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PRESENTATION

Operator

Good day and welcome to iStar's First Quarter 2018 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, Vice President of Investor Relations and Marketing. Please go ahead, sir.

Jason Fooks - *iStar Inc. - VP, IR & Marketing*

Thank you, John, and good morning, everyone. Thank you for joining us today to review iStar's first quarter 2018 earnings results. With me today are Jay Sugarman, Chairman and Chief Executive Officer; and Andy Richardson, our Chief Financial Officer and President of our Land Portfolio.

Before getting into our quarterly results, I just want to highlight that we changed the earnings release format to present our results as slides. The deck we published this morning combines the narrative of our traditional earnings release with our supplemental into one package. We believe this provides better communication and understanding of our business, given the feedback we received from the investment community. The call this morning will refer to these slides, which can be found on our website at istar.com in the Investor section. There'll be a replay of the call, beginning at 12 p.m. Eastern Time today. Dial-in for the replay is 1 (800) 475-6701, with the confirmation code of 447869.

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, will be forward-looking. iStar's 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. iStar disclaims any intent or obligation to update these forward-looking statements except as expressly required by law.

Now I'd like to turn the call over to iStar's Chairman and CEO, Jay Sugarman. Jay?

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

Thanks, Jason. iStar's first quarter saw strong performances in all 3 focused areas we highlighted last quarter. Focus area number one was to continue generating strong earnings. And earnings in the first quarter were exceptionally strong, with solid returns from our finance and net leased businesses, topped off with sizeable gains from property sales in the quarter and previously unrecognized gains from transactions in prior quarters.

Focus area number two was to increase our annual investment pace. The first quarter investment volume was well ahead of first quarter 2017 and meaningfully ahead of last year's quarterly average. We remain somewhat cautious on the market and still are sitting on sizable liquidity and cash balances but are pleased to our investment team's engaged in a wide range of off-market opportunities.

Focus area number three, execute near and long-term strategies for legacy assets. After a review of various alternatives involving our legacy land and operating property portfolios, we've determined the most time-efficient and cost-efficient way to create liquidity and extract value from this portfolio, is to accelerate monetization plans on a sizable percentage of the portfolio over the next 12 to 24 months. And to accelerate development plans on longer-term land assets under the leadership of Andy Richardson. We are already implementing these plans and sold several time-intensive assets this quarter that generated over $275 million of proceeds in ample profits.

For more on our execution in these areas, let me turn it over to Andy. Andy?

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

Thanks, Jay, and good morning, everyone. I am very pleased to be joining you today. As Jason mentioned, my remarks this morning will refer to the slides from our earnings -- new earnings deck format that we've posted on our website earlier today.

With that, let me begin with highlights from the quarter on Slide 4. For the quarter, we recorded net income of $27 million or $0.35 per diluted common share, versus a loss of $27 million or $0.38 per share for the first quarter of last year. Our first quarter adjusted income was $132 million or $1.61 per diluted common share, versus a loss of $12 million or $0.16 per share in the prior year period.

This quarter's results include a $76 million increase to retained earnings and $79 million of adjusted income associated with previously unrecognized gains as a result of a new accounting standard. It was a strong quarter for new investment activity, as we originated $328 million of new loan and net lease deals. We also made material progress in reducing legacy assets with legacy asset sales totaling $287 million and generating $70 million of profits.

On Slide 5, you can see the impact of our efforts have had on common equity value per share year-over-year. Common equity value per share increased by over 100% or $3.60 over the past year and now stands at $7.01 per share. Adjusted common equity value per share grew by 33% or $3.38 to $13.67 as of March 31.

Adjusted common equity value is computed by adding accumulated depreciation and general reserves [after] common equity.

On Slide 6, let me provide some additional details on the impact from the new accounting standard that became effective at the beginning of the year. This new standard impacts previously unrecognized gains on the partial sales of nonfinancial assets. In prior periods, when we sold a portion of a real estate asset, such as the sale to a joint venture in which we held a noncontrolling interest, only the gain on the pro rata portion of the assets sold to a third party could be recognized. In connection with the adoption of the new role, on January 1, we wrote up the balance of our investment in SAFE as well as several other deals to reflect these previously unrecognized gains. We included these previously unrecognized gains in our adjusted income this quarter.

