

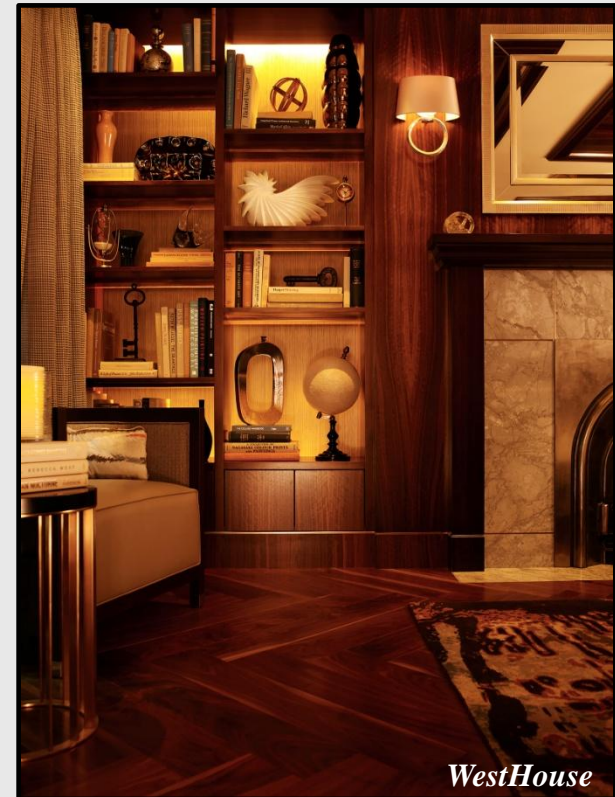


LASALLE HOTEL PROPERTIES



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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 46 hotels
- ❖ Low leverage company focused on maintaining a conservative balance sheet
- ❖ Focused on long-term shareholder value
- ❖ \$4.9B total enterprise value
- ❖ 15 year track record of outperforming the S&P 500 and DJIA

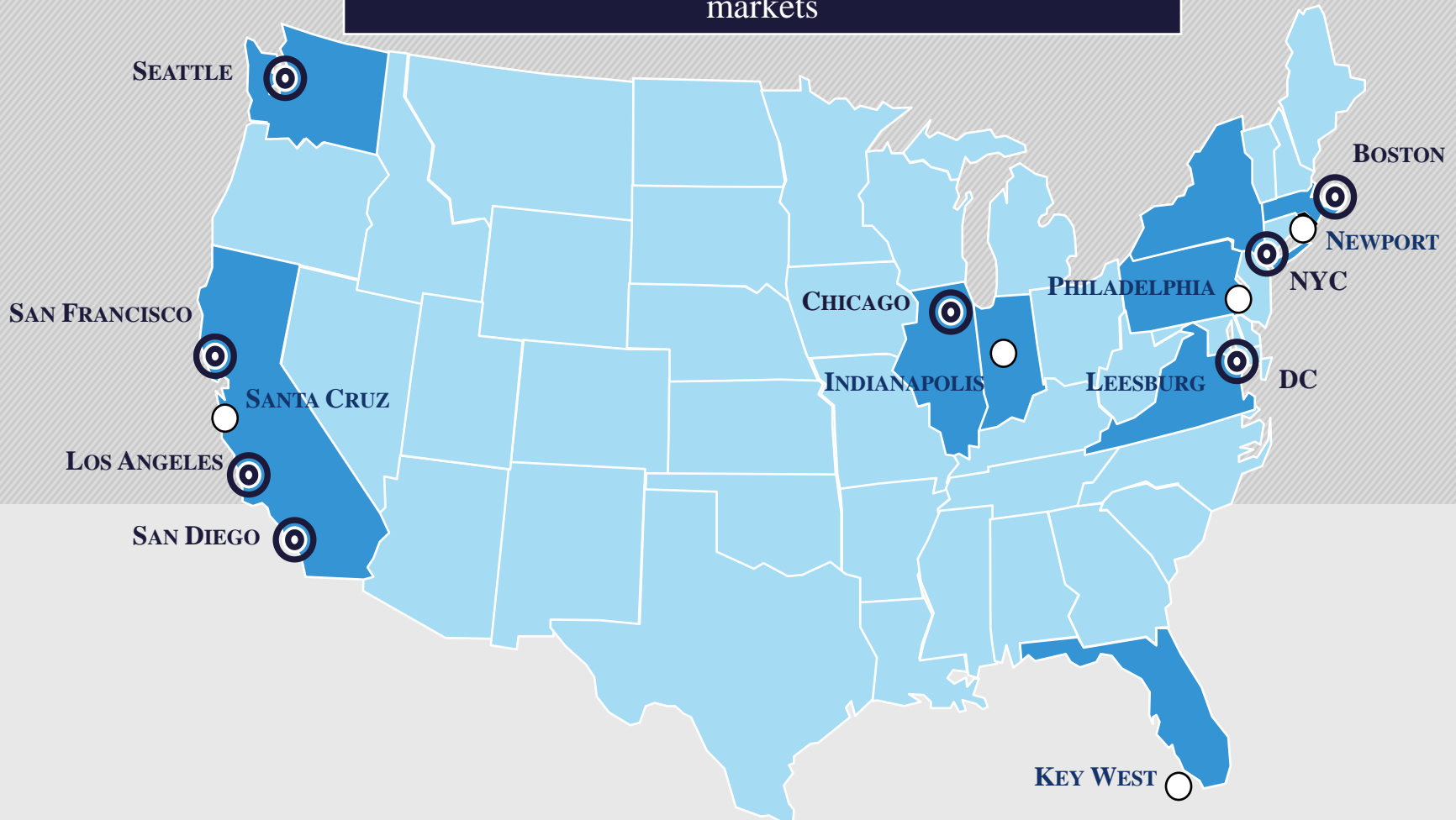
LHO Overview

- ❖ 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 46 HOTELS IN 14 MARKETS IN 10 STATES AND THE DISTRICT OF COLUMBIA

◎ 8 TARGET URBAN MARKETS

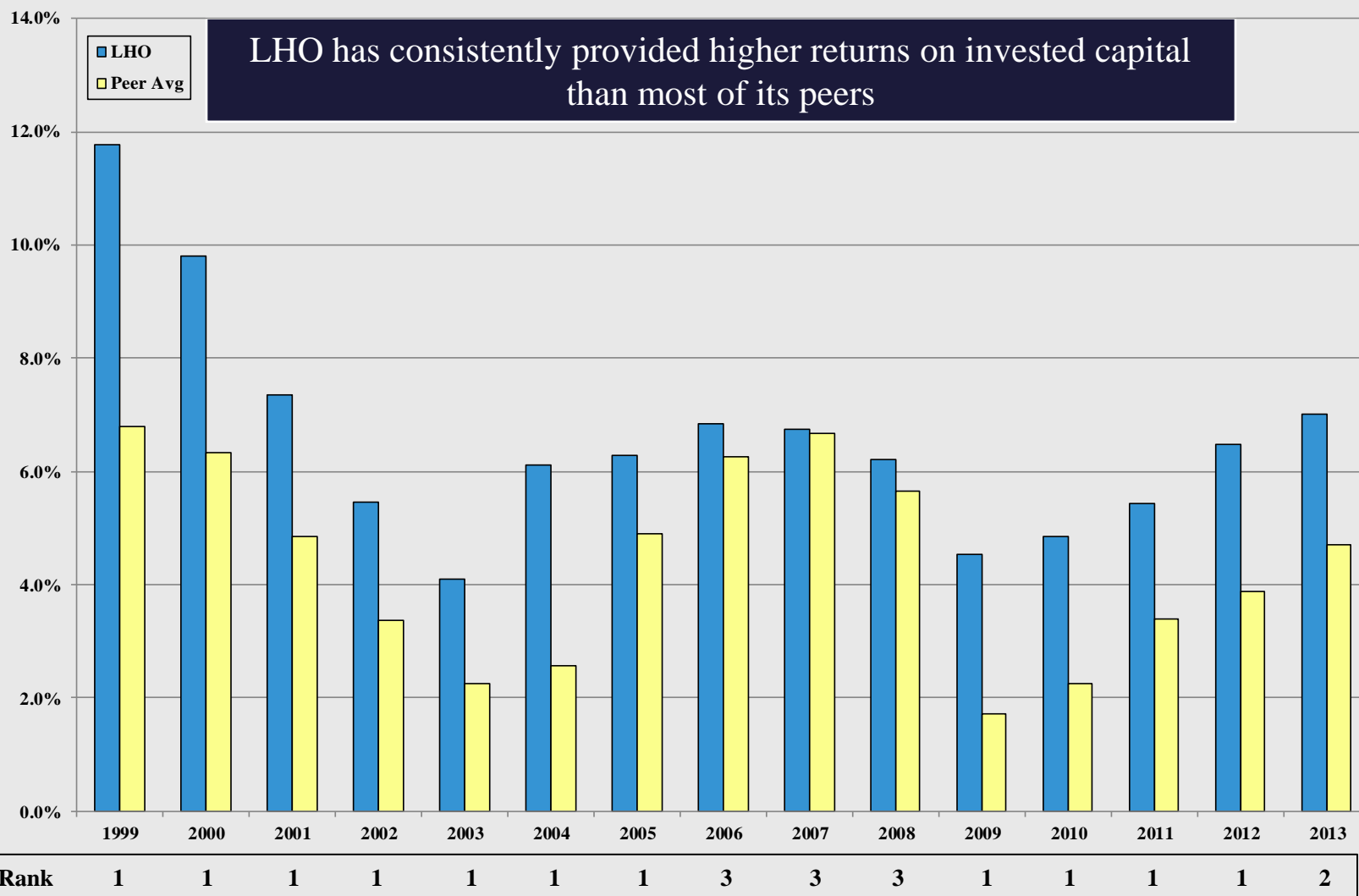
Recent Highlights



- ❖ Raised \$229MM through a sale of common shares at a price of \$30 in October 2013
- ❖ Refinanced credit facilities and term loan extending maturities to 2019 and reducing annual interest costs
- ❖ Raised quarterly dividend by 40% to \$0.28, with a current annual dividend yield of 3.4% at 3/14/14
- ❖ Reduced the current cost of debt to 3.9% and the cost of debt and preferred to 4.4%
- ❖ Issued preferred shares at 6.375%, lowest lodging REIT preferred issuance
- ❖ 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

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



Current 2014 Outlook

Current Outlook Low-end High-end

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

RevPAR growth	5.0%	8.5%
Hotel EBITDA Margins	32.5%	33.5%
Hotel EBITDA Margin Change	0 Bps	100 Bps
Adjusted EBITDA	\$ 320	\$ 340
Adjusted FFO	\$ 238	\$ 259
Adjusted FFO per diluted share/unit	\$ 2.28	\$ 2.48



Projected Year over Year Anomalies

Casa/Shutters – \$6.3MM less EBITDA in 2014
 Income Taxes – Expected increase of
 approximately \$9MM in 2014
 to a normalized run rate

Note: For comparison purposes, the RevPAR outlook for the portfolio excluding Park Central is 3.0 to 6.0 percent.

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> ⁽¹⁾	<u>Adjusted</u>	<u>2013</u>	<u>Opportunity</u>	
<u>Room Stats</u>					
Occupancy	81%	81%	79%	2%	3%
ADR \$	\$223	\$239	\$212	\$28	13%
REVPAR	\$182	\$195	\$168	\$27	16%
<hr/> <hr/>					
Corporate AEBITDA	\$384 MM	\$412 MM	\$300 MM	\$112 MM	37%
<hr/> <hr/>					
EBITDA Margins	35.9%	35.9%	32.2%	369Bps	

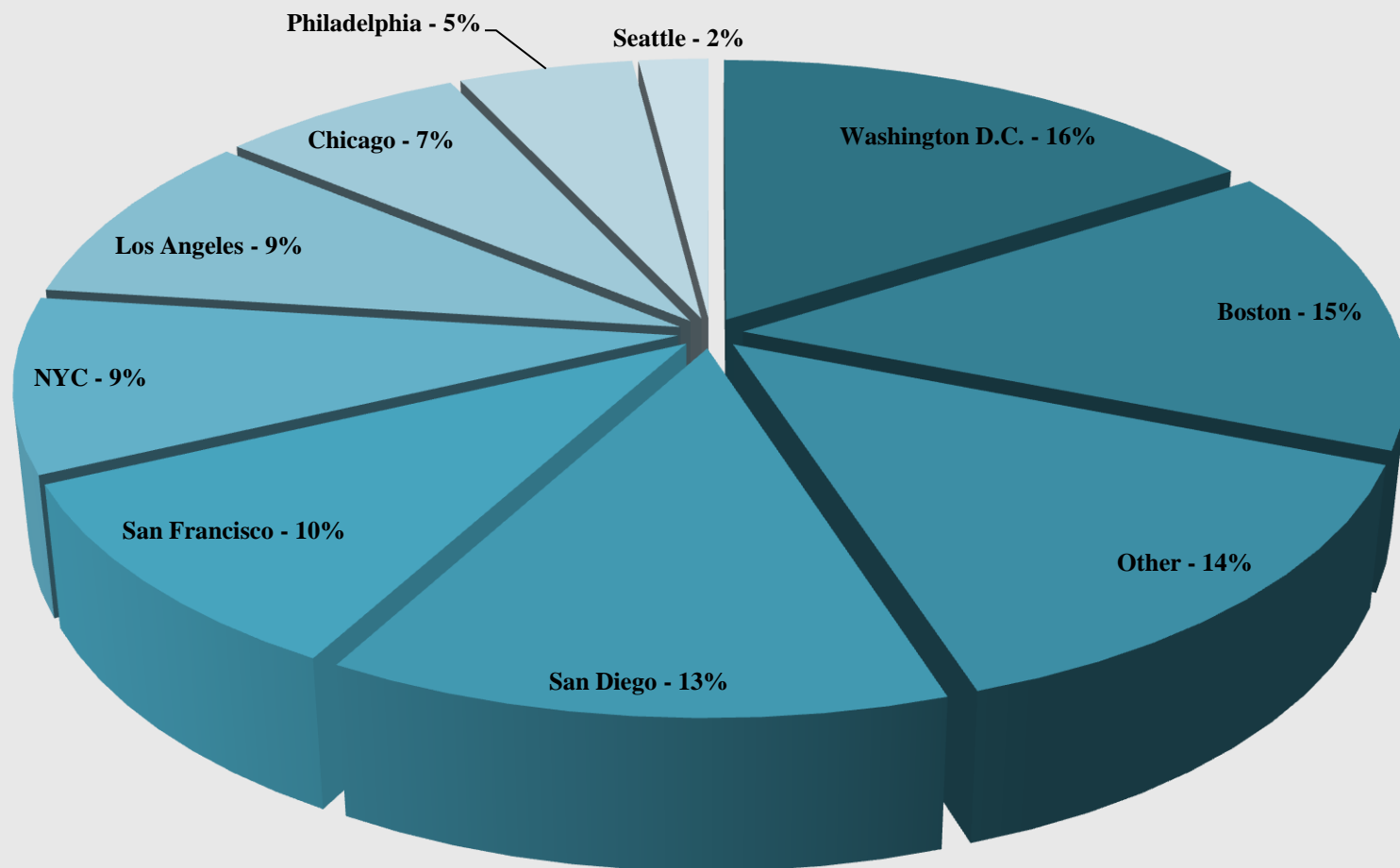
(1) Corporate Peak AEBITDA consists of each property's peak year adjusted for inflation.

