

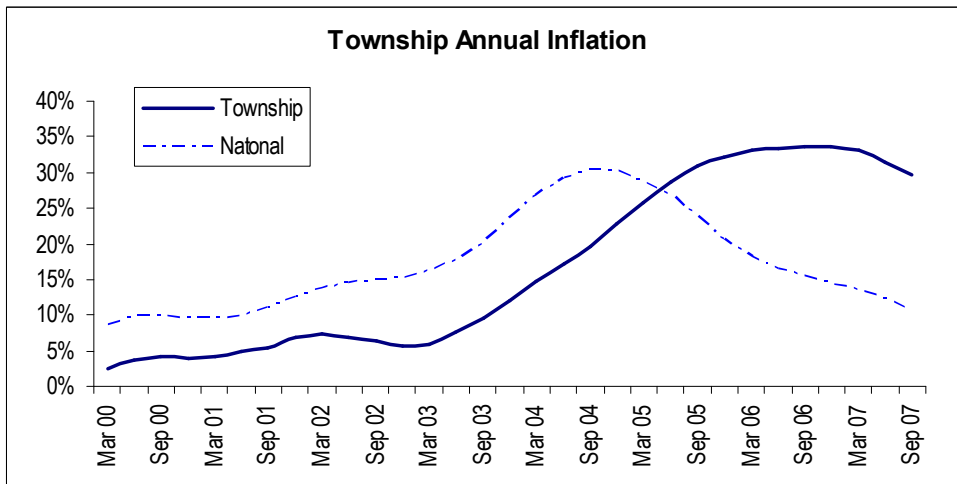
# Residential Property Indices

Press Release – 26 March 2008

**TOWNSHIP INFLATION SLOWING  
BUT STILL AT 30%**

## TOWNSHIP RESIDENTIAL HOUSE PRICE INFLATION MAINTAINS ITS RELATIVELY STRONG PERFORMANCE DESPITE A NATIONAL DECLINE IN INFLATION

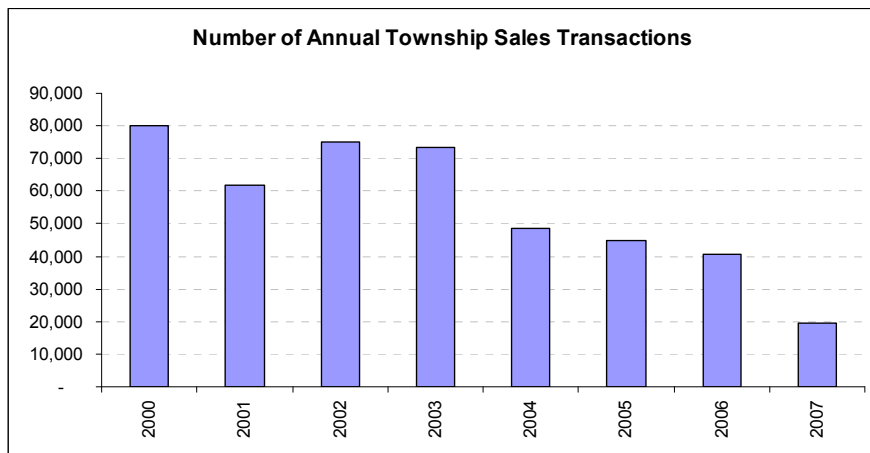
In October 2007 Lightstone launched the first Township Property Price Index which tracked price inflation in SA's township markets. In the first biannual update since then, this segment continues to show strong house price inflation growth although the rate of growth is now declining. The rate of inflation for the second half of 2007 dropped to 30% after having reached a revised peak of 34% in late 2006. This remains well above the rate of National House Price growth which had dipped to 11% by the end of 2007. This delayed pattern in Township house price inflation is consistent with other lower value segments which tend to follow higher value segment trends.



The Township Index tracks the sales prices of the 1.7m township properties registered in the Deeds Office from 2000 to 2007. These are used to generate a Repeat Sales Index which tracks actual house price inflation within the segment and is not skewed by factors such as the change in mix of transacting properties. Lightstone will continue to publish this Index twice yearly to allow for sufficient accumulation of sales data to provide an accurate repeat sales index and to reduce the impact of delays in sales reporting from the Deeds Office.

