

Transcript of
Safehold, Inc.
Safehold's 3rd Quarter 2025 Earnings Call
November 5, 2025

Participants

Pearce Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold, Inc.
Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.
Brett Asnas - Chief Financial Officer, Safehold, Inc.
Tim Doherty - Chief Investment Officer, Safehold, Inc.

Analysts

Ronald Kamdem - Morgan Stanley
Anthony Paolone - JPMorgan
Kenneth Lee - RBC Capital Markets
Harsh Hemnani - Green Street Advisors
Rich Anderson - Cantor Fitzgerald
Ravi Vaidya - Mizuho
Jon Peterson - Jefferies
Chris Muller - Citizens Capital Markets

Presentation

Operator

Good afternoon and welcome to Safehold's Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, today's conference call is being recorded.

At this time for opening remarks and introductions, I would like to turn the conference over to Pearce Hoffmann, Senior Vice President, Head of Corporate Finance. Please go ahead, sir.

Pearce Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold, Inc.

Good afternoon, everyone. Thank you for joining us today for Safehold's earnings call. On the call today, we have Jay Sugarman, Chairman and Chief Executive Officer; Brett Asnas, Chief Financial Officer; and Tim Doherty, Chief Investment Officer. This afternoon, we plan to walk through a presentation that details our third quarter 2025 results. The presentation can be found on our website at safeholdinc.com by clicking on the Investors link. There will be a replay of this conference call beginning at 8:00 p.m. Eastern time today. The dial-in for the replay is 877-481-4010 with a confirmation code of 53142.

Transcript Provided by



In order to accommodate all those who want to ask questions, we ask that participants limit themselves to two questions during Q&A. If you'd like to ask additional questions, you may re-enter the queue. 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. Our 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. Safehold disclaims any intent or obligation to update these forward-looking statements except as expressly required by law.

Now, with that, I'd like to turn it over to Chairman and CEO, Jay Sugarman. Jay?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Thanks, Pearce, and thanks to all of you for joining us today. We saw steady activity in our ground lease business in the third quarter with a recent decline in rates and a somewhat less steep yield curve helping to provide a more constructive backdrop. This was offset by deals needing longer timeframes to close. And as a result, we expect more will likely close in the fourth quarter or first quarter of next year. The drop in rates has also helped boost the NAV of the existing portfolio and drive more activity in real estate markets more generally.

In terms of sectors, our modern ground lease continues to help customers trying to meet affordable housing needs in heavily populated markets throughout the country. And while deal sizes are smaller, we like the repeat customer dynamics we are seeing in this area, and we are investing resources accordingly.

Giving customers products that enable them to move quickly and adjust to market conditions remains a focus, and we will continue to innovate with ways to provide speed, certainty, and flexibility around our core ground lease solution. One-stop capital solutions, custom pricing solutions, and other enhancements will continue to expand the ground lease market for new and existing relationships. And it's important that we find ways to generate attractive asset level returns for us, while also meeting our customers' evolving needs.

All right, let's turn it over to Brett to review the quarter. Brett?

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Thank you, Jay, and good afternoon, everyone. Let's begin on Slide 2:

During the third quarter, we originated four multi-family ground leases for \$42 million. In the fourth quarter to date, we have originated an additional four multi-family ground leases for \$34 million. These combined eight assets are all within our affordable housing subsegment and located in the Los Angeles and San Diego markets, with credit metrics in line with portfolio targets and a weighted average economic yield of 7.3%.

Transcript Provided by



Six of these transactions were with a new customer added to our program, while the other two were with an existing customer who has now originated a total of seven transactions with us since inception. We have additional LOIs signed with both customers for deals expected to close through year-end and into 2026. We're pleased to see growing product adoption and repeat business in this sector, as we expect it to be a meaningful growth channel for Safehold.

At quarter end, the total portfolio was \$7 billion, and UCA was estimated at \$9.1 billion. GLTV was 52%, and rent coverage was 3.4 times. We ended the quarter with approximately \$1.1 billion of liquidity, which is further supported by the potential available capacity in our joint venture.

