AMERICAN HOTEL INCOME PROPERTIES REIT LP

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS AND OPERATIONS AND FINANCIAL CONDITION
For the three months ended March 31, 2014
Dated: May 9, 2014

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

AMERICAN HOTEL INCOME PROPERTIES REIT LP

CONTENTS

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "*Overview*", "*Results of Operations*", "*Financial Condition*", "*Liquidity and Capital Resources*", *"Subsequent Events"* and "*Risks and Uncertainties*" relating to AHIP's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: general economic conditions; unit prices; liquidity; tax risk; ability to access capital markets; competition for real property investments; environmental matters and changes in legislation. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements. Additional information about risks and uncertainties is contained in AHIP's annual information form for the year ended December 31, 2013 available on SEDAR at www.sedar.com.

Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and AHIP's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities, and statements regarding AHIP's future economic performance. AHIP has based these forward-looking statements on AHIP's current expectations about future events.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to AHIP, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of May 9, 2014 and AHIP assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") of American Hotel Income Properties REIT LP ("AHIP") for the three months ended March 31, 2014 has been prepared and includes material financial information as of May 9, 2014. This MD&A should be read in conjunction with AHIP's audited consolidated financial statements for the year ended December 31, 2013 and the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2014, prepared in accordance with International Financial Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

All amounts presented in this MD&A are in United States dollars, unless otherwise noted.

Additional information relating to AHIP, including AHIP's annual information form for the year ended December 31, 2013 is available at SEDAR at www.sedar.com.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

AHIP's Board of Directors, upon recommendation of its Audit Committee, approved the contents of this MD&A on May 8, 2014.

NON-IFRS MEASURES

AHIP has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate AHIP's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures included in this MD&A includes debt to gross book value, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and same property metrics.

a) Debt to Gross Book Value

AHIP believes that debt to gross book value is an important supplemental measure of financial condition.

"Debt" means the face value (excluding deferred financing costs) of the construction facility, term loans, contingent consideration and deferred compensation payable as at March 31, 2014.

"Gross book value" means, at any time, the book value of the total assets of AHIP, as shown on its then most recent consolidated statement of financial position, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto, less deferred income tax liabilities.

b) Funds from Operations ("**FFO**") and Adjusted Funds from Operations ("**AFFO**")

AHIP believes FFO and AFFO are important measures of operating performance of real estate properties. In addition, AHIP believes that AFFO is indicative of AHIP's ability to pay distributions.

"FFO" is not defined under IFRS. AHIP calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued April 2014. FFO is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS, excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) business acquisition costs related to the purchase of a property being accounted for as a business combination; (iv) deferred income tax (expense) recovery; (v) foreign exchange gains and losses on monetary items such as loans and receivables due to a net investment in a foreign operation; and (vi) adjustments for property taxes accounted for under IFRIC 21.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of deferred financing costs (ii) amortization of contingent consideration; (iii) non-cash compensation items; and (iv) deducting a reserve for normalized maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the General Partner in its discretion.

c) Net Operating Income ("**NOI**")

AHIP believes NOI is important measure of operating performance of real estate properties.

"NOI" is defined as revenue less operating expenses (excluding depreciation and amortization).

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

d) Earnings before interest, taxes, depreciation and amortization ("**EBITDA**")

AHIP calculates EBITDA as net income (loss) and comprehensive income (loss) before income taxes, depreciation and amortization, gains (or losses) from sales of hotel properties and equipment, finance costs and business acquisition costs.

e) Same Property Metrics

Same property metrics represent operating results for the same properties over both reporting periods, and is intended to measure the period-over-period performance of the same asset base. These metrics adjust for the impact of properties that have been sold or acquired during the current period. For this quarter, comparability of same property metrics is limited as the March 31, 2013 results only include operating results for the 39 day period from February 20, 2013 to March 31, 2013.

OVERVIEW

About AHIP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties primarily in the U.S. AHIP was established by and among 8290768 Canada Inc. (renamed "American Hotel Income Properties REIT (GP) Inc." on October 26, 2012) (the "General Partner"), and Maverick Management Corp. as the initial limited partner, pursuant to the terms of AHIP's Limited Partnership Agreement dated October 12, 2012. AHIP's head office and address for service is located at 1660 – 401 West Georgia Street, Vancouver, British Columbia, Canada, V6B 5A1.

AHIP was established, among other things, for the purposes of:

(a) acquiring common shares and, where applicable, a ROC Share of American Hotel Income Properties REIT Inc. (the "U.S. REIT"), a ROC share being defined as a share in the capital of the U.S. REIT which is designated within such capital as a preferred share;

(b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of AHIP and making distributions to unitholders; and

(c) in connection with the undertaking set out above, reinvesting income and gains of AHIP and taking other actions besides the mere protection and preservation of AHIP's property.

The principal business of AHIP is to issue units of AHIP ("Units") and to acquire and hold shares of the U.S. REIT. The U.S. REIT was established, among other things, for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S.

AHIP's long-term objectives are to:

(i) generate stable and growing cash distributions from hotel properties substantially in the U.S.;

(ii) enhance the value of its assets and maximize the long-term value of the hotel properties through active management; and

(iii) expand its asset base and increase its AFFO per Unit through an accretive acquisition program, participation in strategic development opportunities and improvements to the properties through targeted value-added capital expenditure programs.

AHIP's Units trade on the Toronto Stock Exchange under the symbol HOT.UN and on the OTCQX International Marketplace in the U.S. under the symbol AHOTF.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Recent Developments

a) Acquisition of four hotel properties in Virginia on March 12, 2014 (the "Virginia Portfolio")

On March 12, 2014, AHIP completed the acquisition of four hotel properties located in Virginia for an aggregate purchase price of approximately US$37.2 million, excluding post-acquisition adjustments and brand mandated property improvement plans. The Virginia Portfolio is comprised of 403 guest rooms and consists of three hotels under the “Hampton Inn” flag (a Hilton brand) and one hotel under the “Fairfield Inn & Suites” flag (a Marriott brand). The properties are located in Harrisonburg, Emporia and South Hill, Virginia, near transportation hubs and other major demand generators such as James Madison University, manufacturing facilities, distribution centres, and medical centres. The properties cater primarily to corporate travelers seeking select-service lodging and fits within AHIP's Other Branded hotels operating segment.

