ISTAR FINANCIAL INC
Form 424B3
September 22, 2003

QuickLinks -- Click here to rapidly navigate through this document

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to 424(B)(3)
Registration No. 333-105945

Subject to Completion

Preliminary Prospectus Supplement dated September 22, 2003

PROSPECTUS SUPPLEMENT
(To prospectus dated July 8, 2003)

4,000,000 Shares

% Series F Cumulative Redeemable Preferred Stock
Liquidation Preference $25.00 Per Share

We are offering 4,000,000 shares of our % Series F Cumulative Redeemable Preferred Stock, par value $0.001 per share, which we refer to as our "Series F Preferred Stock." We will pay to investors cumulative dividends on the Series F Preferred Stock from September , 2003 in the amount of $ per share each year, which is equivalent to % of the $25.00 liquidation preference per share. Dividends on the Series F Preferred Stock will be payable quarterly in arrears, beginning on December 15, 2003. The shares of Series F Preferred Stock have no stated maturity, will not be subject to any sinking fund or mandatory redemption and will not be convertible into any other securities. Holders of shares of Series F Preferred Stock will generally have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters and in certain other events.

Except in limited circumstances to preserve our status as a real estate investment trust, we may not redeem the Series F Preferred Stock until September , 2008. On or after September , 2008 we may, at our option, redeem the Series F Preferred Stock, in whole or in part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to and including the redemption date. Any partial redemption will generally be on a pro rata basis.

No market currently exists for our Series F Preferred Stock. We have applied to list our Series F Preferred Stock on the New York Stock Exchange under the symbol "SFI PrF." We expect that trading will commence within 30 days after the initial delivery of the Series F Preferred Stock. Our common stock currently trades on the NYSE under the symbol "SFI."

Investing in the Series F Preferred Stock involves risks that are described in the "Risk Factors" section, beginning on page S-5 of this prospectus supplement and page two of the accompanying prospectus.

	Per Share	Total
Public offering price(1)	$25.00	$100,000,000

	Per Share	Total
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

(1)
Plus accrued dividends, if any, from (but excluding) the date of the original issue.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect that the shares of Series F Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about September , 2003.

Merrill Lynch & Co. **Lehman Brothers**

Sole Book-Running Manager

The date of this prospectus supplement is September , 2003.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

FORWARD-LOOKING STATEMENTS

We make statements in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are usually identified by the use of words such as "will," "anticipates," "believes," "estimates," "expects," "projects," "plans," "intends," "should" or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions and expectations as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions or expectations will be achieved. We have discussed in this prospectus supplement and the accompanying prospectus some important risks, uncertainties and contingencies which could cause our actual results, performance or achievements to be materially different from the forward-looking statements we make in these documents.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in our reports and documents filed with the SEC, and you should not place undue reliance on those statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all the information that may be important to you. You should read the entire prospectus supplement and accompanying prospectus, as well as the documents incorporated by reference in them, before making an investment decision. All references to "we" or "us" in this prospectus supplement refer to iStar Financial Inc. and its consolidated subsidiaries, unless the context otherwise requires. For the definition of EBITDA and for a detailed reconciliation of EBITDA to net income determined in accordance with GAAP, see "Ratios of EBITDA to Combined Fixed Charges and Preferred Stock Dividends and EBITDA to Interest Expense."

iStar Financial Inc.

We are the largest publicly traded finance company focused exclusively on the commercial real estate industry. We provide custom-tailored financing to high-end private and corporate owners of real estate nationwide, including senior and junior mortgage debt, senior, mezzanine and subordinated corporate capital, and corporate net lease financing. Our objective is to generate consistent and attractive returns on our invested capital by providing innovative and value-added financing solutions to our customers. We are taxed as a real estate investment trust. As of June 30, 2003, our total enterprise value (market value of equity plus book value of preferred stock and debt, less cash balances) was $7.8 billion, and our net income and EBITDA for the twelve-month period ended June 30, 2003 were $253.3 million and $500.3 million, respectively.

