Residential Property Indices

Lightstone Risk Management

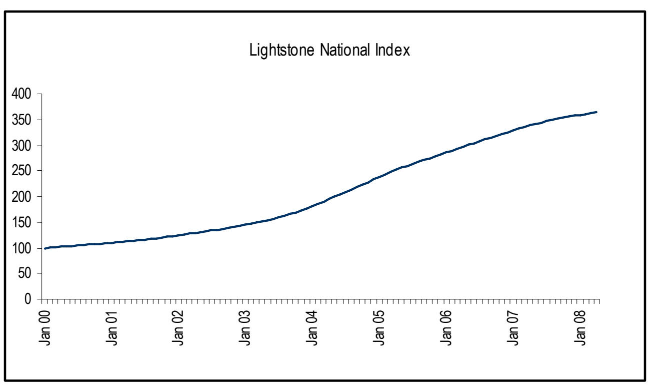
NOMINAL HOUSE INFLATION DIPS BELOW 8.0% IN APRIL AND SHOWS SIGNS OF EASING FURTHER

REAL HOUSE PRICE INFLATION NOW INTO NEGATIVE TERRITORY

This month's Lightstone National House Price Index continues to show a steady downward trend in annual nominal house price inflation. April inflation dropped to 7.8% down by 0.5% from March 2008 when inflation was at 8.3% and 6.2% down from April 2007 when inflation was at 14.0%.

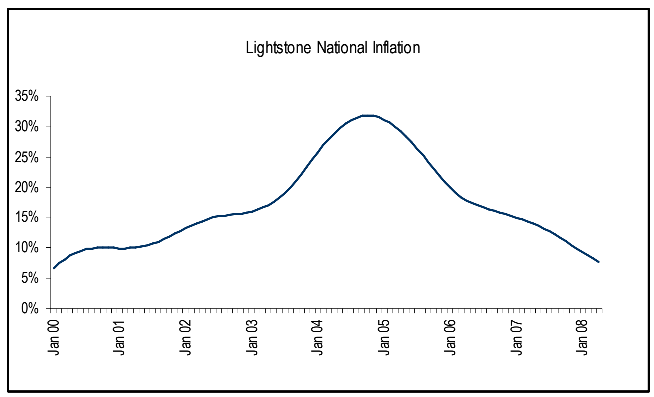
The Lightstone Index, unlike median or average house price indices, is based on a repeat sales methodology and is not affected by the mix of properties transacting. Based on this "like for like" view, repeat sales inflation is therefore still mildly positive.

Within the different segments tracked, higher value areas appear to be performing the worst and may have moved close to zero or negative nominal growth. Furthermore, the smaller provincial markets' house price inflation appears to be declining the fastest.



Although nominal house price inflation is still positive, one major difference from last year is the decline in real house price inflation (adjusting for consumer price inflation). Currently real house price inflation is around -3% which is significantly down from last year when real house price inflation was +7%.

Going forward, based on the external economic forecasts for factors such as GDP growth, Consumer Price Inflation, Disposable Income Growth and Debt Service ratios, Lightstone expects to see national house price inflation to continue its downward trend and bottom out towards the middle of 2009. However, there remains a good probability that the low point for national nominal house price inflation will just remain marginally positive with house price inflation only dipping into negative territory in certain segments.



The performance of the different segments tracked is shown in more detail in the pages that follow. Note that segmental performance is provided up to January 2008.

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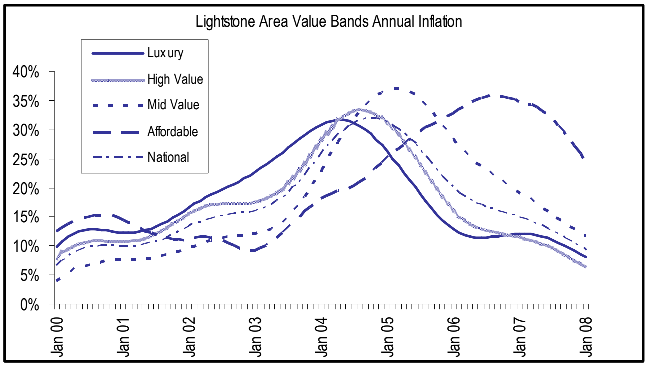
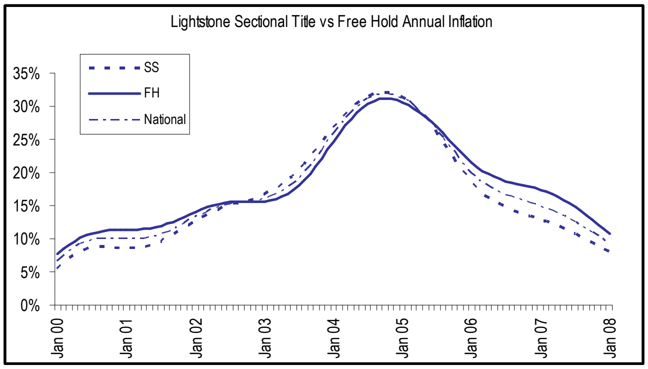
Within Lightstone's Value Bands, the High Value segment continued its steep decline, dipping to 6.4%, or 2.8% below the national inflation in January 2008. The Affordable Band continues to outperform the other value bands with highest inflation of 24.3%, although year-on-year figures show a considerable drop of 10.6% from January 2007.

