



Hybrid Murabaha + Muradabah

Hypothetical Project: Model 2A

Retail Building Purchase

Step 1: Acquisition by Investor

- ✓ The Primary Investor purchases the property outright in their own name for \$6.38M.
- ✓ This ensures the financier assumes real ownership and risk before selling — a requirement of Murabaha (AAOIFI Shariah Standard No. 8).

Step 2: Murabaha Sale to HalalVest

- ✓ The Primary Investor sells the property to HalalVest at cost + 10% markup.
- ✓ Sale Price = \$6.38M + \$638,000 = \$7.018M.
- ✓ This markup is fixed, agreed upon at contract signing, and not tied to resale value.
- ✓ Payment is deferred: HalalVest agrees to pay the full \$7.018M within 12–18 months (either lump sum at resale or in scheduled installments).
- ✓ During the repayment period, HalalVest has full control over renovation and management.

Step 3: Transfer of Ownership

- ✓ Upon executing the Murabaha contract, ownership/title is fully transferred to HalalVest.
- ✓ HalalVest then has full rights to renovate, manage, resell, or hold the property.
- ✓ The Primary Investor has no further claim on equity, profits, or losses after the sale.

Step 4: Profit & Risk Allocation

- ✓ Profit: Primary Investor earns a fixed \$638,000 markup (10% on cost).
- ✓ Risk:
 - Before sale - Primary Investor bears risk of ownership (e.g., if property is damaged or market fall before being sold to HalalVest).
 - After sale - HalalVest bears all profit/loss from market fluctuations.



Registration of Contract / Title Security

- ✓ HalalVest may register the Murabaha contract (wa'd agreement) with the land registry.
- ✓ A caveat, lien, or restriction may be placed on the property title so the Seller cannot A resell to another party after committing to HalalVest.
- ✓ This practice is used by many Islamic banks to ensure exclusivity and block double-selling.

Scholarly References Supporting This Structure

- ✓ AAOIFI, Shariah Standard No. 8 (Murabaha to the Purchase Agreement)
 - Requires the financier to first purchase and own the asset before resale.
 - Profit margin must be fixed and agreed at contract signing.
- ✓ Sheikh Taqi Usmani – An Introduction to Islamic Finance
 - “Murabaha is a sale contract, not a partnership. Its profit is fixed, and the seller cannot remain tied to future outcomes.”
- ✓ Islamic Fiqh Academy (OIC), Resolution 85 (1993)
 - Validates Murabaha provided the financier assumes ownership and risk before selling to the client.
- ✓ Dr. Monzer Kahf (Islamic Finance Scholar)
 - Warns that tying profit to project performance invalidates Murabaha — it must remain a trade-based sale with a fixed markup.

Why This Restructure Fits Shariah

- ✓ Silent Investor's role = Seller with fixed profit.
- ✓ Halalvest's role = Buyer with full ownership and resale rights.
- ✓ No mixing of Murabaha (fixed sale) with Mudarabah (profit-sharing).
- ✓ Security measures (wa'd, lien, contract registration) are Shariah-approved.
- ✓ Complies with AAOIFI, Usmani, OIC resolutions, and Kahf's guidance.