GBR Consult

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LAND ~~BANKING~~ FUNDING

PRESENTED BY

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“Land banking” is one of the most overused and misunderstood phrases in the development world.

Having spent more than 25 years in the land and development market, I have always found the accusation far too simplistic. It is usually made by those who have never had to navigate the real-world complexity of planning, infrastructure, servicing, viability, funding and delivery.

What is far more interesting is land funding. On two live projects, I am seeing how a more collaborative approach between landowner and developer can unlock value, reduce upfront capital pressure and defer land payment until the scheme is cash positive and senior debt has been repaid.

In the right circumstances, this is not just a funding mechanism — it is a practical way to unlock stalled land and get development moving.

Why land funding deserves a different lens

Land funding is often seen as a niche structure. In reality, it can be an effective response to the commercial pressures affecting land and development today.

Where a conventional land purchase requires significant capital upfront, a deferred land structure can improve cashflow and create a more deliverable route forward. Rather than forcing value to be realised at the very start of the project, it allows payment to align more closely with the point at which the scheme can genuinely support it.

Done properly, this is not about discounting land. It is about structuring land value in a way that reflects the real sequence of development risk and delivery.

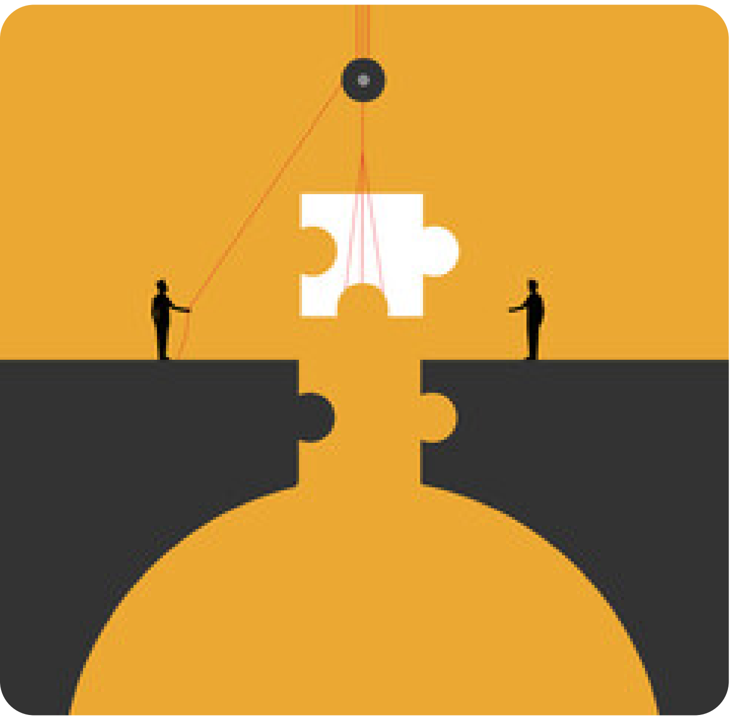
Developers with strong schemes but facing capital constraints can leverage land funding to manage cashflow across multiple projects. By aligning funding with project timelines, they can unlock vital resources for acquisitions and delivery, ensuring their initiatives progress smoothly and successfully, even in challenging financial landscapes.

Many stalled sites do not have a land problem — they have a capital problem

Many sites are not stalled because nobody wants to deliver them. They are stalled because the capital structure does not work.

Developers are operating in an environment of tighter debt conditions, higher build costs, abnormal cost inflation and closer scrutiny of viability. At the same time, landowners may still be working from expectations formed in a different market.

The result is a gap between what a site is hoped to achieve and what can realistically be delivered.



That gap is often described as a land issue. More often, it is a funding and structure issue. Once that is recognised, the conversation becomes much more productive.

Viability

A pragmatic way to boost viability

One of the key advantages of land funding is that it allows capital to be deployed where it matters most in the early stages of a project.

Instead of exhausting equity on day one, the developer can direct resources towards planning, technical work, infrastructure, enabling works and programme-critical activity. That can improve debt serviceability, reduce immediate equity pressure and strengthen the overall viability of the scheme.

For the landowner, the benefit is that a site which may not progress under a conventional structure has a greater chance of moving forward. In some cases, deferring payment can help create a better overall outcome than insisting on full value at the outset and seeing the opportunity stall.

Structure Matters

The framework must be robust and clear

The best structures align landowner and developer interests

At its best, land funding is not just a financial mechanism. It is a tool for commercial alignment.

The landowner wants to see the site progress and value realised. The developer needs a structure that recognises risk, supports cashflow and leaves room for delivery. When those interests are aligned, deferred consideration can reduce friction and help both parties focus on the same outcome: getting the scheme moving and maximising value through delivery.

This approach is not suitable for every site. It requires trust, realism, a clear legal framework and a shared understanding of how risk and reward are being balanced. But where those ingredients are present, it can be a highly effective structure.

Key considerations for success

- Clear and commercially robust heads of terms established early
- Proper understanding of risk, security, repayment priorities and timing
- Realistic assessment of planning, viability, and exit strategies
- Trust and transparency between all parties involved

Where land funding can work well

Land funding tends to be most relevant where a site has genuine potential but is being held back by the burden of upfront land cost relative to project cashflow or for land which does not appeal to larger volume housebuilders due to its size or location.

That may include sites with planning complexity, higher-than-normal infrastructure requirements, phased delivery, or situations where a developer has the expertise and intent to progress the opportunity but needs a more flexible capital structure. It can also be relevant where a landowner is willing to take a more commercial view of timing in order to unlock a stronger overall result.

The key is not to treat land funding as a universal answer. Its value lies in identifying the right circumstances, the right counterparties and the right structure.

How GBR Consult can help

GBR Consult helps landowners, developers and other professionals assess whether land funding is appropriate and how it can be structured in practice.

We support clients with viability and cashflow review, deferred land payment structures, commercial strategy, heads of terms and negotiation support.

Our role is to bring practical, commercially grounded advice that helps unlock stalled sites and create a clearer route to delivery.

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