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PRESENTATION

Operator

Good morning, and welcome to iStar's Fourth Quarter and Fiscal Year 2019 Earnings Call. (Operator Instructions) As a reminder, today's conference is being recorded. At this time, for opening remarks and introduction, I would like to turn the conference over to Jason Fooks, Senior Vice President of Investor Relations and Marketing. Please go ahead, sir.

Jason Fooks ***iStar Inc. - SVP of IR & Marketing***

Thank you, and good morning, everyone. Thank you for joining us today to review iStar's fourth quarter and fiscal year 2019 earnings. With me today are Jay Sugarman, Chairman and Chief Executive Officer; and Marcos Alvarado, our President, and Chief Investment Officer.

This morning, we published an earnings presentation highlighting our results, and our call will refer to these slides, which can be found on our website at istar.com in the Investors section. There will be a replay of the call beginning at 1:00 p.m. Eastern Time today, and the replay is accessible on our website or by dialing 1 (866) 207-1041 with the confirmation code of 7799603.

Before I turn the call over to Jay, I'd like to remind everyone that statements in this earnings call which are not historical facts will be forward-looking. iStar's actual results may differ materially from these forward-looking statements and the risk factors that could cause these differences are detailed in our SEC reports. iStar disclaims any intent or obligation to update these forward-looking statements, except as expressly required by law.

Now I'd like to turn the call over to iStar's Chairman and CEO, Jay Sugarman. Jay?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Thanks, Jason. 2019 was an outstanding year for our company. With clear goals in place at the beginning of the year, our teams performed exceptionally well, delivering significant value to shareholders and setting the stage for more success in the future. We started off the year with 3 main areas of focus. First, we wanted to continue building the first nationally scaled, pure-play public ground lease company, remaking the ground lease business into an efficient, value-creating structure for building owners.

Second, we wanted to unlock value in our existing portfolio, monetizing gains and highlighting unrecognized asset appreciation. And third, we wanted to continue to streamline the business, reducing legacy assets as a percentage of the portfolio and strengthening the balance sheet.

Results were excellent on all 3 fronts.

Safehold, our game-changing ground lease platform saw strong customer growth in key markets like New York City and increased the number of customers who recognize working with Safehold can create a more capital efficient, cost-efficient and less risky way to own buildings. We are especially pleased to have worked with a broad range of both local investors and global investment funds over the second half of the year, demonstrating that a modern ground lease, properly sized and properly structured can be a powerful value-enhancing tool. With record originations in the fourth quarter and in 2019, Safehold now has a portfolio of over $2.7 billion of ground leases and investors have begun to recognize the potential value that a growing, diversifying pool of ground leases represents.

We will continue to deploy capital out of legacy businesses into Safehold, and so far I've seen very strong returns on this redeployment.

Turning to the other parts of our portfolio. Our focus was to both highlight value and to generate capital to further invest in Safehold. Large gains were recorded on historical assets, driving earnings significantly beyond our targets, and together with large unrealized gains on our safe investments helped push our adjusted book value close to $20 per share at year-end. In addition to investing at Safehold, we also bought back sizable amounts of iStar's outstanding shares during the year and continue to view our shares as undervalued both today and compared to where we believe values will be in the future.

Lastly, we took several steps to strengthen the balance sheet and continue shrinking our portfolio of non-core assets. By accessing the debt markets thoughtfully throughout the year, we pushed out all debt maturities to the latter part of 2022, lowered our coupon costs, and called and converted a large preferred position that was becoming a technical overhang on the stock. These steps, together with our clear strategic focus, comfortable leverage levels and sizable realized and unrealized gains resulted in an upgrade to BB ratings by S&P, and a positive dialogue with the other agencies as well.

And with that, let me turn it over now to Marcos to go through the deck. Marcos?

Marcos Alvarado *iStar Inc. - President & CIO*

Thanks, Jay, and good morning, everyone. My remarks will refer to the slides from the earnings presentation posted on our website earlier this morning.

