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KCP Insights: Rates Spike on Oil Shock

Welcome to the March 2026 issue of KCP Insights. Our newsletter covers the latest in KCP's industry-leading research, analysis, and CMBS news.

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Markets Wrap

Interest rates increased sharply in March, largely driven by higher inflation expectations tied to the recent surge in oil prices amid supply disruptions in the Middle East. Markets are now pricing in a 3.7% probability of a rate hike by December 2026, with the most likely outcome remaining no change (75.4%).

In securitized markets, private label commercial mortgage-backed securities (CMBS) issuance slowed to \$26.7 billion year-to-date (YTD) through March 13, down from \$32.8 billion over the same period in 2025. In contrast, commercial real estate collateralized loan obligations (CRE CLO) issuance is running ahead of last year at \$13 billion YTD, up from \$7.4 billion.

KBRA Loan of Concern (K-LOC) Index

K-LOC Index 27.00% ↓ | **K-LOC Count 3,173 ↓** | **K-LOC Balance \$82.57 Billion ↓**

The [KBRA Loan of Concern \(K-LOC\) Index](#), KCP's primary metric to measure stress in the CMBS conduit market, decreased to 27.00% in January 2026 from 27.05% in December 2025. We identified 94 new loans as K-LOCs with an unpaid principal balance (UPB) of \$1.8 billion.

The K-LOC designation identifies loans that are in default or at heightened risk of default, based on KCP's proprietary research and analysis.

From the Sidewalk—Eyes on Lower Manhattan Retail Values

Recent appraisals across Lower Manhattan retail assets underscore the magnitude of repricing, even in relatively resilient corridors such as SoHo. For retail K-LOCs in this market, KCP's concluded values are down an average of 53% from issuance appraisals. Among stabilized assets in stronger submarkets, valuation declines appear linked to structural shifts in capital markets, including tighter underwriting standards stemming from higher assumed vacancy and lower effective rents. Meanwhile, assets in more challenged corridors continue to face operational headwinds, including diminished pricing power on rents and weaker tenant sales.

In one such example, [170 Broadway](#)—a 16,134 sf retail condominium in Manhattan's Financial District—is fully leased to apparel retailer The Gap, which has reportedly experienced lower tenant sales. Uncertainty over the property's future performance has contributed to the loan's transfer to the special servicer, which installed a receiver.



An updated appraisal completed in October 2025 reflected a 60% decline from the issuance appraisal. Elsewhere, the 7,500 sf, two-unit retail condominium at [115 Mercer](#) in SoHo resolved a vacancy problem after one of the empty units was backfilled in 2022, which contributed to an increase in the appraised value of the real estate owned (REO) property. The special servicer plans to market the asset for sale later this year as submarket rents improve and vacancy pressures ease.

Payoff and Default Rates: February 2026

In February 2026, 127 non-defeased loans (\$2.33 billion) matured, of which 55.02% (57 loans; \$1.28 billion) by UPB defaulted at maturity. The default rate for loans collateralized by retail was 70.7%, followed by lodging (58.1%), office (40.2%), and multifamily (26.8%). The paid off cohort comprises 70 loans (\$1.05 billion) with February maturities, including 22 (\$362.2 million) that paid off ahead of schedule.

A total of \$37.89 billion (2,166 loans) is scheduled to mature over the next 12 months. More than one-half of the maturing balance comprises retail (29.03%) and office (27.08%) loans.

KCP Attends CREFC's High-Yield, Distressed Assets, & Servicing Conference

Read our full [recap](#) of the conference. The event attracted more than 300 CRE professionals and featured five panels and one-on-one discussion. Some of our key takeaways include:

- Private credit continues to expand in CRE, helping to fill refinancing gaps as banks remain selective, with roughly \$3 trillion of CRE loans maturing over the next several years.
- Credit markets remain constructive, while becoming more cautious entering 2026, as macro volatility and geopolitical uncertainty reinforce the need for disciplined underwriting.
- The recovery of New York City office remains bifurcated, with trophy assets attracting tenants and capital while older properties face vacancy and refinancing challenges.
- Office-to-residential conversions—amid limited new supply—are gradually reducing inventory, improving fundamentals for the highest-quality office buildings.

