



# COMMERCIAL REAL ESTATE INSIGHT & NEWS

The Bowditch & Dewey Real Estate Blog

## George Tetler Writes “Advice: Silicon Valley Bank closure impact on lease security” for the Worcester Business Journal

BY GEORGE W. TETLER III • MARCH 20, 2023

The federal government may have taken the extraordinary step of protecting all consumer deposits at the now shuttered Silicon Valley Bank, but it’s still unclear whether real estate companies will get stuck with millions of dollars of worthless leases from startups.

Many startups secured their commercial leases by borrowing money from Silicon Valley Bank. Since the companies had no cash flow and couldn’t put down security deposits, the bank issued letters of credit to the startups’ landlords. The letters of credit ranged from small five figures to millions of dollars. If the startup defaulted on its lease obligations, the bank would have to pay the landlord the hefty security deposit.

With Silicon Valley Bank now in receivership, George Tetler discusses what this means for landlords, as well as the preliminary actions landlords and tenants should take, in his article “Advice: Silicon Valley Bank closure impact on lease security” in the *Worcester Business Journal*. Here is an excerpt:

At this point in time, a landlord holding a letter of credit issued by the bank will not be able to get any money from it. It is possible that another entity will acquire most of the bank’s assets or that the Federal Deposit Insurance Corp. will opt to sell portfolios of the bank’s loans. Under these scenarios, existing letters of credit would presumably continue to secure leases.

While we wait to see what happens in the next couple of days, landlords and tenants on leases secured by SVB letters of credit should take preliminary actions.

Continue reading the full article “[Advice: Silicon Valley Bank closure impact on lease security](#)” on the *Worcester Business Journal* website (subscription required).

