

Why Homebuilders Must Carefully Structure Arbitration Clauses in Contracts

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Arbitration clauses in home purchase agreements and warranties can be powerful tools for resolving disputes efficiently. But as highlighted in a recent Florida appellate case, *Osborne v. Drees Homes of Florida*, it's essential to structure these clauses carefully and clearly define their scope. Here's why:

- 1. Clarity Is Crucial:** In *Osborne*, the court found that not all homeowner claims were covered by the builder's arbitration clause. If your arbitration agreement is not clearly limited or broad enough, you may face litigation over issues you thought would be resolved in arbitration.
- 2. Specificity Prevents Surprises:** Clearly specify which disputes are subject to arbitration—whether it's only those related to warranty claims, construction defects, or broader home-related issues. Vague language can leave room for interpretation and potential court battles.
- 3. Transferability Matters:** Many homes change hands within a warranty period. Ensuring that arbitration provisions are transferrable and binding on subsequent buyers can save your company from unexpected litigation with second owners.
- 4. Stay Updated on Legal Standards:** Arbitration laws can vary by jurisdiction and change over time. Periodic review of your contract terms with legal counsel ensures compliance and enforces your intention to arbitrate disputes.

For homebuilders, a well-crafted arbitration clause isn't just a legal formality—it's a critical component of risk management. Review and refine your contracts regularly to protect your business and avoid costly surprises in court.

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