Seeking to Generate Income and Protect Against Inflation

Interest rates continue hovering near historic lows, but investors may want to consider ways to protect against an increase in long-term inflation. NorthStar Real Estate Income Trust, Inc. (NorthStar Income) aims to generate consistent income with downside protection while providing a potential hedge against inflation.

Be prepared if inflation returns.

Simply put, inflation is the rate at which prices/costs increase and purchasing power falls. Although prices have been relatively stable in recent years, no one can accurately predict when and if higher rates of inflation will return.

Some economists argue that recent steps taken by the Federal Reserve and other central banks to stabilize the global financial system could lead to higher inflation. In such an environment, savings may erode over time due to higher costs — sometimes quickly. High inflation may have an adverse effect on an investment portfolio and impact future buying power.

Keep income paced with inflation.

NorthStar Income may offer investors a chance to earn current income while also providing a layer of inflation protection.

Typically, we invest in floating rate loans that earn a higher yield as interest rates rise. Interest rates tend to rise when inflation increases — as inflation increases, so may the income into our portfolio. Moreover, the shorter-term nature of our typical loans allows us to be nimble and potentially redeploy capital into higher earning instruments as the economic environment changes.

Our investment strategy seeks to generate consistent income while keeping pace with any potential rise in inflation in an effort to protect investors’ capital. However, there is no assurance our investment strategy will be successful.

United States Inflation Rate by Year

This sales and advertising literature is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus. This literature must be read in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering. No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if the prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.
Risk Factors

Consider the following risks before making an investment in NorthStar Income, a public, non-traded real estate investment trust (REIT):

- We depend on our advisor to select our investments and conduct our operations. We pay substantial fees to our advisor that were not negotiated at arm’s-length and increase investors’ risk of loss.

- We have limited operating history and the prior performance of our sponsor may not predict our future results. There is no assurance that we will achieve our investment objectives.

- We have not identified most of the assets we intend to acquire with the proceeds of our offering; therefore, investors will not have the opportunity to evaluate most of our assets prior to investing.

- We intend to invest in commercial real estate loans and mezzanine loans. The collateral securing our loans may decrease in value or lose all value over time, which may lead to a loss of some or all of the principal in our investments. Mezzanine loans are typically unsecured, and this may involve a heightened level of risk.

- Our advisor and its affiliates may face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments.

- If we raise substantially less than the maximum offering, we may not be able to acquire a diverse portfolio of investments and the value of our shares may vary more widely with the performance of specific assets.

- If we pay distributions from any source other than cash flow from operations, including offering proceeds, borrowings or sales of assets, investors’ overall return may be reduced.

- We may change our investment policies without stockholder consent.

- No public market currently exists for our shares and we are not obligated to effectuate a liquidity event by a certain date.

- We set the offering price of our shares arbitrarily. This price is unrelated to the book or net value of our assets or to our expected operating income.

- Our sponsor has agreed, under certain circumstances, to purchase our shares in order to provide additional funds for distributions to stockholders. These purchases will dilute the equity ownership of public stockholders.

- Failure to qualify as a REIT would adversely affect our operations and our ability to make distributions.

- Our intended investments in CMBS and CDOs and other structured debt securities will be subject to risks relating to the volatility in the value of our assets and underlying collateral, default on underlying income streams, fluctuations in interest rates, decreased value and liquidity of the investments and other risks associated with such securities which may be unknown and unaccounted for by issuers of the securities and by the rating agencies. These investments are only appropriate for investors who can sustain a high degree of risk.

- As with any real estate investment, there are various risks including but not limited to: unfavorable market conditions, loss of principal and limited liquidity.

- Diversification does not eliminate risk and does not assure better performance.

- The other risks set forth in our prospectus and our filings with the Securities and Exchange Commission.

Forward Looking Statements

This sales material includes forward-looking statements that can be identified by the use of words such as “will,” “potential,” “may,” “should,” or other comparable terminology. Statements concerning projections, future performance, cash flows, inflation rates, whether and to what extent our income will increase as inflation increases, particularly given the interest rate floors present in loans in our portfolio, ability to protect or hedge against inflation, ability to redeploy capital as the investment environment changes and any other guidance on present or future periods constitute forward-looking statements. Forward-looking statements involve significant risks and uncertainties and you should not unduly rely on these statements. You should be aware that a number of important factors could cause our actual results to differ materially from those in these forward-looking statements. The statements made herein are as of the date hereof and we undertake no obligation to update these statements except as may be required by applicable securities laws.