

Receivables Financing for Off-Plan Developers

Converting Future Cash Flows into Today's Construction Capital

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Abstract

Off-plan sale is the dominant model of residential development in the United Arab Emirates (UAE), and it generates a stream of buyer instalment payments, the developer receivables, that are tied to construction milestones and channelled through regulated escrow accounts. These receivables are an asset of real economic value, yet they are realised only gradually, and the cash they will eventually produce frequently lags the cost of the construction the developer must fund today. The result is a construction funding gap: a period during which cumulative construction cost runs ahead of the cumulative escrow-released cash, and the developer must bridge the difference. This paper examines receivables financing, the conversion of future buyer instalments into present construction capital, as a tool for closing that gap. Using an indicative dataset calibrated to 2026 UAE conditions, the study sets out the principal receivables financing structures, models the construction funding gap against the cost and escrow-release curves, analyses the advance rates that lenders apply to receivables of different quality, and compares the cost of receivables finance against senior debt, mezzanine and equity. The analysis finds that receivables financing occupies a distinctive and valuable position in the capital structure, cheaper than mezzanine and equity because it is secured against contracted cash flows, and capable of being structured as a recurring funding engine across a developer portfolio. A sensitivity analysis identifies the buyer default rate and the advance rate as the dominant variables, and three indicative case studies show the technique applied at the level of a single tower, a multi-project forward-flow programme and a securitisation. The paper sets out the capital-provider perspective, the structuring features specific to the UAE escrow regime, an international comparison, and an implementation roadmap for practitioners.

Keywords: Advance rate, construction finance, escrow, off-plan, receivables financing, securitisation, UAE, working capital

1. Introduction

When a developer sells an apartment off-plan, it does not receive the price in full at the moment of sale. Instead it receives a schedule of instalments, paid by the buyer over the construction period and often beyond, with each instalment typically linked to a construction milestone and paid into a regulated escrow account from which the developer can draw only as the construction progresses. The sale therefore creates an asset, the right to receive those future instalments, that is real and valuable but not yet liquid. The developer has sold the unit, but it has not yet been paid for it.

This timing creates a problem. The cost of building the development is incurred on a construction schedule that is largely fixed by the physics of construction, while the cash from buyer instalments arrives on a schedule set by the sales pace and the escrow milestones, and the two schedules do not match. In the early and middle stages of construction, the cumulative cost

frequently runs ahead of the cumulative escrow-released cash, opening a funding gap that the developer must bridge from some other source. The developer is, in a sense, rich in receivables but short of cash, holding a valuable asset, the contracted future instalments, that it cannot yet spend.

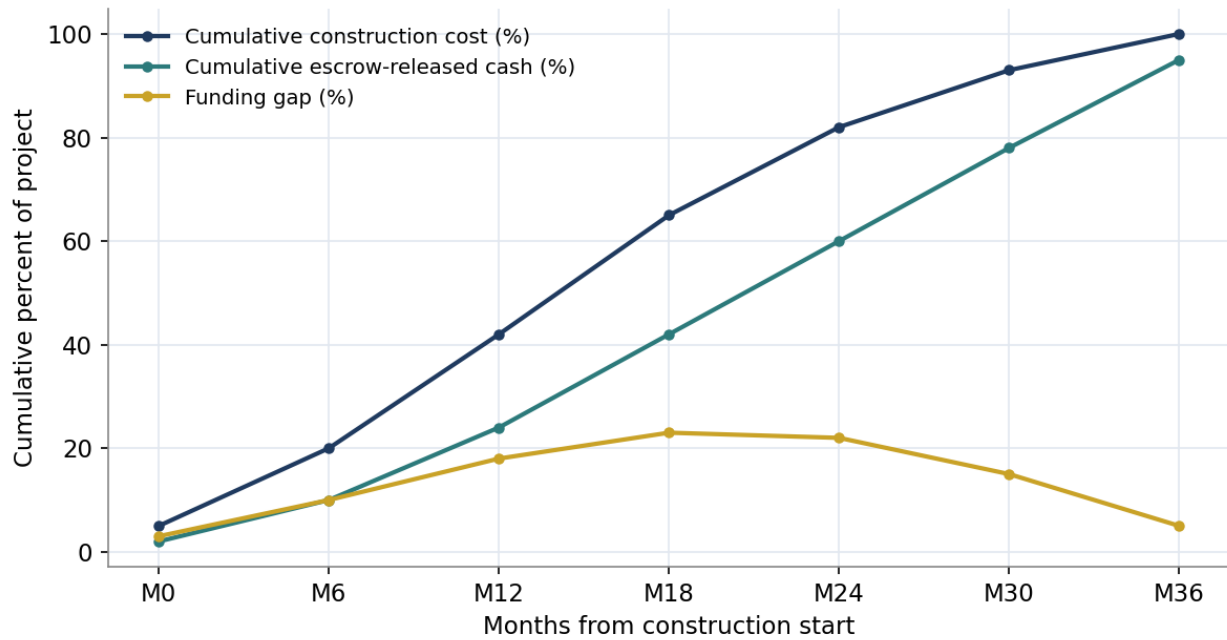
Receivables financing is the tool that resolves this mismatch. It converts the future buyer instalments into present cash by financing them today, advancing the developer a proportion of the contracted receivables against the security of those receivables and the escrow into which they are paid. The developer obtains the construction capital it needs now, repaid from the buyer instalments as they arrive, and bridges the gap between the cost it must fund and the cash the escrow will eventually release. The receivables, an otherwise illiquid asset, become a source of liquidity.

The central argument of this paper is that receivables financing occupies a distinctive and underused position in the developer capital structure. Because it is secured against contracted cash flows from a diversified pool of buyers, rather than against the development risk of the project as a whole, it can be cheaper than mezzanine debt or equity, and it can be structured as a recurring, revolving funding engine that finances construction across a developer portfolio. Properly understood and deployed, it is not merely a gap-filler but a strategic source of working capital that can accelerate delivery and improve returns. The figures used throughout are indicative, calibrated to observable UAE conditions in early 2026 but not drawn from any specific transaction.

2. The Off-Plan Cash-Flow Mismatch

The off-plan model is central to UAE residential development, and the escrow regime that governs it is central to the cash-flow mismatch this paper addresses. Under the escrow regime, buyer instalments are paid into a regulated project account and released to the developer against the certification of construction milestones, ensuring that buyer money is used to build the project the buyers have purchased. This protection is valuable for buyers and for the integrity of the market, but it has the consequence that the developer cannot freely access buyer cash to fund construction; it can draw only as milestones are certified, and the release schedule may lag the cost schedule.

Figure 1. The Construction Funding Gap: Cost versus Escrow-Released Cash



Cumulative cost runs ahead of cumulative escrow-released cash, opening a funding gap. Not a forecast.

Figure 1 illustrates the mismatch. The cumulative construction cost follows the familiar S-curve, rising slowly at first, then steeply through the main construction phase, then levelling toward completion. The cumulative escrow-released cash follows a similar but lagged curve, because milestone certification and the timing of buyer instalments trail the incurrence of cost. The gap between the two curves, shaded in the figure, is the construction funding gap: the cash the developer must find, from sources other than escrow, to keep construction on schedule. The gap is widest in the middle of the construction period, precisely when the cost is being incurred most rapidly.

