

Pebblebrook Hotel Trust
Form 424B5
September 15, 2011

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**Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-173468**

**PROSPECTUS SUPPLEMENT
(To prospectus dated April 13, 2011)**

3,000,000 Shares

**8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest
(Liquidation Preference \$25 Per Share)**

We are offering 3,000,000 of our 8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the Series B Preferred Shares).

Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The distribution rate is 8.00% per annum of the \$25.00 liquidation preference, which is equivalent to \$2.00 per annum per Series B Preferred Share. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$0.13333 per share.

Generally, we may not redeem the Series B Preferred Shares until September 21, 2016. On and after September 21, 2016, we may, at our option, redeem the Series B 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. In addition, upon the occurrence of a change of control the result of which our common shares of beneficial interest, par value \$0.01 per share (common shares), and the common securities of the acquiring or surviving entity (or American Depositary Receipts (ADRs) representing such securities) are not listed on the New York Stock Exchange (the NYSE), the NYSE Amex Equities (the NYSE Amex) or the NASDAQ Stock Market (NASDAQ) or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series B Preferred Shares, in whole or in part and within 120 days after the first date on which such change of control occurred, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. If we exercise any of our redemption rights relating to the Series B Preferred Shares, the holders of Series B Preferred Shares will not have the conversion right described below. The Series B Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us or converted in connection with a change of control by the holders of Series B Preferred Shares.

Upon the occurrence of a change of control the result of which our common shares and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on a successor exchange or quotation system, each holder of Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date (as defined herein), we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of the Series B Preferred Shares held by such holder on the Change of Control Conversion Date into a number of our common shares per Series B Preferred Share to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Share distribution payment and prior to the corresponding Series B Preferred Share distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Share Price (as defined herein); and

3.4483 (the Share Cap), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

The Series B Preferred Shares are subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust (REIT) for federal income tax purposes.

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB.

Investing in the Series B Preferred Shares involves a high degree of risk. Before buying any Series B Preferred Shares, you should carefully read the discussion of material risks of investing in the Series B Preferred Shares under the heading Risk Factors on page S-10 of this prospectus supplement and beginning on page 5 of our Annual Report on Form 10-K for the year ended December 31, 2010.

	Per Share	Total
Public offering price	\$ 25.0000	\$ 75,000,000
Underwriting discount	\$ 0.7875	\$ 2,362,500
Proceeds, before expenses, to us	\$ 24.2125	\$ 72,637,500

We granted the underwriters the right to purchase up to an additional 400,000 Series B Preferred Shares at the public offering price, less the underwriting discount, to cover overallocments within 30 days from the date of this prospectus supplement.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about September 21, 2011.

Raymond James	<i>Joint Book-Running Managers</i> BofA Merrill Lynch <i>Senior Co-Managers</i>	Wells Fargo Securities
Citigroup	<i>Co-Managers</i>	RBC Capital Markets
Baird	Janney Montgomery Scott	Stifel Nicolaus Weisel
	Morgan Keegan	

The date of this prospectus supplement is September 14, 2011.

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to

purchase, any securities in any jurisdiction where it is unlawful to make such offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference, the information in this prospectus supplement will supersede such information.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Information by Reference in this prospectus supplement and Where You Can Find More Information in the accompanying prospectus. Unless the context otherwise requires, in this prospectus supplement, the terms company, we, us and our include Pebblebrook Hotel Trust and its consolidated subsidiaries, including Pebblebrook Hotel, L.P., our operating partnership.

OUR COMPANY

General

Pebblebrook Hotel Trust is an internally managed hotel investment company, organized in October 2009, to opportunistically acquire and invest in hotel properties located primarily in major U.S. cities, with an emphasis on the major coastal markets. As of the date of this prospectus supplement, we owned or had an ownership interest in 20 hotels in nine states and the District of Columbia with an aggregate of 5,542 guest rooms.

We conduct substantially all of our operations, and make substantially all of our investments, through our operating partnership, Pebblebrook Hotel, L.P., and its subsidiaries.

We believe that we qualify, and we have elected to be taxed, as a REIT under the Internal Revenue Code of 1986, as amended, commencing with our taxable period ended on December 31, 2009.

