

ISTAR INC.
Form 10-K
February 26, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____
Commission File No. 1-15371

iStar Inc.
(Exact name of registrant as specified in its charter)
Maryland 95-6881527
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
1114 Avenue of the Americas, 39th Floor 10036
New York, NY (Zip code)
(Address of principal executive offices)
Registrant's telephone number, including area code: (212) 930-9400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of Exchange on which registered:
Common Stock, \$0.001 par value	New York Stock Exchange
8.00% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.65% Series G Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange
7.50% Series I Cumulative Redeemable Preferred Stock, \$0.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	Name of Exchange on which registered:
4.50% Series J Convertible Perpetual Preferred Stock, \$0.001 par value	N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Table of Contents

Indicate by check mark whether the registrant: (i) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports); and (ii) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of June 30, 2018 the aggregate market value of iStar Inc. common stock, \$0.001 par value per share, held by non-affiliates (1) of the registrant was approximately \$698.1 million, based upon the closing price of \$10.79 on the New York Stock Exchange composite tape on such date.

As of February 22, 2019, there were 68,158,151 shares of common stock outstanding.

(1) For purposes of this Annual Report only, includes all outstanding common stock other than common stock held directly by the registrant's directors and executive officers.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2019 Annual Meeting, to be filed within 1.120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I</u>	<u>1</u>
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1a. Risk Factors</u>	<u>5</u>
<u>Item 1b. Unresolved Staff Comments</u>	<u>18</u>
<u>Item 2. Properties</u>	<u>18</u>
<u>Item 3. Legal Proceedings</u>	<u>18</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>18</u>
<u>PART II</u>	<u>19</u>
<u>Item 5. Market for Registrant's Equity and Related Share Matters</u>	<u>19</u>
<u>Item 6. Selected Financial Data</u>	<u>20</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 7a. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>53</u>
<u>Item 8. Financial Statements and Supplemental Data</u>	<u>54</u>
<u>Item 9. Changes and Disagreements with Registered Public Accounting Firm on Accounting and Financial Disclosure</u>	<u>130</u>
<u>Item 9a. Controls and Procedures</u>	<u>130</u>
<u>Item 9b. Other Information</u>	<u>130</u>
<u>PART III</u>	<u>131</u>
<u>Item 10. Directors, Executive Officers and Corporate Governance of the Registrant</u>	<u>131</u>
<u>Item 11. Executive Compensation</u>	<u>131</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>131</u>
<u>Item 13. Certain Relationships, Related Transactions and Director Independence</u>	<u>131</u>
<u>Item 14. Principal Registered Public Accounting Firm Fees and Services</u>	<u>131</u>
<u>PART IV</u>	<u>131</u>
<u>Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K</u>	<u>131</u>
<u>Item 16. Form10-K Summary</u>	<u>134</u>
<u>SIGNATURES</u>	

Table of Contents

PART I

Item 1. Business

Explanatory Note for Purposes of the "Safe Harbor Provisions" of Section 21E of the Securities Exchange Act of 1934, as amended

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are included with respect to, among other things, iStar Inc.'s current business plan, business strategy, portfolio management, prospects and liquidity. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results or outcomes to differ materially from those contained in the forward-looking statements. Important factors that iStar Inc. believes might cause such differences are discussed in the section entitled, "Risk Factors" in Part I, Item 1a of this Form 10-K or otherwise accompany the forward-looking statements contained in this Form 10-K. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In assessing all forward-looking statements, readers are urged to read carefully all cautionary statements contained in this Form 10-K.

Overview

iStar Inc. (references to the "Company," "we," "us" or "our" refer to iStar Inc.) finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. The Company also manages entities focused on ground lease ("Ground Lease") and net lease investments. The Company has invested approximately \$40 billion over the past two decades and is structured as a real estate investment trust ("REIT") with a diversified portfolio focused on larger assets located in major metropolitan markets. The Company's primary reportable business segments are real estate finance, net lease, operating properties and land and development.

Table of Contents

As of December 31, 2018, based on our gross book value, including the carrying value of our equity method investments exclusive of accumulated depreciation, our total investment portfolio has the following characteristics:

Real Estate Finance: The real estate finance portfolio is comprised of senior and mezzanine real estate loans that may be either fixed-rate or variable-rate and are structured to meet the specific financing needs of borrowers. The Company's portfolio also includes leasehold loans, preferred equity investments and senior and subordinated loans to business entities and may be either secured or unsecured. The Company's loan portfolio includes whole loans and loan participations.

Net Lease: The net lease portfolio includes the Company's net lease and Ground Lease investment strategies, both of which offer stable long-term cash flows. We own net lease properties directly and through ventures that we manage. We operate our Ground Lease investment strategy primarily through Safety, Income & Growth Inc. ("SAFE"), a publicly traded REIT focused exclusively on Ground Leases that we launched in 2017 and manage pursuant to a management agreement. As of December 31, 2018, we owned approximately 41.8% of SAFE's outstanding common stock. On January 2, 2019, we made an additional significant, direct equity investment in SAFE (refer to "Item 7. Management's Discussion and Analysis - Our Portfolio"). After giving effect to the additional investment, we hold approximately 65.5% of SAFE's fully diluted equity. We also directly participate in Ground Leases by offering leasehold loans to SAFE's tenants.

Operating Properties: The operating properties portfolio is comprised of commercial and residential properties, which represent a pool of assets across a broad range of geographies and property types. The Company generally seeks to reposition or redevelop its transitional properties with the objective of maximizing their value through the infusion of capital and/or concentrated asset management efforts. The commercial properties within this portfolio include office, retail, hotel and other property types. The residential properties within this portfolio are generally luxury condominium projects located in major U.S. cities where the Company's strategy is to sell individual condominium units through retail distribution channels.

Land & Development: The land and development portfolio is primarily comprised of land entitled for master planned communities and waterfront and urban infill land parcels located throughout the United States. Master planned communities represent large-scale residential projects that the Company will entitle, plan and/or develop and may sell through retail channels to homebuilders or in bulk ("MPCs"). The communities also typically have a smaller portion of their land reserved for future commercial development. Waterfront parcels are generally entitled for residential projects and urban infill parcels are generally entitled for mixed-use projects. The Company may develop these properties itself, or in partnership with commercial real estate developers, or may sell the properties.

Table of Contents

The Company's primary sources of revenues are operating lease income, which is comprised of the rent and reimbursements that tenants pay to lease the Company's properties, interest income, which is the interest that borrowers pay on loans, and land development revenue from lot and parcel sales. The Company primarily generates income through a "spread" or "margin," which is the difference between the revenues net of property related expenses generated from leases and loans and interest expense. In addition, the Company generates income from sales of its real estate and income from equity in earnings of its unconsolidated ventures.

Investment Strategy

Throughout our more than 20-year history, we have focused on providing capital to the commercial real estate sector in a differentiated way that emphasizes custom-tailored solutions over commoditized products. We have adjusted the allocation of our capital and resources from time to time based on market conditions. Our Ground Lease strategy is the most recent example of our historical approach. We believe that investment and financing opportunities in the Ground Lease sector currently offer more attractive risk adjusted returns than other investment opportunities, and should enable us to benefit from the unique insights and competitive advantages we have gained through the launch of SAFE. In originating new investments, the Company's strategy is to focus on the following:

- Targeting custom-tailored opportunities where customers require flexible financial solutions and "one-call" responsiveness, such as a joint offering of a SAFE Ground Lease and an iStar leasehold loan;
- Acquiring a fee simple interest in a commercial property that we intend to bifurcate into a SAFE Ground Lease to be acquired by SAFE and a leasehold interest which we may sell or hold for investment;
- Avoiding commodity businesses where there is significant direct competition from other providers of capital;
- Developing direct relationships with borrowers and corporate customers in addition to sourcing transactions through intermediaries;
- Adding value beyond simply providing capital by offering borrowers and corporate customers specific lending expertise, flexibility, certainty of closing and continuing relationships beyond the closing of a particular financing transaction;
- Taking advantage of market anomalies in the real estate financing markets when, in the Company's view, credit is mispriced by other providers of capital; and
- Evaluating relative risk adjusted returns across multiple investment markets.

We have been actively seeking to reduce the level of our "legacy assets," which refer primarily to properties that we took back from defaulting borrowers in the financial crisis. In 2018, we reduced that portfolio from 35% of our gross book value to 20%. Under the guidance of a new President of Land and Development hired in 2018, we intend to accelerate the monetization of certain legacy assets, including several larger assets, in order to allow us to focus more capital and resources on new investments, particularly in the Ground Lease business.

Financing Strategy

The Company uses leverage to enhance its return on assets. Although capital remains cheap and plentiful in the commercial real estate markets, recently interest rates and the equity markets are experiencing greater volatility. We have taken a cautious approach in these conditions. In the fourth quarter 2018, we opportunistically refinanced a net lease asset using non-recourse mortgage debt that generated \$115.5 million of proceeds to us, net of closing costs, which were used to redeem at par a portion of our senior notes due July 2019. The July 2019 senior notes maturity was reduced from \$770.0 million at the beginning of 2018 to \$375.0 million as of December 31, 2018. Subsequent to December 31, 2018, we called for redemption the remaining \$375.0 million principal amount of July 2019 senior notes on the redemption date of March 7, 2019.

Going forward, the Company will seek to raise capital through a variety of means, which may include unsecured and secured debt financing, debt refinancings, asset sales, sales of interests in business lines, issuances of equity, joint ventures and other third party capital arrangements. A more detailed discussion of the Company's current liquidity and capital resources is provided in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Table of Contents

Underwriting Process

The Company reviews investment opportunities with its investment professionals, as well as representatives from its legal, credit, risk management and capital markets departments. The Company has developed a process for screening potential investments called the Six Point Methodologysm. Through this proprietary process, the Company internally evaluates an investment opportunity by: (1) evaluating the source of the opportunity; (2) evaluating the quality of the collateral, corporate credit or lessee, as well as the market and industry dynamics; (3) evaluating the borrower equity, corporate sponsorship and/or guarantors; (4) determining the optimal legal and financial structure for the transaction given its risk profile; (5) performing an alternative investment test; and (6) evaluating the liquidity of the investment. The Company intends to use a similar screening methodology for leasehold loans to tenants of SAFE and related party transactions with SAFE. The Company maintains an internal investment committee, and certain investments, including related party transactions and leasehold loans to tenants of SAFE, are subject to the approval of the Board of Directors or a committee thereof.

Hedging Strategy

The Company finances its business with a combination of fixed-rate and variable-rate debt and its asset base consists of fixed-rate and variable-rate investments. Its variable-rate assets and liabilities are intended to be matched against changes in variable interest rates. This means that as interest rates increase, the Company earns more on its variable-rate lending assets and pays more on its variable-rate debt obligations and, conversely, as interest rates decrease, the Company earns less on its variable-rate lending assets and pays less on its variable-rate debt obligations. When the Company's variable-rate debt obligations differ from its variable-rate lending assets, the Company may utilize derivative instruments to limit the impact of changing interest rates on its net income. The Company also uses derivative instruments to limit its exposure to changes in currency rates in respect of certain investments denominated in foreign currencies. The derivative instruments the Company uses are typically in the form of interest rate swaps, interest rate caps and foreign exchange contracts.

Policies with Respect to Other Activities

The Company's investment, financing and corporate governance policies (including conflicts of interests policies) are managed under the ultimate supervision of the Company's Board of Directors. The Company can amend, revise or eliminate these policies at any time without a vote of its shareholders. The Company intends to originate and manage investments in a manner consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") for the Company to qualify as a REIT.

Investment Restrictions or Limitations

The Company does not have any prescribed allocation among investments or product lines. Instead, the Company focuses on corporate and real estate credit underwriting to develop an analysis of the risk/reward trade-offs in determining the pricing and advisability of each particular transaction.

The Company believes that it is not, and intends to conduct its operations so as not to become, regulated as an investment company under the Investment Company Act. The Investment Company Act generally exempts entities that are "primarily engaged in purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" (collectively, "Qualifying Interests"). The Company intends to rely on current interpretations of the Securities and Exchange Commission in an effort to qualify for this exemption. Based on these interpretations, the Company, among other things, must maintain at least 55% of its assets in Qualifying Interests and at least 80% of its assets in Qualifying Interests and other "real estate-related assets" (such as mezzanine loans and unsecured investments in real estate entities) combined. The Company's senior mortgages, real estate assets and certain of its subordinated mortgages generally constitute Qualifying Interests. Subject to the limitations on ownership of certain types of assets and the gross income tests imposed by the Code, the Company also may invest in the securities of other REITs, other entities engaged in real estate activities or other issuers, including for the purpose of exercising control over such entities.

Competition

The Company operates in a competitive market. See Item 1a—Risk factors—"We compete with a variety of financing and leasing sources for our customers," for a discussion of how we may be affected by competition.

Regulation

The operations of the Company are subject, in certain instances, to supervision and regulation by state and federal governmental authorities and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things: (1) regulate credit granting activities; (2) establish maximum interest rates, finance charges and other charges; (3) require disclosures to customers; (4) govern secured transactions; (5) set collection, foreclosure, repossession and claims-handling procedures and other trade practices; (6) govern privacy of customer information;

Table of Contents

and (7) regulate anti-terror and anti-money laundering activities. Although most states do not regulate commercial finance, certain states impose limitations on interest rates and other charges and on certain collection practices and creditor remedies, and require licensing of lenders and financiers and adequate disclosure of certain contract terms. The Company is also required to comply with certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans.

In the judgment of management, existing statutes and regulations have not had a material adverse effect on the business conducted by the Company. It is not possible at this time to forecast the exact nature of any future legislation, regulations, judicial decisions, orders or interpretations, nor their impact upon the future business, financial condition or results of operations or prospects of the Company.

The Company has elected and expects to continue to qualify to be taxed as a REIT under Section 856 through 860 of the Code. As a REIT, the Company must generally distribute at least 90% of its net taxable income, excluding capital gains, to its shareholders each year. In addition, the Company must distribute 100% of its net taxable income (including net capital gains) each year to eliminate U.S. corporate federal income taxes payable by it. REITs are also subject to a number of organizational and operational requirements in order to elect and maintain REIT qualification. These requirements include specific share ownership tests and asset and gross income tests. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal income tax (including, for taxable years prior to 2018, any applicable alternative minimum tax) on its net taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to state and local taxes and to U.S. federal income tax and excise tax on its undistributed income.

Code of Conduct

The Company has adopted a code of conduct that sets forth the principles of conduct and ethics to be followed by our directors, officers and employees (the "Code of Conduct"). The purpose of the Code of Conduct is to promote honest and ethical conduct, compliance with applicable governmental rules and regulations, full, fair, accurate, timely and understandable disclosure in periodic reports, prompt internal reporting of violations of the Code of Conduct and a culture of honesty and accountability. A copy of the Code of Conduct has been provided to each of our directors, officers and employees, who are required to acknowledge that they have received and will comply with the Code of Conduct. A copy of the Company's Code of Conduct has been previously filed with the SEC and is incorporated by reference in this Annual Report on Form 10-K as Exhibit 14.0. The Code of Conduct is also available on the Company's website at www.istar.com. The Company will disclose to shareholders material changes to its Code of Conduct, or any waivers for directors or executive officers, if any, within four business days of any such event. As of December 31, 2018, there have been no amendments to the Code of Conduct and the Company has not granted any waivers from any provision of the Code of Conduct to any directors or executive officers.

Employees

As of February 22, 2019, the Company had 166 employees and believes it has good relationships with its employees. The Company's employees are not represented by any collective bargaining agreements.

Additional Information

We maintain a website at www.istar.com. The information on our website is not incorporated by reference in this report, and our web address is included only as an inactive textual reference. In addition to this Annual Report on Form 10-K, the Company files quarterly and special reports, proxy statements and other information with the SEC. Through the Company's corporate website, www.istar.com, the Company makes available free of charge its annual proxy statement, annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. These documents also may be accessed through the SEC's electronic data gathering, analysis and retrieval system via electronic means, including on the SEC's homepage, which can be found at www.sec.gov.

Item 1a. Risk Factors

In addition to the other information in this report, you should consider carefully the following risk factors in evaluating an investment in the Company's securities. Any of these risks or the occurrence of any one or more of the uncertainties described below could have a material adverse effect on the Company's business, financial condition,

results of operations, cash flows and market price of the Company's common stock. The risks set forth below speak only as of the date of this report and the Company disclaims any duty to update them except as required by law. For purposes of these risk factors, the terms "our Company," "we," "our" and "us" refer to iStar Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

Table of Contents

Risks Related to Our Business

Changes in general economic conditions and other factors outside our control may adversely affect our business. Our success is generally dependent upon economic conditions in the United States, and in particular, the geographic areas in which our investments are located. Substantially all businesses, including ours, were negatively affected by the previous economic recession and resulting illiquidity and volatility in the credit and commercial real estate markets. The commercial real estate and credit markets remain volatile and sensitive to factors outside our control, including changes in interest rates, domestic political conditions, geopolitical conditions and other factors. It is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or other trends on our financial results. Deterioration in any of such factors could have a material adverse effect on our financial performance, liquidity and our ability to meet our debt obligations.

Our credit ratings will impact our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Our unsecured corporate credit ratings from major national credit rating agencies are currently below investment grade. Having below investment grade credit ratings increases our borrowing costs and caused restrictive covenants in our public debt instruments to become operative. These restrictive covenants are described below in "Covenants in our indebtedness could limit our flexibility and adversely affect our financial condition." These factors have adversely impacted our financial performance and will continue to do so unless our credit ratings improve.

Covenants in our indebtedness could limit our flexibility and adversely affect our financial condition.

Our outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness of at least 1.2x and a restriction on debt incurrence based upon the effect of the debt incurrence on our fixed charge coverage ratio. If any of our covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of our debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. Limitations on our ability to incur new indebtedness under the fixed charge coverage ratio may limit the amount of new investments we make.

Our revolving credit facility with a maximum capacity of \$325.0 million (our "2015 Revolving Credit Facility") and our senior term loan with a maximum capacity of \$650.0 million (our "2016 Senior Term Loan") contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, our 2016 Senior Term Loan requires the Company to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility and our 2015 Revolving Credit Facility requires us to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. We may not pay common dividends if the Company is in default under the 2016 Senior Term Loan or the 2015 Revolving Credit Facility or would fail to comply with the covenants in such agreements after giving effect to the dividend.

Our 2016 Senior Term Loan and 2015 Revolving Credit Facility contain cross default provisions that would allow the lenders to declare an event of default and accelerate our indebtedness to them if we fail to pay amounts due in respect of our other recourse indebtedness in excess of specified thresholds or if the lenders under such other indebtedness are otherwise permitted to accelerate such indebtedness for any reason. The indentures governing our unsecured public debt securities permit the bondholders to declare an event of default and accelerate our indebtedness to them if our other recourse indebtedness in excess of specified thresholds is not paid at final maturity or if such indebtedness is accelerated. A default by us on our indebtedness would have a material adverse effect on our business, liquidity and the market price of our common stock.

We have significant indebtedness and funding commitments and limitations on our liquidity and ability to raise capital may adversely affect us.

Sufficient liquidity is critical to our ability to grow and to meet our scheduled debt payments and our funding commitments to borrowers. We have relied on proceeds from the issuance of unsecured debt, secured borrowings, repayments from our loan assets and proceeds from asset sales to fund our operations and meet our debt maturities, and we expect to continue to rely primarily on these sources of liquidity for the foreseeable future. While we had access to various sources of capital in 2018, our ability to access capital in 2019 and beyond will be subject to a

number of factors, many of which are outside of our control, such as general economic conditions, changes in interest rates and conditions prevailing in the credit and real estate markets. There can be no assurance that we will have access to liquidity when needed or on terms that are acceptable to us. We may also encounter difficulty in selling assets or executing capital raising strategies on acceptable terms in a timely manner, which could impact our ability to make scheduled repayments on our outstanding debt. Failure to repay or refinance our borrowings as they come due would be an event of default under the relevant debt instruments, which could result in a cross default and acceleration of our other outstanding

Table of Contents

debt obligations. Failure to meet funding commitments could cause us to be in default of our financing commitments to borrowers. Any of the foregoing could have a material adverse effect on our business, liquidity and the market price of our common stock.

We may utilize derivative instruments to hedge risk, which may adversely affect our borrowing cost and expose us to other risks.

