NorthStar HEALTHCARE INCOME

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FREQUENTLY ASKED QUESTIONS

On December 26, 2017, NorthStar Healthcare Income, Inc. (the Company) filed a Form 8-K with the Securities and Exchange Commission (SEC) in which the Company reported its estimated net asset value per share as of June 30, 2017 and also announced changes to its advisory agreement, distribution rate and share repurchase program. Since this filing, the Company has received questions from various of its stakeholders regarding this filing. Set forth below are the Company's responses to certain of the more frequently asked questions. For additional information regarding the Company, please see the Company's filings with the SEC.

Why did the Company determine to reduce the monthly distribution rate?

The Company's board of directors (the Board) determines the appropriate distribution rate for the Company each quarter and determined for the current calendar quarter that it was appropriate to reduce the distribution rate to the current level. The Board had expected that over time the Company would grow into covering its dividend. However, the Company's performance has not met the Board's expectations. Accordingly, after careful consideration the Board determined that a reduction in the distribution rate was appropriate and in the best interests of the Company. This decision, together with the other actions taken by the Board at the same time, is designed to strengthen the Company's capital structure and better position the Company for the long term.

The current distribution rate, equivalent to an annualized distribution of $0.3375 per share of the Company's common stock, was determined based on the Company's projected Funds from Operations, or FFO. For the three months ended March 31, 2018, the Company expects that 100% of the distributions will be funded from FFO. However, the Company's ability to pay distributions using FFO depends upon its operating performance, including the financial performance of its investments in the current real estate and financial environment and the type and mix of its investments. The Board will continue to assess the Company's distribution policy in light of its operating performance and capital needs. Any distributions that may be paid following March 31, 2018 are subject to the approval of the Board and there can be no assurance that the Company will pay distributions to its stockholders in any particular amount or at all.

Why did the Company reduce the distribution rate now?

The Company only recently completed the investment of substantially all of the proceeds of its offering in August 2017 and, once fully invested, the Board was better positioned to reevaluate the distribution policy. Such evaluation relies upon certain assumptions regarding operating performance and leverage, among other things, which, although reasonable at the time such assumptions are made, may ultimately differ from actual results and performance. As the portfolio develops over time, these assumptions are refined on the basis of market developments and the operating histories of the assets. After careful consideration of the current and projected performance and other relevant factors regarding the Company's portfolio, the Board determined that reducing the distribution rate at this time was in the best interests of the Company.

Can we expect any changes to the distribution rate going forward?

The Board will continue to assess the Company's distribution policy in light of its operating performance and capital needs. Any distributions that may be paid following March 31, 2018 are subject to the approval of the Board and there can be no assurance that the Board will not make further changes to the distribution policy.

How are the advisory fees determined?

The advisory fees paid by the Company to its advisor are approved by the independent members of the Board. The advisory agreement is renewed each June following a review by the independent directors of the advisor's performance and other factors set forth in the Company's charter. In connection with the changes to the distribution policy and the share redemption program, the Board renegotiated the advisory fee to reduce the amount paid and to have a portion of such reduced fee paid in stock instead of cash.

Why was the asset management fee basis amended, rather than simply lowering the fee?

Historically, the Company's asset management fees were 1% of the cost basis of the Company's assets. Going forward, the asset management fees will be 1.5% of the Company's net asset value. Based on the current net asset value, this change is expected to reduce the asset management fee by approximately $11 million per annum. In addition to the immediate savings, the shift from cost basis to net asset value was intended to better align the interests of the advisor and the Company. In addition, paying $10 million of the asset management fee in shares of the Company's common stock, issued at the most recently published estimated net asset value (i.e., currently $8.50 per share), will also further align the Company and the advisor and reduce the Company's cash outflows.

Why did the Company's estimated net asset value per share decrease?

As set forth in the Company's public filings, there are many factors that contribute to the Company's current estimated net asset value per share. The decline in the Company's estimated net asset value per share is due, in large part, to (i) approximately $56 million, or $0.30/share, of capital expenditures the Company has made over the past year to preserve or maintain asset quality and add value, (ii) distributions made to the Company's shareholders between June 30, 2016 (the date of the Company's prior estimated net asset value per share) and June 30, 2017 in excess of the Company's FFO for that same period, and (iii) industry concerns as described in the Company's filings and below.

For additional information regarding the determination of the Company's estimated net asset value per share, please see the Form 8-K filed by the Company with the Securities and Exchange Commission on December 26, 2017.

What changes to the estimated net asset value per share in the future does the Company currently expect?

The Company does not currently expect to establish a new estimated net asset value per share until December 2018. As a result, it is difficult to predict potential changes to the Company's next net asset value per share.

Why did you amend the Share Repurchase Program to lower the aggregate limits and reduce the repurchase price?

