

Property market cheers tax stability, amidst red flags

The property market welcomes the unchanged property taxes, but are concerned about the impact on household budgets of the lack of economic growth and higher inflation.



Source: Supplied. Samuel Seeff, chairman of the Seeff Property Group.

Although we would have liked to have seen a cut in property taxes - Transfer Duty and Capital Gains Tax - as a boost to the property market, we are pleased that there will at least be no hikes for this tax year, commented Samuel Seeff, chairman of the Seeff Property Group following Finance Minister, Enoch Godongwana's 2024 budget.

The property market is, however, disappointed that the minister did not take the opportunity to increase the transfer duty exemption threshold from R1.1m, especially as this covers the more affordable price bands where many buyers are facing affordability challenges.

The failure to extend the solar installation tax breaks is also disappointing in view of the continued Eskom electricity crisis.

While the unchanged personal tax rates are welcomed for household budgets, the failure to adjust the tax brackets for inflation is disappointing. It means that consumers will have to absorb this into their already overburdened budgets. For prospective property buyers, it means that they will have a little less to spend on purchasing a home.

Economic concerns and optimism

The downward adjustment of the economic growth outlook is concerning, especially at a time when the country desperately needs to return to a growth path which is obviously vital to boost the property market and selling prices.

The news that inflation has again ticked up in January (to 5.3% from 5.1% in December) is also not great ahead of the expected interest rate cuts. Nonetheless, we remain optimistic that we could see rate cuts from around mid-year. The higher than necessary interest rate has negatively affected sales volumes, and reducing it should induce more buyers to come back into the property market, he adds.

For now, Seeff says further, conditions remain particularly favourable for property buyers. The muted price growth and favourable mortgage lending conditions are supportive for the market, and buyers are able to find good value. Deposit requirements remain fairly low while first-time buyers are still able to secure full loans and, in some instances, inclusive of costs.

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