



AMERICAN HOTEL
INCOME PROPERTIES

AMERICAN HOTEL INCOME PROPERTIES REIT LP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the three and nine months ended September 30, 2020
(Expressed in U.S. Dollars)

Dated: November 9, 2020

Hampton Inn & Suites Corpus Christi, TX

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PART I

FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements). Forward-looking statements generally can be identified by words such as "anticipate", "believe", "continue", "expect", "estimates", "intend", "may", "outlook", "objective", "plans", "should", "will" and similar expressions suggesting future outcomes or events. Forward-looking statements include, but are not limited to, statements made or implied relating to the objectives of American Hotel Income Properties REIT LP ("AHIP"), AHIP's strategies to achieve those objectives and AHIP's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Some specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: AHIP management's expectation that the seasonal nature of the lodging industry, as well as other factors beyond AHIP's control including overall economic cycles, weather conditions and other unexpected events such as the impacts of the current COVID-19 pandemic, will cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses, cash flows, earnings and payout ratios; AHIP management's expectations with respect to how it will pay expenses and service debt if cash flow from operations is insufficient to cover such obligations in a given quarter; the expectation that AHIP's expenses will grow at, or greater than, the general rate of inflation; the possibility that competition could limit the ability of AHIP's hotel manager to raise room rates, particularly during periods of reduced demand, and adversely affect AHIP's occupancy rates and RevPAR, and may require AHIP to provide additional amenities or make capital improvements, which may reduce AHIP's profitability; the full extent to which the COVID-19 pandemic ultimately impacts AHIP will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures (including travel restrictions) as well as any longer term shifts in business and consumer behavior in respect of travel on AHIP's operations, financial position and cash flows; AHIP continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, guests, suppliers or other stakeholders, as necessary, which actions have, and continue to, materially impact AHIP's financial results and could materially impact AHIP's ability to access capital; recent increases in reported cases of COVID-19 may cause various levels of government to consider the re-imposition of certain travel restrictions and may negatively impact corporate travel policies and consumer behaviour, which could put further downward pressure on occupancy levels and revenues; AHIP's cost reduction, cash preservation and liquidity strategies, and the specific elements and intended outcomes thereof; the hotel brand approved deferral of all 2020 scheduled capital projects into 2021 and beyond and hotel brand approval of the use of FF&E reserves to fund operating expenses; AHIP's expectation that the sequential occupancy and RevPAR improvement will moderate in the seasonally slower winter months; AHIP's credit facility syndicate providing covenant waivers under the credit facility through Q1 2021; the requirement to replenish certain restricted cash balances which have been accessed to fund CMBS loan payments within 6-12 months (although certain CMBS loan servicers have agreed to extend the replenishment period by 90 days and AHIP is in discussions with further of its CMBS loan servicers for similar extensions); the possibility that long-term underperformance to the projections noted

under “Significant Accounting Policies” could occur if government restrictions continue to prevail resulting in a duration and impact greater than currently anticipated; AHIP’s belief that its select-service portfolio should be better positioned to capture market share in the near term compared to full service hotels focused on gateway markets or more reliant on air travel; the temporary suspension of AHIP’s monthly distribution and the reasons for such suspension; the deferral of the payment date for the March 2020 Distribution (defined below) until such time as business levels sufficiently improve and AHIP’s Board of Directors, in consultation with management, determines it is appropriate to pay; AHIP’s Board of Directors will continue to review AHIP’s financial performance and position (including in relation to the relevant covenants under its credit agreement with its lending syndicate) in order to determine an appropriate time for the reinstatement of monthly distributions and the payment of the March 2020 Distribution, which may occur at different times; the statement that in future periods, the effects of the COVID-19 pandemic may have material impacts on AHIP’s anticipated revenue levels and the recoverable amount of its hotel properties; AHIP’s intention to repay maturing debt and its expected means of doing so; the expected maturities and amortization periods on future long term debt; the timing and amount of payments under term loans and revolving credit facility, Debentures (as defined below), finance and operating leases, purchase and other obligations; AHIP’s expectation that fixed rate mortgages will be primarily first charge mortgages; AHIP’s intention to maintain total indebtedness of approximately 55% of AHIP’s Gross Book Value (as defined below) over the long term; AHIP’s intention, over the long term, to obtain additional equity financing and/or debt financing with similar interest rates and terms as past financings to meet AHIP’s planned growth strategy; AHIP expectation that a portion of the government guaranteed loans it received will be forgiven if the loan proceeds are used for qualifying expenses and other specific criteria are met; AHIP’s ICFR may not prevent or detect all misstatements because of the inherent limitations of any control system; AHIP’s intention to complete the design of DC&P and ICFR for the Acquisition (as defined below) by December 31, 2020; AHIP’s stated long-term objectives; AHIP management’s intention to continue to operate AHIP in such a manner to remain exempt from the SIFT Measures (as defined below) on a continuous basis in the future; the possibility that the U.S. REIT may be subject to certain state and local income, franchise and property taxes even if it continues to qualify as a real estate investment trust under the Code (as defined below); and the potential risks set forth under “Risk Factors”.

Although AHIP believes that the expectations reflected in the forward-looking information contained in this MD&A are reasonable, AHIP can give no assurance that these expectations will prove to be correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this MD&A as well as the following: the COVID-19 pandemic will continue to negatively impact the U.S. economy, U.S. hotel industry and AHIP’s business, and the extent and duration of such impact; AHIP’s occupancy levels will not materially deteriorate from current levels; AHIP will be able to continue to operate its 78 hotels during the COVID-19 pandemic; AHIP will not cease guest operations at a material number of additional properties as a result of government regulations, lack of sufficient guest bookings or other reasons; AHIP’s cost reduction, cash conservation and liquidity strategies will achieve their stated objectives and AHIP will continue to have sufficient funds to meet its financial obligations; AHIP will be successful in obtaining any further loan relief required from its CMBS loan servicers; AHIP will not require covenant waivers under its credit facility subsequent to Q1 2021, and if required, such waivers will be provided by its credit facility syndicate; AHIP’s select-service portfolio will be better positioned to capture market share in the near term compared to full service hotels focused on gateway markets or more reliant on air travel; there will be a meaningful

economic recovery in the U.S. and within the U.S. hotel industry; recent occupancy and RevPAR recovery trends will moderate, but not significantly regress in the winter months; a portion of the government-guaranteed loans that AHIP received will be forgivable; critical accounting estimates; capital markets will provide AHIP with readily available access to equity and/or debt financing on terms acceptable to AHIP; AHIP's future level of indebtedness and its future growth potential will remain consistent with AHIP's current expectations; there will be no changes to tax laws adversely affecting AHIP's financing capability, operations, activities, structure or distributions; the useful lives of AHIP's assets being consistent with management's estimates therefor; AHIP will be able to successfully integrate properties acquired into its portfolio; AHIP management's estimates with respect to replacement costs are accurate; the accuracy of third party reports with respect to lodging industry data; the U.S. REIT will continue to qualify as a real estate investment trust for U.S. federal income tax purposes; the SIFT Measures in the Tax Act (as defined below) will continue to not apply to AHIP; AHIP will retain and continue to attract qualified and knowledgeable personnel as AHIP expands its portfolio and business; the impact of the current economic climate and the current global financial conditions on AHIP's operations, including AHIP's financing capability and asset value, will remain consistent with AHIP's current expectations; there will be no material changes to government and environmental regulations adversely affecting AHIP's operations; and conditions in the international and, in particular, the U.S. hotel and lodging industry, including competition for acquisitions, will be consistent with the current economic climate. 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 as actual results may differ materially from those expressed or implied in such forward-looking statements. Those risks and uncertainties include, among other things, risks related to: the COVID-19 pandemic and related government measures and their impact on the U.S. economy, the hotel industry, and AHIP's business, including, as more particularly described above under "Risks and Uncertainties"; recent increases in reported cases of COVID-19 may cause various levels of government to consider the re-imposition of certain travel restrictions and may negatively impact corporate travel policies and consumer behaviour, which could put further downward pressure on occupancy levels and revenues; there is no guarantee that monthly distributions will be reinstated, and if reinstated, as to the timing thereof or what the amount of the monthly distribution will be; there is no guarantee as to the timing of the payment of the deferred March 2020 distribution; AHIP's cost reduction, cash preservation and liquidity strategies may not achieve their stated objectives, and cash savings and liquidity generated may be less than anticipated; AHIP may require additional debt or equity capital in order to replenish any reserve funds drawn in accordance with the timing required by its CMBS loan servicers and to satisfy AHIP's other contractual obligations, and such funds may not be available to AHIP on reasonable terms, or at all; AHIP may require covenant waivers under its credit facility subsequent to Q1 2021, and if required, such waivers may not be provided by its credit facility syndicate on terms acceptable to AHIP, or at all; AHIP may require further relief from its CMBS loan servicers, and if required, such relief may not be provided by such CMBS loan servicers on terms acceptable to AHIP, or at all; the CMBS loan servicers for certain of AHIP's CMBS loans could invoke the cash management provisions of such loans; current occupancy and RevPAR recovery trends at AHIP's hotels may not continue, may decelerate or regress and AHIP may cease to be cash flow positive; AHIP's portfolio may not capture anticipated market share in the near term, or at all; the impacts of COVID-19 on AHIP's anticipated revenue

levels and the recoverable amount of its hotel properties could lead to impairment charges on hotel properties in future periods; general economic conditions and consumer confidence; AHIP may not satisfy the criteria for forgiveness of certain government guaranteed loans obtained by AHIP; the purchaser of the Wingate Tampa hotel property may not repay the vendor financing provided by AHIP; the growth in the U.S. hotel and lodging industry; prices for the Units and Debentures; liquidity; tax risks; ability to access debt and capital markets; financing risks; changes in interest rates; the financial condition of, and AHIP's relationships with, its external hotel manager and franchisors; real property risks, including environmental risks; the degree and nature of competition; ability to acquire accretive hotel investments; ability to integrate new hotels; environmental matters; and changes in legislation. Additional information about risks and uncertainties is contained in this MD&A and in AHIP's annual information form ("**AIF**") dated March 24, 2020 for the year ended December 31, 2019, a copy of which is available on SEDAR at www.sedar.com.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking statements in this MD&A are made as of November 9, 2020. AHIP does not undertake any obligation to update any such forward looking information, resulting from new information, future events or otherwise, except as required by applicable law.

APPROVAL BY THE BOARD OF DIRECTORS

The Board of Directors of AHIP's General Partner, upon recommendation of its Audit Committee, approved the contents of this MD&A on November 9, 2020. AHIP does not undertake any obligation to update any forward-looking information, future events or otherwise, except as required by applicable law.

PART II

OVERVIEW OF AHIP

AHIP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in hotel real estate properties in the United States ("**U.S.**") and engaged primarily in growing a portfolio of premium branded, select-service hotels in larger secondary markets with diverse and stable demand generators. AHIP was established pursuant to the terms of AHIP's Limited Partnership Agreement dated October 12, 2012, which was most recently amended and restated on June 17, 2020 (the "**Limited Partnership Agreement**"). AHIP's general partner is American Hotel Income Properties REIT (GP) Inc. (the "**General Partner**"). AHIP's head office and address for service is Suite 800 – 925 West Georgia Street, Vancouver, B.C., Canada V6C 3L2.

The principal business of AHIP is to issue limited partnership units ("**Units**") and to acquire and hold shares of American Hotel Income Properties REIT Inc. (the "**U.S. REIT**"). The U.S. REIT was established for the purposes of indirectly acquiring and owning hotel real estate properties in the U.S.

AHIP's long-term objectives are to:

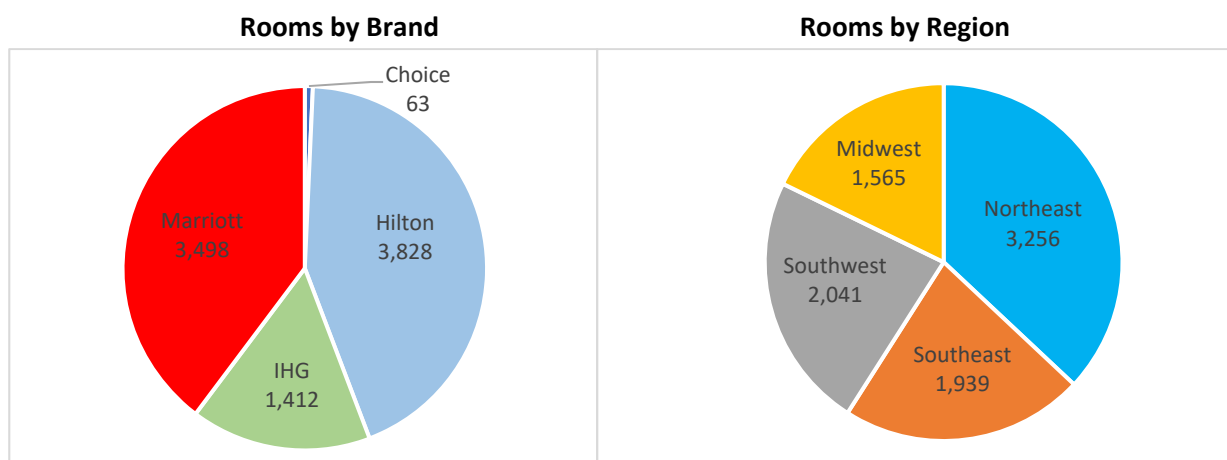
- (i) generate monthly cash distributions from hotel properties located in the U.S.;
- (ii) enhance the value of its assets and maximize the long-term value of its hotel properties through active asset management; and

- (iii) expand its asset base and increase its FFO per Unit through an accretive acquisition program and improvements to the properties through targeted value-added capital expenditure programs.

AHIP's Units trade on the Toronto Stock Exchange ("**TSX**") under the symbol HOT.UN (Canadian dollar ticker) and HOT.U (U.S. dollar ticker) as well as on the OTCQX International Marketplace in the U.S. under the symbol AHOTF (U.S. dollar ticker). AHIP's Debentures (defined below) trade on the TSX under the symbol HOT.DB.U (U.S. dollar ticker).

