



## Your Property Information Advantage

### Lightstone housing index follows a decade of trends in the housing market

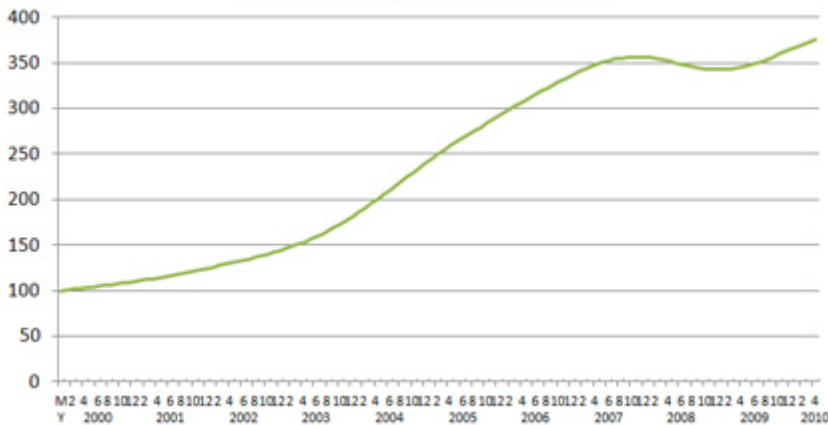
Investors and homeowners who were spooked by the downturn in the housing market in 2008 can rest assured that residential property remains an excellent long-term investment, as long as you get the timing right.

Property analysts Lightstone have researched trends in the South African housing market over the past decade and found that only homeowners who bought and sold in a brief 12-month window from 2008 to 2009 would have lost money on their investment due to negative house price inflation.

"The housing market has stabilised and we are now entering a period of recovery, but we cannot discount the possibility of another dip, as the global economy remains under pressure," says Lightstone property analyst, Hayley Ivins.

The Lightstone index looks at where the housing market is now in terms of total transactions, distressed sales (property within 31 days of a sale in execution notice), and negative sales (homes sold for less than the previous purchase price), comparing data from 2000 to [2010](#).

**National Extended Index**

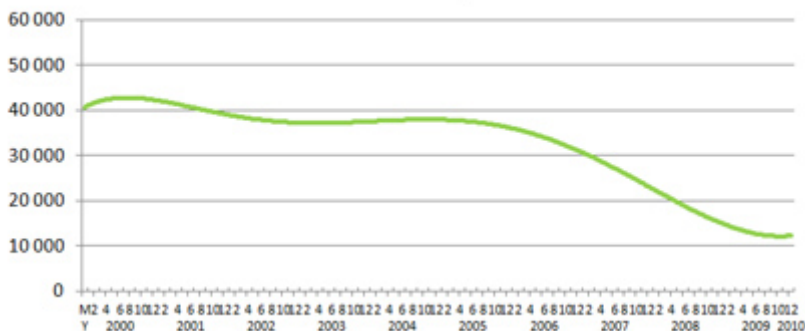


"Looking at specific examples, we can see that if you bought a property for R1 000 000 in January 2008 at the peak of the property market and sold it one year later in January 2009 at the lowest point in the property market dip, you would have realised R960 995 or negative inflation of -3.9%," says Ivins.

However, if you bought for R1 000 000 in January 2008 and sold just over two years later in May 2010, you would realise R1 053 700 - an increase of 5.3%. If you had bought the property in January 2009 at the lowest point and sold in May 2010 just 16 months later, you would realize R1 096 500 - an increase of 9.65%.

Ivins says this shows that the housing market has gained the ground lost in terms of house prices from 2007, although the total volume of transactions per month - which measures all residential properties purchased - is still down. A steady downward trend can be observed from highs in 2006 to January 2009 when this begins to stabilise.

