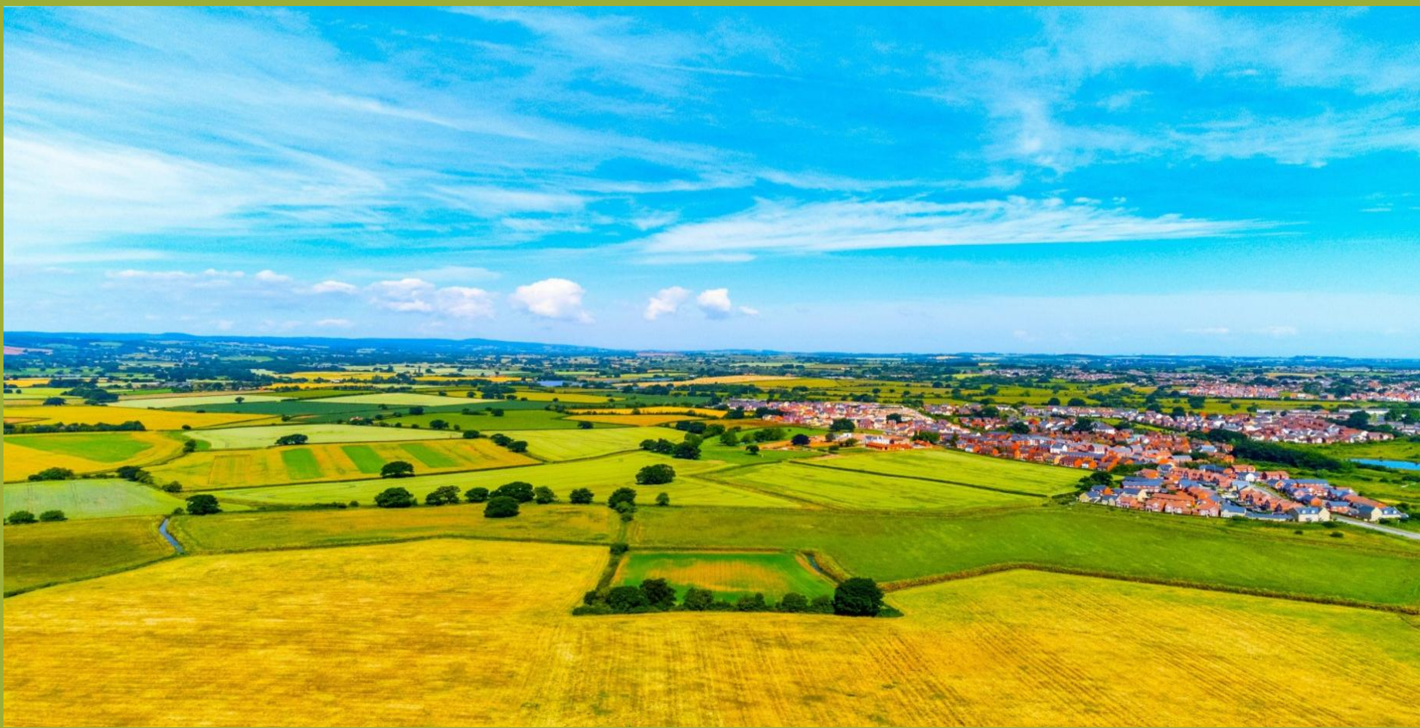
Maximising Returns for Landowners

Promotion Agreement vs Option Agreement

A Practical Guide for Landowners

How the two structures differ in planning control, sale method, pricing, risk and the landowner's eventual return.



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Promotion Agreement vs Option Agreement

A Promotion Agreement appoints a specialist promoter to fund and manage an agreed planning strategy while the landowner retains ownership. Following the agreed planning outcome, the land is normally marketed to competing purchasers and the promoter receives its contractual fee from the sale proceeds.

An Option Agreement gives a developer, housebuilder or investor the right to buy identified land during an agreed period. The option holder usually decides whether to exercise, and the purchase price is determined under the contractual formula rather than by an unrestricted open-market sale.

The core difference is who ultimately controls the purchase and how the land's value is tested after planning.

Why should landowners compare the two structures?

Both structures can provide planning expertise and funding, but they allocate control, risk and financial reward differently. The best route depends on the site, the planning strategy and the landowner's priorities.

- Understand whether the land will be marketed or sold to the party controlling it
- Compare promoter fees and recoverable costs with option discounts and deductions
- Match the agreement period, milestones and extensions to the likely planning route
- Protect retained land, access, services, future phases and ordinary land management
- Obtain independent legal, valuation, planning and tax advice before long-term control is granted

Where does the choice sit in the process?

