SUNSTONE HOTEL INVESTORS TO ACQUIRE THE CONFIDANTE MIAMI BEACH AND REPOSITION AS ANDAZ MIAMI BEACH

Irvine, Calif. (May 4, 2022) – Sunstone Hotel Investors, Inc. (the "Company" or "Sunstone") (NYSE: SHO), the owner of Long-Term Relevant Real Estate® in the lodging industry, announced that it has entered into a definitive agreement with an affiliate of Hyatt Hotels Corporation to acquire the 339-room The Confidante Miami Beach (the "Hotel"), located on 1.5 acres of fee-simple, oceanfront land in Miami Beach for a purchase price of $232 million, or $684,000 per key. Following the acquisition, the Company expects to pursue a full transformation of the property and a rebranding of the Hotel to Andaz Miami Beach.

The purchase price represents a 17.3x multiple on 2022 forecasted hotel EBITDA and a 5.0% capitalization rate on 2022 forecasted hotel net operating income. In addition to the purchase price, Sunstone expects to invest approximately $60 million to reposition the Hotel into a premiere beachfront resort under Hyatt's luxury, lifestyle Andaz brand. Upon completion of the renovation, the Company expects the Hotel to generate an 8% to 9% stabilized net operating income yield on the total investment in the Hotel, including the planned repositioning. The acquisition will be funded through a combination of cash on hand and from borrowing on the Company's currently undrawn revolving credit facility.

Bryan Giglia, Chief Executive Officer, stated, "We are excited to announce our planned acquisition of The Confidante Miami Beach where we expect to generate significant value through an extensive renovation and rebranding of the Hotel to Andaz Miami Beach. Upon completion of the planned renovation, we will have transformed the earnings potential of the Hotel and we will own a premier Miami Beach luxury resort at a highly attractive all-in basis in a resilient, supply-constrained market that has continued to demonstrate meaningful rate growth. We are also excited to further our relationship with Hyatt, one of the world's premier hotel companies, and be part of the growth of Hyatt's luxury Andaz brand."

Mr. Giglia continued, "The acquisition of The Confidante Miami Beach allows us to recycle capital from our recent sales of three Chicago hotels into this higher growth and better NAV enhancing investment. This transaction draws upon our significant in-house expertise and proven track record of creating value through successful renovations and repositionings, and returns Sunstone to some of what it does best."

Transaction Rationale

Sunstone believes the acquisition and renovation of the Hotel will be additive to its stockholders in the following ways:

Value-Add Opportunity: Ability to meaningfully increase the earnings potential and value of the Hotel through a full repositioning of the property to create an immersive and inspiring luxury lifestyle resort experience. Post rebranding, the Company anticipates significant ADR growth as the property will be able to better compete with nearby luxury hotels. Sunstone currently anticipates investing approximately $60 million to renovate all aspects of the Hotel. The renovation will include relocating the lobby to create a distinctive oceanview check-in experience, reconcepting the food & beverage outlets, reinvigorating the pool and backyard recreation area, modernizing the guestrooms, expanding the suite mix, and upgrading the meeting and event spaces. The renovation work is expected to begin in phases, starting in the fourth quarter of 2022 with completion and rebranding currently expected to occur in the first half of 2024. The Hotel will remain in operation while the renovation is completed and will continue to be managed by Hyatt upon repositioning.

Increases Ownership of LTRR® and Improves Diversity and Scale: Acquisition of highly desirable, well located real estate that will grow the Company's portfolio and provide entry into the attractive Miami Beach market. Increases exposure to highly rated leisure demand and provides more balance across the Company's portfolio of leisure, group-oriented and urban hotels.

Enhances Long-Term Growth Profile: Provides opportunity to recycle capital from lower growth recent dispositions into an asset with meaningful earnings growth potential upon completion of the repositioning. While Sunstone expects to see significant earnings growth in 2022 and 2023 as demand across its existing group-oriented and urban hotels return to more normalized levels, Andaz Miami Beach will allow for continued outsized growth for the Company in 2024 and beyond upon the completion of the renovation and rebranding.

More Prudently Utilizes Balance Sheet Capacity: The acquisition of the Hotel will be funded with existing cash and from proceeds received from the Company's currently undrawn revolving credit facility. The Company's balance sheet maintains additional capacity for debt-funded acquisitions that can further enhance per share NAV and earnings growth.

Compelling Valuation and Cash Flow Yield: Upon completion of the repositioning program, Sunstone anticipates having an all-in basis of approximately $900,000 per key for a fully renovated, oceanfront, luxury Miami Beach resort where valuations for similar assets are well in excess of $1 million per key. The Company anticipates an attractive stabilized NOI yield of 8% to 9% on the total investment in the Hotel including the planned repositioning.

The Company currently anticipates closing the transaction by the end of the second quarter 2022. The acquisition of the Hotel is subject to the satisfaction of customary closing conditions, and the Company can give no assurance that the acquisition of the Hotel will close. The forecast amounts referenced in this release are based on the Company's assumptions of operating performance and the Company cannot assure you that the forecasts will be achieved.

The term "Hyatt" is used in this release for convenience to refer to Hyatt Hotels Corporation and/or one or more of its affiliates.

About Sunstone Hotel Investors:

Sunstone Hotel Investors, Inc. is a lodging real estate investment trust ("REIT"). Sunstone's strategy is to create long-term stakeholder value through the acquisition, active ownership, and disposition of hotels considered to be Long-Term Relevant Real Estate®. For further information, please visit Sunstone's website at www.sunstonehotels.com.

For Additional Information:

Aaron Reyes
Chief Financial Officer
Sunstone Hotel Investors, Inc.
(949) 382-3018