

Transcript of  
Safehold  
Second Quarter 2025 Earnings Conference Call  
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**Participants**

Pearse Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold  
Jay Sugarman - Chairman & Chief Executive Officer, Safehold  
Brett Asnas - Chief Financial Officer, Safehold  
Tim Doherty - Chief Investments Officer, Safehold

**Analysts**

Mitchell Germain - Citizens Capital Markets  
Anthony Paolone - JPMorgan  
Ravi Vaidya - Mizuho  
Ronald Kamdem - Morgan Stanley  
Jeremy Kuhl - Goldman Sachs  
Ki Bin Kim - Truist  
Harsh Hemnani - Green Street  
Jon Petersen - Jefferies

**Presentation**

**Operator**

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

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

**Pearse Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold**

Good afternoon everyone. Thank you for joining us today for Safehold's earnings call. On the call, we have Jay Sugarman, Chairman and Chief Executive Officer; Brett Asnas, Chief Financial Officer; and Tim Doherty, Chief Investments Officer. This afternoon, we plan to walk through a presentation that details our second quarter 2025 results. The presentation can be found on our website at [safeholdinc.com](http://safeholdinc.com) by clicking on the Investors link. There will be a replay of this conference call beginning at 8 pm Eastern time today. The dial in for the replay is 877-481-4010 with a confirmation code of 52799.

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In order to accommodate all those who want to ask questions, we ask that participants limit themselves to two questions during Q&A. If you'd like to ask additional questions, you may reenter the queue.

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

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

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Jay thanks Pearse and good afternoon to all of you joining us today. We saw better traction in the second quarter as we rolled out a test program in certain markets for one-stop capital solutions combining ground leases and leasehold loans to simplify and shorten the time to closing. We also continue our efforts to use Safehold ground leases to enhance affordable multifamily projects and enable top players in that market to maximize their opportunities.

On the flip side, market conditions remain challenging as larger customers try to figure out the cross currents and uncertainty that characterize the first half of the year. Our goal, as always, is to help them access our low cost, long term and efficient capital and enable them to focus more on improving property operations and less on figuring out the ever evolving capital markets. We were pleased a number of customers found our ground lease a better solution for their needs this quarter and we will continue innovating to find the best ways to help grow Safehold and the ground lease industry as a whole.

All right, let me turn it over to Brett to review the quarter and full year in more detail. Brett?

**Brett Asnas - Chief Financial Officer, Safehold**

Thank you Jay, and good morning everyone.

**Let's begin on slide 2:**

During the quarter, new origination activity was approximately 220 million, including four ground leases for 123 million and three leasehold loans for 97 million. Of the four new ground leases, three were market rate multifamily assets and one was a hotel asset. Markets include Boston, San Diego, Salt Lake City and the Space Coast of Florida. Credit metrics are in line with our portfolio targets with a GLTV of 33%, rent coverage of 3.2 times and an economic yield of 7.2%.

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Overall, we are pleased to begin converting several of our previously announced LOIS into closings, particularly at what we believe are very attractive risk adjusted returns. Importantly, we added four new customers to our platform as all ground leases were closed with a first time sponsor. As a reminder, approximately 40% of our existing customers have done repeat business with us, so every new customer we add to the platform is a highly valuable source for potential future deals.

Moving to the pipeline, we continue to see positive engagement from both new and existing customers, particularly within the multifamily asset class. The pace of signed LOIs has steadily increased over the course of the year and currently sits at its highest level since 2022. This has largely been driven by success within our growing affordable housing segment, which we expect to more actively contribute to closings later this year and into 2026. Macro volatility, of course, remains a highly influential factor in getting these deals over the line, but we're optimistic that the sectors we're focusing on and the product enhancements we're piloting with customers can add a layer of resiliency for the new business.

At quarter end the total portfolio was \$6.9 billion and UCA was estimated at \$9.1 billion, which was an approximately \$200 million increase from last quarter, primarily driven by new investments. GLTV was 52% and rent coverage was 3.5x. We ended the quarter with approximately \$1.2 billion of liquidity, which is further supported by the potential available capacity in our joint venture.

**Slide 3 provides a snapshot of our portfolio growth:**

In the second quarter, we funded a total of \$114 million, including \$61 million of ground lease fundings on new originations that have a 7.0% economic yield, \$4 million of ground lease fundings on pre-existing commitments that have a 5.8% economic yield, \$43 million of new leasehold loans that earn interest at an approximate rate of SOFR+249 basis points and \$6 million on existing leasehold loans related to our share of the leasehold loan fund which earn interest at a rate of SOFR+398 basis points. Our ground lease portfolio has 151 assets and has grown 20x by book value since our IPO, while estimated unrealized capital appreciation has grown 21x.

