NorthStar HEALTHCARE INCOME

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FREQUENTLY ASKED QUESTIONS

On February 7, 2019, NorthStar Healthcare Income, Inc. (NorthStar Healthcare or the Company) filed a Form 8-K with the Securities and Exchange Commission (SEC) in which the Company announced the suspension of its monthly distribution payments to stockholders. Set forth below is a set of questions and answers provided by the Company with respect to this matter. For additional information regarding the Company, please see the Company's filings with the SEC, including its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, its Current Report on Form 8-K filed with the SEC on December 4, 2018, and its Current Report on Form 8-K filed with the SEC on February 7, 2019. 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.

Why did the Company's board of directors (the Board) determine to suspend the monthly distribution payments to stockholders?

The Board determines an appropriate common stock distribution based upon numerous factors, including the Company's targeted distribution rate, REIT qualification requirements, the amount of cash flow generated from operations, availability of existing cash balances, borrowing capacity under existing credit agreements, access to cash in the capital markets and other financing sources, the Company's view of its ability to realize gains in the future through appreciation in the value of the Company's assets, general economic conditions and economic conditions that more specifically impact the Company's business or prospects. Distribution levels are subject to adjustment based upon any one or more of the items noted above and the risk factors set forth in the Company's Annual Report on Form 10-K, as well as other factors that the Board may deem relevant from time-to-time when determining an appropriate common stock distribution.

In determining to suspend monthly distribution payments to stockholders, the Board performed a thorough analysis of NorthStar Healthcare's business, financial condition, liquidity sources and capital needs. The Board believes it is prudent to preserve capital and protect NorthStar Healthcare's financial position by suspending distributions at this time. NorthStar Healthcare expects that cash retained by the suspension of cash distributions will allow NorthStar Healthcare to reinvest in its assets through maintenance and strategic capital expenditures and reduce leverage in order to drive long-term value for stockholders.

Can we expect distributions to be reinstated in the future?

The Board will continue to assess the Company's distribution policy in light of its operating performance and capital needs. However, there can be no assurance that distributions will be declared again in any future periods or at any particular rate.

What factors have impacted the Company's operating performance?

Several factors have impacted the Company's operating performance, including the following:

- Consistent with past and current trends in the seniors housing marketing, the Company's portfolio is facing occupancy challenges in select markets attributable to increases in supply, thereby reducing operating revenue in those assets affected by new supply.

- Labor costs in the Company's investments have increased due to statutory wage increases and reduced availability of qualified workers in certain markets, resulting in increases in property-level operating expenses.

- Downward pressures on cash flow continue for the skilled nursing industry, which has resulted in certain cases in restructuring leases or replacing tenants and reducing rental income at affected properties.

- Operator transitions at select investments resulted in short-term disruption in operations and occupancy, though most have been completed and the Company believes such transitions are now progressing towards stabilization.

What factors have impacted the performance of NorthStar Healthcare's senior housing portfolio?

The senior housing market has been experiencing headwinds due to increasing competitive pressures from new supply growth. According to The National Investment Center for Seniors Housing & Care, which is commonly referred to as NIC, as of the third quarter of 2018, senior housing occupancy was at its lowest level in seven years and has been flat or declining for eleven consecutive quarters. Although annual absorption has averaged 2.4% during this current downturn, the total number of seniors housing units absorbed only amounts to 63% of the inventory growth during this period.

In addition, according to data published by the National Real Estate Investor, labor expenses as measured by the annual change in assisted living average hourly earnings was 4.2% in the second quarter and has been above 4% since early 2017. Given that the majority of an operator's expense load is attributable to wages and benefits, this ongoing wage growth is putting pressure on operator's ability to grow net operating income, especially in markets where revenue growth is being impaired by weak occupancy and slower rent growth.

Lastly, operator transitions can result in operational disruptions, elevate expenses and reduce occupancy at the affected properties. 49 of the Company's 77 consolidated senior housing operating properties as of September 30, 2018, have undergone an operator transition during 2017 or 2018.

What factors have impacted the performance of NorthStar Healthcare's skilled nursing portfolio?

Similar to the senior housing sector, the overall picture also remains challenging for skilled nursing as occupancy remains depressed and operating expenses continue to increase. According to data from NIC, occupancy for the skilled nursing sector ended the third quarter of 2018 at 82.2%, which is up slightly from the previous low of 81.7% in the second quarter of 2018. Overall occupancy has been in a state of decline since the middle of 2015 when occupancy was approximately 87%.

Unlike the senior housing sector that is suffering from lower revenue largely due to new supply, the skilled nursing sector is suffering from lower revenue due to a shift in the quality mix of revenue. Quality mix is the percentage of revenue coming from the higher paying Medicare and private pay patients versus the lower paying Medicaid patients.

The combination of falling occupancy with an increasing percentage of patients utilizing Medicaid along with elevated wage growth has created a situation whereby net operating income and operating margins are under significant pressure.

What are the Company's principal needs and sources of liquidity?

