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

FORM 10-Q

? **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

? **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 001-34571

PEBBLEBROOK HOTEL TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-1055421
(State of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4747 Bethesda Avenue, Suite 1100, Bethesda, Maryland	20814
(Address of Principal Executive Offices)	(Zip Code)

(240) 507-1300
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.01 par value per share	PEB	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PE	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PF	New York Stock Exchange
Series G Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PG	New York Stock Exchange
Series H Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PH	New York Stock Exchange

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 ? No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ? Yes ? No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	?	Accelerated filer	?
Non-accelerated filer	?	Smaller reporting company	?
		Emerging growth company	?

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ?

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ? Yes ? No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at April 19, 2024
Common shares of beneficial interest ($0.01 par value per share)	120,503,501

Pebblebrook Hotel Trust

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Pebblebrook Hotel Trust
Consolidated Balance Sheets
(in thousands, except share and per-share data)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Investment in hotel properties, net	$ 5,475,450	$ 5,490,776
Cash and cash equivalents	56,707	183,747
Restricted cash	8,267	9,894
Hotel receivables (net of allowance for doubtful accounts of $341 and $689, respectively)	53,934	43,912
Prepaid expenses and other assets	103,593	96,644
Total assets	$ 5,697,951	$ 5,824,973
LIABILITIES AND EQUITY		
Debt	$ 2,206,651	$ 2,319,801
Accounts payable, accrued expenses and other liabilities	247,029	238,644
Lease liabilities - operating leases	320,649	320,617
Deferred revenues	87,874	76,874
Accrued interest	10,390	6,830
Distribution payable	11,849	11,862
Total liabilities	2,884,442	2,974,628
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred shares of beneficial interest, $.01 par value (liquidation preference $690,000 at March 31, 2024 and December 31, 2023), 100,000,000 shares authorized; 27,600,000 shares issued and outstanding at March 31, 2024 and December 31, 2023	276	276
Common shares of beneficial interest, $.01 par value, 500,000,000 shares authorized; 120,094,380 shares issued and outstanding at March 31, 2024 and 120,191,349 shares issued and outstanding at December 31, 2023	1,201	1,202
Additional paid-in capital	4,074,898	4,078,912
Accumulated other comprehensive income (loss)	31,067	24,374
Distributions in excess of retained earnings	(1,381,450)	(1,341,264)
Total shareholders' equity	2,725,992	2,763,500
Non-controlling interests	87,517	86,845
Total equity	2,813,509	2,850,345
Total liabilities and equity	$ 5,697,951	$ 5,824,973

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

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except share and per-share data)

(Unaudited)

	For the three months ended March 31,	
	2024	**2023**
Revenues:		
Room	$ 198,100	$ 196,374
Food and beverage	81,095	75,763
Other operating	34,874	33,582
Total revenues	314,069	305,719
Expenses:		
Hotel operating expenses:		
Room	55,023	56,424
Food and beverage	61,014	58,672
Other direct and indirect	100,019	99,214
Total hotel operating expenses	216,056	214,310
Depreciation and amortization	57,209	58,369
Real estate taxes, personal property taxes, property insurance, and ground rent	32,405	28,904
General and administrative	12,177	9,988
Gain on sale of hotel properties	—	(6,635)
Business interruption insurance income	(3,980)	(8,089)
Other operating expenses	1,581	3,670
Total operating expenses	315,448	300,517
Operating income (loss)	(1,379)	5,202
Interest expense	(26,421)	(27,430)
Other	326	183
Income (loss) before income taxes	(27,474)	(22,045)
Income tax (expense) benefit	(46)	—
Net income (loss)	(27,520)	(22,045)
Net income (loss) attributable to non-controlling interests	830	883
Net income (loss) attributable to the Company	(28,350)	(22,928)
Distributions to preferred shareholders	(10,631)	(10,988)
Net income (loss) attributable to common shareholders	$ (38,981)	$ (33,916)
Net income (loss) per share available to common shareholders, basic	$ (0.32)	$ (0.27)
Net income (loss) per share available to common shareholders, diluted	$ (0.32)	$ (0.27)
Weighted-average number of common shares, basic	120,085,226	125,488,415
Weighted-average number of common shares, diluted	120,085,226	125,488,415

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income - Continued
(in thousands, except share and per-share data)

(Unaudited)

	For the three months ended March 31,	
	2024	**2023**
Comprehensive Income:		
Net income (loss)	$ (27,520)	$ (22,045)
Other comprehensive income (loss):		
Change in fair value of derivative instruments	13,076	(46)
Amounts reclassified from other comprehensive income	(6,335)	(5,825)
Comprehensive income (loss)	(20,779)	(27,916)
Comprehensive income (loss) attributable to non-controlling interests	878	845
Comprehensive income (loss) attributable to the Company	$ (21,657)	$ (28,761)

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

Pebblebrook Hotel Trust
Consolidated Statements of Equity
(in thousands, except share data)

(Unaudited)

For the three months ended March 31, 2024

	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2023	27,600,000	$ 276	120,191,349	$1,202	$4,078,912	$24,374	$ (1,341,264)	$2,763,500	$86,845	$2,850,345
Issuance of common shares for Board of Trustees compensation	—	—	47,497	1	744	—	—	745	—	745
Repurchase of common shares	—	—	(387,651)	(4)	(6,847)	—	—	(6,851)	—	(6,851)
Share-based compensation	—	—	243,185	2	2,089	—	—	2,091	969	3,060
Distributions on common shares/units	—	—	—	—	—	—	(1,205)	(1,205)	(11)	(1,216)
Distributions on preferred shares/units	—	—	—	—	—	—	(10,631)	(10,631)	(1,164)	(11,795)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	13,028	—	13,028	48	13,076
Amounts reclassified from other comprehensive income	—	—	—	—	—	(6,335)	—	(6,335)	—	(6,335)
Net income (loss)	—	—	—	—	—	—	(28,350)	(28,350)	830	(27,520)
Balance at March 31, 2024	27,600,000	$ 276	120,094,380	$1,201	$4,074,898	$31,067	$ (1,381,450)	$2,725,992	$87,517	$2,813,509

For the three months ended March 31, 2023

	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	28,600,000	$ 286	126,345,293	$1,263	$4,182,359	$35,724	$ (1,223,117)	$2,996,515	$88,028	$3,084,543
Issuance of common shares for Board of Trustees compensation	—	—	55,480	1	753	—	—	754	—	754
Repurchase of common shares	—	—	(3,003,513)	(30)	(42,715)	—	—	(42,745)	—	(42,745)
Share-based compensation	—	—	235,407	2	2,094	—	—	2,096	783	2,879
Distributions on common shares/units	—	—	—	—	—	—	(1,242)	(1,242)	(10)	(1,252)
Distributions on preferred shares/units	—	—	—	—	—	—	(10,988)	(10,988)	(1,164)	(12,152)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	(8)	—	(8)	(38)	(46)
Amounts reclassified from other comprehensive income	—	—	—	—	—	(5,825)	—	(5,825)	—	(5,825)
Net income (loss)	—	—	—	—	—	—	(22,928)	(22,928)	883	(22,045)
Balance at March 31, 2023	28,600,000	$ 286	123,632,667	$1,236	$4,142,491	$29,891	$ (1,258,275)	$2,915,629	$88,482	$3,004,111

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

Pebblebrook Hotel Trust
Consolidated Statements of Cash Flows
(in thousands)

(Unaudited)

	For the three months ended March 31,	
	2024	2023
Operating activities:		
Net income (loss)	$ (27,520)	$ (22,045)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,209	58,369
Share-based compensation	3,060	2,879
Amortization of deferred financing costs, non-cash interest and other amortization	4,078	3,005
Gain on sale of hotel properties	—	(6,635)
Non-cash ground rent	2,462	2,476
Other adjustments	(1,528)	(4,964)
Changes in assets and liabilities:		
Hotel receivables	(9,674)	1,285
Prepaid expenses and other assets	3,181	(3,848)
Accounts payable and accrued expenses	3,002	4,805
Deferred revenues	11,730	10,902
Net cash provided by (used in) operating activities	46,000	46,229
Investing activities:		
Improvements and additions to hotel properties	(49,480)	(34,514)
Proceeds from sales of hotel properties	—	131,881
Property insurance proceeds	11,500	8,357
Other investing activities	(533)	(548)
Net cash provided by (used in) investing activities	(38,513)	105,176
Financing activities:		
Payment of deferred financing costs	(5,484)	(154)
Repayments of debt	(110,348)	(498)
Repurchases of common shares	(6,851)	(42,745)
Distributions — common shares/units	(1,229)	(1,289)
Distributions — preferred shares/units	(11,795)	(12,152)
Other financing activities	(447)	(287)
Net cash provided by (used in) financing activities	(136,154)	(57,125)
Net change in cash and cash equivalents and restricted cash	(128,667)	94,280
Cash and cash equivalents and restricted cash, beginning of year	193,641	52,269
Cash and cash equivalents and restricted cash, end of period	$ 64,974	$ 146,549

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

PEBBLEBROOK HOTEL TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization

Pebblebrook Hotel Trust (the "Company") is an internally managed hotel investment company, formed as a Maryland real estate investment trust in October 2009 to opportunistically acquire and invest in hotel properties located primarily in major U.S. cities and resort properties located near our primary target urban markets and select destination resort markets, with an emphasis on major gateway coastal markets.

