



## The Lightstone Property Forecast for 2019

*Positive Sentiment Reflects Amidst an Uncertain Climate*

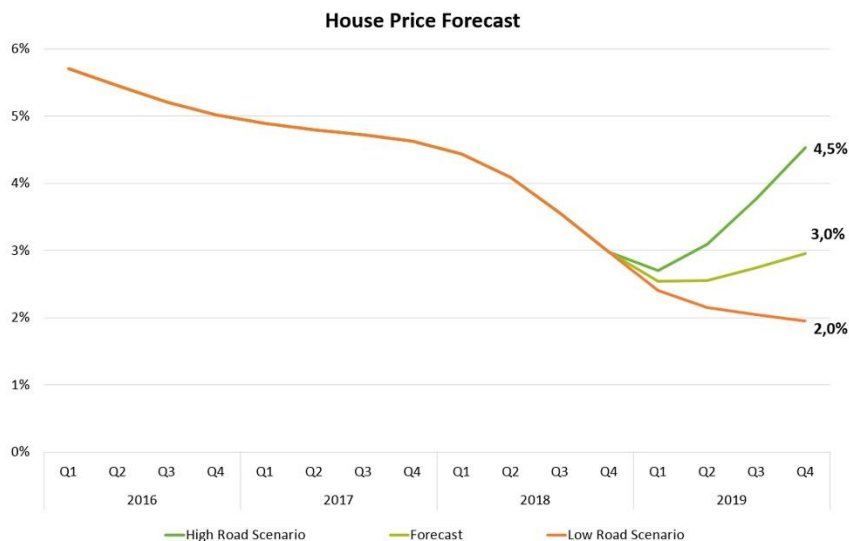
While property sales for 2018 are still working its way through the deeds registration process a preliminary review of the Lightstone Property Forecast of 2018 indicates that the market is ending the year closer to the 2,9% *low road scenario*, as opposed to the forecasted 3,8%. Paul-Roux de Kock, Analytics Director at Lightstone, the provider of comprehensive data, analytics and systems on property, explains that the outcome was mainly due to a lower performing GDP rate; a trend de Kock anticipates continuing into this year with house price inflation currently at 3%. “Taking into account current CPI at 4,5%, the mid value segment experienced lacklustre growth, while the luxury market had a disappointing year with negative real price growth.”

De Kock says that realistic local forecasts indicate that the GDP will grow between 0.75% and 1.5%, and CPI will range between 4.0% - 5.5% for 2019. The Lightstone 2019 Residential Property Forecast is developed according to tested scenarios using the beforementioned parameters and fluctuations in the prime lending rate of between -0.5 to 1.0 basis point.

### The National Forecast

“As can be expected, the first quarter of 2019 will continue on a similar slow downward trend, within the constrained economic environment.” According to De Kock the country will most likely experience a positive economic turnaround post-election, and certainty on economic policy and property ownership are likely to stimulate positive property market activity.

When analysing the three different scenarios as modelled by data scientists at Lightstone, it is revealed that should the market follow the *mid-road* scenario, it will end the year in a similar position as 2018. “On the positive though, should the economy fundamentally strengthen and significantly boost buyer confidence in the market, it could not only end in a high road scenario but has the potential to break through this forecasted percentage.” The latter scenario was not explicitly modelled during the forecast but is based on intuitive expectations from a healthy performing emerging market economy.

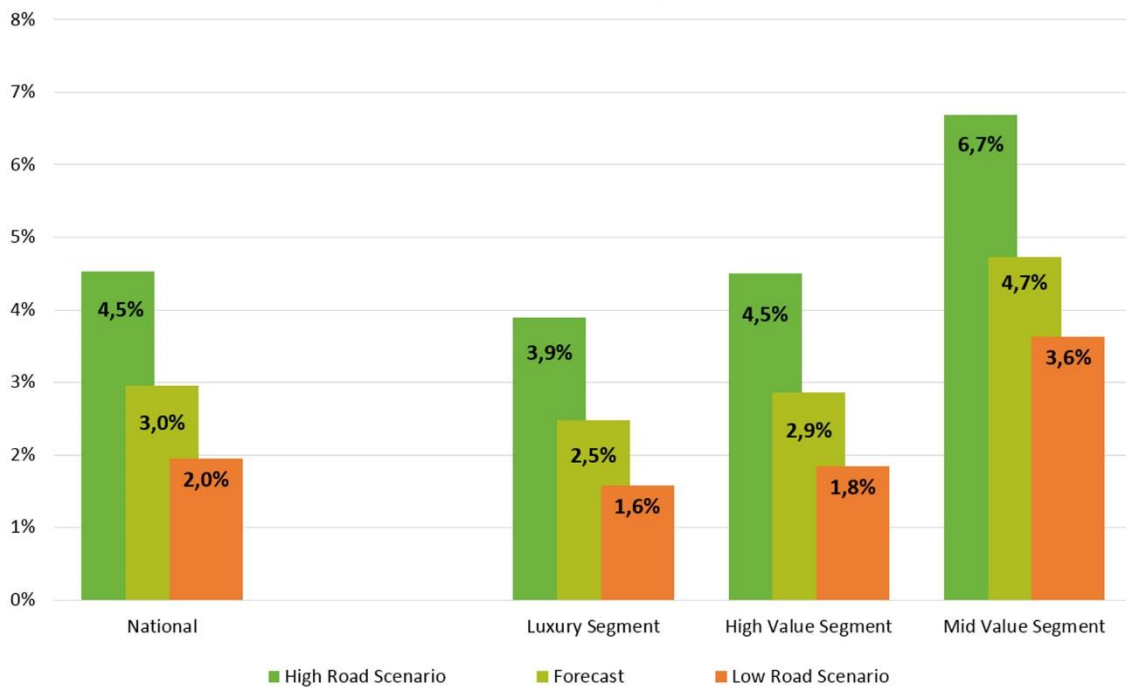


*National Residential Market Overview Modelled on Three Different Scenarios*

## Value Bands Forecast

1. **Luxury Market Segment** : Similar to the disappointing performance in 2018, the luxury market is expected to continue its negative nominal growth during the first quarter, before correcting during the second half of 2019. The rebound can be swift under a *high road scenario* as the expectation that this segment should track the CPI growth figures more closely is reinforced.
2. **High Value Segment**: During 2018 house prices grew by 2,6% and this growth is expected to tick up slightly during 2019 and end the year at 2,9%.
3. **Mid Value Segment** : As one of the 2018 property success stories, this segment benefited largely thanks to upward mobility of the lower end affordable market as well as homeowners downscaling from higher value segments. This segment is set to stabilise and end 2019 at 4,7% with strong real value growth should the economy follow the *high road scenario*.

2019 Year End Forecast by Value Band



Value Band Performance in 2019

“In the run up to the national elections, uncertainty will most likely increase in the property market as the political and economic environment remains tumultuous,” says De Kock. Specifically, in the residential property sector, debates on land reform is expected to continue to influence buyer confidence; however, De Kock highlights that there are early indications in the data that the property industry could still experience a robust recovery in 2019.

*\*This is the first year Lightstone has released the Property Forecast excluding a large portion of the November and December sales still in the registration process. The reasoning behind the decision was to dissipate at least some of the ambiguity causing uncertainty in the South African climate. Lightstone will report on and reforecast as additional data become available.*