

Residential Property Indices

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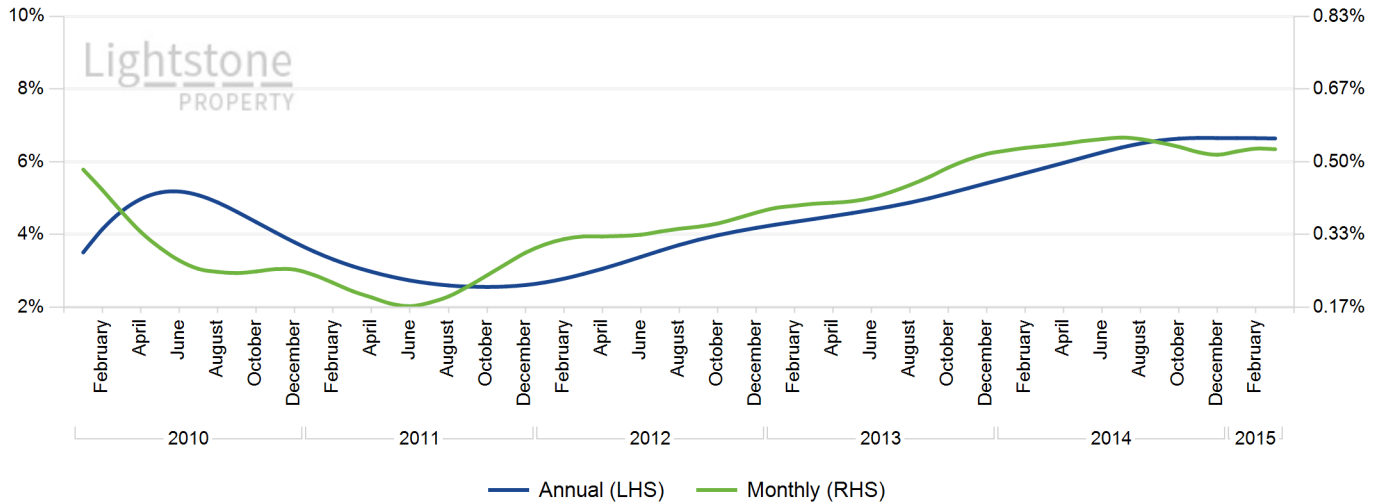
Information. Decisions. Results.



National Inflation

Current annual inflation rate is 6.64% and monthly is 0.53%

Annual vs. Monthly



Market Review

Residential property speculation seems to be at its lowest levels in more than a decade. During the previous housing boom, it was not uncommon to hear of speculators, renovators and investors buying properties, fixing them up and selling them for a profit. This has reduced significantly in the past five years.

Between 2004 and 2007, nearly 50% of transacting properties had been bought less than four years earlier. 37% of properties that were sold during that time had been bought within the past two years indicating that many of these properties were bought with the intent of being sold in the near future at a profit. During the sub-prime crash of 2007 this figure started declining rapidly and was recorded at 14% in 2014, indicating that speculation in the market had reduced significantly. Furthermore, owners were holding onto properties for longer, with about half of all properties transacting in 2014 having been bought more than eight years prior.

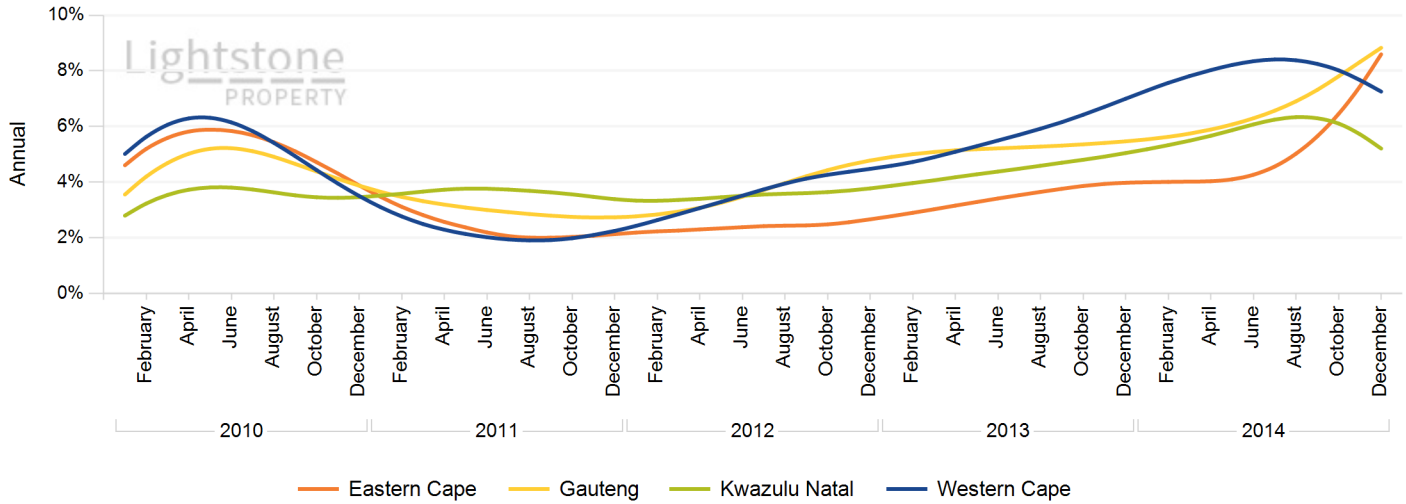
Even though only 14% of the number of properties sold in 2014 were bought within the past two years, the average house price growth still remains significantly higher than those bought more than four years ago. Where national house price inflation is currently 6.66%, properties sold in 2014 that were bought within the previous two years experienced an annual house price inflation of 19%. This indicates that developers and renovators are still able to capture value by improving and renovating properties and selling it on at an additional premium.

