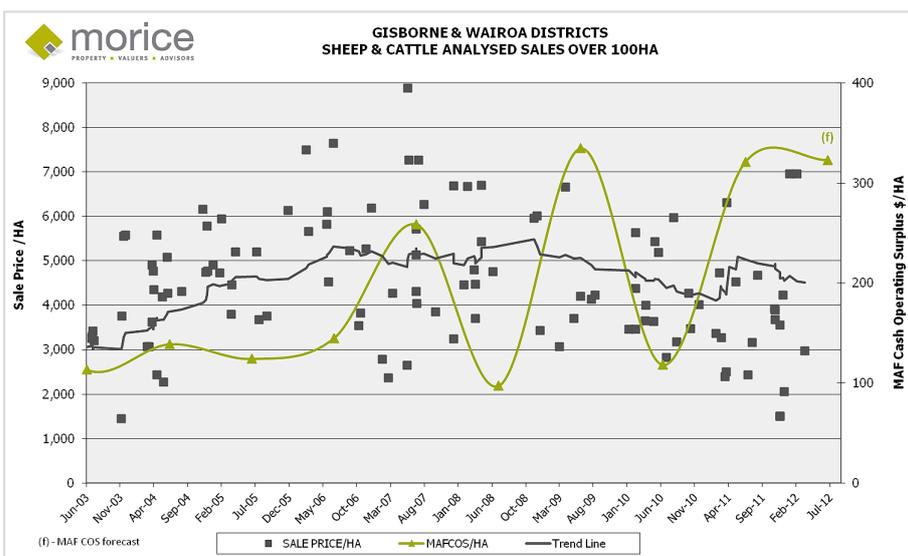
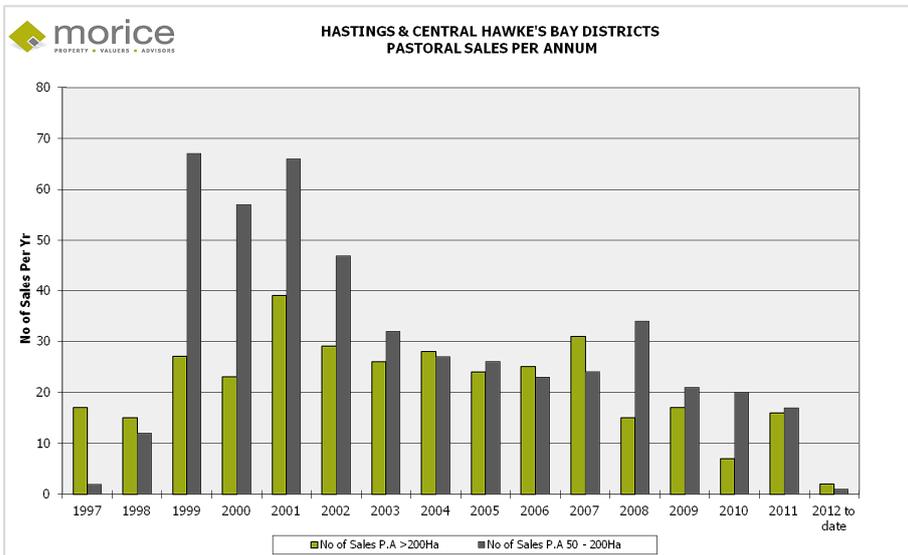
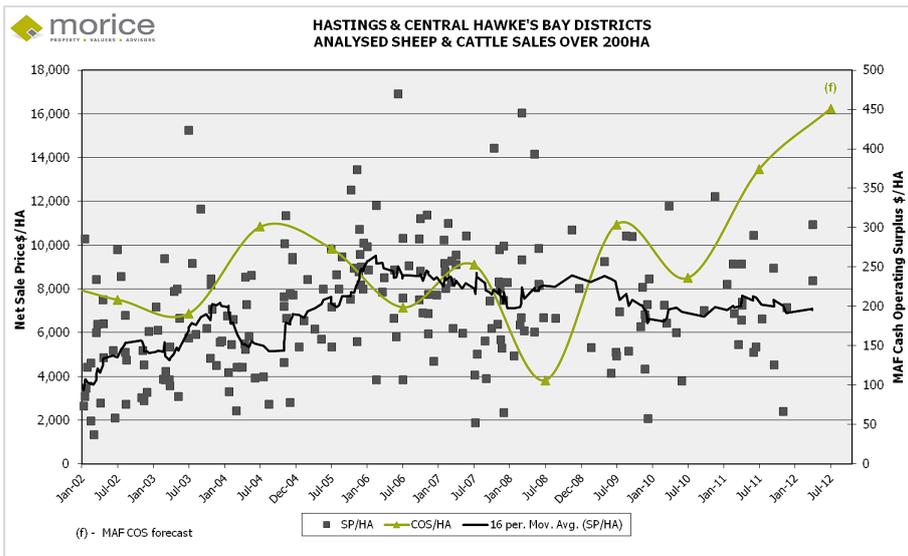


