

# Residential Property Indices



## LIGHTSTONE JULY REPEAT SALES INDICES

### NATIONAL ANNUAL HOUSE PRICE INFLATION DROPS TO 1.2% IN JULY AND MORE RECENT DATA SHOWS IT REACHED -1.7% IN OCTOBER

Annual house price inflation has dropped to 1.5% this month, down by 1.2% from June 2008 as tracked by Lightstone's latest repeat sales house price index based on National Deeds Office data. Furthermore, annualised house price inflation has dropped to -7.1% in July 2008 down from -5.4% in June 2008. Bank mortgage application data, which Lightstone uses to extrapolate house price inflation thereafter, showed that annual inflation continued to drop reaching -1.7% by the end of October.

Annual house price inflation in July has gone into negative territory for an increasing number of segments. Coastal inflation has dropped down to -1.0% this month, considerably lower than the non-coastal inflation which is at 1.8% this month. The area value bands in the price ranges above R750,000 have come under pressure with the high value and luxury markets dropping down to -1.2% and -0.4% respectively. Nelson Mandela is the worst performing municipality at -1.2%, while KZN continues to be the worst performing province at -1.8% inflation.

The best and worst performing markets on an annual basis to the end of July were:

#### Best performers

Major Province – Eastern Cape at 4.7%

Minor Province – North West 7.7%

Municipality – Cape Town at 1.2%

Area value band – Affordable Market at 15.4%

#### Worst performers

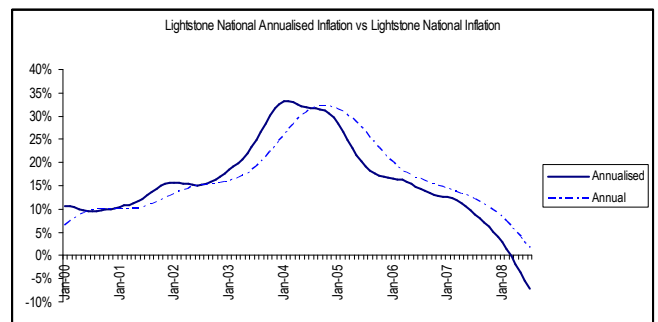
Major Province – KZN at -1.8%

Minor Province – Mpumalanga at 0.43%

Municipality – Nelson Mandela at -1.2%

Area value band – High Value Market at -1.2%

There are still a number of stumbling blocks in the path of housing revival, NCA, bad household debt and household disposable income, however it is likely that the expected interest rate cut, which some expect as early as December/January, together with the expected inflation decline should start a turn around in the residential property market activity late next year.



The detailed performance of the different segments tracked is shown in more detail in the pages that follow. For the first time we also include a table showing annualised inflation across selected segments for the last 12 months. This allows one to track more recent changes in price inflation in each segment.

#### DISCLAIMER

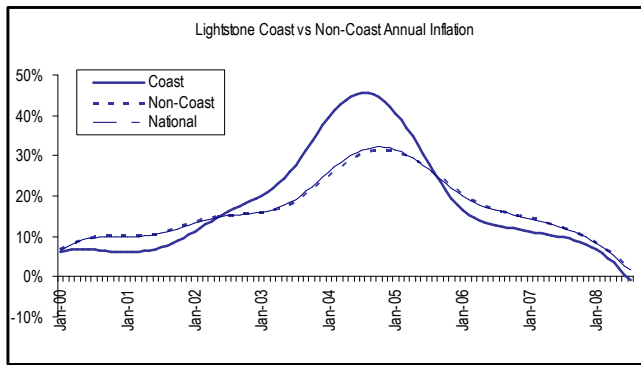
The Lightstone Repeat Sales Index system applies advanced statistical methods to a comprehensive property data base - compiled from the Deeds Office, the Surveyor General and other sources - to generate repeat sales inflation data for individual residential properties. Despite the statistical and actuarial 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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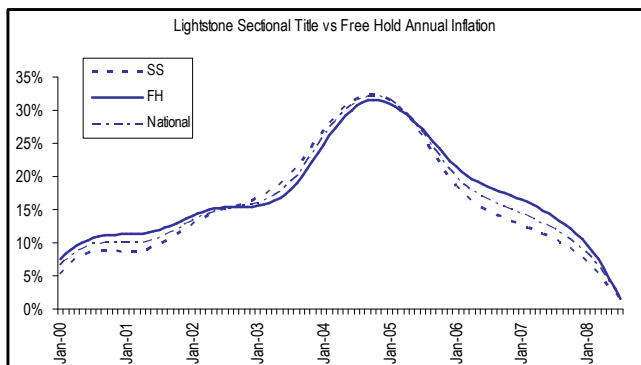
## COASTAL VS NON-COASTAL INDEX