We have 88 multifamily ground leases in the portfolio and have increased our exposure from 8% by count at IPO to 58% today. In total, the unrealized capital appreciation portfolio is comprised of approximately 37 million square feet of institutional quality commercial real estate consisting of approximately 21,000 multifamily units, 12.5 million square feet of office over 5,000 hotel keys and 2 million square feet of life science and other property types.

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

For the second quarter, GAAP revenue was \$93.8 million, net income was \$27.9 million and earnings per share was \$0.39. The decline in GAAP earnings year-over-year was primarily due to a \$1.7 million increase in our non-cash general provision for

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credit losses. New leasehold loan originations were the primary contributor to the increase as these assets carry a higher general provision rate versus typical ground leases and the provision is taken on the full loan commitment, not necessarily what has been funded. For example, in Q2 approximately \$1 million of the total \$2.4 million non-cash general provision can be attributed to the unfunded loan commitments. Excluding the \$0.03 impact from non-cash general provisions, Q2's earnings per share was \$0.42.

**On slide 5 we detail our portfolio's yields:**

For GAAP earnings, the portfolio currently earns a 3.7% cash yield and a 5.4% annualized yield. Annualized yield includes non cash adjustments within rent, depreciation and amortization which is primarily from the accounting methodology on IPO assets but excludes all future contractual variable rent such as fair market value resets, percentage rent or CPI-based escalators which are all significant economic drivers.

On an economic basis, the portfolio generates a 5.8% economic yield which is an IRR based calculation that conforms with how we've underwritten these investments. This economic yield has additional upside including periodic CPI look-backs which we have in 81% of our ground leases. Using the Federal Reserve's current long term breakeven inflation rate of 2.28%, the 5.8% economic yield increases to a 6.0% inflation adjusted yield.

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

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

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

Portfolio GLTV, which is based on an annual asset appraisal from CBRE, remained flat quarter-over-quarter at 52% and rent coverage on the portfolio was unchanged at 3.5x.

We continue to believe that investing in well-located institutional quality ground leases in the top 30 markets that have attractive risk adjusted returns will benefit the company and its stakeholders over long periods of time.

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

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At quarter end we had approximately \$4.8 billion of debt comprised of \$2.2 billion of unsecured notes, \$1.5 billion of non-recourse secured debt, \$812 million drawn on our unsecured revolver and \$270 million of our pro rata share of debt on ground leases which we own in joint ventures. Our weighted average debt maturity is approximately 19 years and we have no corporate maturities due until 2027. At quarter end we had approximately \$1.2 billion of cash and credit facility availability. We are rated A3 stable outlook by Moody's, A- stable outlook by Fitch and BBB+, positive outlook by S&P. We have benefited from an active hedging strategy and remain well hedged on our limited floating rate borrowings. Of the \$812 million revolver balance outstanding, \$500 million is swapped to fixed SOFR at 3% through April 2028 we received swap payments on a current cash basis each month and for the second quarter that produced cash interest savings of approximately \$1.7 million that flowed through the P&L. We also have \$250 million of long term treasury locks at a weighted average rate of approximately 4.0% and current gain position of approximately \$31 million. Of this \$250 million, \$100 million notional was unwound in April for a \$13 million cash gain. And the remaining \$150 million notional is active and outstanding with a mark to market gain of \$18 million. These treasury locks are mark to market instruments currently recognized on the balance sheet, but not the P&L. They can be unwound for cash at any point through their designated term, however, only when they are applied to long term debt would they then be recognized in our P&L over time. We are levered 1.98x on a total debt to equity basis. The effective interest rate on permanent debt is 4.2% and the portfolio's cash interest rate on permanent debt is 3.8%.

So to conclude, we're encouraged by customer engagement and seeing that translate into more LOIs and closings. The balance sheet is well positioned with ample liquidity, no near term maturities and valuable in place hedges. We remain focused on delivering a highly efficient capital solution for customers and expanding our market leading position.

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

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

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

**Operator**

Thank you. [Operator Instructions] First question comes from Mitch Germain with Citizens Capital Markets. Please proceed.

**Q:** Thank you very much. Jay, I'm curious about new sponsor conversion; obviously four investments this quarter, all with new sponsors. So I'm curious when the discussions with many of those parties began and how long did it take to finally get them over the finish line?

