UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission file number 1-14045

LASALLE HOTEL PROPERTIES

(Exact name of registrant as specified in its charter)

Maryland	36-4219376
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1401 Eye Street, NW, Suite 900, Washington, D.C.	20005
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code 202/222-2600

Securities Registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on which registered
Common Shares of Beneficial Interest ($.01 par value)	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive or proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

As of March 10, 2000, there were 16,900,495 shares of the Registrant's Common Shares issued and outstanding. The aggregate market value of the Registrant's Common Shares held by non-affiliates of the Registrant (15,481,408 shares) at March 10, 2000 was approximately $185.8 million. The aggregate market value was calculated by using the closing price of the stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2000 Annual Meeting of Shareholders to be held on May 17, 2000 are incorporated by reference in Part III of this report.

LASALLE HOTEL PROPERTIES

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The "Company" means LaSalle Hotel Properties, a Maryland real estate investment trust, and one or more of its subsidiaries (including LaSalle Hotel Operating Partnership, L.P.), and the predecessor thereof or, as the context may require, LaSalle Hotel Properties only or LaSalle Hotel Operating Partnership, L.P. only.

INFORMATION CONTAINED IN THIS FINANCIAL REPORT CONTAINS "FORWARD-LOOKING STATEMENTS" RELATING TO, WITHOUT LIMITATION, FUTURE ECONOMIC PERFORMANCE, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND PROJECTIONS OF REVENUE AND OTHER FINANCIAL ITEMS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "FACTORS THAT MAY INFLUENCE RESULTS AND ACCURACY OF FORWARD LOOKING STATEMENTS" AND ELSEWHERE IDENTIFY IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

PART I

ITEM 1. BUSINESS

GENERAL

The Company was organized as a Maryland real estate investment trust on January 15, 1998 to own hotel properties and to continue and expand the hotel investment activities of Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) and certain of its affiliates (collectively "JLL"). The Company is managed and advised by LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL. As of December 31, 1999, the Company owned interests in 13 hotels with approximately 4,300 suites/rooms (the "Hotels") located in ten states. All of the Hotels are leased under participating leases ("Participating Leases") which provide for rent equal to the greater of base rent ("Base Rent") or participating rent ("Participating Rent") which is based on fixed percentages of gross hotel revenues. All of the Hotels are managed by independent hotel operators ("Hotel Operators"). The Company is a real estate investment trust ("REIT") as defined in the Internal Revenue Code of 1986, as amended (the "Code").

The hotel industry is highly competitive. Each of the Company's Hotels is located in a developed area that includes other hotel properties.

The number of competitive hotel properties in a particular area could have

a material adverse effect on occupancy, average daily rate ("ADR") and room revenue per available room ("RevPAR") of the Hotels.

The Company may be competing for investment opportunities with entities that have substantially greater financial resources than the Company including lodging companies and other REITs. These entities generally may be able to accept more risk than the Company can prudently manage, including risks with respect to the creditworthiness of a hotel operator or the geographic proximity of its investments. Competition generally may reduce the number of suitable investment opportunities offered to the Company and increase the bargaining power of property owners seeking to sell.

The Company's principal offices are located at 1401 Eye Street, NW, Suite 900, Washington, DC 20005. Effective March 25, 2000, the Company's principal offices will be located at 4800 Montgomery Lane, Suite M25, Bethesda, MD 20814.

FORMATION, INITIAL PUBLIC OFFERING AND SUBSEQUENT ACQUISITIONS

On April 23, 1998, the Company's Registration Statement on Form S-11 was declared effective. On April 29, 1998, the Company completed its initial public offering (the "IPO"); prior to such date, the Company had no operations. In connection with the IPO, the Company sold 14.2 million common shares of beneficial interest, $.01 par value (the "Common Shares"), at a price of $18 per Common Share, resulting in gross proceeds of $255.6 million and net proceeds (after deducting underwriting discounts and offering expenses) of approximately $234.1 million. The Company contributed all of the net proceeds of the IPO to LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), in exchange for an approximate 82.6% general and limited partnership interest in the Operating Partnership. The Operating Partnership used the net proceeds from the Company, the issuance of an additional 0.9 million Common Shares, the issuance of 1.3 million rights to purchase Common Shares and the issuance of 3.2 million limited partnership interests ("Units"), representing approximately 17.4% of the Operating Partnership, to acquire ten upscale and luxury full service hotels (the "Initial Hotels").

The Company completed the acquisition of two additional hotel properties during 1998. On June 1, 1998, the Company acquired a 95.1% interest in the 462-room San Diego Paradise Point Resort for an aggregate purchase price of $73.0 million. On June 24, 1998, the Company acquired a 100% interest in the 270-room Harborside Hyatt Conference Center & Hotel for an aggregate purchase price of $73.5 million.

On June 2, 1999, the Company acquired a 100% interest in the 182-room Hotel Viking and the adjacent 12-room inn in Newport, Rhode Island (the "Newport Property") through an indirect subsidiary, LHO Viking Hotel, L.L.C. (the "Viking Subsidiary LLC"). The Viking Subsidiary LLC is a limited liability company, of which the Operating Partnership is the sole member. The Newport Property was acquired from Bellevue Properties Inc. ("Bellevue"), for an aggregate purchase price of $28 million funded with proceeds from a borrowing under the Company's 1998 Amended Credit Facility.

The Newport Property is leased and operated by Viking Hotel Corporation, an affiliate of Bellevue.

Substantially all of the Company's assets are held by, and all of its operations are conducted through the Operating Partnership. The Company is the sole general partner of the Operating Partnership. At December 31, 1999, continuing investors held, in the aggregate, 1,559,234 Units or a 8.5% limited partnership interest in the Operating Partnership. The outstanding Units are redeemable at the option of the holder for a like

number of Common Shares of the Company, or, at the option of the Company, for the cash equivalent thereof.

To enable the Company to satisfy certain requirements for qualifications as a REIT, neither it nor the Operating Partnership can operate any of the hotels in which they invest. Accordingly, four of the Company's Hotels are leased to LaSalle Hotel Lessee, Inc. (the "Affiliated Lessee"). The Company owns a 9% interest in the Affiliated Lessee in which the Company together with JLL and LPI Charities, a charitable corporation organized under the laws of the state of Illinois, make all material decisions concerning the Affiliated Lessee's business affairs and operations. The remaining nine Hotels are leased to unaffiliated lessees (affiliates of whom also operate these Hotels).

THE ADVISOR

Upon completion of the IPO, the Company entered into an advisory agreement (the "Advisory Agreement") with the Advisor to provide acquisition, management, advisory and administrative services to the Company. The initial term of the Advisory Agreement extended through December 31, 1999, subject to successive, automatic one year renewals unless terminated according to the terms of the Advisory Agreement. The Company may terminate the Advisory Agreement without termination fees or penalties upon notice given at least 180 days prior to the end of the then current term of the Advisory Agreement. The Company's Board of Trustees approved the renewal of the Advisory Agreement for 2000.

GROWTH STRATEGIES

The Company's primary objectives are to maximize current returns to its shareholders through increases in distributable cash flow and to increase long-term total returns to shareholders through appreciation in the value of its Common Shares. To achieve these objectives, the Company seeks to (i) enhance the return from, and the value of, the Company's Hotels and any additional hotels and (ii) invest in or acquire additional hotel properties on favorable terms.

The Company seeks to achieve revenue growth principally through (i) renovations and/or expansions at certain of the Company's Hotels, (ii) acquisitions of full service hotel properties located in convention, resort, urban and major business markets in the U.S. and abroad, especially upscale and luxury full service hotels in such markets where the Company, through JLL's extensive research and local market experience, perceives strong demand growth or significant barriers to entry, and (iii) selective development of hotel properties, particularly upscale and luxury full service properties in high demand markets where development economics are favorable.

The Company intends to acquire additional hotel properties in targeted markets, consistent with the growth strategies outlined above and which may:

- possess unique competitive advantages in the form of location, physical facilities or other attributes;

- be available at significant discounts to replacement cost, including when such discounts result from reduced competition for properties with long-term management and/or franchise agreements;

- benefit from brand or franchise conversion, new management, renovations or redevelopment or other active and aggressive asset management strategies; or

. have expansion opportunities.

The Company believes its acquisition capabilities are enhanced by the considerable experience, resources and relationships of JLL in the hotel industry specifically and the real estate industry generally. Additionally, the Company believes that having multiple independent Hotel Operators creates a network that will continue to generate significant acquisition opportunities.

RECENT DEVELOPMENTS

Holiday Inn Plaza Park is being actively marketed for sale by the Company. Accordingly, the asset was classified as held for sale at December 31, 1999 and will no longer be depreciated. Based on initial pricing expectations, the net book value of the asset was reduced by $2,000 to $5,508. There can be no assurance that real estate held for sale will be sold.

On January 25, 2000, the Company entered into a joint venture arrangement (the "Chicago 540 Hotel Venture") with an institutional investor to acquire the 1,176-room Chicago Marriott Downtown (the "Chicago Property") in Chicago, Illinois. The Company, through the Operating Partnership, owns a 9.9% equity interest in the Chicago 540 Hotel Venture. The Company will receive an annual preferred return in addition to its pro rata share of annual cash flow. The Company will also have the opportunity to earn an incentive participation in net sale proceeds based upon the achievement of certain overall investment returns, in addition to its pro rata share of net sale or refinancing proceeds. The Chicago Property was leased to Chicago 540 Lessee, Inc., in which the Company also owns a 9.9% equity interest. The institutional investor owns a 90.1% controlling interest in both the Chicago 540 Hotel Venture and Chicago 540 Lessee, Inc.

Marriott International continues to operate and manage the Chicago Property.

HOTEL RENOVATIONS

The Company believes that its regular program of capital improvements at its Hotels, including replacement and refurbishment of furniture, fixtures, and equipment ("FF&E"), helps maintain and enhance their competitiveness and maximizes revenue growth under the Participating Leases. During the year ended December 31, 1999, the Company spent approximately $32 million on renovations and additional capital improvements at the Hotels. Additionally, the Company is planning to spend approximately $28 to $30 million on renovations and additional capital improvements at the Hotels during 2000.

Under the Participating Leases, the Company established a reserve for capital improvements at the Hotels (the "Reserve Funds"). The Reserve Funds have not been recorded on the books and records of the Company, as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve Funds was approximately $9.5 million at December 31, 1999, of which $4.6 million is available in restricted cash reserves for future capital expenditures.

TAX STATUS

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a result, the Company generally will not be subject to corporate income tax on that portion of its net income that is currently distributed to shareholders. A REIT is subject to a number of

highly technical and complex organizational and operational requirements, including requirements with respect to the nature of its gross income and assets and a requirement that it currently distribute at least 95% of its taxable income. The Company may, however, be subject to certain state and local taxes on its income and property.

SEASONALITY

The Hotels' operations are seasonal. Seven of the Company's Hotels maintain higher occupancy rates during the second and third quarters. The Marriott Seaview Resort generates a large portion of its revenue from golf related business and, as a result, revenues fluctuate according to the season and the weather. Radisson Hotel Tampa and Le Montrose All Suite Hotel experience their highest occupancies in the first quarter, while Holiday Inn Beachside Resort and Le Meridien New Orleans experience their highest occupancies in the first and second quarters. This seasonality pattern can be expected to cause fluctuations in the Company's quarterly lease revenue under the Participating Leases.

ENVIRONMENTAL MATTERS

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs or removal or remediation of certain hazardous or toxic substances on under, or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. In addition, the presence of contamination from hazardous or toxic substances, or the failure to remediate such contaminated property properly, may adversely affect the owner's ability to borrow using such property as collateral. Furthermore, a person who arranges for the disposal or treatment of a hazardous or toxic substance at a property owned by another, or who transports such substance to such property, may be liable for the costs of removal or remediation of such substance released into the environment at the disposal or treatment facility. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of the Hotels, the Company, the Operating Partnership, or the Lessee, as the case may be, may be potentially liable for such costs.

Phase I environmental site assessments ("ESAs") have been performed on all of the Hotels by a qualified independent environmental engineer. The purpose of the Phase I ESAs is to identify potential sources of contamination for which the Company may be responsible and to assess the status of environmental regulatory compliance. The Phase I ESAs include historical reviews of the Hotels, reviews of certain public records, preliminary investigations of the sites and surrounding properties, screening for the presence of asbestos-containing materials, polychlorinated biphenyls, underground storage tanks, and the preparation and issuance of a written report. The Phase I ESA's do not include invasive procedures, such as soil sampling or ground water analysis.

The ESAs have not revealed any environmental liability or compliance concerns that the Company believes would have a material adverse effect on the Company's business, assets, results of operations, or liquidity, nor is the Company aware of any material environmental liability or concerns. Nevertheless, it is possible that the Phase I ESAs did not reveal all environmental liabilities or compliance concerns or that material environmental liabilities or compliance concerns exist of which the Company is currently unaware. Moreover, no assurance can be given that (i) future laws, ordinances or regulations will not impose any material environmental

liability or (ii) the current environmental condition of the Hotels will not be affected by the condition of the properties in the vicinity of the Hotels (such as the presence of leaking underground storage tanks) or by third parties unrelated to the Operating Partnership or the Company.

The Company believes that its Hotels are in compliance, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which would have a material adverse effect on the Company. The Company has not been notified by any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of its present properties.

EMPLOYEES

The Company has no employees. The Advisor manages the day-to-day operations of the Company. All persons employed in the day-to-day operations of the Company's Hotels are employees of the management companies engaged by the Lessees to operate such hotels.

ITEM 2. PROPERTIES

HOTEL PROPERTIES

At December 31, 1999, the Company owned interests in the following 13 hotel properties:

Property	Number of Guest Rooms	Location
Radisson Convention Hotel	565	Bloomington, MN
Le Meridien New Orleans	494	New Orleans, LA
Le Meridien Dallas	407	Dallas, TX
Marriott Seaview Resort	297	Absecon, NJ (Atlantic City)
Holiday Inn Beachside Resort	222	Key West, FL
San Diego Paradise Point Resort	462	San Diego, CA
LaGuardia Airport Marriott	436	New York, NY
Omaha Marriott Hotel	299	Omaha, NE
Radisson Hotel Tampa	265	Tampa, FL
Holiday Inn Plaza Park	257	Visalia, CA
Le Montrose All Suite Hotel	132	West Hollywood, CA
Harborside Hyatt Conference		

Center & Hotel	270	Boston, MA
Hotel Viking	194	Newport, RI

RADISSON CONVENTION HOTEL. Radisson Convention Hotel is an upscale full service convention hotel located at the intersection of Interstate 494 and Highway 100, approximately 15 minutes from the Minneapolis/St. Paul International Airport, and five miles from the Mall of America. The hotel is leased to and operated by affiliates of Radisson Group, Inc. ("Radisson").

LE MERIDIEN NEW ORLEANS. Le Meridien New Orleans is a luxury full service convention oriented hotel located in downtown New Orleans, a major convention city. The hotel is centrally located across the street from the French Quarter and near the central business district, the Ernest N. Morial Convention Center and the New Orleans Superdome. The hotel has received the AAA Four Diamond award for 14 consecutive years. The hotel is subject to a 99-year ground lease, which expires May 2081. The hotel is leased to and operated by affiliates of Le Meridien Hotels & Resorts ("Meridien").

