

Residential Property Indices



LIGHTSTONE JUNE REPEAT SALES INDICES

NATIONAL ANNUAL HOUSE PRICE INFLATION DROPS TO 3% IN JUNE AND DROPS INTO NEGATIVE TERRITORY IN SEPTEMBER

Lightstone's latest repeat sales house price index up to the end of June 2008 showed that annual house price inflation dropped to 2.9% based on National Deeds Office data. Bank application data, which Lightstone uses to extrapolate house price inflation thereafter, showed that annual inflation continued to drop reaching -0.2% by the end of September. In addition, looking at annualised house price inflation for the period May to June shows that national house price inflation was dropping at a rate of -6.8% compared to -4.8% for April to May.

Furthermore, for the first time, annual house price inflation up to June for a number of segments has gone into negative territory. The High Value market dropped to -0.2% in June from 1.4% in May. Over the same period, the KwaZulu Natal market dropped from 1.0% to -0.2% while the Nelson Mandela metro dropped from 2.8% to -0.2%. In fact every segment has shown a drop in annual price inflation from May to June ranging from -1.0% to -3.0%.

Annualised house price inflation shows the trend the most recent monthly trend on an annual basis and emphasises recent market performance. Up to June, freehold properties were performing worse than sectional title properties (-10.9% vs -4.3%), non-coastal properties were worse off than coastal properties (-6.8% vs -2.8%) and the mid-value (-4.3%), high value (-10.4%) and luxury segments (-9.7%) are all performing substantially worse than the only positive segment – the Affordable market (+5.7%).

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

Best performers

Major Province – Eastern Cape at 4.2%

Municipality – Cape Town at 4.0%

Area value band – Affordable Market at 19.0%

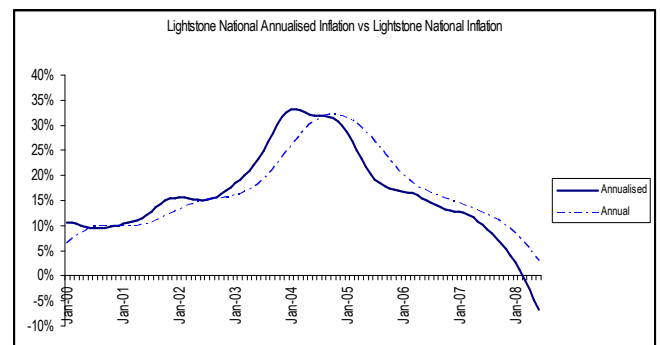
Worst performers

Major Province – KZN at -0.7%

Municipality – Nelson Mandela at -0.2%

Area value band – High Value Market at -0.2%

As consumers continue to come under pressure and struggle with affordability due to high inflation and interest rates the downward trend in property price inflation is expected to continue. This will also be fuelled by the impact of the international financial and housing crisis on the South Africa's economy and financial sectors.



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

DISCLAIMER

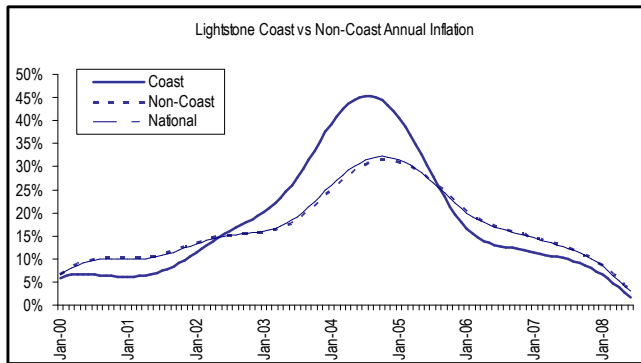
The Lightstone Repeat Sales Index system applies advanced statistical methods to a comprehensive property data base - compiled from the Deeds Office, the Surveyor General and other sources - to generate repeat sales inflation data for individual residential properties. Despite the statistical and actuarial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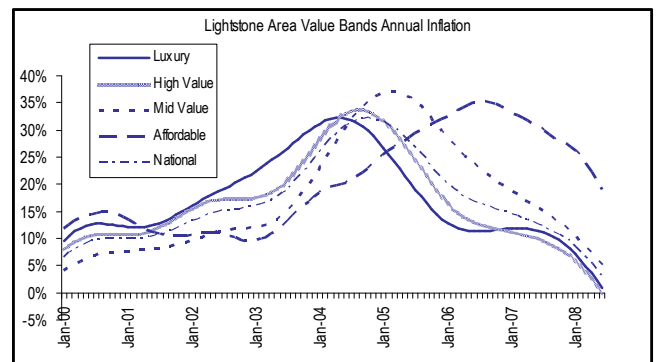
COASTAL VS NON-COASTAL INDEX

Coastal and Non-coastal regions continue their downward inflation trend in June, with annual coastal inflation dropping down to 1.8% and non-coastal inflation down to 3.1%. Compared with June 2007, coastal inflation has dropped by 8.4%, while non-coastal regions have seen a sharper drop of 9.8%. Although both coastal and non-coastal regions peaked in July 2004, the drop in coastal house price inflation from its peak has been much more severe, having dropped by 43.6% over the past 4 years.



