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Rated, not sold

How a credit rating lets a family raise capital without giving up its real estate

By **Mika Toivola** — Founder, Crosspoint

Sooner or later, most family groups need liquidity — to fund an expansion, diversify out of a single sector, buy out a branch of the family, or move on something time-sensitive. And when the money is needed, the instinct is almost always the same: sell a building. It is usually the most expensive way a family can raise capital. There is a better one, and it begins with a credit rating.

I have spent much of my career on the other side of that decision — arranging the financing that lets asset owners raise money without selling what they want to keep. In practice that has meant international sukuk issuances totalling more than two billion dollars, working with all four major rating agencies. One lesson keeps repeating: for a family with a quality, income-generating portfolio, selling assets to raise cash is rarely the right answer. Financing them properly usually is.

Why selling is the costly option

When you sell an asset to fund something else, you pay three times over. You crystallise the value at whatever the market happens to be that day — rarely the day you would have chosen. You give up all the future income and appreciation that asset would have produced. And you tend to sell your best, most liquid assets first, because those are the ones buyers want — quietly hollowing out the quality of what remains. Selling to raise capital is, in effect, borrowing at the highest rate there is: the return you forgo forever.

Why bank debt only goes so far

The usual alternative — a loan from a relationship bank against a specific property — is better, but it has a ceiling. It is arranged asset by asset. Tenors are short, so you carry refinancing risk. Leverage is capped conservatively, covenants constrain you, and the relationship itself becomes a dependency. Above all it does not scale: financing a large portfolio one bilateral facility at a time is slow, fragmented, and leaves you at the mercy of a few lenders' appetite at any given moment.

The third path: rate the portfolio, then tap the market

There is a third route, and it is the one institutions use. Consolidate the portfolio, have it independently credit-rated, and raise capital directly from the capital markets — through a sukuk or a bond — against the strength of the whole.

The rating is the hinge. A rating from Moody's, S&P or Fitch translates a private family portfolio into something thousands of institutional investors can lend to, at a price set by the market rather than negotiated across a single desk. With a rating in hand, a sukuk can raise far more than any bilateral facility, over far longer tenors, at a fixed profit rate, from a diversified base of regional and international investors — with no dependence on one bank's balance sheet. And as a sukuk, it does all of this within a Shari'ah-compliant structure.

Most importantly, the family keeps the assets. Nothing is sold. The portfolio stays exactly where it is — still earning, still appreciating — and you have simply financed it efficiently and put the proceeds to work.

What it takes to be rated

A rating is earned, not bought. Agencies look for a consolidated, professionally governed vehicle; transparent, audited financials; conservative leverage; and genuinely income-generating assets with reliable tenants. It is the same discipline that makes a portfolio investable in the first place. For most family groups the gap is not the quality of the buildings — it is the structure and reporting around them. Closing that gap is a project of months, not years, and it is worth doing whether or not you ever issue a single sukuk: a rated, well-governed portfolio is simply a stronger and more valuable asset, with more options open to it.

The regional tailwind

The timing helps. The GCC sukuk market is deep and consistently oversubscribed; regional and international investors are actively looking for rated Gulf real-estate credit and struggle to find enough of it. The structures are well-trodden, the legal frameworks mature, the arranging banks experienced. A family that brings a well-prepared, rated portfolio to this market is offering precisely what it wants to buy.

The honest caveats

None of this makes debt free. A sukuk must be serviced; leverage magnifies both good outcomes and bad, and it should be sized against a portfolio's through-the-cycle cashflow, not its best year. A rating brings permanent scrutiny and a disclosure obligation that some families will find uncomfortable. And the capital raised has to be deployed into something that earns more than the sukuk costs — the tool is only as good as the plan behind it. Timing matters too: the profit rate you pay tracks the wider rate environment, and there are moments to issue and moments to wait.

> **But for a family reaching reflexively for the ‘for sale’ sign, it is worth pausing on the arithmetic. Selling is the expensive way to raise money. A rating is the cheaper one — and you keep the buildings.**

Mika Toivola is the founder of Crosspoint, a corporate finance and capital-markets advisory practice in Dubai. He has led international sukuk programmes, credit ratings across all four major agencies, and REIT and IPO-readiness mandates, and advises family offices and holding groups on the pathway from private portfolio to listed fund.