NorthStar HEALTHCARE INCOME

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 Current Report on Form 8-K, filed with the SEC on October 17, 2024. 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.

Strategy and Capital Needs

What is the primary financial objective of the Company at this stage?

The primary financial objective of the Company at this stage is to maximize the value of its existing investments and generate liquidity for stockholders.

What is the Company's strategy in order to achieve this objective?

The Company is focused on growing the net operating income generated by the Company's assets and may pursue dispositions of assets and portfolios where the Company believes the disposition will achieve a desired return or strategic outcome, with the goal of maximizing value for stockholders overall.

How has the Company executed on this strategy so far?

First, the Company has made significant capital improvements to many of its properties, which, along with supply and demand fundamentals, has contributed to the strong 13.8% growth in revenues, net of property expenses, for the six months ended June 30, 2024 compared to the same period last year, and 43.8% growth compared to the same period in 2022, in its operating portfolio, excluding properties sold. As pressures on labor costs and operating expenses begin to stabilize, the Company believes that revenue growth will continue to exceed expense growth in the near-term, resulting in continued improved net operating income growth.

Second, the Company has executed on several key dispositions. In September 2024, the Company completed the sale of all of its ownership interest in Trilogy REIT Holdings, LLC (referred to as the Trilogy Investment), which resulted in net proceeds to the Company of $252.4 million. The Company believes, by selling the Trilogy Investment to the majority partner of the joint venture, who was uniquely incentivized to make a compelling offer in order to pursue its own corporate strategic objectives, it was able to sell the Trilogy Investment at an attractive valuation.

In 2023, the Company also exited three other unconsolidated joint ventures, either through the sale of its ownership interests or through the sale of the underlying assets of the joint venture.

As a result of these transactions, substantially all of the Company's portfolio now consists of directly-owned investments, which the Company believes gives it greater flexibility and more options as the Company continues to pursue its disposition strategy.

In addition, the Company has pursued dispositions of single assets, such as the sale of a property within its Rochester portfolio in February 2024, where the Company has, based on the particular facts and circumstances, been able to sell at an acceptable value. Going forward, the Company currently expects to continue to seek these types of disposition opportunities.

What are the factors that the Company considers in determining whether to pursue a disposition at any given time?

A variety of factors affect the Company's decision to pursue a potential disposition of a property including, but not limited to, the following:

- *Market Conditions.* Economic uncertainty, higher interest rates, inflation and availability of capital, among other factors, impact transaction volume, capitalization rates and, ultimately, what potential buyers are willing to pay for a property.

- *Performance.* A property's performance, including occupancy, net operating income and margins, will affect the value ascribed to the property by a potential buyer. The Company may determine, based on market and other conditions, that deferring a transaction until performance has improved will help maximize value for that property or portfolio in a disposition.

- *Debt Maturities.* The timing of when the debt on a particular property or portfolio matures may also drive timing around dispositions. For example, selling a property or portfolio significantly in advance of a maturity date may result in prepayment penalties, which will affect the net proceeds generated by the sale. At the same time, the ability to refinance debt as it matures on favorable terms, including the interest rate and loan amount, and the costs associated with any refinancing activities, also has an economic impact on the decision to hold or sell a property.

- *Price.* Although all of the above factors ultimately affect price, a variety of other unique factors may result in compelling offers from certain potential buyers and the Company remains open to disposition opportunities that are consistent with its view of value.

How are seniors housing properties valued by potential buyers?

Valuation of commercial real estate, including seniors housing properties, is significantly impacted by rates of return required by investors (*i.e.*, the income a property might generate, assuming a certain holding period, relative to the cost to acquire the property). Buyer expectations for rates of return are influenced by the economic environment, interest rates and the risk associated with the investment, including asset- and market-level characteristics such as quality, location, supply and demand and occupancy, among other factors.

How are the current market conditions affecting the Company's strategy?

Current market conditions impacting property-level operating performance are generally favorable. Industry occupancy continues to grow, averaging 86.5% for the third quarter of 2024, up 70 basis points from the previous quarter and 210 basis points from the same period last year, but still remains below the pre-pandemic average of 87.1% in March 2020 (source: NIC MAP Vision 3Q2024 Market Fundamentals Report). The 80+ population, a key demographic for senior housing, is expected to grow by 24% through 2028 (source: Organization for Economic Cooperation and Development as of November 2023), and new supply and new construction remain low compared to historical levels, resulting in a demand and supply environment that should contribute to overall industry occupancy and revenue growth.

