Sukuk versus Conventional Private Credit for Ultra-Premium Landbank

A Cost-of-Capital Showdown

Authored by CK Adya
Independent Researcher, London Business School

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Abstract

When a developer or investor finances an ultra-premium landbank in the Gulf, a trophy parcel held for future development or appreciation, it frequently faces a direct choice between a Shariah-compliant Sukuk and a conventional private credit facility. Both can fund the acquisition and the long hold of high-value land, but they differ on cost, speed, flexibility, investor reach and the signal they send, and the right choice is not obvious. This paper conducts a structured cost-of-capital showdown between the two, using an indicative dataset calibrated to 2026 GCC conditions. It decomposes the all-in cost of each into its components, traces the cumulative cost over a multi-year hold, sets out the Ijara-based structure of a land Sukuk and the structure of a conventional private credit facility, and compares the two across the dimensions that matter beyond headline cost. The analysis finds that the land Sukuk is frequently competitive on, and sometimes cheaper than, conventional private credit on an all-in basis, that it reaches a wider pool of compliant capital and carries a positive signalling value, but that conventional private credit is faster to arrange and more flexible in its structuring. The decision therefore turns on the financier priorities: cost and investor reach favour the Sukuk, while speed and flexibility favour private credit. The paper develops a decision framework, examines the structuring and investor-base considerations, presents three indicative case studies including a dual-track competitive process, and offers an implementation roadmap. A central practical conclusion is that the most sophisticated financiers run a dual-track process, putting the two routes in competition to discipline pricing and secure the best of both.

Keywords: Cost of capital, Ijara, landbank, private credit, real estate finance, Shariah-compliant, Sukuk, UAE

1. Introduction

An ultra-premium landbank, a trophy parcel of land in a prime Gulf location held for future development or appreciation, is among the most distinctive financing challenges in real estate. The asset is extremely valuable, highly illiquid, generates no income during the hold, and may be held for several years before it is developed or sold. Financing it requires capital that can fund a large, long-dated, income-free position against the security of the land alone, and in the Gulf the developer or investor financing such a position frequently faces a direct choice between two routes: a Shariah-compliant Sukuk and a conventional private credit facility.

This paper conducts a structured comparison, a cost-of-capital showdown, between these two routes. Both can fund the acquisition and hold of ultra-premium landbank, and both are readily available in the deep Gulf capital market, but they are not equivalent. They differ in their all-in cost, in the speed with which they can be arranged, in the flexibility of their structures, in the pool of investors they reach, and in the signal that using each sends to the market. The choice between them is therefore a genuine strategic decision rather than a mere technicality, and it rewards a careful analysis of the trade-offs.

The central finding, developed through the paper, is that the land Sukuk is frequently competitive on, and sometimes cheaper than, conventional private credit on an all-in basis, and that it reaches a wider pool of compliant capital and carries a positive signalling value, while conventional private credit is faster to arrange and more flexible in its structuring. The decision therefore turns on the financier priorities: a financier that prioritises cost and investor reach should lean toward the Sukuk, while one that prioritises speed and flexibility should lean toward private credit. The most sophisticated financiers, as the paper concludes, run both routes in competition.

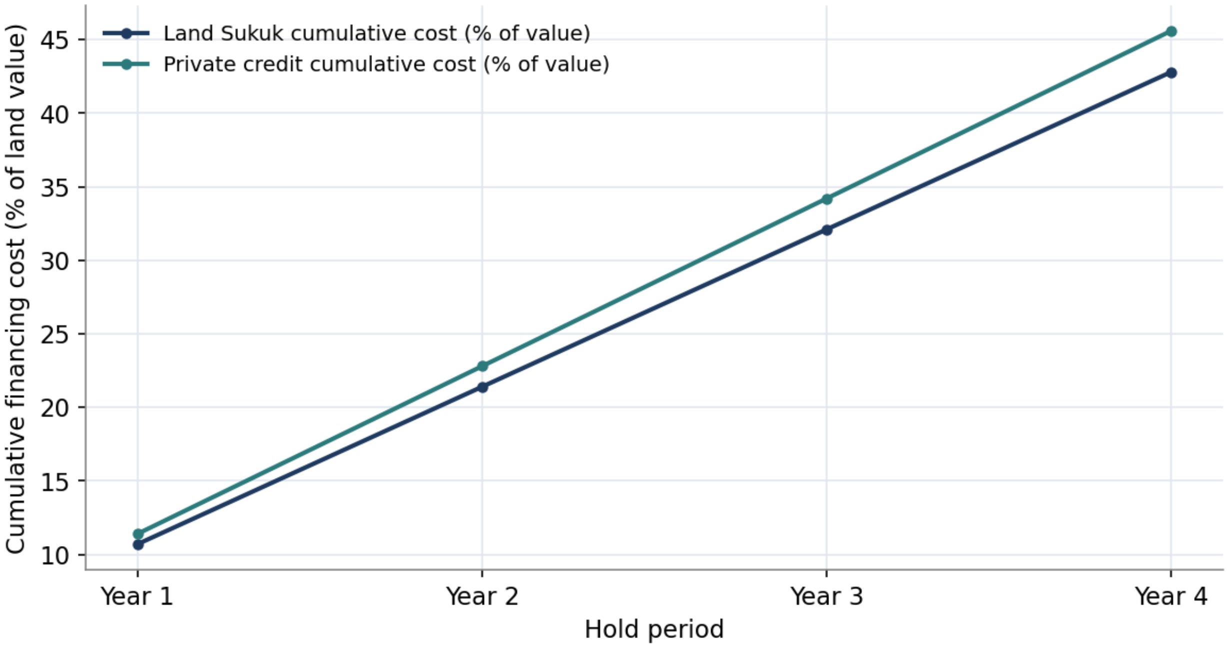
The figures used throughout are indicative, calibrated to observable GCC conditions in early 2026 but not drawn from any specific transaction. The paper proceeds from the financing challenge of ultra-premium landbank (Section 2), through the conceptual foundations of the cost-of-capital comparison (Section 3), the structure and economics of the Sukuk (Section 4) and of conventional private credit (Section 5), the cost-of-capital showdown itself (Section 6), the dimensions beyond cost (Section 7), the decision framework (Section 8), structuring considerations (Section 9), the investor base (Section 10), risk (Section 11), GCC-specific considerations (Section 12), three case studies (Section 13), sensitivity analysis (Section 14), an international comparison (Section 15), the dual-track process (Section 16), common errors (Section 17), an implementation roadmap (Section 18), a strategic perspective (Section 19), a conclusion (Section 20) and limitations (Section 21).

2. Ultra-Premium Landbank as a Financing Challenge

Ultra-premium landbank presents a financing challenge distinct from ordinary development finance. The asset is extremely valuable, often running to hundreds of millions or more for a single trophy parcel, which means the financing quantum is large and the pool of financiers able to participate is correspondingly narrower. The asset is highly illiquid, since a trophy parcel cannot be sold quickly without a substantial discount, which means a financier secured against it must be comfortable that its security, while valuable, cannot be realised rapidly. And the asset generates no income during the hold, which means the financing cannot be serviced from the asset itself and must be structured around the eventual development or sale.

The hold period adds a further dimension. Ultra-premium landbank is frequently held for several years, while the owner awaits the optimal moment to develop or sell, or while a long entitlement and master-planning process unfolds. Over such a hold, the cost of the financing compounds, and even a modest difference in the annual cost of capital accumulates into a substantial difference in the total cost of the hold. This makes the cost-of-capital comparison between the financing routes genuinely consequential: over a four or five year hold, a difference of even half a percentage point in the annual cost translates into a meaningful sum on a large parcel.

Figure 1. Cumulative Financing Cost Over the Hold Period



Cost compounds over a multi-year hold, magnifying the annual cost difference. Not a forecast.

Figure 1 illustrates how the financing cost compounds over the hold period under the two routes. The gap between the two curves, modest in any single year, widens steadily as the years accumulate, so that by the fourth year the difference in cumulative cost is several percentage points of the land value. This compounding is why the cost comparison matters so much for landbank specifically, more than for shorter-dated financing: the long hold magnifies the annual cost difference into a material total, and a financier choosing between the routes for a long-held parcel is, in effect, choosing between two compounding cost paths.

