

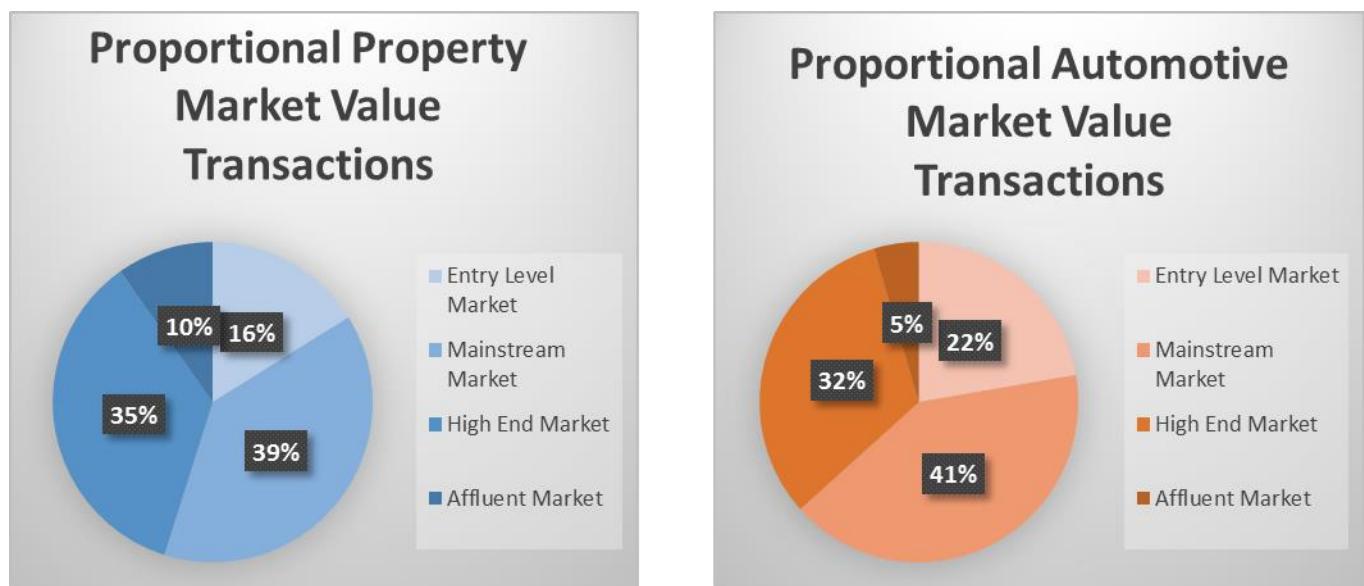
## Vehicle and home buying patterns changing in South Africa

The two largest asset purchases with on-going expenses that typical middle- to- high income consumers are faced with are houses and vehicles. Lightstone, a provider of comprehensive data, analytics and systems on automotive, property and business assets, identified comparable market segments across properties and vehicles and have seen significant changes in preferences between the two over 2012 and 2013.

"When comparing the value of the transacting market between the first half of 2012 and the first half of 2013 we identified how the asset preferences of consumers in different cities changed from one year to the next. This also provided insight into what we can expect in the first half of 2014, which is uniquely gloomy with the combined effect of an interest rate hike and increased fuel prices driving up living costs and therefore diminishing the asset buying power of consumers," says Paul-Roux de Kock, Analytics Director at Lightstone.

Lightstone categorises these four markets, namely, Entry Level, Mainstream, High End and Affluent, based on typical details.

"The proportional value of new and second hand transacting assets over a one year period shows four markets that are comparable in size over the two asset classes," says de Kock.



"When breaking down these markets per asset in each region, we observe interesting results showing which assets consumers place priority on in different provinces," says de Kock.

In the City of Johannesburg, the affluent and high end property market picked up speed and it is expected that the mainstream market will follow suit in 2014 as borderline high-end home buyers might opt to stick to the mainstream market in fear of further rate hikes.

"The automotive sector had a slower six months in all four markets, but with consumers feeling the brunt of increased fuel and e-Toll costs in 2014, we expect potential car buyers to drive up activity in the entry level and mainstream markets at the expense of the high and affluent markets," says de Kock.

In the City of Cape Town there has been a definite drop in the value of transacting passenger vehicles in the higher ends of the market. There has been an anomaly of a 10% increase in the affluent vehicle market, but due to the low volumes of luxury vehicles traded in the region, small increases will be exaggerated.

In the residential property sector, the mainstream and high end markets were the ones that picked up steam from the first semester of 2012 to the first semester of 2013 with the entry level market not as active. This potentially indicates a migration up the value ladder in the Cape Town property market, but with the reverse happening in the vehicle market.

In the City of Tshwane, Lightstone saw a similar decline to Johannesburg in the transacting automotive markets and with increased fuel and e-Toll costs, it is expected that there will be similar downgrade trends in the vehicle markets, however it seems that consumers were spending more money in the non-entry level property markets. This can indicate that there might be a migration up the property value chain similar to the City of Cape Town in the first half of 2014.

"It is apparent that the markets in both sectors are constantly contracting and expanding and that the movement of value traded across markets in the different municipalities will react differently to economic shocks. We will be following the effect of this on the interplaying property and automotive markets closely in the months to come," concludes de Kock.

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**Note to the editor:**

\* Breakdown of markets:

- *Entry level market*
  - *Cars: Type A – Entry level - HYUNDAI Atos or similar*
  - *Property: Residential markets where the average property value of the area is less than R700 000*
- *Mainstream market*
  - *Cars: Type B – Small - Volkswagen Golf or similar*

- *Property: Residential markets where the average property value of the area is between R700 000 and R1.5mil*
- *High end market*
  - *Cars: Type C - Medium BMW 3 series or similar & Type D – Large - Audi A6 or similar*
  - *Property: Residential markets where the average property value of the area is between R1.5mil and R3mil*
- *Affluent market*
  - *Cars: Luxury, Sports & Exotics - Mercedes S Class and Porsche 911*
  - *Property: Residential markets where the average property value of the area is greater than R3mil.*

**About Lightstone:**

Lightstone is a provider of comprehensive data, analytics and systems on property, automotive and business assets. Lightstone has access to unique and proprietary data sets which allow it to build sophisticated analytics and spatial models to deploy various technologies to a range of industries. Our analytical, business and industry expertise is paired with our technical excellence to guide clients in managing risk and making business critical decisions. For more information, please visit: [www.lightstone.co.za](http://www.lightstone.co.za)