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PRESENTATION

Operator

Good morning, and welcome to iStar's Fourth Quarter and Fiscal Year 2018 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

At this time, for opening remarks and introductions, I would like to turn the conference over to Jason Fooks, Vice President of Investor Relations and Marketing. Please go ahead, sir.

Jason Fooks ***iStar Inc. - VP, IR & Marketing***

Thank you, John, and good morning, everyone. Thank you for joining us today to review our earnings results. With me today are Jay Sugarman, Chairman and Chief Executive Officer; Andy Richardson, Chief Financial Officer and President of Land and Development; Marcos Alvarado, President and Chief Investment Officer.

This morning, we published an earnings presentation highlighting our fourth quarter and fiscal year 2018 earnings results. And on our call, we will refer to these slides, which can be found on our website at istar.com in the Investors section. There'll be a replay of the call beginning at 12:00 p.m. Eastern Time today. Replay is accessible on our website or by dialing 1 (800) 475-6701, with the confirmation code of 463702.

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 may be forward-looking. iStar's actual results may differ materially from these forward-looking statements, and the risk factors that could 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 will be a turning point for iStar. After 2 years of exploration, we are now moving rapidly to build an expectational new business centered on the reinvention of the ground lease sector.

Starting with our launch of the first public company focused on ground leases in July 2017, we've been carefully building our expertise and crafting a business strategy that has the potential to create significant shareholder value for iStar.

The public company we launched on the New York Stock Exchange, now called Safehold, remains the only public company focused on this sector, and iStar, as its largest shareholder and its investment manager, remains at the forefront of creating a new modern ground lease industry that can help owners generate better returns with less risk by unlocking the value of the land beneath their buildings.

By owning a significant equity stake in Safehold, by providing a one-stop capital solutions combining our ground lease from Safehold and a first mortgage leasehold loan from iStar and by utilizing our expertise in ground leases and sale leasebacks to unlock value in the net lease sector, iStar can capture all parts of the value chain created by remaking ground leases into a core part of the real estate industry.

This strategy gives us the opportunity to become a clear market leader, to utilize all the historic strengths of iStar and to deliver attractive risk-adjusted returns and long-term growth.

What have we learned over the past 2 years that convinced us that this is the right path for our company? Our new modern ground lease, what we call a Safehold, has been adopted by owners of all different property types: multifamily, office, hotel, industrial, medical office. It has been used in top markets across the country. It has been reviewed and accepted by leasehold lenders ranging from [life] companies and money center banks, to CMBS and GSE lenders, to local and regional banks.

It has been successfully employed to unlock value on development deals, in refinancing and recapitalization transactions, and as part of new acquisitions. And perhaps, most importantly, customers who have used the Safehold ground lease, have been coming back to do it again.

Now it's time to make this our focus and aggressively take our innovations to the next level.

So let's be clear what this new focus means. On the lending side, we will concentrate on offering loans as part of our proprietary one-stop shop offering of ground lease and leasehold loan capital that we call our SAFE/STAR program. On the net lease side, we will continue to invest the capital committed to our sovereign wealth joint venture through the end of its investment period, but we'll also be looking for opportunities where combining our ground lease and a leasehold net lease can create attractive returns.

Our new strategy also emphasizes the need to streamline our organization's focus and create a clear path to monetizing our legacy land and operating property portfolios.

We can no longer afford to continue developing a large number of disparate land and operating properties through the entire value-creation process and must reduce the time and resources allocated there.

Make no mistake, this is a major strategic shift. We believe we will be successful only if we can concentrate our firepower, and we've taken some painful steps to enable us to do that. But we also believe that potential long-term awards justify these moves, and we are excited to begin moving forward with a clear goal, a committed team and a big vision for iStar's future.

Let me turn it over to Andy to walk through the earnings deck, and then we can open it up for questions. Andy?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Thanks, Jay, and good morning, everyone. Before we review the slides and the earnings presentation, I want to echo Jay's excitement in redefining our vision and strategy. We believe this announcement provides strategic clarity that the market has been seeking and the following slides will further explain the steps we have taken and plan to take to successfully execute our strategy, including the near-term impacts resulting from this strategic shift.