Moving on to Slide 7. Let me switch gears and discuss our investment activity during the quarter. We continued the investment momentum from last quarter, starting the year with $328 million in originations within our core real estate finance and net lease business segments, driven by a combination of loan commitments, a net lease acquisition and additional open market purchases of Safety, Income and Growth stock. Safety itself had $91 million of ground lease investment volume during the first quarter, not included in our volume stats. In addition, we repurchased 813,000 shares of iStar stock over the quarter for $8.3 million. We continue to believe our company is undervalued and will buy back additional shares opportunistically when market conditions are beneficial.

Looking ahead, we expect to continue our focus on growing our loan and net lease portfolios, and between our cash and available capacity on the revolving credit facility, we have nearly $700 million of dry powder to pursue investment opportunities.

On Slide 8, I'd like to discuss our portfolio. Our total portfolio at the end of the quarter was $4.6 billion, including cash and excluding accumulated depreciation and general reserves. In our real estate finance business, we originated $270 million of new loans and funded $171 million. The performing loan portfolio is yielding an unlevered 9.4% return on a weighted average basis, and our performing loan book currently stands at $1.2 billion. On the net lease side, we provide stats around 3 separate portfolios. Our wholly-owned portfolio represents the net lease assets we've owned for some time, and for which we generally own 100% of the interest.

The portfolio had a gross book value of $1.1 billion and comprised 11.3 million square feet of real estate. These assets generated an 8.9% unlevered yield for the quarter and had a weighted average remaining lease term of 13.8 years.

The second portfolio in our net lease venture, in which we have a 51.9% equity interest, or $132 million. This portfolio comprises 5.4 million square feet, with total gross assets of $766 million at the end of the quarter, including the $50 million industrial property we purchased during the first quarter. The portfolio had a 9% unlevered yield and a weighted average lease term of just under 19 years.

With regard to SAFE, we are gaining traction in our efforts to educate real estate owners that SAFE ground leases can provide smart well-structured capital to the commercial real estate world. We believe the opportunity is substantial and have increased our ownership to 39.9% of shares outstanding, or [$147 million] (corrected by company after the call). During the first quarter SAFE continued to build momentum and increased its ground lease portfolio 18%, growing to $588 million and value bank increased 21% to $1.2 billion or $66 per share.

In our operating property segment, commercial properties had a weighted average unlevered yield of 6.9%, up from 5.5% in the prior quarter. Since our legacy asset sales strategy includes monetizing operating properties, we generated proceeds of $46 million in the first quarter, generating a gain of $17 million.

The operating property segment totaled $651 million, or 14% of our overall portfolio at March 31. The $4 million impairment charge this quarter relates to our decision to sell the final condominium units in a condo development in the Northwest in raw condition rather than finishing out the units. On sale, we expect to generate approximately $6 million of proceeds.

Within the land and development portfolio, we sold assets for $240 million, which was largely comprised of the Highpark and Great Oaks assets, which I will discuss shortly.

In total, we recognized $53 million in profit from the sales of land assets and have reduced the portfolio size by nearly 20% from $933 million to $765 million at March 31.

Which brings me to the broader subject of our legacy asset progress and strategy on Slide 9. I'd like to spend a few minutes on the details of the legacy asset portfolio, which totaled just over $1.7 billion at the end of 2017. These assets consist of land held for commercial development, residential master-planned communities or in-tract developments, residential condominium units and stabilized and unstabilized commercial operating properties. There can be movement between these categories, such as when commercial land we own is developed. For example, this quarter, the Ford Amphitheater at Coney Island was moved from land into the operating property category, which is the main driver behind the increase in operating properties from the end of last year. We also have $171 million of nonperforming legacy loans at the end of the first quarter.

