



The Basics of Property Development

A Foundation Guide for Aspiring Developers

This guide is designed for aspiring property developers who want to understand the core financial and planning concepts behind successful development projects. It focuses on the fundamentals used by professional developers when assessing land opportunities, understanding risk, and determining whether a project is viable.

Section 1: Key Property Development Concepts

Property development is fundamentally about creating value. Developers purchase land or property, improve or change its use, and sell or retain the completed asset at a higher value.

The key question in every development is: "What can I afford to pay for the land once all costs and profit are accounted for?"

To answer this, developers rely on several core calculations and acronyms which are explained below.

Section 2: GDV – Gross Development Value

GDV (Gross Development Value) is the total estimated value of the completed development once construction is finished.

It is typically calculated using:

- Comparable sales evidence (similar new-build properties)
- Local market demand
- Size, specification, and location of the development

Example: If 5 houses are expected to sell for £400,000 each, the GDV is: $5 \times £400,000 = £2,000,000$

Key Takeaway: GDV is the starting point for all development appraisals because every cost and profit is deducted from this figure to determine land value.

Therefore, what you can get permission to build on a site directly influences the land value – this is why developers are always trying to maximise the achievable GDV on any site. However, you have to use your common sense – if a site you are looking at is in an area that has all detached houses then the chances are you will only get planning permission for detached houses. This is why developers generally prefer sites in areas that have a mix of housing – this gives you the opportunity to gain permission for higher density housing.



Section 3: Calculating Land Value (Residual Method)

Professional developers use the residual valuation method.

The formula is:

Land Value = GDV – (Build Costs + Professional Fees + Finance Costs + Planning Costs + Sales Costs + Developer Profit)

Typical cost allowances:

- Build costs – construction and infrastructure
- Professional fees – architects, engineers, planning consultants (usually 8–12% of build cost)
- Finance costs – interest, arrangement fees, monitoring surveyor
- Sales costs – estate agents and legal fees
- Developer profit – commonly 15–25% of GDV depending on risk

The land value is therefore the amount left over after all costs and profit are deducted.

Key Takeaway: The IV1 form that we provide you will help you work this out – use this as your initial qualification and then contact the owner. Don't invest a lot of time in any site until you have spoken to the owner and established that they will consider selling, as many won't.

Section 4: Common Development Acronyms Explained

Understanding these acronyms allows developers to build credibility and communicate effectively with lenders, planners, and professional teams.

GDV – Gross Development Value

The total value of the completed scheme. (See Section 2 above.)

GIA – Gross Internal Area

Total floor area measured internally. Dividing the total price of a property by the GIA gives you the £/sqft price – this removes subjectivity and allows direct comparison between different properties.

Example: A property sells for £400,000 and has a GIA of 2,200 sqft. The £/sqft price is $400,000 \div 2,200 = £182/\text{sqft}$.

Build prices are also normally quoted in £/sqft and generally build costs are unaffected by location – material prices and labour costs will be the same whether you are building in a desirable area or a less desirable area 5 miles down the road.



If build costs are £225/sqft and the properties you are building sell for £300/sqft then you immediately know that building in that location is not feasible. Generally speaking, you will have the opportunity to make more profit and land values will be higher as a percentage of GDV in higher value areas.

NIA – Net Internal Area

Usable internal space excluding common areas – relevant for properties with communal areas such as flats with shared stairways. When calculating £/sqft for sales prices of flats, use NIA rather than GIA.

ROI – Return on Investment

Profit relative to cash invested. This is primarily for your own use as a developer, as it tells you the return on the cash you personally invested.

ROCE – Return on Capital Employed

Profit relative to total capital used. This is what development finance lenders look at – they are typically looking for a minimum of 15% to pass their lending criteria.

S106 – Section 106 Agreement

A planning obligation requiring contributions or affordable housing. You are unlikely to encounter this unless you are working on larger sites, and even then many local authorities have replaced it with CIL.

CIL – Community Infrastructure Levy

A charge imposed by local authorities on new development. This is charged per sqm of GIA and each local authority sets its own CIL rates, which can vary depending on location within that authority. CIL can have a significant impact on profitability. The best locations for development have high sales £/sqft and low CIL rates.

Section 5: Planning and Land Categories

Planning status has a major impact on land value and development risk. The same piece of land can vary enormously in value depending on its planning designation.

Green Belt

Land designated to prevent urban sprawl and protect the countryside. Development is heavily restricted and planning permission is difficult to obtain unless exceptional circumstances exist.

