

Residential Property Indices

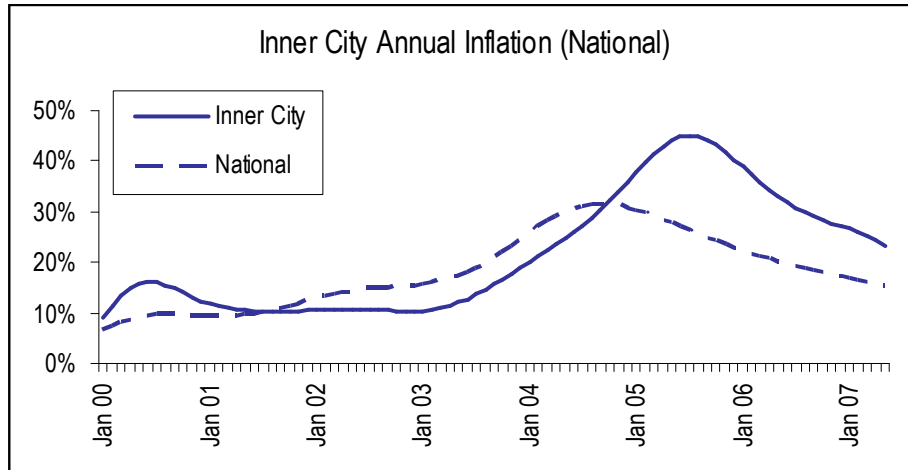
Press Release

INNER CITY PROPERTY PRICES SHOW STRENGTH

JOBURG INNER CITY NOW PERFORMING THE BEST WITH 41% ANNUAL GROWTH

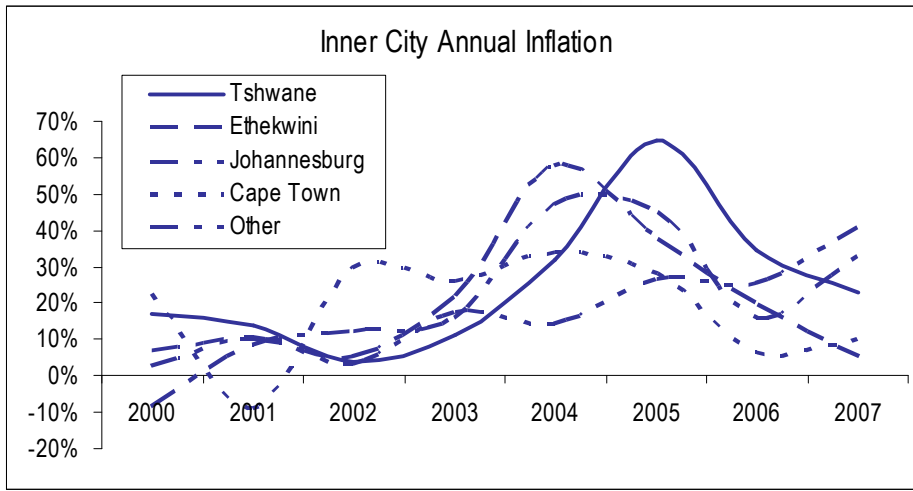
Lightstone Risk Management is pleased to release the first Lightstone Inner City Index that tracks price inflation of properties in Central Business Districts (CBD's) and Urban Development Zones (UDZ's) in the major metros countrywide back to 2000. The Index tracks the transactions for the 52,045 sectional title properties that fall within CBD's and UDZ's. The total residential property value in the Inner Cities amounts to R27billion with an average price of R390,000.

The Inner City Index shows a more delayed and volatile trend than the Lightstone National Index. Whereas the National Index peaked at just 32% in mid 2004, the Inner City Index peaked at 45% a year later. Both have been in steady decline since then although Inner City price inflation still remains robust at 23% compared to National Inflation which has dropped to 15% in May 2007.

