

When navigating the world of **development finance leverage**, a common question arises: *Is 70% LTV the same as 70% of GDV?* The answer is a firm no—but the distinction is crucial for developers, investors, and brokers alike. Understanding how lenders calculate LTV, what GDV means in practice, and how this affects your borrowing capacity can make all the difference in project feasibility and ultimately, profitability.

In this article, we'll break down the **LTV vs GDV** nuances on development finance deals and explore key factors like loan-to-cost, staged drawdowns, and how broking companies like KIS Finance, The Loans Engine, and Scottish Bridging Loans approach such calculations. We'll also touch on how to select the right broker, including tools such as Reviews.io and lender panel access that really matter in this fast-moving sector.

## Understanding the Basics: What Are LTV and GDV?

Before we dive into the question itself, let's define the core terms:

- **LTV (Loan-to-Value):** This is the ratio of the loan amount to the value of the security property at a given point in time—typically the current or purchase value.
- **GDV (Gross Development Value):** The projected market value of the completed development once construction finishes and properties are sold or let.

Put simply, GDV reflects the end sales price of a scheme whereas LTV is tied to the current value—often the purchase price or agreed valuation of the land and existing structures.

### Example:

If you're developing a site with a **GDV of £1,000,000** and the current purchase price of that property or land is £400,000, then 70% LTV would mean borrowing £280,000 (70% of £400,000), but borrowing 70% of GDV means borrowing £700,000.

This is obviously a significant difference—borrowing against GDV lets you access more funds but also involves more risk for the lender, so conditions and fees might differ.

## How Lenders Calculate LTV on Development Finance

When lenders talk about LTV, they almost always mean loan to the current value of the security asset, not the GDV. However, some development finance facilities incorporate GDV into their risk assessment, but often this is via calculations such as loan-to-cost (LTC) or other staged mechanisms.

### Key points on LTV calculation:

- LTV is calculated on the land or property value at the start of the transaction—usually supported by an independent valuation.
- GDV doesn't enter the LTV formula directly but is crucial for lenders to understand the exit strategy and overall profitability.
- Loan-to-cost (LTC) is often used alongside LTV. LTC compares loan amount to the total cost of the project (purchase price plus construction costs), which offers a clearer risk picture on development projects.
- Many lenders also use staged drawdowns tied to build progress to control exposure and monitor risk during development.

# Common Misconceptions: 70% LTV vs 70% of GDV

**70% LTV** generally means the lender will advance up to 70% of the property's current value, often the purchase price or land valuation before any work begins.



## 70% of GDV

Many borrowers mistakenly assume that a “70% development finance loan” implies 70% of projected GDV, but in reality, the loan size is much closer to 60-65% of GDV once loan-to-cost and other conditions are factored in.

## Why does this distinction matter?

Because developers often structure projects around the expected amount they can borrow—if you budget as if 70% of GDV is your loan size but the actual offer is 70% LTV against current value (much lower), you risk underfunding your project and facing delays or increased equity requirements.

## Development Finance Mechanics: Staged Drawdowns and Build Progress

Unlike traditional mortgage products, development finance is released in stages tied to construction milestones. This helps lenders reduce exposure and ensures funds are used appropriately.

Stages might be triggered by:

- Completion of groundworks
- Completion of the foundation
- Completion of roof and weatherproofing
- Other key milestones agreed in advance

At each stage, an independent surveyor will inspect progress, and the lender advances the next tranche accordingly. This means your loan *drawdown* reflects real progress, not simply the amount requested upfront.

**Loan-to-cost (LTC)** ratios often guide the maximum percentage of the total project cost that can be borrowed. For example, a lender might offer up to 70% LTC but only 60% LTV, which [propertyinvestortoday.co.uk](https://propertyinvestortoday.co.uk) means cash

must be available to cover the rest of the costs, safeguarding the lender's position.

## Broker Selection Criteria: Speed, Transparency, and Access to Lenders

Choosing the right broker for sourcing development finance is as critical as understanding LTV or GDV calculations. The best brokers offer:

- **Speed:** Development projects move fast, so turnaround time from application to offer is vital.
- **Multi-lender access:** Brokers who work with a wide panel of lenders such as KIS Finance or The Loans Engine can find deals that fit your specific project size and risk profile.
- **Transparency:** Clear disclosure of fees, rates, and conditions upfront avoids surprises later.