In last quarter's results, we indicated that iStar was working with J.P. Morgan to assist in evaluating alternatives for the legacy portfolio. The work done convinced us that, one, there is a relatively near-term path for selling a significant portion of the legacy assets; two, that the remaining group will ultimately be small enough relative to the overall size of our company; and three, with the right leadership, the assets can be developed without being a distraction to our -- to senior management and our constituents or having an adverse impact on our cost of capital. We concluded, after weighing the potential benefits and risks of several options that acceleration was a better option than separation.

Our goal is to significantly reduce the legacy portfolio to less than 15% of our total portfolio value and to reinvest the cash proceeds from legacy asset sales into our core businesses, which produce recurring and predictable cash flow streams.

To that end, we sold legacy assets for $287 million in the first quarter, including Great Oaks and Highpark, 2 master-planned communities in California, and estimate another $700 million to $1 billion of sales over the next 12 to 24 months, some of which are already on the market and for which we are negotiating LOIs or purchase and sale agreements. Both of the master-planned communities we sold this quarter exemplify how we think about value in our development projects and timing for monetization.

In the case of Great Oaks and Highpark, we have been lenders and investors in residential real estate in California for more than 15 years, 2 cycles. And so we have a deep understanding of that market based on data and experience.

For Great Oaks, when we changed the business plan from industrial use in 2013, we saw the backdrop of strong housing appreciation in the Silicon Valley market and had the in-house resources necessary to execute a residential and commercial master-plan development strategy that would add significant value to the investment. This plan included the design and development of public and private infrastructure, commercial lots, multi-family rental and for-sale residential. We sold off the commercial lots and multi-family pad in prior years, and we continue to add value, securing incremental approvals and investing in infrastructure.

Over the past year, we were able to position the for-sale residential parcels as fully entitled partially improved pads. This put us in a very strong position as a seller, allowing us to attract strong interest and to sell the property at a significant premium over offers we received a year earlier.

Similarly, at Highpark, we believed a large infill residential site in Los Angeles with entitlements in hand would attract a wide range of potential buyers. To capture the full benefit of our position, it was necessary to complete grading, develop significant horizontal improvements and install infrastructure before bringing this asset to market. While we had strong interest in the asset from purchasers who wanted individual parcels, we decided to work with a single buyer of all 7 phases, rather than invest the time, resources and capital that would be required for a parcel-by-parcel sell down plan.

Within the legacy portfolio, there is a group of assets, for which we believe further development is necessary to create liquidity and extract value. Larger examples include Asbury Park waterfront in Asbury Park, New Jersey, which is a 35-acre urban master-plan development, and Magnolia Green, a 1,900-acre master-planned community outside of Richmond, Virginia. We also have well-located land in other areas of the U.S., and we may ultimately decide to joint venture with a capital or development partner or accelerate monetization.

iStar has the expertise in-house to evaluate each of these opportunities and to develop if that is the direction we decide to go. My focus is to work with our teams to evaluate plans for these assets, make recommendations to senior management and our Board, and to provide leadership to ensure that our plans for these longer-term assets are executed and realized. There will be more to come over the coming quarters as this process moves forward.

I want to point out one aspect of land development that creates a tension between execution and disclosure, especially in urban areas. While we are in the predevelopment period for commercial land and potentially speaking entitlements, permits and other approvals from various constituencies, what we are able to publicly say may be limited, so as not to jeopardize our negotiating position. We will work to find an appropriate balance.

Finally, I will address our corporate infrastructure. Many of our legacy assets that required a large investment in human and financial capital over the years, in order to recover our basis and to realize positive returns through monetization. Much more than is required of a performing loan and net lease portfolio. More importantly, the shrinking of our legacy portfolio means we can redeploy investment professionals through origination activities in the real estate finance, net lease the ground lease businesses. There will also be more to come on this front in future quarters, but the end result should be annual G&A savings and more firepower for new investment originations.

And with that, I will turn it back to Jay.

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

Thanks, Andy. So to sum up, an exceptional earnings quarter, continued strong originations, accelerated strategies for both near-term and longer-term legacy assets, and a key hire to help push us forward as we reset the business for the future.

