Commercial Property Development Finance & Construction Loans

Turning your real estate vision into reality

BEDROCK
FUNDING

Why BEDROCK Funding?

BEDROCK
FUNDING

Our aim is to become an extension of our clients' team and represent them in all their requirements for financing a property development.

Founder Pieter Eksteen started his career working as a property developer, developing gated communities and large land sub-divisions before migrating into the finance world. This foundation provides the team at BEDROCK Funding with a unique understanding of our clients' DNA.

It is essential to have an insider's advantage when navigating potential funding structures. BEDROCK Funding are experts because we only arrange funding for property development projects. We work closely with property development finance lenders which allows us to solve complex funding challenges for our clients.

Property Development & Construction Finance Services

- ✓ Bank Construction Finance
- ✓ Non-Bank Construction Finance
- ✓ Mezzanine Finance
- ✓ Stretch Senior Construction Finance
- ✓ Preferred Equity & Joint Ventures
- ✓ Site Acquisition Finance
- ✓ Residual Stock Finance

Commercial Property Loans

- ✓ Bank Commercial Property Loans
- ✓ Bank Commercial Property Loans
- ✓ Mezzanine Commercial Property Loans
- ✓ Preferred Equity & Joint Ventures
- ✓ Acquisition Commercial Property Loans

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Property Development & Construction Finance Services

BEDROCK FUNDING

Property Development & Construction Finance Services

BEDROCK
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Experts in financing for development

BEDROCK Funding is a client side consultancy, providing our clients with the benefit of our experience gained from our daily involvement in the Finance Markets. Our aim is to become an extension of our clients' team and represent them in all their requirements for financing a property development. It is essential to have an insider's advantage when navigating potential funding structures. BEDROCK Funding are experts because we only arrange funding for property development projects. We work closely with property development finance lenders which allows us to solve complex funding challenges for our clients.

CONSTRUCTION FINANCE SERVICES:

- **Bank Construction Finance**
  Traditionally Construction Finance is done by Major Banks. Major Banks are "by design" very sponsor centric.
- **Non-Bank Construction Finance**
  Non-Banks are "as a rule" more project focused, as opposed to banks that are more sponsor focused.
- **Mezzanine Finance**
  Mezzanine finance is an additional subordinated loan which is generally secured by a second mortgage over the property.
- **Stretch Senior Construction Finance**
  Senior Stretch Finance is a funding option that combines senior and junior debt into a single loan.
- **Preferred Equity & Joint Ventures**
  Preferred Equity and Joint Ventures are alternatives to Mezzanine Finance and Stretch Senior pieces to increase the total project finance.
- **Site Acquisition Finance**
  Site Acquisition Finance is financing to purchase the development site as well as the associated development approval costs.
- **Residual Stock Finance**
  The purpose of Residual Stock Finance is generally to assist in repaying the Construction Finance and or assisting the developer in releasing some equity from the project.

RECENT TRANSACTION CONSTRUCTION LOAN

26 Residential Lots
Adare, Queensland

Financed:	**$6,120,000**
LVR:	**65%**
Presales:	**No Presales**

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Property Development & Construction Finance Services

Bank Construction Finance

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Traditionally Construction Finance is done by Major Banks. Major Banks are by design very sponsor centric. Their philosophy is that if we follow a good sponsor, then chances are that they will pick good projects and deliver good outcomes. So effectively a bank would first decide whether they are comfortable with the sponsor and only then would they look at the project and location.

BANK CONSTRUCTION FINANCE SPONSOR REQUIREMENTS:

The minimum Bank Construction Finance Sponsor Requirements would typically include:

- Signed assets & liabilities statements and personal taxation returns for all the directors of the borrowing entity.
- Past 2 years full financial statements, including balance sheet & profit and loss statements, for the borrowing entity and parent company.
- Copies of ATO portals confirming that there are no outstanding or pending ATO liabilities.
- Full Group Cash Flow; providing the bank with insight into the next 12 months' projected cash flow across all the projects of the group.

Alongside the sponsor requirements mentioned above, banks will enforce strict criteria for construction finance regarding pre-sales, equity levels, location, and product mix. It's crucial to recognise that banks, like all lenders, may alter their lending criteria over time. Just because you could secure 80% of the cost from your bank two years ago doesn't ensure they'll offer the same terms today.

