

# Residential Property Indices



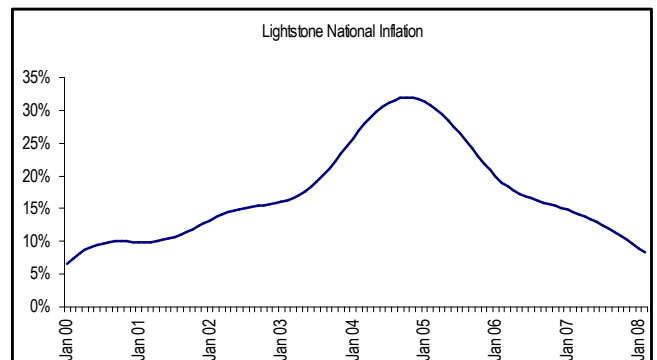
## NATIONAL HOUSE INFLATION EXPECTED TO CONTINUE TO DECLINE WELL INTO 2009

### DOWNWARD MARKET TREND CONTINUES AS NATIONAL INFLATION CONTINUES TO DROP

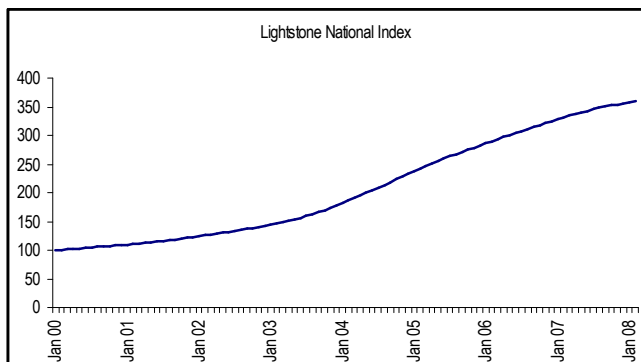
The national decline in house price inflation continued in February 2008, with the Lightstone National House Price Index year-on-year inflation rate declining to 8.3%, down from 9.2% in the previous month and by 6.2 percentage points from 12 months prior when inflation was at 14.5%.

The declining national inflation figures are driven by significant weakening in inflation across the board, although the High Value and Luxury market segments experience substantially lower inflation and as such have been the main drag on overall inflation in recent years. Segmenting the market into coastal and non-coastal areas, it is the coastal areas that experience higher strain and thus lower inflation at present. Interest rates are the key enemy at present, but slower economic growth and poor sentiment in SA at present also play a role. Interestingly Gauteng's smaller metros of Tshwane and Ekurhuleni are also coming under pressure, with Tshwane reaching the lowest inflation nationwide of 6.1%, a considerable drop of 7.6 percentage points from previous year.

The inflation figures are likely to continue to drop for the foreseeable future as the April and June interest rate hikes still have to feed into the figures, while forecasts are for economic growth to slow in 2008 and 2009.



The performance of the different segments tracked is shown in more detail in the pages that follow.



#### DISCLAIMER

The Lightstone Repeat Sales Index system applies advanced statistical methods to a comprehensive property data base - compiled from the Deeds Office, the Surveyor General and other sources - to generate repeat sales inflation data for individual residential properties. Despite the statistical and actuarial rigour applied, Lightstone cannot guarantee the accuracy and reliability of the data. Furthermore, the index is a statistical tool and does not amount to advice and may not be applicable in some cases. Lightstone does not take responsibility for any losses incurred as a result of any person acting or omitting to act as a result of the publication of this index.

