

## Ijara- Muntahia Bi Tamleek (Lease-to-Own)

*Hypothetical Project: Model 3B*

### Apartment Building Acquisition

#### Parties

- ✓ Primary Investor (Lessor/Owner): Contributes \$5M to acquire a 40-unit apartment building, holds full ownership during lease.
- ✓ Active Partner (Lessee/Operator): A property management company that leases the entire building, take care of the renovations and maintenance, sublets apartments, and manages tenants.
- ✓ HalalVest Real Estate (Structurer/Wakil): Prepares contracts, monitors compliance, and ensures rent and purchase option are structured properly.

#### Step 1: Acquisition & Ownership

- ✓ Primary Investor purchases the building directly and assumes all ownership risks (fire, structural damage, title risks).
- ✓ Investor must insure the building against ownership-related risks (permissible Islamic takaful).

-- Reference: AAOIFI Shariah Standard No. 9, Clause 5/1.

#### Step 2: Lease Agreement

- ✓ Active Partner leases the entire building at \$120,000/month for a 7-year term.
- ✓ Rent is compensation for usufruct (tenant occupancy), not a disguised repayment of capital.
- ✓ Active Partner is responsible for:
  - Tenant management, minor maintenance, and utility expenses.
- ✓ Primary Investor is responsible for:
  - Structural repairs, taxes, and major capital expenses.

Reference: Sheikh Taqi Usmani, *An Introduction to Islamic Finance* ("Obligations of the Lessor").

### Step 3: Purchase Option (Wa'd)

- ✓ At inception, Primary Investor makes a unilateral promise to sell the building after lease maturity.
- ✓ Purchase price at end of 7 years = \$100,000 (symbolic transfer price).
- ✓ A separate sale agreement is executed at lease maturity — not embedded in the lease.  
*Reference: AAOIFI Standard No. 9, Clause 8/1 (separation of lease and sale).*
- ✓ Ibn Qudama, al-Mughni, Vol. 5 (wa'd as valid unilateral promise).



### Step 4: Default Handling

#### If the Active Partner fails to pay rent beyond 60 days:

- ✓ Primary Investor may repossess the building.
- ✓ Rent up to repossession remains due.
- ✓ No unjust forfeiture of excess payments is allowed.

*Reference: OIC Fiqh Academy Resolution No. 110 (2003).*

### Step 5: Role of HalalVest

- ✓ Drafts two separate agreements (Ijara and wa'd to sell).
- ✓ Land Register the contracts to secure the agreement for the next 3 years
- ✓ Ensures Shariah compliance certification.
- ✓ Charges a transparent structuring fee from both parties.

*Reference: AAOIFI Governance Standards on agency (wakalah).*



## Key Shariah References

- ✓ AAOIFI Shariah Standard No. 9: Ijara & Ijara Muntahia bi Tamleek.
- ✓ Sheikh Taqi Usmani, An Introduction to Islamic Finance.
- ✓ Ibn Qudama, al-Mughni, Vol. 5.
- ✓ OIC Fiqh Academy Resolution No. 110 (2003).

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## Result

This Ijara model allows investors to own real estate and earn halal rental income, while the management company secures long-term control with the option to buy — fully Shariah-compliant.