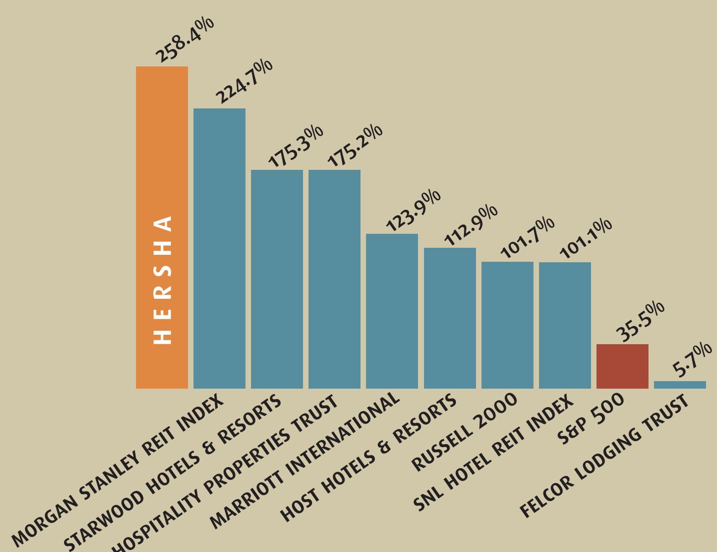
Annual Report 2007
HERSHA HOSPITALITY TRUST

HERSHA HOSPITALITY TRUST (HT)

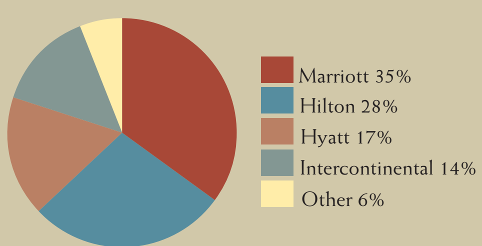
Hersha Hospitality Trust (HT) is a real estate investment trust (REIT) focused on the acquisition and aggressive management of primarily upscale hotels in metropolitan markets. Hersha trades under the symbol HT on the American Stock Exchange. As of March 1, 2008, the Company owned interests in 73 upper upscale, upscale, and midscale hotels located predominantly 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.

TOTAL RETURN SINCE 1999



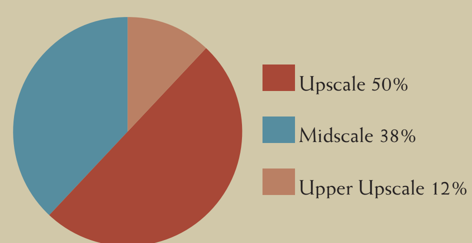
Total Returns from January 26, 1999 through December 31, 2007. Assumes dividends are re-invested at ex-dividend date. Source: FactSet

HT PORTFOLIO BY HOTEL BRAND (1)



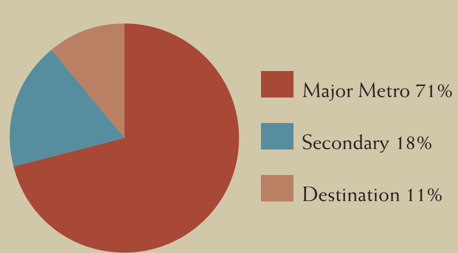
(1) Based on pro-rata ownership share of 2007 EBITDA excluding preferred returns

HT PORTFOLIO BY MARKET SEGMENT (2)



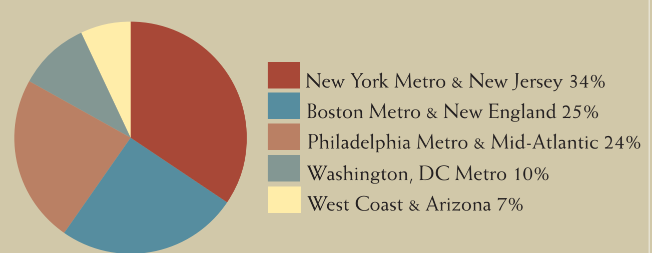
(2) Based on total room count as of December 31, 2007

HT PORTFOLIO BY DESTINATION (3)



(3) Based on total room count as of December 31, 2007

HT PORTFOLIO BY LOCATION (4)



