

STG 2 FUNDING CONTRIBUTIONS (\$'000.s)	Developer	Senior	TOTAL
Land	1,500		1,500
Construction Costs		3,420	3,420
Contingency		171	171
Consultants		109	109
Development Management		34	34
Headworks + Permits		486	486
Holding Costs		10	10
Marketing		25	25
Sales Commissions		159	159
<b>Sub Total</b>	<b>1,500</b>	<b>4,415</b>	<b>5,915</b>
Lender & Broker Fees ( 3.%)	15	126	141
Interest ( 12. % pa)		200	200
Line Fee ( .0% pa)			
<b>TOTAL CONTRIBUTIONS</b>	<b>1,515</b>	<b>4,741</b>	<b>6,256</b>
Loan to Cost Ratio	24.2%	75.8%	
Loan to End Value Ratio (Exc GST)		67.2%	

### DEBT CASH FLOW FOR STAGE 2

The project debt cashflow can be summarised as follows:

	S	F	10	11	12	13	14	15	16
			May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
<b>STG 2 PROJECT CASHFLOW - Senior Debt (\$'000s)</b>									
<b>NET REALISATION</b>	16	18							6,904
Land	9	14							
Construction Costs	9	14	570	570	570	570	570		
Contingency	9	14	29	29	29	29	29		
Consultants	9	14	18	18	18	18	18		
Development Management	9	14	6	6	6	6	6		
Headworks + Permits	14	14						486	
Holding Costs	9	14	2	2	2	2	2		
Marketing	9	14	4	4	4	4	4		
Sales Commissions	9	14	27	27	27	27	27		
<b>Sub Total</b>			<b>655</b>	<b>655</b>	<b>655</b>	<b>655</b>	<b>1,141</b>		
Lender & Broker Fees ( 3.%)									
Interest ( 12. % pa)			7	13	20	27	33	45	46
Line Fee ( .0% pa)									
<b>Cumulative</b>			<b>1,316</b>	<b>1,984</b>	<b>2,659</b>	<b>3,340</b>	<b>4,514</b>	<b>4,960</b>	

# Funding Options for a Townhouse Project

## Comparisons between Major and Minor Bank outcomes and a Staged Specialist Construction Lender option

The following table shows all 4 funding options for a townhouse project:

	Major Bank	Minor Bank	Non-Bank 1 Stage	Non-Bank 2 Stages
Developer Cash In	2,905	2,560	2,441	899
Cost of Capital	429	409	995	780
Developer Profit	<b>2,800</b>	<b>2,820</b>	<b>2,234</b>	<b>2,448</b>
Return on Equity	196%	210%	192%	372%
Developer IRR	57%	111%	92%	261%
Presales Required	22	15	Nil - 6	Nil

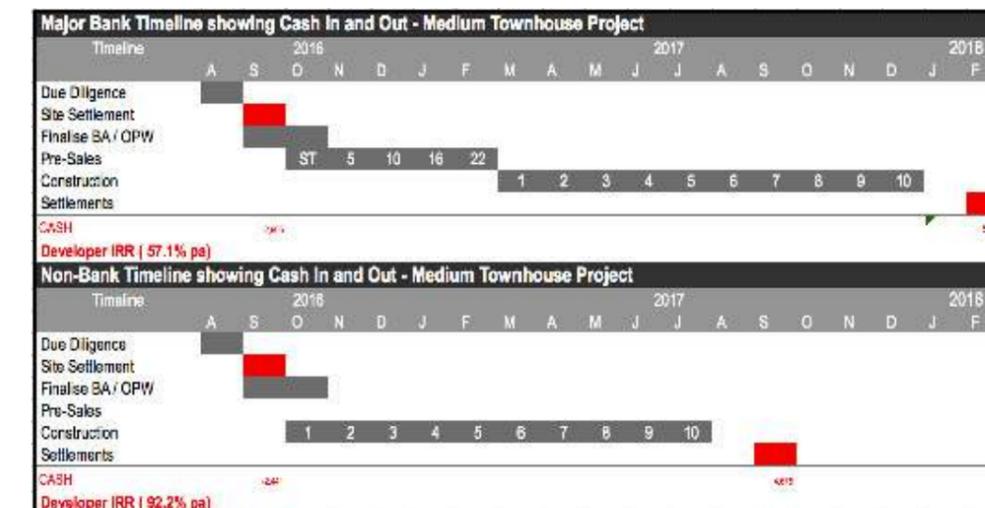
### Some things to consider:

- The major bank requires the most amount of equity and presales, but has the lowest cost of capital at \$430,000;
- The minor bank has a bit more flex in the gearing and even with more debt the interest costs are lower. This is due to the lack of a line fee, also a bit of flex to accept lower than 100% debt cover gives a head start to the project;
- Non-bank in 1 stage is the exception to the rule of non-bank giving benefit over cost that it usually does, this is due to the supply and demand of funding for \$10million and over debt pieces in the non-bank sector of Australia as at Winter 2016, hopefully more lenders see the opportunity in this market segment and some competition arrives soon;
- For projects that are able to, breaking it up into 2 stages has a massive advantage to the funding in this case, it brings the required funds down to \$6.3million which brings half a dozen more lenders into the mix,

as a result the cost of funds reduces, presales reduces and the gearing increases. The massive benefit of this isn't so much the \$150-200k saved in funding costs, but the higher gearing significantly decrease the developer equity requirement to \$900k, so compared to the major bank option the developer starts sooner, finishes sooner, gets their profit sooner and has >\$2million in their back pocket to go and secure more projects;

Another way to illustrate the difference is in the below table, where we have added a 5th column showing an elite developer who takes the \$2.9million of required equity for the bank scenario and by working with a finance specialist to understand the best funding structures, gets the developer equity working harder to achieve \$7.3million of profit.

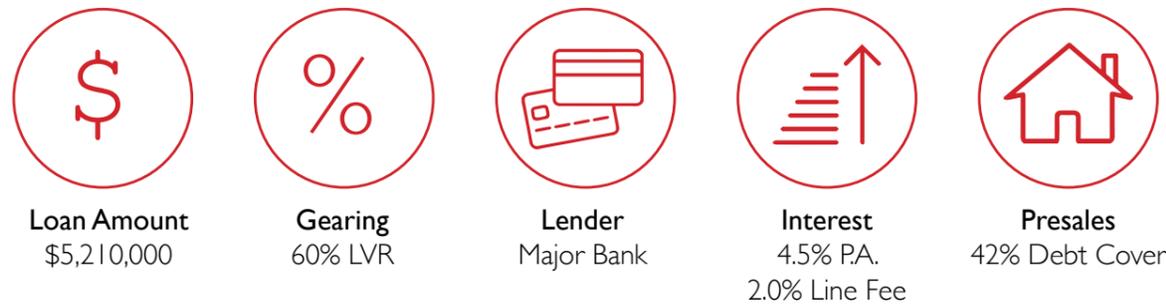
	Major Bank	Minor Bank	Non-Bank 1 Stage	Non-Bank 2 Stages	Non-Bank 2 Stages x 3
Developer Cash In	2,905	2,560	2,441	899	2,696
Cost of Capital	429	409	995	780	2,340
Developer Profit	<b>2,800</b>	<b>2,820</b>	<b>2,234</b>	<b>2,448</b>	<b>7,345</b>
Return on Equity	196%	210%	192%	372%	372%
Developer IRR	57%	111%	92%	261%	261%
Presales Required	22	15	Nil - 6	Nil	Nil



## Case Study for a Townhouse Project

36 Townhouses  
Carseldine QLD 4034

Project Value  
\$15,925,000



The Developer designed his project to target the owner-occupier market. As a result he always expected that the bulk of his sales would be made during construction given owner-occupiers prefer to "kick the tyres".

His own bank was not prepared to reconsider their policy of 100% Debt Cover through pre-sales on every project.

HoldenCAPITAL were engaged and repackaged his project presenting it to one of the other major banks. After meeting the sales team and the developer the new bank agreed to accept a much lower level of debt cover at 42%.

