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Introduction

- Buying and selling a property process involves legal documents and statutory requirements, **difficult to understand** and **unfamiliar** to ordinary people.

- Most consumers thus choose to **buy the service** from an estate agent (Stamsø, 2015).

- Agents act as an **intermediary** between the vendor and the purchaser in a real estate transaction. (Babatunde & Ajayi, 2018). , can be formal or informal

What is Informality?

- Informality - the set of companies, workers, and activities operating **outside legal** frameworks and regulations., De Soto (1989)

- Nature of organization as informal identified as **lacking structure.**

- Informality arises when cost of functioning within a country's legal and regulatory framework **outweighs** the benefits.

Statement of the Problem

- The term informality means different things to different people, but almost always **bad things**.

- Despite its illegality, and as a result of the legal and physical precariousness of the products it sells, is often the only option for **access to land and housing** for low income families in large urban centers

- Researchers such as Keith Hart argued that the source of **our blindness is the undocumented nature** of the sector.

- Binary (Mutually Exclusive) Vs Continuum (Spectrum).

- Several interventions to address informality in real estate agency, with key objective **to turn the informal into formal**

Methodology

The study adopts a qualitative research paradigm

- The study adopts the Case Study research design for the holistic view of the process.

- Data collection methods included Online Surveys, and Interview with key informants, and User Journey Maps

- Data Analysis is through thematic analysis technique

Summary of Data Collection Tools

| Quantity	Type of Data Collection Tool	Type of Input
7	Key informant Interview	Dynamics of informal real estate agency. Condition for agents to emerge, procedure and processes, agency relationships
80	Online Surveys Informal Agents, n = 15, Principal n = 65	Procedures and processes in informal real estate agency practices
2	User Journey Map	Procedures and processes, the relationship between principal and agent

Profile of Respondents Surveys

Demographic Variable	Category	Residents (65 Responses)		Informal Agents (15 Responses)		Total (80 Responses)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Gender	Male	30	46.2%	11	73.3%	41	51.3%
	Female	35	53.8%	4	26.7%	39	48.7%
House Ownership	Landlord	12	18.5%	4	26.7%	16	20.0%
	Tenant	53	81.5%	11	73.3%	64	80.0%
Time lived in the current residence	Less than 1 year	11	16.9%	2	13.3%	13	16.2%
	1-5 years	45	69.2%	4	26.7%	49	61.2%
	6-10 years	7	10.8%	8	53.3%	15	18.8%
	More Than 10 years	2	3.1%	1	6.7%	3	3.8%
Education Level	Primary Education	0	0	1	6.7%	1	1.2%
	Secondary Education	1	1.5%	1	6.7%	2	2.5%
	College and University	64	98.5%	13	86.7%	77	96.2%
Age	19 – 35 years	55	84.6%	11	73.3%	66	82.5%
	36 - 45 years	5	7.7%	3	20%	8	10.0%
	46 – 60 years	5	7.7%	1	6.7%	6	7.5%
Marital Status	Single	34	52.3%	9	60%	43	53.7%
	Married	30	46.2%	5	33.3%	35	43.8%
	Don't wish to disclose	1	1.5%	1	6.7%	2	2.5%
Employment Status	Self-employed	21	32.3%	6	40%	27	33.7%
	Salaried	24	4.6%	7	46.7%	31	38.7%
	Business Owners	3	36.9%	3	13.3%	6	7.5%
	Others	15	23.1%	0	0	15	18.7%
	I don't wish to disclose	2	3.1%	0	0	2	2.6%

Visited Informal Real Estate Agents Stops

Number	Area	District	Number of stops
1	Namanga Oysterbay Area	Kinondoni	1
2	Sinza Kijiweni Area	Ubungo	1
3	Ilala Boma Mitumbani Area	Ilala	1
4	Mbagala Mwisho Area	Temeke	1
5	Mjimwema Area	Kigamboni	1
TOTAL			5