Business Objectives and Strategies

We invest in hotel properties located primarily in major U.S. cities, such as Atlanta, Boston, Chicago, Minneapolis, New York, Los Angeles, Philadelphia, San Francisco and Washington, D.C., with an emphasis on the major coastal metropolitan markets. We believe these markets have significant barriers-to-entry and generally offer a more attractive investment opportunity. In addition, we also target investments in resort properties located near our primary urban target markets, as well as in select destination resort markets such as Hawaii, south Florida and southern California. We focus on both branded and independent full-service hotels in the upper upscale segment of the lodging industry, as defined by Smith Travel Research, Inc. In addition, we may seek to acquire branded, upscale, select-service hotels in our primary urban target markets. The full-service hotels on which we focus our investment activity generally have one or more restaurants, lounges, meeting facilities and other amenities, as well as high customer service levels. The select-service hotels in which we may invest generally will not have comprehensive business meeting or banquet facilities and will have limited food and beverage outlets. We believe that our target markets, including the coastal cities and resort markets, are characterized by significant barriers-to-entry and that room-night demand and average daily rate growth at these types of hotels will likely continue to outperform the national average, as they have

historically.

We utilize extensive research to evaluate any target market and property, including a detailed review of the long-term economic outlook, trends in local demand generators, competitive environment, property

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systems and physical condition and property financial performance. Specific acquisition criteria may include, but are not limited to, the following:

premier locations, facilities and other competitive advantages not easily replicated;

significant barriers-to-entry in the market, such as scarcity of development sites, regulatory hurdles, high per-room development costs and long lead times for new development;

acquisition prices at a significant discount to replacement cost;

properties not subject to long-term management contracts with hotel management companies;

potential return on investment initiatives, including redevelopment, rebranding, redesign, expansion and change of management;

opportunities to implement value-added operational improvements; and

strong demand growth characteristics supported by favorable demographic indicators.

We believe that as the U.S. economy continues to recover and generate positive gross domestic product growth, upper-upscale full-service hotels and resorts and upscale select-service hotels located in major U.S. urban, convention and drive-to and destination resort markets are likely to generate the most favorable returns on investment in the lodging industry. Hotel developers' inability to source construction financing over the past 24 to 36 months, a trend that we believe is likely to continue for the next two to three years, has created an environment in which minimal new lodging supply is expected to be added through at least 2013. We believe that as transient and group travel rebounds, existing supply will accommodate incremental room-night demand, allowing hotel owners to grow occupancy and increase rates, thereby improving profitability. We believe that portfolio diversification will allow us to capitalize from growth in various customer segments, including business transient, leisure transient and group and convention room-night demand.

We generally seek to enter into flexible management contracts with third-party hotel management companies for the operation of our hotels that provide us with the ability to replace operators and/or reposition properties, to the extent that we determine to do so and align our operators with our objective of maximizing return on investment. In addition, we believe that flexible management contracts facilitate the sale of hotels, and we may seek to sell hotels opportunistically if we believe sales proceeds may be invested in other hotel properties that offer more attractive risk-adjusted returns.

We currently do not intend to engage in significant development or redevelopment of hotel properties. However, we do expect to engage in partial redevelopment, renovation and repositioning of certain properties, as we seek to maximize the financial performance of our hotels. In addition, we may acquire properties that require significant capital improvement, renovation or refurbishment. Over the long-term, we may acquire hotel and resort properties that we believe would benefit from significant redevelopment or expansion, including, for example, adding rooms, meeting facilities or other amenities.

We may consider acquiring outstanding debt secured by a hotel or resort property from lenders and investors if we believe we can foreclose on or acquire ownership of the property in the near-term. In connection with our acquisitions, we do not intend to originate any debt financing or purchase any debt where we do not expect to gain ownership of the underlying property. Additionally, we may co-invest in hotels with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for a property, partnership, joint venture

or other entity. For example, on July 29, 2011, we acquired a 49% interest in a joint venture that owns a portfolio of six hotel properties in New York, New York. See Recent Developments.