Risk Minimization



Viceroy Santa Monica

Major Market Diversification

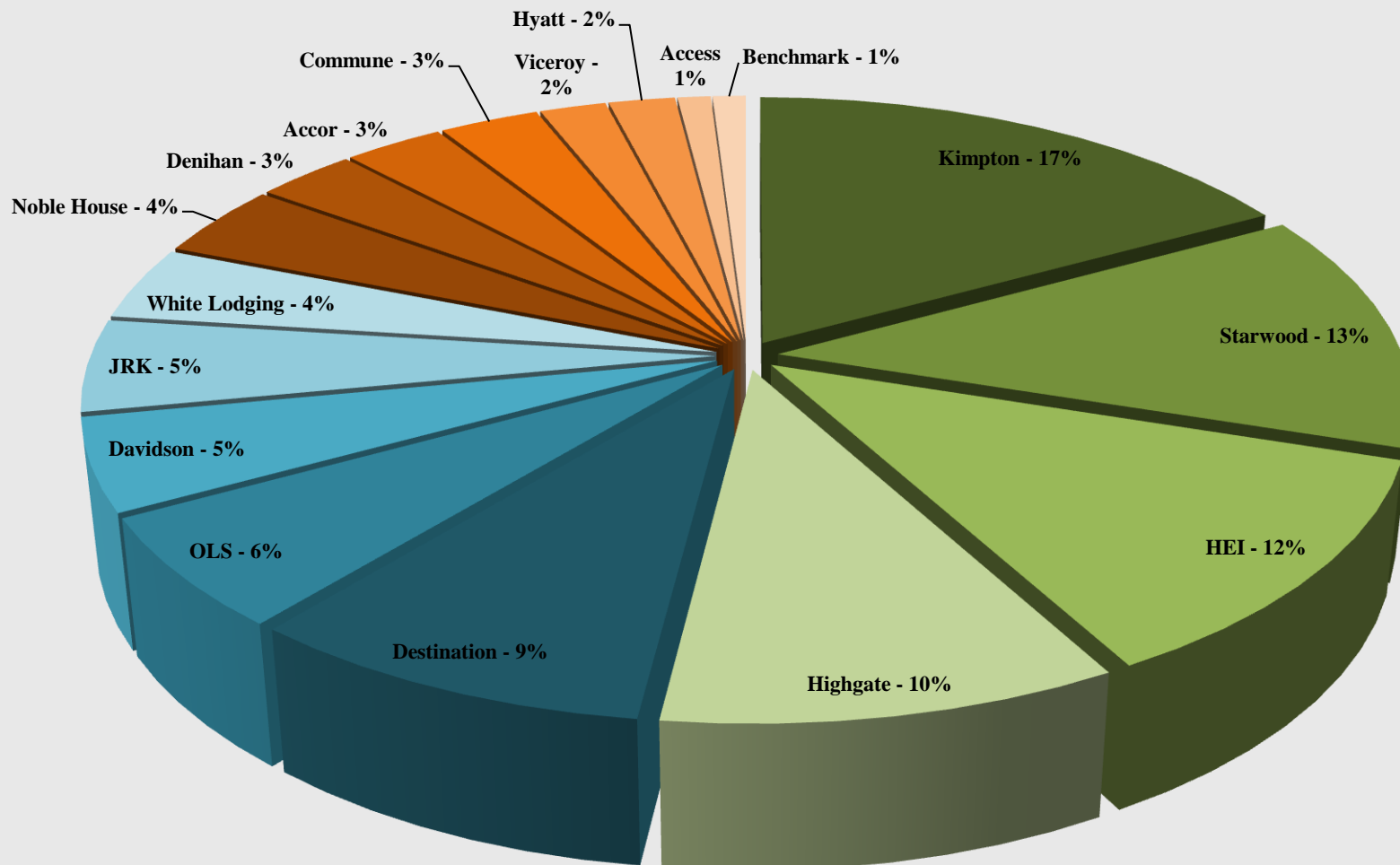


Property EBITDA
Trailing twelve months ended December 31, 2013

Note: Charts on pages 14, 15, 18, 19 and 45 represent the portfolio as of April 8, 2014. L'Auberge, Liberty, Triton, Harbor Court, Serrano, Southernmost, and Vitale EBITDA during prior ownership included for the trailing twelve months ended December 31, 2013.

Operator Diversification

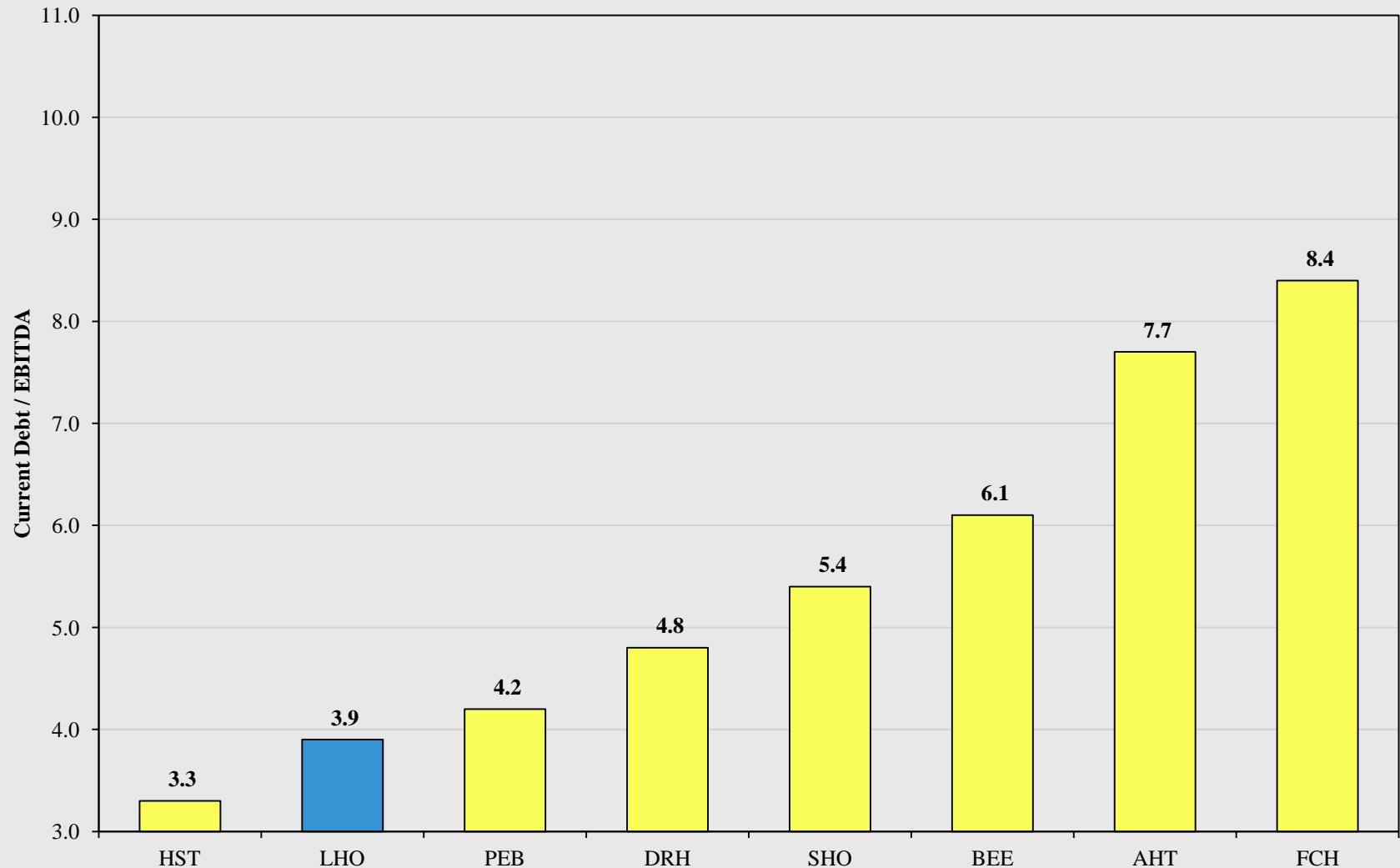
- Utilizing multiple unaffiliated operators provides best practices and access to acquisition opportunities
- No Single Operator is greater than 17% of our portfolio



Property EBITDA

Trailing twelve months ended December 31, 2013

Consistently Amongst Lowest Leverage in Peer Group



Note: Leverage ratio defined as debt / LTM EBITDA. HST, DRH, BEE, SHO, FCH and AHT reflect reported Q4'13 net debt and EBITDA. PEB reflect Q4'13 company reported numbers. LHO reflects Q4'13 bank covenant debt to EBITDA.

