Transcript of
Safehold Inc.
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Participants

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Mitch Germain - Citizens Bank
Jon Petersen - Jefferies
Kenneth Lee - RBC Capital
Rich Anderson - Cantor Fitzgerald
Harsh Hemnani - Green Street

Presentation

Operator

Good afternoon, and welcome to Safehold's Second Quarter 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 Pearse Hoffmann, Senior Vice President of Capital Markets and Investor Relations. Please go ahead, sir.

Pearse Hoffmann - Senior Vice President, Capital Markets & Investor Relations, Safehold Inc.

Good afternoon, everyone. Thank you for joining us today for Safehold's earnings call. On the call, we have Jay Sugarman, Chairman and Chief Executive Officer; Michael Trachtenberg, President; Brett Asnas, Chief Financial Officer and Steve Wylder, Executive Vice President, Head of Investments.

This afternoon, we plan to walk through a presentation that details our second quarter 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 54312. 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 and Chief Executive Officer, Safehold Inc.

Thanks Pearse, and thanks to everyone joining us today. This quarter, Safehold further built on its market leading position in the ground lease sector. We added new customers, new capital relationships, and new geographic markets, and continue to believe we are building a very valuable and irreplaceable portfolio of ground leases in the top 30 to 40 markets in the country. These MSAs typically benefit from two large forces that have historically increased the value of land. First, the densification of economic activity in the top urban and infill markets. Second, the ongoing pursuit of the highest and best use of land by the entrepreneurial real estate communities in these same markets. The U.S. has added approximately 50 million people over the past 25 years, and approximately 250 million people over the past 100 years. Our goal is to own well-located land in every major market in the United States and let the power of compounding and a growing economy drive value for us. In the meantime, we need to work hard to expand our business and overcome near-term market challenges and we're fortunate to have a talented team doing that every day.

With that, let me have Michael and Brett recap the quarter and take you through the details. Michael?

Michael Trachtenberg - President, Safehold Inc.

Thank you Jay. Good afternoon everyone, let's begin on slide two:

We had a strong second quarter for both new investments and capital markets activity. We originated seven multifamily ground leases for an aggregate commitment of $150 million, our most productive quarter since 2022. These closings were all within Safehold's growing affordable housing sub-sector and included six California deals and one Texas deal with one new sponsor and three repeat sponsors. Credit metrics were in line with our portfolio targets with a GLTV of 35%, underwritten rent coverage of 3.0 times, and an economic yield of 7.4%.

Moving to capital markets, we closed two bespoke private capital transactions during the quarter, including a $348 million joint venture with Brookfield on a portfolio of seven ground leases and $225 million of 30-year step-rate unsecured notes.

We were pleased to partner with Brookfield on this venture, which accomplished several goals, including adding a sophisticated partner to our platform, demonstrating demand and liquidity in our portfolio at an attractive valuation, de-leveraging the balance sheet, creating incremental investment capacity at an attractive cost of equity, and retaining control of the assets and future flexibility to repurchase Brookfield's 49% interest.

During the quarter, we also raised $225 million of 30-year private unsecured notes priced at an all-in coupon of 6.615%, or a spread of T plus 162.5 basis points. Net of approximately $30 million in recently unwound hedge gains, the effective cost is approximately 5.83%, or T plus 84 basis points. The starting cash interest rate on the notes is 4%, which will step up gradually over the next 30 years.

We are pleased with this execution, which lengthens our debt maturity profile, further increases corporate liquidity as new high-quality debt investors to our business and the structure demonstrates positive trends from our previous 30-year structured unsecured offerings, including adding more dollars and at a tighter spread.

At quarter end, the total portfolio was $7.3 billion, and UCA was estimated at $9.8 billion, up $260 million from last quarter, nearly $500 million year-to-date, and nearly $1 billion since appraisal values bottomed in the first quarter of 2025.

GLTV was 52% and rent coverage was 3.4 times. We ended the quarter with approximately $1.4 billion of liquidity, which is further supported by the potential available capacity in our existing joint venture with the Sovereign Wealth Fund.