Initial site review → compare commercial routes → negotiate heads of terms → agreement and title protection → planning work → permission or allocation → market sale or option exercise → completion

Read the full online Promotion Agreement vs Option Agreement Guide

Why the Choice of Agreement Matters

A Promotion Agreement and an Option Agreement can each control important planning, ownership and sale decisions for several years. Before choosing between them, the landowner should understand the development opportunity independently and decide which commercial outcome the agreement is intended to achieve.

The comparison should focus on the complete net result rather than one percentage or upfront payment. Planning duties, duration, extensions, costs, fees, discounts, valuation assumptions, marketing, exercise rights, assignment and retained-land protections can all materially change the outcome.

The parties are rewarded in different ways

A promoter is commonly rewarded by a fee linked to the sale proceeds achieved after planning. An option holder may benefit by acquiring the land at the price produced by the contract, which can include an agreed discount or other commercial advantage.

Open-market competition and formula pricing are not the same

Promotion normally tests purchaser demand through an agreed marketing process. An option normally applies a fixed, market-value, residual or hybrid formula. The valuation wording can therefore be as important as the headline discount.

Long-term control should be matched by performance duties

Whichever route is chosen, the agreement should contain measurable planning obligations, reporting, landowner approvals, a rational longstop, assignment safeguards and a clean release of the land and title if the arrangement ends.

Choose the structure that best aligns planning performance, market testing, risk and the landowner's objectives - not the one with the simplest headline terms.

Read: Land Promotion Agreements

Key Differences at a Glance

The heads of terms should be tailored to the site, planning route and landowner objectives. Generic labels can hide major differences in who controls planning, who ultimately buys the land, how value is established and what happens to retained land.

Ultimate Buyer
Promotion normally leads to a sale to a third-party purchaser. An option normally allows the option holder or its nominee to acquire the land.

How Value Is Tested
Promotion usually relies on competitive marketing. An option applies the fixed, market-value, residual or hybrid price mechanism written into the contract.

Commercial Reward
A promoter receives an agreed fee from the sale proceeds. An option holder may benefit from acquiring at a discount or other contractually advantageous price.

Planning Funding & Risk
Both can fund planning work. The agreement must define what is funded, what is recoverable and what happens if planning is unsuccessful.

Decision After Planning
Promotion normally moves into an agreed sale process. Under an option, the holder usually chooses whether and when to exercise the right to buy.

Landowner Safeguards
Minimum return, approvals, longstop, assignment, retained-land protection, title release and dispute provisions matter under both structures.

What should be compared in the heads of terms?

- **The initial term, extension events, milestones, reporting and ultimate longstop**
- **Planning objectives, minimum outcomes, appeals, consultation and landowner approvals**
- **Promotion fees, recoverable costs and interest compared with option discounts and deductions**
- **Open-market sale provisions compared with valuation, exercise and completion mechanics**
- **Access, drainage, services, construction effects and future rights over retained land**
- **Assignment, competing-site conflicts, title protection, default and release on termination**
- **Independent legal, valuation, planning and tax advice before binding terms are accepted**

The right comparison is the likely net landowner outcome under realistic planning and sale scenarios - not a simple comparison between a promoter percentage and an option discount.

How Promotion and Option Agreements Usually Work

The planning work may look similar under both structures, but the commercial route diverges after the agreed planning milestone. The agreement should define the decision-makers, reporting, approvals and financial mechanism before control is granted.

1. Site and ownership review - The planning position, access, constraints, title, occupation, retained land and realistic development route are assessed before headline terms are accepted.

2. Commercial routes compared - The landowner considers promotion, option, conditional sale, self-funded planning and other relevant structures with independent advisers.

3. Heads of terms and agreement - The period, planning duties, funding, price or fee, approvals, assignment, title protection and retained-land safeguards are negotiated and documented.

4. Planning and technical work - The promoter or option holder may undertake surveys, Local Plan promotion, pre-application work, a planning application and, where required, an appeal or challenge.

5. Agreed planning outcome - The contract identifies the permission, allocation or other event that activates marketing under promotion or permits valuation and exercise under the option.

6. Sale route and completion - Promotion normally leads to competitive marketing and a third-party sale. An option normally leads to the contractual price, exercise notice and purchase by the option holder or nominee.

The two routes may involve similar planning work, but the commercial path after planning can be fundamentally different.

Read: Land Option Agreements

Promotion Agreement vs Option Agreement: Detailed Comparison

The structures should be compared across the whole planning and sale journey. No single feature decides the answer: the strongest route is the one whose incentives, controls and financial mechanics best fit the site and the landowner's objectives.

Ownership During Planning

The owner normally keeps legal title under both structures, subject to restrictions, access rights and title protection in favour of the promoter or option holder.