Let me begin on Slide 3 to highlight the progress we've made this year. As you can see, we had solid earnings results, strengthened our balance sheet, enhanced our credit profile and made meaningful progress in scaling our ground lease business via Safehold. At the beginning of 2019, we set out a new direction of growth, value creation and simplification for iStar, and we made significant strides on all these fronts. Before we dive into detail on the strategic progress, let me first walk through our earnings results for both the quarter and the full year. You can see on Slide 4, 2019 was a fantastic year for earnings at STAR. For the full year, net income was $3.73 per share, and adjusted income was $3.72 per share. For the quarter, net income was a loss of $0.71 per share, while adjusted income was a loss of $0.44 per share. It is important to note that during the quarter, $0.32 of onetime charges to adjusted income were related to early extinguishment of debt. These were associated with accretive capital markets transactions we completed that will drive meaningful savings in the future.

I'll discuss those in more detail in a moment. Also of note, the weighted average diluted share count is lower for the fourth quarter than the 78 million shares we had outstanding at the end of the year because our convertible preferred equity shares converted to common stock in late December.

Moving to Slide 5. During the quarter, we invested a total of $311 million at iStar. This included $137 million in Safehold stock, bringing our total ownership of SAFE stock to 31.2 million shares. In addition, we invested $133 million in our real estate finance and net lease businesses. This included 2 new investments in our second net lease joint venture as well as funding prior financing commitments. We also bought back 1.1 million shares of STAR stock for $16 million. These purchases happened in the last week of the year because we were largely blacked out for most of the fourth quarter.

Lastly, we invested $25 million of CapEx into our legacy portfolio, primarily Asbury Park and Magnolia Green. Turning to Slide 6. At the beginning of 2019, we signaled a new era at iStar and outlined a 3-pronged strategy that will allow us to establish ourselves as the best in a big and growing industry and create long-term shareholder value. I want to take a moment to measure our progress on each component of our strategy. The first was for iStar to utilize its human capital and financial resources to go all-in on Safehold and the ground lease ecosystem, focusing the organization on a singular core mission. Secondly, we set out to highlight the embedded value in our portfolio by buying back our stock, raising the dividend and selectively demonstrating the value through transactions in our net lease portfolio. And lastly, we set out to simplify our business by accelerating the monetization of most of our legacy assets, enhancing our capital structure and improving our credit quality.

Let me go through each of these components in a little bit more depth. On Slide 7, we highlight SAFE's performance. Our first objective was to scale the ground lease business. In 2019, we originated $1.8 billion of ground leased investments at Safehold, which was more than double the $750 million initial target we put out at the beginning of the year.

iStar participated in all 3 of Safehold's equity raises during the year, investing $583 million into SAFE. In addition, we participated in several SAFE X STAR transactions that have allowed us to put more capital to work in proprietary net lease and real estate finance opportunities. Since Safehold was the #1 performing publicly traded REIT in 2019 with a 118% total return, we also generated over $500 million of unrealized gains as of year-end 2019 on our investment. As you can see on the chart in the left, we gained a lot of exposure to ground leases this year. At the end of last year, iStar had $156 million invested in Safehold with a market value of $144 million. By the end of 2019, our total exposure to Safehold had grown by $1.1 billion to a market value of $1.26 billion, which we carry at a basis of $745 million. We expect to continue to transform our balance sheet and continue to recycle capital from some of our higher-risk assets into Safehold.

Next, on Slide 8, let me talk a little about our second strategic objective for the year, which was the highlight and unlock embedded value in our portfolio.

In the second quarter, we sold Preferred Freezer, a portfolio of 7 cold storage assets for a $220 million gain. We also recorded a $180 million gain through a series of transactions with Bowlero, including $112 million incremental investment and the extension of our existing master lease through 2047.

In the middle of the slide, you can see that we increased our annualized dividend by 11% from $0.36 at the beginning of the year to $0.40 today. And lastly, we bought back 7.3 million shares of our stock this year for $75 million at an average price of $10.16 per share. This represents 9% of the diluted share count as of 2019. At the end of the year, we had $34 million of remaining buyback authorization, and we continue to believe that iStar represents a very attractive value, particularly as our investment in Safehold has continued to appreciate.

On Slide 9, we illustrate how we are simplifying our business. We accomplished a number of important things on this front as well this year. In terms of our capital structure, we executed a total of $2 billion of capital markets transactions throughout the year that have enhanced our credit profile and simplified our balance sheet. As you can see on the left side of the slide, we summarize our unsecured debt activity. We also upsized, amended, extended and repriced our revolver, paid down a portion of our secured term loan and converted our Series J convertible preferred equity into common stock. In connection with all these transactions, we recorded a total of $28 million of early extinguishment of debt, of which $21 million was cash and $7 million was noncash.

