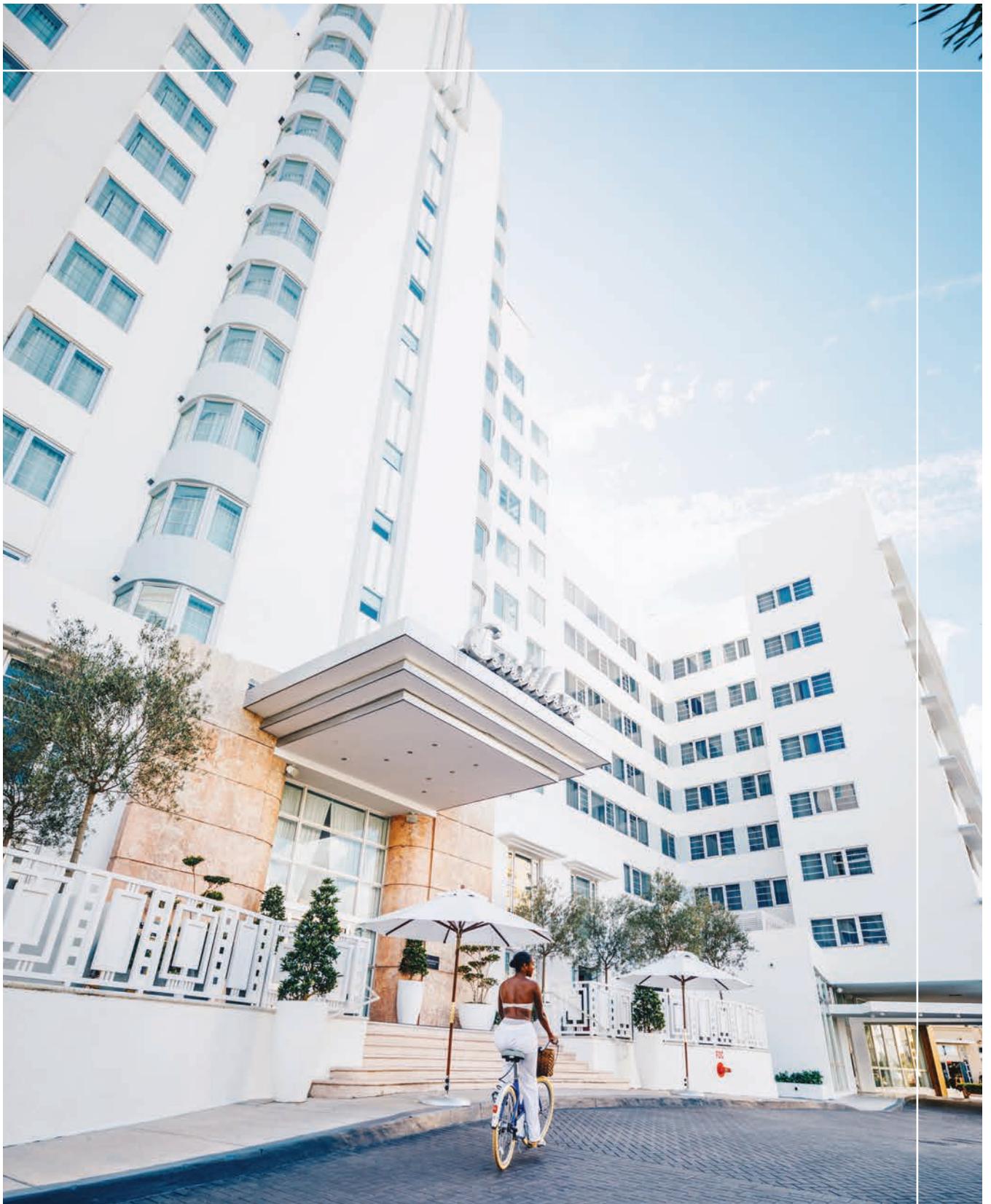


2018



# HERSHA

HOTELS AND RESORTS



The Envoy, Boston Seaport

## Fellow Shareholders,

We begin this letter with a great sense of pride in our accomplishments and the promise of an extraordinary year ahead. Reflecting on last year, and the several years leading up to it, the formulaic transformation that we have completed and the dramatic impact the change will have on the Company is clear and underway -- a multi-year capital recycling program, significant investments to elevate several of our legacy assets and the relaunch of our two largest

South Florida oceanfront hotels that sustained catastrophic damage from Hurricane Irma and had been closed since the fall of 2017. With the disruptive and unpredictable part of our strategic plan behind us, we are keenly focused on driving performance, our demonstrated strong suit, and taking advantage of our company specific growth catalysts. The successful execution of our strategic plan positions us to leverage our best in class portfolio of newly renovated high-growth hotels located in the most valuable urban and destination markets in the United States.

