

ISTAR INC.
Form 10-K
February 26, 2018
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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, 2017

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

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
		(Do not check if a smaller reporting 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, 2017 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 \$833 million, based upon the closing price of \$12.04 on the New York Stock Exchange composite tape on such date.

As of February 22, 2018, there were 67,539,717 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 2018 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.

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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 provides management services for its ground lease and net lease equity method investments. The Company has invested more than \$35 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 four primary business segments are real estate finance, net lease, operating properties and land and development.

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 preferred equity investments and senior and subordinated loans to business entities, particularly entities engaged in real estate or real estate related businesses, and may be either secured or unsecured. The Company's loan portfolio includes whole loans and loan participations.

Net Lease: The net lease portfolio is primarily comprised of properties owned by the Company and leased to single creditworthy tenants where the properties are subject to long-term leases. Most of the leases provide for expenses at the facilities to be paid by the tenants on a triple net lease basis. The properties in this portfolio are diversified by property type and geographic location. In addition to net lease properties owned by the Company, the Company partnered with a sovereign wealth fund to form a venture to acquire and develop net lease assets (the "Net Lease Venture"). The Company invests in new net lease investments primarily through the Net Lease Venture, in which it holds a non-controlling 51.9% interest. In 2017, the Company also conceived and ultimately launched a new, publicly traded REIT focused exclusively on the ground lease ("Ground Lease") asset class called Safety, Income & Growth Inc. ("SAFE"). We believe that SAFE is the first publicly-traded company formed primarily to acquire, own, manage, finance and capitalize Ground Leases. Ground Leases generally represent ownership of the land underlying commercial real estate projects that is triple net leased by the fee owner of the land to the owners/operators of the real estate projects built thereon. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date. We also serve as SAFE's external manager pursuant to a management agreement.

Operating Properties: The operating properties portfolio is comprised of commercial and residential properties which represent a diverse 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.

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Land & Development: The land and development portfolio is primarily comprised of land entitled for master planned communities as well as 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. 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.

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.

Company History and Recent Developments

The Company began its business in 1993 through the management of private investment funds and became publicly traded in 1998. Since that time, the Company has grown through the origination of new lending and leasing transactions, as well as through corporate acquisitions. During the economic downturn, the composition of the Company's portfolio changed as loans were repaid and the Company acquired title to assets of defaulting borrowers. The composition of the Company's real estate portfolio expanded to include operating properties and land and development assets. The Company has been originating new lending and net lease investments, repositioning or redeveloping its transitional operating properties and progressing on the entitlement, development and sales of its land and development assets. The Company intends to continue these efforts, with the objective of having these assets contribute positively to earnings in the future. The Company's business segments are discussed further in "Industry Segments."

Financing Strategy

The Company uses leverage to enhance its return on assets. In the third and fourth quarters of 2017, we completed a comprehensive set of capital markets transactions that addressed all parts of our capital structure, resulting in our having:

- repaid or refinanced all of our 2017 and 2018 corporate debt maturities, leaving no corporate debt maturities until July 2019;
- extended our weighted average debt maturity by 1.5 years to 4.0 years;
- reduced annual expenses;
- lowered our cost of capital;
- established new banking relationships;
- increased liquidity to pursue new investment opportunities; and
- received upgrades in our corporate credit ratings from all three major ratings agencies, which we expect will positively impact the marginal cost of our future borrowings and broaden our set of investment opportunities.

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."

Investment Strategy

Our strategy is to continue to focus on our net lease and real estate finance businesses to find selective investment opportunities in these core businesses. In addition, we will continue to monetize our commercial and residential operating properties as well as our land portfolio.

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In originating new investments, the Company's strategy is to focus on the following:

- Targeting the origination of custom-tailored mortgage, corporate and lease financings where customers require flexible financial solutions and "one-call" responsiveness;
- 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.

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. Professionals from all disciplines throughout the entire origination process evaluate investments, from the initial consideration of the opportunity, utilizing the Six Point Methodology,sm through the preparation and distribution of an approval memorandum for the Company's internal investment committee and/or Board of Directors and into the documentation and closing process.

Any commitment to make an investment of \$25 million or less in any transaction or series of related transactions requires the approval of the Chief Executive Officer and Chief Investment Officer. Any commitment in excess of \$25 million but less than or equal to \$60 million requires the further approval of the Company's internal investment committee, consisting of senior management representatives from all of the Company's key disciplines. Any commitment in excess of \$60 million, and any strategic investment such as a corporate merger, acquisition or material transaction involving the Company's entry into a new line of business, requires the approval of the Board of Directors.

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.