User Journey Maps
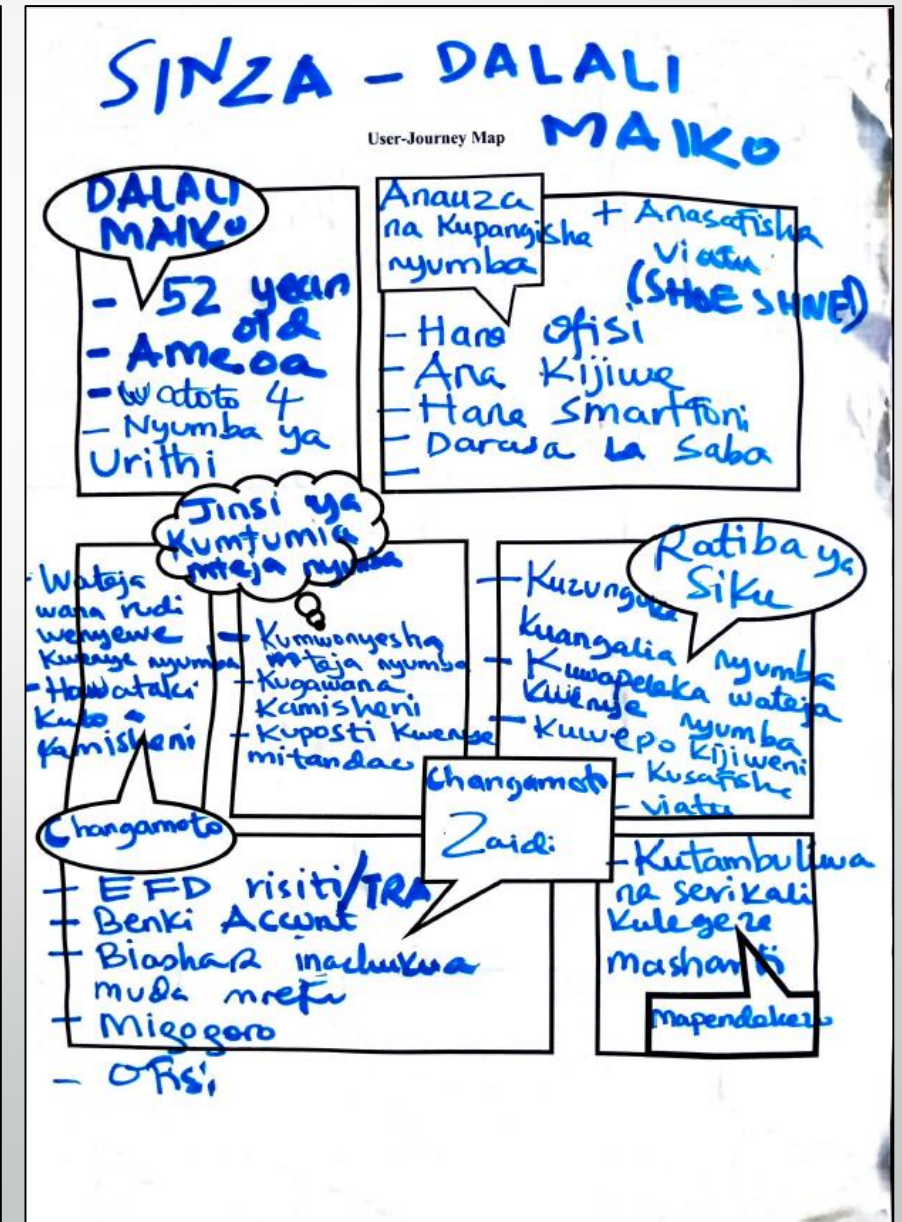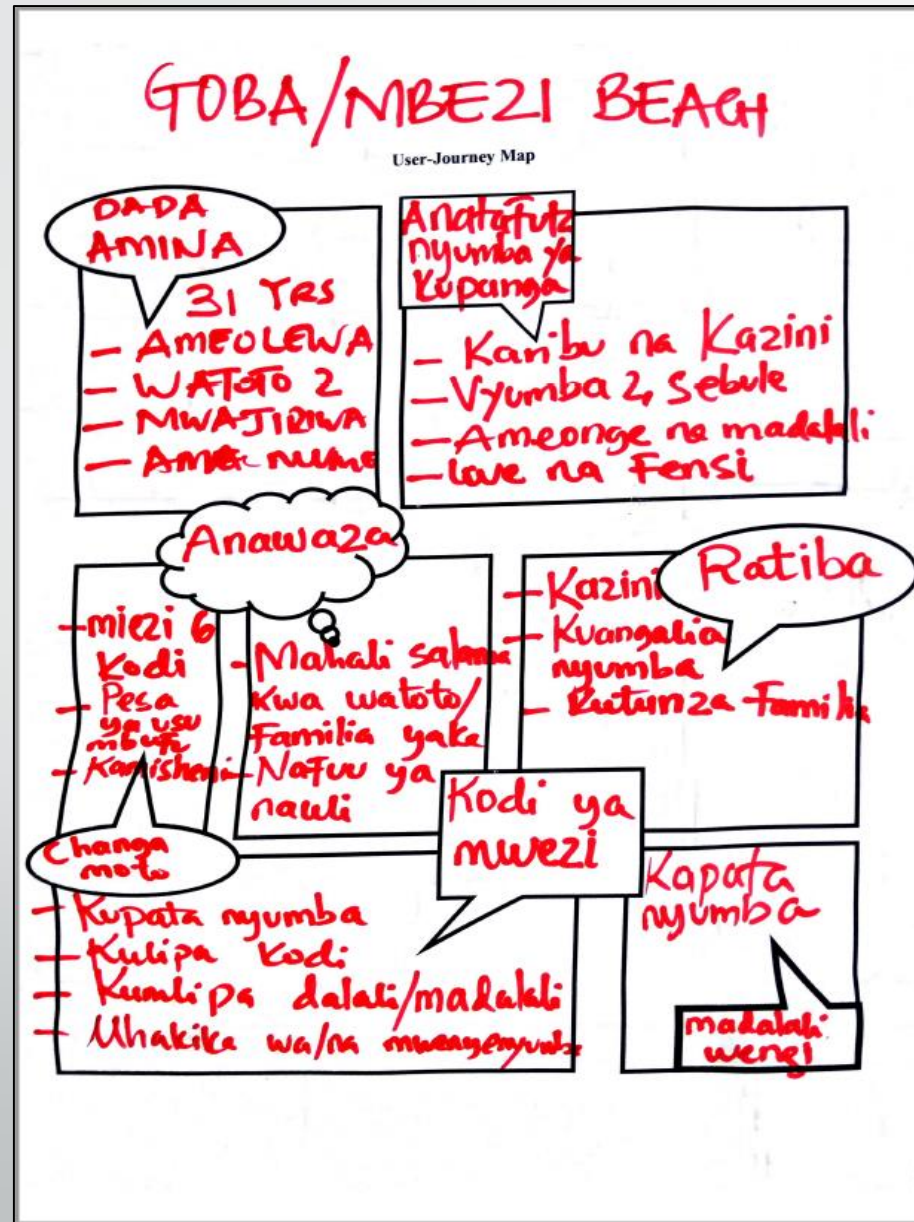
Results

