

Commercial Real Estate

Surety Bonds: An Alternative Security for Leases

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Article

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As businesses adapt to the ever-changing market, tenants increasingly are attempting to reduce their costs when it comes to real estate. One way that tenants can do this is through the use of surety bonds as the security for leases.

Surety bonds provide for a third-party contractual guaranty, requiring the surety to pay if the principal to a contract defaults. Surety bonds have long been used in the construction context due to their simplicity and the general success with enforcement of the surety bonds. Recently, tenants have started to request to use surety bonds instead of a security deposit, letter of credit or personal guaranty due to the fact that surety bonds can be cheaper and they do not require the tenant to tie up the same amount of capital as a letter of credit or security deposit.

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