Rural Report

Welcome to the Morice Ltd Autumn 2012 rural newsletter. This past summer has seen some of the best growing conditions for most Hawke's Bay districts for some time. These conditions were well received in pastoral sectors who enjoyed the best farming year since 2000-2001. Increased rainfall has however, made cropping and orchard harvesting difficult and proved less than ideal for vine yields and grape quality. Within this report is a synopsis of the current property market for a number of rural sectors which are all relatively subdued. There have however been two recent dairy sales which have received good levels of interest with one sold at auction and the second receiving multiple tenders.

Sector	Productive Land Value Range (\$/ha)			Outlook
Pastoral - Dairy	13,000	-	22,000	Steady
Pastoral - Finishing	5,000	-	12,000	Steady
Pastoral - Breeding	2,500	-	7,000	Steady
Orchards (Land & Tree Value)	45,000	-	65,000	Steady (just)
Grapes - Gravels (Land & Vine Value)	60,000	-	90,000	Decreasing
Grapes - Other areas (Land & Vine Value)	40,000	-	70,000	Decreasing
Premium Cropping	50,000	-	65,000	Steady
Secondary Cropping	20,000	-	35,000	Decreasing
Forestry - post-1989	2,500	-	4,000	Little activity
- pre-1990	1,000	-	2,300	Steady

sheep & cattle



Hastings & Central Hawke's Bay Districts:

- The number of sales over 200ha significantly increased from just 7 in 2010 to 16 in 2011. 2012 has however been very slow to date.
- Of the 16 2011 sales, 5 properties larger than 500ha occurred including the widely reported sale of Gwavas Station for an average sale price of \$9136/ha. This was a strong sale.
- Improved cashflow for the 2011-2012 year, considered one of the best experienced since 200-2001, has eased pressure from banks to sell.
- A lack of properties on the market is limiting sales activity. Hawke's Bay has experienced less sales volume than surrounding Wairarapa and Gisborne regions. This may be a result of the improved cashflow which is being taken advantage of by owners who were previously considering sale, together with less pressure from banks.
- Our view is that market activity should show signs of improvement in the short term. This will however be reliant on an increase of properties listed for sale.
- Land values have held steady with good properties continuing to achieve good values. We consider this will continue should returns remain high and interest rates low.

Gisborne & Wairoa Districts:

- Sales volume was high in 2011 with a total of 18 sales.
- On average, land values increased 14.6% from 2010–2011.
- The lower end property market was particularly active with increased demand from the forestry sector who were able to compete with pastoral land values, due to carbon trading capabilities.

dairy

- There have been 2 recent sales of established dairy units located near Norsewood and Takapau as follows:
- A 175ha property near Norsewood sold at auction in March. This sale equates to an average land value of \$21,300/ha equating to \$25/MS based on this seasons' target of 185,000MS (all values excluding shares).
- A recent 370ha established dairy unit near Takapau sold via tender. This sale equates to an average land value of \$19,200/ha and \$24.80/MS based on this seasons' target of 350,000MS (all values excluding shares)

