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PRESENTATION

Operator

Ladies and gentlemen, good morning, and welcome to Safehold's Fourth Quarter and Fiscal Year 2021 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 Jason Fooks, Senior Vice President of Investor Relations and Marketing. Please go ahead, sir.

Jason Fooks ***Safehold Inc. - SVP of IR***

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

This morning, we plan to walk through a presentation that details our fourth quarter and fiscal year 2021 results. The presentation can be found on our website at safeholdinc.com and by clicking on the Investors link. There will be a replay of the conference call beginning at 12:30 p.m. Eastern Time today. The dial-in for the replay is (866) 207-1041 with the confirmation code of 1185612.

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 the call over to Chairman and CEO, Jay Sugarman. Jay?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Thanks, Jason, and I appreciate everyone joining us today. The fourth quarter of 2021 was a very strong one for Safehold and capped off a successful year for our company. We reached a number of important milestones during the fourth quarter and have continued that momentum into 2022. So we have quite a bit of information to share on this call.

Let me start by recapping some of the key highlights for you. In the fourth quarter, we closed a record number of ground leases, adding another 17 to our growing portfolio and reaching a key goal with over 100 ground leases now in our portfolio. The $777 million transaction volume in the quarter was our second highest ever and increased our portfolio to $4.8 billion.

For the full year, we closed over $1.5 billion of ground leases and broke into several new markets while continuing to focus on top locations and well-positioned properties. We remain very pleased with the strong growth of our modern ground lease solution and its demonstrated ability to help building owners generate higher returns with less risk and more efficiency.

Along with the growing portfolio, came strong growth in earnings, with fourth quarter earnings per share up some 29% year-over-year. For the full year, earnings reached $1.35, up 15% year-over-year, held back somewhat by reduced percentage rent on the Park Hotels portfolio. While earnings primarily reflect the positive impact of the long-term rent streams added to the portfolio, the mark-to-market value of the assets sitting on our lands also showed impressive growth.

UCA, reflecting this value grew by an estimated $1.4 billion in the fourth quarter. What this means is that the measurable capital appreciation embedded in the portfolio stands at an estimated $8.1 billion at the end of 2021 compared to $5.5 billion at the end of last year. Watching this account increased by an estimated $2.6 billion is another indicator of the value delivered to shareholders in 2021.

There was also a meaningful progress on the right side of the balance sheet. During the fourth quarter, we upsized our revolver by an incremental $350 million to $1.35 billion, giving us excellent flexibility to serve our customers and expanded our access to the 10-year unsecured market in a separate transaction. That momentum has continued into 2022. As we reported earlier this year, we recently completed our first 30-year unsecured debt placement with a very strong group of investors. The offering was for $475 million in bonds due 2052 and priced at 3.98%.

And lastly, in news I know many of you have been waiting for, we began taking steps to monetize UCA by completing a private placement with several well-known investors. As a reminder, we think about our portfolio of ground leases generating 2 distinct pools of value. The ground lease rents and the return of the initial investment basis at the end of the lease represent a high-quality inflation-protected cash flow stream that we believe will generate above-market returns relative to comparable term, comparable credit cash flow streams in the bond world. This is one valuable part of our business.

We have also been building a second valuable asset that combines the long-term reversionary interest in our ground leases with the ongoing growth engine at Safehold. By tracking the quarterly mark-to-market value of everything sitting on top of our land, we have been highlighting this value and the growth of the second asset. We've called this mark-to-market value, UCA or unrealized capital appreciation, since it is an indicator of the value building up for shareholders and of the growing credit enhancement for our creditors. It has grown from an estimated $400 million at IPO 4.5 years ago to an estimated $8.1 billion today, and we view it as one of the most valuable components of a modern ground lease business.

You'll also remember we had previously set up a vehicle called CARET to help us capture the value of UCA. This initial offering of CARET units to private investors should accelerate investor focus on this unique asset and help us advance two of our long-term customer goals: one, lowering our cost of capital to customers over time, and two, enabling customers to participate in our success.

On the first goal, once our share price more fully reflects the value of both assets in our portfolio, our cost of capital should be lower and we would be able to share with customers the benefit of that lower cost of capital. On the second goal, we also believe we may be able to use CARET to create additional customer benefits and rewards in the future. We created the modern ground lease to deliver customers the benefits of more efficient capital, lower friction costs and less maturity risk. With CARET, we intend to explore a way to deliver customers a unique way to participate in Safehold's long-term success and directly benefit as our modern ground lease portfolio expands.

Now in terms of the actual CARET transaction, our strategy for this initial step was to engage with a small group of sophisticated investors, who we felt were well positioned to understand the unique investment potential and upside CARET represents. While the offering was small and the offering terms were intentionally attractive, we were pleased by the reaction we received. Investors in this round include family offices, sovereign wealth fund and leading venture capital firms focused on fintech and proptech opportunities.

The offering was priced at $1.75 billion, a sizable discount to the estimated mark-to-market value of the portfolio and has a liquidity requirement that we pursue listing CARET on a public exchange in the next 2 years. If we do not successfully list CARET units publicly in the next years, investors will have the ability to redeem their units at par. With the expected growth in the underlying portfolio valuation over time and the positive reaction from investors to date, we think 2 years is sufficient time to get the units listed and the market to recognize the sizable value of CARET.

All in all, you can tell we're quite excited to begin making CARET an asset that investors can separately have a chance to purchase and trade, that can tighten our relationship with customers and whose value Safehold shareholders will see reflected in SAFE share price. All right. There's a lot there. So let's have Marcos walk through some more of the details. Marcos?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Thank you, Jay, and good morning, everyone. Before we jump into the details, let me first say that we are excited to announce Brett Asnas' promotion to Chief Financial Officer. Many of you already know Brett, since he's been with Safehold since day one, most recently as our Head of Capital Markets. When we started this business, there was a lot we didn't know, especially how we were going to capitalize a 99-year enterprise. Brett and his team's highly innovative capital solutions have enabled us to scale and we're excited to see him build upon that success.

In addition, we promoted Theresa Ulyatt to Chief People Officer, reflecting the significant contributions she and her team have made in helping shape and drive a winning culture. Safehold is a highly entrepreneurial business, and our people are our most important asset. Theresa has been pushing on key initiatives to maximize our firm's engagement so that we can deliver not just for our customers and shareholders, but also for our employees.