Operation of Informal Real Estate Agents

- Informal Agents Engages in All types of properties, from Surveyed to Unsurveyed land, commercial to residential property

- Operation is on Ward and Regional Level, not National Level

- 73% gets an average of 5 Clients per month

- Site Visit Fee to compensates for the time spent, although burdensome to clients

- 75% of informal agent Spent a Month to rent a property, while 47% spent a month to sale a property

Summary of Conditions in which informal Real Estate Agents Emerge

	Condition	Type of occupations/Individuals	Key Observations
1	First contact opportunity with property owners and landlord	Bankers, Lawyers, Artisans (handcrafts), Land Officers, Valuers, Architects, Quantity Surveyors, Tax collectors	• Knowing the actual owners/landlords • Direct contacts with owners • Trust
2	First contact opportunity with tenants, buyers	Hotel staffs, Bankers, Taxi drivers	• Knowing the profile of the buyers/ tenants • Trust
3	Knowledge of the neighbourhood	Regular citizens, Local government officials, (ward and sub ward (Mtaa) leaders), social groups in the community such as VICOBA Regular citizens, Security guards, shoe shiners, shop owners, restaurant owners.	• Knowledge of the history of the property • Knowledge of social services availability of the neighbourhood • Minimize running costs • Simplifies Site viewing • No need for a physical address
4	Possession of properties	Property developers, Inherited properties	• Starting point of becoming an agent
5	Knowledge of property related information	Lawyers, land officers, valuers, surveyors, town planners, quantity surveyor	• Understanding of the local real estate market • Contacted by formal agents • Potentials/Opportunities for development • Changes of Demand and Supply
6	Trusted by community members in the neighbourhood	Local government, officials such as ten cell leaders, ward and sub-ward leaders, natives	• An opportunity to manage a property when the owners are not around • Confidentiality of information