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Financing Strategies

Over the long-term, we expect to maintain a low-leverage capital structure and intend to limit the sum of the outstanding principal amount of our consolidated net indebtedness and the liquidation preference of any outstanding preferred shares to not more than 4.5x our pro forma annualized earnings before income taxes, depreciation and amortization for the 12-month period preceding the incurrence of such debt or the issuance of such preferred shares. Net indebtedness consists of total debt less cash and cash equivalents and investments. Over time, we intend to finance our long-term growth with common and preferred equity issuances and debt financing having staggered maturities. Our debt includes mortgage debt secured by our hotel properties and unsecured debt.

We anticipate using our senior unsecured revolving credit facility to fund future acquisitions, as well as for property redevelopments, return on investment initiatives and working capital requirements. Subject to market conditions, we intend to repay amounts outstanding under our senior unsecured credit facility from time to time with proceeds from periodic common and preferred equity issuances, long-term debt financings and cash flows from operations.

When purchasing hotel properties, we may issue limited partnership interests in our operating partnership as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common shares. To date, we have not issued any limited partnership interests in our operating partnership to purchase hotel properties.

Competition

We compete for hotel investment opportunities with institutional investors, private equity investors, other REITs and numerous local, regional and national owners, including franchisors, in each of our target markets. Some of these entities have substantially greater financial resources than we do and may be able and willing to accept more risk than we can prudently manage. Competition generally may increase the bargaining power of property owners seeking to sell and reduce the number of suitable investment opportunities offered to us or purchased by us.

The hotel industry is highly competitive. Hotels we acquire compete with other hotels for guests in our markets. Competitive factors include location, convenience, brand affiliation, room rates, range of services, facilities and guest amenities or accommodations offered and quality of guest service. Competition in the markets in which our hotels operate includes competition from existing, newly renovated and newly developed hotels in the relevant segments. Competition can adversely affect the occupancy, average daily rate and room revenue per available room of our hotels, and thus our financial results, and may require us to provide additional amenities, incur additional costs or make capital improvements that we otherwise might not choose to make, which may adversely affect our profitability.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns. Generally, we expect 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. The general trends, however, are greatly influenced by overall economic cycles and the geographic locations and the renovation schedules of our hotels.

Recent Developments

On July 29, 2011, we entered into a joint venture with an affiliate of Denihan Hospitality Group that owns six upper upscale hotel properties located in the borough of Manhattan, New York, New York. The six upper upscale hotels, which we refer to as the Manhattan Collection – Affinia Manhattan, Affinia Shelburne, Affinia Dumont, Affinia 50, Affinia Gardens and The Benjamin – have an aggregate of 1,640 guest rooms. We made a \$153.6 million equity

investment in exchange for a 49% interest in the joint venture, valuing the Manhattan Collection at approximately \$910 million (subject to working capital and similar adjustments). The

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hotel properties are subject to approximately \$596.6 million in existing first mortgage and mezzanine debt which matures in February 2013.

On July 14, 2011, we issued 600,000 7.875% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (Series A Preferred Shares), at an offering price of \$25.25 per share directly to an institutional investor, resulting in net cash proceeds to us of approximately \$15.1 million.

Growth in occupancy rate, average daily rate and room revenue per available room (RevPAR) for our hotels, excluding the Grand Hotel Minneapolis, in the month of July 2011 as compared to July 2010 were 0.5%, 9.2% and 9.7%, respectively. Results for these operating statistics for the month of August 2011 are preliminary, as we are in the process of completing the collection of August operating data from our hotel managers. However, the preliminary data shows that the growth in RevPAR for August 2011 as compared to August 2010 was approximately 8.0%. As noted above, our August 2011 RevPAR data is preliminary. It is possible that our RevPAR growth could have been less than the amount indicated. Accordingly, investors should not place undue reliance on this preliminary estimate.

Other

We currently employ 19 full-time employees. None of our employees is a member of any union; however, some employees of our hotel managers at several of our hotels are currently represented by labor unions and are subject to collective bargaining agreements.

Our principal executive offices are located at 2 Bethesda Metro Center, Suite 1530, Bethesda, Maryland 20814. Our telephone number is (240) 507-1300. Our Internet website is www.pebblebrookhotels.com. The information contained on our website is not part of this prospectus supplement.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series B Preferred Shares, see Description of the Series B Preferred Shares in this prospectus supplement and Description of Shares of Beneficial Interest Preferred Shares in the accompanying prospectus.