Coastal region's inflation has dipped into negative territory reaching -1.0% in July, while the non-coastal inflation still remains positive despite a month-on-month decline of 1.2% from June, reaching 1.8% this month. A year ago non-coastal regions were at 12.2% while coastal regions were at 9.8% inflation, and both have seen a 10% decline over the past year.



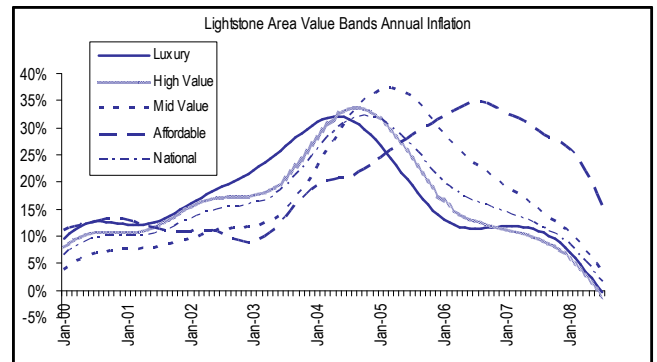
## FREE HOLD VS SECTIONAL TITLE INDEX

This month the gap between freehold and sectional title properties has narrowed with freehold properties dropping to 1.6% inflation and sectional title properties dropping to 1.5% inflation, very close to national inflation this month. Freehold properties have continuously outperformed sectional title properties, a trend which began in mid 2005, and it will be interesting to see if this trend is reversed over the coming months.



## AREA VALUE BAND INDEX

Lightstone's area value bands show the annual price trends for areas with different average values. This month the High Value market (R750k – R1.5m) and Luxury market (above R1.5m) have seen a sharp decline into negative territory reaching -1.2% and -0.4% in July. The Affordable and Mid Value markets (below R750k) have remained positive at 15.4% and 3.6% respectively, with the Affordable market continuing to be the strongest performing segment although its inflation rate is now sharply dropping.



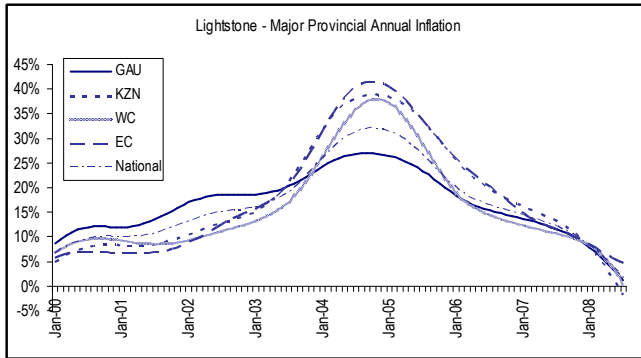
## PROVINCIAL INDEX

Of the major provinces, KZN continues its negative trend this month dipping down to -1.8%, followed by Western Cape at 0.4% and Gauteng at 1.2%. Both are likely to go into negative territory in the next few months. The Eastern Cape is the top performing province at 4.7%, and it has seen a less steep year-on-year decline of 6.8% from 11.5% in July 2007.