Procedures and Processes in Informal real Estate Agency

1. Property Preparation → 2. Price Setting → 3. Agency Search

6. Property Marketing ← 5. Agree Terms with agents ← 4. Property Viewing

7. Communication with Prospective Clients → 8. Negotiation → 9. Contracts and Payment arrangements

10. Commission Payment
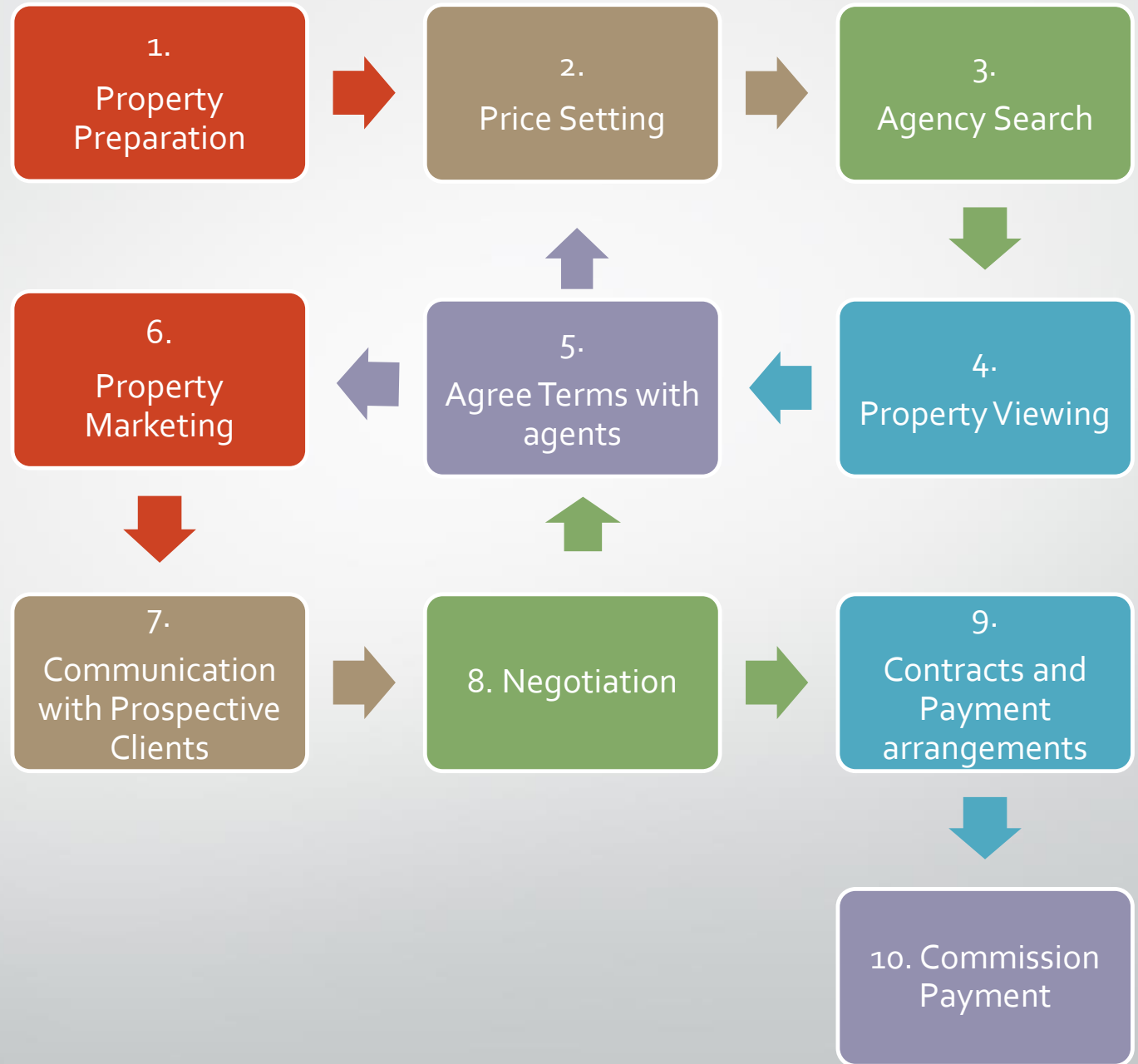
Summary of Procedures and Processes

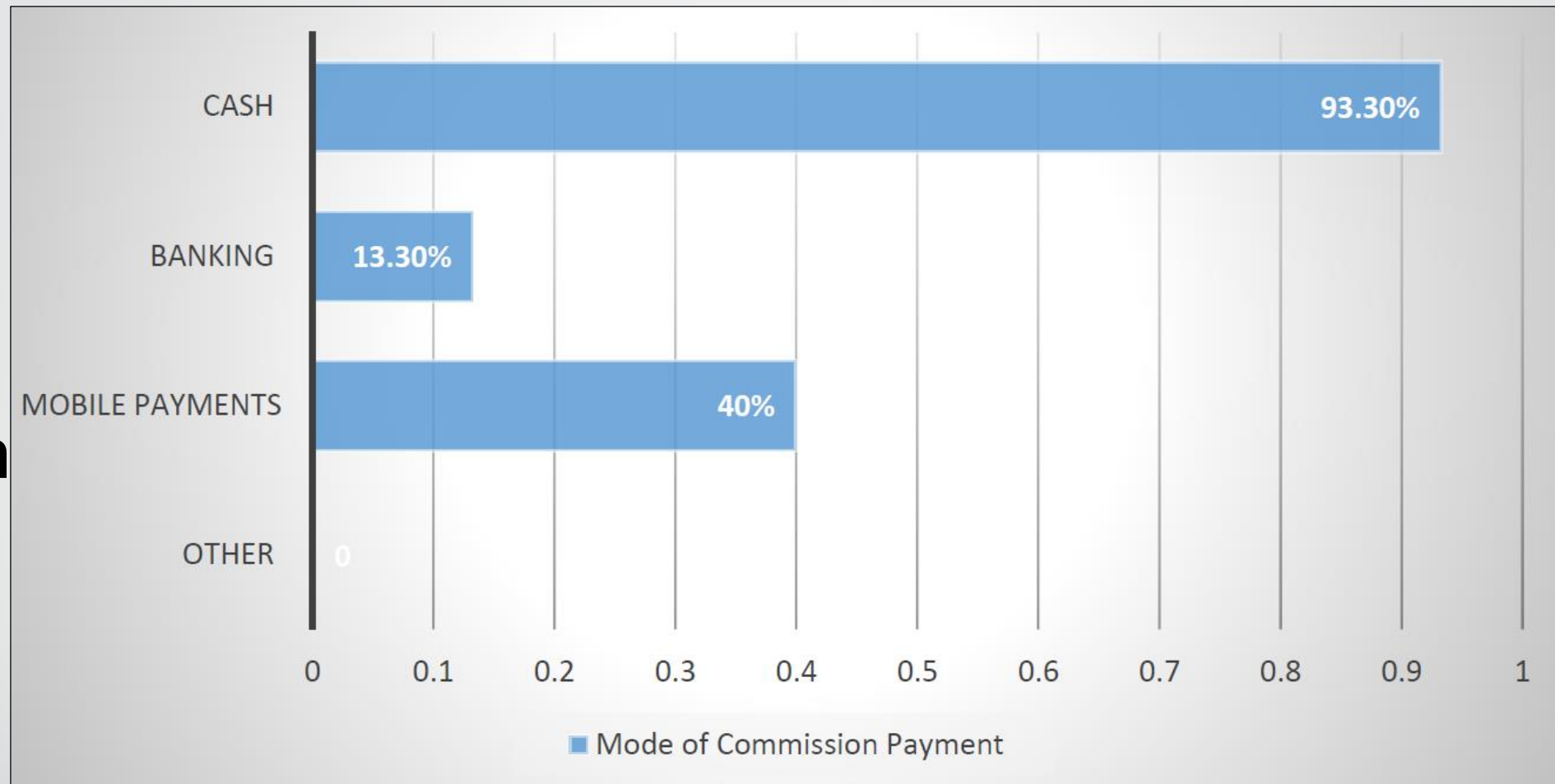|	Procedure and Process	Who is involved	Key Observations
1	Property Preparation	Principal	• Change of use of the property • Demand and Supply changes
2	Price setting	Agent, Principal	• Agents influence pricing • Arbitrary prices • Overpricing to realize high commission • Inconsistencies based on the nature of the client
3	Agency search	Agent	• Referrals form the basis of property search
4	Agreeing terms with Agents	Agents, Principal	• Oral agreement
5	Property Marketing	Agent	• Disclosure of confidential information
6	Communicating with prospective clients a	Agent	• Nature of communication is based on the agents local expertise • Misleading client with the description of the property
7	Property Viewing	Principal, Agent	• Agents charge site-visitation fees to justify the commitment of the client
8	Negotiation	Principal	• Depends if it is seller's or buyer's market • Promises for repairs and maintenance
9	Contracts and Payment arrangements for the purchase price and rental price	Principal	• Clients may pay an initial amount to show commitment • Cash on mobile transaction payments on rental property • Bank payment on property purchase
10	Commission Payment	Principal and Agent	• Cash • Collection of commission from both, principal and third party • Commission Splitting

