

PLATINUM

Options

Monthly Mastermind Event

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What is an Option?

- The right, but **not the obligation**, to buy (or sell) a property at an agreed price at a future point in time
- Gain **control** of the property **without having to own it**
- A **way to contract on a property** – a valuable tool rather than a strategy
- Target WIN WIN!
- A tool in your armory!



3 Types of Options?

- 1) **Call** Option -
- 2) **Put** Option -
- 3) **Put & Call** Option -



1) Call Option -

- **Buyers** option
- Gives the **buyer the right** but not the obligation to buy in a certain timeframe at a certain price
- **Seller must sell** if the Call option is exercised
- Most **commonly** used



2) Put Option -

- Sellers Option
- Gives the seller the right but not the obligation to sell in a certain timeframe at a certain price
- Buyer must purchase if the Put option is exercised
- Very rarely used on its own

Put
option

3) Put & Call Option -



- **Combination** of the 2 Options
- On signing both the **buyer and seller** are effectively signing an **unconditional contract** for a set timeframe at a certain price
- **Buyer and Seller must settle** if the option is exercised
- Used for **longer settlements** where there is a benefit to delaying signing contract into the future - but still want the security of being unconditional e.g.
 - ❖ **Post 31st June for tax**
 - ❖ **On-selling prior to settlement – minimising stamp duty payment**

Selling Short A Call Option -

- The **buyer on-sells** the option prior to executing it
- **Nominee** clause used
- Examples:
 - ❖ On-sell at a profit **once got council DA approval**
 - ❖ On-sell at a profit **after renovation**



Selling Short – Why High Risk Strategy? (Module 3 Appendix)

Selling Short – Why High Risk Strategy? (Module 3 Appendix)



- Limited exist strategy esp. if no capacity to exercise option, settle on property & execute deal
- What if can't sell – then what e.g. can you still proceed with developing it?
- DA doesn't guarantee significant value uplift – need accurate feaso to determine value of DA:
 - ❖ e.g. valuer will do reverse feaso & want 20% profit on development costs for ultimate developer

Markets Suitable For Options?

- Residential –
 - ❖ Harder because mum & dad sellers lack knowledge on options
 - ❖ Avoid using term “Option”
 - ❖ Great for DA, or controlling multiple properties in row requiring owner consent etc.
- Commercial –
 - Easier because dealing with business people
 - Great for DA, or vacant commercial property requiring tenanting etc.



Commercial & Residential

Markets Suitable For Options?

- Anywhere there is **value add potential** (subdivision, strata, rezoning, unit development, renovation, high growth areas, specific use zoning – childcare, pubs, taverns!)
- Can **suit NSW Law** – Way to secure a property without exchanging contracts & going unconditional
- **Low money** down deal potential



Option Contract Documentation -

2 parts to documentation - Option Contract + Sale Contract

- 1) **Option** Contract (Deed of Option) - details the option terms
- 2) **Sale** Contract – annexure to Option contract, already pre-filled out re deposit, settlement timeframe etc. = Unconditional contract upon exercising of option contract – no finance clause etc.
- **Lawyer** to draw up Option Contract specific to each deal



Clauses in Option Contract

- **Due Diligence** Clause –
 - ❖ Clause used for transparency so owner knows what you doing
 - ❖ Useful clause to delay payment of deposit e.g. \$ not payable till DD satisfied
 - ❖ May terminate option early based on this clause
 - ❖ Lawyer to write clause so you protected by Professional Indemnity Insurance and the Law Society if anything goes wrong
- **Development Application** Clause –
 - ❖ Option subject to DA being granted If applicable
- **Obligations Pending Exercise of Option** –
 - ❖ Clause states that seller must sell to you if you choose to exercise the option



Clauses in an Option Contract

- **Grant of Call Option** –
 - ❖ Clause deals with payment of option fee
 - ❖ May extend to cover deposit paid in advance
- **Nominee** –
 - ❖ Clause enables you to determine at a later date who ultimate purchaser is
 - ❖ Also means you able to transfer the option ownership to a third party
- **Exercise of Call Option & Sale Contract** –
 - ❖ Clause sets out exact procedure you must follow to exercise option & progress to sale contract
 - ❖ Procedure must be followed to letter of law & in timeframe set out in option agreement
 - ❖ Any variation means either party could cancel option hence potential significant losses
 - ❖ Remember - if you have increased value of property, seller may be looking for ways to get out of contract and you NOT following the process is an easy way!!!!!!