Slide 3 provides a snapshot of our portfolio growth:

In the third quarter, we funded a total of \$58 million, including \$33 million of ground lease fundings on new originations that have a 7.4% economic yield. \$15 million of ground lease fundings on pre-existing commitments that have a 7.5% economic yield, and \$10 million of existing leasehold loans that earn interest at an approximate rate of SOFR plus 499 basis points.

At quarter end, our ground lease portfolio had a 155 assets, including 92 multi-family properties, and has grown 21 times by both book value and estimated unrealized capital appreciation since our IPO.

In total, the unrealized capital appreciation portfolio is comprised of approximately 37 million square feet of institutional quality commercial real estate, consisting of approximately 21,500 multi-family units, 12.6 million square feet of office, over 5,000 hotel keys, and 2 million square feet of life science and other property types.

Continuing on Slide 4, let me detail our quarterly earnings results:

For the third quarter, GAAP revenue was \$96.2 million, net income was \$29.3 million, and earnings per share was \$0.41.

The increase in GAAP earnings year-over-year was primarily due to a non-recurring \$6.8 million non-cash general provision taken one year ago. Excluding non-recurring items, Q3 earnings per share increased \$0.04 year-over-year, or approximately 12%, primarily driven by new investment activity.

On Slide 5, we detail our portfolio's yields:

For GAAP earnings, the portfolio currently earns a 3.8% cash yield, up slightly from last quarter due to organic growth, higher yields on new investments, and a fair market value reset on one of our ground leases.

Transcript Provided by



Our annualized yield earns 5.4% and includes non-cash adjustments within rent, depreciation, and amortization, which is primarily from accounting methodology on IPO assets, but excludes all future contractual variable rent, such as fair market value resets, percentage rent, or CPI-based escalators, which are all significant economic drivers.

On an economic basis, the portfolio generates a 5.9% economic yield, which is an IRR-based calculation that conforms with how we've underwritten these investments. This economic yield has additional upside, including periodic CPI lookbacks, which we have in 81% of our ground leases. Using the Federal Reserve's current long-term break-even inflation rate of 2.25%, the 5.9% economic yield increases to a 6.0% inflation-adjusted yield.

That 6.0% inflation-adjusted yield then increases to 7.5% after layering in an estimate for unrealized capital appreciation using Safehold's 84% ownership interest in Caret at its most recent \$2 billion valuation. We believe unrealized capital appreciation in our assets to be a significant source of value for the company that remains largely unrecognized by the market today.

Turning to Slide 6, we highlight the diversification of our portfolio by location and underlying property type:

Our top 10 markets by gross book value are called out on the right, representing approximately 65% of the portfolio. We include key metrics such as rent coverage and GLTV for each of these markets and we have additional detail at the bottom of the page by region and property type.

Portfolio GLTV, which is based on annual asset appraisals from CBRE, remained flat quarter-over-quarter at 52%. Portfolio rent coverage declined very slightly quarter-over-quarter from rounding up to 3.5 times previously to now rounding down to 3.4 times.

Lastly, on Slide 7, we provide an overview of our capital structure:

At quarter end, we had approximately \$4.8 billion of debt comprised of \$2.2 billion of unsecured notes, \$1.5 billion of non-recourse secured debt, \$881 million drawn on our unsecured revolver, and \$270 million of our pro rata share of debt on ground leases, which we own in joint ventures.

Our weighted average debt maturity is approximately 19 years, and we have no maturities due until 2027. At quarter end, we had approximately \$1.1 billion of cash and credit facility availability.

We are rated A3 stable outlook by Moody's, A- stable outlook by Fitch, and BBB+ positive outlook by S&P.

Transcript Provided by



We have benefited from an active hedging strategy and remain well hedged on our limited floating rate borrowings. Of the \$881 million revolver balance outstanding:

\$500 million is swapped to fixed SOFR at 3% through April 2028. We receive swap payments on a current cash basis each months, and for the third quarter that produced cash interest savings of approximately \$1.7 million that flowed through the P&L.

