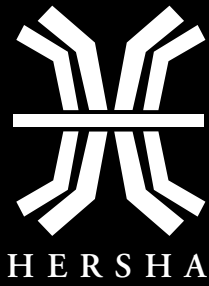
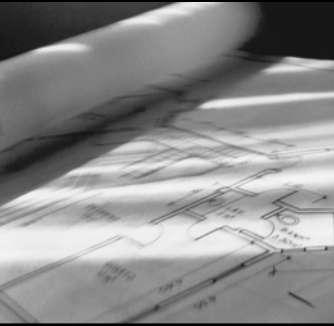


HERSHA HOSPITALITY TRUST



HERSHA



2000 Annual Report



Financial Highlights

In thousands except per share data.

2000

1999

Hersha Hospitality Trust

Revenues	\$ 12,824	\$ 7,370
Income Before Minority Interest	2,755	3,045
Net Income ^(a)	847	1,338
Funds From Operations (FFO) ^(a)	6,647	5,109
FFO Per Share Diluted	0.99	0.79

BALANCE SHEET HIGHLIGHTS:

Total Assets	\$ 94,531	\$56,382
Total Debt	61,450	27,754
Total Minority Interest	17,679	18,980
Total Shareholder's Equity	11,014	11,805

In thousands except operating data.

2000

1999

1998

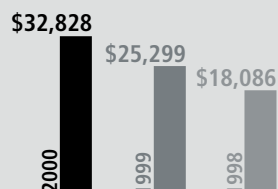
Hotel Operating Results

Room Revenues	\$ 29,297	\$ 21,871	\$ 15,185
Total Revenues	32,828	25,299	18,086
Net Operating Income	11,802	8,314	5,577
Number of Rooms ^(b)	2,468	1,198	989
Average Daily Rate	\$ 74.60	\$ 69.10	\$ 68.55
Revenue Per Available Room	\$ 45.73	\$ 39.47	\$ 41.02

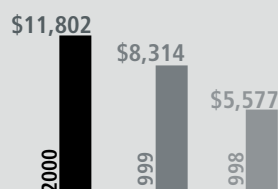
(a) Industry Analysts and investors utilize Funds from Operations (FFO) as a tool to compare REIT performance due to the high level of depreciation and non-cash charges incorporated into Net Income and Earnings Per Share.

(b) Rooms operated at year end for the respective year.

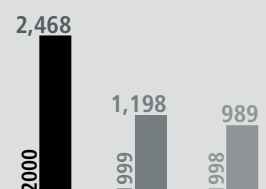
Total Revenue



Net Operating Income



Number of Rooms



Dear Fellow Shareholders:

Hersha Hospitality Trust began trading publicly in January of 1999 with the well-defined mission of maximizing shareholder value by leveraging our management team's deep hotel industry expertise and by delivering consistent value through fiscally responsible growth. During the last two years, the tremendous rise in technology and internet stocks made it difficult for some investors to get excited about our industry and mission. It made growth more challenging, but it created a great opportunity for Hersha's management expertise to shine nonetheless.



Today, eight quarters and an economic cycle later, we are pleased to present the early results of our modest mission - after you read our report, I think you will agree that we have translated our vision into reality and strong results for all of our investors.

Our achievements in internal growth, external growth, and rates of return are tremendous. They are particularly significant considering the volatility of the broader capital markets. Beyond the numbers, however, I am most proud of the underlying business model that produced this performance and will continue to do so well into the new millennium. It may not be especially glamorous or revolutionary, but it works.

EXTERNAL GROWTH: We acquired eight hotels during the year, bringing our portfolio as of December 31, 2000 to 21 full and premium limited service hotels - an increase of 60% over the comparable date in 1999. These acquisitions have doubled our net asset value, expanded our diversity in brands and in geography, and strengthened our ability to withstand pressures from a potential market slowdown.

While our properties vary in size, brand, and geographic location, they share one important similarity -- all are in markets that offer strong growth potential, offer multiple demand generators, and pose barriers to entry. Although we favor central business districts, we do occasionally find



stronger opportunities in select secondary markets. We seek sturdy and sustainable cash flows, not necessarily trophy assets.

INTERNAL GROWTH: In the Spring of 2000, we completed a \$22 million refinancing with Lehman Brothers. This transaction was important for two reasons - it securitized almost 40% of our debt and it provided fixed-rate financing, thereby limiting our exposure to interest rate fluctuations. Currently, 75% of our debt consists of fixed rate financing.

