



ANNUAL REPORT
2004



HERSHA HOSPITALITY TRUST

HERSHA HOSPITALITY TRUST

Year Ended December 31,

(In thousands except per share data)

	2004	2003	2002	2001	2000
HERSHA HOSPITALITY TRUST ⁽¹⁾					
OPERATING DATA:					
Total Revenues (Including Discontinued Operations)	\$ 56,144	\$ 18,601	\$ 14,762	\$ 12,359	\$ 11,573
Net Income	2,049	785	1,292	834	847
Adjusted Funds from Operations (AFFO) ⁽²⁾	11,571	7,728	8,293	7,054	6,754
PER SHARE DATA:					
Basic Earnings Per Common Share	\$ 0.12	\$ 0.17	\$ 0.51	\$ 0.37	\$ 0.37
Diluted Earnings Per Common Share	0.12	0.17	0.51	0.37	0.37
AFFO	0.57	0.69	1.09	0.97	0.99
Distributions to Common Shareholders	0.72	0.72	0.72	0.72	0.72
BALANCE SHEET DATA (as of December 31):					
Total Assets ⁽³⁾	\$ 261,021	\$ 196,568	\$ 101,516	\$ 96,017	\$ 94,531
Total Debt ⁽⁴⁾	110,819	71,837	65,341	61,535	61,450
Minority Interest in Operating Partnership	16,779	38,971	20,258	20,436	17,679
Total Shareholder's Equity	119,792	71,460	11,378	10,210	11,014

(1) Total revenues consisted primarily of percentage and fixed lease revenues during 1999-2003. Six leases terminated on January 31st, 2004 and the remaining eight leases terminated on April 1st, 2004.

(2) Funds from Operations (FFO) as defined by NAREIT represents net income (loss) (computed in accordance with generally accepted accounting principles), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated assets, plus certain non-cash items, such as depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We present Adjusted Funds From Operations (AFFO), which reflects FFO in accordance with the NAREIT definition plus the following additional adjustments: adding back income allocated to units of partnership interest in its operating partnership, because we report AFFO to common shareholders on a fully diluted basis assuming conversion of those units to common shares; adding back income allocated to units of partnership interest in its operating partnership related to discontinued operations; adding back depreciation related to discontinued operations; adding back distributions to holders of preferred units of partnership interest in its operating partnership, which are expensed on our income statement; and making adjustments to ground lease payments, which are required by GAAP to be amortized on a straight-line basis over the term of the lease, to reflect the actual lease payment.

(3) Total assets includes \$18,758 of hotel assets held for sale.

(4) Total debt includes \$13,058 of debt related to assets held for sale.

Year Ended December 31,

(In thousands, except per share data)

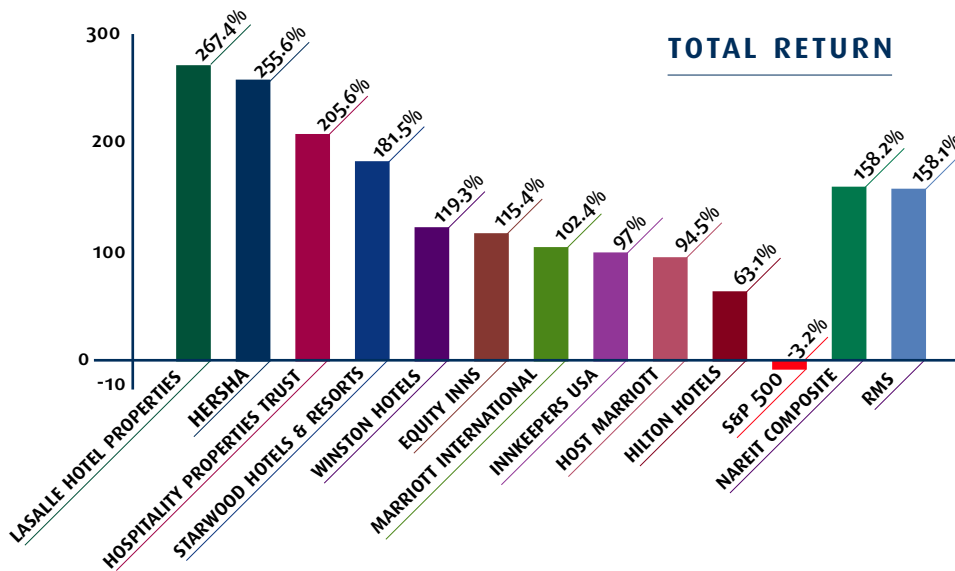
	2004	2003	2002	2001	2000
HOTEL OPERATING RESULTS ^(a)					
Total Revenues	\$ 72,076	\$ 38,428	\$ 33,384	\$ 30,755	\$ 32,828
Average Daily Rate	\$ 97.62	\$ 85.52	\$ 81.66	\$ 76.91	\$ 74.60
Occupancy	67.21%	64.80%	63.81%	61.70%	61.30%
Revenue Per Available Room	\$ 65.61	\$ 55.41	\$ 52.11	\$ 47.44	\$ 45.73