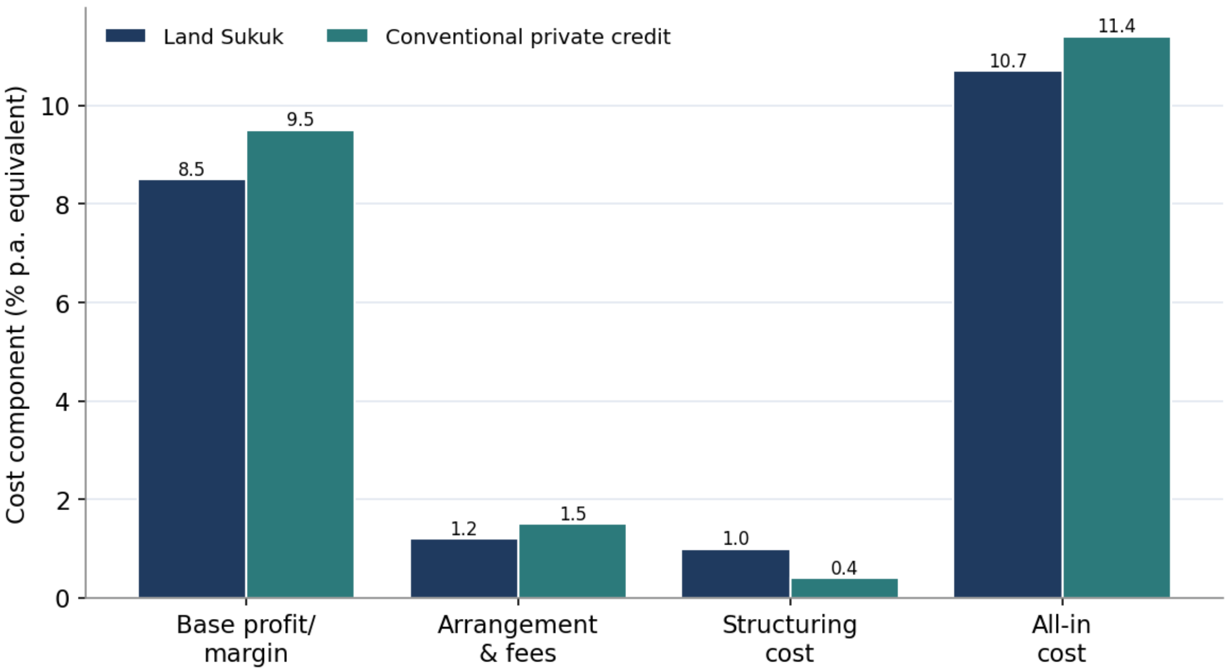
The income-free nature of the asset also shapes the structures. Because the land produces no cash to service the financing during the hold, both the Sukuk and the private credit facility must be structured so that the cost is either accrued and paid on development or sale, or serviced from another source, rather than from the asset itself. This is a feature both routes can accommodate, but it influences their structuring and their cost, since a financier funding an income-free hold takes a different risk from one funding an income-producing asset, and it prices accordingly. The comparison between the routes must therefore account for how each handles the income-free hold.

The income-free hold also reframes how the financier should think about the cost. Because no cash is generated to service the financing during the hold, the entire cost is, in effect, a deferred liability that accrues against the eventual development or sale, and the financier is therefore underwriting not a stream of serviced payments but a single future repayment event. This concentrates the financier attention on the credibility and timing of that event, the development or sale, more than on the interim, and it means that both routes are, at root, betting on the same future realisation. The route choice does not change that underlying bet; it changes the cost, speed, flexibility and reach with which the bet is funded.

3. Conceptual Foundations of the Comparison

A meaningful comparison between the two routes requires decomposing the all-in cost of each into its components, because the headline rate alone can mislead. The all-in cost comprises the base profit rate or margin, the arrangement and ongoing fees, and the amortised structuring cost, and the routes differ in the composition as well as the total. A route with a lower headline rate but higher fees and structuring cost may be more expensive on an all-in basis than a route with a higher headline rate but lower fees, and only the all-in comparison reveals the true cost.

Figure 2. All-in Cost Decomposition: Sukuk versus Private Credit



Indicative decomposition into base, fees and structuring cost. Not transaction-specific.

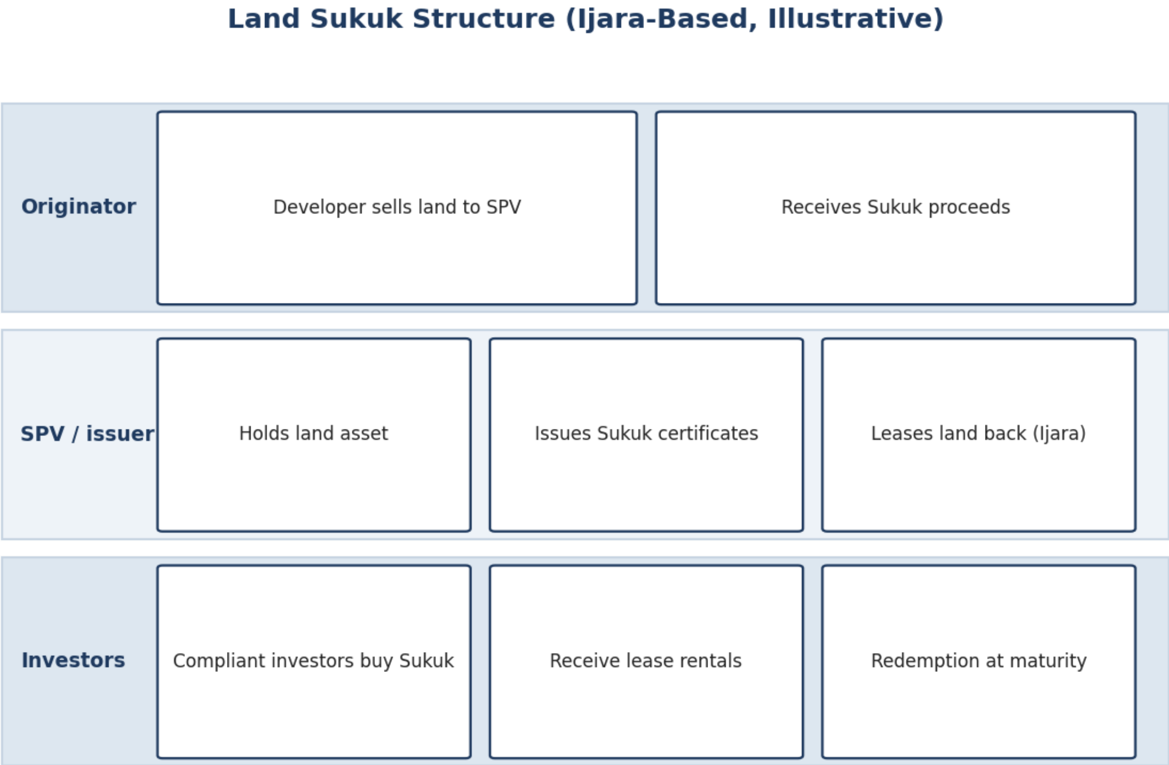
Figure 2 decomposes the all-in cost of each route. The Sukuk typically carries a lower base profit rate, reflecting the depth and competitiveness of the compliant investor base and the asset-backed nature of the structure, but a higher structuring cost, reflecting the complexity and specialist documentation of a compliant issuance. Conventional private credit typically carries a higher base margin, reflecting the return its providers require, but a lower structuring cost, reflecting its simpler documentation. The all-in totals are close, with the Sukuk often marginally cheaper, but the composition differs, and a financier focused only on the headline rate or only on the fees would misjudge the comparison.

The comparison must also account for the dimensions beyond cost, because two routes of similar all-in cost may differ substantially in speed, flexibility, investor reach and signalling, and these differences can outweigh a small cost difference. A route that is marginally more expensive but materially faster may be preferable for a time-critical acquisition, while a route that is marginally cheaper but slower and less flexible may be preferable for a patient, well-planned financing. The conceptual framework of this paper therefore treats cost as the starting point of the comparison but not its entirety, and Section 7 examines the other dimensions explicitly.

4. Sukuk: Structure and Economics

A land Sukuk is a Shariah-compliant instrument that replicates the economic function of debt while satisfying the requirements of Islamic finance, and for landbank it is commonly structured on an Ijara, or lease, basis. Figure 3 sets out the typical structure. The developer sells the land to a special-purpose vehicle, which issues Sukuk certificates to compliant investors and uses the proceeds to pay the developer, then leases the land back to the developer under an Ijara, with the lease rentals providing the return to the Sukuk investors and a final payment redeeming the certificates on maturity.

Figure 3. Land Sukuk Structure, Ijara-Based



Indicative schematic. Specific structures vary and require specialist Shariah and legal input. Not transaction-specific.

