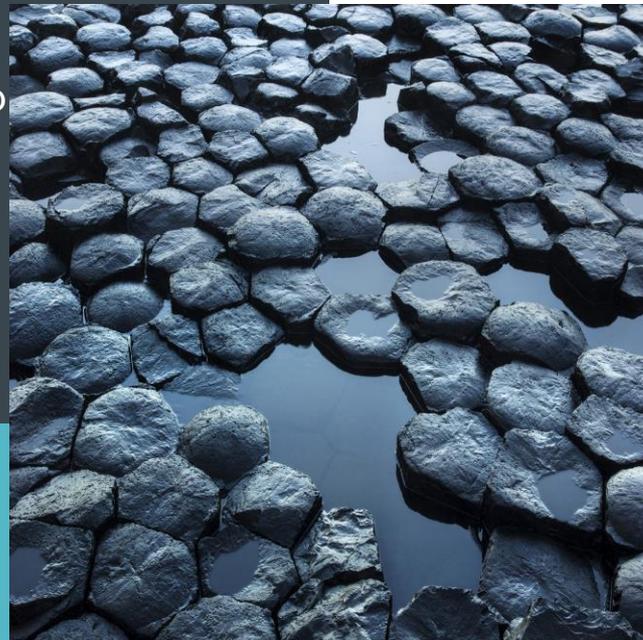


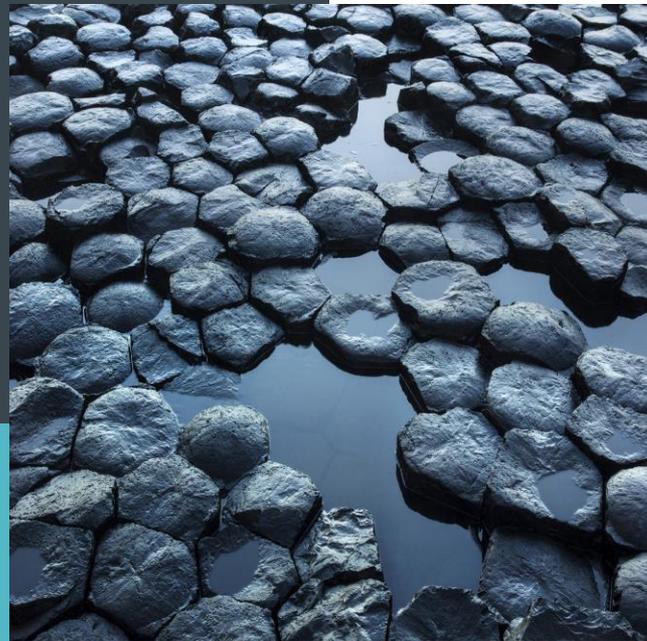
Breakfast Briefing: De-risking development finance

Antonia Belcher - MHBC
Alison Lambert - Oxford Properties Group
David Lyle - Lockton
James Curry - Simmons & Simmons
Andrew Wheldon- Lloyds Banking Group
Will Greig - Simmons & Simmons



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Good foundations:
clearing the path for development



Initial obstacles to development

- Issues with the site (e.g. environmental, rights of light, third party rights)
- Site acquisition and assembly (e.g. ransom strips, building restrictions, getting vacant possession)
- Planning

Development as a lending proposition

- Resolution/mitigation of issues which are obstacles to development
- Borrower/lender partnership & trust in contractor and professional team
- When (if at all) can speculative development work?
- Conditionality on pre-lets/pre-sales
- Need for equity to go in up front

Risk allocation – finance documents

- Unplanned costs – cost overrun guarantees
- Unplanned delays – impact on financial modelling; LADs and DSU
- Overage issues – ensuring scheme is fully funded
- Interest capitalised and payable on PC – interest shortfall concerns – ISGs
- Construction security – including collateral warranties/step-in rights

Risk mitigation – insurance

- Existing buildings
- Contractor All Risks
- Delayed Start Up
- Project wrap insurance
- Latent Defects Insurance

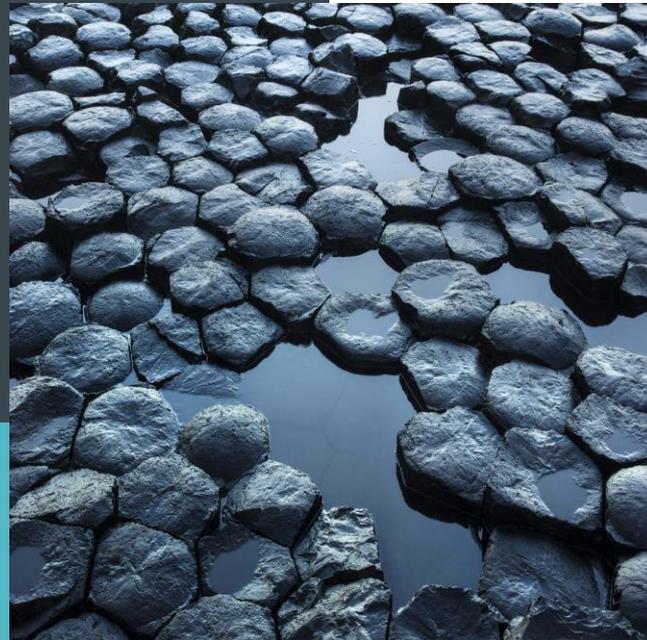
Procurement route options

- JCT D&B
- Construction Management
- Others—
 - Management Contracting;
 - Traditional Contract
- Choice of contractor

Contractor insolvency

- Current market concerns (post-Carillion)
- Practical implications (need for DD, supply chain issues, contractor “limping on”)
- Insurance aspects

Achieving a well-constructed building



Specification shortfalls

- Issues even post sign-off
- Role of Project Monitor

Ongoing monitoring

- Planning conditions
- Rights of light
- Insurance options



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