STARWOOD
REAL ESTATE INCOME TRUST

January 18, 2022

Dear SREIT Stockholder,

2021 has been quite a year. Despite the lingering impact of COVID-19, Starwood Real Estate Income Trust ("SREIT") had a very strong year by any measure.

A quick summary by the numbers:

- 26.3%: 2021 Total Return to Investors (Class I shares)
- 15.0%: Total Return Inception to Date (Class I shares)
- Completed > 30 transactions with an acquisition amount exceeding $14 billion
- Reached $21.5 billion of Gross Asset Value
- SREIT now has 389 properties across the U.S. and Europe
- Added investments in 5 new countries to our portfolio (UK, Denmark, Italy, Spain & France)
- We own 53,471 Multifamily Units and 2,595 Single-Family Rental Homes
- 16 million square feet of Industrial owned

When we created the investment strategy for SREIT, we invested defensively with an emphasis on income stability. We prioritized investing in multifamily and industrial because those asset classes are supported by strong supply/demand fundamentals. We avoided any significant exposure to retail and have very limited exposure to hospitality. For more than a decade, Starwood has favored the high growth Sunbelt markets, which are driven by high levels of job, income, and population growth. This investment strategy has served us well and has been the biggest driver in generating 2021's strong performance.

December NAV and 2021 Returns

SREIT declared a December 31, 2021 NAV per share of $25.94 for the Class I shares. SREIT's total return to investors is 1.5% for the month of December, 26.3% YTD, and 15.0% annualized inception to date. These strong returns were driven by the aforementioned market and asset selection in residential and industrial and by material, and frankly somewhat unexpected significant rental growth.

We are particularly proud of the stable, consistent income SREIT has been able to provide investors in today's low yield world. SREIT paid total gross distributions of $1.242 per share in 2021, which generated an average distribution rate of 5.4% for the Class I shares. A key tax advantage of REITs is the ability to depreciate real estate to shelter distributable income. We are pleased to report that SREIT's 2021 distributions will be considered 100% return ***of*** capital, which means the maximum effective federal tax rate on our distributions will be zero. Investors would need to earn greater than an 8.6% yield from fully taxable investments to earn the same after-tax yield as SREIT.

2021 Year-End Portfolio

SREIT's portfolio ended 2021 with a significant $21.5 billion of assets and $9.0 billion of net asset value across 389 properties, which are, in total, 96% occupied. SREIT's portfolio property type allocation by value is 66% to multifamily apartments, 12% industrial (> 4 year average lease term), 8% long-leased office (7 years average lease term), 6% single-family home rental, 2% self-storage, 2% real estate loans and 4% in other asset types.

2022 Market Outlook

As we look forward, inflation remains a major topic. The U.S. annual inflation rate surged to 7.0% in December, the highest in nearly 40 years. Job openings remain near record highs and businesses report that job openings are hard to fill. The unemployment rate fell to 3.9% in December. The U.S. has about 11 million job openings and 7 million unemployed, translating to a record low of 0.65 unemployed workers per job opening. More than 4 million people have left the workforce. Despite continued strong demand, skilled labor shortages combined with higher wages and material costs, as well as supply chain disruptions, continue to present challenges for new real estate construction. National construction costs are up 14% year-over-year (but some markets have seen even higher increases), driving higher replacement cost for real estate, which protects and increases the value of existing real estate.

It's for these reasons that we will continue to favor shorter lease duration asset classes including multifamily, single-family rental, and self-storage (which comprise 74% of SREIT's real estate portfolio) as rents can be increased as monthly leases roll, creating a natural inflation hedge. SREIT's multifamily portfolio in particular continues to experience accelerating rent growth of 15% year-over-year on new leases and 13% rent growth on combined new and renewal leases over the trailing 30 days ending December 31, 2021. The levels of rent growth experienced in 2021 are unlike anything in recent memory and have been driving tremendous value growth. SREIT's portfolio weighting and conviction to residential continues to be a differentiator and was the single biggest factor in driving SREIT's 26% total return in 2021.

In addition, residential real estate is benefiting from strong job growth, accelerating wage growth, increased household formation, surging home values and lack of available inventory – all of which are forcing tenants to rent longer. Despite the recent growth in rents across multifamily apartments and single-family rentals, current levels remain 20-30% more affordable than homeownership. We believe these trends should continue to support residential fundamentals moving forward.

On the industrial side, very low vacancy rates (SREIT's industrial portfolio is 99% occupied) and extraordinary tenant demand is leading to outsized year-over-year rent growth in the double digits across many of our markets. On top of the sector tailwinds of on-line retail and e-commerce growth, the transition from "just-in-time" inventory levels to "just-in-case" inventory levels has the potential to create even more demand for industrial and warehouse space in the future. It is estimated that nearly 5-10% more demand for space could be created by simply rightsizing inventory levels.

As of year-end 2021, 84% of SREIT's real estate portfolio was invested in residential and industrial, as we found these two sectors to be by far the most compelling and best performing sectors. We anticipate continuing to allocate meaningfully to these sectors in 2022. Market selection will also remain important as we move forward. We believe that corporate and personal relocations into low cost, low tax, and low regulation states across the Sunbelt will continue, and we will continue to invest in the path of growth.

We want to thank you for your trust in us. We move into 2022 with huge optimism that real assets should benefit from the current inflationary environment, and believe our portfolio will continue to perform well.

You're Invited: SREIT Year-End Review and 2022 Outlook Webcast with Barry Sternlicht

To learn more about SREIT and our outlook for 2022, please join our Webcast to hear from Barry Sternlicht, Chairman and CEO, Starwood Capital Group, John McCarthy, CEO, SREIT and Sean Harris, President, SREIT.

Date: Tuesday, February 8, 2022

Time: 2:00 p.m. ET

REGISTER

Best regards,

Barry S. Sternlicht
Chairman & CEO
Starwood Capital Group

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