

UAE banks urged to set up mortgage database

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Expert also proposes “early-warning” system for predicting market trouble

UAE banks need to create a comprehensive property database and an early warning system to manage their mortgage credit amidst prospects for a fresh boom in this sector, a well-known Arab analyst has proposed.

Nassir Al Saeedi, former chief economist at the Dubai International Financial Centre, said recent announcements by the UAE government to embark on \$multi-billion projects mean that the country, mainly Dubai and Abu Dhabi, are on the verge of a fresh boom in the real estate sector, one of the key components of the UAE GDP.

Saeedi, Lebanon’s ex-economy minister, said the boom would also be supported by an expected influx of foreign capital into the UAE, which is “now considered as a safe haven for investment” in a region battered by political and economic upheaval.

In an article published in the London-based Saudi Arabic language daily Al-Hayat this week, Saeedi said news that the UAE central bank is planning to enforce new mortgage credit curbs “reflect its concern about the new real estate boom.”

“We believe that despite potential risks, exploiting the new real estate boom is still possible ...but unlike the unstable period of 2005-2009, banks should adopt a bolder and more open approach towards their mortgage lending policy by giving more attention to expanding their asset value and income sources,” he said.

“To achieve this, banks must develop a comprehensive property database covering key information about the sort of investment, the financed property units, and their condition, location and nature...this will enable banks to better evaluate

their assets.”

He said the UAE’s 51 banks, which control the largest asset base in the Middle East, also need to develop what he described as an “early-warning” system so loan managers at banks can predict market troubles before they take place.

“In other words, banks need to install a signboard that will allow them to build a more diverse and balanced credit portfolio for mortgage initiatives...they then can price them more effectively in a way that takes all risks into account,” he said.

“We are convinced that such mechanisms would act as a general balance for mortgage risks and stabilize the real estate sector...this will help attract more funds into this sector, prevent any mortgage crisis in the future and cut lending costs for banks...but we have to admit that the UAE real estate sector is still beset with challenges...however, these challenges can be used to set up an effective organizational structure that will define future strategies and ensure stability and safety in this sector in the long term.”