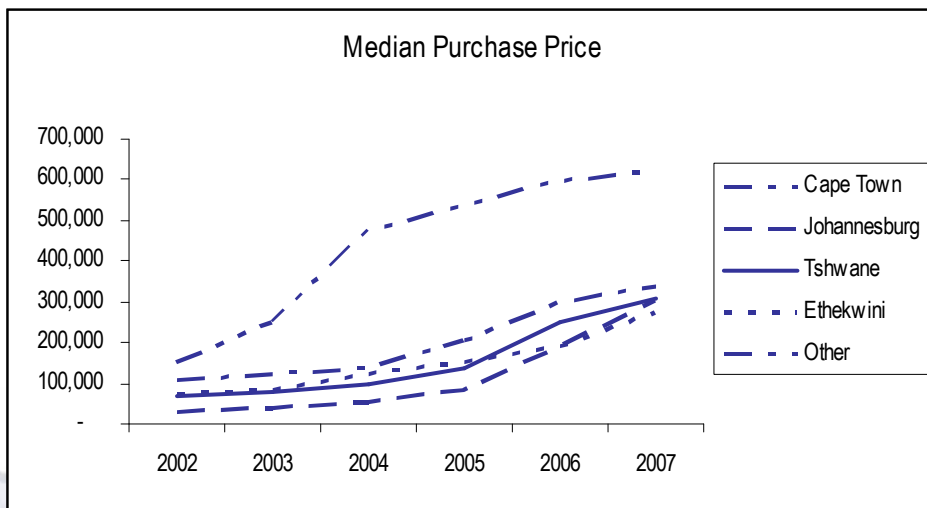


Lightstone has also developed individual Inner City indices for a number of major metros countrywide. From this one can see that Tshwane and eThekweni CBDs have experienced a strong downward trend in price inflation over the past year, while Johannesburg, Cape Town and the Other Smaller Metros (which covers metros like Port Elizabeth and East London) have shown an increase in inflation over the same period. It is interesting to observe that Cape Town Inner City inflation was first to peak in 2002 and maintained inflation rates around 30% through to 2005. eThekweni was next, reaching a much higher peak of 58% in 2004 although it is now inflating at the slowest rate in the country (6%). Smaller Metros (Other) inflation reached just under 50% in 2005 and although it went through a trough in 2006, it is currently on its way back up and is currently 33%. Tshwane has shown the most exaggerated peak climbing to 65% in early 2006 although it is currently at 23%. Johannesburg has demonstrated the most unusual trend having steadily climbed from 3% in 2002 to become the top performing metro in the country with a current inflation rate of 41% in 2007.

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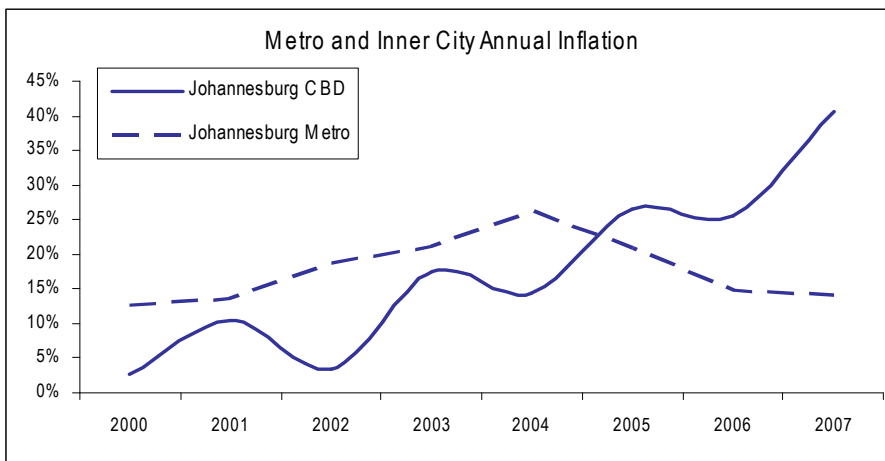


With respect to actual property prices in the major metro CBDs, it is clear that Cape Town has consistently maintained the highest inner city property prices. This is not really surprising given the high quality accommodation in the city, the relative lack of urban decay compared to other cities and the consistent presence of businesses within the city. The median inner city property price in Cape Town is currently R620,000 compared to R275,000, R310,000 and R340,000 for eThekweni, Tshwane and PE/East London respectively. Johannesburg continues to have low inner city prices with the latest median price of R305,000.