Turning to Slide 5, we will review the results for the fourth quarter and full year 2018.

IStar reported a net loss of $115 million or $1.70 per share, and on an adjusted basis, we earned $43 million or $0.53 per share.

Fourth quarter net loss includes $142 million of impairments, partially offset by $62 million of net gains from asset sales.

In 2018, we reported a net loss of $65 million or $0.95 per share, and on an adjusted basis, we earned $222 million or $2.76 per share.

As a reminder, adjusted income does not include the impact from unrealized impairments and provisions. I will elaborate more on this in the context of our legacy asset monetization strategy shortly.

Turning to Slide 6, we provide some additional details on the $250 million equity investment in Safehold made subsequent to year-end as we expand our relationship with SAFE and focus more on the ground lease business. Inclusive of this investment, iStar currently owns approximately 65% of SAFE's equity. This is comprised of 41.8% of SAFE's common stock and the remainder in the form of 12.5 million nonvoting LP units. We will exchange these LP units into shares of common stock later this year on a one-for-one basis, subject to SAFE shareholder approval. As part of making the investment, we also amended the existing management contract with Safehold. A more detailed description of the changes in the contract can be found on this slide and the 8-K filed on January 3, 2019.

On Slide 7, one of the benefits of this expanded relationship is the new one-stop capital solution we can provide for customers, in which Safehold acquires the newly-created ground lease and iStar provides the leasehold financing or leasehold equity capital.

This slide illustrates one such transaction we completed in the first quarter on a multifamily project in downtown Washington, D.C. The SAFE/STAR combination allows us to provide proprietary capital solutions that are differentiated from what other capital providers can offer. It also creates value for customers, who benefit from the simplicity, certainty, speed and flexibility of having the entire envelope provided at one time.

Moving to Slide 8, we report our progress on the monetization of legacy assets. In 2018, we sold legacy assets for proceeds of $736 million, including $159 million in the fourth quarter. The significant progress we made this year in reducing legacy assets was the primary reason for this portfolio of assets decreasing from $1.7 billion or 35% of the total portfolio at the beginning of the year to now $1 billion or 20% of the total portfolio at the end of 2018.

As you'll recall, in the beginning of 2018, we set our goal to reduce our legacy asset exposure to 15% of total portfolio value by the end of 2019.

We are currently on track to reach this goal, and to date in 2019, we have sold or have entered into contracts with nonrefundable deposits to sell 7 assets for approximately $91 million of proceeds.

Turning to Slide 9. As a result of this new focused strategy in which we will direct a vast majority of our resources, both capital and human, to originating ground lease-related investments, we have changed our development plans for several of our larger operating and land assets. These assets will require significant ongoing capital and personnel commitments to fully develop or reposition, and in connection with the strategic shift, we have decided to accelerate their monetization rather than hold to develop or reposition for sale at a much later date. Primarily as a result of the shorter forecasted hold periods due to the change in strategy, accounting impairments were triggered.

During the fourth quarter, 10 assets were impaired, resulting in $142 million of impairment charges. Several are already on the market, and we currently expect to sell a majority over the next 12 to 24 months.

As we enter the latter phase of our legacy asset monetization strategy, we've divided the remaining legacy assets into 2 buckets. The first is the long-term asset group totaling $515 million and representing 10% of our total portfolio. This group is comprised of 3 projects which we intend to develop or hold. That is, Asbury Park, Magnolia Green and Grand Vista. The remaining legacy asset group is much more granular, comprising approximately 40 smaller assets totaling $485 million, with the largest being $40 million, and the smallest, less than $1 million. Many of these smaller assets are unentitled or unimproved land parcels in secondary markets that we have on the market or intend to put on the market this year. We also expect the bulk of them to be sold over the next 12 to 24 months.

Flipping to Slide 10, I'd like to recap our progress across our businesses.

During the fourth -- during the quarter, we invested $125 million in our real estate finance and net lease portfolios, including the first new investment in our recently formed Net Lease Venture II and $31 million of capital expenditures, primarily in the Asbury Park urban master plan. Over the same period, we also received a total of $118 million of repayments and $200 million of proceeds from sales.