The charge was likely taken in the fourth quarter. However, through these transactions, we were able to reduce our weighted average coupon by 53 basis points, which implies a total of $17.5 million of annual interest expense savings plus the elimination of $9 million of annual preferred dividend expense. Our unencumbered asset base increased to $3.5 billion, and we extended our debt maturity profile to nearly 5 years including at over 30-month runway with no corporate debt maturities. As a result, we were very pleased to see S&P upgrade our credit rating to BB flat.

Continuing on to Slide 10. We also simplified our business by continuing the progress of monetizing our legacy assets. In total, we sold legacy assets for $250 million, generating a $33 million gain, taking legacy assets down from 20% of the portfolio to 16% at the end of the year. As a reminder, we divide our legacy assets into 2 buckets. Our long-term legacy portfolio is comprised of 3 larger assets that we intend to continue to hold. That pool increased modestly, with $65 million of sales this year, offset with $95 million of CapEx.

Our short-term legacy bucket has been reduced by 27% this year down to $356 million. Lastly, on Slide 11, you can see how our performance this year has translated into growth in equity value per share, inclusive of the market value of SAFE and pro forma for the conversion of our Series J preferred shares.

Common equity per share grew from $6.53 at the beginning of the year to $16.22 per share. And when you add back accumulated depreciation, adjusted common equity grew by 82% from $10.91 per share to $19.89 per share. iStar's stock reflected this progress as we were also one of the top-performing REITs in 2019 with a 64% total shareholder return, and we have continued our momentum year-to-date.

That said, we believe that there remains a meaningful disconnect between the intrinsic value of the company versus where the stock is trading today. So we intend to continue down our strategic path in 2020, scaling Safehold, simplifying our business and highlighting our value to shareholders, and we look forward to updating you on the progress throughout the year.

With that, I'll turn it back to Jay.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Great, Marcos. Thanks. Just 2 final things. As you know, based on accounting rules, most of the appreciation in our Safehold investment does not show up in our income statement or in our GAAP book value. Increases in SAFE share price will create meaningful value for iStar, but generally won't flow through earnings or show up in book value per share until we reduce our ownership stake.

As a result, we're looking at how best to convey our results now that our portfolio is increasingly made up of Safehold shares. And we'll work with it to help investors track the potential earnings, balance sheet and book value impacts entitled together to underlying results. Our hope is to give a clear view of the value being created as we continue to grow and scale our company's business. I'm also pleased to announce we'll be adding Jeremy Fox-Geen as our CFO and senior member of our team. Jeremy was previously CFO of McKinsey and Company's North American business and his deep background in management consulting and financial services will help us navigate our projected growth and our ambitious goals for the future.

We look forward to welcoming him aboard later in March. And with that, operator, why don't we open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes Jade Rahmani from KBW.

Jade Rahmani ***KBW - Research Analyst***

Just wanted to ask on SAFE's pipeline. Both for the first quarter and for the full year, what are you targeting in 1Q? And what do you expect in terms of transaction volumes for the full year?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Jade, yes, look, I think we started last year, as Marcos mentioned, with a $750 million target. And 6 months ago, I would have tell you we'd probably be here saying about $1 billion. But obviously, through the second half of the year, we saw some pretty good traction. So I think we're optimistic we're going to beat that original target pretty handily, but we're not quite ready to put out a formal target yet. I think in terms of the pipeline, I'll let Marcos answer that. But again, this is a business we're still knocking down some old prejudices, some old biases. So we look more at annual targets than quarterly targets. And right now, the pipeline feels like, again, we will be well ahead of our previous targets if we keep going.

Marcos Alvarado ***iStar Inc. - President & CIO***

Yes. Just to add to that, Jade, as I look at the composition of the pipeline, I feel optimistic that we'll be able to exceed expectations. As you know, the business is somewhat episodic with some of these large transactions. And so we had a great fourth quarter at SAFE with a few large deals in New York City with great clients. We expect to follow those clients into new markets, and we're starting to see that in our pipeline. And so as we solidify that, we'll come back to you.