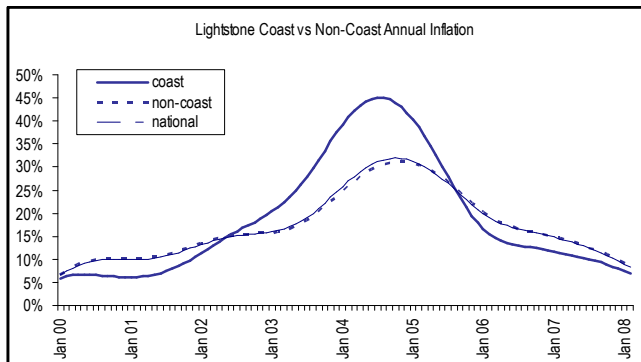
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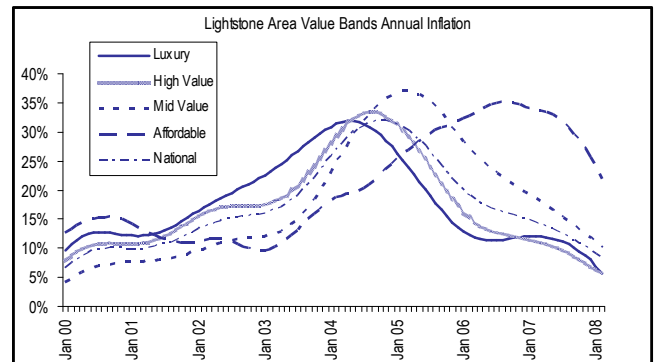
The Coastal areas' price inflation rate continued its sharp decline, which began back in 2004 after peaking above 40%, reaching 7.0% this month, 1.5 of a percentage point below non-coastal areas which inflated at 8.5%, as well as being below the national inflation rate. Year-on-year numbers show that non-coastal areas have experienced a steeper decline of 6.1 percentage points from 12 months before, compared to the coastal areas which showed a more moderate 4.5 percentage point decline.

The High Value and Luxury wealth bands continue to take strain, with both wealth bands dropping to 5.6% in February. This is 2.6 percentage points below the national inflation rate, and 16.2 percentage points below the inflation in the Affordable wealth band which continues to perform well at 21.8%, despite a decline in year-on-year inflation of 12.1%.

## COASTAL VS NON-COASTAL INDEX

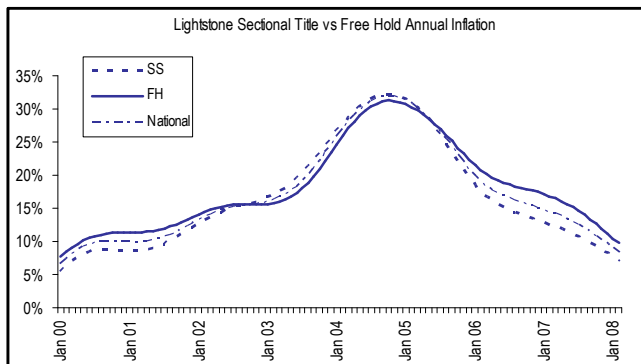


## VALUE BAND INDEX



Freehold property price inflation continues to outperform sectional title property price inflation by almost 3 percentage points, although both are on a declining inflation trend. January freehold price inflation dipped to 9.7% versus 7.0% for sectional title properties.

## FREE HOLD VS SECTIONAL TITLE



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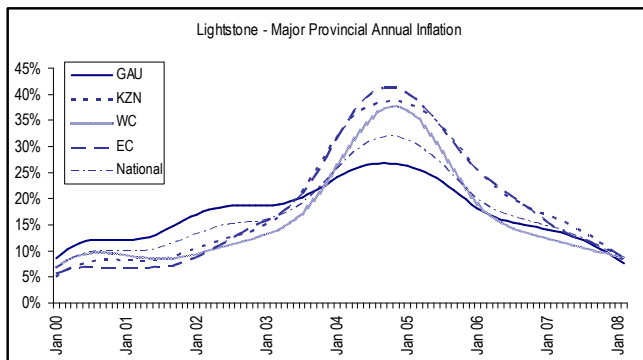
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On a provincial level, Gauteng is the worst performing province in the country with inflation at 7.6%. This is 0.6 of a percentage point below national inflation and 1.2 of a percentage point below Eastern Cape which is the best performing major province at 8.8% inflation, followed by Western Cape at 8.7%. Year-on-year numbers show that KZN has had the steepest drop in inflation of the major 4 provinces to the tune of 8.1 percentage points from 16.3% in February 2007 reaching 8.1% in February 2008.

