

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 September 30, 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: 001-34693

CHATHAM LODGING TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

27-1200777
(I.R.S. Employer Identification No.)

222 Lakeview Avenue, Suite 200
West Palm Beach
(Address of Principal Executive Offices)

Florida

33401
(Zip Code)

(561) 802-4477

(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 of Beneficial Interest, \$0.01 par value	CLDT	New York Stock Exchange
6.625% Series A Cumulative Redeemable Preferred Shares	CLDT-PA	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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 7, 2024
Common Shares of Beneficial Interest, \$0.01 par value per share	48,911,492

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2024 (unaudited)	December 31, 2023
Assets:		
Investment in hotel properties, net	\$ 1,233,361	\$ 1,227,633
Cash and cash equivalents	19,349	68,130
Restricted cash	9,496	17,619
Right of use asset, net	17,699	18,141
Hotel receivables (net of allowance for doubtful accounts of \$210 and \$280, respectively)	4,357	4,375
Deferred costs, net	4,482	4,246
Prepaid expenses and other assets	6,237	3,786
Total assets	\$ 1,294,981	\$ 1,343,930
Liabilities and Equity:		
Mortgage debt, net	\$ 171,463	\$ 394,544
Revolving credit facility	125,000	—
Unsecured term loan, net	139,528	89,533
Accounts payable and accrued expenses (including \$681 and \$399 due to related parties, respectively)	34,594	29,255
Lease liability	20,749	20,808
Distributions payable	5,531	5,414
Total liabilities	496,865	539,554
Commitments and contingencies (Note 13)		
Equity:		
Shareholders' Equity:		
Preferred shares, \$0.01 par value, 100,000,000 shares authorized; 4,800,000 and 4,800,000 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	48	48
Common shares, \$0.01 par value, 500,000,000 shares authorized; 48,910,841 and 48,859,836 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	489	488
Additional paid-in capital	1,046,795	1,047,176
Accumulated deficit	(282,011)	(271,651)
Total shareholders' equity	765,321	776,061
Noncontrolling Interests:		
Noncontrolling interest in Operating Partnership	32,795	28,315
Total equity	798,116	804,376
Total liabilities and equity	\$ 1,294,981	\$ 1,343,930

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

CHATHAM LODGING TRUST
Consolidated Statements of Operations
(In thousands, except share and per share data)
(unaudited)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenue:				
Room	\$ 80,236	\$ 79,862	\$ 221,762	\$ 219,019
Food and beverage	1,832	1,975	5,806	6,156
Other	4,826	4,623	13,695	12,646
Reimbursable costs from related parties	283	281	836	1,011
Total revenue	<u>87,177</u>	<u>86,741</u>	<u>242,099</u>	<u>238,832</u>
Expenses:				
Hotel operating expenses:				
Room	17,011	17,223	49,110	45,918
Food and beverage	1,592	1,510	4,683	4,651
Telephone	343	385	991	1,106
Other hotel operating	1,188	949	3,031	2,812
General and administrative	7,506	7,503	21,903	21,616
Franchise and marketing fees	6,990	6,980	19,415	19,121
Advertising and promotions	1,677	1,538	4,604	4,513
Utilities	3,946	3,758	10,061	9,807
Repairs and maintenance	4,178	4,111	12,235	11,735
Management fees paid to related parties	2,959	2,994	8,118	8,073
Insurance	851	717	2,504	2,117
Total hotel operating expenses	<u>48,241</u>	<u>47,668</u>	<u>136,655</u>	<u>131,469</u>
Depreciation and amortization	15,287	14,687	45,455	43,615
Property taxes, ground rent and insurance	6,453	6,008	17,728	18,182
General and administrative	4,395	4,218	13,623	13,172
Other charges	—	6	77	44
Reimbursable costs from related parties	283	281	836	1,011
Total operating expenses	<u>74,659</u>	<u>72,868</u>	<u>214,374</u>	<u>207,493</u>
Operating income before loss on sale of hotel properties	12,518	13,873	27,725	31,339
(Loss) gain on sale of hotel properties	(14)	1	(154)	56
Operating income	12,504	13,874	27,571	31,395
Interest and other income	97	479	1,627	688
Interest expense, including amortization of deferred fees	(8,262)	(6,849)	(23,292)	(19,729)
Loss on early extinguishment of debt	—	(5)	(17)	(696)
Gain from partial lease termination	—	—	—	164
Income before income tax expense	4,339	7,499	5,889	11,822
Income tax expense	—	—	—	—
Net income	4,339	7,499	5,889	11,822
Net income attributable to noncontrolling interests	(88)	(170)	(15)	(198)
Net income attributable to Chatham Lodging Trust	4,251	7,329	5,874	11,624
Preferred dividends	(1,987)	(1,987)	(5,962)	(5,962)
Net income (loss) attributable to common shareholders	<u>\$ 2,264</u>	<u>\$ 5,342</u>	<u>\$ (88)</u>	<u>\$ 5,662</u>
Income per common share - basic:				
Net income attributable to common shareholders (Note 10)	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ —</u>	<u>\$ 0.11</u>
Income per common share - diluted:				
Net income attributable to common shareholders (Note 10)	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ —</u>	<u>\$ 0.11</u>
Weighted average number of common shares outstanding:				
Basic	48,904,179	48,850,339	48,898,947	48,845,374
Diluted	49,066,464	49,004,084	48,898,947	48,976,085
Distributions declared per common share:	<u>\$ 0.07</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>	<u>\$ 0.21</u>

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

CHATHAM LODGING TRUST
Consolidated Statements of Equity
(In thousands, except share and per share data)
(unaudited)

Three months ended September 30, 2023 and 2024

	Preferred Shares		Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount	Shares	Amount					
Balance, July 1, 2023	4,800,000	\$ 48	48,856,806	\$ 488	\$ 1,047,124	\$ (259,184)	\$ 788,476	\$ 26,011	\$ 814,487
Issuance of common shares, net of offering costs of zero	—	—	1,321	—	12	—	12	—	12
Amortization of share based compensation	—	—	—	—	12	—	12	1,425	1,437
Dividends declared on common shares (\$0.07 per share)	—	—	—	—	—	(3,421)	(3,421)	—	(3,421)
Distributions declared on LTIP units (\$0.07 per unit)	—	—	—	—	—	—	—	(181)	(181)
Dividends accrued on preferred shares	—	—	—	—	—	(1,987)	(1,987)	—	(1,987)
Net income	—	—	—	—	—	7,329	7,329	170	7,499
Balance, September 30, 2023	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,858,127</u>	<u>\$ 488</u>	<u>\$ 1,047,148</u>	<u>\$ (257,263)</u>	<u>\$ 790,421</u>	<u>\$ 27,425</u>	<u>\$ 817,846</u>
Balance, July 1, 2024	4,800,000	\$ 48	48,909,201	\$ 489	\$ 1,046,787	\$ (280,852)	\$ 766,472	\$ 31,421	\$ 797,893
Issuance of common shares, net of offering costs of \$15	—	—	1,640	—	(1)	—	(1)	—	(1)
Amortization of share based compensation	—	—	—	—	9	—	9	1,501	1,510
Dividends declared on common shares (\$0.07 per share)	—	—	—	—	—	(3,423)	(3,423)	—	(3,423)
Distributions declared on LTIP units (\$0.07 per unit)	—	—	—	—	—	—	—	(215)	(215)
Dividends accrued on preferred shares	—	—	—	—	—	(1,987)	(1,987)	—	(1,987)
Net income	—	—	—	—	—	4,251	4,251	88	4,339
Balance, September 30, 2024	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,910,841</u>	<u>\$ 489</u>	<u>\$ 1,046,795</u>	<u>\$ (282,011)</u>	<u>\$ 765,321</u>	<u>\$ 32,795</u>	<u>\$ 798,116</u>

Nine months ended September 30, 2023 and 2024

	Preferred Shares		Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount	Shares	Amount					
Balance, January 1, 2023	4,800,000	\$ 48	48,808,105	\$ 488	\$ 1,047,023	\$ (252,665)	\$ 794,894	\$ 23,103	\$ 817,997
Issuance of shares pursuant to Equity Incentive Plan	—	—	43,378	—	540	—	540	—	540
Issuance of common shares, net of offering costs of zero	—	—	4,187	—	44	—	44	—	44
Issuance of restricted time-based shares	—	—	2,457	—	—	—	—	—	—
Amortization of share based compensation	—	—	—	—	34	—	34	4,175	4,209
Dividends declared on common shares (\$0.21 per share)	—	—	—	—	—	(10,260)	(10,260)	—	(10,260)
Distributions declared on LTIP units (\$0.21 per unit)	—	—	—	—	—	—	—	(544)	(544)
Dividends accrued on preferred shares	—	—	—	—	—	(5,962)	(5,962)	—	(5,962)
Reallocation of noncontrolling interest	—	—	—	—	(493)	—	(493)	493	—
Net income	—	—	—	—	—	11,624	11,624	198	11,822
Balance, September 30, 2023	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,858,127</u>	<u>\$ 488</u>	<u>\$ 1,047,148</u>	<u>\$ (257,263)</u>	<u>\$ 790,421</u>	<u>\$ 27,425</u>	<u>\$ 817,846</u>
Balance, January 1, 2024	4,800,000	\$ 48	48,859,836	\$ 488	\$ 1,047,176	\$ (271,651)	\$ 776,061	\$ 28,315	\$ 804,376
Issuance of common shares pursuant to Equity Incentive Plan	—	—	43,670	1	470	—	471	—	471
Issuance of common shares, net of offering costs of \$278	—	—	4,392	—	(239)	—	(239)	—	(239)
Issuance of restricted time-based shares	—	—	2,943	—	—	—	—	—	—
Amortization of share based compensation	—	—	—	—	37	—	37	4,452	4,489
Dividends declared on common shares (\$0.21 per share)	—	—	—	—	—	(10,272)	(10,272)	—	(10,272)
Distributions declared on LTIP units (\$0.21 per unit)	—	—	—	—	—	—	—	(645)	(645)
Forfeited distributions declared on LTIP units	—	—	—	—	—	—	—	9	9
Dividends accrued on preferred shares	—	—	—	—	—	(5,962)	(5,962)	—	(5,962)
Reallocation of noncontrolling interest	—	—	—	—	(649)	—	(649)	649	—
Net income	—	—	—	—	—	5,874	5,874	15	5,889
Balance, September 30, 2024	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,910,841</u>	<u>\$ 489</u>	<u>\$ 1,046,795</u>	<u>\$ (282,011)</u>	<u>\$ 765,321</u>	<u>\$ 32,795</u>	<u>\$ 798,116</u>

