
SUNSTONE
HOTEL INVESTORS
COMPANY
PRESENTATION
JUNE 2014
[staying the course]

[Forward-Looking Statements]

This presentation contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “should,” “will” or the negative of such terms and other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider the risks outlined in detail under the heading “Risk Factors” in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on February 25, 2014, including, but not limited to, the following factors: general economic and business conditions affecting the lodging and travel industry, internationally and locally, including a U.S. recession; the need to operate as a REIT and comply with other applicable laws and regulations; rising operating expenses; relationships with and requirements of franchisors and hotel brands; relationships with and the performance of the managers of our hotels; the ground, operating or air leases for 10 of the 29 hotels; our ability to complete acquisitions and dispositions; and competition for the acquisition of hotels. These factors may cause our actual events to differ materially from the expectations expressed or implied by any forward-looking statement. We do not undertake to update any forward-looking statement.

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Who we are.

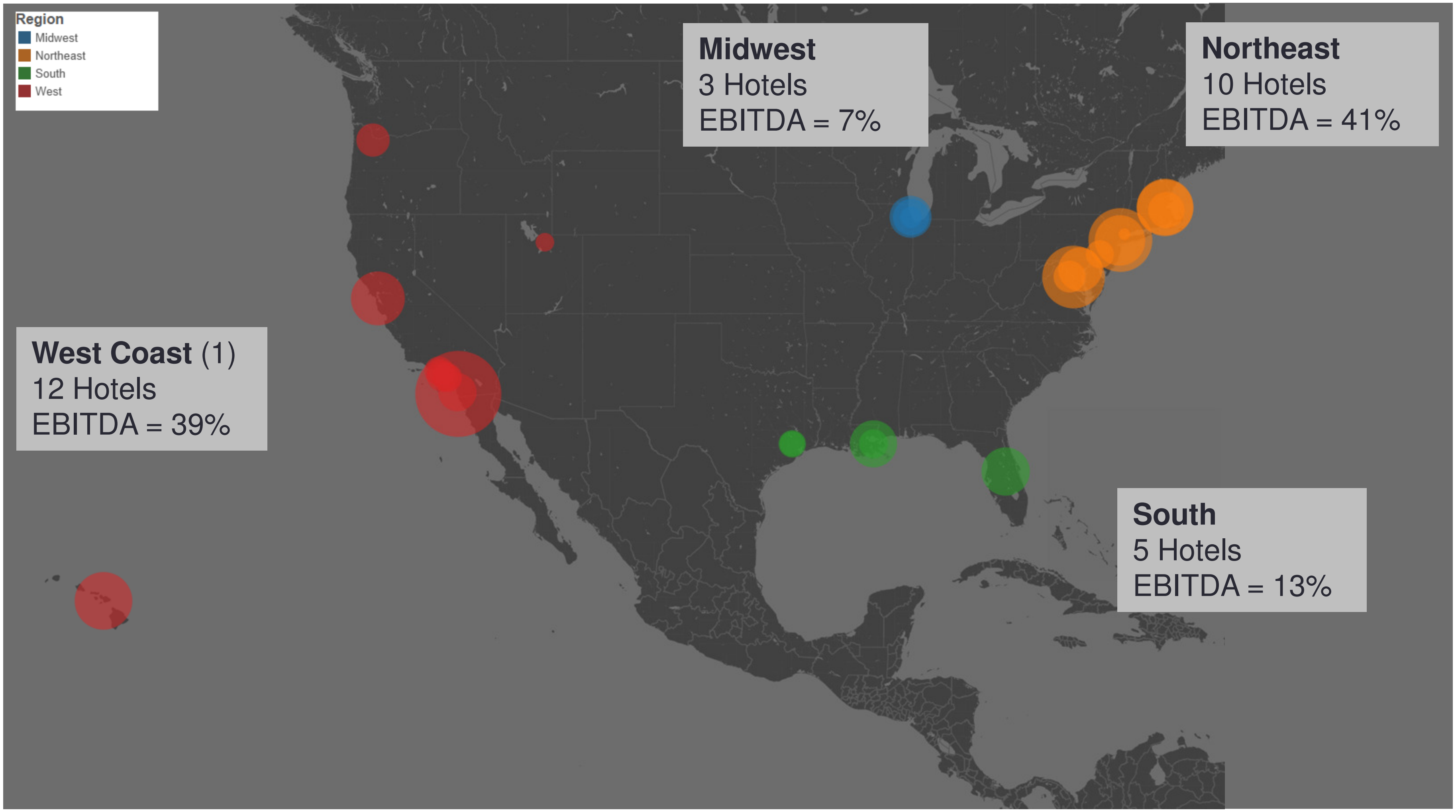
[Company Overview]

We own 30 institutional-quality hotels (14,304 rooms).(1) Our enterprise value is approximately $4.5 billion.

- High-Quality Diversified Portfolio
- EBITDA Concentrated in Top 25 MSAs
- Appropriately Levered Balance Sheet
- Consistent Execution on Stated Strategy
- Best-in-Class Disclosure & Corporate Governance

(1) Includes the pending acquisition of the 544-room Wailea Beach Marriott Resort & Spa.

Our EBITDA is concentrated in Top 25 MSAs.

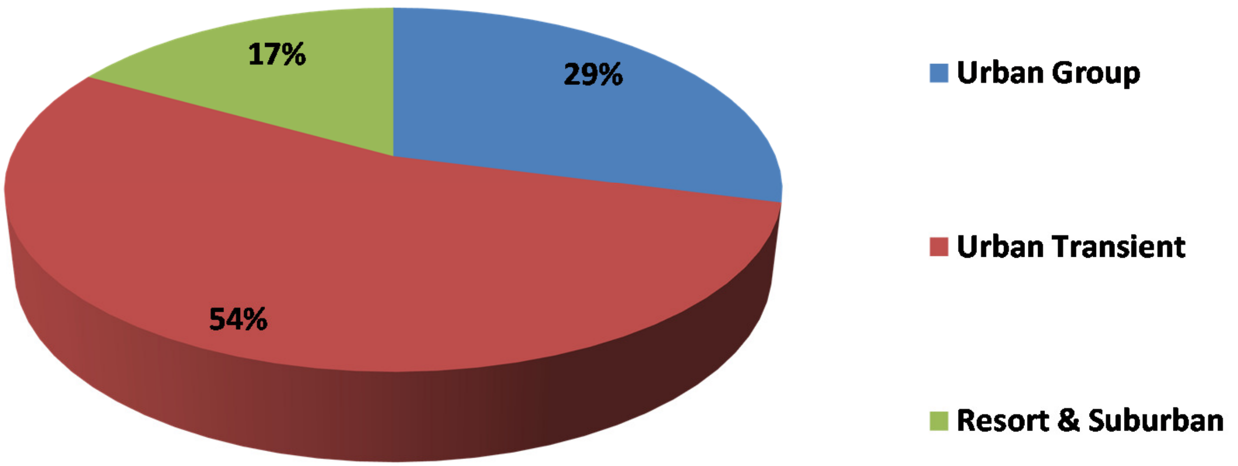


(1) West Coast includes Hawaii (includes the pending acquisition of the 544-room Wailea Beach Marriott Resort & Spa).
Note: Circle size denotes relative EBITDA contribution (in %) to Sunstone's overall portfolio.

