

Hersha Hospitality Trust to Purchase Interests in Three Hotels

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Company to Increase Manhattan and Extended-Stay Exposure -

Adds 11th Residence Inn to Portfolio

Hersha Hospitality Trust (AMEX: HT) announced that the Company has entered into separate agreements to purchase interests in two hotels in New York City. Additionally, the Company has completed the acquisition of a Residence Inn by Marriott located in Carlisle, Pennsylvania. All three hotels are less than one year old.

The two New York hotels are located in Manhattan and include the 228-room Holiday Inn Express Manhattan Madison Square located on 29th Street and 8th Avenue, which opened in October 2006, and the 65-room Hampton Inn Manhattan-Financial District Seaport, which opened in April 2006.

Jay H. Shah, Hersha's Chief Executive Officer, commented, 'We are particularly excited about these three transactions, as they involve new construction assets at attractive, off-market prices from our development partners. The Manhattan hotels demonstrate the value of our development loan program, which provides us with a proprietary pipeline of acquisition opportunities in non-competitive bidding situations. These hotel development loans offered an attractive 10% cash-on-cash rate of return while the hotels were under development and provided Hersha a first look at strategic assets in our key markets. We believe that New York City has the best hotel ownership and operating fundamentals in the nation with double digit ADR growth coupled with a forecasted net decrease in the city's hotel room inventory in 2007. We believe that increasing our exposure to this market will add significant value for our shareholders in the years to come.'

The first agreement is for a 100% interest in the Hampton Inn Manhattan-Financial District Seaport for approximately \$27.6 million, which includes the assumption of a three-year interest only first mortgage of approximately \$19.3 million. The loan bears interest at 6.36%. The hotel is surrounded by some of New York City's best shopping, restaurants, tourist attractions and historical sites while being located in the heart of the nation's financial district. The property is nestled in the historic Seaport neighborhood within walking distance of the New York Stock Exchange, City Hall, Pace University, Little Italy, and China Town.

The Company also entered into a contract to buy a 50% interest in the joint-venture that controls the Holiday Inn Express Manhattan Madison Square. The property is valued at \$85.5 million. The hotel is located in Madison Square Garden area convenient to midtown Manhattan, Jacob Javits Convention Center, and Chelsea Piers, one of NYC largest enclosed sports and recreational facilities. The surrounding area is experiencing among the highest office growth rates in Manhattan. Upon closing of the transaction, the Company will invest approximately \$7.75 million, using a combination of cash and Limited Partnership Units, for its 50% equity interest. The hotel's developer, Brisam Management, LLC, will retain a 50% interest in the hotel. Hersha had previously funded a \$15 million mezzanine development loan to Brisam at an annual interest rate of 10%, and this mezzanine loan will remain in place upon the completion of this transaction. The joint venture will also retain the current first mortgage financing of \$55.0 million, a 10 year fixed rate loan at 6.50%, 5 years interest only.

Mr. Shah concluded, 'After completion of this deal, which is expected to close by the end of the first quarter, Hersha will own four hotels in Manhattan and earn approximately 40% of the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) from the New York City metropolitan market including Manhattan, Queens, Brooklyn, Long Island, and Northern New Jersey. New York offers strong current yield, high growth and is a market with a remarkable lack of high quality, mid-priced accommodations. On a trialing basis, the Hampton and Holiday Inn Express delivered over \$200 in Average Daily Rate (ADR) and were nearly 90% occupied.'

Separately, the Company closed on the acquisition of the 78-suite Residence Inn Harrisburg Carlisle, Pennsylvania on January 10, 2007 for \$9.9 million. The property, which opened in December 2006, is located next to the Company's Hampton Inn Carlisle hotel. The location is convenient to many corporate and leisure demand drivers in the Harrisburg and Hershey market, which are expected to provide a stable, but high yield investment. This is the Company's 11th Residence Inn, Hersha's largest exposure to a single brand.

All three of the hotels will be managed by Hersha Hospitality Management, LP. Sellers for all three hotels were entities owned by affiliates of Hersha.

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