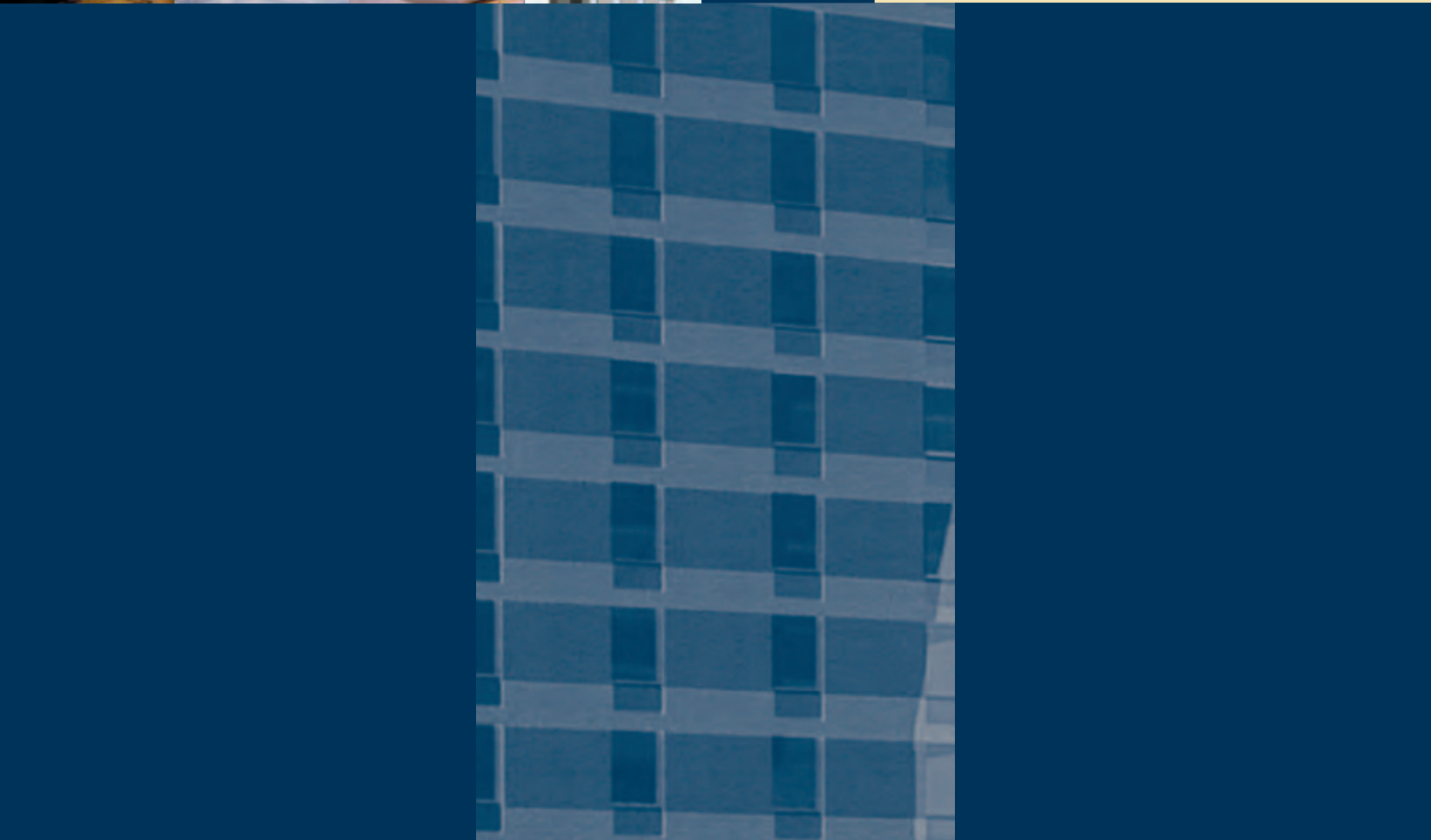




ANNUAL REPORT
2003
HERSHA HOSPITALITY TRUST



HERSHA HOSPITALITY TRUST

In thousands except per share data.	Year Ended December 31,				
	2003	2002	2001	2000	1999 ⁽¹⁾
HERSHA HOSPITALITY TRUST					
OPERATING DATA:					
Total Revenues	\$ 19,386	\$ 14,448	\$ 12,545	\$ 11,624	\$ 7,370
Net Income	785	1,292	834	847	1,338
Adjusted Funds from Operations (AFFO) ⁽²⁾	9,151	8,293	7,054	6,754	5,109
PER SHARE DATA:					
Basic Earnings Per Common Share	\$ 0.17	\$ 0.51	\$ 0.37	\$ 0.37	\$ 0.59
Diluted Earnings Per Common Share	0.17	-	-	0.37	0.48
AFFO	0.82	1.09	0.97	0.99	0.79
Distributions to Common Shareholders	0.72	0.72	0.72	0.72	0.67
BALANCE SHEET DATA (as of December 31):					
Total Assets	\$ 196,568	\$ 101,516	\$ 96,017	\$ 94,531	\$ 56,382
Total Debt	71,837	65,341	61,535	61,450	24,754
Minority Interest in Partnership	38,971	20,258	20,436	17,679	18,980
Total Shareholder's Equity	71,460	11,378	10,210	11,014	11,805

(1) Operations commenced January 26, 1999.

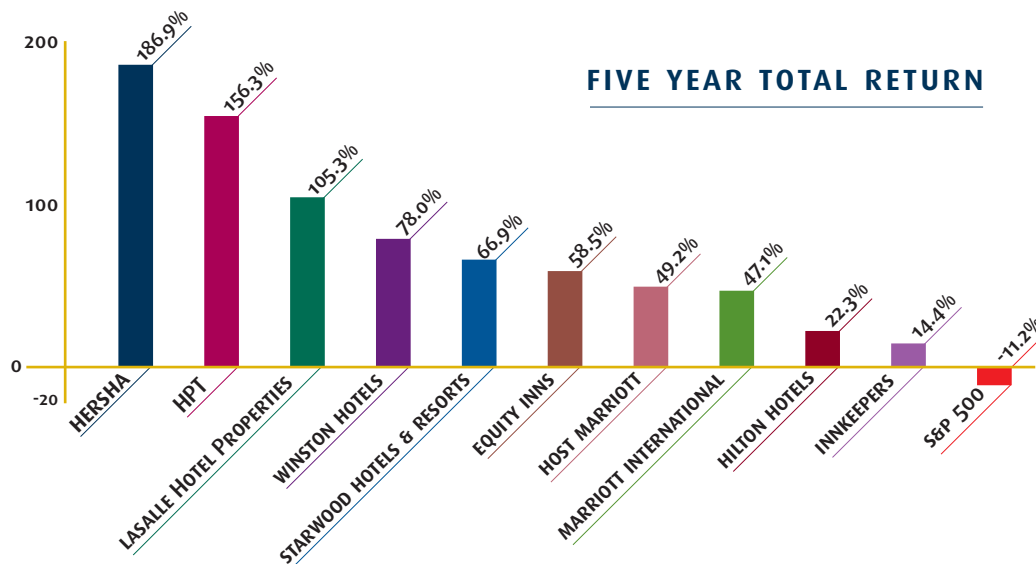
(2) Funds from Operations (FFO) represents net income (loss) (computed in accordance with generally accepted accounting principals), excluding gains (or losses) from debt structuring or sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We also adjust FFO for preferred stock distributions and have adjusted FFO to exclude non-recurring prepayment penalties and non-recurring compensation expense in 2003 related to the redemption of outstanding stock options to present AFFO applicable to common shares.

In thousands except per share data.	Year Ended December 31,				
	2003	2002	2001	2000	1999 ⁽¹⁾
HOTEL OPERATING RESULTS ^(a)					
Total Revenues	\$ 38,428	\$ 33,384	\$ 30,755	\$ 32,828	\$ 25,299
Net Operating Income	\$ 10,735	\$ 10,502	\$ 10,970	\$ 11,802	\$ 8,314
Average Daily Rate	\$ 85.52	\$ 81.66	\$ 76.91	\$ 74.60	\$ 69.10
Occupancy	64.80%	63.80%	61.70%	61.30%	57.12%
Revenue Per Available Room	\$ 55.41	\$ 52.11	\$ 47.44	\$ 45.73	\$ 39.47

(a) Pertains to hotels owned at the end of the fiscal year.

