

Credit Suisse 2007 Real
Estate Conference
March 2007

Sunstone

Hotel Investors, Inc.



Forward-Looking Statements & Non-GAAP Measures



With the exception of historical information, statements in this presentation are forward-looking statements within the meaning of federal securities laws and regulations. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under the caption “Risk Factors” in Sunstone Hotel Investor’s Annual Report on Form 10-K filed on February 8, 2007 and from time to time in its other filings with the Securities and Exchange Commission. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. The Company undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in the Company’s expectations.

Included in this presentation are certain non-GAAP financial measures, such as Adjusted EBITDA and Adjusted FFO. Descriptions of and reconciliations at a Company-level to the closest applicable GAAP measures are included in the Company’s prior earnings press release. These press releases can be found in the “Investor Relations” section of the Company’s website under “News Releases”.





Sunstone Hotel Investors, Inc. (NYSE:SHO) is a Southern California-based lodging real estate investment trust (REIT)

- **IPO – October 2004 @ \$17.00/share**
- **Current Stock Price (1) \$27.55**
- **\$3.8 Billion TEV**
- **52 Hotels (2) – 17,119 rooms**
- **Desirable Asset Concentration – Southern California, NYC, Boston, Chicago, D.C./Baltimore and Orlando = 74% of 2006 pro forma EBITDA**
- **High Quality Portfolio Positioned for Growth**
- **Strong Management Team**
- **Conservative Balance Sheet**

(1) Reflects 04/05/2007 closing price.

(2) Includes interest in joint ventures.



