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IMPROVING YOUR EARNINGS THROUGH REAL ESTATE BACKED INVESTMENTS

EXPANDING WEALTH IN THE LIGHT OF THE
MAQASID AL SHARIAH

Sunday August 23, 2020

4:30pm - 6:30pm

Host: Mutiat Olagoke

Zoom bit.ly/2E7iYCC



Basheer Oshodi (Ph.D.)



TrustBanc Arthur
Non-Interest Impact Finance.



Experience:

- CEO, TrustBanc Arthur (a member of TrustBanc Financial Group)
- Group Head, Non-Interest Banking, Sterling Bank Plc
- Head, Islamic Banking Risk & Compliance, Stanbic
- Research Fellow & Visiting Scholar, Unilag

Education:

- Said Business School, University of Oxford
- Columbia University, New York
- Wharton Real Estate Centre
- Unilag
- Da Vinci Institute
- London Metropolitan University





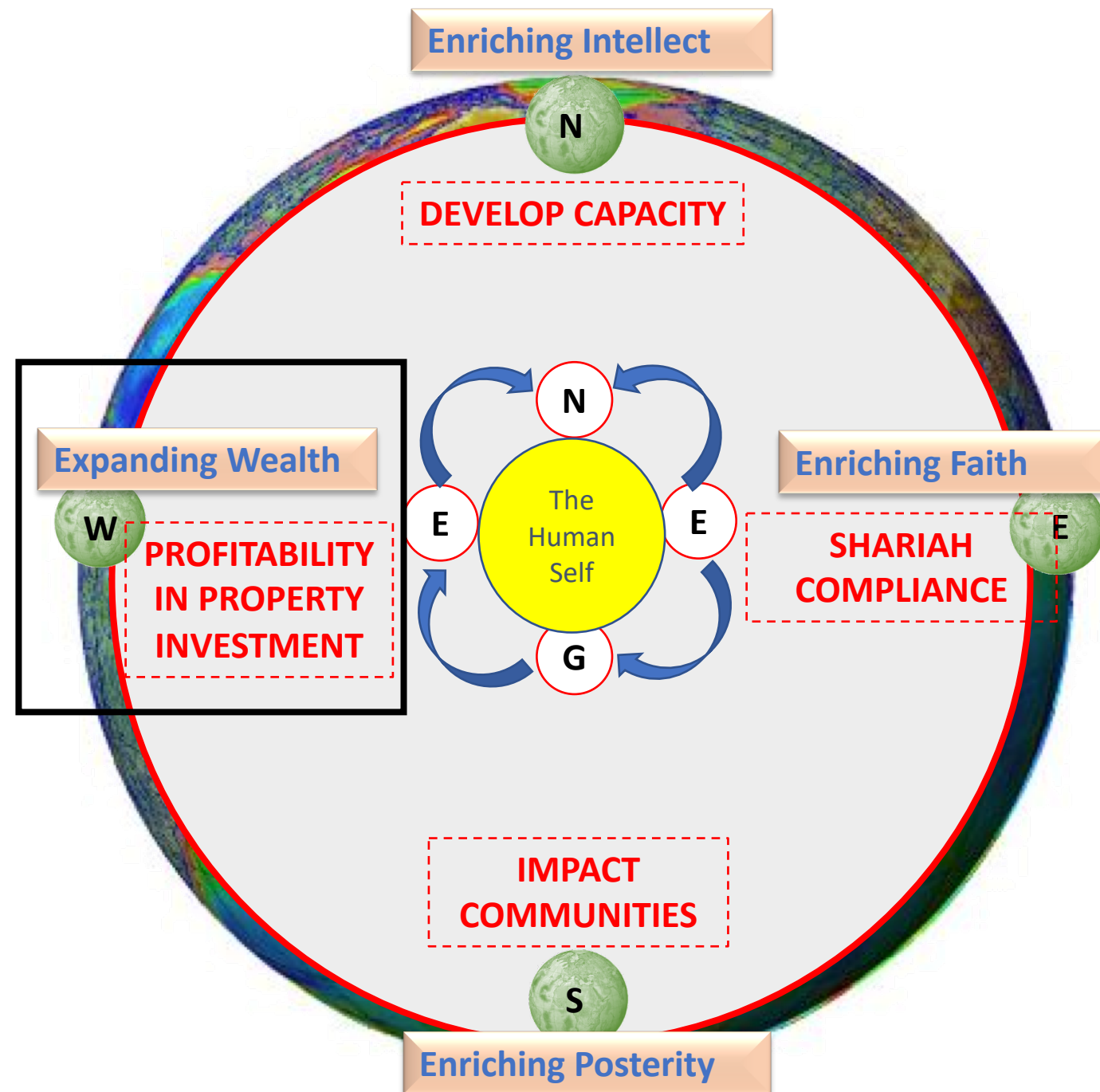
Basheer Oshodi (Ph.D.) is the CEO and co-founder of TrustBanc Arthur with over 20-years' work experience in TrustBanc Arthuring, real-estate and academia.

He was Group Head, Non-Interest TrustBanc Arthuring at Sterling TrustBanc Arthur and set-up the non-interest TrustBanc Arthuring window since 2013. He also started non-interest TrustBanc Arthuring at Stanbic IBTC TrustBanc Arthur and initiated Shariah products at Stanbic IBTC Asset Management Ltd.

He has completed degrees and programmes at the University of Lagos, Said Business School – Oxford, Columbia Business School, Wharton Real Estate Centre, Da Vinci Institute, London Metropolitan University and the University of Buckingham.

