INSIGHTS + NEWS

Paul Bauer Writes "Real Legal: Silicon Valley Bank Closure Impact on Lease Security" for The Real Reporter

BY PAUL C. BAUER • MARCH 30, 2023

The failure of Silicon Valley Bank (SVB) is receiving thorough media coverage. The FDIC has formed Deposit Insurance National Bank of Santa Clara to serve as a "Bridge Bank" to provide customer access to certain deposit accounts and to facilitate the liquidation of SVB. A more specific impact relating to the real estate industry, however, is worth noting. In his article, "Real Legal: Silicon Valley Bank Closure Impact on Lease Security" in *The Real Reporter*, Paul Bauer discusses how commercial landlords will be affected by the closure of SVB. Here is an excerpt:

> SVB is well-known for its startup focus in the technology and life science world. When leasing real estate to startup companies that do not have cash flow, landlords typically require security deposits that can range from small five figures to millions of dollars depending on the tenant improvements and other cash outlays that the landlord may invest in the property. For mid-size and larger security deposits, both landlords and tenants often prefer that the tenant obtain a letter of credit for the security deposit rather than posting cash.
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> A letter of credit is basically the obligation of the issuing bank to advance up to a certain amount of funds to a third party, here the landlord, if the tenant defaults on its lease obligations.
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> With SVB now in receivership, what does this mean?

Continue reading the full article "Real Legal: Silicon Valley Bank Closure Impact on Lease Security" on the *The Real Reporter* website.

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