Portfolio of Nationally Recognized Brands



Marriott



Hilton



Hyatt



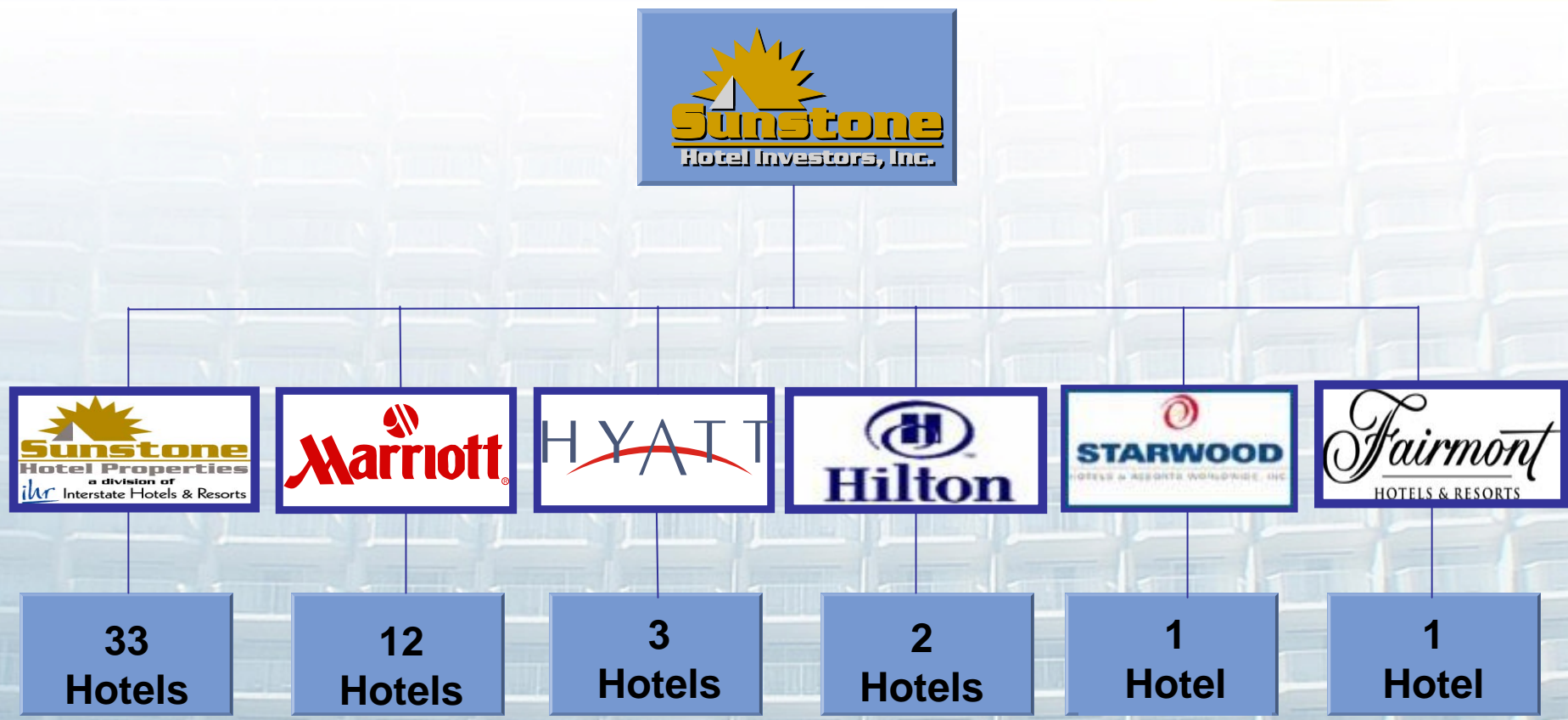
Starwood



Other



Favorable Hotel Management Relationships



EBITDA Contribution from Top 20 Metropolitan Statistical Areas (MSAs)

	Top 20 MSAs (2)	% of 2006E (1) EBITDA
1	New York Metro, NY/NJ	12.5%
2	Los Angeles / Long Beach / Orange County, CA	19.7%
3	Chicago, IL	3.7%
4	Philadelphia, PA	1.5%
5	Dallas, TX	0.0%
6	Miami, FL	0.0%
7	Houston, TX	4.2%
8	Washington, D.C. / Baltimore	14.4%
9	Atlanta, GA	2.3%
10	Detroit, MI	2.4%
11	Boston, MA	3.9%
12	San Francisco, CA	0.0%
13	Riverside, CA	3.5%
14	Phoenix, AZ	0.0%
15	Seattle, WA	0.0%
16	Minneapolis, MN	1.2%
17	San Diego, CA	12.5%
18	St. Louis, MO	0.0%
19	Tampa, FL	0.0%
20	Pittsburgh, PA	0.0%
	% of TOTAL 2006 EBITDA	81.8%

(1) Full Year 2006 Estimated EBITDA including prior ownership for acquisition hotels and pro rata share of JV investments.

(2) US Census Bureau July 1, 2005



Experienced Management Team



Sunstone Hotel Investors, Inc. (REIT)

Name	Title	Years with Sunstone	Experience	Years in Industry / Function
Robert Alter	Executive Chairman	20	Sunstone	31
Steve Goldman	Chief Executive Officer	0	Global Hyatt/Starwood Capital	23
Jon Kline	President	4	Merrill Lynch	13
Gary Stougaard	EVP – CIO	9	Hardage Suite Hotels	19
Ken Cruse	SVP – CFO	2	Host Marriott / Marriott Int.	14
Thomas Naughton	SVP – Acquisitions	4	ING / Goldman Sachs	11
William Wagner	SVP – Accounting	3	Ernst & Young / Irvine Company	16