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

CHATHAM LODGING TRUST
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 5,889	\$ 11,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of investment in hotel properties	45,290	43,454
Amortization of deferred franchise fees	158	161
Amortization of deferred financing fees included in interest expense	1,002	888
Loss (gain) on sale of hotel properties	154	(56)
Loss on early extinguishment of debt	17	672
Loss on write-off of deferred franchise fee	50	—
Share based compensation	4,911	4,562
Gain from partial lease termination	—	(164)
Changes in assets and liabilities:		
Right of use asset	441	483
Hotel receivables	9	(21)
Deferred costs	(253)	(46)
Prepaid expenses and other assets	(2,473)	(2,747)
Accounts payable and accrued expenses	5,735	7,811
Lease liability	(44)	(497)
Net cash provided by operating activities	<u>60,886</u>	<u>66,322</u>
Cash flows from investing activities:		
Improvements and additions to hotel properties	(24,857)	(21,433)
Acquisition of hotel properties	(43,732)	—
Proceeds from sale of hotel properties, net	17,166	—
Payments of franchise application costs	(700)	—
Net cash used in investing activities	<u>(52,123)</u>	<u>(21,433)</u>
Cash flows from financing activities:		
Borrowings on revolving credit facility	136,000	—
Repayments on revolving credit facility	(11,000)	—
Repayments on construction loan	—	(39,331)
Borrowings on unsecured term loan	50,000	90,000
Repayments of mortgage debt	(282,899)	(116,117)
Proceeds from the issuance of mortgage debt	60,300	82,925
Principal payments on finance lease	(15)	—
Payment of financing costs	(1,064)	(966)
Payment of offering costs on common shares	(278)	—
Proceeds from issuance of common shares	41	44
Distributions-common shares/units	(10,790)	(10,654)
Distributions-preferred shares	(5,962)	(5,962)
Net cash used in financing activities	<u>(65,667)</u>	<u>(61)</u>
Net change in cash, cash equivalents and restricted cash	(56,904)	44,828
Cash, cash equivalents and restricted cash, beginning of period	85,749	45,153
Cash, cash equivalents and restricted cash, end of period	<u>\$ 28,845</u>	<u>\$ 89,981</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 22,313	\$ 18,104
Cash paid for taxes	\$ 948	\$ 840
Remeasurement of right of use asset from partial lease termination	\$ —	\$ 531
Remeasurement of lease liability from partial lease termination	\$ —	\$ 695

-continued-

Supplemental disclosure of non-cash investing and financing information (dollars in thousands):

On January 16, 2024, the Company issued 43,670 common shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2023. On January 17, 2023, the Company issued 43,378 common shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2022.

As of September 30, 2024, the Company had accrued distributions payable of \$5,531. As of September 30, 2023, the Company had accrued distributions payable of \$5,370.

Accrued share based compensation of \$422 and \$353 is included in accounts payable and accrued expenses as of September 30, 2024 and 2023, respectively.

Accrued capital improvements of \$1,286 and \$1,190 are included in accounts payable and accrued expenses as of September 30, 2024 and 2023, respectively.

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

CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements
(unaudited)

1. Organization

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust on October 26, 2009. The Company is internally managed and invests primarily in upscale extended-stay and premium-branded select-service hotels. The Company has elected to be treated as a real estate investment trust for federal income tax purposes (“REIT”).

The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership (“common units”). Certain of the Company’s executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership (“LTIP units”), which are presented as non-controlling interests on our consolidated balance sheets.

As of September 30, 2024, the Company owned 39 hotels with an aggregate of 5,883 rooms located in 17 states and the District of Columbia.

To qualify as a REIT, the Company cannot operate the hotels. Therefore, the Operating Partnership and its subsidiaries lease the Company’s hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel revenue. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with a third-party management company that provides day-to-day management for the hotels. As of September 30, 2024, Island Hospitality Management, LLC (“IHM”), which is 100% owned by Jeffrey H. Fisher, the Company’s Chairman, President and Chief Executive Officer, managed all of the Company’s hotels.

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 U.S. generally accepted accounting principles (“GAAP”) and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim financial information. These unaudited consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full year performance due to seasonal and other factors, including the timing of the acquisition or sale of hotels.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements prepared in accordance with GAAP, and the related notes thereto as of December 31, 2023, which are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures ("ASU 2023-07"). The guidance requires incremental disclosures related to a public entity's reportable segments. ASU 2023-07 is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. As of September 30, 2024, the Company is currently evaluating the impact of adopting ASU 2023-07 will have on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04 Reference Rate Reform (Topic 848). ASU 2020-04 contains practical expedients for reference rate reform-related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In December 2022, the FASB issued ASU No. 2022-06 Reference Rate Reform (Topic 848). ASU 2022-06 amended and deferred the sunset provision in ASU 2020-04 from December 31, 2022 to December 31, 2024. As of September 30, 2024, the Company does not anticipate that this guidance will have a material impact on its consolidated financial statements and related disclosures.

3. Acquisition of Hotel Properties

On May 30, 2024, the Company acquired the Home2 Suites Phoenix Downtown ("Home2 Phoenix") hotel property in Phoenix, AZ for \$43.3 million. The Company allocated the purchase price of the hotel based on the estimated fair values of the assets on the date of acquisition. The hotel property is classified as a finance lease for which the Company has recorded right-of-use ("ROU") assets and a lease liability (see Note 12). The Company's ROU asset balance includes \$0.3 million related to its lease liability and property acquisition costs of \$0.1 million, which are all recorded within Investment in hotel properties, net.

4. Disposition of Hotel Properties

On January 9, 2024, the Company sold the Hilton Garden Inn Denver Tech Center ("HGI Denver Tech") hotel property in Denver, CO for \$18.0 million and recognized a loss on sale of the hotel property of \$0.2 million.

The sale did not represent a strategic shift that had or will have a major effect on the Company's operations and financial results and did not qualify to be reported as discontinued operations.

5. Investment in Hotel Properties

Investment in hotel properties, net

Investment in hotel properties, net as of September 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Land and improvements	\$ 285,767	\$ 289,671
Building and improvements	1,266,121	1,274,970
Furniture, fixtures and equipment	112,223	108,222
Finance lease assets	43,753	—
Renovations in progress	13,801	15,138
	<u>1,721,665</u>	<u>1,688,001</u>
Less accumulated depreciation and amortization	(488,304)	(460,368)
Investment in hotel properties, net	\$ 1,233,361	\$ 1,227,633

6. Debt

The Company's mortgage loans are collateralized by first-mortgage liens on certain of the Company's properties. The mortgage loans are non-recourse except for instances of fraud or misapplication of funds. Mortgage, revolving credit facility, and unsecured term loan debt consisted of the following (dollars in thousands):

Collateral	Interest Rate	Maturity Date	September 30, 2024 Property Carrying Value	Balance Outstanding on Loan as of	
				September 30, 2024	December 31, 2023
Revolving Credit Facility (1)	6.92 %	October 28, 2026	\$ —	\$ 125,000	\$ —
Unsecured Term Loan (2)	6.90 %	October 28, 2025	—	140,000	90,000
Residence Inn by Marriott Garden Grove, CA	4.79 %	April 6, 2024	—	—	29,496
Residence Inn by Marriott Silicon Valley I, CA	4.64 %	July 1, 2024	—	—	60,134
Residence Inn by Marriott Silicon Valley II, CA	4.64 %	July 1, 2024	—	—	65,609
Residence Inn by Marriott San Mateo, CA	4.64 %	July 1, 2024	—	—	45,100
Residence Inn by Marriott Mountain View, CA	4.64 %	July 1, 2024	—	—	35,171
Hilton Garden Inn Marina del Rey, CA	4.68 %	July 6, 2024	—	—	19,023
Homewood Suites by Hilton Billerica, MA	4.32 %	December 6, 2024	10,869	14,231	14,481
Hampton Inn & Suites Houston Medical Center, TX	4.25 %	January 6, 2025	13,770	16,055	16,338
Courtyard by Marriott Dallas, TX	7.61 %	September 11, 2028	39,680	24,500	24,500
Hyatt Place Pittsburgh, PA (3)	7.29 %	June 11, 2029	30,120	23,300	—
Residence Inn by Marriott Austin, TX	7.42 %	September 6, 2033	33,936	20,850	20,850
TownePlace Suites by Marriott Austin, TX	7.42 %	September 6, 2033	30,401	19,075	19,075
Courtyard by Marriott Summerville, SC	7.33 %	September 11, 2033	18,352	9,000	9,000
Residence Inn by Marriott Summerville, SC	7.33 %	September 11, 2033	17,010	9,500	9,500
SpringHill Suites by Marriott Savannah, GA (4)	6.70 %	June 6, 2034	31,997	22,000	27,832
Hampton Inn & Suites Exeter, NH (4)	6.70 %	June 11, 2034	12,212	15,000	—
Total debt before unamortized debt issue costs			\$ 238,347	\$ 438,511	\$ 486,109
Unamortized term loan and mortgage debt issue costs				(2,520)	(2,032)
Total debt outstanding				\$ 435,991	\$ 484,077

- The interest rate for the revolving credit facility is variable and based on one-month term secured overnight financing rate ("SOFR") plus a spread of 1.50% to 2.25% based on the Company's leverage and a credit spread adjustment of 0.10%.
- The interest rate for the unsecured term loan is variable and based on one-month term SOFR plus a spread of 1.45% to 2.20% based on the Company's leverage and a credit spread adjustment of 0.10%.
- On May 31, 2024, a subsidiary of Chatham entered into an agreement with Wells Fargo Bank to obtain a \$23.3 million loan secured by the Hyatt Place Pittsburgh. The loan has a term of five years, carries a fixed interest rate of 7.29%, and is interest-only for its duration.
- On June 6, 2024, two subsidiaries of Chatham entered into two agreements with Barclays Capital Real Estate and Wells Fargo Bank to obtain a \$22.0 million loan secured by the SpringHill Suites Savannah and a \$15.0 million loan secured by the Hampton Inn & Suites Exeter. Each loan has a term of ten years, carries a fixed interest rate of 6.70%, and is interest-only for its duration.

On October 28, 2022, the Company entered into a \$215.0 million unsecured revolving credit facility and a \$90.0 million unsecured delayed-draw term loan facility. The unsecured revolving credit facility has an initial maturity of October 28, 2026 and provides two six-month extension options. The unsecured delayed-draw term loan facility has an initial maturity of October 28, 2025 and provides two one-year extension options. On December 19, 2022, the Company executed an amendment to its unsecured revolving credit facility, increasing commitments by \$45.0 million for a total borrowing capacity of \$260.0 million. On May 3, 2024, the Company amended its funded unsecured term loan to increase its size from \$90.0 million to \$140.0 million, its current balance outstanding as of September 30, 2024.