I'd also like to underscore the very exciting news that Jay discussed regarding the initial sale of CARET units we announced this morning. Safehold has always been and will continue to be a customer-first business. It's how we began our business and it's how we will continue to scale our business. This initial sale of CARET units is core to our principal mission of providing our customers with the most efficient capital in the marketplace. And while today is just the first step towards that path, we have already begun thinking about and have received authorization to utilize CARET units in innovative ways to enable our customers to join us on this journey. I'll spend a little bit more time on the CARET transaction shortly. But now let me turn to our earnings deck and begin with Slide 3.

As Jay mentioned, we had a very productive fourth quarter, which concluded a strong year for Safehold. As the quarter progressed, we saw accelerating momentum in our investment activity and closed a record number of ground leases for any quarter to date since the company's inception. For the full year, we originated $1.5 billion of transaction volume, and this progress, combined with our current momentum has positioned us to raise our target for year-end 2023 to a $7.5 billion portfolio versus our prior guidance of $6.4 billion. Additionally, UCA increased by an estimated $2.6 billion in 2021 and is reaching meaningful scale, quality and diversity.

Moving on to Slide 4. Let me detail this quarter's earnings results. For the quarter, revenues were up 30% to $52 million versus the fourth quarter last year. Net income was up 39% to $21.3 million, and earnings per share were up 29% to $0.38. For the year, this brought revenue to $187 million, up 20%, net income to $73.1 million, up 23% and earnings per share to $1.35, up 15%. As a reminder, these earnings do not include any percentage rent from our Park Hotels portfolio. While it is still too early in the year to predict how that portfolio may perform, we have seen some rebound in occupancy and revenues over the past 6 months.

Slide 5 provides an overview of our investment activity. We were particularly pleased with the level of customer engagement during the fourth quarter. As we originated a record 17 ground lease transactions for $777 million, representing our second-best quarter by dollar amount ever and our best quarter since the beginning of the pandemic.

Of that amount, $686 million was funded during the quarter with an additional $20 million of fundings from prior investments. Separate and apart from these origination stats, we also closed our fourth Ground Lease+ transaction on a multifamily property in Brooklyn, New York, which could be up to an incremental $91 million in our future pipeline.

In total, through Ground Lease+ and option contracts from that program, we have created forward opportunities totaling approximately $580 million. The investment metrics associated with originations this quarter are in line with our targets, with a weighted average underwritten effective yield of 4.9%, a weighted average effective yield of 4.7%, ground lease to value of 41% and rent coverage of 3.7x. Important to note, we added 9 new customers as we continue to broaden the adoption of our ground lease product.

Slide 6 provides an overview of our portfolio growth for the quarter. At the end of the quarter, our aggregate portfolio stood at approximately $4.8 billion, continuing the growth trajectory since our IPO 4.5 years ago. You can see the quality of the assets we closed over the quarter on the right side of the slide.

We're constantly thinking about how to drive value for our customers. One innovative structure we launched this quarter, which we call SAFE X SELL, was on a transaction we closed in San Francisco. Oftentimes, we're helping our customers acquire a property more efficiently. However, in this case, working with the selling broker, we helped our customer sell their property and drive value.

A repeat customer was looking to sell one of its assets. They had a broker estimate of value on where it could trade and they were interested in knowing if a Safehold ground lease could help unlock value for them. We proposed a $65 million ground lease and suggested they market a newly created 99-year leasehold. The combined proceeds they received from selling the land and the building separately, ended up being more than 7% higher than their market estimate selling the property fee simple, meaning an incremental $12 million of additional proceeds in our customers' pocket.

We have also continued to monitor our customer success and we were pleased to see another customer selling their leasehold position at a similar cap rate as fee simple property to the market, which generated a strong return over their investment period. We've also had 8 customers refinance their leaseholds to date, all at very attractive terms with a diverse set of lenders demonstrating the growing traction of our product.

More portfolio metrics can be seen on Slide 7. As of December 31, Safehold generated an annualized yield of 5.1%, with annualized in-place GAAP rent of $236 million. The portfolio's annualized cash yield was 3.3%, with annualized in-place cash rent of $148 million. Our portfolio's weighted average ground lease to value was 40% and weighted average rent coverage was 3.5x. By property type, our portfolio consists of 50% office, 34% multifamily and 16% hotel and other. Our weighted average of lease term is 91 years.

Turning to Slide 8. There's been a lot of discussion about inflation and how it impacts our portfolio. While you certainly heard us talk about the bottom-line cash flow stream that our ground lease produces, the truth is that our Safehold modern ground leases have some strong inflation protection provisions built in, which is far better than any of the high-grade bonds we benchmark ourselves to. For the Safehold ground leases we originate, that inflation protection generally comes in the form of a CPI look-back. Let me take a moment to explain how the mechanics of our look-backs work and why they create a meaningful amount of inflation protection.

Our Safehold ground leases typically have 2% fixed annual rent escalators with a 10-year CPI look-back capped between 3% to 3.5% per annum inflation growth. That 2% escalator is the minimal contractual rent we will receive. So if inflation average is less than 2% over a 10-year period, we will still get our 2% contractual bumps and our rent growth outpaces inflation in that scenario. However, if inflation average is more than 2% over a 10-year period, our CPI look-backs provide for our rent to step up to what rent would have been if it had tracked inflation on a compounded basis, the entire period subject to a cap.

For example, if the cap is set at 3%, that means that our CPI look-back will capture cumulative CPI growth for that look-back period, typically 10 years, up to a 3% compounded annual inflation growth. However, if CPI growth during that look-back period exceeded 3%, we would not capture that excess growth above the 3%. That being said, when we analyze historical periods of inflation, it's very rare to see inflation run above 3% for extended periods of time.

Following a rent increase for the CPI look back, the subsequent rent will continue to grow 2% off the higher base until the next CPI look back. So what it means is that if inflation were to trend at 3% for the next 99 years, or 100 basis points above our rent bumps in this illustrative example, our CPI look-backs would allow us to capture approximately 80 basis points or 80% of that inflation in our ROA.

Further, if you consider that we borrow with long-term fixed rate debt that doesn't have any inflation protection, you can see that we are advantaged as the benefits of our typical CPI look-backs are allocable to the equity. And finally, with respect to the value of the buildings on top of our leases, generally, real estate is positively correlated with inflation. And so inflation is positive when it comes to UCA, but we'll talk about that more shortly.

First, on Slide 9, you can see the geographic breakdown of the portfolio as we continue to expand into top markets with the inclusion of Chicago this quarter. Slide 10 provides an overview of our capital structure. It was a busy quarter regarding capital markets activity. Working with our bank group, we upsized our revolver by $350 million to $1.35 billion. Additionally, we issued $350 million of 10-year 2.85% unsecured notes, our second unsecured notes issuance after getting our debut credit ratings just 1-year ago.

