ISTAR INC.
Form 10-Q
May 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2016
OR

o	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

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iStar Inc.
(Exact name of registrant as specified in its charter)

Maryland	95-6881527
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 Avenue of the Americas, 39th Floor	
New York, NY	10036
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (212) 930-9400

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 ý No o
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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý
As of April 29, 2016, there were 75,409,187 shares, $0.001 par value per share, of iStar Inc. common stock outstanding.

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PART I. CONSOLIDATED FINANCIAL INFORMATION
Item 1. Financial Statements
iStar Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	As of March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Real estate		
Real estate, at cost	$2,040,779	$2,050,541
Less: accumulated depreciation	(462,179)	(456,558)
Real estate, net	1,578,600	1,593,983
Real estate available and held for sale	132,395	137,274
Total real estate	1,710,995	1,731,257
Land and development, net	1,024,434	1,001,963
Loans receivable and other lending investments, net	1,637,387	1,601,985
Other investments	233,990	254,172
Cash and cash equivalents	591,181	711,101
Accrued interest and operating lease income receivable, net	16,020	18,436
Deferred operating lease income receivable, net	98,861	97,421
Deferred expenses and other assets, net	179,310	181,457
Total assets	$5,492,178	$5,597,792
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$202,963	$214,835
Loan participations payable, net	154,111	152,086
Debt obligations, net	4,110,730	4,118,823
Total liabilities	4,467,804	4,485,744
Commitments and contingencies (refer to Note 11)	—	—
Redeemable noncontrolling interests (refer to Note 5)	8,981	10,718
Equity:		
iStar Inc. shareholders' equity:		
Preferred Stock Series D, E, F, G and I, liquidation preference $25.00 per share (refer to Note 13)	22	22
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, 75,441 and 81,109 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	75	81
Additional paid-in capital	3,632,246	3,689,330
Retained earnings (deficit)	(2,646,661)	(2,625,474)
Accumulated other comprehensive income (loss) (refer to Note 13)	(5,577)	(4,851)
Total iStar Inc. shareholders' equity	980,109	1,059,112
Noncontrolling interests	35,284	42,218
Total equity	1,015,393	1,101,330
Total liabilities and equity	$5,492,178	$5,597,792

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

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iStar Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	For the Three Months Ended March 31, 2016	2015
Revenues:		
Operating lease income	$54,937	$59,139
Interest income	33,219	34,896
Other income	11,541	10,564
Land development revenue	14,947	8,258
Total revenues	114,644	112,857
Costs and expenses:		
Interest expense	57,021	54,632
Real estate expense	34,305	39,634
Land development cost of sales	11,575	6,891
Depreciation and amortization	14,708	18,501
General and administrative	23,102	20,753
Provision for (recovery of) loan losses	1,506	4,293
Other expense	740	2,123
Total costs and expenses	142,957	146,827
Income (loss) before earnings from equity method investments and other items	(28,313)	(33,970)
Loss on early extinguishment of debt, net	(125)	(168)
Earnings from equity method investments	8,267	6,547
Income (loss) from continuing operations before income taxes	(20,171)	(27,591)
Income tax (expense) benefit	414	(5,878)
Income (loss) from continuing operations[1]	(19,757)	(33,469)
Income from sales of real estate	10,458	21,156
Net income (loss)	(9,299)	(12,313)
Net (income) loss attributable to noncontrolling interests	942	1,841
Net income (loss) attributable to iStar Inc.	(8,357)	(10,472)
Preferred dividends	(12,830)	(12,830)
Net (income) loss allocable to HPU holders and Participating Security holders[2][3]	—	749
Net income (loss) allocable to common shareholders	$(21,187)	$(22,553)
Per common share data[1]:		
Income (loss) attributable to iStar Inc. from continuing operations:		
Basic and diluted	$(0.27)	$(0.26)
Net income (loss) attributable to iStar Inc.:		
Basic and diluted	$(0.27)	$(0.26)
Weighted average number of common shares:		
Basic and diluted	77,060	85,497
Per HPU share data[1][2]:		
Income (loss) attributable to iStar Inc. from continuing operations		
Basic and diluted	$—	$(49.93)
Net income (loss) attributable to iStar Inc.:		
Basic and diluted	$—	$(49.93)
Weighted average number of HPU shares:		

Basic and diluted	—	15

(1) Income (loss) from continuing operations attributable to iStar Inc. was $(18.8) million and $(31.6) million for the three months ended March 31, 2016 and 2015, respectively. Refer to Note 15 for details on the calculation of earnings per share.