Slide three provides a snapshot of our portfolio growth:

In the second quarter, we funded a total of $123 million, including $69 million of ground lease fundings on new originations, $49 million of ground lease fundings on pre-existing commitments, and $5 million of leasehold loan fundings.

Our ground lease portfolio has 172 assets and has grown approximately 22 times by both book value and estimated unrealized capital appreciation since our IPO. In total, the unrealized capital appreciation portfolio comprises approximately 39.4 million square feet of institutional quality commercial real estate.

We have increasingly focused on opportunities within the broader multifamily sector, including market rate, student housing and affordable housing. Our multifamily segment now includes 111 assets with nearly 25,000 units that sit above our ground leases and represents approximately 65% of the portfolio by count and 61% of the value of our estimated unrealized capital appreciation.

And with that, let me turn it over to Brett to go through the financials.

Brett Asnas - Chief Financial Officer, Safehold Inc.

Thank you, Michael. Continuing on slide four, let me detail our quarterly earnings results:

For the second quarter, GAAP revenue was $114.6 million, net income was $30.2 million, and earnings per share was $0.42. Net income and earnings per share increased year-over-year, primarily driven by net accretion from asset fundings and new originations.

On slide five, we detail our portfolio's yields:

For GAAP earnings, the portfolio currently earns a 3.8% cash yield and a 5.5% annualized yield. Annualized yield includes non-cash adjustments within rent, as well as depreciation and amortization, driven primarily by 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 6.0% economic yield, which is an IRR-based calculation consistent with our underwriting methodology. This economic yield has additional upside, including periodic CPI lookbacks, which we have in 84% of our ground leases. Using the Federal Reserve's current long-term break-even inflation rate of 2.23%, the 6.0% economic yield increases to a 6.2% inflation-adjusted yield. That 6.2% inflation-adjusted yield then increases to 7.4% after layering in an estimate for unrealized capital appreciation using Safehold's 84% ownership interest in Caret at management's most recent estimated 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 six, 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, rounded up slightly at 52% in Q2, and rent coverage on the portfolio was unchanged at 3.4 times.

Lastly, on slide seven, we provide an overview of our capital structure:

At quarter end, we had approximately $5.0 billion of debt, comprised of $2.8 billion of unsecured debt, $1.3 billion of non-recourse secured debt, $621 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 18 years, with no significant maturities due until 2029. At quarter end, we had approximately $1.4 billion of cash and credit facility availability.

We are rated A3 by Moody's, A- by S&P, and A- by Fitch, all with stable outlook. We continued utilizing our share repurchase authorization in the second quarter, buying back approximately 850,000 shares of common stock at an average price of $15.17.

Our limited floating rate borrowings are protected by a $500 million SOFR swap locked at 3% through April 2028, creating interest savings of approximately $820,000 for the second quarter.

We recently terminated $225 million of long term treasury locks for a cash gain of approximately $30 million, which will now be recognized as an offset to interest expense on the P&L. We currently have $25 million of long term treasury locks outstanding at a mark to market gain of $3 million.

We are levered 2.01 times on a total debt to equity basis. The effective interest rate on permanent debt is 4.4%, and the portfolio's cash interest rate on permanent debt is 3.9%.

To conclude, it was a very productive quarter with investment growth, UCA growth, strong capital activity and solid earnings. The pipeline is active, the balance sheet is well positioned, and we look forward to continuing the momentum through the rest of the year. With that, let me turn it back to Jay.

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

Thanks, Brett. Let's go ahead and open it up for questions. Operator.

Question and Answer

Operator

Thank you. [Operator Instructions] Your first question for today is from Anthony Paolone with JPMorgan.

Q: Great. Thanks. I was wondering if you could talk a bit more about the Brookfield joint venture and also whether like are there any fees that you all are getting for the venture and also any implications with Caret's, with selling a stake in those?

Brett Asnas - Chief Financial Officer, Safehold Inc.

