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CORPORATE PARTICIPANTS

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

Jay Sugarman *Safehold Inc - Chairman of the Board, Chief Executive Officer*

Brett Asnas *Safehold Inc - Chief Financial Officer*

Tim Doherty *Safehold Inc - Chief Investment Officer*

CONFERENCE CALL PARTICIPANTS

Stephen Laws *Raymond James - Analyst*

Mitchell Germain *JMP Securities - Analyst*

Caitlin Burrows *Goldman Sachs - Analyst*

Haendel St. Juste *Mizuho Securities USA - Analyst*

Ronald Kamdem *Morgan Stanley - Analyst*

Anthony Paolone *JPMorgan - Analyst*

Ki Bin Kim *Truist Securities - Analyst*

PRESENTATION

Operator

Good morning, and welcome to Safehold's third-quarter 2024 earnings conference call. (Operator Instructions) As a reminder, today's conference is being recorded.

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

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

Good morning, everyone, and thank you for joining us today for Safehold's earnings call. On the call today, we have Jay Sugarman, Chairman and Chief Executive Officer; Brett Asnas, Chief Financial Officer; and Timothy Doherty, Chief Investment Officer.

This morning, we plan to walk through a presentation that details our third-quarter 2024 results. The presentation can be found on our website at safeholdinc.com by clicking on the Investors link. There will be a replay of this conference call beginning at 2:00 PM Eastern Time today. The dial-in for the replay is (877) 481-4010 with a confirmation code of 51479.

In order to accommodate all those who want to ask questions, we ask the participants limit themselves to two questions during Q&A. If you would like to ask additional questions, you may re-enter the queue.

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

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

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

Thanks, Pearse, and good morning to everyone joining us today. The third quarter saw steady investment activity, including the purchase of minority ownership interest held by our sovereign wealth JV partner and many smaller multifamily ground leases previously originated by Safehold. While it makes more sense for Safehold to own 100% of these smaller ground lease deals, we continue to work with our JV partner on larger transactions where the investment size is more appropriate for the JV. That purchase, along with several other transactions closed in the quarter, were executed at attractive yields, generally done at the higher end of our targeted ROAs and at solid GLTV levels.

Overall, the rate environment remains the most important near-term driver of investment activity. Lower rates generated increased engagement across a wide range of customers during the quarter, but the recent jump in yields and increased volatility will likely have an impact on capital stacks and customer decision-making. We remain cautiously optimistic that macro industry conditions are pointing to a better transaction environment in 2025.

Turning to earnings, year-over-year EPS was higher, excluding enhancements to our general provision for credit loss methodology implemented during the quarter. We continue to look for ways to run and capitalize the business more efficiently until transaction activity picks up more fully.

Lastly, UCA estimates moved slightly higher with existing portfolio UCA pressured by generally higher cap rate assumptions and tougher office fundamentals, offset by new UCA additions from attractive originations during the quarter.

And with that quick summary, let me turn it over to Brett to review the quarter in more detail.

Brett Asnas - Safehold Inc - Chief Financial Officer

Thank you, Jay, and good morning, everyone. Let's start with a summary of the quarter on slide 2:

During the quarter, new origination activity was \$104 million, including three multifamily ground leases for \$72 million and one leasehold loan for \$32 million. Of the three new ground leases, two were student housing assets, one was conventional multifamily, and they were located across three markets with three different sponsors. Ground lease credit metrics were in line with our portfolio targets with a GLTV of 29%, rent coverage of 3.2 times, and an economic yield of 7.2%.

Also in the third quarter, we reached an agreement with our JV partner to purchase their ownership interest in the nine ground leases acquired by the venture to date. The total purchase price of the nine deals, including forward commitments, was \$80 million. Excluding one asset originated early in the third quarter, which is already included in the new origination figures, the net purchase price was \$69 million.