Avoid Greenbelt land. There is urban sprawl over time and greenbelt land may be reclassified at some point in the future, but this is highly speculative and not recommended for the vast majority of developers.



Brownfield Land

Previously developed land. Local authorities often support redevelopment, making it attractive for developers due to reduced planning risk. This could be underdeveloped residential land, commercial buildings, or industrial buildings.

This is where we recommend you spend your time looking for sites, because there is a “presumption in favour of sustainable development” in these areas.

Grey Belt

A recently discussed planning concept referring to lower-quality or underperforming green belt land, such as unused industrial areas or poorly performing sites. These areas may present future opportunities if planning policy evolves.

We recommend avoiding Grey Belt sites unless there is a very strong case as to why planning permission will be granted. Time is money, and whilst you may eventually gain planning permission, this will be a long, drawn-out, expensive application with a high chance of refusal.

Section 6: Final Thoughts for Aspiring Developers

Successful developers focus on numbers first and emotion second. The discipline of accurately assessing GDV, costs, planning risk, and land value is what separates profitable developments from expensive mistakes.

Before purchasing land, always ensure:

- The GDV is evidence-based
- Costs include adequate contingency
- Planning risk is properly understood
- Profit reflects the level of risk involved

The Golden Rule: Property development is not about building property – it is about managing risk and capital effectively.



Beginner's Guide to Basic Site Assessment

Understanding Physical Site Constraints

This simple guide explains the key physical rules and layout basics that beginner property developers should understand when first looking at a site. It focuses on practical factors such as access, sight lines, building lines, and space requirements that can quickly determine whether a site is suitable.

You will employ architects and planning consultants to design and submit your planning application – you just need to know enough to help you find viable sites and not waste time on sites that will never work due to design or planning constraints.

Section 1: Access to the Site

A site must be easy and safe to get to. If people, construction vehicles, or emergency services cannot reach it properly, development may not be allowed.

What to look for:

- Direct road access, or a legal right of way
- Enough width for cars and delivery vehicles
- Safe entry and exit points
- Space for emergency vehicles to reach buildings

Warning signs:

- Landlocked sites (no clear access)
- Very narrow roads or entrances
- Shared driveways with disputes or restrictions

Section 2: Sight Lines (Visibility)

Sight lines are about how clearly drivers can see when entering or leaving a site. Poor visibility can make a development unsafe and may prevent planning approval.

What to check:

- Can drivers see clearly in both directions when exiting?
- Are there bends, walls, trees, or parked cars blocking views?



- Is the site on a fast road where visibility is more important?

The visibility triangle shows the area that should remain clear so drivers can see oncoming traffic.

Section 3: Building Lines (Setback from the Road)

A building line is the distance a building must be set back from the road or boundary.

Why it matters:

- Keeps buildings aligned with neighbouring properties
- Leaves space for pavements, parking, and landscaping
- Helps maintain the character of the street

The new building should normally sit in line with neighbouring homes.

Section 4: Space Around Buildings

Buildings usually need space around them for light, privacy, and access.

Basic principles:

- Windows should not directly overlook neighbours at close range
- There should be room for bins, maintenance, and movement
- Outdoor space is often expected for homes

Diagram - Privacy Spacing Between Buildings



Buildings that face each other should maintain a minimum separation to protect privacy and daylight.