The economics of the Sukuk are driven by the profit rate, the equivalent of the interest rate in a conventional facility, which is set by the compliant investor market and the quality of the asset and the originator. Because the compliant investor base in the Gulf is deep and competitive, and because the Sukuk is backed by the land asset held in the special-purpose vehicle, the profit rate can be attractive, often below the margin a conventional private credit fund would require. The principal cost disadvantage of the Sukuk is its structuring cost: the establishment of the special-purpose vehicle, the Shariah board approval, the specialist legal documentation and the issuance process add a cost that a simpler conventional facility avoids.

The structuring cost of a Sukuk is largely fixed rather than proportional, which means it is more easily absorbed by a large issuance than a small one. For an ultra-premium landbank, where the financing quantum is large, the fixed structuring cost is spread across a large principal and adds only modestly to the all-in cost, which is one reason the Sukuk is particularly competitive for large, high-value parcels. For a smaller financing, the same structuring cost would be a larger proportion of the total and would erode the Sukuk advantage, which is why the Sukuk route is most attractive at the larger end of the landbank market. The scale of ultra-premium landbank therefore plays to the Sukuk strength.

The fixed-versus-proportional nature of the structuring cost has a corollary that financiers sometimes miss. Because the Sukuk structuring cost is largely fixed, a financier contemplating a programme of landbank financings can amortise the cost of establishing the structure and the relationships across several issuances, so that the marginal cost of each subsequent Sukuk falls. A financier that views the Sukuk structuring cost as a one-off burden on a single transaction may judge it harshly; a financier that views it as an investment in a repeatable financing capability judges it far more favourably. The route comparison therefore looks different for a one-off financing than for a programme.

5. Conventional Private Credit: Structure and Economics

A conventional private credit facility for landbank is, in structure, simpler than a Sukuk: a private credit fund or a syndicate lends to the developer against a first charge over the land and a pledge of the shares in the holding vehicle, with the loan repaid from the eventual development or sale. There is no special-purpose vehicle issuing certificates, no Shariah board, and no lease structure; the facility is a straightforward secured loan, which makes it faster to arrange and simpler to document than a Sukuk.

The economics of the facility are driven by the margin the private credit provider requires, which reflects the return its own investors demand, the risk of the income-free land hold, and the competitive conditions of the private credit market. This margin is typically higher than the profit rate on a comparable Sukuk, because private credit funds target a higher return than the compliant investor base requires, and because the private credit provider is not accessing the deep, lower-cost pool of compliant capital. The principal cost advantage of private credit is its low structuring cost: because the facility is a simple secured loan, the arrangement and documentation cost is modest, which partly offsets the higher margin.

The defining strengths of conventional private credit are speed and flexibility. A private credit fund can underwrite and document a landbank facility quickly, often in a few weeks, because the structure is simple and the fund can decide and act without the issuance process a Sukuk requires. And the facility can be tailored flexibly to the specific situation, with bespoke drawdown schedules, deferred or accrued cost, and customised security, because it is a privately negotiated bilateral arrangement rather than a market issuance. These strengths make private credit the preferred route where speed or flexibility is paramount, even at a higher all-in cost, and they are the principal counterweight to the Sukuk cost and reach advantages.

6. The Cost-of-Capital Showdown

Bringing the two routes together, the cost-of-capital showdown reveals a close contest in which the Sukuk is frequently marginally cheaper on an all-in basis but the contest is close enough that the non-cost dimensions often decide it. Table 1 sets out the head-to-head comparison.

Table 1. Head-to-Head Cost and Structure Comparison

Dimension	Land Sukuk	Conventional private credit
Base rate / margin	Lower (~8.5%)	Higher (~9.5%)

Fees	Moderate	Moderate-high
Structuring cost	Higher (fixed)	Lower
All-in cost	~10.7%	~11.4%
Speed to fund	Slower (8-12 wks)	Faster (3-5 wks)
Flexibility	Moderate	High
Investor reach	Wider (compliant + some conv.)	Narrower
Signalling	Positive (market endorsement)	Neutral

Indicative comparison calibrated to GCC conditions in early 2026. Not transaction-specific.

The table shows the Sukuk winning on base rate, all-in cost, investor reach and signalling, and private credit winning on structuring cost, speed and flexibility. The all-in cost advantage of the Sukuk is real but modest, perhaps half to three-quarters of a percentage point in the illustration, which over a long hold compounds into a meaningful sum but which is not so large as to be decisive on its own. The contest is therefore genuinely close on cost, and it is the non-cost dimensions, examined in the next section, that frequently tip the decision one way or the other.

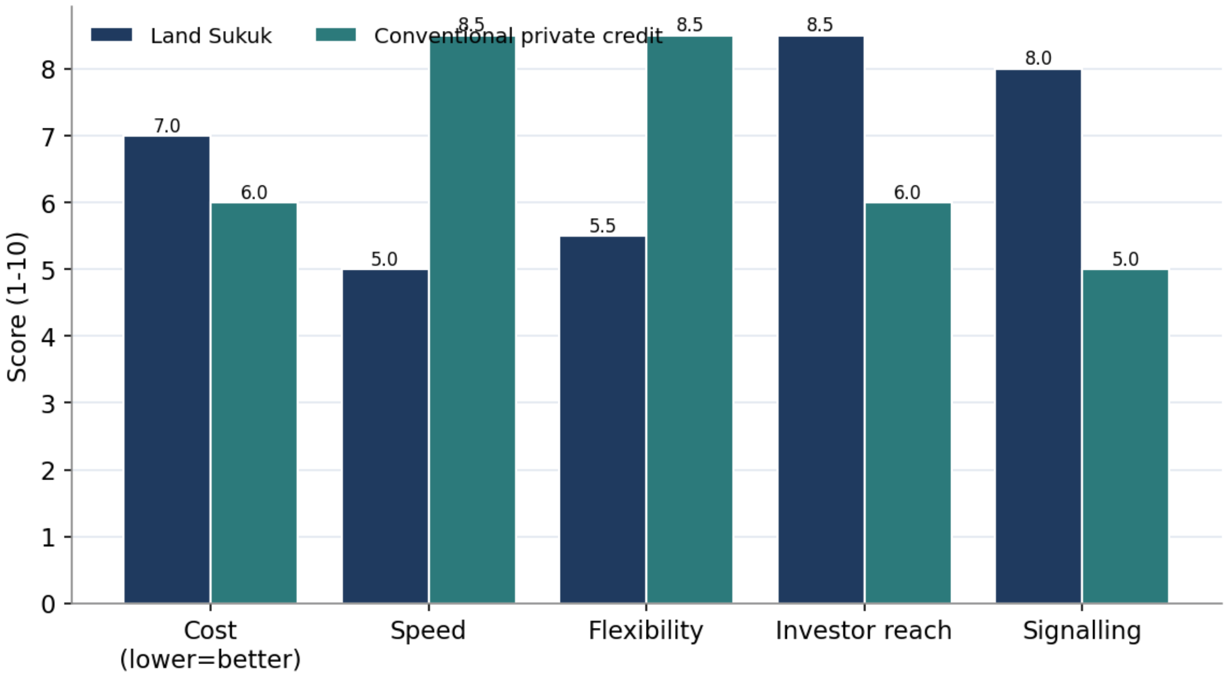
The closeness of the cost contest is itself an important finding, because it overturns two common misconceptions. The first misconception is that Shariah-compliant finance is inherently more expensive than conventional finance, a belief that may have held when the compliant market was shallow but that the depth and competitiveness of the modern Gulf compliant market has overturned. The second is that the two routes are economically equivalent and the choice is merely one of preference, which understates the genuine differences in speed, flexibility, reach and signalling that the comparison reveals. The truth is that the routes are close on cost but genuinely different on the other dimensions, which is what makes the choice interesting.

It is worth being precise about the speed difference, because it is the principal advantage of private credit and the principal disadvantage of the Sukuk. The Sukuk timeline is driven by the establishment of the special-purpose vehicle, the Shariah board approval, the documentation and the placement, and while each can be expedited, the sequence has a floor below which it cannot easily be compressed. Private credit, by contrast, can move at the speed of a single provider decision and a bilateral negotiation. For a financier with ample time this difference is immaterial; for a financier against a deadline it is decisive, and no cost advantage of the Sukuk can compensate for a route that cannot be arranged in time.

7. Beyond Cost: Speed, Flexibility, Reach and Signalling

Because the cost contest is close, the non-cost dimensions frequently decide the choice, and Figure 4 compares the two routes across the five dimensions that matter.

Figure 4. Multi-Dimensional Comparison of the Two Routes



Indicative scores on a 1-10 scale across the decision dimensions. Not transaction-specific.