This closed transaction created an opportunity to put additional capital to work in deals that we are already in at an attractive 7.2% yield, funded by a cheaper cost of capital than when the deals were originally closed. It also frees up additional capacity in the venture, which will remain in place, but without our partners' participation right in certain ground lease opportunities, which expired at the end of September. We expect the JV to focus on larger investment opportunities moving forward and that Safehold will own 100% of the economics in smaller-sized deals.

At quarter end, the total portfolio was \$6.7 billion, UCA was estimated at \$9.1 billion, GLTV was 48% and rent coverage was 3.5 times. We ended the quarter with approximately \$955 million of liquidity, which is further supported by the potential available capacity in our joint venture.

Slide 3 provides a snapshot of our portfolio growth:

In the third quarter, we funded a total of \$122 million, including \$53 million of new Q3 originations that have a 7.2% economic yield, \$46 million to purchase our partners' JV interest in nine ground leases that have a 7.2% economic yield, and \$23 million of ground lease fundings on pre-existing commitments that have a 5.6% economic yield.

Our ground lease portfolio has 146 assets and has grown 20 times since our IPO, while the estimated unrealized capital appreciation sitting above our ground leases has grown 21 times. Multifamily remains our primary focus for new originations. We have 84 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 36 million square feet of institutional quality commercial real estate, consisting of approximately 20,000 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 third quarter, revenue was \$90.7 million, net income was \$19.3 million and earnings per share was \$0.27. The significant increase in GAAP earnings year-over-year was primarily driven by the \$145.4 million non-cash impairment of goodwill taken one year ago, offset by a \$7.5 million non-cash general provision for credit losses expense taken this quarter.

This quarter, we refined our general provision for credit losses methodology in a way that we believe better reflects the credit attributes of our investments and how we and many constituents view related risk. As we have previously discussed, we believe our ground leases have a similar risk profile to high credit rated long-term bonds. So we have now added an additional layer of data that focuses on the long-term performance of those instruments on top of our already robust methodology that tracks large macroeconomic data sets in addition to GLTV changes.

GAAP requires us to apply any change to methodology for prior period balances. So based on using this enhanced methodology, in addition to our Q3 non-cash general provision of approximately \$672,000, this quarter, we took an approximately \$6.8 million cumulative non-cash general provision for prior period balances.

Of this \$7.5 million total general provision for credit losses, \$7.1 million was attributed to consolidated assets and \$0.4 million was attributed to unconsolidated assets, which is represented within earnings from equity method investments. As the portfolio continues to grow, we expect our provision and allowance to increase, and we believe that this methodology is an appropriate way to capture general reserves for the portfolio.

When viewing year-over-year performance, we deem both last year's non-cash goodwill impairment as well as the third quarter 2024 non-cash general provision for credit losses on prior period balances as reconciling items. Excluding the aforementioned items, EPS was \$0.37 for the quarter, up \$0.04 or 11% year-over-year. This was driven by an approximately \$4.5 million net increase in asset-related revenue from investment fundings and rent growth, less additional interest expense on funding these ground leases and approximately \$2.4 million savings in G&A net of the Star Holdings management fee, offset by approximately \$2.7 million less earnings from equity method investments, primarily due to leasehold loans that have been repaid over the last year.

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

For GAAP earnings, the portfolio currently earns a 3.7% cash yield and a 5.3% annualized yield. Annualized yield includes noncash adjustments within rent, depreciation and amortization, which is primarily from accounting methodology and 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 of how we've underwritten these investments. This economic yield has additional upside, including periodic CPI lookbacks, which we have in 83% of our ground leases. Using the Federal Reserve's current long-term breakeven inflation rate of 2.11%, the 5.8% economic yield increases to a 5.9% inflation adjusted yield. That 5.9% inflation adjusted yield then increases to 7.4% after layering in an estimate for unrealized capital appreciation using Safehold's 84% ownership interest in Caret at 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 67% of the portfolio. We include key metrics such as rent coverage and GLTV for each of these markets, and we have additional detail at the bottom of the page by region and property type.

