

2017

# HELS AND SPORTS

HOTELS AND SPORTS



*The Envoy, Boston Seaport*



# H

ersha's steadfast commitment to being the leading hotel company is supported by an experienced management team and guided by the values instilled by our founders 30 years ago. An acute focus on accretive capital allocation, revenue and asset management initiatives and the rare entrepreneurial skill to create value during the highs and the lows of the market cycle are the foundations of Hersha's success and our extraordinary growth trajectory.

The strategy of focusing on markets with investments in high-quality hotels across all hotel segments is a unique approach in the lodging sector. It has given us a competitive advantage in our core markets, enabling the compilation of valuable market and consumer insights to maximize revenues and enhance margins.

We have a great sense of gratitude for the outstanding associates at our hotels and our dedicated management team for their exceptional efforts throughout the year. Together with them, we look forward to continue to deliver value to you, our fellow shareholders. Thank you for your continued confidence.

**JAY H. SHAH**  
CHIEF EXECUTIVE OFFICER

**NEIL H. SHAH**  
PRESIDENT AND  
CHIEF OPERATING OFFICER

*The Hotel Milo, Santa Barbara*



# H

ersha's performance in 2017 builds on a strong track record of transformation and performance across the last several years. Today, our portfolio of hotels consists of newer, high-quality hotels in the most valuable urban and destination markets in the United States that are positioned to meet evolving consumer expectations and drive both market share and loyalty. Our strategy balances connecting with guests to drive top-line growth with operational efficiency to generate sector leading margins. Hersha's hotels are extraordinarily well-positioned to generate earnings growth and safely deliver dividends while the real estate appreciation of our hotels and our markets will drive long-term value to our shareholders.

As you know, when faced with a decelerating fundamental operating environment in 2015, we began a 24-month transformative recycling of our hotel portfolio with impressive results. During the last two years, we sold \$870 million of mature, stabilized hotels, successfully deferring \$270 million of taxable gains with \$816 million of accretive acquisitions. We are proud of our ability to transact efficiently, demonstrated by selling our non-core hotels for an average of 15x EBITDA or a 6% economic



*The Ambrose Hotel, Santa Monica*



*The Sanctuary Beach Resort, Monterey Bay*

capitalization rate – these were the slower growth, lower quality assets in our portfolio. Our sales further demonstrate the current disconnect between the Company’s perceived net asset value and private market valuations. In addition to refining our portfolio’s market mix to urban gateway and coastal destinations, our improved portfolio quality focuses our capabilities on hotels with higher RevPAR and EBITDA growth potential in our core markets.

Last year was challenging for the lodging sector with low RevPAR growth across the top-ten gateway markets. The third quarter was an especially difficult operating environment for the industry overshadowed by multiple catastrophic hurricanes that impacted the everyday lives of millions of Americans. The Hersha teams and our operating partners performed admirably, around-the-clock to quickly and safely prepare our hotels and guests for the impact of the historic storms. In South Florida, Hurricane Irma resulted in the closure of our six hotels in September, causing significant interruption to our portfolio.



*Hyatt Union Square, New York City*



Following the storm, our primary focus was devoted to resuming operations at four of our six properties less impacted by the storm. At our Cadillac Hotel & Beach Club and Parrot Key Hotel & Resort, our two largest South Florida assets, the disruption was more significant, and we utilized this period to commence our previously planned repositioning and elevation of the Cadillac and more significant renovations at Parrot Key. The transition at each hotel, although disruptive to the near-term EBITDA growth of our portfolio, is almost complete and both properties will reopen in the second quarter of 2018.

Various market tailwinds and robust operating performance in the fourth quarter demonstrated a fundamental turnaround in a number of our core markets, most notably South Florida and New York City, leading to our 2017 comparable portfolio RevPAR of \$184.23, the highest year-end RevPAR figure in our history and at the high-end of the lodging REIT sector.

In response to the slower growth operating environment last year and the conclusion of our capital recycling program, we turned our focus to investing in strategic, value creation projects at many



of our owned hotels. We prioritized several capital projects that position the portfolio for significant organic earnings growth in 2018 and 2019. Notable capex projects included transforming the 357-room Cadillac Hotel & Beach Club that occupies an entire block on Miami Beach from a Courtyard by Marriott to an Autograph Collection lifestyle hotel along with upgrading the rooms at the Parrot Key Hotel & Resort in Key West, The Rittenhouse in Philadelphia, and The St. Gregory in Dupont Circle. In addition, we upgraded the restaurants, bars and event space at the Hyatt Union Square in Manhattan, the Sanctuary Beach Resort in Monterey, and The Ritz-Carlton, Coconut Grove in Miami.