Stage 1 of this project is now complete and the bulk of project sales were indeed made to owner-occupiers during construction as expected.

## Case Study for a Townhouse Project

20 House Builds  
Pimpama QLD 4209

Project Value  
\$9,250,000



This house and land developer identified the opportunity to fund the house to completion in order to sell to SMSF buyers, therefore requiring construction finance to cover the project while constructing the houses and without the need for formal presales.

HoldenCAPITAL carried out a tender with a handful of non-bank lenders to identify the best lender with a full understanding of the reasons behind the benefits of building 20 houses in one line without presales. HoldenCAPITAL secured terms based on the "on completion value" with less focus on the loan to cost ratio.

Most commercial lenders on a loan of this magnitude will require a full QS sign off on each draw but given the simple house build programs proposed, HoldenCAPITAL negotiated this out of the approval.

Now that we have the lender and borrower matched, they plan to repeat the process over and over to give the developer a competitive edge of delivering completed house product to an under-serviced market of buyers who must buy completed rather than under an instalment contract.

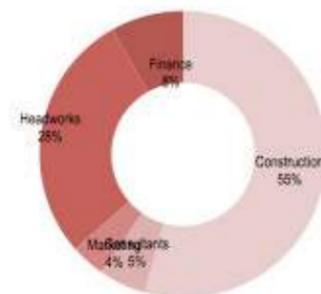
# Funding Options for a Land Subdivision

In many regards, the funding options for a land subdivision are similar in structure to that of a townhouse project. The most significant difference for a property developer is the upside resulting from building houses as well as cutting up the land, with the profit from the build nearly always funded by the end-buyer (SMSF buyers cannot borrow to build or improve property ruling them out). Another difference is that presales buyers rarely pay a 10% deposit with many states seeing 5% as the norm and most construction lenders accepting this. However, option contracts from builders are more heavily scrutinised. The structure itself can work but only when the buyers' financial strength can be properly assessed and typically that includes getting financial information to demonstrate that they are likely to settle on completion. A homebuilder doing 20 houses a year is a vastly different risk to a 500+ per annum house builder.

## 96 Lot Land Subdivision with a Major Bank

The below feasibility shows a 96 Lot Land Subdivision with the major banks:

PROJECT FEASIBILITY (\$'000's)		Total Project	Net Profit
GR of Lots in Each Stage	45	51	96
Residential Land Lots	185,000	195,000	18,270
<b>Gross Realisation</b>	<b>8,325</b>	<b>9,945</b>	<b>18,270</b>
GST (Margin Scheme)	7.62%	634	681
Selling costs	3.0%	250	298
<b>NET REALISATION</b>	<b>7,441</b>	<b>8,965</b>	<b>16,408</b>
<b>Construction Costs - Excluding GST</b>			
Land	1,350	2,450	3,800
Land transaction costs	5.0%	190	190
Construction Costs	3,000	2,115	5,115
Contingency	5.0%	150	106
Consultants	225	175	400
Development Management	2.0%	60	42
Headworks + Permits	1,260	1,400	2,660
Holding Costs	9	11	20
Marketing	23	27	50
Sales Commissions	2.0%	171	194
<b>Total Project Costs</b>	<b>6,439</b>	<b>6,519</b>	<b>12,958</b>
Lender & Broker Fees (1.2%)	80	50	131
Interest (4.24% pa)	80	60	140
Line Fee (1.50% pa)	70	80	150
<b>TOTAL DEVELOPMENT COST</b>	<b>6,669</b>	<b>6,710</b>	<b>13,379</b>
<b>PROJECT PROFIT</b>	<b>772</b>	<b>2,256</b>	<b>3,027</b>
Development Margin			22.6%



# Funding Options for a Land Subdivision

## 96 Lot Land Subdivision with a Specialist Construction Lender

Funding Tables and Cash Flows for these staged Project are detailed as follows:

### FUNDING TABLE FOR STAGE 1

The following table represents the funding contributions made by the parties involved for Stage 1.

STG 1 FUNDING CONTRIBUTIONS (\$'000's)	Developer	Senior	TOTAL
Land	950	400	1,350
Balance Land	1,225	1,225	2,450
Land transaction costs	190		190
Construction Costs		3,000	3,000
Contingency		150	150
Consultants	146	79	225
Development Management		60	60
Headworks + Permits		1,260	1,260
Holding Costs		9	9
Marketing	23		23
Sales Commissions		171	171
<b>Sub Total</b>	<b>2,535</b>	<b>6,354</b>	<b>8,889</b>
Lender & Broker Fees (1.2%)	15	65	80
Interest (4.24% pa)		80	80
Line Fee (1.50% pa)		70	70
<b>TOTAL CONTRIBUTIONS</b>	<b>2,550</b>	<b>6,570</b>	<b>9,119</b>
Loan to Cost Ratio	28.0%	72.0%	
Loan to End Value Ratio (Exc GST)		64.8%	

### LOAN PRE-SALE REQUIREMENTS

Presales: 34	6,028	
Net Realisation: 88%	5,305	81% Debt Cover
Residual Security (Net of GST)	4,551	28% Residual LVR

### DEBT CASH FLOW FOR STAGE 1

The projected facility drawdowns are summarized in the following cashflow:

STG 1 PROJECT CASHFLOW - Senior Debt (\$'000's)	S	F	0	1	2	3	4	5	6	7	8
	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17		
NET REALISATION	8	8									7,441
Land	0	0	400								
Balance Land	1	0									
Land transaction costs	0	0									
Construction Costs	1	6	500	500	500	500	500	500	500		
Contingency	1	6	25	25	25	25	25	25	25		
Consultants	1	6	13	13	13	13	13	13	13		
Development Management	1	6	10	10	10	10	10	10	10		
Headworks + Permits	6	6							1,260		
Holding Costs	1	6	2	2	2	2	2	2	2		
Marketing	1	6									
Sales Commissions	1	6	29	29	29	29	29	29	29		
<b>Sub Total</b>			<b>400</b>	<b>578</b>	<b>578</b>	<b>578</b>	<b>578</b>	<b>578</b>	<b>1,838</b>		
Lender & Broker Fees (1.2%)			65								
Interest (4.24% pa)			1	4	6	8	10	12	19	19	
Line Fee (1.50% pa)			8	8	8	8	8	8	8	8	
<b>Cumulative</b>			<b>465</b>	<b>1,093</b>	<b>1,643</b>	<b>2,236</b>	<b>2,830</b>	<b>3,427</b>	<b>5,285</b>	<b>5,313</b>	

# Funding Options for a Land Subdivision

96 Lot Land Subdivision with a Specialist Construction Lender

Funding Tables and Cash Flows for these staged Project are detailed as follows:

## FUNDING TABLE FOR STAGE 2

The following table represents the funding contributions made by the parties involved for Stage 1.