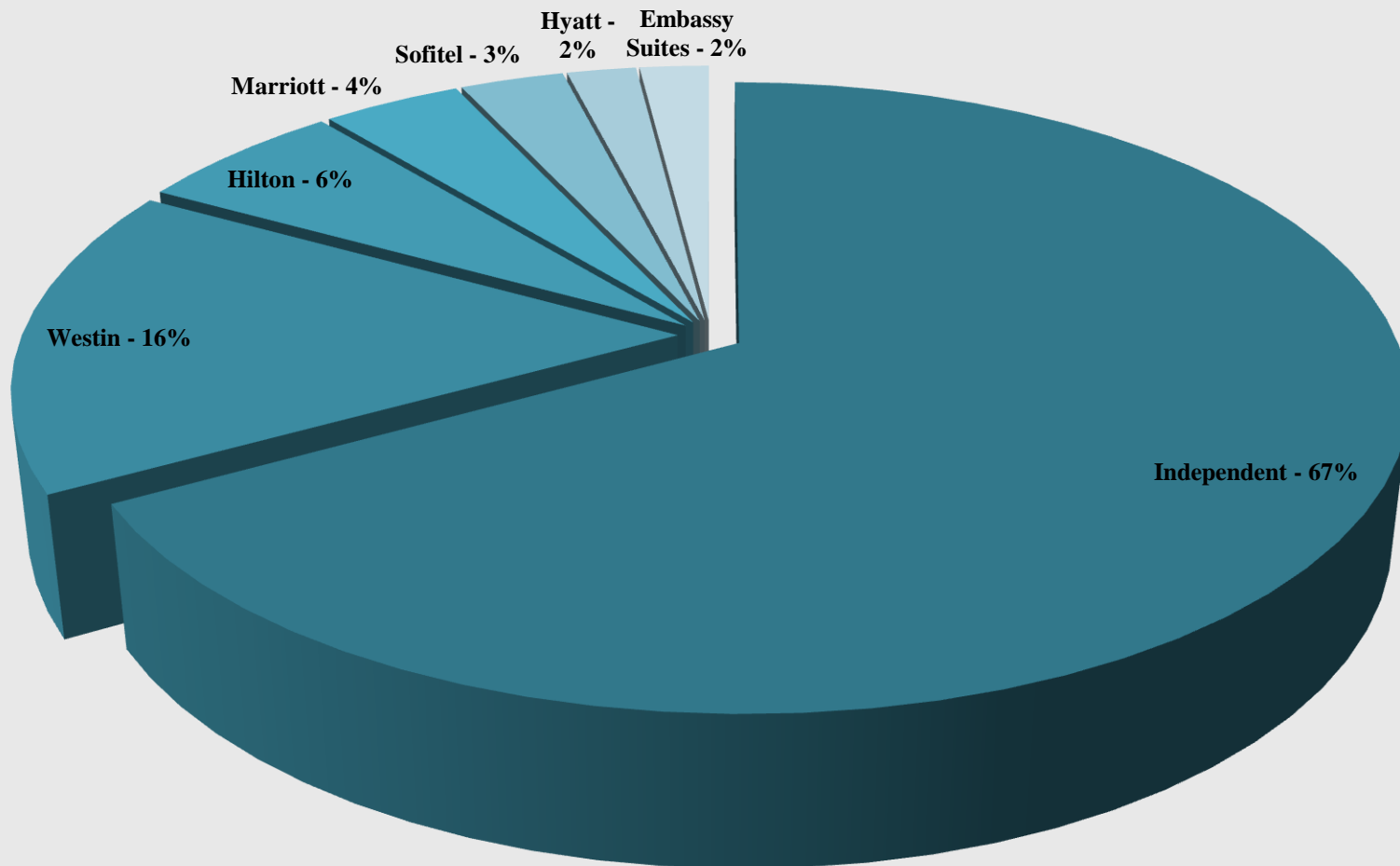
Points of Differentiation



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

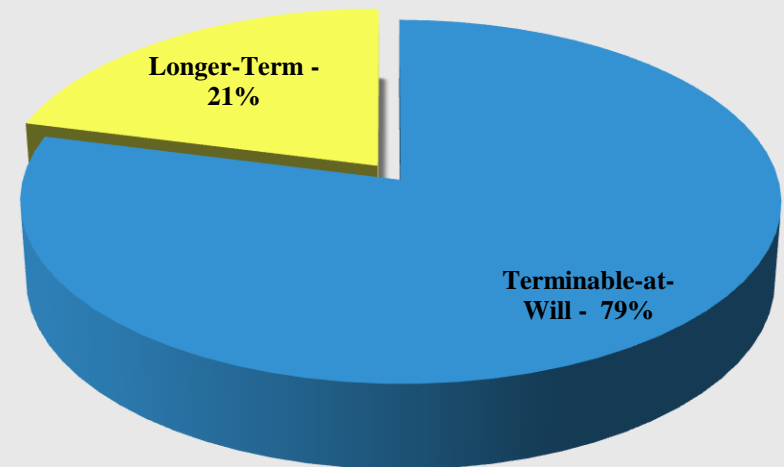


Property EBITDA
Trailing twelve months ended December 31, 2013

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

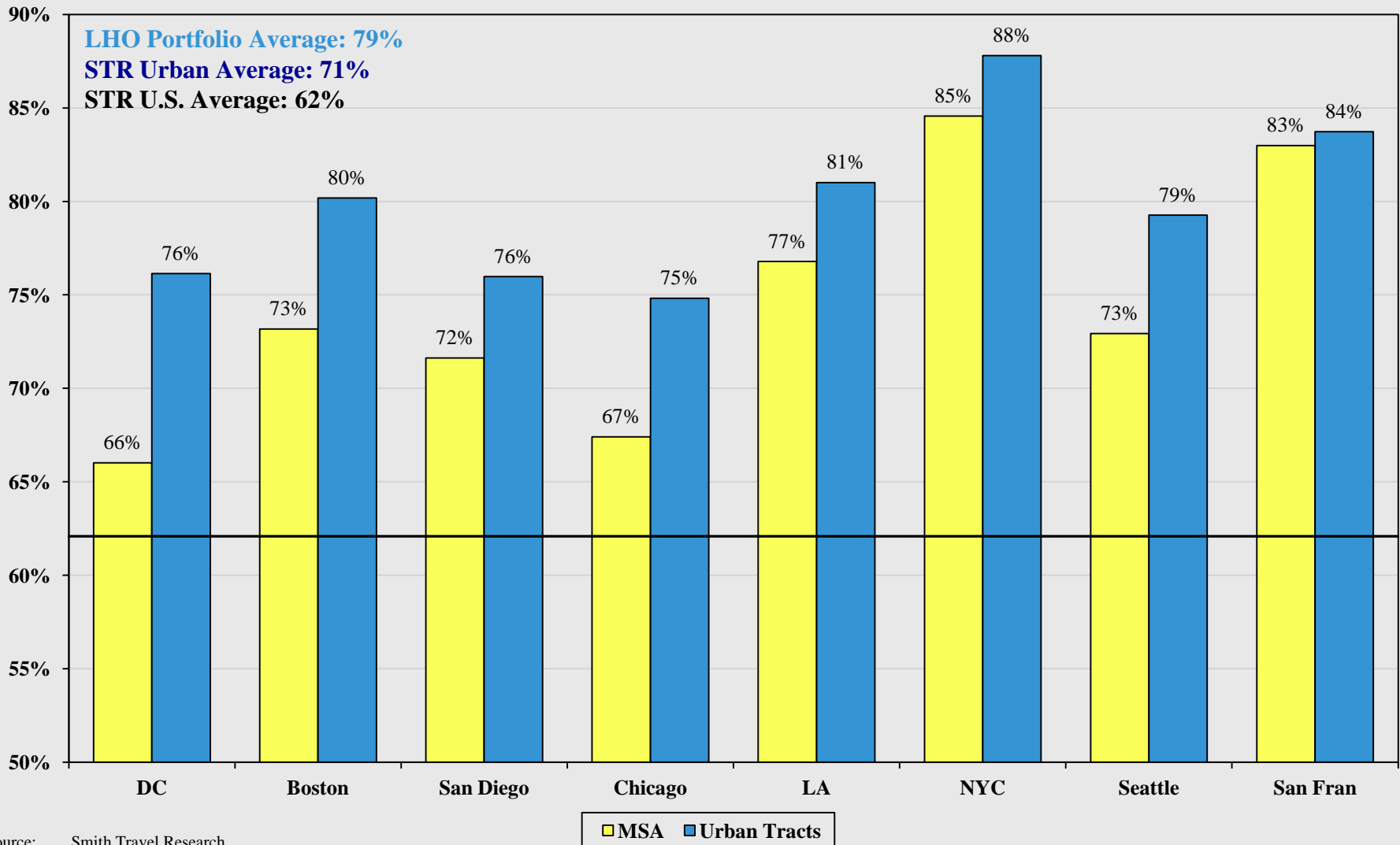
Terminable-at-Will vs. Longer-Term Management Agreements



Property EBITDA
Trailing twelve months ended December 31, 2013

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

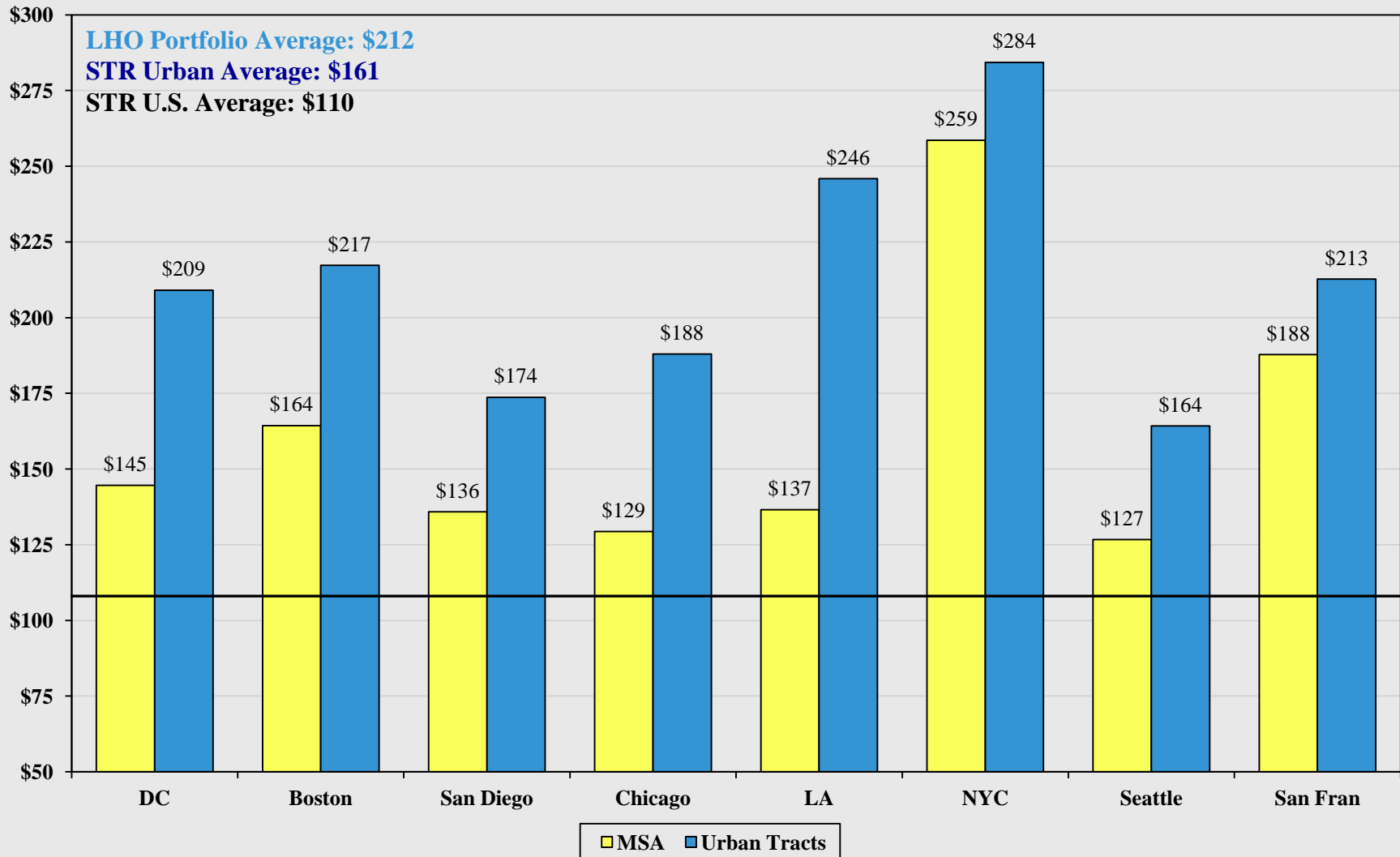


Source: Smith Travel Research.

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

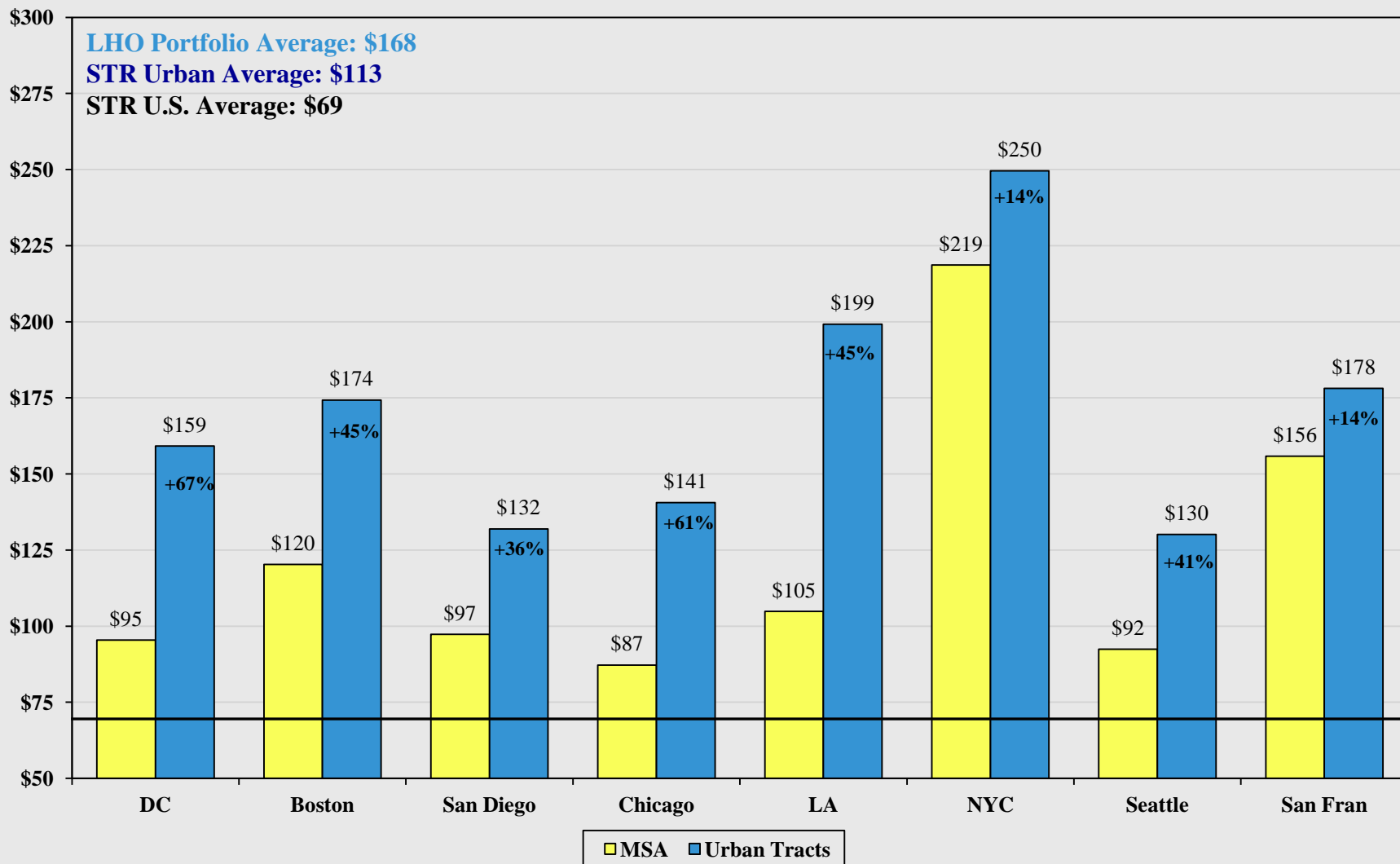


Source: Smith Travel Research.

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.