Section 5: Parking Requirements

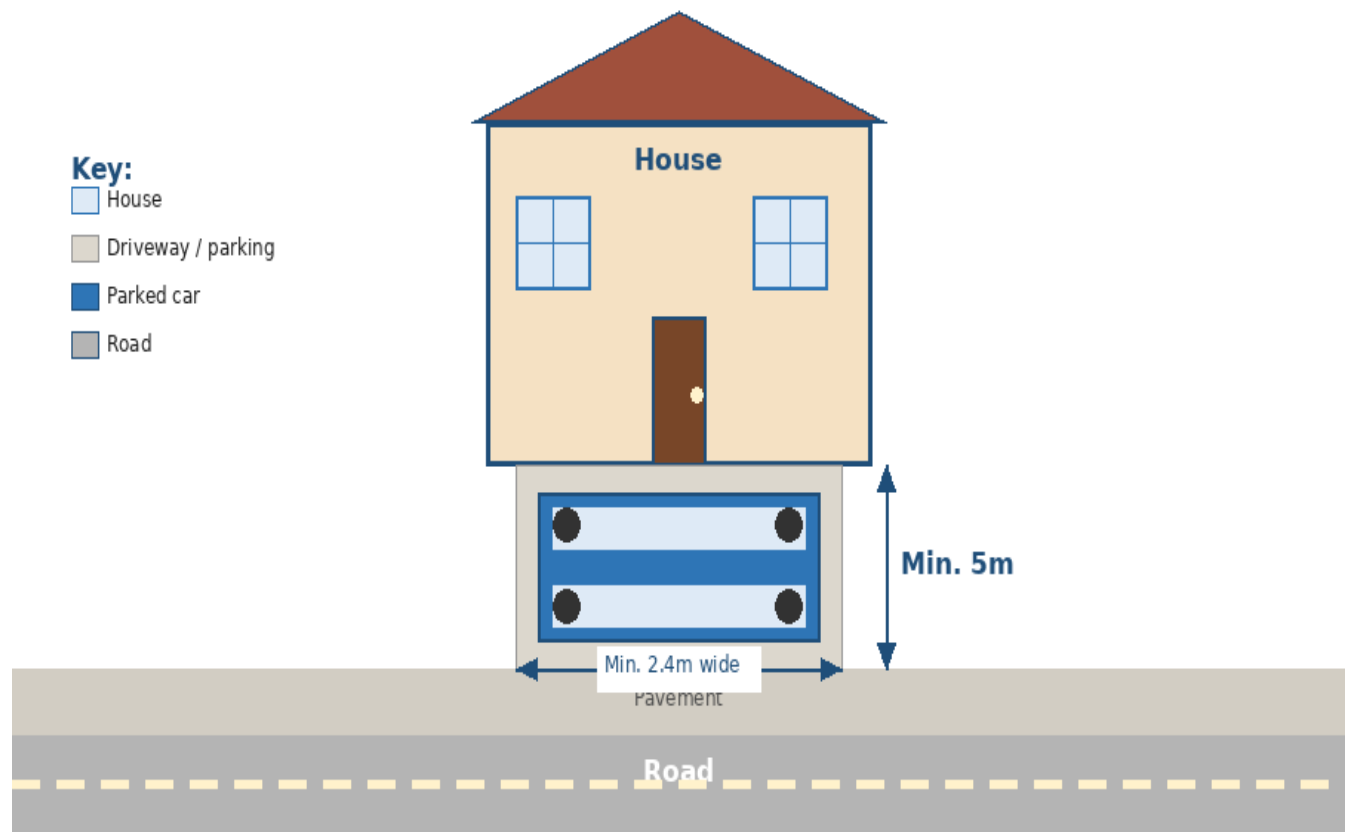
Most developments need some level of parking provision.

Simple checks:

- Is there space for cars on site?
- Is street parking already limited?
- Would adding cars cause congestion?

Important: Lack of parking is a common reason for planning refusal.

Diagram - Parking Layout in Front of a House



Each car space requires a minimum of 2.4m wide x 5m deep. Lack of parking is a common reason for planning refusal.

Section 6: Vehicle Turning Space

Larger sites often need space for vehicles to turn safely, especially where reversing onto a road would be dangerous. This allows vehicles to enter and leave in a forward gear.

Section 7: Site Shape and Layout

The shape of the land affects how easily it can be developed.

Easier sites:

- Rectangular plots
- Flat land
- Clear boundaries



More difficult sites:

- Very narrow plots
- Steep slopes
- Awkward shapes

These characteristics can increase design complexity and cost.

Section 8: Neighbouring Properties

What surrounds the site has a big influence on what will be acceptable.

Look at:

- Building heights nearby
- Distances between homes
- Types of properties (houses, flats, shops)

New development usually needs to “fit in” with the local area.

Section 9: Services and Connections

Every building needs basic services.

Check if nearby:

- Water supply
- Sewers/drainage
- Electricity

If connections are far away, costs can rise quickly.

Section 10: Simple First-Time Developer Checklist

Before getting too far into a site assessment, ask yourself:

- Can vehicles safely enter and leave?
- Are the sight lines clear?
- Is there room to set the building back from the road?
- Is there space for parking?
- Does the site feel big enough for the idea?
- Do nearby buildings suggest what might be allowed?

If most answers are “yes”, the site may be worth exploring further.

Conclusion: For beginners, early site assessment is about common-sense layout and safety. Access, visibility, spacing, and how a building fits into its surroundings are often more important than technical construction details at the start. Understanding these basics helps you quickly decide whether a site is worth investigating further.