Despite a decline in speculation activity in the residential property market over the past decade, there is definitely still value in buying properties, fixing them up and selling them at a premium. Since the majority of housing stock currently sold were last bought more than eight years ago, potential buyers should be conscious of the amount of property maintenance performed over the tenure of the property, since the degree of care applied by homeowners differs significantly. Subsequently, this market might yield the perfect opportunity for potential investors who are willing to buy somewhat neglected properties at a discount and restore it themselves.

Provincial Inflation

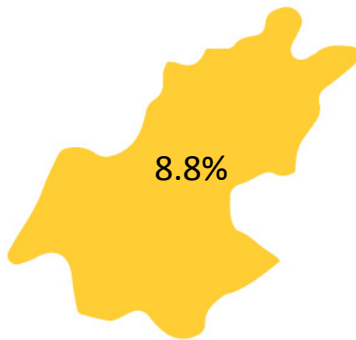
The **Lightstone Provincial Index** tracks annual inflation of the 4 major provinces in South Africa.

Annual Inflation: Major Provinces

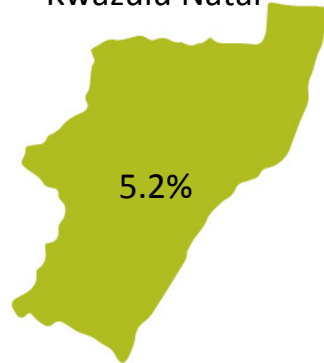


Latest/Current Provincial Inflation Status

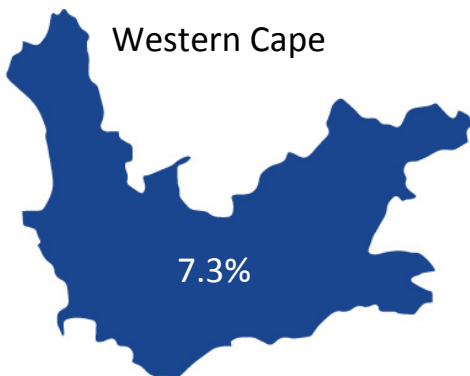
Gauteng



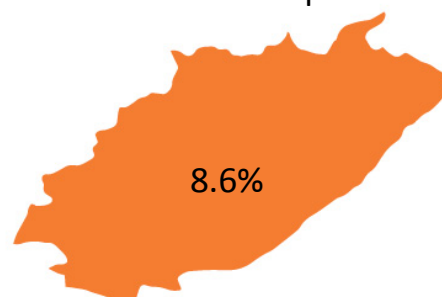
Kwazulu Natal



Western Cape



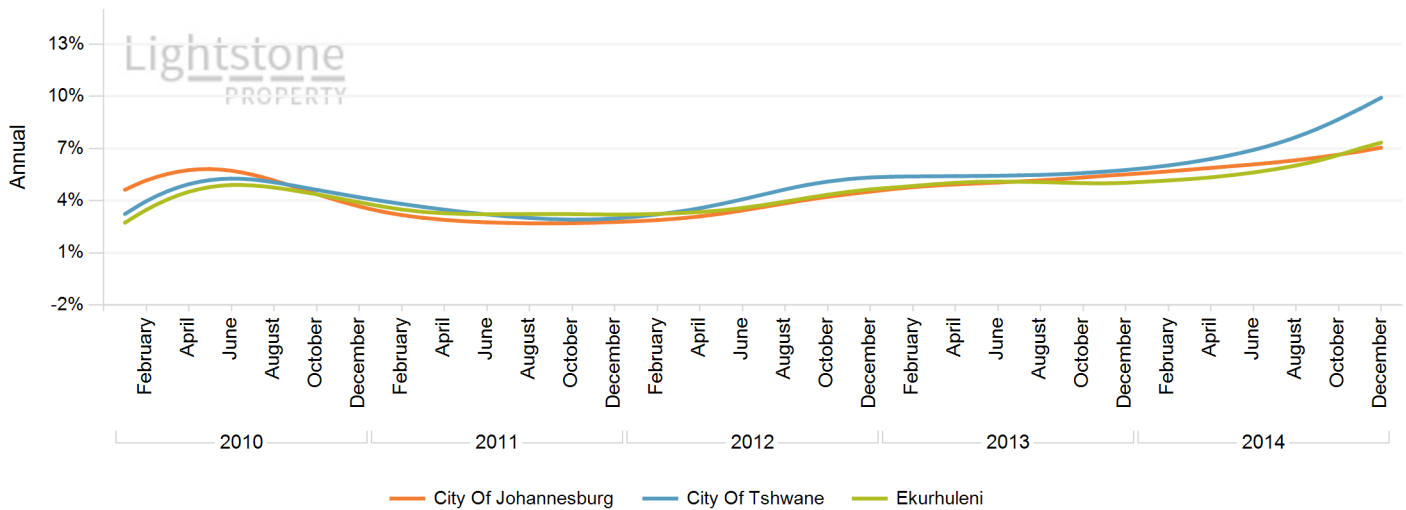
Eastern Cape



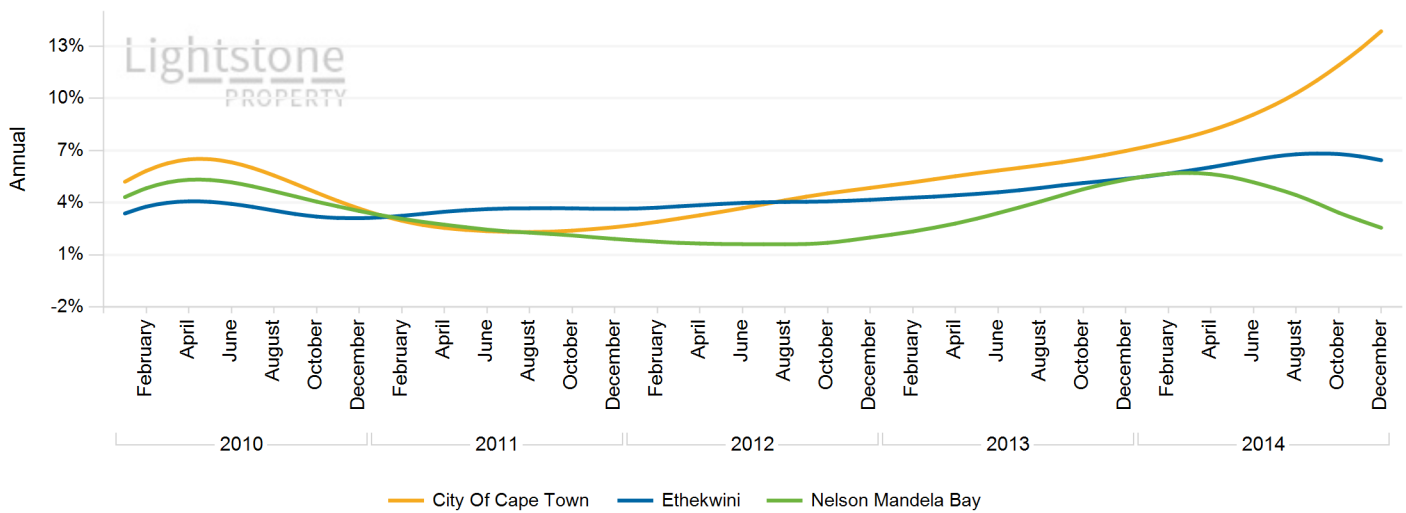
Municipal Inflation

The Lightstone Municipal Index tracks annual inflation at a municipal level, with coastal and inland based municipalities reviewed independently.

Annual Inflation: Inland Municipalities



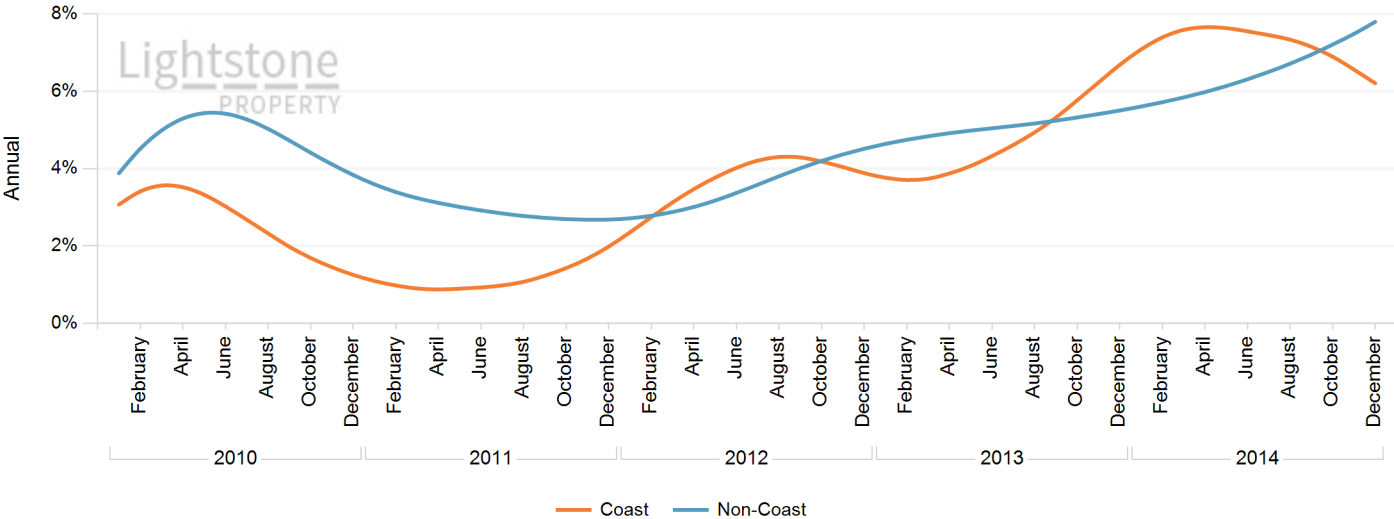
Annual Inflation: Coastal Municipalities



