

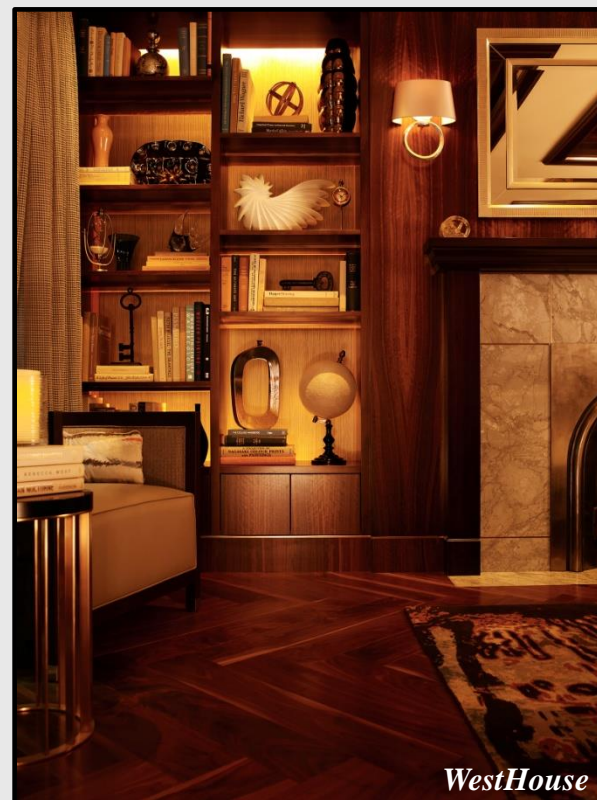


# LASALLE HOTEL PROPERTIES



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# Mission Statement



*To provide income with moderate long-term earnings growth to our shareholders through superior asset management and opportunistic investments in high-quality lodging properties, while minimizing risk.*



# LHO Overview



- ❖ Diversified high-quality portfolio within urban, resort and convention markets
- ❖ The company owns 45 hotels
- ❖ Low leverage company focused on maintaining a conservative balance sheet
- ❖ Focused on long-term shareholder value
- ❖ \$5.2B total enterprise value
- ❖ 15 year track record of outperforming the S&P 500 and DJIA



# LHO Overview

- ❖ Independent and brand diversification
- ❖ Heavy asset management focus with best-in-class EBITDA margins
- ❖ Acquisition strategy primarily focused on the top markets and the CBD within those markets
- ❖ Low-leverage capital structure
- ❖ Most management contracts are terminable at will
- ❖ Mission of providing highest returns while seeking to minimize risk each step along the investment path
- ❖ Multi operator approach with 20 different brands and operators, yielding best practices and acquisition opportunities



# LHO Markets

86% of the Company's EBITDA is located in 9 major markets



INTERESTS IN 45 HOTELS IN 14 MARKETS IN 10 STATES AND THE DISTRICT OF COLUMBIA

◎ 8 TARGET URBAN MARKETS



# Recent Highlights

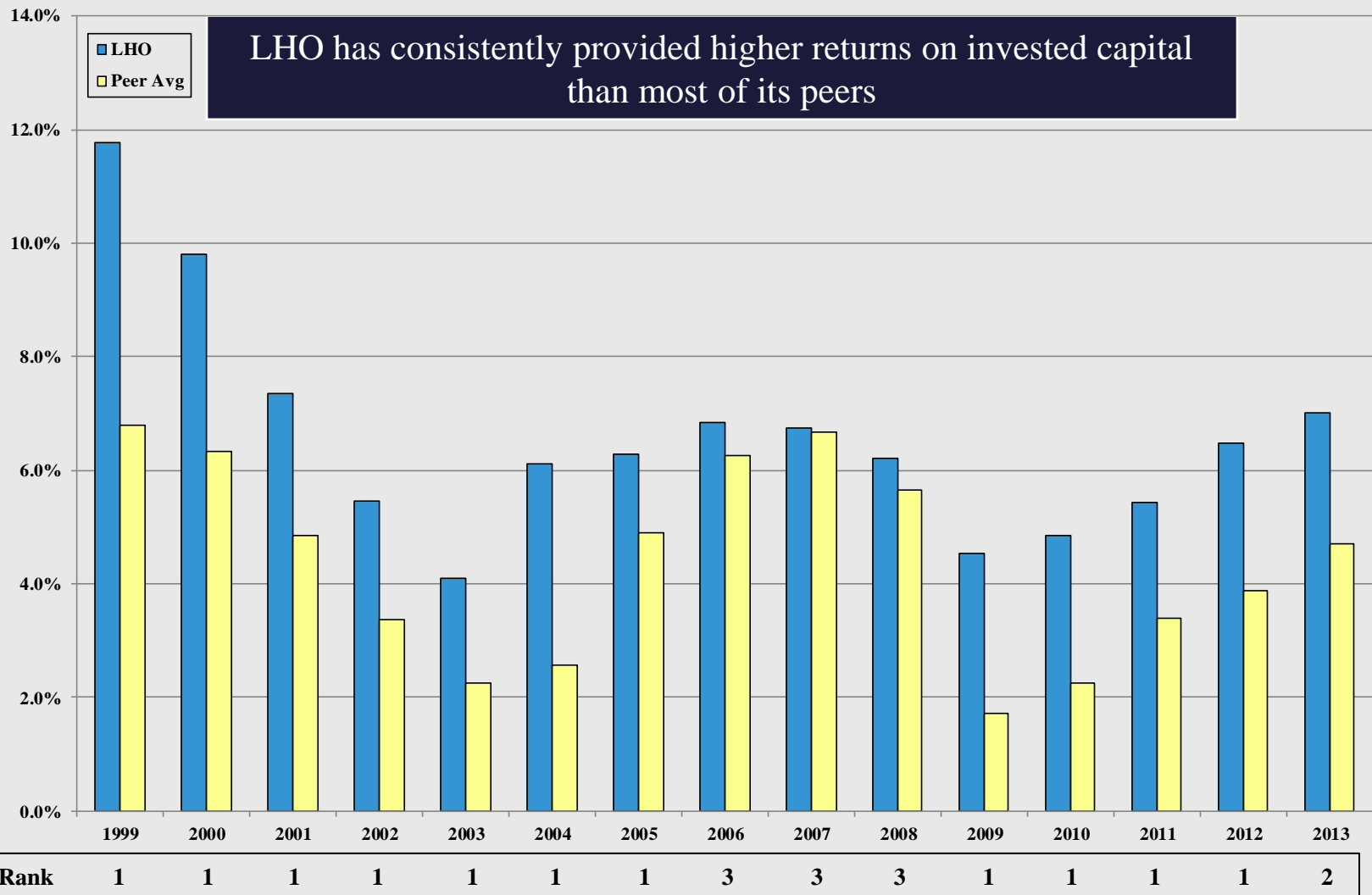


*The Liberty Hotel*

- ❖ Refinanced credit facilities and term loan extending maturities to 2019 and reducing annual interest costs
- ❖ Redeemed Series G 7.25% Preferred Shares in July 2014
- ❖ Reduced the current cost of debt to 3.8% and the cost of debt and preferred to 4.2%
- ❖ Raised quarterly dividend by 34% to \$0.375, with a current annual dividend yield of 4.1% at 8/26/14
- ❖ Acquired 3 hotels in San Francisco and 1 in Key West for a total of \$304MM in 2013
- ❖ Acquired Hotel Vitale in San Francisco for \$130MM in 2014
- ❖ Closed the sale of Hilton Alexandria Old Town in June 2014

# Track Record

## Return on Invested Capital: AFFO/Debt & Equity



Source: Company Reports  
 Note: Peers include HST, BEE, AHT, SHO, DRH, FCH, PEB  
 AFFO has income taxes added back

From 2006 through 2009, 16 of our 31 hotels were under major renovations



# 2014 Outlook



*The Liberty Hotel*



# 2014 Overview

- ❖ **Supply** – Outlook growth below historical levels
- ❖ **Demand** – Outlook growth above historical levels
- ❖ **Unemployment** – Continues to drift downward although employment participation has been weaker lately
- ❖ **Consumer Confidence** – Jagged but improving
- ❖ **Corporate Profits** – Remain strong although revenue growth for S&P 500 is fairly modest
- ❖ **Enplanements** – Steady and moving up
- ❖ **International Travel** – Continues to improve
- ❖ Expected LHO top markets in 2014:
  - ❖ Boston
  - ❖ Key West
  - ❖ Los Angeles
  - ❖ San Francisco
  - ❖ Seattle





# 2014 Outlook

## **Outlook <sup>(1)</sup>** **Low-end High-end**

(\$'s in millions except per share/unit data)

RevPAR growth	6.5%	8.0%
Hotel EBITDA Margin Change	25 bps	100 Bps
Adjusted EBITDA	\$ 330	\$ 342
Adjusted FFO	\$ 254	\$ 265
Adjusted FFO per diluted share/unit	\$ 2.44	\$ 2.54



(1) Outlook provided for Q2 Earnings Release.

# Historical Peak Performance Equals Opportunity

LHO's 2013 corporate adjusted EBITDA provides a 37% growth opportunity to reach prior inflation adjusted peak

	<u>Peak Year</u>	<u>CPI</u>			
	<u>Performance</u> <sup>(1)</sup>	<u>Adjusted</u>	<u>2013</u>	<u>Opportunity</u>	
<u>Room Stats</u>					
Occupancy	81%	81%	80%	1%	2%
ADR \$	\$224	\$240	\$216	\$24	11%
REVPAR	\$182	\$195	\$172	\$23	14%
<hr/> <hr/>					
Corporate AEBITDA	\$374 MM	\$401 MM	\$294 MM	\$107 MM	37%
<hr/> <hr/>					
EBITDA Margins	35.7%	35.7%	32.1%	364Bps	

(1) Corporate Peak AEBITDA consists of each property's peak year adjusted for inflation. Excludes Hilton Alexandria Old Town.

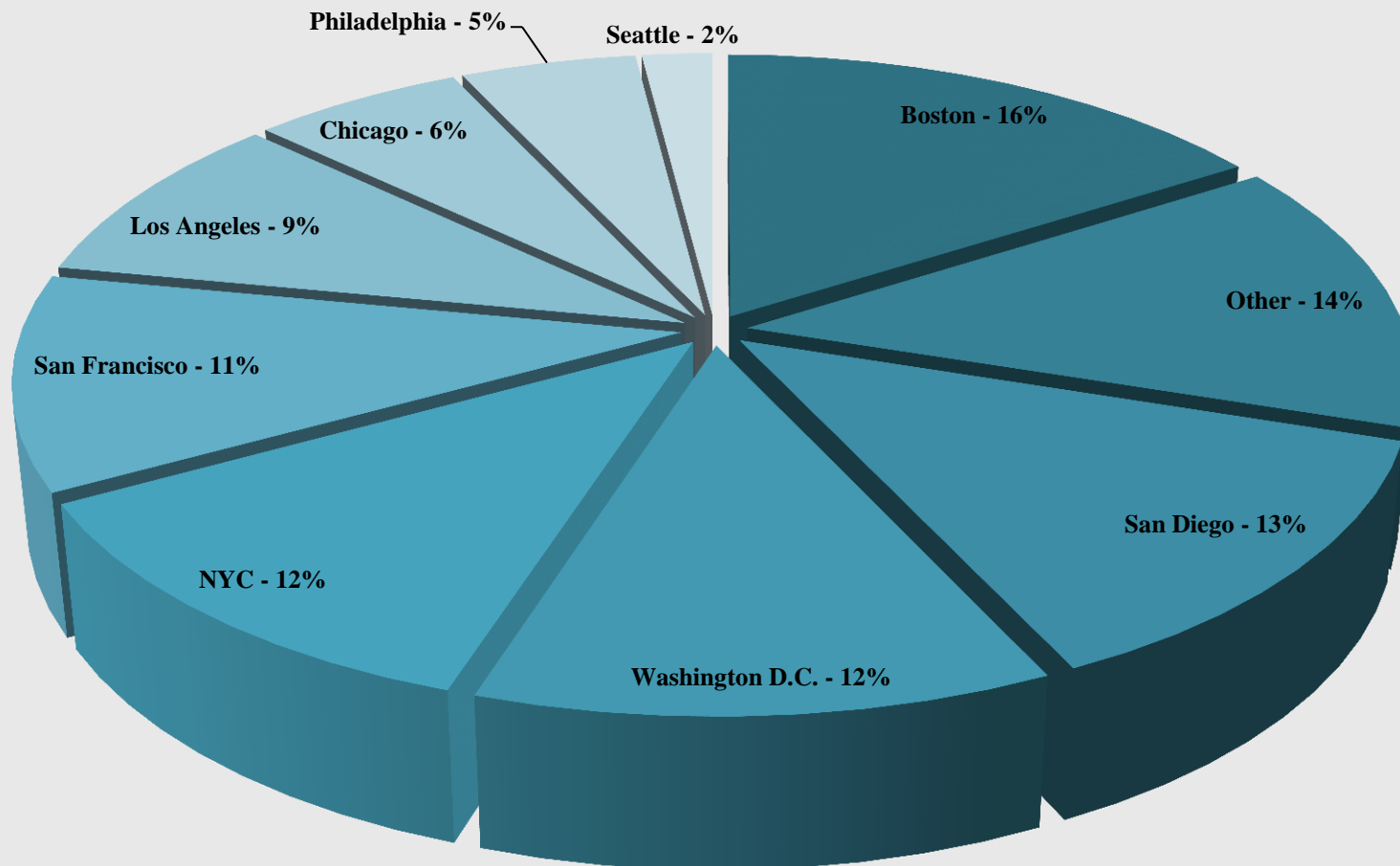


# Risk Minimization



*Viceroy Santa Monica*

# Major Market Diversification

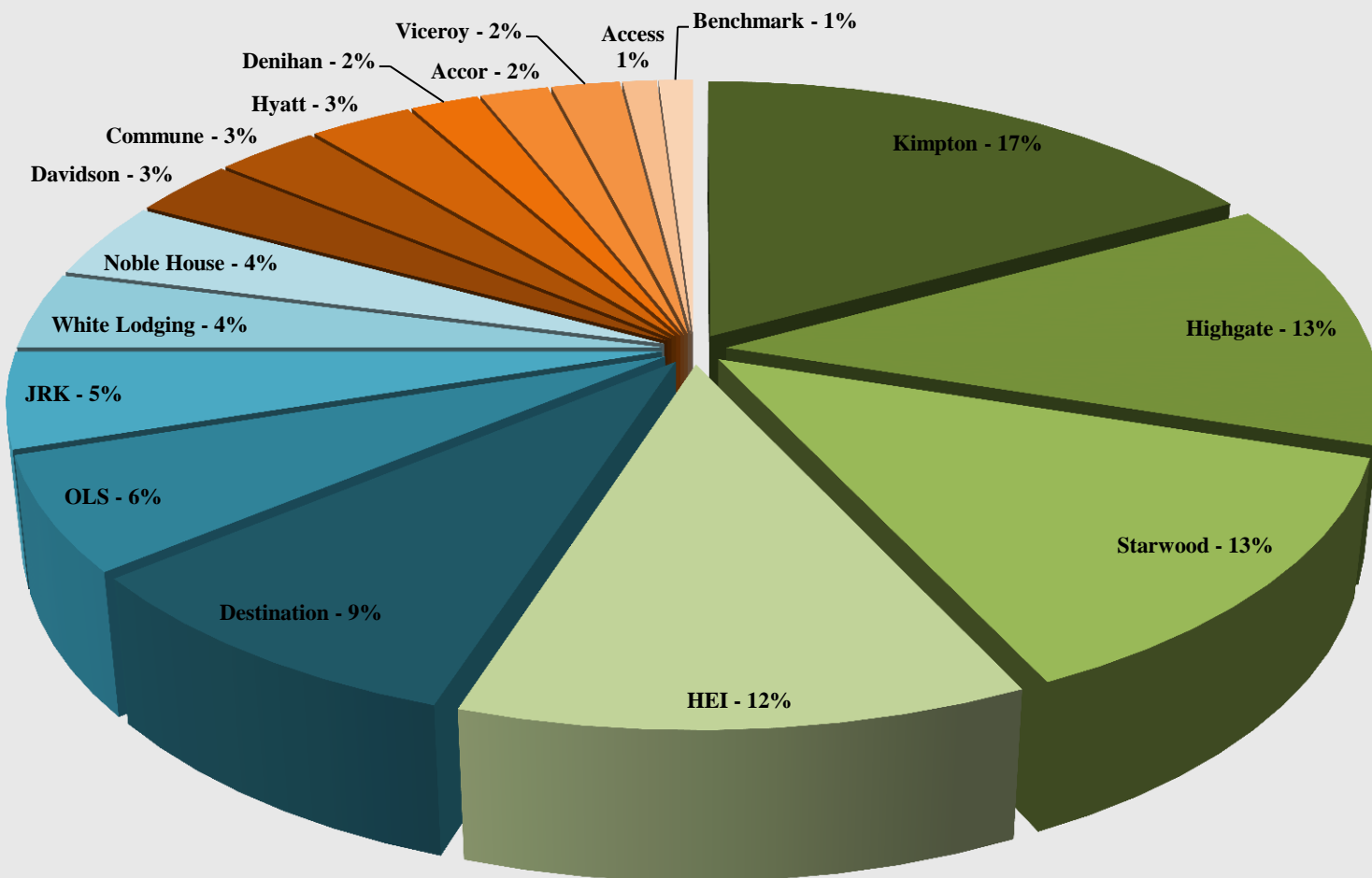


**Property EBITDA**  
Trailing twelve months ended June 30, 2014

Note: Charts on pages 14, 15, 18, 19, 45 and 59 represent the portfolio proforma to reflect sale of Hilton Alexandria Old Town. Triton, Harbor Court, Serrano, Southernmost, and Vitale EBITDA during prior ownership included for the trailing twelve months ended June 30, 2014. Reflected proforma to include \$29MM of EBITDA at Park Central/WestHouse.