The derivative instruments we may use are typically in the form of interest rate swaps, interest rate caps and foreign exchange contracts. Interest rate swaps effectively change variable-rate debt obligations to fixed-rate debt obligations or fixed-rate debt obligations to variable-rate debt obligations. Interest rate caps limit our exposure to rising interest rates. Foreign exchange contracts limit or offset our exposure to changes in currency rates in respect of certain investments denominated in foreign currencies.

Our use of derivative instruments also involves the risk that a counterparty to a hedging arrangement could default on its obligation and the risk that we may have to pay certain costs, such as transaction fees or breakage costs, if a hedging arrangement is terminated by us. As a matter of policy, we enter into hedging arrangements with counterparties that are large, creditworthy financial institutions typically rated at least "A/A2" by S&P and Moody's, respectively.

Developing an effective strategy for dealing with movements in interest rates and foreign currencies is complex and no strategy can completely insulate us from risks associated with such fluctuations. There can be no assurance that any hedging activities will have the desired beneficial impact on our results of operations or financial condition.

Significant increases in interest rates could have an adverse effect on our operating results.

Our operating results depend in part on the difference between the interest and related income earned on our assets and the interest expense incurred in connection with our interest bearing liabilities. Changes in the general level of interest rates prevailing in the financial markets will affect the spread between our interest earning assets and interest bearing liabilities subject to the impact of interest rate floors and caps, as well as the amounts of floating rate assets and liabilities. Any significant compression of the spreads between interest earning assets and interest bearing liabilities could have a material adverse effect on us. While interest rates remain low by historical standards, rates have recently risen and are generally expected to rise in the coming years, although there is no certainty as to the amount by which they may rise. In the event of a significant rising interest rate environment, rates could exceed the interest rate floors that exist on certain of our floating rate debt and create a mismatch between our floating rate loans and our floating rate debt that could have a significant adverse effect on our operating results. An increase in interest rates could also, among other things, reduce the value of our fixed-rate interest bearing assets and our ability to realize gains from the sale of such assets. In addition, rising interest rates tend to negatively impact the residential mortgage market, which in turn may adversely affect the value of and demand for our land assets, including our residential development projects. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control.

Changes in the method for determining LIBOR or a replacement of LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR and could affect our results of operations or financial condition.

In July 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. We are unable to predict the effect of any changes, any establishment of alternative reference rates or any other reforms to LIBOR or any replacement of LIBOR that may be enacted in the United Kingdom or elsewhere. Such changes, reforms or replacements relating to LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

We are required to make a number of judgments in applying accounting policies, and different estimates and assumptions could result in changes to our financial condition and results of operations.

Material estimates that are particularly susceptible to significant change underlie our determination of the reserve for loan losses, which is based primarily on the estimated fair value of loan collateral, as well as the valuation of real estate assets and deferred tax assets. While we have identified those accounting policies that are considered critical and have procedures in place to facilitate the associated judgments, different assumptions in the application of these

policies could have a material adverse effect on our financial performance and results of operations and actual results may differ materially from our estimates.

The carrying values of our assets held for investment are not determined based upon the prices at which they could be sold currently. We have recognized impairments as a result of selling or marketing legacy assets for sale, or re-evaluating expected cash flows from legacy assets, and there can be no assurance that we will not recognize more impairments in the future on legacy and non-legacy assets.

As discussed further in the notes to our consolidated financial statements, we record our real estate and land and development assets at cost less accumulated depreciation and amortization. If we hold a property for use or investment, we will only review it

Table of Contents

for impairment in value if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable, based on management's determination that the aggregate future cash flows to be generated by the asset (taking into account the anticipated holding period of the asset) is less than the carrying value. Management's estimates of cash flows considers factors such as expected future operating income trends, as well as the effects of demand, competition and other economic factors. The carrying values of our real estate and land and development assets are not indicative of the prices at which we would be able to sell the properties, if we had to do so before the end of their intended holding period. If we changed our investment intent and decided to sell a property that was being held for investment, including in distressed circumstances as a means of raising liquidity, there can be no assurance that we would not realize losses on such sales, which losses could have a material adverse effect on our business, financial results, liquidity and the market price of our common stock. We intend to accelerate the monetization of assets in our legacy portfolio, including certain larger assets, and our decisions to do so resulted in our recognizing significant impairments in 2018. We also recognized additional impairments on legacy assets in 2018 from a re-evaluation of expected cash flows from certain legacy assets (refer to "Item 7. Management's Discussion and Analysis - Our Portfolio"). We continue to hold other legacy assets for investment, and there can be no assurance that we will not recognize impairment on such assets, or non-legacy assets in the future.

Changes in accounting rules will affect our financial reporting.

The Financial Accounting Standards Board ("FASB") has issued new accounting standards that will affect our financial reporting.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") which was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments held by a reporting entity. This amendment replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), and in July 2018, the FASB issued ASU 2018-11, Leases ("ASU 2018-11"), to address two requirements of ASU 2016-02. ASU 2016-02 and ASU 2018-11 are effective for interim and annual reporting periods beginning after December 15, 2018. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating or finance leases. For operating and finance leases, a lessee will be required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. Lessees under operating leases will be required to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis, and classify all cash payments within operating activities in its statement of cash flows. Lessees under finance leases will be required to recognize interest expense on the lease liability (under the effective interest method) and amortization expense of the right-of-use asset (generally on a straight line basis), each reflected separately in its statement of operations. For operating lease arrangements for which we are the lessee, primarily under leases of office space and certain ground leases, we expect the adoption of ASU 2016-02 to result in the recognition of a right-of-use asset and lease liability on our consolidated balance sheets. We do not expect the right-of-use assets or lease liabilities to be material to our balance sheet. The accounting applied by us as a lessor will be mostly unchanged from that applied under previous GAAP.

Management has decided to elect the practical expedient package that allows us: (a) to not reassess whether any expired or existing contracts entered into prior to January 1, 2019 are or contain leases; (b) to not reassess the lease classification for any expired or existing leases entered into prior to January 1, 2019; and (c) to not reassess initial direct costs for any expired or existing leases entered into prior to January 1, 2019. In addition, we will elect to not record on our consolidated balance sheets leases whose term is less than 12 months at lease inception.

ASU 2018-11 amends ASU 2016-02 so that: (a) entities may elect to not recast the comparative periods presented when transitioning to ASC 842 by allowing entities to change their initial application to the beginning of the period of adoption; and (b) provides lessors with a practical expedient to not separate non-lease components from the associated lease component of the contractual payments if certain conditions are met. Management has decided to elect both of these provisions.

Changes in accounting standards could affect the comparability of our reported results with prior periods and our ability to comply with financial covenants under our debt instruments. We may also need to change our accounting systems and processes to enable us to comply with the new standards, which may be costly.

Table of Contents

For additional information regarding new accounting standards, refer to Note 3 to our consolidated financial statements under the heading "New accounting pronouncements."

Our reserves for loan losses may prove inadequate, which could have a material adverse effect on our financial results. We maintain loan loss reserves to offset potential future losses. Our general loan loss reserve reflects management's then-current estimation of the probability and severity of losses within our portfolio. In addition, our determination of asset-specific loan loss reserves relies on material estimates regarding the fair value of loan collateral. Estimation of ultimate loan losses, provision expenses and loss reserves is a complex and subjective process. As such, there can be no assurance that management's judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses. Such losses could be caused by factors including, but not limited to, unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate or markets in which our borrowers or their properties are located. In particular, during the previous financial crisis, the weak economy and disruption of the credit markets adversely impacted the ability and willingness of many of our borrowers to service their debt and refinance our loans to them at maturity. If our reserves for credit losses prove inadequate we may suffer additional losses which would have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

We have suffered losses when a borrower defaults on a loan and the underlying collateral value is not sufficient, and we may suffer additional losses in the future.

We have suffered losses arising from borrower defaults on our loan assets and we may suffer additional losses in the future. In the event of a default by a borrower on a non-recourse loan, we will only have recourse to the real estate-related assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. Conversely, we sometimes make loans that are unsecured or are secured only by equity interests in the borrowing entities. These loans are subject to the risk that other lenders may be directly secured by the real estate assets of the borrower. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying real estate. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the borrower prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

We sometimes obtain individual or corporate guarantees from borrowers or their affiliates. In cases where guarantees are not fully or partially secured, we typically rely on financial covenants from borrowers and guarantors which are designed to require the borrower or guarantor to maintain certain levels of creditworthiness. Where we do not have recourse to specific collateral pledged to satisfy such guarantees or recourse loans, or where the value of the collateral proves insufficient, we will only have recourse as an unsecured creditor to the general assets of the borrower or guarantor, some or all of which may be pledged to satisfy other lenders. There can be no assurance that a borrower or guarantor will comply with its financial covenants, or that sufficient assets will be available to pay amounts owed to us under our loans and guarantees. As a result of these factors, we may suffer additional losses which could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

In the event of a borrower bankruptcy, we may not have full recourse to the assets of the borrower in order to satisfy our loan. In addition, certain of our loans are subordinate to other debts of the borrower. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill" periods) and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase collection costs and losses and the time necessary to acquire title to the underlying collateral, during which time the collateral may decline in value, causing us to suffer additional losses. If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a borrower may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a borrower's ability to refinance our loan because the underlying property cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer additional loss which may adversely impact our financial performance.

Our expectations as to the potential size of the market for Ground Lease transactions and the growth of SAFE may prove to be incorrect.

We have made a significant investment in SAFE and the Ground Lease business. The achievement of our investment objectives for the Ground Lease business depends, in large part, on our ability, as SAFE's manager, to grow SAFE's portfolio. We cannot assure you that the size of the market for Ground Leases will meet our estimates. Potential tenants may prefer to own the land underlying the improvements they intend to develop, rehabilitate or own. In addition, as and when interest rates increase,

Table of Contents

there may be less activity generally in real estate transactions, including leasing, development and financing, and less financing available for potential tenants to finance their leasehold interests. If the Ground Lease business does not achieve our investment objectives, the value of our investment in SAFE may decline materially and/or SAFE may reduce its distributions to stockholders, including us.

We may acquire a commercial property with the intent to sell the land to SAFE and to sell or lease the leasehold interest to a third party. If we are unable to sell or lease the leasehold interest, we will be exposed to the risks of ownership of operating properties.

We may acquire commercial properties with the intent to separate the property into an ownership interest in land that is sold to SAFE and an interest in the buildings and improvements thereon that is sold or leased to a third party. There may be instances where we are unable to find a purchaser or lessee for the improvements, in which case we will be subject to the risks of owning operating properties.

The ownership and operation of commercial properties will expose us to risks, including, without limitation:

- adverse changes in international, regional or local economic and demographic conditions;
- tenant vacancies and market pressures to offer tenant incentives to sign or renew leases;
- adverse changes in the financial position or liquidity of tenants;
- the inability to collect rent from tenants;
- tenant bankruptcies;
- higher costs resulting from capital expenditures and property operating expenses;
- civil disturbances, hurricanes and other natural disasters, or terrorist acts or acts of war, which may result in uninsured or underinsured losses;
- liabilities under environmental laws;
- risks of loss from casualty or condemnation;
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws; and

• the other risks described under "We are subject to additional risks associated with owning and developing property."

Upon taking ownership of a commercial property, we may be required to contribute ownership of the land to a taxable REIT subsidiary ("TRS"), which would subsequently seek to sell the land to SAFE and lease or sell a leasehold interest in such commercial property to a third party. Any gain from the sale of land would be subject to corporate income tax.

We are subject to additional risks associated with loan participations.

Some of our loans are participation interests or co-lender arrangements in which we share the rights, obligations and benefits of the loan with other lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

We are subject to additional risk associated with owning and developing real estate.

We own a number of assets that previously served as collateral on defaulted loans. These assets are predominantly land and development assets and operating properties. These assets expose us to additional risks, including, without limitation:

We must incur costs to carry these assets and in some cases make repairs to defects in construction, make improvements to, or complete the assets, which requires additional liquidity and results in additional expenses that could exceed our original estimates and impact our operating results.

Real estate projects are not liquid and, to the extent we need to raise liquidity through asset sales, we may be limited in our ability to sell these assets in a short-time frame.

Uncertainty associated with economic conditions, rezoning, obtaining governmental permits and approvals, concerns of community associations, reliance on third party contractors, increasing commodity costs and threatened or pending litigation may materially delay our completion of rehabilitation and development activities and materially increase their cost to us.

The values of our real estate investments are subject to a number of factors outside of our control, including changes in the general economic climate, changes in interest rates and the availability of attractive financing, over-building or decreasing demand in the markets where we own assets, and changes in law and governmental regulations.

Table of Contents

The residential market has experienced significant downturns that could recur and adversely affect us. As of December 31, 2018, we owned land and residential condominiums with a net carrying value of \$618.8 million. The housing market in the United States has previously been affected by weakness in the economy, high unemployment levels and low consumer confidence. It is possible another downturn could occur again in the near future and adversely impact our portfolio, and accordingly our financial performance. In addition, rising interest rates tend to negatively impact the residential mortgage market, which in turn may adversely affect the value of and demand for our land assets including our residential development projects.

We may experience losses if the creditworthiness of our tenants deteriorates and they are unable to meet their lease obligations.

We own properties leased to tenants of our real estate assets and receive rents from tenants during the contracted term of such leases. We underwrite the credit of prospective borrowers and tenants and often require them to provide some form of credit support such as corporate guarantees, letters of credit and/or cash security deposits. Although our loans and real estate assets are geographically diverse and the borrowers and tenants operate in a variety of industries, to the extent we have a significant concentration of interest or operating lease revenues from any single borrower or customer, the inability of that borrower or tenant to make its payment could have a material adverse effect on us. As of December 31, 2018, our five largest borrowers or tenants of net lease assets collectively accounted for approximately 14.4% of our 2018 revenues, of which no single customer accounts for more than 6.7%. A tenant's ability to pay rent is determined by its creditworthiness, among other factors. If a tenant's credit deteriorates, the tenant may default on its obligations under our lease and may also become bankrupt. The bankruptcy or insolvency of our tenants or other failure to pay is likely to adversely affect the income produced by our real estate assets. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy, we may not be able to evict the tenant solely because of such bankruptcy or failure to pay. A court, however, may authorize a tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. In addition, certain amounts paid to us within 90 days prior to the tenant's bankruptcy filing could be required to be returned to the tenant's bankruptcy estate. In any event, it is highly unlikely that a bankrupt or insolvent tenant would pay in full amounts it owes us under a lease that it intends to reject. In other circumstances, where a tenant's financial condition has become impaired, we may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is likely less than the total contractual rental amount. Without regard to the manner in which the lease termination occurs, we are likely to incur additional costs in the form of tenant improvements and leasing commissions in our efforts to lease the space to a new tenant. In any of the foregoing circumstances, our financial performance could be materially adversely affected.

We are subject to risks relating to our asset concentration.

Our portfolio consists primarily of real estate and commercial real estate loans which are generally diversified by asset type, obligor, property type and geographic location. Refer to "Item 7. Management's Discussion and Analysis - Portfolio Overview" for our asset concentrations by property type and geographic location. Many property types were adversely affected by the previous economic recession and we may suffer additional losses on our assets due to these concentrations.

Lease expirations, lease defaults and lease terminations may adversely affect our revenue.

Lease expirations and lease terminations may result in reduced revenues if the lease payments received from replacement tenants are less than the lease payments received from the expiring or terminating corporate tenants. In addition, lease defaults or lease terminations by one or more significant tenants or the failure of tenants under expiring leases to elect to renew their leases could cause us to experience long periods of vacancy with no revenue from a facility and to incur substantial capital expenditures and/or lease concessions in order to obtain replacement tenants. Leases representing approximately 14.1% of our in-place operating lease income are scheduled to expire during the next five years.

We compete with a variety of financing and leasing sources for our customers.

The financial services industry and commercial real estate markets are highly competitive and have become more competitive in recent years. Our competitors include finance companies, other REITs, commercial banks and thrift

institutions, investment banks and hedge funds, among others. Our competitors may seek to compete aggressively on a number of factors including transaction pricing, terms and structure. We may have difficulty competing to the extent we are unwilling to match our competitors' deal terms in order to maintain our interest margins and/or credit standards. To the extent that we match competitors' pricing, terms or structure, we may experience decreased interest margins and/or increased risk of credit losses, which could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

Table of Contents

We face significant competition within our net leasing business from other owners, operators and developers of properties, many of which own properties similar to ours in markets where we operate. Such competition may affect our ability to attract and retain tenants and reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners offering lower rental rates than we would or providing greater tenant improvement allowances or other leasing concessions. This combination of circumstances could adversely affect our revenues and financial performance.

We are subject to certain risks associated with investing in real estate, including potential liabilities under environmental laws and risks of loss from weather conditions, man-made or natural disasters, climate change and terrorism.

Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos-containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos-containing materials. While a secured lender is not likely to be subject to these forms of environmental liability, when we foreclose on real property, we become an owner and are subject to the risks of environmental liability. Additionally, our net lease assets require our tenants to undertake the obligation for environmental compliance and indemnify us from liability with respect thereto. There can be no assurance that our tenants will have sufficient resources to satisfy their obligations to us.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can damage properties we own. As of December 31, 2018, approximately 16% of the carrying value of our assets was located in the western and northwestern United States, geographic areas at higher risk for earthquakes. Additionally, we own properties located near the coastline and the value of our properties will potentially be subject to the risks associated with long-term effects of climate change. A significant number of our properties are located in major urban areas which, in recent years, have been high risk geographical areas for terrorism and threats of terrorism. Certain forms of terrorism including, but not limited to, nuclear, biological and chemical terrorism, political risks, environmental hazards and/or Acts of God may be deemed to fall completely outside the general coverage limits of our insurance policies or may be uninsurable or cost prohibitive to justify insuring against. Furthermore, if the U.S. Terrorism Risk Insurance Program Reauthorization Act is repealed or not extended or renewed upon its expiration, the cost for terrorism insurance coverage may increase and/or the terms, conditions, exclusions, retentions, limits and sublimits of such insurance may be materially amended, and may effectively decrease the scope and availability of such insurance to the point where it is effectively unavailable. Future weather conditions, man-made or natural disasters, effects of climate change or acts of terrorism could adversely impact the demand for, and value of, our assets and could also directly impact the value of our assets through damage, destruction or loss, and could thereafter materially impact the availability or cost of insurance to protect against these events. Although we believe our owned real estate and the properties collateralizing our loan assets are adequately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance to our tenants. Any weather conditions, man-made or natural disasters, terrorist attack or effect of climate change, whether or not insured, could have a material adverse effect on our financial performance, liquidity and the market price of our common stock. In addition, there is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition.

Transactions between iStar and SAFE were negotiated between related parties and their terms may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

Transactions between iStar and SAFE, including our recent \$250.0 million investment in SAFE and the agreements entered into in connection with such investment (refer to "Item 7. Management's Discussion and Analysis - Our Portfolio") were negotiated between related parties and their terms may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under agreements with SAFE because of our desire to maintain our ongoing relationship with SAFE. There are various potential conflicts of interest in our relationship with SAFE, including our executive officers and/or directors who are also officers and/or directors of SAFE, which could result in decisions that are not in the best interest of our stockholders.

Conflicts of interest may exist or could arise in the future with SAFE, including our executive officers and/or directors who are also directors or officers of SAFE. Conflicts may include, without limitation: conflicts arising from the enforcement of

Table of Contents

agreements between us and SAFE; conflicts in the amount of time that our officers and employees will spend on our affairs versus SAFE's affairs; and conflicts in future transactions that we may pursue with SAFE. Transactions between iStar and SAFE would be subject to certain approvals of our independent directors; however, there can be no assurance that such approval will be successful in achieving terms and conditions as favorable to us as would be available from a third party. Two directors of iStar also serve on SAFE's our board of directors, including Jay Sugarman, who is the chief executive officer of SAFE and our chief executive officer.

Our directors and executive officers have duties to our company under applicable Maryland law, and our executive officers and our directors who are also directors or officers of SAFE also have duties to SAFE under applicable Maryland law. Those duties may come in conflict from time to time. We have duties as the manager of SAFE which may come in conflict with our duties to our stockholders from time to time. In addition, conflicts of interest may exist or could arise in the future with our duties to Net Lease Venture II and our duties to SAFE as its manager in connection with future investment opportunities.

