AMERICAN HOTEL INCOME PROPERTIES REIT LP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and six months ended June 30, 2013

Dated: August 8, 2013

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

TABLE OF CONTENTS

American Hotel Income Properties REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the financial position and the results of operations of American Hotel Income Properties REIT LP ("AHIP") for the three and six months ended June 30, 2013 should be read in conjunction with AHIP's unaudited condensed consolidated interim financial statements for the same period. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

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*" 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.

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 August 8, 2013 and AHIP assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements of AHIP for the three and six months ended June 30, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts presented in this MD&A are in United States dollars, unless otherwise noted.

AHIP was formed on October 12, 2012 and had no operating activities prior to indirectly acquiring its initial portfolio, Lodging Enterprises, on February 20, 2013. Therefore, comparative results for the three and six month periods ended June 30, 2012 for AHIP's indirectly owned operating subsidiaries are not available. As such, certain operating results of AHIP presented for the six month period ended June 30, 2013 reflect only the operational results of Lodging Enterprises for the 130-day period from the acquisition of Lodging Enterprises on February 20, 2013 to June 30, 2013.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

Any comparative information provided is for reference purposes only and is not intended to represent a comprehensive comparison of the condensed consolidated interim financial results.

NON-IFRS MEASURES

Certain non-IFRS financial measures are included in this MD&A, which include debt to gross book value, funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"). These terms are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. Real estate investment trusts often refer to FFO, AFFO and NOI as supplemental measures of performance and debt to gross book value as a supplemental measure of financial condition.

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

"Debt" is defined as the face value of the Construction Facility and Term Loan.

"Gross book value" is defined as the sum of total assets less the deferred income tax asset.

AHIP believes that AFFO is an important measure of economic performance and is indicative of AHIP's ability to pay distributions, while FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. See "*Reconciliation of Non-IFRS Operating Results*" for a reconciliation of FFO, AFFO and NOI to net income for the applicable reporting period.

"FFO" is defined as net income and comprehensive income in accordance with IFRS, excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties; (iii) business acquisition costs and business combination costs; and (iv) deferred income tax expense/recovery.

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

"NOI" is defined as revenue after operating expenses have been deducted (excluding depreciation and amortization).

Debt to gross book value, FFO, AFFO and NOI should not be construed as alternatives to measurements determined in accordance with IFRS as indicators of AHIP's performance or financial condition. AHIP's method of calculating debt, gross book value, FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

AMERICAN HOTEL INCOME PROPERTIES REIT LP

OVERVIEW

About AHIP

AHIP is a limited partnership formed under the Limited Partnership Act (Ontario) to invest in hotel real estate properties primarily in the United States. 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 is c/o 1660 – 401 West Georgia Street, Vancouver, British Columbia, 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 "US REIT"), a ROC share being defined as a share in the capital of the US 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 US REIT. The US 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 will be to:

(i) generate stable and growing cash distributions from hotel properties substantially in the United States

(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 Adjusted Funds From Operations ("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.

Effective July 22, 2013, AHIP's units are also trading in the United States on the OTCQX International marketplace under the symbol AHOTF.

Operational and financial highlights

Acquisition of Lodging Enterprises on February 20, 2013

On February 20, 2013, wholly-owned subsidiaries of AHIP indirectly acquired 100% of the outstanding share capital of Lodging Enterprises consisting of 32 hotel properties located throughout the US, of which three properties were under construction at the date of the acquisition. The aggregate purchase price was $127,500,000, subject to working capital and capital expenditure adjustments, of which $59,561,840 was paid in cash, $74,538,344 was assumed under an existing Term Loan and the balance attributable to contingent consideration.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

The preliminary allocation of purchase price to the assets acquired and liabilities assumed is as follows:

Property, buildings and equipment	$129,041,343
Intangible assets	8,907,370
Deferred income tax asset	1,966,541
Deferred income tax liability	(2,200,000)
Trade and other receivables	811,447
Other assets	413,739
Cash provided by seller	1,755,111
Deposits	224,056
Accounts payable and accrued expenses	(1,869,389)
Deferred revenue	(33,685)
Term Loan	(74,538,344)
Net assets acquired	$64,478,189

Consideration:	
Cash	$59,561,840
Contingent consideration (earnout)	4,916,349
	$64,478,189

Pursuant to the purchase agreement, $5,500,000 of the purchase price is allocated as contingent consideration and subject to an earnout provision upon achievement of certain performance-based targets prior to December 31, 2015. To the extent earned, AHIP's indirect U.S. subsidiary has the option of paying such amount in cash or in units of AHIP, or a combination thereof, by January 20, 2016. This contingent consideration has been recorded at a present value of $4,916,349 using a 4.0% discount rate. As at June 30, 2013 the unamortized balance of the contingent consideration is $4,986,311.

Pursuant to the purchase agreement, the seller provided a $500,000 reserve to cover cost overruns for properties under development at the closing of the acquisition on February 20, 2013. As at June 30, 2013, $328,127 of this amount had been utilized. Management expects the remainder of the amount to be utilized subsequent to June 30, 2013 and as such the full amount has been included in the purchase price allocation.

