

Development finance can be a lifeline for property developers looking to fund their projects quickly and efficiently. However, many deals stall or fail just before completion, causing costly delays and lost opportunities. Understanding the common pitfalls—ranging from valuation issues to exit strategy problems—can save developers time, money, and frustration.

In this blog, we'll explore why development finance delays happen, focusing on the interplay between broker selection, lender access, and the intricacies of development finance mechanics. We'll also naturally introduce trusted brokers like **KIS Finance**, **The Loans Engine**, and **Scottish Bridging Loans**, along with trusted tools such as **Reviews.io** for transparent broker reviews. By the end, you should have a clearer understanding of how to avoid late-stage deal failures.

Understanding the Development Finance Landscape

Development finance differs from other types of property lending due to its specialised nature. It usually involves staged drawdowns, strict loan-to-value (LTV) and loan-to-cost (LTC) ratios, and dependency on the Gross Development Value (GDV) of the finished project.

What is GDV, LTV, and Loan-to-Cost?

- **Gross Development Value (GDV):** The estimated market value of the completed development. For example, if you build ten apartments expected to sell for £250,000 each, your GDV is £2.5 million.
- **Loan-to-Value (LTV):** The percentage of your lender's loan compared to the GDV. A 65% LTV on a £2.5 million GDV means the maximum loan available would be £1.625 million.
- **Loan-to-Cost (LTC):** The percentage of the loan compared to the total project costs, including land, construction, fees, etc. If your total costs are £2 million and you have a 75% LTC, your funding could be up to £1.5 million.

Clear comprehension of these terms is essential because lenders base their offers on conservative estimates to mitigate risk. Any miscalculation or over-optimism in GDV or costs can derail the deal late in the process.

Why Do Deals Fail Right Before Completion?

Though every project is unique, several common themes emerge when development finance deals collapse just before completion:

1. Valuation Issues

Valuation delays or discrepancies are among the most frequent causes. Lenders require an impartial valuation to confirm the GDV and the present value of the land or structures. If the valuation comes in lower than anticipated, it can shrink the available loan amount, causing a funding shortfall.

Developers might have priced the project optimistically, or market conditions might change suddenly, impacting final sale values. In some cases, valuations come through after tight deadlines, stalling the entire process.

2. Exit Strategy Problems

Lenders want reassurance that you have a plan to repay the loan. Typically, this involves selling the finished development or refinancing with a mortgage lender. If your exit strategy is unclear, uncertain, or unattainable—

perhaps due to slow market demand or regulatory hurdles—you risk losing lender confidence.

Additionally, if the developer's projected sale timeline extends beyond the lender's appetite, they may withdraw or reprice offers to reflect longer exposure and risk.

3. Development Finance Mechanics and Staged Drawdowns

Development finance is usually released in stages aligned with construction milestones: foundations, superstructure, roofing, and so on. Each drawdown requires independent verification, such as inspections.

Delays or failures at a particular stage—be it incomplete work or compliance issues—can halt future drawdowns. Since developers rely on these funds to pay contractors and buy materials, any delay feeds into a vicious cycle of hold-ups.

4. Broker Selection and Lender Access

The choice of broker significantly impacts deal success. Brokers act as intermediaries and often offer access to panels of multiple lenders, each with different appetite, restrictions, and turnaround times.

- **Speed:** Brokers who excel in rapid processing and immediate lender feedback can save crucial weeks.
- **Lender Access:** Multi-lender platforms mean more options, improving odds of securing finance for specific sizes and project types.
- **Transparency:** Reliable brokers disclose fees upfront and provide clear loan bands matched to deal sizes.

For example, **KIS Finance** is often praised on **Reviews.io** for transparent fee structures and excellent multi-lender access, which can be critical for securing last-minute approvals. Similarly, **The Loans Engine** offers strong nationwide reach and quick valuations, key to avoiding delays. Meanwhile, **Scottish Bridging Loans** specialise in regional bridging finance in Scotland, offering tailored solutions for developments that need urgent funding with lender panels best suited for local projects.

Broker Selection: Speed, Transparency, and Capacity

When picking a broker for development finance, consider these criteria carefully:

Speed of Processing

A slow broker or lender response can stall your project. Deals can collapse if lender valuations or queries don't happen promptly. Before committing, check independent reviews on platforms like **Reviews.io** to ensure the broker has a track record of meeting deadlines.

Access to Multiple Lenders

Different lenders specialise in various deal sizes, sectors, and risk profiles. Multi-lender access via a broker offers back-up options if one lender drops out or issues arise with valuation. This flexibility often prevents last-minute deal failures.

