

January 2026

KCP Insights: Retail Closures and Chapter 11 Bankruptcies

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

CONTACTS

Michael Butkerait
Senior Analyst
+1 215-882-5441
michael.butkerait@kbra.com

Maverick Force
Senior Director
+1 215-882-5904
maverick.force@kbra.com

Patrick Czupryna
Managing Director
+1 215-882-5854
patrick.czupryna@kbra.com

Mike Brotschol
Managing Director
+1 215-882-5853
mike.brotschol@kbra.com

SALES CONTACT

Marc Iadonisi
Managing Director
+1 215-882-5877
marc.iadonisi@kbra.com

Markets Wrap

The final numbers are in, and 2025 was a banner year for commercial mortgage-backed securities (CMBS) issuance. Private label volume totaled \$125.8 billion, the highest level since the global financial crisis, representing an 18.6% year-over-year increase. Growth was driven largely by strong investor demand for single-borrower (SB) deals, which totaled \$91.1 billion and represented 72.5% of issuance, with the remainder coming from conduits. Commercial real estate (CRE) collateralized loan obligation (CLO) issuance also increased sharply, finishing the year at \$30.6 billion, about 3.5x the 2024 total.

Looking ahead to 2026, issuance is expected to maintain this strong momentum. KBRA forecasts private label CRE securitization volume to reach \$143 billion, comprising \$38 billion of conduit issuance and \$105 billion of SB. CRE CLO issuance is projected to reach \$40 billion.

In Case We Missed You at CREFC Miami

The KCP team enjoyed connecting with many of its clients at CREFC Miami. For those who were unable to attend, we would welcome the opportunity to connect. Please reach out to Marc Iadonisi at marc.iadonisi@kbra.com to schedule time to review the platform and learn more about our latest features.

Explore the New KCP Webpage

The KCP landing page has been enhanced to better showcase platform capabilities and provide access to select news and research. At its core, KCP continues to deliver actionable intelligence to help users monitor risk, identify opportunity, and respond to changing CRE conditions through loan-level surveillance, broad CMBS and CRE CLO coverage, and timely research.

Tools such as custom portfolios, exposure groups, advanced loan and property search, and comparative analytics remain central to subscriber workflows. Explore the updates now and share with colleagues who may be less familiar with the platform: kbra.com/analytics/products/kcp.



KBRA Loan of Concern (K-LOC) Index

K-LOC Index **27.32% ↑**

K-LOC Count **3,210 ↓**

K-LOC Balance **\$83.12 Billion ↑**

The [KBRA Loan of Concern \(K-LOC\) Index](#), KCP's primary metric to measure stress in the CMBS conduit market, increased to 27.32% in November 2025 from 27.02% in October 2025. We identified 98 new loans as K-LOCs with an unpaid principal balance (UPB) of \$1.91 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.

Phantom Mezzanine Leverage: CMBS Case Study

In a limited number of CMBS loans, associated mezzanine debt includes payment-in-kind (PIK) elements or other forms of deferred interest that can mask the true cost of leverage and elevate default risk. Harborside Plaza illustrates this dynamic, as the office property is supported by a complex capital stack, with full repayment of the associated debt contingent on the successful repositioning of the asset. Two of the three buildings—[Harborside 2 and 3](#), totaling approximately 1.6 million sf—were financed through a multilayered structure consisting of a \$225 million mortgage participated across eight 2023 conduit transactions, a \$55 million mezzanine loan, and preferred equity. The mezzanine loan requires interest of 7.00% on a current-pay basis, with an additional 3.50% accruing through maturity and a 2.29% PIK component that will be capitalized into additional mezzanine principal if the combined Harborside 1-3 complex fails to reach 75% occupancy by April 2028. Harborside 2 and 3 were 72% occupied as of June 2025, roughly unchanged from issuance, and the 400,000 sf Harborside 1 building remains entirely vacant.

KCP estimated accrued mezzanine interest of \$5 million as of November 2025 and projects the figure to rise to \$9.8 million by maturity, with an additional \$6.4 million becoming payable if the occupancy threshold is not achieved. This accrual is occurring alongside weaker collateral performance as annualized net cash flow (NCF) for the six months ended June 2025 was 37% below the originator's underwritten assumption. On a paid interest basis, the debt service coverage ratio (DSCR) has declined to 1.15, and treating the deferred interest as current-pay would push hypothetical coverage closer to breakeven, underscoring the elevated credit risks associated with the incremental leverage.

Mezzanine debt is a higher-cost layer that must be paid before equity, raising default risk if cash flow or value weakens. Mezzanine debt can complicate stakeholder alignment, prolonging resolution timelines and increasing potential workout costs.

Macy's Announces Q1 2026 Store Closures

Macy's, Inc. (Macy's) disclosed plans in January to close 14 stores as part of its ongoing Bold New Chapter initiative. The announcement represents a continuation of the company's previously outlined store rationalization efforts.

KCP identified three properties—\$195.1 million by allocated loan amount (ALA)—collateralizing three loans in five CMBS transactions that have exposure to a Macy's store on the latest closure list. KCP subscribers can access that list [here](#).



