

Residential Property Indices

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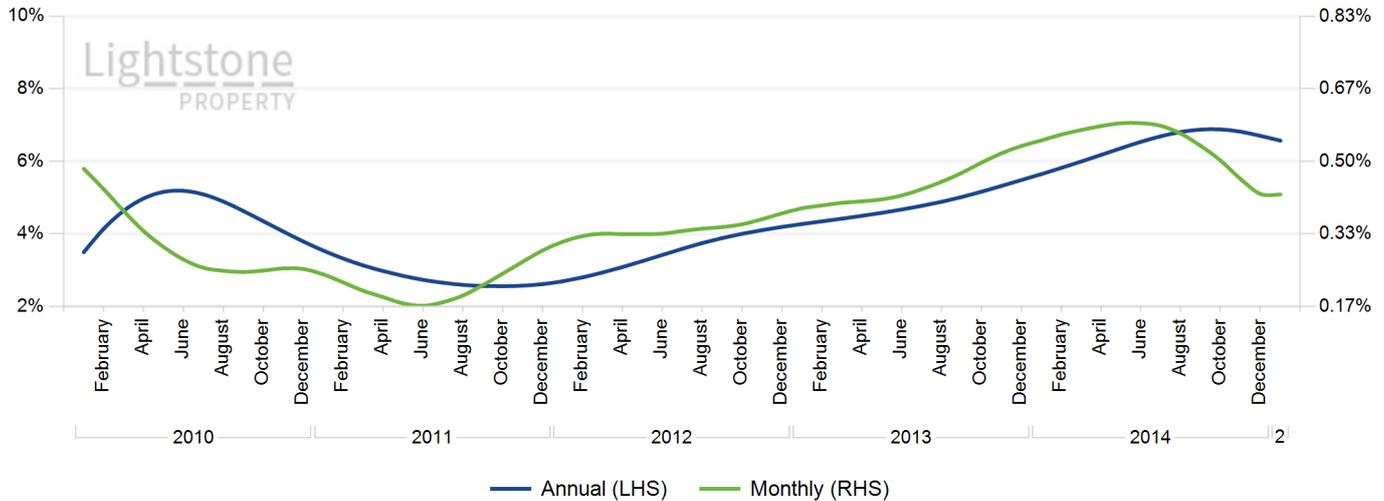
Information. Decisions. Results.



National Inflation

Current annual inflation rate is 6.57% and monthly is 0.42%

Annual vs. Monthly



Market Review

In February 2014, Lightstone forecasted that South African house price inflation will end at around 6.7%. In 2015, we expect this to decrease to 5.8%. In the event of more favourable economic conditions this figure can edge up to 7.3% while adverse conditions could see house price inflation closer to 3.5%.

Lightstone forecasted that the property market would reach a peak in 2014. This prediction realised in the luxury value segment which peaked in the first quarter of 2014 at an annual inflation rate of 7.1%. The subsequent 11 month's has seen a steady decline in this segment and was recorded at 5.3% in January 2015. In general, luxury house price inflation which serves as a leading indicator also suggesting that national house price inflation will continue to slow down. This is however supported not only by the signalling decline in the luxury value segment but also due to the forecasts of the major drivers of house price inflation.

The South African economic growth realised at 1.5% in 2014 and is expected to pick up to 2.5% in 2015. It is however currently unknown whether the labour unrest witnessed in the past two years will persist and reduce actual economic growth closer to that of 2014.

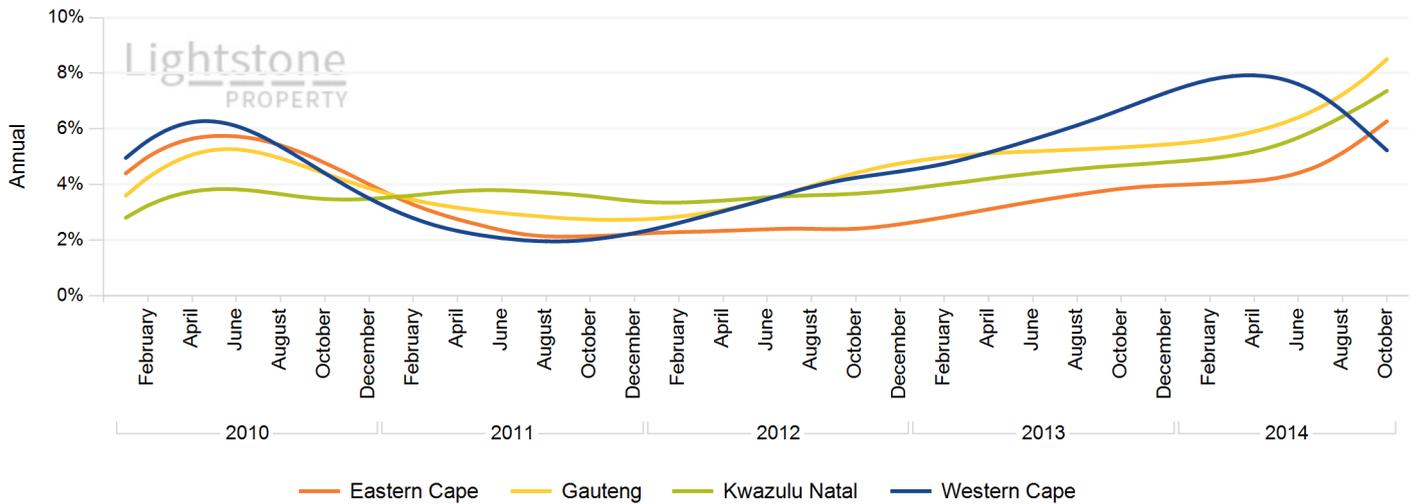
Inflation has also reduced significantly in the past 3 months due to decreasing oil prices. This however does not automatically bode for a reduction in interest rates. Government forecasts CPI at 5.9% for 2015 but lower oil prices can cause CPI to end up between 0.5% and 1% below this estimate.