Operator, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Steve Delaney with JMP Securities.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Jay, you have previously stated that -- and looking at the CRE finance market, that you're really not interested in generic LIBOR plus-300 bridge loans that dozens of people are offering. $270 million was good lending growth for the quarter, and I was just wondering if you could give us a color on where you found opportunities in terms of property types and loan structures?

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

Sure, Steve. No real themes going through the book other than maybe going back to what we used to call track loans, which are transitional, repositioning, acquisition or construction. That's the general category where we think the most inefficiencies are right now. But it's going back to our relationships, having our deal teams freeing up from some of the tougher time-intensive legacy assets allows us to spend more time digging through the stuff we see, as you stated it perfectly, which is, we're turning away a lot of stuff that we just think the risk award doesn't make sense, and we are a little bit cautious here. We're seeing the market continue to grind tighter. Takes on some risk award propositions that we don't think are all that good. But we're going to have to find our own way and we try to be a little bit outside that mainstream more commodity-like stuff.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Great. And you brought Marcos on to, I think, to lead that effort of deploying that capital. I'm curious if the staff that you have on board, obviously, a lot of people have been focused on workouts, but do you feel that you have the team, if you will, out there to cover the country from a origination standpoint, or should we expect that there may be some recruiting effort going on to strengthen the team?

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

Well, I can tell you, we think we have an exceptionally talented team that covers the markets that we want to play in very well. But as we spool up the investment origination side, particularly with respect to ground lease, now talent is very valuable to us. And as long as it's highly efficient, highly productive, we certainly will keep deploying that talent wherever it can generate the best returns.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Okay. And just sort of thinking about the company and how we should guide investors to think about, I'm going to use the term core, you really get us there through your adjusted income and your adjusted book value. But if I look at the quarter, and I see the $1.61, maybe we should consider the $1.16 in previous unrecognized as a onetime nonrecurring, but taking that away, I get $0.45 annualized at $1.80 and you've got $13.67. It looks to me like the adjusted or core return is about a 13% return in the quarter. I'm curious if that math -- if you guys look at the company and you look at your results in a similar way or if I may be off somewhere?

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

No. I think that's an interesting metric. We try to shoot for mid-teens ROE business. We think that's a business that should trade at a multiple of book. So that's always a good thing to try to drill down to. I will tell you, we're a little bit frustrated with the accounting. These are real gains but it's real money for shareholders. Depending on how you view the converts, we have 68 million shares out. You can see how many dollars we made and you can do that math. And you get to a pretty darn attractive number, as we did last year. So we feel like the story may not be quite presented in, certainly the GAAP way, that's easily understood, but with a little digging, you can see the value proposition if you're one of those 68 million shareholders. There's been quite a lot of gains, a lot of interest income, a lot of net lease income. I think Andy went through some of the unlevered yields in these books. Those are certainly not commodity returns and we think they are deserving of multiple that reflects the hard work that has to go into create that kind of excess return. So I think you'll see us do a little bit more work trying to highlight, isolate and put a spotlight on the returns to the shareholders. And that's really what we're going to have to do to get some of these things recognized, but I think gains are gains. It's real value created for those shareholders, we're not paying it out. So if you've been a shareholder, you've benefited from the last couple of years of earnings, and certainly, this first quarter earnings are real.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Yes, no question. We'll go -- once they're through the income statement, however we want to treat them, they are rocks in the box as far as your $13.67 book value and The Street is today valuing that at about 75%, which is -- seems absurd. So progress underway for sure. And then the final thing, and I'll hop off here. Andy, you were talking faster than I could write. Could you just please restate the buyback activity in the first quarter?

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

Sure. I think it was about 813,000 shares.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Okay. Yes and I had like $8.3 million somewhere in there, I think.

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

Yes and $8.3 million, you're right.

Operator

Our next question is from Stephen Laws with Raymond James.

Stephen Albert Laws - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Following up on the pipeline questions. Looks like you had some strong net lease investments during the quarter. Can you talk about the opportunities you're seeing there, as you guys look to recycle this capital from the monetizations that have taken place?