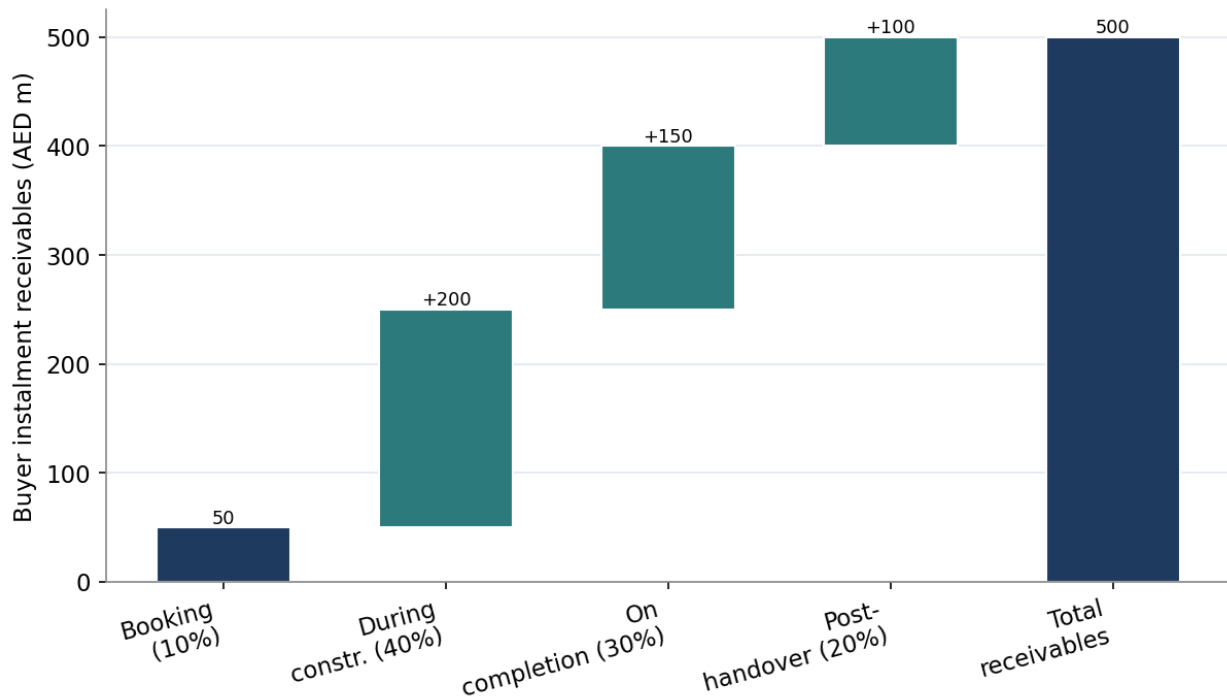
The size and shape of the gap depend on several factors. A development with strong, early pre-sales generates receivables sooner and narrows the gap; a development with slow sales or a back-loaded payment plan widens it. A milestone regime that releases escrow cash promptly on certification narrows the gap; one that releases slowly widens it. And a construction programme that front-loads cost widens the gap, while one that defers cost narrows it. The developer that understands the specific shape of its own funding gap can size and structure its receivables financing precisely to close it, rather than carrying excess, expensive capital to cover a gap it has not properly measured.

Traditionally, developers have bridged this gap with equity or with senior development debt sized to cover the peak gap. Both are imperfect. Equity is expensive and dilutive, and using it to bridge a temporary timing gap, rather than to fund genuine development risk, is an inefficient use of the most expensive capital. Senior debt sized to the peak gap means carrying, and paying for, more debt than is needed for most of the construction period. Receivables financing offers a more precise alternative, providing cash that flexes with the gap and is repaid as the receivables arrive, matching the financing to the timing problem it solves.

3. Conceptual Foundations: Receivables as an Asset

The conceptual basis of receivables financing is the recognition that a contracted future payment is an asset with a present value, and that this asset can be financed independently of the business that generated it. A buyer instalment due in eighteen months, backed by a sale contract and payable into escrow, is a claim on a future cash flow, and its present value is that future cash flow discounted for time and for the risk that it is not paid. A financier can advance the developer the present value of that claim today, taking the claim as security and being repaid when the instalment arrives.

Figure 2. Indicative Schedule of Buyer Instalment Receivables (AED m)



Receivables arise across booking, construction, completion and post-handover. Not a forecast.

Figure 2 sets out an indicative schedule of receivables across the stages of a development. A typical payment plan generates a booking instalment, a series of instalments during construction linked to milestones, a substantial instalment on completion, and in some plans a portion deferred to after handover. The aggregate of these instalments is the receivables pool that can be financed, and its distribution over time determines both the funding gap and the structure of the financing that best closes it. A back-loaded plan, with much of the value due on or after completion, generates little early cash and a large gap; a front-loaded plan generates early cash and a smaller gap.

The financing of receivables draws on the same logic as factoring and securitisation in other industries: a pool of contracted future payments, diversified across many obligors, is financed against the pool as a whole, with the diversification reducing the risk that the pool as a whole underperforms. A single buyer may default, but a pool of hundreds of buyers has a predictable, modellable default rate, and the financier advances against the pool at a rate that reflects that expected default. This is why receivables financing can be cheaper than financing secured against the project as a whole: it is secured against a diversified pool of contracted cash flows rather than against the binary success or failure of a single development.

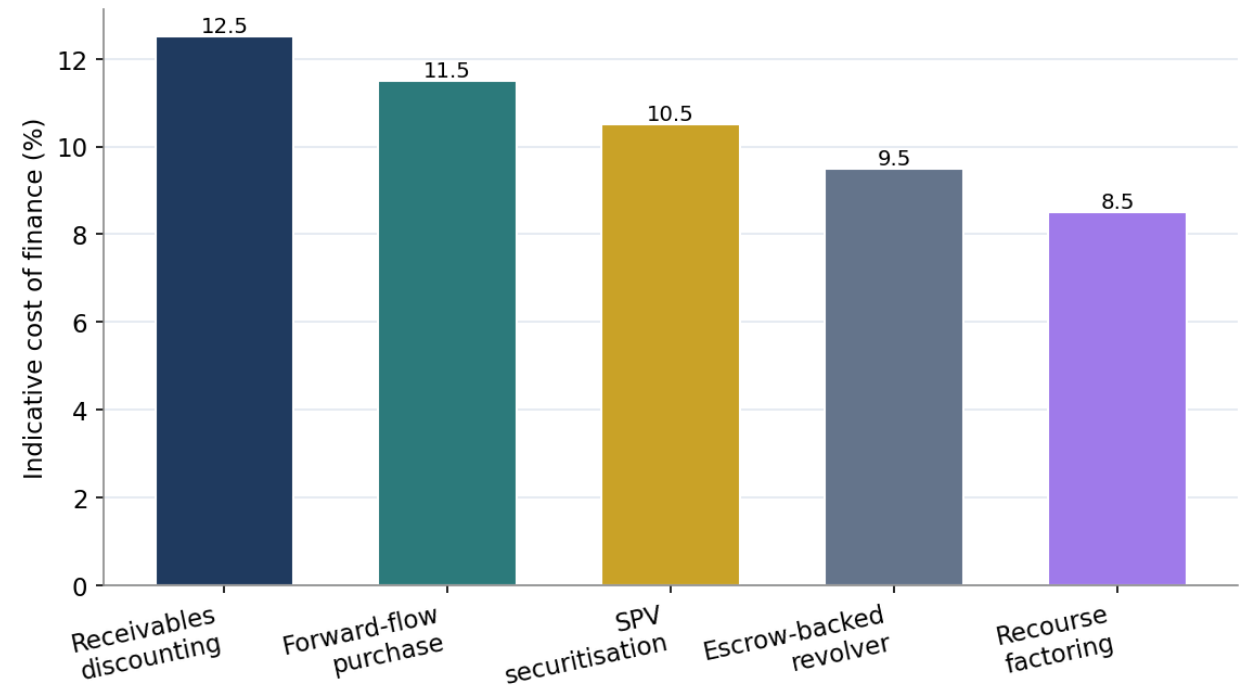
The advance rate, the proportion of the receivable that the financier will advance, is the central parameter, and it reflects the financier assessment of the risk that the receivable is not ultimately paid. A high-quality receivable, from a buyer who has paid reliably and whose unit is near completion, attracts a high advance rate; a lower-quality receivable, from a buyer early in the payment plan whose unit is far from completion, attracts a lower one. The advance rate, the cost of the finance, and the eligibility criteria that determine which receivables can be financed together define the economics of a receivables facility, and the sections that follow examine each.

The diversification logic also explains why receivables financing behaves differently from project-level debt in a downturn. Project debt is exposed to the binary outcome of a single development; receivables financing is exposed to the average behaviour of a pool of buyers, which is more predictable and which deteriorates more gradually. A modest rise in the cancellation rate impairs the pool only at the margin, whereas a problem with the project as a whole impairs project debt entirely. This relative resilience is part of what allows the financier to advance at an attractive rate, and it is a reason a developer may prefer to lean on receivables financing rather than to add project-level leverage when bridging the construction gap.