Our equity investment in Safehold was $156 million at the end of the year and currently stands at $406 million after our $250 million investment in January.

During the fourth quarter, Safehold closed $178 million of new investments, growing the portfolio 23% to $948 million.

We have now nearly tripled the size of SAFE's portfolio since it IPO-ed 18 months ago. The net lease assets which we consolidate had a carrying value of $2 billion and generated a weighted average yield of 8.8%. The loan business totaled $1 billion with an 8.7% weighted average yield on its performing loan portfolio.

Separately, during the fourth quarter, Moody's upgraded our corporate rating to Ba3 from B1, equivalent to our ratings from S&P and Fitch.

As we previously announced, during the quarter, we refinanced the existing $106 million, 5.05% fixed rate mortgage on our Preferred Freezer net lease assets with a new $228 million 10-year nonrecourse mortgage at 4.51%. In addition to reducing the coupon by approximately 50 basis points, we also expanded its maturity by 7 years to 2028. Importantly, the new mortgage was underwritten at a 60% loan to value based on the lender's appraisal valuing the portfolio of freezers at more than $1.60 per diluted share higher than our undepreciated gross book value.

The net proceeds, together with cash on hand, were used to redeem at par $122 million of our 5% unsecured notes due later this year.

Subsequent to quarter-end, we gave notice that on March 7, we will redeem at par the remaining $375 million of unsecured notes due this July. After this redemption, we will have no further corporate debt maturities until September 2020.

At December 31, 2018, we had $1.25 billion of cash and available capacity on our revolver. Pro forma for this debt repayment and our equity investment in SAFE, we had $632 million of cash and credit facility availability.

Looking ahead, iStar is a company with a clear path forward in 2019. We continue to execute at Safehold, providing the company with the necessary resources and capital to scale at a rapid pace. We intend to provide our unique one-stop capital solution to grow our loan business, and we intend to also execute our legacy asset monetization strategy to capitalize on near-term sales to reach our goal of making this 15% of our overall portfolio value.

With this clearly defined strategy, we're excited for the progress we will continue to make in 2019.

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

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

Thanks, Andy. Well, operator, let's go ahead and open up for questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And first to the line of Steve Delaney with JMP Securities.

Steven Cole Delaney ***JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst***

Obviously -- and you've laid it out very nicely about the importance of the ground lease business in Safehold going forward, not just stand-alone, but as integrated with iStar. So my focus on that. The current -- how should we think about, for modeling purposes, the current earnings return to STAR from your $406 million investment? Obviously, there is a dividend, but could you just talk about all the pieces there, and sort of what that would look like as far as an annualized percentage return on investment?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Steve, it's Andy. iStar accounts for its investment in SAFE under the equity method of accounting, which means, today, we'll record 65% of its net income as earnings -- equity earnings to iStar.

Steven Cole Delaney ***JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst***

Got it. But -- that means, I guess, we understood that you would not consolidate, is that correct, but you will be under the equity method?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

That's correct.

Steven Cole Delaney ***JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst***

Okay. So we really can ignore, you're just going to -- you're going to bring in your percentage and record it as income on that investment, and the dividends then are just sort of a cash item and not something that you would record as dividend income. Am I thinking about that correctly?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

The dividends, I believe, that we receive will be a reduction to our equity -- our on-balance sheet equity investment.

Steven Cole Delaney ***JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst***

Got it. That makes sense. Okay. And I guess, thinking about the long term, you've made it very clear that exploring the outlook of real estate finance or real estate investments, it's very clear that the team, Jay and the team, believe that the ground lease business is absolutely the highest-value place you can go, and you've put your money behind that. How do we think about the -- both the immediate short-term returns on that investment and then the longer-term more economic investment, if we were to think about the ground lease business, instead of just quarter-to-quarter as you just explained to me, Andy, how do we think about the return on that investment to STAR's shareholders, say, over the next 5 to 10 years? What's the -- where is the extra return there? And how do STAR shareholders realize that down -- as time goes on?

