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PRESENTATION

Operator

Ladies and gentlemen, good afternoon, and welcome to iStar's Second 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, Anna, and good afternoon, everyone. Thank you for joining us today to review iStar's Second Quarter 2018 Earnings. With me today are Jay Sugarman, Chairman and Chief Executive Officer; Andy Richardson, Chief Financial Officer and President of Land and Development; and Marcos Alvarado, our President and Chief Investment Officer.

In this call, we'll refer to slides that we publish on our website at istar.com in the Investors section, where you can also find the webcast to this presentation. There'll be a replay of the call beginning at 7 p.m. Eastern time today. The dial-in for the replay is 1 (800) 475-6701, with the confirmation code of 451422.

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 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. Our second quarter was highlighted by strong earnings, continued progress on legacy assets and solid investment activity as well as an upsized term loan facility with lower pricing and expanded flexibility. Each of these represents an important step in our progress towards a leaner, more focused iStar.

Earnings in the second quarter were strong, coming in at $0.54 of net income and $0.55 on an adjusted basis, driven by our large finance and net lease portfolios and helped by gains from our newly consolidated net lease venture and several asset sales but offset by losses on several legacy resolutions. Total legacy asset transactions generated $190 million of proceeds with the sale of our Westgate sports and entertainment complex in Phoenix and the last 3 phases of our Spring Mountain Ranch master-planned community topping the list. We also cut a deal to resolve the Hammons nonperforming loan, receiving a partial paydown and a more secure position going forward. We continue to weigh the cost of accelerating sales and resolutions with the benefit of freeing up capital and internal resources and believe we are making good progress on a number of additional legacy asset dispositions. With almost $1 billion of dry powder, we are well positioned to move into attractive areas quickly, and like last year, we focused on delivering highly efficient capital solutions for repeat customers and repeat asset situations this quarter based on a higher probability of achieving attractive risk adjusted returns and a higher certainty of closing. We're happy that the majority of recent deals have followed this pattern. Based on our strong earnings, strong balance sheet and ample liquidity, we're also pleased to begin paying a regular quarterly dividend, making our shares attractive to a wider range of investors.

I'll let Andy share with you more details on the dividend and the rest of the quarter. Andy?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

Thanks, Jay, and good afternoon, everyone. My remarks today will refer to the slides from the earnings presentation that we posted on our website earlier this afternoon.

Before I begin, I'd like to point out that certain balance sheet metrics throughout the presentation are pro forma for the $273 million partial redemption of our 5% senior notes due July 2019. These notes were repaid after the end of the quarter using the excess cash proceeds from the new term loan transactions completed in the second quarter.

With that, let's turn to Slide 4 to review some of the highlights from the second quarter. Net income was $43 million or $0.54 per share, and on an adjusted basis, we earned $44 million or $0.55 per share. Combined with our first quarter results, we've earned $0.89 per share of GAAP net income year-to-date and $2.16 of adjusted income per share. Performance over the period was driven by earnings from our core business and continued execution of our legacy asset monetization strategy. As Jay noted, we have initiated a quarterly common dividend of $0.09 per share or $0.36 on an annualized basis. The dividend will be paid on August 31 to shareholders of record on August 15.

Turning to Slide 5. We can take a deeper dive into our investment activity. During the quarter, we originated $269 million of new investments, largely driven by new loan commitments. This brought total new originations in our core business over the past 4 quarters to $1.2 billion. Meanwhile, we had $378 million of loan repayments this quarter, including $46 million from the resolution of our largest nonperforming loan.

We also sold 2 net lease properties in Miami, Florida for $36 million and generated a $24 million gain. These properties were sold as ground leases to Safety, Income & Growth, and the leaseholds were sold to a third party. Sales of legacy operating properties and land totaled $190 million this quarter, reflecting our success to date in repositioning and then monetizing these assets.

Moving to Slide 6. We provide a detailed explanation of the changes in our net lease portfolio. In 2014, we formed Net Lease Venture I with GIC, which is the U.S. real estate investment arm of the Government of Singapore. And on June 30 of this year, the investment period for the fund ended. On that date, we gained control of the venture through our unilateral rights of management and disposition of the asset, thereby requiring consolidation of the venture on the iStar's financial statements. This event is treated as an acquisition by iStar for accounting purposes. The venture's assets and liabilities were consolidated at their fair market values, including $845 million of real estate-related value attributable to the venture's assets and $465 million of nonrecourse mortgage debt.