At the end of the fourth quarter, we had $3 billion of debt comprised of approximately $1.5 billion of nonrecourse secured debt, $750 million of unsecured notes and $272 million of debt on ground leases, which we own in partnership, which represents our share. Our weighted average debt maturity is 23 years. In addition, we had $490 million drawn on our unsecured revolver, and so when combined with cash on hand, we had approximately $900 million of liquidity at the end of the year.

Subsequent to the end of the year, we were very pleased to have been able to do a private placement of our first 30-year unsecured notes issuance. $475 million of 3.98% unsecured notes due in 2052, which priced at 180 basis point spread to the then 30-year treasury rate. Proceeds from this transaction will be used to pay down our unsecured revolving credit facility as well as general corporate purposes, which may include the funding of additional investments in ground leases.

Moving on to Slide 11, we provide an update on estimated UCA. The estimated value of all the unrealized capital appreciation above our cost basis grew to an estimated $8.1 billion, a $1.4 billion increase since our update last quarter. This estimated pool of value has grown by a 90% CAGR since we IPO-ed.

To give you a better sense of what encompasses that pool of assets, we have a total of approximately 26.4 million square feet of institutional quality commercial real estate located in the top markets throughout the country, comprised of 11.6 million square feet of multifamily, 11 million square feet of office, 3.5 million square feet of hotels and 300,000 square feet of other property types.

And while we have been tracking this value every quarter since we IPO-ed we have now taken the first but significant step towards unlocking a portion of that value for shareholders and customers through a transaction we announced this morning, which we highlight on Slide 13.

CARET is an extension of our meticulous focus on our customer value proposition. By working to unlock the full value of our platform, we can serve our customers in more ways and deliver increasingly lower cost, more efficient capital solutions. As disclosed in the press release, we sold a 1.37% interest in CARET to a group of leading private equity, institutional and high net worth investors for [$24 million], at a valuation of $1.75 billion.

You can see some of the firms that we partner with on this slide. Venture capital firms like Ribbit Capital and Fifth Wall, a leading sovereign wealth fund, high net worth investors including Michael Rubin's family office and Kevin Durant. While we've always believed that there was significant amount of value building up in our UCA pool, but for many investors, liquidity was equally as important.

Our focus over the next 2 years will be to provide liquidity for CARET, and we formed an Advisory Board with some of the new CARET investors to help forge that path forward. If we don't provide liquidity for CARET at a value in excess of these investors basis within 2 years, they have the option to cause us to redeem their investment at their original purchase price.

So on Slide 13, you can see the ownership structure illustrated. Safehold will continue to receive all the rents from its portfolio and its original cost basis as well as certain other cash flows. The CARET units are generally entitled to the capital appreciation above our cost basis in both the existing portfolio and all future ground leases we originate under specified circumstances. You can see Safehold owns 83.63% of the CARET units. The new investors own 1.37% and management owns approximately 15%, which was earned after achieving all of the performance hurdles in a shareholder-approved long-term incentive plan.

In conclusion, it was a strong year for Safehold, ending with a strong quarter marked by a record number of ground leases closed. As we expand our leadership position in this growing industry, we felt confident to raise our guidance and target scaling our portfolio to at least $7.5 billion by the end of 2023. In addition, we've taken a first step to unlocking a portion of value in UCA through the sale of CARET units. Our focus is to continue to grow our portfolio, which will in turn continue to grow the value in UCA as we seek to unlock the full value potential within the platform for both shareholders and customers.

When we began this journey 4.5 years ago, we set out on a mission to revolutionize real estate ownership by providing a new and better way for owners to capitalize the real estate. As we continue to innovate and unlock the full value of our platform, we hope to be able to deliver our customers the lowest cost, longest term, most flexible capital in the market. And with that, let me turn it back to Jay.

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Thanks, Marcos. Obviously, the market got off to a tough start to the year, and our shares were hit pretty hard. On the other hand, I think you can see we've been very busy executing on our business strategy and delivering the road map to the future. We remain firmly convinced that this industry will become a very large one and that we are creating valuable efficiencies for customers and unique investments that many investors will want in their portfolios, delivering that opportunity to as many customers and as many investors as possible and figuring out how best to do that will be a big part of the Safehold story in 2022.

So let's go ahead and open it up for questions, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Nate Crossett with Berenberg.

Nathan Daniel Crossett ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Congrats on a strong quarter. Yes, a few questions. I was wondering maybe you can just give us a sense of how things have carried over year-to-date? What's the deal flow like so far? How much have you closed? Maybe give us a little color on the pipeline in terms of mix. Is it still weighted mostly towards resi or is there more office kind of embedded in the portfolio now?

And I think even last time you mentioned you were looking at a life science opportunity. I'm curious if there's an update there. And then I had just a question on pricing and yields. I think the yields in the quarter were essentially unchanged quarter-over-quarter. And maybe you can just give us some color on kind of your outlook for pricing this year just given what rates have done?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. So let me let Marcos talk about how the pipeline feels and some of the pricing dynamics. But just in terms of the market feels like -- we continue to bring that momentum in from the fourth quarter into 2022. We're not going to talk about specific dollars yet this early in the quarter. But a lot of progress along the lines we've laid out previously. So look forward to talking more fully about that on our next earnings call.

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes. Nate, just to add to what Jay said. I think a fair amount of confidence in our ability to continue to scale the portfolio. Obviously, that was reflected in our raising guidance, $1.1 billion from -- for the end of 2023. As you think about the mix, there's a few life science assets in the pipeline, a good amount of multi- and high-quality office. So consistent with what we've done in the past. And as it relates to pricing and if I look at the pipeline, it's consistent with last quarter from an effective yield standpoint.

Nathan Daniel Crossett ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Okay. That's helpful. Maybe you can just give us an updated thinking on the potential kind of combination of iStar and SAFE. Now that the net lease portfolio has been sold, how should the market be thinking about the timing and the mechanics of how a potential combination might look?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Sure. Just one point of clarification. We've announced the signing of an agreement on net lease that hasn't actually closed yet. There's still a lot of work going on to get that done. So I just wanted to make sure you understood that. Nate, you've heard us say before that once SAFE reaches scale, we think the independent directors of Safehold's Board can look at the external management structure, the current architecture of Safehold and determine how best to create shareholder value. And while I wouldn't want to speculate at this time because it's still too early, and the 2 companies have not had any conversations with each other yet. It is possible these discussions could take place at some point this year, and we'll update the market as appropriate.

