NorthStar
HEALTHCARE INCOME

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FREQUENTLY ASKED QUESTIONS

Set forth below is a set of questions and answers provided by NorthStar Healthcare Income, Inc. (NorthStar Healthcare or the Company). For additional information regarding the Company, please see the Company's filings with the Securities and Exchange Commission (the SEC), including its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 and its Current Report on Form 8-k filed with the SEC on October 21, 2022. The Company's SEC filings can be obtained free of charge at the SEC's website located at www.sec.gov or at the Company's Investor Relations tab on its website located at www.northstarhealthcarereit.com.

Internalization of Management

Why was there a change from an external advisor structure to a self-managed structure?

The Special Committee of the Board of Directors, in consultation with its financial and legal advisors, undertook a thorough and deliberate review of strategic alternatives with respect to the Company's management structure. Through this process, the Special Committee determined it was in the best interest of the Company to consensually terminate the advisory agreement with its Advisor, CNI NSHC Advisors, LLC, and hire an experienced management team dedicated 100% to the Company. There are a number of other key benefits which are outlined in the Press Release and the Investor Presentation which can be found on the Company's website.

What specific factors did the Special Committee consider when determining to make the change in management structure?

The Special Committee, in consultation with its financial and legal advisors, considered numerous factors including the historical performance of the advisor, the recent change in ownership of the Advisor's parent company, the continued turnover in senior leadership at the Advisor, the lack of a 100% dedicated team focused on the Company, the upfront costs to transition to a self-managed structure relative to the potential cost savings, the Advisor's willingness and obligation to support the Company in connection with a potential transition, and the upcoming advisory agreement renewal. The Special Committee also gave careful consideration to the potential risks and potential mitigants related to the transition to a self-managed REIT. Ultimately, the Special Committee decided that the potential benefits out-weighed the potential risks and costs.

What are the costs to transition from an external advisor to a self-managed structure and what are the expected cost savings?

The one-time costs to complete the transition are expected to be in the range of $2 million to $3 million. Estimated general and administrative cost savings in 2023 are expected to be approximately $7 million. The Company did not pay any termination fee to the Advisor in order to terminate the advisory agreement.

Who are the new Chief Executive Officer and Chief Financial Officer of the Company?

The Company is fortunate to be able to hire Kendall Young, a seasoned healthcare REIT executive with nearly 40 years of experience in real estate, including the past 12 years in senior housing, as CEO. Kendall was initially hired as a consultant to the Special Committee as it evaluated the Company's strategic options and he was instrumental in working with the Company's legal and financial advisors in creating and implementing a transition plan. In addition to Kendall, Nicholas Balzo is being hired as the Company's CFO. Nicholas has 14 years of accounting and finance experience and has worked with the Company as an employee of the Advisor since 2017. Nicholas and the team that he previously managed with the Advisor will continue to operate the finance and accounting operations of the Company, post-internalization.

Will the internalization have an impact on the Company's strategy?

The internalization will not change the Company's strategy. The Company's primary objective is to maximize value and generate liquidity for stockholders. Although its short-term strategy may continue to be impacted by the effects of the COVID-19 pandemic, inflation, rising interest rates and other economic industry conditions, the key elements of the Company's strategy include:

- *Grow the Operating Income Generated by the Portfolio.* Through active portfolio management, the Company will continue to review and implement operating strategies and initiatives in order to enhance the performance of its existing investment portfolio.

- *Deploy Strategic Capital Expenditures.* The Company will continue to invest capital into its operating portfolio in order to maintain market position and functional and operating standards, and provide an optimal mix of services and enhance the overall value of its assets.

- *Pursue Dispositions and Opportunities for Asset Repositioning and Other Strategic Initiatives to Maximize Value.* The Company will actively pursue dispositions of assets and portfolios where it believes the disposition will achieve a desired return and generate value for stockholders. Additionally, the Company will continue to assess the need for strategic repositioning or sales of assets, joint ventures, operators and markets to position its portfolio for optimal performance. The Company will also opportunistically explore other strategic initiatives to create value for stockholders.

With the internalization and new management team, will there be a change in the Company's dividend policy?

The Company's dividend policy will not change. Based on the current forecasted cash flow of its investments and cash needs to operate the business, the Company does not anticipate paying recurring dividends. The Company's Board of Directors will continue to evaluate special distributions in connection with any future sales and other realizations of investments on a case-by-case basis based on, among other factors, current and projected liquidity needs, opportunities for investment in assets (such as capital expenditure and de-levering opportunities) and other strategic initiatives.

How will the change in management structure create better alignment with the Company's stockholders?

The internalized structure will result in a more transparent and simplified organizational model including a more efficient implementation of the Company's strategy. The internalized management team, including the Company's new CEO and CFO, will be focused solely on the Company's assets versus having other priorities as the employees of an external advisor. This new structure more directly aligns the interests of the management team with those of the Company and its stockholders.

How has the Company incentivized management to create value for stockholders?

Both the short-term and the long-term incentive plans will align executive and other employee compensation with the performance of the Company. The compensation programs will be based on creating value and maximizing distributions to the stockholders.

Dividends

How will I receive any dividends I am entitled to?

If you hold your shares directly, the Company's transfer agent will follow the payment instructions you provided at the time of your purchase of shares in NorthStar Healthcare, unless you have updated this information with the transfer agent since that date. Depending upon the instructions you have provided, you will receive a direct deposit into the bank account you specified, or a check mailed to the address you have provided. If account information needs to be changed or modified, please contact the Company's transfer agent at (877) 940-8777.

