



South African Property Report

November 2010

Compiled by the

Institute of Estate Agents of South Africa

10 Howard Studios, Sheldon Way, Pinelands, Cape Town 7405

Tel: +27 21 531 2074

Fax: +27 86 511 4624

E-mail: info@ieasa.org.za

Website: www.ieasa.org.za



Contents

	<i>Page</i>
1. Overview: South Africa	1
- Population	
- Economic indicators	
2. Property Profession	2
- Membership	
- Services and remuneration	
- Marketing	
- Qualifications	
- Regulation	
- Transformation	
3. Property Legislation	4
- Property-related laws	
- Registration of ownership	
- Foreign investment	
4. Property Market	5
- Residential property	
- Commercial property	
- Building plans approved	
5. Institute of Estate Agents of South Africa	7
- Origins	
- Membership	
- Achievements	

1. Overview: South Africa

Republic of South Africa

The Republic of South Africa was established in 1910 as a British dominion, the Union of South Africa, and became a republic in 1961. It covers an area of 1 219 090 sq km, and has a population (2010 mid-year estimate) of 49 991 300, the demographic breakdown being as follows:

<i>Population group</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>
African	20 366 100	19 314 500	39 682 600
White	2 341 700	2 243 000	4 584 700
Coloured	2 299 200	2 124 900	4 424 100
Indian	653 300	646 600	1 299 900
Total	25 662 300	24 320 000	49 991 300

Source: Statistics SA: *Mid-year Population Estimates South Africa 2010*

Nearly half the population (42%) is under the age of majority, which is 18 years.

There are three tiers of government: national, provincial, and local. The Republic, eight of the nine provinces, and all the major cities except for Cape Town, are currently governed by the same party, i.e. the African National Congress.

Economic indicators

- Gross Domestic Product: 3.2% increase year-on-year (2nd quarter 2010)¹
- Consumer Price Index: 3.5% increase year-on-year (August 2010)²
- Prime lending rate: 9.5% (the lowest it has been since 1979).

The currency unit is the Rand (100 cents = 1 rand). Exchange rates fluctuate, and are currently in the region of R7 to the US dollar, R10 to the Euro, and R11 to the UK pound.

.....

¹ Statistics SA website (www.statssa.gov.za)

² Statistics SA website (www.statssa.gov.za)

2. Property Profession

Membership

The property profession has shrunk over the past year, and now has around 47 000 estate agents. The majority of firms are small and micro-enterprises. Most of the large firms consist of individually owned franchises, linked to franchisors who provide brand identity, marketing, training, and other resources.

It is believed that the majority of estate agents focus on sales rather than rentals, and that most deal in residential properties.

Services and Remuneration

Generally speaking, South African estate agents provide the following range of services:

- assisting property owners to sell their properties
- assisting buyers to purchase properties
- assisting landlords to find tenants for their properties
- collecting rentals, and managing rented properties
- assisting trustees of sectional title schemes (condominiums) to manage their schemes
- assisting business owners to sell their businesses.

Payment is usually on commission, calculated as a percentage (in the region of 5 to 8%) of the selling price, and paid by the seller to the agent upon successful completion of a sale. Alternatively, it can be a flat fee. Commissions and fees are not regulated in any way.

For rental services, remuneration generally consists of a flat fee for procuring the tenant, or a percentage of the rental collected each month.

Marketing

Numerous marketing systems are in operation. They include:

- referral networks (local, national, and international)
- multi-listing services
- property advertising supplements in major newspapers
- property advertising magazines
- estate agency websites
- web-based advertising services.

Many estate agencies market *via* their own websites. The major newspapers' websites include property advertisements. There are also dedicated property marketing websites.

Qualifications

Entrance requirements were introduced in July 2008. A newcomer must complete a year-long internship with an estate agency firm, during which he/she must gain practical experience and earn a Certificate in Real Estate, after which he/she must pass a Professional Designation Examination. By the end of 2011, all existing estate agents must also have obtained the certificate, through a "recognition of prior learning" process in which their existing qualifications and experience are evaluated.

Regulation

The profession is regulated by the Estate Agency Affairs Board (EAAB), in terms of the Estate Agency Affairs Act 1976. The EAAB consists of fifteen members appointed by the Minister of Trade and Industry, with a Chief Executive Officer and an administrative staff. Its regulatory functions are:

- to license estate agents
- to investigate complaints against estate agents and, if necessary, to take disciplinary action
- to manage a fidelity fund, which can be used to compensate consumers who have lost money at the hands of estate agents
- to determine and maintain educational standards.

By law, every estate agent and estate agency firm which operates in South Africa must be registered with the EAAB, and it is an offence to practise as an estate agent without being registered. Registration is subject to annual renewal. An estate agent who collects rentals must also register as a debt collector, with the Council for Debt Collectors. This registration is also subject to annual renewal.

Overseas estate agents and agencies which wish to do business in South Africa must meet the same registration and qualification requirements as those based in South Africa.

