LaSalle Hotel Properties Reports First Quarter Results

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LaSalle Hotel Properties (NYSE:LHO) reported a net loss to common shareholders of $14.8 million, or ($0.37) per diluted share for the quarter ended March 31, 2008, compared to net income of $15.7 million, or $0.39 per diluted share for the prior year.

Net income for the prior year includes the $30.3 million net gain on sale of the LaGuardia Marriott and the $3.9 million write-off of the non-cash costs associated with the initial issuance of the Company’s Series A Preferred Shares, which were redeemed by the Company in March 2007.

For the quarter ended March 31, 2008, the Company generated funds from operations (’FFO’) of $9.8 million versus $7.6 million for the same period of 2007. On a per diluted share basis, FFO for 2008 was $0.25 versus $0.19 a year ago. FFO for 2007 includes the $3.9 million non-cash write-off of the initial issuance costs of the Series A Preferred Shares due to their redemption in March.

The Company’s earnings before interest, taxes, depreciation and amortization (’EBITDA’) for the first quarter was $24.5 million as compared to $58.8 million for the same period of 2007. EBITDA for 2007 includes the $30.3 million net gain on sale of the LaGuardia Marriott.

Room revenue per available room (’RevPAR’) decreased 1.0 percent for the first quarter to $118.26 versus the previous year. Average daily rate (’ADR’) increased 1.5 percent to $183.08 compared to the first quarter of 2007, while occupancy declined 2.4 percent to 64.6 percent. The decline in RevPAR was anticipated and was primarily attributable to the negative impact related to the disruption associated with the Company’s numerous redevelopments, repositionings and renovation projects as well as the shift of the Easter holiday to March from April in the prior year.

The Company’s hotels generated $27.9 million of EBITDA in the first quarter compared with $31.6 million last year. EBITDA margins across the Company’s portfolio decreased 230 basis points from the prior year period. The decline in portfolio-wide EBITDA and EBITDA margins was attributable to the decline in RevPAR and other revenues.

’The performance of the economy, the lodging industry and our portfolio were in line with expectations in the quarter,’ said Jon Bortz, Chairman and Chief Executive Officer of LaSalle Hotel Properties. ’Despite weakening economic trends, the lodging industry managed to maintain pricing power and modest growth in RevPAR. With our major renovations and repositionings materially complete, we continue to anticipate faring better than the industry for the remainder of 2008.’

As of the end of the first quarter 2008, the Company had total outstanding debt of $967.1 million. The Company’s $450.0 million credit facility had an outstanding balance of $152.0 million as of March 31, 2008. Trailing 12 month Corporate EBITDA (as defined in the Company’s senior unsecured credit facility) to interest coverage ratio was 4.2 times. As of March 31, 2008, total debt to trailing 12 month Corporate EBITDA equaled 4.7 times, one of the lowest debt to EBITDA ratios in the industry.

First Quarter Highlights

On January 15, 2008, the Company announced its monthly dividend of $0.17 per share of its common shares of beneficial interest for each of the three months of January, February and March 2008. The January dividend was paid on February 15, 2008 to common shareholders of record on January 31, 2008, the February dividend was paid on March 14, 2008 to common shareholders of record on February 29, 2008, and the March dividend was paid on April 15, 2008 to common shareholders of record on March 31, 2008.

On March 18, 2008, the Company announced that Modern Magic Hotel LLC, a joint venture between the Company and Oxford OG Hospitality Chicago, LLC (’Oxford’), acquired floors 2 through 13 and a portion of the first floor of the existing 52-story IBM Building located at 330 N. Wabash Avenue in downtown Chicago, IL for $46.0 million. The building, designed by world-renowned architect Mies van der Rohe, was recently designated a historic landmark. The joint venture plans to convert the existing vacant floors to a super luxury hotel. The development plan has not yet been finalized, but the hotel is expected to house up to 335 rooms. The standard guestroom will be approximately 525 square feet, one of the largest in the city, and will feature large 5-fixture bathrooms. Guestrooms will have 9.5 foot ceilings with floor to ceiling windows providing dramatic views of the Chicago River, Lake Michigan and the Chicago skyline. The joint venture is striving to achieve a Silver LEED certification for the hotel, through both "green" design and operations. It is expected that the completed hotel will open in 2010. LaSalle Hotel Properties holds a 95 percent controlling interest in Modern Magic Hotel, LLC with the remaining 5 percent interest owned by Oxford.

Subsequent Events

On April 15, 2008, the Company announced monthly dividends of $0.17 per common share for each of the three months of April, May and June 2008. The April dividend will be paid on May 15, 2008 to common shareholders of record on April 30, 2008, the May dividend will be paid on June 13, 2008 to common shareholders of record on May 30, 2008, and the June dividend will be paid on July 15, 2008 to common shareholders of record on June 30, 2008.

On April 17, 2008, the Company and LaSalle Investment Management announced a joint venture to seek domestic hotel investments in high barrier-to-entry urban and resort markets in the U.S. The two companies plan to invest up to an aggregate of $250 million of equity in the joint venture. With anticipated leverage, this would result in investments of up to $700 million. LaSalle Hotel Properties will own 15 percent of the joint venture and have the opportunity to earn a promote, or incentive fee, based upon achieving specific return thresholds based on each partner’s equity investment. The Company will receive additional income for providing acquisition, asset management, project redevelopment oversight and financing services.

2008 Outlook

The outlook for the second, third and fourth quarters of 2008 remains unchanged from our quarterly outlook provided on February 21, 2008.