If your shares are held in a custodial account, the dividends will be paid to the custodian. For information on how you will receive payments for these accounts, you will need to contact your custodian.

Capital Needs

What are the ongoing liquidity needs of the Company?

The Company's current principal liquidity needs are to fund: (i) operating expenses, including corporate general and administrative expenses; (ii) principal and interest payments on borrowings and other commitments; and (iii) improvement projects for its investments.

The Company's current primary sources of liquidity include the following: (i) cash on hand; (ii) proceeds from investment sales; (iii) cash flow generated by investments; and (iv) financings from banks and other lenders.

The Company generated significant liquidity in 2021 from proceeds from asset sales and other realization events. However, the Company's cash flow generated by operations was not sufficient to cover its debt service payments, including principal amortization, and capital expenditures. As a result, the Company has used cash generated by asset realizations to fund these capital needs and the Company expects this to continue until occupancy and revenues from its investments improve.

Why does the Company continue to invest capital into its assets?

The Company believes that it is necessary to continue improving its operating portfolio, which includes spending on capital improvement projects, in order to maintain market position, as well as functional and operating standards at its assets, particularly in light of the current challenging market conditions. The Company believes this investment is necessary to preserve long-term value.

Redemptions and Liquidation

Is the Company currently redeeming shares or allowing stockholders to cash out their investment?

The Company is not currently redeeming shares from stockholders, in order to best manage capital and liquidity.

When will the Company start redeeming shares from stockholders?

The Company has not announced any specific timeline to resume share redemptions from stockholders. The Company continues to evaluate its financial condition, liquidity sources and capital needs in order to evaluate the Company's redemption policy. However, there can be no assurance that share redemptions will be reinstated in any future periods.

When is the Company expected and/or required to liquidate?

The Company has not announced or adopted a plan for liquidation and is not required to liquidate by any specific date. The Company will continue to evaluate dispositions of investments and other strategic initiatives, with the goal of providing liquidity to stockholders and maximizing value.

Performance

What is the Company doing to drive the performance of its investments?

Sustaining and growing occupancy is most critical to the Company's operating plan for its investments. The Company will continue to analyze operating costs and margins in an effort to best mitigate the financial effects of the current labor market, cost inflation and rising interest rates. Additionally, the Company continues to deploy targeted improvement projects for its investments. The Company believes that targeted improvements to its facilities will be essential to continue successfully converting its leads base into move-ins at its communities, while meeting the expectations of existing residents, both of which drive occupancy and performance.

How has COVID-19 impacted the Company's business and industry?

The Company's healthcare real estate business and investments have been challenged by suboptimal occupancy levels, increased labor costs and inflationary pressures on other operating expenses. The healthcare industry's operational and financial recovery from the impact of COVID-19 will depend on a variety of factors, which may differ considerably across regions, fluctuate over time and are highly uncertain.

The healthcare industry experienced a higher pace of move-ins during the third quarter of 2022, as compared to the second quarter of 2022. As a result of overall increase in resident demand and easing restrictions on visitation and admissions, the seniors housing industry occupancy average rose to 82.2% during the third quarter of 2022 from 81.2% in the first quarter of 2022 (source: The National Investment Centers for Seniors Housing & Care, or NICs). By comparison, the Company's directly owned operating portfolios average occupancy improved to 81.4% as of June 2022, from 78.7% as of March 2022. The Company will release its average occupancy for September in its Quarterly Report on Form 10-Q for the period ended September 30, 2022.

What are the challenges facing the seniors housing industry?

Economic market uncertainty, continued building and development and competitive pressures have had a negative impact on the seniors housing industry, weakening the market's fundamentals and ultimately reducing operating income for managers and operators.

Supply growth, which has outpaced demand, has challenged the seniors housing industry over the past several years. New inventory, coupled with the average move-in age of seniors housing residents increasing over time, has resulted in declining occupancy for the industry on average. Further, to remain competitive with the new supply, owners and operators of older facilities have increased capital expenditure spending, which in turn has negatively affected cash flow.

As a result of increased supply, the seniors housing industry has experienced competitive pressures that have limited rent growth over the past several years. Limited future supply growth and reestablishing normal operations in a post-pandemic environment will be factors in achieving near and long-term revenue growth for the industry.

Further, prior to the COVID-19 pandemic, a tight labor market and competition to attract quality staff had resulted in increased wages and personnel costs, resulting in lower margins. The COVID-19 pandemic has further exacerbated operating expense growth, with increased staffing needs. While it is expected that the increases in expenses to combat the effects of the COVID-19 pandemic will be temporary, wage and benefits increases may continue to impact the industry's margins in the future.

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Safe Harbor Statement

This document contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement. Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements: to the Company's ability to successfully manage the transition to self-management and to retain its senior executives; operating costs and business disruption may be greater than expected; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits of the Internalization; the operating performance of our investments, our financing needs, the effects of our current strategies and investment activities and our ability to effectively deploy capital. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, as well as in the Company's other filings with the Securities and Exchange Commission.

The Company cautions investors not to unduly rely on any forward-looking statements. The forward-looking statements speak only as of the date of this document. The Company is under no duty to update any of these forward-looking statements after the date of this document, nor to conform prior statements to actual results or revised expectations, and the Company does not intend to do so.