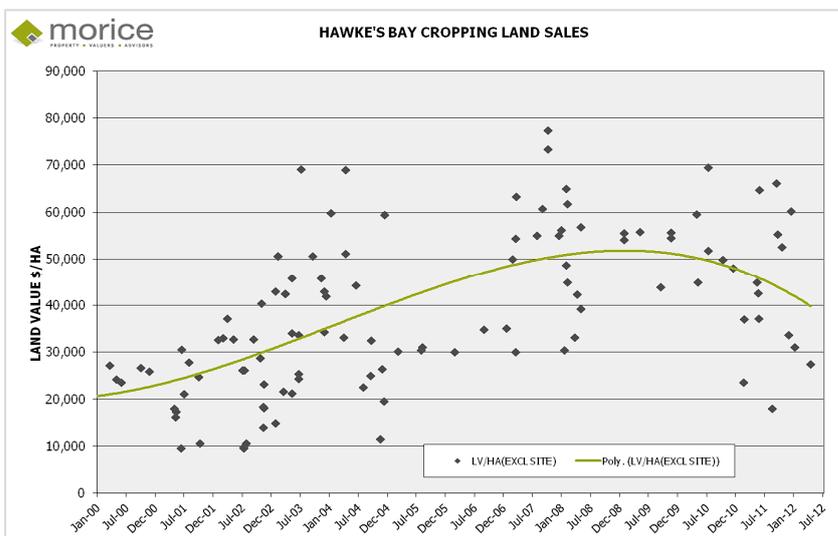
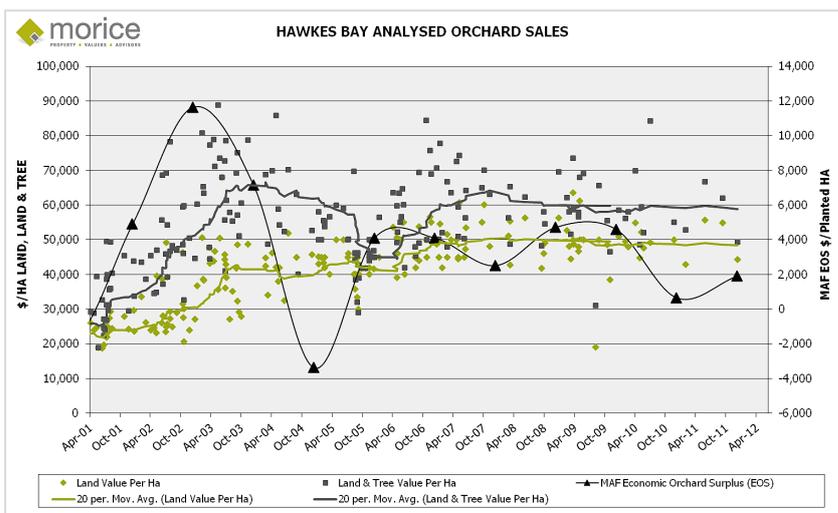
- Both properties received good levels of interest from prospective purchasers
- Industry confidence is less optimistic after a recently revised payout downgrade to \$6.45-\$6.55.
- We are still unsure as to whether the renewed market activity will transpire to more northern Hawke's Bay dairying localities such as Patoka.

orcharding

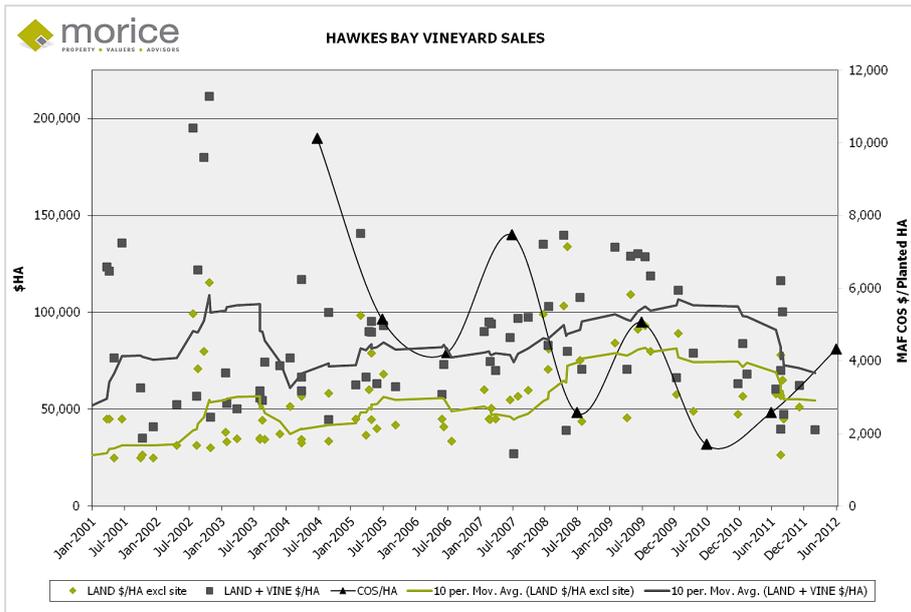
- A static market with just 4 sales in the last 12 months.
- Orchard returns have shown little improvement with a congruent theme expected for the 2011-2012 season.
- While values have remained steady the lack of sales indicates uncertainty and is often the first sign of a downturn.
- Our view for 2012 is a decreasing value trend given the continuation of poor returns and a considerable lack of market activity.
- On a positive note, we are aware of renewed leasehold interest where corporate type operators are leasing established orchards at previously unseen levels.

