UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended
September 30, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-38122

Safehold Inc.
(Exact name of registrant as specified in its charter)

Maryland	**30-0971238**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 Avenue of the Americas	
39th Floor	
New York , NY	**10036**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(212) 930-9400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SAFE	NYSE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☒	☐	☐	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of October 28, 2022, there were 62,187,433 shares, $0.01 par value per share, of Safehold Inc. common stock outstanding.

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PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements

Safehold Inc.
Consolidated Balance Sheets[1]
(In thousands)
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Net investment in sales-type leases	$ 3,066,113	$ 2,412,716
Ground Lease receivables	1,326,632	796,252
Real estate		
Real estate, at cost	740,971	740,971
Less: accumulated depreciation	(32,864)	(28,343)
Real estate, net	708,107	712,628
Real estate-related intangible assets, net	219,469	224,182
Total real estate, net and real estate-related intangible assets, net	927,576	936,810
Equity investments in Ground Leases	178,643	173,374
Cash and cash equivalents	35,574	29,619
Restricted cash	58,001	8,897
Deferred operating lease income receivable	141,005	117,311
Deferred expenses and other assets, net	58,330	40,747
Total assets	$ 5,791,874	$ 4,515,726
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities[2]	$ 122,662	$ 67,592
Real estate-related intangible liabilities, net	64,800	65,429
Debt obligations, net	3,458,905	2,697,503
Total liabilities	3,646,367	2,830,524
Commitments and contingencies (refer to Note 9)		
Redeemable noncontrolling interests (refer to Note 3)	19,658	—
Equity:		
Safehold Inc. shareholders' equity:		
Common stock, $0.01 par value, 400,000 shares authorized, 62,187 and 56,619 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	622	566
Additional paid-in capital	1,981,155	1,663,324
Retained earnings	140,475	59,368
Accumulated other comprehensive loss	(8,420)	(40,980)
Total Safehold Inc. shareholders' equity	2,113,832	1,682,278
Noncontrolling interests	12,017	2,924
Total equity	2,125,849	1,685,202
Total liabilities, redeemable noncontrolling interests and equity	$ 5,791,874	$ 4,515,726

(1) Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").
(2) As of September 30, 2022 and December 31, 2021, includes $8.9 million and $6.2 million, respectively, due to related parties.

The accompanying notes are an integral part of the consolidated financial statements.

Safehold Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Revenues:				
Interest income from sales-type leases[1]	$ 54,736	$ 30,145	$ 146,014	$ 83,244
Operating lease income	16,507	16,992	49,925	51,367
Other income	453	144	1,004	390
Total revenues	71,696	47,281	196,943	135,001
Costs and expenses:				
Interest expense	35,463	20,932	91,050	57,259
Real estate expense	866	719	2,272	2,038
Depreciation and amortization	2,407	2,390	7,215	7,160
General and administrative[2]	9,551	6,658	29,203	21,388
Other expense	6,073	350	6,777	740
Total costs and expenses	54,360	31,049	136,517	88,585
Gain on sale of net investment in lease	55,811	—	55,811	—
Income from operations before other items	73,147	16,232	116,237	46,416
Loss on early extinguishment of debt	—	—	—	(216)
Earnings from equity method investments	2,244	2,244	6,772	4,012
Selling profit from sales-type leases	—	1,833	—	1,833
Net income	75,391	20,309	123,009	52,045
Net income attributable to noncontrolling interests	(9,314)	(105)	(9,381)	(201)
Net income attributable to Safehold Inc. common shareholders	$ 66,077	$ 20,204	$ 113,628	$ 51,844
Per common share data:				
Net income				
Basic	$ 1.06	$ 0.38	$ 1.87	$ 0.97
Diluted	$ 1.06	$ 0.38	$ 1.87	$ 0.97
Weighted average number of common shares:				
Basic	62,150	53,498	60,776	53,347
Diluted	62,150	53,511	60,776	53,359

(1) For the three months ended September 30, 2021, the Company recorded $2.1 million of “Interest income from sales-type leases” in its consolidated statements of operations from its Ground Leases with iStar Inc. (“iStar”). For the nine months ended September 30, 2022 and 2021, the Company recorded $2.1 million and $6.2 million, respectively, of “Interest income from sales-type leases” in its consolidated statements of operations from its Ground Leases with iStar.

(2) For the three months ended September 30, 2022 and 2021, includes $8.5 million and $5.6 million, respectively, of general and administrative expenses incurred to related parties that includes management fees, expense reimbursements to the Company’s Manager and equity-based compensation. For the nine months ended September 30, 2022 and 2021, includes $25.8 million and $17.8 million, respectively, of general and administrative expenses incurred to related parties that includes management fees, expense reimbursements to the Company’s Manager and equity-based compensation.

The accompanying notes are an integral part of the consolidated financial statements.

Safehold Inc.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

(unaudited)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Net income	$ 75,391	$ 20,309	$ 123,009	$ 52,045
Other comprehensive income (loss):				
Reclassification of losses on derivatives into earnings	943	1,034	2,945	2,156
Unrealized gain on derivatives	18,587	—	29,615	13,290
Other comprehensive income (loss)	19,530	1,034	32,560	15,446
Comprehensive income	94,921	21,343	155,569	67,491
Comprehensive income attributable to noncontrolling interests	(9,314)	(105)	(9,381)	(201)
Comprehensive income attributable to Safehold Inc.	$ 85,607	$ 21,238	$ 146,188	$ 67,290

The accompanying notes are an integral part of the consolidated financial statements.

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Safehold Inc.
Consolidated Statements of Changes in Equity
(In thousands)
(unaudited)

	Redeemable Noncontrolling Interests[1]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance at June 30, 2022	$ 19,000	$ 621	$ 1,975,933	$ 85,405	$ (27,950)	$ 3,320	$ 2,037,329
Net income	658	—	—	66,077	—	8,656	74,733
Issuance of common stock, net / amortization	—	1	5,222	—	—	52	5,275
Dividends declared ($0.177 per share)	—	—	—	(11,007)	—	—	(11,007)
Change in accumulated other comprehensive income (loss)	—	—	—	—	19,530	—	19,530
Distributions to noncontrolling interests	—	—	—	—	—	(11)	(11)
Balance at September 30, 2022	$ 19,658	$ 622	$ 1,981,155	$ 140,475	$ (8,420)	$ 12,017	$ 2,125,849
Balance at June 30, 2021	$ —	$ 533	$ 1,421,185	$ 37,870	$ (43,049)	$ 2,454	$ 1,418,993
Net income	—	—	—	20,204	—	105	20,309
Issuance of common stock, net / amortization	—	33	237,787	—	—	132	237,952
Dividends declared ($0.17 per share)	—	—	—	(9,619)	—	—	(9,619)
Change in accumulated other comprehensive income (loss)	—	—	—	—	1,034	—	1,034
Distributions to noncontrolling interests	—	—	—	—	—	(12)	(12)
Balance at September 30, 2021	$ —	$ 566	$ 1,658,972	$ 48,455	$ (42,015)	$ 2,679	$ 1,668,657

Safehold Inc.
Consolidated Statements of Changes in Equity
(In thousands)
(unaudited)

	Redeemable Noncontrolling Interests[(1)]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance at December 31, 2021	$ —	$ 566	$ 1,663,324	$ 59,368	$ (40,980)	$ 2,924	$ 1,685,202
Net income	658	—	—	113,628	—	8,723	122,351
Issuance of common stock, net / amortization	—	56	318,002	—	—	385	318,443
Dividends declared ($0.524 per share)	—	—	—	(32,521)	—	—	(32,521)
Change in accumulated other comprehensive income (loss)	—	—	—	—	32,560	—	32,560
Contributions from noncontrolling interests, net	18,829	—	—	—	—	18	18
Distributions to noncontrolling interests	—	—	—	—	—	(33)	(33)
Additional paid in capital attributable to redeemable noncontrolling interests	171	—	(171)	—	—	—	(171)
Balance at September 30, 2022	$ 19,658	$ 622	$ 1,981,155	$ 140,475	$ (8,420)	$ 12,017	$ 2,125,849
Balance at December 31, 2020	$ —	$ 532	$ 1,412,107	$ 23,945	$ (57,461)	$ 2,180	$ 1,381,303
Net income	—	—	—	51,844	—	201	52,045
Issuance of common stock, net / amortization	—	34	246,865	—	—	331	247,230
Dividends declared ($0.50224 per share)	—	—	—	(27,334)	—	—	(27,334)
Change in accumulated other comprehensive income (loss)	—	—	—	—	15,446	—	15,446
Distributions to noncontrolling interests	—	—	—	—	—	(33)	(33)
Balance at September 30, 2021	$ —	$ 566	$ 1,658,972	$ 48,455	$ (42,015)	$ 2,679	$ 1,668,657

(1) Refer to Note 3.

The accompanying notes are an integral part of the consolidated financial statements.

Safehold Inc.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the Nine Months Ended September 30, 2022	2021
Cash flows from operating activities:		
Net income	$ 123,009	$ 52,045
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	7,215	7,160
Stock-based compensation expense	1,518	1,574
Deferred operating lease income	(23,694)	(25,789)
Non-cash interest income from sales-type leases	(53,555)	(30,662)
Non-cash interest expense	8,806	8,895
Amortization of real estate-related intangibles, net	1,729	1,849
Gain on sale of net investment in lease	(55,811)	—
Loss on early extinguishment of debt	—	216
Earnings from equity method investments	(6,772)	(4,012)
Distributions from operations of equity method investments	1,510	1,397
Selling profit from sales-type leases	—	(1,833)
Amortization of premium, discount and deferred financing costs on debt obligations, net	4,039	2,617
Non-cash management fees	14,950	10,594
Other operating activities	3,486	3,187
Changes in assets and liabilities:		
Changes in deferred expenses and other assets, net	10,646	99
Changes in accounts payable, accrued expenses and other liabilities	15,071	(14,390)
Cash flows provided by operating activities	52,147	12,947
Cash flows from investing activities:		
Origination/acquisition of net investment in sales-type leases and Ground Lease receivables	(1,210,274)	(542,269)
Contributions to equity method investments	(7)	(39,304)
Funding reserves received from Ground Lease tenant net of disbursements	30,071	—
Net proceeds from sale of net investment in lease	135,529	—
Deposits on Ground Lease investments	(2,250)	(27,617)
Other investing activities	(679)	1,892
Cash flows used in investing activities	(1,047,610)	(607,298)
Cash flows from financing activities:		
Proceeds from issuance of common stock	309,160	243,345
Proceeds from debt obligations	1,770,000	896,508
Repayments of debt obligations	(1,005,000)	(550,000)
Payments for deferred financing costs	(5,110)	(9,511)
Dividends paid to common shareholders	(31,182)	(26,334)
Payment of offering costs	(5,190)	(8,390)
Payments for withholding taxes upon vesting of stock-based compensation	(970)	—
Distributions to noncontrolling interests	(33)	(33)
Contributions from redeemable noncontrolling interests	19,000	—
Other financing activities	(153)	—
Cash flows provided by financing activities	1,050,522	545,585
Changes in cash, cash equivalents and restricted cash	55,059	(48,766)
Cash, cash equivalents and restricted cash at beginning of period	38,516	96,467
Cash, cash equivalents and restricted cash at end of period	$ 93,575	$ 47,701

	2022	2021
Reconciliation of cash and cash equivalents and restricted cash presented on the consolidated statements of cash flows		
Cash and cash equivalents	$ 35,574	$ 43,870
Restricted cash	58,001	3,831
Total cash and cash equivalents and restricted cash	$ 93,575	$ 47,701
Supplemental disclosure of non-cash investing and financing activity:		
Dividends declared to common shareholders	$ 11,011	$ 9,631
Accrued finance costs	—	248
Accrued offering costs	—	409

The accompanying notes are an integral part of the consolidated financial statements.

Safehold Inc.
Notes to Consolidated Financial Statements
(unaudited)

Note 1—Business and Organization

Business—Safehold Inc. (the "Company") operates its business through one reportable segment by acquiring, managing and capitalizing ground leases. Ground leases are long-term contracts between the landlord (the Company) and a tenant or leaseholder. The Company believes that it is the first publicly-traded company formed primarily to acquire, own, manage, finance and capitalize ground leases. Ground leases generally represent ownership of the land underlying commercial real estate projects that is net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon ("Ground Leases"). Under a Ground Lease, the tenant is generally responsible for all property operating expenses, such as maintenance, real estate taxes and insurance and is also responsible for development costs and capital expenditures. Ground Leases are typically long-term (base terms ranging from 30 to 99 years, often with tenant renewal options) and have contractual base rent increases (either at a specified percentage or consumer price index ("CPI") based, or both) and sometimes include percentage rent participations. The Company's CPI lookbacks are generally capped between 3.0% - 3.5%. In the event cumulative inflation growth for the lookback period exceeds the cap, these rent adjustments may not keep up fully with changes in inflation.

The Company intends to target investments in long-term Ground Leases in which: (i) the initial cost of its Ground Lease represents 30% to 45% of the combined value of the land and buildings and improvements thereon as if there was no Ground Lease on the land ("Combined Property Value"); (ii) the ratio of property net operating income to the Ground Lease payment due the Company ("Ground Rent Coverage") is between 2.0x to 4.5x, and for this purpose the Company uses estimates of the stabilized property net operating income if it does not receive current tenant information and for properties under construction or in transition, in each case based on leasing activity at the property and available market information, including leasing activity at comparable properties in the relevant market; and (iii) the Ground Lease contains contractual rent escalation clauses or percentage rent that participates in gross revenues generated by the commercial real estate on the land. A Ground Lease lessor (the Company) typically has the right to regain possession of its land and take ownership of the buildings and improvements thereon upon tenant default and the termination of the Ground Lease on account of such default. The Company believes that the Ground Lease structure provides an opportunity for potential value accretion through the reversion to the Company, as the Ground Lease owner, of the buildings and improvements on the land at the expiration or earlier termination of the lease, for no additional consideration from the Company.

The Company is managed by SFTY Manager, LLC (the "Manager"), a wholly-owned subsidiary of iStar Inc. ("iStar"), the Company's largest shareholder, pursuant to a management agreement. The Company has no employees, as the Manager provides all services to it. The Company draws on the extensive investment origination and sourcing platform of its Manager to actively promote the benefits of the Ground Lease structure to prospective Ground Lease tenants.

