STARWOOD PROPERTY TRUST, INC.
Form 424B5
April 08, 2013

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 8, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated February 11, 2013)

26,500,000 Shares

Starwood Property Trust, Inc.

Common Stock

We are offering 26,500,000 shares of our common stock.

The underwriters have agreed to purchase our common stock from us at a price of $ per share, which will result in approximately $ million of total net proceeds to us before expenses. The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. See "Underwriting."

We have granted the underwriters an option to purchase up to 3,975,000 additional shares of our common stock within 30 days from the date of this prospectus supplement.

Our common stock, par value $0.01 per share, is listed on the New York Stock Exchange under the trading symbol "STWD." The last reported sale price of our common stock on the New York Stock Exchange on April 5, 2013 was $27.49 per share. We have declared a dividend of $0.44 per share on our shares of common stock, payable on April 15, 2013 to stockholders of record as of March 28, 2013. Stockholders who purchase shares of common stock in this offering will not be entitled to receive this dividend.

To assist us in maintaining our qualification as a real estate investment trust for U.S. federal income tax purposes, subject to certain exceptions, no person may own more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or of our outstanding capital stock. You should read the information under the section entitled "Description of Capital Stock Restrictions on Ownership and Transfer" in the accompanying prospectus for a description of these restrictions.

Investing in our common stock involves certain risks. See "Risk Factors" beginning on page S-10 of this prospectus supplement and in the reports we file with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, incorporated by reference in this prospectus supplement and the accompanying prospectus, to read about factors you should consider before making an investment in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about April , 2013 through the book-entry facilities of The Depository Trust Company.

Credit Suisse **Deutsche Bank Securities** **Wells Fargo Securities**

April , 2013

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the Securities and Exchange Commission, or the SEC. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations, liquidity and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to or updates the information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information about our common stock and other securities that do not pertain to this offering of common stock. To the extent that the information contained in this prospectus supplement conflicts with any information in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control. The information in this prospectus supplement may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully before deciding whether to invest in our common stock.

Unless otherwise indicated or the context requires otherwise, references in this prospectus supplement to "the Company," "our company," "we," "us" and "our" mean Starwood Property Trust, Inc. and its consolidated subsidiaries.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain certain forward-looking statements, including, without limitation, statements concerning our operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are developed by combining currently available information with our beliefs and assumptions and are generally identified by the words "believe," "expect," "anticipate" and other similar expressions. Forward-looking statements do not guarantee future performance, which may be materially different from that expressed in, or implied by, any such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their respective dates.

These forward-looking statements are based largely on our current beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control, and which could materially affect actual results, performance or achievements. Factors that may cause actual results to vary from our forward-looking statements include, but are not limited to:

- factors described in the section captioned "Risk Factors" in this prospectus supplement; in our Annual Report on Form 10-K for the year ended December 31, 2012, including those set forth under the captions "Risk Factors" and "Business"; and in our other periodic reports filed with the SEC and incorporated by reference herein, including the risk factors described in our Current Report on Form 8-K filed on February 11, 2013;
- defaults by borrowers in paying debt service on outstanding indebtedness;
- impairment in the value of real estate property securing our loans;
- availability of mortgage origination and acquisition opportunities acceptable to us;
- our ability to complete our pending acquisition of LNR (as defined herein), as described in this prospectus supplement, and the performance of LNR subsequent to the acquisition;
- our ability to integrate LNR into our business and achieve the benefits that we anticipate from our acquisition of LNR;
- potential mismatches in the timing of asset repayments and the maturity of the associated financing agreements;
- national and local economic and business conditions;
- general and local commercial real estate and residential property conditions;
- changes in federal government policies;
- changes in federal, state and local governmental laws and regulations;
- increased competition from entities engaged in mortgage lending;

- changes in interest rates;
- changes in the exchange rates between the U.S. dollar and the respective currencies for our non-U.S. dollar denominated investments; and
- the availability of and costs associated with sources of liquidity.

In light of these risks and uncertainties, there can be no assurances that the results referred to in the forward-looking statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein will in fact occur. Except to the extent required by applicable law or regulation, we undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, changes to future results over time or otherwise.

