



Strategic Location Analysis for New Car Dealership Branch

Cape Town vs. Pretoria Market Comparison

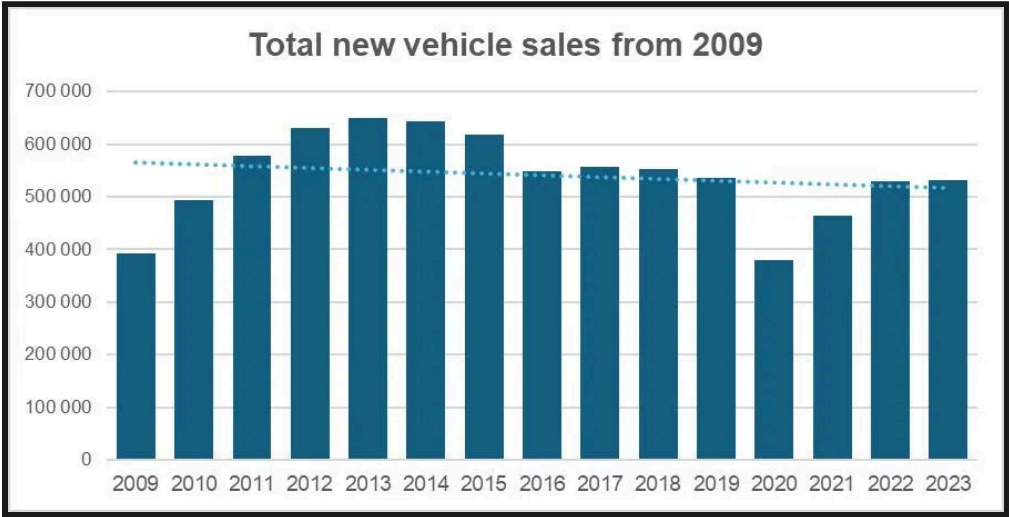
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EXECUTIVE SUMMARY

South Africa's automotive market hits decade-high growth, creating prime opportunity for strategic dealership expansion

- ◆ **New vehicle sales reached 55,956 units in October 2025**—highest monthly total since March 2015, signaling sustained market momentum
- ◆ **Year-to-date market up 15.7%** compared to 2024, with dealer sales representing 79.1% of total market share
- ◆ **Two distinct markets identified:** Cape Town (premium, high-income demographic) vs. Pretoria (volume-driven, manufacturing-centric)
- ◆ **Vehicle finance originations grew 21.0% YoY** in Q2 2025, indicating strong consumer credit access and purchasing intent
- ◆ **Recommendation: Cape Town** offers superior profitability pathway through higher margins and less saturated competitive landscape



Historical vehicle sales trends showing market recovery and growth trajectory

Favorable macroeconomic conditions and consumer confidence fuel automotive sector expansion

Market Drivers

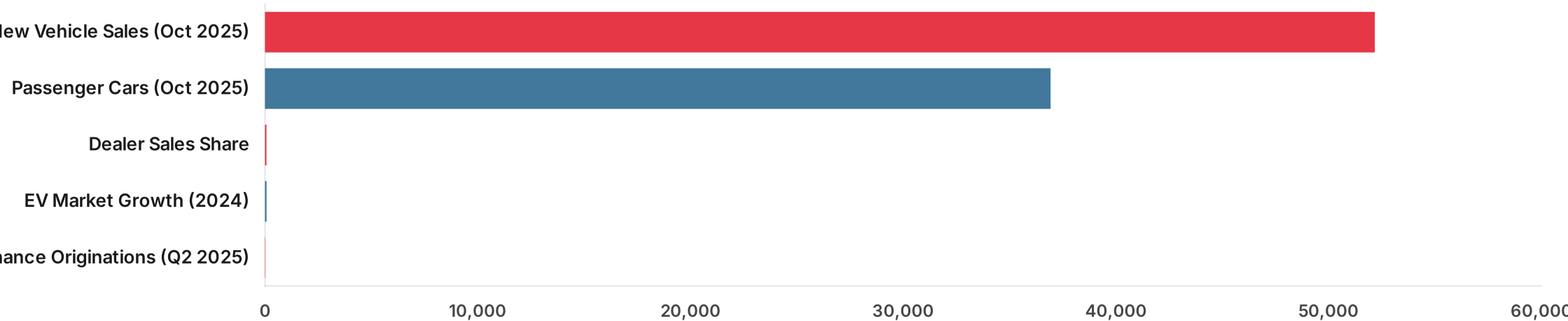
The automotive sector contributes 4.3% to national GDP and 17.3% to manufacturing output, establishing it as a cornerstone of the South African economy. Inflation easing to 3.4% in September 2025 supports consumer purchasing power, while vehicle finance originations grew 21.0% year-over-year in Q2 2025.

