



National Property Practitioners Council

26 April 2020

The Minister of Co-operative Governance and Traditional Affairs, Dr N. Dlamini-Zuma,

RE: Input from the National Property Practitioners Council on the draft Risk Based Model for Economic Activity

The National Property Practitioners Council is a united council of all major national property industry organisations collectively representing a membership of over 46 000 practitioners in the residential and commercial real estate sector and is comprised of the following member organisations:

SAPOA – SA Property Owners Association

SAIBPP – SA Institute of Black Property Practitioners

NAMA – National Association of Managing Agents

REBOSA – Real Estate Business Owners South Africa

IEASA – Institute of Estate Agents South Africa

ICBB – Institute of Commercial Business Brokers

SAIA – SA Institute of Auctioneers

NPF – National Property Forum

SABBA – South African Business Brokers Association

We commend the President and the National Command Council on the outstanding work done under severely difficult circumstances. South Africa is currently a shining light to many nations on how to deal with this pandemic effectively.

Minister Patel recently released in a document entitled “Permitted Goods, Services and movement” advising that real estate activities would be classified as a level 2 sector. We believe that this is a grave mistake as real estate services (incl commercial real estate services) are professional services and should be classified in the same manner as professional and financial services, i.e. they should be Level 4. Furthermore, real estate is a multiplier industry that affects many other industries as outlined below.

For example, the basic sequence of a property transaction can be illustrated as follows:



We write to you today to appeal for the reclassification of Real Estate (commercial & residential) as a **Level 4 Professional Service** from the current proposed Level 2 and have provided detailed rationale to that effect in this document

While we appreciate how difficult it is to weigh up all the considerations with regard to lives vs livelihoods, we recognise that certain critical considerations might have been overlooked when the initial determination was made and therefore would like to highlight in particular, the impact of interconnectivity between role players in the real estate industry as well as detail the practical day to day considerations when determining transmission risk.

The elimination of any of the above at any point in time brings the entire process to a halt. In the draft RAS document estate agents, who are at the beginning of the transaction pipeline (shown above), can only operate in Level 2 and to some extent Level 1. This clearly negates almost all concessions from the other entities involved.

Minister Patel reiterated that various factors were taken into consideration in determining the risk rating of the sector and here we refer to the government document labelled "Risk Adjustment Plan" page 13.

RISK OF TRANSMISSION

According to the Risk Adjustment document, Real Estate scores an overall rating of 10 which apparently, places it in a medium risk category. We wish to address this score as we believe that there may have been some mistaken underlying assumptions in determining this score which require reconsidering.

Risk Matrix for Commercial & Residential Real Estate Sector

General Guiding Criteria

1. Transmission Risk

2. Economic Value

3. Economic Stress

1. Transmission Risk Matrix for Real Estate (Property Practitioners)

	Current Classification	NPPC recommendation	Explanatory Notes
% of employees that can work remotely	1	1	Most property practitioners currently work remotely and are only required to do periodic site visits and inspections in which case stringent safety measures can and will be applied. The same applies for managing agents & commercial property managers.
% of workforce older than 50	2	2	
% of workforce in geographies with high transmission (GP, WC, KZN)	1	1	Proposed risk mitigation strategies to be implemented outlined below
Ability to enforce social distancing	0	0	Both the residential letting and commercial broking sub-sector are low risk in respect of infection, as social distancing and safety precautions can easily be implemented. Proposed implementation measures outlined below
Ability to provide masks to all employees	0	0	
Ability to screen all employees	2	0	Real Estate (including managing agents, property managers and commercial brokers), while classified separately, is a form of professional service and procedurally would follow the same process as other professional services which are currently rated as "0" in this category The industry's regulatory body, the Estate Agency Affairs Board, falls under the Dept of Human Settlements. The EAAB requires all estate agents to complete a <u>Professional Designation Examination</u> and maintain <u>Continuing Professional Development</u> in order to be issued with and keep their Fidelity Fund Certificate. This is a government-issued professional certification.
Ability to isolate all ill employees	2	0	As per the point above, there is no distinct reason why we would act any differently than the classified "Professional Services" category which is once again rated 0 while real estate is rated 2. Similar to the point above we

			recommend that this risk be lowered to 0. Proposed risk mitigation strategies are outlined below
% of employees who use public transport	1	0	More than 80% of all agents & commercial brokers use their own private transport. In many instances, it is a mandatory minimum requirement of the job. 60% of admin staff can work remotely.
% of employees who must cross provincial borders to commence work	1	0	The activities of real estate agents and commercial brokers is generally highly localised. There is no need for cross border services to be provided. All commercial brokers and real estate agents are able to work in their respective localities. We believe this should be reclassified to "0".
	10	4	