In connection with the acquisition of the Virginia Portfolio, AHIP entered into a 10 year fixed rate loan agreement with a major international bank for a US$24.5 million loan. The interest rate is 4.97% per annum. The loan is interest-only for the first four years and thereafter, a constant monthly payment of principal and interest will be due and payable over a 30-year amortization schedule, subject to prepayment provisions. AHIP was required to establish and fund $6.0 million in cash reserves to cover property improvement plans and other planned capital improvements for the Virginia Portfolio. An ongoing capital expenditures reserve ("FF&E reserve") of 4% will also be required to be funded. The FF&E reserve has been waived for the initial 12 months on three of the properties and for the first 24 months for the remaining property.

b) Opening of the Oak Tree Inn Jefferson City, Missouri on February 4, 2014

On September 12, 2013, AHIP acquired a 77-room hotel located in Jefferson City, Missouri. On November 21, 2013, AHIP announced the signing of a long-term contract for railway crew accommodation at the Jefferson City location. Renovations to improve the existing hotel to Oak Tree Inn quality standards were completed according to plan and on February 4, 2014 AHIP announced the grand re-opening of the fully renovated Oak Tree Inn.

c) Opening of the Oak Tree Inn Santa Teresa, New Mexico on May 2, 2014

On May 1, 2014, AHIP acquired the new 56 room Oak Tree Inn hotel and Penny’s Diner from SunOne pursuant to the Master Development Agreement. The property is secured by a railway contract and opened for business on May 2, 2014.

d) New hotel developments opening in 2014

The following properties were previously approved by AHIP’s Board of Directors and are presently under development by SunOne Developments Inc. ("SunOne") pursuant to the Master Development Agreement:

i) *Oak Tree Inn Brunswick, Maryland*

On August 23, 2013, AHIP announced the commitment with SunOne to purchase a new 25-room Oak Tree Inn and Penny’s Diner located in Brunswick, Maryland, secured by a long-term railway contract. The property is expected to open in September 2014.

ii) *Oak Tree Inn Wellington, Kansas*

On November 7, 2013, AHIP announced the commitment with SunOne to purchase a new 110-room Oak Tree Inn hotel located in Wellington, Kansas, secured by a long-term railway contract. The property is expected to open in November 2014.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

iii) *Oak Tree Inn Glendive, Montana*

On November 7, 2013, AHIP announced the commitment with SunOne to purchase a new 50-room Oak Tree Inn hotel and Penny's Diner located in Glendive, Montana, secured by a long-term railway contract. The property is expected to open in December 2014.

Outlook

Following the acquisition of the Virginia Portfolio and the opening of the Santa Teresa, NM property, AHIP's portfolio is comprised of 43 hotels located in 20 states across the U.S., representing an aggregate of 3,572 rooms, excluding the three properties currently under development through SunOne, which represent 185 additional rooms in the aggregate.

AHIP's operating properties at March 31, 2014 include 34 hotels which operate under AHIP's flagship “Oak Tree Inn” brand, 6 under the “Hampton Inn” banner (a Hilton brand), 1 under the “Residence Inn” banner (a Marriott brand) and 1 under the “Fairfield Inn” banner (a Marriott brand). The 8 Hilton and Marriott branded properties are classified in the “Other Branded Hotels” operating segment. The 34 hotels under the Oak Tree Inn brand have been specifically designed for railway employee lodging customers while providing transient customers with a superior quality, select service experience. The 8 Other Branded Hotels are located near transportation hubs and other demand generators that cater primarily to corporate-transient travelers. Management estimates that approximately 64% of the total available room-nights in AHIP's Oak Tree Inn portfolio are covered under contracts containing minimum occupancy guarantees. The Other Branded Hotels are supported by distribution networks of two of the largest hotel brands in the world. Hampton Inn was recognized by Hotel Management Magazine as the number one limited service hotel chain for the second year in a row in their annual survey published on April 21, 2014.

AHIP continues to evaluate opportunities to acquire additional high quality economy, select service and extended stay hotel assets in the U.S. on an accretive basis. Management remains focused on augmenting its portfolio and since the last quarter has examined and evaluated over $500 million of for-sale hotel inventory. Preliminary offers have been tendered on multiple hotel portfolios and AHIP is in its initial phase of due diligence evaluating some of those opportunities. The Virginia Portfolio and Pittsburgh Portfolio acquisitions are representative examples of the good physical quality assets and strong in-place cash flow / yield that AHIP is targeting in its acquisitions.

In January 2014, at America's Lodging Investment Summit ("ALIS"), PKF Hospitality Research ("PKF-HR") projected national U.S. RevPAR growth of 6.6% in 2014 followed by a further 7.5% increase in 2015. In addition, in April 2014, STR reported Q1 2014 RevPAR growth of 6.8%, which was in line with the PKF projections. The growth is expected to be realized in part from limited new supply and hoteliers' improved pricing power. In addition to RevPAR growth, occupancy is expected to increase to 64.4% in 2015 from 63.2% in 2014 and 62.3% in 2013, while average daily rates ("ADR") should increase by 5.6% in 2015 from 4.8% in 2014 and from 3.9% in 2013. Demand has recovered in 44 of the top-50 U.S. markets that PKF-HR monitors, while supply remains below the long-run average in 47 of the top-50 markets. Management agrees that this projection is generally reflective of AHIP's Other Branded hotels' expected performance. The Oak Tree Inn hotels will have modest RevPAR growth arising from contractual rate increases negotiated in the various railway contracts.

Some of the key initiatives for AHIP in 2014 include:

- Advance existing negotiations and enter into new negotiations to close on approximately $200 million of accretive acquisitions in 2014
- Achieve a minimum Cdn$250 million market capitalization by the end of 2014
- Maintain an overall leverage of approximately 50% of gross book value
- Maintain Unit distributions, while decreasing the AFFO payout ratio on a run rate basis to 75%

Management believes that AHIP has entered the hotel market at an opportune time. Hotels in secondary and tertiary markets continue to sell at or below replacement cost, average daily rates and occupancy rates continue to be strong and management expects RevPar to grow by 6% for the hotel industry in 2014 as the cycle extends. U.S. CMBS debt availability is at historic underwriting levels for hotels with approximately $13 billion of debt extended in 2013, which

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

is anticipated to increase in 2014. With hotel supply growth slowly returning to pre-2006 levels of 2% to 3%, we believe that this cycle will continue and AHIP will be able to grow to a minimum market capitalization of Cdn$250 million through accretive acquisitions, which is a key initiative for 2014, to provide additional liquidity and scale to further strengthen AHIP's foundation for continued accretive growth.

