

Hersha Hospitality Announces Fourth Quarter 2007 Earnings

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Consolidated RevPAR Grew 17.2%

Year-over-Year Fourth Quarter 2007

Adjusted FFO ('AFFO') Increased 47.1% to \$0.25 Per Diluted Share/Unit

Consolidated RevPAR Grew 17.2%

Consolidated Hotel EBITDA Improved 60.3% to \$21.0 Million

Consolidated Same Store RevPAR Grew 12.2%

Initial 2008 AFFO Guidance of \$1.27 to \$1.30 Per Share /Unit

Hersha Hospitality Trust (AMEX: HT) owner of nationally franchised premium full service and limited service hotels, today announced earnings for the fourth quarter and full year ended December 31, 2007.

Financial Highlights for the Fourth Quarter 2007

Strong hotel revenue and increased profitability along with growth in Hersha's development loan program resulted in a significant increase in net income applicable to common shareholders. For the fourth quarter of 2007, net income applicable to common shareholders increased to \$4.6 million, or \$0.11 per common share, from a net loss of (\$1.4) million, or (\$0.04) per common share for the fourth quarter of 2006. Fourth quarter 2007 results include a gain on the disposition of two hotel assets of approximately \$3.7 million, or \$0.09 per common share. The fourth quarter results also include an expense for accrued 2007 incentive compensation totaling approximately \$0.02 per common share. In prior years, incentive compensation was determined and recorded in the first quarter after the end of each fiscal year.

Operating income for the fourth quarter ended December 31, 2007 grew 75.0% to \$11.9 million from \$6.8 million for the same period in 2006. The growth in operating income was a result of Hersha's larger portfolio, increased operating margins from rate-led hotel revenue growth and improved expense efficiency.

Adjusted funds from operations (AFFO) for the fourth quarter of 2007 increased 47.1% to \$0.25 per diluted common share and unit from \$0.17 per diluted common share and unit for the same quarter of 2006. A reconciliation of AFFO to net income applicable to common shares, the most directly applicable U.S. GAAP measure, is included at the end of this release.

Mr. Jay H. Shah, Chief Executive Officer, commented, 'Our 2007 performance was very strong. The significant internal growth from both our stabilized and newer hotels contributed to our 16.1% revenue per available room (RevPAR) growth and 24.7% increase in AFFO for the year. On a geographic basis, our properties in metro-New York City, metro-Boston and metro-Washington, D.C. compared very well to their markets achieving RevPAR growth of 28.4%, 20.6% and 18.6%, respectively, compared to industry estimates of 13.5%, 18.6% and 7.4%, respectively for those same markets during the fourth quarter. We slowed the pace of our external growth by purchasing seven hotels into the portfolio in 2007 as compared to 44 hotels in the previous two years. As we discussed in the first half of the year, we purposefully shifted our primary focus to internal growth and asset management in order to drive our portfolio RevPAR and hotel profitability. Our fourth quarter and full year 2007 revenue growth and positive operating leverage demonstrates what we expect to be a continued priority in the years ahead.'

For the three-month period ended December 31, 2007, consolidated total hotel operating revenues increased 52.9% to \$57.5 million from \$37.6 million in the fourth quarter of 2006. This increase was primarily driven by our growth in same-store room revenues and revenue contributions from acquisitions completed in prior periods. RevPAR for the Company's consolidated hotels (55 hotels) increased 17.2% on a year-over-year basis to \$94.46, which was driven by an average daily rate (ADR) increase of 15.3% to \$136.93 and an improvement in occupancy, which grew 111 basis points to 68.98% as compared to 67.87% for the fourth quarter of 2006.

Hotel Earnings before interest, taxes, depreciation and amortization (Hotel EBITDA) for Hersha's consolidated hotels grew 60.3% to \$21.0 million for the fourth quarter of 2007 compared to the fourth quarter of 2006. Hotel EBITDA margins for the quarter increased 151 basis points to 36.3% for the Company's consolidated hotel portfolio. Hotel EBITDA margins improved as a result of growth in ADR and expense control measures successfully implemented by our asset managers.

On a same-store basis for Hersha's consolidated hotels (42 hotels), RevPAR for the fourth quarter of 2007 increased 12.2% on a year-over-year basis to \$90.42, which was driven by an 11.3% increase in ADR to \$132.17 and 54 basis points of improvement in occupancy, which increased to 68.41% from 67.87%. Same-store Hotel EBITDA for the fourth quarter of 2007 increased 18.4% to \$14.8 million. The Company's same-store Hotel EBITDA margin improved 190 basis points to 35.2% for the fourth quarter of 2007, as compared to the fourth quarter of 2006.

Other Highlights

At the end of November, 2007, the Company completed the sale of the 118-room Fairfield Inn located in Mt. Laurel, New Jersey and the 149-room Hampton Inn located in Linden, New Jersey at an approximate 7.0% blended capitalization rate.

Subsequent Events

In January, 2008, the Company completed the purchase of the 45-room independent boutique hotel, the Duane Street Hotel in the Tribeca section of New York City for \$24.75 million. The purchase price included \$2.0 million in cash, the assumption of \$15.0 million of fixed rate debt and the issuance of units of limited partnership interest in Hersha Hospitality Limited Partnership, our operating subsidiary, valued at approximately \$7.75 million.

Separately, in January, 2008, Hersha purchased a 93-room independent upscale hotel development project at 75 Smith Street in Brooklyn, New York for \$17.24 million from Atlantic Court, LLC. The mixed-used project also contains 50 residential units, 2 ground level retail units, a community unit and a garage unit that are separately owned by unrelated entities. The independent boutique hotel, which will be named the 'Nu Hotel', is expected to be open by the end of the third quarter of 2008.

Balance Sheet

The Company ended the fourth quarter of 2007 with \$58.2 million in development loans and \$23.4 million in land leases outstanding to 11 hotel development projects. During the fourth quarter of 2007, Lehman Brothers acquired one of Hersha's \$15.0 million development loans, at par, and the Company also received a \$2.0 million repayment on another loan. The Company also made an additional loan of \$5 million for an existing Manhattan, New York hotel project.

At December 31, 2007, Hersha Hospitality Trust had approximately \$663.0 million of total consolidated debt outstanding, which included approximately \$51.5 million of trust preferred securities and \$43.7 million outstanding on the Company's line of credit. Fixed rate debt, including variable rate debt fixed by an interest rate swap, amounted to approximately 89.3% of total consolidated debt. The weighted average interest rate on all of the Company's fixed rate debt was approximately 6.19% for the fourth quarter of 2007. The weighted average life to maturity of the Company's debt was 8.2 years. Total common shares and units of limited partnership interest of Hersha Hospitality Limited Partnership outstanding at December 31, 2007 were 47.6 million.

'During the fourth quarter of 2007, we continued to execute our plan to reduce our consolidated debt. In the fourth quarter, we repaid a total of \$46.3 million in debt, including amounts reduced as a result of the sale of two of the Company's hotels. We feel comfortable with our strategy of how our assets are financed given our significant percentage of fixed rate debt and favorable maturity schedule,' noted Mr. Shah.

Dividend

For the fourth quarter of 2007, Hersha Hospitality Trust declared common share and limited partnership unit dividends of \$0.18 per common share and unit. Hersha's annualized dividend of \$0.72 per common share is approximately 71% of the Company's AFFO less maintenance capital expenditures for the fiscal year ending December 31, 2007. The Board of Trustees also declared a fourth quarter cash dividend of \$0.50 per Series A Preferred Share.

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