As of March 31, 2024, the Company owned interests in 46 hotels with a total of 11,924 guest rooms. The hotel properties are located in: Boston, Massachusetts; Chicago, Illinois; Hollywood, Florida; Jekyll Island, Georgia; Key West, Florida; Los Angeles, California (Beverly Hills, Santa Monica, and West Hollywood); Naples, Florida; Newport, Rhode Island; Portland, Oregon; San Diego, California; San Francisco, California; Santa Cruz, California; Stevenson, Washington; and Washington, D.C.

Substantially all of the Company’s assets are held by, and all of the Company's operations are conducted through, Pebblebrook Hotel, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of March 31, 2024, the Company owned 99.2% of the common limited partnership units issued by the Operating Partnership ("common units"). The remaining 0.8% of the common units are owned by the other limited partners of the Operating Partnership. For the Company to maintain its qualification as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), it cannot operate the hotels it owns. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to subsidiaries of Pebblebrook Hotel Lessee, Inc. (collectively with its subsidiaries, "PHL"), a taxable REIT subsidiary ("TRS"), which in turn engage third-party eligible independent contractors to manage the hotels. PHL is consolidated into the Company’s financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in conformity with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) applicable to interim financial information. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full-year performance, as a result of the impact of seasonal and other short-term variations and the acquisitions and or dispositions of hotel properties. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

The Company and its subsidiaries are separate legal entities and maintain records and books of account separate and apart from each other. The consolidated financial statements include all of the accounts of the Company and its subsidiaries and are presented in accordance with U.S. GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities that the Company does not control, but over which the Company has the ability to exercise significant influence regarding operating and financial policies, are accounted for under the equity method.

Certain reclassifications have been made to the prior period's financial statements to conform to the current year presentation.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management’s best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Risks and Uncertainties

The state of the overall economy can significantly impact hotel operational performance and thus the Company's financial position. Global events as well as national and local events may impact travel trends and the operations of the Company's hotels. In addition, inflation and interest rates may also impact the overall economy as well as the availability of debt. A decline in travel or a significant increase in costs may impact the Company's cash flow and ability to service debt or meet other financial obligations.

New Accounting Pronouncements

Disclosure Improvements

In October, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). ASU 2023-06 incorporates 14 of the 27 disclosure requirements published in SEC Release No. 33-10532 - Disclosure Update and Simplification into various topics within the Accounting Standards Codification ("ASC"). ASU 2023-06's amendments represent clarifications to, or technical corrections of, current requirements. For SEC registrants, the effective date for each amendment will vary based on the date on which the SEC removes that related disclosure from its rules. If the SEC does not act to remove its related requirement by June 30, 2027, any related FASB amendments will be removed from the ASC and will not be effective. Early adoption is prohibited. The Company is currently assessing the potential impacts of ASU 2023-06 and does not expect it to have a material effect on its consolidated financial statements and disclosures.

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impacts of adopting ASU 2023-07 on its consolidated financial statements and disclosures.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis, with the option to apply retrospectively. The Company is currently assessing the impacts of adopting ASU 2023-09 on its consolidated financial statements and disclosures.

Stock Compensation

In March 2024, the FASB issued ASU 2024-01, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards* ("ASU 2024-01"), to clarify the scope application of profits interest and similar awards by adding illustrative guidance in *ASC 718, Compensation—Stock Compensation* ("ASC 718"). ASU 2024-01 clarifies how to determine whether profits interest and similar awards should be accounted for as a share-based payment arrangement (ASC 718) or as a cash bonus or profit-sharing arrangement *(ASC 710, Compensation—General,* or other guidance*)* and applies to all reporting entities that account for profits interest awards as compensation to employees or non-employees. In addition to adding the illustrative guidance, ASU 2024-01 modified the language in paragraph 718-10-15-3 to improve its clarity and operability without changing the guidance. ASU 2024-01 is effective for fiscal years beginning after December 15, 2024, including interim periods within those annual periods. Early adoption is permitted. The amendments should be applied either retrospectively to all prior periods presented in the financial statements, or prospectively to profits interests and similar awards granted or modified on or after the adoption date. The Company is currently assessing the impacts of adopting ASU 2024-01 on its consolidated financial statements and disclosures.

Note 3. Acquisition and Disposition of Hotel Properties

Acquisitions

There were no acquisitions of hotel properties during the three months ended March 31, 2024.

Dispositions

There were no dispositions of hotel properties during the three months ended March 31, 2024.

The following table summarizes disposition transactions during 2023 (in thousands):

Hotel Property Name	Location	Sale Date	Sale Price
The Heathman Hotel	Portland, OR	February 22, 2023	$ 45,000
Retail at The Westin Michigan Avenue Chicago	Chicago, IL	March 17, 2023	27,300
Hotel Colonnade Coral Gables	Coral Gables, FL	March 28, 2023	63,000
Hotel Monaco Seattle	Seattle, WA	May 9, 2023	63,250
Hotel Vintage Seattle	Seattle, WA	May 24, 2023	33,700
Hotel Zoe Fisherman's Wharf	San Francisco, CA	November 14, 2023	68,500
Marina City Retail at Hotel Chicago Downtown, Autograph Collection	Chicago, IL	December 21, 2023	30,000
2023 Total			$ 330,750

For the three months ended March 31, 2024 and 2023, the accompanying consolidated statements of operations and comprehensive income included operating income (loss) of zero and $(1.3) million, respectively, excluding impairment loss and gain on sale of hotel properties related to the hotel properties sold and held for sale.

The sales of the hotel properties described above did not represent a strategic shift that had a major effect on the Company’s operations and financial results, and therefore, did not qualify as discontinued operations.

Note 4. Investment in Hotel Properties

Investment in hotel properties as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Land	$ 810,671	$ 810,633
Buildings and improvements	5,023,153	5,005,894
Furniture, fixtures and equipment	517,028	511,451
Finance lease asset	91,181	91,181
Construction in progress	48,190	27,123
	$ 6,490,223	$ 6,446,282
Right-of-use asset, operating leases	358,357	360,761
Investment in hotel properties	$ 6,848,580	$ 6,807,043
Less: Accumulated depreciation	(1,373,130)	(1,316,267)
Investment in hotel properties, net	$ 5,475,450	$ 5,490,776

Hurricane Ian

On September 27, 2022, LaPlaya Beach Resort & Club ("LaPlaya") located in Naples, Florida, was impacted by the effects of Hurricane Ian. LaPlaya was closed in anticipation of the storm and required remediation and repairs from the damage and remained closed. In 2023, LaPlaya began to reopen in stages as the buildings and facilities were repaired. As of the first quarter of 2024, LaPlaya's remediation and repair was substantially complete.

The Company’s insurance policies provide coverage for property damage, business interruption and reimbursement for other costs that were incurred relating to damages sustained during Hurricane Ian and the Company has recorded a receivable for the expenditures to date which it anticipates to collect from the insurance providers in excess of the deductibles.

For the three months ended March 31, 2024 and 2023, the Company incurred $0.1 million and $2.8 million, respectively, of costs related to payroll, repair and claims administration for which reimbursement from insurance policies is uncertain and therefore is included in other operating expenses in the Company's consolidated statements of operations and comprehensive income. Through March 31, 2024, the Company received a total of $100.0 million in preliminary advances from the insurance providers. The Company continues to work with the insurance providers on the settlement of the property and business interruption claims.

Impairment

The Company reviews its investment in hotel properties for impairment whenever events or circumstances indicate potential impairment. The Company periodically adjusts its estimate of future operating cash flows and estimated hold periods for certain properties. As a result of this review, the Company may identify an impairment trigger has occurred and assess its investment in hotel properties for recoverability.

During the three months ended March 31, 2024 and 2023, no impairment losses were incurred.

Right-of-use Assets and Lease Liabilities

The Company recognized right-of-use assets and related liabilities related to its ground leases, all of which are operating leases. When the rate implicit in the lease could not be determined, the Company used incremental borrowing rates, which ranged from 4.7% to 7.6%. In addition, the term used includes any options to exercise extensions when it is reasonably certain the Company will exercise such option. See *Note 11. Commitments and Contingencies* for additional information about the ground leases.

The right-of-use assets and liabilities are amortized to ground rent expense over the term of the underlying lease agreements. As of March 31, 2024, the Company's lease liabilities consisted of operating lease liabilities of $320.6 million and financing lease liabilities of $43.5 million. As of December 31, 2023, the Company's lease liabilities consisted of operating lease liabilities of $320.6 million and financing lease liabilities of $43.4 million. The financing lease liabilities are included in accounts payable, accrued expenses and other liabilities on the Company's accompanying consolidated balance sheets.

Note 5. Debt

On October 13, 2022, the Company entered into the Fifth Amended and Restated Credit Agreement with Bank of America, N.A., as administrative agent and certain other agents and lenders ("Credit Agreement"). The Credit Agreement provides for a $650.0 million senior unsecured revolving credit facility and three $460.0 million unsecured term loan facilities totaling $1.38 billion. The Company may request additional lender commitments to increase the aggregate borrowing capacity under the Credit Agreement up to an additional $970.0 million.