(4) Based on pro-rata ownership share of 2007 EBITDA excluding preferred returns

Financial Highlights

(In thousands, except per share data)	Year Ended December 31,				
	2007	2006	2005	2004	2003
HOTEL OPERATING RESULTS [(a)]					
Total Revenues	$ 366,314	$ 259,502	$ 127,170	$ 72,076	$ 38,428
Average Daily Rate	$ 134.12	$ 117.91	$ 106.18	$ 97.62	$ 85.52
Occupancy	73.07%	71.75%	71.32%	67.21%	64.80%
Revenue Per Available Room	$ 98.00	$ 84.60	$ 75.73	$ 65.61	$ 55.41

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

(In thousands except per share data)	Year Ended December 31,				
	2007	2006	2005	2004	2003
HERSHA HOSPITALITY TRUST					
OPERATING DATA:					
Total Revenues (Including Discontinued Operations)	$ 248,813	$ 153,887	$ 89,466	$ 58,511	$ 19,324
Net Income applicable to Common Shareholders	13,047	298	1,377	2,049	785
Adjusted Funds from Operations (AFFO) [(1)]	56,001	29,888	15,567	11,571	7,728
PER SHARE DATA:					
Basic Earnings Per Common Share	$ 0.22	$ (0.04)	$ 0.04	$ 0.12	$ 0.06
Diluted Earnings Per Common Share	0.22	(0.04)	0.04	0.12	0.06
AFFO	1.21	0.97	0.67	0.57	0.69
Distributions to Common Shareholders	0.72	0.72	0.72	0.72	0.72
BALANCE SHEET DATA (as of December 31):					
Total Assets	$1,067,607	$ 968,208	$ 455,355	$ 261,021	$ 195,568
Total Debt	663,008	580,542	256,521	111,846	71,837
Minority Interest in Partnership	42,845	25,933	15,147	16,779	38,971
Total Shareholder's Equity	330,405	331,619	164,703	119,792	71,460

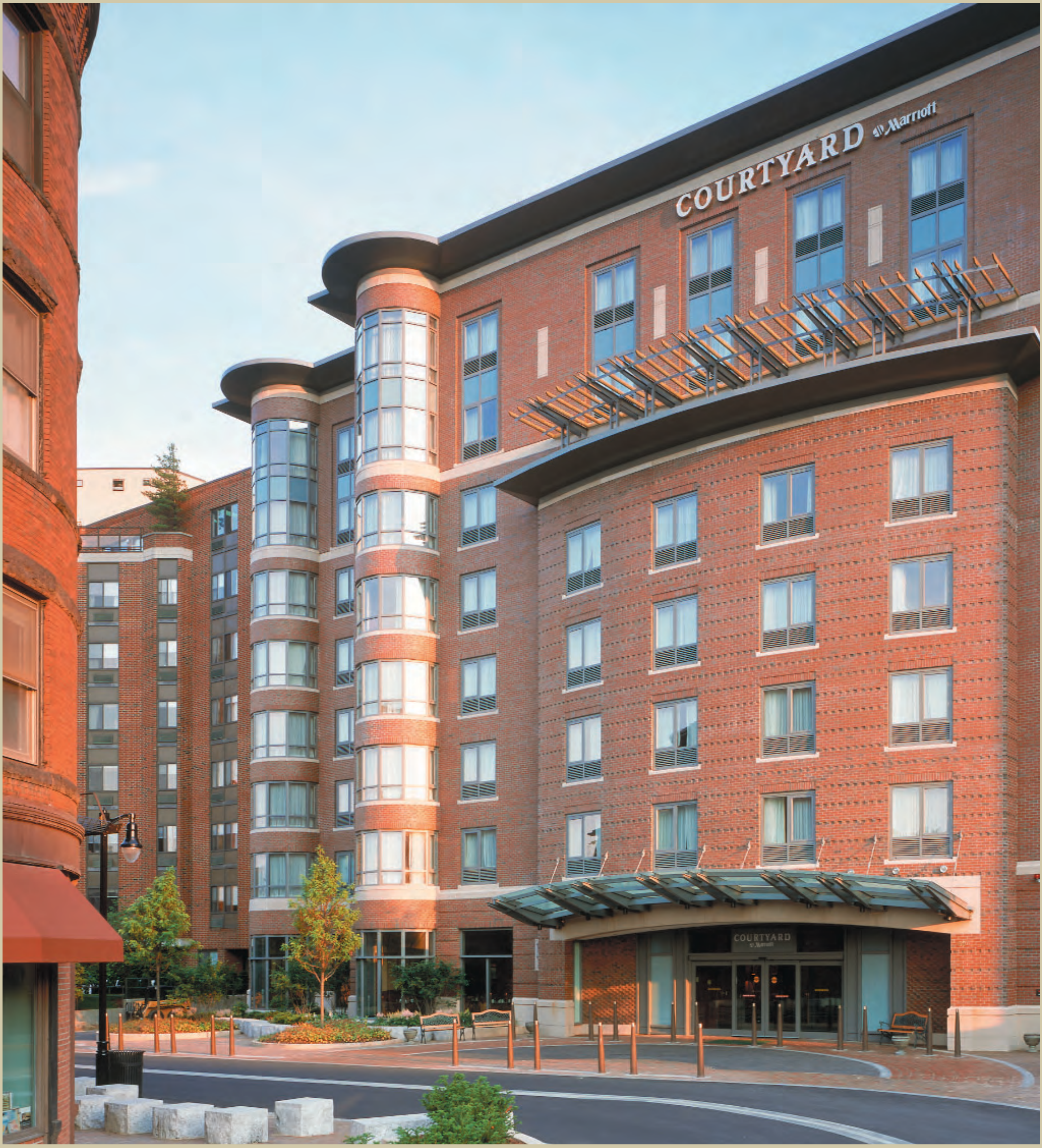
(1) Funds from Operations (FFO) as defined by NAREIT represents net income (loss) (computed in accordance with generally accepted accounting principles), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated assets, plus certain non-cash items, such 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 write-offs of deferred financing costs on debt extinguishment, both for consolidated and unconsolidated properties, adding back amortization of deferred financing costs, adding back non-cash stock expense, adding back FFO attributed to our partners in consolidated joint ventures, 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.