We also have \$250 million of long-term treasury locks at a weighted average rate of approximately 4.0%, and current gain position of approximately \$29 million, which is currently recognized on the balance sheet, but not the P&L.

We are levered 2.0 times on a total debt-to-equity basis. The effective interest rate on permanent debt is 4.2%, and the portfolio's cash interest rate on permanent debt is 3.8%.

So to conclude, we're encouraged by good traction in the affordable sector, which we believe will help buoy origination volume, while other sectors work their way back into the pipeline and we have a strong balance sheet and liquidity position that we'll look to take advantage of to be more offensive with our customers.

And with that, let me turn it back to Jay.

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Thanks, Brett. I mentioned earlier our focus on finding ways to meet our customers' needs. Of course, it's also important for our customers to live up to their obligations. So let me provide a brief update on the Park Hotel master lease. We recently sent this tenant a lease termination notice for all five hotels governed by the master lease and will be pursuing all our contractual rights under the lease.

We believe the tenant has breached the master lease covenants and has not upheld their contractual obligations under the lease, which includes specific maintenance and operating standards. Because this is now active litigation, we are limited in what else we can say publicly. As I'm sure you understand, we can't provide assurance that we will prevail in litigation or that the future financial impacts will be positive. Okay. With that, let's go ahead and open it up for questions.

Operator

Thank you. [Operator Instructions]. The first question comes from Ronald Kamdem with Morgan Stanley. Please proceed.

Q: Hey, great. Just two quick ones for me. Just starting with the originations, I think all multifamily looks like all on the West Coast, if I'm looking at this correctly. I did notice the rent coverage ticked down a little bit. I don't know sort of if you could talk through that. And maybe just while you're on that, just talk about sort of the

Transcript Provided by



appetite and the potential for more of these sort of affordable housing deals?
Thanks.

Tim Doherty - Chief Investment Officer, Safehold, Inc.

Hey, Rob. It's Tim Doherty. You see that the assets were out in California on the affordable side as Brett and Jay both mentioned. We're seeing great traction there in that space. On the affordable side, the team is doing a great job of expanding that throughout the country, which I think we'll see results in the quarters ahead. Right now we've seen the great results on some of these sponsors. We have repeat sponsors in California.

As for coverage, as you probably have seen in our transactions on development in particular, not only this is our underwriting and we take a haircut to actually our underwriting to show what that coverage is. So if you actually took the sponsors' cash flows, those coverages are in line with our metrics, if not even a little bit above.

If you take our underwriting without the haircut, it's probably more in line. So we're pretty conservative on the development deals since those are a little bit more time to get to stabilization. We just want to be able to show those as conservatively as possible. But in terms of your question on transactions and deal flow, we're seeing great momentum.

I think you're seeing that with the closings here even post quarter end. We're seeing great momentum even going forward with more transactions under LOI currently.

Q: Great. That's really helpful. And then my second one was just on -- I appreciate you can't comment on anything on the Park Hotel. Any color on just timing on how long these usually take to be resolved high level? Thanks.

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Hey, Ron, it's Jay. Yes, I think it's unfortunate when things end up in litigation. We try pretty hard to find the solutions where both sides can win, but when we can't, obviously, we need to enforce our contractual rights to protect shareholder value. And these things don't happen overnight. So we typically would try to avoid it. But in this case, we think it's the right thing to do for shareholder value protection and it will play it out. It's going to take a little bit of time.

Q: Great. That's it for me. Thank you.

Operator

The next question comes from Anthony Paolone with JPMorgan. Please proceed.

Transcript Provided by



Q: Great. Thanks. Just trying to understand more just on Park Hotel understanding the sensitivity, but what exactly did you claim was brief? I assume they're still paying rent or was there some change there?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

It's not a rent issue, Anthony. It's a standard of care and maintenance. Can't really go into it, but we think the contract is clear and just couldn't find an agreement on that.

Q: Okay. And then just more broadly on your deal pipeline and so forth. As we see like office, industrial and other types of transactions start to come back to the market, are you seeing more of that? And would you do more of those types of transactions if those opportunities come around?