# Operator Diversification

- Utilizing multiple unaffiliated operators provides best practices and access to acquisition opportunities
- No Single Operator is greater than 17% of our portfolio

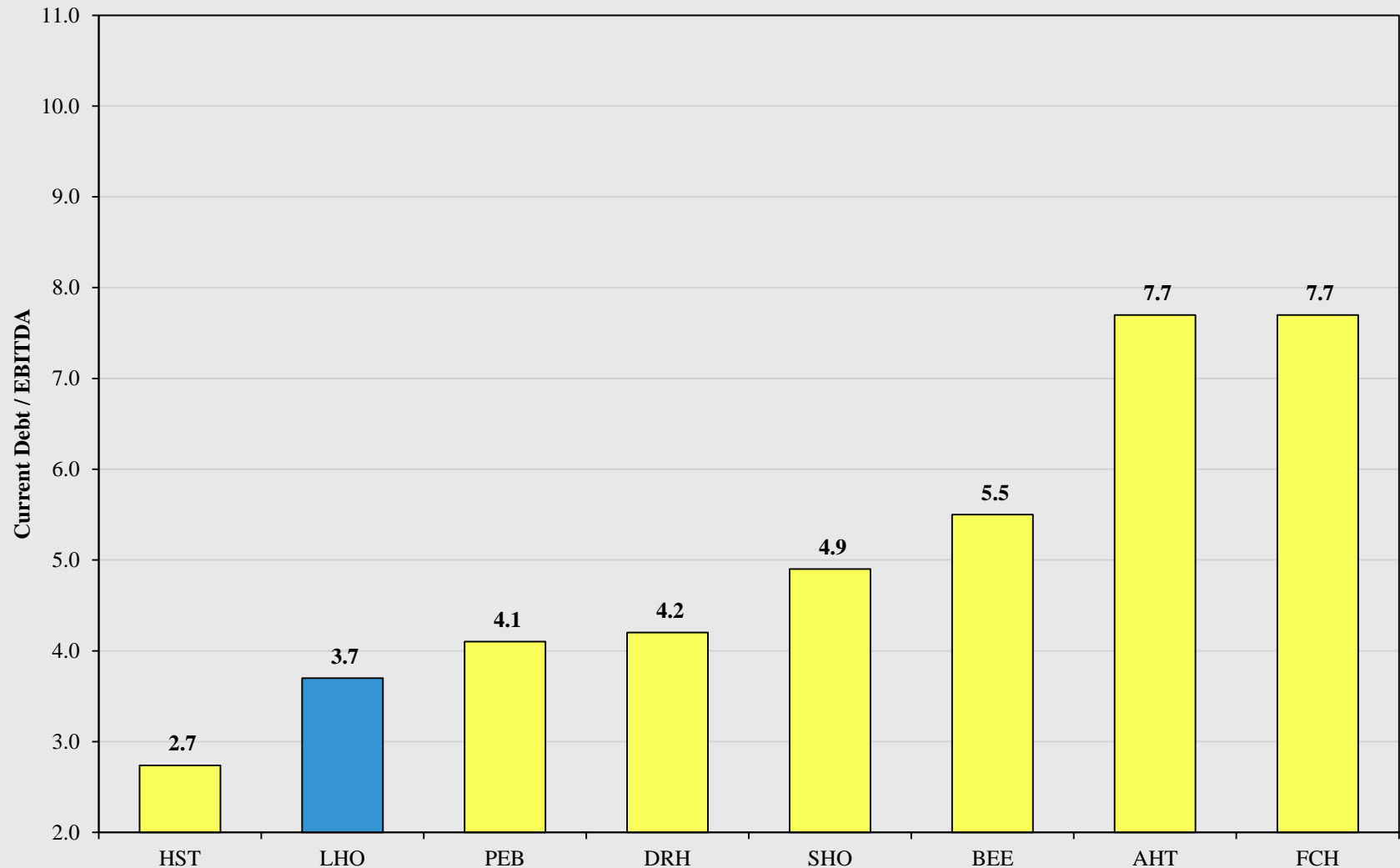


## Property EBITDA

Trailing twelve months ended June 30, 2014



# Consistently Amongst Lowest Leverage in Peer Group



Note: Leverage ratio defined as debt / LTM EBITDA. HST, DRH, BEE, SHO, FCH and AHT reflect reported Q2'14 net debt and EBITDA. PEB reflect Q2'14 company reported numbers. LHO reflects Q2'14 bank covenant debt to EBITDA.

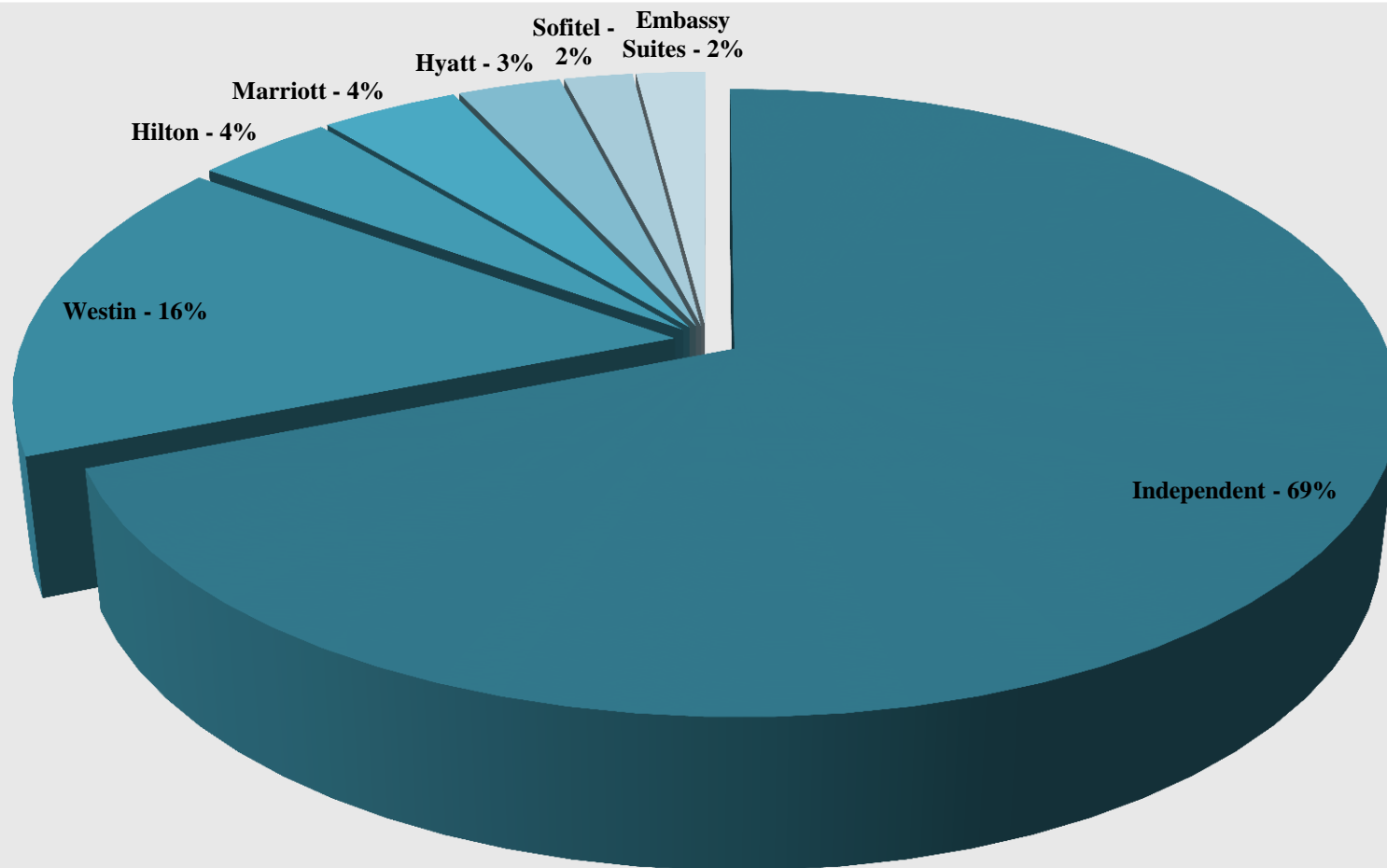
# Points of Differentiation



*The Liaison*

# Brand/Independent Diversification

- While most of our hotels are independent, LHO is comfortable with both brand/independent strategies
- LHO's peers are almost entirely brand oriented



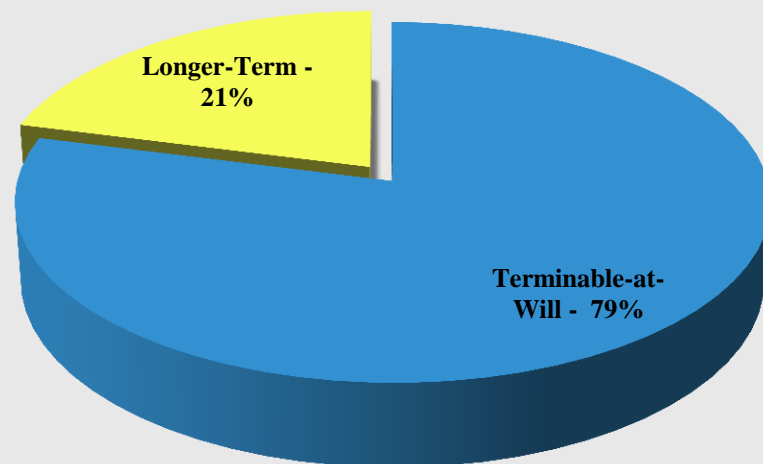
**Property EBITDA**  
Trailing twelve months ended June 30, 2014



# Terminable Management Agreements – Alignment with Shareholders

- ❖ Better alignment of operators with owners
- ❖ Ability to make changes when necessary
- ❖ Higher value upon sale (more potential buyers)
- ❖ Higher EBITDA Margins

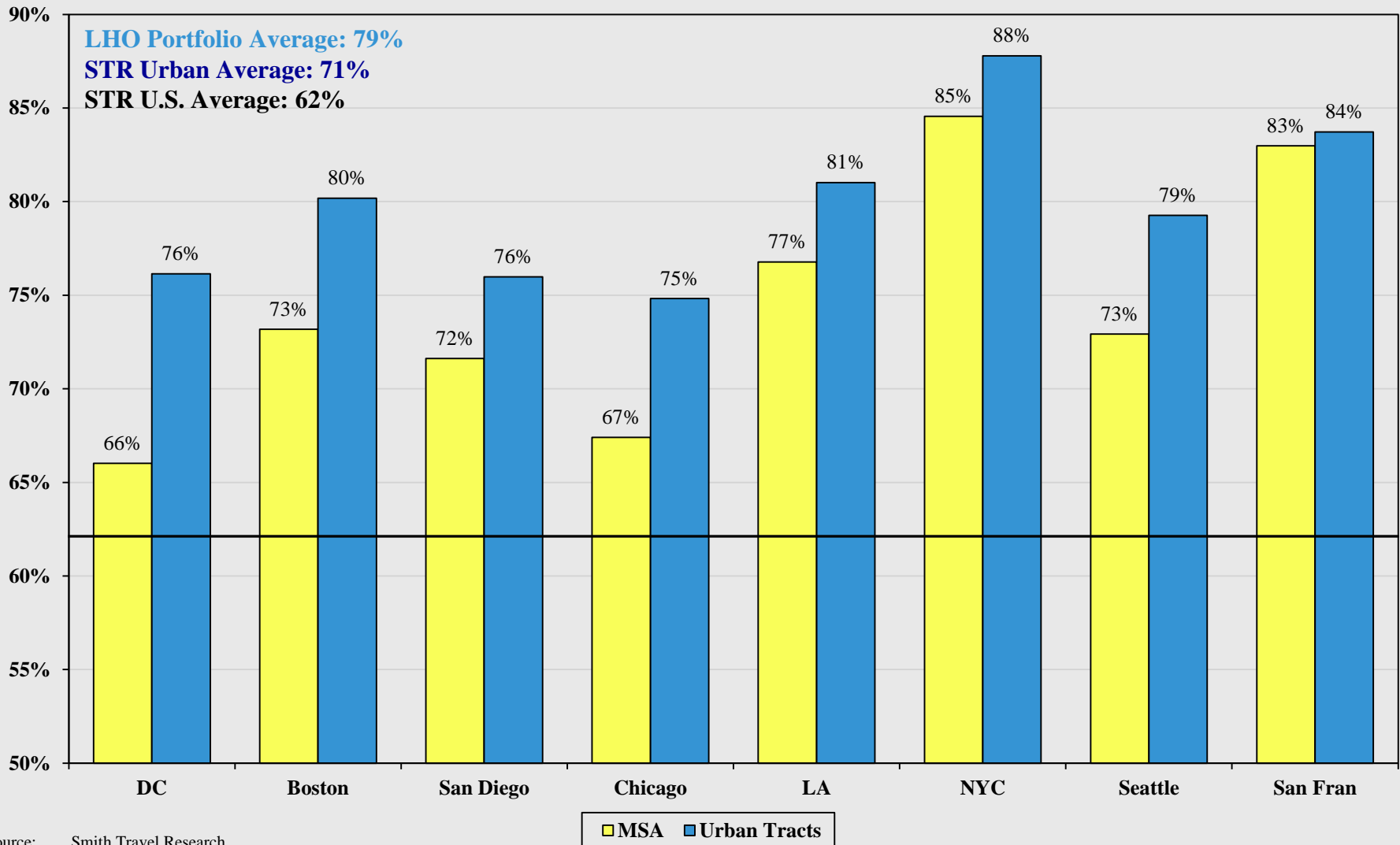
## Terminable-at-Will vs. Longer-Term Management Agreements



**Property EBITDA**  
Trailing twelve months ended June 30,  
2014

# Higher Occupancy - LHO's CBD Focus vs. MSA

LHO's hotels are located within the urban tracts of major US markets, which feature stronger performance than the MSA



