UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _______ TO _______**

Commission File Number 001-37389

APPLE HOSPITALITY REIT, INC.
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	**26-1379210** (I.R.S. Employer Identification No.)
814 East Main Street **Richmond, Virginia** (Address of principal executive offices)	**23219** (Zip Code)

(804) 344-8121
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	APLE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	
Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of registrant’s common shares outstanding as of November 3, 2023: 228,807,202

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This Form 10-Q includes references to certain trademarks or service marks. The AC Hotels by Marriott®, Aloft Hotels®, Courtyard by Marriott®, Fairfield by Marriott®, Marriott® Hotels, Residence Inn by Marriott®, SpringHill Suites by Marriott® and TownePlace Suites by Marriott® trademarks are the property of Marriott International, Inc. or one of its affiliates. The Embassy Suites by Hilton®, Hampton by Hilton®, Hilton Garden Inn®, Home2 Suites by Hilton®, Homewood Suites by Hilton® and Motto by Hilton® trademarks are the property of Hilton Worldwide Holdings Inc. or one of its affiliates. The Hyatt®, Hyatt House® and Hyatt Place® trademarks are the property of Hyatt Hotels Corporation or one of its affiliates. For convenience, the applicable trademark or service mark symbol has been omitted but will be deemed to be included wherever the above referenced terms are used.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Apple Hospitality REIT, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Investment in real estate, net of accumulated depreciation and amortization of $1,629,340 and $1,492,097, respectively	$ 4,548,787	$ 4,610,962
Cash and cash equivalents	35,366	4,077
Restricted cash-furniture, fixtures and other escrows	33,697	39,435
Due from third-party managers, net	60,801	43,331
Other assets, net	85,391	74,909
Total Assets	$ 4,764,042	$ 4,772,714
Liabilities		
Debt, net	$ 1,373,268	$ 1,366,249
Finance lease liabilities	111,943	112,006
Accounts payable and other liabilities	104,920	116,064
Total Liabilities	1,590,131	1,594,319
Shareholders' Equity		
Preferred stock, authorized 30,000,000 shares; none issued and outstanding	-	-
Common stock, no par value, authorized 800,000,000 shares; issued and outstanding 228,807,202 and 228,644,861 shares, respectively	4,580,193	4,577,022
Accumulated other comprehensive income	37,411	36,881
Distributions greater than net income	(1,443,693)	(1,435,508)
Total Shareholders' Equity	3,173,911	3,178,395
Total Liabilities and Shareholders' Equity	$ 4,764,042	$ 4,772,714

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues:				
Room	$ 327,121	$ 315,940	$ 943,684	$ 866,286
Food and beverage	13,576	11,870	42,032	32,353
Other	17,563	13,340	45,628	40,657
Total revenue	358,260	341,150	1,031,344	939,296
Expenses:				
Hotel operating expense:				
Operating	85,829	81,320	249,403	221,715
Hotel administrative	29,172	27,516	85,933	78,711
Sales and marketing	30,770	28,533	89,406	78,494
Utilities	13,797	13,383	36,271	34,226
Repair and maintenance	16,336	15,632	48,452	43,468
Franchise fees	15,895	14,949	45,407	41,015
Management fees	11,911	11,734	34,516	31,955
Total hotel operating expense	203,710	193,067	589,388	529,584
Property taxes, insurance and other	21,678	19,052	61,347	56,510
General and administrative	11,079	10,271	34,640	30,216
Depreciation and amortization	45,498	45,135	137,398	135,781
Total expense	281,965	267,525	822,773	752,091
Gain on sale of real estate	-	1,785	-	1,785
Operating income	76,295	75,410	208,571	188,990
Interest and other expense, net	(17,470)	(14,933)	(50,973)	(44,785)
Income before income taxes	58,825	60,477	157,598	144,205
Income tax expense	(313)	(1,331)	(874)	(1,712)
Net income	$ 58,512	$ 59,146	$ 156,724	$ 142,493
Other comprehensive income:				
Interest rate derivatives	1,412	16,024	530	53,862
Comprehensive income	$ 59,924	$ 75,170	$ 157,254	$ 196,355
Basic and diluted net income per common share	$ 0.26	$ 0.26	$ 0.68	$ 0.62
Weighted average common shares outstanding - basic and diluted	228,877	228,991	229,103	228,992

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Shareholders' Equity
(Unaudited)
(in thousands, except per share data)

Three Months Ended September 30, 2023 and 2022

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Distributions Greater Than Net Income	Total
	Number of Shares	Amount			
Balance at June 30, 2023	228,799	$ 4,579,405	$ 35,999	$ (1,447,349)	$ 3,168,055
Share based compensation, net	12	870	-	-	870
Equity issuance costs	-	(33)	-	-	(33)
Common shares repurchased	(4)	(49)	-	-	(49)
Interest rate derivatives	-	-	1,412	-	1,412
Net income	-	-	-	58,512	58,512
Distributions declared to shareholders ($0.24 per share)	-	-	-	(54,856)	(54,856)
Balance at September 30, 2023	228,807	$ 4,580,193	$ 37,411	$ (1,443,693)	$ 3,173,911
Balance at June 30, 2022	228,886	$ 4,579,590	$ 22,330	$ (1,380,294)	$ 3,221,626
Share based compensation, net	45	996	-	-	996
Equity issuance costs	-	(12)	-	-	(12)
Common shares repurchased	(97)	(1,376)	-	-	(1,376)
Interest rate derivatives	-	-	16,024	-	16,024
Net income	-	-	-	59,146	59,146
Distributions declared to shareholders ($0.19 per share)	-	-	-	(43,408)	(43,408)
Balance at September 30, 2022	228,834	$ 4,579,198	$ 38,354	$ (1,364,556)	$ 3,252,996

Nine Months Ended September 30, 2023 and 2022

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Distributions Greater Than Net Income	Total
	Number of Shares	Amount			
Balance at December 31, 2022	228,645	$ 4,577,022	$ 36,881	$ (1,435,508)	$ 3,178,395
Share based compensation, net	642	10,145	-	-	10,145
Equity issuance costs	-	(94)	-	-	(94)
Common shares repurchased	(480)	(6,880)	-	-	(6,880)
Interest rate derivatives	-	-	530	-	530
Net income	-	-	-	156,724	156,724
Distributions declared to shareholders ($0.72 per share)	-	-	-	(164,909)	(164,909)
Balance at September 30, 2023	228,807	$ 4,580,193	$ 37,411	$ (1,443,693)	$ 3,173,911
Balance at December 31, 2021	228,256	$ 4,569,352	$ (15,508)	$ (1,406,523)	$ 3,147,321
Share based compensation, net	685	11,585	-	-	11,585
Equity issuance costs	-	(218)	-	-	(218)
Common shares repurchased	(107)	(1,521)	-	-	(1,521)
Interest rate derivatives	-	-	53,862	-	53,862
Net income	-	-	-	142,493	142,493
Distributions declared to shareholders ($0.44 per share)	-	-	-	(100,526)	(100,526)
Balance at September 30, 2022	228,834	$ 4,579,198	$ 38,354	$ (1,364,556)	$ 3,252,996

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net income	$ 156,724	$ 142,493
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	137,398	135,781
Gain on sale of real estate	-	(1,785)
Other non-cash expenses, net	6,611	6,582
Changes in operating assets and liabilities:		
Increase in due from third-party managers, net	(17,514)	(25,058)
Increase in other assets, net	(6,862)	(4,069)
Increase in accounts payable and other liabilities	25,807	19,257
Net cash provided by operating activities	302,164	273,201
Cash flows from investing activities:		
Acquisition of hotel properties, net	(30,980)	-
Disbursements for potential acquisitions, net	(5,779)	(1,602)
Capital improvements	(49,336)	(34,921)
Net proceeds from sale of real estate	-	8,293
Net cash used in investing activities	(86,095)	(28,230)
Cash flows from financing activities:		
Repurchases of common shares	(6,880)	(1,521)
Repurchases of common shares to satisfy employee withholding requirements	(5,742)	(4,415)
Distributions paid to common shareholders	(183,119)	(86,792)
Equity issuance costs	(72)	(218)
Net payments on revolving credit facility	-	(76,000)
Proceeds from term loans and senior notes	50,000	125,000
Payments of mortgage debt and other loans	(43,968)	(166,243)
Principal payments on finance leases	(231)	(108)
Financing costs	(506)	(10,229)
Net cash used in financing activities	(190,518)	(220,526)
Net change in cash, cash equivalents and restricted cash	25,551	24,445
Cash, cash equivalents and restricted cash, beginning of period	43,512	39,949
Cash, cash equivalents and restricted cash, end of period	$ 69,063	$ 64,394
Supplemental cash flow information:		
Interest paid	$ 49,583	$ 42,651
Supplemental disclosure of noncash investing and financing activities:		
Accrued distribution to common shareholders	$ 18,280	$ 15,981
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents, beginning of period	$ 4,077	$ 3,282
Restricted cash-furniture, fixtures and other escrows, beginning of period	39,435	36,667
Cash, cash equivalents and restricted cash, beginning of period	$ 43,512	$ 39,949
Cash and cash equivalents, end of period	$ 35,366	$ 25,573
Restricted cash-furniture, fixtures and other escrows, end of period	33,697	38,821
Cash, cash equivalents and restricted cash, end of period	$ 69,063	$ 64,394

See notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Apple Hospitality REIT, Inc., formed in November 2007 as a Virginia corporation, together with its wholly-owned subsidiaries (the “Company”), is a self-advised real estate investment trust (“REIT”) that invests in income-producing real estate, primarily in the lodging sector, in the United States (“U.S.”). The Company’s fiscal year end is December 31. The Company has no foreign operations or assets, and its operating structure includes only one reportable segment. The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated. Although the Company has interests in potential variable interest entities through its purchase commitments, it is not the primary beneficiary as the Company does not have any elements of power in the decision-making process of these entities; therefore, the Company does not consolidate the entities. As of September 30, 2023, the Company owned 220 hotels with an aggregate of 28,929 rooms located in 37 states as well as one property leased to third parties. The Company’s common shares are listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “APLE.”

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include all of the information required by U.S. generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Form 10-K”). Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the twelve-month period ending December 31, 2023.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Net Income Per Common Share

Basic net income per common share is computed based upon the weighted average number of shares outstanding during the period. Diluted net income per common share is calculated after giving effect to all potential common shares that were dilutive and outstanding for the period. Basic and diluted net income per common share were the same for each of the periods presented.

2. Investment in Real Estate

The Company’s investment in real estate consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Land	$ 805,837	$ 802,625
Building and improvements	4,706,750	4,656,343
Furniture, fixtures and equipment	543,310	522,082
Finance ground lease assets	102,084	102,084
Franchise fees	20,146	19,925
	6,178,127	6,103,059
Less accumulated depreciation and amortization	(1,629,340)	(1,492,097)
Investment in real estate, net	$ 4,548,787	$ 4,610,962

As of September 30, 2023, the Company owned 220 hotels with an aggregate of 28,929 rooms located in 37 states. In May 2023, the Company entered into an operating lease for an initial 15-year term with a third-party hotel operator at its independent boutique hotel in New York, New York for all hotel operations of the hotel's 210 hotel rooms (“non-hotel property”). Lease revenue from this property is recorded in other revenue in the Company's consolidated statements of operations and comprehensive income. As a result of the lease agreement, this property is excluded from the Company's hotel and room counts effective May 2023 through the end of the lease term.

The Company leases all of its 220 hotels to its wholly-owned taxable REIT subsidiary (or a subsidiary thereof) under a master hotel lease agreement.

Hotel Acquisitions

The Company completed the acquisition of one hotel during the nine months ended September 30, 2023, for a gross purchase price of $31.0 million. The hotel, which was purchased on June 30, 2023, is a 154-room Courtyard in Cleveland, Ohio, managed by Concord Hospitality Enterprises Company, LLC ("Concord").

During the year ended December 31, 2022, the Company acquired two hotels, neither of which were acquired during the nine months ended September 30, 2022. The following table sets forth the location, brand, manager, date acquired, number of rooms and gross purchase price, excluding transaction costs, for each hotel. All dollar amounts are in thousands.

City	State	Brand	Manager	Date Acquired	Rooms	Gross Purchase Price
Louisville	KY	AC Hotels	Concord	10/25/2022	156	$ 51,000
Pittsburgh	PA	AC Hotels	Concord	10/25/2022	134	34,000
					290	$ 85,000

In 2023, the Company utilized its available cash and borrowings under its Revolving Credit Facility (as defined below) to purchase the Cleveland, Ohio hotel. In 2022, the Company utilized its available cash on hand and a $50 million draw on its $575 million term loan facility (as defined below) to purchase both of the above-referenced hotels. The acquisitions of these hotel properties were accounted for as acquisitions of asset groups, whereby costs incurred to effect the acquisitions (which were not significant) were capitalized as part of the cost of the assets acquired. For the one hotel acquired during the nine months ended September 30, 2023, the amount of revenue and operating income included in the Company's consolidated statement of operations from the date of acquisition through September 30, 2023 was approximately $2.1 million and $0.4 million, respectively.

Purchase Contract Commitments

As of September 30, 2023, the Company had separate outstanding contracts for the potential purchase of six hotels as well as one free-standing parking garage for a total combined purchase price of approximately $359.0 million. Five of the seven properties under contract are existing. The Company completed the purchase of four of the existing properties, including two hotels and one free-standing parking garage in Salt Lake City, Utah and one hotel in Renton, Washington on October 11, 2023 and October 18, 2023, respectively (see Note 9 titled "Subsequent Events" for more information). The Company plans to complete the purchase of the one remaining existing property in the fourth quarter of 2023. The other two purchase contracts are for hotels under development, with the Madison, Wisconsin hotel currently planned to be completed and opened for business in mid-2024 and the Nashville, Tennessee hotel currently planned to be completed and opened for business in 2025, at which respective times the Company expects to complete the purchases of these hotels. Although the Company is working towards completing the acquisitions of the three remaining properties, in each case there are a number of conditions to closing that have not yet been satisfied, and there can be no assurance that closings on these properties will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under the applicable purchase contracts and acquire these properties.

The following table summarizes the location, expected franchise brand, date of purchase contract, expected number of rooms upon completion, refundable (if the seller does not meet its obligations under the contract) deposits paid and gross purchase price for each of the contracts outstanding as of September 30, 2023. All dollar amounts are in thousands.

Location	Brand	Date of Purchase Contract	Rooms	Refundable Deposits	Gross Purchase Price
Madison, WI [(1)]	Embassy Suites	7/27/2021	260	$ 893	$ 78,598
Nashville, TN [(1)]	Motto	5/16/2023	256	1,058	96,683
Salt Lake City, UT [(2)]	Courtyard	8/10/2023	175	920	48,110
Salt Lake City, UT [(2)]	Hyatt House	8/10/2023	159	655	34,250
Salt Lake City, UT [(2)(3)]	N/A	8/10/2023	N/A	175	9,140
Renton, WA [(2)]	Residence Inn	8/10/2023	146	850	55,500
South Jordan, UT	Embassy Suites	9/5/2023	192	300	36,750
			1,188	$ 4,851	$ 359,031

(1) These hotels are currently under development. The table shows the expected number of rooms upon hotel completion and the expected franchise brand. Assuming all conditions to closing are met, the purchase of the hotel in Madison, Wisconsin is expected to close in mid-2024 and the purchase of the Nashville, Tennessee hotel is expected to close in 2025. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under the applicable purchase contracts. As these properties are under development, at this time, the sellers have not met all of the conditions to closing.

(2) The Company completed the purchase of these properties in October 2023. See Note 9 for additional information concerning these four acquisitions.

(3) This property is a free-standing parking garage which serves both the Courtyard and Hyatt House hotels in Salt Lake City, Utah and the surrounding area, however, it is not affiliated with any brand.

3. Dispositions

There were no dispositions during the nine months ended September 30, 2023. During the year ended December 31, 2022, the Company sold one hotel, a 55-room independent boutique hotel in Richmond, Virginia, to an unrelated party for a gross sales price of approximately $8.5 million, resulting in a gain on sale of approximately $1.8 million, net of transaction costs, which is included in the Company's consolidated statement of operations for the year ended December 31, 2022. The hotel had a total carrying value of approximately $6.5 million at the time of the sale.

Excluding gains on sale of real estate, the Company's consolidated statements of operations include operating income of approximately $0.1 million and $0.3 million for the three and nine months ended September 30, 2022, respectively, relating to the results of operations of the one hotel sold in 2022 noted above for the period of ownership. The sale of this property does not represent a strategic shift that has, or will have, a major effect on the Company's operations and financial results; therefore, the operating results for the period of ownership of this property are included in income from continuing operations for the three and nine months ended September 30, 2022. The net proceeds from the sale of the one hotel in 2022 were used for general corporate purposes.

