

# Dear Shareholder

Confidence among both corporate and leisure travelers has strengthened and performance across the hotel industry was healthy during the first half of 2014. Occupancy rates have reached pre-recession peak levels in many domestic markets as demand for lodging continues to outpace the level of new hotel supply growth. Performance across the Apple Hospitality REIT, Inc. portfolio of hotels during the second quarter of this year was in line with industry trends and the hotel industry outlook for the second half of 2014 and into 2015 remains positive.

Apple Hospitality REIT is one of the largest hospitality REITs in the industry. Our real estate portfolio includes 188 Marriott®- and Hilton®-branded hotels, with an aggregate of 23,489 rooms, diversified across markets within 33 states. The second quarter of 2014 marked the first full quarter of operations since the merger of Apple REIT Seven, Inc. and Apple REIT Eight, Inc. into Apple Hospitality REIT (formerly Apple REIT Nine, Inc.). I am pleased to report that for the three months ending June 30, 2014, our combined hotels achieved an average occupancy rate of 81 percent, an average daily rate (ADR) of \$123 and revenue per available room (RevPAR) of \$100, an increase of three percent, five percent and eight percent, respectively, from results for the same period in 2013 (assumes the mergers were completed January 1, 2013). Combined results for the first six months of 2014 as compared to combined results for the same period of 2013 produced increases in occupancy, ADR and RevPAR of one percent, five percent and seven percent, respectively (assumes the mergers were completed January 1, 2013).

Adjusted funds from operations (AFFO) for the second quarter of this year totaled \$77.3 million, or approximately \$0.21 per share. AFFO for the then Apple REIT Nine portfolio for the same period of 2013 totaled \$38.9 million or \$0.21 per share. It is our expectation that year-over-year comparisons will become more meaningful over time. The current annualized distribution rate for the Company is \$0.66 per share. The Company closely monitors this annualized distribution rate, taking into account varying economic cycles and capital improvements, as well as current and projected hotel performance, and may make adjustments as needed, based on available cash resources.

The increased size and scale of Apple Hospitality REIT is expected to provide the Company with a variety of enhanced strategic abilities and benefits including: an improved capacity to take advantage of opportunistic



growth; access to favorable cost of capital which could be used to provide greater financial flexibility across business cycles; cost savings through the elimination of duplicative processes; and enhanced avenues of liquidity for our shareholders. The Company continues to actively collaborate with advisors from Merrill Lynch, Pierce, Fenner & Smith, Incorporated to review strategic alternatives for the Company including but not limited to a potential listing of the Company's shares for trading on a national securities exchange, a sale of the Company or a merger of the Company with a third party. The Company anticipates updates regarding this process will be provided as appropriate.

Our team remains steadfast to our long-term shareholder objectives. As hotel industry fundamentals continue to strengthen, I am confident our Company is well positioned for future progress. As always, thank you for your investment in Apple Hospitality REIT.