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Linking **Payment Type, Arrangements and Mode**

| S/N	Payment	Item	Remarks
1	Payment Type	Commission	• Commission sharing between agents
		Facilitation Fee/Site Visit Fee	• Tax evasion and avoidance
			• Who is supposed to pay
			• Measure of Client seriousness
		Finders Fee	• Compensation for the efforts
2	Payment Arrangements	Percentage Approach	• Oral Agreements
			• Consistency
		Equivalent of Monthly Rent Approach	• Mode of Calculation
			• Conflict when agents sells on higher prices
		Difference between selling price and sellers asking price Approach	• Short term rentals
		Fixed Amount Approach	• Subjectivity
3	Payment Mode	Cash	• Trust
		Bank	• Flexibility
		Mobile Transactions	• Electronic Receipts
		Payment in Kind	• Acknowledgment of Payment

Mode of Commission Payment

"...I was once paid a share of my commission through a mobile transaction, and I clearly saw a notification on my phone, unfortunately, after some time, I was told that the money was sent to me by mistake, so it has been sent back to the sender. And this is how I was robbed of my commission by one of the co-agent of the property, and he disappeared"
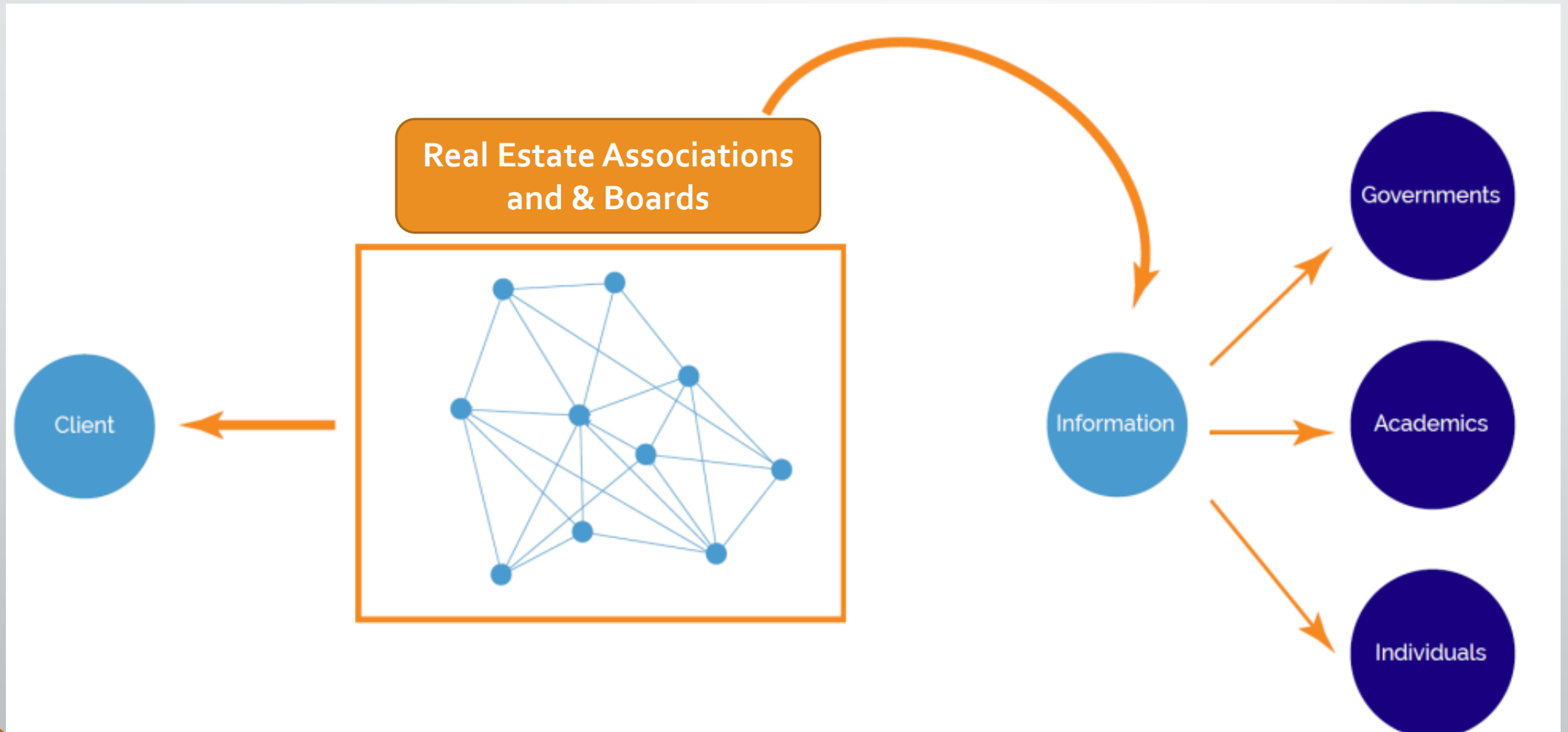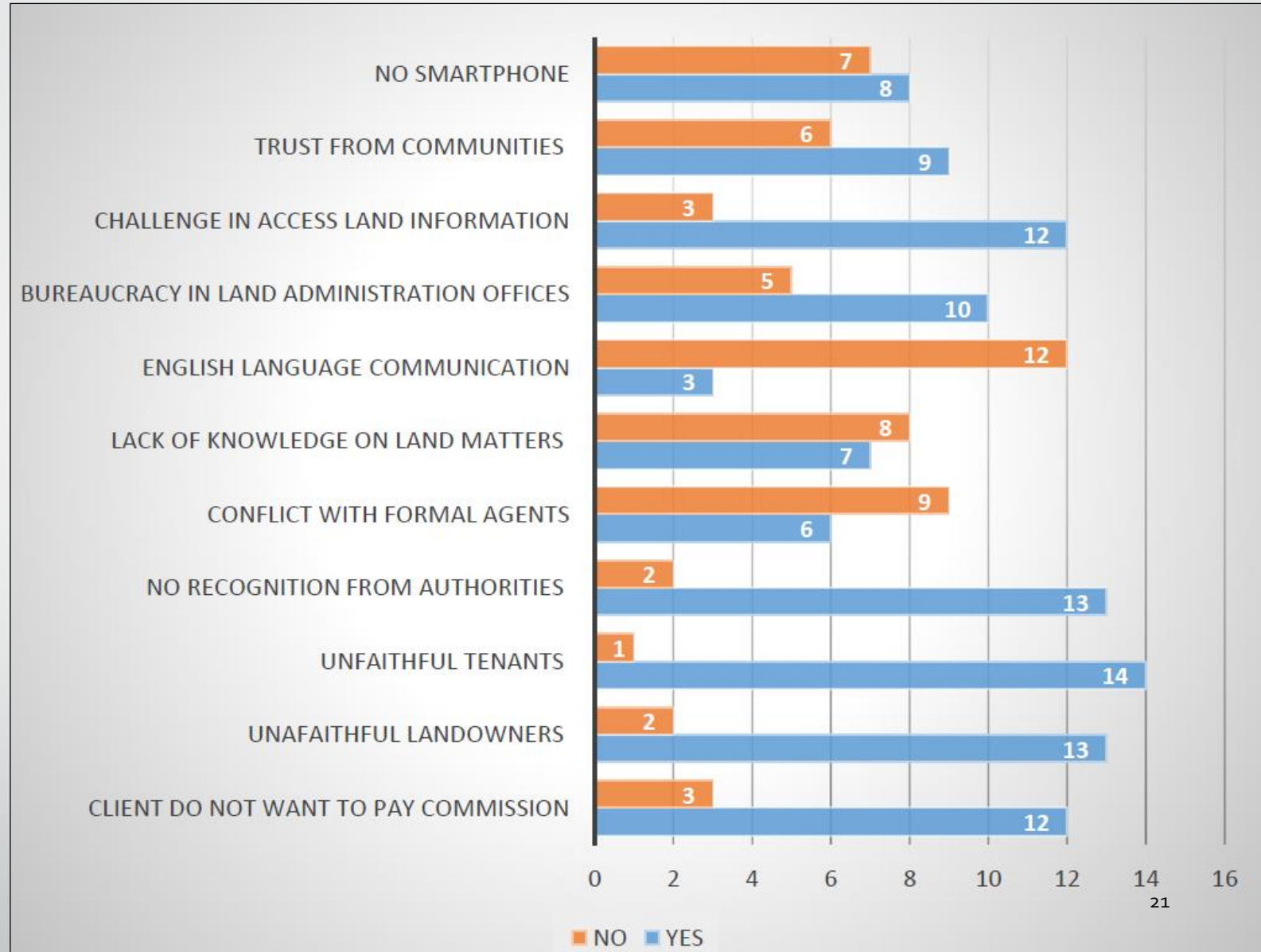- Respondent