We also worked closely with the firms that operate our properties to responsibly minimize expenses and maximize vital components such as occupancy, revenue per available room (REVPAR), and average daily rates. The results were impressive. The combination of our acquisitions and internal growth helped us to achieve a industry leading REVPAR growth rate of 17.3% and an average daily rate increase of 8.7%.

RATES OF RETURN: Our financial measures continue to be among the best for any lodging REIT. For example, our closing price of \$5.56 per share on December 31, 2000 represented a return of 11.5% for the previous 52-week period. Our funds from operations (FFO) increased by over 30%. At our current dividend payout rate of \$0.18 per quarter our stock's current dividend yield is approximately 12% with a price-to-FFO multiple of 6.0x. We have provided this cash dividend for eight consecutive quarters.

Our robust cash flow and sustainable dividend point to the strength of our underlying business model. Our strategy and expert execution enable us to provide each of our investors with market-leading current income through cash dividends while we grow and optimize our asset portfolio for steady, long term capital appreciation.

As many of you know, my family and long-term business partners remain the largest shareholders of HT. And now with two years of consistent performance, we also have an impressive track record to attract more new investors to HT. I see a very strong future for this company, and I hope this report reconfirms your decision to share in this bright future.

We are a unique company in today's public marketplace. In the following pages, I present the three questions I am most frequently asked. I hope my answers help both current and potential investors to better understand our fundamentals, our vision, and our strategy.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Hasu P. Shah', written over a horizontal line.

Hasu P. Shah
Chairman & CEO

What are the advantages of investing in REIT's?

A real estate investment trust (REIT) such as The Hersha Hospitality Trust functions like a mutual fund for real estate -- it's a corporation or business trust that pools the capital of many investors to acquire and own income-producing commercial real estate. This structure offers several significant advantages to both retail and institutional investors:

1. High Current Income - A REIT is required by law to distribute 90% or more of its taxable income to shareholders so it usually provides a higher rate of return than a typical corporation, which makes the REIT especially attractive to income-oriented investors. Since a qualified REIT does not pay state or federal corporate taxes, shareholders avoid the "double taxation" often associated with stock investments.

2. Tangible and Appreciating Value - By investing in REITs, investors gain shares in a diversified base of assets to reduce risk, stabilize volatility, and increase the potential for capital appreciation. REITs as an investment class also provide significant diversification benefits for an individual's portfolio due to the low historical correlation between real estate and other classes of equity.

3. Liquidity - REIT shares trade on major stock exchanges, for example those of The Hersha Hospitality Trust trade on the American Stock Exchange, so they can easily be sold and converted into cash. Investors can invest \$500 to \$5 Million according to the needs of their portfolio. We are monitored by independent auditors, outside directors and investment analysts, all of which provides investors with a sense of security and confidence.

What is HT's operating philosophy?

Although we have a successful track record and considerable experience in hotel development and operations, we consider ourselves investment strategists -- our focus is on generating returns which

are “high yield” yet safe. We tend to invest in new, mid-scale and premium hotels in major markets because these properties produce the strongest cash flow and strongest returns -- and because this is an industry and a market segment in which we have considerable proven expertise.

We do not operate our own hotels nor do we develop new hotels - we look to our operating partners to shoulder that risk. Our core competencies are in asset management, value enhancement, and acquisition financing.

The industry calls our model a “Paper Clip” structure. Basically, Hersha Hospitality Trust owns the real estate underlying our hotel portfolio while separate and distinct management companies actually



operate the hotels. The majority of our properties are operated by Hersha Hospitality Management LP (“HHMLP”), one of the leading hotel management companies in the northeastern United States. Last year, we began a new strategic alliance with Noble Investment Group, Ltd. based in Atlanta, Georgia. Noble is one of the leading hotel development and management companies in the southeastern United States.

The relationship between the Trust and entrepreneurial management companies is a symbiotic one. By acquiring newly developed or repositioned assets from leading management companies, Hersha gains market-leading assets at attractive prices, while the management companies garner new capital to develop future assets. We take the real estate ownership risk, they take the hotel

operating risk - we all concentrate on what we do best. All these benefits translate directly to our bottom line -- profits for today and stability for tomorrow.

Why is HT a good investment?

By almost every measure, our financial performance is among the best of any REIT -- not just any lodging REIT, but any REIT in any industry. Lodging assets can deliver superior risk adjusted returns - our exceptional management ensures robust cash flows and a sustainable and growing income stream.



1. Strong Income and Consistent Returns:

- ❑ The current yield at the current share price approximates 12%, which exceeds the yield on 30-year Treasury bonds by more than 650 basis points;
- ❑ The company has paid eight consecutive dividends since its initial public offering in January of 1999, which demonstrates considerable stability during an especially volatile market period.