Passenger car sales reached 39,610 units in October 2025, the highest monthly level since October 2014. Consumer preferences are shifting toward affordable, fuel-efficient vehicles and SUVs, creating opportunities for dealerships aligned with these trends.

Challenges & Opportunities

The primary challenges include intense competition, tight profit margins, and the high cost of vehicle ownership, with car installments now consuming 16.1% of average household income. However, the market's strong performance presents significant opportunities.

The EV market, though nascent, grew 83% in 2024 and is projected to reach significant scale by 2030. Dealerships that can adapt to evolving consumer dynamics and embrace emerging segments will be well-positioned for long-term success.



MARKET POTENTIAL: CAPE TOWN

Cape Town offers highest household incomes in South Africa, driving premium vehicle demand

R57,300

AVERAGE HOUSEHOLD INCOME

5.06M

METRO POPULATION

19%

NATIONAL USED CAR MARKET

DEMOGRAPHIC METRIC	VALUE
Metro Population	5.06 million
Population Growth	1.72% annually
Provincial Population	7.56 million (11.9% national)
Unemployment Rate	Lowest in South Africa
Infrastructure Investment	Highest in South Africa

Key Market Characteristics

- ◆ **Premium Market:** Nearly double the Western Cape provincial average household income
- ◆ **Strong SUV Demand:** Lifestyle-oriented consumers favor adventure and utility vehicles
- ◆ **Top Models:** VW Polo, Ford Ranger, Toyota Fortuner, Corolla Cross
- ◆ **Emerging EV Segment:** Progressive consumer base open to electric and hybrid vehicles
- ◆ **Economic Resilience:** Diversified economy with strong finance and services sectors
- ◆ **Market Share:** 19% of national used car market despite smaller population base

MARKET POTENTIAL - PRETORIA

Pretoria provides access to largest provincial market with deep automotive ecosystem

16.1M

Gauteng Population
(26.6% of National)

