

Development finance is a popular, yet complex funding option for property developers looking to bridge the gap between purchase and sale or complete a building project. However, despite careful planning and initial approvals, many development finance deals collapse just before completion, causing significant distress and financial strain. Understanding the common reasons behind these last-minute failures can help developers, brokers, and lenders to navigate the process more effectively and avoid costly pitfalls.

Understanding Development Finance: Key Concepts

Before diving into why deals fall through, it's essential to cover some fundamental concepts used throughout the development finance landscape. These concepts influence loan structure, timing, and approval criteria, making them critical to a successful transaction.

Gross Development Value (GDV)

GDV is the estimated total market value of a completed development. This figure is crucial because lenders often base the maximum loan amount on the GDV, allowing them to gauge the risk and potential return.

Loan to Value (LTV)

LTV measures the loan amount as a percentage of the value of the property or development. For development finance, lenders typically look at LTV relative to the GDV, which is often lower than standard mortgage LTVs due to increased risk.

Loan to Cost (LTC)

LTC is the loan expressed as a percentage of the total development cost, including purchase price, construction expenses, fees, and contingency. LTC is an equally important metric as it ensures the loan covers a reasonable portion of the development cost without exposing the lender to excessive risk.

Staged Drawdowns and Build Progress

Development finance loans are not usually disbursed in one lump sum but are released in stages aligned with building milestones. This staged drawdown reduces lender risk and ensures funds match the progress on-site. Independent inspections or valuations typically verify milestones before each release.

Why Development Finance Deals Fail Right Before Completion

Completion is the stage where the final funds are released, and the project settles into its intended exit strategy, such as sale or refinancing. However, it's also when many deals unravel. Common failure points include:



1. Valuation Issues and GDV Disputes

Developers and lenders may have significantly different assumptions about the GDV. An overoptimistic GDV can result in lenders feeling the LTV is too high, forcing loan reductions or refusals. Since GDV directly impacts the maximum loan amount, an unexpected downward valuation late in the process can sink a deal.

For example, a project initially valued at £5 million (GDV) with a 70% LTV allows a £3.5 million loan. If the final valuation drops to £4.5 million, the loan maximum might fall to £3.15 million, creating a funding shortfall right before completion.

2. Exit Strategy Problems and Refinancing Delays

Many development loans are short-term with a planned exit via sale or refinancing. If the exit route is unclear, uncertain, or delayed, lenders may withhold final funding. Issues such as market downturns, failed sales, or lender refusal to refinance can halt the completion.

3. Incomplete or Delayed Build Progress Reports

Staged drawdowns rely on up-to-date progress reports and valuations. Any delay or dispute over build quality, progress, or cost overruns can stall the release of funds. If the final stage drawdown is not approved, completion cannot happen.

4. Lack of Transparency and Poor Broker Selection

Many developers rely on finance brokers to source and manage development funding, but not all brokers have the same level of lender access or transparency about fees and loan capacity. Brokers who focus solely on speed or vague 'tailored solutions' without clear communication may misrepresent the loan bands or hide potential risks.

5. Deal Size Capacity Mismatches

Not all lenders can accommodate every project size. Some firms specialise in smaller bridges and development loans, others in higher-value schemes. If a project is too large or too small for the lender's published loan bands or typical deal sizes, the deal risks rejection.

Broker Selection: Speed, Lender Access, and Transparency Matter

Choosing the right broker is critical for avoiding last-minute failures. Here are the three key broker selection criteria developers should consider:



- **Speed and Proactiveness:** The development finance market can be fast-moving. Brokers like KIS Finance and The Loans Engine are known for rapid initial assessments and efficient underwriting.
- **Lender Panels and Multi-Lender Access:** Brokers connected to extensive lender panels, including specialist development lenders and bridging finance providers (such as Scottish Bridging Loans), have a broader toolkit to fit unusual project specifics.
- **Transparency and Published Loan Bands:** Good brokers always share clear loan size ranges, fees, and requirements upfront. Transparency facilitates realistic expectations and avoids surprises.

Developers are encouraged to consult independent platforms like Reviews.io to verify broker reputation and client feedback, adding an extra layer of confidence when selecting a broker.

How Published Loan Bands and Deal Size Capacity Affect Outcomes

Lenders openly publish typical loan sizes or bands they handle for development finance. For example, a lender might only fund development loans between £250,000 and £2 million. Larger projects outside this range require a broker with access to higher-tier lenders.

Attempting to force a project beyond these limits usually results in delays or failures during underwriting or valuation. Brokers who understand lender panel differences can direct clients more accurately, while those with narrow lender pools risk last-minute rejection.

Simple Example: How GDV, LTV, and Drawdowns Work Together

Concept Description Example GDV Estimated total value of completed development £5 million for a residential block LTV Loan size as % of GDV 70% LTV = £3.5 million loan LTC Loan size as % of total development cost (purchase + build + fees) £4 million cost; LTC = £3.5m/£4m = 87.5% Drawdowns Funds released at project milestones Initial £1 million for land purchase; £2 million during build phases; final £0.5 million on completion

Key Takeaways to Avoid Development Finance Delays and Failures

1. **Accurate GDV appraisal:** Engage qualified valuers early and ensure lender alignment.
2. **Clear exit strategy:** Confirm refinancing or sales plans before drawing down funds.
3. **Choose brokers with broad lender access:** Firms like KIS Finance or The Loans Engine work with multiple lenders including regional specialists like Scottish Bridging Loans to source the best options.
4. **Demand transparency:** Insist on full disclosure of loan bands, fees, and valuation assumptions.
5. **Monitor build progress carefully:** Provide timely reports and inspections to meet drawdown milestones.
6. **Confirm deal size fit:** Ensure your project aligns with lender loan ranges to prevent late-stage refusals.

Final Thoughts

While development finance delays, valuation issues, and exit strategy problems are common failure points, many are avoidable with proper preparation, the right broker, and good communication with lenders. Multi-lender access, transparent practices, and realistic assumptions about GDV and loan capacities are your best defence against last-minute deal failure.

If you're considering development finance, vet your brokers thoroughly—using tools like [Reviews.io](#)—and deal only with those who demonstrate clear lender access and publish loan criteria upfront. Firms such as KIS Finance, The Loans Engine, and [LTV on development finance](#) Scottish Bridging Loans provide excellent examples of brokers and lenders who focus on transparency, speed, and multi-lender solutions that suit various deal sizes.

Understanding the intricacies of development finance and choosing the right team around you can help avoid the pain of deals failing at the last hurdle.

Who this is for

Developers and property investors seeking to understand why development finance deals fail late in the process, and how to choose brokers and lenders wisely to avoid delays, valuation pitfalls, and exit strategy complications.