On speed and flexibility, conventional private credit is clearly superior: it can be arranged in a few weeks against the Sukuk eight to twelve, and it can be tailored flexibly to the situation, whereas the Sukuk structure imposes more constraints. For a time-critical acquisition, where the land must be secured quickly against a competing bidder or a deadline, the speed of private credit can be decisive, and the cost advantage of the Sukuk is irrelevant if the Sukuk cannot be arranged in time. Flexibility matters similarly where the situation requires a bespoke structure that the Sukuk cannot readily accommodate.

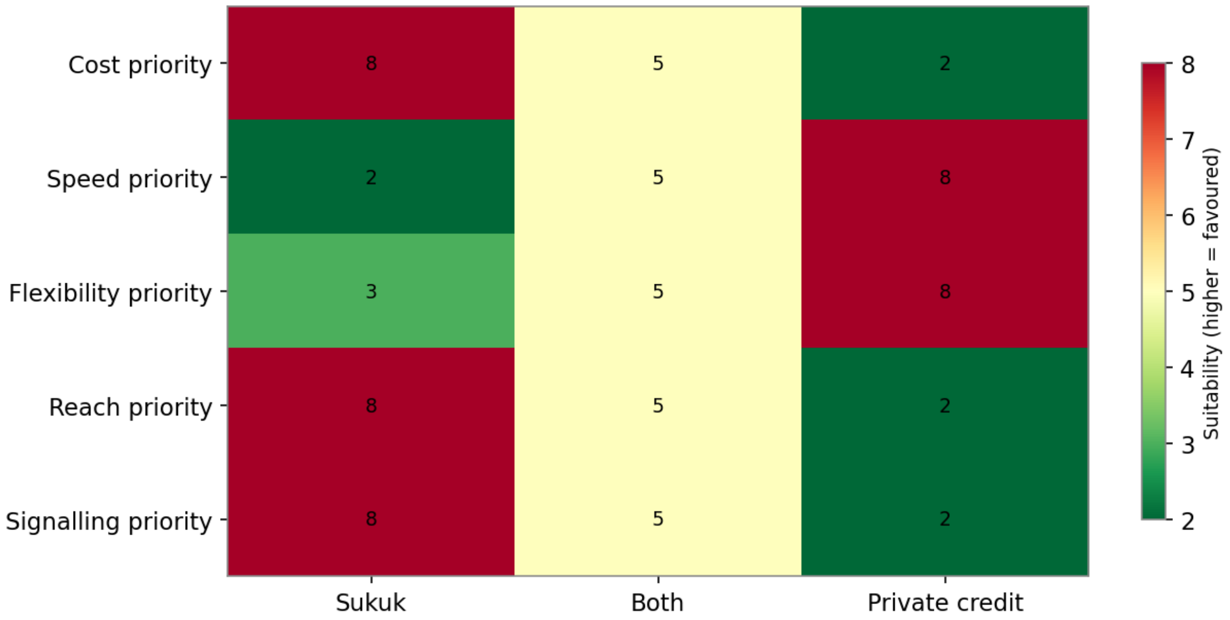
On investor reach and signalling, the Sukuk is superior. The Sukuk accesses the deep pool of compliant capital that conventional private credit cannot reach, and indeed a well-structured Sukuk can attract both compliant and some conventional investors, giving it the widest reach. And a successfully placed Sukuk carries a positive signal: it demonstrates that the asset and the originator have satisfied the scrutiny of compliant investors and a Shariah board, which is a market endorsement that can ease future capital raising. For an originator that intends to return to the compliant market, or that values the breadth of the compliant investor base, these advantages can outweigh the speed and flexibility of private credit.

The practical upshot is that the choice depends on which dimension the financier most values for the particular financing. A financier facing a time-critical acquisition values speed and chooses private credit; a financier financing a patient, well-planned hold of a large parcel values cost and reach and chooses the Sukuk; a financier building a compliant capital-raising track record values the signalling and chooses the Sukuk. The decision is not a matter of one route being universally better, but of matching the route to the priority that dominates the specific financing, which the decision framework of the next section formalises.

8. The Decision Framework

The decision framework matches the route to the financier dominant priority, and Figure 5 presents it as a suitability matrix across priorities.

Figure 5. Route Suitability by Dominant Priority



Indicative suitability of each route by the financier dominant priority. Not transaction-specific.

The matrix shows the Sukuk favoured where cost, investor reach or signalling is the dominant priority, and conventional private credit favoured where speed or flexibility dominates, with a middle ground where the priorities are balanced and either route, or a dual-track process, is appropriate. The framework is deliberately simple because the underlying logic is simple: identify the dimension that matters most for the specific financing, and choose the route that wins on that dimension, unless the cost difference is large enough to override a secondary priority. In practice the cost difference is usually modest, so the secondary priorities, speed, flexibility, reach and signalling, frequently decide the choice.

Applying the framework requires the financier to be honest about its true priority, which is not always obvious. A financier may believe its priority is cost, when in fact a looming acquisition deadline makes speed the binding constraint; or it may believe its priority is speed, when in fact it has ample time and the cost saving and reach of the Sukuk would serve it better. The discipline of the framework is to force an explicit identification of the dominant priority, tested against the actual circumstances of the financing, rather than allowing the choice to be made by habit or by whichever route is most familiar. A financier that defaults to the route it always uses, without this analysis, frequently chooses sub-optimally.

The framework also points to the value of keeping both routes open until the priority is clear. A financier that commits early to one route forecloses the other, and if its priority later shifts, perhaps a deadline emerges, or the planned timeline relaxes, it may find itself committed to the wrong route. A financier that develops both routes in parallel, deferring the commitment until the priority is clear, preserves its optionality and can choose the route that best serves the priority as it crystallises. This is the logic of the dual-track process examined in Section 16, which is the framework recommendation for financiers with the time and capacity to pursue it.

The decision framework should be applied with an eye to the possibility that priorities can be combined rather than ranked. A financier may value both cost and a degree of speed, in which case the question is not which single priority dominates but what trade-off between them it will accept. The dual-track process is precisely the mechanism for resolving such combined priorities, because it allows the financier to see the actual cost and timeline each route offers and to choose the trade-off it prefers with real numbers rather than assumptions. Where priorities are genuinely combined, the framework points toward the dual-track process rather than toward a forced ranking.

9. Structuring Considerations

Several structuring considerations distinguish the two routes beyond their headline economics. The Sukuk requires a special-purpose vehicle to hold the land and issue the certificates, the approval of a Shariah board to confirm the structure compliance, and specialist legal documentation, all of which take time and cost and require specialist advisers. The conventional private credit facility requires only the negotiation of a secured loan agreement and the taking of security, which is simpler and faster but accesses a narrower pool of capital.

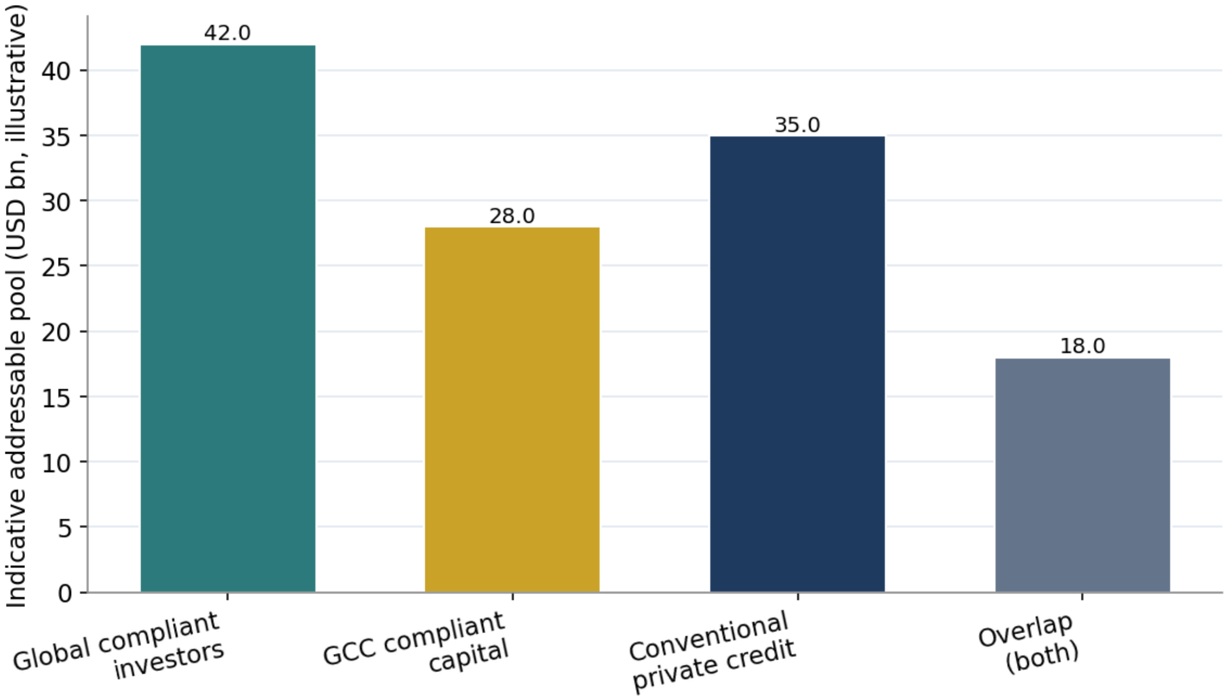
The security arrangements differ in form but are similar in economic effect. In the Sukuk, the investors security is the ownership of the land by the special-purpose vehicle, which holds the asset on their behalf; in the private credit facility, the lender security is a charge over the land and a pledge of the shares in the holding vehicle. Both give the financier recourse to the land in a default, though the mechanics of enforcement differ, and both must be structured to be robust and enforceable within the applicable legal framework. The income-free nature of the land hold means that, in both structures, the cost is typically accrued or paid on development or sale rather than serviced during the hold, which must be reflected in the documentation.