Fellow Shareholders:

In 2007, Hersha Hospitality Trust leveraged the favorable hotel operating environment to post sector-leading financial and operating results. New supply growth was benign and demand for room nights was solid, enabling hotel operators to increase rates at a healthy pace throughout the year. Our concentration in major gateway urban markets and a focus on owning particularly young assets, led to substantially higher growth than the overall industry growth rate.

While Hersha's financial performance in 2007 was strong, investor concerns about a U.S. economic recession in 2008 caused a widespread sell off of hotel REIT stocks in the second half of the year. The SNL Hotel REIT Index declined approximately 27% during the year, and although our share price fared better than the benchmark, the price of our stock was not totally immune to the headwind facing the industry and the entire real estate sector. Nonetheless, our strong and secure dividend continues to provide a measure of cushion and an indication of financial stability for investors in these turbulent times. Our strategy and our portfolio are well positioned to

Courtyard by Marriott, Boston-Brookline, Massachusettes



Our concentration in major gateway urban markets and a focus on owning particularly young assets led to substantially higher growth than the industry.

Duane Street Hotel, Tribeca, New York, New York

Our organic approach to portfolio assembly enabled us to acquire only those assets that we believed would drive above portfolio average performance.

weather a downturn.

Our organic approach to portfolio assembly enabled us to acquire only those assets that we believed would drive above portfolio average performance. We purchased hotels rather than companies -- selectively adding properties in markets we identified as particularly high growth and resilient to new supply. We focused on newly built hotels that will have higher growth trajectories regardless of economic conditions. And we continued to concentrate on select service and extended stay assets that not only provide higher margins and more robust current income than the broader hotel sector, but have also demonstrated less volatility in market cycles. All boats generally rise with the tide, but only the most agile and purpose built craft can negotiate troubled seas.

Hampton Inn, Philadelphia, PA.

We had several notable accomplishments in 2007. We began the year by deliberately slowing our pace of acquisitions in order to focus our attention on the internal growth aspects of our portfolio, including the management of revenue per available room (RevPAR) and profitability. Having purchased over 50 properties across the past three years, we have achieved efficient scale and have become more selective than ever before, carefully acquiring only those properties that are accretive to our net asset value (NAV) and those that will drive overall portfolio growth.

We registered a 25% increase in our Adjusted Funds from Operations (AFFO) for the year. We were able to achieve this growth by increasing our consolidated revenue nearly 70% and managing strong flow-through as evidenced by the 76% growth in our consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA). Our balance sheet at the end of the year remained strong and will allow us to take advantage of opportunities that inevitably arise from market fluctuations.