The Maqasid al Shariah Genealogy / The intent of non-interest finance

Seeking to achieve human wellbeing and communal good life
through Islamic finance



The income pyramid with applicable products

17million housing deficit as at August 2012 (World TrustBanc Arthur 2013 in NBS 2015)

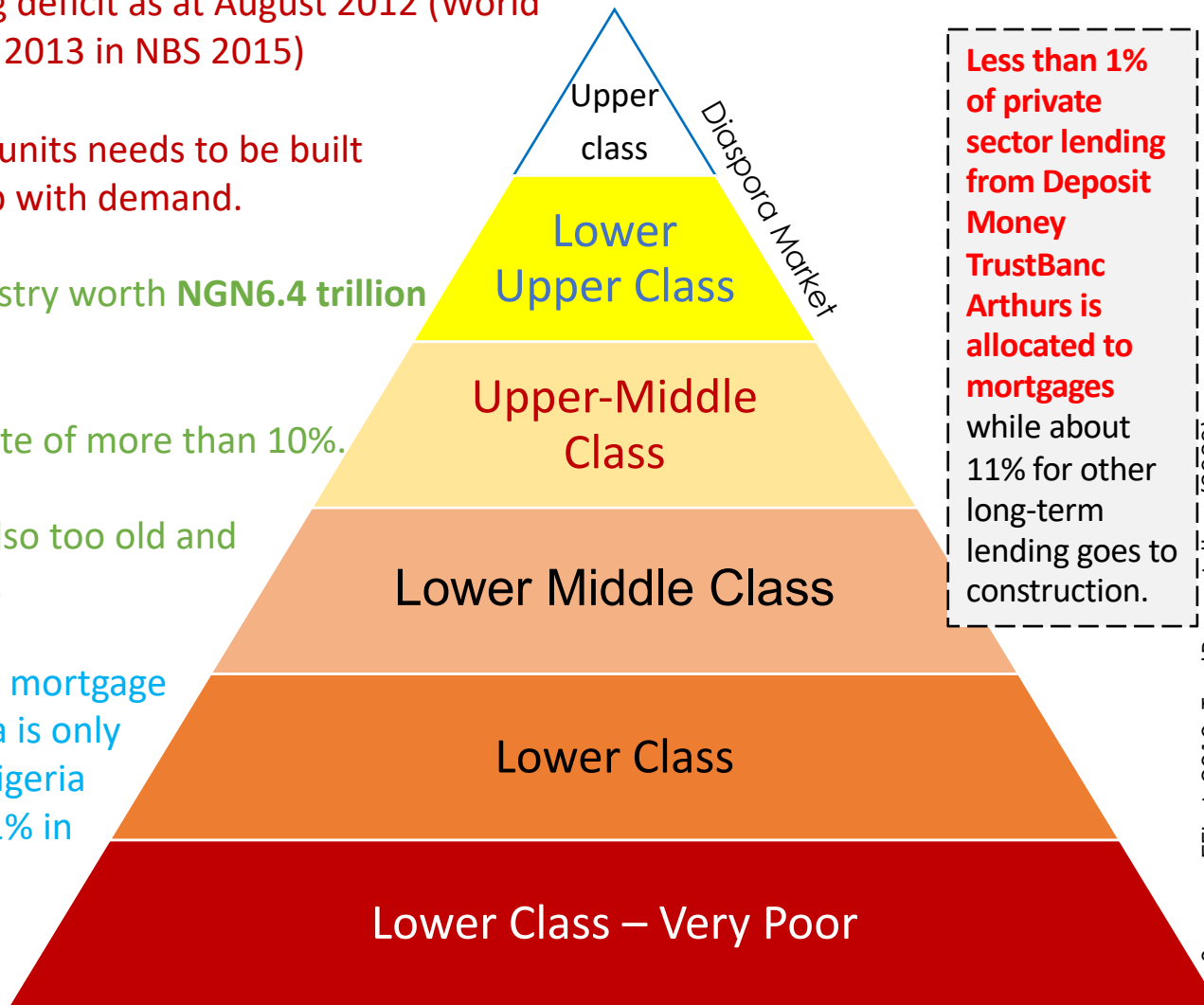
700,000 housing units needs to be built yearly to meet up with demand.

The housing industry worth **NGN6.4 trillion** by Augusto & Co.

Annual growth rate of more than 10%.

Many cities are also too old and requires renewal.

Total outstanding mortgage market in Nigeria is only 0.5% of GDP in Nigeria while it is over 21% in South Africa (Oxford Business Group 2016).



%	Asset	Liability
16.32	Outright/home finance	Sukuk/Real Estate Note
3.68	Home finance	Sukuk/Real Estate Note
28.79	HMF & Home finance	Sukuk/Real Estate Note
1.21	Housing microfinance (HMF)	Target savings/rent to own
20	Housing microfinance & rental housing	Intervention fund (local/foreign)
30	Social housing	Grant

2/3 of global assets is real estate | 80-85% of dead capital in real estate | Only 50,000 mortgages in Nigeria | N1.5t to build 300,000 units @N5m
Remittances make up 6% of Nig's GDP | It grew by \$3.6b (17%) bw 2017 & 2018 | To hit \$34b by 2023 | Makes up 83% of 2018 FGN budget

Non-interest contracts for real estate investments

Liability (Deposit) Contracts

Asset (Facility) Contracts

Debt funds

interest-free loan (Qardh)
Safe-keeping (Wadiah)

Partnership (mudarabah)

Wakala (Agency)

Equity funds

Joint Ownership
(Musharakah)

Partnership
(Mudarabah)

Construction (supply)

Build-to-order (Istisna')

Forward lease
(Ijarah mawsufah fi zimmah)

Home-finance (demand/mortgage)

Build-to-order (Istisna')

Forward lease
(Ijarah mawsufah fi zimmah)

Off-plan contracts

Joint Ownership (Musharakah)

Partnership (Mudarabah)