A subtle structuring point concerns the treatment of the eventual development or sale, which repays both routes. The financing should be structured so that the development or sale can proceed without obstruction from the financing structure, and so that the repayment mechanics are clear. In the Sukuk, the land must be transferred back from the special-purpose vehicle to the developer on redemption, which must be provided for cleanly; in the private credit facility, the security must be released on repayment. A well-structured financing of either kind anticipates the exit and ensures that the structure facilitates rather than impedes the development or sale that will repay it, which is a point that the complexity of the Sukuk makes especially important to address.

10. The Investor Base

A central difference between the routes is the pool of investors each reaches, and Figure 6 sizes the addressable pools indicatively.

Figure 6. Indicative Addressable Investor Pools



Indicative sizing of the compliant and conventional pools and their overlap. Not official statistics.

The Sukuk reaches the deep pool of compliant capital, both global and Gulf-specific, that requires Shariah-compliant instruments and that conventional private credit cannot access. This compliant pool is large and growing, and for many Gulf investors it is the only pool they can deploy, which means the Sukuk accesses capital that is simply closed to conventional structures. Moreover, a well-structured Sukuk can attract some conventional investors as well, who are content to hold a compliant instrument, giving the Sukuk the widest reach of the two routes. The conventional private credit facility, by contrast, reaches only the conventional private credit market, a narrower pool that excludes the compliant-only capital.

The breadth of the Sukuk investor reach matters for two reasons. First, a wider pool of investors means more competition for the issuance, which supports a keener price, part of why the Sukuk base rate is competitive. Second, a wider pool means the financing is more likely to be placed in full and on time, reducing the placement risk, particularly for a large ultra-premium landbank financing that a narrower pool might struggle to absorb. The investor reach of the Sukuk is therefore not merely a matter of access to compliant capital but a source of both pricing and placement advantage, which adds to its appeal for large financings.

For the financier, the investor-base difference also has a relationship dimension. An originator that places a Sukuk builds a relationship with the compliant investor base that it can draw on for future financings, while an originator that uses conventional private credit builds a relationship with the private credit market. A financier that intends to finance a programme of landbank acquisitions over time may value building a relationship with the deep compliant market through repeated Sukuk issuance, establishing itself as a known issuer that the market will support, which is a strategic consideration beyond the economics of any single financing.

The breadth of the Sukuk investor base also affects the financier negotiating position. Because a Sukuk can be placed across a wide pool of competing investors, the financier is not dependent on any single provider and can let the breadth of demand discipline the price, whereas a private credit facility, negotiated bilaterally with one provider or a small syndicate, gives the financier less competitive tension within the route itself. This is a subtle but real advantage of the Sukuk: the competition is built into the placement, whereas in private credit the financier must create competition by running a process among providers. The dual-track approach restores competition to the private credit route by setting it against the Sukuk.

11. Risk Considerations

Both routes carry the fundamental risk of financing an income-free, illiquid asset over a long hold, but they distribute and manage that risk somewhat differently. The principal risk in both is that the eventual development or sale, which repays the financing, is delayed or realises less than expected, leaving the financier exposed to an asset that cannot be quickly or fully realised. Both routes manage this through the security over the land and through a financing quantum set conservatively against the land value, leaving an equity cushion that absorbs a shortfall.

The Sukuk carries a specific structural risk in the requirement that the structure remain compliant and that the special-purpose vehicle and Ijara arrangement function as intended, which depends on careful structuring and ongoing compliance. A defect in the compliance or the structure could impair the instrument, which is why specialist Shariah and legal input is essential and why the structuring cost is higher. The conventional private credit facility carries instead the risk that its narrower investor base and bilateral nature give the financier less competitive tension and potentially less favourable terms, and that a single provider relationship is more concentrated than a placed Sukuk.

The rate environment is a risk common to both routes but worth noting because of the long hold. Because the dirham is pegged to the dollar, both the Sukuk profit rate and the private credit margin are influenced by the dollar rate environment, and a financing arranged in a low-rate environment may look expensive if rates fall, or cheap if they rise, over the hold. A financier should consider whether to fix or float the cost, and whether the structure allows refinancing if the rate environment improves, because over a multi-year hold the rate environment can change materially. Both routes can be structured with fixed or floating costs, and the choice should reflect the financier rate view and its tolerance for rate risk over the hold.

12. Considerations Specific to the GCC

The GCC is the natural home of the Sukuk, with the deepest compliant investor base in the world, the most developed compliant legal and regulatory frameworks, and a long track record of Sukuk issuance across asset classes. This depth is why the land Sukuk is so competitive in the Gulf specifically: the compliant investor base is large enough to provide keen pricing and full placement even for a large ultra-premium financing, and the legal and advisory infrastructure is mature enough to structure and document a land Sukuk efficiently. In a less developed compliant market, the Sukuk would be less competitive, but in the Gulf it is on an equal or better footing than conventional private credit.

The conventional private credit market in the Gulf has also deepened considerably, with regional and international funds active and competing, which keeps conventional pricing competitive and ensures that the Sukuk does not face a weak conventional alternative. The result is a genuinely competitive contest between two deep, mature markets, which is good for the financier because it can play one against the other. This competitiveness is a feature of the Gulf market specifically, and it is part of why the dual-track process examined in Section 16 is so effective there: both markets are deep enough to provide a credible bid, so a competitive process between them genuinely disciplines the pricing.

The dirham peg to the dollar shapes both routes by tying their cost to the dollar rate environment and by allowing both compliant and conventional dollar-denominated international capital to participate without currency friction. This widens the investor base for both routes and adds to the competitiveness of the Gulf market, since international as well as regional capital can compete for the financing. The peg is therefore a structural advantage of financing landbank in the Gulf, regardless of the route chosen, and it is part of why the Gulf landbank financing market is as deep and competitive as it is.

The rate-environment independence of the route choice is a practically useful conclusion, because it means a financier need not time the route decision to the rate cycle. Whether rates are high or low, the Sukuk retains its relative cost advantage and the non-cost differences persist, so the financier can make the route decision on the basis of its priorities and circumstances without trying to forecast rates. The rate environment matters for the absolute cost and for whether to fix or float, but it does not materially change which route is preferable, which simplifies the decision by separating the route choice from the harder question of the rate outlook.

13. Indicative Case Studies

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

13.1 Case A: ultra-premium Sukuk

Case A is the financing of a large, ultra-premium trophy land parcel held for a patient, multi-year development. The financier prioritises cost and investor reach, has ample time, and intends to build a relationship with the compliant market for future financings. It issues a land Sukuk, achieving a competitive all-in cost, accessing the deep compliant investor base, and earning the positive signalling of a successful placement. The structuring cost and the eight-to-twelve-week timeline are acceptable given the patient hold, and the Sukuk is the clear choice for this large, unhurried, cost-sensitive financing.

Table 2. Case A: Ultra-Premium Sukuk

Attribute	Detail	Note
Priority	Cost and reach	Patient hold
Route	Land Sukuk (Ijara)	Compliant investor base
All-in cost	~10.2%	Competitive
Time to fund	~10 weeks	Acceptable
Outcome	**Cost + reach + signal**	Strong fit

Large, patient, cost-sensitive financing suits the Sukuk. Not transaction-specific.

13.2 Case B: speed-driven private credit

Case B is the financing of a trophy parcel that must be acquired quickly, against a competing bidder and a short deadline. The financier prioritises speed above cost, and cannot wait the weeks a Sukuk would take. It uses a conventional private credit facility, arranged in a few weeks, securing the land in time at a higher all-in cost. The cost premium over a Sukuk is the price of the speed, and it is worth paying because the alternative is losing the parcel entirely. The case illustrates speed as the decisive priority, where the Sukuk cost advantage is irrelevant because the Sukuk cannot be arranged in time.