During the nine months ended September 30, 2024, the Company repaid the maturing mortgage loans of \$29.3 million on the Residence Inn Garden Grove hotel property, \$34.9 million on the Residence Inn Mountain View hotel property, \$27.6 million on the SpringHill Suites Savannah hotel property, \$59.5 million on the Residence Inn Silicon Valley I hotel property, \$65.0 million on the Residence Inn Silicon Valley II hotel property, \$44.7 million on the Residence Inn San Mateo hotel property, and \$18.8 million on the Hilton Garden Inn Marina del Rey hotel property. During the year ended December 31, 2023, the Company repaid the \$39.3 million construction loan on the Home2 Woodland Hills hotel property, and the maturing mortgage loans of \$14.4 million on the Homewood Suites San Antonio hotel property, \$19.7 million on the Residence Inn Tysons hotel property, \$16.0 million on the Courtyard Houston hotel property, \$19.7 million on the Hyatt Place Pittsburgh hotel property, and \$40.5 million on the Residence Inn Bellevue hotel property. The Company utilized cash, borrowings under its unsecured credit facility and unsecured term loan, and proceeds from its eight new mortgage loans to repay these loans.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. All of the Company's mortgage loans are fixed-rate. Rates take into consideration general market conditions, quality and estimated value of collateral and maturity of debt with similar credit terms and are classified within level 3 of the fair value hierarchy. The estimated fair value of the Company's fixed rate debt as of September 30, 2024 and December 31, 2023 was \$185.2 million and \$396.0 million, respectively.

The Company estimates the fair value of its variable rate debt by taking into account general market conditions and the estimated credit terms it could obtain for debt with similar maturity and is classified within level 3 of the fair value hierarchy. As of September 30, 2024, the Company's variable rate debt consisted of borrowings under its revolving credit facility and its unsecured term loan. The estimated fair value of the Company's variable rate debt as of September 30, 2024 and December 31, 2023 was \$265.0 million and \$90.0 million, respectively.

The Company's mortgage debt agreements contain "cash trap" provisions that are triggered when the hotel's operating results fall below a certain debt service coverage ratio or debt yield. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of the lenders until a specified debt service coverage ratio or debt yield is reached. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. As of September 30, 2024, one of our mortgage debt lenders has enforced cash trap provisions resulting in \$0.3 million of restricted cash. The Company does not expect that such cash traps will affect its ability to satisfy its short-term liquidity requirements.

Future scheduled principal payments of debt obligations as of September 30, 2024, for the current year and each of the next five calendar years and thereafter are as follows (in thousands):

	Amount
2024 (remaining three months)	\$ 14,311
2025	155,975
2026	125,000
2027	—
2028	24,590
Thereafter	118,635
Total debt before unamortized debt issue costs	\$ 438,511
Unamortized term loan and mortgage debt issue costs	(2,520)
Total debt outstanding	\$ 435,991

Accounting for Derivative Instruments

The Company had interest rate cap agreements to hedge against interest rate fluctuations related to the construction loan for the Home2 Woodland Hills hotel property. The Company recorded its derivative instruments on the balance sheet at their estimated fair values and categorized the fair value measurement of these assets as Level 2. Changes in the fair value of the derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship. The Company's interest rate caps were not designated as a hedge but to eliminate the incremental cost to the Company if the one-month LIBOR were to exceed 3.5%. Accordingly, the interest rate caps were recorded on the balance sheet under prepaid expenses and other assets at the estimated fair value and realized and unrealized changes in the fair value are reported in the consolidated statement of operations. During the nine months ended September 30, 2023, the Company terminated its interest rate caps related to the construction loan when the loan was repaid.

7. Income Taxes

The Company's TRS is subject to federal and state income taxes. Income tax expense was zero for the three and nine months ended September 30, 2024 and 2023.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. The Company's TRS has generated taxable losses over the last three years. As of September 30, 2024, the TRS continues to recognize a full valuation allowance equal to 100% of the net deferred tax assets due to the uncertainty of the TRS's ability to utilize these net deferred tax assets. Management will continue to monitor the need for a valuation allowance.

8. Dividends Declared and Paid

Common Dividends

The Company declared total common share dividends of \$0.21 per share and distributions on LTIP units of \$0.21 per unit for the nine months ended September 30, 2024. The Company declared total common share dividends of \$0.21 per share and distributions on LTIP units of \$0.21 per unit for the nine months ended September 30, 2023. The common share dividends and distributions were as follows:

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount
March	3/28/2024	4/15/2024	\$ 0.07	\$ 0.07
June	6/28/2024	7/15/2024	0.07	0.07
September	9/30/2024	10/15/2024	0.07	0.07
Total 2024			\$ 0.21	\$ 0.21

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount
March	3/31/2023	4/17/2023	\$ 0.07	\$ 0.07
June	6/30/2023	7/17/2023	0.07	0.07
September	9/29/2023	10/16/2023	0.07	0.07
Total 2023			\$ 0.21	\$ 0.21

Preferred Dividends

During the nine months ended September 30, 2024 and 2023, the Company declared total dividends of \$1.24218 and \$1.24218, respectively, per share of 6.625% Series A Cumulative Redeemable Preferred Shares. The preferred share dividends were as follows:

	Record Date	Payment Date	Dividend per Preferred Share
March	3/28/2024	4/15/2024	\$ 0.41406
June	6/28/2024	7/15/2024	0.41406
September	9/30/2024	10/15/2024	0.41406
Total 2024			\$ 1.24218

	Record Date	Payment Date	Dividend per Preferred Share
March	3/31/2023	4/17/2023	\$ 0.41406
June	6/30/2023	7/17/2023	0.41406
September	9/29/2023	10/16/2023	0.41406
Total 2023			\$ 1.24218

9. Shareholders' Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares of beneficial interest, \$0.01 par value per share ("common shares"). Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Holders of the Company's common shares are entitled to receive dividends when authorized by the Company's Board of Trustees. As of September 30, 2024, 48,910,841 common shares were outstanding.

In January 2021, the Company established an "at-the-market" equity offering program (the "ATM Program") whereby, from time to time, the Company may publicly offer and sell its common shares having an aggregate offering price of up to \$100.0 million by means of ordinary brokers transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Cantor Fitzgerald & Co., Barclays Capital Inc., BMO Capital Markets Corp., BofA Securities, Inc., BTIG, LLC, Citigroup Global Markets Inc., Regions Securities LLC, Stifel, Nicolaus & Company, Incorporated and Wells Fargo Securities act as sales agents under the ATM Program. The Company did not issue any shares under the ATM Program during the three and nine months ended September 30, 2024. As of September 30, 2024, there was approximately \$77.5 million in common shares available for issuance under the ATM Program.

In December 2017, the Company established a \$50.0 million dividend reinvestment and stock purchase plan (the "DRSPP") which renewed in December 2020 and renewed again in January 2024. Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPP. During the three months ended September 30, 2024, the Company issued 1,640 common shares under the DRSPP at a weighted-average price per share of \$8.45, which generated \$14 thousand of proceeds. During the nine months ended September 30, 2024, the Company issued 4,392 common shares under the DRSPP at a weighted-average price of \$9.25, which generated \$41 thousand of proceeds. As of September 30, 2024, there was approximately \$50.0 million in common shares available for issuance under the DRSPP.

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares of beneficial interest, \$0.01 par value per share, in one or more series.

On June 30, 2021, the Company issued 4,800,000 6.625% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 par value per share (the "Series A Preferred Shares"), and received net proceeds of approximately \$115.9 million. The Series A Preferred Shares rank senior to common shares with respect to the payment of dividends and distributions of assets in the event of a liquidation, dissolution, or winding up. The Series A Preferred Shares do not have any maturity date and are not subject to mandatory redemptions or sinking fund requirements. The distribution rate is 6.625% per annum of the \$25.00 liquidation preference, which is equivalent to \$1.65625 per annum per Series A Preferred Share. Distributions on the Series A Preferred Shares are payable quarterly in arrears with the first distribution on the Series A Preferred Shares paid on October 15, 2021. The Company may not redeem the Series A Preferred Shares before June 30, 2026 except in limited circumstances to preserve the Company's status as a REIT for federal income tax purposes and upon the occurrence of a change of control. On and after June 30, 2026, the Company may, at its option, redeem the Series A Preferred Shares, in whole or from time to time in part, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, 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 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 Series A 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 Series A Preferred Shares upon a change of control, the holders of Series A 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 A Preferred Share is 3.701 common shares. As of September 30, 2024, 4,800,000 Series A Preferred Shares were issued and outstanding. During the three months ended September 30, 2024, the Company accrued preferred share dividends of approximately \$2.0 million.

Operating Partnership Units

Holders of common units in the Operating Partnership, if and when issued, will have certain redemption rights, which will enable the 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 per common share at the time of redemption or for 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 limited partners or shareholders. As of September 30, 2024, there were 1,909,342 vested LTIP units held by current and former employees.

10. Earnings Per Share

The two-class method is used to determine earnings per share because unvested restricted shares and unvested LTIP units are considered to be participating shares. The LTIP units held by the non-controlling interest holders, which may be converted to common shares, have been excluded from the denominator of the diluted earnings per common share calculation as there would be no effect on the amounts since limited partners' share of income or loss would also be added back to net income or loss. Unvested restricted shares, unvested long-term incentive plan units and unvested Class A Performance LTIP units that could potentially dilute basic earnings per common share in the future would not be included in the computation of diluted loss per common share, for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented. For the three months ended September 30, 2024 and 2023, the Company excluded zero and zero, respectively, of unvested shares and units as their effect would have been anti-dilutive. For the nine months ended September 30, 2024 and 2023, the Company excluded 373,200 and zero, respectively, of unvested shares and units as their effect would have been anti-dilutive.

The following is a reconciliation of the amounts used in calculating basic and diluted net income per common share (in thousands, except share and per share data):

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss) attributable to common shareholders	\$ 2,264	\$ 5,342	\$ (88)	\$ —
Dividends on unvested shares and units	(32)	(27)	(96)	—
Net income (loss) attributable to common shareholders excluding amounts attributable to unvested shares and units	\$ 2,232	\$ 5,315	\$ (184)	\$ —
Denominator:				
Weighted average number of common shares - basic	48,904,179	48,850,339	48,898,947	48,84
Unvested shares and units	162,285	153,745	—	13
Weighted average number of common shares - diluted	49,066,464	49,004,084	48,898,947	48,97
Basic income per common share:				
Net income attributable to common shareholders per weighted average basic common share	\$ 0.05	\$ 0.11	\$ —	\$ —
Diluted income per common share:				
Net income attributable to common shareholders per weighted average diluted common share	\$ 0.05	\$ 0.11	\$ —	\$ —

11. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. The plan was amended on May 24, 2022 to increase the maximum number of shares available under the plan by 1,600,000 shares and extend the term of the plan to March 22, 2032. Share awards under this plan generally vest over three to five years, though compensation for the Company's independent trustees includes share grants that vest immediately. The Company pays dividends on unvested shares and units, except for performance-based units, for which 10% of dividends on unvested performance-based units are paid and the remaining 90% of dividends are accrued and not paid until those units vest. Certain awards may provide for accelerated vesting if there is a change in control. In January 2024 and 2023, the Company issued 43,670 and 43,378 common shares, respectively, to its independent trustees as compensation for services performed in 2023 and 2022, respectively. As of September 30, 2024, there were 722,380 common shares available for issuance under the Equity Incentive Plan.

Restricted Share Awards

From time to time, the Company may award restricted shares under the Equity Incentive Plan as compensation to officers, employees and non-employee trustees. The Company recognizes compensation expense for the restricted shares on a straight-line basis over the vesting period based on the fair market value of the shares on the date of issuance.