Sincerely,

Glade M. Knight,  
Executive Chairman

## STATEMENTS OF OPERATIONS (Unaudited)

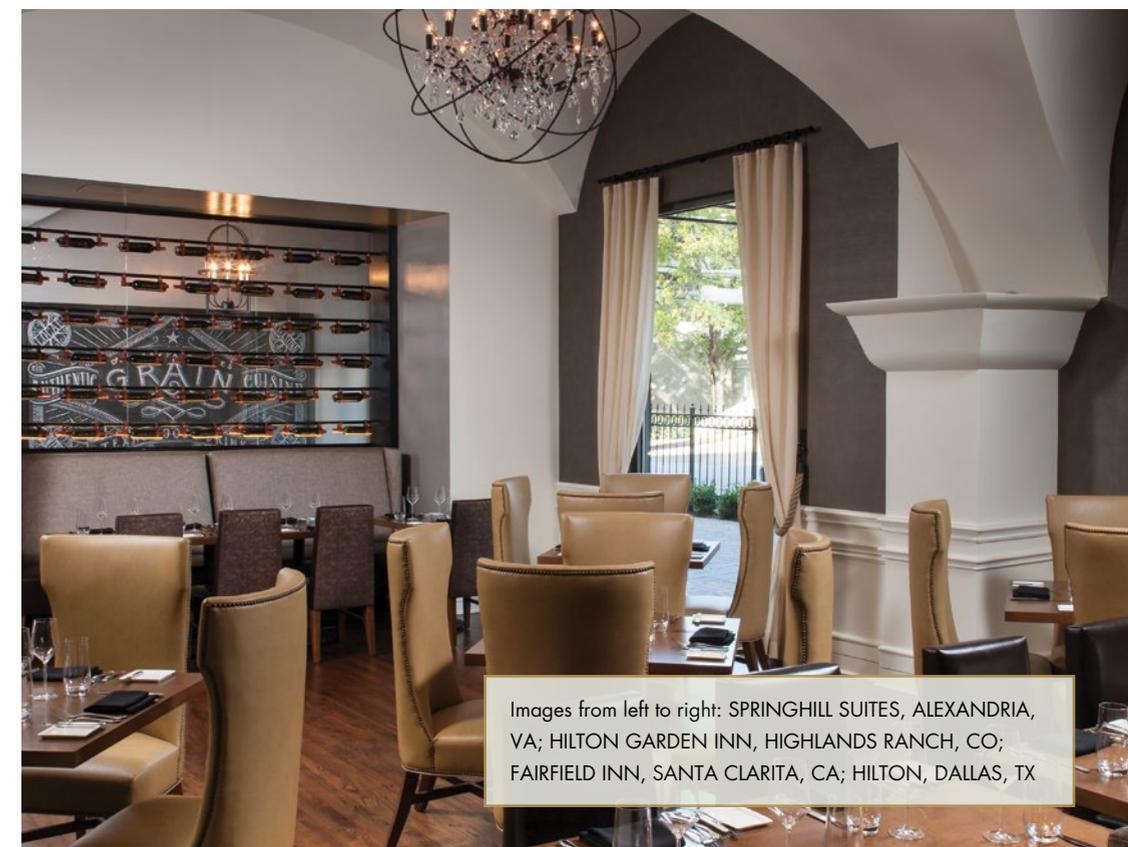
(In thousands except statistical data)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
<b>REVENUES</b>				
Room revenue	\$ 213,372	\$ 95,115	\$ 338,814	\$ 179,388
Other revenue	19,196	9,457	30,875	17,587
Total revenue	\$ 232,568	\$ 104,572	\$ 369,689	\$ 196,975
<b>EXPENSES</b>				
Direct operating expense	\$ 58,147	\$ 25,821	\$ 93,403	\$ 49,518
Other hotel operating expenses	84,131	37,041	135,613	71,296
General and administrative	6,628	2,177	9,147	4,037
Depreciation	30,754	13,633	50,313	27,133
Series B convertible preferred share expense	-	-	117,133	-
Transaction costs	1,776	136	3,886	136
Interest expense, net	7,333	2,229	10,857	4,414
Total expenses	\$ 188,769	\$ 81,037	\$ 420,352	\$ 156,534
<b>NET INCOME</b>				
Net income (loss)	\$ 43,799	\$ 23,535	\$ (50,663)	\$ 40,441
Unrealized loss on interest rate derivative	(914)	-	(446)	-
Comprehensive income (loss)	\$ 42,885	\$ 23,535	\$ (51,109)	\$ 40,441
Net income (loss) per share	\$ 0.12	\$ 0.13	\$ (0.16)	\$ 0.22
<b>ADJUSTED FUNDS FROM OPERATIONS (A)</b>				
Net income (loss)	\$ 43,799	\$ 23,535	\$ (50,663)	\$ 40,441
Depreciation and amortization of real estate owned	30,860	13,622	50,447	27,111
Funds (loss) from operations (FFO)	\$ 74,659	\$ 37,157	\$ (216)	\$ 67,552
Interest earned on note receivable	-	1,575	-	3,150
Series B convertible preferred share expense	-	-	117,133	-
Straight-line rent	879	-	1,173	-
Transaction costs	1,776	136	3,886	136
Adjusted funds from operations (AFFO)	\$ 77,314	\$ 38,868	\$ 121,976	\$ 70,838
FFO per share	\$ 0.20	\$ 0.20	\$ -	\$ 0.37
AFFO per share	\$ 0.21	\$ 0.21	\$ 0.39	\$ 0.39
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING</b>				
	373,889	182,496	311,623	182,446
<b>OPERATING STATISTICS</b>				
Occupancy	81%	80%	78%	76%
Average daily rate	\$ 123	\$ 115	\$ 122	\$ 115
RevPAR	\$ 100	\$ 92	\$ 96	\$ 87
Number of hotels	188	89		
Distributions per Share	\$ 0.17	\$ 0.21	\$ 0.36	\$ 0.42

