

Quarterly Commentary

Closed to New Investors

Registered Fund Focused on Liquid Commercial Real Estate

Fourth Quarter 2020

Fund Update

Important Update: After careful consideration and as disclosed in the Fund’s Prospectus Supplement dated July 13, 2020, Blackstone Real Estate Income Advisors L.L.C., the investment manager (the “Investment Manager”) of the Fund, recommended to the Board of Trustees of the Fund the “Board”) that an orderly liquidation of the Fund would be in the best interest of the Fund’s shareholders (“Shareholders”). The Board has approved the Investment Manager’s proposal and, on October 15, 2020, the Shareholders also approved the liquidation proposal (the “Shareholder Approval”).

Market Commentary

The final quarter of a volatile 2020 (the “Quarter”) was characterized by strong performance in risk assets following positive developments related to several key considerations weighing on investor sentiment. First, after a slow start to the Quarter, the U.S. elections in November provided market clarity and precipitated a strong rally. The rally was further spurred by optimism about the prospects for additional fiscal stimulus, which was eventually delivered later in the Quarter. Second, and perhaps most importantly, announcements about the development and pending approval of COVID-19 vaccines with higher levels of effectiveness fueled hopes of a return to normalcy and to buying in the most COVID-impacted asset classes. These factors contributed to a sharp increase in equities (S&P +12.1%)¹ and corporate credit (HY CDX +6.5%),² while Government yields increased and the curve steepened (5-year UST +8bps, 10-year UST +23bps)¹ as the prospect of additional stimulus and increased economic activity hinted at the specter of inflation.

CMBS delivered another strong quarter of relative outperformance, consistent with the broader market theme of recovery in asset classes particularly hampered by the pandemic. Conduit CMBS in both cash (CMBS BBBs +12.1%)³ and derivative forms (CMBX.10 BBB- +16.1%)⁴ were the biggest beneficiaries. In keeping with this dynamic, real estate-related corporate credit benefited from improved pricing in positions with exposure to lodging and leisure.

Despite the outperformance to end the year, assets exposed to real estate finished meaningfully below their pre-COVID highs, in contrast to the broader corporate and equity markets. In equities, REITs (RMZ -13.2%)⁵ underperformed the S&P 500 (+12.7%).¹ In credit, high yield bonds (+6.5%)⁶ outpaced CMBS (cash BBBs -10.5%).⁴ As a result, credit-oriented securities in CMBS and RMBS ended the year +105bps⁷ and +70bps⁸ wide of pre-COVID levels, whereas high yield spreads were 22bps² wider during the same time period.⁹ We believe this relative value paradigm, coupled with depressed issuance in CMBS and RMBS (private label issuance -34% year-over-year vs. +57% in High Yield Credit)^{10,11} will continue to attract investors and help drive performance in these sectors in 2021.

Portfolio Snapshot¹²

Data as of December 31, 2020

Avg Price	\$78.98	Repurchase Agreement Leverage ¹³	0.0%
Avg Coupon	4.0%	1940 Act Leverage ¹⁴	0.0%
Avg Loan to Value	63.4%	Total Investments	189
Hedged Duration ¹⁵	0.1 years	Top 10 Holdings %	37.8%
Avg Maturity	4.3 years	Non-U.S. Holdings %	7.8%
Derivatives % ¹⁶	10.8%		

Note: All figures as of December 31, 2020 unless otherwise indicated. Opinions expressed herein represent Blackstone’s view of the current market environment as of the date appearing in this material only and should not be construed as research or investment advice. There can be no assurance that the Fund will achieve its objectives or avoid substantial losses. Please see additional disclosures at the back of this document.

AUM & Performance

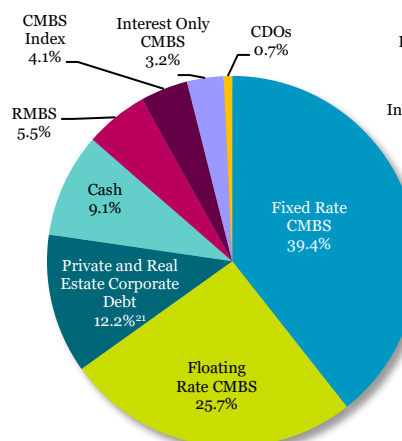
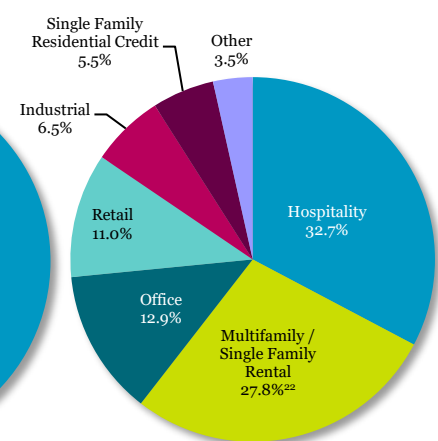
BREIF Fund Complex AUM:¹⁷ \$545M

