



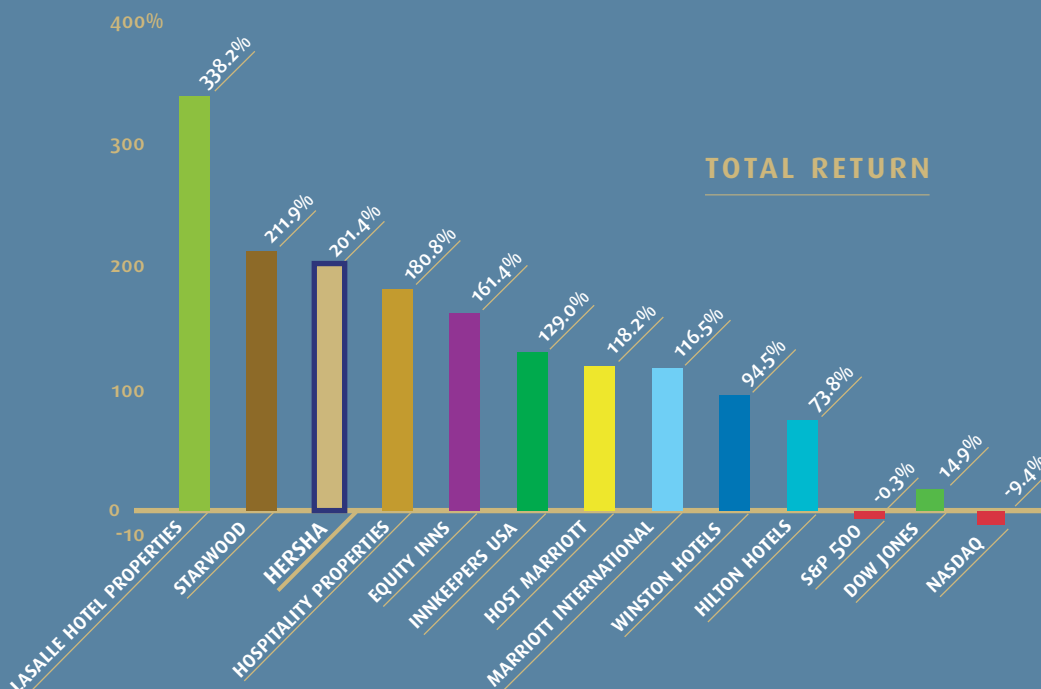
HERSHA HOSPITALITY TRUST

ANNUAL REPORT

2005



HERSHA HOSPITALITY TRUST



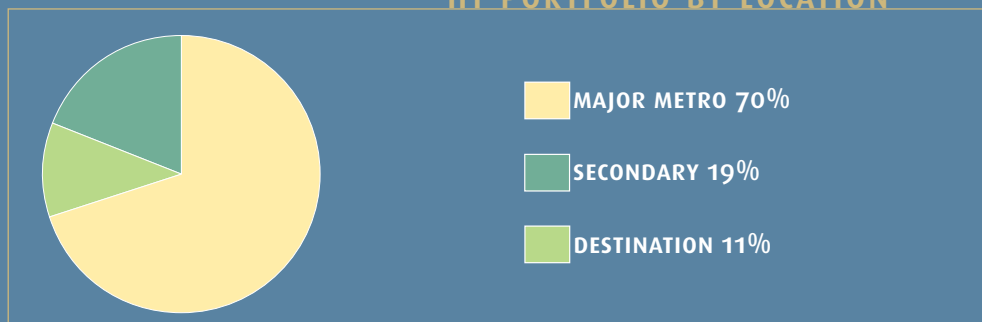
Total Returns from January 26, 1999 through December 31, 2005. Assumes dividend are re-invested at ex-dividend date. Source: FactSet

HERSHA HOSPITALITY TRUST (HT)