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SUMMARY

This summary highlights information about us and the shares of our common stock being offered by this prospectus supplement and the accompanying prospectus. This summary is not complete and may not contain all of the information that you should consider prior to investing in our common stock. For a more complete understanding of our company, we encourage you to read this entire document, including the information incorporated by reference into this document and the other documents to which we have referred.

Overview

We are a Maryland corporation that commenced operations in August 2009, upon the completion of our initial public offering. We are focused on originating, investing in, financing and managing commercial mortgage loans and other commercial real estate debt investments, commercial mortgage-backed securities, or CMBS, and other commercial real estate-related debt investments. We collectively refer to commercial mortgage loans, other commercial real estate debt investments, CMBS, and other commercial real estate-related debt investments as our target assets. We also invest in residential mortgage-backed securities, or RMBS, and residential real estate assets acquired by us directly or indirectly in settlement of loans, or residential REO, and may invest in distressed or non-performing loans, commercial properties subject to net leases and residential mortgage loans. As market conditions change over time, we may adjust our strategy to take advantage of changes in interest rates and credit spreads as well as economic and credit conditions.

Our objective is to provide attractive risk-adjusted returns to our investors over the long term, primarily through dividends and secondarily through capital appreciation. We employ leverage, to the extent available, to fund the acquisition of our assets and to increase potential returns to our stockholders. In order to achieve these objectives, we are focusing on asset selection and the relative value of various sectors within the real estate debt market to construct a diversified investment portfolio designed to produce attractive returns across a variety of market conditions and economic cycles. We are organized as a holding company that conducts its business primarily through its various subsidiaries.

We are externally managed and advised by SPT Management, LLC, or our manager, pursuant to the terms of a management agreement. Our manager is controlled by Barry Sternlicht, our Chairman and Chief Executive Officer. Our manager is an affiliate of Starwood Capital Group Global, L.P., or Starwood Capital Group, a privately-held private equity firm founded and controlled by Mr. Sternlicht.

We have elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our initial taxable year ended December 31, 2009. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act.

Our corporate headquarters office is located at 591 West Putnam Avenue, Greenwich, Connecticut 06830, and our telephone number is (203) 422-7700.

Recent Developments

Acquisition of LNR

On January 24, 2013, we announced that we entered into an agreement to purchase certain business segments of LNR Property LLC, or LNR, a real estate investment, finance, management and development company, from a group of investors for a cash purchase price of approximately $850 million. The acquisition is expected to close by the end of the second quarter of 2013. Completion of the acquisition is subject to the satisfaction of customary closing conditions, and there can be no assurance that the transaction will close on the terms anticipated or at all. Following the execution of

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the purchase agreement, we paid to LNR a $50 million deposit, which was subsequently increased to $75 million in accordance with the terms of the purchase agreement. In accordance with the terms of the purchase agreement, an interest charge began to accrue on the amount of the purchase price on April 1, 2013 at an annual rate of six percent, which interest rate is subject to a potential subsequent increase to twelve percent under certain circumstances in accordance with the terms of the purchase agreement. To the extent the acquisition is not completed due to an uncured breach of the purchase agreement by us, we will not recover any deposits or interest paid with respect to the transaction.

We have entered into a debt commitment letter with Credit Suisse Securities (USA) LLC, Credit Suisse AG, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC providing for a senior secured bridge facility in an aggregate amount of up to $300 million for purposes of financing a portion of the transaction, to the extent we use such financing for the transaction. We are also currently in negotiations with certain lenders with respect to our entry into a proposed $300 million senior secured term loan to finance a portion of the acquisition. However, there can be no assurance that we will enter into this loan on the terms described or at all. We may also use a portion of the net proceeds from this offering, as described below under "Use of Proceeds," or a portion of the net proceeds from the issuance of $600 million aggregate principal amount of our 4.55% Convertible Senior Notes due 2018, as described below under " Issuance of Convertible Senior Notes," incur additional bank debt, sell available assets or use cash on hand in connection with the financing of the transaction.

Overview of LNR. LNR is a diversified real estate investment, management, finance and development company that has been engaged in business for over 40 years, having over 570 employees, with approximately 450 located in 10 offices in the United States and approximately 130 located in Europe. LNR's principal line of business is serving as a special servicer for CMBS transactions. It is the largest special servicer in the United States and Europe in terms of market share. An integral part of LNR's special servicing operations is making investments in subordinated CMBS securities, which enables it to earn fees by acting as special servicer for the related trust in addition to earning income from the securities. We will acquire the following LNR business segments:

U.S. Special Servicer: a U.S. special servicer of commercial loans with approximately $133.6 billion in loans under management and real estate owned as of December 31, 2012.