Clauses in an Option Contract



- **Call Option Fee** –
 - ❖ Clause deals with mechanics of how option fee treated & paid
- **Power of Attorney** –
 - ❖ Clause basically gives buyer ability to lodge necessary applications & docs with Council to obtain DA – if applicable

Clauses in an Option Contract

- **Caveat** –
 - ❖ Clause gives buyer right to lodge caveat on property at any time & prevent seller from selling property to anyone else = Security

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: / 1

SEARCH DATE	TIME	EDITION NO	DATE
7/5/2004	8:36 AM	1	24/3/1999

LAND

LOT IN DEPOSITED PLAN
AT QUEEN'S SQUARE
LOCAL GOVERNMENT AREA: SYDNEY
PARISH OF ST JAMES COUNTY OF CUMBERLAND
TITLE DIAGRAM: DP1

FIRST SCHEDULE

THE STATE OF NEW SOUTH WALES

SECOND SCHEDULE (2 NOTIFICATIONS)

- DP 1 THIS IS THE FIRST TITLE ISSUED IN THE INTEGRATED TITLING SYSTEM AND REPRESENTS THE LAND UPON WHICH THE LAND TITLES OFFICE IN SYDNEY N.S.W. AUSTRALIA IS ERECTED
- * CAVEAT BY ALLAN MU

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

Clauses in an Option Contract



- **Default** –
 - ❖ Clause deals with procedures & penalties if default occurs
- **Costs of Agreement** –
 - ❖ Clause details who pays for legal fees for drawing up agreement
- **Notices** –
 - ❖ Clause details how notices given & received & necessary timeframes
- **Signing Pages** –
 - ❖ Balance of doc = signing pages, annexures, schedule to the sale contract

Timeframes and Extensions -

- Allow more time than anticipated e.g. double what you think it will take e.g. 18 months vs 9 months
- Councils & banks take longer than think & you have no control
- If approvals granted sooner have choice to exercise option sooner
- Longer option timeframe = potential to push boundaries with Council e.g. DA for higher density?
- Create a time schedule flowchart of project!
- Extensions may not easily be granted so allow enough time – e.g. you put time, effort & \$ into property so owner may not be willing to grant extension

2016

January	April	July	October
S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
February	May	August	November
S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
March	June	September	December
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Option Fees, Deposit in Advance, Stamp Duty, Tax -

- **Option Fee** - Target **Lowest Fee** possible e.g. \$100 for the benefit of both parties –
 - ❖ Buyer pays **Stamp Duty** on option fee &
 - ❖ For seller its **income tax assessable** in the year they receive it
- **Deposit** –
 - ❖ Make it payable to seller **in advance** – released to them immediately
 - ❖ **Non-refundable**
 - ❖ Make it **low but realistic** e.g. \$5,000 (needs to compensate owner for taking property off market for term of option)
 - ❖ Forms part of **settlement proceeds** when option is ultimately exercised e.g. comes off settlement figure
 - ❖ **No stamp duty** payable by buyer on deposit only (Ultimate buyer will still pay stamp duty on contract price)
 - ❖ **Not declared by seller as income**, but will have to be declared as part of capital gain at settlement



Option Fees, Deposit in Advance, Stamp Duty, Tax -

- **Justify low deposit** because you spending significant \$ on their property to get DA, or to do reno, or to attract tenants
- **DA remains with property** = owners property value is being increased by you
- Note* - YOU must **fund all costs** until option is exercised (e.g. DA, reno, site works) – bank won't finance until contract settlement (remember bank wants security)

Deposit

Option – Process Outline

- Phase 1 – Finding a Property – On/Off Market
- Phase 2 – Approaching Owner
- Phase 3 – Preparation before Meeting Owner
- Phase 4 – Meeting with Owner
- Phase 5 – MOU
- Phase 6 – Documentation
- Phase 7 – Regular Reporting
- Phase 8 – Nomination Clause
- Phase 9 – Exercise of Option
- Phase 10 – Settlement