4. Anatomy of Receivables Financing Structures

Receivables financing spans a family of structures, from simple bilateral discounting to full securitisation, each suited to a different scale and objective. Table 1 compares the principal structures, and the subsections describe each. Figure 3 sets out their indicative cost.

Figure 3. Indicative Cost by Receivables Financing Structure



4.1 Receivables discounting

In its simplest form, receivables discounting advances the developer a proportion of its contracted receivables against the security of those receivables and the escrow, repaid as the instalments arrive. It is a bilateral facility, relatively quick to arrange, and suited to a developer seeking to bridge the funding gap on a single project. It is the most accessible structure and the natural starting point for a developer new to receivables financing.

4.2 Forward-flow purchase

A forward-flow arrangement commits a financier to purchase receivables as they are generated, over a defined period and across one or more projects, at pre-agreed advance rates and pricing. It suits a developer with a steady pipeline of sales across multiple projects, because it provides a committed, recurring source of funding that flexes with the sales the developer generates, turning receivables financing from a one-off transaction into an ongoing programme.

4.3 Securitisation through a special-purpose vehicle

At the largest scale, a developer can securitise its receivables by selling a pool of them to a special-purpose vehicle that funds the purchase by issuing notes to investors, secured against the receivables pool. Securitisation can achieve the lowest cost of finance, because it accesses capital-market investors and isolates the receivables from the developer credit, but it requires scale, a sizeable and seasoned receivables pool, and the cost and complexity of establishing the structure. It suits large developers with substantial, diversified receivables books.

4.4 Escrow-backed revolving facility

An escrow-backed revolving facility provides a committed line, secured against the escrow account and the receivables flowing into it, that the developer can draw and repay as the funding gap opens and closes. Because it is secured against the escrow itself, it can be among the cheapest structures, and its revolving nature matches the rising and falling shape of the funding gap, making it efficient for a developer that wants flexible, repeatable access to receivables-backed liquidity.

4.5 Recourse factoring

Recourse factoring advances against receivables but leaves the developer bearing the risk of buyer default, with the financier able to recover from the developer if a buyer does not pay. Because the developer retains the default risk, recourse factoring is the cheapest structure, but it does not transfer the receivables risk off the developer balance sheet, which may be a consideration where the developer seeks genuine risk transfer rather than merely liquidity.

Table 1. Comparison of Receivables Financing Structures

Structure	Indicative cost	Risk transfer	Scale required	Best for
Receivables discounting	~12.5%	Partial	Low	Single project
Forward-flow purchase	~11.5%	Substantial	Moderate	Multi-project pipeline
SPV securitisation	~10.5%	Full (true sale)	High	Large seasoned book
Escrow-backed revolver	~9.5%	Limited	Moderate	Flexible gap funding
Recourse factoring	~8.5%	None	Low	Cheapest liquidity

Indicative ranges calibrated to UAE conditions in early 2026. Risk transfer depends on recourse and true-sale features. Not transaction-specific.

The choice of structure is not mutually exclusive, and developers frequently progress through them as they grow. A developer new to the technique may begin with simple receivables discounting on a single project, graduate to a forward-flow programme as its pipeline broadens, and ultimately securitise once its book is large and seasoned enough to justify the structure. Each

step lowers the cost of finance and deepens the pool of capital, and the progression mirrors the developer maturation from a single-project sponsor to a portfolio developer.

5. The Construction Funding Gap

The construction funding gap, introduced in Section 2, is the problem that receivables financing exists to solve, and closing it efficiently is the central task. Figure 4 shows how a receivables facility closes the gap, comparing the gap without financing against the residual gap once a facility is in place.

Figure 4. The Funding Gap With and Without a Receivables Facility



The facility advances against receivables to close most of the gap, leaving a small residual. Not a forecast.

The figure shows the facility absorbing the great majority of the funding gap throughout the construction period, leaving only a small residual that the developer covers from equity or senior debt. The receivables facility flexes with the gap, advancing more as the gap widens in the middle of construction and being repaid as the escrow releases cash toward completion, which matches the financing precisely to the shape of the problem. This precision is the principal advantage of receivables financing over the alternatives of equity or peak-sized senior debt, both of which provide a flat quantum of capital that does not flex with the gap.

Sizing the facility correctly requires the developer to model its own funding gap, project by project, using its specific sales pace, payment plan and construction programme. The peak of the gap determines the maximum facility size required, and the shape of the gap determines the optimal structure: a sharply peaked gap suits a revolving facility that can be drawn and repaid, while a steadily growing gap may suit a forward-flow programme. The developer that models the gap precisely can size the facility to close it without carrying excess capital, capturing the efficiency that is the point of the technique.

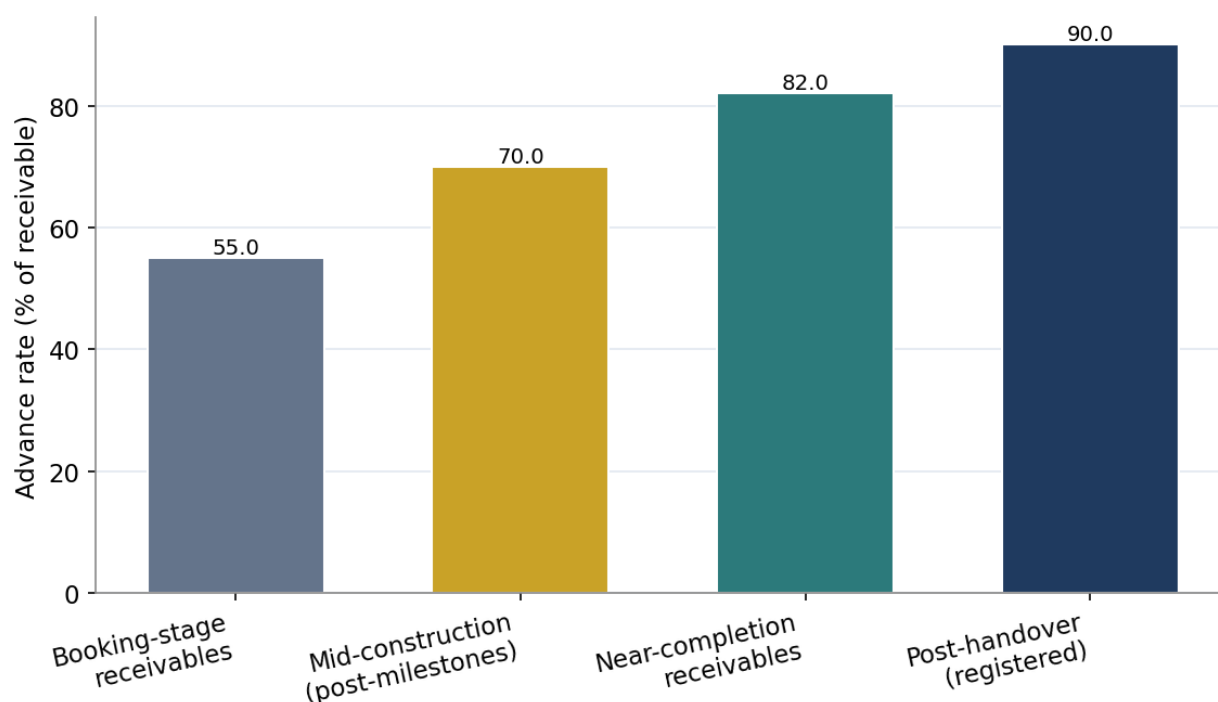
A practical refinement is to model the funding gap under more than one sales scenario, because the gap is highly sensitive to the sales pace. A base-case sales assumption produces one gap; a slower sales scenario produces a wider and longer gap, because fewer receivables are generated to be financed and the escrow releases lag further behind cost. Prudent developers size the facility

to a conservative sales scenario and treat any faster sales as upside, ensuring the construction can be funded even if the market softens.

6. Advance Rates and Eligibility

The advance rate is the proportion of a receivable that the financier will advance, and it is the parameter that most directly determines how much capital a given receivables pool can raise. Figure 5 shows how the advance rate varies with the quality and stage of the receivable.