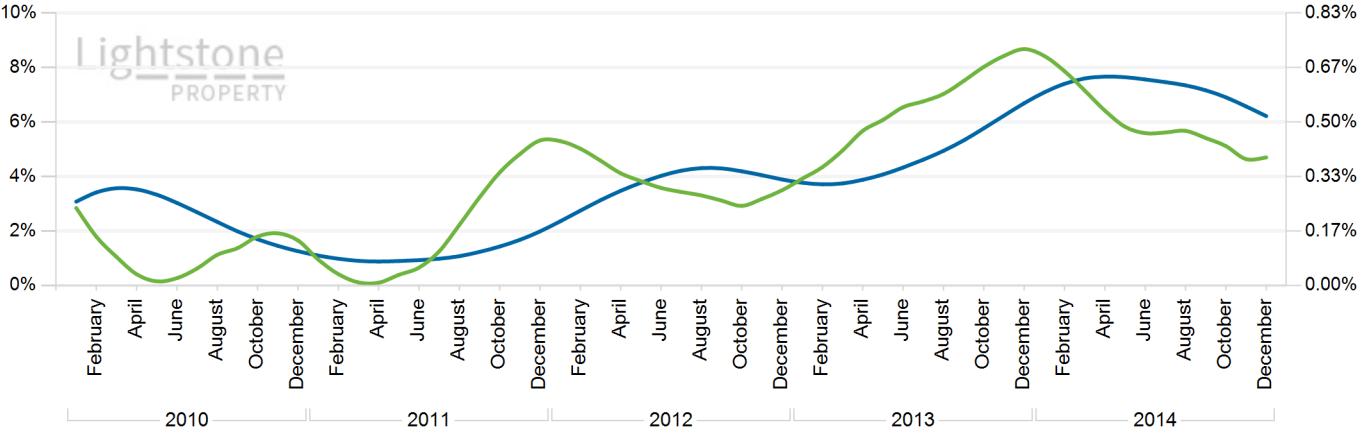
Property Inflation: Coast vs Non-Coast

The Lightstone Coast vs Non-Coast Index compares property located within enumerator areas 500m of the coastline to those located further inland.

