

RATING ACTION COMMENTARY

Fitch Upgrades K-Star Commercial Special Servicer Rating; Outlook Stable

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Fitch Ratings - New York - 23 Jun 2025: Fitch Ratings has upgraded the commercial special servicer rating of K-Star Asset Management LLC (K-Star or the company) to 'CSS3+' from 'CSS3'. A Stable Rating Outlook has been assigned following the upgrade.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡		PRIOR ⚡
K-Star Asset Management LLC CMBS Servicer	CMBS Special Servicer	CSS3+ Upgrade	CSS3
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VIEW ADDITIONAL RATING DETAILS

KEY RATING DRIVERS

The upgrade reflects additional demonstrated proficiency special servicing commercial real estate loans, the completion of the company's first internal audit without material findings, and a full year of internal compliance reviews. The rating also considers increased turnover,

low employee tenure, and limited transparency of disaster recovery and business continuity findings and testing.

K-Star is an indirect subsidiary of KKR & Co. Inc. (NYSE: KKR [KKR & Co]) and collectively with their respective subsidiaries, KKR. The company was formed in 2022 to provide special servicing and asset management support for affiliate CRE direct lending and securitized investment portfolios. Support provided by K-Star is integral to KKR's CRE investments as it becomes operational and assumes direct special servicing responsibility and oversight of primary servicing for the direct lending portfolio. KKR provides finance, accounting, human resources, compliance, facilities, and technology support to K-Star through an administrative services agreement.

As of YE 2024, there were 64 K-Star employees, up from 52 the prior year and approximately 25 in 2023. Fifteen employees, up from 14 employees at YE 2023, are fully dedicated to special servicing, including the senior managers of the special servicing and surveillance, consents, and reporting groups, four middle managers and eight staff-level employees. Remaining special servicing resources are shared resources who also support compliance, legal, technology, administrative, underwriting, and finance and accounting functions.

K-Star experienced 25% aggregate turnover during the 12-months ending December 2024 as a result of one senior, one middle manager, and nine staff level separations resulting in both high aggregate and staff level turnover. Fitch identified four employees as asset managers with greater than three years of industry experience and currently assigned specially serviced assets. During the 12-months ending December 2024, there was one voluntary asset manager separation resulting in 25% turnover among assets managers. The departure had less than a year of tenure and the asset manager role was backfilled with the hiring of an asset manager with 15 years of industry experience. Asset managers comprise four middle manager who collectively average 17 years of industry experience and two years of tenure, and maintain an asset to asset manager ratio of 12:1.

K-Star uses RealINSIGHT, a third-party-developed application, for special servicing, investor reporting and asset management. Ancillary applications include an internally managed third-party customer relationship management application supporting the CRE originations platform, an internally managed data warehouse for reporting and cloud-based, third-party document management software.

Recent technology enhancements have been largely focused on the expanded use of RealINSIGHT through the addition of customized dashboards, workflows and model

updates. Enhancements have been made to improve covenant loan tracking as well as workflows supporting resolved loan and borrower consents.

K-Star's internal governance infrastructure consists of policies and procedures and key metrics within RealINSIGHT, based on the requirement of individual servicing agreements. Oversight is provided by managers through exception reporting, a dedicated compliance group, internal and external audits, and a credit committee for all material workout decisions. K-Star completed its first internal audit in July 2024 which covered a robust scope of functions including watchlist reporting/monitoring, loan modification, REO management, performing loan consent reviews, wire processing, account reconciliation, vendor oversight, information security, and information barriers, among others.

The audit identified five issues which were classified as moderate findings. Fitch reviewed the audit and noted findings pertained to opportunities for process enhancements and limited exception findings, none of which material to special servicing functions.

Fitch reviewed a randomly selected sample of eight active specially serviced loans to assess the content of business plans and discussed the several ongoing workouts with asset managers. Business plans, all but one of which were completed within the preceding 12 months, were current and asset managers were knowledgeable and able to demonstrate knowledge of local markets and updates on loan resolutions. Fitch noted 26 instances of delinquent securitized loans without reported 2024 appraisal values, 25 of which had outstanding servicer advances.

Several loans were discussed with asset managers who were able to provide updated values or reasonable explanations for the majority instances missing valuations. K-Star elected not to report updated valuations in certain instances where assets were involved in bankruptcy or material sponsor litigation, there was a pending sale or payoff, or valuations had only been recently received are reporting is pending.

As of YE 2024, K-Star was named special servicer for 44 multiborrower, 13 single-asset single-borrower (SASB) and two CRE-CLO securitization transactions comprising approximately 1,960 loans totaling \$44.7 billion. The company added three multiborrower and two SASB transactions in 2024. K-Star was also named special servicer for 590 nonsecuritized loans totaling \$32.2 billion of which there were six REO assets being managed by the special servicing team.

All servicing assignments continue to be on behalf of affiliates. The nonsecuritized portfolio represents loans originated on behalf of various KKR affiliates. Nonsecuritized loans may

be either first mortgage, mezzanine or preferred equity structures secured by stabilized, transitional or construction assets.

Also as of YE 2024, the company was actively working out 42 defaulted loans totaling \$1.1 billion and managing four REO assets representing \$35.6 million in outstanding balance. During 2024, K-Star completed 12 resolutions representing \$188.2 million in balance of which six were secured by office, two retail, two lodging, one industrial and one multifamily property. Resolutions included seven discounted payoffs, two full payoffs, one REO liquidation, and two loans returned to performing status one of which modified to extend the maturity. Collectively, the company has resolved 15 loans representing \$241.5 million since inception.

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Criteria for Rating Loan Servicers \(pub. 15 Dec 2022\)](#)

[Criteria for Rating North American Commercial Mortgage Servicers \(pub. 17 Dec 2024\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

K-Star Asset Management LLC

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