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HOSPITALITY TRUST



Barclays Capital Conference

Highland Hospitality Update

December 2011

Safe Harbor

In keeping with the SEC's "Safe Harbor" guidelines, certain statements made during this presentation could be considered forward-looking and subject to certain risks and uncertainties that could cause results to differ materially from those projected. When we use the words "will likely result," "may," "anticipate," "estimate," "should," "expect," "believe," "intend," or similar expressions, we intend to identify forward-looking statements. Such forward-looking statements include, but are not limited to, our business and investment strategy, our understanding of our competition, current market trends and opportunities, projected operating results, and projected capital expenditures.

These forward-looking statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated including, without limitation: general volatility of the capital markets and the market price of our common stock; changes in our business or investment strategy; availability, terms and deployment of capital; availability of qualified personnel; changes in our industry and the market in which we operate, interest rates or the general economy, and the degree and nature of our competition. These and other risk factors are more fully discussed in the Company's filings with the Securities and Exchange Commission.

EBITDA is defined as net income before interest, taxes, depreciation and amortization. EBITDA yield is defined as trailing twelve month EBITDA divided by the purchase price. EBITDA, FFO, AFFO, CAD and other terms are non-GAAP measures, reconciliations of which have been provided in prior earnings releases and filings with the SEC.

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Highland Portfolio



Hilton Parsippany



Renaissance Palm Springs



The Melrose – Washington, DC



Marriott DFW Airport



Hyatt Regency Wind Watch



Marriott Plaza San Antonio



Boston Back Bay Hilton



Hilton Tampa Westshore



Renaissance Nashville



Marriott Sugar Land



Hyatt Regency Savannah



Ritz-Carlton Atlanta



Westin Princeton



Renaissance Portsmouth



The Silversmith - Chicago



Highland Transaction Summary

Transformational 28-hotel, $1.3 billion acquisition with 8,084 rooms

Primarily upper-upscale and luxury full-service assets

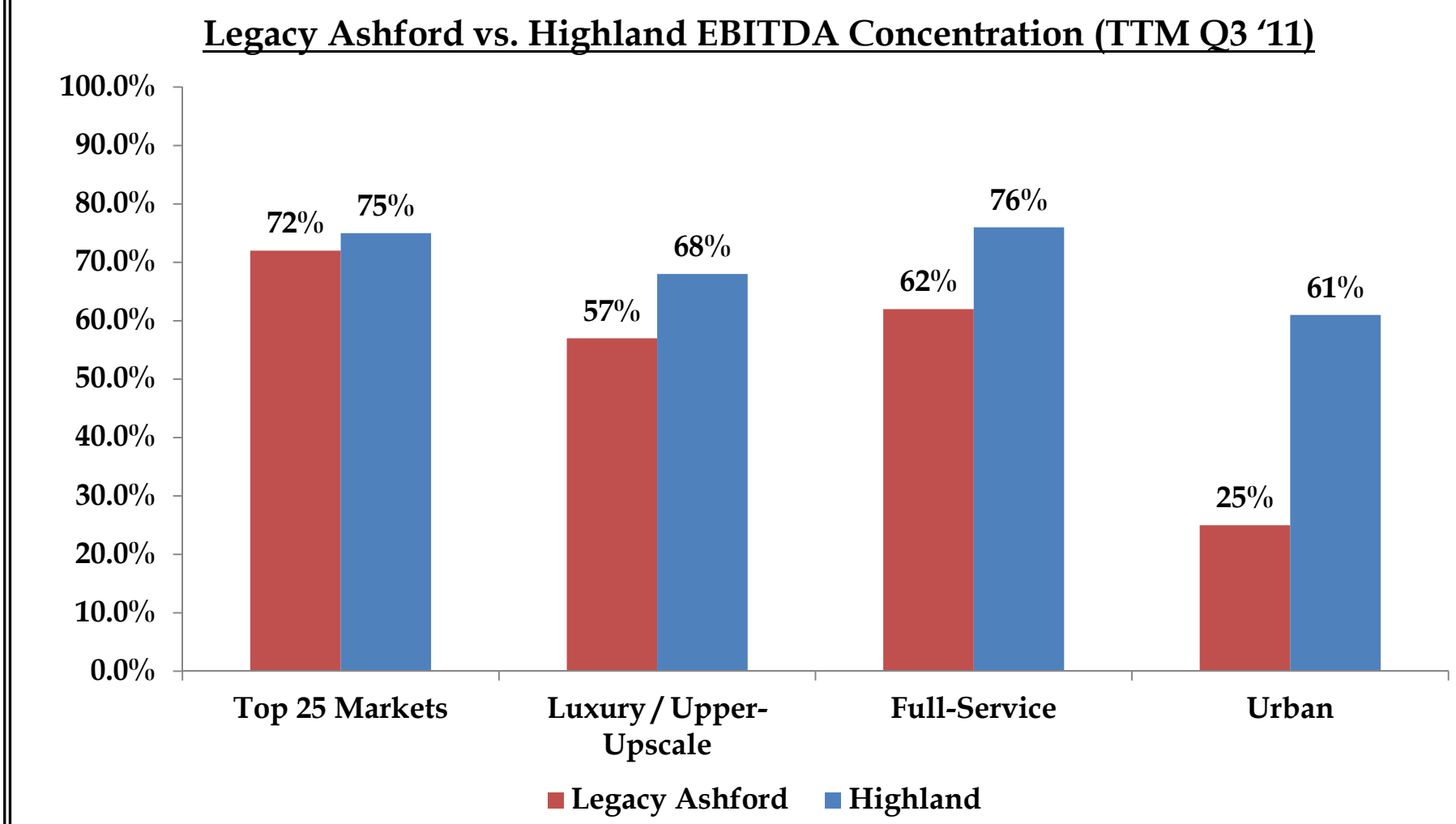
Expands Ashford's presence in key markets (Washington D.C and NY/NJ) and into new markets (Boston and Nashville)

