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Checkout Trouble: Grocery Outlet Closures Reach CMBS

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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.

KBRA Credit Profile (KCP), a division of KBRA Analytics, reviewed its commercial mortgage-backed securities (CMBS) coverage and identified 25 properties securing 16 loans—\$471.1 million by allocated loan amount—across 24 transactions with exposure to Grocery Outlet tenancies. KCP subscribers can access the full list [here](#). Of the identified CMBS exposure, stores at two properties are slated for closure: [Hamilton Commons](#) (4% tenancy; [BBCMS 2021-C12](#) and [BBCMS 2022-C16](#)) and [Millside Plaza](#) (26% tenancy; [CSAIL 2015-C3](#)). KCP research indicates the Grocery Outlet at Hamilton Commons opened in March 2024, while its lease at Millside Plaza is scheduled to expire in April 2032.

The store closure announcement follows a challenging operating period for Grocery Outlet. In Q4 2025, the company reported an operating loss of nearly \$235 million and a net loss of more than \$218 million, while comparable-store sales declined by roughly 1%. Despite these results, management continues to position Grocery Outlet as a growth retailer. Fiscal 2026 guidance calls for 30 to 33 new store openings and a more disciplined expansion strategy focused on improving returns and clustering in core markets.

KCP will continue to monitor developments related to Grocery Outlet and report on potential implications for CMBS collateral.



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