



ASHFORD
HOSPITALITY TRUST



A CLOSER
LOOK AT
ASHFORD.

ANNUAL REPORT 2003



THE PREMIER CAPITAL PROVIDER TO THE HOSPITALITY INDUSTRY™



CURRENT PORTFOLIO (as of March 31, 2004)

DIRECT HOTEL INVESTMENTS

Doubletree Guest Suites
Columbus, Ohio
 Doubletree Guest Suites –
 Dayton/Miamisburg
Dayton, Ohio
 Embassy Suites
Austin, Texas
 Embassy Suites
Dallas, Texas
 Embassy Suites –
 Dulles Airport
Herndon, Virginia
 Embassy Suites
Flagstaff, Arizona
 Embassy Suites
Las Vegas, Nevada
 Embassy Suites –
 Phoenix Airport
Phoenix, Arizona
 Embassy Suites
Syracuse, New York
 Hampton Inn
Lawrenceville, Georgia

Hilton Garden Inn
Jacksonville, Florida
 Homewood Suites
Mobile, Alabama
 Marriott Residence Inn
Lake Buena Vista, Florida
 Radisson Hotel
 Cincinnati Riverfront
Covington, Kentucky
 Radisson Hotel
 MacArthur Airport
Holtsville, New York
 Sea Turtle Inn
Atlantic Beach, Florida
 Sheraton Bucks County*
Bucks County, Pennsylvania
 SpringHill Suites by Marriott –
 BWI Airport*
Baltimore, Maryland
 SpringHill Suites by Marriott
Jacksonville, Florida

MEZZANINE & FIRST MORTGAGE INVESTMENTS

Adam's Mark Hotel
Denver, Colorado
 Crowne Plaza Ravinia
Atlanta, Georgia
 Doubletree Club Hotel
Des Plaines, Illinois
 Doubletree Guest Suites
Glenview, Illinois
 Doubletree Hotel
Tallahassee, Florida
 Embassy Suites –
 Boston Logan Airport
Boston, Massachusetts
 Hilton Gateway Plaza
Newark, New Jersey
 Hilton Hotel
 Cleveland South
Independence, Ohio
 Hilton Parsippany
Parsippany, New Jersey
 Hilton Times Square
New York City, New York

Northland Inn and Executive
 Conference Center
Minneapolis, Minnesota
 Radisson Hotel Towne & Country
Houston, Texas
 Wyndham Bel Age
West Hollywood, California
 Wyndham Burlington
Burlington, Vermont
 Wyndham Buttes Resort
Tempe, Arizona
 Wyndham Emerald Plaza
San Diego, California
 Wyndham Franklin Plaza
Philadelphia, Pennsylvania
 Wyndham Garden Las Colinas
Irving, Texas
 Wyndham Hotel
Indianapolis, Indiana
 Wyndham Hotel
Lisle, Illinois
 Wyndham NW Chicago
Itasca, Illinois

* Closing pending

**OUR HOTEL ACQUISITION
AND LENDING STRATEGIES
CREATE WINDOWS OF
OPPORTUNITY FOR HOTEL
BORROWERS, BUYERS AND
SELLERS, WHILE OPTIMIZING
SHAREHOLDER RETURNS.**

A SINGULAR FOCUS

A unique focus is only a small part of what separates Ashford as the premier provider of capital to the hospitality industry.

Like few other firms, Ashford's principals possess extensive experience not only in the acquisition and financing of hotel properties, but in their management, development and renovation.

Like no others, Ashford serves as a one-stop source for lodging capital, direct hotel investments, mezzanine financing, first mortgages, and sale-leaseback transactions.

With this diversified investment strategy and breadth of expertise, Ashford is particularly well-suited to meet an important need – the accelerating demand for capital in a dynamic lodging sector – and to take maximum advantage of growing financial opportunities in the hospitality field throughout all cycles and at all levels of the capital structure.

A SINGULAR EXPERIENCE

Within a steadily growing portfolio, perhaps the most important asset is a wealth of experience. The management team of Ashford Hospitality Trust possesses a deep reservoir of transactional, financial and operational expertise in the lodging field. That experience serves our shareholders, company and our business partners in a number of highly valuable ways.

It gives Ashford unique insights into the true or potential value of particular properties. It better equips our firm to understand the needs of borrowers, buyers and sellers. It provides an additional layer of security – the collateral of experience – on capital transactions.

Most of all, the strong track record based on this experience of creating and enhancing value sets Ashford apart.

**A SINGLE SOURCE OF
LODGING CAPITAL**

Ashford Hospitality Trust invests at all levels of the capital structure across a variety of segments, brands and geography.

This diversified, innovative strategy permits an exceptional degree of flexibility to invest capital at the right time with the optimal risk adjusted returns. Not only does this diversified strategy facilitate hotel transactions, but it has also made Ashford an attractive partner to banks and other financial institutions when approaching potential deals in the hospitality field.

Today, in a marketplace characterized by a variety of opportunities, Ashford is actively yet selectively acquiring assets and originating loans across the United States.



