

## Hamad Al-Sayari: Housing finance in the Kingdom of Saudi Arabia

Speech by His Excellency Hamad Al-Sayari, Governor of the Saudi Arabian Monetary Agency, to the "Conference on Housing Finance in the Kingdom", Riyadh, 17 January 2007.

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Dear Audience,

It gives me a great pleasure to inaugurate the activities of the second day of the "**Conference on Housing Finance in the Kingdom**".

I would like to thank Euromoney and all other entities organizing this important and vital conference in the Kingdom at a time when we need, more than any time before, to shed more light on the issue of real estate finance, exchange views and benefit from the experiences of other nations in this area. Undoubtedly, this will contribute to developing the proper strategies and mechanisms to overcome the challenges of finance in this significant sector.

Dear Audience,

As everybody knows, the Saudi economy, in general, and the housing sector, in particular, have witnessed strong growth during the past years. The accelerated population growth rate in our country is considered among the highest growth rates in the world, calling for more financing needs for various development sectors, especially the housing sector. The government of Saudi Arabia, represented by the Real Estate Development Fund, has made, and continues to make, great efforts, under its development plans, in order to provide necessary finance to ensure the provision of appropriate housing for Saudi citizens, especially those of limited income. The Government has enhanced its efforts in this area by raising the capital of the Fund by RIs 9.0 billion to RIs 92 billion as from 2006. However, the accelerated population growth and the rising demand for housing have urged the creation of other real estate financing mechanisms in addition to the government's financing mechanism. More finance and contribution by the private sector and reducing reliance on the government will give the private sector an opportunity to play a key role in this area which offers lucrative investment opportunities. Nonetheless, it is fair to say that the private sector in general and the banking sector in particular seek to obtain more guarantees to enter as financiers in this vital sector. This demands working effectively by all relevant entities to develop mechanisms for meeting the rising demand in this sector.

Dear Brothers,

Over the preceding years, the Kingdom of Saudi Arabia has undertaken many economic reform measures, updated and streamlined its laws and regulations, restructured the national economy, approved a number of mega development projects, and joined the World Trade Organization (WTO). It has also made many important decisions aimed at attracting foreign investments and continued opening of the markets which will be reflected on the competitiveness of the national economy. All these positive developments are an incentive for investment in the Kingdom in general and in the housing sector in particular.

Dear Brothers,

This conference is held at a time when the Kingdom has achieved outstanding development results in all sectors of the economy. In 2006, the real GDP (at current prices) grew by 12.4 percent and by 4.2 percent (at constant prices). It is expected that strong growth rates will be maintained in the medium term. This will contribute to increasing the production capacity of the national economy and have a positive impact on all its sectors. International credit rating agencies have raised the credit rating of the Kingdom to advanced grades, and commended the efficiency and soundness of the national economy and the economic reform programs. This climate has made domestic and international investors more interested to participate in and benefit from the various investment opportunities in the Saudi economy. The banking system in the Kingdom has exercised a vital role in boosting the national economy. It has made great progress, using the latest technologies and various banking products, under a supervisory system keen to meet domestic requirements and legislation as well as international standards. The contribution of the banking sector to housing finance is expected to increase as soon as the real estate mortgage law is enacted. It is worth mentioning that the size of real estate finance provided by commercial banks reached RIs 13.4 billion at the end of the second quarter

of 2006. SAMA has permitted a number of banks to offer products for real estate financing. Banks are constantly working to develop innovative products to meet the needs of the housing market.

Dear Brothers,

A review of the topics addressed on the first day of this conference by the distinguished speakers shows that they touched upon important issues and gave a future vision of housing in the Kingdom, and how to benefit from the experiences of different countries in this area. Today will be an extension of those topics that are directly related to housing finance. In general, I find that the conference broadly covers all aspects of housing finance in the Kingdom.

In conclusion, I thank the audience and the organizers of this conference, and wish you all success in your deliberations.