From time to time we make investments in companies over which we do not have control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. Although these businesses generally have a significant real estate component, some of them may operate in businesses that are different from our primary business segments. Consequently, investments in these businesses, among other risks, subject us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses.

From time to time we may make additional investments in or acquire other entities that may subject us to similar risks. Investments in entities over which we do not have sole control, including joint ventures, present additional risks such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

Declines in the market values of our equity investments may adversely affect periodic reported results.

Most of our equity investments are in funds or companies that are not publicly traded and their fair value may not be readily determinable. We may periodically estimate the fair value of these investments, based upon available information and management's judgment. Because such valuations are inherently uncertain, they may fluctuate over short periods of time. In addition, our determinations regarding the fair value of these investments may be materially higher than the values that we ultimately realize upon their disposal, which could result in losses that have a material adverse effect on our financial performance, the market price of our common stock and our ability to pay dividends.

Quarterly results may fluctuate and may not be indicative of future quarterly performance.

Our quarterly operating results could fluctuate; therefore, reliance should not be placed on past quarterly results as indicative of our performance in future quarters. Factors that could cause quarterly operating results to fluctuate include, among others, variations in loan and real estate portfolio performance, levels of non-performing assets and related provisions, market values of investments, costs associated with debt, general economic conditions, the state of the real estate and financial markets and the degree to which we encounter competition in our markets.

Our ability to retain and attract key personnel is critical to our success.

Our success depends on our ability to retain our senior management and the other key members of our management team and recruit additional qualified personnel. We rely in part on equity compensation to retain and incentivize our personnel. In addition, if members of our management join competitors or form competing companies, the competition could have a material adverse effect on our business. Efforts to retain or attract professionals may result in additional compensation expense, which could affect our financial performance.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information

technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure

Table of Contents

or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations and the services we provide to customers, and damage our reputation, which could have a material adverse effect on our business.

We may change certain of our policies without stockholder approval.

Our charter does not set forth specific percentages of the types of investments we may make. We can amend, revise or eliminate our investment financing and conflict of interest policies at any time at our discretion without a vote of our shareholders. A change in these policies could have a material adverse effect on our financial performance, liquidity and the market price of our common stock.

Certain provisions in our charter may inhibit a change in control.

Generally, to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of our taxable year. The Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Under our charter, no person may own more than 9.8% of our outstanding shares of stock, with some exceptions. The restrictions on transferability and ownership may delay, deter or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interest of the security holders.

We would be subject to adverse consequences if we fail to qualify as a REIT.

We believe that we have been organized and operated in a manner so as to qualify for taxation as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 1998. Our qualification as a REIT, however, has depended and will continue to depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income and the amount of our distributions to our shareholders. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Our ability to satisfy these asset tests depends upon our analysis of the characterization of our assets for U.S. federal income tax purposes and fair market values of our assets. The fair market values of certain of our assets are not susceptible to a precise determination.

If we were to fail to qualify as a REIT for any taxable year, we would not be allowed a deduction for distributions to our shareholders in computing our net taxable income and would be subject to U.S. federal income tax, including, for taxable years prior to 2018, any applicable alternative minimum tax on our net taxable income at regular corporate rates and applicable state and local taxes. We would also be disqualified from treatment as a REIT for the four subsequent taxable years following the year during which our REIT qualification was lost unless we were entitled to relief under certain Code provisions and obtained a ruling from the IRS. If disqualified and unable to obtain relief, we may need to borrow money or sell assets to pay taxes. As a result, cash available for distribution would be reduced for each of the years involved. Furthermore, it is possible that future economic, market, legal, tax or other considerations may cause our REIT qualification to be revoked. This could have a material adverse effect on our business and the market price of our common stock.

Our 2016 Senior Term Loan and 2015 Revolving Credit Facility (see Item 8—"Financial Statements and Supplemental Data—Note 10") prohibit us from paying dividends on our common stock if we no longer qualify as a REIT.

To qualify as a REIT, we may be forced to borrow funds, sell assets or take other actions during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our shareholders at least 90% of our net taxable income, excluding net capital gains each year, and we will be subject to U.S. federal income tax, as well as applicable state and local taxes, to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

In the event that principal, premium or interest payments with respect to a particular debt instrument that we hold are not made when due, we may nonetheless be required to continue to recognize the unpaid amounts as taxable income. In addition, we may be allocated taxable income in excess of cash flow received from some of our partnership

investments. For taxable years beginning after December 31, 2017, we will generally be required to take certain amounts into income no later than the time such amounts are reflected on our financial statements (this rule will apply to debt instruments issued with original issue discount for taxable years beginning after December 31, 2018). Also, in certain circumstances our ability to deduct interest expenses for U.S. federal income tax purposes may be limited. From these and other potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a significant risk that we may have substantial taxable income in

Table of Contents

excess of cash available for distribution. In order to qualify as a REIT and avoid the payment of income and excise taxes, we may need to borrow funds or take other actions to meet our REIT distribution requirements for the taxable year in which the phantom income is recognized.

Complying with the REIT requirements may cause us to forego and/or liquidate otherwise attractive investments. In order to meet the income, asset and distribution tests under the REIT rules, we may be required to take or forego certain actions. For instance, we may not be able to make certain investments and we may have to liquidate other investments. In addition, we may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

Certain of our business activities may potentially be subject to the prohibited transaction tax, which could reduce the return on your investment.

For so long as we qualify as a REIT, our ability to dispose of certain properties may be restricted under the REIT rules, which generally impose a 100% penalty tax on any gain recognized on "prohibited transactions," which refers to the disposition of property that is deemed to be inventory or held primarily for sale to customers in the ordinary course of our business, subject to certain exceptions. Whether property is inventory or otherwise held primarily for sale depends on the particular facts and circumstances. The Code provides a safe harbor that, if met, allows a REIT to avoid being treated as engaged in a prohibited transaction. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with the safe harbor. The 100% tax does not apply to gains from the sale of foreclosure property or to property that is held through a taxable REIT subsidiary ("TRS") or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to avoid prohibited transaction characterization.

Certain of our activities, including our use of TRSs, are subject to taxes that could reduce our cash flows.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some U.S. federal, state, local and non-U.S. taxes on our income and property, including taxes on any undistributed income, taxes on income from certain activities conducted as a result of foreclosures, and property and transfer taxes. We would be required to pay taxes on net taxable income that we fail to distribute to our shareholders. In addition, we may be required to limit certain activities that generate non-qualifying REIT income, such as land development and sales of condominiums, and/or we may be required to conduct such activities through TRS. We hold a significant amount of assets in our TRS, including assets that we have acquired through foreclosure, assets that may be treated as dealer property and other assets that could adversely affect our ability to qualify as a REIT if held at the REIT level. As a result, we will be required to pay income taxes on the taxable income generated by these assets. Furthermore, we will be subject to a 100% penalty tax to the extent our economic arrangements with our TRS are not comparable to similar arrangements among unrelated parties. We will also be subject to a 100% tax to the extent we derive income from the sale of assets to customers in the ordinary course of business other than through our TRS. To the extent we or our TRS are required to pay U.S. federal, state, local or non-U.S. taxes, we will have less cash available for distribution to our shareholders.

We have substantial net operating loss carry forwards which we use to offset our tax and distribution requirements. We fully utilized our net capital loss carry forward during the year ended December 31, 2017. Net operating losses arising in taxable years beginning after December 31, 2017 will only be able to offset up to 80% of our net taxable income (after the application of the dividends paid deduction) and may not be carried back. In the event that we experience an "ownership change" for purposes of Section 382 of the Code, our ability to use these losses will be limited. An "ownership change" is determined through a set of complex rules which track the changes in ownership that occur in our common stock for a trailing three year period. We have experienced volatility and significant trading in our common stock in recent years. The occurrence of an ownership change is generally beyond our control and, if triggered, may increase our tax and distribution obligations for which we may not have sufficient cash flow.

A failure to comply with the limits on our ownership of and relationship with our TRS would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

No more than 20% (25% for taxable years beginning before December 31, 2017) of the value of a REIT's total assets may consist of stock or securities of one or more TRS. This requirement limits the extent to which we can conduct activities through TRS or expand the activities that we conduct through TRS. The values of some of our assets, including assets that we hold through TRSs may not be subject to precise determination, and values are subject to change in the future. In addition, we hold certain mortgage and mezzanine loans within one or more of our TRS that are secured by real property. We treat these loans as qualifying assets for purposes of the REIT asset tests to the extent that such mortgage loans are secured by real property and such mezzanine

Table of Contents

loans are secured by an interest in a limited liability company that holds real property. We received from the IRS a private letter ruling which holds that we may exclude such loans from the limitation that securities from TRS must constitute no more than 20% (25% for taxable years beginning before December 31, 2017) of our total assets. We are entitled to rely upon this private letter ruling only to the extent that we did not misstate or omit a material fact in the ruling request and that we continue to operate in accordance with the material facts described in such request, and no assurance can be given that we will always be able to do so. To the extent that any loan is recharacterized as equity, it would increase the amount of non-real estate securities that we have in our TRS and could adversely affect our ability to meet the limitation described above. If we were not able to exclude such loans to our TRS from the limitation described above, our ability to meet the REIT asset tests and other REIT requirements could be adversely affected. Accordingly, there can be no assurance that we have met or will be able to continue to comply with the TRS limitation.

In addition, we may from time to time need to make distributions from a TRS in order to keep the value of our TRS below the TRS limitation. TRS dividends, however, generally will not constitute qualifying income for purposes of the 75% REIT gross income test. While we will monitor our compliance with both this income test and the limitation on the percentage of our total assets represented by TRS securities, and intend to conduct our affairs so as to comply with both, the two may at times be in conflict with one another. For example, it is possible that we may wish to distribute a dividend from a TRS in order to reduce the value of our TRS to comply with limitation, but we may be unable to do so without simultaneously violating the 75% REIT gross income test.

Although there are other measures we can take in such circumstances to remain in compliance with the requirements for REIT qualification, there can be no assurance that we will be able to comply with both of these tests in all market conditions.

Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from C corporations, which could adversely affect the value of our common stock.

The maximum U.S. federal income tax rate for certain qualified dividends payable by C corporations to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for this reduced rate. For taxable years beginning after December 31, 2017 and before January 1, 2026, non-corporate taxpayers may deduct up to 20% of certain qualified business income, including "qualified REIT dividends" (generally, REIT dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividends from C corporations does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends, together with the recently reduced corporate tax rate (21%) could cause non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in non-REIT corporations that pay dividends, which could adversely affect the value of the REIT shares, including our common stock.

Legislative or regulatory tax changes related to REITs could materially and adversely affect us.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our common stock.

The Tax Cuts and Jobs Act, which was signed into law on December 22, 2017, made significant changes to the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders. Certain key provisions of the Tax Cuts and Jobs Act could impact the Company and its stockholders, beginning in 2018, including the following:

Reduced Tax Rates. The highest individual U.S. federal income tax rate on ordinary income is reduced from 39.6% to 37% (through taxable years ending in 2025), and the maximum corporate income tax rate is reduced from 35% to 21%. In addition, individuals, trust, and estates that own the Company's stock are permitted to deduct up to 20% of dividends received from the Company (other than dividends that are designated as capital gain dividends or qualified

dividend income), generally resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025). Further, the amount that the Company is required to withhold on distributions to non-U.S. stockholders that are treated as attributable to gains from the Company's sale or exchange of U.S. real property interests is reduced from 35% to 21%.

Net Operating Losses. The Company may not use net operating losses generated beginning in 2018 to offset more than 80% of the Company's taxable income (after the application of the dividends paid deduction). Net operating losses generated beginning in 2018 can be carried forward indefinitely but can no longer be carried back.

Table of Contents

Limitation on Interest Deductions. The amount of net interest expense that each of the Company and its TRSs may deduct for a taxable year is limited to the sum of: (i) the taxpayer's business interest income for the taxable year; and (ii) 30% of the taxpayer's "adjusted taxable income" for the taxable year. For taxable years beginning before January 1, 2022, adjusted taxable income means earnings before interest, taxes, depreciation, and amortization ("EBITDA"); for taxable years beginning on or after January 1, 2022, adjusted taxable income is limited to earnings before interest and taxes ("EBIT"). Certain electing businesses, including electing real estate businesses, may elect out of the foregoing limitation.

Alternative Minimum Tax. The corporate alternative minimum tax is eliminated.

Income Accrual. The Company is required to recognize certain items of income for U.S. federal income tax purposes no later than the Company would report such items on its financial statements. As discussed in Item 1a-Risk factors-"To qualify as a REIT, we may be forced to borrow funds, sell assets or take other actions during unfavorable market conditions", earlier recognition of income for U.S. federal income tax purposes could impact the Company's ability to satisfy the REIT distribution requirements. This provision generally applies to taxable years beginning after December 31, 2017, but will apply with respect to income from a debt instrument having "original issue discount" for U.S. federal income tax purposes only for taxable years beginning after December 31, 2018.

Prospective investors are urged to consult with their tax advisors regarding the effects of the Tax Cuts and Jobs Act or other legislative, regulatory or administrative developments on an investment in the Company's common stock. Our Investment Company Act exemption limits our investment discretion and loss of the exemption would adversely affect us.

We believe that we currently are not, and we intend to operate our company so that we will not be, regulated as an investment company under the Investment Company Act because we are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Specifically, we are required to invest at least 55% of our assets in "qualifying real estate assets" (that is, real estate, mortgage loans and other qualifying interests in real estate), and at least 80% of our assets in "qualifying real estate assets" and other "real estate-related assets" (such as mezzanine loans and unsecured investments in real estate entities) combined.

We will need to monitor our assets to ensure that we continue to satisfy the percentage tests. Maintaining our exemption from regulation as an investment company under the Investment Company Act limits our ability to invest in assets that otherwise would meet our investment strategies. If we fail to qualify for this exemption, we could not operate our business efficiently under the regulatory scheme imposed on investment companies under the Investment Company Act, and we could be required to restructure our activities. This would have a material adverse effect on our financial performance and the market price of our securities.

Actions of the U.S. government, including the U.S. Congress, Federal Reserve, U.S. Treasury and other governmental and regulatory bodies, to stabilize or reform the financial markets, or market responses to those actions, may not achieve the intended effect and may adversely affect our business.

The U.S. government, including the U.S. Congress, the Federal Reserve, the U.S. Treasury and other governmental and regulatory bodies have increased their focus on the regulation of the financial industry in recent years. New or modified regulations and related regulatory guidance may have unforeseen or unintended adverse effects on the financial industry. Laws, regulations or policies, including tax laws and accounting standards and interpretations, currently affecting us may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, our business may also be adversely affected by future changes in laws, regulations, policies or interpretations or regulatory approaches to compliance and enforcement.

Various legislative bodies have also considered altering the existing framework governing creditors' rights and mortgage products including legislation that would result in or allow loan modifications of various sorts. Such legislation may change the operating environment in substantial and unpredictable ways. We cannot predict whether new legislation will be enacted, and if enacted, the effect that it or any regulations would have on our activities,

financial condition, or results of operations.

Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for some litigation, which could limit the ability of stockholders to obtain a favorable judicial forum for disputes with our company.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of any duty owed by us or by any director or officer or other employee to us or to our stockholders; (c) any action asserting a claim against us or any

Table of Contents

director or officer or other employee arising pursuant to any provision of the Maryland General Corporation Law or our charter or bylaws; or (d) any action asserting a claim against us or any director or officer or other employee that is governed by the internal affairs doctrine shall be the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division. This forum selection provision may limit the ability of stockholders of our company to obtain a judicial forum that they find favorable for disputes with our company or our directors, officers, employees, if any, or other stockholders.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

The Company's principal executive and administrative offices are located at 1114 Avenue of the Americas, New York, NY 10036. Its telephone number and web address are (212) 930-9400 and www.istar.com, respectively. The lease for the Company's principal executive and administrative offices expires in February 2021. The Company's principal regional offices are located in the Atlanta, Georgia; Hartford, Connecticut; San Francisco, California and Los Angeles, California metropolitan areas.

See Item 1—"Net Lease," and "Operating Properties" for a discussion of properties held by the Company for investment purposes and Item 8—"Financial Statements and Supplemental Data—Schedule III," for a detailed listing of such properties.

Item 3. Legal Proceedings

The Company and/or one or more of its subsidiaries is party to various pending litigation matters that are considered ordinary routine litigation incidental to the Company's business as a finance and investment company focused on the commercial real estate industry, including foreclosure-related proceedings. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding that would have a material adverse effect on the Company's consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant's Equity and Related Share Matters

The Company's common stock trades on the New York Stock Exchange ("NYSE") under the symbol "STAR." The Company had 1,632 holders of record of common stock as of February 22, 2019.

Issuer Purchases of Equity Securities

The following table sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the three months ended December 31, 2018.

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans ⁽¹⁾
October 1 to October 31, 2018	—	\$	—	\$41,710,022
November 1 to November 30, 2018	—	\$	—	\$41,710,022
December 1 to December 31, 2018	—	\$	—	\$41,710,022

(1) We may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans.

Disclosure of Equity Compensation Plan Information

Plans Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders-restricted stock awards ⁽¹⁾⁽²⁾	597,215	N/A	2,574,093

(1) Restricted Stock—The amount shown in column (a) includes 357,414 unvested restricted stock units which may vest in the future based on the employees' continued service to the Company (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of the Company's restricted stock grants). Substantially all of the restricted stock units included in column (a) are required to be settled on a net, after-tax basis (after deducting shares for minimum required statutory withholdings); therefore, the actual number of shares issued will be less than the gross amount of the awards. The amount shown in column (a) also includes 239,801 of common stock equivalents and restricted stock awarded to our non-employee directors in consideration of their service to the Company as directors. Common stock equivalents represent rights to receive shares of common stock at the

date the common stock equivalents are settled. Common stock equivalents have dividend equivalent rights beginning on the date of grant. The amount in column (c) represents the aggregate amount of stock options, shares of restricted stock units or other performance awards that could be granted under compensation plans approved by the Company's security holders after giving effect to previously issued awards of stock options, shares of restricted stock units and other performance awards (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of the Company's Long-Term Incentive Plans).

The amount shown in column (a) does not include a currently indeterminable number of shares that may be issued upon the satisfaction of performance and vesting conditions of awards made under the Company's Performance (2) Incentive Plan ("iPIP") approved by shareholders. In no event may the number of shares issued exceed the amount available in column (c) unless shareholders authorize additional shares (see Item 8—"Financial Statements and Supplemental Data—Note 14" for a more detailed description of iPIP.)