Phase 1 – Finding a Property – On/Off Market

A) On Market - Property For Sale – Often More Difficult:



Phase 1 – Finding a Property – On/Off Market



A) **On Market** - Property For Sale – Often **More Difficult**:

- Owner decided to sell - usually **wants \$\$ sooner rather than later** - Option requires them to wait
- **Sales agent** will be reluctant to recommend it because they want their \$\$ now not in future (e.g. in 18mths time)
- **Exceptions** – e.g. property on market long time

Phase 1 – Finding a Property – On/Off Market

B) Off Market - Property Not For Sale – Often Easier:

- Owner not considering selling - need to explore their possible motivations
- Gives vendor opportunity to sell property at higher value by accepting future sale without marketing / sales costs



Phase 2 – Approaching Owner -

Phase 2 – Approaching Owner -

- Door Knock
- Letter Box Drop
- Cold Call
- Realestate agent

Privacy?

Door Knocking -

- **Opening Line:** “Have you ever considered selling your property?”
- **Leave them your card** – Name & contact details ONLY – no business name, spruiking etc.
- **Be Safe** – Tell someone where you going!
- **Beware of Dogs!**
- **Purpose** = Gauge interest & book in first meeting - Refrain from going into detail
- ALWAYS become friends with your **neighbors** - PPR & investments



Letter Box Drop -

- Quality / Colour / **Invitation Paper** & Matching Envelope
- **Hand-written**
- **Dear Mary Smith** – NOT Dear Owner
- Be emotive
- **Avoid jargon**, terms etc.
- **Target** selected houses in street – not every house – neighbors talk!
- Purpose = **Get a Phone Call** & book in meeting – avoid going into detail



Example Letters -

Dear Mr. and Mrs. Brown,

I drive past your house everyday on my way to work and have absolutely fallen in love with the property. It is situated in the perfect spot for us and we love what surrounds it. I think that it would be the perfect block to build a house on for my family and I so that we could have a safe and 'communal' environment.

If you are interested in selling, please contact me on ?????????? so we can discuss this further.

Kind Regards,

Jordan ????????

- Beware of Demolition reference – original owner may have built it themselves!!

Example Letters -

07 February 2016

Dear Sarah Smith,

I am writing to you in regards to your property on 85 Pearl Road, Cloverdale, WA.

Have you considered selling your house? I am not an agent, but a private person, who likes to leave out real estate agents from any **deals,** if possible. That's why I have approached you personally and would love to hear from you, if you are considering to sell your house.

I am currently renting in the area, but I love it so much that I would like to own my house in this suburb. My children and my husband are also keen to live here, as it is a very family friendly environment.

If you are considering to sell, please do not hesitate to contact me on my private mobile number: ????????????, or on my email address: ????????????????

- One Word can change the whole tone!

Finding Owners Details -

Need to *use your investigative skills* & be proactive:

Finding Owners Details -

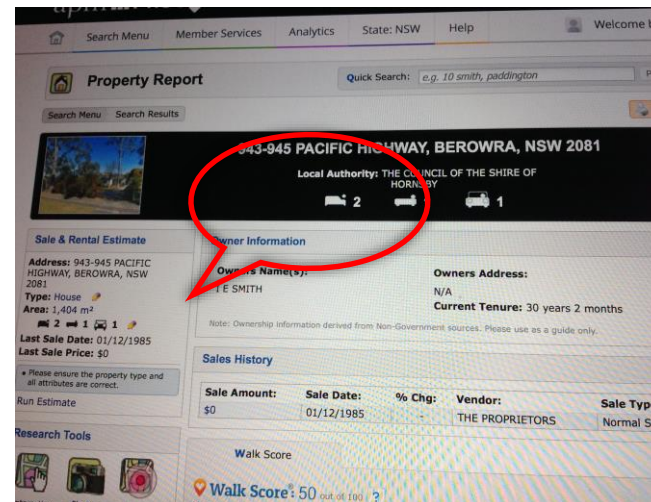
Need to **use your investigative skills** & be proactive:

- RP Data, Investar (My Valuer), PriceFinder – name search, other owned properties search, PPR address
- Reverse phonebook search - <https://reverseaustralia.com> – retrieve name and phone number! Also White pages
- Google search – peoples names, addresses, other properties they own
- Title search online - \$28
- Talk to neighbors / tenants / property manager
- Talk to most active agent & oldest agent in area
- Try Council – neighboring fence issue?
- Council minutes search
- Company owner - Pty Ltd (e.g. on RP Data under “owner”) go to ASIC & pay to find directors details & addresses



Finding Owners Details -

- **Victoria** - Victorian Privacy Laws hinders finding owners details
- **Western Australia** – Previously could pay nominal fee to RP Data for owners details
- **South Australia** – Via government web site – (google Property Assist – correct street address – nominal cost per search)
- **Queensland & New South Wales** – RP Data, PriceFinder etc.



Researching Background Information-

The more you know about someone the **more informed you are for negotiations:**

- www.detective.io (previously charlieapp.com)
- whois.com.au (Rego details of a domain name)
- businessprofiles.com
- linkedin.com
- Facebook (stalk book)
- Google search



Cold Call -

- **Opening Line:** “Have you ever considered selling your property”
- **Purpose** = Gauge interest & book in first meeting
- **Refrain** from going into detail!
- **Hardest** to pull off!



Realestate Agent -

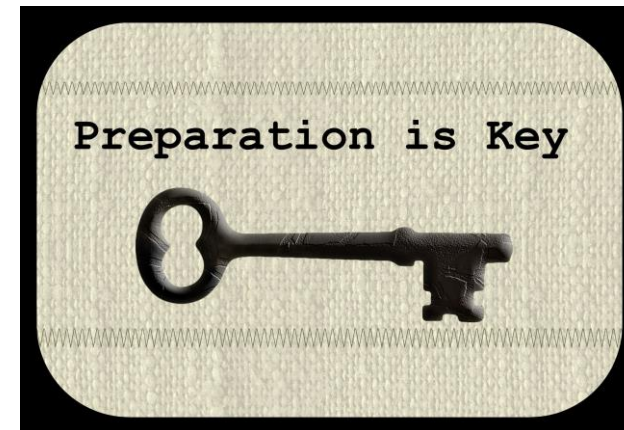
- **Appease agent** that you are not trying to cut them out of deal
- **Purpose** = Having first meeting with owner (agent can attend)
- May have to offer to pay $\frac{1}{2}$ or all of the **agents commission** upfront???



Phase 3 – Preparation Before Meeting With Owner -

Preparation is Key

- **Research** (potential of site, the deal, property value) +
- **Brainstorm** options (different ways to do deal & questions) +
- **Role play** the conversation +
- = Better RESULT !!



Outline Your Ultimate Objective -

YOU need to clearly know what you want :

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YOU need to clearly know what you want :

- \$ (purchase price, option fee, deposit)
- Timeframe
- Access
- Owners consent
- Due diligence
- Authority to erect signage (e.g. DA Public Notification)
- Right to lease (or sublease)
- Confidentiality



List What You Prepared to Negotiate on & What Owner May Want:

- List all things you could negotiate on - even if they seem small and trivial
- Have items up your sleeve to “trade” during the negotiations –
 - ❖ Pay owners legals,
 - ❖ Access max 3 times
 - ❖ Pay insurance
 - ❖ Pay rent
 - ❖ Pay rates
 - ❖ Access to do works etc.