Saks Global Files Chapter 11

Saks Global Holdings LLC, the parent company of Saks Fifth Avenue, Saks OFF 5TH, Bergdorf Goodman, Neiman Marcus, and Neiman Marcus Last Call, filed for Chapter 11 bankruptcy protection on January 13, 2026. Following the filing, the bankruptcy court approved Saks Global's request for interim debtor-in-possession (DIP) financing, allowing the company to access \$400 million of liquidity on an emergency basis. The interim approval is part of a broader \$1.75 billion financing package that remains subject to final court approval.

KCP identified 54 properties—\$19.1 billion by ALA—collateralizing 46 loans in 111 CMBS transactions with exposure to at least one Saks Global brand as either a collateral or non-collateral tenant. KCP subscribers can access that list [here](#).

American Signature Closes

American Signature Inc. filed for Chapter 11 protection on November 22. The company launched a court-supervised sale process anchored by a stalking-horse bid that prevailed. A sale hearing is scheduled for February 4.

Although no qualified bids emerged for the full asset package, the company received bids for certain real estate interests under the stalking-horse asset purchase agreement, including one fee-simple property and individual store leases. The retailer and the stalking-horse buyer are discussing terms under which those interests could be released, allowing the company to pursue separate transactions with the relevant bidders. On January 9, the company announced plans to wind down operations and close all stores.

KCP identified 15 properties—\$743.6 million by ALA—collateralizing 15 loans in 24 CMBS transactions with exposure to American Signature or Value City Furniture tenancies. KCP subscribers can access that list [here](#).

Francesca's Default and Store Closures

Houston-based women's fashion retailer Francesca's announced plans to close all its stores and liquidate inventory. At the time of the announcement, the company operated approximately 450 locations across 45 U.S. states. On January 8, Francesca's was formally declared in default by its primary secured lenders after breaching the terms of a credit facility established when the retailer emerged from Chapter 11 bankruptcy in January 2021. The declaration of default led to an immediate cessation of credit extensions, effectively cutting off Francesca's liquidity. Corporate staff and store-level employees were terminated without notice on January 14.

KCP identified 114 properties—\$21.9 billion by ALA—collateralizing 106 loans in 212 CMBS transactions with exposure to Francesca's. KCP subscribers can access that list [here](#).

Recent Credit Alerts

Law Firm to Relocate Ohio Headquarters

Industry sources in January 2026 indicate that Buckingham Doolittle & Burroughs announced plans to move its headquarters from [3800 Embassy Parkway \(WFCM 2015-C28\)](#) in Fairlawn, Ohio, to the AES Building in Akron, Ohio. At 3800 Embassy Parkway, it occupies 26% of gross leasable area (GLA), making it the second-largest tenant. The firm's lease expires in October 2026, and the move is expected to decrease occupancy at the property to 62%.



Workout Strategy Shifts to Full Payoff for Hotel Portfolio Loan

The servicer's workout strategy for the \$535.6 million [Starwood Capital Group Hotel Portfolio](#) loan (multiple conduits) was adjusted to full payoff, according to January investor reporting. The loan transferred to special servicing in February 2025 due to imminent monetary default. A September 2025 modification agreement permitted the expedited sale of underperforming assets and included changes to property release provisions, cash management terms, and other loan terms.

NYC Office Loan to Transfer to Special Servicing

The [One New York Plaza](#) loan ([ONYP 2020-1NYP](#)) was transferred to the special servicer in December 2025 for imminent maturity default. The \$835 million loan matured in January 2026; the borrower, a Brookfield affiliate, had no remaining extension options. January 2026 servicer commentary speaks to a potential modification and extension.

Previous Newsletters

- [KCP Insights: Market Enters Final Stretch of 2025](#)
- [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](#)

© Copyright 2026, Kroll Bond Rating Agency, LLC and/or its affiliates and licensors (together, "KBRA"). All rights reserved. All information contained herein is proprietary to KBRA and is protected by copyright and other intellectual property law, and none of such information may be copied or otherwise reproduced, further transmitted, redistributed, repackaged or resold, in whole or in part, by any person, without KBRA's prior express written consent. Information, including any ratings, is licensed by KBRA under these conditions. Misappropriation or misuse of KBRA information may cause serious damage to KBRA for which money damages may not constitute a sufficient remedy; KBRA shall have the right to obtain an injunction or other equitable relief in addition to any other remedies. The statements contained herein are based solely upon the opinions of KBRA and the data and information available to the authors at the time of publication. All information contained herein is obtained by KBRA from sources believed by it to be accurate and reliable; however, all information, including any ratings, is provided "AS IS". No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any rating or other opinion or information is given or made by KBRA. Under no circumstances shall KBRA have any liability resulting from the use of any such information, including without limitation, for any indirect, special, consequential, incidental or compensatory damages whatsoever (including without limitation, loss of profits, revenue or goodwill), even if KBRA is advised of the possibility of such damages. The credit ratings, if any, and analysis constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. KBRA receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. Please read KBRA's full disclaimers and terms of use at www.kbra.com.