Based on the forecasted estimates of the main drivers of economic growth while taking into consideration movement in the luxury value segment, Lightstone forecasts that house price inflation will realise at 5.8% by the end of 2015. In the event that the economy performs above expectation this figure could be closer to 7.3%. There is also the danger that labour unrest could persist edging house price inflation closer to 3.4% by the end of the year.

Provincial Inflation

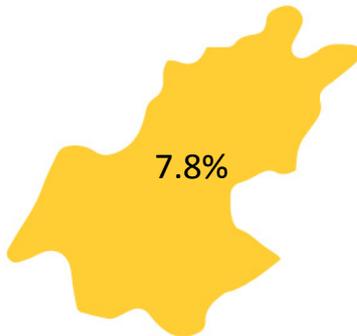
The **Lightstone Provincial Index** tracks annual inflation of the 4 major provinces in South Africa.

Annual Inflation: Major Provinces

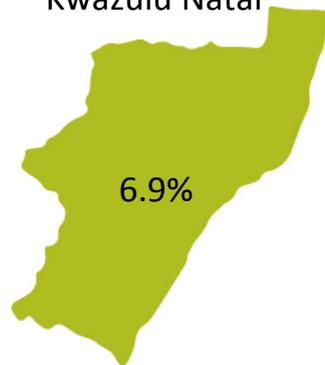


Latest/Current Provincial Inflation Status

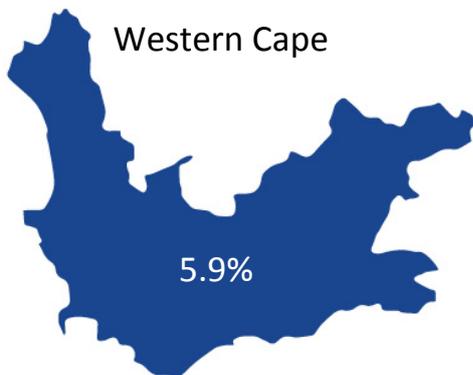
Gauteng



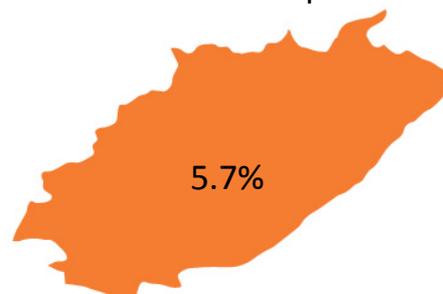
Kwazulu Natal



Western Cape



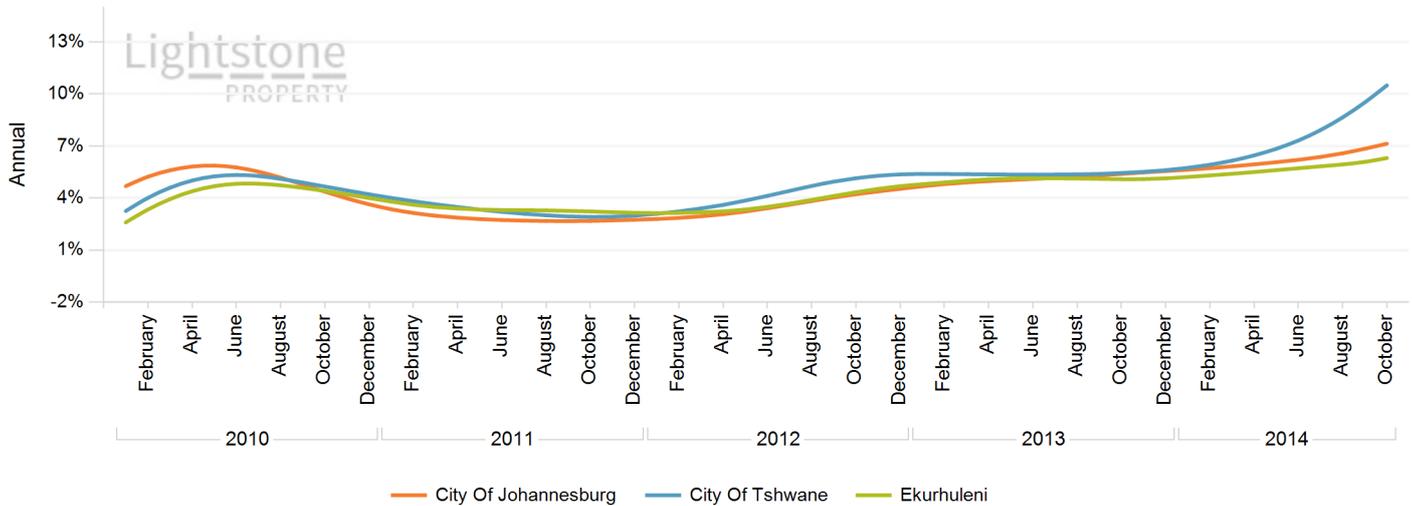
Eastern Cape



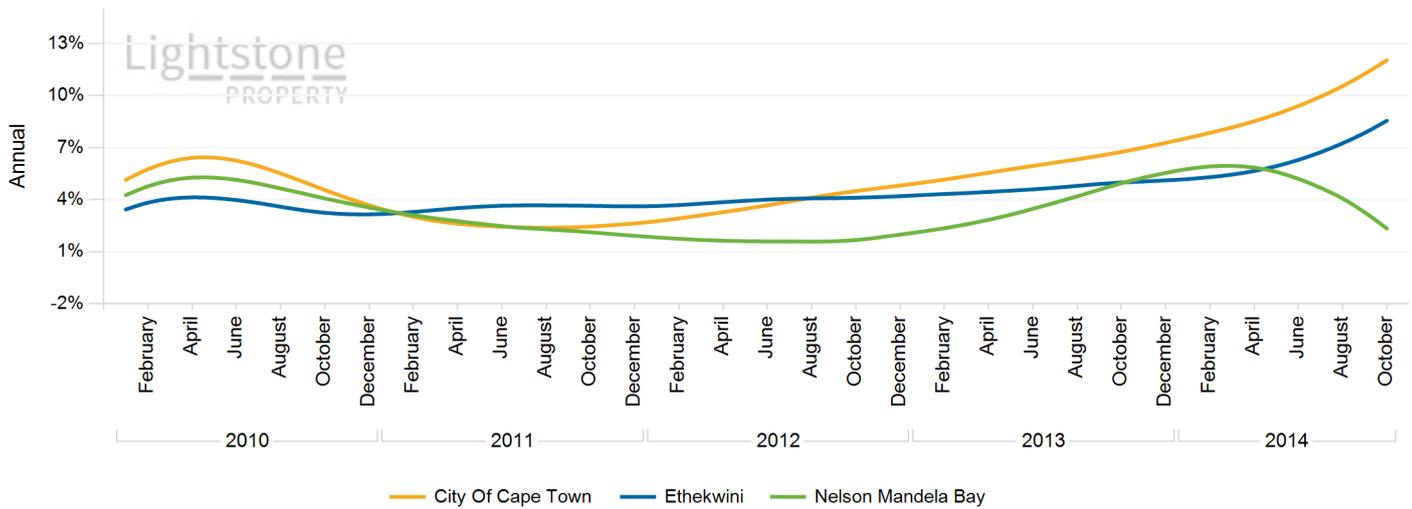
Municipal Inflation

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

Annual Inflation: Inland Municipalities



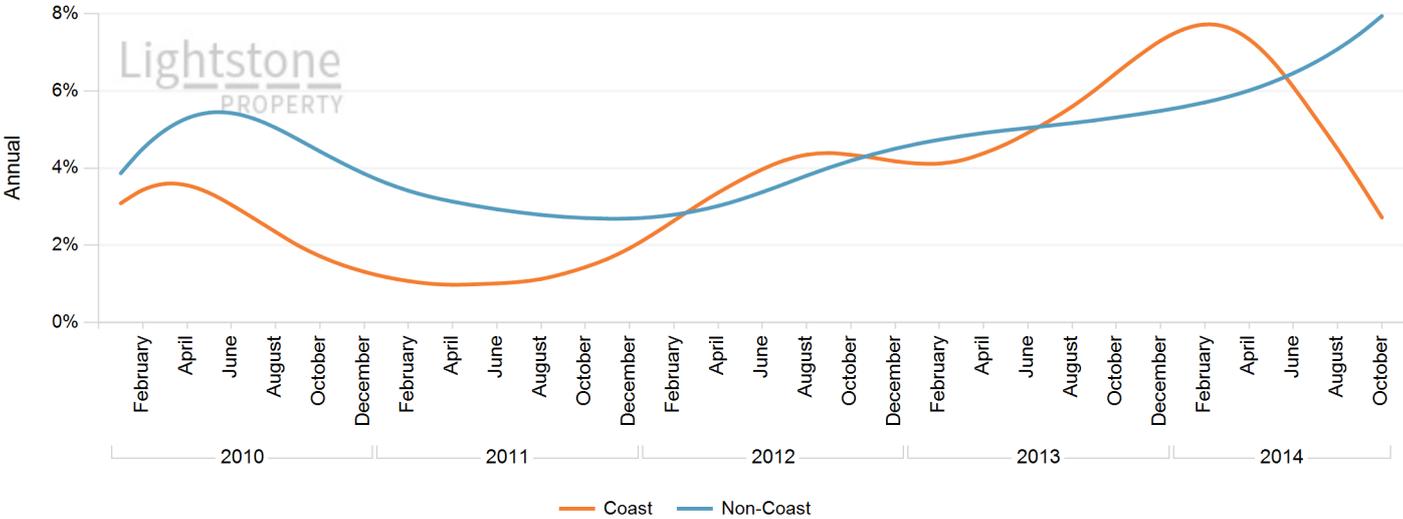
Annual Inflation: Coastal Municipalities