(2) All of the Company's outstanding High Performance Units ("HPUs") were repurchased and retired on August 13, 2015 (refer to Note 15).

(3) Participating Security holders are non-employee directors who hold common stock equivalents 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.

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iStar Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	For the Three Months Ended March 31,	
	2016	2015
Net income (loss)	$(9,299)	$(12,313)
Other comprehensive income (loss):		
Reclassification of (gains)/losses on available-for-sale securities into earnings upon realization(1)	—	(2,531)
Reclassification of (gains)/losses on cash flow hedges into earnings upon realization(2)	257	150
Unrealized gains/(losses) on available-for-sale securities	19	(575)
Unrealized gains/(losses) on cash flow hedges	(962)	(945)
Unrealized gains/(losses) on cumulative translation adjustment	(40)	(244)
Other comprehensive income (loss)	(726)	(4,145)
Comprehensive income (loss)	(10,025)	(16,458)
Comprehensive (income) loss attributable to noncontrolling interests	942	1,844
Comprehensive income (loss) attributable to iStar Inc.	$(9,083)	$(14,614)

(1) Reclassified to "Other income" in the Company's consolidated statements of operations.

(2) Reclassified to "Interest expense" in the Company's consolidated statements of operations are $160 and $35 for the three months ended March 31, 2016 and 2015, respectively. Reclassified to "Earnings from equity method investments" in the Company's consolidated statements of operations are $97 and $115 for the three months ended March 31, 2016 and 2015, respectively.

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

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iStar Inc.
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2016 and 2015
(In thousands)
(unaudited)

	iStar Inc. Shareholders' Equity							
	Preferred Stock[1]	Preferred Stock Series J[1]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2015	$22	$ 4	$ 81	$3,689,330	$(2,625,474)	$ (4,851)	$ 42,218	$1,101,330
Dividends declared—preferred	—	—	—	—	(12,830)	—	—	(12,830)
Issuance of stock/restricted stock unit amortization, net	—	—	—	604	—	—	—	604
Net income (loss) for the period[2]	—	—	—	—	(8,357)	—	358	(7,999)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	(726)	—	(726)
Repurchase of stock	—	—	(6)	(58,126)	—	—	—	(58,132)
Change in additional paid in capital attributable to redeemable noncontrolling interest	—	—	—	438	—	—	—	438
Change in noncontrolling interest[3]	—	—	—	—	—	—	(7,292)	(7,292)
Balance as of March 31, 2016	$22	$ 4	$ 75	$3,632,246	$(2,646,661)	$ (5,577)	$ 35,284	$1,015,393

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iStar Inc.
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2016 and 2015
(In thousands)
(unaudited)

	iStar Inc. Shareholders' Equity								
	Preferred Stock[1]	Preferred Stock Series J[1]	HPU's[4]	Common Stock at Par	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance as of December 31, 2014	$22	$ 4	$9,800	$ 85	$3,744,621	$(2,556,469)	$ (971)	$ 51,256	$1,248,348
Dividends declared—preferred	—	—	—	—	—	(12,830)	—	—	(12,830)
Issuance of stock/restricted stock unit amortization, net	—	—	—	—	3,054	—	—	—	3,054
Net income (loss) for the period[2]	—	—	—	—	—	(10,472)	—	(819)	(11,291)
Change in accumulated other comprehensive income (loss)	—	—	—	—	—	—	(4,145)	—	(4,145)
Repurchase of stock	—	—	—	—	(558)	—	—	—	(558)
Change in additional paid in capital attributable to redeemable noncontrolling interest	—	—	—	—	(3,028)	—	—	—	(3,028)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	52	52
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Balance as of March 31, 2015	$22	$ 4	$9,800	$ 85	$3,744,089	$(2,579,771)	$ (5,116)	$ 50,485	$1,219,598

(1) Refer to Note 13 for details on the Company's Preferred Stock.
(2) For the three months ended March 31, 2016 and 2015, net income (loss) shown above excludes $(1,300) and $(1,022) of net loss attributable to redeemable noncontrolling interests.
(3) Includes a payment to acquire a noncontrolling interest (refer to Note 5).
(4) All of the Company's outstanding HPUs were repurchased and retired on August 13, 2015 (refer to Note 15).