4. Debt

Summary

As of September 30, 2023 and December 31, 2022, the Company's debt consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Revolving credit facility	$ -	$ -
Term loans and senior notes, net	1,088,407	1,037,384
Mortgage debt, net	284,861	328,865
Debt, net	$ 1,373,268	$ 1,366,249

The aggregate amounts of principal payable under the Company's total debt obligations as of September 30, 2023 (including the Revolving Credit Facility (if any) (as defined below), term loans, senior notes and mortgage debt), for the remainder of this fiscal year, each of the next four fiscal years and thereafter are as follows (in thousands):

2023 (October - December)	$ 2,245
2024	113,597
2025	295,140
2026	74,649
2027	278,602
Thereafter	616,014
	1,380,247
Unamortized fair value adjustment of assumed debt	609
Unamortized debt issuance costs	(7,588)
Total	$ 1,373,268

The Company uses interest rate swaps to manage its interest rate risk on a portion of its variable-rate debt. Throughout the terms of these interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to the annual Secured Overnight Financing Rate ("SOFR") for a one-month term ("one-month SOFR") plus a 0.10% SOFR spread adjustment. The swaps are designed to effectively fix the interest payments on variable-rate debt instruments. See Note 5 for more information on the interest rate swap agreements. The Company's total fixed-rate and variable-rate debt, after giving effect to its interest rate swaps in effect as of September 30, 2023 and December 31, 2022, is set forth below. All dollar amounts are in thousands.

	September 30, 2023	Percentage	December 31, 2022	Percentage
Fixed-rate debt [1]	$ 1,105,247	80 %	$ 1,149,215	84 %
Variable-rate debt	275,000	20 %	225,000	16 %
Total	$ 1,380,247		$ 1,374,215	
Weighted-average interest rate of debt	4.34 %		3.93 %	

(1) Fixed-rate debt includes the portion of variable-rate debt where the interest payments have been effectively fixed by interest rate swaps as of the respective balance sheet date. See Note 5 for more information on the interest rate swap agreements.

Credit Facilities

<u>$1.2 Billion Credit Facility</u>

On July 25, 2022, the Company entered into a credit facility (the "$1.2 billion credit facility") that is comprised of (i) a $650 million revolving credit facility with an initial maturity date of July 25, 2026 (the "Revolving Credit Facility"), (ii) a $275 million term loan with a maturity date of July 25, 2027, funded at closing, and (iii) a $300 million term loan with a maturity date of January 31, 2028 (including a $150 million delayed draw option until 180 days from closing), of which $200 million was funded at closing, $50 million was funded on October 24, 2022 and the remaining $50 million was funded on January 17, 2023 (clauses (ii) and (iii) are referred to together as the "$575 million term loan facility").

Subject to certain conditions, including covenant compliance and additional fees, the Revolving Credit Facility maturity date may be extended up to one year. The credit agreement for the $1.2 billion credit facility contains mandatory prepayment requirements, customary affirmative and negative covenants (as described below), restrictions on certain investments and events of default. The Company may make voluntary prepayments, in whole or in part, at any time. Interest payments on the $1.2 billion credit facility are due monthly, and the interest rate, subject to certain exceptions, is equal to the one-month SOFR plus a 0.10% SOFR spread adjustment plus a margin ranging from 1.35% to 2.25%, depending upon the Company's leverage ratio, as calculated under the terms of the credit agreement. As of September 30, 2023, the Company had availability of $650 million under the Revolving Credit Facility. The Company is also required to pay quarterly an unused facility fee at an annual rate of 0.20% or 0.25% on the unused portion of the Revolving Credit Facility, based on the amount of borrowings outstanding during the quarter.

$225 Million Term Loan Facility

The Company also has an unsecured $225 million term loan facility that is comprised of (i) a $50 million term loan with an initial maturity date of August 2, 2023, which was funded on August 2, 2018, and (ii) a $175 million term loan with a maturity date of August 2, 2025, of which $100 million was funded on August 2, 2018, and the remaining $75 million was funded on January 29, 2019 (clauses (i) and (ii) are referred to together as the "$225 million term loan facility"). On July 19, 2023, the Company entered into an amendment of its $225 million term loan facility, which extended the maturity date of the existing $50 million term loan by two years to August 2, 2025. The Company may make voluntary prepayments, in whole or in part, at any time, subject to certain conditions. Interest payments on the $225 million term loan facility are due monthly and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month SOFR plus a 0.10% SOFR spread adjustment plus a margin ranging from 1.35% to 2.50%, depending upon the Company's leverage ratio, as calculated under the terms of the credit agreement.

2017 $85 Million Term Loan Facility

On July 25, 2017, the Company entered into an unsecured $85 million term loan facility with a maturity date of July 25, 2024, consisting of one term loan (the "2017 $85 million term loan facility") that was funded at closing. The Company may make voluntary prepayments, in whole or in part, at any time, subject to certain conditions. Interest payments on the 2017 $85 million term loan facility are due monthly, and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month SOFR plus a 0.10% SOFR spread adjustment plus a margin ranging from 1.30% to 2.10%, depending upon the Company's leverage ratio, as calculated under the terms of the credit agreement.

2019 $85 Million Term Loan Facility

On December 31, 2019, the Company entered into an unsecured $85 million term loan facility with a maturity date of December 31, 2029, consisting of one term loan funded at closing (the "2019 $85 million term loan facility"). Net proceeds from the 2019 $85 million term loan facility were used to pay down borrowings under the Company's then-existing $425 million revolving credit facility. The Company may make voluntary prepayments, in whole or in part, subject to certain conditions. Interest payments on the 2019 $85 million term loan facility are due monthly, and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month SOFR plus a 0.10% SOFR spread adjustment plus a margin ranging from 1.70% to 2.55%, depending upon the Company's leverage ratio, as calculated under the terms of the credit agreement.

$50 Million Senior Notes Facility

On March 16, 2020, the Company entered into an unsecured $50 million senior notes facility with a maturity date of March 31, 2030, consisting of senior notes totaling $50 million funded at closing (the "$50 million senior notes facility"). Net proceeds from the $50 million senior notes facility were available to provide funding for general corporate purposes. The Company may make voluntary prepayments, in whole or in part, at any time, subject to certain conditions, including make-whole provisions. Interest payments on the $50 million senior notes facility are due quarterly, and the interest rate, subject to certain exceptions, ranges from an annual rate of 3.60% to 4.35% depending on the Company's leverage ratio, as calculated under the terms of the note agreement.

$75 Million Senior Notes Facility

On June 2, 2022, the Company entered into an unsecured $75 million senior notes facility with a maturity date of June 2, 2029, consisting of senior notes totaling $75 million funded at closing (the "$75 million senior notes facility", and collectively with the $1.2 billion credit facility, the $225 million term loan facility, the 2017 $85 million term loan facility, the 2019 $85 million term loan facility and the $50 million senior notes facility, the "unsecured credit facilities"). Net proceeds from the $75 million senior notes facility were available to provide funding for general corporate purposes, including the repayment of borrowings under the Company's then-existing $425 million revolving credit facility and repayment of mortgage debt. The Company may make voluntary prepayments, in whole or in part, at any time, subject to certain conditions, including make-whole provisions. Interest payments on the $75 million senior notes facility are due quarterly, and the interest rate, subject to certain exceptions, ranges from an annual rate of 4.88% to 5.63% depending on the Company's leverage ratio, as calculated under the terms of the note agreement.

As of September 30, 2023 and December 31, 2022, the details of the Company's unsecured credit facilities were as set forth in the table below. All dollar amounts are in thousands.

	Interest Rate	Maturity Date	Outstanding Balance September 30, 2023	Outstanding Balance December 31, 2022
Revolving credit facility (1)	SOFR + 0.10% + 1.40% - 2.25%	7/25/2026	$ -	$ -
Term loans and senior notes				
$275 million term loan	SOFR + 0.10% + 1.35% - 2.20%	7/25/2027	275,000	275,000
$300 million term loan	SOFR + 0.10% + 1.35% - 2.20%	1/31/2028	300,000	250,000
$50 million term loan	SOFR + 0.10% + 1.35% - 2.20%	8/2/2025 (3)	50,000	50,000
$175 million term loan	SOFR + 0.10% + 1.65% - 2.50%	8/2/2025	175,000	175,000
2017 $85 million term loan	SOFR + 0.10% + 1.30% - 2.10%	7/25/2024	85,000	85,000
2019 $85 million term loan	SOFR + 0.10% + 1.70% - 2.55%	12/31/2029	85,000	85,000
$50 million senior notes	3.60% - 4.35%	3/31/2030	50,000	50,000
$75 million senior notes	4.88% - 5.63%	6/2/2029	75,000	75,000
Term loans and senior notes at stated value			1,095,000	1,045,000
Unamortized debt issuance costs			(6,593)	(7,616)
Term loans and senior notes, net			1,088,407	1,037,384
Credit facilities, net (1)			$ 1,088,407	$ 1,037,384
Weighted-average interest rate (2)			4.45 %	3.92 %

(1) Excludes unamortized debt issuance costs related to the Revolving Credit Facility totaling approximately $3.8 million and $4.8 million as of September 30, 2023 and December 31, 2022, respectively, which are included in other assets, net in the Company's consolidated balance sheets.
(2) Interest rate represents the weighted-average effective annual interest rate at the balance sheet date which includes the effect of interest rate swaps in effect on $695.0 million of the outstanding variable-rate debt as of September 30, 2023 and December 31, 2022. See Note 5 for more information on the interest rate swap agreements. The one-month SOFR on September 30, 2023 and December 31, 2022 was 5.32% and 4.36%, respectively.
(3) On July 19, 2023, the Company entered into an amendment of its $225 million term loan facility, which extended the maturity date of the existing $50 million term loan by two years to August 2, 2025.