Based upon the excess of the fair market value of venture's net assets over its book value, we recognized a $68 million gain for the second quarter. We also recorded $188 million of minority interest on our balance sheet.

Lastly, after the end of the quarter, iStar and GIC formed Net Lease Venture II under a similar structure as Venture I, which like the first fund, will be unconsolidated during its investment period. The venture's $526 million total equity commitment provides buying power for more than $1.5 billion of assets, assuming 2:1 leverage.

Turning to Slide 7. We continue to make significant progress reducing our legacy asset portfolio during the second quarter. You will recall from the last earnings call that iStar has a 2-part legacy asset strategy. First, we are monetizing the assets that we have ready for sale in the near term, and second, we are accelerating the strategic development of our longer-duration assets where further development is the best course given the current state of the asset. With respect to our shorter-term monetization strategy, this quarter we generated $190 million of proceeds for iStar from the sales of legacy assets and reduced NPLs by a $146 million or 84% by completing the restructure of our largest NPL. The quarter's activity resulted in an over $300 million decrease to the legacy portfolio, partially offset by $47 million of additional investment in legacy assets such as Asbury Park.

Let me provide some additional context and color on some of the larger legacy assets we resolved this quarter. First, along with our partners, we sold our mix use investment in Westgate Entertainment District in the Greater Phoenix area. This was a project we radically transformed during our ownership, taking a largely vacant retail center surrounded by undeveloped land and empty parking lot and executing over 50 retail and office leases, totaling in excess of 260,000 square feet and converting 2 floors of vacant office space into luxury residential units. In order to turn Westgate into a sought out destination, we formed a strategic partner with a mall operator to generate more foot traffic and provide a more attractive experience for the local community. Total proceeds after closing costs were $130 million, of which our share was $89 million. And we recorded a $21 million gain. During the second quarter, we also substantially monetized Spring Mountain Ranch, a 785-acre master-planned community entitled for 1,458 single-family lots in Riverside County, California.

In late 2013, we partnered with a national homebuilder to jointly develop the first of 3 planned phases of the project, and it subsequently became one of the top-selling master plans in the Inland Empire. Through the initial phase, the joint venture completed much of the necessary infrastructure work. With most of the capital expenditure requirements already invested, Phase 2a containing 315 lots was put under contract as a series of lot takedowns with the homebuilder beginning in 2017.

Our initial plan was to continue to develop and sell finished lots over an estimated 2-year period. However, given our project assessment that the downside risks with executing a multiyear develop and sell business plan in this area exceeded the potential upside, and we decided to bring the asset to market.

During the quarter, we sold the remainder of the MPC to our partner for $63 million in proceeds and recorded a net loss of $4 million. In addition, we agreed to accelerate the Phase 2 lots already under contract in 2 quarterly takedowns through the end of this year, after which we will have completely exited this investment. We recorded a $1 million impairment during the quarter associated with the 2a sales acceleration.

In addition, we sold our interest in the Kauai Beach Resort in Hawaii for $19 million in proceeds and $1 million gain.

To summarize, year-to-date, we have sold legacy assets for proceeds of $476 million and for a net gain of $90 million in our GAAP earnings and $77 million of adjusted income while reducing the size of legacy portfolio from $1.74 billion at the end of 2017 to $1.26 billion today. Elsewhere, in the legacy asset portfolio, this quarter, we resolved our $146 million nonperforming Hammons loan, which has been the subject of a long-standing and complex bankruptcy. We received a $46 million cash paydown and a new $100 million preferred equity investment in an entity which required a portfolio of hotel and other assets from the Hammons estate. We recorded the investment at a discounted value of $77 million, resulting in a $21 million provision and a $34 million charge-off to adjusted income. We currently expect to recover the full $100 million face value over the next 4 years.

Lastly, during the quarter, we also wrote off a $10 million investment that we had made in 2007 in an overseas venture. This represents the last material non-U. S. exposure remaining on our books.