Organization—The Company is a Maryland corporation and completed its initial public offering in June 2017. The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "SAFE." The Company elected to be taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes, commencing with the tax year ended December 31, 2017. The Company is structured as an Umbrella Partnership REIT ("UPREIT"). As such, all of the Company's properties are owned through a subsidiary partnership, Safehold Operating Partnership LP (the "Operating Partnership"). As of September 30, 2022, the Company owned 100% of the limited partner interests in the Operating Partnership and a wholly-owned subsidiary of the Company owned 100% of the general partner interests in the Operating Partnership. The UPREIT structure may afford the Company certain benefits as it seeks to acquire properties from third parties who may want to defer taxes by contributing their Ground Leases to the Company

Merger with iStar—On August 10, 2022, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with iStar. The Merger Agreement provides that, subject to the terms and conditions thereof, the Company will merge with and into iStar (the "Merger"). The surviving company of the Merger will be named Safehold

Inc. ("New SAFE") and its shares of common stock will trade on the New York Stock Exchange under the symbol "SAFE." The Company expects that the Merger will close in the first quarter or second quarter of 2023.

As discussed further below, shortly before the closing of the Merger, iStar intends to separate its remaining legacy non-ground lease assets and businesses into a separate public company ("SpinCo") by distributing to iStar's stockholders, on a pro rata basis, the issued and outstanding equity interests of SpinCo (the "Spin-Off").

Conditions to the Merger

The consummation of the Merger is subject to the satisfaction or waiver of certain closing conditions, including: (i) the approval of the Company's stockholders, (ii) the approval of iStar's stockholders, (iii) completion of the Spin-Off, (iv) the approval of the shares of STAR Common Stock to be issued in the Merger for listing on the NYSE, (v) the effectiveness of a registration statement on Form S-4 registering the STAR Common Stock to be issued in the Merger, (vi) the absence of any temporary restraining order, injunction or other order of any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the reverse stock split or the Merger, (vii) generation of certain cash proceeds, (viii) the receipt of certain tax opinions by iStar and the Company that the Merger will qualify as a reorganization under the Internal Revenue Code and that iStar and the Company each qualifies as a REIT for federal income tax purposes, (ix) the accuracy of certain representations and warranties of iStar and the Company contained in the Merger Agreement and the compliance by the parties with the covenants contained in the Merger Agreement (subject to customary materiality qualifiers), and (x) other conditions specified in the Merger Agreement.

Conditions to the Spin-Off

Completion of the Spin-Off is subject to: (i) completion of the financing documents; (ii) the satisfaction or waiver of relevant conditions to the consummation of the Merger; (iii) effectiveness of a registration statement on Securities and Exchange Commission ("SEC") Form 10; (iv) the absence of an injunction or law preventing the consummation of the Spin-Off, the distribution and the transactions related thereto; and (v) other customary closing conditions.

Other Merger related transactions

iStar has entered into an agreement (the "MSD Stock Purchase Agreement") with MSD Partners, L.P. ("MSD Partners") and the Company under which iStar has agreed to sell and MSD Partners has agreed to buy 5,405,406 shares of the Company's common stock owned by iStar (the "MSD Stock Purchase") shortly before the closing of the Merger. If the Merger Agreement is terminated for any reason, the parties' obligations to consummate the purchase and sale will also terminate. In addition to customary closing conditions, MSD Partners' obligations to purchase the Company's common stock are subject to the condition that the closing of the MSD Caret Purchase (as defined below) will take place substantially concurrently with the closing of the MSD Stock Purchase. Upon closing of the transaction, MSD Partners will have a right to designate an observer to the board of directors of New SAFE, a preemptive right on future equity issuances (subject to certain exceptions) and registration rights. MSD Partners will be subject to a customary standstill and certain restrictions on sales of its New SAFE Common Stock.

MSD Partners has also subscribed to purchase 100,000 Caret Units (refer to Note 11) from the Company for an aggregate purchase price of $20.0 million (the "MSD Caret Purchase"), conditioned on the closing of the Spin-Off and the Merger. MSD Partners' obligations to purchase the Caret units are also subject to the closing of the MSD Stock Purchase and the implementation by the Company of certain changes to its Caret program.

SpinCo will be capitalized in part with an 8.0%, four-year term loan from New SAFE having an initial principal amount of $100.0 million or such other amount as the parties may agree prior to the closing of the Merger, as well as up

Safehold Inc.
Notes to Consolidated Financial Statements
(unaudited)

to $140.0 million of bank debt from Morgan Stanley Bank, N.A. which will be secured by $400.0 million in shares of the Company.

New SAFE will enter into a management agreement with SpinCo, under which it will continue to operate and pursue the orderly monetization of SpinCo's assets. SpinCo will pay to New SAFE an annual management fee of $25.0 million in year one, $15.0 million in year two, $10.0 million in year three and $5.0 million in year four and 2.0% of the gross book value of SpinCo's assets, excluding shares of the Company's common stock, for each annual term thereafter. New SAFE and SpinCo will also enter into a governance agreement that will place certain restrictions on the transfer and voting of the shares of New SAFE owned by SpinCo, and a registration rights agreement under which New SAFE will agree to register such shares for resale in accordance with applicable securities laws.

The Company and iStar have entered into a voting agreement pursuant to which iStar has agreed vote its shares representing 41.9% of the outstanding SAFE Common Stock to approve the Merger and take certain other actions, including voting against any alternative acquisition proposal or other proposal which could reasonably be expected to materially delay, postpone or materially adversely affect the consummation of the transactions contemplated by the Merger Agreement. In accordance with the terms of the existing stockholders' agreement between SAFE and STAR, the remainder of the SAFE Common Stock owned by iStar will be voted in the same manner and proportion as the votes cast by the remaining shareholders of SAFE. The voting agreement and the obligations thereunder terminate upon the termination of the Merger Agreement in accordance with its terms.

As noted above, the Merger and related transactions are subject to a number of conditions, several of which are outside the Company's control; therefore, there can be no assurance that the Merger and related transactions will occur within the time frame currently expected by the parties, or at all. The foregoing descriptions of the Merger and the Merger Agreement and the related transactions and agreements do not purport to be complete and are subject to, and qualified in their entirety by, the full text of such agreements. Please see the Company's filings with the SEC for additional information, including copies of such agreements.

iStar has covenanted to redeem all of its outstanding preferred stock at the liquidation preference per share plus accrued and unpaid dividends and to retire all of its senior unsecured notes in connection with the Merger. iStar's trust preferred securities will remain outstanding at New SAFE.

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report").

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Safehold Inc.
Notes to Consolidated Financial Statements
(unaudited)

In the opinion of management, the accompanying consolidated financial statements contain all adjustments consisting of normal recurring adjustments necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim periods or the entire year.

Principles of Consolidation—The consolidated financial statements include the accounts and operations of the Company, its wholly-owned subsidiaries and VIEs for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Consolidated VIEs—The Company consolidates VIEs for which it is considered the primary beneficiary. As of September 30, 2022, the total assets of these consolidated VIEs were $70.8 million and total liabilities were $30.0 million. The classifications of these assets are primarily within “Net investment in sales-type leases,” “Real estate, net,” “Real estate-related intangible assets, net” and “Deferred operating lease income receivable” on the Company’s consolidated balance sheets. The classifications of liabilities are primarily within “Debt obligations, net” and “Accounts payable, accrued expenses and other liabilities” on the Company’s consolidated balance sheets. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE’s respective assets. The Company has provided no financial support to VIEs that it was not previously contractually required to provide and did not have any unfunded commitments related to consolidated VIEs as of September 30, 2022.

Note 3—Summary of Significant Accounting Policies

Fair Values—The Company is required to disclose fair value information with regard to its financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate fair value. The Financial Accounting Standards Board (“FASB”) guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The following fair value hierarchy prioritizes the inputs to be used in valuation techniques to measure fair value: Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; Level 2: quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and Level 3: prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). The Company determines the estimated fair values of financial assets and liabilities based on a hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the Company and the Company’s own assumptions about market participant assumptions.

Safehold Inc.
Notes to Consolidated Financial Statements
(unaudited)

The following table presents the carrying value and fair value for the Company's financial instruments ($ in millions):

	As of September 30, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Net investment in sales-type leases[1]	$ 3,066	$ 3,128	$ 2,413	$ 2,704
Ground Lease receivables[1]	1,327	1,425	796	893
Cash and cash equivalents[1]	36	36	30	30
Restricted cash[1]	58	58	9	9
Liabilities				
Debt obligations, net[2]				
Level 1	738	562	738	741
Level 3	2,721	2,228	1,960	2,118
Total debt obligations, net	3,459	2,790	2,698	2,859

(1) The fair value of the Company's net investment in sales-type leases and Ground Lease receivables are classified as Level 3 within the fair value hierarchy. The Company determined the carrying values of its cash and cash equivalents and restricted cash approximated their fair values and are classified as Level 1 within the fair value hierarchy.
(2) The fair value of the Company's debt obligations traded in secondary markets are classified as Level 1 within the fair value hierarchy and the fair value of the Company's debt obligations not traded in secondary markets are classified as Level 3 within the fair value hierarchy.

Redeemable Noncontrolling Interests—In February 2022, the Company sold 108,571 Caret Units (refer to Note 11) for $19.0 million to third-party investors and received a commitment from an existing shareholder (which is affiliated with one of the Company's independent directors) for the purchase of 28,571 Caret Units for $5.0 million. As part of the sale, the Company is obligated to seek to provide a public market listing for the Caret Units, or securities into which they may be exchanged, within two years. If the Company is unable to provide public market liquidity within two years at a value in excess of the new investor's basis, the investors have the right to cause the Company to redeem their Caret Units at their original purchase price.

The Company classifies these redeemable Caret Units in accordance with Accounting Standards Codification ("ASC") 480: Distinguishing Liabilities from Equity. ASC 480-10-S99-3A requires that equity securities redeemable at the option of the holder be classified outside of permanent stockholders' equity. The Company classifies redeemable Caret Units as "Redeemable noncontrolling interests" in its consolidated balance sheets and consolidated statements of changes in equity. The redeemable noncontrolling interest's carrying amount is equal to the higher of (i) the initial carrying amount, increased or decreased for the redeemable noncontrolling interest's share of net income or loss and dividends; or (ii) the redemption value. In the case of the Company's redeemable Caret Units, the carrying amount equals both the initial carrying amount and the redemption value. During both the three and nine months ended September 30, 2022, redeemable noncontrolling interests were allocated $0.7 million of net income (refer to Note 4).

New Accounting Pronouncements—In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") which was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments held by a reporting entity. This new standard replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public entities such as the Company that qualified as smaller reporting companies prior to December 31, 2019, ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the impact of ASU 2016-13 on the Company's consolidated financial statements.

In May 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments (“ASU 2019-04”) to clarify certain accounting topics from previously issued ASUs, including ASU 2016-13. ASU 2019-04 addresses certain aspects of ASU 2016-13, including but not limited to, accrued interest receivable, loan recoveries, interest rate projections for variable-rate financial instruments and expected prepayments. ASU 2019-04 provides alternatives that allow entities to measure credit losses on accrued interest separate from credit losses on the principal portion of a loan, clarifies that entities should include expected recoveries in the measurement of credit losses, allows entities to consider future interest rates when measuring credit losses and can elect to adjust effective interest rates used to discount expected cash flows for expected loan prepayments. ASU 2019-04 is effective upon the adoption of ASU 2016-13. Management is currently evaluating the impact of ASU 2019-04 on the Company’s consolidated financial statements.

Note 4—Net Investment in Sales-type Leases and Ground Lease Receivables

The Company classifies certain of its Ground Leases as sales-type leases and records the leases within “Net investment in sales-type leases” on the Company’s consolidated balance sheets and records interest income in “Interest income from sales-type leases” in the Company’s consolidated statements of operations. In addition, the Company may enter into transactions whereby it acquires land and enters into Ground Leases with the seller. These Ground Leases qualify as sales-type leases and, as such, do not qualify for sale leaseback accounting and are accounted for as financing receivables in accordance with ASC 310 - Receivables and are included in “Ground Lease receivables” on the Company’s consolidated balance sheets. The Company records interest income from Ground Lease receivables in “Interest income from sales-type leases” in the Company’s consolidated statements of operations.

In September 2021, the Company entered into a lease assignment and modification with one of its tenants under an operating lease. In connection with this transaction, the lease was assigned to a new tenant and the maturity of the lease was extended by 3.5 years to September 2120. As a result of the modification to the lease, the Company re-evaluated the lease classification and classified the lease as a sales-type lease and recorded $40.9 million in "Net investment in leases" and derecognized $11.4 million from "Real estate, net," $9.8 million from "Deferred operating lease income receivable" and $17.9 million from "Real estate-related intangible assets, net" on its consolidated balance sheet. In addition, as a result of the modification the Company recognized a gain of $1.8 million in “Selling profit from sales-type leases” in its consolidated statements of operations.

In July 2022, the Company, pursuant to an agreement with iStar and upon certain construction related conditions being met, acquired an existing Ground Lease from iStar for $36.4 million inclusive of closing costs and was recorded in “Net investment in sales-type leases” and “Real estate-related intangible assets, net” on the Company’s consolidated balance sheet.

In September 2022, the Company sold a Ground Lease to a third-party for $136.0 million and recognized a gain of $55.8 million in “Gain on sale of net investment in lease” in the Company’s consolidated statements of operations for the three and nine months ended September 30, 2022. $9.5 million of the gain was attributable to noncontrolling interests, of which $0.7 million was attributable to redeemable noncontrolling interests.