Management believes AHIP has proven its ability to execute its business plan, with hotel results generally consistent with management's expectations: new hotels in the Oak Tree Inn portfolio coming online in 2014 on target and on budget; the acceleration of negotiations and finalization of agreements for the construction of new hotels within the Oak Tree Inn portfolio secured by five to ten year railway contracts; and the acquisition of the Pittsburgh Portfolio in November 2013 and the Virginia Portfolio in March 2014. With substantial accretive acquisition targets available for AHIP's Other Branded Hotels portfolio, and continuing strength in the railway industry supporting the Oak Tree Inn hotels, AHIP is focused on accelerating the momentum throughout 2014 and beyond.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

AMERICAN HOTEL INCOME PROPERTIES REIT LP

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

	Three months ended March 31, 2014			Three months ended March 31, 2013		
(US$000s unless otherwise noted and except per unit amounts)	**Oak Tree Inn hotels[2]**	**Other Branded hotels[2]**	**Total**	**Oak Tree Inn hotels[2]**	**Other Branded hotels[2]**	**Total**
Number of rooms	2,642	874	3,516	2,505	-	2,505
Number of properties	34	8	42	32	-	32
Number of restaurants	23	-	23	23	-	23
Number of available room nights[1]	235,393	50,652	286,045	97,656	-	97,656
Number of properties under development	4	-	4	1	-	1
Number of rooms under development	241	-	241	60	-	60
Occupancy rate[1]	79.4%	70.4%	77.8%	80.0%	-	80.0%
Average daily room rate ("ADR")[1]	$ 56.65	$ 114.23	$ 65.88	$ 56.38	-	$ 56.38
Revenue per available room ('RevPAR")[1]	$ 44.96	$ 80.39	$ 51.23	$ 45.12	-	$ 45.12
Revenues[1]	$ 13,107	$ 4,116	$ 17,223	$ 5,574	-	$ 5,574
Net operating income ("NOI")[1]	$ 3,819	$ 1,561	$ 5,380	$ 1,943	-	$ 1,943
Loss and comprehensive loss			$ (760)			$ (1,043)
EBITDA			$ 3,354			$ 1,336
Funds from operations ("FFO")			$ 1,998			$ 819
FFO per unit (basic and diluted)			$ 0.14			$ 0.16
Adjusted funds from operations ("AFFO")			$ 1,900			$ 737
AFFO per unit (basic and diluted)			$ 0.13			$ 0.15
Distributions declared (US$)			$ 2,945			$ 983
AFFO payout ratio			155.0%			133.4%
Debt to gross book value			52.6%			45.5%
Weighted average loan interest rate			4.89%			4.84%
Weighted average loan term to maturity			6.76 years			4.87 years
Number of units outstanding (000s)			14,438			10,405
Same property occupancy rate[1]			79.2%			80.0%
Same property ADR[1]			$ 54.08			$ 56.38
Same property RevPAR[1]			$ 42.83			$ 45.12

Notes:

(1) The Oak Tree Inn hotel portfolio was acquired on February 20, 2013 and therefore the operating metrics only include operations for the 39-day period from the acquisition date to March 31, 2013.

(2) Oak Tree Inn hotels are those hotels that have railway lodging agreements. Other Branded hotels are those hotels that have no railway lodging agreements and include the Pittsburgh Portfolio and Virginia Portfolio.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Operational and Financial Highlights

The Oak Tree Inn hotel portfolio was acquired on February 20, 2013 and therefore the results for the quarter ended March 31, 2013 only included operations for the 39-day period from the acquisition date to the reporting date.

Overall portfolio occupancy was 77.8% for the quarter ended March 31, 2014 compared to 80.0% for the quarter ended March 31, 2013. The decrease in occupancy reflects the seasonality of the hotel industry where fewer transient room nights were occupied at Other Branded hotels during the traditionally slower first quarter. In addition, the 39 day period ended March 31, 2013 occurred during the seasonally higher end of the first calendar quarter excluding the traditionally slow period in January.

Average Daily Rate ("ADR") increased to $65.88 for the current quarter compared to $56.38 for the same period last year. The increase in ADR reflects the addition of the Other Branded hotel portfolios that have a greater proportion of rooms sold to leisure guests at higher market rates.

AHIP achieved revenues and NOI of $17.2 million and $5.4 million, respectively, for the three months ended March 31, 2014 compared to $5.6 million and $1.9 million, respectively, for the same period in 2013. The increase in revenues and NOI can be attributed to the acquisition of the Virginia Portfolio of 4 hotels and 403 guestrooms on March 12, 2014, the opening of the 77 room Oak Tree Inn hotel in Jefferson City, Missouri, the acquisition of the Pittsburgh Portfolio of 4 hotels and 471 guestrooms on November 21, 2013, the addition of one new Oak Tree Inn hotel in Livonia, Louisiana in May 2013 and the inclusion of the Oak Tree Inn hotel portfolio results for the full quarter during 2014 compared to only 39 days during the same period last year.

FFO was $2.0 million (or $0.14 per unit) for the current quarter compared to $0.8 million (or $0.16 per unit) for the quarter ended March 31, 2013. The increase was due to higher NOI arising from changes in the portfolio and greater depreciation expenses arising from the longer operating period this quarter. Business acquisition costs were lower in the current period due to higher transactional activity in the prior period. On a per unit basis, FFO was lower in the current quarter due to a higher weighted average number of units outstanding due to the longer operating period, a greater impact from seasonality coupled with the unit issue in October 2013.

AFFO was $1.9 million (or $0.13 per unit) for the current quarter compared to $0.7 million (or $0.15 per unit) for the quarter ended March 31, 2013. The increase was due to higher NOI arising from changes in the portfolio offset by a higher capital expenditure reserve reflecting higher revenues. On a per unit basis, AFFO was lower in the current quarter due to a higher weighted average number of units outstanding due to the longer operating period, a greater impact from seasonality coupled with the unit issue in October 2013.

RESULTS OF OPERATIONS

Seasonality of Hotel Business

The hotel industry is seasonal in nature. Generally, occupancy rates, revenues and operating results for hotels located in the U.S. are greater in the second and third quarters of the calendar year than in the first and fourth quarters. These fluctuations may impact earnings and cash flow.

Based on 2013 actual, total, same-store revenues, the seasonality of AHIP's revenues had the following distribution:

Hotel Segment	Q1 2013	Q2 2013	Q3 2013	Q4 2013	TOTAL
Rail	23.6%	25.4%	26.5%	24.5%	100.0%
Pittsburgh	20.6%	27.4%	28.6%	23.4%	100.0%
Virginia	20.2%	26.9%	27.6%	25.2%	100.0%
AVERAGE	**22.5%**	**26.1%**	**27.1%**	**24.3%**	**100.0%**

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Furthermore, the seasonality of revenues also has an impact on earnings, specifically EBITDA margin, due to certain fixed expenditures such as property taxes, insurance and energy. Based on historical information previously disclosed, the impact of seasonality on normalized EBITDA margin is summarized below:

Hotel Segment	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**AVERAGE**
Rail	22.4%	28.8%	28.6%	26.1%	26.5%
Pittsburgh	23.7%	31.5%	32.9%	26.9%	28.8%
Virginia	23.3%	31.0%	31.8%	29.0%	28.8%
AVERAGE	**23.1%**	**30.4%**	**31.1%**	**27.3%**	**28.0%**

Operations

The following discussion highlights selected financial information for AHIP for the three months ended March 31, 2014 and March 31, 2013. The prior year's results only include operations for the 39-day period from February 20, 2013 to March 31, 2013. This information has been compiled from, and should be read in conjunction with, the condensed consolidated interim financial statements and related notes to the financial statements.

