New Horizon

The real estate industry has come through the recession leaner and better prepared to meet the challenges it faces.

IN A SAD REFLECTION of what one might ascribe to natural selection, the real estate industry has trimmed down to less than half its size, in numbers of agents and agencies, since the beginning of the residential property slump. More than 60% of agents active in the industry in 2007/2008 have left. Depending on which statistics you accept, there are around 25 000 currently in the field – down from 80 000 at the industry's peak.

Hand in hand with this attrition, however, has evolved a more professional and ethical framework, as the efforts of the State regulator, the Estate Agency Affairs Board, and the industry participants to improve standards and impose stricter controls, have borne fruit.

It is a time of extreme change, with various important influences impacting on the industry, not the least of these being its re-organisation along the guidelines set out by the National Economic Development and Labour Council (Nedlac), the policymaking body made up of representatives from government, business, labour and the community. For example, there are moves afoot to re-constitute the Institute of Estate Agents into two bodies – business and labour. Also, the Labour Relations Act as it affects the real estate industry is being reviewed. The implementation of the Consumer Protection Act, the new Companies Act and further pending legislation designed to Protect Personal Information, will all materially influence the environment in which the real estate industry conducts its business activities.

Furthermore, the promulgation of the Property Charter for the industry is imminent and is likely to highlight transformation as an essential theme – an issue which has proved difficult for the industry to implement due to inter alia, the structure of the industry as mainly franchised, licenced or small, independent operators, commission-based remuneration and the absence of a formal career path or job security with typical employment related benefits such as leave and pension fund and medical aid membership. The formal sector tends to be much more attractive for aspiring, transformational candidates where training and career development are normal offerings. This in itself may pave the way for a dramatic change in the structure of real estate, where agents may become employees, working on a remuneration basis and no longer as independent contractors.

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As we slowly come out of the downturn – and the property market is cyclical – house sales will improve and real estate will make a comeback. But it will be a more mature industry. And for those wishing to move into real estate, it is now a dramatically different landscape.

Both agents and agencies must qualify for a Fidelity Fund Certificate from the Estate Agency Affairs Board. This is renewed annually and without it an agency may not operate nor an agent sell a property. In the case of estate agencies, this requires presenting the Board with an audit review each year of its trust accounts.

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Over the years, the industry's Fidelity Fund, controlled by the State regulator, has built up assets running into hundreds of millions of rands. This fund is partly to protect clients who have lodged deposits with estate agencies' trust accounts against the result of any transgression. Incidentally, buyers are not compelled to transfer deposits into agencies', or conveyancing attorneys', trust accounts.

The qualifications required to operate as an agent, or as a principal of a real estate agency are exacting. New Estate Agent Entrants need to study (or be exempt from) for an NQF4 (National Qualification Framework) to reach a level of 150 credits, and practice under the supervision of a principal estate agent, for a continuous period of 12 months from the date of the first issue to that person of an intern fidelity fund certificate by the Board., Interns are also required to write the PDE (professional Designation exam) to be set by the EAAB.

Experienced agents, including some of the most successful in the country, are not exempt from the regulations. At present, however, they may apply for recognition of prior learning RPL for the FET certificate in Real Estate. To achieve the qualification, they must provide a Portfolio of Evidence. There is, however, a timeframe; working agents must comply with the regulations by the end of this year – or miss the boat. One unfortunate result of this is that a number of veteran agents may decide to retire from the industry at the end of the year.

Owners or principals of real estate agencies (only principals) require an NQF5 qualification, they too have the opportunity to RPL or be exempt from the NQF 5, the deadline to achieve the NQF 5 for principals is also the end of 2011. New principals will also be required to write the Principal exam that will be set by the EAAB. ▪▪▪

PAM GOLDING PROPERTY GROUP CHIEF EXECUTIVE, DR ANDREW GOLDING