The Company’s net investment in sales-type leases were comprised of the following ($ in thousands):

	September 30, 2022	December 31, 2021
Total undiscounted cash flows	$ 29,313,901	$ 23,707,424
Unguaranteed estimated residual value	2,878,718	2,319,761
Present value discount	(29,126,506)	(23,614,469)
Net investment in sales-type leases	$ 3,066,113	$ 2,412,716

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The following table presents a rollforward of the Company's net investment in sales-type leases and Ground Lease receivables for the nine months ended September 30, 2022 and 2021 ($ in thousands):

Nine Months Ended September 30, 2022	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Beginning balance	$ 2,412,716	$ 796,252	$ 3,208,968
Sales	(76,701)	—	(76,701)
Origination/acquisition/fundings[(1)]	691,305	515,618	1,206,923
Accretion	38,793	14,762	53,555
Ending balance[(2)]	$ 3,066,113	$ 1,326,632	$ 4,392,745

Nine Months Ended September 30, 2021	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Beginning balance	$ 1,305,519	$ 577,457	$ 1,882,976
Purchase price allocation adjustment	(182)	—	(182)
Transfer from real estate	40,900	—	40,900
Origination/acquisition/fundings[(1)]	434,551	104,458	539,009
Accretion	21,198	9,463	30,661
Ending balance	$ 1,801,986	$ 691,378	$ 2,493,364

(1) The net investment in sales-type leases is initially measured at the present value of the fixed and determinable lease payments, including any guaranteed or unguaranteed estimated residual value of the asset at the end of the lease, discounted at the rate implicit in the lease. For newly originated or acquired Ground Leases, the Company's estimate of residual value equals the fair value of the land at lease commencement.
(2) As of September 30, 2022, the Company's weighted average accrual rate for its net investment in sales-type leases and Ground Lease receivables was 5.1% and 5.4%, respectively. As of September 30, 2022, the weighted average remaining life of the Company's 31 Ground Lease receivables was 99.0 years.

Future Minimum Lease Payments under Sales-type Leases—Future minimum lease payments to be collected under sales-type leases accounted for under ASC 842 - Leases, excluding lease payments that are not fixed and determinable, in effect as of September 30, 2022, are as follows by year ($ in thousands):

	Fixed Bumps with Inflation Adjustments	Fixed Bumps	Fixed Bumps with Percentage Rent	Total
2022 (remaining three months)	$ 23,673	$ 442	$ 133	$ 24,248
2023	96,021	2,229	579	98,829
2024	99,964	2,256	586	102,806
2025	101,898	2,283	586	104,767
2026	103,825	2,311	586	106,722
Thereafter	28,190,480	585,794	100,255	28,876,529
Total undiscounted cash flows	$ 28,615,861	$ 595,315	$ 102,725	$ 29,313,901

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During the three and nine months ended September 30, 2022 and 2021, the Company recognized interest income from sales-type leases in its consolidated statements of operations as follows ($ in thousands):

Three Months Ended September 30, 2022	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Cash	$ 24,256	$ 10,585	$ 34,841
Non-cash	14,108	5,787	19,895
Total interest income from sales-type leases	$ 38,364	$ 16,372	$ 54,736

Three Months Ended September 30, 2021	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Cash	$ 13,193	$ 5,767	$ 18,960
Non-cash	7,926	3,259	11,185
Total interest income from sales-type leases	$ 21,119	$ 9,026	$ 30,145

Nine Months Ended September 30, 2022	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Cash	$ 66,017	$ 26,442	$ 92,459
Non-cash	38,793	14,762	53,555
Total interest income from sales-type leases	$ 104,810	$ 41,204	$ 146,014

Nine Months Ended September 30, 2021	Net Investment in Sales-type Leases	Ground Lease Receivables	Total
Cash	$ 35,773	$ 16,809	$ 52,582
Non-cash	21,198	9,464	30,662
Total interest income from sales-type leases	$ 56,971	$ 26,273	$ 83,244

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Note 5—Real Estate and Real Estate-Related Intangibles

The Company's real estate assets consist of the following ($ in thousands):

	As of	
	September 30, 2022	December 31, 2021
Land and land improvements, at cost	$ 547,739	$ 547,739
Buildings and improvements, at cost	193,232	193,232
Less: accumulated depreciation	(32,864)	(28,343)
Total real estate, net	$ 708,107	$ 712,628
Real estate-related intangible assets, net	219,469	224,182
Total real estate, net and real estate-related intangible assets, net	$ 927,576	$ 936,810

Real estate-related intangible assets, net consist of the following items ($ in thousands):

	As of September 30, 2022		
	Gross Intangible	Accumulated Amortization	Carrying Value
Above-market lease assets, net(1)	$ 186,002	$ (14,470)	$ 171,532
In-place lease assets, net(2)	65,344	(18,122)	47,222
Other intangible assets, net	750	(35)	715
Total	$ 252,096	$ (32,627)	$ 219,469

	As of December 31, 2021		
	Gross Intangible	Accumulated Amortization	Carrying Value
Above-market lease assets, net(1)	$ 186,002	$ (12,119)	$ 173,883
In-place lease assets, net(2)	65,102	(15,523)	49,579
Other intangible assets, net	750	(30)	720
Total	$ 251,854	$ (27,672)	$ 224,182

(1) Above-market lease assets are recognized during asset acquisitions when the present value of market rate rental cash flows over the term of a lease is less than the present value of the contractual in-place rental cash flows. Above-market lease assets are amortized over the non-cancelable term of the leases.
(2) In-place lease assets are recognized during asset acquisitions and are estimated based on the value associated with the costs avoided in originating leases comparable to the acquired in-place leases as well as the value associated with lost rental revenue during the assumed lease-up period. In-place lease assets are amortized over the non-cancelable term of the leases.

The expense from the amortization of real estate-related intangible assets had the following impact on the Company's consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021 ($ in thousands):

	Statements of Operations	For the Three Months Ended September 30,	
Intangible asset	Location	2022	2021
Above-market lease assets (decrease to income)	Operating lease income	$ 784	$ 814
In-place lease assets (decrease to income)	Depreciation and amortization	898	881
Other intangible assets (decrease to income)	Operating lease income	2	2

	Statements of Operations	For the Nine Months Ended September 30,	
Intangible asset	Location	2022	2021
Above-market lease assets (decrease to income)	Operating lease income	$ 2,351	$ 2,471
In-place lease assets (decrease to income)	Depreciation and amortization	2,688	2,633
Other intangible assets (decrease to income)	Operating lease income	6	6

The estimated amortization of real estate-related intangible assets for each of the five succeeding fiscal years is as follows ($ in thousands):(1)

Year	Amount
2022 (remaining three months)	$ 1,674
2023	6,682
2024	6,634
2025	6,634
2026	3,725

(1) As of September 30, 2022, the weighted average amortization period for the Company's real estate-related intangible assets was approximately 79.8 years.

Real estate-related intangible liabilities, net consist of the following items ($ in thousands):(1)

	As of September 30, 2022		
	Gross Intangible	Accumulated Amortization	Carrying Value
Below-market lease liabilities(1)	$ 68,618	$ (3,818)	$ 64,800

	As of December 31, 2021		
	Gross Intangible	Accumulated Amortization	Carrying Value
Below-market lease liabilities(1)	$ 68,618	$ (3,189)	$ 65,429

(1) Below-market lease liabilities are recognized during asset acquisitions when the present value of market rate rental cash flows over the term of a lease exceeds the present value of the contractual in-place rental cash flows. Below-market lease liabilities are amortized over the non-cancelable term of the leases.

The amortization of real estate-related intangible liabilities had the following impact on the Company's consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021 ($ in thousands):

Intangible liability	Statements of Operations Location	For the Three Months Ended September 30, 2022	2021
Below-market lease liabilities (increase to income)	Operating lease income	$ 209	$ 209

Intangible liability	Statements of Operations Location	For the Nine Months Ended September 30, 2022	2021
Below-market lease liabilities (increase to income)	Operating lease income	$ 628	$ 628

Future Minimum Operating Lease Payments—Future minimum lease payments to be collected under non-cancelable operating leases, excluding lease payments that are not fixed and determinable, in effect as of September 30, 2022, are as follows by year ($ in thousands):

Year	Inflation-Linked	Fixed Bumps with Inflation Adjustments	Fixed Bumps	Percentage Rent[(1)]	Fixed Bumps with Percentage Rent	Total
2022 (remaining three months)	$ 1,395	$ 4,255	$ 551	$ 2,754	$ 89	$ 9,044
2023	5,578	17,347	2,214	11,018	281	36,438
2024	5,578	17,677	2,248	11,018	51	36,572
2025	5,578	18,004	2,314	11,018	51	36,965
2026	5,578	18,370	2,357	987	51	27,343
Thereafter	423,391	4,326,865	435,496	16,812	77	5,202,641

(1) During the three months ended September 30, 2022 and 2021, the Company recognized $0.2 million and $0.1 million, respectively, of percentage rent in “Operating lease income” in the Company’s consolidated statements of operations. During the nine months ended September 30, 2022 and 2021, the Company recognized $1.1 million and $0.2 million, respectively, of percentage rent in “Operating lease income” in the Company’s consolidated statements of operations.

Note 6—Equity Investments in Ground Leases

In June 2021, the Company acquired a 29.2% noncontrolling equity interest in a Ground Lease at an office property in New York City. As of September 30, 2022 and December 31, 2021, the Company’s investment in the Ground Lease was $46.0 million and $42.1 million, respectively. During the three months ended September 30, 2022 and 2021, the Company recorded $1.4 million and $1.4 million, respectively, in earnings from equity method investments from the Ground Lease. During the nine months ended September 30, 2022 and 2021, the Company recorded $4.2 million and $1.5 million, respectively, in earnings from equity method investments from the Ground Lease.

In August 2019, the Company formed a venture with a sovereign wealth fund that is an existing shareholder of the Company to acquire the existing Ground Lease at 425 Park Avenue in New York City. The venture acquired the Ground Lease in November 2019. The Company has a 54.8% noncontrolling equity interest in the venture and iStar is the manager of the venture. As of September 30, 2022 and December 31, 2021, the Company’s investment in the venture was $132.7 million and $131.3 million, respectively. During the three months ended September 30, 2022 and 2021, the Company recorded $0.9 million and $0.8 million, respectively, in earnings from equity method investments from the venture. During the nine months ended September 30, 2022 and 2021, the Company recorded $2.5 million and $2.5 million, respectively, in earnings from equity method investments from the venture.

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Note 7—Deferred Expenses and Other Assets, Net and Accounts Payable, Accrued Expenses and Other Liabilities

Deferred expenses and other assets, net, consist of the following items ($ in thousands):

	As of	
	September 30, 2022	December 31, 2021
Operating lease right-of-use asset[1]	$ 26,594	$ 27,435
Interest rate hedge assets	18,587	—
Deferred finance costs, net[2]	5,284	7,875
Other assets	3,082	2,898
Purchase deposits	4,333	2,083
Leasing costs, net	450	456
Deferred expenses and other assets, net	$ 58,330	$ 40,747

(1) Operating lease right-of-use asset relates to a property that is majority-owned by a third party and is ground leased to the Company. The Company is obligated to pay the owner of the property $0.4 million, subject to adjustment for changes in the CPI, per year through 2044; however, the Company's Ground Lease tenant at the property pays this expense directly under the terms of a master lease. Operating lease right-of-use asset is amortized on a straight-line basis over the term of the lease and is recorded in "Real estate expense" in the Company's consolidated statements of operations. During both the three months ended September 30, 2022 and 2021, the Company recognized $0.1 million in "Real estate expense" and $0.1 million in "Other income" from its operating lease right-of-use asset. During both the nine months ended September 30, 2022 and 2021, the Company recognized $0.3 million in "Real estate expense" and $0.3 million in "Other income" from its operating lease right-of-use asset. The related operating lease liability (see table below) equals the present value of the minimum rental payments due under the lease discounted at the Company's incremental secured borrowing rate for a similar asset estimated to be 5.5%.
(2) Accumulated amortization of deferred finance costs was $4.8 million and $2.2 million as of September 30, 2022 and December 31, 2021, respectively.

Accounts payable, accrued expenses and other liabilities consist of the following items ($ in thousands):

	As of	
	September 30, 2022	December 31, 2021
Other liabilities[1]	$ 47,951	$ 14,998
Interest payable	49,045	31,601
Dividends declared and payable	11,028	9,690
Operating lease liability	5,505	5,605
Management fee payable	5,285	4,271
Accrued expenses[2]	3,848	1,427
Accounts payable, accrued expenses and other liabilities	$ 122,662	$ 67,592

(1) As of September 30, 2022, includes a $30.1 million liability due to a Ground Lease tenant for the development of a life science property that will be distributed during their development of the property. This amount has been received from the Ground Lease tenant and is included in "Restricted cash" on the Company's consolidated balance sheet as of September 30, 2022. As of September 30, 2022 and December 31, 2021, other liabilities includes $3.6 million and $1.9 million, respectively, due to the Manager for allocated payroll costs and costs it paid on the Company's behalf.
(2) As of September 30, 2022 and December 31, 2021, accrued expenses primarily includes accrued legal and audit expenses and accrued property expenses.

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Note 8—Debt Obligations, net

The Company's outstanding debt obligations consist of the following ($ in thousands):

	As of		Interest	Scheduled
	September 30, 2022	**December 31, 2021**	**Rate(1)**	**Maturity Date(2)**
Secured credit financing:				
Mortgages	$ 1,498,113	$ 1,498,113	3.99 %	April 2027 to November 2069
Total secured credit financing(3)	1,498,113	1,498,113		
Unsecured financing:				
2.80% senior notes	400,000	400,000	2.80 %	June 2031
2.85% senior notes	350,000	350,000	2.85 %	January 2032
3.98% senior notes	475,000	—	3.98 %	February 2052
5.15% senior notes	150,000	—	5.15 %	May 2052
Unsecured Revolver	630,000	490,000	LIBOR plus 1.00 %	March 2026
Total unsecured financing	2,005,000	1,240,000		
Total debt obligations	3,503,113	2,738,113		
Debt premium, discount and deferred financing costs, net	(44,208)	(40,610)		
Total debt obligations, net	$ 3,458,905	$ 2,697,503		

(1) For mortgages, represents the weighted average stated interest rate over the term of the debt from funding through maturity based on the contractual payments owed excluding the effect of debt premium, discount and deferred financing costs. As of September 30, 2022, the weighted average cash interest rate for the Company's consolidated mortgage debt, based on interest rates in effect at that date, was 3.26%. The difference between the weighted average interest rate and the weighted average cash interest rate is recorded to interest payable within "Accounts payable, accrued expenses, and other liabilities" on the Company's consolidated balance sheets. As of September 30, 2022, the Company's combined weighted average stated interest rate and combined weighted average cash interest rate of the Company's consolidated mortgage debt, the mortgage debt of the Company's unconsolidated ventures (applying the Company's percentage interest in the ventures - refer to Note 6) and the Company's unsecured senior notes were 3.74% and 3.19%, respectively.
(2) Represents the extended maturity date for all debt obligations.
(3) As of September 30, 2022, $2.0 billion of real estate, at cost, net investment in sales-type leases and Ground Lease receivables served as collateral for the Company's debt obligations.