A summary of the Company's restricted share awards for the nine months ended September 30, 2024 and the year ended December 31, 2023 is as follows:

	For the nine months ended		For the year ended	
	September 30, 2024		December 31, 2023	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of the period	5,789	\$ 11.78	6,666	\$ 11.47
Granted	2,943	10.20	2,457	12.21
Vested	(4,151)	11.62	(3,334)	11.47
Non-vested at end of the period	<u>4,581</u>	<u>\$ 10.91</u>	<u>5,789</u>	<u>\$ 11.78</u>

As of September 30, 2024 and December 31, 2023, there were \$38 thousand and \$45 thousand, respectively, of unrecognized compensation costs related to restricted share awards. As of September 30, 2024, these costs were expected to be recognized over a weighted-average period of approximately 2.0 years. For the three months ended September 30, 2024 and 2023, the Company recognized approximately \$9 thousand and \$12 thousand, respectively, and for the nine months ended September 30, 2024 and 2023, the Company recognized approximately \$37 thousand and \$35 thousand, respectively, of expense related to the restricted share awards.

Long-Term Incentive Plan Awards

LTIP units are a special class of partnership interests in the Operating Partnership which may be issued to eligible participants for the performance of services to or for the benefit of the Company. Under the Equity Incentive Plan, each LTIP unit issued is deemed equivalent to an award of one common share thereby reducing the number of shares available for other equity awards on a one-for-one basis.

A summary of the Company's LTIP unit awards for the nine months ended September 30, 2024 and the year ended December 31, 2023 is as follows:

	For the nine months ended September 30, 2024		For the year ended December 31, 2023	
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested at beginning of the period	999,955	\$ 15.37	905,525	\$ 15.03
Granted	512,264	11.18	466,988	14.36
Vested	(322,025)	14.03	(372,558)	13.27
Forfeited	(28,391)	15.91	—	—
Non-vested at end of the period	<u>1,161,803</u>	<u>\$ 13.88</u>	<u>999,955</u>	<u>\$ 15.37</u>

Time-Based LTIP Awards

On March 1, 2024, the Company's Operating Partnership, upon the recommendation of the Compensation Committee, granted 204,909 time-based LTIP unit awards (the "2024 Time-Based LTIP Unit Award"). The grants were made pursuant to award agreements that provide for time-based vesting (the "LTIP Unit Time-Based Vesting Agreement").

Time-based LTIP unit awards will vest ratably provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Prior to vesting, a holder is entitled to receive distributions on the LTIP units that comprise the 2024 Time-Based LTIP Unit Awards and the prior year LTIP unit awards set forth in the table above.

Performance-Based LTIP Awards

On March 1, 2024, the Company's Operating Partnership, upon the recommendation of the Compensation Committee, also granted 307,355 performance-based LTIP unit awards (the "2024 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that have market-based vesting conditions. The Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP Units that will vest only if and to the extent that (i) the Company achieves certain long-term market-based total shareholder return ("TSR") criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of \$12.42 per 2024 Performance-Based LTIP Unit Award, which takes into account that the number of units that ultimately may vest will depend on the achievement of long-term market-based TSR criteria. The 2024 Performance-Based LTIP Unit Awards have an absolute negative TSR modifier which may reduce payout percentages if the absolute TSR over the measurement period is negative.

The 2024 Performance-Based LTIP Unit Awards may be earned based on the Company's relative TSR performance for the three-year period beginning on March 1, 2024 and ending on February 28, 2027. The 2024 Performance-Based LTIP Unit Awards, if earned, will be paid out between 50% and 200% of target value as follows:

	Relative TSR Hurdles (Percentile)	Payout Percentage
Threshold	25th	50%
Target	55th	100%
Maximum	80th	200%

Payouts at performance levels in between the hurdles will be calculated by straight-line interpolation.

The Company estimated the aggregate compensation cost to be recognized over the service period determined as of the grant date under ASC 718, excluding the effect of estimated forfeitures, using a Monte Carlo approach. In determining the discounted value of the LTIP units, the Company considered the inherent uncertainty that the LTIP units would never reach parity with the other common units of the Operating Partnership and thus have an economic value of zero to the grantee. Additional factors considered in estimating the value of LTIP units included discounts for illiquidity, expectations for future dividends, risk free interest rates, stock price volatility, and economic environment and market conditions.

The grant date fair values of the LTIPs and the assumptions used to estimate the values are as follows:

	Grant Date	Number of Units Granted	Estimated Value Per Unit	Volatility	Dividend Yield	Risk Free Interest Rate
2020 Time-Based LTIP Unit Awards	3/1/2020	130,206	\$13.05	20%	—%	1.06%
2020 Performance-Based LTIP Unit Awards (1)	3/1/2020	195,301	\$13.66	20%	8.1%	0.90%
2021 Time-Based LTIP Unit Awards	3/1/2021	132,381	\$12.52	78%	—%	0.08%
2021 Performance-Based LTIP Unit Awards (2)	3/1/2021	198,564	\$15.91	64%	3.4%	0.30%
2022 Time-Based LTIP Unit Awards	3/1/2022	152,004	\$12.33	80%	—%	1.01%
2022 Performance-Based LTIP Unit Awards	3/1/2022	228,000	\$18.58	66%	3.5%	1.44%
2023 Time-Based LTIP Unit Awards	3/1/2023	171,171	\$11.11	37%	—%	5.11%
2023 Performance-Based LTIP Unit Awards	3/1/2023	256,757	\$16.64	69%	3.5%	4.61%
2024 Time-Based LTIP Unit Awards	3/1/2024	204,909	\$9.33	35%	—%	4.92%
2024 Performance-Based LTIP Unit Awards	3/1/2024	307,355	\$12.42	35%	2.6%	4.32%

(1) In February 2023, following the end of the measurement period, the Company's TSR met certain criteria and based on the Company's TSR over the measurement period, 234,361 LTIP units vested.

(2) In February 2024, following the end of the measurement period, the Company's TSR met certain criteria and based on the Company's TSR over the measurement period, 170,173 LTIP units vested.

The Company recorded \$1.5 million and \$1.4 million in compensation expense related to the LTIP units for the three months ended September 30, 2024 and 2023, respectively, and \$4.5 million and \$4.2 million in compensation expense related to the LTIP units for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024 and December 31, 2023, there was \$8.4 million and \$7.1 million, respectively, of total unrecognized compensation cost related to LTIP units. This cost is expected to be recognized over approximately 1.9 years, which represents the weighted-average remaining vesting period of the LTIP units.

12. Leases

The Company is the lessee under ground, property, air rights, garage and office lease agreements for certain of its properties. The Company's leases are classified as operating or finance leases. The Company recognizes a ROU asset and lease liability at the estimated present value of the minimum lease payments over the lease term. These leases typically provide multi-year renewal options to extend the term as lessee at the Company's option. Option periods are included in the calculation of the lease obligation liability only when options are reasonably certain to be exercised.

In calculating the Company's lease obligations under the various leases, the Company uses discount rates estimated to be equal to what the Company would have to pay to borrow on a collateralized basis over a similar term, for an amount equal to the lease payments, in a similar economic environment. Lease obligations are based on contractually required cash payments, while lease expense is recognized on a straight-line basis for its operating leases and as interest expense on the lease liability for its finance lease.

Operating Leases

The Residence Inn Gaslamp hotel property is subject to a ground lease with an expiration date of January 31, 2065 with an extension option by the Company of up to three additional terms of ten years each. Monthly payments are currently approximately \$44 thousand per month and increase 10% every five years. The hotel is subject to annual supplemental rent payments calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

The Residence Inn New Rochelle hotel property is subject to an air rights lease and garage lease that each expire on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel's proportionate share of the city's adopted budget for the operations, management and maintenance of the garage and established reserves to fund for the cost of capital repairs. Aggregate rent for 2024 is approximately \$32 thousand per quarter.

The Hilton Garden Inn Marina del Rey hotel property is subject to a ground lease with an expiration date of December 31, 2067. Minimum monthly payments are currently approximately \$47 thousand per month and a percentage rent payment less the minimum rent is due in arrears equal to 5% to 25% of gross income based on the type of income.

The Company entered into a corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to two successive terms of five years each. On June 1, 2023, the Company executed an amendment to the corporate office lease to vacate and surrender possession of 7,374 rentable square feet in exchange for an early termination payment of \$0.1 million. The partial termination of this lease required the Company to apply ASC 842 and remeasure the right of use asset and lease liability and recognize those adjustments in the consolidated statement of operations. The Company shares the space with a related party and is reimbursed for the pro-rata share of rentable space occupied by the related party.

The Company signed a new 10-year corporate office lease in May 2024, which was subsequently amended in September 2024, that will commence when the Company takes possession of the space for leasehold improvements, on or before September 1, 2026. Annual base rent will range from \$0.6 million to \$0.7 million over the term of the lease. The new office lease will be shared with a related party and the Company will be reimbursed for the pro-rata share of rentable space that will be occupied by the related party.

For the nine months ended September 30, 2024, the Company made \$0.9 million of fixed lease payments and \$0.7 million of variable lease payments, which are included in property taxes, ground rent and insurance in our consolidated statement of operations. For the nine months ended September 30, 2024, the Company made \$0.5 million of fixed lease payments related to its corporate office lease, which is included in general and administrative expense in our consolidated statement of operations.

Finance Leases

The Home2 Phoenix hotel property is subject to a Government Property Lease Excise Tax ("GPLET") agreement with the City of Phoenix. As part of the agreement, title of the hotel property was conveyed to the City of Phoenix and leased back to the Company for a term of 8 years with fixed annual rent payments ranging from \$26 thousand to \$81 thousand. Title of the hotel property will be re-conveyed to the Company at no cost at the expiration of the 8-year lease term. The GPLET agreement

can be terminated by the lessee at any time for a fee of \$0.1 million and title of the hotel property would be re-conveyed back to the Company.

The Home2 Phoenix ROU assets are recorded as finance lease assets within Investment in hotel properties, net and the lease liability is recorded within Lease liability in the Company's consolidated balance sheet. Expenses related to the finance lease are included in depreciation and amortization and interest expense, in the Company's consolidated statement of operations.

The following table includes information regarding the ROU assets and lease liabilities of the Company as of September 30, 2024 and December 31, 2023 (in thousands):

	Balance Sheet Classification	ROU Asset as of September 30, 2024	ROU Asset as of December 31, 2023
Finance lease assets, net	Investment in hotel properties, net	\$ 43,174	\$
Operating lease assets, net	Right of use asset, net	17,699	18,
Total ROU asset, net		\$ 60,873	\$ 18,

	Balance Sheet Classification	Lease Liability as of September 30, 2024	Lease Liability as of December 31, 2023
Finance lease liability	Lease liability	\$ 278	\$
Operating lease liability	Lease liability	20,471	20,
Total lease liability		\$ 20,749	\$ 20,

Lease Term and Discount Rate	September 30, 2024
Weighted-average remaining lease term (years)	41.6
Weighted-average discount rate	6.89%

The following table includes information regarding the Company's total minimum lease payments for which it is the lessee, as of September 30, 2024, for each of the next five calendar years and thereafter (in thousands):

Total Future Lease Payments	Amount
2024 (remaining three months)	\$ 472
2025	1,966
2026	1,768
2027	1,313
2028	1,338
Thereafter	62,510
Total lease payments	\$ 69,367
Less: Imputed interest	(48,618)
Present value of lease liabilities	<u>\$ 20,749</u>

13. Commitments and Contingencies

Litigation

The Company is subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of its hotels, its managers and other Company matters. While it is not possible to ascertain the ultimate outcome of such matters, the Company believes that the aggregate identifiable amount of such liabilities, if any, will not have a material adverse impact on its financial condition or results of operations.

