

**Property Information:**

Acquisition Price: **\$58.0M (\$296k per room)**  
 Location: **Market St./Convention Center, San Francisco, CA**  
 Acquired: **October 25, 2012**  
 Rooms: **196**  
 Type: **Full-Service**  
 Built: **1907**  
 Converted to Hotel: **1999**

**Performance:**

2012 EBITDA<sup>(1)</sup>: **\$3.8M**  
 2012 EBITDA Yield<sup>(1)</sup>: **6.5%**

(1) Estimated discount to replacement cost at time of acquisition; EBITDA based on previously disclosed hotel earnings before interest, taxes, depreciation and amortization ("EBITDA"); EBITDA Yield reflects certain capital investments made by Pebblebrook as of year-end 2012.

**Property Highlights:**

- 196 AAA four-diamond guest rooms featuring high-speed wireless internet access, a fully stocked honor bar, 37" flat screen televisions, luxury Etro bath amenities and Kimpton signature brand bathrobes
- 3,000 square feet of flexible meeting space across four rooms
- Award-winning Fifth Floor Restaurant & Lounge, a signature restaurant, featuring New American food paired with contemporary cocktails and an extensive global wine list that serves breakfast and dinner daily
- Fitness Center
- Valet Parking



**Market Highlights:**

**Market Overview:**

- Proven history of double-digit RevPAR growth in recovery cycles – RevPAR CAGR of 12.1% from 1995 to 2000 and 9.4% from 2003 to 2008
- SoMa /Convention Center submarket has seen rapid growth and is increasingly becoming a high-demand 24/7 submarket of San Francisco
- Strategic west coast location allows global business opportunities and excellent access to rapidly growing Asian economies
- Diverse economic base with strong growth industries
- Highly educated population with an array of top-tier educational institutions, including Stanford University, UC San Francisco and UC Berkeley

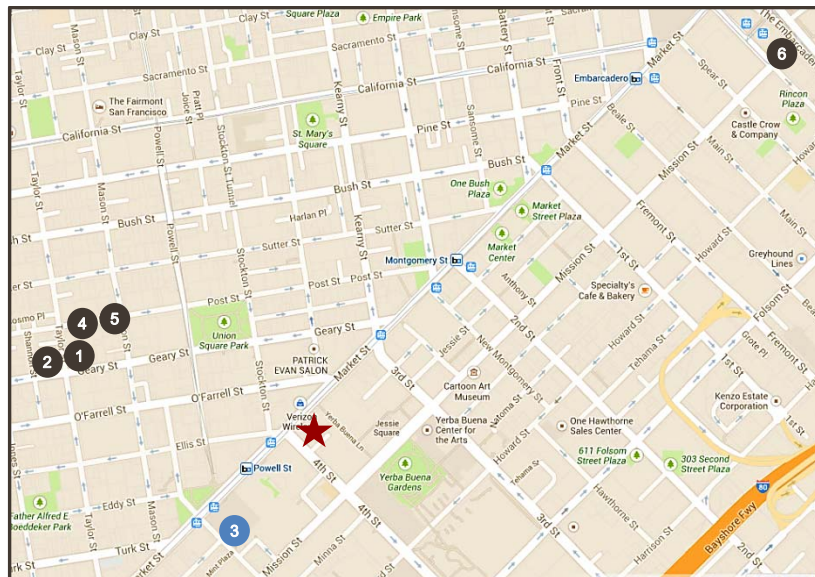
**Demand Generators:**

- The Moscone Convention Center
- Financial Center: Home to numerous prominent Fortune 500 companies, banks, financial service companies and venture capital firms
- Silicon Valley and San Francisco: High concentration of world-leading technology and software companies
- Biotechnology: Global leader for biotechnology firms and research
- Retail: Renowned Union Square retail center and the iconic Westfield San Francisco Shopping Centre adjacent to hotel
- Varied environmental demand generators lead to a diverse tourism base: Pacific Ocean, San Francisco Bay, Napa Valley, Mountains and National Parks

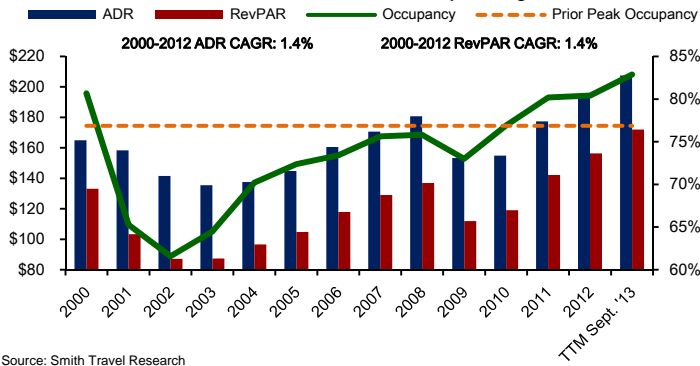


**Competitive Set:**

Hotels	Map Marker	Rooms	Year Opened
<b>Hotel Palomar San Francisco</b>	★	<b>196</b>	<b>1907</b>
Clift Hotel	1	372	1915
Hotel Monaco San Francisco	2	201	1910
Hotel Zetta (PEB Owned)	3	116	1994
Prescott Hotel	4	164	1917
JW Marriott Union Square	5	337	1987
JDV Hotel Vitale	6	200	2005
<b>Total (excluding the Hotel Palomar)</b>		<b>1,390</b>	



**San Francisco - Market St. Sub-Market Operating Performance**



**Investment Highlights:**

**Strengths**

- Excellent downtown/SoMa location
- Extremely high barriers to entry market
- International gateway market
- Significant discount-to-replacement cost
- San Francisco market is at peak Occupancy, ADR and RevPAR
- No new supply under construction
- New and significant economic drivers
- Excellent physical condition

**Opportunities**

- Growing South of Market (SoMa) market
- Renovation and expansion of Moscone Convention Center
- Significant development/redevelopment in the immediate submarket
- Improved cash flow through best practices and Pebblebrook asset management