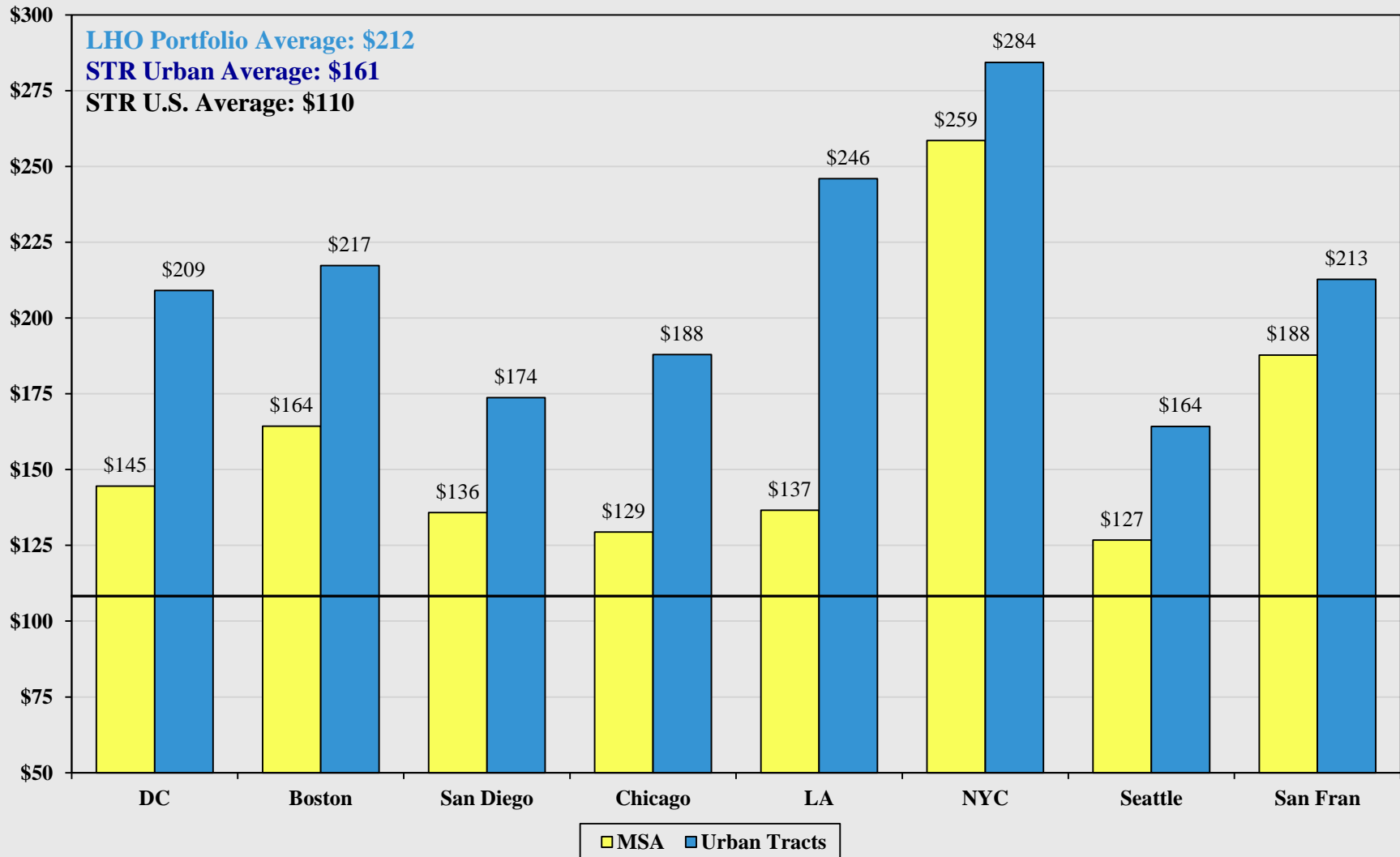
Source: Smith Travel Research.

Note: LA Urban Tract reflects Hollywood/Beverly Hills/City of Santa Monica. Data reflects trailing twelve months ended December 31, 2013.



# Higher Rate - LHO's CBD Focus vs. MSA

LHO's hotels are located within the urban tract of major US markets, which feature stronger performance than the MSA

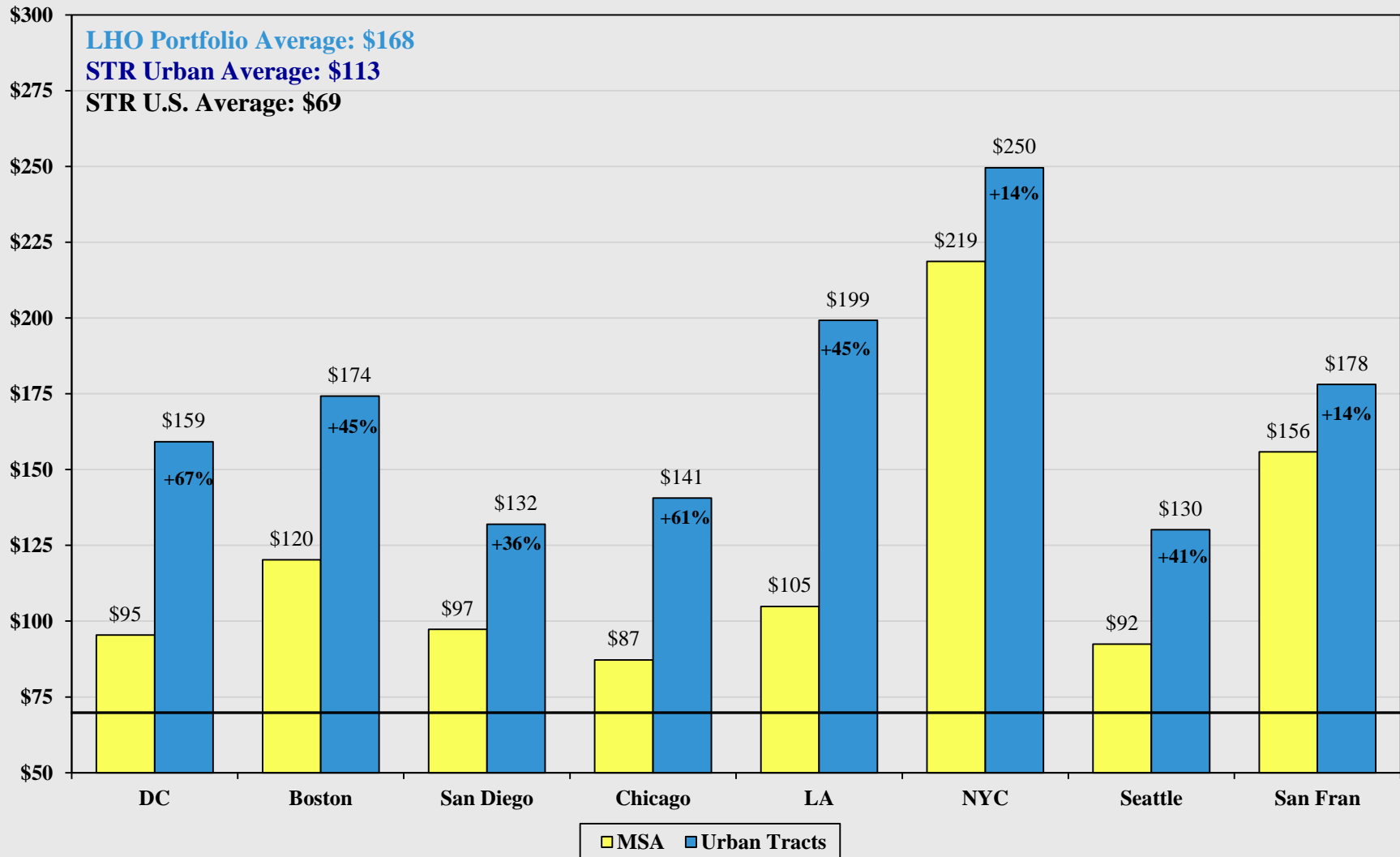


Source: Smith Travel Research.

Note: LA Urban Tract reflects Hollywood/Beverly Hills/City of Santa Monica. Data reflects trailing twelve months ended December 31, 2013.

# Higher RevPAR - LHO's CBD Focus vs. MSA

LHO's hotels are located within the urban tract of major US markets, which feature stronger performance than the MSA



Source: Smith Travel Research.

Note: LA Urban Tract reflects Hollywood/Beverly Hills/City of Santa Monica. Data reflects trailing twelve months ended December 31, 2013.



# Historical Performance

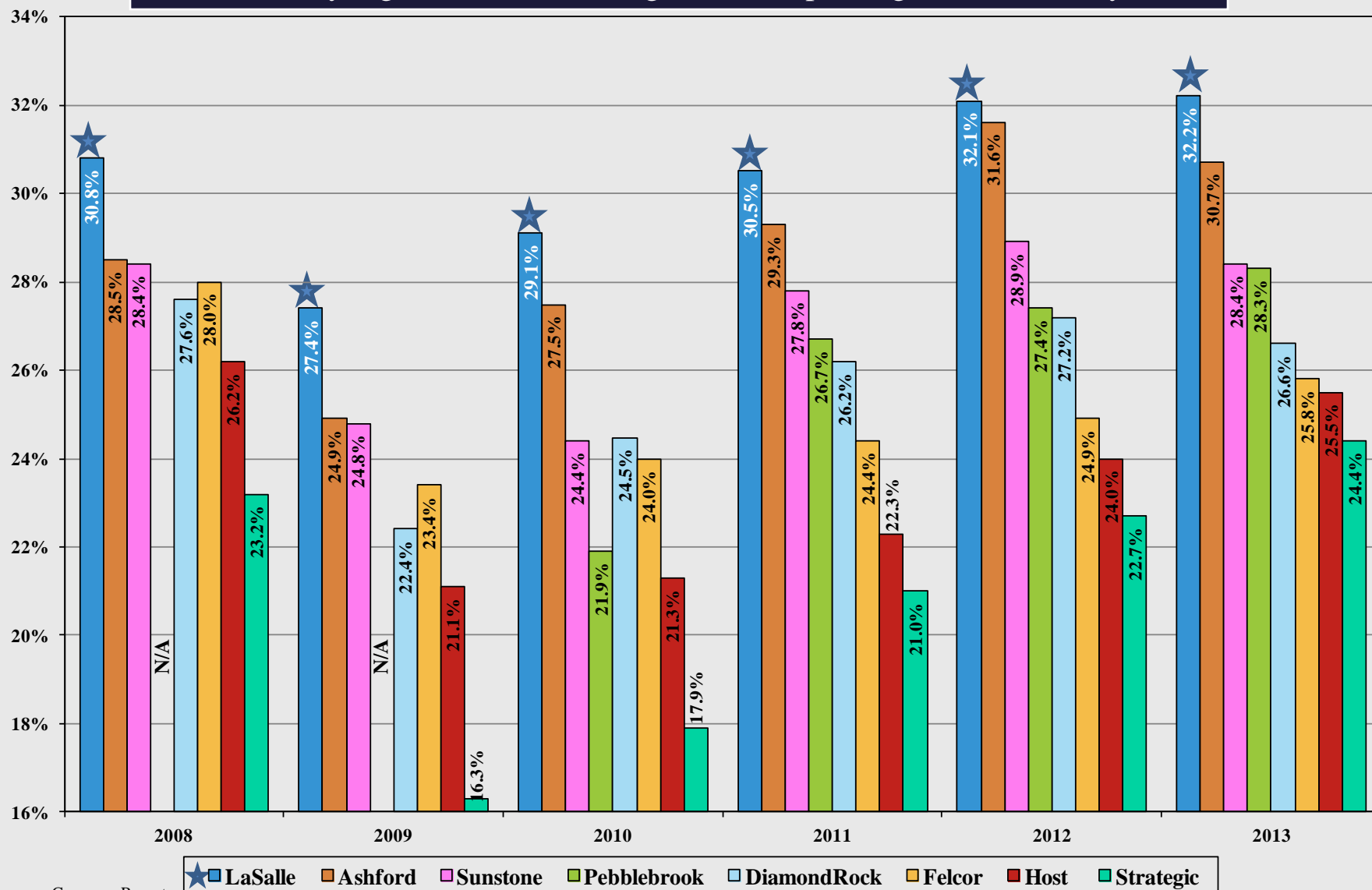


*Hotel Viking*



# Best-in-Class EBITDA Margins

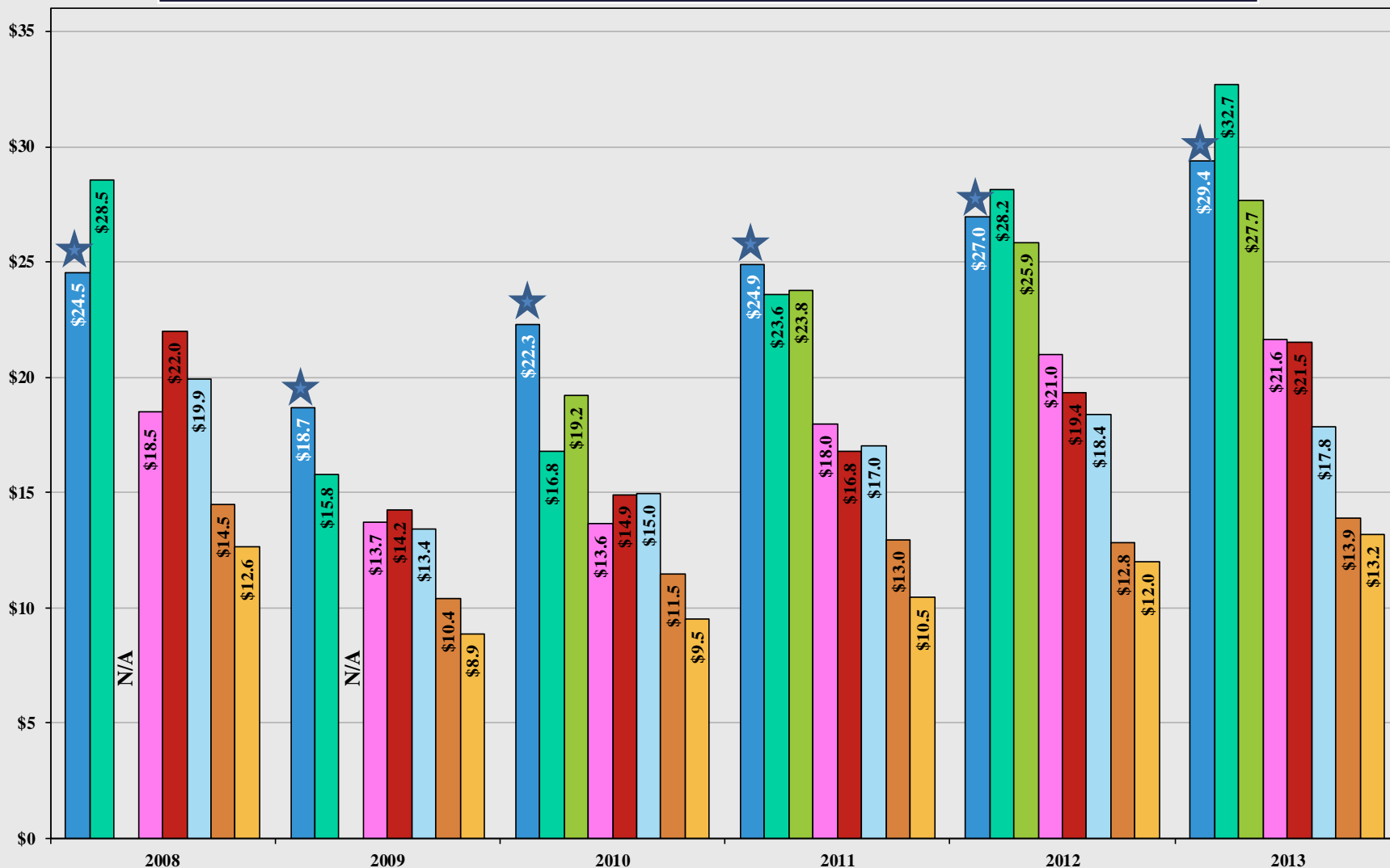
Consistently highest EBITDA margins for the past eight consecutive years



Source: Company Reports.