Marc Hoffman	SVP – Asset Management	1	Marriott International	26
Chris Lal	VP – Legal	0	O'Melveny & Meyers / Remedy	8
Lindsay Monge	VP – Treasurer	7	Hilton / Sunstone	12
Olivier Kolpin	VP – Tax	3	PricewaterhouseCoopers	14
Randy Hulce	VP – Asset Management	1	Sunstone Hotel Properties	30
Bryan Giglia	VP – Corporate Finance	3	Hilton Hotels	9
Hunter Oliver	VP – Acquisitions	4	Atlas Hotels	4

Sunstone Hotel Properties, a division of Interstate Hotels

Name	Title	Years with Sunstone	Experience	Years in Industry / Function
Evan Studer	EVP – Operations	8	Vista Host / WHI	33
John Elston	EVP – Sales & Marketing	4	Hilton / Red Lion	23
Phil Degnan	RVP – Operations	5	Westmark / White / WHI	32
Lee Grossbard	RVP – Operations	3	Wyndham Hotels	43
Steve Henderson	RVP – Operations	2	CSM/Hilton/Adams Mark	29
John Beltz	RVP – Sales	2	Wyndham Hotels	19
Jay Best	RVP – Sales	2	Wyndham/Red Lion/Marriott	23
Dan Engle	RVP – Sales	2	Lodgian/Interstate Hotels	26
David Kreizinger	VP – Hotel Accounting	2	Edwards Theater/Ernst & Young	15



- **Bob Alter Became Executive Chairman of the Board effective March 19, 2007**
- **Steve Goldman Appointed CEO effective March 19, 2007**
 - **Strong Industry Experience**
 - **Key Industry Relationships**
 - **Proven Track Record**





Sunstone Hotel Investors is a leading owner of high-quality hotels committed to maximizing shareholder value through disciplined acquisitions, aggressive asset management, targeted capital investments and a balanced capital structure.