Management Agreements

The management agreements with IHM have an initial term of five years and automatically renew for two five-year periods unless IHM provides written notice to us no later than 90 days prior to the then current term's expiration date of its intent not to renew. The IHM management agreements provide for early termination at the Company's option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

Management fees totaled approximately \$3.0 million and \$3.0 million for the three months ended September 30, 2024 and 2023, respectively, and \$8.1 million and \$8.1 million for the nine months ended September 30, 2024 and 2023, respectively.

Franchise Agreements

The fees associated with the franchise agreements are calculated as a specified percentage of the hotel's gross room revenue. Franchise and marketing fees totaled approximately \$7.0 million and \$7.0 million for the three months ended September 30, 2024 and 2023, respectively, and \$19.4 million and \$19.1 million for the nine months ended September 30, 2024 and 2023, respectively. The initial term of the agreements range from 10 to 30 years with the weighted-average expiration being June 2034.

14. Related Party Transactions

As of September 30, 2024, Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer, owns 100% of IHM. As of September 30, 2024, the Company had hotel management agreements with IHM to manage all 39 of its hotels. Hotel management, revenue management and accounting fees accrued or paid to IHM for the hotels owned by the Company for the three months ended September 30, 2024 and 2023 were \$3.0 million and \$3.0 million, respectively, and for the nine months ended September 30, 2024 and 2023 were \$8.1 million and \$8.1 million, respectively. At September 30, 2024 and December 31, 2023, the amounts due to IHM were \$0.7 million and \$0.4 million, respectively.

Cost reimbursements from related parties revenue represent reimbursements of costs incurred on behalf of IHM. These costs relate primarily to office expenses shared with IHM. Various shared office expenses and rent are paid by the Company and allocated to IHM based on the amount of square footage occupied by each entity. As the Company records cost reimbursements based upon costs incurred with no added markup, the revenue and related expense has no impact on the Company's operating income or net income. Cost reimbursements are recorded based upon the occurrence of a reimbursed activity.

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 our consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2023. In this report, we use the terms "the Company," "we" or "our" to refer to Chatham Lodging Trust and its consolidated subsidiaries, unless the context indicates otherwise.

Statement Regarding Forward-Looking Information

The following information contains 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"). These forward-looking statements include information about possible or assumed future results of the lodging industry and our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. These statements generally are characterized by the use of the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may," "will," "could" or similar expressions. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, such forward-looking statements relate to future events, our plans, strategies, prospects and future financial performance, and involve known and unknown risks that are difficult to predict, uncertainties and other factors that are, in some cases, beyond our control and which could differ materially from those set forth in the forward-looking statements. Important factors that we think could cause our actual results to differ materially from expected results are summarized below. Some factors that might cause such a difference include the following: local, national and global economic conditions, uncertainty surrounding the financial stability of the United States, Europe and China, increased direct competition, changes in government regulations or accounting rules, changes in local, national and global real estate conditions, declines in lodging industry fundamentals, increased operating costs, a potential recessionary environment, seasonality of the lodging industry, our ability to obtain debt and equity financing on satisfactory terms, changes in interest rates, our ability to identify suitable investments, our ability to close on identified investments, inaccuracies of our accounting estimates, the uncertainty and economic impact of pandemics like COVID-19, epidemics or other public health emergencies or fear of such events, the impact of and changes to various government programs, and our ability to dispose of selected hotel properties on the terms and timing we expect, if at all. Given these uncertainties, undue reliance should not be placed on such statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances or to reflect the occurrence of unanticipated events. The forward-looking statements should also be read in light of the risk factors identified in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 as updated by the Company's subsequent filings with the SEC under the Exchange Act.

Overview

We are a self-advised hotel investment company organized in October 2009 that commenced operations in April 2010. Our investment strategy is to invest in upscale extended-stay and premium-branded select-service hotels in geographically diverse markets with high barriers to entry near strong demand generators. We may acquire portfolios of hotels or single hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay or select-service categories, including brands such as Homewood Suites by Hilton[®], Residence Inn by Marriott[®], Hyatt Place[®], Courtyard by Marriott[®], SpringHill Suites by Marriott[®], Hilton Garden Inn by Hilton[®], Embassy Suites[®], Hampton Inn[®], Hampton Inn and Suites[®], Home2 Suites by Hilton[®] and TownePlace Suites by Marriott[®].

The Company's future hotel acquisitions may be funded by issuances of both common and preferred shares or the issuance of partnership interests in our operating partnership, Chatham Lodging, L.P. (the "Operating Partnership"), draw-downs under our revolving credit facility, the incurrence or assumption of debt, available cash, or proceeds from dispositions of assets. We intend to acquire quality assets at attractive prices and improve their returns through knowledgeable asset management and seasoned, proven hotel management while remaining prudently leveraged.

At September 30, 2024, our leverage ratio was 24.3% measured as the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost. Over the past several years, we have maintained a leverage ratio between the mid 20s and the low 50s. As of September 30, 2024, we have total debt of \$438.5 million at a weighted-average interest rate of approximately 6.8%.

We are a real estate investment trust (“REIT”) for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), we cannot operate our hotels. Therefore, the Operating Partnership and its subsidiaries lease our hotel properties to taxable REIT subsidiary lessees (“TRS Lessees”), who in turn engage eligible independent contractors to manage the hotels. Each of the TRS Lessees is treated as a taxable REIT subsidiary for federal income tax purposes and is consolidated within our financial statements for accounting purposes. However, since we control both the Operating Partnership and the TRS Lessees, our principal source of funds on a consolidated basis is from the operations of our hotels. The earnings of the TRS Lessees are subject to taxation as regular C corporations, as defined in the Code, potentially reducing the TRS Lessees’ cash available to pay dividends to us, and therefore our funds from operations and the cash available for distribution to our shareholders.

Key Indicators of Operating Performance and Financial Condition

We measure financial condition and hotel operating performance by evaluating non-financial and financial metrics and measures such as:

- Average Daily Rate (“ADR”), which is the quotient of room revenue divided by total rooms sold,
- Occupancy, which is the quotient of total rooms sold divided by total rooms available,
- Revenue Per Available Room (“RevPAR”), which is the product of occupancy and ADR, and does not include food and beverage revenue, or other operating revenue,
- Funds From Operations (“FFO”),
- Adjusted FFO,
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”),
- EBITDA_{re},
- Adjusted EBITDA, and
- Adjusted Hotel EBITDA.

We evaluate the hotels in our portfolio and potential acquisitions using these metrics to determine each hotel’s contribution toward providing income to our shareholders through increases in distributable cash flow and increasing long-term total returns through appreciation in the value of our common shares. RevPAR, ADR and Occupancy are hotel industry measures commonly used to evaluate operating performance.

See “Non-GAAP Financial Measures” for further discussion of FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA.

Results of Operations

Industry Outlook

Smith Travel Research reported that U.S. lodging industry RevPAR increased 0.9% for the three months ended September 30, 2024, with RevPAR flat in July 2024, up 3.9% in August 2024 and down 1.3% in September 2024. We expect that over the remainder of 2024, lodging industry RevPAR will increase modestly.

Comparison of the three months ended September 30, 2024 to the three months ended September 30, 2023

Results of operations for the three months ended September 30, 2024 include the operating activities of the hotels we owned during the period. We sold one hotel located in Denver, CO on January 9, 2024 and acquired one hotel located in Phoenix, AZ on May 30, 2024. The changes in results described below were driven primarily by the continued recovery of business travel following the COVID-19 pandemic, the sale of one hotel, the acquisition of one hotel, and inflationary cost pressures.

Revenues

Revenue, which consists primarily of room, food and beverage and other operating revenues from our hotels, was as follows for the periods indicated (dollars in thousands):

	For the three months ended		% Change
	September 30, 2024	September 30, 2023	
Room	\$ 80,236	\$ 79,862	0.5 %
Food and beverage	1,832	1,975	(7.2) %
Other	4,826	4,623	4.4 %
Reimbursable costs from related parties	283	281	0.7 %
Total revenue	\$ 87,177	\$ 86,741	0.5 %

Total revenue was \$87.2 million for the three months ended September 30, 2024, up \$0.5 million compared to total revenue of \$86.7 million for the corresponding 2023 period. The increase in total revenue primarily was related to the 1.3% increase in same property RevPAR. One hotel owned during the three months ended September 30, 2024, which was not owned during the three months ended September 30, 2023, contributed \$1.4 million of revenue during the three months ended September 30, 2024. This was offset by the decrease in revenue from the sale of one hotel that contributed \$0 in room revenue for the three months ended September 30, 2024, down \$2.1 million from the \$2.1 million that hotel contributed for the corresponding 2023 period. Since all of our hotels are select-service or limited-service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 92.0% and 92.1% of total revenue for the three months ended September 30, 2024 and 2023, respectively.

Food and beverage revenue was \$1.8 million for the three months ended September 30, 2024, down \$0.2 million compared to \$2.0 million for the corresponding 2023 period. The decline in food and beverage revenue was related to the sale of one hotel.

Other operating revenue is comprised of parking, meeting room, gift shop, in-room movie and other ancillary amenities revenue. Other operating revenue was \$4.8 million and \$4.6 million for the three months ended September 30, 2024 and 2023, respectively. The increase in other operating revenue primarily was related to increases in revenue from parking.

Reimbursable costs from related parties were \$0.3 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively. The cost reimbursements were offset by the reimbursed costs from related parties included in operating expenses.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR reflect results for the hotels owned by us as of September 30, 2024 that have been in operation for a full year regardless of our ownership during the period presented, which is a non-GAAP financial measure. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the three months ended September 30,					
	2024		2023		Percentage Change	
	Same Property (38 hotels)	Actual (39 hotels)	Same Property (38 hotels)	Actual (39 hotels)	Same Property (38 hotels)	Actual (39 hotels)
Occupancy	79.9 %	79.2 %	79.9 %	79.6 %	0.0 %	(0.5)%
ADR	\$ 187.52	\$ 187.07	\$ 185.14	\$ 184.45	1.3 %	1.4 %
RevPAR	\$ 149.81	\$ 148.25	\$ 147.90	\$ 146.76	1.3 %	1.0 %

For the three months ended September 30, 2024 same property RevPAR increased 1.3% due to an increase in ADR of 1.3% and no change in occupancy. Same property RevPAR increased 0.2% in July 2024, increased 0.3% in August 2024, and increased 3.4% in September 2024. Same property RevPAR was \$154.72 in July 2024, \$143.59 in August 2024, and \$151.16 in September 2024.