# Hotel EBITDA per Room Comparison

LHO's EBITDA per room has consistently ranked 1 or 2 in the peer set

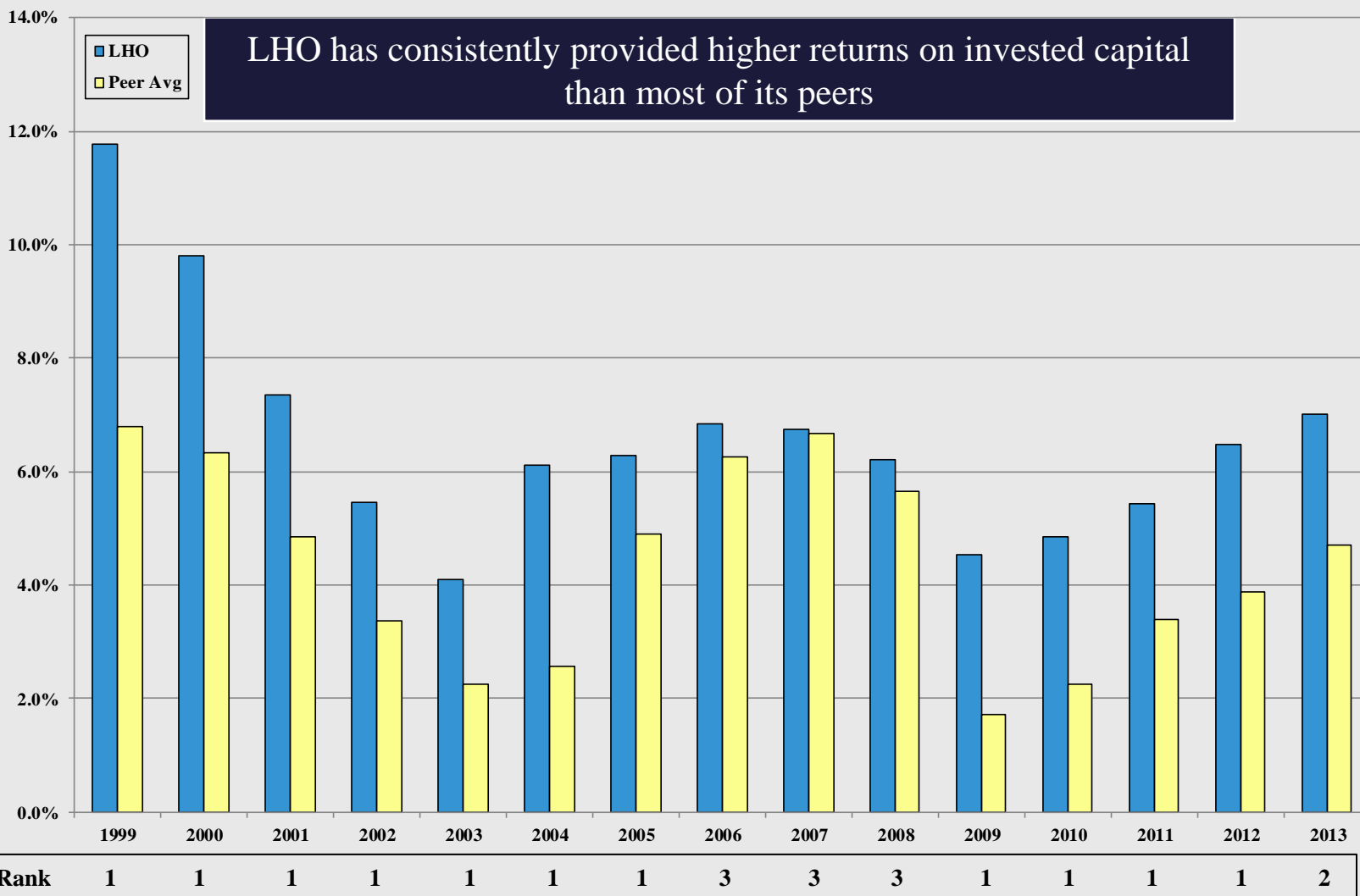


Source: Company Reports.

★ LaSalle Strategic Pebblebrook Sunstone Host DiamondRock Ashford Felcor



# Return on Invested Capital: AFFO/Debt & Equity



Source: Company Reports  
 Note: Peers include HST, BEE, AHT, SHO, DRH, FCH, PEB  
 AFFO has income taxes added back

From 2006 through 2009, 16 of our 31 hotels were under major renovations

# Acquisitions



*Art and Soul Restaurant*



# External Investment Strategy

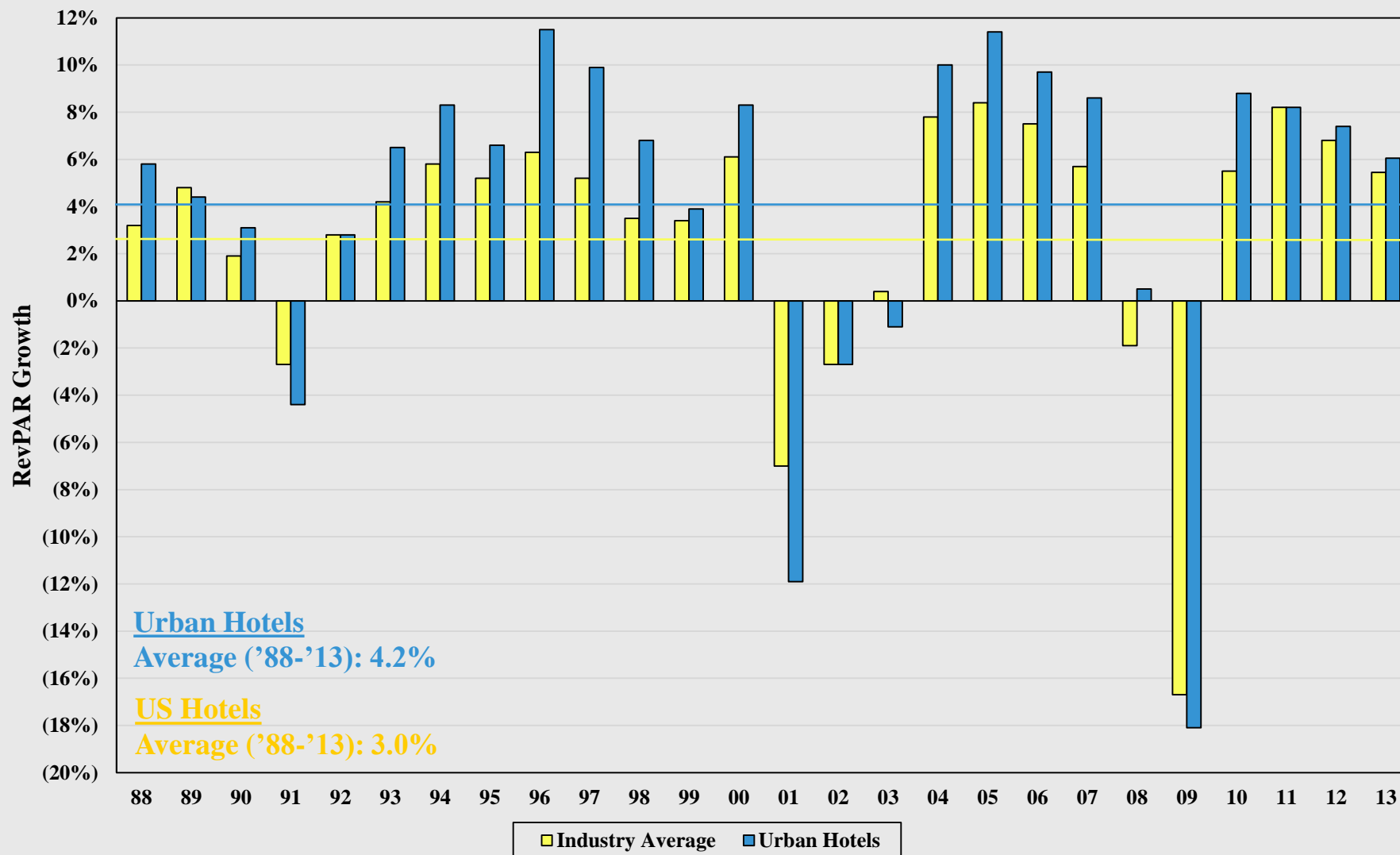
- ❖ High barrier-to-entry urban, convention and resort
- ❖ Focus on urban tracts of 8 institutional-quality major markets – superior long-term performance
- ❖ Research driven
- ❖ Value added





# Urban Outperforms US

- Urban hotels consistently outperform with average RevPAR growth approximately 43% higher than the industry
- LHO focuses on the CBD of urban markets



# Acquisition Summary – 2010 through 2014

<u>Acquisition</u>	<u>Market</u>	<u>Purchase Price</u>	<u>Number of Rooms</u>	<u>Price Per Room</u>	<u>Date Acquired</u>	<u>NOI Cap Rate</u>
Sofitel Washington DC	Washington, DC	\$95 MM	237	\$401 K	March 2010	6.0%
Hotel Monaco San Francisco	San Francisco, CA	\$69 MM	201	\$341 K	September 2010	3.6%
Westin Philadelphia	Philadelphia, PA	\$145 MM	294	\$493 K	September 2010	5.7%
Embassy Suites Center City	Philadelphia, PA	\$79 MM	288	\$274 K	September 2010	6.0%
The Roger	New York, NY	\$94 MM	193	\$486 K	October 2010	6.4%
Chamberlain West Hollywood	West Hollywood, CA	\$39 MM	113	\$341 K	December 2010	2.6%
Viceroy Santa Monica	Santa Monica, CA	\$80 MM	162	\$494 K	March 2011	4.0%
Villa Florence	San Francisco, CA	\$67 MM	182	\$369 K	October 2011	6.3%
Park Central	New York, NY	\$396 MM	934	\$424 K	December 2011	6.0%
Hotel Palomar Washington DC	Washington, DC	\$144 MM	335	\$429 K	March 2012	6.6%
Mezzanine Loan On Shuttters on the Beach/Casa Del Mar	Santa Monica, CA	\$67 MM	198/129	\$1 MM <sup>(2)</sup>	July 2012	6.1% <sup>(2)</sup>
L'Auberge Del Mar	Del Mar, CA	\$77 MM	120	\$640 K	December 2012	6.0%
The Liberty Hotel	Boston, MA	\$170 MM	298	\$570 K	December 2012	6.8%
Hotel Triton/Harbor Court	San Francisco, CA	\$48 MM	271	\$176 K	August 2013	8.5%
Serrano Hotel	San Francisco, CA	\$72 MM	236	\$303 K	August 2013	5.2%
Southernmost	Key West, FL	\$185 MM	260	\$710 K	August 2013	6.5%
Hotel Vitale	San Francisco, CA	\$130 MM	200	\$650 K	April 1, 2014	4.5%
<b>Total<sup>(1)</sup></b>		<b><u>\$1,888 MM</u></b>	<b><u>4,324</u></b>	<b><u>\$437 K</u></b>	<b><u>Weighted</u></b>	<b><u>6.0%</u></b>

(1) Totals exclude Shuttters on the Beach and Casa Del Mar from all numbers except NOI Cap Rate.

(2) Shuttters on the Beach and Casa Del Mar Price Per Room and NOI Cap Rate are based on our last dollar in.

# Southernmost Hotel Collection

- ❖ Situated directly on the Atlantic Ocean
- ❖ Purchased at a 6.5% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ 260 guestrooms, including 19 suites
- ❖ Food and beverage outlets include the 3 meal Southernmost Beach Café, Shores bar, Sand bar and Pineapple bar
- ❖ 3,100 square feet of meeting and function space
- ❖ La Petit Spa, 3 pools, private pier and beach, among many other resort recreation and activities





# Southernmost Hotel Collection



- ❖ Located in the one of the strongest and most supply-constrained markets in the US, Key West, FL

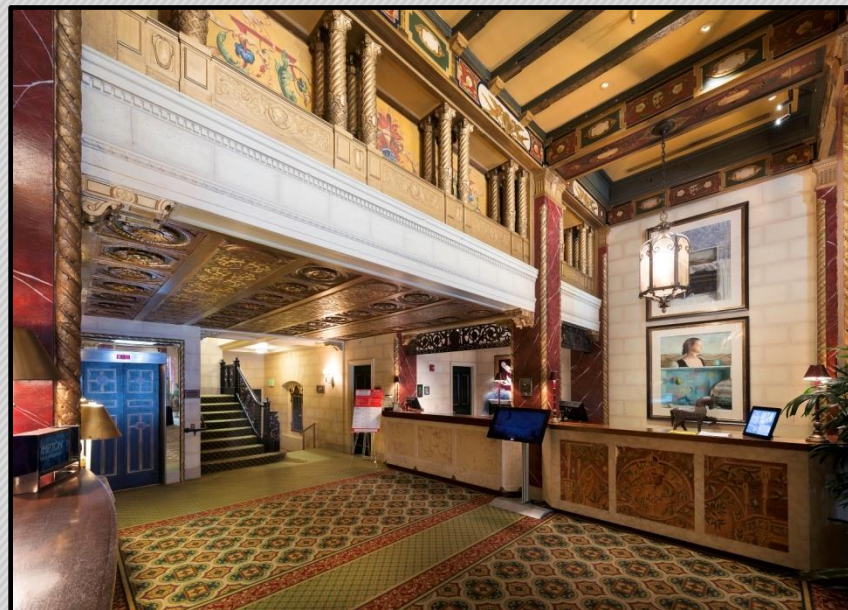
	RevPAR		Supply	
	US Industry	Key West	US Industry	Key West
1987 - 2013	2.8%	4.9%	1.9%	0.6%
2000 - 2013	1.9%	5.7%	1.2%	-0.6%
2002 - 2009	1.4%	4.2%	1.2%	-0.8%
2009 - 2013	6.4%	11.8%	0.8%	-1.3%

Source: Smith Travel Research

Hotel Market Performance During Recession - RevPAR		
Year	U.S.	Key West
2001	-6.9%	0.9%
2002	-2.6%	-1.4%
2008	-2.1%	-1.9%
2009	-16.6%	-6.3%

- ❖ Key West is a premier tourist destination known for year-round temperate climate, natural beauty and casual atmosphere

# Serrano Hotel



- ❖ Located in the heart of San Francisco's Theater District
- ❖ Purchased at a 5.2% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ At acquisition trailing twelve month EBITDA Margin of 25%
- ❖ 236 guestrooms, including 19 suites
- ❖ Jasper's Corner Tap & Kitchen features local, tavern inspired fare
- ❖ 2,500 square feet of meeting space



# Harbor Court Hotel

- ❖ Excellent San Francisco location on the Embarcadero overlooking the San Francisco Bay
- ❖ Purchased with Hotel Triton at a combined 8.5% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ 131 guestrooms, including the penthouse suite
- ❖ Features 230 seat Japanese Restaurant “Ozumo”





# Hotel Triton



- ❖ Located in the Union Square neighborhood of San Francisco
- ❖ Purchased with Harbor Court Hotel at a combined 8.5% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ Originally constructed in 1912 and was converted to a hotel in 1991
- ❖ 140 guestrooms, including 7 celebrity designed suites



# Asset Management



*Westin Philadelphia*

# Asset Management Overview

- ❖ Significant senior level involvement in asset management
- ❖ Multi operator approach with 20 different brands and operators, yielding best practices
- ❖ Sharing best practices from our many operators
- ❖ Average number of properties per Asset Manager – 6
- ❖ Highly collaborative asset management team
- ❖ Focus on establishing strong, productive relationships with operators
- ❖ Consistent capital expenditure at the property level
- ❖ **Our Asset Management Strategy and Tactics have led us to have the best EBITDA margins for 7-years and running**