Tim Doherty - Chief Investment Officer, Safehold, Inc.

Sure, Anthony, it's Tim. Yes, definitely. We're actually see we track front of the funnel all the way through of course to closing. And when we look quarter-over-quarter, the opportunities we're seeing is it's pretty well diversified now and spreading out into the hospitality, retail office side in addition to the traction you're seeing on the affordable space, conventional multifamily construction and recapitalization that's been there.

So we're seeing opportunities there and when the right ones come up, we're right on top of them. We think that as you're seeing from some of the other announcements in this quarter, the transaction flow has definitely increased. I think what Jay mentioned with the yield curve not as steep is starting to release some transactions, which is great for the market and it just takes time to work those deals through the system and for us to start to close on some of those.

Q: Okay. Thanks.

Operator

The next question comes from Kenneth Lee with RBC Capital Markets. Please proceed.

Q: Hey, thanks for taking my question. I think you mentioned some of the economic yields ranged up to 7.5% on some of the more recent deals there. Wondering, if you have any expectations for economic yields going forward. I know that in the past you talked about long-term bonds plus anywhere from 75 to 85 basis points. Any change there? And more importantly, as potentially as short term rates move around, do you expect any kind of indirect impact to economic yields go forward? Thanks.

Tim Doherty - Chief Investment Officer, Safehold, Inc.

Transcript Provided by



Sure, Kenneth. Those yields, look, it depends on the timing of these closings. We're based off the 30-year treasury, so over the quarter, it was a variable rate there, higher in the beginning towards the end. So those closings happened earlier, some of them happened towards the end, and then the ones that closed earlier this month, or sorry, last month now.

What we expect is, yes, there's that spread to the long-term bond, but also we expect now where treasuries are, high sixes, low sevens is pretty consistent right now with where the treasury seems to be at and the deals that are in our pipeline are in that range.

Q: Got you. And one follow-up, if I may, you touched upon within the prepared remarks, seeing some extended timeframes, it sounds like, to close some of the deals going into fourth quarter or even the first quarter. Any particular factors driving the extended out timeframes? Thanks.

Tim Doherty - Chief Investment Officer, Safehold, Inc.

The extended timeframes, a lot of these deals are development deals, so those do take a little bit more time to close. I think in the affordable space, a lot of those are development deals. Most of those are development deals. The conventional side would close a few in that space versus a recap that could take four weeks to eight weeks to close. So nothing abnormal in the market for those to take a little bit more time, but we're seeing good momentum on that front and pretty consistent deal flow and LOIs being signed.

Q: Got you. Thank you very much.

Operator

The next question comes from Harsh Hemnani with Green Street. Please proceed.

Q: Thank you. Maybe just a clarification, did I hear correctly that for the Park litigation, it's against all five of the hotels in the master lease, or is it just against the two that they plan on not renewing? And then second part is, what's the sort of near-term financial impact of this? Park going to continue to pay rent during the period of time the legal battle goes on in the background? Or is there going to be some near term impact from that?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Harsh, yes, the litigation is around all five hotels, not just the two. And we're obviously working to find a way to continue the hotel's operations as smoothly as possible. So I don't have any more detail I can share on that, but that's certainly our goal.

Q: Okay. Fair. So, I guess, is the goal here to try to treat the master lease as a package all or nothing?

Transcript Provided by



Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Yes, it is a master lease. And the provisions are backed by a corporate entity. So we certainly treat it as a master lease.

Q: Got it. Okay. Last one from me. I guess maybe higher level on the transaction side. As you mentioned, sort of broader real estate transaction activities are broadly in line with call it 321 levels. And at the same time, rates haven't necessarily gone back to what it was in 2021 and 2022, but we've stabilized. Volatility has come down, we're in the low 4s almost consistently. Do those bigger check size transactions start to come back? Are you seeing more of those or is it still smaller check size multi-family?

Tim Doherty - Chief Investment Officer, Safehold, Inc.

