

LaSalle Hotel Properties Reports Second Quarter Results

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FFO per Share Increases 12.6 Percent

LaSalle Hotel Properties (NYSE:LHO) today reported net income to common shareholders of \$20.5 million, or \$0.51 per diluted share for the second quarter ended June 30, 2008, compared to net income of \$19.4 million, or \$0.48 per diluted share for the same prior year period.

For the second quarter ended June 30, 2008, the Company generated funds from operations ('FFO') of \$47.4 million versus \$42.3 million for the same period of 2007, an increase of 12.1 percent. On a per diluted share basis, FFO for the second quarter 2008 rose to \$1.18 from \$1.05 a year ago, an increase of 12.6 percent. The Company's earnings before interest, taxes, depreciation and amortization ('EBITDA') for the second quarter increased 8.4 percent to \$70.5 million from \$65.0 million for the same period of 2007.

Room revenue per available room ('RevPAR') increased 5.3 percent for the second quarter to \$174.38 versus the previous year. Average daily rate ('ADR') increased 2.6 percent to \$214.38 compared to the second quarter of 2007, while occupancy increased 2.6 percent to 81.3 percent. The Company's RevPAR outperformance compared to the overall lodging industry was primarily attributable to the performance of hotels that benefited from the Company's numerous recently completed redevelopments, repositionings and renovation projects.

The Company's hotels generated \$73.1 million of EBITDA ('Hotel EBITDA') in the second quarter compared with \$68.0 million last year. Hotel EBITDA margins across the Company's portfolio increased 69 basis points from the prior year period. The increase in portfolio-wide hotel EBITDA margins was primarily attributable to a 5.5 percent increase in portfolio-wide hotel revenues while limiting expense increases to 4.3 percent from the prior year.

'The solid performance of our recently renovated and repositioned hotels drove favorable results for the Company and significant outperformance as compared to the industry in the quarter,' said Jon Bortz, Chairman and Chief Executive Officer of LaSalle Hotel Properties. 'With our major renovations and repositionings materially complete and now ramping up, we anticipate that our portfolio will fare better than the industry on a RevPAR basis for the remainder of 2008, as it did in the second quarter. We also continue to aggressively asset manage our properties, working closely with our managers to operate more efficiently during this difficult economic environment.'

As of the end of the second quarter 2008, the Company had total outstanding debt of \$965.5 million. The Company's \$450.0 million credit facility had an outstanding balance of \$169.0 million as of June 30, 2008. Trailing 12 month Corporate EBITDA (as defined in the Company's senior unsecured credit facility) to interest coverage ratio was 4.3 times. Including the impact of adding back \$0.7 million of capitalized interest to interest expense, the weighted average interest rate of the Company's debt was 5.1 percent in the quarter. As of June 30, 2008, total debt to trailing 12 month Corporate EBITDA equaled 4.5 times.

'We have no debt maturities for the remainder of 2008, significant capacity available on our \$450.0 million credit facility and 18 of our 31 hotels are unencumbered by debt,' stated Hans Weger, the Company's Chief Financial Officer. 'We continue to be committed to maintaining a strong balance sheet during these uncertain times.'

For the six months ended June 30, 2008, net income to common shareholders decreased to \$5.7 million from \$35.0 million for the prior year period. Net income for the six months ended June 30, 2007 included a \$30.3 million gain on sale of the LaGuardia Marriott and the negative impact from 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 2007. For the six months ended June 30, 2008, FFO increased to \$57.2 million, or \$1.43 per diluted share, from \$49.9 million, or \$1.24 per diluted share for the prior year period. FFO for 2007 included the negative impact from the \$3.9 million related to the issuance costs of the Series A Preferred Shares. EBITDA for the six months ended June 30, 2008 decreased to \$95.0 million from \$123.8 million for the prior year period. EBITDA for 2007 included the \$30.3 million gain on sale of the LaGuardia Marriott.

RevPAR increased 2.6 percent for the six months ended June 30, 2008 to \$146.42 versus the prior year period. The growth in RevPAR was almost entirely due to ADR growth of 2.3 percent to \$200.58. Occupancy rose 0.3 percent to a healthy 73.0 percent for the six months ended June 30, 2008.

For the six months ended June 30, 2008, the Company's hotels generated \$101.0 million of Hotel EBITDA compared with \$99.6 million for the same period last year. Hotel EBITDA margins across the Company's portfolio decreased 29 basis points from the prior year period. The decrease in portfolio-wide hotel EBITDA margins was primarily attributable to increases in wages and benefits, sales and marketing expenses and a 14.9 percent increase in property taxes over the first half of 2007.

Second Quarter Highlights

On April 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 April, May and June 2008. The April dividend was paid on May 15, 2008 to common shareholders of record on April 30, 2008, the May dividend was paid on June 13, 2008 to common shareholders of record on May 30, 2008, and the June dividend was 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. This would result in investments of up to \$700 million when combined with targeted leverage. LaSalle Hotel Properties will own 15 percent of the joint venture and have the opportunity to earn a greater percentage of sale proceeds based upon achieving specific return thresholds on total joint venture equity investments. The Company will also receive additional income for providing acquisition, asset management, project redevelopment oversight and certain financing services.

On June 2, 2008, the Board of Trustees of LaSalle Hotel Properties adopted a succession plan with respect to its Chairman, Chief Executive Officer and President Jon E. Bortz and its Chief Operating Officer Michael D. Barnello. Pursuant to the succession plan, Mr. Bortz will retire as Chief Executive Officer as of July 1, 2010, and Mr. Barnello, who has been Chief Operating Officer since the Company's inception, will assume the role and duties of Chief Executive Officer at that time. The succession plan includes Mr. Bortz continuing in his role as Chairman of the Board after his retirement. Effective June 2, 2008, Mr. Barnello was named President of LaSalle Hotel Properties.

Subsequent Events

On July 15, 2008, the Company announced it was increasing its monthly dividend to \$0.175 per common share for each of the three months of July, August and September 2008. The July dividend will be paid on August 15, 2008 to common shareholders of record on July 31, 2008, the August dividend will be paid on September 15, 2008 to common shareholders of record on August 29, 2008, and the September dividend will be paid on October 15, 2008 to common shareholders of record on September 30, 2008.

'This represents the sixth consecutive year the Company has increased its common share dividend,' stated Mr. Weger, 'demonstrating the Company's commitment to consistent income growth for its shareholders.'

On July 21, 2008, in connection with the Company's previously announced succession plan, the Board of Trustees increased the number of trustees constituting the full Board of Trustees to eight, and appointed Michael D. Barnello, our President and Chief Operating Officer, as a trustee effective immediately (initially to the class of trustees whose terms expire in 2009) to serve until his successor is duly elected and qualified. In addition, Julio Morales was named Chief Accounting Officer effective immediately. Mr. Morales, 47, has been with the Company since June 2000 and has acted as Controller of the Company since that time. Mr. Morales will continue to have responsibility for the day-to-day accounting functions of the Company and will continue to report to Hans S. Weger, the Company's Executive Vice President and Chief Financial Officer.

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