The composition of AHIP's operations and portfolio changed significantly during the fourth quarter of 2019, after the successful completion of the sale of 45 Economy Lodging hotels ("**Economy Lodging Portfolio**") on November 27, 2019 and subsequent acquisition of 12 additional premium branded hotels on December 3, 2019 (the "**Acquisition**"). AHIP's hotel portfolio now consists of only "Premium Branded hotels", which are select-service hotel properties that have franchise agreements with international hotel brands, including Marriott International Inc. ("**Marriott**"), Hilton Worldwide ("**Hilton**"), InterContinental Hotels Group ("**IHG**") and Choice Hotels International Inc. ("**Choice**") which provide global distribution channels, targeted brand segmentation, strong loyalty programs, and premier information technology system standards. As of November 9, 2020, AHIP owns 78 Premium Branded hotels with a total of 8,801 guestrooms located in 22 states across the United States. These hotels are geographically located primarily in secondary markets with diverse and typically stable demand generators. AHIP's distribution of Premium Branded hotels by chain scale segment is shown below:

Chain Scale Segments	AHIP's Premium Branded Hotels	Number of Hotels	Number of Rooms	Room Percentage by Segment
Upper Upscale	Embassy Suites	5	1,311	15%
Upscale	Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites, Staybridge Suites	29	3,263	37%
Upper Midscale	Fairfield Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, TownePlace Suites, Home2 Suites	43	4,164	47%
Midscale	Sleep Inn	1	63	1%
TOTAL PREMIUM BRANDED HOTELS		78	8,801	100%



Midwest Region includes Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, and Ohio. **Northeast Region** includes Connecticut, Maryland, New Jersey, New York, Pennsylvania, and Virginia. **Southeast Region** includes Florida, Georgia, North Carolina, and Tennessee. **Southwest Region** includes Arizona, Oklahoma, and Texas.

TAXATION

AHIP is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “**Tax Act**”). Accordingly, no provision has been made for Canadian income taxes thereunder in respect of the partnership. The Tax Act also contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “**SIFT Measures**”). Management believes that AHIP is not a “SIFT partnership” as defined in the Tax Act and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for Canadian income taxes. Management intends to continue to operate AHIP in such a manner to remain exempt from the SIFT Measures on a continuous basis in the future.

AHIP’s indirect Canadian subsidiary, AHIP Management Ltd., is a taxable Canadian corporation subject to Canadian income tax. AHIP’s indirect U.S. subsidiaries, AHIP Cargo Enterprises LLC and AHIP Enterprises LLC, are taxable REIT subsidiaries (“**TRS**”) of the U.S. REIT that are treated as U.S. corporations subject to U.S. income tax.

The U.S. REIT elected to be taxed as a real estate investment trust (“**REIT**”) for U.S. federal income tax purposes under the Internal Revenue Code (the “**Code**”). As a result, the U.S. REIT generally is not subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its stockholders annually. A REIT is subject to numerous organizational and operational requirements including a requirement to make annual dividend distributions equal to a minimum of 90% of its taxable income each year. Even if the U.S. REIT continues to qualify as a REIT under the Code, nonetheless it may be subject to certain state and local income, franchise and property taxes. For the U.S. REIT to qualify as a REIT under the Code, the U.S. REIT cannot operate any of its hotels. Therefore, the U.S. REIT and its qualifying REIT subsidiaries lease the hotels to its TRS lessees who in turn engage a professional, third-party hotel management company to manage its hotels.

BASIS OF PRESENTATION

This MD&A for the three and nine months ended September 30, 2020 includes material financial information as of November 9, 2020. This MD&A should be read in conjunction with AHIP’s unaudited condensed consolidated interim financial statements for the three and nine months ended September 30,

2020 and 2019 (“**Interim Financial Statements**”) and audited consolidated financial statements for the years ended December 31, 2019 and 2018, prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**Annual Financial Statements**”). Historical results, including trends which might appear, should not be taken as indicative of future operations or results. Additional information relating to AHIP, including its AIF for the year ended December 31, 2019, is available on SEDAR at www.sedar.com.

All amounts presented in this MD&A are in United States dollars (“**U.S. dollars**”), unless otherwise noted.

The U.S. hotel industry continues to experience significantly depressed occupancy levels and revenues due to decreased demand as a result of the coronavirus (“**COVID-19**”) pandemic. Specifically, travel restrictions imposed by many states and counties as well as changes in corporate travel policies and consumer behavior are resulting in less travel, which has caused significant declines in AHIP’s earnings and cash flows from operations for the three and nine months ended September 30, 2020. Refer to the “Recent Developments – COVID-19”, “Risk and Uncertainties” and other sections of this MD&A for additional information.

On November 27, 2019, AHIP completed the sale of its Economy Lodging Portfolio. Therefore, AHIP applied IFRS 5 – Discontinued Operations and classified the Economy Lodging Portfolio as discontinued operations for the year ended December 31, 2019 and the related comparative prior periods, as applicable. For the purposes of discussing AHIP’s operating results in this MD&A, management has presented the financial information based on AHIP’s continuing operations for the Premium Branded hotels, and has excluded the Economy Lodging Portfolio operations, unless otherwise noted.

THIRD PARTY INFORMATION

This MD&A includes market information, industry data and forecasts obtained from independent industry publications, market research and analyst reports, surveys and other publicly available sources. Although AHIP believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. AHIP has not independently verified any of the data from third party sources referred to in this MD&A nor ascertained the underlying assumptions relied upon by such sources.

INFLATION

AHIP relies on the performance of its hotel portfolio and the ability of its hotel manager to increase revenues to keep pace with inflation. AHIP’s hotel manager can change room rates quickly, but competitive pressures may limit the hotel manager’s ability to raise room rates, particularly during periods of reduced demand. AHIP’s expenses are subject to inflation and are expected to grow at, or greater than, the general rate of inflation.

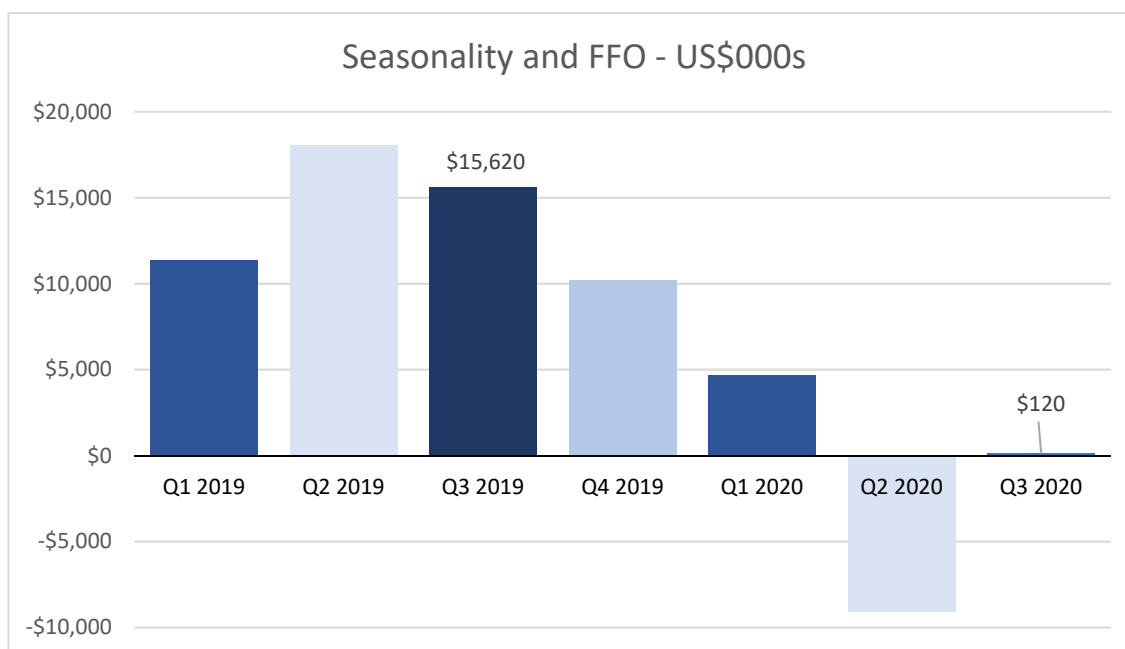
COMPETITION

The lodging industry is highly competitive. AHIP’s hotels compete with other hotels and alternative accommodations for guests in their respective markets, which includes competition from existing and new

hotels. Competition could adversely affect AHIP's occupancy rates, RevPAR and may require AHIP to provide additional amenities or make capital improvements, which may reduce AHIP's profitability.

SEASONALITY

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in occupancy rates, room rates, revenues, operating expenses, and cash flows. Historically, occupancies, revenues, and cash flows tend to be higher in the second and third quarters and lower in the first and fourth quarters. Quarterly earnings may also be influenced by factors beyond AHIP's control including overall economic cycles, weather conditions and uncertainties relating to the current COVID-19 pandemic (including government restrictions on travel and changes in corporate travel policies and consumer behaviour with respect to travel). To the extent cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, AHIP expects to utilize cash on hand or borrowings under its revolving credit facility to pay expenses or service debt. The quarterly fluctuations in AHIP's FFO, which highlight the seasonality of its operations, are shown in the following table:



(1) All figures reflect combined continuing and discontinued operations.

As a result of the impact of seasonal fluctuations in FFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP's distribution paying capacity than a payout ratio in any given quarter during periods in which AHIP pays distributions on its Units. Since March 2020, COVID-19 has materially impacted AHIP's hotel operations, quarterly FFO and distribution policy. On March 20, 2020, AHIP announced the temporary suspension of the monthly distribution on its Units. See "Distribution Policy" for more information.

RECENT DEVELOPMENTS

AHIP Completes the Sale of the Wingate Tampa Hotel

On August 31, 2020 AHIP completed the sale of its 86-room Wingate Tampa property for gross proceeds of \$7.5 million. AHIP has provided approximately \$2.7 million in vendor financing to the buyer, secured by a mortgage, which is repayable in July 2023 along with any accrued interest. Net proceeds from the sale were used to repay amounts outstanding under AHIP's revolving credit facility.

RECENT DEVELOPMENTS – COVID-19

The U.S. hotel industry continues to experience significantly depressed occupancy levels, revenues and RevPAR due to decreased demand as a result of COVID-19. Specifically, travel restrictions imposed by many states and counties as well as changes in corporate travel policies and consumer behavior are resulting in less travel. The hotel industry experienced occupancy lows in the middle of April but has seen sequential monthly growth in occupancies, driven primarily by leisure customers with extended stay properties performing better than other non-extended stay and full-service properties.

However, occupancy levels across the U.S. have recently begun to decline from highs experienced in the summer as we move into the traditionally seasonally weaker fourth quarter and reported cases of COVID-19 increase. Recent increases in reported cases of COVID-19 may cause various levels of government to consider the re-imposition of certain travel restrictions and may negatively impact corporate travel policies and consumer behaviour, which could put further downward pressure on occupancy levels and revenues.

In late March 2020, AHIP implemented a comprehensive mitigation strategy to reduce costs, maximize liquidity and achieve break-even cash flows as soon as possible, which strategy included:

- reducing hotel staffing levels by approximately 70% (at its peak) from pre-COVID-19 levels and reducing senior management compensation by 15%;
- temporarily consolidating hotel operations at 16 properties to neighboring AHIP-owned properties and temporarily ceasing operations at six hotel properties to improve hotel efficiencies, all of which have since resumed regular operations;
- deferring renovation projects from 2020 to 2021 and beyond in consultation with hotel brand partners;
- temporarily suspending the monthly cash distributions;
- successfully negotiated covenant waivers through March 31, 2021 and increasing revolver capacity with its lending syndicate; and
- successfully negotiated with its CMBS loan servicers to utilize certain restricted cash reserves to fund near-term debt service payments and/or defer FF&E Reserve contributions to reduce monthly cash usage.

See "Liquidity" and "Debt Strategy" below for further information.

Hotel operations began ramping up during April and by June 15, 2020, all of AHIP's hotels were open for business and accepting guests. Average occupancy levels for the entire portfolio have remained steady at approximately 57% during the third quarter and have increased to 58.3% during October 2020. AHIP's 24 extended stay properties performed comparatively stronger during the quarter with average occupancies of 70.6%, demonstrating the resiliency of this property type. AHIP's portfolio of select-service hotels have an efficient operating model and overall sustained occupancies of greater than 50% allows AHIP to operate at cash flow break even levels after debt service.

Sequentially, AHIP's operating metrics during the third quarter were significantly higher compared to the second quarter with RevPAR increasing by 67.0% to \$55.12 (Q2 2020 – \$33.01) led by occupancy increases of 22.4 percentage points to 57.1% (Q2 2020 – 34.7%) and ADR increases of 1.5% to \$96.53 (Q2 2020 – \$95.13). This resulted in total revenues increasing by \$19.0 million (or 69.8%) to \$46.3 million (Q2 2020 – \$27.3 million), NOI increasing by \$10.3 million (or 239.2%) to \$14.6 million (Q2 2020 – \$4.3 million) and NOI margin increasing by 157 basis points to 31.5% (Q2 2020 – 15.8%).

On June 15, 2020, AHIP amended its credit agreement with its lending syndicate in order to obtain an additional \$11 million of revolver capacity and covenant waivers through March 31, 2021 and modified covenants through December 2021. For further details, see a copy of the amended credit agreement, which has been filed under AHIP's profile on SEDAR at www.sedar.com.

AHIP has obtained approval from its CMBS loan servicers for all of its CMBS loans for short-term relief to allow for the temporary funding of debt service payments with restricted cash reserves and/or deferral from the required monthly contributions to the FF&E reserves. The deferred amounts are to be replenished by AHIP within 6-12 months after the completion of the relief period (although certain CMBS loan servicers have agreed to extend the replenishment period by 90 days and AHIP is in discussions with the remaining CMBS loan servicers for similar extensions).

At September 30, 2020, AHIP had unrestricted cash balances of \$26.9 million, restricted cash balances of \$25.7 million and available revolver capacity of approximately \$13.3 million.

The full extent to which the COVID-19 pandemic ultimately impacts AHIP will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures (including travel restrictions) as well as any longer term shifts in business and consumer behavior in respect of travel on AHIP's operations, financial position and cash flows. See "Risks and Uncertainties" below.

Further discussion with respect to the impacts of COVID-19 on AHIP's business and actions taken by AHIP in relation thereto is included throughout this MD&A.

OUTLOOK

While AHIP expects the trend of sequential occupancy and RevPAR improvement to moderate as we enter the seasonally slower winter months, AHIP believes its select-service hotel portfolio with a rooms-only

focus, limited meeting space and locations in secondary markets that are easily accessible by drive-to leisure and corporate customers are better positioned to capture market share in the near term compared to full service hotels with large meeting spaces, focused on gateway markets or more reliant on air travel. See “Recent Developments – COVID-19” above and “Risks and Uncertainties” below.