STG 2 FUNDING CONTRIBUTIONS (\$'000's)	Developer	Senior	TOTAL
Land	2,450		2,450
Construction Costs		2,115	2,115
Contingency		106	106
Consultants		175	175
Development Management		42	42
Headworks + Permits		1,400	1,400
Holding Costs		11	11
Marketing		27	27
Sales Commissions		194	194
<b>Sub Total</b>	<b>2,450</b>	<b>4,069</b>	<b>6,519</b>
Lender & Broker Fees ( 1.2%)	15	35	50
Interest ( 4.24% pa)		60	60
Line Fee ( 1.50% pa)		80	80
<b>TOTAL CONTRIBUTIONS</b>	<b>2,465</b>	<b>4,249</b>	<b>6,710</b>
Loan to Cost Ratio	36.7%	63.3%	
Loan to End Value Ratio (Exc GST)		45.8%	

## LOAN PRE-SALE REQUIREMENTS

Presales: 22	3,901	
Net Realisation: 88%	3,432	<b>81% Debt Cover</b>

## DEBT CASH FLOW FOR STAGE 2

The projected facility drawdowns are summarised in the following cashflow:

STG 2 PROJECT CASHFLOW - Senior Debt (\$'000's)	S	F	9 Apr-17	10 May-17	11 Jun-17	12 Jul-17	13 Aug-17	14 Sep-17	15 Oct-17	16 Nov-17
<b>NET REALISATION</b>	16	16								8,965
Land	9	9								
Construction Costs	9	14	353	353	353	353	353	353		
Contingency	9	14	18	18	18	18	18	18		
Consultants	9	14	29	29	29	29	29	29		
Development Management	9	14	7	7	7	7	7	7		
Headworks + Permits	14	14						1,400		
Holding Costs	9	14	2	2	2	2	2	2		
Marketing	9	14	4	4	4	4	4	4		
Sales Commissions	9	14	32	32	32	32	32	32		
<b>Sub Total</b>			<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>1,845</b>		
Lender & Broker Fees ( 1.2%)										
Interest ( 4.24% pa)				2	3	5	6	8	15	15
Line Fee ( 1.50% pa)				11	11	11	11	11	11	11
<b>Cumulative</b>			<b>445</b>	<b>902</b>	<b>1,361</b>	<b>1,822</b>	<b>2,284</b>	<b>4,148</b>	<b>4,173</b>	

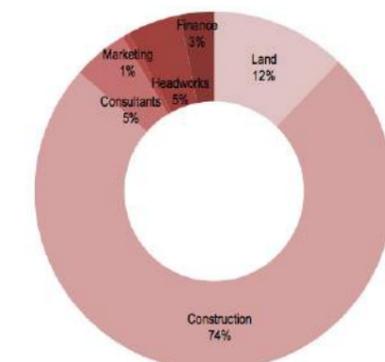
# Funding Options for a Retail Project

Retail Project with a Major Bank

A projected project debt cashflow summarising the estimated draws is detailed below:

PROJECT FEASIBILITY (\$'000's)			
	Area	S/m2	S/m2 PA
Woolies Grocery Box	3,400	320	1,088
Woolies Fuel Ground Lease			80
Specialities	2,184	523	1,142
ATM's & Other Kiosks			23
Outgoings			-298
<b>Total Net Income</b>			<b>2,035</b>
Yield Applied			8.0%
Gross Realisation			<b>25,433</b>
GST			0.0%
Selling Costs			1.25%
			<b>318</b>
<b>NET REALISATION</b>			<b>25,115</b>
<b>Construction Costs - Excluding GST</b>			
Land			2,500
GST on Land Purchase			250
GST Refund on Land Purchase			-250
Land transaction costs			5%
			125
Construction Costs			14,500
GST on Construction Costs			242
GST Refund on Construction Costs			-242
Contingency			5%
			725
Consultants			5%
			725
Development Management			2%
			290
Headworks + Permits			996
Holding Costs			47
Leasing Costs			338
Marketing			128
<b>Total Project Costs</b>			<b>20,374</b>
Lender & Broker Fees ( 1.%)			155
Interest ( 4.24% pa)			300
Line Fee ( 1.25% pa)			170
<b>TOTAL DEVELOPMENT COST</b>			<b>20,999</b>
<b>PROJECT PROFIT</b>			<b>4,116</b>
Development Margin			19.6%

Project Feasibility - Summary (\$'000's)	
Gross Realisation	25,433
NET REALISATION	25,115
Land	2,500
Construction Costs	15,225
Other	2,649
Finance & Interest	625
<b>TOTAL COSTS</b>	<b>20,999</b>
PROFIT	4,116
Dev Margin	19.6%



# Funding Options for a Retail Project

## Retail Project with a Major Bank

The following table outlines the contributions to be made by the developer and the major bank:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Senior	TOTAL
Land	2,500		2,500
GST on Land Purchase	250		250
GST Refund on Land Purchase	-250		-250
Land transaction costs	125		125
Construction Costs	2,200	12,300	14,500
GST on Construction Costs	242		242
GST Refund on Construction Costs	-242		-242
Contingency		725	725
Consultants	383	383	725
Development Management		290	290
Headworks + Permits		996	996
Holding Costs		47	47
Leasing Costs		338	338
Marketing	128		128
<b>Sub Total</b>	<b>5,316</b>	<b>15,059</b>	<b>20,374</b>
Lender & Broker Fees ( 1.%)	15	140	155
Interest ( 4.24% pa)		300	300
Line Fee ( 1.25% pa)		170	170
<b>TOTAL CONTRIBUTIONS</b>	<b>5,331</b>	<b>15,669</b>	<b>20,999</b>
<b>Loan to Cost Ratio</b>	<b>25.4%</b>	<b>74.6%</b>	
<b>Loan to End Value Ratio (Exc GST)</b>		<b>61.6%</b>	

PRE-LEASE REQUIREMENTS		
Annual Interest on Senior Debt	3.99%	625 per annum
Outgoings Cost		298 per annum
Pre-Leased Tenant Commitments		1,168 per annum
<b>Interest Cover Ratio Pre-Construction</b>		<b>1.27 times per ann</b>

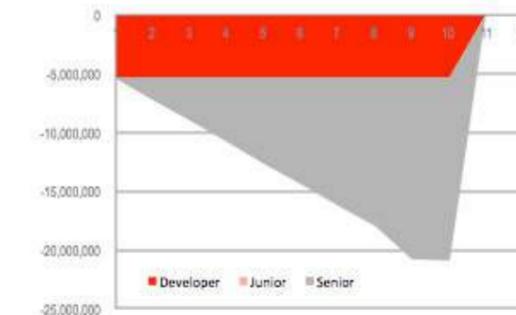


# Funding Options for a Retail Project

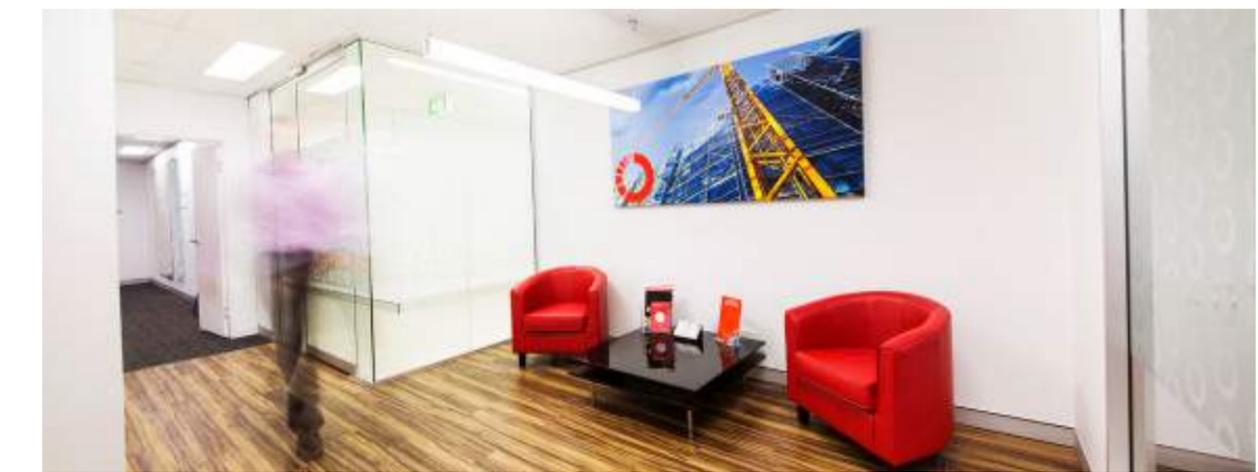
## Retail Project with a Major Bank

A projected project debt cashflow summarising the estimated draws is detailed below:

PROJECT CASHFLOW	S	F	D	1	2	3	4	5	6	7	8	9	10
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17		
NET REALISATION													25,115
Land													
GST on Land Purchase													
GST Refund on Land Purchase													
Land transaction costs													
Construction Costs			1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538		
GST on Construction Costs													
GST Refund on Construction Costs													
Contingency			91	91	91	91	91	91	91	91	91		
Consultants			45	45	45	45	45	45	45	45	45		
Development Management			36	36	36	36	36	36	36	36	36		
Headworks + Permits												996	
Holding Costs			6	6	6	6	6	6	6	6	6	6	
Leasing Costs			42	42	42	42	42	42	42	42	42	42	
Marketing													
Sub Total			140	1,758	1,758	1,758	1,758	1,758	1,758	1,758	1,758	2,754	
Lender & Broker Fees ( 1.%)													
Interest ( 4.2% pa)				7	13	19	26	32	38	45	55	55	
Line Fee ( 1.25% pa)				16	16	16	16	16	16	16	16	16	
<b>Cumulative</b>			<b>140</b>	<b>1,914</b>	<b>3,895</b>	<b>5,482</b>	<b>7,276</b>	<b>9,075</b>	<b>10,881</b>	<b>12,694</b>	<b>15,509</b>	<b>15,579</b>	



Proceeds Waterfall	
NET REALISATION	25,115
1 Senior Debt Repayment	15,669
2 Junior Debt Repayment	
<b>Proceeds after Senior Debt</b>	<b>9,446</b>
4 Other Repayments	
<b>Developer Profit</b>	<b>9,446</b>



Small Apartment Project Large Apartment Project Townhouse Project Land Subdivision Retail Project

Small Apartment Project Large Apartment Project Townhouse Project Land Subdivision Retail Project

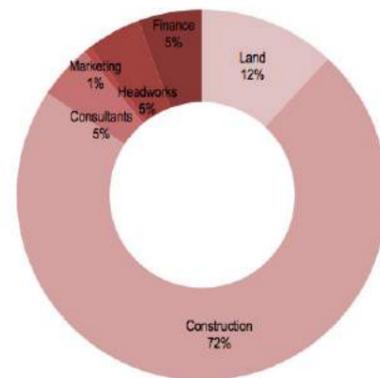
# Funding Options for a Retail Project

## Retail Project with Mezzanine Debt

The feasibility below reflects a live project we have funded recently:

PROJECT FEASIBILITY (\$'000's)			
	Area	S/m2	S/m2 PA
Woolies Grocery Box	3,400	320	1,088
Woolies Fuel Ground Lease			80
Specialities	2,184	523	1,142
ATM's & Other Kiosks			23
Outgoings			-298
<b>Total Net Income</b>			<b>2,035</b>
Yield Applied			8.0%
Gross Realisation			25,433
GST			0.0%
Selling Costs			318
<b>NET REALISATION</b>			<b>25,115</b>
<b>Construction Costs - Excluding GST</b>			
Land			2,500
GST on Land Purchase			250
GST Refund on Land Purchase			-250
Land transaction costs		5%	125
Construction Costs			14,500
GST on Construction Costs			242
GST Refund on Construction Costs			-242
Contingency		5%	725
Consultants		5%	725
Development Management		2%	290
Headworks + Permits			996
Holding Costs			47
Leasing Costs			338
Marketing			128
<b>Total Project Costs</b>			<b>20,374</b>
Lender & Broker Fees ( 1.%)			155
Interest ( 4.24% pa)			853
Line Fee ( 1.25% pa)			170
<b>TOTAL DEVELOPMENT COST</b>			<b>21,552</b>
<b>PROJECT PROFIT</b>			
Development Margin			3,563
			16.5%

Project Feasibility - Summary (\$'000's)	
Gross Realisation	25,433
<b>NET REALISATION</b>	<b>25,115</b>
Land	2,500
Construction Costs	15,225
Other	2,649
Finance & Interest	1,178
<b>TOTAL COSTS</b>	<b>21,552</b>
<b>PROFIT</b>	<b>3,563</b>
Dev Margin	16.5%



# Funding Options for a Retail Project

## Retail Project with a Mezzanine Debt

The following table represents the funding contributions made by the senior and junior debt parties involved:

FUNDING CONTRIBUTIONS (\$'000's)	Developer	Junior	Senior	TOTAL
Land	825	1,875		2,500
GST on Land Purchase	250			250
GST Refund on Land Purchase	-250			-250
Land transaction costs	125			125
Construction Costs	1,720	1,000	12,780	14,500
GST on Construction Costs	242			242
GST Refund on Construction Costs	-242			-242
Contingency			725	725
Consultants	363		363	725
Development Management			290	290
Headworks + Permits			996	996
Holding Costs			47	47
Leasing Costs			338	338
Marketing	128			128
<b>Sub Total</b>	<b>2,961</b>	<b>2,875</b>	<b>15,539</b>	<b>20,374</b>
Lender & Broker Fees ( 1.%)	15	144	140	155
Interest ( 4.24% pa)		543	310	853
Line Fee ( 1.25% pa)			170	170
<b>TOTAL CONTRIBUTIONS</b>	<b>2,976</b>	<b>3,562</b>	<b>16,159</b>	<b>21,552</b>
<b>Loan to Cost Ratio</b>	<b>13.8%</b>	<b>91.5%</b>	<b>75.0%</b>	
<b>Loan to End Value Ratio (Exc GST)</b>		<b>78.5%</b>	<b>63.5%</b>	
<b>PRE-LEASE REQUIREMENTS</b>				
Annual Interest on Senior Debt	3.99%		645	per annum
Outgoings Cost			298	per annum
Pre-Leased Tenant Commitments			1,168	per annum
<b>Interest Cover Ratio Pre-Construction</b>			<b>1.24</b>	<b>times per ann</b>



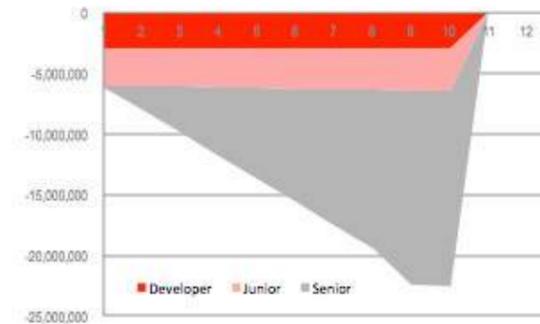
# Funding Options for a Retail Project

## Retail Project with Mezzanine Debt

A projected project debt cashflow summarising the estimated draws is detailed below:

	S	F	0	1	2	3	4	5	6	7	8	9	10
			Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
<b>PROJECT CASHFLOW - Senior Debt (\$,000's)</b>													
NET REALISATION	10	10											25,115
Land	0	0											
GST on Land Purchase	0	0											
GST Refund on Land Purchase	0	0											
Land transaction costs	0	0											
Construction Costs	1	8		1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598		
GST on Construction Costs	0	0											
GST Refund on Construction Costs	0	0											
Contingency	1	8		91	91	91	91	91	91	91	91		
Consultants	1	8		45	45	45	45	45	45	45	45		
Development Management	1	8		36	36	36	36	36	36	36	36		
Headworks + Permits	8	8										966	
Holding Costs	1	8		6	6	6	6	6	6	6	6		
Leasing Costs	1	8		42	42	42	42	42	42	42	42		
Marketing	1	8											
Sub Total				1,818	1,818	1,818	1,818	1,818	1,818	1,818	1,818	2,814	
Lender & Broker Fees (1.%)			140										
Interest (4.2% pa)					7	13	20	27	33	40	46	57	57
Line Fee (1.25% pa)				16	16	16	16	16	16	16	16	16	16
Cumulative			140	1,974	3,815	5,663	7,517	9,377	11,244	13,118	15,095	18,087	

Proceeds Waterfall	
NET REALISATION	25,115
1 Senior Debt Repayment	16,159
2 Junior Debt Repayment	3,562
Proceeds after Senior Debt	5,395
4 Other Repayments	
<b>Developer Profit</b>	<b>5,395</b>