Transformation

Sixteen years after the introduction of democracy, the estate agency industry is perceived still to be White-dominated, although there are no reliable statistics to indicate the true position. The number of Black estate agents has increased dramatically during this period, but to further increase Black participation in the industry, a Property Sector Transformation Charter has been approved as part of the government's Broad-Based Black Economic Empowerment programme. An executive council has been established to implement the Charter. The IEASA is a signatory to the Charter and is represented on the Council.

• • • • •

3. Property Legislation

Property-related laws

Many national laws govern property transactions, and some place specific obligations on estate agents. The principal laws are:

- Alienation of Land Act
- Consumer Protection Act (to come into operation in 2011)
- Debt Collectors Act
- Estate Agency Affairs Act
- Financial Intelligence Centre Act
- Income Tax Act
- National Credit Act
- Prevention of Illegal Eviction From and Unlawful Occupation of Land Act
- Rental Housing Act
- Sectional Titles Act
- Subdivision of Agricultural Land Act
- Transfer Duty Act
- Value Added Tax Act

In 2005, the government's Department of Trade and Industry commissioned an audit of property legislation, with a view to streamlining it. Although the report was submitted in November 2006, no findings have yet been announced.

Registration of ownership

Property ownership is registered in regional Deeds Offices, situated in the major centres. Registration is the only legal means of obtaining title to a property, and a title deed issued by a Registrar of Deeds is the only valid proof of ownership. Deeds Offices records are accessible to the public, at the various offices or online.

Foreign investment

Ownership of properties in South Africa by residents of other countries has been a noticeable feature of the property market over the past decade or so.

.....

4. Property Market

Residential property

The latest house price figures, as reported by ABSA Bank, show that, year on year, nominal prices have fallen by 1.9% in the affordable segment of the market, risen by 9.4% in the middle segment, and fallen by 6.1% in the luxury segment. ABSA forecasts nominal price growth will reach 5 to 5.5% during 2010.

Current average nominal house prices are:

<i>Province/city</i>	<i>Rands</i>	
Western Cape Province	1 200 705	
- Cape Town		1 223 670
Gauteng Province	1 091 487	
- Greater Johannesburg		1 112 475
- Pretoria		1 168 140
KwaZulu-Natal Province	1 001 889	
- Durban/Pinetown		1 070 629
Eastern Cape Province	971 383	
- East London		1 109 664
- Port Elizabeth/Uitenhage		933 418
Limpopo Province	925 109	
North West Province	893 159	
Northern Cape Province	848 434	
Mpumalanga Province	838 167	
Free State Province	836 750	
- Bloemfontein		1 071 035

Source: ABSA Housing Review: Third Quarter 2010

Mortgage bond rates are linked to short-term interest rates. Suggestions that a fixed-rate system should be introduced so as to reduce volatility in home loan repayments have not borne fruit.

Commercial and industrial property

The industrial property market has been booming, and is expected to continue to perform next year, on the back of a weakening rand.

Building plans approved: January to July 2010

The value of building plans approved by municipalities around the country during this period was:

<i>Category</i>	<i>Value in R'000</i>
Residential	14 848 067
Non-residential	7 549 019
Additions and alterations	12 232 315
Total	34 629 401

Source: Statistics SA; *Selected Building Statistics of the Private Sector* (July 2010)

These figures are 9.4% lower than those for the corresponding period in 2009.

• • • • •

5. Institute of Estate Agents of SA

Origins

South Africa's estate agency profession dates from the late 1700s or early 1800s. Four provincial estate agency associations were formed early in the 20th century, and in 1937 they united to form a single national organisation, the Institute of Estate Agents of South Africa, to look after the professional interests of their members, to raise industry standards, and to help protect the consumer.

The IEASA has been formally affiliated with the National Association of Realtors since 1981; a marketer for the annual SIMA property expo since 2006; a sponsor of the International Property Awards programme since 2007; and a member of the International Consortium of Real Estate Associations (ICREA) and the International Housing Coalition (IHC) since 2007.

Since 1994, the IEASA has consisted of autonomous regional institutes co-ordinated by a national board and head office. There are currently thirteen regions.

Membership

Membership is voluntary, and is open to all estate agents who are registered with the Estate Agency Affairs Board. The IEASA provides its members with a range of services, including training.

The IEASA represents its members - and, by extension, the profession - in dealings with the authorities on matters affecting the profession, its regulation, and its education and training.

IEASA members are bound by the IEASA Code of Ethics, in addition to the national Code of Conduct applicable to all estate agents.

Achievements

Some of the IEASA's achievements since 1937:

- established a fidelity fund for the profession;
- helped to persuade the government to establish the EAAB to regulate the profession;
- served on the Standards Generating Body which developed the new national qualifications for the profession;
- member of the Services Sector Education & Training Authority;
- served on the committee which drafted the Property Sector Transformation Charter and now serves on the Property Sector Charter Council;
- contributed to the recent government investigation into the regulation of the profession.

.....