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## KCP Insights: CMBS Resolutions Lean on Assumptions

Welcome to the April 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

Inflation concerns remain elevated amid the ongoing conflict in the Middle East. The March Consumer Price Index (CPI) report showed headline inflation has risen 3.3% year-over-year (YoY), driven largely by energy prices. Despite this backdrop, the 10-year Treasury yield has remained relatively stable over the past month. Market expectations suggest rates will largely hold steady through December 2026, with only 17% of participants anticipating a rate cut this year.

In securitized markets, private label commercial mortgage-backed securities (CMBS) issuance year-to-date (YTD) through April 10 continues to trail 2025 levels at \$36.3 billion compared to \$39 billion at this time last year. Meanwhile, commercial real estate collateralized loan obligations (CRE CLO) issuance remains active, reaching \$14.5 billion YTD, up from \$9.3 billion over the same period.

### KBRA Loan of Concern (K-LOC) Index

**K-LOC Index 26.71% ↓** | **K-LOC Count 3,170 ↓** | **K-LOC Balance \$82.26 Billion ↓**

The [KBRA Loan of Concern \(K-LOC\) Index](#), KCP's primary metric to measure stress in the CMBS conduit market, decreased to 26.71% in February 2026 from 27.00% in January 2026. We identified 76 new loans as K-LOCs with an unpaid principal balance (UPB) of \$1.54 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.

### Selective but Effective—Assumptions Bridge Refinancing Gaps

Debt assumptions remain a key component of resolution strategies for distressed CMBS loans. For distressed loans approaching maturity, an assumption of debt can help facilitate a restructuring of the capital stack. New owners often have more capital and are better equipped to manage these assets. The structural complexity of CMBS necessitates additional stringency when executing an assumption, which is often one component of a larger plan aimed at maximizing principal recovery. For trusts, pairing an assumption with a modification can facilitate a controlled transfer, which can be a preferable path to maximize recoveries rather than foreclosing and marketing a distressed asset as real estate owned (REO).



Several recent transactions show how debt assumptions are tailored to support unique distressed scenarios, utilizing various tools such as principal write-downs, equity infusions, maturity extensions anchored to property performance thresholds, and deleveraging requirements. The [Dayton Mall](#) loan was restructured with a \$32.7 million write-down, a \$7 million equity infusion, and a conditional discounted payoff that set a recovery floor exceeding bids received in connection with sale efforts prior to the negotiated assumption. At [Bridgewater Commons](#), the loan was assumed at par in 2023 with no principal forgiveness, but the utilization of maturity extension options now hinges on deleveraging due to stagnant cash flows. For [Spring Hollow Apartments](#), a sale and debt assumption addressed ownership and maintenance failures through the injection of new reserve funds, repayment of servicer advances, and modified loan terms to aid asset stabilization and limit further performance deterioration.

Loan assumptions alongside modifications continue to function as adaptable resolution tools for CMBS trusts, with a recent increase in assumption activity as investors pursue discounted acquisitions paired with assumable, relatively attractive in-place coupons.

## Payoff and Default Rates: March 2026

In March 2026, 86 non-defeased loans (\$1.34 billion) matured, of which 53.05% (26 loans; \$712.8 million) by UPB defaulted at maturity. The default rate for loans collateralized by office was 83.88%, followed by multifamily (67.18%), retail (41.42%), and lodging (39.34%). The paid-off cohort comprises 60 loans (\$630.9 million) with March maturities, including 20 (\$220.4 million) that paid off ahead of schedule.

A total of \$38.77 billion (2,179 loans) is scheduled to mature over the next 12 months. More than one-half of the maturing balance comprises retail (28.49%) and office (27.85%) loans. Read the full report [here](#).

## Recent Credit Alerts

### Interra Takes Over Greenway Plaza

[Greenway Plaza \(GSMS 2017-GPTX\)](#) was sold to Interra Capital Group, with the buyer assuming approximately \$416.2 million of existing debt. The loan has been specially serviced since July 2022 after failing to pay off at maturity in May 2022. The collateral is a 16-property, 4.5 million sf office complex in Houston, approximately six miles west of the city's central business district (CBD).

### Midtown West Office Under Contract

The 543,743-sf office property securing the \$180 million [250 West 57th Street](#) loan ([BANK 2020-BN29](#), [BANK 2020-BN30](#), [BANK 2021-BN31](#)) is under contract for \$280 million (\$515/sf), in line with KCP's conservative value. Marketing materials indicated that the existing loan is a likely candidate for assumption due to its below-market interest rate of 2.83%.

### Garden State Plaza Redevelopment Moves Forward

A major redevelopment at [Garden State Plaza \(NJ 2023-GSP\)](#) is transforming part of the Paramus, New Jersey, mall into a mixed-use town center. The \$425 million loan is backed by the borrower's fee simple interest in about 1.2 million sf of the 2.1 million sf mall. Plans include 550 apartments in two five-story buildings, new retail space, dining, entertainment, and a one-acre public park.



## Previous Newsletters

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- [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](#)
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