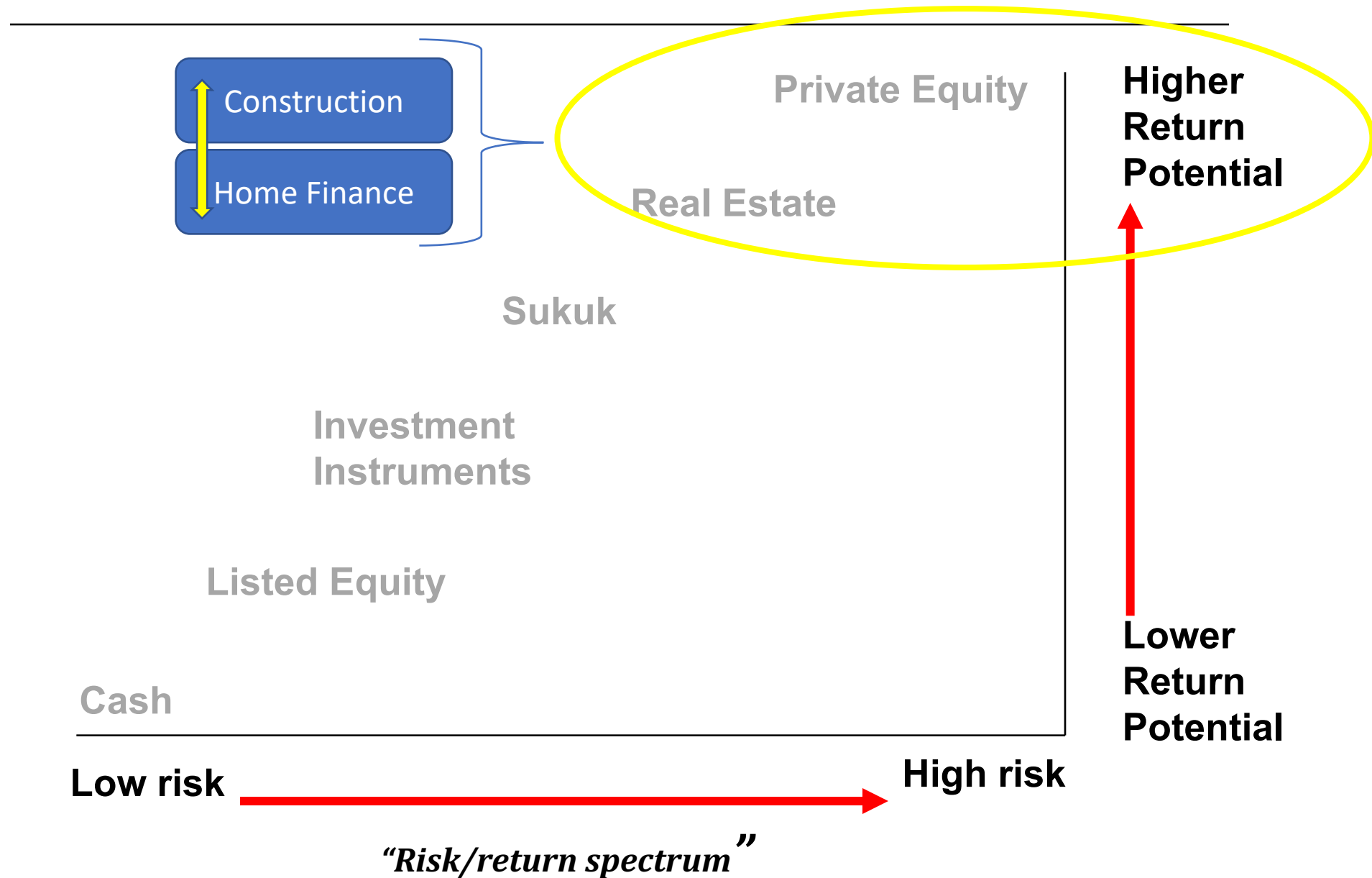
Lease (Ijarah wa iktina)

Mark-up Sale (Murabaha)

Diminishing Partnership
(Diminishing Partnership)