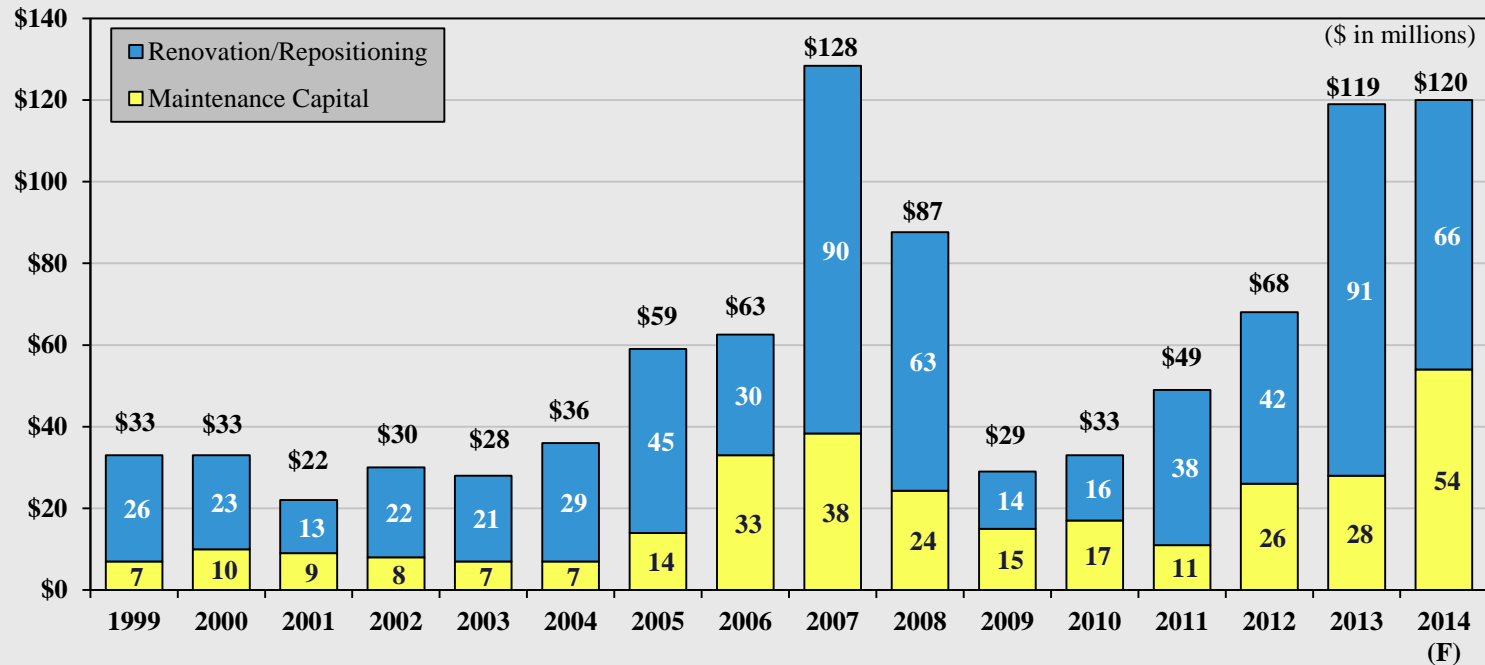


# Capital Investments



*Westin Michigan Avenue*

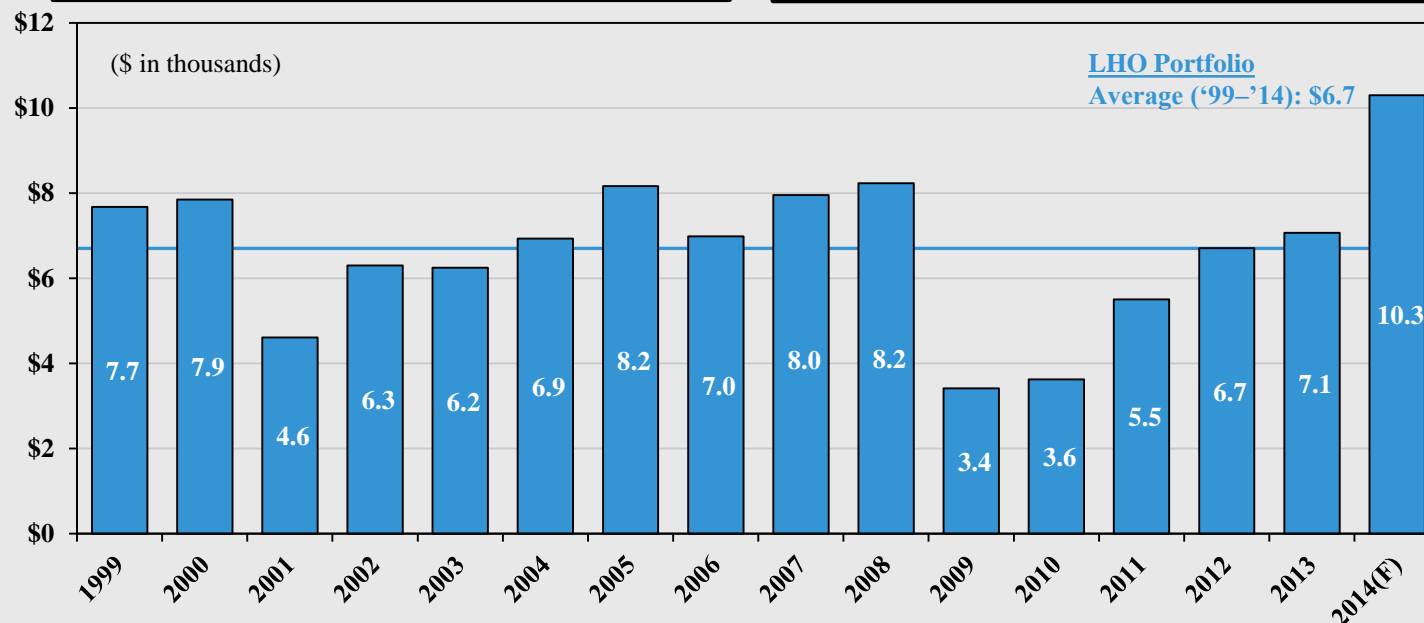
# Capital Investments



Regular capital investment in renovation/refurbishment over the past 15 years



# Capital Investments Per Room



Note: CapEx per Room excludes the following major renovations, Donovan House, Sax and HSDR in '07 and '08, and Park Central in '13 and '14.



# Recent and Current Renovations

<u>Hotel</u>	<u>Recent Renovations</u>	<u>Completion Date</u>
Grafton	Lobby, Restaurant, Lounge	July 2014
Donovan House	Guestrooms	March 2014
Onyx	Guestrooms, Public Space	March 2014
Hotel George	Guestrooms, Public Space	February 2014
Westin Philadelphia	Public Space	February 2014
Viceroy	Guestrooms	December 2013
Park Central	Comprehensive Guestroom and Public Space	December 2013
Hotel Madera	Guestrooms	March 2013
Hotel Deca	Guestrooms	February 2013
Hotel Monaco	Guestrooms	February 2013



# Balance Sheet



*Gild Hall*



# Best in Class Balance Sheet



- ❖ Keep financial leverage low on high operating leverage businesses
- ❖ Stagger debt maturities to lower risk
- ❖ Utilize combination of fixed and floating rate debt



# Best in Class Balance Sheet



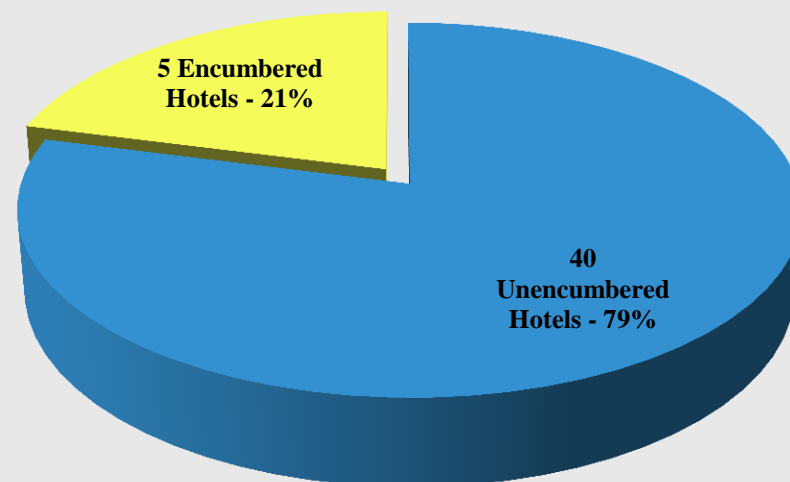
- ❖ Closed on seven-year unsecured term loan at fixed rate of 3.62% in May 2012
- ❖ Closed on five-year unsecured term loan at very attractive fixed rate of 2.38% in August 2012
- ❖ Refinanced credit facilities and five-year term loan extending maturities to 2019 and reducing annual interest costs
- ❖ Reduced the current cost of debt from 5.2% in 2011 to 3.8%
- ❖ Reduced the current cost of debt and preferred from 6.0% in 2011 to 4.2%

# Balance Sheet

	Forecast	
	<u>Amount</u>	<u>%</u>
Variable Rate Debt <sup>(1)</sup>	\$240	5%
Fixed Rate Debt <sup>(2)</sup>	<u>\$981</u>	<u>19%</u>
Total Debt	<b>\$1,220</b>	<b>24%</b>
Preferred Equity	<b>\$179</b>	<b>3%</b>
Common Equity <sup>(3)</sup>	<u><b>\$3,785</b></u>	<u><b>73%</b></u>
Total Enterprise Value	<u><b>\$5,184</b></u>	<u><b>100%</b></u>

<b>Leverage Ratio</b>	<b>3.7x</b>
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## Property Level Debt



## Property EBITDA

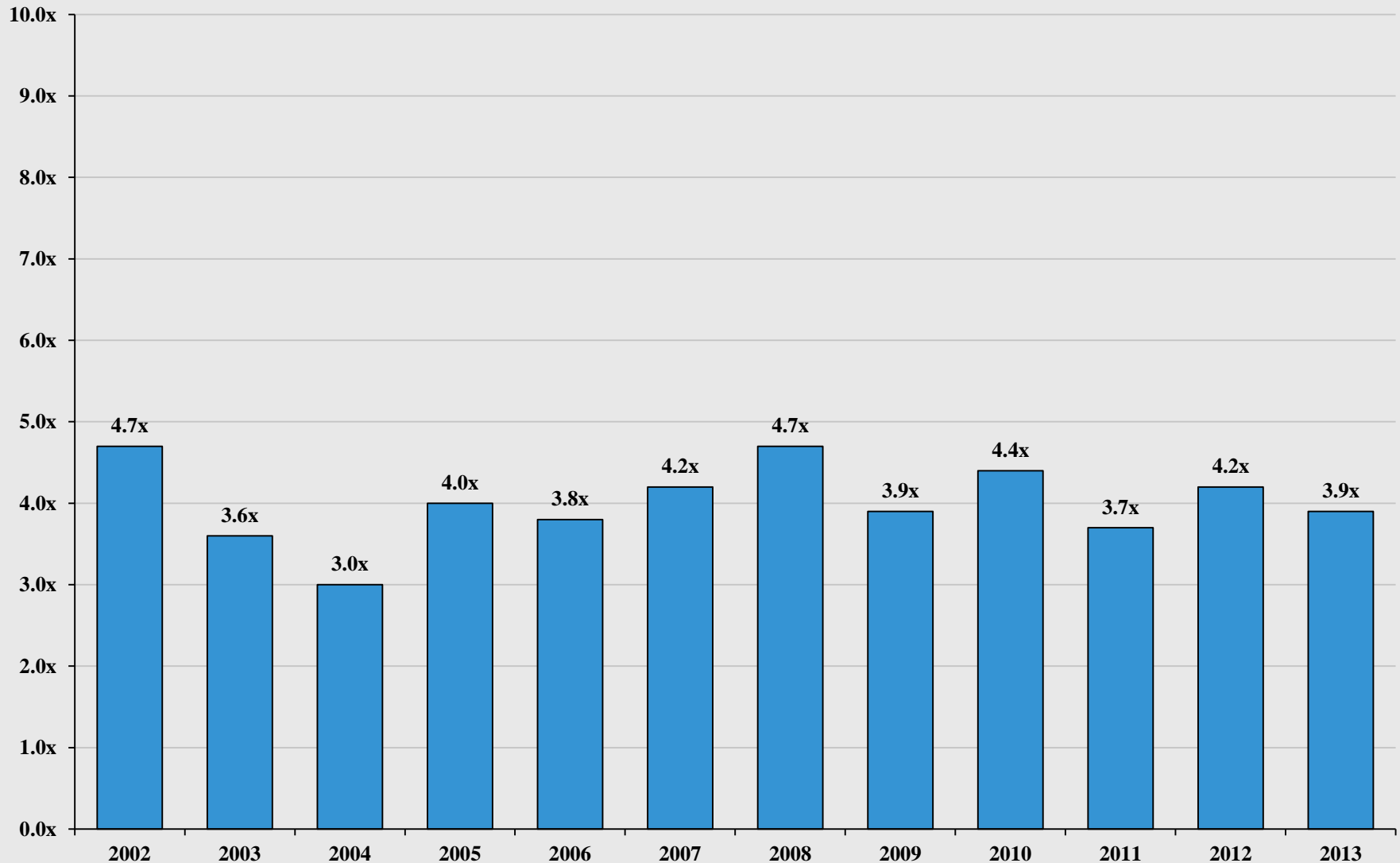
Trailing twelve months ended June 30, 2014

### Notes:

- (1) Proforma Weighted average interest rate for variable rate debt is 1.92% as of June 30, 2014.
- (2) Proforma Weighted average interest rate for fixed rate debt is 4.29% as of June 30, 2014.
- (3) Based on market value of 104.4MM shares and units at \$36.27 on August 26, 2014.

# Consistent Low Leverage over the Past Decade

## Covenant Total Debt / EBITDA

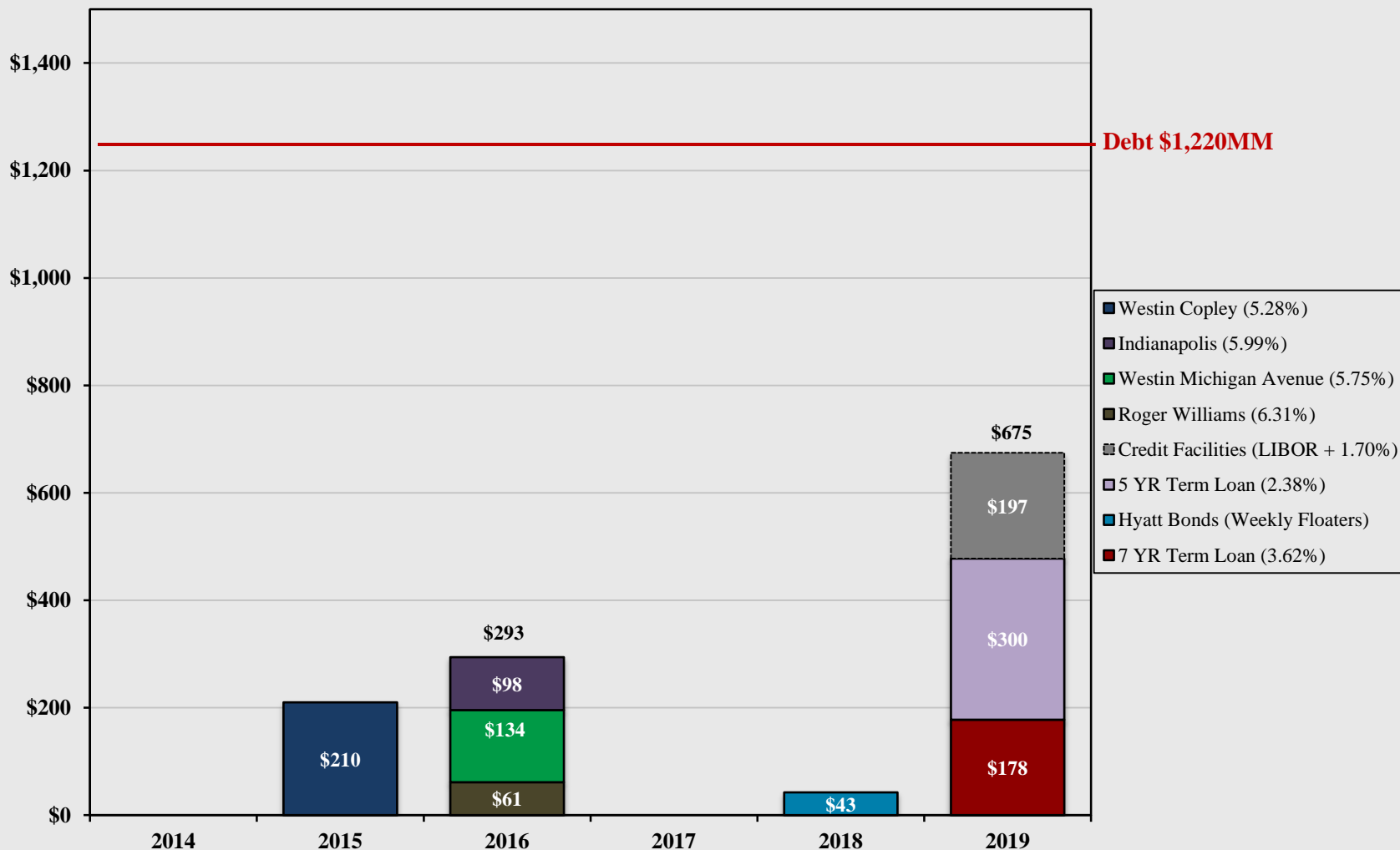


Note: Ratios per the historical Credit Facility covenants.