Operator

Next, we have a question from Rich Anderson with SMBC.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

So Marcos, I don't know if you said this explicitly, but you talked about utilizing CARET units in innovative ways with customers. So could you envision, I don't know, purchasing ground leases or getting involved in ground lease investments by using the units as your source of money to -- is that like sort of like a DownREIT structure type of thing? Is that what you're talking about?

Marcos Alvarado ***Safehold Inc. - President & CIO***

No. I think we as management see a tremendous amount of value in CARET today and in the long term. And as we think about where we want to ultimately be as a business from a scale standpoint, we want to partner with our customers as part of that solution. So I think figuring out innovative ways for them to share in some of the value that we've created is the way we're thinking about it.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

Okay. And what is the role of the Advisory Board? What will they actually do to forward the CARET business?

Marcos Alvarado ***Safehold Inc. - President & CIO***

If you think about the investor makeup, Rich, it was a highly curated process from a bunch of different avenues of the world. We're not entirely sure what form CARET will take. And we think this group of investors will be able to offer us insight and expertise that we don't have to ultimately get us on our path.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

Okay. And now one of the investors, Zigg Capital is founded by one of your Board members, Dave Eisenberg. Can you talk about some of the safeguards that you put in place, if any, to address any even perception of a conflict? And if you could just kind of touch on that for me, please?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. I think it rolls into kind of what Marcos was saying. We've always thought CARET is uniquely valuable and will be attractive to a wide range of investors. And we also thought it had some pretty unique attributes that could open up some really interesting possibilities in the future. And one of the reasons I think Dave joined the iStar Board is certainly the opportunity set that we think we're creating and has a very future-minded way of thinking about possibilities that we think is definitely going to help us in the CARET process.

So we're really pleased to have someone like him. He's also had the benefit of watching us up close build Safehold and CARET, has seen its potential. And I think there's a nice group of investors in the Advisory Board that will help us on a lot of the ideas we've been sort of cooking up in the lab over the past year or so.

In terms of conflicts, we have pretty strict protocols on both Boards in terms of independent directors, and counsel is all over any perceived conflict issues. Don't see any challenges there, Rich, in terms of what counsel has been sharing with us. But both independent directors at Star and Safehold are very much on their toes on this topic right now.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

Okay. Last one for me. You talked about the 8 refis that happened. Can you talk where were they in the life cycle of the expiration? And what happened to the rents? Could you give some color about how they were adjusted presumably upwards?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes. So these were ground leases that were put on over the last 4.5 years. So they're all pretty new ground leases. The point being that our customers executed on their business plan, and we're able to recapitalize the leasehold positions behind us successfully.

Operator

And our next question is from Ki Bin Kim with Truist.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Congratulations on the CARET transaction. Just a couple more questions around that. What was the value of the UCA at the time the deal was done? Is it the $8.1 billion still?

Marcos Alvarado ***Safehold Inc. - President & CIO***

It was -- when we started the conversations with the investors, it was after last quarter, so it was $6.7 billion.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Okay. And the transaction? Is it tied to a subset of assets within that UCA bucket? Or is it still totality?

Marcos Alvarado ***Safehold Inc. - President & CIO***

The totality.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Okay. Great. And as you march towards a public listing or some type of liquidity event for the CARET, is it realistic to assume that there's another interim transaction to monetize the CARET further to show (inaudible) value as you lead up to the monetization event? Or is it pretty much the only event we should think about?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes, I think there are several different paths. We're working with some third-party advisers to help us think through that, Ki Bin. So I think there's a lot of interest, and we've got a group of investors who really span. Some of the groups we knew or certainly believed would have a lot of interest, whether you're a sovereign wealth fund, whether you are a family office or whether you are seeing the potential to build an exponentially growing pool of value, I think we've got a lot of interesting choices ahead of us. And certainly, one could be additional private offerings, but we're going to do this very thoughtfully as we work our way through 2022 and continue to execute on the business.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Got it. Just a couple of more questions. Is there any antidilution cost in this first transaction, meaning if you did another private transaction, is there a certain minimum the valuation has to meet?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

No. As you know, CARET has a fixed number of units. So we will have a lot of thought going into how to make CARET absolutely unlock the most value and part of our Advisory Board's role with us is to really help us figure that out, think that through. But there's no specific provision.

Operator

And our next question is from Spenser Allaway with Green Street.

Spenser Bowes Allaway ***Green Street Advisors, LLC, Research Division - Senior Analyst of Net Lease, Gaming and Self-Storage***

So look, I realize in your press release this morning, you mentioned that the goal is ultimately to maximize the value of CARET. And that makes a lot of sense given Safe owns 85%. But can you just talk about how much of the CARET valuation should ultimately accrue to Safe if the angle is ultimately just to have a liquidity event and spin it off?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Spenser, so I think two things. One, we see this as definitely one of the two major assets of Safehold. So I'd anticipate Safehold being a very major owner of CARET long term. That's certainly our thinking at this point. But creating that liquidity seeing its full value reflected in the share price, is important for a number of reasons. We talked about the customer opportunities that will open up for us. We also think from a shareholder standpoint. The share price simply doesn't reflect the value we've created and are creating every day. So we're going to work on multiple fronts, but the ultimate beneficiary or the majority beneficiary should be the Safehold shareholder.

Spenser Bowes Allaway ***Green Street Advisors, LLC, Research Division - Senior Analyst of Net Lease, Gaming and Self-Storage***

Okay. And then just going back again to the -- maybe a follow-up on the last question. So you mentioned in regards to the recent CARET investors that if there isn't a return beyond the cost basis for these investors, they're able to redeem their units? So when you have a liquidity event, have you guys negotiated a specific hurdle rate for that investor pool?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. We kind of think of it in terms of -- we have strong belief and believe they have the same strong belief in the value. But the liquidity for a fund to invest in something like CARET with a long life underlying it, liquidity is really important. So we want to get this investment into as many hands as possible. That requires us to create a liquid instrument. We're very much aligned. We want that. They want that. It was important to how they thought about it. In terms of value, you're going to see and hear us continue to talk about the increase in value of CARET, not only historically but prospectively in terms of the opportunity set. We don't think that's going to be a big challenge. But we need to make this -- the security and give it the liquidity to really open up this market as soon as possible. So I don't think 2 years is a problem, but we've got a lot of work to do.