Hotel Operating Expenses

Hotel operating expenses consist of the following for the periods indicated (dollars in thousands):

	For the three months ended		
	September 30, 2024	September 30, 2023	% Change
Hotel operating expenses:			
Room	\$ 17,011	\$ 17,223	(1.2) %
Food and beverage	1,592	1,510	5.4 %
Telephone	343	385	(10.9) %
Other hotel operating	1,188	949	25.2 %
General and administrative	7,506	7,503	— %
Franchise and marketing fees	6,990	6,980	0.1 %
Advertising and promotions	1,677	1,538	9.0 %
Utilities	3,946	3,758	5.0 %
Repairs and maintenance	4,178	4,111	1.6 %
Management fees	2,959	2,994	(1.2) %
Insurance	851	717	18.7 %
Total hotel operating expenses	\$ 48,241	\$ 47,668	1.2 %

Hotel operating expenses increased \$0.5 million, or 1.2%, to \$48.2 million for the three months ended September 30, 2024 from \$47.7 million for the three months ended September 30, 2023. The primary causes of the increase in hotel operating expenses were increases in insurance costs, utilities costs, and other hotel operating expenses.

Room expenses, which are the most significant component of hotel operating expenses, decreased \$0.2 million from \$17.2 million for the three months ended September 30, 2023 to \$17.0 million for the three months ended September 30, 2024. The decrease in room expenses primarily was related to a decrease in costs for overtime, outsourced contracted labor, and travel agent commissions.

The remaining hotel operating expenses increased \$0.8 million, from \$30.4 million for the three months ended September 30, 2023 to \$31.2 million for the three months ended September 30, 2024. The increase in other remaining expenses primarily was related to increases in insurance and utilities costs.

Depreciation and Amortization

Depreciation and amortization expense was \$15.3 million and \$14.7 million for the three months ended September 30, 2024 and 2023, respectively.

Property Taxes, Ground Rent and Insurance

Total property taxes, ground rent and insurance expenses increased \$0.5 million from \$6.0 million for the three months ended September 30, 2023 to \$6.5 million for the three months ended September 30, 2024. The increase was primarily related to increases in property tax assessments and an increase in insurance costs.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of long-term incentive plan units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock based compensation of \$1.7 million and \$1.6 million for the three months ended September 30, 2024 and 2023, respectively) was \$2.7 million for the three months ended September 30, 2024 versus \$2.6 million for the three months ended September 30, 2023.

Reimbursable Costs from Related Parties

Reimbursable costs from related parties, comprised of corporate payroll and rent costs were \$0.3 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively. The cost reimbursements were offset by the cost reimbursements from related parties included in revenues.

Interest and Other Income

Interest on cash and cash equivalents and other income decreased \$0.4 million from \$0.5 million for the three months ended September 30, 2023 to \$0.1 million for the three months ended September 30, 2024. The decrease was due to lower cash balances during the three months ended September 30, 2024.

Interest Expense, Including Amortization of Deferred Fees

Interest expense increased \$1.5 million from \$6.8 million for the three months ended September 30, 2023 to \$8.3 million for the three months ended September 30, 2024 and is comprised of the following (dollars in thousands):

	For the three months ended		% Change
	September 30, 2024	September 30, 2023	
Mortgage debt interest	\$ 2,994	\$ 4,762	(37.1) %
Credit facility and term loan interest and unused fees	4,883	1,783	173.9 %
Interest on finance lease liability	6	—	100.0 %
Amortization of deferred financing costs	379	304	24.7 %
Total	\$ 8,262	\$ 6,849	20.6 %

The increase in interest expense was due to the refinancing of maturing debt which had interest rates below current levels.

Income Tax Expense

Income tax expense remained unchanged at zero for the three months ended September 30, 2024 and 2023. We are subject to income taxes based on the taxable income of our TRS Lessees at a combined federal and state tax rate of approximately 25%. The Company's TRS has generated taxable losses over the last three years and recognizes a full valuation allowance equal to 100% of the gross deferred tax assets due to the uncertainty of the TRS's ability to utilize these deferred tax assets.

Net Income

Net income was \$4.3 million for the three months ended September 30, 2024, compared to net income of \$7.5 million for the three months ended September 30, 2023. The change in net income was primarily due to the factors discussed above.

Comparison of the nine months ended September 30, 2024 to the nine months ended September 30, 2023

Results of operations for the nine months ended September 30, 2024 include the operating activities of the hotels we owned for the entire period. We sold one hotel located in Denver, CO on January 9, 2024 and acquired one hotel located in Phoenix, AZ on May 30, 2024. The changes in results described below were driven primarily by the continued recovery of business travel following the COVID-19 pandemic, the sale of one hotel, the acquisition of one hotel, and inflationary cost pressures.

Revenues

Revenue, which consists primarily of room, food and beverage and other operating revenues from our hotels, was as follows for the periods indicated (dollars in thousands):

	For the nine months ended		% Change
	September 30, 2024	September 30, 2023	
Room	\$ 221,762	\$ 219,019	1.3 %
Food and beverage	5,806	6,156	(5.7) %
Other	13,695	12,646	8.3 %
Reimbursable costs from related parties	836	1,011	(17.3) %
Total revenue	\$ 242,099	\$ 238,832	1.4 %

Total revenue was \$242.1 million for the nine months ended September 30, 2024, up \$3.3 million compared to total revenue of \$238.8 million for the corresponding 2023 period. The increase in total revenue primarily was related to the 2.1% increase in same property RevPAR, the acquisition of one hotel on May 30, 2024, partially offset by the decrease in revenue from the sale of one hotel January 9, 2024. The one hotel acquired during the nine months ended September 30, 2024, which was not owned during the nine months ended September 30, 2023, contributed \$1.8 million of revenue during the nine months ended September 30, 2024. This was partially offset by the decrease in revenue from the sale of one hotel that contributed \$0.1 million in room revenue for the nine months ended September 30, 2024, down \$4.9 million from the \$5.0 million that hotel contributed for the corresponding 2023 period. Since all of our hotels are select-service or limited-service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 91.6% and 91.7% of total revenue for the nine months ended September 30, 2024 and 2023, respectively.

Food and beverage revenue was \$5.8 million for the nine months ended September 30, 2024, down \$0.4 million compared to food and beverage revenue of \$6.2 million for the corresponding 2023 period. The decrease in food and beverage revenue was related to the sale of one hotel.

Other operating revenue, comprised of parking, meeting room, gift shop, in-room movie and other ancillary amenities revenue, increased \$1.1 million to \$13.7 million for the nine months ended September 30, 2024 compared to \$12.6 million for the corresponding 2023 period. The increase in other operating revenue primarily was related to increases in revenue from parking.

Reimbursable costs from related parties were \$0.8 million and \$1.0 million for the nine months ended September 30, 2024 and 2023, respectively. The cost reimbursements were offset by the reimbursed costs from related parties included in operating expenses.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR reflect results for the hotels we owned as of September 30, 2024 that have been in operation for a full year regardless of our ownership during the period presented, which is a non-GAAP financial measure. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

For the nine months ended September 30,						
	2024		2023		Percentage Change	
	Same Property (38 hotels)	Actual (40 hotels)	Same Property (38 hotels)	Actual (39 hotels)	Same Property (38 hotels)	Actual (40 / 39 hotels)
Occupancy	77.4 %	77.1 %	76.2 %	75.7 %	1.6 %	1.8 %
ADR	\$ 180.93	\$ 180.73	\$ 180.03	\$ 179.15	0.5 %	0.9 %
RevPAR	\$ 140.08	\$ 139.35	\$ 137.16	\$ 135.68	2.1 %	2.7 %

For the nine months ended September 30, 2024 same property RevPAR increased 2.1% due to an increase in ADR of 0.5% and an increase in occupancy of 1.6% primarily related to the continued recovery of business travel following the COVID-19 pandemic.

Hotel Operating Expenses

Hotel operating expenses consist of the following for the periods indicated (dollars in thousands):

	For the nine months ended		
	September 30, 2024	September 30, 2023	% Change
Hotel operating expenses:			
Room	\$ 49,110	\$ 45,918	7.0 %
Food and beverage	4,683	4,651	0.7 %
Telephone	991	1,106	(10.4) %
Other hotel operating	3,031	2,812	7.8 %
General and administrative	21,903	21,616	1.3 %
Franchise and marketing fees	19,415	19,121	1.5 %
Advertising and promotions	4,604	4,513	2.0 %
Utilities	10,061	9,807	2.6 %
Repairs and maintenance	12,235	11,735	4.3 %
Management fees	8,118	8,073	0.6 %
Insurance	2,504	2,117	18.3 %
Total hotel operating expenses	\$ 136,655	\$ 131,469	3.9 %

Hotel operating expenses increased \$5.2 million to \$136.7 million for the nine months ended September 30, 2024 from \$131.5 million for the nine months ended September 30, 2023. The increase in hotel operating expenses was related to the increase in revenues and occupancy caused by the continued recovery of business travel following the COVID-19 pandemic, increases in staffing levels, wage and benefit costs, insurance costs, and inflation. The one hotel acquired during the nine months ended September 30, 2024, which was not owned during the nine months ended September 30, 2023, contributed \$1.2 million of operating expenses during the nine months ended September 30, 2024. The increase was partially offset by the sale of one hotel during the first quarter of 2024 that contributed \$0.2 million of operating expenses during the nine months ended September 30, 2024, down \$3.2 million from the \$3.4 million the sold hotel contributed during the nine months ended September 30, 2023.

Room expenses, which are the most significant component of hotel operating expenses, increased \$3.2 million from \$45.9 million for the nine months ended September 30, 2023 to \$49.1 million for the nine months ended September 30, 2024. The increase in room expenses was related to an increase in occupancies and revenues at our hotels due to the continued recovery of business travel following the COVID-19 pandemic, increased staffing levels, wage and benefit costs, and inflation.

The remaining hotel operating expenses increased \$1.9 million, from \$85.6 million for the nine months ended September 30, 2023 to \$87.5 million for the nine months ended September 30, 2024. The increase in other remaining expenses primarily was related to an increase in occupancies and revenues at our hotels due to the continued recovery of business travel following the COVID-19 pandemic, increased insurance costs, and inflation.

Depreciation and Amortization

Depreciation and amortization expense increased \$1.9 million from \$43.6 million for the nine months ended September 30, 2023 to \$45.5 million for the nine months ended September 30, 2024.

Property Taxes, Ground Rent and Insurance

Total property taxes, ground rent and insurance expenses decreased \$0.5 million from \$18.2 million for the nine months ended September 30, 2023 to \$17.7 million for the nine months ended September 30, 2024. The decrease was primarily related to successful property tax appeals at multiple hotel properties.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of LTIP units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock-based compensation of \$4.9 million and \$4.6 million for the nine months ended September 30, 2024 and 2023, respectively) increased \$0.1 million to \$8.7 million for the nine months ended September 30, 2024 from \$8.6 million for the nine months ended September 30, 2023.