2.89M

Pretoria Metro Area
Growing at 2.56% Annually

3 OEMs

BMW, Ford, Nissan
Supply Chain Advantages

R29,400

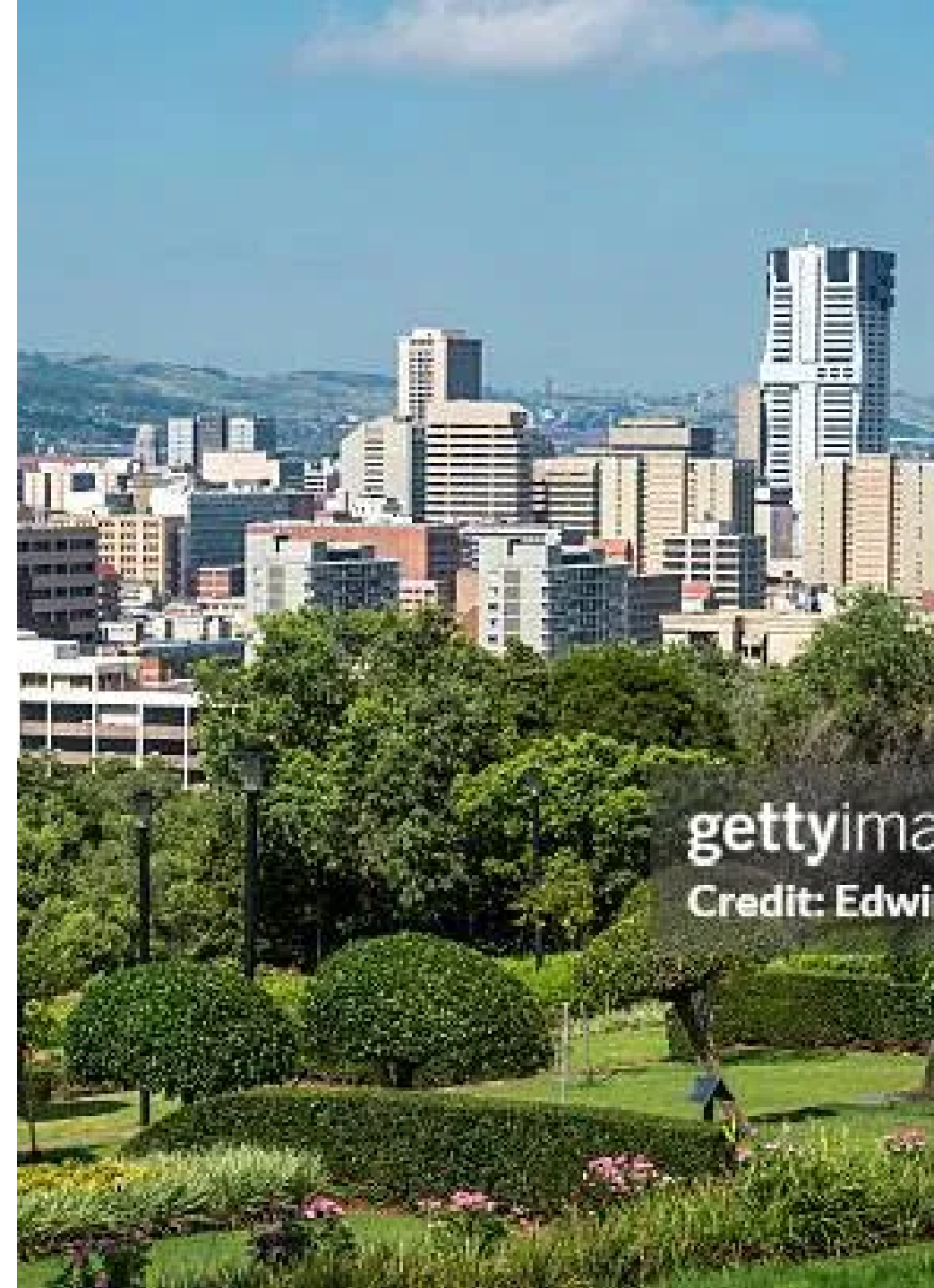
Avg Household Income
(National Average)

36.5%

Population Aged 25-44
Prime Buying Demographic

600K+

Vehicles in Tshwane
Strong Aftermarket Demand



COMPETITIVE LANDSCAPE

Pretoria faces very high dealership density while Cape Town offers more room for differentiation

Factor	Cape Town	Pretoria
Dealership Density	Moderate to High	Very High
Major Players	CFAO Mobility, Westvaal, Legends Auto	Hatfield Group, BB Group, Squad Cars
Competition Focus	Value, experience, lifestyle alignment	Price competition, volume-driven
Market Saturation	Moderate	High (OEM proximity)
Differentiation Opportunity	Strong (niche positioning viable)	Limited (established players dominant)

KEY INSIGHT

Cape Town's less saturated market allows new entrants to build brand equity through superior customer experience rather than pure price competition

CUSTOMER INSIGHTS

Consumer preferences differ significantly between cities, requiring tailored inventory and marketing approaches

Cape Town Buyer Profile

Affluent Consumers

Seeking premium brands such as BMW, Mercedes-Benz, and Land Rover, with a focus on performance, technology, and status symbols.

Families

Prioritizing safety, space, and practicality, with a strong preference for SUVs and crossovers like the Toyota Fortuner and Volkswagen T-Cross.

Lifestyle-Oriented Buyers

Interested in vehicles that support outdoor activities, such as bakkies (pickup trucks) like the Ford Ranger and Toyota Hilux, and versatile SUVs.

Eco-Conscious Professionals

A growing segment showing interest in electric and hybrid vehicles, driven by environmental awareness and the city's progressive culture.

Pretoria Buyer Profile

Corporate & Government Fleet Managers

Seeking reliable, cost-effective, and durable vehicles for business use, with a strong preference for brands with local manufacturing presence like Ford, Nissan, and BMW.