PROPOSED AMENDMENTS DRAFT RISK ADJUSTED STRATEGY – PHASED ECONOMIC RE-ENTRY APPROACH

In a bid to provide constructive solutions, we have investigated and would like to propose some best practice measures that have already been implemented in other similar countries such as: New Zealand, Australia and USA where real estate has been declared and essential service. New Zealand, similar to South Africa, has been a great example of how to tackle this pandemic both from a health point of view and responsibly from an economic standpoint. In the real estate sector, emergency regulations have been laid out to dictate how real estate agents may operate based on the different alert levels in place. Some of those proposals are described below:

REGULATIONS AND GUIDELINES FOR RESIDENTIAL SALES AND LETTING



NPPC – Health and Safety Regulation Guidelines for Residential Sales and Letting

	Level 5	Level 4	Level 3	Level 2	Level 1
Real Estate Offices	<p>- Offices remain closed to employees and public</p>	<p>Offices to remain closed to the public. All staff that is able to work remotely to be requested to work remotely. A Health Declaration and Contact Tracing form has to be completed by every visitor / employee / Estate Agent, in case contact tracing needs to be implemented at a later stage (Addendum 1). COVID-19 hygiene information to be displayed and hand sanitizer to be provided in all offices. 2m physical distancing measures to be enforced. Number of people in office at any one time limited to 1/3 of the workforce</p> <p>Office Cleaning:-</p> <p>Brief all staff to be vigilant in terms of cleaning and sanitizing in the office. Ensure that there is continuous supply of hand soap and disposable hand towels in the restrooms. Encourage heightened awareness of personal hygiene by displaying notices around the office, and especially in restrooms, to remind everyone of the importance of regular handwashing. There is evidence that good hygiene practices offer effective protection against the COVID-19 disease, so they should all be encouraged to wash their hands frequently. Avoid sharing landline telephones, if possible, and clean phones with alcohol wipes after each telephone call. Use disinfectant to wipe down desks, drawers and drawer handles, laptops, screens, keyboards, keypads, office equipment, worktops and other surfaces regularly. Let the item or area air-dry completely before using again. Wipe down windows, door handles, doorways, handrails and communal areas around the office. Encourage staff to wipe down their cell phones regularly. Mobile phone manufacturers' guidelines say isopropyl alcohol with a volume of 70% or more works on most phones but take care not to let any moisture enter the openings of the device. Don't use methylated spirits to avoid damaging the screen coating and casing of the phone.</p> <p>Staff:-</p> <p>Have regular, open and frank discussions to ensure that all staff members are aware of potential hazards or concerns, and to address any sense of unease or queries.</p>	<p>Same operating procedures as level 4</p>	<p>Same operating procedures as level 4</p>	<p>Offices are open to public. Same operating procedures as level 4.</p>