	Performance Metrics				Additional Performance Metrics	
	QTD Return	YTD Return	1 Yr Return	ITD Return ¹⁸	Volatility	Sharpe Ratio
BREIF ¹⁹	5.51%	-17.12%	-17.12%	2.15%	10.56%	0.22
Barclays U.S. Agg Bond	1.12%	7.51%	7.51%	3.96%	3.02%	1.12
Barclays CMBS BBB	5.91%	-0.86%	-0.86%	4.81%	9.10%	0.44

Note: As of December 31, 2020. Past performance is not necessarily indicative of future results.

Portfolio Construction

The Fund delivered a return of 5.51% during the Quarter as demand for risk assets accelerated into year-end, with the best performing sectors being conduit fixed-rate CMBS and real estate-related corporate debt. Following the October 15, 2020 Shareholder Approval of the Fund’s liquidation proposal, the Fund initiated an orderly asset sale process. The Fund was positioned to benefit from the rally in risk assets following volatility in the first and second quarters of 2020 (BREIF +11.1% in the second half of 2020). Following the Shareholder Approval, the Fund continued to balance the objectives of maximizing Shareholder value and providing liquidity. This resulted in total sales of 22% of fund assets from October 15 until the end of the Quarter. These sales were concentrated in real estate-related corporate credit, RMBS, and IO securities. Proceeds facilitated a full repayment of all securities repurchase borrowings, along with a \$75 million distribution to investors. We believe the Fund enters 2021 well-positioned to participate in a continued gradual market recovery. We continue to anticipate the completion of the asset sale process by the end of second quarter 2021, subject to prevailing market conditions.

Portfolio Allocation²⁰Property Types²⁰

Historical Performance¹⁹

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	NA	NA	NA	0.51%	0.29%	1.30%	-0.26%	-0.48%	-0.08%	0.28%	0.53%	0.51%	2.62%
2015	1.01%	1.90%	1.26%	0.77%	0.64%	-0.48%	0.72%	-0.70%	-0.15%	0.23%	0.47%	-0.40%	5.36%
2016	-3.50%	-3.30%	2.47%	1.73%	-0.11%	0.23%	2.03%	0.62%	0.12%	1.07%	-0.03%	0.80%	1.98%
2017	1.64%	0.78%	0.50%	2.00%	0.82%	0.96%	0.58%	0.41%	0.20%	0.51%	0.27%	0.17%	9.18%
2018	1.06%	0.35%	0.52%	0.88%	1.33%	0.45%	0.82%	0.46%	1.00%	-0.22%	-0.63%	-2.29%	3.75%
2019	3.08%	1.61%	0.63%	1.25%	0.74%	1.14%	0.45%	0.23%	0.71%	0.30%	0.40%	0.43%	11.51%
2020	0.36%	-0.30%	-24.60%	-5.30%	-0.59%	4.83%	2.81%	1.56%	1.05%	0.82%	1.65%	2.95%	-17.12%

Note: Past performance is not necessarily indicative of future results. There can be no assurance that the Fund will achieve its objectives or avoid substantial losses. Performance is net of management fees, accrued incentive fees and expenses. Please see the additional disclosures below.