Figure 5. Indicative Advance Rate by Receivable Quality and Stage



The pattern is intuitive. A booking-stage receivable, from a buyer who has paid only a small deposit and whose unit is far from completion, attracts a low advance rate, because the risk that the buyer walks away and the receivable is never paid is highest. As construction progresses and the buyer pays further instalments, the receivable becomes more secure, both because the buyer has demonstrated commitment and because the unit is closer to the completion that will compel the final payments, and the advance rate rises. A post-handover receivable, from a buyer whose unit is complete and registered, attracts the highest advance rate, because the risk of non-payment is lowest. The advance rate therefore rises along the construction timeline, which means a receivables facility can advance more against the same pool as the project progresses.

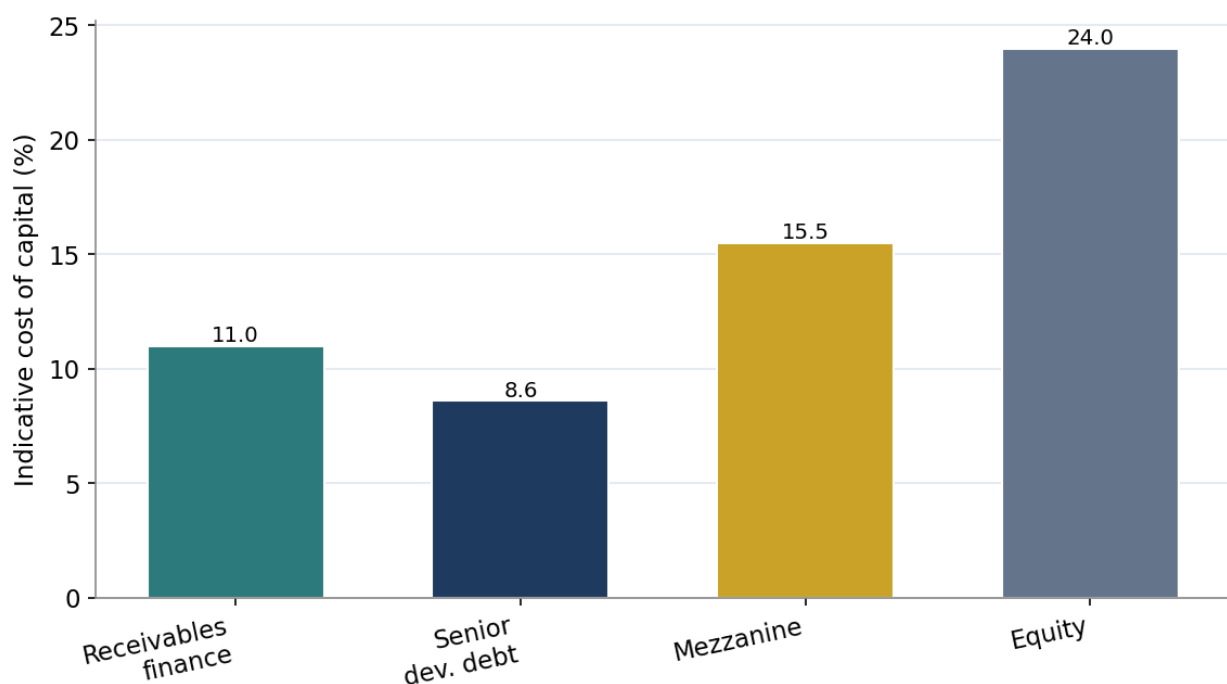
Eligibility criteria determine which receivables can be financed at all. A financier will typically exclude receivables from buyers who are in arrears, receivables on units that have been cancelled or are subject to dispute, and receivables that are too early in the payment plan to meet the minimum seasoning the financier requires. The developer that maintains a clean, well-documented receivables book, with reliable buyer payment records and clear title and registration, maximises the proportion of its receivables that are eligible and therefore the capital it can raise. Poor receivables administration directly reduces the financeable pool, which is one reason disciplined sales and collections processes have a financing value beyond their operational one.

The relationship between the construction timeline and the advance rate has a useful corollary: a receivables facility naturally provides more capital as the book seasons and less in the early stages when the need is opening. This is why receivables financing usually complements rather than wholly replaces senior debt and equity in the early stages, and why the developer should layer the sources so that the cheaper senior debt and the equity carry the early gap while receivables financing scales up as the book seasons. Sequencing the sources to the maturing of the receivables is part of structuring the facility well.

7. Cost of Receivables Finance versus Alternatives

The position of receivables financing in the capital structure is best understood by comparing its cost against the alternatives. Figure 6 sets out the indicative cost of receivables finance alongside senior development debt, mezzanine and equity.

Figure 6. Cost of Receivables Finance versus Other Capital



The comparison shows receivables financing sitting between senior development debt and mezzanine: more expensive than senior debt, because it is secured against receivables rather than against a first mortgage over the whole asset, but cheaper than mezzanine and far cheaper than equity, because it is secured against contracted, diversified cash flows rather than against the subordinated risk of the project. This position makes receivables financing a valuable complement to senior debt: a developer can fund the bulk of its construction with senior debt and use receivables financing to bridge the funding gap, avoiding the more expensive mezzanine or equity that would otherwise fill it.

The cost comparison also reveals why using equity to bridge the funding gap is inefficient. Equity at twenty-four percent is more than twice the cost of receivables finance at around eleven percent, and using it to bridge a temporary timing gap, rather than to fund genuine development risk, wastes the spread between the two. A developer that systematically uses receivables financing to bridge the gap, freeing its equity to fund genuine risk or to be deployed in additional projects, can

raise its return on equity meaningfully. The choice of which capital to use for which purpose is, here as in the capital-stack analysis of the first paper in this series, a genuine source of value.

The efficiency argument can be quantified at the level of the developer return on equity. By substituting receivables finance at around eleven percent for equity at around twenty-four percent across the funding gap, a developer reduces the equity it must commit to each project and can therefore undertake more projects with the same equity base. Over a pipeline, this multiplies the developer activity and raises its return on equity. This portfolio effect, the ability to do more with the same equity, is frequently the largest benefit of receivables financing, and it is invisible if the technique is viewed only at the level of a single project.

8. Risk Considerations

Receivables financing carries risks that both the developer and the financier must manage. The principal risk is buyer default or cancellation: a buyer who stops paying, or who cancels the purchase, ceases to generate the receivable that backs the financing. The escrow regime and the contractual remedies for default mitigate this risk, since a defaulting buyer typically forfeits part of what it has paid and the unit can be resold, but a wave of cancellations in a downturn can impair the receivables pool, which is why the financier advances at less than the full receivable and why the default rate is the central risk variable.

A second risk is construction delay. Because escrow releases and the compulsion of buyer payment are tied to construction milestones, a delay in construction delays both the escrow cash and the maturing of the receivables, extending the funding gap and the period over which the financing must be carried. A developer using receivables financing must therefore manage its construction programme with discipline, because a delay impairs the very cash flows the financing depends on. A third risk concerns the escrow itself: the financing depends on the integrity and the priority of the security over the escrow account, and the developer and financier must ensure that the financing is properly secured against the escrow within the regulatory framework that governs it.

These risks are manageable but real, and they explain the structuring features, the advance rate below the full receivable, the eligibility criteria, the recourse or non-recourse choice, that characterise receivables financing. A well-structured facility allocates each risk to the party best able to bear it: the diversifiable default risk is priced into the advance rate and borne by the financier in a non-recourse structure, the construction risk is borne by the developer who controls it, and the escrow risk is managed through proper security. Understanding and allocating these risks deliberately is what distinguishes a robust receivables facility from one that fails when conditions deteriorate.

The escrow risk deserves emphasis because it is specific to this form of financing. Unlike a mortgage, whose security is the physical asset, a receivables facility depends on the financier ability to capture the buyer payments as they flow through the escrow account. If the security over the escrow is weak, or if other claims rank ahead of the financier in the escrow waterfall, the financing is undermined regardless of the quality of the underlying receivables. Establishing clear, enforceable control over the relevant portion of the escrow, within the limits the regulation permits, is therefore the single most important structuring task.