On January 3, 2024, the Company entered into the First Amendment to the Credit Agreement which extended the maturity date of $356.7 million borrowed under Term Loan 2024 to January 2028. This extended indebtedness is referred to as Term Loan 2028. In connection with the extension, the Company also repaid $60.0 million of its borrowings under Term Loan 2024 with available cash. The remaining $43.3 million of Term Loan 2024's balance will continue to mature in October 2024 and will be paid with available cash or borrowings under the revolving credit facility at maturity. On January 3, 2024, the Company also repaid $50.0 million of its outstanding Term Loan 2025 obligation with available cash.

The Company's debt consisted of the following as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	Interest Rate at March 31, 2024		Maturity Date	Balance Outstanding as of March 31, 2024	Balance Outstanding as of December 31, 2023
Revolving credit facilities					
Senior unsecured credit facility	—	(1)(2)	October 2026	$ —	$ —
PHL unsecured credit facility	—	(1)	October 2026	—	—
Total revolving credit facilities				$ —	$ —
Unsecured term loans					
Term Loan 2024	7.62%	(1)(4)	October 2024	43,348	460,000
Term Loan 2025	4.81%	(1)(5)	October 2025	410,000	460,000
Term Loan 2027	5.61%	(1)	October 2027	460,000	460,000
Term Loan 2028	7.62%	(1)(4)	January 2028	356,652	—
Term loan principal				$ 1,270,000	$ 1,380,000
Convertible senior notes principal	1.75%		December 2026	$ 750,000	$ 750,000
Senior unsecured notes principal	4.93%		December 2025	$ 2,400	$ 2,400
Mortgage loans					
Margaritaville Hollywood Beach Resort	7.04%	(3)	September 2026	140,000	140,000
Estancia La Jolla Hotel & Spa	5.07%		September 2028	57,149	57,497
Mortgage loans principal				$ 197,149	$ 197,497
Total debt principal				$ 2,219,549	$ 2,329,897
Unamortized debt premiums, discount and deferred financing costs, net				(12,898)	(10,096)
Debt, Net				$ 2,206,651	$ 2,319,801

(1) Borrowings bear interest at floating rates. Interest rate at March 31, 2024 gives effect to interest rate hedges.

(2) The Company has the option to extend the maturity date for up to two six-month periods, pursuant to certain terms and conditions and payment of an extension fee.

(3) This loan bears interest at a floating rate equal to daily SOFR plus a spread of 3.75%. The interest rate at March 31, 2024 gives effect to an interest rate swap. The Company has the option to extend the maturity date for up to two one-year periods, pursuant to certain terms and conditions and payment of an extension fee.

(4) On January 3, 2024, the Company entered into the First Amendment to the Credit Agreement which extended the maturity date of $356.7 million borrowed under Term Loan 2024 to January 2028 (shown above as Term Loan 2028). In connection with the extension, the Company also repaid $60.0 million of its borrowings under Term Loan 2024 with available cash. The remaining $43.3 million of Term Loan 2024's balance will continue to mature in October 2024 and will be paid with available cash or borrowings under the revolving credit facility at maturity.

(5) On January 3, 2024, the Company repaid $50.0 million of its outstanding Term Loan 2025 obligation with available cash.

Unsecured Revolving Credit Facilities

The $650.0 million senior unsecured revolving credit facility provided for in the Credit Agreement matures in October 2026 and provides for two six-month extension options, subject to certain terms and conditions and payment of an extension fee. All borrowings under the senior unsecured revolving credit facility bear interest at a rate per annum equal to, at the option of the Company, (i) the Secured Overnight Financing Rate ("SOFR") plus 0.10% (the “SOFR Adjustment”) plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The margins for revolving credit facility loans range in amount from 1.45% to 2.50% for SOFR-based loans and 0.45% to 1.50% for Base Rate-based loans, depending on the Company’s leverage ratio. As of March 31, 2024, the Company had no outstanding borrowings, $ 13.7 million of outstanding letters of credit and a borrowing capacity of $636.3 million remaining on the senior unsecured revolving credit facility. The Company is required to pay an unused commitment fee at an annual rate of 0.20% or 0.30% of the unused portion of the senior unsecured revolving credit facility, depending on the amount of borrowings outstanding. The credit agreement contains certain financial covenants, including a maximum leverage ratio, a minimum fixed charge coverage ratio and a maximum percentage of secured debt to total asset value.

Under the terms of the Credit Agreement, one or more standby letters of credit, up to a maximum aggregate outstanding balance of $30.0 million, may be issued on behalf of the Company by the lenders under the senior unsecured revolving facility. The Company pays a fee for outstanding standby letters of credit at a rate per annum equal to the applicable margin based upon the Company's leverage ratio. Any outstanding standby letters of credit reduce the available borrowings on the senior unsecured revolving credit facility by a corresponding amount. Standby letters of credit of $13.7 million and $13.6 million were outstanding as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024, the Company also has a $20.0 million unsecured revolving credit facility (the "PHL Credit Facility") to be used for PHL's working capital and general corporate purposes. On October 13, 2022, PHL amended and restated the agreement governing the PHL Credit Facility to extend the maturity to October 2026. The PHL Credit Facility has substantially similar terms as the Company's senior unsecured revolving credit facility. Borrowings on the PHL Credit Facility bear interest at a rate per annum equal to, at the option of the Company, (i) SOFR plus the SOFR Adjustment plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The PHL Credit Facility is subject to debt covenants substantially similar to the covenants under the Credit Agreement, which governs the Company's senior unsecured revolving credit facility. As of March 31, 2024, the Company had no borrowings under the PHL Credit Facility and had $20.0 million borrowing capacity remaining available under the PHL Credit Facility.

As of March 31, 2024, the Company was in compliance with all debt covenants of the credit agreements that govern the unsecured revolving credit facilities.

Unsecured Term Loan Facilities

As of March 31, 2024, the term loans provided for in the Credit Agreement will mature as follows: $43.3 million in October 2024 (Term Loan 2024), $410.0 million in October 2025 (Term Loan 2025), $460.0 million in October 2027 (Term Loan 2027) and $356.7 million in January 2028 (Term Loan 2028). The term loans bear interest at a rate per annum equal to, at the option of the Company, (i) SOFR plus the SOFR Adjustment plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The margins for term loans range in amount from 1.40% to 2.45% for SOFR-based loans and 0.40% to 1.45% for Base Rate-based loans, depending on the Company's leverage ratio. The term loans are subject to the debt covenants in the Credit Agreement. As of March 31, 2024, the Company was in compliance with all debt covenants of its term loans.

The Company entered into interest rate swap agreements to fix the SOFR rate on a portion of these unsecured term loan facilities. See *Derivative and Hedging Activities* for further discussion on the interest rate swaps.

Convertible Senior Notes

In December 2020, the Company issued $500.0 million aggregate principal amount of 1.75% Convertible Senior Notes due December 2026 (the "Convertible Notes"). The net proceeds from the offering of the Convertible Notes were approximately $487.3 million after deducting the underwriting fees and other expenses paid by the Company.

In February 2021, the Company issued an additional $250.0 million aggregate principal amount of Convertible Notes. These additional Convertible Notes were sold at a 5.5% premium to par and generated net proceeds of approximately $257.2 million after deducting the underwriting fees and other expenses paid by the Company of $6.5 million, which was offset by a premium received in the amount of $13.8 million.

The Convertible Notes are governed by an indenture (the “Base Indenture”) between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The Convertible Notes bear interest at a rate of 1.75% per annum, payable semi-annually in arrears on June 15th and December 15th of each year, beginning on June 15, 2021. The Convertible Notes will mature on December 15, 2026.

Prior to June 15, 2026, the Convertible Notes will be convertible upon certain circumstances. On and after June 15, 2026, holders may convert any of their Convertible Notes into the Company’s common shares of beneficial interest (“common shares”) at the applicable conversion rate at any time at their election two days prior to the maturity date. The initial conversion rate is 39.2549 common shares per $1,000 principal amount of Convertible Notes, which represents an initial conversion price of approximately $25.47 per share. The conversion rate is subject to adjustment in certain circumstances. As of March 31, 2024 and December 31, 2023, the if-converted value of the Convertible Notes did not exceed the principal amount.

The Company may redeem for cash all or a portion of the Convertible Notes, at its option, after December 20, 2023, upon certain circumstances. The redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If certain make-whole fundamental changes occur, the conversion rate for the Convertible Notes may be increased.

In connection with the Convertible Notes issuances, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain of the underwriters of the offerings of the Convertible Notes or their respective affiliates and other financial institutions. The Capped Call Transactions initially cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of common shares underlying the Convertible Notes. The Capped Call Transactions are expected generally to reduce the potential dilution to holders of common shares upon conversion of the Convertible Notes and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount of any converted Convertible Notes upon conversion thereof, with such reduction and/or offset subject to a cap. The upper strike price of the Capped Call Transactions is $33.0225 per share.

Senior Unsecured Notes

The Company has $2.4 million of senior unsecured notes outstanding bearing a fixed interest rate of 4.93% per annum maturing in December 2025. The debt covenants of these notes are substantially similar to those of the Company's senior unsecured revolving credit facility. As of March 31, 2024, the Company was in compliance with all such debt covenants.

Mortgage Loans

On September 23, 2021, the Company assumed a $161.5 million loan secured by a first-lien mortgage on the leasehold interest of Margaritaville Hollywood Beach Resort ("Margaritaville"). On September 7, 2023, the Company paid down $21.5 million of this loan and refinanced the remaining $140.0 million balance. The new loan requires interest-only payments based on a floating rate equal to daily SOFR plus a spread of 3.75%. This loan matures on September 7, 2026 and may be extended for up to two one-year periods, subject to certain terms and conditions and payment of an extension fee.