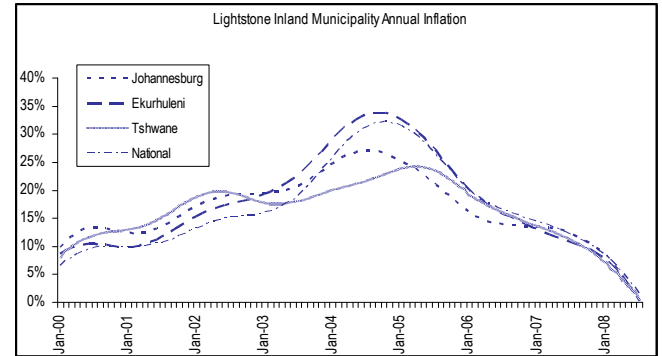
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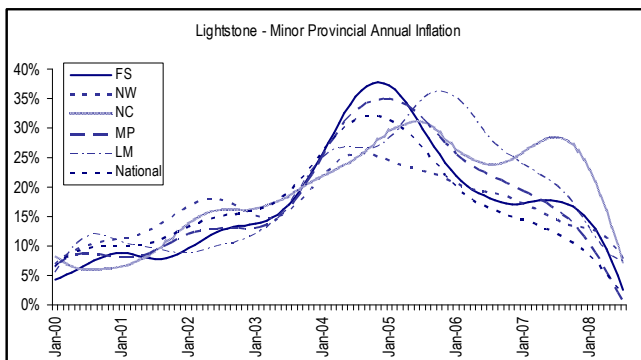
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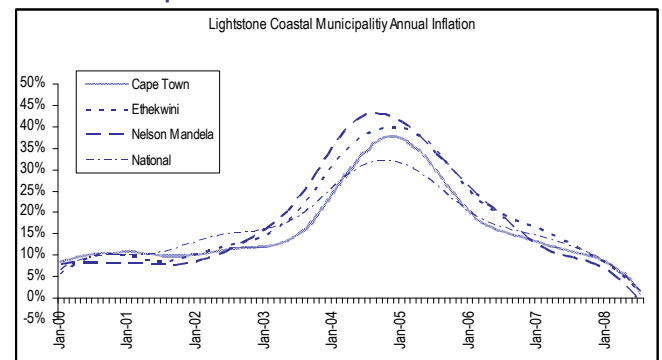
## Inland Municipalities Index



Of the minor provinces, Mpumalanga is the worst performing province at 0.4% inflation and expected to be the first minor province to reach negative inflation in the next few months. However North West, Northern Cape and Limpopo are showing a strong performance this month, with all three provinces' inflation above 7% this month.



## Coastal Municipalities Index



## MUNICIPAL INDEX

Ekurhuleni and Joburg are the worst performing inland municipalities with inflation at 0.1% and 0.2% respectively, with Joburg dropping by 1.6% from 1.8% in June when it was the best performing inland municipality.

In the coastal regions, Nelson Mandela municipality inflation has dropped to -1.2% and it is the worst performing metro in July, while Cape Town and Ethekwini inflation is at 1.2% and 0.8% respectively, above the -1% inflation for all coastal regions but well below the national inflation which is at 1.5%.