By capitalizing on our competitive strengths, we have delivered consistent financial performance, developed a high-quality, diversified asset base and established ourselves as a reliable provider of financial solutions for our customers. We have maintained strong credit statistics and have consistently grown our net income and EBITDA since the quarter ended June 1998, our first quarter as a public company. Between that quarter and the quarter ended June 30, 2003, we grew our net income and EBITDA from approximately $19.9 million and $30.7 million, respectively, to $69.7 million and $133.8 million, respectively.

We began our business in 1993 through private investment funds formed to take advantage of the lack of well-capitalized lenders capable of servicing the needs of high-end customers in our markets. During our ten-year history, we have structured or originated over $8.1 billion of financing commitments, of which over 50% has come from customers who have used our services more than once. To date, we have not realized a loss of principal or interest on any lending investment we have funded.

Our principal executive offices are located at 1114 Avenue of the Americas, New York, New York 10036, and our telephone number is (212) 930-9400. Our website is www.istarfinancial.com. The information on our website is not considered part of this prospectus supplement or the accompanying prospectus. Our six primary regional offices are located in Atlanta, Boston, Dallas, Denver, Hartford and San Francisco. iStar Asset Services, our loan servicing subsidiary, is located in Hartford, and iStar Real Estate Services, our corporate facilities management division, is headquartered in Atlanta.

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series F Preferred Stock, see "Description of the Series F Preferred Stock" in this prospectus supplement.

Issuer	iStar Financial Inc.
Securities Offered	4,000,000 shares of % Series F Cumulative Redeemable Preferred Stock.
Dividends	Investors will be entitled to receive cumulative cash dividends on the Series F Preferred Stock at a rate of % per year of the $25.00 liquidation preference (equivalent to $ per year per share). Beginning on December 15, 2003, dividends on the Series F Preferred Stock will be payable quarterly in arrears on or before March 15, June 15, September 15 and December 15 of each year, or if not a business day, the next succeeding business day. Dividends paid to investors on the Series F Preferred Stock will be cumulative from September , 2003. The first dividend we pay on December 15, 2003 will be for less than a full quarter.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the Series F Preferred Stock will have the right to receive $25.00 per share, plus accrued and unpaid dividends (whether or not declared) to the date of payment, before any payments are made to the holders of our common stock and any other of our equity securities ranking junior to the Series F Preferred Stock as to liquidation rights. The rights of the holders of the Series F Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of each other series or class of our equity securities ranked on a parity with the Series F Preferred Stock, including our outstanding Series A, B, C, D and E Cumulative Redeemable Preferred Stock.
Maturity	The Series F Preferred Stock has no maturity date and we are not required to redeem the Series F Preferred Stock. Accordingly, the Series F Preferred Stock will remain outstanding indefinitely, unless we decide to redeem it. We are not required to set aside funds to redeem the Series F Preferred Stock.
Optional Redemption	We may not redeem the Series F Preferred Stock prior to September , 2008 except in limited circumstances to preserve our status as a REIT. On or after September , 2008 we may, at our option, redeem the Series F Preferred Stock, in whole or in part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to and including the redemption date. Any partial redemption generally will be on a pro rata basis.

Ranking	The Series F Preferred Stock will rank senior to our common stock and on a parity with our Series A, B, C, D and E Cumulative Redeemable Preferred Stock with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up.
Voting Rights	Holders of the Series F Preferred Stock will generally have no voting rights. However, if dividends on any outstanding Series F Preferred Stock have not been paid for six or more quarterly periods (whether or not consecutive), holders of the Series F Preferred Stock, voting as a class with the holders of all other classes or series of our equity securities ranking on a parity with the Series F Preferred Stock (except our Series A Cumulative Redeemable Preferred Stock) which are entitled to similar voting rights, will be entitled to elect two additional directors to our board of directors to serve until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series F Preferred Stock cannot be made and certain other actions may not be taken without the affirmative vote of holders of at least two-thirds of the outstanding shares of Series F Preferred Stock.
Listing	We have applied to list the Series F Preferred Stock on the New York Stock Exchange under the symbol "SFI PrF." We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series F Preferred Stock.
Settlement Date	Delivery of the shares of Series F Preferred Stock will be made against payment therefor on or about September , 2003.
Form	The Series F Preferred Stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.
No Conversion	The Series F Preferred Stock is not convertible into or exchangeable for any other of our property or securities.
Restrictions on Ownership	In order to ensure that we remain a qualified REIT for federal income tax purposes, no person may own more than 9.8% of the number or value of our outstanding shares of capital stock, with some exceptions. See "Description of Common Stock and Preferred Stock Restrictions on Ownership and Transfers" in the accompanying prospectus.
Use of Proceeds	We will use the proceeds from the sale of the Series F Preferred Stock to repay existing indebtedness outstanding under two of our secured revolving credit facilities.

