HERSHA HOSPITALITY TRUST
Form 424B5
August 02, 2005

Filed Pursuant to Rule 424(b)5
Registration No. 333-113061

PROSPECTUS SUPPLEMENT
(To Prospectus dated April 2, 2004)

2,400,000 Shares
Hersha Hospitality Trust
8.00% Series A Cumulative Redeemable Preferred Shares Of Beneficial Interest
(Liquidation Preference $25.00 Per Share)

Hersha Hospitality Trust is offering 2,400,000 shares of its 8.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, $0.01 par value per share, which we refer to in this prospectus supplement as the Series A Preferred Shares, on terms summarized as follows:

We will pay quarterly cumulative dividends, in arrears, on the Series A Preferred Shares from and including the date of original issue, payable on January 15, April 15, July 15 and October 15 of each year, when and as declared, beginning on October 15, 2005, at a yearly rate of 8.00% of the $25.00 liquidation preference, or $2.00 per Series A Preferred Share per year.

We may not redeem the Series A Preferred Shares prior to August 5, 2010, except as necessary to preserve our qualification as a real estate investment trust, or REIT, for federal income tax purposes. On or after August 5, 2010, we may, at our option, redeem the Series A Preferred Shares, in whole or in part at any time and from time to time, for $25.00 per Series A Preferred Share plus an amount equal to any accrued and unpaid dividends through and including the date of redemption, payable in cash. Any partial redemption will generally be on a pro rata basis.

The Series A Preferred Shares have no stated maturity, are not subject to any sinking fund provisions and will remain outstanding indefinitely unless we redeem them.

Holders of the Series A Preferred Shares will generally have no voting rights, except if we fail to pay dividends on any Series A Preferred Share for six or more quarterly periods (whether or not consecutive), or as otherwise required by law.

To assist us in qualifying as a REIT, ownership of our Series A Preferred Shares by any person is generally limited to 9.9% of the aggregate number of outstanding Series A Preferred Shares.

There is currently no public market for the Series A Preferred Shares. We have applied to list the Series A Preferred Shares on the American Stock Exchange under the symbol HT.PR.A. If this application is approved, trading of the Series A Preferred Shares on the American Stock Exchange is expected to commence within the 30-day period following the initial delivery of the Series A Preferred Shares to the underwriters.

Investing in our Series A Preferred Shares involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement and on page 2 of the prospectus to which it relates.

	Per Share	Total
Public Offering Price(1)	$ 25.0000	$ 60,000,000
Underwriting Discounts and Commissions	$ 0.7875	$ 1,890,000
Proceeds to Hersha Hospitality Trust (before expenses)	$ 24.2125	$ 58,110,000

(1) Plus accrued dividends, if any, from the date of original issuance.

Delivery of the Series A Preferred Shares will be made on or about August 5, 2005.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement and the prospectus to which it relates are truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book Running Managers

Wachovia Securities **UBS Investment Bank**

Co-Managers

Raymond James

Robert W. Baird & Co.

Stifel, Nicolaus & Company Incorporated

The date of this prospectus supplement is July 29, 2005.

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You may rely only on the information contained in or incorporated by reference into this prospectus supplement and the prospectus to which it relates. Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in or incorporated by reference into this prospectus supplement or the prospectus to which it relates. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement and the prospectus to which it relates or the documents incorporated herein or therein is accurate as of any date other than the date of this prospectus supplement, the accompanying prospectus or such documents.

References to our company, we, and our in this prospectus supplement and the accompanying prospectus mean Hersha Hospitality Trust, including, unless the context otherwise requires (including the discussion of federal income tax treatment of Hersha Hospitality Trust and its shareholders), our operating partnership and other direct and indirect subsidiaries. Our operating partnership or HHLP refers to Hersha Hospitality Limited Partnership, a Virginia limited partnership. HHMLP refers to Hersha Hospitality Management, L.P. and its subsidiaries, which are the entities that manage our hotels. Common shares means our common shares of beneficial interest, par value $0.01 per share. Series A Preferred Shares means our Series A Cumulative Redeemable Preferred Shares of beneficial interest, par value $0.01 per share.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This prospectus supplement and the prospectus to which it relates contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, without limitation, statements containing the words, believes, anticipates, expects and words of similar import. Such forward-looking statements relate to future events, our future financial performance, and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers should specifically consider the various factors identified, or incorporated by reference in this report including, but not limited to those discussed in the sections entitled Risk Factors in this prospectus supplement and the prospectus to which it relates and those discussed in any documents filed by us with the Securities and Exchange Commission, or SEC, that could cause actual results to differ. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any reports, statements, or other information we file with the SEC at its public reference room in Washington, D.C. (100 F Street, N.E., Room 1580, 20549). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings are also available to the public on the internet, through a database maintained by the SEC at http://www.sec.gov. In addition, you can inspect and copy reports, proxy statements and other information concerning Hersha Hospitality Trust at the offices of the American Stock Exchange, Inc., 86 Trinity Place, New York, New York 10006, on which our common shares (symbol: HT) are listed.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to other documents that we file with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and later information filed with the SEC will update and supersede this information.