Moving along to this quarter's activity on the right side of the balance sheet on Slide 8. In the second quarter, we closed on an innovative modification to our term financing that reduced our cost of capital, while providing additional flexibility by broadening permitted collateral types and providing for reinvestment of collateral repayment and sales proceeds, rather than immediate amortization. We also upsized the loan to $650 million from its then $377 million outstanding balance, reduced the coupon by 25 basis points to LIBOR plus 275 and extended its maturity by nearly 2 years. During July, we used $273 million of excess cash proceeds from the term loan upsize to partially redeem at par the 5% senior notes maturing in July next year.

Looking ahead, we have approximately $500 million of debt maturing in 2019 and are evaluating alternatives for further refinancing ahead of maturity. Our total debt at the end of the quarter, adjusted for last month's cash redemption, was $3.6 billion. Our debt balance includes $465 million of nonrecourse mortgage debt from the consolidated net lease venture, in which we have a 51.9% ownership stake. Total leverage calculated as net debt divided by adjusted total equity was 2x at the end of the quarter, which is at the low end of our target range.

On Slide 9, I'd like to highlight performance in each of the businesses in our portfolio. Our total portfolio had a gross book value of $5.2 billion at the end of the second quarter. Within our loan business, we made $267 million of new loan commitments. The loans we originated this quarter were predominantly with existing client relationships or in capital structures in which we were already involved. The performing loan portfolio generated a 9.7% yield during the quarter. And as previously discussed, we were pleased to have reduced our NPL balance by 84%. In the net lease business, as I mentioned before, we sold 2 adjacent properties located next to the Miami International Airport, generating a $24 million gain. We also recorded a $4 million impairment on a net lease facility, in which the tenant exercised its below market renewal option.

Over the quarter, our wholly owned net lease assets, that is the properties we owned outside of the net lease venture, had a weighted average yield of 9.5%, while assets from the venture portfolio had a weighted average yield of 8.2%. A venture yield is computed using the fair market value stepped up basis associated with this quarter's consolidation. Also included on our net lease business is our nearly 40% ownership of Safety, Income & Growth. SAFE continues to gain traction as both new and returning customers understand the accretive market friendly capital that a SAFE ground lease provides. During the second quarter, SAFE closed 4 new ground leases, increasing the portfolio to $631 million. We believe SAFE offers a unique and innovative solution for its customers by lowering upfront capital requirements and significantly increasing their potential returns. SAFE's goal is to fundamentally transform the way institutional real estate investors and operators think about owning and capitalizing their properties.

Our operating properties totaled $559 million of gross book value at the end of the quarter, which was comprised of $472 million of legacy commercial properties, $37 million of legacy residential properties and $50 million of strategic non-legacy investments. The last category represents new investments in areas relevant to some of the strategic scenes we're exploring with partners in other areas of real estate. We reduced the size of our land in development portfolio to $726 million, and it now represents 14% of the total portfolio. So to sum up the quarter, strong earnings, good origination volume and meaningful progress on legacy assets.

With that, I'll turn it back to Jay.

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

Thanks. Andy mentioned our investment in SAFE, Safety, Income & Growth. And I want to reiterate, we think this can become a key part of our approach to the real estate market, offering more efficient capital and opening doors that enable us to demonstrate everything iStar can do for our customers. We look forward to sharing our further progress on that front with you next quarter.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ben Zucker with BTIG.

Benjamin Ira Zucker - *BTIG, LLC, Research Division - Analyst*

Congratulations on instituting a dividend. That's nice to see. When I look at Slide 5 of your deck, the origination volumes over the past 3 quarters really jump out at me. What's been driving that increase lately? You've always been pretty flush with capital, so I don't think it's as simple as you're finally reclaiming new money to deploy. And as a quick follow-up, could you provide some details around the types of loans that you closed this quarter?

