

How developers doing \$5 million projects take on **the \$20 million ones.**

How real builders scaled, and eight capital questions that come up when the next project is much larger than the last one.

They didn't start at \$20 million.

A few houses become a subdivision. One subdivision becomes several. Along the way, the way builders control land, fund projects and run the company changes too.

Schaefer Homes MARYLAND

- A few homes, built largely by the founder
- 12 homes in 2021
- First subdivision, 2022
- **31 homes sold in 2025**

What changed: a senior operating team and a mix of land deals: entitlement work with landowners, lot takedowns and finished lots.¹

San Joaquin Valley Homes

CALIFORNIA

- Founded 2013
- 1 closing in year one
- 142 closings in 2014
- **237 closings in 2015**

What changed: founders who had run 800-home-a-year operations elsewhere, paired with an outside capital partner that funded its projects and operations.²

Empire Homes SOUTH DAKOTA

- 10 homes in 2008
- First hires around year four
- **150-plus-acre mixed-use project**

What changed: the team and the land-development capability to control projects with homes, apartments, offices and retail.³

Providence Homes FLORIDA

- Two lots, 1992
- 1 home in year one
- **Nearly 200 homes in 2009**

What changed: capacity compounded project by project, and the company kept building through the downturn.⁴

THE PATTERN

The next level takes more than a bigger loan. Land control changes. Capital sources change. The team changes. So do liquidity and risk management. The project that follows shows how the capitalization can change too.

A bigger project is not just a bigger equity check.

EXHIBIT 1

What changes at four times the size

	\$5 MILLION PROJECT	\$20 MILLION PROJECT
Total development cost	\$5.0 million	\$20.0 million
Equity at an illustrative 25%	\$1.25 million	\$5.0 million
Construction and completion exposure	Limited	Material
Land exposure and carry	Smaller, shorter	Larger, potentially longer
Liquidity a lender expects	Lower	Higher
Reporting and controls	Simpler	More institutional
Sellout risk, in dollars	Smaller	Four times larger

If the only answer were “bring four times the cash,” most developers would stay at the same scale. But capital providers look at more than the check written at closing.

WHAT A CAPITAL PROVIDER LOOKS AT

■ Experience and track record	■ Budget, contingency and cost to complete
■ Liquidity left after closing	■ Sales pace and sellout assumptions
■ Net worth	■ Contractor and team capacity
■ Land basis and land value	■ Reporting and financial controls
■ Recourse and completion guarantees	■ Other projects competing for your cash

Lenders are asking for more: of builders reporting tighter development credit in Q2 2026, 53% were asked for personal guarantees or collateral outside the project.⁵

THE REAL QUESTION

How much of the \$20 million actually has to come from the sponsor’s available cash, and when?

One developer. Two different scales.

PROJECT A · THE SCALE THE SPONSOR KNOWS

A 12-unit rental townhome community the sponsor built for \$5.0 million and now owns. It is leased, performing and worth about \$7.2 million, with \$2.6 million of debt. Equity is sitting in it.

PROJECT B · THE NEXT PROJECT

Infill redevelopment: buy an old warehouse, demolish it, combine the site with a parcel the sponsor already owns and create 36 lots. Build and sell 18 homes; sell the other 18 finished lots to another builder.

EXHIBIT 2 *Project B budget*

\$ MILLIONS	COST
Sponsor parcel, at original cost	1.50
Warehouse purchase	4.50
Access strip	0.50
Closing costs	0.15
Demolition and site work	2.95
Vertical construction, 18 homes	7.45
Design, permits and fees	1.00
Contingency	0.75
Interest reserve and loan fees	1.20
Total development cost	20.00

EXHIBIT 3 *Sellout and profit*

\$ MILLIONS	
18 homes at \$1.1 million	19.80
18 finished lots at \$300,000	5.40
Gross sales	25.20
Less selling and closing costs	(1.20)
Net sales	24.00
Less total development cost	(20.00)
Projected profit	4.00

Land at cost, not value. The budget carries the sponsor’s parcel at its \$1.5M cost. It now appraises at \$3.0M. Whether a lender credits that higher value toward equity depends on the lender (Question 1).

Illustrative. Selling costs assume 5.5% on homes and 2% on lots. Profit is about 16% of gross sales.

QUESTION 1 · LAND EQUITY

Can my land count as my equity?

