

# Development Finance Workshop

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# The Bigger The Party The Bigger The Hangover

2003 to 2007

Banks LOVE Risk



2007 to Today

Banks HATE Risk



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# New trading conditions

- Competition for limited funds.
- Developers primary job is to mitigate risk.
- Banking is about risk and banks are therefore about lending but the game has changed.
- 3 Risks

Planning Risk  
Construction Risk  
Sales Risk

# Planning Risk

- No Approval = No money.
- Aim is to reduce the lead in time required to commence construction.
- Does the approval make sense ie can you sell the end product with 'affordability' being the current in word.
- If it doesn't have a development approval what is the holding income.



# Construction Risk

- Define costs.
- Use renowned consultants approved by the financier.
- Reduce exposure to variables.

# Sales risk

- Presales selling program.
- Settlement risk.
- Sales rates and diversification.
- Manage the valuation process.



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# 2010 Predictions

- No definitive market stand out
  - retreating 1<sup>st</sup> Home Owners.
  - Conservative investors.
- Increase in Mortgagee in possession sales of development sites.
- Continued difficult funding.



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# A positive note!

- Increase in buyers in the market for sites with some competition creeping back.
- Demand for townhouse sites under \$3,000,000 and sub-divisions under \$5,000,000.
- Some speculative buyers re-entering the market.



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# Conclusion

- Developers face an uphill battle.
- ‘Open for Business’ is currently a catch phrase.
- Valuers are pessimistic in general so don’t listen to me and be positive.



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