We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the completion of this offering.

Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2004, as amended by Form 10-K/ A, filed May 2, 2005.

Quarterly Report on Form 10-Q for the three months ended March 31, 2004, filed May 10, 2005.

Current Reports on Form 8-K filed January 26, 2005; March 8, 2005; March 10, 2005; April 6, 2005; May 4, 2005; May 17, 2005; May 19, 2005; June 1, 2005, as amended by Forms 8-K/ A filed June 23, 2005 and July 20, 2005; June 6, 2005; June 21, 2005, as amended by Form 8-K/ A filed July 25, 2005; June 22, 2005, as amended by Form 8-K/ A filed July 20, 2005; June 27, 2005; July 6, 2005 and July 26, 2005.

You may request a copy of these filings (other than exhibits and schedules to such filings, unless such exhibits or schedules are specifically incorporated by reference into this prospectus supplement or the accompanying prospectus), at no cost, by writing or calling us at the following address:

Hersha Hospitality Trust
510 Walnut Street, 9th Floor
Philadelphia, Pennsylvania 19106
215-238-1046

All brand names, trademarks and service marks appearing in this prospectus supplement are the property of their respective owners. This prospectus supplement contains registered trademarks owned or licensed to companies other than us, including but not limited to Hilton Garden Inn®, Hampton Inn®, Courtyard® by Marriott®, Residence Inn® by Marriott®, Sheraton Four Points®, DoubleTree®, Holiday Inn®, Holiday Inn Express®, Homewood Suites® by Hilton®, Embassy Suites®, Spring Hill Suites® by Marriott® and Staybridge Suites®, none of which, in any way, are participating in or endorsing this offering and shall not in any way be deemed an issuer or underwriter of the securities issued under this prospectus supplement, and shall not have any liability or responsibility for any financial statements or other financial information contained or incorporated by reference in this prospectus.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is a summary, it may not contain all of the information that is important to you. You should read this entire prospectus supplement, the prospectus to which it relates, especially the Risk Factors section beginning on page S-8 of the prospectus supplement and on page 2 of the prospectus to which it relates, and the documents incorporated by reference carefully before deciding whether to invest in the Series A Preferred Shares. You should consult your legal and tax advisors to understand fully the terms of the Series A Preferred Shares. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this prospectus supplement and the prospectus to which it relates.

Hersha Hospitality Trust

Overview

Hersha Hospitality Trust is a self-advised Maryland real estate investment trust that was organized in 1998 and completed its initial public offering in January 1999. We focus primarily on owning and operating high quality, mid-scale and up-scale limited service hotels in established markets in the Eastern United States. Our primary growth strategy is to continue to acquire high quality, mid-scale and up-scale hotels in metropolitan markets with high barriers to entry in the Northeastern United States. As of June 30, 2005, our total portfolio, which includes wholly-owned hotels and hotels we own in joint ventures, consisted of 35 hotels with a total of 3,705 rooms located in Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Maryland, Washington, D.C. and Georgia, which operate under leading brands, such as Courtyard by Marriott, Residence Inn by Marriott, Spring Hill Suites by Marriott, Hilton Garden Inn, Homewood Suites by Hilton, Hampton Inn, Sheraton Four Points, DoubleTree, Embassy Suites, Holiday Inn, Holiday Inn Express and Staybridge Suites. We have elected to be treated as a REIT for federal income tax purposes. We are structured as an umbrella partnership REIT, or UPREIT, meaning that we own our hotels through our operating partnership, Hersha Hospitality Limited Partnership, or HHLP, for which we serve as the general partner.

As of June 30, 2005, we owned 31 hotels with a total of 3,101 rooms, which we refer to herein as our wholly-owned hotels. All of our wholly-owned hotels are leased to 44 New England Management Company, a wholly-owned taxable REIT subsidiary, or TRS, or one of its subsidiaries. Our wholly-owned hotels are currently managed by Hersha Hospitality Management, L.P., or HHMLP, a private management company owned by certain of our trustees, officers and other third party investors.

As of June 30, 2005, we owned through four joint ventures interests in four hotels with a total of 604 rooms, which we refer to herein as our joint venture hotels, all of which were leased to TRSs owned by those joint ventures. As of June 30, 2005, all of our joint venture hotels were managed by HHMLP.

In addition to owning hotels directly and through joint ventures, we also invest a smaller amount of our capital in mortgage, mezzanine and development loans to hotel owners and developers. As of March 31, 2005, we had advanced loans of approximately $35.4 million in the aggregate. We typically acquire options or rights of first refusal to purchase hotels to which we make loans and believe these loans help us to identify and secure acquisition opportunities.

Our address is 510 Walnut Street, 9th Floor, Philadelphia, Pennsylvania 19106. Our telephone number is (215) 238-1046. Our common shares are listed on the American Stock Exchange, or AMEX, under the symbol HT. Our website is www.hersha.com. Information appearing on our website is not a part of this prospectus supplement or the prospectus to which it relates.