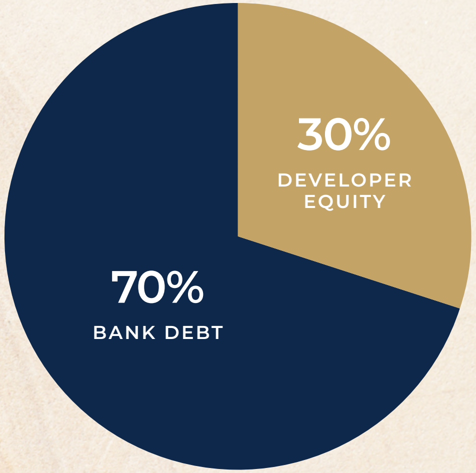
TYPICAL LENDING PARAMETERS FOR BANK CONSTRUCTION FINANCE:

Up to 65% LVR
70% LCR

Up to 100% Cover
THROUGH THE NET PROCEEDS OF COMPLIANT PRE-SALES

Interest rates from 6.2% p.a.
AND LINE FEES FROM 1.3% P.A.

TYPICAL CONTRIBUTIONS FOR PROJECTS WITH BANK FINANCE (TOTAL DEVELOPMENT COST):



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Property Development & Construction Finance Services

Non-Bank Construction Finance

BEDROCK FUNDING

Most banks and other main stream financial institutions have stringent rules and requirements with regards to loan serviceability, borrower experience, pre-sales and Loan to Value Ratios (LVR), to name but a few. The minimum requirements would typically be the borrower's up-to-date financials, at least 2 previous projects completed successfully by the borrower, at least 100% debt cover in pre-sales, and a maximum 65% Loan to Value limit.

There are however a substantial number of private lenders and mortgage trusts (typically referred to as Non-Banks) that are less stringent, these Non-Bank require minimum to no pre-sales (depending on the project size) and they will provide up to 75% Loan to Value limit, and up to 90% of Total Development Cost.

Non-Banks are "as a rule" more project focused, as opposed to banks that are more sponsor focused.

While major banks and mainstream lenders typically demand pre-sales before providing development finance, most Non-Banks permit developers to start construction without formal pre-sales, leading to substantial cost savings.

In addition to the cost savings described above, starting the project earlier also has the following advantages:

- Interest costs and holding costs on the land
- Pre-sale commissions and marketing expenses to achieve pre-sales
- No discounts on sales values required to achieve pre-sale targets
- Less time in the market means less market risk
- Equity is released much earlier
- Selling the units at completion may result in a higher selling price in a rising market
- Properties are easier to sell once construction has commenced, i.e. buyers like to see the product either finished or under construction

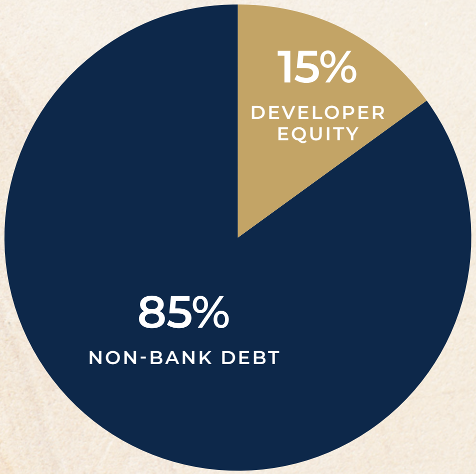
TYPICAL LENDING PARAMETERS FOR NON-BANK CONSTRUCTION FINANCE:

Up to $15M
WITHOUT PRE-SALES

Up to 75% LVR
90% LCR

Interest rates from 9% p.a.
AND LINE FEES FROM 1.3% P.A.

TYPICAL CONTRIBUTIONS FOR PROJECTS WITH NON-BANK FINANCE (TOTAL DEVELOPMENT COST):



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Mezzanine Finance

Mezzanine finance is an additional subordinated loan (behind the senior debt provider) which is generally secured by a second mortgage over the property. Mezzanine finance is used when the senior debt (i.e. the primary loan secured by a first mortgage) plus the developer's equity is not enough to cover the total development cost of the project.

Mezzanine finance can also be used to reduce a developer's equity to allow them to use their equity for other projects and "in doing so" diversifying their risk.

Mezzanine finance comes at a higher cost, but reducing the developer's equity contribution will increase the return on equity considerably.