Portfolio GLTV, which is based on annual asset appraisals from CBRE, was unchanged at 48% in the third quarter as modest declines from appraisals to existing assets were offset by lower GLTVs on new originations. Rent coverage on the portfolio declined very slightly quarter-over-quarter from rounding up to 3.6 times previously to now rounding down to 3.5 times. 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:

At the end of the third quarter, we had approximately \$4.6 billion of debt, comprised of \$1.8 billion of unsecured notes, \$1.5 billion of nonrecourse secured debt, \$1.06 billion drawn on our unsecured revolver, and \$272 million of our pro-rata share of debt on ground leases, which we own in joint ventures. Our weighted average debt maturity is approximately 21 years, and we have no corporate maturities due until 2027.

At quarter end, we had approximately \$955 million of cash and credit facility availability. Our credit ratings are A3 with stable outlook at Moody's and BBB+ with positive outlook at Fitch. We remain well hedged on our limited floating rate borrowings. Of the \$1.06 billion 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 third quarter, that produced cash interest savings of nearly \$3 million that flowed through the P&L.

We also have \$350 million of long-term treasury locks at a weighted average rate of approximately 3.67%, which at current treasury rates is in a gain position of approximately \$38 million. These treasury locks are mark-to-market instruments, so no cash changes hands each month. And while we do recognize these gains on our balance sheet and other comprehensive income, they are not yet recognized in the P&L.

As previously mentioned, while these hedges can be utilized through the end of their designated term, they can also be unwound for cash at any point prior. So as we look to term out revolver borrowings with long-term debt, we have the ability to unwind the hedges, which would then flow through the P&L thereafter.

Separately, we began using our commercial paper program during the third quarter once we completed our Q2 earnings filings. Issuance over the quarter had a nearly 70 basis point savings versus our revolving credit facility cost, and we will continue to look to use this part of the market to help our bottom line. We are levered 1.99 times on a total debt-to-equity basis. The effective interest rate on permanent debt is 4.0% and the portfolio's cash interest rate on permanent debt is 3.6%.

So to conclude, we believe there are signs that the commercial real estate transaction market is reopening, and Safehold is well positioned with a strong balance sheet and ample liquidity to capture new investment opportunities. We've seen our cost of capital respond favorably in recent months. And while there is still more work to be done in getting all components of the business fairly valued, an improving stock price and tighter bond spreads puts us in a more competitive position to serve our customers and accretively grow the business.

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

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Stephen Laws, Raymond James.

Stephen Laws - Raymond James - Analyst

Hi. Good morning. I appreciate the comments this morning. Jay, I wanted to touch base on the pipeline. It looks like some of this rate volatility back. Can you talk about how discussions are going with borrowers in your pipeline? And then as you -- you mentioned larger deals will still look to go into the JV. Can you talk about the pipeline of those larger deals and kind of what it is that drives the finish line?

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

Let me have Tim walk you through sort of what's happening on the ground, and then I'll talk a little bit about some of the larger transactions we're shooting for that might be appropriate for the JV.

Tim Doherty - Safehold Inc - Chief Investment Officer

Hey, Stephen. It's Tim. The pipeline, I would say, as Brett alluded to, the market is definitely opening up more and more every quarter. So we saw an increase in volume over the last couple of months. I'd say the rate drop in September really showed where the market needs to be for transactions to really start going. The latest tick up with, I think, probably a little uncertainty in the election and whatnot in the markets has dampened that a little bit, but we're positive signs in the fundamentals of the market.

Like we said last quarter, sort of clarity, visibility, and stability. I think the one piece that's missing right now is sort of the stability of rates, but the market fundamentals are solid and increasing pipeline.

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

And just as we've talked about in prior quarters, we haven't seen a lot of large transactions coming through. As Tim said, those tend to happen when the market has visibility going forward. We're certainly hoping 2025 feels more like that, but we are working on a couple of deals with our JV partner.

I won't call it elephant hunting, but the larger transactions sometimes have the more difficult time getting to the finish line. There's lots of moving parts. So it's hard to predict them, but it's nice to at least be working on some. And so I think that's a dynamic we hope plays out more fully in 2025.