Endnotes

1. Bloomberg as of December 31, 2020.
2. ICE BofA US High Yield Index as of December 31, 2020.
3. Bloomberg Barclays Non-Agency BBB CMBS Total Return Unhedged Index as of December 31, 2020.
4. Markit as of December 31, 2020.
5. Bloomberg MSCI US REIT Index as of December 31, 2020.
6. S&P HY Corp Bond RE Index Total Return as of December 31, 2020.
7. JPMorgan On-The-Run New Issue CMBS BBB Spread to Swap.
8. Bloomberg 2020 US Structured Finance non-QM BBB pricing data.
9. JP Morgan Research as of December 31, 2020.
10. CMBS anchored on +110 bps and RMBS anchored on +70 bps.
11. Bloomberg New Issue Tracker – NI PIPSFUS as of December 31, 2020.
12. Glossary of Terms and description of referenced indices provided below.
13. Represents leverage incurred by the Master Fund through the use of reverse repurchase agreements over the Fund's total assets. Please refer to footnote 17 for further information.
14. The Master Fund incurs leverage, primarily through the use of reverse repurchase agreements and also the use of derivative instruments, as part of its investment strategy. 1940 Act Leverage is calculated in a manner consistent with the Investment Company Act of 1940, as amended (the "1940 Act"), as follows: (x) "senior securities" under the 1940 Act over (y) the Fund's total assets, less liabilities and indebtedness not represented by "senior securities." "Senior securities" generally consist of (i) traditional borrowings such as loans or notes and (ii) effective forms of leverage such as reverse repurchase agreements or derivatives to the extent not offset or covered by segregated cash or liquid assets in accordance with applicable SEC guidance. As of December 31, 2020, the Master Fund had \$362 million of segregated cash and liquid assets and no repurchase agreement exposure. For more information, please see "Important Information and Disclosures - Glossary of Terms – 1940 Act Leverage".
15. For more information, please see “Important Information and Disclosures – Glossary of Terms – Hedged Duration”.
16. For more information, please see “Important Information and Disclosures – Glossary of Terms – Derivatives”.
17. Includes the net asset value of BREIF and Blackstone Real Estate Income Fund II (“BREIF II” and together, the “Funds”). The Funds are “feeder” funds in a “master-feeder” structure with Blackstone Real Estate Income Master Fund (the “Master Fund”). The Master Fund has the same investment objective as the Funds.
18. “ITD Return” reflects annualized performance of BREIF and the indices from the inception of BREIF on April 1, 2014 to the end of the time period shown.
19. Reflects performance of BREIF. The returns presented are based on pricing information provided by pricing vendors, dealer quotes and other secondary price inputs. This performance information is unaudited and is subject to change. Performance is net of management fees, accrued incentive fees, distribution and servicing fees and expenses. Performance does not include a deduction of the maximum sales charge (up to 3.00%), which would lower the performance shown.
20. Totals may not sum to 100% due to rounding.
21. Includes Real Estate Corporate Debt (12.2%) and Private Debt (0.0%).
22. Includes multifamily (26.6%), manufactured housing (1.0%), and single family rental (0.2%).

Important Disclosure Information

Repurchase Offers: Following the Shareholder Approval and throughout the dissolution, the Fund no longer expects to repurchase a portion of the Shares from Shareholders, and there is no guarantee the Board will approve any such repurchase. In connection with the Fund's dissolution and liquidation, the Fund expects to make distributions from time to time to Shareholders in consideration of the redemption of some or all of the outstanding Shares.

Glossary of Terms

1940 Act Leverage: The Master Fund uses leverage through borrowings (collectively, "Borrowings"), which may include loans from certain financial institutions, the issuance of debt securities, reverse repurchase agreements, securities lending arrangements, and derivatives, including, but not limited to, interest rate swaps, total return swaps, and credit default swaps (collectively, "effective leverage") in an aggregate amount of up to 33⅓% of the Master Fund's total assets immediately after giving effect to such leverage. Only forms of effective leverage that are considered senior securities under the 1940 Act will be considered leverage for the Master Fund's leverage limits. The Master Fund incurs leverage, primarily through the use of reverse repurchase agreements, as part of its investment strategy; such form of leverage is considered senior securities under the 1940 Act to the extent not covered by segregated cash or liquid securities in accordance with applicable SEC guidance. The Master Fund covers its cash-settled total return swap positions for purposes of determining whether such positions are considered senior securities under the 1940 Act by maintaining an amount of cash or liquid securities in a segregated account equal to the mark-to-market value of such positions instead of the notional amount of such positions. Although it has no current intention to do so, the Master Fund may use leverage through the issuance of preferred shares in an aggregate amount of up to 50% of the Master Fund's total assets immediately after such issuance. There can be no assurance that any leveraging strategy the Master Fund employs will be successful during any period in which it is employed.

Agency CMBS / RMBS: CMBS / RMBS backed by a pool of multifamily mortgages and issued by Government-sponsored enterprises.

Average Coupon: The weighted average interest rate of the investments in the portfolio.

Barclays CMBS BBB: The Barclays CMBS BBB Index measures the market of conduit and fusion CMBS deals with a minimum current deal size of \$300 million and a credit rating of BBB (using the middle rating of Moody's, S&P, and Fitch).

Barclays US Aggregate Bond Index: Provides a measure of the performance of the U.S. investment grades bonds market. This includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States.

Beta: a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Collateralized Debt Obligations ("CDO"): A trust typically collateralized by a pool of loans, which may include, among others, auto loans, credit card debt, mortgages or corporate debt, including loans that may be rated below investment grade or equivalent unrated loans.

CDS Index ("CDX"): A credit default swap index used to hedge credit risk or to take a position on a basket of credit entities. CDX indices contain North American and Emerging Market companies.