U.S. Investment Securities Portfolio: a portfolio of whole loans, CMBS and collateralized debt obligation, or CDO, investments.

Archetype Mortgage Capital: a commercial real estate conduit loan origination platform.

Archetype Financial Institution Services: an acquirer, manager, and servicer of portfolios of small balance commercial loans.

LNR Europe: consists of Hatfield Philips, a wholly-owned subsidiary that is an independent primary and special servicer in Europe, and a non-controlling interest in LNR European Investment Fund, a European commercial real estate debt fund.

Auction.com: 50% of LNR's interest in a real estate exchange selling residential and commercial real estate via auction.

In addition, a fund that is managed by an affiliate of our manager will acquire LNR's U.S. commercial property development group and the remaining 50% of LNR's interest in Auction.com.

Summary of Strategic Benefits. We expect the acquisition of LNR's business segments to benefit us in the following areas:

Expanded Investment Pipeline: Significantly widens scope of potential capital deployment opportunities, particularly for smaller balance commercial real estate loans and CMBS, via active monitoring of over 13,000 loans representing more than $173 billion of unpaid principal balance,

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a proven conduit originator, a small balance commercial real estate loan platform, CMBS investing capabilities, a leading platform in Europe, and an ownership interest in Auction.com which will provide the potential for incremental deal flow.

Scale and Diversification: Further establishes us as a full service real estate finance company by expanding the breadth of our business lines to include smaller balance transactions which will materially increase our potential investment opportunity set and expand the number of geographic markets in which we will invest, providing both a large number of potential transactions from which to choose as well as a potentially more diversified investment portfolio.

Provides a Hedge in a Variety of Economic Conditions: Special servicing is a counter-cyclical investment, as special servicing fees tend to increase in difficult market conditions.

Enhanced Risk Management: Adds a global platform of experienced real estate underwriters and workout specialists with access to a detailed proprietary database on the performance of over $250 billion of commercial real estate loans and underlying assets, providing a significant information advantage for underwriting and risk assessment.

U.S. Special Servicer. LNR acquires unrated and non-investment grade subordinated U.S. CMBS and provides "special servicing" for the mortgage pools to which they relate. In most transactions, LNR invests only in the most junior, or nearly the most junior series, which generally do not receive principal payments until much of the mortgage debt underlying the CMBS has been paid and disbursed to holders of more senior series. LNR seeks to invest in transactions in which it can perform detailed due diligence on the properties securing the mortgages in the pool being securitized and can select itself as the special servicer. Special servicing is the business of managing and working out the problem assets in a pool of commercial mortgage loans or other assets. LNR holds a large number of legacy CMBS and CDO investments on its balance sheet, including subordinated "controlling class" positions that form the basis for a significant portion of its special servicing rights.

Because the holders of the subordinated CMBS receive principal and interest that is collected after the more senior levels of CMBS have been paid in full, LNR and other holders of subordinated CMBS are the principal beneficiaries of increased collections, particularly since these bonds are purchased at significant discounts. Conversely, ineffective special servicing may lead to lesser collections and decreased or no payments to the holders of the subordinated CMBS. Therefore, ownership of the subordinated CMBS gives LNR an opportunity to profit from effective special servicing activities in addition to receiving fees for being the special servicer.

LNR's proprietary database that includes detailed information on approximately 41,000 loans dating back to 1998 supports its U.S. real estate financing and servicing platform. LNR utilizes its relationship with Auction.com as a channel to market and resolve special servicing assets efficiently and on market terms.

As of December 31, 2012, LNR was named as special servicer on 130 CMBS trusts, which comprise 10,866 loans and approximately $133.6 billion of collateral underlying such loans. The active special servicing portfolio, which includes both loans in special servicing and REO loans, included approximately $20.0 billion of CMBS loans as of the same date. As of the date of this prospectus supplement, LNR had a special servicer rating of "CSS1-" by Fitch Ratings and a "strong" rating from Standard & Poor's Ratings Services. As of December 31, 2012, LNR was the largest U.S. special servicer with approximately 25.9% market share in special servicing of all outstanding CMBS loans and 31.3% market share of all CMBS loans in active special servicing.