Stephen Laws - Raymond James - Analyst

Thanks, Jay and Tim. As a follow-up, can you touch on leverage, just a hair shy of two turns of leverage. Can you talk about where you're comfortable running that or what your needs may be for additional equity capital?

Brett Asnas - Safehold Inc - Chief Financial Officer

Hey, Stephen. It's Brett. From a leverage standpoint, we've set out from the beginning of this business that we wanted to run at approximately 2 times. That isn't a hard cap. I mean we will continue to judiciously think about how to capitalize the business, both from a debt and equity standpoint as well as our current asset base. When you think about where we've been over the last year or throughout 2024, we've stayed right between 1.9 times to 2 times while we've been able to grow.

When you think about where leverage would need to go from 2.0 times to 2.1 times, that's about \$250 million of additional debt funding without any equity capital. So I think we have some runway here. Obviously, we want to make sure that we're thinking about both our debt and equity cost of capital and when to enter the markets as appropriate. But in terms of where we actually sit right now with the JV that we mentioned that's in place as well as the tools that we have available to us. We're going to have to be really thoughtful about when to tap each of those markets and to continue to grow.

Stephen Laws - *Raymond James - Analyst*

Thanks. Appreciate the comments this morning.

Operator

Mitchell Germain, Citizens JMP.

Mitchell Germain - *JMP Securities - Analyst*

Thanks. I was curious about the GIC discussions on the joint venture and who initiated the discussion around changing up the joint venture?

Jay Sugarman - *Safehold Inc - Chairman of the Board, Chief Executive Officer*

Hey, Mitch. Good morning. Yes, so the venture has been in place for a while. It was really intended to give us firepower to chase some of these larger deals that we expect will come back into the market as rates start to come down. So that was its intention. It had a fixed period where they got to look at every deal that we did. And obviously, some of these smaller deals were pretty attractive. That period is now over. So now we're just JV partners, but we can show them deals that we think are the most appropriate for the JV.

The interesting thing on the buyout was some of those small deals had some of the highest ROAs in the book. As rates started to come down a little bit, as we saw what we were doing on new transactions, we thought there was a win-win there. So we approached them and thought we had a solution both in terms of the intent of the JV, but also the economics that would work for both sides. As you saw, the ROAs are pretty attractive at the price we paid. So I think we did create a win-win, and we also freed up some capital in that JV for the types of transactions that I think it was originally put in place for.

Mitchell Germain - *JMP Securities - Analyst*

That's really good color. And then I want to discuss the West 50th Street, 135 West 50th. Obviously, the asset went to auction. And in reading some of the press, it seemed to have some negative perception toward the ground lease arrangement. And Jay, I'm curious about kind of your takeaways from kind of reading that? And where do you think the press was wrong with regards to their perception of the impact on value?

Jay Sugarman - *Safehold Inc - Chairman of the Board, Chief Executive Officer*

I do think they kind of missed the most important thing, which is our capital is some of the lowest cost, longest term available to an owner. That transaction wouldn't have taken place if there wasn't long-term stable capital in the capital stack. So we've seen lots of short sales from banks and things where values have been significantly impacted because they don't have attractive capital in place, and they have to go build a brand-new capital stack at the worst possible moment in the markets. So I do think there's the positive side of this, and we've had dozens of deals trade hands. Lots of times, we think our capital actually is accretive to the owner and we continue to see situations where that is absolutely true.

I think there's this general feeling that ground leases, certainly in the old form under Chrysler Building or Lever House, have fair market value resets, they really have destroyed value for their owners. There's just no two ways around it. So I think we want to differentiate our ground leases from others. We try to do that with the media as often as we can. And I think as our book gets bigger and we have more transactions flow through, we'll be able to give some very specific examples of where we think not only did we preserve value, but we actually created value. And I think on 50th Street, we absolutely believe had that deal not had our capital in place, it would have been a much tougher situation for the seller.

Mitchell Germain - *JMP Securities - Analyst*

That's helpful. Thank you so much.