LE MERIDIEN DALLAS. Le Meridien Dallas is an upscale full service convention oriented hotel located in downtown Dallas, approximately 25 minutes from the Dallas/Fort Worth International Airport, in the heart of the city's arts and financial districts. The hotel is conveniently located near the City Convention Center, four stops away on the new Dallas light rail system, with a DART station adjacent to the hotel. The hotel is leased to and operated by Meridien.

MARRIOTT SEAVIEW RESORT. Marriott Seaview Resort is a luxury golf and conference resort located in Brigantine Bay, approximately nine miles north of Atlantic City, New Jersey. The hotel is leased to the Affiliated Lessee and operated by Marriott International, Inc. ("Marriott") pursuant to a long-term incentive-based operating agreement.

HOLIDAY INN BEACHSIDE RESORT. Holiday Inn Beachside Resort is an upscale full service resort comprised of several one, two and three-story buildings, located on an approximately 7.8 acre parcel north of U.S. 1 on the beach facing the gulf of Mexico. The resort is located on the island of Key West, considered to have the most consistent weather in Florida, and benefits from the island's reputation as a popular tourist destination. The hotel is leased to and operated by affiliates of Durbin Companies, Inc. ("Durbin").

SAN DIEGO PARADISE POINT RESORT. San Diego Paradise Point Resort is an upscale resort that lies on 44 acres and has nearly one mile of beachfront and is located in the heart of Mission Bay on Vacation Island, a 4,600-acre aquatic park in southwest San Diego County. The resort is minutes away from the San Diego International Airport and convenient to many major San Diego tourist attractions including Sea World, Old Town, Downtown San Diego, the San Diego Convention Center, Qualcomm Stadium and the San Diego Zoo. The hotel is subject to a 50-year ground lease, which expires December 2044. The hotel is leased to and operated by WestGroup San Diego Associates, Ltd ("WestGroup"), an affiliate of Noble House Hotels and Resorts.

LAGUARDIA AIRPORT MARRIOTT. LaGuardia Airport Marriott is an upscale full service urban/major business hotel located directly across from New York's LaGuardia Airport. The hotel is five minutes from Shea Stadium and the USTA National Tennis Center and 20 minutes from Manhattan. The hotel is leased to the Affiliated Lessee and operated by Marriott pursuant to a long-term incentive based operating agreement.

OMAHA MARRIOTT HOTEL. Omaha Marriott Hotel is an upscale full service major business hotel located in the western suburbs of Omaha at one of the city's busiest intersections (I-680 and West Dodge Road). The hotel is located in the Regency Office Park, a mixed use development containing over 865,000 square feet of office and retail space, and directly across West Dodge Road from Westroads Shopping Center, the largest shopping mall in Omaha. The hotel is leased to the Affiliated Lessee and operated by Marriott pursuant to a long-term incentive based operating agreement.

RADISSON HOTEL TAMPA. The Radisson Hotel Tampa is an upscale full service major business hotel located in east suburban Tampa, Florida. The hotel is situated at the entrance to Sabal Business Park, a three million square foot office complex. The hotel is near Busch Gardens and Houlihan's Stadium, 50 minutes from Walt Disney World in Orlando, and a 35 minute drive to Tampa International Airport. The hotel is leased to and operated by Radisson.

HOLIDAY INN PLAZA PARK. Holiday Inn Plaza Park is a mid-price full service hotel located at the junction of Highways 99 and 198 in Visalia, California. The hotel is situated in the heart of Central California, a major agri-business center and is also a popular tourist destination due to its central location and proximity to Yosemite, Sequoia and Kings Canyon National Parks. In addition, the hotel is utilized extensively by major corporate groups and social users due to the size and flexibility of its meeting space and ample parking. The hotel is leased to and operated by affiliates of Outrigger Lodging Services ("OLS").

LE MONTROSE ALL SUITE HOTEL. Le Montrose All Suite Hotel is a five-story, luxury full-service hotel located in West Hollywood, California, two blocks east of Beverly Hills and one block south of the "Sunset Strip". The hotel is within walking distance of many of the area's finest restaurants, retail shops and night clubs. The hotel attracts short and long-term guests and small groups primarily from the recording, film and design industries. The hotel is leased to and operated by OLS.

HARBORSIDE HYATT CONFERENCE CENTER & HOTEL. Harborside Hyatt Conference Center & Hotel is a full-service luxury conference and airport hotel located adjacent to Boston's Logan International Airport along the Boston waterfront. The property features 19,000 square feet of meeting space and is directly across from Boston's central business district and next to the Ted Williams tunnel, providing convenient access to downtown Boston. The property is subject to a long-term ground lease from Massport, Logan International Airport's owner and operating authority. The hotel is leased by the Affiliated Lessee and operated by Hyatt pursuant to a long-term incentive-based operating agreement.

HOTEL VIKING. Hotel Viking is a full-service upscale resort located on Bellevue Avenue in Newport, RI, a resort area that is rapidly becoming a year round hotel market. The Hotel offers 29,000 square feet of meeting space, two restaurants, a lounge and a rooftop bar. The acquisition also included the fully restored Kay Chapel and Trinity Parish House, both adjacent to the Hotel, as well as a twelve room inn located directly across the street. The hotel is leased and operated by Viking Hotel Corporation, an affiliate of Bellevue Properties Inc.

THE PARTICIPATING LEASES

In order for the Company to qualify as a REIT, neither the Company nor the Operating Partnership may operate hotels or related properties. The Operating Partnership leases the Hotels to the Lessees for terms of between six and 11 years (from commencement) pursuant to separate Participating Leases that provide for rent equal to the greater of Base Rent or Participating Rent and which set forth the Lessees' required capitalization

and certain other matters. Unless otherwise noted, each Participating Lease contains the provisions described below.

PARTICIPATING LEASE TERMS. The Participating Leases have an average term of approximately 10 years, with expiration dates staggered between the years 2004 and 2009, subject to earlier termination upon the occurrence of certain contingencies described in the Participating Leases (including, particularly, the provisions summarized below under the captions "Damage to Hotels," "Condemnation of Hotels," "Termination of Participating Leases for Failure to Meet Performance Goals" and "Termination of Participating Leases upon Disposition of Hotels"). The variation of the lease terms is intended to provide the Company with protection from the risk inherent in simultaneous lease expirations and to align the expiration of certain of the Participating Leases with the expiration of the applicable franchise license.

BASE RENT; PARTICIPATING RENT; ADDITIONAL CHARGES. Each Participating Lease requires the applicable Lessee to pay (x) the greater of (i) Base Rent in a fixed amount (ii) Participating Rent based on certain percentages of room revenue, food and beverage revenue and telephone and other revenue at the applicable Hotel, and (y) certain other amounts, including utility charges, certain impositions and insurance premiums, and interest accrued on any late payments or charges ("Additional Charges"). Each lease year and beginning in January 2001 for the Hotel Viking, the Base Rent and Participating Rent thresholds are increased to reflect any increase in the applicable Consumer Price Index published by the Bureau of Labor Statistics of the United States of America Department of Labor, U.S. City Average, Urban Wage Earners and Clerical Workers ("CPI"). Lessees are required to pay Base Rent monthly in arrears by the first day of each calendar month, and Participating Rent is payable quarterly in arrears by the twentieth day of each fiscal quarter, except for the Hotels operated by Marriott, the Hotel operated by Hyatt and Hotel Viking, whose rents are due in accordance with their respective Participating Leases, as defined. Participating Rent is calculated based on the year-to-date departmental receipts as of the end of the preceding fiscal quarter, plus the prorated amount of each of the applicable departmental thresholds for the fiscal quarter, or portion thereof, minus the cumulative Participating Rent previously paid for such fiscal year and the cumulative Base Rent paid for such fiscal year as of the end of the preceding fiscal quarter.

Other than real estate and personal property taxes, casualty insurance including business interruption insurance, ground lease payments, capital impositions and capital replacements and refurbishments (determined in accordance with generally accepted accounting principles ("GAAP"), which are obligations of the Company, the Participating Leases require the Lessees to pay rent, condominium dues, certain insurance, all costs and expenses, and all utility and other charges incurred in the operation of the Hotels. The Participating Leases also provide for rent reductions and abatements in the event of damage or destruction or a partial taking of any Hotel as described under "Damage to Hotels" and "Condemnation of Hotels."

The Company has sold certain FF&E to the Lessees of Radisson Convention Hotel and Le Meridien Dallas at its book value in exchange for promissory notes receivable ("FF&E Notes") of approximately $1.0 million and $.6 million, respectively. The FF&E Notes bear interest at 6.0% and 5.6% per annum, respectively, and are payable in monthly installments of interest only. These FF&E Notes have an initial term of five years unless extended at the Company's option. Additionally, the Company provided working capital to each of the Lessees in the aggregate amount of $5.9 million in exchange for a note receivable ("Working Capital Notes"). The Working Capital Notes bear interest at either 5.6% or 6.0% per annum, and are payable in monthly installments of interest only. The term of each Working Capital Note is identical to the term of the related Participating

Lease. Payments made under the FF&E Notes and the Working Capital Notes are used to reduce the related Participating Lease payments by an equal amount. The total of the interest income payments and Participating Lease payments will be equal to the amounts calculated by applying the rent provisions of the Participating Leases to the revenues of the Hotels.

RESERVES. The Participating Leases for the Hotels obligate the Company to make funds available for capital improvements at the Hotels (including the periodic replacement or refurbishment of FF&E)in amounts ranging from 4.0% to 5.5% of total revenue from the Hotels, with the amount of such reserve with respect to each hotel representing projected capital requirements of each hotel. The Company's obligation to make funds available for capital improvements has not been recorded on the books and records of the Company as such amounts are and will be capitalized as incurred. Any unexpended amounts will remain the property of the Company upon termination of the Participating Leases. The reserve requirements for the hotels operated by Marriott and Hyatt are contained in certain non-cancelable operating agreements, which require the reserves for the hotels operated by Marriott and Hyatt to be maintained through restricted cash escrows ("FF&E Escrows"). The amounts maintained in the FF&E escrows have been recorded on the books and records of the Company. Otherwise, the Lessees are required, at their expense, to maintain the Hotels in good order and repair, subject to ordinary wear and tear, and to make all necessary and appropriate nonstructural, foreseen and unforeseen, and ordinary and extraordinary repairs (other than capital repairs) which may be necessary and appropriate to keep the Hotels in good order and repair.

The Lessees are not obligated to bear the cost of any capital improvements or capital repairs to the Hotels. With the consent of the Company, however, the Lessees may utilize funds from the capital expenditure reserves to make capital additions, modifications or improvements to the Hotels. All such alterations, replacements and improvements are subject to all the terms and provisions of the Participating Leases and will become the property of the Company upon termination of the Participating Leases. The Company owns substantially all

personal property (other than FF&E which has been sold to the Lessees of Radisson Convention Hotel and Le Meridien Dallas, inventory, linens and other nondepreciable personal property) not affixed to, or deemed a part of, the real estate or improvements on the Hotels, except to the extent that ownership of such personal property would cause any portion of the rents under the Participating Leases not to qualify as "rents from real property" for REIT income test purposes.

INSURANCE AND PROPERTY TAXES. The Company is responsible for paying (i) real estate and personal property taxes on the Hotels, (ii) any ground lease payments on the Hotels, (iii) casualty insurance on the Hotels, and (iv) business interruption insurance on the Hotels. The Lessees are required to pay for or reimburse the Company for all liability insurance on the Hotels, with extended coverage, including comprehensive general public liability, workers' compensation and other insurance appropriate and customary for properties similar to the Hotels and naming the Company as an additional insured, where permitted by law.

EVENTS OF DEFAULT. Events of Default under the Participating Leases include, among others, the following:

(i) the failure by a Lessee to pay Base or Participating Rent within ten days after same is due; or with respect to Radisson Convention Hotel, ten days after notice of non-payment;

(ii) the failure of a Lessee to observe or perform any other term of a Participating Lease and the continuation of such failure beyond any applicable cure or grace period;

(iii) the failure of a Lessee to pay for required insurance;

(iv) the failure of a Lessee to maintain the Required Minimum Net Worth or the security deposit, as applicable;

(v) should a Lessee or Operator file a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or consent to the appointment of a custodian, receiver, trustee or other similar office with respect to it or any substantial part of its assets, or take corporate action for the purpose of any of the foregoing; or if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Lessee or Operator, a custodian, receiver, trustee or other similar officer with respect to the Lessee or Operator or any substantial part of its assets, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of the Lessee or Operator, or if any petition for any such relief shall be filed against the Lessee or Operator and such petition shall not be dismissed within 120 days;

(vi) should a Lessee or Operator cause a default beyond applicable grace periods, if any, under any Franchise Agreement or Operator Agreement relating to any Hotel; or

(vii) should a Lessee or Operator voluntarily cease operations of the Leased Property for more than three (3) days other than by reason of casualty, condemnation or force majeure.

In addition, an Event of Default will result in a cross-default of all other Participating Leases to which the Lessee is a party; except with respect to a default at Radisson Hotel Tampa, which would not result in a cross default of Radisson Convention Hotel.

INDEMNIFICATION. Under each of the Participating Leases, the Lessees will indemnify, and are obligated to hold harmless, the Company, the Advisor and their officers and trustees, from and against all liabilities, costs and expenses (including reasonable attorneys' fees and expenses) incurred by, imposed upon or asserted against the Company or any of them on account of, among other things, (i) any accident or injury to persons or property on or about the Hotels, (ii) any misuse by the applicable Lessee or any of its agents of the leased property, (iii) any environmental liability caused or resulting from any action or negligence of the Lessee or Operator (see "Environmental Matters"); (iv) taxes and assessments in respect of the Hotels (other than real estate and personal property taxes and income taxes of the Company on income attributable to the Hotels and capital impositions); (v) the sale or consumption of alcoholic beverages on or in the real property or improvements thereon; or (vi) the failure to comply with the terms of the Participating Leases by the Lessee; provided, however, that such indemnification will not be construed to require the Lessee to indemnify the Company against the Company's own negligent acts or misconduct.

ASSIGNMENT AND SUBLEASING. The Lessees are not permitted to sublet all or any part of the Hotels or assign their interest under any of the Participating Leases, other than to affiliates of certain of the applicable Lessees, without the prior written consent of the Company. No assignment or subletting will release a Lessee from any of its obligations under the Participating Leases unless the Company expressly agrees that the Lessee shall be released from any of its obligations under the Participating Leases.

DAMAGE TO HOTELS. In the event of damage to or destruction of any hotel covered by insurance which then renders the leased property unsuitable for its intended use and occupancy as a hotel, the Participating Lease shall terminate, and the Company shall generally be entitled to retain the proceeds of insurance. In the event that damage to or destruction of a hotel which is covered by insurance does not render the leased property unsuitable for its intended use and occupancy as a hotel, the Company generally will be obligated to repair or restore the hotel to substantially the same condition as existed immediately prior to such damage. In the event of damage to or destruction of any hotel that is not covered by insurance, the Company generally, may either repair, rebuild or restore the hotel (at the Company's expense) to substantially the same condition as existed immediately prior to such damage, or terminate the Participating Lease on the terms and conditions set forth in such Participating Lease.