The Types of Hotels We Own

Our portfolio is comprised entirely of institutional-quality, upper-upscale hotels yet is diversified in terms of asset size, geography and business mix.

2013 Pro Forma Property Type EBITDA Contribution



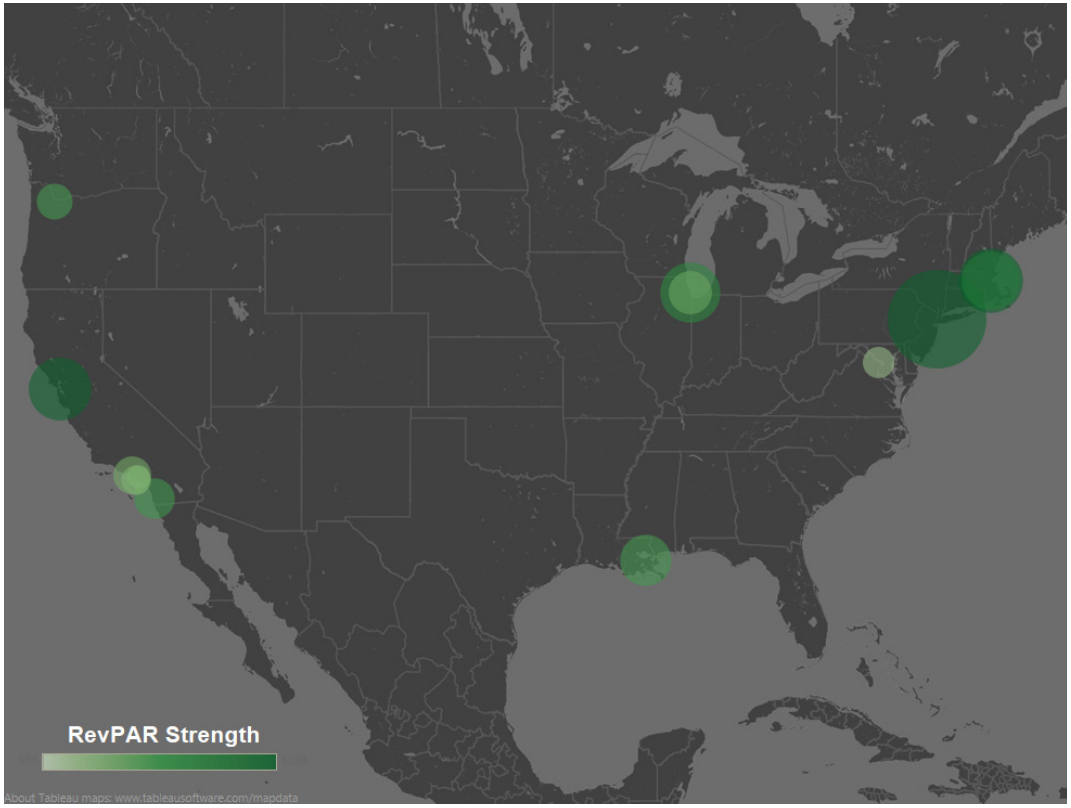
1,190-room Hilton Bayfront

802-room Hyatt San Francisco

544-room Marriott Wailea Resort

Data as provided in supplemental financial information reported on Form 8-K, furnished 02/25/2014.
Figures have been adjusted to account for the pending acquisition of the Wailea Beach Marriott Resort & Spa.

The Types of Hotels We Own



Urban Transient Hotels*	
Number of Hotels	17
Rooms	7,336
Q1 2014 RevPAR % Change Year-over-Year	$138.55 6.0%
Q1 2014 EBITDA ($MM) % Change Year-over-Year	$20.9 3.2%
Q1 2014 Sell-Out Nights % Change Year-over-Year	320 30%

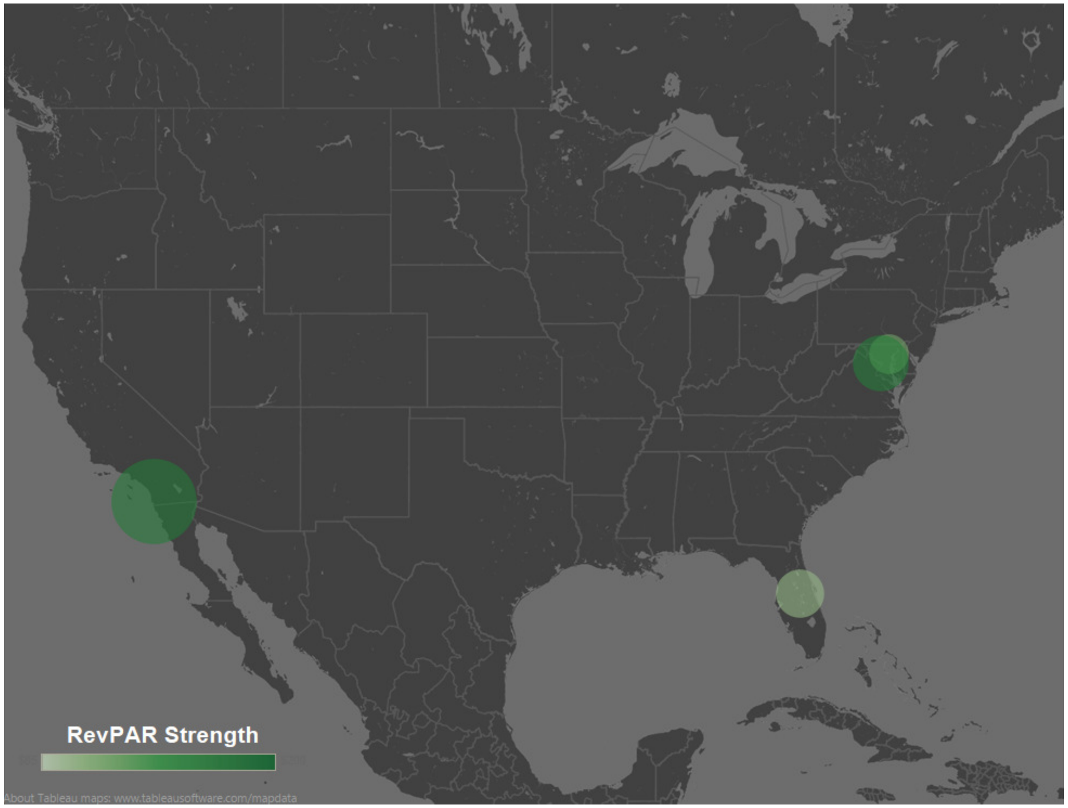
Strong Urban Transient Trends Drive RevPAR

- Portfolio occupancy 190 bps above prior peak levels
- 7% increase in sellout nights in 2013 over 2012
- 5th consecutive year of increasing sell-out nights

802-room Hyatt Regency San Francisco

* Data as provided in supplemental financial information reported on Form 8-K, furnished 03/05/2014.