CMBS Index ("CMBX"): An index designed to reflect the creditworthiness of CMBS. CMBX is made up of 25 equally weighted tranches of CMBS reference obligations originated in a particular year, each with different credit ratings.

Collateralized Loan Obligations ("CLO"): A trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

Commercial Mortgage-Backed Securities ("CMBS"): In a typical multi-issuer CMBS issuance, one or more mortgage loans of varying size, asset type (including, but not limited to, office, retail, multifamily, hospitality, industrial and single family rental), and geography are pooled and transferred to a trust. The trust then issues a series of bonds that vary in duration, payment priority, and yield. Then rating agencies (such as Standard & Poor's, Moody's or Fitch) assign credit ratings to the various bond classes ranging from investment grade to below investment grade.

Commercial Real Estate ("CRE"): Any non-residential property used for commercial profit-making purposes.

Conduit CMBS: CMBS backed by a pool of commercial real estate mortgages.

Credit Spread: The spread between a U.S. Federal Treasury security or other benchmark and another instrument that is identical in all respects except for quality rating.

Derivatives: The Master Fund invests in derivatives and may invest up to 30% of its Managed Assets in derivatives. The Master Fund uses derivatives for investment and hedging purposes and as a form of effective leverage. The Master Fund's principal investments in derivative instruments include investments in interest rate swaps, total return swaps, credit default swaps and credit default swap indices, but the Master Fund may also invest in futures transactions, options or options on futures as well as certain currency instruments. For purposes of calculating the Master Fund's total return swap exposure towards its 30% of Managed Assets cap on derivatives, the Master Fund values total return swaps on a mark-to-market basis instead of on a notional basis. If the Master Fund valued total return swaps on a notional basis, its derivatives would have a greater impact on such cap.

Duration: The measurement of the interest rate risk of a portfolio quoted in years. Generally, for every 1% increase or decrease in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration.

Earnings Per Share ("EPS"): The portion of a company's profit allocated to each share of common stock.

Exchange-Traded Fund ("ETF"): A basket of securities bought or sold through a brokerage firm on a stock exchange.

Hedged Duration: Represents the Duration of a portfolio when such portfolio is hedged with fixed income instruments, such as Treasury futures or interest rate swaps, to limit the sensitivity of the portfolio to a change in interest rates.

High Yield: Bonds with corporate credit ratings lower than investment-grade.

Interest-Only CMBS: A security holding a claim to excess interest in a CMBS securitization which is only entitled to receive interest payments until the reference pool has been reduced to zero.

Legacy CMBS: CMBS securities originally issued prior to 2010.

Liquid: According to the Securities and Exchange Commission's (the "SEC"), standard applicable to registered investment companies, securities that can be disposed of within seven days in the ordinary course of business at approximately the value at which the Master Fund has valued the securities.

Loan to Value ("LTV"): Calculated by summing the balance of a loan and all debt with a senior claim on the loan's collateral, and dividing the result by the value of the loan's collateral.

Managed Assets: Net assets, plus the amount of leverage for investment purposes.

Mezzanine Loan: A mezzanine loan may take the form of a subordinated loan secured by a pledge of the ownership interests of either the entity owning the real property or an entity that owns (directly or indirectly) the interest in the entity owning the real property. This type of investment may involve a higher degree of risk than mortgage lending because the investment may become unsecured as a result of foreclosure by the senior lender.

Mortgage Bankers Association U.S. Refinancing Index: The MBA Refinance Index is a weekly measurement put together by the Mortgage Bankers Association, a national real estate finance industry association. The index helps to predict mortgage activity and loan prepayments based on the number of mortgage refinance applications submitted.

MSCI US REIT Index("RMZ"): The MSCI US REIT Index is a price-only index, which MSCI began calculating on June 20, 2005. Previously, this index (then known as the Morgan Stanley REIT Index) was calculated and maintained by the AMEX. The AMEX began calculating the index with a base level of 200, as of December 30, 1994.

Net Operating Income ("NOI") Debt Yields: The annual NOI of the asset at the time of acquisition divided by the total loan amount at the time of acquisition.

Non-Qualified Mortgage: A home mortgage loan that does not comply with the Consumer Financial Protection Bureau's rules on Qualified Mortgage ("QM"). A QM is a home mortgage loan that meets the standards set forth by the Federal Government which were designed to create safe loans by prohibiting or limiting certain high-risk products and features.

Non-U.S. Holdings %: Market value of the non-U.S. positions of the Master Fund divided by the total market value of the assets of the Fund. Excludes credit hedges, interest rate hedges, and currency hedges.