## BALANCE SHEET HIGHLIGHTS (Unaudited)

(In thousands)	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Investment in real estate, net	\$ 3,709,273	\$ 1,443,498
Cash and cash equivalents	805	18,102
Other assets	121,312	29,681
Total assets	\$ 3,831,390	\$ 1,491,281
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Notes payable	\$ 704,479	\$ 162,551
Other liabilities	43,865	16,919
Total liabilities	748,344	179,470
Total shareholders' equity	3,083,046	1,311,811
Total liabilities and shareholders' equity	\$ 3,831,390	\$ 1,491,281

(A) Funds (loss) from operations (FFO) is defined as net income (loss) (computed in accordance with generally accepted accounting principles - GAAP) excluding gains or losses from sales of real estate, plus depreciation and amortization of real estate assets. Adjusted funds from operations (AFFO) excludes transaction costs, the non-cash conversion of the Series B convertible preferred shares, the non-cash impact of straight-line lease expense and includes the interest on a note receivable not included in net income. The Company considers FFO and AFFO in evaluating property acquisitions and its operating performance and believes that FFO and AFFO should be considered along with, but not as an alternative to, net income and cash flows as a measure of the Company's activities in accordance with GAAP. FFO and AFFO are not necessarily indicative of cash available to fund cash needs.

The financial information furnished reflects all adjustments necessary for a fair presentation of financial position at June 30, 2014 and the results of operations for the interim period ended June 30, 2014. Such interim results are not necessarily indicative of the results that can be expected for the full year. The accompanying financial statements should be read in conjunction with the audited financial statements and related notes appearing in the Apple Hospitality REIT, Inc. 2013 Annual Report.



Images from left to right: SPRINGHILL SUITES, ALEXANDRIA, VA; HILTON GARDEN INN, HIGHLANDS RANCH, CO; FAIRFIELD INN, SANTA CLARITA, CA; HILTON, DALLAS, TX

# Market Diversity

## ALABAMA

Auburn, Birmingham (2), Dothan (2), Huntsville (3), Montgomery (2), Montgomery/Prattville, Troy (2)

## ALASKA

Anchorage

## ARIZONA

Phoenix (2), Phoenix/Chandler (2), Tucson (3)

## ARKANSAS

Rogers (4), Springdale

## CALIFORNIA

Agoura Hills, Burbank, Clovis (2), Cypress, Sacramento, San Bernardino, San Diego (4), San Diego/Oceanside, San Jose, Santa Ana, Santa Clarita (3), Santa Clarita/Valencia, Tulare

## COLORADO

Denver/Highlands Ranch (2), Pueblo

## FLORIDA

Fort Lauderdale, Jacksonville, Lakeland, Miami (3), Orlando (2), Orlando/Sanford, Panama City, Panama City Beach, Sarasota, Tallahassee, Tampa (2)

## GEORGIA

Albany, Columbus (2), Macon, Savannah, Savannah/Port Wentworth

## IDAHO

Boise (2)

## ILLINOIS

Mettawa (2), Schaumburg, Warrenville

## INDIANA

Indianapolis, Mishawaka

## KANSAS

Overland Park (3), Wichita

## KENTUCKY

Bowling Green

## LOUISIANA

Alexandria, Baton Rouge, Lafayette (2), New Orleans, West Monroe

## MARYLAND

Annapolis, Silver Spring

## MASSACHUSETTS

Andover, Marlborough, Westford (2)

## MICHIGAN

Detroit/Novi

## MINNESOTA

Rochester

## MISSISSIPPI

Hattiesburg (2), Tupelo

## MISSOURI

Kansas City (2), St. Louis (2)

## NEBRASKA

Omaha

## NEW JERSEY

Cranford, Mahwah, Mount Laurel, Somerset, West Orange

## NEW YORK

Islip/Ronkonkoma, New York City

## NORTH CAROLINA

Carolina Beach, Charlotte, Charlotte/Matthews, Concord, Dunn, Durham, Fayetteville (2), Greensboro, Holly Springs, Jacksonville, Wilmington, Winston-Salem