2. Strong and Sustained Growth:

- ❑ In number of assets, from 10 properties to 21 properties in 24 months, or an increase of 110% without further equity financing;

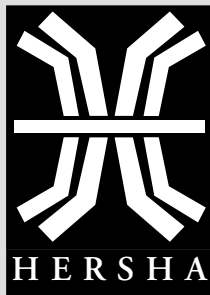
- ❑ In FFO per share - the industry's leading metric, from \$0.79 to \$0.99, or an increase of 25.3% from 1999 to 2000;
- ❑ In Revenue per Available Room, from \$39.47 to \$45.73, an increase of 17.3% from 1999 to 2000.

3. Exceptional Management:

- ❑ Our corporate officers, board of trustees, and operating partners bring over a hundred years of combined industry experience and relationships to access the most lucrative acquisitions and maximize each properties' yield;



- ❑ We are not bankers trying to engineer returns out of hotels, but hoteliers creating returns that savvy investors crave. Moreover, we are among the largest shareholders of HT, and are significantly vested in its success.



Included within this annual report are selected pages from the Company's 2000 audited financial statements. For a complete copy of the financial statements along with the footnotes please reference the company's 2000 Form 10-K as filed with the SEC.

Hersha Hospitality Trust & Subsidiaries

Consolidated Balance Sheets ⁽¹⁾

In thousands except share amounts.

December 31, 2000

December 31, 1999

Assets

Investment in Hotel Properties, Net of Accumulated Depreciation	\$ 87,671	\$ 51,908
Cash and Cash Equivalents		124
Escrow Deposits	1,178	
Lease Payments Receivable, Related Party	2,877	2,116
Intangibles, Net of Accumulated Amortization	1,720	855
Due to Related Party	849	1,028
Other Assets	236	351
Total Assets:	<u>\$94,531</u>	<u>\$56,382</u>

Liabilities & Shareholders' Equity

Line of Credit	\$ 11,400	\$ 6,096
Deposits Payable	1,000	—
Mortgages Payable	50,050	18,658
Dividends Payable	1,209	410
Due to Related Party	1,650	188
Accounts Payable and Accrued Expenses	529	245
Total Liabilities:	\$65,838	\$25,597
Minority Interest:	\$17,679	\$18,980
Commitments and Contingencies:	—	—
Shareholders' Equity:		
Preferred Shares, \$.01 Par Value; 10,000,000 Shares authorized; None Issued and Outstanding	—	—
Common Shares - Priority Class A, \$.01 Par Value; 50,000,000 Shares Authorized; 2,275,000 Shares Issued and Outstanding at December 31, 2000 and 1999; (Aggregate Liquidation Preference \$13,650)	23	23
Common Shares -Class B, \$.01 Par Value, 50,000,000 Shares Authorized; -0- Shares Issued and Outstanding at December 31, 2000 and 1999	—	—
Additional Paid-In Capital	11,968	11,968
Distributions in Excess of Net Earnings	(977)	(186)
Total Shareholders' Equity:	\$11,014	\$11,805
Total Liabilities & Shareholders' Equity:	<u>\$94,531</u>	<u>\$56,382</u>

(1) Operations commenced on January 26, 1999.

Hersha Hospitality Trust & Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2000 and 1999⁽¹⁾

In thousands except share and per share amounts.

	2000	1999
Revenue		
Percentage Lease Revenues	\$12,773	\$ 7,264
Interest	50	78
Interest - Related Party	1	28
Total Revenue:	\$12,824	\$ 7,370
Expenses		
Interest Expense	\$ 4,712	\$ 1,428
Land Lease - Related Party	15	20
Real Estate and Personal Property Taxes and Property Insurance	753	450
General and Administrative	590	363
Early Payment Penalty	107	—
Depreciation and Amortization	3,892	2,064
Total Expenses	\$10,069	\$ 4,325
Income Before Minority Interest	2,755	3,045
Income Allocated to Minority Interest	1,908	1,707
Net Income	\$ 847	\$ 1,338
Basic Earnings Per Common Share	\$ 0.37	\$ 0.59
Diluted Earnings Per Common Share	\$ 0.37	\$ 0.48
Weighted Average Shares		
Basic	2,275,000	2,275,000
Diluted	6,715,996 ⁽²⁾	6,326,690 ⁽²⁾

(1) Operations commenced on January 26, 1999.

(2) Includes 4,440,996 and 4,205,970 units of limited partnership interest that are redeemable on a one-for-one basis for Class B Common Shares.