Jade Rahmani ***KBW - Research Analyst***

And should we expect that the team's focus is on those large transactions?

Marcos Alvarado ***iStar Inc. - President & CIO***

So I think we are set ourselves up geographically.

And so naturally, the coverage in New York because of the transaction volume or that in San Francisco or Los Angeles, the assets are going to be larger. I count, I think we'll be pretty diversified by asset type. But yes, naturally, this $10 million deal and a $1 billion deal take effectively the same amount of work. So we're going to be focused on large institutional quality assets that continue to diversify our portfolio.

Jade Rahmani ***KBW - Research Analyst***

And have there been any deals closed so far in the quarter. So it's only about a month or so remaining?

Marcos Alvarado ***iStar Inc. - President & CIO***

Yes.

Jade Rahmani ***KBW - Research Analyst***

Any indication of kind of a range for that?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

I don't think we're giving out ranges yet. Again, I think we came off a very strong fourth quarter, and we're building the pipeline in a bunch of new markets. We have been focused on multifamily a little bit. So that's been one of the target markets and those asset sizes are a little bit smaller. So again, we focus more on sort of annual numbers than quarterly numbers and don't want to get out there with quarter-by-quarter numbers, but we'll just tell you, we feel pretty good about where the year is headed.

Jade Rahmani ***KBW - Research Analyst***

Okay. In terms of the inflation bumps, can you give an estimate of what the weighted average is across the SAFE portfolio? Just fine-tuning our NPV analysis for SAFE, I get to something close to the SAFE's cost basis, just the NPV of the cash flows, but wondering what the right assumption is for inflation bumps?

Marcos Alvarado ***iStar Inc. - President & CIO***

It's approximately 2%.

Unidentified Analyst

Okay. In terms of SAFE stock purchases, how much do you think we should expect iStar to continue to acquire on a quarterly run rate basis? And also, what ratio should we expect iStar to participate in future SAFE equity offerings?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. So I think the goal this year is to buy SAFE and iStar when they represent significantly undervalued opportunities.

So you'll see us mix and match both those types of purchases throughout the year. We don't have a prescribed amount. We do plan to participate in SAFE offerings. We have the right to participate up to about 65%. I think in the last offering based on the green shoe and some upsizing, we ended up with about 50%. So those are the kind of numbers bouncing around just based on past history. In terms of repurchases of iStar and forward purchases of SAFE in the open markets, neither one of those is going to be sizable on a daily basis, just given the trading volumes and our desire not to impact share price. But you'll see us continue to buy and nibble at those things if they're going to trade at what we think are significant discounts to fair value.

Jade Rahmani ***KBW - Research Analyst***

The recent Form 4 filings show about 45,000 shares of SAFE a week, which annualizes to about 2 million shares, that would be about $120 million or so. Is that a reasonable amount of capital through that trading program that we should assume?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Well, the only thing I'd caution you, again, I said we'll probably mix and match between SAFE and STAR. So right now, the -- because we were blacked out in STAR, we've been able to buy into SAFE. So I wouldn't necessarily just pro forma all that capital going into SAFE.

Jade Rahmani ***KBW - Research Analyst***

Okay. Looking at the current mark-to-market value of STAR's book value based on how strong SAFE has been this year, it's up another 40% year-to-date, which just astounds me. Stock seems to go up 2% to 4% every day. So I get to an approximate mark-to-market value of $26.50 today. Just wondering if there are other haircuts you think are worthwhile adjusting for in the legacy portfolio? And also note that, that $26.50 doesn't reduce for any corporate factors, such as the iPIP, G&A program or CARET, the 15% that goes to management? Should we be adjusting the $26.50 lower by any factor?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. So you mentioned a couple of things there. The one -- in terms of CARET, that's a Safehold asset. And so we don't really see that reflected fully in the value of Safehold and, therefore, not fully in STAR. So I wouldn't make an adjustment there. If you want to knock a couple of dollars off for various things, that's probably appropriate. There are friction costs in a company that you guys can decide what the right number is. But we think directionally, you're probably right in terms of the disconnect between our intrinsic value and the share price. That's one of the things we want to focus on this year. And again, we will be an active buyer of STAR's stock until that discount materially shrinks. But the one thing, I guess, I would focus on a little bit more Jade, is the success at SAFE is still a recognition, and I would say, still an early recognition of the value we think we're creating. We think the stock was way behind where it should have been over its first 2 years of existence. We've only recently been able to get people to start to see what is the difference between the value of an individual ground lease and a pool of growing and diversifying ground leases. And we think the market is just catching up. So to your question of why that's happening? I think when you're trading at a material discount and people start to see the real value, you can see that gap start to shrink and we're seeing it a little bit start to shrink at SAFE, and we'd like to see the same things start to happen at STAR now. So whatever you want to pick in terms of sort of the friction costs, a couple of bucks, that's probably makes sense.