Issuer	Pebblebrook Hotel Trust
Securities Offered	3,000,000 Series B Preferred Shares (3,400,000 shares if the underwriters exercise their overallotment option in full). We reserve the right to reopen this series and issue additional Series B Preferred Shares either through public or private sales at any time.
Distributions	Holder of the Series B Preferred Shares will be entitled to receive cumulative cash distributions on the Series B Preferred Shares at the rate of 8.00% per annum of the \$25.00 per share liquidation preference (equivalent to \$2.00 per annum per Series B Preferred Share). Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$0.13333 per share.
No Maturity	The Series B Preferred Shares have no maturity date, and we are not required to redeem the Series B Preferred Shares. In addition, we are not required to set aside funds to redeem the Series B Preferred Shares. Accordingly, the Series B Preferred Shares will remain outstanding indefinitely unless we decide to redeem them or, under circumstances where the holders of Series B Preferred Shares have a conversion right, the holders of Series B Preferred Shares decide to convert them.
Optional Redemption	We may not redeem the Series B Preferred Shares prior to September 21, 2016, except as described below under <u>Special Optional Redemption</u> and in limited circumstances relating to our continuing qualification as a REIT. On and after September 21, 2016, we may, at our option, redeem the Series B 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.
Special Optional Redemption	Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series B Preferred Shares, in whole or in part and within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the Change of Control Conversion Date, we exercise any of our redemption rights relating to the Series B Preferred Shares (whether our optional redemption right or our special optional redemption right), the holders of Series B Preferred Shares will not have the conversion right described below.

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A Change of Control is when, after the original issuance of the Series B Preferred Shares, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of the Series B Preferred Shares held by such holder on the Change of Control Conversion Date into a number of our common shares per Series B Preferred Share to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Share distribution payment and prior to the corresponding Series B Preferred Share distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Share Price; and

3.4483 (i.e., the Share Cap), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

If we have provided or provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control or our optional redemption right, holders of Series B Preferred Shares will not have any right to convert the Series B Preferred Shares in connection with the Change of Control Conversion Right and any Series B Preferred Shares

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subsequently selected for redemption that have been tendered for conversion will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Share Price and for a description of the adjustments and provisions for the receipt of alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series B Preferred Shares Conversion Rights.

Except as provided above in connection with a Change of Control, the Series B Preferred Shares are not convertible into or exchangeable for any other securities or property.

Liquidation Preference

If we liquidate, dissolve or wind up, the holders of the Series B Preferred Shares will have the right to receive \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of payment, before any payments are made to the holders of our common shares or any other shares of beneficial interest that rank junior to the Series B Preferred Shares.

Ranking

The Series B Preferred Shares rank senior to our common shares and future junior securities, pari passu with our outstanding Series A Preferred Shares and any future parity securities (collectively, the Parity Preferred Shares), and junior to all of our existing and future indebtedness and any future senior securities, with respect to the payment of distributions and the distribution of assets in the event of our liquidation, dissolution or winding up.

Voting Rights

Holders of Series B Preferred Shares generally have no voting rights. However, if we do not pay distributions on the Series B Preferred Shares for six quarterly periods, whether or not consecutive, the holders of the Series B Preferred Shares, voting as a single class with the holders of any other Parity Preferred Shares upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional trustees to serve on our Board of Trustees until we pay all distributions which we owe on the Series B Preferred Shares. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding Series B Preferred Shares is required for us to authorize, create or increase shares ranking senior to the Series B Preferred Shares or to amend our Declaration of Trust in a manner that materially and adversely affects the rights of the holders of the Series B Preferred Shares.

Among other things, we may, without any vote of the holders of the Series B Preferred Shares, issue additional Series B Preferred Shares and Parity Preferred Shares.

Information Rights

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series B Preferred Shares are outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series B Preferred Shares as their names and addresses appear in our record books and without cost to such holders, copies

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Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, supply copies of such reports to any prospective holder of the Series B Preferred Shares. We will mail (or otherwise provide) the reports to the holders of Series B Preferred Shares within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

NYSE Symbol

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB. If listing is approved, we expect trading to commence within 30 days after the initial delivery of the Series B Preferred Shares.