Organization of Oil Producing Countries ("OPEC"): An intergovernmental organization of 14 nations, founded in 1960 to coordinate and unify the petroleum policies of its member countries and ensure the stabilization of oil markets.

Private and Real Estate Corporate Debt: Includes commercial real estate Mezzanine Loans (both securitized and unsecuritized) and Real Estate Corporate Debt.

Qualified Client: Has the meaning set forth in Rule 205-3(d)(1) under the Investment Advisers Act of 1940, as amended. An individual will generally be considered a Qualified Client if, immediately prior to their subscription, they have at least (i) \$1 million under the management of the Manager or (ii) \$2.1 million net worth.

Rate Risk: Duration calculated on an interest rate hedged basis.

Real Estate Corporate Debt: Secured and unsecured obligations issued by REITs or other companies whose primary business is the ownership, management or development of real estate.

Real Estate Investment Trust ("REIT"): Typically a publicly traded corporation or trust that invests in residential or commercial real estate or real estate-related assets (e.g., debt).

Important Disclosure Information (Continued)

Glossary of Terms (Continued)

Residential Mortgage-Backed Securities (“RMBS”): In a typical RMBS issuance, residential mortgages of varying size and geographic location are pooled and transferred to a trust. The trust then issues a series of bonds that vary in duration, payment priority, and yield. Then rating agencies (such as Standard & Poor's, Moody's, or Fitch) assign credit ratings to the various bond classes ranging from investment grade to below investment grade.

Reverse Repurchase Agreements Risk: The Master Fund uses reverse repurchase agreements as a form of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired from the proceeds received in connection with a reverse repurchase agreement may decline below the price of the securities underlying the reverse repurchase agreement that the Master Fund has sold but remains obligated to repurchase. Reverse repurchase agreements also involve the risk that the counterparty liquidates the securities delivered to it by the Master Fund under the reverse repurchase agreements following the occurrence of an event of default under the applicable master repurchase agreement by the Master Fund. The buyer or lender of securities under a reverse repurchase agreement has broad discretion in determining the value of the repurchased securities. In addition, the market value of the securities subject to the repurchase agreement will decline from time to time. If the buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experiences insolvency, the Master Fund may be adversely affected. Furthermore, the Master Fund's counterparties will, from time to time and based on the value determined by the lender, require the Master Fund to provide additional margin in the form of cash, securities or other forms of collateral under the terms of the master repurchase agreement. The Master Fund does get margin called, and gets margin called more frequently during periods of market volatility, such as the events resulting from the outbreak of the novel coronavirus. If the Master Fund is unable to provide such margin, the counterparties may sell the securities the Master Fund delivered and such sales may be at inopportune times or otherwise result in loss to the Master Fund. Also, in entering into reverse repurchase agreements, the Master Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the underlying securities. In addition, due to the interest costs associated with reverse repurchase agreements transactions, the Master Fund's net asset value may decline, and, in some cases, the Master Fund may be worse off than if it had not used such instruments. The use of reverse repurchase agreements also increases the Master Fund's Managed Assets, which in turn increases the management fee payable to the Investment Manager.

Sharpe Ratio: A risk-adjusted measure calculated by using standard deviation and excess return to derive the reward per unit of risk. The higher an investment's Sharpe ratio, the more favorable the investment's historical risk-adjusted performance is.

Single Asset Single Borrower (“SASB”): The collateral for a SASB security is one loan to a single borrower backed by one or multiple properties that are generally cross-collateralized and cross-defaulted.

S&P 500: An American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

Top 10 Holdings %: Market value of the top 10 positions of the Master Fund divided by the total market value of the assets of the Fund. Excludes credit hedges, interest rate hedges, and currency hedges.

Total Assets: Total assets under U.S. Generally Accepted Accounting Principles.

Yield to Maturity (“YTM”): The total return anticipated on a bond if the bond is held until the end of its lifetime.

VIX: The Chicago Board of Options Exchange's Volatility Index (“VIX”), a measure of implied volatility in index options.

Volatility: A statistical measure of the uncertainty or risk in the size of changes in an investment's value.

*This material may include statements that constitute “forward-looking statements” under the U.S. securities laws, which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to the Fund, market or regulatory developments. The views expressed herein are not guarantees of future performance or economic results and involve certain risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from the views expressed herein. The views expressed herein are subject to change at any time based upon economic, market, or other conditions and the Manager undertakes no obligation to update the views expressed herein. While the Manager has gathered this information from sources believed to be reliable, the Manager cannot guarantee the accuracy of the information provided. Securities and indices discussed are not recommendations and are presented as examples of issue selection or portfolio management processes. They have been picked for comparison or illustration purposes only. The Manager reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available.