



# Starwood Real Estate Income Trust (“SREIT”)

Stockholder Update – April 10, 2026

Dear SREIT Stockholders,

We hope you are staying well and safe in these volatile and uncertain times. We appreciate your support and patience as we work to improve our performance and liquidity for you. This letter is meant to give you a full update on the status of our portfolio, what we got right and wrong, and what our thoughts are for the future.

## SREIT Portfolio Update

Today, SREIT owns a very hard-to-replace, diversified portfolio of 598 income-producing properties. As of February 28, 2026, the portfolio is valued at \$22.5 billion<sup>1</sup> and enjoys a 93% occupancy rate.<sup>2</sup> SREIT’s portfolio was assembled purposely to give our investors access to high-quality real estate that can deliver a consistent, tax-efficient, growing income stream over time. In that vein, we acquired assets mostly in the fastest-growing demographic markets in the country and focused on the apartment asset class, which is less subject to technological disruption and risk. The U.S. still has a nearly 4-5 million unit shortage of homes, and current uncertainty and low consumer confidence are exacerbating this shortage.

71% of SREIT’s portfolio by value is in the multifamily sector. SREIT owns more than 63,000 apartments, including 40,000 market-rate and approximately 23,500 affordable housing units. Our portfolio is concentrated in the Sunbelt markets, including Texas and Florida, two states with no state income taxes that are benefiting from population and employment growth. In addition, the Sunbelt markets are projected to grow their population at 3-4x the national average over the next five years. 75% of our multifamily assets are located in the 8 states projected to add over 1 million young adults over the next five years, while the remaining 42 states are projected to lose nearly 900,000 young adults.<sup>3</sup> Texas and Florida also report fiscal surpluses, unlike NY, IL, and CA, which are running large deficits. This means these states enjoy a “virtuous cycle” as they can invest to improve their infrastructure, schools, roads, airports, and overall living conditions. Both states are also considering reducing their property taxes. SREIT’s multifamily portfolio is currently valued at approximately \$240,000 per unit, well below what we believe is the estimated replacement cost. SREIT is among the largest owners of multifamily apartments in the U.S., and it would be very difficult to replicate this portfolio today.

Within the portfolio are our affordable housing assets, which operate differently than market-rate units. Annual rent increases are set by the U.S. Dept of Housing and Urban Development based on growth in median household income in each local market and cannot be negative. Because of our focus on higher-growth markets, our rents have grown well above the national average, yet remain approximately 30% below comparable market-rate rents on average, supporting high demand and occupancy rates. The approved maximum allowable rent growth for the low-income housing tax credit assets in SREIT’s portfolio was 4.8% in 2024, 6.9% in 2025, and expected to be 4.9% in 2026. If rents can’t go down, the focus on income stability shifts to expense pressures. Often a major cause of expense growth is rising real estate taxes. Over 60% of our affordable housing units benefit from being located in states with low or no real estate taxes.

In total, 90% of SREIT’s portfolio is invested in multifamily, industrial, self-storage, and real estate debt, all of which benefit from strong long-term fundamentals.

## Performance Review

In 2025, SREIT's total return was slightly negative, against a backdrop of wild swings in the tech sector. What is harder to see is that the value of our real estate assets actually increased in 2024 and 2025, albeit modestly. Values increased due to net operating income ("NOI") growth. In 2024, SREIT's assets delivered best-in-class NOI growth of 5.1%, which slowed to 1.5% in 2025, but remained positive.<sup>4</sup> The completion of the construction of market-rate apartments, which began in a very different interest rate and economic environment, has continued to pressure rents across the apartment sector.

Our positive real estate performance, however, was more than offset by the decline in the value of our interest rate hedges put in place in 2021 and 2022 when rates were nearly zero. This was somewhat unique to SREIT. At their peak value in October of 2022, these hedges were valued at \$914 million! With the passage of time and the decline in short rates, these hedges have largely burned off, and SREIT has absorbed a roughly \$870 million decline in value into our performance. The good news is that these hedges have a remaining value of just \$43 million as of March 31, 2026. We did continue to restructure our maturities. Since 2025 through the end of March, we completed \$6.1 billion of refinancings, extending the duration of our debt to nearly five years and reducing our spreads.

With the impact of our hedges now behind us, we are focused on improving property-level performance to drive improved total return moving forward. We find it interesting and curious that at least two of SREIT's larger competitors reported negative NOI growth yet also reported increased total returns. One can only guess that such performance was driven by a positive change in exit cap rates or pro forma increases in rental growth to date. We have not made these assumptions.

## Liquidity

Investor redemptions increased significantly for SREIT and other equity non-traded REITs when interest rates soared 500 basis points, which made our dividend less attractive relative to Treasuries. We have redeemed over \$5 billion of shares at NAV, funded in part by \$5.1 billion of dispositions. We focused on selling assets we viewed as weaker so that the remaining portfolio is best positioned to perform well going forward.

About two years ago, we made the decision to reduce redemptions and slow asset sales. We believed interest rates would come down shortly, supporting property values, making our dividend increasingly attractive, and reducing the redemption queue. We also expected the performance of our multifamily portfolio to improve, given the nearly 60% decline in new supply in our larger owned markets.