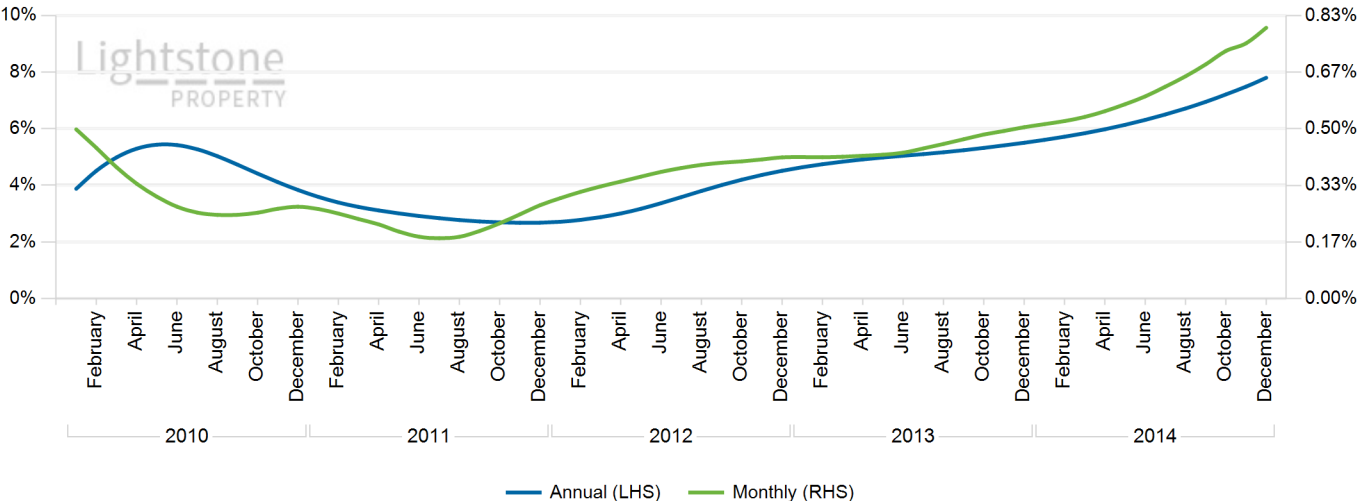
Annual Inflation: Coast vs Non-Coast



Coast: Annual vs Monthly Inflation

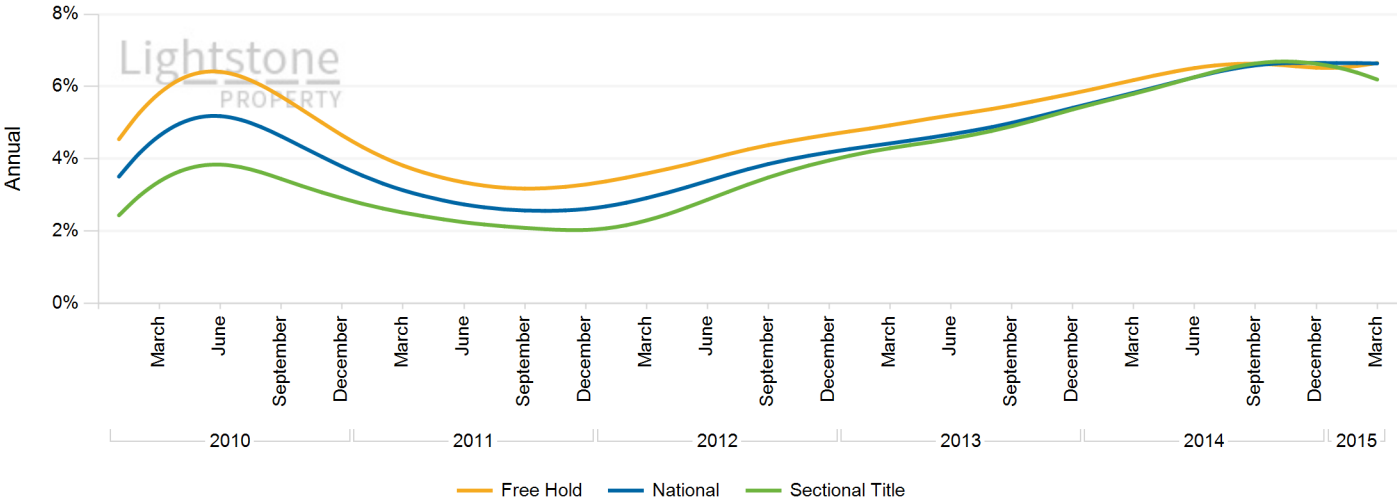


Non-Coast: Annual vs Monthly Inflation

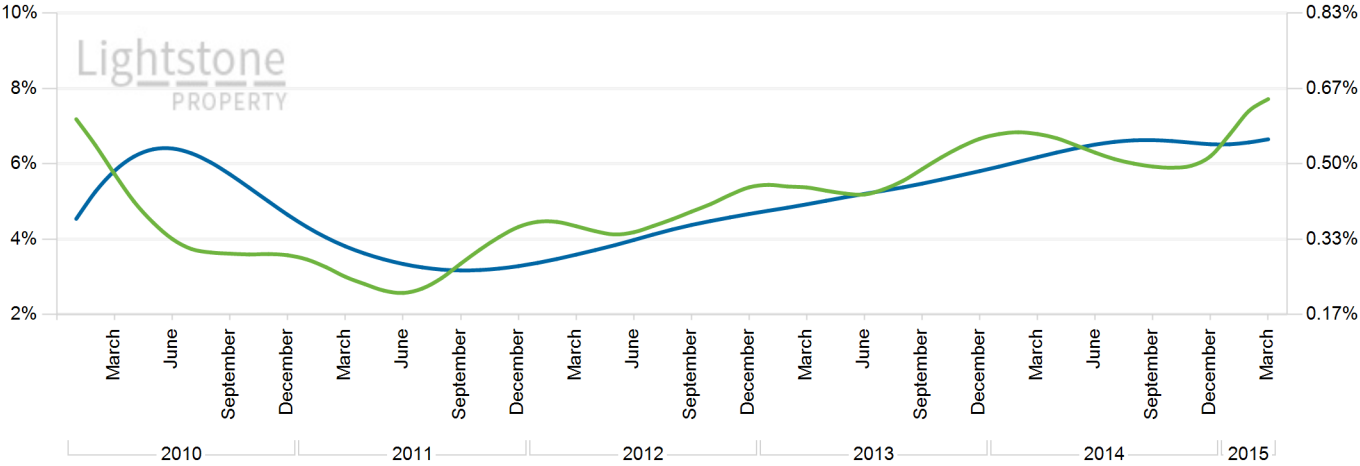


Property Inflation: Free Hold vs Sectional

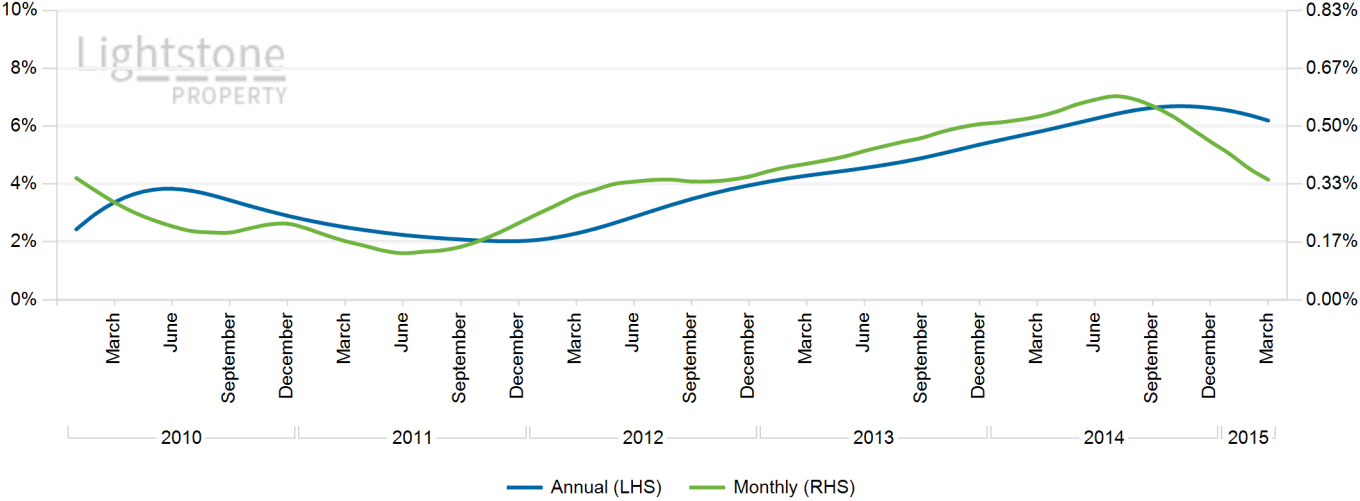
Annual Inflation: Free Hold vs Sectional Title Properties



Freehold Property: Annual vs Monthly Inflation



Sectional Title: Annual vs Monthly Inflation



Property Inflation: Value Bands

The Lightstone Area Value Bands Index reviews inflationary rates for property based on the following values.

