

# Case Study: Bank Instructed Workout

The National Australian Bank requested DFP Property Advisory to provide a comprehensive due diligence report in relation to a security held by the Bank. The Bank was concerned the proposed Development for the site was no longer viable in the current market based upon product mix, price point, cost to complete and several other key design elements.

The security property was subject to a Development Approval over 3 lots allowing the construction of:

- Lot A – 26 luxury residential units;
- Lot B – 13 affordable housing;
- Lot C – Renovation of a heritage property.

Bank instructed scope of works to DFP Property Advisory

- Prepare a tendered cost-plan, project positioning report, development feasibility and cash flow report based upon the existing Development Approval.
- Provide a set of recommendations to the Bank based upon an alternate development strategy based upon the highest and best use of the security property.
- Recommend a staged structured finance and development management solution to deliver the development on time and on budget.

## Outcome

- The existing Development Approval yielded a net loss (excluding land cost) of circa \$12,000,000.
- DFP Property Advisory provided a set of recommendations to the Bank based upon highest and best use of the security property, which involved significant modifications to the existing Development Approval.

The resulting development yield was:

- Lot A 52 smaller more affordable apartments
- Lot B 13 Units (multi unit)
- Lot C Sub Divide Land into Two Lots
- The resulting development profit was estimated to be circa \$7,200,000 vs a \$12,000,000 net loss.
- The significant turnaround in development profit and underlying land value was created by DFP Property Advisory for the benefit of both the Bank and the borrower via:
  - Several significant modifications to the existing plans and proposed engineering greatly improved to the buildability of the structure and dramatically reduced the construction cost.
  - Greatly improved Gross Realisable Gross Floor Area via a reduction in wasted space.
  - A significantly reduced cost to complete and greatly improved development profit margin.
  - A largely improved development product mix and yield of apartments.
  - Greatly improved sales revenue.
  - Greatly reduced Market Risk is achieved through a greatly improved achievable presales rate due to a lower more affordable price point.
  - Larger potential target market of purchasers of both Owner Occupiers and Investors due to a locally competitive and affordable price point.

## What the client said

DFP's professionalism, combined with their vast experience, range of key industry contacts and in-depth knowledge of both the property and finance industries, creates a significant value proposition to property developers and investors, one that is truly unparalleled. From a banker's perspective, these qualities, together with their depth of thought, deep understanding of the banking industry, as well as the ability to advise on and control all aspects of a project, provides a significant level of credibility and comfort to the bank in structuring funding proposals.

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