Hersha Hospitality Trust & Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2000 and 1999⁽¹⁾

In thousands except share and per share amounts.

	2000	1999
Operating Activities		
Net Income	\$ 847	\$ 1,338
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,892	2,064
Income Allocated to Minority Interest	1,908	1,707
Change in Assets and Liabilities (Increase) Decrease in:		
Escrow Deposits	(1,178)	—
Lease Payments Receivable - Related Party	(761)	(2,116)
Other Assets	115	(351)
Due from Related Party	(21)	—
Increase (Decrease):		
Due to Related Parties	54	188
Accounts Payable and Accrued Expenses	176	245
Total Adjustments	4,185	1,737
Net Cash Provided by Operating Activities	\$ 5,032	\$ 3,075
Investing Activities		
Purchase of Hotel Property Assets	(\$13,017)	(\$7,209)
Purchase of Intangible Assets	(1,078)	(940)
Loans to Related Party	(800)	(1,000)
Net Cash Used in Investing Activities	(\$14,895)	(\$9,149)
Financing Activities		
Proceeds from Borrowings Under Line of Credit	\$ 5,496	\$ 6,096
Net Proceeds from Issuance of Stock	—	11,991
Borrowings from Mortgages Payable	25,050	—
Principal Repayment of Mortgages Payable	(17,016)	(5,460)
Dividends Paid	(1,638)	(1,114)
Limited Partnership Unit Distributions Paid	(3,561)	(1,580)
Borrowings from Related Party	1,408	—
Repayment of Related Party Loans	—	(3,735)
Net Cash Provided by Financing Activities	\$9,739	\$6,198
Net Increase (Decrease) in Cash & Cash Equivalents	(124)	124
Cash & Cash Equivalents - Beginning of Year	124	—
Cash & Cash Equivalents - End of Year	\$ —	\$124

(1) Operations commenced on January 26, 1999.

The Hersha Promise:

The investment landscape changes. First, a period of contraction in the real estate capital markets. Now, a slowing economy. Through it all, HT's fundamentals remain solid and our growth continues. Even in the most uncertain of times, our land, bricks and mortar hold a real, tangible value. Investing is a marathon, not a sprint. So while stock prices may rise and fall,



some of your assets and net worth requires more care, more prudence. REIT shares are designed to hold up better than other equities over the long term - and the Hersha Hospitality Trust's portfolio is designed to deliver investment returns at the highest, most consistent, most dependable levels.

*Look at the confidence of our management. Look at our past performance.
And watch out for our future.*

Board of Trustees



Hasu P. Shah
Chairman and CEO
Hersha Hospitality Trust



Everette G. Allen, Jr.
Chairman & Senior Partner
Hirschler, Fleischer,
Weinberg, Cox & Allen



Bharat C. Mehta
Principal
Hersha Enterprises, Ltd.



Thomas S. Capello
Founder & Principal
First Capital Equities



Mark R. Parthemer
Partner
McNees, Wallace & Nurick



L. McCarthy Downs, III
Chairman
Anderson & Strudwick



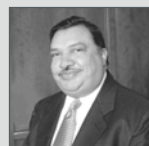
K.D. Patel
President
Hersha Hospitality
Management, L.P.

Corporate Officers

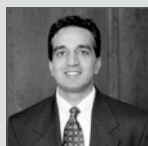
Hasu P. Shah
Chief Executive Officer



Kiran P. Patel
Corporate Secretary



Rajendra O. Gandhi
Treasurer



Ashish R. Parikh
Chief Financial Officer

CORPORATE HEADQUARTERS

148 Sheraton Drive, Box A
New Cumberland, PA 17070
Telephone: (717) 770-2405
Fax: (717) 774-7383

REGISTRAR AND STOCK TRANSFER AGENT

First Union National Bank
1525 West W.T. Harris Boulevard, 3C3
Charlotte, North Carolina 28288-1179
Telephone: (800) 829-8432

INDEPENDENT AUDITORS

Moore Stephens, P.C.
331 Madison Avenue
New York, NY 10071

COMMON STOCK INFORMATION

The Common Stock of Hersha Hospitality
Trust is traded on the American Stock
Exchange under the symbol "HT"

LEGAL COUNSEL

Hunton & Williams
Riverfront Plaza
951 East Byrd Street
Richmond, Virginia 23219

For more information about our operations
or for additional information
about investing, contact us at:
Hersha Hospitality Trust
148 Sheraton Drive
New Cumberland, PA 17070
Attention: Ashish Parikh



HERSHA

www.hersha.com

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