

Residential Property Indices

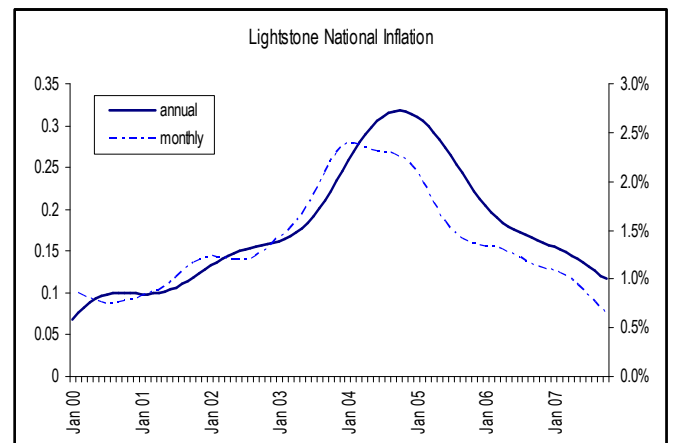
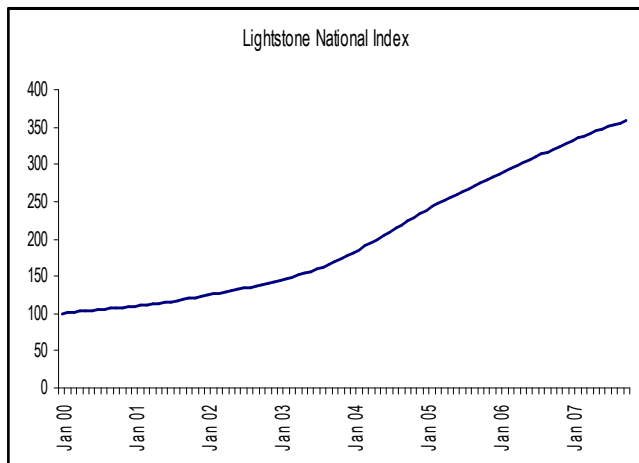


National Index

NO LIGHT AT THE END OF THE TUNNEL

The Lightstone National House Price Index has continued to show a steady decline in house price appreciation dropping from 12.0% in September to 11.7% in October 2007. More recent data (which is not yet included in the National Index) is showing that we expect house price inflation to continue on its downward trend to the end of 2007 with it dropping to 9.4%. Comparing year-on-year numbers shows that the October 2007 inflation rate is 4.6% below the October 2006 inflation rate of 16.3%.

NATIONAL HOUSE PRICE INFLATION DROPS TO 11.7% AND FURTHER DECLINE EXPECTED



The impact of the October and December interest rate hikes are not yet reflected in these numbers. However it is highly likely that combined with other inflationary pressures coming from energy and food price rises, we are likely to see the downward trend accelerate.

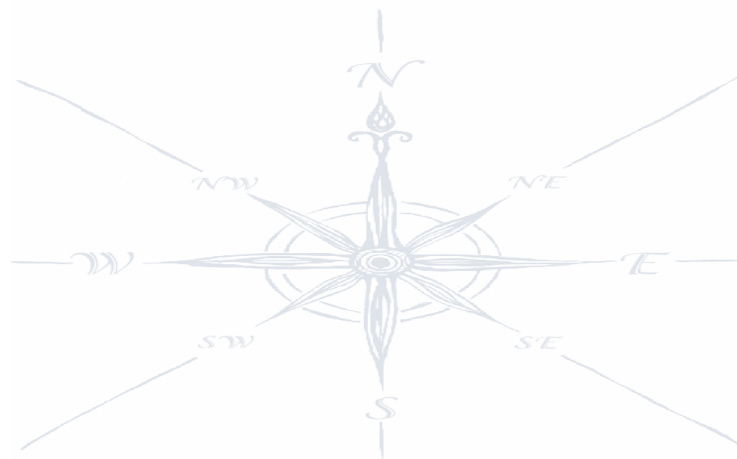
There is no end in sight to the downward trend in house price inflation and even previously strongly performing segments of the market such as the smaller provinces and mid value houses are coming off steeply. Overall house price inflation is likely to dip below consumer price inflation early in 2008 although it will remain nominally positive.

There continue to be a few areas where the trend is upward. For instance coastal house price inflation has reached 14.7% off a low of 11.1% at the beginning of 2007 and price inflation in the Eastern Cape / Nelson Mandela metro is on the rise. Both of these indices are quite volatile however and it would not be surprising to see reversals of these trends in the near future.

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.