(a) Pertains to all hotels owned as of year end including the total results of hotels owned in a joint venture structure.

FINANCIAL HIGHLIGHTS

2004

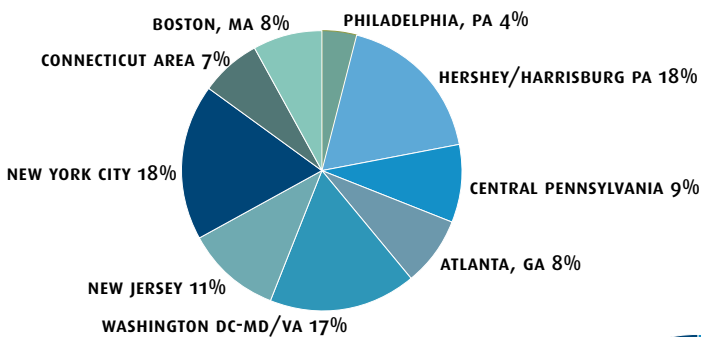
HERSHA HOSPITALITY TRUST (HT)



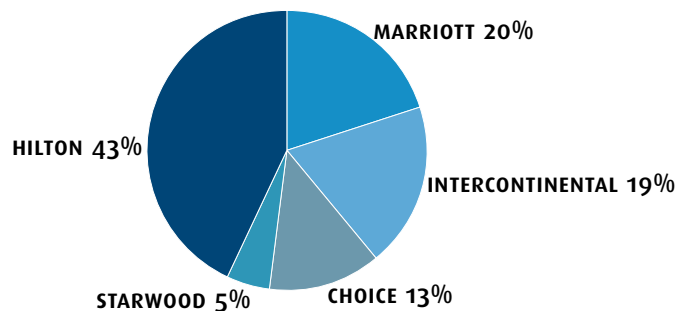
Total Returns from January 26, 1999 through December 31, 2004. Assumes dividends are re-invested at ex-dividend date. Source: FactSet

Hersha Hospitality Trust (HT) is a real estate investment trust (REIT) focused on the acquisition 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.

HT ROOMS BY REGION



HT ROOMS BY BRAND



Hersha trades under the symbol HT on the American Stock Exchange. As of December 31, 2004, the Company owned interests in 29 upscale and mid-scale 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.

Includes properties owned, financed and under definitive agreement for purchase as of March 31, 2005.

Dear Fellow Shareholders,

The past year bore out that the springtime of this economic cycle had finally arrived and with it came the crisp optimism so often associated with the season. The pall of the previous season lifted in 2004 and was replaced by an eagerness to deal. A quickening pace of hotel trades and at times unbridled enthusiasm by our industry peers left us a bit skeptical, but the improving market conditions and fading concern with travel and safety clearly enabled the hotel industry to regain firm footing in 2004. Fueled by robust increases in room night demand during a period of minimal supply growth, the industry registered strong revenues per available room and consequent flow-throughs to the bottom line leading to impressive growth in margins.