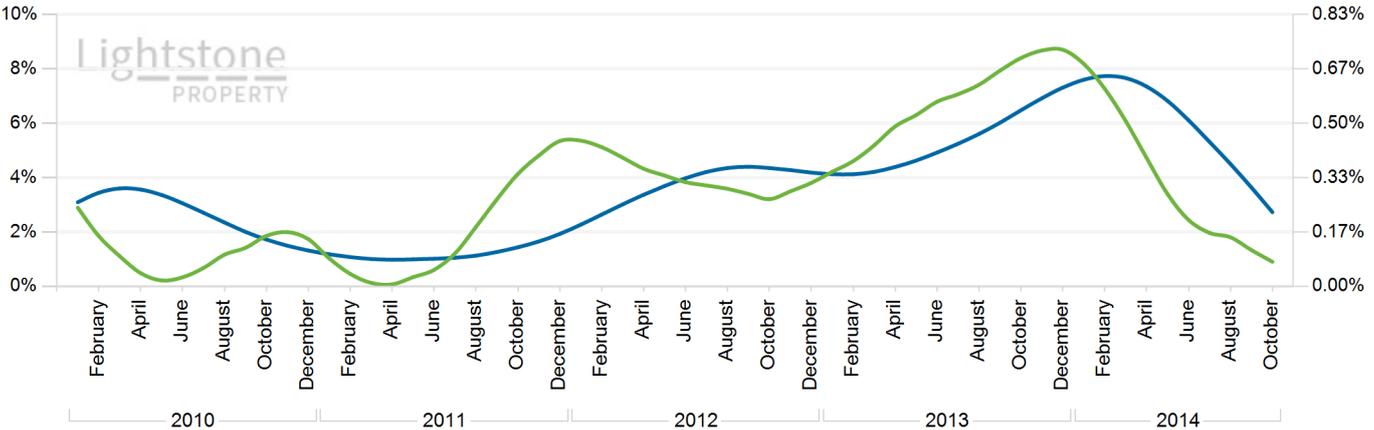
Property Inflation: Coast vs Non-Coast

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

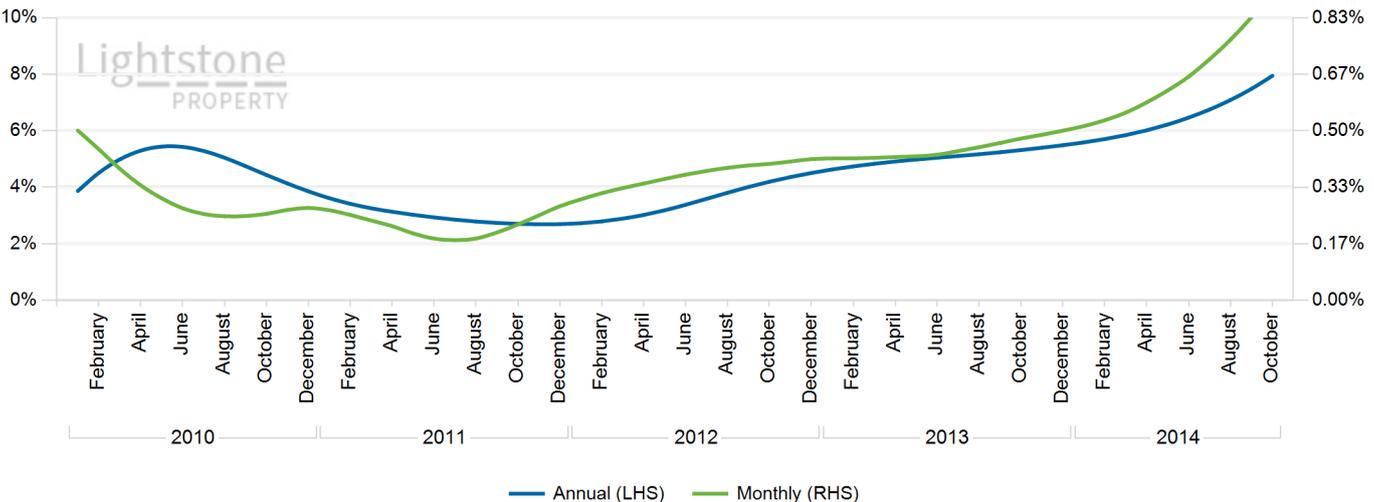
Annual Inflation: Coast vs Non-Coast



Coast: Annual vs Monthly Inflation