Significant growth potential with affiliate manager Remington taking over management of 19 hotels

2010 EBITDA flows of 18% vs. AHT's of 104% and NOI 36% below peak

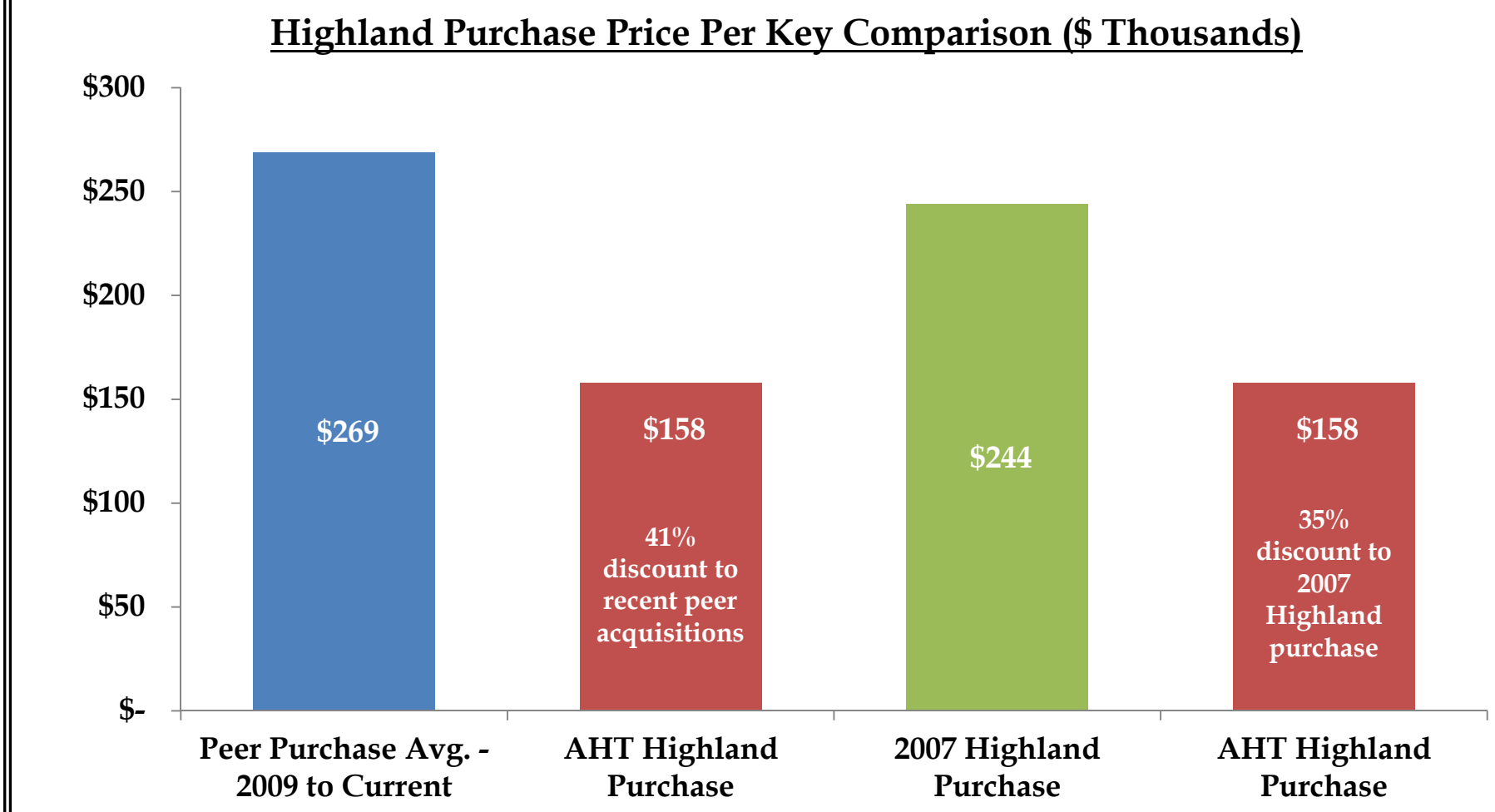


Portfolio Upgrade

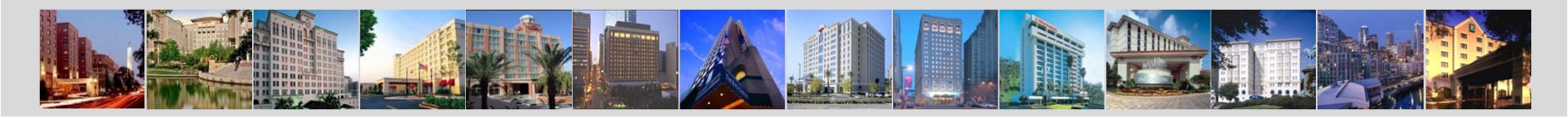




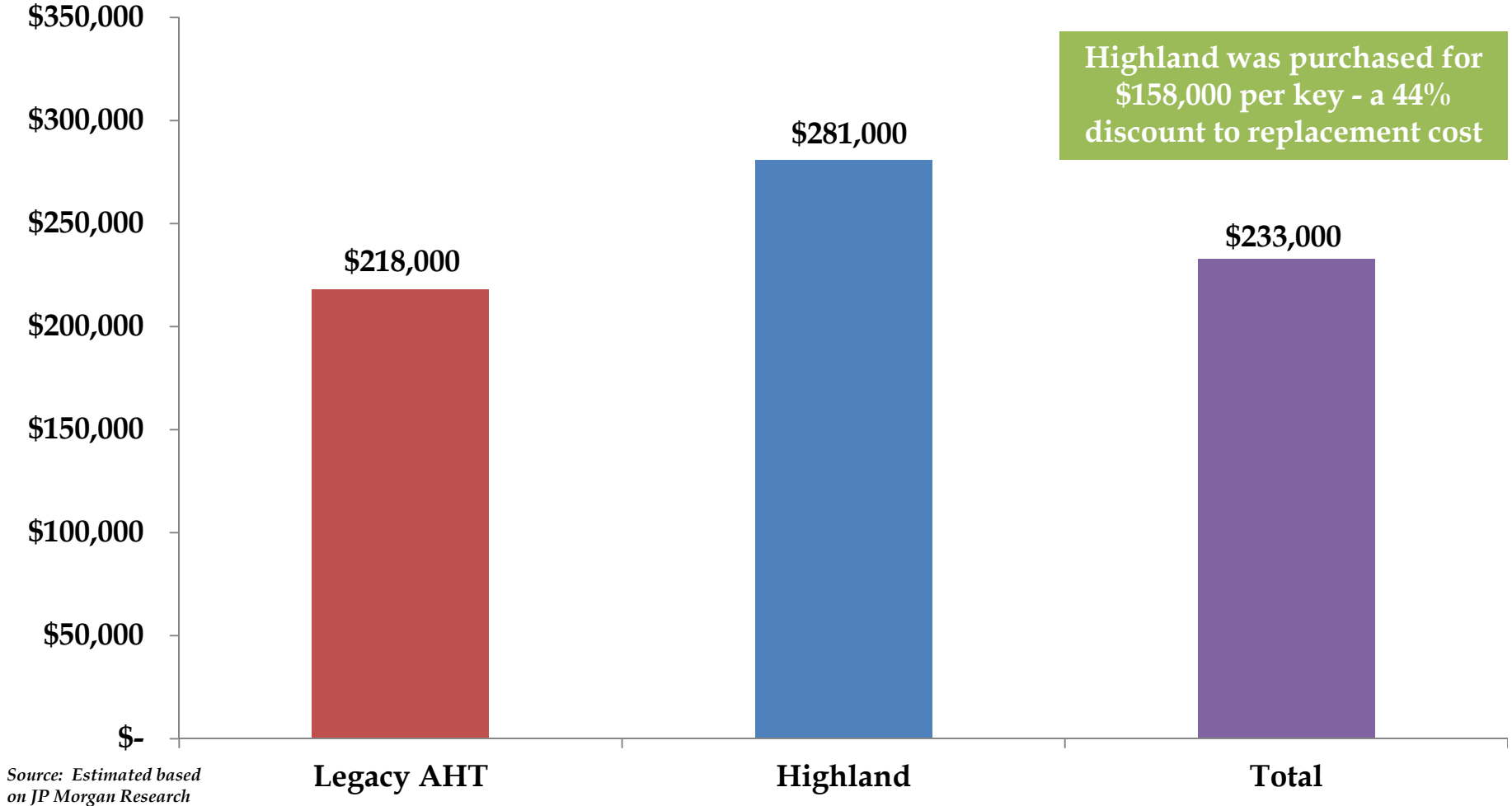
Price Per Key Comparison



Source: Real Capital Analytics & company filings.



Replacement Cost per Key



Source: Estimated based on JP Morgan Research Report



Highland Operational Goals

- When we took over the portfolio there were <u>two primary operational goals</u>:

Put cost structures in place to achieve maximum operating flow throughs

- The portfolio was seriously neglected when we took over
- We felt confident that the Remington-managed properties were going to put in significant cost cuts
