TAX ADVANTAGES OF REITs

STARWOOD
REAL ESTATE INCOME TRUST

What's New?

The Tax Cuts and Job Act of 2017 (TCJA of 2017) introduced three key changes that benefit Real Estate Investment Trusts (REITs):

1. Tax rates were lowered across all tax brackets
2. REIT ordinary distributions now benefit from a 20% tax rate reduction
3. The depreciation period for residential real property was reduced from 40 years to 30 years

TAX RATES (TOP 3 BRACKETS)

Prior Tax Law	TCJA of 2017	REIT Rate Reduction	New Effective Tax Rate for REITs
39.6%	37%		29.6%
35.0%	35%	**20%**	28.0%
33.0%	32%		25.6%

Other REIT Tax Advantages

- A key tax advantage of REITs is the **Return of Capital (ROC) tax shelter**, which may reduce the taxable portion of distributions by an estimated 60% - 90%(1)(2)(3) due to factors such as depreciation and amortization.
- **Hotels:** A REIT portfolio that includes hotels tend to benefit from a higher percentage of tax-sheltered distributions due to Furniture, Fixtures, and Equipment (FF&E)(3) which depreciate more quickly than the standard 40 years.
- **Multifamily:** A REIT portfolio that includes residential real property may also benefit from a higher percentage of tax-sheltered distributions due to the new accelerated depreciation schedule under the TCJA of 2017.

KEY TAKEAWAY

As shown below for illustrative purposes, when the new lower tax rates are combined with an ROC tax shelter of an estimated 60% and 90%, the effective federal tax rate for REITs may be reduced to **11.8% or 3.0%** respectively.

Illustrative Example(4)

$100,000
INVESTMENT

5%
($5,000 ANNUALIZED DISTRIBUTION)(5)
ANNUALIZED PRE-TAX YIELD

TCJA OF 2017

	Corporate Bond	REIT		
ROC Scenarios(1)(2)(3)	**0%**	**0%**	**60%**	**90%**
Distributions	$5,000	$5,000	$5,000	$5,000
ROC ($)	-	-	($3,000)	($4,500)
Taxable Basis	$5,000	$5,000	$2,000	$500
Tax Rate (Highest Bracket)	37%	29.6%	29.6%	29.6%
Tax Payable	($1,850)	($1,480)	($592)	($148)
AFTER TAX DISTRIBUTIONS	**$3,150**	**$3,520**	**$4,408**	**$4,852**
AFTER TAX YIELD6	**3.2%**	**3.5%**	**4.4%**	**4.9%**
EFFECTIVE FEDERAL TAX RATE	**37.0%**	**29.6%**	**11.8%**	**3.0%**

1. Return of capital reduces the stockholder's tax basis in the year the distribution is received, and generally defers taxes on that portion until the capital asset is sold.
2. Certain non-cash deductions, such as depreciation and amortization, lower the taxable income for REIT distributions. The 60%-90% ROC estimation reflects straight-line depreciation which can account for approximately 50% of a REIT's distributions, assumes a 5% distribution and a 25-40year depreciable life resulting in a depreciation amount of 2.5%-4.0% annually and includes additional non-cash deductions.
3. The percent of a distribution attributed to ROC varies based on the depreciation generated by a portfolio's underlying assets. For example, hotels have FF&E (furniture, fixtures and equipment) that depreciates more quickly than the standard 40 years. Therefore, a portfolio containing a material amount of hotels will benefit from a higher percentage of tax-sheltered distributions. A REIT portfolio that includes multifamily housing may also benefit from a higher percentage of tax-sheltered distributions due to the new accelerated depreciation schedule under the TCJA of 2017. An estimated 90% ROC is used to illustrate this point in the illustrative example shown.
4. The illustrative example does not include state taxes. Investors could be subject to state income tax in their state of residence which would lower the after tax yield received by the investor. The illustrative example does not reflect the impact of increasing net operating income ("NOI"); an increasing NOI from higher rents would reduce the amount of ROC. Past performance is not indicative of future results.
5. Starwood Real Estate Income Trust cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources.
6. After tax yield is reflective of the current tax year and does not take into account other taxes that may be owed on an investment in Starwood Real Estate Income Trust when the investor redeems their shares. Upon redemption, the investor may be subject to higher capital gains taxes as a result of a depreciating cost basis due to the return of capital portion of distributions.

