JUNE 2024

INDUSTRY UPDATE

Official Industry Communiqué from the National Property Practitioners Council

NPPC
National Property Practitioners Council

This issue:

Chairperson's Welcome

Dear Members, Stakeholders, Practitioners, and Industry Affiliates,

After months of uncertainty we came together as a nation and voted peacefully. The results may have been a surprise to many, and while we wait for the new cabinet to be finalised, what cannot be denied is that the election results have had a positive effect, at least from the perspective of the financial world.

What has GNU done for you lately?

Writing for the Daily Maverick, Shawn Duthie says "If the markets and the rand are anything to go by, South Africa's new government of national unity has started off as a success.

The rand has continued to trade strongly and the JSE's largest stocks have all surged in the past week since the African National Congress (ANC) announced its plans to form a government of national unity (GNU) with the Democratic Alliance (DA) and the Inkatha Freedom Party (IFP), and which have been later joined by Good and the Patriotic Alliance parties.

This initial enthusiasm should be seen as a positive sign for South Africa's economy, which has remained stagnant with roughly 1% growth per year over the past decade amid growing corruption and failing service delivery in many of South Africa's largest metros.

It would also seem that the positivity around the Government of National Unity could finally give the industry a much needed repo rate break.

Could we get two rate cuts in 2024/early-2025?

According to Business Day, Standard Bank forecasts the Reserve Bank will cut its benchmark interest rate twice by year's end thanks to the outcome of last month's elections, a move that would offer a much-needed boost to consumers and the economy.

Africa's biggest lender by assets has pencilled in the first repo rate reduction in September as consensus builds in the financial services sector that help is on the way for embattled consumers.

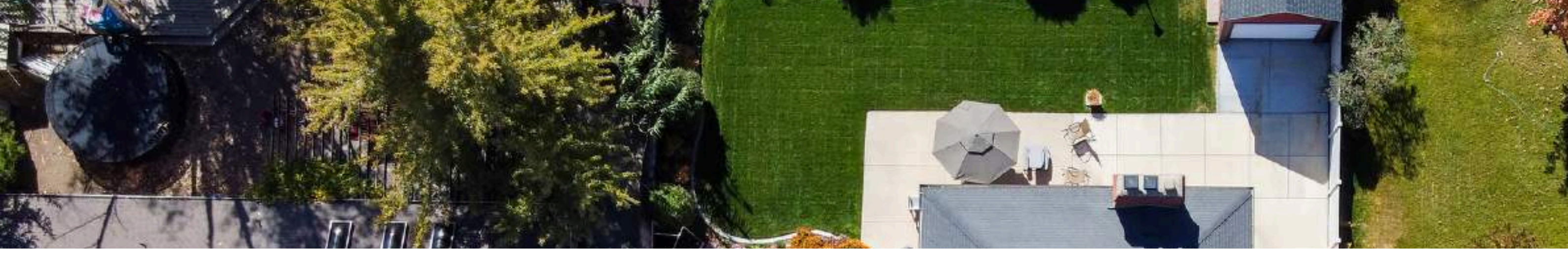
The lender's CFO, Arno Daehnke, said in an investor call that SA's post-election outcome was favourable for markets.

“We expect a continued commitment to the fiscal consolidation plan and ongoing traction to the growth-supportive reforms underway. This should support moderating inflation and monetary policy easing. We expect 100 basis points (bps) of cumulative interest rate cuts,” Daehnke said.

“But we expect them to be spread, with two cuts of 25bps in the second half of 2024, starting in September, and two cuts of 25bps in the first half of 2025. We had previously expected 75bps in the second half of 2024 and 25bps in the first half of 2025.”

The Property Sector Transformation Fund

Transformation is at the forefront of the industry agenda again with the current PPRA stance on BEE certificates. The NPPC has drafted a detailed roadmap for transformation, which we have submitted to the PPRA for review. Read more about the proposal on page 3.



THE NPPC CALLS ON THE PPRA TO UTILISE THE PROPERTY SECTOR TRANSFORMATION FUND

As part of its mandate to transform the sector, the PPRA has recently announced a proposal that all property practitioners meet Level 8 BEE requirements to be eligible to receive an FFC certificate. While Level 8 is the lowest level of BEE compliance, with Level 1 the highest, many small and medium-sized entities have expressed concern that failure to comply could lead to business closures.

In a recent proposal to the PPRA, the NPPC outlines the steps that can be taken now, without further damage to the industry, to effect lasting change. Vuyiswa Ramokgopa, Chairperson of the NPPC asserts: “We support the PPRA’s desire and legal mandate to promote transformation within the real estate industry. Our proposal aims to demonstrate that there are actionable steps that can be taken now, with a lasting impact.”