- We also wanted to see significant improvement in the brand-managed properties even though no manager change was occurring

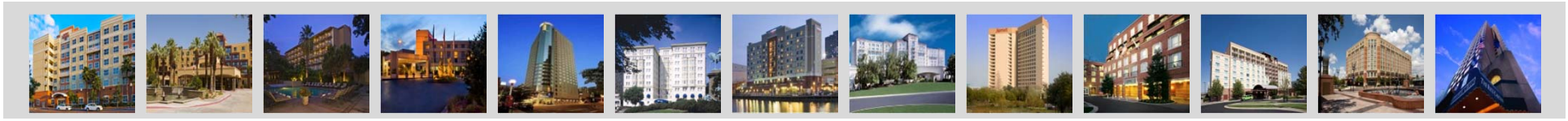
Improve the non-brand managed properties RevPAR Yield Index

- The sales forces of the non-brand managed properties were decimated
- Remington had to fill nearly 2 dozen sales positions across the portfolio
- Our expectation was to see positive RevPAR yield growth sometime in the 4Q '11 or 1Q '12



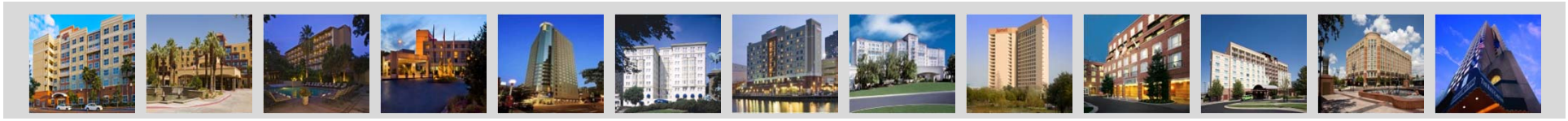
Highland Portfolio - Year Over Year Comparisons

	GOP Margin Change BPS	GOP Flow
1st Quarter	<95> Pre-Ashford	8.8% Pre-Ashford
2nd Quarter	218 Post-Ashford	94.6% Post-Ashford
3rd Quarter	280 Post-Ashford	78.6% Post-Ashford