On December 1, 2021, the Company assumed a $61.7 million loan secured by a first-lien mortgage on the leasehold interest of Estancia La Jolla Hotel & Spa ("Estancia"). The loan requires both principal and interest monthly payments based on a fixed interest rate of 5.07%. The loan matures on September 1, 2028.

The Company's mortgage loans associated with Margaritaville and Estancia are non-recourse to the Company except for customary carve-outs to the general non-recourse liability. The loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions are triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of the lender. These properties are not in a cash trap and no event of default has occurred under the loan documents.

Interest Expense

The components of the Company's interest expense consisted of the following for the three months ended March 31, 2024 and 2023 (in thousands):

	For the three months ended March 31,	
	2024	2023
Unsecured revolving credit facilities	$ 498	$ 568
Unsecured term loan facilities	18,912	16,551
Convertible senior notes	3,281	3,281
Senior unsecured notes	30	589
Mortgage debt	3,225	3,535
Amortization of deferred financing fees, (premiums) and discounts	3,071	1,851
Other	(2,596)	1,055
Total interest expense	$ 26,421	$ 27,430

Fair Value

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates, taking into consideration general market conditions and maturity of the debt with similar credit terms and is classified within Level 2 of the fair value hierarchy. The estimated fair value of the Company’s fixed rate debt (unsecured senior notes, convertible senior notes and the Estancia mortgage loan) as of March 31, 2024 and December 31, 2023 was $675.9 million and $686.3 million, respectively.

Derivative and Hedging Activities

The Company enters into interest rate swap agreements to hedge against interest rate fluctuations. All of the Company's interest rate swaps are cash flow hedges. All unrealized gains and losses on these hedging instruments are reported in accumulated other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The Company's interest rate swaps at March 31, 2024 and December 31, 2023 consisted of the following, by maturity date (dollars in thousands):

Hedge Type	Interest Rate Range (SOFR)	Maturity	Aggregate Notional Value as of	
			March 31, 2024	December 31, 2023
Swap-cash flow	2.47% - 2.50%	January 2024	$ —	$ 300,000
Swap-cash flow	3.22% - 3.25%	October 2025	200,000	200,000
Swap-cash flow	1.33% - 1.36%	February 2026	290,000	290,000
Swap-cash flow	3.02% - 3.03%	October 2026	200,000	200,000
Swap-cash flow	3.29%	October 2027	165,000	165,000
Total			$ 855,000	$ 1,155,000

The Company records all derivative instruments at fair value in the accompanying consolidated balance sheets. Fair values of interest rate swaps and caps are determined using the standard market methodology of netting the discounted future fixed cash receipts/payments and the discounted expected variable cash payments/receipts. Variable interest rates used in the calculation of projected receipts and payments on the swaps are based on an expectation of future interest rates derived from observable market interest rate curves (Overnight Index Swap curves) and volatilities (Level 2 inputs). Derivatives expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company incorporates these counterparty credit risks in its fair value measurements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions.

As of March 31, 2024, the Company's derivative instruments were in an asset position with an aggregate fair value of $31.3 million. None of the Company's derivative instruments was in a liability position as of March 31, 2024. Derivative assets are included in prepaid expenses and other assets and derivative liabilities are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The Company expects approximately $19.9 million will be reclassified from accumulated other comprehensive income (loss) to interest expense within the next 12 months.

Note 6. Revenue

The Company presents revenue on a disaggregated basis in the accompanying consolidated statements of operations and comprehensive income. The following table presents revenues by geographic location for the three months ended March 31, 2024 and 2023 (in thousands):

	For the three months ended March 31,	
	2024	2023
Southern Florida/Georgia	$ 80,957	$ 71,029
San Diego, CA	71,495	66,847
Boston, MA	45,920	42,671
Los Angeles, CA	44,209	43,359
San Francisco, CA	30,545	31,814
Washington, D.C.	14,802	13,695
Portland, OR	12,999	14,640
Chicago, IL	8,348	10,557
Seattle, WA	—	3,420
Other[1]	4,794	7,687
Total Revenues	$ 314,069	$ 305,719

(1) Other includes: Newport, RI and Santa Cruz, CA.

Payments from customers are primarily made when services are provided. Due to the short-term nature of the Company's contracts and the almost simultaneous receipt of payment, almost all of the contract liability balance at the beginning of the period is expected to be recognized as revenue over the following 12 months.

Note 7. Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares. Each outstanding common share entitles the holder to one vote on each matter submitted to a vote of shareholders. Holders of common shares are entitled to receive dividends when authorized by the Board of Trustees.

Common Share Repurchase Programs

On July 27, 2017, the Company's Board of Trustees authorized a share repurchase program of up to $100.0 million of common shares. Under this program, the Company could repurchase common shares from time to time in transactions on the open market or by private agreement. As of June 30, 2023, no common shares remained available for repurchase under this program.

On February 17, 2023, the Company's Board of Trustees authorized a share repurchase program of up to $150.0 million of common shares. Under this program, the Company may repurchase common shares from time to time in transactions on the open market or by private agreement. The Company may suspend or discontinue this program at any time. Common shares repurchased by the Company cease to be outstanding and become authorized but unissued common shares.

During the three months ended March 31, 2024, the Company repurchased 318,269 common shares for an aggregate purchase price of $5.0 million, or an average of approximately $15.71 per share. As of March 31, 2024, $ 141.0 million of common shares remained available for repurchase under this program.

Common Dividends

The Company declared the following dividends on common shares/units for the three months ended March 31, 2024:

Dividend per Share/Unit		For the Quarter Ended	Record Date	Payable Date
$	0.01	March 31, 2024	March 29, 2024	April 15, 2024

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares of beneficial interest, $0.01 par value per share ("preferred shares").

The following preferred shares were outstanding as of March 31, 2024 and December 31, 2023:

Security Type	March 31, 2024	December 31, 2023
6.375% Series E	4,400,000	4,400,000
6.30% Series F	6,000,000	6,000,000
6.375% Series G	9,200,000	9,200,000
5.70% Series H	8,000,000	8,000,000
	27,600,000	27,600,000

The Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares (collectively, the "Preferred Shares") rank senior to the common shares and on parity with each other with respect to payment of distributions. The Preferred Shares do not have any maturity date and are not subject to mandatory redemption. The Company may redeem the Series E and Series F Preferred Shares at any time. The Series G and Series H Preferred Shares may not be redeemed prior to May 13, 2026 and July 27, 2026, respectively, except in limited circumstances relating to the Company's continuing qualification as a REIT or as discussed below. On or after such dates, the Company may, at its option, redeem the Preferred Shares, in each case in whole or from time to time in part, by payment of $25.00 per share, plus any accumulated, accrued and unpaid distributions through the date of redemption. Upon the occurrence of a change of control, as defined in the Company's declaration of trust, the result of which the common shares and the common securities of the acquiring or surviving entity are not listed on the New York Stock Exchange, the NYSE American or Nasdaq, or any successor exchanges, the Company may, at its option, redeem the Preferred Shares in whole or in part within 120 days following the change of control by paying $25.00 per share, plus any accrued and unpaid distributions through the date of redemption. If the Company does not exercise its right to redeem the Preferred Shares upon a change of control, the holders of the Preferred Shares have the right to convert some or all of their shares into a number of common shares based on defined formulas subject to share caps. The share cap on each Series E Preferred Share is 1.9372 common shares, on each Series F Preferred Share is 2.0649 common shares, on each Series G Preferred Share is 2.1231 common shares, and on each Series H Preferred Share is 2.2311 common shares.

Preferred Share Repurchase Program

On February 17, 2023, the Company's Board of Trustees authorized a share repurchase program of up to $100.0 million of the Preferred Shares. Under the terms of the program, the Company may repurchase up to an aggregate of $100.0 million of our 6.375% Series E Cumulative Redeemable Preferred Shares, 6.30% Series F Cumulative

Redeemable Preferred Shares, 6.375% Series G Cumulative Redeemable Preferred Shares and 5.70% Series H Cumulative Redeemable Preferred Shares from time to time in transactions on the open market or by private agreement.

During the three months ended March 31, 2024, no Preferred Shares were repurchased under this program. As of March 31, 2024, $84.2 million of Preferred Shares remained available for repurchase under this program.

The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require the Company to repurchase any specific number of Preferred Shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time.

Preferred Dividends

The Company declared the following dividends on preferred shares for the three months ended March 31, 2024:

Security Type	Dividend per Share/Unit		For the Quarter Ended	Record Date	Payable Date
6.375% Series E	$	0.40	March 31, 2024	March 29, 2024	April 15, 2024
6.30% Series F	$	0.39	March 31, 2024	March 29, 2024	April 15, 2024
6.375% Series G	$	0.40	March 31, 2024	March 29, 2024	April 15, 2024
5.70% Series H	$	0.36	March 31, 2024	March 29, 2024	April 15, 2024

Non-controlling Interest of Common Units in Operating Partnership

Holders of Operating Partnership units ("OP units") have certain redemption rights that enable OP unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company's option, cash per unit equal to the market price of common shares at the time of redemption or common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the Operating Partnership's limited partners or the Company's shareholders.