Brainstorm Owners Questions & Be Prepared with Answers -

- Put yourself in the owners shoes re Questions
- Tackle **negative questions** head on – don't try & avoid issue – it will re-appear later & potentially be more damaging
- If you **don't have answer** say so & come back to them
- **Owner Questions?:**
 - ❖ What if the market increases in 18mths? Be prepared to show them your research that the market is likely to still be flat
 - ❖ Need time to move! Suggest continually updating them on progress and give 90 days for contract settlement once option is exercised



Price vs Terms -

Typically offer higher than market price in **exchange for terms**:



Price vs Terms -

Typically offer higher than market price in **exchange for terms**:

- ❖ **Control** of property but not obligation to buy it
 - ❖ **Exclusivity** – no competition
 - ❖ **Long settlement**
 - ❖ **Time** to get DA, BA, pre-sales, do works etc.
 - ❖ **Access**
 - ❖ **Owners Consent**
 - ❖ **Option Fee**
 - ❖ **Deposit \$ etc.**
- Exchange what owner wants for **EXTRA TIME** – Time is most precious commodity in option



Phase 4 – Meeting with Owner

- Meeting location
- Accept cup of tea
- All decision makers must be present
- Find out what the owner wants
- Comparable sales evidence



Meeting Location -

Suggest their home..... WHY:

- Owner most **comfortable**
- You get feel for **owners personality** – neat, tidy, ordered etc.
- Look for **conversation prompts** - photos, trophies, paintings, collections, hobbies etc.



Accept Cup of Tea (Even if you don't drink tea!!!) -

Why?

- Puts **owner at ease** whiling making it
- **Small talk** breaks the ice
- Find out about them – kids, how long lived in area, interests, line of work etc.



All Decision Makers Must Be Present (at EVERY meeting) -

- **Do not meet** without all decision makers – waste of time
- **Postpone** meeting if required
- **Chinese whispers** – Need to ensure consistency of information
- Acceptance by all then squashed by an absent decision maker
- Identify and work with **most resistant party/s**



Deal 1 -

- House next to existing unit development site
- Mum, Dad, Two Young Adult Kids owned property
- All had to be present at every meeting
- Mum most uncertain & needed most support & reassurance (emotional & sensitive to change)



Deal 2 -

- Fully renovated house next to existing unit site
- First met with “owner” – 2 hour meeting
- At conclusion of meeting after agreeance on everything - “owner” said he had to talk with his mother who owned ½ of property – bugger – should have asked that first up!!!!



Find Out What The Owner Wants -

- **Communication** is key to finding out what owner wants!
- **Be confident** in your manner but not arrogant with your knowledge
- **Be respectful** of owners relationship with property – e.g. built it, raised family, generational home etc.
- Limited only by your creativity: **Time to get creative!!**



Deal 1 – Owners Wants -

- **Move away** from busy Hospital area
- Family needed to be convinced they could **buy property of their dreams** at the \$\$ being offered & in timeframe (e.g. what if the market increased)
- **Offered to assist** to find new home, did lots of research on new home to give them confidence, plus introduced them to numerous agents, bank, etc.
- **Wants:**
 - ❖ Husband – shed for wood working business
 - ❖ Daughter – land to start Ag enterprise
 - ❖ Mum – bigger house
 - ❖ Son – happy to go with flow!!



Deal 2 – Owners Wants -

- Owner just finished beautiful reno & wanted to **keep house** but also open to making \$\$
- Negotiated that **he would keep house** (to relocate)
- Offered to **find land and relocate house** onto it for them



Deal 3 – Owners Wants -

- Couple considering **selling in 2 years** to retire & move to Tassie
- Owners happy to lock in price now for 18 months & **save hassle & uncertainty** of selling on open market
- **Brainstormed in advance** all benefits to owner & highlighted in meeting – owner may not have thought of
- Highlighted that **nothing lost on owners part**, because if Option not executed at 18mths then owners could still go back to original plan to sell at 2 year mark on open market



Offer the Owner an Option Agreement to Give them What they Want -

- Expect it to take **multiple meetings** – all new to owner – may take time to come around to offer!
- Ask for **Questions** along the way – never pressure them
- **Explain the process** detailing key milestones in what you are doing e.g. survey, design, DA lodge, public advertising, DA approval etc.
- Commit to **report regularly** to them on progress – create confidence in you
- Tell them that **their lawyer may suggest** they not enter into this agreement



Comparable Sales Evidence -

- You need to **educate owner on current market value** of property using recent comparable sales to justify your offer
- Take **printout of comparable sales evidence** to leave with owner
- First thing they do is get **agents appraisal** – you need to remain credible in their eyes!
- **TRUST is everything!!**



Comparable Sales Evidence -

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915987 listings searched: showing 1-200 of 136882 matching properties
 Keep refining to see even more relevant listings to match your investment strategies.

