

# Impact of NHBRC system downtime on property industry

The announcement by the National Homebuilders Registration Council (NHBRC) that its IT systems will be down while being upgraded, will have a material effect on and seriously impede the South African residential property development industry, according to Chris Renecke, MD of Renprop.



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The NHBRC expects to be back online on 18 November 2015 and, as a result, they will be unable to process or access any information during this time.

One of the problems this has caused, as Renecke explains, is that every year property developers have to register with the NHBRC and renew their membership in order to operate. There are some developers who will now be unable to operate until the NHBRC system is back up and running as they are due for renewal but are unable to do so.

## Knock-on effect

Secondly, developers will also not be able to commence with construction if they don't have certificates of enrolment for new units they want to start building. "There are a number of developers who want to get started on construction of their developments during November before the commencement of the holiday period, which this NHBRC system downtime will now affect. This will also have a knock-on effect on the delivery date of those developments, which means buyers will only be able to take occupation later than expected," he says.

Renecle believes the ramifications for the property industry are serious. One of the main problems for developers lies in the fact that South Africa's financial institutions only allow bond registrations for properties within new developments to go through once they have a certificate from the NHBRC, along with other paperwork.

"The fact that no certificates will be issued in the next two weeks effectively means that financial institutions legally can't allow bonds to be registered in that time. Therefore no transfers of ownership will be able to take place on properties within these developments that are bonded which means that the money for those units will not be released to developers, which will obviously have serious cash-flow implications. The timing could also not be worse, as we are shortly heading into the end of year holiday season when very few registrations or transfers take place anyway," he explains.

## **Typical example**

Renecle says that the implications of the NHBRC's systems being down are far-reaching, both from a productivity and financial point of view. "This is a typical example of why the South African economic growth rate keeps on being downgraded - any kind of progress is hindered by incompetence in governmental departments. These systems should have been tested prior to being implemented."

He believes that the banks need to take a more pragmatic approach to the provisions requiring NHBRC certification for bond registrations when factors like the NHBRC system downtime considerably influences trading to such a large extent.

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