MARKET ENVIRONMENT

The U.S. lodging industry’s performance is generally correlated to the performance of the U.S. economy as measured by key metrics such as GDP growth, employment levels and corporate profits. However, the U.S. hotel industry has been disproportionately impacted by the COVID-19 pandemic compared to the overall U.S. economy. During the third quarter of 2020, U.S. GDP increased by 33.1% (on an annualized basis) led by the gradual reopening of businesses and revitalized spending activity fueled by significant fiscal stimulus programs.

According to STR, Inc. (“**STR**”), during the third quarter of 2020, U.S. hotel RevPAR declined by 48.5% with ADR decreasing by 24.1% and occupancy declining by 32.2%. This compares to the second quarter of 2020 when U.S. hotel RevPAR declined by 69.9% with ADR decreasing by 37.1% and occupancy declining by 52.1%. The improvements in operating metrics reflect increased demand from leisure and certain group customers (logistics, youth sports, medical and government). During the nine months ended September 30, 2020, U.S. hotel RevPAR declined by 46.6% with ADR decreasing by 19.5% and occupancy declining by 33.6% compared to the same prior period. The following table summarizes RevPAR changes in AHIP’s portfolio compared to the U.S. hotel industry by chain scale for the three and nine months ended September 30, 2020 (according to STR):

		U.S. hotel industry		AHIP’s portfolio	
Chain Scale Segments	Representative Hotels in AHIP’s Premium Branded Hotel Portfolio	Q3 QTD 2020 RevPAR Changes	Q3 YTD 2020 RevPAR Changes	Q3 QTD 2020 RevPAR Changes	Q3 YTD 2020 RevPAR Changes
Upper upscale	Embassy Suites	(71.8%)	(58.5%)	(62.7%)	(53.6%)
Upscale	Courtyard, Hilton Garden Inn, Homewood Suites, Residence Inn, Springhill Suites, Staybridge Suites	(55.2%)	(51.0%)	(34.5%)	(35.0%)
Upper midscale	Fairfield Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, TownePlace Suites, Home2 Suites	(41.7%)	(43.4%)	(39.8%)	(40.2%)
Midscale	Sleep Inn	(29.7%)	(33.7%)	(30.5%)	(42.7%)

THIRD QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
TOTAL PORTFOLIO INFORMATION ⁽¹⁾				
Number of rooms ⁽²⁾	8,801	11,524	8,801	11,524
Number of properties ⁽²⁾	78	112	78	112
Number of restaurants ⁽²⁾	16	40	16	40
Occupancy rate	57.1%	76.5%	51.3%	75.7%
Average daily room rate	\$ 96.53	\$ 100.19	\$ 103.21	\$ 99.01
Revenue per available room	\$ 55.12	\$ 76.65	\$ 52.95	\$ 74.95
Revenues ⁽¹⁾	\$ 46,320	\$ 88,519	\$ 135,449	\$ 259,097
Net operating income ⁽³⁾	14,605	29,668	36,772	87,879
NOI Margin %	31.5%	33.5%	27.1%	33.9%
Net income (loss) and comprehensive income (loss)	(12,070)	2,143	(45,483)	7,527
Diluted income (loss) per Unit	\$ (0.15)	\$ 0.03	\$ (0.58)	\$ 0.10
EBITDA ⁽³⁾	\$ 11,067	\$ 25,273	\$ 26,156	\$ 73,829
EBITDA Margin %	23.9%	28.6%	19.3%	28.5%
FUNDS FROM OPERATIONS (FFO) ⁽¹⁾				
Funds from operations	\$ 120	\$ 15,620	\$ (4,287)	\$ 45,071
Diluted FFO per Unit ⁽⁴⁾⁽⁵⁾	\$ 0.00	\$ 0.20	\$ (0.06)	\$ 0.57
FFO Payout Ratio - rolling four quarters	404.9%	92.0%	404.9%	92.0%
ADJUSTED FUNDS FROM OPERATIONS (AFFO) ⁽¹⁾				
Adjusted funds from operations	\$ 218	\$ 14,073	\$ (4,846)	\$ 40,669
Diluted AFFO per Unit ⁽⁴⁾⁽⁵⁾	\$ 0.00	\$ 0.18	\$ (0.06)	\$ 0.51
AFFO Payout Ratio - rolling four quarters	549.0%	101.4%	549.0%	101.4%
Distributions declared	\$ -	\$ 12,689	\$ 11,405	\$ 37,923
Distributions declared per Unit	\$ -	\$ 0.162	\$ 0.146	\$ 0.486
CAPITALIZATION AND LEVERAGE				
Debt-to-Gross Book Value ⁽²⁾	58.2%	53.6%	58.2%	53.6%
Debt-to-EBITDA (trailing twelve-month basis)	17.6x	8.3x	17.6x	8.3x
Interest Coverage Ratio	1.1x	2.8x	0.9x	2.7x
Weighted average debt face interest rate ⁽²⁾	4.55%	4.64%	4.55%	4.64%
Weighted average debt term to maturity ⁽²⁾	4.8 years	5.7 years	4.8 years	5.7 years
Number of Units outstanding ⁽²⁾	78,232,926	78,122,528	78,232,926	78,122,528
Diluted weighted average number of Units outstanding ⁽⁴⁾	78,827,204	78,206,063	78,576,761	78,159,903

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(US\$000s unless noted and except Units and per Unit amounts)				
BREAKDOWN OF CONTINUING AND DISCONTINUED OPERATIONS				
Revenues				
Continuing operations	\$ 46,320	\$ 69,253	\$ 135,449	\$ 204,488
Discontinued operations	-	19,266	-	54,609
Total revenues	\$ 46,320	\$ 88,519	\$ 135,449	\$ 259,097
Net income (loss) and comprehensive income (loss)				
Continuing operations	\$ (11,912)	\$ 1,374	\$ (45,343)	\$ 7,660
Discontinued operations	(158)	769	(140)	(133)
Net income (loss) and comprehensive income (loss)	\$ (12,070)	\$ 2,143	\$ (45,483)	\$ 7,527
Diluted income (loss) per unit				
Continuing operations	\$ (0.15)	\$ 0.02	\$ (0.58)	\$ 0.10
Discontinued operations	-	0.01	-	-
Diluted income (loss) per unit	\$ (0.15)	\$ 0.03	\$ (0.58)	\$ 0.10

(1) Refers to combined continuing and discontinued operations.

(2) At period end.

(3) Not adjusted for IFRIC 21 property taxes.

(4) Diluted weighted average number of Units calculated in accordance with IFRS included the 639,076 unvested Restricted Stock Units and 300,000 Options as at September 30, 2020 and 100,649 unvested Restricted Stock Units as at September 30, 2019.

(5) The Debentures were not dilutive for FFO and AFFO for the three and nine months ended September 30, 2020. The Debentures were dilutive for FFO and AFFO for the three months and nine months ended September 30, 2019. Therefore, Debenture finance costs of \$802 and \$611 were added back to FFO and AFFO for the three months ended September 30, 2019 and \$2,392 and \$1,833 were added back to FFO and AFFO for the nine months ended September 30, 2019. As a result, 5,283,783 units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the three and nine months ended September 30, 2019.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Three months ended September 30, 2020:

For the three months ended September 30, 2020, revenues decreased by \$42.2 million (or 47.7%) to \$46.3 million (2019 – \$88.5 million) compared to the prior year as a result of lower demand from the on-going impact of COVID-19 and from portfolio changes between periods. RevPAR decreased 28.1% to \$55.12 (2019 – \$76.65) caused by ADR decreases of 3.7% to \$96.53 (2019 – \$100.19) and occupancy declines of 25.4% to 57.1% (2019 – 76.5%) due to significantly reduced demand related to COVID-19.

Hotels have a high level of fixed costs including mortgage interest expenses, property taxes, insurance and building maintenance. As a result, declines in revenues have a considerable impact on overall profitability, notwithstanding the significant cost saving measures undertaken by AHIP.

Net loss and comprehensive loss for the quarter was (\$12.1) million (2019 – income of \$2.1 million) as a result of lower NOI and higher interest expenses.

FFO for the quarter decreased to \$120 thousand (2019 – \$15.6 million) as a result of lower NOI due to the significant impact of COVID-19 and AFFO declined to \$218 thousand (2019 – \$14.1 million). Diluted FFO per Unit for the quarter was \$0.00 (2019 – \$0.20) and diluted AFFO per Unit was also \$0.00 (2019 – \$0.18).

Nine months ended September 30, 2020:

For the nine months ended September 30, 2020, revenues decreased by \$123.6 million (or 47.7%) to \$135.4 million (2019 – \$259.1 million) compared to the prior year as a result of COVID-19 related impacts (including significantly reduced demand and temporarily ceasing guest operations at certain hotels in Q2 2020) and portfolio changes between periods. RevPAR decreased by 29.4% to \$52.95 (2019 – \$74.95) with ADR increasing by 4.2% to \$103.21 (2019 – \$99.01) due to portfolio changes between periods and occupancy declining by 32.2% to 51.3% (2019 – 75.7%) due to significantly reduced demand related to COVID-19.

Net loss and comprehensive loss was (\$45.5) million (2019 – income of \$7.5 million) as a result of lower NOI, fair value changes on interest rate swaps, impairment charges related to certain hotels, and increased interest expense.

FFO decreased to (\$4.3) million (2019 – \$45.1 million) as a result of lower NOI and AFFO decreased to (\$4.8) million (2019 – \$40.7 million). Diluted FFO per Unit was (\$0.06) (2019 – \$0.57) and diluted AFFO per Unit was (\$0.06) (2019 – \$0.51).

RESULTS OF OPERATIONS

The following discussion highlights selected financial information for the three and nine months ended September 30, 2020 and 2019. This information should be read in conjunction with AHIP's Interim Financial Statements and related notes. Note the financial information for the comparative information for the three and nine months ended September 30, 2020 reflects Premium Branded Hotels only as the Economy Lodging Portfolio has been disclosed as discontinued operations.

(US\$000s unless noted and except Units and per Unit amounts)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenues	\$ 46,320	\$ 69,253	\$ 135,449	\$ 204,488
Hotel expenses	31,814	45,932	97,833	132,533
Net operating income (including IFRIC 21)	14,506	23,321	37,616	71,955
Depreciation and amortization	10,849	9,398	32,632	28,192
Income from operating activities	3,657	13,923	4,984	43,763
Corporate and administrative	3,536	3,712	10,615	11,693
Loss on disposal of property, buildings and equipment	250	-	250	-
Impairment of hotel assets	2,495	1,200	8,039	1,200
Income (loss) from continuing operations before undernoted	(2,624)	9,011	(13,920)	30,870
Finance income	(73)	(2)	(220)	(9)
Change in fair value of swap contracts	(415)	-	5,955	-
Finance costs	10,936	8,093	30,702	24,161
Income (loss) from continuing operations before income taxes	(13,072)	920	(50,357)	6,718
Current income tax expense (recovery)	84	13	(32)	23
Deferred income tax (recovery)	(1,244)	(467)	(4,982)	(965)
Net income (loss) and comprehensive income (loss) from continuing operations	(11,912)	1,374	(45,343)	7,660
Net income (loss) and comprehensive income (loss) from discontinued operations	(158)	769	(140)	(133)
Net income (loss) and comprehensive income (loss)	\$ (12,070)	\$ 2,143	\$ (45,483)	\$ 7,527
Basic income (loss) per Unit	\$ (0.15)	\$ 0.03	\$ (0.58)	\$ 0.10
Diluted income (loss) per Unit	\$ (0.15)	\$ 0.03	\$ (0.58)	\$ 0.10
Basic weighted average number of Units outstanding	78,184,867	78,120,793	78,149,543	78,117,430
Diluted weighted average number of Units outstanding ⁽¹⁾	78,827,204	78,206,063	78,576,761	78,159,903

(1) Diluted weighted average number of Units calculated in accordance with IFRS included the 639,076 unvested Restricted Stock Units and 300,000 Options as at September 30, 2020 and 100,649 unvested Restricted Stock Units as at September 30, 2019.

Total revenues from AHIP's Premium Branded hotels for the three and nine months ended September 30, 2020 decreased compared to the same period last year as a result of lower demand from the impacts of COVID-19 and the temporary cessation of guest operations at certain hotels in Q2 2020, partially offset by portfolio changes between periods.

Hotel expenses consisted of hotel operating expenditures including labor costs, sales and marketing, franchise fees, energy, property maintenance, property taxes, insurance, and ground lease expense. Hotel expenses were lower for the three and nine months ended September 30, 2020 compared to the prior year as a result of the cost containment initiatives implemented in response to falling demand caused by COVID-19, which commenced during March 2020.

Depreciation and amortization expenses consisted of depreciation charges on property, buildings and equipment, and amortization of intangible assets. Depreciation and amortization expenses for the three and nine months ended September 30, 2020 increased over prior periods due to the Acquisition.

Corporate and administrative expenses consisted of hotel management fees paid to the external hotel manager and general administrative expenses such as salaries, directors' fees, securities-based compensation, professional fees, and general administrative expenses.

(US\$000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Hotel management fees	\$ 1,383	\$ 1,988	\$ 4,072	\$ 6,542
General administrative expenses	2,153	1,724	6,543	5,151
Total corporate and administrative expenses	\$ 3,536	\$ 3,712	\$ 10,615	\$ 11,693

The decrease in hotel management fees for the three and nine months ended September 30, 2020 resulted from lower revenues along with changes to the hotel management agreement effective July 1, 2019. The increase in general and administrative expenses was caused by higher professional fees and increased amortization of securities-based compensation from the retirement of the former CEO.

(US\$000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest expense	\$ 10,343	\$ 7,602	\$ 29,085	\$ 22,710
Non-cash finance costs	589	487	1,605	1,439
Dividends on preferred shares	4	4	12	12
Total finance costs	\$ 10,936	\$ 8,093	\$ 30,702	\$ 24,161

Finance costs shown above include those costs related to continuing operations only as finance costs related to the Economy Lodging Portfolio are included in discontinued operations. For the three and nine months ended September 30, 2020, total finance costs increased as a result of higher interest expense related to the Acquisition and increased borrowings during the period.