Table of Contents

Item 6. Selected Financial Data

The following table sets forth selected financial data on a consolidated historical basis for the Company. This information should be read in conjunction with the discussions set forth in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data and ratios)				
OPERATING DATA:					
Operating lease income	\$208,192	\$187,684	\$191,180	\$211,207	\$229,672
Interest income	97,878	106,548	129,153	134,687	122,704
Other income	82,342	188,091	46,514	49,924	77,583
Land development revenue	409,710	196,879	88,340	100,216	15,191
Total revenue	798,122	679,202	455,187	496,034	445,150
Interest expense	183,751	194,686	221,398	224,639	224,483
Real estate expense	139,289	147,617	137,522	146,509	162,829
Land development cost of sales	350,181	180,916	62,007	67,382	12,840
Depreciation and amortization	58,699	49,033	51,660	62,045	70,375
General and administrative	92,135	98,882	84,027	81,277	88,287
Provision for (recovery of) loan losses	16,937	(5,828)	(12,514)	36,567	(1,714)
Impairment of assets ⁽¹⁾	147,108	32,379	14,484	10,524	34,634
Other expense	6,040	20,954	5,883	6,374	6,340
Total costs and expenses	994,140	718,639	564,467	635,317	598,074
Income from sales of real estate	126,004	92,049	105,296	93,816	89,943
Income (loss) from operations before earnings from equity method investments and other items	(70,014)	52,612	(3,984)	(45,467)	(62,981)
Loss on early extinguishment of debt, net	(10,367)	(14,724)	(1,619)	(281)	(25,369)
Earnings (losses) from equity method investments	(5,007)	13,015	77,349	32,153	94,905
Gain on consolidation of equity method investment ⁽²⁾	67,877	—	—	—	—
Income (loss) from continuing operations before income taxes	(17,511)	50,903	71,746	(13,595)	6,555
Income tax (expense) benefit	(815)	948	10,166	(7,639)	(3,912)
Income (loss) from continuing operations	(18,326)	51,851	81,912	(21,234)	2,643
Income from discontinued operations	—	4,939	18,270	15,077	13,122
Gain from discontinued operations	—	123,418	—	—	—
Net income (loss)	(18,326)	180,208	100,182	(6,157)	15,765
Net (income) loss attributable to noncontrolling interests	(13,936)	(4,526)	(4,876)	3,722	704
Net income (loss) attributable to iStar Inc.	(32,262)	175,682	95,306	(2,435)	16,469
Preferred dividends	(32,495)	(64,758)	(51,320)	(51,320)	(51,320)
Net (income) loss allocable to HPU holders and Participating Security holders ⁽³⁾	—	—	(14)	1,080	1,129
Net income (loss) allocable to common shareholders	\$(64,757)	\$110,924	\$43,972	\$(52,675)	\$(33,722)
Per common share data ⁽⁴⁾ :					
Income (loss) attributable to iStar Inc. from continuing operations:					
Basic	\$(0.95)	\$(0.25)	\$0.35	\$(0.79)	\$(0.55)
Diluted	\$(0.95)	\$(0.25)	\$0.35	\$(0.79)	\$(0.55)
Net income (loss) attributable to iStar Inc.:					
Basic	\$(0.95)	\$1.56	\$0.60	\$(0.62)	\$(0.40)
Diluted	\$(0.95)	\$1.56	\$0.60	\$(0.62)	\$(0.40)

Dividends declared per common share	\$0.18	\$—	\$—	\$—	\$—
-------------------------------------	--------	-----	-----	-----	-----

-
- (1) Refer to "Item 7. - Management's Discussion and Analysis - Our Portfolio" for more information on impairments recognized in 2018.
- (2) Refer to Note 7 for more information on "Gain from consolidation of equity method investment."
All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (see Item 8—"Financial Statements and Supplemental Data—Note 13). Participating Security holders are non-employee directors who hold
- (3) unvested common stock equivalents and restricted stock awards granted under the Company's Long Term Incentive Plans that are eligible to participate in dividends (see Item 8—"Financial Statements and Supplemental Data—Note 14 and 15).
- (4) See Item 8—"Financial Statements and Supplemental Data—Note 15."

Table of Contents

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data and ratios)				
Weighted average common shares outstanding—basic	67,958	71,021	73,453	84,987	85,031
Weighted average common shares outstanding—diluted	67,958	71,021	73,453	84,987	85,031
Cash flows from (used in):					
Operating activities	\$(24,128)	\$101,543	\$29,489	\$(57,827)	\$25,593
Investing activities	778,859	263,071	465,028	191,578	130,510
Financing activities	(457,939)	(41,480)	(877,655)	112,185	(227,096)
	As of December 31,				
	2018	2017	2016	2015	2014
	(In thousands)				
BALANCE SHEET DATA:					
Total real estate ⁽¹⁾	\$1,793,570	\$1,350,619	\$1,624,805	\$1,776,890	\$1,987,843
Land and development, net ⁽¹⁾	598,218	860,311	945,565	1,001,963	978,962
Loans receivable and other lending investments, net	988,224	1,300,655	1,450,439	1,601,985	1,377,843
Total assets	5,014,277	4,731,078	4,825,514	5,597,792	5,426,483
Debt obligations, net	3,609,086	3,476,400	3,389,908	4,118,823	3,986,034
Total equity ⁽²⁾	1,064,115	914,249	1,059,684	1,101,330	1,248,348

(1) Prior to December 31, 2015, land and development assets were recorded in total real estate. Prior year amounts have been reclassified to conform to the current period presentation.

(2) Total equity includes \$201.1 million of noncontrolling interests as of December 31, 2018.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion summarizes the significant factors affecting our consolidated operating results, financial condition and liquidity during the three-year period ended December 31, 2018. This discussion should be read in conjunction with our consolidated financial statements and related notes for the three-year period ended December 31, 2018 included elsewhere in this Annual Report on Form 10-K. These historical financial statements may not be indicative of our future performance. Certain prior year amounts have been reclassified in the Company's consolidated financial statements and the related notes to conform to the current period presentation.

Executive Overview

Capital remained cheap and plentiful in most traditional lending sectors of the commercial real estate markets in 2018, and we expect such dynamics to continue in 2019. In addition, interest rates and the equity markets have recently experienced volatility. We have taken a cautious approach in these conditions, focusing on providing capital to customers with whom we have a pre-existing relationship, originating fewer traditional loans, and aggressively seeking to monetize legacy assets.

Consistent with our historical approach of offering differentiated capital where we believe we can capture better risk-adjusted returns, we have invested, and intend to continue to invest, more of our capital and resources in the Ground Lease business. In January 2019, we expanded our relationship with SAFE through an additional \$250.0 million equity investment and an amendment of our management agreement with SAFE that gives us greater protection against a termination of the agreement, and incentivizes us to grow SAFE's portfolio. We have also pursued and will continue to pursue joint transactions with SAFE, such as offering customers a SAFE Ground Lease and an iStar leasehold loan.

In July 2018, we entered into Net Lease Venture II with total capital commitments of \$526 million and an investment strategy similar to the Net Lease Venture. We have an equity interest in the new venture of approximately 51.9% and are responsible for managing the venture in exchange for management and incentive fees.

We continue to work on monetizing, repositioning or redeveloping our legacy portfolio, which includes transitional operating properties and land and development assets. For the year ended December 31, 2018, we received proceeds of \$735.6 million from legacy assets and recognized \$137.8 million of aggregate gains, net of noncontrolling interests. Under the guidance of a new President of Land and Development hired in 2018, we intend to accelerate the monetization of additional legacy assets, including several larger assets, in order to allow us to focus additional capital and resources on new investments, particularly in the Ground Lease business. The reevaluation of our expected holding period and the expected cash flows for certain of the legacy assets resulted in our recognizing material impairments in 2018, offsetting the gains referenced above.

For the year ended December 31, 2018, we recorded a net loss allocable to common shareholders of \$64.8 million, compared to net income of \$110.9 million during the prior year. Adjusted income allocable to common shareholders for the year ended December 31, 2018 was \$222.3 million, compared to \$214.6 million during the prior year (see "Adjusted Income" for a reconciliation of adjusted income to net income).

As of December 31, 2018, we had \$931.8 million of cash and \$325.0 million of credit facility availability. Subsequent to December 31, 2018, we invested \$250.0 million in SAFE and have called the \$375.0 million remaining outstanding principal amount of our 5.0% senior notes due 2019 for redemption. We have no other debt maturities in 2019. We expect to use our unrestricted cash balance primarily to fund future investment activities and for general working capital needs.

Table of Contents

Portfolio Overview

As of December 31, 2018, based on our gross book value, including the carrying value of our equity method investments exclusive of accumulated depreciation, our total investment portfolio has the following characteristics:

23

Table of Contents

As of December 31, 2018, based on carrying values exclusive of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following property/collateral type and geographic characteristics (\$ in thousands):

Property/Collateral Types	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Office / Industrial	\$67,924	\$1,191,980	\$110,679	\$ —	\$1,370,583	32.7 %
Land and Development	96,140	—	—	672,198	768,338	18.4 %
Entertainment / Leisure	—	712,220	14,871	—	727,091	17.4 %
Hotel	248,855	—	47,468	—	296,323	7.1 %
Mixed Use / Mixed Collateral	215,719	—	76,673	—	292,392	7.0 %
Condominium	159,075	—	20,551	—	179,626	4.3 %
Ground Leases	—	172,178	—	—	172,178	4.1 %
Multifamily	139,087	—	29,189	—	168,276	4.0 %
Other Property Types	51,113	57,348	—	—	108,461	2.6 %
Retail	23,311	—	69,472	—	92,783	2.2 %
Strategic Investments	—	—	—	—	7,516	0.2 %
Total	\$1,001,224	\$2,133,726	\$368,903	\$672,198	\$4,183,567	100.0%
Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land & Development	Total	% of Total
Northeast	\$503,702	\$624,605	\$62,824	\$314,572	\$1,505,703	36.0 %
West	147,936	358,007	54,144	102,508	662,595	15.8 %
Southeast	123,922	300,200	59,341	76,251	559,714	13.4 %
Mid-Atlantic	—	401,726	6,300	127,550	535,576	12.8 %
Southwest	84,249	229,735	128,458	19,780	462,222	11.0 %
Central	44,207	212,319	57,836	31,537	345,899	8.3 %
Various	97,208	7,134	—	—	104,342	2.5 %
Strategic Investments	—	—	—	—	7,516	0.2 %
Total	\$1,001,224	\$2,133,726	\$368,903	\$672,198	\$4,183,567	100.0%

Table of Contents

Industry Segments

The Company has four reportable business segments: Real Estate Finance, Net Lease, Operating Properties and Land and Development. The following describes the Company's reportable segments as of December 31, 2018 (\$ in thousands):

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate / Other ⁽¹⁾	Total
Real estate, at cost	\$—	\$1,824,010	\$252,323	\$—	\$—	\$2,076,333
Less: accumulated depreciation	—	(287,516)	(17,798)	—	—	(305,314)
Real estate, net	—	1,536,494	234,525	—	—	1,771,019
Real estate available and held for sale	—	1,055	21,496	—	—	22,551
Total real estate	—	1,537,549	256,021	—	—	1,793,570
Land and development, net	—	—	—	598,218	—	598,218
Loans receivable and other lending investments, net	988,224	—	—	—	—	988,224
Other investments ⁽²⁾	—	165,804	65,643	65,312	7,516	304,275
Total portfolio assets	\$988,224	\$1,703,353	\$321,664	\$663,530	\$7,516	\$3,684,287

Corporate/Other includes certain joint venture and strategic investments that are not included in the other (1) reportable segments. See Item 8—"Financial Statements and Supplemental Data—Note 7" for further detail on these investments.

The Net Lease segment includes our equity method investment in SAFE. As of December 31, 2018, we owned 7.6 (2) million shares of SAFE's common stock, or 41.8%. On January 2, 2019, we made an additional \$250.0 million cash investment in Investor Units of SAFE OP, representing an additional 12.5 million shares of common stock, bringing our total economic interest in SAFE to approximately 65.5%.

Real Estate Finance

Our real estate finance business targets sophisticated and innovative owner/operators of real estate and real estate related projects by providing one-stop capabilities that encompass financing alternatives ranging from full envelope senior loans to mezzanine and preferred equity capital positions. The Company's real estate finance portfolio consists of senior mortgage loans that are secured by commercial and residential real estate assets where the Company is the first lien holder, subordinated mortgage loans that are secured by second lien or junior interests in commercial and residential real estate assets, leasehold loans to Ground Lease tenants, including tenants of SAFE, and corporate/partnership loans, which represent mezzanine or subordinated loans to entities for which the Company does not have a lien on the underlying asset, but may have a pledge of underlying equity ownership of such assets. The Company's real estate finance portfolio includes loans on stabilized and transitional properties, Ground Leases and ground-up construction projects. In addition, the Company has preferred equity investments and debt securities classified as other lending investments.

Table of Contents

The Company's real estate finance portfolio included the following (\$ in thousands):

	As of December 31,			
	2018		2017	
	Total	% of Total	Total	% of Total
Performing loans:				
Senior mortgages	\$694,025	69.4 %	\$709,809	53.9 %
Corporate/partnership loans	148,583	14.8 %	332,387	25.2 %
Subordinate mortgages	10,161	1.0 %	9,495	0.7 %
Subtotal	852,769	85.2 %	1,051,691	79.8 %
Non-performing loans ⁽¹⁾ :				
Senior mortgages	26,329	2.6 %	32,825	2.5 %
Corporate/partnership loans	—	— %	144,063	10.9 %
Subtotal	26,329	2.6 %	176,888	13.4 %
Total carrying value of loans	879,098	87.8 %	1,228,579	93.2 %
Other lending investments—securities	122,126	12.2 %	89,576	6.8 %
Total carrying value	1,001,224	100.0 %	1,318,155	100.0 %
General reserve for loan losses	(13,000)		(17,500)	
Total loans receivable and other lending investments, net	\$988,224		\$1,300,655	

(1) Non-performing loans are presented net of asset-specific loan loss reserves of \$40.4 million and \$61.0 million, respectively, as of December 31, 2018 and 2017.

Portfolio Activity—During the year ended December 31, 2018, the Company invested \$511.5 million (including capitalized deferred interest and excluding seller financing originations) in its real estate finance portfolio and received repayments of \$860.5 million (including the receipt of previously capitalized deferred interest).

In the second quarter 2018, we resolved a non-performing loan with a carrying value of \$145.8 million. We received a \$45.8 million cash payment and a preferred equity investment with a face value of \$100.0 million that is mandatorily redeemable in five years. We recorded the preferred equity at its fair value of \$77.0 million and are accruing interest over the expected duration of the investment. In addition, we recorded a \$21.4 million loan loss provision and simultaneously charged-off of the remaining unpaid balance.

Table of Contents

Summary of Interest Rate Characteristics—The Company's loans receivable and other lending investments had the following interest rate characteristics (\$ in thousands):

	As of December 31,					
	2018			2017		
	Carrying Value	% of Total	Weighted Average Accrual Rate	Carrying Value	% of Total	Weighted Average Accrual Rate
Fixed-rate loans and other lending investments	\$ 179,122	17.9 %	7.7 %	\$ 251,185	19.1 %	9.4 %
Variable-rate loans ⁽¹⁾	795,772	79.5 %	6.2 %	890,082	67.5 %	8.2 %
Non-performing loans ⁽²⁾	26,330	2.6 %	N/A	176,888	13.4 %	N/A
Total carrying value	1,001,224	100.0%		1,318,155	100.0%	
General reserve for loan losses	(13,000)			(17,500)		
Total loans receivable and other lending investments, net	\$ 988,224			\$ 1,300,655		

(1) As of December 31, 2018 and 2017, includes \$461.3 million and \$416.6 million, respectively, of loans with a weighted average LIBOR floor of 1.1% and 0.3%, respectively.

(2) Non-performing loans are presented net of asset-specific loan loss reserves of \$40.4 million and \$61.0 million, respectively, as of December 31, 2018 and 2017.

Summary of Maturities—As of December 31, 2018 the Company's loans receivable and other lending investments had the following maturities (\$ in thousands):

Year of Maturity ⁽¹⁾	Number of Loans Maturing	Carrying Value	% of Total
2019	15	\$ 516,030	51.5 %
2020	6	145,069	14.5 %
2021	11	164,188	16.4 %
2022	—	—	— %
2023	1	79,606	8.0 %
2024 and thereafter	5	70,001	7.0 %
Total performing loans and other lending investments	38	\$ 974,894	97.4 %
Non-performing loans ⁽²⁾	3	26,330	2.6 %
Total carrying value	41	\$ 1,001,224	100.0%
General reserve for loan losses		(13,000)	
Total loans receivable and other lending investments, net		\$ 988,224	

Year of maturity represents the initial maturity and does not include any extension options. As of December 31, (1)2018, our real estate finance portfolio had a weighted average remaining term, exclusive of any borrower extension options, of 2.5 years.

(2) Non-performing loans are presented net of asset-specific loan loss reserves of \$40.4 million.

Table of Contents

The tables below summarize our loan portfolio, excluding securities, and the reserves for loan losses associated with our loan portfolio (\$ in thousands):

December 31, 2018						
	Number	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	35	\$852,768	\$(13,000)	\$839,768	97.0%	1.5%
Non-performing loans	3	66,725	(40,395)	26,330	3.0%	60.5%
Total	38	\$919,493	\$(53,395)	\$866,098	100.0%	5.8%

December 31, 2017						
	Number	Gross Carrying Value	Reserve for Loan Losses	Carrying Value	% of Total	Reserve for Loan Losses as a % of Gross Carrying Value
Performing loans	36	\$1,051,691	\$(17,500)	\$1,034,191	85.4%	1.7%
Non-performing loans	5	237,877	(60,989)	176,888	14.6%	25.6%
Total	41	\$1,289,568	\$(78,489)	\$1,211,079	100.0%	6.1%

Performing Loans—The table below summarizes our performing loans gross of reserves (\$ in thousands):

	December 31, December 31,	
	2018	2017
Senior mortgages	\$ 694,025	\$ 709,809
Corporate/Partnership loans	148,583	332,387
Subordinate mortgages	10,160	9,495
Total	\$ 852,768	\$ 1,051,691

Weighted average LTV	63	%	67	%
Yield	9.2	%	9.8	%

Non-Performing Loans—We designate loans as non-performing at such time as: (1) the loan becomes 90 days delinquent; (2) the loan has a maturity default; or (3) management determines it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan. All non-performing loans are placed on non-accrual status and income is only recognized in certain cases upon actual cash receipt. As of December 31, 2018, we had non-performing loans with an aggregate carrying value of \$26.3 million compared to non-performing loans with an aggregate carrying value of \$176.9 million as of December 31, 2017. In the second quarter 2018, we resolved a non-performing loan with a carrying value of \$145.8 million. We received a \$45.8 million cash payment and a preferred equity investment with a face value of \$100.0 million that is mandatorily redeemable in five years. We recorded the preferred equity at its fair value of \$77.0 million and are accruing interest over the expected duration of the investment. In addition, we recorded a \$21.4 million loan loss provision and simultaneously charged-off of the remaining unpaid balance. We expect that our level of non-performing loans will fluctuate from period to period.

Reserve for Loan Losses—The reserve for loan losses was \$53.4 million as of December 31, 2018, or 5.8% of total loans, compared to \$78.5 million or 6.1% as of December 31, 2017. For the year ended December 31, 2018, the provision for loan losses included a \$21.4 million provision resulting from the resolution of a non-performing loan partially offset by a \$4.5 million decrease in the general reserve. We expect that our level of reserve for loan losses will fluctuate from period to period. Due to the volatility of the commercial real estate market, the process of estimating collateral values and reserves requires the use of significant judgment. We currently believe there is

adequate collateral and reserves to support the carrying values of the loans.

The reserve for loan losses includes an asset-specific component and a formula-based component. An asset-specific reserve is established for an impaired loan when the estimated fair value of the loan's collateral less costs to sell is lower than the carrying value of the loan. As of December 31, 2018, asset-specific reserves decreased to \$40.4 million compared to \$61.0 million as of December 31, 2017.

28

Table of Contents

The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of performing loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. During this assessment, we perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments and future expectations about their credit quality based on all known and relevant factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. We estimate loss rates based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The general reserve decreased to \$13.0 million or 1.5% of performing loans as of December 31, 2018, compared to \$17.5 million or 1.7% of performing loans as of December 31, 2017. The decrease was primarily attributable to a decrease in the size of our loan portfolio.

Net Lease

Our net lease business seeks to create stable cash flows through long-term net leases primarily to single tenants on our properties. We target mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combine our capabilities in underwriting, lease structuring, asset management and build-to-suit construction. Leases typically provide for expenses at the facility to be paid by the tenant on a triple net lease basis. Under a typical net lease agreement, the tenant agrees to pay a base monthly operating lease payment and most or all of the facility operating expenses (including taxes, utilities, maintenance and insurance). The Company generally intends to hold its net lease assets for long-term investment. However, the Company may dispose of assets if it deems the disposition to be in the Company's best interests.

The net lease segment includes the Company's traditional net lease investments and its investment in SAFE.

Net Lease Venture—In 2014, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets and gave a right of first refusal to the venture on all new net lease investments that met specified investment criteria (refer to Note 7 in our consolidated financial statements for more information on our Net Lease Venture). The Net Lease Venture's investment period expired on June 30, 2018 and the remaining term of the venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of us and our partner. We obtained control over the Net Lease Venture when the investment period expired on June 30, 2018 and consolidated the assets and liabilities of the venture, which had previously been accounted for as an equity method investment.

Net Lease Venture II—In July 2018, we entered into Net Lease Venture II with similar investment strategies as the Net Lease Venture (refer to Note 7). The Net Lease Venture II has a right of first offer on all new net lease investments (excluding Ground Leases) originated by us. We have an equity interest in the new venture of approximately 51.9%, which is accounted for as an equity method investment, and are responsible for managing the venture in exchange for a management fee and incentive fee.