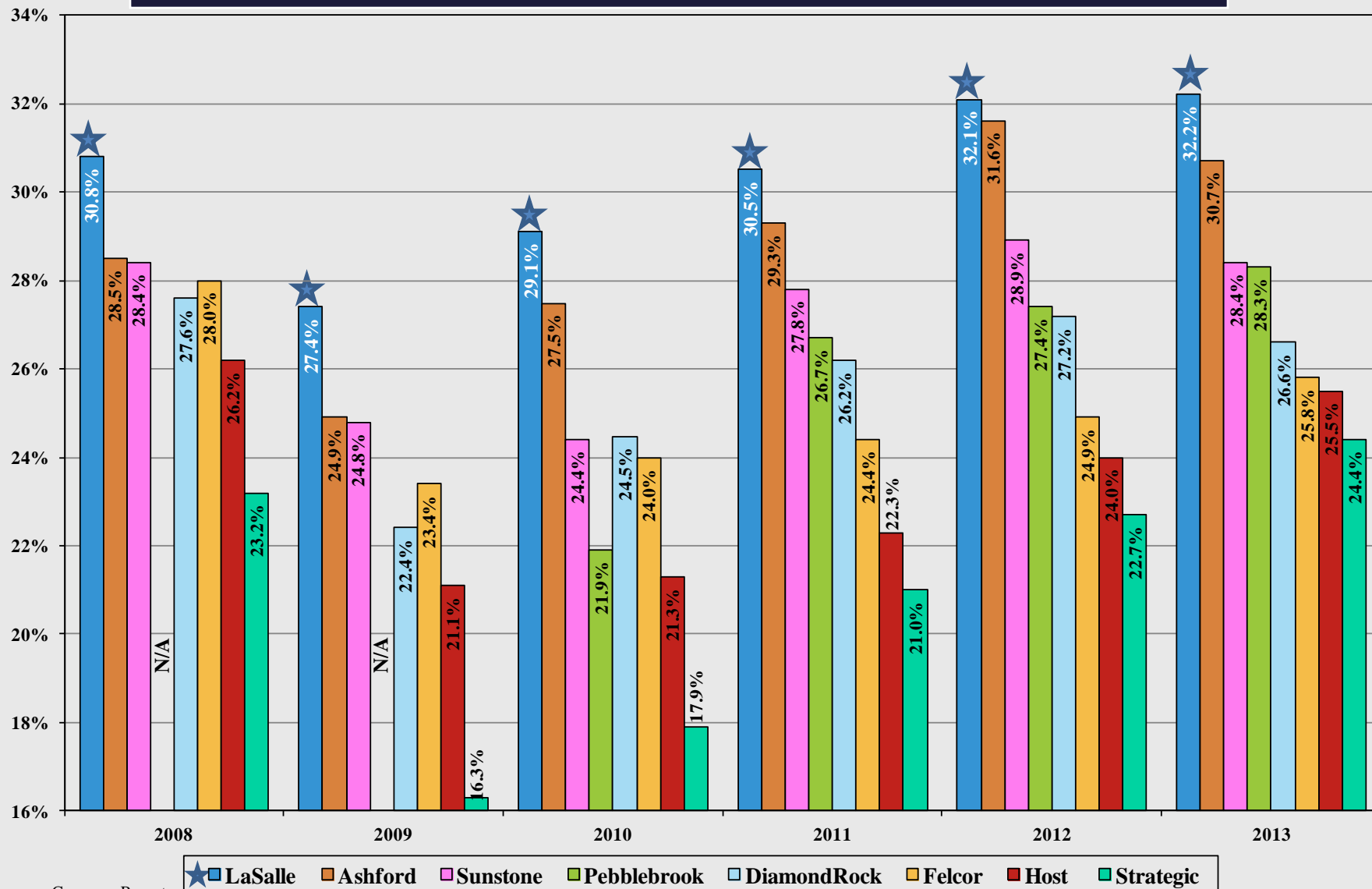
Historical Performance



Hotel Viking

Best-in-Class EBITDA Margins

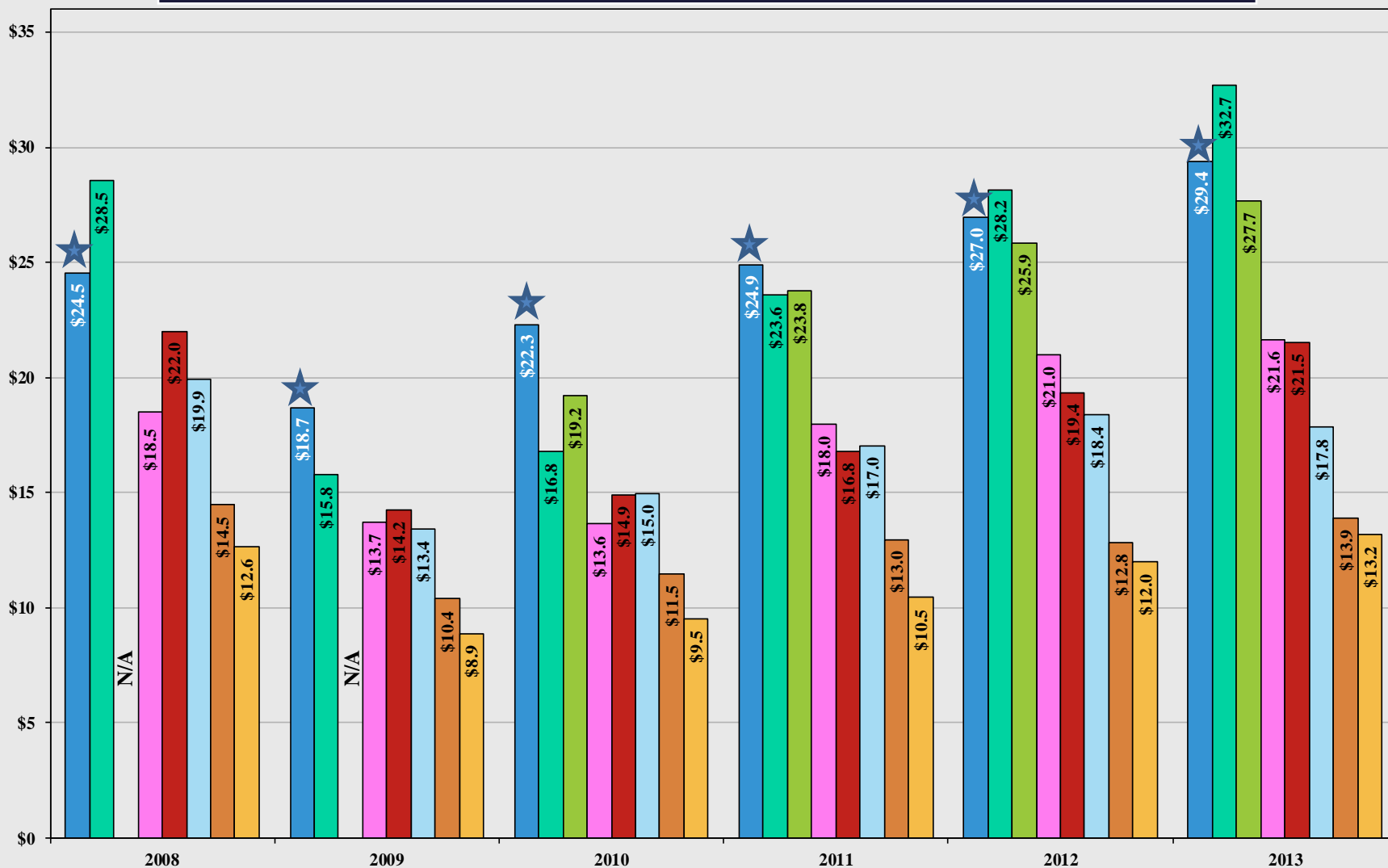
Consistently highest EBITDA margins for the past eight consecutive years



Source: Company Reports.

Hotel EBITDA per Room Comparison

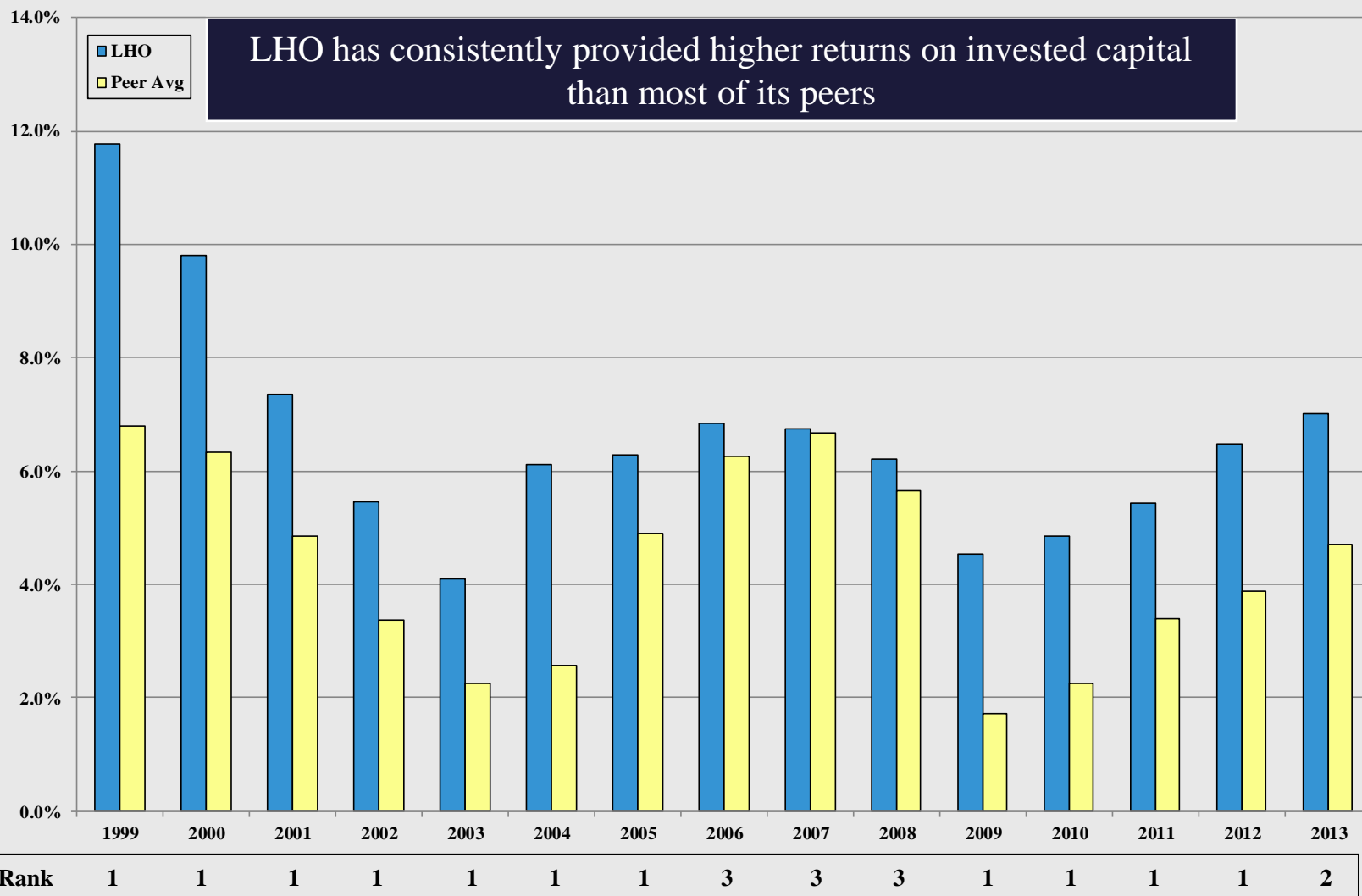
LHO's EBITDA per room has consistently ranked 1 or 2 in the peer set



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

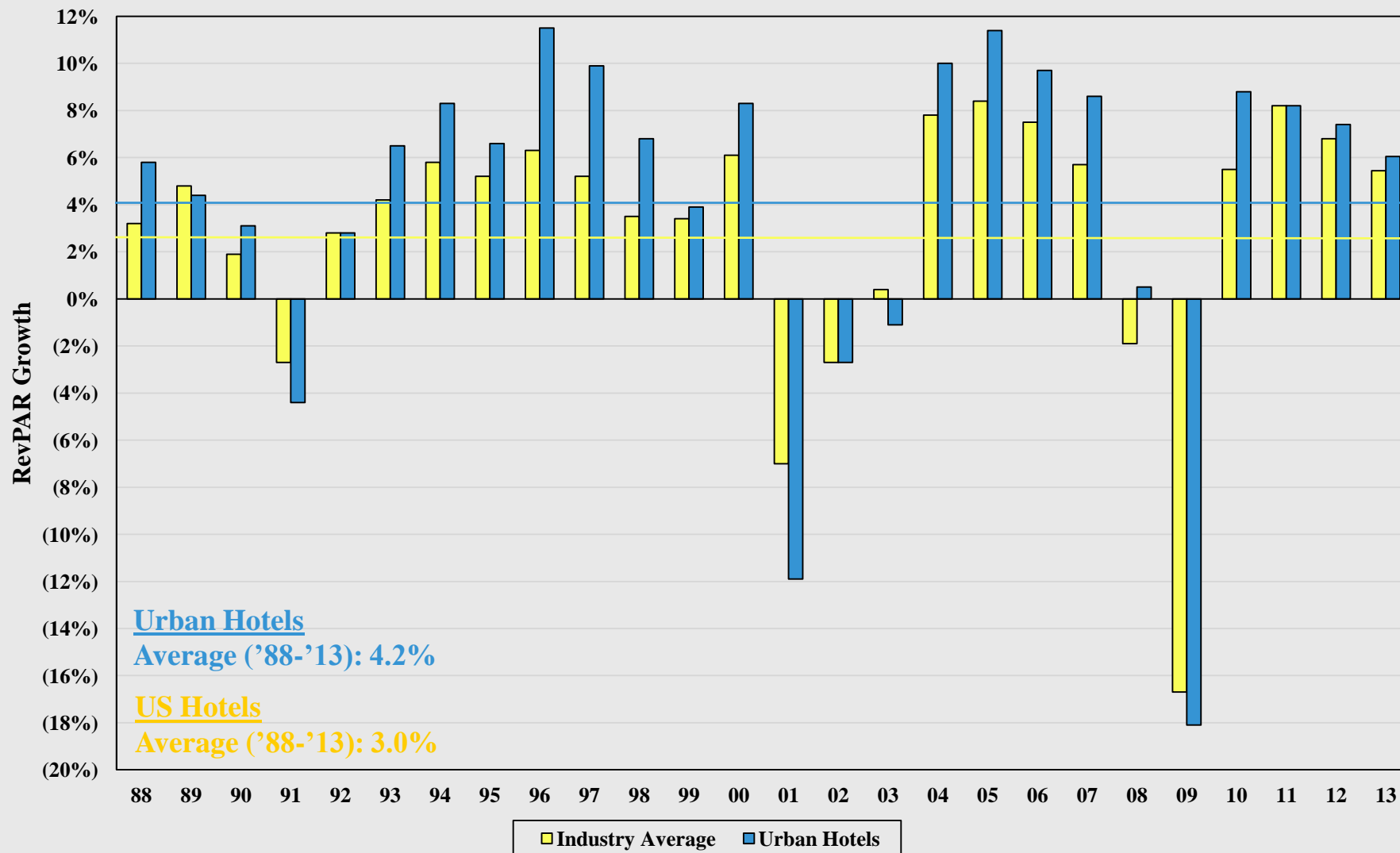
External Investment Strategy

- ❖ 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 ⁽²⁾	July 2012	6.1% ⁽²⁾
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%
Total⁽¹⁾		<u>\$1,888 MM</u>	<u>4,324</u>	<u>\$437 K</u>	<u>Weighted</u>	<u>6.0%</u>