On November 30, 2018, in connection with the merger with LaSalle Hotel Properties ("LaSalle"), the Company issued 133,605 OP units in the Operating Partnership to third-party limited partners of LaSalle's operating partnership. In December 2023, these OP units were redeemed for common shares on a one-for-one basis.

On May 11, 2022, in connection with the acquisition of Inn on Fifth in Naples, Florida, the Company issued 16,291 OP units in the Operating Partnership.

As of March 31, 2024 and December 31, 2023, the Operating Partnership had 16,291 OP units held by third parties, excluding LTIP units.

As of March 31, 2024, the Operating Partnership had two classes of long-term incentive partnership units ("LTIP units"), LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

On February 17, 2023, the Board of Trustees granted 131,276 LTIP Class B units to its executive officers.

On February 15, 2024, the Board of Trustees granted 136,353 LTIP Class B units to its executive officers.

As of March 31, 2024, the Operating Partnership had 994,837 LTIP units outstanding, of which 470,920 LTIP units have vested. As of December 31, 2023, the Operating Partnership had 858,484 LTIP units outstanding, of which 277,136 LTIP units have vested. Only vested LTIP units may be converted to OP units, which in turn can be tendered for redemption as described above.

Non-controlling Interest of Preferred Units in Operating Partnership

On May 11, 2022, in connection with the acquisition of Inn on Fifth, the Company issued 3,104,400 preferred units in the Operating Partnership, designated as 6.0% Series Z Cumulative Perpetual Preferred Units ("Series Z Preferred Units"). The Series Z Preferred Units rank senior to the OP units and on parity with the Operating Partnership's Series E, Series F, Series G and Series H Preferred Units. Holders of Series Z Preferred Units are entitled to receive quarterly distributions at an annual rate of 6.0% of the liquidation preference value of $25.00 per share.

At any time, holders of Series Z Preferred Units may elect to convert some or all of their units into any other series of the Operating Partnership's preferred units outstanding at that time. After the second anniversary of the issuance of the Series Z Preferred Units, holders may elect to redeem some or all of their units for, at the Company's election, cash, common shares having an equivalent value or preferred shares on a one-for-one basis. After the fifth anniversary of their issuance, the Company may redeem the Series Z Preferred Units for cash, common shares having an equivalent value or preferred shares on a one-for-one basis. At any time following a change of control of the Company, holders of Series Z Preferred Units may elect to redeem some or all of their units for, at the Company's election, cash or common shares having an equivalent value.

As of March 31, 2024, the Operating Partnership had 3,104,400 Series Z Preferred Units outstanding.

Note 8. Share-Based Compensation Plan

Available Shares

The Company maintains the 2009 Equity Incentive Plan, as amended and restated (as amended, the "Plan"), to attract and retain independent trustees, executive officers and other key employees and service providers. The Plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. Share awards under the Plan vest over a period determined by the Board of Trustees, generally over three to five years. The Company pays or accrues for dividends on share-based awards. All outstanding share awards are subject to full or partial accelerated vesting upon a change in control and upon death or disability or certain other employment termination events as set forth in the award agreements.

As of March 31, 2024, there were 1,176,681 common shares available for issuance under the Plan.

Service Condition Share Awards

From time to time, the Company awards restricted common shares under the Plan to members of the Board of Trustees, officers and employees. These shares generally vest over three to five years based on continued service or employment. The following table provides a summary of service condition restricted share activity as of three months ended March 31, 2024:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2023	443,549	$ 19.88
Granted	138,002	$ 16.13
Vested	(171,508)	$ 21.20
Forfeited	(1,440)	$ 15.92
Unvested at March 31, 2024	408,603	$ 18.07

For the three months ended March 31, 2024 and 2023, the Company recognized approximately $0.8 million and $ 0.9 million, respectively, of share-based compensation expense related to these awards in the accompanying consolidated statements of operations and comprehensive income.

Performance-Based Equity Awards

On February 15, 2024, the Board of Trustees approved a target award of 322,950 performance-based equity awards to officers and employees of the Company. These awards will vest, if at all, in 2027. The actual number of common shares that ultimately vest will be from 0% to 200% of the target award and will be determined in 2027 based on the performance criteria defined in the award agreements for the period of performance from January 1, 2024 through December 31, 2026.

For the three months ended March 31, 2024 and 2023, the Company recognized approximately $1.3 million and $ 1.2 million, respectively, of share-based compensation expense related to performance-based equity awards in the accompanying consolidated statements of operations and comprehensive income.

Long-Term Incentive Partnership Units

As of March 31, 2024, the Operating Partnership had two classes of LTIP units, LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

On February 15, 2024, the Board of Trustees granted 136,353 LTIP Class B units to its executive officers. These LTIP units will vest ratably on January 1, 2025, 2026 and 2027, contingent upon continued employment with the Company. The fair value of each award was determined based on the closing price of the Company's common shares on the grant date of $16.13 per unit with an aggregate grant date fair value of $2.2 million.

As of March 31, 2024, the Operating Partnership had 994,837 LTIP units outstanding, of which 470,920 LTIP units have vested. As of December 31, 2023, the Operating Partnership had 858,484 LTIP units outstanding, of which 277,136 LTIP units have vested. Only vested LTIP units may be converted to OP units, which in turn can be tendered for redemption as described in *Note 7. Equity*.

For the three months ended March 31, 2024 and 2023, the Company recognized approximately $1.0 million and $ 0.8 million, respectively, in expense related to these LTIP units. The aggregate expense related to the LTIP unit grants is presented as non-controlling interest in the Company's accompanying consolidated balance sheets.

Note 9. Income Taxes

PHL is subject to federal and state corporate income taxes at statutory tax rates. Given the continued uncertainties about the Company's ability to utilize its net operating loss in future years, the Company has recorded a valuation allowance on all deferred tax assets.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. As of March 31, 2024 and December 31, 2023, the statute of limitations remains open for all major jurisdictions for tax years dating back to 2020.

Note 10. Earnings (Loss) Per Share

The following is a reconciliation of basic and diluted earnings (loss) per common share (in thousands, except share and per-share data):

	For the three months ended March 31,			
	2024		2023	
Numerator:				
Net income (loss) attributable to common shareholders	$	(38,981)	$	(33,916)
Less: Dividends paid on unvested share-based compensation		(9)		(11)
Less: Undistributed earnings attributable to share-based compensation		—		—
Net income (loss) available to common shareholders — basic and diluted	$	(38,990)	$	(33,927)
Denominator:				
Weighted-average number of common shares — basic and diluted		120,085,226		125,488,415
Net income (loss) per share available to common shareholders — basic	$	(0.32)	$	(0.27)
Net income (loss) per share available to common shareholders — diluted	$	(0.32)	$	(0.27)

For the three months ended March 31, 2024 and 2023, 1,217,150 and 1,158,282, respectively, of unvested service condition restricted shares and performance-based equity awards were excluded from diluted weighted-average number of common shares, as their effect would have been anti-dilutive. For the three months ended March 31, 2024 and 2023, 29,441,175 of common shares underlying the Convertible Notes have been excluded from diluted shares as their effect would have been anti-dilutive.

The LTIP units and OP units held by the non-controlling interest holders have been excluded from the denominator of the diluted earnings per share as there would be no effect on the amounts since the limited partners' share of income (loss) would also be added or subtracted to derive net income (loss) available to common shareholders.

Note 11. Commitments and Contingencies

Hotel Management Agreements

The Company’s hotel properties are operated pursuant to management agreements with various management companies. The remaining terms of these management agreements are up to 10 years, not including renewals, and up to 28 years, including renewals. The majority of the Company’s management agreements are terminable at will by the Company upon paying a termination fee and some are terminable by the Company upon sale of the property, with, in some cases, the payment of termination fees. Most of the agreements also provide the Company the ability to terminate based on failure to achieve defined operating performance thresholds. Termination fees range from zero to up to three times the annual base management and incentive management fees, depending on the agreement and the reason for termination. Certain of the Company’s management agreements are non-terminable except upon the manager’s breach of a material representation or the manager’s failure to meet performance thresholds as defined in the management agreement.

The management agreements require the payment of a base management fee generally between 1% and 4% of hotel revenues. Under certain management agreements, the management companies are also eligible to receive an incentive management fee if hotel operating income, cash flows or other performance measures, as defined in the agreements, exceed certain performance thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after the Company has received a priority return on its investment in the hotel.

For the three months ended March 31, 2024 and 2023, combined base and incentive management fees were $8.0 million. Base and incentive management fees are included in other direct and indirect expenses in the Company's accompanying consolidated statements of operations and comprehensive income.

Reserve Funds

Certain of the Company’s agreements with its hotel managers, franchisors, ground lessors and lenders have provisions for the Company to provide funds, typically 4.0% of hotel revenues, sufficient to cover the cost of (a) certain non-routine repairs and maintenance to the hotels and (b) replacements and renewals to the hotels’ furniture, fixtures and equipment.

Restricted Cash

At March 31, 2024 and December 31, 2023, the Company had $8.3 million and $9.9 million, respectively, in restricted cash, which consisted of funds held in cash management accounts held by a lender, reserves for replacement of furniture and fixtures, and reserves to pay for real estate taxes, ground rent or property insurance under certain hotel management agreements or loan agreements.