Income tax expense is comprised of current and deferred income taxes. Current income taxes and deferred income taxes are recognized in net earnings, except to the extent that it relates to a business

combination, or items recognized directly in equity or in other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

TOTAL OPERATING STATEMENTS INCLUDING PREMIUM BRANDED AND ECONOMY LODGING HOTELS

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(US\$000s unless noted)				
Number of rooms ⁽¹⁾	8,801	11,524	8,801	11,524
Number of properties ⁽¹⁾	78	112	78	112
Number of restaurants ⁽¹⁾	16	40	16	40
Occupancy rate	57.1%	76.5%	51.3%	75.7%
Average daily rate ⁽²⁾	\$ 96.53	\$ 100.19	\$ 103.21	\$ 99.01
Revenue per available room	\$ 55.12	\$ 76.65	\$ 52.95	\$ 74.95
REVENUES				
Rooms	\$ 44,915	\$ 81,288	\$ 128,858	\$ 235,886
Food, beverage and other	1,405	7,231	6,591	23,211
TOTAL REVENUES	46,320	88,519	135,449	259,097
EXPENSES				
Operating expenses	21,998	45,970	70,231	134,276
Energy	2,867	4,057	7,513	11,029
Property maintenance	2,265	4,028	6,797	12,178
Taxes, insurance and ground lease ⁽³⁾	4,585	4,796	14,136	13,735
TOTAL EXPENSES	31,715	58,851	98,677	171,218
NET OPERATING INCOME	\$ 14,605	\$ 29,668	\$ 36,772	\$ 87,879
NOI Margin %	31.5%	33.5%	27.1%	33.9%

(1) At period end.

(2) ADR in 2019 reflects inclusion of guaranteed rail crew room revenues.

(3) Not adjusted for IFRIC 21 property taxes.

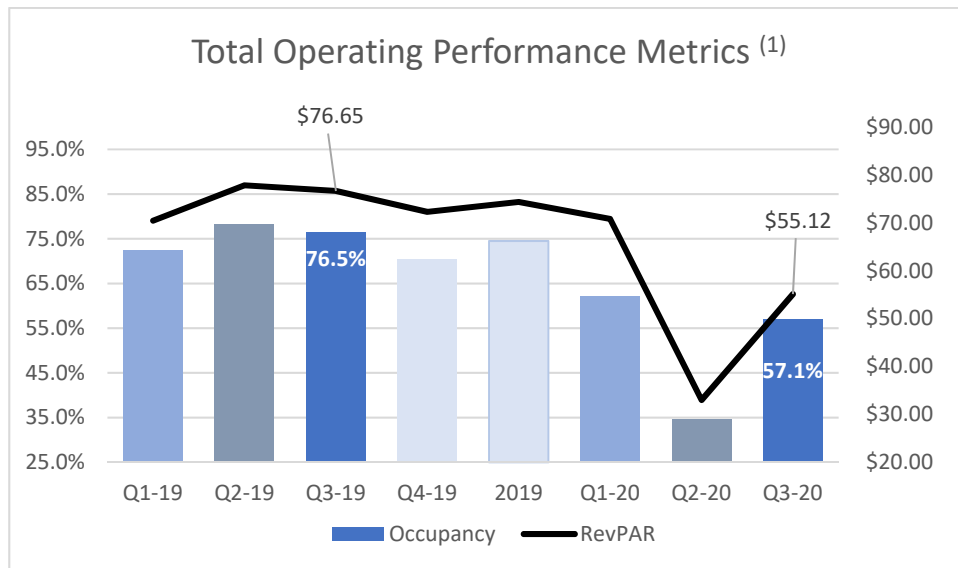
Three months ended September 30, 2020:

Total revenues for the three months ended September 30, 2020 decreased \$42.2 million (or 47.7%) to \$46.3 million (2019 – \$88.5 million) resulting from the impacts of COVID-19 and changes to the portfolio.

Portfolio RevPAR for the quarter decreased by 28.1% to \$55.12 (2019 – \$76.65) attributable to ADR decreasing by 3.7% to \$96.53 (2019 – \$100.19) and occupancy declining by 25.4% to 57.1% (2019 – 76.5%) both of which are caused by falling demand due to COVID-19. Total NOI and NOI margins decreased primarily as a result of lower revenues offset by lower hotel operating expenses.

Nine months ended September 30, 2020:

Total revenues for the nine months ended September 30, 2020 decreased by \$123.6 million (or 47.7%) to \$135.4 million (2019 – \$259.1 million) resulting from the impacts of COVID-19 (including significantly reduced demand and temporarily ceasing guest operations at certain hotels in Q2 2020) and changes to the portfolio. RevPAR decreased by 29.4% to \$52.95 (2019 – \$74.95) with ADR increasing by 4.2% to \$103.21 (2019 – \$99.01) and occupancy declining by 32.2% to 51.3% (2019 – 75.7%) due to COVID-19 impacts partially offset by portfolio changes. Total NOI and NOI margins decreased due to lower revenues.



(1) All figures reflect combined continuing and discontinued operations.

PREMIUM BRANDED HOTELS OPERATING STATEMENTS

	Three months ended September 30, 2020		Three months ended September 30, 2019		Nine months ended September 30, 2020		Nine months ended September 30, 2019	
(US\$000s unless noted)								
Number of rooms ⁽¹⁾		8,801		7,684		8,801		7,684
Number of properties ⁽¹⁾		78		67		78		67
Number of restaurants ⁽¹⁾		16		14		16		14
Occupancy rate		57.1%		79.0%		51.3%		78.2%
Average daily rate	\$	96.53	\$	116.50	\$	103.21	\$	115.64
Revenue per available room	\$	55.12	\$	92.04	\$	52.95	\$	90.43
REVENUES								
Rooms	\$	44,915	\$	65,022	\$	128,858	\$	189,738
Food, beverage and other		1,405		4,231		6,591		14,750
TOTAL REVENUES		46,320		69,253		135,449		204,488
EXPENSES								
Operating expenses		21,998		35,691		70,231		104,759
Energy		2,867		2,997		7,513		8,044
Property maintenance		2,265		3,071		6,797		9,109
Taxes, insurance and ground lease ⁽²⁾		4,585		4,016		14,136		11,476
TOTAL EXPENSES		31,715		45,775		98,677		133,388
NET OPERATING INCOME	\$	14,605	\$	23,478	\$	36,772	\$	71,100
NOI Margin %		31.5%		33.9%		27.1%		34.8%

(1) At period end.

(2) Not adjusted for IFRIC 21 property taxes.

Three months ended September 30, 2020:

For Premium Branded hotels, total revenues for the three months ended September 30, 2020 decreased by \$22.9 million (or 33.1%) to \$46.3 million (2019 – \$69.3 million) caused by reduced demand from the impacts of COVID-19, partially offset by the Acquisition. NOI and NOI margins both declined due to lower revenues.

For the three months ended September 30, 2020, U.S. hotel RevPAR declined by 48.5% compared to AHIP's RevPAR decline of 40.1%. AHIP's properties in the Midwestern region including Illinois, Iowa, Kansas, and Missouri, experienced moderate RevPAR declines of 8.8%. RevPAR declines were less pronounced at certain properties located in Tennessee and New Jersey which saw RevPAR declines of 20.3% and 23.2%, respectively, led by demand from leisure customers, contract business and government agencies. RevPAR declines were more significant in Arizona, Ohio and Kentucky with RevPAR declining by 58.7%, 59.6% and 72.3%, respectively, reflecting the decline in demand at the larger Embassy Suites properties located in those states due to COVID-19. AHIP's 24 extended stay properties performed much better with RevPAR declines of only 29.6% to \$76.51 (2019 – \$108.70). Declining revenues resulted in lower NOI and NOI margins.

Nine months ended September 30, 2020:

For Premium Branded hotels, total revenues for the nine months ended September 30, 2020 decreased by \$69.0 million (or 33.8%) to \$135.4 million (2019 – \$204.5 million) caused by decreased demand resulting from COVID-19 and the temporary cessation of guest operations at certain hotels in Q2 2020, partially offset by revenues from the properties acquired in the Acquisition. NOI and NOI margins both declined due to lower revenues.

For the nine months ended September 30, 2020, U.S. hotel RevPAR declined by 46.6% compared to AHIP's RevPAR decline of 41.4%. Certain AHIP properties located in New Jersey, Tennessee, Florida, Maryland, and Virginia performed better with RevPAR declines of 29.5%, 30.2%, 34.5%, 38.4%, and 39.9%, respectively, led by multiple demand generators and better performance from extended stay properties. RevPAR declines were more significant in Ohio and Kentucky with RevPAR declining by 52.5% and 62.2%, reflecting the partial closure of the larger Embassy Suites properties located in those states during the period. RevPAR at AHIP's 24 extended stay properties declined by 30.7% to \$70.88 (2019 – \$102.30). Declining revenues contributed to lower NOI and NOI margins.

SAME PROPERTY OPERATING METRICS

A property must be owned and operated for the entire period in both reporting periods for inclusion in same property operating metrics. As such, properties acquired and sold during the comparable reporting period are not included in the same property tables. The table below shows the operating results for the 66 Premium Branded hotels owned as of January 1, 2019.

(US\$000s unless noted)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Number of properties	66	66	66	66
Occupancy rate	57.0%	79.0%	50.9%	78.2%
Average daily rate	\$ 95.54	\$ 116.86	\$ 102.06	\$ 115.93
Revenue per available room	\$ 54.46	\$ 92.32	\$ 51.95	\$ 90.66
REVENUES				
Rooms	\$ 38,074	\$ 64,528	\$ 108,176	\$ 188,022
Food, beverage and other	1,260	3,748	6,094	12,859
TOTAL REVENUES	39,334	68,276	114,270	200,881
EXPENSES				
Operating expenses	18,613	35,167	59,815	104,078
Energy	2,490	2,961	6,385	7,956
Property maintenance	1,955	3,027	5,903	8,992
Taxes and insurance ⁽¹⁾	3,928	3,872	11,954	11,236
TOTAL EXPENSES	26,986	45,027	84,057	132,262
NET OPERATING INCOME	\$ 12,348	\$ 23,249	\$ 30,213	\$ 68,619
NOI Margin %	31.4%	34.1%	26.4%	34.2%

(1) Not adjusted for IFRIC 21 property taxes.

Three months ended September 30, 2020:

For same property hotels, total revenues for the three months ended September 30, 2020 decreased by \$28.9 million (or 42.4%) to \$39.3 million (2019 – \$68.3 million) as a result lower demand arising from the impacts of COVID-19. Declining revenues contributed to lower NOI and NOI margins.

Nine months ended September 30, 2020:

For same property hotels, total revenues for the nine months ended September 30, 2020 decreased by \$86.6 million (or 43.1%) to \$114.3 million (2019 – \$200.9 million) as a result lower demand arising from the impacts of COVID-19. Declining revenues contributed to lower NOI and NOI margins.

FUNDS FROM OPERATIONS (“FFO”) AND ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)

Net income (loss) and comprehensive income (loss) reconciled to FFO and AFFO is calculated as follows including results for both continuing and discontinued operations:

(US\$000s unless noted and except Unit and per Unit amounts) ⁽¹⁾	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net income (loss) and comprehensive income (loss)	\$ (12,070)	\$ 2,143	\$ (45,483)	\$ 7,527
Add/(deduct):				
Economy Lodging Portfolio sale transaction costs	-	2,501	-	2,501
Loan defeasance costs	-	-	7	-
Depreciation and amortization	10,849	9,724	32,632	33,481
Impairment of hotel assets	2,495	1,200	8,039	1,200
Loss on disposal of assets	408	3	390	66
IFRIC 21 property taxes	97	(86)	(845)	(1,309)
Change in fair values of swap contracts	(415)	456	5,955	2,673
Deferred income tax (recovery)	(1,244)	(321)	(4,982)	(1,068)
Funds from operations (“FFO”)	\$ 120	\$ 15,620	\$ (4,287)	\$ 45,071
Add/(deduct):				
Securities-based compensation expense	598	146	920	296
Amortization of finance costs	588	616	1,605	1,821
Actual maintenance capital expenditures	(1,088)	(2,309)	(3,084)	(6,519)
Adjusted Funds from operations (“AFFO”)	\$ 218	\$ 14,073	\$ (4,846)	\$ 40,669
Diluted weighted average number of Units outstanding ⁽²⁾	78,827,204	78,206,063	78,576,761	78,159,903
Diluted FFO per Unit ⁽³⁾	\$ 0.00	\$ 0.20	\$ (0.06)	\$ 0.57
Diluted AFFO per Unit ⁽³⁾	\$ 0.00	\$ 0.18	\$ (0.06)	\$ 0.51

(1) All figures reflect combined continuing and discontinued operations.

(2) Diluted weighted average number of Units calculated in accordance with IFRS included the 639,076 unvested Restricted Stock Units and 300,000 Options as at September 30, 2020 and 100,649 unvested Restricted Stock Units as at September 30, 2019.

(3) The Debentures were not dilutive for FFO and AFFO for the three months and nine months ended September 30, 2020. The Debentures were dilutive for FFO and AFFO for the three months and nine months ended September 30, 2019. Therefore, Debenture finance costs of \$802 and \$611 were added back to FFO and AFFO for the three months ended September 30, 2019 and \$2,392 and \$1,833 were added back to FFO and AFFO for the nine months ended September 30, 2019. As a result, 5,283,783 units issuable on conversion of the Debentures were added to the diluted weighted average number of Units outstanding for the three months and nine months ended September 30, 2019.

Three months ended September 30, 2020:

For the three months ended September 30, 2020, FFO was \$120 thousand (2019 – \$15.6 million) and diluted FFO per Unit was \$0.00 (2019 – \$0.20) due to lower operating income.

AFFO for the three months ended September 30, 2020 was \$218 thousand (2019 – \$14.1 million) and Diluted AFFO per Unit was \$0.00 (2019 – \$0.18) due to lower operating income offset by lower actual maintenance capital expenditures.

Nine months ended September 30, 2020:

For the nine months ended September 30, 2020, FFO was (\$4.3) million (2019 – \$45.1 million) and diluted FFO per Unit was (\$0.06) (2019 – \$0.57) due to lower operating income.

AFFO for the nine months ended September 30, 2020 was (\$4.8) million (2019 – \$40.7 million) and diluted AFFO per Unit was (\$0.06) (2019 – \$0.51) due to lower operating income partially offset by lower actual maintenance capital expenditures.

ROLLING FOUR QUARTER FFO AND AFFO PAYOUT RATIO

As a result of seasonal fluctuations in FFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP's distribution paying capacity than a payout ratio in any given quarter during periods in which AHIP pays distributions on its Units. On March 20, 2020, AHIP announced the temporary suspension of monthly distributions on its Units. See "Distribution Policy" for more information.

