

## RETHINKING TRADITIONAL INCOME STRATEGIES

### WHY SHOULD INVESTORS LOOK OUTSIDE OF TRADITIONAL INCOME SOURCES?

Global interest rates continue their trek lower and are once again near or at historic lows. The Federal Reserve has indicated that it will keep interest rates near zero through at least 2022. Sovereign yields across most of the developed world are near zero or negative, including the UK, Germany and Japan. Most economies are providing various forms of quantitative easing and fiscal stimulus in order to help their economies recover from the coronavirus crisis. These actions continue to put downward pressure on yields, creating a challenge for investors who need their portfolios to generate income.

THE FOLLOWING TABLE  
ILLUSTRATES U.S. YIELD  
RANGES DURING Q4 2020  
FOR TRADITIONAL INCOME  
SOURCES:

INDEX	YIELD RANGE (Q4 2020)	
	September 30, 2020 – December 31, 2020	
	LOW	HIGH
US Treasuries (5-Year)	0.2%	0.5%
US Treasuries (10-Year)	0.5%	1.0%
Bloomberg Barclays US Bond Aggregate Index	1.1%	1.3%
Bloomberg Barclays Municipal Bond Index	1.1%	1.4%
S&P 500 Index Dividend Yield	1.6%	1.8%

Given the low yields for these traditional income investments, investors should consider alternative income-generating offerings, such as private real estate.



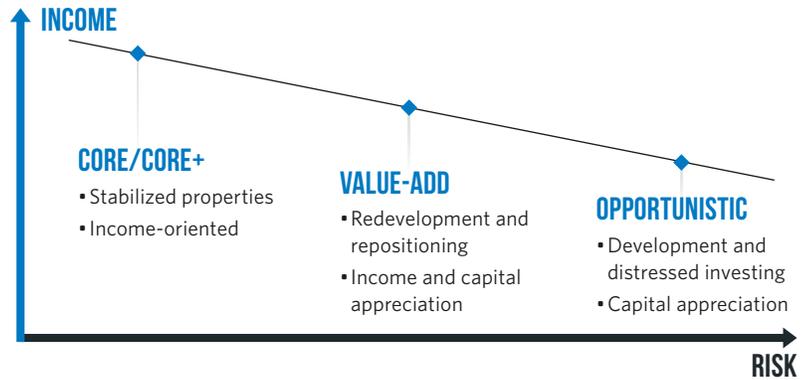
**WE BELIEVE STARWOOD REAL ESTATE INCOME TRUST (“SREIT”) PROVIDES A UNIQUE OPPORTUNITY TO GENERATE AN ATTRACTIVE SOURCE OF STABLE, TAX-EFFICIENT INCOME TO HELP INVESTORS MEET THEIR FINANCIAL GOALS.**

This sales and advertising literature does not constitute an offer to sell nor a solicitation of an offer to buy or sell securities. An offering is made only by the prospectus. **This material must be read in conjunction with the Starwood Real Estate Income Trust, Inc. prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering.** No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of our securities or determined if our prospectus is truthful or complete. Neither the Attorney General of the State of New York nor the Securities Division of the Office of the Maryland Attorney General has passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

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## STARWOOD REAL ESTATE INCOME TRUST (SREIT) — A CORE/CORE+ PRIVATE REAL ESTATE STRATEGY

There are different types of private real estate strategies based on their structure and risk/reward profiles. SREIT is structured as a non-listed real estate investment trust (REIT) with a Core/Core+ investment strategy, which means it invests in high-quality, stabilized, income-producing real estate.



SREIT also seeks to deliver an alternative for investors seeking to allocate a portion of their investment portfolios to commercial real estate with lower volatility than publicly traded REITs.<sup>1</sup>