Mortgages—Mortgages consist of asset specific non-recourse borrowings that are secured by the Company's real estate and Ground Leases. As of September 30, 2022, the Company's mortgages are full term interest only, bear interest at a weighted average interest rate of 3.99% and have maturities between April 2027 and November 2069.

Unsecured Notes—In May 2021, the Operating Partnership (as issuer) and the Company (as guarantor), issued $400.0 million aggregate principal amount of 2.80% senior notes due June 2031 (the "2.80% Notes"). The 2.80% Notes were issued at 99.127% of par. The Company may redeem the 2.80% Notes in whole at any time or in part from time to time prior to March 15, 2031, at the Company's option and sole discretion, at a redemption price equal to the greater of: (i) 100% of the principal amount of the 2.80% Notes being redeemed; and (ii) a make-whole premium calculated in accordance with the indenture, plus, in each case, accrued and unpaid interest thereon to, but not including, the applicable redemption date. If the 2.80% Notes are redeemed on or after March 15, 2031, the redemption price will be equal to 100% of the principal amount of the 2.80% Notes being redeemed, plus accrued and unpaid interest thereon to, but not including, the applicable redemption date.

In November 2021, the Operating Partnership (as issuer) and the Company (as guarantor), issued $350.0 million aggregate principal amount of 2.85% senior notes due January 2032 (the "2.85% Notes"). The 2.85% Notes were issued at 99.123% of par. The Company may redeem the 2.85% Notes in whole at any time or in part from time to time prior to October 15, 2031, at the Company's option and sole discretion, at a redemption price equal to the greater of: (i) 100% of the principal amount of the 2.85% Notes being redeemed; and (ii) a make-whole premium calculated in accordance with the indenture, plus, in each case, accrued and unpaid interest thereon to, but not including, the applicable redemption date. If the 2.85% Notes are redeemed on or after October 15, 2031, the redemption price will be equal to 100% of the principal amount of the 2.85% Notes being redeemed, plus accrued and unpaid interest thereon to, but not including, the applicable redemption date.

In January 2022, the Operating Partnership (as issuer) and the Company (as guarantor), issued $475.0 million aggregate principal amount of privately-placed 3.98% senior notes due February 2052 (the "3.98% Notes"). The Operating Partnership elected to draw these funds in March 2022. The Company may, at its option, prepay at any time all, or from time to time any part of, the 3.98% Notes, in an amount not less than 5% of the aggregate principal amount of the 3.98% Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the applicable make-whole amount calculated in accordance with the indenture, for such tranche determined for the prepayment date with respect to such principal amount; provided, that, so long as no default or event of default shall then exist, at any time on or after November 15, 2051, the Company may, at its option, prepay all or any part of the 3.98% Notes at 100% of the principal amount so prepaid, together with, in each case, accrued interest to the prepayment date, without any make-whole amount.

In May 2022, the Operating Partnership (as issuer) and the Company (as guarantor), issued $150.0 million aggregate principal amount of privately-placed 5.15% senior notes due May 2052 (the "5.15% Notes"). The structure of the 5.15% Notes features a stairstep coupon rate in which the Company will pay cash interest at a rate of 2.50% in years 1 through 10, 3.75% in years 11 through 20, and 5.15% in years 21 through 30. The difference between the 5.15% stated rate and the cash interest rate will accrue in each semi-annual payment period and be paid in kind by adding such accrued interest to the outstanding principal balance, to be repaid at maturity in May 2052. The Company may, at its option, prepay at any time all, or from time to time any part of, the 5.15% Notes, in an amount not less than 5% of the aggregate principal amount of the 5.15% Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the applicable make-whole amount calculated in accordance with the indenture; provided, that, so long as no default or event of default shall then exist, at any time on or after February 13, 2052, the Company may, at its option, prepay all or any part of the 5.15% Notes at 100% of the principal amount so prepaid, together with, in each case, accrued interest to the prepayment date, without any make-whole amount.

Unsecured Revolver—In March 2021, the Operating Partnership (as borrower) and the Company (as guarantor), entered into an unsecured revolving credit facility with an initial maximum aggregate principal amount of up to $1.0 billion (the "Unsecured Revolver"). In December 2021, the Company obtained additional lender commitments increasing the maximum availability to $1.35 billion. The Unsecured Revolver has an initial maturity of March 2024 with two 12-month extension options exercisable by the Company, subject to certain conditions, and bears interest at an annual rate of applicable LIBOR plus 1.00%, subject to the Company's credit ratings. The Company also pays a facility fee of 0.125%, subject to the Company's credit ratings. As of September 30, 2022, there was $720.0 million of undrawn capacity on the Unsecured Revolver.

Debt Covenants—The Company is subject to financial covenants under the Unsecured Revolver, including maintaining: (i) a ratio of unencumbered assets to unsecured debt of at least 1.33x; and (ii) a consolidated fixed charge coverage ratio of at least 1.15x, as such terms are defined in the documents governing the Unsecured Revolver. In addition, the Unsecured Revolver contains customary affirmative and negative covenants. Among other things, these covenants may restrict the Company or certain of its subsidiaries' ability to incur additional debt or liens, engage in certain mergers, consolidations and other fundamental changes, make other investments or pay dividends. The Company's 2.80% Notes, 2.85% Notes, 3.98% Notes and 5.15% Notes are subject to a financial covenant requiring a ratio of unencumbered assets to unsecured debt of at least 1.25x and contain customary affirmative and negative covenants. The Company's 3.98% Notes and 5.15% Notes contain a provision whereby they will be deemed to include additional financial covenants and negative covenants to the extent such covenants are incorporated into the Operating Partnership's and/or the Company's existing or future material credit facilities, including the Unsecured Revolver, and to the extent such covenants are more favorable to the lenders under such material credit facilities than the covenants contained in the 3.98% Notes and 5.15% Notes. The Company's mortgages contain no significant maintenance or ongoing financial covenants. As of September 30, 2022, the Company was in compliance with all of its financial covenants.

Future Scheduled Maturities—As of September 30, 2022, future scheduled maturities of outstanding debt obligations, assuming all extensions that can be exercised at the Company's option, are as follows ($ in thousands):

	Secured	Unsecured	Total
2022 (remaining three months)	$ —	$ —	$ —
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026	—	630,000	630,000
Thereafter[(1)]	1,498,113	1,375,000	2,873,113
Total principal maturities	1,498,113	2,005,000	3,503,113
Debt premium, discount and deferred financing costs, net	(27,252)	(16,956)	(44,208)
Total debt obligations, net	$ 1,470,861	$ 1,988,044	$ 3,458,905

(1) As of September 30, 2022, the Company's weighted average maturity for its secured mortgages was 28.8 years.

Note 9—Commitments and Contingencies

Unfunded Commitments—The Company has unfunded commitments to certain of its Ground Lease tenants related to leasehold improvement allowances that it expects to fund upon the completion of certain conditions. As of September 30, 2022, the Company had $297.3 million of such commitments.

The Company also has unfunded forward commitments related to agreements that it entered into for the acquisition of new Ground Leases or additions to existing Ground Leases if certain conditions are met (refer to Note 13). These commitments may also include leasehold improvement allowances that will be funded to the Ground Lease tenants when certain conditions are met. As of September 30, 2022, the Company had an aggregate $398.9 million of such commitments. There can be no assurance that the conditions to closing for these transactions will be satisfied and that the Company will acquire the Ground Leases or fund the leasehold improvement allowances.

Legal Proceedings—The Company evaluates developments in legal proceedings that could require a liability to be accrued and/or disclosed. Based on its current knowledge, and after consultation with legal counsel, the Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company's consolidated financial statements.

Note 10—Risk Management and Derivatives

In the normal course of its ongoing business operations, the Company encounters credit risk. Credit risk is the risk of default on the Company's leases that result from a tenant's inability or unwillingness to make contractually required payments.

Risk concentrations—Concentrations of credit risks arise when the Company has multiple leases with a particular tenant or credit party, or a number of the Company's tenants are engaged in similar business activities, or activities in the same geographic region, or have similar economic features, such that their ability to meet contractual obligations, including those to the Company, could be similarly affected by changes in economic conditions.

Although the Company's Ground Leases are geographically diverse and the tenants operate in a variety of industries and property types, to the extent the Company has a significant concentration of interest income from sales-type leases or operating lease income from any tenant, the inability of that tenant to make its payment could have a material adverse effect on the Company. The Company did not have a significant concentration of operating lease income from any tenant for the periods presented.

Derivative instruments and hedging activity—The Company's use of derivative financial instruments has been associated with debt issuances and primarily limited to the utilization of interest rate swaps and interest rate caps to manage interest rate risk exposure. The Company does not enter into derivatives for trading purposes.

The Company recognizes derivatives, if any, as either assets or liabilities on the Company's consolidated balance sheets at fair value. Interest rate hedge assets are recorded in "Deferred expenses and other assets, net" and interest rate hedge liabilities are recorded in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets. If certain conditions are met, a derivative may be specifically designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability, a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability.

For the Company's derivatives designated and qualifying as cash flow hedges, changes in the fair value of the derivatives are reported as a component of accumulated other comprehensive income (loss) and subsequently reclassified into interest expense in the same periods during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's debt.

For the Company's derivatives not designated as hedges, the changes in the fair value of the derivatives are reported in "Interest expense" in the Company's consolidated statements of operations. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements.

The table below presents the Company's derivatives as well as their classification on the consolidated balance sheets as of September 30, 2022 and December 31, 2021 ($ in thousands):[(1)]

Derivative Type	September 30, 2022 Fair Value[(2)]	December 31, 2021 Fair Value[(2)]	Balance Sheet Location
Assets			
Interest rate swaps	$ 18,587	$ —	Deferred expenses and other assets, net
	$ 18,587	$ —	

(1) During the nine months ended September 30, 2022, the Company received $11.0 million in settlement of certain interest rate hedges. During the nine months ended September 30, 2021, the Company paid $19.9 million to terminate certain interest rate hedges. Over the next 12 months, the Company expects that $3.8 million related to cash flow hedges will be reclassified from "Accumulated other comprehensive income (loss)" as an increase to interest expense.

(2) The fair value of the Company's derivatives is estimated using valuation techniques utilized by a third-party specialist using observable inputs such as interest rates and contractual cash flow and are classified as Level 2 within the fair value hierarchy.

Credit Risk-Related Contingent Features—The Company reports derivative instruments, if any, on a gross basis in its consolidated financial statements. The Company has agreements with each of its derivative counterparties that contain a provision whereby if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

The table below presents the effect of the Company's derivative financial instruments in the consolidated statements of operations and the consolidated statements of comprehensive income (loss) for the three and nine months ended September 30, 2022 and 2021 ($ in thousands):

Derivatives Designated in Hedging Relationships	Location of Gain (Loss) When Recognized in Income	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings
For the Three Months Ended September 30, 2022			
Interest rate swaps	Interest expense	$ 18,587	$ (943)
For the Three Months Ended September 30, 2021			
Interest rate swaps	Interest expense	$ —	$ (1,034)
For the Nine Months Ended September 30, 2022			
Interest rate swaps	Interest expense	$ 29,615	$ (2,945)
For the Nine Months Ended September 30, 2021			
Interest rate swaps	Interest expense	$ 13,290	$ (2,156)

Note 11—Equity

Common Stock—The Company has one class of common stock outstanding. During the nine months ended September 30, 2022, iStar purchased 0.2 million shares of the Company's common stock for $10.5 million, at an average cost of $66.83 per share, pursuant to 10b5-1 plans (the "10b5-1 Plans") in accordance with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended, under which it could buy shares of the Company's common stock in the open market. iStar has also purchased shares of the Company's common stock through private placements with the Company in connection with the Company's public offerings. In March 2022, the Company sold 2,000,000 shares of its common stock in a public offering for gross proceeds of $118.0 million. Concurrently with the public offering, the Company sold $191.2 million in shares, or 3,240,000 shares, of its common stock to iStar in a private placement. The Company incurred approximately $5.1 million of offering costs in connection with these transactions which were recorded as a reduction to additional paid-in capital. As of September 30, 2022, iStar owned 64.8% of the Company's common stock; however, its discretionary voting power is limited to 41.9% as a result of limitations on its voting power contained in a stockholder's agreement entered into in January 2019.

In February 2021, the Company and its affiliates, entered into an at-the-market equity offering (the "ATM") pursuant to which the Company may sell shares of its common stock up to an aggregate purchase price of $250.0 million. Through September 30, 2022, the Company sold 12,881 shares at an average net price of $81.45 per share, paid $15,977 of offering costs and raised $1.0 million of net proceeds pursuant to the ATM. Proceeds from the ATM were used for general corporate purposes. During the nine months ended September 30, 2022, the Company did not sell any shares pursuant to the ATM. As of September 30, 2022, the Company had $248.9 million of aggregate purchase price remaining under its ATM.

Equity Plans—During the third quarter 2018, the Company adopted an equity incentive plan providing for grants of interests (called "Caret Units") in a subsidiary of the Operating Partnership intended to constitute profits interests within the meaning of relevant Internal Revenue Service guidance. The Company's shareholders approved the plan in the second quarter of 2019. Grants under the plan were subject to graduated vesting based on time and hurdles of the Company's common stock price. Once a particular stock price hurdle is met, a portion of the awards become vested, but remain subject to being forfeited, in part, if additional time-based service conditions are not satisfied. The awards generally entitle plan participants to cash distributions of up to 15%, in the aggregate, of the capital appreciation above the Company's investment basis on its Ground Lease assets received upon the sale of a Ground Lease, the sale of a combined property and certain non-recourse mortgage debt refinancings of a Ground Lease. The Company owns 84% of the Caret Units (refer to Note 3). At the time of plan adoption, awards with an aggregate fair value of $1.4 million were granted to the Company's non-management directors and employees of the Manager and will be recognized over a period of four years. As of September 30, 2022, all stock price hurdles were achieved and each outstanding award is fully vested. In February 2020 and March 2020, the Company granted awards with an aggregate grant date fair value of $0.5 million and $0.1 million, respectively, to employees of the Manager. The awards granted in February 2020 will cliff vest in December 2022 and the awards granted in March 2020, which were granted to one employee of the Manager, vest over three years upon satisfaction of continuing service conditions. As of September 30, 2022, 12% of the awards granted in March 2020 had vested and 88% of the awards were forfeited. During the nine months ended September 30, 2022 and 2021, the Company recognized $0.4 million and $0.3 million, respectively, in expense from Caret Units and it is recorded in "General and administrative" in the Company's consolidated statements of operations and "Noncontrolling interests" on the Company's consolidated balance sheets.