**DOUBLETREE
GUEST SUITES**
Columbus, Ohio



**EMBASSY SUITES-
DULLES AIRPORT**
Herndon, Virginia



**SPRING HILL SUITES BY MARRIOTT-
BWI AIRPORT**
Baltimore, Maryland

LETTER TO OUR SHAREHOLDERS

Dear Shareholder:

While 2003 marked our first year as a public company, Ashford Hospitality's roots in the lodging industry trace as far back as 1968. Since that time, there have been many influential periods in the lodging industry; fortunes have been made and lost – then made again. The tremendous opportunity to buy hotel and other real estate assets at deep discounts from the Resolution Trust Corporation in the early 1990's was one such period. The crushing blow to our nation from the events of September 11th and its effect on business and leisure travel was another.

In an investment market known for its unrelenting focus on the future, why is it important to analyze the past? There is an oft-quoted saying that "Those who fail to study history are doomed to repeat its mistakes." At Ashford, we closely track more economic data than we would care to admit to avoid those mistakes. By analyzing some of this data back for several decades, we believe it reveals that the present is an exciting period to be investing in hotels – another one of those historic periods in the business cycle of the lodging industry.

When we completed our IPO in August 2003, there were not many who shared our beliefs. After all, there had not been a hotel REIT IPO in nearly four years, the industry had suffered declining revenues and occupancy for three straight years, business travel was virtually nonexistent, many hotel REITs had either suspended or drastically cut back their dividends and it was nearly impossible to find a positive comment about the industry anywhere in the media. The data suggested to us it was the right time to be investing no matter what conventional wisdom said. Based upon the amount of capital now flowing to our industry and the fact that the number and size of transactions is increasing, we do not believe there are many doubters today.

Now that there are more groups who are pursuing hospitality opportunities, how do we intend to separate Ashford from the pack? As the only publicly traded REIT focused on every level of the capital structure in the lodging industry – direct hotel investments, mezzanine lending, first mortgages and sale-leaseback transactions – we believe we have competitive advantages in working with hotel borrowers, buyers, sellers and lenders through the entire lodging industry cycle. Ashford Hospitality intends to be the premier provider of capital to the lodging industry.

It is not often that one company can meet the needs of both sides of a capital transaction, but that is exactly what we can offer. As the owner of 17 hotels totaling 2,784 rooms, we understand the challenges a hotel owner faces every single day. As the largest buyer of RTC hotel paper in the early 1990's in a prior life and as the current owner of a loan portfolio totaling \$71.6 million, we also understand a lender's mindset and the stringent underwriting criteria necessary to safeguard its capital. In doing so, we are able to pursue an investment strategy that combines both perspectives and seeks diversification by capital structure, geography, hotel brands and hotel segments. This diversification serves as the hallmark of Ashford's unique focus. By pooling the vast hospitality industry experience of our management team and then diversifying our capital, we seek to build a platform less prone to the historical earnings swings of our industry.

It takes a talented team to execute this strategy, and we have assembled a top notch group. Most of our senior management team has been together for over 13 years, and together we average over 19 years of experience in the lodging industry. The management team members are specialists with backgrounds in hotel operations, acquisitions, asset management, finance and lending. We have collective expertise in developing, renovating, re-branding and repositioning hotels; extensive market, product type and brand knowledge; experience in evaluating hotel industry cycles; and a proven track record of creating value.

We executed our investment strategy very well in 2003 and to date through the first quarter of 2004. The third and fourth quarters of 2003 were strategic in terms of starting off our direct hotel investment and mezzanine lending programs on the best footing. We invested time and resources in developing new relationships, enhancing existing relationships and expanding awareness of both programs. Most importantly, we took the time to make the best allocations of our capital and take a fresh look at all of our investment opportunities. That patience has reaped significant rewards in the form of higher yielding acquisitions than we had originally targeted, a faster deployment of capital than anticipated and an earlier-than-projected dividend payment.

During 2003, in addition to our \$128 million of initial hotels, we acquired two separate hotel portfolios totaling nine assets and 1,287 rooms for \$83.9 million in cash plus an additional \$9.2 million in expected capital improvements. These portfolios provided diversification through exposure to full-service brands, such as Embassy Suites and Doubletree Suites, and limited service brands, such as Hilton Garden Inn, SpringHill Suites by Marriott, Homewood Suites and Hampton Inn. They also offered varying degrees of stabilization with some hotels requiring little to no capital investment to a couple requiring more significant value-added renovation and repositioning.

By year end 2003, we purchased a \$10 million junior mezzanine loan on the Hilton Times Square in New York City. This high profile financing served to raise the market awareness of Ashford's mezzanine loan program due to the quality of the asset, its sponsorship and the lending partners.

We have built on the momentum established by these initial investments, and since year end our investment pace has accelerated. We have completed \$48.4 million in direct hotel investments, agreed to acquire an additional \$32.6 million and purchased or originated \$61.6 million in mezzanine and first mortgage participations. With these transactions, our committed and invested capital totals approximately \$384 million.

