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KKR's Special Servicing Operation Makes Big Strides

K-Star Asset Management LLC, a special servicing operation launched last April by KKR & Co., has started formally taking over special servicing rights for certain CMBS transactions.

The company will quickly become among the 10 most-active special servicers.

It was launched last spring, when KKR hired servicing veteran Lindsey Wright as managing director and head of investment services for its U.S. real estate credit business. Wright, a 20-plus year CMBS servicing pro, had joined from Greystone, where she had been senior managing director. She previously was with C-III Asset Management, which Greystone had acquired in 2020.

Since then, KKR has built a 25-person servicing operation and in recent weeks started formally getting special servicing rights transferred to it. It got the rights to Hawaii Hotel Trust, 2019-MAUI, which is backed by a \$650 million loan against the 383-unit Four Season Maui hotel in Wailea, Hawaii; TPGI Trust, 2021-DGWD, backed by a \$500 million loan against a portfolio of 85 industrial properties with 7.2 million sf; and BHP Trust, 2019-BXHP, a \$267.53 million transaction secured by a portfolio of select-service hotels.

KKR holds the risk piece of each of the deals.

In recent months, K-Star has gotten rated by Standard & Poor's, DBRS Morningstar and Fitch Ratings.

When it rated the company last November, DBRS noted that K-Star would take over as named special servicer for 59 CMBS deals, including 15 single-borrower transactions backed by 1,938 loans totaling \$40.34 billion. It also would be named special servicer for two collateralized loan obligations with 36 loans totaling \$2.3 billion.

Its active portfolio would have 41 loans totaling \$641 million. However, as of the end of February, the company hadn't yet appeared in a ranking of most-active special servicers. But an active portfolio of \$641 million of loans would amount to just less than 2 percent of all CMBS loans in special servicing, enough to place it among the 10 most-active servicers.

The company also provides certain servicing functions for 578 loans with a balance of \$33.2 billion held by KKR, according to Fitch. Those loans have a 39 percent concentration in the multifamily sector and 21 percent concentration in industrial.

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