STARWOOD
REAL ESTATE INCOME TRUST

January 21, 2021

Dear SREIT Stockholder,

2020 is behind us and it is an understatement to acknowledge that it has been quite a year. Despite the impact of COVID-19, which caused significant disruption and challenge to virtually everything and everyone, the Starwood Real Estate Income Trust ("**SREIT**") team bore down on the challenges and finished the year strong. We want to take this opportunity to reflect back on 2020, and share our outlook for 2021.

Last year was a unique year, but we are not strangers to adversity. Starwood Capital Group was born during the S&L crisis of the early 1990s. When the firm faced adversity in the past, we emerged stronger, smarter, and better prepared for future and subsequent economic disruptions. The Starwood Capital leadership team and I have been through the '87 market crash, the '97 Long Term Credit meltdown, the '01 tech Dot Com bust, and the '07-08 Great Financial Crisis. While we are not fully out of the woods yet, the COVID pandemic we expect will soon be behind us, and we will emerge in sound financial shape.

We entered the COVID crisis from a position of strength. When we created SREIT, we recognized we were 12 years into the market cycle, so we invested defensively with an emphasis on income stability. We avoided retail, had limited exposure to cyclical sectors such as hospitality, prioritized investing in counter-cyclical sectors such as multifamily and medical real estate, and focused our industrial and office investments in long-leased assets with high tenant credit quality. As a firm, we have long favored the Sunbelt markets and we continued to focus on these markets over the last three years in SREIT. We held ample liquidity in the form of cash and seasoned RMBS, which declined in value in March '20, but did not experience the same level of volatility as other real estate securities such as publicly traded REIT equities or CMBS. Our portfolio has since recovered to par as of year-end 2020.

Our positioning going into COVID enabled SREIT to (i) exhibit lower volatility during the market meltdown in March, (ii) experience minimal redemption requests during 2020 and continue to raise net capital, unlike many of our peers, and (iii) utilize that capital to go on offense, buying selectively, during the second half of the year. Between June and December of 2020, we completed eight investments totaling $1.3 billion across the multifamily and industrial sectors.

We experienced limited impact from COVID on our rent collections, consistently collecting 97-98% of rents throughout the year, which enabled SREIT to provide investors with a consistent distribution, fully covered by cash flow from operating activities. We attribute this great result to the high quality of our real estate assets, and to our asset management team, who worked tirelessly with our tenants to make the best of a difficult situation.

December NAV and 2020 Returns

SREIT finished the year strong, declaring a December 31, 2020 NAV per share of $21.66 for the Class I Share, which is a 1.95% return for the month of December. After including our current 5.82% annualized distribution rate, SREIT's 2020 total net return to investors is 6.40% and 9.80% annualized inception to date. Meanwhile, public REITs as measured by the MSCI US REIT Index and the Vanguard Real Estate ETF were down 7.6% and 4.7%, respectively for the year. With this performance, SREIT continues to be the #1 performing non-listed REIT on an inception-to-date basis since breaking escrow in December 2018.

We are particularly proud of the stable, consistent income SREIT has been able to provide investors in today's low yield world. As of December 31, 2020, SREIT has declared 21 consecutive months of no less than a 5.7% annualized distribution rate for the Class I Share.

In addition, a key tax advantage of REIT is the Return of Capital (ROC) tax shelter, which reduces the taxable portion of distributions due to depreciation. We are pleased to report that SREIT's 2020 ROC is 100%, which means the maximum effective federal tax rate on SREIT distributions is 0%. To put this into context, investors would need to earn more than a 9.2% yield from equities or fixed income to earn the same after-tax yield as SREIT in the current year.

Year-End Portfolio Summary

Our portfolio ended the year at $5.5 billion of AUM and $2.0 billion of NAV across 145 properties, which are 96% occupied. Our portfolio allocations: 52% to multifamily apartments, 22% long-leased office (>7 years of lease term), 10% industrial (>5 years of lease term), 4% medical real estate, 4% hotel (primarily located in Florida), 4% in legacy RMBS, and 3% in cash.

Despite a challenging year, the effective rent growth in our multifamily portfolio was positive and averaged 120 bps better than public REITs with comparable geographic overlaps. We executed 22 new and renewal leases totaling 101,000 square feet across our office portfolio at 7% above our underwriting and we renewed seven leases for 547,000 square feet across our industrial portfolio at 10% above our underwriting. Hotels have rebounded from a low of 18% occupancy in April to 46% in December and are operating at very close to break-even levels.

To offer you additional information on SREIT's portfolio, we invite you to review the high quality assets we have acquired at: www.starwoodnav.reit/investments.

2021 Market Outlook

While the recovery from COVID will likely be uneven across sectors and markets, we believe 2021 is setting up well for the broader economy and real estate in particular. The Georgia Senate Runoff led to a democratic sweep, and there is a much clearer view into the team President Biden is assembling. Our next Treasury Secretary, Janet Yellen is a proponent of robust economic relief efforts, and we are likely to see substantial additional stimulus within the first 100 days of the Biden administration. The latest proposal includes an additional $1.9 trillion of stimulus, including $1 trillion in the form of $1,400 direct payments to individuals, as well as an extra $400 a week for unemployed and other affected workers, and a national $15/hr minimum wage. Importantly, the proposal earmarks $416 billion to help launch a national vaccination program with the goal of vaccinating 50 million Americans in the first 100 days. Effective implementation of the vaccines will be critical to establishing a baseline for economic recovery. All of this bodes well for our multifamily exposure as more money gets placed in individuals' hands. One less obvious position for multifamily is that as the office markets reopen, the 20-29 age cohort will leave their parents' house and reenter the renter workforce.

At the same time, Fed policy remains dovish with the stance that rates should stay low until we reach maximum employment, even if inflation moves above 2% for some time. Collectively, between the fiscal and monetary stimulus efforts, we've seen a 70% increase in M1 money stock since February 2020. When you combine a lower-for-longer rate approach with an increase in money supply, in a world where there is very little yield to go around, and the stock market is experiencing broad euphoria, we anticipate further capital flows into real estate due to the thirst for yield. Over time, we believe this will continue to place downward pressure on cap rates or yields from property. Furthermore, easy policy and economic recovery has the potential to bring upward pressure on inflation, which in turn will be more supportive to real estate, which tends to outperform financial assets during inflation as rents and values are driven upwards. As a beacon of things to come, Goldman Sachs just revised their estimate for 2021 GDP growth in the U.S. to 6.6%, 2.5 percentage points above the consensus average. They are also projecting an unemployment rate of 4.5% by the end of 2021. Certainly a better economic backdrop than 2020 provided.

We will continue to hand-select investments for SREIT with great discrimination. Market selection will be increasingly important as we move forward. We believe that the breadth of corporate relocations into low cost, low tax, and low regulation states across the Sunbelt will likely continue, and as such, we will continue to invest in the path of growth.

We want to thank you for your trust in us. We emerge into 2021 with huge optimism and will continue to work hard for you.

Stay safe and be well,

Barry S. Sternlicht
Chairman & CEO
Starwood Capital Group

For more information, please contact your financial advisor, or visit www.starwoodnav.reit.