



DRAWING A LINE IN THE SAND

COMPANY OVERVIEW

Starwood Financial Inc., (SFI/NYSE) is one of the largest publicly traded commercial finance companies in the country, with leading positions in structured mortgage lending, mezzanine finance, and credit tenant leasing.

With nearly \$2 billion in permanent equity capital, Starwood Financial has established a consistent track record of growing shareholder value through innovative and profitable transactions.

Go ahead. Cross the line. And find out how Starwood Financial has built a completely new type of finance company. A finance company that delivers superior flexibility and highly creative financial solutions to private and corporate owners of real estate. A finance company that is better capitalized, more experienced, and has an unparalleled track record of success. A finance company funded by many of the largest private investors in the country, with a national presence and in-house expertise in structured finance, corporate finance, and credit tenant leasing. A finance company unlike any other in the finance and real estate worlds. So go ahead, cross the line and discover a new world of opportunity at Starwood Financial.

FINANCIAL HIGHLIGHTS

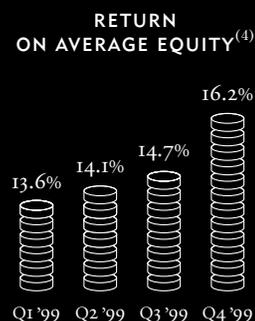
(in thousands, except per share)	For the year ended December 31,	
	1999	1998
Interest income	\$209,848	\$112,914
Operating lease income	42,186	12,378
Interest expense	(91,184)	(44,697)
Operating costs – net leased assets	(2,246)	–
Net investment income	\$158,604	\$80,595
Adjusted earnings allocable to common shareholders ⁽¹⁾	\$127,798	\$66,615
Adjusted earnings per common share	\$2.19	\$1.59
Dividends per common share	\$1.86	\$1.14
	At December 31,	
	1999	1998
Real estate loans and related investments, net	\$2,003,506	\$1,823,761
Real estate subject to operating leases, net	1,714,284	189,942
Total assets	3,813,552	2,059,616
Debt obligations	1,901,204	1,055,719
Total liabilities	2,009,644	1,088,888
Total shareholders' equity	1,801,343	970,728
Book debt to shareholders' equity	1.1x	1.1x

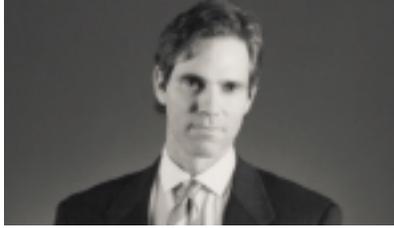
⁽¹⁾Adjusted earnings represents GAAP net income before depreciation and amortization and, for purposes of the fourth quarter 1999, excludes the one-time charge associated with the Company's acquisition of its external advisor. (See the Company's complete financial statements later in this Annual Report.)

⁽²⁾Per diluted Common Share.

⁽³⁾Return on average assets is defined as annualized quarterly adjusted earnings divided by the average book value of assets outstanding during the quarter.

⁽⁴⁾Return on average equity is defined as annualized quarterly adjusted earnings divided by the average book value of equity outstanding during the quarter.





TO OUR SHAREHOLDERS

Nineteen ninety-nine was our first full year as a public company and our sixth year as one of the leading providers of structured finance to private and corporate owners of high-quality real estate. As you will see on the following pages, we are very proud of what we have accomplished so far and believe we have built a dynamic business with exceptional management, a powerful group of institutional and private investors, and a market-leading position that has created a very exciting future.

Here is our business in a nutshell. We provide highly structured financial capital to large corporations and high-end private owners of real estate. These customers want to work with the most creative, the most flexible, and the most experienced provider of capital in the market since their financing needs tend to be large, complex and often require highly specialized skills in real estate underwriting, corporate credit analysis, and capital markets expertise. They also demand certainty of execution and an emphasis on long-term relationships. We believe no other company can deliver that combination better than Starwood Financial.

Over the past six years, we have been dedicated to building a premier finance company focused exclusively on the commercial real estate market. By carefully analyzing the finance industry over the past 20 years, we believe we have developed a business model more conservative and less volatile than many others in the industry. In addition, by incorporating our proprietary origination and servicing functions with our structuring and risk management

expertise, we have established a track record of strong and growing returns for our investors without suffering a single loss on over \$3 billion of investments. We fundamentally believe protecting our investors' capital is rule number one.