Hotel, Ground and Finance Leases

As of March 31, 2024, the following hotels were subject to leases as follows:

Lease Properties	Lease Type	Lease Expiration Date	
Restaurant at Southernmost Beach Resort	Operating lease	April 2029	
Paradise Point Resort & Spa	Operating lease	May 2050	
Hotel Monaco Washington DC	Operating lease	November 2059	
Argonaut Hotel	Operating lease	December 2059	
Hotel Zephyr Fisherman's Wharf	Operating lease	February 2062	
Viceroy Santa Monica Hotel	Operating lease	September 2065	
Estancia La Jolla Hotel & Spa	Operating lease	January 2066	
San Diego Mission Bay Resort	Operating lease	July 2068	
1 Hotel San Francisco	Operating lease	March 2070	(1)
Hyatt Regency Boston Harbor	Operating lease	April 2077	
The Westin Copley Place, Boston	Operating lease	December 2077	(2)
The Liberty, a Luxury Collection Hotel, Boston	Operating lease	May 2080	
Jekyll Island Club Resort and Restaurant	Operating lease	January 2089	
Hotel Zelos San Francisco	Operating lease	June 2097	
Hotel Palomar Los Angeles Beverly Hills	Operating lease	January 2107	(3)
Margaritaville Hollywood Beach Resort	Operating lease	July 2112	
Hotel Zeppelin San Francisco	Operating and finance lease	June 2089	(4)
Harbor Court Hotel San Francisco	Finance lease	August 2052	

(1) The expiration date assumes the exercise of a 14-year extension option.
(2) No payments are required through maturity.
(3) The expiration date assumes the exercise of all 19 five-year extension options.
(4) The expiration date assumes the exercise of a 30-year extension option.

The Company's leases may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in the consumer price index and may be subject to minimum and maximum increases. Some leases also contain certain restrictions on modifications that can be made to the hotel structures due to their status as national historic landmarks.

The Company records expense on a straight-line basis for leases that provide for minimum rental payments that increase in pre-established amounts over the remaining terms of the leases. Ground rent expense is included in real estate taxes, personal property taxes, property insurance and ground rent in the Company's accompanying consolidated statements of operations and comprehensive income.

The components of ground rent expense for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	For the three months ended March 31,	
	2024	2023
Fixed ground rent	$ 4,796	$ 4,782
Variable ground rent	4,006	3,867
Total ground rent	$ 8,802	$ 8,649

Litigation

The nature of the operations of hotels exposes the Company's hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company has insurance to cover certain potential material losses. The Company is not presently subject to any material litigation nor, to the Company’s knowledge, is any material litigation threatened against the Company.

Note 12. Supplemental Information to Statements of Cash Flows *(in thousands)*

	For the three months ended March 31,	
	2024	2023
Interest paid, net of capitalized interest	$ 23,041	$ 20,338
Interest capitalized	$ 3,670	$ —
Income taxes paid (refunded)	$ —	$ (2,911)
Non-Cash Investing and Financing Activities:		
Distributions payable on common shares/units	$ 1,248	$ 1,279
Distributions payable on preferred shares/units	$ 10,601	$ 10,902
Issuance of common shares for Board of Trustees compensation	$ 745	$ 754
Accrued additions and improvements to hotel properties	$ 9,551	$ 14,492
Write-off of fully amortized deferred financing costs	$ 682	$ —

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Pebblebrook Hotel Trust is a Maryland real estate investment trust that conducts its operations so as to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Substantially all of the operations are conducted through Pebblebrook Hotel, L.P. (our "Operating Partnership"), a Delaware limited partnership of which Pebblebrook Hotel Trust is the sole general partner. In this report, we use the terms "the Company", "we" or "our" to refer to Pebblebrook Hotel Trust and its subsidiaries, unless the context indicates otherwise.

FORWARD-LOOKING STATEMENTS

This report, together with other statements and information publicly disseminated by us, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may", "will", "should", "potential", "could", "seek", "assume", "forecast", "believe", "expect", "intend", "anticipate", "estimate", "project" or similar expressions. Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated revenues and expenses, estimated costs and durations of renovation or restoration projects, timing and extent of debt refinancings, estimated insurance recoveries, our ability to realize deferred tax assets and expected liquidity needs and sources (including capital expenditures and our ability to obtain financing or raise capital). You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. These factors include, but are not limited to, the following:

- the COVID-19 pandemic has had, and may continue to have, a significant negative impact on our financial condition and operations, which impacts our ability to obtain acceptable financing. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel, is expected to continue to negatively affect our results, operations, outlooks, plans, goals, growth, reputation, cash flows, liquidity and share price;
- as a result of the COVID-19 pandemic, we suspended operations at most of our hotels and resorts in March 2020. Operations recommenced between May 2020 and July 2021 and are improving. However, if continued improvement is interrupted, we may become out of compliance with maintenance covenants in certain of our debt facilities;
- world events impacting the ability or desire of people to travel may lead to a decline in demand for hotels;
- risks associated with the hotel industry, including competition, changes in visa and other travel policies by the U.S. government making it less convenient, more difficult or less desirable for international travelers to enter the U.S., increases in employment costs, energy costs and other operating costs, or decreases in demand caused by events beyond our control, including, without limitation, actual or threatened terrorist attacks, natural disasters, cyber attacks, any type of flu or disease-related pandemic, or downturns in general and local economic conditions;
- the availability and terms of financing and capital and the general volatility of securities markets;
- our dependence on third-party managers of our hotels, including our inability to implement strategic business decisions directly;
- risks associated with the U.S. and global economies, the cyclical nature of hotel properties and the real estate industry, including environmental contamination and costs of complying with new or existing laws, including the Americans with Disabilities Act and similar laws;
- interest rate increases;
- our possible failure to qualify as a REIT under the Code and the risk of changes in laws affecting REITs;
- the timing and availability of potential hotel acquisitions, our ability to identify and complete hotel acquisitions and our ability to complete hotel dispositions in accordance with our business strategy;

- the possibility of uninsured losses;
- risks associated with redevelopment and repositioning projects, including delays and cost overruns; and

- the other factors discussed under *Risk Factors* in Part II, Item 1A of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

The first-quarter operating results surpassed our outlook, largely driven by the continued recovery of our urban hotels. Business demand, both group and transient, continued to recover, driving increased occupancy in Washington D.C., San Diego, San Francisco, Los Angeles and Boston. Leisure demand remained roughly in-line with the prior year and our properties have continued to maintain their significant ADR premiums to 2019. The ramp-up of LaPlaya Beach Resort & Club has been encouraging and we expect to reopen Newport Harbor Island Resort soon following its closure for several months for a comprehensive property-wide redevelopment and upgrading. We expect these trends to continue if the overall economic recovery continues and as international inbound travel continues to return. We have continued to focus on cost controls.

During the three months ended March 31, 2024, we had the following transactions:

- We repurchased 318,269 common shares for an aggregate purchase price of $5.0 million, or an average of $15.71 per share, under our existing common share repurchase program.
- We paid down $110.0 million of our term loans and extended the maturity of $356.7 million borrowed under Term Loan 2024 to January 2028.

While we do not operate our hotel properties, both our asset management team and our executive management team monitor and work cooperatively with our hotel managers by advising and making recommendations in all aspects of our hotels' operations, including property positioning and repositioning, revenue and expense management, operations analysis, physical design, renovation and capital improvements, guest experience and overall strategic direction. Through these efforts, we seek to improve property efficiencies, lower costs, maximize revenues and enhance property operating margins, which we expect will enhance returns to our shareholders.

Key Indicators of Financial Condition and Operating Performance

We measure hotel results of operations and the operating performance of our business by evaluating financial and non-financial metrics such as room revenue per available room ("RevPAR"); total revenue per available room ("Total RevPAR"); average daily rate ("ADR"); occupancy rate ("Occupancy"); funds from operations ("FFO"); earnings before interest, income taxes, depreciation and amortization ("EBITDA"); and EBITDA for real estate ("EBITDA*re*"). We evaluate individual hotel and company-wide performance with comparisons to budgets, prior periods and competing properties. ADR, occupancy and RevPAR may be impacted by macroeconomic factors as well as regional and local economies and events. See *Non-GAAP Financial Measures* for further discussion of FFO, EBITDA and EBIDTA*re*.

Hotel Operating Statistics

The following table represents the key same-property hotel operating statistics for our hotels for the three months ended March 31, 2024 and 2023:

	For the three months ended March 31,	
	2024	2023
Same-Property Occupancy	61.3 %	59.4 %
Same-Property ADR	$ 299.34	$ 303.90
Same-Property RevPAR	$ 183.39	$ 180.38
Same-Property Total RevPAR	$ 282.55	$ 279.05

The above table of hotel operating statistics includes information from all hotels owned as of March 31, 2024, for the three months ended March 31, 2024 and 2023, except for LaPlaya Beach Resort & Club due to its closure following Hurricane Ian and Newport Harbor Island Resort due to its redevelopment.

Non-GAAP Financial Measures

Non-GAAP financial measures are measures of our historical or future financial performance that are different from measures calculated and presented in accordance with U.S. GAAP. We report FFO, EBITDA and EBITDA*re*, which are non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance.

