

Development Finance Guide – Unlocking Funding for SME Developers

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**Constructing Excellence Midlands : Challenges and
Opportunities for the Housing Sector across Midlands**

Information Classification – Public

Agenda



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- Banking Context 2019
 - NatWest Bank – Real Estate Capability and Ambition
 - SME Residential Developer Trends
 - Customers Perspective
 - Bank Perspective
 - Best Practice
 - The three key questions to ask your bank

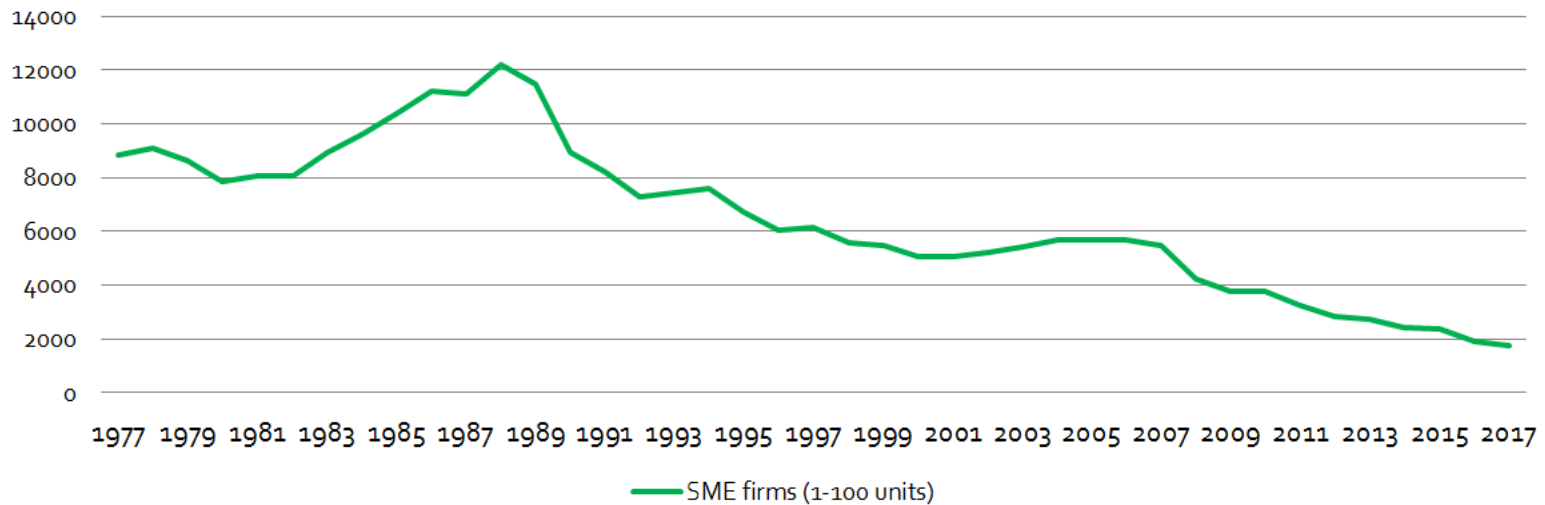
- **2008 Crash – Economic and Banking Crisis**
- **Regulation – impact**
 - How Bank's Lend – strategy of being Sustainable and Responsible
 - Treat Customers Fairly
 - Increased Capital buffers to pass EU Stress Tests
 - Choice for customers
- **Customer**
 - Evidence Capability and Experience
 - Less leverage and more cash risk equity
 - Present your lending opportunity

Challenge to Diverse Market

SME numbers declining: market increasingly dominated by a small number of big housebuilders

SME building firms registered with the National House Building Council (NHBC)

Source: MHCLG, based on NHBC data



Customers Perspective



- Risk Appetite
- Due Diligence
- Risk Management and Mitigation
- Decision to Proceed

The Bank's Perspective



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- Risk Appetite
 - Due Diligence
 - Risk Management and Mitigation
 - Decision to Proceed

Best Practice



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- https://www.constructingexcellencesw.org.uk/assets/Downloads/Lending_Map_Digital.pdf
 - Based upon your strategy what type of relationship do you want with your bank?
 - Track Record
 - Development Appraisal and Risk Capital
 - Business Plan

The Three key Questions To Ask Your Bank



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- To what degree do you understand my business strategy and the risks that concern me in achieving this strategy?
 - How much will you lend me to support my business strategy, now and in the future, and how can you help me manage the risks that concern me?
 - How experienced are you (my Relationship Manager) and what is your bank's real estate finance Risk Appetite and real estate strategy?

Summary



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- Post 2008 Banking is a heavily regulated industry
 - Customers and Bank's both have a Risk Appetite
 - Track Record and Risk Equity
 - Three key questions you should ask your bank
 - Development Finance: Best Practice Guide to Lending

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