An investment in Starwood Real Estate Income Trust, Inc. involves a high degree of risk. These securities are not liquid instruments. You should purchase these securities only if you can afford the complete loss of your investment. You should carefully read the information set forth in the "Risk Factors" section of the prospectus, including the tax-specific risk factors set forth in the "Risk Factors—Risks Related to our REIT Status and Certain Other Tax Items" section of the prospectus, before buying our shares. Risks include, but are not limited to:

- We have a limited operating history and there is no assurance that we will achieve our investment objectives.
- This is a "blind pool" offering. We have made limited investments to date and you will not have the opportunity to evaluate our future investments before we make them.
- Our portfolio principally will be comprised of properties, and debt secured by properties, located in the United States but may also be diversified on a global basis through investments in properties and debt secured by properties, outside of the United States, with a focus on Europe.
- Since there is no public trading market for shares of our common stock, repurchase of shares by us will likely be the only way to dispose of your shares. Our share repurchase plan provides stockholders with the opportunity to request that we repurchase their shares on a monthly basis, but we are not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month in our discretion. In addition, repurchases are subject to available liquidity and other significant restrictions. Further, our board of directors may modify, suspend or terminate our share repurchase plan if it deems such action to be in our best interest and the best interest of our stockholders. As a result, our shares should be considered as having only limited liquidity and at times may be illiquid.
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources.
- The purchase and repurchase price for shares of our common stock are generally based on our prior month's NAV and is not based on any public trading market. While there is independent periodic appraisals of our properties, the appraisal of properties is inherently subjective, and our NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.
- We have no employees and are dependent on Starwood REIT Advisors, L.L.C. (the "Advisor") to conduct our operations. The Advisor will face conflicts of interest as a result of, among other things, the allocation of investment opportunities among us and Other Starwood Accounts (as defined in the prospectus), the allocation of time of its investment professionals and the substantial fees that we pay to the Advisor.
- This is a "best efforts" offering. If we are not able to raise a substantial amount of capital in the near term, our ability to achieve our investment objectives could be adversely affected.
- There are limits on the ownership and transferability of our shares.
- If we fail to qualify as a REIT and no relief provisions apply, our NAV and cash available for distribution to our stockholders could materially decrease.
- The acquisition of investment properties may be financed in substantial part by debt. The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors.
- Investing in commercial real estate assets involves certain risks, including, but not limited to: changes in global, national, regional or local economic, demographic or capital market conditions; increases in interest rates and lack of availability of financing; vacancies, fluctuations in the average occupancy and room rates for hotel properties; and bankruptcies, financial difficulties or lease defaults by our tenants.
- Management fees and distribution fees are substantial and will reduce your ability to profit from the investment.
- A change in U.S. tax laws could adversely impact benefits of investing in our shares.
- Disposition of U.S. real property interests by non-U.S. persons is subject to income tax withholding. As a result, investment in our shares may not be appropriate for non-U.S. investors.

FORWARD-LOOKING STATEMENT DISCLOSURE

This sales material contains forward-looking statements about our business, including, in particular, statements about our plans, strategies and objectives. You can generally identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "seek," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words. These statements are based on current expectations that involve numerous risks and uncertainties. Although we believe the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that these forward-looking statements will prove to be accurate and our actual results, performance and achievements may be materially different from that expressed or implied by these forward-looking statements. The inclusion of forward looking information should not be regarded as a representation by us or any other person that our objectives and plans, which we consider to be reasonable, will be achieved. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.