Reimbursable Costs from Related Parties

Reimbursable costs from related parties, comprised of corporate payroll and rent costs were \$0.8 million and \$1.0 million for the nine months ended September 30, 2024 and 2023, respectively. The cost reimbursements were offset by the cost reimbursements from related parties included in revenues.

(Loss) Gain on Sale of Hotel Property

Loss on sale of hotel property was \$0.2 million for the nine months ended September 30, 2024 compared to a gain on sale of hotel property of \$0.1 million for the nine months ended September 30, 2023. The HGI Denver Tech hotel property was sold on January 9, 2024 which resulted in a loss of \$0.2 million.

Interest and Other Income

Interest on cash and cash equivalents and other income increased \$0.9 million from \$0.7 million for the nine months ended September 30, 2023 to \$1.6 million for the nine months ended September 30, 2024. The increase was due to higher cash balances and higher interest rates received on cash balances during the nine months ended September 30, 2024.

Interest Expense, Including Amortization of Deferred Fees

Interest expense increased \$3.6 million from \$19.7 million for the nine months ended September 30, 2023 to \$23.3 million for the nine months ended September 30, 2024 and is comprised of the following (dollars in thousands):

	For the nine months ended		% Change
	September 30, 2024	September 30, 2023	
Mortgage debt interest	\$ 13,148	\$ 14,020	(6.2) %
Credit facility and term loan interest and unused fees	9,092	4,399	106.7 %
Interest on finance lease liability	8	—	100.0 %
Interest rate cap	—	(16)	(100.0) %
Construction loan interest	—	415	(100.0) %
Amortization of deferred financing costs	1,044	911	14.6 %
Total	\$ 23,292	\$ 19,729	18.1 %

The increase in interest expense was due to the refinancing of maturing debt which had interest rates below current levels.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt decreased \$0.7 million from \$0.7 million for the nine months ended September 30, 2023. The loss in 2023 is related to the Company's repayment of the construction loan on the Home2 Woodland Hills hotel property.

Gain from Partial Lease Termination

Gain from partial lease termination decreased \$0.2 million from \$0.2 million for the nine months ended September 30, 2023. The gain in 2023 is related to the Company's termination of a portion of its corporate office lease to vacate and surrender possession of 7,374 rentable square feet in exchange for an early termination payment of \$0.1 million.

Income Tax Expense

Income tax expense for the nine months ended September 30, 2024 and 2023 was \$0 and \$0, respectively. We are subject to income taxes based on the taxable income of our TRS Lessees at a combined federal and state tax rate of approximately 25%. The Company's TRS is expecting taxable losses in 2024 and recognizes a full valuation allowance equal to 100% of the gross deferred tax assets due to the uncertainty of the TRS's ability to utilize these deferred tax assets.

Net Income

Net income was \$5.9 million for the nine months ended September 30, 2024, a decrease of \$5.9 million from net income of \$11.8 million for the nine months ended September 30, 2023. The change in net income was primarily due to the factors discussed above.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our operating performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) EBITDA_{re}, (5) Adjusted EBITDA and (6) Adjusted Hotel EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as prescribed by GAAP as a measure of our operating performance.

FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity, nor are FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA indicative of funds available to fund our cash needs, including our ability to make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that have been and will be incurred. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties.

We calculate FFO in accordance with standards established by Nareit, which defines FFO as net income or loss (calculated in accordance with GAAP), excluding gains or losses from sales of real estate, impairment write-downs, the cumulative effect of changes in accounting principles, plus depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures following the same approach. We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it measures our performance without regard to specified non-cash items such as real estate depreciation and amortization, gain or loss on sale of real estate assets and certain other items that we believe are not indicative of the property level performance of our hotel properties. We believe that these items reflect historical cost of our asset base and our acquisition and disposition activities and are less reflective of our ongoing operations, and that by adjusting to exclude the effects of these items, FFO is useful to investors in comparing our operating performance between periods and between REITs that also report FFO using the Nareit definition.

We calculate Adjusted FFO by further adjusting FFO for certain additional items that are not addressed in Nareit's definition of FFO, including other charges, losses on the early extinguishment of debt and similar items related to unconsolidated real estate entities that we believe do not represent costs related to hotel operations. We believe that Adjusted FFO provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that make similar adjustments to FFO.

The following is a reconciliation of net income to FFO and Adjusted FFO for the three and nine months ended September 30, 2024 and 2023 (in thousands, except share data):

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Funds From Operations ("FFO"):				
Net income	\$ 4,339	\$ 7,499	\$ 5,889	\$ 11,822
Preferred dividends	(1,987)	(1,987)	(5,962)	(5,962)
Net income (loss) attributable to common shares and common units	2,352	5,512	(73)	5,860
Loss (gain) on sale of hotel properties	14	(1)	154	(56)
Depreciation of hotel properties owned	14,803	14,634	44,711	43,454
FFO attributable to common share and unit holders	17,169	20,145	44,792	49,258
Amortization of finance lease assets	430	—	580	—
Other charges	—	6	77	44
Loss on early extinguishment of debt	—	5	17	696
Gain from partial lease termination	—	—	—	(164)
Adjusted FFO attributable to common share and unit holders	\$ 17,599	\$ 20,156	\$ 45,466	\$ 49,834
Weighted average number of common shares and units				
Basic	50,813,521	50,437,656	50,737,772	50,352,175
Diluted	50,975,806	50,591,401	51,110,972	50,482,886

Diluted weighted average common share and unit count used for calculation of Adjusted FFO per share may differ from diluted weighted average common share count used for calculation of GAAP Net Income per share due to the inclusion of LTIP units, which may be converted to common shares of beneficial interest if Net Income per share is negative and Adjusted FFO is positive. Unvested restricted shares and unvested LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded because they would have been anti-dilutive for the periods presented.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is defined as net income or loss excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sales of assets; (3) depreciation and amortization; and (4) unconsolidated real estate entity items including interest, depreciation and amortization excluding gains and losses from sales of real estate. We consider EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. In addition, EBITDA is used as one measure in determining the value of hotel acquisitions and dispositions.

In addition to EBITDA, we present EBITDA_{re} in accordance with Nareit guidelines, which defines EBITDA_{re} as net income or loss excluding interest expense, income tax expense, depreciation and amortization expense, gains or losses from sales of real estate, impairment, and adjustments for unconsolidated joint ventures. We believe that the presentation of EBITDA_{re} provides useful information to investors regarding the Company's operating performance and can facilitate comparisons of operating performance between periods and between REITs.

We also present Adjusted EBITDA, which includes additional adjustments for items such as other charges, gains or losses on extinguishment of indebtedness, the amortization of share-based compensation, and certain other expenses that we consider outside the normal course of operations. We believe that Adjusted EBITDA provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income, EBITDA and EBITDA_{re}, is beneficial to an investor's understanding of our performance.

The following is a reconciliation of net income to EBITDA, EBITDA_{re} and Adjusted EBITDA for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”):				
Net income	\$ 4,339	\$ 7,499	\$ 5,889	\$ 11,822
Interest expense, including amortization of deferred fees	8,262	6,849	23,292	19,729
Depreciation and amortization	15,287	14,687	45,455	43,615
EBITDA	27,888	29,035	74,636	75,166
Loss (gain) on sale of hotel properties	14	(1)	154	(56)
EBITDA _{re}	27,902	29,034	74,790	75,110
Other charges	—	6	77	44
Loss on early extinguishment of debt	—	5	17	696
Gain from partial lease termination	—	—	—	(164)
Share based compensation	1,651	1,555	4,911	4,562
Adjusted EBITDA	\$ 29,553	\$ 30,600	\$ 79,795	\$ 80,248

Adjusted Hotel EBITDA is defined as net income before interest, income taxes, depreciation and amortization, corporate general and administrative, impairment loss, loss on early extinguishment of debt, other charges, interest and other income, losses on sales of hotel properties and income or loss from unconsolidated real estate entities. We present Adjusted Hotel EBITDA because we believe it is useful to investors in comparing our hotel operating performance between periods and comparing our Adjusted Hotel EBITDA to those of our peer companies.

The following is a presentation of, and a reconciliation of net income to, Adjusted Hotel EBITDA for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income	\$ 4,339	\$ 7,499	\$ 5,889	\$ 11,822
Add:				
Interest expense, including amortization of deferred fees	8,262	6,849	23,292	19,729
Depreciation and amortization	15,287	14,687	45,455	43,615
Corporate general and administrative	4,395	4,218	13,623	13,000
Other charges	—	6	77	44
Loss on early extinguishment of debt	—	5	17	696
Loss on sale of hotel properties	14	—	154	(56)
Less:				
Interest and other income	(97)	(479)	(1,627)	(1,627)
Gain on sale of hotel properties	—	(1)	—	—
Gain from partial lease termination	—	—	—	—
Adjusted Hotel EBITDA	\$ 32,200	\$ 32,784	\$ 86,880	\$ 86,880

Although we present FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA because we believe they are useful to investors in comparing our operating performance between periods and between REITs that report similar measures, these measures have limitations as analytical tools. Some of these limitations are:

- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect funds available to make cash distributions;
- EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect any cash requirements for such replacements;
- Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period using Adjusted EBITDA;
- Adjusted FFO, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the impact of certain cash charges (including acquisition transaction costs) that result from matters we consider not to be indicative of the underlying performance of our hotel properties; and
- Other companies in our industry may calculate FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA differently than we do, limiting their usefulness as a comparative measure.

In addition, FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities as determined by GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity. Because of these limitations, FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA only supplementally. Our consolidated financial statements and the notes to those statements included elsewhere are prepared in accordance with GAAP.

Sources and Uses of Cash

Our principal sources of cash include net cash from operations, availability under our credit facility, proceeds from debt and equity issuances, and proceeds from the sale of hotel properties. Our principal uses of cash include acquisitions, capital expenditures, operating costs, corporate expenditures, interest costs, debt repayments and distributions to equity holders.

Cash, cash equivalents, and restricted cash totaled \$28.8 million as of September 30, 2024, a decrease of \$56.9 million from December 31, 2023, primarily due to net cash provided by operating activities of \$60.9 million, net cash used in investing activities of \$52.1 million, and net cash used in financing activities of \$65.7 million.

Cash from Operations

Net cash flows provided by operating activities decreased \$5.4 million to \$60.9 million during the nine months ended September 30, 2024 compared to \$66.3 million during the nine months ended September 30, 2023. The decrease in cash from operating activities was primarily due to higher interest expense and higher operating costs, partially offset by improving revenue from our hotels which generated same property RevPAR growth of 2.1% during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

Investing Activities Cash Flows

Net cash flows used in investing activities increased \$30.7 million to \$(52.1) million during the nine months ended September 30, 2024 compared to \$(21.4) million during the nine months ended September 30, 2023. For the nine months ended September 30, 2024, net cash flows used in investing activities of \$(52.1) million consisted of \$24.9 million related to capital improvements on our hotels, \$43.7 million related to the acquisition of one hotel, and \$0.7 million of payments of franchise application costs, partially offset by \$17.2 million in net proceeds related to the sale of one hotel. For the nine months ended September 30, 2023, net cash flows used in investing activities of \$(21.4) million consisted of \$21.4 million related to capital improvements on our hotels during the period.

