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Lack of Mortgages Frustrates Young Saudi Homebuyers

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Builders in the Persian Gulf region, hit by slumping orders in their home countries, are eager to expand in Saudi Arabia when lending picks up.

Photograph: Waseem Obaidi/Bloomberg

After five years of searching for a mortgage in the Saudi Arabian capital, Riyadh, 28-year-old Abdulaziz Al Salem has some advice for his peers: Forget it.

“Home ownership in this country is nothing short of a nightmare,” said the father of one. “If you’re not descended from a wealthy family or have an extremely successful business, you probably should give the whole thing a pass.”

Frustrated young Saudis like Al Salem could spark a lending market that [Capitas Group International](#) estimates at \$32 billion a year for the next decade if the kingdom passes a mortgage law that’s been a decade in the making. Saudi Arabia is literally millions of homes short of meeting its needs, after housing finance failed to keep up with a [population](#) that has quadrupled over 40 years to 28.7 million.

The proposed law is part of a planned overhaul of the kingdom’s home finance market, regulating all parts of the industry: from registering mortgages to allowing judges to prosecute police officers who refuse to carry out eviction orders. The changes are aimed at easing the concerns of lenders discouraged by unclear regulation that could lead to lengthy court disputes.

“You can’t function as a mortgage finance business without having a law that regulates all activities,” said [Henry Azzam](#), chairman of [Deutsche Bank AG](#) in the Middle East and North Africa. The new law will encourage banks to lend by making it easier to take action when a borrower doesn’t pay, he said.

Vote Imminent

A vote by the country’s Shura Council on disputed sections of the law is expected within the next few weeks, said Abdulaziz Al Gasim, a partner at Al Gasim Law Firm who was involved with drafting the mortgage law alongside [Allen & Overy LLP](#). If the government and the council can’t agree, [King Abdullah](#) will have to make the decision himself.



The Al Qasr residential home project, built by Dar Al-Arkan Real Estate Development Co., stands in the Al-Swaiyadi district of Riyadh, Saudi Arabia. Photograph: Waseem Obaidi/Bloomberg



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