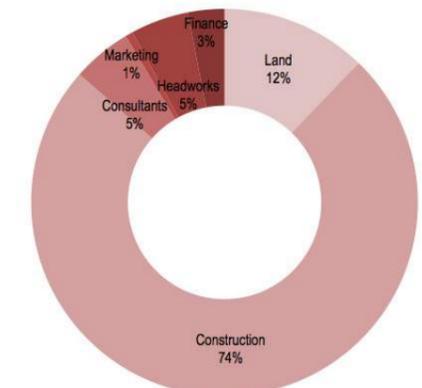
# Funding Options for a Retail Project

## Retail Project with Preferred Equity

The feasibility below reflects a live project we have funded recently:

PROJECT FEASIBILITY (\$,000's)			
	Area	S/m2	S/m2 PA
Woolies Grocery Box	3,400	320	1,088
Woolies Fuel Ground Lease			80
Specialities	2,184	523	1,142
ATM's & Other Kiosks			23
Outgoings			-296
<b>Total Net Income</b>			<b>2,035</b>
Yield Applied			8.0%
Gross Realisation			<b>25,433</b>
GST			0.0%
Selling Costs			1.25%
			<b>318</b>
<b>NET REALISATION</b>			<b>25,115</b>
<b>Construction Costs - Excluding GST</b>			
Land			2,500
GST on Land Purchase			250
GST Refund on Land Purchase			-250
Land transaction costs			5%
			125
Construction Costs			14,500
GST on Construction Costs			242
GST Refund on Construction Costs			-242
Contingency		5%	725
Consultants		5%	725
Development Management		2%	290
Headworks + Permits			996
Holding Costs			47
Leasing Costs			338
Marketing			128
<b>Total Project Costs</b>			<b>20,374</b>
Lender & Broker Fees (1.%)			155
Interest (4.24% pa)			300
Line Fee (1.25% pa)			170
<b>TOTAL DEVELOPMENT COST</b>			<b>20,999</b>
<b>PROJECT PROFIT</b>			<b>4,116</b>
Development Margin			19.6%

Project Feasibility - Summary (\$,000's)	
Gross Realisation	25,433
NET REALISATION	25,115
Land	2,500
Construction Costs	15,225
Other	2,649
Finance & Interest	625
<b>TOTAL COSTS</b>	<b>20,999</b>
PROFIT	4,116
Dev Margin	19.6%



# Funding Options for a Retail Project

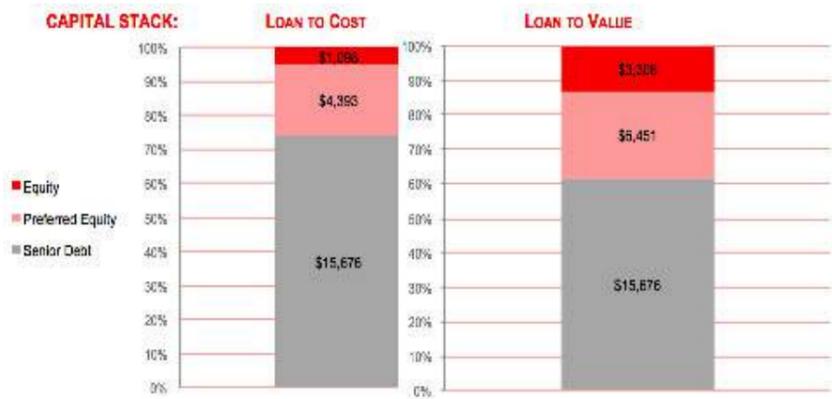
## Retail Project with Preferred Equity

The following table represents the funding contributions made by the senior and junior debt parties involved. Showing the capital partner providing 80% of the capital required in return for 50% of the profit, the profit share is detailed in the proceeds waterfall table.

FUNDING CONTRIBUTIONS (\$'000 pa)	Developer	Junior	Senior	TOTAL
Land	825	1,875		2,500
GST on Land Purchase	250			250
GST Refund on Land Purchase	-250			-250
Land transaction costs	125			125
Construction Costs		2,100	12,400	14,500
GST on Construction Costs	242			242
GST Refund on Construction Costs	-242			-242
Contingency			725	725
Consultants	180	250	295	725
Development Management			290	290
Headworks + Permits			996	996
Holding Costs			47	47
Leasing Costs			338	338
Marketing	128			128
Sub Total	1,058	4,225	15,091	20,374
Lender & Broker Fees ( 1.%)	40	168	115	155
Interest ( 4.24% pa)			300	300
Line Fee ( 1.25% pa)			170	170
<b>TOTAL CONTRIBUTIONS</b>	<b>1,098</b>	<b>4,393</b>	<b>15,676</b>	<b>20,999</b>

<b>Loan to Cost Ratio</b>	5.2%	95.6%	74.7%
<b>Loan to End Value Ratio (Exc GST)</b>		79.9%	61.6%

PRE-LEASE REQUIREMENTS		
Annual Interest on Senior Debt	3.99%	625 per annum
Outgoings Cost		296 per annum
Pre-Leased Tenant Commitments		1,168 per annum
<b>Interest Cover Ratio Pre-Construction</b>		<b>1.26 times per ann</b>



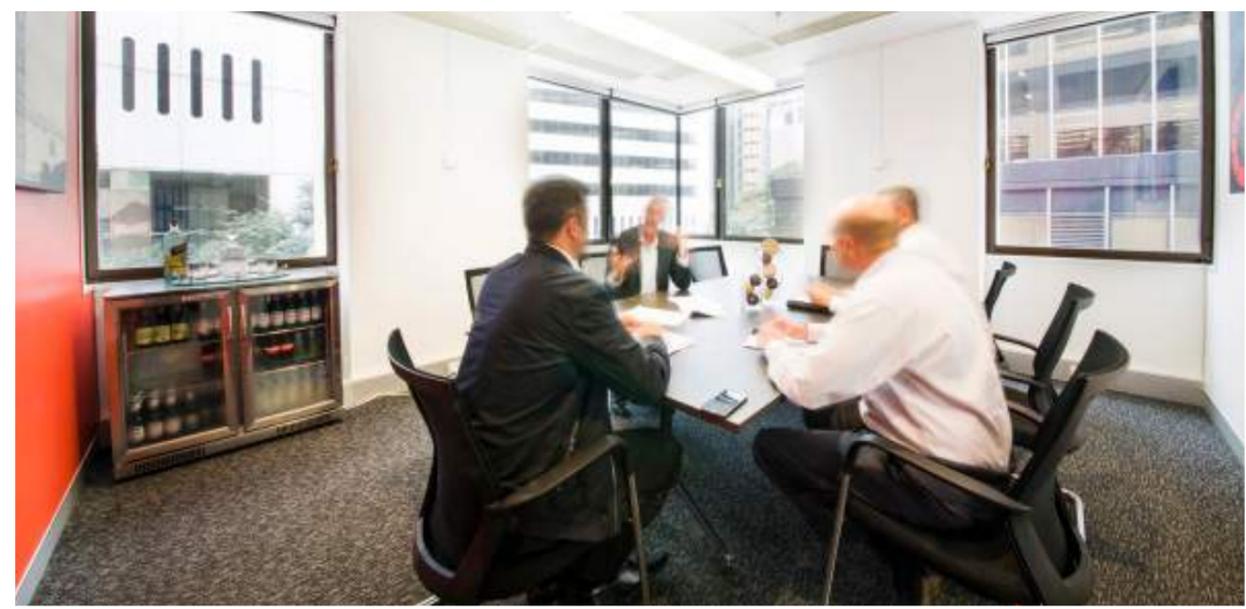
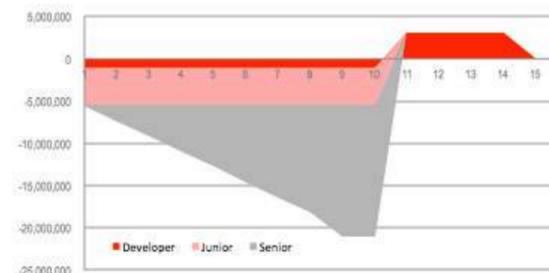
# Funding Options for a Retail Project