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

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iStar Inc.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net income (loss)	$(9,299)	$(12,313)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Provision for (recovery of) loan losses	1,506	4,293
Depreciation and amortization	14,708	18,501
Payments for withholding taxes upon vesting of stock-based compensation	(1,109)	(1,683)
Non-cash expense for stock-based compensation	4,577	3,238
Amortization of discounts/premiums and deferred financing costs on debt obligations, net	4,601	4,025
Amortization of discounts/premiums and deferred interest on loans, net	(22,049)	(19,303)
Earnings from equity method investments	(8,267)	(6,547)
Distributions from operations of other investments	26,317	3,946
Deferred operating lease income	(2,126)	(1,796)
Income from sales of real estate	(10,458)	(21,156)
Land development revenue in excess of cost of sales	(3,372)	(1,367)
Other operating activities, net	7,745	2,463
Changes in assets and liabilities:		
Changes in accrued interest and operating lease income receivable, net	2,415	(2,083)
Changes in deferred expenses and other assets, net	1,034	5,229
Changes in accounts payable, accrued expenses and other liabilities	(23,023)	(27,801)
Cash flows used in operating activities	(16,800)	(52,354)
Cash flows from investing activities:		
Originations and fundings of loans receivable, net	(94,343)	(188,044)
Capital expenditures on real estate assets	(17,735)	(14,716)
Capital expenditures on land and development assets	(29,375)	(19,953)
Repayments of and principal collections on loans receivable and other lending investments, net	73,211	34,992
Net proceeds from sales of loans receivable	—	5,595
Net proceeds from sales of real estate	35,680	147,635
Net proceeds from sales of land and development assets	8,775	7,737
Distributions from other investments	7,675	4,260
Contributions to other investments	(6,377)	(1,231)
Changes in restricted cash held in connection with investing activities	1,660	(136)
Other investing activities, net	7,716	7,807
Cash flows used in investing activities	(13,113)	(16,054)
Cash flows from financing activities:		
Borrowings from debt obligations	275,000	250,000
Repayments of debt obligations	(282,755)	(12,328)
Preferred dividends paid	(12,830)	(12,830)
Repurchase of stock	(58,760)	(558)
Other financing activities, net	(10,686)	(2,585)
Cash flows from (used in) financing activities	(90,031)	221,699
Effect of exchange rate changes on cash	24	—
Changes in cash and cash equivalents	(119,920)	153,291

Cash and cash equivalents at beginning of period	711,101	472,061
Cash and cash equivalents at end of period	$591,181	$625,352

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

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iStar Inc.
Notes to Consolidated Financial Statements
(unaudited)

Note 1—Business and Organization

Business—iStar Inc. (the "Company"), doing business as "iStar", finances, invests in and develops real estate and real estate related projects as part of its fully-integrated investment platform. 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 primary business segments are real estate finance, land and development, net lease and operating properties (refer to Note 17).

Organization—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 investments, as well as through corporate acquisitions.

Note 2—Basis of Presentation and Principles of Consolidation

Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as amended on Form 10-K/A on March 9, 2016 (the "2015 Annual Report").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring adjustments necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim periods or the entire year. Certain prior year amounts have been reclassified in the consolidated financial statements and the related notes to conform to the 2016 presentation.

During the year ended December 31, 2015, the Company determined that its classification of common shares repurchased under its share repurchase programs should be classified as a reduction to common stock for the par amount of the common stock repurchased and additional paid in capital and included as shares unissued within the consolidated financial statements. The Company previously classified common shares repurchased under its share repurchase programs as treasury stock. The misclassification eliminates treasury stock and results in corresponding reductions of common stock and additional paid-in capital, which results in no change in total equity within the consolidated balance sheets and consolidated statements of changes in equity. All repurchased shares previously reported as treasury stock will now be reported as unissued common stock. The change has no impact on the previously reported consolidated statements of operations, consolidated statements of comprehensive income or consolidated statements of cash flows. The Company evaluated the impact of this correction on previously issued financial statements and concluded they were not materially misstated. In order to conform previous financial statements with the current period, the Company elected to revise previously issued financial statements the next time such financial statements are filed. The accompanying consolidated statements of changes in equity balances as of

March 31, 2015 have been revised as follows:

	As Reported	Change	As Adjusted
	(in thousands)		
March 31, 2015			
Additional paid-in capital	$4,007,540	$(263,451)	$3,744,089
Common stock	146	(61)	85
Treasury stock, at cost	(263,512)	263,512	—
Total	3,744,174	—	3,744,174

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Principles of Consolidation—The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, controlled partnerships and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in "Operating lease income," "Earnings from equity method investments," "Real estate expense" and "Interest expense" in the Company's consolidated statements of operations. The Company has not provided financial support to those VIEs that it was not previously contractually required to provide.

