



MATERIAL CHANGE REPORT

FORM 51-102F3

1. **Name and Address of Company:**

American Hotel Income Properties REIT LP (“AHIP”)
Suite 1660, 401 West Georgia Street
Vancouver, BC V6B 5A1

2. **Date of Material Change:**

October 10, 2014

3. **News Release:**

On October 10, 2014, a news release was issued through Canada Newswire and filed on SEDAR. A copy of this news release is attached hereto as Schedule A.

4. **Summary of Material Change:**

On October 10, 2014, AHIP announced that it had removed all due diligence conditions on its previously announced acquisitions of two hotel portfolios, one in Oklahoma and one in Texas and that it had informed the sellers of such portfolios of its intention to proceed to closing each of these acquisitions.

5. **Full Description of Material Change:**

On October 10, 2014, AHIP announced that it had removed all due diligence conditions on its previously announced acquisitions of two hotel portfolios, one in Oklahoma and one in Texas and that it had informed the sellers of such portfolios of its intention to proceed to closing each of these acquisitions.

The portfolio located in and around Oklahoma City, Oklahoma (the “**Oklahoma Portfolio**”) and the portfolio in Amarillo, Texas (the “**Texas Portfolio**”) together comprise seven branded hotel properties encompassing 733 rooms (collectively, the “**Acquisition Properties**”). The aggregate purchase price of the Acquisition Properties is approximately US\$79.4 million (or US\$108,000 per room) before customary closing and post-acquisition adjustments. The purchase price does not include an aggregate US\$1.1 million restricted cash reserve to be established by AHIP for the completion of brand mandated property improvement plans (“**PIPs**”) for the Acquisition Properties.

The Acquisition Properties will be purchased at a weighted-average capitalization rate of 8.0% on trailing net operating income (including all hotel management fees and a reserve for furniture, fixtures and equipment (“**FF&E**”), and accounting for brand-mandated PIPs).

AHIP expects to fund the purchase price of the Acquisition Properties, including the PIPs, using a combination of cash on hand, cash raised from the recently announced bought deal offering of units that is expected to close on October 28, 2014 and two new CMBS loans as follows:

- for the Oklahoma Portfolio, a new US\$25.5 million interest-only mortgage with a 10-year term, with a fixed interest rate of approximately 4.50% and a 12-month FF&E reserve waiver; and
- for the Texas Portfolio, a new US\$16.0 million interest-only mortgage with a 10-year term, with a fixed interest rate of approximately 4.50% and a 12-month FF&E reserve waiver.

The Texas Portfolio transaction is expected to be completed by the end of October. The Oklahoma Portfolio transaction is expected to be completed by mid-November.

The acquisitions are expected to be immediately accretive to AHIP's Adjusted Funds from Operations ("AFFO") per Unit.

The Acquisition Properties will be managed for AHIP by its exclusive hotel manager, Tower Rock Hotels & Resorts Inc., a wholly owned subsidiary of O'Neill Hotels and Resorts Ltd.

A copy of the purchase and sale agreement for each of the Oklahoma Portfolio and the Texas Portfolio, as well as an appraisal for each of the Acquisition Properties, has been filed on SEDAR at www.sedar.com.

Forward-looking Information

Certain statements contained in this material change report may constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "expect", "may", "will", "intend", "should", and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements in this material change report include, without limitation, the following: statements with respect to the closing of the bought deal offering announced on October 6, 2014, and the use of proceeds therefrom, including the acquisition of the Acquisition Properties; references to the completion of the acquisitions of the Acquisition Properties, including the timing of completion of such acquisitions; references to the capitalization rate associated with the acquisition of the Acquisition Properties; the completion and estimated costs of PIPs; references to the terms of the CMBS financing on the Acquisition Properties; acquisition of the Acquisition Properties being accretive to AFFO; references to the management of the Acquisition Properties after their acquisition; and references to AHIP's long-term objectives.

Forward-looking information is based on a number of key expectations and assumptions made by AHIP, including, without limitation: a reasonably stable North American economy and stock market; the ability to successfully integrate the Acquisition Properties; if acquired; capitalization rates; fees and reserves; hotel locations; and the ability to acquire additional hotels on an accretive basis. Although the forward-looking information contained in this material change report is based on what AHIP's management believes to be reasonable assumptions, AHIP cannot assure investors that actual results will be consistent with such information.

