

BNZ Property Finance

T. +64 3 352 0456

M. +64 29 200 7701 **E.** rhys_bissland@bnz.co.nz

BNZ Partners, Level 4, 111 Cashel Street, Christchurch City
PO Box 1461, Christchurch, New Zealand



5th April 2019

Mr Barry Redmond
Redmond Retail Limited
144 Tancred Street
ASHBURTON 7700

Dear Barry,

Re: 229/241 West Street, Ashburton

Bank of New Zealand provided mortgage finance to assist with the purchase of this property in 2015. The bank viewed this property as a development site and based our value assessment on "land only" less demolition costs as there was no value in our view of the improvements onsite.

We understand the property has a 11%NBS rating – should the improvements be kept it would trigger a requirement by us to strengthen the property to no less than 34%NBS. We understand the cost estimate of this work is c\$1.000m. The cost of completing this work versus the end valuation of the marginally strengthened property will likely result in a negative development margin for Redmond Retail Limited and the property mortgaged. We have no appetite at present to support development projects with negative margins.

An observation from a Property funding point of view is the bulk of nationwide companies are now seeking high NBS% scores for their premises. You would need to have this in mind should you proceed to strengthen the property. I doubt the feasibility is there to strengthen to this level and secure a tenancy of nationwide calibre without a significant negative development margin

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'Rhys Bissland', written over a blue horizontal line.

Rhys Bissland
Partner – Property Finance