Operating Strategy

Increase Same Hotel Performance

Our operating strategy focuses on increasing same hotel performance for our portfolio. The key elements of this strategy are:

- working together with our hotel management companies to increase occupancy levels and revenue per available room, or RevPAR, through active property-level management, including intensive marketing efforts to tour groups, corporate and government extended stay customers and other wholesale customers and expanded yield management programs, which are calculated to better match room rates to room demand; and

- positioning our hotels to capitalize on increased demand in the mid-scale and up-scale lodging segment, which we believe can be expected to follow from improving economic conditions, by managing costs and thereby maximizing earnings.

Pursue Quality Acquisitions in Cluster Markets in the Northeastern United States

Our primary growth strategy is to continue to acquire high quality, mid-scale and up-scale limited service hotels in primary metropolitan markets and stable secondary markets with high barriers to entry in the Northeastern United States. We believe that current market conditions are creating opportunities to acquire hotels at attractive prices. In executing our disciplined acquisition program, we intend to acquire hotels that meet the following additional criteria:

- nationally-franchised hotels operating under popular brands, such as Courtyard by Marriott, Residence Inn by Marriott, Spring Hill Suites by Marriott, Hilton Garden Inn, Homewood Suites by Hilton, Hampton Inn, Sheraton Four Points, DoubleTree, Embassy Suites, Holiday Inn, Holiday Inn Express and Staybridge Suites;

- hotels in locations with significant barriers to entry, such as high development costs, limited availability of land and lengthy entitlement processes; and

- hotels in our target markets where we can realize operating efficiencies and economies of scale.

In addition to the recent acquisitions described below, in the ordinary course of our business, we are actively considering hotel acquisition opportunities.

Utilize Leverage Prudently

The relative stability of the mid-scale and up-scale segment of the limited service lodging industry allows us to increase returns to our shareholders through the prudent application of leverage. Our strategy is to maintain target debt levels in the range of approximately 60% to 65% of the total purchase price of our hotels both on an individual and aggregate basis. As of March 31, 2005, our total debt was approximately 52% of the total purchase price of all our hotels on an aggregate basis. We may employ a higher amount of leverage at a specific hotel to achieve a desired return when warranted by that hotel s historical operating performance and may use modestly greater leverage across our portfolio if and when warranted by prevailing market conditions.

Recent Developments

Recent Acquisitions

Since March 31, 2005, we have completed the following additions to our portfolio:

Hampton Inn, Herald Square, New York, New York. On April 1, 2005, we acquired 100% of the membership interests in Brisam Hotel LLC, the owner of the Hampton Inn, Herald Square in New York, New York, from Hasu P. Shah, our chairman and chief executive officer and the sole managing member of Brisam Hotel LLC, for approximately $31.3 million. In determining the purchase price, we obtained an independent appraisal of the membership interests in Brisam Hotel LLC and an agreed-upon procedures report from an independent public accounting firm. The acquisition was approved by the acquisition committee of our board of trustees, which is comprised solely of independent trustees, and also by our board of trustees, including all independent trustees. In connection with the acquisition of the Hampton Inn Herald Square, a subsidiary of HHLP assumed a mortgage loan secured by the property which has since been increased to $22.0 million.

McIntosh Portfolio, Philadelphia and Wilmington. In May and June 2005, we completed the acquisition of a portfolio of five hotels from an unaffiliated selling group for approximately $48.9 million. This portfolio consists of the following properties located in leading Philadelphia, Pennsylvania and Wilmington, Delaware submarkets:

- Holiday Inn Express Hotel & Suites King of Prussia, King of Prussia, Pennsylvania, which was purchased for approximately $16.1 million;
- Holiday Inn Express of Frazer Malvern, Frazer, Pennsylvania, which was purchased for approximately $8.2 million;
- Holiday Inn Express of Langhorne Oxford Valley, Langhorne, Pennsylvania, which was purchased for approximately $7.8 million; and
- Courtyard by Marriott and McIntosh Inn of Wilmington, Wilmington, Delaware, which were purchased for approximately $16.8 million.

In connection with the acquisition of the McIntosh portfolio, a subsidiary of HHLP incurred approximately $34.2 million of mortgage debt secured by the five hotels in the portfolio, which was provided by UBS Real Estate Investment, Inc., an affiliate of one of the underwriters.

Brookline Courtyard by Marriott, Brookline, Massachusetts. On June 16, 2005, we acquired the Brookline Courtyard by Marriott in Brookline, Massachusetts from an unaffiliated seller. Our purchase included the hotel, improvements, certain personal property and a pre-paid ground lease for the underlying land with a remaining term of approximately 90 years. The purchase price for our interest in this property was approximately $54.5 million. In connection with this acquisition, a subsidiary of HHLP obtained (and HHLP guaranteed) a $38.9 million mortgage loan secured by the Brookline property from Wachovia Bank, N.A., an affiliate of one of the underwriters.

All of these hotels are leased to 44 New England Management Company, our wholly-owned TRS, or one of its subsidiaries and are managed by HHMLP or one of its subsidiaries.