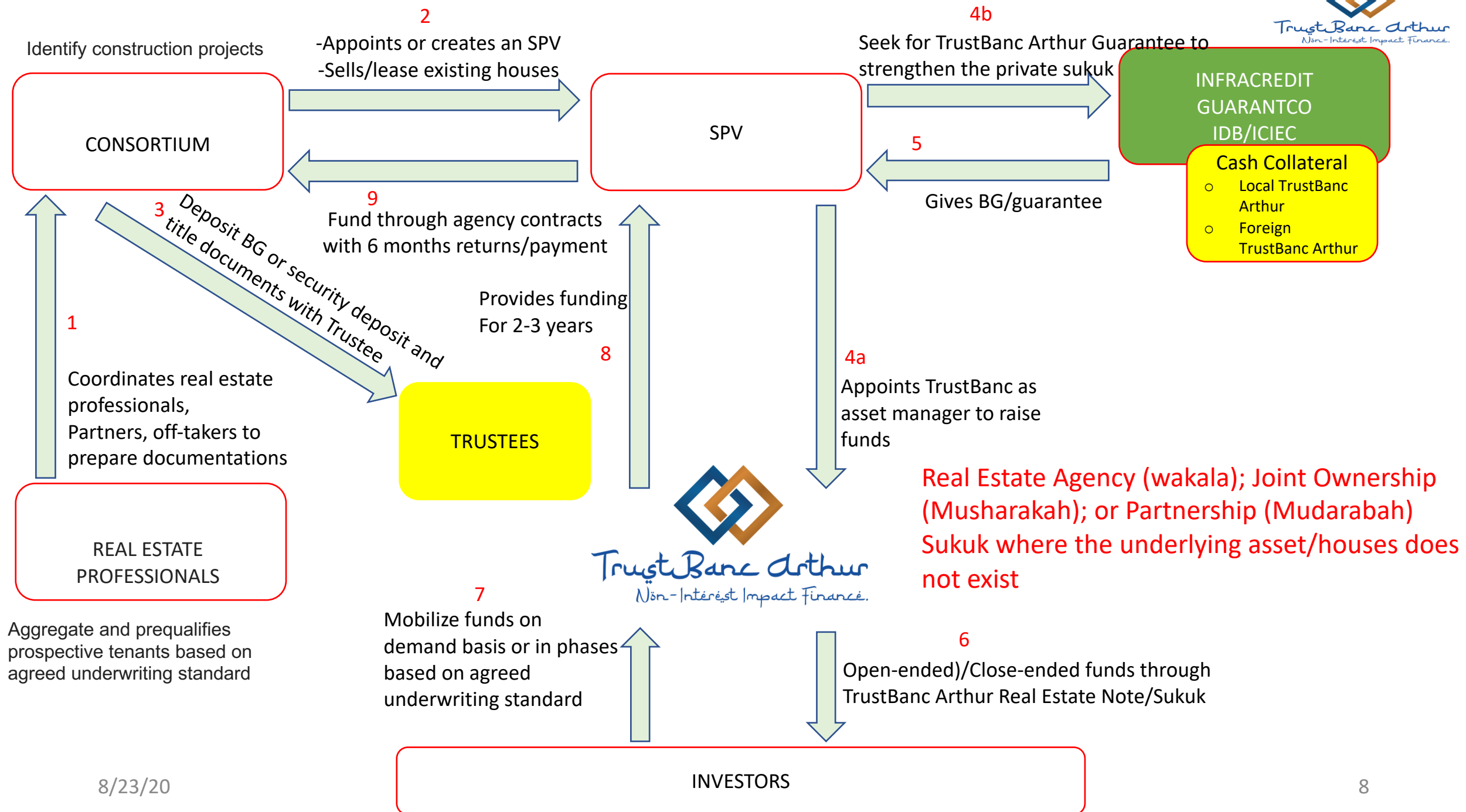
Existing assets

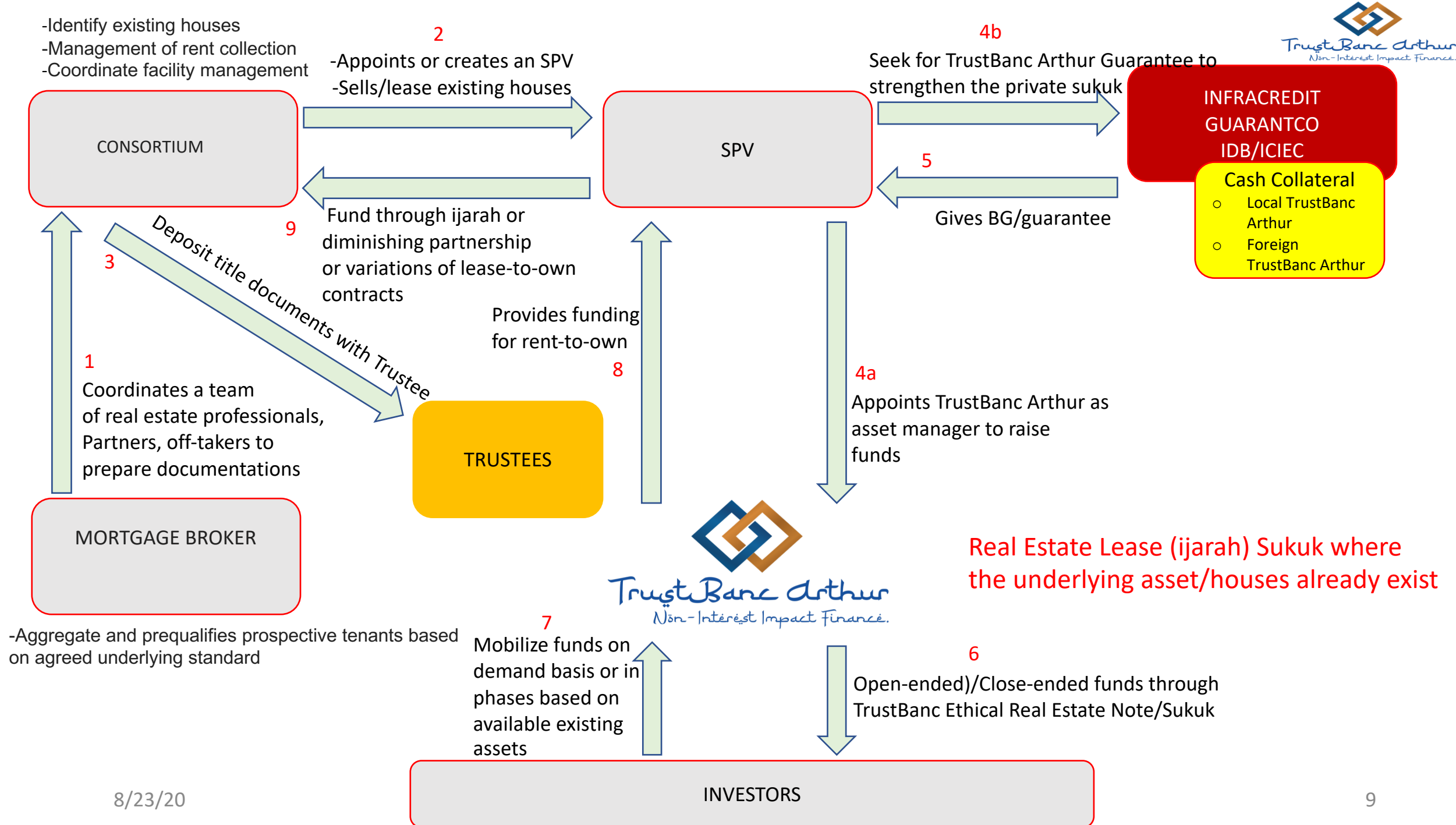
Asset Classes – Risk & Return Potential



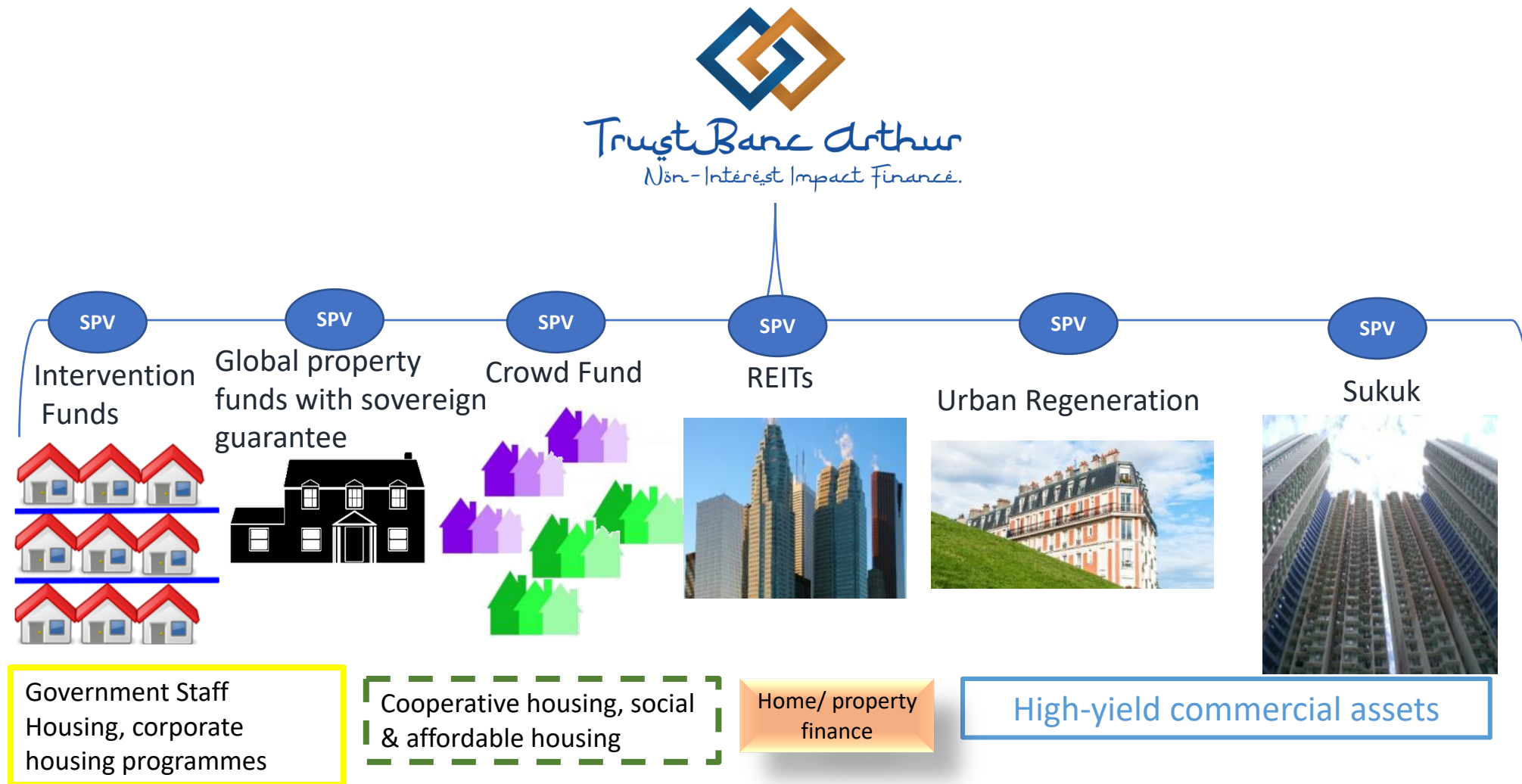
Real Estate Note/Sukuk Model

- ☐ Partnership sukuk
- ☐ Lease sukuk





Emerging real estate asset classes





Real Estate Opportunities

Issuer/Arranger	TrustBanc Arthur		
Note Administrator	TrustBanc Arthur		
Obligors	Competent real estate development company.		
Security	Collaterals, Guaranteed by Trustees		
Underlying Shariah Contract of asset	Build-to-order (Istisnah), Lease to own (Ijarah wa iktina) and Joint-ownership (Musharakah),		
Deposit contract	Investment partnership (Mudarabah), Investment agency (Wakala)		
Prospective issue size	N20,000,000,000.00 (Twenty Billion Naira)		
Size of note available	N3,000,000.00 (Three Billion Naira)		
Tenor	180 days and 365 days		
Rentals available for sharing	11.7%		
Sharing ratio	N1m - <N50m (Inv) 50:50 TBE	N50m - <N100m (Inv) 52:48 TBE	N100m - <N200m (Inv) 50:50 TBE
Sharing in percentage	50% - 50%	52% - 48%	54.6% - 46.4%
Minimum subscription	Minimum of N1,000,000 (i.e. 10 units @ N100,000/unit) and in multiples of N100,000 (1unit) thereafter		
Specified currency	NGN		
Proposed Launch Date	September, 2020		
Note Structure	Open Ended		
WHT	Applicable		
Governing law	Islamic commercial jurisdiction/Nigerian law		

Naira Asset-Backed Note

The portfolio consists of carefully selected underlying real estate assets.

Real Estate Portfolio

TrustBanc Arthur's objective is to leverage on the opportunity of the supply gap in the residential development sector by funding credible development partners in developing strategic residential projects.

Our entry point into these projects would be almost risk free, thereby creating opportunities for superior and consistent returns in the short and long-term.

TrustBanc has identified over N20 Billion worth of viable residential real estate in Lagos and Abuja for the first phase. Title to all assets are deposited with Trustees.