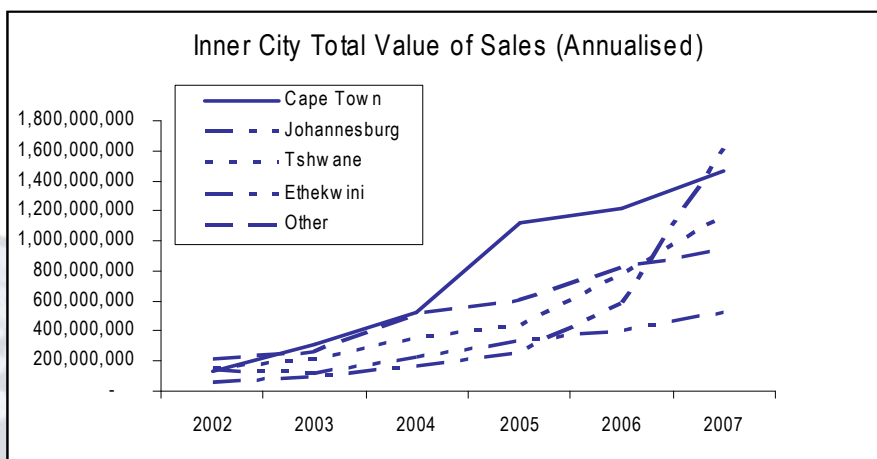


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When one compares Inner City annual inflation to the respective inflation for the Major Metros (shown in the Lightstone Major Metro Index below for Johannesburg), it is evident that while Inner City Inflation has lagged Metro inflation, the relationship has now reversed. For instance, in Johannesburg, Inner City inflation is now significantly above the total city's overall inflation rate and the gap has been widening. Inflation in Johannesburg Inner City is currently at 41%, a significant increase from 2006 when inflation was at 25%, and compared to Johannesburg metro inflation which is currently at 14%.



Finally, there has been a strong increase in sales activity in the inner cities in both volume and value. Most notably Johannesburg has outperformed Cape Town in value in 2007 for the first time with just over R1billion in sales to August 2007 driven both by price and volume growth. It is expected that this number will reach R1.6billion by the end of the year. In 2007 so far, Ethekwini has had the lowest value of sales with R351million to date which is almost half the value of sales in the Smaller Metros where total value was R631million. With respect to volumes however, the annualised number of transactions in Johannesburg in 2007 has risen to ~3,000 which is a large increase from 2002 when there were 736 transactions. Johannesburg is second only to Tshwane which is expected to end 2007 with ~3,600 sales.



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The Inner City Indices show that CBD markets are also sensitive to national property and economic trends. However they have been influenced by a number of other factors such as business flight to the suburbs, urban decay though neglect from the both the public and private sector and, as prices have remained relatively low, overcrowding and crime. However with the recent decline in affordability of suburban properties due to strong price inflation, previously overlooked areas such as townships (currently inflating at 39% according to the Lightstone Township Index) and inner cities have regained popularity. Some of the advantages that the inner cities properties have are that, although suffering neglect, they are fundamentally of good quality, located near existing transport nodes and as a result of economic growth are becoming more attractive to commercial and retail sectors. Furthermore, government has shown renewed commitment to upgrading the inner cities by taking up residence in a number of inner city buildings, creating incentives to invest in the city and tackling crime and safety with an eye to 2010. All of this has created demand for better quality residential housing in the inner cities with prices being an indicator as to how the relative factors are currently playing out in each inner city Metro.

Footnote: The estimated market value of a property is based on the previous sales price of the property, inflated with the relevant Lightstone Property Price Index (depending on the type of property and where it is located) to bring it to a current value. This estimate is then compared with the average sales price of transacting properties in the immediate vicinity (for a sectional title unit it will be compared with sales prices of units in the same sectional scheme. If there was insufficient activity in the scheme it will be compared with sectional schemes in the same area) The final estimate of market value is a combination of the individual property estimate based on the relevant Lightstone index and the average comparable sales as described above.

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