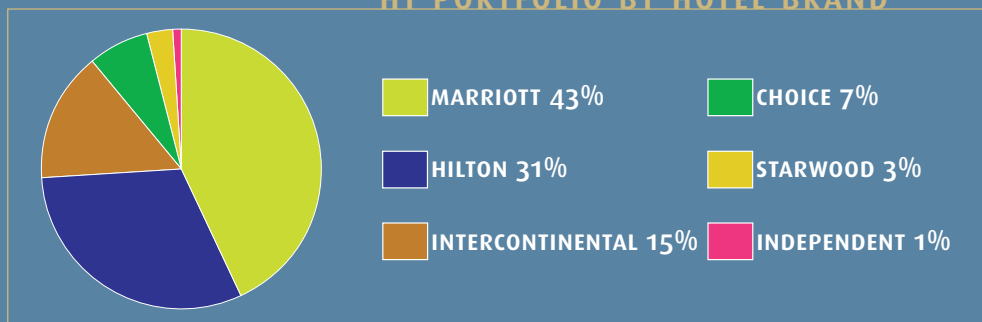
Hersha Hospitality Trust (HT) is a real estate investment trust (REIT) focused on the acquisition and aggressive management of primarily upscale hotels in metropolitan markets. Hersha trades under the symbol HT on the American Stock Exchange. As of February 28, 2006, the Company owned interests in 55 upper upscale, upscale, and midscale hotels located predominantly in the Northeastern United States.

Qualification as a REIT under the Internal Revenue Code enables the Company to distribute income to shareholders without federal income tax liability to the Company.

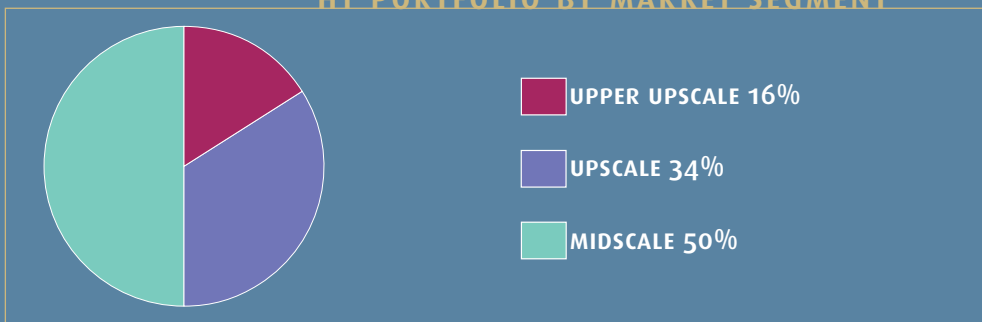
HT PORTFOLIO BY LOCATION



HT PORTFOLIO BY HOTEL BRAND



HT PORTFOLIO BY MARKET SEGMENT



FINANCIAL HIGHLIGHTS

2005

Year Ended December 31,

(In thousands except per share data)

	2005	2004	2003	2002	2001
HERSHA HOSPITALITY TRUST ⁽¹⁾					
OPERATING DATA:					
Total Revenues (Including Discontinued Operations)	\$ 85,007	\$ 56,144	\$ 18,601	\$ 14,762	\$ 12,359
Net Income	1,377	2,049	785	1,292	834
Adjusted Funds from Operations (AFFO) ⁽²⁾	16,669	11,571	7,728	8,293	7,054
PER SHARE DATA:					
Basic Earnings Per Common Share	\$ 0.07	\$ 0.13	\$ 0.17	\$ 0.51	\$ 0.37
Diluted Earnings Per Common Share	0.07	0.13	0.17	0.51	0.37
AFFO	0.72	0.57	0.69	1.09	0.97
Distributions to Common Shareholders	0.72	0.72	0.72	0.72	0.72
BALANCE SHEET DATA (as of December 31):					
Total Assets ⁽³⁾	\$455,355	\$261,021	\$196,568	\$101,516	\$ 96,017
Total Debt ⁽⁴⁾	256,521	110,819	71,837	65,341	61,535
Minority Interest in Partnership	15,147	16,779	38,971	20,258	20,436
Total Shareholder's Equity	164,703	119,792	71,460	11,378	10,210

(1) Total revenues consisted primarily of percentage and fixed lease revenues during 2001-2003. The Company terminated eight leases on January 31, 2004 and the remaining six leases as of April 1, 2004.

(2) Funds from Operations (FFO) as defined by NAREIT represents net income (loss) (computed in accordance with generally accepted accounting principles), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated assets, plus certain non-cash items, such as depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We present Adjusted Funds From Operations (AFFO), which reflects FFO in accordance with the NAREIT definition plus the following additional adjustments: adding back income allocated to units of partnership interest in its operating partnership, because we report AFFO to common shareholders on a fully diluted basis assuming conversion of those units to common shares; adding back income allocated to units of partnership interest in its operating partnership related to discontinued operations; adding back depreciation related to discontinued operations; adding back distributions to holders of preferred units of partnership interest in its operating partnership, which are expensed on our income statement; adding back our non-cumulative preference from Mystic Partners joint venture based upon our contributed capital; and making adjustments to ground lease payments, which are required by GAAP to be amortized on a straight-line basis over the term of the lease, to reflect the actual lease payment.