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

Steve, it's Jay. I think you've asked an important question, which is, we think of this as an opportunity to build a big, large growing business that we can be a leader in. So not only from just the economics of the individual assets, which we've talked about in the past and that Safehold as being quite attractive relative to their risk, but iStar is the largest shareholder in that portfolio. Obviously, it has a significant stake in any appreciation in the share price of Safehold. And when we look out long term, certainly, well before 10 years, but somewhere in this 2- to 3- to 5-year time frame, we see a significant upside to the underlying value of that portfolio that we expect to be realized in the marketplace. So today, we have in effect 20 million shares. As that business grows and we continue to invest capital in it, that number will go up. But you can imagine, if the share price increases $5 or $10, it has a substantial impact on the value of iStar. So we definitely believe there is a multipronged impact on iStar, the earnings that you just talked about with Andy coming through, the capital appreciation as its largest shareholder, its position as the investment manager as that business scales and also the doors it opens in iStar's finance and net lease business that will give it opportunities to make proprietary investments at good returns. So they all work together to kind of push forward in a growth mode where we get a lot of different earnings coming from different sources, but they all come back to this idea that we're reinventing a real estate sector that's ripe for reinvention, that creates a lot of opportunity for growth, much more so than we've seen in the finance or the net lease side alone. And so we put that all into the pot and made the decision that this is by far the best long-term way to invest capital for iStar and using all of its tools was the right decision.

Steven Cole Delaney ***JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst***

That's very helpful, Jay. And one of those pieces, one of those benefits is obviously the reworked management agreement, which certainly benefits STAR if you're able to scale the SAFE business. I'm just curious, Andy, as those 1% of equity fees come into STAR, will they be recorded in a TRS? And if so, are they part of REIT taxable income where those fees could contribute to a higher dividend at STAR? Or will all that be held down at a TRS? And that's my last question.

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Yes, Steve, they come in -- they will come in through a TRS, but our TRS has significant net operating losses. So specifically, anything we earn in the TRS is not subject to tax today.

Operator

(Operator Instructions) And then we'll go to Jade Rahmani with KBW.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

What level of earnings and profitability do you expect iStar to be able to achieve? And you can tell that -- give that to us on a per share basis or on an ROE basis, when you include all of the various parts of the company?

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

I think, short term, there is obviously a transition period as we move from exiting some of the legacy businesses into really scaling up this business. But long term, Jade, we're obviously looking for significant growth in earnings, both from directly investing capital, but also through the capital appreciation we think is embedded at Safehold and in its asset base. So near term, I can't give you an exact number for the year because we're still working through that, but I think, long term, we're looking for double-digit ROE-type returns on our equity capital base.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Based on the current expense base, can you give a run rate level of annualized G&A? I think the fourth quarter, inclusive of stock compensation, which I consider a real expense, about $76 million is the 4Q annualized rate.

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Jade, if you take a look at the different components of G&A, there is what I call the cash G&A, and then there is the stock-based portion of the G&A. On the cash base, our fourth quarter includes about $5 million of severance costs. And on a run rate going forward, what that means, given that we're continuing to rightsize as we sell assets, our infrastructure, that could be over $5 million of annual savings going forward. I can't give you an exact number because we are shifting resources and we're filling in where we think we need to fill in to execute on our strategy. Our stock-based comp plans, as you well know, are -- have been variable, variable accounting plans. So the P&L expense that we take for those plans is dependent on the performance of the underlying assets. That being said, given where we are, I think that we are expecting, absent any significant change, that, that number going forward could be down $4 million to $5 million on a run rate basis.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. With respect to the cash G&A, so if I look in the fourth quarter, it was $17.2 million. You're saying that, that included $5 million of severance. So it would be closer to about $12 million. And then are you saying that the $12 million annualized would be $5 million lower? So that would be like something about $43 million?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Jade, say that -- say what you were calculating the run rate to be on the G&A, again?

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Just taking the $17.2 million from the fourth quarter, less, you said that included $5 million of severance?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Yes, (inaudible).

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

So that $12.2 million annualized is $48.8 million. And then you said, there could be $5 million of run rate savings, so that would be $43.8 million?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

It's $5 million for the year, okay? So the run rate -- the annual run rate is $5 million for the year, not for the quarter.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay.