CONDEMNATION OF HOTELS. In the event of a total condemnation of a hotel, the relevant Participating Lease will terminate with respect to such

hotel as of the date of taking, and the Company will be entitled to all of the condemnation award in accordance with the provisions of the Participating Lease. In the event of a partial taking which does not render the property unsuitable for its intended use as a hotel, then the Company generally will be obligated to restore the untaken portion of the property, and the Company shall contribute the condemnation award to the cost of such restoration.

TERMINATION OF PARTICIPATING LEASES. The Company has the right to terminate the Participating Lease for a hotel if the hotel fails to meet certain performance goals, as defined. Additionally, in the event the Company enters into an agreement to sell or otherwise transfer a hotel, the Company, at its option, may terminate the Participating Lease upon 30 days' notice to the applicable Lessee, subject to certain provisions. Additionally, in the event that changes in federal income tax laws allow the Company or a subsidiary or affiliate to directly operate hotels, the Company will have the right to terminate all, but not less than all, Participating Leases with the Lessees.

OTHER LEASE COVENANTS. Each Lessee has agreed that during the term of its Participating Lease, the Lessee will not engage in any unrelated business activities. The owners of each Lessee and their parent entities have agreed that, for the term of its Participating Lease, any sale of their interest in such Lessee, or of their hotel management businesses in general, will subject their interest in the Lessee to a limited fair market value acquisition right in favor of a designee of the Company. In the event that the Company exercises this right, any nonselling partner of the Lessee will have the right to put its interest in the Lessee to the Company's designee at a price equal to the fair market value of such interest. The Participating Leases require each Lessee to make available to the Company unaudited monthly and quarterly and audited annual operating information for each Hotel leased by such Lessee.

INVENTORY. All inventory required in the operation of the hotels is owned by the applicable Lessee. Upon termination of a related Participating Lease, the Lessee shall surrender the related hotel together with all such inventory to the Company.

ITEM 3. LEGAL PROCEEDINGS

Each of the Company, the Operating Partnership and the Advisor is not aware of any material pending or threatened legal proceedings to which the

Company, the Operating Partnership, the Advisor or any of their subsidiaries is a party or of which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's shareholders during the fourth quarter of the year covered by this Annual Report on Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON SHARES AND RELATED SHAREHOLDER MATTERS

MARKET INFORMATION

The Common Shares of the Company began trading on the New York Stock Exchange ("NYSE") on April 24, 1998 under the symbol "LHO". On March 10, 2000, the last reported closing sale price per Common Share on the NYSE was $12. The following table sets forth for the indicated periods the high and low sales for the Common Shares and the cash distributions declared per share:

	High	Low	Distributions
1999			
First quarter	$13-11/16	$10-1/2	$0.375
Second quarter	$15-15/16	$12-7/16	$0.380
Third quarter	$16-1/8	$12-3/4	$0.380
Fourth quarter	$13	$10-13/16	$0.380
1998			
For the period from April 29, 1998 (inception) through June 30, 1998	$18-9/16	$15-7/16	$0.260(a)
Third quarter	$17-1/4	$11-11/16	$0.375
Fourth quarter	$13-1/2	$ 7-1/2	$0.375

(a) The Company's Board of Trustees declared a distribution of $0.260 per Common Share for the period from April 29, 1998 (inception) through June 30, 1998, which is approximately equivalent to a full quarterly distribution of $0.375 per Common Share and annual distribution of $1.50 per Common Share.

SHAREHOLDER INFORMATION

As of March 10, 2000, there were 233 record holders of the Company's Common Shares, including shares held in "street name" by nominees who are record holders, and approximately 8,300 beneficial holders.

In order to comply with certain requirements related to qualification of the Company as a REIT, the Company's Amended and Restated Declaration of Trust limits the number of Common Shares that may be owned by any single person or affiliated group to 9.8% of the outstanding Common Shares.

DISTRIBUTION INFORMATION

In 1999, the Company paid $1.515 per Common Share in distributions, of which 91.1% represented ordinary income and 8.9% represented return of capital for tax purposes.

The Company currently anticipates that it will maintain at least the current distribution rate in the near term, unless actual results of operations, economic conditions or other factors differ from its current expectations. The declaration of distributions by the Company is in the sole discretion of the Company's Board of Trustees and depends on the actual cash flow of the Company, its financial condition, capital expenditure requirements for the Company's Hotels, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant.

UNITS

In conjunction with the IPO, 3,181,723 Units were issued on April 29, 1998 (inception). On August 24, 1999 and November 29, 1999, 180,636 and 1,441,853 Units were converted to Common Shares, respectively. At December 31, 1999, there were 1,559,234 Units outstanding. Unitholders receive distributions per unit in the same manner as distributions distributed on a per share basis to the common shareholders.

SALES OF UNREGISTERED SECURITIES

On June 1, 1998, in conjunction with the purchase of the San Diego Paradise Point Resort, the Company sold 112,458 Common Shares to WestGroup for cash consideration of approximately $2.0 million. This sale was not registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption from the registration requirements thereof provided by Section 4(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL INFORMATION

The following tables set forth selected historical operating and financial data for the Company and selected historical financial data for LRP Bloomington Limited Partnership, which is the predecessor of the Company (the "Predecessor"). The selected historical financial data for the Company for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, and the selected historical financial data for the Predecessor for the period from January 1, 1998 through April 28, 1998, the years ended December 31, 1997 and 1996 and for the period from December 1, 1995 (date of formation) through December 31, 1995 have been derived from the historical financial statements of the Company and the Predecessor, respectively. The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the financial statements and notes thereto included elsewhere in this Form 10-K.

LASALLE HOTEL PROPERTIES
SELECTED HISTORICAL OPERATING AND FINANCIAL DATA
(Unaudited, Dollars in thousands, except share data)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
OPERATING DATA:		
REVENUE:		
Participating lease revenue	$ 76,843	$ 46,464
Interest income	988	567
Equity in income (loss) of Affiliated Lessee	57	(59)
Other income	66	21
Total revenue	77,954	46,993
EXPENSES:		
Depreciation and other amortization	25,378	13,666
Real estate, personal property taxes, and insurance	8,205	5,047
Ground rent	3,351	1,886
General and administrative	1,342	459
Interest	16,181	8,474
Amortization of deferred financing costs	992	514
Advisory fee (1)	3,670	2,134
Other expense	140	13
Minority interest in Operating Partnership	2,706	2,567
Writedown of property held for sale	2,000	--
Total expenses, minority interest and writedown	63,965	34,760
Net income applicable to common shareholders	$ 13,989	$ 12,233
Net income per common share - basic and diluted	$ 0.91	$ 0.80
Weighted average number of common shares outstanding - basic and diluted	15,432,667	15,209,555

	As of December 31, 1999	As of December 31, 1998
BALANCE SHEET DATA:		
Investment in hotel properties, net	$ 501,191	$ 467,552
Total assets	532,072	496,338
Borrowings under the credit facility	164,900	164,700
Bonds payable, net	41,571	42,828
Mortgage loans	46,306	--
Minority interest in		

Operating Partnership	22,417	47,694
Shareholders' equity	242,568	228,384

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
OTHER DATA:		
Funds from operations (2)	$ 44,065	$ 28,466
Cash provided by operating activities	45,923	21,280
Cash used in investing activities	(63,660)	(406,732)
Cash provided by financing activities	17,779	387,022
Distributions declared	27,910	18,590

LRP BLOOMINGTON LIMITED PARTNERSHIP (3)
SELECTED PREDECESSOR HISTORICAL FINANCIAL DATA
(Unaudited, Dollars in thousands)

	For the period from January 1, 1998 through April 28, 1998	Year Ended December 31,		For the period from December 1, 1995 (date of formation) through December 31, 1995
		1997	1996	
OPERATING DATA:				
REVENUES:				
Room revenue	$ 4,285	$13,863	$13,419	$ 587
Food and beverage revenue	3,459	10,214	9,276	682
Telephone revenue	124	491	523	26
Other revenue	537	1,649	1,399	76
Total revenue	8,405	26,217	24,617	1,371

	For the period from January 1, 1998 through April 28, 1998	Year Ended December 31,		For the period from December 1, 1995 (date of formation) through December 31, 1995
		1997	1996	
OPERATING EXPENSES:				
Departmental and operating expenses	5,712	17,404	16,462	1,219
Management fees	336	1,111	1,053	55
Property taxes	405	1,240	1,191	97
Interest expense	833	2,658	2,601	212
Depreciation and amortization	1,196	3,123	2,718	375
Advisory fees	53	159	159	13

Total expenses . .	8,535	25,695	24,184	1,971
Net income (loss). . .	$ (130)	$ 522	$ 433	$ (600)

(1) Represents advisory fee paid to the Advisor for acquisition, management, advisory and administrative services provided to the Company. The Advisor receives an annual base fee up to 5% of the Company's net operating income, as defined in the Advisory Agreement, and an annual incentive fee, which prior to January 1, 1999, is limited to 1% of the Company's prorated pro forma net operating income based on growth in Funds from Operations ("FFO") per share.

(2) FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income applicable to common shareholders (computed in accordance with GAAP), excluding gains (losses) from debt restructuring and sales of property (including furniture and equipment), plus real estate related depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP, is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of performance or to cash flow as a measure of liquidity. The Company considers FFO to be an appropriate measure of the performance of an equity REIT in that such calculation is a measure used by the Company to evaluate its performance against its peer group and is a basis for making the determination as to the allocation of its resources and reflects the Company's ability to meet general operating expenses. Although FFO has been computed in accordance with the current NAREIT definition, FFO as presented may not be comparable to other similarly titled measures used by other REIT's. FFO may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions, and other commitments and uncertainties.

(3) The Predecessor was formed on December 1, 1995 for the purpose of acquiring and operating the Radisson Convention Hotel. On April 29, 1998, the Predecessor contributed the Radisson Convention Hotel to the Company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, distributions and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company's operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company and the Advisor in light of their experience and perceptions of

historical trends, current conditions, expected future developments and other factors they believe are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

GENERAL BACKGROUND

The following discusses: (i) the Company's actual results of operations for the year ended December 31, 1999 compared to the Company's pro forma results of operations for the year ended December 31, 1998, and (ii) the Company's pro forma results of operations for the year ended December 31, 1998 compared to the Company's pro forma results of operations for the year ended December 31, 1997. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this form 10-K. The Company has not included a discussion of the Predecessor, as its financial information would not be deemed comparable to the Company. However, the Predecessor's financial information has been included in the notes to the consolidated financial statements.

The pro forma financial information of the Company is presented as if (i) the IPO and the related formation transactions and the acquisitions of the San Diego Paradise Point Resort and the Harborside Hyatt Conference Center and Hotel had been consummated as of January 1, 1997 and (ii) the acquisition of the Hotel Viking had been consummated as of January 1, 1998.

The pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been assuming (i) the IPO and the related formation transactions and the subsequent acquisitions of the San Diego Paradise Point Resort and the Harborside Hyatt Conference Center and Hotel had been consummated and the twelve Hotels had been leased as of January 1, 1997, and (ii) the acquisition of the Hotel Viking had been consummated and the hotel subsequently leased as of January 1, 1998 nor does it purport to represent the results of operations for future periods.

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1999 TO THE PRO FORMA YEAR ENDED DECEMBER 31, 1998

The Company earned approximately $76.8 million in participating lease revenue during the year ended December 31, 1999. For the pro forma year ended December 31, 1998, participating lease revenues would have been $75.0 million. This increase is due to increases in participating lease revenues from the LeMeridien Dallas and LeMeridien New Orleans, which had increased hotel revenues for the year ended December 31, 1999. The LeMeridien hotels benefitted from the renovations, which took place at each of the respective hotels during 1998. Participating lease revenues for the Harborside Hyatt Conference Center and Hotel also increased due to strong rate and occupancy at the hotel. These increases were offset by a decrease in participating lease revenues at the San Diego Paradise Point Resort in 1999 due to decreased occupancy levels at the hotel resulting from the significant renovations taking place at the property during the year ended December 31, 1999.

Depreciation expense increased to $25.4 million or 13.4% for the year ended December 31, 1999, compared to depreciation expense for the pro forma

year ended December 31, 1998, which would have been $22.4 million. This increase is attributable to the additional depreciation expense incurred on capital improvements, which were placed into service during 1999.

Real estate and personal property taxes, insurance and ground rent increased $0.7 million to $11.6 million for the year ended December 31, 1999 from $10.9 million for the pro forma year ended December 31, 1998. This increase is primarily attributable to increased real estate taxes at the hotels.

General and administrative expense increased to $1.3 million for the year ended December 31, 1999, compared to pro forma general and administrative expense for the year ended December 31, 1999, which would have been $ 0.7 million. This increase is attributable to additional administrative costs incurred for the year ended December 31, 1999.

Interest expense was $16.2 million for the year ended December 31, 1999 and the pro forma year ended December 31, 1998.

Amortization of deferred financing costs increased to $1.0 million for the year ended December 31, 1999, compared to the comparable pro forma period in 1998, in which amortization costs would have been $0.8 million. This $0.2 million increase is attributable to the amortization in 1999 of costs incurred in late 1998 for the amendment to the credit facility, as well as the amortization of financing costs related to 1999 Mortgage Loan (hereinafter defined). These costs would not have been incurred in the pro forma year ended December 31, 1998.

Advisory fees for the year ended December 31, 1999 were $3.7 million compared to $3.8 million for the pro forma year ended December 31, 1998. This decrease is attributable to a higher incentive fee for the pro forma year ended December 31, 1998, offset by an increase in the base fee for the year ended December 31, 1999. Advisory fees for the year ended December 31, 1999 also include $12 of expense for options granted to the Advisor during 1999.

At December 31, 1999, Holiday Inn Plaza Park was held for sale by the Company. Based on initial pricing expectations, the net book value of the asset was reduced by $ 2.0 million. This writedown is not included in the results of operations for the pro forma year ended December 31, 1998.

Minority interest was $2.7 million for the year ended December 31, 1999 compared to $3.6 million for the pro forma year ended December 31, 1998. This decrease is primarily attributable to lower income before minority interest of $4.1 million for the year ended December 31, 1999 versus the pro forma year ended December 31, 1998.

Net income decreased approximately $3.2 million to $13.9 million for the year ended December 31, 1999 compared to net income of $17.1 million for the pro forma year ended December 31, 1998.

COMPARISON OF THE PRO FORMA YEAR ENDED DECEMBER 31, 1998 TO THE PRO FORMA YEAR ENDED DECEMBER 31, 1997

Participating lease revenue would have been $75.0 million and $65.5 million for the pro forma year ended December 31, 1998 and the pro forma year ended December 31, 1997, respectively. The $9.5 million or 14.5% increase is primarily attributable to a 5.3% increase in RevPAR for the Hotels and the inclusion of the Hotel Viking in the 1998 pro forma.

Depreciation expense increased to $22.4 million or 9.2% for the pro forma year ended December 31, 1998, compared to depreciation expense for the pro forma year ended December 31, 1997, which would have been $20.5

million. This increase is attributable to additional depreciation expense incurred on capital improvements which occurred during 1998 and the inclusion of the Hotel Viking in the 1998 pro forma.