We expect to invest approximately \$11.9 million on renovations, discretionary and emergency expenditures on our existing hotels during the remainder of 2024, including improvements required under any brand PIP.

Financing Activities Cash Flows

Net cash flows used in financing activities increased \$65.6 million to \$(65.7) million during the nine months ended September 30, 2024 compared to \$(0.1) million during the nine months ended September 30, 2023. For the nine months ended September 30, 2024, net cash flows used in financing activities of \$(65.7) million were comprised of the repayment of mortgage debt of \$282.9 million, distributions to common share and unit holders of \$10.8 million, distributions on preferred shares of \$6.0 million, payments of financing costs of \$1.1 million, and payments of offering costs on common shares of \$0.3 million, partially offset by net borrowings on our revolving credit facility of \$125.0 million, borrowings on our unsecured term loan of \$50.0 million, and proceeds from the issuance of mortgage debt of \$60.3 million. For the nine months ended September 30, 2023, net cash flows used in financing activities of \$(0.1) million were comprised of the repayment of our construction loan of \$39.3 million, principal payments on mortgage debt of \$116.1 million, distributions to common share and unit holders of \$10.7 million, distributions on preferred shares of \$6.0 million, and payments of deferred financing costs of \$1.0 million, partially offset by borrowings on our unsecured term loan of \$90.0 million and proceeds from the issuance of five new mortgage loans of \$82.9 million.

We declared total dividends of \$0.21 and \$0.21 per common share and LTIP unit for the nine months ended September 30, 2024 and 2023, respectively. We declared total dividends of \$1.24218 and \$1.24218 per Series A preferred share for the nine months ended September 30, 2024 and 2023, respectively.

Material Cash Requirements

Our material cash requirements include the following contractual obligations:

- At September 30, 2024, we had total debt principal and interest obligations of \$545.6 million with \$59.3 million of principal and interest payable within the next 12 months from September 30, 2024. \$30.1 million of debt principal obligations payable during the next 12 months relate to maturities of the Company's mortgage loans secured by the Homewood Suites Billerica and Hampton Inn & Suites Houston Medical Center hotel properties. See Note 6, "Debt" to our consolidated financial statements for additional information relating to our property loans, revolving credit facility, and unsecured term loan.
- Lease payments due within the next 12 months from September 30, 2024 total \$1.9 million. See Note 12, "Leases" to our consolidated financial statements for additional information relating to our corporate office and ground leases.

Liquidity and Capital Resources

At September 30, 2024, our leverage ratio was approximately 24.3% measured as the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost. Over the past several years, we have maintained a leverage ratio between the mid 20s and the low 50s. At September 30, 2024, we had total debt of \$438.5 million at an average interest rate of approximately 6.8%.

At September 30, 2024 and December 31, 2023, we had \$125.0 million and \$0, respectively, in outstanding borrowings under our \$260.0 million revolving credit facility. We had \$140.0 million and \$90.0 million in outstanding borrowings under our unsecured term loan at September 30, 2024 and December 31, 2023, respectively.

Our revolving credit facility and term loan contain representations, warranties, covenants, terms and conditions customary for credit facilities of this type, including a maximum leverage ratio, a minimum fixed charge coverage ratio and minimum net worth financial covenants, limitations on (i) liens, (ii) incurrence of debt, (iii) investments, (iv) distributions, and (v) mergers and asset dispositions, covenants to preserve corporate existence and comply with laws, covenants on the use of proceeds and default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults and guarantor defaults. We were in compliance with all financial covenants at September 30, 2024.

Our mortgage debt agreements contain "cash trap" provisions that are triggered when the hotel's operating results fall below a certain debt service coverage ratio or debt yield. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio or debt yield is reached. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. As of September 30, 2024, one of our mortgage debt lenders has enforced cash trap provisions resulting in \$0.3 million of restricted cash. We do not expect that such cash traps will affect our ability to satisfy our short-term liquidity requirements.

In December 2017, we established a \$50.0 million dividend reinvestment and stock purchase plan (the "DRSPP") which renewed in December 2020 and renewed again in January 2024. Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on common shares. Shareholders may also make optional cash purchases of common shares subject to certain limitations detailed in the prospectuses for the DRSPP. During the three months ended September 30, 2024, the Company issued 1,640 common shares under the DRSPP at a weighted-average price per share of \$8.45, which generated \$14 thousand of proceeds. During the nine months ended September 30, 2024, the Company issued 4,392 common shares under the DRSPP at a weighted-average price of \$9.25, which generated \$41 thousand of proceeds. As of September 30, 2024, there was approximately \$50.0 million in common shares available for issuance under the DRSPP.

In January 2021, we established an "at-the-market" equity offering program (the "ATM Program") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price up to \$100.0 million by means of ordinary brokers transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Cantor Fitzgerald & Co., Barclays Capital Inc., BMO Capital Markets Corp., BofA Securities, Inc., BTIG, LLC, Citigroup Global Markets Inc., Regions Securities LLC, Stifel, Nicolaus & Company, Incorporated and Wells Fargo Securities act as sales agents under the ATM Program. The Company did not issue any shares under the ATM Program during the three and nine months ended September 30, 2024. As of September 30, 2024, there was approximately \$77.5 million in common shares available for issuance under the ATM Program.

We expect to meet our short-term liquidity requirements generally through existing cash balances and availability under our credit facility. We believe that our existing cash balances and availability under our credit facility will be adequate to fund operating obligations, pay interest on any borrowings and fund dividends in accordance with the requirements for qualification as a REIT under the Code. We expect to meet our long-term liquidity requirements, such as hotel property acquisitions and debt maturities or repayments through additional long-term secured and unsecured borrowings, the issuance of additional equity or debt securities or the possible sale of existing assets.

We intend to continue to invest in hotel properties as suitable opportunities arise. We intend to finance our future investments with free cash flow, the net proceeds from additional issuances of common and preferred shares, issuances of common units in our Operating Partnership or other securities, borrowings or asset sales. The success of our acquisition strategy depends, in part, on our ability to access additional capital through other sources. There can be no assurance that we will continue to make investments in properties that meet our investment criteria. Additionally, we may choose to dispose of certain hotels as a means to provide liquidity.

We had no material off-balance sheet arrangements at September 30, 2024.

Dividend Policy

Our common share dividend policy has been to distribute, annually, approximately 100% of our annual taxable income. During the nine months ended September 30, 2024, the Company declared total common share dividends of \$0.21 per share and distributions on LTIP units of \$0.21 per unit. We plan to pay dividends required to maintain REIT status. The amount of any dividend is determined by our Board of Trustees.

Chatham declared dividends of \$1.24218 per share of 6.625% Series A Cumulative Redeemable Preferred Shares during the nine months ended September 30, 2024.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates. Inflation may also affect our expenses and costs of capital investments by increasing, among other things, the costs of construction, labor, employee-related benefits, food, commodities and other materials, taxes, property and casualty insurance and utilities.

Seasonality

Demand for our hotels is affected by recurring seasonal patterns. Generally, we expect that we will have lower revenue, operating income and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. These general trends are, however, influenced by overall economic cycles and the geographic locations of our hotels. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenue, we expect to utilize cash on hand or borrowings under our credit facility to pay expenses, debt service or to make distributions to our equity holders.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount 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 estimates, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We may be exposed to interest rate changes primarily as a result of maintaining floating rate borrowings under our revolving credit facility and term loan, assumption of long-term debt in connection with our acquisitions, and upon refinancing of existing debt. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we seek to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With respect to variable rate financing, we will assess interest rate risk by identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. Rates take into consideration general market conditions, maturity and fair value of the underlying collateral. The estimated fair value of the Company's fixed rate debt at September 30, 2024 and December 31, 2023 was \$185.2 million and \$396.0 million, respectively.

At September 30, 2024, our consolidated debt was comprised of floating and fixed interest rate debt. The fair value of our fixed rate debt indicates the estimated principal amount of debt having the same debt service requirements that could have been borrowed at the date presented, at then current market interest rates. The following table provides information about the maturities of our financial instruments as of September 30, 2024 that are sensitive to changes in interest rates (dollars in thousands):

	2024	2025	2026	2027	2028	Thereafter	Total/ Weighted Average	Fair Value
Floating rate:								
Debt	—	\$140,000	\$125,000	—	—	—	\$265,000	\$ 265,000
Average interest rate	—	6.90%	6.92%	—	—	—	6.91%	
Fixed rate:								
Debt	\$14,311	\$15,975	—	—	\$24,590	\$118,635	\$173,511	\$185,212
Average interest rate	4.32%	4.25%	—	—	7.61 %	7.16 %	6.72%	

As of September 30, 2024, we estimate that a hypothetical 100 basis points increase in SOFR would result in additional interest of approximately \$2.7 million annually. This assumes that the amount of floating rate debt outstanding on our revolving credit facility and unsecured term loan remains \$265.0 million, the total balance as of September 30, 2024.

Item 4. Controls and Procedures.***Disclosure Controls and Procedures*****Evaluation of 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 the design and operation 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 were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of its hotels, its managers and other Company matters. While it is not possible to ascertain the ultimate outcome of such matters, the Company believes that the aggregate identifiable amount of such liabilities, if any, will not have a material adverse impact on its financial condition or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors previously disclosed under Item 1A in 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.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2024, none of the Company's trustees or officers adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits.

The following exhibits are filed as part of this report:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Articles of Amendment and Restatement of Chatham Lodging Trust ⁽¹⁾
3.2	Articles of Amendment of Chatham Lodging Trust ⁽²⁾
3.3	Fourth Amended and Restated Bylaws of Chatham Lodging Trust ⁽³⁾
3.4	Articles Supplementary to the Company's Declaration of Trust designating the 6.625% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 par value per share ⁽⁴⁾
31.1 †	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, 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) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section #302 of the Sarbanes-Oxley Act of 2002
32.1 ††	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section #906 of the Sarbanes-Oxley Act of 2002
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive date file because its XBRL tags are embedded within the inline XBRL document.

† Filed herewith.

†† Furnished herewith.

- (1) Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2016 (File No. 001-34693).
- (2) Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2023 (File No. 001-34693).
- (3) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2023 (File No. 001-34693).
- (4) Incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form 8-A filed with the SEC on June 25, 2021 (File No. 001-34693).

SIGNATURE

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.

CHATHAM LODGING TRUST

Dated: November 7, 2024

By: /s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey H. Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: November 7, 2024

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeremy B. Wegner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2024

CHATHAM LODGING TRUST

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Chatham Lodging Trust (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Fisher, Chairman, President and Chief Executive Officer of the Company and I, Jeremy B. Wegner, Senior Vice President and Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHATHAM LODGING TRUST

Dated: November 7, 2024

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer