



**STARWOOD CAPITAL AND HERSHA HOSPITALITY MANAGEMENT ANNOUNCE
PARTNERSHIP TO BUILD PREMIER HOTEL MANAGEMENT COMPANY**

***Agreement Will Help Fuel National Expansion of Hersha's Successful Management
Hotel Platform***

Philadelphia, PA and Greenwich, CT – June 4, 2010 – Starwood Capital Group and Hersha Hospitality Management (“HHM”) announced today that they have entered into an agreement that will provide Hersha the resources to expand its highly successful platform across the United States. The transaction brings together two of the best known names in the real estate and hotel sectors. Starwood Capital is one of the world’s leading investment firms focused on real estate, having invested more than \$24 billion in assets since its inception, while the privately held HHM is a leading third-party hotel management company operating more than 70 hotels in major metropolitan markets. Under the terms of the agreement, Starwood Capital has purchased a 49.9% stake in HHM, for an undisclosed amount.

The new partnership will seek to capitalize on the ongoing industry recovery by aggressively pursuing select-service and full-service hotel management opportunities on a national scale. In addition, the venture will also target strategic investments in turnaround and opportunistic select-service hotels throughout the country and full-service hotels in select suburban markets.

“We are very pleased to be partnering with HHM,” said Barry Sternlicht, Chairman and CEO of Starwood Capital. “Over the years, we have built a close relationship with Hersha’s leadership team and admire its best-in-class operating capabilities and ability to create value for the properties it manages. Starwood Capital will contribute capital, deal flow and enterprise-building resources to help leverage HHM’s operating expertise across the country and across a broader spectrum of investments.”

“Partnering HHM with Starwood Capital allows us to leverage the considerable strengths of both organizations,” Naveen Kakarla, President and Chief Executive Officer of HHM said. “Barry Sternlicht and Starwood Capital Group have demonstrated keen judgment, innovative vision, and an unparalleled access to capital across several real estate cycles. HHM, I believe, has struck the fine balance between building a high quality multi-brand platform that is both scalable and process-oriented, while preserving a hands-on, entrepreneurial approach to managing hotels and projects.”

HHM currently operates more than 70 hotels in metropolitan regions in Boston, Connecticut, New York, New Jersey, Philadelphia and Washington, D.C. The company provides turnkey management services for properties with leading brand affiliations, including Marriott, Hilton, Hyatt, Starwood and InterContinental Hotels Group and, for independent and boutique hotels. The company's executive headquarters will remain in Philadelphia, PA and its operations and administrative headquarters will remain in Harrisburg, PA.

Starwood Capital Group is one of the world's leading private investment firms focused on real estate. In addition, Mr. Sternlicht is the founder of Starwood Hotels & Resorts, where he served as Chairman and CEO for nearly 10 years as the company grew into one of the world's leading hotel and leisure companies. Mr. Sternlicht also serves as the Chairman of Groupe du Louvre, which owns some of the world's best-known luxury hotels, including the Crillon in Paris, and one of the world's largest budget hotel companies, Louvre Hotels, with more than 800 hotels across Europe. In addition, a controlled affiliate of Starwood Capital acquired Golden Tulip out of bankruptcy in 2009, adding a network of more than 230 hotels in almost 40 countries to its portfolio.

Starwood Capital Group

Starwood Capital Group is a private U.S. Based investment firm with a core focus on global real estate. Since the group's inception in 1991, the firm, through its various funds, has invested more than \$24 billion in assets. Starwood employs approximately 150 people across 9 offices including Greenwich, San Francisco, Washington, D.C., Atlanta, London, Paris, Luxembourg, Mumbai and Tokyo. Starwood has invested in nearly every class of real estate on a global basis, including office, retail, multi-family, industrial, residential land, hotels, resorts, golf and senior housing assets. Starwood and its affiliates have successfully executed an investment strategy that includes building enterprises around core real estate portfolios in both the private and public markets and were responsible for the creation of Starwood Hotels & Resorts Worldwide (NYSE: HOT), iStar Financial (NYSE: SFI) and Starwood Property Trust (NYSE:STWD). Additional information about Starwood Capital may be found at www.starwoodcapital.com.

Hersha Hospitality Management

Hersha Hospitality Management operates more than 70 hotels in major metropolitan markets. The company provides turnkey management services, repositioning and renovation, and asset management services for properties across all hotel segments affiliated with Marriott, Hilton, Hyatt, Starwood and InterContinental Hotels Group and increasingly for independent boutique or lifestyle hotels. The company's clients include publicly traded companies, joint ventures, institutional real estate owners and private investors. Additional information about HHM may be found at www.hershahotels.com.

Media Contact:

Tom Johnson
Abernathy MacGregor Group
(212) 371-5999

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