Jade Rahmani ***KBW - Research Analyst***

And just in terms of the evaluation framework for SAFE, in addition to an NPV analysis, what do you think the right way for investors to approach the residual value rights, the CARET component is? I mean, I recall that iStar used to put out in its slide deck back in like, say the '05 time frame, there would be multiple scenario analysis, you would use dividend discount model, you would use a multiple to book value, dividend yield relative to others fixed income securities. The CARETs is something I struggle with. The reversionary rights inherent in the ground leases. What do you think the right approach is? I know that you guys give out appraisals that CBRE completes every quarter. But is there a framework we should use?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. Interesting, I think what we're seeing from third parties now is a recognition of the cash flows coming off these ground leases, big enough, very safe, diverse, do look a lot like some of the highest grade, long duration bonds out there.

And so if you look at similar credit quality, similar credit risk and term securities that trade every day on the screen, we're seeing that methodology that we thought was appropriate, start to be adopted by a number of third parties.

So first step in valuation was just getting people to see that cash flow stream and use the appropriate discount rates. And we're starting to see that reflected, again, in the share price.

That alone, I think, justifies a price well above where we've seen the stock trade. We also are now starting to share with people-based on last year's significant growth, a sort of future-looking component, what are the future deals and future cash flow its going to create.

Again, this is a unique business, we actually think we're creating significant above-market returns. So we're not just buying commodities. We're actually creating a fundamentally new business that still has excess returns in it because it costs a lot of money to build the machine to actually serve our customers. So there's a second component there. And that will come down to what you think our growth rate is and where you think future pricing will come out. And then as you point out, the third piece is the residual piece, which in an individual ground lease probably doesn't have a lot of value, idiosyncratic risk, long time frames, discount rates that are probably north of the growth rates. So we haven't spent a lot of time sharing sort of the thought process around any individual ground lease residuals. What we have been doing is tracking for you and for others, the amount of value-building up in that account, what we call the unrealized capital appreciation. And we think that's a real asset. And we're going to come back to you with a number of thoughts around how that can and should be valued. But that is something that requires the scaling, the diversifying that Marcos talked about. It doesn't make sense to talk about it on individual deals. But as we get larger, as we continue to scale, you will see us begin to focus on that component more heavily. Right now, Jade, to be honest, we just want people to get the cash flow piece right. Because even that, we still think is significantly undervalued. So in time, we think all 3 pieces will get valued by the market. But the first, the straight -- most straightforward, the 1 that everybody should be able to see right now, even that one, we're still trying to knock down some some inaccurate views. And once that happens, again, I think you'll see a number per share that will make everyone pretty happy.

Operator

Our next question comes from Stephen Laws with Raymond James.

Stephen Albert Laws ***Raymond James & Associates, Inc., Research Division - Research Analyst***

To follow-up on Jade's comments, around the repurchase, can you talk about any repurchase activity of STAR stock year-to-date. And my math is coming out very similarly mid- to high 26s on a mark-to-market pro forma adjusted book. So thoughts with the STAR trading at 63% of the number I'm calculating. What are your thoughts around increasing the stock repurchase authorization, which I think only has the remaining $34 million on it, less whatever you've done year-to-date.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. Look, you've seen us be a pretty aggressive buyer in 2019. We continue to believe there is significant value. And the best days around here, wherein we can redeploy dollars out of legacy noncore assets into SAFE or STAR stock, that is accretive to shareholders across the board. So that's something we will continue to do. We do get blacked out pretty often. We have put 10b5-1s in place in the past.