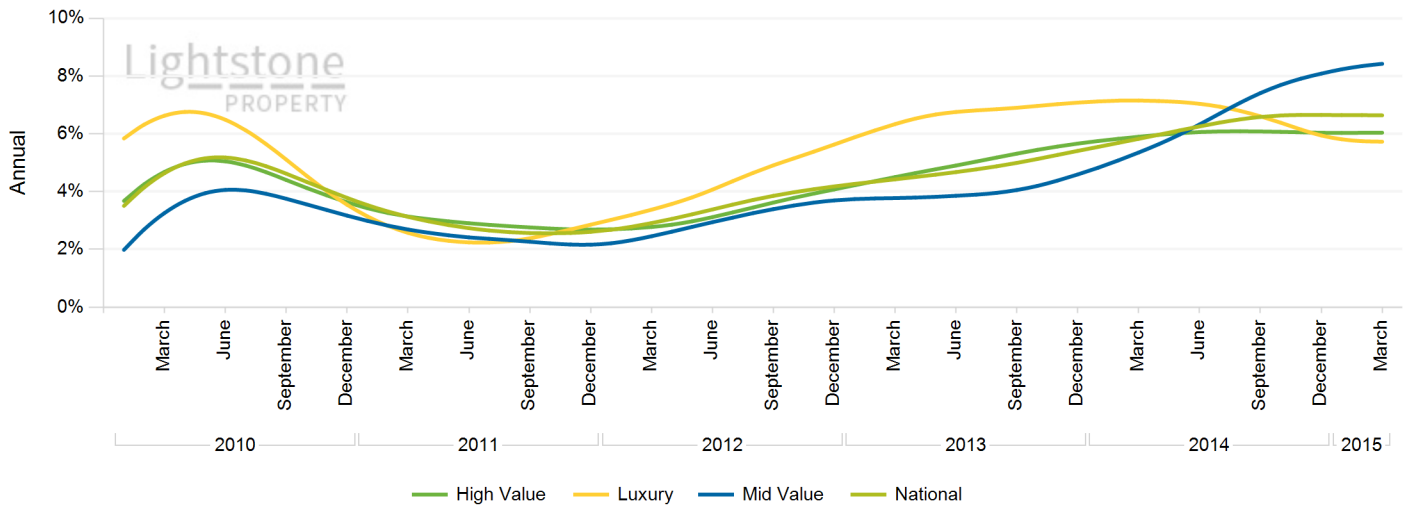
Luxury: > R1.5mil

High Value: R700k to R1.5mil

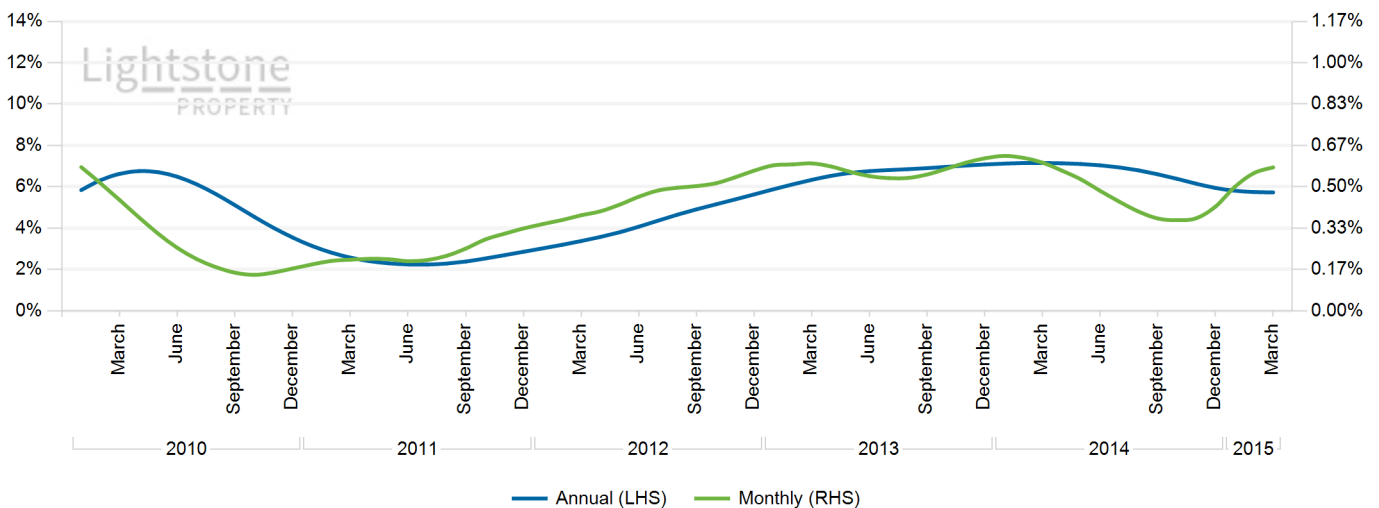
Mid Value: R250k to R700k

Low Value: <R250k

