Transcript of
Safehold, Inc.
Safehold's 3rd Quarter 2026 Earnings Call
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Participants

Pearse Hoffmann - Senior Vice President, Capital Markets & Investor Relations, Safehold, Inc.
Jay Sugarman - Chairman & Chief Executive Officer, Safehold, Inc.
Michael Trachtenberg - President, Safehold, Inc.
Brett Asnas - Chief Financial Officer, Safehold, Inc.
Steve Wylder - Executive Vice President, Head of Investments, Safehold, Inc.

Analysts

Anthony Paolone - JPMorgan
Caitlin Burrows - Goldman Sachs
Rich Anderson - Cantor Fitzgerald
Mitch Germain - Citizens Bank
Harsh Hemnani - Green Street

Presentation

Operator

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

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

Good afternoon, everyone. Thank you for joining us today for Safehold's earnings call. On the call, we have Jay Sugarman, Chairman and Chief Executive Officer, Michael Trachtenberg, President, Brett Asnas, Chief Financial Officer, and Steve Wylder, Executive Vice President, Head of Investments. This afternoon, we plan to walk through a presentation that details our third quarter results.

The presentation can be found on our website at safeholdinc.com by clicking on the Investors link. There will be a replay of this conference call beginning at 8:00 P.M. Eastern Time today. The dial-in for the replay is 877-481-4010 with a confirmation code of 54694. In order to accommodate all those who want to ask questions, we ask that participants limit themselves to two questions during Q&A. If you'd like to ask additional questions, you may re-enter the queue.

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

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

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

Thanks, Pearse, and thanks to everyone joining us today. No question, our business gets tough during periods when long rates rise to 20-year highs. With some of the longest duration assets in the capital markets, we are naturally sensitive to long rates moving higher. But unlike straight fixed income instruments, Safehold ground leases typically include inflation kickers. Its balance sheet has long-term debt that becomes more valuable as rates rise, and its embedded upside from Caret can benefit over the long term if replacement costs increase and supply is suppressed due to higher interest rate levels. Over the 99-year life of our ground leases, we should expect rates to rise and fall and cause asset values to go up and down.

But the core strengths of the ground lease business have been historically proven, and the long-term compounding they can create should reward patience and enable shareholders to capture a combination of investment benefits that are hard to replicate anywhere else in the market. It may take time, and it's definitely rough right now, but we think all the work will pay off in the end.

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

Michael Trachtenberg - President, Safehold, Inc.

Thank you, Jay, and good afternoon, everyone. I'll begin with our investment activity for the quarter, then discuss trends we're seeing in our pipeline before passing it to Brett to review the portfolio and financial results. During the third quarter, we originated two ground leases for an aggregate commitment of $38 million, bringing year-to-date volume to approximately $242 million.

Both closings were within our affordable housing subsector with repeat customers, with one located in the San Francisco Bay Area and the other in San Antonio. The deals combined carry a 7.3% economic yield, 39% GLTV, and 2.7x rent coverage. Turning to the broader market, there's no doubt the recent upward movement rates has been disruptive to transaction activity, at least in the short run. From late August to early October, the 10-year Treasury yield was up nearly 70 basis points.

There has been some relief since then, but that sharp of a move is naturally going to have an impact on the real estate capital markets ecosystem. As it relates to

Safehold, our pipeline is focused on areas that are most actionable over the next few quarters. We continue to see positive interest from customers in our growing affordable housing business, which is generally more insulated from day-to-day rate volatility.

There's a clear need for more affordable housing supply nationally, and we've positioned our ground lease as a way to fill capital gaps and spur more development, which has been well received by both developers and municipalities. Year-to-date, we've nearly doubled annual production from both 2024 and 2025 and believe we're establishing lasting advantages in this sector, both in terms of product knowledge and relationships. We're also beginning to see opportunities emerge for both recapitalizations and high-quality developments.

There's an entire vintage of assets with low-cost debt coming due, and as lenders force more action, we believe ground leases can play a useful role in helping owners maintain control of their properties and avoid expensive rescue capital. For new development, capital costs and construction costs are each straining the economics and viability of certain projects. Ground leases can help solve that by lowering developer equity commitments and cost of capital.

In terms of portfolio targets, we are evaluating opportunities across property sectors, but generally favor multifamily for its liquidity, long-term fundamentals, and attractive risk-adjusted returns as a ground lease owner.