AHIP is in the process of completing the purchase price allocation of the assets acquired and liabilities assumed. Accordingly, the actual amounts for each of these assets and liabilities may vary from the amounts disclosed above and the variations may be material. Changes in the preliminary estimates of fair values of the above assets and liabilities may increase or decrease the amount of depreciation and amortization recognized on property, buildings and equipment and intangible assets acquired in periods after the closing of the transaction. For the three and six months ended June 30, 2013, management's process of determining the allocation of the values for property, buildings and equipment, intangible assets, and deferred income tax liability resulted in the following revisions:

	Revised estimate June 30, 2013	Original estimate as reported March 31, 2013
Property, buildings and equipment	$ 129,041,343	$ 130,241,344
Intangible assets	8,907,370	7,992,934
Deferred income tax liability	(2,200,000)	(1,985,564)

For the three and six months ended June 30, 2013, business acquisition costs totaling $321,911 and $1,482,861, respectively, are included in the condensed consolidated interim statement of income / (loss), of which $122,294 and $1,283,244 are related to the acquisition of Lodging Enterprises. As at December 31, 2012, $404,204 of these business acquisition costs were deferred.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

Summary of key information for Lodging Enterprises as at June 30, 2013:

- Number of properties in operation..32
- Number of available rooms..2,564
- Occupancy rate (for the 130-day period February 20, 2013 to June 30, 2013)..........82.5%

Summary of key information for AHIP as at June 30, 2013:

- Cash balance (excluding restricted cash) of $24,120,535.
- Gross book value of $164,825,392 – see *"Non-IFRS Measures"*.
- Debt outstanding of $71,455,954 – see *"Non-IFRS Measures"*.
- Debt to gross book value of 43.4% – see *"Non-IFRS Measures"*.

Summary of key information for AHIP for the three and six months ended June 30, 2013:

- Certain operating results of AHIP presented for the six month period ended June 30, 2013 reflect only the operational results of Lodging Enterprises for the 130-day period from the acquisition of Lodging Enterprises on February 20, 2013 to June 30, 2013.
- Total revenues were $13,640,199 and $19,214,299 for the three and six months ended June 30, 2013 respectively, all of which was attributable to the operating results of Lodging Enterprises subsequent to the acquisition date of February 20, 2013.
- FFO was $2,606,034 ($0.250 per Unit) for the three months ended June 30, 2013 – see *"Reconciliation of non-IFRS Operating Results"*.
- AFFO was $2,381,700 ($0.229 per Unit) for the three months ended June 30, 2013 – see *"Reconciliation of non-IFRS Operating Results"*.
- NOI was $4,816,077 ($0.463 per Unit) for the three months ended June 30, 2013 – see *"Reconciliation of non-IFRS Operating Results"*.
- Distributions of $2,287,818 and $3,270,968 were declared during the three and six months ended June 30, 2013 respectively (both representing Cdn$0.90 per Unit on an annualized basis), of which $741,942 was included in accounts payable and accrued liabilities at June 30, 2013 and paid on July 15, 2013.
- AFFO payout ratio (calculated as distributions declared divided by AFFO) of 96.1 % for the three months ended June 30, 2013, which includes a significant amount of unutilized cash available for working capital and acquisitions.

Outlook

AHIP successfully closed its initial public offering on February 20, 2013. Immediately following the closing, management executed the acquisition of its initial target portfolio, Lodging Enterprises, as described above.

The newly-constructed 60-room Oak Tree Inn hotel located in Livonia, Louisiana opened on May 15, 2013. This is the second new hotel added to AHIP's Oak Tree Inn chain in 2013, following closely after the opening of a new 56-room Oak Tree Inn and a signature 24 hour Penny's Diner in Glenwood, Minnesota in January 2013. As with the existing properties in the portfolio, these properties each have long term railroad room guarantees with a major U.S. railroad company and are under the management of TR Lodging Enterprises Inc. ("TR Lodging").

On July 9, 2013, AHIP announced a commitment with SunOne Developments Inc. ("SunOne") to construct a 56-room Oak Tree Inn hotel and Penny's Diner located in Santa Teresa, New Mexico, secured by a 10 year railway contract for all 56 rooms. The Oak Tree Inn hotel and 24-hour Penny's Diner will be financed and developed in accordance with the Master Development Agreement between SunOne and AHIP. The Board of Directors of the General Partner (the "Board") has approved AHIP to provide mezzanine financing of up to US$1.1 million to SunOne, and upon completion, AHIP's Board has approved a total purchase price of US$5.1 million, which is equal to 95% of the as-stabilized appraised value, as determined by a nationally recognized appraisal company. The property is expected to open by May 1, 2014.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

AHIP continues to sharpen its focus on deploying its excess cash on an accretive basis through the acquisition of additional high quality economy and select service hotel assets in the US. Excluding the previously announced 56-room $5.1 million property at Santa Teresa, New Mexico, AHIP has four properties approximating $17 million under preliminary agreement for addition to its rail portfolio. In addition to an increasing volume of transactions coming onto the market, AHIP is actively pursuing high quality select service hotel portfolios totaling more than $100 million of acquisitions in its non-rail acquisition pipeline.