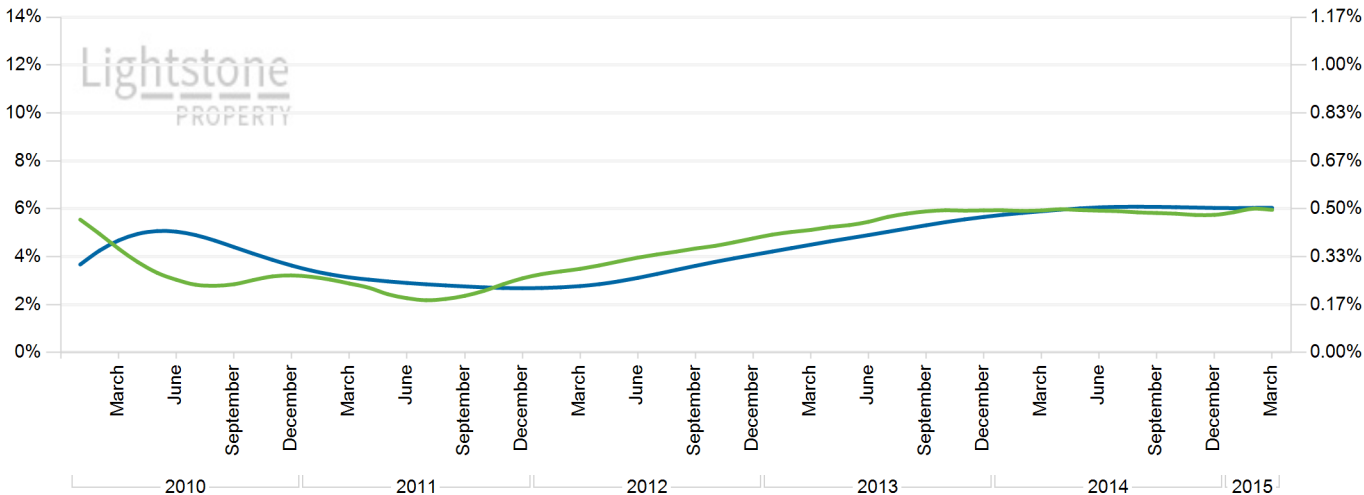
Annual Inflation: Area Value Bands



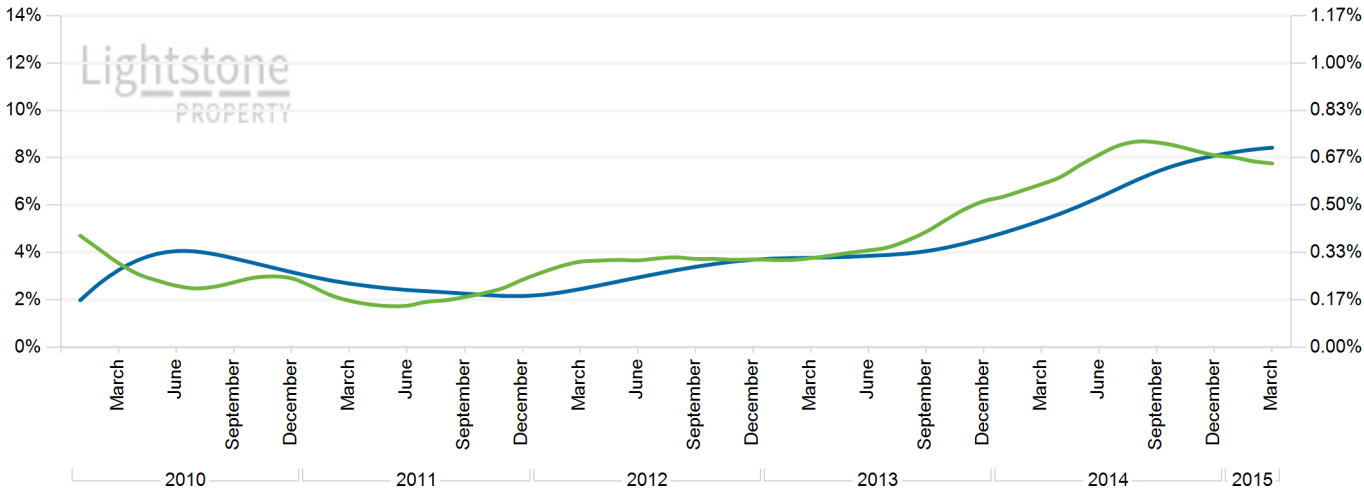
Annual vs Monthly Inflation: Luxury Property