Recent Dispositions

Since March 31, 2005, we have completed the following dispositions from our portfolio:

Holiday Inn Express, Long Island City, New York. On May 13, 2005, we sold the land, improvements and certain personal property of the Holiday Inn Express Hotel in Long Island City, New York to an unaffiliated buyer for approximately $9.0 million.

Doubletree Club Hotel, Jamaica, New York. On May 13, 2005, we sold the land, improvements and certain personal property of the Doubletree Club Hotel in Jamaica, New York to an unaffiliated buyer for approximately $11.5 million.

Pending Joint Ventures

Williamsburg Joint Ventures. On March 2, 2005, we entered into definitive agreements to enter into joint ventures with the members of LTD Associates One, LLC and LTD Associates Two, LLC, pursuant to which we will acquire a 75.0% membership interest in the owners of (i) the Spring Hill Suites Williamsburg, Virginia for approximately $6.4 million, which reflects a total valuation of $14.5 million and $6.0 million of indebtedness secured by the property, and (ii) the Residence Inn Williamsburg, Virginia for approximately $5.5 million, which reflects a total valuation of $16.0 million and $8.7 million of indebtedness secured by the property. We will have a preferred equity position in these joint ventures, which will lease the hotels to joint ventures owned by our TRS and an affiliate of our joint venture partner. LTD Management Company, a management company affiliated with our joint venture partner but not affiliated with our company, will continue to manage the hotels. Closing on these joint ventures is subject to certain conditions, including debt refinancing, transfer of the franchise and other customary closing conditions.

Mystic Partners Joint Venture with Waterford. On June 15, 2005, we signed a definitive agreement to enter into a joint venture with Waterford Hospitality Group, LLC and Mystic Hotel Investors, LLC, pursuant to which we will establish a joint venture under the name Mystic Partners, LLC. Waterford Hospitality Group will contribute to Mystic Partners a portfolio of its membership interests in nine entities, each of which is either wholly-owned or majority-owned by the Waterford Hospitality Group and its affiliates. These entities own seven stabilized and two newly-developed Marriott- and Hilton-branded hotels with an aggregate of 1,707 rooms in Connecticut and Rhode Island. The aggregate value of the portfolio is approximately $250.0 million. We will contribute to Mystic Partners approximately $52.0 million in cash, subject to adjustment, in exchange for a 66.7% preferred equity interest in the seven stabilized hotel properties in the portfolio and a 50.0% preferred equity interest in the two newly-developed hotel properties in the portfolio, subject to the minority participations. Each property will be leased to a joint venture between our wholly-owned TRS and Waterford, in which we will have the same participation as we have in the joint venture. Each property will be managed by Waterford Hotel Group, Inc., a management company affiliated with our joint venture partner but not affiliated with our company. Closing on this joint venture is subject to certain conditions, including debt refinancings and re-sizings for the respective properties, transfers of franchises and other customary closing conditions. We anticipate using the proceeds of this offering to fund the purchase price of our joint venture interest. For more information on the Mystic Partners joint venture with Waterford, please refer to our Current Report on Form 8-K filed on June 21, 2005, as amended on July 25, 2005.

South Boston Joint Venture. On May 17, 2005, we signed a definitive agreement to enter into two joint ventures with affiliates of Jiten Hotel Management, Inc., an unaffiliated hotel management company, pursuant to which we acquired on July 1, 2005 a 49.9% interest in the owner of a 164 room Courtyard by Marriott in South Boston, Massachusetts, for approximately $4.7 million, and will acquire a 49.9% interest in the owner of a 118 room Holiday Inn Express in South Boston, Massachusetts for approximately $2.3 million. The two hotels owned by the South Boston joint ventures will be leased to a joint venture owned by our wholly-owned TRS and our joint venture partner and managed by an affiliate of our joint venture partner but not affiliated with our company. Closing on the second hotel in this joint venture is subject to certain conditions, including debt refinancing, transfer of the franchise and other customary closing conditions.

Other Recent Developments

On April 5, 2005, we provided a first lien mortgage financing commitment of approximately $9.0 million for the construction of a Homewood Suites in Glastonbury, Connecticut by PRA Suites at Glastonbury, LLC, an unrelated third party owner. Advances under this loan will accrue interest at a rate of 10.0% per annum. Pursuant to the terms of this loan, we have acquired the first right of refusal to purchase a preferred joint venture interest in this asset, which right will survive the repayment of the loan.

On April 29, 2005, we provided a first lien mortgage financing commitment of $5.5 million for the acquisition and renovation of the Holiday Inn in Norwich, Connecticut by 44 Hersha Norwich Associates, LLC, 50% of which is owned by Hasu P. Shah. Advances under this loan will accrue interest at a rate of 10.0% per annum. We have a right of first refusal to purchase this property, which right will survive the repayment of the loan.