		<p>Encourage openness and honesty among staff. No-one should be afraid of stigmatisation or victimisation if they need to alert managers or colleagues of changes and developments in their personal circumstances. Avoid handshakes, hugs and any other form of physical contact. Always maintain a safe distance of at least 2m between individuals.</p> <p>All real estate employees are required to wear a mask at all times. They are also to demand that all clients they interact with wear a mask and agree to have their hands sanitised before and after viewings.</p> <p>Travel</p> <p>Staff are discouraged from all non-essential travel within South Africa, including making use of public transport like taxis, buses, trains, etc.</p> <p>Staff are strongly discouraged from traveling in their personal capacity (domestic or international). Individuals traveling abroad will be required to disclose their itinerary, and to self-quarantine for 14 days upon their return. During this period, they will be required to work from home.</p>			
Open Homes and Private Viewings	No open homes, show houses or private viewings	<p>No open homes or show houses.</p> <p>Private viewings strictly by appointment only and with the consent of the client and property occupants. Focus on online viewing methods (virtual tours, video conferencing software) where possible.</p> <p>For all property viewings to be conducted in person: Do upfront checks on the potential Buyers/Tenants, as well as the Sellers/Occupants of the property, before facilitating a property viewing in person.</p> <p>Ask all the questions listed in the Health Screening & Travel Declaration form. If the answer to any of these questions are yes, rather postpone the viewing. Keep a record of all conversations in this regard.</p> <p>Pre-registration of all private viewing attendees including names, ID's, addresses and phone numbers, to assist with contact tracing.</p> <p>All attendees/clients to be e-mailed COVID-19 information beforehand, including hygiene expectations. Information to include instructions that the private viewing is 'contactless' and surfaces cannot be touched by attendees. The agent (wearing gloves) will open any doors/ cupboards on behalf of attendees.</p> <p>Agent to open internal/external doors as appropriate beforehand to minimize risk of surface transmission. Property owners/occupants to leave premises during viewing, where possible.</p> <p>One private viewing at a time. Viewings to be spaced sufficiently apart to allow time for sanitizing after each viewing, as required, and to ensure there is no contact between attendees.</p> <p>Maximum of two people from the attendee's family to attend a private viewing.</p> <p>Attendees to wait in their vehicles until agent advises they can enter, to ensure that there is no contact between attendees.</p> <p>Only one agent to attend a private viewing.</p> <p>Shoes removed prior to entry.</p> <p>Physical distance of 2m to be maintained at all times.</p> <p>Agent to wear gloves and hand sanitizer to be available for use by all attendees entering and exiting property.</p> <p>Private viewings to be kept very brief.</p> <p>No private viewings at properties where a person living at property is, or has been in the 14 days prior to the viewing, unwell or self-isolating or have been in contact with a confirmed case of COVID-19 within the last 14 days.</p> <p>COVID-19 information and hygiene notices to be displayed at property.</p> <p>Those feeling unwell, have travelled overseas recently, are self-isolating or have been in contact with a confirmed case of COVID-19 may not attend the viewing.</p> <p>High risk people (e.g. those over 65 or those with other existing medical conditions) not to attending the viewing.</p>	Same operating procedure as Level 4	Same operating procedure as Level 3	Open homes and show houses are permitted adhering to operating procedures as per Level 4

		After viewing areas attendees may have accidentally touched to be sanitised with antibacterial wipes.			
Appraisals & Listings	Agents may not carry out physical appraisals or listings at properties	<p>Agents may visit the property to conduct an appraisal or evaluation. Agents must;</p> <ul style="list-style-type: none"> adhere to physical distancing (2m). Not attend property if occupants have been overseas recently, are self-isolating or have been in contact with a confirmed case of COVID-19 within the last 14 days. Only one agent to attend the property. Minimize time at property. Minimize in-person contact with the client/s. <p>Clients may take their own videos and photographs for listing purposes.</p> <p>If a photographer or videographer is attending the property, they must; adhere to physical distancing (2m); not attend property if the occupants or buyer have been overseas recently, are self-isolating or have been in contact with a confirmed case of COVID-19 within the last 14 days, or if they or anyone they have been in contact with have been a confirmed case of COVID-19 within the last 14 days.</p> <p>Virtual methods to be used to share new listings with their colleagues.</p> <p>In order to assist those businesses who require new business premises, property viewings and inspections can only take place on site. This applies to business at all levels and can be held subject to all safety precautions and social distancing.</p> <p>The number of individuals attending commercial real estate site visits can be limited, to the broker and key decision makers only. Prior arrangements to access vacant property sites to be made.</p> <p>Special permits to be given to contractors who require access to business premises for the purpose of preparing / renovating these for occupation. Full health and safety precautions to take place.</p>	Same operating procedures apply as per Level 4	Same operating procedures apply as per Level 4	Same operating procedures apply as per Level 4
Pre settlement inspections and purchaser due diligence	No physical pre-settlement inspections can be carried out	<p>Inspections, maintenance and cleaning: Where permitted through government sector classification, if a professional (for example, a building inspector, valuer or engineer) is attending the property, they need to;</p> <ul style="list-style-type: none"> Each person should complete a Health Screening & Travel Declaration Form All Health Screening & Travel Declaration Forms should be submitted to the nominated administrative person on a regular basis for record keeping. All forms of physical contact are prohibited, i.e. no hand-shaking when greeting and practice physical distancing by remaining at least 2m from each other. Be sure to wear a face mask at all times during interaction with others. Do not attend property if occupants have been overseas recently, are self-isolating or have been in contact with a confirmed case of COVID-19 within the last 14 days. Limit number of persons at the property (e.g. have professionals attend separately). 	Same operating procedures apply as per Level 4	Same operating procedures apply as per Level 4	Same operating procedures apply as per Level 4
Contracts	Contracts cannot be executed in person. Contracts can be drawn up digitally and emailed/	<p>Contracts can be drawn up digitally and emailed/couriered to the client.</p> <p>Contracts can be explained and discussed using online technology.</p> <p>Signed contracts can be collected by the estate agent when original documents are required.</p>	Same operating procedures applies as Level 4	Same operating procedure applies as Level 4	Contracts can be executed in person practising physical distancing and safe hygiene methods.