Transformation will cost money and the NPPC’s proposal suggests sourcing the funds from the Property Sector Transformation Fund (PSTF) which was established in accordance with Chapter 4 of the Property Practitioners Act (PPA) which mandates the creation of the fund, as well as declaring that it must be used to oversee transformation ‘through the implementation of diverse programmes, while simultaneously monitoring the sector’s transformational progress.’

“In terms of Section 39 of the PP Act and Regulation 41.29, the Property Practitioners Fidelity Fund should be able to transfer around R80 million to the PTSF. This will provide adequate funding to make a difference,” explains Ramokgopa.

What are the challenges to transformation in the real estate industry? These challenges include the competitive nature of the market, the difficulty for black real estate brokers to enter profitable sectors, and the potential closure of small to medium-sized agencies due to new regulatory requirements. How can these challenges be met?

The NPPC has identified ten areas that present challenges to transformation, namely market access, soft skills, networking skills, compliance/red tape, cash flow, resources, principalisation, recruitment, acquisition of going concerns, and funding.

Market access

MLS: Black agents do not have the financial means to pay the once-off joining fee, followed by a monthly membership fee with MLS (multi-listing service). MLS operations in certain areas control vast numbers of property mandates, excluding many black agents. There also are instances where agents who can pay the requisite fees face discrimination and are not given access.

“We believe that the PSTF could be used to provide funding for black agents to join MLS, while the PPRA can investigate and enforce anti-discriminatory practices within MLS”, she says.

HOAs

Ramokgopa explains, “Black agents are excluded from participating in marketing properties in gated/security estates through high costs fees for ‘accreditation’ and other guises employed by HOAs. We are pleased to note that the PPRA has already begun employing the remedy to enforce Section 63(1) of the Property Practitioners Act read with Regulation 35.1, in which the Minister of Human Settlements declared these business practices undesirable and prohibited”.

Soft skills and networking skills

The absence of mentorship networks or support systems specifically designed to nurture the talents and capabilities of black estate agents can exacerbate historical feelings of inadequacy and hinder their ability to navigate client interactions and negotiate deals effectively. Consequently, without adequate support and resources to bolster their confidence and refine their soft skills, black estate agents face considerable challenges in fully realising their potential and achieving success within the competitive real estate landscape.

The PTSF can fund training currently available at training institutions, and the PPRA can negotiate the creation of appropriate courses when none are available, as well as bulk discounts for training and conferences.

Compliance challenges and red tape

Navigating compliance requirements and bureaucratic processes presents a significant hurdle. Overcoming this challenge necessitates a multifaceted approach, including streamlined regulatory processes and providing educational resources on industry regulations. The PPRA can streamline bureaucratic processes and eliminate unnecessary red tape to facilitate compliance.

“Importantly, we encourage the PPRA to launch an amnesty programme with a non-negotiable cut-off date enabling those currently trading illegally to come forward and comply. The ‘illegal businesses’ are to be registered and allowed to continue trading, with the PPRA providing a principal to oversee trading until compliance has been achieved. Immediate steps are to be taken on non-compliance/adherence to Code of Conduct.”

She goes on to say that the PTSF can be used to fund the appointment of caretaking principals and all qualification requirements of said individuals. The PPRA would need to write off all outstanding fines/penalties due to non-compliance to facilitate the legalisation of black property practitioners after the launch of an amnesty, using the PTSF to fund payment of all outstanding fines/penalties due to non-compliance.

Cash flow

Cash flow is the lifeblood of any business because it provides essential resources for day-to-day operations. Black estate agents, like any entrepreneurs, often encounter hurdles in sustaining a steady and robust financial flow.

The PTSF would fund the growth of black enterprises by approving business plans submitted by black individuals, which must be reviewed annually.

Principalisation and recruitment

Qualified Black estate agents who want to launch their estate agencies lack the necessary funding.

“This is partly because property sales have been commission-driven for decades, and all attempts to institute fixed salaries or stipends came to nought. The results from the PPRA’s first ‘One Learner One Agency’ programme was dismal and came at the expense of almost R40 million. This has a double impact on new entrants to the industry in that it takes time to achieve success in sales and then 4 to 6 months before a transaction is registered, leading to the payment of commission”, she explains.

The PTSF can be used to fund business owners to enable them to assist new entrants with cash flow requirements. Business owners can use these funds to capacitate new entrants in technology, travel connectivity, et cetera. They could be afforded a bonus, i.e., the writing off loans applicable to this endeavour should the new entrant, after two years, have obtained the necessary qualifications and an FFC.