Who Ultimately Buys?

Promotion normally results in a sale to the successful market bidder. An option normally results in purchase by the option holder, an assignee or nominee.

How Planning Is Funded

The promoter or option holder may advance agreed planning and technical expenditure. Cost definitions, budgets, interest and unsuccessful expenditure must be clear.

How the Price Is Established

Promotion uses the agreed marketing and bid-selection process. An option uses the contractual price formula, valuation assumptions, discount and permitted deductions.

Commercial Incentive

A promoter commonly benefits from a higher sale receipt. An option holder may benefit from securing control and buying below unrestricted market value.

Landowner Control & Approvals

Both should reserve proportionate approval over material planning, infrastructure, costs, access and retained land without preventing reasonable progress.

If Planning Fails or Time Expires

The agreement should define write-off or recovery of costs, transfer of useful work, termination, release of title entries and obligations that survive.

Typical Strategic Fit

Promotion can suit an owner prioritising market competition. An option can suit land with an identified natural buyer and a fair, carefully tested price mechanism.

Neither structure is automatically better in every case. A well-drafted option can suit land with a natural buyer and a fair price formula, while promotion can suit an owner who prioritises market competition and alignment around the sale proceeds.

What Does Each Structure Mean for the Landowner?

Both agreements normally allow the landowner to retain title during planning while granting another party substantial control. The practical restrictions, financial return and route to sale should be understood before the agreement is signed.

1. **Ownership is normally retained - The landowner remains registered owner until the eventual sale completes.**

2. **The land is controlled for a period - Sales, charges, leases and competing planning action may be restricted.**

3. **Planning strategy is delegated - The agreement defines who commissions work, makes submissions and reports.**

4. **Financial return depends on the contract - Costs, fees, discounts, deductions and assumptions must be modelled.**

5. **The route to sale differs - Promotion markets the land; an option gives the holder a contractual right to buy.**

6. **Assignment and conflicts need safeguards - Control may pass or competing sites may affect priorities.**

7. **Retained land must be protected - Access, services, drainage, construction and future phases need clear rights.**

Both structures are long-term planning and land-control arrangements. The difference lies in the sale route, price mechanism and commercial incentive after planning.

Read: Land Promotion Agreements

Read: Land Option Agreements

Planning Control, Delay, Assignment and Exit

Planning can be delayed by Local Plan changes, technical evidence, consultation, refusal, appeal, infrastructure or market conditions. The agreement should distinguish genuine external delay from inactivity and state the maximum period for which the land can remain controlled.

Assignment, change of control and competing-site interests can also affect performance. The landowner should know who may take over the agreement, whether the original party remains liable and how conflicts will be disclosed and managed.

A focused agreement should address:

- A written planning strategy, measurable milestones, reporting and evidence of active progress
- Defined extension events, notice requirements, additional payments and an ultimate longstop
- Landowner approval of material planning, infrastructure, budget and retained-land decisions
- Assignment, change of control, nominee rights, competing sites and continuing financial standing
- Title protection, lender and occupier consents, survey access, damage and reinstatement
- Default, cure, termination, transfer of useful work product and prompt release of the land and title

Expiry should restore control

Promotion and option rights may be protected by notices or restrictions against the registered title, and qualifying contractual-control rights may create separate information duties. Current conveyancing advice should identify what must be protected, reported, varied or released. When the agreement ends, title entries should be removed promptly and continuing liabilities and use of planning material should be clear.

A long-term agreement should have a measurable route to progress and a clean release of the land, title and useful planning material when it ends.

How Do the Agreements Affect Land Value and Net Sale Proceeds?

Both structures may fund planning work that improves the development prospects of the land. Neither guarantees permission, a sale or a particular receipt, and the contract determines how costs, risk and any planning uplift are shared.

The value remains site-specific. Capacity, access, infrastructure, affordable housing, planning obligations, abnormal costs, phasing, conditions, market demand and the effect on retained land can all change the amount ultimately available to the owner.

Promotion tests the market; an option applies the contract

Under promotion, competing purchasers can bid on the consented opportunity, subject to the agreed marketing and selection process. Under an option, a valuer or formula may apply defined assumptions, deductions and a discount without exposing the land to unrestricted competition at exercise.

Model the net receipt, not just the headline percentage

The landowner should model gross proceeds, recoverable promotion costs, promoter fee, option discount, permitted deductions, interest, deferred payments, overage, phasing, retained-land liabilities and tax. Independent valuation, legal and tax advice remain important throughout.

The strongest terms protect a defensible net landowner receipt after costs, fees, discounts, deductions, timing and retained-land consequences are taken into account.