I would agree with you on the consistency part. I think that is driving some of the market now. Everyone has a lot more visibility, so transactions are getting done. On the size, the affordable deals tend to be on the smaller size. You saw all the deals that have closed, all the deals that closed in the third quarter, the deals that closed quarter-to-date were affordable. They're on the smaller side. These are actually, I'd say, on the smaller side of those even.

The larger transactions, you're seeing a lot of the trades now starting to happen on the larger deals. Our pipeline has some larger transactions in it than these affordable deals. But multi-family transactions on the conventional side tend to be somewhere between \$40 million of total value to \$85-ish million of value. So a third of those, you can kind of figure out what our ground leases are typically sized. And then office and hospitality tend to be a little bit bigger asset size than those, but again not much different from what you've seen in the past from quarters past what you were mentioning 2021.

Q: Got it. Thank you.

Operator

The next question is from Rich Anderson with Cantor Fitzgerald. Please proceed.

Q: Hey, good evening, folks. Have you stated what this sort of forward pipeline it looks like in dollar terms? You mentioned activity got pushed out, but I don't believe you sort of put a number on what the pipeline looks like on a go-forward basis, if you were willing to share.

Tim Doherty - Chief Investment Officer, Safehold, Inc.

Yes, well, I guess we wouldn't share the exact number, but I guess to give you an idea of what we have today under LOI that will close in the coming quarters. I would say it's about over 15 deals and over \$300 million of transactions that will, again, close

Transcript Provided by



in the coming quarters. And it's a mix between the affordable transactions and conventional multi-family.

Q: Okay, great. And as far as -- I'm not going to ask specifically about Park. I understand you can't talk about that. But just to be clear, a lease termination successfully completed means reversion rights and you get the keys. That's one possible outcome, speaking generally about how this works. Is that correct?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

That's correct, Rich.

Q: Okay. That's my second question, so I'll stop there. Thanks.

Operator

The next question comes from Ravi Vaidya with Mizuho. Please proceed.

Q: Hi there. Hope you guys are doing well. Just wanted to ask another follow-up on the Park Hotel litigation here. Does this impact your potential interests and maybe pursuing hotel originations going forward? And are there any additional corporate costs that we should be considering for the model more in P&A, legal fees, or any other one-timers as we think about Q4 and 2026?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Yes, I'll take the first part. And maybe Brett can take the second part. Look, this is an anomalous outcome. It's not what we expected. This is a master lease form that we didn't create 30 years ago when it was put in place. And I don't think it impacts our view on any part of the ground lease ecosystem that we're working in. So we'll get through it. And I don't think you should think of this as an indicator of anything or a precedent for anything.

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Yes, and on the economic side or for the P&L. Obviously, as Jay mentioned, it's too early to tell where this will head. Obviously, we wanted to make this decision on behalf of our shareholders and make sure that we protect value. So I think over the coming quarter, we'll have a better visibility and can certainly update you and the market as to what that looks like. But for the time being, we feel like we're in a good spot in terms of the consistency of what we've been making, and then moving forward, as Jay mentioned, with the termination, any costs associated with that, et cetera, we'll be able to give the market better visibility. It's pretty early and premature at the moment.

Q: Got it. Appreciate the color there. Just one more. How do you guys think about the recent New York City mayoral win yesterday and the impact surrounding rent

Transcript Provided by



stabilization and maybe broadly how this could impact affordable housing. You guys have done a lot of deals with affordable housing and just wanted to see how this type of news and this type of language impacts the underwriting of those deals? Thanks.

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Yes, look, I think we fundamentally follow supply and demand wherever it goes. And obviously, if you reduce the incentives to create supply, you're going to choke off supply, which is in many cases just leads to even tighter market conditions. We're seeing that more generally across the market. Those areas that didn't have supply are starting to recover, and there's not a lot of supply in the pipeline. And you see what happens rents start to move.

So I'm not sure how the administration is thinking about that, but it's certainly our belief that the way to keep rents down is to have supply meet demand. So I'm not sure exactly how this is all going to play out, to be honest. We believe we have a solution for the affordable housing problems in this country that's very powerful. We'd like to deploy it in more places. I will tell you a lot of the friction costs are created by government regulations that we would just as soon help solve the problems quicker, faster, and better. But we're kind of being held back a little bit by the nature of government regulations in that area.

