

Property Information:

Acquisition Price: \$90.0M (\$216k per room)
Location: Union Square, San Francisco, CA
Acquired: June 22, 2010

Rooms: 416
Type: Upper Upscale, Full-Service
Built / Last Renovated: 1928 / 2011

Property Highlights:

- 416 well-appointed guest rooms and suites
- 18,000 square feet of meeting space in eleven rooms
- Five food and beverage options:
 - Scala's Bistro
 - The Wine Room at Scala's Bistro
 - Bar Drake
 - Starlight Room (rooftop lounge)
 - Starbucks (leased)
- Off-site valet parking
- 24-hour business center and fitness center
- 3,600 square feet of retail space

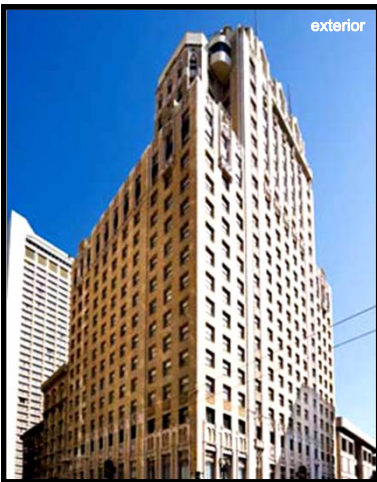
Market Highlights:

Market Overview:

- San Francisco is the fifth most populous region in the nation and the second most populous in California
- Highly educated population with array of top-tier educational institutions including Stanford University, San Francisco and UC Berkeley, UC San Francisco and UC Berkeley
- Excellent transportation infrastructure, with three international airports, a modern network of highways and an efficient public transportation system
- Proven history of double-digit RevPAR growth in recovery cycles
- Union Square location is a 2.5-acre plaza with one of the largest collections of department stores, boutique shops, art galleries and high-end salons in the United States (retailers include Gucci, Tiffany's, Barney's, Prada, etc.)

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
- Varied environmental demand generators lead to a diverse tourism base: Pacific Ocean, San Francisco Bay, Napa Valley, Mountains and National Parks



Historic Performance:

| | |
|---|--------|
| 2010 EBITDA ⁽¹⁾ : | \$3.4M |
| 2011 EBITDA (under renovation) ⁽¹⁾ : | \$5.0M |
| 2012 EBITDA ⁽¹⁾ : | \$8.4M |
| 2010 EBITDA Yield ⁽¹⁾ : | 3.6% |
| 2011 EBITDA Yield ⁽¹⁾ : | 4.9% |
| 2012 EBITDA Yield ⁽¹⁾ : | 8.0% |

(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 2010, year-end 2011 and year-end 2012.



Competitive Set:

| Hotels | Map Marker | Rooms | Year Opened |
|---|------------|--------------|-------------|
| Kimpton Sir Francis Drake Hotel | ★ | 416 | 1928 |
| Marriott San Francisco Union Square | 1 | 400 | 1971 |
| Grand Hyatt San Francisco | 2 | 660 | 1973 |
| InterContinental Mark Hopkins San Francisco | 3 | 383 | 1926 |
| Kimpton Hotel Monaco San Francisco | 4 | 201 | 1910 |
| Kimpton Serrano Hotel | 5 | 236 | 1928 |
| Hotel Nikko San Francisco | 6 | 532 | 1987 |
| Total (excluding Sir Francis Drake) | | 2,412 | |



Investment Highlights:

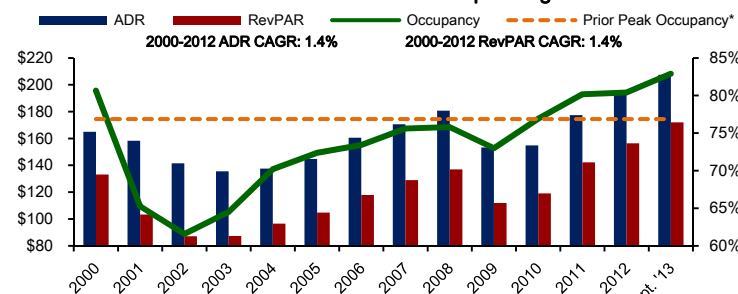
Strengths

- Famous historic hotel
- Union Square location
- Extremely high barriers to entry
- Diversified economic drivers
- A+ location in a truly world class city
- Destination food and beverage
- Historic/unique meeting space
- Strong lease income
- Significant discount to replacement cost

Opportunities

- Renovation and expansion of Moscone Convention Center
- Recently completed guest rooms, corridors, lobby, entrance and Starlight Room renovation
- Front entrance retail
- Proximity to Asia
- Improved cash flow through best practices and Pebblebrook asset management

San Francisco - Market St. Sub-Market Operating Performance



Source: Smith Travel Research
* Represents TTM peak occupancy for the San Francisco - Market St. sub-market in the prior cycle.