



Hybrid Musharakah + Mudarabah

Hypothetical Project: Model 1B

Multi-Family Renovation and Lease

Parties & Roles

Primary Investor (Rabb-ul-Mal – Capital Provider)

- ✔ Contributes \$2.5M capital
- ✔ Holds 58.75% ownership

Active Partner (Musharik + Mudarib – Manager)

- ✔ Investor Contributes \$1M capital
- ✔ Holds 31.25% ownership
- ✔ Manages acquisition, leasing, tenant placement, rent collection, and maintenance

HalalVest (Underwriter, Compliance Advisor & Mudarib)

- ✔ Sources property below market value and structures contracts
- ✔ Provides due diligence, valuation, title review, and Shariah compliance oversight
- ✔ Manages escrow, auditing, and rental distribution
- ✔ Holds 10% equity ownership (no salary)
- ✔ Expected ARV: \$4.5M

Ownership & Profit/Loss Structure

Party	Capital Contribution	Ownership %	Profit Share	Loss Share	Other Benefits
Primary Investor	\$2.5M	58.75%	58.75%	71.43%	–
Active Partner	\$1M	31.25%	31.25% + Salary	28.57%	\$60K annual salary
HalalVest Real Estate	Expertise & Services	10%	10%	Voluntary	Compliance & oversight



Example Calculation

Assumption: Net Rental Income = \$1,000,000 annually

Party	Profit Share	Salary/Other	Annual Income
Primary Investor	\$587,500	–	\$587,500
Active Partner	\$312,500	\$60,000 salary	\$372,500
HalalVest Real Estate	\$100,000	–	\$100,000

Risk Mitigation & Protections

Vacancy / Default Risk:

- ✔ 3 months’ reserves kept in escrow

Mismanagement Clause:

- ✔ Primary Investor may revoke management rights if performance standards are not met

Transparency & Oversight:

- ✔ Quarterly audited reports
- ✔ Escrow account managed by HalalVest
- ✔ Dedicated operating account with limited manager access

Shariah Compliance

AAOIFI (Sheikh Taqi Usmani)

- ✔ Permits hybrid Musharakah–Mudarabah models provided roles, ownership, and responsibilities are clearly documented and compliant with Shariah standards.

Dr. Monzer Kahf

- ✔ Endorses rental-income Musharakah structures as a sustainable model for long-term wealth building, particularly in real estate development and investment funds.

Islamic Fiqh Academy (OIC), Resolution No. 5 (1988)

- ✔ Approved the combination of contracts when each component is Shariah-compliant and not contradictory. This opens the door for Musharakah–Mudarabah hybrids in real estate and investment funds, allowing Musharakah ownership with Mudarabah-based management incentives.



Imam Abu Yusuf (Student of Abu Hanifa)

- ✔ Permitted joint ventures where one partner contributes capital while another contributes both capital and management. This arrangement is conceptually a blend of Musharakah and Mudarabah.

Halalvest's Role

- ✔ Structures investment and oversees due diligence
- ✔ Ensures ongoing Shariah compliance
- ✔ Manages escrow, audits, and distributions
- ✔ Protects both investors and managers
- ✔ Provides Muslim investors with a secure and halal pathway to grow wealth in real estate