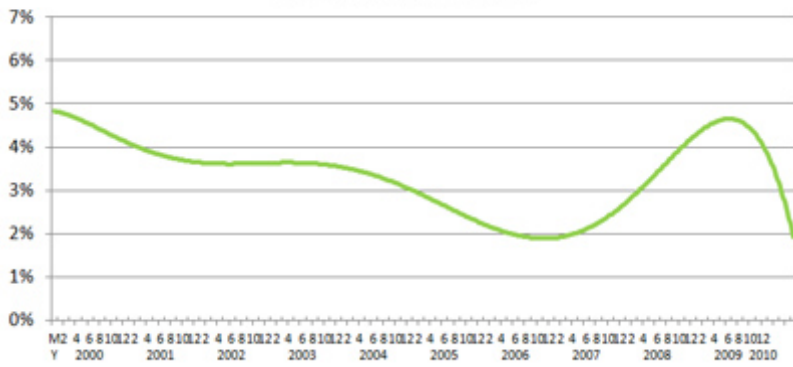
**Total Transactions per Month**



"Negative sales peaked in 2009 and there has been a strong downward trend since then, showing that house prices have

recovered, but the relatively low number of total transactions shows that homeowners are still cautious."

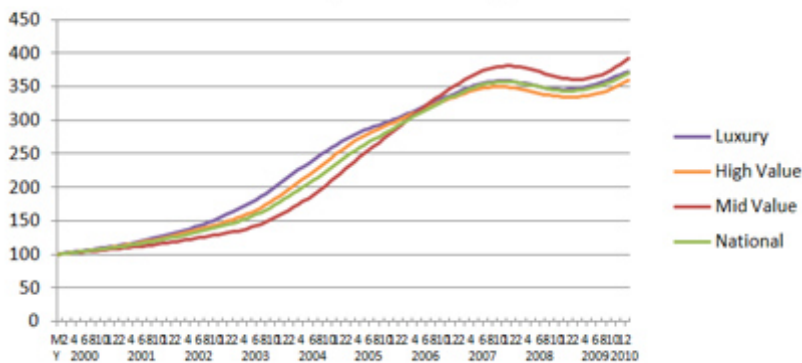
### Negative Transactions as a Percentage of Total Transactions



Distressed transactions as a percentage of total transactions have also dropped sharply from highs in 2009, when many homeowners were forced to sell their homes as they could not afford to pay the monthly home loan instalment when interest rates were increased.

Measured by wealth segment, the index shows the strongest recovery in mid-value properties of R250 000 to R750 000. Luxury properties are defined as those selling at or above R1.5-million, while high value properties are those priced from R750 000 to R1.5-million. The affordable segment, houses below R250 000, is not represented as prices tend not to be driven by rational purchasing decisions.

### Index by Wealth Segment



"Luxury properties saw strong growth during the boom period from 2002 to 2006 and are still doing relatively well. However, this trend is what one would expect to see ? that there would be now greater demand in the more affordable sector of the housing market, given that both the housing market and economy have been in a slump from which we are only starting to emerge," says Ivins.

The following three tables show the expected value one would receive for a property purchased at the given date and sold either in January 2009 (lowest point in the property market) or February 2010 (now).

Luxury					
Purchase Date	Sales Date	Purchase Price (R)	Estimated Sales Value (R)	Inflation	
Jan 2007	Feb 2010	100	110	10	
Jan 2008	Feb 2010	100	104	4	
Jan 2009	Feb 2010	100	108	8	

High Value					
Purchase Date	Sales Date	Purchase Price (R)	Estimated Sales Value (R)	Inflation	
Jan 2007	Jan 2009	100	100	0	
Jan 2008	Jan 2009	100	96	-4	
Jan 2007	Feb 2010	100	108	8	
Jan 2008	Feb 2010	100	104	4	
Jan 2009	Feb 2010	100	108	8	

Mid Value					
Purchase Date	Sales Date	Purchase Price (R)	Estimated Sales Value (R)	Inflation	
Jan 2007	Jan 2009	100	112	12	
Jan 2008	Jan 2009	100	103	3	
Jan 2007	Feb 2010	100	112	12	
Jan 2008	Feb 2010	100	103	3	
Jan 2009	Feb 2010	100	109	9	