Real estate and personal property taxes, insurance and ground rent increased $0.8 million to $10.9 million for the pro forma year ended December 31, 1998 from $10.1 million for the pro forma year ended December 31, 1997. This increase is primarily attributable to increased real estate taxes at the hotels.

General and administrative expense was $ 0.7 million for the pro forma year ended December 31, 1998 and the pro forma year ended December 31, 1997.

Interest expense increased 13.0% to $16.2 million for the pro forma year ended December 31, 1998 compared to interest expense of $14.4 million for the same pro forma period in 1997. Interest expense for the pro forma year ended December 31, 1998, assumes that the $27.0 million borrowing under the 1998 Amended Credit Facility for the purchase of the Hotel Viking was outstanding for all of 1998. The pro forma year ended December 31, 1997 does not include the additional borrowing or the Hotel Viking.

Amortization of deferred financing costs would have been $0.8 million for the pro forma year ended December 31, 1998 and the pro forma year ended December 31, 1997.

Advisory fees for the pro forma year ended December 31, 1998 were $3.8 million compared to $3.3 million for the pro forma year ended December 31, 1997. The $0.5 million or 16.4% increase is attributable to an increase in net operating income during the pro forma year ended December 31, 1998 as a result of including the Hotel Viking during 1998, as well as increased net operating income from the rest of the portfolio. The pro forma year ended December 31, 1997 does not include the effects of the Hotel Viking.

Minority interest was $3.6 million for the pro forma year ended December 31, 1998 compared to $2.8 million for the pro forma year ended December 31, 1997. This increase is attributable to higher income before minority interest of $4.7 million for the pro forma year ended December 31, 1998 versus the pro forma year ended December 31, 1997.

Net income increased approximately $3.9 million to $17.1 million for the pro forma year ended December 31, 1998 compared to net income of $13.3 million for the pro forma year ended December 31, 1997.

FUNDS FROM OPERATIONS

The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The White Paper on FFO approved by the Board of Governors of NAREIT in March 1995 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after comparable adjustments for the Company's portion of these items related to unconsolidated entities and joint ventures. The Company computes FFO in accordance with standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO does not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income (determined in

accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. FFO may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions, and other commitments and uncertainties. The following is a reconciliation between net income and FFO for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 (in thousands, except share data):

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Net income applicable to common shareholders.	$ 13,989	$ 12,233
Depreciation	25,370	13,666
Minority interest.	2,706	2,567
Writedown of property held for sale	2,000	--
FFO.	$ 44,065	$ 28,466
Weighted average common shares and units outstanding - basic and diluted	18,419,694	18,391,278

In October 1999, NAREIT issued a White Paper which clarifies the calculation of FFO. This clarification is effective January 1, 2000 and should be reflected for all periods which are presented. The FFO clarification will not impact the Company's calculation of FFO in periods prior or subsequent to January 1, 2000.

THE HOTELS

The following table sets forth historical comparative information with respect to occupancy, ADR and RevPAR for the comparable Hotels, the non-comparable Hotels and total Hotel portfolio for the years ended December 31, 1999 and 1998.

	Year Ended December 31,		
	1999	1998	Variance
COMPARABLE HOTELS (a)			
Occupancy.	74.6%	74.6%	0.0%
ADR.	$142.19	$132.83	7.1%
RevPAR	$106.02	$ 99.09	7.0%
NON-COMPARABLE HOTELS (b)			
Occupancy.	62.7%	66.0%	(5.0%)
ADR.	$124.10	$119.33	$ 4.0%
RevPAR	$ 77.83	$ 78.77	$ (1.2%)
TOTAL PORTFOLIO			
Occupancy.	71.2%	72.1%	(1.3%)
ADR.	$137.60	$129.27	6.4%
RevPAR	$ 97.91	$ 93.24	5.0%

(a) Comparable Hotels include all Hotels excluding those in Non-Comparable.
(b) Non-Comparable Hotels represent Hotels which underwent significant renovations and include the following:

Marriott Seaview, San Diego Paradise Point Resort and Radisson Convention Hotel in Quarters 1 and 2, and LeMeridien Dallas, Radisson Tampa and Radisson Convention Hotel in Quarter 3, LeMontrose, Radisson Hotel Tampa, Hotel Viking and San Diego Paradise Point Resort in Quarter 4.

The Company's total portfolio RevPar growth of 5.0% in 1999 significantly outperformed the overall market. In 1999, the Company saw substantial RevPAR gains from the hotels which were renovated during 1998. The Company continues to benefit from its ownership of high quality hotels located in strong markets with high barriers to entry and its continuing refurbishment and repositioning programs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of cash to meet its cash requirements, including distributions to shareholders, is its pro rata share of the Operating Partnership's cash flow from the Participating Leases. Except for the security deposits required under the Participating Leases, the Lessees' obligations under the Participating Leases are unsecured and the Lessees' abilities to make rent payments to the Operating Partnership, and the Company's liquidity, including its ability to make distributions to shareholders, will be dependent on the Lessees' abilities to generate sufficient cash flow from the operations of the Hotels.

In April 1998, the Company entered into a $200 million senior unsecured revolving credit facility (the "1998 Credit Facility") to be used for acquisitions, capital improvements, working capital and general corporate purposes. The Company amended its 1998 Credit Facility on October 30, 1998. Under the Amended and Restated Senior Unsecured Credit Agreement, as amended (the "1998 Amended Credit Facility"), the commitment was increased by $35 million, bringing the total commitment to $235 million. Borrowings under the 1998 Amended Credit Facility bear interest at floating rates equal to LIBOR plus an applicable margin or an "Adjusted Base Rate" plus an applicable margin, at the election of the Company. For the year ended December 31, 1999, the weighted average interest rate for borrowings under the 1998 Amended Credit Facility was approximately 6.8%. The Company did not have any Adjusted Base Rate borrowings outstanding at December 31, 1999. Additionally, the Company is required to pay an unused commitment fee which is variable, determined from a ratings or leverage based pricing matrix, currently set at 25 basis points. The Company incurred an unused commitment fee of approximately $0.2 million and $0.1 million for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively. The 1998 Amended Credit Facility matures on April 30, 2001 and contains certain financial covenants relating to debt service coverage, market value net worth and total funded indebtedness.

In conjunction with the June 1998 acquisition of the Harborside Hyatt Conference Center and Hotel, the Company assumed $40 million of special project revenue bonds ("Massport Bonds") previously issued under the loan and trust agreement with the Massachusetts Port Authority ("Massport"), as amended ("Massport Bond Agreement"). In conjunction with the Massport Bonds, the Company recorded a premium of $3.5 million, of which $1.6 million remains unamortized at December 31, 1999. The Massport Bonds are collateralized by the leasehold improvements and bear interest at 10% per annum through the date of maturity, March 1, 2026. Interest payments are due semiannually on March 1 and September 1. Interest expense, net of the

premium amortization, for the year ended December 31, 1999 and for the period from June 24, 1998 through December 31, 1998 totaled $2.7 and $1.4 million, respectively. The Massport Bonds shall be redeemed in part commencing March 1, 2001 and annually until March 1, 2026, at which time the remaining principal and any accrued interest thereon is due in full. The Company has the option to prepay the Massport Bonds in full beginning March 1, 2001 subject to a prepayment penalty which varies depending on the date of prepayment.

On July 29, 1999, the Company entered into a $46.5 million mortgage loan (the "1999 Mortgage Loan"). The loan is subject to a fixed interest rate of 8.1% and requires interest and principal payments based on a 25-year amortization schedule. The 1999 Mortgage Loan matures on July 31, 2009 and is collateralized by the Radisson Convention Hotel and the Le Meridien Dallas. Interest expense for the period from July 29, 1999 through December 31, 1999 was $1.6 million. The 1999 Mortgage Loan had a balance of $46.3 million at December 31, 1999.

At December 31, 1999, the Company had approximately $1.6 million of cash and cash equivalents and had $164.9 million outstanding under its 1998 Amended Credit Facility.

Net cash provided by operating activities was approximately $45.9 million for the year ended December 31, 1999 primarily due to the collections of Participation Lease revenues prior to December 31, 1999, which was offset by payments for real estate taxes, personal property taxes, interest expense, insurance, ground rent and the Advisory Fee.

Net cash used in investing activities was approximately $63.7 million for the year ended December 31, 1999 primarily due to the acquisition of the Hotel Viking and capital improvement expenditures at the Hotels.

Net cash provided by financing activities was approximately $17.8 million for the year ended December 31, 1999 primarily attributable to the net proceeds received from the 1999 Mortgage Loan and the borrowings under the 1998 Amended Credit Facility, offset by repayments on borrowings under the 1998 Amended Credit Facility and the payment of distributions to the common shareholders and unit holders.

The Company's policy is to incur debt only if upon such incurrence the Company's total funded indebtedness would not exceed 50% of "Aggregate Asset Value." For purposes of this policy, Aggregate Asset Value is defined as the sum of (a) for all the Company's properties owned for more than four quarters ("Seasoned Properties"), the EBITDA (reduced by the aggregate FF&E reserves for the relevant period in respect of the Seasoned Properties) of the Seasoned Properties for the preceding four quarters times 10, and (b) for all Properties owned for less than four quarters ("New Properties"), the investment amount (which shall include the purchase price, including assumed indebtedness, and all acquisition costs) of the New Properties and 95% of all the capital expenditures with respect to the New Properties. The Board of Trustees can change this policy at any time without the approval of the common shareholders.

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flow from operations and other expected liquidity sources to meet these needs. The Company believes that its principal short-term liquidity needs are to fund normal recurring expenses, debt service requirements and the minimum distribution required to maintain the Company's REIT qualification under the Code. The Company anticipates that these needs will be met with cash flows provided by operating activities. The Company has also considered capital improvements and property acquisitions as short-term needs that will be funded either with cash flows provided by operating activities, under the 1998 Amended

Credit Facility, other indebtedness, or the issuance of additional equity securities.

The Company expects to meet long-term (greater than one year) liquidity requirements such as property acquisitions, scheduled debt maturities, major renovations, expansions and other nonrecurring capital improvements through estimated cash from operations, long-term unsecured and secured indebtedness and the issuance of additional equity securities. The Company will acquire or develop additional hotel properties only as suitable opportunities arise, and the Company will not undertake acquisition or development of properties unless stringent acquisition/development criteria have been achieved.

RESERVE FUNDS

The Company is obligated to maintain Reserve Funds for capital expenditures at the Hotels, as determined in accordance with the Participating Leases. The Reserve Funds have not been recorded on the books and records of the Company as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve Funds is approximately $9.5 million at December 31, 1999, of which $4.6 million is available in restricted cash reserves for future capital expenditures. Purchase orders totaling approximately $8.1 million have been issued for renovations at the Hotels. The Company has committed to these projects and anticipates making similar arrangements with the existing Hotels or any future hotels that it may acquire.

SUBSEQUENT EVENT

On January 25, 2000, the Company entered into a joint venture arrangement (the "Chicago 540 Hotel Venture") with an institutional investor to acquire the 1,176-room Chicago Marriott Downtown (the "Chicago Property") in Chicago, Illinois. The Company, through the Operating Partnership, owns a 9.9% equity interest in the Chicago 540 Hotel Venture. The Company will receive an annual preferred return in addition to its pro rata share of annual cash flow. The Company will also have the opportunity to earn an incentive participation in net sale proceeds based upon the achievement of certain overall investment returns, in addition to its pro rata share of net sale or refinancing proceeds. The Chicago Property was leased to Chicago 540 Lessee, Inc., in which the Company also owns a 9.9% equity interest. The institutional investor owns a 90.1% controlling interest in both the Chicago 540 Hotel Venture and Chicago 540 Lessee, Inc.

Marriott International continues to operate and manage the Chicago Property.

INFLATION

The Company's revenues come primarily from the Participating Leases, thus the Company's revenues will vary based on changes in the revenues at the Hotels. Therefore, the Company relies entirely on the performance of the Hotels and the lessees' abilities to increase revenues to keep pace with inflation. Operators of hotels can change room rates quickly, but competitive pressures may limit the Lessees' and their Operators abilities to raise rates faster than inflation or even at the same rate.

The Company's expenses are subject to inflation. These expenses (primarily real estate and personal property taxes, property and casualty insurance and ground rent) are expected to grow with the general rate of inflation, except for instances in which the properties are subject to

periodic real estate tax reassessments.

YEAR 2000

The "Year 2000 Issue" arose as the result of computer programs and systems having been designed and developed to use two digits, rather than four, to define the applicable year. As a result, these computer programs and systems had the potential to recognize a date using "00" as the year 1900 rather than the year 2000. This could have resulted in system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, pay invoices or engage in similar normal business activities.

Prior to December 31, 1999, the Company, together with its Hotel Operators, had completed its efforts to minimize the risk of disruption related to Year 2000. The Company's Year 2000 efforts involved the following stages: (i) inventory and assessment of software, hardware and embedded systems; (ii) renovation, which involved converting, replacing or eliminating selected platforms, applications, databases and utilities, as well as the validation process of testing and verifying; and (iii) implementation, which involved returning the tested systems to operational status, initiating ongoing maintenance procedures to insure continued readiness and development of contingency plans for critical business systems should these systems have failed.

As of the date of this filing, the Company has not experienced Year 2000 problems, either internally or at any of its Hotels.

The Company incurred approximately $0.2 million in Year 2000 costs and does not expect to incur any additional costs related to Year 2000 issues. The costs incurred were not incremental to the Company as the amounts spent were part of previously planned renovations and did not arise specifically as a result of Year 2000 related issues.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities". This statement, effective for fiscal years beginning after June 15, 2000, establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that the changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. Currently, the pronouncement has no impact on the Company, as the Company has not utilized derivative instruments or entered into any hedging activities.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements". The Staff determined that a lessor should defer recognition of contingent rental income until the specified target that triggers the contingent rental income is achieved. The Company recognizes lease revenue on an accrual basis pursuant to the terms of the respective Participating Leases in which Participating Rent is calculated using quarterly thresholds. Accordingly, SAB No. 101 will not have an impact on the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve these objectives, the Company borrows at a combination of fixed and variable rates.

In 1998, the Company obtained the 1998 Amended Credit Facility, which provides for a maximum borrowing amount of up to $235 million. Borrowings under the 1998 Amended Credit Facility bear interest at variable market rates. At December 31, 1999, the Company's outstanding borrowings under the 1998 Amended Credit Facility were $164.9 million. The weighted average interest rate under the facility for the year ended December 31, 1999 was 6.8%.

At December 31, 1999, the Company also had outstanding bonds payable of $41.6 million, of which $40.0 million represents the principal balance of the bonds and the remaining $1.6 million represents unamortized premium.

The bonds bear interest at a fixed rate. For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not the earnings or cash flows of the Company. Changes in the fair market value of fixed rate debt generally will not have a significant impact on the Company, unless the Company is required to refinance such debt. At December 31, 1999, the carrying value of the bonds approximated their fair value.