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U.S. Special Servicer Market Share (12/31/12)*

Rank	Company	Market Share (%)
1	**LNR Partners, Inc.**	**25.9**%
2	CWCapital Asset Management	24.7%
3	C-III Asset Management LLC	20.5%
4	Midland	11.0%
5	Torchlight Loan Services, LLC	4.7%
6	Helios	3.8%
7	ORIX Capital Markets, LLC	1.6%
8	Berkadia Commercial Mortgage LLC	1.2%
9	KeyBank	0.7%
10	Wells Fargo	0.6%

* Source: Trepp, LLC

U.S. Special Servicer Market Share (12/31/12)

Named CMBS Portfolio	Deals	130
	Unpaid Balance	$133.6 billion
	Loan Count	10,866
Active Special Servicing Portfolio	Special Servicer Loan Count	766
	Special Servicer Loan Balance	$13.9 billion
	REO Loan Count	318
	REO Loan Balance	$6.1 billion

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The following shows the balance of U.S. CMBS loans (including loans that have become REO) in special servicing where LNR acts as the special servicer. We anticipate that the balance of loans in special servicing where LNR acts as special servicer will decline significantly over the next several years as such loans reach maturity and that LNR's servicing fees will likewise decline materially.

Balance of Loans in Special Servicing*

*

Information for 2010 and 2011 is through December as LNR changed its fiscal year end from November 30 to December 31 in 2010.

A significant amount of U.S. CMBS loans for which LNR acts as the named special servicer are scheduled to mature over the next several years. These maturities may provide significant opportunities for LNR to earn special servicing fees if the underlying collateral does not perform well or if the borrowers are unable to refinance the loans as they mature. After several years of little new issuance activity in CMBS, issuances have increased recently and, if this trend continues, we expect it will provide LNR with opportunities to purchase additional subordinated CMBS and the related servicing rights. In addition, LNR continues to consider the purchase of additional legacy subordinated CMBS securities in the secondary market.

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Maturity Profile of Named Special Servicer Loans As of 12/31/12

U.S. Investment Securities Portfolio. As of December 31, 2012, LNR had invested in a portfolio of securities in CMBS trusts and interests in CDO transactions valued at $264 million. LNR's securities portfolio includes interests in 43% of all outstanding conduit CMBS transactions (by number of trusts) and 50% of all transactions issued between 2005 and 2008 in the United States.

Archetype Mortgage Capital. Archetype Mortgage Capital is a commercial real estate lending and securitization platform, originating commercial mortgage loans secured by retail shopping centers, office buildings, multi-family apartment complexes, hotels, mixed-use and industrial properties located in the United States.

Archetype Mortgage Capital's loans generally include 5-, 7- and 10-year fixed-rate mortgages structured for sale in CMBS transactions. It also seeks to originate bridge loans, mezzanine loans and preferred equity interests. As of December 31, 2012, Archetype Mortgage Capital has originated approximately 100 loans for approximately $1 billion since its inception in 2011. Archetype Mortgage Capital maintains offices in California, Florida, New York and North Carolina.

Archetype Financial Institution Services. Archetype Financial Institution Services acquires, manages and services portfolios of small balance commercial loans and real estate assets offered by small- to medium-sized regional banks and financial institutions focused on reducing real estate exposure.

LNR Europe. LNR engages in both primary and special servicing in Europe through its wholly-owned subsidiary, Hatfield Philips, and is also active in third-party investment advisory and asset management.

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Hatfield Philips is the largest special servicer in Europe with 46% market share by number of loans in active special servicing. As of December 31, 2012, Hatfield Philips was the named special servicer on 185 loans totaling approximately €20.8 billion, and the primary servicer on 371 loans and €14.1 billion of collateral. Active special servicing data is provided below. Similar to LNR's U.S. operations, LNR Europe invests through its affiliated LNR European Investment Fund in unrated and non-investment grade CMBS in Europe for which it has the right to be special servicer.