I'll now hand it over to Brett for an overview of the portfolio and our financials.

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Thank you, Michael. At quarter end, the portfolio stood at $7.4 billion of aggregate gross book value, and estimated unrealized capital appreciation was $9.9 billion, up approximately $100 million from last quarter. Portfolio GLTV and rent coverage were unchanged at 52% and 3.4x respectively, and we finished the quarter with $1.3 billion of available liquidity.

During the quarter, we funded $112 million, including $107 million of ground lease fundings at a 7.4% economic yield, and $5 million of leasehold loans at SOFR plus 425 basis points.

Turning to earnings, revenue for the third quarter was $118.7 million, net income was $28.8 million, and earnings per share was $0.41. EPS was flat year-over-year, as net accretion from asset fundings and positive owned hotel contributions were offset by lower management fees from Star Holdings, lower unconsolidated JV earnings, along with modestly higher non-cash general reserves.

Moving to the balance sheet, we maintain an A3 rating from Moody's and A- ratings from S&P and Fitch, all with stable outlooks. We have approximately $5 billion of unencumbered assets, which further enhances our flexibility.

We ended the quarter with $5.1 billion of debt, consisting of $2.8 billion of unsecured debt, $1.3 billion of non-recourse secured debt, $765 million drawn on our unsecured revolver, and $270 million of our pro rata share of debt on ground leases that we own in unconsolidated joint ventures. We maintain a $500 million SOFR swap at 3.0% through April 2028 to hedge our limited floating rate borrowings and have long-term Treasury locks at a mark-to-market gain position of approximately $4 million to be applied to future permanent debt.

Our liability structure remains a strong source of value and differentiation for the company. Safehold's permanent debt has a weighted average maturity of approximately 18 years, locked at an effective cost of 4.4%, with no significant maturities until 2029. On a mark-to-market basis, we estimate our below-market debt has approximately $800 million of embedded value, which is roughly Safehold's market cap today.

Leverage ticked up modestly from 2.01x to 2.04x, primarily due to investment fundings and share repurchases. We've continued our share repurchases in the fourth quarter as the stock trades at what we believe is a significant discount to our estimate of NAV.

Today's share price imputes little to no value of Caret, our liability structure, and the CPI look-backs embedded in the portfolio. All of these value sources taken together suggest a market-implied discount rate on our cash flows that is disconnected from the fundamentals of our portfolio.

To conclude, we have ample liquidity and a valuable long-term balance sheet. We're seeing positive customer engagement across several segments of the market, and we will remain disciplined in how we allocate capital and fund the business to maximize long-term value for our shareholders.

With that, let me turn it back to Jay.

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

Thanks, Brett. Right now, AI is driving the economy's demand curve higher, adding to inflationary pressures. But in the medium to long term, and this may be as early as two to three years from now when massive capacity comes online, we believe AI drives the supply curve out to the right and becomes a powerful disinflationary force across a wide range of the economy. That's a part of the cycle we are well-positioned for and will continue to work towards.

With that, let's go ahead and open up for questions. Operator?

Operator

Thank you. One moment, please, while we assemble our roster. Thank you. Our first question today is coming from Anthony Paolone with JPMorgan. Your line is live.

Q: Yes, thank you, and good afternoon, evening. My first question is just on the deal activity that you're out there seeing. Can you talk about just how much of it is that there's just not going to be a price that you all could afford with your cost of capital versus a gap in terms of what a seller would want? I guess maybe a different way to ask is, what would it have to be? Where would economics have to be for things to clear?

Michael Trachtenberg - President, Safehold, Inc.

Sure. Tony, our focus is still on beating our benchmarks for unlevered long-term credit, which is in the low 6%. Recent transactions for us have been in the low to mid 7% range, and then if you include CPI, we expect that to translate to the mid 7% to 8% range plus Caret.

Q: Right, but understanding, like, Safehold's cost of capital right now is tough given where the equity is and where rates are. But are you saying that you can go and execute in the market and get people to sell you their land in the 5s today, or I guess, where do deals pencil?

