Saving for that dream home?

Home is where the heart is but it's often also where the biggest chunk of a life's spending is invested. Our dream homes are filled with love and laughter and… plenty of debt. But If you ever dreamt of squirrelling away surplus income to present your child with a lock-up-and-go when they get married, figures show us that it is never too soon.

Buying a house with the help of a bank has become the accepted path of property investment, but interest rates are often debilitating. Lightstone Property analysts flipped the scenario on its head and explored the reverse: how long would conventional saving take to secure the house of your dreams if bank loans were not available?

The study looked at the potential saving pattern for households across South Africa assuming 10% of the average income was invested and grew at an annual rate of CPI plus 2 (8%). The latest census data and a simple compound interest calculation was applied to devise a quick reference guide to how many years it would take for the average money-earner to be able to afford the listing price.

The rising cost of property in South Africa has made many buyers, especially those entering the market as we usher in 2017, curious about the affordability of homes and the Lightstone savings data highlights the disparity between the middling population group and the lifestyle of the very wealthy. (See the table below for a glimpse into the richest suburbs in both the Western Cape and Gauteng).

The average income band in the Western Cape was slightly higher than the Gauteng one, based on the midpoint of the Lightstone income bands across the board. Gauteng's mean household income came in at R14 300, whereas the coastal equivalent worked out at R15 352.

Of course, in suburbs such as Westcliff and Llandudno the typical resident is unlikely to be earning the projected average income.

As SA's leading property information aggregator, Lightstone Property is a leader in creating unique ways of analysing and collating nuances in the market and reporting on the emerging trends in property and its affordability.

Statisticians the world over have been fascinated by the correlation with assets and income and the tailoring of market intelligence assists the industry to project future trends. The average Cape Town couple choosing between buying a home in Rondebosch for their future grandchildren to use while studying at UCT and a holiday home in Saldanha Bay would be faced with a 92 year and a 83 year savings.

Johannesburg has the highest concentration of business head offices and attracts top professional talent. It also contributes around 35% of the country's economic output and attracts thousands of new wealth-seekers each year. There are numerous high end neighbourhoods but the sheer volume of lower income earners has brought the area average down.

If a young professional earning R25 000 p/m, somewhat above the Gauteng average of R14 300, puts his tithe in a bank each month, he or she can hope to own a home in Cosmo City after 71 years of saving. The mean price of homes in this suburb ranges from R118 000 to R574 000. The same young professional could only hope to buy a house in Florida View, it would take him nearly three generations (83 years) to save for the home that is likely to cost R1 540 000.

Changes and trends in investment and saving patterns in developing countries have significantly altered the landscape of savings cultures in society.

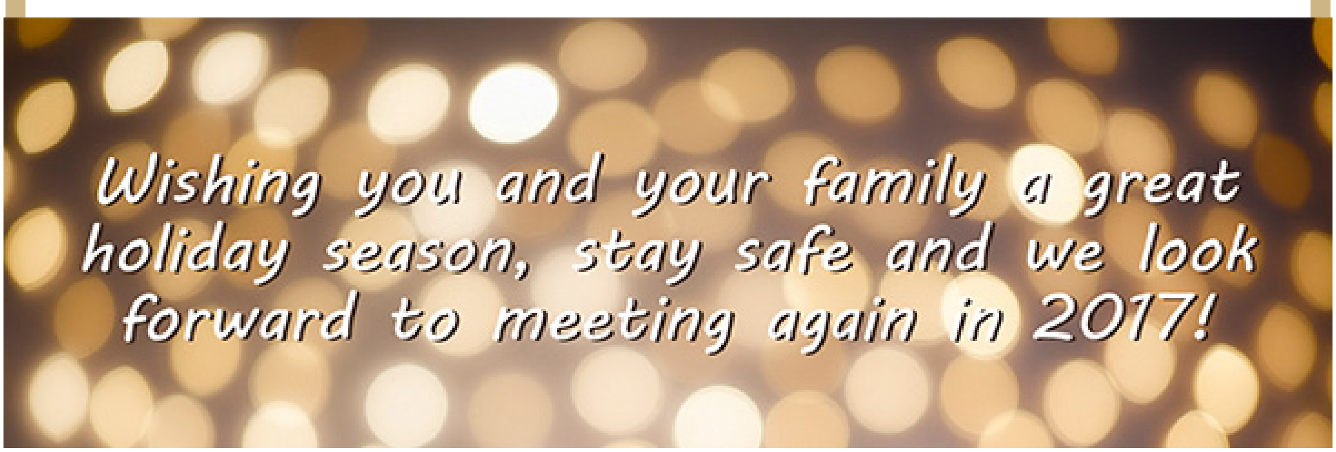
In a paper on the saving and investment in an interdependent world by the World Bank a number of factors were identified that helped speed growth and create investment opportunities. Among them were productivity catch-up, increasing integration into global markets, sound macroeconomic policies, and improved education and health. They were found to have a knock-on effect and created a shift in the global economic weight of developing countries.

The World Bank also found that a further boost is provided by the 'youth bulge'. "By 2020, less than 5 years from now, growth in the world's working-age population will be exclusively determined by developing countries. With developing countries on course to add more than 1.4 billion people to their combined population before 2030, the full benefit of the demographic dividend has yet to be reaped, particularly in the relatively younger regions of Sub-Saharan Africa and South Asia," said the report.

It also claims that due to its relatively young and rapidly growing population, as well as its robust economic growth, Sub-Saharan Africa would be the only region not experiencing a decline in its saving rate.

Despite the good news on the growing lower income savings potential, the Lightstone integrated savings calculator reveals that saving for any home is not for the faint-hearted and the affordability factor for the average South African is being stretched by rising home prices. That dream home will require significantly more than the projected 10% monthly investment.

Gauteng (average income R14 300)	Mean House Price	Years to Save
Atholl	R6 468 987	109
Dainfern	R5 317 841	107
Inanda	R6 943 183	110
Westcliff	R10 923 151	116
Waterfall	R4 067 190	103
Wstern Cape (average income R15 352)		
Clifton	R15 937 957	121
Llandudno	R13 313 523	119
Camps Bay	R9 355 961	114
Constantia Heights	R11 639 479	119
Steenberg	R12 794 346	118
Goedehoop Estate	R19 830 000	124
Pezula	R11 103 626	116



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