(US$000s unless otherwise noted and except per unit amounts)	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Revenues	$ 17,223	$ 5,574
Hotel expenses	11,843	3,631
Net operating income	5,380	1,943
Depreciation and amortization	2,354	772
Income From Operating Activities	3,026	1,171
Corporate and administrative	2,026	607
Business acquisition costs	369	1,161
Income before finance costs and income taxes	631	(597)
Finance income	(29)	(6)
Finance costs	1,566	466
Loss before income taxes	(906)	(1,057)
Current income tax expense	-	57
Deferred income tax recovery	(146)	(71)
Loss and comprehensive loss	$ (760)	$ (1,043)
Basic and diluted weighted average loss per unit	$ (0.05)	$ (0.21)
Basic and diluted weighted average number of units outstanding	14,437,800	4,969,831

Increases in revenues, expenses and NOI can be attributed to the acquisition of the Virginia Portfolio of 4 hotels and 403 guestrooms on March 12, 2014, the opening of the 77 room Oak Tree Inn hotel in Jefferson City, Missouri, the acquisition of the Pittsburgh Portfolio of 4 hotels and 471 guestrooms on November 21, 2013, the addition of one new Oak Tree Inn hotel in Livonia, Louisiana in May 2013 and inclusion of the Oak Tree Inn hotel portfolio results for the full quarter during 2014.

Hotel expenses consist of hotel operating expenses including labour costs, energy, property maintenance expenses, property taxes and insurance. The changes in the balances between periods reflect the portfolio changes.

Depreciation and amortization expenses consist of depreciation charges on property, buildings and equipment, and amortization of intangible assets. Depreciation and amortization expenses for the quarter were $2.4 million compared to $0.8 million in the prior year. The increased amounts were caused by the changes to the portfolio between the two reporting periods. As a percentage of total revenues, depreciation and amortization was 13.7% of total revenues in the current quarter compared to 13.9% for the same period in the prior year.

Corporate and administrative expenses consist of hotel management fees, employee payroll costs, securities based compensation, directors fees, professional fees and office expenses. Corporate and administrative expenses were $2.0 million in the current year compared to $0.6 million in the prior year as follows:

(US$000s unless otherwise noted)	Three months ended March 31, 2014	Three months ended March 31, 2013
Hotel management fees	$ 763	$ 257
Foreign exchange losses	321	3
Salaries, benefits and directors fees	282	112
Office and general	248	86
Stock based compensation	242	-
Professional fees	170	149
Total Corporate and Administrative Expenses	$ 2,026	$ 607

The increase in corporate and administrative expenses can be attributed to the portfolio changes between the two reporting periods resulting in higher property management fees. In addition, one-off items such as foreign exchange losses of $0.3 million coupled with the impact of the securities based compensation related to the grants issued to certain AHIP employees in December 2013 of $0.2 million also contributed to the increase. The foreign exchange loss was triggered by the significant movement in exchange rates between December 31, 2013 and the investment of the cash in the Virginia Portfolio on March 12, 2014. During that period of time, the US$/Cdn$ exchange rate moved from US$1.00=Cdn$1.06 to US$1.00=Cdn$1.11.

Business acquisition costs consist primarily of professional fees directly attributable to the acquisition of hotel properties. Under IFRS, all transactional costs are expensed in the period incurred irrespective of the final outcome of the acquisition. Business acquisition costs were $0.4 million during the current quarter compared to $1.2 million in the same quarter in 2013. The difference is due to the significant 32 hotel Oak Tree Inn acquisition that occurred in February 2013 compared to the smaller 4 room Virginia Portfolio transaction that occurred during the current quarter.

Finance costs primarily consists of interest on term loans and the construction facility, preferred share dividends, non-cash accretion expense, and amortization of contingent consideration offset by interest income.

Net finance costs were $1.6 million in the current quarter compared to $0.5 million in the same quarter in 2013. The increased amounts were caused by the changes to the portfolio and related financing between the two reporting periods. As a percentage of total revenues, net finance costs were 9.1% of total revenues in the current quarter compared to 8.4% for the same period in the prior year. The increase was due to financing related to the acquisition of the Other Branded hotel acquisitions in November 2013 and March 2014.

AHIP is a not a SIFT limited partnership pursuant to the Income Tax Act (Canada). Under the Income Tax Act (Canada), as long as AHIP meets prescribed conditions relating to the nature of its assets and revenue, it is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. As a result, current income taxes have not been recognized in the consolidated financial statements for the current quarter. AHIP's indirect subsidiaries, Lodging Enterprises LLC and AHIP Enterprises LLC are taxable subsidiaries of the US REIT and were subject to current income tax in the prior year.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of the intangible assets and contingent consideration for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. AHIP has used a blended rate of 40% to calculate its related deferred income tax provisions.

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Total Portfolio Operating Statements

(US$000s unless otherwise noted and except per unit amounts)	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Number of rooms	3,516	2,505
Number of properties	42	32
Number of restaurants	23	23
Available room nights	286,045	97,656
Occupied rooms	222,448	78,153
Occupancy %	77.8%	80.0%
ADR $	$ 65.88	$ 56.38
RevPAR $	$ 51.23	$ 45.12
Revenues		
Rooms	$ 14,654	$ 4,407
Food and beverage	2,399	1,047
Other	170	120
TOTAL REVENUES	17,223	5,574
Expenses		
Operating expenses	8,738	2,822
Energy	1,103	237
Property maintenance	978	290
Taxes and insurance	1,024	282
TOTAL EXPENSES	11,843	3,631
NET OPERATING INCOME	$ 5,380	$ 1,943
NOI Margin %	31.2%	34.9%

Overall portfolio occupancy was 77.8% for the quarter ended March 31, 2014 compared to 80.0% for the quarter ended March 31, 2013. The change in occupancy reflects the seasonality of the hotel industry where fewer room nights were occupied at Other Branded hotels during the traditionally slower quarter. The NOI margin declined during the quarter from 34.9% to 31.2% compared to the prior year due to higher weather related energy costs and higher property maintenance expenses. In addition, the 39 day operating period ended March 31, 2013 occurred during the seasonally higher end of the first calendar quarter excluding the traditionally slow revenue period in January, therefore resulting in higher reported margins for 2013.

Average Daily Rate ("ADR") increased to $65.88 for the current quarter compared to $56.38 for the same period in 2013. The increase in ADR reflects the addition of the Pittsburgh and Virginia portfolios that have a greater proportion of rooms sold to transient guests at higher market rates.