By contrast, for the past few years, current market conditions affecting transactions, including asset sales, have been challenging. Public and private capital markets have been affected by a general tightening of availability of credit (including the price, terms and conditions under which financing can be obtained), higher interest rates and a general decrease in liquidity in the healthcare lending markets, which resulted in higher capitalization rates, adversely impacting property values and limiting transaction activity. With the recent interest rate cuts in September 2024, and the positive market dynamics for seniors housing industry specifically, the Company is optimistic that it will begin to see increased transaction activity and more robust capital markets. The Company will continue to monitor the interest rate environment and related impact on the capital markets and transaction activity, so it is well positioned to execute on its strategy as and when compelling opportunities become available.

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

The Company must invest capital in its properties to maintain functional and operational standards. In addition, the Company has invested, and may continue to invest, additional discretionary capital in its assets where it believes the investment will result in improved performance and yield a higher value for the property or portfolio upon disposition, such as updates to common areas and resident unit upgrades. The Company has invested over $75 million in capital projects from 2022 through the first six months of 2024. These capital investments contributed to the 13.8% growth in revenues, net of property expenses, achieved by the Company for the six months ended June 30, 2024 compared to the same period last year, and 43.8% compared to the same period in 2022, in its operating portfolio, excluding properties sold. Given the significant investment made over the past few years, the Company currently expects the amount invested in discretionary capital projects in the near-term to be materially lower.

In other circumstances, the Company may determine not to make additional investment in a property if the Company does not believe the investment will achieve a desired return, due to challenges in the local market, impending debt maturities, the magnitude of the operating deficits or other factors. For example, the Company elected not to invest additional capital in seven cross-collateralized properties within the Rochester portfolio to cover cash flow shortfalls when it determined that it was unlikely that the portfolio would generate sufficient sales proceeds at maturity to repay the outstanding debt, ultimately electing to default on its borrowings and work with the lender to facilitate a consensual conveyance of the properties to the lender.

How does the Company intend to handle upcoming loan maturities?

Approximately 75% of the Company's debt matures in 2025. The Company may extend or refinance this debt, pursue disposition opportunities for the assets securing this debt, or a combination of the foregoing. Any refinancing or extensions will likely require the Company to invest additional capital in order to pay down existing loan balances and will likely result in significantly higher interest rates. The Company's ultimate strategy regarding these debt maturities will be based on then-current market conditions and other factors, with the primary objective being to ensure that Company has the flexibility to execute on its strategy in a way that does not compromise on value.

Liquidity Event

Is there currently a plan to liquidate the Company and return capital to stockholders?

The Company has not announced or adopted a plan for liquidation and is not required to liquidate by any specified date. The Company does not have a stated term for a liquidity event, as it believes setting a finite date for a possible, but uncertain future liquidity transaction may result in actions that are not necessarily in the best interest or within the expectations of its stockholders.

In connection with the Company's initial offering, it indicated that, subject to then-existing market conditions, the Company would consider alternatives for providing liquidity to its stockholders beginning five years from the completion of its offering stage, which was completed in 2016. However, the Company further indicated that the ability to seek a liquidity event in this time frame would depend upon market conditions and there was no assurance that a suitable transaction would be available at that time. As discussed below, a variety of factors, including in particular the COVID-19 pandemic, have affected the Company's ability to pursue a liquidity event over the past few years.

What has the board of directors done to explore a potential liquidity event?

The Company's board of directors formed a special committee in August 2020 consisting solely of independent directors to evaluate strategic alternatives available to the Company, in order to position the

Company to maximize value upon a future liquidity event. For more than two years, the special committee evaluated a broad range of potential transactions, including restructurings, dispositions of particular assets and the Company as a whole and the internalization of management, among others. Key takeaways of the special committee's review process included the following:

- A sale of the Company as a whole at that time could not have been achieved at an acceptable value based on a variety of factors, such as the composition of the Company's investments and leverage, the extended recovery from the COVID-19 pandemic, high inflation and labor costs and rising interest rates, among others.
- The Company's focus should be on growing the net operating income of its existing portfolio, including through selectively investing capital into certain assets, in order to achieve a better return upon the sale of a property.
- In light of the composition of the Company's portfolio at that time, the Company may be best able to maximize value for its stockholders by seeking to sell different assets to different buyers.
- An internalized management team, incentivized to execute on this strategy, would give the Company the best chance for success.
- Once market conditions improve, or if compelling opportunities otherwise become apparent, the Company may proceed with a general plan to sell assets, while also exploring potential merger transactions in which the whole Company would be acquired.