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

We obviously still have a joint venture partner in that business that we've been very happy with. That's coming up to its investment period-end. So we're looking at the go-forward business opportunities with them, which we should have more news on later in the year. With respect to the book that's been built there, it's a really good book. We're going to figure out how we can capture that value, both for shareholders but also for the [barter] market to understand how that business does create value for us, and for our joint venture partners. So we're doing some work on that

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as we speak. The business itself is a really good business, it's just again, much like our finance business, a bit one-off at this point. Again, the commodity stuff not so interested in, which means we have to pick our spots carefully. A lot of these deals are things our net lease team has seen in their prior lives or during their careers. And we're getting to see a second bite at the apple. And so we have inside track, because we've done a lot of work already, either with the specific assets involved or the corporate credit involved or sometimes just the owner group. So we're trying to lean on those relationships, we're trying to lean on the network a little more heavily to stay out of the traffic. But it's still -- it's a business we'd like to grow, fundamentally it's always been a great business for us. Just it's a tough market, where capital is looking for yield. A lot of players have moved into that space so we have to be pretty off-market to find the risk return we like.

Stephen Albert Laws - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. And shifting to the land and development portfolio, and I appreciate all the comments, Jay and Andy, as well on the progress, which seems to be significant here in the last quarter. Just trying to reconcile, and I may have missed it through the comments. But you talked on Page 9 about accelerating development, longer duration assets, but then I look at Page 27, and it looks like the in-development portion was the main sequential change. Is that just a pause as you reevaluated all of these assets and updated your plan moving forward? And we'll see that grow. Or can you maybe reconcile those 2 pages?

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

Yes, I'll take first crack, and then Andy can jump in. Our strategy all through this has been to look for assets that are reaching the end of their business plans or getting to a place where we feel like it makes sense for the company to either exit or somehow monetize. And there's a big pool of those assets that I think 2018 and '19 we'll see the ultimate realization of that work, that capital redeployed back into the more core businesses. But as we've said before, there's still a pool of assets that we think is longer-term in nature, really doesn't have the liquidity today to really have a reasonable prospect of monetization. But some of them are quite attractive, and with continued effort, we think we'll be able to deliver the kind of returns you've seen on the things we've sold to date. We want to make that portfolio as small and as targeted as possible. So we are moving as rapidly as we can to really focus into these two buckets. Those things we think are nearer term, call that 12 to 24 months, and those things we think are longer than that. And that's the pool that I think Andy has pretty relevant experience on, he has taken a hard look at, and if the right answer is from a time, cost, efficiency, corporate organization standpoint to do a JV, to bring in a third-party developer, we may accelerate those conversations, we've obviously had interest in many of these. But frankly, I think there's a much more intense focus now that Andy is in charge of it, to say, okay, let's go through all our options one more time. And so we're taking a look at that stuff, and I think what we're hoping you'll see is that portfolio will be less than 15% of the total portfolio value. Once we get through these near-term monetization's, and we'll come out the other side with some really interesting stories that should create a lot of value for shareholders but won't be such a large part of the book that people will struggle to understand how to frame our earnings and frame the idea of it, we think we should trade at a multiple of book, not a discount.

Stephen Albert Laws - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. And one final question, just with regards to use of capital outside of investments. Can you maybe talk about -- you've obviously repurchased some iStar shares, you're repurchasing SAFE -- or just not repurchase -- you're buying, so increasing your ownership of SAFE. Can talk about how you view one option versus the other or you simply have liquidity that you want to be active on both of those? And then maybe any general comments towards thoughts around instituting a dividend, even if a nominal amount, just given the gains you're generating. I know you have NOL's that prevent you from having to meet any distribution requirement, but just any general thoughts around the dividend as you look going forward that might appeal to more of an income focused investor.