Queensland: all suburbs ✕
 Save this search Expand all listings Sort by: Listing Date: Newest to Oldest

Showing 1-10 (of 200) [Show 11-20 >](#)

★ **SPRINGFIELD LAKES 11/08/2014** **\$335,000 (N/A % of median)**

13 Periwinkle La, SPRINGFIELD LAKES, QLD 4300 House 3 2 2 Land size: N/A

Springfield Lakes 3 br house stats

Median listing price	N/A
1 yr listing price growth	2.9%
Median weekly rent	\$360
1 yr weekly rent growth	1.4%
Median gross yield	N/A

www.domain.com.au

Median price

Snapshot

	Yr 1	Yr 10
Cash flow p/a (pre-tax)	(\$3978)	(\$398)
Gross yield	5.3%	6.9%
Total returns (cash & growth)	(\$334,176)	(\$333,771)

[Analyse in full](#)

[See full property details >](#)

★ **BROOKWATER 10/08/2014** **\$379,000 (76.6 % of median)**

4 Ellerston Ave, BROOKWATER, QLD 4300 House 3 2 2 Land size: N/A

Brookwater 3 br house stats

Median listing price	\$495,000
1 yr listing price growth	-7.1%
Median weekly rent	\$450
1 yr weekly rent growth	0.0%
Median gross yield	4.7%

www.domain.com.au

Median price

Snapshot

	Yr 1	Yr 10
Cash flow p/a (pre-tax)	(\$1785)	\$3092
Gross yield	6%	7.9%
Total returns (cash & growth)	\$149,015	\$511,267

[Analyse in full](#)

[See full property details >](#)

2 of 10

PROPERTY SUMMARY for 46 Tropicana Cct, Burleigh Waters 4220

Property Type: House

Attributes: 4 2 2

Area Size: Approximately 772 sqm

Local Govt: Gold Coast

Distance To: Brisbane CBD 80.2km
Robina Stn 6.2km

Owner Name: Brandon Alan Hockley

Lot Number: 216

Plan Number: SP123073

Features:
 Ensuite, Internal Laundry, Lock Up Garage, Separate Dining, Study, Walk In Wardrobe

[View Recently Listed Advertisement\(Oct 13\)](#)

PRICE HISTORY for 46 Tropicana Cct, Burleigh Waters 4220

Final Sale Price History

Date	Price	Property Type	Type of Sale	Sale Result	Selling Agent
12-Dec-2013	\$655,000	House	Private Treaty	Sold	Kingfisher Realty
16-Sep-1999	\$118,000	Land	Private Treaty	Sold	

[On the Market Price History](#)

Negotiation Tool Box-

- Refer to your **pre - prepared negotiable list**
- **Owners Costs** - Owners may not be in position to pay legal costs upfront to get advice on Option contract. Consider offering to pay their Solicitor costs to review the Option Contract (Get Solicitor to Quote upfront).
- **Trade** rather than concede
- WIN WIN
- **Provide Additional Support** – research owners next purchase, assist with financing, packing, moving etc.



Phase 5 – MOU = Memorandum Of Understanding

- Explain that MOU just **helps to summarize and clarify meeting conversation** & what's been agreed. Ensures everyone on same page. Ultimately MOU given to lawyer to draft Option Agreement
- **Handwrite** at the end of meeting - **Date** and **all parties sign**
- Once someone signs something they often **feel more morally (and legally) bound** - which is in your favor!
- Provide owner a **Copy** - the same or next day
- **Prepare before meeting** how you going to write MOU e.g. layout, content etc.



MOU Examples -

Date 2/4/2014

Between: John [redacted] + Steven [redacted] + June [redacted]

Understandings:

1. To purchase 5 [redacted] for \$249,000-
2. Allow access to the property for trades + professional people
3. Steven + June give authority for John to submit application to council for development + building approvals
4. Allow current tenants to remain and continue to pay rent until at least Sept 2014 at market rates. Rent payable to John
5. John to pay mortgage of Steven + June on this property plus any relevant rates (council)
6. John pays Steven + June non refundable deposit of \$15,000 on signing (amt is taken off purchase price)
7. Due diligence period of 60 days.