On July 29, 1999, the Company entered into a $46.5 million mortgage loan (the "1999 Mortgage Loan"). The loan is subject to a fixed interest rate of 8.1%, matures in July 31, 2009, and requires interest and principal payments based on a 25-year amortization schedule. At December 31, 1999, the carrying value of the 1999 Mortgage Loan was $46.3 million, which approximated its fair value, as the interest rate associated with the borrowing approximates current market rates.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to the Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. TRUSTEES AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference to the material in the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders (the Proxy Statement) under the captions "Election of Trustees".

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Principal and Management Shareholders."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. FINANCIAL STATEMENTS

Included herein at pages F-1 through F-38

2. FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is included herein at pages F-26 through F-28

Schedule III - Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

3. EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 10-K:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
23	Consent of KPMG LLP
27	Financial Data Schedule

(b) REPORTS ON FORM 8-K

A report on Form 8-K dated October 25, 1999 was filed on October 27, 1999. The report includes the Company's press release, dated October 25, 1999, which reports earnings for the quarter and nine months ended September 30, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LASALLE HOTEL PROPERTIES

Dated: March 14, 2000

BY: /S/ HANS S. WEGER

Hans S. Weger
Executive Vice President,
Treasurer and Chief
Financial Officer
(Authorized Officer and
Principal Financial and
Accounting Officer)

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and trustees of LaSalle Hotel Properties, hereby severally constitute Jon E. Bortz, Michael D. Barnello and Hans S. Weger, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and trustees to enable LaSalle Hotel Properties to comply with the provisions of the Securities Exchange Act of 1934, as amended and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

DATE	SIGNATURE	TITLE
March 14, 2000	/s/ Jon E. Bortz Jon E. Bortz	President, Chief Executive Officer and Trustee
March 14, 2000	/s/ Stuart L. Scott Stuart L. Scott	Chairman of the Board of Trustees
March 14, 2000	/s/ Darryl Hartley-Leonard Darryl Hartley-Leonard	Trustee
March 14, 2000	/s/ George F. Little, II George F. Little, II	Trustee

DATE	SIGNATURE	TITLE
March 14, 2000	/s/ Donald S. Perkins Donald S. Perkins	Trustee
March 14, 2000	/s/ Donald A. Washburn Donald A. Washburn	Trustee
March 14, 2000	/s/ Michael D. Barnello Michael D. Barnello	Chief Operating Officer and Executive Vice President of Acquisitions

LASALLE HOTEL PROPERTIES

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Trustees of
LaSalle Hotel Properties:

We have audited the consolidated financial statements of LaSalle Hotel Properties as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaSalle Hotel Properties as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Chicago, Illinois

January 21, 2000

LASALLE HOTEL PROPERTIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	December 31, 1999	December 31, 1998
ASSETS		
Investment in hotel properties, net. . .	$ 501,191	$ 467,552
Investment in Affiliated Lessee.	36	(21)
Cash and cash equivalents.	1,612	1,570
Restricted cash reserves	12,883	9,789
Rent receivable from lessees:		
Affiliated lessee.	1,675	--
Other lessees.	3,744	3,088
Notes receivable:		
Affiliated lessee.	3,900	1,500
Other lessees.	3,617	3,451
Other.	442	--
Deferred financing costs, net.	1,623	1,754
Prepaid expenses and other assets. . . .	1,349	7,655
Total assets	$ 532,072	$ 496,338
LIABILITIES AND SHAREHOLDERS' EQUITY		
Borrowings under credit facility	$ 164,900	$ 164,700
Bonds payable, net	41,571	42,828
Mortgage loans	46,306	--
Due to JLL	1,123	886
Due to Affiliated Lessee	30	614
Accounts payable and accrued expenses. .	6,147	4,320
Distributions payable.	7,000	6,902
Minority interest in Operating Partnership.	22,417	47,694
Minority interest in other partnerships.	10	10
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred shares of beneficial interest, $.01 par value, 20,000,000 shares authorized, no shares issued and outstanding at December 31, 1999 and 1998	--	--
Common shares of beneficial interest, $.01 par value, 100,000,000 shares authorized, 16,863,052 and 15,224,580 shares issued and outstanding at December 31, 1999 and 1998, respectively	169	152
Additional paid-in capital	255,329	231,376
Distributions in excess of Retained Earnings.	(12,930)	(3,144)
Total shareholders' equity . .	242,568	228,384

Total liabilities and shareholders' equity	$ 532,072	496,338

The accompanying notes are an integral part of these consolidated financial statements.

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Revenues:		
Participating lease revenue:		
Affiliated Lessee	$ 28,290	$ 19,436
Other lessees	48,553	27,028
Interest income:		
Affiliated lessee	228	54
Other lessees	205	135
Other	555	378
Equity in income (loss) of Affiliated Lessee	57	(59)
Other income	66	21
Total revenues	77,954	46,993
Expenses:		
Depreciation and other amortization	25,378	13,666
Real estate, personal property taxes and insurance	8,205	5,047
Ground rent	3,351	1,886
General and administrative	1,342	459
Interest	16,181	8,474
Amortization of deferred financing costs	992	514
Advisory fee	3,670	2,134
Other expenses	140	13
Total expenses	59,259	32,193
Income before minority interest and writedown of property held for sale	18,695	14,800
Writedown of property held for sale	2,000	--
Income before minority interest	16,695	14,800
Minority interest in Operating Partnership	2,706	2,567
Net income applicable to common shareholders	$ 13,989	$ 12,233

Net income applicable to common shareholders per weighted average common share outstanding - basic and diluted	$ .91	$ .80
Weighted average number of common shares outstanding - basic and diluted	15,432,667	15,209,555

The accompanying notes are an integral part of these consolidated financial statements.

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	Common Shares	Additional Paid-In Capital	Retained Earnings	Distributions in Excess of Retained Earnings	Total
Initial funding. . .	$ --	$ 1	$ --	$ --	$ 1
Net proceeds from issuance of common shares.	142	234,052	--	--	234,194
Issuance of restricted common shares.	9	16,409	--	--	16,418
Proceeds from issuance of common shares . . .	1	1,999	--	--	2,000
Issuance of rights and options to purchase shares . .	--	2,997	--	--	2,997
Adjustment required to reflect predecessor's basis. .	--	(24,082)	--	--	(24,082)
Distributions declared ($1.01 per common share) .	--	--	(12,233)	(3,144)	(15,377)
Net income	--	--	12,233	--	12,233
Balance, December 31, 1998.	152	231,376	--	(3,144)	228,384
Offering costs . . .	--	(106)	--	--	(106)
Issuance of shares .	1	216	--	--	217
Options granted to Advisor.	--	12	--	--	12
Unit conversions . .	16	23,831	--	--	23,847
Distributions declared ($1.515 per common share) .	--	--	(13,989)	(9,786)	(23,775)
Net income	--	--	13,989	--	13,989

Balance, December 31, 1999.	$169	$255,329	$ --	$(12,930)	$242,568

The accompanying notes are an integral part of these consolidated financial statements.

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share data)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Cash flows from operating activities:		
Net income	$ 13,989	$ 12,233
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and other amortization. . . .	25,378	13,666
Amortization of deferred financing fees. .	992	514
Bond premium amortization.	(1,257)	(652)
Minority interest in Operating Partnership	2,706	2,567
Options granted to Advisor	12	--
Writedown of property held for sale. . . .	2,000	--
Equity in (income) loss of Affiliated Lessee.	(57)	59
Changes in assets and liabilities:		
Rent receivable from lessees	(2,249)	(3,088)
Prepaid expenses and other assets.	3,442	(3,952)
Due to JLL	392	811
Accounts payable and accrued expenses. . .	575	(878)
Net cash flow provided by operating activities	45,923	21,280
Cash flows from investing activities:		
Acquisitions of hotel properties	(28,233)	(380,250)
Improvements and additions to hotel properties.	(31,912)	(9,309)
Advances to Affiliated Lessee.	--	(2,405)
Funding of notes receivable.	(421)	(4,951)

Funding of restricted cash reserves	(18,997)	(14,385)
Proceeds from restricted cash reserves	15,903	4,596
Proceeds from minority interest in other partnerships	--	10
Capital contribution to affiliated lessee	--	(38)
Net cash flow used in investing activities	(63,660)	(406,732)
Cash flows from financing activities:		
Borrowings under credit facility	86,830	164,700
Repayments under credit facility	(86,630)	--
Proceeds from mortgage loan	46,500	--
Mortgage loan repayments	(194)	--
Payment of deferred financing costs	(811)	(2,190)
Proceeds from issuance of common shares	--	257,601
Offering costs	(106)	(21,401)
Distributions	(27,810)	(11,688)
Net cash flow provided by financing activities	17,779	387,022

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(Dollars in thousands, except per share data)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Net change in cash and cash equivalents	42	1,570
Cash and cash equivalents at beginning of period	1,570	--
Cash and cash equivalents at end of period	$ 1,612	$ 1,570

The accompanying notes are an integral part of these
consolidated financial statements.

LASALLE HOTEL PROPERTIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, expect per share data)

1. ORGANIZATION AND INITIAL PUBLIC OFFERING

LaSalle Hotel Properties (the "Company") was organized in the state of Maryland on January 15, 1998. The Company is a real estate investment trust ("REIT") as defined in the Internal Revenue Code. The Company was formed to own hotel properties and to continue and expand the hotel investment activities of Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) and certain of its affiliates (collectively "JLL"). On April 23, 1998, the Company's Registration Statement on Form S-11 was declared effective. The Company had no operations prior to April 29, 1998.

On April 29, 1998, the Company completed an initial public offering (the "IPO") of 14,200,000 common shares of beneficial interest (the "Common Shares"). The offering price of all Common Shares sold was $18 per common share, resulting in gross proceeds of $255,600 and net proceeds (less the underwriters' discount and offering expenses) of $234,138. The Company contributed all of the net proceeds of the IPO to LaSalle Hotel Operating Partnership, L.P., a limited partnership (the "Operating Partnership"), in exchange for an approximate 82.6% general partnership interest in the Operating Partnership. The Operating Partnership used the net proceeds from the Company, the issuance of additional Common Shares of the Company, the issuance of rights to purchase Common Shares and the issuance of limited partnership interests ("Units"), representing an approximate 17.4% interest in the Operating Partnership, to acquire ten upscale and luxury full service hotels (the "Initial Hotels").

As of December 31, 1999, the Company owned interests in 13 hotels with an aggregate of 4,300 suites/rooms (the "Hotels") located in ten states.

The Company owns 100% equity interests in 12 of the hotels and a 95.1% interest in a partnership which owns one hotel. All of the Hotels are leased under participating leases ("Participating Leases") which provide for rent based on hotel revenues and are managed by independent hotel operators ("Hotel Operators"). Nine of the Hotels are leased to unaffiliated lessees (affiliates of whom also operate these hotels) and four of the Hotels are leased to LaSalle Hotel Lessee, Inc. (the "Affiliated Lessee").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, the Operating Partnership and its consolidated subsidiaries and partnerships. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is determined by using available market information and appropriate valuation methodologies. The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, borrowings against the 1998 Amended Credit Facility (as defined in Note 7) and borrowings under the 1999 Mortgage Loan (as defined in Note 7). Due to their short maturities, cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at amounts which reasonably approximate fair value. As borrowings under the 1998 Amended Credit Facility bear interest at variable market rates, carrying value approximates market value at December 31, 1999 and 1998. At December 31, 1999, the carrying value of the 1999 Mortgage Loan approximated its fair value, as the interest rate associated with the borrowing approximated current market rates.

INVESTMENT IN HOTEL PROPERTIES

Hotel properties are stated at cost and are depreciated using the straight-line method over estimated useful lives ranging from 27.5-30 years for buildings and improvements and 5 years for furniture, fixtures and equipment.

The Company periodically reviews the carrying value of each Hotel to determine if circumstances exist indicating an impairment in the carrying value of the investment in the hotel or that depreciation periods should be modified. If facts or circumstances support the possibility of impairment, the Company will prepare a projection of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on the undiscounted future cash flows. If impairment is indicated, an adjustment will be made to the carrying value of the hotel based on discounted future cash flows. In 1999, the Company recorded a writedown of $2,000 for the Holiday Inn Plaza Park (see Note 6). The Company does not believe that there are any factors

or circumstances indicating impairment of any of its investments in the remaining twelve Hotels.

INVESTMENT IN AFFILIATED LESSEE

The Company owns a 9% interest in the Affiliated Lessee in which the Company together with JLL and LPI Charities, a charitable corporation organized under the laws of the state of Illinois, make all material decisions concerning the business affairs and operations. Accordingly, the Company does not control the Affiliated Lessee and carries its investment at cost, plus its equity in net earnings, less distributions received since the date of inception.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

DEFERRED FINANCING FEES

Deferred financing fees are recorded at cost and are amortized over the three-year term of the 1998 Amended Credit Facility and over the ten-year term of the 1999 Mortgage Loan. Accumulated amortization at December 31, 1999 and 1998 was $1,316 and $474, respectively.

DISTRIBUTIONS

The Company pays regular quarterly distributions to its shareholders as directed by the Board of Trustees. The Company's ability to pay distributions is dependent on the receipt of distributions from the Operating Partnership.

REVENUE RECOGNITION

The Company recognizes lease revenue on an accrual basis pursuant to the terms of the respective Participating Leases. Base and participating rent is recognized based on quarterly thresholds, pursuant to the lease agreements (see Note 10).

MINORITY INTEREST

Minority interest in the Operating Partnership represents the limited partners' proportionate share of the equity in the Operating Partnership. At December 31, 1999, the aggregate partnership interest held by the limited partners in the Operating Partnership was approximately 8.5%. Income is allocated to minority interest based on the weighted average percentage ownership throughout the year.

Minority interest in the San Diego Subsidiary Partnership (as defined in Note 4) represents the limited partner's proportionate share of the equity in the San Diego Subsidiary Partnership. Income is allocated to minority interest based on the terms of the partnership agreement.

INCOME TAXES

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code (the "Code"). As a result, the Company generally will not be subject to Federal corporate income tax on that portion of its net income that is currently distributed to shareholders. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

For federal income tax purposes, the cash distributions paid to

shareholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. For 1999, 91.1% of the Company's distributions were fully taxable as ordinary income, while 8.9% represented a return of capital. The Company's 1998 distributions were fully taxable as ordinary income.

EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of common shares outstanding plus the effect of in-the-money stock options.

3. NOTES RECEIVABLE

The Company provided working capital to the Affiliated Lessee and the other lessees in the aggregate amount of $5,934 in exchange for notes receivable ("Working Capital Notes"). In addition, the Company sold certain furniture, fixtures and equipment to two of its unaffiliated lessees in exchange for notes receivable ("FF&E Notes") of $1,583. Both the Working Capital Notes and the FF&E Notes are payable in monthly installments of interest only. The Working Capital Notes bear interest at either 5.6% or 6% per annum and have terms identical to the terms of the related Participating Lease. The FF&E Notes bear interest at 5.6% and 6.0% per annum and have an initial term of five years unless extended at the Company's option.

