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'Storage King' of USA Launches Lending Business

Andover Properties' Brian Cohen launched Andover Storage Lending with $300M for bridge and construction loans

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sovereign of self-storage lending.

Brian Cohen's **Andover Properties**, which owns a portfolio of $2.8 billion worth of self-storage sites, manufactured housing communities, RV parks and car washes, announced this week that his firm is launching **Andover Storage Lending**, an origination vehicle specializing in nonrecourse bridge and construction lending in the self-storage sector.

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Cohen told CO that his origination arm is funded by institutional investors and capitalized with $300 million, providing capacity to make up to $600 million in loans. The firm has already agreed to loans totaling $100 million over six deals in recent weeks, including its first loan to **Madison Capital | Go Store It** to refinance a Class A self-storage facility in Richmond, Va.

"We know what it's like to be a borrower, we know the heartaches, especially with some of the local and regional banks and the red tape you have to go through," said Cohen. "We know how to take away that friction. We see ourselves as easy to work with, and we don't want to make this complicated."

Together with investment partners at **Angelo Gordon**, **Fir Tree Partners** and **Blackstone (BX)**, Cohen has executed the purchase of more than 80 self-storage and alternative asset class properties since 2018. Andover Properties' portfolio today exceeds 13.5 million rentable square feet across 162 facilities in 18 states.

"One benefit of being in the self-storage industry is, just like hotels, you know generally all the owners," said Cohen. "I have good relationships with all our competitors, and we work with mortgage brokers who specialize in our space both by utilizing them for our own borrowing and in this lending capacity."

"You can get bank financing at 250 over, so there's an element to why people want to use bank financing," conceded Cohen. "But I know from being a borrower, I don't like signing recourse loans, you never know where the world will go, and we've seen a lot of people have had to pay on their recourse in 2009, 2010 and 2011 [post-GFC]."

Recourse loans allow a lender to seize additional assets if the borrower's debt surpasses the property value; nonrecourse loans protect a borrower by limiting a lender's clawbacks to collateral specified in the loan agreement, even if the value of that collateral is less than the outstanding debt.

Not only are many commercial and regional banks mainly offering full recourse or partial recourse loans, these banks are also now requiring borrowers to deposit 10 percent to 20 percent of their loan balance in the bank and to keep an account for the life of the loan, Cohen said.

Moreover, Cohen emphasized the failures of **First Republic Bank** and **Silicon Valley Bank** in spring 2023 informed his conclusion that capital for CRE investment is flocking out of the traditional banking system and into private sources of financing. To this end, his team began preparing in late 2023 to create a lending vehicle to take advantage of a demand for new debt financing in the self-storage marketplace.

homes or moving into new ones, the self-storage business that boomed during the pandemic has fallen back to Earth. Cohen told CO that this lack of housing mobility has trapped self-storage in a low-demand environment, and that the low demand is now working against operators and the projects they are trying to lease up.

"We still think there's a lot of value for borrowers to create. But right now when rents are low and demand is low, that 90 percent LTV is playing true for this point in time," he said. "But we see there's a lot of growth going forward."

While he's not sure how long Andover Properties will play in the lending space, the "Storage King" is prepared to spend at least three years presiding over this new capital markets kingdom.

"We think the next three years should be a great avenue to make our investors anything from low teens to mid-teens returns just from lending money out to very good borrowers in this space we understand well," he said. "I don't suspect we'll be in the lending business forever, but we think there's a point in time that there's a gap in capital and we can fill that void."

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