In August 2021, in order to ensure that the interests of the non-management directors are best aligned with the interests of the Company's common shareholders, each of the non-management directors (or, in the case of two directors, their affiliated trusts to which the Caret Units had been issued) entered into agreements to exchange their Caret Units that were granted at the time of plan adoption into shares of the Company's common stock. Effective December 1, 2021, each non-management director (or, in the case of two directors, their affiliated trusts to which the Caret Units had been issued) exchanged 3,750 Caret Units for 2,546 shares of the Company's common stock. The Company's board of directors approved the exchanges having considered the report of a leading independent valuation firm.

The Company adopted an equity incentive plan to provide equity incentive opportunities to members of the Manager's management team and employees who perform services for the Company, the Company's non-management directors, advisers, consultants and other personnel (the "2017 Equity Incentive Plan"). The 2017 Equity Incentive Plan provides for grants of stock options, shares of restricted common stock, phantom shares, dividend equivalent rights and other equity-based awards, including long-term incentive plan units. In the second quarter 2022, the Company issued 26,000 fully-vested shares with a fair value of $1.1 million, or $43.51 per share, to its directors who are not employees of the Manager or iStar in consideration for their annual services as directors. In the second quarter 2021, the Company issued 16,000 fully-vested shares with a fair value of $1.1 million, or $69.86 per share, to its directors who are not employees of the Manager or iStar in consideration for their annual services as directors. In the first quarter 2019, the Company granted 25,000 restricted stock units with a fair value of $0.5 million, or $19.15 per share, under the 2017 Equity Incentive Plan to an employee of the Manager, representing the right to receive 25,000 shares of the Company's common stock, which vested in January 2022. Grants under the 2017 Equity Incentive Plan are recognized as compensation costs ratably over the applicable vesting period and recorded in "General and administrative" in the Company's consolidated statements of operations. As of September 30, 2022, an aggregate of 698,500 shares remain available for issuance pursuant to future awards under the Company's 2017 Equity Incentive Plan.

Noncontrolling Interests—Noncontrolling interests includes unrelated third-party equity interests in ventures that are consolidated in the Company's consolidated financial statements and Caret Units that have been granted to employees of the Company's Manager. See also "*Redeemable Noncontrolling Interests"* in Note 3.

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) consists of net unrealized gains (losses) on the Company's derivative transactions.

Dividends—The Company elected to be taxed as a REIT beginning with its taxable year ended December 31, 2017. To qualify as a REIT, the Company must annually distribute, at a minimum, an amount equal to 90% of its taxable income, excluding net capital gains, and must distribute 100% of its taxable income (including net capital gains) to eliminate corporate federal income taxes payable by the REIT. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses (such as depreciation and other items), in certain circumstances, the Company may generate operating cash flow in excess of its dividends, or alternatively, may need to make dividend payments in excess of operating cash flows. During the nine months ended September 30, 2022 and 2021, the Company declared cash dividends on its common stock of $32.5 million, or $0.524 per share, and $27.3 million, or $0.50224 per share, respectively.

Note 12—Earnings Per Share

Earnings per share ("EPS") is calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding for the period. The following tables present a reconciliation of net income used in the basic and diluted EPS calculations ($ and shares in thousands, except for per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 75,391	$ 20,309	$ 123,009	$ 52,045
Net income attributable to noncontrolling interests	(9,314)	(105)	(9,381)	(201)
Net income attributable to Safehold Inc. common shareholders for basic and diluted earnings per common share	$ 66,077	$ 20,204	$ 113,628	$ 51,844

Safehold Inc.
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Earnings attributable to common shares:				
Numerator for basic and diluted earnings per share:				
Net income attributable to Safehold Inc. common shareholders - basic	$ 66,077	$ 20,204	$ 113,628	$ 51,844
Net income attributable to Safehold Inc. common shareholders - diluted	$ 66,077	$ 20,204	$ 113,628	$ 51,844
Denominator for basic and diluted earnings per share:				
Weighted average common shares outstanding for basic earnings per common share	62,150	53,498	60,776	53,347
Add: Effect of assumed shares under treasury stock method for restricted stock units	—	13	—	12
Weighted average common shares outstanding for diluted earnings per common share	62,150	53,511	60,776	53,359
Basic and diluted earnings per common share:				
Net income attributable to Safehold Inc. common shareholders - basic	$ 1.06	$ 0.38	$ 1.87	$ 0.97
Net income attributable to Safehold Inc. common shareholders - diluted	$ 1.06	$ 0.38	$ 1.87	$ 0.97

Note 13—Related Party Transactions

The Company is externally managed by an affiliate of iStar, the Company’s largest shareholder. iStar has been an active real estate investor for over 20 years and has an extensive network for sourcing investments, which includes relationships with brokers, corporate tenants and developers that it has established over its long operating history.

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Management Agreement

A summary of the terms of the management agreement is below:

Manager	SFTY Manager, LLC, a wholly-owned subsidiary of iStar Inc.
Management Fee	Annual fee of 1.00% of total equity (up to $1.5 billion) Annual fee of 1.25% of total equity (for incremental equity of $1.5 billion to $3.0 billion) Annual fee of 1.375% of total equity (for incremental equity of $3.0 billion to $5.0 billion) and Annual fee of 1.5% of total equity (for incremental equity over $5.0 billion)
Management Fee Consideration	At the discretion of the Company’s independent directors, payment will be made in cash or in shares of the Company’s common stock (valued at the greater of: (i) the volume weighted average market price during a specified pricing period; or (ii) the initial public offering price of $20.00 per share)
Lock-up	Restriction from selling common stock received for management fees for two years from the date of such issuance (restriction will terminate in the event of and effective with the termination of the management agreement)
Incentive Fee	None
Term	Non-terminable through June 30, 2023, except for cause. Automatic annual renewals thereafter, subject to non-renewal upon certain findings by the Company’s independent directors and payment of termination fee.
Termination Fee	3x prior year’s management fee

During the three months ended September 30, 2022 and 2021, the Company recorded $5.3 million and $3.6 million, respectively, in management fees to the Manager. During the nine months ended September 30, 2022 and 2021, the Company recorded $15.0 million and $10.6 million, respectively, in management fees to the Manager. These management fees are recorded in “General and administrative” in the Company’s consolidated statements of operations.

Expense Reimbursements

The Company pays, or reimburses the Manager for, certain of the Company’s operating expenses as well as the costs of personnel performing certain legal, accounting, finance, due diligence tasks and other services, in each case except those specifically required to be borne or elected not to be charged by the Manager under the management agreement. Historically, pursuant to the Manager’s option under the management agreement, the Manager has elected to not seek reimbursement for certain expenses. This historical election is not a waiver of reimbursement for similar expenses in future periods and the Manager has started to elect to seek, and may further seek in the future, reimbursement of such additional expenses that it has not previously sought, including, without limitation, rent, overhead and certain personnel costs.

During the three months ended September 30, 2022 and 2021, the Company was allocated $3.1 million and $1.9 million, respectively, in expenses from the Manager. During the nine months ended September 30, 2022 and 2021, the Company was allocated $9.4 million and $5.6 million, respectively, in expenses from the Manager. These expenses are recorded in “General and administrative” in the Company’s consolidated statements of operations.

Safehold Inc.
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Acquisitions and Commitments

iStar has participated in certain of the Company's investment transactions, as the Company's tenant or either as a seller of land or by providing financing to the Company's Ground Lease tenants. Following is a list of transactions in which the Company and iStar or other persons deemed to be related parties have participated for the periods presented. These transactions were approved by the Company's independent directors in accordance with the Company's policy with respect to related party transactions.

In July 2022, the Company, pursuant to an agreement with iStar and upon certain construction related conditions being met, acquired an existing Ground Lease from iStar for $36.4 million inclusive of closing costs (refer to Note 4).

In June 2022, the Company acquired land and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of a mixed-use property. The Company also committed to provide an additional $35.0 million to the Ground Lease tenant if certain construction and leasing milestones are met. A venture in which iStar owns a noncontrolling equity interest and an affiliate of an existing shareholder (which is affiliated with one of the Company's independent directors) owns a noncontrolling equity interest committed to provide a $105.0 million loan to the Company's Ground Lease tenant for the recapitalization of the leasehold. The Company paid the venture $5.0 million of additional consideration in connection with this investment.

In April 2022, the Company acquired an existing Ground Lease from iStar for $9.0 million.

In March 2022, the Company acquired land for a purchase price of $28.5 million and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of a hotel property. One of the Company's independent directors has an indirect ownership interest in the entity that is the Ground Lease tenant and controls the company that indirectly manages that entity.

In March 2022, the Company paid iStar $0.3 million to terminate a purchase option that allowed iStar to purchase the land at the expiration of its Ground Lease with the Company. iStar sold the leasehold to a third party in March 2022.

In March 2022, the Company acquired three land properties from iStar for a total purchase price of $122.0 million and simultaneously structured and entered into three Ground Lease's directly with the Ground Lease tenant.

In February 2022, the Company acquired land and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of a life science development property. A venture in which iStar owns a noncontrolling equity interest and an affiliate of an existing shareholder (which is affiliated with one of the Company's independent directors) owns a noncontrolling equity interest committed to provide a $130.0 million loan to the Company's Ground Lease tenant for the recapitalization of the leasehold. The Company paid the venture $9.0 million of additional consideration in connection with this investment.

In December 2021, the Company acquired land for a purchase price of $56.5 million and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of an existing multifamily property. Prior to the recapitalization, iStar and the Ground Lease tenant owned the property through a venture. As part of the recapitalization, the Ground Lease tenant acquired iStar's equity interest in the venture and repaid a mezzanine loan iStar had provided to the venture in August 2018.

In November 2021, the Company entered into an agreement pursuant to which it agreed to acquire land and a related Ground Lease originated by iStar when certain construction related conditions are met by a specified time period. The purchase price to be paid is $33.3 million, plus an amount necessary for iStar to achieve the greater of a 1.25x multiple or a 12% return on its investment. In addition, the Ground Lease documents contain future funding obligations to the Ground Lease tenant of approximately $51.8 million of leasehold improvement allowance upon achievement of certain milestones. In December 2021, iStar contributed the Ground Lease to an investment fund it formed that targets the origination and acquisition of Ground Leases for commercial real estate projects that are in a pre-development phase. iStar has a noncontrolling interest in the investment fund and an affiliate of an existing shareholder (which is affiliated with one of the Company's independent directors) has a noncontrolling interest in the investment fund. The terms of the Company's commitment under the agreement did not change upon iStar's contribution of the Ground Lease to the investment fund. There can be no assurance that the conditions to closing will be satisfied and that the Company will acquire the Ground Lease from the investment fund.

In June 2021, the Company acquired from iStar a purchase option agreement for $1.2 million, which amount was equal to the deposit previously made by iStar under such option agreement plus assumption of iStar's out of pocket costs and expenses in connection with entering into such option agreement. Under the option agreement, the Company has the right to acquire for $215.0 million a property that is under a separate option for the benefit of a third party, whereby such third party has the right to enter into a Ground Lease and develop approximately 1.1 million square feet of office space.

In June 2021, the Company entered into two agreements pursuant to each of which it agreed to acquire land and a related Ground Lease originated by iStar when certain construction related conditions are met by a specified time period. The purchase price to be paid for each is $42.0 million, plus an amount necessary for iStar to achieve the greater of a 1.25x multiple and a 9% return on its investment. In addition, each Ground Lease provides for a leasehold improvement allowance up to a maximum of $83.0 million, which obligation would be assumed by the Company upon acquisition. In January 2022, iStar sold the Ground Leases to an investment fund in which iStar owns a noncontrolling interest and an existing shareholder (which is affiliated with one of the Company's independent directors) owns a noncontrolling interest. There can be no assurance that the conditions to closing will be satisfied and that the Company will acquire the properties and Ground Leases from the investment fund.

In March 2021, the Company entered into an agreement pursuant to which, subject to certain conditions being met, it agreed to acquire 100% of the limited liability company interests in the owner of a fee estate subject to a Ground Lease on which a multi-family project is currently being constructed. In March 2021, iStar originated a $75.0 million construction loan commitment to the Ground Lease tenant and acquired the Ground Lease for $16.1 million. iStar subsequently sold the loan commitment to an entity in which it has a noncontrolling interest and an existing shareholder (which is affiliated with one of the Company's independent directors) owns a noncontrolling interest. The Ground Lease documents contained future funding obligations to the Ground Lease tenant of approximately $11.9 million of deferred purchase price and $52.0 million of leasehold improvement allowance upon achievement of certain milestones. Subsequent to the origination, iStar funded approximately $6.0 million of the deferred purchase price to the Ground Lease tenant. The Company's acquisition of the ground lessor entity closed in September 2021. The total consideration paid was $24.8 million and the Company assumed the obligation for the remaining future funding obligations to the Ground Lease tenant.

In February 2021, the Company acquired land and simultaneously structured and entered into a Ground Lease as part of the Ground Lease tenant's recapitalization of an existing hotel property. iStar provided a $50.0 million loan to the Company's Ground Lease tenant for the recapitalization of the leasehold. The Company paid iStar $1.9 million of additional consideration in connection with this investment.

Caret Units

In August 2021, in order to ensure that the interests of the non-management directors are best aligned with the interests of the Company's common shareholders, each of the non-management directors (or, in the case of two directors, their affiliated trusts to which the Caret Units had been issued) entered into agreements to exchange their Caret Units (refer to Note 11) that were granted at the time of plan adoption into shares of the Company’s common stock. Effective December 1, 2021, each non-management director exchanged 3,750 Caret Units for 2,546 shares of the Company’s common stock. The Company’s board of directors approved the exchanges having considered the report of a leading independent valuation firm.