The Company's board of directors continues to monitor market conditions, performance and disposition or other transactional opportunities, with the goal of providing liquidity to stockholders at the earliest opportunity without compromising on the Company's goal of maximizing value.

When does the Company currently expect to liquidate?

With the interest rate cuts in September 2024, and some recent improvement in the investment markets, the Company is optimistic that it will begin to see increased transaction activity and more robust capital markets. If market conditions do improve as anticipated, the Company believes it is well-positioned to explore potential transactions. However, at this time, the Company cannot make any assurances that such transactions will be effected in any particular timeframe or at all.

What will stockholders receive in connection with a liquidity event?

We are not able to determine at this stage what stockholders will receive in connection with a future liquidity event, as it will depend upon the nature of the liquidity event.

For example, if the Company ultimately adopts a plan to sell all of its assets and dissolve, stockholders may receive cash distributions of the net proceeds of these asset sales, after setting aside sufficient proceeds to satisfy the Company's known liabilities and unknown potential liabilities, over a wind down period that may be several years. By contrast, if the Company is acquired as a whole through a merger transaction, stockholders may receive either cash or shares in the surviving company, at the closing of such a transaction in exchange for their shares in the Company. It is also possible that stockholders may receive a combination of the foregoing.

Do stockholders get to approve liquidity transactions?

Some types of liquidity transactions do require stockholder approval. For example, if the board of directors of the Company adopts a plan to sell all or substantially all of the Company's assets and dissolve the Company, this plan would require stockholder approval. In addition, if the Company were to be acquired in a merger with another company, stockholders would also have the opportunity to approve that transaction.

Is the management team of the Company incentivized to implement this strategy?

Yes. Beginning in 2023, following the internalization of management, approximately 70% of the target pay of the Chief Executive Officer is tied to achievement of short-term and long-term corporate objectives and performance criteria. For 2024, 70% of each executive officer's annual cash bonus opportunity is tied to the Company's net operating income and management of general and administrative expenses, with the balance tied to individual performance. In addition, each executive officer received a one-time, long-term incentive award (the LTIP Awards) to encourage retention and alignment with the long-term performance and strategic objectives of the Company. Subject to continued employment, the performance component of the LTIP Award (worth 75% of its value) will vest on December 31, 2025 if and to the extent certain performance criteria is achieved, and will be paid in cash. The payout opportunity for the performance component of the LTIP Awards ranges from zero to 150% of the target value, depending upon the amounts distributed to stockholders, or available to be distributed to stockholders as determined by the Board in its sole discretion, over the vesting period.

Distributions; Redemption Program

The Company has significant cash; why is the Company not making distributions?

The Company requires capital to fund operations, capital expenditures, including those invested to improve performance, and other important business uses, as well as to fund its debt service obligations and potentially to extend or refinance indebtedness. If the Company does not have sufficient capital available to fund its obligations, or the ability to extend or refinance indebtedness as it becomes due, it may be unable to position properties to maximize value. If the Company does not retain capital to manage these risks, in light of the Company's existing leverage and the state of the capital markets generally, it may be difficult to access capital on favorable terms or at all. In addition, there may be strategic benefits to retaining capital in connection with any potential liquidity event the Company may pursue in the future.

As of September 30, 2024, after giving effect to the recently completed disposition of the Trilogy Investment, the Company has more than $300 million of available cash. As a result, the Company has disclosed that it intends to evaluate over the coming months how best to use available cash to further its primary objective, which is to maximize value and generate liquidity for stockholders. In doing so, the Company is taking into consideration, among other factors, current and projected liquidity needs, near-term debt maturities, leverage strategy, the potential impact on any liquidity event that may be pursued in the future and potential additional special distributions to stockholders.

Is the Company currently redeeming shares?

The Company is not currently redeeming shares from stockholders. The board of directors suspended all repurchases under the Company's share repurchase program in April 2020 in order to preserve capital and generate liquidity.

The Company does not currently anticipate resuming the share repurchase program. If the Company has sufficient capital available, at this stage in the Company's life cycle, the Company believes that returning capital to stockholders through special distributions, rather than repurchases, is a better use of that capital.

Estimated Net Asset Value Per Share

What are the main factors that affected the estimated net asset value per share as of June 30, 2024?