### *Investing in Repositioning*

Last year, we generously invested capital to tailor many of our hotels to address and inform the preferences and expectations of the modern global and domestic traveler. We completed renovations in each of our core markets across our 3, 4 and 5-star hotels to ensure that our portfolio of hotels drive the market share and loyalty of the travelling consumer for all of their travel occasions. Holistic transformations include our luxury hotels in Miami and Philadelphia, our resort destinations in Monterey and Key West, as well as our upscale business hotels in New York.

We completed the majority of these projects by the fall of 2018, allowing us to drive meaningful RevPAR and EBITDA growth in the fourth quarter of last year. The combination of the disruptive





construction at the hotels tailing off and the impact of our well received enhancements, enabled our generating one of the highest returns in the hotel sector during the quarter -- a very positive milestone and strong support for the increased profitability that we project for our portfolio over the next few years.

#### *Performance of New Acquisitions*

In 2018 we started to reap significant benefit from the newly acquired hotels in our portfolio from the capital recycling campaign. These 8 new hotels, that will account for 24% of our earnings in 2019, outperformed the stabilized hotels in our portfolio by 750 basis points in 2018 and we expect them to continue to grow ahead of our stabilized hotels and the market as they ramp up. In addition to honing our portfolio's exposure to urban gateway markets and coastal destinations, these new hotels in Boston, Philadelphia, Miami and the West Coast produced 7.6% RevPAR growth and 12.0% EBITDA growth in 2018.



The St. Gregory, Dupont Circle

### *Reopening Miami Beach and Key West*

After a full year of construction, we successfully reopened our two South Florida hotels: The Cadillac Hotel & Beach Club on Miami Beach and The Parrot Key Hotel & Villas in Key West. These hotels are amongst the highest EBITDA producing hotels in our portfolio and will generate significant EBITDA growth for the Company in 2019 now that both are upgraded and operational. We are thrilled to have both assets back online and look forward to their substantial earnings contribution, which we have not had the benefit of since September of 2017.

At the 357-room Cadillac Hotel and Beach Club, our \$47.3 million transformation following Hurricane Irma from a Courtyard by Marriott to an independent, lifestyle Autograph Collection resort included comprehensive renovations of all guest rooms, restaurants and bars, meeting spaces, the lobby, both pools and all landscaping. The Cadillac will continue to deliver above market growth across the next several years, and early returns are compelling. The Miami market rebounded in 2018 and the near-term outlook is especially strong with less new supply and the Super Bowl coming in 2020. Additionally, the expansion of the Miami Beach Convention Center is now complete and is expected to drive meaningful room night growth over the next several years as major conventions return to this sought-after venue.

The Pan Pacific Hotel, Seattle



The 148-room Parrot Key Hotel & Villas reopened for the December holiday season following its \$25 million holistic renovation including all guest rooms & villas, the restaurant and bar, lobby, all four pools and our award-winning landscaping. Similar to the Cadillac, pent-up demand to Key West returned towards the end of 2018 and early results indicate continued outperformance into 2019.

### *New York City Recovery*

Last year we saw performance improve in the New York City market. Visitation to New York grew by 3.8% to a record 65.2 million travelers in 2018 -- 13.5 million of which originated outside of the U.S. with notable increases from the Euro Zone and China. We captured this increased demand as our Manhattan portfolio generated robust returns in 2018, growing RevPAR by 4.7% and outperforming the market by 250 basis points. We are confident that our portfolio positioning in the market will allow us to take advantage of the early days of the recovery and deliver market leading performance there.





