

Options Definition

OPTIONS

An option agreement is normally entered into for a non-refundable payment (ranging from £1 to many thousands of pounds) depending on the nature of the option. To enable the potential buyer to secure the property for a fixed period of time to prevent the possibility of the seller dealing with another party for that period.

This type of agreement is usually used by developers or investors who can either secure planning permission during the option period or secure a tenant to maximise value. Under such circumstances, once the option is exercised the increased value of the asset may make it possible to secure 100% (or more) funding against the acquisition.

The attraction to the seller is the non-refundable option payment and the limited risk of costs wasted if the buyer is unsuccessful.

Put and Call Option Agreements are often used to secure enforceable contracts but defer the payment of tax.