



Murabaha Finance - Secure Home Purchase

Client situation

Partners in Property Solutions Plc, (**PIPS**, www.movewithus.co.uk) is a successful UK property services company serving property developers, banks, and other financial institutions. It operates under the brand movewithus and was featured in Sunday Times Profit Track 100 in 2008.

In 2007, PIPS established Secure Home Purchase (**SHP**, www.securehomepurchase.co.uk) in a joint venture with a UK financial institution to facilitate new home sales for developers by providing a funded part exchange property service.

In a part exchange transaction, the developer offers to buy the customer's existing house at an agreed price, as an incentive that enables the customer to buy a new property. Traditionally part exchange properties are funded from the developer's balance sheet. In return for a fee, SHP offers a funded part exchange service to the developer, whereby SHP buys the part exchange property from the customer, then resells the property in the market through its proven liquidation channels.

The financial crisis 2008 reduced the funding lines available to it, and in consequence SHP started trading out its portfolio while looking to refinance the portfolio and buyout its JV partner.

BLME solution

In the first instance, Bank of London and The Middle East Plc "**BLME**" as arranger, offered advice and a short term **acquisition finance** to PIPS for the buyout of the JV partner. BLME used a multi-tranche murabaha financing secured by the property portfolio to refinance the remaining 18 properties. Each murabaha contract was repaid as each property in the portfolio was traded out.

Secondly, BLME structured a new £10m **revolving trade finance facility** for funding the trading book using a master murabaha agreement for acquiring the properties. The properties are acquired against BLME portfolio criteria and liquidated within 180 days. SHP's equity investment in each property and the fee income for the part exchange service are invested with BLME. Murabahas are repaid early when every property is resold.

Client Performance

Since starting the new trading in May 2009, the client has successfully traded over 50 properties, well within the average book turn of two times per year.

SHP's strong performance in what can be described as one of the toughest trading periods in the UK residential property sector shows the robustness of the funding structure and SHP's business model that can be easily scaled to meet the demand.

Contact: Massoud.Janekeh@blme.com