Owning franchised rather than brand managed hotels has enabled our employment of five best-in-class hotel management companies, who collectively maintained strong portfolio occupancy, which in turn provided the opportunity to increase rates and drive improved profitability.

Marriott Downtown Hartford, Hartford, CT.

In 2007, our asset managers drove RevPAR growth of 16.1% with a 13.7% increase in average daily rate (ADR) and an improvement in occupancy to 73.7% from 72.1% for our consolidated portfolio. Our occupancy statistics compare very favorably to U.S. industry averages of approximately 63%. On a same-store basis, which reflects hotels open during both 2007 and 2006, RevPAR increased 9.0% with 7.4% ADR growth and occupancy of 72%, up from 70.9% in 2006.

We sold two of our more mature assets, both in New Jersey, in 2007 for a blended 7.0% cap rate. We will continue to explore opportunities for selling mature assets whose growth rates we believe to be below the average of our portfolio and assets in markets where we believe supply-demand dynamics may deteriorate due to unwarranted new supply additions.

In 2007, we purchased seven properties with a total of 755 rooms that were each immediately accretive to earnings. Each of the hotels was less than one year old. Three of our acquisitions were in Manhattan, New York City, a very robust market with particularly favorable supply and demand characteristics. Our metro New York City portfolio

Residence Inn, Philadelphia-Langhorne, Pennsylvania

Our portfolio now consists of 21 upscale extended stay properties, which are expected to account for approximately 25% of our 2008 total EBITDA....

Hampton Inn-Chelsea, New York, New York

Our development loan program...allows Hersha to earn development type returns without substantial development risk.

now includes 13 hotels and accounts for over 30% of our EBITDA. We also acquired two Residence Inn by Marriott properties -- the category killing brand in the upscale extended stay segment. Historically, the upscale extended stay segment has offered among the highest gross margins in the sector and has demonstrated an attractive resiliency to market volatility as compared to other lodging segments. Our portfolio now consists of 21 upscale extended stay properties, which are expected to account for approximately 25% of our 2008 total EBITDA.

Hotel 373 Fifth Avenue, New York, NY

We sourced five of our newly acquired hotels through our development loan program. On this platform, we make secure development loans to select development partners on projects in difficult to source markets, earning attractive interest yields during the development period, averaging 11%; and then, upon completion we have an off-market opportunity to acquire the newly developed asset on a negotiated basis. This program allows Hersha to earn development type returns without substantial development risk. The developers we lend to are strategic partners with whom we have programmatically executed multiple transactions. Across the next several years, we expect to open and acquire several hotels currently being developed in Manhattan, Boston, and Washington, D.C. from this platform. This is a unique program in the REIT sector, and we believe will become even more attractive to leading developers in this capital constrained environment.

Hersha's annualized dividend of $0.72 per common share represented an approximately 71% payout ratio as compared to the Company's AFFO, less capital expenditure reserves, for the fiscal year ending December 31, 2007.

This compares favorably to a median payout ratio of approximately 78% for other hotel REITs. As our long-term shareholders may remember, Hersha was one of only two hotel REITs that did not cut their dividend in the aftermath of 9/11. Our Board of Trustees and senior management are committed to maintaining a safe and secure dividend. Our internal sensitivity analysis suggests that it would take a recession more significant than any experienced in the past two decades to impact our ability to pay a dividend and maintain our capital expenditure reserves.

Hyatt Summerfield, Scottsdale, AZ

2007 marked another year of many milestones for Hersha as measured by financial growth, strengthening coverage of our dividend, and our improved position as a leading hotel REIT. We are looking forward to the continued ramp up of our assets in 2008 and the further improvement of our financial profile.

While there are many uncertain factors that we will continue to follow in 2008, we are optimistic that our strategy will continue to deliver value to shareholders during volatile times. Our strategy of owning smaller, more efficient hotels with a low average age in urban markets with high barriers to entry has enabled our market leadership during the expansion of the last four years and will now also provide stability and certainty during the anticipated contraction. We believe that Hersha is well on its way to building a dominant hotel company.

We appreciate having you as fellow shareholders and value the confidence that you have placed in us. We look forward to updating you on our continued growth through the year.