9. Structuring Considerations

Several structuring choices shape a receivables facility. The first is the choice between recourse and non-recourse. In a recourse structure, the developer remains liable if a buyer defaults, so the financier bears little credit risk and the cost is low, but the developer does not achieve genuine risk transfer. In a non-recourse structure, the financier bears the buyer default risk, achieving true risk transfer for the developer but at a higher cost. The choice depends on whether the developer seeks merely liquidity, in which case recourse is cheaper, or genuine risk transfer and balance-sheet relief, in which case non-recourse, despite its cost, may be preferred.

A second choice concerns whether the financing is structured as a true sale of the receivables or as a secured loan against them. A true sale, in which the receivables are sold to the financier or an SPV, can remove them from the developer balance sheet and isolate them from the developer credit, which is the basis of securitisation; a secured loan leaves the receivables on the balance sheet and simply pledges them as security. The true-sale structure is more complex and requires careful legal analysis to ensure the sale is effective, but it achieves the off-balance-sheet treatment and credit isolation that the secured loan does not.

A third set of choices concerns the security over the escrow account and the mechanics of repayment. The financing must be secured against the receivables and, ideally, against the escrow account into which they are paid, so that the financier is repaid directly from the escrow as instalments arrive. The mechanics of this, the account control, the waterfall of payments, the treatment of the developer share of escrow releases, must be structured carefully and in compliance with the escrow regulation, because the security over the escrow is the foundation of the financing and any weakness in it undermines the whole structure.

The recourse decision interacts with the developer broader balance-sheet strategy. A developer seeking to present a lighter, less leveraged balance sheet may prefer a non-recourse, true-sale structure that removes the receivables and any associated funding from its balance sheet, accepting the higher cost in exchange for the presentational and credit benefit. A developer focused purely on the cost of liquidity may prefer the cheaper recourse structure and accept the retained risk. The choice is therefore not only a financing decision but a balance-sheet strategy decision.

10. Considerations Specific to the UAE

10.1 The escrow regime and milestone release

The UAE escrow regime is the defining feature of the environment for receivables financing, and it cuts both ways. On one hand, the escrow protects buyer payments and channels them into a regulated account, which gives a financier comfort that the receivables will be paid into a known, controlled account rather than dissipated. On the other, the escrow restricts the developer access to the cash and ties releases to milestones, which is the very feature that creates the funding gap. A receivables financing must be structured around the escrow regime, taking security over the developer interest in the escrow within the limits the regulation permits and aligning the financing with the milestone release schedule.

10.2 Registration and the enforceability of receivables

The registration of off-plan sales and the legal enforceability of the buyer payment obligations underpin the value of the receivables as security. A financier will assess whether the sale

contracts are properly registered, whether the buyer obligations are enforceable, and whether the developer remedies on buyer default are robust, because these determine the recovery the financier can expect if a buyer does not pay. A developer with a well-registered, well-documented sales book presents receivables that a financier can value with confidence, which improves both the advance rate and the cost; a developer with poor documentation presents receivables the financier must discount for uncertainty.

10.3 Shariah-compliant receivables structures

Receivables financing can be structured in Shariah-compliant form, for example through structures that purchase the receivables or that provide compliant financing against them, accessing the deep pool of compliant capital in the region. As with the other techniques examined in this series, the availability of a compliant route widens the financier pool and can improve the terms, and a developer whose mandate or investor base favours compliant structures should consider the compliant route from the outset rather than as an afterthought.

The Shariah-compliant route to receivables financing is particularly relevant given the centrality of compliant capital in the region. Structures that involve the purchase of the receivables, or compliant financing arrangements secured against them, can replicate the economics of conventional receivables financing within a compliant framework, accessing the deep pool of compliant capital. For a developer whose buyer base, investor base or own mandate favours compliant structures, the compliant route widens the financier pool and can improve the terms.

11. The Capital Provider Perspective

A receivables facility closes only if the financier finds the receivables pool attractive, and understanding the financier underwriting is essential. The financier underwrites the quality and diversification of the receivables pool, the reliability of the escrow mechanism that will repay it, and the developer ability to complete the construction on which the escrow releases and buyer payments depend. It assesses the historic default and cancellation rates of the developer buyers, the seasoning and stage of the receivables, the strength of the sale contracts and the registration, and the construction risk of the project, and it sets the advance rate and the cost to reflect these.

Different financiers value different features. A bank providing an escrow-backed revolver prioritises the security over the escrow and the developer covenant; a specialist receivables financier prioritises the quality and diversification of the receivables pool; a capital-market investor in a securitisation prioritises the seasoning of the pool and the robustness of the true-sale structure. A developer that understands which financier values its receivables most highly can direct the financing to that financier and achieve the best terms. The financier comfort ultimately rests on the predictability of the receivables, which is why the developer that can demonstrate a reliable history of buyer payment and low cancellation obtains the most favourable financing.

Understanding what the financier underwrites also tells the developer how to prepare for a receivables financing. The developer that arrives with clean, well-documented sale contracts, reliable buyer payment data, clear registration and a credible construction plan presents a pool the financier can underwrite quickly and at a favourable advance rate. The developer that arrives with incomplete documentation forces the financier to discount for the uncertainty, widening the cost and lowering the advance. Preparing the receivables for financing materially affects the terms, and it is work the developer should do before approaching the market.

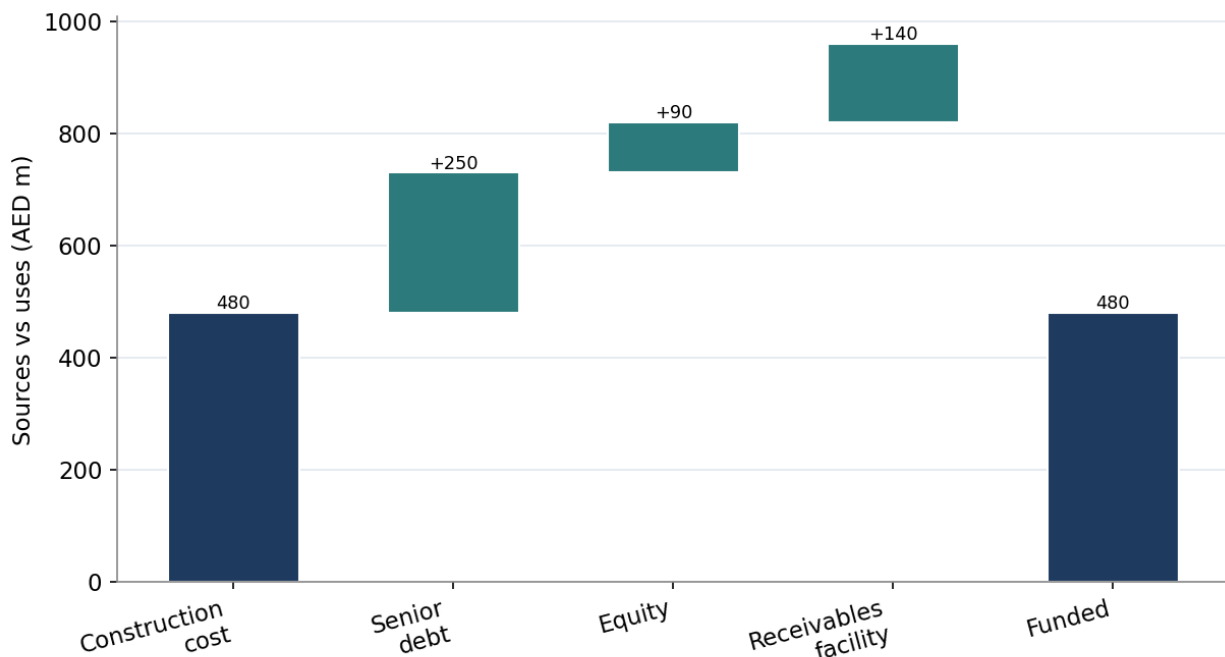
12. Indicative Case Studies

Three indicative cases show the technique applied at different scales. The figures are synthetic and constructed for analytical clarity, not drawn from any specific transaction.