In light of the operational and liquidity challenges discussed in the Form 8-K filed by the Company with the Securities and Exchange Commission on December 26, 2017, the Board determined it to be in the best interests of the Company to limit redemptions so they do not exceed the aggregate proceeds from the sale of shares under the Distribution Reinvestment Plan. This change, together with the changes the Company has made to its distribution policy and to its advisory agreement, will help to strengthen the Company's capital structure, help alleviate liquidity issues and better position the Company for the long term. The Board will continue to monitor the Share Repurchase Program in light of the Company's capital needs. There can be no assurance that the Board will not impose additional limits on share repurchases or eliminate share repurchases entirely and terminate the Share Repurchase Program, consistent with its terms.

Please describe how the redemption process will be handled?

The Company intends to process redemptions in accordance with the terms of the Share Repurchase Program. If a shareholder wishes to withdraw a repurchase request submitted in the fourth quarter of 2017, the deadline to withdraw is January 26, 2018. For repurchase requests made in the fourth quarter of 2017 that are not withdrawn, the Company will first repurchase shares submitted in connection with a shareholder's qualifying death or disability and thereafter repurchase shares pro rata. For any repurchase request the Company is not able to satisfy in full, such request will automatically be deemed submitted in the next quarter and eligible for repurchase in accordance with the terms of the Share Repurchase Program, unless the shareholder withdraws the request. Please note that the Board will continue to monitor the Share Repurchase Program in light of the Company's capital needs. There can be no assurance that the Board will not impose additional limits on share repurchases or eliminate share repurchases entirely and terminate the Share Repurchase Program, consistent with its terms.

The stock market is rising, real estate prices are increasing, there is a need for senior housing, and our peers are saying that the sector is healthy, but this fund is performing poorly and you say the sector is experiencing headwinds. Why?

Many people believe that real estate fundamentals are at an all-time high and, although that may be true in certain real estate sectors, the Company does not believe that is the case in the senior housing sector and especially the skilled nursing sector. Some of the Company's peers, who may be differently situated for a variety of reasons, may have a more positive outlook. However, many of the publicly traded healthcare companies have cited many of the Company's industry concerns, including a challenging regulatory and government reimbursement environment, significant rent reductions in skilled nursing and competitive pressures due to supply at cyclical highs.

Why are so many portfolios in transition?

In certain instances, the Company is transitioning portfolios as part of its overall business plan or in connection with an acquisition. For example, in November 2017, the Company completed the transition of operations of the Winterfell portfolio, which comprised 39.0% of the Company's total revenue for the nine months ended September 30, 2017, from the former manager, an affiliate of Holiday Retirement, to a new manager, Solstice Senior Living, LLC, or Solstice. Solstice is a newly formed joint venture between affiliates of Integral Senior Living, or ISL, a leading management company of senior independent living, assisted living and memory care properties founded in 2000, which owns 80% of the joint venture, and the Company, which owns the remaining 20%. The Company has also recently transitioned operations of the newly acquired Rochester portfolio and Oak Cottage portfolio, and commenced the transition of operations of the Bonaventure portfolio, each of which was planned in connection with the acquisition. Operator transitions are not unusual in connection with acquisitions in the senior housing industry.

In other instances, the transition is the result of the failure of an operator to meet their lease obligations, such as the Kansas City portfolio, for which the Company entered into a new management agreement with a third party manager, ISL, in June 2017, and the Peregrine portfolio, for which the Company entered into a new lease with an affiliate of Senior Lifestyle Corporation, or SLC, and transitioned two of the four properties to SLC in the third quarter of 2016, with the remaining two properties expected to be transitioned by the first quarter of 2018 following receipt of regulatory approval. Collectively, the Kansas City portfolio and the Peregrine portfolio account for 1.4% of the Company's revenue for the nine months ended September 30, 2017. In addition, in the Company's Espresso portfolio, an unconsolidated joint venture, three of the sub-portfolios are in the process of being transitioned to new tenants. The reasons for these transitions vary depending upon the circumstances, but may be influenced by the industry headwinds discussed above.

What is the breakdown between skilled nursing and senior housing in your portfolio and how do the market fundamentals differ between these two asset classes?

Based on our historical cost, approximately 24% of the Company's portfolio is skilled nursing, with 70% senior housing. Skilled nursing facilities are licensed properties where the majority of residents require continual nursing or medical care and depend upon federal and state health care benefit programs (e.g., Medicare and Medicaid) for a majority of their revenues. Senior housing facilities (e.g., independent living facilities, assisted living facilities, etc.) are rental properties that, depending upon the nature of the property, may provide residents with supportive care from trained professionals and predominantly rely upon private pay for their revenues. While certain market fundamentals, such as national and regional economic conditions, new supply of competitive properties, and increased labor costs due to recent changes in minimum wage standards, have an overlapping impact on both asset classes, others, such as changes in government reimbursement, expenses associated with government investigations, and legal actions, can have a more significant impact on skilled nursing facilities.

Are you looking at alternative sources of liquidity such as dispositions, additional borrowing, etc.?

Yes. As the Board has been doing, it will continue to consider all alternatives available to the Company that will improve operations, including the Company's liquidity.

If we have additional questions, who should we contact?

If you want to reach the Company by phone, please call 877.940.8777 and choose extension 1.