Sunstone is focused on maximizing shareholder value through a comprehensive approach to portfolio management. Our strategy is predicated on:

Acquiring upper upscale and luxury hotels with nationally recognized brands in markets with high barriers to entry;

Enhancing the value of our hotels through major capital projects and repositionings;

Optimizing the performance of our portfolio through aggressive asset management;

Recycling capital through opportunistic dispositions of non-core assets;

Minimizing our cost of capital through disciplined balance sheet management.



Acquiring East Coast Markets



Acquiring Southern California Markets



Acquiring Upper Upscale and Luxury Hotels - Boston



Marriott Boston Long Wharf
Acquired March 2007
402 Rooms



Acquiring Upper Upscale and Luxury Hotels - New York City



Doubletree Times Square (JV)
Acquired December 2006
460 Rooms



Hilton Times Square
Acquired March 2006
444 Rooms



Acquiring Upper Upscale and Luxury Hotels – Los Angeles



Century Plaza Hyatt Regency
Acquired October 2005
728 Rooms



Acquiring Upper Upscale and Luxury Hotels – D.C./Baltimore



Renaissance Washington D.C.
Acquired July 2005
807 Rooms



Renaissance Baltimore
Acquired June 2005
622 Rooms



Acquiring Upper Upscale and Luxury Hotels - Orlando



Renaissance Orlando Resort
Acquired June 2005
780 Rooms



Acquiring Upper Upscale and Luxury Hotels – Newport Beach



Fairmont Newport Beach
Acquired July 2005
444 Rooms



Acquiring Upper Upscale and Luxury Hotels – San Diego



W San Diego
Acquired June 2006
259 Rooms



Acquiring Upper Upscale and Luxury Hotels



\$1.8 Billion of acquisitions since IPO

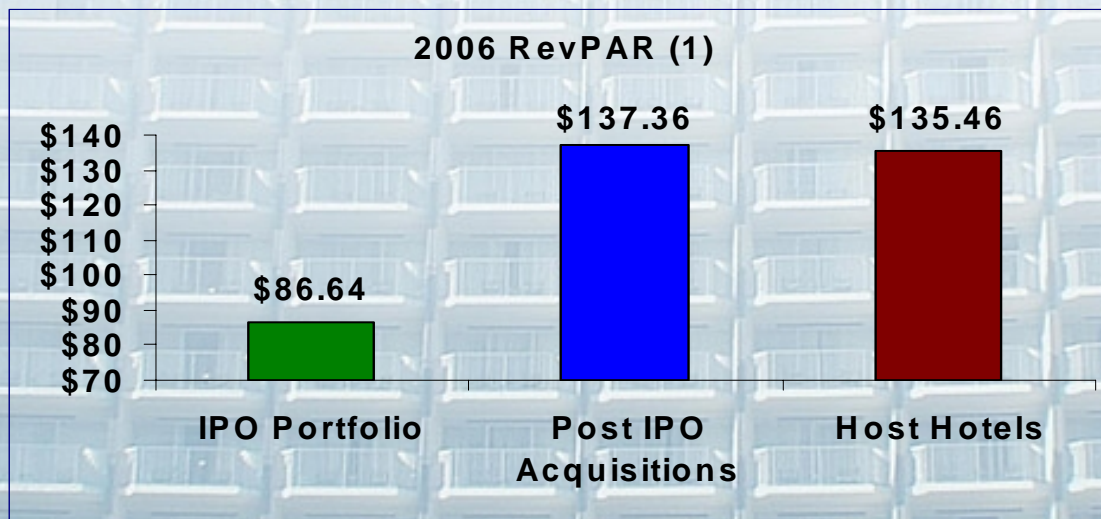
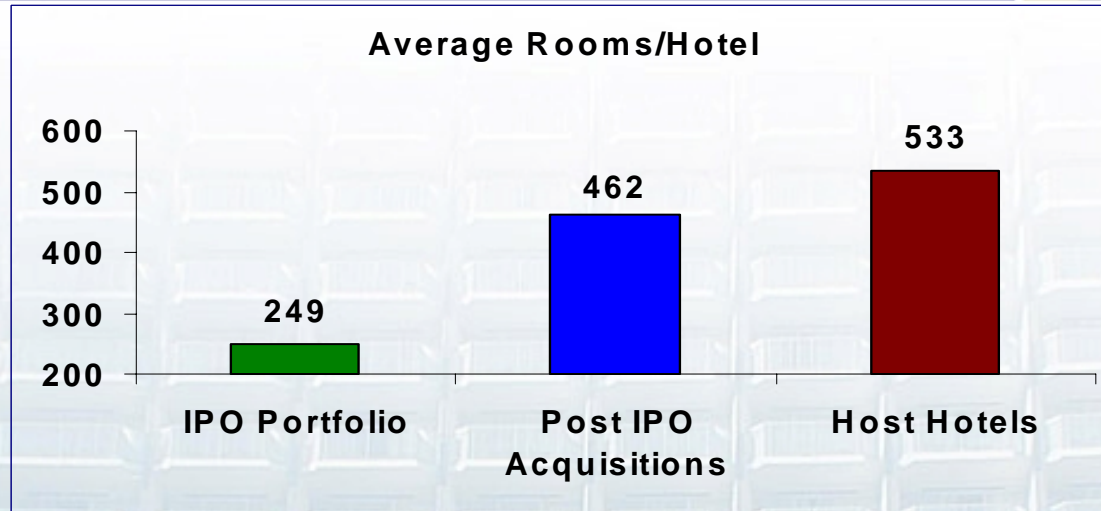
Closed Date	Asset	Location	# of Rooms	Purchase Price (mm)	Price / Key
June '05	Renaissance 5 Hotel Portfolio (excluding DC)	Atlanta, GA	387	\$35.6	\$92K
		Baltimore, MD	622	\$148.7	\$239K
		Long Beach, CA	373	\$45.1	\$121K
		Orlando, FL	780	\$127.9	\$164K
		Westchester, NY	357	\$42.1	\$118K
			2,519	\$399.5	\$159K
July '05	Sheraton Cerritos	Cerritos, CA	203	\$24.8	\$122K
July '05	Renaissance D.C. (1)	Washington, DC	807	\$160.0	\$198K
July '05	Fairmont Newport Beach	Newport Beach, CA	444	\$72.0	\$162K
October '05	Hyatt Century Plaza	Century City, CA	728	\$293.0	\$402K
January '06	San Diego Marriott Del Mar	San Diego, CA	284	\$69.0	\$243K
March '06	Hilton New York Times Square	New York, NY	444	\$242.5	\$546K
May '06	Embassy Suites La Jolla	La Jolla, CA	335	\$100.0	\$299K
June '06	W San Diego	San Diego, CA	259	\$96.0	\$371K
January '07	Renaissance Los Angeles Airport	Los Angeles, CA	499	\$65.0	\$130K
March '07	Marriott Boston Long Wharf	Boston, MA	402	\$228.2	\$568K
Acquisitions Total / Average			6,924	\$1,750.0	\$253K
JV Partnership Investment					
December '06	Doubletree Times Square (2)	New York, NY	460	\$40.0	
Acquisitions and Investment Total / Average			7,384	\$1,790.0	

(1) Represents 100% ownership.

