

LANDandBUILDINGS

Land and Buildings Issues Letter to NorthStar Asset Management

- *NorthStar Asset Management is substantially undervalued and likely has 80% upside to an estimated \$20 plus NAV –*
- *\$13 per share could be generated by selling the public REIT management contracts to a third party or back to the public REITs –*
- *Land and Buildings continues to urge NSAM to extend the deadline to nominate directors and immediately appoint new independent directors –*

Stamford, CT (January 22, 2016) – Today Land and Buildings Investment Management LLC issued the following letter to David Hamamoto, Executive Chairman of NorthStar Asset Management (NYSE: NSAM) (“the Company”):

January 22, 2016

David Hamamoto
Executive Chairman
NorthStar Asset Management
399 Park Avenue
New York, NY 10022

Dear David:

We believe NorthStar Asset Management (NYSE: NSAM) (“NSAM” or the “Company”) is materially undervalued and there are numerous paths to unlock that value.

There is one straightforward solution that should be at the top of the list: recombining NSAM and NorthStar Realty Finance (NYSE: NRF) (“NRF”).

Since the grand experiment of spinning off NSAM from NRF in the summer of 2014, the shares of both companies have fallen over 50% from their highs. Externally managed REITs, such as NRF, have historically struggled to gain institutional investor support given the misaligned incentives between the manager and the REIT.

The \$200 million largely perpetual, non-cancelable annual management fee NRF/NRE pays to NSAM, if sold, could be worth nearly \$2.6 billion at a 7% yield, after taking a \$20 million G&A allocation. NRF is the most logical buyer, although the contract could be a coveted asset to other investors. In order to purchase the contract, NRF could sell manufactured housing, apartment and other assets at yields well below 7% in addition to utilizing retained earnings to acquire the management contract from NSAM accretively. Once reconstituted, NRF could again be positioned to grow as it will be an internally advised and managed REIT.

NSAM could pay a special dividend of \$2.6 billion in proceeds from the sale of the public REIT management contracts, or \$13 per share, to NSAM shareholders, which is 20% more than the current share price. The remainder of NSAM would have considerable value with the highly regarded Townsend asset management and consulting business as well as the real estate management contracts with several private REITs and a nicely producing broker-dealer. These remaining businesses at modest valuations are likely worth \$7 per share or more as a going concern or in a sale scenario. As of the end of the third quarter 2015, NSAM had no debt.

An NSAM/ NRF recombination appears to us to be the right thing to do and the right time to do it for all NRF and NSAM shareholders. However, consistent with its fiduciary duties to NSAM shareholders the Board must explore and evaluate all options, including an outright sale of the entire company to a third party.

While exploring a sale of the NRF/NRE contract and the entire Company, the significant upside to net asset value, which we believe could be in excess of \$20 per share, should be catalyzed through several other avenues as well, including corporate governance enhancements, margin expansion opportunities by reducing a heavy G&A load, debt issuance and stock buybacks.

The NSAM Board of Directors made an important first step in the right direction by hiring Goldman Sachs to evaluate strategic alternatives. However, we are disappointed that the Board of NSAM has neither extended the deadline for shareholders to nominate directors nor immediately added new independent directors on the Board to oversee the strategic review process as we requested over a week ago. We continue to be adamant that Board reconstitution to add shareholder representatives in the boardroom is essential to ensure that shareholders' interests are prioritized and options are explored open-mindedly as the Board goes through the process of evaluating all viable alternatives to create value.

I look forward to a prompt reply.

Sincerely,



Jonathan Litt

Founder & Chief Investment Officer

Land and Buildings

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About Land and Buildings:

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

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