Loan Bands and Deal Size Matching

Not every lender will finance the same deal sizes. Developers should ensure their finance broker publishes or clearly communicates acceptable loan bands. For example:

Lender Typical Loan Range Region Notes KIS Finance £150,000 to £5,000,000 UK-wide Good for medium to large residential projects. The Loans Engine £100,000 to £3,000,000 UK-wide Strong quick turnaround and flexible lender panel. Scottish Bridging Loans £50,000 to £1,000,000 Scotland only Ideal for smaller projects; local market expertise.

Matching your project to lenders with appropriate capacity avoids the pitfall of broker proposals that sound appealing but don't fit your deal scale.

Development Finance Drawdowns and Build Progress

Understanding the staged drawdown process is vital. Banks and specialist development lenders release funds only as each phase of construction completes, verified by surveyors or quantity surveyors.



Common stages include:

1. Initial land purchase or demolition stage
2. Foundation completion
3. Superstructure completion
4. Roof and weatherproofing
5. Completion and snagging

If any inspections report issues or work is incomplete, lenders withhold funds, affecting developer cash flow and potentially leading to contractor disputes or site inactivity.

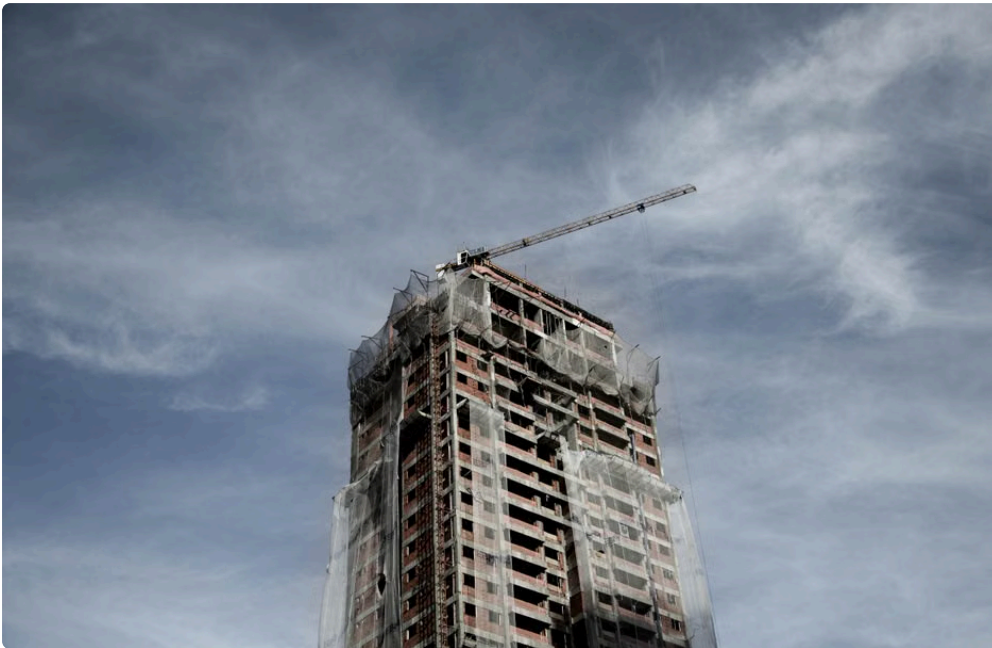
How to Avoid Development Finance Delays and Failures

- **Choose a reputable broker:** Use independent review platforms like **Reviews.io** to validate speed, transparency, and lender access.
- **Match deal size with lender capacity:** Ensure your broker offers lenders within your loan band to prevent surprises.

- **Clarify your exit strategy:** Be explicit and realistic about sales timelines or refinance plans.
- **Factor in conservative valuations:** Budget around the lender's valuation, not optimistic GDV assumptions.
- **Maintain build progress documentation:** Keep clear evidence of completed stages to secure prompt drawdowns.

Summary

Development finance delays and failures right before completion often stem from valuation surprises, unclear exit strategies, the rigid mechanics of staged drawdowns, and inefficient broker/lender interactions. By selecting brokers with strong multi-lender panels like **KIS Finance** or **The Loans Engine** for UK-wide projects, or regional specialists such as **Scottish Bridging Loans** for Scottish developments, developers can improve their chances significantly.



Using tools like **Reviews.io** to check broker reputation, understanding GDV, LTV, and loan-to-cost ratios, and maintaining transparent communication with lenders are all crucial steps to avoiding last-minute deal failures.

With careful planning and the right finance partners, development projects can avoid the pitfalls of late-stage propertyinvestortoday.co.uk collapse and move smoothly from plans to profits.

Who This Is For

This article is aimed at property developers seeking development finance, finance brokers, and anyone involved in project funding who wants to understand why deals sometimes fail just prior to drawdown and how to improve their chances of success.