

November 14, 2023

To Our Stockholders:

We are writing today to provide you with an update on your investment, principally regarding the recently announced estimated per share value of common stock (“2023 NAV Per Share”) for NorthStar Healthcare Income, Inc. (“NorthStar Healthcare” or the “Company”). In addition, we are also enclosing with this letter a set of questions and answers prepared by the Company to provide greater clarity to stockholders regarding a variety of factors affecting your investment, including the Company’s strategy, capital needs, liquidity event, dividends, repurchases and the 2023 NAV Per Share, among other things.

On November 9, 2023, the board of directors of NorthStar Healthcare (the “Board”) established the 2023 NAV Per Share of \$2.64.

The Company engaged Kroll, LLC (“Kroll”), an independent third-party valuation firm, to assist the Board in determining the 2023 NAV Per Share. To estimate a valuation range, Kroll reviewed and analyzed NorthStar Healthcare’s real estate properties, including directly owned properties and interests in properties owned through unconsolidated joint ventures, held by the Company as of June 30, 2023. Based on Kroll’s valuation range, and other factors deemed relevant by the independent directors that comprise the audit committee of the Board (the “Audit Committee”), the Audit Committee recommended, and the Board subsequently adopted, an estimated per share value of \$2.64 for NorthStar Healthcare’s common stock as of June 30, 2023.

Various factors were considered in determining the 2023 NAV Per Share, including assumptions and estimates that may not ultimately be accurate or complete. Furthermore, the value of NorthStar Healthcare’s common stock will fluctuate over time as a result of many factors, including, but not limited to, economic conditions, including rising interest rates and inflation, changes in healthcare, real estate and debt capital markets and investment-specific developments. The Board anticipates updating the estimated per share value of NorthStar Healthcare’s common stock on an annual basis.

The main factors impacting NorthStar Healthcare’s 2023 NAV Per Share of \$2.64 were as follows:

- Performance has improved across the Company’s healthcare properties overall, with improved occupancy and revenues, particularly in the Company’s directly owned investments where the Company has reinvested a portion of the proceeds from asset sales into capital improvements. However, inflationary pressures and labor shortages continue to drive up operating costs, adversely impacting margins. For the Company’s directly owned operating investments, the Company’s revenues, net of property expenses, for the six months ended June 30, 2023 were 31% greater than the same period during 2022. For the Company’s unconsolidated investments, excluding dispositions or assets held for sale during the period, revenues, net of property expenses, for the six months ended June 30, 2023 were 20% greater than the same period during 2022.
- Improved performance was offset by overall investment and capital market conditions, with higher interest rates and the reduction in availability of capital driving up capitalization rates and adversely affecting values. The weighted average capitalization rate used to determine the 2023 NAV Per Share increased by approximately 35 basis points from the previous year.


- Although the Company did not sell any directly owned investments during the period, it did exit its minority position in two unconsolidated joint ventures (referred to as the Diversified US/UK and Eclipse investments) in June 2023, both of which experienced significant distress in the year leading up to the Company's exit in light of operating challenges and rising interest rates. In addition, the Company received proceeds from asset sales completed within another unconsolidated joint venture (referred to as the Espresso investment).
- The Company continued to ascribe no equity value to the seven cross-collateralized assets where the balance of the underlying debt is believed to exceed the value of the healthcare properties (referred to as the Rochester Sub-Portfolio).
- Proceeds from asset sales at unconsolidated joint ventures received by the Company were reinvested in part in capital projects for the directly owned investments to enhance stockholder value, and funded the Company's general and administrative expenses, which reduced available cash and put downward pressure on the 2023 NAV Per Share.

Although the decline in the Company's estimated per share value is disappointing and current market dynamics remain a challenge, we are encouraged by the improved performance in our business over the past year. We will continue to execute on our strategy to grow operating income, selectively deploy strategic capital expenditures to enhance the value of our assets and pursue opportunities to dispose of assets at attractive returns to generate value for stockholders.

For additional information regarding the estimated per share value, please refer to "Item 5. Other Information" in NorthStar Healthcare's Form 10-Q for the quarter ended September 30, 2023 filed with the United States Securities and Exchange Commission (the "SEC") on November 13, 2023, as well as the Company's other filings with the SEC, which can be obtained at www.sec.gov or at the at the Company's Investor Relations tab on its website located at www.northstarhealthcarereit.com.

If you have any questions, please contact us at (877) 940-8777.

Sincerely,



Kendall K. Young
Chief Executive Officer and President