SAFE—In April 2017, institutional investors acquired a controlling interest in our Ground Lease business through the merger of one of our subsidiaries and related transactions. Our Ground Lease business was a component of our net lease segment and consisted of 12 properties subject to long-term net leases including seven Ground Leases and one master lease (covering five properties). As a result of the Acquisition Transactions, we deconsolidated the 12 properties and the associated financing. We account for our investment in SAFE as an equity method investment (refer to Note 7). We are SAFE's external manager, and we have an exclusivity agreement with SAFE pursuant to which we agreed, subject to certain exceptions, that we will not acquire, originate, invest in, or provide financing for a

third party's acquisition of, a Ground Lease unless we have first offered that opportunity to SAFE and a majority of its independent directors has declined the opportunity. As of December 31, 2018, we owned approximately 41.8% of SAFE's common stock outstanding.

On January 2, 2019, we purchased 12,500,000 newly designated limited partnership units (the "Investor Units") in SAFE's operating partnership ("SAFE OP"), at a purchase price of \$20.00 per unit, for a total purchase price of \$250.0 million. The purpose of the investment was to allow SAFE to fund additional Ground Lease acquisitions and originations.

The Investor Units have the following features:

- the right to receive equivalent distributions per unit to those paid on one share of SAFE common stock;

Table of Contents

no voting rights;
non-transferable prior to June 30, 2019;
no automatic conversion or exchange rights; and
limited protective consent rights.

SAFE has agreed to seek stockholder approval to exchange the Investor Units for shares of SAFE common stock, on a one-for-one basis.

The Investor Units represent an approximate 40.6% fully diluted economic interest in SAFE. After giving effect to the issuance of the Investor Units, our aggregate fully diluted economic interest in SAFE (including the shares of SAFE common stock and Investor Units owned by us) is approximately 65.4%; however, our voting power in SAFE will remain capped at 41.9%, as a result of the limitations described below.

In connection with our purchase of the Investor Units, we entered into a Stockholder's Agreement with SAFE on January 2, 2019. The Stockholder's Agreement:

- limits our discretionary voting power to 41.9% of the outstanding voting power of SAFE's Common Stock until our aggregate ownership of SAFE common stock is less than 41.9%;
- requires us to cast all of our voting power in favor of three director nominees to SAFE's board who are independent of each of us and SAFE for three years;
- subjects us to certain standstill provisions for two years;
- restricts our ability to transfer shares of SAFE common stock issued in exchange for Investor Units, or "Exchange Shares," for one year after their issuance;
- prohibits us from transferring shares of SAFE common stock representing more than 20% of the outstanding SAFE common stock in one transaction or a series of related transactions to any person or group, other than pursuant to a widely distributed public offering, unless SAFE's other stockholders have participation rights in the transaction; and
- provides us certain preemptive rights.

In connection with the new investment, SFTY Manager LLC (our wholly-owned subsidiary) and SAFE amended and restated the Management Agreement, dated as of June 27, 2017, between them, the "Amended and Restated Management Agreement". The Amended and Restated Management Agreement, dated January 2, 2019, generally provides for incremental increases in the base management fee payable to the manager from a minimum of 1.0% to a maximum of 1.5% of SAFE's Total Equity (as defined in the agreement) as it increases. The management fee will be payable in cash or SAFE common stock, at SAFE's election (as determined by SAFE's independent directors). SAFE common stock issued to pay the management fee will be valued at the greater of \$20.00 or a recent volume weighted average market price.

The Amended and Restated Management Agreement will have an initial term through June 30, 2022 during which the agreement is non-terminable, except for certain cause events. After the initial term, the agreement will be automatically renewed for additional one year terms, subject to certain rights of SAFE's independent directors to terminate the agreement based on the manager's materially detrimental long-term performance or, beginning with the seventh annual renewal term after the initial term, unfair management fees that the manager declines to renegotiate. SAFE will be obligated to pay the manager a termination fee equal to three times the annual management fee paid in respect of the last completed fiscal year prior to the termination if, by the time of such termination, SAFE has raised Total Equity of at least \$820.0 million since inception, including from us.

In connection with our purchase of the Investor Units, the parties also entered into an Amended and Restated Registration Rights Agreement, dated January 2, 2019, which requires SAFE to, among other things, use commercially reasonable efforts to file a shelf registration statement with the Securities and Exchange Commission providing for resale of all shares of SAFE common stock held by us. The agreement also provides us with certain demand registration rights.

Table of Contents

As of December 31, 2018, our consolidated net lease portfolio totaled \$2.0 billion. Our net lease portfolio, including the carrying value of our equity method investments in SAFE and Net Lease Venture II, exclusive of accumulated depreciation, totaled \$2.1 billion. The table below provides certain statistics for our net lease portfolio.

	Consolidated Real Estate ⁽¹⁾	Net Lease Venture II	SAFE ⁽²⁾
Ownership %	100.0	% 51.9	% 41.8
Gross book value (millions) ⁽³⁾	\$ 1,961	\$ 31	\$ 884
% Leased	98.8	% 100.0	% 100.0
Square feet (thousands)	16,754	169	1,793
Weighted average lease term (years) ⁽⁴⁾	15.3	10.0	83.4
Weighted average yield	8.8	% 8.2	%

(1)We own 51.9% of the Net Lease Venture which is consolidated in our GAAP financial statements (refer to Note 4).

(2)On January 2, 2019, we made an additional \$250.0 million cash investment in Investor Units of SAFE OP.

(3)Gross book value represents the acquisition cost of real estate and any additional capital invested into the property by us.

(4)Represents the initial maturity and does not include extension options.

Portfolio Activity—On June 30, 2018, we consolidated the Net Lease Venture (refer to Note 7) and recorded \$743.6 million to "Real estate, net" on our consolidated balance sheet and recorded a gain of \$67.9 million in "Gain on consolidation of equity method investment" in our consolidated statement of operations as a result of the consolidation.

As a result of the adoption of new accounting standards (refer to Note 3), on January 1, 2018, we recorded an increase to retained earnings of \$55.5 million, bringing our total gain on the sale of our Ground Lease business to SAFE to approximately \$178.9 million. In addition, during the year ended December 31, 2018, we purchased 0.8 million shares of SAFE's common stock for \$13.8 million, representing an average cost of \$17.92 per share.

We also entered into Net Lease Venture II, which acquired its first investment in December 2018. We contributed \$16.4 million to the venture which purchased the asset for \$31.2 million.

Also during the year ended December 31, 2018, we acquired two net lease assets for \$14.8 million and invested an aggregate \$40.2 million of tenant improvements and capital expenditures on our existing net lease assets.

During the year ended December 31, 2018, we recorded an aggregate impairment of \$10.4 million on two net lease assets. We recorded a \$6.0 million impairment on a property based on a strategic decision to sell the asset. The fair value is based on purchase offers received from third parties. We also recorded a \$4.4 million impairment on a property as we determined our total recovery was less than our carrying value.

Table of Contents

Summary of Lease Expirations—As of December 31, 2018, future lease expirations on the Company's net lease assets, excluding our equity method investments in SAFE and Net Lease Venture II, are as follows (\$ in thousands):

Year of Lease Expiration	Number of Leases Expiring	Annualized In-Place Operating Lease Income	% of In-Place Operating Lease Income	% of Total Revenue ⁽¹⁾	Square Feet of Leases Expiring (in thousands)
2019	4	\$ 4,001	2.3	% 0.7	254
2020	1	2,228	1.3	% 0.4	153
2021	1	1,987	1.1	% 0.4	69
2022	1	7,204	4.1	% 1.3	484
2023	3	4,657	2.6	% 0.8	96
2024	1	5,272	3.0	% 0.9	200
2025	1	7,383	4.2	% 1.3	410
2026	4	10,020	5.7	% 1.8	638
2027	2	2,796	1.6	% 0.5	892
2028	1	1,095	0.6	% 0.2	104
2029 and thereafter	16	129,233	73.5	% 23.0	13,454
Total	35	\$ 175,876	100.0	% 31.3	16,754
Weighted average remaining lease term (in years) ⁽²⁾	15.3				

(1) Reflects the percentage of annualized operating lease income for leases in-place as a percentage of annualized total revenue.

(2) Represents the initial maturity and does not include extension options.

Table of Contents

Operating Properties

Our operating properties portfolio is comprised of commercial and residential properties, which represent a pool of assets across a broad range of geographies and collateral types including office, retail and hotel properties. The operating properties are primarily part of our legacy portfolio, and generally represent properties that we acquired in foreclosures of loans on which the borrowers defaulted during the financial crisis. The Company generally seeks to reposition or redevelop transitional properties with the objective of maximizing their value through the infusion of capital and/or intensive asset management efforts. Upon stabilization, the Company will generally look to monetize these assets if favorable conditions exist for maximizing value, or if the Company determines that the future prospects of the property indicate that the Company would be better served by disposing of the asset and investing the cash in new assets, paying down debt or otherwise using the cash. The commercial properties within this portfolio include office, retail, hotel and other property types. The residential properties within this portfolio are generally luxury condominium projects located in major U.S. cities where the Company's strategy is to sell individual condominium units through retail distribution channels.

The Company's operating properties portfolio, including equity method investments, included the following (\$ in thousands):

	Commercial		Residential	
	As of December 31,		As of December 31,	
	2018	2017	2018	2017
Real estate, at cost	\$252,323	\$521,385	\$—	\$—
Less: accumulated depreciation	(17,798)	(55,137)	—	—
Real estate, net ⁽¹⁾	\$234,525	\$466,248	\$—	\$—
Real estate available and held for sale	945	20,069	20,551	48,519
Other investments	65,643	38,761	—	—
Total portfolio assets	\$301,113	\$525,078	\$20,551	\$48,519

There are 10 commercial real estate assets in the operating properties segment, of which the largest four properties (1) comprise 83.0% of the segment's carrying value as of December 31, 2018. The remaining six properties have an average carrying value of \$6.7 million per property.

As of December 31, 2018, our operating property portfolio, including the carrying value of our equity method investments, exclusive of accumulated depreciation, totaled \$368.9 million.

The table below provides certain statistics for our legacy commercial operating property portfolio.

Gross Book Value	Properties	Yield
(in thousands) ⁽¹⁾		
\$280,464	14	7.0%

(1) Gross book value represents the acquisition cost of real estate and any additional capital invested into the property by us.

Table of Contents

Portfolio Activity—We have been aggressively monetizing our operating properties and during the year ended December 31, 2018, we sold 10 commercial operating properties and residential condominiums from other properties for total net sales proceeds of \$327.9 million and recognized \$81.0 million of gains in "Income from sales of real estate" in our consolidated statement of operations. We recorded aggregate impairments of \$71.1 million on five legacy operating properties and \$8.9 million of aggregate impairments on residential condominiums sold and unsold units. The impairments included a \$47.1 million impairment on an urban regional mall located in Chicago, IL. Since foreclosing on the mall we had been actively working to release vacant spaces and made some progress with national retailers. In the second half of 2018, one of the mall's two anchor tenants liquidated and closed its store. This triggered the lower alternative rent clauses in the leases of several of the in-line tenants, which led to a significant decline in the mall's income. We continue to seek new tenants for the mall, but based on recent indications received from prospective tenants and the large, anticipated future and ongoing capital commitment required to lease the vacated anchor space and in-line vacancies, in the fourth quarter of 2018 we decided to market the asset for sale. The impairments also included a \$23.2 million impairment on an entertainment complex located in Coney Island, NY. We completed construction of the asset in 2016 and hired an operator to program the asset and to provide food and beverage services. While the project initially produced positive cash flow, operating performance significantly deteriorated during 2018 and we currently expect the facility to produce losses into the foreseeable future. As a result, we reduced our estimate of the future cash flow to be received from the property. We also invested \$19.9 million in our operating properties and made contributions of \$29.8 million to our operating property equity method investments.

Table of Contents

The following table presents an operating property portfolio rollforward for the year ended December 31, 2018.

Operating Property Rollforward
(in millions)

	Commercial	Residential	Other Investments	Total Segment
Beginning balance	\$ 486.3	\$ 48.5	\$ 38.8	\$ 573.6
Dispositions/distributions ⁽¹⁾	(215.2)	(26.3)	(20.3)	(261.8)
Capital expenditures/contributions ⁽²⁾	13.0	6.9	29.8	49.7
Impairments	(71.7)	(8.5)	—	(80.2)
Placed into service ⁽³⁾	37.4	—	—	37.4
Other ⁽⁴⁾	(0.5)	—	17.3	16.8
Depreciation	(13.9)	—	—	(13.9)
Ending balance	\$ 235.4	\$ 20.6	\$ 65.6	\$ 321.6

(1) For commercial and residential, represents net book value of the assets sold, rather than proceeds received. For other investments, represents distributions received by us.

(2) For other investments, represents contributions made by us.

(3) Represents assets placed into service during the period.

For other investments, includes a \$12.9 million step-up in basis to fair value relating to the disposition of real estate to ventures for which we previously recognized partial gains. Prior to the adoption of ASU 2017-05 (refer to Note (4)3), we were required to recognize gains on only the portion of our interest transferred to third parties and were precluded from recognizing a gain on our retained noncontrolling interest, which was carried at our historical cost basis.

As of December 31, 2018, future lease expirations on commercial properties within the operating properties portfolio, excluding hotels, marinas and other investments, were as follows (\$ in thousands):

Year of Lease Expiration	Number of Leases Expiring	Annualized In-Place Operating Lease Income	% of In-Place Operating Lease Income	% of Total Revenue ⁽¹⁾	Square Feet of Leases Expiring (in thousands)
2019 ⁽²⁾	107	\$ 2,568	16.3 %	0.5 %	167
2020	26	1,399	8.9 %	0.2 %	46
2021	16	998	6.3 %	0.2 %	27
2022	21	1,008	6.4 %	0.2 %	45
2023	8	982	6.2 %	0.2 %	54
2024	4	981	6.2 %	0.2 %	120
2025	6	1,220	7.7 %	0.2 %	40
2026	9	1,657	10.5 %	0.3 %	238
2027	38	3,977	25.2 %	0.8 %	69
2028	7	980	6.3 %	0.2 %	36
2029 and thereafter	—	—	— %	— %	0
Total	242	\$ 15,770	100.0 %	3.0 %	842
Weighted average remaining lease term (in years)	5.1				

(1) Reflects the percentage of annualized operating lease income for leases in-place as a percentage of annualized total revenue.

(2) Includes office leases expiring in commercial properties as well as month-to-month and short term license agreements within our retail properties.

Table of Contents

Land and Development

As of December 31, 2018, the Company's land and development portfolio, including equity method investments, included 24 properties, comprised of five MPCs, 13 infill land parcels and six waterfront land parcels located throughout the United States. MPCs represent large-scale residential projects that the Company has and/or will entitle, plan and/or develop and may sell through retail channels to home builders or in bulk. The remainder of the Company's land includes infill and waterfront parcels located in and around major cities that the Company will develop, sell to or partner with commercial real estate developers. Waterfront parcels are generally entitled for residential projects and urban infill parcels are generally entitled for mixed-use projects. The land and development properties are primarily part of our legacy portfolio and generally represent properties that we acquired in foreclosures of loans on which the borrowers defaulted during the financial crisis. Similar to our legacy operating properties, we have been actively reviewing our legacy land and development properties and seeking to monetize assets when we believe the proceeds generated from sale can be better deployed in new investments and/or used to repay debt or for other purposes. We have decided to continue to hold and develop other projects in cases where we believe the potential future returns outweigh the benefits of selling the assets now.

As of December 31, 2018, we had four projects in production, seven in development and 13 in the pre-development phase. These projects are collectively entitled for approximately 9,200 lots and units. The Company's land and development portfolio included the following (\$ in thousands):

	As of December 31,	
	2018	2017
Land and development, net	\$598,218	\$860,311
Other investments	65,312	63,855
Total	\$663,530	\$924,166

Portfolio Activity—During the year ended December 31, 2018, we sold land parcels and residential lots and units and recognized \$409.7 million in "Land development revenue" and \$350.2 million in "Land development cost of sales" in our consolidated statement of operations. We recorded aggregate impairments of \$56.7 million on five legacy land and development properties. Of the \$56.7 million of impairments, approximately \$25.0 million relates to a waterfront land and development asset located in Long Beach, NY. In 2014, as part of the settlement of litigation with the city, we received entitlements to develop a higher density project than was as-of-right under current zoning. We intended to build or joint venture the project and sought a tax abatement in order to move forward with the development. In 2018, the city revoked its previously approved increased zoning and revoked our building permits. Several lawsuits were filed and litigation is ongoing. In the fourth quarter 2018, we received written indications of interest from parties interested in acquiring the site from us. Based on these indications, and the desire to mitigate future development risk associated with the asset, we intend to more broadly market the property for sale in 2019. \$21.6 million of the impairment relates to a MPC located in Santa Clarita, CA. During 2018, we hired a local homebuilder as a consultant to create detailed lot development plans and budgets for the site. Based on the review, which was concluded in the fourth quarter 2018, an evaluation of the estimated capital needed to develop the project, the expected four to five year period to develop and sell the lots and market risks over that time horizon, we decided to market the property for sale as is rather than develop the property. The balance of the impairments relates to three smaller properties, one property that was sold in 2018, one property that was sold in 2019 and one property where we reduced our expectations for future cash flows from the property.

Table of Contents

The following table presents a land and development portfolio rollforward for the year ended December 31, 2018 and certain land and development statistics.

Land and Development Portfolio Rollforward
(in millions)

	Asbury Ocean Club	Asbury Park Waterfront	Magnolia Green	All Others	Total Segment
Beginning balance ⁽¹⁾	\$ 58.9	\$ 81.6	\$ 110.8	\$ 609.0	\$ 860.3
Asset sales ⁽²⁾	—	(3.2)	(18.3)	(289.7)	(311.2)
Placed into service ⁽³⁾	—	(9.9)	—	(22.9)	(32.8)
Capital expenditures	106.5	6.4	17.8	13.8	144.5
Other ⁽⁴⁾	—	(0.2)	(0.8)	(61.6)	(62.6)
Ending balance ⁽¹⁾	\$ 165.4	\$ 74.7	\$ 109.5	\$ 248.6	\$ 598.2
Net sales ⁽⁵⁾	\$—	\$ (0.9)	\$ (1.8)	\$ 62.2	\$ 59.5

(1)As of December 31, 2018 and 2017, Total Segment excludes \$65.3 million and \$63.9 million, respectively, of equity method investments.

Represents gross book value of the assets sold, rather than proceeds received. During the year ended December 31, 2018, we received approximately \$253.4 million in gross proceeds in connection with the sale of two land parcels (2) totaling 93 acres in San Jose, CA and San Pedro, CA. We also completed the monetization of a 785 acre master planned community entitled for 1,458 single family lots in Riverside County, California.

(3)Represents assets placed into service during the period.

(4)Includes \$56.7 million of impairments.

(5)Net sales represents land development revenue less land development cost of sales.

Following is a description of some of our major land and development projects that we are holding for further development. There can be no assurance that we will not change our current strategy for any of the projects described below:

Asbury Ocean Club and Asbury Park Waterfront

iStar owns 35 acres of oceanfront property in the Asbury Park waterfront redevelopment area in Asbury Park, N.J. iStar serves as the master developer and its land holdings represent approximately 70% of the undeveloped land along the waterfront. Over the past several years, iStar has strategically developed a limited number of residential and commercial projects to re-establish the local housing market and drive momentum for future growth. The existing redeveloper agreement with the city permits up to approximately 2,500 additional units, comprised of for-sale residential homes, hotel keys and multi-family apartments. Future projects are positioned to be developed by iStar or in conjunction with joint venture partners. These individual land parcels could also be sold to third party developers. Asbury Ocean Club is a 16-story mixed-use project comprised of 130 residential condominium units, a 54-unit boutique hotel, 24,000 square feet of retail space, a 15,000 square foot spa, 26,000 square feet of outdoor amenity space and 410 structured parking spaces, located at 1101 Ocean Avenue in Asbury Park, New Jersey. The project is currently under construction and with an estimated completion date of summer 2019.

Magnolia Green

Magnolia Green is a 3,500 unit multi-generational master planned community just outside of Richmond, Virginia with distinct phases designed for people in different life stages, from first home buyers to empty nesters. Built on nearly 1,900 acres, Magnolia Green is a community with home designs from the area's top builders. The community's amenity package features an 18-hole Jack Nicklaus designed golf course and a full-service golf clubhouse and aquatic center. There is also a tennis facility which is currently under construction.

Magnolia Green sold 166 residential lots for \$14.8 million of land development revenue during the year ended December 31, 2018.