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

Sure, Ben. Thanks. Again, I think we mentioned that a little bit of our focus and target area has been existing customers and situations where we have an inside leg up and pulling back a little bit from situations where we were head-to-head with somebody who ultimately was just willing to price tighter or give away provisions that we just weren't willing to do. So we've, I think, been a little bit more focused, a little bit more targeted in how we use our time and effort. You're right, we've got plenty of capital, so that's certainly not a constraint. But if you're taking a generally cautious stance, you can, I think, be a little more thoughtful when you're in a property or with a borrower you've done business before. The probability of getting something done goes up pretty materially. And in those situations, we found more success, more deals getting done, but also the risk-reward feel better to us. So I think it's just a little bit of a shift in focus from the broader market that we saw eroding both price and some of the provisions that we like and going back to our existing customer base and really hitting that much harder. I'd say the second thing is, as legacy assets pay down, we're freeing up internal resources particularly on the deal side, so they can go sit in front of customers more often. Again, that's where I think you heard us talk about it before, this custom tailoring, customer-focused business, particularly with people who've done business with us before, just seems to be a better place for us to go.

Benjamin Ira Zucker - *BTIG, LLC, Research Division - Analyst*

That's helpful. And I forgot that you had mentioned that in the past, that you're able to redirect people's attention back to your principal investment platform as you sell down the noncore assets. Real quickly on the Hammons NPL that was resolved in the quarter. Can you tell us what the interest rate was on that preferred equity piece?

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

So the preferred equity is just a notional amount. We have marked it at a level that it will generate a mid to high single-digit return.

Benjamin Ira Zucker - *BTIG, LLC, Research Division - Analyst*

Okay, got you. Either way, it seems like a big resolution for your book. The optics around the real estate finance segment definitely improved. Turning to the net lease segment really quickly. I know you're launching Net Lease Venture II with a investment capacity of about $1.5 billion. Can you remind us of how this compares in size to the last net lease venture? Any idea around how quickly you might be able to deploy capital here? And maybe just your thoughts, more high level, around the market for net lease assets right now, the competition there, all that kind of stuff.

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

Yes, sure. It's almost identical to Net Lease Venture I. They were both about $0.5 billion of equity commitments. Leverage has been anywhere from 60% to 65% range. So they're very similar in that context. And again, I think almost where we're going to have success is probably also similar to what we're doing in the rest of our business, which is going where we think we have competitive advantage. You saw just based on the consolidation, the value that team was able to create in the first venture. They'll continue that theme, although I think the market has gotten even more competitive. We do see significant capital looking for safe places to put their money, at an income stream that grows on an annual basis. And then it really comes down to what are you believing about the future and those residuals. We do think that, that combination is the thing everybody is looking for right now. So obviously, we think we can find that in the ground lease business, but we think we can also find it in the net lease business. So had a great relationship, a very capital-savvy partner, and we want to continue working with them on all sorts of things.

Benjamin Ira Zucker - *BTIG, LLC, Research Division - Analyst*

That's helpful, and I think you clearly demonstrated your capabilities there with your prior fund. And then just lastly for me. You guys have been pretty active repurchasers of your shares in the past when the price is right. I'm just curious, now that you implemented a dividend as a new form of capital return to shareholders, do you think that makes you incrementally less inclined to continue buying back your stock? Or are you fine working both of those in tandem with each other as long as the price is right?

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

Yes, we've kept a plan out there. We do have capacity in that plan, and we do still think in terms of valuation when it makes sense, that that's a smart way to deploy capital for all shareholders.

Operator

Our next question comes from Jade Rahmani with KBW.

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

Just on the Hammons NPL resolution. The discount implies, I think you said, a mid- to high single-digit return. That, I assume, is accretion income and noncash income, is that correct?

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

That's correct. The underlying asset pool under there is pretty diversed, and as those assets sell, there's a potential we'll get repaid and accrete upon sale of some of those assets, but we're not counting on that.

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

Okay. And the duration of that is pretty long relative to your average real estate finance investment. Any color there?

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

Yes. I mean, I think, ultimately, we saw a long still painful resolution with lots of legal fees attached to it out of our pocket. So when we measure the 2, we'd rather have a safer piece of paper and get the whole enterprise out and back on economic footing. This gives us a chance to recover that money earlier, but we were unable to get the solution that forced the early payoff to us. So this is the best we could do. And we think the underlying asset base certainly is a better place to be than where we were in bankruptcy and litigation.