STRATEGIC ACQUISITION

During 1999 we set out to continue acquiring companies that could enhance our position in the high-end finance market. Our \$1.5 billion acquisition of TriNet Corporate Realty Trust not only significantly enhanced our presence in the corporate net lease market, but also helped increase the strength and diversification of our balance sheet. Following on the heels of our \$500 million transaction with Lazard Freres, in which we purchased our largest private competitor in the mezzanine area, the TriNet transaction helped cement our position as a key player in these underserved markets.

FINANCIAL HIGHLIGHTS

Adjusted earnings per share grew 38 percent in 1999 to \$2.19 per share, revenue grew 107 percent to \$265 million, and our equity base nearly doubled to \$1.8 billion. These numbers easily exceeded the 15 percent growth rate we will target over the long term and are indicative of the very large opportunity we believe exists in our market. In addition to the TriNet transaction, we completed almost \$700 million in new investments, including a broad mix of senior secured, junior secured, and corporate loans.

On the right side of the balance sheet, we expanded our many sources of liquidity and now have committed credit facilities totaling \$1.6 billion. While very happy with our progress in diversifying our credit sources, this area holds enormous upside for the company. We believe by many statistical measures, including a risk-based capital approach, our company should qualify for an investment grade rating from the rating agencies. Unfortunately, our newness in the public markets and the integration of the TriNet organization will require us to do

more work before we can reach our investment grade goal, but we are pushing forward to make this happen. In the meantime, our significant equity base and strong relationships with key credit providers should enable us to continue our strong growth.

LOOKING FORWARD

Clearly, we are disappointed by the performance of our stock price and have recently spent a considerable amount of time working to educate a wider range of investors and equity analysts on the attractiveness of our business and its earnings potential. Given our strong dividend yield and dominant market position, many of these investors believe part of the problem may lie in confusion about our company and its relation to other entities that carry the Starwood name. As a result, and in order to highlight the innovative and forward-thinking nature of our company, I am pleased to announce we will formally change our name in April of this year to “**iStar Financial**.” This new name will signify our future vision as we continue to break new ground in the real estate and structured finance areas. So, on behalf of the many talented and hard-working individuals who have helped build our company to where it is today, let me be the first to welcome you to our company:

“**iStar Financial**: taking real estate finance to a higher level.”

A handwritten signature in black ink, appearing to read 'JS', enclosed within a hand-drawn oval.

JAY SUGARMAN | PRESIDENT AND CHIEF EXECUTIVE OFFICER



OUR MARKET

High end. Sophisticated. Demanding. In every market, there are those customers who require the best. The highest quality of service. The fastest response times. The most creative solutions tailored specifically to their needs. In the world of commercial real estate finance, they are our target market.

At Starwood Financial, we're building every aspect of our business to service the needs of large, sophisticated private entrepreneurs and corporations who require flexibility and certain execution. We understand the needs of those customers and know how to think outside the box to come up with the right financial solutions. So, while others may be focused on the number of transactions they complete, we take a more targeted approach and focus on delivering premium service to our high-end customers in every transaction.

How big is our market? Very big. Overall, the U.S. commercial mortgage market approaches \$1.5 trillion in value, and the amount of real estate controlled by corporations exceeds \$500 billion. Our sector, the highly structured mortgage, mezzanine, and net lease market, is estimated at \$50 billion to \$100 billion, and Starwood Financial is well positioned to capture a significant portion of this market.

\$2 TRILLION	COMMERCIAL REAL ESTATE FINANCE MARKET
\$100 BILLION	STRUCTURED MORTGAGE/MEZZANINE/NET LEASE MARKET



OUR COMPANY

Beginning in 1993, we recognized a growing trend in real estate finance towards a standardized, “one-size-fits-all” model. Conduits, warehouse lenders, and inflexible program lenders would never be able to provide the complex real estate underwriting, corporate credit analysis, and capital market expertise required by sophisticated private and corporate owners of real estate. Starwood Financial was formed to fill those needs.

Begun as a private investment fund and capitalized by leading institutions and high net worth investors, the company quickly became one of the largest providers of structured finance focused exclusively on the real estate industry. In March 1998, having built a private portfolio worth more than \$1 billion and established a track record of superior returns, Starwood Financial became a publicly traded company. Since that time, we have dramatically increased in size, generated significant earnings growth, and completed several platform-enhancing transactions.

In 1998, we acquired Phoenix Home Life’s loan servicing operations and Lazard Freres’ structured finance portfolio. In 1999, we acquired TriNet Corporate Realty Trust, the largest publicly traded net lease company in the country. With these transactions behind us, we have more than doubled our equity base and significantly increased our market strength in our three core markets — the structured mortgage, mezzanine, and net lease finance businesses.