The Types of Hotels We Own



Urban Group Hotels*

Number of Hotels	4
Rooms	3,400
Q1 2014 RevPAR % Change Year-over-Year	$153.65 7.5%
Q1 2014 EBITDA ($MM) % Change Year-over-Year	$25.6 15.0%
Q1 2014 Sell-Out Nights % Change Year-over-Year	65 35%

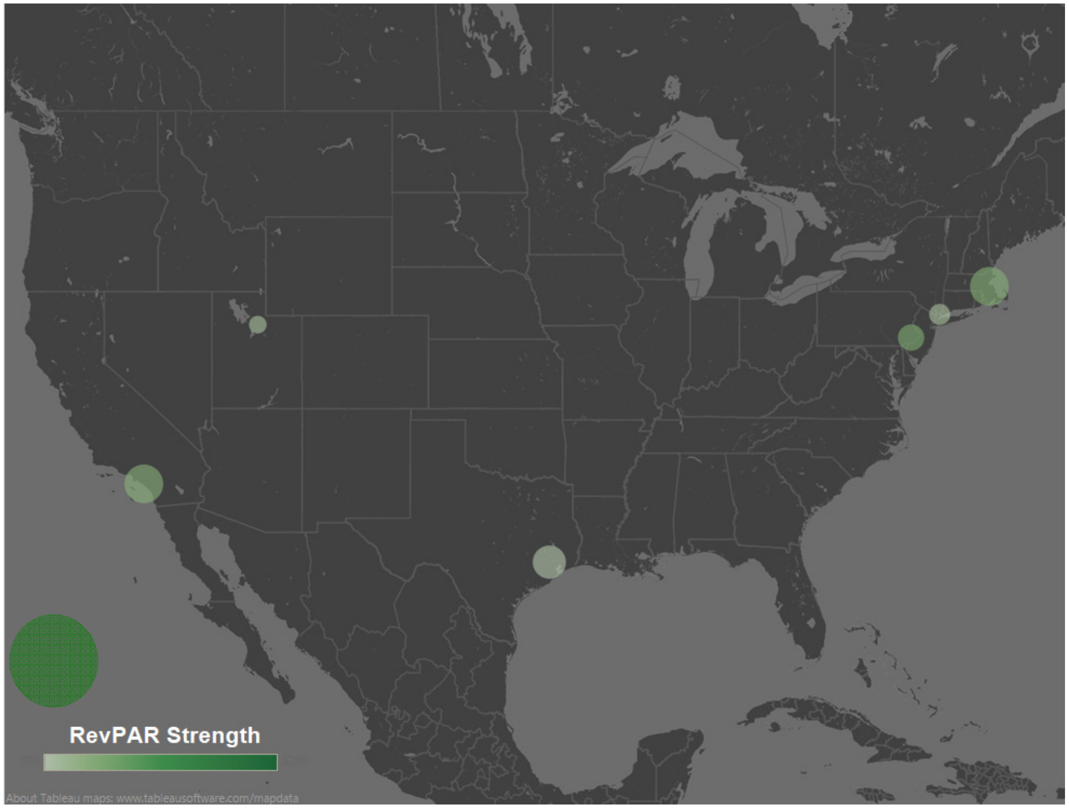
1,190-room Hilton San Diego Bayfront

Group Provides a Strong Compression Base

- Portfolio group productivity continues to accelerate
- Portfolio group pace is strong: up 6.5% for 2014
  - Pace for our 2013 renovation hotels is up 45.4%
- Banquet spend per occupied group room is 8% below prior peak, implying upside as group spend returns

* Data as provided in supplemental financial information reported on Form 8-K, furnished 03/05/2014.

The Types of Hotels We Own



Resort & Suburban Hotels

- The 544-room Wailea Beach Marriott meaningfully improves our Resort & Suburban portfolio metrics
- Two hotels (Hyatt Newport Beach and Renaissance Westchester) are coming off major renovations in 2013 and <u>are delivering strong growth in 2014</u>

Resort & Suburban Hotels* (1)	
Number of Hotels	9
Rooms	3,565
Q1 2014 RevPAR % Change Year-over-Year	$132.86 13.2%
Q1 2014 EBITDA ($MM) % Change Year-over-Year	$16.7 36.0%
Q1 2014 Sell-Out Nights % Change Year-over-Year	65 35%

544-room Wailea Beach Marriott Resort & Spa

* Data as provided in supplemental financial information reported on Form 8-K, furnished 03/05/2014.

(1) Figures have been adjusted to account for the pending acquisition of the 544-room Wailea Beach Marriott Resort & Spa.

How we compete.

[Sunstone Strategy]

Our goal is to carefully improve the quality and scale of our portfolio while maintaining balance sheet strength. We will accomplish this via:

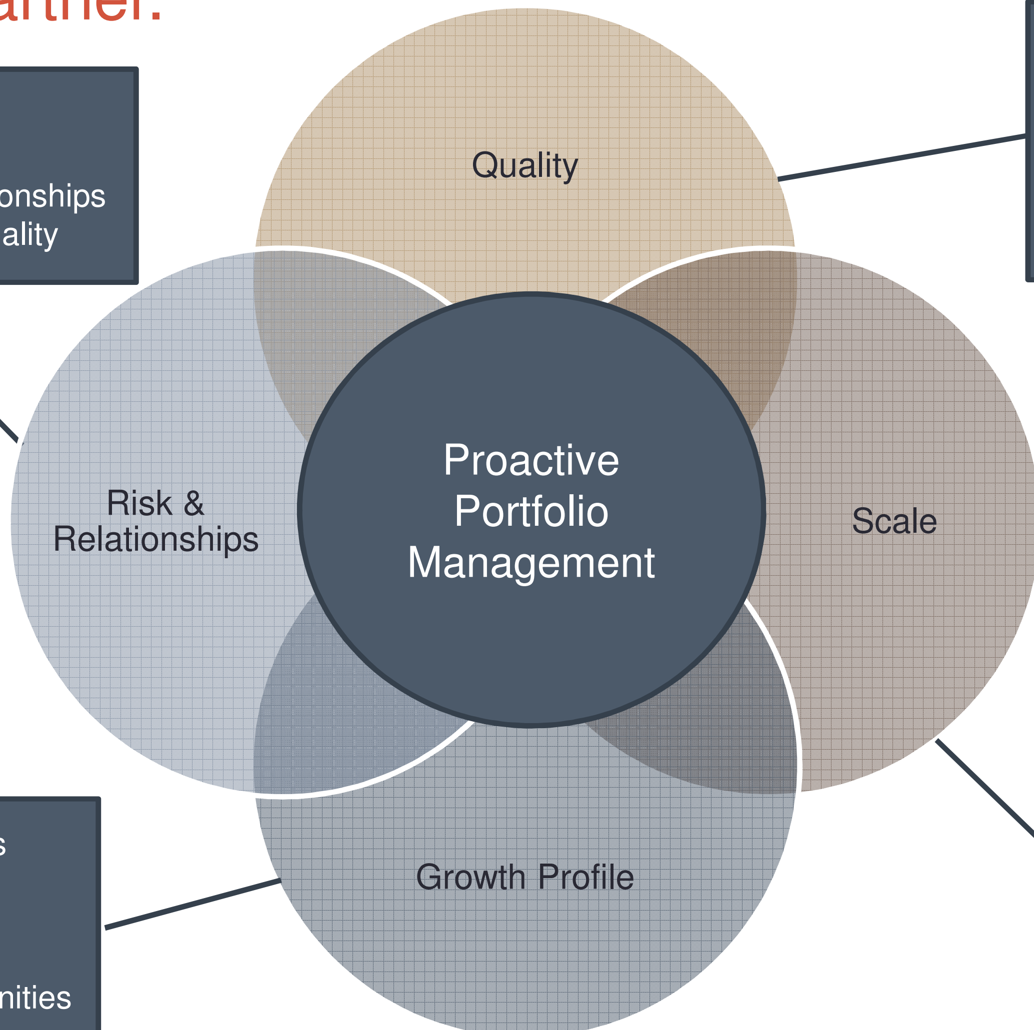
- Proactive Portfolio Management
- Aggressive Asset Management
- Disciplined Capital Allocation
- Focused Cost of Capital Management
- Superior Corporate Governance

