

Property Information:

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|--------------------|----------------------------|
| Acquisition Price: | \$127.0M (\$384K per room) |
| Location: | Portland, OR |
| Acquired: | July 17, 2014 |
| Rooms: | 331 |
| Type: | Luxury, Full-Service |
| Built: | 1909 |
| Last Renovated: | 2008 |

Property Highlights:

- 331 luxurious guest rooms, among the largest in the market, ranging from 365 to 628 square feet
- Urban Farmer Steakhouse, serving local and sustainable meals, and Departure, a rooftop restaurant and lounge serving Asian cuisine
- 13,500 square feet of meeting space
- Comprehensive \$140.0M (\$423K / key) adaptive reuse renovation completed in 2008
- Library with billiards, 24-hour fitness center, business center and club lounge
- Valet parking

Market Highlights:

Market Overview:

- Proven history of strong recovery from market downturns with a RevPAR compounded annual growth (CAGR) of 12.0% from 2003 to 2007 and a RevPAR CAGR of 9.4% from 2009 to 2013; Downtown Portland's 78.7% TTM May occupancy rate is above the market's historical peak
- Diversified demand base, provided by corporate, convention, and leisure-based guests, drove ADR growth above 7% in 2012 and 2013
- Downtown Portland offers over 10 million square feet of Class "A" office space
- Vastly diverse employment base with notable concentrations in the clean tech/environmental, active wear, software and manufacturing industries



Demand Generators:

- Oregon Convention Center, the largest convention center in the Pacific Northwest
- Tourism:
 - Pioneer Courthouse Square
 - Tom McCall Waterfront Park
 - The Pearl District's Jamison Square
 - Forest Park
 - Japanese Garden in the West Hills
 - Columbia River Gorge
 - Portland Center for Performing Arts
 - Tryon Creek State Natural Areas
 - International Rose Test Garden
- Strong growing corporate environment with Fortune 500 companies Intel, Nike and Precision Castparts
- Robust corporate demand, office leasing momentum and strong leisure presence

Historic Performance and Valuation:

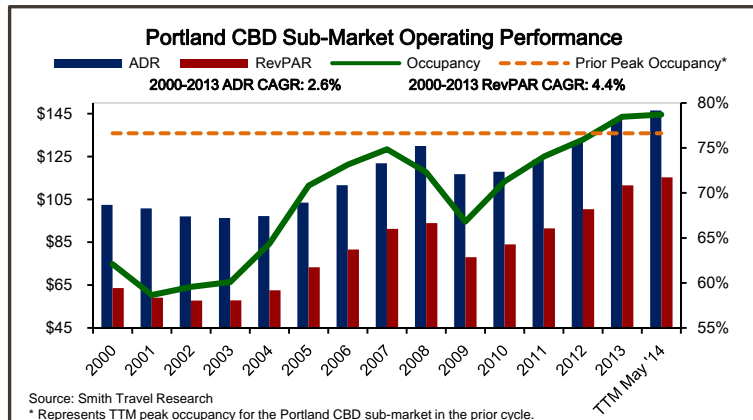
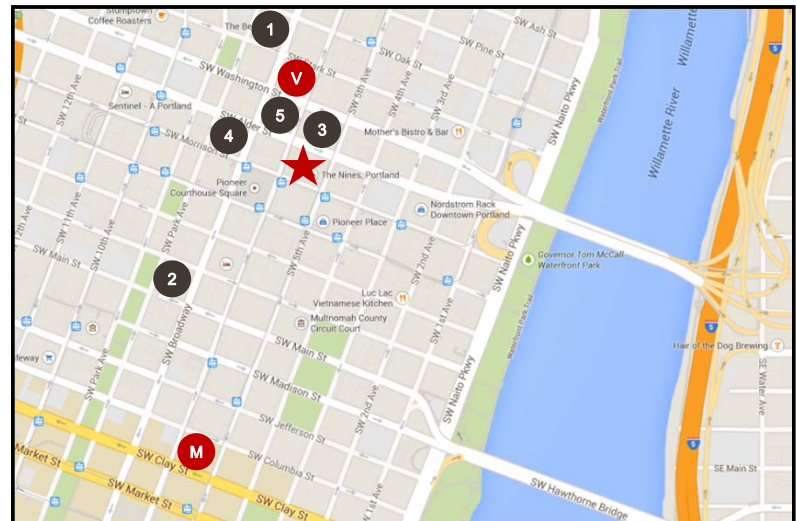
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|---|-------------|
| Estimated Discount to Replacement Cost: | 10% - 15% |
| 2013 Occupancy: | 88% |
| 2013 ADR: | \$193 |
| Forward 12-Month Cap Rate (Projected EBITDA) ⁽¹⁾ : | 9.4% - 9.9% |
| Forward 12-Month Cap Rate (Projected NOI) ⁽¹⁾ : | 8.2% - 8.7% |

(1) Based on previously disclosed forecasted net operating income after capital reserves ("NOI") and previously disclosed forecasted hotel earnings before interest, taxes, depreciation and amortization ("EBITDA").



Competitive Set:

| Hotels | Map Marker | Rooms | Year Opened |
|---|------------|---------------------|-------------|
| The Nines, A Luxury Collection Hotel | ★ | 331 | 2008 |
| The Benson, A Coast Hotel | 1 | 287 | 1912 |
| The Heathman Hotel | 2 | 150 | 1927 |
| Hotel Monaco Portland | 3 | 221 | 1996 |
| Westin Portland | 4 | 205 | 1999 |
| Marriott Portland City Center | 5 | <u>249</u> | 1999 |
| Total Comp Set (excluding The Nines Hotel) | | <u>1,112</u> | |
| Hotel Vintage Plaza (PEB Owned) | V | | |
| Hotel Modera (PEB Owned) | M | | |



Investment Highlights:

Strengths

- Premier location in West Coast gateway market
- Strong market with steady economic & hotel demand growth
- High barriers to entry & restrained supply
- Historically strong operating performance with consistent track record as the rate leader in the market

Opportunities

- Further increase ADR
- Limited new supply in pipeline
- Strong market in recovery cycles, exhibiting excellent demand fundamentals
- Improved cash flow through Pebblebrook asset management and best practices