Forward-looking information reflects current expectations of AHIP's management regarding future events and operating performance as of the date of this material change report. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, without limitation, those factors that can be found under "Risk Factors" in AHIP's Annual Information Form dated March 26, 2014, Management's Discussion and Analysis of Results and Operations and Financial Condition dated August 14, 2014 and Preliminary Short Form Prospectus dated October 10, 2014.

The forward-looking statements contained herein represent AHIP's expectations as of the date of this material change report, and are subject to change after this date. AHIP assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102:**

Not applicable.

7. **Omitted Information:**

No significant facts otherwise required to be disclosed in this report have been omitted.

8. **Executive Officer:**

For further information, please contact:

Azim Lalani, Chief Financial Officer
American Hotel Income Properties REIT LP
Phone: (604) 630-3134
Email: alalani@ahipreit.com

9. **Date of Report:**

October 20, 2014

SCHEDULE A
NEWS RELEASE
DATED OCTOBER 10, 2014

[AMERICAN HOTEL INCOME PROPERTIES REIT LP](#)

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AMERICAN HOTEL
INCOME PROPERTIES
REIT LP

**AMERICAN HOTEL INCOME PROPERTIES REIT LP ANNOUNCES
REMOVAL OF ALL DUE DILIGENCE CONDITIONS ON OKLAHOMA AND TEXAS
HOTEL PORTFOLIO ACQUISITIONS**

VANCOUVER, B.C. (October 10, 2014) – American Hotel Income Properties REIT LP (“**AHIP**”) (TSX: HOT.UN; OTCQX: AHOTF) announced today that it has removed all due diligence conditions on its previously announced acquisitions of two hotel portfolios, one in Oklahoma and one in Texas. AHIP has informed the sellers of its intention to proceed to closing each of these acquisitions.

The portfolio located in and around Oklahoma City, Oklahoma (the “**Oklahoma Portfolio**”) and the portfolio in Amarillo, Texas (the “**Texas Portfolio**”) together comprise seven branded hotel properties encompassing 733 rooms (collectively, the “**Acquisition Properties**”). The aggregate purchase price of the Acquisition Properties is approximately US\$79.4 million (or US\$108,000 per room) before customary closing and post-acquisition adjustments. The purchase price does not include an aggregate US\$1.1 million restricted cash reserve to be established by AHIP for the completion of brand mandated property improvement plans (“**PIPs**”) for the Acquisition Properties.

The Acquisition Properties will be purchased at a weighted-average capitalization rate of 8.0% on trailing net operating income (including all hotel management fees and a reserve for furniture, fixtures and equipment (“**FF&E**”), and accounting for brand-mandated PIPs).

AHIP expects to fund the purchase price of the Acquisition Properties, including the PIPs, using a combination of cash on hand, cash raised from the recently announced bought deal offering of units that is expected to close on October 28, 2014 and two new CMBS loans as follows:

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The acquisitions are expected to be immediately accretive to AHIP’s Adjusted Funds from Operations (“**AFFO**”) per Unit.

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and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements in this news release include, without limitation, the following: statements with respect to the closing of the bought deal offering announced on October 6, 2014, and the use of proceeds therefrom, including the acquisition of the Acquisition Properties; references to the completion of the acquisitions of the Acquisition Properties, including the timing of completion of such acquisitions; references to the capitalization rate associated with the acquisition of the Acquisition Properties; the completion and estimated costs of PIPs; references to the terms of the CMBS financing on the Acquisition Properties; acquisition of the Acquisition Properties being accretive to AFFO; references to the management of the Acquisition Properties after their acquisition; and references to AHIP's long-term objectives.

Forward-looking information is based on a number of key expectations and assumptions made by AHIP, including, without limitation: a reasonably stable North American economy and stock market; the ability to successfully integrate the Acquisition Properties; if acquired; capitalization rates; fees and reserves; hotel locations; and the ability to acquire additional hotels on an accretive basis. Although the forward-looking information contained in this news release is based on what AHIP's management believes to be reasonable assumptions, AHIP cannot assure investors that actual results will be consistent with such information.

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The forward-looking statements contained herein represent AHIP's expectations as of the date of this news release, and are subject to change after this date. AHIP assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

About American Hotel Income Properties REIT LP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties located substantially in the United States and engaged primarily in the railroad employee accommodation, transportation and contract-focused lodging sectors. AHIP's long-term objectives are to: (i) generate stable and growing cash distributions from hotel properties substantially in the US; (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 its properties through targeted value-added capital expenditure programs.

Additional information relating to AHIP, including its other public filings, is available on SEDAR at www.sedar.com and on AHIP's website at www.ahipreit.com.



For further information, please contact:

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THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.