# Debt Maturities

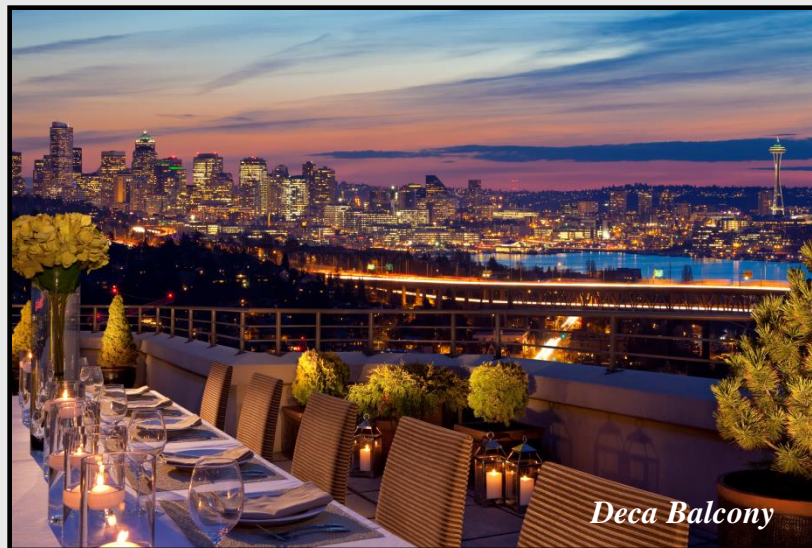
(\$ in millions)



Notes:

(1) Total capacity of Senior Unsecured Credit Facility and LHL Credit Facility is \$775.0MM. Numbers may not foot due to differences caused by rounding.

# Credit Facility and Five-Year Term Loan Refinancing Highlights



- ❖ Leveraged strong relationships with existing bank group
- ❖ Extended revolver and \$300MM term loan maturities by two years to 2019
- ❖ Reduced interest costs by approximately \$700k annually, assuming leverage between 4.0x and 4.75x
- ❖ Ability to upsize the term loan by \$200MM and revolver capacity by \$300MM
- ❖ The interest rate for the new revolver is based on a pricing grid with a range of 170 to 215 basis points over LIBOR, up to 6.0x leverage
- ❖ Current interest rate is at 1.86%

# DC Market





# DC CBD vs DC MSA

## STR Data

CBD: 118 properties with 27,319 rooms

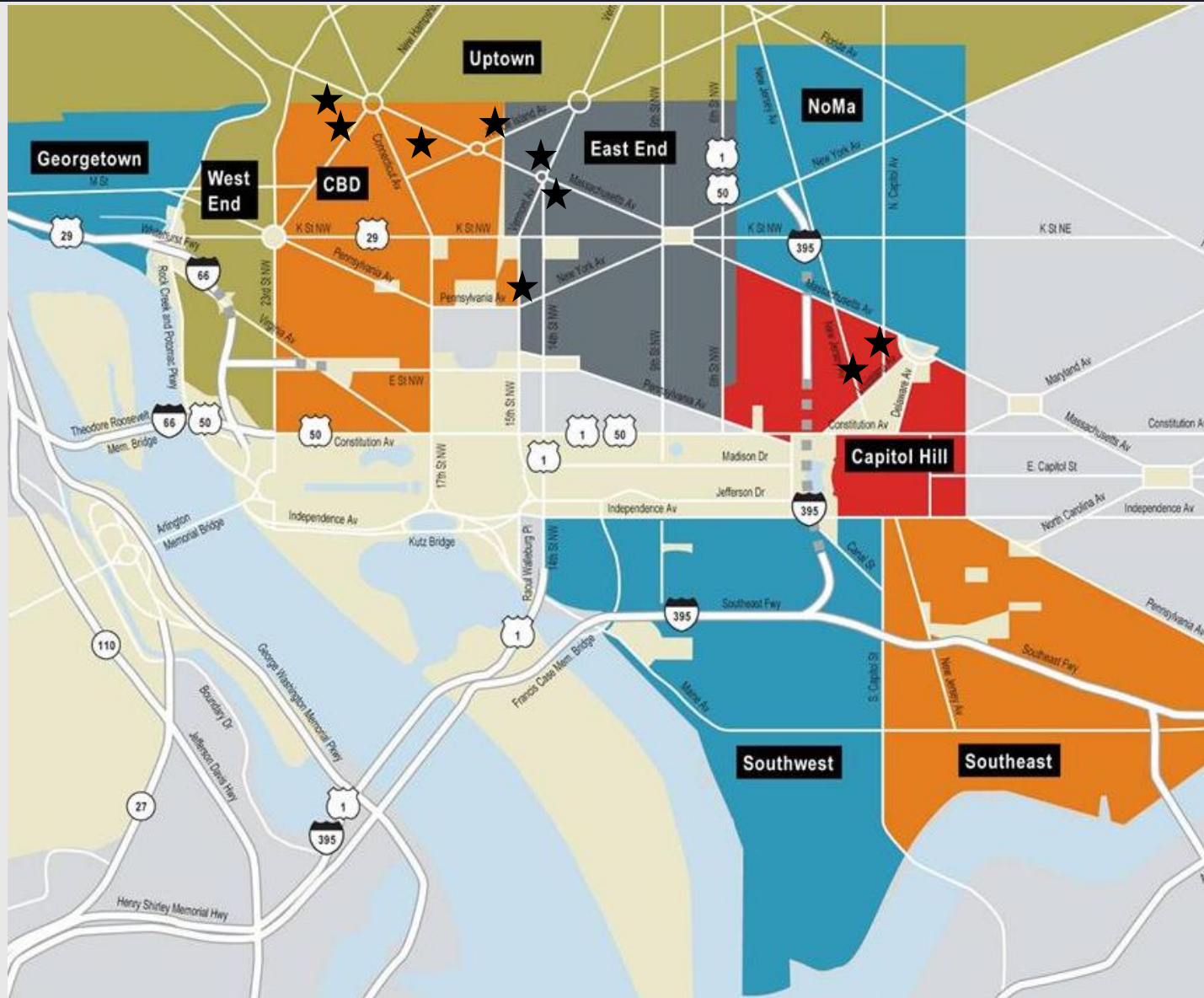
MSA: 686 properties with 105,569 rooms

County	Distance from CBD
Alexandria City, VA	7.8mi
Anne Arundel County, MD	30.6
Arlington County, VA	4.5
Berkeley County, WV	93.5
Calvert County, MD	50.7
Charles County, MD	36.5
Clarke County, VA	64.6
Culpeper County, VA	72.7
District of Columbia, DC	0.0
Fairfax County, VA	18.9
Falls Church city, VA	9.7
Fauquier County, VA	46.7
Frederick County, MD	46.0
Fredericksburg City, VA	53.3
Jefferson County, WV	63.5
King George County, VA	63.8
Loudoun County, VA	44.3
Manassas City, VA	31.6
Montgomery County, MD	24.4
Prince George's County, MD	16.1
Prince William County, VA	36.2
Spotsylvania County, VA	65.7
Stafford County, VA	43.2
Warren County, VA	77.7

Source: STR and Google Maps



# DC CBD



# Market Overview

- ❖ DC has seen consistent demand growth over the last 5 years and is at peak levels

	Demand				
	'09	'10	'11	'12	'13
DC CBD	1.5%	3.6%	2.2%	-0.6%	2.2%

- ❖ DC CBD is at peak levels in Occupancy, Rate and RevPAR

## 2013

### Room Stats

Occupancy	76%
ADR \$	\$209
REVPAR	\$159





# CBD and MSA Performance



	RevPAR				
	'09	'10	'11	'12	'13
<b>Market: DC-MD-VA</b>	-8.5%	2.5%	1.5%	-0.5%	-1.7%
<b>Tract: DC (CBD)</b>	-5.8%	3.4%	3.7%	-1.7%	4.6%
<b>Delta: CBD vs. MSA</b>	+2.7%	+9%	+2.2%	-1.2%	+6.3%

# LHO Performance vs. CBD and MSA



**Market: DC-MD-VA**

**Tract: DC (CBD)**

**LHO:DC Portfolio  
excluding Hilton Old Town**

RevPAR		
2009	2013	CAGR
\$94	\$95	0.4%
\$145	\$159	2.4%

\$142	\$178	5.8%
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# DC CBD vs. LHO Target Markets 2002-2009

	RevPAR		CAGR
	2002	2009	
<b>DC CBD</b>	\$102	\$145	5.2%
<b>Manhattan</b>	\$138	\$190	4.7%
<b>Los Angeles</b>	\$78	\$107	4.6%
<b>San Francisco</b>	\$84	\$108	3.6%
<b>Philadelphia</b>	\$87	\$103	2.5%
<b>Seattle</b>	\$83	\$96	2.1%
<b>Chicago</b>	\$93	\$105	1.8%
<b>Boston</b>	\$115	\$127	1.5%
<b>San Diego</b>	\$103	\$108	0.7%





# Case Studies





# Case Study: Casa/Shutters



# Shutters on the Beach / Casa Del Mar – Mezzanine Loan

- ❖ Excellent opportunity to acquire a performing loan at a strong yield of 10.4%
  - ❖ Mezzanine Loan Purchase Price: \$67MM (94% of \$72MM Par Value)
  - ❖ Last dollar in at 6.1% cap rate and \$1MM/Key
  - ❖ Located in Santa Monica, California
  - ❖ Iconic assets in a strong market with limited capital requirements
- 
- ❖ 14% unleveraged IRR
  - ❖ Repaid February 2014
  - ❖ Net Profit of \$15MM or 22% on \$67MM

*Shutters on the Beach*

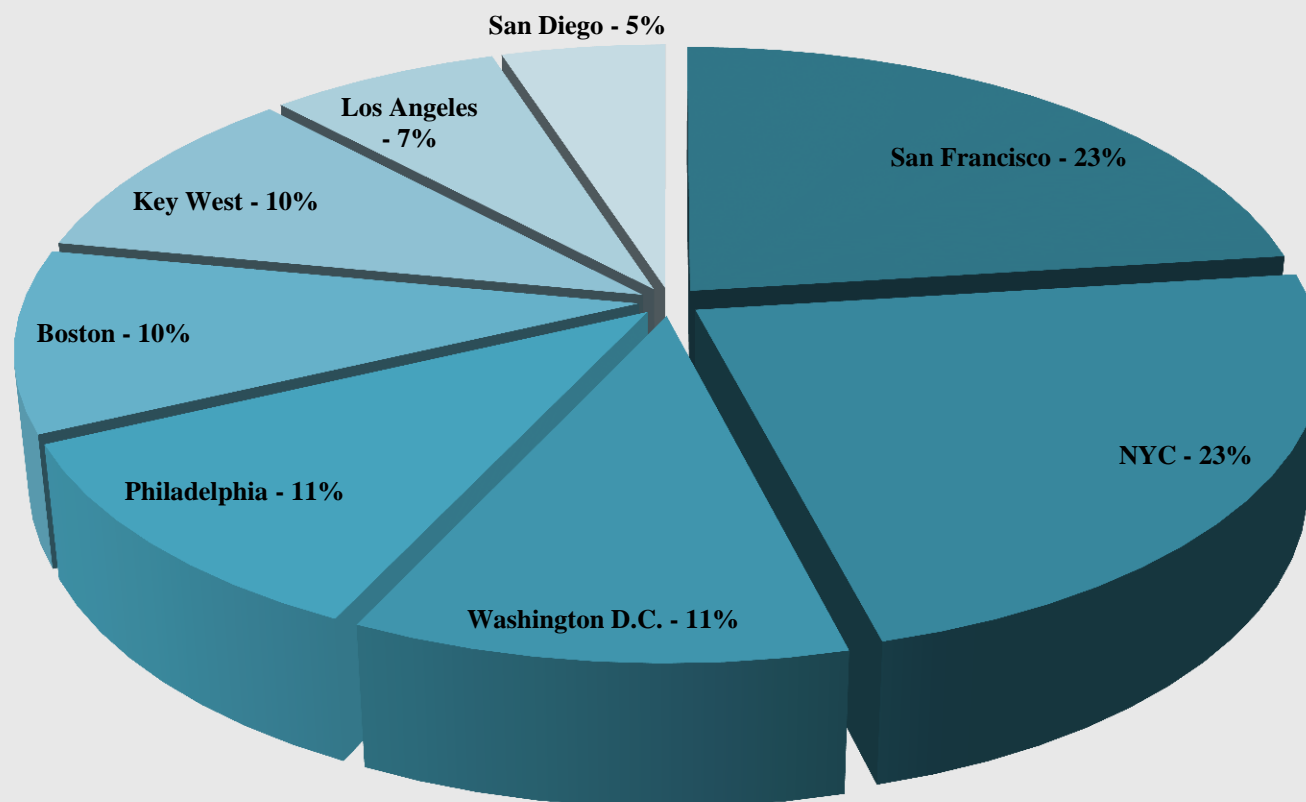


*Casa Del Mar*





# 2010 – 2014 Acquisitions



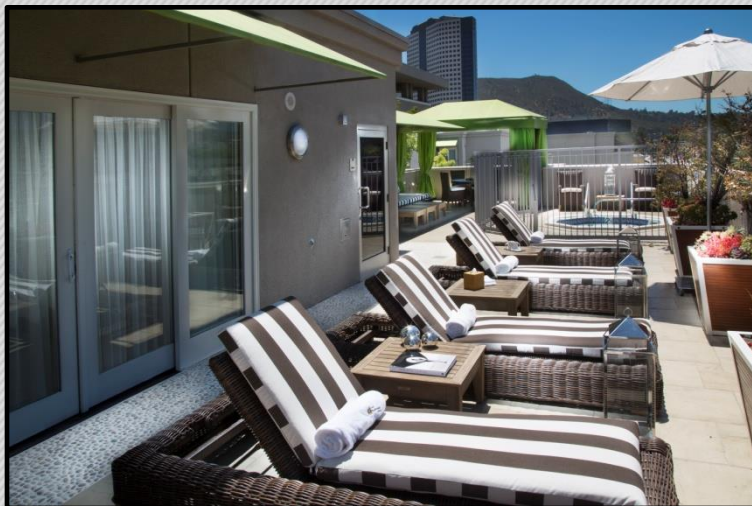
**Property EBITDA**  
Trailing three months ended June 30, 2014

# Case Study: Hotel Amarano





# Overview: Hotel Amarano



- ❖ Located in the heart of the Media District in Downtown Burbank, California
- ❖ Opened in 2002 with 99 rooms
- ❖ Underwent renovation and expansion, completed in 2012, adding 32 guestrooms/suites
- ❖ Features 2 food and beverage outlets, The Library Lounge and The Garden Room
- ❖ 1,400 square feet of meeting space
- ❖ Purchased at a 4.0% trailing twelve month cap rate on NOI after 4% reserve for replacement in December of 2006



# Guestroom Expansion: Hotel Amarano

Pre Expansion NOI (2011)	\$2.1 MM
Post Expansion NOI (2013)	\$3.8 MM
<b>NOI Improvement</b>	<b>\$1.7 MM</b>
<b>Expansion Cost</b>	<b>\$8.4 MM</b>
<b>ROI</b>	<b>21%</b>

<b>Expansion Cost per room</b>	<b>\$262 K</b>
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# Performance: Hotel Amarano

	<u>Pre Addition</u>	<u>Post Addition</u>	
	<u>2011</u>	<u>2013</u>	<u>Growth</u>
Occupancy	79%	86%	9%
ADR	\$193	\$196	1%
EBITDA	\$2.4 MM	\$4.2 MM	79%
EBITDA Margin	34.2%	42.0%	783 Bps
NOI	\$2.1 MM	\$3.8 MM	83%
NOI Yield on Purchase Price <sup>(1)</sup>	5.7%	8.5%	

## Opportunities

- ❖ Regain peak rates

2013		<i>Hypothetical</i>	
	<i>Cap Rate</i>	<i>Valuation</i>	<i>/Room</i>
	6.0%	\$63 MM	\$480 K
	5.5%	\$69 MM	\$524 K
	5.0%	\$76 MM	\$576 K



Notes:

(1) 2013 Yield is based on purchase price and guestroom renovation and expansion cost.