Often, yes. Land you already own can satisfy part of the equity requirement, but how much credit you get varies by capital provider.

PROJECT B CAPITAL STACK · \$20.0 MILLION

Still to fund: \$18.5M

Land

Senior facility (not yet in place)

Land at cost \$1.5M, credited at \$3.0M

WHY IT MATTERS AT THE NEXT SCALE

A \$20M project needs about \$5.0M of equity at 25%. Land bought years ago may already hold much of it.

- WHAT THE CAPITAL PROVIDER LOOKS AT**
- Original cost versus current appraisal
 - Debt still owed on the land
 - How long you have held it
 - A minimum amount of real cash

EXHIBIT 4

How Project B's equity is met

\$ MILLIONS	LAND CREDITED AT COST	LAND CREDITED AT VALUE
Total development cost	20.00	20.00
Equity required at 25%	5.00	5.00
Less land credit (no debt on the land)	(1.50)	(3.00)
Cash equity still required	3.50	2.00

Crediting the appraisal doesn't change the budget. It lets \$1.5M of value the sponsor already created stand in for cash, so the loan covers more of the actual cost. Treatment is lender-dependent.

WHAT THE SPONSOR STILL HAS TO COVER

\$2.0M of cash equity, plus whatever the senior loan won't fund. The land didn't eliminate the equity requirement. An asset the sponsor already owned met part of it.

QUESTION 2 · LAND CONTROL

Can I control the land before I have to buy it?

Often. Options and approval periods tie up a site for a deposit.

PROJECT B CAPITAL STACK · \$20.0 MILLION

Still to fund: \$18.5M

Land

Senior facility (not yet in place)

Land at cost \$1.5M, credited at \$3.0M

WHY IT MATTERS AT THE NEXT SCALE

A growing developer can control more pipeline than its balance sheet could carry if every site had to be bought up front.

TOOLS SPONSORS USE

- Contracts with entitlement periods
- Options and phased takedowns
- Extension payments and milestones
- Finished-lot purchases

EXHIBIT 5

Cash at risk before approvals, Project B

	BUY FIRST	CONTROL FIRST
Warehouse (\$4.5M)	\$4.5 million	\$100,000 deposit
Access strip (\$0.5M)	\$500,000	\$50,000 option
Cash committed before approvals	\$5.0 million	\$150,000

Illustrative. Deposits are credited at closing and may become nonrefundable at set milestones.

AT A MUCH LARGER SCALE

Many large homebuilders have gone “land-light,” controlling more future lots through options.⁶ Control and ownership are not the same thing.

WHAT THE SPONSOR STILL HAS TO COVER

Still \$2.0M of cash equity. Land control didn’t change the total; it kept \$4.85M from being tied up during approvals.

QUESTION 3 · STAGED FUNDING

Can one facility fund acquisition and development?

Sometimes. One senior loan can fund the purchase and then the work, through draws.



WHY IT MATTERS AT THE NEXT SCALE

Most of the budget is spent over 18 months, not at closing. Draws fund work as it is done.

WHAT THE CAPITAL PROVIDER LOOKS AT

- Loan to cost, here 77.5% with the land credited at value
- Budget, scope and contractor
- Equity in before the first draw

EXHIBIT 6

One \$15.5 million senior facility, first lien on the whole site

AT CLOSING THROUGH DRAWS, AS WORK IS DONE →

\$2.15M	\$2.95M	\$7.45M		
■ Acquisition, at closing	\$2.15M			
■ Demolition and site work	\$2.95M			
■ Vertical construction, 18 homes	\$7.45M			
■ Design, permits, contingency	\$1.75M			
■ Interest reserve and fees	\$1.20M			
Senior facility	\$15.50M			

WHAT THE SPONSOR STILL HAS TO COVER

\$3.0M: the \$2.0M of cash equity, plus a \$1.0M gap the senior lender won't fund.

QUESTION 4 · CARRY

Can the project fund its own carry?

Yes, through an interest reserve built into the loan. But it isn't free money, and it can run out.

PROJECT B CAPITAL STACK · \$20.0 MILLION

Still to fund: \$3.0M

Land

Senior facility \$15.5M

includes \$0.95M interest reserve

Land at cost \$1.5M, credited at \$3.0M

WHY IT MATTERS AT THE NEXT SCALE

Interest on a \$15.5M loan is too large to pay from cash while nothing is selling. The reserve covers it, but it adds to the budget and the loan balance.