So we're hopeful that people recognize this is a problem that ground leases can be a major part of the solution, and creating new supply is long-term, in my mind, a better solution for most municipalities than trying to arbitrarily decide where rent should be. That just sounds like a tough long-term economic solution.

Q: Thank you.

Operator

Okay. The next question comes from Jon Peterson with Jefferies. Please proceed.

Q: Great. Thanks. Can you remind us how much of your multi-family portfolio is affordable housing today? I know it's 41% of gross book value. And then, do you guys have a long-term target or cap of where you'd want that number to be as a percent of your portfolio?

Tim Doherty - Chief Investment Officer, Safehold, Inc.

Yes, John, I'll get back to you on some more dependent number, but it's a pretty low number now. We just -- the business really just began 18 months ago or so with the team being dedicated to it and getting deals closed after being in, so I would call it the lab to learn more about the space prior to that. So the team is, as you can see, has great momentum going forward.

Transcript Provided by



In terms of where we'd like it to be, look we're growing a massive portfolio here, so the number on how large it could be in dollars. We're striving to make it very large, I guess, I would say without throwing a number out there. On a percentage, you can see over time, different asset classes are active at different times, so to say what percentage of the portfolio would be pretty difficult. But you're seeing that the housing sector of our portfolio, that's why we label it under all and multi-family is majority of the assets that we've closed on the books to date, and we see that trend continuing in terms of the ratio of housing as part of our portfolio. Okay.

Q: Okay. And outside of California, I guess, which states do you think are most likely to see some of these affordable originations next?

Tim Doherty - Chief Investment Officer, Safehold, Inc.

The capital by the government is allocated by the size of the states. California being the largest is the one that allocates the most. It's actually the most efficient system, at least in our opinion. So we're seeing great traction there as that system works quite well. And look, I think the expansion there is into the larger states. So a lot of those are in the Sun Belt and Coastal. You see a lot there. So our team is working on all of them. As time goes on, I think in the coming quarters and year, you'll see us penetrate those markets as well.

Q: Okay. All right. Thank you.

Operator

Up next is Chris Muller with Citizens Capital Markets. Please proceed.

Q: Hey, guys. Thanks for taking the questions. So I guess following up on that prior line of questioning, is any of your New York City multifamily exposure to rent-stabilized units? And if so, how would a rent freeze even play out given your contractual CPI escalators? Would that burden just solely fall on the sponsors?

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

We haven't really cracked in New York, not yet, and you're asking one of the questions that we would have to grapple with. The goal, as always, is to put ourselves in a very safe position where we don't have to worry too much about the last dollar of risk or even the middle of the capital stack. So that's what we love about the business is the safety and the predictability about it. We have not seen that opportunity present itself across the New York market.

But look, there's got to be a solution. We think additional supply is going to be needed. And ultimately, we don't want to play in the equity part of that solution. We want to play in the land part of that solution, which we think goes a long way to helping stretch the subsidy dollars that are available. This is a big opportunity for efficiency to come to the fore, and we think ground leases can be a big part of that.

Transcript Provided by



Q: Got it. And then I guess changing gears a little bit, the 30-year Treasury rate increased from a recent low of 455 to a current 475-ish. There is a similar 20 basis point drop in rates during the third quarter. So my question is, how sensitive is your guys pipeline to these types of moves? Do you see a material change in demand from those two examples? And then just follow-up on that is what level of the 30-year do you think would really get things moving for your business?

Tim Doherty - Chief Investment Officer, Safehold, Inc.

It's a similar event that occurred last year, right, where the Treasury dipped down somewhere around September, October timeframe, and it came back up in November, so it's sort of deja vu a little bit the last couple days of what happened there. And you saw the increase in, just in terms of the market chatter of deals when the rates were going down, a lot of deals trying to close at the exact moment.

