



Hybrid Istisna + Murabaha

Hypothetical Project: Model 4A

Suburban Duplex Build: Musharakah (Equity Partnership)

Parties & Roles

Silent Partner Investor (Financier / Mustasni & Murabaha Seller)

- ✓ Provides 100% financing (land + construction).
- ✓ Retains ownership risk during construction and legal title until Murabaha sale.

Acme Homes (Contractor / Murabaha Buyer)

- ✓ Manages construction under Istisna contract.
- ✓ Purchases duplex at cost + 7% markup under Murabaha, with 18-month deferred payment.

HalalVest Real Estate (Structurer / Compliance Advisor)

- ✓ Structures contracts, ensures AAOIFI compliance, and manages security documentation.

Step 1: Istisna (Construction Phase)

- ✓ Primary Investor commissions Acme Homes to construct duplex.
- ✓ Primary Investor bears ownership risk (financing, market, force majeure).
- ✓ Acme bears contractor risk (delays, defects, non-performance).

-- AAOIFI Standard 11 (Istisna), 2/1 & 4/3

Step 2: Murabaha (Post-Construction Sale)

- ✓ On delivery, Primary Investor sells completed duplex to Acme Homes.
- ✓ Sale Price = Cost + 7% markup.
- ✓ Example: \$1,000,000 - \$1,070,000 (payable in 18 months).

-- AAOIFI Standard 8 (Murabaha), 3/1 & 3/4

Step 3: Exit

- ✓ Acme Homes resells duplex on open market.
- ✓ Pays Primary Investor fixed Murabaha price (\$1,070,000).
- ✓ Keeps any surplus profit.

-- AAOIFI Standard 8, clause 5/2



Risk & Security Provisions

For Primary Investor (Seller Risks)

- ✓ 1. Construction Risk: Protected via performance guarantees.
- ✓ 2. Market Risk: Investor return fixed at 7%, compliant with al-kharaj bi al-daman.

For Acme Homes (Buyer Security)

- ✓ 1. Land Contract / Equitable Title: Recorded at county level at Murabaha signing.
- ✓ 2. Lien (Rahn): Primary Investor registers lien until full payment.
-- Qur'an 2:283, AAOIFI Standard 5 (Guarantees).
- ✓ 3. Beneficial Possession Rights (Haqq al-Intifa): Acme may lease or market duplex before resale.

Compliance Highlights

- ✓ True Ownership & Risk: Primary Investor holds title until Murabaha sale.
- ✓ Contracts Separated: Istisna (construction) and Murabaha (resale) are independent.
- ✓ No Riba: Markup fixed and disclosed.

References

AAOIFI Shariah Standards:

- ✓ No. 11 (Istisna): 2/1, 4/1, 4/3
- ✓ No. 8 (Murabaha): 3/1, 3/4, 5/2
- ✓ No. 5 (Guarantees): on pledges & liens

Qur'an 2:283: Validity of pledge/lien (rahn).

Mufti Taqi Usmani – Introduction to Islamic Finance:

"A rahn (mortgage/lien) is permissible in Murabaha to secure payment. Ownership must transfer at sale, but seller may retain collateral rights until settlement."

Result:

The Istisna–Murabaha Suburban Duplex Model is fully Shariah-compliant, balanced, and investor-friendly, while safeguarding Acme Homes through security