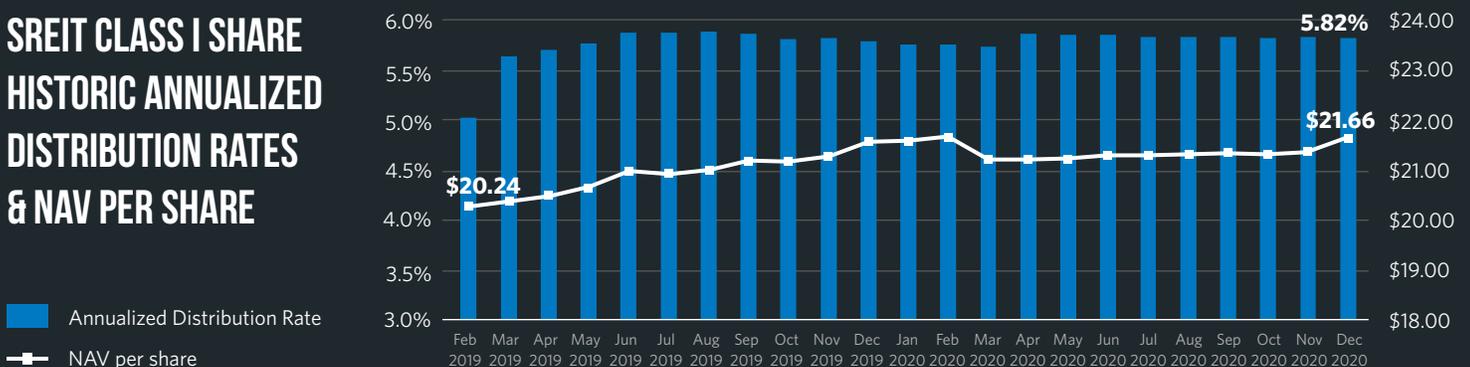
SREIT owns a diversified portfolio of high-quality real estate and invests directly in selected property types including: multifamily apartments, affordable housing, industrial warehouse, distribution, and logistics facilities, as well as commercial office space. Direct ownership in private real estate aims to generate returns in the form of income and appreciation. The goal of rental income is to provide steady cash flow for investors. Further, through proper asset and market selection, real estate also has the potential to (a) appreciate in value over time and (b) provide a hedge against inflation, contributing to the overall total return for an investor.

## AN ALTERNATIVE SOURCE OF ATTRACTIVE, STABLE INCOME

- ★ As of December 31, 2020, SREIT paid 23 months of consecutive distributions > **5%**, with the last 21 months  $\geq$  **5.7%**
- ★ The consistency of SREIT's distribution is led by **strong rent collections**
- ★ Rent collection data across the portfolio continues to demonstrate that there has been no significant impact to SREIT's collections during the COVID-19 pandemic to date
- ★ In addition, the offering price, or NAV per share, has thus far remained stable, illustrating the strength of the value of the underlying real estate in SREIT's portfolio

<sup>1</sup> While our shares are less volatile, they have limited liquidity compared to publicly traded REITs.

## SREIT CLASS I SHARE HISTORIC ANNUALIZED DISTRIBUTION RATES & NAV PER SHARE



# WE ATTRIBUTE SREIT'S PERFORMANCE TO PRIMARILY TWO FACTORS:

1. Our team of seasoned real estate professionals: Starwood Capital Group is one of the world's leading real estate managers, with over \$70B of AUM and 29 years of experience navigating through numerous market cycles.
2. SREIT is currently Starwood Capital's only vehicle for Core/Core+ real estate which has enabled us to hand select our best investment ideas for the fund with an emphasis on:



## MARKET SELECTION:

SREIT seeks to invest in high growth, low-cost and diversified markets primarily across the southeast and southwest



## ASSET SELECTION:

We have focused on hand-picked, best-in-class assets with no major capital improvement and virtually no exposure to retail



## TENANT QUALITY AND LEASE DURATION:

Prioritize strong credit tenants or private industry leaders in non-cyclical industries, with minimal near term leasing exposure, and long weighted average lease terms

## TAX-EFFICIENCY: INCOME GENERATED FROM REITS IS ALSO TAX ADVANTAGED

- ★ A key tax advantage of REITs is the Return of Capital (ROC) tax shelter, which may reduce the taxable portion of distributions due to factors such as depreciation and amortization<sup>2</sup>
- ★ Additionally, the Tax Cuts and Jobs Act of 2017 introduced a 20% tax rate reduction on REIT ordinary distributions
- ★ SREIT's Return of Capital for 2020 was 100%, which means the maximum effective tax rate on SREIT's 2020 distributions is 0%<sup>3</sup>
- ★ In the following example, utilizing SREIT's current 5.82% annualized distribution rate (for the I Share as of December 31, 2020) and the 2020 tax year actual ROC of 100%, the tax equivalent yield is 9.2%<sup>4</sup>
  - 810 basis points higher than the US Bond Aggregate Index Yield
  - 770 basis points higher than the S&P 500 Index Dividend Yield

## ILLUSTRATIVE EXAMPLE<sup>5</sup> \$100,000 INVESTMENT

Assumes the maximum ordinary tax bracket of 37%

	US BOND AGGREGATE <sup>6</sup>	S&P 500 <sup>7</sup>	SREIT <sup>8</sup>
<b>Investment</b>	\$100,000	\$100,000	\$100,000
<b>2020 ROC</b>	—	—	100%
<b>Current Pre-Tax Yield</b> <i>(as of December 31, 2020)</i>	1.12%	1.55%	5.82%
<b>Distributions</b>	\$1,121	\$1,550	\$5,820
<b>ROC</b>	—	—	(\$5,820)
<b>Taxable Basis</b>	\$1,121	\$1,550	\$0
<b>Tax Rate</b>	37.0%	37.0%	29.6%
<b>Tax Payable</b>	(\$415)	(\$574)	\$0
<b>After Tax Distributions</b>	\$706	\$977	\$5,820
<b>Effective Federal Tax Rate</b>	37.0%	37.0%	0.0%
<b>After-Tax Yield<sup>9</sup></b>	0.7%	1.0%	5.8%
<b>Tax Equivalent Yield</b>	<b>1.1%</b>	<b>1.6%</b>	<b>9.2%</b>

<sup>2</sup> 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. Certain non-cash deductions, such as depreciation and amortization, lower the taxable income for REIT distributions.