The Company's ownership philosophy is keenly focused on assets in the most sought-after locations across the U.S. and a unique combination of category-killing branded hotels and independent lifestyle hotels. In addition, our segmented clusters enable us to leverage local consumer insights and scale to capture a differentiated mix of leisure and business transient customers while boasting assets that respond to the tastes and preferences of today's traveler. Many of our hotels are situated in the country's most populated technology and innovation districts including the fast-growing Seaport in Boston,

*The Pan Pacific Hotel, Seattle*



*The Boxer, Boston*

*Hilton Garden Inn, New York City*

Playa Vista and Santa Monica in Los Angeles, Silicon Valley and South Lake Union in Seattle, which is home to Amazon, Facebook, The Bill and Melinda Gates Foundation as well as notable medical research centers including the Fred Hutchinson Cancer Research Center, The Allen Institute for Brain Science and the University of Washington Medical Center.

While investing in growth by acquiring high-quality hotels in strategic markets is our priority, there are times when buying back the Company's stock is as productive, if not a more productive use of capital to drive shareholder returns. At Hersha, all major decisions are focused on long-term, sustainable value creation. When the Company's shares are trading below the private market valuation of the portfolio's hotels, like in the second half of 2017, we will use our capital to buy back shares. Since 2014, Hersha has repurchased over \$241 million of its common shares, representing approximately 23% of its public float. Share buybacks, in addition to the Company's strong dividend, demonstrate the Company's total return philosophy and our steadfast commitment to shareholder value.



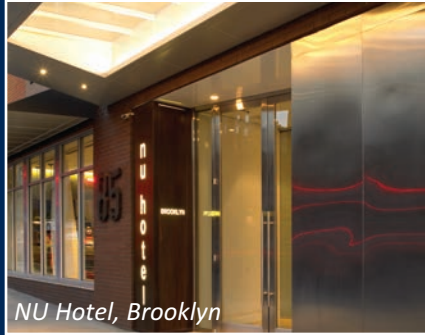


*St. Gregory, Washington, D.C.*



*Cadillac Hotel & Beach Club, Miami Beach*

Hersha's unique hotel portfolio, characterized by high absolute RevPAR and sector-leading margins, located in the most valuable markets in the country is further supported by a talented management team that thinks like long-term investors and manages like owner-operators. Following several years of well-timed dispositions, calculated acquisitions, and ROI-generating renovations, our collection of hotels is uniquely in tune with the evolving expectations of today's travelling consumers. We have our focus trained now on driving the performance from our hotel portfolio and generating EBITDA growth from our recent investments. We are confident in our operating capabilities, the value of our portfolio, the markets where we are focused, and the overall earnings potential of our investments to drive significant growth for years to come.



Hersha embraces environmental and community stewardship as an integral part of maintaining and building a successful business. To best put this vision into practice, we conceptualized and developed a proprietary program, EarthView®, encompassing a triple-bottom-line approach to sustainability. Since 2010, the program has delivered environmental and conservation programs that positively impact a hotel operation's bottom line while simultaneously improving the well-being of our guests, our employees, our communities, and our planet.

EarthView is successfully implemented across many leading brands, independent hotels and geographic regions. Through EarthView, Hersha is able to drive incremental value by implementing efficiency initiatives with measureable and timely returns. We invest in capital projects that reduce energy and water consumption, positively impacting our operating margins and hotel valuations.



*The Rittenhouse, Philadelphia*

The Company's industry leadership in sustainability is recognized by numerous governmental agencies, cities, brands and trade organizations. EarthView has repeatedly been awarded the prestigious "Leader in the Light" award amongst Lodging & Resort companies for superior portfolio-wide energy use practices and sustainability initiatives from the National Association of Real Estate Investment Trusts (NAREIT). Hersha is also a participant in the Global Real Estate Sustainability Benchmark (GRESB), and has recently ranked in the top 4% of GRESB participants globally.

As we look toward the future, we are energized by the commitment of a growing number of hospitality industry leaders focused on sustainability. EarthView will continue evolving as a platform in which new concepts for sustainable hospitality are cultivated. Hersha's commitment to sustainable hospitality is enduring, and a testament to how we build and deploy unique capabilities.

Please visit us at [Hersha.com](https://www.hersha.com) to discover more about EarthView's innovative sustainability programs.