(3) Total assets includes \$3,407 and \$18,758 of hotel assets held for sale at December 31, 2005 and 2004, respectively.

(4) Total debt includes \$375 and \$13,058 of debt or capital leases related to assets held for sale at December 31, 2005 and 2004, respectively.

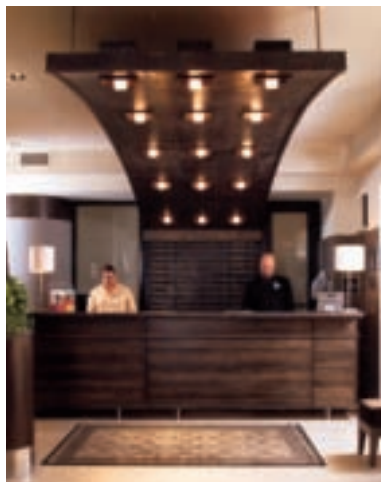
Year Ended December 31,

(In thousands, except per share data)

	2005	2004	2003	2002	2001
HOTEL OPERATING RESULTS ^(a)					
Total Revenues	\$127,195	\$ 72,076	\$ 38,428	\$ 33,384	\$ 30,755
Occupancy %	71.32%	67.21%	64.80%	63.81%	61.70%
Average Daily Rate	\$ 106.18	\$ 97.62	\$ 85.52	\$ 81.66	\$ 76.91
Revenue Per Available Room	\$ 75.73	\$ 65.61	\$ 55.41	\$ 52.11	\$ 47.44

(a) Pertains to all hotels owned as of year end including the total results of hotels owned in a joint venture structure.

HERSHA HOSPITALITY TRUST



Letter *to*

Since our IPO in

Hersha Hospitality Trust had a record 2005 posting growth and performance that firmly established our position as the leading owner of upscale lodging real estate in the Northeastern United States.

Our portfolio is well balanced with a combination of stabilized properties that provide the Company with current income to fuel our dividend and newly developed hotels that lead to capital appreciation for our shareholders. We continue to see opportunities to expand our portfolio, but remain highly selective to ensure both a strategic fit with our portfolio and enhanced long-term shareholder value.

While we continue to look forward to 2006 and beyond, we pause to acknowledge the accomplishment of several important objectives in 2005:

- We added 20 hotels with 2,712 rooms with an aggregate fair market value of \$370 million to our portfolio in our core,

high barrier-to-entry markets in New York City; Boston, Massachusetts; Washington, DC; Philadelphia, Pennsylvania and Hartford, Connecticut;

- We acquired hotels primarily within the market leading Marriott and Hilton family of brands;

- We sold 2 non-core hotels and plan several more dispositions this coming year;

- We raised \$110 million of equity and debt through the issuance of preferred stock and trust preferred securities at favorable rates;

- We arranged a \$60 million credit facility with terms that provide flexibility to respond to opportunistic investments in today's fast paced market environment;

- We paid our 27th consecutive quarterly dividend since our IPO in 1999



our Shareholders

1999, Hersha Hospitality Trust has been one of the fastest growing REITs in the country.





...remarkable

Our portfolio, including joint venture interests, produced remarkable revenue per available room (RevPAR) growth

per **revenue**
available room
(revPAR) **growth.**



Hilton Garden Inn, Edison, New Jersey

HERSHA HOSPITALITY TRUST

for a current annual dividend yield of nearly 8%, maintaining our position as the highest dividend yielding Company in the lodging sector; and

- We added experienced senior managers to our accounting, acquisitions, and asset management teams to respond to the increasing complexity of public reporting and to bolster our infrastructure as we continue to grow.

Since our IPO in 1999, we have been one of the fastest growing REITs in the

of 16.2% over last year compared to 8.4% for the industry.

country while still producing total returns for shareholders in excess of 200%. And while we believe these are extraordinary results, we see that the Company's best interests and value creation opportunities are still ahead. Moreover, with management's ownership of 15% of the outstanding stock, the second highest ownership position in the Company, the alignment between management and shareholders is the highest in the sector.