(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

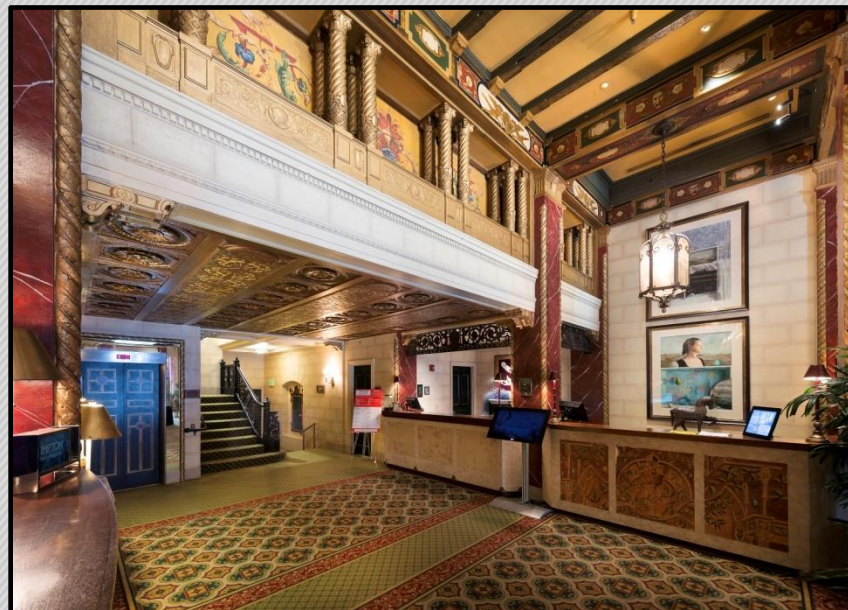
	RevPAR		Supply	
	US Industry	Key West	US Industry	Key West
1987 - 2013	2.8%	4.9%	1.9%	0.6%
2000 - 2013	1.9%	5.7%	1.2%	-0.6%
2002 - 2009	1.4%	4.2%	1.2%	-0.8%
2009 - 2013	6.4%	11.8%	0.8%	-1.3%

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**

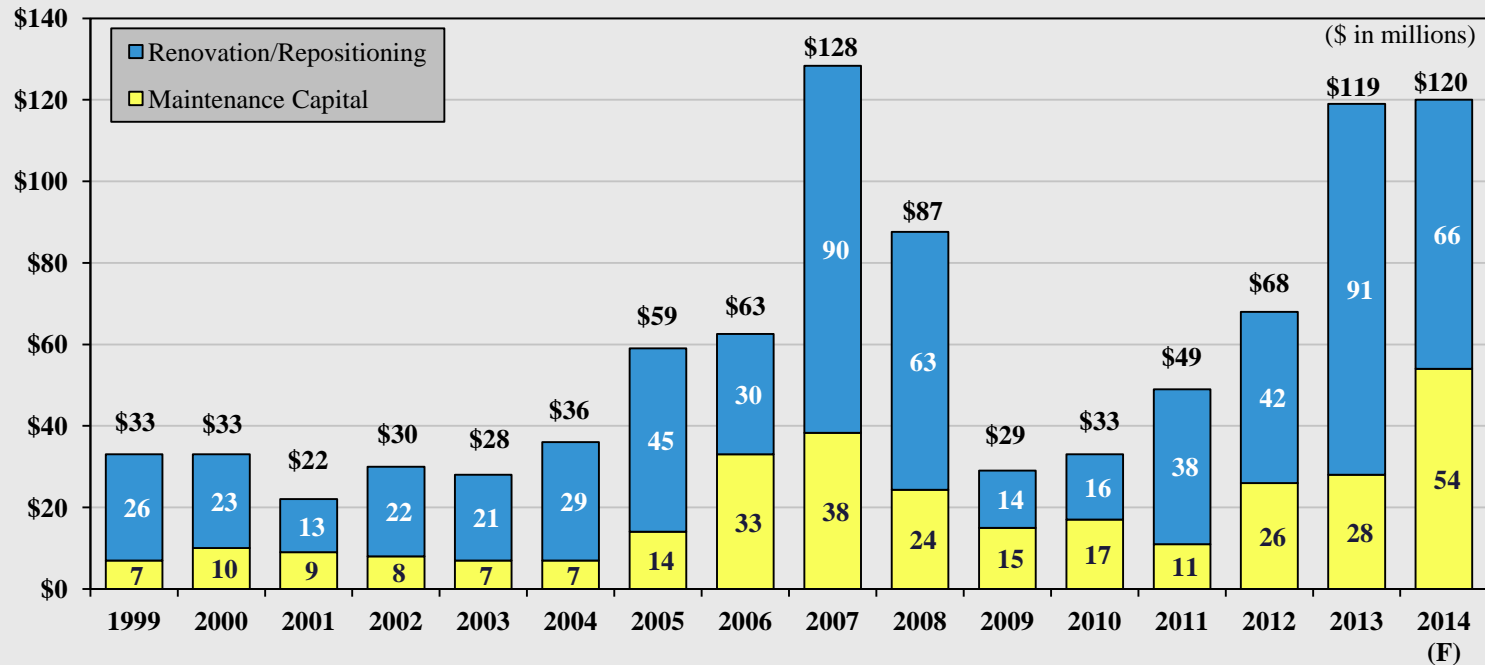


Capital Investments



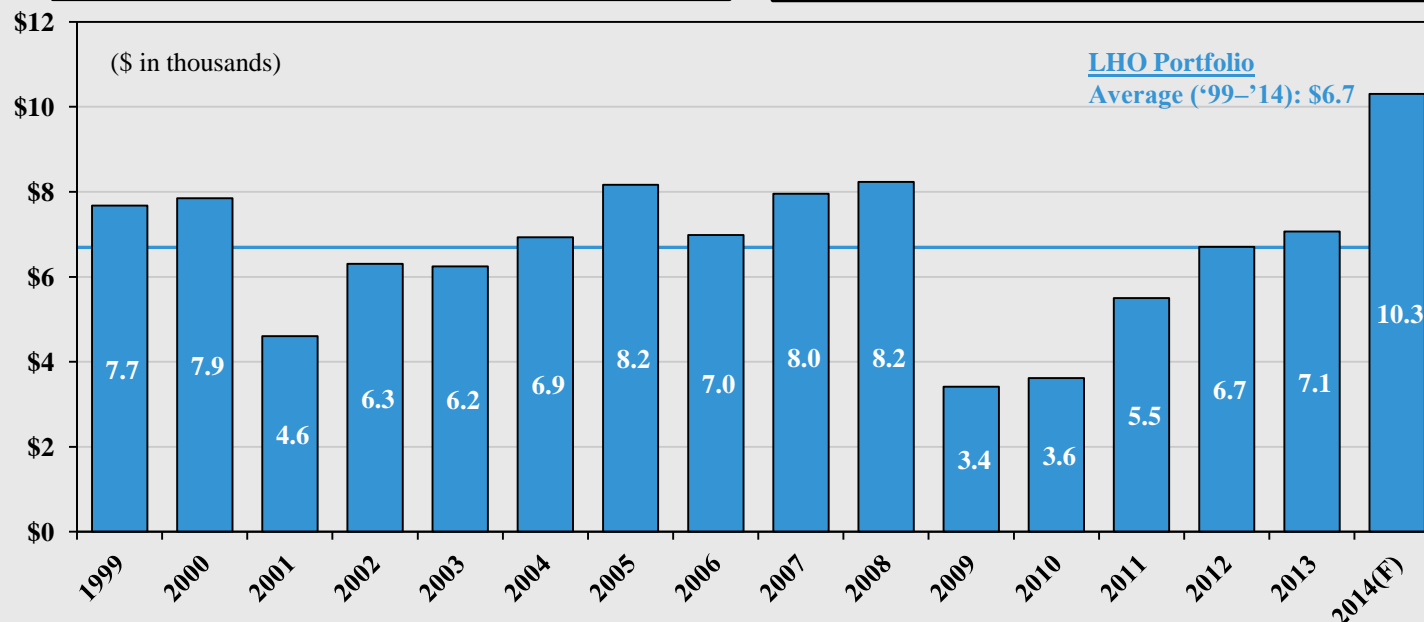
Westin Michigan Avenue

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>
Amarano Burbank	Addition of 33 Guestrooms, Public Space Expansion	April 2012
Le Parc	Guestrooms	April 2012
The Roger	Guestrooms, Public Space	June 2012
Le Montrose	Guestrooms	July 2012
Hotel Deca	Guestrooms	February 2013
Hotel Monaco	Guestrooms	February 2013
Hotel Madera	Guestrooms	March 2013
Viceroy	Guestrooms	December 2013
Park Central	Comprehensive Guestroom and Public Space	December 2013



<u>Hotel</u>	<u>Current Renovations</u>	<u>Estimated Completion Date</u>
Hotel George	Guestrooms, Public Space	Q1 2014
Donovan House	Guestrooms	Q1 2014
Onyx	Guestrooms, Public Space	Q1 2014
Hilton Old Town	Guestrooms	Q1 2014
Westin Philadelphia	Public Space	Q1 2014
Grafton	Public Space	Q1 2014

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 3.9%
- ❖ Reduced the current cost of debt and preferred from 6.0% in 2011 to 4.4%

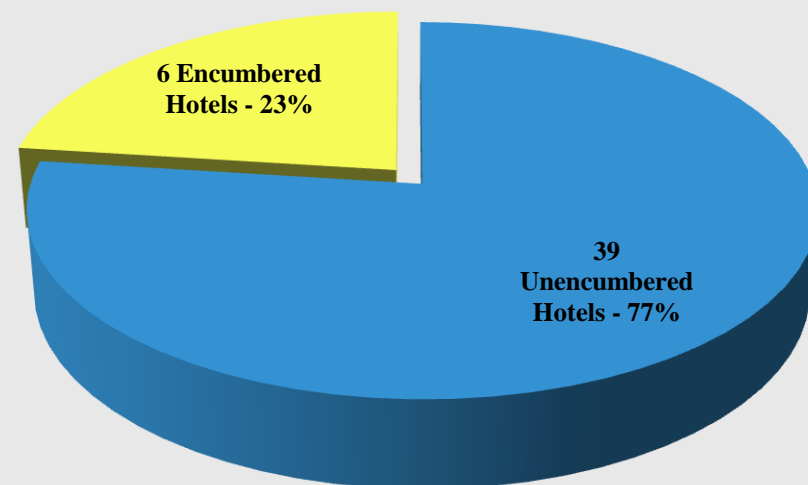
Balance Sheet

	Forecast	
	<u>Amount</u>	<u>%</u>
Variable Rate Debt ⁽¹⁾	\$263	5%
Fixed Rate Debt ⁽²⁾	<u>\$992</u>	<u>20%</u>
Total Debt	\$1,255	25%
Preferred Equity	\$237	5%
Common Equity ⁽³⁾	<u>\$3,412</u>	<u>70%</u>
Total Enterprise Value	<u>\$4,905</u>	<u>100%</u>

Leverage Ratio

3.9x

Property Level Debt



Property EBITDA

Trailing twelve months ended December 31, 2013

Notes:

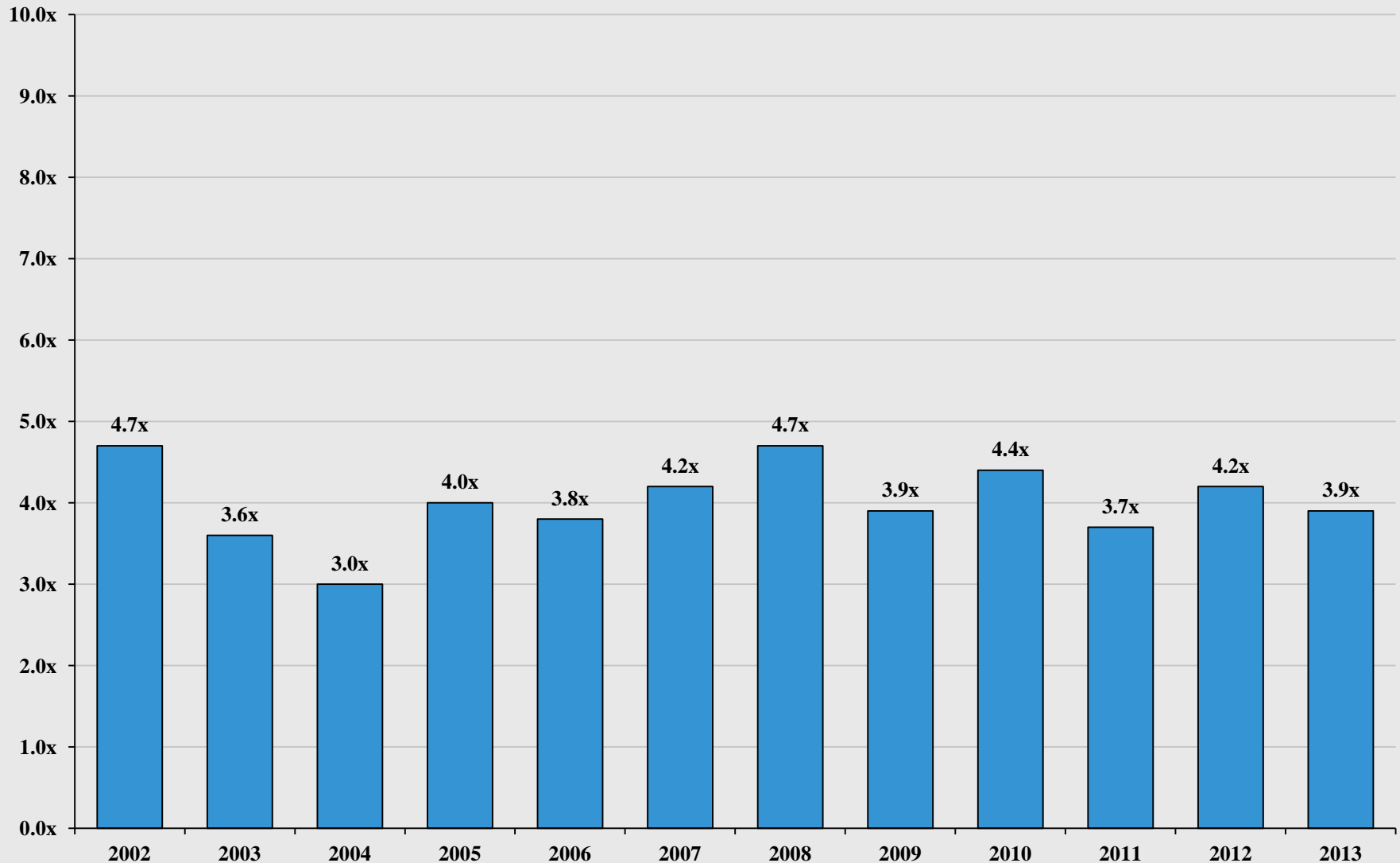
(1) Proforma Weighted average interest rate for variable rate debt is 1.93% as of December 31, 2013 with Credit Facility Refinance.

(2) Proforma Weighted average interest rate for fixed rate debt is 4.31% as of December 31, 2013 with Five-Year Term Loan Refinance.

(3) Based on market value of 104.3MM shares and units at \$32.73 on March 14, 2014.

Consistent Low Leverage over the Past Decade

Covenant Total Debt / EBITDA

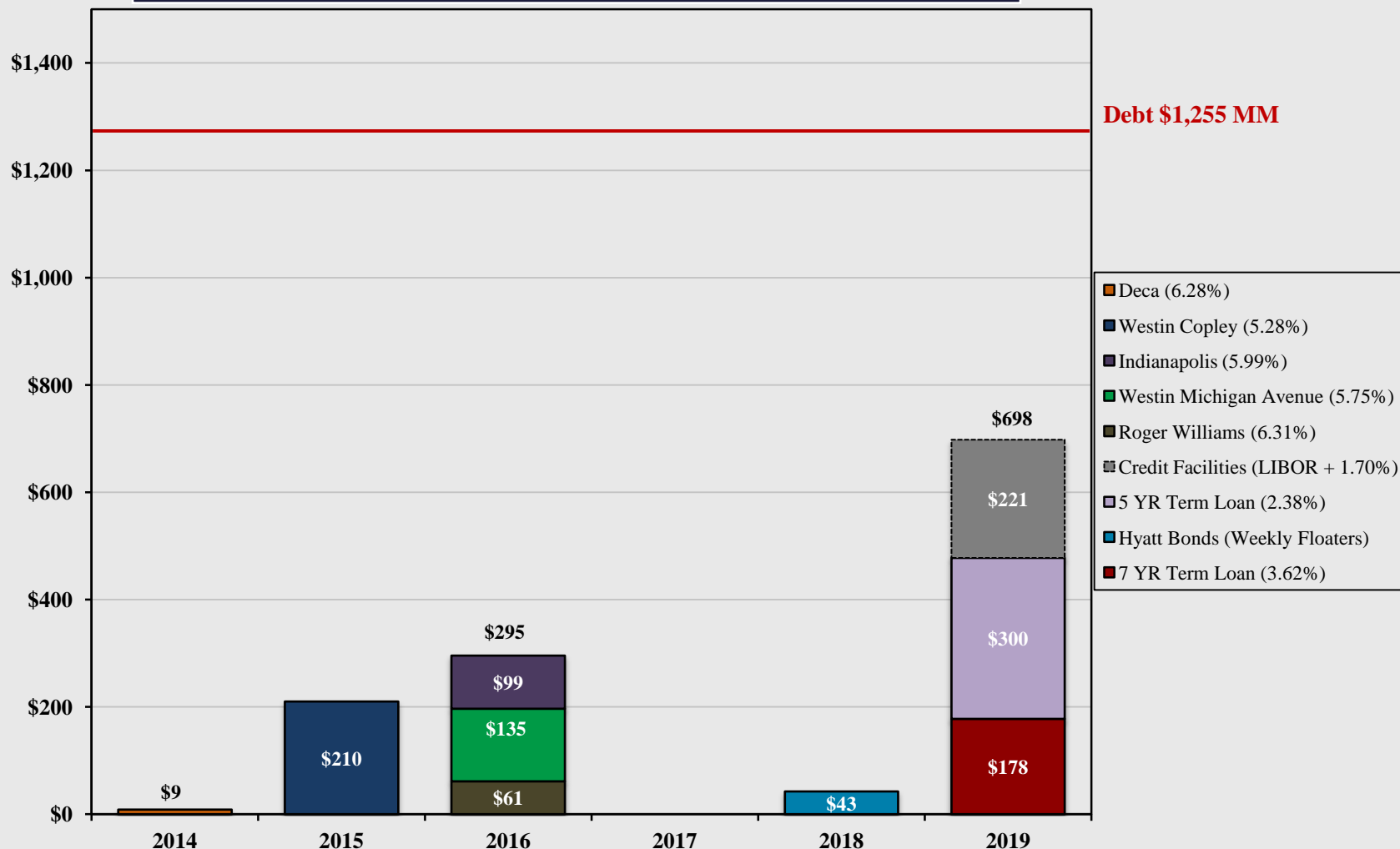


Note: Ratios per the historical Credit Facility covenants.

Debt Maturities

(\$ in millions)

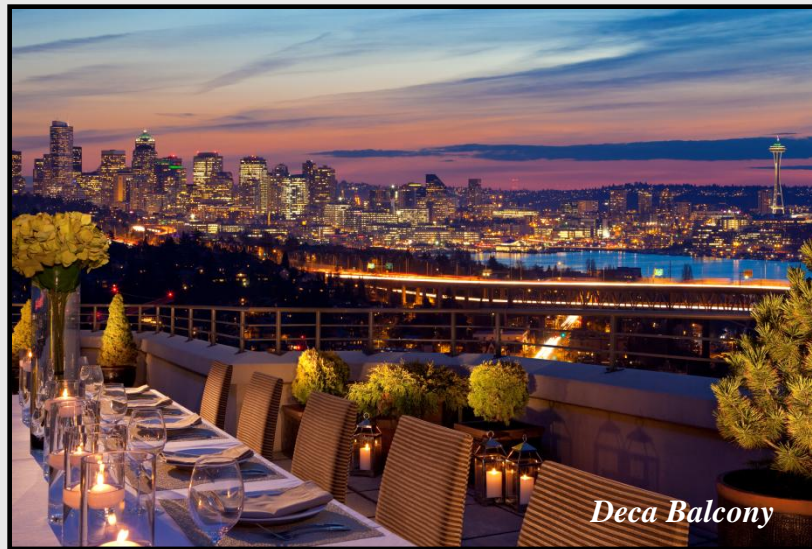
LHO has less than \$9MM of debt maturity in 2014



Notes:

(1) Unsecured Credit Facilities mature in 2019 and reflect balance of \$221MM as of December 31, 2013 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

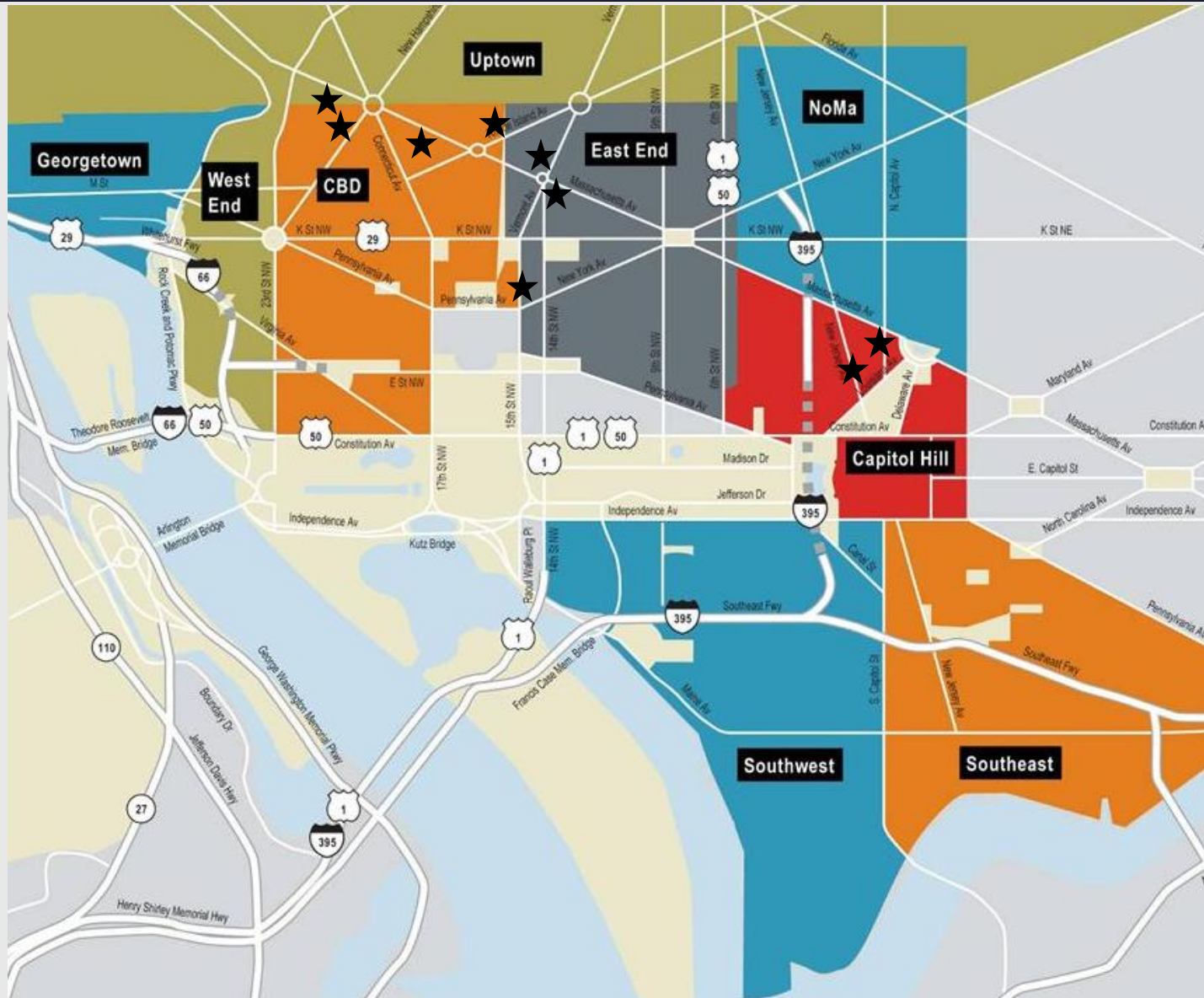
CBD: 118 properties with 27,319 rooms

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
Market: DC-MD-VA	-8.5%	2.5%	1.5%	-0.5%	-1.7%
Tract: DC (CBD)	-5.8%	3.4%	3.7%	-1.7%	4.6%
Delta: CBD vs. MSA	+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