## PROVINCIAL INDEX

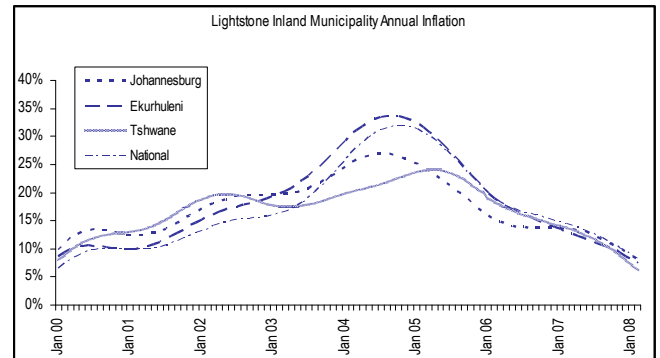


The inland Gauteng municipalities are showing interesting trends, as Joburg inflation drops down to 8.2% on par with national inflation and above the provincial inflation rate of 7.6%. Tshwane has dropped by 1% from the previous month, reaching 6.1% and is the worst performing municipality in Gauteng.

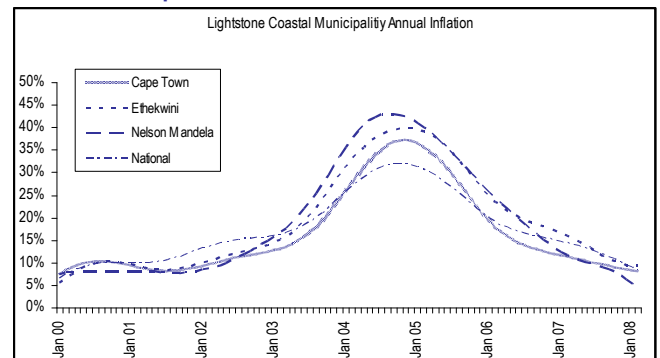
Nelson Mandela municipality continues to show the lowest inflation nationally at 4.3%, while Ethekwini is showing the highest inflation at 9.6% with no change from previous month.