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**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Tim, you want to take that?

**Tim Doherty - Chief Investments Officer, Safehold**

Sure. Hey, Mitch. It varies, I think. Look, our timeline of converting clients has gotten shorter and shorter, but some of these clients and actually one of the deals, because of where the market is, this was a development deal. We've been talking to that sponsor about that deal for a couple of years and finally the market has turned for them so that they could actually raise more equity and develop the project versus one of the projects that we closed was a recapitalization and the market turbulence in the first and second quarter, they came to us and that was converted in four weeks. So it can range but again our conversion over the years has gotten shorter and shorter as we see more activity in our portfolio.

**Q:** That's super helpful. And last one for me, I think you guys talked about affordable housing transactions possibly picking up in the back part of this year into next year. I think most of the ones you've done so far were somewhat geographic centralized. Is that going to continue to be the case or have you been able to grow the different states and regions that your product's available to help fund some of those transactions?

**Tim Doherty - Chief Investments Officer, Safehold**

Well, it has grown in terms of our exposure into the other areas of the country. I think when we first started it was more geographically focused but as we've expanded our reach and our team on that approach, we're seeing transactions in other states. Obviously that's the LIHTC program is a federal program, so we're expanding the reach of us as our experience grows and the traction is being seen in our pipeline for sure.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yeah, I'd say, Mitch, we think it takes about 12 months to do the homework to meet the players to understand a new market. So we expect to see some of that work come to fruition later this year, early next year.

**Q:** Great, Thanks a lot.

**Operator**

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

**Q:** Great, thanks. Good evening. First, in terms of the pipeline last quarter you guys articulated \$386 million in letters of intent and you did \$220, I guess, here. And so maybe can you just help roll that forward as to where it sits today?

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**Tim Doherty - Chief Investments Officer, Safehold**

Sure Anthony, it's Tim again. Yeah. The remainder of those deals obviously still remain and we've grown, as you heard from Brett, increased the LOI amount significantly and obviously that with the dollar amount and it's still -- as Brett had mentioned, it's heavily weighted towards multi and a good split of the affordable and market rate side. So we're pretty encouraged by not just the deal volume we're seeing, but actually the conversion into LOI. So we're pretty pleased with where we sit.

**Q:** Like is it still up in that is \$400 million, I guess it's still like this kind of pace?

**Tim Doherty - Chief Investments Officer, Safehold**

Yeah, look, I think right now we're not going to say that the actual number. I think right now it's just the encouragement of how many of those deals are still there plus increase in volume and where we are today compared to where we were last year. We're ahead of last year's pace. We can't control when these are going to close, but we're really encouraged on what we have today.

**Q:** Okay, and then just my second one, just on the leasehold loans that you're doing, can you just talk about are those like longer duration? Are the borrowers using these as transitional loans where they're going to look for something else down the road? Just want to understand sort of the intent and nature of those loans and -- yeah, that would be helpful.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Sure. Anthony, it's Jay. So, think of this as a test program at this point. We're really trying to find ways to shorten the timeframe and increase the closing probability. So most of these are meant to be accelerators, they are not meant to be permanent capital solutions. We prefer to get them in place and help customers get to the finish line. But the average term we're hoping is three years or less just in terms of how long our customers use that capital. So they are, again, not intended to be long term solutions for our customers, but they give them the time to not only close the deal but also to execute on their business plans.

**Q:** Okay, thanks.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

And you know, the only other thing I'd say on the, you know, we're still trying to figure out what is the best way to execute on these. But the majority, in fact the vast majority of the pipeline is not going to be using leasehold loans, so we're still doing the work we need to do to make sure that we get bang for the buck.

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**Q:** Okay, thanks Jay.

**Operator**

Next question comes from Haendel St. Juste with Mizuho. Please proceed.

**Q:** Hi there, this is Ravi Vaidya on the line for Haendel. Hope you guys are doing well. Maybe if we could talk about the cadence of capital deployment and whether the current quarterly originations is a good run rate looking forward. I think on the last call you had mentioned that the volatility with Liberation Day might have delayed some deals and some volatility in interest rates also leads to further delays maybe. How are you thinking about the cadence of future capital deployment in the back half of 2025 and 2026? Thanks.

