

Mail Stop 4561

July 16, 2007

VIA U.S. MAIL AND FAX (212) 547-2700

Andrew C. Richardson
Chief Financial Officer
Northstar Realty Finance Corp.
399 Park Ave., 18th Floor
New York, NY 10022

**Re: Northstar Realty Finance Corp.
Form 10-K for Fiscal Year Ended
December 31, 2006
Filed March 15, 2007
Form 10-Q for Quarterly Period Ended
March 31, 2007
Filed May 10, 2007
File No. 001-32330**

Dear Mr. Richardson:

We have reviewed your filing and have the following comments. In our comments, we may ask you to provide us with information so we may better understand your disclosure. After reviewing this information, we may raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or on any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 10-K for the year ended December 31, 2006

Item 6. Selected Financial Data, page 39

1. It does not appear you have included all the required selected financial data pursuant to Item 301 of Regulation S-K, specifically your redeemable preferred stock and your cash dividend declared per common share. Please tell us how you have complied with Item 301 of Regulation S-K, or tell us why you believe it was not necessary to disclose these items.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Off Balance Sheet Arrangements, page 57

2. We note you disclose your off-balance sheet arrangements. It does not appear that you have provided all the disclosures required by Item 303 of Regulation S-K, specifically the amount of cash flows arising from these arrangements. Please tell us how you have complied with Item 303 of Regulation S-K, or tell us why you believe it was not necessary to disclose this item.

Non-GAAP Financial Measures

Funds from Operations and Adjusted Funds from Operations, page 60

3. We note you disclose AFFO under the caption non-GAAP financial measures. It does not appear that your disclosure comply with Item 10(e) of Regulation S-K. Please tell us how you have complied with the disclosure requirements of Item 10(e) and, within your response, specifically tell us whether management uses this measure as a performance or liquidity measure.

Financial Statements

Consolidated and Combined Statements of Operations, page 70

4. We note that you disclose on the face of the income statements that basic and diluted EPS are the same. It also appears that you have issued dilutive instruments including the redeemable preferred stock. Please tell us why basic and diluted EPS are the same or how you have complied with paragraphs 36 and 40 of SFAS 128.

Notes to Consolidated and Combined Financial Statements

Note 15. Equity Based Compensation, page 101

5. It does not appear that you have provided all the required disclosures in accordance with SFAS 123(R). Please explain to us how you have complied with the disclosure requirements of paragraphs 64 and A240-A241 of SFAS 123(R).

2006 Outperformance Plan, page 104

6. We note management's use of an appraiser in the estimation process for valuing target based compensation plans. As the appraiser appears to be an expert, please name the appraiser and provide the appropriate consent.

Note 20. Quarterly Financial Information (Unaudited), page 109

7. It does not appear you have included all the required quarterly financial information pursuant to Item 302 of Regulation S-K, specifically net income. Please tell us how you have complied with Item 302 of Regulation S-K, or tell us why you believe it was not necessary to disclose this item.

Note 21. Segment Reporting, page 111

8. We note the real estate debt and real estate securities segments generate income from operations by earning positive spreads. Please tell us how you have complied with paragraph 27 of SFAS 131 or tell us why you believe it was not necessary to disclose interest income and interest expense by segment.

Form 10-Q for the three months ended March 31, 2007

Financial Statements

Condensed Consolidated Statements of Cash Flows, page 4

9. It does not appear you have disclosed cash paid for interest. Please tell us how you have complied with paragraph 29 of SFAS 95, or tell us why you believe it was not necessary to disclose this amount.
10. We note you have disclosed non-cash investing and financing activities. Please clarify for us the reason for these non-cash transactions.

Notes to the Condensed Consolidated Financial Statements

Note 8. Borrowings

WA Euro Denominated Note Purchase Agreement, page 13

11. We note that you have a liability that is denominated in Euros. We note you have not discussed your accounting policies for foreign currency transactions in the footnotes to your financial statements. Please explain your consideration of this loan with respect to SFAS 52.

* * * *

Please respond to this comment within 10 business days or tell us when you will provide us with a response. Please file your response letter on EDGAR. Please understand that we may have additional comments after reviewing your response to our comments.

We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filings reviewed by the staff to be certain that they have provided all information investors require for an informed decision. Since the company and its management are in possession of all facts relating to a company's disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.

In connection with responding to our comments, please provide, in writing, a statement from the company acknowledging that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filings;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filings; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

In addition, please be advised that the Division of Enforcement has access to all information you provide to the staff of the Division of Corporation Finance in our review of your filings or in response to our comments on your filings.

Andrew C. Richardson
Northstar Realty Finance Corp.
July 16, 2007
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You may contact Jennifer Monick, Staff Accountant at (202) 551-3295, or the undersigned at (202) 551-3629 if you have questions.

Sincerely,

Kevin Woody
Branch Chief