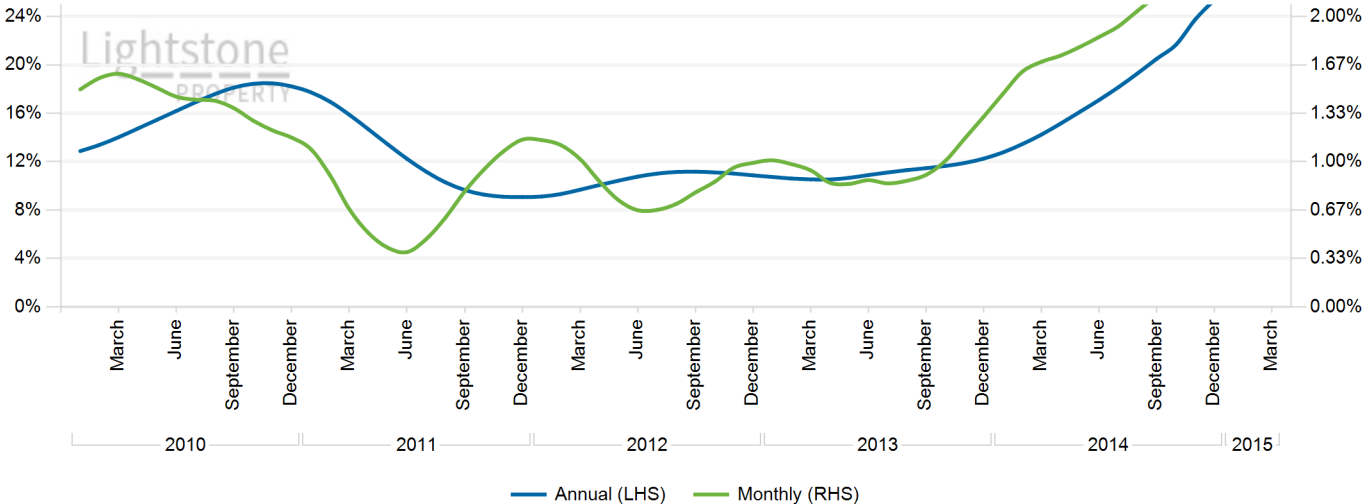
Annual vs Monthly Inflation: High Value Property



Annual vs Monthly Inflation: Mid Value Property



Annual vs Monthly Inflation: Low Value Property



— Annual (LHS) — Monthly (RHS)

Inflation Table

The **Annual Inflation Table** (below) provides a long term view of annual rates of inflation for various geographical areas and property types.

Please note that historic inflation rates can change as transactions occur that imply price inflation for those periods.

| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | |
|------------------|----------------------|-------|-------|-------|-------|--------|------------|------------|------------|
| | | | | | | | <i>Jan</i> | <i>Feb</i> | <i>Mar</i> |
| | National | 3.8 % | 2.6 % | 4.2 % | 5.4 % | 6.7 % | 6.6 % | 6.6 % | 6.6 % |
| Province | Eastern Cape | 3.9 % | 2.1 % | 2.7 % | 4.0 % | 8.6 % | | | |
| | Gauteng | 3.9 % | 2.7 % | 4.8 % | 5.5 % | 8.8 % | | | |
| | Kwazulu Natal | 3.5 % | 3.4 % | 3.8 % | 5.0 % | 5.2 % | | | |
| | Western Cape | 3.5 % | 2.2 % | 4.5 % | 7.0 % | 7.3 % | | | |
| Municipality | City Of Cape Town | 3.7 % | 2.6 % | 4.8 % | 7.0 % | 13.9 % | | | |
| | City Of Johannesburg | 3.7 % | 2.8 % | 4.5 % | 5.5 % | 7.0 % | | | |
| | City Of Tshwane | 4.2 % | 3.0 % | 5.3 % | 5.8 % | 9.9 % | | | |
| | Ekurhuleni | 3.9 % | 3.2 % | 4.6 % | 5.0 % | 7.3 % | | | |
| | EtheKwini | 3.1 % | 3.6 % | 4.2 % | 5.4 % | 6.4 % | | | |
| | Nelson Mandela Bay | 3.5 % | 1.9 % | 2.0 % | 5.3 % | 2.6 % | | | |
| Coastal | Coast | 1.3 % | 2.0 % | 3.9 % | 6.7 % | 6.2 % | | | |
| | Non-Coast | 3.8 % | 2.7 % | 4.5 % | 5.5 % | 7.8 % | | | |
| ST / FH | Free Hold | 4.6 % | 3.3 % | 4.7 % | 5.8 % | 6.5 % | 6.5 % | 6.6 % | 6.7 % |
| | Sectional Title | 2.9 % | 2.0 % | 4.0 % | 5.4 % | 6.6 % | 6.5 % | 6.4 % | 6.2 % |
| Area Value Bands | High Value | 3.6 % | 2.7 % | 4.1 % | 5.7 % | 6.0 % | 6.0 % | 6.0 % | 6.0 % |
| | Luxury | 3.5 % | 2.9 % | 5.6 % | 7.1 % | 5.9 % | 5.8 % | 5.7 % | 5.7 % |
| | Mid Value | 3.2 % | 2.2 % | 3.7 % | 4.6 % | 8.1 % | 8.2 % | 8.3 % | 8.4 % |

Shining A Light On Our Approach...

Methodology:

Lightstone applies the repeat sales methodology when reviewing and reporting on property 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.

Data:

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.

Caution:

Lightstone presents both annual and monthly inflation rates. Monthly inflation emphasises recent market performance (i.e. month on month) and is more volatile than annual inflation trends. Conclusions about the future trend of annual inflation, based on monthly inflationary rates, must be made with caution.

Disclaimer:

The Lightstone Repeat Sales Index system applies advanced statistical methods to a comprehensive property database - 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.

Queries:

Should you have any queries, please do not hesitate to email us info@lightstone.co.za or give us a call on 0860 106 389.