cropping

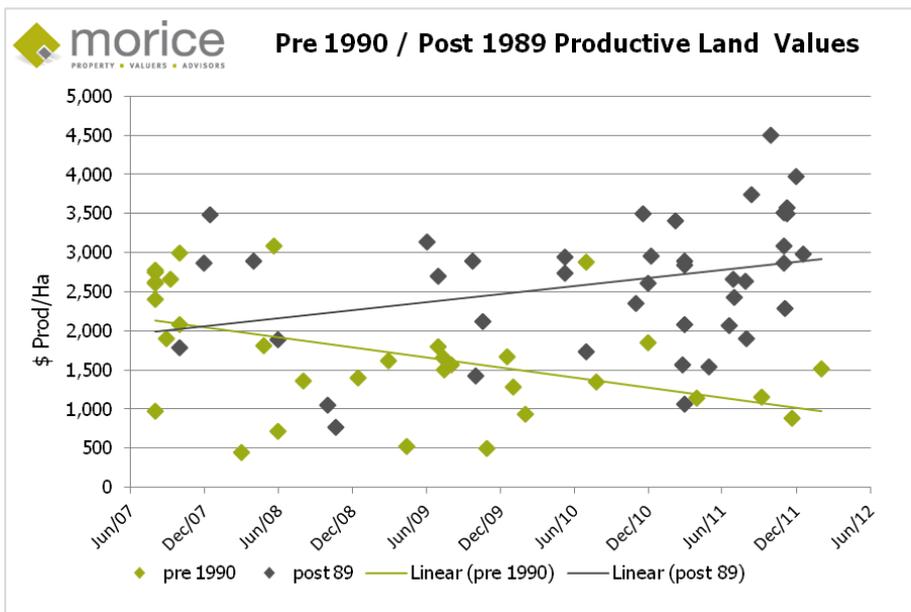
- Sales volume increased in 2011 with a total of 12 transactions compared to 6 in 2009 & 2010. 2 sales have occurred in 2012 to date.
- Average land values decreased some 17% from 2010-2011 with a further decrease to date.
- The reduced average is due to the type of properties selling, not a drop in land value, with most of the recent sales being for second-class land outside the central Heretaunga Plains areas.
- Cropping returns have been disappointing this season to date compounded by a wet season resulting in difficult harvest conditions.
- We consider premium Heretaunga Plains localities and blocks with good size, shape and irrigation water available will maintain its value through 2012.



viticulture



- 9 sales occurred in 2011 after a slow 2010 which saw just 3 sales. 1 sale has occurred in 2012 to date.
- Values have responded to the supply/demand imbalance with a clear drop in land and vine values shown by our graph. This is evident in all growing areas.
- In 2011 2 Gimblett Gravels sales occurred ranging in land and vine values of \$60,000—\$100,000/ha. A clear drop from the \$120,000/ha plus once achieved. The lower sale was badly affected by leaf roller virus and purchased for redevelopment.
- The 1 sale in 2012 to date comprises a 30ha vineyard which sold for an average land and vine values of \$39,500/ha with gross sale price adjusted for 1-years deferred settlement by \$41,000. This is a significant sale indicating the dire state of the viticulture market where demand has come to a standstill. The added value of vines analysed for this sale is \$0.
- Less than favourable growing conditions have been experienced this season with crops expected to be lower in yield and brix levels. A number of properties were taken out of production for the season.
- There are limited positives to report in this sector



forestry

- Limited, if any, post-1989 transactions in 2012.
- Little activity likely due to a drop in the price of NZU's to currently around \$6.15, well back from the peak in 2011 of approximately \$21.
- Significant number of post-1989 sales in 2011 resulting in land values of some \$1500—\$3000/ha above pre-1990 land values.
- This is due to extra income sourced from carbon trading.
- Pre-1990 sales have been limited.
- Market wary of pre-1990 land remotely located with high harvesting costs.
- With low price of carbon there is potential to change land use by purchasing NZU's to offset deforestation liabilities.