We got both conditions right, but got the pacing wrong, partly due to factors we could not anticipate:

- First, interest rates. Following President Trump's election in January, one of his first major initiatives was to slap ever-moving tariffs on imported goods. Immediately, the Fed went into a "wait and see" mode. Would tariffs cause a re-acceleration of inflation? The forward curve had shown interest rates would fall below 3%, but that reduction was pushed off. Today, the short curve is still favorable, but the recent war and its impact on oil prices have shifted the decline in rates further out.
- Second, while we were confident new apartment supply would decline rapidly, we did not anticipate the apparent shift in demand. The administration's position on immigration has not only eliminated most illegal immigration, but legal immigration has also declined materially, and it is estimated that as many as 2 million people have emigrated from the U.S. recently. Many of these people lived in the Sunbelt states where our units are concentrated. Competing new supply met tepid demand, and so concessions were offered, leading to lower rent growth across much of the country. It is excellent news that multifamily markets remain around 95% occupied, boding well for future rent recovery.



## The Path Forward

We remain confident that headwinds facing real estate will soon turn to tailwinds. We expect apartment demand will soon exceed supply, returning our revenue growth to attractive levels. We, along with market experts, are estimating this might take place in Q4 2026 into 2027 and beyond. We are also confident that interest rates will decline with the coming change in the Federal Reserve Chair and once the market recognizes that oil prices will likely return nearer to pre-war levels. If they don't, the global economy would likely enter a shallow recession, which should prompt central banks to lower, not raise, rates to offset economic weakness.

## Next Steps

Nonetheless, the status quo is no longer tenable for SREIT. To date, we have maintained our dividend, continued to fund redemptions, and paused asset sales. This has led to higher leverage and also contributed month after month to a decline in our NAV per share. We cannot and should not continue this business plan.

We are nearing completion of our broad strategic review and intend to implement policy changes to better protect the nearly two-thirds of our stockholders who have never submitted a repurchase request from SREIT. We are evaluating the following alternatives, and our approach may include a combination of these changes:

- A substantial infusion of capital which would allow SREIT to 1) reduce leverage; 2) meet repurchase requests; 3) complete strategic acquisitions of faster growing real estate sectors that could provide reliable NAV per share growth.
- A change to our monthly redemption policy.
- A reduction in our monthly dividend.
- Structured or direct additional asset sales.
- Other enterprise initiatives.

All of these changes are aimed at growing our NAV per share moving forward. We expect to communicate our updated policy within the next 60 days.

## Conclusion

Starwood Capital Group is the largest holder of SREIT shares today with an investment worth several hundred million dollars. As you know, we take 100% of our management fees in shares. We are aligned. We have also reduced our management fee to 1.00% while we work to improve liquidity for stockholders seeking redemptions. We are focused on the long-term performance of our portfolio and maintaining a balance sheet strategy that meets our stockholders' needs and delivers strong total returns. We remain optimistic about the future, supported by a better rate environment (eventually) and a decline in new supply across all our major asset classes.

We appreciate your patience and your confidence in us and will update you on next steps in the near future.

Sincerely,



Barry Sternlicht  
Chairman and CEO, Starwood Capital Group

## Important Disclosures

Notes: Past performance does not predict future returns. Financial data is estimated and unaudited. All figures are as of February 28, 2026 unless otherwise noted. Opinions expressed reflect the current opinions of SREIT as of the date appearing in the materials only and are based on SREIT's opinions of the current market environment, which is subject to change. Certain information contained in the materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Proprietary Data: Certain information and data provided herein is based on Starwood's proprietary knowledge and data. Such proprietary market data is used by Starwood to evaluate market trends as well as to underwrite potential and existing investments. While Starwood currently believes that such information is reliable for purposes used herein, it is subject to change, and reflects Starwood's opinion as to whether the amount, nature and quality of the data is sufficient for the applicable conclusion, and no representations are made as to the accuracy or completeness thereof.

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## Footnotes

1. Total asset value is measured as the gross asset value of real estate assets (based on fair value) as well as the addition of any other assets (including cash or any other cash equivalents, but excluding cash associated with subscriptions received in advance).
2. Occupancy is weighted by the total real estate asset value of all real estate properties, excluding hospitality and single-family rental. For our multifamily investments, occupancy represents the percentage of all leased units divided by the total unit count as of the date indicated. For our office and industrial investments, occupancy represents the percentage of all leased square footage divided by the total available square footage as of the date indicated.
3. Source: Oxford Economics.
4. Net Operating Income ("NOI") is a supplemental non-Generally Accepted Accounting Principles ("GAAP") measure of our property operating results that we believe is meaningful because it enables management to evaluate the impact of occupancy, rents, leasing activity, and other controllable property operating results at our real estate. We define NOI as operating revenues less operating expenses, which excludes (i) impairment of investments in real estate, (ii) depreciation and amortization, (iii) straight-line rental income and expense amortization, (iv) amortization of above- and below-market lease intangibles, net, (v) lease termination fees, (vi) property expenses not core to the operations of such properties, and (vii) other non-property related revenue and expense items such as (a) general and administrative expenses, (b) management fees, (c) performance participation allocation, (d) loss from unconsolidated real estate ventures, (e) income from investments in real estate debt, net, (f) net gain on dispositions of real estate, (g) interest expense, and (h) other expense, net. We evaluate our consolidated results of operations on a same property basis, which allows us to analyze our property operating results excluding acquisitions and dispositions during the periods under comparison. Properties in our portfolio are considered same property if they were owned for the full periods presented, otherwise they are considered non-same property. Properties held-for-sale are excluded from same property results and are considered non-same property. We do not consider our investments in unconsolidated real estate ventures and investments in real estate-related debt to be same property.



For more information, please visit  
[www.starwoodnav.reit](http://www.starwoodnav.reit)