VALUE BANDS



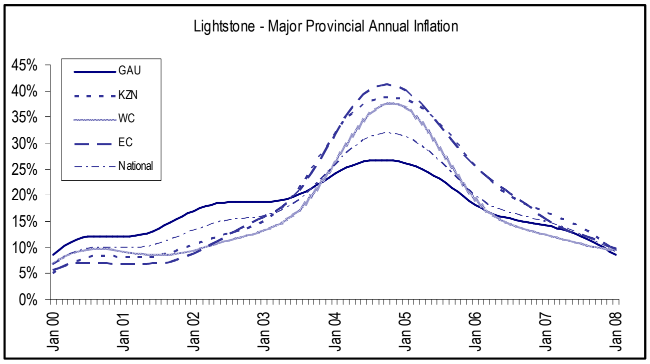
Freehold property price inflation continues to outperform sectional title property price inflation by almost 3%. January freehold price inflation dipped to 10.8% versus 8.0% for sectional title properties.

FREE HOLD VS SECTIONAL TITLE



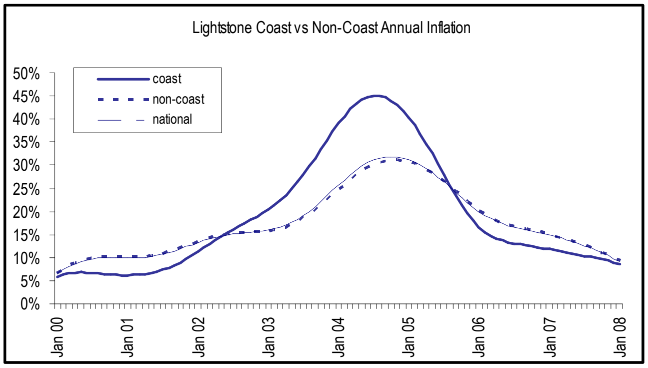
With respect to provincial performance, Gauteng inflation in January 2008 was 8.5%, 0.7% below the national inflation and lower than any of the other major provinces. The best performing large province was the Eastern Cape with 9.7% inflation, while Western Cape inflation was at 9.5% and KZN showed the steepest drop in inflation from the previous month dipping 0.9%to reach 9.1% this month.

MAJOR PROVINCES



Having shown surprising resilience in price inflation towards the end of 2007, coastal house price inflation took a sharp turn down in January dropping 2.7% to reach 8.5% and fall back below non-coastal inflation which stood at 9.4%.

COASTAL VS NON-COASTAL



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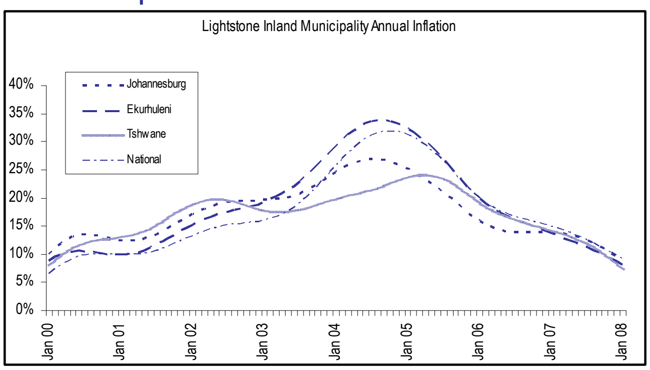
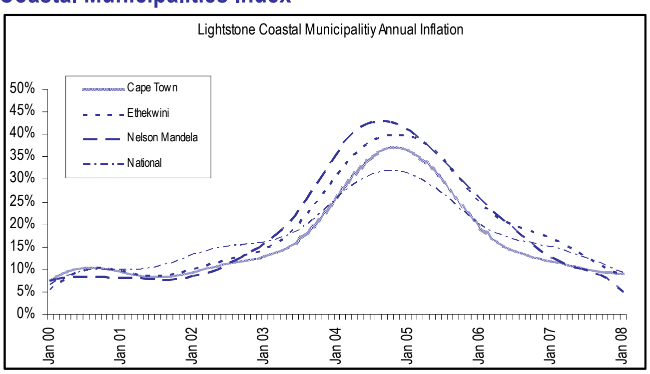
Nelson Mandela municipality is showing the lowest municipal inflation rate of 4.9%, more than 4% below the national inflation. In Gauteng, Tshwane inflation of 7.3% is lower than Joburg inflation which in April 2008 was at 9.0%.

MUNICIPAL

Inland Municipalities Index



Coastal Municipalities Index



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		2000	2001	2002	2003	2004	2005	2006	2007 Q1	2007 Q2	2007 Q3	2007 Oct	2007 Nov	2007 Dec	2008 Jan
	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%
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%
	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%
	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%
	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%
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%
	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%
	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%
	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%
	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%
	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%
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%
	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%
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%
	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%
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%
	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%
	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%
	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%

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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.

Coastal areas include all properties within 500m of the coastline, and non-coastal areas include all inland properties that are more than 500m away form the coastline.

The value bands are defined using the cut-offs below:

Luxury – greater than R1,500,000
High Value – between R1,500,000 and R750,000
Mid Value –between R750,000 and R250,000
Affordable – less than R250 000