Table of Contents

The Company's land and development projects that contributed to revenues during the year ended December 31, 2018 are listed below (\$ in thousands):

Project	Property Type	Location	Current Anticipated Sales Completion Date ⁽¹⁾	2018 Revenue	Units Sold in 2018 ⁽²⁾	Cumulative Units Sold	Estimated Remaining Units ⁽²⁾
Land and development							
Highpark	Infill Land Parcel	San Jose, CA	2018	\$ 151,600	N/A	N/A	N/A
Great Oaks	Infill Land Parcel	San Pedro, CA	2018	101,684	N/A	N/A	N/A
Spring Mountain Ranch Phase 2 & 3	MPC	Riverside, CA	2018	73,974	878	974	—
Naples Reserve	MPC	Naples, FL	2020	38,393	325	689	394
Magnolia Green	MPC	Richmond, VA	2026	14,757	166	1,151	1,837
Coney Bath	Waterfront	Brooklyn, NY	2021	10,100	N/A	N/A	N/A
Palm Tree	Infill Land Parcel	Miami, FL	2019	9,500	N/A	N/A	N/A
Savannah Godley	Infill Land Parcel	Savannah, GA	2018	5,500	N/A	N/A	N/A
Asbury Monroe	MPC	Asbury Park, NJ	2019	2,532	3	32	2
Potomac	Infill Land Parcel	Ranson, WV	2022	1,670	N/A	N/A	N/A
Total land and development				409,710	1,372	2,846	2,233
Land and development equity method investments ⁽³⁾				Equity in Earnings (Losses)	Units Sold in 2018 ⁽²⁾	Cumulative Units Sold	Estimated Remaining Units ⁽²⁾
Marina Palms ⁽⁴⁾	Waterfront	N. Miami Beach, FL	2019	3,221	11	444	24
Other land and development equity method investments	Various	Various	Various	(6,331)	N/A	N/A	N/A
Total land and development equity method investments				(3,110)	11	444	24
Total Land and Development Projects Contributing to Earnings				\$406,600	1,383	3,290	2,257

Current anticipated completion dates are subject to change as a result of factors that may be outside of the

(1) Company's control, such as economic conditions, uncertainty with rezoning, obtaining governmental permits and approvals, concerns of community associations and reliance on third party contractors.

Units sold in 2018 excludes bulk land parcel sales. Estimated remaining units may include single-family lots, (2) condos, multifamily rental units and hotel keys, as applicable, for the respective properties and are subject to change.

(3) These land and development projects are accounted for under the equity method of accounting.

(4) Sales activity is the result of percentage of completion accounting at the venture during the year ended December 31, 2018.

Table of Contents

Results of Operations for the Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	For the Years Ended			
	2018	2017	\$ Change	% Change
	(in thousands)			
Operating lease income	\$208,192	\$187,684	\$20,508	11 %
Interest income	97,878	106,548	(8,670)	(8)%
Other income	82,342	188,091	(105,749)	(56)%
Land development revenue	409,710	196,879	212,831	>100%
Total revenue	798,122	679,202	118,920	18 %
Interest expense	183,751	194,686	(10,935)	(6)%
Real estate expenses	139,289	147,617	(8,328)	(6)%
Land development cost of sales	350,181	180,916	169,265	94 %
Depreciation and amortization	58,699	49,033	9,666	20 %
General and administrative	92,135	98,882	(6,747)	(7)%
Provision for (recovery of) loan losses	16,937	(5,828)	22,765	>(100%)
Impairment of assets	147,108	32,379	114,729	>100%
Other expense	6,040	20,954	(14,914)	(71)%
Total costs and expenses	994,140	718,639	275,501	38 %
Income from sales of real estate	126,004	92,049	33,955	37 %
Loss on early extinguishment of debt, net	(10,367)	(14,724)	4,357	(30)%
Earnings (losses) from equity method investments	(5,007)	13,015	(18,022)	>(100%)
Gain from consolidation of equity method investment	67,877	—	67,877	100 %
Income tax benefit (expense)	(815)	948	(1,763)	>(100%)
Income from discontinued operations	—	4,939	(4,939)	(100)%
Gain from discontinued operations	—	123,418	(123,418)	(100)%
Net income (loss)	\$(18,326)	\$180,208	\$(198,534)	>(100%)

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, increased to \$208.2 million in 2018 from \$187.7 million in 2017. The following tables summarizes our operating lease income by segment (\$ in millions).

	2018	2017	Change
Net Lease ⁽¹⁾	\$152.0	\$123.7	\$28.3
Operating Properties ⁽²⁾	55.7	63.2	(7.5)
Land and Development	0.5	0.8	(0.3)
Total	\$208.2	\$187.7	\$20.5

(1) Change primarily due to a \$36.9 million increase from the consolidation of the Net Lease Venture and entering into new leases, partially offset by \$8.6 million from asset sales.

(2) Change primarily due to a decrease of \$8.9 million due to asset sales, partially offset by an increase of \$2.3 million from the net amortization of intangible lease liabilities relating to lease terminations and an operating property placed into service in 2018.

Table of Contents

The following table shows certain same store statistics for our Net Lease and Operating Properties segments. Same store assets are defined as assets we owned on or prior to January 1, 2017 and were in service through December 31, 2018 (Operating lease income in millions).

	2018	2017		
Operating lease income				
Net Lease	\$ 109.3	\$ 107.1		
Operating Properties ⁽¹⁾	\$ 35.1	\$ 36.3		
Rent per square foot				
Net Lease	\$ 10.08	\$ 9.99		
Operating Properties ⁽¹⁾	\$ 41.71	\$ 34.45		
Occupancy ⁽²⁾				
Net Lease	98.1	% 97.9	%	
Operating Properties	67.3	% 83.1	%	

(1) Excludes \$2.6 million recognized during the year ended December 31, 2018 in connection with the termination of two leases.

(2) Occupancy as of December 31, 2018 and 2017.

Interest income decreased to \$97.9 million in 2018 from \$106.5 million in 2017. The decrease in interest income was due primarily to a decrease in the weighted-average yield of our performing loans, which decreased to 9.2% for 2018 from 9.8% for 2017, principally from the payoff of higher yielding loans in 2018. The average balance of our performing loans was \$1.07 billion for 2018 and 2017.

Other income decreased to \$82.3 million in 2018 from \$188.1 million in 2017. Other income in 2018 consisted primarily of income from our hotel properties, income recognized from the termination of a lease, other ancillary income from our operating properties and interest income earned on our cash balances. Other income in 2017 primarily consisted of interest income and real estate tax reimbursements resulting from the settlement of the Bevard litigation (refer to Note 5), income from our hotel properties and other ancillary income from our operating properties. The decrease in 2018 was related primarily to the Bevard litigation, which resulted in \$123.4 million of other income in 2017.

Land development revenue and cost of sales—In 2018, we sold land parcels and residential lots and units and recognized land development revenue of \$409.7 million which had associated cost of sales of \$350.2 million. In 2017, we sold residential lots and units and one land parcel totaling 1,250 acres and recognized land development revenue of \$196.9 million which had associated cost of sales of \$180.9 million. The increase in 2018 was primarily the result of two bulk land parcel sales that generated \$253.3 million in land development revenue, partially offset by the recognition of \$114.0 million in land development revenue in 2017 related to the Bevard litigation.

Costs and expenses—Interest expense decreased to \$183.8 million in 2018 from \$194.7 million in 2017. The decrease in interest expense was due to the balance of our average outstanding debt, which decreased to \$3.52 billion for 2018 from \$3.58 billion for 2017. Our weighted average cost of debt was 5.5% for 2018 and 5.6% for 2017. In addition, during the year ended December 31, 2018, we recorded \$10.7 million in interest expense as a result of the consolidation of the Net Lease Venture on June 30, 2018, of which we own a 51.9% equity interest.

Table of Contents

Real estate expenses decreased to \$139.3 million in 2018 from \$147.6 million in 2017. The following table summarizes our real estate expenses by segment (\$ in millions).

	Year Ended		
	December 31,		
	2018	2017	Change
Operating Properties ⁽¹⁾	\$80.6	\$89.7	\$(9.1)
Land and Development ⁽²⁾	41.7	41.2	0.5
Net Lease ⁽³⁾	17.0	16.7	0.3
Total	\$139.3	\$147.6	\$(1.1)

(1) Change primarily due to a sale of assets, partially offset by new assets beginning operations in 2018.

(2) Change primarily due to an increase in marketing and other costs associated with launching residential condominium sales, partially offset by asset sales.

(3) Change primarily due to a \$1.9 million increase from the consolidation of the Net Lease Venture, partially offset by asset sales.

Depreciation and amortization increased to \$58.7 million in 2018 from \$49.0 million for the same period in 2017. The increase in 2018 was primarily due to the consolidation of the Net Lease Venture, partially offset by the sale of net lease and commercial operating properties.

General and administrative expenses decreased to \$92.1 million in 2018 from \$98.9 million in 2017. We capitalized into our active development projects \$1.7 million and \$1.8 million of payroll-related costs (including salaries, bonuses, LTIP awards, benefits and taxes) for the years ended December 31, 2018 and 2017, respectively. The following table summarizes our general and administrative expenses for the years ended December 31, 2018 and 2017 (in millions):

	Year Ended		
	December 31,		
	2018	2017	Change
Payroll and related costs ⁽¹⁾	\$50.3	\$62.0	\$(11.7)
Severance costs ⁽²⁾	5.3	—	5.3
Performance Incentive Plans ⁽³⁾	15.4	5.0	14.9
Occupancy costs	5.2	5.2	—
Public company costs	5.0	6.7	(1.7)
Other	10.9	10.1	0.8
Total	\$92.1	\$98.9	\$(6.8)

(1) Decrease due to a reduced bonus payout and a reduction in headcount. We reduced our headcount to 166 employees as of December 31, 2018 from 186 employees as of December 31, 2017.

(2) Represents costs associated with terminated employees.

Represents the fair value of points issued and change in fair value of the plans during the periods presented. Such

(3) amounts may increase or decrease over time until the awards are settled. Please refer to Note 14 - Stock-Based Compensation Plans and Employee Benefits for a description of the Performance Incentive Plans.

The provision for loan losses was \$16.9 million in 2018 as compared to a recovery of loan losses of \$5.8 million in 2017. The provision for loan losses in 2018 was due to a specific reserve of \$21.4 million resulting from the resolution of a non-performing loan, partially offset by a \$4.5 million decrease in the general reserve due to a decrease in the size of our loan portfolio. The recovery of loan losses in 2017 resulted from a reduction in the general reserve due to an overall improvement in the risk ratings of our loan portfolio.

In 2018, we recorded impairments of \$147.1 million on land and development and real estate assets. Refer to "Management's Discussion and Analysis - Our Portfolio" for more information on such impairments, which resulted

primarily from our decision to accelerate the monetization of certain legacy assets, including several larger assets. In 2017, we recorded impairments on land and development and real estate assets totaling \$32.4 million. The impairments recorded in 2017 were primarily the result of impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset. We also recorded impairments of \$11.9 million on real estate assets due to shifting demand in the local condominium markets and changes in our exit strategy on other real estate assets.

Table of Contents

Other expense decreased to \$6.0 million in 2018 from \$21.0 million in 2017. The decrease was primarily the result of paying organization and offering costs associated with the initial public offering of SAFE (refer to Note 7) and costs incurred in connection with the repricing of our 2016 Senior Term Loan recorded in 2017.

Income from sales of real estate—Income from sales of real estate increased to \$126.0 million in 2018 from \$92.0 million in 2017. The following table presents our income from sales of real estate by segment (\$ in millions).

	2018	2017
Operating Properties	\$81.0	\$4.5
Net Lease	45.0	87.5
Total income from sales of real estate	\$126.0	\$92.0

Loss on early extinguishment of debt, net—In 2018 and 2017, we incurred losses on early extinguishment of debt of \$10.4 million and \$14.7 million, respectively. In 2018, we incurred losses on early extinguishment of debt resulting from the opportunistic refinancing of a net lease asset which generated \$115.5 million of excess proceeds to us, repayments of our 2016 Senior Term Loan prior to its modification, the modification and upsize of our 2016 Senior Term Loan and repayment of senior notes prior to maturity. In 2017, we incurred losses on early extinguishment of debt primarily resulting from repayments of unsecured notes prior to maturity and the repricing of our 2016 Senior Term Loan.

Earnings (losses) from equity method investments—Earnings (losses) from equity method investments decreased to \$(5.0) million in 2018 from \$13.0 million in 2017. In 2018, we recognized \$4.1 million of income related to operations at our Net Lease Venture (which we consolidate as of June 30, 2018), \$4.7 million of income from our equity method investment in SAFE and \$13.8 million was aggregate losses from our remaining equity method investments, inclusive of a \$10.0 million impairment on a non-U.S. equity method investment due to local market conditions and a \$6.1 million impairment on a land and development equity method investment due to a change in business strategy. In 2017, we recognized \$4.7 million primarily from profit participations on a land development venture, \$4.5 million related to operations at our Net Lease Venture, \$2.6 million related to sales activity on a land development venture and \$1.2 million aggregate income from our remaining equity method investments.

Gain on consolidation of equity method investment—On June 30, 2018, we gained control of the Net Lease Venture when its investment period expired. As a result, on that date we consolidated the assets and liabilities of the venture which had previously been accounted for as an equity method investment. We recorded a gain of \$67.9 million as a result of the consolidation.

Income tax (expense) benefit—Income taxes are primarily generated by assets held in our TRS. An income tax expense of \$0.8 million was recorded in 2018 and a \$0.9 million income tax benefit was recorded in 2017. The income tax expense for 2018 includes federal taxes related to one of our TRS's, state margins taxes and other minimum state franchise taxes. The income tax benefit for 2017 primarily relates to the credit for prior year's minimum taxes generated in 2015 and 2014 for which we expect to receive refunds from changes made by the Tax Cuts and Jobs Act to the corporate alternative minimum tax.

We also incurred a tax liability in 2017 for \$6.1 million of alternative minimum tax imposed at the REIT level. The Tax Cuts and Jobs Act, however, permits us to claim a refundable credit for prior year's minimum taxes over the next four years. Therefore, we have no net income tax expense or benefit in our consolidated statement of operations at the REIT level for our 2017 tax liability.

Income from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. Income from discontinued operations represents the operating results from the properties comprising our ground lease business.

Gain from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. We accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE.

In addition, as a result of the adoption of ASU 2017-05, on January 1, 2018, we recorded an increase to retained earnings of \$55.5 million, bringing our aggregate gain on the sale of our Ground Lease business to approximately \$178.9 million (refer to Note 7).

Table of Contents

Results of Operations for the Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	For the Years Ended			
	December 31,		\$ Change	% Change
	2017	2016		
	(in thousands)			
Operating lease income	\$187,684	\$191,180	\$(3,496)	(2)%
Interest income	106,548	129,153	(22,605)	(18)%
Other income	188,091	46,514	141,577	>100%
Land development revenue	196,879	88,340	108,539	>100%
Total revenue	679,202	455,187	224,015	49%
Interest expense	194,686	221,398	(26,712)	(12)%
Real estate expenses	147,617	137,522	10,095	7%
Land development cost of sales	180,916	62,007	118,909	>100%
Depreciation and amortization	49,033	51,660	(2,627)	(5)%
General and administrative	98,882	84,027	14,855	18%
(Recovery of) provision for loan losses	(5,828)	(12,514)	6,686	(53)%
Impairment of assets	32,379	14,484	17,895	>100%
Other expense	20,954	5,883	15,071	>100%
Total costs and expenses	718,639	564,467	154,172	27%
Income from sales of real estate	92,049	105,296	(13,247)	(13)%
Loss on early extinguishment of debt, net	(14,724)	(1,619)	(13,105)	>100%
Earnings from equity method investments	13,015	77,349	(64,334)	(83)%
Income tax benefit	948	10,166	(9,218)	(91)%
Income from discontinued operations	4,939	18,270	(13,331)	(73)%
Gain from discontinued operations	123,418	—	123,418	100%
Net income	\$180,208	\$100,182	\$80,026	80%

Revenue—Operating lease income, which primarily includes income from net lease assets and commercial operating properties, decreased to \$187.7 million in 2017 from \$191.2 million in 2016. The following tables summarizes our operating lease income by segment (\$ in millions).

	2017	2016	Change
Net Lease ⁽¹⁾	\$123.7	\$126.2	\$(2.5)
Operating Properties ⁽²⁾	63.2	64.6	(1.4)
Land and Development	0.8	0.4	0.4
Total	\$187.7	\$191.2	\$(3.5)

(1)Change primarily due to the sale of assets.

(2)Change primarily due to the sale of assets partially offset by the execution of new leases.

Table of Contents

The following table shows certain same store statistics for our Net Lease and Operating Properties segments. Same store assets are defined as assets we owned on or prior to January 1, 2016 and were in service through December 31, 2017 (Operating lease income in millions).

	2017	2016
Operating lease income		
Net Lease	\$ 113.7	\$ 111.4
Operating Properties	\$ 46.4	\$ 45.2
Rent per square foot		
Net Lease	\$ 10.26	\$ 10.08
Operating Properties	\$ 24.25	\$ 24.50
Occupancy ⁽¹⁾		
Net Lease	97.9 %	97.6 %
Operating Properties	75.4 %	72.7 %

(1)Occupancy as of December 31, 2017 and 2016.

Interest income decreased to \$106.5 million in 2017 from \$129.2 million in 2016. The decrease in interest income was due primarily to a decrease in the average balance of our performing loans to \$1.07 billion for 2017 from \$1.40 billion for 2016. The weighted average yield of our performing loans increased to 9.8% for 2017 from 8.9% for 2016.

Other income increased to \$188.1 million in 2017 from \$46.5 million in 2016. Other income in 2017 primarily consisted of interest income and real estate tax reimbursements resulting from the settlement of the Bevard litigation (refer to Note 5), income from our hotel properties and other ancillary income from our operating properties. Other income in 2016 consisted of income from our hotel properties, loan prepayment fees and property tax refunds.

Land development revenue and cost of sales—In 2017, we sold residential lots and units and one land parcel totaling 1,250 acres and recognized land development revenue of \$196.9 million which had associated cost of sales of \$180.9 million. In 2016, we sold residential lots and units and recognized land development revenue of \$88.3 million which had associated cost of sales of \$62.0 million. The increase in 2017 from 2016 was primarily due to the Bevard litigation (refer to Note 5), which resulted in us recognizing \$114.0 million of land development revenue and \$106.3 million of land development cost of sales in 2017.

Costs and expenses—Interest expense decreased to \$194.7 million in 2017 from \$221.4 million in 2016. The decrease in interest expense was due to a decrease in the balance of our average outstanding debt, which decreased to \$3.58 billion for 2017 from \$4.00 billion for 2016. Our weighted average cost of debt was 5.6% for 2017 and 5.6% for 2016.

Real estate expenses increased to \$147.6 million in 2017 from \$137.5 million in 2016. The increase was due to expenses for commercial operating properties, which increased to \$83.4 million in 2017 from \$73.6 million in 2016. This increase was primarily due to an increase in expenses at our hotel properties and expenses incurred at properties impacted by the hurricanes that hit the United States. These increases were partially offset by property sales in 2017 and 2016. Expenses associated with residential units decreased to \$6.3 million in 2017 from \$8.8 million in 2016 due to unit sales. Expenses for same store commercial operating properties, excluding hotels, increased to \$30.9 million in 2017 from \$30.2 million in 2016. Expenses for net lease assets decreased to \$16.7 million in 2017 from \$18.2 million in 2016 primarily due to asset sales. Expenses for same store net lease assets increased to \$14.9 million in 2017 from \$13.5 million in 2016. Carry costs and other expenses on our land and development assets increased to \$41.2 million in 2017 from \$37.0 million in 2016.

Depreciation and amortization decreased to \$49.0 million in 2017 from \$51.7 million for the same period in 2016. The decrease was primarily due to the sale of net lease assets and commercial operating properties in 2017 and 2016.

General and administrative expenses increased to \$98.9 million in 2017 from \$84.0 million in 2016. The increase was primarily due to an increase in compensation expense related to performance incentive plans.

Recovery of loan losses was \$5.8 million in 2017 as compared to a net recovery of loan losses of \$12.5 million in 2016. The recovery of loan losses in 2017 resulted from a reduction in the general reserve due to an overall improvement in the risk ratings of our loan portfolio. The net recovery of loan losses in 2016 included recoveries of specific reserves of \$13.7 million and a decrease in the general reserve of \$12.7 million, partially offset by new specific reserves of \$13.9 million.