S-3

Risk Factors	See "Risk Factors" beginning on page S-5 of this prospectus supplement and page two of the accompanying prospectus, and the other information contained herein for a discussion of factors you should carefully consider before deciding to invest in the Series F Preferred Stock.
Ratio of Earnings to Fixed Charges	See "Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends and Earnings to Fixed Charges" on page S-7 of this prospectus supplement.

S-4

RISK FACTORS

This section describes some, but not all, of the risks of purchasing our Series F Preferred Stock in the offering. You should carefully consider these risks, and the risks described under the corresponding heading beginning on page two of the accompanying prospectus, before *purchasing our Series F Preferred Stock in the offering. In connection with the forward-looking statements that appear in this prospectus supplement and the accompanying prospectus, you should also carefully review the cautionary statements referred to in "Forward-Looking Statements."*

The Series F Preferred Stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; the Series F Preferred Stock has no stated maturity date.

The shares of Series F Preferred Stock are a new issue of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the Series F Preferred Stock on the New York Stock Exchange under the symbol "SFI PrF." We expect that trading will commence within 30 days after the initial delivery of the Series F Preferred Stock. However, an active trading market on the New York Stock Exchange for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of Series F Preferred Stock will be limited. We have been advised by the underwriters that they intend to make a market in the Series F Preferred Stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

Numerous factors affect the trading price of the Series F Preferred Stock.

The trading price of our Series F Preferred Stock may depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- additional issuances of other series or classes of preferred stock;
- general economic conditions; and
- our financial condition, performance and prospects.

The Series F Preferred Stock is subordinated to existing and future debt.

Payment of amounts due on our Series F Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinated to the payment of dividends on preferred stock, if any, issued by our subsidiaries. The Series F Preferred Stock will rank on a parity with our Series A Cumulative Redeemable Preferred Stock, Series B Cumulative Reedemable Preferred Stock, Series C Cumulative Reedemable Preferred Stock, Series D Cumulative Reedemable Preferred Stock and Series E Cumulative Redeemable Preferred Stock with respect to the payment of dividends. In addition, we may issue additional Series F Preferred Stock and/or shares of another class or series of preferred stock ranking on a parity with the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. These factors may affect the trading price of the Series F Preferred Stock.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $96,580,000, after deducting underwriting discounts and commissions and expenses of the offering. We intend to use the net proceeds to repay indebtedness outstanding under two of our secured revolving credit facilities. At June 30, 2003, the weighted average interest rate of the borrowings we will repay was 3.09%, and the weighted average maturity was 1.7 years. We used the borrowings being repaid to fund our origination of loan and corporate tenant lease investments. The amount being repaid under the credit facilities will be available for future borrowings for the origination of new loan and corporate tenant lease investments and for working capital purposes.

An affiliate of Lehman Brothers, an underwriter of this offering, is a lender under one of the secured revolving credit facilities being partially repaid. See the "Underwriting" section in this prospectus supplement.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 2003, on an actual basis and as adjusted to give effect to (1) the issuance of the Series F Preferred Stock and the use of the net proceeds from the issuance to repay indebtedness as described under "Use of Proceeds" and (2) the July 2003 issuance of 5,600,000 shares of $7^7/_8$% Series E Cumulative Redeemable Preferred Stock in exchange for 2,800,000 shares of our Series A Cumulative Redeemable Preferred Stock. This table should be read in conjunction with our consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement.