Table 3. Case B: Speed-Driven Private Credit

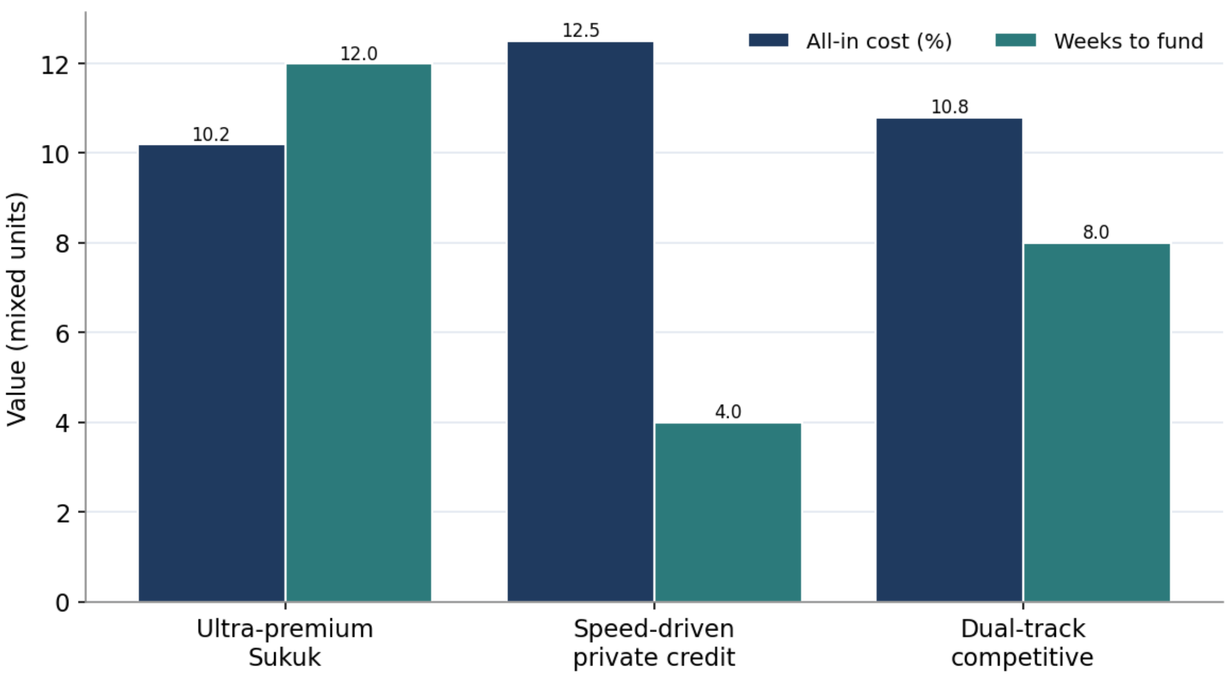
Attribute	Detail	Note
Priority	Speed	Competing bidder, deadline
Route	Conventional private credit	Fast bilateral facility
All-in cost	~12.5%	Premium for speed
Time to fund	~4 weeks	Secures the parcel
Outcome	**Speed wins**	Cost premium justified

Time-critical acquisition suits private credit. Not transaction-specific.

13.3 Case C: dual-track competitive process

Case C is a financier with moderate time and a large financing that runs both routes in parallel, inviting a Sukuk arrangement and a private credit facility to compete. The competition disciplines both bids: the private credit provider sharpens its margin knowing it faces a cheaper Sukuk alternative, and the Sukuk arranger sharpens its terms knowing it faces a faster private credit alternative. The financier ultimately selects the Sukuk at an all-in cost lower than either route would have offered without the competition, having used the private credit bid as leverage. The case illustrates the dual-track process delivering the best of both.

Figure 7. All-in Cost and Time to Fund by Case



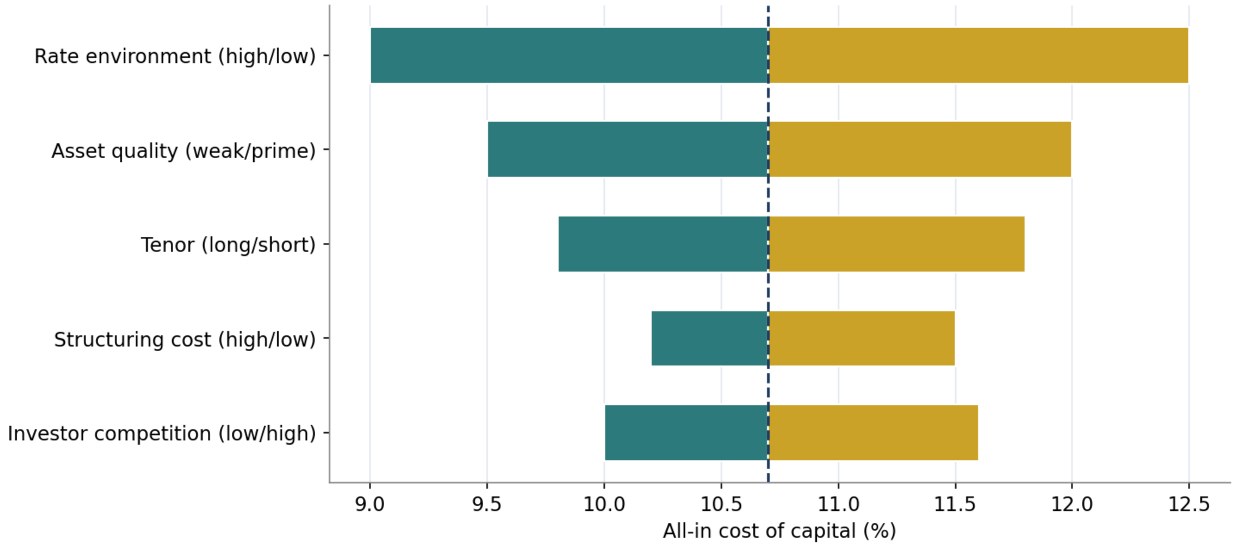
Synthetic figures for analytical comparison. Not a forecast.

Figure 7 compares the three cases on all-in cost and time to fund. The ultra-premium Sukuk achieves a low cost over a longer timeline; the speed-driven private credit achieves a fast funding at a higher cost; and the dual-track process achieves a low cost at a moderate timeline, capturing much of the Sukuk cost advantage while the competition compresses both the cost and the time. The dual-track outcome is, in cost and time terms, superior to either single route pursued in isolation, which is the central practical lesson of the paper and the subject of Section 16.

14. Sensitivity and Scenario Analysis

A tornado analysis identifies the variables that most influence the all-in cost of capital for an ultra-premium landbank financing. Figure 8 presents the result.

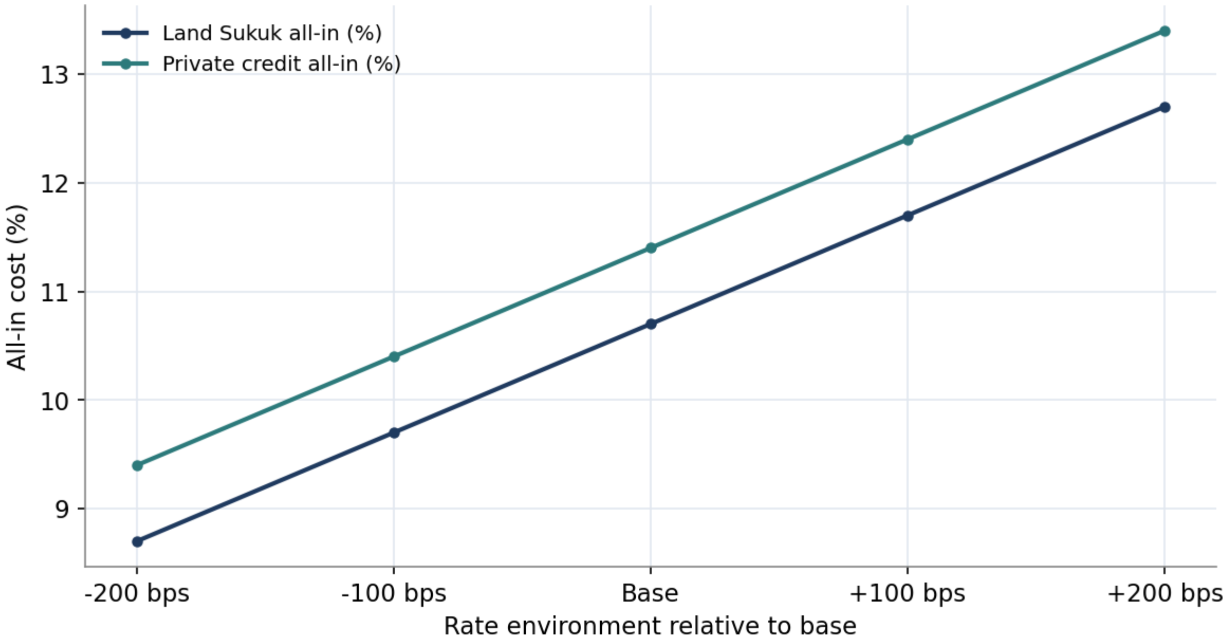
Figure 8. Sensitivity of All-in Cost to Key Variables



Each bar shows the all-in cost when the labelled variable moves to its low or high case. Dashed line is the base case. Indicative.