## OHIO

Cincinnati/Milford, Twinsburg

## OKLAHOMA

Oklahoma City, Tulsa

## PENNSYLVANIA

Philadelphia/Collegeville, Philadelphia/Malvern, Pittsburgh

## SOUTH CAROLINA

Columbia, Greenville, Hilton Head

## TENNESSEE

Chattanooga, Jackson (2), Johnson City, Memphis, Nashville (2)

## TEXAS

Austin (5), Austin/Round Rock, Beaumont, Brownsville, Dallas, Dallas/Addison, Dallas/Allen (2), Dallas/Arlington, Dallas/Duncanville, Dallas/Frisco, Dallas/Grapevine, Dallas/Irving, Dallas/Lewisville, El Paso (2), Fort Worth, Houston (2), Houston/Stafford, San Antonio (2), Texarkana (3)

## UTAH

Provo, Salt Lake City

## VIRGINIA

Alexandria (2), Bristol, Charlottesville, Harrisonburg, Manassas, Norfolk/Chesapeake, Richmond, Suffolk (2), Virginia Beach (2)

## WASHINGTON

Seattle, Seattle/Kirkland, Tukwila, Vancouver



## APPLE HOSPITALITY REIT

**CORPORATE PROFILE** Apple Hospitality REIT, Inc. is a real estate investment trust (REIT) focused on the acquisition and ownership of income-producing real estate that generates attractive returns for our shareholders. Our hotels operate under the Courtyard® by Marriott®, Fairfield Inn® by Marriott®, Fairfield Inn & Suites® by Marriott®, Marriott® Hotels & Resorts, Renaissance® Hotels, Residence Inn® by Marriott®, SpringHill Suites® by Marriott®, TownePlace Suites® by Marriott®, Embassy Suites Hotels®, Hampton Inn®, Hampton Inn & Suites®, Hilton®, Hilton Garden Inn®, Home2 Suites by Hilton® and Homewood Suites by Hilton® brands. Following the mergers of Apple REIT Seven, Inc. and Apple REIT Eight, Inc. into Apple REIT Nine, Inc. effective March 1, 2014, the Apple Hospitality REIT portfolio consists of 188 hotels with 23,489 guestrooms in 33 states. **MISSION** Apple Hospitality REIT, Inc. is a premier real estate investment company committed to providing maximum value for our shareholders.

As always, we encourage our shareholders to know their investment and stay informed by reviewing information on our website at [www.applehospitalityreit.com](http://www.applehospitalityreit.com), as well as our filings with the Securities and Exchange Commission, which can be found on their website at [www.sec.gov](http://www.sec.gov).

### Cover image: HILTON GARDEN INN, MACON, GA

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This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are typically identified by use of terms such as "may," "believe," "expect," "anticipate," "intend," "estimate," "project," "target," "goal," "plan," "should," "will," "predict," "potential," and similar expressions that convey the uncertainty of future events or outcomes. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Apple Hospitality REIT, Inc., formerly known as Apple REIT Nine, Inc., (the "Company") to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the successful execution of the Company's recent mergers with Apple REIT Seven, Inc. and Apple REIT Eight, Inc.; the ability of the Company to implement its operating strategy; changes in general political, economic and competitive conditions and specific market conditions; adverse changes in the real estate and real estate capital markets; financing risks; the outcome of current and future litigation; regulatory proceedings or inquiries; and changes in laws or regulations or interpretations of current laws and regulations that impact the Company's business, assets or classification as a real estate investment trust. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements included in this Quarterly Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the results or conditions described in such statements or the objectives and plans of the Company will be achieved. In addition, the Company's qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code. Certain factors that could cause actual results to differ materially from these forward-looking statements are listed from time to time in the Company's SEC reports, including, but not limited to in the section entitled "Item 1A. Risk Factors" in the 2013 Annual Report on Form 10-K filed by the Company with the SEC on March 11, 2014. The Company undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors, as a result of new information, future events, or otherwise, except as required by law.

### CORPORATE HEADQUARTERS

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### INVESTOR INFORMATION

For additional information about the Company, please contact: Kelly Clarke, Director of Investor Services  
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## APPLE HOSPITALITY REIT