**Tim Doherty - Chief Investments Officer, Safehold**

Sure. This is Tim. The cadence obviously is dictated by the market. You've seen that in our 80 year history, right, we've been pretty heavily weighted towards fourth quarter closings; just how the market works. I think this year, the previous probably three or four quarters, the market was pretty chill, choppy and volatile. I think we've seen it especially in the last couple of weeks and months here, settle out a bit and things are starting to really move in the market. You've seen that through some of the other companies that have reported and hearing how the capital flows are. So we feel that trend still continues, right, heavily weighted towards year end closings as things -- most of these deals take anywhere from two to six months to close. In our affordable business, you're seeing those deals have a lot longer lead times, sometimes 12 plus months to close. So I think the cadence is coming back to more of a normal real estate market where you see it's lumpy quarter-to-quarter, but on a whole year basis it's pretty consistent.

**Q:** Got it. That's helpful and maybe just one more here. How does the recent passing of the One Big Beautiful Bill Act impact the demand for ground leases in your product in terms of an alternative financing source and a number of provisions in that bill. So just wanted to hear your thoughts on that. Thanks.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

It might be a little too early to know the full impact directionally. We think development is going to be tricky until people figure out where the tariffs settle out. So pipelines -- I think you've probably heard across a number of industries, pipelines are down as people have not been able to figure out how to pencil new projects. So there seems to be a little window here of uncertainty that is probably good for existing assets and a little trickier for development assets but we're navigating our way through that reasonably successfully. Some of the bigger themes probably don't impact us as much as other companies. We're looking for good dirt. There's nothing in the bill that dramatically changes what we're looking for. I do think we very much focus on flow of funds and certainly hope economic growth and international

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investment in the US eventually get back to where we'd like them to see them. So this is more intangible stuff to us, I think, than to some others, but those intangibles matter and we don't know how to handicap that just yet.

**Q:** Understood. Makes sense. Thank you.

**Operator**

Up next is Ronald Kamdem with Morgan Stanley. Please proceed.

**Q:** Hey, couple just two quick ones for me. Just back to the four new sponsors, I think one of the deals was sort of a hotel deal, which is interesting. Just wondering if you can comment a little bit more on the potential for repeat businesses down the line with these situations or are they sort of more one-off and also a little bit more commentary on the hotel deal and how that came about. Thanks.

**Tim Doherty - Chief Investments Officer, Safehold**

Sure. Yeah, the four sponsors, look, we see those as definitely future potential sponsors that we're already talking to one of them on another deal now, it's getting good traction. In terms of hospitality, I kind of lump that in with questions that we've had in the past quarters of what we're pursuing in the hospitality in the office space. As you can see, I think we're seeing more activity there as the capital markets open up. It's helping out those asset classes like office and hospitality as those start to free up from old leverage. So we have some good dialogue going on both the office and the hospitality side as those are obviously seeing cap rates gap out and our capital can really monetizing the land in those positions can really help out those capital stacks. So we're seeing good increase in our pipeline for those types of transactions and this is, we hope to be, the first of many.

**Q:** Helpful. And then just on the, just the economic yield, I guess for the ground lease, like we should we be thinking about that just as a spread to the 30 year following. And how do I think about the yield on the leasehold loans? How does that differ from the economic yield of the new ground lease? Thanks.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yeah, I think two things. One, we continue to try to shoot for 100 basis points over the nearest benchmark, which is the 100 year bond complex. We're seeing that market sort of settle in at the 5, 6 range right now. So we think the economic yields in the quarter were quite attractive relative to that. That's before inflation and before the carat value. So we quite like where the most recent deals were getting done. What was the second part? Yeah, the loans, it's really -- again, it's meant to be an accelerator, not a business line, so we're trying to keep the returns reasonable. And the -- I don't know, where are we, SOFR+250 to 300. Again, I don't want to make that a big deal yet. We're still evaluating how best to use it, but with SOFR still in the low 4s, it's probably not a very different ROA.

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**Q:** Makes sense. Thanks so much. That's it for me.

**Operator**

The next question comes from Caitlin Burrows with Goldman Sachs. Please proceed.

**Q:** Hi, this is Jeremy Kuhl on for Caitlin. So my question is thinking about future originations, how does SAFE plan to fund those for the rest of the year? Thanks.