	<p>couriered to the client. Contracts can be explained and discussed using online technology. Signed contracts to be emailed and collected by courier when original documents are required.</p>				
Settlements and moving	<p>No settlements and moving can take place</p>	<p>Clients moving home should be permitted in accordance with government regulations. Agents to arrange for sanitized keys to be provided with no physical contact between any party</p>	<p>Same operating procedure applies as per Level 4</p>	<p>Same operating procedure applies as per Level 4</p>	<p>Clients can move home as government restrictions are relaxed.</p>

2. Economic Value

Real Estate is unquestionably a multiplier and enabling industry. In the 2007/08 crash in the United States it was real estate that lead the economy out of the recession and back to economic health and prosperity and it is this sector that can assist in doing so in South Africa. Real Estate in isolation contributes about 5% of South Africa's GDP and has 46,000 people that make up the residential real estate sector. It would be unwise to look at it in isolation though. There are so many organisations, industries and businesses that rely on real estate to trade.

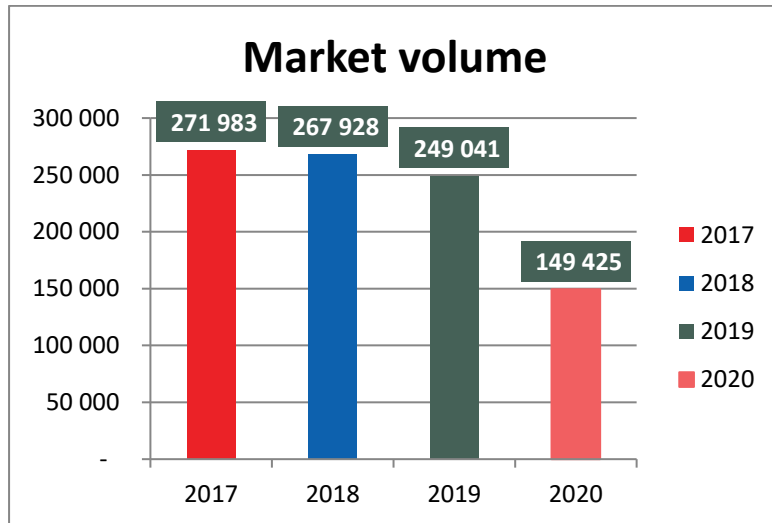
1. SARS
 - The Transfer Duty collected by SARS will dry up if this industry is decimated. This is money that the government will need to fight this pandemic.
2. Legal
 - There are 1000's of conveyancers and administrative legal staff that process the over 20,000 contracts per month.
3. Banks

- Every bank will confirm that their “anchor product” is the home loan. If home loans aren’t being processed because homes aren’t being sold, there will not only be layoffs in bank home-loan departments but it will negatively impact all bank customers.

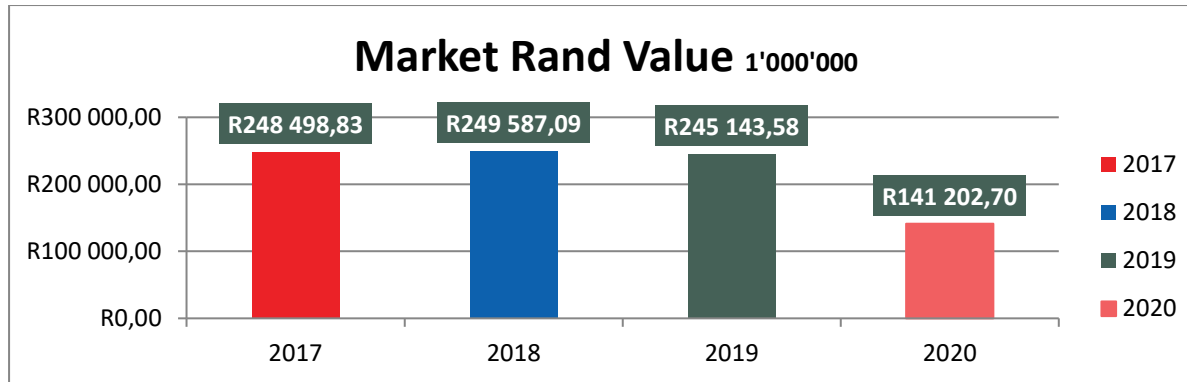
4. Home services & Tradesmen

- From garden services to electricians, from plumbers to inspectors and many more. Bear in mind that most of these tradesmen are self-employed no or little financial relief has been provided for them by government during this crisis.

Market size



Total volume of residential property transfers per annum.



Total Value of Property Transfers Per Annum

The charts above represent the South African residential property markets. Registrations are based on volumes and rand values.

The predictions for 2020, is that the market will contract by at least 40%. This percentage would equate to a total reduction of **99 616 registrations** with a total estimated rand value of R103bn.

(The below numbers are estimated at an average per property transaction and could vary once a detailed impact analysis is completed)

Market decline		99616
Pre sales transaction	Total Market Impact	Rand Value Per Transaction
Maintenance	249 040 000.00	2 500.00
Estate agent services	249 040 000.00	2 500.00
Cleaning costs	99 616 000.00	1 000.00
Home inspections	64 750 400.00	650.00
Financial services	149 424 000.00	1 500.00
Attorney services	99 616 000.00	1 000.00
Post sale transaction	Total Market Impact	Rand Value Per Transaction
Estate agent services	4 137 650 176.00	41 536.00
Attorney services	4 836 356 800.00	48 550.00
Financial services	611 243 776.00	6 136.00
Compliance fees	547 888 000.00	5 500.00
Removal companies	298 848 000.00	3 000.00
Home improvements	597 696 000.00	6 000.00
Retail costs	348 656 000.00	3 500.00
Cleaning costs	99 616 000.00	1 000.00
Deeds office fees	348 656 000.00	3 500.00
Insurance (NPV)	1 494 240 000.00	15 000.00
Transfer duties	1 501 711 200.00	50 250.00
Total Loss to GDP	15 734 048 352.00	157 947.00

Impact on GDP

Buying and selling existing homes does not affect the GDP, however the accompanying cost of a house transaction does, and contributes significantly to the growth of the economy.

The table above indicates the potential impact on our economy, if the residential property market contracts by 40% which would indeed be the case if the classification were to be kept at a level 2 permitted good and services provider as set out in the NCCC government document. The total economic loss to GDP is projected at R15,7bn.

3. Economic Stress

Many property practitioners are already at high risk of liquidation and destitution as they have been without an income for months already.

1. Payment cycle (residential sales):

It takes a few months to get a home sold and is a lengthy process which involves: 1. acquiring the property to sell, 2. Valuation & marketing it, 3. getting an offer, 4. Getting it approved and 5. financed by a bank and thereafter having it 6. processed by the Deeds Office. Eg. an agent that was marketing a home for sale in February and March and concluded a sale of agreement in March would not have been paid because the Deeds Office was closed.

During the level 5 lockdown it would have been near-impossible to engage any new clients and acquire properties to sell.

Even if they do acquire a property to sell on the first day post-lockdown it will in all likelihood be another 2 months, at best before any income is received.

Property Practitioners who earn commission are not legally eligible to claim UIF as they are full commission earners. All the relief schemes put in place are directed at businesses and employees. They fall into neither category and as such are completely financially exposed. They are not currently working in any capacity. The industry has already seen people exiting and this will now accelerate at a ridiculously rapid rate. Firms to which they belong will be forced to close

If Real Estate is not declared a Level 4 Professional Service alongside the Deeds Office, we fear that 80% of the industry disappear and along with it all the industries that rely on its existence as detailed above.

Regards,

Ms Vuyiswa Mutshekwane

Chairperson

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