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Annual Inflation table

									2007				2008				
		2000	2001	2002	2003	2004	2005	2006	Q1	Q2	Q3	Q4	Q1	Apr	May	Jun	Jul
PROVINCE	NATIONAL	9.1%	10.9%	14.9%	19.4%	30.0%	26.6%	17.4%	14.8%	13.6%	12.2%	10.0%	7.5%	5.8%	4.5%	2.9%	1.5%
	EASTERN CAPE	6.9%	7.2%	12.1%	21.4%	38.1%	33.6%	21.1%	15.1%	13.5%	12.5%	9.9%	8.3%	6.2%	6.6%	4.2%	4.7%
	GAUTENG	11.3%	13.7%	18.2%	20.4%	26.0%	23.1%	16.2%	14.1%	13.2%	11.8%	9.5%	7.0%	5.5%	4.1%	2.8%	1.2%
	KWAZULU NATAL	7.5%	8.7%	12.6%	21.4%	36.7%	33.4%	21.0%	16.6%	15.2%	13.3%	10.5%	6.6%	3.9%	1.0%	-0.7%	-1.8%
	WESTERN CAPE	9.1%	8.8%	11.3%	17.8%	33.6%	29.3%	15.4%	12.3%	11.4%	10.5%	9.3%	7.5%	6.3%	4.9%	2.7%	0.4%
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%	8.8%	8.6%	6.6%	4.7%	4.0%	1.2%
	CITY OF JOHANNESBURG	12.7%	13.8%	18.9%	21.1%	26.2%	21.2%	14.5%	13.9%	13.4%	12.1%	10.0%	7.1%	5.7%	3.8%	2.4%	0.2%
	CITY OF TSHWANE	11.2%	15.1%	19.1%	18.1%	21.4%	22.8%	16.6%	14.0%	12.8%	11.2%	8.7%	6.0%	3.8%	2.7%	1.5%	0.7%
	EKHURULENI METROPOLITAN	10.0%	11.8%	17.3%	22.9%	32.4%	26.9%	17.0%	13.6%	12.3%	10.8%	9.2%	7.0%	5.6%	4.1%	1.7%	0.1%
	ETHEKWINI	9.0%	9.0%	12.3%	20.8%	36.9%	34.0%	20.5%	16.5%	14.5%	12.0%	9.9%	7.3%	6.4%	3.8%	1.8%	0.8%
	NELSON MANDELA	8.2%	8.0%	11.3%	23.7%	40.9%	34.0%	19.3%	12.1%	10.6%	9.2%	7.6%	5.7%	2.7%	2.8%	-0.2%	-1.2%
COAST	NON-COAST	9.3%	11.1%	15.0%	18.8%	29.0%	26.6%	17.6%	15.0%	13.8%	12.3%	10.1%	7.6%	5.9%	4.6%	3.1%	1.8%
	COAST	6.6%	7.5%	15.8%	27.9%	43.1%	29.2%	13.8%	11.3%	10.6%	10.4%	8.2%	5.7%	6.0%	3.0%	1.8%	-1.0%
ST / FH	SECTIONAL TITLE	8.0%	8.8%	14.8%	20.4%	30.4%	26.0%	15.3%	12.6%	11.6%	10.4%	8.5%	6.2%	4.8%	3.5%	2.4%	1.5%
	FREE HOLD	10.3%	12.1%	15.2%	18.5%	29.2%	27.1%	19.9%	17.4%	16.2%	14.4%	11.7%	8.9%	7.1%	5.6%	3.4%	1.6%
AREA VALUE BANDS	LUXURY	12.5%	14.0%	20.1%	27.4%	29.7%	19.1%	11.8%	12.2%	11.8%	10.7%	8.9%	6.0%	4.2%	2.7%	1.0%	-0.4%
	HIGH VALUE	10.2%	12.2%	16.9%	21.3%	31.8%	24.1%	13.2%	11.3%	10.4%	9.1%	7.5%	4.8%	3.3%	1.4%	-0.2%	-1.2%
	MID VALUE	6.4%	8.1%	11.0%	15.5%	30.7%	34.5%	23.6%	18.7%	16.8%	14.9%	12.0%	9.4%	6.8%	6.5%	5.1%	3.6%
	AFFORDABLE	16.2%	12.0%	11.1%	13.5%	22.3%	30.4%	38.0%	35.6%	34.1%	31.1%	27.6%	25.0%	20.0%	20.0%	19.0%	15.4%

Annualised Inflation Table

		2007					2008						
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
	NATIONAL	7.9%	7.0%	6.1%	5.2%	4.1%	2.9%	1.5%	-0.1%	-1.9%	-3.6%	-5.4%	-7.1%
COAST	NON-COAST	7.9%	7.1%	6.2%	5.2%	4.1%	3.1%	1.7%	0.3%	-1.3%	-2.9%	-4.5%	-6.0%
	COAST	7.1%	6.0%	5.1%	4.1%	2.7%	0.8%	-1.5%	-4.3%	-7.5%	-10.8%	-14.2%	-17.7%
ST / FH	SECTIONAL TITLE	6.5%	5.7%	4.8%	3.9%	3.0%	2.1%	1.2%	0.3%	-0.7%	-1.6%	-2.5%	-3.3%
	FREE HOLD	9.2%	8.4%	7.4%	6.3%	5.1%	3.6%	1.8%	-0.3%	-2.6%	-4.9%	-7.1%	-9.3%
AREA VALUE BANDS	LUXURY	6.8%	5.6%	4.4%	3.2%	1.9%	0.6%	-0.9%	-2.4%	-3.9%	-5.4%	-6.7%	-8.1%
	HIGH VALUE	5.8%	4.9%	3.9%	2.8%	1.6%	0.3%	-1.1%	-2.6%	-4.2%	-5.8%	-7.3%	-8.6%
	MID VALUE	10.2%	9.4%	8.5%	7.6%	6.4%	5.2%	3.6%	1.9%	0.0%	-2.0%	-4.3%	-6.5%
	AFFORDABLE	25.0%	24.2%	23.8%	23.1%	22.0%	20.3%	17.6%	13.7%	8.5%	2.6%	-3.7%	-10.2%

## AUTHOR

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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 indexes including the Office of Federal Housing Enterprise Oversight (OFHEO) in the United States.

Annualised house price inflation takes the most recent change in monthly house price inflation and converts it to an annual rate. This emphasises recent changes in house price inflation which is muted by looking at a year on year view.

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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