In most instances, monies invested into a project will be invested in accordance with the following priorities when Mezzanine Finance is used:

- All the Developer's Equity;
- All the Mezzanine Finance; and then
- All the Senior Debt

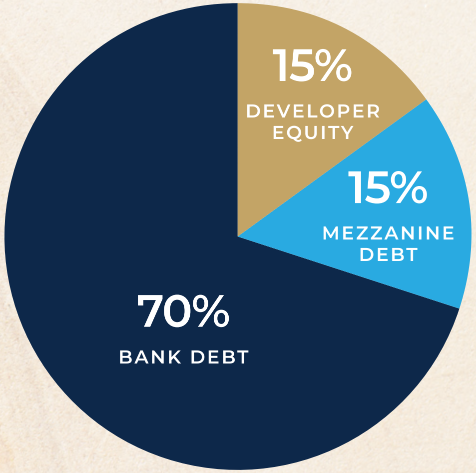
TYPICAL LENDING PARAMETERS FOR MEZZANINE FINANCE:

Up to 80% LCR
FROM 14%

Up to 70% LVR
FROM 14% P.A.

Up to 80% LVR
FROM 20% P.A.

TYPICAL CONTRIBUTIONS FOR PROJECTS WITH MEZZANINE FINANCE (TOTAL DEVELOPMENT COST):



Property Development & Construction Finance Services

Stretch Senior Construction Finance

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Senior Stretch Finance is a funding option that combines senior and junior debt into a single loan to achieve a higher loan-to-value ratio (LVR) than typically available from the major banks and other mainstream lenders.

Senior Stretch Finance can provide funding for up to 90% of the total development cost and normally has reduced pre-sale requirements, and is therefore more expensive than traditional major bank funding.

Stretch Construction Finance provides an opportunity for businesses ready to scale up, but may not meet the criteria to be funded with a typical business loan. A stretch senior loan offers flexibility to accommodate the financing needs of the borrower.

Stretched debt requires higher interest payments as it carries a greater risk to the lender than a conventional senior loan. For borrowers that can tolerate the higher interest, senior stretch loans are a more convenient solution. This type of loan requires fewer stakeholders as all the funding is arranged through one lender.

STRETCHED SENIOR DEBT FOR PROPERTY DEVELOPMENT FINANCE:

$20-125 Million

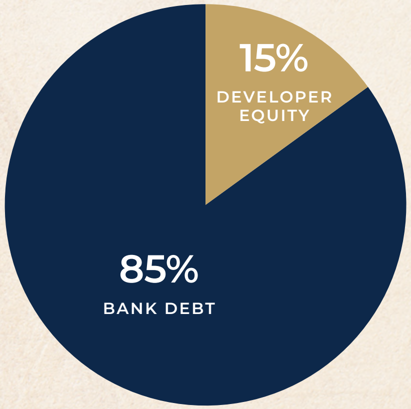
Up to 75% LVR
AND 85% LCR

From 50% Pre-Sales
DEBT COVER

From 6.5% interest rates

From 3% line fees

TYPICAL CONTRIBUTIONS FOR PROJECTS WITH STRETCH SENIOR FINANCE (TOTAL DEVELOPMENT COST):



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Property Development & Construction Finance Services

Preferred Equity & Joint Ventures

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Preferred Equity and Joint Ventures are alternatives to Mezzanine Finance and Stretch Senior pieces to increase the total project finance. For example, when the senior debt (i.e. the primary loan secured by a first mortgage) plus the developer's equity is not enough to cover the total development cost of the project.

While similar to Mezzanine Finance, Preferred Equity is not secured by a second mortgage over the property, and eliminates the hurdle of a deed of subordination debt to be negotiated with senior lenders. This means that banks are sometimes more willing to allow senior debt with Preferred Equity rather mezzanine finance for development projects.

The capital partner providing the preferred equity will usually receive a fixed percentage of the profit on completion of the profit, sometimes coupled with a small interest component. The capital partners' capital amount and return is secured in priority to the developer, but behind the senior debt provider.

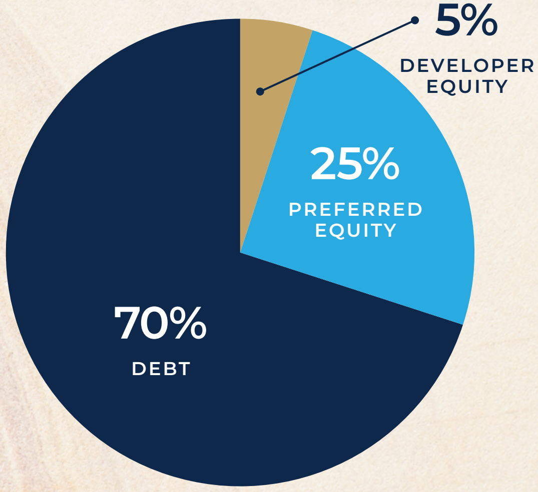
TYPICAL LENDING PARAMETERS FOR PREFERRED EQUITY AND JOINT VENTURES:

Provide up to 90%
OF REQUIRED EQUITY

Receives 10-15% coupon
(INTEREST COMPONENT) ON ALL MONIES INVESTED

Receives % profit share
ON COMPLETION

TYPICAL CONTRIBUTIONS FOR PROJECTS WITH PREFERRED EQUITY (TOTAL DEVELOPMENT COST):



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Other Construction Finance Sercices

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Site Acquisition Finance

Site Acquisition Finance is the first step that is required to be taken to purchase the development site. It is our priority to set you up for financial success and provide you with the correct funding start to finish.

For land acquisition and development there will be associated development approval costs. We take the possible unexpected costs into consideration to make sure your project proceeds without a hitch. Land acquisition loans can provide bridging finance for the land and additional pre or post development approval costs.

To start the process, most cases only require loan security that is limited to the subject property and personal guarantee. Interest can be capitalised for the loan period or serviced monthly to offer flexibility to the borrower and consistent cash flow.

TYPICAL LENDING PARAMETERS FOR SITE ACQUISITION FINANCE:

Up to 70% LVR

From 10% interest rates

Term from 6 months

UP TO 18 MONTHS

Residual Stock Finance

It is a nature of the Property Development Industry, that not all the products will be sold and settled within 3 months of practical completion for every project you do. Sometimes the sales process takes a bit longer for whatever reason.

Most projects carry a significant portion of Construction Finance, to be repaid from Sales Proceeds at completion or within 3 months from completion and titles. This might create a problem if there are not enough settlements to achieve the repayment within the required timeframe.

The typical purpose of Residual Stock Finance will either be:

- Assist in repaying the Construction Finance;
- Assist the developer in releasing some equity from the project; or
- a combination of both

The term and gearing for bridging loans in commercial property are directly related to the cost of the facility. For example a 20-year home loan style loan is typically much cheaper than a 6-month bridging loan.

Commercial Development Finance Services

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Commercial Development Finance Services

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Licensed Professionals For Your Commercial Property Loan

Depending on the client's key considerations, there are several Commercial Property Loan options that might be applicable. It is our intention as commercial building finance experts to thoroughly understand your situation and provide the right loan to meet your requirements.

With our team of professional commercial finance specialists on your side from start to finish we can ensure needs are met. We focus on commercial lending exclusively as opposed to residential property home loans and private real estate. By focusing on one area we are across every type of loan available including commercial loans for apartment buildings and loans for industrial property.

SOME OF OUR SPECIALISED LOAN OPTIONS FOR COMMERCIAL BUILDING FINANCE ARE:CONSTRUCTION FINANCE SERVICES:

- **Bank Commercial Property Loans**
  Traditionally Commercial Property Loans are done by Major Banks. Major Banks are by design very sponsor centric.
- **Non-Bank Commercial Property Loans**
  Non-Banks are as a rule more project-focused, as opposed to banks that are more sponsor focused. For the right business, non-banks will provide a favourable loan for industrial property.
- **Mezzanine Commercial Property Loans**
  Mezzanine Commercial Property Loan is an additional subordinated loan which is generally secured by a second mortgage over the property.
- **Preferred Equity & Joint Ventures**
  Preferred Equity and Joint Ventures are alternatives to Mezzanine Commercial Property Loans. This type of loan increases the level of "Other People's Money" on the property.
- **Acquisition Commercial Property Loans**
  Preferred Equity and Joint Ventures are alternatives to Mezzanine Finance and Stretch Senior pieces to increase the total project finance. This short term solution is the perfect alternative to a typical bank loan for an industrial property.

RECENT TRANSACTION COMMERCIAL LOAN

Pipeline of Service Station & Retail Mixed Use

Senior Debt LVR: **65%**

Junior Debt LVR: **75%**

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Bank Commercial Property Loans

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Traditionally Commercial Property Loans are done by major banks. Major banks are by design very sponsor centric. Their philosophy is that if we follow a good sponsor, then chances are that they will pick good properties and deliver good outcomes. So effectively a bank would first decide whether they are comfortable with the sponsor and only then would they look at the property and the location.