Again, we're trying to be thoughtful and judicious about the mix and the match between the 2 companies. But we definitely think STAR represents an attractive place to deploy capital, and if we can move legacy assets quicker, even if we have to take a little bit of a haircut to do it. If we can turn around and redeploy that capital into STAR stock at what we think, and you point out, could be a 30-plus percent discount. Even if you're taking nicks and cuts on some legacy asset values that we probably could achieve if we held on and pushed, its better right now to just get the capital and to acquire something we know very, very well, which is our own stock. So that's been the dynamic that we continue to believe will be accretive for shareholders throughout the year. What is the total dollar amount? I mean, Jade came up with $120 million for SAFE. I think, again, that feels a little high in the open market just based on trading levels. But across STAR and SAFE, that's certainly a number that doesn't seem out of the range.

Stephen Albert Laws ***Raymond James & Associates, Inc., Research Division - Research Analyst***

That you're likely to increase that repurchase authorization?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. Look, one of our goals is to continue to increase the strength of the balance sheet and liquidity. We continue to do that. We're thoughtful, we're using what we think are either redeployment or excess proceeds to do these acquisitions. So we don't think we're putting any strain on the balance sheet. We've actually strengthened the credit of the company pretty materially. So all those factors weigh in to how much and when. But again, when we see an opportunity to buy such attractive discounts, it's something that's very much on our mind.

Stephen Albert Laws ***Raymond James & Associates, Inc., Research Division - Research Analyst***

Okay. Shifting gears a little bit to the short-term legacy asset. Looks like about $25 million decline sequentially. Can you update us on a timing for resolutions on the remaining assets there in the short-term legacy portfolio, about $350 million at year-end. And any large investments in there that are going to create a significant amount of lumpiness to the wind down of that remaining portfolio or any color, Jay, would be helpful.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. It's still about 30 assets make up the $300 plus million. So you've got some 25s and 30s in there, and you've got some 2, 3, 4, 5s in there. So [Alicia Butner] runs that book for us, and he's been doing a great job getting stuff into the market. As we've cautioned before, the land assets, even when we have a contract, there's a lot of contingencies and agreements and permits with the municipalities that we have to go through. So those never move as fast as we'd like. But we're pleased with the general direction of that book is going down. Lots of stuff is on the market or under contract. It's still -- it's going to bleed out over the next -- we keep saying 12 to 24 months, it could still be 12 to 24 months. But I can tell you that it feels like we're approaching the late innings here in terms of things we need to do to get those things to market. The long-term asset pool, those 3 assets, again, we're probably a couple of years away from really having a clear path. So we don't see any major reductions there. We do see sort of peak capital was hit in 2019, and we would expect that number to stay around where it is or actually start going down nicely. So all of that feels good. And I can just tell you from the amount of time we talk about it and think about it internally, it's come down dramatically. So we feel pretty good as those proceeds come in. We've got good places to reinvest that capital, both inside of the STAR capital structure and in SAFE's capital structure. So just like to see that go as quickly as possible and if we can accelerate it and redeploy it. We've given the team the mandate of don't try to save us a few dollars, get us the proceeds back as soon as you can.

Stephen Albert Laws ***Raymond James & Associates, Inc., Research Division - Research Analyst***

Great. I guess, one last question back to the buyback. How do you feel about balance sheet leverage. Would you consider raising some money through debt to use proceeds to repurchase common stock, just given the disconnect to pro forma mark-to-market adjusted book value? Are you really not looking to take up leverage for something like that?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes, I don't think we need to push the leverage here. I think there's a lot of turnover in the book, a lot of loans coming back, a lot of this legacy asset stuff being sold. There's a lot of liquidity and throughout the book in terms of the assets, that are not part of the short and long-term pools, were just part of our sort of regular way business. So I haven't really seen any reason to try to push leverage. But again, we're going to take excess proceeds, redeploy proceeds. And we think we can do everything we need to do.

Operator

Our next question comes from Jade Rahmani from KBW.

Jade Rahmani ***KBW - Research Analyst***

I observe this company. So I wanted to ask about the impairments and also the loan loss reserve, if you could comment on what drove those $8.5 million impairment, $10.3 million loss reserve?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. So the impairment stuff, as I said, if we get a bid that we think is plus or minus, where we can redeploy that capital quickly and even better value, I've told our team, go ahead and do that. And so some of these small assets that are taking a lot of time. If it's a $2 million neck, we're just telling them go. So you'll see those sort of dribble in over time. But again, we're taking those proceeds, and we think we're making multiples of what the early resolution might cost us. On the write-down on the loan, it was a legacy loan that we have a number of ways to recover the money and actually make quite a bit of money, but we're not seeing the progress we want to see on the underlying assets that we have these interests in.

So we just took the write-down now, that doesn't mean we don't expect to recover on it long term. But there's enough variables out there, and there was enough news that sort of made us believe it was time to take that write-down and start with a 0 basis and hope for good news as opposed to having that sit on our books and needing to know every detail of what was happening. So little bit of cleanup. But ultimately, again, we're feeling really good that the book value is so far above the trading value that anything we can do to clean up, redeploy is actually accretive to shareholders.

Jade Rahmani ***KBW - Research Analyst***

And on CECL, the accounting standard that requires a forward-looking loss provision, do you anticipate any impact?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

I'm looking at our Chief Accounting Officer. So we know it's a relatively small number, but it's going to -- what do you think it is this year?

Garett Rosenblum ***iStar Inc. - Chief Accounting Officer***

It's going to be approximately $12 million in the first quarter, which goes against equity does not hit the P&L.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. So it won't run through the P&L, but it's -- orders of magnitude, probably around $12 million on the balance sheet.

Jade Rahmani ***KBW - Research Analyst***

Okay. In terms of the iPIP program, given the strong stock performance that SAFE has generated. Is that program accruing on some estimate? Or is there -- should we expect any meaningful uptick in G&A and stock compensation costs as a result of that?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. You will see that number track with the share price performance of SAFE and the performance of the underlying assets. Historically, those iPIP pools have generated kind of 20% plus. So they tend to move directly in correlation with value created for shareholders. We think it's a good day when those models spit out higher numbers because it means we've created and are creating a lot of value. But certainly, with what we see in SAFE stock, you will see that number continue to move. As I said, we're looking for ways to really, get underneath the covers and show the value creation both in earnings metrics and adjusted book for -- per share, those are metrics that I think we can do a good job of kind of tying the successes to some of the underlying correlated costs. And you'll see that in the next quarter. We'll try to pull those out for you so you can see them directly.

Jade Rahmani ***KBW - Research Analyst***

On a full year basis, do you have an estimate for what we should model for G&A, including stock compensation?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Look, we've kind of looked at the previous year's numbers and core G&A has gone down nicely. So the only piece that seems to be moving up is that piece that's correlated directly with performance. That will be directly tied to how primarily the SAFE share price moves. So we can certainly, throughout the year, continue to update those numbers. But we're not going to sit here and project share prices at year-end just yet.

Jade Rahmani ***KBW - Research Analyst***

Okay. But so far, it doesn't -- it seems to have lagged SAFE stock price, particularly in the fourth quarter. Although I think, G&A was up about 7% year-over-year, I would have expected it to be up more than that.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Well, the accounting model is a Monte Carlo. It's assuming things can go really well and things can go really poorly and we don't assume we are liquidating SAFE stock for a number of years. So a lot of variables in that calculation.

It's been done consistently that way for a long time. So we rely on those numbers to kind of capture all the possibilities. But yes, if we have great success for shareholders, that number could materially go up.

Jade Rahmani ***KBW - Research Analyst***

Okay. Does it require a sale, for example, does SAFE issuing equity count as a realization? Or does iStar actually have to sell down its ownership stake?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

No. As you know, the iPIP program has to pay off everything that's been invested in it, and then it is just a portion of the profits. So you've got to monetize and return to shareholders, all their money, any debt that was put on a hurdle rate, which still remains 9% on their equity and then the iPIP starts to participate. So we still got lots and lots of capital invested in certainly the ones that hold SAFE. So there's not going to be a payout for a number of years. I would point out, we gave the compensation committee, the flexibility to distribute SAFE shares at the end of that process. So if everything has gone, but SAFE shares. They do not have to sell the SAFE shares, they can simply distribute them in lieu of cash and STAR stock, which we think is appropriate given the long-term belief we have in growing this business. We want to eat what our shareholders eat, and we want to be side-by-side with them, and we think we've created a way to do that long term.