	As of June 30, 2003	
	Actual	**Adjusted**
	(in thousands)	
Long-term debt, including current maturities:		
Unsecured senior notes, less discount	$ 656,618	$ 656,618
Unsecured revolving credit facilities		
Secured revolving credit facilities	1,113,165	1,022,327
Secured term loans, less discount	678,843	678,843
iStar Asset Receivables secured notes, less discount	1,353,543	1,353,543
Other debt obligations	40,687	40,687
Total long-term debt	$ 3,842,856	$ 3,752,018
Shareholders' equity:		
Series A Preferred Stock, $0.001 par value, liquidation preference $50.00 per share, 4,400 shares issued and outstanding at June 30, 2003 (actual), 1,600 shares issued and outstanding at June 30, 2003 (as adjusted)	4	2
Series B Preferred Stock, $0.001 par value, liquidation preference $25.00 per share, 2,000 shares issued and outstanding at June 30, 2003	2	2
Series C Preferred Stock, $0.001 par value, liquidation preference $25.00 per share, 1,300 shares issued and outstanding at June 30, 2003	1	1
Series D Preferred Stock, $0.001 par value, liquidation preference $25.00 per share, 4,000 shares issued and outstanding at June 30, 2003	4	4
Series E Preferred Stock, $0.001 par value, liquidation preference $25.00 per share, 0 shares issued and outstanding at June 30, 2003 (actual), 5,600 shares issued and outstanding at June 30, 2003 (as adjusted)	0	6
Series F Preferred Stock, $0.001 par value, liquidation preference $25.00 per share, 0 shares issued and outstanding at June 30, 2003 (actual), 4,000 shares issued and outstanding at June 30, 2003 (as adjusted)	0	4
High Performance Units	5,096	5,096
Common Stock, $0.001 par value, 200,000 shares authorized, 100,300 and 98,114 shares issued and outstanding at June 30, 2003, respectively	100	100
Warrants and options	20,520	20,520
Additional paid-in-capital	2,340,249	2,431,079
Retained earnings (deficit)	(174,937)	(174,937)
Accumulated other comprehensive income	9,131	9,131
Treasury stock (at cost)	(48,056)	(48,056)
Total shareholders' equity	$ 2,152,114	$ 2,242,952
Total capitalization	$ 5,994,970	$ 5,994,970

	As of June 30, 2003

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS AND EARNINGS TO FIXED CHARGES

	Six Months Ended June 30, 2003	Years Ended December 31,				
		2002	2001	2000	1999	1998
Ratio of earnings to combined fixed charges and preferred stock dividends(1)	2.0x	1.8x	1.9x	1.9x	1.1x(2)	2.3x
Ratio of earnings to fixed charges(1)	2.4x	2.1x	2.3x	2.2x	1.4x(2)	2.3x

(1) For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes and cumulative effect of changes in accounting principles plus "fixed charges" and certain other adjustments. "Fixed charges" consist of interest incurred on all indebtedness related to continuing operations (including amortization of original issue discount) and the implied interest component of our rent obligations in the years presented.

(2) Includes the effect of a non-recurring, non-cash charge in the amount of approximately $94.5 million relating to our November 1999 acquisition of the former external advisor to our company. Excluding the effect of this non-recurring, non-cash charge, our ratio of earnings to combined fixed charges and preferred stock dividends for the year ended December 31, 1999 would have been 2.0x and our ratio of earnings to fixed charges for that period would have been 2.5x.

RATIOS OF EBITDA TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS AND EBITDA TO INTEREST EXPENSE

The table below presents our ratio of EBITDA to combined fixed charges and preferred stock dividends and our ratio of EBITDA to interest expense. EBITDA should be examined in conjunction with net income as shown in the Consolidated Statements of Operations in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and our Annual Report on Form 10-K for the year ended December 31, 2002. EBITDA should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our performance, or to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is EBITDA indicative of funds available to fund our cash needs or available for distribution to shareholders. Our management believes that EBITDA more closely approximates operating cash flow and that EBITDA and the ratios of EBITDA to combined fixed charges and preferred stock dividends and EBITDA to interest expense are useful measures for investors to consider, in conjunction with net income, ratio of earnings to fixed charges and other GAAP measures, in evaluating a commercial finance company that focuses on real estate lending and corporate tenant leasing, because our net income (determined in accordance with GAAP) includes significant non-cash depreciation expense on

corporate tenant lease assets. It should be noted that our manner of calculating EBITDA may differ from the calculations of similarly-titled measures by other companies.