Hey, Tony, it's Brett. Brookfield transaction, we're quite excited by. Again, we set out some goals earlier in the year talking about how to recycle capital within the portfolio, doing buybacks, continuing to scale our ground lease platform. And I think this transaction helps us in a multitude of ways. First, I would say adding an institutional partner like Brookfield is a plus for us, right, certainly at an attractive valuation. Secondly, I would say deleveraging the balance sheet, taking those proceeds, paying down debt, and our revolving credit facility was a positive and certainly a better cost of capital than issuing common stock. Thirdly, I'd say that adding liquidity at a time where we find attractive opportunities in the ground lease space that the yields that we're talking about, We want to make sure we have capital to do that. And then the fourth, which you hit on in your question as well is retaining flexibility at our option, which is we have the ability to buy back in their 49% share that we sold them. So it was a portfolio of seven ground leases diversified all across The United States, different sponsors, different markets and we felt like this transaction showed folks that we have alternative capital sources again at an attractive valuation. In terms of fees, there are customary fees associated with the deal in terms of getting a joint venture like this done. Obviously, you've seen us do joint ventures in the past. We have one with our Sovereign Wealth partner. But I think the feature in this deal of being able to have that call option after seven years is an important one for us as we continue to build and scale the platform and continue to grow our UCA account.

Q: Okay. And then, just can you talk to the investment pipeline and also how that ties in with just your runway for capital that you have now that you got some money back from the Brookfield joint venture?

Michael Trachtenberg - President, Safehold Inc.

Hey, Tony, it's Michael. So look, we were pleased to convert $150 million of our pipeline in the quarter and we've continued to replenish it. We expect to continue to execute on our pipeline in the coming quarters. And additionally, we feel really good about the activity that we're seeing at the top of the funnel. I'll let Brett talk about capital.

Brett Asnas - Chief Financial Officer, Safehold Inc.

Yes. From a capital perspective at the moment, we have about $620 million drawn on our revolver at quarter end. So when we're looking at our funding profile of existing ground lease commitments as well as new deals. Obviously, a pretty active second quarter between stock buybacks and new investments in existing ground leases and leasehold loans. We put out nearly $135 million, $140 million worth. So I think that really was offset by the joint venture and $160 million, $170 million of proceeds coming in for that. But going forward here, clearly our capital needs are going to be dependent mostly on creating new deals and looking at that pipeline.

And taking leverage down this past quarter has helped give some runway here over the coming quarters, which we obviously don't see any equity need in the near future here.

Q: Okay. Thank you.

Operator

Your next question is from Mitch Germain with Citizens Bank. Mitch, your line is live.

Q: Sorry about that. I guess I was on mute. Rent coverage across the multifamily sector, down, definitely from year end. Is that something you can do with just ramp of developments? Is there anything that's really contributing to that specifically?

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

Yes. I mean, it's natural sort of migration in the portfolio as you bring new deals on and particularly in some of the development deals. We underwrite pretty conservatively. So nothing material to look at.

Q: Got you. I'm curious about just the ground lease sector in general. I guess, published reports suggest there's a pretty big ground lease, being marketed in Times Square. I'm not asking about your participation. I'm more curious. Do you think that this could maybe raise the profile of the sector a bit given it's been a bit out of favor because of the backdrop?

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

Yes. Look, I think there's two things going on. One is, we're trying to modernize the ground lease business and there are a lot of ground leases out there that are on the opposite side of the table. I'd call them value destroying, not value enhancing. So we try to separate what you see in the market from modern versus sort of old style. We think the more deals we do, the more modern ground lease transactaions. People will see that it's just a natural part of making a more efficient capital market for owners of real estate. Some of these old deals unfortunately have a lot of weird provisions in them and they actually it's kind of a step back for us when we have to talk about those. So our focus is working with the most efficient capital in the market, the longest term capital in the market and showing our customers how that can help them. And every once in a while we'll stumble across an old one that we can help fix. That's a good opportunity as well. But a lot of times these older ground leases have provisions we just -- we won't play in. I think some of the old ones in New York in particular are very much the vintage ground leases that we are trying to modernize.

Q: That's super helpful. I guess last one for me is, are you guys somewhat open for business across multiple sectors at this point? I know that there was an emphasis on possibly just not allocating to the office sector. There's been pretty much an over-allocation to multifamily. Is there anything that is off the table right now? Or depending upon the attractiveness of the transaction, are you back in business when it comes to office or other sectors?