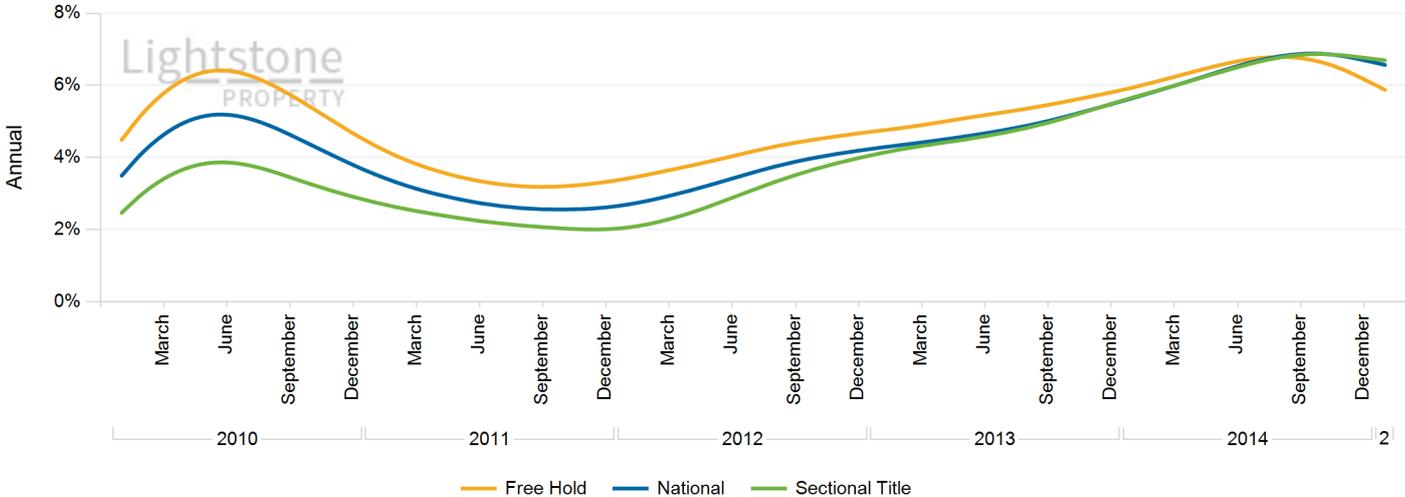


Non-Coast: Annual vs Monthly Inflation

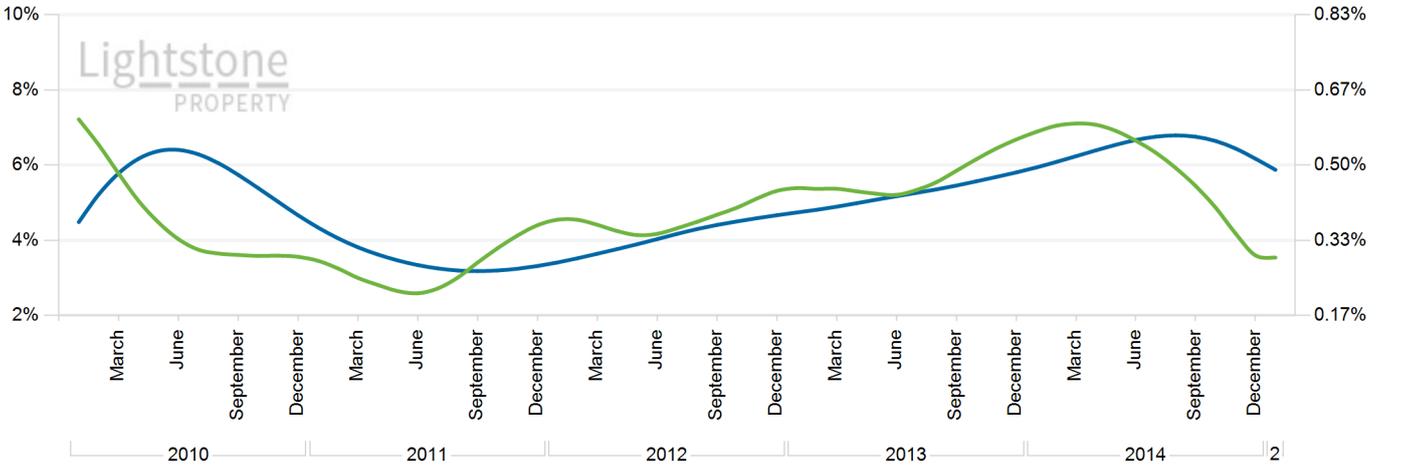


Property Inflation: Free Hold vs Sectional

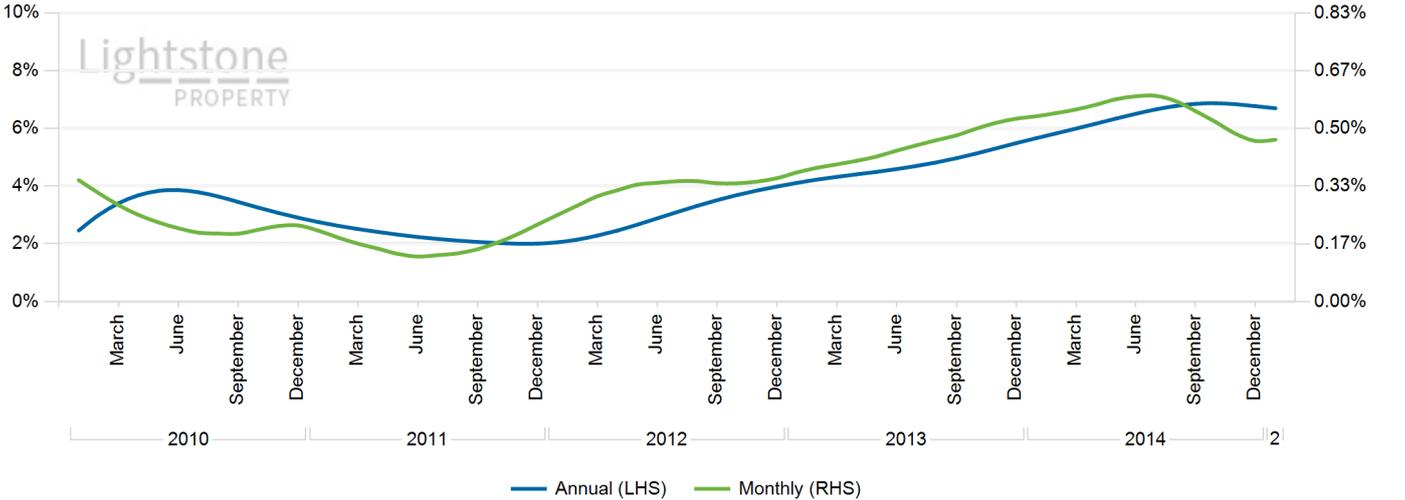
Annual Inflation: Free Hold vs Sectional Title Properties



