



Salary needed to afford various properties and cars across SA

Do you know what salary you need to be earning to purchase a property in a particular area of South Africa?

We thought it'd be interesting delving into our data to address that exact question. To add a little more to the mix, we also analysed the type of vehicles a person could typically afford in line with that salary.

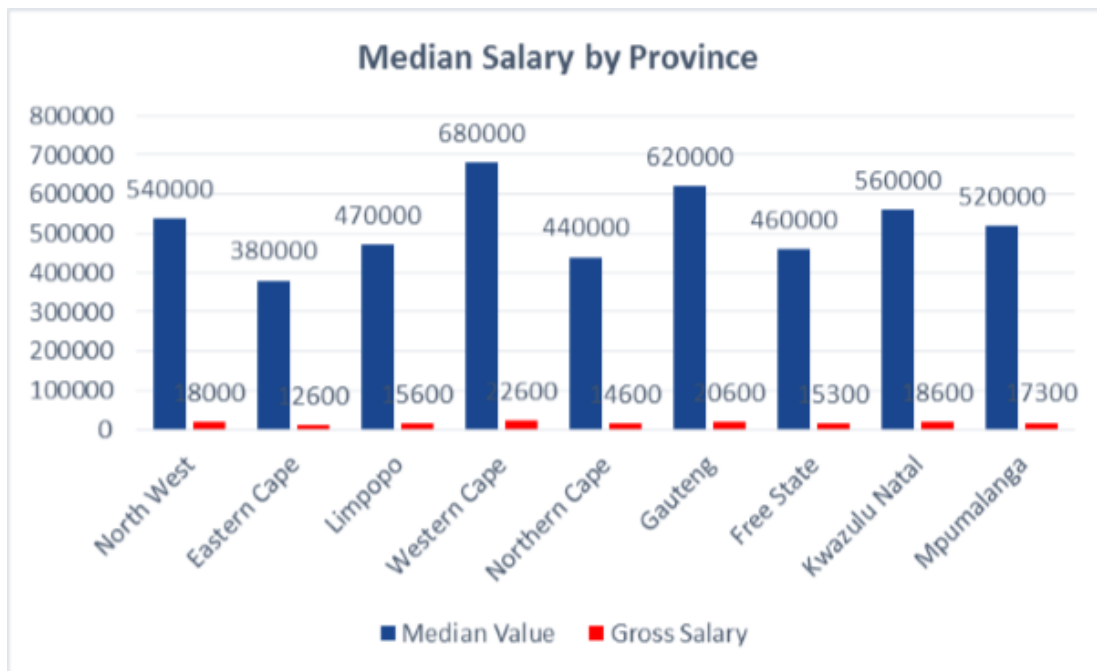
Before we uncover our findings, it's important that we bring you up to speed on how we got to the results that we did. The "salary needed for property" element is based on:

- Gross salary per month (referred to as "salary")
- The median value of properties (we prefer opting for the median over the average, as it eliminates extreme values which can influence the price within a suburb, and it gives a good representation of the typical house value in the suburb as a whole)
- A 20 year mortgage at a fixed prime rate (10.5%)
- 100% financing with no deposit made in purchasing a property, but transfer and other related costs are excluded.
- No more than 30% of a person's gross monthly salary would be allocated towards mortgage repayments each month (this is based on mortgage lender standard assumptions.)

It's also essential to bear in mind that the content within this newsletter is just for illustrative purposes and does not constitute professional financial advice, nor is it a replacement for a proper affordability assessment that banks will conduct during the credit granting process.

Now that the "formalities" are out of the way, let's get onto our findings.

The median value for a property in the Western Cape is R680 000, the highest out of all of the provinces, and one which would require a monthly salary of R22 600. The Eastern Cape is the province with the lowest median value of a property (at R380 000) requiring a salary of R12 600. To afford a property in Gauteng where the median value is R620 000, you'd typically need a salary of R20 600.