Table of Contents

In 2017, we recorded impairments of \$32.4 million on land and development and real estate assets. The impairments recorded in 2017 were primarily the result of impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset. We also recorded impairments of \$11.9 million on real estate assets due to shifting demand in the local condominium markets and changes in our exit strategy on other real estate assets. In 2016, we recorded impairments on real estate assets totaling \$14.5 million comprised of \$3.8 million on a land asset resulting from a change in business strategy, \$5.8 million on residential operating properties resulting from unfavorable local market conditions and \$4.9 million on the sale of net lease assets.

Other expense increased to \$21.0 million in 2017 from \$5.9 million in 2016. The increase was primarily the result of paying organization and offering costs associated with the initial public offering of SAFE (refer to Note 7) and costs incurred in connection with the repricing of our 2016 Senior Term Loan (refer to Note 10) recorded in 2017.

Income from sales of real estate—Income from sales of real estate decreased to \$92.0 million in 2017 from \$105.3 million in 2016. The following table presents our income from sales of real estate by segment (\$ in millions).

	2017	2016
Net Lease	\$87.5	\$21.1
Operating Properties	4.5	75.4
Land and Development ⁽¹⁾	—	8.8
Total income from sales of real estate	\$92.0	\$105.3

During the year ended December 31, 2016, we sold a land and development asset to a newly formed (1)unconsolidated entity in which we own a 50.0% equity interest and recognized a gain on sale of \$8.8 million, reflecting our share of the interest sold to a third party.

Loss on early extinguishment of debt, net—In 2017 and 2016, we incurred losses on early extinguishment of debt of \$14.7 million and \$1.6 million, respectively. In 2017, we incurred losses on early extinguishment of debt primarily resulting from repayments of unsecured notes prior to maturity and the repricing of our 2016 Senior Term Loan. In 2016, we incurred losses on the early extinguishment of debt primarily related to repayments of secured facilities and unsecured notes prior to maturity.

Earnings from equity method investments—Earnings from equity method investments decreased to \$13.0 million in 2017 from \$77.3 million in 2016. In 2017, we recognized \$4.7 million primarily from profit participations on a land development venture, \$4.5 million related to operations at our Net Lease Venture, \$2.6 million related to sales activity on a land development venture and \$1.2 million was aggregate income from our remaining equity method investments. In 2016, we recognized \$33.2 million primarily from the sale of an equity method investment in a commercial operating property, we recognized \$11.6 million of earnings primarily from the non-callable distribution of non-recourse financing proceeds in excess of our carrying value at one of our land equity method investments, \$22.1 million related to sales activity on a land development venture, \$3.6 million related to leasing operations at our Net Lease Venture and \$6.8 million was aggregate income from our remaining equity method investments.

Income tax (expense) benefit—Income taxes are primarily generated by assets held in our TRS. An income tax benefit of \$0.9 million was recorded in 2017 and a \$10.2 million income tax benefit was recorded in 2016. The Tax Cuts and Jobs Act eliminated the corporate alternative minimum tax and grants corporations a refundable credit for prior years' minimum taxes paid. The income tax benefit for 2017 primarily relates to the credit for prior year's minimum taxes generated in 2015 and 2014 for which we expect to receive refunds from changes made by the Tax Cuts and Jobs Act to the corporate alternative minimum tax. The income tax benefit for 2016 primarily related to taxable losses generated from sales of certain TRS properties.

We also incurred a tax liability in 2017 for \$6.1 million of alternative minimum tax imposed at the REIT level. The Tax Cuts and Jobs Act, however, permits us to claim a refundable credit for prior year's minimum taxes over the next

four years. Therefore, we have no net income tax expense or benefit in our consolidated statement of operations at the REIT level for our 2017 tax liability.

Income from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. Income from discontinued operations represents the operating results from the properties comprising our ground lease business.

Gain from discontinued operations—In April 2017, two institutional investors acquired a controlling interest in our ground lease business through the merger of one of our subsidiaries and related transactions. We accounted for this transaction as an in substance sale of real estate and recognized a gain of \$123.4 million, reflecting the aggregate gain less the fair value of our retained interest in SAFE.

Table of Contents

Adjusted Income

In addition to net income (loss) prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we use adjusted income, a non-GAAP financial measure, to measure our operating performance. Adjusted income is used internally as a supplemental performance measure adjusting for certain non-cash GAAP measures to give management a view of income more directly derived from current period activity. Adjusted income is calculated as net income (loss) allocable to common shareholders, prior to the effect of depreciation and amortization, provision for (recovery of) loan losses, impairment of assets, stock-based compensation expense, the non-cash portion of gain (loss) on early extinguishment of debt and is adjusted for the effect of gains or losses on charge-offs and dispositions on carrying value gross of loan loss reserves and impairments ("Adjusted Income"). In the third quarter 2017, we modified our presentation of Adjusted Income to exclude the effect of the amount of the liquidation preference that was recorded as a premium above book value on the redemption of preferred stock (refer to Note 13) and the imputed non-cash interest expense recognized for the conversion feature of our senior convertible notes (refer to Note 10). Adjusted Income also includes the impact to retained earnings (income that would have been recognized in prior periods had the accounting standards been effective during those prior periods) resulting from the adoption of new accounting standards on January 1, 2018 (refer to Note 3).

Adjusted Income should be examined in conjunction with net income (loss) as shown in our consolidated statements of operations. Adjusted Income should not be considered as an alternative to net income (loss) (determined in accordance with GAAP), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity, nor is Adjusted Income indicative of funds available to fund our cash needs or available for distribution to shareholders. Rather, Adjusted Income is an additional measure we use to analyze our business performance because it excludes the effects of certain non-cash charges that we believe are not necessarily indicative of our operating performance while including the effect of gains or losses on investments when realized. It should be noted that our manner of calculating Adjusted Income may differ from the calculations of similarly-titled measures by other companies.

	For the Years Ended	
	December 31,	
	2018	2017
Adjusted Income		
Net income (loss) allocable to common shareholders	\$(64,757)	\$110,924
Add: Depreciation and amortization ⁽¹⁾	71,359	60,828
Add/Less: (Recovery of) provision for loan losses	16,937	(5,828)
Add: Impairment of assets ⁽²⁾	163,765	32,379
Add: Stock-based compensation expense	17,563	18,812
Add: Loss on early extinguishment of debt, net	4,318	3,065
Add: Non-cash interest expense on senior convertible notes	4,733	1,255
Add: Premium on redemption of preferred stock	—	16,314
Add: Impact from adoption of new accounting standards ⁽³⁾	75,869	—
Less: Losses on charge-offs and dispositions ⁽⁴⁾	(67,506)	(23,130)
Adjusted income allocable to common shareholders	\$222,281	\$214,619

Depreciation and amortization also includes our proportionate share of depreciation and amortization expense for (1) equity method investments and excludes the portion of depreciation and amortization expense allocable to noncontrolling interests.

(2) Impairment of assets also includes impairments on equity method investments recorded in "Earnings from equity method investments" in our consolidated statements of operations.

(3) Represents an increase to retained earnings on January 1, 2018 upon the adoption of ASU 2017-05 (refer to Note 3).

Represents the impact of charge-offs and dispositions realized during the period. These charge-offs and (4) dispositions were on assets that were previously impaired for GAAP and reflected in net income but not in Adjusted Income.

Table of Contents

Liquidity and Capital Resources

During the year ended December 31, 2018, we invested \$886.0 million in new investments, prior financing commitments and ongoing development. This amount includes \$574.0 million in lending and other investments, \$138.7 million to develop our land and development assets, \$57.5 million of capital to reposition or redevelop our operating properties, \$115.7 million to invest in net lease assets and \$0.1 million in other investments. Also during the year ended December 31, 2018, we generated \$1,579.4 million from loan repayments and asset sales within our portfolio, comprised of \$791.2 million from real estate finance, \$310.8 million from operating properties, \$97.3 million from net lease assets, \$378.7 million from land and development assets and \$1.4 million from other investments. These amounts are inclusive of fundings and proceeds from both consolidated investments and our pro rata share from equity method investments.

The following table outlines our capital expenditures on operating properties, net lease and land and development assets as reflected in our consolidated statements of cash flows for the years ended December 31, 2018 and 2017, by segment (\$ in thousands):

	For the Years Ended December 31,	
	2018	2017
Operating Properties	\$26,016	\$33,774
Net Lease	34,479	3,293
Total capital expenditures on real estate assets	\$60,495	\$37,067
Land and Development	\$128,543	\$121,400
Total capital expenditures on land and development assets	\$128,543	\$121,400

As of December 31, 2018, we had unrestricted cash of \$931.8 million. Subsequent to December 31, 2018, we made a \$250.0 million cash investment in Investor Units of SAFE OP and we called the remaining \$375.0 million aggregate principal balance of our 5.0% senior notes due July 2019 for redemption. Our primary cash uses over the next 12 months are expected to be funding of investments, capital expenditures, repayment of maturing debt and funding ongoing business operations. Over the next 12 months, we currently expect to fund in the range of approximately \$100 million to \$150 million of capital expenditures within our portfolio. The majority of these amounts relate to our land and development projects and operating properties, and include multifamily and residential development activities which are expected to include approximately \$65 million in vertical construction. The amount actually invested will depend on the pace of our development activities as well as the extent to which we strategically partner with others to complete these projects. As of December 31, 2018, we also had approximately \$489.3 million of maximum unfunded commitments associated with our investments of which we expect to fund the majority of over the next two years, assuming borrowers and tenants meet all milestones and performance hurdles and all other conditions to fundings (see "Unfunded Commitments" below). We also have \$516.0 million carrying amount of scheduled real estate finance maturities over the next 12 months, exclusive of any extension options that can be exercised by our borrowers. Our capital sources to meet cash uses through the next 12 months and beyond are expected to include cash on hand, income from our portfolio, loan repayments from borrowers and proceeds from asset sales.

We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and changes in market conditions. While economic trends have stabilized, it is not possible for us to predict whether these trends will continue or to quantify the impact of these or other trends on our financial results. Furthermore, as more fully described in Item 1a. Risk Factors, our ability to incur more debt to create cash liquidity is dependent on our compliance with debt covenants in our unsecured notes and corporate debt facilities.

Table of Contents

Contractual Obligations—The following table outlines the contractual obligations related to our long-term debt obligations, loan participations payable and operating lease obligations as of December 31, 2018 (see Item 8—"Financial Statements and Supplemental Data—Note 10").

	Amounts Due By Period					
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	5 - 10 Years	After 10 Years
	(in thousands)					
Long-Term Debt Obligations:						
Unsecured notes	\$2,112,500	\$375,000 ⁽¹⁾	\$675,000	\$1,062,500	\$—	\$—
Secured credit facilities	646,750	6,500	13,000	627,250	—	—
Mortgages	802,367	13,292	180,749	66,871	527,428	14,027
Trust preferred securities	100,000	—	—	—	—	100,000
Total principal maturities	3,661,617	394,792	868,749	1,756,621	527,428	114,027
Interest Payable ⁽²⁾	771,540	184,398	304,380	150,706	100,470	31,586
Loan Participations Payable ⁽³⁾	22,642	—	22,642	—	—	—
Operating Lease Obligations	14,253	4,340	5,605	1,839	2,469	—
Total	\$4,470,052	\$583,530	\$1,201,376	\$1,909,166	\$630,367	\$145,613

(1) Subsequent to December 31, 2018, we called these notes for redemption on the redemption date of March 7, 2019.

(2) Variable-rate debt assumes one-month LIBOR of 2.51% and three-month LIBOR of 2.81% that were in effect as of December 31, 2018.

(3) Refer to Note 9 to the consolidated financial statements.

2017 Secured Financing—In March 2017, the predecessor of SAFE (which at the time was comprised of our wholly-owned subsidiaries conducting our Ground Lease business) entered into a \$227.0 million secured financing transaction (the "2017 Secured Financing") that accrued interest at 3.795% and matures in April 2027. The 2017 Secured Financing was collateralized by the 12 properties comprising SAFE's initial portfolio. In April 2017, we derecognized the 2017 Secured Financing when third parties acquired a controlling interest in SAFE's predecessor, prior to SAFE's initial public offering (refer to Note 4).

2016 Senior Term Loan—In June 2016, we entered into a senior term loan of \$450.0 million (the "2016 Senior Term Loan"). In August 2016, we upsized the facility to \$500.0 million. The initial \$450.0 million of the 2016 Senior Term Loan was issued at 99.0% of par and the upsize was issued at par. In September 2017, we reduced, repriced and extended the 2016 Senior Term Loan to \$400.0 million priced at LIBOR plus 3.00% with a 0.75% LIBOR floor and maturing in October 2021. In June 2018, the Company increased the 2016 Senior Term Loan to \$650.0 million, reduced the interest rate to LIBOR plus 2.75% and extended its maturity to June 2023. The facility was also modified to permit substitution of collateral, subject to overall collateral pool coverage and concentration limits, over the life of the facility. This modification eliminates the mandatory amortization upon payoff or sale of collateral which existed prior to the upsize and broadens the types of collateral permitted under the facility. We may make optional prepayments, subject to prepayment fees, and are required to repay 0.25% of the principal amount each quarter.

2015 Revolving Credit Facility—In March 2015, we entered into our 2015 Revolving Credit Facility. In September 2017, we upsized the 2015 Revolving Credit Facility to \$325.0 million, added additional lenders to the syndicate, extended the maturity date to September 2020 and made certain other changes. This facility is secured by a pledge of the equity interest in a pool of assets which provide asset value coverage for borrowings under the facility. Borrowings under this credit facility bear interest at a floating rate indexed to one of several base rates plus a margin which adjusts upward or downward based upon our corporate credit rating. An undrawn credit facility commitment fee ranges from 0.30% to 0.50% based on corporate credit ratings. At maturity, we may convert outstanding

borrowings to a one year term loan which matures in quarterly installments through September 2021. During the year ended December 31, 2018, we repaid from cash on hand the \$325.0 million outstanding on the 2015 Revolving Credit Facility and as of December 31, 2018, we had \$325.0 million of borrowing capacity available under the 2015 Revolving Credit Facility.

Unsecured Notes—In September 2017, we issued \$400.0 million principal amount of 4.625% senior unsecured notes due September 2020, \$400.0 million principal amount of 5.25% senior unsecured notes due September 2022 and \$250.0 million of 3.125% Convertible Notes due September 2022. Proceeds from these offerings, together with cash on hand, were used to repay in full the \$550.0 million principal amount outstanding of the 4.0% senior unsecured notes due November 2017, the \$300.0 million principal amount outstanding of the 7.125% senior unsecured notes due February 2018 and the \$300.0 million principal amount outstanding of the 4.875% senior unsecured notes due July 2018. In addition, the initial purchasers of the 3.125% Convertible Notes exercised their option to purchase an additional \$37.5 million aggregate principal amount of the 3.125% Convertible Notes.

Table of Contents

Collateral Assets—The carrying value of our assets that are directly pledged or are held by subsidiaries whose equity is pledged as collateral to secure our obligations under our secured debt facilities are as follows, by asset type (\$ in thousands):

	As of December 31,			
	2018		2017	
	Collateral Assets ⁽¹⁾	Non-Collateral Assets	Collateral Assets ⁽¹⁾	Non-Collateral Assets
Real estate, net	\$ 1,620,008	\$ 151,011	\$ 795,321	\$ 486,710
Real estate available and held for sale	1,055	21,496	20,069	48,519
Land and development, net	12,300	585,918	25,100	835,211
Loans receivable and other lending investments, net ⁽²⁾⁽³⁾	498,524	480,154	194,529	1,021,340
Other investments	—	304,275	—	321,241
Cash and other assets	—	1,329,990	—	898,252
Total	\$ 2,131,887	\$ 2,872,844	\$ 1,035,019	\$ 3,611,273

(1) The 2016 Senior Term Loan and the 2015 Revolving Credit Facility are secured only by pledges of equity of certain of our subsidiaries and not by pledges of the assets held by such subsidiaries. Such subsidiaries are subject to contractual restrictions under the terms of such credit facilities, including restrictions on incurring new debt (subject to certain exceptions). As of December 31, 2018, Collateral Assets includes \$403.5 million carrying value of assets held by entities whose equity interests are pledged as collateral for the \$325.0 million 2015 Revolving Credit Facility that is undrawn as of December 31, 2018.

(2) As of December 31, 2018 and 2017, the amounts presented exclude general reserves for loan losses of \$13.0 million and \$17.5 million, respectively.

(3) As of December 31, 2018 and 2017, the amounts presented exclude loan participations of \$22.5 million and \$102.3 million, respectively.

Debt Covenants

Our outstanding unsecured debt securities contain corporate level covenants that include a covenant to maintain a ratio of unencumbered assets to unsecured indebtedness, as such terms are defined in the indentures governing the debt securities, of at least 1.2x and a covenant not to incur additional indebtedness (except for incurrences of permitted debt), if on a pro forma basis, our consolidated fixed charge coverage ratio, determined in accordance with the indentures governing our debt securities, is 1.5x or lower. If any of our covenants are breached and not cured within applicable cure periods, the breach could result in acceleration of our debt securities unless a waiver or modification is agreed upon with the requisite percentage of the bondholders. If our ability to incur additional indebtedness under the fixed charge coverage ratio is limited, we are permitted to incur indebtedness for the purpose of refinancing existing indebtedness and for other permitted purposes under the indentures.

The 2016 Senior Term Loan and the 2015 Revolving Credit Facility contain certain covenants, including covenants relating to collateral coverage, dividend payments, restrictions on fundamental changes, transactions with affiliates, matters relating to the liens granted to the lenders and the delivery of information to the lenders. In particular, the 2016 Senior Term Loan requires us to maintain collateral coverage of at least 1.25x outstanding borrowings on the facility. The 2015 Revolving Credit Facility is secured by a borrowing base of assets and requires us to maintain both collateral coverage of at least 1.5x outstanding borrowings on the facility and a consolidated ratio of cash flow to fixed charges of at least 1.5x. The 2015 Revolving Credit Facility does not require that proceeds from the borrowing base be used to pay down outstanding borrowings provided the collateral coverage remains at least 1.5x outstanding borrowings on the facility. To satisfy this covenant, we have the option to pay down outstanding borrowings or substitute assets in the borrowing base. We may not pay common dividends if we cease to qualify as a REIT. In June 2018, we amended the terms of the 2016 Senior Term Loan and the 2015 Revolving Credit Facility to include the ability to pay common dividends with no restrictions so long as we are not in default on any of our debt obligations.

Derivatives—Our use of derivative financial instruments is primarily limited to the utilization of interest rate swaps, interest rate caps or other instruments to manage interest rate risk exposure and foreign exchange contracts to manage our risk to changes in foreign currencies. See Item 8—"Financial Statements and Supplemental Data—Note 12" for further details.

Off-Balance Sheet Arrangements—We are not dependent on the use of any off-balance sheet financing arrangements for liquidity. We have made investments in various unconsolidated ventures. See Item 8—"Financial Statements and Supplemental Data—Note 7" for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments and any unfunded commitments (see below).

Unfunded Commitments—We generally fund construction and development loans and build-outs of space in real estate assets over a period of time if and when the borrowers and tenants meet established milestones and other performance criteria. We refer to these arrangements as Performance-Based Commitments. In addition, we have committed to invest capital in several real estate funds and other ventures. These arrangements are referred to as Strategic Investments.

Table of Contents

As of December 31, 2018, the maximum amount of fundings we may be obligated to make under each category, assuming all performance hurdles and milestones are met under the Performance-Based Commitments and assuming 100% of our capital committed to Strategic Investments is drawn down, are as follows (in thousands):

	Loans and Other Lending Investments ⁽¹⁾	Real Estate	Other Investments	Total
Performance-Based Commitments	\$ 436,910	\$ 12,610	\$ —	\$ 449,520
Strategic Investments	—	—	39,754	39,754
Total	\$ 436,910	\$ 12,610	\$ 39,754	\$ 489,274

(1) Excludes \$27.4 million of commitments on loan participations sold that are not our obligation.