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.

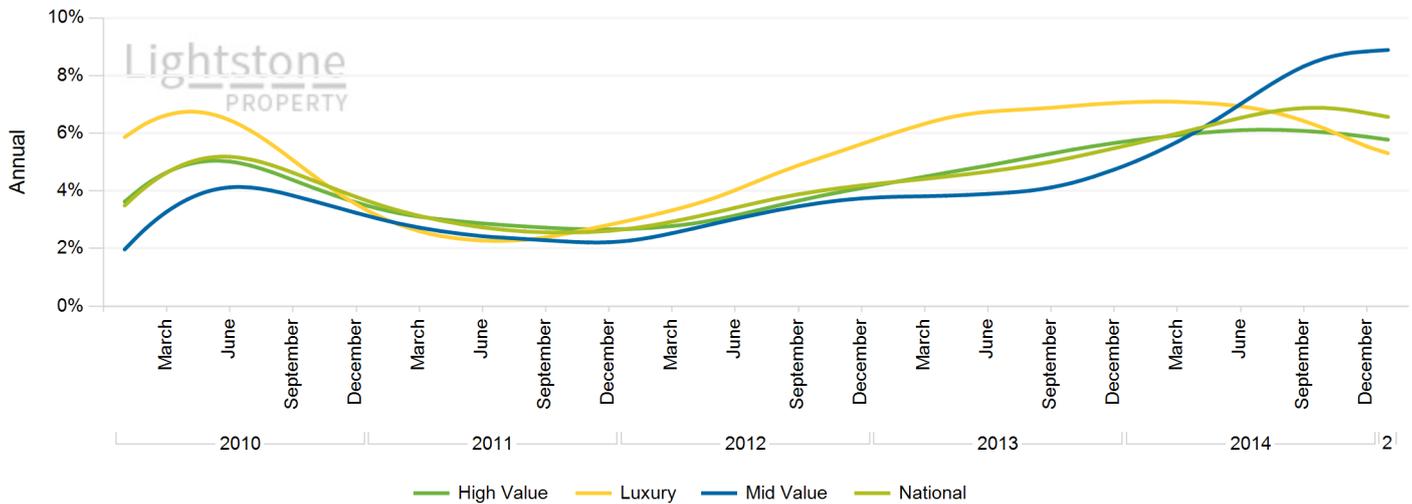
Luxury: > R1.5mil

High Value: R700k to R1.5mil

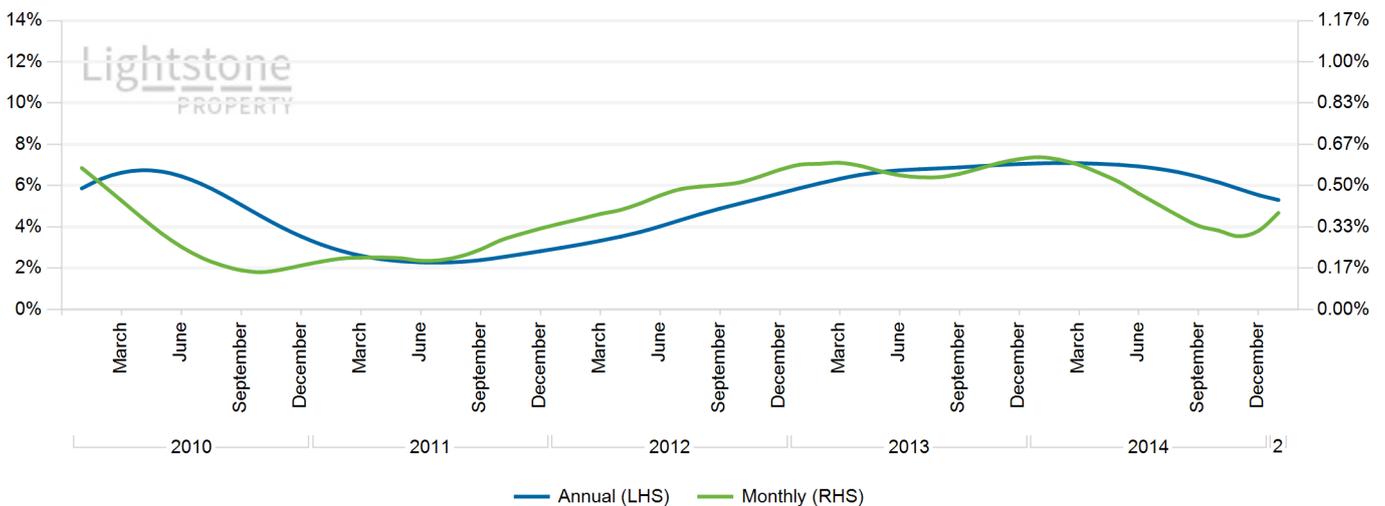