## Retail Project with Preferred Equity

A projected project debt cashflow summarising the estimated draws is detailed below:

PROJECT CASHFLOW - Senior Debt (\$'000 pa)	S	F	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
<b>NET REALISATION</b>	10	10											25,115
Land	0	0											
GST on Land Purchase	0	0											
GST Refund on Land Purchase	0	0											
Land transaction costs	0	0											
Construction Costs	1	8		1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550		
GST on Construction Costs	0	0											
GST Refund on Construction Costs	0	0											
Contingency	1	8		91	91	91	91	91	91	91	91		
Consultants	1	8		37	37	37	37	37	37	37	37		
Development Management	1	8		36	36	36	36	36	36	36	36		
Headworks + Permits	8	8											996
Holding Costs	1	8		6	6	6	6	6	6	6	6		
Leasing Costs	1	8		42	42	42	42	42	42	42	42		
Marketing	1	8											
Sub Total				1,762	1,762	1,762	1,762	1,762	1,762	1,762	1,762	2,758	
Lender & Broker Fees ( 1.%)				115									
Interest ( 4.2% pa)					7	13	19	26	32	38	45	55	55
Line Fee ( 1.25% pa)					16	16	16	16	16	16	16	16	16
<b>Cumulative</b>				115	1,893	3,676	5,469	7,267	9,070	10,880	12,697	15,516	15,587

Proceeds Waterfall		
NET REALISATION		25,115
1 Senior Debt Repayment		15,676
2 Junior Debt Principal		4,393
3 Developer Principal		1,098
Proceeds after Debt and Equity Repaid		3,948
4 JV Partner 50% Profit		1,974
<b>Developer Profit</b>		<b>1,974</b>



# Funding Options for a Retail Project

## Retail Project with Fund-Through

Occasionally a developer may secure a substantial enough pre-lease commitment that there is an opportunity for HoldenCAPITAL to introduce an investor(s) on the basis of a fund through acquisition. This would involve the incoming investor providing all of the capital (the developer would have already paid a deposit, some consultant and leasing fees) and on completion the developer will receive 50% of the project profit.

PROJECT FEASIBILITY (\$'000,s)			
	Area	\$/m2	\$/m2 PA
Woolies Grocery Box	3,400	320	1,088
Woolies Fuel Ground Lease			80
Sepecialities	2,184	523	1,142
ATM's & Other Kiosks			23
Outgoings			-298
<b>Total Net Income</b>			<b>2,035</b>
Yield Applied			8.0%
Gross Realisation			25,433
GST			0.0%
Selling Costs			318
<b>NET REALISATION</b>			<b>25,115</b>
<b>Construction Costs - Excluding GST</b>			
Land			2,500
GST on Land Purchase			250
GST Refund on Land Purchase			-250
Land transaction costs		5%	125
Construction Costs			14,500
GST on Construction Costs			242
GST Refund on Construction Costs			-242
Contingency		5%	725
Consultants		5%	725
Development Management		2%	290
Headworks + Permits			996
Holding Costs			47
Leasing Costs			338
Marketing			128
<b>Total Project Costs</b>			<b>20,374</b>
Lender & Broker Fees ( 1.%)			155
Interest ( 4.24% pa)			300
Line Fee ( 1.25% pa)			170
<b>TOTAL DEVELOPMENT COST</b>			<b>20,999</b>
<b>PROJECT PROFIT</b>			<b>4,116</b>
Development Margin			19.6%

# Funding Options for a Retail Project

## Retail Project with Fund-Through

FUNDING CONTRIBUTIONS (\$'000,s)	Developer	Junior	Senior	TOTAL
Land	63	2,438		2,500
GST on Land Purchase		250		250
GST Refund on Land Purchase		-250		-250
Land transaction costs		125		125
Construction Costs		2,100	12,400	14,500
GST on Construction Costs		242		242
GST Refund on Construction Costs		-242		-242
Contingency			725	725
Consultants	50	400	275	725
Development Management			290	290
Headworks + Permits			996	996
Holding Costs			47	47
Leasing Costs			338	338
Marketing	30		98	128
<b>Sub Total</b>	<b>143</b>	<b>5,063</b>	<b>15,169</b>	<b>20,374</b>
Lender & Broker Fees ( 1.%)	40	188	115	155
Interest ( 4.24% pa)			300	300
Line Fee ( 1.25% pa)			170	170
<b>TOTAL CONTRIBUTIONS</b>	<b>183</b>	<b>5,251</b>	<b>15,734</b>	<b>20,999</b>
<b>Loan to Cost Ratio</b>	<b>0.9%</b>	<b>100.0%</b>	<b>75.0%</b>	
Loan to End Value Ratio (Exc GST)		83.6%	61.9%	

PRE-LEASE REQUIREMENTS	
Annual Interest on Senior Debt	3.99% 629 per annum
Outgoings Cost	298 per annum
Pre-Leased Tenant Commitments	1,168 per annum
<b>Interest Cover Ratio Pre-Construction</b>	<b>1.26 times per ann</b>

As shown on the following capital stack, the developer would have already paid a few cost items but from the point of land settlement onwards, the investor covers all costs. On completion the developer is paid 50% of the project profit with the investor retaining or selling the asset at their discretion.



## How does a Junior Developer get started?

The old saying "it takes money to make money" is particularly true when it comes to the desire to be a property developer. But how do you start out?

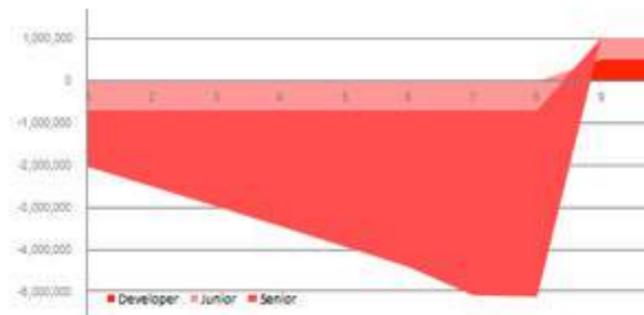
The most common way is often referred to as the 3 F's of dumb capital, which is: (1) Friends, (2) Fools and (3) Family. However, if you want to avoid heated discussions at family functions and Christmas BBQ's about the engineer overlooking latent ground conditions and why the delays are not your fault, then we suggest you steer clear of Uncle Frank's overdraft account and work with a sophisticated capital provider.

Typically people approach HoldenCAPITAL for 100% funding because either (1) they have 10+ years experience working as a development manager for someone else and its their first principal project, or (2) it is their 2nd, 3rd or 4th project and the limited capital they have accumulated is tied up in a current project and they don't want to wait 9-10 months for that project to complete before they start their next one. So, they have the skill set, they've secured a great project, researched the market, firmed up all of the costs and if they had the money themselves, they would write the cheque in a heartbeat. The only obstacle is a lack of capital.

So why would a capital partner put in all the money? Simple, to get half of the profit. Below we have set out a case study of a typical project with a \$5million TDC and a 20%ROC;

Project Feasibility - Summary (\$'000,s)	
Gross Realisation	6,845
<b>NET REALISATION</b>	<b>6,147</b>
Land	1,791
Construction Costs	2,464
Other	563
Finance & Interest	313
<b>TOTAL COSTS</b>	<b>5,130</b>
<b>PROFIT</b>	<b>1,017</b>
Dev Margin	19.8%

Proceeds Waterfall	
NET REALISATION	6,147
1 Senior Debt Repayment	4,476
2 Pref Equity Capital Repayment	662
3 Developer Capital Repayment	25
<b>Proceeds after Contributions Repaid</b>	<b>1,009</b>
4 Pref Equity Partner Profit	505
4 Developer Profit	505



As shown in the capital stack, the developer covers the deposit together with all due diligence costs and any other costs required prior to land settlement. HoldenCAPITAL then arranges the construction loan and at settlement, we source the \$662,000 capital partner funds and the senior debt covers the costs to complete the project. The proceeds waterfall shows that on completion the senior debt is repaid, the parties each get their capital back and then share the profit 50/50.