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Hey, Tony, it's Brett. I will take the first part of that, which was compared to our cost of capital, how are we thinking about the returns that we are getting on the assets? I would say that from a cost of debt capital standpoint, and as you know, we are levered two to one, when you start looking at our benchmarks that we have out there where we are able to raise debt capital, there is still accretion there, right? Obviously, base rates are up. Spreads have stayed pretty resilient. But overall, when we start looking at our maturity profile and laddering in different tenors, you have seen us do everything from five-year debt to 10-year debt to 30-year debt. The last deal we did back in Q2 was a 30-year step-rate deal.

Again, comparing to where we have been in the past to today, obviously elevated rates, but we have been getting that additional yield on the asset side. So from a debt standpoint, there is still accretion. From the equity side, obviously, as I mentioned in my remarks, there is a disconnect with our form of valuation and some of the parts and where we think value should lie. And we are continuing to find ways to get credit for those other value components.

But on the equity side, we certainly, over the course of the quarter and into the fourth quarter, have continued to buy back the stock. We feel like there is still that disconnect. And from the equity side, we have continued to find other solutions. As you recall, back in the second quarter, we did a joint venture. We were able to delever through that.

We are continuing to find private capital solutions instead of issuing stock at these levels to continue to find ways to create shareholder value and accretion for our financials. The other part, I will pass to you, Michael, if you want to talk about the customers and their desire at these levels.

Michael Trachtenberg - President, Safehold, Inc.

Sure. So obviously, it is tougher in a higher interest rate environment to entice customers to want to take the product. We think that where we've been transacting recently probably is at the higher end of the range where we're likely to find market acceptance.

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

Yes, there's more deals, obviously, Tony, in the mid to high 4s than there will be in the five to low 5s. It's a trade-off between volume and pricing. We're looking at that equation all the time.

Q: Okay, thank you. My second one real quick is on the dividend. What does your taxable net look like, and is it worth continuing to pay a dividend, or could that be a source of retained earnings for you to kind of grow?

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Hey, Tony, it's Brett. Yes, we constantly look at our dividend and our policy and meet intermittently and quarterly with our board. As you know, since the merger back in 2023, a lot of growing out of the cost structure that we had was predicated on growing volume. Obviously, we want to be able to grow origination volume, and we think that accretion will certainly help.

Our taxable income is quite low, so again, a lot of the dividend is discretionary. But for the moment, we feel like the tools in the toolkit that we have to continue to climb our way out of that are there. But time will tell, right? The markets have been volatile. There's obviously been, as we said in our remarks, a 50 to 70 basis point increase here over the last, call it, couple months.

And we still feel like going forward with the capital tools that we've been able to build with our investment-grade ratings, the bespoke structures that we've been able to do in the second quarter this year, over time, we'll continue to evaluate that. But it certainly feels like there are tools to solve it over the longer term.

Q: Okay, thank you.

Operator

Thank you. Our next question is coming from Caitlin Burrows with Goldman Sachs. Your line is live.

Q: Hi, everyone. Maybe just on the origination side, it looks like that was relatively lower in the quarter, and I know we've touched on a couple topics already, but I guess, would you attribute that to regular quarterly volatility or lumpiness that can come up? Or were the cadence of deals disrupted with volatile interest rates/the

impact that your higher cost of capital had on your kind of interest or ability to do more volume?

Michael Trachtenberg - President, Safehold, Inc.

Sure. Caitlin, I would say that the size of our pipeline has remained relatively constant over the last few quarters, and we are still seeing our interest mainly in three main categories, one being affordable, second is market-rate multifamily recaps, and the third is multifamily developments. But like you mentioned, given the recent interest rate volatility that we have been seeing, there has been a lot greater closing uncertainty. And we have seen, in all of our deals where we need debt and equity aligned with our ground lease, higher propensity for retrades and repricing, which has just delayed and sometimes disrupted transactions that we were working on.

Q: Got it. Okay. I guess when you think of that disruption versus buying back stock today, I guess, is there any comment you can give on future plans and how you weigh more origination volume versus buyback volume?

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

Yes, Caitlin, hey, it is Jay. We have done obviously both, and we think both are viable at different points in time. We have seen a lot of volume in the stock, and so we have taken advantage of that in a couple instances. But again, our long-term goal here is to grow the business and establish it as a consistent, regular way piece of the capital structure in as many deals and as many customers as possible. So, it is a balancing act, as you know. We have said that before, and it continues to be.