Current pipeline projects include:

- Residential apartments at Ikoyi.
- Mini-Estate at Shonibare, Mainland Lagos.
- Residential development at Ikeja, GRA

Issuer/Arranger	TrustBanc Arthur		
Note Administrator	TrustBanc Arthur		
Obligors	Dream Maker		
Security	Property title with Trustee in Canada		
Underlying Shariah Contract of asset	Joint-ownership (musharakah)		
Deposit contract	Investment agency (Wakala)		
Prospective issue size	CA\$ 20,000,000.00 (Twenty Million Canadian Dollars)		
Size of note available	(CA\$ 2,000,000.00 (Two Million Canadian Dollars)		
Tenor	180 days and 365 days		
Rentals available for sharing	12-14%		
Sharing ratio	\$25k - <\$50k (Inv) 50:50 TBE	\$50k - <\$100k (Inv) 52:48 TBE	\$100k - <\$500k (Inv) 54:46 TBE
Sharing in percentage	50% - 50%	52% - 48%	54% - 46%
Minimum subscription	Minimum of CA\$ 250,000 (i.e. 10 units @ CA\$ 25,000/unit) and in multiples of CA\$ 25,000 (1unit) thereafter		
Specified currency	CA\$ (Canadian Dollars)		
Proposed Launch Date	September 1st, 2020		
Note Structure	Open Ended		
WHT	Applicable		
Governing law	Islamic commercial jurisdiction/Nigerian law		

CA\$ Asset-Backed Note

Canada over the past decade has grown in reputation as one of the world leading economies. The World Bank Group recently listed Canada as the second-best country in the G-20 for business start-ups and 6th globally.

Prior to the pandemic, the economic growth and sustainability of Canada was also mirrored by HSBC's Navigators survey that reported 11% of world business leaders across 35 markets and over 9,000 companies see Canada as the second most attractive business destination.

To leverage on the economic opportunities, we have strategically identified with one of the country's most vibrant sector which is real estate in the Greater Toronto Area of Canada. The country's mature real estate industry has experienced a steady rise in property value over years. The housing market grew by 38% according to MLS's Home Price Index.

The underlying asset portfolio of this investment opportunity is located in the economic hub of Greater Toronto which has experienced consistent growth in the housing market. The Toronto province has seen the highest value increase in the housing re-sale market according to a Moody's analytics 2020 report.

Asset Portfolio in Canada



Our fund portfolio are backed by viable and strategic assets located in the Greater Toronto Area, Canada. The asset portfolio consist of a mix of income generating residential and commercial developments and also ongoing discounted condos.

Assets Include:

- 16 McAdam Avenue
- 2055 Danforth Avenue
- 59 East Liberty Street
- 455 Front Street East
- 42 Charles Street East
- 377 Madison Avenue
- 36 Lisgar Street
- 6 townhouses located at 1 Heathcote Avenue, Toronto, Canada
- 10 Units Multifamily Building at Dufferin Street, Toronto, Canada
- Detached duplex and 6 townhouses at Harrison Road, Toronto, Canada.
- 43 Townhouses at 135 Mandrake Street, Ajax, Canada
- 40 Townhouses at 1575 Hurontario Street, Mississauga, Canada
- Over 100 units mixed-use building on Yonge Street & Gamble Road, Richmond Hill, Canada.

Asset Portfolio in Canada



Sharia Certified





Appendix

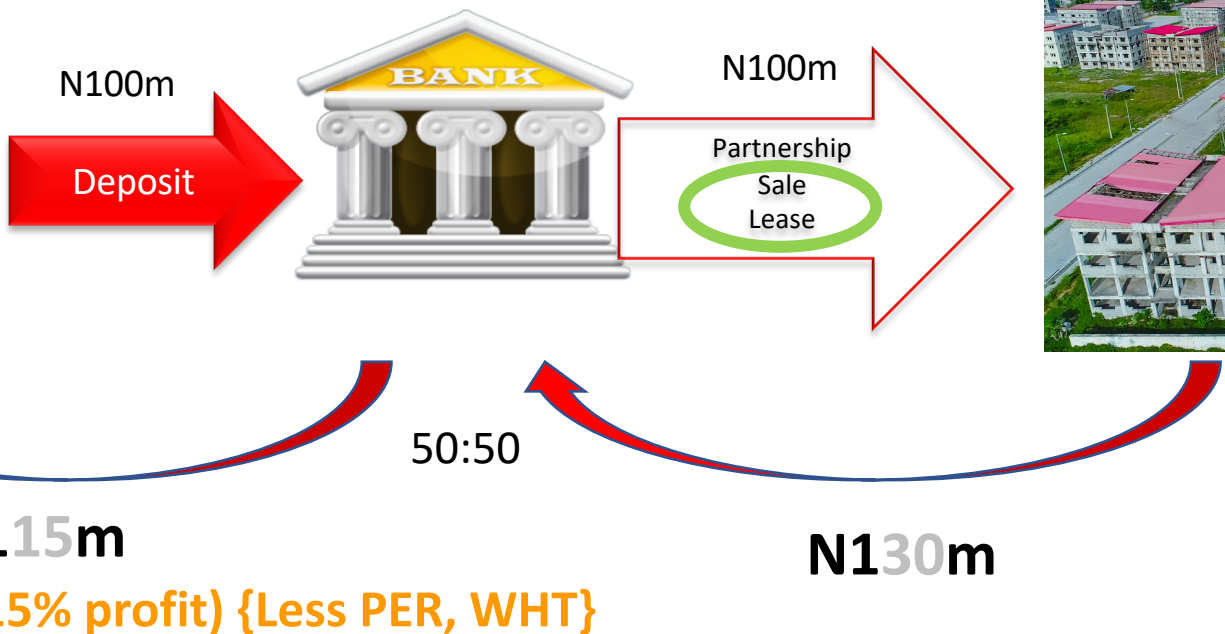
Non-Interest Finance – Fixed Income Contracts

- ☐ Deposit/investment types
- ☐ Investment Partnership
- ☐ Investment Agency
- ☐ Sale contract
- ☐ Lease contract

Investment Partnership (mudarabah deposit)

Sukuk, partnership deposit account, portfolio, note

Major Risk: Displaced commercial risk, rate of return risk



Issues in determining final available profit	Reality in Nigeria
Expected profit	N30m
Less Profit Equalization Reserve (PER)	@ say 1% in the case of mudarabah deposit (not applicable to sukuk and equities/REITs)
Less WHT	10% in the case of mudarabah deposit (not applicable to sukuk/sukuk-linked investment and equities/REITs)
Profit available for sharing	Net profit that will be shared

