Understanding loan to gross development value (LTGDV)

Education

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Loan to gross development value (LTGDV) is a ratio used to measure the amount of debt financing that is being used to fund a property development, compared to the total estimated value of the completed development. It is calculated by dividing the total loan amount by the estimated GDV.

This is an important criteria used by lenders when determining whether to provide development finance. As noted above, the GDV is based on future value and properties are subject to appreciation or depreciation based on various factors. Unexpected costs, macro economic changes, interest rate risk and other factors may affect the value of your property, leading to a developer requiring higher levels of funding.

A lower LTGDV indicates that less debt is being used to fund the project as a percentage of the end value, and therefore there is less risk for the lender. A higher LTDGV indicates that more debt is being used, and therefore more risk would be associated with the project to the lender.

LTGDV and TAB

TAB provides development finance at a LTGDV of up to 65%. The maximum loan to cost can be up to 100%.

We understand the value of keeping things simple and transparent, and our experience with lending means we can be flexible. What this means is that we are able to look at every project individually and adjust the terms according to what the borrower is asking for.

Capital is at risk. Property values can go down as well as up. Borrowers may default and investments may not perform as expected. Interest and income are not guaranteed. Returns may vary. You should not invest more than you can afford to lose. TAB is not authorised by the Financial Conduct Authority. Investments are not regulated and you will have no access to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Past performance and forecasts are not reliable indicators of future results and should not be relied on. Forecasts are based on TAB's own internal calculations and opinions and may change. Investments are illiquid. Once invested, you are committed for the full term. Tax treatment depends on individual circumstances and may change.

You are advised to obtain appropriate tax or investment advice where necessary. Understand more about the key risks here.

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