The calculations for AHIP's FFO Payout Ratio and AFFO Payout Ratio for the four quarters ended September 30, 2020 are presented in the following table.

FFO PAYOUT RATIO ⁽¹⁾

AHIP's FFO Payout Ratio for the four quarters ended September 30, 2020 is calculated as follows:

	Trailing 12 months ended					
(US\$000s unless noted)	September 30, 2020		Q3 2020	Q2 2020	Q1 2020	Q4 2019
Distributions declared	\$	24,062	\$ -	\$ -	\$ 11,405	\$ 12,657
FFO		5,942	120	(9,088)	4,674	10,236

FFO Payout Ratio 404.9%

(1) All figures reflect combined continuing and discontinued operations.

AHIP's FFO Payout Ratio for the four quarters ended September 30, 2019 is calculated as follows:

(US\$000s unless noted)	Trailing 12 months ended		Q3 2019	Q2 2019	Q1 2019	Q4 2018
	September 30, 2019					
Distributions declared	\$	50,569	\$	12,677	\$	12,646
FFO		54,937		18,050		9,866

FFO Payout Ratio 92.0%

(1) All figures reflect combined continuing and discontinued operations.

AFFO PAYOUT RATIO ⁽¹⁾

AHIP's AFFO Payout Ratio for the four quarters ended September 30, 2020 is calculated as follows:

	Trailing 12 months ended				
(US\$000s unless noted)	September 30, 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Distributions declared	\$ 24,062	\$ -	\$ -	\$ 11,405	\$ 12,657
AFFO	4,383	218	(8,658)	3,587	9,236

AFFO Payout Ratio 549.0%

(1) All figures reflect combined continuing and discontinued operations.

AHIP's AFFO Payout Ratio for the four quarters ended September 30, 2019 is calculated as follows:

	Trailing 12 months ended					
(US\$000s unless noted)	September 30, 2019		Q3 2019	Q2 2019	Q1 2019	Q4 2018
Distributions declared	\$ 50,569	\$	12,689	\$ 12,677	\$ 12,557	\$ 12,646
AFFO	49,891		14,073	16,649	9,949	9,220

AFFO Payout Ratio 101.4%

(1) All figures reflect combined continuing and discontinued operations.

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO AFFO

In calculating AFFO, AHIP made certain adjustments to cash flow from operating activities as follows:

(US\$000s unless noted)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from continuing operations	\$ 607	\$ 11,501	\$ 5,141	\$ 30,532
Cash flows from discontinued operations	4	2,285	(110)	7,103
Cash flows from operating activities	\$ 611	\$ 13,786	\$ 5,031	\$ 37,635
Add/(deduct):				
Changes in non-cash working capital	189	(67)	(6,469)	7,457
Securities-based compensation	27	39	52	346
IFRIC 21 property taxes	97	(86)	(845)	(1,309)
Amortization of other liabilities	6	6	21	17
Interest paid	10,728	8,265	29,428	22,192
Interest expense	(10,347)	(7,021)	(29,090)	(19,665)
Economy Lodging Portfolio sale transaction costs	-	2,501	-	2,501
Adjustments for discontinued operations	(5)	(1,041)	110	(1,986)
Actual maintenance capital expenditures	(1,088)	(2,309)	(3,084)	(6,519)
AFFO	\$ 218	\$ 14,073	\$ (4,846)	\$ 40,669

DISTRIBUTIONS DECLARED COMPARED TO CASH FLOWS FROM OPERATING ACTIVITIES

(US\$000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from continuing operations	\$ 607	\$ 11,501	\$ 5,141	\$ 30,532
Cash flows from discontinued operations	4	2,285	(110)	7,103
Cash flows from operating activities	\$ 611	\$ 13,786	\$ 5,031	\$ 37,635
Distributions declared	-	12,689	11,405	37,923
Surplus (deficit) of cash flows to distributions	\$ 611	\$ 1,097	\$ (6,374)	\$ (288)

For the three months ended September 30, 2020, cash flows from operating activities decreased as a result of lower operating income caused by the impacts of COVID-19 (including lower revenues due to reduced demand, partially offset by reduced operating expenses as a result of AHIP's cost reduction strategies). There were no distributions declared during the current quarter.

For the nine months ended September 30, 2020, total cash flows from operating activities were less than distributions declared as a result of lower operating income resulting from the impacts of COVID-19 (including lower revenues due to reduced demand and the temporary cessation of guest operations at certain hotels in Q2 2020, partially offset by reduced operating expenses as a result of AHIP's cost reduction strategies).

DISTRIBUTION POLICY

The Board of Directors of the General Partner (“**Board of Directors**”), in consultation with management, continually evaluates AHIP’s distribution policy, with a focus on maximizing unitholder value. The declaration of distributions is subject to the discretion of the Board of Directors and is evaluated periodically and may be revised.

On March 10, 2020, in response to the impacts of COVID-19, AHIP’s Board of Directors revised the distribution policy to pay monthly cash distributions of \$0.038 per Unit (or \$0.456 per Unit on an annualized basis), commencing with the distribution payable in April 2020 in respect of the March 2020 distribution (the “**March 2020 Distribution**”). Prior to this change, AHIP’s policy was to declare and pay monthly cash distributions of \$0.054 per Unit (or \$0.648 per Unit on an annualized basis).

On March 20, 2020, AHIP’s Board of Directors approved the temporary suspension of AHIP’s monthly distribution, beginning in April 2020, until economic conditions and the performance of AHIP’s hotels sufficiently improve. On April 8, 2020, AHIP announced that the payment of the March 2020 Distribution would be deferred until such time as business levels sufficiently improve and AHIP’s Board of Directors, in consultation with management, determines it is appropriate to pay.

These decisions were based on the impacts of COVID-19 and related government measures on AHIP’s business and the hotel industry. Given the continued economic uncertainty related to COVID-19, AHIP’s Board of Directors and management continue to believe cash preservation is of utmost importance and the temporary suspension of the monthly distribution and continued deferral of the payment of the March 2020 Distribution are prudent measures to ensure the long-term health of the business.

The payment of distributions by AHIP to its unitholders is also subject to the satisfaction of certain financial covenants under AHIP’s credit agreement with its lending syndicate. Accordingly, the recommencement of monthly distributions and the payment of the March 2020 Distribution is subject to the satisfaction of such covenants.

AHIP’s Board of Directors does not currently have an estimate of the timing of the reinstatement of monthly distributions or the payment of the March 2020 Distribution. AHIP’s Board of Directors will continue to review AHIP’s financial performance and position (including in relation to the relevant covenants under its credit agreement with its lending syndicate) in order to determine an appropriate time for the reinstatement of monthly distributions and the payment of the March 2020 Distribution, which may occur at different times. The unitholders entitled to the March 2020 Distribution remain those unitholders as of the close of business on the original record date of March 31, 2020.

DISTRIBUTION SUMMARY

AHIP declared the following cash distributions to unitholders of record from January 1, 2020 to September 30, 2020 as follows:

Month	Record Date	Payment Date	Distribution per Unit	Amount (\$000s)
January 2020	January 31, 2020	February 14, 2020	\$ 0.054	\$ 4,218
February 2020	February 28, 2020	March 13, 2020	0.054	4,218
March 2020	March 29, 2020	Deferred	0.038	2,969 ^{(1) (2) (3)}
Totals			\$ 0.146	\$ 11,405

(1) Quarterly amounts include distributions accrued on unvested Restricted Stock Units.

(2) Payment has been deferred to a later date that is to be determined by the Board of Directors. See "Distribution Policy".

(3) Beginning in April 2020, AHIP temporarily suspended monthly distributions until further notice.

Per Unit	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Annualized distribution ⁽¹⁾	\$ -	\$ -	\$ 0.146	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648	\$ 0.648
Period-end Cdn\$ TSX Closing Price	\$ 2.51	\$ 2.70	\$ 2.00	\$ 7.04	\$ 6.68	\$ 6.70	\$ 7.19	\$ 6.34
Annualized distribution yield on Closing Price (%) ⁽²⁾	0.0%	0.0%	10.4%	12.2%	12.9%	12.7%	12.0%	13.9%

(1) For Q1 2020 only, amount represents distribution declared during the quarter prior to its temporary suspension.

(2) Converted at the Bank of Canada period end exchange rate.

PART III

SUMMARY OF QUARTERLY RESULTS

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information is presented for the prior eight quarters:

(US\$000s except Units and per Unit amounts)									
	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	
TOTAL PORTFOLIO									
Revenues ⁽¹⁾	\$ 46,320	\$ 27,274	\$ 61,855	\$ 76,091	\$ 88,519	\$ 90,047	\$ 80,531	\$ 79,555	
NOI	14,506	6,301	16,809	22,604	29,754	34,019	25,415	22,109	
Net income (loss) ⁽¹⁾	(12,070)	(20,806)	(12,607)	(14,519)	2,143	5,840	(456)	(6,109)	
FFO ⁽¹⁾	\$ 120	\$ (9,088)	\$ 4,674	\$ 10,236	\$ 15,620	\$ 18,050	\$ 11,401	\$ 9,866	
AFFO ⁽¹⁾	218	(8,658)	3,587	9,236	14,073	16,649	9,949	9,220	
Distributions declared	-	-	11,405	12,657	12,689	12,677	12,557	12,646	
Total assets ⁽¹⁾	\$ 1,220,895	\$ 1,236,194	\$ 1,240,888	\$ 1,246,328	\$ 1,255,168	\$ 1,253,348	\$ 1,260,338	\$ 1,263,177	
Total debt ⁽¹⁾	812,143	817,819	808,930	774,901	776,130	766,939	762,752	754,372	
Weighted average number of Units o/s (000s)	78,185	78,135	78,129	78,124	78,121	78,119	78,114	78,071	
AMOUNTS ON PER UNIT BASIS⁽¹⁾									
Diluted net income (loss) per Unit	\$ (0.15)	\$ (0.26)	\$ (0.16)	\$ (0.19)	\$ 0.03	\$ 0.07	\$ (0.01)	\$ (0.08)	
Diluted FFO per Unit	0.00	(0.12)	0.06	0.13	0.20	0.23	0.15	0.13	
Diluted AFFO per Unit	0.00	(0.11)	0.05	0.12	0.18	0.21	0.13	0.12	
BREAKDOWN OF CONTINUING AND DISCONTINUED OPERATIONS									
Revenues									
Cont. Operations	\$ 46,320	\$ 27,274	\$ 61,855	\$ 65,057	\$ 69,253	\$ 71,693	\$ 63,542	\$ 61,745	
Disc. Operations	-	-	-	11,034	19,266	18,354	16,989	17,810	
Total Revenues	46,320	27,274	61,855	76,091	88,519	90,047	80,531	79,555	
Net income (loss)									
Cont. Operations	\$ (11,912)	\$ (20,839)	\$ (12,592)	\$ (5,479)	\$ 1,374	\$ 6,427	\$ (141)	\$ (3,758)	
Disc. Operations	(158)	33	(15)	(9,040)	769	(587)	(315)	(2,351)	
Net income (loss)	\$ (12,070)	\$ (20,806)	\$ (12,607)	\$ (14,519)	\$ 2,143	\$ 5,840	\$ (456)	\$ (6,109)	
Diluted net income (loss) per Unit									
Cont. Operations	\$ (0.15)	\$ (0.26)	\$ (0.16)	\$ (0.07)	\$ 0.02	\$ 0.08	\$ 0.00	\$ (0.05)	
Disc. Operations	-	-	-	(0.12)	0.01	(0.01)	(0.01)	(0.03)	
Diluted net income (loss) per Unit	\$ (0.15)	\$ (0.26)	\$ (0.16)	\$ (0.19)	\$ 0.03	\$ 0.07	\$ (0.01)	\$ (0.08)	

(1) Reflects combined continuing and discontinued operations.

The hotel industry is seasonal in nature. Occupancy rates, revenues and operating results experienced by hotels located in the U.S. are, absent the impacts of COVID-19, generally greater in the second and third quarters of the calendar year than in the first and fourth quarters. These fluctuations may impact earnings, cash flow and payout ratios.

LIQUIDITY

The principal liquidity needs of AHIP are currently for working capital requirements, debt servicing and repayment obligations, maintenance capital expenditures, and contractual obligations. Over the long-term, AHIP intends to repay maturing debt with proceeds from refinancing such debt and to raise new equity by issuing Units or other securities from treasury to finance its investment activities.

As at September 30, 2020, AHIP's unrestricted cash balance was \$26.9 million (December 31, 2019 – \$17.8 million), its restricted cash balance was \$25.7 million (December 31, 2019 – \$28.8 million) and it had available revolver capacity of approximately \$13.3 million.

Cash flows from operating activities, cash on hand and revolving lines of credit represent the primary sources of liquidity. AHIP's hotels operations have been impacted by COVID-19 with significantly reduced occupancy, revenues and operating cashflows. Accordingly, AHIP has undertaken critical actions to enhance its liquidity including:

- AHIP has obtained approval from its CMBS loan servicers for all of its CMBS loans for short-term relief to allow for the temporary funding of debt service payments with restricted cash reserves and/or deferral from the required monthly contributions to the FF&E reserves. The deferred amounts are to be replenished by AHIP within 6-12 months after the completion of the relief period (although certain CMBS loan servicers have agreed to extend the replenishment period by 90 days and AHIP is in discussions with the remaining CMBS loan servicers for similar extensions).
- During the second quarter of 2020, AHIP received a total of \$9.9 million in loan proceeds under a government-guaranteed loan program. AHIP expects a portion of the loans will be forgiven if the loan proceeds are used for qualifying expenses and other specific criteria are met;
- AHIP entered into an amendment to its amended and restated credit agreement with its lending syndicate for its credit facility whereby AHIP obtained waivers for certain covenants through March 31, 2021, increased its available revolver capacity, and permitted the borrowing base properties to be secured by mortgages. See "Debt Strategy" section below for further details;
- In conjunction with its hotel manager, AHIP implemented aggressive and comprehensive cost savings measures including: significantly reducing the size of its hotel work force in order to align it with the amount of business being generated, not filling vacant positions, reducing discretionary spending, closing restaurant outlets or modifying hours of operations or offerings;
- In consultation with its brand partners, AHIP deferred capital expenditure programs into 2021 and beyond;
- AHIP reduced its corporate staffing levels by approximately 27% and all senior management has taken a 15% salary reduction for the remainder of 2020, effective April 1, 2020;
- AHIP reduced the base salary of its former CEO by 50%, which salary was paid in Units;
- The Board of Directors agreed to receive their 2020 retainer fees for Q2 onwards in units rather than in cash;
- AHIP's hotel manager, Aimbridge, reduced some direct and third-party service fees until September 30, 2020;
- AHIP temporarily suspended its monthly distribution on Units and deferred the payment of its March 2020 Distribution to a later date (see "Distribution Policy"); and

- AHIP temporarily consolidated hotel operations at 16 properties to neighboring AHIP-owned properties and temporarily suspended guest operations at six hotel properties to improve hotel efficiencies, all of which have are now open.