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

Turning to the real estate finance segment, I mean, the overall portfolio continues to shrink, and there's a big spike in repayment. Any color on the spike in repayments and what your expectations there would be for the balance of the year? Are you expecting to grow the portfolio in aggregate? And do you see accelerated repayments continuing as a result of the competitive market?

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

Yes, it's a good question. I mean, the nature of the business right now is people are sizing up some of the deals we've done in the past that are -- have great credit metrics and relatively attractive yields. And so we're not surprised that some of those are coming back to us. We will continue to evaluate where is the best place to put our capital. We don't think we necessarily have a defined number we're shooting for. And frankly, if we can find good risk-adjusted returns somewhere else in the book, we're fine to let things get repaid and redeploy that capital. But we'll continue to look with our top customers and in the markets and in the assets we feel like we have a competitive advantage in. The risk-adjusted returns still look pretty attractive. So I think from our standpoint, we're not concerned when we get money back. We have always been able to find good places to put it, but a lot has come back, and now we've got $1 billion of liquidity to play with. So we're going to be taking a very hard look on where is that best risk-adjusted sector for us to deploy that money.

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

And the $267 million of commitments, how many loans do that represent? Can you give any color on property type? Considering the fundings were $198 million, I'm sure there's a heavy transition there. And also what was the, roughly, LTV and yield?

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

Yes, it's about 5 deals, one fairly large. The other ones were all relatively diverse. Let's see, I would say 75% to 80% of it is repeat customer, by dollar volume. LTVs, where do we come out, guys? 60 -- what was the last number? Let me get you that number. What's the average? And the rates were in the 600 to 700 over range. I think the last LTV on a weighted average basis was probably in the high 50s, low 60s.

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

Okay. And is that like condo construction or the one outsized deal?

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

That is a fully built project. It's a bridge loan on contracted condo assets.

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

In New York?

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

It's in a major market in Chicago.

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

Okay. What's your outlook for the New York condo market? There's been some evidence of declining condo values definitely in the luxury segment but also, I think, slowing sales pace, slowing absorptions in what someone says more affordable.

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

Yes. No, it's -- right now is not -- the numbers are not good. Again, I think we did not do anything in New York this past quarter. There may be some opportunities there in the future, but our underwriting was a little bit more conservative maybe than others last quarter or 2, and it's coming to fruition that some of the strengths we saw at the end of last year just hasn't continued. I still think it's a good market, but there's a lot of supply hitting the market at all price points. Going to take a while for the market to absorb it. Obviously, the economy has been good, and the geopolitical uncertainty has been bad for the international buyers. So it's a little bit of a tug and push. Nothing catastrophic, but yes, we're seeing some softening rental and for-sale products. So we are still looking. When you think at the right basis, New York is still a great place to invest, but you've got to be careful right now.

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

And how are the Asbury Park condo sales going?

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

Well, we're opening our permanent sales center that's actually in the physical structure on August 15. I think, this week or next week, we will actually have a filed permission to sell to New York customers. Those are 2 big milestones that we've been waiting on. We've seen some nice response from people who actually know the project because they're down there, but we really haven't been able to market it more widely, and so you'll start to see that happen. But at least in terms of the early price returns, we're feeling pretty good.

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

Okay. I noticed in operating properties, there's a $50 million strategic nonlegacy investment, and I think the balance increased from last quarter. I guess, what are those related to?

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

Over the last, I think, 2 years, we've talked about things we were looking at that have the potential to grow into interesting businesses, where we thought we had competitive advantage. We've made small investments across a range of partnerships and market areas where we thought they might grow into something much larger. So those are mostly seed investments to see how somebody performs or to give us greater insight into some of these perhaps more interesting platform ideas that we've had. I certainly think when we said we were going to find some of the next big things 3 years ago, the ground lease business has outstripped all the other ones. So the $50 million is relatively small, not taking a lot of time and attention. But we do like to have -- dip our toes in the water, in things that we feel like are mispriced but somehow aren't getting the proper recognition that we might be able to help scale. So these are small things that unless we can scale them, they'll remain quite small.

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

Okay. And lastly, just the dividend. What was the thinking? Is that relative to any kind of core recurring number or something else?