4. ACQUISITION OF HOTEL PROPERTIES

The Initial Hotels were previously owned by various limited and general partnerships (the "Existing Partnerships"). In conjunction with the IPO and the related formation transactions, the Initial Hotels, except for Radisson Convention Hotel (previously owned by LRP Bloomington Limited Partnership), were purchased by the Company from their Existing Partnerships and were accounted for as purchase transactions. LRP Bloomington Limited Partnership, the Existing Partnership that retained the largest number and percentages of voting rights of the Company after the formation transactions, was designated as the predecessor (the "Predecessor") for accounting purposes. Therefore, the Company recorded a purchase accounting adjustment in order to account for the Radisson Convention Hotel using the historical basis of accounting.

In June 1998, the Company acquired an interest in the San Diego Princess Resort (the "San Diego Property") through a subsidiary partnership, LHO Mission Bay Hotel, L.P. (the "San Diego Subsidiary Partnership"). The San Diego Subsidiary Partnership is a limited partnership of which the Operating Partnership holds an approximate 95.1% general partnership interest. The 462-room San Diego Property was renamed the San Diego Paradise Point Resort.

The San Diego Property was acquired for an aggregate purchase price of $73 million funded with proceeds from a borrowing under the Company's 1998 Credit Facility (as defined in Note 7) and from the proceeds of the sale of 112,458 Common Shares to the limited partner of the San Diego Subsidiary Partnership who operates the San Diego Property pursuant to the terms of a participating lease.

Also in June 1998, the Company acquired a 100% interest in the 270-room Harborside Hyatt Conference Center & Hotel in Boston (the "Boston Property") through an indirect subsidiary, LHO Harborside Hotel, L.L.C. (the "Harborside Subsidiary LLC"). The Harborside Subsidiary LLC is a

limited liability company, of which the Operating Partnership is the sole member.

The Boston Property was acquired for an aggregate purchase price of $73.5 million, including $40 million of existing tax exempt industrial revenue bonds to which the Boston Property remains subject. The remainder of the purchase price was funded with proceeds from a borrowing under the Company's 1998 Credit Facility. Hyatt Hotels Corporation continues to operate the Boston Property under an existing management agreement.

On June 2, 1999, the Company acquired a 100% interest in the 182-room Hotel Viking and the adjacent 12-room inn in Newport, Rhode Island (the "Newport Property") through an indirect subsidiary, LHO Viking Hotel, L.L.C. (the "Viking Subsidiary LLC"). The Viking Subsidiary LLC is a limited liability company, of which the Operating Partnership is the sole member. The Newport Property was acquired from Bellevue Properties Inc. ("Bellevue"), for an aggregate purchase price of $28 million funded with proceeds from a borrowing under the Company's 1998 Amended Credit Facility.

The Newport Property is leased and operated by Viking Hotel Corporation, an affiliate of Bellevue.

5. INVESTMENT IN HOTEL PROPERTIES

Investment in hotel properties as of December 31, 1999 and 1998 consists of the following:

	December 31, 1999	December 31, 1998
Land	$ 49,308	$ 46,989
Buildings and improvements	421,134	383,294
Furniture, fixtures and equipment. .	77,030	58,180
	547,472	488,463
Accumulated depreciation	(39,036)	(13,666)
Accumulated depreciation (Predecessor).	(7,245)	(7,245)
	$501,191	$467,552

The Hotels are located in California (3), Florida (2), Louisiana, Massachusetts, Minnesota, Nebraska, New Jersey, New York, Rhode Island and Texas.

6. REAL ESTATE HELD FOR SALE

Holiday Inn Plaza Park is being actively marketed for sale by the Company. Accordingly, the asset was classified as held for sale at December 31, 1999 and will no longer be depreciated. Based on initial pricing expectations, the net book value of the asset was reduced by $2,000 to $5,508. There can be no assurance that real estate held for sale will be sold.

Results of operations for the Holiday Inn Plaza Park are as follows:

	For the year ended	For the period from April 29, 1998 (inception) through

	December 31, 1999	December 31, 1998
Total Revenues	$1,489	$1,079
Total Expenses	420	259
Income from Operations	$1,069	$ 820

7. LONG-TERM DEBT

CREDIT FACILITY

In April 1998, the Company obtained a three-year commitment for a $200 million senior unsecured revolving credit facility (the "1998 Credit Facility") to be used for acquisitions, capital improvements, working capital and general corporate purposes. The Company amended the 1998 Credit Facility on October 30, 1998. Under the Amended and Restated Senior Unsecured Credit Agreement, as amended (the "1998 Amended Credit Facility"), the commitment was increased by an additional $35 million, bringing the total commitment under the facility to $235 million. Borrowings under the 1998 Amended Credit Facility bear interest at floating rates equal to LIBOR plus an applicable margin or an "Adjusted Base Rate" plus an applicable margin, at the election of the Company. For the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, the weighted average interest rate on borrowings under the 1998 Amended Credit Facility was 6.8% and 7.0%, respectively. The Company did not have any Adjusted Base Rate borrowings outstanding at December 31, 1999 or 1998. Additionally, the Company is required to pay an unused commitment fee which is variable, determined from a ratings based pricing matrix, currently set at 25 basis points. The Company incurred an unused commitment fee of approximately $162 and $93 for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively. The 1998 Amended Credit Facility matures on April 30, 2001 and contains certain financial covenants relating to debt service coverage, market value net worth and total funded indebtedness. At December 31, 1999 and 1998, the Company had outstanding borrowings against the 1998 Credit Facility of $164,900 and $164,700, respectively.

BONDS PAYABLE

On June 24, 1998 the Company, through the Harborside Subsidiary LLC, acquired the Boston Property subject to $40,000 of special project revenue bonds ("Massport Bonds") previously issued under the loan and trust agreement with the Massachusetts Port Authority ("Massport"), as amended ("Massport Bond Agreement"). In conjunction with the Massport Bonds, the Company recorded a premium of $3,480, of which $1,571 remains unamortized at December 31, 1999. The Massport Bonds are collateralized by the leasehold improvements and bear interest at 10% per annum through the date of maturity, March 1, 2026. Interest payments are due semiannually on March 1 and September 1. Interest expense, net of the premium amortization, for the year ended December 31, 1999 and for the period from June 24, 1998 through December 31, 1998 totaled $2,743 and $1,425, respectively. The Massport Bonds shall be redeemed in part commencing March 1, 2001 and annually until March 1, 2026, at which time the remaining principal and any accrued interest thereon is due in full. The Company has the option to prepay the Massport Bonds in full beginning March 1, 2001 subject to a prepayment penalty which varies depending on the date of prepayment. Future principal payments are as follows:

2000.	$ --
2001.	400
2002.	400

2003	400
2004	500
Thereafter	38,300
	$40,000

Under the terms of the Massport Bond Agreement, certain cash reserves are required to be held in trust for payments of interest, credit enhancement fees and ground rent. As of December 31, 1999 and 1998, these reserves totaled $7,311 and $5,979, respectively, and are included in Restricted Cash Reserves.

In addition, the Massport Bond Agreement was supplemented by a credit enhancement agreement (the "Massport Credit Enhancement Agreement"). Pursuant to the Massport Credit Enhancement Agreement, certain funds have been set aside by Massport to provide additional deficit funding if the amounts held in trust by the Company are not sufficient to cover the debt service requirements on the outstanding Massport Bonds. In consideration for the Massport Credit Enhancement Agreement, the Company is required to pay an annual enhancement fee of $150, payable March 1 and September 1.

MORTGAGE LOAN

On July 29, 1999, the Company, through the newly formed LHO Financing Partnership I, L.P. (the "Financing Partnership") entered into a $46,500 mortgage loan (the "1999 Mortgage Loan"). The Financing Partnership is effectively wholly owned by the Company. The 1999 Mortgage Loan is secured by the Radisson Convention Hotel and Le Meridien Dallas. The loan matures on July 31, 2009 and does not allow for prepayment prior to January 31, 2009, without penalty. The loan bears interest at a fixed rate of 8.1% and requires interest and principal payments based on a 25-year amortization schedule. The loan agreement requires the Financing Partnership to hold funds in escrow for the payment of one half year's insurance and real estate taxes. The 1999 Mortgage loan also requires the Financing Partnership to maintain a certain debt service coverage ratio.

The 1999 Mortgage Loan had a principal balance of $46,306 at December 31, 1999. Future scheduled debt principal payments at December 31, 1999 are as follows (in thousands):

2000	$ 616
2001	667
2002	723
2003	784
2004	850
Thereafter	42,666
	$46,306

8. SHAREHOLDERS' EQUITY

COMMON SHARES OF BENEFICIAL INTEREST

In connection with the acquisition of the Initial Hotels, the Company issued 912,122 restricted Common Shares to JLL. The Common Shares were valued at $18.00 per share or $16,418. The Company also granted 1,280,569 rights mainly to purchase Common Shares at the exercise price of $18.00 per share in connection with the acquisition of the Initial Hotels. Among the rights which were granted, 457,346 were granted to the Advisor (as defined in Note 11). The Advisor may exercise its rights to purchase Common Shares

or Units, at the option of the Company. The Company has recorded these rights in shareholders' equity at their fair value on the date of grant, which was $2,997. All rights have a one year vesting period and a 10 year term. At December 31, 1999, all of the rights were exercisable.

In connection with the purchase of the San Diego Property (see Note 4), the sole limited partner in the San Diego Subsidiary Partnership (which is an affiliate of the hotel operator) acquired 112,458 Common Shares, from the Company for a purchase price of $2,000. The purchase and sale of the Common Shares was a condition to the selection of the affiliate of the limited partner as operator of the San Diego Property, and the Common Shares have been pledged to the Operating Partnership to secure the limited partner's obligations under the related Participating Lease.

On February 22, 1999, the Company issued 4,995 Common Shares to the Board of Trustees for their 1998 Compensation. The annual fee paid to the Board of Trustees is paid 50% in cash and 50% in Common Shares. Each trustee may elect to receive Common Shares in lieu of receiving 50% of their annual fee in cash.

On March 4, 1999, pursuant to the advisory agreement, the Company issued 10,988 Common Shares to the Advisor for the incentive portion of the 1998 advisory fee, in lieu of the $155, which would have otherwise been due to the Advisor.

On May 13, 1999, the Company's registration statement on Form S-3 under the Securities Act of 1933 (the "Securities Act"), as amended, registering $200,000 of Common Shares, Common Share Warrants, Preferred Shares of Beneficial Interest (the "Preferred Shares") and Depository Shares representing Preferred Shares was declared effective.

As of December 31, 1999, the Company has reserved 1,500,000 Common Shares for future issuance under the 1998 SIP (as defined in Note 12). The Company has also reserved a total of 1,280,569 Common Shares for future issuance pursuant to rights which have been issued and 1,559,234 Common Shares for issuance upon the conversion of the Units, both of which were issued in connection with the IPO, the acquisition of the Initial Hotels and the formation of the Company.

During 1999, the Company granted options to the Advisor under the 1998 SIP. In conjunction with this grant, the Company recorded an expense of $12 for the year ended December 31, 1999, which is included in Advisory Fee in the income statement. These options vested on January 18, 2000.

OPERATING PARTNERSHIP UNITS

The outstanding Units are redeemable at the option of the holder for a like number of Common Shares of the Company or, at the option of the Company, for the cash equivalent thereof.

On August 24, 1999 and November 29, 1999, 180,636 and 1,441,853 Units were converted to Common Shares, respectively. At December 31, 1999, 1,559,234 Units were outstanding.

9. EARNINGS PER SHARE

The Company's basic and diluted earnings per share for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was $0.91 and $0.80, respectively. There was no adjustment to either the weighted average number of common shares outstanding or the reported amounts of income in computing diluted earnings per share because the unexercised stock options were anti-dilutive. The

weighted average number of common shares used in determining basic and diluted earnings per share was 15,432,667 and 15,209,555 for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively.

The outstanding limited partners' units in the Operating Partnership have been excluded from the diluted earnings per share calculation as there would be no effect on the amount since the minority interests' share of income would also be added back to net income.

10. PARTICIPATING LEASES

The Participating Leases have noncancelable terms ranging from six to 11 years (from commencement), subject to earlier termination on the occurrence of certain contingencies, as defined. The rent due under each Participating Lease is the greater of base rent, as defined, or participating rent. Participating rent applicable to room and other hotel revenues varies by lease and is calculated by multiplying fixed percentages by the total amounts of such revenues over specified threshold amounts. Both the base rent and the participating rent thresholds used in computing percentage rents applicable to room and other hotel revenues, including food and beverage revenues, are subject to annual adjustments based on increases in the United States Consumer Price Index ("CPI") published by the Bureau of Labor Statistics of the United States of America Department of Labor, U.S. City Average, Urban Wage Earners and Clerical Workers. Participating Lease revenues for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 were $76,843 and $46,464, of which $25,271 and $15,256 was in excess of base rent, respectively.

Future minimum rentals (without reflecting future CPI increases) to be received by the Company pursuant to the Participating Leases for each of the years in the period 2000 to 2004 and in total thereafter are as follows:

2000	$ 53,998
2001	53,998
2002	53,998
2003	54,246
2004	53,992
Thereafter	188,869

11. ADVISORY AGREEMENT

Upon completion of the IPO, the Company entered into an advisory agreement (the "Advisory Agreement") with LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL, to provide acquisition, investment management, advisory and administrative services for the Company. The initial term of the Advisory Agreement extends through December 31, 1999, subject to successive, automatic one year renewals unless terminated according to the terms of the Advisory Agreement. The Company may terminate the Advisory Agreement without termination fees or penalties upon notice given at least 180 days prior to the end of the then current term of the Advisory Agreement. The Company's Board of Trustees approved the renewal of the Advisory Agreement for 2000.

The Advisory Agreement provides for payment of a base fee, payable quarterly, starting at 5% of the first $100 million of net operating income ("NOI") (as defined). The percentage of NOI used to calculate the base fee is reduced by .2% for every incremental $125 million of NOI above $100 million until $600 million, at which point any excess NOI above $600

million is subject to a base fee of 4%.

In addition, the Advisory Agreement provides for payment of an annual incentive fee to be paid by the Company in arrears. The annual incentive fee is equal to 25% of the product of (i) the amount by which the funds from operations ("FFO") per common share/Unit (as defined) for the calendar year then ended (the "Measurement Year") exceeds a growth rate of 7% per annum of the FFO per common share/Unit for the prior calendar year and (ii) the common shares/Units outstanding for the Measurement Year. For partial years, the incentive fee shall be calculated on a pro rata basis for only that portion of the year that the Advisory Agreement was in effect. Payment of the incentive fee will be in common shares or Units at the option of the Advisor.

12. SHARE OPTION AND INCENTIVE PLAN

In April 1998, the Board of Trustees adopted and the then current shareholder, approved the Share Option and Incentive Plan (the "1998 SIP") which is currently administered by the Compensation, Contract and Governance Committee (the "Compensation Committee") of the Board of Trustees. The Advisor and its employees and the Hotel Operators and their employees generally are eligible to participate in the 1998 SIP. Independent Trustees continuing in office after an annual meeting of shareholders of the Company receive automatic annual grants of options to purchase 1,000 Common Shares at a per share exercise price equal to fair market value of a Common Share on the date of the meeting.