Working Professionals & Commuters

Looking for practical, fuel-efficient, and affordable vehicles for daily commuting, with popular choices including the Volkswagen Polo and Toyota Corolla.

Families

Similar to Cape Town, but with a greater emphasis on value and affordability, often opting for locally produced models to reduce costs.

Pragmatic Value Seekers

Price-sensitive consumers focused on total cost of ownership, reliability, and long-term value rather than premium features or brand prestige.

Baseline investment requirements establish foundation for dealership operations in both markets

Cost Category	Cape Town	Pretoria
Startup Cost (Small Dealership)	R500,000+	R500,000+
Startup Cost (Reputable Dealership)	R4,000,000+	R4,000,000+
Property Costs	Higher (double-digit rental growth Q1 2025)	Moderate

SWOT ANALYSIS - PART 1

Internal factors: Cape Town's economic strength and purchasing power versus Pretoria's market size and ecosystem advantages

STRENGTHS

Cape Town

- Highest household incomes in South Africa (R57,300)
- Top-performing provincial economy (0.83% CAGR)
- Good governance and business-friendly environment
- Strong lifestyle vehicle demand (SUVs, bakkies)

Pretoria

- Proximity to 3 major OEMs (BMW, Ford, Nissan)
- Largest provincial population (16.1M in Gauteng)
- Strong automotive ecosystem and AIDC support
- Fleet and corporate sales opportunities

WEAKNESSES

Cape Town

- Higher operating costs (property, staffing)
- Smaller population base (5.06M metro)
- Limited manufacturing presence
- Some tourism seasonality in economy

Pretoria

- Intense competition and very high dealership density
- Lower average income (R29,400)
- Market saturation near OEM facilities
- Economic dependence on manufacturing sector

RISK ASSESSMENT - PART 1

Cape Town presents lower-risk profile with more controllable operational challenges

Cape Town Primary Risks

Economic MEDIUM-HIGH

National or global economic downturn disproportionately affects premium and luxury vehicle market.

→ Diversify inventory to include affordable and used vehicles; offer flexible financing options and value-added services.

Operational MEDIUM

Higher operating costs, particularly property rentals, erode profit margins and increase break-even point.

→ Conduct thorough location due diligence; implement lean operational processes; negotiate long-term leases to lock in rates.

Market MEDIUM

Smaller population base limits potential for high-volume sales, making economies of scale harder to achieve.

→ Focus on niche market strategy (EVs, adventure vehicles); develop strong online presence; emphasize customer loyalty and lifetime value.