<sup>3</sup> Assumes the maximum ordinary tax bracket of 37%. Please note the effective tax rate is after the 20% reduction in rates introduced under the Tax Cuts and Jobs Act of 2017.

<sup>4</sup> SREIT 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. SREIT Annualized Distribution Rate is as of December 31, 2020. It reflects the Class I share December 31, 2020 distribution annualized and divided by the prior month's net asset value, which is inclusive of all fees and expenses. For the year ended December 31, 2020, 100% of our distributions were funded from GAAP cash flows from operations. Distributions are not guaranteed and may be sourced from non-income items.

<sup>5</sup> The illustrative example assumes \$100,000 investment and a maximum ordinary tax bracket of 37%. It 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.

<sup>6</sup> Bloomberg Barclays US Bond Aggregate as of December 31, 2020

<sup>7</sup> S&P 500 Dividend Yield is as of December 31, 2020, as calculated by the dividends per share trailing twelve months (TTM) divided by the close price for the month.

<sup>8</sup> SREIT Annualized Distribution Rate as of December 31, 2020.

<sup>9</sup> After-Tax Yield does not take into account other taxes that may be owed on an investment in SREIT 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.

## WHY NOW?

### ★ YIELD:

As the economic impacts of COVID-19 continue to unfold, investors will likely have to navigate in an environment of low growth, low returns and low/negative rates. Real estate's income profile should continue to be attractive. We believe SREIT provides an **alternative solution for investors** to achieve stable, tax-efficient income with **less volatility** than the public markets.<sup>10</sup>

### ★ RELATIVE VALUE:

Due to the decline in the 10-year U.S. Treasury Yield, blended cap rate spreads over the benchmark (across sectors) are in the mid 400 basis point range today, approximately the same level they were back in 2009-2010, which ended up being a **great time to invest in real estate.**



**TO LEARN MORE ABOUT SREIT AND THE BENEFITS OF INVESTING IN PRIVATE REAL ESTATE,  
PLEASE VISIT [WWW.STARWOODNAV.REIT](http://WWW.STARWOODNAV.REIT) OR CALL US AT (877) 648-3235.**

<sup>10</sup> While our shares are less volatile, they have limited liquidity compared to publicly traded REITs.

## SUMMARY OF RISK FACTORS

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 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.
- We have made limited investments to date and you will not have the opportunity to evaluate our future investments before we make them.
- 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 are 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, 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 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 values caused by global, national, regional or local economic performance, the performance of the real estate sector, unemployment, stock market volatility and other impacts of the recent coronavirus pandemic, 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 investment returns.
- 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.
- Federal, state and local governments throughout the United States, have implemented drastic “social distancing” mandates and executive orders in order to mitigate the spread of COVID-19. These restrictions have had and will continue to have significant adverse effects with respect to the financial markets and real estate related assets.

## 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.

Unless otherwise noted, the information contained herein has been compiled as of June 30, 2020 and there is no obligation to update the information. The delivery of this material will under no circumstances create any implication that the information herein has been updated or corrected as of any time subsequent to the date of publication or, as the case may be, the date as of which such information is stated.

## INDEX DEFINITIONS

The volatility and risk profile of the indices presented is likely to be materially different from that of SREIT including those related to fees and expenses, liquidity, safety, and tax features. In addition, the indices employ different investment guidelines and criteria than SREIT; as a result, the holdings in SREIT and the liquidity of such holdings may differ significantly from the securities that comprise the indices. The volatility of the indices presented may be materially different from that of the performance of SREIT. While our shares are less volatile, they have limited liquidity compared to publicly traded REITs.

- **US Treasuries** are fixed income securities with varying maturities issued by the United States Department of the Treasury and backed by the United States government.
- **Bloomberg Barclays US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). Ticker LBUSTRUU.
- **Bloomberg Barclays U.S. Municipal Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. Ticker LMBITR.
- **S&P 500 Index** gauges large-cap US equities and covers over USD 11.2 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 4.6 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

**Starwood Capital, L.L.C. (FINRA/SIPC) is the dealer manager for the Starwood Real Estate Income Trust, Inc. offering.**