412-room Marriott Boston Long Wharf

How we determine what we own, where we invest and with whom we partner.

- EBITDA Concentration
- Geographic Diversity
- Brand / Manager Relationships
- Encumbrances / Optionality

- RevPAR
- EBITDA / Key
- Market Orientation
  - *Urban*
  - *Suburban*
  - *Resort*



- Target Growth Markets
- Value-Add Potential
- Operating Efficiency
- CapEx Investments
- "Complexing" Opportunities

- Portfolio Size
- Average Hotel Size
- Market Clusters

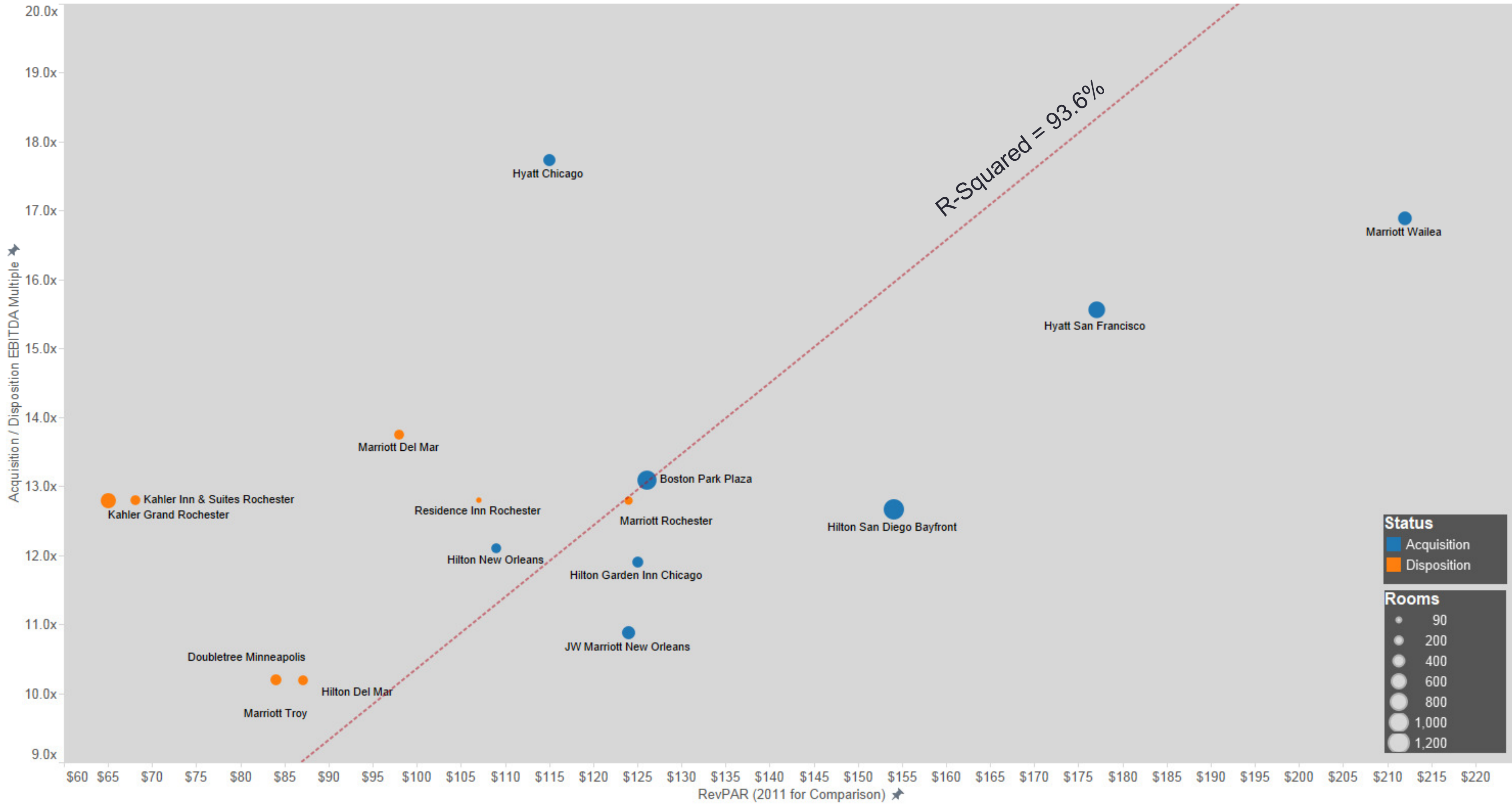
[Sunstone Strategy]
Aggressive Asset Management