	Years Ended December 31,

	Six Months Ended June 30, 2003	2002	2001	2000	1999	1998
Ratio of EBITDA to combined fixed charges and preferred stock dividends(1)	2.3x	1.9x	2.1x	2.0x	2.0x	2.4x
Ratio of EBITDA to GAAP interest expense(1)	2.7x	2.3x	2.5x	2.4x	2.6x	2.4x

(1)
For the purpose of calculating these ratios, "EBITDA" consist of total revenue plus equity in earnings from joint ventures and unconsolidated subsidiaries minus the sum of general and administrative expenses, general and administrative- stock-based compensation (including the non-cash charge related to the performance-based vesting of restricted shares granted under our long-term incentive plan for the year ended December 31, 2002), provision for loan losses, operating costs on corporate tenant lease assets and advisory fees. "Fixed charges" consist of interest incurred on all indebtedness related to continuing operations (including amortization of original issue discount) and the implied interest component of our rent obligations in the years presented.

Reconciliation of Net Income to EBITDA:

	Six Months Ended June 30, 2003	Years Ended December 31,				
		2002	2001	2000	1999	1998
	(in thousands)					
Net income	$ 137,699	$ 215,270	$ 229,912	$ 217,586	$ 38,886	$ 59,903
Add: Interest expense	98,171	197,541	171,594	174,446	91,159	44,697
Add: Depreciation and amortization	26,983	47,821	35,411	34,384	10,324	4,287
Add: Minority interest in consolidated entities	79	162	218	195	41	54
Add: Cumulative effect of change in accounting principle			282			
Less: (Loss) income from discontinued operations	278	(3,583)	(5,299)	(3,155)	(107)	
Less: Gain from discontinued operations	(264)	(717)	(1,145)	(2,948)		
Add: Costs incurred in acquiring former external advisor					94,476	
EBITDA	$ 262,946	$ 456,494	$ 430,973	$ 420,508	$ 234,779	$ 108,941

DESCRIPTION OF THE SERIES F PREFERRED STOCK

This description of the particular terms of the Series F Preferred Stock supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus, to which description reference is hereby made.

General

We are authorized to issue up to 30,000,000 shares of preferred stock in one or more series, with such terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, in each case, if any, as are permitted by Maryland law and as our board of directors may determine by adoption of an amendment to our charter, without any further vote or action by our stockholders. See "Description of Common Stock and Preferred Stock Preferred Stock" in the accompanying prospectus. Our board of directors has adopted articles supplementary to our charter establishing the number and fixing the terms, designations, powers, preferences, rights, limitations and restrictions of a series of our preferred stock classified as % Series F Cumulative Redeemable Preferred Stock. Our board of directors has authorized up to 4,600,000 shares of Series F Preferred Stock. This offering relates to

4,000,000 shares of Series F Preferred Stock. The Series F Preferred Stock is a series of our preferred stock.

We have applied to list the Series F Preferred Stock on the New York Stock Exchange under the symbol "SFI PrF." We expect that trading will commence within 30 days after the initial delivery of the Series F Preferred Stock.

The following summary of the terms and provisions of the Series F Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of our charter and the articles supplementary creating the Series F Preferred Stock, each of which is available from us.

Ranking

The Series F Preferred Stock will rank senior to our common stock and on a parity with our Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock"), Series D Cumulative Redeemable Preferred Stock (the "Series D Preferred Stock") and Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") with respect to the payment of dividends.

Dividends

Holders of shares of the Series F Preferred Stock shall be entitled to receive, when and as authorized by our board of directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of % per annum of the $25.00 liquidation preference (equivalent to a fixed annual rate of $ per share). Such dividends shall be cumulative from September , 2003, and shall be payable to investors quarterly in arrears on or before the 15th day of each March, June, September and December or, if not a business day, the next succeeding business day (each, a "Dividend Payment Date"). The first dividend, which will be paid on December 15, 2003, will be for less than a full quarter. Such dividend and any dividend payable on the Series F Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date

designated by our board of directors for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

No dividends on shares of Series F Preferred Stock shall be declared by us or paid or set apart for payment by us at such time as the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series F Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series F Preferred Stock will accumulate as of the Dividend Payment Date on which they first become payable.