The full extent to which the COVID-19 pandemic ultimately impacts AHIP will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures (including travel restrictions) as well as any longer term shifts in business and consumer behavior in respect of travel on AHIP's operations, financial position and cash flows. See "Risks and Uncertainties" below.

The following table provides an overview of AHIP's change in cash from operating, investing and financing activities for the three and nine months ended September 30, 2020 and 2019:

(US\$000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Continuing operations net change in cash:				
Operating activities	\$ 607	\$ 11,501	\$ 5,141	\$ 30,532
Investing activities	5,910	(9,342)	(653)	(21,954)
Financing activities	(6,708)	(2,770)	4,700	(19,854)
	\$ (191)	\$ (611)	\$ 9,188	\$ (11,276)
Discontinued operations net change in cash	4	556	(110)	6,343
Change in cash	\$ (187)	\$ (55)	\$ 9,078	\$ (4,933)

The change in cash was largely due to the following activities:

Three months ended September 30, 2020:

- Net cash generated for operating activities for the three months ended September 30, 2020 was \$607 thousand (2019 net cash generated – \$11.5 million) as a result of lower income caused by the impacts of COVID-19 (including lower revenues due to reduced demand, partially offset by reduced operating expenses as a result of AHIP's cost reduction strategies);
- Net cash generated in investing activities for the three months ended September 30, 2020 was \$5.9 million (2019 net cash used – \$9.3 million), which reflected the use of restricted cash reserves to fund debt service obligations, proceeds from the sale of a hotel during quarter and fewer fixed asset additions due to the deferral of capital projects into 2021;
- Net cash used for financing activities for the three months ended September 30, 2020 was \$6.7 million (2019 – cash used \$2.8 million) due primarily to a net paydown of the revolving credit facility in the current period compared to a net borrowing in the prior year partially offset by the suspension of distribution payments; and
- Net cash used in discontinued operations relates to the sale of the Economy Lodging Portfolio in November 2019.

Nine months ended September 30, 2020:

- Net cash provided from operating activities for the nine months ended September 30, 2020 was \$5.1 million (2019 – \$30.5 million) as a result of lower income caused by the impacts of COVID-19 (including lower revenues due to reduced demand, partially offset by reduced operating expenses as a result of AHIP's cost reduction strategies);
- Net cash used in investing activities for the nine months ended September 30, 2020 was \$653 thousand (2019 – \$22.0 million), which reflected the use of restricted cash reserves to fund debt service obligations and proceeds from the sale of a hotel during quarter and fewer fixed asset additions due to the deferral of capital projects into 2021;
- Net cash generated from financing activities for the nine months ended September 30, 2020 was \$4.7 million (2019 – cash used \$19.9 million) due to term loan proceeds, funding of government guaranteed loans and lower distribution payments compared to the prior year; and
- Net cash used in discontinued operations relates to the sale of the Economy Lodging Portfolio in November 2019.

CONTRACTUAL OBLIGATIONS

The following table summarizes the face value of AHIP's contractual obligations over the next five fiscal years and thereafter:

(US\$000s)	TOTAL	2020	2021	2022	2023	2024	Thereafter
Term loans and revolving credit facility	\$ 735,335	\$ 1,158	\$ 4,739	\$ 60,543	\$ 74,067	\$ 244,537	\$ 350,291
Convertible debentures	48,875	-	-	48,875	-	-	-
Purchase and other obligations	21,765	3,845	17,176	247	196	126	175
Other loans	9,834	-	4,975	4,859	-	-	-
Operating and finance leases	4,331	82	342	410	273	214	3,010
Total	\$ 820,140	\$ 5,085	\$ 27,232	\$ 114,934	\$ 74,536	\$ 244,877	\$ 353,476

In addition to the above, AHIP's operating subsidiaries pay management fees to an external hotel manager and franchise fees to various franchisors based on hotel revenues.

AHIP has entered into an agreement to amend the terms of repayment for the aggregate deferred purchase price of \$17.5 million in respect of the Acquisition. The first installment of \$7.0 million was originally due on March 31, 2020 and had been overdue and accruing interest (with AHIP current on interest payments), and the second installment of \$10.5 million was originally due December 31, 2020. Under the revised terms, AHIP has agreed to repay the remaining deferred purchase price of \$17.1 million to the vendor in monthly installments of varying amounts completing in December 2021.

CAPITAL EXPENDITURES

When AHIP acquires a Premium Branded hotel property, under the terms of the applicable franchise agreement, an AHIP subsidiary is typically required to complete various PIPs within 18 to 24 months of the acquisition date. The PIPs are intended to renovate the hotel property to the franchisor's current standards and optimize operating performance and ensure the hotels remain competitive within their

respective market segments. AHIP's operating subsidiaries have entered into contracts or commitments with various suppliers to provide products and services in compliance with these PIPs. Partial payments for these items are held in escrow by AHIP's CMBS lenders as restricted cash and funds are disbursed in the ordinary course of business. In addition, on a regular basis, AHIP is required by its CMBS lenders to escrow FF&E Reserves over the term of the respective loans. See "Liquidity" above. During 2020, a number of hotel properties were scheduled to undergo significant PIP renovations. As a result of the impacts of COVID-19, and with approval from the hotel franchisors, all 2020 capital projects have been deferred to 2021 and beyond in order to maximize cash balances. Franchisors have also provided waivers to fund ongoing FF&E reserves.

GROUND AND AIR RIGHTS LEASES

Certain hotels are subject to non-cancellable leases as at September 30, 2020 as follows:

Hotel Properties	Lease Type	Lease Expiration Date
Embassy Suites Cincinnati, Covington, KY ⁽¹⁾	Air rights lease	July 1, 2040
SpringHill Suites, Bellport, NY ⁽²⁾	PILOT lease	November 30, 2021
(1) AHIP has four renewal options of 25 years each, subject to certain terms and conditions, to extend the lease to 2140.		
(2) AHIP is part of the PILOT (payment-in-lieu-of property taxes) program and is responsible for all operating costs other than property taxes, which are abated. If AHIP satisfies certain conditions, it can acquire a fee simple interest at the end of the lease term for nominal consideration.		

DEBT STRATEGY

AHIP's long-term overall borrowing policy is to obtain secured mortgage financing on primarily a fixed rate basis with terms to maturity that allow 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. Management intends to maintain a total debt-to-gross book value ratio of approximately 55% over the long-term; however, such ratio is expected to fluctuate from time to time, particularly in the near-term as AHIP accesses additional debt capital to fund operations while occupancies remain reduced due to the impacts of COVID-19. In accordance with AHIP's Limited Partnership Agreement, the maximum debt-to-gross book value ratio is 70% (including convertible debentures).

On February 14, 2020, AHIP increased the size of its corporate credit facility ("**Credit Facility**") from \$165 million to \$225 million with \$100 million allocated towards a revolving line of credit (previously \$60 million) and \$125 million allocated towards term loans (including the previously drawn \$105 million term loan obtained in connection with the completion of the Acquisition). The availability of this increased borrowing capacity is subject to the satisfaction of certain conditions.

On June 15, 2020, AHIP entered into an amendment to its amended and restated credit agreement with its lending syndicate for its Credit Facility whereby AHIP obtained a waiver for certain covenants up to April 1, 2021 and modified covenants through December 2021, increased its available revolver capacity by

approximately \$11.0 million, and permitted the Credit Facility to be secured by mortgages on the borrowing base properties. For further details, see a copy of the amended credit agreement, which has been filed under AHIP's profile on SEDAR at www.sedar.com.

AHIP has obtained approval from its CMBS loan servicers for all of its CMBS loans for short-term relief to allow for the temporary funding of debt service payments with restricted cash reserves and/or deferral from the required monthly contributions to the FF&E reserves. The deferred amounts are to be replenished by AHIP 6-12 months after the completion of the relief period (although certain CMBS loan servicers have agreed to extend the replenishment period by 90 days and AHIP is in discussions with the remaining CMBS loan servicers for similar extensions).

As at September 30, 2020, AHIP was, and as at the date of this MD&A AHIP is, current on all of its loan payments.

As at September 30, 2020, AHIP's Debt-to-Gross Book Value was 58.2% (2019 – 53.6%) as follows:

(US\$000s unless noted)	September 30, 2020		September 30, 2019	
Debt	\$	812,143	\$	776,130
Gross Book Value	\$	1,396,102	\$	1,446,886
Debt-to-Gross Book Value		58.2%		53.6%

The increase in the leverage ratio can be attributed to the portfolio changes between periods and higher borrowings.

The following table calculates AHIP's Interest Coverage Ratio for the three and nine months ended September 30, 2020 and 2019:

(US\$000s unless noted)	Three months ended September 30, 2020		Three months ended September 30, 2019		Nine months ended September 30, 2020		Nine months ended September 30, 2019	
EBITDA	\$	11,067	\$	25,273	\$	26,156	\$	73,829
Interest expense ⁽¹⁾	\$	10,343	\$	9,023	\$	29,078	\$	26,911
Interest Coverage Ratio (times)		1.1x		2.8x		0.9x		2.7x

(1) Interest expense is the sum of interest expense on revolving credit facilities, term loans, Debentures, finance lease liabilities and other liabilities.

The decline in EBITDA, and in turn the Interest Coverage Ratio was caused by lower income arising from the impacts of COVID-19.

The following table calculates AHIP's Debt-to-EBITDA Ratio as at September 30, 2020 and 2019:

(US\$000s unless noted)	September 30, 2020	September 30, 2019
Debt	\$ 812,143	\$ 776,130
EBITDA (trailing twelve months)	\$ 46,067	\$ 93,170
Debt-to-EBITDA (times)	17.6x	8.3x

The increase in this ratio reflects lower EBITDA arising from COVID-19 related impacts.

The following table summarizes the interest rates and terms of AHIP's non-current debt financing obligations:

(US\$000s unless noted)	Principal Balance as at September 30, 2020	Interest Rate	Initial Term (years)	Maturity Date
Debentures	\$ 48,875	5.00%	5	June 30, 2022
Eastern Seaboard Term Loan Pool #4	55,921	4.46%	5	July 6, 2022
Credit Facility Revolver ⁽¹⁾	32,400	LIBOR + 3.00%	4	December 3, 2023
Pittsburgh Portfolio Term Loans	35,865	5.02%	10	December 6, 2023
NC/GA Portfolio Assumed Loan #2	6,960	5.28%	10	February 1, 2024
Virginia Portfolio Term Loan	23,639	4.97%	10	April 6, 2024
Dallas Hotel Assumed Term Loan	18,772	5.25%	10	October 11, 2024
Texas Portfolio Term Loan	16,000	4.20%	10	November 6, 2024
Oklahoma Portfolio Term Loan	25,500	4.20%	10	November 6, 2024
Credit Facility Term Loan ⁽²⁾	125,000	LIBOR + 3.00%	5	December 3, 2024
NC/FL Portfolio Term Loan	26,110	4.27%	10	December 6, 2024
Midwestern Portfolio Term Loan	32,000	4.24%	10	July 6, 2025
Florida Portfolio Term Loan	19,000	4.21%	10	August 6, 2025
FL/TN Portfolio Term Loan	25,736	4.43%	10	November 6, 2026
Florida 6 Portfolio Term Loan	34,910	4.99%	10	December 6, 2026
Tempe Hotel Term Loan	13,379	5.14%	10	January 6, 2027
Midwestern 3 Portfolio Term Loan	64,443	4.72%	10	February 6, 2027
Eastern Seaboard Term Loan Pool #1	69,600	4.53%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #2	57,700	4.48%	10	July 6, 2027
Eastern Seaboard Term Loan Pool #3	52,400	4.53%	10	July 6, 2027
TOTAL	\$ 784,210			

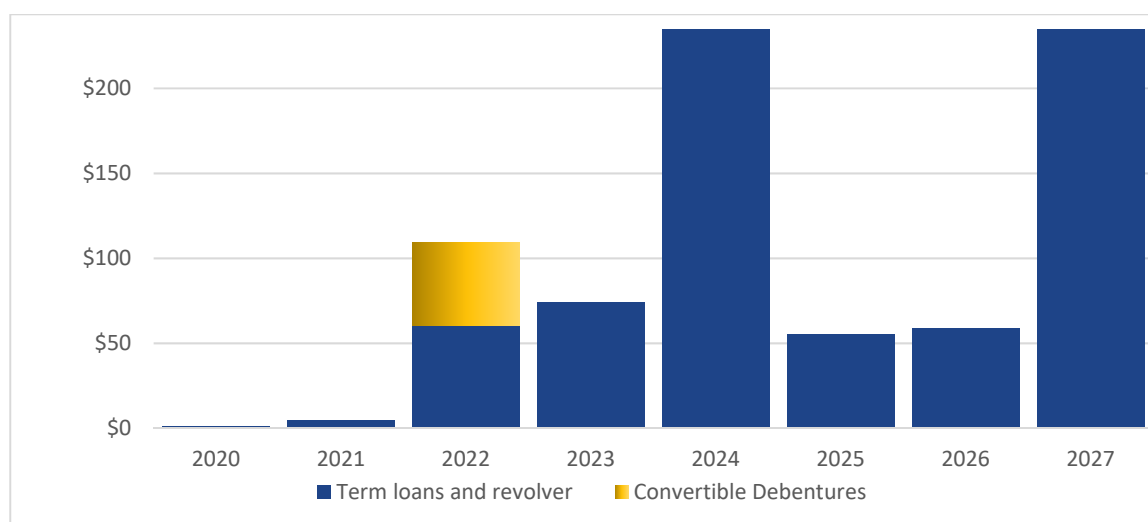
(1) Variable rate loan of which \$25.0 million has interest rate swap contract that fixes LIBOR at 1.609% until November 30, 2023. Revolver has two six-month extensions at AHIP's option, subject to certain conditions. During the covenant waiver period, the spread has been increased to 3.00%

(2) Variable rate loan with interest rate swap contract that fixes LIBOR at 1.415% until November 30, 2023.