### *Innovation Districts*

When we wrote last year, we highlighted our hotels located in the country's deepest and most rapidly expanding technology and life sciences innovation districts including Silicon Valley, Silicon Beach in Los Angeles and South Lake Union in Seattle. This past year we saw continued strength in these markets and also witnessed growth in our life sciences and tech-sector submarkets up and down the East Coast. Boston is one of the leading innovation markets in the country with its world class universities, top-rated hospitals and research & development centers concentrated in Cambridge and the Seaport. New York City has seen the growth of Silicon Alley, a series of high-rise developments that house such firms as IBM Watson, Facebook, and Twitter, all proximate to our Hyatt Union Square. Our home town of Philadelphia boasts one of the nation's top life sciences hubs and has seen significant capital investments in start-ups following the recent expansion of Comcast. Lastly, Miami is one of the country's fastest growing start-up markets supported by its outpost of the Cambridge Innovation Center, home to over 250 tech and biomedical startups. The technology and life sciences sectors give us encouraging signs of growth as the many scaled, institutional companies continue to take advantage of long runways as they commercialize innovation and grow to serve an expanding global market.

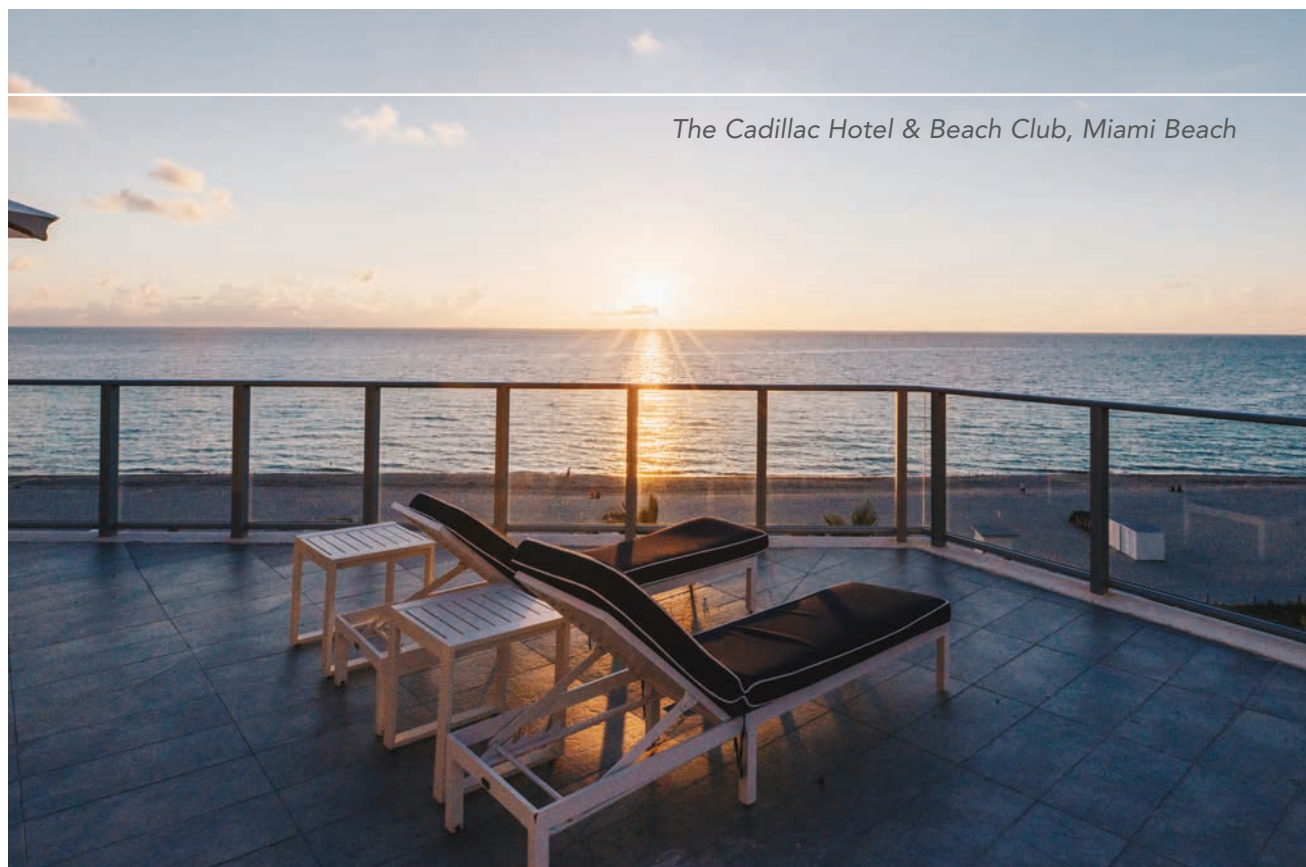
### *Financial Flexibility*

Our balance sheet management strategies provide us with significant optionality and allow us to remain opportunistic during volatile periods. With the stabilization of operations of our new hotels and reopening of our South Florida assets, our dividend payout ratio remains the lowest amongst our peer group. The Company's financial position is also very strong with ample capacity on our undrawn credit line and approximately 90% of our debt fixed with hedging instruments to avoid shocks from interest rate hikes. In 2018 we also lowered the weighted average cost of borrowing in our joint venture with Cindat Capital Management. We refinanced the debt on seven assets in Manhattan