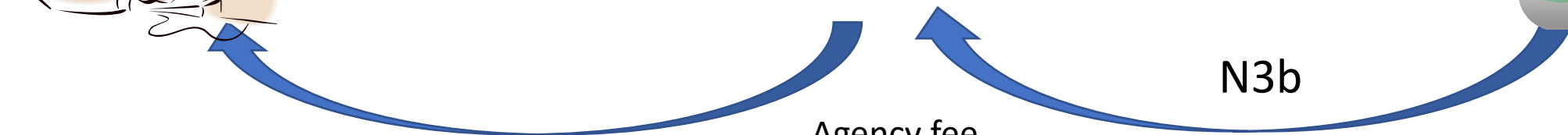
Investment Agency (wakala deposit) – Off balance sheet

Major Risk: Displaced commercial risk, rate of return risk

Sukuk, Partnership Deposit Account, portfolio, note



Investor/HNI/Corporate

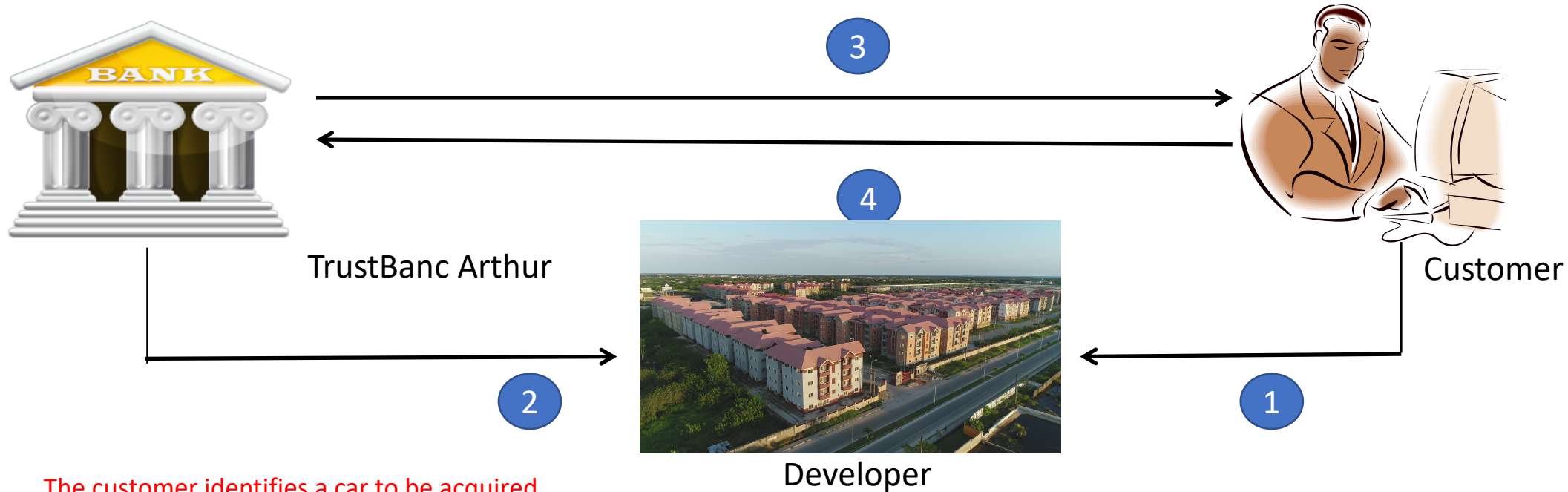


<N2.7b (less agency fee, PER/IRR, WHT)

Agency fee
as agreed

Issues in determining final available profit	Reality in Nigeria
Expected profit	N1b
Less Profit Equalization Reserve (PER)	@ say 1% in the case of wakala deposit from gross profit (not applicable to sukuk and equities/REITs)
Less WHT	10% in the case of wakala deposit (not applicable to sukuk/sukuk-linked investment and equities/REITs)
Less Investment Risk Reserve (IRR)	@ say 1% from investors' profit share (not commonly practiced in Nigeria)
Expected profit	Expected profit goes to investor while arranger (TrustBanc Arthur) takes agreed fee of say N300m

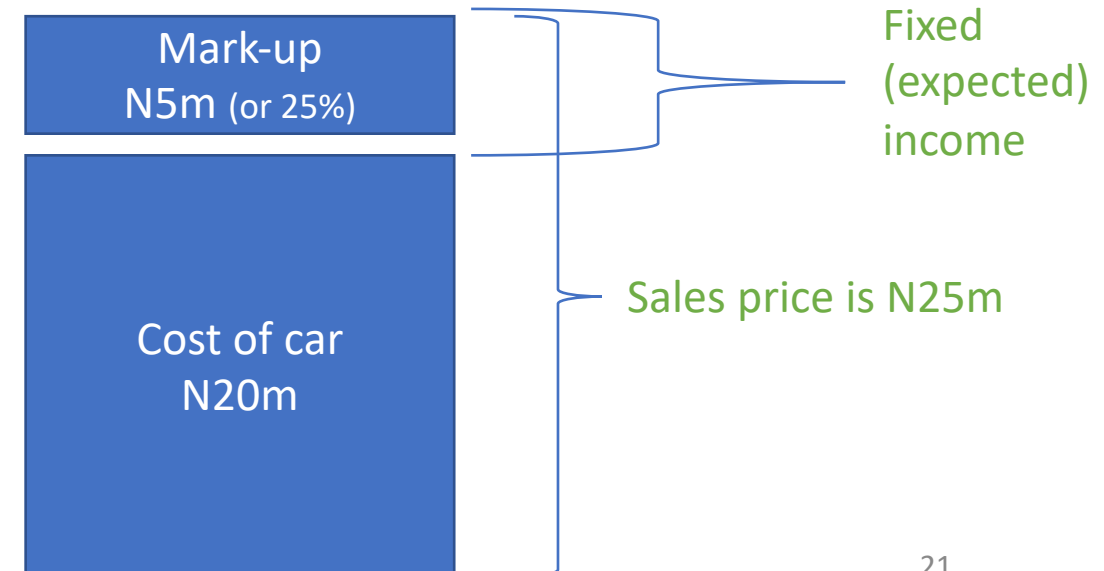
Sale Plus Mark-up (Murabaha Contract)