AHIP achieved revenues and NOI of $17.2 million and $5.4 million, respectively, for the three months ended March 31, 2014 compared to $5.6 million and $1.9 million, respectively, for the same period in 2013. The increase in revenues and NOI can be attributed to the acquisition of the Virginia Portfolio of 4 hotels and 403 guestrooms on March 12, 2014, the opening of the 77 room Oak Tree Inn hotel in Jefferson City, Missouri, the acquisition of the Pittsburgh Portfolio of 4 hotels and 471 guestrooms on November 21, 2013, the addition of one new Oak Tree Inn hotel in Livonia, Louisiana in May 2013 and the inclusion of the Oak Tree Inn hotel portfolio results for the full quarter during 2014 compared to only 39 days during the same period last year.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Oak Tree Inn Hotels Operating Statements

(US$000s unless otherwise noted and except per unit amounts)	Three months ended March 31, 2014	Three months ended March 31, 2013
Number of rooms	2,642	2,505
Number of properties	34	32
Number of restaurants	23	23
Available room nights	235,393	97,656
Occupied rooms	186,803	78,153
Occupancy %	79.4%	80.0%
ADR $	$ 56.65	$ 56.38
RevPAR $	$ 44.96	$ 45.12
Revenues		
Rooms	$ 10,582	$ 4,407
Food and beverage	2,399	1,047
Other	126	120
TOTAL REVENUES	13,107	5,574
Expenses		
Operating expenses	6,859	2,822
Energy	885	237
Property maintenance	753	290
Taxes and insurance	791	282
TOTAL EXPENSES	9,288	3,631
NET OPERATING INCOME	$ 3,819	$ 1,943
NOI Margin %	29.1%	34.9%

Overall occupancy and ADR are consistent with prior periods. Revenues, expenses and NOI are significantly higher than the prior year due to the current quarter reflecting ownership of the portfolio for the full quarter compared to only 39 days in the prior year.

NOI margin for the current quarter was 29.1% compared to 34.9% in the prior period. The decline can be attributed to higher energy costs arising from the colder weather in the current period compared to last year as well as higher property maintenance costs were incurred as a result of property insurance claims at certain properties. In addition, the 39 day period ended March 31, 2013 occurred during the seasonally higher end of the first calendar quarter excluding the traditionally slow revenue period in January, therefore resulting in higher reported 2013 margins.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Other Branded Hotels Operating Statements

(US$000s unless otherwise noted and except per unit amounts)	Three months ended March 31, 2014	Three months ended March 31, 2013
Number of rooms	874	-
Number of properties	8	-
Available room nights	50,652	-
Occupied rooms	35,645	-
Occupancy %	70.4%	-
ADR $	$ 114.23	$ -
RevPAR $	$ 80.39	$ -
Revenues		
Rooms	$ 4,072	$ -
Food and beverage	-	-
Other	44	-
TOTAL REVENUES	4,116	-
Expenses		
Operating expenses	1,880	-
Energy	219	-
Property maintenance	224	-
Taxes and insurance	232	-
TOTAL EXPENSES	2,555	-
NET OPERATING INCOME	$ 1,561	$ -
NOI Margin %	37.9%	-

The Other Branded hotels consist of the 4 Pittsburgh hotels acquired in November 2013 and the 4 Virginia hotels acquired in March 2014.

The higher NOI margin reflects the rooms only focus of these limited service, branded properties, which have higher margins.

AMERICAN HOTEL INCOME PROPERTIES REIT LP

Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Same Property Operating Metrics

The following table presents same property operating metrics for the quarters ended March 31, 2014 and March 31, 2013, respectively. The comparisons of same property operations are for the 32 hotels owned as of March 31, 2013. Same property calculations exclude the Livonia and Jefferson City Oak Tree Inn hotels and the Pittsburgh and Virginia Properties which were acquired after March 31, 2013 and therefore were not owned by the Company throughout each of the periods presented.

(US$000s unless otherwise noted and except per unit amounts)	Three months ended March 31, 2014	Three months ended March 31, 2013
Number of rooms	2,505	2,505
Number of properties	32	32
Number of restaurants	23	23
Available room nights	225,450	97,656
Occupied rooms	178,518	78,153
Occupancy %	79.2%	80.0%
ADR $	$ 54.08	$ 56.38
RevPAR $	$ 42.83	$ 45.12
Revenues		
Rooms	$ 9,655	$ 4,407
Food and beverage	2,399	1,047
Other	578	120
TOTAL REVENUES	12,632	5,574
Expenses		
Operating expenses	6,693	2,822
Energy	867	237
Property maintenance	723	290
Taxes and insurance	377	282
TOTAL EXPENSES	8,660	3,631
NET OPERATING INCOME	$ 3,972	$ 1,943
NOI Margin %	31.4%	34.9%

Overall occupancy and ADR are consistent with prior periods. Revenues, expenses and NOI are significantly higher than the prior year due to the current quarter reflecting ownership of the portfolio for the full quarter compared to only 39 days in the prior year.

NOI margin for the current quarter was 31.4% compared to 34.9% in the prior period. The decline from the prior year can be attributed to higher energy costs arising from the colder weather in the current period compared to last year. In addition, higher property maintenance costs were incurred as a result of property insurance claims at certain properties. In addition, the 39 day period ended March 31, 2013 occurred during the seasonally higher end of the first calendar quarter excluding the traditionally slow period in January, therefore resulting in higher reported 2013 margins.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

RECONCILIATION OF NON-IFRS OPERATING RESULTS

FUNDS FROM OPERATIONS (FFO)

FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be used as a substitute for net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors of the REIT with additional information to improve their understanding of AHIP's operating results. AHIP calculated FFO in accordance with the *REALpac White Paper on Funds from* Operations as described in the "Non-IFRS Measures" section of this MD&A. FFO to loss and comprehensive loss is calculated as follows:

(US$000s unless otherwise noted and except per unit amounts)	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Loss and comprehensive loss	$ (760)	$ (1,043)
Add/(Deduct)		
Depreciation and amortization	2,354	772
Business acquisition costs	369	1,161
Foreign exchange loss	181	-
Deferred income tax recovery	(146)	(71)
Funds from operations (FFO)	**$ 1,998**	**$ 819**
Weighted average number of units outstanding (000s)		
Basic and diluted	14,438	4,970
FFO per unit (basic and diluted)	$ 0.14	$ 0.16

FFO was $2.0 million (or $0.14 per unit) for the current quarter compared to $0.8 million (or $0.16 per unit) for the quarter ended March 31, 2013. The increase was due to higher NOI and greater depreciation expenses arising from the longer operating period this quarter. The foreign exchange loss was due to the movement in the Cdn$/US$ exchange rate between December 31, 2013 and the investment in the Virginia Portfolio on March 12, 2014. During that period of time, the US$/Cdn$ exchange rate moved from US$1.00=Cdn$1.06 to US$1.00=Cdn$1.11. Business acquisition costs were lower in the current period due to higher transactional activity in the prior period. On a per unit basis, FFO was lower in the current quarter due to a higher weighted average number of units outstanding due to the longer operating period, a greater impact from seasonality coupled with the unit issue in October 2013.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The operations of a hotel real estate business require maintenance capital expenditures to maintain the occupancy and revenue streams of the business. AFFO is a widely used non-IFRS measure in the Canadian real estate industry to indicate available cash flow after maintenance capital expenditures. AFFO is not defined under IFRS and the method applied by AHIP to calculate AFFO may differ from methods applied by other issuers and as a result may not be comparable with measures used by such other issuers.