In May 2005, two of our statutory trust subsidiaries conducted private sales of an aggregate of $50.0 million of trust preferred securities. In connection with that issuance and sale, HHLP issued to the statutory trusts an aggregate of approximately $51.5 million of unsecured fixed/floating rate junior subordinated notes due 2035. We used the proceeds from these trust preferred securities for general corporate purposes including the acquisition of hotel properties.

On June 27, 2005, we announced the appointment of Michael R. Gillespie as our Chief Accounting Officer. Prior to joining Hersha, Mr. Gillespie was the Manager, Financial Policy & Controls for Tyco Electronics Corporation, a manufacturer of electronic components and subsidiary of Tyco International, from June 3, 2003 until June 17, 2005. Prior to this, he was Senior Manager in the Audit and Assurance Practice at KPMG LLP from May 28, 2002 until June 2, 2003. From September 1995 to May 27, 2002, he served as Experienced Manager in the Audit and Business Advisory Practice at Arthur Anderson LLP.

The Offering

For a more complete description of the rights, preferences and other terms of the Series A Preferred Shares specified in the following summary, please see the information under the captions Description of Series A Cumulative Redeemable Preferred Shares in this prospectus supplement and Description of Shares of Beneficial Interest in the accompanying prospectus.

Issuer	Hersha Hospitality Trust, a Maryland real estate investment trust
Securities Offered	2,400,000 shares of our 8.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, $0.01 par value per share.
Price per Share	$25.00
Dividend Rate and Payment Dates	Cash dividends on the Series A Preferred Shares are cumulative from August 5, 2005, payable at the rate of 8.00% per year of the $25.00 liquidation preference per share (equivalent to a fixed annual amount of $2.00 per share), and payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on October 15, 2005. The first dividend payment will be for less than a full quarter and will cover the period from August 5, 2005 to October 15, 2005. Dividends on the Series A Preferred Shares will accrue regardless of whether: our agreements, including our credit facilities, at any time prohibit the current payment of dividends; we have earnings; there are funds legally available for the payment of such dividends; or such dividends are declared by our board of trustees. See Description of Series A Cumulative Redeemable Preferred Shares Dividends.
Liquidation Preference	The liquidation preference for each Series A Preferred Share is $25.00, plus an amount equal to all accrued and unpaid dividends (whether or not declared). See Description of Series A Cumulative Redeemable Preferred Shares Liquidation Preference.
Optional Redemption	Except in certain circumstances relating to the preservation of our federal income tax qualification as a REIT, the Series A Preferred Shares are not redeemable prior to August 5, 2010. On and after August 5, 2010, the Series A Preferred Shares may be redeemed for cash at our option, in whole or in part, at any time and from time to time, at a redemption price equal to $25.00 per share plus an amount equal to all accrued and unpaid dividends to and including the date fixed for redemption. See Description of Series A Cumulative Redeemable Preferred Shares Redemption.
Maturity	The Series A Preferred Shares do not have any stated maturity date, and we are not required to redeem these shares. Accordingly, the Series A Preferred Shares will remain outstanding indefinitely unless we decide to redeem them or repurchase shares in the open market, in each case, at our option, subject to

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the restrictions on redemption described herein. We are not required to set aside funds to redeem the Series A Preferred Shares.

Ranking

The Series A Preferred Shares will rank:

senior to our common shares with respect to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up;

on par with any class or series of our equity securities the terms of which specifically provide that such class or series are of equal rank with the Series A Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up; and

junior to all our indebtedness, including but not limited to the approximately $51.5 million of unsecured fixed/floating rate junior subordinated notes due 2035 issued by HHLP to two statutory trust subsidiaries in connection with the trusts issuance and sale of a like amount of fixed/floating rate trust preferred securities.

See Description of Series A Cumulative Redeemable Preferred Shares Ranking.

Voting Rights

Holders of the Series A Preferred Shares will generally have no voting rights, except as required by law. However, if we fail to pay dividends on any Series A Preferred Shares for six or more quarterly periods, whether or not consecutive, the holders of the Series A Preferred Shares (voting together with all other series of our preferred shares, if any, upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two members to serve on our board of trustees until all dividends accumulated on the Series A Preferred Shares have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. See Description of Series A Cumulative Redeemable Preferred Shares Voting Rights.

No Conversion

The Series A Preferred Shares are not convertible into or exchangeable for any of our other shares of beneficial interest or any other property or securities.

Restrictions on Ownership

Subject to certain exceptions, our Amended and Restated Declaration of Trust, provides for an Ownership Limit (as defined in our Amended and Restated Declaration of Trust) by a single Person (as defined in our Amended and Restated Declaration to Trust) to 9.9% of the aggregate number of outstanding shares of each class or series of common shares or preferred shares of our shares of beneficial interest (including the Series A Preferred Shares). See Description of Series A Cumulative Redeemable Preferred Shares Restrictions on Ownership.