The weighted average stated interest rate on AHIP's term loans and Debentures as at September 30, 2020 was 4.55% (September 30, 2019 – 4.64% including continuing and discontinued operations) and the weighted average debt term to maturity on AHIP's debt was 4.8 years (September 30, 2019 – 5.7 years including continuing and discontinued operations). As at September 30, 2020, all of AHIP's term loans were effectively fixed rate loans. Interest rate swap contracts are in place to fix LIBOR for \$130.0 million of the outstanding principal of the Credit Facility Term Loan and Credit Facility Revolver with fixed LIBOR rates of 1.415% and 1.609%.

As at September 30, 2020, Debentures in the aggregate principal amount of approximately \$48.9 million remained outstanding and were traded on the TSX with a closing price of \$78.00 per Debenture.

DEBT MATURITY LADDER (as at September 30, 2020) – \$ millions



CAPITAL RESOURCES

Management intends, over the long-term, to obtain additional equity or debt financing with similar interest rates and terms to previously completed financings in order to meet AHIP's planned growth strategy. AHIP has not obtained or made use of any additional sources of financing that are not disclosed in its Interim Financial Statements.

PARTNERS' CAPITAL

AHIP is authorized to issue an unlimited number of Units. As at September 30, 2020, there were 639,076 Restricted Stock Units issued and outstanding (September 30, 2019 – 100,649) and 300,000 Options outstanding (September 30, 2019 - \$nil).

As at September 30, 2020, there were 78,232,926 Units issued and outstanding (September 30, 2019 – 78,122,528). On September 30, 2020, the Units were traded on the TSX with a closing price of Cdn\$2.51 per Unit under the ticker HOT.UN; a closing price of \$1.86 per Unit under the ticker HOT.U; and were traded on the OTCQX with a closing price of \$1.85 per Unit under the ticker AHOTF.

As at November 9, 2020, there were 78,345,656 Units, 643,709 Restricted Stock Units, and 2,300,000 Options issued and outstanding. The principal amount of Debentures outstanding was \$48.9 million, which are convertible at the option of the Debenture holder into Units at any time prior to maturity at a conversion price equal to \$9.25 per Unit. As a result, 5,283,783 Units are issuable on conversion of the Debentures.

PART IV

OFF-BALANCE SHEET ARRANGEMENTS

Other than as disclosed in its Interim Financial Statements, AHIP does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Other than as disclosed in its Interim Financial Statements, AHIP does not have any related party transactions.

SUBSEQUENT EVENTS

a) Appointment of Jonathan Korol as Chief Executive Officer

On October 7, 2020, Jonathan Korol was appointed Chief Executive Officer of AHIP, and he has agreed to receive half of his salary in units through 2021 to further align his interests with unitholders.

b) Repayment of Economy Lodging Portfolio receivable

On October 30, 2020, the purchaser of the Economy Lodging Portfolio repaid a \$2.4 million short term loan including accrued interest. The loan was granted to the purchaser by AHIP under the terms of the purchase and sale agreement for the Economy Lodging Portfolio.

SIGNIFICANT ACCOUNTING POLICIES

AHIP's significant accounting policies are described in Note 3 of its Interim Financial Statements. These Interim Financial Statements follow the same accounting policies and methods of application as the Annual Audited Financial Statements, except as noted below.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. For a detailed discussion of the critical accounting estimates, refer to Note 2 of AHIP's annual audited consolidated financial statements for the years ended December 31, 2019 and 2018.

a) IAS 20 Accounting for government grants and disclosure of government assistance

AHIP classifies forgivable government-guaranteed loans as a government grant when there is reasonable assurance that AHIP will meet the terms for forgiveness on the loan. If this threshold is not met, AHIP classifies forgivable loans as other liabilities, measured at fair value in accordance with IFRS 9. AHIP recognizes forgivable government-guaranteed loans classified as liabilities in profit or loss during the period in which the loan is forgiven. AHIP recognizes deferred grants on a systematic basis over the periods in which AHIP recognizes the related expenses for which the grants are intended to compensate.

The benefit of government-guaranteed loans at below-market rates of interest are treated as government grants. The difference between the present value of future cash flows of the loan discounted at the market interest rate and the loan proceeds received is recognized in profit or loss on the same basis that the related interest expense is recognized on the liability.

b) Measurement uncertainty – Impairment

The COVID-19 pandemic and its impact on the economy is constantly changing in an unpredictable manner and presents many variables and contingencies for modeling. In future periods, the effects of the pandemic may have material impacts on AHIP's anticipated revenue levels and the recoverable amount of its hotel properties. During the three and nine months ended September 30, 2020, AHIP recorded an impairment charge of approximately \$2.5 million and \$8.0 million, respectively (three and nine months ended September 30, 2019 – \$1.2 million) on certain hotels due to adverse changes in the operating performance of the hotels. AHIP estimated their recoverable amounts based on their value-in-use using 10-year discounted cash flow models. Significant assumptions used in the estimated value-in-use calculations included discount rates of 10% and other market considerations. The cash flow projections are management's best estimates based on current and anticipated market conditions covering the 10-year forecast period. However, these projections are inherently uncertain due to the recent and evolving impact of the COVID-19 pandemic. It is possible that long-term underperformance to these projections could occur if government restrictions continue to prevail resulting in a duration and impact greater than currently anticipated.

ACCOUNTING STANDARDS

For details on future accounting policy changes, please refer to Note 3 of the Annual Audited Financial Statements.

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 its 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 its 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 September 30, 2020, AHIP's management, under the supervision of its CEO and CFO, has designed the DC&P and ICFR. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”) in Internal Control – Integrated Framework (2013).

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 Acquisition as it was acquired less than 365 days before the last day of the three-month period ended September 30, 2020. The results of this portfolio constitute approximately 20.9% and 38.8% of AHIP’s income from operating activities for the three and nine months ended September 30, 2020, respectively. AHIP intends to complete the design of DC&P and ICFR for the Acquisition by December 31, 2020.

PART V

FOREIGN EXCHANGE MANAGEMENT

All of AHIP’s investments and substantially all its operations are conducted in U.S. dollars. Therefore, AHIP has minimal exposure to fluctuations in currency exchange rates. As at September 30, 2020, AHIP had not entered into any currency swap arrangements.

The following table provides the quarterly Canadian dollar/U.S. dollar exchange rates over the past 12 months:

Period end Exchange Rate	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Cdn\$/US\$	\$ 1.3339	\$ 1.3628	\$ 1.4187	\$ 1.2988	\$ 1.3243
US\$/Cdn\$ ⁽¹⁾	\$ 0.7497	\$ 0.7338	\$ 0.7049	\$ 0.7699	\$ 0.7551

(1) Bank of Canada period end exchange rate.

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 and lodging industries use these non-IFRS financial measures to evaluate AHIP's performance, its ability to generate cash flows and its 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. These terms are not recognized under IFRS; as a result, they do not have standardized meanings prescribed by IFRS and may not be comparable to measures used by other issuers in the real estate or lodging industries. The non-IFRS financial measures used in this MD&A include: debt-to-gross book value, funds from operations (FFO), adjusted funds from operations (AFFO), diluted FFO per Unit, diluted AFFO per Unit, net operating income (NOI), NOI margin, earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA margin, interest coverage ratio, debt-to-EBITDA, same property metrics, FFO payout ratio and AFFO payout ratio.

a) Debt-to-Gross Book Value

AHIP believes that debt-to-gross book value is an important supplemental measure of financial condition. Debt-to-gross book value is a compliance measure pursuant to AHIP's Limited Partnership Agreement to limit its financial leverage.

"Debt" means any obligation for borrowed money including the face amount outstanding of revolving credit facilities, term loans, convertible debentures, deferred compensation payable and finance lease liabilities provided that: (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position; (ii) indebtedness excludes accounts payable, accrued liabilities, distributions payable, short term acquisition credit facilities, and other liabilities comprised of deferred income, preferred shares, and deferred lease inducement; and (iii) face amount excludes unamortized deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts.

“Debentures” means the aggregate principal amount of approximately \$48.9 million of 5.00% convertible unsecured subordinated debentures issued on June 9, 2017 at a price of \$1,000 per Debenture and maturing on June 30, 2022.

“Gross Book Value” means, at any time (i) the cost of the Partnership’s and its consolidated subsidiaries’ property, building and equipment, plus (ii) the book value of the other assets of the Partnership and its consolidated subsidiaries as shown on its then most recent consolidated statement of financial position plus the amount of accumulated amortization shown thereon or in the notes thereto in respect of any such assets that are intangible assets, less (iii) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Partnership, and less (iv) deferred income tax liabilities arising out of fair value adjustments in respect of indirect acquisitions.

“Debt-to-Gross Book Value” is the ratio of Debt divided by Gross Book Value.

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. 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 considered as an alternative to net income (loss), cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors with additional information to improve their understanding of AHIP’s operating results. As FFO is not defined under IFRS, it does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. AHIP calculates FFO in accordance with the Real Property Association of Canada (“**REALPAC**”) White Paper on Funds from Operations (the “**FFO White Paper**”) issued in February 2019 except for the adjustment for non-recurring transaction related expenses. Based on the FFO definition currently set forth by REALPAC, non-recurring transaction related expenses, such as expenses related to the disposal of properties or loan defeasance costs should be included in FFO. However, AHIP believes that including such transaction related expenses does not represent the recurring operating performance of AHIP. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, FFO has been reconciled to net income (loss) and comprehensive income (loss) in the section “Funds from Operations and Adjusted Funds from Operations”.

FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS excluding: (i) depreciation and amortization; (ii) gains (or losses) from sales of hotel properties and equipment; (iii) deferred income tax expense (recovery); (iv) impairment losses or reversals recognized on land and depreciable real estate properties; (v) business acquisition costs related to the purchase of a property being accounted for as a business combination; (vi) foreign exchange gains (or losses); (vii) fair value adjustments to financial instruments; (viii) adjustments for property taxes accounted for under IFRIC 21 *Levies* (“**IFRIC 21**”) for the recognition of liabilities for obligations to pay levies and taxes; and (ix) non-recurring transaction related expenses, such as expenses related to the disposal of properties or loan defeasance expenses.

Hotel operations 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 as a recurring economic earnings measure. AFFO is not defined under IFRS and should not be considered as an alternative to cash flow from operations as prescribed under IFRS. As AFFO is not defined under IFRS, 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 other issuers. In calculating AFFO, FFO is subject to certain adjustments including: (i) amortization of deferred finance costs on term loans and convertible debentures; (ii) accretion on the liability portion of convertible debentures; (iii) amortization of mark-to-market adjustments on assumed term loans; (iv) amortization of deferred compensation payable; (v) securities-based compensation expense; and (vi) deducting actual maintenance capital expenditures. Other adjustments may be made to AFFO as determined by the Board of Directors of the General Partner at its discretion. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, AFFO has been reconciled to cash flow from operations in the section “Reconciliation of Cash Flow from Operating Activities to AFFO”.

For the purposes of calculating Diluted FFO per Unit and Diluted AFFO per Unit, the weighted average number of diluted Units outstanding is calculated assuming the conversion of unvested Restricted Stock Units and the conversion of the convertible debentures outstanding, to the extent that each factor is dilutive. This may differ from the weighted average number of diluted Units outstanding calculated in accordance with IFRS.

c) Net Operating Income (“NOI”)

AHIP believes NOI is an important measure of operating performance of real estate properties. NOI is defined as total revenues less hotel operating expenses, energy, property maintenance, property taxes (excluding adjustments under IFRIC 21), insurance and ground lease payments (excluding depreciation and amortization). AHIP calculates “**NOI Margin**” as NOI divided by total revenues.

d) Earnings before interest, taxes, depreciation and amortization (“EBITDA”)

AHIP calculates EBITDA as NOI (excluding adjustments under IFRIC 21) less hotel management fees and general administrative expenses, excluding non-recurring transaction related expenses. AHIP calculates “**EBITDA Margin**” as EBITDA divided by total revenues.

e) Interest Coverage Ratio

AHIP calculates the “**Interest Coverage Ratio**” as EBITDA for the period divided by interest expensed during the period comprised of interest expense on term loans, revolving credit facilities, convertible debentures, other loans and finance lease liability (excluding unamortized deferred financing costs, unamortized mark-to-market adjustments and interest rate swap contracts). The Interest Coverage Ratio is a measure of AHIP’s ability to service the interest requirements of its outstanding debt.

f) Debt-to-EBITDA Ratio

AHIP calculates the “**Debt-to-EBITDA Ratio**” as the aggregate amount of debt at face value divided by the trailing twelve months EBITDA. AHIP uses this ratio to measure leverage and determine the approximate time it will take AHIP to repay its debt.

g) Same Property Metrics

Same property metrics represent operating results for the same properties over comparable reporting periods and is intended to measure the period-over-period performance of the same asset base. A property must be owned for the entire year for inclusion in this metric. These metrics exclude the impact of properties that have been acquired or sold during the comparable reporting periods.

h) FFO Payout Ratio and AFFO Payout Ratio

AHIP calculates its “**FFO Payout Ratio**” as distributions declared divided by FFO for the period and “**AFFO Payout Ratio**” as distributions declared divided by AFFO for the period. As a result of the impact of seasonal fluctuations in FFO or AFFO in any period, management considers a rolling four quarter FFO Payout Ratio more relevant for the purposes of assessing AHIP’s distribution paying capacity than a payout ratio in any given quarter.

OPERATIONAL METRICS

Occupancy is a major driver of room revenue as well as food and beverage revenues. Fluctuations in occupancy are accompanied by fluctuations in most categories of variable hotel operating expenses, including housekeeping and other labor costs. ADR (as defined below) also helps to drive room revenue with limited impact on other revenues. Fluctuations in ADR are accompanied by fluctuations in limited categories of hotel operating expenses, such as franchise fees and credit card commissions, since variable hotel operating expenses, such as labor costs, generally do not increase or decrease correspondingly. Thus, increases in RevPAR (as defined below) attributable to increases in occupancy typically reduce EBITDA and EBITDA margins, while increases in RevPAR attributable to increases in ADR typically result in increases in EBITDA and EBITDA margins.

a) Occupancy Rate

“**Occupancy Rate**” represents the total number of hotel rooms sold in a given period divided by the total number of rooms available during such period. Occupancy measures the utilization of a hotel’s available capacity.

b) Average Daily Rate (“ADR”)

ADR represents the total room revenues divided by total number of rooms sold in a given period. ADR is a measure of the average rate paid for rooms sold.

c) Revenue Per Available Room (“RevPAR”)

RevPAR is the product of occupancy and ADR for the period.

d) Furniture, Fixtures and Equipment Reserves (“FF&E Reserves”)

FF&E Reserves are calculated as four percent of total revenues for the Premium Branded hotels.