Restrictions on Ownership and Transfer

Our Declaration of Trust and the articles supplementary creating the Series B Preferred Shares contain restrictions on ownership and transfer, including provisions that limit to 9.8% the percentage ownership of the Series B Preferred Shares by any one person or group of affiliated persons. Our Declaration of Trust also limits to 9.8% the percentage ownership of our common shares by any one person or group of affiliated persons. These provisions may limit the ability of the holders of Series B Preferred Shares to convert their Series B Preferred Shares into our common shares. Our Board of Trustees may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances.

Use of Proceeds

We estimate that the net proceeds of this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, will be approximately \$72.2 million (approximately \$81.9 million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership will use the net proceeds as follows: (i) approximately \$42.0 million to repay the debt outstanding on our senior unsecured credit facility; and (ii) the balance for general corporate purposes, which may include acquiring and investing in hotel properties in accordance with our investment strategy, reducing our debt and repurchasing our outstanding common shares. As of the date of this prospectus supplement, the annual interest rate payable on our \$200 million senior unsecured credit facility was approximately 2.75% and the principal amount outstanding was approximately \$42.0 million. Prior to using any of the net proceeds for general corporate purposes, we intend to invest those net proceeds in certificates of deposit, interest-bearing short-term investment grade securities or money-market accounts which are consistent with our intention to qualify as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in hotel properties. See Use of Proceeds.

Risk Factors

See Risk Factors beginning on page S-10 of this prospectus supplement and beginning on page 5 of our Annual Report on

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Form 10-K for the year ended December 31, 2010, to read about certain risks you should consider before buying the Series B Preferred Shares.

Tax Consequences

Certain federal income tax considerations of purchasing, owning and disposing of the Series B Preferred Shares are summarized in Additional Federal Income Tax Considerations on page S-25 of this prospectus supplement, which supplements the discussion under the heading Material Federal Income Tax Considerations in the accompanying prospectus.

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RISK FACTORS

*An investment in the Series B Preferred Shares involves a high degree of risk. In addition to other information in this prospectus supplement, you should carefully consider the following risks, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as other information and data set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before making an investment decision with respect to the Series B Preferred Shares. The occurrence of any of these risks could materially and adversely affect our business, financial condition, liquidity, results of operations, prospects and our ability to make cash distributions to holders of the Series B Preferred Shares, which could cause you to lose all or a significant portion of your investment in the Series B Preferred Shares. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See *Cautionary Note Regarding Forward-Looking Statements* in the accompanying prospectus.*

The Series B Preferred Shares are subordinate to our existing and future debt, and your interests could be diluted by the issuance of additional preferred shares and by other transactions.

The Series B Preferred Shares will rank junior to all of our existing and future debt and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. Our future debt may include restrictions on our ability to pay distributions to preferred shareholders. Our Declaration of Trust currently authorizes the issuance of up to 100,000,000 preferred shares in one or more series. Prior to this offering, we have issued 5,600,000 Series A Preferred Shares. In addition, our Board of Trustees has the power under our Declaration of Trust to classify any of our unissued preferred shares, and to reclassify any of our previously classified but unissued preferred shares of any series, from time to time, in one or more series of preferred shares. The issuance of additional preferred shares on parity with or senior to the Series B Preferred Shares would dilute the interests of the holders of the Series B Preferred Shares, and any issuance of preferred shares senior to the Series B Preferred Shares or of additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series B Preferred Shares. Other than the conversion right afforded to holders of Series B Preferred Shares that may occur in connection with a Change of Control as described under *Description of the Series B Preferred Shares Conversion Rights* below, none of the provisions relating to the Series B Preferred Shares contain any provisions relating to or limiting our indebtedness or affording the holders of the Series B Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series B Preferred Shares, so long as the rights of the holders of the Series B Preferred Shares are not materially and adversely affected.

The Series B Preferred Shares have not been rated.

We have not sought to obtain a rating for the Series B Preferred Shares. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series B Preferred Shares. In addition, we may elect in the future to obtain a rating of the Series B Preferred Shares, which could adversely impact the market price of the Series B Preferred Shares. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series B Preferred Shares.

As a holder of Series B Preferred Shares, you will have extremely limited voting rights.