and recovered our initial \$43.2 million in preferred interest investment. We entered into a capital structure that provides the joint venture significantly more financial flexibility. We initially sold this portfolio for \$571 million in April 2016, generating a 16.8% unlevered IRR on our investment. In total we recouped approximately \$485 million from the sale and subsequent recapitalization and still retain a 30% interest in our seven-asset joint venture.

Hersha's management team, board of trustees and the founding partners are also significant owners of the stock, representing 10% of the shares outstanding. Our level of ownership showcases the strongest shareholder alignment in the sector. There have been a lot of moving parts in our portfolio over the last few years as we invested for the coming years and we thank you for your dedication to the Company and patience through these disruptive times. We look forward to harvesting the financial returns from the strategic and disciplined execution of our formulaic business plan together. We thank you for your confidence and ongoing support.

JAY H. SHAH  
CHIEF EXECUTIVE OFFICER

NEIL H. SHAH  
PRESIDENT AND CHIEF OPERATING OFFICER



## Financial Highlights

(In thousands, except per share data)

### CONSOLIDATED HOTEL OPERATING RESULTS

Year Ended December 31,

		2018	2017	2016	2015	2014
<b>HOTEL OPERATING REVENUES</b>	\$	493,678	497,140	466,370	470,272	417,226
<b>AVERAGE DAILY RATE</b>	\$	226.87	215.58	202.59	197.29	187.82
<b>OCCUPANCY</b>		81.3%	83.4%	82.5%	84.1%	82.6%
<b>REVENUE PER AVAILABLE ROOM</b>	\$	184.34	179.84	167.13	165.83	155.19

(In thousands, except per share data)

### HERSHA HOSPITALITY TRUST

#### OPERATING DATA: (Excluding Impairment Charges)

Year Ended December 31,

		2018	2017	2016	2015	2014
Total Revenues (Including Discontinued Operations)	\$	495,063	498,237	466,629	470,385	419,346
Net Income applicable to Common Shareholders		(14,184)	79,524	95,579	27,440	54,638
Gain on Disposition of Hotel Properties		4,148	90,350	115,839	-	7,195
Adjusted EBITDA		173,695	167,364	171,564	177,288	162,506
Adjusted Funds from Operations		95,352	97,499	104,915	114,952	100,147