Michael Trachtenberg - President, Safehold Inc.

Mitch, it's Michael. I would say that we've certainly talked about our focus on multifamily. We're going to continue to lean into multi as our core asset class going forward. We are not closed for business in other asset classes. We'll continue to evaluate those opportunities as they come across. And we'll say that as you look across the spectrum of other asset classes, office won't be the one that has the highest bar to clear to get us back to the table, but we are not closing the door on any particular asset class.

Q: Thank you.

Operator

Your next question for today is from Jon Petersen with Jefferies.

Q: Great. Thanks. I wanted to ask about your, about affordable housing ground leases. So you got one done in Texas this quarter, which is exciting or a second one, excuse me. Can you talk about other progress you're making in other states, to originate more affordable housing loans or affordable housing ground leases?

Steve Wylder - Executive Vice President, Head of Investments, Safehold Inc.

Sure. Hi, Jon. Steve Wylder. Yes, the team is working hard to expand outside of California. California, I think, is going to continue to be a focus for us just given the size and importance of that market and the supply/demand imbalance that we see and established a strong presence there. So we're going to continue to be active, but we were really excited this quarter to close our second transaction in Texas. That's also an important market, just in terms of the outsized population growth, long term demand for housing. So that's going to be a continued area of focus now that we've established a precedent. And then we're working hard to open up other markets throughout the Southeast, the Sunbelt, up into the Mid Atlantic. It takes some time to study the regulatory regime and kind of build a profile of customers, but I think in time you'll see us continue to expand.

Q: Okay. And then I'm curious if you had any thoughts about the new bill that went through Congress, the twenty first Century Road to Housing Act. I think there were some provisions in there that were supposed to help with affordable housing and just residential development in general. Do you see any positive read throughs to your business from that?

Steve Wylder - Executive Vice President, Head of Investments, Safehold Inc.

Yes. I would say we continue to see bipartisan support for the tax credit program, which is a big part of what fuels the investment activity that we're making inside of the affordable sector. So that's encouraging and that's the support that we're looking for across these markets as our customers develop affordable product, ultimately work hard to meet the demand for affordable housing in these communities. So if anything, I would say it's a net positive to how we're investing into the sector and support the programs that help get these, these projects built.

Q: Okay. Maybe one last one for me. The on the Brookfield JV, the call option, are there any, like penalties around that or premiums you'd have to pay or time restrictions? Just any more details you can give us on how that works.

Brett Asnas - Chief Financial Officer, Safehold Inc.

Yeah, it's Brett. I think from our perspective, we look at the price paid from a valuation perspective and the 49% that they bought it at and as we disclosed a low four cap rate or close to 4%, as attractive capital here going forward. A lot of the total pricing of those call options are hit after year seven, if we so choose, again there's no requirement, there's no put here. We want to make sure that from a pricing perspective based on those moments in time where the real estate markets are at, where the capital markets are at that we have the option to buy that back in. So again from our perspective, we think it's again pretty back ended there and a good cost of capital, but exact details and terms are obviously confidential with our JV partner per our agreement.

Q: Okay. All right. Thank you very much.

Operator

Your next question is from Kenneth Lee with RBC Capital.

Q: Hey, good afternoon and thanks for taking my question. Just in regard to the current rate environment, with longer term rates increasing, just wondering if the rate movement has been impacting any sorts of ongoing discussions or activity that you are seeing in the pipeline there? Thanks.

Michael Trachtenberg - President, Safehold Inc.

So despite the elevated interest rates, we continue to see meaningful interest from sponsors in our product, and we've been quoting a large number of deals. I think it's important to note that we are one part of the capital stack and that many instances buyers might need to win a process or go out and find debt or other equity to complete a transaction. And obviously, the rate environment kind of with the volatility and the higher rates we've seen throws in a little bit of volatility in that process. So we are still able to show responses and driving value when we are an attractive solution, we do need all those other pieces that continue to come together to execute.

Q: Got you. Very helpful there. And then one follow-up, if I may. In terms of the Park Hotels portfolio there, any updated outlook in terms of earnings contribution for this year? Thanks.