The Company's current principal liquidity needs are to fund: (i) principal and interest payments on the Company's borrowings and other commitments; (ii) operating expenses; (iii) capital expenditures, development and redevelopment activities; and (iv) distributions to the Company's stockholders and repurchases of its shares. The Company's current primary sources of liquidity include the following: (i) cash on hand; (ii) cash flow generated by the Company's investments, both from the Company's operating activities and distributions from its unconsolidated joint ventures; (iii) secured or unsecured financings from banks and other lenders, including investment-level financing and/or corporate credit facilities; and (iv) proceeds from full or partial realization of investments.

For additional information regarding the Company's liquidity and capital resources, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, which was filed with the SEC on November 13, 2018.

Why does the Company continue to invest in capital expenditures, development and redevelopment activity?

The Company believes that it is necessary to prudently invest capital into its operating portfolio 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.

In addition, the Company believes select strategic development opportunities, which may involve replacing, converting or renovating facilities in its portfolio or held through its unconsolidated joint ventures in order to provide an optimal mix of services, will enhance the overall value of NorthStar Healthcare's assets.

What is the impact of the Company's borrowings on its liquidity position?

The use of leverage may enhance returns and increase the number of investments that the Company can make, but it also increases the Company's risk of loss, impacts its liquidity and restricts its ability to engage in certain activities, as well as increases the Company's vulnerability to general adverse economic and industry conditions, and operational failures by its tenants, operators and managers.

The Company has substantial borrowings that, among other things, require the Company to dedicate a large portion of its cash flow to pay principal and interest on its borrowings.

In addition, the Company may be required to fund additional contributions to certain of its unconsolidated joint ventures in connection with upcoming maturities if favorable financing is not obtained. In particular, the Griffin-American joint venture has $1.725 billion of non-recourse mortgage debt on certain properties in the joint venture that matures in December 2019, of which the Company's proportionate share is approximately $246 million. The Company's sponsor, who is an equity partner in the Griffin-American joint venture, is currently evaluating options in connection with this financing.

Were the Company's distributions paid using cash flow provided by operating activites?

The Company's ability to pay distributions using cash flow provided by operating activities depends on its operating performance, including the financial performance of its investments in the current real estate and financial environment and the type and mix of investments, accounting of its investments in accordance with U.S. GAAP, the performance of underlying debt and ability to maintain liquidity. For the nine months ended September 30, 2018, the Company declared distributions of $47.3 million compared to cash provided by operating activities of $20.0 million. For the declared distributions during the nine months ended September 30, 2018, $27.3 million, or 57.7%, of the distributions declared were paid using sources other than cash flow from operations. To the extent NorthStar Healthcare pays distributions from sources other than its cash flow provided by operations, it will have less cash available to invest in its assets and the net asset value per share of the Company's common stock will be diluted.

Why has the Company suspended distributions instead of pursuing alternative sources of liquity?

The Company may, from time to time, consider dispositions of investments or new borrowings to provide an additional source of liquidity. In particular, the Company will continue to assess the sale of assets that do not meet its operator, real estate or market criteria or overall portfolio management strategy. However, the Company does not believe it is prudent or in the best interests of stockholders to depend upon asset sales or new borrowings to fund monthly distributions to its stockholders.

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

The Company's advisor is committed to driving investment performance and reducing risk in light of industry challenges, and seeks to deal with any such challenges using what it believes to be all appropriate internal and external resources. For example, the Company's advisor has, among other things:

- Added additional internal and external resources in response to the challenging market conditions;
- Developed and implemented strategic capital expenditure plans to mitigate competitive threats from new building openings in certain markets and capital investments by existing competitors; and
- Worked with operating partners to improve alignment and drive performance through incentive fee arrangements, improved employee retention and recruitment programs and dynamic sales and marketing processes.

Although there can be no assurances that these initiatives will be successful, the Company's advisor is actively managing the Company's assets to pursue improved investment performance and long-term value for the Company's stockholders.

Published and last updated on February 8, 2019

Safe Harbour Statement

This document contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "will," "may," "plans," "intends," "expects" or other similar words or expressions. These statements are based on NorthStar Healthcare's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward looking statements; NorthStar Healthcare can give no assurance that its expectations will be attained. Forward-looking statements are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying any forward-looking statements will not materialize or will vary significantly from actual results. Variations of assumptions and results may be material. Factors that could cause actual results to differ materially from NorthStar Healthcare's expectations include, but are not limited to, changes in the size and diversity of NorthStar Healthcare's portfolio, the impact of any losses from NorthStar Healthcare's investments on cash flow and returns, property level cash flow, the availability of investment opportunities and ability to deploy capital, the ability to achieve targeted returns, the impact of actions taken by joint venture partners, changes in economic conditions generally and the real estate and debt markets specifically, availability of capital, changes to generally accepted accounting principles, policies and rules applicable to REITs and the factors specified in in Part I, Item 1A of NorthStar Healthcare's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as well as in NorthStar Healthcare's other filings with the SEC. The foregoing list of factors is not exhaustive. All forwardlooking statements included in this Current Report on Form 8-K are based upon information available to NorthStar Healthcare on the date of this report and NorthStar Healthcare is under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.