I think right now we are focused very much on this origination question on how do we break through with our customers as they deal with the uncertainties that they are being faced with. And I think Michael and the team are really focused right now on trying to get them what they need to solve their business problems. Always a topic of conversation internally, but I would like to see the origination number obviously start back up again.

Q: Got it. Thanks.

Operator

Thank you. Our next question is coming from Rich Anderson with Cantor Fitzgerald. Your line is live.

Q: Hey, thanks. Good evening. I had written down the question around recaps before you said it, and I'm wondering, you would think that there would at least be a conversation for a ground lease in some circumstances when an owner is facing a debt expiration. What's your chief competition for situations like that? Is it just basic fee simple, better cost of capital, REITs, or whatever? How are you losing those opportunities? I guess, I'm just trying to understand the cadence of why ground

leases wouldn't be at least a little bit more part of the conversation in situations of recapitalization or a debt expiration.

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

Sure. Hi, Rich. Steve Wylder. I would say, generally speaking, for our customer base, the primary alternative or competition for our capital is still fee simple financing, right? So we've got customers in a volatile rate environment that are evaluating their options, vis-à-vis a refinance of existing debt, that could be a sale of an asset, that could be a conventional refinance. But we're, I would say, encouraged by the response and feedback we're getting from groups on the idea of a bifurcation as a way to drive a lower cost of capital.

Q: Right. I guess another layer of education for you as you go through this process. Second question is on cost of capital specifically, and maybe Jay or whoever. What about more in the way of dispositions? Are there any arbitrage opportunities where you could sell something that is a better cost of capital and something that you can buy at lower cost of capital? I am wondering if dispositions or even more in the way of joint ventures, partial sales type things, could start to play an increasing role just to create more volume for Safehold.

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Yes. Hey, Rich. It is Brett. I think the transaction that you saw us do in Q2, the joint venture, is probably the best route of all worlds, right? We are able to The deals that we originate over time, able to contribute them into a partnership, have the ability to buy them back in the future, still own a lot of the economics, control them.

As you heard in the remarks from Jay and Michael, our goal is to continue to scale this platform. We want to grow it. We want to do more deals. Yes, disposing of assets or doing ventures, those are all tools that we have to recycle proceeds and delever or keep our leverage in line. But it feels like if there are things to do within the existing portfolio, they will probably look more like the structures we did back in Q2 as opposed to outright sales.

Q: Yes. Okay. Last question, as long as I have you there. Your leverage ticked up a little bit, perhaps influenced by the buyback. Not exactly sure, just a 3 basis point increase, but I am just From the second quarter. But I am just curious how your conversations are with the rating agencies. Do they feel any sense of concern around the rate environment and what is happening to the pace of deal activity? Or do you feel you are in a comfort zone there in terms of your ratings? Thanks.

Brett Asnas - Chief Financial Officer, Safehold, Inc.

I think we're in a good zone. If you look back historically and think back over the last two, three years, we've ended each year at around two times. Before that, we ended at 1.9 each year. So we're right in that zone. I think quarter to quarter, you might see a little bit of fluctuation. But again, as I've said in the past, it takes about $250 million

of deal fundings to take leverage up 0.1x. So it feels like we have some good runway. I think the interesting part, and Jay made remarks about this earlier as well, is our liability structure. I think getting folks to really understand that the differentiator for the business is having a maturity profile that's 18 years locked in. There's no buildup of maturities in any given year. There's no near-term maturities.

The nearest term of significance is our corporate revolver, which matures in 2029. I think that's a big difference versus a lot of folks across real estate financials, et cetera, where you think about the amount of debt rolling and the rates at which they need to refinance them. We're not going to have that dilution here over the coming years, which is a big differentiator. Again, just when you think about 18 years, primarily fixed, very durable laddered maturity profile.

As I said, it's about an $800 million mark-to-market value of trying to replicate a 4.4% 18-year maturity profile. I think that's going to be where we really need to make sure investors understand that math and understand that value component of the business, because it really is something different than almost all companies you see out there.

Q: Yep. Just really quickly, last one. What's any latest update on the Midtown office, Midtown Manhattan office building conversion to resi? I know that you've talked about it in the past, but is there anything new on that front?