Find Out What Your Land May Be Worth

How Value My Land Can Help

Value My Land can review the development opportunity, compare the proposed promotion and option structures and identify the planning and commercial issues that should be examined before long-term control is granted. The review is tailored to the individual site and the landowner's objectives.

Free Planning Assessment
We review the site location, policy position, access and principal constraints before a long-term agreement is considered.

Agreement Comparison
We compare the promotion and option structures against the site, likely planning route and the landowner's objectives.

Commercial Scenario Review
We examine how fees, costs, discounts, deductions, marketing and valuation assumptions may affect the net receipt.

Heads of Terms Observations
We highlight planning, control, timing and retained-land points for consideration by the landowner and independent advisers.

Promotion Route
Where appropriate, we can discuss a funded Promotion Agreement leading to planning work and an open-market sale.

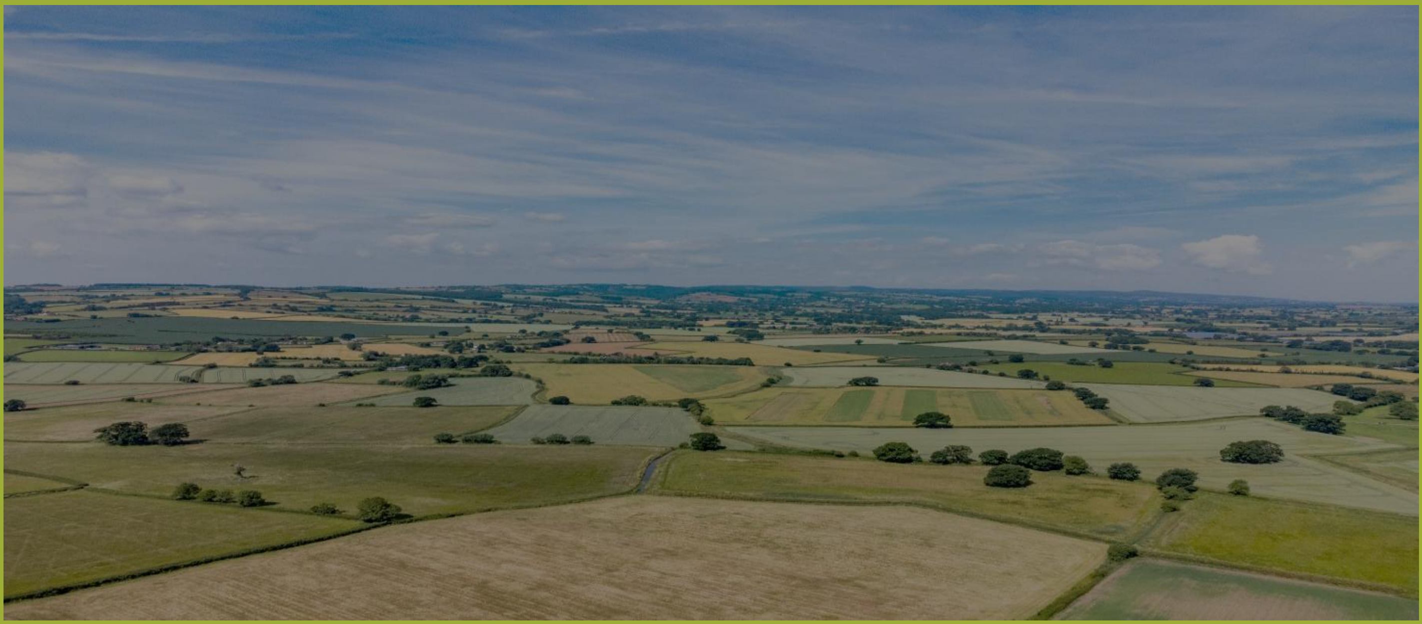
Clear Next Steps
We explain the site information, professional advice and evidence that should be obtained before binding terms are agreed.

Our Promotion Agreement Route

Where appropriate, Value My Land can fund and manage the agreed planning and promotion process at our own cost and risk. If the agreed planning outcome is not secured, the promotion costs are written off in accordance with the agreement.

Following planning success, the land is normally marketed to competing third-party purchasers. Our remuneration is linked to the sale proceeds achieved, while the landowner retains ownership until sale. Independent legal, valuation and tax advice should be obtained before any agreement is completed.

Request a Free Agreement Review



Which Agreement Is Right for Your Land?

If you have been approached by a developer, promoter or housebuilder, send Value My Land the site location and any proposed heads of terms for a free, no-obligation initial review of the planning opportunity and the commercial issues to compare before granting long-term control.

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Delivering Sustainable Development

Further reading: Promotion Agreement vs Option Agreement | Land Promotion Agreements | Land Option Agreements | Land Value With Planning Permission

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