WHAT THE CAPITAL PROVIDER LOOKS AT

- Reserve sized to the draw schedule
- Sales pace and payoff timing
- Cushion for delay
- Who pays once it runs out

EXHIBIT 7

What six months of delay does to the \$950,000 reserve

	BASE SCHEDULE	SALES 6 MONTHS LATE
First home closing	Month 14	Month 20
Loan repaid	Month 18	Month 25, past maturity
Total interest	\$820,000	\$1,420,000
Interest reserve	\$950,000	\$950,000
Paid from sponsor cash	\$0	\$470,000

Illustrative, at 7.5%. All net sales proceeds repay the loan until it is paid off.

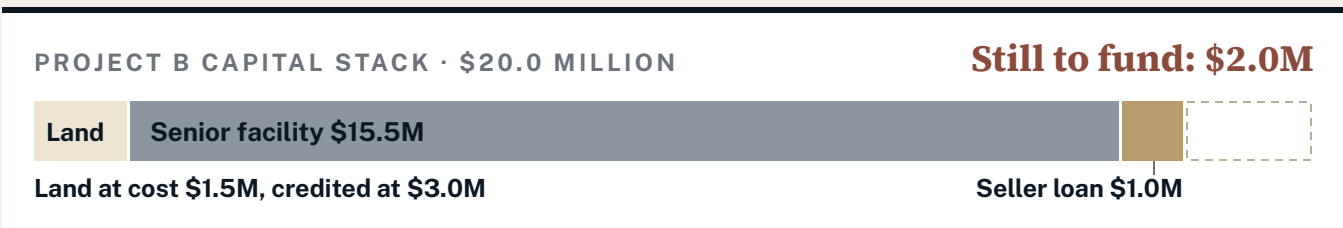
WHAT THE SPONSOR STILL HAS TO COVER

Still \$3.0M, plus liquidity for delay. Six months late costs about \$470,000 the reserve won't cover.

QUESTION 5 · SELLER FINANCING

Can seller paper reduce my day-one cash?

Sometimes. A seller loan behind the senior lender can cover part of the purchase, if the senior lender allows it.



WHY IT MATTERS AT THE NEXT SCALE

The warehouse seller wants a sale and a fair price. Carrying \$1.0M of the price for two years can close the gap between the senior loan and the equity.

WHAT THE SENIOR LENDER MAY REQUIRE

- A cap on total combined debt
- Interest that accrues, not paid monthly
- Maturity after the senior loan
- Subordination and standstill terms
- Real sponsor cash in, regardless

EXHIBIT 8

Paying for the warehouse and strip at closing

\$ MILLIONS	WITHOUT SELLER LOAN	WITH SELLER LOAN
Purchase price and closing costs	5.15	5.15
Senior facility at closing	2.15	2.15
Seller loan	–	1.00
Sponsor cash	3.00	2.00

WHAT THE SPONSOR STILL HAS TO COVER

\$2.0M of cash equity. Seller financing didn't replace equity; it replaced \$1.0M the senior lender wouldn't lend.

QUESTION 6 · CONSTRUCTION MATURITY AND SELLOUT

What if sales take longer than the construction loan?

The loan matures on a date; homes sell on the market’s schedule. Plan the exit before you need it.



HOW THE LOAN GETS REPAID

Each home or lot closing pays the lender a release price, here all net proceeds, until the loan is repaid. Some lenders instead set it as a percentage of the loan allocated to each unit.

- WAYS OUT AT MATURITY**
- **Extension:** a fee, sometimes a paydown
 - **Inventory loan:** on finished homes
 - **Bulk sale:** lots to another builder, at a discount

EXHIBIT 9 *If sales are slower still: Project B at month 24 maturity*

	SOLD	REMAINING, AT SALE PRICE
Homes, 18 at \$1.1 million	7	11 = \$12.1 million
Finished lots, 18 at \$300,000	7	11 = \$3.3 million
Senior loan still owed	\$6.2 million against \$15.4 million of inventory	

Illustrative. An inventory loan at 60% of the 11 finished homes (\$7.3M) could repay the \$6.2M. A bulk sale of the 11 lots at \$260,000 each would cut it to about \$3.4M.

WHAT THE SPONSOR STILL HAS TO COVER

Still \$2.0M of cash equity, plus extension fees and interest the reserve no longer covers.

QUESTION 7 · RECYCLING CAPITAL

Can the last project fund the next one?

