



EST. 1982

Case Study

Expanding a Property Portfolio Through Shari'a-Compliant Lenders via a Commodity Murabaha

The Client

An established Middle Eastern family investing into Shari'a-compliant UK and European real estate through the family-owned asset management company.

The Challenge

The client wished to continue expanding their existing property portfolio through the investment into commercial and residential properties in the UK and Europe with financing obtained from Shari'a-compliant lenders via a commodity Murabaha.

Solutions

After obtaining tax and legal advice from our regular advisers and agreeing the most efficient way to structure the investment, VG incorporated a Jersey registered Finance Company ("FinCo"), Property Company ("PropCo") and Purpose Trust (to hold the Management Shares of FinCo). The capital received from the client (via the Middle Eastern-based asset management company) entered the structure through the FinCo in exchange for non-voting, redeemable participating shares.

Throughout the incorporation stage, VG continued to liaise with the selected Shari'a scholars and lenders for the approval (by way of a Fatwa issued by a qualified legal scholar) of the financing and underlying real estate asset(s).

On receipt of the Fatwa from the Shari'a scholars, Murabaha financing from the third party lender entered the structure at PropCo level with security being held by the lender over the bank account.

Subsequently, PropCo acquired the underlying asset. Depending on the nature of the asset, the PropCo would either continue leasing to the existing tenants, repurpose the property entirely (i.e. commercial to residential) or undertake a refurbishment to modernise and increase the value of the asset.

Results

VG provides full corporate services for the structure and oversees the day to day operations of the asset by appointing property and asset managers.

The client benefits from VG's 30 years of experience in the establishment and administration of Shari'a-compliant vehicles as well as the long-standing relationships that VG maintains with industry leaders and experts.

In a turbulent market, the client continues to see good returns from their property portfolio owing to the diligence and thorough assessments that were undertaken by all interested parties pre-acquisition.