Spenser Bowes Allaway ***Green Street Advisors, LLC, Research Division - Senior Analyst of Net Lease, Gaming and Self-Storage***

Right. So I guess I was just getting at the point like spins can be -- spins can often trade poorly. They can trade great after they've been spun out, but I mean, it kind of remains to be seen. And I'm just curious, have you guys thought through kind of a bear case in which you spin this thing and it doesn't trade as well as you would've hoped? And what does that mean to your current investor base or to your new investor base as it relates to these CARET units.

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Sure. I mean it's too early to worry about that today, but I would tell you, we fundamentally believe we will get this listed and it will trade above what, frankly, was a very attractive price for these investors. So I think our first goal is to take this step and get the right kind of investors because it was a small offering, we spent more time, frankly, as Marcos said, getting the right investors because we think the opportunity is so large here in terms of getting full value, that will happen over time. But we certainly think we've set the initial marker at a low enough value that -- it's really a liquidity question, hopefully. We're not talking about value in 2 years.

Operator

Next, we have a question from Rich Hill with Morgan Stanley.

Richard Hill ***Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS***

Long-time listener, first-time caller here. I wanted to talk about a rising interest rate environment, but maybe not the question you think I'm going to ask. As I think about interest rate environments, it's really easy for commercial real estate owners to make money in falling interest rate environments. And hopefully, this isn't a loaded question because it's really about what you're hearing from your tenants. But isn't there a scenario in a rising interest rate environment where owners of real estate have to be more -- even more efficient in their capital structure. And while your cost of capital might go up depending upon how efficient you can be, is there a scenario where there's actually even more demand for ground leases in a rising rate environment? .

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes, Rich, I think we think about the environment a fair amount. As we've said on prior calls, our competition is really the regular way of financing real estate, and obviously, in a higher raising environment that cost of capital will move up dramatically. And so as we continue to try to drive down our cost of capital, we think there's a potential opportunity even in a rising rate environment to capture more share.

Richard Hill ***Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS***

Okay. Got it. And maybe as a follow-up question to that. You've obviously been super successful originating a lot of ground leases, particularly in 4Q '21. But as I look at your portfolio, it's not often the largest owners of commercial real estate that I think would be household names. What are you hearing from those large, call it, institutional investors? And I'm not suggesting you're not working with institutional investors. But the big REITs of the world, do you think there's an opportunity to eventually expand to them and maybe even over the near term?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes, Rich, sometimes I wish it would happen overnight, and I joke with our guys that these conversations sometimes can take 2, 3 years. I can tell you the team overall feels a tremendous amount of confidence in our ability to scale going forward. And as I think about the quality of who we're engaging with, it looks very different than it did even 6 months ago. So example is yesterday, one of the largest owners of real estate in the world, we spent a good time with them going through their portfolio and talking about the Safe Sell concept.

Richard Hill ***Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS***

Okay. Great. Am I allowed one annoying sell-side question about internalization? And Jay, you can say -- you can tell me no comment. But here's my questions. Will shareholders be notified when this starts? I think, Jay, you mentioned when there's something -- when there's time to say something, you'll say something. But that's part one.

And then part number two, -- can you maybe just walk through how you'd consider evaluation framework to value the manager? Just if there's any comments there, that would be really helpful.

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. I wish we could talk more about it, Rich, but I think it is too early to try to lay out all the different paths this could take. Candidly, we are executing our business as hard and as fast as we can, and that will obviously make those conversations more fruitful for both sides. So let us do our work and when it's an appropriate time, I'm sure the announcements will come when they're necessary. But right now, we're just focused on continuing to build the business.

Richard Hill ***Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS***

No, I'll file that under annoying sell-side question then. Congrats on a good quarter. I look forward to continuing our discussions.

Operator

Next, we have a question from Caitlin Burrows with Goldman Sachs.

Caitlin Burrows ***Goldman Sachs Group, Inc., Research Division - Research Analyst***

So maybe just again on the CARET transaction, which I know has probably taken a lot of the team's effort recently. So congrats on it. Jay, I think you referenced before, but the UCA portfolio is now worth like $8 billion or $6.7 billion as of starting the conversations with the investors, but the transaction's value today is lower. So can you just go through your line of thinking to, I guess, accept that value and announce it all to us?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Sure. So we began the process in earnest, as Marcos said, when third quarter numbers in hand, which was UCA $6.7 billion. Candidly, we did not go out to many people. We had a pretty clear line of sight on who we wanted to approach. We had a limited number of units authorized by our Board to sell. And we were oversubscribed relatively quickly. So we were really pleased with the reaction.

I think when you really dig in and you start to see where we've been, what we've done and you put the pieces together, it's a very powerful story, not just in terms of the value it creates today, but the potential opportunities in the future. And so I think we got a nice mix of investors who not only see from just a wealth creation, value creation for -- from this modern ground lease portfolio we're building, but others who see conceiving beyond that.

And that, to us, was much more important, obviously, than price in this first transaction, getting the right investors, the right mix and doing it quickly enough. Again, we didn't want to spend all of management's time trying to do a relatively small transaction. There are bigger fish to fry, and we're frying on many fronts right now.

So we were delighted. We got -- it's almost exactly the mix we were looking for. The caliber in our minds, is just absolutely top tier from the fintech proptech, from the family office world. Couldn't ask for a better mix. Delighted that they're all willing to serve as Advisory Board members. This is going to be a really powerful opportunity to share some of our work from the past 3 or 4 years, and really hone it so that we can not only list this to get its value recognized for Safehold, but more importantly, we think there's a lot of people out in the world who will find this compelling and attractive and a listed security will let us get to them a lot more easily.

So lot of benefits and again, much more important to us to get people in, get the right people in, get them in quickly and efficiently. And so pricing for us was simply a number to say, look, we've had some analysts who've been ahead of the curve, who've put a value on it. We can benchmark against that. We may think that that's conservative, but it was a good starting point for most of the new investors to ask who else is looking at it, who else is valuing it. And we came up with a number very quickly that worked for us and worked for them.

So I wouldn't put a ton of -- our viewpoint wasn't to spend a ton of time on trying to negotiate on that. It was much more to get the right people, get this group together, so we can start working hand-in-hand as again, the team continues to add last quarter, $1.4 billion to the asset base. We are going to continue to push on this idea that we are delivering significant value that's not recognized in Safehold share price. And the sooner we can get that unlocked, the sooner we can work with our customers to really deliver them an increasingly powerful solution for their needs.

