

For many aspiring property developers, securing development finance is a critical hurdle. A common concern among first-time developers is whether they are at a disadvantage compared to more seasoned developers when it comes to development loan rates and terms. Is the experience criterion truly a barrier? Or can first-time developers access the same quality finance deals with the right broker and lender panel?

In this blog, we'll break down the reality of development finance terms for first-timers, demystify key concepts like GDV, LTV, and loan-to-cost, and discuss how broker selection and lender access influence your deal terms. We'll also mention leading brokers like **KIS Finance**, **The Loans Engine**, and **Scottish Bridging Loans** and how their multi-lender access can impact your borrowing potential.

Understanding Development Finance Basics

Before diving into the issue of first-time developer finance, let's clarify some fundamental terms developers encounter.

What is GDV?

GDV stands for *Gross Development Value*. It is the total expected market value of the finished project once all units or homes are sold or rented. This figure is crucial because lenders often base their lending limits and risk assessments on GDV.

Loan-to-Value (LTV) Explained

LTV is the ratio of the loan amount to the value of the asset securing that loan. In development finance, LTV typically relates to the GDV or the property value. For example, an 80% LTV on a £1 million project means a loan of up to £800,000.

Loan-to-Cost (LTC) Simplified

LTC compares the loan amount to the total cost of the development, including land purchase, construction costs, professional fees, and more. For example, a £700,000 loan on a £1 million project cost is a 70% LTC.



Why LTC matters: It reflects how much of the actual money you need to spend on the build the lender is willing to cover, which is often more telling than LTV when assessing drawdowns and staged payments.

Development Loan Mechanics: Staged Drawdowns and Build Progress

Development loans are not disbursed as a lump sum but are typically paid in stages. The lender releases funds upon achieving specific project milestones, such as foundation completion or frame erection. This phased drawdown protects the lender by ensuring funds match build progress and reduces exposure to default risk.

Understanding this mechanic is essential — if a project hits delays or quality issues, it can affect the next tranche of funding.

First-Time Developer Finance: Are Terms Actually Worse?

The experience of the developer is a key factor lenders consider. However, it is one of several criteria, with others including the project's size, security, location, and financial projections. Let's explore the reality.

Experience Criteria & Its Impact

Lenders want confidence that the borrower can deliver the project on time and within budget. Experienced developers with a track record demonstrate this, often unlocking better interest rates and higher LTV or LTC bands.

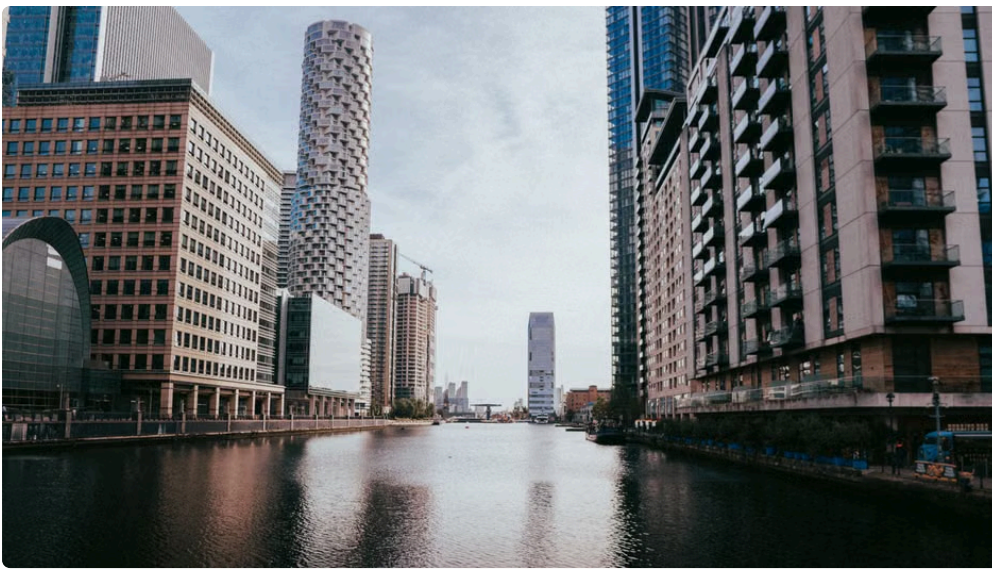
First-time developers typically face:

- More scrutiny on feasibility and cost plans
- Lower maximum loan amounts or conservative LTVs
- Higher interest rates reflecting perceived risk
- Additional security requirements or personal guarantees

That said, first-time developer finance is very much available, and with the right broker and lender panel, these challenges can be mitigated.