Use of Proceeds

The net proceeds from the sale of the Series A Preferred Shares will be used to fund the purchase price of our interest in the

	Mystic Partners joint venture with Waterford and for general corporate purposes, including future acquisitions. See Use of Proceeds.
Listing	We have applied to list the Series A Preferred Shares on the AMEX under the symbol HT.PR.A. If this application is approved, trading of the Series A Preferred Shares on the AMEX is expected to commence within a 30-day period following the initial delivery of the Series A Preferred Shares to the underwriters.
Form	The Series A Preferred Shares will be issued and maintained in book-entry form registered in the name of the nominee of The Depositary Trust Company, except under limited circumstances.
Risk Factors	Investing in our Series A Preferred Shares involves a number of risks, some of which are described under Risk Factors beginning on page S-8 of this prospectus supplement and on page 2 of the prospectus to which it relates.

RISK FACTORS

An investment in our Series A Preferred Shares involves risks. You should carefully consider the risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before you decide to buy our Series A Preferred Shares. You should also consider the information contained in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which are incorporated by reference in this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our future filings under the Securities Exchange Act of 1934, as amended. For more information, see the section entitled, Where You Can Find More Information in this prospectus supplement.

We may not be able to complete our pending joint ventures on the currently proposed terms or at all.

We have signed definitive agreements to acquire interests in three joint ventures that will own a total of thirteen hotels for an aggregate of approximately $70.8 million, including our proposed Mystic Partners joint venture with Waterford. The proceeds of this offering will be used to fund our contribution to the Mystic Partners joint venture of approximately $52.0 million, subject to adjustment. The Mystic Partners joint venture with Waterford and other pending joint ventures are subject to various conditions to closing, including the financing or refinancing of debt secured by the properties, assignments or consents for franchise and other agreements and other customary closing conditions. While we and our joint venture partners are working diligently to satisfy all conditions to closing, some are not within our control and there can be no assurance that all such conditions can be satisfied. If all conditions to closing cannot be satisfied on a timely basis, the terms of the joint ventures may need to be restructured to reflect the failure of the condition. Otherwise, the joint ventures may be terminated. As a result, there can be no assurance that we will be able to consummate the joint ventures on the proposed terms or at all. If we consummate this offering but are not able to close the Mystic Partners joint venture with Waterford, there can be no assurance that we will be able to identify other appropriate uses of the proceeds of this offering on a timely basis.

We may be unable to successfully integrate acquired hotels into our operations or otherwise manage our planned growth, which may adversely affect our operating results.

We have recently acquired a substantial number of hotels and expect to use the proceeds of this offering to close a significant joint venture. We cannot assure you that we or HHMLP will be able to adapt our management, administrative, accounting and operational systems and arrangements, or hire and retain sufficient operational staff to successfully integrate these investments into our portfolio and manage any future acquisitions of additional assets without operational disruptions or unanticipated costs. Acquisition of hotels generates additional operating expenses that we will be required to pay. As we acquire additional hotels, we will be subject to the operational risks associated with owning new lodging properties. Our failure to integrate successfully any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to shareholders or make other payments in respect of securities issued by us.

Acquisition of hotels with limited operating history may not achieve desired results.

Many of our recent acquisitions, including some of the hotels in the Mystic Partners joint venture with Waterford, are newly developed hotels. Newly-developed or newly-renovated hotels do not have the operating history that would allow our management to make pricing decisions in acquiring these hotels based on historical performance. The purchase prices of these hotels are based upon management s expectations as to the operating results of such hotels, subjecting us to risks that such hotels may not achieve anticipated operating results or may not achieve these results within anticipated time frames. In addition, room revenues may be less than that required to provide us with our anticipated return on investment. If these newly developed hotels do not perform as expected, we may not have sufficient earnings and may need to borrow the necessary funds to pay the required dividends on the Series A Preferred Shares.

There can be no assurance that we have successfully remedied our recently identified material weaknesses in internal control over financing reporting.

In connection with the closing of our 2004 fiscal year, we identified certain matters involving our internal control over financial reporting that we and our independent auditors determined to be material weaknesses under standards established by the American Institute of Certified Public Accountants. These matters included a (1) lack of appropriately designed controls over account reconciliations and account analysis preparation, lack of appropriately designed controls over the review of recurring journal entries, and failure to maintain sufficient levels of appropriately qualified personnel in our financial reporting process; (2) failure of our internal control activities designed to ensure completeness and accuracy of payroll expenses to operate effectively and consistently among all hotel properties, and (3) failure of our internal control activities designed to ensure the existence and accuracy of reported revenue to operate effectively and consistently among all hotel properties. As a result of these material weaknesses in internal control over financial reporting, accounting errors, which were evaluated to be material misstatements in accordance with SEC Staff Accounting Bulletin 99, occurred requiring restatement of our previously reported interim financial information as of and for the periods ended March 31, 2004, June 30, 2004 and September 30, 2004.

Although we have attempted to remedy these material weaknesses in internal control over financial reporting by implementing a number of actions aimed at strengthening our financial reporting processes, we cannot assure you that the remedial measures we have taken will adequately address the identified material weaknesses. Moreover, we only implemented these processes during the end of the first fiscal quarter and throughout the second fiscal quarter of 2005, and neither we nor any third party has conducted any subsequent formal evaluation of our internal control over financial reporting. We will continue to take further remedial actions to improve our internal control over financial reporting in order to continue to meet the requirements for being a public company, including the rules under Section 404 of the Sarbanes-Oxley Act of 2002, but there can be no assurance that the improvements we have made or will make will be sufficient to ensure that we maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in misstatements in our financial statements in amounts that could be material. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the value of our Series A Preferred Shares.