Jade Rahmani ***KBW - Research Analyst***

Okay. Just a couple of ground lease specifics. Are there any ground leases that have been subordinated? And when a ground lease gets to less than 40 years to maturity and the borrowers going for a refinance, do you aim to allow lenders to subordinate the ground lease, so that they could maintain their coverage ratios -- debt service coverage ratio targets, et cetera?

Marcos Alvarado ***iStar Inc. - President & CIO***

I'm not sure I followed your question, Jade. But within our portfolio outside of the one of the IPO assets in the Hilton portfolio, nothing is short duration. And no, we do not subordinate to any leasehold lender.

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes. Jade, one of the reasons we've created a permanent light vehicle is really to be able to work with our customers to optimize their capital structures. So we have definitely thought about how to best give them the ability to continue to tap the markets efficiently. We won't be able to test exactly what you're talking about for a long, long time. But our view is there are win-win scenarios. We will definitely try to propose subordinating our ground leases, not 1 of them.

Jade Rahmani ***KBW - Research Analyst***

Okay. And on the industry is still -- sorry, and on 135 West 50th Street, which have to be across the street from where I work, I think Industrious -- or co-working company signed a very large lease. I was wondering in that deal, do you guys have lease approval rights? And do you have lease approval rights generally in the transactions you structure?

Marcos Alvarado ***iStar Inc. - President & CIO***

We do not have lease approval rights on the transactions we structure. Our core thesis is that we're investing at a level that is so safe that we don't need a lot of that, what I would call lender covenants, lender restrictions that create operational inflexibility. We're trying to create a very flexible product. If you think about 50th Street, we're probably below land value on our basis. And so we feel pretty good whether they put Industrious in there or other tenants.

Jade Rahmani ***KBW - Research Analyst***

Okay. And then lastly, very -- a big picture question. Just wondering how you think about climate change in land investing and investing over such a long period? For example, in a market like Hawaii, does that factor into your underwriting and the way you model various outcomes?

Jay S. Sugarman ***iStar Inc. - Chairman & CEO***

Yes, it's a great question. I think from a ESG perspective, we are a company that actually does care long-term about the environment and climate in general. We have 2 leading companies that do some of the best work algorithmically around impacts from rising sea levels and storm potential. Once you get out past 50 years, those models are probably not as accurate as anybody would like.

But what it does tell you is some of the places that have higher risk factors. Ultimately, we believe, and we keep going back to this that building a big diversified portfolio that knocks down idiosyncratic risk of any 1 market, 1 building, 1 product type is the best way to capture the value of this growing, diversifying portfolio we're creating. So we take into account what we think are some of the best leading-edge providers of information around climate change. But then we have to bring in our own sort of thoughtfulness about the economic conditions in that locality, what are the storm prevention measures that could be taken. Can you create sea barriers, ocean barriers, is there enough economic activity in a market to actually be worthy of the kind of costs it will take to protect some of these coastal areas or some of these storms likelihood of hitting areas. So it is a big piece of how we think about it. We're very careful about elevation studies when we look at assets and markets they're in and economic activity that will justify long-term protective measures. But ultimately, Jade, I would tell you our strongest defense is diversification, and that's why you see us trying to get into all 30 top markets around this country, in all different asset types with all different sponsors. Because long term, I think, it's just hard to isolate any single 1 factor and make your decision based on that. So we want to be cutting-edge. We want to be one of the more thoughtful players in the market because of the time frame in which we think about our investments. But at the same time, I think diversity is probably the strongest safety valve that we can build for you.

Jason Fooks *iStar Inc. - SVP of IR & Marketing*

Any other questions?

Operator

Mr. Fooks, we have no further questions.

Jason Fooks *iStar Inc. - SVP of IR & Marketing*

Okay, great. Thank you, Tiffany. Thanks, everyone, joining us on the call today. If you should have any additional questions on today's earnings release, please feel free to contact me directly. Tiffany, would you please give the conference call replay instructions again.

Operator

Ladies and gentlemen, this conference will be available for replay after noon today through midnight March 9. You may access the AT&T teleconference replay system at any time by dialing 1 (866) 207-1041 and entering access code 7799603. International participants may dial (402) 970-0847.

That does conclude our conference for today. Thank you for your participation and for using AT&T teleconference. You may now disconnect.