Revenue Management
- Optimizing Revenues

Operational Efficiency
- Minimizing Expenses

Capital Investment
- Maximizing Asset Value

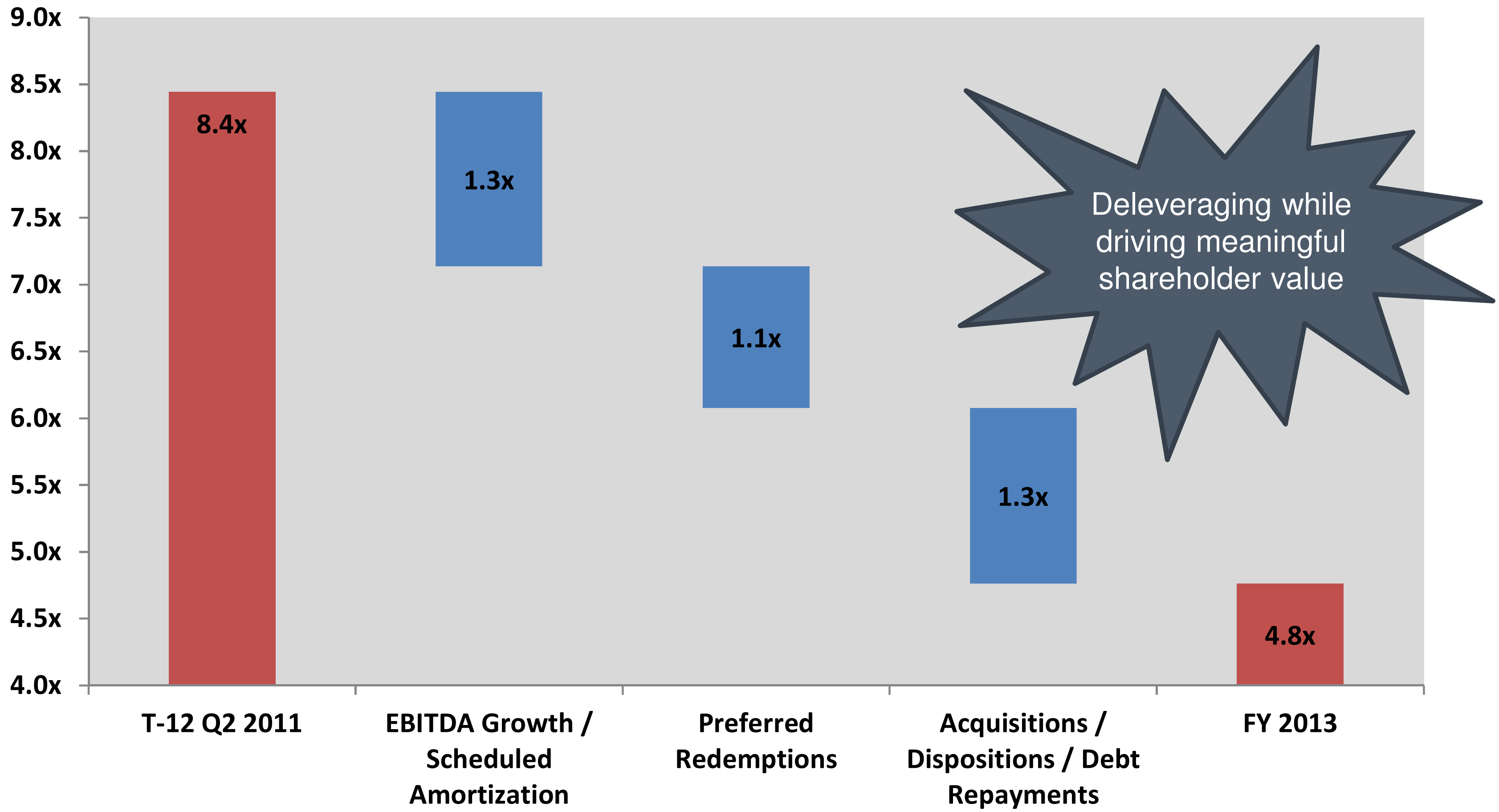
We have sold lower-quality assets and reinvested those proceeds into higher-quality assets at similar multiples.(1)



(1) Includes the pending acquisition of the 544-room Wailea Beach Marriott Resort & Spa.

Leverage Ratio Reconciliation

2011-2013



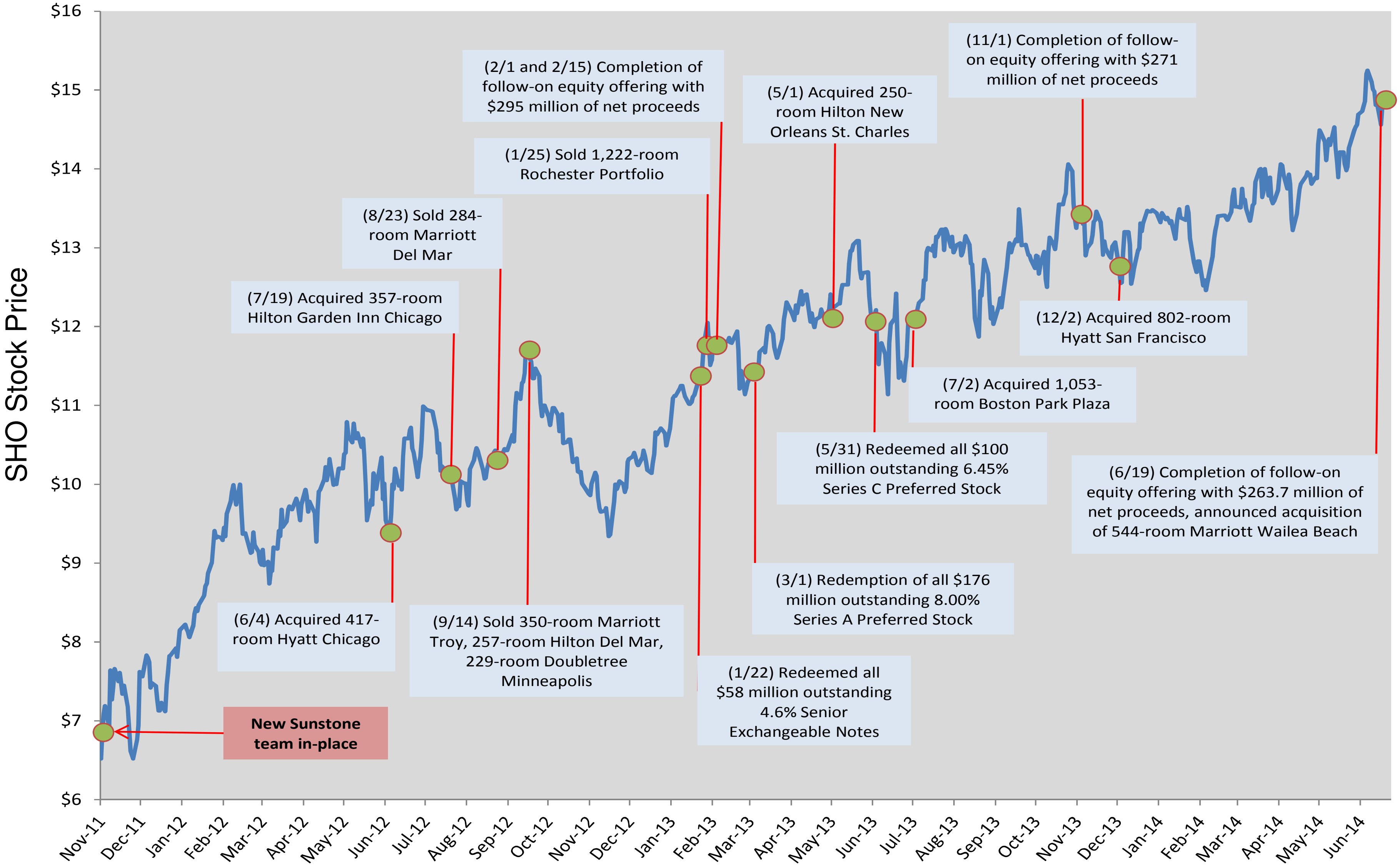
Data as provided in supplemental financial information reported on Form 8-K, furnished 08/08/2011, 02/20/2012 and 02/25/2014.
Adjusted EBITDA reconciliation for 2011 and 2013 reported on Form 8-K, furnished 02/20/12 and 02/25/2014.
2011 leverage is calculated by dividing the sum of consolidated debt and preferred equity less total cash, divided by Adjusted EBITDA for the trailing twelve months as reconciled and reported on Form 8-K, furnished 08/08/2011.
2013 leverage is calculated by dividing the sum of consolidated debt and preferred equity less total cash, divided by Adjusted EBITDA for the year ended 2013 as reconciled and reported on Form 8-K, furnished 02/25/2014.

