GOLDEN TIGER REALTORS | RESEARCH ARTICLE

From Agent to Owner: Franchising as a Principalisation Vehicle

Published November 2025 · Golden Tiger Realtors · Aligned to PPRA transformation objectives

Abstract. Black ownership of estate agencies remains the slowest-moving part of property sector transformation. This article argues that a structured franchise model, paired with accredited training and mentoring, lowers the three main barriers to principal status: capital, compliance capability and brand trust. It proposes that franchising be recognised as a delivery channel for the PPRA's Principalisation Programme.

1. The transformation mandate

Chapter 4 of the Property Practitioners Act 22 of 2019 requires the PPRA to run a Property Sector Transformation Fund. Section 21(3)(a) names a Principalisation Programme to promote Black-owned firms and principals. [1] When the PPRA launched in 2022, government listed helping historically disadvantaged practitioners become principals and business owners, and supporting HDI-owned SMMEs, among its transformation aims. [2]

2. The problem

The sector has grown more representative at agent level, but ownership has lagged. In 2023 the PPRA chairperson noted that of roughly 48 000 registered practitioners, only about 12 000 were Black, with most agents still white and male. [3] The PPRA's 2022/23 annual report placed the figure at 27%, while commentators argued that ownership and management control on BEE scorecards show transformation has barely begun. [4]

3. Why ownership is hard to reach

From GTR's experience recruiting and supporting franchisees, aspiring Black principals typically face:

- **Capital barriers:** start-up costs, trust account set-up, audit fees and a cash-flow gap before the first commission is paid.
- **Compliance load:** a principal carries responsibility for trust accounting, FFCs for all staff, CPD records, FICA and POPIA. A single lapse can block an entire office.
- **Brand and network deficit:** sellers in established suburbs tend to list with recognised brands, which concentrates mandates in incumbent firms.
- **Isolation:** a newly principalised practitioner often has no peer or mentor to call when a transaction goes wrong.

4. GTR's perspective: the franchise as a scaffold

A franchise addresses each barrier by sharing what a lone start-up must build alone:

Barrier	What a well-run franchise provides	GTR example
Capital	Shared systems, templates and marketing reduce set-up costs	Central marketing playbook and campaign calendar
Compliance	Standardised procedures and oversight	Compliance manual, complaints handling procedure, master checklist
Brand trust	A recognised brand from day one	GTR brand and territory protection
Isolation	Structured mentoring	12-month, 5-stage franchisee mentoring programme
Skills	Formal qualification pathway	GTLA qualification route from candidate to principal

The risk is that franchising reproduces dependency rather than ownership. A franchise only advances transformation if the franchisee genuinely owns the business, controls its decisions and can build equity. Fee structures, territory rules and exit terms therefore matter as much as training.

5. Recommendations for implementation

1. **Ring-fence franchise opportunities for HDI principals.** Set a target share of new franchises awarded to historically disadvantaged individuals, with a sub-target for women and youth.
2. **Pair every new franchisee with a development plan.** Cover principal-specific competencies: trust accounting, audit readiness, employment law and complaints handling.
3. **Seek co-funding through the Transformation Fund.** Approach the PPRA to pilot franchise start-up grants or fee deferrals under the Principalisation Programme.
4. **Build in a graduation path.** Allow successful franchisees to buy additional territories or convert to independent ownership on fair terms.
5. **Report transparently.** Publish an annual transformation report: franchise ownership by race, gender and age; survival rates; and turnover.

6. Recommendations for further research

- **Survival rates:** compare three- and five-year survival of franchised and independent HDI-owned agencies.
- **Ownership quality:** assess whether franchise agreements in the sector give HDI owners real control and equity growth.
- **Funding models:** test which finance instruments (grants, deferred fees, blended finance) best close the start-up gap.

- **Market access:** study whether HDI-owned franchises gain fair access to mandates in historically white suburbs.

References

[1] Property Practitioners Act 22 of 2019, s 21: Property Sector Transformation Fund. https://www.acts.co.za/property-practitioners-act-2019/21__property_sector_transforma.php

[2] Kubayi, M. (2022). Remarks at the PPRA launch, 1 February 2022. https://www.gov.za/node/811533

[3] Property Professional (July 2023). Transformation, but when? https://propertyprofessional.co.za/2023/07/31/transformation-but-when/

[4] Property Professional (April 2024). Still not enough transformation in the property sector. https://propertyprofessional.co.za/2024/04/29/still-not-enough-transformation-in-the-property-sector/