Operator

Caitlin Burrows, Goldman Sachs.

Caitlin Burrows - *Goldman Sachs - Analyst*

Hi, there. Maybe kind of a follow-up to that last one, just on GLTV. So if a property on Safe land declines in value, then GLTV increases. So how would you assess whether to keep the ground lease unchanged versus modify it to make the GLTV closer to your target? And are there any other scenarios that would prompt you to modify existing ground leases?

Jay Sugarman - *Safehold Inc - Chairman of the Board, Chief Executive Officer*

Hi, Caitlin. Look, over 100 years, values are going to go up and down. Real estate is not a straight line. So we certainly expect some volatility around that number. Hopefully, we've found ourselves in the safest part of the capital stack. And ultimately, our capital is, as we always say, the lowest cost, longest-term capital in the market. So it should be an asset for any owner to have low-cost, long-term capital in place as they think about their business plans with the building itself.

As GLTVs go up, there's no ability for us to resize them if that was your question. But we have seen, in many cases, assets need to be well run. And when they're fully leased, we know what the values are. And when they have to be re-leased, somebody's got to take that on and do it. So our ground lease is actually, again, the longest-term capital. So you have time to execute a business plan. There's no gun to our owners' heads. If they can't do it, there's other owners out there who will.

And that's the dynamic we continue to see in the marketplace. Good assets in good locations will find their highest and best use eventually. But we have no ability on our own to unilaterally change our lease terms. If there's a smart thing to do with the customer, again, I think we said in the past, we're very thoughtful. We have ways to help them create value, which ultimately accrues to our benefit. So that's definitely in our quiver. But for the most part, we get paid rent, and we let our customers figure out how to find highest and best use.

Caitlin Burrows - *Goldman Sachs - Analyst*

Got it. Okay. And then maybe back to the JV, I get why it makes sense for the larger deals to be in the partnership going forward. I guess, could you just go through for the properties that Safehold originally did in the JV, why it makes sense to own those 100% now versus originally they went into the JV?

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

Well, we would have loved to own them 100% at origination. As I said, our partner did have an exclusive right to 45% of every deal we did, and these were pretty attractive deals, and so they took advantage of that.

We were not expecting to split \$15 million and \$20 million ground leases with a partner. That's a lot of logistics and a lot of work for very little dollars and the return on effort was not great. And our partner has been a fantastic partner, and they're thoughtful and they're collaborative. And when we approached them and said, look, these really weren't the intent, and we have a chance to do a win-win here economically. That's the kind of partner we love to have. And in this case, I think it worked for both parties' benefit.

Caitlin Burrows - Goldman Sachs - Analyst

Got it. Okay. Thanks.

Operator

Haendel St. Juste, Mizuho.

Haendel St. Juste - Mizuho Securities USA - Analyst

Good morning. Thanks for taking my question. I wanted to follow up on the GIC questions. I guess just stepping back, I'm curious at a high level, if this is any signal at all on their intent to pull back on forward capital deployment with you? And looking ahead, do you still have any obligation to show them deals that meet a certain size requirement? And do they have a room for any first look? Thanks.

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

No, that exclusive period is over. So it is in our discretion to show deals into the JV at this point. I can't speak for them. They have been a great partner. They are the partner on 425 Park, the largest asset in our portfolio. So they continue to engage with us on transactions that have that kind of profile and quality. But we can't speak for their capital allocation, but they continue to engage with us, and we're working on some things as we speak.

Haendel St. Juste - Mizuho Securities USA - Analyst

And would you consider a new JV perhaps for some of the smaller deals that may no longer fit their size requirement or the same issues there would apply that perhaps not the most efficient structure?

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

Look, \$20 million deals, we should be doing ourselves. And the long-term goal here is to get to a scale where we can do everything on balance sheet. But we've got a great partner. We continue to collaborate with them on ideas. So I don't think we need to go anywhere else just yet. But ultimately, the goal is to get to scale and to have a balance sheet that accommodate even some of the largest deals we see.