12.1 Case A: single-tower receivables facility

Case A is a single residential tower with strong pre-sales but a back-loaded payment plan that generates little cash during construction, opening a wide funding gap. The developer arranges a receivables discounting facility that advances against the contracted instalments, closing the gap and allowing construction to proceed on schedule without injecting additional equity. Figure 7 shows the sources and uses. The facility is repaid as the escrow releases buyer cash toward completion, and the developer preserves its equity for other projects.

Figure 7. Indicative Sources and Uses, Single-Tower Case (AED 480m)



Receivables facility bridges the gap between cost and senior-debt-plus-equity funding. Not a forecast.

Table 2. Case A Funding Structure, Single Tower

Source	AED m	Share	Role
Senior development debt	250.0	52%	Bulk construction funding
Developer equity	90.0	19%	Genuine development risk
Receivables facility	140.0	29%	Bridges the funding gap
Total funding	480.0	100%	Matches construction cost

Receivables facility replaces what would otherwise be mezzanine or additional equity. Not transaction-specific.

12.2 Case B: multi-project forward-flow programme

Case B is a developer with a pipeline of several projects in construction simultaneously, generating a steady flow of receivables across the portfolio. Rather than arrange a separate facility for each project, it establishes a forward-flow programme under which a financier commits to purchase eligible receivables as they are generated across all projects, at pre-agreed

advance rates. The programme provides a committed, recurring source of construction funding that flexes with the developer sales, turning receivables financing into an ongoing funding engine for the whole pipeline.

Table 3. Case B Forward-Flow Programme Economics

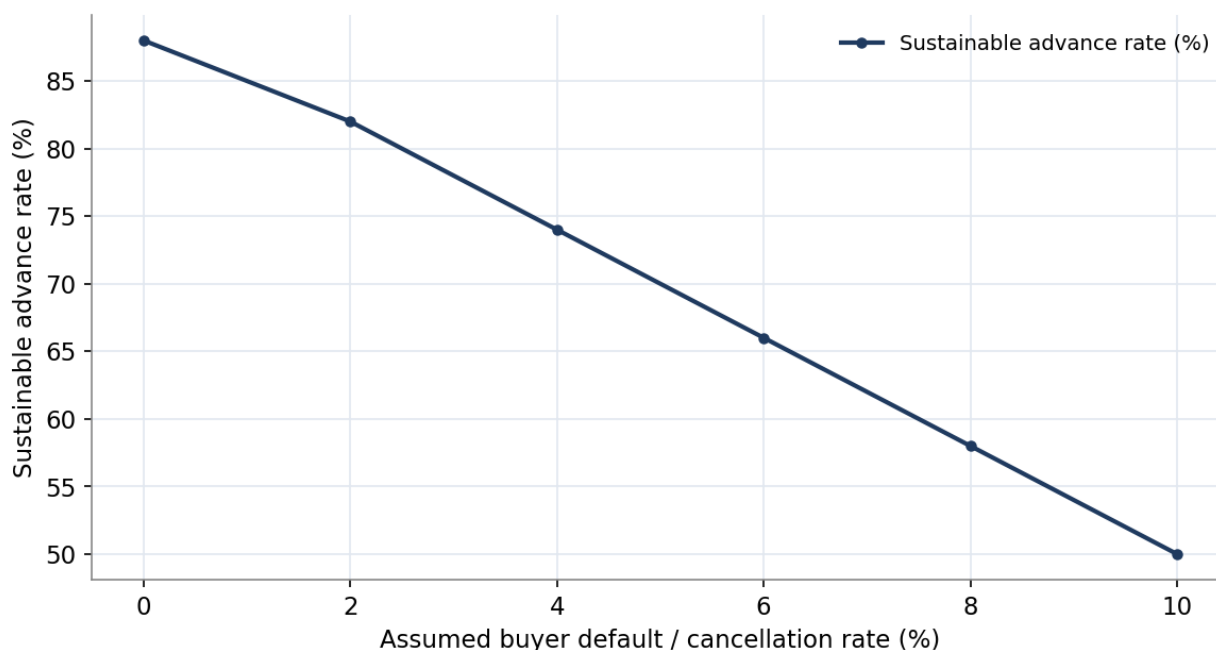
Line	Value	Note
Committed programme size	AED 600m	Across the pipeline
Blended advance rate	72%	Weighted by receivable stage
Blended cost	11.5%	Forward-flow pricing
Projects covered	4	Simultaneous construction
Revolving	Yes	Repaid and redrawn as sales flow

Forward-flow turns receivables financing into a recurring portfolio funding engine. Not transaction-specific.

12.3 Case C: receivables securitisation

Case C is a large developer with a substantial, seasoned receivables book across many completed and near-complete projects. It securitises a pool of these receivables by selling them to a special-purpose vehicle that issues notes to capital-market investors, achieving the lowest cost of finance of the three cases and removing the receivables from its balance sheet through a true sale. The securitisation accesses a deeper and cheaper pool of capital than a bilateral facility, but it requires the scale, the seasoning and the structuring capability that only a large developer possesses.

Figure 8. Sustainable Advance Rate Against Assumed Buyer Default Rate



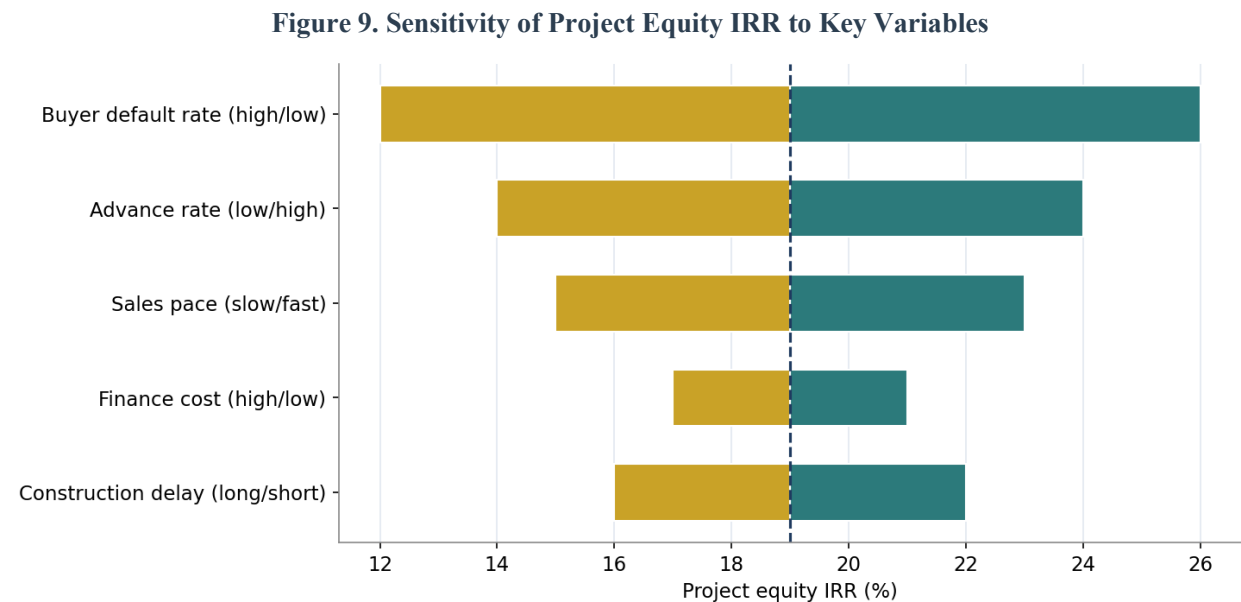
The advance rate a financier can sustain falls as the assumed default rate rises. Not a forecast.

Figure 8 underlies all three cases by showing how the sustainable advance rate falls as the assumed buyer default rate rises. A financier advancing against a pool with a low default rate can advance a high proportion of the receivables; one facing a high default rate must advance less to protect itself. This relationship is why the quality and reliability of a developer buyer base translates so directly into financing capacity: a developer whose buyers default rarely can raise

far more against the same nominal receivables than one whose buyers default often, which gives the developer a direct financial incentive to sell to creditworthy buyers and to manage collections well.

