November 2026

KCP Insights: Treasury Yields, Life Sciences Stress, and Maturity Defaults

Welcome to the November 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

U.S. Treasury yields experienced heightened volatility over the past month as persistent inflation, stronger-than-expected economic data, and expectations for additional Federal Reserve tightening influenced investor sentiment. The Fed maintained its benchmark interest rate target at 3.75%-4.00% during its October meeting, although elevated energy prices and signs of continued economic expansion have reinforced expectations for further rate increases. Meanwhile, federal borrowing needs and steady Treasury issuance continue to influence longer-term yields.

In securitized markets, year-to-date (YTD) private label commercial mortgage-backed securities (CMBS) issuance through November 16 reached $117.1 billion, up from the $111 billion recorded over the same period last year. Commercial real estate (CRE) collateralized loan obligation (CLO) issuance also remains active, reaching $39 billion YTD, up from $26.8 billion over the same period in 2025.

KBRA Loan of Concern (K-LOC) Index

K-LOC Index 26.76% ↓ | **K-LOC Count 3,112 ↓** | **K-LOC Balance $81.80 Billion ↑**

The KBRA Loan of Concern (K-LOC) Index, KCP's primary metric to measure stress in the CMBS conduit market, decreased slightly to 26.76% in September 2026 from 27.29% in August 2026. We identified 88 new loans as K-LOCs with an unpaid principal balance (UPB) of $2.31 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.

KBRA Analytics Event

KCP was pleased to participate in KBRA Analytics' Distressed Credit Outlook: Signals, Stress & Opportunity event in New York City on November 10, 2026. Our team led a discussion on emerging CMBS credit stress, key trends across commercial real estate, and insights from KCP's K-LOC Index. We enjoyed the opportunity to share our perspectives and connect with market participants. Click here to view highlights from the event.

Pulse Check on Life Sciences

The U.S. life sciences real estate sector continues to face challenges following rapid expansion as elevated vacancy, declining rents, and subdued leasing demand weigh on major markets. Strong venture capital investment and biotechnology growth expectations fueled speculative laboratory development in the early 2020s, but tighter funding conditions, tenant consolidations, and new supply have contributed to sector instability. According to CBRE, the national laboratory and research and development vacancy rate declined 10 basis points quarter-over-quarter to 23.4% in Q3 2026, though net absorption turned positive for the first time in three quarters. Average asking rents, however, declined 7.2% year-over-year, underscoring continued pressure on property owners.

Boston/Cambridge, historically one of the nation's largest life sciences hubs, has been particularly affected by excess supply. Vacancy held steady at 35.4% in Q3 2026, according to Colliers, but elevated availability continues to pressure rents and increase competition. Cambridge asking rents have declined approximately 25% from peak levels, while tenant improvement allowances for long-term leases on first-generation space have roughly doubled over the past four years, now ranging from $325/sf to $400/sf. These pressures are also evident in CMBS collateral, with 19.5% of loans by balance secured by Boston-area life sciences properties designated as K-LOCs.

The $598.6 million BMR Pool (LIFE 2021-BMR) illustrates sector headwinds. Its six remaining properties total approximately 846,000 sf across Cambridge, San Diego, and the San Francisco Bay Area, including four in Cambridge. Portfolio occupancy declined to 75% as of September 2025 from 94% at year-end 2023, with 320 Charles Street fully vacant and 210 Broadway 32% occupied. An April 2026 appraisal valued the remaining collateral at $700.7 million ($828/sf), down 33% from the aggregate issuance appraisal of $1.05 billion ($1,239/sf).

Declining construction activity and improving funding conditions may support stabilization, but elevated inventory, substantial leasing concessions, and upcoming lease rollover remain challenges for CMBS collateral, particularly properties financed at peak valuations. A recovery in tenant demand could improve fundamentals, but borrowers' ability to address upcoming maturities and fund the cost of re-tenanting specialized laboratory space will remain important to credit performance.

Payoff and Default Rates: October 2026

In October 2026, 174 non-defeased loans ($3.31 billion) matured, of which 52.35% (111 loans; $1.73 billion) by unpaid principal balance (UPB) paid off. This cohort includes 47 loans ($792.7 million) that were paid off ahead of schedule. Meanwhile, 47.65% (63 loans; $1.58 billion) defaulted at maturity, including loans that were already in payment default or special servicing. Among major property types, office had the highest maturity default rate of 77.72%, followed by retail (31.10%), multifamily (26.35%), and lodging (25.25%).

A total of $39.31 billion (2,193 loans) is scheduled to mature over the next 12 months. More than one-half of the maturing balance comprises office (29.70%) and retail (22.59%) loans.

Recent Credit Alerts

Phoenix Office Building Trades at Premium to 2018 Valuation

Concord Place (UBSCM 2018-C8), a 134,432 sf, Class A office building in Phoenix, Arizona, was sold for $32 million ($238/sf) in November 2026 to a Gilbert, Arizona-based buyer. The sale price represents a 45% increase from the property's $22 million ($164/sf) appraisal value at issuance. The property was 93% occupied as of June 2026 and reported a DSCR (NCF) of 2.83.

Bridgewater Commons Loan Defaults at Modified Maturity

The $235.4 million Bridgewater Commons loan (GSMS 2012-BWTR) failed to repay at its modified October 2026 maturity and was transferred to special servicing. The loan is secured by a 563,615-sf portion of a super-regional mall in Bridgewater, New Jersey. A $48.8 million principal curtailment in 2025 facilitated the loan's extension through October 2026. Despite an additional $3.4 million principal curtailment in October 2026, the loan appears to have failed to qualify for its remaining extension option to October 2027, which requires a minimum debt yield of 9.25%. Previous local news reports indicated that sponsor Pacific Retail Capital Partners intended to refinance the outstanding debt in 2027.

San Francisco Centre Finds New Prospective Buyer

Seven Equity Group has reportedly been selected to acquire Westfield San Francisco Centre (DBJPM 2016-SFC, multiple conduits) in the latest bidding process for the shuttered mall. The mall has remained vacant since its January 2026 closure and was acquired by the lender through foreclosure in November 2025. The sale is expected to close in Q1 2027.

For past alerts, visit KCP's research portal here.

Previous Newsletters

- KCP Insights: Inflation Pressures Keep Treasury Yields Elevated
- KCP Insights: 10-Year Treasury Tops 5%
- KCP Insights: CMBS Resolutions Lean on Assumptions
- KCP Insights: Rates Spike on Oil Shock
- KCP Insights: Cautious Fed, Shifting CRE, and Retail Fallout
- KCP Insights: Retail Closures and Chapter 11 Bankruptcies

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