In calculating AFFO, AHIP makes certain adjustments to FFO as described in the "Non-IFRS Measures" section of this MD&A.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

(US$000s unless otherwise noted and except per unit amounts)	Three months ended March 31, 2014	Three months ended March 31, 2013
Funds from operations (FFO)	**$ 1,998**	**$ 819**
Add/(Deduct)		
Securities-based compensation expense	242	-
Accretion of contingent consideration	50	21
Amortization of deferred financing costs	92	29
FFE Reserve	(482)	(132)
Adjusted funds from operations (AFFO)	**$ 1,900**	**$ 737**
Weighted average number of units outstanding (000s)		
Basic and diluted	14,438	4,970
AFFO per unit (basic and diluted)	$ 0.13	$ 0.15

AFFO was $1.9 million (or $0.13 per unit) for the current quarter compared to $0.7 million (or $0.15 per unit) for the quarter ended March 31, 2013. The increase was due to higher NOI offset by a higher FFE reserve reflecting higher revenues. On a per unit basis, AFFO was lower in the current quarter due to a higher weighted average number of units outstanding due to the longer operating period, a greater impact from seasonality coupled with the unit issue in October 2013.

SUMMARY OF QUARTERLY RESULTS

In accordance with Item 1.5 of Form 51-102F1 – Management's Discussion & Analysis, quarterly information has been presented for six quarters only because AHIP was formed on October 12, 2012. Prior to AHIP's acquisition of the Oak Tree Inn hotels on February 20, 2013, AHIP did not have any operating activities. The results for the three month period ended March 31, 2013 reflect only 39 days of hotel operations. See the discussion in "*Results from Operations*" for information on the three-month period ended March 31, 2014 presented below:

(US$000s except per Unit amounts)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenues	$ 17,223	$ 14,495	$ 14,343	$ 13,640	$ 5,574	$ -
Net income (loss) and comprehensive income (loss)	(760)	(955)	1,042	639	(1,043)	(455)
Basic and diluted net income (loss) per unit	$ (0.05)	$ (0.07)	$ 0.10	$ (0.06)	$ (0.21)	$ (0.93)

The hospitality industry is subject to seasonality and other risks and uncertainties which result in fluctuations in financial results over reporting periods.

FINANCIAL CONDITION

Liquidity

The principal liquidity needs of AHIP arise from working capital requirements, debt servicing and repayment obligations, distributions to Unitholders, maintenance capital expenditures, and future hotel acquisitions.

Cash flows from operations and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent on hotel operations including occupancy levels, room rates and operating costs.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

The following table sets out AHIP's contractual obligations as noted above over the next five years and thereafter.

(US$000s)	2014	2015	2016	2017	2018	Thereafter
Term loans	$2,649	$5,315	$3,879	$4,613	$53,964	$63,237
Operating leases	255	221	160	76	-	-
Deferred compensation payable	-	-	500	-	-	-
Contingent consideration	-	-	5,500	-	-	-
	$2,904	$5,536	$10,039	$4,689	$53,964	$63,237

Debt Strategy

AHIP's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis with terms to maturity that allows AHIP to:

i) achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period and

ii) fix rates and extend loan terms when borrowing conditions are favorable.

The fixed rate mortgages are expected to be primarily first charge mortgages. Subject to market conditions and AHIP's growth, management currently intends to maintain total indebtedness at approximately 50-55% of AHIP's gross book value. In accordance with the Declaration of Trust, the maximum debt limit is 60% (65% including convertible debentures) of AHIP's gross book value. As at March 31, 2014, AHIP's debt-to-gross book value was 52.6%.

(US$000s unless otherwise noted)	March 31, 2014	March 31, 2013
Debt	$139,657	$76,623
Gross Book Value	265,561	168,288
Debt to Gross Book Value	52.6%	45.5%

The following table sets out the interest rates and terms of AHIP's current debt financing obligations:

(US$000s unless otherwise noted)	Balance at March 31, 2014	Interest Rate	Initial Term (years)	Maturity Date
Construction facility	$1,612	4.00%	2	February 20, 2015
Oak Tree Hotel Loans	66,737	4.85%	5	February 20, 2018
Oak Tree Hotel Loan Amendment #1	2,808	4.00%	10	January 1, 2024
Pittsburgh Portfolio Term Loans	38,000	5.02%	10	December 6, 2023
Virginia Portfolio Term Loan	24,500	4.97%	10	April 6, 2024
	$133,657			

Capital Resources

As at March 31, 2014 AHIP was in compliance with all of its lending covenants relating to the Construction Facility, Oak Tree Hotel Loans (including Amendment #1), the Pittsburgh Term Loans and the Virginia Term Loans.

Management intends to obtain additional equity financing and / or secured debt financing with similar interest rates and terms to meet AHIP's planned growth strategy. Management has not identified any unfavourable trends or fluctuations that may impact AHIP's ability to obtain additional equity financing and / or secured debt financing. AHIP has not obtained or made use of any additional sources of financing that are not disclosed in its condensed consolidated interim financial statements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Partners' Capital

AHIP is authorized to issue an unlimited number of Units.

On February 20, 2013, AHIP closed its IPO of 9,570,000 Units, including the partial exercise of the over-allotment option, priced at Cdn$10.00 per Unit, for gross proceeds of Cdn$95.7 million (US$94.1 million). On March 1, 2013, the exercise of the remaining balance of the over-allotment option was completed, resulting in the issuance of an additional 435,000 Units at a price of Cdn$10.00 per Unit, for gross proceeds of Cdn$4.4 million (US$4.2 million).

On October 31, 2013, AHIP completed the Offering of Subscription Receipts, issuing a total of 3,967,500 Subscription Receipts at a price of Cdn$10.15 per Subscription Receipt for gross proceeds of Cdn$40.3 million (US$38.3 million), which included 517,500 Subscription Receipts related to the overallotment.

On November 21, 2013, upon completion of the acquisition of the Pittsburgh Portfolio hotels, one Unit of AHIP was issued in exchange for each outstanding Subscription Receipt without payment of additional consideration, which resulted in the issuance of 3,967,500 Units.

As at March 31, 2014, there were 14,437,800 Units outstanding. On March 31, 2014, the units were traded on the TSX with a closing ask price of Cdn$10.40, and on the OTCQX with a closing ask price of $9.43. As at May 8, 2014, there were 14,437,800 Units outstanding.

DISTRIBUTION HISTORY

Distribution Policy

AHIP's current policy is to declare and pay monthly cash distributions using available cash to the maximum extent possible. Management's goal is for the amount of cash available for distribution to approximate the monthly cash receipts of AHIP less reserves and any other adjustments the General Partner reasonably considers are required for expenses and other obligations of AHIP. Management has not identified any legal or practical restrictions on the ability of AHIP's properties to transfer funds within AHIP's structure. The declaration of distributions is subject to the discretion of the Board of Directors of the General Partner and will be evaluated periodically and may be revised. AHIP is currently making monthly cash distributions of Cdn$0.075 per Unit to Unitholders. Distribution declarations will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month.