The most significant factors impacting the Company's estimated net asset value per share as of June 30, 2024 of $2.96 per share (the "2024 NAV Per Share") were as follows:

- Strong supply and demand fundamentals across the industry, combined with the Company's strategic capital investment in its properties, resulted in significant improvements in performance across the Company's healthcare properties, driving an increase in estimated values. During the six months ended June 30, 2024, property revenues, net of operating expenses, generated by the Company's operating investments, excluding dispositions, were 13.8% greater than the same period during 2023. Average occupancy of the Company's operating investments reached 89.4% for the three months ended June 30, 2024, a 1.8% increase as compared to the same period in 2023.

- The Company completed the sale of its Trilogy Investment in September 2024 at an attractive valuation, resulting in net proceeds to the Company of $252.4 million, which was greater than the estimated value of the Trilogy Investment in connection with the estimated per share value as of June 30, 2023.

- The use of available cash to fund capital projects at the Company's operating investments, along with its general and administrative expenses, partially offset the increase in the estimated value per share resulting from the improved operating performance.

What is the relationship of the estimated net asset value per share and what a stockholder can ultimately expect to receive in a liquidity transaction?

The Company's current estimated net asset value per share is based upon the estimated value of the Company's assets less the estimated value of the Company's liabilities as of June 30, 2024, divided by the number of shares of the Company's common stock outstanding as of June 30, 2024. The process for estimating the value of the Company's assets and liabilities was performed in accordance with the provisions of the Institute for Portfolio Alternatives Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs, except that the valuation of the Trilogy Investment, which was sold in September 2024, was valued based on the net cash proceeds received by the Company. This valuation methodology does not reflect the Company's "enterprise value", which may be affected by the following:

- disposition and other expenses that would be necessary to realize the value;
- the Company's general and administrative expenses, including the costs to retain its management team;
- the characteristics of the Company's working capital, leverage and other financial structures where some buyers may ascribe different values; and
- the potential difference in per share value if the Company were to list its shares of common stock on a national securities exchange.

In addition, as with any valuation methodology, the methodologies used to determine the estimated value per share are based upon a number of estimates and assumptions that may prove later to be inaccurate or incomplete. Different market participants using different assumptions and estimates could also derive different estimated values.

The estimated value per share may bear no relationship to the Company's book or asset value. In addition, the estimated value per share may not represent the price at which the shares of the Company's common stock would trade on a national securities exchange, the amount realized in a sale, merger or liquidation of the Company or the amount a stockholder would realize in a private sale of shares.

Finally, the estimated value of the Company's assets and liabilities is as of a specific date and such value is expected to fluctuate over time in response to future events, including but not limited to, continued inflationary pressures on operating expenses, changes to commercial real estate values, particularly healthcare-related commercial real estate, developments related to individual assets, changes in market interest rates for commercial real estate debt and its impact on transaction executions, including, in particular, the current interest rate environment, changes in capitalization rates, rental and growth rates, changes in laws or regulations impacting the healthcare industry, demographic changes, returns on competing investments, changes in administrative expenses and other costs, the amount of distributions on the Company's common stock, local and national economic factors and the factors specified in Part I, Item 1A. of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and Part II, Item IA. of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 under the heading "Risk Factors.”

What effect do distributions to stockholders have on the estimated net asset value per share?

If the Company pays distributions from sources other than cash flow from operations, this will likely reduce the Company’s overall equity and net asset value, which in turn will likely impact the value of your shares. For example, if the Company disposes of an asset and distributes the net proceeds to stockholders, the Company’s estimated net asset value per share will proportionately decrease (assuming all other factors remain constant).

Please refer to “Distributions Declared and Paid” within the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of our Forms 10-Q and Forms 10-K filed with the SEC for additional information regarding the sources of any distributions paid by the Company.

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Safe Harbor 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, [the operating performance of NorthStar Healthcare’s investments; NorthStar Healthcare’s financing needs; the effects of the Company’s current strategies and investment activities; NorthStar Healthcare’s ability to effectively deploy capital; the Company’s ability to retain its senior executives and other sufficient personnel to manage its business; the Company’s ability to realize substantial efficiencies as well as anticipated strategic and financial benefits of the internalization of its management function; 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, 2023, and Part II, Item IA. of NorthStar Healthcare's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 under the heading "Risk Factors,” as well as in NorthStar Healthcare’s other filings with the SEC. The foregoing list of factors is not exhaustive. All forward looking statements included in this FAQ are based upon information available to NorthStar Healthcare on the date of this document and NorthStar Healthcare is under no duty to update any of the forward-looking statements after the date of this document to conform these statements to actual results.