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

Yes. Look, I think the net lease book is big and solid and consistent. The loan book has been a good solid contributor. Yes, there's repayment but continue to generate a lot of income out of that. We've done that long enough. The balance sheet is strong enough. The liquidity continues to look better and better. Andy has been able to create a maturity profile. I mean, everything is green right now, so we decided it's the right time to signal to the market that particularly those investors who perhaps couldn't buy into an iStar story because of a lack of dividend, might have locked the value proposition but without income or just sort of blocked from considering it, we think this opens up the market to them. And we think it's time. We think it signals a lot about where we are and where we're going.

Operator

Our next question comes from Stephen Laws with Raymond James.

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

I'd like to also give you congratulations on resuming -- reinstating the dividend. Kind of touching on the legacy asset monetization process, Andy. I think you went through a good bit of this in your remarks. But the remaining $1.26 billion of assets, how should we think about that as you look for resolutions and monetizations there? You guys have accomplished quite a bit the last few quarters. Have some of the easier assets been moved so to speak and the remaining stuff gets more difficult? Or maybe can you talk about how that selection process of what you've already monetized versus what's left has taken place?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

Yes, I think -- Stephen, I think I would say that some of the larger assets by dollar volume have been monetized. There's a handful of assets that we have on the market today that hopefully will come to a resolution and a sale in the next 6 months or so. I expect that to be of smaller dollar volume certainly than we've seen in the first half of the year. There's a few other assets that aren't yet ready to come onto the market. And then there's a few like some of the assets we have in Asbury that are strategic to what we're trying to accomplish there that are longer-term holds. So you'll see more assets being sold over the next 12 months, but I think you've seen a lot of the larger ones earlier this year than you're going to see later this year.

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

So smaller deals. So less chunky assets still need to be monetized there?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

Yes.

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

Any updates on where you expect to be at year-end, I mean, as far as the remaining assets or just kind of continue to take it one by one?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

I think you've probably seen that we're -- it's kind of a lumpy process. And these processes take a while, when you get an asset ready for market, you put it on the market, it's hard to estimate how long that's going to take. And one asset that could be a $10 million asset could have the same process as a $50 million or $100 million asset. So it's really hard to give that kind of specificity.

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

Yes, sure. Jay, switching gears to the new originations side. You mentioned $1 billion in dry powder. You guys are pretty diverse. I mean, where do you see the most attractive places to deploy capital now? I know you mentioned some cautious things on a few things in your previous remarks, but how do you look at that? Is there anything you might look at from an acquisition standpoint as far as adding a new business? I know you guys, obviously, created the SAFE vehicle through identifying that opportunity. Is there anything else out there you're looking for? Or where do you see this capital being deployed?

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

Yes. I still think SAFE and the ground lease are sort of the most interesting because they do open doors to other conversations. And ultimately, if you ask me to characterize quarter what we're looking for, it's more proprietary opportunities. We don't want to and try to avoid situations where there's 5 people at the table, and we're just bidding to see who can bid the lowest price. So certainly, on the net lease side, that's been our mantra. We like to show up and really be able to provide a solution in a fairly unique way and then we can actually get the kind of risk-adjusted returns we want. Same has been true on finance for the last few years. We do these things called TRAC loans. They're either transition, repositioning, acquisition or construction. Those have been really attractive at points in time, and then they can get competitive. So I can't give you a steady stream of business opportunity because the market keeps finding the little holes that we find and filling them. But we keep finding things where either because of a prior relationship or -- right now, there's a little pocket in a major Southern California market we've been able to do a number of deals in because we've been there. We've been there with our customer. We've seen the changes taking place, and we're actually prepared to continue to provide capital there. But at some point, I'm sure that window is going to close too. So you got to be nimble. You've got to have your feet on the ground in a lot of different markets, and fortunately, we've got 25 years of relationships that we can lean on.

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

Appreciate that color. One last quick question. I mean just if you can remind me on SAFE. But wasn't that management fee deferred for a bit? And I think now you'll start to record that as income in the third quarter, is that correct?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

Yes, that's correct. The 1 year -- it was waived for 1 year at iStar, and that expired at the end of June.

