

February 8, 2019

To Our Stockholders:

Thank you for your investment in NorthStar Healthcare Income, Inc. (“NorthStar Healthcare” or the “Company”). We are writing today to provide you with an update regarding your investment in shares of NorthStar Healthcare’s common stock, including the monthly distributions previously paid on the shares.

On February 1, 2019, the board of directors (the “Board”) of NorthStar Healthcare determined to suspend the monthly distribution payments to stockholders, effective immediately.

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.

As we laid out in our letter in December, NorthStar Healthcare’s portfolio has been experiencing operational and performance challenges that led to a lower estimated value per share of NorthStar Healthcare’s common stock as of June 30, 2018 as compared to June 30, 2017. Factors that continue to negatively impact the Company’s current cash flow include:

- Consistent with past and current trends in the senior housing market, 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 assets.
- Operator transitions at select properties resulted in short-term disruption in operations and occupancy, though most have been completed and the Company believes such transitions are now progressing toward stabilization.

We encourage you to review the Company’s filings with the Securities and Exchange Commission (“SEC”) for additional information regarding the Company’s performance, as well as the “frequently asked questions” posted on the Company’s website (www.northstarhealthcarereit.com), which is periodically updated by the Company to respond to some of the more frequently asked questions regarding developments at the Company.

We are highly focused on improving the performance of NorthStar Healthcare and are leveraging what we believe to be all appropriate resources to maximize value for you and your fellow stockholders.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Chang". The signature is stylized and cursive.

Justin Chang
Chairman

Safe Harbour Statement

This letter 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.