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# What Are the Differences Between a Right of First Refusal, Right of First Offer and Option?

In the real estate context, a Right of First Refusal (ROFR) and a Right of First Offer (ROFO) are contractual rights that permit the purchase of property, or the lease of space, upon the occurrence of certain events, often referred to as trigger events.

A ROFR is commonly triggered when a property owner receives an acceptable offer to lease or purchase from a third party. Prior to accepting the third party offer, the property owner must allow the holder of the ROFR to either lease or purchase (as applicable) the subject property either upon the same terms and conditions contained in the third party offer or upon terms otherwise specified in the parties' ROFR agreement. The owner may only proceed with selling or leasing the property to the third party if the holder of the ROFR does not timely exercise its right to purchase or lease the property.

A ROFO is commonly triggered when a property owner elects to make his or her property available for purchase or lease. The property owner must "first offer" to sell or lease (as applicable) the subject property to the holder of the ROFO on terms and conditions that are determined by the owner. If the holder of the ROFO does not timely exercise its right to purchase or lease the property, the property owner may proceed to offer the subject property for sale or lease to third parties.

Similarly, an option is a right granted to a party that permits, but does not obligate, such party to purchase or lease property at a specified price within a specified time period. As consideration for such right, the option holder will typically pay a fee (or provide other consideration) to the landowner.

The main difference between an option, on one hand, and ROFR and ROFO, on the other, is that an option holder has the right to unilaterally compel the landowner to convey or lease property at any time during the option period. In contrast, the ROFR or ROFO holder only has the right to compel conveyance or lease of property after the ROFR or ROFO is triggered. In effect, a ROFR and ROFO are types of options that are contingent upon the applicable trigger events.

A carefully drafted agreement can greatly reduce the risk of future disputes between parties when dealing with a ROFR, ROFO or option. For assistance in drafting or reviewing this type of agreement, contact your Reinhart attorney or any member of [Reinhart's real estate group](https://www.reinhartlaw.com/practices/real-estate).

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