"The hotel industry reported the highest monthly room revenue ever in June ($11.5 billion), a clear indicator that U.S. hotel industry is healthy and at most benchmark metrics are recovering to their old highs," said Jan Freitag, senior VP of strategic development at STR. AHIP intends to capitalize on the growth in the US Hotel Industry and simultaneously utilize the substantial availability of low interest CMBS financing to provide high returns of equity to our stakeholders.

Management is constantly evaluating new investment opportunities to augment its initial portfolio by focusing on hotels in secondary and tertiary markets, with an emphasis on transportation and contract-based lodging. As capital investments in the U.S. hotel and lodging sectors grow and the outlook for the sectors continues to strengthen, AHIP believes it is well positioned to benefit from this positive economic trend through the expansion of its existing portfolio and a combination of organic growth, participation in strategic development opportunities, and accretive acquisitions to increase the number and quality of its hotel properties.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

RESULTS OF OPERATIONS

Operations

The following discussion highlights selected financial information for AHIP for the three and six month periods ended June 30, 2013. This information has been compiled from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements and related notes.

		Three-month period ended June 30, 2013 *(unaudited)*
Revenue		13,640,199
Hotel expenses		10,596,791
RESULTS FROM OPERATING ACTIVITIES		3,043,408
Corporate and administrative		1,092,591
Business acquisition costs		321,911
INCOME BEFORE FINANCE COSTS AND INCOME TAXES		1,628,906
Net finance costs		941,460
INCOME BEFORE INCOME TAXES		687,446
Current income tax expense		(23,625)
Deferred income tax expense		72,435
		48,810
NET INCOME AND COMPREHENSIVE INCOME	$	638,636
Basic and diluted weighted average net income per Unit	$	0.06
Basic and diluted weighted average number of Units outstanding		10,405,000

During the three month period ended June 30, 2013, AHIP recorded net income and comprehensive income of $638,636, which was primarily due to operating profits from the hotel properties, reduced by:

- corporate and administrative costs of $1,092,591 which includes $618,483 in management fees paid to TR Lodging, corporate payroll costs, and general corporate expenses. TR Lodging became the hotel manager for Lodging Enterprises on February 20, 2013.

- business acquisition costs of $321,911 comprised of $122,294 in expenses that relate directly to the purchase of Lodging Enterprises specifically for tax and legal fees for $97,031 and travel expenses of $25,263. In addition, there was $168,991 in tax and legal fees and $30,626 in travel expenses relating to the evaluation of other potential acquisitions not realized.

- net finance costs of $941,460 arising from the debt facilities that relate directly to the acquisition, comprised of $860,093 in interest expense for the Term Loan and Construction Facility, $50,597 in amortization of deferred financing costs, and $48,546 in accretion expense on the contingent consideration, offset by interest income of $17,775.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

		Six-month period ended June 30, 2013 *(unaudited)*
Revenue		19,214,299
Hotel expenses		15,000,250
RESULTS FROM OPERATING ACTIVITIES		4,214,049
Corporate and administrative		1,699,565
Business acquisition costs		1,482,861
INCOME BEFORE FINANCE COSTS AND INCOME TAXES		1,031,623
Net finance costs		1,400,948
(LOSS) / INCOME BEFORE INCOME TAXES		(369,325)
Current income tax expense		33,958
Deferred income tax expense		1,292
		35,250
NET (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME	$	(404,575)
Basic and diluted weighted average net loss per Unit	$	(0.05)
Basic and diluted weighted average number of Units outstanding		7,923,712

The operating results of AHIP presented for the six month period ended June 30, 2013 reflect only the operational results of Lodging Enterprises for the 130-day period from the acquisition of Lodging Enterprises on February 20, 2013 to June 30, 2013.

During the six month period ended June 30, 2013, AHIP recorded a net loss and comprehensive loss of $404,575, which was primarily due to operating profits from the hotel properties, reduced by:

- corporate and administrative costs of $1,699,565 which includes $875,382 in management fees paid to TR Lodging, corporate payroll costs, and general corporate expenses.

- business acquisition costs of $1,482,861 comprised of $1,283,244 that relate directly to the purchase of Lodging Enterprises on February 20, 2013 and $199,617 in professional fees and travel expenses relating to the evaluation of other potential acquisitions not realized. Expenses that relate directly to the purchase of Lodging Enterprises comprise of purchaser fees for $481,247, property transfer taxes for $108,976 and professional fees for $693,021.

- net finance costs of $1,400,948 arising from the debt facilities that relate directly to the acquisition, comprised of $1,287,315 in interest expense for the Term Loan and Construction Facility, $67,600 in amortization of deferred financing costs, and $69,962 in accretion expense on the contingent consideration, offset by interest income of $23,929.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

Revenue

Revenue is derived primarily from the operation of AHIP's hotels and restaurants. Rental and other income is comprised of items including fees for property damage, vehicle charges, and maintenance charges at offsite customer locations.