Mid Value: R250k to R700k

Low Value: <R250k

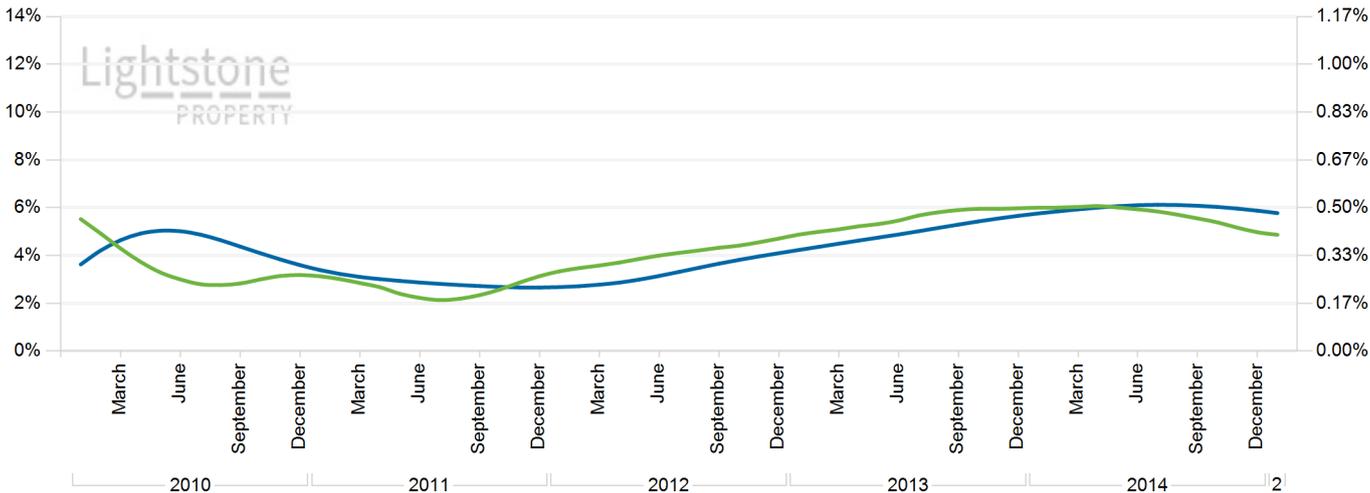
Annual Inflation: Area Value Bands



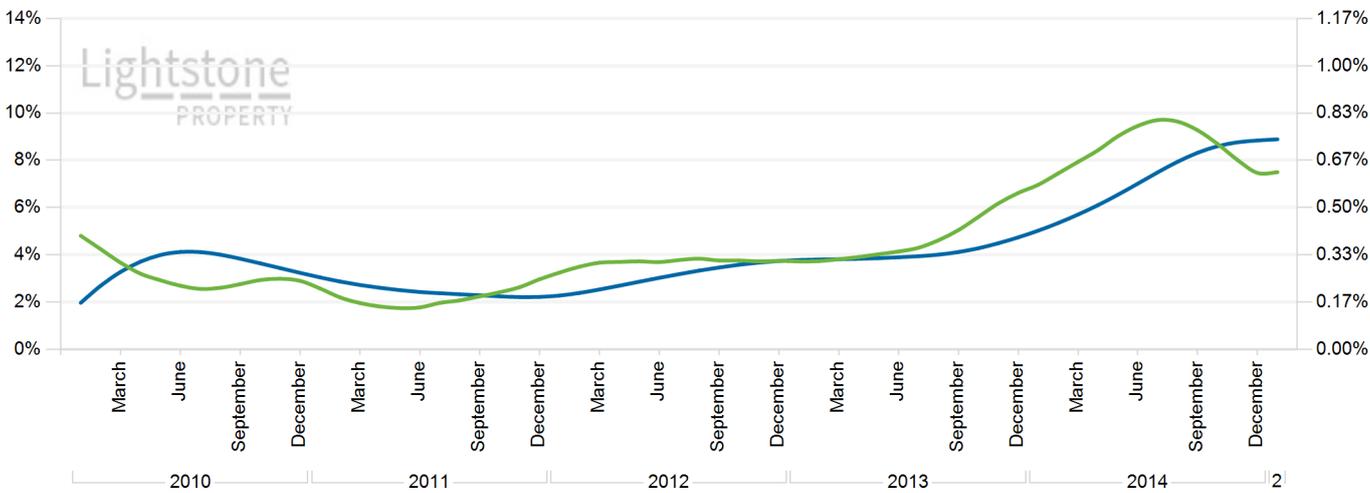
Annual vs Monthly Inflation: Luxury Property