Haendel St. Juste - Mizuho Securities USA - Analyst

Great. Thank you for that. My second question is on the leasehold loan made during the quarter. I guess I'm curious on the scope of opportunity there, how you thought about pricing the loan in the current environment and perhaps relative to what you could achieve on conventional originations. Thanks.

Tim Doherty - Safehold Inc - Chief Investment Officer

Of course. Tim. Yeah, we have the leasehold JV actually on the leasehold fund. We've been using that quite a bit over the course of our history. So here was an opportunity we saw for our client to one-stop shop with that involved.

I mean the pricing was -- is to market, right? The GL -- the ground lease and the leasehold loan aren't tied together. The customer is able to go to the market and price that debt as well. So that was priced in accordance with the market there. And we see that as an opportunity on transactions going forward as well, where we think there's attractive returns to make on the loan and helps also obviously get the ground lease transaction completed.

Haendel St. Juste - Mizuho Securities USA - Analyst

Okay. I'll leave. Thank you.

Operator

Ronald Kamdem, Morgan Stanley.

Ronald Kamdem - Morgan Stanley - Analyst

Hey, guys. Thanks for the time. Just looking at the composition of originations, I know you guys mentioned they've been primarily on the multifamily front, you mentioned that's where your focus is going to remain. But are there any plans to expand? Or what would you guys be looking for to see some originations with some other tenants in the near future, whether it's office or hotel? I know CBRE reported some pretty strong leasing in office this past quarter. Just want to get your thoughts there.

Tim Doherty - Safehold Inc - Chief Investment Officer

Sure. Yeah, our pipeline includes all the property types, I would say, more so than the previous quarters. Multifamily was the first one to, I would say, recover throughout this whole process where the capital flows went first.

Now, you're starting to see capital flows increase in the other product types, hospitality and office, as we mentioned, I think, being two of the key ones. You see debt funds raising office-specific capital to deploy into that area. You're seeing the short sales that are occurring. You're starting to see some of those sales occur unlevered and people have to go find leverage in the market from third parties, which is a promising sign outside of the trophy office space. You're seeing on the office fundamental side; firms make a decision on how they're going to have go-forward work. So that actually is helping the office side.

So you're starting to see all these, as we said, we always think clarity, visibility, and stability. The fundamentals of even the hospitality space, you have a long stretch now of post-COVID results, which helps people value off hotel assets. It's really just the rates right now that's fluctuating that's keeping some of the volume of some of those down, but we're seeing an increase in those as the fundamentals of those two asset classes, in particular, have shown very positive signs.

Ronald Kamdem - Morgan Stanley - Analyst

Thanks, guys. Appreciate your time.

Operator

Anthony Paolone, JPMorgan.

Anthony Paolone - JPMorgan - Analyst

Yeah. Thank you. I just want to go back to the leasehold loan fund and the deal you did. I know it wasn't huge, but just trying to understand maybe what the whole picture looks like to a sponsor and what you all are out there offering. We can see the roughly 30% you did on the ground lease. But what's the sort of pitch in total sort of financing package as a percentage of value? What's the duration of the loan that you can offer on the leasehold loan? And maybe just a more broad picture of how this looks from the sponsor's point of view would be helpful.

Tim Doherty - Safehold Inc - Chief Investment Officer

Sure, Anthony. Look, these are market-driven transactions. So much like you'd see from any of the debt funds, mortgage REITs or banks out there. On this deal, in particular, it was on a construction transaction. So it was a three plus one plus one type of structure. Again, the yields there were in line with market.

We think in the level that we provided capital there was roughly around 75% of the total stack was provided, and we felt that was a great attachment point for the debt side, too. Obviously, you hear us on the ground lease side always talk about attachment points, the same on the debt side for what yields we can achieve. And again, this is a spot where we have the expertise in-house on that side to underwrite the transactions. And when it matches up with the sponsors' need for capital and the cost of the capital, it's again, a great execution for both sides.

