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Capitas Group new mortgage firm to launch in Q2 2012

By Marwa Rashad

RIYADH, May 18 (Reuters) - Saudi Arabia's Capitas Group International plans to launch a mortgage finance company in 2012, its chief executive said on Wednesday, as a likely mortgage law in the kingdom is seen to boost sector confidence.

"We are launching the largest mortgage finance company here in order to create financing for the lower and middle income families," Naveed Siddiqui, chief executive officer of Capitas Group International, told Reuters in an interview.

Capitas Group International is a subsidiary of the Islamic Corporation for the Development of the Private Sector (ICD), part of the Islamic Development Bank Group.

ICD will set up the new mortgage firm in partnership with Saudi Public Investment Fund as a joint venture between the public and private sectors, Siddiqui said, adding that ICD would inject 100 million riyals (\$26.7 million) and that the target to be raised is a total of 1.3 billion riyals.

"ICD will put in 100 million riyal, Public Investment Fund will contribute ... It will be 50 percent public sector, 50 percent private sector; both government and private sector investment will be part of that."

"At the moment we have built almost 60 percent of the company and we plan to launch it in the second quarter of 2012," Siddiqui said, adding the company will be based in Jeddah with branches in Riyadh and Khobar.

"Saudi Arabia is an interesting example, you've got one of the largest economies in the Gulf Cooperation Council (GCC), it is an indigenous population market, yet 70-80 percent does not own homes," Siddiqui said.

Saudi Arabia, the biggest Arab economy, is facing a massive housing problem due to rapid population growth and an inflow of expatriate workers coming to the kingdom which is rolling out a \$400 billion infrastructure spending plan.

The absence of a clear mortgage law, which has been in planning stages for almost a decade, has left Saudi with no framework to govern property ownership, deterring foreign banks from lending and private developers from entering the market.

"Initially we will lend to Saudi nationals but there is a very strong consideration to lend to non-Saudis as well," he said.

"The mortgage law is going to be passed over the next few months so that gives the whole industry a level of confidence."

The long-awaited Saudi mortgage law is expected to be approved soon, the chairman of Saudi Arabia's Shoura Council said in March.

Saudi Arabia has only a 2 percent mortgage penetration in its real estate market, industry experts say.

"The market is huge, from our study perspective we believe that over the next ten years we are going to see a 1.2 trillion riyals market from the need perspective, the average loan given to a person to purchase a house is 800,000 riyals, so there is enough room for many players," Siddiqui said.