Saks Global Announces Additional Q1 2026 Closures

Saks Global Holdings LLC has announced additional store closures as it continues to navigate Chapter 11 bankruptcy. On March 6, 2026, the company announced a third round of store closures, with plans to shutter 12 Saks Fifth Avenue and three Neiman Marcus stores by May 2026. These actions follow the company's initial plan to close 57 of its 69 Saks OFF 5TH locations, along with its five remaining Neiman Marcus Last Call stores, in January 2026. The latest closures leave 13 Saks Fifth Avenue, 32 Neiman Marcus, and three Fifth Avenue Club locations in operation.

KCP identified 11 properties—\$4.2 billion by allocated loan amount (ALA)—collateralizing eight loans in 14 CMBS transactions with exposure to Saks Fifth Avenue and Neiman Marcus closures announced in February and March 2026. KCP subscribers can access that list [here](#). CMBS exposure to the entire Saks Global store portfolio is available [here](#).

The Credits Roll for IPIC

IPIC Theaters, LLC filed for Chapter 11 protection on February 25. In a press release, IPIC stated that it intends to pursue a court-supervised sale while continuing operations at its 13 theaters. While IPIC indicated it plans to operate during the sale and restructuring process, WARN notices and related disclosures suggest that select locations could face closure absent a successful sale or lease adjustment.



KCP identified three properties—\$591.5 million by ALA—collateralizing three loans in 13 CMBS transactions with exposure to IPIC tenancies. KCP subscribers can access that list [here](#).

Grocery Outlet Closures Reach CMBS

Grocery Outlet announced in early March plans to close 36 underperforming stores, representing 6% of its store base, as part of an optimization and restructuring effort. Management noted that 24 of these closures are on the East Coast, where the company acknowledged it had expanded too aggressively.

KCP identified 25 properties—\$471.1 million by ALA—collateralizing 16 loans in 24 CMBS transactions with exposure to Grocery Outlet tenancies. KCP subscribers can access that list [here](#).

Recent Credit Alerts

Philadelphia Office Trades at a Steep Discount

The 1.8 million-sf [1500 Market Street](#) property securing [JMPC 2020-MKST](#) sold for \$94 million (\$53/sf), near our concluded value of \$87.2 million (\$50/sf), marking a steep discount for one of Center City Philadelphia's largest distressed office assets. Buyer PMC Property Group, together with investor Dean Adler, plans a mixed-use redevelopment that could include an apartment conversion, a 300-room hotel, renovated office space, and wellness-focused ground-floor retail.

PFHP REO Hotel Portfolio Reappraised

A January 2026 appraisal for the \$178.5 million [PFHP Portfolio](#) asset ([CSMC 2017-PFHP](#)) valued the remaining collateral at \$101.3 million (\$73,900/key). The remaining REO portfolio comprises 10 properties totaling 1,370 keys following the release of 10 properties between December 2024 and December 2025.

Carlyle Preserves Occupancy at 245 Park

In March 2026, SL Green announced that a global investment firm, later identified as The Carlyle Group, signed a 10-year lease at [245 Park Avenue](#) ([PRKAV 2017-245P](#), multiple conduits) for 150,036 sf (9%). The space, located on floors 23 through 26, was previously leased to Angelo Gordon through February 2031; however, the tenant was acquired by TPG in November 2023 and announced plans in November 2024 to lease over 300,000 sf in Hudson Yards, relocating from 245 Park Avenue and 888 Seventh Avenue.

Previous Newsletters

- [KCP Insights: Cautious Fed, Shifting CRE, and Retail Fallout](#)
- [KCP Insights: Retail Closures and Chapter 11 Bankruptcies](#)
- [KCP Insights: U.S. Job Growth Tops Forecasts](#)
- [KCP Insights: CPI Reading Reinforces Rate Cut Expectations](#)
- [KCP Insights: Yields Decline as Markets Bet on Fed Cuts](#)
- [KCP Insights: Issuance Gains Momentum Despite Fiscal Uncertainty](#)
- [KCP Insights: Issuance Slows Amid Market Volatility](#)



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