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## Ashford Hospitality Trust Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) First question comes from the line of Celeste Brown - Morgan Stanley.

#### Celeste Brown - Morgan Stanley

Great to see you taking advantage of the yields in the mezz market. My question is, how do you consider sort of this shorter term, in terms of years, nature of the mezz yields versus the permanent, if you decide to keep it, hotel ownership? So, if you sell a hotel and lend out at 17% yield at some points that comes to an end, how do you balance that out near-term versus longer-term?

#### Montgomery Bennett

I'll take a stab at it, and Doug, you may want to take a stab at it as well. It's something we evaluate as we go forward. Clearly we are trying to make money for our shareholders. And since we think that the growth in hotel assets at least at this point in time, hotel asset value is moderating, we don't see hotel assets throwing off those kinds of returns for the foreseeable future.

So it makes sense for us to migrate more towards the mezz business. At some point in time, if I have to guess, let's say it's three to four years from now, I think that will start to reverse. And at that point in time we will start migrating the other way.

But, really what's fortunate for us and our strategy is we don't have to be right about what the long-term is, just as the market moves we move. So, it's hard to know when it will move, but we'll be able to move when it does.

#### Douglas Kessler

Celeste, we also have been very disciplined about being in market and out of markets depending upon what we see happening. And as you'll recall, we were out of the mezz market when we didn't like the returns, and we're into it now.

To your question, I think, what's important to recognize is that we calibrate a portion of our portfolio to be investing in this segment and we need to discover the healthy blend of assets that are in direct hotel investments as well as in our mezzanine platform, and we think that, as we make investments that we strike that balance along the way.

I would also suggest that by our ability to access external capital, I think we discovered that we can find ways to enhance returns depending upon where mezz yields are at a given point in time and our

view is at least for the near term that relative to prior markets that the existing mezz paper that we are lending will probably have a longer maturity to it in term of how long it will stay within our portfolio relative to the heyday of when hotel owners are regularly refinancing their portfolios.

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