30 October 2017

**FACT SHEET: ESTATE AGENCY AFFAIRS BOARD ON TURNAROUND STRATEGY AND THE PROGRESS MADE ON THE TRANSFORMATION OF THE INDUSTRY**

1. **INTRODUCTION**

This paper discusses the Estate Agency Affairs Board (EAAB) by focusing on the turnaround strategy and the progress made on the transformation of the industry. The EAAB was established in 1976 in terms of the Estate Agency Affairs Act 112 of 1976 (‘the Act”), with the mandate to regulate and control certain activities of estate agents in the public interest.[[1]](#footnote-1)

The EAAB regulates the estate agency profession through ensuring that all persons carrying out the activities of an estate agent as a service to the public are registered with the EAAB. A Fidelity Fund Certificate is issued to the practitioner as evidence of such registration and confirmation that such person is legally entitled to carry out the activities of an estate agent and renewed annually. The EAAB was reporting to the Minister of Trade and industry since 1976, and on 17 May 2012, it was transferred to the Department of Human Settlements by Proclamation of the President of the Republic of South Africa.[[2]](#footnote-2)

The size of the property sector in South Africa is valued at R5.8 trillion, this amount when it is split up, commercial property is valued at R1.3 trillion, residential property at R3.9 trillion, state owned property and urban zone land at R520 billion.

* However, Black people’s direct ownership is less than R10 billion or 0.001%.
* The South African listed commercial property sector by market capitalization is approximately R140 billion
* Blacks companies (ownership) account for approximately 3% or R4.2 billion of this R140 billion[[3]](#footnote-3)
* On the Johannesburg Stock Exchange (JSE) there is more than R300 billion worth sector with 52-odd listed companies. Only Rebosis Property Fund and Delta Property Fund have significant property portfolios with the government as a tenant[[4]](#footnote-4).

Furthermore, non-black owners versus 22% privately own 47% of land in South Africa, which is currently classified as 'black-owned', including communal and private ownership. About 21% is owned by the state. The value of urban-zoned land (i.e. excluding rural and agricultural) equates to R520bn split between municipalities, national government, private owners and commercial owners.[[5]](#footnote-5)

Consequently, it is of paramount importance to prioritise the inclusive growth and radical transformation of the property sector and non agri-land. However, given the number of structural barriers, which are also linked to financial services sector, relates to the ability of new entrance to access finance, to participate and transact in the sector[[6]](#footnote-6). Now, the question then is, does the recently gazetted Property Practitioners Bill responsive to the current challenges? Is the Property Practitioners Bill creating an enabling environment for the transformation of the sector?

Part of the re-structuring is also that EAAB may become known as the Property Practitioners’ Regulatory Authority (PPRA), registering those acceptable on a criteria basis and upgrading the industry’s level of responsibility at law to avoid “commission hunters looking for a fast sale” at the expense of a truthful and an expert assessment of the property in question.[[7]](#footnote-7)

The new structure will seek to focus on the following:[[8]](#footnote-8)

* Change many of the practices of selling home property,
* Set out provisions for the establishment of this new authority;
* Re-emphasize and tighten up on certain aspects of governance in the industry, regulate for property home inspectors/surveyors;
* Regulate for their registration by the new authority before they can be part of any sale process.
1. **ON THE 25TH OF OCTOBER 2016, THE EAAB REPORTED THE FOLLOWING:[[9]](#footnote-9)**
* During the 2015/16 Financial year, its joint capacity as statutory regulator and, also, as the South African Qualifications Authority recognised professional body of the estate agency sector,
* It successfully launched a Continuing Professional Development Programme (“CPD”) for practicing professional estate agents during the year under review. Only intern estate agents were exempted from compliance with peremptory CPD requirements.
* It delivered over 176 CPD contact sessions nationally and well over 13 000 qualifying estate agents enrolled for, and completed, the first year of the three-year CPD rolling cycle.
* It facilitated participation in the mandatory CPD programme. It also introduced an e-learning CPD intervention to supplement the one-on-one contact sessions. Empirical data indicated that in excess of 1 500 estate agents completed the first year of the CPD programme through e learning. Meaning that a significant number of estate agents will seek to complete the mandatory CPD requirement through the e-learning process in future years.
* Following the conclusion of a partnership agreement between the EAAB and the South African Graduates Development Agency (“SAGDA”), it was envisaged that a further 3 000 intern estate agents were to be accepted into the Services SETA programme.
1. **FIDELITY FUND CERTIFICATES – BY PROVINCE[[10]](#footnote-10)**

The numbers of registered estate agents in each province for the 2015/2016 financial year are depicted in the chart below.

