

**Property Information:**

**Acquisition Price:** \$101.3M<sup>(1)</sup> (\$327K per room)  
**Location:** Santa Monica, CA  
**Acquired:** November 19, 2010  
**Rooms:** 310  
**Type:** Upper-UpSCALE, Full-Service  
**Built:** 1969  
**Converted / Expanded / Renovated:** 1972 / 1984 / 2012

(1) Total price of \$101.3M is net of \$1.5M received from seller as a reduction of purchase price because gross parking revenue hurdles were not met in 2011.

**Property Amenities:**

- 310 boutique-style guest rooms, including 11 suites
- Two-story Cabana building houses the 11 suites and overlooks the pool
- Over 10,000 SF meeting space spread across 7 rooms, including a 4,500 SF ballroom that represents Santa Monica's only penthouse meeting space
- Two food and beverage outlets
- Heated swimming pool with pool-side food and beverage service
- Business center and fitness center
- Valet parking and self parking in 298 spaces specifically for the hotel's use
- Managed by Viceroy Hotel Group

**Market Highlights:**

**Market Overview:**

- Santa Monica has a premier employment base with highly desirable residential and office markets and has seen considerable growth in the last 5-10 years.
- The Santa Monica office market has over 15 million square feet of office space and over 8 million square feet of Class "A" space with some of the highest rates in Los Angeles County and the United States.
- The market has shown strong growth and recovery coming out of economic downturns, with RevPAR increasing over 70% since the 2002 trough.



**Demand Generators:**

- World-renowned shopping and dining:
  - Santa Monica Beach/Pier
  - Third Street Promenade
  - Santa Monica Place
  - Main Street and Mid-City
  - Santa Monica Farmer's Market
  - Ocean Park
  - Pico Boulevard
- Santa Monica Civic Center
  - Santa Monica Civic Auditorium
  - Santa Monica City Hall
- LAX Airport and Santa Monica Airport
  - LAX is ranked 6<sup>th</sup> for passenger volume in the world
- Strong, growing corporate base that includes significant concentrations in the following areas:
  - Entertainment/Media
  - Financial/Legal/Real Estate
  - Technology (Google & Yahoo)
  - Advertising

**Historic Performance and Valuation:**

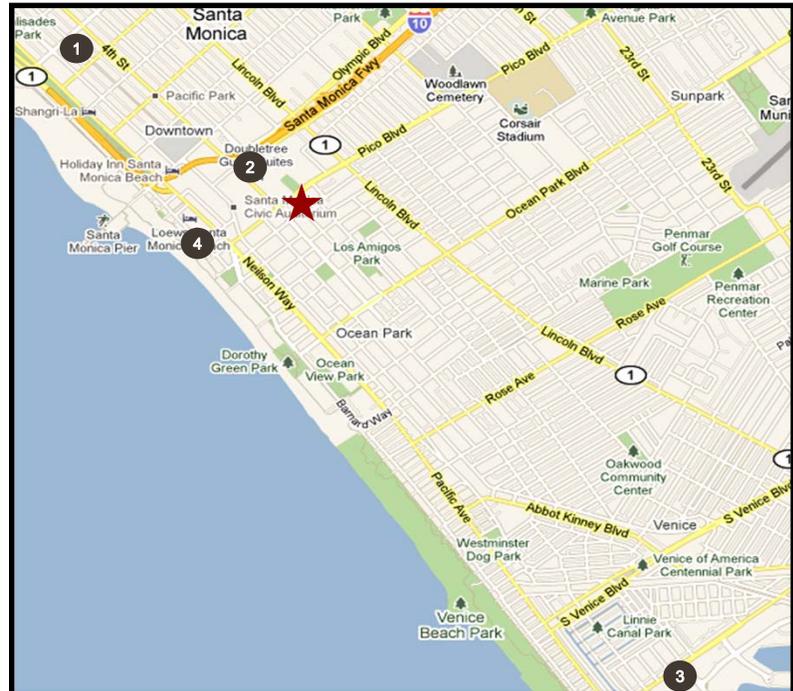
<b>Estimated Discount to Replacement Cost:</b>	25% - 30%
<b>2010 EBITDA<sup>(2)</sup>:</b>	\$5.3M
<b>2011 EBITDA<sup>(2)</sup>:</b>	\$6.8M
<b>2012 EBITDA (under renovation)<sup>(2)</sup>:</b>	\$6.9M
<b>2010 EBITDA Cap Rate<sup>(2)</sup>:</b>	5.2%
<b>2011 EBITDA Cap Rate<sup>(2)</sup>:</b>	6.4%
<b>2012 EBITDA Cap Rate<sup>(2)</sup>:</b>	6.2%

(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.

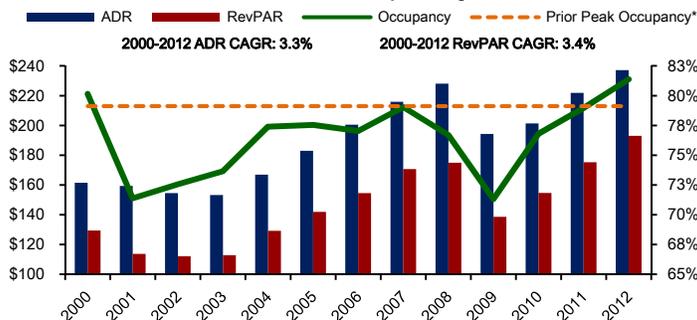


**Competitive Set:**

Hotels	Map Marker	Rooms	Year Opened
<b>Sheraton Delfina</b>	★	<b>310</b>	<b>1972</b>
Preferred Huntley Santa Monica Beach	1	204	1965
Doubletree Santa Monica	2	253	1990
Marriott Marina Del Rey	3	370	1982
Marriott JW Le Merigot Hotel & Spa	4	175	1999
<b>Total (excluding the Sheraton Delfina)</b>		<b>1,002</b>	



**Santa Monica Sub-Market Operating Performance**



Source: Smith Travel Research  
 \* Represents TTM peak occupancy for the Santa Monica sub market in the prior cycle.

**Investment Highlights:**

**Strengths**

- Extremely high barriers to entry
- New and significant economic drivers
- High-demand leisure and corporate meeting market
- Contemporary design
- Desirable, unique meeting space
- Competitive set continues to operate with strong occupancy

**Opportunities**

- Higher ADR potential with guestroom renovation and upbranding to a Le Méridien
- Improved cash flow through Pebblebrook's asset management best practices and initiatives