MEMORANDUM of UNDERSTANDING

between

MM owner (seller) + Jane [REDACTED] (Grantee)

Property option: Lot A+2.

Date: 1-4-14.

1. Agreed price is \$80k for Lot A+2
2. 12 months being 1-4-15 for full settlement + option period.
3. option agreement to include
 - nomination clause - a third party.
 - access right - for J. [REDACTED] to access property + conduct works such as tree removal + clearing of building/sheds
 - development proposal / application / apply this allows J. [REDACTED] to act on owners behalf for divisions + approvals.
 - for MM owner to give consent for J. [REDACTED] to act.
 - all expenses incurred are at J. [REDACTED] cost.
4. Default clause.
 - If J. [REDACTED] fails to pay expenses incurred.
5. Caveat: owner must agree to the registration of a caveat over property

MM owner
date:

J. [REDACTED]
date:

MOU Examples -

Follow-up Meeting -

- At meeting end ask them to **make list of questions** to be answered at next meeting
- **Pre-book next meeting** – e.g. 1 weeks time - saves time + keeps momentum



Phase 6 – Documentation

- **Lawyer** will prepare the Option Documentation based on the agreed terms in the MOU
- **Deed of Option** documentation includes:
 - ❖ All terms & conditions
 - ❖ Nomination Notice Form
 - ❖ Notice of Exercising Form
 - ❖ Contract of Sale pre-filled out but not yet signed
 - ❖ Signature page
- All parties sign Deed of Option, receive a copy, **keep in safe place**, lodge caveat (if applicable)



Phase 7 – Regular Reporting

- Clause in Option agreement should **specify regularity of reporting** to owner
- E.g. **3 monthly written report** to owner on progress & key milestones & fulfilment or otherwise of conditions
- If **timing is becoming an issue** consider telling owner early on to gauge response & so not a surprise if you have to ask for extension



Phase 8 – Nomination Clause – Selling Option to 3rd Party

- Assuming you have increased value of property e.g. reno, DA, rezoning, tenanted commercial – you may choose to sell your option to someone else
- Nominee clause is exercised (Nomination Notice Form completed) – unique to option agreements
- Option is transferable!!!!!!
- Effectively transferring your option to new buyer for a fee (the sale price of your option). New buyer then exercises the option with original owner



Stamp Duty & Taxes - Selling Option to 3rd Party

- New purchaser pays Stamp Duty on execution of option contract with original owner & **stamp duty on sale price of option contract with you**
- You pay **income tax** on the sale proceeds of the option
- Any deposits in advance or option fees paid are typically released immediately to owner & **forfeited if option not exercised**



Phase 9 – Exercise of Option

- Option gives the right but not the obligation to proceed with the purchase – hence need to Formally notifying the seller that you are proceeding with the Option = **Exercising the Option**
- **Notice of Exercise Form** in the Option contract - Sign, date and lodge with seller (via your lawyer) – WITHIN the allowed timeframe (expiry date) and in the right manner (post, email ??)!
- **Very technical** process – needs lawyer support
- Potential for **seller remorse** since you significantly improved the value of their property – hence don't want any opportunity for them to get out of agreement



Phase 10 – Settlement

- Once Option exercised then **Sale Contract is signed** by ultimate buyer & the seller
- Sale contract terms come into effect –
 - ❖ Unconditional
 - ❖ X Days to settlement
- **Settle** as per normal sale contract
- **Proceed with deal** as per normal

The image shows a sample of a REIQ Contract For Houses and Residential Land, Form 1000, published by the Queensland Law Society. The form is titled 'Contract For Houses and Residential Land' and includes a section for 'Reference Schedule'. The form is divided into several sections: 'Vendor', 'Buyer', and 'Property'. Each section contains fields for Name, Address, Telephone, and Email Address. There are also checkboxes for 'Is an off-the-plan contract?' and 'Is the contract subject to a building contract?'. The form is numbered 'Page 1 of 8' and includes a date field for 'Date of Contract'.

QUESTIONS?