Distributions Summary

Distributions totaling Cdn$3.2 million were declared during the three months ended March 31, 2014, of which Cdn$1.1 million was included in accounts payable and accrued liabilities at March 31, 2014 and subsequently paid on April 15, 2014.

AHIP declared and paid cash distributions to Unitholders of record from January 1, 2014 to March 31, 2014 as per the following table:

Month	Record Date	Payment Date	Distribution per Unit (Cdn$)	Amount (Cdn$000s)
January 2014	January 31, 2014	February 17, 2014	$0.075	$1,083
February 2014	February 28, 2014	March 14, 2014	$0.075	$1,083
March 2014	March 31, 2014	April 15, 2014	$0.075	$1,083
			$0.225	$3,249

OFF-BALANCE SHEET ARRANGEMENTS

AHIP does not have any off-balance sheet arrangements.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

TRANSACTIONS WITH RELATED PARTIES

AHIP entered into a hotel management agreement with Tower Rock Hotels & Resorts Inc. ("TR"), a company controlled by a director of the General Partner, to manage and operate AHIP's hotel properties.

The operating subsidiaries of AHIP are responsible for reimbursing TR for any operating expenses and direct costs incurred with respect to the operations of the properties and their lodging businesses, such as salary and benefit costs of hotel staff and other operating expenses. The hotel management agreements also provide for an amount equal to 3.5% of gross revenues to be paid to TR. TR is also entitled to a capital expenditure fee equal to 5.0% of capital expenditures, including maintenance capital expenditures (but excluding maintenance and repair expenses). In addition, commencing in fiscal 2014, TR is eligible to receive an incentive fee up to 15% of the amount by which the gross operating profit of all properties managed by TR, on an aggregate basis, exceeds the annual budgeted gross operating profit for all hotels as approved by the independent directors of the General Partner. The incentive fee may not exceed 50% of the aggregate base hotel management fees for the year in which the incentive fee is earned.

In addition, an annual administration fee of $15,000 is payable to TR per property acquired on February 20, 2013 for each of the first and second years of the agreement, $20,000 per property in the third year of the agreement, and $25,000 per property in each year thereafter. A fee of $25,000 per property is payable for properties acquired subsequent to February 20, 2013.

AHIP recorded the following fees charged by TR in corporate and administrative expenses for the three months ended March 31, 2014 and March 31, 2013.

(US$000s unless otherwise noted)	Three months ended March 31, 2014	Three months ended March 31, 2013
Management fees	$ 603	$ 198
Administration fees	160	51
Capital management fees	18	8
	$ 781	$ 257

Capital management fees of $18,000 have been capitalized to property, buildings and equipment for the three months ended March 31, 2014 (March 31, 2013 - $8,000).

During the three months ended March 31, 2014, the Hotel Manager incurred $5.8 million in direct expenses on behalf of the hotel properties compared to $1.6 million in the prior year. The direct expenses consisted primarily of payroll costs and other general and administrative costs including travel and office expenses.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING STANDARDS

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as at the date of the condensed consolidated interim financial statements, and the reported amounts of income and expenses during the financial reporting period. Actual results may differ from these estimates.

Accounting estimates

Significant areas of estimates include the following:

i) Business combinations

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition dates. AHIP obtained third-party valuations to support management's determination of the fair value of property, buildings and equipment. Management evaluated the incremental earning stream attributable to the lodging agreements discounted at an expected rate of return to support the determination of the value of intangible assets.

ii) Depreciation and amortization

Management has estimated the useful lives of property, buildings and equipment in the determination of depreciation. The estimated useful lives of property, buildings and equipment are determined based on various factors including historical data and AHIP's expected use of the assets. Intangible assets are amortized over the average remaining contractual term of the lodging agreements.

Accounting standards adopted in the period:

The following new accounting standards were adopted by AHIP effective January 1, 2014. The new accounting standard is also expected to be reflected in AHIP's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

i) IFRIC 21 – Levies

IFRCI 21 provides an interpretation of the requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the recognition of liabilities for obligations to pay levies that are within the scope of IFRCI 21. The effective date of this standard was January 1, 2014. The standard has no material impact on AHIP's condensed consolidated interim financial statements.

SUBSEQUENT EVENTS

a) Distributions

On April 17, 2014, AHIP announced a cash distribution of $985 (or Cdn$0.075 per unit, which is equivalent to Cdn$0.90 per Unit on an annualized basis) for the period of April 1, 2014 to April 30, 2014 to be paid to Unitholders of record on April 30, 2014. The distribution will be paid on May 15, 2014.

b) Additional mezzanine financing advanced to SunOne

On April 10, 2014, AHIP advanced $0.3 million in additional mezzanine loans receivable to SunOne pursuant to the mezzanine loan agreements with SunOne for the following properties:

(US$000s)	**As at March 31, 2014**		**As at May 9, 2014**		
Properties under development	Total mezzanine financing available	Mezzanine loan amount drawn	Additional loans drawn	Mezzanine loan amount drawn	Mezzanine financing available
Santa Teresa, NM	$650	$346	$186	$532	$118
Brunswick, MD	392	66	32	98	294
Wellington, KS	931	-	72	72	859
Glendive, MT	638	73	-	73	565
	$2,611	$485	$290	$775	$1,836

c) Acquisition of Santa Teresa Oak Tree Inn Hotel

On May 1, 2014, pursuant to the terms of the Master Development Agreement with SunOne and upon the completion of the construction of the Oak Tree Inn hotel at Santa Teresa, NM, AHIP purchased the property from SunOne for $5.1 milion. The purchase was financed by cash of $0.4 million, a term loan of $3.2 million, cancellation of the mezzanine loan receivable of $0.5 million and the issuance of $1.0 million in Units.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

As part of this transaction, the existing Oak Tree Hotel Loan agreement was amended ("Amendment #2") to provide additional loan proceeds of $3.2 million for a term of 5 years at an interest rate of 4.25% per annum. The loan is being amortized over 180 months with the first principal payment starting in June 2014. This loan is guaranteed by the US REIT and contains certain covenants and restrictions.

Partial consideration for this purchase included the issuance of 101,247 Units with the number of Units based on the five-day volume-weighted average Unit price of Cdn$10.825 as of April 30, 2014 converted from Canadian dollars to US dollars at 1.096 Cdn$/US$.

d) Construction Facility Amendment

Amendment #2 also converted amounts outstanding under the Construction Facility into an additional $1.6 million term loan for a term of 5 years at an interest rate of 4.25% per annum. The loan is being amortized over 180 months with the first principal payment starting in June 2014. This loan is guaranteed by the US REIT and contains certain covenants and restrictions.