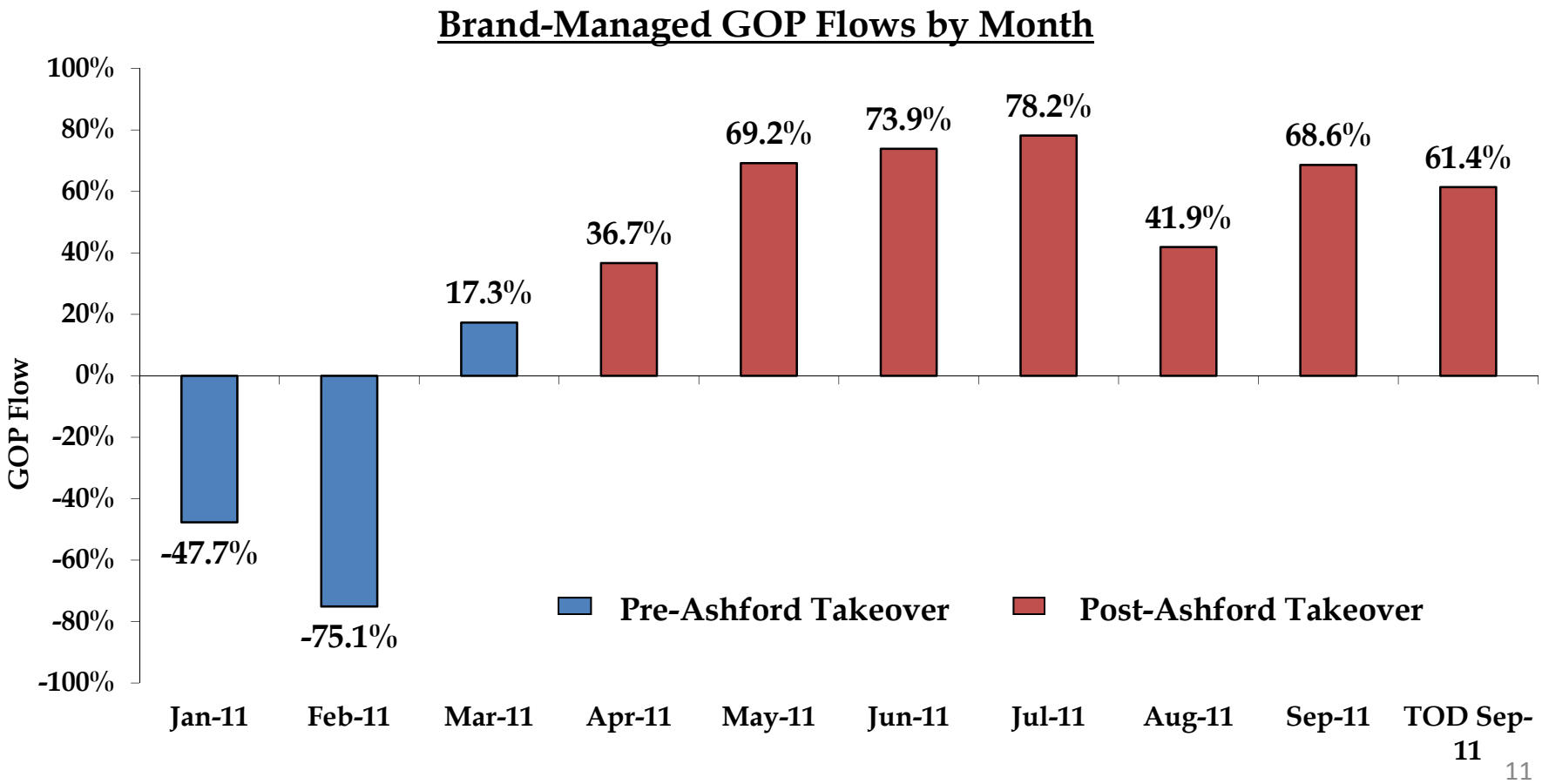
Highland Portfolio – Performance by Manager

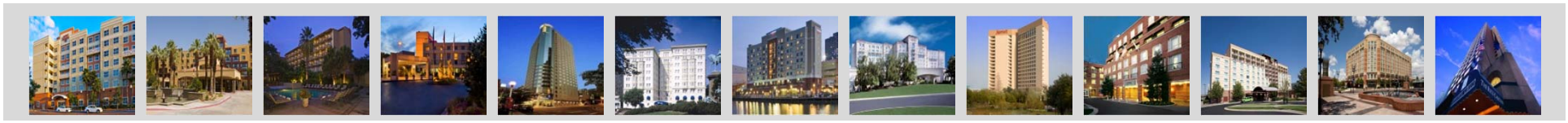
	GOP Margin Change BPS	GOP Flow
3rd Quarter	366 Remington	93.3% Remington
	199 Non-Remington	58.7% Non-Remington



