

## **Property Industry likes Budget, but...**

The SA property industry's executives overwhelmingly approved of the Budget that was announced on Thursday, but there are also certain reservations.

Finance Minister Trevor Manuel is to be lauded for encouraging banks to extend credit to worthy customers as it has become apparent that generally, financial institutions are currently going beyond even the bounds of the stringent NCA regulations.

So says Dr. Andrew Golding, chief executive of Pam Golding Properties (PGP), who adds that another budget boon to home sellers is the raising the Capital Gains Tax (CGT) exclusion on the sale of a primary residence from a gross value of R1,5m to R2m – ie. those who sell their primary residence for less than R2m will not be liable for CGT.

"This is to be welcomed although it is disappointing that the much hoped-for increase in the transfer duty threshold - which currently stands at R500k - did not materialise. Increasing this to R750k or more would have had the effect of considerably contributing towards making home ownership more affordable and within the reach of consumers, particularly first-time buyers," he said.

Increased spending on low-cost housing has been welcomed by Tjaart van der Walt, CEO of RealNet Property Group.

"More homes encourage increased homeownership which leads to more responsible citizenry and this brings social stability, while the drive will create jobs in the construction sector."

Lew Geffen, chairman of Sotheby's International Realty in SA, says the proposed spending on infrastructure, social development and rural upliftment are all positive from the property point of view, even if only in the long-term.

Dr Willie Marais, national president of the Institute of Estate Agents (IEA), says the Budget can be labelled as "careful" and contains nothing of real excitement for the real estate industry, although this is a major contributor to GDP. "We were disappointed that there was no reduction in transfer duty, although we do recognise the increased threshold for CGT as a step in the right direction."

Homenet CEO Martin Schultheiss says "this Budget should be an excellent confidence booster for the man-in-the-street, which bodes very well for the property market down the line".

"Investors, both local and foreign, should take note of the fact that, at a time when other countries are only thinking of plans to boost their economies, SA already has extensive public expenditure programmes up and running that are creating new jobs and helping to alleviate poverty.

"Declining inflation, falling interest rates and increases in disposable income, these measures should soon bring about a rise in consumer confidence that will further fuel economic recovery and, in turn, home buying and building on a much expanded scale," he said.

The "no real surprises" Budget means the property market will not receive the mild boost it deserves as an engine of growth for the economy, says Gerhard Kotzé, CEO of ERA South Africa property group.

With no reduction in transfer duty, the Budget fails to reduce entry costs for home ownership, one of the major impediments to the sector's recovery, he notes. "Of concern is that he failed to address issues specific to the property sector industry including still rising building costs, shortages of materials and skills, questionable building standards and long planning delays."

Berry Everitt, CEO of Chas Everitt International, says that the Budget is a "fair one" and bodes well for the year ahead, particularly for the property sphere in that it should boost investor confidence.

"The personal tax relief of R13,5bn will do much to relieve pressure on the consumer. This factor, coupled with falling inflation and interest rates, will also have a spin-off effect in that existing homeowners will be able to cope far better with their existing debts and bonds. It will also take the pressure off those who might previously have sold their properties too quickly."

Young Carr, CEO of Aida National Franchises, said "as expected, there were no fireworks, but Manuel's Budget confirms that our economy is on a stable footing, in contrast to many others around the world".

"This, coupled with the welcome news of increased spending on infrastructure and social development will underpin the local property market in future. People will always buy and sell property and supporting social infrastructure development will ensure that more consumers will be enabled to enter the market on a sustainable basis.

"The emphasis on rural and agricultural development is encouraging in this respect as this will strengthen far-flung rural communities and by extension, support rural property markets.