**Brett Asnas - Chief Financial Officer, Safehold**

Hey, it's Brett. As we've noted to the market right now, the way we're thinking about our capital sources and thinking about our leverage at the moment, there's a few things that we've endeavored on. One is any of the deals that we've announced, there's typically a upfront funding component and future funding component. When we think about every call it a little more than \$100 million funded, it takes leverage up by 0.05x, so not a real big move in leverage the way that we and the agencies and investors think about it. So we have some runway here over the coming quarters in terms of true equity need. From the debt standpoint, you see that our revolver has drawn a little over \$800 million. We are appropriately hedged. At some point we'll look to term out some of those borrowings and what we're really focused on is the shape of the curve and thinking about duration and pricing dynamics. But when we think about our hedging program, it's certainly been a benefit. Last year we had over \$40 million in gains through our hedges and this year over \$30 million. So think about the last 18 months and \$75 million of hedging, locking in our margins is super important. So again, we'll look to term out some of those borrowings, hopefully over the remainder of the year. And then on the equity side, it's going to be pretty much dependent on those funding needs and what the pipeline originations look like over the remainder of the year.

**Q:** Great. Thank you. And then just one follow up for me. Is there any update on the Park Hotels portfolio? I think the tenant mentioned they might not renew two of the hotels past the rest of this year. Thanks.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yes. For those who don't know, the Park portfolio was purchased almost 30 years ago is 16 assets. We've whittled it down, selling those off over time. It's down to five assets. We believe the three of those assets have significant value in them. The two that they are not renewing; one is a true anomaly, it sits on a ground lease, we own part of that ground lease, so we've got some work to do to figure out if we can extend that partner ground lease. The other one is an asset that we will likely look forward to selling, it's a small asset. There's not a ton of upside in those two assets. Most of the upside sits in the other three.

**Q:** Got it. Thank you.

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**Operator**

The next question is from Ki Bin Kim with Truist. Please proceed.

**Q:** Thank you. Good evening. Just to follow up on that last question, leasing, the disclosure is that the coverage was 3.5x for this master lease. I'm assuming the two that they're not renewing are lower but just curious why a tenant would choose to not renew assuming that coverage was still profitable, or maybe I'm wrong. Yeah, if you can walk through that. Thank you.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Obviously, historically this has been a really well performing portfolio. I think post COVID, certainly the tenant here has looked at their strategy and has begun to move away from some of the things historically that have been part of their portfolio. The portfolio is definitely a mix of really high performers and not as good performers and so not surprised. These are the two assets that probably had the lowest coverage of the portfolio and so we're not that surprised, but we do think there's a lot of value in the other three.

**Q:** Okay. And should there be an income impact as you look -- as these assets transition to different owners or some other home?

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yeah, look, historically, as I said, these have been well performing assets. Certainly pre COVID they were strong performers. The transition years are never great, Ki Bin, as you might suspect in a hospitality context, getting everything resettled. But I think long term we certainly expect to not suffer any significant change.

**Q:** Okay, thank you. And just last question. On the loans that you're making, do those come with stipulations that those loans as assuming some of those are development loans, if the borrower finishes the project, do those commit stipulations that those become ground lease deals at some point, potentially?

**Tim Doherty - Chief Investments Officer, Safehold**

All those loans that we've done already have our ground lease in place. So that's the only way we make those loans is if we have the ground lease first. There's no -- we're not doing loans on fee simple assets. These are with Safehold ground leases.

**Q:** Okay, thank you.

**Operator**

Up next is Harsh Hemnani with Green Street. Please proceed.

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**Q:** Thank you. Maybe one on the hotel origination from this quarter, did the check size on that origination and the yield vary materially from sort of the average 5.2% initial cash yield this quarter?

**Tim Doherty - Chief Investments Officer, Safehold**

That one -- well, this hotel deal was actually an acquisition of a hotel deal, so it's not our form lease. So cash yield versus ROA varies. Obviously we acquired it based on metrics of what we want to achieve on ROA because it has provisions that aren't as clean as our typical lease of our bumps and CPI resets. So how we acquired that was based on what we believe to be the equivalent return and taking into account any inflation or other adjustments in the deal.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yes, it was a very interesting deal, low LTV, great coverage, great market. We have experience in that market. Actually one of the Park assets is not far from this one, so we have lots of good knowledge there. And it was a little bit tighter because of the very solid credit metrics, but certainly met the ROA targets we were shooting for.

**Q:** Got it. That's helpful. And then maybe one on the Park assets, right, you've seen this coming for a little bit, not too much of a surprise. And sounds like there's two assets and the one you're planning to sell, is it fair to assume that perhaps conversations around that have begun? And if so, then once sort of the assets come back in December or around December, how long do you think that lag is to be able to sell that asset and then similarly on the other one to be able to negotiate an extension with the partner ground leaseholders?