I think a lot of people knowing that where rates are trending is in this higher level for longer. So when it does dip down, people want to transact quickly. So when it was there, the flow really, in terms of the chatter, because deals can't close in days, it can take weeks and months, was heavier. So I think we're testing this last year and now this year where and the 10-year dips closer to four and the 30-year dips below 4.50, you start to see a lot more transactions where it really blows.

We don't know, we haven't seen it as a whole market, where acquisition flow really picks up. We paid a lot of attention to that side of the market, not just recapitalizations. People have to refinance their debts, really the acquisition flow that shows you the market's fully healed. But when those rates were hitting those levels, you started to see a lot more talk about sales and acquisitions.

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Just as a longer-term perspective, when we started this business in 2017, we said the sweet spot is sort of 3% to 5%. We've been at the lows. We've seen the highs. If you wanted a true middle of the road, I think 4% on the third year is a great place for both sides feel good about. I think this is as much about psychology as anything else. When the market thinks rates are topping and headed back down, it's harder to want to lock in 99-year capital if you have that belief.

We think we've got some flexibility in terms of when customers can lock rates that could be a useful tool for them to maybe open that door a little wider for them to make a good decision. both in the near term and the long-term. So it's one of the things we're watching very carefully. As I think Tim said, uncertainty is the worst thing of all. And when markets don't know which direction things are headed, that tends to put a freeze on things. What we're hoping for is a little more stability in 2026, a little bit lower rates, a little bit less steep yield curve. Those are all positive factors for us.

Q: Got it. It's all very helpful. Thanks for taking the questions.

Operator

Hey, we have a follow-up coming from Rich Anderson with Cantor Fitzgerald. Please proceed.

Q: I felt like I shortchanged myself. So I'm going to ask Jay a question that I want you to sort of get your take on a common criticism, I guess, of ground leases. For everything that's good about them, as you close in to the end of the lease term, you can argue that the incentive of a leasehold owner is lessened to maintain a level of capital investment because they see sort of the end of the road in terms of the lease. And one thing or two will happen. The lease will expire. They'll get the keys back, or they'll renew the lease and have to pay a bigger rent to you. How do you take this as a sign of the criticism of ground leases that the closer you get to the end of it, the less incentivized your customer is to invest because they see the writing on the wall coming? I'm just curious how you would respond to that.

Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.

Yes, the fallacy in all that for me, Rich, is we're always looking for solutions that can create value. So the market tells you what things are worth. And if somebody wants an extension, it's pretty easy to price the value of that. And that's certainly, if you like the assets you're running, that's always going to be a good solution. And I think the markets will reward longer-term ground lease solutions for that leaseholder with a value increase that goes a long way to creating a business deal between the landowner and the building owner that can extend for a new 99 years.

So that's what we think in most cases is a very likely solution is extensions. Good operators who are doing a good job and meeting the contractual terms of their leases, there's a lot of places to create win-win solutions. So we're very careful in terms of our standard agreement has maintenance standards. But this is more about just doing smart business. We want to create long-term customers. And we think we have lots of solutions at the end that will work for them.

So again, as I said, I'm not sure. The current condition we're in is a precedent in any way. We've seen plenty of other situations not end like this, so I still feel pretty confident that the economics of continuing to run a good property will always trump sort of that dynamic you mentioned.

Q: But if it's not a good property, they'd be willing to walk and go through something like this. That's the point. I hear you. But if they've fallen out of love with whatever they are running perhaps. But anyway, we could talk about it another time. Thank you.

Operator

Transcript Provided by



Mr. Hoffmann, we have no further questions.

Pearce Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold, Inc.

Thanks, everybody, for joining us today. If there are any additional questions on the release, please feel free to contact me directly. Operator, would you please give the conference call replay instructions once again? Thank you.

Operator

Absolutely, thank you. There will be a replay of this conference call beginning at 8 PM Eastern Time today. The dial-in for the replay is 877-481-4010 with the confirmation code of 53142. This concludes today's call and you may disconnect your lines at this time. Thank you for your participation.

Transcript Provided by