Credit Facilities Covenants

The credit agreements governing the unsecured credit facilities (collectively, the "credit agreements") contain mandatory prepayment requirements, customary affirmative and negative covenants, restrictions on certain investments and events of default, including the following financial and restrictive covenants (capitalized terms not defined below are defined in the credit agreements):

- A ratio of Consolidated Total Indebtedness to Consolidated EBITDA ("Maximum Consolidated Leverage Ratio") of not more than 7.25 to 1.00;
- A ratio of Consolidated Secured Indebtedness to Consolidated Total Assets ("Maximum Secured Leverage Ratio") of not more than 45%;
- A minimum Consolidated Tangible Net Worth of approximately $3.4 billion plus an amount equal to 75% of the Net Cash Proceeds from issuances and sales of Equity Interests occurring after the Closing Date, July 25, 2022, subject to adjustment;
- A ratio of Adjusted Consolidated EBITDA to Consolidated Fixed Charges ("Minimum Fixed Charge Coverage Ratio") of not less than 1.50 to 1.00 for the trailing four full quarters;
- A ratio of Unencumbered Adjusted NOI to Consolidated Implied Interest Expense for Consolidated Unsecured Indebtedness ("Minimum Unsecured Interest Coverage Ratio") of not less than 2.00 to 1.00 for the trailing four full quarters;
- A ratio of Consolidated Unsecured Indebtedness to Unencumbered Asset Value ("Maximum Unsecured Leverage Ratio") of not more than 60% (subject to a higher level in certain circumstances); and
- A ratio of Consolidated Secured Recourse Indebtedness to Consolidated Total Assets ("Maximum Secured Recourse Indebtedness") of not more than 10%.

The Company was in compliance with the applicable covenants as of September 30, 2023.

Mortgage Debt

As of September 30, 2023, the Company had approximately $285.2 million in outstanding mortgage debt secured by 15 properties with maturity dates ranging from August 2024 to May 2038, stated interest rates ranging from 3.40% to 4.46% and effective interest rates ranging from 3.40% to 4.37%. The loans generally provide for monthly payments of principal and interest on an amortized basis and defeasance or prepayment penalties if prepaid. The following table sets forth the hotel properties securing each loan, the interest rate, loan assumption or origination date, maturity date, the principal amount assumed or originated, and the outstanding balance prior to any fair value adjustments or debt issuance costs as of September 30, 2023 and December 31, 2022 for each of the Company's mortgage debt obligations. All dollar amounts are in thousands.

Location	Brand	Interest Rate (1)	Loan Assumption or Origination Date	Maturity Date	Principal Assumed or Originated	Outstanding balance as of September 30, 2023	Outstanding balance as of December 31, 2022
Miami, FL	Homewood Suites	4.02 %	3/1/2014	(2)	$ 16,677	$ -	$ 12,440
Huntsville, AL	Homewood Suites	4.12 %	3/1/2014	(3)	8,306	-	6,193
Prattville, AL	Courtyard	4.12 %	3/1/2014	(3)	6,596	-	4,918
San Diego, CA	Residence Inn	3.97 %	3/1/2014	(4)	18,600	-	13,827
New Orleans, LA	Homewood Suites	4.36 %	7/17/2014	8/11/2024	27,000	20,522	21,161
Westford, MA	Residence Inn	4.28 %	3/18/2015	4/11/2025	10,000	7,793	8,024
Denver, CO	Hilton Garden Inn	4.46 %	9/1/2016	6/11/2025	34,118	27,608	28,400
Oceanside, CA	Courtyard	4.28 %	9/1/2016	10/1/2025	13,655	11,786	12,019
Omaha, NE	Hilton Garden Inn	4.28 %	9/1/2016	10/1/2025	22,681	19,577	19,963
Boise, ID	Hampton	4.37 %	5/26/2016	6/11/2026	24,000	20,815	21,194
Burbank, CA	Courtyard	3.55 %	11/3/2016	12/1/2026	25,564	20,729	21,326
San Diego, CA	Courtyard	3.55 %	11/3/2016	12/1/2026	25,473	20,655	21,250
San Diego, CA	Hampton	3.55 %	11/3/2016	12/1/2026	18,963	15,377	15,819
Burbank, CA	SpringHill Suites	3.94 %	3/9/2018	4/1/2028	28,470	24,445	25,057
Santa Ana, CA	Courtyard	3.94 %	3/9/2018	4/1/2028	15,530	13,334	13,668
Richmond, VA	Courtyard	3.40 %	2/12/2020	3/11/2030	14,950	13,911	14,144
Richmond, VA	Residence Inn	3.40 %	2/12/2020	3/11/2030	14,950	13,911	14,144
Portland, ME	Residence Inn	3.43 %	3/2/2020	3/1/2032	33,500	30,500	30,500
San Jose, CA	Homewood Suites	4.22 %	12/22/2017	5/1/2038	30,000	24,284	25,168
					$ 389,033	285,247	329,215
Unamortized fair value adjustment of assumed debt						609	819
Unamortized debt issuance costs						(995)	(1,169)
Total						$ 284,861	$ 328,865

(1) Interest rates are the rates per the loan agreement. For loans assumed, the Company adjusted the interest rates per the loan agreement to market rates and is amortizing the adjustments to interest expense over the life of the loan.
(2) Loan was repaid in full on January 3, 2023.
(3) Loan was repaid in full on February 6, 2023.
(4) Loan was repaid in full on March 6, 2023.

5. Fair Value of Financial Instruments

Except as described below, the carrying value of the Company's financial instruments approximates fair value due to the short-term nature of these financial instruments.

Debt

The Company estimates the fair value of its debt by discounting the future cash flows of each instrument at estimated market rates consistent with the maturity of a debt obligation with similar credit terms and credit characteristics, which are Level 3 inputs under the fair value hierarchy. Market rates take into consideration general market conditions and maturity. As of September 30, 2023, the carrying value and the estimated fair value of the Company's debt were approximately $1.4 billion and $1.3 billion, respectively. As of December 31, 2022, the carrying value and estimated fair value of the Company's debt were approximately $1.4 billion and $1.3 billion, respectively. Both the carrying value and the estimated fair value of the Company's debt (as discussed above) are net of unamortized debt issuance costs related to term loans, senior notes and mortgage debt for each specific year.

Derivative Instruments

Currently, the Company uses interest rate swaps to manage its interest rate risk on variable-rate debt. Throughout the terms of these interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to the one-month SOFR plus a 0.10% SOFR spread adjustment. The swaps are designed to effectively fix the interest payments on variable-rate debt instruments. These swap instruments are recorded at fair value and, if in an asset position, are included in other assets, net, and, if in a liability position, are included in accounts payable and other liabilities in the Company's consolidated balance sheets. The fair values of the Company's interest rate swap agreements are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts, which is considered a Level 2 measurement under the fair value hierarchy. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The following table sets forth information for each of the Company's interest rate swap agreements outstanding as of September 30, 2023 and December 31, 2022. All dollar amounts are in thousands.

