

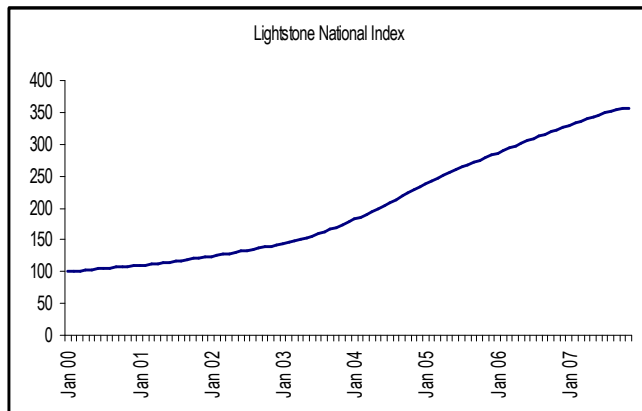
Residential Property Indices



National Index

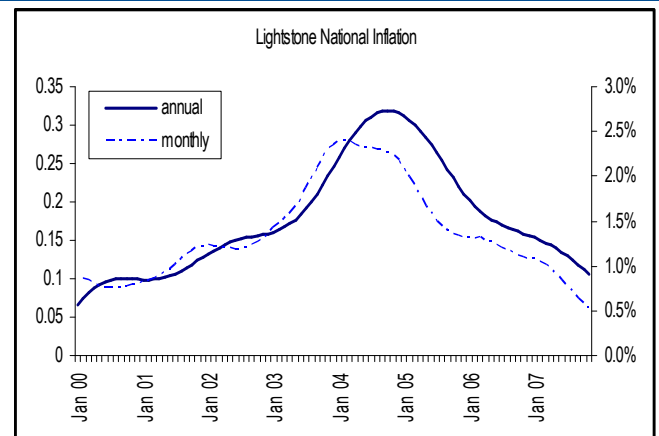
PREVIOUSLY STRONGER MARKET SEGMENTS BEGIN TO COME UNDER PRESSURE

The Lightstone National House Price Index has continued to slow with house price appreciation dropping to 10.6% in November 2007, down 0.7% from 11.3% in October 2007. Comparing year-on-year numbers, November 2007 inflation rate is 5.2% below the November 2006 inflation rate of 15.9%. Furthermore this month's performance shows an increasing downward acceleration in house price inflation with more recent data (which is not yet included in the National Index) showing that house price inflation dropped to 7.3% in January 2008.



This month's inflation numbers include the impact of the October interest rate hike. The December interest rate hike, increasing inflation and debt incurred over the December holidays is likely to put increased pressure on house prices for some time to come.

NATIONAL HOUSE PRICE INFLATION DIPS TO 7.3% IN JANUARY WITH GAUTENG AND KZN MARKETS UNDER MOST STRAIN



Within the different segments which are analysed in more detail in our segmental report, the most striking recent trend can be seen in the Coastal Index which is the only index to buck the downward trend in house price inflation. Coastal house price inflation has risen steadily from the second quarter of 2007 where it bottomed at 10.9% to reach 12.4% in November. These properties which all lie within 500m of the coast, are clearly presenting an attractive investment opportunity for investors with resources.

Regionally the downward trend in inflation now appears to be focused on Gauteng and KZN and its metros (Johannesburg, Ekurhuleni and Ethekwini) while the Western and Eastern Cape (and their metros) declines have slowed. Finally in terms of property value segments, the high value (R700k to R1.5m) and affordable (<R250k) segments' inflation rates are decreasing the fastest although the latter is showing the highest absolute level of inflation by some margin (November inflation was 27%).

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	Q1	Q2	July	Aug	Sept	Oct	Nov
PROVINCE	NATIONAL	9.1%	10.9%	14.9%	19.4%	30.0%	26.6%	17.4%	15.0%	13.9%	13.0%	12.4%	11.8%	11.3%	10.6%
	EASTERN CAPE	6.9%	7.2%	12.1%	21.4%	38.1%	33.6%	21.1%	15.1%	13.6%	13.1%	13.0%	12.8%	12.7%	12.5%
	GAUTENG	11.3%	13.7%	18.2%	20.4%	26.0%	23.1%	16.2%	14.3%	13.4%	12.5%	12.0%	11.3%	10.7%	9.9%
	KWAZULU NATAL	7.5%	8.7%	12.6%	21.4%	36.7%	33.4%	21.0%	16.7%	15.2%	14.1%	13.4%	12.6%	11.8%	11.0%
MUNICIPALITIES	WESTERN CAPE	9.1%	8.8%	11.3%	17.8%	33.6%	29.3%	15.4%	12.5%	11.5%	10.9%	10.6%	10.3%	10.1%	9.9%
	CITY OF CAPE TOWN	9.7%	8.7%	11.1%	17.5%	33.2%	29.4%	14.9%	11.6%	10.8%	10.3%	10.1%	9.8%	9.6%	9.4%
	CITY OF JOHANNESBURG	12.7%	13.8%	18.9%	21.1%	26.2%	21.2%	14.5%	14.1%	13.6%	12.8%	12.2%	11.5%	10.7%	9.8%
	CITY OF TSHWANE	11.2%	15.1%	19.1%	18.1%	21.4%	22.8%	16.6%	14.1%	12.9%	11.9%	11.4%	10.8%	10.2%	9.5%
	EKHURULENI METROPOLITAN	10.0%	11.8%	17.3%	22.9%	32.4%	26.9%	17.0%	14.0%	12.7%	11.7%	11.1%	10.5%	9.7%	8.8%
	ETHEKWINI	9.0%	9.0%	12.3%	20.8%	36.9%	34.0%	20.5%	16.3%	14.3%	12.7%	11.8%	11.0%	10.2%	9.5%
COAST	NELSON MANDELA	8.2%	8.0%	11.3%	23.7%	40.9%	34.0%	19.3%	11.9%	10.2%	9.5%	9.3%	9.1%	9.0%	8.7%
	NON-COAST	9.3%	11.1%	15.0%	18.8%	29.0%	26.6%	17.6%	15.2%	14.0%	13.0%	12.5%	11.8%	11.1%	10.4%
ST / FH	COAST	6.6%	7.5%	15.8%	27.9%	43.1%	29.2%	13.8%	11.4%	10.9%	11.1%	11.4%	11.7%	12.0%	12.4%
	SECTIONAL TITLE	8.0%	9.9%	14.8%	20.4%	30.4%	26.0%	15.3%	12.6%	11.7%	11.0%	10.6%	10.2%	9.9%	9.6%
AREA VALUE BANDS	FREE HOLD	10.3%	12.1%	15.2%	18.5%	29.2%	27.1%	19.9%	17.8%	16.5%	15.4%	14.8%	14.1%	13.3%	12.5%
	LUXURY	12.5%	14.0%	20.1%	27.4%	29.7%	19.1%	11.8%	12.2%	11.9%	11.4%	11.0%	10.6%	10.1%	9.7%
	HIGH VALUE	10.2%	12.2%	16.9%	21.3%	31.8%	24.1%	13.2%	11.4%	10.5%	9.7%	9.2%	8.6%	8.0%	7.3%
	MID VALUE	6.4%	8.1%	11.0%	15.5%	30.7%	34.5%	23.6%	18.8%	17.0%	15.7%	15.1%	14.4%	13.4%	13.1%
	AFFORDABLE	16.2%	12.0%	11.1%	13.5%	22.3%	30.4%	38.0%	36.1%	34.5%	32.7%	31.5%	30.1%	28.7%	27.0%

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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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