Agency Relationship
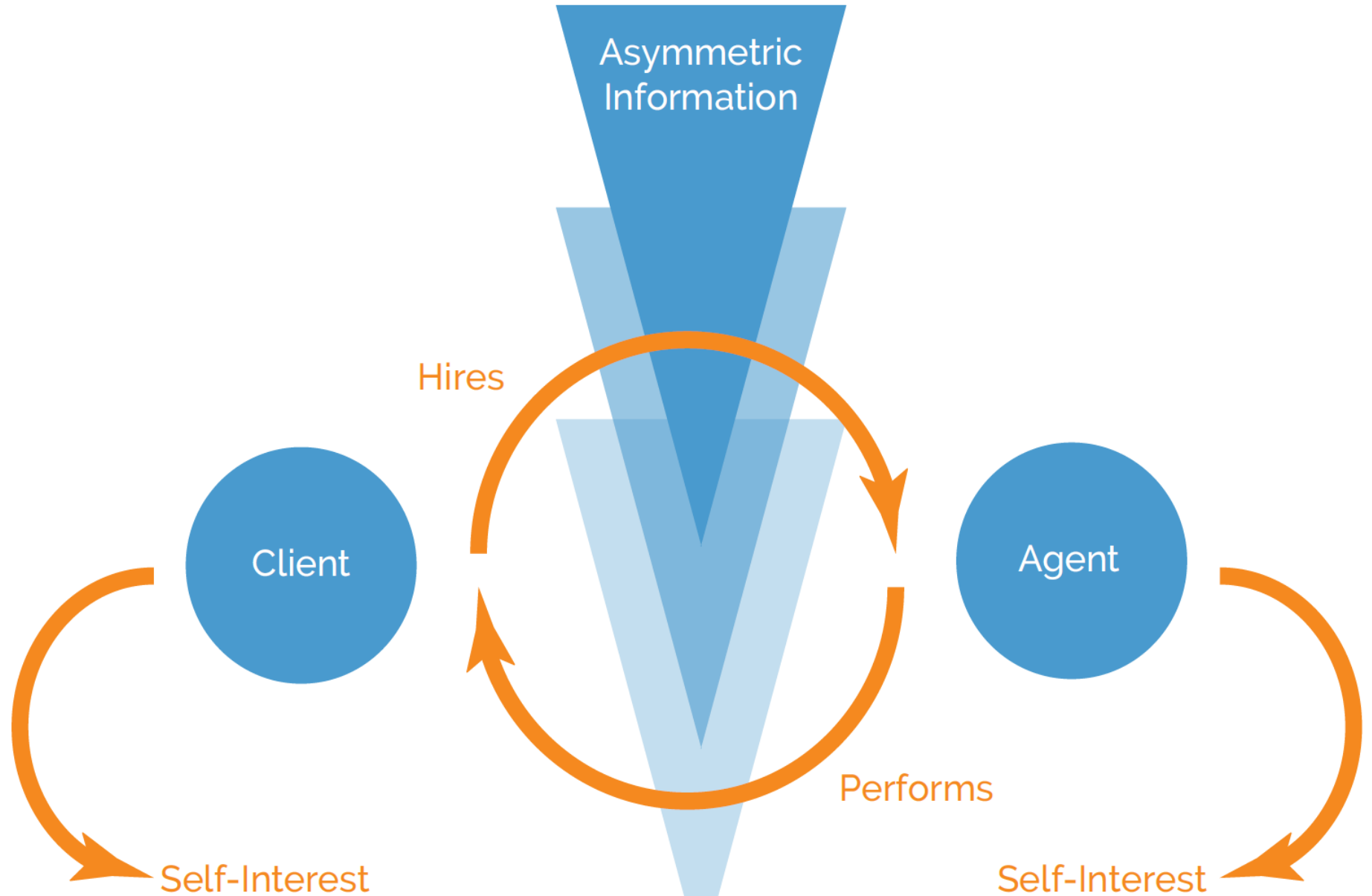
Current Model
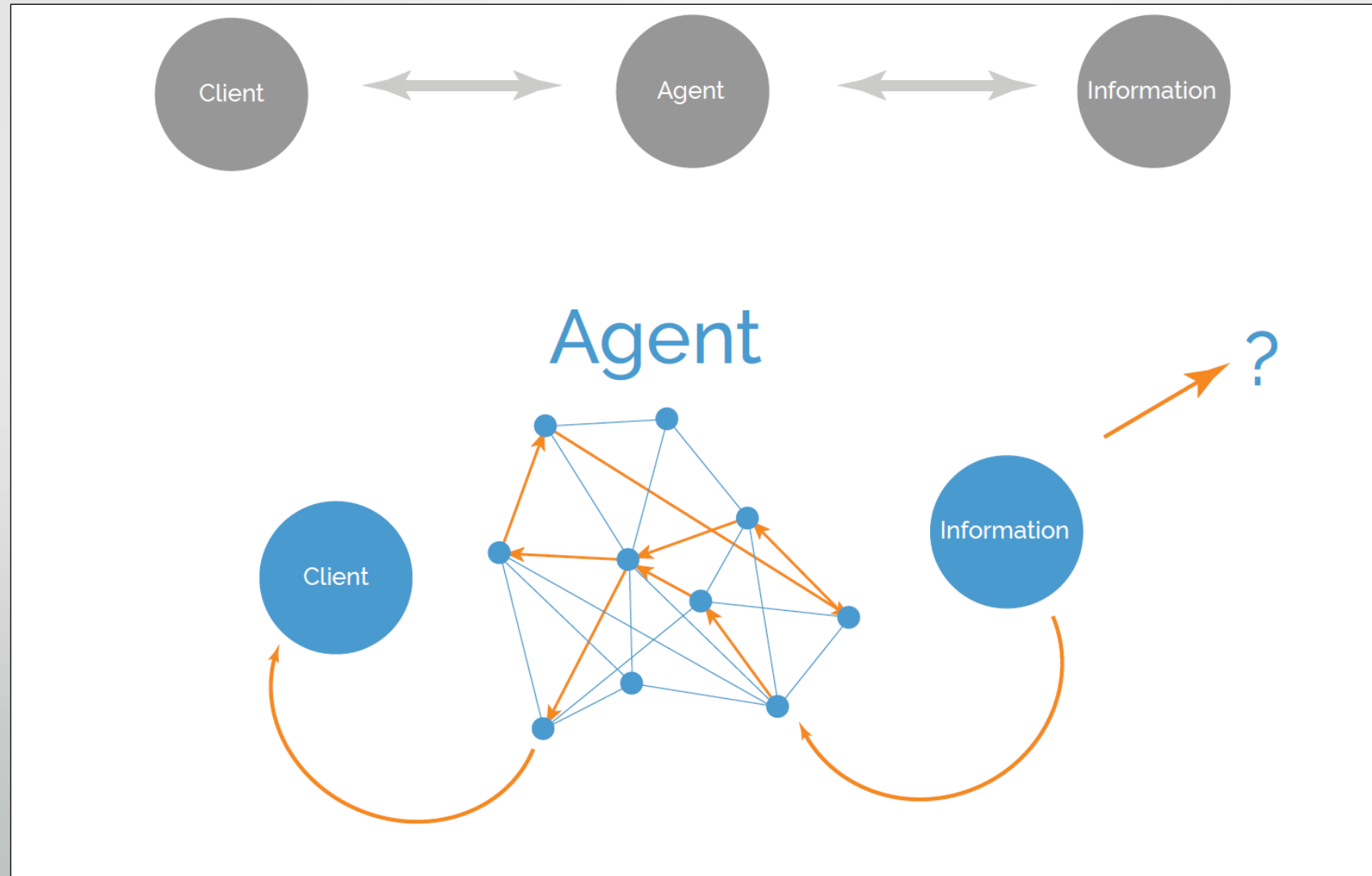
Proposed Model