					Fair Value Asset (Liability)	
Notional Amount at September 30, 2023	Origination Date	Effective Date	Maturity Date	Swap Fixed Interest Rate	September 30, 2023	December 31, 2022
Active interest rate swaps designated as cash flow hedges at September 30, 2023:						
$ 50,000	12/7/2018	5/18/2020	1/31/2024	2.71%	$ 466	$ 1,163
75,000	5/31/2017	7/31/2017	6/30/2024	1.95%	1,951	3,026
10,000	8/10/2017	8/10/2017	6/30/2024	2.02%	254	386
50,000	7/2/2019	7/5/2019	7/18/2024	1.64%	1,507	2,298
50,000	8/21/2019	8/23/2019	8/18/2024	1.31%	1,820	2,675
50,000	8/21/2019	8/23/2019	8/30/2024	1.32%	1,873	2,703
75,000	8/21/2019	5/18/2020	5/18/2025	1.26%	4,633	5,225
50,000	6/1/2018	1/31/2019	6/30/2025	2.88%	1,882	1,655
25,000	12/6/2018	1/31/2020	6/30/2025	2.74%	999	909
75,000	8/21/2019	5/18/2021	5/18/2026	1.29%	6,499	6,506
50,000	3/17/2023	3/20/2023	3/18/2028	3.50%	1,941	-
50,000	3/17/2023	3/20/2023	3/20/2028	3.49%	1,919	-
85,000	12/31/2019	12/31/2019	12/31/2029	1.87%	11,667	9,511
695,000					37,411	36,057
Matured interest rate swap at September 30, 2023:						
$ 100,000	4/7/2016	9/30/2016	3/31/2023	1.30%	-	824
					$ 37,411	$ 36,881

The Company assesses, both at inception and on an ongoing basis, the effectiveness of its qualifying cash flow hedges. As of September 30, 2023, all of the 13 active interest rate swap agreements listed above were designated as cash flow hedges. The change in the fair value of the Company's designated cash flow hedges is recorded to accumulated other comprehensive income, a component of shareholders' equity in the Company's consolidated balance sheets.

Amounts reported in accumulated other comprehensive income will be reclassified to interest and other expense, net as interest payments are made or received on the Company's variable-rate derivatives. The Company estimates that approximately $20.9 million of net unrealized gains included in accumulated other comprehensive income at September 30, 2023 will be reclassified as a decrease to interest and other expense, net within the next 12 months.

The following table presents the effect of derivative instruments in cash flow hedging relationships in the Company’s consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Net Unrealized Gain Recognized in Other Comprehensive Income		Net Unrealized Gain Reclassified from Accumulated Other Comprehensive Income to Interest and Other Expense, net	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
Interest rate derivatives in cash flow hedging relationships	$ 7,264	$ 17,130	$ 5,852	$ 1,106

	Net Unrealized Gain Recognized in Other Comprehensive Income		Net Unrealized Gain (Loss) Reclassified from Accumulated Other Comprehensive Income to Interest and Other Expense, net	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest rate derivatives in cash flow hedging relationships	$ 16,682	$ 50,649	$ 16,152	$ (3,213)

6. Related Parties

The Company has engaged in, and is expected to continue to engage in, transactions with related parties. These transactions cannot be construed to be at arm’s length, and the results of the Company’s operations may have been different if these transactions were conducted with non-related parties. There have been no changes to the contracts and relationships discussed in the 2022 Form 10-K. Below is a summary of the significant related party relationships in effect during the nine months ended September 30, 2023 and 2022.

Glade M. Knight, Executive Chairman of the Company, owns Apple Realty Group, Inc. (“ARG”), which receives support services from the Company and reimburses the Company for the cost of these services as discussed below. Mr. Knight is also currently a partner and Chief Executive Officer of Energy 11 GP, LLC and Energy Resources 12 GP, LLC, which are the respective general partners of Energy 11, L.P. and Energy Resources 12, L.P., each of which receives support services from ARG.

The Company provides support services, including the use of the Company’s employees and corporate office, to ARG and is reimbursed by ARG for the cost of these services. Under this cost sharing structure, amounts reimbursed to the Company include both compensation for personnel and office related costs (including office rent, utilities, office supplies, etc.) used by ARG. The amounts reimbursed to the Company are based on the actual costs of the services and a good faith estimate of the proportionate amount of time incurred by the Company’s employees on behalf of ARG. Total reimbursed costs allocated by the Company to ARG for the nine month periods ended September 30, 2023 and 2022 totaled approximately $0.8 million and $0.6 million, respectively, and are recorded as a reduction to general and administrative expenses in the Company’s consolidated statements of operations.

As part of the cost sharing arrangement, certain day-to-day transactions may result in amounts due to or from the Company and ARG. To efficiently manage cash disbursements, the Company or ARG may make payments for the other company. Under this cash management process, each company may advance or defer up to $1 million at any time. Each quarter, any outstanding amounts are settled between the companies. This process allows each company to minimize its cash on hand and reduces the cost for each company. The amounts outstanding at any point in time are not significant to either of the companies. As of September 30, 2023 and December 31, 2022, total amounts due from ARG for reimbursements under the cost sharing structure totaled approximately $0.3 million and $0.4 million, respectively, and are included in other assets, net in the Company’s consolidated balance sheets.

The Company, through its wholly-owned subsidiary, Apple Air Holding, LLC, owns a Learjet used primarily for acquisition, asset management, renovation, investor, corporate and public relations and other business purposes. The aircraft is also leased to affiliates of the Company based on third-party rates. Lease activity was not significant during the reporting periods.

From time to time, the Company utilizes aircraft, owned by an entity which is owned by the Company’s Executive Chairman, for acquisition, asset management, renovation, investor, corporate and public relations and other business purposes, and reimburses this entity at third-party rates. Total costs incurred for the use of the aircraft during the nine months ended September 30, 2023 and 2022 were less than $0.1 million and are included in general and administrative expenses in the Company’s consolidated statements of operations.

7. Shareholders' Equity

Distributions

For the three and nine months ended September 30, 2023, the Company paid distributions of $0.24 and $0.80, per common share, respectively, for a total of $54.8 million and $183.1 million, respectively. During the three and nine months ended September 30, 2022, the Company paid distributions of $0.17 and $0.38 per common share, respectively, for a total of $38.8 million and $86.8 million, respectively. Additionally, in September 2023, the Company declared a monthly cash distribution of $0.08 per common share, totaling $18.3 million, which was recorded as a payable as of September 30, 2023 and paid on October 16, 2023. In addition to the regular monthly cash distribution of $0.08 per common share for December 2022, the Board of Directors approved a special one-time distribution of $0.08 per common share for a combined distribution of $0.16 per common share, totaling $36.6 million, which was recorded as a payable as of December 31, 2022 and paid in January 2023. These accrued distributions were included in accounts payable and other liabilities in the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively.

Issuance of Shares

On August 12, 2020, the Company entered into an equity distribution agreement pursuant to which the Company may sell, from time to time, up to an aggregate of $300 million of its common shares under an at-the-market offering program (the "ATM Program") under the Company's prior shelf registration statement and the current shelf registration statement. Since inception of the ATM Program in August 2020 through September 30, 2023, the Company sold approximately 4.7 million common shares under its ATM Program at a weighted-average market sales price of approximately $16.26 per common share and received aggregate gross proceeds of approximately $76.0 million and proceeds net of offering costs, which included $0.9 million of commissions, of approximately $75.1 million. The Company used the net proceeds from the sale of these shares (all during 2021) primarily to pay down borrowings under its then-existing $425 million revolving credit facility and used the corresponding increased availability under the $425 million revolving credit facility for general corporate purposes, including acquisitions of hotel properties. As of September 30, 2023, approximately $224.0 million remained available for issuance under the ATM Program. No shares were sold under the Company's ATM Program during the nine months ended September 30, 2023. The Company plans to use future net proceeds from the sale of shares under the ATM Program for general corporate purposes which may include, among other things, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, improvement of properties in its portfolio and working capital. The Company may also use the net proceeds to acquire another REIT or other company that invests in income producing properties.

Share Repurchases

In May 2023, the Company's Board of Directors approved a one-year extension of its existing share repurchase program, authorizing share repurchases up to an aggregate of $338.7 million (the "Share Repurchase Program"). The Share Repurchase Program may be suspended or terminated at any time by the Company and will end in July 2024 if not terminated or extended earlier. During the nine months ended September 30, 2023, the Company purchased, under its Share Repurchase Program, approximately 0.5 million of its common shares at a weighted-average market purchase price of approximately $14.34 per common share for an aggregate purchase price, including commissions, of approximately $6.9 million. The shares were repurchased in open market transactions under the Share Repurchase Program, including pursuant to written trading plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Repurchases under the Share Repurchase Program have been funded, and the Company intends to fund future repurchases, with cash on hand or availability under its unsecured credit facilities, subject to applicable restrictions under the Company's unsecured credit facilities (if any). The timing of share repurchases and the number of common shares to be repurchased under the Share Repurchase Program will also depend upon prevailing market conditions, regulatory requirements and other factors. As of September 30, 2023, approximately $335.4 million remained available for purchase under the Share Repurchase Program.