We calculate FFO in accordance with standards established by Nareit, formerly known as the National Association of Real Estate Investment Trusts, which defines FFO as net income (calculated in accordance with U.S. GAAP), excluding real estate related depreciation and amortization, gains (losses) from sales of real estate, impairments of real estate assets (including impairment of real estate related joint ventures), the cumulative effect of changes in accounting principles and adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most industry investors consider presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. By excluding the effect of real estate related depreciation and amortization including our share of the joint venture depreciation and amortization, gains (losses) from sales of real estate and impairments of real estate assets (including impairment of real estate related joint ventures), all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance, we believe that FFO provides investors a useful financial measure to evaluate our operating performance.

The following table reconciles net income (loss) to FFO and FFO available to common share and unit holders for the three months ended March 31, 2024 and 2023 (in thousands):

	For the three months ended March 31,	
	2024	2023
Net income (loss)	**$ (27,520)**	**$ (22,045)**
Adjustments:		
Real estate depreciation and amortization	57,126	58,284
(Gain) loss on sale of hotel properties	—	(6,635)
FFO	**$ 29,606**	**$ 29,604**
Distribution to preferred shareholders and unit holders	(11,795)	(12,152)
FFO available to common share and unit holders	**$ 17,811**	**$ 17,452**

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. The white paper issued by Nareit entitled "Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate" defines EBITDA*re* as net income or loss (computed in accordance with U.S. GAAP), excluding interest expense, income tax, depreciation and amortization, gains or losses on the disposition of depreciated property (including gains or losses on change of control), impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate, and after comparable adjustments for our portion of these items related to unconsolidated affiliates. We believe that EBITDA and EBITDA*re* provide investors useful financial measures to evaluate our operating performance, excluding the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization).

The following table reconciles net income (loss) to EBITDA and EBITDA*re* for the three months ended March 31, 2024 and 2023 (in thousands):

	For the three months ended March 31,	
	2024	2023
Net income (loss)	**$ (27,520)**	**$ (22,045)**
Adjustments:		
Interest expense	26,421	27,430
Income tax expense (benefit)	46	—
Depreciation and amortization	57,209	58,369
EBITDA	**$ 56,156**	**$ 63,754**
(Gain) loss on sale of hotel properties	—	(6,635)
EBITDA*re*	**$ 56,156**	**$ 57,119**

FFO, EBITDA and EBITDA*re* do not represent cash generated from operating activities as determined by U.S. GAAP and should not be considered as alternatives to U.S. GAAP net income (loss), as indications of our financial performance, or to U.S. GAAP cash flow from operating activities, as measures of liquidity. In addition, FFO, EBITDA and EBITDA*re* are not indicative of funds available to fund cash needs, including the ability to make cash distributions.

Results of Operations

At March 31, 2024 and 2023, we had 46 and 49, respectively, properties and leasehold interests. All properties owned during these periods have been included in our results of operations during the respective periods since their dates of acquisition or through their dates of disposition, as applicable. Based on when a property was acquired or disposed, operating results for certain properties are not comparable for the three months ended March 31, 2024 and 2023. The properties listed in the table below are hereinafter referred to as "non-comparable properties" for the periods indicated and all other properties are referred to as "comparable properties":

Property	Location	Disposition Date
The Heathman Hotel	Portland, OR	February 22, 2023
Retail at The Westin Michigan Avenue Chicago	Chicago, IL	March 17, 2023
Hotel Colonnade Coral Gables	Coral Gables, FL	March 28, 2023

Comparison of the three months ended March 31, 2024 to the three months ended March 31, 2023

Revenues — Total revenues increased by $8.4 million primarily due to an increase at LaPlaya Beach Resort & Club, which was partially closed in 2023 due to Hurricane Ian. Repairs are substantially complete and the hotel continues to ramp up from its closure. This increase was partially offset by an $11.4 million decrease due to the sales of our our non-comparable properties in 2023 as well as a decrease at Newport Harbor Island Resort due to its closure for redevelopment during the first quarter of 2024.

Hotel operating expenses — Total hotel operating expenses increased by $1.7 million primarily due to LaPlaya Beach Resort & Club's increased operations, as well as an increase in staffing, wage rates and benefits at our comparable properties. This increase was partially offset by a $9.3 million decrease due to the sales of our non-comparable properties in 2023 as well as a decrease at Newport Harbor Island Resort due to its closure for redevelopment during the first quarter of 2024.

Depreciation and amortization — Depreciation and amortization expense decreased by $1.2 million primarily due to the sales of our non-comparable properties in 2023.

Real estate taxes, personal property taxes, property insurance and ground rent — Real estate taxes, personal property taxes, property insurance and ground rent increased by $3.5 million primarily due to a $2.0 million increase in property insurance due to higher insurance premium assessments and a $1.5 million increase in real estate taxes due to higher tax assessments.

General and administrative — General and administrative expenses increased by $2.2 million primarily due to an increase in employee compensation expense. General and administrative expenses consist of employee compensation costs, legal and professional fees, insurance and other expenses.

Gain on sale of hotel properties — We recognized a gain on sale of $6.6 million related to the sales of The Heathman Hotel, the retail component of The Westin Michigan Avenue Chicago and Hotel Colonnade Coral Gables in 2023.

Business interruption insurance income — We recognized business interruption insurance income in 2024 and 2023 related to partial settlements with our insurance carriers for lost income at LaPlaya Beach Resort & Club.

Other operating expenses — Other operating expenses decreased by $2.1 million primarily due to a decrease in payroll and claims administration costs at LaPlaya Beach Resort & Club.

Interest expense — Interest expense decreased by $1.0 million due to interest being capitalized related to our Newport Harbor Island Resort construction and our term loan pay-downs during the first quarter of 2024 which were partially offset by higher interest rates on our unhedged debt.

Non-controlling interests — Non-controlling interests represents the allocation of income or loss of the Operating Partnership to third-party common OP unit holders and to the preferred OP unit holders.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

New Accounting Pronouncements

See *Note 2. Summary of Significant Accounting Policies* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for recently issued accounting pronouncements that may affect us.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by our operations, borrowings under our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our primary cash requirements in the short term (i.e., those requiring cash on or before March 31, 2025) will be to fund property lease obligations, interest and current principal on debt, capital improvements, dividends on common and preferred shares, and working capital of our property operations. We believe our cash and cash equivalents, restricted cash and the amount available on our senior unsecured revolving credit facility, which totaled $701.3 million as of March 31, 2024, along with cash generated from ongoing operations will be sufficient to satisfy our short-term cash requirements. As of March 31, 2024, we had no off-balance sheet arrangements.

In order to maintain our qualification as a REIT, we must pay dividends to our shareholders of at least 90% of our taxable income. As a result of this requirement, we cannot rely on retained earnings to fund long-term liquidity requirements such as hotel property acquisitions, redevelopments and repayments of long-term debt. As such, we expect to continue to raise capital through equity and debt offerings to fund our growth.

Our material cash requirements include the following contractual and other obligations.

Debt

Our outstanding debt consisted of floating- and fixed-rate unsecured term loans, convertible senior notes, senior unsecured notes and mortgage loans with varying maturities. Our total debt had an aggregate face value of $2.2 billion as of March 31, 2024, as summarized below:

	March 31, 2024
	(in thousands)
Revolving credit facilities	$ —
Term loans	1,270,000
Convertible senior notes	750,000
Senior unsecured notes	2,400
Mortgage loans	197,149
Total debt at face value	$ 2,219,549

For further discussion on the components of our debt, see *Note 5. Debt* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have the option to extend certain of our current debt maturities with the payment of extension fees. Assuming we exercise all extension options available in our debt agreements, we expect that future principal and interest payments associated with our debt obligations outstanding as of March 31, 2024 will be $2.6 billion through their maturity, with $45.4 million of principal and $101.6 million of interest payable on or before March 31, 2025. We intend to pay amounts due with available cash, borrowings under our revolving credit facility, proceeds from property sales and/or to refinance amounts due with long-term debt.

We are in compliance with all covenants governed by our existing credit facilities, term loan and senior note facilities.

Our mortgage loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions may be triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our lender. As of March 31, 2024, none of the mortgage loans was in a cash trap.

Hotel, ground and finance lease obligations

Our properties that are subject to hotel, ground or finance leases, as noted in *Note 11. Commitment and Contingencies* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in consumer price index ("CPI") and may be subject to minimum and maximum increases.

Future fixed minimum payments associated with our hotel, ground and finance leases total $1.8 billion as of March 31, 2024, with $21.6 million payable on or before March 31, 2025.

Purchase commitments

As of March 31, 2024, we had $8.6 million of outstanding purchase commitments, all of which will be paid on or before March 31, 2025. These purchase commitments represent outstanding purchase orders and contracts that have been executed for capital and renovation projects at our properties. See *Capital Investments* for discussion on planned capital investments.

Preferred dividends and Series Z operating partnership units

We expect to pay aggregate annual dividends and distributions of approximately $47.2 million on our outstanding Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares and Series Z Cumulative Perpetual Preferred Units on or before March 31, 2025 and in future years until the shares/units are redeemed. For further discussion on our preferred shares and preferred units, see *Note 7. Equity* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, draws on our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our principal uses of cash are asset acquisitions, debt service payments, the redemption of equity securities, capital investments, operating costs, corporate expenses and dividends.

Operating Activities. Our net cash provided by (used in) operating activities was $46.0 million for the three months ended March 31, 2024, and $46.2 million for the three months ended March 31, 2023. Fluctuations in our net cash provided by (used in) operating activities are primarily the result of changes in hotel revenues, operating cash requirements and corporate expenses.