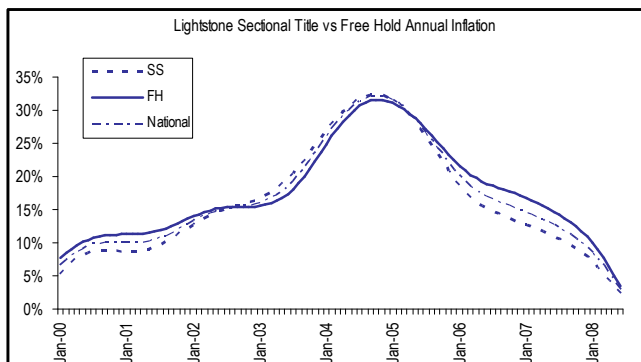
AREA VALUE BAND INDEX

Lightstone's area value bands show the annual price trends for areas with different average values. The High Value market (R750k – R1.5m) has seen a sharp decline into negative territory in June 2008 reaching -0.2%, down by 9.8% from June last year. The Luxury market is also under pressure, dropping down to 1.0% in June, and likely to go negative next month as the segment continues to decline. The Affordable market continues to be the strongest performing segment at 19.0% inflation in June, despite a year-on-year decline of 11.6%.



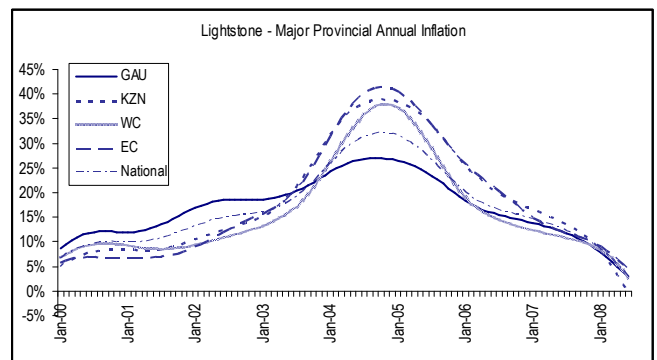
FREE HOLD VS SECTIONAL TITLE INDEX

Freehold properties continue to outperform sectional title properties, a trend which began in mid 2005, with free hold inflation dropping down to 3.4% in June 2008, 1% above sectional title inflation. However the gap between the segments is narrowing with freehold having dropped 11.3% since June 2007 compared to 8.6% for sectional title properties.



PROVINCIAL INDEX

Of the major provinces, KZN has dipped down to -0.7% this month, a substantial drop of 13.4% from June last year. Other provinces have also come under pressure, with Gauteng and Western Cape at 2.8% and 2.7% respectively. The Eastern Cape is the top performing province with its annual inflation reaching 4.2% this month.



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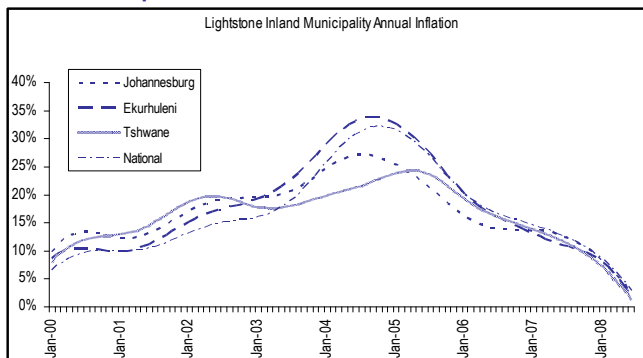


MUNICIPAL INDEX

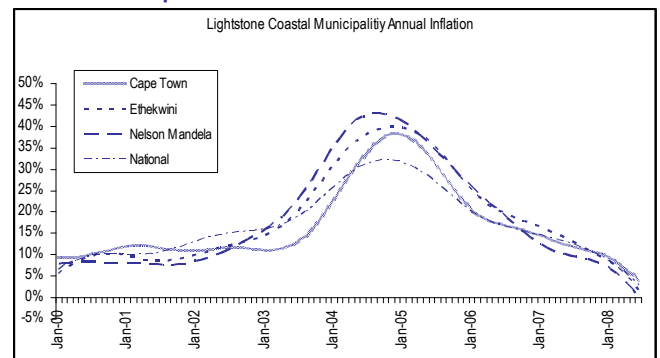
In the coastal regions, Nelson Mandela municipality inflation has dropped to -0.2% and it is the worst performing metro in June, while Cape Town at 4.0% inflation is well above the overall coastal inflation of 1.8%.

Tshwane and Ekurhuleni municipalities have dropped down to 1.5% and 1.7% respectively, with Joburg the best performing inland metro with 2.4% inflation in June.

Inland Municipalities Index



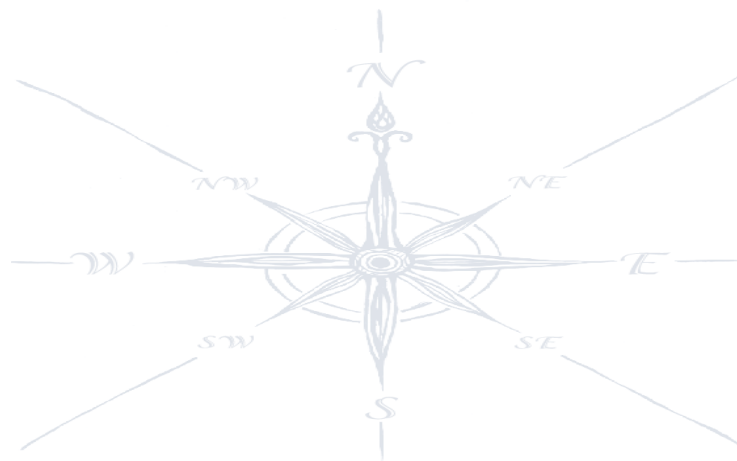
Coastal Municipalities Index



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		2007								2008						
		2000	2001	2002	2003	2004	2005	2006	Q1	Q2	Q3	Q4	Q1	Apr	May	Jun
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%
	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%
	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%
	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%
	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%
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%
	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%
	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%
	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%
	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%
	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%
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%
	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%
ST / FH	SECTIONAL TITLE	8.0%	9.9%	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%
	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%
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%
	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%
	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%
	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%

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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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