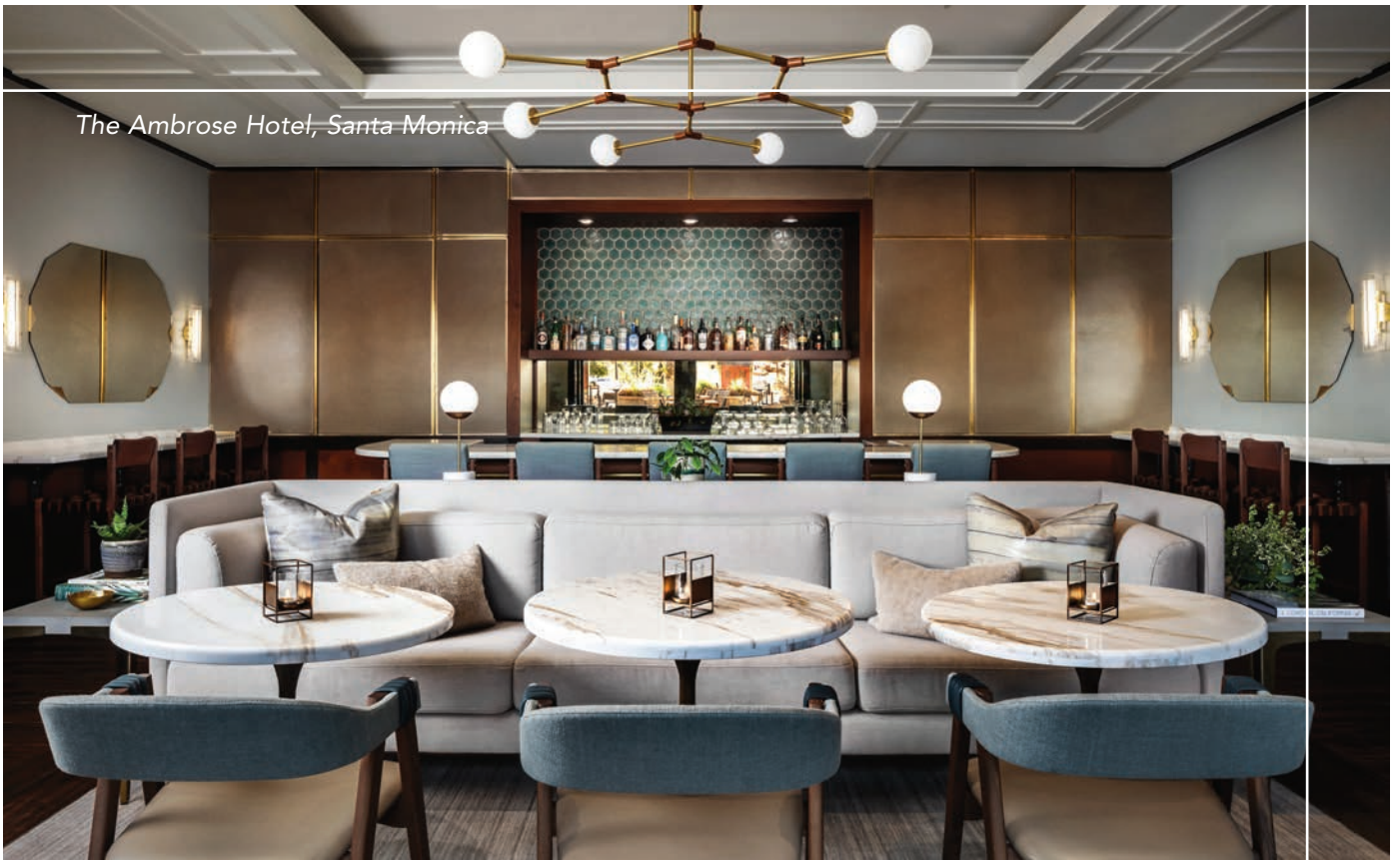
#### PER SHARE DATA: (Excluding Impairment Charges)

Diluted Earnings Per Common Share	\$	(0.38)	1.88	2.18	0.56	1.08
Adjusted Funds from Operations		2.20	2.17	2.29	2.29	1.92
Distributions to Common Shareholders		1.12	1.12	1.32	1.12	1.04

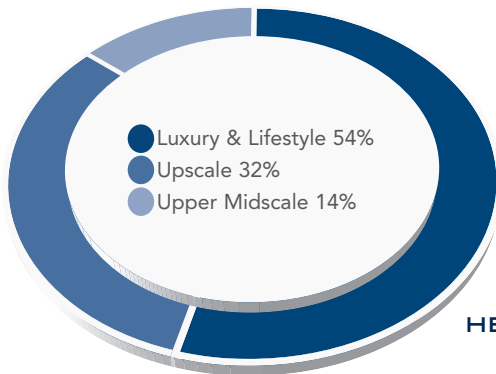
#### BALANCE SHEET DATA: (as of December 31st)

Total Assets	\$	2,138,630	2,138,336	2,155,536	1,962,649	1,855,539
Total Debt		1,093,031	1,093,013	1,103,327	1,169,964	918,923
Total Liabilities and Equity		2,138,630	2,138,336	2,155,536	1,962,649	1,855,539

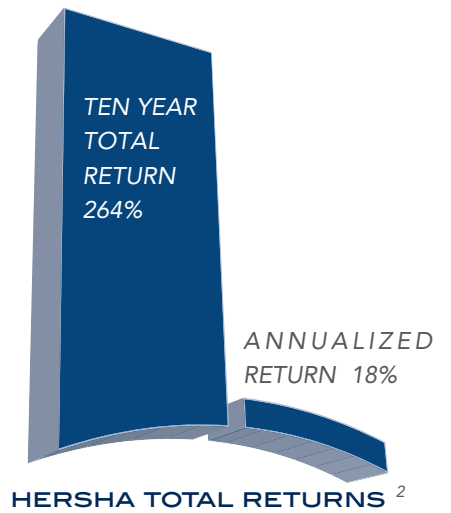
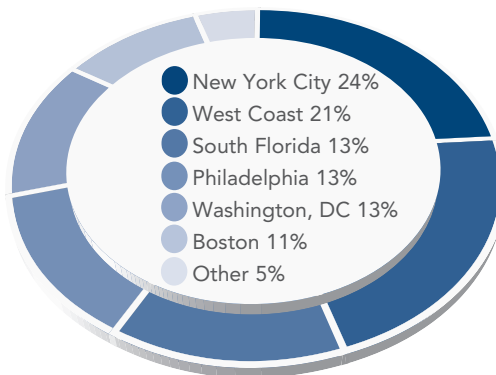
The Ambrose Hotel, Santa Monica