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

Okay. And so we'll see that obviously contribute. I assume that, that just go into the net lease line item at the top as far as revenues. Or is it accounted for in a different way?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

Well, it won't be calculated as part of a yield on our owned assets, but it will be part of the net lease segment.

Operator

Our next question comes 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, this could sound like a dumb question, but the new dividend is great. Should we view that as being related to the second quarter or prospectively for the third quarter?

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

Well, we have a board meeting usually after the second quarter. So we need to get approval after the second quarter. So the August 15 record date is a function of just we've gotten it approved, and now we can announce it.

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

So this would be declared in arrears, if you will. In other words, after the fact, and we do have several mortgage REITs that do that as opposed to declaring them in the last month of the current quarter. Going forward then, if I may ask, just for housekeeping, what would -- do you anticipate the timing of the announcement of your dividends for each quarter would -- have you considered when that might be?

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

Yes. I mean, look, we like to get on a regular schedule here. And I think the regular quarterly board meetings are on a regular schedule. The dividend usually gets approved. And so I would imagine 3 months from this one, you'll see another announcement.

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

All right. That's helpful. Andy, on Page 12, the significant principal repayments and basis sold, can you split that for me? And were some of that intentional? Were there assets that are in the already financed portfolio that were part of your monetization plan? I'm just trying to understand the $378 million relative to what has been more of a run rate of about $100 million per quarter.

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

The $378 million is just part of the loan portfolio, if I'm understanding you correctly, Steve. Those are just pure loan repayments.

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

It's pretty chunky, isn't it, on a $1.4 billion portfolio? I mean, was there like 1 or 2 really large loans there?

Andrew C. Richardson - *iStar Inc. - CFO and President of Land & Development*

We had a $100 million loan repayment during the quarter, which was the largest one.

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

Yes. And one of our favorite loans in Times Square that we've made a lot of money off is unfortunately finally repaid.

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

So you want your money back, but some of them, you'd like to just stick around, right, Jay?

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

Yes, that's it.

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

Okay. And can you comment a little bit on the origination pipeline? I mean, 198 for cranking it back up again, I guess, is the right way to suggest where you guys are. Is it building? And can you -- you've got to build -- you've got a lot of money to put to work. So is it kind of like pedal to the floor? Understanding that you're going to be focused on quality and fair pricing.

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

Yes. I think it's not pedal to the floor. I would characterize it more as we can go at any size in the opportunities we like with the customers we have a relationship with, on markets we like. But I think our opportunity is to move quickly when we see something we like. But we're not setting artificial goals, and saying, guys, go out and get this much. It's saying, go find the deals that fit this profile, in the markets we like, in the places we've identified, with the customers, the high-quality customers that we want to do more business with. And if they're doing $50 million deals, then we're doing $50 million deals. If they're doing $300 million deals, then we're going to be doing $300 million deals. But again for us, it's because we have multiple business lines because we have multiple growth drivers, I think we're a little less sensitive about just dollar volumes and more sensitive about building relationships, customer-focused activity that we think can build future, more proprietary-like deal stream.

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

That's unique, I think, in the way you run your business because so much of what we see is what I would refer to as kind of bid through broker, where you've got a more commoditized product, and it really comes down to price and proceeds. But it sounds like you're not taking that approach. You're putting your lending force, targeting it to specific customers as opposed to just kind of scouring the country for whatever's floating around, being offered out there by loan brokers. Am I hearing you correctly?

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

Yes. We'd love if the generic deal is really attractive on a risk-adjusted basis. Sometimes it is. It isn't right now. So you really have to dig and do your work. And look, there's lots of opportunity to put capital out. So we're not saying that we shouldn't be putting capital out, but we want to stick to the best risk-adjusted returns across all our business lines.

Operator

(Operator Instructions) And there are no questions in queue. Please continue.

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

All right. Well, if you should have any additional questions in today's earnings call, please feel free to contact me directly. Would you please read the conference call replay instructions again?

Operator

Sure. Ladies and gentlemen, this conference will be available for replay at 7 p.m. Eastern time and will remain available through August 16. The dial-in number for the replay is 1 (800) 475-6701, access code 451422. International participants, the dial-in number is (320) 365-3844, again, access code 451422.

That does conclude our conference for today. Thank you for your participation, and you may now disconnect.