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Portfolio Overview

As of December 31, 2017, based on carrying values gross of accumulated depreciation and general loan loss reserves, our total investment portfolio has the following characteristics:

Asset Type

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As of December 31, 2017, based on carrying values gross 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 and Development	Total	% of Total
Land and Development	\$—	\$—	\$—	\$ 932,547	\$932,547	22.1 %
Office / Industrial	48,900	673,424	128,368	—	850,692	20.1 %
Mixed Use / Mixed Collateral	306,625	—	196,667	—	503,292	11.9 %
Entertainment / Leisure	—	489,497	—	—	489,497	11.5 %
Condominium	421,787	—	48,519	—	470,306	11.1 %
Hotel	291,929	—	104,415	—	396,344	9.3 %
Other Property Types	223,458	—	11,837	—	235,295	5.5 %
Retail	25,456	57,348	138,928	—	221,732	5.2 %
Ground Leases ⁽¹⁾	—	129,154	—	—	129,154	3.0 %
Strategic Investments	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$628,734	\$ 932,547	\$4,242,477	100.0%

Geographic Region	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Total	% of Total
Northeast	\$798,357	\$414,373	\$47,557	\$ 268,953	\$1,529,240	36.0 %
West	38,137	286,222	66,398	366,672	757,429	17.9 %
Southeast	181,074	253,960	140,635	114,266	689,935	16.3 %
Southwest	93,509	162,684	256,248	22,292	534,733	12.6 %
Central	181,621	79,701	82,161	31,500	374,983	8.8 %
Mid-Atlantic	—	149,618	35,735	128,864	314,217	7.4 %
Various ⁽²⁾	25,457	2,865	—	—	28,322	0.7 %
Strategic Investments ⁽²⁾	—	—	—	—	13,618	0.3 %
Total	\$1,318,155	\$1,349,423	\$628,734	\$ 932,547	\$4,242,477	100.0%

(1) Primarily represents the market value of our equity method investment in SAFE.

(2) Strategic investments and the various category include \$9.2 million of international assets.

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Industry Segments

The Company has four 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, 2017 (\$ in thousands):

	Real Estate Finance	Net Lease	Operating Properties	Land and Development	Corporate / Other ⁽¹⁾	Total
Real estate, at cost	\$—	\$1,108,051	\$521,385	\$—	\$—	\$1,629,436
Less: accumulated depreciation	—	(292,268)	(55,137)	—	—	(347,405)
Real estate, net	—	815,783	466,248	—	—	1,282,031
Real estate available and held for sale	—	—	68,588	—	—	68,588
Total real estate	—	815,783	534,836	—	—	1,350,619
Land and development, net	—	—	—	860,311	—	860,311
Loans receivable and other lending investments, net	1,300,655	—	—	—	—	1,300,655
Other investments	—	205,007	38,761	63,855	13,618	321,241
Total portfolio assets	\$1,300,655	\$1,020,790	\$573,597	\$924,166	\$13,618	\$3,832,826

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.

Additional information regarding segment revenue and profit information as well as prior period information is presented in Item 8—"Financial Statements and Supplemental Data—Note 17" and a discussion of operating results is presented in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Real Estate Finance

The Company's real estate finance business targets large, sophisticated investors 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, 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 and ground-up construction projects. In addition, the Company has preferred equity investments and debt securities classified as other lending investments.

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

	As of December 31,			
	2017		2016	
	Total	% of Total	Total	% of Total
Performing loans:				
Senior mortgages	\$709,809	53.9 %	\$854,805	58.0 %
Corporate/partnership loans	332,387	25.2 %	333,244	22.6 %
Subordinate mortgages	9,495	0.7 %	14,078	1.0 %
Subtotal	1,051,691	79.8 %	1,202,127	81.6 %
Non-performing loans ⁽¹⁾ :				
Senior mortgages	32,825	2.5 %	36,159	2.5 %
Corporate/partnership loans	144,063	10.9 %	144,674	9.8 %
Subordinate mortgages	—	— %	10,863	0.7 %
Subtotal	176,888	13.4 %	191,696	13.0 %
Total carrying value of loans	1,228,579	93.2 %	1,393,823	94.6 %
Other lending investments—securities	89,576	6.8 %	79,916	5.4 %
Total carrying value	1,318,155	100.0 %	1,473,739	100.0 %
General reserve for loan losses	(17,500)		(23,300)	
Total loans receivable and other lending investments, net	\$1,300,655		\$1,450,439	

(1) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million and \$62.2 million, respectively, as of December 31, 2017 and 2016.

Summary of Portfolio Characteristics—As of December 31, 2017, the Company's performing loans and other lending investments had a weighted average loan to value ratio of 67%. Additionally, the Company's performing loans were comprised of 22% fixed-rate loans and 78% variable-rate loans that had a weighted average yield of 9.8% and a weighted average remaining term of 2.0 years.