Consolidated VIEs—The Company consolidates VIEs for which it is considered the primary beneficiary. As of March 31, 2016, the total assets of these consolidated VIEs were $351.4 million and total liabilities were $60.9 million. The classifications of these assets are primarily within "Land and development" and "Real estate, net" on the Company's consolidated balance sheets. The classifications of liabilities are primarily within "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from each VIE's respective assets. The Company did not have any unfunded commitments related to consolidated VIEs as of March 31, 2016.

Unconsolidated VIEs—The Company has investments in VIEs where it is not the primary beneficiary and accordingly the VIEs have not been consolidated in the Company's consolidated financial statements. As of March 31, 2016, the Company's maximum exposure to loss from these investments does not exceed the sum of the $75.2 million carrying value of the investments, which are classified in "Other investments" on the Company's consolidated balance sheets, and $54.2 million of related unfunded commitments.

Note 3—Summary of Significant Accounting Policies

In accordance with the adoption of Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03") the Company presents debt issuance costs as a deduction from the carrying value of "Debt obligations, net" and "Loan participations payable, net" on the Company's consolidated balance sheets, which is consistent with the presentation of debt discounts. These costs were previously recorded in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets. As a result, as of December 31, 2015, "Deferred expenses and other assets, net" excludes $25.1 million of debt issuance costs and "Debt obligations, net" and "Loan participations payable, net" are presented net of debt issuance costs of $24.9 million and $0.2 million, respectively. Debt issuance costs associated with revolving-debt arrangements are recorded in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets.

On January 1, 2016, the Company adopted ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02") which modified the analysis it must perform to determine whether it should consolidate certain types of entities. The guidance does not amend the existing disclosure requirements for VIEs or voting interest entities ("VOEs"). The guidance, however, modified the requirements to qualify under the VOE model. The adoption did not have a material impact on the Company's consolidated financial statements.

On January 1, 2016, the Company adopted ASU 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity ("ASU 2014-16") which eliminated the diversity in practice for the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 requires management to consider all terms and features, whether stated or implied, of a hybrid instrument when determining whether the nature of the instrument is more akin to a debt instrument or an equity instrument. Embedded derivative features, which are accounted for separately from host contracts, should also be considered in the analysis of the hybrid instrument. The adoption did not have a material impact on the Company's consolidated financial statements.

As of March 31, 2016, the remainder of the Company's significant accounting policies, which are detailed in the Company's 2015 Annual Report, have not changed materially.

New Accounting Pronouncements—In March 2016, Financial Accounting Standards Board ("FASB") issued ASU 2016-09, Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") which was issued to simplify several aspects of the accounting for share-based payment transactions, including income tax, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. For operating leases, a lessee will be required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position; (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (iii) classify all cash payments within operating activities in the statement of cash flows. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern ("ASU 2014-15") which requires management to evaluate whether there is substantial doubt that the Company is able to continue operating as a going concern within one year after the date the financial statements are issued or available to be issued. If there is substantial doubt, additional disclosure is required, including the principal condition or event that raised the substantial doubt, the Company's evaluation of the condition or event in relation to its ability to meet its obligations and the Company's plan to alleviate (or, which is intended to alleviate) the substantial doubt. ASU 2014-15 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Management does not believe the guidance will have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") which supersedes existing industry-specific guidance, including ASC 360-20, Real Estate Sales. The new standard is principles-based and requires more estimates and judgment than current guidance. Certain contracts with customers, including lease contracts and financial instruments and other contractual rights, are not within the scope of the new guidance. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, to defer the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning January 1, 2017. Management is evaluating the impact of the guidance on the Company's consolidated financial statements.

iStar Inc.
Notes to Consolidated Financial Statements (Continued)
(unaudited)

Note 4—Real Estate
The Company's real estate assets were comprised of the following ($ in thousands):