PERFORMANCE

Our position in high barrier-to-entry metropolitan markets and ownership of market leading assets and brands led to strong operating results for the year. Our consolidated hotel portfolio produced remarkable revenue per available room (RevPAR) growth of 16.2% over last year compared to 8.4% for the industry. System-wide, our average daily rate (ADR), the most profitable component of growth, improved 8.5% from last year while occupancy grew by 7.0%.

The full portfolio produced gross operating profit margins of 41.4% in 2005,

versus 38.5% in 2004. Our earnings before interest, taxes, depreciation and amortization (EBITDA) from consolidated investments grew a strong 62% to \$27.7 million. Our EBITDA growth benefited from our strong RevPAR growth, offset somewhat by the newly developed assets, which will post above market performance in the coming years. The newly developed assets require additional spending during their ramp-up period, but deliver strong returns as they reach stabilization.

Our adjusted funds from operations (Adjusted FFO) for the full year benefited from our same store sales growth and acquisition-led sales growth. For the full year 2005, our Adjusted FFO increased a strong 26% to \$0.72 per diluted share compared to \$0.57 for the full year 2004.

STRATEGIC DISCIPLINE

Hersha's value proposition remains simple: we provide superior investment returns to our investors through appreciation in real estate values and growth in FFO and dividends. We have delivered this performance across the last several years by executing on a focused and disciplined strategic plan - to acquire institutional grade, branded hotels in urban and primary suburban markets with high barriers to new competition in the northeastern United States. This enables our operators to drive the highest rates in our peer set, leading to above market profitability.

In order to realize this vision we place great emphasis on our capital structure and an effective balance sheet strategy maintaining appropriate levels of debt and equity. Last year we chose to fix or cap a large portion of our debt to take advantage of historically low interest

HERSHA HOSPITALITY TRUST



Hersha's value proposition remains simple: we provide superior investment returns to our investors

rates. At the end of 2005, roughly 90% of our debt was fixed or capped and our weighted average cost of debt stood at an attractive 6.98% with a comfortable average debt maturity of 10.5 years.

Our liquidity at the 2005 year-end was strong enabling investments in 8 hotels with an aggregate value of \$212 million since the beginning of this year, including the Hampton Inn Philadelphia Center City and the Hilton Garden Inn JFK International Airport in New York City. We will continue to take advantage of favorable capital markets to balance our overall leverage and increase our liquidity to fuel our acquisition of accretive and long-term value enhancing hotel investments.

SUPERIOR CAPITAL ALLOCATION

We have systematically allocated our capital in investments that create near-term and long-term shareholder value through greater profitability and strong real estate value. We continue to focus our acquisitions program on best-in-class assets that achieve higher

RevPAR than our peers and consequentially, achieve among the highest margins in our sector.

In the early spring, we acquired the 136-room Hampton Inn Herald Square, Manhattan in New York City. This asset enjoyed a market with contracting supply and the highest demand growth in the nation leading to a RevPAR of \$160 and an EBITDA margin of 51% in its first year of operation. Later in the summer, we purchased the Brookline, Massachusetts Marriott Courtyard Hotel. Located in the Coolidge Corner commercial district, this 188-room hotel benefits from corporate, medical and leisure demand generators operating at a \$122 RevPAR and an EBITDA margin of 53%. Earlier this year we acquired the Marriott Residence Inn in Tysons Corner, Virginia, one of the most dynamic corporate markets in the Washington, DC metro. This 96-room hotel occupies some of the most valuable real estate in the market and performs at a RevPAR of \$122 with an operating profit margin of 47%. These are just several examples of our best-in-class

ANNUAL REPORT 2005



through appreciation in real estate values and growth in FFO and dividends.

...superior investment
returns to
investors.



Courtyard by Marriott, Brookline, Massachusetts



...profitability

Driving continued revenue growth and profitability through aggressive asset management is an

through
asset aggressive
Management.

HERSHA HOSPITALITY TRUST

acquisitions, which are difficult to duplicate, in outstanding physical condition, and positioned to deliver value to shareholders currently and well into the future.

Additionally, we were very active with our value enhancing joint-venture program in 2005. In the competitive acquisitions marketplace, our JV program has provided Hersha with a competitive advantage in sourcing newly developed hotels before they reached the open market. During 2005, we purchased

integral component of the Hersha Plan.

interests in 12 hotels through our joint-venture program including the Mystic Marriott Hotel and Spa.