13. Sensitivity and Scenario Analysis

A tornado analysis identifies the variables that most influence the project equity return when receivables financing is used. Figure 9 presents the result.



Each bar shows the equity IRR when the labelled variable moves to its low or high case. Dashed line is the base case. Indicative.

The analysis shows that the buyer default rate and the advance rate dominate the outcome, with the sales pace also significant, while the cost of the receivables finance itself is second-order. This is intuitive: the default rate determines how much of the receivables pool is actually realised, the advance rate determines how much capital the pool raises, and the sales pace determines how quickly receivables are generated to be financed. The implication for the developer is that the levers that most improve the economics are operational, selling to creditworthy buyers, managing collections to minimise default, and maintaining a strong sales pace, rather than financial. As in the earlier papers in this series, the operational drivers dominate the financing terms.

Table 4. Scenario Matrix for Project Equity IRR

Scenario	Buyer default rate	Sales pace	Equity IRR
Favourable	Low (2%)	Fast	26.0%
Base	Moderate (5%)	Moderate	19.0%
Mild stress	Elevated (8%)	Slow	14.0%
Severe stress	High (12%)	Very slow	8.0%

Indicative scenarios holding the financing structure constant. Not a forecast.

The scenario matrix reinforces the centrality of the default rate. In the severe-stress scenario, a high default rate combined with slow sales impairs the receivables pool and collapses the equity return, because the financing that depends on the receivables contracts precisely when the

developer most needs it. This is the characteristic vulnerability of receivables financing: it is robust when buyers pay and sales proceed, but it is exposed to a downturn in which cancellations rise and sales slow together. The defence is conservative underwriting of the default rate, a prudent advance rate that leaves headroom, and a financing structure that does not assume the most optimistic sales and payment behaviour.

The three cases also illustrate a progression in cost and sophistication. The single-tower discounting facility is the most accessible but the most expensive; the forward-flow programme is cheaper and provides recurring funding but requires a pipeline; and the securitisation is the cheapest but demands scale and structuring capability. A developer can read its own position in this progression and identify both the structure appropriate to its current scale and the structures it should aspire to as it grows. The progression is not merely a menu but a development path.

14. International Comparison

Receivables financing and securitisation are mature techniques in the developed markets, applied across many industries to convert contracted future cash flows into present capital. In real estate specifically, the securitisation of development receivables and the financing of pre-sale deposits and instalments are well established in markets with strong off-plan or pre-sale models, and the techniques are supported by deep capital markets and well-developed legal frameworks for true sale and security. The lesson for the UAE is that as its legal and capital-market infrastructure for receivables financing matures, the cost of the technique should fall and its use should broaden, much as the securitisation markets in the developed economies deepened over time.

The international experience also highlights the importance of standardisation and data. Securitisation markets develop when the underlying receivables are standardised, well-documented and supported by reliable historic performance data that allows investors to model default rates with confidence. The UAE off-plan market, with its regulated escrow regime and registration system, has many of the ingredients for such standardisation, and as performance data on buyer payment and cancellation accumulates and becomes more transparent, the conditions for a deeper receivables financing and securitisation market improve. Developers that build the data and documentation discipline now will be best placed to access this market as it develops, and to do so at the keenest cost.

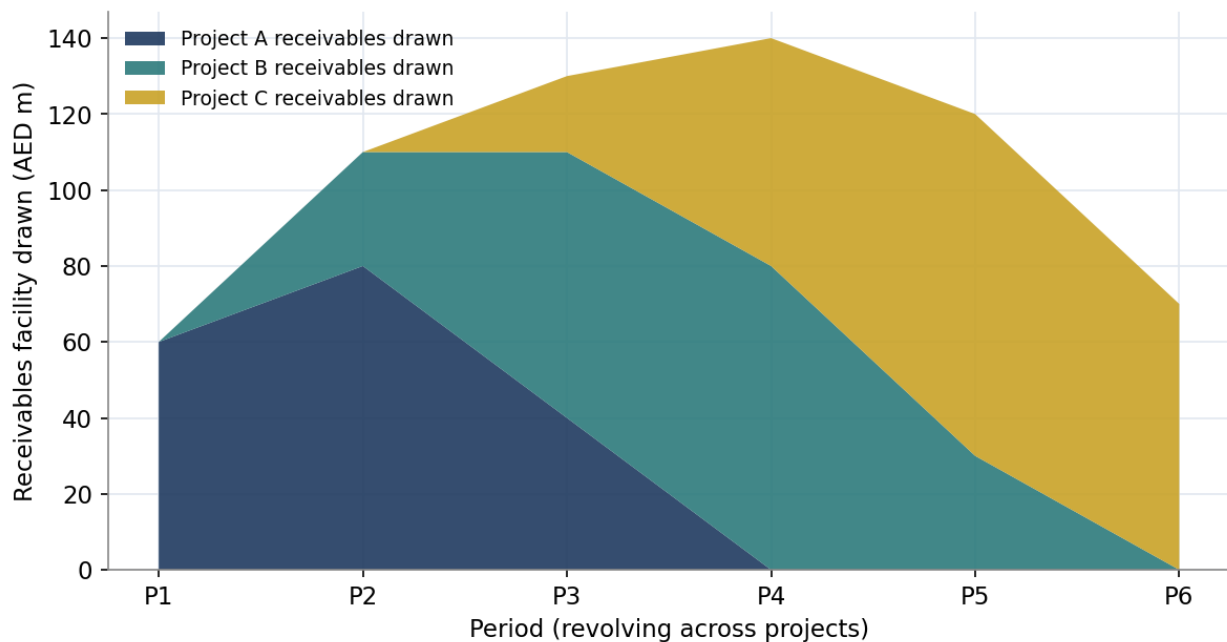
A further lesson from the scenario analysis concerns the interaction between receivables financing and the sales strategy. Because the technique depends on creditworthy buyers who pay reliably, it gives the developer a financial incentive to favour quality buyers over marginal ones. A book of reliable buyers supports a higher advance rate and cheaper financing across the whole pool, and the financing benefit of buyer quality can outweigh the marginal price difference on individual sales. Receivables financing thus subtly aligns the developer sales strategy with buyer quality, a healthy discipline that also reduces exposure to cancellations.

15. Receivables as a Recurring Funding Engine

The most strategically significant use of receivables financing is not as a one-off bridge but as a recurring funding engine that finances construction across a developer portfolio. A developer with a continuous pipeline of projects generates a continuous flow of receivables, and a revolving or forward-flow facility against that flow provides a continuous, self-replenishing source of

construction capital. Figure 10 illustrates this engine, showing receivables drawn and repaid across a sequence of projects.

Figure 10. Receivables Financing as a Recurring Funding Engine Across Projects



A revolving facility funds construction across a rolling pipeline of projects. Not a forecast.

The engine works because the receivables of each project mature and repay the financing as the project completes, freeing capacity to fund the next project as its construction begins. A developer that establishes such a facility transforms receivables financing from a transactional tool into a structural element of its operating model, providing a stable, relatively cheap source of working capital that flexes with its construction activity. This is the most efficient use of the technique, because it spreads the fixed cost of establishing the facility across many projects and provides the developer with predictable, repeatable funding rather than a series of separately negotiated bridges.

The engine also accelerates delivery, which has a value beyond the financing itself. A developer that can fund construction promptly, without waiting for escrow releases or scrambling for equity to bridge the gap, can keep its projects on schedule and deliver units to buyers on time, which protects its reputation, sustains its sales, and avoids the delay costs that erode returns. The recurring funding engine therefore supports not only the developer balance sheet but its operational performance and its standing in the market, and these operational benefits are often as valuable as the direct financing cost saving.

The recurring engine also changes how a developer should think about the fixed costs of establishing a facility. The legal, structuring and arrangement costs of a receivables facility are substantial relative to a single project but modest when spread across a pipeline financed through a revolving or forward-flow programme. Taking the portfolio view of the fixed costs, rather than the single-project view, is what makes the cheaper recurring structures viable for a developer with a continuous pipeline.

16. Common Errors and How to Avoid Them

A recognisable set of errors recurs in the use of receivables financing, each flowing from a failure to understand the receivables as the financeable asset they are.