(2) Represents 38% ownership; JV Partnership with Whitehall and Highgate



Acquiring Upper Upscale and Luxury Hotels



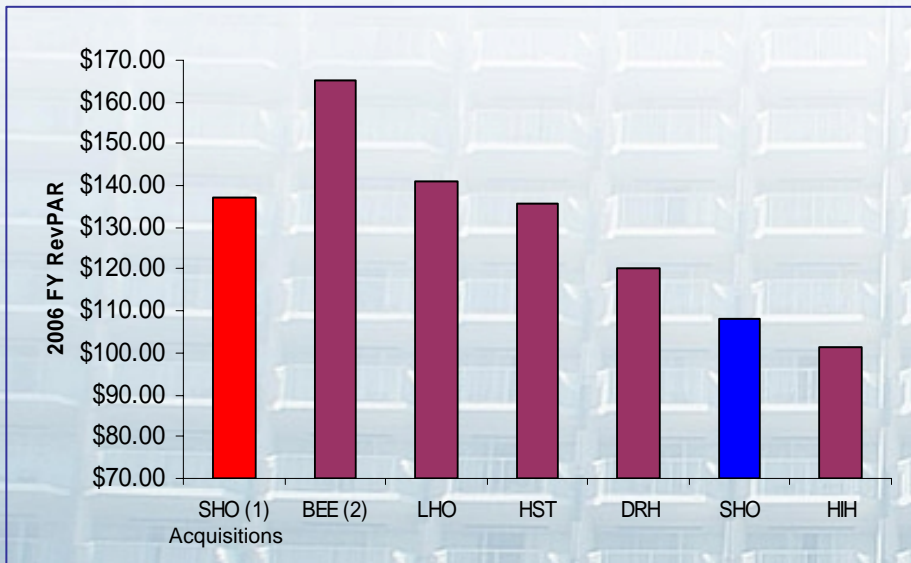
(1) Reflects FY 2006 RevPAR (including prior ownership). Includes Pro Rata share of JV assets.



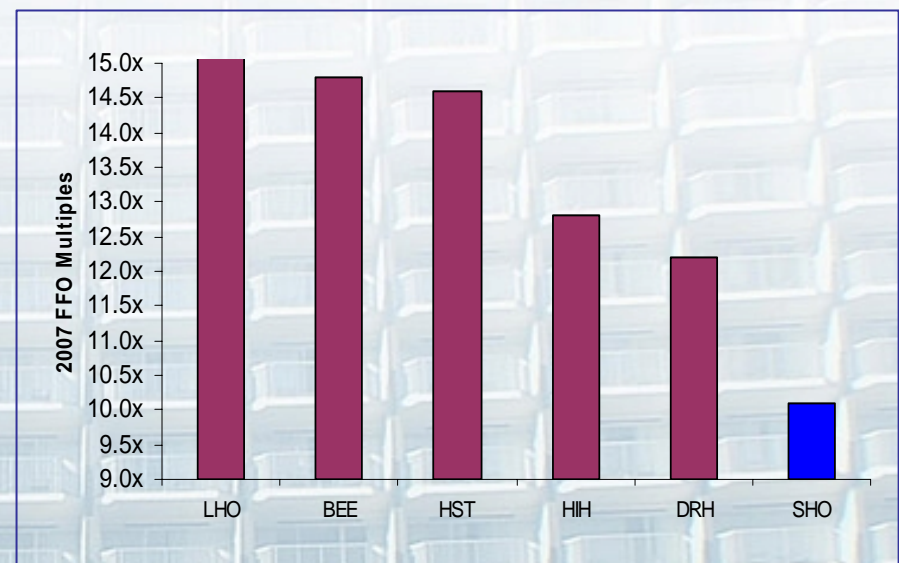
Acquiring Upper Upscale and Luxury Hotels



2006 RevPAR



2007 FFO Multiples



(1) SHO Acquisition hotels since IPO.

(2) Reflects North American RevPAR

Note: Reflect 04-05-07 closing stock price.



Optimizing Performance - Asset Management



Hyatt Regency Century Plaza Case Study

<u>Asset Management Initiative</u>	<u>Capital Investment</u>	<u>Projected Incremental NOI</u>
Added Equinox Spa	\$4 million	\$1.6 million
Replaced workers Comp program	\$0	\$700k
Optimizing F&B Ops	\$0	\$500k
Renegotiated energy contract	\$0	\$500k
Renegotiated parking agreement	\$0	\$200k
Added Starbucks	\$300k	\$100k
Outsourced Laundry	\$0	\$100k
Total	\$4.3 million	\$3.7 million
Assumed Cap Rate		7%
Implied Value		\$52.9 million
Total Capital Investment		\$4.3 million
Value Creation		\$48.6 million