The 1998 SIP authorizes, among other things: (i) the grant of share options that qualify as incentive options under the Code; (ii) the grant of share options that do not so qualify; (iii) the grant of share options in lieu of cash Trustees' fees; (iv) grants of Common Shares in lieu of cash compensation; and (v) the making of loans to acquire Common Shares in lieu of compensation. The exercise price of share options is determined by the Compensation Committee, but may not be less than 100% of the fair market value of the Common Shares on the date of grant. Options under the plan vest over a period determined by the Compensation Committee, which is generally a three year period. The duration of each option is also determined by the Compensation Committee, however, the duration of each option shall not exceed 10 years from date of grant.

On May 19, 1999, the common shareholders approved an amendment to the 1998 SIP, increasing the number of Common Shares authorized for issuance under the SIP from 757,000 to 1,500,000. Accordingly, at December 31, 1999 and 1998, 1,500,000 and 757,000 shares were authorized for issuance under the 1998 SIP, respectively.

Stock option transactions are summarized as follows:

	1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the year . . .	81,000	$ 16.22	--	$ --
Options granted.	310,700	13.20	81,000	16.22
Options forfeited.	(11,500)	13.25		

Outstanding at end of year	380,200	81,000
Exercisable at end of the year	43,667	--
Available for future grant at year end	1,114,805	676,000
Weighted average per share fair value of options granted during the year . .	$ 1.55	$ .94

Range of Exercise Prices	Options Outstanding: Number Outstanding at 12/31/99	Options Outstanding: Weighted Average Remaining Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Outstanding at 12/31/99	Options Exercisable: Weighted Average Exercise Price
$13.19-$18.00	380,200	6.2 years	$13.84	43,667	$16.90

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1999	1998
Expected Life.	7.2	7.9
Expected Volatility.	32.0%	13.4%
Risk-free Interest Rate.	4.8%	4.7%
Dividend Yield	10.9%	9.3%

PRO FORMA NET INCOME AND NET INCOME PER COMMON SHARE

The Company has applied Accounting Principles Board Opinion No. 25 and related interpretations in accounting for the 1998 SIP. Accordingly, no compensation costs have been recognized, except $12 for the options granted to the Advisor during 1999, which were accounted for under the method required by Statement of Financial Accounting Standards ("SFAS") No. 123. Had compensation cost for all of the options granted under the Company's 1998 SIP been determined in accordance with the method required by SFAS No. 123, the Company's net income and net income per common share for 1999 and 1998 would approximate the pro forma amounts below (in thousands, except per share data).

	1999		1998	
	As Reported	Pro Forma	As Reported	Pro Forma
Net income	$13,989	$13,886	$12,233	$12,229
Net income per common share	$ .91	$ .90	$ .80	$ .80

13. AFFILIATED LESSEE

A significant portion of the Company's participating lease revenue is derived from the Participating Leases with the Affiliated Lessee. Certain

condensed financial information, related to the Affiliated Lessee's financial statements, is as follows:

	December 31, 1999	December 31, 1998
Balance Sheet Information:		
Cash and cash equivalents	$ 5,494	$ 3,742
Due from LaSalle Hotel Properties	30	614
Total assets	11,176	9,580
Notes payable to LaSalle Hotel Properties	3,900	1,500
Total liabilities	10,777	9,814
Stockholders' equity (deficit)	399	(234)
Total liabilities and stockholders' equity (deficit)	11,176	9,580

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Statement of Operations Information:		
Total revenues	$100,700	$ 66,335
Participating lease expense	28,290	19,436
Net income (loss)	633	(659)

At December 31, 1999 and 1998, the Company owed the Affiliated Lessee $30 and $614, respectively, for reimbursement of capital improvements, which were paid by the Affiliated Lessee.

14. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Interest paid, net of capitalized interest	$ 17,652	$ 7,325
Interest capitalized	$ 174	$ 57
Supplemental schedule of noncash investing and financing activities:		
Advances to Affiliated Lessee converted to notes receivable	$ 2,400	$ --
Distributions payable	$ 7,000	$ 6,902
Exchange of Units for Common Shares:		
Minority interest	$(23,847)	$ --

Common stock	16	--
Additional paid in capital	23,831	--
	$ --	$ --

In conjunction with the hotel acquisitions, the Company assumed the following assets and liabilities:		
Purchase of real estate.	$ 28,052	$470,859
Adjustment required to reflect predecessor's basis.	--	33,012
Note receivable.	167	--
Other assets purchased	14	--
Liabilities, net of other assets	--	(3,455)
Bonds payable.	--	(43,480)
Issuance of shares/units	--	(76,686)
Acquisitions of hotel properties	$ 28,233	$380,250

15. COMMITMENTS AND CONTINGENCIES

Three of the Hotels are subject to ground leases under noncancelable operating leases with terms ranging out to May 2081. Total lease expense for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was $3,351 and $1,886, respectively. Future minimum lease payments are as follows:

2000.	$ 2,165
2001.	2,165
2002.	2,165
2003.	2,165
2004.	2,165
Thereafter.	93,458
	$104,283

The Company is obligated to make funds available to the Hotels for capital expenditures (the "Reserve Funds"), as determined in accordance with the Participating Leases. The Reserve Funds have not been recorded on the books and records of the Company as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve Funds is approximately $9,496 at December 31, 1999, of which $4,609 is available in restricted cash reserves for future capital expenditures. Purchase orders and letters of commitment totaling approximately $8,103 have been issued for renovations at the Hotels.

The nature of the operations of the Hotels expose them to the risk of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined, management does not expect that the ultimate resolution of these matters to have a material adverse effect on the financial position, operations or liquidity of the Hotels.

On behalf of the Company, the Advisor seeks opportunities for the purchase of additional full service hotel properties located primarily in convention, resort, urban and major business markets. From time to time, the Company may enter into purchase contracts for the acquisition of hotel properties. The consummation of each acquisition will be subject to

satisfactory completion of due diligence.

16. RELATED PARTY TRANSACTIONS

At December 31, 1999 and 1998, the Company had a payable to JLL of $1,123 and $886, respectively, primarily for the advisory fee. For the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, the total advisory fee was $3,670 and $2,134, of which $412 and $155 represented the incentive portion of the advisory fee, respectively.

At December 31, 1998, the Company had a receivable of $3,160 in conjunction with the final settlement of the hotel acquisitions. The receivable was classified in other assets on the consolidated balance sheet and was collected in its entirety subsequent to December 31, 1998.

17. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The pro forma financial information set forth below is presented as if (i) the Initial Offering and the related formation transactions and (ii) the acquisitions of the hotels discussed in Note 4 had been consummated and leased as of January 1, 1998. The pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been assuming the Initial Offering and the related formation transactions and the acquisitions had been consummated and all the Hotels had been leased as of January 1, 1998, nor does it purport to represent the results of operations for future periods.

	For the Year Ended December 31,	
	1999	1998
Total revenues	$ 78,137	$ 75,598
Depreciation	25,786	22,384
Real estate and personal property taxes and insurance	8,271	7,746
General and administrative	1,342	707
Interest expense	16,902	16,222
Amortization of deferred financing costs	992	783
Advisory fees	3,676	3,839
Ground rent	3,351	3,155
Other expense	140	--
Income before Minority Interest and writedown of property held for sale	17,677	20,762
Writedown of property held for sale	2,000	--
Income before minority interest	15,677	20,762
Minority interest	2,541	3,613
Net income applicable to common shareholders	$ 13,136	$ 17,149
Net income applicable to common shareholders per share - basic and diluted	$ .85	$ 1.03
Weighted average number of common shares outstanding - basic and diluted	15,432,667	15,224,580

18. PREDECESSOR INFORMATION

Pursuant to SEC regulations which require the presentation of predecessor financial information for corresponding periods of the preceding year, the following information represents condensed statements of operations and cash flow information of LRP Bloomington Limited Partnership, which is considered to be the predecessor of the Company, for the years ended December 31, 1997 and for the period from January 1, 1998 through April 28, 1998.

LRP BLOOMINGTON LIMITED PARTNERSHIP (PREDECESSOR)

STATEMENTS OF OPERATIONS
(Dollar Amounts in Thousands)

	For the period from January 1, 1998 through April 28, 1998	For the year ended December 31, 1997
REVENUES		
Rooms	$ 4,285	$ 13,863
Food & beverage	3,459	10,214
Telephone	124	491
Other	537	1,649
Total Revenue	8,405	26,217
EXPENSES		
Departmental expenses:		
Rooms	1,096	3,524
Food & beverage	2,379	7,198
Telephone	88	298
Other operating departments	307	1,017
General & administrative	571	1,674
Sales and marketing	435	1,352
Real estate and personal property taxes	405	1,240
Property operations and management	400	1,154
Management fees	336	1,111
Energy	292	808
Insurance	71	132
Other fixed expenses	73	247
Interest expense	833	2,658
Depreciation and amortization	1,196	3,123
Advisory fees	53	159
Total Expenses	8,535	25,695
Net Loss (Income)	$ (130)	$ 522

LRP BLOOMINGTON LIMITED PARTNERSHIP (PREDECESSOR)

STATEMENT OF CASH FLOWS
(Unaudited, Dollar Amounts in Thousands)

	For the period from January 1, 1998 through April 28, 1998	For the year ended December 31, 1997
Cash flows from operating activities:		
Net (loss) income.	$ (130)	$ 522
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	1,196	3,123
Changes in assets and liabilities:		
Guest and trade receivables, net	(284)	175
Inventories	8	45
Prepaid expenses.	(367)	358
Accounts payable.	(133)	4
Accrued expenses and other liabilities	515	90
Net cash provided by operating activities . .	805	4,317
Cash flows from investing activities:		
Funding of restricted cash reserves	--	(1,010)
Proceeds from restricted cash reserves.	148	1,736
Capital expenditures	(611)	(1,736)
Net cash used in investing activities. . .	(463)	(1,010)
Cash flows from financing activities:		
Partner's distributions.	--	(1,151)
Principal payments on long-term debt	(145)	(758)
Net cash used in financing activities. . .	(145)	(1,909)
Increase in cash and cash equivalents.	197	1,398
Cash and cash equivalents, beginning of period.	1,744	346
Cash and cash equivalents, end of period.	$ 1,941	$ 1,744

Cash paid for interest	$ 833	$ 2,658

19. SUBSEQUENT EVENTS

On January 14, 2000, the Company paid its regular fourth quarter distribution of $0.38 per share/unit on its Common Shares and Units.

On January 25, 2000, the Company entered into a joint venture arrangement (the "Chicago 540 Hotel Venture") with an institutional investor to acquire the 1,176-room Chicago Marriott Downtown (the "Chicago Property") in Chicago, Illinois. The Company, through the Operating Partnership, owns a 9.9% equity interest in the Chicago 540 Hotel Venture. The Company will receive an annual preferred return in addition to its pro rata share of annual cash flow. The Company will also have the opportunity to earn an incentive participation in net sale proceeds based upon the achievement of certain overall investment returns, in addition to its pro rata share of net sale or refinancing proceeds. The Chicago Property was leased to Chicago 540 Lessee, Inc., in which the Company also owns a 9.9% equity interest. The institutional investor owns a 90.1% controlling interest in both the Chicago 540 Hotel Venture and Chicago 540 Lessee, Inc.

Marriott International continues to operate and manage the Chicago Property.

20. QUARTERLY OPERATING RESULTS (UNAUDITED)

The Company's unaudited consolidated quarterly operating data for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 follows (in thousands, except per share data). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of quarterly results have been reflected in the data. It is also management's opinion, however, that quarterly operating data for hotel enterprises are not indicative of results to be achieved in succeeding quarters or years.

	Year Ended December 31, 1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	$ 16,212	$ 20,644	$ 23,576	$ 17,522
Total Expenses	13,704	15,410	17,377	17,474
Net Income	$ 2,508	$ 5,234	$ 6,199	$ 48
Net Income Applicable to Common Shareholders per Weighted Average Common Shares Out-standing:				
Basic.	$ 0.16	$ 0.34	$ 0.40	$ --
Diluted.	$ 0.16	$ 0.34	$ 0.40	$ --
Weighted Average Number of Common Shares outstanding:				
Basic.	15,230,052	15,240,563	15,315,174	15,938,385

Diluted.	15,230,052	15,260,923	15,340,057	15,938,385

	For the period from April 29, 1998 (inception) through June 30, 1998	For the 1998 Quarters Ended	
		September 30,	December 31,
Total Revenues	$ 11,727	$ 19,820	$ 15,446
Total Expenses	6,922	14,517	13,321
Net Income	$ 4,805	$ 5,303	$ 2,125
Net Income Applicable to Common Share-holders per Weighted Average Common Share Outstanding:			
Basic.	$ 0.32	$ 0.35	$ 0.14
Diluted.	$ 0.32	$ 0.35	$ 0.14
Weighted Average number of Common Shares Outstanding:			
Basic.	15,165,673	15,224,580	15,224,580
Diluted.	15,165,673	15,224,580	15,224,580

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
As of December 31, 1999

	Initial Cost			Costs Capitalized Subsequent to Acquisition			Gross Amounts at Which Carried At Close of Period		
	Land	Building and Improve-ments	FF&E	Land	Building and Improve-ments	FF&E	Land	Building and Improve-ments	FF&E
Radisson Convention Hotel	$ 8,172	$11,258	$13,811	$ --	$ 1,506	$ 4,000	$ 8,172	$ 12,764	$17,811
Le Meridien New Orleans	--	60,062	6,554	--	278	2,345	--	60,340	8,899
Le Meridien Dallas.	2,452	20,847	2,166	--	157	2,661	2,452	21,004	4,827
Marriott Seaview Resort.	7,415	40,337	2,339	182	998	6,647	7,597	41,335	8,986
Holiday Inn									

Beachside Resort. . .	5,505	14,702	1,901	--	287	651	5,505	14,989	2,552
San Diego Paradise Point. . . .	--	69,639	3,665	--	7,347	5,038	--	76,986	8,703
LaGuardia Airport Marriott.	8,127	32,139	3,976	--	616	1,231	8,127	32,755	5,207
Omaha Marriott Hotel	4,268	22,405	3,086	--	395	955	4,268	22,800	4,041
Radisson Hotel Tampa	4,383	20,223	2,166	--	642	3,332	4,383	20,865	5,498
Holiday Inn Plaza Park.	1,663	5,335	396	--	210	391	1,663	5,545	787
Le Montrose All Suite Hotel . . .	5,004	19,752	2,951	--	236	693	5,004	19,988	3,644
Harborside Hyatt Conference Center & Hotel	--	66,159	5,246	--	523	410	--	66,682	5,656
Hotel Viking	2,504	25,183	365	76	1,295	214	2,580	26,478	579
Totals	$ 49,493	$408,041	$ 48,622	$ 258	$14,490	$28,568	$49,751	$422,531	$77,190

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
As of December 31, 1999

	Write-down (a)	Accumulated Depreciation	Net Book Value	Date of Original Construction	Date of Acquisition	Life On Which Depreciation In Income Statement is Computed
Radisson Convention Hotel.	$ --	$10,223	$ 28,524	1969	12/01/95	5 - 30 years
Le Meridien New Orleans	--	5,946	63,293	1984	04/29/98	5 - 30 years
Le Meridien Dallas.	--	2,482	25,801	1980	04/29/98	5 - 30 years
Marriott Seaview Resort.	--	4,268	53,650	1912	04/29/98	5 - 30 years
Holiday Inn Beachside Resort. .	--	1,572	21,474	1960	04/29/98	5 - 30 years
San Diego Paradise Point. . .	--	5,703	79,986	1962	06/01/98	5 - 30 years
LaGuardia Airport Marriott.	--	3,328	42,761	1981	05/01/98	5 - 30 years
Omaha Marriott Hotel	--	2,474	28,635	1982	04/29/98	5 - 30 years
Radisson Hotel Tampa	--	2,194	28,552	1987	04/29/98	5 - 30 years
Holiday Inn Plaza Park.	2,000	487	5,508	1976	04/29/98	5 - 30 years
Le Montrose All Suite Hotel . .	--	2,148	26,488	1976	04/29/98	5 - 30 years
Harborside Hyatt Conference Center & Hotel	--	4,917	67,421	1993	06/24/98	5 - 30 years
Hotel Viking	--	539	29,098	1850	06/02/99	5 - 30 years
Totals	$ 2,000	$46,281	$501,191			

<FN>

(a) In 1999, the Company recorded a $2,000 writedown on Holiday Inn Plaza Park, which was held for sale at December 31, 1999. See Note 6 in Notes to Consolidated Financial Statements.