(unaudited)		**Three-month period ended June 30, 2013**		**Six-month period ended June 30, 2013**
Available room nights		230,624		328,280
Rooms occupied		192,752		270,905
Average occupancy rate		83.6%		82.5%
Rooms		10,782,570		15,189,129
Food		2,609,173		3,656,319
Rental and other		248,456		368,851
Total revenue	$	13,640,199	$	19,214,299
Revenue per available room ("RevPAR")	$	46.75	$	46.27
Average daily room rate ("ADR")	$	55.94	$	56.07

Total revenue for the three and six month periods ended June 30, 2013 was $13,640,199 and 19,214,299, respectively.

Hotel Expenses

(unaudited)		**Three-month period ended June 30, 2013**		**Six-month period ended June 30, 2013**
Operating expenses		6,836,686		9,659,137
Energy		644,284		881,223
Property maintenance		737,591		1,027,967
Property taxes and insurance		605,561		887,404
Depreciation and amortization		1,772,669		2,544,519
	$	10,596,791	$	15,000,250

For the three month period ended June 30, 2013:

- Operating expenses were $6,836,686 comprised of hotel labour costs, food costs, and hotel general and administrative costs such as insurance, telephone, and marketing expenses. While the level of operating expenses largely correlate with hotel occupancy, these categories include underlying fixed cost components. Travel and salaries costs were incurred in the three month period ended June 30, 2013 due to integration activities between Lodging Enterprises and TR Lodging, offset by a reduction in discretionary general and administrative costs such as advertising and promotional expenses under the new hotel management and lower travel commissions paid due to the expiry of a third party commission agreement on March 1, 2013.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

- Energy expense of $644,284 was primarily related to gas and electricity rates/usage.
- Property maintenance expense of $737,591 arose from regular maintenance and repair activities on the hotel buildings and equipment.
- Property taxes and insurance expense was $605,561.
- Depreciation and amortization expense was $1,722,669 and comprised of depreciation of property, buildings and equipment as well as the amortization of the intangible assets. For the three months ended June 30, 2013, depreciation and amortization reflected the preliminary allocation of the purchase price of the business acquisition to the fair value of the property, buildings and equipment and intangible assets. The post acquisition value of these assets is based on a preliminary allocation of the purchase price (See "*Overview – Operational and financial highlights*").

For the six month period ended June 30, 2013:

- Operating expenses were $9,659,137.
- Energy expense of $881,223 was related to usage and gas and electricity rates.
- Property maintenance expense was $1,027,967. TR Lodging postponed discretionary spending on certain items during the transition period after the acquisition of Lodging Enterprises to allow operating budget review, amendment and reallocations if required by the hotel manager.
- Property taxes and insurance expense was $887,404.
- Depreciation and amortization expense was $2,554,519 and comprised of depreciation of property, buildings and equipment as well as the amortization of the intangible assets. For the six months ended June 30, 2013, depreciation and amortization reflected the preliminary allocation of the purchase price of the business acquisition to the fair value of the property, buildings and equipment and intangible assets. The post acquisition value of these assets is based on a preliminary allocation of the purchase price (See "*Overview – Operational and financial highlights*").

Corporate and administrative expenses

AHIP incurred $1,092,591 and $1,699,565 in general and administrative expenses for the three and six months ended June 30, 2013, respectively. Corporate and administrative expenses were comprised of two major categories:

- Management fees of $618,483 and $875,382 paid by Lodging Enterprises to TR Lodging for the three and six months ended June 30, 2013, respectively. TR Lodging became the hotel manager for Lodging Enterprises on February 20, 2013. See "*Transactions with Related Parties*".
- General and administrative expense of $474,108 and $824,183 for the three and six months ended June 30, 2013, respectively. For the six month period ended June 30, 2013, general and administrative expense comprised of payroll ($338,507), professional fees ($239,543), travel expense ($83,806), public company-related costs ($77,859) and general office expenses ($84,468).

Business acquisition costs

AHIP incurred $321,911 and $1,482,861 in business acquisition costs in the three and six month periods ended June 30, 2013, respectively. Business acquisition costs were primarily associated with the purchase of Lodging Enterprises and accounted for $122,294 and $1,283,244 for the three and six month periods ended June 30, 2013, respectively. These Lodging Enterprises related costs consisted largely of professional fees, purchaser fees and property transfer taxes. The evaluation of other potential acquisitions during the three and six months ended June 30, 2013 accounted for $199,617 of the business acquisition costs comprised primarily of professional fees.

Net finance costs

The net finance costs for the three month period ended June 30, 2013 of $941,460 were comprised of $860,093 in interest expense for the Term Loan and Construction Facility, $50,597 in amortization of deferred financing costs, and $48,546 in accretion expense on the contingent consideration, offset by interest income of $17,775.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

The net finance costs for the six months ended June 30, 2013 of $1,400,948 include $459,488 of interest expense on the Term Loan and Construction Facility for the three month period ended March 31, 2013.

Income taxes

AHIP's indirect subsidiary, Lodging Enterprises, is a taxable subsidiary of the US REIT. For the three and six month periods ended June 30, 2013, AHIP recorded a current tax recovery of $23,625 and a current tax expense of $33,958, respectively, offset by deferred income tax expense of $72,435 and $1,292, respectively, for a net tax expense of $48,810 and $35,250, respectively. Prior to February 20, 2013, Lodging Enterprises was registered as an LLC, whereby its income was taxed in the hands of its unitholders rather than within Lodging Enterprises.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of the intangible assets $8,269,008 and contingent consideration of $4,986,311 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.