	Net Lease	Operating Properties	Total
As of March 31, 2016			
Land and land improvements, at cost	$304,929	$132,369	$437,298
Buildings and improvements, at cost	1,177,060	426,421	1,603,481
Less: accumulated depreciation	(382,501)	(79,678)	(462,179)
Real estate, net	1,099,488	479,112	1,578,600
Real estate available and held for sale (1)	717	131,678	132,395
Total real estate	$1,100,205	$610,790	$1,710,995
As of December 31, 2015			
Land and land improvements, at cost	$306,172	$133,275	$439,447
Buildings and improvements, at cost	1,183,723	427,371	1,611,094
Less: accumulated depreciation	(377,416)	(79,142)	(456,558)
Real estate, net	1,112,479	481,504	1,593,983
Real estate available and held for sale (1)	—	137,274	137,274
Total real estate	$1,112,479	$618,778	$1,731,257

(1) As of March 31, 2016 and December 31, 2015, the Company had $131.7 million and $137.3 million, respectively, of residential properties available for sale in its operating properties portfolio.

Real Estate Available and Held for Sale—During the three months ended March 31, 2016, the Company transferred one net lease asset with a carrying value of $0.7 million to held for sale due to an executed contract with a third party. During the three months ended March 31, 2015, the Company transferred net lease assets with a carrying value of $7.5 million to held for sale due to executed contracts with third parties.

Dispositions—During the three months ended March 31, 2016 and 2015, the Company sold residential condominiums for total net proceeds of $19.7 million and $49.0 million, respectively, and recorded income from sales of real estate totaling $4.9 million and $17.6 million, respectively. During the three months ended March 31, 2016 and 2015, the Company sold net lease assets for net proceeds of $10.0 million and $4.9 million, respectively, resulting in gains of $4.9 million and $3.6 million, respectively. During the three months ended March 31, 2016, the Company also sold a commercial operating property for net proceeds of $5.9 million resulting in a gain of $0.7 million. The gains are recorded in "Income from sales of real estate" in the Company's consolidated statements of operations.
During the three months ended March 31, 2015, the Company, through a consolidated entity, sold a leasehold interest in a commercial operating property for net proceeds of $93.5 million and simultaneously entered into a ground lease with an initial term of 99 years. In connection with this transaction, the Company recorded a lease incentive asset of $38.1 million, which is included in "Deferred expenses and other assets, net" on the Company's consolidated balance sheets, and deferred a gain of $5.3 million, which is included in "Accounts payable, accrued expenses and other liabilities" on the Company's consolidated balance sheets. In December 2015, the Company acquired the noncontrolling interest in the entity for $6.4 million.
Tenant Reimbursements—The Company receives reimbursements from tenants for certain facility operating expenses including common area costs, insurance, utilities and real estate taxes. Tenant expense reimbursements were $6.3 million and $7.0 million for the three months ended March 31, 2016 and 2015, respectively. These amounts are included in "Operating lease income" in the Company's consolidated statements of operations.

Allowance for Doubtful Accounts—As of March 31, 2016 and December 31, 2015, the allowance for doubtful accounts related to real estate tenant receivables was $2.2 million and $1.9 million, respectively, and the allowance for doubtful accounts related to deferred operating lease income was $1.5 million as of both dates. These amounts are included in "Accrued interest and operating lease income receivable, net" and "Deferred operating lease income receivable, net", respectively, on the Company's consolidated balance sheets.

Note 5—Land and Development

The Company's land and development assets were comprised of the following ($ in thousands):

	As of	
	March 31, 2016	December 31, 2015
Land and land development, at cost	$1,030,766	$1,007,995
Less: accumulated depreciation	(6,332)	(6,032)
Total land and development, net	$1,024,434	$1,001,963

Acquisitions—In February 2016, the Company acquired an additional 7.2% interest in a consolidated entity for $7.2 million. The Company owns 92.2% of the entity as of March 31, 2016.

Dispositions—For the three months ended March 31, 2016 and 2015, the Company sold residential lots and units and recognized land development revenue of $14.9 million and $8.3 million, respectively, from its land and development portfolio. For the three months ended March 31, 2016 and 2015, the Company recognized land development cost of sales of $11.6 million and $6.9 million, respectively, from its land and development portfolio.

Redeemable Noncontrolling Interest—The Company has an interest in a strategic venture that provides the minority partner an option to redeem its interest at fair value. The Company has reflected the partner's noncontrolling interest in this venture as a component of redeemable noncontrolling interest within its consolidated balance sheets. Changes in fair value are being accreted over the term from the date of issuance to the earliest redemption date using the interest method. As of March 31, 2016 and December 31, 2015, this interest had a carrying value of $6.1 million and $7.2 million, respectively. As of March 31, 2016 and December 31, 2015, this interest had an estimated redemption value of $9.2 million.