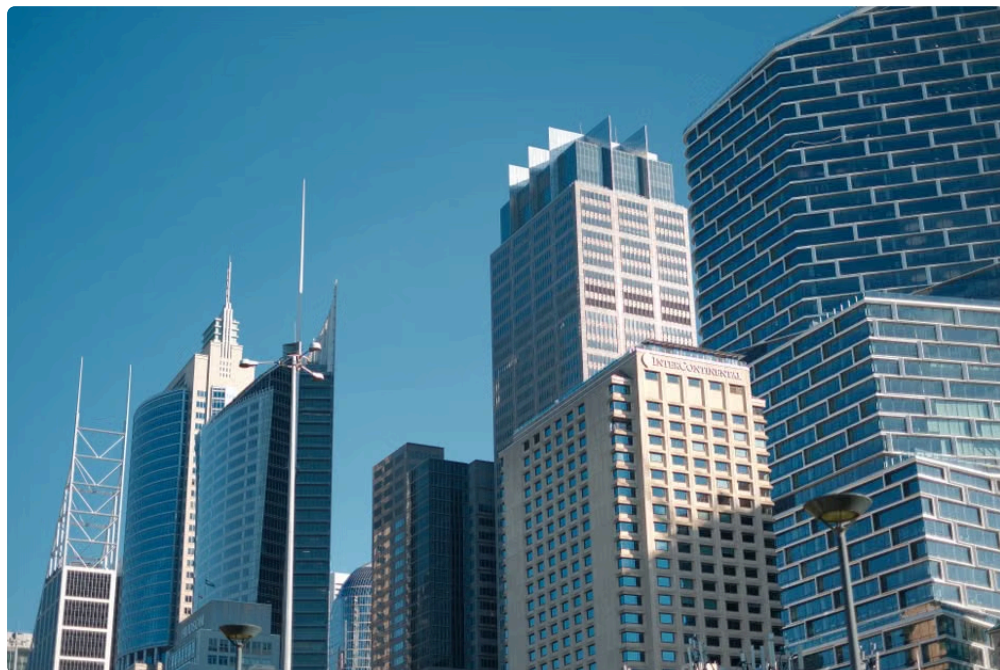
For example, **The Loans Engine** prides itself on fast decisions and transparent pricing, while **KIS Finance** offers UK-wide coverage across a broad set of lenders, including specialist bridging and development finance providers. If you're working in Scotland specifically, **Scottish Bridging Loans** can provide regional expertise and lender contacts.

Customer feedback platforms like Reviews.io can be a helpful tool to verify brokers' reputations and service levels unbiasedly.

## Deal Size Capacity and Published Loan Bands

Development finance providers generally have published loan bands that specify minimum and maximum loan sizes, often ranging from around £75,000 up to £15 million or more. Developers need to check that their project falls within the lender's deal size capacity because many specialist lenders focus on certain ticket sizes.

For example:



|                         |                          |                     |
|-------------------------|--------------------------|---------------------|
| Lender                  | Loan Size Range          | UK-wide or Regional |
| KIS Finance             | £100,000 to £10 million+ | UK-wide             |
| The Loans Engine        | £75,000 to £15 million   | UK-wide             |
| Scottish Bridging Loans | £100,000 to £5 million   | Focused on Scotland |

Understanding and matching your project size to lender capacity is crucial before approaching brokers or applying directly.

## Summary: The Bottom Line on 70% LTV vs 70% GDV

- **70% LTV** is loan compared to current property value, usually the purchase price or existing land valuation.
- **70% GDV** refers to loan compared to the value of the completed development, which is usually higher but more speculative from a lender's perspective.
- Most lenders use a mix of LTV, loan-to-cost (LTC), and staged drawdowns to mitigate risk during development.
- Choose brokers with fast turnaround, transparent fees, and wide lender access—companies like KIS Finance, The Loans Engine, or Scottish Bridging Loans can help.
- Check lender loan size bands and make sure your project fits within them; use trusted third-party platforms like Reviews.io to validate broker reputations.

### Who this is for:

This article is aimed at property developers, investors, and finance brokers seeking clarity between common development finance metrics and practical advice on maximising development finance leverage correctly through the right brokers and lenders.