The analysis shows that the rate environment and the asset quality dominate the all-in cost, with the tenor, structuring cost and investor competition also significant. The prominence of the rate environment reflects the dollar peg and the long hold, since both routes price off the dollar rate and a higher-rate environment raises the cost of both. The asset quality matters because a prime, well-located, clearly-titled parcel attracts keener pricing from both compliant and conventional financiers than a more marginal one. The investor competition variable captures the benefit of the dual-track process: more competition for the financing lowers its cost, which is the mechanism the dual-track process exploits.

Figure 9. All-in Cost of Both Routes Across the Rate Environment



Both routes price off the dollar rate; the Sukuk advantage persists across the range. Not a forecast.

Figure 9 shows how the all-in cost of both routes varies with the rate environment, and it reveals an important feature: the Sukuk cost advantage over private credit persists across the range of rate environments, because both routes move together with the dollar rate while preserving their relative positions. This means the choice between the routes is largely independent of the rate environment, since a change in rates affects both similarly. The rate environment determines the absolute cost of the financing, but the relative attractiveness of the two routes, and therefore the choice between them, depends on the cost difference and the non-cost dimensions, which are largely unaffected by the rate level.

Table 4. Scenario Matrix for the Route Choice

Scenario	Dominant priority	Time available	Indicated route
Patient large hold	Cost and reach	Ample	Sukuk
Time-critical buy	Speed	Scarce	Private credit
Balanced, large	Cost, with time	Moderate	Dual-track to Sukuk
Bespoke structure	Flexibility	Moderate	Private credit

The route follows the dominant priority and the time available. Not a forecast.

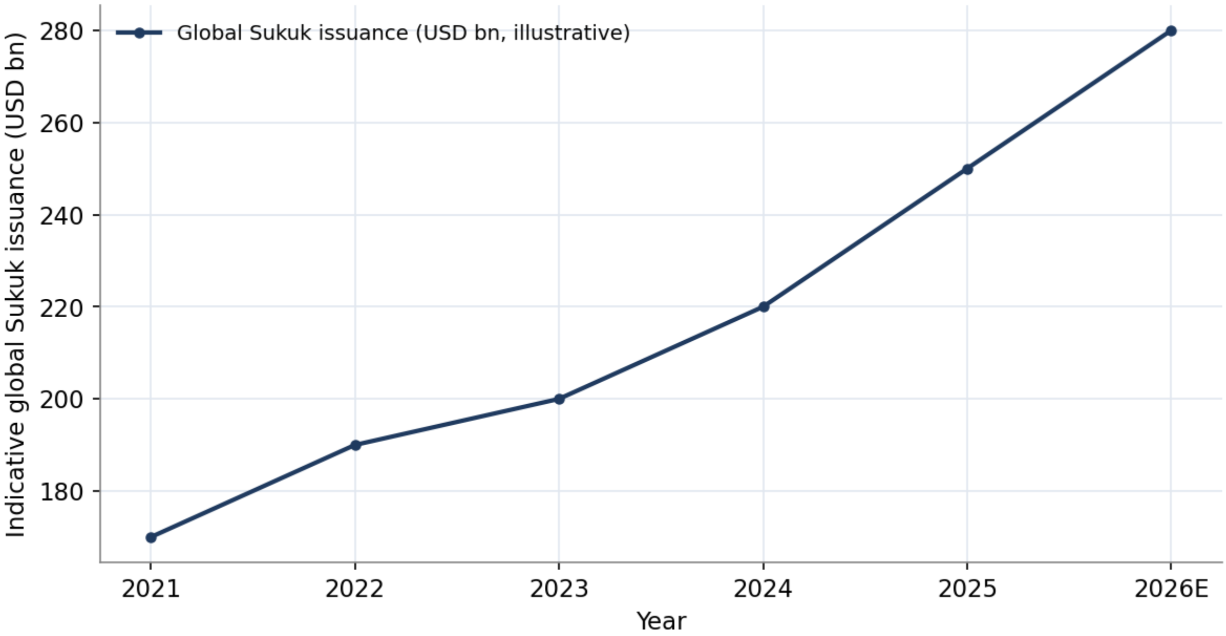
The scenario matrix summarises the decision logic across representative situations. The patient, large, cost-sensitive hold favours the Sukuk; the time-critical acquisition favours private credit; the balanced large financing favours a dual-track process that is likely to land on the Sukuk; and the situation requiring a bespoke structure favours the flexibility of private credit. The matrix is a practical guide, but it is not a substitute for the explicit identification of the dominant priority that the decision framework requires, since the right route depends on the specific circumstances that the matrix can only approximate.

A further benefit of the dual-track process, beyond the pricing it secures, is the information it generates. By taking both routes to the point of firm terms, the financier learns the actual cost, speed and conditions each route offers for its specific financing, rather than relying on general assumptions, and this information is valuable in itself and reusable for future financings. A financier that runs dual-track processes regularly builds a body of knowledge about how the two routes price its kind of asset, which sharpens its judgement and its negotiating position over time.

15. International Comparison

The Sukuk market is global, and Figure 10 illustrates its growth. While the GCC is its heartland, Sukuk issuance occurs across the Islamic world and increasingly in conventional financial centres that have developed compliant frameworks, and the instrument is well understood by international investors and advisers.

Figure 10. Indicative Growth of Global Sukuk Issuance



Indicative issuance volume. Not official statistics.

The growth and globalisation of the Sukuk market matters for the Gulf landbank financier because it deepens the investor base and the advisory infrastructure available, making the Sukuk route ever more competitive and accessible. As more international investors hold Sukuk and more centres develop compliant frameworks, the pool of capital available to a Gulf land Sukuk widens further, supporting keener pricing and fuller placement. The maturation of the global Sukuk market is therefore a tailwind for the Sukuk route, and it suggests that the Sukuk competitiveness relative to conventional private credit is likely to strengthen rather than weaken over time.

The international comparison also offers a lesson in standardisation. The Sukuk market has matured partly through the standardisation of structures and documentation, which has reduced the structuring cost and time that were once the instrument principal disadvantages. As this standardisation continues, the structuring cost and the eight-to-twelve-week timeline of a land Sukuk should compress, eroding the speed and cost-of-structuring advantages that currently favour conventional private credit. The trajectory of the market therefore favours the Sukuk, and a financier building a long-term landbank financing capability should anticipate the Sukuk becoming progressively more competitive as the market matures.

The global maturation of the Sukuk market carries a competitive implication for conventional private credit providers in the Gulf. As the Sukuk becomes cheaper, faster and more standardised, the conventional providers face a strengthening competitor, and they must either sharpen their pricing, emphasise their speed and flexibility advantages, or develop their own compliant offerings to compete. For the financier, this competition is wholly beneficial, since it sharpens the terms available from both routes, and it reinforces the value of the dual-track process as the means of capturing the benefit of the competition.

16. Running a Dual-Track Process

The central practical recommendation of this paper, for a financier with moderate time and a financing of sufficient size, is to run a dual-track process that puts the Sukuk and the conventional private credit routes in competition. The logic is straightforward: because the two routes are close on cost and each has a credible claim, running them in competition forces each to sharpen its terms to win, and the financier captures the benefit of the competition in the form of a lower cost and better terms than either route would offer in isolation.

The dual-track process works because each route disciplines the other. The conventional private credit provider, knowing it faces a cheaper Sukuk alternative, sharpens its margin to remain competitive; the Sukuk arranger, knowing it faces a faster private credit alternative, sharpens its terms and timeline to remain competitive. The financier, holding both bids, can select the route that best serves its priority at terms improved by the competition, or can use the faster route as a fallback if the slower route falters. The process requires the capacity to develop both routes in parallel, which has a cost in time and effort, but for a large financing the saving the competition delivers easily justifies it.