Active Special Servicing European CMBS Market*

As of December 31, 2012

Special Servicer	Number of Loans	Total Balance (€MM)[1]	Market Share by Number	Market Share by Balance
Hatfield Philips	**69**	**€ 5,675**	**46%**	**32%**
Capita	43	3,837	29%	22%
Morgan Stanley	13	1,309	9%	7%
Solutus	9	559	6%	3%
Hudson	6	669	4%	4%
CBRE LS	4	4,799	3%	27%
Situs	3	564	2%	3%
Citibank	1	3	1%	0%
Deutsche Pfandbriefbank	1	267	1%	2%

(1) As of date of transfer into special servicing.

* Source: Moody's EMEA CMBS: Monthly Update on Specially Serviced Loans January 2013

An affiliate of LNR serves as the general partner and a 50% member in LNR European Investment Fund, a European commercial real estate debt fund that has completed its investment period.

Auction.com. Auction.com focuses on asset disposition strategies, asset management and real estate sales. On behalf of its clients, Auction.com focuses on selling residential, commercial, multi-family and hospitality properties, land, and performing and non-performing notes and loan pools.

Issuance of Convertible Senior Notes

On February 15, 2013, we issued $600 million aggregate principal amount of 4.55% Convertible Senior Notes due 2018. We received net proceeds from the notes offering of approximately $586.7 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from the notes offering to originate and purchase additional commercial mortgage loans and other target assets and investments. Depending upon the timing of the closing of those transactions, the closing of the LNR transaction, and our receipt of funds from asset repayments, sales of assets or other financings, we may utilize a portion of the net proceeds from the notes offering to fund a portion of the purchase price of LNR. We may also use a portion of the net proceeds from the notes offering for other general corporate purposes, including, but not limited to, the payment of liabilities and other working capital needs.

Declaration of Dividend

On February 27, 2013, we declared a dividend of $0.44 per share on our shares of common stock for the quarter ended March 31, 2013. The dividend is payable on April 15, 2013 to stockholders of record as of March 28, 2013. Stockholders who purchase shares of common stock in this offering will not be entitled to receive this dividend.

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Potential Separation Transaction

During 2012, our board of directors approved the expansion of our investment guidelines to include investments in (i) residential REO that are primarily comprised of single family homes and (ii) non-performing residential loans (acquired with the expectation of their conversion into residential REO or other commercial resolution), and we began to opportunistically purchase portfolios of single family homes and non-performing residential loans at that time. As of March 31, 2013, our portfolio of residential REO properties consisted of 1,644 single family homes located in seven states, which were acquired at an aggregate cost of $200.2 million. In addition, as of the same date we had acquired 1,318 non-performing residential loans at an aggregate cost of $173.1 million. As of March 31, 2013, the aggregate unpaid principal balance on these loans (which include a portfolio of 833 non-performing residential loans that we recently acquired, as referenced below) was $363.2 million.

As part of our continuing efforts to provide value to our stockholders, we may consider a transaction to separate our residential REO properties and non-performing residential loans from the remainder of our investment portfolio. If the transaction resulted in these assets being held in a stand-alone entity, we expect that such entity would elect and qualify to be taxed as a REIT. Our board of directors has not formally evaluated any such transaction, and there can be no assurance as to the assets to be included or the timing, terms, structure or completion of any such transaction. Any such transaction would be subject to a number of risks and uncertainties, could have tax implications for the holders of our shares of common stock, and could adversely affect the price of our shares of common stock.

Additional Acquisitions and Dispositions

On March 27, 2013, we acquired a portfolio of 833 non-performing residential loans at an aggregate cost of $104.1 million. At the time of acquisition, the unpaid principal balance on the loans was $213.1 million.

On March 27, 2013, we entered into an agreement to sell, and on April 2, 2013, we closed on the sale of, a CMBS position with aggregate gross proceeds of $206.4 million ($66.5 million after repaying the related financing), which generated gains of approximately $11.0 million.

Potential Origination of Loan

We are currently in negotiations to make a first mortgage construction loan and a mezzanine construction loan in an aggregate principal amount of up to $350 million on phase one of an office, retail and residential redevelopment located in Manhattan, New York. It is currently contemplated that the aggregate principal amount will be allocated $210 million to the mortgage loan and $140 million to the mezzanine loan, each with a term of four years (subject to a one-year extension by the borrower), and that a portion of such loans would be funded at closing and the balance would be funded over time. In addition, it is anticipated that, in connection with the closing, three entities managed by affiliates of the borrower will make pari passu first mortgage and mezzanine construction loans and that another affiliate of the borrower will make pari passu first mortgage and mezzanine construction loans for the project. There can be no assurance that we will enter into a commitment to make these loans on the terms described or at all.