The benefits of the JV program are clear: Hersha earns an attractive preferred cash return on and of invested equity and participates in value growth, with mitigated downside risk.

We offer our joint venture partners development line financing and mezzanine loans to build hotels in our core markets. This financing is accretive to our earnings in the short-term, but more importantly offers Hersha a first right of refusal on purchase of the asset. This pipeline of newly developed acquisitions represents many of our leading assets in the portfolio including, the Hampton Inn Chelsea and the Hampton Inn Madison Square Garden in Manhattan.

VALUE-ADDED ASSET MANAGEMENT

Driving continued revenue growth and profitability through aggressive asset management is an integral component of

the Hersha program. Our position as the leading owner of multi-branded hotels in the northeastern corridor and our unique cluster based ownership strategy creates a rare opportunity to benchmark similar hotels to identify best practices, value enhancement tactics and efficiencies that can be used to better manage our hotels. We will continue our aggressive revenue management programs to optimize top line performance and focus on reducing operating costs and identifying efficiencies in expenses that can lead to higher profitability.

The quality of our hotels and the markets in which they are located create high guest expectations and; therefore, we must work very closely with our operators to reduce labor costs and generate savings that do not effect the perceived quality of our hotels or the satisfaction of our guests. Nonetheless, we expect that our desirable assets and the dense, metropolitan markets where they are located, will allow our managers to drive top line revenues leading to meaningful margin growth and value creation for shareholders.

ADVANCING THE HERSHA LEGACY

In 2005, the Company enacted a management succession plan, which is designed to ensure continuity of the successful strategy that has led to the Company's market outperformance to date. In December, Hasu P. Shah, our Founder, CEO and Chairman of the Board of Trustees, resigned as Chief Executive Officer. At that time, the Board of Trustees appointed Jay H. Shah, previously President and Chief Operating Officer of Hersha, as Chief Executive Officer of the Company. Hasu P. Shah

HERSHA HOSPITALITY TRUST



In 2006 and 2007, analysts expect that we will be operating in

remains as Chairman of the Board. On behalf of the Company and the Board of Trustees, as CEO I would like to thank Hasu P. Shah for his vision, leadership and many years of tireless effort, which have served to guide us in defining our core principles and creating the strong foundation upon which Hersha's success has been built. We are fortunate to have continued access to his knowledge and visionary business insight as the leader of our Board of Trustees. His involvement will be invaluable as we move Hersha into the next generation of quality management and leadership.

Our future is bright. The disciplined and focused strategy of acquiring upper upscale, upscale and midscale hotels in the highest barrier-to-entry markets in the northeastern U.S. has outperformed the sector over the long-term and has provided superior returns to our shareholders since our initial public offering seven years ago. In 2006 and 2007 analysts expect that we will be operating in one of the most favorable operating environments in the history of the lodging

industry. Increasing demand with limited supply growth is an ideal environment for revenue and operating profit margin growth - particularly for newer hotels with the most prominent brands in the industry.

As you know, the officers, Board of Trustees, and affiliates of the Company own a substantial portion of the Company's outstanding stock. In addition to our commitment and hard work, we offer the strongest alignment of management interests in the sector. We believe in the Hersha legacy and have a very strong outlook for 2006. We look forward to continuing our legacy of creating the highest total return for our shareholders in the years ahead.

A handwritten signature in black ink, appearing to read 'Hasu P. Shah'.

Hasu P. Shah
Chairman

A handwritten signature in black ink, appearing to read 'Jay H. Shah'.

Jay H. Shah
Chief Executive Officer

ANNUAL REPORT 2005



one of the most favorable operating environments in the history of the lodging industry.

...operating in one of
the most favorable
environments.



Hilton Garden Inn, Glastonbury, Connecticut

HERSHA HOSPITALITY TRUST

HT PROPERTIES 2006

BOSTON METRO AREA

Courtyard by Marriott, Brookline
Residence Inn, Framingham
Courtyard by Marriott, South Boston
Holiday Inn Express, South Boston
Sheraton Four Points, Boston/Logan Airport

CONNECTICUT/RHODE ISLAND

Marriott Hotel & Spa, Mystic
Residence Inn, Mystic
Springhill Suites, New London
Courtyard by Marriott, Norwich
Marriott Hotel-Hartford Convention Center ¹
Hilton City Center, Hartford
Hilton Garden Inn, Hartford South/Glastonbury
Holiday Inn Express, Hartford
Residence Inn, Southington
Residence Inn, Danbury
Courtyard by Marriott, Warwick