In February 2022, the Company sold an aggregate of 108,571 Caret Units, 1.08% of the authorized Caret Units, to a group of investors (refer to Note 3). In addition, an affiliate of an existing shareholder (which is affiliated with one of the Company’s independent directors) made a commitment to purchase 28,571 Caret Units, or 0.29% of the authorized Caret Units, for a purchase price of $5.0 million. As part of the sale, the Company is obligated to seek to provide a public market listing for the Caret Units or securities into which they may be exchanged, within two years. If the Company is unable to provide public market liquidity within two years at a value in excess of the new investor’s basis, the investors have the right to cause the Company to redeem their Caret Units at their original purchase price.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are included with respect to, among other things, Safehold Inc.'s (the "Company's") current business plan, including the Merger with iStar Inc. (refer to Note 1 to the consolidated financial statements), business strategy, portfolio management, prospects and liquidity. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results or outcomes to differ materially from those contained in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In assessing all forward-looking statements, readers are urged to read carefully all cautionary statements contained in this Form 10-Q and the uncertainties and risks described in the Risk Factors section in our 2021 Annual Report on Form 10-K (the "2021 Annual Report"), all of which could affect our future results of operations, financial condition and liquidity. For purposes of Management's Discussion and Analysis of Financial Condition and Results of Operations, the terms "we," "our" and "us" refer to Safehold Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

The discussion below should be read in conjunction with our consolidated financial statements and related notes in this quarterly report on Form 10-Q and our 2021 Annual Report. These historical financial statements may not be indicative of our future performance.

Executive Overview

Merger with iStar—In August 2022, we entered into a definitive agreement with iStar for a tax-free, strategic combination that provides that, subject to the terms and conditions thereof, we will merge with and into iStar (the "Merger"). We expect that the Merger will accelerate our market leadership in the Ground Lease industry and make us the only internally-managed, pure-play Ground Lease company in the public markets. We expect that the Merger will close in the first quarter or second quarter of 2023. Refer to Note 1 to the consolidated financial statements for additional information on the Merger.

Business Overview

We acquire, manage and capitalize Ground Leases and report our business as a single reportable segment. We believe owning a portfolio of Ground Leases affords our investors the opportunity for safe, growing income. Safety is derived from a Ground Lease's senior position in the commercial real estate capital structure. Growth is realized through long-term leases with contractual periodic increases in rent. Capital appreciation is realized though appreciation in the value of the land over time and through our typical rights as landlord to acquire the commercial buildings on our land at the end of a Ground Lease, which may yield substantial value to us. As of September 30, 2022, the percentage breakdown of the gross book value of our portfolio was 45% office, 35% multi-family, 12% hotels, 5% life science and 3% mixed use and other. The diversification by geographic location, property type and sponsor in our portfolio further reduces risk and enhances potential upside.

Many of our Ground Leases have CPI lookbacks to mitigate the effects of inflation that are typically capped between 3.0% - 3.5%; however, in the event cumulative inflation growth for the lookback period exceeds the cap, these rent adjustments may not keep up fully with changes in inflation. In January 2022, the Consumer Price Index ("CPI") rose to its highest rate in over 40 years. Since then the Federal Reserve has raised interest rates multiple times and it has stated that it is likely it will continue to raise interest rates for the remainder of 2022 and into 2023. Any increase in interest rates may result in a reduction in the availability or an increase in costs of leasehold financing, which is critical to the growth of a robust Ground Lease market.

The COVID-19 pandemic is not currently materially impacting our new investment activity, but we continue to monitor its potential impact, which could slow new investment activity because of reduced levels of real estate transactions and constrained conditions for equity and debt financing for real estate transactions, including leasehold loans. If these conditions arise, they will adversely affect our growth prospects while they persist. The COVID-19 pandemic does continue to impact our Park Hotels Portfolio, and we received no percentage rent revenues in 2022 in respect of 2021 hotel operating performance. See the Risk Factors section of our 2021 Annual Report for additional discussion of certain potential risks to our business arising from the COVID 19 pandemic.

We have chosen to focus on Ground Leases because we believe they meet an important need in the real estate capital markets for our customers. We also believe Ground Leases offer a unique combination of safety, income growth and the potential for capital appreciation for investors for the following reasons:

High Quality Long-Term Cash Flow: We believe that a Ground Lease represents a safe position in a property's capital structure. The combined property value subject to a Ground Lease typically significantly exceeds the Ground Lease landlord's investment in the Ground Lease; therefore, even if the landlord takes over the property following a tenant default or upon expiration of the Ground Lease, the landlord is reasonably likely to recover substantially all of its Ground Lease investment, and possibly amounts in excess of its investment, depending upon prevailing market conditions. Additionally, the typical structure of a Ground Lease provides the landlord with a residual right to regain possession of its land and take ownership of the buildings and improvements thereon upon a tenant default. The landlord's residual right provides a strong incentive for a Ground Lease tenant or its leasehold lender to make the required Ground Lease rent payments.

Income Growth: Ground Leases typically provide growing income streams through contractual base rent escalators that may compound over the duration of the lease. These rent escalators may be based on fixed increases, a CPI or a combination thereof, and may also include a participation in the gross revenues of the property. We believe that this growth in the lease rate over time can mitigate the effects of inflation and capture anticipated increases in land values over time, as well as serving as a basis for growing our dividend.

Opportunity for Capital Appreciation: The opportunity for capital appreciation comes in two forms. First, as the ground rent grows over time, the value of the Ground Lease should grow under market conditions in which capitalization rates remain flat. Second, our residual right to regain possession of the land underlying the Ground Lease and take title to the buildings and other improvements thereon at lease expiration or earlier termination of the lease for no additional consideration creates additional potential value to our shareholders.

We generally target Ground Lease investments in which the initial cost of the Ground Lease represents 30% to 45% of the combined value of the land and buildings and improvements thereon (the "Combined Property Value") as if the Ground Lease did not exist. If the initial cost of a Ground Lease is equal to 35% of the Combined Property Value, the remaining 65% of the Combined Property Value represents potential excess value over the amount of our investment that would be turned over to us upon the reversion of the property, assuming no intervening change in the Combined Property Value. In our view, there is a strong correlation between inflation and commercial real estate values over time, which supports our belief that the value of our owned residual portfolio should increase over time as inflation increases, although our ability to recognize value in certain cases may be limited by the rights of our tenants under some of our Ground Leases, including tenant rights to purchase our land in certain circumstances and the right of one tenant to demolish improvements prior to the expiration of the lease. See "Risk Factors" in our 2021 Annual Report for a discussion of these tenant rights.

Owned Residual Portfolio: We believe that the residual right is a unique feature distinguishing Ground Leases from other fixed income investments and property types. We track the unrealized capital appreciation in the value of our owned residual portfolio over our basis ("UCA") because we believe it provides relevant information with regard to the three key investment characteristics of our Ground Leases: (1) the safety of our position in a tenant's capital structure; (2) the quality of the long-term cash flows generated by our portfolio rent that increases over time; and (3) increases and decreases in the Combined Property Value of the portfolio that reverts to us pursuant to such residual rights.

We believe that, similar to a loan to value metric, tracking changes in the value of our owned residual portfolio is useful as an indicator of the quality of our cash flows and the safety of our position in a tenant's capital structure, which, in turn, supports our objective to pay and grow dividends over time. Observing changes in our owned residual portfolio value also helps us monitor changes in the value of the real estate portfolio that reverts to us under the terms of the leases, either at the expiration or earlier termination of the lease. The value may be realized by us at the relevant time by entering into a new lease reflecting then current market terms and values, selling the building, selling the building with the land, or operating the building directly and leasing the spaces to tenants at prevailing market rates.

We have engaged an independent valuation firm to prepare: (a) initial reports of the Combined Property Value associated with our Ground Lease portfolio; and (b) periodic updates of such reports, which we use, in part, to determine the current estimated value of our owned residual portfolio. We calculate this estimated value by subtracting our original aggregate cost basis in the Ground Leases from our estimated aggregate Combined Property Value, based on estimates by the valuation firm and by management.

The table below shows the current estimated UCA in our owned residual portfolio as of September 30, 2022 and December 31, 2021 ($ in millions):(1)

	September 30, 2022	December 31, 2021
Combined Property Value(2)	$ 16,434	$ 12,725
Ground Lease Cost(2)	5,929	4,664
Unrealized Capital Appreciation in Our Owned Residual Portfolio	10,505	8,061

(1) Please review our Current Report on Form 8-K filed on November 1, 2022 for a discussion of the valuation methodology used and important limitations and qualifications of the calculation of UCA. See "Risk Factors-*Certain tenant rights under our Ground Leases may limit the value and the UCA we are able to realize upon lease expiration, sale of our land and Ground Leases or other events*" in our 2021 Annual Report for a discussion of certain tenant rights and other terms of the leases that may limit our ability to realize value from the UCA.

(2) Combined Property Value includes our applicable percentage interests in our unconsolidated ventures and $1,760.9 million and $818.3 million related to transactions with remaining unfunded commitments as of September 30, 2022 and December 31, 2021, respectively. Ground Lease Cost includes our applicable percentage interests in our unconsolidated ventures and $297.3 million and $165.5 million of unfunded commitments as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, our gross book value as a percentage of combined property value was 40%.

We formed a subsidiary called Caret Ventures LLC that is structured to track and capture UCA to the extent UCA is realized upon sale of our land and Ground Leases or certain other specified events. Under a shareholder-approved plan, management was granted up to 15% of the then authorized Caret Units, some of which remains subject to time-based vesting. In February 2022, we sold 108,571 Caret Units for $19.0 million to third-party investors and received a commitment from an existing shareholder for the purchase of 28,571 Caret Units for $5.0 million (refer to Note 3 to the consolidated financial statements). Those 137,142 Caret Units equal 1.37% of the authorized Caret Units. As part of the sale, we are obligated to seek to provide a public market listing for the Caret Units, or securities into which they may be exchanged, within two years. If we are unable to provide public market liquidity within the two years at a value in excess of the new investors' basis, the investors have the right to cause us to redeem their Caret Units at their original purchase price. In addition, we have entered into an agreement with MSD Partners who has subscribed to purchase 100,000 Caret Units from us for an aggregate purchase price of $20.0 million conditioned on the closing of the Spin-Off and the Merger (refer to Note 1 to the consolidated financial statements). MSD Partners' obligations to purchase the Caret Units are also subject to certain other conditions (refer to Note 1 to the consolidated financial statements).

Market Opportunity: We believe that there is a significant market opportunity for a dedicated provider of Ground Lease capital like us. We believe that the market for existing Ground Leases is fragmented with ownership comprised primarily of high net worth individuals, pension funds, life insurance companies, estates and endowments. However, while we intend to pursue acquisitions of existing Ground Leases, our investment thesis is predicated, in part, on what we believe is an untapped market opportunity to expand the use of Ground Leases to a broader component of the approximately $7.0 trillion institutional commercial property market in the U.S. We intend to capture this market opportunity by utilizing multiple sourcing and origination channels, including manufacturing new Ground Leases with third-party owners and developers of commercial real estate and originating Ground Leases to provide capital for development and redevelopment. We further believe that Ground Leases generally represent an attractive source of capital for our tenants and may allow them to generate superior returns on their invested equity as compared to utilizing alternative sources of capital. We draw on the extensive investment origination and sourcing platform of iStar, the parent company of our Manager, to actively promote the benefits of the Ground Lease structure to prospective Ground Lease tenants.

Our Portfolio

Our portfolio of properties is diversified by property type and region. Our portfolio is comprised of Ground Leases and a master lease (relating to five hotel assets that we refer to as our “Park Hotels Portfolio”) that has many of the characteristics of a Ground Lease. As of September 30, 2022, our estimated portfolio Ground Rent Coverage was 3.9x (see the “Risk Factors -*Our estimated UCA, Combined Property Value and Ground Rent Coverage, may not reflect the full potential impact of the COVID-19 pandemic and may decline materially in future periods*, -*We rely on Property NOI as reported to us by our tenants*, -*Our estimates of Ground Rent Coverage for properties in development or transition, or for which we do not receive current tenant financial information, may prove to be incorrect*” in our 2021 Annual Report for a discussion of our estimated Ground Rent Coverage).

Below is an overview of the top 10 assets in our portfolio as of September 30, 2022 (based on gross book value and excluding unfunded commitments):[1]

Property Name	Property Type	Location	Lease Expiration / As Extended	Rent Escalation Structure	% of Gross Book Value
425 Park Avenue[2]	Office	New York, NY	2090 / 2090	Fixed with Inflation Adjustments	6.1 %
135 West 50th Street	Office	New York, NY	2123 / 2123	Fixed with Inflation Adjustments	5.3 %
195 Broadway	Office	New York, NY	2118 / 2118	Fixed with Inflation Adjustments	5.0 %
Park Hotels Portfolio[3]	Hotel	Various	2025 / 2035	% Rent	3.8 %
Alohilani	Hotel	Honolulu, HI	2118 / 2118	Fixed with Inflation Adjustments	3.6 %
685 Third Avenue	Office	New York, NY	2123 / 2123	Fixed with Inflation Adjustments	3.3 %
20 Cambridgeside	Life Science	Cambridge, MA	2121 / 2121	Fixed with Inflation Adjustments	2.9 %
1111 Pennsylvania Avenue	Office	Washington, DC	2117 / 2117	Fixed with Inflation Adjustments	2.6 %
100 Cambridgeside	Mixed Use	Cambridge, MA	2121 / 2121	Fixed with Inflation Adjustments	2.4 %
Columbia Center	Office	Washington, DC	2120 / 2120	Fixed with Inflation Adjustments	2.4 %

(1) Gross book value represents the historical purchase price plus accrued interest on sales-type leases.
(2) Gross book value for this property represents our pro rata share of the gross book value of our unconsolidated venture (refer to Note 6 to the consolidated financial statements).
(3) The Park Hotels Portfolio consists of five properties and is subject to a single master lease. A majority of the land underlying one of these properties is owned by a third party and is ground leased to us through 2044 subject to changes in the CPI; however, our tenant at the property pays this cost directly to the third party.