- **Using the wrong capital for the gap.** Bridging the funding gap with equity or peak-sized senior debt rather than receivables finance uses more expensive capital than necessary for a temporary timing problem. The remedy is to size receivables finance to the gap and reserve equity for genuine risk.
- **Neglecting receivables administration.** Poor receivables administration, with arrears, disputes and weak documentation, reduces the eligible pool and the advance rate. The remedy is to maintain a clean, well-documented, well-registered receivables book.
- **Optimistic default assumptions.** Underwriting an optimistic buyer default and cancellation rate overstates the sustainable advance and leaves the developer exposed if defaults rise. The remedy is to underwrite the default rate conservatively.
- **Misaligning with escrow.** Failing to align the financing with the escrow and milestone regime can leave the security weak or the repayment mechanics misaligned. The remedy is to structure the financing around the escrow from the outset.
- **Missing the recurring opportunity.** Treating receivables financing as a one-off bridge rather than a recurring engine forgoes the efficiency of a revolving or forward-flow programme across the pipeline. The remedy is to establish a recurring facility where the pipeline supports it.

Each of these errors is avoidable with the discipline the framework encourages: use receivables finance for the gap and reserve equity for risk, maintain a clean receivables book, underwrite default conservatively, structure around the escrow, and build a recurring engine where the pipeline allows.

These errors, like those in the companion papers, share a common root in treating financing as an afterthought to the development rather than as an integral part of it. The developer that designs its payment plans, manages its collections and maintains its documentation with the financing value of the receivables in mind will find that financing far cheaper and more available. The discipline begins not at the point of financing but at the point of sale, in the way the receivables are created and managed.

17. Implementation Roadmap

1. Model the construction funding gap for each project, using the specific sales pace, payment plan, construction programme and escrow milestone schedule, to size the financing required.
2. Assess the quality and diversification of the receivables pool, including buyer payment history and cancellation rates, since these determine the advance rate and cost.
3. Choose the structure, discounting, forward-flow, securitisation, escrow-backed revolver or recourse factoring, that matches the scale and objective, weighing cost against risk transfer.
4. Structure the financing around the escrow regime, securing the financier against the escrow and aligning repayment with the milestone release schedule.
5. Maintain disciplined receivables administration, with clean documentation, registration and collections, to maximise the eligible pool and the advance rate.
6. Underwrite the buyer default and cancellation rate conservatively, and size the advance rate with headroom against a stressed scenario.

7. Where the pipeline supports it, establish a recurring forward-flow or revolving facility to turn receivables financing into a structural funding engine across projects.

18. Conclusion

Receivables financing converts an off-plan developer most overlooked asset, the contracted future instalments of its buyers, into the construction capital it needs today. This paper has argued that the technique occupies a distinctive and valuable position in the capital structure: cheaper than mezzanine and equity because it is secured against diversified, contracted cash flows, and capable of being structured as a recurring funding engine that finances construction across a developer portfolio. It is the natural tool for bridging the construction funding gap that the off-plan model and the escrow regime create, and it allows a developer to reserve its expensive equity for genuine development risk rather than squandering it on a temporary timing problem.

The analysis has shown that the buyer default rate and the advance rate dominate the economics, that the operational drivers of selling to creditworthy buyers and managing collections matter more than the financing margin, and that the technique is most powerful when deployed not as a one-off bridge but as a recurring engine across a pipeline. The developer that internalises these lessons, modelling its funding gap precisely, maintaining a clean and creditworthy receivables book, structuring around the escrow, and building a recurring facility, can fund its construction more cheaply, accelerate its delivery, and raise its return on equity. In a UAE market built on the off-plan model and governed by a maturing escrow and registration framework, receivables financing is becoming an essential element of the sophisticated developer financing toolkit, and the techniques set out in this paper are intended to help developers use it well.

The roadmap deliberately begins with modelling the gap, because the gap defines the problem the financing must solve. A developer that arranges a facility without first modelling its specific funding gap risks sizing it wrongly, either carrying excess committed capital it does not need or finding the facility too small when the cost curve runs ahead of the escrow releases. The modelling is the foundation of a correctly sized and structured facility, and it should use the developer specific sales, payment and construction assumptions rather than generic ones.

19. Strategic Perspective: Receivables in the Capital Stack

Receivables financing should be understood as one element of an integrated approach to the developer capital structure, alongside the senior debt, mezzanine and equity examined in the first paper of this series and the land, inventory and owned-property financing examined in the others. Each of these tools releases or provides capital against a different asset and at a different cost, and the sophisticated developer assembles them deliberately, using the cheapest appropriate capital for each purpose: senior debt for the bulk of construction, receivables finance for the funding gap, equity for genuine development risk, and the capital-release tools for the property already owned.

Viewed this way, receivables financing fills a specific and otherwise awkward gap in the capital structure. The funding gap it addresses is too temporary and too tied to contracted cash flows to justify equity, yet often too large and too peaked to be covered comfortably by senior debt sized for the whole project. Receivables financing fits precisely into this space, providing flexible capital secured against the very cash flows that will repay it. A developer that omits receivables financing from its toolkit must fill this space with more expensive capital, and over a pipeline of projects the cumulative cost of that inefficiency is substantial.

The strategic developer therefore treats receivables not as a passive consequence of its sales but as a financeable asset to be managed and deployed. It structures its payment plans, manages its collections, and maintains its documentation with one eye on the financing value of the receivables they create, and it establishes the facilities that turn those receivables into a recurring source of construction capital. In doing so it integrates its sales, its construction and its financing into a single, capital-efficient operating model, which is the deeper lesson that connects this paper to the others in the series.

It is worth restating, finally, that receivables financing is most powerful not in isolation but as part of the integrated capital strategy that this series of papers has developed. The developer that combines a deliberately structured capital stack, efficient land financing, disciplined inventory monetisation, sale-and-leaseback of owned property, and a recurring receivables funding engine operates a far more capital-efficient business than one that finances each need reactively. Receivables financing is one instrument in that orchestra, and its value is greatest when played in concert with the others.

20. Limitations and Directions for Further Research

This paper is framework-oriented and relies on indicative data, and its conclusions are directional rather than precise. The advance rates, costs, default rates and funding-gap shapes are calibrated to observable conditions but are not empirical estimates, and they vary materially across developers, projects, payment plans and points in the cycle. The legal analysis of true sale, security over escrow and the enforceability of receivables is described in general terms and requires specialist advice for any specific transaction.

Several extensions would strengthen the analysis. An empirical study of buyer default and cancellation rates across UAE projects and market conditions would replace the indicative default assumptions with data, sharpening the central sensitivity. An analysis of the legal robustness of receivables security and true sale under the applicable escrow and registration framework would clarify the structuring constraints. And a study of how receivables financing performs through a downturn, when cancellations and slow sales impair the pool together, would test the resilience of the technique in the conditions where its risks are greatest. Each is a natural subject for a later paper in this series.

Appendix A. Base Case Assumptions

Table 5. Base Case Assumptions

Parameter	Value	Parameter	Value
Base receivables finance cost	11.0%	Senior debt cost	8.6%
Blended advance rate	70-72%	Base buyer default rate	5%
Construction period	30-36 months	Peak funding gap	~23% of cost
Booking instalment	10%	During-construction instalments	40%
Completion instalment	30%	Post-handover	20%
Currency	AED (USD	Escrow	Milestone

	peg)		release
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Indicative parameters used to generate the figures and case studies. Not transaction-specific.

Appendix B. Glossary of Terms

Table 6. Glossary of Key Terms

Term	Definition
Receivable	A contracted future buyer instalment payment.
Advance rate	The proportion of a receivable a financier will advance.
Funding gap	The excess of cumulative cost over cumulative escrow-released cash.
Forward-flow	A commitment to purchase receivables as they are generated.
Securitisation	Funding a pool of receivables via notes issued by an SPV.
True sale	A legally effective sale of receivables, isolating them from the seller.
Recourse	A structure where the seller remains liable for buyer default.
Escrow	A regulated project account holding buyer payments, released by milestone.
Seasoning	The maturity and payment history of a receivable.
Cancellation	A buyer terminating a purchase, impairing the receivable.

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