We may engage in hedging transactions, which can limit our gains and increase exposure to losses.

We may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt and also to protect our portfolio of mortgage assets from interest rate and prepayment rate fluctuations. Our hedging transactions may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates and prepayment rates. Moreover, interest rate hedging could fail to protect us or could adversely affect us because, among other things:

- Available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought.

- The duration of the hedge may not match the duration of the related liability.

- The party owing money in the hedging transaction may default on its obligation to pay.

- The credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction.

- The value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments, or mark-to-market losses, would reduce our stockholders equity.

Hedging involves risk and typically involves costs, including transaction costs, which may reduce returns on our investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to stockholders. The REIT qualification rules may also limit our ability to enter into hedging transactions. See Additional Federal Income Tax Considerations Recent Legislation. We generally intend to hedge as much of our interest rate risk as our management determines is in our best interests given the cost of such hedging transactions and the requirements applicable to REITs. If we are unable to hedge effectively because of the cost of such hedging transactions or the limitations imposed by the REIT rules, we will face greater interest risk exposure than may be commercially prudent.

The Series A Preferred Shares do not have an established trading market, which may negatively affect the market value and your ability to transfer or sell your shares.

The Series A Preferred Shares are a new issue of securities with no established trading market. Since the Series A Preferred Shares have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the Series A Preferred Shares on the AMEX, but we cannot assure you that the shares will be approved for listing. If approved, trading is not expected to begin until up to 30 days after initial delivery of the shares. In addition, an active trading market on the AMEX for the Series A Preferred Shares may not develop or, even if it develops, may not continue, in which case the trading price of the shares could be adversely affected and your ability to transfer your Series A Preferred Shares would be limited. The trading price of the shares will depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and market conditions; and
- our financial condition, performance and prospects.

For example, an increase in market interest rates may have a negative effect on the trading value of the Series A Preferred Shares. The underwriters are not obligated to make a market in the Series A Preferred Shares, and if they do so, may discontinue market-making at any time without notice.

The Series A Preferred Shares are subordinated to our existing and future indebtedness.

Payment of amounts due on the Series A Preferred Shares will be subordinated to all of our existing and future indebtedness. As of March 31, 2005, our total indebtedness, including capital lease obligations and our pro rata portion of joint venture debt, was approximately $126.0 million. In addition, since March 31, 2005, HHLP has issued to two subsidiary statutory trusts an aggregate of approximately $51.5 million of unsecured fixed/floating rate junior subordinated notes due 2035 in connection with the trusts sale of $50.0 million of fixed/floating rate trust preferred securities. Subsidiaries of HHLP have continued to incur mortgage debt in connection with the various acquisitions closed since March 31, 2005. We will incur additional debt in the future to finance our hotel properties.

The Series A Preferred Shares have not been rated.

We have not sought to obtain a rating for the Series A Preferred Shares from any nationally recognized statistical rating organization.

Our future offerings of preferred equity securities may adversely affect the value of the Series A Preferred Shares.

We may issue additional Series A Preferred Shares and/or other classes or series of preferred shares. The issuance of additional preferred shares on parity with or senior to the Series A Preferred Shares with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up could reduce the amounts we may have available for distribution to holders of the Series A Preferred Shares. None of the provisions relating to the Series A Preferred Shares contain any provisions affording the holders of the Series A Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our assets or businesses, that might adversely affect the value of the Series A Preferred Shares.

As a result of our obligations to creditors and holders of securities ranking senior to the Series A Preferred Shares, we may not be able to make dividend or liquidation payments to you.

The Series A Preferred Shares will rank:

- senior to our common shares with respect to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up;

- on par with any class or series of our equity securities the terms of which specifically provide that such class or series are of equal rank with the Series A Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up; and

- junior to all our indebtedness, including but not limited to the approximately $51.5 million of unsecured fixed/floating rate junior subordinated notes due 2035 issued by HHLP to two statutory trust subsidiaries in connection with the trusts issuance and sale of a like amount of fixed/floating rate trust preferred securities.

As of March 31, 2005, our total indebtedness, including capital lease obligations and our pro rata share of joint venture debt, was approximately $126.0 million, and we expect to incur additional indebtedness in the future to finance our hotel properties. The terms of the Series A Preferred Shares do not limit our ability to incur indebtedness. If we incur significant indebtedness, we may not have sufficient funds to make dividend or liquidation payments on the Series A Preferred Shares. Upon our liquidation, our obligations to our creditors would rank senior to the Series A Preferred Shares and would be required to be paid before any payments could be made to holders of the Series A Preferred Shares.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the Series A Preferred Shares offered hereby will be approximately $57,935,000, after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us.