Highland Portfolio - GOP Flow Comparison

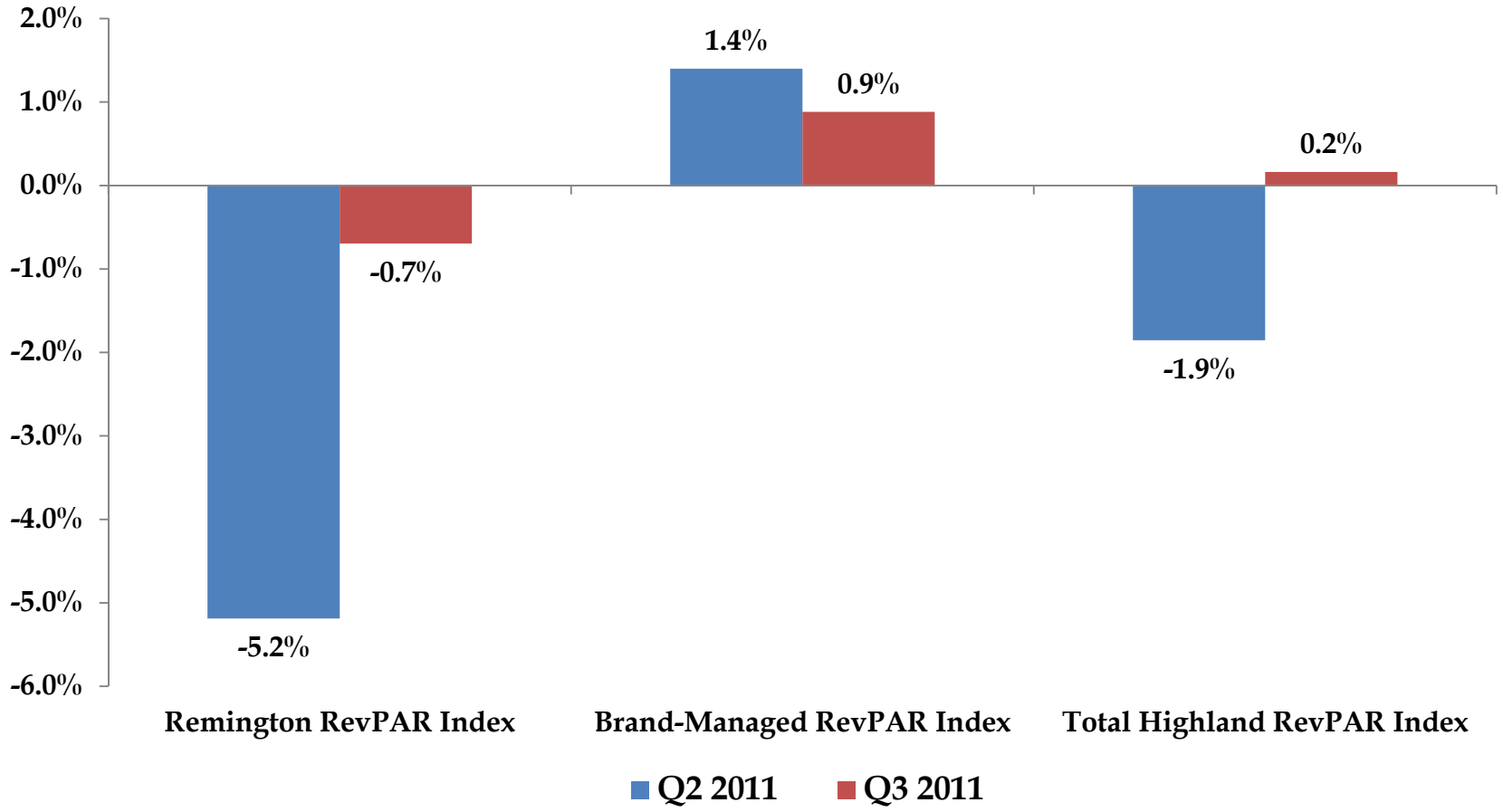
- **Brand-managed properties have also shown significant flow improvement due to Ashford's asset management expertise**

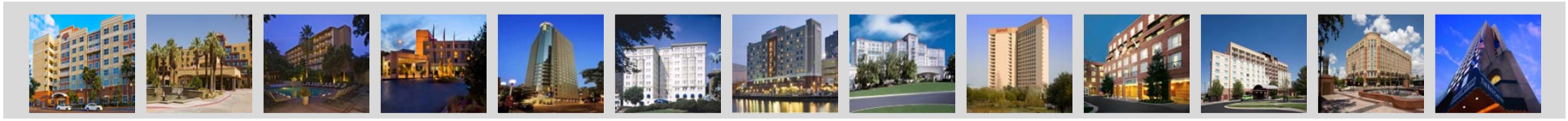




Remington RevPAR Index Improvement

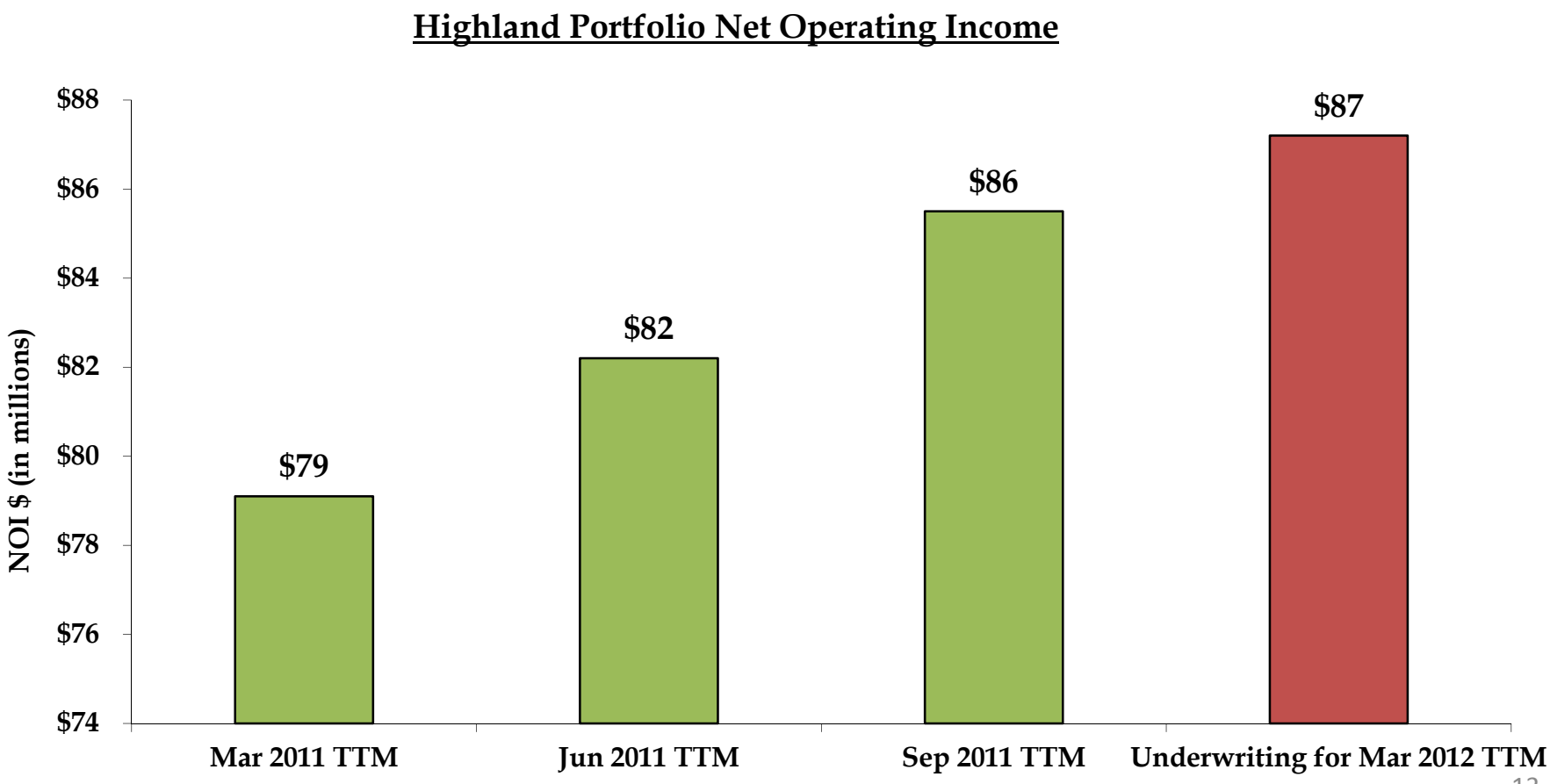
- RevPAR for Remington-managed properties is improving sooner than expected and is beginning to more closely match brand-managed properties