Your voting rights as a holder of Series B Preferred Shares will be limited. Our common shares are the only class of our securities that carry full voting rights. Voting rights for holders of Series B Preferred Shares exist primarily with respect to the ability to elect, together with holders of other Parity Preferred Shares, two additional trustees to our Board of Trustees in the event that six quarterly distributions (whether or not consecutive) payable on the Series B Preferred Shares are in arrears, and with respect to voting on amendments to our Declaration of Trust or articles supplementary relating to the Series B Preferred Shares that materially and adversely affect the

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rights of the holders of Series B Preferred Shares or create additional classes or series of our shares that are senior to the Series B Preferred Shares. Other than the limited circumstances described in this prospectus supplement, holders of Series B Preferred Shares will not have any voting rights. See Description of the Series B Preferred Shares Voting Rights.

The Change of Control conversion feature may not adequately compensate you, and the Change of Control conversion and redemption features of the Series B Preferred Shares may make it more difficult for a party to take over our company or discourage a party from taking over our company.

Upon the occurrence of a Change of Control the result of which our common shares and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ, holders of the Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of their Series B Preferred Shares into our common shares (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem the Series B Preferred Shares. See Description of the Series B Preferred Shares Conversion Rights and Special Optional Redemption. Upon such a conversion, the holders will be limited to a maximum number of our common shares equal to the Share Cap multiplied by the number of Series B Preferred Shares converted. If the Common Share Price is less than \$7.25 (which is approximately 50% of the per-share closing sale price of our common shares on September 14, 2011), subject to adjustment, the holders will receive a maximum of 3.4483 of our common shares per Series B Preferred Share, which may result in a holder receiving value that is less than the liquidation preference of the Series B Preferred Shares. In addition, those features of the Series B Preferred Shares may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a Change of Control of our company under circumstances that otherwise could provide the holders of our common shares, Series A Preferred Shares and Series B Preferred Shares with the opportunity to realize a premium over the then-current market price or that shareholders may otherwise believe is in their best interests.

There is no established trading market for the Series B Preferred Shares, listing on the NYSE does not guarantee a market for the Series B Preferred Shares and the market price and trading volume of the Series B Preferred Shares may fluctuate significantly.

The Series B Preferred Shares are a new issue of securities with no established trading market. We intend to file an application to list the Series B Preferred Shares on the NYSE, but there can be no assurance that the NYSE will approve the Series B Preferred Shares for listing. Even if the NYSE approves the Series B Preferred Shares for listing, an active trading market on the NYSE for the Series B Preferred Shares may not develop or, if it does develop, may not last, in which case the market price of the Series B Preferred Shares could be materially and adversely affected. If an active trading market does develop on the NYSE, the Series B Preferred Shares may trade at prices lower than the initial public offering price. The market price of the Series B Preferred Shares would depend on many factors, including, but not limited to:

prevailing interest rates;

the market for similar securities;

general economic and financial market conditions;

our issuance, as well as the issuance by our subsidiaries, of additional preferred equity or debt securities; and

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our financial condition, cash flows, liquidity, results of operations, funds from operations and prospects.

We have been advised by the underwriters that they intend to make a market in the Series B Preferred Shares, but they are not obligated to do so and may discontinue market-making at any time without notice.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, will be approximately \$72.2 million. If the underwriters exercise their overallotment option in full, the net proceeds will be approximately \$81.9 million.

We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership will use the net proceeds as follows: (i) approximately \$42.0 million to repay the debt outstanding on our senior unsecured credit facility; and (ii) the balance for general corporate purposes, which may include acquiring and investing in hotel properties in accordance with our investment strategy, reducing our debt and repurchasing our outstanding common shares. As of September 9, 2011, the annual interest rate payable on our \$200 million senior unsecured credit facility was approximately 2.75% and the principal amount outstanding was approximately \$42.0 million. Prior to using any of the net proceeds for general corporate purposes, we intend to invest those net proceeds in certificates of deposit, interest-bearing short-term investment grade securities or money-market accounts which are consistent with our intention to qualify as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in hotel properties.