Recycling Capital - Recent Dispositions



\$226 million of dispositions since IPO

Sold Date	Asset	Location	# of Rooms	Sale Price (mm)	Price / Key
Q4 2004	Holiday Inn Flagstaff	Flagstaff, AZ	156	\$21	\$47 K
	San Marcos Resort	Chandler, AZ	295		
			451		
Q1 2005	Holiday Inn Mesa	Mesa, AZ	246	\$26	\$56 K
	Doubletree Carson	Carson, CA	224		
			470		
Q4 2005	Holiday Inn Provo	Provo, UT	78	\$4	\$47 K
Q1 2006	Holiday Inn Hollywood	Hollywood, CA	160	\$26	\$162 K
Q3 2006	Holiday Inn San Diego Stadium	San Diego, CA	175	\$144	\$56 K
	Crowne Plaza Williamsburg	Williamsburg, VA	303		
	Holiday Inn Boise	Boise, ID	265		
	Courtyard Lynnwood	Lynnwood, WA	164		
	Courtyard Santa Fe	Santa Fe, NM	213		
	Crowne Plaza Englewood	Englewood, NJ	194		
	Courtyard Fresno	Fresno, CA	116		
	Holiday Inn Price	Price, UT	151		
	Holiday Inn Select Renton	Renton, WA	226		
	Hawthorn Suites Kent	Kent, WA	152		
	Marriott Ogden	Ogden, UT	292		
	Marriott Pueblo	Pueblo, CO	164		
Holiday Inn Craig	Craig, CO	152			
			2,567		
Q4 2006	Holiday Inn Rochester	Rochester, MN	170	\$5	\$31 K
Total / Average			3,896	\$226	\$58 K

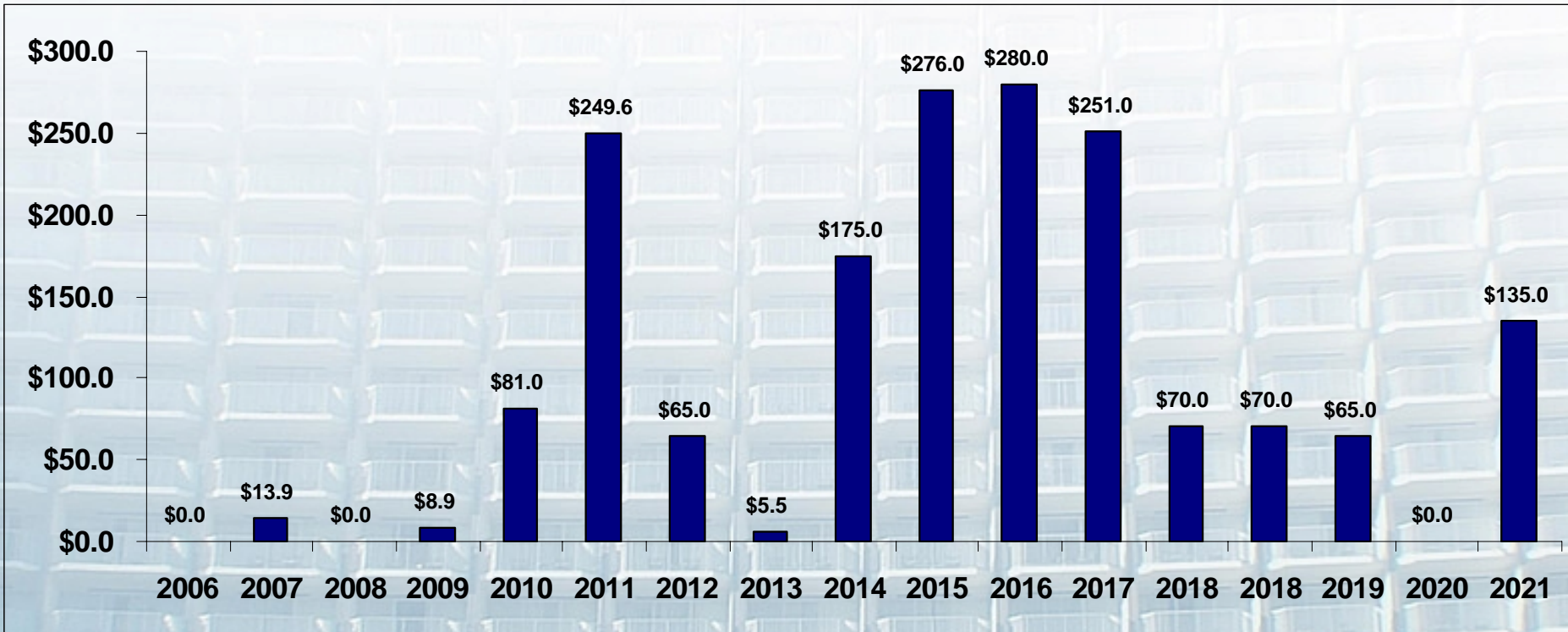


Minimizing WACC - Balance Sheet Management



Weighted Average Interest Rate: 5.77%

(Dollars in millions)