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

Yes. No material changes at this point. Obviously, those hotels are in somewhat seasonal markets, so you get a little bit of a positive uptick in second and third quarters and then first and fourth quarters are not so good. So we've got our eyes on it, but no change to the full year forecast at this point.

Q: Got you. Thank you very much.

Operator

Your next question for today is from Rich Anderson with Cantor Fitzgerald.

Q: Thanks. Good afternoon. Just want to clarify a question that Tony had in the beginning there. Because of the option to buy out the interest, there is no Caret event in the JV transaction. Is that correct?

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

That is correct.

Q: Okay. And why are you there? Debt now at two times from that transaction and others, that's kind of your target. Wondering if you have any you kind of alluded to not needing anything equity wise at the moment, but would it not have been better to have a one handle on that number at least as a starting point to work off of from here? I'm just curious your thoughts on the current state of the leverage profile.

Brett Asnas - Chief Financial Officer, Safehold Inc.

Yes, it's a good question. And I think I've made reference in past quarters of the uptick or the downtick of what it would take to move. So just for everyone's benefit, it's $250 million of debt fundings we need to be made for leverage to tick up by 0.1 or one-tenth of a turn. So I think my comments earlier about the need or no need for equity in the near term here is really predicated on looking at the pipeline and looking at our funding profile over the coming quarters and understanding how much will need to be funded over the coming quarters. Again, we have some leeway here. We're within our target criteria. We're within the rating agency metrics. And for us, I think, again, a pretty significant quarter in terms of capital deployed across new investments and buybacks and trying to act upon some of the goals we set out in the beginning of the year. So again, pretty good visibility here, heading into August, for those comments that I made earlier.

Q: Okay. And Jay, you said about buying existing ground leases and not wanting to get into a complicated process of fixing something that's been in place. And first question on that topic is, the existing ground leases that you bought, are they in need of some fixing that is perhaps a little bit easier to accomplish or are they sort of in the realm of reasonable in terms of what type of ground lease that you're offering? And then the second question on that same topic is, why wouldn't a leasehold sponsor want you to improve a ground lease? Like what is it -- why is it hard and this is probably a really ignorant question, so apologies, but why would it be difficult to take a substandard ground lease and make it better and win goodwill in the process?

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

Yes. I think maybe you misunderstood. We've had a product out there called SAFE-Swap, where we will help customers buy out an existing ground lease under their property and we will modernize it for them and that's actually been a successful product line for us. What's difficult is when you get a ground lease that's either too sized incorrectly or it's got features that prevent us from doing what we need to do to make it fit in the modern capital markets. There may be restrictions, there may be things they've agreed to with other parties that we just can't fix. So we try to very quickly size up whether we can be helpful or not helpful. And we see lots of ground leases, and I can tell you there's lots of them that are just -- they're not a good fit for us or for our customers. So it's not that we won't do it or even look to do it, Rich. Actually we welcome the opportunity when somebody comes to us and says, I've got a bad ground lease, but I might be able to buy it, can you make it better for me and provide the capital to do that? We love doing that. We've done a number of fairly significant transactions on exactly that kind of structure. But in New York in particular, there's just a lot of old legacy ground leases that are either too big or so badly written that it's almost impossible to fix and those end up being time synced. So we're getting pretty picky about which ones we spend time on.

Q: Thanks for that clarification, Jay. Last question for me. Is there any sort of governor on how big multifamily can become as a percentage of the total that you have your eyes on? Or you sort of build on like what the leasehold product is on the top of the ground as long as it's making money?

Michael Trachtenberg - President, Safehold Inc.

Yes. We don't have a limiter on how much multifamily we're willing to do. We think it's a really good fit for our product and we'll do as much of it as we can find that we think is an attractive piece of ground to own.

Q: Okay, fair enough. Thanks so much.

Operator

Your next question is from Harsh Hemnani with Green Street.

Q: Thank you. So maybe going back to the Brookfield joint venture, you mentioned there's a series of calls across several different years. Does the pricing or perhaps the yield you get to buy back the ground leases that change at all over depending on which year you exercise the call in?