Stock Repurchase Program—We may repurchase shares in negotiated transactions or open market transactions, including through one or more trading plans. During the year ended December 31, 2018, we repurchased 0.8 million shares of our outstanding common stock for \$8.3 million, representing an average cost of \$10.22 per share. In addition, in connection with the sale of the 3.125% Convertible Notes in September 2017 (refer to Note 10), we repurchased 4.0 million shares of our common stock for \$45.9 million, representing an average cost of \$11.51 per share in privately negotiated transactions with purchasers of the 3.125% Convertible Notes.

Preferred Equity—In October 2017, we redeemed our Series E and Series F preferred stock at par for the aggregate liquidation preference of \$240.0 million plus accrued dividends to the redemption date (refer to Note 13).

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments in certain circumstances that affect amounts reported as assets, liabilities, revenues and expenses. We have established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well controlled, reviewed and applied consistently from period to period. We base our estimates on historical corporate and industry experience and various other assumptions that we believe to be appropriate under the circumstances. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and, therefore, routinely require adjustment.

During 2018, management reviewed and evaluated these critical accounting estimates and believes they are appropriate. Our significant accounting policies are described in Item 8—"Financial Statements and Supplemental Data—Note 3." The following is a summary of accounting policies that require more significant management estimates and judgments:

Reserve for loan losses—The reserve for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. If we determine that the collateral fair value less costs to sell is less than the carrying value of a collateral-dependent loan, we will record a reserve. The reserve is increased (decreased) through "Provision for (recovery of) loan losses" in our consolidated statements of operations and is decreased by charge-offs. During delinquency and the foreclosure process, there are typically numerous points of negotiation with the borrower as we work toward a settlement or other alternative resolution, which can impact the potential for loan repayment or receipt of collateral. Our policy is to charge off a loan when we determine, based on a variety of factors, that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at different times, including when we receive cash or other assets in a pre-foreclosure sale or take control of the underlying collateral in full satisfaction of the loan upon foreclosure or deed-in-lieu, or when we have otherwise ceased significant collection efforts. We consider circumstances such as the foregoing to be indicators that the final steps in the loan collection process have occurred and that a loan is uncollectible. At this point, a loss is confirmed and the loan and related reserve will be charged off. We have one portfolio segment, represented by commercial real estate lending, whereby we utilize a uniform process for determining our reserves for loan losses. The reserve for loan losses includes a general, formula-based component and an asset-specific component.

The general reserve component covers performing loans and reserves for loan losses are recorded when: (i) available information as of each balance sheet date indicates that it is probable a loss has occurred in the portfolio; and (ii) the

amount of the loss can be reasonably estimated. The formula-based general reserve is derived from estimated principal default probabilities and loss severities applied to groups of loans based upon risk ratings assigned to loans with similar risk characteristics during our quarterly loan portfolio assessment. During this assessment, we perform a comprehensive analysis of our loan portfolio and assign risk ratings to loans that incorporate management's current judgments about their credit quality based on all known and relevant internal and external factors that may affect collectability. We consider, among other things, payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. This methodology results in loans being segmented by risk classification into risk rating categories that are associated with estimated probabilities of default and principal loss. Ratings range from "1" to "5" with "1" representing

Table of Contents

the lowest risk of loss and "5" representing the highest risk of loss. We estimate loss rates based on historical realized losses experienced within our portfolio and take into account current economic conditions affecting the commercial real estate market when establishing appropriate time frames to evaluate loss experience.

The asset-specific reserve component relates to reserves for losses on impaired loans. We consider a loan to be impaired when, based upon current information and events, we believe that it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. This assessment is made on a loan-by-loan basis each quarter based on such factors as payment status, lien position, borrower financial resources and investment in collateral, collateral type, project economics and geographical location as well as national and regional economic factors. A reserve is established for an impaired loan when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) is lower than the carrying value of that loan.

Substantially all of our impaired loans are collateral dependent and impairment is measured using the estimated fair value of collateral, less costs to sell. We generally use the income approach through internally developed valuation models to estimate the fair value of the collateral for such loans. In some cases, we obtain external "as is" appraisals for loan collateral, generally when third party participations exist. Valuations are performed or obtained at the time a loan is determined to be impaired and designated non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. In limited cases, appraised values may be discounted when real estate markets rapidly deteriorate.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring ("TDR"). A TDR occurs when we grant a concession to a debtor that is experiencing financial difficulties. Impairments on TDR loans are generally measured based on the present value of expected future cash flows discounted at the effective interest rate of the original loan.

The provision for (recovery of) loan losses for the years ended December 31, 2018, 2017 and 2016 were \$16.9 million, \$(5.8) million and \$(12.5) million, respectively. The total reserve for loan losses as of December 31, 2018 and 2017, included asset specific reserves of \$40.4 million and \$61.0 million, respectively, and general reserves of \$13.0 million and \$17.5 million, respectively.

Acquisition of real estate—We generally acquire real estate assets or land and development assets through purchases or through foreclosure or deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans. When we acquire assets these properties are classified as "Real estate, net" or "Land and development, net" on our consolidated balance sheets. When we intend to hold, operate or develop the property for a period of at least 12 months, assets are classified as "Real estate, net," and when we intend to market these properties for sale in the near term, assets are classified as "Real estate available and held for sale." When we purchase assets the properties are recorded at cost. Foreclosed assets classified as real estate and land and development are initially recorded at their estimated fair value and assets classified as assets held for sale are recorded at their estimated fair value less costs to sell. The excess of the carrying value of the loan over these amounts is charged-off against the reserve for loan losses. In both cases, upon acquisition, tangible and intangible assets and liabilities acquired are recorded at their estimated fair values.

During the years ended December 31, 2018 and 2016, we received title to properties in satisfaction of mortgage loans with fair values of \$4.6 million and \$40.6 million, respectively, for which those properties had served as collateral. We did not take title to any properties during the year ended December 31, 2017.

Impairment or disposal of long-lived assets—Real estate assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less costs to sell and are included in "Real estate available and held for sale" on our consolidated balance sheets. The difference between the estimated fair value less costs to sell and the carrying value will be recorded as an impairment charge. Impairment for real estate assets are included in "Impairment of assets" in our consolidated statements of operations. Once the asset is classified as held for sale, depreciation expense is no longer recorded.

We periodically review real estate to be held and used and land and development assets for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The asset's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the asset (taking into account the anticipated holding period of the asset)

is less than the carrying value. Such estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the asset and reflected as an adjustment to the basis of the asset. Impairments of real estate and land and development assets are recorded in "Impairment of assets" in our consolidated statements of operations.

During the year ended December 31, 2018, we recorded aggregate impairments on real estate and land and development assets of \$147.1 million. Refer to "Item 7. Management's Discussion and Analysis - Our Portfolio" for more information on the impairments we recorded during the year ended December 31, 2018. During the year ended December 31, 2017, we recorded

Table of Contents

impairments on real estate and land and development assets totaling \$32.4 million. The impairments recorded in 2017 were primarily the result of impairments on land and development assets of \$20.5 million resulting from a decrease in expected cash flows on one asset and a change in exit strategy on another asset, and impairments of \$11.9 million on real estate assets due to shifting demand in the local condominium markets and changes in our exit strategy on other real estate assets. During the year ended December 31, 2016, we recorded impairments on real estate and land and development assets totaling \$14.5 million resulting from unfavorable local market conditions, sales of net lease assets and changes in business strategy for certain assets.

Identified intangible assets and liabilities—We record intangible assets and liabilities acquired at their estimated fair values, and determine whether such intangible assets and liabilities have finite or indefinite lives. As of December 31, 2018, all such acquired intangible assets and liabilities have finite lives. We amortize finite lived intangible assets and liabilities over the period which the assets and liabilities are expected to contribute directly or indirectly to the future cash flows of the business acquired. We review finite lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If we determine the carrying value of an intangible asset is not recoverable we will record an impairment charge to the extent its carrying value exceeds its estimated fair value. Impairments of intangibles are recorded in "Impairment of assets" in our consolidated statements of operations.

Valuation of deferred tax assets—Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as operating loss and tax credit carryforwards. We evaluate our ability to realize our deferred tax assets and recognize a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of our deferred tax assets will not be realized. When evaluating our ability to realize our deferred tax assets, we consider, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This analysis is inherently subjective, as it requires us to forecast our business and general economic environment in future periods. Changes in estimate of our ability to realize our deferred tax asset, if any, are included in "Income tax (expense) benefit" in the consolidated statements of operations. While certain entities with NOLs may generate profits in the future, which may allow us to utilize the NOLs, we continue to record a full valuation allowance on the net deferred tax asset due to the history of losses and the uncertainty of the entities' ability to generate such profits. We recorded a full valuation allowance of \$78.1 million and \$63.3 million as of December 31, 2018 and 2017, respectively.

Variable interest entities—We evaluate our investments and other contractual arrangements to determine if our interests constitute variable interests in a variable interest entity ("VIE") and if we are the primary beneficiary. There is a significant amount of judgment required to determine if an entity is considered a VIE and if we are the primary beneficiary. We first perform a qualitative analysis, which requires certain subjective decisions regarding our assessment, including, but not limited to, which interests create or absorb variability, the contractual terms, the key decision making powers, impact on the VIE's economic performance and related party relationships. An iterative quantitative analysis is required if our qualitative analysis proves inconclusive as to whether the entity is a VIE or we are the primary beneficiary and consolidation is required.

Fair value of assets and liabilities—The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial and nonfinancial assets and liabilities that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

See Item 8—"Financial Statements and Supplemental Data—Note 16" for a complete discussion on how we determine fair value of financial and non-financial assets and financial liabilities and the related measurement techniques and

estimates involved.

52

Table of Contents

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Market Risks

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. In pursuing our business plan, the primary market risk to which we are exposed is interest rate risk. Our operating results will depend in part on the difference between the interest and related income earned on our assets and the interest expense incurred in connection with our interest-bearing liabilities. Changes in the general level of interest rates prevailing in the financial markets will affect the spread between our floating rate assets and liabilities subject to the net amount of floating rate assets/liabilities and the impact of interest rate floors and caps. Any significant compression of the spreads between interest-earning assets and interest-bearing liabilities could have a material adverse effect on us.

In the event of a significant rising interest rate environment or economic downturn, defaults could increase and cause us to incur additional credit losses which would adversely affect our liquidity and operating results. Such delinquencies or defaults would likely have a material adverse effect on the spreads between interest-earning assets and interest-bearing liabilities. In addition, an increase in interest rates could, among other things, reduce the value of our fixed-rate interest-bearing assets and our ability to realize gains from the sale of such assets.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. We monitor the spreads between our interest-earning assets and interest-bearing liabilities and may implement hedging strategies to limit the effects of changes in interest rates on our operations, including engaging in interest rate swaps, interest rate caps and other interest rate-related derivative contracts. Such strategies are designed to reduce our exposure, on specific transactions or on a portfolio basis, to changes in cash flows as a result of interest rate movements in the market. We do not enter into derivative contracts for speculative purposes or as a hedge against changes in our credit risk or the credit risk of our borrowers.

While a REIT may utilize derivative instruments to hedge interest rate risk on its liabilities incurred to acquire or carry real estate assets without generating non-qualifying income, use of derivatives for other purposes will generate non-qualified income for REIT income test purposes. This includes hedging asset related risks such as credit, foreign exchange and interest rate exposure on our loan assets. As a result our ability to hedge these types of risks is limited. There can be no assurance that our profitability will not be materially adversely affected during any period as a result of changing interest rates.

The following table quantifies the potential changes in annual net income, assuming no change in our interest earning assets or interest bearing liabilities, should interest rates increase or decrease by 10, 50 or 100 basis points, assuming no change in the shape of the yield curve (i.e., relative interest rates). The base interest rate scenario assumes the one-month LIBOR rate of 2.50% as of December 31, 2018. Actual results could differ significantly from those estimated in the table.

Estimated Change In Net Income

(\$ in thousands)

Change in Interest Rates	Net Income ⁽¹⁾
-100 Basis Points	\$ (9,331)
-50 Basis Points	(4,940)
-10 Basis Points	(1,003)
Base Interest Rate	—
+10 Basis Points	1,003
+50 Basis Points	5,016
+100 Basis Points	10,033

(1) We have an overall net variable-rate asset position, which results in an increase in net income when rates increase and a decrease in net income when rates decrease. As of December 31, 2018, \$462.4 million of our floating rate loans have a cumulative weighted average LIBOR floor of 1.1% and \$22.6 million of our floating rate debt has a

cumulative weighted average interest rate floor of 0.4%.

Table of Contents

Item 8. Financial Statements and Supplemental Data
 Index to Financial Statements

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>55</u>
Financial Statements:	
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>58</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016</u>	<u>59</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016</u>	<u>60</u>
<u>Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016</u>	<u>61</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	<u>63</u>
<u>Notes to Consolidated Financial Statements</u>	<u>64</u>
Financial Statement Schedules:	
<u>Schedule II—Valuation and Qualifying Accounts and Reserves as of December 31, 2018 with reconciliations for the years ended December 31, 2018, 2017 and 2016</u>	<u>112</u>
<u>Schedule III—Real Estate and Accumulated Depreciation as of December 31, 2018 with reconciliations for the years ended December 31, 2018, 2017 and 2016</u>	<u>113</u>
<u>Schedule IV—Mortgage Loans on Real Estate as of December 31, 2018 with reconciliations for the years ended December 31, 2018, 2017 and 2016</u>	<u>128</u>

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of iStar Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of iStar Inc. and subsidiaries (the "Company") as of December 31, 2018, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows, for the year ended December 31, 2018, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company changed the manner in which it accounts for the transfer and derecognition of nonfinancial assets and in substance nonfinancial assets in 2018 due to the adoption of Accounting Standards Update 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets".

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 25, 2019

We have served as the Company's auditor since 2018.

55

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of iStar Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of iStar Inc. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated February 25, 2019, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s change in the manner in which it accounts for the transfer and derecognition of nonfinancial assets and in substance nonfinancial assets in 2018 due to the adoption of Accounting Standards Update 2017-05, “Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets”.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 25, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of iStar Inc.

Opinion on the Financial Statements

We have audited the consolidated balance sheet of iStar Inc. and its subsidiaries (the “Company”) as of December 31, 2017, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the two years in the period ended December 31, 2017, including the related notes and the accompanying schedules of valuation and qualifying accounts and reserves, real estate and accumulated depreciation, and mortgage loans on real estate for each of the two years in the period ended December 31, 2017 (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it classifies certain cash receipts and cash payments and changed the manner in which it presents restricted cash on the consolidated statements of cash flows in 2018.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

New York, New York

February 26, 2018, except for the change in manner in which the Company classifies certain cash receipts and cash payments and the change in manner in which it presents restricted cash on the consolidated statements of cash flows discussed in Note 3 to the consolidated financial statements, as to which the date is February 25, 2019

We served as the Company's auditor from at least 1997 to 2018. We have not been able to determine the specific year we began serving as auditor of the Company.

Table of Contents

iStar Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

	As of December 31,	
	2018	2017
ASSETS		
Real estate		
Real estate, at cost	\$2,076,333	\$1,629,436
Less: accumulated depreciation	(305,314)	(347,405)
Real estate, net	1,771,019	1,282,031
Real estate available and held for sale	22,551	68,588
Total real estate	1,793,570	1,350,619
Land and development, net	598,218	860,311
Loans receivable and other lending investments, net	988,224	1,300,655
Other investments	304,275	321,241
Cash and cash equivalents	931,751	657,688
Accrued interest and operating lease income receivable, net	10,669	11,957
Deferred operating lease income receivable, net	98,302	86,877
Deferred expenses and other assets, net	289,268	141,730
Total assets	\$5,014,277	\$4,731,078
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$318,592	\$238,004
Loan participations payable, net	22,484	102,425
Debt obligations, net	3,609,086	3,476,400
Total liabilities	3,950,162	3,816,829
Commitments and contingencies (refer to Note 11)		
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, G and I, liquidation preference \$25.00 per share (refer to Note 13)	12	12
Convertible Preferred Stock Series J, liquidation preference \$50.00 per share (refer to Note 13)	4	4
Common Stock, \$0.001 par value, 200,000 shares authorized, 68,085 and 68,236 shares issued and outstanding as of December 31, 2018 and 2017, respectively	68	68
Additional paid-in capital	3,352,225	3,352,665
Accumulated deficit	(2,472,061)	(2,470,564)
Accumulated other comprehensive loss (refer to Note 13)	(17,270)	(2,482)
Total iStar Inc. shareholders' equity	862,978	879,703
Noncontrolling interests	201,137	34,546
Total equity	1,064,115	914,249
Total liabilities and equity	\$5,014,277	\$4,731,078

Note - Refer to Note 2 for details on the Company's consolidated variable interest entities ("VIEs").

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

iStar Inc.

Consolidated Statements of Operations

(In thousands, except per share data)

	For the Years Ended December		
	31,		
	2018	2017	2016
Revenues:			
Operating lease income	\$208,192	\$187,684	\$191,180
Interest income	97,878	106,548	129,153
Other income	82,342	188,091	46,514
Land development revenue	409,710	196,879	88,340
Total revenues	798,122	679,202	455,187
Costs and expenses:			
Interest expense	183,751	194,686	221,398
Real estate expense	139,289	147,617	137,522
Land development cost of sales	350,181	180,916	62,007
Depreciation and amortization	58,699	49,033	51,660
General and administrative ⁽¹⁾	92,135	98,882	84,027
Provision for (recovery of) loan losses	16,937	(5,828)	(12,514)
Impairment of assets	147,108	32,379	14,484
Other expense	6,040	20,954	5,883
Total costs and expenses	994,140	718,639	564,467
Income from sales of real estate	126,004	92,049	105,296
Income (loss) from operations before earnings from equity method investments and other items	(70,014)	52,612	(3,984)
Loss on early extinguishment of debt, net	(10,367)	(14,724)	(1,619)
Earnings (losses) from equity method investments	(5,007)	13,015	77,349
Gain on consolidation of equity method investment	67,877	—	—
Income (loss) from continuing operations before income taxes	(17,511)	50,903	71,746
Income tax benefit (expense)	(815)	948	10,166
Income (loss) from continuing operations	(18,326)	51,851	81,912
Income from discontinued operations	—	4,939	18,270
Gain from discontinued operations	—	123,418	—
Net income (loss)	(18,326)	180,208	100,182
Net income attributable to noncontrolling interests	(13,936)	(4,526)	(4,876)
Net income (loss) attributable to iStar Inc.	(32,262)	175,682	95,306
Preferred dividends	(32,495)	(64,758)	(51,320)
Net income allocable to Participating Security holders ⁽²⁾	—	—	(14)
Net income (loss) allocable to common shareholders	\$(64,757)	\$110,924	\$43,972
Per common share data:			
Income (loss) attributable to iStar Inc. from continuing operations:			
Basic	\$(0.95)	\$(0.25)	\$0.35
Diluted	\$(0.95)	\$(0.25)	\$0.35
Net income (loss) attributable to iStar Inc.:			
Basic	\$(0.95)	\$1.56	\$0.60
Diluted	\$(0.95)	\$1.56	\$0.60
Weighted average number of common shares:			
Basic	67,958	71,021	73,453
Diluted	67,958	71,021	73,835

For the years ended December 31, 2018, 2017 and 2016, includes \$15.4 million, \$14.9 million and \$5.8 million, respectively, of equity-based compensation associated with iPIP Plans (refer to Note 14). These plans are

- (1) liability-based plans which are marked-to-market quarterly and such marks are based upon the performance of the assets underlying the plans as of the quarterly measurement dates; however, actual amounts cannot be determined until the end date of the plans and the ultimate repayment or monetization of the related assets.
- (2) Participating Security holders are non-employee directors who hold common stock equivalents ("CSEs") and restricted stock awards granted under the Company's Long Term Incentive Plans that are eligible to participate in dividends (refer to Note 14 and Note 15).

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

iStar Inc.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

	For the Years Ended December		
	31,		
	2018	2017	2016
Net income (loss)	\$(18,326)	\$180,208	\$100,182
Other comprehensive income:			
Impact from adoption of new accounting standards (refer to Note 3)	276	—	—
Reclassification of losses on cumulative translation adjustment into earnings upon realization ⁽¹⁾	721	—	—
Reclassification of (gains)/losses on cash flow hedges into earnings upon realization ⁽²⁾	(1,508)	(168)	598
Unrealized gains/(losses) on available-for-sale securities	(1,135)	1,186	274
Unrealized gains/(losses) on cash flow hedges	(14,699)	847	(85)
Unrealized gains/(losses) on cumulative translation adjustment	(364)	(129)	