It is a simple model, intended to be a repeatable formula for a developer to work with a capital partner. It allows them to take advantage of a window of opportunity in the market, or to help a developer experiencing the growing pains of success rather than having to wait until they can roll-over their capital from their current project prior to committing to the next one, besides 50% of something is better than 100% of nothing.

If you think you qualify for this capital partnership, then a full product sheet is available by contacting Dan Holden on daniel@holdencapital.com.au or 0401669502.

## Closing Comments

As demonstrated in the various case studies summarized below, developer capital typically achieves a return of between 60-90%IRR where bank funding is applied;

Large Apartment Project Comparison						
	Major Bank	Minor Bank	Non-Bank	Bank + Mezz	Bank + Pref	Stretch Senior
Developer Cash In	7,103	6,752	6,083	2,794	1,732	4,027
Cost of Capital	1,070	1,176	2,738	2,750	3,533	2,810
Developer Profit	6,695	6,589	5,027	5,014	3,409	4,955
Return on Equity	194%	198%	183%	279%	297%	223%
Developer IRR	49%	51%	57%	86%	116%	71%
Presales Required	36	30	15	36	36	25

Small Apartment Project Comparison					
	Major Bank	Minor Bank	Non-Bank Low LVR	Non-Bank High LVR	Private Lender No Presales
Developer Cash In	1,567	1,574	1,574	1,114	1,224
Cost of Capital	239	229	383	433	529
Developer Profit	1,188	1,198	1,044	994	898
Return on Equity	176%	176%	166%	189%	173%
Developer IRR	46%	63%	67%	90%	74%
Presales Required	12	6	Nil to 3	Nil to 3	Nil

Medium Townhouse Project Comparison					
	Major Bank	Minor Bank	Non-Bank 1 Stage	Non-Bank 2 Stages	Non-Bank 2 Stages x 3
Developer Cash In	2,905	2,560	2,441	899	2,696
Cost of Capital	429	409	995	780	2,340
Developer Profit	<b>2,800</b>	2,820	2,234	2,448	<b>7,345</b>
Return on Equity	196%	210%	192%	372%	372%
Developer IRR	57%	111%	92%	261%	261%
Presales Required	22	15	Nil - 6	Nil	Nil

However, this relies upon the developer putting in 20-25% of the Total Development Cost in equity, which limits growth and is capital intensive.

Some developers would stick with the high equity business model because they consider themselves conservative and that is fine. However this means a developer will often have to double-down their capital 4-5 times in a row to grow a decent capital pool, which is high-risk. Then you also need to consider timing. It is hard to rely on being able to secure 2 perfect projects year in year out. We all know that the property industry is subject to cycles, so when the market conditions are ripe you need to be able to grow quickly and take advantage of the market opportunities, but then your capital pool limits your growth.

Hopefully this exercise we have undertaken of modeling up various live projects and showing the multiple capital options will spark some ideas on how you can better utilise your capital when considering your next construction funding exercise and we look forward to helping you develop those ideas and turn them into reality by introducing your project to the most appropriate lenders.

## Is it time to get constructive with your finance?

## About HoldenCAPITAL

HoldenCAPITAL was recently awarded #1 Commercial Mortgage Broker in AUSTRALIA for the second year running after taking out the inaugural award in 2015. Additionally, it was awarded #1 Commercial Mortgage Broker in Queensland in 2016 (inaugural award).

For the financial year ending June 2016, HoldenCAPITAL will have settled in excess of \$340million of debt and equity across 68 transactions.

HoldenCAPITAL is a specialist construction finance group, recognised as a market leader through its successes in deal structuring and the sourcing of debt and equity solutions.

Our main focus is to leverage our collective skills, knowledge, resources and relationships to structure project finance solutions as well as the provision of equity to minimise the risks and maximise the return to our clients while taking into account the interest of all stakeholders.

Appointing HoldenCAPITAL to secure your debt and equity requirements enables you to tap into our ability to source and negotiate more flexible terms from our extensive network of banks, non-bank institutions, mortgage funds and our trusted relationships with private lenders.



**Steve Wiltshire**  
Executive Chairman  
Steve spent 26 years with Macquarie Bank doing project finance and joint ventures and recently 3 years as Executive Director of ANZ Property.



**Dan Holden**  
Director  
Daniel brings over 13 years of development and finance experience which includes over 6 years in finance consultancy and funds management.



**Pete Eksteen**  
Finance Consultant  
Prior to joining HoldenCAPITAL Pieter was a development manager for 15 years working on projects that created 8,500 titles.



**Dave Kelly**  
Manager – Major Projects  
Dave is a highly experienced property banker and deal negotiator focussed on property development and commercial property transactions.



**Brett Cottam**  
Finance Consultant  
Brett has over 16 years of corporate banking experience with NAB and BOSI, specialising in property investment & development including residential, commercial, retail, industrial & mixed use assets.



**Eric Trieu**  
Director  
Eric has over 20 years experience in project marketing. He was CEO of two international marketing firms, The Aldy Group and Empire Property Investors.



**Nick Hazeldine**  
Research Analyst  
Nick brings with him a background in research and analysis of hotels and gaming and works on a variety of market research projects which allow us to keep at the forefront of market sentiment.



**Vanessa Pace**  
Office Manager/Analyst  
Vanessa has been employed in the Finance Industry for over 10 years having obtained experience in a Building Society and with aggregator and financier FirstMac.

## Client Testimonials

We let our success speak for us!



### Matthew Lewison - Open Corporation

"I was introduced to Dan in 2012 after having difficulties securing finance for a residential land project. Dan provided some great advice on structuring the project debt and we subsequently secured funding through a non-bank lender and went on to work with us through all four stages of the project. More recently we settled finance through the team at HoldenCAPITAL for a \$35 million project in 2014 and are about to settle another finance package that they sourced for us to deliver another \$50 million project. Debt finance for both of these projects has been secured with major banks after strong competition which resulted in a very attractive cost of finance. We look forward to a long relationship with the guys and would happily recommend their services."

### Peter Gribble - MD of Quantum Funds Management LTD

"Being a Sydney based operation it was great to have Holden Capital as our eyes and ears on the ground in Brisbane to run the finance for us. We worked with them to fund a \$40mil project in 2014 and have already given them the role of sorting out our finance on another \$50mil project we are about to start work on."

### Ron Bakir - CEO Homecorp Developments

"We have worked with Dan Holden to finance our projects since 2009, he is reliable and has always delivered, we have completed about 20 projects in that time covering roughly 1,300 product and even through the credit constrained times Dan always ensured we had the right loan to suit our requirement."

### Stuart Morton - CEO of Greenfield Capital

"We have funded a 3 stage project with Pete and Dan from Holden Capital and will gladly use them again for future projects. The guys pushed for better terms than I was expecting allowing me to start each stage earlier than I anticipated."

### Chris Bolger - Partner of Onyx Property Group

"We have worked with Dan and his team since 2011 and are thankful for them introducing us to a variety of capital options which helped us to grow our business in a sustainable and strategic way."

### Scott Widdicombe - CEO Civic Construction Group

"We have funded 2 projects through Dan and Pete and have another one currently we have given to them to work on, it definitely takes the weight off my shoulders to know the finance is being dealt with and allows me to do focus on other areas of getting my project started. Thanks guys."

### Mark Howard - CEO of Howard Property Group

"I have known Dan since 2008 and always liked discussing his views on the finance market, he funded a \$35mil project for us in 2014 and we look forward to working with him again soon."