# Hotel Amarano: Pre-renovation Guestroom





# Hotel Amarano: Guestroom





# Hotel Amarano: Pool





# Case Study: L'Auberge del Mar





# L'Auberge del Mar: Front Exterior





# L'Auberge del Mar: Terrace





# L'Auberge del Mar: Guestroom





# L'Auberge del Mar: Outdoor Space





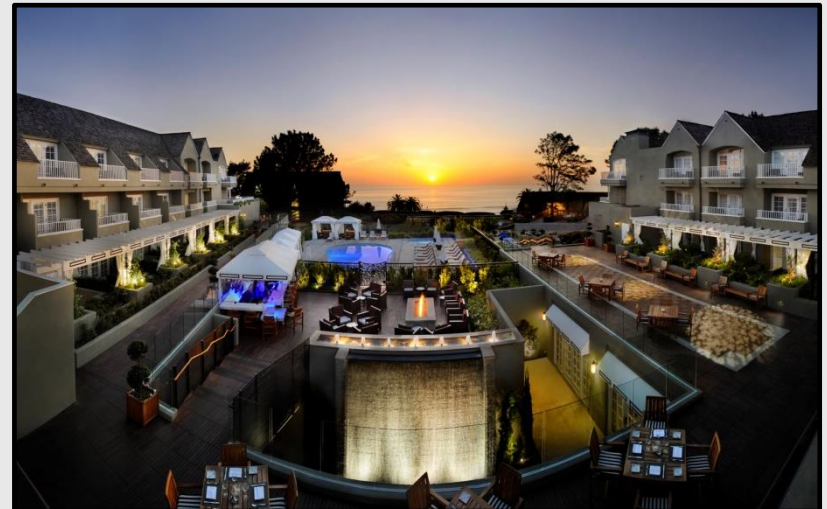
# L'Auberge del Mar: Sunset Terrace





# Acquisition Overview: L'Auberge del Mar

- ❖ Excellent San Diego location overlooking the Pacific Ocean
- ❖ 120 guestrooms, including 8 suites
- ❖ Food and beverage outlets include 128-seat Kitchen 1540, Blue Bar and Waterfall Terrace
- ❖ 16,500 square feet of meeting and function space
- ❖ 5,000 square foot Spa L'Auberge
- ❖ Purchased at a 6.0% trailing twelve month cap rate on NOI after 4% reserve for replacement





# Performance: L'Auberge del Mar



	<u>TTM11/30/2012</u>	<u>2013</u>	<u>Growth</u>
Occupancy	75%	75%	0%
ADR	\$301	\$310	3%
EBITDA	\$5.5 MM	\$7.7 MM	40%
EBITDA Margin	25.2%	33.7%	845 Bps
NOI	\$4.6 MM	\$6.8 MM	47%
NOI Cap/Yield on Purchase Price	6.0%	8.9%	

## Opportunities

- ❖ Potential to add 10-15 guestrooms
- ❖ Potential to add meeting space

<b>2013</b>	<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
	6.0%	\$114 MM	\$946 K
	5.5%	\$124 MM	\$1,032 K
	5.0%	\$136 MM	\$1,136 K

# Case Study: Hotel Monaco





# Acquisition Overview: Hotel Monaco

- ❖ Located two blocks from Union Square; an excellent location within one of the strongest markets in the US
- ❖ 201 guestrooms, including 35 suites
- ❖ Fee simple and unencumbered by management
- ❖ Purchased at a 3.6% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ At purchase, the TTM Hotel EBITDA margin was 17.8%
- ❖ Opportunity for substantial growth due to strong market fundamentals and margin improvement



# Performance: Hotel Monaco

	<u>TTM9/1/2010</u>	<u>2013</u>	<u>Growth</u>	<u>2014(F)</u>	<u>Growth</u>
Occupancy	80%	85%	6%	86%	7%
ADR	\$164	\$248	51%	\$282	72%
EBITDA	\$3.2 MM	\$6.9 MM	118%	\$8.5 MM	170%
EBITDA Margin	17.8%	31.4%	1359 Bps	34.9%	1710 Bps
NOI	\$2.5 MM	\$6.0 MM	146%	\$7.5 MM	208%
NOI Cap/Yield on Purchase Price <sup>(1)</sup>	3.6%	8.8%		10.4%	

## Opportunities

- ❖ Recent renovation growth
- ❖ Potential to add 5-7 guestrooms
- ❖ Grand Cafe restaurant repositioning

<b>2014</b>			
	<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
	6.0%	\$131 MM	\$649 K
	5.5%	\$142 MM	\$708 K
	5.0%	\$157 MM	\$779 K

Cap on NOI before Incentive Management Fee as threshold resets at time of sale



Notes:

(1) 2014 Yield is based on purchase price and guestroom renovation cost.



# Hotel Monaco: Pre-renovated Guestroom



# Hotel Monaco: Renovated Guestroom





# Hotel Monaco: Renovated Bathroom





# Case Study: Chamberlain





# Acquisition Overview: Chamberlain Hotel



- ❖ Located in the heart of West Hollywood, in Los Angeles California
- ❖ 113 guestrooms, all suites
- ❖ Suites average over 500 square feet, include private balcony, fireplace
- ❖ Bistro at Chamberlain serves as a three-meal food and beverage outlet
- ❖ Purchased at a 2.6% trailing twelve month cap rate on NOI after 4% reserve for replacement

# Performance: Chamberlain Hotel



	<u>TTM11/30/2010</u>	<u>2013</u>	<u>Growth</u>
Occupancy	66%	88%	33%
ADR	\$188	\$223	18%
EBITDA	\$1.1 MM	\$4.1 MM	283%
EBITDA Margin	17.0%	42.1%	2506 Bps
NOI	\$1.0 MM	\$3.7 MM	268%
NOI Cap/Yield on Purchase Price	2.6%	9.7%	

## Opportunities

- ❖ Potential to add 2 guestrooms

<b>2013</b>	<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
	6.0%	\$62 MM	\$547 K
	5.5%	\$68 MM	\$596 K
	5.0%	\$75 MM	\$656 K



# Case Study: Viceroy Santa Monica



# Acquisition Overview: Viceroy Santa Monica

- ❖ Premier location in one of the strongest US hotel submarkets
- ❖ 162 guestrooms, including 18 suites
- ❖ Unencumbered by management
- ❖ Purchased at a 4.0% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ At acquisition, trailing twelve month Hotel EBITDA margin was 19%
- ❖ Opportunity to purchase an asset located on Ocean Avenue overlooking the Pacific Ocean in the high barrier-to-entry market of Santa Monica and substantially increase margins and EBITDA





# Performance: Viceroy Santa Monica



	<u>TTM 2/28/2011</u>	<u>2013</u>	<u>Growth</u>
Occupancy	81%	85%	5%
ADR	\$270	\$343	27%
EBITDA	\$4.0 MM	\$7.6 MM	89%
EBITDA Margin	19.0%	30.9%	1188 Bps
NOI	\$3.2 MM	\$6.7 MM	108%
NOI Cap/Yield on Purchase Price	4.0%	8.3%	

## Opportunities

- ❖ Recent renovation growth
- ❖ Rooftop Bar
- ❖ Potential to add 3-5 guestrooms

<b>2013</b>	<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
	6.0%	\$111 MM	\$684 K
	5.5%	\$121 MM	\$747 K
	5.0%	\$133 MM	\$821 K

# Viceroy: Guestroom





# Viceroy: Lobby





# Viceroy: Public Space





# Viceroy: Cast Restaurant





# Case Study: Villa Florence





# Acquisition Overview: Villa Florence



- ❖ Located in the heart of the Union Square district in San Francisco
- ❖ 182 guestrooms, including 23 suites
- ❖ Fee simple and unencumbered by management
- ❖ Purchased at a 6.3% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ Two food and beverage outlets including 200-seat Kuleto's and 24-seat Bar Norcini
- ❖ 1,600 square feet of meeting space

# Performance: Villa Florence



	<u>TTM9/30/2011</u>	<u>2013</u>	<u>Growth</u>
Occupancy	79%	85%	8%
ADR	\$155	\$202	30%
EBITDA	\$4.9 MM	\$8.3 MM	68%
EBITDA Margin	26.6%	37.2%	1063 Bps
NOI	\$4.2 MM	\$7.4 MM	76%
NOI Cap/Yield on Purchase Price	6.3%	11.0%	

## Opportunities

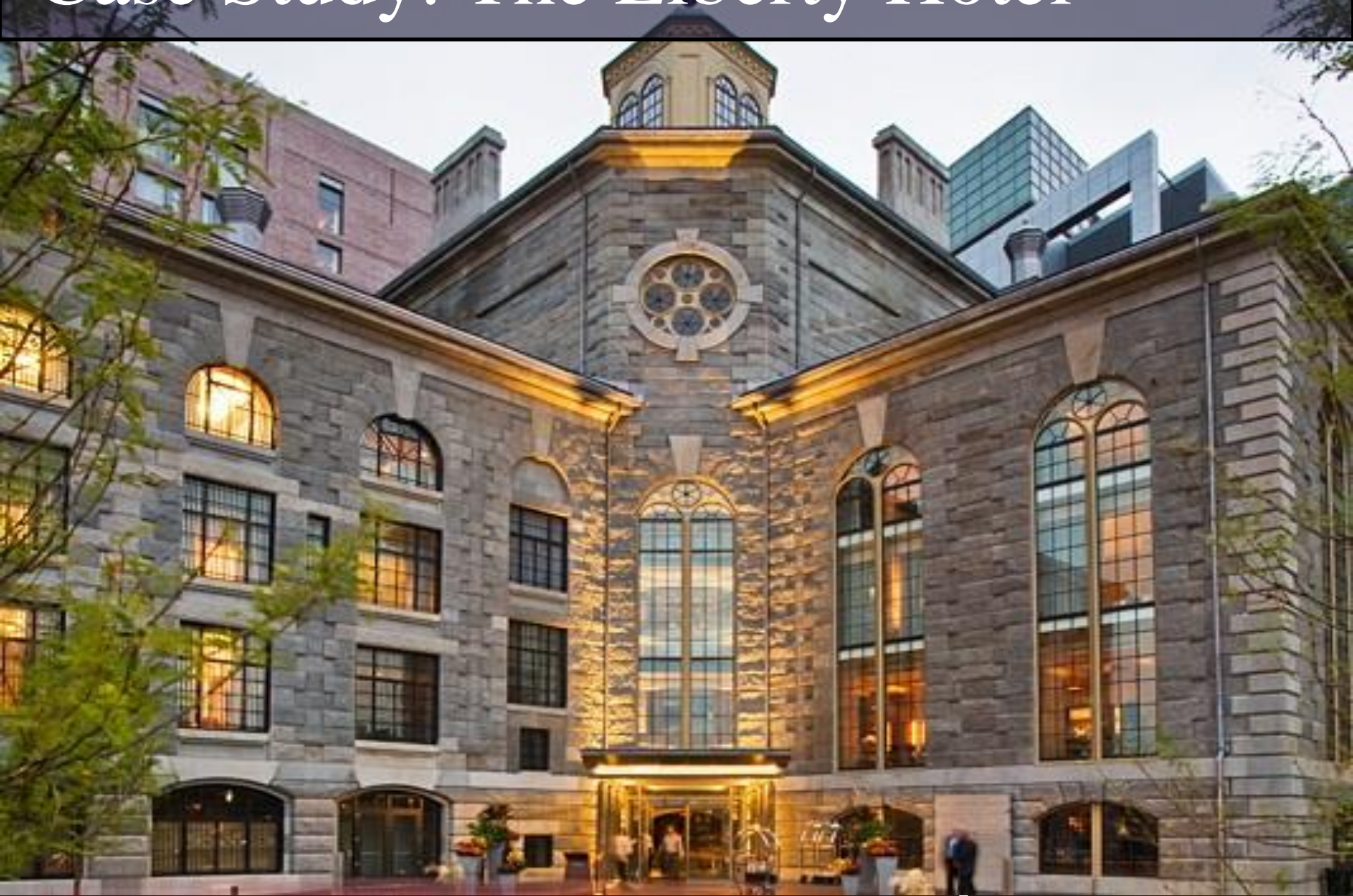
- ❖ Improve lower level space utilization resulting in potential to add 2-4 guestrooms

<b>2013</b>			
	<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
	6.0%	\$129 MM	\$710 K
	5.5%	\$141 MM	\$775 K
	5.0%	\$155 MM	\$852 K

Cap on NOI before Incentive Management Fee as threshold resets at time of sale



# Case Study: The Liberty Hotel





# The Liberty Hotel: Guestroom





# The Liberty Hotel: Alibi Bar



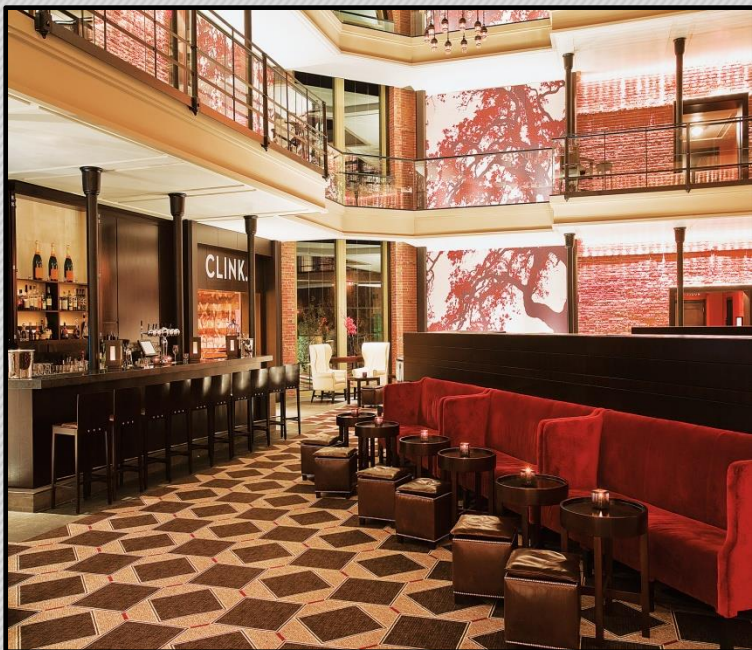


# The Liberty Hotel: Lobby





# Acquisition Overview: The Liberty Hotel

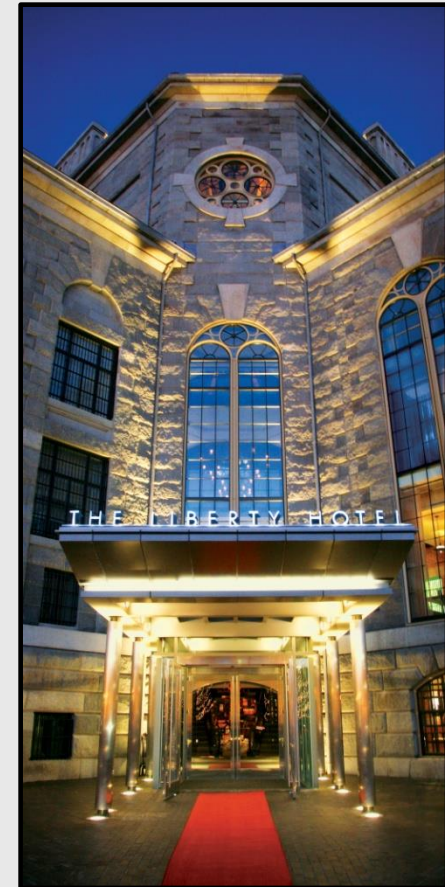


- ❖ Located in the Beacon Hill neighborhood of Boston
- ❖ Originally constructed as the Charles Street Jail
- ❖ Redeveloped by Dick Friedman into The Liberty Hotel
- ❖ 298 guestrooms, including 10 suites
- ❖ Features 5 food and beverage outlets including CLINK, Alibi and Scampo
- ❖ 8,400 square feet of meeting space
- ❖ A Starwood Luxury Collection Hotel
- ❖ Purchased at a 6.8% trailing twelve month cap rate on NOI after 4% reserve for replacement

