

Present providers of housing finance have limited programmes that don't meet the increasing demands of consumers, particularly in structuring lending products that conform to Shariah principles (the principles governing Islamic banking that exclude interest-bearing products or have connections with companies involved in gambling, alcohol or pork).

The home loan penetration accounts for 2% of the Saudi gross domestic product (GDP) against 50% in the US and around 18% in South Africa. Traditionally the Saudi property market trades in cash as there is a social and religious stigma attached to not buying goods for cash.

In terms of Islamic law, Muslims may not die owing people money and thus the prospect of mortgage lending generates significant problems. The resolution comes in paying a long-term rental until the final payment has been made when the property transfers ownership.

About 65% of the Saudi population is under 25 years old, meaning there is a substantial demand for establishing viable home ownership avenues as a method for driving economic growth.

Stockley says Saudi Arabia contributes 50% of the Middle East GDP and has an annual economic growth rate of 12%. When the world oil price meanders around the \$40 per barrel level, the country generates a monthly

surplus on its current account of \$17 billion.

The oil price currently tops the \$60 a barrel mark. "This is an emerging market awash with cash. There is substantial liquidity potentially waiting to be unlocked and South Africa is strategically placed to secure a significant portion of that wealth," Stockley says.

More than 25% of the world's population are Islamic, many of them living in South Africa. Yet the economy offers Muslims limited

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opportunities for utilising banking and investments or accessing financial services products that comply with Shariah laws.

He believes the opportunity for developing Islamic banking in South Africa offers significant cornerstones to Saudi Arabia. This country has a huge demand for Shariah-compliant products and structures that can be used to leverage oil dollars, generating vital direct foreign

investment in the process.

Stockley says the R7 billion sale last year of the V&A Waterfront to a consortium of local and international shareholders was the first inkling of the possibility for attracting substantial Shariah-compliant investments. One of the consortium members is Istithmar, a Dubai-based investment house that forms part of Dubai World which in turn is held by the Dubai government. Dubai World is a holding company that manages the portfolio of businesses and projects for the Dubai government across a wide range of sectors including The Palms, The World and the Dubai Waterfront.

The result of the Saudi Arabian deal in a challenging regulatory environment led to the creation of the Middle East and North Africa's largest specialist mortgage finance company.

Having worked out his constraint of trade, Stockley is hugely excited about the South African market and itching to return to its opportunities. He believes the economy has not experienced "this type of bubbling" since the mid-1990s, but warns that the greatest challenge will come in combating the human resource and infrastructural capacity constraints.

"The ability of South African mortgage bankers to hold their own in the international arena is testament to the level of sophistication and evolution of the local market and our experience in operating in emerging economies," he says. □

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