Caitlin Burrows ***Goldman Sachs Group, Inc., Research Division - Research Analyst***

Got it. And yes, I do agree, it seems like it can happened rather quickly. So congrats on that. Maybe just a follow-up to an earlier question or maybe it's just rephrasing, but should you expect to be actively trying to sell additional CARETs near term? Or how soon or how much of a priority is that for you? .

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Sale, no. Discussions with our new investors about some of the potential opportunities we have as I keep saying, cooking up in the lab. Yes, we do want to continue the progression here, but I don't think that will be a focus in terms of selling additional units in the very near term.

Caitlin Burrows ***Goldman Sachs Group, Inc., Research Division - Research Analyst***

Okay. Got it. And then maybe just looking at the fact that for 4Q those investments, I think, were in 14 different markets, including 2 new ones. When you think about your varied property types or expanding markets, how do you get comfortable that in 91 years those properties are going to be worth something similar or more than they are today?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

That is the fundamental basis for why we're so excited about this business, Caitlin, as we look at our window here in New York, and we can do historical tracking on almost all these markets, what things are worth on top of the land today and where they will likely be at the end of lease terms. And that's an almost universal increase in value, dramatic increase in value over time. So we do spend a lot of time making sure we're in the right locations, the right cultural, financial, technological centers with strong infrastructure around the strong educational drivers.

But really, if you're asking today, we're really good at underwriting the real estate and the land and the location and its drivers. And that will win out over long periods of time as it always has over history. And because we're diversified across all 30 cities, there's no question we're going to have some big winners, but we're going to rely on the mean. We're going to rely on the average that we've seen across not just the 30 cities we're in, but across cities historically around the world.

These major centers of commerce, major centers of culture, major centers of financial, technological, educational activity with strong infrastructure are going to be places that owning land has created great fortunes. And we think over time, the real estate community is very good at finding the highest and best use. And either they'll keep improving what's standing there today, or they will take that down and build something more valuable. That is just a fundamental thesis of this business based on not only our 30 years in the business, but hundreds of years of research -- research on hundreds of years of activity in major cities. So I think that's one we can talk with you off-line and show you kind of some examples of what that means and how it really is infused throughout the way we think about Safehold and CARET and some of the other things in the portfolio.

Caitlin Burrows ***Goldman Sachs Group, Inc., Research Division - Research Analyst***

Got it. And maybe one quick modeling one. Just in terms of the 4Q transactions, specifically the $706 million that were funded, can you give some idea of what the timing was on those? Trying to get a sense for what's already in your run rate revenue versus what's to come?

Marcos Alvarado ***Safehold Inc. - President & CIO***

A little bit back ended December funding. We'll get you the specifics, Caitlin. And just on Page 7, you can see the annualized in-place rent that was [$148 million] (added by company after the call) at 12/31.

Operator

And our next question is from Anthony Paolone from JPMorgan.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

So first question is, when you talk about the 4.9% effective yields on where you're deploying capital, what piece of that do you think relates to the UCA at the end of the lease term versus the, I guess, just the lease cash flows?

Marcos Alvarado ***Safehold Inc. - President & CIO***

It's just lease cash flows. There's 0 in that 4.9%. (inaudible)

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

For the residual there's 0?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

There's no CPI in there either.

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes, there's no CPI either. The residual in the initial cost basis.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Okay. So what do you estimate if you -- what do you internally underwrite as sort of that residual, like what would that add to the 4.9%?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

We don't really look at that way, Anthony. I think the value of a single asset, if you can pick your discount rates, you can pick your growth rates historically, over time, we don't think that is -- got enough growth embedded in it organically to ever outrun its discount rate. So we don't really look at that as part of the bond equation. We look at that as a separate pool of value that combined with the engine of growth at Safehold is easy to track. We know it has a defined evaluation today, we know what it's been growing at, and we know what the discount rate for like assets are.

So that's one of the things that we think is innovative about how we built a machine is we can take that second asset and make it its own asset with its own growth rate and its own diversification, separate and apart from the bond component. So we haven't run the number you're thinking about because I don't think it really fits with the way we think about the 2 pools of value.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Right. So the pool of value in the CARETs, though, it's not a function of both how much you grow the pool as well as what the individual pieces you're putting into it are?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Exactly that it is the growth rate of all the expanding assets and the incremental assets that are added every quarter. That's the growth rate we've been tracking since IPO. That's something that I...

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Yes. No, and I understand the growth of the pool and how dynamic that is. I'm just trying to understand how each of the pieces that get added to that pool are valued.

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes, I think for us, CARET is the asset. How much value is growing and building up in the portfolio? We can give you the historical. We can show you why we're confident about growth in the future. We think the discount rate for diversified pools of high-quality institutional real estate are pretty well prescribed by the market. And we know at the end, we are the owners. So in effect, we know the 3 components here. We own it. We know what it's worth today. We know how fast it's growing. We know what its discount rate is.

And so that for us, that defines the outline of CARET as an asset. And then the bonds, we know what our cash flows are, we know what the comparable bonds of similar credit and similar turn trade at. We don't know what inflation is. I think Marcos gave you some guidepost on how inflation can increase the yield to maturity on those cash flow streams. But if you just use the base cash flow stream and you just have the basis back at the end, we know all the pieces of the bond puzzle too.

So this is really important. The bond system is -- got all the components and they're market-based. And CARET has market-based components. And when you put them in those 2 baskets and you let the growth and the diversity increase in both asset pools, that to us is why the market has never seen an asset like CARET and it's never really fully valued Safehold because the combination of the 2 is sort of just mushed together. And as we always say, things are more valuable when they're separated, when they're easily understandable then when you try to mush them together and say, it's just 1 thing, when in fact, we have 2 very different investments inside our modern ground lease portfolio.