The Sanctuary Beach Resort, Monterey Bay

## Financial Highlights

(In thousands, except per share data)

CONSOLIDATED HOTEL OPERATING RESULTS		Year Ended December 31,				
		2017	2016	2015	2014	2013
HOTEL OPERATING REVENUES	\$	497,140	466,370	470,272	417,226	338,064
AVERAGE DAILY RATE	\$	215.58	202.59	197.29	187.82	179.70
OCCUPANCY		83.4%	82.5%	84.1%	82.6%	79.7%
REVENUE PER AVAILABLE ROOM	\$	179.84	167.13	165.83	155.19	143.30

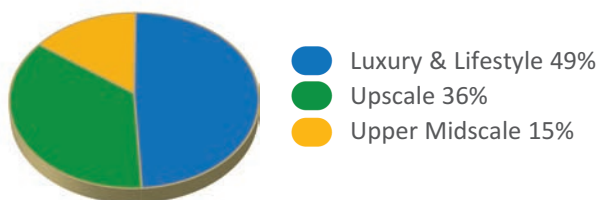
(In thousands, except per share data)

HERSHA HOSPITALITY TRUST OPERATING DATA: (Excluding Impairment Charges)		Year Ended December 31,				
		2017	2016	2015	2014	2013
Total Revenues (Including Discontinued Operations)	\$	498,237	466,629	470,385	419,346	396,458
Net Income applicable to Common Shareholders		79,524	95,579	27,440	54,638	44,467
Adjusted EBITDA		167,364	171,564	177,288	162,506	145,064
Adjusted Funds from Operations		96,926	109,804	118,093	102,832	86,487
<b>PER SHARE DATA:</b> (Excluding Impairment Charges)						
Diluted Earnings Per Common Share	\$	1.88	2.18	0.56	1.08	0.88
Adjusted Funds from Operations		2.16	2.40	2.35	1.96	1.64
Distributions to Common Shareholders		1.12	1.32	1.12	1.04	0.96
<b>BALANCE SHEET DATA:</b> (as of December 31st)						
Total Assets	\$	2,138,336	2,155,536	1,962,649	1,855,539	1,748,097
Total Debt		1,093,013	1,103,327	1,169,964	918,923	819,336
Total Liabilities and Equity		2,138,336	2,155,536	1,962,649	1,855,539	1,748,097

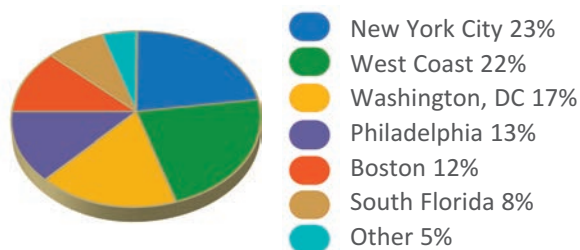


The Ritz-Carlton, Washington, D.C.

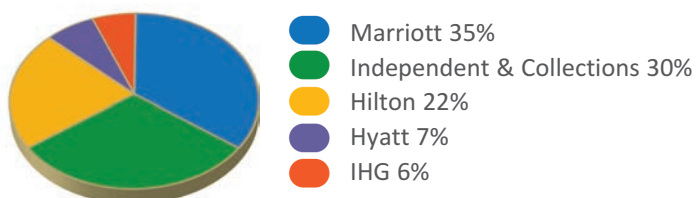
### HERSHA PORTFOLIO BY MARKET SEGMENT<sup>1</sup>



### HERSHA PORTFOLIO BY LOCATION<sup>1</sup>



### HERSHA PORTFOLIO BY HOTEL BRAND<sup>1</sup>



(1) Reflects estimated 2018 Proforma Consolidated Portfolio EBITDA.



The Capitol Hill Hotel, Washington, D.C.



## Property Portfolio

### NEW YORK CITY

Hyatt Union Square  
 Duane Street Hotel  
 NU Hotel, Brooklyn  
 Hilton Garden Inn, Manhattan Midtown East  
 Hilton Garden Inn, Tribeca  
 Holiday Inn Express, Madison Square Garden  
 Hampton Inn, Seaport  
 Sheraton Hotel, JFK International Airport  
 Hilton Garden Inn, JFK International Airport  
 Holiday Inn Express, Times Square South<sup>1</sup>  
 Candlewood Suites, Times Square South<sup>1</sup>  
 Hampton Inn, Manhattan/Times Square<sup>1</sup>  
 Hampton Inn, Chelsea<sup>2</sup>  
 Hampton Inn, Madison Square Garden<sup>1</sup>  
 Holiday Inn, Wall Street<sup>1</sup>  
 Holiday Inn Express, Wall Street<sup>1</sup>

### BOSTON

The Envoy, Boston Seaport  
 The Boxer, Boston  
 Courtyard by Marriott, Brookline  
 Holiday Inn Express, Cambridge  
 Courtyard by Marriott, South Boston  
 Holiday Inn Express, South Boston  
 Mystic Marriott Hotel & Spa, Mystic, CT

