



Ijara- Option to Buy

Hypothetical Project: Model 3A

Medical Office Space

Parties & Roles

Primary Investor (Rab al-Mal / Landlord):

- ✓ Contributes \$1,000,000 capital and holds full title ownership during the lease term from a potential tenant who would like to run business from this location.
- ✓ Bears all property ownership costs, including property taxes, insurance, and major structural maintenance (per AAOIFI & OIC Fiqh Academy rulings).
- ✓ Entitled to collect fixed rent and ultimately receive purchase price if option exercised.

Active Partner (Doctor / Tenant):

- ✓ Enters into an Ijara contract at \$10,000/month rental.
- ✓ Has a separate unilateral option-to-buy agreement (wa'd) at \$1.1M within 3 years.
- ✓ Provides a \$50,000 earnest deposit toward purchase. According to AAOIFI & Taqi Usmani, this deposit may be forfeited upon failure to purchase, provided it was structured as an independent security deposit for the promise.
- ✓ Has landlord's permission to undertake specific business-related renovations, at tenant's own cost, which do not reduce the fixed monthly rental.

HalalVest Real Estate (Service Provider):

- ✓ Structures and underwrites the Ijara + Option to Buy contracts.
- ✓ Ensures compliance with Sharia and leading scholars' rulings.
- ✓ Charges service fees separately to both parties (not linked to rental or sale price).

Structure of Agreements

Ijara Agreement (Lease Contract):

- ✓ Lease for \$10,000/month.
- ✓ Doctor is responsible for utilities, minor repairs, and usage costs (per AAOIFI).
- ✓ Primary Investor covers property ownership-related taxes and major repairs.
- ✓ Renovations allowed with written consent, cost borne by tenant, ownership of improvements reverts to landlord unless otherwise agreed.
- ✓ Termination rights clearly documented if lease payments are not made.



Option to Buy Agreement (Separate Wa'd / Promise to Sell):

- ✓ Separate from Ijara contract, per Sheikh Taqi Usmani and AAOIFI Standard No. 9.
- ✓ Gives tenant unilateral right (not obligation) to purchase property within 3 years for \$1.1M.
- ✓ \$50,000 deposit documented as security for exercising option; forfeiture is only valid if structured as part of the option contract, not the Ijara.
- ✓ Transfer of ownership executed via a new sale contract upon exercise.

Shariah Compliance Highlights

- ✓ Two separate agreements (Ijara & Option) – required by AAOIFI and Taqi Usmani.
- ✓ Ownership responsibilities (taxes, insurance, structural repairs) remain on the landlord.
- ✓ Renovation permission aligns with AAOIFI guidance: tenant improvements must not reduce landlord obligations.
- ✓ Option-to-buy deposit structured as per AAOIFI, ensuring no disguised riba.
- ✓ Flexibility in loss handling ensures no gharar (excessive uncertainty).

Conclusion

This structure satisfies the Ijara Muntahia Bittamleek model as endorsed by AAOIFI, Taqi Usmani, Monzer Kahf, and the OIC Fiqh Academy, while protecting both the Primary Investor and the Tenant (Doctor).