INTERNAL CONTROLS

National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" (“NI 52-109”) requires the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) to be responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting ("ICFR"), as defined in the instrument. DC&P are designed to provide reasonable assurance that material information required to be disclosed by AHIP in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are designed to ensure that material information required to be disclosed by AHIP in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to AHIP's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

AHIP's ICFR may not prevent or detect all misstatements because of the inherent limitations of any control system. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with AHIP's policies and procedures.

As at March 31, 2014, AHIP's management, under the supervision of its CEO and CFO, has completed an assessment of the design and effectiveness of DC&P and ICFR, with the exception of the scope of design of DC&P and ICFR as noted below. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control – Integrated Framework. Based on this assessment, the CEO and CFO concluded that AHIP's DC&P and ICFR were effective as at March 31, 2014.

In accordance with Section 3.3(1) (b) of NI 52-109, AHIP's CEO and CFO have limited the scope of design of DC&P and ICFR to exclude the controls, policies and procedures related to the Other Branded hotels, as they were acquired on November 21, 2013 and March 12, 2014 and less than 365 days before the last day of the three months ended March 31, 2014. The results of the Other Branded hotels constitute approximately 24% of AHIP's operating results for the period ended March 31, 2014 included in the condensed consolidated interim financial statements and related notes. AHIP intends to complete the design of DC&P and ICFR of the Other Branded hotels by the December 31, 2014.

CURRENCY SWAP ARRANGEMENTS

A substantial portion of AHIP’s investments and operations are conducted in U.S. dollars and AHIP pays distributions to Unitholders in Canadian dollars. Therefore, AHIP has exposure to fluctuations in currency exchange rates. For the quarter ended March 31, 2014, AHIP did not enter into any currency swap arrangements. Management will continue to explore opportunities to enter into currency swap arrangements as a currency risk management tool.

RISKS AND UNCERTAINTIES

For a full list and explanation of AHIP's risks and uncertainties, please refer to AHIP's 2013 Annual Information Form dated March 26, 2014 (the "AIF") and AHIP's IPO Prospectus, and AHIP's final prospectus for the Offering, all of which are available on SEDAR at www.sedar.com and on AHIP's website at www.ahipreit.com. Although AHIP believes that the risk factors in the AIF and the prospectuses are the most material risks that AHIP faces, they are not the only ones. Additional risk factors not presently known to AHIP or that AHIP currently believes are immaterial could also materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition and AHIP's ability to make cash distributions to unitholders and negatively affect the value of its Units.

For all of the aforesaid reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in AHIP's AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

ADDITIONAL INFORMATION

Additional information relating to AHIP, including the company's AIF, is available on SEDAR at www.sedar.com and on AHIP's website at www.ahipreit.com.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

DETAILS OF PROPERTY PORTFOLIO

Hotel Address	Location	Number of Rooms	Restaurant
Oak Tree Inn Hotels			
2407 East Holland Ave.	Alpine, TX	40	Yes
3522 N. Highway 59	Bill, WY	112	Yes
3475 Union Rd.	Buffalo, NY	56	-
1625 Stillwater Ave.	Cheyenne, WY	60	Yes
2300 Valley West Ct.	Clinton, IA	123	-
21233 Coal River Rd.	Comfort, WY	25	-
1608 W U.S. Business 60	Dexter, MO	109	Yes
4000 Siskiyou Ave.	Dunsmuir, CA	21	Yes
95 Spruce Rd.	Elko, NV	120	-
2700 N Diers Pkwy.	Fremont, NE	100	Yes
220 15th St. SE	Glenwood, MN	56	Yes
1170 W. Flaming Gorge Way	Green River, WY	191	Yes
1051 North Market St.	Hearne, TX	116	Yes
1110 SE 4th St.	Hermiston, OR	62	-
1710 Jefferson Street (2)	Jefferson City, MO	77	-
501 SW Blvd.	Kansas City, KS	112	-
7875 Airline Hwy	Livonia, LA	42	Yes
8233 Airline Hwy(1)	Livonia, LA	60	-
123 Westvaco Rd.	Low Moor, VA	30	Yes
1127 Pony Express Hwy	Marysville, KS	139	Yes
528 S. George Nigh Expy.	McAlester, OK	61	-
777 W Center St.	Milford, UT	75	Yes
128 S. Willow Rd.	Missouri Valley, IA	41	Yes
707 E. Webster St.	Morrill, NE	97	Yes
451 Halligan Dr.	North Platte, NE	111	Yes
22 N. Frontage St.	Pecos, TX	61	-
2005 E. Daley St.	Rawlins, WY	62	Yes
K27 & Commerce St.	Sharon Springs, KS	50	Yes
12 Kitty Hawk Road (5)	Santa Teresa, NM	56	Yes
U.S. 285 & 2nd St.	Vaughn, NM	60	Yes
1177 E. 16th St.	Wellington, KS	80	Yes
1706 N. Park Dr.	Winslow, AZ	72	-
98 Moffat Ave.	Yampa, CO	37	Yes
35450 Yermo Rd.	Yermo, CA	65	Yes
1731 S. Sunridge Dr.	Yuma, AZ	119	Yes
TOTAL OAK TREE INN HOTELS	**35 properties**	**2,698**	**24**
Other Branded Hotels			
1308 Freedom Rd. (Residence Inn) (3)	Cranberry Township, PA	96	-
210 Executive Dr. (Hampton Inn) (3)	Cranberry Township, PA	116	-
8514 University Blvd. (Hampton Inn) (3)	Moon, PA	127	-
555 Trumbull Dr. (Hampton Inn) (3)	Pittsburgh, PA	132	-
150 Arnold Dr. (Hampton Inn) (4)	South Hill, VA	90	-
898 Wiggins Rd. (Hampton Inn) (4)	Emporia, VA	85	-
85 University Blvd. (Hampton Inn) (4)	Harrisonburg, VA	160	-
43 Covenant Dr. (Fairfield Inn & Suites) (4)	Harrisonburg, VA	68	-
TOTAL OTHER BRANDED HOTELS	**8 properties**	**874**	**-**
GRAND TOTAL	**43 properties**	**3,572**	**24**

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790

Footnotes:

(1) – Opened in May 2013
(2) – Opened on February 4, 2014
(3) – Acquired on November 21, 2013
(4) – Acquired on March 12, 2014
(5) – Opened on May 2, 2014

DETAILS OF SUNONE HOTELS UNDER DEVELOPMENT

Hotel Address	Location	Number of Rooms	Restaurant
620 Sounder Road	Brunswick, MD	25	Yes
2002 N. Merrill Avenue	Glendive, MT	50	Yes
1004 E 16th Street	Wellington, KS	110	-
TOTAL SUNONE DEVELOPMENTS	**3 Properties**	**185**	**2**

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660 • 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 630-3134 • Fax (604) 629-0790