Except as set forth in the next sentence, unless full cumulative dividends on the Series F Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in shares of common stock or in shares of any series of preferred stock ranking junior to the Series F Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon any of our common stock or preferred stock ranking junior to or on a parity with the Series F Preferred Stock as to dividends or upon liquidation, nor shall any shares of our common stock or preferred stock ranking junior to or on a parity with the Series F Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock ranking junior to the Series F Preferred Stock as to dividends and upon liquidation and except for transfers made pursuant to the provisions of our charter relating to restrictions on ownership and transfers of our capital stock).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series F Preferred Stock and the shares of any other series of preferred stock ranking on a parity as to dividends with the Series F Preferred Stock, all dividends declared upon the Series F Preferred Stock and any other series of preferred stock ranking on a parity as to dividends with the Series F Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series F Preferred Stock and such other series of preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series F Preferred Stock and such other series of preferred stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series F Preferred Stock which may be in arrears.

Holders of shares of the Series F Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series F Preferred Stock as provided above. Any dividend payment made on shares of the Series F Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of shares of Series F Preferred Stock are entitled to be paid out of our assets that are legally available for distribution to our stockholders a liquidation preference of $25.00 per share, plus an amount equal

to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of our common stock or any series of our preferred stock that ranks junior to the Series F Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series F Preferred Stock and the corresponding amounts payable on all shares of other classes or series of our capital stock ranking on a parity with the Series F Preferred Stock in the distribution of assets, then the holders of the Series F Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of Series F Preferred Stock will be entitled to written notice of any such liquidation. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series F Preferred Stock will have no right or claim to any of our remaining assets. The consolidation or merger of us with or into any other corporation, trust or entity or of any other corporation with or into us, or the sale, lease or conveyance of all or substantially all of our assets or business, shall not be deemed to constitute a liquidation, dissolution or winding up of us. For further information regarding the rights of the holders of the Series F Preferred Stock upon the liquidation, dissolution or winding up of the Company, see "Description of Common Stock and Preferred Stock Preferred Stock" in the accompanying prospectus.

Redemption

The Series F Preferred Stock is not redeemable prior to September , 2008. However, in order to ensure that we remain a qualified REIT for federal income tax purposes, the Series F Preferred Stock will be subject to the provisions of our charter which limit the amount of Series F Preferred Stock that may be owned by a stockholder. See "Description of Common Stock and Preferred Stock Restrictions on Ownership and Transfers" in the accompanying prospectus.

On and after September , 2008 we may redeem, at our option upon not less than 30 nor more than 60 days' written notice, shares of the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends thereon to and including the date fixed for redemption (except as provided below), without interest. Holders of Series F Preferred Stock to be redeemed shall surrender such Series F Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series F Preferred Stock has been given and if the funds necessary for such redemption have been set aside by us in trust for the benefit of the holders of any shares of Series F Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series F Preferred Stock, such shares of Series F Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series F Preferred Stock is to be redeemed, the Series F Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by us.

Unless full cumulative dividends on all shares of Series F Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no shares of Series F Preferred Stock shall be redeemed unless all outstanding shares of Series F Preferred Stock are simultaneously redeemed and we shall not purchase or otherwise acquire directly or indirectly any shares of Series F Preferred Stock (except by exchange for our capital stock ranking junior to the

Series F Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by us of shares transferred to a charitable trust in accordance with our charter to ensure we remain qualified as a REIT for federal income tax purposes, or the purchase or acquisition of shares of Series F Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series F Preferred Stock.

Notice of redemption will be given by publication in a newspaper of general circulation in The City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by us, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series F Preferred Stock to be redeemed at their respective addresses as they appear on our stock transfer records. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series F Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- the number of shares of Series F Preferred Stock to be redeemed;
- the place or places where the Series F Preferred Stock is to be surrendered for payment of the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on such redemption date.

If less than all of the Series F Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series F Preferred Stock held by such holder to be redeemed.

Immediately prior to any redemption of Series F Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends through and including the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series F Preferred Stock at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series F Preferred Stock which is redeemed.

The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. However, in order to ensure that we remain a qualified REIT for federal income tax purposes, Series F Preferred Stock owned by a stockholder in excess of the ownership limit provided in our charter will be subject to the provisions of the charter.