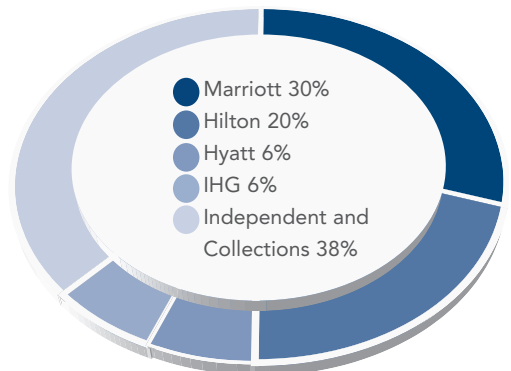
**HERSHA PORTFOLIO  
BY MARKET SEGMENT <sup>1</sup>**



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



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



(1) Reflects estimated 2019 Proforma Consolidated Portfolio EBITDA.

(2) Total return as of March 29th, 2019, inclusive of dividends.





We created Hersha's award-winning sustainability program, EarthView®, in 2010, with the mission of improving the well-being of our guests, our associates, our communities, our business and our planet. Our innovative approach aligns with our core values and has established us as leaders in global efforts to drive environmental and social impact, while delivering positive financial results to Hersha.

EarthView is implemented across our portfolio of high-quality hotels, which includes both leading global brands and independent hotels, in urban gateway markets and coastal resort destinations. Through our proactive approach, we invest in capital projects and operational efficiencies to drive incremental value to our portfolio and deliver measurable and timely returns. These efficiencies ultimately improve our operating margins and increase the valuations of our hotels.

Our efficiency projects are coupled with our focus on social impact – ranging from engagement in our local and global communities, to addressing social issues including human rights, diversity, and workplace safety. By leveraging our scale in these areas, we are able to compound our impact and spur positive results across all three pillars of the triple-bottom-line.

EarthView has repeatedly won the prestigious "Leader in the Light" award as the leading Lodging & Resort company for superior environmental, social and governance (ESG) initiatives from the National Association of Real Estate Investment Trusts (NAREIT). As leaders and innovators, we will continue our quest to identify opportunities that better our communities, facilitate our strategic use of resources, and provide solutions to our stakeholders. We are encouraged by the growing awareness of sustainability amongst our peers and the lodging community at large, and embrace partnerships that can help us further achieve triple-bottom-line success. As we continue our pursuit of sustainable hospitality, we look forward to sharing our progress in making our world a more inclusive, stronger, and resilient place.

For more information, please visit [Hersha.com/EarthView](https://www.hersha.com/EarthView) to view our 2018 Sustainability Report.



## Property Portfolio

### NEW YORK CITY

Hyatt Union Square  
 Duane Street Hotel, Tribeca  
 NU Hotel, Brooklyn  
 Hilton Garden Inn, Tribeca  
 Hilton Garden Inn, Manhattan Midtown East  
 Holiday Inn Express, Chelsea  
 Hampton Inn, Seaport  
 The Gate 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, Times Square South<sup>1</sup>  
 Hampton Inn, Chelsea<sup>1</sup>  
 Hampton Inn, Madison Square Garden<sup>1</sup>  
 Holiday Inn, Wall Street<sup>1</sup>  
 Holiday Inn Express, Wall Street<sup>1</sup>  
 Hyatt House, White Plains

### BOSTON

The Envoy, Boston Seaport  
 The Boxer, Boston  
 Courtyard by Marriott, Brookline  
 Holiday Inn Express, Cambridge  
 Courtyard by Marriott, South Boston<sup>1</sup>  
 Holiday Inn Express, South Boston<sup>1</sup>  
 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