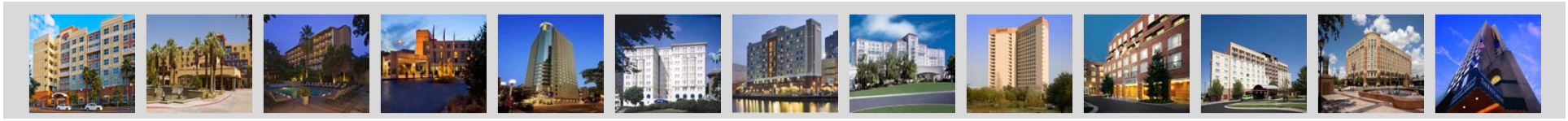




Highland Portfolio NOI

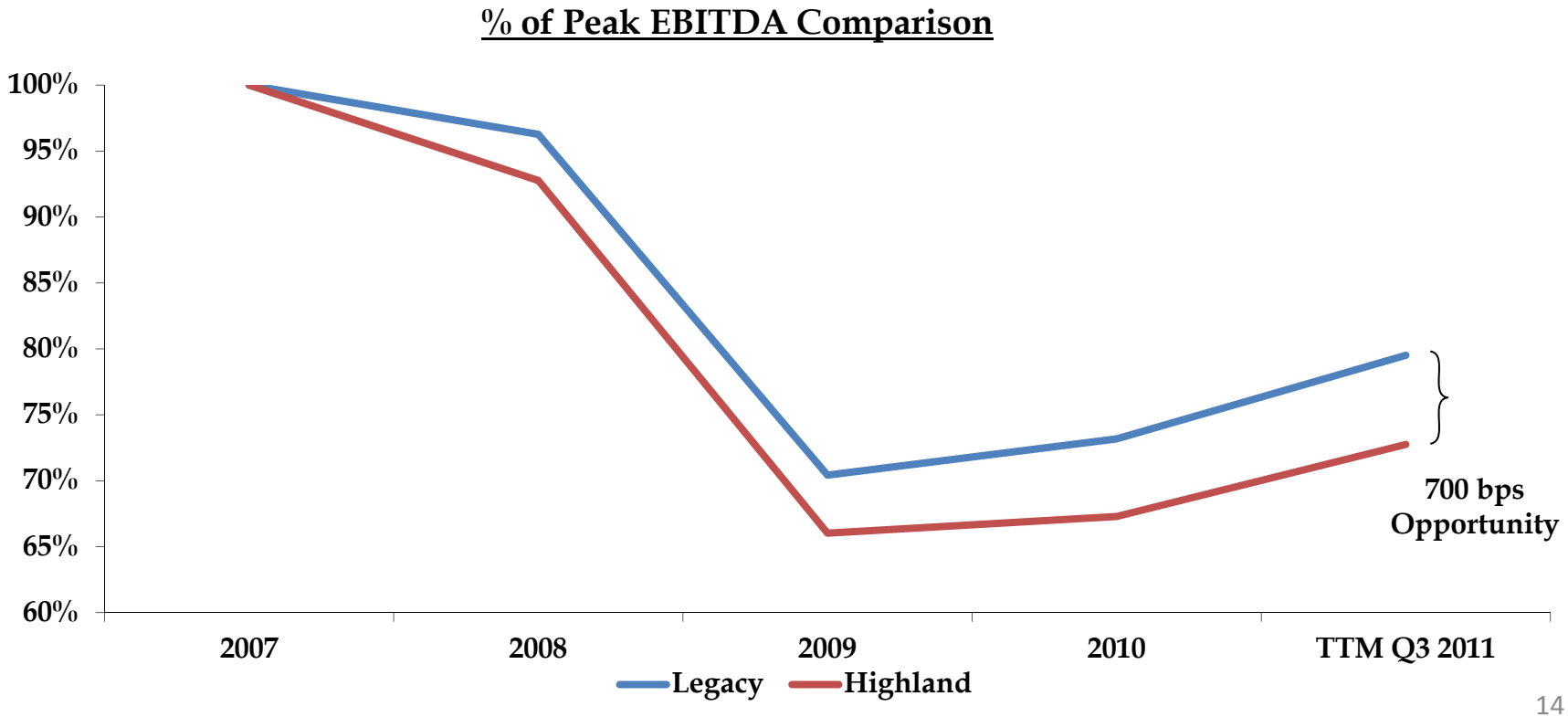
- **Highland NOI is exceeding expectations, currently at 88% of first 12 months underwriting growth in only six months' time**