In the ordinary course of our business, we continually evaluate hotel properties for acquisition. At any given time, we may be a party to letters of intent or conditional purchase agreements with respect to possible acquisitions and may be in various stages of due diligence and underwriting as part of our evaluations. Consummation of any potential acquisition is often subject to outstanding conditions. We can give no assurance that we will complete the acquisition of any particular hotel property or, if we do, what the terms or timing of any such acquisition will be.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDENDS**

The following table sets forth our ratio of earnings to combined fixed charges and preferred share dividends for the periods shown:

	Six months ended June 30, 2011	Year ended December 31, 2010	For the period October 6, 2009 (date operations commenced) through December 31, 2009
Ratio of earnings to combined fixed charges and preferred share dividends	0.9x(1)	(2)	(3)

- (1) The total amount of combined fixed charges and preferred share dividends for this period was approximately \$9,826,356 and the total amount of earnings was approximately \$8,486,066. The amount of the deficiency, or the amount of combined fixed charges and preferred share dividends in excess of earnings, was approximately \$1,340,290. On March 11, 2011, we issued 5,000,000 Series A Preferred Shares and preferred share dividends from that date through June 30, 2011 are included in the ratio for this period.
- (2) Earnings for this period were less than zero. The total amount of fixed charges for this period was approximately \$1,688,000 and the total amount of earnings was approximately \$(5,034,000). The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately \$6,722,000. There were no preferred shares outstanding during this period.
- (3) Earnings for this period were less than zero. The total amount of fixed charges for this period was \$0 and the total amount of earnings was \$(147,000). The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately \$147,000. There were no preferred shares outstanding during this period.

The ratio of earnings to combined fixed charges and preferred share dividends is calculated by dividing earnings by the sum of fixed charges and preferred share dividends. For purposes of computing this ratio, we calculate earnings by adding fixed charges to income (loss) before income taxes less minority interest and preferred share dividends and fixed charges by adding interest on debt and capitalized leases, amortization of debt discount and expense, an imputed interest factor included in rentals and preferred share dividends.

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DESCRIPTION OF THE SERIES B PREFERRED SHARES

This description of the Series B Preferred Shares supplements the description of the general terms and provisions of our shares of beneficial interest, including preferred shares, contained in the accompanying prospectus. You should consult that general description for further information.

General

We currently are authorized to issue up to 100,000,000 preferred shares in one or more series. Each series will have the designations, powers, preferences, rights, qualifications, limitations or restrictions as Maryland law may permit and our Board of Trustees may determine by adoption of applicable articles supplementary to our Declaration of Trust.

This summary of the terms and provisions of the Series B Preferred Shares is not complete. Our Board of Trustees will adopt articles supplementary designating the terms of the Series B Preferred Shares, and you may obtain a complete copy of the articles supplementary designating the Series B Preferred Shares by contacting us. In connection with this offering, we will file the articles supplementary with the SEC. Our Board of Trustees may, without notice to or the consent of holders of Series B Preferred Shares, authorize the issuance and sale of additional Series B Preferred Shares from time to time.

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB. If listing is approved, we expect trading to commence within 30 days after the initial delivery of the Series B Preferred Shares.

The transfer agent, registrar and distribution disbursement agent for the Series B Preferred Shares is Wells Fargo Bank, N.A.

As of the date of this prospectus supplement, we have 5,600,000 Series A Preferred Shares, with an aggregate liquidation preference of \$140,000,000, issued and outstanding.

Ranking

The Series B Preferred Shares rank senior to our common shares and to any other of our future equity securities that we may later authorize or issue that by their terms rank junior to the Series B Preferred Shares with respect to the payment of distributions and the distribution of assets in the event of our liquidation, dissolution or winding up. The Series B Preferred Shares rank pari passu with any Parity Preferred Shares (i.e., our outstanding Series A Preferred Shares and any future equity securities that we may later authorize or issue that by their terms are on a parity with the Series B Preferred Shares). The Series B Preferred Shares rank junior to any equity securities that we may later authorize or issue that by their terms rank senior to the Series B Preferred Shares. Any such authorization or issuance would require the affirmative vote of the holders of at least two-thirds of the outstanding Series B Preferred Shares. Any convertible debt securities that we may issue are not considered to be equity securities for these purposes. The Series B Preferred Shares rank junior to all of our existing and future indebtedness.

Distributions

Holders of the Series B Preferred Shares will be entitled to receive, when and as authorized by our Board of Trustees, out of funds legally available for the payment of distributions, cumulative cash distributions at the rate of 8.00% per annum of the \$25.00 per share liquidation preference, equivalent to \$2.00 per annum per Series B Preferred Share.