Portfolio Activity—During the year ended December 31, 2017, the Company invested \$618.5 million (including capitalized deferred interest) in its real estate finance portfolio and received repayments of \$722.0 million (including the receipt of previously capitalized deferred interest).

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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, 2017		2016	
	Carrying Value	% of Total Accrual Rate	Weighted Average Carrying Value	Weighted Average Carrying Value
Fixed-rate loans and other lending investments	\$251,185	19.1 %	9.4 %	\$282,810
Variable-rate loans ⁽¹⁾	890,082	67.5 %	8.2 %	999,233
Non-performing loans ⁽²⁾	176,888	13.4 %	N/A	191,696
Total carrying value	1,318,155	100.0 %		1,473,739
General reserve for loan losses	(17,500)			(23,300)
Total loans receivable and other lending investments, net	\$1,300,655			\$1,450,439

(1) As of December 31, 2017 and 2016, includes \$416.6 million and \$657.9 million, respectively, of loans with a weighted average LIBOR floor of 0.3% and 0.2%, respectively.

(2) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million and \$62.2 million, respectively, as of December 31, 2017 and 2016.

Summary of Maturities—As of December 31, 2017 the Company's loans receivable and other lending investments had the following maturities (\$ in thousands):

Year of Maturity	Number of Loans Maturing	Carrying Value	% of Total
2018	17	\$583,623	44.2 %
2019	10	463,541	35.2 %
2020	3	16,907	1.3 %
2021	4	7,597	0.6 %
2022	—	—	— %
2023 and thereafter	5	69,599	5.3 %
Total performing loans and other lending investments	39	\$1,141,267	86.6 %
Non-performing loans ⁽¹⁾	5	176,888	13.4 %
Total carrying value	44	\$1,318,155	100.0 %
General reserve for loan losses		(17,500)	
Total loans receivable and other lending investments, net		\$1,300,655	

(1) Non-performing loans are presented net of asset-specific loan loss reserves of \$61.0 million.

Net Lease

The Company's net lease business seeks to create stable cash flows through long-term net leases primarily to single tenants on its properties. The Company targets mission-critical facilities leased on a long-term basis to tenants, offering structured solutions that combine its 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.

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 meet 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 expires on March 31, 2018. The term of the Net Lease Venture extends through February 13, 2022, subject to two, one-year extension options at the discretion of the Company and its partner.

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In April 2017, institutional investors acquired from us a controlling interest in SAFE's predecessor, which held our Ground Lease business (the "Acquisition 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 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.

In June 2017, SAFE completed its initial public offering raising \$205.0 million in gross proceeds and concurrently completed a \$45.0 million private placement to us, its largest shareholder. Subsequent to the initial public offering and through December 31, 2017, we purchased 1.8 million shares of SAFE's common stock for \$34.1 million in open market transactions, at an average cost of \$18.85 per share. As of December 31, 2017, we owned approximately 37.6% of SAFE's common stock outstanding which had a market value of \$120.2 million at that date. As of December 31, 2017, our consolidated net lease portfolio totaled \$1.1 billion gross of \$292.3 million of accumulated depreciation. Our net lease portfolio, including the carrying value of our equity method investments in SAFE and the Net Lease Venture, totaled \$1.3 billion. The table below provides certain statistics for our net lease portfolio and net lease equity method investments.

	Consolidated Real Estate	SAFE	Net Lease Venture
Ownership %	100.0 %	37.6 %	51.9 %
Net book value (millions)	\$ 816	\$490 ⁽¹⁾	\$ 597 ⁽¹⁾
Accumulated depreciation (millions)	292	7	48
Gross carrying value (millions)	\$ 1,108	\$497	\$ 645
Occupancy	97.9 %	100.0%	100.0%
Square footage (thousands)	11,322	3,849	4,238
Weighted average lease term (years)	14.0	60.6	19.0
Weighted average yield	8.9 %	5.0 % ⁽²⁾	8.5 %

(1)Net book value represents the net book value of real estate and real estate-related intangibles.

(2)Represents the annualized asset yield.

Portfolio Activity—During the year ended December 31, 2017, the Company acquired one net lease asset for \$6.6 million and invested an aggregate \$4.9 million of tenant improvements and capital expenditures on its existing net lease assets. In addition, during the year ended December 31, 2017, the Company made contributions of \$49.2 million to the Net Lease Venture and received distributions of \$26.0 million from the Net Lease Venture. During the year ended December 31, 2017, the Company recognized \$87.5 million in income from sales of real estate and received proceeds of \$175.4 million from its net lease portfolio (refer to Note 4 in the Company's consolidated financial statements for further details on consolidated net lease asset activities).

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Summary of Lease Expirations—As of December 31, 2017, lease expirations on the Company's net lease assets, excluding our equity method investments in SAFE and the Net Lease Venture, 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)
2018	2	\$ 2,323			