We remained focused and steadfast in our strategy to own and aggressively manage institutional grade mid-scale and upscale hotels in central business districts, primary suburban office markets and stable destination markets in the high barrier to entry Northeastern and Mid-Atlantic regions. Our more measured and organic assembly of assets and our high quality, new construction bias will serve us well in the coming years. During the year we continued to execute on our strategy with additional new acquisitions, enhanced performance of our existing portfolio and increased overall market capitalization. We did this with an eye

on long-term market leadership, not necessarily short term earnings.

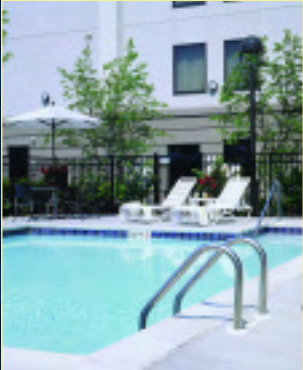
We are building a company that creates long term value for its investors. This strategic focus enabled us to provide our shareholders with one of the highest returns of any hotel REIT. In the six years since our 1999 IPO, we have provided one of the sector's leading returns - a total return of 255.6%. In 2004, our shareholders enjoyed a total return of 20.5% including stock appreciation and dividends. Most importantly, the quality and youth of our platform promises substantial growth in the years ahead.

PERFORMANCE

At our hotels, performance was strong and showed signs of continuing strength. For the 2004 full year, our portfolio-wide revenue per available room (RevPAR) increased by 18.4% to \$65.61, based on a 3.7% increase in occupancy to 67.2% and a 14.2% rise in average daily rate (ADR) to \$97.62.

In 2004, our Adjusted Funds from Operations (AFFO) increased to \$11.57 million from \$7.73 million in the prior year. AFFO per share was \$0.57 based on 20,255,027 weighted average shares and units outstanding, compared to \$0.69 based on 11,137,894 weighted average shares and units outstanding for the previous year. The difference in the weighted average

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Hampton Inn

shares outstanding is the result of a 9,775,000 share follow-on stock offering in October 2003 and an additional offering of 3,900,000 shares in September 2004, which impacted the common shares outstanding and AFFO per share for 2004.

Overall we had a very solid year of growth fueled by recovering market fundamentals coupled with our ability to drive higher room rates in the markets where we operate. Our portfolio's urban exposure and top brands uniquely position HT to take advantage of a sustained period of growth in the industry and the ramp up of our newest assets in the coming two years.

CAPITAL

In 2004, we executed two important capital markets transactions. In the second quarter of the year, a secondary offering of 2.8 million shares was completed to buyout the CNL Hospitality convertible preferred securities in the Company. Although we continue to own a property in a joint venture partnership with CNL, the overhang of the preferred equity was no longer necessary for our balance sheet strategy since our growth puts us in a position to raise less expensive capital from a variety of sources. We continue to maintain a very open dialogue with CNL, and we will look forward to the next mutually

beneficial opportunity to work together with that fine company.

Additionally, in September of 2004 we completed an offering of 3.9 million shares with net proceeds of \$36.3 million. The liquidity from the offering gives us the flexibility to take advantage of the many attractive acquisition opportunities that we believe will be brought to market in 2005. Our ability to respond to these opportunities quickly and creatively is of great importance in securing these acquisitions in what is proving to be a very competitive seller's market. We are aggressively sourcing opportunities to continue to assemble a portfolio with market leading value, while creating scale with stabilized assets in this very active market.

ACQUISITIONS

In the last year, we purchased 6 hotels directly, acquired 2 hotels with joint venture partners, and developed an impressive pipeline of assets that will become a part of our acquisitions in 2005.

We bought two upscale extended stay hotels - both Marriott Residence Inns - in metropolitan Boston and metro Washington, D.C. These more stabilized hotels provide predictable income streams and their recent construction preserves longer term market leadership.