FINANCIAL HIGHLIGHTS 2003

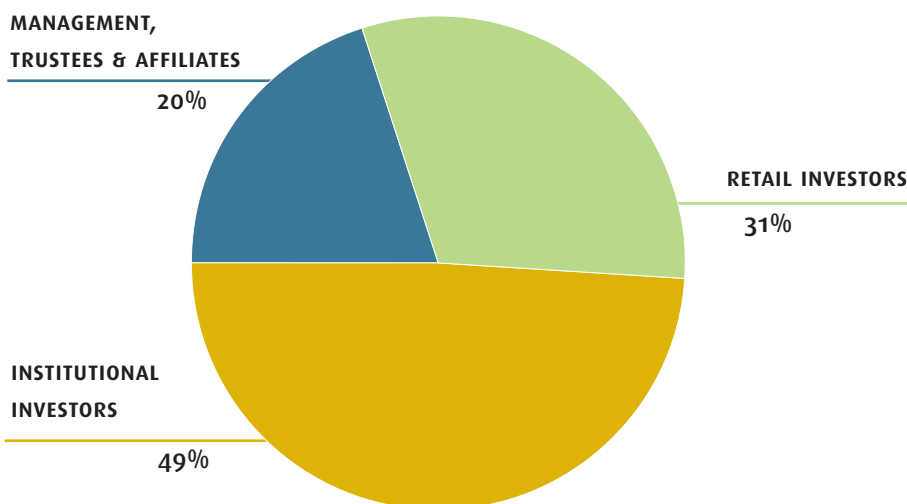
HERSHA HOSPITALITY TRUST (HT)



Assumes dividend reinvestment as of the date paid. Source: FactSet

Hersha Hospitality Trust (HT) is a real estate investment trust (REIT) focused on the acquisitions and aggressive management of mid-priced hotels in primarily metropolitan markets. HT has offered its investors among the highest returns in the REIT sector since its IPO in January 1999.

SHAREHOLDER BASE



Hersha trades under the symbol HT on the American Stock Exchange. As of December 31, 2003, the Company owned 22 mid-priced hotels located primarily in the Northeastern United States.

Qualification as a REIT under the Internal Revenue Code enables the Company to distribute income to shareholders without federal income tax liability to the Company.

DEAR FELLOW SHAREHOLDERS:



Trends that began to form in the final quarter of 2003 give us the confidence to believe that our industry has moved through the trough of the cycle and the long awaited recovery is slowly underway. Nonetheless, the strength demonstrated in the fourth quarter was preceded by three difficult quarters for our industry. Our peers were beleaguered with consumer uncertainty aggravated by unanswered domestic and international political questions, trepidation associated with the threat of exogenous events, and hesitation caused by inexplicable macro-economic circumstances.

Despite these challenging conditions, Hersha had a very strong year. Our company outperformed the broader equities markets, the real estate equities markets and our peers in the publicly traded hotel REIT market. Our shareholders enjoyed a total return last year, including stock price appreciation and dividends of 70%. Since our 1999 IPO we have provided one of the highest returns of any hotel REIT -

2003

a total return of 186.9% over five years.

We stay true to our objective of building a great company - being the most profitable hotel REIT, not necessarily the largest. We focus on institutional grade real estate in deep and resilient markets in the northeastern United States with the highest barriers to entry. We acquire brands like Hampton Inn and Hilton Garden Inn - category-killers with rate integrity and superlative customer loyalty. We invest primarily in newly-built hotels that suggest an inherent upside in the portfolio as assets mature towards stabilization. And we look forward to continue executing on our unique Northeastern franchise through our relationships and to build on our reputation as preferred acquirers and local sharpshooters.

OPERATIONS

In 2003, our Adjusted Funds from Operations (AFFO) for the full year, increased to \$9.15 million from \$8.29 million the prior year. AFFO per



HERSHA HOSPITALITY TRUST



share was \$0.82 on 11,137,894 weighted average shares outstanding, compared to \$1.09 per share on 7,619,542 weighted average shares outstanding for the previous year due to the equity offering completed in the fall. RevPAR increased 3.6% to \$54.10, based on a 2.5% increase in occupancy to 65.5% and a 1.1% rise in ADR to \$82.56. The company's portfolio also outperformed its local competitive set for the full year. According to Smith Travel Research, our portfolio achieved a 107.7% market share in 2003.

