

# Options and Joint Ventures

## Options

### WHAT IS AN OPTION?

An Option or option agreement provides you with a right to purchase a property sometime in the future for a price that you agree upon now.

### TYPES OF OPTION

Common types of options include:

1. A 'Call Option' is the most common type of Option and is granted in favour of the potential buyer — allowing the buyer to require the owner of the land to sell to the buyer at an agreed time and agreed price in the future;
2. A 'Put and Call Option' gives the potential buyer the Call Option referred to above and the seller a right to force the buyer to purchase the property.

### WHEN TO USE AN OPTION

An Option is a great tool to:

- Use when you expect a delay in creating your purchasing structure (eg a trust);
- Allow you to add value to the property before unconditionally committing to buy the property (eg by renovating or obtaining development approval);
- Potentially postpone or even avoid stamp duty in the event of an on-sale.

### WHAT CLAUSES SHOULD AN OPTION CONTAIN?

There are a number of clauses you should consider for your protection.

### For example:

- The agreed price or mechanism for calculating the price;
- Nominee clause: allowing you to assign the benefit of the option to a related party or a third party;
- Price Uplift clause: allowing you to on-sell all or part of the property to a third party for a higher price and you to receive the uplift;
- Marketing clause: allowing you to market the property for sale to a third party buyer during the option term;
- Access clause: allowing you to access the land to organise quotes, site surveys and erect advertising for development approval notices;
- Authority for Approvals clause: allowing you to apply for development/ building approvals during the option term; and
- Security Deposit clause: allowing you to structure the Option Fee to minimise stamp duty.

We will advise you on the appropriate clauses for your project.

### HOW MUCH DO OPTION AGREEMENTS COST?

The cost of the Option depends upon its complexity. We can provide you with an fee estimate of you costs when we discuss your particular project.

### WHERE TO NOW?

Contact David or Calvin to discuss whether an Option will assist your project.

## Joint Ventures

### WHAT IS A JOINT VENTURE?

Where two or more parties get together to develop a property a joint venture may be formed.

### WHY DO I NEED A JOINT VENTURE AGREEMENT?

A Joint Venture Agreement provides the structure/ backbone for your project. It includes details of: the parties, the project, the project timeline, who is responsible for what, the budget, how are decisions made, how disputes are handled, how is profit/loss shared? What happens if a party dies or goes bankrupt.

Without a written agreement covering these issues, it may be hard for you to enforce your rights against the other party if things don't go to plan.

### JOINT VENTURE CHECKLIST

Please call or email us for a copy of our Joint Venture Checklist. It will help you to consider the key areas which must be agreed upon by the parties.

### WHAT DO THEY COST?

Joint Venture Agreements start from \$2,500 plus GST and outlays.