The year-to-date direct investments are strategic in nature, including a Residence Inn near Disney World with minor upgrades required; a strong, independently operated beachfront hotel in Jacksonville, Florida; a to-be-acquired Sheraton in suburban Philadelphia in which we will invest \$5.7 million in renovating and repositioning; and a to-be-acquired SpringHill Suites by Marriott near the Baltimore Washington International airport that requires no capital improvements. Once completed, these transactions will expand our current portfolio to 19 hotels totaling 3,104 rooms.

Similar to our direct investments, the mezzanine and first mortgage portfolio assembled to date exhibits a high degree of diversification. It includes purchases, originations, high quality assets, well-known owners and a healthy blend of single asset and portfolio collateral. We have also established relationships with numerous leading real estate lenders.

This investment activity would not have been possible without a strong capital structure. Based on implied leverage of 55% we have approximately \$500 to \$550 million of buying power. Of this amount, we have put to work or committed \$384 million at yields that are meeting or exceeding our targeted ranges and, just as important, our investment pace is ahead of schedule. Our rate of deployment led to the declaration of an initial dividend one quarter earlier than we expected. This dividend was \$0.06 per share for the first quarter of 2004 and was payable to shareholders of record as of March 31, 2004. As our portfolio grows during the year, we expect to continue to grow the dividend.

We are very excited about the growth opportunities we see for Ashford Hospitality Trust. In our opinion, the lodging cycle is at a point where demand growth is outpacing supply growth, attractive current returns with substantial upside are available and most indicators appear to be showing that the overall lodging industry is gaining momentum. We look forward to continuing to pursue these growth opportunities and reporting our progress to you during the year.

Sincerely,



MONTY J. BENNETT
President and Chief Executive Officer

HILTON TIMES SQUARE, *New York, New York*



DIRECTORS AND OFFICERS

SENIOR MANAGEMENT

Monty J. Bennett

President and Chief Executive Officer

Douglas A. Kessler

Chief Operating Officer and Head of Acquisitions

David A. Brooks

Chief Legal Officer and Head of Transactions

David J. Kimichik

Chief Financial Officer and Head of Asset Management

Mark L. Nunneley

Chief Accounting Officer

DIRECTORS

Archie Bennett, Jr.

Chairman of the Board of Directors

Monty J. Bennett

President and Chief Executive Officer

Martin L. Edelman

Of Counsel - Paul, Hastings, Janofsky & Walker LLP

W.D. Minami

President - Billy Casper Golf

W. Michael Murphy

Executive Vice President - First Fidelity Mortgage Corporation

Philip S. Payne

*Executive Vice President, Treasurer and
Chief Financial Officer - BNP Residential Properties*

Charles P. Toppino

*Executive Vice President,
Founder and Principal - Secured Capital Corp.*



RESIDENCE INN BY MARRIOTT
Lake Buena Vista, Florida



RADISSON HOTEL -
MACARTHUR AIRPORT
Holtsville, New York



HILTON GARDEN INN, *Jacksonville, Florida*

CORPORATE OFFICE

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 Dallas, Texas 75254
 Telephone: (972) 490-9600
 www.ahltreit.com

**REGISTRAR AND
TRANSFER AGENT**

EquiServe, L.P.
 Boston, Massachusetts

INDEPENDENT AUDITORS

Ernst & Young LLP
 Dallas, Texas

LEGAL COUNSEL

Andrews & Kurth LLP
 Dallas, Texas

**FORM 10-K AND QUARTERLY
REPORTS/INVESTOR CONTACT**

A copy of the Ashford Hospitality Trust Form 10-K Report for fiscal 2003, filed with the Securities and Exchange Commission, is included with this report. Additional copies of the report are available from the Company. Requests for these items and other investor contacts should be directed to Doug Kessler, COO & Head of Acquisitions, at the Company's corporate office or on the Internet at www.ahltreit.com.

ANNUAL MEETING

The annual meeting of shareholders will be held on May 4, 2004, at 10:00 a.m. (local time) at the Embassy Suites near the Galleria - Dallas, Texas. Shareholders of record as of the close of business on March 15, 2004, will be entitled to vote at this meeting.

**COMMON STOCK AND
DIVIDEND INFORMATION**

The common stock of Ashford Hospitality Trust is traded on the New York Stock Exchange under the symbol AHT. The table below sets forth for the indicated

periods the high and low sales prices for our common stock, as traded on that exchange, since our inception. At March 15, 2004, there were approximately 2,600 shareholders based on the number of record holders of the Company's common stock and an estimate of the number of individual participants represented by security position listings. On March 15, 2004, the Company declared an initial quarterly cash dividend of \$0.06 per share. The Board of Directors' intent is to continue declaring a cash dividend each quarter depending on the Company's profitability and capital necessary to finance operations and expansion.

	2003	
	HIGH	LOW
August 28, 2003 (inception) through September 30, 2003	\$ 9.50	\$ 8.85
Fourth Quarter	\$ 9.80	\$ 8.97

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws. Ashford Hospitality Trust, Inc. (the "Company" or "we" or "our") cautions investors that any forward-looking statements presented herein, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result," and other similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends,

uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good faith beliefs at the time they are made, such statements are not guarantees of future performance and are impacted by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in herein under the heading "Risk Factors." These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from time to time. It is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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