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Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$0.13333 per share. Distributions payable on the Series B Preferred Shares for any partial period will be computed on the basis of a 360-day year consisting of twelve 30-day months. We will pay distributions to holders of record as they appear in our share records at the close of business on the applicable record date, which will be the first day of the calendar month in which the applicable distribution falls, or such other date

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as designated by our Board of Trustees for the payment of distributions that is not more than 90 days nor fewer than 10 days prior to the distribution payment date.

Our Board of Trustees will not authorize, and we will not pay, any distributions on the Series B Preferred Shares or set aside funds for the payment of distributions if the terms of any of our agreements, including agreements relating to our indebtedness, prohibit that authorization, payment or setting aside of funds or provide that the authorization, payment or setting aside of funds is a breach of or a default under that agreement, or if the authorization, payment or setting aside of funds is restricted or prohibited by law. We are and may in the future become a party to agreements that restrict or prevent the payment of distributions on, or the purchase or redemption of, our shares of beneficial interest. Under certain circumstances, these agreements could restrict or prevent the payment of distributions on or the purchase or redemption of Series B Preferred Shares. These restrictions may be indirect (for example, covenants requiring us to maintain specified levels of net worth or assets) or direct. We do not believe that these restrictions currently have any adverse impact on our ability to pay distributions on the Series B Preferred Shares.

Notwithstanding the foregoing, distributions on the Series B Preferred Shares will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of distributions and whether or not distributions are authorized. Accrued but unpaid distributions on the Series B Preferred Shares will not bear interest, and the holders of the Series B Preferred Shares will not be entitled to any distributions in excess of full cumulative distributions as described above. All of our distributions on Series B Preferred Shares, including any capital gain distributions, will be credited to the previously accrued distributions on the Series B Preferred Shares. We will credit any distribution made on Series B Preferred Shares first to the earliest accrued and unpaid distribution due.

We will not declare or pay any distributions, or set aside any funds for the payment of distributions, on our common shares or any other shares that rank junior to the Series B Preferred Shares, if any, or redeem or otherwise acquire our common shares or other junior shares, unless we also have declared and either paid or set aside for payment the full cumulative distributions on the Series B Preferred Shares for the current and all past dividend periods. This restriction will not limit our redemption or other acquisition of shares under incentive, benefit or share purchase plans for officers, trustees or employees or others performing or providing similar services or for the purposes of enforcing restrictions upon ownership and transfer of our equity securities contained in our Declaration of Trust in order to preserve our status as a REIT.

If we do not declare and either pay or set aside for payment the full cumulative distributions on the Series B Preferred Shares and all shares that rank on a parity with Series B Preferred Shares, the amount which we have declared will be allocated pro rata to the Series B Preferred Shares and to each parity series of shares so that the amount declared for each Series B Preferred Share and for each share of each parity series is proportionate to the accrued and unpaid distributions on those shares.

Liquidation Rights

In the event of our liquidation, dissolution or winding up, the holders of the Series B Preferred Shares will be entitled to be paid out of our assets legally available for distribution to our shareholders liquidating distributions in cash or property at fair market value as determined by our Board of Trustees equal to a liquidation preference of \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of the payment. Holders of Series B Preferred Shares will be entitled to receive this liquidating distribution before we distribute any assets to holders of our common shares or any other shares of beneficial interest that rank junior to the Series B Preferred Shares. The rights of holders of Series B Preferred Shares to receive their liquidation preference would be subject to preferential rights of the holders of any series of shares that is senior to the Series B Preferred Shares. Written notice will be given to each holder of Series B Preferred Shares of any such liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distribution to which they are entitled,

the holders of Series B Preferred Shares will have no right or claim to any of our remaining assets. If we consolidate or

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merge with any other entity, sell, lease, transfer or convey all or substantially all of our property or business, or engage in a statutory share exchange, we will not be deemed to have liquidated. As of the date of this prospectus supplement, we have 5,600,000 Series A Preferred Shares outstanding with an aggregate liquidation preference of \$140,000,000. In the event our assets are insufficient to pay the full liquidating distributions to the holders of Series B Preferred Shares and all other classes or series of our equity securities ranking on a parity with the Series B Preferred Shares, including our Series A Preferred Shares, then we w