Cash flows from operating, financing, and investing activities

The following tables provide an overview of AHIP's cash flows from operating, financing and investing activities:

For the three month period ended June 30, 2013:

Cash balance (excluding restricted cash of $500,024) as at March 1, 2013:	$	26,144,086
Net change in cash related to:		
Operations		766,004
Investing		(1,920,527)
Financing		(869,028)
Net change in cash during the period		(2,023,551)
Cash balance (excluding restricted cash of $37,199) as at June 30, 2013	$	24,120,535

The net change in cash during the three months ended June 30, 2013 was due to the following key factors:

- *Operations* – Cash provided by operations was $766,004, resulting from profit from operating activities of $3,043,408 offset by net finance costs of $941,460, corporate and administrative costs of $1,092,591 and business acquisition costs of $321,911, together with a decrease in working capital primarily due to a lower accounts payable and accrued liabilities balance at June 30, 2013 as compared to March 31, 2013.

- *Investing* – Cash provided by investing activities arose from additions to property, buildings and equipment in the three month period ended June 30, 2013.

- Financing – Cash provided by financing activities arose from proceeds from the Construction Facility in the three month period ended June 30, 2013 for $1,127,138 and a residual construction reserve balance for capital expenditures of $462,825, offset by principal debt repayments on the Term Loan of $795,446 and distributions paid during the period for $1,545,876 (which does not include the distributions of $741,942 accrued for the month of June 2013 which were included in accounts payable and accrued liabilities at June 30, 2013 and subsequently paid on July 15, 2013).

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

For the six month period ended June 30, 2013:

Cash balance (excluding restricted cash of $250,000) as at January 1, 2013:	$	185,990
Net change in cash related to:		
Operations		830,928
Investing		(60,781,729)
Financing		83,885,346
Net change in cash during the period		23,934,545
Cash balance (excluding restricted cash of $37,199) as at June 30, 2013	$	24,120,535

The net change in cash during the six months ended June 30, 2013 was due to the following key factors:

- *Operations* – Cash provided by operations was $830,928, resulting from profit from operating activities of $4,214,049 offset by net finance costs of $1,400,948, corporate and administrative costs of $1,699,565 and business acquisition costs of $1,482,861, together with a decrease in working capital (net of working capital items related to the purchase price allocation already captured under investing activities) primarily due to a lower accounts payable and accrued liabilities balance and a higher trade and other receivables balance at June 30, 2013 as compared to December 31, 2012.

- *Investing* – Cash provided by investing activities arose from the acquisition of Lodging Enterprises for $57,806,729 (net of cash acquired) and additions in the six month period ended June 30, 2013 of $2,975,000 in property, buildings and equipment.

- Financing – Cash provided by financing activities arose from the close of the initial public offering (resulting in net proceeds of ($90,248,657), together with proceeds from the Construction Facility ($2,250,000) and a residual construction reserve balance for capital expenditures ($212,801), offset by financing costs paid related to the Term Loan ($1,001,089), principal debt repayments on the Term Loan ($5,295,997 which includes $4,500,551 relating to the assumption of the Term Loan from the sellers as part of the acquisition of Lodging Enterprises), and distributions paid during the period ($2,529,026 which does not include the distributions of $741,942 accrued for the month of June 2013 which were included in accounts payable and accrued liabilities at June 30, 2013 and subsequently paid on July 15, 2013).

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

Comparison of financial forecast to actual results

A financial forecast ("Forecast") for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 and the twelve-month period ending December 31, 2013 was included in AHIP's final prospectus dated February 12, 2013 (the "Prospectus") as filed on SEDAR and with the securities commissions and other securities regulatory authorities in all provinces and territories of Canada. Comparison to Forecast information is included for reference purposes only and is not intended to represent a comprehensive comparison of the condensed consolidated interim financial results.

(Unaudited)	Actual Three month period ended June 30, 2013	Forecast Three month period ended June 30, 2013	$ Variance	% Variance
Revenue	$ 13,640,199	$ 14,184,638	$ (544,439)	-3.8%
Operating expenses	6,836,686	7,021,984	(185,298)	-2.6%
Energy	644,284	610,701	33,583	5.5%
Property maintenance	737,591	752,570	(14,979)	-2.0%
Property taxes and insurance	605,561	669,994	(64,433)	-9.6%
Depreciation and amortization	1,772,669	1,721,098	51,571	3.0%
	$ 10,596,791	**$ 10,776,347**	**$ (179,556)**	-1.7%
Results from operating activities	**3,043,408**	**3,408,291**	**(364,883)**	-10.7%
Corporate and administrative	1,092,591	1,042,261	50,330	4.8%
Business acquisition costs (1)	321,911	-	321,911	n/a
Income before finance costs and income taxes	**1,628,906**	**2,366,030**	**(737,124)**	n/a
Finance income	17,775	36,103	(18,328)	-50.8%
Finance costs	(959,235)	(876,973)	(82,262)	9.4%
Net finance costs	(941,460)	(840,870)	(100,590)	12.0%
Income before income taxes	**687,446**	**1,525,160**	**(837,714)**	n/a
Current income tax expense	$ 23,625	(47,725)	71,350	149.5%
Deferred income tax expense	$ (72,435)	148,033	(220,468)	-148.9%
	(48,810)	100,308	(149,118)	-148.7%
Net income and comprehensive income	**$ 638,636**	**$ 1,625,468**	**$ (986,832)**	n/a

(1) AHIP incurred $321,911 in business acquisition costs, of which $122,294 are post-closing expenses associated with the purchase of Lodging Enterprises, consisting largely of travel and professional fees.. The evaluation of potential acquisitions accounted for the remaining $199,617 for both the three months and six months ended June 30, 2013, comprised of travel costs and professional fees.