NEW YORK CITY

Hampton Inn, Manhattan/Chelsea
Hampton Inn, Manhattan/Madison Square Garden
Hilton Garden Inn, JFK International Airport/NY Metro ¹

NEW JERSEY

Hilton Garden Inn, Edison/Raritan Center
Courtyard by Marriott, Ewing/Princeton
Hampton Inn, Linden/Newark Airport
Fairfield Inn & Suites, Mt. Laurel ¹

DELAWARE

Courtyard by Marriott, Wilmington
Inn at Wilmington, Wilmington

PHILADELPHIA METRO AREA

Hampton Inn, Philadelphia Center City ¹
Courtyard by Marriott, Langhorne ¹
Holiday Inn Express, Oxford Valley
Holiday Inn Express & Suites, King of Prussia
Mainstay Suites, Valley Forge
Sleep Inn, Valley Forge
Holiday Inn Express, Malvern
Fairfield Inn & Suites, Bethlehem ¹

PENNSYLVANIA

Hampton Inn & Suites, Hershey
Holiday Inn Express, Hershey
Hilton Garden Inn, Gettysburg
Holiday Inn Conference Center, Harrisburg West
Holiday Inn Express & Suites, Harrisburg
Comfort Inn, Harrisburg
Hampton Inn, Carlisle
Hampton Inn, Danville
Hampton Inn, Selinsgrove
Holiday Inn Express, New Columbia
Courtyard by Marriott, Scranton ¹

WASHINGTON D.C. METRO AREA

Residence Inn, Tyson's Corner/Vienna ¹
Residence Inn, Greenbelt
Fairfield Inn, Laurel
Mainstay Suites, Frederick
Comfort Inn, Frederick

VIRGINIA

Residence Inn, Williamsburg
Springhill Suites, Williamsburg

ATLANTA METRO AREA

Hampton Inn, Peachtree
Hampton Inn, Newnan
Comfort Suites, Duluth
Holiday Inn Express, Duluth

¹) Acquired subsequent to December 31, 2005.

HERSHA HOSPITALITY TRUST 2005

BOARD OF TRUSTEES

	Hasu P. Shah Chairman Hersha Hospitality Trust
Jay H. Shah Chief Executive Officer Hersha Hospitality Trust	
	K.D. Patel Director Hersha Hospitality Management, L.P.
Michael A. Leven Chairman & CEO US Franchise Systems, Inc.	
	William Lehr, Jr. Former Senior Vice President Hershey Foods Corporation
Donald J. Landry Former CEO and President Sunburst Hospitality, Inc.	
	John M. Sabin CFO and General Counsel Phoenix Health Systems, Inc.
Thomas S. Capello Founder & Principal First Capital Equities	

CORPORATE INFORMATION

Hersha Hospitality Trust
148 Sheraton Drive
New Cumberland, PA 17070
Telephone: (717) 770-2405
Facsimile: (717) 774-7383

INDEPENDENT AUDITORS

KPMG LLP
Certified Public Accountants
30 North Third Street
Harrisburg, Pennsylvania 17108-1190
Telephone (717) 260-4600

REGISTRAR AND STOCK TRANSFER AGENT

American Stock Transfer & Trust Company
10150 Mallard Creek Drive, Suite 307
Charlotte, NC 28262
Telephone: (800) 829-8432

CORPORATE OFFICERS

Jay H. Shah Chief Executive Officer	
	Neil H. Shah Chief Operating Officer
Ashish R. Parikh Chief Financial Officer	
	Michael R. Gillespie Chief Accounting Officer
David L. Desfor Treasurer	
	Kiran P. Patel Corporate Secretary

LEGAL COUNSEL

Hunton & Williams
Riverfront Plaza
951 East Byrd Street
Richmond, Virginia 23219
Telephone: (804) 788-8200

COMMON STOCK INFORMATION

The Common Stock of Hersha Hospitality Trust is traded on the American Stock Exchange under the Symbol "HT"



**HERSHA HOSPITALITY TRUST
PENN MUTUAL TOWERS
510 WALNUT STREET
PHILADELPHIA, PA 19106
TELEPHONE. 215.238.1046
FACSIMILE. 215.238.0157**

WWW.HERSHA.COM