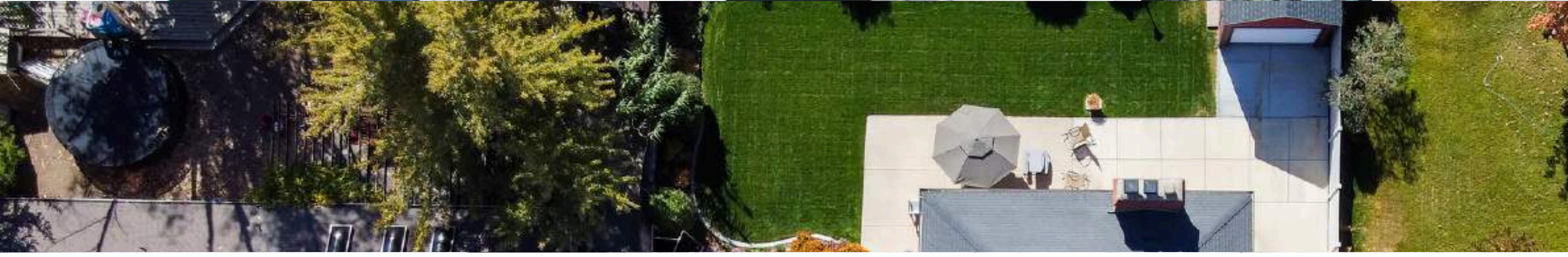
“Unlike the one learner one agency programme, this will make the principal/business owner responsible for making better choices in appointing potential agents and ensuring their continued success”.

Making the PTSF work today, but also into the future

The PTSF shouldn’t be used only for the current generation. To ensure that the Fund is maintained for future generations, the NPPC recommends that the PPRA appoint a fund manager and constitute a funding committee consisting of the PTSF manager, a successful and prominent real estate business owner, and a representative from the PPRA (or two from each). Appointing an NPPC nominee would ensure industry support. This committee can determine requirements concerning business plans, applications, etc.

“The PTSF is enshrined in the PPA, and significant funds have been allocated. Three years into the PPA’s enactment, it’s time to use those funds to implement tangible transformation. We believe that the suggestions outlined by the NPPC provide a far more realistic roadmap to transformation, as opposed to enforcing an expensive, time-consuming, bureaucratic tool as a quick fix, and at the expense of the very industry it aims to transform,” she concludes.

Article courtesy of PropertyWheel



PPRA ANNOUNCES IT WILL NO LONGER CHARGE RE-REGISTERING AGENTS HISTORICAL PENALTIES

For many years, agents who left the industry and didn't notify the PPRA often faced significant penalties when they wanted to re-register for their FFCs years later.

This is because of Regulation 15.4 of the Property Practitioners Act, which states that property practitioners intending to cease operations must formally notify the Property Practitioners Regulatory Authority (PPRA) of their decision not to renew their Fidelity Fund Certificates (FFCs) in writing.

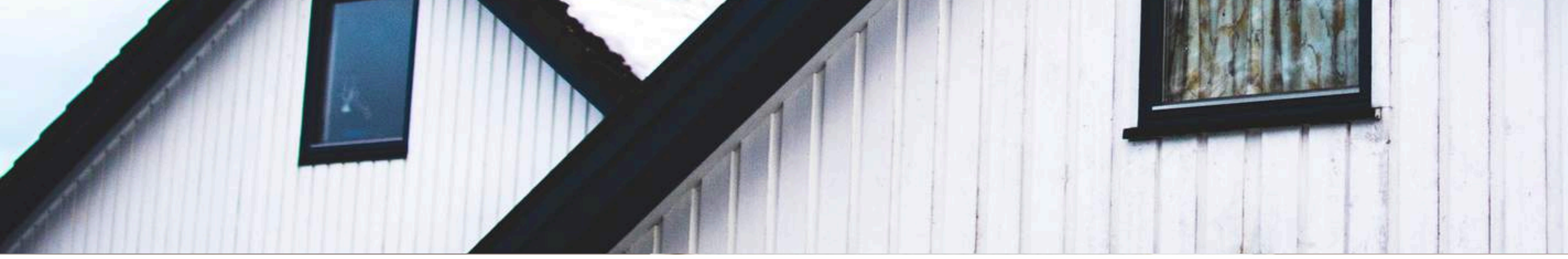
Regulation 15.4 states:

"Every property practitioner to whom a fidelity fund certificate or registration certificate, as the case may be, has already been issued in respect of a specific calendar year, shall, unless he/she has ceased or will cease before the end of that year to operate as a property practitioner and has advised the Authority of such fact in writing, by not later than 31 October of that year, apply to the Authority for the issue to him/her of a fidelity fund certificate."

Jan le Roux, CE of Rebosa, believes that "The regulation demanding that agents must advise the PPRA should they not wish to renew the certificates serves very little purpose, if any. The penalties were raised when agents, after an absence of a year or two, really made it very difficult to re-enter the industry as the fines were prohibitive. It most certainly didn't serve transformation in any way or form".

