

Why everyone is using bank's radical new property development scheme and you should too.

For small private site owners - *who typically have no development experience or intention to develop* - the only option has been to obtain planning permission and sell the site to a seasoned developer with the sophistication to obtain funding and successfully develop.

However, the problem is often that these smaller sites are not strategically important to larger developers, and may expose smaller developers to uncertain supply chain prices and higher cost of funds. This renders such sites deadlocked. Depriving the vendor with a return on investment and the market much needed housing stock.

In 2021-22 the UK saw 54% of all new developments on previously developed land. In the Channel Islands this figure is significantly higher, with many much needed sites deadlocked.

In a ground breaking move, this is now set to change. And, quite radically.

A new scheme that simplifies the entire process will open access to automatic pre-agreed funding for the entire project - all on a fixed priced, interest free contract.

Uniquely, it includes access to pre-negotiated fixed priced materials that won't increase in price, with any market or interest rate movements throughout the build. Where necessary, labour is also supplied.

This introduces what is essentially a fully ring-fenced, risk and interest free solution. It avoids cost, as well as interest over-run. This means that the bank, site owner and house buyers are all set to benefit.

Whilst obviously well suited to non-developer site owners, allowing them to typically increase their return on investment by 50% to 100%, it is also well suited to smaller developers that own their own sites and want access to heavily discounted materials, kits and supply chain costs.

The scheme (and supply chain) is overseen by supervising project managers and surveyors that evaluate and pre-package sites that meet scheme criteria for the bank under contracts with pre-defined exit strategies. This means funds are typically available on better terms and to a much wider audience. And faster.

For example, the scheme project manager has authority to underwrite the developed residential unit sales price, or commit them to a discount or buy-to-let mitigation (with rent retained by the bank) if not sold within a pre-determined time scale.

This reduces the upfront underwriting cost as well as the supply chain cost, increasing the financial return to all participants.

And because the site owner retains title of the site, with skin in the game, it significantly reduces LTGDV. And because it also avoids any property transfer or other personal taxation, legal costs are reduced with more funds available as profit to the site owner and bank.

As a direct result, this inevitably means that more capacity is unlocked and developed with more inbuilt tolerance to market movements. At launch, the scheme is targeting lower to mid priced housing stock that is in the highest demand across the Channel Islands and British Isles.