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

That make sense? So we took a $5 million severance charge, which will result in $5 million to $6 million of annual savings going forward in our cash G&A.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. All right. So that's -- so the $17.2 million minus $5 million annualized -- oh, yes -- no -- I mean, okay, got it. That makes sense. The -- I guess, relative to the equity base, do you have sufficient capacity to get to a stabilized earnings rate in that double-digit ROE framework you mentioned? Or do you require additional common equity?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Our plan doesn't require any additional common equity.

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

But because we expect the growth of this business to impact both the need for capital at iStar and Safehold going forward, so the strategy long term is clearly to build a much larger company and tap the markets when that's appropriate. But right now, we're running the business with plenty of liquidity, as you can see, and we have lots of assets that are quite liquid. So near term, we don't have any need to go to the market.

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

And one other point is that, as you know, is we are selling assets that are effectively dead from an earnings standpoint. We're able to redeploy that cash into earning assets.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. The 1Q asset sales of $91 million, are you expecting additional sales to close by quarter-end?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

It's hard to estimate the timing. I'd say all but one of those assets have already closed. So about just over 40% of that amount is under contract, the rest have closed.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. So -- but the $91 million is safe to assume for the first quarter?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

That's not what I said. What I said was that over -- about 60% of them have closed already. There is 40% that are -- have a hard deposit up. Whether it closes by the end of the quarter or not, I can't make that determination at this point.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. What percentage of the $485 million would you expect to sell within the year? I would have expected -- 12 to 24 months, the 24-month part seems like a pretty extended time frame.

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

As I said, a lot of these assets are land assets. Some of them have entitlement -- are entitled. Some of them are unentitled. They're in secondary markets. And typically, when you're selling assets like that, the due diligence period and the period from signing the PSA to closing is typically longer because the buyers are in the market either trying to get the entitlements or trying to get some certainty around whether they're going to be able to build their intended use on the land. So that's why it's longer than you might typically expect on a cash flowing property.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. And then with respect to the risk of future impairments, just can you give any color on what drove this quarter's impairment? I mean, you gave the number of assets that pertains to, but how do you assess the risk of future impairment?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

I think this quarter, a handful of those assets were our much larger assets. So each of them, the common theme, even though they were operating and land assets that they had reached decision points, they were going to require on their business plans either significant amounts of additional capital and/or people resources to develop them further. So we think, at least in the foreseeable future, that these are the significant large ones. We tried to lay out by showing the 2 buckets that we have 3 large assets remaining that we do intend to develop, that we are comfortable today at our basis. And the remainder -- that remaining group that ranges from under $1 million to $40 million is -- gives you an idea of size, which means we don't expect anything significant. Some of them will be winners, some of them will be losers. So I'll give you an example. Two of the largest ones in that group, one of them is the one deal that is under contract today. And the other one is -- represents our master plan in Naples, Florida, where 2 homebuilders have agreed to take down a majority of the remainder of the lots this year.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. Were the impairments concentrated in the short-term bucket?

Andrew C. Richardson ***iStar Inc. - CFO and President of Land & Development***

Yes. They're all short-term holds -- or short-term buckets.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. The operating properties has a category of $68 million of strategic investments. What does that pertain to?

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

We made a number of investments over the last 24 months to explore some new businesses with partners that we thought were going to be interesting avenues as we've decided to move forward with the ground lease-focused strategy. We'll continue to work with those partners, but we'll not continue to invest capital in those platforms.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Is there any risk of impairment to that investment?

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

Right now, they actually look like pretty solid profit generators. So we don't think so.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. Just regarding the broader strategy and the -- noting the increased ownership that STAR has in SAFE. I mean, why not merge the 2 companies? I'm still puzzled by the externally managed construct and how that creates more value in aggregate, considering both companies. And then separately, did you look at having STAR's legacy assets put into a separately managed liquidating trust that could be managed by a dedicated team and valued separately by the market?

