324857 - Ruling on buying apartments and shops before they are built, and on getting a discount if you pay in full up front

the question

There are many housing societies and malls which do preconstruction sales so that they use that money for development and construction. They offer you to buy a plot or a shop (which hasn't been constructed yet) for a certain amount which is required to be paid in the course of installments but if you pay the lump sum amount on spot, they offer you a discount in the form of following two options-:

.1 Take 10% discount on spot.

.2 Take 25% discount in the form of installments which we call rent in slang language.

Note that the above mentioned figures are hypothetical so as to explain my query.

Please guide me in the light of Islam whether is it right to invest in any such business and also explain whether should I take any of the above discount offers or not.

Detailed answer

Praise be to Allah.

Firstly:

It is permissible to sell apartments and shops before construction, subject to certain conditions.

It is permissible to sell apartments and shops before construction, if they are described clearly in such a way that leaves no room for ambiguity, whether the purchaser pays in full up front or by instalments. This is called *'aqd al-istasnaa'* (contract commissioning building or production of something).

In a statement by the Islamic Fiqh Council belonging to the Organization of Islamic Cooperation (OIC), no. 50 (1/6) on the topic of real estate financing for the purpose of building and selling homes, it says: There are permissible ways, that dispense with any need for haraam ways, of providing homes that people can purchase and thus become homeowners, including the following:

…. (d) The homes become the property of the purchasers by means of *'aqd al-istasnaa'* (contract commissioning building or production of something) – on the basis that the contract shall be binding. Thus the home is purchased before it is built, and it should be built according to a precise description that leaves no room for ambiguity that could lead to conflict, without requiring full payment to be made in one go. Rather it is permissible to delay payment, to be made in instalments as agreed upon, whilst paying attention to the conditions and circumstances that are connected to the 'aqd al-istasnaa' (contract commissioning building or production of something), as stated by the fuqaha', who make a distinction between this contract and the *'aqd as-salam* (payment in advance for agricultural produce). End quote.

If the one who pays the price in full gets a discount of 10%, there is nothing wrong with that, and he has the choice, as noted above, between paying in full on the spot and deferring payment.

It was not clear to us what is meant by the second option, which is paying the entire sum on the spot, and getting a discount of 25% in the form of instalments.

Please clarify your question so that we can answer it.

Secondly:

It is permissible to purchase land, either paying in full on the spot or deferring payment, because paying by instalments is permissible, except in cases where it is stipulated that the exchange happen on the spot, as in the case of gold and silver.

And Allah knows best.