8. Compensation Plans

The Company annually establishes an incentive plan for its executive management team. Under the incentive plan for 2023 (the "2023 Incentive Plan"), participants are eligible to receive incentive compensation based on the achievement of certain 2023 performance measures, with one-half (50%) of incentive compensation based on operational performance goals and metrics and one-half (50%) of incentive compensation based on shareholder return metrics. With respect to the shareholder return metrics, 75% of the target will be based on shareholder return relative to a peer group and 25% will be based on total shareholder return metrics over one-year, two-year, and three-year periods. With respect to the operational performance goals and metrics, 25% of the target will be based on modified funds from operations per share (as defined within this Quarterly Report on Form 10-Q), 25% of the target will be based on total revenues of the Company and 50% of the target will be based on operational performance goals, including management of capital structure; evaluation and pursuit of accretive transactions; management of labor costs and improvement of employee productivity; enhancement of environmental, social and governance reporting; and enhancement of internal business intelligence tools.

At September 30, 2023, the range of potential aggregate payouts under the 2023 Incentive Plan was $0 - $27.1 million. Based on performance through September 30, 2023, the Company has accrued approximately $14.9 million as a liability for potential executive incentive compensation payments under the 2023 Incentive Plan, which is included in accounts payable and other liabilities in the Company's consolidated balance sheet as of September 30, 2023. Compensation expense recognized by the Company under the 2023 Incentive Plan is included in general and administrative expenses in the Company's consolidated statement of operations and totaled approximately $4.9 million and $14.9 million for the three and nine months ended September 30, 2023, respectively. Approximately 25% of target awards under the 2023 Incentive Plan, if any, will be paid in cash, and 75% will be issued in common shares under the Company's 2014 Omnibus Incentive Plan, approximately two-thirds of which will be unrestricted and one-third of which will vest in December 2024.

Under the incentive plan for 2022 (the "2022 Incentive Plan"), the Company recorded approximately $4.0 million and $12.0 million, respectively, in general and administrative expenses in its consolidated statement of operations for the three and nine months ended September 30, 2022.

Share-Based Compensation Awards

The following table sets forth information pertaining to the share-based compensation issued under the 2022 Incentive Plan and the incentive plan for 2021 (the "2021 Incentive Plan").

	2022 Incentive Plan		**2021 Incentive Plan**	
Period common shares issued	First Quarter 2023		First Quarter 2022	
Common shares earned under each incentive plan	935,189		868,079	
Common shares surrendered on issuance date to satisfy tax withholding obligations	263,026		245,597	
Common shares earned and issued under each incentive plan, net of common shares surrendered on issuance date to satisfy tax withholding obligations	672,163		622,482	
Average of the high and low stock price on issuance date	$ 16.70		$ 17.79	
Total share-based compensation earned, including the surrendered shares (in millions)	$ 15.6	(1)	$ 15.4	(2)
Of the total common shares earned and issued, total common shares unrestricted at time of issuance	360,176		338,032	
Of the total common shares earned and issued, total common shares restricted at time of issuance	311,987		284,450	
Restricted common shares vesting date	December 8, 2023		December 9, 2022	
Common shares surrendered on vesting date to satisfy tax withholding requirements resulting from vesting of restricted common shares	n/a		114,147	

(1) Of the total 2022 share-based compensation, approximately $12.5 million was recorded as a liability as of December 31, 2022 and is included in accounts payable and other liabilities in the Company's consolidated balance sheet at December 31, 2022. Another $2.6 million, which is subject to vesting on December 8, 2023 and excludes any restricted shares forfeited or vested prior to that date, will be recognized as share-based compensation expense proportionately throughout 2023. For the three and nine months ended September 30, 2023, the Company recognized approximately $0.7 million and $2.0 million, respectively, of share-based compensation expense related to restricted share awards.

(2) Of the total 2021 share-based compensation, approximately $2.5 million, which vested on December 9, 2022, was recognized as share-based compensation expense proportionately throughout 2022. For the three and nine months ended September 30, 2022, the Company recognized approximately $0.6 million and $1.9 million, respectively, of share-based compensation expense related to restricted share awards.

Additionally, in conjunction with the appointment of five new officers of the Company on April 1, 2020, the Company issued to the new officer group a total of approximately 200,000 restricted common shares with an aggregate grant date fair value of approximately $1.8 million. For each grantee, the restricted shares vested on March 31, 2023. The expense associated with the awards was amortized over the 3-year vesting period. For the nine months ended September 30, 2023 and 2022, the Company recognized approximately $0.1 million and $0.4 million, respectively, of share-based compensation expense related to these awards. Upon vesting on March 31, 2023, approximately 83,000 shares were surrendered to satisfy tax withholding obligations.

9. Subsequent Events

On October 11, 2023, the Company completed the purchase of two existing hotels and an existing free-standing parking garage in Salt Lake City, Utah, including a 175-room Courtyard and a 159-room Hyatt House, for a combined gross purchase price of approximately $91.5 million. The Company utilized its available cash on hand and borrowings under its Revolving Credit Facility to purchase the properties.

On October 16, 2023, the Company paid approximately $18.3 million, or $0.08 per common share, in distributions to shareholders of record as of September 29, 2023.

On October 18, 2023, the Company completed the purchase of the existing 146-room Residence Inn in Renton, Washington for a total gross purchase price of $55.5 million. The Company utilized its available cash on hand and borrowings under its Revolving Credit Facility to purchase the hotel.

On October 19, 2023, the Company declared a monthly cash distribution of $0.08 per common share. The distribution is payable on November 15, 2023, to shareholders of record as of October 31, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. Forward-looking statements are typically identified by use of statements that include phrases such as "may," "believe," "expect," "anticipate," "intend," "estimate," "project," "target," "goal," "plan," "should," "will," "predict," "potential," "outlook," "strategy," and similar expressions that convey the uncertainty of future events or outcomes. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, but are not limited to, the ability of the Company to effectively acquire and dispose of properties and redeploy proceeds; the anticipated timing and frequency of shareholder distributions; the ability of the Company to fund capital obligations; the ability of the Company to successfully integrate pending transactions and implement its operating strategy; changes in general political, economic and competitive conditions and specific market conditions (including the potential effects of inflation or a recessionary environment); reduced business and leisure travel due to geopolitical uncertainty, including terrorism, travel-related health concerns, including COVID-19 or other widespread outbreaks of infectious or contagious diseases in the U.S.; inclement weather conditions, including natural disasters such as hurricanes, earthquakes and wildfires; government shutdowns, airline strikes or other disruptions; adverse changes in the real estate and real estate capital markets; financing risks; changes in interest rates; litigation risks; regulatory proceedings or inquiries; and changes in laws or regulations or interpretations of current laws and regulations that impact the Company's business, assets or classification as a REIT. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements included in this Quarterly Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the results or conditions described in such statements or the objectives and plans of the Company will be achieved. In addition, the Company's qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Readers should carefully review the risk factors described in the Company's filings with the Securities and Exchange Commission ("SEC"), including but not limited to those discussed in the section titled "Risk Factors" in the 2022 Form 10-K. Any forward-looking statement that the Company makes speaks only as of the date of this Quarterly Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors, as a result of new information, future events, or otherwise, except as required by law.

The following discussion and analysis should be read in conjunction with the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, as well as the information contained in the 2022 Form 10-K.

Overview

The Company is a Virginia corporation that has elected to be treated as a REIT for federal income tax purposes. The Company is self-advised and invests in income-producing real estate, primarily in the lodging sector, in the U.S. As of September 30, 2023, the Company owned 220 hotels with an aggregate of 28,929 rooms located in urban, high-end suburban and developing markets throughout 37 states and one property leased to third parties. Substantially all of the Company's hotels operate under Marriott or Hilton brands. The hotels are operated and managed under separate management agreements with 16 hotel management companies, none of which are affiliated with the Company. The Company's common shares are listed on the NYSE under the ticker symbol "APLE."

2023 Hotel Portfolio Activities

The Company continually monitors market conditions and attempts to maximize shareholder value by investing in properties that it believes provide superior value over the long term. Consistent with this strategy and the Company's focus on investing in rooms-focused hotels, during the nine months ended September 30, 2023, the Company completed the acquisition of an existing 154-room Courtyard in Cleveland, Ohio for a gross purchase price of $31.0 million, utilizing its available cash and borrowings under its Revolving Credit Facility.