There were no significant differences between the Forecast and actual results for the three month period ended June 30, 2013 other than those detailed as follows:

Revenue

Revenue was $13,640,199 compared to $14,184,638 in the Forecast, representing an unfavourable variance of $544,439 or 3.8%. The property under construction at Livonia, Louisiana was forecast to open in April 2013 but did not open until May 16, 2013. Rail shipments were lower than anticipated during the three month period ended June 30, 2013 which adversely impacted the number of guest staying at several hotel locations, resulting in a decline in revenues over the guaranteed minimums relative to the Forecast for the three-month period. The decline was partially offset by

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

increased occupancy at those hotels from group bookings arising from crews on regional construction projects including railroad track construction and an increase in transient guests.

Operating expenses

Operating expenses were $6,836,686, which were $185,298 or 2.6% lower than Forecast. The decrease in operating expenses is partly due to the savings in certain variable expenses from lower than forecasted occupancy, combined with a reduction in discretionary general and administrative costs.

Corporate and administrative costs

Corporate and administrative costs were $1,092,591 for the three month period ended June 30, 2013 compared to $1,042,261 in the prorated Forecast for the same period, representing an unfavourable variance of $50,330 or 4.8%, which was primarily due to an increase in corporate overhead (including rental of the corporate offices in Vancouver commencing April 1, 2013) versus the Forecast.

Business acquisition costs

Business acquisition costs of AHIP included $122,294 associated with post-closing expenses for the purchase of Lodging Enterprises, consisting largely of travel and professional fees. The evaluation of other potential acquisitions not realized accounted for the remaining $199,617 for both the three months and six months ended June 30, 2013, comprised of travel costs and professional fees. Costs related to the evaluation of other potential acquisitions will fluctuate based on activities relating to executing AHIP's growth and acquisition strategy.

Net finance costs

Net finance costs were $941,460 compared to $840,870 in the Forecast, representing an unfavourable variance of $100,590 or 12.0%, primarily due to the following: higher amortization of deferred financing costs ($33,097), higher amortization of contingent consideration ($48,546), and lower interest income ($18,328).

Current income tax expense

Current income tax recovery for the three month period ended June 30, 2013 was $23,625 compared to current income tax expense of $47,725 in the Forecast, representing a favourable variance of $71,350 or 149.5%, which was primarily due to differences in the calculation of current income tax expense estimate. The final current income tax expense will be calculated on an annual basis and such amount may vary on an annualized basis.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

FINANCIAL CONDITION

	As at June 30, 2013 (Unaudited)	As at December 31, 2012
Total Assets	$ 166,819,916	$ 2,127,208
Total Liabilities	81,573,937	1,775,332
Partners' Capital	85,245,979	351,876

The financial condition as at June 30, 2013 includes amounts related to the assets and liabilities of Lodging Enterprises acquired on February 20, 2013.

Assets

Significant assets included $24,120,535 of cash (which excludes restricted cash of $37,199), $130,110,622 of property, buildings and equipment (net of depreciation for the six month period ended June 30, 2013), $8,269,008 of intangible assets (net of amortization for the six month period ended June 30, 2013), and $1,994,524 of deferred income tax assets. Property, buildings and equipment values were based on fair values on the date of the acquisition. Management is still completing the analysis on the allocation of the purchase price to the property, buildings and equipment and intangible assets as at June 30, 2013 and expects to finalize this amount for inclusion in AHIP's consolidated financial statements for the December 31, 2013 year end.

Liabilities

Significant liabilities included a Term Loan balance of $68,296,651 (net of unamortized deferred financing costs of $909,303), a Construction Facility of $2,250,000, contingent consideration of $4,986,311 related to the acquisition of Lodging Enterprises and a deferred tax liability (non-current) of $2,094,018 related to intangible assets and a deferred tax liability (current) of $135,258 related to prepaid insurance.

Partners' Capital

On February 20, 2013, AHIP closed its initial public offering of 9,570,000 Units for gross proceeds of Cdn$95,700,000 (US$94,072,545) (including 870,000 Units - Cdn$8,700,000 (US$8,552,050) from a partial exercise of the related over-allotment option).

On March 1, 2013, the exercise of the remaining balance of the related over-allotment option was completed, resulting in the issuance of an additional 435,000 Units for gross proceeds of Cdn$4,350,000 (US$4,235,225).

As at June 30, 2013, there were 10,405,000 Units outstanding.

SEGMENTED INFORMATION

AHIP's investments consist of hotel real estate properties in the United States only, and management has not identified any segments requiring additional disclosure.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

RECONCILIATION OF NON-IFRS OPERATING RESULTS

FFO, AFFO and NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate investment trusts. Management believes that AFFO is an important measure of economic performance and is indicative of the AHIP's ability to pay distributions, while FFO and NOI are important measures of operating performance and the performance of real estate properties. See "*Non-IFRS Measures*".

(Unaudited)		Actual Three month period ended June 30, 2013		Forecast Three month period ended June 30, 2013	$ Variance	% Variance
NET INCOME AND COMPREHENSIVE INCOME	$	638,636	$	1,625,468		
Add/(Deduct)						
Depreciation and amortization		1,772,669		1,721,098		
Business acquisition costs [1]		122,294		-		
Deferred income tax expense/(recovery)		72,435		(148,033)		
Funds from Operations (FFO)	**$**	**2,606,034**	**$**	**3,198,533**	**$ (592,499)**	**-18.5%**
FFO per unit	***$***	***0.250***				
Add/(Deduct)						
Accretion of contingent consideration		48,546		-		
Amortization of deferred financing costs		50,597		17,500		
Capital expenditure reserve		(323,477)		(338,473) [2]		
Adjusted Funds from Operations (AFFO)	**$**	**2,381,700**	**$**	**2,877,560**	**$ (495,860)**	**-17.2%**
AFFO per unit	***$***	***0.229***				
Net Operating Income ("NOI")						
Revenues	$	13,640,199		14,184,638	(544,439)	-3.8%
Hotel Expenses [3]		(10,596,791)		(10,776,347)	179,556	-1.7%
Depreciation and amortization		1,772,669		1,721,098	51,571	3.0%
NOI	**$**	**4,816,077**	**$**	**5,129,389**	**$ (313,312)**	**-6.1%**
NOI per unit	***$***	***0.463***				

(1) Business acquisition costs of $122,294 represent post-closing expenses related to the purchase of Lodging Enterprises and exclude $199,617 of costs related to the evaluation of other potential acquisitions not realized during the period.

(2) Calculated as a normalized amount based on 3% of room revenues

(3) Excludes hotel management fees of $618,483 recorded in corporate and administrative expenses. See "*Transactions with Related Parties*".

<u>FFO</u>

FFO for the three month period ended June 30, 2013 was $2,606,034 ($0.250 per Unit), which was $592,499 or 18.5% below Forecast FFO as a result of the variance in net income explained earlier.

For the three month period ended June 30, 2013, FFO was $2,606,034, which excluded $122,294 of business acquisition costs arising from the purchase transaction of Lodging Enterprises. These business acquisition costs are comprised of $97,031 in tax and legal fees and $25,263 in travel expenses.

FFO payout ratio (calculated as distributions declared of $2,287,818 divided by FFO of $2,606,034 for the three month period ended June 30, 2013) was 87.8%.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

AFFO

AFFO for the three month period ended June 30, 2013 was $2,381,700 ($0.229 per Unit), which was $495,860 or 17.2% below Forecast AFFO as a result of the unfavourable variance in actual FFO compared to Forecast FFO as previously discussed.

For the three month period ended June 30, 2013, AHIP did not contribute to its capital expenditure reserve as there was a $500,000 reserve balance at February 20, 2013, as provided by the seller under the Unit Purchase Agreement dated November 6, 2012 and as subsequently required by the Seventh Amended and Restated Credit agreement dated February 20, 2013 governing the terms of the Term Loan and Construction Facility. The agreement does not require additional contributions to be made until cumulative post-acquisition gross room revenues exceed $16,700,000. The reserve balance was $37,199 at June 30, 2013.

The capital expenditure reserve of $338,473 used in the calculation of AFFO is a normalized amount is calculated based on 3% of room revenues of the hotel properties for the three month period ended June 30, 2013.

AFFO payout ratio (calculated as distributions declared of $2,287,818 divided by AFFO of $2,381,700 for the three month period ended June 30, 2013) was 96.1%.

NOI

NOI for the three month period ended June 30, 2013 was $4,816,077 ($0.463 per Unit), which was $313,312 or 6.1% below Forecast NOI of $5,129,389 with the difference arising from a combination of factors explained above.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2013, AHIP had a working capital of $19,194,819, excluding the $37,199 in restricted cash. Working capital is based on current assets of $26,445,762 and current liabilities of $7,250,943. Management believes that there will be sufficient funds to meet AHIP's ongoing working capital requirements. AHIP's indirect subsidiary (Lodging Enterprises) had operating leases for office facility, office equipment and automobiles in the ordinary course of business, as well as the Term Loan and Construction Facility agreements, as disclosed in the unaudited condensed consolidated interim financial statements for the three and six month period ended June 30, 2013.

The property under construction at Livonia, Louisiana opened in May 2013. AHIP's utilized balance of the Construction Facility of $2,250,000 is directly related to this property. AHIP did not have any commitments for capital expenditures, other than the capital expenditure reserve maintained to satisfy the bank's related lending covenant.

As at June 30, 2013 AHIP was in full compliance with all of its lending covenants relating to the Term Loan and Construction Facility, and AHIP's consolidated debt to gross book value was 43.4%. The calculation of consolidated debt to gross book value at June 30, 2013 is based on $71,455,954 of principal debt outstanding, divided by the sum of total assets of $166,819,916 less deferred income tax liabilities of $2,229,276.

Distributions totaling $2,287,818 and $3,270,968 were declared during the three and six months ended June 30, 2013, respectively, of which $741,942 was included in accounts payable and accrued liabilities at June 30, 2013 and subsequently paid on July 15, 2013.

AHIP intends to make regular monthly cash distributions to its unitholders, 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.

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

SUMMARY OF QUARTERLY RESULTS

In accordance with Item 1.5 of Form 51-102F1 – Management's Discussion & Analysis, quarterly information has been presented for three quarters only because AHIP was formed on October 12, 2012. Prior to AHIP's acquisition of Lodging Enterprises 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. The weighted average number of Units presented below reflects the closing of the initial public offering on February 20, 2013 and the exercise of the remaining overallotment on March 1, 2013. See the discussion in "*Results from Operations*" for information on the 2013 components presented below:

	Three-month period ended June 30, 2013 *(unaudited)*	Three-month period ended March 31, 2013 *(unaudited)*	Date of formation on October 12, 2012 to December 31, 2012
Revenue	13,640,199	5,574,100	-
Results from operating activities	3,043,408	1,170,641	-
Net income / (loss) and comprehensive income / (loss)	638,636	(1,043,211)	(454,864)
Basic and diluted weighted average net income per Unit	$ 0.06	$ (0.21)	$ (0.93)
Basic and diluted weighted average number of Units outstanding	10,405,000	4,969,831	488,889

OFF-BALANCE SHEET ARRANGEMENTS

AHIP does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

AHIP entered into a hotel management agreement with TR Lodging, a company controlled by a director of the General Partner, to manage and operate AHIP's hotel properties.

The operating subsidiary of AHIP is responsible for reimbursing TR Lodging for any operating expenses and direct costs incurred on behalf of the operations of the properties and their lodging businesses, such as salary and benefit costs of TR Lodging's hotel staff and other operating expenses. The hotel management agreement also provides for an amount equal to 3.50% of gross revenues to be paid to TR Lodging. In addition, starting in 2014 TR Lodging will collectively receive an incentive fee equal to 15% of the amount by which the gross operating profit exceeds the annual budgeted gross operating profit 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. TR Lodging will also be 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, TR Lodging is entitled to an accounting, administration and purchasing fee. TR Lodging is entitled to $15,000 per property 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.

AHIP recorded management fees of $618,483 and $875,382 in corporate and administrative expenses for the three and six months ended June 30, 2013, respectively comprised of the following:

	Three-month period ended June 30, 2013 *(unaudited)*	Six-month period ended June 30, 2012 *(unaudited)*
Management Fee	$ 476,012	$ 677,520
Administration Fee	121,895	173,324
Capital Management Fee	20,576	24,538
	$ 618,483	$ 875,382

AMERICAN HOTEL INCOME PROPERTIES REIT LP
Suite 1660, 401 West Georgia Street • Vancouver • British Columbia • Canada • V6B 5A1 • Telephone (604) 684-0444 • Fax (604) 629-0790

In addition, management fees of $83,051 and $116,573 for the three and six months ended June 30, 2013, respectively, were capitalized to the projects under construction, of which $9,757 is included in accounts payable and accrued expenses as at June 30, 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited 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 consolidated financial statements, and the reported amounts of income and expenses during the financial reporting period. Actual results may differ from these estimates. For a full list of accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2013, refer to note 3 "*Significant accounting policies*" to the December 31, 2012 consolidated annual financial statements of AHIP.

Future Accounting Policy Changes

In November 2009, the IASB issued IFRS 9, Financial Instruments, which is the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes the measurement and classification of financial assets. Under IFRS 9, financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. The effective date of this standard is January 1, 2015, but early adoption is permitted. AHIP has not yet adopted this standard and is assessing the impact of the standard on its financial statements.

SUBSEQUENT EVENTS

On July 9, 2013, AHIP announced a commitment with SunOne Developments Inc. ("SunOne") to construct a 56-room Oak Tree Inn hotel and Penny's Diner (collectively the "property") located in Santa Teresa, New Mexico, secured by a 10 year railway contract for all 56 rooms. The property will be financed and developed in accordance with the Master Development Agreement between SunOne and AHIP, a copy of which is available on SEDAR. AHIP's Board has approved the provision of mezzanine financing of up to US$1.1 million to SunOne, and upon completion AHIP's Board has approved a total purchase price of US$5.1 million, which is equal to 95% of the as-stabilized appraised value, as determined by a nationally recognized appraisal company. The property is expected to open by May 1, 2014.

RISKS AND UNCERTAINTIES

Refer to the risk factors discussed in AHIP's 2012 Annual Information Form dated March 28, 2013, which is 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 2012 Annual Information Form of AHIP dated March 28, 2013 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 2012 Annual Information Form dated March 28, 2013 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 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) 684-0444 • Fax (604) 629-0790