

Co-operative Financial Services



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Comment on the property market

How to be head and chimneys above the rest of the property developers

In a crowded world paved with rising interest rates, laminated flooring and chrome bathrooms how does a property developer stand above the rest? What does it take to become a successful developer in today's toughening market place?

Phil Basten is head of the property finance unit at The Co-operative Bank and the man responsible for handing out millions of pounds to people wanting to develop. He said: "When someone comes to us looking to finance a property to refurbish and develop, the first thing we do is look at their business plan. The plan must be well presented and researched with concise information about budgets, timescales and clear objectives spelling out how the person envisages reaching your all important potential profit margin.

"But a plan can only tell us so much, we also have to look at the person. Any wannabe property developer must have real drive and a commitment to make their development work. The individual needs to be knowledgeable, shrewd and to always remain clear-sighted in what they are trying to achieve.

“It’s essential to be well organised because project management is a key element and experience dictates that it’s this kind of developer who is most successful. All the best developers are very hands-on, managing the project, making sure progress is on track, budgets are kept to and time scales are being met.

“It’s vital that people act fast as soon as any part of the project starts to slip or they can face real difficulty. Managing refurbishments is extremely tough because you’ve always got many different jobs going on at once and a developer needs to be an expert in the art of plate spinning and juggling.

“It’s worth remembering that very few property projects go exactly to plan. Problems will arise forcing you to take action immediately. Be ready to rethink the scheme and be prepared to move away from the original project to find solutions. Flexibility, a contingency budget and good and open relationships with your banks and other investors will be invaluable when the scheme reaches these critical points.”

Fledgling developers must have a feel for the market, know the main agents, which properties are selling well and the best areas, and be sure on local prices. Once you know your patch, you have to have a good solicitor who will act quickly on both purchase and future sale and have your finances in place so you can move quickly.

Finding a competent, trustworthy builder is the key to most successful ventures – a fact I can’t stress enough. You’re better off establishing relationships with reliable tradespeople ahead of finding your property if you can.

Doing some work yourself, even the labouring, will save money. If you are using the equity in your own house as collateral, make sure you have a contingency plan if costs rise or you fail to sell as quickly as you hoped.

Commenting on the current market place Phil Basten said: “Interest rates have risen significantly over the last eighteen months and we are slowly starting to see a slight slow down in the housing market. Developers need to prepare for the fact that it might take longer to sell their property than expected and need to have financial backing in place for this eventuality.

“New developers often fall into the trap of holding out for an unobtainable offer, which can often turn out to be financially detrimental. It’s important to sell at a realistic figure and keep in mind that the key objective is to buy, refurbish and sell as quickly as possible because no one can accurately predict market forces.”

For advice on financing your property development contact The Co-operative Bank’s Property Finance Unit on tel: 0161 829 5118.