RevPAR		
2009	2013	CAGR
\$94	\$95	0.4%
\$145	\$159	2.4%
\$143	\$172	4.8%

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 over the last 19 months

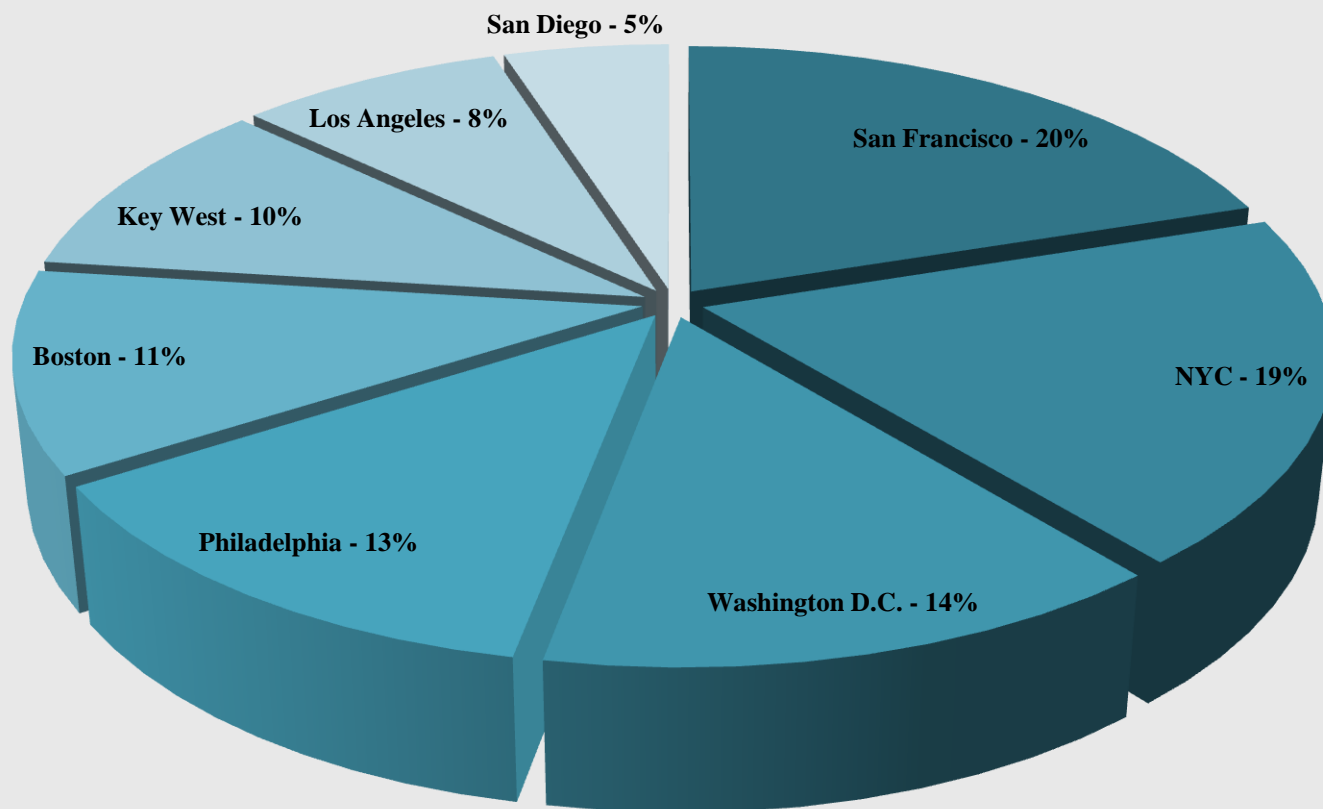
Shutters on the Beach



Casa Del Mar



2010 – 2013 Acquisitions

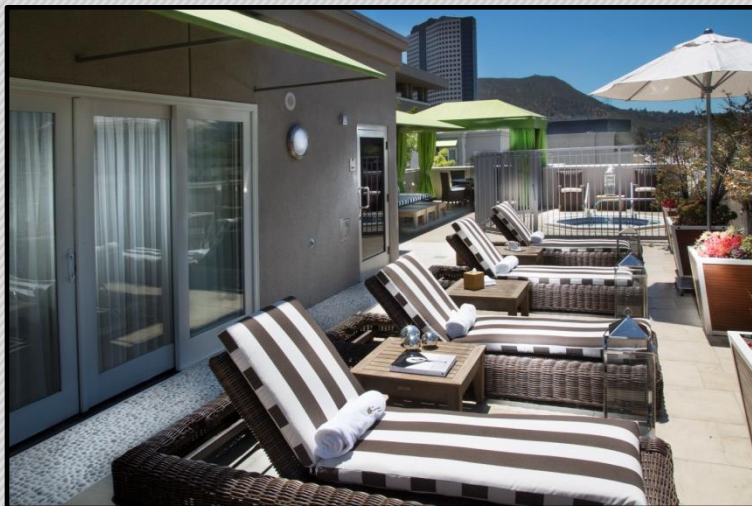


Property EBITDA
Trailing twelve months ended December
31, 2013

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
NOI Improvement	\$1.7 MM
Expansion Cost	\$8.4 MM
ROI	21%

Expansion Cost per room	\$262 K
--------------------------------	----------------



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 ⁽¹⁾	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

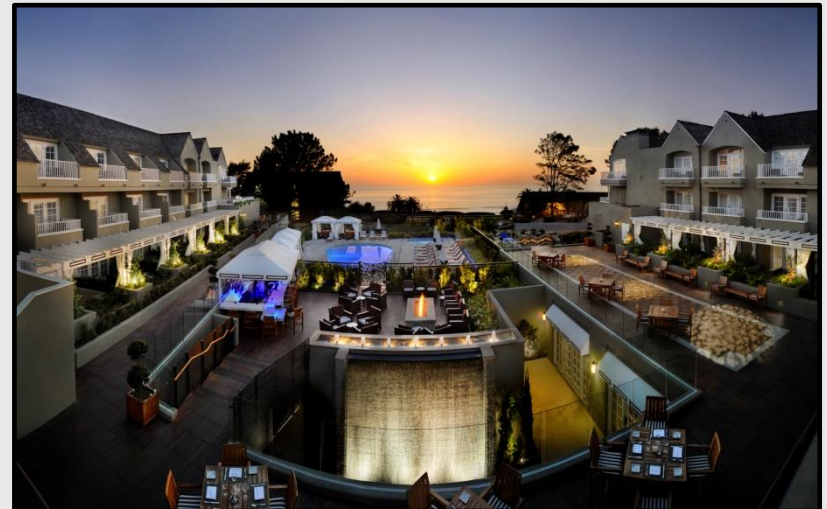


L'Auberge del Mar: Sunset Terrace



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

2013	<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 ⁽¹⁾	3.6%	8.8%		10.4%	

Opportunities

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

2014			
	<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



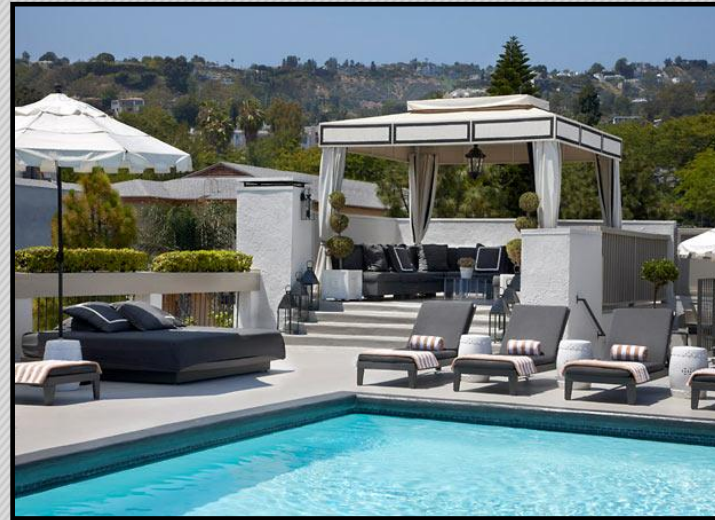
Hotel Monaco: Renovated Bathroom



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>TTM 11/30/2010</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

2013		<i>Hypothetical</i>	
	<i>Cap Rate</i>	<i>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

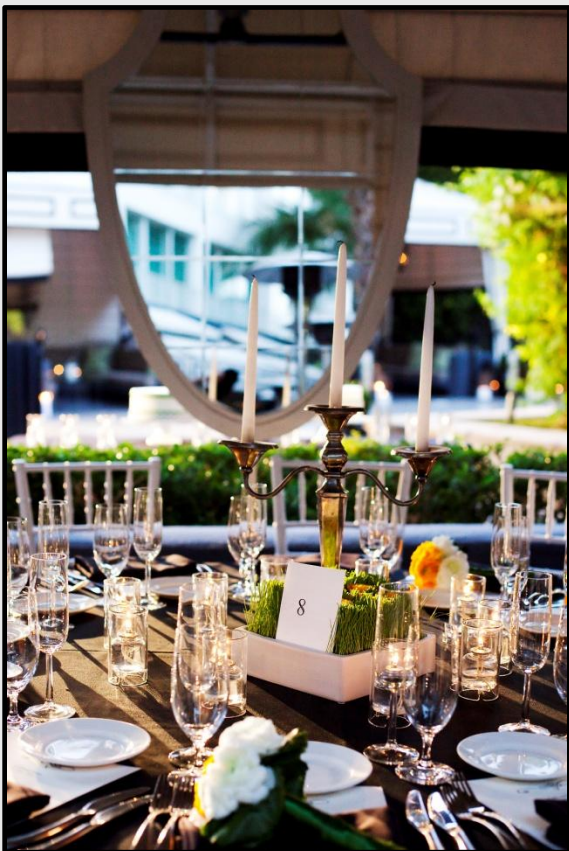


Acquisition Overview: Viceroy Santa Monica

- ❖ 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

2013	<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>TTM 9/30/2011</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%	

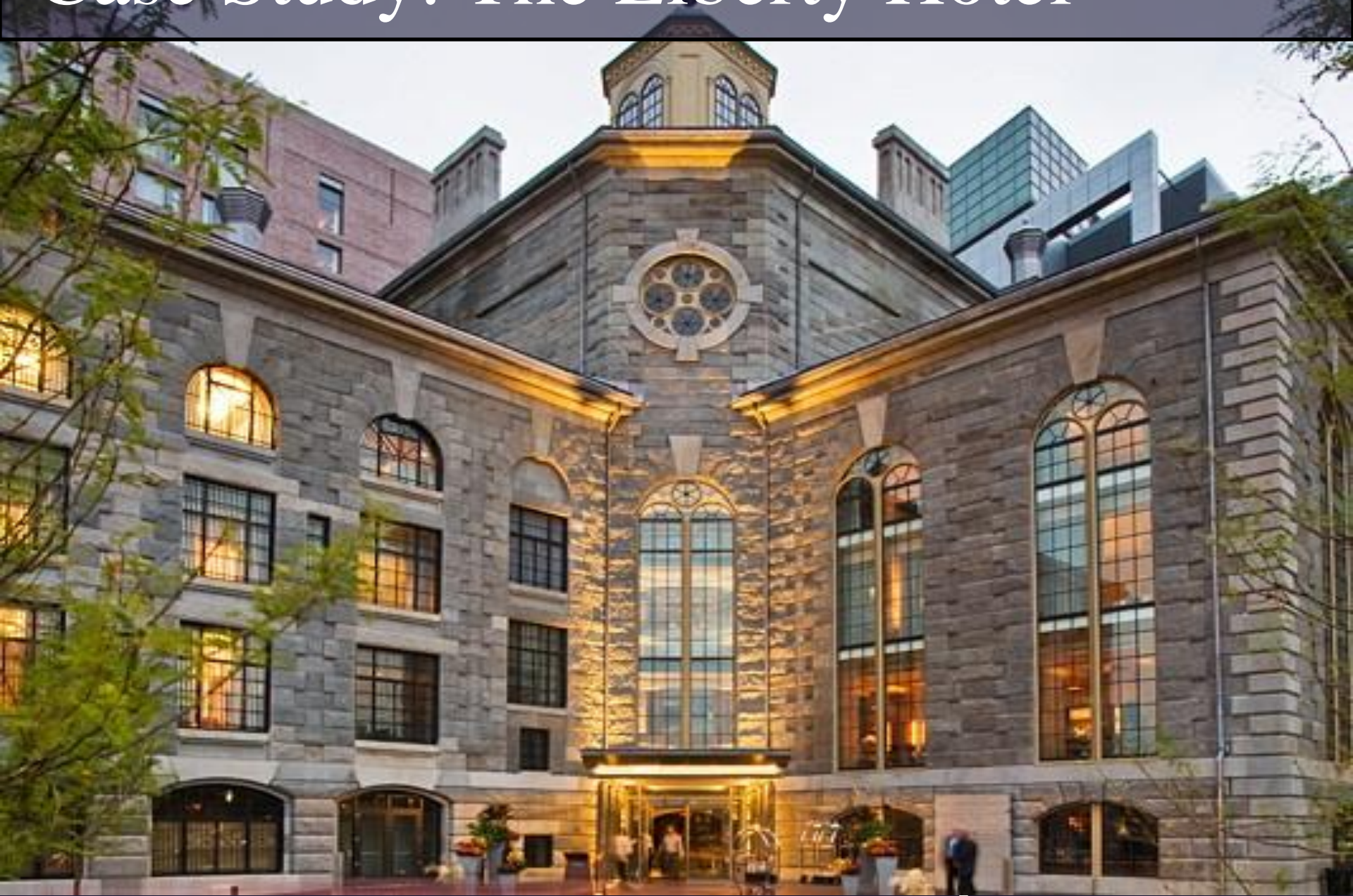
Opportunities

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

2013	<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



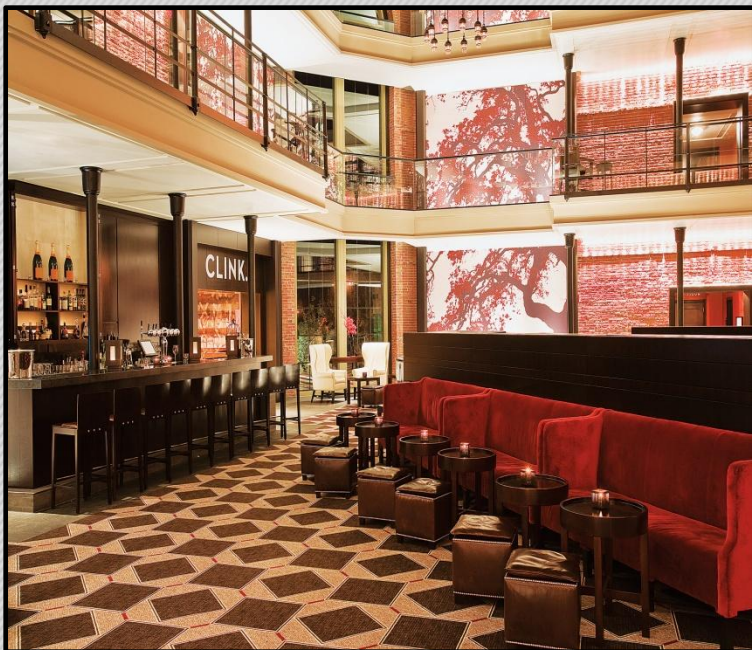
The Liberty Hotel: Alibi Bar



The Liberty Hotel: Lobby



Acquisition Overview: The Liberty Hotel

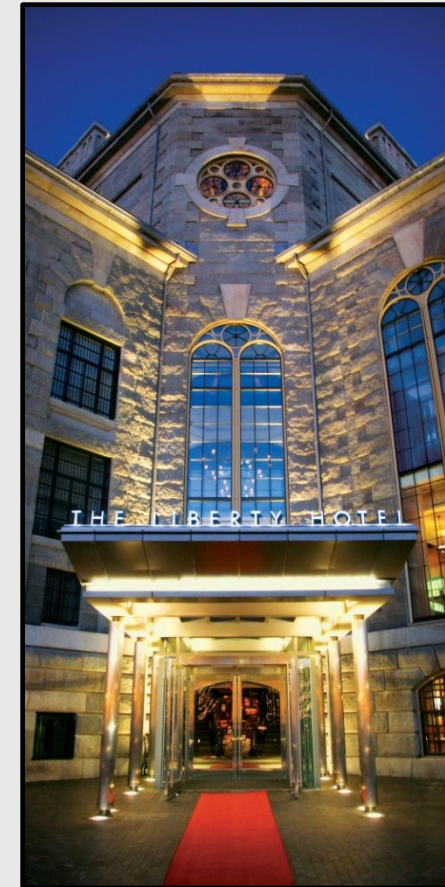


- ❖ Located in the Beacon Hill neighborhood of Boston
- ❖ Originally constructed as the Charles Street Jail
- ❖ Redeveloped by Dick Friedman into The Liberty Hotel
- ❖ 298 guestrooms, including 10 suites
- ❖ Features 5 food and beverage outlets including CLINK, Alibi and Scampo
- ❖ 8,400 square feet 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