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

Yes, we really can't talk about it. It's still in litigation, but the office to resi market's still pretty strong in New York. So, hopefully that will get resolved sometime before We also want to stop talking about it, but Yes, no progress to report, Rich.

Q: Okay. Thanks, everyone.

Operator

Thank you. Our next question is coming from Mitch Germain with Citizens Bank. Your line is live.

Q: Great. Thank you. Last time you guys monetized your Caret units, I think it was around the value that your pools have today. Is that something that you guys are kind of considering again?

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

Yes, look, what we said in the past is we are trying to find ways to create a more liquid mark. Those private transactions take a long time, and they're not in large volumes, so we'd like to get more marks on those. It's tough with Caret. It's really predicated on long-term growth of the business. So, I think we've got some short-term goals that will help drive Caret value in the future, but we got to kind of put the horse before the cart here, and drive growth in Caret and UCA, and then I think you'll

see us try to put some of those marks on the board, either in a liquid transaction or more private transactions.

Q: Got you. Then a couple of the management teams, other sectors have obviously suggested there was a pretty significant move in cap rates in a fairly short period of time, given the volatility. Have you guys seen a meaningful change in, I think Michael talked about re-trades, but have you seen a meaningful change in kind of where you're willing to do deals, or is that kind of situation not as prevalent in the ground lease sector?

Michael Trachtenberg - President, Safehold, Inc.

Mitch, like I touched on a little bit earlier, we're really focused on trying to beat our benchmarks, and we think that where we're transacting in the kind of 7%+ range really is the sweet spot for customers to want to take our capital to be able to try and do it at volume. I think if we were to push materially higher than that level, we would just see a drop-off in demand.

Q: Thank you.

Operator

Thank you. Our next question is coming from Harsh Hemnani with Green Street. Your line is live.

Q: Thank you. I guess just to pick up on that last question, a clarifying question, which is, am I hearing correctly that you are saying that roughly the bid that Safehold will originate new ground leases at is still in the roughly 100 basis point range over high-quality, long-duration bonds? Then on the flip side of that, where customers are willing to transact and sell their land is maybe closer to the low to mid 5% initial yield that we saw in the past couple quarters. Is that a fair way to think about the range of ground lease pricing today?

Michael Trachtenberg - President, Safehold, Inc.

Yes, Harsh, I think if I understand your question correctly, that yes, we are still trying to beat the benchmarks by about 100 basis points from that low 6s to the low 7s. When we talk about the spreads, again, that is predicated predominantly on the asset class that we are focused on, which is multifamily. In other asset classes where there maybe is some incremental yield to go chase, we would be able to price higher.

But as we have talked about over the last couple of quarters, we really have leaned into multifamily because we think that the characteristics of that asset class really are best suited to what we are trying to accomplish. But we will certainly entertain other asset classes and think that should we find opportunity in some of those areas, we would be able to push for some incremental yield.

Q: Got it. Okay, that is helpful. Then maybe thinking of the balance sheet sort of holistically, the debt to equity based on book value is at 2x, so at the higher end of your target. It seems like given where the stock is today, you guys are not the most comfortable issuing equity. I guess the only lever that you have talked about that at least on the balance sheet is the joint venture structure you did a couple quarters ago. What is the maybe size of the potential deals you could do in that type of structure? The reason I ask is with dividend levels where they are, with leverage where it is, without pulling the equity lever, it feels like the longer we stay in a world where rates are unchanged, it is not a huge strain, but a nagging strain on Safehold's balance sheet.

Q: I understand the structure you alluded to is maybe a way you can at least make it look like the balance sheet is doing better, but I guess how long can that be sustained?

Brett Asnas - Chief Financial Officer, Safehold, Inc.

I mean, Harsh, two things. One, our debt to equity is at 2x. 2x is our target. That is what we set out nine and a half years ago, so we are there. It could fluctuate around there a little bit, as I mentioned. As you said, it is $250 million of deal fundings to take it up 0.1x. You have seen how much we have funded quarter by quarter. I think when you look at our unfunded commits, which on the ground lease side, we have about $120 million, that is going to take the next few quarters. It is going to take closing deals that we have in our pipeline, funding that, and a few quarters' worth. There is runway here. I think when talking about those structures, the magnitude that we can do, and what we are seeking, these are pretty bite-sized, right?