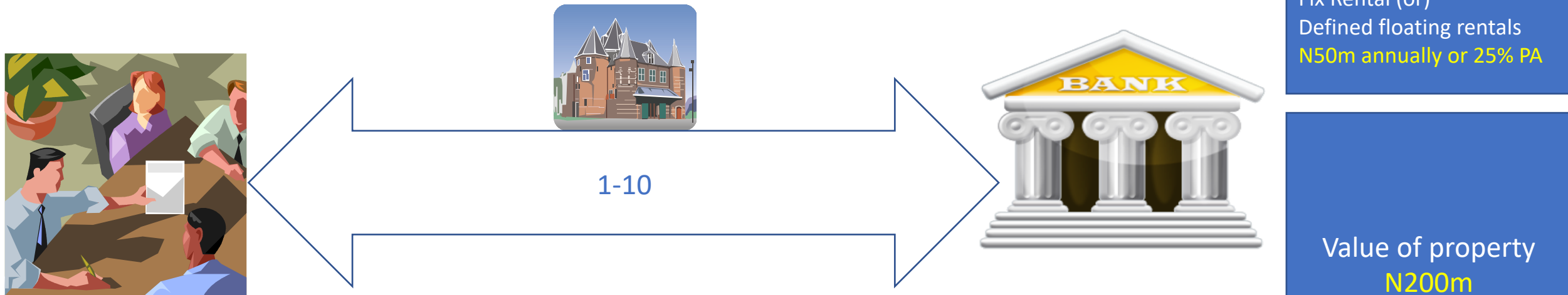
1. The customer identifies a car to be acquired.
2. TrustBanc Arthur purchases the identified car from the owner/dealer on cash basis.
3. TrustBanc Arthur sells the car to the customer at a cost plus profit on credit basis.
4. The customer pays the TrustBanc Arthur within the agreed terms of financing.

Documentation Process

1. TrustBanc Arthur appoints buyer/client as agent
2. Buyer/client agrees to buy property back from TrustBanc Arthur
3. TrustBanc Arthur and buyer/client signs mark-up sale contract
4. TrustBanc Arthur sells property to client (buyer)



LEASE (IJARAH) CONTRACTS



1. The client identifies the property s/he wants to buy.
2. TrustBanc Arthur appoints him or her as agent and client signs agency contract.
3. The clients submits required documents to TrustBanc Arthur.
4. The clients signs promise to lease contract upon purchase.
5. A promise to sell at the future after clients fully pays the N200m plus agreed rentals (fixed income), say N50m over agreed period is put on the table. This will be from TrustBanc Arthur.
6. TrustBanc Arthur makes payment of price to the vendor.
7. The vendor transfers ownership of the asset to TrustBanc Arthur.
8. TrustBanc Arthur leases the asset, transfers possession and specific right of use to the client.
9. The client pays ijarah rentals over future (known) time period(s).
10. The asset reverts to TrustBanc Arthur if it is an operating lease or is transferred to the client if it is a financing lease.

Major risk: Lost of income to financier due to takaful and other maintenance cost

Guidelines for property development

Site Analysis

3D images; evidence of approvals, consents and permits for development

Copy of title document

Project analysis

Project cash flow projections

Breakdown of development cost showing development budget vs actual expenditure

BOQ

Breakdown of operations budget

Land valuation report

Markey feasibility study

Details of competitor developments which includes number of units, parking provision etc

Feasibility and viability report

Details of pre-sales or expressions of interest to date or negotiated offtaker arrangements

Sponsors

Organization chart showing ownership structure, SPV if incorporated

Profile of shareholders

Evidence of track record

Contractual agreement

Facility agreement with existing lenders

Off-taker agreement and agreement with land owners where available

Guarantees & security

Any guarantors of recourse in the event of cost over-run, other security

Advance payment guarantee from main contractors, performance bond from (sub) contract

Environmental compliance & assessment

Copy of environmental impact assessment

Other requirements

- ☐ Clean title
- ☐ Technical competence of professional team
- ☐ Break-even presale with a minimum commitment deposit of 20% to mitigate repayment risk
- ☐ Execution capacity of the developer as evidenced from track record
- ☐ Building plan approval must be in place
- ☐ 3-year audited financials or management report of SPV
- ☐ Last one year statement of account for the borrowing entity or its promoters
- ☐ Maximum facility amount must not exceed 80% of the total project cost
- ☐ Minimum cash contribution for any project should be between 10-20% of the hard construction cost irrespective of the cost of land
- ☐ Security deposit or TrustBanc Arthur guarantee of 20%

Pricing: Agreed rental per month/quarter/bi-annual/annum (inclusive of 1% Life insurance and 0.25% Property insurance)

Tenor of lease-ownership contract: Maximum of 15 years from the date of delivery of property

Commitment Fee: Qualifying persons are required to make a commitment deposit of at least 1% of the value of the property. In the event that the property is still under construction, commitment fees are payable over the construction period of 18 months along with an executed undertaking to lease the property from the consortium upon completion.

Initiation Requirements:

Opening of account with a mortgage or commercial TrustBanc Arthur

- Customer's application letter
- Choose from existing properties or submit invoice/offer for a property of your choice
- Letter of offer to sell property to customer (from the TrustBanc Arthur or Seller)
- Letter of acceptance to buy property (from the Customer)
- Valid means of Identification (Driver's license or International passport)
- Utility bill (Foreign residence)
- Utility bill (Nigerian – could be family house)
- TrustBanc Arthur statement (last 24 months)
- Pay slips (last 6 months)
- Copy of total emolument from employer
- Employment letter
- Letter of last promotion/salary upgrade
- Copy of curriculum vitae
- Letter of indebtedness/non-indebtedness from customers' TrustBanc Arthurs
- Payment of legal fees into a dedicated account
- Payment of valuation and photography fees into a dedicated account
- Recent credit reports conducted by the consortium

Contacts:

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