Sincerely yours,

Jay H. Shah
Chief Executive Officer

Neil H. Shah
Chief Operating Officer

Hampton Inn-Seaport/Financial District, New York, New York

We believe that Hersha is well on its way to building a dominant hotel company.

HT PROPERTIES*

NEW YORK & NEW JERSEY

NEW YORK METRO AREA:
Duane Street Hotel, Manhattan/Tribeca
Hotel 373 Fifth Avenue, Manhattan/Midtown
Hampton Inn, Manhattan/Chelsea
Hampton Inn, Manhattan/Herald Square
Hampton Inn, Manhattan/Seaport
Holiday Inn Express, Manhattan/Madison Square
Nu Hotel, Brooklyn
Hilton Garden Inn, JFK International Airport
Hampton Inn Brookhaven, Long Island/Farmingville
Holiday Inn Express, Long Island/Hauppauge
Holiday Inn Express Hotel and Suites, Chester
Hyatt Summerfield Suites, White Plains

NEW JERSEY:
Hilton Garden Inn, Edison/Raritan Center
Courtyard by Marriott, Ewing/Princeton
Hyatt Summerfield Suites, Bridgewater

NEW ENGLAND

BOSTON METRO AREA:
Courtyard by Marriott, Boston/Brookline
Courtyard by Marriott, South Boston
Holiday Inn Express, Cambridge
Holiday Inn Express, South Boston
Sheraton Four Points, Boston/Logan Airport
Residence Inn by Marriott, Framingham
Hawthorn Suites, Franklin
Residence Inn by Marriott, Norwood
Residence Inn by Marriott, North Dartmouth
Comfort Inn, North Dartmouth
Courtyard by Marriott, Warwick, RI

CONNECTICUT:
Marriott Downtown, Hartford
Hilton Hotel, Hartford
Hilton Garden Inn, Hartford South/Glastonbury
Homewood Suites, Hartford South/Glastonbury
Mystic Marriott Hotel and Spa, Groton
Residence Inn by Marriott, Mystic
SpringHill Suites, Waterford
Residence Inn by Marriott, Southington
Courtyard by Marriott, Norwich
Residence Inn by Marriott, Danbury
Holiday Inn, Norwich

MID-ATLANTIC

PHILADELPHIA METRO AREA:
Hampton Inn, Center City Philadelphia
Courtyard by Marriott, Langhorne/Oxford Valley
Residence Inn by Marriott, Langhorne/Oxford Valley
Holiday Inn Express, Langhorne/Oxford Valley
Holiday Inn Express, King of Prussia/Valley Forge
Mainstay Suites, King of Prussia/Valley Forge
Sleep Inn, King of Prussia/Valley Forge
Holiday Inn Express, Frazer/Malvern
Fairfield Inn & Suites, Allentown/Bethlehem

PENNSYLVANIA:
Hampton Inn & Suites, Hershey
Holiday Inn Express, Hershey
Comfort Inn, West Hanover/Hershey
Hilton Garden Inn, Gettysburg
Residence Inn by Marriott, Carlisle
Holiday Inn Conference Center, Harrisburg West
Holiday Inn Express Hotel and Suites, Harrisburg
Hampton Inn, Carlisle
Courtyard by Marriott, Scranton
Hampton Inn, Danville
Hampton Inn, Selinsgrove
Holiday Inn Express, New Columbia

WILMINGTON, DE.:
Courtyard By Marriott, Wilmington
Inn at Wilmington, Wilmington

WASHINGTON D.C. METRO AREA:
Residence Inn by Marriott, Tyson's Corner
Courtyard by Marriott, Alexandria
Residence Inn by Marriott, Greenbelt, MD
Hyatt Summerfield Suites, Gaithersburg, MD
Fairfield Inn, Laurel, MD
Mainstay Suites, Frederick, MD
Comfort Inn, Frederick, MD

VIRGINIA/NORTH CAROLINA:
Residence Inn by Marriott, Williamsburg
Springhill Suites, Williamsburg
Hyatt Summerfield Suites, Charlotte, NC

WEST COAST

CALIFORNIA:
Hyatt Summerfield Suites, Pleasant Hill/Walnut Creek, CA
Hyatt Summerfield Suites, Pleasanton/Dublin, CA

ARIZONA:
Hyatt Summerfield Suites, Scottsdale, AZ

* *HT Properties Listing as of March 1, 2008*

CORPORATE INFORMATION

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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"

HERSHA

WWW.HERSHA.COM