Challenges in Informal Real Estate Agency

Challenges in Informal Real Estate Agency (NO/YES responses):

- NO SMARTPHONE — NO: 7, YES: 8
- TRUST FROM COMMUNITIES — NO: 6, YES: 9
- CHALLENGE IN ACCESS LAND INFORMATION — NO: 3, YES: 12
- BUREAUCRACY IN LAND ADMINISTRATION OFFICES — NO: 5, YES: 10
- ENGLISH LANGUAGE COMMUNICATION — NO: 12, YES: 3
- LACK OF KNOWLEDGE ON LAND MATTERS — NO: 8, YES: 7
- CONFLICT WITH FORMAL AGENTS — NO: 9, YES: 6
- NO RECOGNITION FROM AUTHORITIES — NO: 2, YES: 13
- UNFAITHFUL TENANTS — NO: 1, YES: 14
- UNAFAITHFUL LANDOWNERS — NO: 2, YES: 13
- CLIENT DO NOT WANT TO PAY COMMISSION — NO: 3, YES: 12

Legend: NO, YES

Key Findings

- Organization in informal Real Estate sector is non-linear, with multiplicity of process happens at different layers.

- Real estate market values **experience**, **local knowledge** and **trust** as crucial in real estate market practices

- Opportunity/Source of Government revenue

Discussion and Recommendations

- Regulating the Real Estate Agency (WHY VS HOW)

- Considering Difference in Market Segments when providing service/Intervening

- Identification and Recognition of Informal Real Estate Agents – Street Vendors

- Improve the Data (Information) on real estate agency

- Training of the Real Estate agents

Two main Questions

Question 1: Do we need to regulate the sector? (Why)

1. Data – Sensitivity, Benchmarks, Manipulation, availability, knowledge,

2. Protecting final consumer,

3. potential for income generation

4. Not accounted in official statistics

Question 2: How should we regulate the Sector? (How)

1. Strengthening association (AREPTA towards RERA)

2. Rebranding, The word Dalali?

3. Linking with international agencies

4. Decentralization/Localization

5. Is regulation a **Product** or **Process**?

Areas For Further Studies

- Real estate data collection and **database management** methods from informal real estate agencies

- Transforming real estate data including the 2022 national census data and postal codes into **useful knowledge** to be understood by regular citizens.

- Establishment of **real estate agency training centres** for real estate actors

- Engaging real estate **students/youth** to engage more in real estate agency as **a profession**.

- Development of theories to **understand risk and returns** associated with informality particularly in real estate agency, since peculiar products are being traded.

- Development of **blockchain and related technologies** in addressing challenges facing informal real estate practices

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