Often. Equity in a finished project can be refinanced to fund the next.



WHY IT MATTERS AT THE NEXT SCALE

Many developers have net worth but little cash: their equity sits in finished projects.

WHAT THE NEW LENDER LOOKS AT

- Value and income
- Loan to value, here 65%
- Income covering the payment
- Liquidity left afterward

EXHIBIT 10

Refinancing Project A, \$ millions

Current value (income \$470,000 a year)	7.20
New loan at 65% of value	4.68
Less existing loan	(2.60)
Less closing costs and reserves	(0.08)
Net cash out, applied to Project B	2.00

Illustrative. At 6.75% over 30 years, payments are about \$364,000 a year, covered 1.29 times by income.

WHAT THE SPONSOR STILL HAS TO COVER

Potentially no new cash. But Project B isn't 100% financed: \$2.0M of equity moved from one asset to another.

QUESTION 8 · OUTSIDE EQUITY

Can an equity partner fund the gap?

Often. An equity partner can fund some or all of the remaining cash in exchange for agreed economics and governance rights.



REAL-WORLD SCALE

San Joaquin Valley Homes paired an experienced team with an outside capital partner: one closing in its first year, 237 closings in 2015.²

MAJOR DECISIONS A PARTNER MAY HAVE APPROVAL RIGHTS OVER

- Budget changes and new debt
- Major contracts
- Sale, refinance and capital calls
- Related-party deals and, in defined cases, removing the sponsor

EXHIBIT 11

Who keeps the \$4.0 million profit

\$ MILLIONS	A: SPONSOR ALONE	B: SPONSOR	B: PARTNER
Left after loans are repaid	7.50	7.50	
Return of capital (land at \$3.0M)	–	3.00	2.00
10% preferred return, 2 years	–	0.60	0.40
Remaining \$1.5M, split 70/30	–	1.05	0.45
Less what each put in, at cost	(3.50)	(1.50)	(2.00)
Profit	4.00	3.15	0.85

Illustrative only. JV structures vary materially; these are not market terms. Ignores interest on the seller loan.

WHAT THE SPONSOR STILL HAS TO COVER

No more cash. Here, \$0.85M of profit and shared decisions buy \$2.0M of liquidity.

Capital is only half the question.

A \$20 million capital stack does not make a \$20 million developer. Lenders, partners and you should all ask whether the organization can execute it.

Track record Have you completed comparable product, even at a smaller scale?	Liquidity How much is left after closing, not just before it?	Net worth Can you support the guarantees being requested?
Completion Who covers overruns, and who is on the hook to finish?	Team Do you have construction, accounting, purchasing and sales capacity?	Other projects What else is competing for your cash and attention?

EXHIBIT 12

Project B stress test

IF...	EXTRA COST	COVERED BY
Costs run 5% over	\$520,000	Contingency
Costs run 10% over	\$1,040,000	Contingency, plus \$290,000 of sponsor cash
Sales six months late	\$470,000	Sponsor cash
Sale prices fall 5%	\$1,200,000	Profit falls from \$4.0M to \$2.8M

Overruns apply to \$10.4M of demolition, site work and construction; the contingency is \$750,000. A 5% price drop cuts net sales by \$1.2M and profit by 30%; leverage works in both directions.

THE POINT

The jump from \$5M to \$20M is track record, land control, capital structure, liquidity and execution together. Financing can expand capacity. It cannot replace execution.

Before deciding a project is too big, review the full capitalization.

Size alone doesn't tell you how much cash a project needs. Masterson Capital Markets reviews the sources and uses, your capitalization, collateral and business plan, then identifies which structures are worth testing in the market.

1	2	3	4
Land basis	Budget	Collateral	Plan
Purchase price and what you own	Total project costs	Property and sponsor assets	Business plan and timeline

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ENDNOTES

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3. "Growing Development Company Brings Large Projects to East, West Sides," SiouxFalls.Business, Jan. 13, 2022.
4. "NEFBA Member Profile: Providence Homes by Bill Cellar," Jacksonville Daily Record, Sept. 11, 2014.
5. National Association of Home Builders, AD&C Financing Survey, Q2 2026, reported in "Cost of Credit for Builders Up Since the End of 2025," Eye on Housing, Aug. 13, 2026.
6. "Builders Go 'Land Light' in an Effort to Improve Returns," BUILDER.

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