Funding Insider Tips

Turn Your Aspiration Into Reality

BEDROCK FUNDING

Loan To Value Ratio

The **Loan to End Value Ratio (LVR) compares the loan amount you're requesting to the value** (gross realisation, excl. GST) of the Project.

Let's say you want to build 15 townhouses, and the Gross Realisation excluding GST is estimated to be $12.5mil.

*Typically, Lenders will have a policy of say maximum 65% LVR, in that case the maximum Facility Limit would be $12.5mil*65% = $8.125mil.*

Example

Loan To Cost Ratio

The **Loan to Cost Ratio (LCR) measures the percentage of the total project cost** that the lender is willing to finance. It is expressed as a ratio or percentage.

Let's say you want to build 15 townhouses, and the total cost of the project is estimated to be $10mil.

*Typically, Lenders will have a policy of say maximum 80% LCR, in that case the maximum Facility Limit would be $10mil*80% = $8mil.*

Example

BEDROCK Funding Advice

With over two decades of specialised financial expertise in property funding, our team collaborates with 50+ property development finance lenders, dedicated to resolving intricate funding challenges. We expedite project funding with the best possible outcomes.

Ways to expedite funding and optimise results:

- Determine your borrowing capacity and involvement level needed for the deal.
- Organise and optimise your credit file.
- Review and assess your project's feasibility study for financial viability.

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Hard Cost

In construction finance, **“Hard Costs” refer to the direct expenses associated with the physical construction of a project.** These costs typically include the materials, labour, equipment, and subcontractor fees directly involved in the construction process.

In simpler terms, Hard Costs are the tangible and measurable expenses directly related to the physical construction work.

Example

Soft Cost

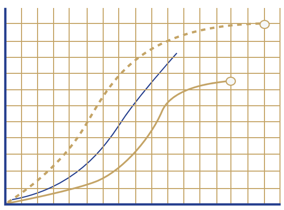
In construction finance, **“Soft Costs” refer to the indirect expenses that are not directly related to the physical construction or renovation of a project.** These costs are typically associated with the planning, design, management, and administrative aspects of the construction process.

In simpler terms, Soft Costs are often intangible and do not involve physical labour or materials.

Example

S-Curve

The **“S-Curve”** for construction cost **provides a visual representation of how project expenses accumulate over time.** It is called an S-curve because the plotted data points typically form a curve that resembles the letter “S”.



It is typically **divided into 3 phases - Initial; Acceleration and Deceleration** and helps project managers, stakeholders, and lenders track the financial performance of the construction project, identify cost deviations, and manage cash flow effectively.

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Release FEE

In construction finance, a "**Release Fee" refers to a charge imposed by a lender when specific securities have to be released.** For example, when construction is complete and the Developer has sold the individual properties, then the titles for the newly created properties will have to be released in order for the purchasers to register the titles in their names.

Example

Establishment FEE

The **"Establishment Fee"** is a **Fee the lender charge to establish the loan.**

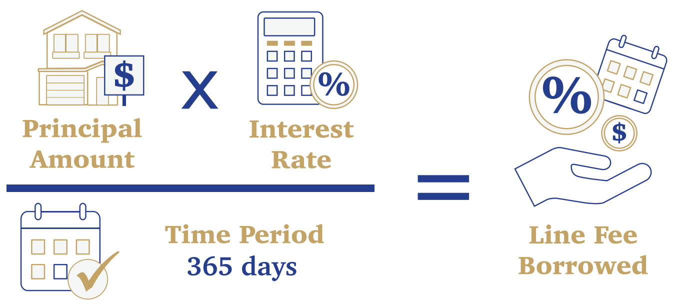
Typically, Lenders will have a policy of say 0.75% Establishment Fee, in that case of the Loan has a limit of $8.125mil, then the Establishment Fee would be 0.75%$8.125mil=$60,937.50.*

Line FEE

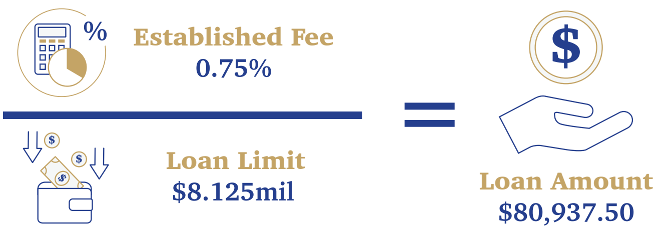
The **"Line Fee"** for construction finance **refers to a fee that a lender charges the borrower for making a line of credit available during the construction project's duration.**

It is a percentage of the facility limit and is typically charged quarterly. It is important to note that the Line Fee is calculated on the facility limit and NOT the loan balance like is the case for interest rate. In most cases the Line Fee cost would be capitalised to the loan balance during the construction term, in order to ease the cash flow burden on the borrower.

Example



Example



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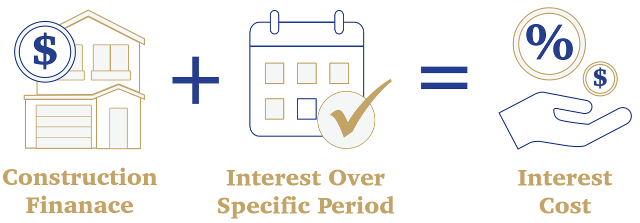
Interest Rate

The **“Interest Rate”** for construction finance **refers to the cost or fee charged by a lender for providing funds for a construction project. It represents the percentage of the drawn loan balance that the borrower needs to pay** as interest over a specified period.

In most cases the interest cost would be capitalised to the loan balance during the construction term, in order to ease the cash flow burden on the borrower.

Example



Debt Cover

In construction finance, the term **“Debt Cover” refers to the ability of a borrower to generate sufficient cash flow to cover the debt obligations associated with the construction project.** It is a measure used by lenders to assess the borrower’s capacity to repay the loan and manage the project’s financial obligations.

Debt cover typically will be in the form of pre-sales or pre-committed leases.

Example

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