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

Sure. First question, we like mispriced things, we like to buy them. We've seen that in both of our securities. I think the story of SAFE, obviously, is one of growth and a potential explosive growth there. So that purchase is an anticipation of building a business. We think the iStar shares are mispriced against an existing pool of assets. So they reflect more of a value arbitrage. But we'll continue to deploy capital when we have it and think it's the best use of funds. The second part of the question.

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

Dividend.

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

Dividend. So I would tell you, yes, we have an NOL, yes, we don't have to pay one. We think we've come to a point where the future is getting clearer and clearer, which makes the conversation around dividends more fruitful. We will be having conversations with our Board about the possibility and why it might make sense for us to do that, sooner rather than later. Obviously, we have the full flexibility given the NOL, but I agree with you. I think we've made enough progress, the earnings have been strong enough. The go-forward pipeline looks strong enough. The dividend should certainly be a topic going forward.

Operator

Our next question is from Jade Rahmani with KBW.

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

Considering the company's leverage ratio but particularly relative to common equity, and given the financing preference for unsecured debt as well as ratings agency considerations, what's the likelihood and viability of meaningful further common stock repurchases as well as preferred stock repurchases, as opposed to allocating capital to new investments to generate near-term cash flows?

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

Yes, I think the mantra here is a little bit more about growth right now. We think we have interesting opportunities throughout the book. We'd like to use our capital as much as possible to be building the book, as opposed to shrinking the size of the company. We think, yes, there is a certain threshold in terms of size in the public markets to create the liquidity that's necessary. But if the discounts are so compelling, there's certainly an opportunity to do that. I think with the preferred, we did take out a big chunk of the preferred. We have a big chunk that's in the form of a convert, we'd certainly like to see the share price increase materially and that would impact the convertibility of that piece of the cap stack and turn it into common. So there's a few variables in there, as we think about either growing that base or shrinking that base, that are really dependent on where we see the share price. Right now, it's pretty compelling to buy, but as you said, we are cognizant of the bigger longer gain here, which is to put iStar's platform back at the forefront of the industry, and you just don't want to become beholden to the agencies or to such a small equity base that you can't get there. So we have to balance all those things as we go through it. Again, we like mispriced things, we will buy mispriced things including our stock, but there's a lot of considerations right now about how do we build a market-leading company that can trade at a meaningful multiple.

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

And I agree with the key -- longer gain about iStar's platform. I think the key for a higher stock price is recognition of the value of that platform's ability to generate recurring earnings. And just in terms of getting back to core profitability, excluding gains, what kind of timeframe do you anticipate? Is that similar to the legacy asset monetization timeframe of the next 12 to 24 months?

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

Yes, there's certainly a correlation there as more money comes out of both either cash or some of the assets that don't really contribute to earnings. As we can become more efficient, more productive with some of our resources, I think you'll see those move hand-in-hand, more core earnings, less time attention and capital focused on legacy assets. That's part of the virtuous circle we're trying to get into here over the next 12 to 24 months.

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

In terms of the quarter's loan originations, can you tell us what the average size was or the number of loans? And give some sense of the mix between construction loans, first mortgage loans and mezzanine loans and perhaps some color on LTVs and blended yields?

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

Look, it was a diversified quarter. I'd say the average loan size was in the $40-ish million range. Mix of top markets, New York being the largest. Some West Coast stuff, some stuff down in the South. The LTVs and the rates still look pretty good to us. I think our blended LTV this quarter was in the mid- to low 60s and the rates were in the [mid-6s] on a floating-rate basis over LIBOR. So generally, stuff that fits our model. As I think a former caller, Steve said, we're not in the alphas 3 or 4 business. We're looking for higher returns than that, but we're looking to stay in that 60%, 65% zone. Whether that's first mortgages or mezz, the blend usually comes out there. Certainly on the mezz it's going to be a little bit higher, and the first mortgages it can be somewhat lower.

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

And were those primarily construction loans or condo inventory loans, what was the type of loan and property mix?

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

Yes. No condo inventory loans this quarter. There were some construction loans and there were some repositioning loans, and 1 or 2 special situation loans we do to entities.

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

And just the $4 million impairment and the $4.3 million loss on charge-offs and dispositions. Can you give any color on those 2 items?