### PHILADELPHIA

The Rittenhouse  
 The Philadelphia Westin  
 Hampton Inn, Center City/Convention Center  
 Sheraton Wilmington South

### WASHINGTON, D.C.

The Ritz-Carlton, Georgetown  
 The St. Gregory, Dupont Circle  
 The Capitol Hill Hotel  
 Hilton Garden Inn, M Street  
 Hampton Inn Washington, D.C.  
 Annapolis Waterfront Hotel<sup>2</sup>  
 Residence Inn, Tysons Corner

### MIAMI & KEY WEST

The Ritz-Carlton, Coconut Grove  
 The Cadillac Hotel & Beach Club, Miami Beach  
 The Winter Haven Hotel, Miami Beach  
 The Blue Moon Hotel, Miami Beach  
 Residence Inn, Coconut Grove  
 The Parrot Key Hotel & Resort, Key West

### WEST COAST

The Pan Pacific Hotel, Seattle  
 Courtyard by Marriott, Sunnyvale  
 TownePlace Suites, Sunnyvale  
 The Sanctuary Beach Resort, Monterey Bay  
 The Hotel Milo, Santa Barbara  
 The Ambrose Hotel, Santa Monica  
 Courtyard by Marriott, Los Angeles Westside  
 Courtyard by Marriott, Downtown San Diego

(1) Unconsolidated Joint-Venture; (2) Acquired March 28, 2018



*The Ritz-Carlton, Coconut Grove*

#### **BOARD OF TRUSTEES**

Hasu P. Shah  
Chairman,  
Hersha Hospitality Trust

Jay H. Shah  
Chief Executive Officer,  
Hersha Hospitality Trust

Donald J. Landry  
Lead Director, Hersha Hospitality Trust  
Former President & CEO, Sunburst Hospitality Inc.

Jackson Hsieh  
President and Chief Executive Officer,  
Spirit Realty Capital, Inc.

Thomas J. Hutchison III  
Former CEO,  
CNL Hotels & Resorts  
and CNL Retirement Properties, Inc.

Michael A. Leven  
Former President and Chief Operating Officer,  
Las Vegas Sands Corp.

Dianna F. Morgan  
Former Senior Vice President,  
Walt Disney World Co.

John M. Sabin  
Executive Vice President and CFO,  
Revolution LLC. and Case Foundation

#### **MANAGEMENT TEAM**

Jay H. Shah  
Chief Executive Officer

Neil H. Shah  
President and Chief Operating Officer

Ashish R. Parikh  
Chief Financial Officer

Michael R. Gillespie  
Chief Accounting Officer

David L. Desfor  
Treasurer and Corporate Secretary

William J. Walsh  
Senior Vice President of Asset Management

Robert C. Hazard III  
Senior Vice President of Acquisitions and Development

Bennett Thomas  
Senior Vice President of Finance and Sustainability

#### **EXECUTIVE OFFICES**

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Philadelphia, PA 19106  
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Fax: (215) 238-0157

#### **CORPORATE/SECURITIES COUNSEL**

Hunton Andrews Kurth LLP

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

KPMG LLP

#### **REGISTRANT ADDRESS**

44 Hersha Drive  
Harrisburg, PA 17102  
Telephone: (717) 236-4400  
Fax: (717) 774-7383

#### **REGISTRAR**

**& STOCK TRANSFER AGENT**  
American Stock Transfer & Trust Company

#### **COMMON STOCK INFORMATION**

The Common Stock of Hersha Hospitality Trust is traded on the New York Stock Exchange under the Symbol "HT".

#### **MANAGEMENT CERTIFICATIONS**

The Company's Chief Executive Officer and Chief Financial Officer provided certifications to the Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002 and these certifications are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

#### **ANNUAL REPORT ON FORM 10-K**

Shareholders may obtain a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission free of charge (except for exhibits), by writing to the Company's Investor Relations Manager, Hersha Hospitality Trust, 510 Walnut Street, 9th Floor, Philadelphia, PA 19106; or, visit the Company's website at [www.hersha.com](http://www.hersha.com) and refer to the Company's SEC Filings.

#### **ANNUAL MEETING**

The annual meeting of shareholders of Hersha Hospitality Trust will be held at 9:00 A.M. (EDT) at The St. Gregory Hotel in Washington, D.C., on Friday, June 1, 2018.

**HERSHA**  
HOTELS AND RESORTS

[WWW.HERSHA.COM](http://WWW.HERSHA.COM)