

Hersha Hospitality Announces Q2 RevPAR Grew 4.3%

2008-08-05

Hersha Hospitality Announces Second Quarter 2008 Earnings

Year-over-Year Second Quarter 2008

Adjusted FFO ('AFFO') Increased 2.4% to \$0.43 Per Diluted Share/Unit

Consolidated RevPAR Grew 4.3%

Consolidated Hotel EBITDA Increased 9.8% to \$27.6 Million

Consolidated Same Store RevPAR Grew 4.0%

Hersha Hospitality Trust (NYSE: HT) owner of nationally franchised premium select service and full service hotels, today announced earnings for the second quarter ended June 30, 2008.

Financial Highlights for the Second Quarter 2008

Growth in hotel revenues along with increased income from development loans resulted in improved net income applicable to common shareholders. For the second quarter of 2008, net income applicable to common shareholders grew 6.1% to \$7.0 million from \$6.6 million in the second quarter of 2007. Net income applicable to common shareholders of \$0.16 per weighted average common share outstanding in the second quarter of 2008 was comparable to the second quarter of 2007 due to an increase in common shares outstanding during the quarter, the proceeds of which were utilized to reduce the Company's line of credit, initiate development loans and to acquire three new hotels.

Operating income for the second quarter ended June 30, 2008 grew 7.4% to \$18.8 million from \$17.5 million for the same period in 2007. The growth in operating income was a result of improved operating margins from rate-led hotel revenue growth, continued stabilization of several new hotels and accretive asset acquisitions.

Adjusted funds from operations (AFFO) for the second quarter of 2008 increased 2.4% to \$0.43 per diluted common share and unit from \$0.42 per diluted common share and unit for the same quarter of 2007. Growth in the Company's hotel portfolio and performance of its assets helped to offset the impact of increased shares outstanding in the second quarter of 2008 relative to the second 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, commented, 'We are pleased to have produced another excellent quarter of earnings and to have maintained top-tier operating margins. Our East Coast urban focused hotels performed solidly, led by 14% same-store RevPAR growth from our metro-New York City hotels. The managers of these properties were able to leverage the strategic locations and low effective age of these properties into increased Hotel EBITDA. We believe that possessing a young portfolio, located in high barrier-to-entry markets, is a winning strategy, regardless of the market conditions, given the growth potential these assets can provide in the coming years. To this end, we purchased three additional newly opened hotels during the quarter and one subsequent to the close of the quarter. The median age of our portfolio of hotels is below six years and we believe that this will continue to enhance our growth prospects going forward.'

For the three-month period ended June 30, 2008, consolidated total hotel operating revenues increased 9.4% to \$67.4 million from \$61.6 million in the second 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. Revenue per available room (RevPAR) for the Company's consolidated hotels (59 hotels) increased 4.3% on a year-over-year basis to \$109.73, which was driven entirely by an average daily rate (ADR) increase of 6.1% to \$139.56. During the quarter, the Company's hotel managers chose to aggressively maintain rate levels in order to optimize operating margins, resulting in a decline in occupancy, which fell to 78.63% from 79.99%.

Hotel earnings before interest, taxes, depreciation and amortization (Hotel EBITDA) for Hersha's consolidated hotels grew 9.8% to \$27.6 million for the second quarter of 2008 compared to the second quarter of 2007. Hotel EBITDA margins of 41.0% for the second quarter of 2008 increased 14 basis points compared to the prior year level. The Company's portfolio of Hyatt Summerfield Suites experienced 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 the second quarter of 2008. Excluding the Company's portfolio of Hyatt Summerfield Suites, Hotel EBITDA margins for the consolidated hotels increased 100 basis points.

On a same-store basis for Hersha's consolidated hotels (53 hotels), RevPAR for the second quarter of 2008 increased 4.0% on a year-over-year basis to \$109.16, which was driven by a 5.1% increase in ADR to \$137.92. Occupancy fell to 79.15% from 80.02%. Same-store Hotel EBITDA for the second quarter of 2008 increased 3.6% to \$25.8 million from \$24.9 million. The Company's same-store Hotel EBITDA margin declined 8 basis points to 40.6% for the second quarter of 2008, as compared to the second quarter of 2007 for the reasons discussed above. Excluding the Hyatt Summerfield Suites portfolio, Hotel EBITDA margins increased 97 basis points.

Other Highlights

In May and June, the Company purchased three newly opened hotels, the 107-suite Towne Place Suites, Harrisburg, Pennsylvania, the 150-room Sheraton Hotel, JFK Airport and the 127-room Holiday Inn Express, Camp Springs (Andrews Air Force Base), Maryland, in separate transactions, for a total of \$61.8 million.

In July, Hersha opened the nu Hotel in Brooklyn, New York, a 93-room independent boutique hotel newly developed by the Company. The nu Hotel Brooklyn and the Duane Street Hotel (Tribeca) serve as the foundation of Hersha's collection of independent hotels operating in the vibrant metro-New York City market.

In August, subsequent to the close of the quarter, the Company purchased a brand new 101-room Hampton Inn, located in Smithfield, Rhode Island for \$12.6 million.

Balance Sheet

The Company ended the second quarter of 2008 with approximately \$72.7 million in development loans and approximately \$23.4 million in land leases outstanding to 13 hotel development projects.

At June 30, 2008, Hersha Hospitality Trust had approximately \$721.0 million of total consolidated debt outstanding, which included approximately \$51.5 million of trust preferred securities and approximately \$47.6 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 87.8% of total consolidated debt. For the second quarter of 2008, the weighted average interest rate on all of the Company's fixed and floating rate debt was approximately 6.13% and 4.83%, respectively. The weighted average life to maturity of the Company's debt, excluding the credit line, was approximately 8.0 years. Total common shares and units of limited partnership interest of Hersha Hospitality Limited Partnership outstanding at June 30, 2008 were approximately 48.1 million and 8.9 million, respectively.

Dividend

For the second quarter of 2008, Hersha Hospitality Trust declared common share and limited partnership unit dividends of \$0.18 per common share and unit. The Board of Trustees also declared a second quarter cash dividend of \$0.50 per Series A Preferred Share.

Hersha's forecasted AFFO for the full year ended December 31, 2008, less maintenance capital expenditures, is expected to exceed its annualized dividend of \$0.72 per common share by 1.7 times, providing both coverage for its current dividend and internally generated funds for investment.

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