Comparing median values of properties on a provincial level and the salaries required, there isn't a massive difference in numbers. Between Gauteng and the Western Cape, there is a R60 000 difference in the median value of properties, and only R2 000 difference between salaries needed to afford such properties.

What about when you take it one step further and analyse suburbs and the salary needed to purchase within them? This is where the numbers change – substantially.

To afford a luxury beach property with a median value range of R11 700 000 in Llandudno, you'd need a monthly salary of R389 400. A property of R7 200 000 within the coastal estate of Zimbali would require a salary of at least R239 600, and a property of around R8 350 000 in De Zalze Golf Estate would require a salary of R277 900. Estates and luxury properties along the beach are a firm favourite among top earners in South Africa (and those from abroad) where, if a person can afford it, they don't mind spending high amounts of money, mainly because properties of this nature tend to offer a heightened level of security and provide better investment opportunities (and often, a great view) for buyers. In last month's newsletter we highlighted estate living in South Africa and noted that more developers are including lifestyle elements into their estates (such as catering for pastimes like golfing and fishing; with some going as far as incorporating hospitals and schools within the estate property.) With all of those added "perks" that cater to people's lifestyles, the property becomes more than "just an investment" which would likely provide greater return in the long run; it becomes an asset that people can indulge in and enjoy while they have it, better validating them spending a good portion of their salary on it.

Gross Salary based on Median Suburb Property Value



CareerJunction recently released their annual salary index which tracks year-on-year changes in market-related pay across 10 sectors in South Africa. In 2016, most jobs covered by CareerJunction saw an increase in average salaries, with 71 of 107 careers seeing pay climb. However 36 jobs saw the average salary offered drop – by as much as 60%. According to the survey, the biggest climber in salaries were for investment bankers, where a skilled employee saw offered salaries of R39 659 per month. While this salary would provide the investment banker the opportunity to afford a property of R980 000 in Bedford Gardens or the Cape Town Centre (where a R32 600 salary would suffice for both suburbs) they might have a bit of trouble pinning down a holiday home or property in Umhlanga which would require a salary of R106 500 for a property with a median value of R3 200 000.

Now, what if you want to add a car to the mix? How does that split the property affordability and salary required aspect?

Based on:

- The approach of allocating 20% of a person's salary (as a broad average, taking into account the fact that we have factored 30% of a person's salary toward mortgage repayments - for the sake of the illustration in this newsletter – taking repayment on asset related debt to 50% in total each month)
- An interest rate of Prime + 2% (12.5%) on Vehicle Asset Finance
- Car repayments made over a five year period
- Stock price of a vehicle with no extras
- 100% financing with no deposit made in purchasing the car, but initiation fees and other related costs are excluded

we have picked out a few cars that could fit within a few salary brackets.

A salary of R49 900 would get you a R1 500 000 property in Noordheuwel, and you could add a vehicle worth R442 000 (maybe a brand new Kia Sportage 2.0 AWD MY14 AT or a second hand Mitsubishi Pajero BK 3.2 DI-DC.) A salary of R41 600 could get you a R1 250 000 property in Parkhill in KwaZulu Natal, and a brand new MINI Cooper convertible 1.6 MY16 worth R368 000 in value.

