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## WHAT EVERY PROPERTY INVESTOR MUST KNOW?

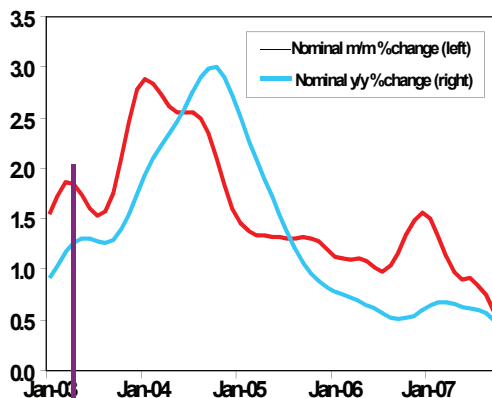
Hi all,

As a result of the current interest rate concerns I thought it to be appropriate to give my views to all Townhouse Warehouse Investors. In fact, I will go further and share with you what interest rates were like when I started my property investment career.

I bought my first townhouses in February 2003. Below please find tables and charts showing the ABSA House Price Index as well as Prime Interest Rate fluctuations since June 2002. *Note: The vertical line indicates where I started to buy.*

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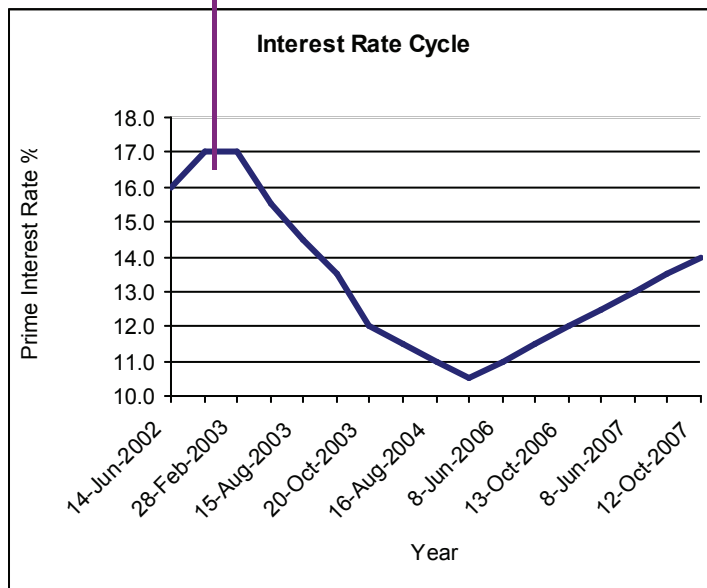
Absa House Price Index



Absa House Price Index (nominal, 2000=100)

	2003	2004	2005	2006	2007
Jan	144.6	183.1	240.7	281.0	324.5
Feb	147.1	188.3	244.0	284.1	328.8
Mar	149.8	193.4	247.3	287.2	332.6
Apr	152.6	198.5	250.6	290.4	335.8
May	155.3	203.5	253.9	293.5	338.8
Jun	157.7	208.7	257.3	296.5	342.0
Jul	160.2	214.1	260.6	299.4	344.8
Aug	162.7	219.4	264.0	302.5	347.4
Sep	165.5	224.6	267.5	306.1	349.5
Oct	169.0	229.3	271.0	310.2	
Nov	173.1	233.5	274.5	314.8	
Dec	177.9	237.2	277.8	319.7	
Ann ave	159.6	211.1	259.1	298.8	

I started to buy here!



Prime Interest Rate

14-Jun-2002	16.0%
16-Sep-2002	17.0%
28-Feb-2003	17.0%
13-Jun-2003	15.5%
15-Aug-2003	14.5%
11-Sep-2003	13.5%
20-Oct-2003	12.0%
15-Dec-2003	11.5%
16-Aug-2004	11.0%
15-Apr-2005	10.5%
8-Jun-2006	11.0%
3-Aug-2006	11.5%
13-Oct-2006	12.0%
8-Dec-2006	12.5%
8-Jun-2007	13.0%
17-Aug-2007	13.5%
12-Oct-2007	14.0%

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Because I bought "off-plan" I was already in the market once rates approached its downward cycle. The biggest benefit of buying "off-plan" during a high interest rate cycle is the fact that the developer is the one struggling with the high interest rates.

Once you take transfer of your unit it might be just before or after interest rates adopt a downward trend.

"The way to make money is to buy when blood is running in the streets."

**John D Rockefeller**

Based on the above comparison between the ABSA House Price Index and Interest Rate Cycles, it is evident that growth is experienced in a downward interest rate cycle. It is therefore imperative to already be in the market once rates start declining. The only way to accomplish this is to buy "off-plan", take transfer just before the down cycle and experience maximum growth.

### **Sustaining Your Property Investment During A High Interest Rate Cycle.**

"The person who starts out simply with the idea of getting rich won't succeed; you must have a larger ambition."

**John D Rockefeller**

Unfortunately this is a path you must travel in order to experience maximum growth on your property portfolio. The trick is to figure out a way to make ends meet. Once you pass through this cycle you will be home free. As rates come down you will be able to off-load one or two units and use the capital gain to reduce your remaining bonds on your portfolio.

Remember! Property investment is not a short-term investment. Along the way you will have to endure certain hardships, but do not lie down without a fight. Stand strong, re-arrange your monthly

expenses, cancel your DSTV if you have to, or trade your car in for a cheaper model. Do whatever it takes to stay afloat. It will be a short-term sacrifice with endless rewards.

Townhouse Warehouse is doing everything within its power to increase monthly rentals as lease agreements are renewed. Rentals in the past have always increased during high interest rate cycles. We are currently experiencing increases, but it might take a few more months for the rentals to play a lot of catch-up, but once they do your benefit will be eternal as rentals very seldom decrease once rates are cut.

Townhouse Warehouse also has the Millionaires Club on offer. By joining the Millionaires Club you have an opportunity to increase your monthly income by earning referral commission. We have a Year End Incentive Bonus Scheme with its main objective to give you extra cash in your pocket before Christmas. This cash may be utilized to subsidize current bond re-payments, Christmas shopping or that long awaited holiday.

Another option is not to go away this festive season, use your bonus to manage the effect of the higher interest rates and use the Millionaires Club to join Townhouse Warehouse on an unforgettable cruise to Bazaruto, Mozambique at the end of March 2008.

Regards  
Pieter de Wet