Superior Corporate Governance

Our priority is to maximize shareholder returns. Our shareholder-friendly structure, board provisions and culture of transparency place us at the very top of the REIT space.

- Ranked 4th highest in corporate governance by Green Street Advisors
  - ✓ *out of 84 REITs in the their coverage universe*
- ISS Quick Score of 1
  - ✓ 1 = most shareholder friendly, 10 = least shareholder friendly
- Elected to opt-out of MUTA provision
- Best-in-class disclosures with quarterly supplemental
- Culture of Transparency

Execution



Source: SNL Financial, FactSet

(1) Includes the pending acquisition of the 544-room Wailea Beach Marriott Resort & Spa.

Maximizing asset value.

[Asset Management]

[Asset Management]
Capital Investment – 2013 Renovations Highlights

JW Marriott New Orleans

- Scope Statement: Entry, lobby, new social living spaces / bar and dining, all meeting spaces
- 2012 YTD May RevPAR Index: 105.2%
- **2014 YTD May RevPAR Index: 117.7%**

Hyatt Newport Beach

- Scope Statement: Establish California resort ambiance that complements hotel's location
- 2012 YTD May RevPAR Index: 111.0%
- **2014 YTD May RevPAR Index: 132.1%**

Hilton Times Square

- Scope Statement: Full hotel renovation, new social living / bar, competitive enhancements
- 2012 YTD May RevPAR Index: 94.9%
- **2014 YTD May RevPAR Index: 102.1%**

Embassy Suites Chicago

- Scope Statement: Full hotel renovation, new social living / bar, competitive enhancements
- 2012 YTD May RevPAR Index: 100.2%
- **2014 YTD May RevPAR Index: 122.7%**

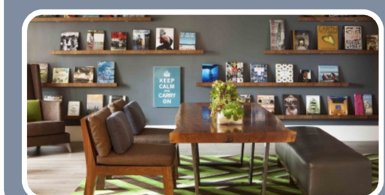
* Data as of May.

[Asset Management]
Capital Investment – Energy Program Highlights

Hilton San Diego: In 2013 and 2014, we will have invested $1.2M in six energy efficiency measures. The hotel saved $326k in HLP in 2013, even with occupancy increasing 3.3% and utility rates increased 15%.

Doubletree Times Square: In 2014, we are investing $4.3M to install new high efficiency chillers, gas-fired boilers and a cogeneration system expected to result in $800k of annual savings. The primary savings are expected to come from our ability to purchase natural gas and eliminate the need to purchase Con Ed steam.

Renaissance Orlando: In 2014, we are investing $2.0M to install new high-efficiency chillers. In addition to the new guestroom energy management systems installed in 2013, we expect total annual savings of $500k.



Hyatt Newport Beach: We are investing $84k to complete a lighting retro-fit. We expect the property to save $40k in 2014 as a result. We are currently evaluating other projects, including adding solar panels, weather-based irrigation and other systems to reduce energy costs.

Poised to outperform.

[2014 & Beyond]