The following tables show our portfolio by region and property type as of September 30, 2022, excluding unfunded commitments:

Region	% of Gross Book Value
Northeast	39 %
West	26
Mid Atlantic	13
Southeast	13
Southwest	6
Central	3

Property Type	% of Gross Book Value
Office	45 %
Multifamily	35
Hotel	12
Life Science	5
Mixed Use and other	3

Unfunded Commitments

We have unfunded commitments to certain of our Ground Lease tenants related to leasehold improvement allowances that we expect to fund upon the completion of certain conditions. As of September 30, 2022, we had $297.3 million of such commitments.

We also have unfunded forward commitments related to agreements that we entered into for the acquisition of new Ground Leases or additions to existing Ground Leases if certain conditions are met (refer to Note 13 to the consolidated financial statements). These commitments may also include leasehold improvement allowances that will be funded to the Ground Lease tenants upon the completion of certain conditions. As of September 30, 2022, we had an aggregate $398.9 million of such commitments. There can be no assurance that the conditions to closing for these transactions will be satisfied and that we will acquire the Ground Leases or fund the leasehold improvement allowances.

Results of Operations for the Three Months Ended September 30, 2022 compared to the Three Months Ended September 30, 2021

	For the Three Months Ended September 30,		
	2022	2021	$ Change
	(in thousands)		
Interest income from sales-type leases	$ 54,736	$ 30,145	$ 24,591
Operating lease income	16,507	16,992	(485)
Other income	453	144	309
Total revenues	71,696	47,281	24,415
Interest expense	35,463	20,932	14,531
Real estate expense	866	719	147
Depreciation and amortization	2,407	2,390	17
General and administrative	9,551	6,658	2,893
Other expense	6,073	350	5,723
Total costs and expenses	54,360	31,049	23,311
Gain on sale of net investment in lease	55,811	—	55,811
Earnings from equity method investments	2,244	2,244	—
Selling profit from sales-type leases	—	1,833	(1,833)
Net income	$ 75,391	$ 20,309	$ 55,082

Interest income from sales-type leases increased to $54.7 million for the three months ended September 30, 2022 from $30.1 million for the same period in 2021. The increase was due primarily to the origination of new Ground Leases classified as sales-type leases and Ground Lease receivables.

Operating lease income decreased to $16.5 million during the three months ended September 30, 2022 from $17.0 million for the same period in 2021. The decrease was due primarily to an operating lease being reclassified to a sales-type lease in the third quarter 2021 (refer to Note 4 to the consolidated financial statements), which was partially offset by an increase in percentage rent at one of our properties.

Other income for both the three months ended September 30, 2022 and 2021 includes $0.1 million of other income relating to a Ground Lease in which we are the lessee but our tenant at the property pays this expense directly under the terms of a master lease. Other income for the three months ended September 30, 2022 also includes $0.3 million of other ancillary income from our investments.

During the three months ended September 30, 2022 and 2021, we incurred interest expense from our debt obligations of $35.5 million and $20.9 million, respectively. The increase in 2022 was primarily the result of issuances of unsecured notes to fund our growing portfolio of Ground Leases and additional borrowings on our Unsecured Revolver which accrued interest at higher rates in 2022 due to an increase in LIBOR.

Real estate expense was $0.9 million and $0.7 million during the three months ended September 30, 2022 and 2021, respectively, which consisted primarily of the amortization of an operating lease right-of-use asset, legal fees, property taxes and insurance expense. In addition, during both the three months ended September 30, 2022 and 2021, we also recorded $0.1 million of real estate expense relating to a Ground Lease in which we are the lessee but our tenant at the property pays this expense directly under the terms of a master lease. The increase in 2022 was primarily the result of an increase in property taxes and insurance expense.

Depreciation and amortization was $2.4 million during both the three months ended September 30, 2022 and 2021 and primarily relates to our ownership of the Park Hotels Portfolio and a multi-family property and the amortization of in-place lease assets.

General and administrative expenses include management fees, an allocation of expenses to us from our Manager, costs of operating as a public company and stock-based compensation (primarily to our non-management directors). The following table presents our general and administrative expenses for the three months ended September 30, 2022 and 2021 ($ in thousands):

	For the Three Months Ended September 30,	
	2022	2021
Management fees[(1)]	$ 5,285	$ 3,598
Expense reimbursements to the Manager[(1)]	3,125	1,875
Public company and other costs	1,088	1,011
Stock-based compensation	53	174
Total general and administrative expenses	$ 9,551	$ 6,658

(1) Refer to Note 13 to the consolidated financial statements. Historically, pursuant to the Manager's option under the management agreement, the Manager has elected to not seek reimbursement for certain expenses. This historical election is not a waiver of reimbursement for similar expenses in future periods and the Manager has started to elect to seek, and may further seek in the future, reimbursement of such additional expenses that it has not previously sought, including, without limitation, rent, overhead and certain personnel costs.

During the three months ended September 30, 2022, other expense consists primarily of legal costs associated with our Merger with iStar (refer to Note 1 to the consolidated financial statements), fees related to our Caret Units program, fees related to our derivative transactions and state margin taxes. During the three months ended September 30, 2021, other expense consists primarily of fees related to investment pursuit costs and state taxes. The increase in 2022 was primarily due to legal costs incurred in connection with our Merger transaction with iStar.

During the three months ended September 30, 2022, we sold a Ground Lease to a third-party for $136.0 million and recognized a gain on sale of net investment in lease of $55.8 million.

During the three months ended September 30, 2022, earnings from equity method investments resulted from our $0.9 million pro rata share of income from a venture that we entered into with an existing shareholder that acquired the existing Ground Lease at 425 Park Avenue in New York City in November 2019 (refer to Note 6 to the consolidated financial statements) and our $1.4 million pro rata share of income from an equity interest in a Ground Lease we acquired in June 2021 (refer to Note 6 to the consolidated financial statements). During the three months ended September 30, 2021, earnings from equity method investments resulted from our $0.8 million pro rata share of income from the 425 Park Avenue venture and our $1.4 million pro rata share of income from the equity interest we acquired in June 2021.

During the three months ended September 30, 2021, selling profit from sales-type leases resulted from the reclassification of an existing operating lease to a sales-type lease in September 2021 (refer to Note 5).

Results of Operations for the Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021	$ Change
		(in thousands)	
Interest income from sales-type leases	$ 146,014	$ 83,244	$ 62,770
Operating lease income	49,925	51,367	(1,442)
Other income	1,004	390	614
Total revenues	196,943	135,001	61,942
Interest expense	91,050	57,259	33,791
Real estate expense	2,272	2,038	234
Depreciation and amortization	7,215	7,160	55
General and administrative	29,203	21,388	7,815
Other expense	6,777	740	6,037
Total costs and expenses	136,517	88,585	47,932
Gain on sale of net investment in lease	55,811	—	55,811
Loss on early extinguishment of debt	—	(216)	216
Earnings from equity method investments	6,772	4,012	2,760
Selling profit from sales-type leases	—	1,833	(1,833)
Net income	$ 123,009	$ 52,045	$ 70,964

Interest income from sales-type leases increased to $146.0 million for the nine months ended September 30, 2022 from $83.2 million for the same period in 2021. The increase was due primarily to the origination of new Ground Leases classified as sales-type leases and Ground Lease receivables.

Operating lease income decreased to $49.9 million during the nine months ended September 30, 2022 from $51.4 million for the same period in 2021. The decrease was due primarily to an operating lease being reclassified to a sales-type lease in the third quarter 2021 (refer to Note 4 to the consolidated financial statements), which was partially offset by an increase in percentage rent at one of our properties.

Other income for both the nine months ended September 30, 2022 and 2021 includes $0.3 million of other income relating to a Ground Lease in which we are the lessee but our tenant at the property pays this expense directly under the terms of a master lease. Other income for the nine months ended September 30, 2022 also includes $0.7 million of other ancillary income from our investments.

During the nine months ended September 30, 2022 and 2021, we incurred interest expense from our debt obligations of $91.1 million and $57.3 million, respectively. The increase in 2022 was primarily the result of issuances of unsecured notes to fund our growing portfolio of Ground Leases and additional borrowings on our Unsecured Revolver which accrued interest at higher rates in 2022 due to an increase in LIBOR.

Real estate expense was $2.3 million and $2.0 million during the nine months ended September 30, 2022 and 2021, respectively, which consisted primarily of the amortization of an operating lease right-of-use asset, legal fees, property taxes and insurance expense. In addition, during both the nine months ended September 30, 2022 and 2021, we also recorded $0.3 million of real estate expense relating to a Ground Lease in which we are the lessee but our tenant at the property pays this expense directly under the terms of a master lease. The increase in 2022 was primarily the result of an increase in property taxes and insurance expense.

Depreciation and amortization was $7.2 million during both the nine months ended September 30, 2022 and 2021 and primarily relates to our ownership of the Park Hotels Portfolio and a multi-family property and the amortization of in-place lease assets.

General and administrative expenses include management fees, an allocation of expenses to us from our Manager, costs of operating as a public company and stock-based compensation (primarily to our non-management directors). The following table presents our general and administrative expenses for the nine months ended September 30, 2022 and 2021 ($ in thousands):

	For the Nine Months Ended September 30,	
	2022	2021
Management fees(1)	$ 14,950	$ 10,594
Expense reimbursements to the Manager(1)	9,375	5,625
Public company and other costs	3,360	3,595
Stock-based compensation	1,518	1,574
Total general and administrative expenses	$ 29,203	$ 21,388

(1) Refer to Note 13 to the consolidated financial statements. Historically, pursuant to the Manager's option under the management agreement, the Manager has elected to not seek reimbursement for certain expenses. This historical election is not a waiver of reimbursement for similar expenses in future periods and the Manager has started to elect to seek, and may further seek in the future, reimbursement of such additional expenses that it has not previously sought, including, without limitation, rent, overhead and certain personnel costs.

During the nine months ended September 30, 2022, other expense consists primarily of legal costs associated with our Merger with iStar (refer to Note 1 to the consolidated financial statements), fees related to our Caret Units program, unsuccessful pursuit costs and fees related to our derivative transactions. During the nine months ended September 30, 2021, other expense consists primarily of investment pursuit costs and fees related to public company filings. The increase in 2022 was primarily due to legal costs incurred in connection with our Merger transaction with iStar.

During the nine months ended September 30, 2022, we sold a Ground Lease to a third-party for $136.0 million and recognized a gain on sale of net investment in lease of $55.8 million.

During the nine months ended September 30, 2022, earnings from equity method investments resulted from our $2.5 million pro rata share of income from the 425 Park Avenue venture and our $4.2 million pro rata share of income from an equity interest in a Ground Lease we acquired in June 2021 (refer to Note 6 to the consolidated financial statements). During the nine months ended September 30, 2021, earnings from equity method investments resulted from our $2.5 million pro rata share of income from the 425 Park Avenue venture and our $1.5 million pro rata share of income from the equity interest we acquired in June 2021.

During the nine months ended September 30, 2021, selling profit from sales-type leases resulted from the reclassification of an existing operating lease to a sales-type lease in September 2021 (refer to Note 5).

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including to pay interest and repay borrowings, fund and maintain our assets and operations, complete acquisitions and originations of investments, make distributions to our shareholders and meet other general business needs. In order to qualify as a REIT, we are required under the Internal Revenue Code of 1986 to distribute to our shareholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We expect to make quarterly cash distributions to our shareholders sufficient to meet REIT qualification requirements.

In the first quarter 2021, we received investment-grade credit ratings from Moody's Investors Services of Baa1 and Fitch Ratings of BBB+ and entered into an unsecured revolver (refer to Note 8 to the consolidated financial statements) with a total capacity of $1.35 billion (the "Unsecured Revolver"). In the second quarter 2021, the fourth quarter 2021, the first quarter 2022 and the second quarter 2022, we issued four tranches of unsecured notes with varying fixed-rates and maturities ranging from June 2031 to May 2052 (collectively the "Notes"). Our most recent issuance in May 2022 features a stairstep coupon structure (refer to Note 8 to the consolidated financial statements) that is unique in the unsecured and investment-grade market and will benefit key cash flow metrics. As evidenced by our Unsecured Revolver and the Notes, we believe the strong credit profile we have established utilizing our modern Ground Leases and our current investment-grade credit ratings from Moody's Investors Services of Baa1 and Fitch Ratings of BBB+ will further accelerate our ability to bring commercial real estate owners, developers and sponsors more efficiently priced capital.

Our Unsecured Revolver replaced our secured revolving credit facility in the first quarter 2021. With its increased size of total capacity of $1.35 billion and reduced cost, our Unsecured Revolver allows us significant operational and financial flexibility and supports our ability to scale our Ground Lease platform. We also believe our Unsecured Revolver marked a strong first step towards our goal of unlocking opportunities from the unsecured capital markets to deliver lower cost, more efficient capital to our customers.

In the first quarter 2021, we entered into an at-the-market equity offering (the “ATM”) pursuant to which we may sell shares of our common stock up to an aggregate purchase price of $250.0 million. As of September 30, 2022, we had $248.9 million of aggregate purchase price remaining under our ATM.

In March 2022, we sold 2,000,000 shares of our common stock in a public offering for gross proceeds of $118.0 million. Concurrently with the public offering, we sold $191.2 million in shares, or 3,240,000 shares, of our common stock to iStar in a private placement. We incurred approximately $5.1 million of offering costs in connection with these transactions.

As of September 30, 2022, we had $35.6 million of unrestricted cash and $720.0 million of undrawn capacity on our Unsecured Revolver. We refer to this unrestricted cash and additional borrowing capacity on our Unsecured Revolver as our “equity” liquidity which can be used for general corporate purposes or leveraged to acquire or originate new Ground Lease assets. Our primary sources of cash to date have been proceeds from equity offerings and private placements, proceeds from our initial capitalization by iStar and two institutional investors and borrowings from our debt facilities, unsecured notes and mortgages. Our primary uses of cash to date have been the acquisition/origination of Ground Leases, repayments on our debt facilities and distributions to our shareholders.