Note 6—Loans Receivable and Other Lending Investments, net

The following is a summary of the Company's loans receivable and other lending investments by class ($ in thousands):

	As of	
Type of Investment	March 31, 2016	December 31, 2015
Senior mortgages	$1,010,329	$975,915
Corporate/Partnership loans	664,564	643,270
Subordinate mortgages	25,454	28,676
Total gross carrying value of loans	1,700,347	1,647,861
Reserves for loan losses	(109,671)	(108,165)
Total loans receivable, net	1,590,676	1,539,696
Other lending investments—securities	46,711	62,289
Total loans receivable and other lending investments, net[(1)]	$1,637,387	$1,601,985

(1)

The Company's recorded investment in loans as of March 31, 2016 and December 31, 2015 includes accrued interest of $10.1 million and $9.0 million, respectively, which are included in "Accrued interest and operating lease income receivable, net" on the Company's consolidated balance sheets.

During the three months ended March 31, 2015, the Company sold a loan with a carrying value of $5.5 million. No gain or loss was recognized as a result of the transaction.

Reserve for Loan Losses—Changes in the Company's reserve for loan losses were as follows ($ in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Reserve for loan losses at beginning of period	$108,165	$98,490
Provision for loan losses[1]	1,506	4,293
Reserve for loan losses at end of period	$109,671	$102,783

(1) For the three months ended March 31, 2015 the provision for loan losses includes recoveries of previously recorded loan loss reserves of $0.2 million.

The Company's recorded investment in loans (comprised of a loan's carrying value plus accrued interest) and the associated reserve for loan losses were as follows ($ in thousands):

	Individually Evaluated for Impairment[1]	Collectively Evaluated for Impairment[2]	Total
As of March 31, 2016			
Loans	$ 141,420	$ 1,569,029	$ 1,710,449
Less: Reserve for loan losses	(73,071)	(36,600)	(109,671)
Total	$ 68,349	$ 1,532,429	$ 1,600,778
As of December 31, 2015			
Loans	$ 132,492	$ 1,524,347	$ 1,656,839
Less: Reserve for loan losses	(72,165)	(36,000)	(108,165)
Total	$ 60,327	$ 1,488,347	$ 1,548,674

(1) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of $0.2 million as of March 31, 2016 and December 31, 2015. The Company's loans individually evaluated for impairment primarily represent loans on non-accrual status and therefore, the unamortized amounts associated with these loans are not currently being amortized into income.

(2) The carrying value of these loans include unamortized discounts, premiums, deferred fees and costs totaling net discounts of $6.5 million and $8.2 million as of March 31, 2016 and December 31, 2015, respectively.

Credit Characteristics—As part of the Company's process for monitoring the credit quality of its loans, it performs a quarterly loan portfolio assessment and assigns risk ratings to each of its performing loans. Risk ratings, which range from 1 (lower risk) to 5 (higher risk), are based on judgments which are inherently uncertain and there can be no assurance that actual performance will be similar to current expectation.

The Company's recorded investment in performing loans, presented by class and by credit quality, as indicated by risk rating, was as follows ($ in thousands):

	As of March 31, 2016		As of December 31, 2015	
	Performing Loans	Weighted Average	Performing Loans	Weighted Average

		Risk Ratings		Risk Ratings
Senior mortgages	$879,019	2.96	$853,595	2.96
Corporate/Partnership loans	664,210	3.31	641,713	3.37
Subordinate mortgages	25,800	3.92	29,039	3.64
Total	$1,569,029	3.13	$1,524,347	3.15

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The Company's recorded investment in loans, aged by payment status and presented by class, were as follows ($ in thousands):

	Current	Less Than and Equal to 90 Days	Greater Than 90 Days(1)	Total Past Due	Total
As of March 31, 2016					
Senior mortgages	$889,128	$9,083	$116,825	$125,908	$1,015,036
Corporate/Partnership loans	669,613	—	—	—	669,613
Subordinate mortgages	25,800	—	—	—	25,800
Total	$1,584,541	$9,083	$116,825	$125,908	$1,710,449
As of December 31, 2015					
Senior mortgages	$864,099	$—	$116,250	$116,250	$980,349
Corporate/Partnership loans	647,451	—	—	—	647,451
Subordinate mortgages	29,039	—	—	—	29,039
Total	$1,540,589	$—	$116,250	$116,250	$1,656,839

(1) As of March 31, 2016, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 8.0 years outstanding. As of December 31, 2015, the Company had four loans which were greater than 90 days delinquent and were in various stages of resolution, including legal proceedings, environmental concerns and foreclosure-related proceedings, and ranged from 1.0 to 7.0 years outstanding.