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The Offering

Issuer	Starwood Property Trust, Inc.
Common stock offered by us	26,500,000 shares of our common stock, par value $0.01 per share (30,475,000 shares of our common stock if the underwriters' option to purchase additional shares is exercised in full)
Shares of common stock to be outstanding after this offering[(1)]	162,200,195 shares of our common stock (166,175,195 shares of our common stock if the underwriters' option to purchase additional shares is exercised in full)
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or approximately $ million if the underwriters' option to purchase additional shares is exercised in full), after deducting our estimated expenses. We intend to use the net proceeds from this offering to originate and purchase additional commercial mortgage loans and other target assets and investments. Depending upon the timing of the closing of those transactions, the closing of the LNR transaction, and our receipt of funds from asset repayments, sales of assets or other financings, we may utilize a portion of the net proceeds to fund a portion of the purchase price of LNR as described above under " Recent Developments Acquisition of LNR." We may also use a portion of the net proceeds for other general corporate purposes, including, but not limited to, the payment of liabilities and other working capital needs. See "Use of Proceeds."
Ownership limit	Subject to certain exceptions, our charter restricts ownership of more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or of our outstanding capital stock, in order to protect our status as a REIT for U.S. federal income tax purposes. See "Description of Capital Stock Restrictions on Ownership and Transfer" in the accompanying prospectus.
Listing	Our common stock is listed on the New York Stock Exchange under the trading symbol "STWD."
Risk factors	An investment in our common stock involves risks, and prospective investors should carefully consider the matters discussed under "Risk Factors" beginning on page S-10 of this prospectus supplement and the reports we file with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act, incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in our common stock.

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(1) The number of shares of our common stock to be outstanding after this offering is based on 135,700,195 shares of our common stock outstanding as of March 31, 2013, which excludes: (i) 997,918 shares of our common stock that are issuable upon the vesting of restricted stock units previously granted to our manager; (ii) 107,056 shares of our common stock reserved for issuance under our equity incentive plans; and (iii) 21,323,460 shares of our common stock reserved for issuance upon conversion of our 4.55% Convertible Senior Notes due 2018 (based on the conversion rate in effect at March 31, 2013).

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RISK FACTORS

Investing in our common stock involves risks. You should carefully read and consider the risks described below as well as the risks described in the sections entitled "Item 1 Business" and "Item 1A Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, and in our other periodic reports filed with the SEC, and incorporated by reference into this prospectus supplement and the accompanying prospectus, including the risks described in our Annual Report on Form 10-K for the year ended December 31, 2012 under the sub-section entitled "Risks Related to LNR's Business and the Company's Pending Acquisition of LNR" and in our Current Report on Form 8-K filed on February 11, 2013 under the section entitled "Risk Factors Relating to LNR's Business and the Company's Pending Acquisition of LNR." You should also carefully read and consider the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including risks described above in "Cautionary Statement Regarding Forward-Looking Statements," before making a decision to invest in our common stock. Each of these risks could materially and adversely affect our business, financial condition, results of operations, liquidity and prospects, and could result in a partial or complete loss of your investment.

Risks Related to This Offering

The market price and trading volume of our common stock could be volatile and the market price of our common stock could decline, resulting in a substantial or complete loss of your investment.

The stock markets, including the New York Stock Exchange, which is the exchange on which our common stock is listed, have experienced significant price and volume fluctuations. Overall weakness in the economy and other factors have recently contributed to extreme volatility of the equity markets generally, including the market price of our common stock. As a result, the market price of our common stock has been and may continue to be volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Some of the factors that could negatively affect our stock price or result in fluctuations in the price or trading volume of our common stock include:

- our actual or projected operating results, financial condition, cash flows and liquidity, or changes in business strategy or prospects;
- actual or perceived conflicts of interest with our manager or Starwood Capital Group and individuals, including our executives;
- equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur;
- actual or anticipated accounting problems;
- publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- adverse market reaction to the level of leverage we employ;
- additions to or departures of our manager's or Starwood Capital Group's key personnel;
- speculation in the press or investment community;

our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts;

increases in market interest rates, which may lead investors to demand a higher distribution yield for our common stock and would result in increased interest expenses on our debt;

failure to maintain our REIT qualification;

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- uncertainty regarding our exemption from the Investment Company Act;
- price and volume fluctuations in the stock market generally; and
- general market and economic conditions, including the current state of the credit and capital markets.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their share price. This type of litigation could result in substantial costs and divert our management's attention and resources.