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

Sure. The $4 million impairment, which I think I mentioned in my script, was -- we're basically down to the final handful of units at a condo in the Northwest. And we could send people out there to finish them out, we could spend up a lot more time finishing them out, getting them ready for sale, but it was an opportunity to basically close out that asset, and sell the space to a buyer who was going to pay what we thought was a fair price, relative to all the effort that we'd have to put into it going forward.

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

Okay. And the loss on charge-offs and dispositions?

Andrew C. Richardson - *iStar Inc. - President of the Land Portfolio & Interim CFO*

The charge-off was basically a hotel asset that we foreclosed on and we moved that over into the, I guess it was into the land category.

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

Okay. And just a question around Safety. I'm just trying to understand the business model, but what's the main difference between a Safety ground lease and an old-fashioned ground lease? I've heard you say that quite a lot, so just trying to understand.

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

Love that question. Yes, I was just reading a lease from 1955. I can tell you that the modern finance and buyer market hates uncertainty, hates ambiguity. Really wants a relationship where things are going to be worked out in a thoughtful way, a fair way. We have 27 points as a checklist that make a SAFE ground lease market friendly, cap rate friendly, lender friendly. You'll find very few of those things in an old-fashioned lease. And frankly, nobody has really looked at the marketplace and tried to mesh it with what we see in the modern corporate credit markets, the modern capital markets or the modern real estate finance markets. And that's what SAFE really is doing, it's taking all the things we've learned from our lending practice, all the things we've learned from our real estate ownership practice, and trying to create a lease that adds value, that creates value where one plus one equals more than two. Whereas I will tell you a lot of old-fashioned leases clearly destroy value. And a lot of the litigation you see, a lot of the bad horror stories you hear about ground leases are almost always a result of leases drafted long ago that didn't really anticipate or reflect what's going on in the world of real estate finance and equity. So it's a fundamentally different thing and it really does add value. We think to a very wide range of properties around the country. This one plus one equals more than two idea is very powerful, when we get a chance to sit with owners. And we've been able to execute, it's just so many people have experiences with old-fashioned ground leases that it's really poisoned the well for the concept in a way that we think we can change and once we change it, we think the door is open to a very big market.

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

And is the central tension, the underlying motivation to take ownership of an asset through a confrontational negotiation? Or is -- I'm still trying to understand what that main difference is.

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

Yes. No, the simplest thing is if you have a fair market value reset and a lease, a lot of those provisions become touch points for fights. We just want to be a long-term owner of the land and let the person who does the leasing, managing, marketing, design, construction, selling, do their thing. And if they do it well, they will make much higher returns with the SAFE ground lease in their capital structure than they will if they use typical financing avenues exist -- that exist right now. The math is really compelling, I'd be happy to sit down and show it to you. We're walking through it with a lot of very top-tier owners. And I can tell you, if you have the credibility, and if you have the reputation that, hopefully we've built over 25 years of -- we are trying to help them make more money. We are trying to create long-term relationships, win-win relationships, where both sides come out of it with something that's attractive. That's a great business to be in, that's the business we want to be in. We are not in the business of trying to create fights and trying to harm value. We're in the business of enhancing value, it's something we've been doing for 25 years, and it's a little bit different approach to the business than we've seen anywhere else. But it's fundamentally what we think will be the winning hand and we think we're fairly unique in that, it's something we've been trying to do in the finance and net lease world for over 2 decades.

Operator

The next question is from Ben Zucker with BTIG.

Ben Zucker - *BTIG*

This was one of your most active quarters in quite some time. We saw some new loan commitments, net lease acquisitions and also a good amount of sales and corresponding gains. So Jay, what does the market feel like right now from your per view? It seems like despite the rate move, there's still a lot of activity getting done on all sides of the fence. I'm just interested in your comments there.