### MIAMI & KEY WEST

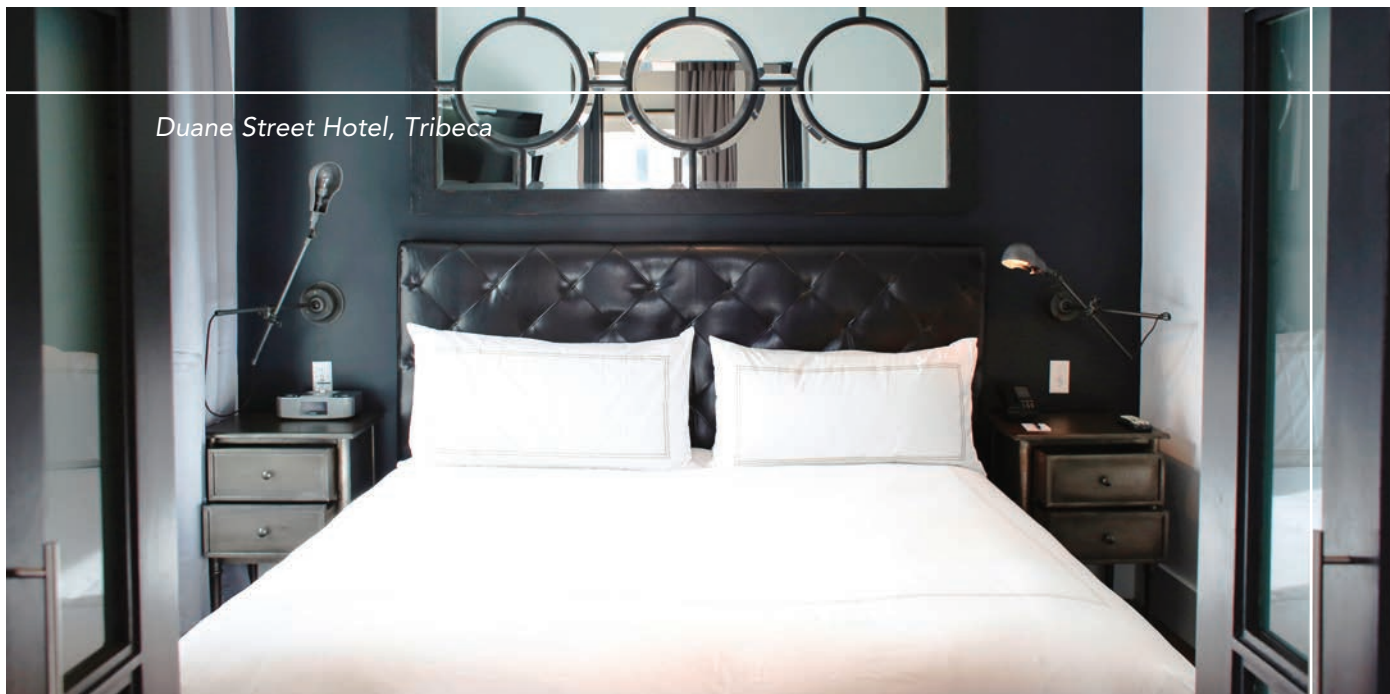
The Cadillac Hotel & Beach Club, Miami Beach  
 The Winter Haven Hotel, Miami Beach  
 The Blue Moon Hotel, Miami Beach  
 The Ritz-Carlton, Coconut Grove  
 Residence Inn, Coconut Grove  
 The Parrot Key Hotel & Villas, Key West

### 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

*Duane Street Hotel, Tribeca*



#### **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 & 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 & Chief Operating Officer,  
Las Vegas Sands Corp.

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

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

#### **MANAGEMENT TEAM**

Jay H. Shah  
Chief Executive Officer

Neil H. Shah  
President & Chief Operating Officer

Ashish R. Parikh  
Chief Financial Officer

Michael R. Gillespie  
Chief Accounting Officer

David L. Desfor  
Treasurer & Corporate Secretary

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

Bennett Thomas  
Senior Vice President of Finance & Sustainability

William J. Walsh  
Senior Vice President of Asset Management

#### **EXECUTIVE OFFICES**

One Washington Square  
510 Walnut Street, 9th Floor  
Philadelphia, PA 19106  
Telephone: (215) 238-1046  
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, 2018.

#### **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 Thursday, May 30th, 2019.

**HERSHA**  
HOTELS AND RESORTS

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