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The debt you never repay

Why a sukuk protects cash flow in a way a bank loan cannot

By **Mika Toivola** — Founder, Crosspoint

Ask most Gulf property owners how their real estate is financed and the answer is a bank loan — a facility against a building, repaid in instalments over ten or fifteen years. It feels prudent. It is also, for an income-producing portfolio, often the single biggest drain on the one thing the owner actually wants from the asset: cash flow. There is a different way to borrow, and it rests on an idea that sounds strange the first time you hear it — the best corporate debt is debt you never really repay.

Two ways to owe money

An amortizing loan blends two things into every payment: profit, and a slice of the principal. Over the term you hand the lender back both the rent on the money and the money itself, until the debt is gone. The lender loves this — their risk falls every year. But your debt service is heavy, and much of your rental income goes not to you but to retiring principal. You are, in effect, buying your own building back from the bank, slowly, out of cash flow you could be putting to better use.

A bullet sukuk — or bond — works the other way. During its life you pay only the profit, the rent on the money, and nothing more. The principal is repaid in a single payment at maturity. Your cash outflow through the term is a fraction of what an amortizing loan demands, and the difference stays in your pocket as distributable income.

The part that sounds strange

So what happens at maturity, when the principal falls due? You refinance. You issue a new sukuk to repay the old one, and the principal rolls forward. Done consistently — as governments and large corporates do the world over — that principal is never really paid back out of equity. It becomes a semi-permanent layer of capital sitting beneath the assets. In cash-flow terms it behaves less like a loan and more like a quiet, low-cost slice of equity that happens to carry a profit rate.

Let me be precise, because the distinction matters: it is still debt. It is senior, it must be serviced, and it must be refinanced. But for an owner whose goal is durable cash flow, the gap between amortizing debt and perpetually refinanced debt is the gap between an asset that feeds the bank and one that feeds the family.

Why this works in the Gulf, specifically

The whole model depends on one thing — that the market is open to refinance you when the time comes. This is precisely where the GCC has quietly earned its credibility. Through the oil-price shock of 2015–16, through the pandemic, through periods of regional conflict, the Gulf's debt capital markets kept functioning. Sukuk continued to price; issuers continued to roll their maturities. The pool of regional bank liquidity and Islamic capital is deep, and it has shown up in stress, not only in calm. A structure that relies on market access is only as good as the market behind it — and this market has proven unusually resilient.

The opportunity almost no one is using

And yet, across the enormous stock of GCC real estate held by families, holding companies and private groups, the number with a sukuk programme is tiny. Outside the large listed developers, almost everyone still finances the old way — bilateral, amortizing, one building at a time. It is not that the tool is unavailable. It is that owners who have never had capital-market exposure have never been shown the alternative. The efficiency left on the table — in retained cash flow, in flexibility, in the plain cost of capital — is substantial.

The honest caveats

Refinancing risk is the real one, and it has to be respected. A single large maturity falling due in a quarter when the market is closed is a genuine problem. The answer is not to avoid the structure but to run it as a programme: stagger maturities into a ladder so no single date is existential, keep leverage conservative and the credit rating intact, and never treat market access as guaranteed. You also reprice at each refinancing — the profit rate is not fixed forever, as anyone who rolled debt in 2023 will confirm. And this is a tool for scale: it rewards a consolidated, rated portfolio, not a lone asset.

Managed with that discipline, the trade is a strong one. You keep your cash flow, you keep your assets, and you hold a layer of capital that works for you rather than steadily unwinding.

The question worth asking

> **For the owner who measures success in cash flow — in what the portfolio actually distributes each year — the real question is not 'how quickly can I pay down my buildings?' It is 'why am I paying them down at all?' Amortization is a lender's preference dressed up as prudence. For a quality portfolio, in a market as deep as this one, there is a better answer.**

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.