So we'll keep trying to isolate those variables for you because we think it makes the task a lot simpler. And we'll compare each of those to the most like thing out there in the investment market, which really gives us the benchmarks we shoot at, growth rates, discount rates, appropriate risk-adjusted returns. But I think, Anthony, that's a more in-sync way to see how we're building the business than to put them back together and try to figure it all out as 1 thing.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

So then it sounds like a lot of the value ascribed to the CARET comes from just the dynamic nature to the pool. And that -- I know SAFE owns the bulk of this thing still. So I guess it's not terribly relevant. But if the thing were completely spun out, I mean how do you have a throttle on just like SAFE doing deals that make sense for SAFE versus simply growing -- doing it to grow the pool of assets in the CARET?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. I think the important piece of this is Safehold's Board's mission is to maximize the value for Safehold shareholders. So in any conversation, it kind of begins there as this unlock value for Safehold shareholders. I think it's very unlikely that they would do a transaction that's either today or in the future, they didn't feel would increase that value and protect that value. So again, a little bit too early to think about all the variations on the theme. But as we think about it sitting here today, Safehold shareholders should be the majority beneficiaries of whatever path CARET takes. I don't see a scenario where Safehold shareholders have no stake in CARET because then you would have some of the issues you're talking about.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Okay. And then just last question, just more core to SAFE. I mean, given kind of where 30-year treasuries are and your spreads, like what do you think the right IRR should be? Or what do you think the right amount of spread should be on your deals like currently or, I guess, in the near term, I suppose?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. Again, historically, you've heard us talk about this 100 over our cost of debt has been the marker typically, it was between 100 and 125 basis points over the cost of debt is sort of the shooting range. As we get bigger, as we get more comfortable that our cost of capital might decline, as we can unlock value in some of the other parts of the portfolio, our job is to drive down the cost of funds, create the best alternative for our customers. But at least coming into 2022, we've typically sat with that 100 to 125 basis points over our cost of debt as a target for the portfolio.

Anthony Paolone ***JPMorgan Chase & Co, Research Division - Senior Analyst***

And your cost of debt being your 10-year to your line, 30-year? What's the...

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

I think we're averaging like 25-ish, 24-ish years right now. So it's a blend of 50s, 30s, 10s. Right now it blends (inaudible), what 24 -- 24 years. So that blended cost is what we're looking at.

Operator

And our next question is from Matthew Howlett with B. Riley.

Matthew Philip Howlett ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Just on ratings and leverage, what can you tell us where you want leverage to be? Or can we model sort of for 2022? And then on ratings, we stand on an upgrade. Do the (inaudible) look at this CARET as possibly -- giving you possibly credit for it? And how close are you to getting single A-?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. Brett has a fingertip feel for the conversations with the agencies. We're a young company. We're impatient, but we're patient. We're putting all the foundational pieces in place. And I think Brett and his team have been sharing with the agencies where we can go from a ratings perspective and how we might get there. Obviously, not in our control, but many of the things that we need to do, we are doing. And I think CARET being a little bit of a wildcard. We think there's tremendous value there. It's on us to prove it out. We think this is a first small step. But in some respects, it's a giant leap.

It will impact -- it should impact our ratings. It should give us a tool to work with our customers in a unique way and tighten that relationship across the board. But we don't control exactly how they are going to look at us, but I feel really confident if we demonstrate value, if we continue to execute the way we have. We do believe the company's credit profile is a higher grade profile than where we are today. But I don't know we got already a year ago. So we're going to share with them all the progress we've made and all the progress we still think is to come and let that process play out.

Matthew Philip Howlett ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Got you. And then -- so should we expect it to stay in this sort of range sort of 1.5% to 2% for the -- sort of we look at for the next kind of 6 to 12 months?

Brett Asnas ***Safehold Inc. - CFO***

Yes, that's correct. We've been operating in that range, and that is our target since day one of starting this business, and we're certainly cognizant of those rating agency thresholds and criteria as well.

Matthew Philip Howlett ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Got it. Okay. So we'll wait for an update there. And then on the dividend, Jay, I mean what's the outlook? I mean, I know there's tax on income requirements, but what's your appetite to raising the dividend? Do investors care about the dividend? How much would you like to -- would you rather prefer to retain as much as you can? .

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

That's an interesting question. I mean our policy has been to try to increase the dividend above the rate of inflation. We've been doing that. We certainly will continue to believe that that's an appropriate policy. One of the things I think in terms of this idea of reinvesting is effectively, our business reinvested above-market returns automatically. We have a 5% ROA and a 3.3% cash. That incremental [1.7] is going back into a 5% effective asset. So we've got this automatic reinvestment feature, which I think is really powerful when you're generating above-market returns.

But other than that, we typically pay out 100%. we feel like that's an appropriate policy with respect to our shareholders. Whether this is the driver of the business, Matt, my feeling is this is a long-term business. We're trying to drive long-term value creation. Every time we close a deal, we think we're adding value for shareholders. So I would think it would be a mistake to just look at our dividend and think that's what's driving shareholder behavior.

But delivering very safe long-term cash flows is part of our story. Giving some of that back to shareholders and investing the rest in more above-market assets just is a great part of the dynamic of the business. It happens organically. So I think our policy to date has been return all the cash flow that's free and let the accruals take place and effectively reinvest on our behalf. That feels like the right mix right now. It's kind of a 60-40 mix. If we were getting all 5% in cash, we'd probably do the same thing. So in some respects, it's happening without us having to do much work.

Matthew Philip Howlett ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Great. Got you. I appreciate that. And then just last question, Jay, just big picture. I don't want to ask you about the potential merger, but what's the investment case from SAFE side to internalizing the management contract possibly merging with Star. Can you just give us a big picture from the safe standpoint? Is this just part of the natural evolution of the company? Just does this take you to the next level of being this new investor? Just sort of big picture, what does it do for SAFE?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. Again, I'm not going to talk about anything specifically, but I can tell you over the past couple of years, we have had a number of investors, shareholders that we think are really intrigued with what we're doing and what we're building, tell us they simply can't invest in SAFE because of the external management structure. We've always said that, that architecture has been really powerful to get us to where we are, but that over time, it may not be the right architecture.

So I think it will definitely help open up the window to part of the shareholder world that we think is a natural buyer of Safehold that right now just can't play. I think that probably extends to the debt market as well. We are constrained by some policies at places that just -- even if they love us, they really can't participate. So I think from that standpoint, that's an obvious one. There's probably a lot more subtle things we could talk about.

But let me just leave it there and say, we've always felt like unlocking the full value is in everybody's interest. And so getting this company from 0 to 5, we thought the structure was really helpful. Is it the right one to take us from 5 to 15 or 50? That's certainly something that we think is possible in 2022 to have an interesting conversation about.

Operator

Next, we go to Jade Rahmani with KBW.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Just curious about the underlying building owners in the SAFE portfolio. How would you characterize their duration? And could you give any color as to perhaps what percentage are the managers of funds versus what percentage are traditional real estate owners and families?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Jade, it's Marcos. I think it's a pretty broad mix of owners and operators, families and fund managers. I can say, for the most part, the investment time horizon of our clients probably sits in the kind of 5- to 10-year bucket.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Okay. Any changes in behavior or underwriting that the underlying investors you're targeting are making as a result of the evolving rate -- interest rate outlook?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Certainly in multifamily, there continues to be a very strong bid regardless of rates. I think the rental growth, particularly in some of the core markets we're in has been historic, and I think people still feel very good about those markets. But I think higher interest rates overall in the near term are going to require an adjustment. We think efficiency is only going to get more important when rates rise. .

