

What to consider before buying a real estate franchise

Running your own property business is not something you can jump into without a bit of preparation, says Walter Hart, the Rawson Property Group's business expansion manager. He provides advice on the most important factors to consider, and explains the benefits of joining a national brand instead of starting out completely on your own.



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“Most prospective franchisees spend a lot of time weighing up the pros and cons of buying a franchise versus building their own brand,” says Hart. “There is something very enticing about having your own name over the door, after all. In most cases, however, the benefits of joining an established, national brand far outweigh the potential of an independent agency.”

Benefits of joining an established brand

According to Hart, these benefits include instant brand recognition, access to a broad (and often very profitable) referral network, experienced and ongoing business and marketing support, proven technology and in-house training, and a community of like-minded peers. Finding, training and retaining good agents is also far easier with the backing of a respected franchise brand, while those with a long-term outlook will appreciate the enhanced saleability of a branded agency down the line.

“The different franchise brands all provide different levels of training, technology and facilities,” Hart points out, “and charge different combinations of license acquisition fees, royalties and marketing contributions. That can make it difficult to decide which brand is best for you, so pay very close attention to what you’ll be getting in return for your money. The cheapest options aren’t always the best value at the end of the day.”

Legislative requirements

Of course, selecting a brand isn’t very helpful if you don’t have what takes to get your franchise application approved. Legislation requires very specific qualifications and certifications, and the financial requirements can be extensive as well.

“In order to own and operate a real estate business, you need to complete your NQF5 qualification and get a principal-level Fidelity Fund Certificate from the EAAB,” says Hart. “If you’re just starting out in the industry, this can take as much as two to three years, so it’s important to get the ball rolling as early as possible.

“As for the financial side of things, you need to budget not only for your franchise license and associated fees, but also for the ongoing operational costs of doing business until you become cash flow positive. If you’re purchasing an existing franchise, this may only take a few months, but new franchises – and independent agencies – can take anywhere from six to eighteen months to see a profit.”

Selecting the right territory

Hart points out that the territory in which you choose to operate can also directly affect your income potential and path to profitability. This makes selecting the right area a vital part of any real estate business owner’s success.

“We have a sophisticated algorithm at the Rawson Property Group that we use to determine the viability of a new franchise territory,” he reveals. “It allows us to predict the potential income for a franchise within an area fairly accurately, and advise prospective franchisees of any opportunities or limitations. This is very valuable when gauging things like growth potential, competition and available market share, and helps our franchisees select the most suitable markets to achieve their particular goals.”

While most potential franchisees tend to be existing real estate professionals looking to become their own boss or join a different brand, Hart reveals that not all franchise owners come from a real estate background.

“It’s not unheard of for an entrepreneur with no real estate experience to purchase a franchise and then hire a principal agent to run the day to day operations,” he says, “but we’ve found the most successful franchises are almost invariably owned by agents with on-the-ground knowledge of the real estate business. We do see a lot of conversions, however – independent agencies or franchises from other brands joining the Rawson family.”

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