

South African Property Industry Hails Inclusive Budget

Members of the real estate industry have given the national Budget announced this week an overall thumb's up, although there were a few items of concern.

Speaking in response to the Finance Minister's Budget speech on Wednesday, Young Carr, CEO of Aida National Franchises, said: "From a macro-economic perspective the Budget was very encouraging, and underlined again how well SA has done in comparison to many other, more developed countries in dealing with the fallout from the global economic crash.

"With the deficit down and overall tax revenue up, the Finance Minister seems to have found at least some funds for just about everyone - including the often forgotten pensioners who have been struggling as a result of the lower interest rates that are regarded as a positive by just about everyone else.

"Looking at the specifics, we were especially pleased with the R122bn allocation for the provision and improvement of housing, water and community amenities this year, and the announcement that government is to spend more than R21bn over the next three years upgrading no less than 400 000 homes in informal settlements.

"In our opinion, decent housing is just as important as decent jobs to give the young people of South Africa hope in the future.

Jan Davel, MD of the RealNet property group, says: "The most obvious good news for the property industry in the Budget is the increase in the transfer duty threshold from R500 000 to R600 000.

"This will bring significant relief to first-time and lower income buyers who generally have to come up with substantial cash deposits in order to secure home loans as well as the cash needed to pay transfer costs, bond registration and legal costs.

"And this improved affordability, which will no doubt further stimulate demand at the lower end of the market, should have a positive knock-on effect in the middle and upper levels, which will underpin the growth in home values that has already begun."

Echoing these sentiments, Lew Geffen, chairman of Sotheby's International Realty in SA, says: "I think the Finance Minister and his team did an excellent job of addressing the many different needs that there are in our economy at the moment and delivered a very balanced, inclusive and transparent Budget.

"From a real estate point of view, we were obviously very pleased with governments's commitment to jointly manage monetary policy with the Reserve Bank to ensure that inflation remains within the target range of three to six percent until at least 2013, notwithstanding the possibility of supply shock from fuel and food price increases, as this suggests that there will be no rapid upward movement of interest rates for some time.

"This will give the property sector time to consolidate the gains it has already begun to make, with sales activity having shown significant improvement since late last year, and 100% bonds beginning to come through again quite freely to borrowers in good standing.

"And we are obviously pleased with the decision to raise the threshold at which transfer duty becomes payable from R500 000 to R600 000, as this will give many more people the opportunity to become home owners and get on the path to wealth creation."

Dr Andrew Golding, CE of the Pam Golding Property group, says the tax breaks introduced in regard to manufacturing investment are to be welcomed as they will provide a stimulus for the economy, and is pleased with the increased investment in housing, residential infrastructure and services. "However with rising fuel, transport, food, health and other costs, consumers remain cash-strapped and the announcement of an increase of 10c/ litre in the Fuel Levy and and 8c/litre increase in the Road Accident Fund levy is regretted, as this will have an inflationary impact across the economy, particularly as oil prices are already on the increase and further fuel price hikes are anticipated."

Berry Everitt, MD of the Chas Everitt International property group, says: "We are delighted of course at the confirmation of the R9bn Budget allocation over three years for job creation, as increased employment is key to the survival and growth of the real estate and construction sectors of the economy.

"It is as the Finance Minister said very disheartening and disturbing to think of 42% of South Africans aged between 18 and 29 being unemployed, and we wholeheartedly support the large Budget allocations made to improve schools, provide more money for higher education and create more vocational and skills training centres.

"At the same time, we were very pleased that the Minister managed to find R8bn for tax relief for individuals that are already employed, and announced further tax concessions for the small and micro businesses that provide 68% of all jobs in the private sector.

"We have for some time advocated tax relief for individuals as the best way to create jobs - by increasing disposable income, stimulating demand for goods and services and promoting increased production that requires more employees."

However Hano Jacobs, CEO of the Realty 1 International Property Group, believes that for the real estate industry, the most important aspect of the Budget remains the focus on job creation for young people, and all the allocations that were made with this in mind.

"Growth of the property market is entirely dependent on increasing employment levels and thus the number of people who can afford to rent or buy their own homes, and if the job creation and skills development initiatives announced today bear fruit as we hope they will, we can look forward to huge market expansion over the next few years."