## MUNICIPAL INDEX

### Inland Municipalities Index



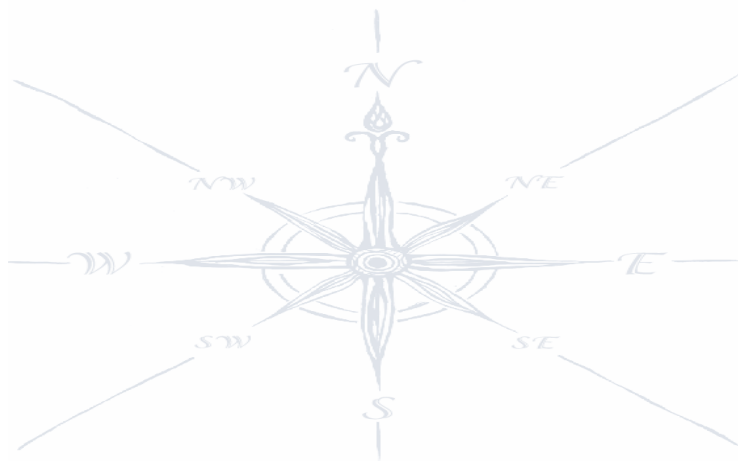
### Coastal Municipalities Index



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									2007					2008		
		2000	2001	2002	2003	2004	2005	2006	Q1	Q2	Q3	Oct	Nov	Dec	Jan	Feb
	NATIONAL	9.1%	10.9%	14.9%	19.4%	30.0%	26.6%	17.4%	14.8%	13.6%	12.2%	11.1%	10.5%	9.9%	9.2%	8.3%
PROVINCE	EASTERN CAPE	6.9%	7.2%	12.1%	21.4%	38.1%	33.6%	21.1%	15.1%	13.5%	12.5%	11.6%	11.0%	10.3%	9.7%	8.8%
	GAUTENG	11.3%	13.7%	18.2%	20.4%	26.0%	23.1%	16.2%	14.1%	13.2%	11.8%	10.6%	10.0%	9.3%	8.5%	7.6%
	KWAZULU NATAL	7.5%	8.7%	12.6%	21.4%	36.7%	33.4%	21.0%	16.6%	15.2%	13.3%	11.7%	10.8%	9.9%	9.1%	8.1%
	WESTERN CAPE	9.1%	8.8%	11.3%	17.8%	33.6%	29.3%	15.4%	12.3%	11.4%	10.5%	10.0%	9.7%	9.5%	9.5%	8.7%
MUNICIPALITIES	CITY OF CAPE TOWN	9.7%	8.7%	11.1%	17.5%	33.2%	29.4%	14.9%	11.6%	10.8%	10.0%	9.5%	9.2%	8.9%	9.0%	8.2%
	CITY OF JOHANNESBURG	12.7%	13.8%	18.9%	21.1%	26.2%	21.2%	14.5%	13.9%	13.4%	12.1%	10.8%	10.2%	9.5%	9.0%	8.2%
	CITY OF TSHWANE	11.2%	15.1%	19.1%	18.1%	21.4%	22.8%	16.6%	14.0%	12.8%	11.2%	9.9%	9.2%	8.4%	7.3%	6.1%
	EKHURULENI METROPOLITAN	10.0%	11.8%	17.3%	22.9%	32.4%	26.9%	17.0%	13.6%	12.3%	10.8%	9.6%	8.9%	8.1%	8.1%	7.4%
	ETHEKWINI	9.0%	9.0%	12.3%	20.8%	36.9%	34.0%	20.5%	16.5%	14.5%	12.0%	10.2%	9.3%	8.5%	8.9%	9.6%
	NELSON MANDELA	8.2%	8.0%	11.3%	23.7%	40.9%	34.0%	19.3%	12.1%	10.6%	9.2%	8.0%	7.0%	5.9%	4.9%	4.3%
COAST	NON-COAST	9.3%	11.1%	15.0%	18.8%	29.0%	26.6%	17.6%	15.0%	13.8%	12.3%	11.1%	10.5%	9.8%	9.4%	8.5%
	COAST	6.6%	7.5%	15.8%	27.9%	43.1%	29.2%	13.8%	11.3%	10.6%	10.4%	10.7%	10.9%	11.2%	8.5%	7.0%
ST / FH	SECTIONAL TITLE	8.0%	9.9%	14.8%	20.4%	30.4%	26.0%	15.3%	12.6%	11.6%	10.4%	9.6%	9.3%	8.9%	8.0%	7.0%
	FREE HOLD	10.3%	12.1%	15.2%	18.5%	29.2%	27.1%	19.9%	17.4%	16.2%	14.4%	13.0%	12.2%	11.4%	10.8%	9.7%
AREA VALUE BANDS	LUXURY	12.5%	14.0%	20.1%	27.4%	29.7%	19.1%	11.8%	12.2%	11.8%	10.7%	9.7%	9.2%	8.6%	8.1%	5.6%
	HIGH VALUE	10.2%	12.2%	16.9%	21.3%	31.8%	24.1%	13.2%	11.3%	10.4%	9.1%	8.1%	7.5%	7.0%	6.4%	5.6%
	MID VALUE	6.4%	8.1%	11.0%	15.5%	30.7%	34.5%	23.6%	18.7%	16.8%	14.9%	13.5%	13.2%	12.7%	11.8%	10.1%
	AFFORDABLE	16.2%	12.0%	11.1%	13.5%	22.3%	30.4%	38.0%	35.6%	34.1%	31.1%	28.3%	26.6%	24.8%	24.3%	21.8%

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## NOTE ON METHODOLOGY AND DATA

In contrast to 'average house price' indices, repeat sales indices provide a measure of the actual price inflation of houses that have transacted twice within a particular period of time. The main benefit of this is that it is less influenced by the mix of transacting properties. The repeat sales methodology is recognised as the premier methodology for indexing house prices and is used by many international residential property price indexers including the Office of Federal Housing Enterprise Oversight (OFHEO) in the United States.

All property transactions in South Africa are registered in the Deeds Office and each record contains the legal details of both the property and the transaction. For the purposes of the Repeat Sales Index for residential properties, the following transactions have been excluded: farms; any transactions which may be of a development, commercial or community services nature; new developments; sales made in execution of a judgement; non-arms-length transactions; transactions where the inflation is extremely different to the norm of the statistical distribution of inflation rates; and township transactions

For more information please contact Lightstone Risk Management.

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