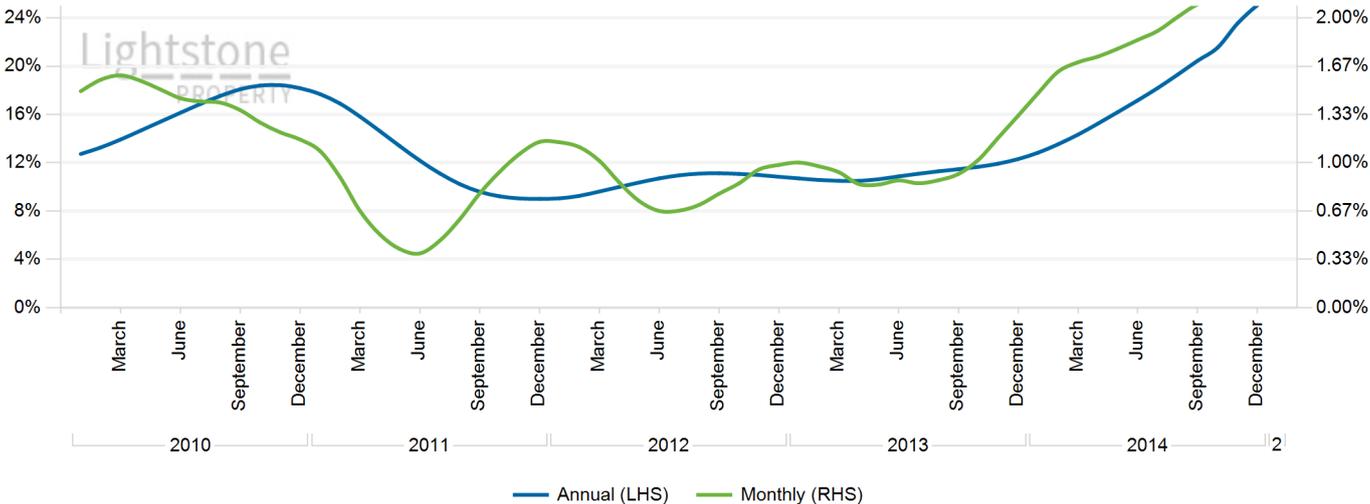
Annual vs Monthly Inflation: High Value Property



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						
						Q1	Q2	Q3	Oct	Nov	Dec	
	National	3.8 %	2.6 %	4.2 %	5.5 %	6.0 %	6.5 %	6.9 %	6.9 %	6.8 %	6.7 %	6.7 %
Province	Eastern Cape	4.0 %	2.2 %	2.6 %	4.0 %	4.1 %	4.4 %	5.7 %	6.3 %			
	Gauteng	3.9 %	2.7 %	4.8 %	5.4 %	5.7 %	6.4 %	7.8 %	8.5 %			
	Kwazulu Natal	3.5 %	3.4 %	3.8 %	4.8 %	5.0 %	5.7 %	6.9 %	7.4 %			
	Western Cape	3.5 %	2.3 %	4.5 %	7.3 %	7.9 %	7.6 %	5.9 %	5.2 %			
Municipality	City Of Cape Town	3.7 %	2.6 %	4.8 %	7.3 %	8.2 %	9.4 %	11.2 %	12.0 %			
	City Of Johannesburg	3.6 %	2.7 %	4.5 %	5.5 %	5.8 %	6.2 %	6.8 %	7.1 %			
	City Of Tshwane	4.2 %	3.0 %	5.4 %	5.6 %	6.1 %	7.3 %	9.5 %	10.5 %			
	Ekurhuleni	4.0 %	3.1 %	4.7 %	5.1 %	5.4 %	5.7 %	6.1 %	6.3 %			
	Ethekwini	3.1 %	3.6 %	4.2 %	5.1 %	5.4 %	6.3 %	7.8 %	8.5 %			
	Nelson Mandela Bay	3.5 %	1.9 %	2.0 %	5.5 %	5.9 %	5.2 %	3.3 %	2.3 %			
Coastal	Coast	1.3 %	1.9 %	4.2 %	7.3 %	7.7 %	6.1 %	3.6 %	2.7 %			
	Non-Coast	3.9 %	2.7 %	4.5 %	5.5 %	5.8 %	6.5 %	7.5 %	7.9 %			
ST / FH	Free Hold	4.7 %	3.3 %	4.7 %	5.8 %	6.2 %	6.7 %	6.8 %	6.6 %	6.4 %	6.2 %	6.2 %
	Sectional Title	2.9 %	2.0 %	4.0 %	5.5 %	6.0 %	6.5 %	6.8 %	6.9 %	6.8 %	6.8 %	6.8 %
Area Value Bands	High Value	3.6 %	2.7 %	4.1 %	5.7 %	5.9 %	6.1 %	6.1 %	6.0 %	6.0 %	5.9 %	5.9 %
	Luxury	3.5 %	2.8 %	5.6 %	7.0 %	7.1 %	6.9 %	6.4 %	6.2 %	5.8 %	5.5 %	5.5 %
	Mid Value	3.2 %	2.2 %	3.7 %	4.7 %	5.7 %	7.0 %	8.3 %	8.6 %	8.8 %	8.8 %	8.8 %

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.