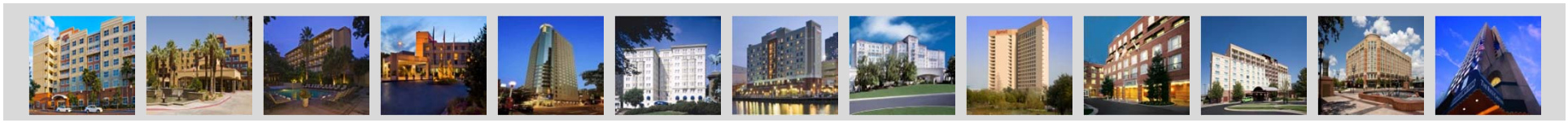




Significant Operational Upside

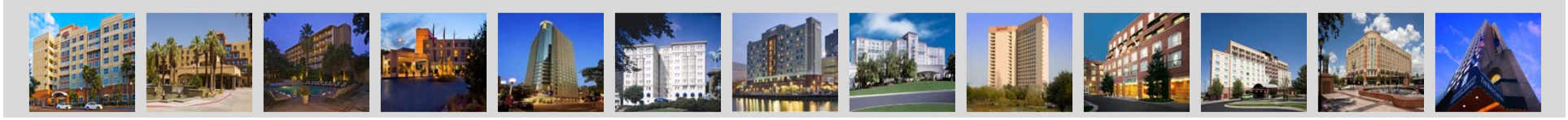
- If Highland's EBITDA was the same % of its peak level as our legacy portfolio, its EBITDA would be almost $10 million higher
- This would equate to about an additional $1.40 in share price at a 12x EBITDA multiple





Key Capex Renovations

Property	Project	Scheduled Start Date	Budget
Courtyard Denver	Lobby Bistro	Completed in Q2'11	$875,000
Hyatt Windwatch	Exterior Façade	In progress	$1,400,000
Marriott Omaha	Lobby & Restaurant	Early November	$1,350,000
The Churchill	Lobby & Restaurant	Mid-November	$871,000
The Melrose	Guestrooms & Public Space	Late-November	$8,050,000
Courtyard Savannah	Guestrooms & Bistro Lobby	Early-December	$2,475,000
Marriott San Antonio	Guestrooms & Corridors	Mid-December	$3,815,000
Courtyard Boston Tremont	HVAC	January-February	$5,781,000
Hilton Boston Back Bay	66 Guestrooms & Meeting Space	February	$2,160,000
Ritz-Carlton Atlanta	Meeting Space	February	$757,000
HGI Virginia Beach	Guestrooms & Corridor	Q1 2012	$2,000,000
The Silversmith	Guestrooms & Public Space	Q2 2012	$5,000,000
Marriott DFW	Restaurant Renovation	On Hold for Repositioning	$750,000



Case Study – Crowne Plaza Ravinia

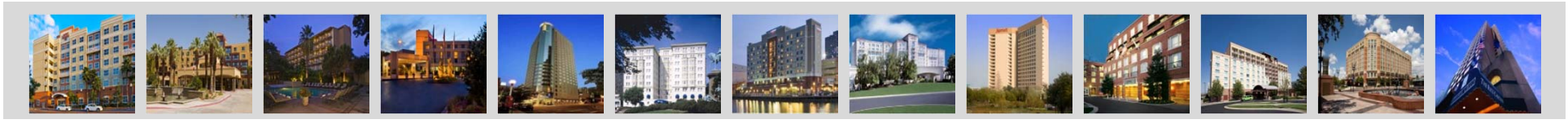


Financial Statistics	TOD 2011
ADR Growth	3.1%
Occupancy Growth	-4.2%
RevPAR Growth	-1.2%
GOP Margin Improvement	775 bps
GOP Flow	238%
Comp Set Rank	5 of 8

Significantly improved flow throughs and bookings due to Remington efforts

- Since takeover, property has achieved $567K GOP $ surplus over target flows
- Eliminated 6 managerial/supervisory positions
- Banquet and catering sales are up significantly (~ $1.0m) due to aggressive selling efforts
- Significantly improved bookings due to Remington sales efforts

Definite Bookings	2011	2012
At Takeover	<21%>	<28%>
As of 11/04/11	<4%>	23%



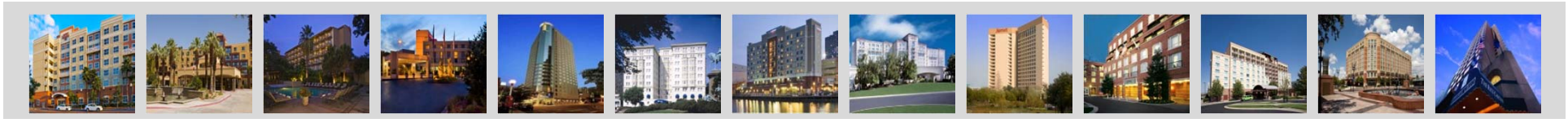
Case Study – Hyatt Savannah



Financial Statistics	TOD 2011
ADR Growth	-4.5%
Occupancy Growth	-0.6%
RevPAR Growth	-3.9%
GOP Margin Improvement	7 bps
GOP Flow	67.9%
Comp Set Rank	1 of 6

Dramatically improved brand-managed flow throughs due to asset management initiatives

- Since takeover, property has achieved $74K GOP $ surplus over target flows
- Asset Management team in collaboration with Hyatt has identified ~$375K annualized savings
  - Eliminated 5 supervisory/management positions since takeover
  - Increased usage of contract labor
- For the month of October, property has achieved 133.7% GOP flow with 745 bps GOP margin improvement