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
As of December 31, 1999

Reconciliation of real estate and accumulated depreciation:

Reconciliation of Real Estate:

Balance at April 29, 1998	$ 33,241
Acquisitions of hotel properties	444,863
Improvements and additions to hotel properties	10,359
Balance at December 31, 1998	488,463
Acquisition of hotel	28,052
Improvements and additions to hotel properties	30,957
Balance at December 31, 1999	$547,472

Reconciliation of Accumulated Depreciation:

Balance at April 29, 1998	$ 7,245
Depreciation	13,666
Balance at December 31, 1998	20,911
Depreciation	25,370
Balance at December 31, 1999	$ 46,281

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
LaSalle Hotel Lessee, Inc.

We have audited the accompanying balance sheets of LaSalle Hotel Lessee, Inc. (the Company) as of December 31, 1999 and 1998 and the related statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaSalle Hotel Lessee, Inc. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
March 1, 2000

LASALLE HOTEL LESSEE, INC.

BALANCE SHEETS
(Dollars in Thousands)

	December 31, 1999	December 31, 1998
ASSETS		
Cash and cash equivalents.	$ 5,494	$ 3,742
Accounts receivable - trade, net of allowance for doubtful accounts of $108 and $102, respectively.	3,689	3,804
Note receivable - LPI Charities. . . .	--	201
Inventories.	789	742
Prepaid expenses and other assets. . .	1,174	477
Due from LaSalle Hotel Properties. . .	30	614
Total assets.	$ 11,176	$ 9,580
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Due to LaSalle Hotel Properties. . . .	$ 1,675	$ --
Accounts payable		
Trade.	1,254	1,633
Advance deposits	1,368	1,035
Accrued expenses		
Accrued sales, use and occupancy taxes.	542	610
Other accrued liabilities.	2,038	5,036
Notes Payable to LaSalle Hotel Properties	3,900	1,500
Total liabilities.	10,777	9,814
Stockholders' equity (deficit)		
Common stock	--	--
Additional paid-in capital	425	425
Retained deficit	(26)	(659)
Total stockholders' equity (deficit).	399	(234)
Total liabilities and stockholders' equity (deficit).	$ 11,176	$ 9,580

The accompanying notes are an integral part of these financial statements.

LASALLE HOTEL LESSEE, INC.

STATEMENTS OF OPERATIONS
(Dollars in Thousands)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
REVENUES		
Room revenue	$ 57,515	$ 36,643
Telephone revenue.	1,874	1,124
Food and beverage revenue.	31,855	20,897
Golf revenue	6,422	5,680
Other revenue.	2,920	1,949
Interest income.	114	42
Total revenues	100,700	66,335
EXPENSES		
Departmental expenses of hotels		
Rooms.	13,373	8,736
Telephone.	1,057	607
Food and beverage.	23,550	15,640
Golf	3,952	3,231
Other.	1,670	1,212
Repairs and maintenance.	4,097	2,577
Utilities.	2,444	1,618
Sales and marketing.	5,564	3,384
General and administrative	7,367	4,940
Insurance.	730	360
Management and incentive fees. . .	7,397	4,975
Participation rent	28,290	19,436
Interest on notes payable.	228	54
Other expenses	373	224
Total expenses	100,092	66,994
Net income (loss) before taxes.	608	(659)

Income tax (provision) benefit . . .	25	--
Net income (loss).	$ 633	$ (659)

The accompanying notes are an integral part of these financial statements.

LASALLE HOTEL LESSEE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Dollars in Thousands)

	Common Stock	APIC - Common Stock	Retained Deficit	Total
Initial proceeds from stock issuance.	$ --	$ 425	$ --	$ 425
Net loss	--	--	(659)	(659)
Balance at December 31, 1998.	--	425	(659)	(234)
Net income	--	--	633	633
Balance at December 31, 1999.	$ --	$ 425	$ (26)	$ 399

The accompanying notes are an integral part of these financial statements.

LASALLE HOTEL LESSEE, INC.

STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss).	$ 633	$ (659)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debts.	86	94
Changes in operating assets and liabilities		
Accounts receivable.	30	(3,656)
Inventories.	(48)	(663)
Prepaid expenses and other assets	(105)	(721)
Accounts payable and accrued expenses	963	2,642
Net cash provided by (used in) operating activities	1,559	(2,963)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable. . . .	--	1,500
Capital contributions.	193	232
Proceeds from prorations	--	2,568
Advances from LaSalle Hotel Properties	--	2,405
Net cash provided by financing activities . . .	193	6,705
Increase in cash and cash equivalents	1,752	3,742
Cash and cash equivalents at beginning of period	3,742	--
Cash and cash equivalents at end of period	$ 5,494	$ 3,742
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash paid for interest	$ 213	$ 54
Advances from the Company converted to notes payable . . .	$ 2,400	$ --

The accompanying notes are an integral part of these financial statements.

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

1. ORGANIZATION

LaSalle Hotel Lessee, Inc. was formed on March 24, 1998 as an Illinois Corporation, (the "Affiliated Lessee") by Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) ("JLL") in connection with the initial public offering of LaSalle Hotel Properties (the "Company") to serve as lessee for three of the initial hotels owned by the Company. The Affiliated Lessee is owned as follows: 9.0% by the Company, 45.5% by JLL and 45.5% by LPI Charities, a charitable corporation organized under the laws of the state of Illinois. Accordingly, the stockholders share in the profits and losses of the Affiliated Lessee in accordance with their respective ownership interests. In addition, any cash deficits will be funded by the stockholders in proportion to their ownership interests. The Affiliated Lessee had no operations prior to April 29, 1998. On June 24, 1998, the Affiliated Lessee leased Harborside Hyatt Conference Center and Hotel (the "Boston Property") from the Company pursuant to the Company's acquisition of the Boston Property.

The owners capitalized the Affiliated Lessee with cash contributions totaling $425, which were received during 1999 and 1998. In connection with the formation of the Affiliated Lessee and the subsequent lease of the Boston Property, the Affiliated Lessee assumed certain assets and

liabilities of the four hotels. The net liability totaling $2,568 was paid to the Affiliated Lessee by the Company. All four hotels (the "hotels") are leased under participating leases ("Participating Leases") which provide for rent based on hotel revenues and are managed by independent hotel operators (the "Operators").

The following hotels are leased to the Affiliated Lessee by the Company:

PROPERTY NAME	LOCATION
LaGuardia Airport Marriott	New York, NY
Omaha Marriott Hotel	Omaha, NE
Marriott Seaview Resort	Absecon, NJ (Atlantic City)
Harborside Hyatt Conference Center and Hotel	Boston, MA

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Affiliated Lessee is operated on a calendar year basis. However, the Marriott hotels are operated on a fiscal year basis. The Marriott fiscal year ends on the Friday closest to December 31. The 1999 and 1998 fiscal years for Marriott ended on December 31, 1999 and January 1, 1999, respectively. Both Marriott fiscal years are reflected in the accompanying financial statements.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is determined by using available market information and appropriate valuation methodologies. The Affiliated Lessee's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, which due to their short maturities, are carried at amounts which reasonably approximate fair value.

INVENTORIES

Inventories consisting primarily of food and beverages and gift store merchandise are stated at the lower of cost or market.

REVENUE RECOGNITION

Revenue is recognized as earned. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable which is estimated to be uncollectible. Such losses have been within management's expectations.

MEMBERSHIP FEES

Golf course membership fees are recognized as revenue using the straight-line method over the membership period.

3. PARTICIPATING LEASES

The Participating Leases are operating leases with noncancelable terms of 10 years, subject to earlier termination on the occurrence of certain contingencies, as defined. The rent due under each Participating Lease is the greater of base rent, as defined, or participating rent. Participating rent applicable to room and other hotel revenues varies by lease and is calculated by multiplying fixed percentages by the total amounts of such revenues over specified quarterly threshold amounts. Both the base rent and the participating rent thresholds used in computing percentage rents applicable to room and other hotel revenues, including food and beverage revenues, are subject to annual adjustments based on increases in the applicable Consumer Price Index ("CPI"). Participating Lease expense for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was $28,290 and $19,436 of which approximately $9,923 and $7,125 was in excess of base rent, respectively.

Future minimum rentals (without reflecting future CPI increases) to be paid by the Affiliated Lessee pursuant to the Participating Leases for the years 2000 to 2004 and in total thereafter are as follows:

2000	$ 19,109
2001	19,109
2002	19,109
2003	19,109
2004	19,109
Thereafter	64,239
Total	$159,784

Other than real estate and personal property taxes, ground rent, casualty insurance and capital improvements which are obligations of the Company, the Percentage Leases require the Affiliated Lessee to pay rent, liability insurance premiums, all costs, expenses, utilities and other charges incurred in the operation of the leased hotels. At December 31, 1999 and 1998, the Affiliated Lessee had an outstanding receivable of $30 and $614, respectively, from the Company for the reimbursement of capital improvements, which were paid by the Affiliated Lessee.

The Affiliated Lessee is required to indemnify the Company against all liabilities, costs and expenses incurred by or asserted against the Company in the normal course of operating the hotels.

4. ADVISORY AGREEMENT

On April 29, 1998, the Affiliated Lessee entered into an advisory agreement (the "Advisory Agreement") with LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL, to provide all management, administrative and accounting services for the Affiliated Lessee. The Advisory Agreement will remain in effect until either party gives notice of termination. The Advisory Agreement provides for an annual fee, prorated for any partial year the Advisory Agreement is in effect. The advisory fee increases 2% annually and will also increase by $2,500 with each additional hotel leased by the Company to the Affiliated Lessee.

The advisory fee for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was $26 and $17, respectively.

5. INCOME TAXES

The components of the income tax expense (benefit) were as follows:

	1999	1998
Federal		
Current.	$ 11	$ --
Deferred	(33)	--
State and Local		
Current.	9	--
Deferred	(12)	--
Total income tax expense (benefit).	$ (25)	$ --

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of the following differences:

	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
Computed "Expected" tax expense (benefit) (1999 at 34%, 1998 at 25%).	$ 207	$ (165)
State income taxes, net of federal income tax effect.	51	(35)

Change in valuation allowance	(292)	200
Other, net	9	--
Income tax expense (benefit).	$ (25)	$ --

The components of the Affiliated Lessee's deferred tax assets as of December 31 were as follows:

	1999	1998
Deferred tax assets:		
Operating loss carryforward. . . .	$ --	$ 165
Gift certificate liability	--	32
Allowance for doubtful accounts. .	45	3
Gross deferred tax assets.	45	200
Less: valuation allowance	--	200
Deferred tax assets.	$ 45	$ --

The deferred tax asset and corresponding valuation allowance existing at December 31, 1998 were subsequently adjusted to $292 to account for the final tax loss carryforwards reflected in the 1998 tax returns. Due to the profitability of the Company in 1999 and the use of available loss carryforwards, the adjusted valuation allowance of $292 is no longer necessary, and has been credited in the 1999 tax provision. The deferred tax asset of $45 at December 31, 1999 is considered realizable given estimates of future income.

6. OPERATOR AGREEMENTS

The hotels have entered into separate management agreements ("Operator Agreements") with the Operators. Pursuant to the terms of the Operator Agreements, the Operators are to manage the hotels for a base management fee ranging from 3% to 3.5% of gross revenues plus an incentive fee equal to a percentage of certain measures of profitability, as defined. For the year ended December 31, 1999, base and incentive management fees totaled $3,171 and $4,226, respectively. For the period from April 29, 1998 (inception) through December 31, 1998, base and incentive management fees totaled $2,045 and $2,930, respectively. Management fees of approximately

$49 and $107 were payable on December 31, 1999 and December 31, 1998, respectively. In addition, pursuant to the terms of the Operator Agreements, the Operators provide the hotels with various services and supplies, including marketing, reservations, and insurance.

7. CONTINGENCIES

The nature of the operations of the hotels exposes them to the risk of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined, management does not expect

that the ultimate resolution of these matters to have a material adverse effect on the financial position, operations or liquidity of the hotels.

8. NOTES PAYABLE

The Company provided working capital to the Affiliated Lessee in the aggregate amount of $3,900 in exchange for notes payable. The notes bear interest at 5.6% or 6.0% per annum and are payable in monthly installments of interest only. The term of each note is identical to the term of the related participating lease. Interest expense totaled $228 and $54 for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively.

9. CONCENTRATION OF RISK

The profitability of the hotels is dependent upon business and leisure travelers and in certain circumstances, golf tourism. Consequently demand may fluctuate and be seasonal. Unfavorable economic or weather conditions could adversely affect the results of operations.

10. EMPLOYEE BENEFIT PLANS

A majority of the employees of the hotels participate in defined contribution and other benefit plans, which are administered by the respective Operators in accordance with the provisions of the related labor contracts and are generally based on hours worked. The hotels contribution to these plans totaled approximately $540 and $534 for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively.

11. SUBSEQUENT EVENTS

On February 3, 2000, the Affiliated Lessee made a cash distribution of $351,648 to its owners based on their respective ownership percentages.

On February 3, 2000, the Affiliated Lessee provided the Company with $351,648 as a security deposit for its Participating Leases.

EXHIBIT 23

To the Board of Trustees of
LaSalle Hotel Properties:

We consent to incorporation by reference in the registration statements on Form S-8 (No. 333-72265) and on Form S-3 (Nos. 333-76373 and 333-77371) of LaSalle Hotel Properties of our report dated January 21, 2000, relating to the consolidated balance sheets of LaSalle Hotel Properties as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, and the related financial statement schedule and our report dated March 1, 2000, relating to the balance sheets of LaSalle Hotel Lessee, Inc., as of December 31, 1999 and 1998, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, which reports appear in the December 31, 1999 annual report on Form 10-K of LaSalle Hotel Properties.

KPMG LLP

Chicago, Illinois
March 14, 2000

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