Compelling Investment Factors

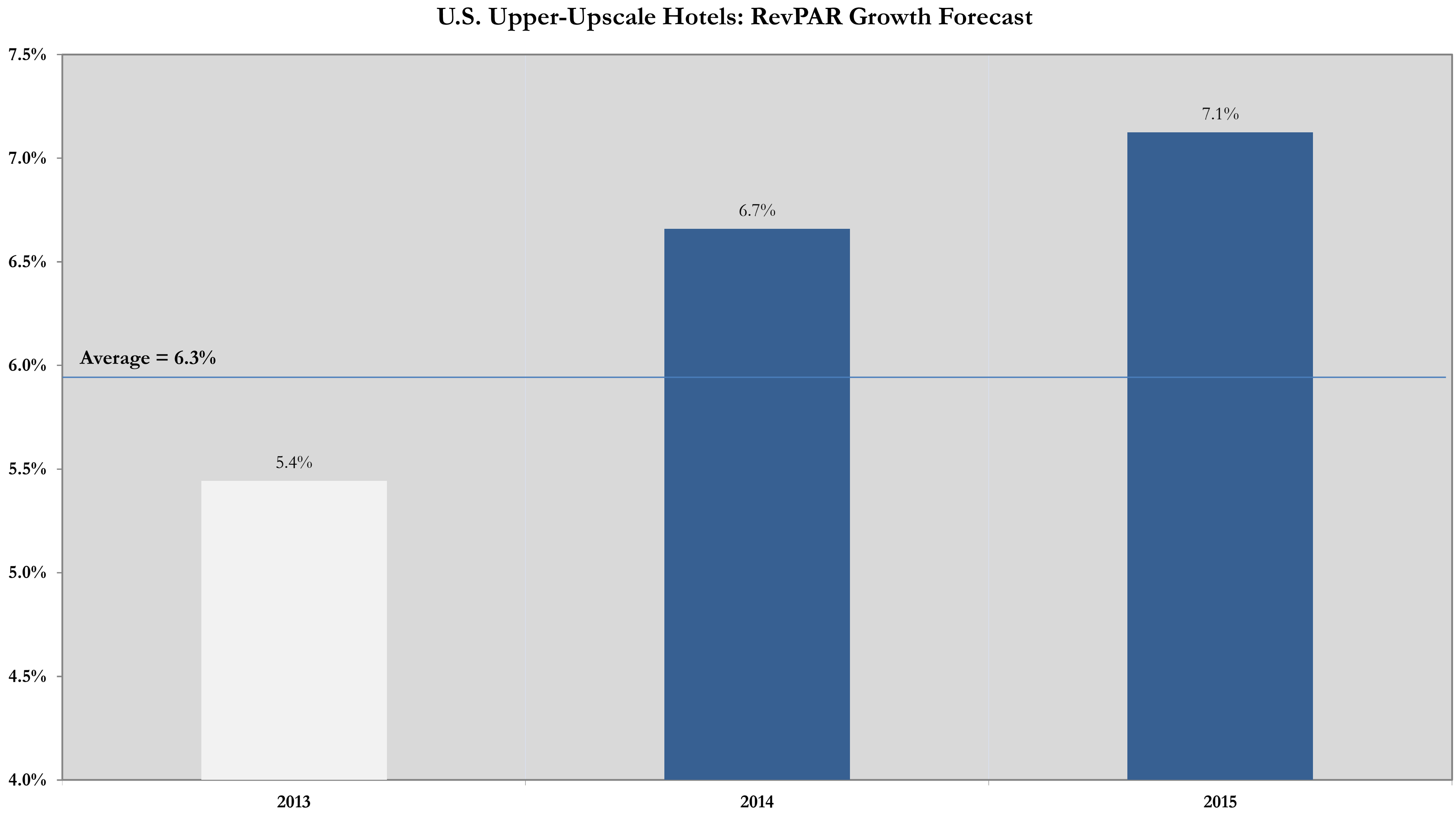
Industry
- Positive Fundamentals

Portfolio
- Strong Markets, Recently Renovated

Balance Sheet
- Strong Capital Structure

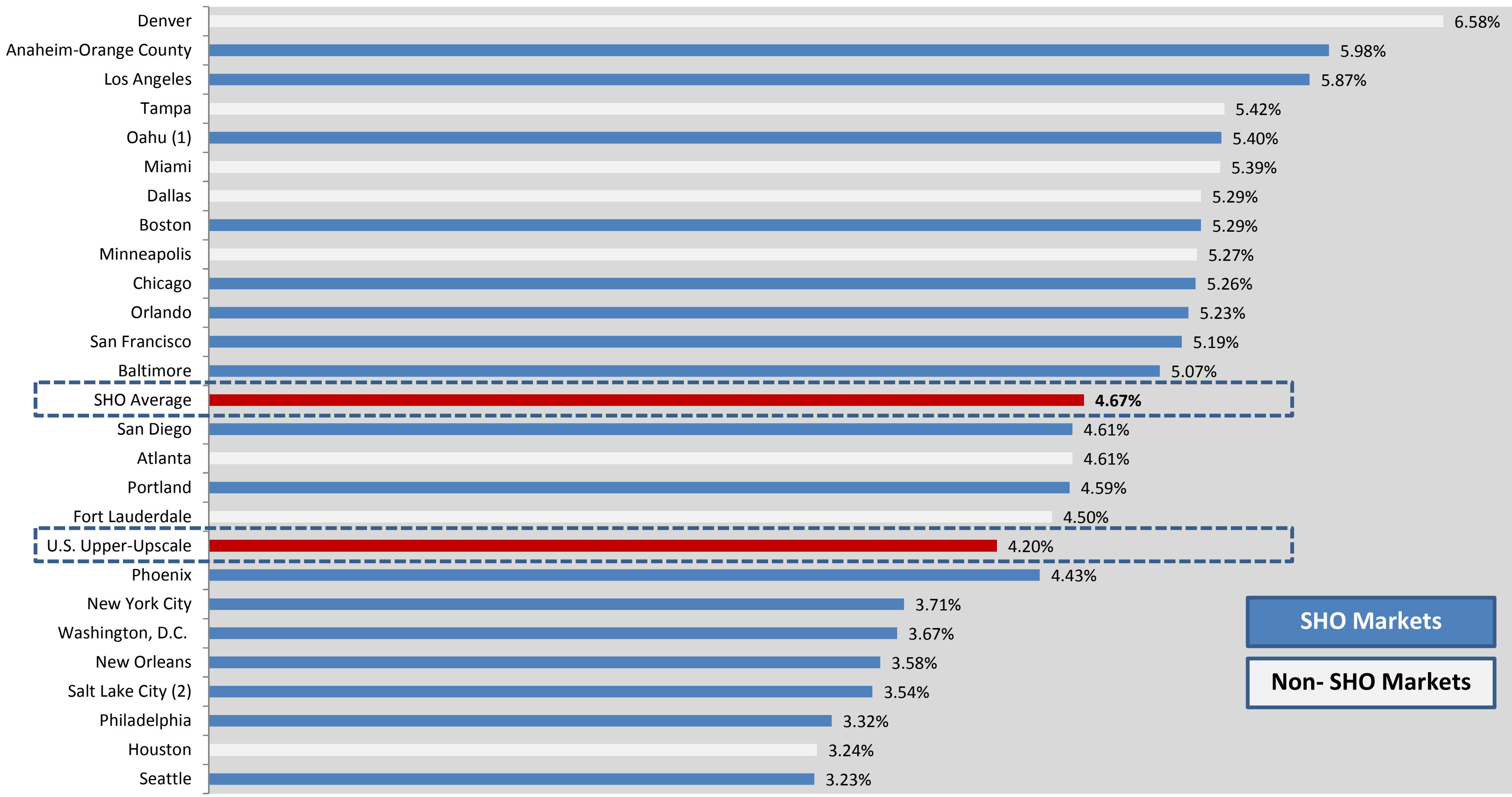
Team
- Deep and Highly Aligned Leadership

[2014 & Beyond]
We expect U.S. RevPAR Growth to Accelerate



Source: PKF Research, June 2014

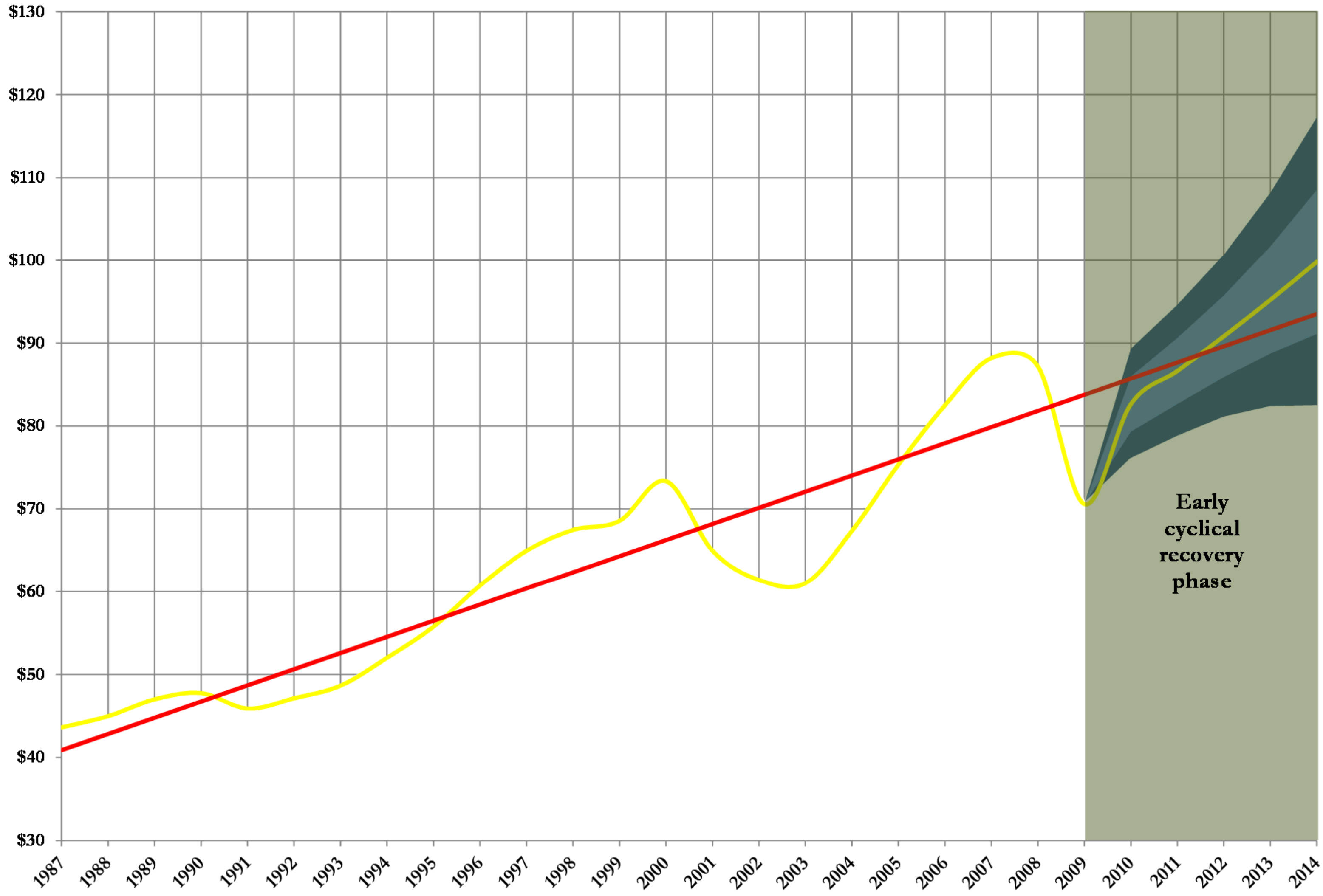
RevPAR CAGRs (2014 – 2018).