# Performance: The Liberty Hotel

	<u>TTM 12/31/2012</u>	<u>2013</u>	<u>Growth</u>
Occupancy	82%	87%	6%
ADR	\$273	\$286	5%
EBITDA	\$13.1 MM	\$15.8 MM	21%
EBITDA Margin	32.7%	36.9%	417 Bps
NOI	\$11.5 MM	\$14.1 MM	23%
NOI Cap/Yield on Purchase Price	6.8%	8.3%	

<b>2013</b>		
<i>Cap Rate</i>	<i>Hypothetical Valuation</i>	<i>/Room</i>
6.0%	\$235 MM	\$787 K
5.5%	\$256 MM	\$859 K
5.0%	\$281 MM	\$944 K





# Hotel Vitale: San Francisco





# Hotel Vitale: Guestroom





# Hotel Vitale: Guestroom





# Hotel Vitale: Lobby



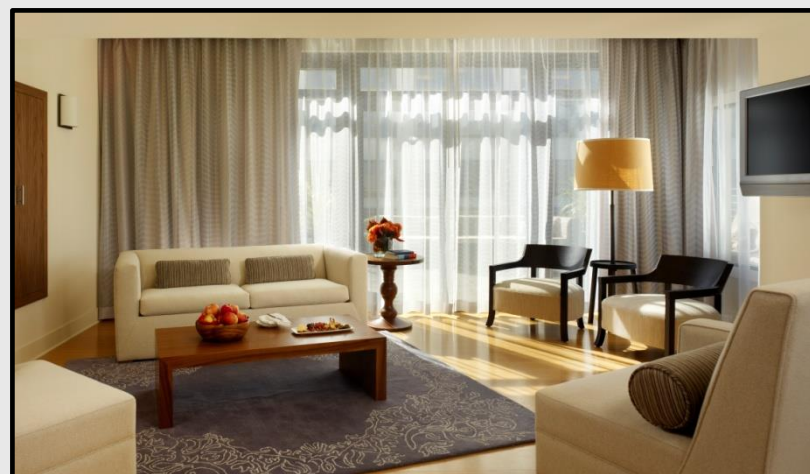


# Hotel Vitale: Rooftop Terrace



# Acquisition Overview: Hotel Vitale

- ❖ Acquired the Hotel Vitale for \$130MM
- ❖ Excellent San Francisco location in the South Financial district, along the Embarcadero Waterfront
- ❖ 200 guestrooms, including 8 suites
- ❖Americano Restaurant & Bar offers panoramic views of the San Francisco Bay
- ❖ 11,300 square feet of meeting and function space
- ❖ Acquired at a 4.5% trailing twelve month cap rate on NOI after 4% reserve for replacement
- ❖ Trailing twelve month Hotel EBITDA margin was 22%





# Hotel Sax → Hotel Chicago



# Looking to the future: Hotel Chicago



- ❖ **Hotel Sax officially became “Hotel Chicago: an Autograph Collection Hotel” on February 5<sup>th</sup> 2014**
- ❖ 2013 RevPAR Index of 78%
- ❖ Hotel will benefit from Marriott Reservation System and strong management team with HEI, which manages the Liberty Hotel in Boston and our two Philadelphia assets
- ❖ Independent Hotel with Brand Affiliation model has worked well at Liberty Boston
- ❖ 3<sup>rd</sup> Party Franchise Model has been successful at several hotels in our portfolio

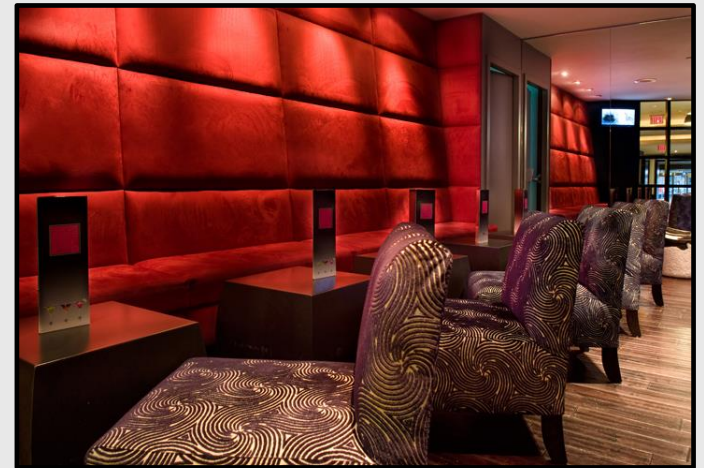


# Park Central/WestHouse



*WestHouse Guestroom*

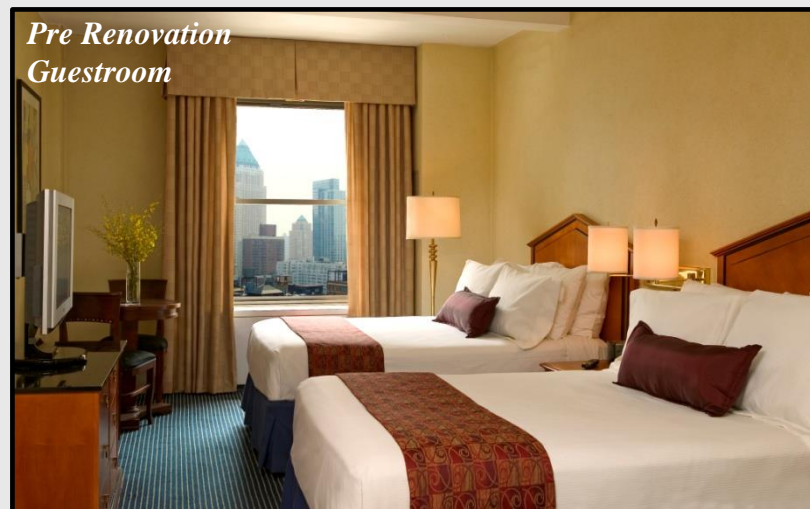
# PC Photos Pre Renovation





# Park Central Hotel: History

- ❖ Purchased in December 2011 at a 6% cap rate on trailing twelve months
- ❖ Fee simple and unencumbered by brand or management
- ❖ Located between 55<sup>th</sup> and 56<sup>th</sup> St. on 7<sup>th</sup> Ave. in midtown Manhattan
- ❖ Excellent location three blocks south of Columbus Circle and Central Park, and seven blocks from Times Square
- ❖ 934 guestrooms, including 20 suites
- ❖ Food and beverage outlets included 88-seat Cityhouse and 50-seat Bar Bella
- ❖ 14,000 square feet of meeting space
- ❖ 4,800 square feet of retail space
- ❖ 2012 EBITDA of \$30MM; NOI cash yield of 6.8%



# Park Central/WestHouse: The Plan

- ❖ In 2012 the hotel ran a rate \$50 lower than the market

	2012
	ADR
Park Central Hotel	\$221
STR Market Manhattan	\$278
STR Market Times Square	\$275

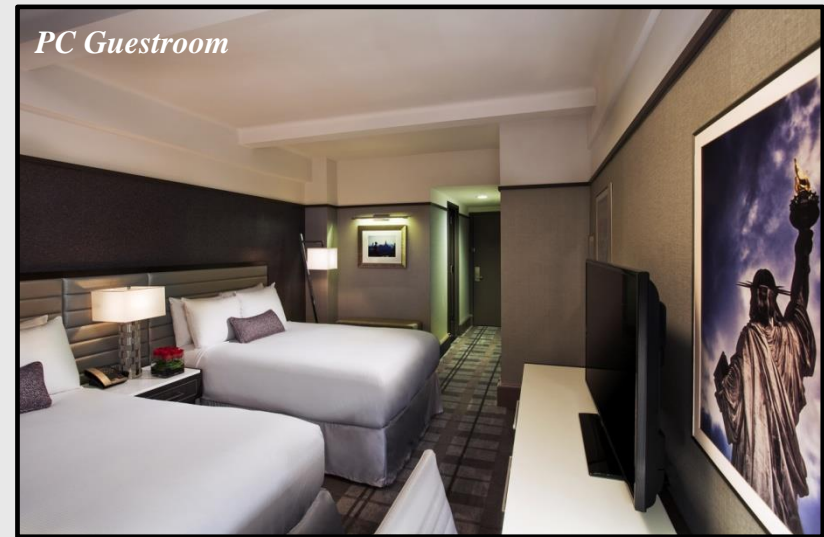
- ❖ In 2012 only 4% of total room revenue was from corporate accounts
- ❖ Opportunity for Park Central to increase market share ramping up to average Manhattan/Times Square rates
- ❖ Opportunity for WestHouse to be priced \$50-\$100 more than Park Central and gain share of corporate accounts within area





# Park Central/WestHouse: Execution (thus far...)

- ❖ Split into two hotels in 2013: Park Central and WestHouse (Separate entrance on 55<sup>th</sup>)
- ❖ Commenced January 2013
- ❖ 761 rooms in the main hotel: Park Central
- ❖ Completed Park Central room renovation July 2013
- ❖ 172 rooms upgraded for the premium hotel: WestHouse
- ❖ WestHouse renovation completed December 2013
- ❖ All in cost of approximately \$475MM or \$510k/key





# Park Central: Lobby





# Park Central: Park Kitchen





# Park Central: Central Market





# WestHouse: Lobby





# WestHouse: Lobby





# WestHouse: Corridors





# WestHouse: Guestroom





# Trip Advisor: The People Have Spoken – PC Reviews

**“We love it”**

●●●●● Reviewed yesterday **NEW**

**“Great location, clean, newly renovated , good value and friendly staff.”**

●●●●● Reviewed 2 days ago **NEW** 📱 via mobile

**“hotel is transformed”**

●●●●● Reviewed 2 days ago **NEW**

we stay at this hotel each year in January. Last year it was a building site which was very disappointing. However they have done a great job on the refurbishment. The lobby is transformed as is the restaurant and bar, all beautifully styled. The bedrooms have been transformed and the bed is among the most comfortable hotel beds we have slept in. while the costs are not a keen as they were in the past especially for bed and breakfast its still very good value and the location perfect with the subway just beneath the hotel.

we will be back

**“Very nice attitude”**

●●●●● Reviewed 4 days ago **NEW**

**“Great Spot in the heart of Manhatan.”**

●●●●● Reviewed 5 days ago **NEW**

**“Excellent hotel, excellent location”**

●●●●● Reviewed 3 days ago **NEW**

# Trip Advisor: The People Have Spoken – WestHouse Reviews

*“Awesome “staycation” in the city”*

★★★★★ Reviewed yesterday

*“My New Home in New York”*

★★★★★ Reviewed 1 week ago

*“Warm, cozy, gorgeous, service-oriented,  
LUXURIOUS.”*

★★★★★ Reviewed 1 week ago

This hotel is an absolute gem. There is an exceptional attention to detail - even for a 5 star. The decor is exquisite, the rooms are beautiful with a warm feel, the service is beyond 5 stars. Overall, this went so far beyond my expectations. They treat you like royalty. There is no question that I will return here and refer others. I couldn't me more impressed.

*“A real house away from home”*

★★★★★ Reviewed 2 weeks ago

*“This hotel redefines hospitality!!!”*

★★★★★ Reviewed 2 days ago  via mobile



# New York Market



	Manhattan					CAGR '09-'13
	'09	'10	'11	'12	'13	
Supply Growth	5.2%	5.3%	5.9%	2.0%	2.5%	3.9%
Demand Growth	0.0%	9.6%	6.0%	4.9%	3.4%	5.9%

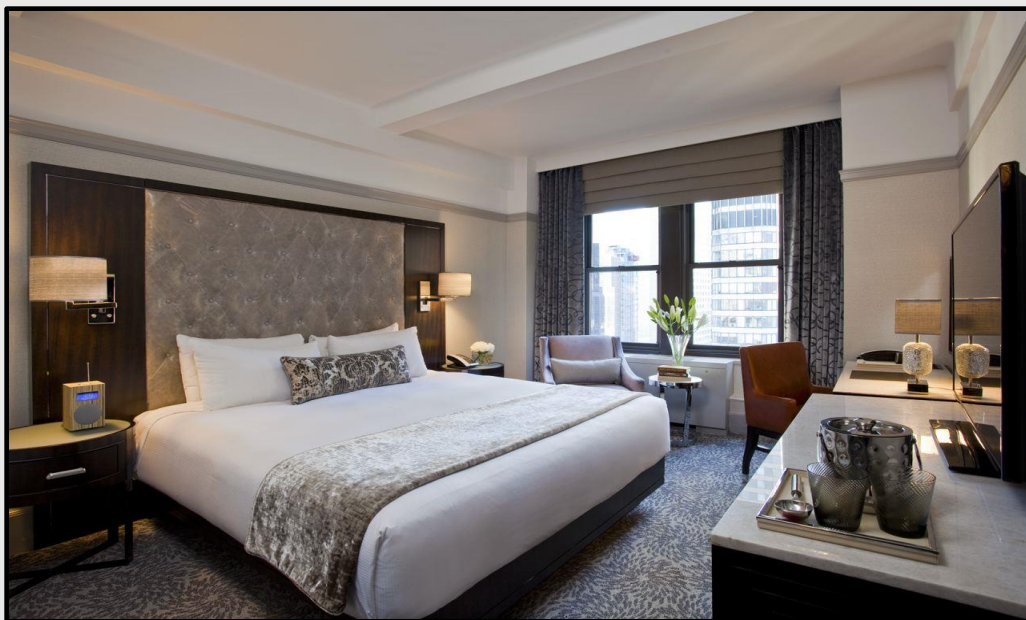
# 2014-2016 Projected Performance

	'12		'13		'14		ADR '15		'16	
	Actuals				Low	High	Low	High	Low	High
Tract: Times Square	\$275		\$284		\$293		\$301		\$311	
Park Central <sup>(1)</sup>	\$221		\$240		\$250	\$270	\$270	\$290	\$290	\$320
Delta	-\$54		-\$44		-\$43	-\$23	-\$31	-\$11	-\$21	+9
ADR Index	80%		84%		85%	92%	90%	96%	93%	103%
					EBITDA					
Park Central/WestHouse	\$30 MM		\$19 MM		\$26 MM	\$32 MM	\$33 MM	\$39 MM	\$39 MM	\$45 MM

(1) We expect WestHouse rates to be \$50-\$100 higher than that at Park Central



# Hypothetical Valuation



	2016		
<b>EBITDA: Midpoint of Range</b>	\$42.0 MM		
<b>NOI</b>	\$37.6 MM		
<b>Cap Rate</b>	6.0%	5.5%	5.0%
<b>Hypothetical Sale Price</b>	\$626 MM	\$683 MM	\$752 MM
<b>Hypothetical Sale Price/room</b>	\$671 K	\$732 K	\$806 K

# Conclusion

- ❖ Mission of providing best returns while seeking to minimize risk each step along the investment path
- ❖ Long track record of outperformance while minimizing risk
- ❖ Consistent strategy:
  - ❖ Investment criteria
  - ❖ Aggressive asset management
  - ❖ Low-leverage capital structure
- ❖ Peak reported margin of 32.2% in 2013 with plenty of room to grow to proforma peak margins of 35.7% and beyond





# Conclusion

- ❖ Portfolio continues to improve through strong yielding recent acquisitions
- ❖ Renovation of Park Central is complete and horizons are bright
- ❖ Balance sheet is in excellent condition
- ❖ The industry is still in a good part of the cycle







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