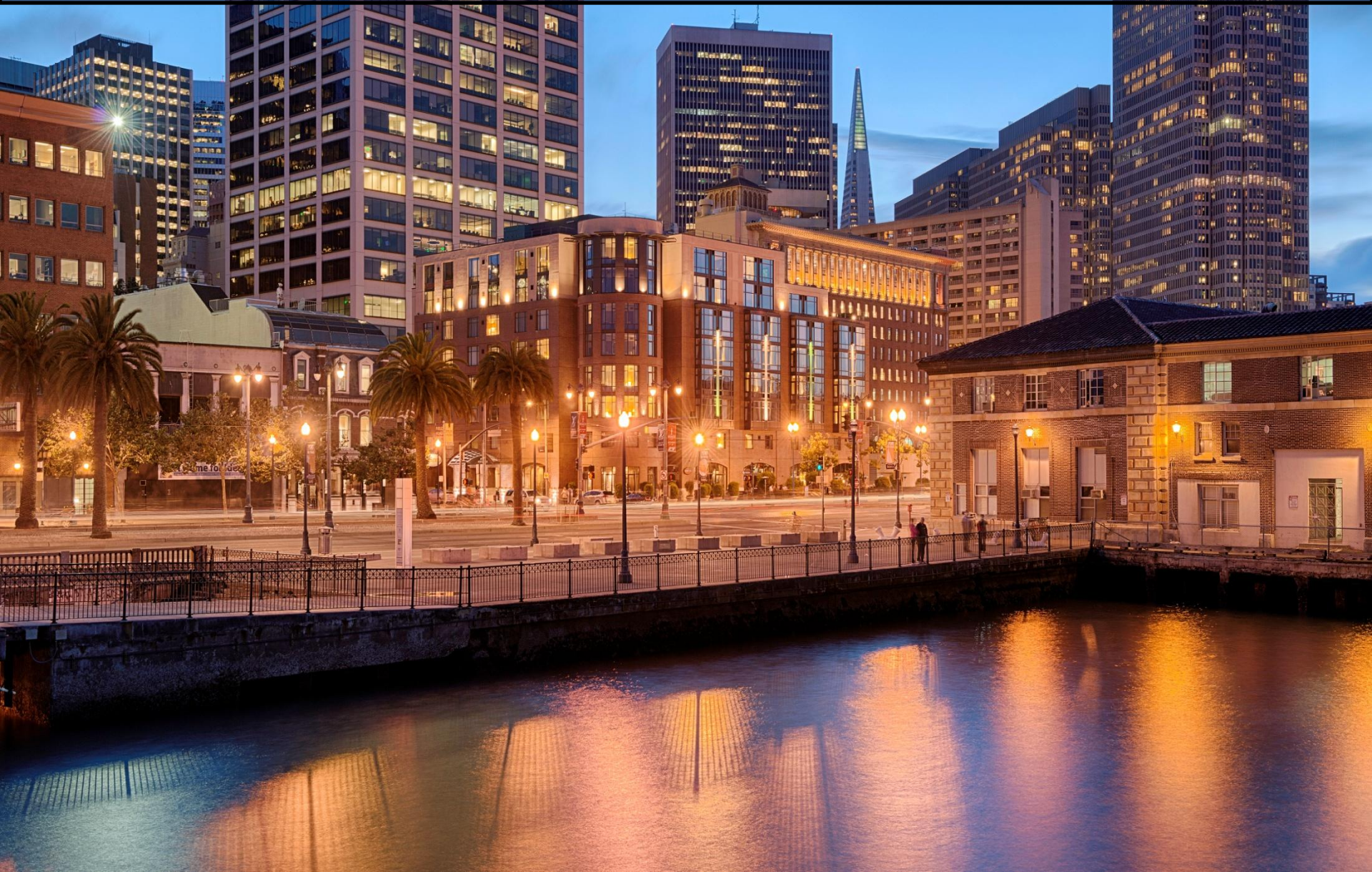
Performance: The Liberty Hotel

	<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%	

2013		
<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

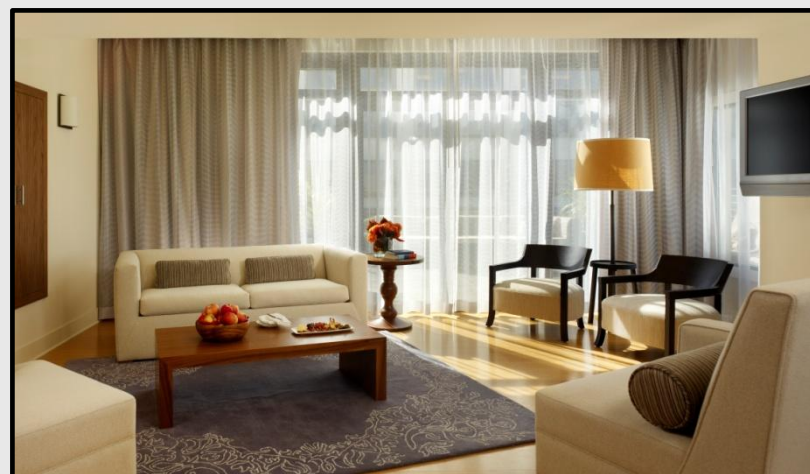


Hotel Vitale: Rooftop Terrace



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



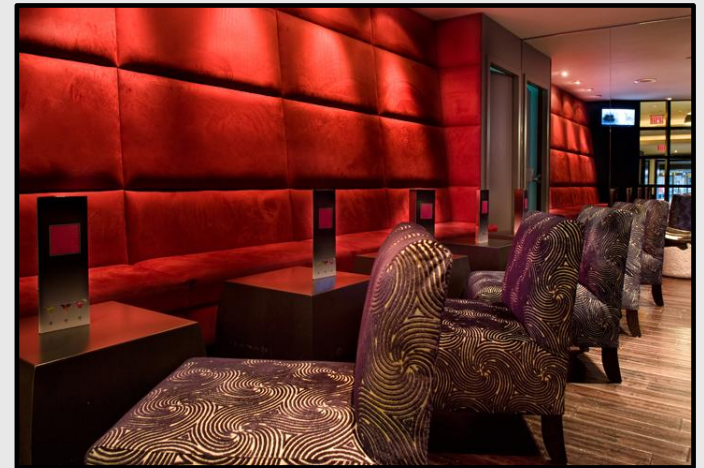
- ❖ **Hotel Sax officially became “Hotel Chicago: an Autograph Collection Hotel” on February 5th 2014**
- ❖ 2013 RevPAR Index of 78%
- ❖ Hotel will benefit from Marriott Reservation System and strong management team with HEI, which manages the Liberty Hotel in Boston and our two Philadelphia assets
-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

Park Central/WestHouse



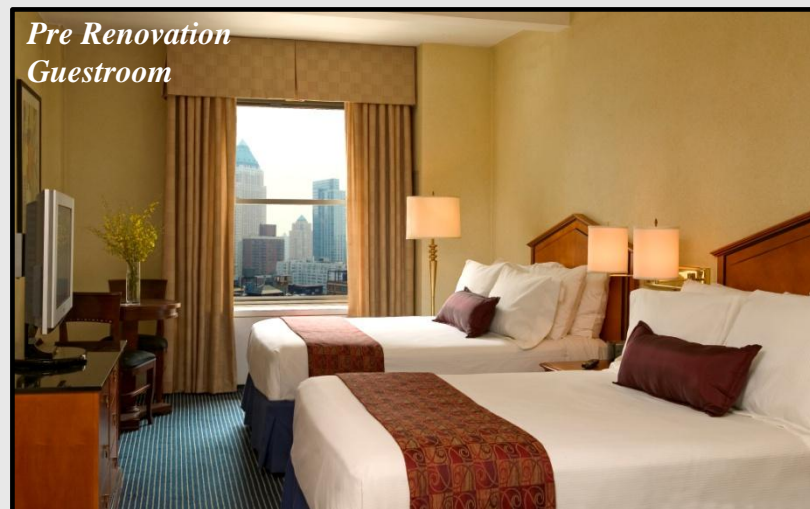
WestHouse Guestroom

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 55th and 56th St. on 7th 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

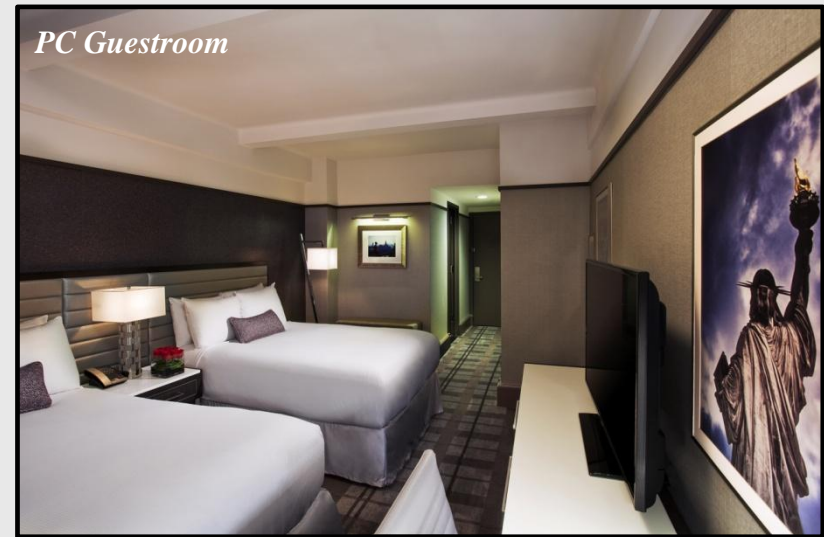
	2012
	ADR
Park Central Hotel	\$221
STR Market Manhattan	\$278
STR Market Times Square	\$275

- ❖ 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 55th)
- ❖ 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



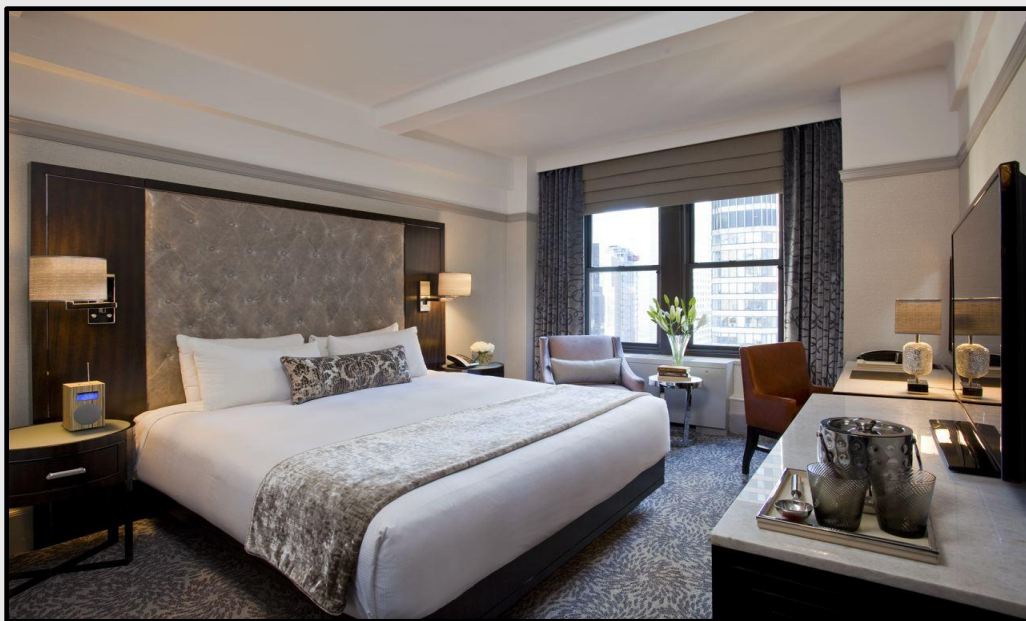
	Manhattan					CAGR
	'09	'10	'11	'12	'13	'09-'13
Supply Growth	5.2%	5.3%	5.9%	2.0%	2.5%	3.9%
Demand Growth	0.0%	9.6%	6.0%	4.9%	3.4%	5.9%

2014-2016 Projected Performance

					ADR			
	'12	'13	'14	'15	'16			
	Actuals		Low	High	Low	High	Low	High
Tract: Times Square	\$275	\$284	\$293		\$301		\$311	
Park Central ⁽¹⁾	\$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		
EBITDA: Midpoint of Range	\$42.0 MM		
NOI	\$37.6 MM		
Cap Rate	6.0%	5.5%	5.0%
Hypothetical Sale Price	\$626 MM	\$683 MM	\$752 MM
Hypothetical Sale Price/room	\$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 36.3% 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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