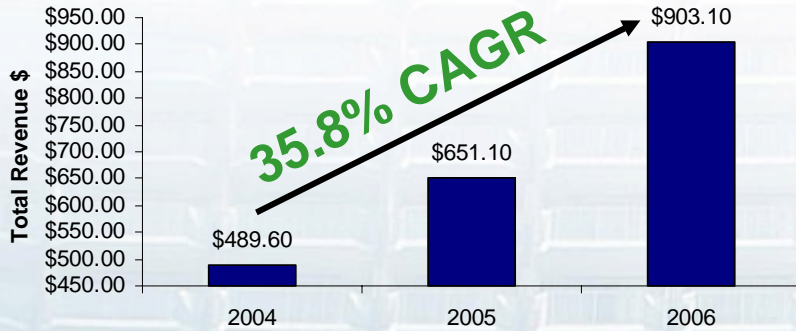
100% Fixed Rate Mortgage Debt; Average Maturity of Approximately 9 years



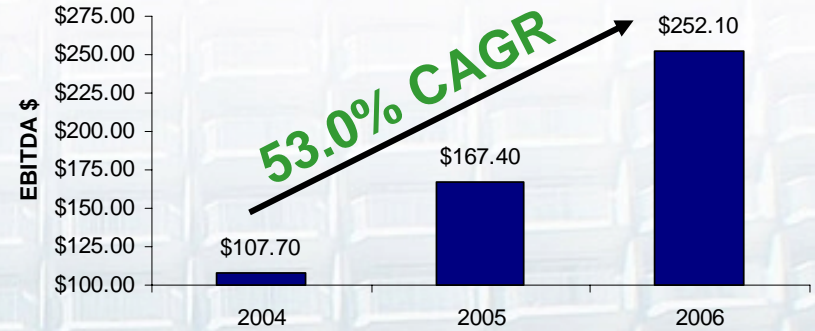
Maximizing Shareholder Value



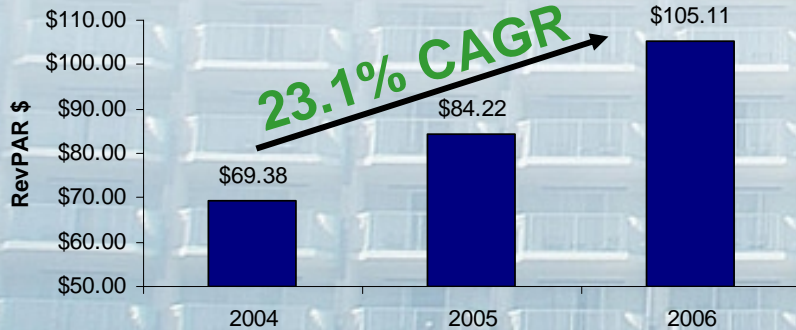
Total Revenue Growth



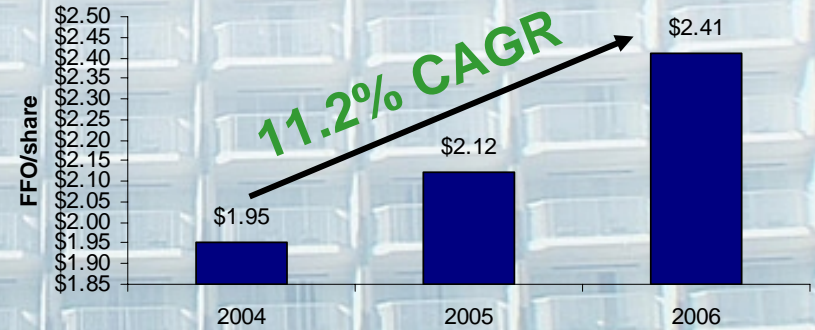
EBITDA



RevPAR Growth



FFO/share Growth



Maximizing Shareholder Value



2007 FY Guidance	Sunstone
Comparable RevPAR Growth	7.5% - 9.5%
Adjusted EBITDA	\$288.0 million - \$298.0 million
Adjusted FFO available to common stockholders	\$168.8 million - \$178.8 million
Adjusted FFO available to common stockholders per diluted share	\$2.65 - \$2.80
FFO per diluted share growth	10.0% - 16.2%
Capital Expenditures	\$120 million to \$130 million