And as we continue to say, we think we are providing a more efficient source of capital for lots of different opportunity sets, whether it's multifamily, office, hospitality or life science. We think we've got a solution that will become even more important as rates rise, maybe returns get squeezed a little bit. But right now, at least in the most active part of the market we play in, which is multifamily, the bidders are still quite aggressive. We haven't seen a pullback based on rates yet, but obviously, the rate move is relatively recent.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

And finally, the investors that you're speaking with that are contemplating a transaction with SAFE, is their alternative another ground lease provider? Or is it whether to do the whole financing in a first mortgage and perhaps some other part of the capital stack, mezzanine capital, et cetera? Or is there something else at play? Are you competing primarily with mortgage lenders?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes. Our primary competition is still the regular way, fee financing, mortgage mezz market that is extremely efficient. Our job is to convince customers that this is a more efficient way to capitalize your real estate. And as I alluded to, sometimes those conversations take a very long period of time. But once we get customers over the line, we see a tremendous amount of repeat business. So it's still the regular way of financing markets.

Jade Joseph Rahmani ***Keefe, Bruyette, & Woods, Inc., Research Division - Director***

Regular way, would you say that banks and life insurance companies comprise the majority? Or are you competing more with debt funds and nonbanks? .

Marcos Alvarado ***Safehold Inc. - President & CIO***

It depends on the leverage level that the investors are looking at. So at the lower leverage, it's the banks and the insurance companies at the higher leverage points. For the entire stack, it is a fund business.

Operator

And we have a follow-up from Ki Bin Kim with Truist.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Just going back to the CARET monetization strategy. I'm just curious like to list the securities, what's the biggest hurdle that you guys face? Is it a legal thing? Is it a financial engineering issue? Just because we haven't seen something like this before, I'm just curious internally how -- like what the biggest hurdles are?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes, I think the biggest hurdle for us is to make sure we get it right. We have lots of ideas about how this can play out. We figured out most of that, 90% of that, when we started this process years and years ago. But the market's evolved, our business has evolved. We want to make sure we get this right. So we just want to give ourselves the time to work with our new investors and really think about the potential and where we should take this in terms of who are the most likely investors to maximize its value for near term and long term.

So we'll give ourselves that chance to make sure we've got it right. And then there's really no legal obstacles. It's just getting it in the right hands so that it trades the way we think it should, which you've heard us talk about what we think the value components are here, growth, the discount rate. We think we're putting in place all the pieces of the puzzle financially. I'm sure our teams are able to put in all the pieces from a listing requirement. So really, this is more of a strategic period where we just want to make sure we've got it absolutely synced and then we will hopefully have the market respond the way we'd like.

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

Okay. Great. And on the balance sheet, I'm just curious on your -- how you're thinking about your equity needs going forward? And I'm curious if you actually raised any equity in 4Q?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. It feels like the pipeline is strong, but we had a lot of capital at year-end. I think Marcos mentioned $900 million. So we'll look at the pipeline. We've got this dynamic you guys have heard us talk about before, we have some whales and then we have the flow business. The flow business we can kind of predict, the whales are harder. And so I think the timing of any equity deal will be -- really depend on when do the whales hit and certainly, a lot of good activity, but nothing we can talk about just yet. .

Ki Bin Kim ***Truist Securities, Inc., Research Division - MD***

And has there been any equity issued in 4Q or quarter-to-date?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

No, no.

Operator

And next, we have a question from Harsh Hemnani with Green Street.

Harsh Hemnani ***Green Street Advisors, LLC, Research Division - Associate***

Just going back to the sale of the CARET units. There was an investment Advisory Board that was formed for CARET. And I think this is probably the first Board, so to speak, for CARET. So I just want to ask, what will the role of this board be? How much control will they have in eventually deciding what happens with CARET? And then also, can you touch on if there might be any conflict of interest given some of these investors only invested in CARET and not in SAFE?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Yes. Harsh, it's only an Advisory Board, so it has no formal voting role in terms of Safehold or CARET, but it is an Advisory Board we respect and want their thoughts on, so there's no conflict per se. They don't have control. They don't have veto rights. So it really is an Advisory Board. It does exactly what the name says. It's going to help us think through how to unlock the full potential of this the most quickly from a number of different investor perspectives.

And again, we're excited and delighted to have the caliber of people available to us who saw what we see. See that potential and can actually take us places, were taking us a long time to get to on our own. We now have people who interface with exactly the parts of the market that we think will find CARET unique and increasingly valuable.

Operator

And we have a follow-up from Rich Anderson with SMBC.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

Popular folks -- sorry to keep it going, but just another question or two. The first, Jay, is there any economic possibility that a combined company would not be a REIT?

Jay S. Sugarman ***Safehold Inc. - CEO & Chairman***

Just way too early to talk, Rich. But I think, again, we're just going to try to maximize value. I can -- I can't talk about specific tax or anything like that.

Richard Charles Anderson ***SMBC Nikko Securities Inc., Research Division - Research Analyst***

Okay. My -- the question I got back on one is again on this customer opportunity, when you say customers, I assume you're talking about your ground lease customers. And is perhaps selling them a unit of CARET a way to address the anxiety that a real estate owner would feel about losing control of their assets when their ground lease expires. So if you own a CARET, it's almost like -- or some units of CARETS, you can hedge against that event. And hence, your customers could actually be among the ultimate owners of the CARET entity. Is that something you're thinking about?

Marcos Alvarado ***Safehold Inc. - President & CIO***

Yes. I think our -- what we're trying to accomplish is just deliver our customers the lowest and most efficient form of capital, if that's a combination of ground lease and CARET units, and that (inaudible) makes them feel like partners. It could be an interesting idea.

Operator

And Mr. Fooks, we have no further questions.

Jason Fooks ***Safehold Inc. - SVP of IR***

Great. It's great to hear all the interest in the story. And if anyone should have additional questions on today's earnings release, please feel free to contact me directly. Lee, would you please give the conference call replay instructions once again, and thanks to everyone for joining us.

Operator

Certainly, ladies and gentlemen, you may access the replay after 2:30 p.m. Eastern Time today until March 1 at midnight. You may access the replay by calling 1 (866) 207-1041 and enter the access code of 1185612. And that does conclude your conference for today. Thank you for your participation. You may now disconnect.