## Recent Transactions Settled - FY16

LOAN VALUE	LOAN CATEGORY	SECURITY	FACILITY TYPE
\$28,600,000	Major Bank	1RM	Construction
\$5,200,000	Major Bank	1RM	Construction
\$10,750,000	Private / HCAP	1RM	Dev Site
\$2,100,000	Private / HCAP	1RM	Construction
\$1,200,000	Private / HCAP	1RM	Construction
\$600,000	Private / HCAP	1RM	Site
\$1,750,000	Private / HCAP	1RM	Investment
\$2,300,000	Private / HCAP	Equity	Equity
\$12,300,000	Major Bank	1RM	Construction
\$1,393,000	Mortgage Trust	1RM	Construction
\$3,520,000	Minor Bank	1RM	Construction
\$11,300,000	Mortgage Trust	1RM	Construction
\$16,800,000	Mortgage Trust	1RM	Construction
\$3,000,000	Mortgage Trust	1RM	Site
\$1,900,000	Major Bank	1RM	Construction
\$1,400,000	Private / HCAP	1RM	Site
\$2,500,000	Major Bank	1RM	Construction
\$1,400,000	Private / HCAP	1RM	Site
\$2,025,000	Mortgage Trust	1RM	Construction
\$5,200,000	Mortgage Trust	1RM	Construction
\$2,275,000	Mortgage Trust	1RM	Construction
\$13,800,000	Mortgage Trust	1RM	Construction
\$2,950,000	Private / HCAP	1RM	Site
\$1,650,000	Mortgage Trust	1RM	Construction
\$900,000	Private / HCAP	1RM	Site
\$1,274,000	Minor Bank	1RM	Construction
\$16,000,000	Major Bank	1RM	Construction
\$925,000	Mortgage Trust	1RM	Refinance
\$2,100,000	Private / HCAP	1RM	Site
\$3,600,000	Private / HCAP	1RM	Construction
\$770,000	Private / HCAP	1RM	Residual Stock
\$1,500,000	Private / HCAP	1RM	Site
\$5,400,000	Private / HCAP	1RM	Site
\$4,300,000	Private / HCAP	1RM	Site

LOAN VALUE	LOAN CATEGORY	SECURITY	FACILITY TYPE
\$13,200,000	Private / HCAP	1RM	Site
\$4,000,000	Private / HCAP	1RM	Construction
\$1,117,600	Mortgage Trust	1RM	Residual Stock
\$1,122,000	Private / HCAP	1RM	Residual Stock
\$797,500	Private / HCAP	1RM	Site Loan
\$880,000	Mortgage Trust	1RM	Residual Stock
\$1,322,167	Private / HCAP	1RM	Site Loan
\$364,967	Private / HCAP	1RM	Residual Stock
\$1,716,000	Mortgage Trust	1RM	Site
\$300,000	Private / HCAP	1RM	Site
\$11,400,000	Mortgage Trust	1RM	Construction
\$3,700,000	Private / HCAP	1RM	Site
\$5,700,000	Private / HCAP	1RM	Construction
\$1,650,000	Mortgage Trust	1RM	Site
\$993,800	Mortgage Trust	1RM	Residual Stock
\$6,229,667	Mortgage Trust	1RM	Construction
\$2,800,000	Private / HCAP	1RM	Construction
\$3,500,000	Private / HCAP	1RM	Construction
\$21,000,000	Mortgage Trust	1RM	Construction
\$270,000	Private / HCAP	Equity	Equity
\$6,480,000	Mortgage Trust	1RM	Construction
\$1,450,000	Mortgage Trust	1RM	Investment
\$1,600,000	Mortgage Trust	1RM	Investment
\$900,000	Mortgage Trust	1RM	Investment
\$9,500,000	Private / HCAP	1RM	Roll over
\$3,200,000	Private / HCAP	1RM	Site
\$750,000	Private / HCAP	1RM	Site
\$3,300,000	Private / HCAP	1RM	Site

**\$340million of debt and equity  
across 68 projects**

Awarded Australia's #1 Commercial Finance firm for 2015 & 2016

# HCAP INVEST

## DELIVERING CONSTRUCTION FINANCE OPPORTUNITIES TO SOPHISTICATED INVESTORS

Through our daily participation in the construction finance sector and being Queensland's largest construction finance group, we see many investment opportunities which we look to offer to a group of like-minded investors which resulted in the creation of HCAP Invest.

HCAP Invest will introduce, assess and manage individual loan opportunities on behalf of its "Approved Lender" base, providing those lenders with opportunities to access attractive returns through directly secured construction investments, sourced and vetted by HoldenCAPITAL.

### TRACK RECORD.

Over the past 4 years HoldenCAPITAL has facilitated almost \$1 billion of construction funding. Over \$200million of this was placed with private lenders.

Completed & Repaid	\$110 million
Currently Active	\$65 million
Settling next 90 days	\$35 million
<b>TOTAL</b>	<b>Over \$200 million</b>

	LOAN AMOUNT	GEARING	INVESTMENT TYPE	INVESTOR RETURN	PROPERTY	LOCATION
1	\$9,600,000	55%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	BRISBANE
2	\$300,000	75%	2ND MORTGAGE	24% P.A.	DEVELOPMENT SITE	CHERMSIDE
3	\$1,700,000	80%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	NEWCASTLE
4	\$7,000,000	80%	1ST MORTGAGE	13% P.A.	LAND SUBDIVISION	GREATER BRISBANE
5	\$5,400,000	90%	2ND MORTGAGE	22% P.A.	88 APARTMENTS	BRISBANE
6	\$700,000	90%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	NEWCASTLE
7	\$2,600,000	70%	EQUITY	42% I.R.R.	50 APARTMENTS	BRISBANE
8	\$1,300,000	40%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	GOLD COAST
9	\$725,000	80%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	GREATER BRISBANE
10	\$300,000	40%	1ST MORTGAGE	15% P.A.	CONSTRUCTION LOAN	BUNDABERG
11	\$1,700,000	80%	1ST MORTGAGE	15% P.A.	DEVELOPMENT SITE	NEWCASTLE
12	\$3,200,000	80%	1ST MORTGAGE	12% P.A.	DEVELOPMENT SITE	BRISBANE

## ARE YOU A SAVVY PROPERTY PERSON WHO LIKES TO INVEST IN WHAT YOU KNOW AND TRUST?

We have created a small club of like-minded investors that we present with debt and equity opportunities which they can participate in according to their own appetite and assessment of the risks involved. To be part of this club contact us **today**.

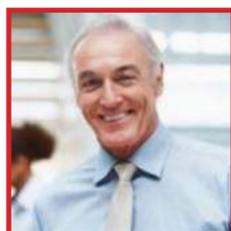
The loans we present will generally fall into 3 main risk vs reward structures



ZERO COST TO  
INSTANTLY ACCESS  
EXCLUSIVE  
OPPORTUNITIES

REAL STORIES. REAL PROJECTS.  
REAL PEOPLE. REAL FUNDING.

### INVESTORS



"We have invested in numerous loans with Holden Capital as loan manager; they take the guess work out of investing and prepare everything to allow me to make a quick decision. Our family office will happily keep investing in their loans going forward." - Shane, Sophisticated Lender



"Dan & Pete have managed a loan that I invested into for the past 18 months and they are always prompt with actioning items and have a finger on the pulse of the project protecting our interests." - Paul, Sophisticated Lender

**INVESTOR  
ACTION  
REQUIRED**

Due to the current demand for private money loans, we are now seeking to expand our club of investors. If you believe that you understand property as an investment class, qualify as a "Sophisticated Investor" and would like to receive our investment opportunities, please go to our website to learn more and register yourself: [www.holdencapital.com.au/investment](http://www.holdencapital.com.au/investment)

**IS IT TIME TO GET CONSTRUCTIVE  
WITH YOUR FINANCE?**

**CONTACT OUR SPECIALIST TEAM TODAY.**

**HoldenCAPITAL**  
CONSTRUCTIVE FINANCE

LEVEL 2, 307 QUEEN ST  
BRISBANE QLD 4000

**1300 HOLCAP**  
[www.holdencapital.com.au](http://www.holdencapital.com.au)

**SPECIALISTS IN:**

**MAJOR BANK FINANCE | NON-BANK FINANCE | PRIVATE LENDER LOANS  
MEZZANINE DEBT | PREFERRED EQUITY | JOINT VENTURES | OPPORTUNITY SOURCING**