Deal Size Capacity & Published Loan Bands

The size of your development affects which lenders and loan products are accessible. Many lenders have published loan bands, for example:



Loan Band	Typical GDV Range	Loan Amount	Developer Experience Preference
Band 1	£250k - £1m GDV	£100k - £700k	Open to first-time developers with robust plans
Band 2	£1m - £5m GDV	£700k - £3.5m	Experienced developers preferred for best rates
Band 3	£5m+ GDV	£3.5m+	Mainly professional developers with multiple projects

First-time developers usually operate within Band 1 or low Band 2. Some lenders specialise in smaller projects, making them ideal options for novices.

The Role of Broker Selection in Finance Terms

One of the most important decisions for a first-time developer is choosing the right broker. This choice influences speed, transparency, lender access, and ultimately, your terms.

Speed: Why It Matters

Development finance timing is critical. A broker who moves quickly can secure funds to satisfy purchase deadlines and starter costs. Slow brokers risk missed opportunities and higher costs.

Multi-Lender Access and Lender Panels

Top brokers like **KIS Finance** and **The Loans Engine** have access to extensive lender panels comprising high-street, specialist bridging lenders, and niche development lenders. This diversity allows a tailored match to your project size, location, and experience level.

Scottish Bridging Loans is an example of a broker specialising in Scottish projects, which can be vital given regional market quirks and lender restrictions.

Transparency and Fee Clarity

Many brokers operate with hidden fees or unclear rate breakdowns. Always select brokers using third-party independent platforms such as Reviews.io to verify customer feedback, pricing transparency, and client satisfaction.

Why Experienced Brokers Level the Playing Field

Brokers familiar with first-time developer finance understand which lenders are most flexible on experience criteria and can negotiate better bespoke terms. They can also guide you through realistic budgeting considering staged drawdowns and project risks, ensuring your loan request is feasible and attractive to lenders.

Development Finance Rates: What First-Time Developers Should Expect

Development loan rates propertyinvestortoday.co.uk vary widely depending on lender, project risk, and developer experience.

Developer Experience	Typical Interest Rates (Annual)	Additional Fees
First-Time Developers	8% - 12%	Arrangement fees 1.5% - 3%, exit fees 1%-2%
Experienced Developers	6% - 10%	Arrangement fees 1% - 2%, exit fees 0.5%-1.5%

Note: Loan-to-cost and GDV impact these rates. Higher risk projects or those with no track record often face higher rates and lower advance percentages.

How Staged Drawdowns Affect Rate Costs

Since funds are drawn over time aligned to build progress, interest is typically charged only on amounts released, which helps reduce overall finance costs. However, project delays increase interest paid on the outstanding capital, making good project management vital.

Tips for First-Time Developers to Secure Better Terms

1. **Work with Brokers with Strong Lender Panels:** For example, **KIS Finance** and **The Loans Engine** provide access to multiple lenders and can compare offers.
2. **Be Transparent and Prepared:** Have detailed, realistic cost plans, professional valuations and architectural drawings ready.
3. **Understand Drawdown Triggers:** Know lender requirements for staged payments to avoid delays.
4. **Build Relationships:** Use brokers and lenders with good reputations validated on platforms like Reviews.io.
5. **Don't Overreach:** Start with small to mid-size projects within published loan bands to build your track record.
6. **Consider Region-Specific Brokers:** For instance, if building in Scotland, engaging **Scottish Bridging Loans** can unlock region-tailored options.

Summary: Are First-Time Developers Doomed to Worse Finance Terms?

First-time developers often face slightly stricter criteria and higher finance costs due to perceived risk but are certainly not shut out of good development finance deals. With a strong broker, clear project plans, and realistic loan requests aligned with published loan bands, first-timers can secure competitive development loan rates.

Choosing brokers with wide lender panels and transparent processes—such as **KIS Finance**, **The Loans Engine**, or geographically focused firms like **Scottish Bridging Loans**—is essential to leveling the playing field and unlocking finance options tailored to your experience and project size.

Development finance is complex, but informed first-time developers can navigate the arena successfully and build a portfolio by understanding GDV, LTV, LTC, and staged drawdown mechanics, ensuring that they don't pay more than necessary for their finance.

Who this is for:

Prospective and first-time property developers seeking clarity on how their experience affects finance terms and how best to navigate broker and lender selection to secure competitive development loan rates.