Impaired Loans—The Company's recorded investment in impaired loans, presented by class, were as follows ($ in thousands)(1):

	As of March 31, 2016			As of December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Senior mortgages	$9,083	$9,082	$—	$—	$—	$—
With an allowance recorded:						
Senior mortgages	126,933	125,882	(70,533)	126,754	125,776	(69,627)
Corporate/Partnership loans	5,404	5,402	(2,538)	5,738	5,738	(2,538)
Subtotal	132,337	131,284	(73,071)	132,492	131,514	(72,165)
Total	$141,420	$140,366	$(73,071)	$132,492	$131,514	$(72,165)

(1) All of the Company's non-accrual loans are considered impaired and included in the table above.

The Company's average recorded investment in impaired loans and interest income recognized, presented by class, were as follows ($ in thousands):

	For the Three Months Ended March 31,			
	2016		2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Senior mortgages	$4,542	$ —	$—	$ —
With an allowance recorded:				
Senior mortgages	126,843	—	130,491	17
Corporate/Partnership loans	5,571	—	7,868	9
Subtotal	132,414	—	138,359	26
Total	$136,956	$ —	$138,359	$ 26

Securities—Other lending investments—securities includes the following ($ in thousands):

	Face Value	Amortized Cost Basis	Net Unrealized Gain (Loss)	Estimated Fair Value	Net Carrying Value
As of March 31, 2016					
Available-for-Sale Securities					
Municipal debt securities	$5,365	$ 5,365	$ 171	$ 5,536	$ 5,536
Held-to-Maturity Securities					
Corporate debt securities	41,563	41,175	—	41,204	41,175
Total	$46,928	$ 46,540	$ 171	$ 46,740	$ 46,711
As of December 31, 2015					
Available-for-Sale Securities					
Municipal debt securities	$1,010	$ 1,010	$ 151	$ 1,161	$ 1,161
Held-to-Maturity Securities					
Corporate debt securities	54,549	61,128	—	61,199	61,128
Total	$55,559	$ 62,138	$ 151	$ 62,360	$ 62,289

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Note 7—Other Investments

The Company's other investments and its proportionate share of earnings (losses) from equity method investments were as follows ($ in thousands):

	Carrying Value as of		Equity in Earnings (Losses) For the Three Months Ended March 31,	
	March 31, 2016	December 31, 2015	2016	2015
Other real estate equity investments	$85,122	$ 81,452	$(1,702)	$(1,302)
iStar Net Lease I LLC ("Net Lease Venture")	68,043	69,096	946	1,633
Other investments[(1)]	57,734	73,525	802	1,696
Marina Palms, LLC ("Marina Palms")	23,091	30,099	8,221	4,520
Total other investments	$233,990	254,172	$8,267	$6,547

(1) In conjunction with the sale of the Company's interests in Oak Hill Advisors, L.P. in 2011, the Company retained a share of the carried interest related to various funds. During the three months ended March 31, 2016 and 2015, the Company recognized $3.2 million and $1.5 million, respectively, of carried interest income.

Other real estate equity investments—As of March 31, 2016, the Company's other real estate equity investments included equity interests in real estate ventures ranging from 19% to 76%, comprised of investments of $12.0 million in operating properties and $68.6 million in land assets. As of December 31, 2015, the Company's other real estate equity investments included $11.1 million in operating properties and $64.0 million in land assets.
In addition, during 2014 the Company contributed land to a newly formed unconsolidated entity in which the Company received an initial equity interest of 85.7%. This entity is a VIE and the Company does not have controlling interest due to shared control of the entity with its partner. As of March 31, 2016 and December 31, 2015, the Company had a recorded equity interest of $4.5 million and $6.3 million, respectively. Additionally, the Company committed to provide $45.7 million of mezzanine financing to the entity. As of March 31, 2016, the loan balance was $34.5 million and is included in "Loans receivable and other lending investments, net" on the Company's consolidated balance sheets. During the three months ended March 31, 2016 and 2015, the Company recorded $1.2 million and $0.6 million of interest income, respectively, relating to this loan.
Net Lease Venture—In February 2014, the Company partnered with a sovereign wealth fund to form a new unconsolidated entity in which the Company has an equity interest of approximately 51.9%. This entity is not a VIE and the Company does not have controlling interest due to the substantive participating rights of its partner. The partners plan to contribute up to an aggregate $500 million of equity to acquire and develop net lease assets over time. The Company is responsible for sourcing new opportunities and managing the venture and its assets in exchange for a promote and management fee. Several of the Company's senior executives whose time is substantially devoted to the net lease venture own a total of 0.6% equity ownership in the venture via co-investment. These senior executives are also entitled to an amount equal to 50% of any promote payment received based on the 47.5% partner's interest. As of March 31, 2016 and December 31, 2015, the venture's carrying value of total assets was $398.8 million and $400.2 million, respectively. During the three months ended March 31, 2016 and 2015, the Company recorded $0.4 million of management fees from the Net Lease Venture and are included in "Other income" in the Company's consolidated