Monthly gross salary	Home value that can be financed over 20 years with 30%	Typical suburbs	Car value that can be financed over 5 years with 20%	Typical New Car	Typical 3 year old second hand car
R 327 800,00	R 9 850 000,00	Dunkeld (GP), Constantia (WC)	R 2 914 045,00	Maserati Grandcabrio MC Automatic Cabriolet	Lamborghini Gallardo LP550-2 Model Year 2014
R 213 000,00	R 6 400 000,00	Fresnaye (WC), Linksfield North (GP), Mooikloof (GP)	R 1 893 507,00	Jaguar F-Type 5.0 V8 R Coupe AWD Model Year 2016 Automatic	Porche 911/997 3.8 Speedster Cabriolet PDK
R 106 500,00	R 3 200 000,00	Parkhurst (JHB), Tokai (WC), Umhlanga Rocks (KZN)	R 946 753,00	Land Rover Range Rover Evoque 2.0 Si4 Autobiography Automatic Model Year 2016	BMW 750i Model Year 2012 Automatic
R 89 900,00	R 2 700 000,00	Woodmead (GP), Bryanston (GP), Meadowridge (WC)	R 799 184,00	BMW 440i Gran Coupe 8-SP Sports Model Year 2016 Automatic	Mercedes ML 500 Blue efficiency 4X4 Automatic
R 66 600,00	R 2 000 000,00	Gordons Bay (WC), Hazelwood (GP), Umdloti Beach (KZN)	R 592 054,00	Subaru Outback 3.6 RS AWD CVT Model Year 2016	Toyota Landcruiser Prado 3.0 DT VX 4X4 Automatic DSL Model Year 2013
R 58 200,00	R 1 750 000,00	Blairgowrie (GP), Pinehurst (WC), Glen Hills (KZN)	R 517 381,00	Audi A4 2.0T FSI Sport S-Tronic Model Year 2016	Jaguar XF 3.0D S Premium Luxury DSL Model Year 2012 Automatic
R 49 900,00	R 1 500 000,00	Lonehill (GP), Durbanville (WC), Waterfall (KZN)	R 443 596,00	KIA Sportage 2.0 AWD Model Year 2014 Automatic	Mitsubishi Pajero BK 3.2 DI-DC GLS Exceed LWB 4X4 5-DR Automatic DSL Model Year 2012
R 41 600,00	R 1 250 000,00	Parkhill (KZN), Tableview (WC), Kensington (GP)	R 369 812,00	Mini Cooper Convertible 1.6 Model Year 2016	Toyota Fortuner 3.0 D-4D 4X4 DSL Limited Edition
R 33 300,00	R 1 000 000,00	Doornpoort (GP), Escombe (KZN), Swellendam (WC)	R 296 027,00	Mazda 3 2.0 Individual 5-DR Model Year 2014	Audi TT Coupe 1.8T FSI
R 23 300,00	R 700 000,00	Krugersdorp West (GP), Lancaster Hill (KZN), Grabouw (WC)	R 207 130,00	Hyundai i20 1.2 Motion 5-DR Model Year 2015	Ford Ecosport 1.0 Ecoboost Titanium
R 16 600,00	R 500 000,00	Parow Central (WC), Regier Park (GP), Shastri (KZN)	R 147 569,00	Toyota Etios SD 1.5 Xi Model Year 2015	Honda Ballade 1.5 Elegance Automatic
R 10 000,00	R 300 000,00	Yeoville (GP), Umhlanga (KZN), Eastridge (WC)	R 88 897,00	Geely LC 1.0 GS 5-DR	KIA Picanto 1.0 5-DR Model Year 2011
R 6 300,00	R 190 000,00	Hillbrow (GP), Wasbank (KZN), Khayelitsha (WC)	R 53 338,00		Chery QQ3 0.8 TE 5-DR

In this newsletter, we weighted 30% of a person's gross monthly salary on mortgage repayments and 20% on car finance, but this ratio could quite easily be adjusted for individual needs and investment preferences. A person at the Coast may opt to spend less on their car as the perception of humidity and salty sea causing substantial damage to it in the long run increases; whereas a person living in Pretoria and travelling to JHB each day might opt to spend more on a more comfortable car to provide more comfort during the long daily commute.

Values of property at the Coast (particularly within the Western Cape and the North Coast of KZN) may be appreciating in value better, so some residents here may opt to spend a higher portion of their

salary on that as it is seen as a long term investment compared to a car.

While macro-and-micro economic factors may play their respective parts in the proportion of salary spend on each asset, at the end of the day individual home and vehicle buyers will have to make informed decisions based on their personal affordability assessments on how much they are willing to spend on each.