As of September 30, 2023, the Company had separate outstanding contracts for the potential purchase of six hotels as well as one free-standing parking garage for a total combined purchase price of approximately $359.0 million. Five of the seven properties under contract are existing. The Company completed the purchase of four of the existing properties, including two hotels and one free-standing parking garage in Salt Lake City, Utah and one hotel in Renton, Washington on October 11, 2023 and October 18, 2023, respectively. See Note 9 titled "Subsequent Events" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for more information. The Company plans to complete the purchase of the one remaining existing property in the fourth quarter of 2023. The other two purchase contracts are for hotels under development, with the Madison, Wisconsin hotel currently planned to be completed and opened for business in mid-2024 and the Nashville, Tennessee hotel currently planned to be completed and opened for business in 2025, at which respective times the Company expects to complete the purchases of these hotels. Although the Company is working towards completing the acquisitions of the three remaining properties, in each case there are a number of conditions to closing that have not yet been satisfied, and there can be no assurance that closings on these properties will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under the applicable purchase contracts and acquire these properties. The Company plans to utilize its available cash or borrowings under its unsecured credit facilities available at closing to purchase the properties under contract if closings occur.

For its existing portfolio, the Company monitors each property’s profitability, market conditions and capital requirements and attempts to maximize shareholder value by disposing of properties when it believes that superior value can be provided from the sale of the property. The Company did not dispose of any properties during the nine months ended September 30, 2023.

New York Independent Boutique Hotel Lease

During the nine months ended September 30, 2023, the Company entered into an operating lease for an initial 15-year term with a third-party hotel operator at its independent boutique hotel in New York, New York for all hotel operations of the hotel's 210 hotel rooms. Lease revenue from this property is recorded in other revenue in the Company's consolidated statements of operations and comprehensive income. As a result of the lease agreement, this property is excluded from the Company’s hotel and room counts effective May 2023 and is considered a non-hotel property through the end of the lease term.

Hotel Operations

As of September 30, 2023, the Company owned 220 hotels with a total of 28,929 rooms as compared to 218 hotels with a total of 28,693 rooms as of September 30, 2022. Results of operations are included only for the period of ownership for hotels acquired or disposed of during the current reporting period and prior year. During the nine months ended September 30, 2023, the Company acquired one existing hotel on June 30, 2023 and did not dispose of any properties. During the same period of 2022, the Company sold one hotel and did not acquire any properties. Results of the hotel operations for the Company’s independent boutique hotel in New York, New York are included only for the period prior to the lease agreement becoming effective in May 2023.

In evaluating financial condition and operating performance, the most important indicators on which the Company focuses are revenue measurements, such as average occupancy, average daily rate (“ADR”) and revenue per available room (“RevPAR”), and expenses, such as hotel operating expenses, general and administrative expenses and other expenses described below. RevPAR and operating results may be impacted by regional and local economies as well as changes in lodging demand due to macroeconomic factors including inflationary pressures or a recessionary environment.

The following is a summary of the results from operations of the Company's hotels for their respective periods of ownership by the Company:

(in thousands, except statistical data)	Three Months Ended September 30, 2023	Percent of Revenue	2022	Percent of Revenue	Percent Change	Nine Months Ended September 30, 2023	Percent of Revenue	2022	Percent of Revenue	Percent Change
Total revenue	$ 358,260	100.0 %	$ 341,150	100.0 %	5.0 %	$ 1,031,344	100.0 %	$ 939,296	100.0 %	9.8 %
Hotel operating expense	203,710	56.9 %	193,067	56.6 %	5.5 %	589,388	57.1 %	529,584	56.4 %	11.3 %
Property taxes, insurance and other expense	21,678	6.1 %	19,052	5.6 %	13.8 %	61,347	5.9 %	56,510	6.0 %	8.6 %
General and administrative expense	11,079	3.1 %	10,271	3.0 %	7.9 %	34,640	3.4 %	30,216	3.2 %	14.6 %
Depreciation and amortization expense	45,498		45,135		0.8 %	137,398		135,781		1.2 %
Gain on sale of real estate	-		1,785		n/a	-		1,785		n/a
Interest and other expense, net	17,470		14,933		17.0 %	50,973		44,785		13.8 %
Income tax expense	313		1,331		-76.5 %	874		1,712		-48.9 %
Net income	58,512		59,146		-1.1 %	156,724		142,493		10.0 %
Adjusted Hotel EBITDA (1)	132,161		129,166		2.3 %	380,154		353,617		7.5 %
Number of hotels owned at end of period	220		218		0.9 %	220		218		0.9 %
ADR	$ 159.36		$ 157.91		0.9 %	$ 157.61		$ 150.02		5.1 %
Occupancy	77.1 %		75.7 %		1.8 %	75.8 %		73.6 %		3.0 %
RevPAR	$ 122.91		$ 119.52		2.8 %	$ 119.48		$ 110.40		8.2 %

(1) See reconciliation of Adjusted Hotel EBITDA to net income in "Non-GAAP Financial Measures" below.

Comparable Hotels Operating Results

The following table reflects certain operating statistics for the Company's 220 hotels owned as of September 30, 2023 ("Comparable Hotels"). The Company defines metrics from Comparable Hotels as results generated by the 220 hotels owned as of the end of the reporting period. For the hotels acquired during the reporting periods shown, the Company has included, as applicable, results of those hotels for periods prior to the Company's ownership using information provided by the properties' prior owners at the time of acquisition and not adjusted by the Company. This information has not been audited, either for the periods owned or prior to ownership by the Company. For dispositions, results have been excluded for the Company's period of ownership.

	Three Months Ended September 30, 2023	2022	Percent Change	Nine Months Ended September 30, 2023	2022	Percent Change
ADR	$ 159.36	$ 157.65	1.1 %	$ 157.54	$ 149.98	5.0 %
Occupancy	77.1 %	75.7 %	1.8 %	75.8 %	73.5 %	3.1 %
RevPAR	$ 122.91	$ 119.31	3.0 %	$ 119.34	$ 110.23	8.3 %

Same Store Operating Results

The following table reflects certain operating statistics for the 217 hotels owned by the Company as of January 1, 2022 and during the entirety of the reporting periods being compared ("Same Store Hotels"). This information has not been audited.

	Three Months Ended September 30, 2023	2022	Percent Change	Nine Months Ended September 30, 2023	2022	Percent Change
ADR	$ 158.92	$ 157.34	1.0 %	$ 157.16	$ 149.67	5.0 %
Occupancy	77.2 %	75.7 %	2.0 %	75.8 %	73.6 %	3.0 %
RevPAR	$ 122.64	$ 119.08	3.0 %	$ 119.18	$ 110.15	8.2 %

As discussed above, hotel performance is impacted by many factors, including the economic conditions in the U.S. as well as each individual locality. The Company’s Same Store Hotels revenue and operating results improved during the three and nine months ended September 30, 2023, compared to the three and nine months ended September 30, 2022, which is consistent with the overall lodging industry. Hotel occupancy was negatively impacted in many markets by the Omicron variant of COVID-19 during the first quarter of 2022, contributing to an increase of the Company’s Same Store Hotels RevPAR of approximately 8.2% for the nine months ended September 30, 2023, compared to the same period in 2022.

Revenues

The Company’s principal source of revenue is hotel revenue consisting of room, food and beverage, and other related revenue. For the three months ended September 30, 2023 and 2022, the Company had total revenue of $358.3 million and $341.2 million, respectively. For the nine months ended September 30, 2023 and 2022, the Company had total revenue of $1.0 billion and $939.3 million, respectively. For the three months ended September 30, 2023 and 2022, respectively, Comparable Hotels achieved combined average occupancy of 77.1% and 75.7%, ADR of $159.36 and $157.65 and RevPAR of $122.91 and $119.31. For the nine months ended September 30, 2023 and 2022, respectively, Comparable Hotels achieved combined average occupancy of 75.8% and 73.5%, ADR of $157.54 and $149.98 and RevPAR of $119.34 and $110.23. ADR is calculated as room revenue divided by the number of rooms sold, and RevPAR is calculated as occupancy multiplied by ADR.

Compared to the same periods in 2022, during the three and nine months ended September 30, 2023, the Company experienced increases in ADR and occupancy, resulting in increases of 3.0% and 8.3%, respectively, in RevPAR for Comparable Hotels. Revenue growth in the three and nine months ended September 30, 2023, as compared to the same periods of 2022, was led by continued strength in leisure transient and small group demand, with increased demand from corporate business. Additionally, occupancy during the first quarter of 2022 was negatively impacted in many markets by the Omicron variant of COVID-19. For the three and nine months ended September 30, 2023, the Company’s suburban markets continued to see strong demand with urban markets recovering more meaningfully as compared to the same periods in 2022. The Company expects revenue trends to continue, however, future year-over-year revenue growth will likely be at a lower rate given the favorable first nine months of the year comparison between 2023 and 2022 due, in large part, to the Omicron variant of COVID-19 negatively impacting the first quarter of 2022. Furthermore, future revenues could be negatively impacted by, among other things, historical seasonal trends, deterioration of consumer sentiment, a recessionary macroeconomic environment or inflationary pressures.