There may be future dilution of our common stock as a result of additional issuances of our securities, which could adversely impact our stock price.

Our board of directors is authorized under our charter to, among other things, authorize the issuance of additional shares of our common stock or the issuance of shares of preferred stock or additional securities convertible or exchangeable into equity securities, without stockholder approval. The issuance of additional shares of our common stock in this offering and in connection with conversions of our outstanding 4.55% Convertible Senior Notes due 2018, or other future issuances of our common stock or shares of preferred stock or securities convertible or exchangeable into equity securities, may dilute the ownership interest of our existing stockholders. Because our decision to issue additional equity or convertible or exchangeable securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future issuances. Additionally, any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common stock. Also, we cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock.

We have not established a minimum distribution payment level and no assurance can be given that we will be able to make distributions to our stockholders in the future at current levels or at all.

We are generally required to distribute to our stockholders at least 90% of our taxable income each year for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, which requirement we currently intend to satisfy through quarterly distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. We have not established a minimum distribution payment level, and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. Although we have made, and anticipate continuing to make, quarterly distributions to our stockholders, our board of directors has the sole discretion to determine the timing, form and amount of any future distributions to our stockholders, and such determination will depend on our earnings, financial condition, debt covenants, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to continue to pay distributions to our stockholders:

- our ability to make profitable investments, including with respect to the investment of the net proceeds from our securities offerings;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

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As a result, no assurance can be given that we will be able to continue to make distributions to our stockholders in the future or that the level of any future distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect us.

In addition, distributions that we make to our stockholders are generally taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a stockholder's investment in our common stock.

Investing in our common stock may involve a high degree of risk.

The investments that we make in accordance with our investment objectives may result in a high amount of risk, resulting in a complete loss of principal, when compared to alternative investment options. Our investments may be highly speculative and aggressive, and therefore an investment in our common stock may not be suitable for someone with lower risk tolerance.

Risks Related to LNR's Business and our Pending Acquisition of LNR

In addition to the risks relating to our pending acquisition of LNR described in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Current Report on Form 8-K filed on February 11, 2013, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, we are also subject to the risk summarized below.

The unaudited pro forma combined financial statements relating to the LNR acquisition and incorporated by reference into this prospectus supplement do not reflect the performance that we anticipate for future periods in the near-term.

We are required to prepare and incorporate by reference into this prospectus supplement unaudited pro forma combined financial statements relating to the LNR acquisition. The unaudited pro forma combined financial statements are prepared and presented in accordance with U.S. generally accepted accounting principles and pursuant to specific requirements under federal securities laws. The unaudited pro forma combined balance sheet as of December 31, 2012 and the unaudited pro forma combined statement of income for the year ended December 31, 2012 are based on our historical financial statements and the historical financial statements of LNR (after giving effect to our acquisition of LNR using the purchase method of accounting and adjustment described in the notes to the unaudited pro forma combined financial statements) as if such acquisition had occurred as of December 31, 2012 for pro forma balance sheet purposes and as of January 1, 2012 for pro forma income statement purposes.

We believe the unaudited pro forma combined statement of income incorporated into this prospectus supplement is not indicative of our near-term future results of operations. In particular, LNR's revenues from special servicing are likely to decline in the near-term from the historical amounts reported in the unaudited pro forma combined statement of income due to a decrease in both the number of loans going into special servicing and the amount of revenues received from the resolution of loans currently in special servicing. In addition, we believe that the portion of income generated through fair value increases in the value of LNR's securities portfolio associated with improving CMBS credit spreads during the historical periods may not recur in future periods. Although in determining the pricing for the LNR acquisition we considered a near-term decline in revenues from loans in special servicing and the likelihood that the increase in fair value may not recur in future periods, there can be no assurance that the decline in revenues from special servicing that occurs will not excee