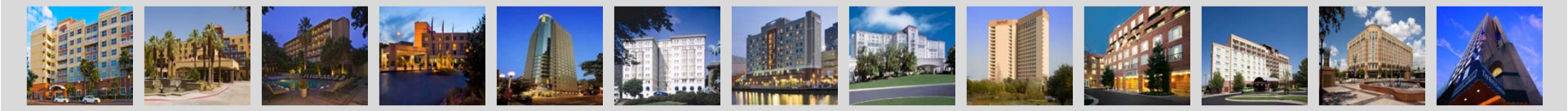
Case Study – Renaissance Palm Springs



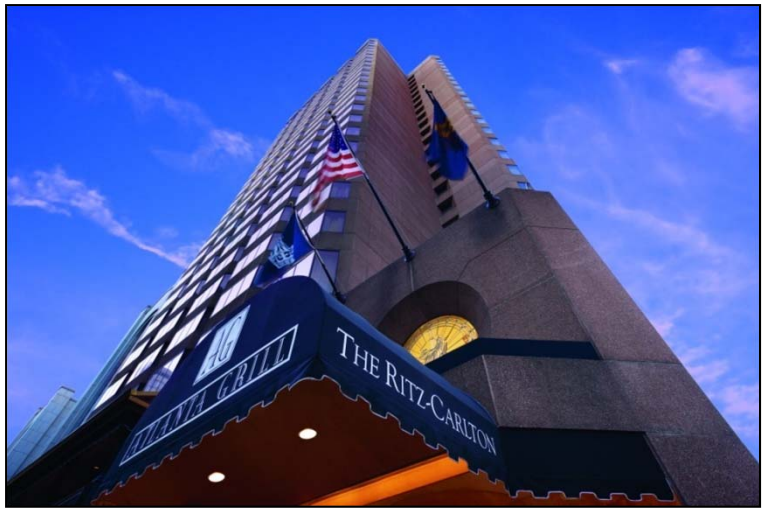
Revenue Statistics	2011 Fcst
ADR Growth	11.1%
Occupancy Growth	9.3%
RevPAR Growth	21.4%
YTD Sep Index Growth	1,070 bps
RevPAR Index	112.4%
Comp Set Rank	3 of 7

Improved bookings through Remington sales efforts

- Despite great rooms and meeting space, property had not been meeting booking goals
- Excellent renovated room product
  - $20m renovation completed at the end of 2009
  - Implemented aggressive upsell program - premium rooms and premium views
- Excellent ratio of rooms to meeting space
  - Connected to Convention Center
  - Attractive Outdoor Meeting Space
- Achieved 124% of Group Booking Goals Since Takeover
- Strong E-Commerce
  - Independent website to attract leisure market from LA
  - Pay per click campaigns drive Los Angeles business
- Expanded spa services
  - More Treatment Rooms
  - Cabana Sales



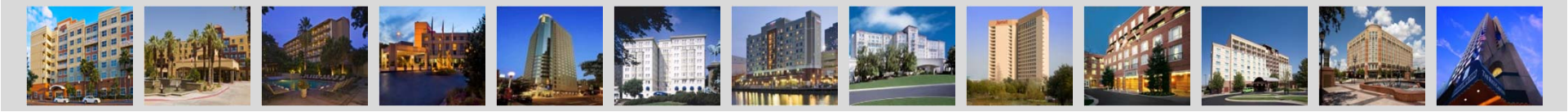
Case Study – Ritz Carlton Atlanta



Revenue Statistics	2011 Fcst
ADR Growth	-1.6%
Occupancy Growth	5.5%
RevPAR Growth	3.8%
YTD Index Growth	1,470 bps
RevPAR Index	133.9%
Comp Set Rank	2 of 7

Strong RevPAR index growth due to demand mix optimization

- ~$20m renovation completed in early 2009
- Renowned Chef with Destination Atlanta Restaurant
- The property was not achieving desired RevPAR yields
- Strong revenue management in a weak environment; citywides are down significantly
  - Optimizing demand by shifting demand mix to transient to backfill group void
  - Hotel has limited LRA allowing for higher IBT rates
  - Implemented premium upgrade sell program - 66 City View Rooms, 18 Suites, Club Level
- Revenue management initiatives have led to a 13.4% YOY improvement in RevPAR Index from 116.8% to 133.9% YTD September 2011



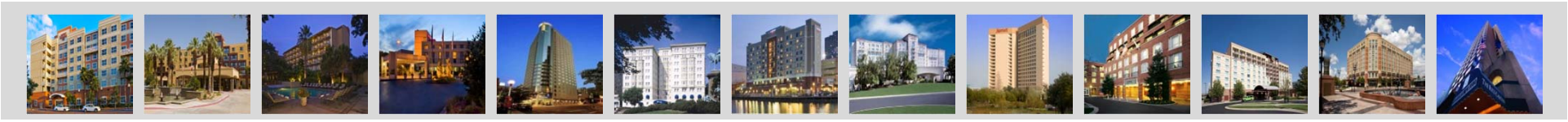
Case Study – Melrose Hotel



Financial Statistics	TTM Q3 2011
ADR	$161.29
Occupancy	75.9%
RevPAR	$122.45
NOI	$3.6m
Peak NOI (2007)	$6.2m
RevPAR Index	84.7%
Comp Set Rank	7 of 7

Significant repositioning upside potential

- Last renovation in 2002
- RevPAR Index dropped from 101.4% in 2007 to 83.6% YTD September 2011
- Outstanding location on Pennsylvania Ave. adjacent to Georgetown and 8 blocks from White House and National Mall
- Over sized rooms of average 425 sq. ft. with 35 suites
- Good curb appeal despite current condition
- Underutilized street-level restaurant and bar space
- Planned $8.1m renovation to address all aspects of hotel



Highland Transaction Conclusion

We purchased a remarkable portfolio for nearly half of its replacement cost and materially below what our peers are paying for assets

We have made significant progress in achieving operational flow throughs and pushing RevPAR yield index

In only six months' time our asset management group has managed to achieve nearly 90% of its 1st year NOI target

The Highland portfolio is off its peak substantially more than our legacy portfolio, providing us with additional upside

Our strategic capex will help realize additional upside potential



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