statements of operations.

Other investments—As of March 31, 2016, the Company also had smaller investments in real estate related funds and other strategic investments in several other entities that were accounted for under the equity method or cost method. As of March 31, 2016 and December 31, 2015, the carrying value of the Company's cost method investments was $1.5 million. During the three months ended March 31, 2015, the Company sold available-for-sale securities for proceeds of $7.3 million for gains of $2.5 million, which are included in "Other income" in the Company's consolidated statements of operations. The amount reclassified out of accumulated other comprehensive income into earnings was determined based on the specific identification method.

Marina Palms—As of March 31, 2016, the Company owned a 47.5% equity interest in Marina Palms, a residential condominium development. This entity is not a VIE and the Company does not have controlling interest due to shared control of the entity with its partner. As of March 31, 2016 and December 31, 2015, the venture's carrying value of total assets was $230.8 million and $278.5 million, respectively.

Summarized investee financial information—The following table presents the investee level summarized financial information of the Company's equity method investments, which were significant subsidiaries for the three months ended March 31, 2016 and 2015 ($ in thousands):

	Revenues	Expenses	Net Income Attributable to Parent Entities
For the Three Months Ended March 31, 2016			
Marina Palms	$ 50,628	$ (25,511)	$ 25,117
Net Lease Venture	7,830	(5,863)	1,823
For the Three Months Ended March 31, 2015			
Marina Palms	$ 34,998	$ (22,638)	$ 12,360
Net Lease Venture	7,829	(4,546)	3,146

Note 8—Other Assets and Other Liabilities

Deferred expenses and other assets, net, consist of the following items ($ in thousands):

	As of March 31, 2016	December 31, 2015
Intangible assets, net(1)	$ 69,647	$ 71,446
Other assets(2)	39,428	36,999
Restricted cash	24,152	26,657
Other receivables	22,599	22,557
Leasing costs, net(3)	18,855	19,393
Corporate furniture, fixtures and equipment, net(4)	4,629	4,405
Deferred expenses and other assets, net	$ 179,310	$ 181,457

(1) Intangible assets, net includes above market and in-place lease assets related to the acquisition of real estate assets. This balance also includes a lease incentive asset of $38.1 million (refer to Note 4). Accumulated amortization on intangible assets, net was $37.7 million and $37.3 million as of March 31, 2016 and December 31, 2015, respectively. The amortization of above market leases and lease incentive assets decreased operating lease income in the Company's consolidated statements of operations by $1.2 million and $2.3 million for the three months ended March 31, 2016 and 2015, respectively. These intangible lease assets are amortized over the term of the lease. The amortization expense for in-place leases was $0.5 million and $1.5 million for the three months ended March 31, 2016 and 2015, respectively. These amounts are included in "Depreciation and amortization" in the Company's consolidated statements of operations.

(2) Includes a $7.0 million receivable related to the sale of a land parcel in 2015.

(3) Accumulated amortization of leasing costs was $9.4 million and $9.8 million as of March 31, 2016 and December 31, 2015, respectively.

(4) Accumulated depreciation on corporate furniture, fixtures and equipment was $8.3 million and $8.1 million as of March 31, 2016 and December 31, 2015, respectively.

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Accounts payable, accrued expenses and other liabilities consist of the following items ($ in thousands):

	As of March 31, 2016	As of December 31, 2015
Other liabilities[1]	$85,327	$ 80,332
Accrued expenses[2]	65,226	68,937
Accrued interest payable		