

Property Industry Welcomes Budget

Players in the property industry have welcomed Finance Minister Trevor Manuel's "good news budget", saying it boosts a new dynamic in the industry.

Jack Trevena, MD of bond originator BondExcel said on Wednesday that the Budget will have a further positive bearing on property prices and sales. Improved depreciation rates on commercial buildings will now be permissible, however, no detail was given in the Budget Speech. "This will add to the impetus currently experienced in commercial property market," predicted Trevena.

"In addition, R11 billion will be spent on social housing, while teachers' salaries are to increase by R8 billion. Both these factors will boost the property market, because teachers, as a consumer segment, are a very important house-buying segment."

"This is indeed a good news budget by any standard. ... Government expenditure, coupled with powerful economic growth and tempered inflation will augur well for house sales and rises in house prices during 2007 and beyond.

In turn, rentals continue to rise at more than 8% per annum. This will assist investors who are currently required to subsidize costs of property by as much as 30%, in the form deposits, in order to break even," said Trevena.

Dr Andrew Golding, CE of the Pam Golding Property group, said the Minister was to be commended on a Budget which seeks to aid the average citizen, with increased spending on social services and infrastructure and aiming to help address poverty and crime, while accelerating economic growth and creating job opportunities.

"From a property perspective, while the transfer duty on property transactions remains unchanged, a positive factor is the R2.6 billion increase in the housing budget taking it to R32 billion over the next three years, and also welcome are additional allocations for water, sanitation, electrification and road infrastructure, he said.

"The emphasis on infrastructure is good news for everyone, because in addition to the direct benefits, this helps create increased employment opportunities. Coupled with personal tax relief – which boosts household disposable income, the creation of jobs has spin-offs for the housing market, as more consumers aspire to owning their own homes,' Golding added.

"In practice the housing market is driven from the bottom up, rather than being led from the top down. For example, a major driver of the extraordinary housing boom of the past few years has been the emerging middle class. What we are beginning to see now is the emergence of a new working class, also aspiring towards home ownership. This sector will be uplifted by the job creation resulting from government's massive infrastructural programme," he noted.

The tax allowance depreciation for newly constructed or upgraded commercial buildings and the rejuvenation of large townships are further positive moves for the property sector and for the consumer, while the elimination of retirement fund tax is long overdue and provides welcome encouragement to consumers to provide for their later years, he concluded. I-Net Bridge

Other property industry role players had this to contribute:

Chairman of Seeff Properties, Samuel Seeff says: "We welcome the budget as a whole, indeed the tripling of the allocation to housing. I can't deny our disappointment that there has been no reduction to transfer duties. Given the increase and relative growth in the property market over the last 3 years; namely: 35% in 2004, 23–24% in 2005, and 12% in 2006 – the government is collecting significantly more and returning less than we would have hoped for."

Overseas investment in commercial property could be stimulated by the budget, comments Andrew Bradford of property consultancy Bradford McCormack. "A notable aspect of the market at the moment is the degree of international interest and investment in South African commercial and industrial property and this trend could be reinforced by the new concession.

"However crime and the infrastructure bottleneck issues were unhappily not addressed in any detail, other than to reiterate previous Government commitment to raise expenditure in this respect and this is a negative which could prevent the full potential of the sector from being realised."

Berry Everitt, MD of the Chas Everitt International welcomes the township rejuvenation grant, "The R125m grant to expand the township rejuvenation initiative, coupled to the tripling of the state's housing budget is to be welcomed, a bigger housing budget was expected to accommodate rising building costs. But the extra funds would have been less well spent without the Neighbourhood Partnership grant to expand and co-ordinate the initiative," he says.