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yes, it might be a little premature to focus on it, but we do have folks getting ready for a transition. As I said, you need to transition these properties and it takes quite a bit of operating expertise, so we're going to have help doing that and then prepare it for sale. But I wouldn't say we're, you know, we don't control the asset today, so a little bit early still harsh.

**Q:** Got it. Thank you.

**Operator**

Our next question comes from Jon Petersen with Jefferies. Please proceed.

**Q:** Great, thank you. I wanted to ask about your office portfolio, maybe specifically Manhattan. So the Manhattan office market has been doing particularly well as office markets go over the last year or so. So I'm curious if you had any commentary on what that means in terms of how land values have changed and if there's maybe

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any opportunity to kind of realize some of that value as you focus more on multifamily and de-emphasize office a bit.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Yes, look, Manhattan's a great market long term. It's one of the long term cities we want to have exposure to. I think the good news is both the office market seems to be recovering, but you've also had this tax driven resi conversion incentive 467-M come into place. So supply is slowly being drained out of the market and demand has increased, so those are good things. I'm not sure how big an impact that's going to have on land in the near term, but certainly those are the kind of dynamics long term that have always made New York land very valuable. So we like seeing that economic sort of pick up across both multifamily and office and we're actually seeing it in retail as well. So New York is one of those markets that turn quickly when people get back to work and that's what happened. We're not seeing quite that same dynamic in some of the other gateway cities yet. So we definitely have our eyes on are there opportunities in New York because it seems to be a little bit ahead of the market.

**Q:** Okay. All right. Well, I guess maybe more broadly, like are there markets or property types where you are, where you would be interested in selling some of your land? I know you mentioned the two hotel assets, but beyond that.

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

We're always looking at where we can deploy capital and potentially where we can recycle capital. It's hard to get ground leases, as you know, they rarely come up for sale. So creating them is really the focus of the company. But, you know, Brett's team is always looking at the overall portfolio and looking to execute the best capital plans we can and that has to include looking at existing assets. But I'd say right now, multifamily for us has been very much an active market we can play in. We have not seen a lot of opportunities in office either to play new or to sell existing but there are always conversations going on about how do we fine tune the portfolio and figure out ways to really get to the next generation of owners, so can't say we're jumping in with two feet, but we do have our eyes on it.

**Q:** Okay, and maybe last question for me on affordable housing. I guess I'm going to ask a political question here, but I think affordable housing is certainly a political issue. So in the New York election with Mamdani, there was certainly a focus on affordable housing. When you kind of see that narrative switch out there in politics, is that a net positive for Safehold as you guys are trying to create more opportunities there?

**Jay Sugarman - Chairman & Chief Executive Officer, Safehold**

Look, I'll speak and then maybe Tim can fill in because he's on the ground. But our affordable team is doing a great job of solving a major problem, which is there's

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more demand than there is supply, and the supply takes a long time to put on the ground. It is a political process. You have to know the ins and outs and you have to be credible with the key players. I think we've done a good job of building that credibility over the past 24 months. I think the overall housing market remains under supplied. You know, I think politically, everybody is focused on how they can solve it. New York is a tough one, there's a lot of different players in that conversation. We've had more success than some other states. But the truth of the matter is, you know, when they talk about supplying these markets, they're talking about 1% additions to the stock or 2 or 3. It's going to take a lot of effort on a lot of people's parts to actually change the dynamic and that has proven very difficult. So we think we're a helpful piece of the equation. Again, wherever affordable is being built on good dirt, we think we can play a role. I'd love to be able to say we could do it in New York. We have proposed a lot of ideas that we think make sense, but they have not fit within the constraints of the New York system. But there is definitely -- we think there's a better way and we'd love to be part of it.

**Tim Doherty - Chief Investments Officer, Safehold**

That pretty much sums up. I think the biggest thing is looking beyond the micro market of New York City. It's that our capital is an extraordinarily cheap cost of capital and it's a very large system that you need to build a lot more affordable. And we're helping folks get those built. So I think for us, we found it to be a great place to partner up with these affordable developers to help increase the amount of affordable housing out there.

**Q:** That's great. Thank you.

**Operator**

Mr. Hoffman. We have no further questions.

**Pearse Hoffmann - Senior Vice President, Head of Corporate Finance, Safehold**

Great. If there are any additional questions on today's release, please feel free to reach out to me directly. Operator, would you please give the conference call replay instructions once again? Thank you.

**Operator**

There will be a replay of this conference call beginning at 8:00 pm Eastern Time today. The dial in for the replay is 877-481-4010 with the confirmation code of 52799. This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.

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