BANK COMMERCIAL PROPERTY LOANS SPONSOR REQUIREMENTS

- The minimum requirements of Bank Commercial Property Loans Sponsor would typically include:
- Signed assets & liabilities statements and personal taxation returns for all the directors of the borrowing entity;
- Past 2 years full financial statements, including balance sheet & profit and loss statements, for the borrowing entity and parent company;
- Copies of ATO portals confirming that there are no outstanding or pending ATO liabilities; and
- Full Group Cash Flow; providing the bank with insight into the next 12 months' projected cash flow across all the projects of the group.
- Stringent WALE requirements; and
- Minimum of 1.5 times Interest Cover Ratios

In addition to the above Sponsor requirements, banks will also have Stringent WALE requirements; and the minimum requirements of around 1.5 times Interest Cover Ratios, the level of equity required, location and product mix. It is important to note that banks, like any other lender, change their appetites from time to time. Just because you could borrow 60% of value from your bank 24 months ago, does certainly not guarantee that they would do the same loan parameters today.

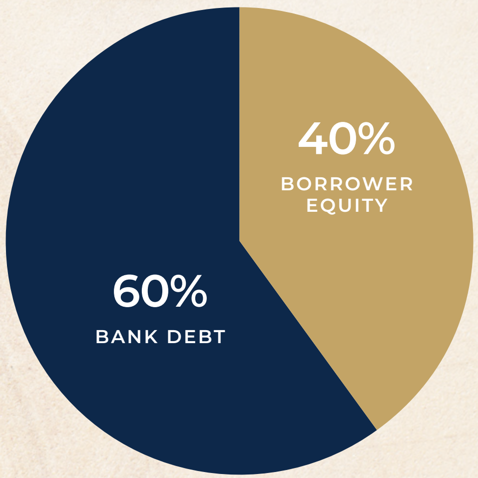
TYPICAL LENDING PARAMETERS FOR BANK COMMERCIAL PROPERTY LOANS:

Up to 60% LVR

Minimum WALE of 3

Interest rates from 6.5% p.a.

TYPICAL CONTRIBUTIONS FOR PROPERTIES WITH BANK FINANCE (TOTAL DEVELOPMENT COST):



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Commercial Development Finance Services

Non-Bank Commercial Property Loans

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Most banks and other mainstream financial institutions have stringent rules and requirements with regards to loan serviceability, borrower experience, tenancy mix and Loan to Value Ratios (LVR), to name but a few.

The minimum requirements would typically be the borrower's up-to-date financials, proof that the borrower is a seasoned property owner, a strong WALE, Interest Cover Ratio above 1.5 times and a maximum 65% Loan to Value limit.

There are however a substantial number of private lenders and mortgage trusts (typically referred to as Non-Banks) that are less stringent, these Non-Banks will not be as stringent on Interest Cover Ratios, might accept a lower WALE and be comfortable with Higher LVR's.

NON-BANK COMMERCIAL PROPERTY LOANS BENEFITS

- Most Non-Bank Commercial Property Loans offer options that include some of the following benefits:
- LVR's of up to 75%;
- Will consider valuation as opposed to purchase price in most cases for Acquisition Finance;
- Will accept lower WALE's as opposed to the mainstream banks;
- Will be flexible on Interest Cover Ratios if the transaction has the ability for the loan to be amortised down (over say 12 months) to a level where the desired Interest Cover Ratios are met.

While it is more expensive, it provides a significantly greater return on equity to the borrower or owner.

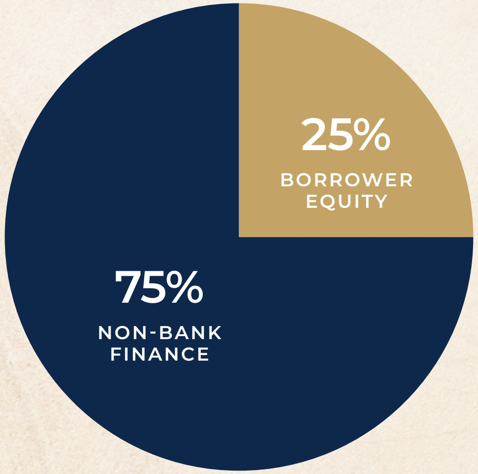
TYPICAL LENDING PARAMETERS FOR NON-BANK COMMERCIAL PROPERTY LOANS:

Up to $100 Million

Up to 75% LVR

Interest rates from 8% p.a.

TYPICAL CONTRIBUTIONS FOR PROPERTIES WITH NON-BANK COMMERCIAL PROPERTY LOANS (TOTAL DEVELOPMENT COST):



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Commercial Development Finance Services

Mezzanine Commercial Property Loans

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A Mezzanine Commercial Property Loan is an additional subordinated loan (behind the senior debt provider) which is generally secured by a second mortgage over the property.