PART VI

RISKS AND UNCERTAINTIES

Investing in AHIP's securities involves a high degree of risk. In addition to the risks identified in this section and elsewhere in this MD&A, current and prospective investors should carefully consider all the risk factors noted in AHIP's AIF, a copy of which is available on SEDAR at www.sedar.com, before purchasing Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The occurrence of any of such risks, or other risks not presently known to AHIP or that AHIP currently believes are immaterial, could materially and adversely affect AHIP's investments, prospects, cash flows, results of operations or financial condition, AHIP's ability to make cash distributions to unitholders and interest and principal payments to holders of Debentures. In that event, the value of the Units, the Debentures or any other securities of AHIP that may be offered or issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on AHIP is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on AHIP's future financial results and operations.

Contingency planning is being advanced from both an operational and financial perspective and appropriate cost control measures have been implemented. AHIP's hotel manager in consultation with our franchisors has increased sanitation and health and safety measures at our hotel properties and our response to the COVID-19 pandemic continues to be guided by public health authorities.

AHIP continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, guests, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 have, and could continue to, materially impact AHIP's financial results and could materially impact AHIP's ability to access capital on acceptable terms or at all.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for AHIPs' Units and Debentures. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally.

COVID-19 has, and is expected to continue to, negatively impact the U.S. economy, the U.S. hotel industry, the willingness of the general public to travel, the demand for travel, transient and group business, guest traffic and guest reservations, the level of consumer confidence in the safety of travel, AHIP's business, results of operations and financial condition, may also cause staff and supply shortages, and has resulted in corporate travel restrictions and changes in consumer behaviour with respect to travel, increased government regulation, including legislated travel restrictions, mandated social distancing, stay-at-home orders and directives, required quarantines, self-isolation and other public health orders and directives, and may result in forced closures of AHIP's hotels or closures due to reduced occupancy levels as a result of the foregoing. The length of the COVID-19 pandemic and severity of such outbreak across the globe is currently unknown, may worsen, and may continue to cause general economic uncertainty in key global markets and a worsening of global economic conditions and may cause low levels of economic growth, including in the U.S. Government stimulus and support packages and programs, if any, announced or created in respect of the U.S. hotel industry may not be available to AHIP or its subsidiaries, in whole or in part, and investors should not assume such financial support will be available to AHIP or its subsidiaries, and should not assume that any such financial support received will continue or that the criteria for forgiveness of any government-guaranteed loans received by AHIP's subsidiaries will be satisfied. The pace of recovery following the COVID-19 pandemic cannot be accurately predicted and may be slow and recent occupancy and RevPAR recovery trends may not continue any may regress. Eased government restrictions on travel and business operations may be, and in certain U.S. states and counties have been, reinstated. In light of the foregoing, AHIP has temporarily suspended its monthly cash distributions, and there is no guarantee as to the timing of the reinstatement of such distributions, if at all, and if reinstated, as to the amount of such distributions. All of the foregoing, are adversely impacting AHIP's investments, prospects, cash flows, results of operations and financial condition, which has negatively impacted the market price of the Units and the Debentures and may impact AHIP's ability to obtain additional equity or debt financing, or re-finance existing debt, or make interest and principal payments to its lenders and to holders of Debentures or otherwise satisfy its financial obligations, and may cause AHIP to be in non-compliance with one or more of the financial covenants under its existing credit facilities and cause a default thereunder. Additional information with respect to the impacts of the COVID-19 pandemic on AHIP is included throughout this MD&A.

The Units and Debentures involve a certain degree of risk. Any person currently holding or considering the purchase of Units, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time, 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, Debentures or any other securities of AHIP that may be offered or that are issued and outstanding from time to time. The Units, Debentures and any other securities of AHIP that may be offered or that are issued and outstanding from time to time should only be purchased by persons who can afford to lose all of their investment.

HOTEL PORTFOLIO AS AT NOVEMBER 9, 2020

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
TEXAS/ARIZONA					
4650 West Airport Freeway	Embassy Suites	Irving, TX	305	Yes	Jan. 6, 2017
4400 South Rural Road	Embassy Suites	Tempe, AZ	224	Yes	Jan. 6, 2017
8231 Amarillo Blvd. West	Holiday Inn	Amarillo, TX	151	Yes	Oct. 27, 2014
7815 Willow Chase Blvd	Home2 Suites	Houston, TX	108	-	Dec. 3, 2019
5879 South Padre Island Dr.	Hampton Inn & Suites	Corpus Christi, TX	101	-	Dec. 3, 2019
1505 Catalina Drive	Staybridge Suites	Midland, TX	98	-	Dec. 3, 2019
1401 Catalina Drive	Home2 Suites	Midland, TX	93	-	Dec. 3, 2019
2569 Southwest Blvd	Home2 Suites	San Angelo, TX	93	-	Dec. 3, 2019
2545 Southwest Blvd	Residence Inn	San Angelo, TX	92	-	Dec. 3, 2019
1740 Airport Boulevard	Fairfield Inn & Suites	Amarillo, TX	79	-	Oct. 27, 2014
6915 I-40 West	Sleep Inn & Suites	Amarillo, TX	63	-	Oct. 27, 2014
TOTAL TEXAS/ARIZONA		11 PROPERTIES	1,407	3	
FLORIDA/GEORGIA					
3712 SW 38 th Avenue	Courtyard	Ocala, FL	169	Yes	Aug. 6, 2015
3427 Forum Boulevard	Holiday Inn Express	Fort Myers, FL	111	-	Nov. 29, 2016
5730 Gantt Road	Holiday Inn Express	Sarasota, FL	101	-	Nov. 29, 2016
3624 North Falkenburg Rd.	Staybridge Suites	Tampa, FL	100	-	Nov. 29, 2016
4735 Helen Hauser Blvd.	Fairfield Inn & Suites	Titusville, FL	96	-	Nov. 25, 2014
4101 SW 38 th Avenue	Fairfield Inn & Suites	Ocala, FL	96	-	Aug. 6, 2015
561 Chaffee Point Boulevard	Fairfield Inn & Suites	Jacksonville, FL	89	-	Oct. 27, 2016
538 Southwest Corporate Dr.	Fairfield Inn & Suites	Lake City, FL	89	-	Oct. 27, 2016
3610 SW 38 th Avenue	Residence Inn	Ocala, FL	87	-	Aug. 6, 2015
4355 West New Haven Ave	Fairfield Inn & Suites	Melbourne, FL	83	-	Nov. 25, 2014
1319 East King Avenue	Fairfield Inn & Suites	Kingsland, GA	82	-	Jul. 3, 2014
13575 Cypress Glen Lane	Courtyard	Tampa, FL	81	Yes	Nov. 29, 2016
10971 West Colonial Drive	Fairfield Inn & Suites	Orlando/Ocoee, FL	80	-	Nov. 29, 2016
TOTAL FLORIDA/GEORGIA		13 PROPERTIES	1,264	2	
MARYLAND					
5015 Campbell Boulevard	Hilton Garden Inn	Baltimore, MD	155	Yes	June 22, 2017
4980 Mercantile Road	Residence Inn	Baltimore, MD	131	-	June 22, 2017
7035 Arundel Mill Circle	Residence Inn	Hanover, MD	131	-	June 22, 2017
7027 Arundel Mill Circle	Hampton Inn	Hanover, MD	130	-	June 22, 2017
7544 Teague Road	SpringHill Suites	Hanover, MD	128	-	June 22, 2017
8225 Town Center Drive	Hampton Inn	Baltimore, MD	127	-	June 22, 2017
8477 Cordon Way	Fairfield Inn & Suites	Baltimore, MD	116	-	June 22, 2017
7021 Arundel Mill Circle	TownePlace Suites	Hanover, MD	109	-	June 22, 2017
TOTAL MARYLAND		8 PROPERTIES	1,027	1	

HOTEL PORTFOLIO AS AT NOVEMBER 9, 2020 CONTINUED

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
PENNSYLVANIA					
555 Trumbull Drive	Hampton Inn	Pittsburgh, PA	132	-	Nov. 21, 2013
8514 University Boulevard	Hampton Inn	Moon Township, PA	127	-	Nov. 21, 2013
210 Executive Drive	Hampton Inn	Cranberry Township, PA	116	-	Nov. 21, 2013
2031 Avenue C	Homewood Suites	Bethlehem, PA	113	-	June 22, 2017
7686 Industrial Boulevard	Homewood Suites	Allentown, PA	108	-	June 22, 2017
1004 Sutherland Drive	Fairfield Inn & Suites	Pittsburgh, PA	103	-	Dec. 3, 2019
1308 Freedom Road	Residence Inn	Cranberry Township, PA	96	-	Nov. 21, 2013
1006 Sutherland Drive	TownePlace Suites	Pittsburgh, PA	93	-	Dec. 3, 2019
TOTAL PENNSYLVANIA		8 PROPERTIES	888	-	
MIDWEST					
185 Radio Drive	Courtyard	Woodbury, MN	120	Yes	Dec. 3, 2019
205 Radio Drive	Residence Inn	Woodbury, MN	116	-	Dec. 3, 2019
550 Trade Center Way	Homewood Suites	Portage, MI	97	-	Dec. 3, 2019
3319 N 14th Street	Courtyard	Bismarck, ND	89	Yes	Dec. 3, 2019
2080 Holliday Drive	Holiday Inn Express	Dubuque, IA	87	-	Jun. 18, 2015
121 Swords Drive	Holiday Inn Express	Mattoon, IL	69	-	Jun. 18, 2015
2501 Holiday Lane	Holiday Inn Express	South Jacksonville, IL	69	-	Jun. 18, 2015
311 S. Johnson Drive	Holiday Inn Express	Nevada, MO	68	-	Jun. 18, 2015
3007 W. 18th Avenue	Holiday Inn Express	Emporia, KS	68	-	Jun. 18, 2015
TOTAL MIDWEST		9 PROPERTIES	783	2	
OHIO/KENTUCKY					
5100 Upper Metro Place	Embassy Suites	Dublin, OH	284	Yes	Jan. 19, 2017
5800 Rockside Woods Blvd.	Embassy Suites	Independence, OH	271	Yes	Jan. 19, 2017
10 East Rivercentre Blvd.	Embassy Suites	Covington, KY	227	Yes	Jan. 19, 2017
TOTAL OHIO/KENTUCKY		3 PROPERTIES	782	3	
NEW JERSEY					
1000 Bishops Gate Boulevard	Residence Inn	Mount Laurel, NJ	144	-	June 22, 2017
3008 English Creek Avenue	Homewood Suites	Egg Harbor Township, NJ	120	-	June 22, 2017
1302 Campus Parkway	Courtyard	Wall Township, NJ	113	Yes	June 22, 2017
2 Commerce Centre Drive	Homewood Suites	Dover, NJ	108	-	June 22, 2017
230 Jumping Brook Road	Residence Inn	Neptune, NJ	105	-	June 22, 2017
3022 Fire Road	Residence Inn	Egg Harbor Township, NJ	101	-	June 22, 2017
TOTAL NEW JERSEY		6 PROPERTIES	691	1	
OKLAHOMA					
4401 SW 15th Street	Holiday Inn	Oklahoma City, OK	147	Yes	Nov. 3, 2014
13800 Quail Springs Pk.	Holiday Inn	Oklahoma City, OK	109	Yes	Nov. 3, 2014
4411 SW 15th Street	Staybridge Suites	Oklahoma City, OK	103	-	Nov. 3, 2014
2814 Williams Avenue	Hampton Inn	Woodward, OK	81	-	Nov. 3, 2014
7840 NW 39 Expressway	Holiday Inn Express	Bethany, OK	69	-	Jun. 18, 2015
3004 South 4th Street	Hampton Inn	Chickasha, OK	63	-	Jun. 18, 2015
2610 S. 4th Street	Holiday Inn Express	Chickasha, OK	62	-	Jun. 18, 2015
TOTAL OKLAHOMA		7 PROPERTIES	634	2	

HOTEL PORTFOLIO AS AT NOVEMBER 9, 2020 CONTINUED

Hotel Address	Brand	Location	Number of Rooms	Restaurant	Acquisition Date
NORTH CAROLINA					
1137 E. Dixie Drive	Hampton Inn	Asheboro, NC	111	-	Jul. 3, 2014
10024 US Hwy 15/501	Springhill Suites	Pinehurst, NC	107	-	Jul. 11, 2014
1530 Cinema Drive	Courtyard	Statesville, NC	94	Yes	Nov. 25, 2014
920 Executive Way	Fairfield Inn & Suites	Asheboro, NC	87	-	Jul. 3, 2014
1508 Cinema Drive	Hampton Inn	Statesville, NC	80	-	Nov. 25, 2014
TOTAL NORTH CAROLINA		5 PROPERTIES	479	1	
VIRGINIA					
85 University Boulevard	Hampton Inn	Harrisonburg, VA	159	-	Mar. 12, 2014
43 Covenant Drive	Hampton Inn	Harrisonburg, VA	90	-	Mar. 12, 2014
898 Wiggins Road	Hampton Inn	Emporia, VA	85	-	Mar. 12, 2014
150 Arnold Drive	Fairfield Inn & Suites	South Hill, VA	68	-	Mar. 12, 2014
TOTAL VIRGINIA		4 PROPERTIES	402	-	
NEW YORK/CONNECTICUT					
2 Sawgrass Drive	SpringHill Suites	Bellport, NY	128	-	June 22, 2017
291 Old Gate Lane	Hilton Garden Inn	Milford, CT	120	Yes	June 22, 2017
TOTAL NEW YORK/CONNECTICUT		2 PROPERTIES	248	1	
TENNESSEE					
2340 Center Street	Residence Inn	Chattanooga, TN	109	-	Oct. 27, 2016
7010 McCutcheon Road	TownePlace Suites	Chattanooga, TN	87	-	Oct. 27, 2016
TOTAL TENNESSEE		2 PROPERTIES	196	-	
TOTAL PREMIUM BRANDED HOTELS					
		78 PROPERTIES	8,801	16	