CAPITAL

The Company consummated two significant equity transactions in 2003. CNL Hospitality Properties invested approximately \$20 million in Hersha in convertible preferred securities and also invested approximately \$8 million in a joint venture established to jointly purchase the New York City Hampton Inn in Chelsea. By aligning with a strategic partner like CNL, our company gained access to a

2003

consistent stream of capital, a leveraged acquisition pipeline, and a close friend in the industry. The joint venture portion of the relationship involves Hersha investing 33% of the capital and leverages our expertise through asset management fees and a promoted equity interest.

We also executed a follow on offering of 9.775 million common shares in October 2003, raising approximately \$77 million of net proceeds through this very successful offering. Hersha can now boast a roster of the leading institutions in the real estate investment community. Both the CNL transaction and our follow on offering give us the present ability to make acquisitions that will provide Hersha with even greater breadth with which to participate in the imminent economic recovery.

ACQUISITIONS

We continued to make on-strategy acquisitions during the year purchasing the Manhattan Hampton Inn, the Hilton Garden Inn, Edison,





New Jersey, the Hampton Inn Linden/Newark, New Jersey, and the Hilton Garden Inn, Glastonbury, Connecticut. Each hotel embodies our strategic criteria - quality income streams, strong room rates that allow for margin growth, heavy barriers to new competition, and ages of less than one year.

We continue to purchase hotels in clusters, which allows our managers to rapidly integrate new acquisitions into the portfolio and realize efficiencies of scale and scope translating to more robust margins. Moreover, as we continue to expand our portfolio in this focused, clustered approach, we are exposed to new opportunities in those same markets. In our small world, we intend to be market leaders while remaining local sharpshooters.

We are proud of our performance - our fourth quarter 2003 dividend payment was our 20th consecutive \$0.18 dividend representing a \$0.72 dividend per year for each of the five

years since our initial public offering in 1999. During this same period, we have amassed one of the highest quality portfolios of assets in the hotel REIT sector.

We were able to accomplish this with the support of our highly vested and passionate management team, our experienced Board of Trustees and our faithful shareholders. We fully intend to further execute our focused strategy, taking advantage of our unique franchise and positioning our company to leverage the recovering market. We believe that 2004 will be another successful year for Hersha Hospitality Trust and we look forward to your continued confidence in this fine company that we have built together over the years.



Hasu P. Shah
Chairman and
Chief Executive Officer

Jay H. Shah
President and
Chief Operating Officer

HERSHA HOSPITALITY TRUST 2003

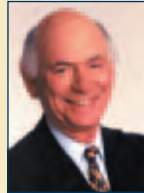
BOARD OF TRUSTEES



Hasu P. Shah
Chairman & Chief Executive Officer
Hersha Hospitality Trust



Thomas S. Capello
Founder & Principal
First Capital Equities



Michael A. Leven
Chairman & CEO
US Franchise Systems, Inc.



Donald J. Landry
Former CEO and President
Sunburst Hospitality, Inc.



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



William Lehr, Jr.
Former Senior Vice President
Hershey Foods Corporation



John M. Sabin
CFO and General Counsel
Novascreen Biosciences Corporation

CORPORATE OFFICERS

Hasu P. Shah
Chairman & Chief Executive Officer
Hersha Hospitality Trust



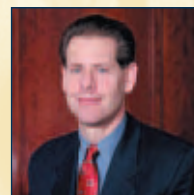
Jay H. Shah
President & Chief Operating Officer
Hersha Hospitality Trust



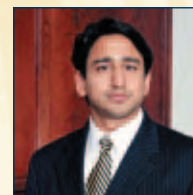
Ashish R. Parikh
Chief Financial Officer



Kiran P. Patel
Corporate Secretary



David L. Desfor
Treasurer



Neil H. Shah
Vice President of
Acquisitions & Development

HERSHA HOSPITALITY TRUST 2003

**CORPORATE
INFORMATION**

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**INDEPENDENT
AUDITORS**

Reznick Fedder & Silverman
Certified Public Accountants
Two Hopkins Plaza, Suite 2100
Baltimore, MD 21202
(410) 783-4900

**REGISTRAR AND STOCK
TRANSFER AGENT**

Wachovia Securities
1525 West W.T. Harris
Boulevard, 3C3
Charlotte, NC 28288-1179
Telephone: (800) 829-8432

LEGAL COUNSEL

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

**COMMON STOCK
INFORMATION**

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



HERSHA HOSPITALITY TRUST

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