Voting Rights

Holders of the Series F Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series F Preferred Stock shall be in arrears for six or more quarterly periods (a "Preferred Dividend Default"), the holders of such shares of Series F Preferred Stock (voting separately as a class with all other series of preferred stock ranking on a parity with the Series F Preferred Stock as to dividends or upon liquidation ("Parity Preferred"), except the Series A Preferred Stock, upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two additional members of our board of directors (the "Preferred Stock Directors"), and the number of directors on the board of directors shall increase by two, at a special meeting called by the holders of record of at least 20% of the Series F Preferred Stock or any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series F Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

If and when all accumulated dividends and the dividend for the then current dividend period on the Series F Preferred Stock shall have been paid in full or set aside for payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to revesting in the event of each and every subsequent Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the board of directors shall decrease by two. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series F Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred, except the Series A Preferred Stock, upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by the written consent of the Preferred Stock Directors remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series F Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred, except the Series A Preferred Stock, upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any shares of Series F Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series F Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class with all series of Parity Preferred, except the Series A Preferred Stock, upon which like voting rights have been conferred and are exercisable), (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to the Series F Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of our charter, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series F Preferred Stock; provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the Series F Preferred Stock remains outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series F Preferred Stock and, provided further, that any increase in the amount of the authorized preferred stock, including the Series F Preferred Stock, or the creation or issuance of any additional Series F Preferred Stock or other series of preferred stock, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series F Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series F Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

Conversion

The Series F Preferred Stock is not convertible into or exchangeable for any other of our property or securities.

Restrictions On Ownership

For information regarding restrictions on ownership of the Series F Preferred Stock, see "Description of Common Stock and Preferred Stock Restrictions on Ownership and Transfers" in the accompanying prospectus.

Transfer Agent

The transfer agent, registrar and dividend disbursing agent for the Series F Preferred Stock will be Equiserve Trust Company, N.A.

FEDERAL INCOME TAX CONSEQUENCES

The following supplements the discussion contained in the accompanying prospectus under the heading "Material Federal Income Tax Consequences," which discussion (to the extent not inconsistent with the following) is incorporated in its entirety in this prospectus supplement. The discussions contained under the headings herein are intended to supplement, where applicable, the discussions contained in the corresponding headings of the accompanying prospectus.

Taxation of Taxable U.S. Stockholders

Redemptions

If we redeem all or a portion of the Series F Preferred Stock, under Section 302 of the Code, such redemption will be treated as a dividend, generally taxable at ordinary income tax rates (to the extent of our current and accumulated earnings and profits), unless the redemption satisfies one or more of the tests set forth in Section 302(b) of the Code that enable the redemption to be treated as a sale or exchange of the redeemed Series F Preferred Stock. A redemption will satisfy such tests if it: (i) is "substantially disproportionate" with respect to the stockholder; (ii) results in a "complete termination" of the stockholder's stock interest in us; or (iii) is "not essentially equivalent to a dividend" with respect to the stockholder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, shares considered to be owned by the stockholder by reason of certain constructive ownership rules set forth in the Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code is satisfied with respect to any particular holder of the Series F Preferred Stock will depend upon the facts and circumstances as of the time the determination is made, prospective investors are advised to consult their tax advisors to determine such tax treatment.

If a redemption of the Series F Preferred Stock is treated as a distribution that is taxable as a dividend, the amount of the distribution would be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder's adjusted tax basis in such redeemed Series F Preferred Stock would, in that case, be transferred to the holder's remaining stockholdings in us. If, however, the stockholder has no remaining stockholdings in us, such basis may, under certain circumstances, be transferred to a related person, or it may be lost entirely.

Other Tax Considerations

Tax Shelter Regulations. If a stockholder recognizes a loss upon a subsequent disposition of our stock in an amount that exceeds a prescribed threshold, it is possible that the provisions of recently adopted Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards "tax shelters," they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, legislative proposals have been introduced in Congress, that, if enacted, would impose significant penalties for failure to comply with these requirements. You should consult your own tax advisors concerning any possible disclosure obligation with respect to the ownership or disposition of our stock, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including advisors) might be subject to disclosure or other requirements pursuant to these regulations.

UNDERWRITING

We intend to offer the shares of Series F Preferred Stock through the underwriters named below. Subject to the terms and conditions described in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of Series F Preferred Stock listed opposite their names below.

Underwriter	Number of Shares of Series F Preferred Stock
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Lehman Brothers Inc.	