Brett Asnas - Chief Financial Officer, Safehold Inc.

Hey, Harsh, it's Brett. As I said earlier, we're kind of bound by confidentiality with our partner not to give exact pricing and terms, but I think what we've said publicly is that this is a market deal and what you've seen in the market executed across other transactions in the REIT space or in other sectors, there's somewhat of a playbook. Obviously, every deal is a little bit nuanced, but there's no -- if you're thinking that there's any sort of kind of material step up to pricing over time, that is not the case.

Q: Okay. And then maybe, I guess, what prompted the joint venture with Brookfield versus perhaps considering an outright sale of maybe half the size of the portfolio you contributed to the joint venture with Brookfield. Was it mostly wanting to maintain the portfolio of assets and sort of keep the operational scale that you guys have? I'm just trying to understand whether you think the execution you were able to get with the Brookfield joint venture for GAAP on the assets, do you think that is broadly applicable on a all out sale of the ground leases instead of a joint venture?

Brett Asnas - Chief Financial Officer, Safehold Inc.

Yes. It's a great question. And I think when we went out with the process, we had spoken to a good handful of folks and really tried to understand how people thought about these assets and got a pretty good read through here. I think on the structure piece, you hit the nail on the head, which is like other JVs that we've done in the past, we sold a 49% interest to our partner and they share in the benefits and risks. And I think the key feature for us that we found really attractive was that and again, we didn't have this in our existing joint ventures is that we have the option to buy that 49% back in the future if we so choose. So again, way down the road, we'll see where the markets are, we'll see how these assets are performing. And then if we decide from a capital allocation standpoint that we want to own the entire asset or all the economics again, we can decide to do that. But again, no requirement to do it, just options and we like that future.

Q: Okay. Thank you.

Operator

Your next question is from Ronald Kamdem with Morgan Stanley.

Q: Hey, guys. This is Matt on for Ron. And thanks for taking the question. So last quarter, you guys had $255 million-ish of non-binding LOIs. In this quarter, you guys put $150 million over the finish line. Just was wondering if you guys could give any detail on the remaining $100 million if any rate volatility got involved or just what's kind of going on with the rest of the pipeline?

Michael Trachtenberg - President, Safehold Inc.

Sure. So that pipeline that we talked about last quarter, we're going to continue to convert on those deals and replenish over the next kind of coming few quarters. But we did a big chunk of it this quarter and in the next kind of two, three quarters, we'll execute on most of that pipeline.

Q: Perfect. And then, just the second and last one for me. Just on the JV call option, specifically like was the thought process there that you guys wanted to lock in some of the gains upfront, use that to kind of grow the flywheel and then come back to it and reevaluate some point down the road? Like I'm just trying to figure out why now I guess the call option is coming to play whereas with prior JVs that hasn't been as big of a piece of the picture? Thanks.

Brett Asnas - Chief Financial Officer, Safehold Inc.

Yes. I think in comparison to those existing joint ventures that we've created, those were on newly created deals moving forward and there was a box or requirements of a partner of doing new deals going forward. Here on this joint venture, it was based on existing assets that have already been originated and we wanted to take a diverse set of assets and a portfolio and contribute and get an institutional partner like a Brookfield to come in and really validate from a pricing perspective and the asset class. There's a lot of read through in terms of not only that pricing, but part of our goals here is to make sure that we are growing our ground lease platform and the contractual compounding cash flows that are coming in moving forward, but also the other value components too and one of the big ones here is UCA. And we certainly believe that the unrealized capital appreciation account that now sits at $9,800 million while it's not on the balance sheet, we think is a very valuable asset that investors right now are still getting their heads around and it feels like for us each quarter we're making really nice progress. And if we can continue to grow the portfolio, we should continue to see that account go up and we again think that's a really valuable component when you do a sum of the parts that we continue to need to educate folks on.

Q: Got it. Thank you, guys.

Operator

Mr. Hoffman, we have no further questions.

Pearse Hoffmann - Senior Vice President, Capital Markets & Investor Relations, Safehold Inc.

Thanks everybody for joining us today. If there are additional questions on today's release, please feel free to contact me directly. Thank you.

Operator

This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.