They are not some other ventures that have occurred here in the past quarters that have been several times larger. I think, again, the size of our company, and to your point, the size of our shareholder equity and our leverage point, we have quarters of runway here, and then the deal sizes that we are talking about are bite-sized and probably more to the tune of what you saw in the second quarter. I think that gives us some nice runway to, again, originate deals, go tell the story, and really, again, to hit on the key components of value that it seems like the market is not giving us full credit for.

I touched on the liabilities, but even on the CPI side, right? Think about all of the CPI lookbacks that we continue to talk about and the deals that we did starting, call it in 2018, 2019. Those lookbacks will start to hit over the coming years. When you think about historical CPI, over the last 100 years, it has been, on an average annual basis, it has been about 3%. When you think about over the last 50 years, it has been near 3.5%. When you think about over the last five years, it has been a little over 4%.

This notion that long-term inflation is closer to 2% has just not panned out when you think about the last five, 50, or 100 years, and certainly when you think about what we are going to start clipping in just a couple years. By the way, this exists on We have inflation protection on over 90% of our leases. It is going to be a material

amount of value and driver for the company, because not only does it reset the rent, but there is compounding off that higher rent.

We think that is a huge value component that the market is still not appreciating. As we get closer here, it certainly feels like when that flows through our P&L and we are getting that cash flow, the market hopefully should give us credit for it. I think those components are going to help us bring it back to your leverage question. It also helps leverage, right? That is equity that people are not yet giving us credit for. That is, quote, unquote, in the bank that is coming to us in the future. All of those components should help give us runway here over the coming quarters and coming years.

Q: Got it. Thank you.

Operator

Thank you. Our next question is coming from Caitlin Burrows with Goldman Sachs. Your line is live.

Q: Oh, hi. I just had a follow-up. It looked like there was a loan extension with Star Holdings at the end of the quarter, so I was wondering if you can discuss that. What drove the extension, how we should think about the earnings impact, and if you will be recognizing a one-time fee in 4Q?

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

Hey, Caitlin. Sure. It was a small amendment, but it was a positive for both companies. From a Star perspective, or STHO, they were seeking some improved flexibility to optimize their sales processes as they get down to the end, and an improved margin of safety by paying down their margin loan. So, good things there. And then for Safe, definitely felt like it improved the credit with that margin loan paydown at Star, and then also picked up some economics, as you said. I think in terms of recognizing those economic spreads, they will come in over time.

Brett Asnas - Chief Financial Officer, Safehold, Inc.

Yes, we just got them at quarter-end at 9/30. It is on the balance sheet and the income is coming. Yes.

Q: Thanks. That is all.

Operator

Thank you. Our next question is coming from Ronald Kamdem with Morgan Stanley. Your line is live.

Q: Hey, great. I jumped on a little late. I just had a quick one on the pipeline, going back to it. I think we have been through these periods of rate volatility before, and I

guess I am just curious if there were any lessons learned, whether it is the type of product you go after, whether it is markets. What do you do differently when the vol slows things down? Or are you just reacting to what the sponsors are saying? Thanks.

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

Yes. Hi, Ronald. Steve Wylder. Look, I would say our investing and the transactions we're pursuing across all sectors would, of course, benefit from stability in rates. I think the rapid moves are not good for conviction around transacting across a range of situations. I think that we've been focused, the past couple quarters you've seen on the affordable side of our business as well. Those developments, tax credit developments, are not immune to large movements in rates. That can pose a challenge and delay projects.

But the flip side of that is, we know the demand for the product is there, and that exists largely independent of macro cycles and the rate environment. Developers are still going to work hard to meet that demand, and in a lot of ways, our product is intended to solve the problem that higher rates create in introducing capital structure gaps.

Not ideal, but I think our value proposition, depending on the situation, but depending on the sector, still holds, despite the rate environment.

Q: Great. My quick one, I obviously can't comment on the Park Hotel stuff, but any update on timing? On just, like, any updates on the timing of when we should expect anything?

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

Yes, unfortunately, pretty slow. I don't have any good news there. It's just the process is grinding away.

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

Operator

Thank you. Mr. Hoffmann, we currently have no further questions at this time.

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

Thank you for joining us today. If you do have questions, please feel free to reach out to me directly.

Operator

Thank you. Thank you, ladies and gentlemen. This will conclude today's call. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation.

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