Residential Property Indices



		2007																
		2000	2001	2002	2003	2004	2005	2006	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct
PROVINCE	NATIONAL	9.2%	10.9%	14.9%	19.4%	29.9%	26.6%	17.6%	15.5%	15.2%	14.8%	14.5%	14.1%	13.6%	13.2%	12.7%	12.0%	11.7%
	EASTERN CAPE	6.7%	7.1%	12.3%	21.4%	38.0%	33.5%	21.1%	15.7%	15.0%	14.4%	14.0%	13.7%	13.7%	13.8%	14.2%	14.8%	15.4%
	FREE STATE	7.0%	7.9%	11.8%	17.5%	33.3%	30.5%	20.6%	20.5%	20.7%	20.9%	20.8%	20.5%	20.1%	19.4%	18.6%	17.6%	16.5%
	GAUTENG	11.3%	13.7%	18.2%	20.4%	26.0%	23.2%	16.4%	14.7%	14.5%	14.2%	13.9%	13.6%	13.1%	12.6%	12.1%	11.5%	10.8%
	KWAZULU NATAL	7.6%	8.7%	12.6%	21.4%	36.5%	33.3%	21.1%	17.2%	16.8%	16.3%	15.8%	15.2%	14.6%	13.9%	13.2%	12.4%	11.5%
	LIMPOPO	9.6%	9.3%	10.2%	17.3%	26.9%	33.3%	30.7%	25.9%	25.2%	24.5%	23.7%	22.8%	21.8%	20.7%	19.5%	18.1%	16.8%
	MPUMALANGA	7.8%	9.8%	12.9%	17.1%	31.3%	31.9%	23.8%	21.2%	20.7%	20.2%	19.6%	18.9%	18.2%	17.4%	16.4%	15.6%	14.9%
	NORTHERN CAPE	6.4%	9.8%	16.4%	18.8%	25.3%	28.1%	33.3%	29.5%	28.5%	27.6%	26.7%	25.7%	24.6%	23.2%	21.6%	19.9%	18.2%
	NORTH WEST	10.0%	12.9%	17.1%	16.5%	24.6%	23.3%	21.1%	19.6%	19.2%	18.6%	18.0%	17.3%	16.7%	16.0%	15.2%	14.4%	13.5%
WESTERN CAPE	9.1%	8.8%	11.5%	18.0%	33.5%	29.2%	15.6%	13.1%	12.8%	12.5%	12.1%	11.8%	11.5%	11.1%	10.8%	10.4%	10.1%	
MUNICIPALITIES	CITY OF CAPE TOWN	9.8%	8.7%	11.4%	17.8%	33.0%	29.3%	14.9%	11.9%	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.5%	10.3%	10.1%
	CITY OF JOHANNESBURG	12.7%	13.9%	19.0%	21.1%	26.2%	21.2%	14.5%	14.2%	14.2%	14.1%	13.9%	13.7%	13.4%	13.0%	12.5%	11.8%	11.1%
	CITY OF TSHWANE	11.2%	15.1%	19.2%	18.1%	21.3%	22.9%	16.9%	14.6%	14.3%	13.9%	13.5%	13.1%	12.6%	12.0%	11.4%	10.7%	10.0%
	EKHURULENI METROPOLITAN	10.1%	11.7%	17.3%	22.8%	32.4%	27.0%	17.3%	14.6%	14.2%	13.8%	13.4%	13.0%	12.5%	12.1%	11.6%	11.0%	10.3%
	ETHEKWINI	8.9%	9.0%	12.4%	20.8%	36.7%	33.8%	20.6%	17.1%	16.6%	16.0%	15.3%	14.5%	13.6%	12.7%	11.7%	10.6%	9.6%
	NELSON MANDELA	8.3%	8.0%	11.3%	23.7%	40.8%	33.9%	19.2%	12.4%	11.6%	10.9%	10.4%	10.0%	9.8%	9.8%	10.0%	10.5%	11.2%
COAST	NON-COAST	9.3%	11.1%	15.0%	18.8%	28.9%	26.6%	17.8%	15.7%	15.4%	15.0%	14.7%	14.2%	13.8%	13.2%	12.7%	12.1%	11.4%
	COAST	6.7%	7.3%	16.2%	28.0%	43.0%	29.3%	13.8%	11.5%	11.3%	11.1%	11.1%	11.2%	11.5%	12.1%	12.8%	13.7%	14.7%
ST / FH	SECTIONAL TITLE	8.0%	9.9%	14.8%	20.4%	30.3%	25.9%	15.3%	13.0%	12.7%	12.5%	12.2%	11.9%	11.6%	11.3%	10.9%	10.5%	10.1%
	FREE HOLD	10.3%	12.1%	15.2%	18.6%	29.2%	27.2%	20.3%	18.3%	18.0%	17.6%	17.1%	16.7%	16.2%	15.7%	15.2%	14.8%	14.4%
AREA VALUE BANDS	LUXURY	12.9%	14.8%	21.0%	28.6%	28.7%	18.4%	11.7%	12.3%	12.5%	12.6%	12.6%	12.5%	12.3%	11.9%	11.5%	11.0%	10.4%
	HIGH VALUE	10.3%	12.3%	17.1%	21.6%	31.8%	23.7%	13.1%	11.7%	11.5%	11.3%	11.0%	10.7%	10.3%	9.8%	9.3%	8.7%	8.0%
	MID VALUE	6.4%	8.1%	11.0%	15.6%	30.9%	34.3%	23.6%	19.4%	18.9%	18.3%	17.7%	17.1%	16.5%	15.9%	15.3%	14.8%	13.5%
	AFFORDABLE	16.7%	11.7%	10.6%	13.0%	23.0%	32.1%	39.5%	36.3%	35.5%	34.8%	34.1%	33.4%	32.7%	32.0%	31.3%	30.7%	30.4%

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 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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