S F I T O T A L M A R K E T C A P I T A L I Z A T I O N	\$4 BILLION
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OUR INVESTMENT PHILOSOPHY

Our investment goals are very straightforward. Create superior risk-adjusted returns for our shareholders while protecting their capital. We achieve these goals by targeting market sectors with less competition, by delivering custom-tailored solutions that take into account each transaction's unique risk factors, and by bringing to bear on each transaction a multi-disciplined team of senior investment professionals.

Headquartered in New York City with seven offices coast to coast, Starwood Financial has assembled a talented team of senior professionals experienced in private investment, capital markets, mergers and acquisitions, legal structuring, asset management, and loan servicing. By bringing these critical skills together under one roof, we can deliver a sophisticated, risk-based approach to any financing challenge.

This strategy has enabled Starwood Financial to invest more than \$3 billion in the past six years without ever suffering a loss, and to create strong returns on equity and generate consistent earnings growth. We believe it is an approach that will serve our shareholders well as we continue to grow and expand in the future.

OUR DIFFERENTIATION?		
CREATIVE	FLEXIBLE	EXPERIENCED
STRONG RELATIONSHIPS		STRONG CAPITAL BASE



OUR PRODUCT LINES

Our multiple product lines and investment strategy are the culmination of more than six years of intensive experience in delivering financial solutions to a wide range of borrowers with differing financing needs.

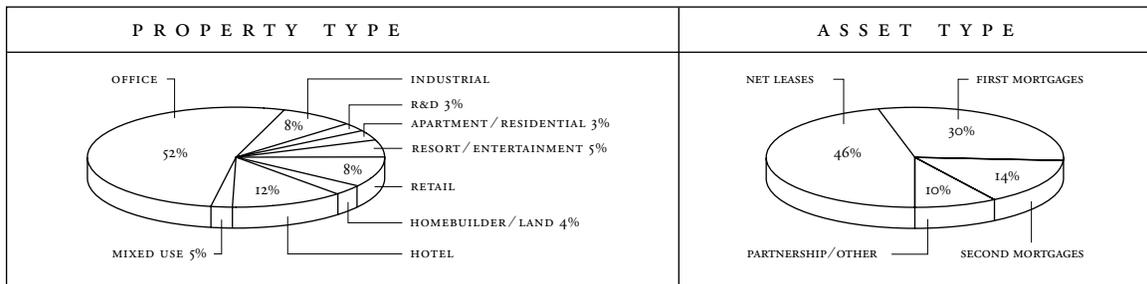
STRUCTURED FINANCE. Highly structured financial solutions for individual institutional quality assets generally valued in excess of \$50 million.

PORTFOLIO FINANCE. Funding for regional and national borrowers who own multiple properties in geographically diverse portfolios. Individual assets generally valued at less than \$25 million, but cross-collateralized portfolio values generally in excess of \$100 million.

CORPORATE LENDING. Detailed corporate credit underwriting combined with real estate and capital market expertise enables Starwood Financial to provide uniquely structured capital solutions to large corporate owners of real estate.

CREDIT TENANT LEASING. Combining elements of both the real estate and corporate credit markets, the credit tenant leasing market presents some of the most compelling structured finance opportunities. Starwood Financial's large number of existing corporate relationships creates a deep pool of potentially proprietary transactions.

LOAN ACQUISITION. Taking advantage of its many relationships in the credit markets, Starwood Financial can quickly identify dislocations and resulting opportunities.





OUR FUTURE

We are a new type of finance company. Created to take advantage of an under-served sector. Focused on providing valuable expertise. Built on a strong foundation of almost \$2 billion in permanent equity capital. Sponsored by many of the largest investors in the country. Managed by highly motivated individuals dedicated to building shareholder value.

Our future is a very bright one. We serve a high-end customer in a very large market. We have very few direct competitors. We earn premium risk-adjusted returns based on our proprietary expertise and our ability to meet our customers needs with speed, size, and certainty. Our number-one challenge now is to highlight that future for the financial markets.

Having studied many other companies in the finance business, we believe our business model represents a new, more compelling approach to our market. We have put a tremendous amount of time and effort into building a strong base of investors, customers, and capital sources that believe in this model. In the future, we will work to make sure many more cross the line to our way of thinking.