We expect our short-term liquidity requirements to include debt service on our debt obligations (refer to Note 8 to the consolidated financial statements), distributions to our shareholders, working capital, new acquisitions and originations of Ground Lease investments, expense reimbursements to our Manager and payments of fees under our management agreement to the extent we do not elect to pay the fees in common stock (refer to Note 13 to the consolidated financial statements). Our primary sources of liquidity going forward will generally consist of cash on hand and cash flows from operations, new financings, unused borrowing capacity under our Unsecured Revolver (subject to the conditions set forth in the applicable loan agreement) and common and/or preferred equity issuances. We expect that we will be able to meet our liquidity requirements over the next 12 months and beyond.

We expect our long-term liquidity requirements to include debt service on our debt obligations (refer to Note 8 to the consolidated financial statements), distributions to our shareholders, working capital, new acquisitions and originations of Ground Lease investments (including in respect of unfunded commitments – refer to Note 9 to the consolidated financial statements), debt maturities, expense reimbursements to our Manager and payments of fees under our management agreement to the extent we do not elect to pay the fees in common stock (refer to Note 13 to the consolidated financial statements). Our primary sources of liquidity going forward will generally consist of cash on hand and cash flows from operations, new financings, unused borrowing capacity under our Unsecured Revolver (subject to the conditions set forth in the applicable loan agreement) and common and/or preferred equity issuances.

The following table outlines our cash flows provided by operating activities, cash flows used in investing activities and cash flows provided by financing activities for the nine months ended September 30, 2022 and 2021 ($ in thousands):

	For the Nine Months Ended September 30,		
	2022	2021	Change
Cash flows provided by operating activities	$ 52,147	$ 12,947	$ 39,200
Cash flows used in investing activities	(1,047,610)	(607,298)	(440,312)
Cash flows provided by financing activities	1,050,522	545,585	504,937

The increase in cash flows provided by operating activities during 2022 was due primarily to a net positive change in cash flows from hedges that resulted from us receiving $11.0 million from our hedges in 2022 versus payments on hedges of $19.9 million in 2021 (refer to Note 10 to the consolidated financial statements) and an increase in rents collected in 2022 from new originations and acquisitions of Ground Leases. The increase in cash flows used in investing activities during 2022 was due to an increase in new originations and acquisitions of Ground Leases partially offset by the sale of a net investment in lease (refer to Note 4 to the consolidated financial statements). The increase in cash flows provided by financing activities during 2022 was due primarily to the issuance of common stock and the issuance of unsecured debt to fund our growing Ground Lease portfolio.

Supplemental Guarantor Disclosure

In March 2020, the Securities and Exchange Commission ("SEC") adopted amendments to Rule 3-10 of Regulation S-X and created Rule 13-01 to simplify disclosure requirements related to certain registered securities. The amendments became effective on January 4, 2021. We and the Operating Partnership have filed a registration statement on Form S-3 with the SEC registering, among other securities, debt securities of the Operating Partnership, which will be fully and unconditionally guaranteed by us. As of September 30, 2022, the Operating Partnership had issued and outstanding the Notes. The obligations of the Operating Partnership to pay principal, premiums, if any, and interest on the Notes are guaranteed on a senior basis by us. The guarantee is full and unconditional, and the Operating Partnership is a consolidated subsidiary of ours.

As a result of the amendments to Rule 3-10 of Regulation S-X, subsidiary issuers of obligations guaranteed by the parent are not required to provide separate financial statements, provided that the subsidiary obligor is consolidated into the parent company's consolidated financial statements, the parent guarantee is "full and unconditional" and, subject to certain exceptions as set forth below, the alternative disclosure required by Rule 13-01 is provided, which includes narrative disclosure and summarized financial information. Accordingly, separate consolidated financial statements of the Operating Partnership have not been presented. Furthermore, as permitted under Rule 13-01(a)(4)(vi) of Regulation S-X, we have excluded the summarized financial information for the Operating Partnership because the assets, liabilities and results of operations of the Operating Partnership are not materially different than the corresponding amounts in our consolidated financial statements, and management believes such summarized financial information would be repetitive and would not provide incremental value to investors.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments in certain circumstances that affect amounts reported as assets, liabilities, revenues and expenses. We have established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well controlled, reviewed and applied consistently from period to period. We base our estimates on historical corporate and industry experience and various other assumptions that we believe to be appropriate under the circumstances. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and, therefore, routinely require adjustment.

For a discussion of our critical accounting policies, refer to Note 3 to the consolidated financial statements and our 2021 Annual Report.

New Accounting Pronouncements—For a discussion of the impact of new accounting pronouncements on our financial condition or results of operations, refer to Note 3 to the consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risks

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market prices and interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. One of the principal market risks facing us is interest rate risk on our floating rate indebtedness.

Subject to qualifying and maintaining our qualification as a REIT for U.S. federal income tax purposes, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. Our primary objectives when undertaking hedging transactions will be to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. However, we can provide no assurances that our efforts to manage interest rate volatility will successfully mitigate the risks of such volatility on our portfolio. Our current portfolio is not subject to foreign currency risk.

Our objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower our overall borrowing costs. To achieve these objectives, we may borrow at fixed rates and may enter into hedging instruments such as interest rate swap agreements and interest rate cap agreements in order to mitigate our interest rate risk on a related floating rate financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes.

As of September 30, 2022, we had $2.9 billion principal amount of fixed-rate debt outstanding and $630.0 million principal amount of floating-rate debt outstanding. The following table quantifies the potential changes in annual net income should interest rates decrease or increase by 10, 50 and 100 basis points, assuming no change in our interest earning assets, interest bearing liabilities, derivative contracts or the shape of the yield curve (i.e., relative interest rates). The base interest rate scenario assumes the one-month LIBOR rate of 3.14% as of September 30, 2022. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income
($ in thousands)

Change in Interest Rates	Net Income (Loss)
-100 Basis Points	$ 6,300
-50 Basis Points	3,150
-10 Basis Points	630
Base Interest Rate	—
+10 Basis Points	(630)
+50 Basis Points	(3,150)
+100 Basis Points	(6,300)

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company has formed a disclosure committee that is responsible for considering the materiality of information and determining the disclosure obligations of the Company on a timely basis. The disclosure committee reports directly to the Company’s Chief Executive Officer and Chief Financial Officer.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the disclosure committee and other members of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures pursuant to

Exchange Act Rule 13a-15(b) or Rule 15d-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

There have been no changes in the Company’s internal control over financial reporting during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company’s periodic reports.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be party, or our properties may be subject to, various claims, lawsuits or other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, would be expected to have a material effect on our business, financial position, liquidity or results of operations if determined adversely to us.

Item 1A. Risk Factors

The Merger and related transactions may not be completed on the terms or timeline currently contemplated, or at all.

The completion of the Merger and related transactions are subject to certain conditions, including: (i) the approval of the Company's stockholders, (ii) the approval of iStar's stockholders, (iii) completion of the spin-off, (iv) the approval of the shares of New SAFE (refer to Note 1 to the consolidated financial statements) common stock to be issued in the Merger for listing on the NYSE, (v) the effectiveness of the registration statement on Form S-4 registering the New SAFE common stock to be issued in the Merger, (vi) the absence of any temporary restraining order, injunction or other order of any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the reverse stock split or the Merger, (vii) generation of certain cash proceeds, (viii) the receipt of certain tax opinions by iStar and the Company that the Merger will qualify as a reorganization under the Internal Revenue Code and that iStar and the Company each qualifies as a REIT for federal income tax purposes, (ix) the accuracy of certain representations and warranties of iStar and the Company contained in the Merger agreement and the compliance by the parties with the covenants contained in the Merger agreement (subject to customary materiality qualifiers), and (x) certain other conditions specified in the Merger agreement. Neither iStar nor the Company can provide assurances that the Merger and related transactions will be consummated on the terms or timeline currently contemplated, or at all.

Failure to complete the Merger and related transactions could adversely affect the stock prices and the future business and financial results of iStar and the Company.

If the Merger and related transactions are not completed, the ongoing businesses of iStar or the Company may be adversely affected and iStar and the Company will be subject to numerous risks, including the following:

- upon termination of the Merger agreement under specified circumstances, a termination fee of $63 million may be payable by either iStar or the Company;
- each of iStar and the Company having to pay substantial costs relating to the Merger, such as legal, accounting, financial advisor, filing, printing and mailing fees and integration preparation costs that have already been incurred or will continue to be incurred until the closing of the Merger;
- the management of each of iStar and the Company focusing on the Merger instead of on pursuing other opportunities that could be beneficial to the companies, in each case, without realizing any of the benefits of having the Merger completed; and
- reputational harm due to the adverse perception of any failure to successfully complete the Merger.

If the Merger and related transactions are not completed, neither iStar nor the Company can assure their respective stockholders that these risks will not materialize or will not materially affect the business, financial results and stock prices of either iStar or the Company.

The Company will have the option to internalize iStar's management if the Merger has not occurred by the outside date under the Merger agreement.

If the Merger agreement is terminated because the Merger has not occurred by September 30, 2023, the Company will have the option under certain circumstances to terminate the existing external management agreement and internalize iStar's management, which may adversely affect iStar. If the Company exercises its option under the Merger agreement to become internalized, it must pay iStar $100.0 million, of which up to $60.0 million may be paid in cash at the Company's discretion and the remainder being paid in shares of the Company's common stock, which is less than the $150.0 million of consideration that was allocated to the existing management agreement in the negotiations of the Merger. If the Company exercises this option, iStar would become externally-managed by the Company pursuant to a management agreement that the Company and iStar have agreed to negotiate in good faith. These changes in iStar's management structure may adversely affect iStar and the market value of its securities.

The Merger agreement contains provisions that could discourage a potential competing acquirer of either iStar or the Company or could result in any competing proposal being at a lower price than it might otherwise be.

The Merger agreement contains provisions that, subject to limited exceptions, restrict the ability of each of iStar and the Company to, directly or indirectly, initiate, solicit, propose, knowingly encourage or facilitate competing third-party proposals to effect, among other things, a Merger, reorganization, share exchange, consolidation or the sale of 15% or more of the stock or consolidated net revenues, net income or total assets of iStar or the Company. In addition, either iStar or the Company generally has an opportunity to offer to modify the terms of the Merger agreement in response to any competing "superior proposal" (as defined in "the Merger Agreement") that may be made to the other party before the special committee of the boards of directors of iStar or the Company, as the case may be, may withdraw or modify its recommendation in response to such superior proposal or terminate the Merger agreement to enter into such superior proposal. In some circumstances, one of the parties will be required to pay a substantial termination fee to the other party.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of iStar or the Company from considering or proposing such an acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than that market value proposed to be received or realized in the Merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances under the Merger agreement. In addition, iStar's significant ownership interest and voting power in the Company could discourage a potential competing acquirer for the Company.

The pendency of the Merger and related transactions could adversely affect the business and operations of iStar and the Company.

In connection with the pending Merger and related transactions, some tenants, vendors or other counterparties of each of iStar and the Company may delay or defer decisions, which could adversely affect the revenues, earnings, funds from operations, cash flows and expenses of iStar and the Company, regardless of whether the Merger is completed. Similarly, current and prospective employees of iStar and New SAFE may experience uncertainty about their future roles with New SAFE following the Merger and related transactions, which may materially adversely affect the ability of iStar to attract and retain key personnel during the pendency of the Merger and related transactions. In addition, due to interim operating covenants in the Merger agreement, each of iStar and the Company may be unable (without the other party's prior written consent), during the pendency of the Merger and related transactions, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial.

There were no other material changes from the risk factors previously disclosed in our 2021 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

We did not purchase any shares of our common stock during the three months ended September 30, 2022.

Unregistered Sales of Equity Securities

In July 2022, we issued 133,127 shares of our common stock to our Manager as payment for the management fee for the three months ended June 30, 2022. These shares were not registered under the Securities Act in reliance upon exemption from registration provided by Section 4(a)(2) of the Securities Act. Such shares are subject to certain resale restrictions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Document Description
2.1	Merger Agreement, dated as of August 10, 2022, by and between iStar Inc. and Safehold Inc. (Schedules have been omitted pursuant to Item 601(b)(5) of Regulation S-K. SAFE agrees to furnish supplementally to the SEC a copy of any omitted schedule upon request.) (incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K, filed August 11, 2022)
10.1	Voting Agreement, dated as of August 10, 2022, by and between iStar Inc. and Safehold Inc. (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed August 11, 2022)
10.2	Stock Purchase Agreement, dated August 10, 2022, by and among iStar Inc., Safehold Inc., MSD Partners, L.P. and, with respect to certain specified sections, MSD Capital, L.P. (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed August 11, 2022)
31.0	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act.
32.0	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act.
101*	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2022 is formatted in iXBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets (unaudited) as of September 30, 2022 and December 31, 2021; (ii) the Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 2022 and 2021; (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2022 and 2021; (iv) the Consolidated Statements of Changes in Equity (unaudited) for the three and nine months ended September 30, 2022 and 2021; (v) the Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2022 and 2021; and (vi) the Notes to the Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

* In accordance with Rule 406T of Regulation S-T, the iXBRL related information in Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934 and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Safehold Inc.
Registrant

Date: November 1, 2022

/s/ JAY SUGARMAN
Jay Sugarman
Chairman of the Board of Directors and Chief Executive Officer (principal executive officer)

Safehold Inc.
Registrant

Date: November 1, 2022

/s/ BRETT ASNAS
Brett Asnas
Chief Financial Officer
(principal financial officer)

Safehold Inc.
Registrant

Date: November 1, 2022

/s/ GARETT ROSENBLUM
Garett Rosenblum
Chief Accounting Officer

Exhibit 31.0

CERTIFICATION

I, Jay Sugarman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Safehold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 1, 2022	By:	/s/ JAY SUGARMAN	
			Name:	Jay Sugarman
			Title:	*Chief Executive Officer*

CERTIFICATION

I, Brett Asnas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Safehold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 1, 2022	By:	/s/ BRETT ASNAS	
			Name:	Brett Asnas
			Title:	*Chief Financial Officer (principal financial officer)*

Exhibit 32.0

Certification of Chief Executive Officer

Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Safehold Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2022

By: /s/ JAY SUGARMAN
Name: Jay Sugarman
Title: *Chief Executive Officer*

Certification of Principal Financial Officer

Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of Safehold Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 1, 2022	By:	/s/ BRETT ASNAS	
			Name:	Brett Asnas
			Title:	*Chief Financial Officer (principal financial officer)*