Running a dual-track process well requires discretion and orchestration, because each provider must be given a genuine prospect of winning to keep it engaged and competitive, while neither should feel it is merely a stalking horse, which would cause it to disengage. The financier, or its adviser, must manage the two processes in parallel, keeping both engaged, using each to discipline the other, and bringing them to a decision point at which the best terms can be selected. This orchestration is a skill, and it is one that an experienced adviser brings, which is part of the value such advisers add to a large landbank financing. The dual-track process is the framework recommendation wherever time and scale permit it, because it consistently delivers better terms than a single-route process.

17. Common Errors and How to Avoid Them

A recognisable set of errors recurs in the financing of ultra-premium landbank, each flowing from a failure to analyse the route choice properly.

- **Assuming Sukuk is dearer.** Assuming the Sukuk is more expensive without analysis perpetuates an outdated belief and forgoes a frequently cheaper and wider-reaching route. The remedy is to compare on a genuine all-in basis.
- **Defaulting to the familiar.** Defaulting to the familiar route without identifying the dominant priority frequently produces a sub-optimal choice. The remedy is to identify the priority explicitly and match the route to it.

- **Committing too early.** Committing to one route early forecloses the other and loses optionality if the priority shifts. The remedy is to keep both routes open until the priority is clear, ideally through a dual-track process.
- **Comparing headline rates only.** Comparing only headline rates, ignoring fees and structuring cost, misjudges the true all-in comparison. The remedy is to decompose and compare the full all-in cost.
- **Forgoing competition.** Pursuing a single route for a large financing forgoes the pricing discipline that competition between the routes would provide. The remedy is to run a dual-track process where time and scale permit.

Each of these errors is avoidable through the disciplined analysis the framework encourages: compare on a true all-in basis, identify the dominant priority, keep both routes open, and run a competitive dual-track process where time and scale permit. The financier that does so consistently secures better terms than the financier that chooses by habit.

18. Implementation Roadmap

1. Decompose and compare the genuine all-in cost of both routes, including base rate, fees and amortised structuring cost, rather than comparing headline rates.
2. Identify the dominant priority for the specific financing, cost, speed, flexibility, reach or signalling, tested against the actual circumstances and timeline.
3. Assess the asset quality and the financing scale, since large, prime parcels favour the Sukuk and time-critical or bespoke situations favour private credit.
4. Where time and scale permit, run a dual-track process, developing both routes in parallel to discipline pricing and preserve optionality.
5. Engage specialist Shariah and legal advisers early for the Sukuk route, since the structuring and approval drive its timeline.
6. Structure the financing to accommodate the income-free hold and to facilitate the eventual development or sale that will repay it, under whichever route is chosen.
7. Consider the rate environment and whether to fix or float the cost over the long hold, and whether to preserve the ability to refinance if rates improve.

A practical caution about the dual-track process is that it must be genuine to be effective. Providers are sophisticated and can detect a sham process in which the outcome is predetermined and one route is merely being used to extract a concession from the other, and a provider that senses it is being used in this way will disengage or decline to sharpen its terms. The financier must therefore be genuinely willing to proceed with either route, and must conduct the process with the integrity that keeps both providers engaged. A genuine dual-track process delivers the competitive benefit; a cynical one does not, and may damage relationships the financier will need again.

19. Strategic Perspective: Building a Landbank Financing Capability

For a financier that acquires and holds ultra-premium landbank as a recurring strategy, the route choice is not a one-off decision but an element of a standing financing capability. Such a financier benefits from developing relationships with both the compliant investor base and the conventional private credit market, so that it can access either route, and from building the internal capability and adviser relationships to run a dual-track process efficiently. This standing capability allows it to finance each acquisition on the best available terms, choosing the route that suits the specific financing and using competition to discipline the cost.

Building a relationship with the compliant investor base through repeated Sukuk issuance is particularly valuable, because it establishes the financier as a known issuer that the compliant market will support, easing and cheapening future issuances. A financier that issues Sukuk repeatedly becomes a familiar name to compliant investors, who can underwrite its issuances more readily and price them more keenly, which compounds the Sukuk advantage over time. This relationship-building is a strategic investment that pays off across a programme of financings, and it is one reason a financier with a recurring landbank strategy may favour the Sukuk route even where a single financing might marginally favour private credit.

The strategic perspective also connects the route choice to the financier broader positioning. A financier that establishes itself as a sophisticated user of both compliant and conventional capital, able to access the deepest pools and to run competitive processes, builds a reputation that attracts both capital and opportunities. This reputation is itself an asset, drawing compliant and conventional capital to the financier and bringing it landbank opportunities, and it is built through the consistent, sophisticated execution of financings over time. The route choice, in this light, is part of building a durable franchise in landbank financing rather than merely a decision about a single transaction.

It is worth restating the most counterintuitive of the paper findings, because it overturns a widespread assumption. Many financiers approach landbank financing believing that the Shariah-compliant route is inherently more expensive and slower than the conventional one, and they default to private credit without examining the alternative. The analysis here shows that, in the deep and competitive Gulf market, the Sukuk is frequently the cheaper route and reaches a wider pool of capital, and that its only genuine disadvantages are speed and flexibility, which matter only in specific circumstances. The financier that sheds the outdated assumption and analyses the routes honestly will frequently find the Sukuk the better choice, or will at least secure a better price from private credit by setting the Sukuk against it.

20. Conclusion

The choice between a Shariah-compliant Sukuk and a conventional private credit facility for ultra-premium landbank is a genuine strategic decision, not a technicality. This paper has shown that the two routes are close on all-in cost, with the Sukuk frequently marginally cheaper, and that they differ meaningfully on the other dimensions: the Sukuk wins on cost, investor reach and signalling, while conventional private credit wins on speed and flexibility. The right choice therefore depends on the financier dominant priority for the specific financing, and the framework in this paper matches the route to that priority.

The central practical conclusion is that, wherever time and scale permit, the financier should run a dual-track process that puts the two routes in competition, capturing a lower cost and better terms than either route would offer in isolation. The financier that internalises these lessons, comparing on a true all-in basis, identifying its dominant priority, keeping both routes open, and running a competitive process, will consistently finance its landbank on better terms than the financier that chooses by habit or assumes the Sukuk is dearer. In the deep and competitive Gulf market, where both the compliant and conventional pools are mature, the contest between the routes is real and the rewards of running it well are substantial, and the frameworks in this paper are intended to help financiers capture them.

21. 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 cost decompositions, structuring costs and timelines are calibrated to observable conditions but are not empirical estimates, and they vary with the asset, the originator, the rate environment and market conditions. The Sukuk structuring discussion is general and requires specialist Shariah and legal advice for any specific transaction.

Several extensions would strengthen the analysis. An empirical study of realised all-in costs for land Sukuk and conventional private credit facilities across a sample of Gulf transactions would replace the indicative comparison with data. A detailed analysis of the structuring cost and timeline of land Sukuk, and how standardisation is reducing them, would sharpen the speed and cost-of-structuring comparison. And a study of how dual-track processes have performed in practice, and how much pricing benefit the competition delivers, would quantify the central recommendation. 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
Sukuk base profit rate	~8.5%	Private credit margin	~9.5%
Sukuk all-in cost	~10.7%	Private credit all-in	~11.4%
Sukuk time to fund	8-12 weeks	Private credit time	3-5 weeks
Hold period	3-5 years	Sukuk basis	Ijara
Compliant pool	Deep (global + GCC)	Conventional pool	Narrower
Currency	AED/USD (peg)	Dual-track benefit	Tighter pricing

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
Sukuk	A Shariah-compliant instrument replicating the economics of debt.
Ijara	A lease-based structure commonly used for land Sukuk.
Private credit	A conventional secured loan from a fund or syndicate.
All-in cost	Total cost including base rate, fees and amortised structuring.
Special-purpose vehicle	An entity that holds the asset and issues the Sukuk.

Profit rate	The Sukuk equivalent of an interest rate.
Landbank	Land held for future development or appreciation.
Dual-track	Running both routes in competition to secure the best terms.
Signalling	The market endorsement a successful Sukuk placement conveys.
Compliant capital	Capital that can be deployed only in Shariah-compliant form.

Definitions provided for reference.

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About the Author

Chennakeshav Adya is an independent researcher and corporate finance practitioner with more than twenty years of international experience across business strategy, transformation, and strategic finance. He has originated and led transactions across real estate, technology, and clean energy in the UAE, the United Kingdom, India, Europe, and the Americas, and has advised developers, corporates, family offices, and fund managers on capital raising and structuring. He is a guest speaker at London Business School and writes on startups, capital markets, and the application of technology in finance. The views expressed in this paper are his own and do not constitute investment advice.