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|  | **31 March 2016** | **31 March 2015** |
| Kwa-Zulu Natal  | **5 129** | **4 257** |
| Mpumalanaga | **1 378** | **1 116** |
| Limpopo | **587** | **634** |
| North West | **1 198** | **925** |
| Free State | **1 120** | **939** |
| Northern Cape | **336** | **304** |
| Eastern Cape | **1 986** | **1 699** |
| Western Cape | **9 082** | **7 629** |
| Gauteng | **17 687** | **16 193** |
| Total | **38 503** | **33 696** |

1. **On the 14 February 2017, the EAAB reported the following**:
* For the 2015/16 year, the Board successfully implemented the transactional support project, and therefore planning to release a report detailing trends and analyses in the sector.
* Through learnerships, 10 000 learners have been admitted to the programme and the graduates are being assisted by the Department to establish new firms via incubators.
* That there has been an increase in black professionals (Black, Coloured and Indians) from 12% in 2012 to 17% in 2016,
* Moreover, among the young black professionals in the property sector from 13% in 2015 to 17% in 2016, however, dropping in the beginning of the year to 15%.
* Furthermore, the transformational programmes decreased from March 2015 to June 2016; in March 2015, there were 706 learners in the programmes and in June 2016, only 309 learners had enrolled in the programmes.
* This also includes the number of interns also dropped between 2015 and 2016: in March 2015, there were 906 interns but by June 2016, there were only 355 interns in the programmes.
	1. **The main reasons attributed to the above-mentioned circumstances are as follows:**
* Low retention;
* Due to the low stipend that learners receive from the Sector Education and Training Authorities (SETAs) and the unavailability of transport and support systems;
* The commission based remuneration;
* Lack of stock in the market; and
* Resistance to change from the already existing estate agencies and a wrong perception on the participation of the youth in the Estate property sector.
	1. **The EAAB further reported that:**
* For the 2016/2017 year, it had planned to have awareness campaigns that was geared to reach 400 000 households using radio and 300 000 households through print media.
* In the previous 2015/16 year, the target reached through radio awareness campaigns was 9 811 000 households and 100 000 households using print media.
* It also targeted increasing the number of estate agencies operating in the subsidised and affordable housing areas; estimating this number to increase in the 2016/17 year by 10%.
* As per the annual performance plan, the target was to increase the number of estate agents from the previously disadvantaged backgrounds to 1800. Develop processes, policy and procedures for the incubation process and mechanisms assist transformational initiatives in participating in the property sector.
* Thereby releasing the bi-annual data indicating the industry trends and analyse
1. **CONCLUSION**

This suggests that, although there has been some success in, for instance, delivering social housing and issuing title deeds. The demand far outweighs the supply, and therefore, support from the private sector is critical. This also means that social cohesion, an alignment to the financial services sector and support from the private property sector is critical to achieve economic growth, radical transformation and to ensure that all policies are underpinned by sound economic principles and skills.

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| **Issues for Considerations*** Given the successful implementation of the transactional support project for the financial year 2015/16, the Board needs to furnish the committee with the presentation of a report detailing trends and analyses in the sector.
* The transformational programmes decreased from March 2015 to June 2016; in March 2015, there were 706 learners in the programmes and in June 2016, only 309 learners had enrolled in the programmes. This also includes the number of interns also dropped between 2015 and 2016: in March 2015, there were 906 interns but by June 2016, there were only 355 interns in the programmes. Given the reasons, for such a drop, what has the board done so far to avoid such a drop, can you elaborate on the strategy or mechanism in place to avoid such circumstances arising?
* In 2016, following the conclusion of a partnership agreement between the EAAB and the South African Graduates Development Agency (“SAGDA”), it was envisaged that a further 3 000 intern estate agents were to be accepted into the Services SETA programme. What is the progress to date? What are the challenges, if any? And how are they being resolved?
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1. EAAB(2017) [↑](#footnote-ref-1)
2. EAAB(2017) [↑](#footnote-ref-2)
3. BACPO(2017) [↑](#footnote-ref-3)
4. Money web(2017) [↑](#footnote-ref-4)
5. WestPoint properties(2017) [↑](#footnote-ref-5)
6. SABC(2017) [↑](#footnote-ref-6)
7. Parlyreportsa(2017) [↑](#footnote-ref-7)
8. Ibid [↑](#footnote-ref-8)
9. Chaplog, B(2016) [↑](#footnote-ref-9)
10. [↑](#footnote-ref-10)