



## Hersha Hospitality Announces First Quarter 2008 Earnings

2008-05-06

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Consolidated Same Store RevPAR Grew 7.6%

### **Year-over-Year First Quarter 2008**

**Adjusted FFO ('AFFO') Increased 66.7% to \$0.15 Per Diluted Share/Unit**

**Consolidated RevPAR Grew 9.7%**

**Consolidated Hotel EBITDA Improved 15.7% to \$16.2 Million**

**Consolidated Same Store RevPAR Grew 7.6%**

**2008 AFFO Guidance Increased to \$1.30-\$1.33 Per Share /Unit**

Hersha Hospitality Trust (NYSE: HT) owner of nationally franchised premium select service and full service hotels, announced earnings for the first quarter ended March 31, 2008.

### **Financial Highlights for the First Quarter 2008**

Strong hotel revenue and increased profitability along with growth in Hersha's development loan program resulted in a reduced net loss applicable to common shareholders. For the first quarter of 2008, net loss applicable to common shareholders improved to (\$4.1) million, or (\$0.10) per common share, from (\$5.4) million, or (\$0.13) per common share for the first quarter of 2007.

Operating income for the first quarter ended March 31, 2008 grew 34.0% to \$7.5 million from \$5.6 million for the same period in 2007. 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 first quarter of 2008 increased 66.7% to \$0.15 per diluted common share and unit from \$0.09 per diluted common share and unit for the same quarter of 2007. 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, noted, 'Our first quarter results have us off to a very good start to the year. While this is our slowest quarter seasonally, we are extremely pleased with the solid growth in RevPAR and AFFO. We continue to experience RevPAR benefits and superb performance from young hotels located in several of the best insulated urban locations in the Northeast corridor. Our joint-venture assets have also continued to mature with six of the nine hotels jointly-owned with the Waterford Hotel Group having increased occupancy during the quarter. In addition, the continued dislocation in the debt markets has enabled us to take advantage of select opportunities to increase our profitability by expanding our development loan program.'

For the three-month period ended March 31, 2008, consolidated total hotel operating revenues increased 15.9% to \$51.9 million from \$44.8 million in the first quarter of 2007. 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 (56 hotels) increased 9.7% on a year-over-year basis to \$85.46, which was driven by an average daily rate (ADR) increase of 8.7% to \$130.12 and an improvement in occupancy, which grew 63 basis points to 65.68% as compared to 65.05% for the first quarter of 2007.

Hotel Earnings before interest, taxes, depreciation and amortization (Hotel EBITDA) for Hersha's consolidated hotels grew 15.7% to \$16.2 million for the first quarter of 2008 compared to the first quarter of 2007. Hotel EBITDA margins of 31.2% for the first quarter of 2008 were comparable to the prior year level. The Company's portfolio of Hyatt Summerfield Suites experienced significant margin deterioration due to increased Hyatt brand initiatives and guest reward program expenses. These initiatives, which were implemented in the third quarter of 2007, negatively impacted the company's EBITDA margins during this period. Excluding our portfolio of Hyatt Summerfield Suites, Hotel EBITDA margins increased 135 basis points.

On a same-store basis for Hersha's consolidated hotels (49 hotels), RevPAR for the first quarter of 2008 increased 7.6% on a year-over-year basis to \$84.12, which was driven by a 7.2% increase in ADR to \$127.92 and 28 basis points of improvement in occupancy, which increased to 65.76% from 65.48%. Same-store Hotel EBITDA for the first quarter of 2008 increased 5.1% to \$14.4 million. The Company's same-store Hotel EBITDA margin declined 92 basis points to 31.0% for the first quarter of 2008, as compared to the first quarter of 2007 for the reasons discussed above. Excluding the Hyatt Summerfield Suites portfolio, Hotel EBITDA margins increased 73 basis points.

### **Subsequent Events**

The May, 2008 issue of Condé Nast Traveler magazine has named the Company's Duane Street Hotel in New York City to its 12th Annual Hot List of the World's Top New Hotels, Restaurants, Nightclubs and Spas.

## Balance Sheet

The Company ended the first quarter of 2008 with \$71.0 million in development loans and \$23.4 million in land leases outstanding to 13 hotel development projects.

At March 31, 2008, Hersha Hospitality Trust had approximately \$722.0 million of total consolidated debt outstanding, which included approximately \$51.5 million of trust preferred securities and \$74.1 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 84.1% of total consolidated debt. For the first quarter of 2008, the weighted average interest rate on all of the Company's fixed and floating rate debt was approximately 6.22% and 5.92%, respectively. The weighted average life to maturity of the Company's debt was approximately 7.6 years. Total common shares and units of limited partnership interest of Hersha Hospitality Limited Partnership outstanding at March 31, 2008 were approximately 48.4 million.

## Dividend

For the first quarter of 2008, 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 60.0% of the Company's forecasted AFFO less maintenance capital expenditures. The Board of Trustees also declared a first quarter cash dividend of \$0.50 per Series A Preferred Share.

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