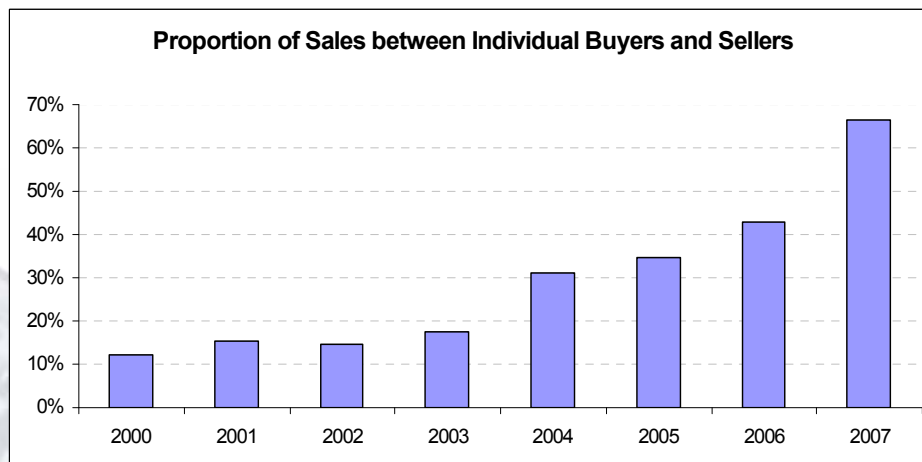
# Residential Property Indices

Lightstone's analysis also shows that there has been a downward trend in the total number of property transactions in the townships since 2002. In fact, the 2007 transactions reported so far are more than 50% down from 2006. Although we expect to see more registrations reported for 2007 over the coming month as delays in the Deeds Office reporting are cleared, it is clear that the downward trend is continuing.



The maximum number of transactions over the reported period actually peaked in the first year of reporting (80,000 in 2000) and may have been even higher before. The reason of this drop however is due to the large number of transactions that took place between the State and township residents that introduced new participants to the property market from the mid 1990's to the early part of this decade.

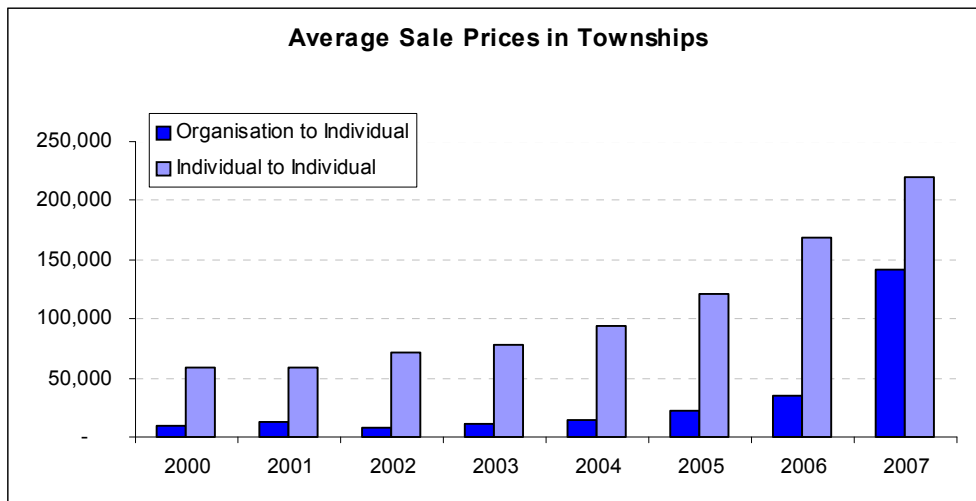
By 2007 the proportion of property sales by organisations (mainly municipalities) to individuals had decreased to 26%, down from 66% in 2000. Meanwhile the proportion of transactions between individuals has increased to 66% in 2007, up from only 12% in 2000. It is clear that the nature of transactions in townships has changed significantly since 2000 and will continue to do so as the property activity continues to shift towards private transactions.



# Residential Property Indices

The transactions involving the State were typically at “below market value” and would therefore have kept house price inflation low while these properties came onto the market. However, the increasing proportion of sales that are now between individuals demonstrates the creation of a more “normal” property market in the townships since 2000. These sales between individual willing buyers and sellers set a more realistic market price. This has been significant driver of the recent house price inflation that has been experienced in the townships over the last 4 years.

The impact that the increasing proportion of private sales is having on the market prices is clear when one examines average township sales prices from 2000 to 2007. Firstly, private sales between individuals have consistently been at higher prices than sales by organisations to individuals. Although organisational sales closed this gap somewhat in 2007, the average sales price of properties in 2007 between individuals was R220,000 compared to R142,000 for transactions between organisations and individuals. Secondly as the proportion of higher priced individual sales has increased, so the average house price appreciation has increased over this period. Interestingly in 2007 there was a large increase in organisation to individual sales prices which may indicate a more market orientated approach by the State which would also have pushed up the overall house price inflation in the townships.



As the township market becomes more dependant on private sales the inflation in these areas is beginning to showing signs of following the national trend, however the high demand and activity in townships is expected to keep this property segment's price inflation well above National inflation over the medium term.

**AUTHOR**  
Andrew Watt  
*Business Development Director, Lightstone*