Investing Activities. Our net cash provided by (used in) investing activities was $(38.5) million for the three months ended March 31, 2024, and $105.2 million for the three months ended March 31, 2023. Fluctuations in our net cash provided by (used in) investing activities are primarily the result of acquisition and disposition activities, as well as capital improvements and additions to our properties.

- During the three months ended March 31, 2024, we invested $49.5 million in improvements to our hotel properties and received $11.5 million in property insurance proceeds.
- During the three months ended March 31, 2023, we invested $34.5 million in improvements to our hotel properties; received $131.9 million from the sales of two hotel properties and one retail component of a hotel property; and received $8.4 million in property insurance proceeds.

Financing Activities. Our net cash provided by (used in) financing activities was $(136.2) million for the three months ended March 31, 2024, and $(57.1) million for the three months ended March 31, 2023. Fluctuations in our net cash provided by (used in) financing activities are primarily the result of our issuance and repurchase of debt and equity securities and distributions paid on our preferred and common shares.

- During the three months ended March 31, 2024, we repaid $110.3 million in other debt; repurchased $6.9 million of common shares through our common share repurchase program and for tax withholding purposes in connection with vestings of share-based equity awards; paid $5.5 million in deferred financing costs and paid $13.0 million in preferred and common distributions.
- During the three months ended March 31, 2023, we repurchased $42.7 million of common shares through our common share repurchase program and for tax withholding purposes in connection with vestings of share-based equity awards; and paid $13.4 million in preferred and common distributions.

Capital Investments

We maintain and intend to continue maintaining all of our hotels in good repair and condition, in conformity with applicable laws and regulations, in accordance with franchisor standards when applicable and in accordance with agreed-upon requirements in our management agreements. Routine capital investments will be administered by the hotel management companies. However, we maintain approval rights over the capital investments as part of the annual budget process and as otherwise required from time to time.

Certain of our hotel properties may undergo renovations as a result of our decision to upgrade portions of the hotels, such as guest rooms, meeting space and restaurants, in order to better compete with other hotels in our markets. In addition, after we acquire a hotel property, we are often required by the franchisor or brand manager, if any, to complete a property improvement plan (“PIP”) in order to bring the hotel property up to the franchisor’s or brand’s standards. Generally, we expect to fund renovations and improvements with available cash, restricted cash, borrowings under our credit facility or proceeds from new debt or equity offerings.

For the three months ended March 31, 2024, we invested $49.5 million in capital investments to reposition and improve our properties, including the renovations of Newport Harbor Island Resort, Estancia La Jolla Hotel & Spa, Jekyll Island Club Resort, Southernmost Beach Resort and Skamania Lodge.

Depending on market conditions, and in some instances subject to approval from governmental authorities, we expect to invest a total of $85.0 million to $90.0 million in capital investments in 2024, which includes normal hotel capital refurbishments as well as redevelopment and repositioning projects at Newport Harbor Island Resort, Estancia La Jolla Hotel & Spa and Skamania Lodge.

Common Share Repurchase Programs and Preferred Share Repurchase Program

Common Share Repurchase Programs

On July 27, 2017, our Board of Trustees authorized a share repurchase program of up to $100.0 million of common shares. Under this program, we could repurchase common shares from time to time in transactions on the open market or by private agreement. As of June 30, 2023, no common shares remained available for repurchase under this program.

On February 17, 2023, our Board of Trustees authorized a share repurchase program of up to $150.0 million of common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. Common shares repurchased by the Company cease to be outstanding and become authorized but unissued common shares.

During the three months ended March 31, 2024, we repurchased 318,269 common shares for an aggregate purchase price of $5.0 million, or an average of approximately $15.71 per share. As of March 31, 2024, $141.0 million of common shares remained available for repurchase under this program.

The timing, manner, price and amount of any repurchases under the 2023 program will be determined by us in our discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require us to repurchase any specific number of common shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time.

Preferred Share Repurchase Program

On February 17, 2023, our Board of Trustees authorized a repurchase program of up to $100.0 million of preferred shares (the “Preferred Share Repurchase Program”). Under the terms of the program, we may repurchase up to an aggregate of $100.0 million of our 6.375% Series E Cumulative Redeemable Preferred Shares, 6.30% Series F Cumulative Redeemable Preferred Shares, 6.375% Series G Cumulative Redeemable Preferred Shares and 5.70% Series H Cumulative Redeemable Preferred Shares from time to time in transactions on the open market or by private agreement.

During the three months ended March 31, 2024, no preferred shares were repurchased under this program. As of March 31, 2024, $84.2 million of preferred shares remained available for repurchase under this program.

The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require us to repurchase any specific number of Preferred Shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time.

Inflation

We rely on the performance of the hotels to increase revenues to keep pace with inflation. Generally, our hotel operators possess the ability to adjust room rates daily, except for group or corporate rates contractually committed to in advance, although competitive pressures may limit the ability of our operators to raise rates faster than inflation or even at the same rate.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns which are greatly influenced by overall economic cycles, geographic locations, weather and customer mix at the hotels. Generally, our hotels have lower revenue, operating income and cash flow in the first quarter of each year and higher revenue, operating income and cash flow in the third quarter of each year.

Derivative Instruments

In the normal course of business, we are exposed to the effects of interest rate changes. We may enter into derivative instruments including interest rate swaps, caps and collars to manage or hedge interest rate risk. Derivative instruments are subject to fair value reporting at each reporting date and the increase or decrease in fair value is recorded in net income (loss) or accumulated other comprehensive income (loss), based on the applicable hedge accounting guidance. Derivatives expose the Company to credit risk in the event of non-performance by the counter parties under the terms of the interest rate hedge agreements. We believe we minimize the credit risk by transacting with major credit-worthy financial institutions.

As of March 31, 2024, we have interest rate swap agreements with an aggregate notional amount of $855.0 million to hedge variable interest rates on our unsecured term loans. We have designated these pay-fixed, receive-floating interest rate swap derivatives as cash flow hedges. For a further discussion of our derivative instruments, see *Note 5. Debt* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Sensitivity

We are exposed to market risk from changes in interest rates. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly effective cash flow hedges under guidance included in ASC 815 "Derivatives and Hedging."

As of March 31, 2024, $555.0 million, or 25.0%, of our aggregate indebtedness, was subject to variable interest rates, excluding amounts outstanding under the term loan facilities and mortgage loans that have been effectively swapped into fixed rates. If interest rates on our variable rate debt increase or decrease by 0.1 percent, our annual interest expense will increase or decrease by approximately $0.6 million, respectively.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of the operations of our hotels exposes the hotels and us to the risk of claims and litigation in the normal course of business. We are not presently subject to any material litigation nor, to our knowledge, is any litigation threatened against us, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on our liquidity, results of operations or our financial condition.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Common Shares

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1] *(in millions)*
January 1, 2024 - January 31, 2024	387,651	$ 15.76	318,269	$ —
February 1, 2024 - February 29, 2024	46,007	$ 16.13	—	$ —
March 1, 2024 - March 31, 2024	—	$ —	—	$ —
Total	433,658	$ 15.80	318,269	$ 141.0

[1] On February 17, 2023, our Board of Trustees authorized a share repurchase program of up to $150.0 million of our outstanding common shares. This $150.0 million share repurchase program commenced in June 2023, upon the completion of our prior $100.0 million share repurchase program which begun in 2017. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. As of March 31, 2024, $141.0 million of common shares remained available for repurchase under this program.

Preferred Shares

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1] *(in millions)*
January 1, 2024 - January 31, 2024	—	$ —	—	$ —
February 1, 2024 - February 29, 2024	—	$ —	—	$ —
March 1, 2024 - March 31, 2024	—	$ —	—	$ —
Total	—	$ —	—	$ 84.2

[1] On February 17, 2023, our Board of Trustees authorized a share repurchase program of up to $100.0 million of our outstanding preferred shares. Under this program we may repurchase up to an aggregate of $100.0 million of our 6.375% Series E Cumulative Redeemable Preferred Shares, 6.30% Series F Cumulative Redeemable Preferred Shares, 6.375% Series G Cumulative Redeemable Preferred Shares and 5.70% Series H Cumulative Redeemable Preferred Shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. As of March 31, 2024, $84.2 million of preferred shares remained available for repurchase under this program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended March 31, 2024, none of our officers or trustees adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement”.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
10.1*	Form of LTIP Class B Unit Vesting Agreement (time-based vesting) for Executive Officers (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on February 22, 2024 (File No. 001-34571)).
10.2*	Form of Restricted Share Unit Award Agreement (time-based vesting) for Executive Officers (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on February 22, 2024 (File No. 001-34571)).
10.3*	Form of Performance Unit Award Agreement for Executive Officers (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on February 22, 2024 (File No. 001-34571)).
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1††	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2††	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.(1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document(1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document(1)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document(1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document(1)
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)(1)

*	Management agreement or compensatory plan or arrangement
†	Filed herewith.
††	Furnished herewith.
(1)	Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; (v) Notes to Consolidated Financial Statements; and (vi) Cover Page (in connection with Exhibit 104).

SIGNATURES

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

	PEBBLEBROOK HOTEL TRUST
Date: April 23, 2024	/s/ JON E. BORTZ
	Jon E. Bortz
	Chief Executive Officer and Chairman of the Board