In fact, Rebosa has spent several years communicating with the EAAB and now the PPRA to get these penalties scrapped.

Last week, the PPRA issued a statement noting that after deliberations with industry, the Authority has decided to cease the imposition of such penalties, provided that individuals confirm in writing that they have not operated as property practitioners during their period of absence.



"This policy change is effective immediately. Moving forward, property practitioners who wish to re-register and apply for an FFC after a period of absence must complete the attached affidavit affirming their non-engagement in property practitioner activities during their leave of absence from the industry.

It's crucial to note that property practitioners who fail to renew their FFCs by the specified deadline of 31 October of the relevant year, while still actively practising, will still face penalties as outlined in the regulations".

The PPRA confirmed the process will operate from the date of implementation and will not operate retrospectively.

"Estate agents face enough barriers to re-entering the market, and Rebosa is pleased that, after many years, our continuous dialogue with the PPRA has borne fruit and historical penalties have been scrapped," says le Roux.

It's now easier for estate agents to re-enter the property market.

Article courtesy of the Property Professional

CONGRATULATIONS TO NICO MAREE

We are delighted to congratulate Nico Maree, partner at Park Village Auctioneers, who has been honoured with an Industry Pioneer award at the 2024 Annual SAIA Awards.

THE PPRA HAS ISSUED ITS NEW EDUCATION STANDARDS

PPRA
PROPERTY PRACTITIONERS REGULATORY AUTHORITY

Summary of New Standards and Pathways of Education and Training for the Real Estate Sub-sector in terms of Regulation 33 of the Property Practitioners Act

Click here to read the summary of the new standards

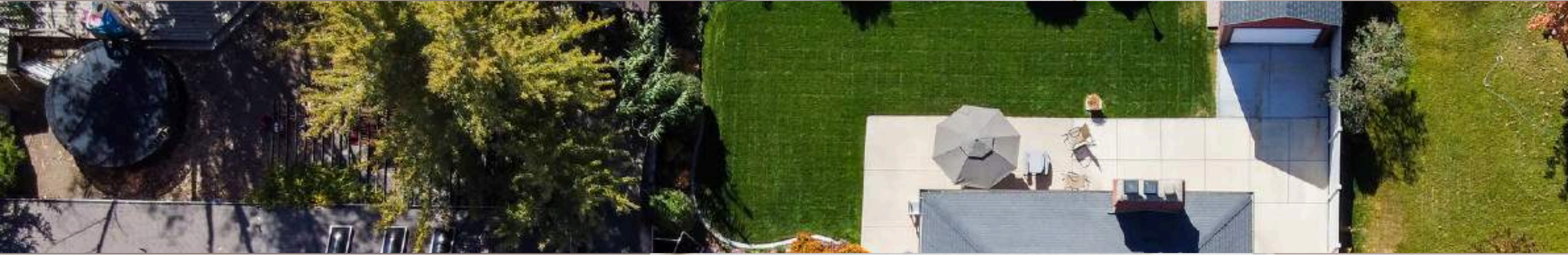
PPRA
PROPERTY PRACTITIONERS REGULATORY AUTHORITY

Guidelines on the Implementation of Practical Training

Click here to read the guidelines on the implementation of practical training

REBOSA
REAL ESTATE BUSINESS OWNERS OF SOUTH AFRICA

Ronel Bornman, a member of the SSETA Real Estate Chamber Committee for Rebosa, has created a straightforward, step-by-step video and PowerPoint presentation to guide you forward. Access the content here



EVENTS COMING UP THIS JULY

THE SAPOA GAUTENG SOUP & WINE NETWORKING FUNCTION

Register by clicking on the image. Be sure to rsvp by 1 July.

THE SAPOA PROPERTY SECTOR CODES WEBINAR

The webinar will cover:

- Background and scope of the development of the Sector Codes
- Purpose, mandate and role of the Property Sector Code
- Elements measured and Company Thresholds of the Property Sector Code
- Applicable B-BBEE documents in the Property Sector and more

THE SAPOA GQEBERHA BREAKFAST SEMINAR 2024

The speakers and their topics are:

- Land Use Management Scheme & IDP's by Maartje Weyers, a professional town and regional planner
- Forces Driving Commercial Property Insurance Costs by Glenn Broadhurst, FNB head of products and insurer relations
- Asbestos Encapsulation Primers & Possible Solutions? Presented by Stewart Maybery, owner of Asbestos Africa

Click on the image to register.

IEASA EVENTS IN JULY

IEASA is hosting several webinars:

- How to do FIC for employees
- How to report to the FIC
- How to FICA your client
- How to keep track of your edu compliance

Click here to get more information.

VOASA ANNUAL CONFERENCE

The VOASA Conference kicks off no the 25th of October. Click here to register.