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

I think the thing to remember is we've got over 50 leasehold lenders who we've worked with in the past. So typically, they've got capital that works in a transaction. So this is an opportunity for us when speed is really important, and we have fully underwritten the ground lease that we can sometimes provide a solution.

But more often than not, I would say the leasehold lending community is going to be inside of us. But we do think it's a nice tool to have in our back pocket. We've got the skill set, obviously, from the long-standing folks in the firm. So it's an interesting tool, and we continue to look at it, but it's a small part of the business right now.

Anthony Paolone - JPMorgan - Analyst

Okay. Thanks for that color. And then just my one follow-up is just on the unconsolidated equity and earnings line. Any just rough run rate or level we should think about that going forward?

Brett Asnas - Safehold Inc - Chief Financial Officer

I think what you saw in the third quarter is an appropriate run rate. Obviously, we've called out the noncash general provision adjustments that were made, both for what was taken during the quarter and then for prior period balances that hit the quarter. But from Q2 to Q3, you saw that decline I mentioned in my remarks. The leasehold loans that have repaid over the last year have caused that to go down. So really, if we're doing any new ground leases that are with a partner that are not consolidated or we're making new leasehold loans, that's really where you would see any uptick or change in that number on that route.

Anthony Paolone - JPMorgan - Analyst

Okay. Thank you.

Operator

Ki Bin Kim, Truist.

Ki Bin Kim - Truist Securities - Analyst

Thank you. Good morning. Where is your fixed charge coverage ratio today as of 3Q?

Brett Asnas - Safehold Inc - Chief Financial Officer

Hey, Ki Bin. It's Brett. I think when we think about fixed charge coverage and our covenants right now, we have fixed charge coverage, and we have an unencumbered asset test. Both are at healthy margins. Fixed charge is nearly 1.3 times unencumbered assets, unsecured debt is about 1.5 times. That's from a dollar perspective from an origination standpoint, that's well over \$1 billion of originations without equitizing or any additional cash flow. So we have ample room on both of those covenants.

Ki Bin Kim - Truist Securities - Analyst

Okay. And going back to the conversation regarding the JV buyout, I guess I'm still a little confused by it. I understand smaller deals take pretty much the same amount of time for a bigger deal for a smaller deal. But if I guess we're already pass on cost of time and energy. Why would they? I guess, what compel them to sell the asset to you guys because it feels like the work has already been done. And like you said earlier, it's a good ROA on it and then for them to give up the ROFR for it. I guess I'm just trying to understand it better.

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

The ROFR wasn't part of it. That was in the JV that just ended at the end of the quarter. So that was not part of the negotiation. The negotiation was simply, hey, rates have fallen a little bit. You know where we're doing new deals. We would like to buy this. Is this an attractive price for you to redeploy the capital?

And again, they're a large shareholder. They're very supportive of the company. It was, I think, a win-win for both sides in that they look smart. I think we look smart. Those are the best kind of deals. And when you're working with somebody you have a long-standing relationship with, I think they were supportive.

Like we think the ROAs on those are still attractive even at 7.2% versus maybe a little bit higher where they originated. But again, they have an enormous portfolio. They decide where they're going to deploy capital. We've approached them on other transactions where they've said no, but this one, they said yes.

Ki Bin Kim - Truist Securities - Analyst

And can you remind us if there is an expiration date for the partnership or for the fund?

Jay Sugarman - Safehold Inc - Chairman of the Board, Chief Executive Officer

The JV has a dollar limit. It does not have a time limit.

Ki Bin Kim - *Truist Securities - Analyst*

Okay. Thank you.

Operator

Mr. Hoffmann, we have no further questions.

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

Thanks very much. If you do have any other questions, please feel free to reach out to me directly. Operator, would you please give the conference call replay instructions once again? Thanks.

Operator

There will be a replay of this conference call beginning at 2:00 PM Eastern Time today. The dial-in replay information is (877) 481-4010 with a confirmation code of 51479. This does conclude today's event. You may disconnect your lines at this time and have a wonderful day. Thank you for your participation.

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