B R O A D E N I N G O U R R E A C H	
L E V E R A G I N G C U S T O M E R R E L A T I O N S H I P S	T A R G E T I N G N E W M A R K E T S
D E V E L O P I N G N E W W A Y S T O D E L I V E R S U P E R I O R S O L U T I O N S	

CORPORATE INFORMATION

DIRECTORS

Jay Sugarman, Chairman of the Board⁽³⁾
President and Chief Executive Officer,
Starwood Financial Inc.

Willis Andersen, Jr.⁽¹⁾
Principal,
REIT Consulting Services

Jeffrey G. Dishner⁽³⁾
Managing Director,
Starwood Capital Group

Jonathan D. Eilian
Senior Managing Director,
Starwood Capital Group

Madison F. Grose⁽⁴⁾
Senior Managing Director,
Starwood Capital Group

Spencer B. Haber⁽³⁾
Executive Vice President – Finance
and Chief Financial Officer,
Starwood Financial Inc.

Robert W. Holman, Jr.
Managing Director,
Pebble Beach Institute

Robin Josephs⁽¹⁾⁽²⁾
President,
Ropasada, LLC

Merrick R. Kleeman
Senior Managing Director,
Starwood Capital Group

William M. Matthes⁽²⁾
Managing Partner,
Behrman Capital

John G. McDonald⁽²⁾
Professor of Finance,
Stanford University
Graduate School of Business

Michael G. Medzigian⁽¹⁾⁽²⁾
President and Chief Executive Officer,
Lazard Freres Real Estate Investors, LLC

Stephen B. Oresman⁽⁴⁾
President,
Saltash, Ltd.

George R. Puskar
Chairman,
Lend Lease Real
Estate Investments

Barry S. Sternlicht⁽³⁾
Chairman of the Board and
Chief Executive Officer,
Starwood Hotels and Resorts

Kneeland C. Youngblood⁽¹⁾⁽⁴⁾
Managing Partner,
Pharos Capital Group, LLC

BOARD OF DIRECTORS COMMITTEES:

⁽¹⁾Audit Committee

⁽²⁾Compensation Committee

⁽³⁾Investment Committee

⁽⁴⁾Nominating Committee

OFFICERS

Jay Sugarman
President and Chief Executive Officer

Spencer B. Haber
Executive Vice President – Finance
and Chief Financial Officer

Timothy J. O'Connor
Executive Vice President and
Chief Operating Officer

Nina B. Matis
Executive Vice President and
General Counsel

Jeffrey R. Digel
Executive Vice President – Investments

H. Cabot Lodge
Executive Vice President – Investments

R. Michael Dorsch
Executive Vice President – Investments

Barclay G. Jones
Executive Vice President – Investments

Steven R. Blomquist
Senior Vice President – Investments

Jo Ann Chitty
Senior Vice President – Asset
Management

Roger M. Cozzi
Senior Vice President – Investments

Elisa F. DiTommaso
Senior Vice President – Finance and
Treasurer

Barbara Rubin
Senior Vice President – Loan Servicing

HEADQUARTERS

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fax: (212) 930-9494

SUPER-REGIONAL OFFICES

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33rd Floor
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3480 Preston Ridge Road, Suite 575
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fax: (860) 258-2268

REGIONAL OFFICES

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Englewood, Colorado 80112
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6565 North MacArthur Blvd.,
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fax: (972) 501-0078

1250 Poydras Street, Suite 200
New Orleans, Louisiana 70113
tel: (504) 522-2535
fax: (504) 523-9474

EMPLOYEES

At December 31, 1999, the Company had
111 full-time employees.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
New York, New York

REGISTRAR AND TRANSFER AGENT

EquiServe Trust Company, N.A.
525 Washington Boulevard
Jersey City, New Jersey 07310
(800) 756-8200

DIVIDEND REINVESTMENT PLAN

Registered shareholders may reinvest div-
idends through the Company's dividend
reinvestment plan. For more information,
please call the Transfer Agent or the
Company at the numbers listed above.

ANNUAL MEETING OF SHAREHOLDERS

May 23, 2000, 10:00 a.m. EST
Sheraton New York Hotel and Towers
811 Seventh Avenue
New York, New York 10019

INVESTOR INFORMATION SERVICES

For help with questions about the
Company, and to receive additional cor-
porate information, please contact:

Investor Relations Department
Starwood Financial Inc.
1114 Avenue of the Americas, 27th Floor
New York, New York 10036
tel: (212) 930-9400
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e-mail:
investorserv@starwoodfinancial.com

STARWOOD FINANCIAL WEB SITE

<http://www.starwoodfinancial.com>

STARWOOD ★ FINANCIAL

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NYSE: SFI