Transfer duty, personal tax relief welcome news for property market

By Samuel Seeff

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The 2020 Budget Speech presented by minister of finance Tito Mboweni is broadly welcomed, in particular, the raising of the transfer duty threshold to R1m combined with the broader personal income tax relief for the property market.

Image source: GovernmentZA/Flickr

This should boost first-time buyers and the low to mid-market sector to about R1.8m which is currently the most active segment of the market, supported further by the favourable mortgage granting climate.

We further welcome the plans by the minister to lower the corporate tax rate and hope that a lowering of the capital gains tax (CGT) and high end property transfer duty rates will also be looked at to reignite the property market, especially the upper end price bands which hold the propensity to generate significant property taxes and economic spin-off benefits.

The bail-out package for Eskom (and SAA) was expected and we are encouraged that this is not at the expense of higher property and personal taxes. We also welcome the various reform initiatives proposed, in particular those aimed at stabilising the SOEs and Eskom and making it easier to do business and invest in the country.

#Budget2020: R500m set aside for restitution could result in resolution of more land claims

Dawie Maree and Paul Makube 27 Feb 2020

What does budget 2020 mean for the property market?

On the whole, we believe that it was a positive budget insofar as that was possible under the current circumstances. In view of the continued weak outlook for the economy, the market for sellers will remain tight. That said, the Seeff Group expects an increase in buyers as they adjust to the “new normal” for the economy and property market.

We see the current market as offering outstanding conditions for buyers. It is easier to obtain mortgage loans and the banks are granting higher bonds, especially for first-time buyers. There is now more stock to choose from and, generally, sellers have become more negotiable.

We expect price growth to remain tight around the 4% range. Sellers in the low to middle-income price ranges to about R1.5m are likely to see higher price growth, but above that, it will be highly area dependant. Upper-end property above R5m is likely to continue seeing flat price growth.

We remain buoyed by the commitment of President Ramaphosa to reform and the steps being taken to cut expenditure and stabilise the SOEs and the support provided by the budget. The take-out from the budget and SONA is that while steps are being taken, recovery will be slow and there are no quick fixes.

In the meantime as we adjust to the economic realities, the property market offers plenty of opportunities. There was no VAT increase and property and personal taxes are getting some relief. We believe that the property market has bottomed out and there is no reason for buyers to wait any longer.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.