Mezzanine finance is used when the senior debt (i.e. the primary loan secured by a first mortgage) plus the borrower's equity is not enough to cover the total Property Value.

BENEFITS OF MEZZANINE COMMERCIAL PROPERTY LOANS

Mezzanine Commercial Property Loans can also be used to reduce a borrower's equity to allow them to use some of their equity for other properties and in doing so diversifying their risk.

Mezzanine Commercial Property Loans comes at a higher cost, but reducing the borrower's equity contribution will increase the return on equity considerably.

In most instances, all monies will be in accordance with the following priorities when a Mezzanine Commercial Property Loan is used:

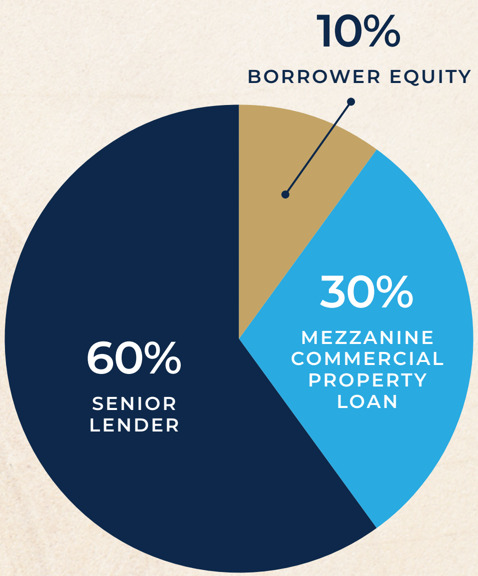
- All the Senior Debt;
- All the Mezzanine Finance; and then
- All the Borrower's Equity;

TYPICAL PARAMETERS WITH MEZZANINE FINANCE LENDERS:

Up to 70% LVR
FROM 14% P.A.

Up to 80% LVR
FROM 20% P.A.

TYPICAL CONTRIBUTIONS FOR PROPERTIES WITH MEZZANINE COMMERCIAL PROPERTY LOANS (TOTAL DEVELOPMENT COST):



Commercial Development Finance Services

Other Commercial Development Finance Sercices

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Preferred Equity and Joint Ventures

While similar to a Mezzanine Commercial Property Loan, Preferred Equity is not secured by a second mortgage over the property, and eliminates the hurdle of a deed of subordination debt to be negotiated with senior lenders.

This means that banks are sometimes more willing to allow senior debt with Preferred Equity rather than Mezzanine Commercial Property Loans. The capital partner providing the preferred equity will usually receive a fixed percentage of the income on the property and a Share of the Sales value, should the property be sold. The capital partners' capital amount and return is secured in priority to the borrower or owner, but behind the senior debt provider.

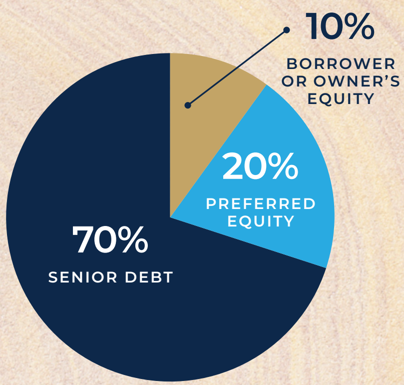
TYPICAL PARAMETERS FOR PREFERRED EQUITY AND JOINT VENTURES:

Provide up to 90%
OF REQUIRED EQUITY

Fixed Income
RECEIVES A FIXED COMPONENT OF INCOME GENERATED BY THE TENANCIES

% Share of the Sales
RECEIVES % SHARE OF THE SALES VALUE UPON THE SALE OF THE PROPERTY

TYPICAL CONTRIBUTIONS FOR PROPERTIES WITH PREFERRED EQUITY (TOTAL DEVELOPMENT COST):



Acquisition Commercial Property Loans

We can provide financing to assist with the acquisition cost as well as potential capital contributions and improvements post settlement.

In most scenarios the loan security is limited to the subject property and the relevant lease incomes. Acquisition Commercial Property Loans are typically Interest Only and over a 3 year term.

TYPICAL LENDING PARAMETERS FOR ACQUISITION COMMERCIAL PROPERTY LOANS:

Up to 75% LVR
(SOME LENDERS WILL CONSIDER VALUATION IF HIGHER THAN THE PURCHASE PRICE)

Interest rates from 8% p.a.

Term from 12 months
UP TO 3 YEARS