Underwriter	Number of Shares of Series F Preferred Stock
Total	4,000,000

The underwriters have agreed to purchase all of the shares of Series F Preferred Stock sold pursuant to the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriter may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of Series F Preferred Stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares of Series F Preferred Stock to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the commencement of the public offering, the public offering price, concession and discount may be changed.

	Per Share	Total
Public offering price	$ 25.00	$ 100,000,000
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $270,000 and are payable by us.

No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any of our preferred stock for 30 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch. Specifically we have agreed not to directly or indirectly:

offer, pledge, sell, or contract to sell any of our preferred stock,

sell any option or contract to purchase any of our preferred stock,

purchase any option or contract to sell any of our preferred stock,

grant any option, right or warrant for the sale of our preferred stock,

file a registration statement for any of our preferred stock (other than a universal shelf registration statement or a registration statement covering resales of our preferred stock), or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any of our preferred stock whether any such swap or transaction is to be settled by delivery of shares of our preferred stock or other securities, in cash or otherwise.

This lockup provision applies to our preferred stock and to any securities convertible into or exercisable or exchangeable for our preferred stock.

Price Stabilization and Short Positions

Until the distribution of the shares of Series F Preferred Stock is completed, rules of the Securities and Exchange Commission may limit underwriters and selling group members from bidding for and purchasing our Series F Preferred Stock. However, the underwriters may engage in transactions that stabilize the price of the Series F Preferred Stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares of Series F Preferred Stock than are listed on the cover of this prospectus supplement, the underwriters may reduce that short position by purchasing shares of Series F Preferred Stock in the open market. Purchases of the Series F Preferred Stock to stabilize its price or to reduce a short position may cause the price of the Series F Preferred Stock to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series F Preferred Stock. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The underwriters and some of their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

In addition, an affiliate of Lehman Brothers is a lender under one of the secured revolving credit facilities being partially repaid with the net proceeds of this offering. Accordingly, this affiliate will receive a portion of the net proceeds of this offering.

LEGAL MATTERS

The legality of the Series F Preferred Stock offered by this prospectus supplement and the accompanying prospectus will be passed upon for us by Clifford Chance US LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Clifford Chance US LLP will rely upon the opinion of Venable LLP with respect to certain matters of Maryland law. Skadden, Arps, Slate, Meagher & Flom LLP provides legal services to us from time to time.

EXPERTS

The financial statements incorporated in this prospectus supplement and the accompanying prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2002 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

PROSPECTUS

iSTAR FINANCIAL INC.

Common Stock

Preferred Stock
Depositary Shares
Debt Securities
and
Warrants

We may from time to time offer our common stock, preferred stock (which we may issue in one or more series), depositary shares representing shares of preferred stock, debt securities (which we may issue in one or more series) or warrants entitling the holders to purchase common stock, preferred stock, depositary shares or debt securities, at an aggregate initial offering price which will not exceed $500,000,000. We will determine when we sell securities, the amounts of securities we will sell and the prices and other terms on which we will sell them. We may sell securities to or through underwriters, through agents or directly to purchasers.

We will describe in a prospectus supplement, which we will deliver with this prospectus, the terms of particular securities which we offer in the future. We may describe the terms of those securities in a term sheet which will precede the prospectus supplement.

In each prospectus supplement we will include the following information:

The names of the underwriters or agents, if any, through which we will sell the securities.

The proposed amount of securities, if any, which the underwriters will purchase.

The compensation, if any, of those underwriters or agents.

The initial public offering price of the securities.

Information about securities exchanges, electronic communications networks or automated quotation systems on which the securities will be listed or traded.

Any other material information about the offering and sale of the securities.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED THAT THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

An investment in these securities entails certain material risks and uncertainties that should be considered. See "Risk Factors" on page 2 of this prospectus.

July 8, 2003

FORWARD-LOOKING STATEMENTS

We make statements in this prospectus and the documents we incorporate by reference that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are usually identified by the use of words such as "will," "anticipates," "believes," "estimates," "expects," "projects," "plans," "intends," "should" or similar expressions. We intend those forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and are including this statement for purposes of complying with these safe harbor provisions. These forward-looking statements reflect our current views about our plans, strategies and pros