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

Yes, it's not an easy market. I think bringing on the talent we've brought on with Marcos having some of our resources freed up as we begin to wind down some of these time-intensive assets that have required our top investment people to be involved to get them to the finish line. You're going to see us be able to go back to what we really like to do, which is to get into proprietary situations, where we can use the strength of the platform, the 2 decades of knowledge and experience across almost every property type. All types of solutions that we've created for people in the past, that we can create for customers going forward. We feel like we're getting closer to the day where we can put that back at the forefront of the platform. That one-on-one relationship that let us help you solve a problem that creates value, because that's a much less cost-sensitive conversation than just -- here's 10 guys bidding, who wants the win? So that's allowing us to do what we do well a little bit more often. We still have a lot of cash sitting on the sidelines. We still have, right now, preference for doing shorter-term, floating-rate debt. So we can respond to some of the interest rate changes we see going on. We're still looking for to expand the ground lease business with people who understand what we're doing and want to do it again and again and again with us. We want to commit more resources there, because we see the power of it, once people understand it and separate it from the old-fashioned ground lease business, they seem to get very excited by the potential to fundamentally change the return profile of their own business. So I think it's a tough market. You've got to pick your spots. We've chosen a path that's a little different, we're not an asset under management company, we're trying to make returns that we want to put our own money into. And that discipline will serve us well, but we're seeing a chance to put our skills to work in more places, not necessarily in an overnight way, but slowly but surely, we see the tide turning a little bit where people do need what we do and treat us a little bit differently than others.

Ben Zucker - *BTIG*

And following up on that. In your remarks, you've referenced being cautious at this point in the cycle, and pointed to your sizeable dry powder at quarter-end. And we've also spoken about your preference for growing assets rather than stock repurchases right now. And then just to hear you say get back to what you guys were doing in the past and I'm thinking about some acquisitions. So while there is some market volatility, how do you guys feel about potential M&A activity? It just seems like using that war chest to make a splash could be a really nice way to grow your revenue-generating assets meaningfully.

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

Yes. To be honest, I really don't want to distract the path we're on right now. We are always looking at things that might fit in. But I could tell you, I feel pretty good about the path we've laid out over the last year or so. And the progress we've made, and the people we've brought on board. So I think our first goal right now are the three things I mentioned. We think we've got a path to do all three. But if something came along, sure we'd be interested. But right now I don't really want to distract ourselves with low-probability things. We're really focused on the high probability -- I won't call it low-hanging fruit, because it's awful darn hard to do what we're doing but I think that path feels pretty good right now. Be innovative, be off-market, be unconventional, stay out of the stream of excess capital that's flowing through part of the market, and stay where we've always had a competitive advantage.

Ben Zucker - *BTIG*

That's helpful. And lastly, could you just provide an update on the $171 million of NPLs in your loan portfolio? I think a portion of that was related to a bankruptcy case, but if you could just help jog my memory that would be great.

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

Yes, look it's almost all one big asset. There's a small asset that's just got an ongoing struggle around a government agency, but the big one is going through a bankruptcy process. It looks like this is the year it will finally come to an end. So we're hopeful the resolution there will at least give us clarity, if not a significant amount of capital to redeploy somewhere else. That's been a noncontributing asset for quite a while. And again, that's one that's just chewing up huge amounts of time here as we try to get it resolved. So this is the year we hope to get past that one in whatever form we end up with, whatever security we end up with, we want to just get back the resources we've been deploying and some of the money.

Operator

And Mr. Fooks, we have no further questions.

Jason Fooks - *iStar Inc. - VP, IR & Marketing*

Thank you, and thanks, everyone for joining us this morning. As a reminder, we have our Annual Meeting of Shareholders coming up on May 16 at the Harvard Club in New York City at 9 a.m. Otherwise, if you should have any additional questions on this earnings release, please feel free to contact me directly. John, would you give the conference call replay instructions again. Thanks.

Operator

Certainly. Ladies and gentlemen, the conference replay starts today at 12 p.m. Eastern Time, will last until May 17 at midnight. You can access the replay at any time by dialing (800) 475-6701 and entering the access code 447869. That number again (800) 475-6701, the access code 447869. That does conclude your conference for today. Thank you for your participation. You may now disconnect.
