

K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable

May 21, 2025

Overview

- K-Star Asset Management LLC, an indirect subsidiary of global investment firm KKR & Co. Inc., was founded in April 2022 to provide asset management services for its parent's credit businesses, including acting as the special servicer in commercial mortgage-backed security transactions.
- We affirmed our overall AVERAGE ranking on K-Star Asset Management LLC as a commercial mortgage loan special servicer.
- The ranking outlook is stable.

NEW YORK (S&P Global Ratings) May 21, 2025--S&P Global Ratings today affirmed its AVERAGE ranking on K-Star Asset Management LLC (K-Star) as a commercial mortgage loan special servicer. The ranking outlook is stable.

Our ranking reflects K-Star's:

- Institutional commitment to the servicing platform and the commercial mortgage-backed security (CMBS) business, as well as the financial backing and shared resources provided by KKR & Co. Inc. (KKR);
- Well-designed organizational structure and experienced senior management team;
- Strong technology capabilities, as well as its utilization of a widely used third-party asset management and special servicing system;
- Solid internal control environment, which includes policies and procedures, compliance and quality control, and internal and external audit; and
- Limited operating history and special servicing resolution track record within the current platform.

Since our prior review (see "Servicer Evaluation: K-Star Asset Management LLC," published April 16, 2024), the following key changes and/or developments have occurred:

- The special servicing team hired a consents manager with over 20 years of industry experience to lead a team of two analysts who review and process performing loan borrower consents.

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- K-Star hired a senior equity/real estate-owned (REO) asset analyst with over 35 years of industry experience who has a dotted reporting line to the head of special servicing.
- K-Star created summer internship and campus analyst recruitment programs and selected its first group of candidates that will start working with K-Star in the summer of 2025
- The special servicing portfolio grew by 45.7% by unpaid principal balance (UPB) and 31.4% by loan and REO count year over year as of Dec. 31, 2024, due to the continued migration of special servicing appointments from a prior special servicer and more recent special servicing transfers from K-Star's named CMBS special servicing portfolio.
- During 2024, the special servicing team completed 13 loan resolutions and one REO sale--K-Star's first.
- K-Star created additional special servicing desktop procedures.
- K-Star's technology team assumed responsibility for KKR's proprietary asset management system. The system is currently used for asset management by K-Star's direct lending team. K-Star plans to integrate the system with the RealINSIGHT special servicing system to improve its data and reporting capabilities.
- KKR internal audit conducted its first review of K-Star, with no material issues reported.

The ranking outlook is stable. K-Star has built the infrastructure to be an effective commercial mortgage loan special servicer and successfully transitioned a significant portfolio to its platform that it is actively servicing. The senior management team's extensive experience with managing large CMBS specially serviced portfolios should help them run a comprehensive and effective commercial mortgage loan servicing platform as the company continues to gain a more substantial track record of loan resolutions and REO sales.

The financial position is SUFFICIENT.

Related Research

- KKR & Co. Inc., April 17, 2025
- Select Servicer List, Feb. 19, 2025
- Servicer Evaluation Spotlight Report™: The Importance Of Cyber Security For U.S. And Canadian Servicers In A Challenging Environment, Aug. 12, 2024
- Servicer Evaluation: K-Star Asset Management LLC, April 16, 2024
- Servicer Category Descriptions Expanded and Revised, Feb. 28, 2022
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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