(1) Oahu is used as a proxy for Maui in calculating the SHO Average.
(2) Salt Lake City is used as a proxy for Park City in calculating the SHO Average.
Source: PKF Research, June 2014.

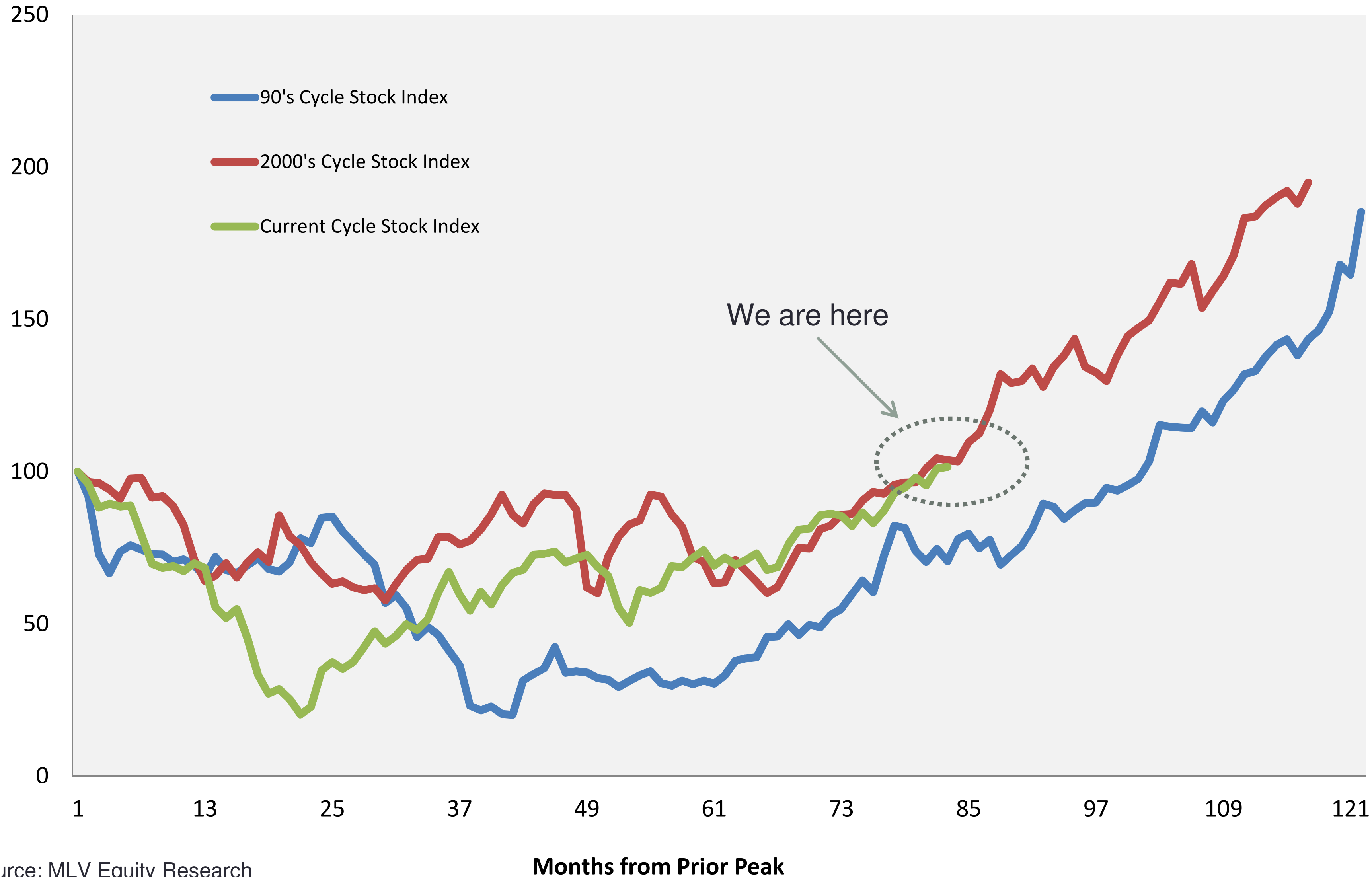
Data Suggest we are in the Middle Phase of a Prolonged Growth Cycle

Top 25 U.S. Markets - Historical & Projected RevPAR



Lodging Stocks are Well Positioned for Significant Growth

Stock Returns Peak to Peak



Source: MLV Equity Research

Q1 2014 operations accelerated at a faster rate than initially forecasted. Q1 highlights include:

Q1 2014 RevPAR

- Q1 RevPAR Growth Guidance: 5.5% - 7.5%
- **Actual Q1 RevPAR Growth: 8.6%**

Q1 2014 EBITDA

- Q1 Adjusted EBITDA Guidance: $44 - $47M
- **Actual Q1 Adjusted EBITDA: $49M**

Q1 2014 FFO

- Q1 FFO per share Guidance: $0.12 - $0.14
- **Actual Q1 FFO per share: $0.15**

Accelerating Group Pace

- Prior 2014 Pace (Q4 2013): + 3.8%
- **Current 2014 Pace (Q1 2014): + 6.5%**