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

Yes. On your first question, I think, go back 18 months, we've answered this question a couple of times. We believe that trying to build a AAA business in a non-investment grade wrapper with noninvestment-grade covenants did not make sense. It still doesn't make sense. A AAA business needs AAA sort of financing flexibility, and that's the way we've been building the business. So we still think the architecture is the right way. SAFE on its own does not have the scale or scope to do the full, what we call, ecosystem of ground leases. It doesn't have the capital to be a lender and/or net lease provider. So we still think there are benefits to having the 2 companies continue to allow people to look at a pure play on the ground lease side in Safehold, but also the full framework that iStar can provide in the capital support. So I still think that architecture makes sense. We're not going to tell you that's forever, but right now, it certainly does. On your second question, we've looked at every possible permutation we could think of in terms of how do we maximize value. Again, we came to the conclusion this is the right structure, this is the right strategy. All of these things take time, effort, distraction. If we could just turn the switch, Jade, we'd have other options to consider, but in terms of getting our focus on the things that really matter, that's what we've been spending our time on.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Regarding the loan portfolio, $1 billion, can you tell us -- and it's pretty high yield. Tell us the remaining duration of that. This is an extremely competitive profit environment. We're seeing a lot of bridge-to-bridge takeouts. So one of my concerns about the near-term outlook is it'll be hard to maintain that size portfolio. It's going to basically run-off over time. And I think the leaseholds that you're financing against ground leases will be smaller on average than the loans in this portfolio. So just any color on that.

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

Yes, no, look, one of the reasons we're not committing our resources to compete in the marketplace is the duration on most of the loan assets we see are not only short, but they have a lot of negative convexity. So if things go well, you're going to get paid off early. If things go poorly, you're going to see your duration extend. Those are not good dynamics. We far prefer what we see in other markets. So we're not out there aggressively trying to build our loan portfolio. We think the best way is to focus on combining it with something proprietary and unique, and it open doors and opportunities that we think other people will have a harder time competing with us. All that said, yes, our existing book probably has a duration of a year, no more than a year. So those are assets that continue to provide good income, but we expect to be able to replace that income with this new strategy. But you're right, it's a competitive market and you really can't hold on to excess returns very long in the floating rate market these days.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

And does the return profile on new investments, I guess, a version of what Steve was trying to get at, does that match the high-yield profile of the loans? I understand on a relative risk basis, it's probably much more attractive, but...

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

Yes, I think -- I ask you to think about it this way, as we think we're making very attractive risk-adjusted returns on the assets we're investing in, in the ground lease space. If we were to monetize those assets, they would create, we think, similar returns. Obviously, that is not our strategy. So you guys will have to do a little more work. You're going to have to look not only at existing earnings, but also the embedded value that's being created in the ground lease assets themselves, in the things that come out of our proprietary ability to see deals we otherwise couldn't play in. And then, as I said to Steve, you're going to have also look at the share price appreciation potential at Safehold and multiply it by the number of shares that iStar owns and think about earnings across all of those different metrics, not just simply looking at a GAAP income number. But we do think over the longer time frames that hopefully people are thinking about with us, you're going to see a substantial impact from all those areas.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

The current book value adjusted for accumulated depreciation, do you view that as representative of the fair value per share? I think you mentioned the portfolio of freezers valued at over $1 higher than book value. But I guess, what's your view of the fair value of iStar per share?

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

Well, I think you're touching on an important point, which is particularly in the net lease book in and of itself, and Preferred Freezer being one of our larger assets, we've got a couple of fairly sizable assets in there that we think are substantially undervalued, if you're just looking at book. And we don't try to make that adjustment, Jade, in our adjusted book value that we present. So again, you'll have to apply cap rates that you're comfortable with, but we would tell you that is substantially undervalued on a book basis. They are core assets. We think they provide an enormous amount of support to the business plan. So there is no intention to monetize, but if the right offers come along, those are assets that I think you'll see us be able to demonstrate significant embedded value. So hopefully, that's a meaningful number in a dollar per share context above where you see the number today.

Operator

And Mr. Fooks, we have no further questions.

Jason Fooks ***iStar Inc. - VP, IR & Marketing***

Great. Thank you. And if you should have any additional questions on today's earnings release, please feel free to contact me directly. Would you give the replay instructions, again?

Operator

Certainly, and yes, ladies and gentlemen, the replay of this call will be starting at 12:00 p.m. Eastern Time today. The replay is accessible on the company's website or by dialing 1 (800) 475-6701 with the confirmation code of 463702. That does conclude your conference for today. Thank you for your participation. You may now disconnect.