

For Immediate Release

Contact: Jerry Daly or Chris Daly
(703) 435-6293

CapStar Hotel Company Acquires First Two Hotels

Properties Located in Downtown, Suburban Boston

WASHINGTON, D.C., January 18, 2007—CapStar Hotel Company LLC, a recently formed hotel investment company, today announced that through affiliates it has acquired its first two hotels, both located in the Boston market. The 143-room Copley Square Hotel in Boston's fashionable Back Bay district was acquired from the Saunders Hotel Group for an undisclosed amount. The 148-room Hilton Garden Inn, Waltham, was purchased for an undisclosed amount from an affiliate of Bay North Capital. Both hotels will be managed by Interstate Hotels & Resorts (NYSE: IHR), one of the nation's largest independent hotel management companies.

“Both of these assets have excellent upside potential in a market with high barriers to new competition and where demand continues to comfortably outpace new supply,” said Paul Whetsell, president of CapStar. “We will make a substantial investment in the Copley Square hotel to bring it up to a four-star competitive level. Our plan is to keep the hotel as an independent and begin the renovation within the next several months. Construction will be done in phases to be minimally disruptive to guests. The hotel is surrounded by multiple business and leisure travel demand generators and when repositioned will be highly competitive.”

-more-

The Hilton Garden Inn Waltham completed a major renovation approximately a year ago and converted to the Hilton Garden Inn flag. “Waltham is arguably the top suburban commercial lodging market in the Boston area. The property, located just off of Route 128, is still in the ramp-up stage following its recent repositioning.

“Finding quality deals like these with substantial growth potential has been a challenge in today’s hotel real estate market,” Whetsell noted. “We continue to stay focused, however, on our stated acquisition strategy of targeting independent and select-service branded hotels in major urban markets.”

CapStar Hotel Company is a hotel investment firm headquartered in Arlington, Va. The company was founded in 2006 by Paul Whetsell, president and principal, who has more than 30 years of hospitality acquisition and operations expertise. Prior to forming CapStar, he was chairman and CEO of MeriStar Hospitality Corporation, one of the nation’s largest hotel real estate investment trusts.