We also added two more hotels to our joint venture program: the Sheraton Four Points at Logan Airport in Boston and the Marriott Courtyard near Princeton, New Jersey. The hotels were acquired in preferred equity joint ventures with the original owners, both of whom are well-regarded, high quality developers in their respective regions. Our partners remain in the transactions to take advantage of improving hotel performance and HT's strong asset management and financing capabilities. At the same time, HT protects its downside risk with preferred equity and a more consistent yield. We have developed strong, programmatic relationships with five partner companies and we continue to seek out additional high quality partners for our joint venture program.

Last year we also invested a significant amount of capital in the form of development loans in hotel projects in New York City and other core markets. In addition to being accretive to earnings, development financing secures HT a first right of offer on these cluster assets. As acquisition costs begin to exceed replacement costs in the transactions market, this unique structure affords HT the opportunity to secure attractive acquisitions in hard to source markets. We acquired the Hilton Garden Inn-Gettysburg at the hotel's opening last summer, and as of this writing, we are purchasing the Hampton Inn Manhattan/Madison Square Garden

and continue to finance the recently opened Hilton Garden JFK Airport in New York City.

Industry pundits expect 6-8% growth in many of our markets for 2005. A fact even more encouraging considering that 50% of our hotels are less than 24 months old and the median asset age across the portfolio is only three years. Our portfolio is well positioned to benefit from these assets as their performance continues to mature in 2005 and 2006. We will also benefit from the timing of our acquisitions last year, which occurred in the early stages of a major recovery in the hotel industry.

We are very optimistic about our prospects for 2005. With strong demand and limited supply growth, we expect to have significant increases in RevPAR, earnings, and FFO per share, which will result in meaningful growth for our stockholders. We believe that the combination of our unique vision, strategic focus and disciplined approach to capital allocation will continue to result in increasing shareholder value for the long term.



Hasu P. Shah
Chairman and
Chief Executive Officer



Jay H. Shah
President and
Chief Operating Officer

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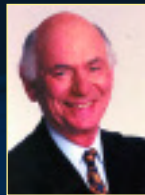
HERSHA HOSPITALITY TRUST

BOARD OF TRUSTEES

Hasu P. Shah
Chairman & CEO
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
Phoenix Health Systems, Inc.

CORPORATE OFFICERS

Hasu P. Shah
Chairman & CEO
Hersha Hospitality Trust



Jay H. Shah
President & COO
Hersha Hospitality Trust



Ashish R. Parikh
Chief Financial Officer



Kiran P. Patel
Corporate Secretary



David L. Desfor
Treasurer



Neil H. Shah
Executive Vice President

HT PROPERTIES 2004

BOSTON AREA

Sheraton Four Points, Boston/Logan Airport
Marriott Residence Inn, Framingham

CONNECTICUT

Hilton Garden Inn, Hartford South/
Glastonbury
Holiday Inn Express, Hartford

NEW YORK CITY

Hampton Inn, Manhattan/Chelsea
Doubletree Club, JFK International Airport
Holiday Inn Express, Long Island City

NEW JERSEY

Courtyard by Marriott, Ewing/Princeton
Hampton Inn, Linden/Newark Airport
Hilton Garden Inn, Edison/Raritan Center

PHILADELPHIA AREA

Mainstay Suites, King of Prussia/
Valley Forge
Sleep Inn, King of Prussia/Valley Forge

HERSHEY/HARRISBURG, PA

Hampton Inn & Suites, Hershey
Holiday Inn Express, Hershey
Comfort Inn, West Hanover/Hershey
Hilton Garden Inn, Gettysburg
Holiday Inn Conference Center,
Harrisburg West
Holiday Inn Express Hotel and Suites,
Harrisburg
Hampton Inn, Carlisle

CENTRAL PA

Hampton Inn, Danville
Hampton Inn, Selinsgrove
Holiday Inn Express, New Columbia

WASHINGTON D.C. METRO/MARYLAND

Marriott Residence Inn, Greenbelt
Mainstay Suites, Frederick
Comfort Inn, Frederick

ATLANTA AREA

Holiday Inn Express, Duluth
Comfort Suites, Duluth
Hampton Inn, Peachtree City
Hampton Inn, Newnan

**CORPORATE
INFORMATION**

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REGISTRAR AND STOCK

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COMMON STOCK

INFORMATION

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



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