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Budget measured, but time to get the house in order

By Samuel Seeff

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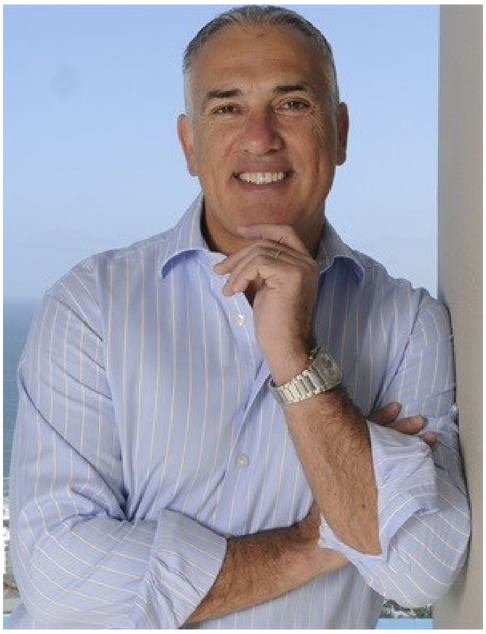
Finance Minister Tito Mboweni's maiden budget was always going to be tough given the extent of the economic challenges, this, with particular reference to corruption and mismanagement of SOEs, not least of which the Eskom debacle, and the shrinking tax base.



Samuel Seeff, chairman, Seeff Property Group

That said, the budget was measured and in the best interest of the country right now. While it is disappointing that there has been no relief for the property sector or for consumers, the budget was largely as expected by the market.

We expected a bail-out package for Eskom as part of the budget, and in view of this, are encouraged that this is not in the form of higher direct personal or property taxes, although not adjusting the tax brackets will inevitably still cost consumers.

The property market has had to absorb the effects of higher taxes along with cost hikes in recent years which has manifested in lower transaction volumes and the value of transactions in the upper price bands. Additionally, the market is feeling the effect of concern about land security and the general outlook for the country going forward.

What does this mean for the property market?

While there are many positives, the reality remains a fairly weak outlook for the economy with the finance minister adjusting the GDP growth outlook for the year to 1.5%. On the back of this, the property market will remain flat, characterised largely by sideways movement.

That means that those that “need to buy or sell”, largely below R1.5m (up to R3m in some areas) will continue to transact in line with their needs. The favourable interest and bank lending climate means you can sell within a reasonable timeframe in this sector.

Above this, you find the discretionary market i.e. those who do not necessarily have to transact. They are subject to the higher transfer duty instituted in 2016 as well as Capital Gains Tax (CGT) and rather than paying over millions that add no value, are simply sitting on the fence waiting and watching how things unfold.

The Seeff group however, remains buoyed by the commitment of President Ramaphosa to reform the current state of affairs and administration, deal with corruption and maladministration and boost renewed economic growth. As the finance minister said, it is important to realise that there is no quick fix, recovery will be gradual.

The subdued price growth and positive lending landscape mean that if you are looking to find a good buying opportunity, then you may well find it in this market. Although it may be riskier now, you could ultimately see greater return.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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