Supply Chain MEDIUM

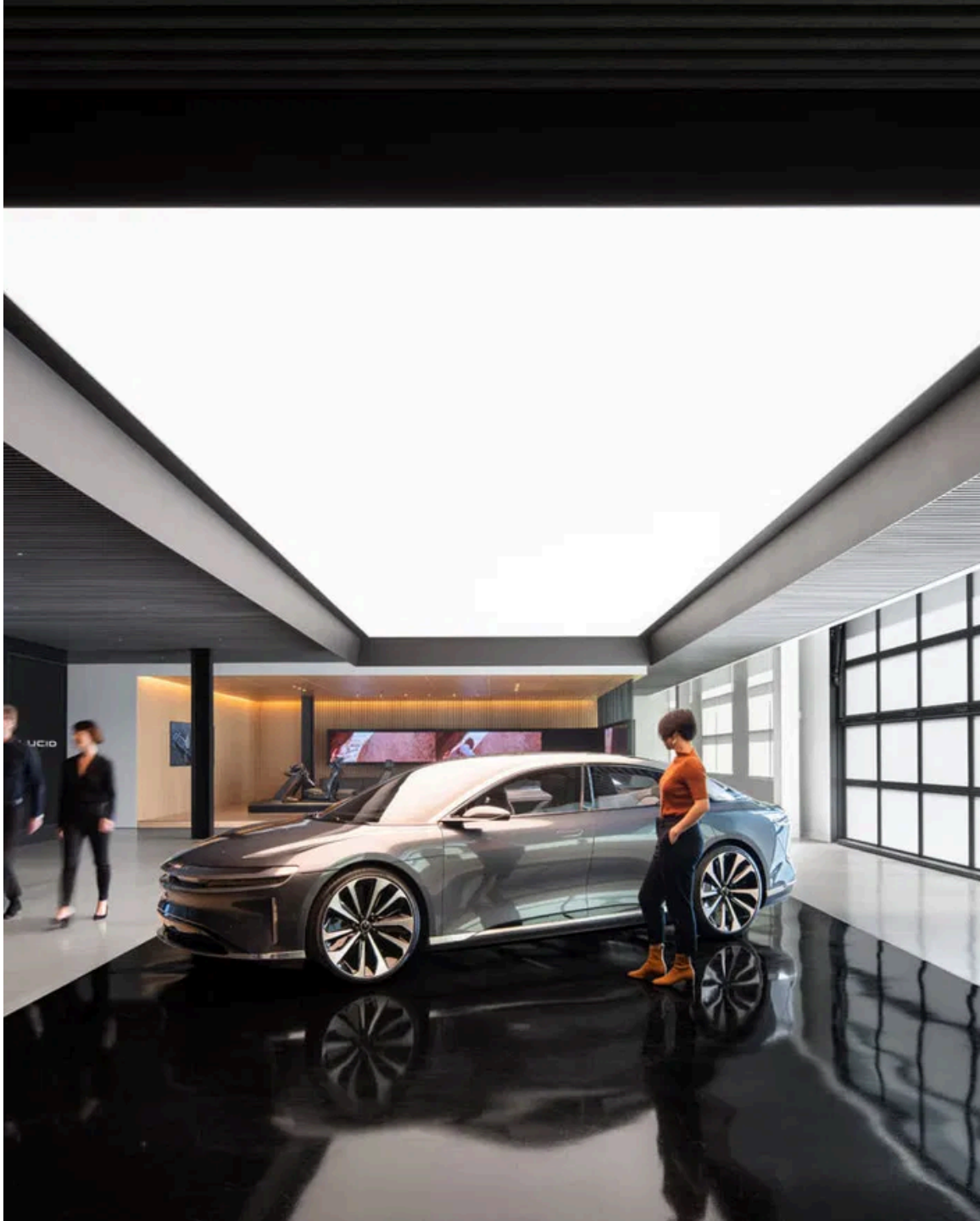
Dependence on imported vehicles creates vulnerability to global supply chain disruptions and currency fluctuations.

→ Establish relationships with multiple manufacturers; maintain balanced inventory of local and imported vehicles; use hedging strategies.

DECISION MATRIX

Weighted analysis of critical success factors favors Cape Town by 11% margin

SUCCESS FACTOR	WEIGHT	CAPE TOWN	PRETORIA
Market Income Level	20%	9.5	6.0
Competition Intensity	15%	7.5	4.0
Operating Costs	10%	5.0	8.0
Economic Stability	15%	8.5	7.0
Customer Purchasing Power	20%	9.0	6.5
Market Saturation	10%	8.0	4.5
Brand Positioning Opportunity	10%	8.5	6.0
TOTAL WEIGHTED SCORE		7.0	7.8



FINAL RECOMMENDATION

Cape Town: Superior Path to Profitability

Market fundamentals, competitive dynamics, and financial analysis converge to support Cape Town as the optimal location for new dealership establishment.

STRATEGIC RATIONALE

Higher purchasing power (R57,300 avg household income) and premium market positioning enable superior profit margins per transaction.	Lower competitive intensity compared to Pretoria's saturated market provides viable entry opportunity for new dealerships.
Controllable operational risks with proven mitigation strategies, avoiding Pretoria's fundamental market saturation barriers.	Strong economic fundamentals (0.83% CAGR) and good governance create stable, business-friendly environment for long-term growth.

CRITICAL SUCCESS FACTORS

- ◆ Premium brand positioning targeting affluent consumers and lifestyle-oriented buyers seeking quality over price
- ◆ Niche market focus on high-growth segments including electric vehicles, adventure vehicles, and premium SUVs
- ◆ Exceptional customer service and personalized after-sales experience to build loyalty in quality-focused market
- ◆ Strategic location selection balancing visibility, accessibility, and cost management in high-value areas
- ◆ Flexible financing options and value-added services to address rising vehicle affordability pressures

NEXT STEPS