As required by the partnership agreement of our operating partnership, we will contribute all of the net proceeds to HHLP in exchange for a preferred partnership interest in the operating partnership, the rights, preferences and privileges of which will be substantially equivalent to the terms of the Series A Preferred Shares. We intend to use the net proceeds of this offering to fund the purchase price for our interest in the Mystic Partners joint venture with Waterford and for general corporate purposes, including future acquisitions.

RATIO OF EARNINGS TO FIXED CHARGES AND OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratios of earnings to fixed charges and of earnings to combined fixed charges and preferred stock dividends for the three months ended March 31, 2005, and for each of the last five fiscal years.

	Year Ended December 31,					Three Months Ended March 31, 2005
	2000	**2001(1)**	**2002(1)**	**2003(1)**	**2004(1)**	
Ratio of earnings to fixed charges	1.64x	1.63x	1.72x	1.33x	1.21x	(2)
Ratio of earnings to combined fixed charges and preferred stock dividends	1.64x	1.63x	1.72x	1.04x	1.12x	(2)

(1) For the years ended December 31, 2001, 2002, 2003 and 2004, the ratios of earnings to fixed charges and of earnings to combined fixed charges and preferred stock dividends for each year differ from their respective ratios of earnings to fixed charges and of earnings to combined fixed charges and preferred stock dividends as reflected on page 13 of the prospectus to which this prospectus supplement relates due to the exclusion of earnings from discontinued operations in such years.

(2) For the three months ended March 31, 2005, fixed charges exceeded earnings by $1,304,000 due primarily to the seasonal variation in the performance of our hotels. Typically, our hotels have stronger performance in the second and third quarters and weaker performance in the first and fourth quarters, as we believe is typical in the hospitality industry.

The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. The ratio of earnings to combined fixed charges and preferred stock dividends was computed by dividing earnings by the sum of fixed charges and dividends on preferred stock. Earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest costs, whether expensed or capitalized, amortization of line of credit fees and amortization of interest rate caps and swap agreements. Preferred stock dividends consist of the amount of pre-tax earnings that is required to pay distributions on preferred units of limited partnership interest in our operating partnership, all of which were redeemed in exchange for common shares effective April 16, 2004.

CAPITALIZATION

The following table sets forth the capitalization of Hersha Hospitality Trust as of March 31, 2005:

(1) on an actual basis;

(2) on a pro forma basis to give effect to the following acquisitions, dispositions and financing transactions that occurred after March 31, 2005, as if such acquisitions, dispositions and financing transactions occurred on such date, and the incurrence of any acquisition-related indebtedness:

- the acquisition of the Hampton Inn, Herald Square in New York, New York on April 1, 2005 for approximately $31.3 million plus transaction costs;
- the disposition of the Holiday Inn Express Hotel in Long Island City, New York on May 13, 2005 for approximately $9.0 million;
- the disposition of the Doubletree Club Hotel in Jamaica, New York on May 13, 2005 for approximately $11.5 million;
- the acquisition of the Holiday Inn Express Hotel & Suites King of Prussia in King of Prussia, Pennsylvania on May 23, 2005 for approximately $16.1 million plus transaction costs;
- the acquisition of the Holiday Inn Express of Frazer Malvern in Frazer, Pennsylvania on May 24, 2005 for approximately $8.2 million plus transaction costs;
- the acquisition of the Holiday Inn Express Langhorne Oxford Valley in Langhorne, Pennsylvania on May 26, 2005 for approximately $7.8 million plus transaction costs;
- the acquisition of the Brookline Courtyard by Marriott in Brookline, Massachusetts on June 16, 2005 for approximately $54.5 million plus transaction costs;
- the acquisition of the Courtyard by Marriott and the McIntosh Inn of Wilmington each in Wilmington, Delaware on June 17, 2005 for approximately $16.8 million plus transaction costs; and
- the issuance of an aggregate of approximately $51.5 million of notes payable relating to the sale of $50.0 million of trust preferred securities in May 2005.

(3) on a pro forma, as adjusted basis to give effect to the transactions described under (2) above and the sale of the Series A Preferred Shares offered hereby; and

(4) on a pro forma basis to give effect to the transactions described under (2) and (3) above and the acquisition of our interest in the Mystic Partners joint venture with Waterford.

This table should be read in conjunction with the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q and our Current Reports on Form 8-K filed in connection with certain of our recent acquisitions and joint ventures, including amendments to Current Reports on Form 8-K/A filed on July 20 and 25, 2005, which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of March 31, 2005			
	Actual	Acquisition, Disposition, and Financing Pro Forma	Preferred Offering Pro Forma	Acquisition of Interest in Mystic Pro Forma
	(Dollars in thousands)			
Cash	$ 6,097	$ 20,561	$ 78,496	$ 26,448
Debt:				
Lines of credit	$ 400	$	$	$
Mortgages payable	97,395	187,038	187,038	187,038
Notes payable relating to trust preferred securities		51,548	51,548	51,548
Debt related to hotel assets held for sale	12,952			
Other notes payable				
Capital lease payable	429	429	429	429