Hotel Operating Expense

Hotel operating expense consists of direct room operating expense, hotel administrative expense, sales and marketing expense, utilities expense, repair and maintenance expense, franchise fees and management fees. Hotel operating expense for the three months ended September 30, 2023 and 2022 totaled $203.7 million and $193.1 million, respectively, or 56.9% and 56.6% of total revenue for the respective periods, and for the nine months ended September 30, 2023 and 2022 totaled $589.4 million and $529.6 million, respectively, or 57.1% and 56.4% of total revenue for the respective periods, which is consistent with the increases in Comparable Hotels hotel operating expense as a percentage of revenue for the same periods. The increase in hotel operating expense for the three and nine months ended September 30, 2023, as compared to the same periods in 2022, was due to increased labor, repairs and maintenance and utility costs driven by increased staff and inflationary pressures throughout the overall economy. Occupancy increased for the nine months ended September 30, 2023, as compared to the same period of 2022, in part due to negative impacts from the Omicron variant of COVID-19 throughout most markets during the first quarter of 2022. Adding staff to meet increased demand has been challenging, and the Company’s hotels have often done so at higher wage rates or with more expensive contract labor as compared to 2022. Likewise, broader inflationary pressures throughout the overall economy and global tensions have driven shortages and cost increases for materials and supplies such as food and equipment. The Company continues to work with its management companies to realize operational efficiencies and mitigate the impact of cost pressures resulting from inflation and staffing challenges. The Company will continue to evaluate and work with its management companies to implement adjustments to the hotel operating model in response to continued changes in the operating environment and guest preferences, including evaluating staffing levels at its hotels to maximize efficiency.

Property Taxes, Insurance and Other Expense

Property taxes, insurance and other expense for the three months ended September 30, 2023 and 2022 was $21.7 million and $19.1 million, respectively, or 6.1% and 5.6% of total revenue for the respective periods. For the nine months ended September 30, 2023 and 2022, property taxes, insurance and other expense totaled $61.3 million and $56.5 million, respectively, or 5.9% and 6.0% of total revenue for the respective periods. The increases in property taxes, insurance, and other expense were primarily due to increases in insurance premiums and increases in property taxes in certain locations due to the reassessment of property values by localities related to the improved economy, partially offset by decreases at other locations due to successful appeals of tax assessments. The Company will continue to aggressively appeal tax assessments in certain jurisdictions in an attempt to minimize tax increases, as warranted.

General and Administrative Expense

General and administrative expense for the three months ended September 30, 2023 and 2022 was $11.1 million and $10.3 million, respectively, or 3.1% and 3.0% of total revenue for the respective periods. For the nine months ended September 30, 2023 and 2022, general and administrative expense was $34.6 million and $30.2 million, respectively, or 3.4% and 3.2% of total revenue for the respective periods. The principal components of general and administrative expense are payroll and related benefit costs, executive incentive compensation, legal fees, accounting fees and reporting expenses. The increase in general and administrative expense for the three and nine months ended September 30, 2023, compared to the same periods in 2022, was primarily due to increased accruals for anticipated performance under the Company’s executive incentive compensation plan as well as increased payroll and related benefit costs.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended September 30, 2023 and 2022 was $45.5 million and $45.1 million, respectively. For the nine months ended September 30, 2023 and 2022, depreciation and amortization expense was $137.4 million and $135.8 million, respectively. Depreciation and amortization expense primarily represents expense of the Company’s hotel buildings and related improvements, and associated personal property (furniture, fixtures, and equipment) for the respective periods owned. The increases of approximately $0.4 million and $1.6 million, respectively, for the three and nine months ended September 30, 2023, compared to the same periods in 2022, were primarily due to the acquisitions of one hotel in the second quarter of 2023 and two hotels in the fourth quarter of 2022, as well as renovations completed throughout 2022 and 2023, partially offset by the sale of one hotel in the third quarter of 2022.

Interest and Other Expense, net

Interest and other expense, net for the three months ended September 30, 2023 and 2022 was $17.5 million and $14.9 million, respectively. For the nine months ended September 30, 2023 and 2022, interest and other expense, net was $51.0 million and $44.8 million, respectively. Interest and other expense, net for the nine months ended September 30, 2023 and 2022, is net of approximately $0.7 million and $0.5 million, respectively, of interest capitalized associated with renovation projects.

Interest expense related to the Company’s debt instruments for the three and nine months ended September 30, 2023 increased compared to the same periods of 2022 as a result of higher average borrowings associated with variable-rate debt and higher average interest rates on the Company's variable-rate debt due to the high inflationary environment within the current economy. The Company anticipates interest expense for the remainder of 2023 will be greater than the interest expense for the same period of 2022 due to higher average borrowings associated with variable-rate debt and higher market interest rates.

Income Tax Expense

Income tax expense for the three months ended September 30, 2023 and 2022 was $0.3 million and $1.3 million, respectively. For the nine months ended September 30, 2023 and 2022, income tax expense was $0.9 million and $1.7 million, respectively. The decrease is primarily due to state income taxes that were higher than normal in several states in 2022 as a result of temporary limitations placed on the application of prior net operating losses.

Non-GAAP Financial Measures

The Company considers the following non-GAAP financial measures useful to investors as key supplemental measures of its operating performance: Funds from Operations (“FFO”), Modified Funds from Operations (“MFFO”), Earnings Before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”), Earnings Before Interest, Income Taxes, Depreciation and Amortization for Real Estate (“EBITDAre”), Adjusted EBITDAre (“Adjusted EBITDAre”) and Adjusted Hotel EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income (loss), cash flow from operations or any other operating GAAP measure. FFO, MFFO, EBITDA, EBITDAre, Adjusted EBITDAre and Adjusted Hotel EBITDA are not necessarily indicative of funds available to fund the Company’s cash needs, including its ability to make cash distributions. Although FFO, MFFO, EBITDA, EBITDAre, Adjusted EBITDAre and Adjusted Hotel EBITDA, as calculated by the Company, may not be comparable to FFO, MFFO, EBITDA, EBITDAre, Adjusted EBITDAre and Adjusted Hotel EBITDA, as reported by other companies that do not define such terms exactly as the Company defines such terms, the Company believes these supplemental measures are useful to investors when comparing the Company’s results between periods and with other REITs.

FFO and MFFO

The Company calculates and presents FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("Nareit"), which defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains and losses from the sale of certain real estate assets (including gains and losses from change in control), extraordinary items as defined by GAAP, and the cumulative effect of changes in accounting principles, plus real estate related depreciation, amortization and impairments, and adjustments for unconsolidated affiliates. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most real estate industry investors consider FFO to be helpful in evaluating a real estate company's operations. The Company further believes that by excluding the effects of these items, FFO is useful to investors in comparing its operating performance between periods and between REITs that report FFO using the Nareit definition. FFO as presented by the Company is applicable only to its common shareholders, but does not represent an amount that accrues directly to common shareholders.

The Company calculates MFFO by further adjusting FFO for the exclusion of amortization of finance ground lease assets, amortization of favorable and unfavorable operating leases, net and non-cash straight-line operating ground lease expense, as these expenses do not reflect the underlying performance of the related hotels. The Company presents MFFO when evaluating its performance because it believes that it provides further useful supplemental information to investors regarding its ongoing operating performance.

The following table reconciles the Company's GAAP net income to FFO and MFFO for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income	$ 58,512	$ 59,146	$ 156,724	$ 142,493
Depreciation of real estate owned	44,734	44,372	135,105	133,489
Gain on sale of real estate	-	(1,785)	-	(1,785)
Funds from operations	103,246	101,733	291,829	274,197
Amortization of finance ground lease assets	759	759	2,278	2,278
Amortization of favorable and unfavorable operating leases, net	99	97	281	299
Non-cash straight-line operating ground lease expense	35	38	109	116
Modified funds from operations	$ 104,139	$ 102,627	$ 294,497	$ 276,890

EBITDA, EBITDAre, Adjusted EBITDAre and Adjusted Hotel EBITDA

EBITDA is a commonly used measure of performance in many industries and is defined as net income (loss) excluding interest, income taxes, depreciation and amortization. The Company believes EBITDA is useful to investors because it helps the Company and its investors evaluate the ongoing operating performance of the Company by removing the impact of its capital structure (primarily interest expense) and its asset base (primarily depreciation and amortization). In addition, certain covenants included in the agreements governing the Company's indebtedness use EBITDA, as defined in the specific credit agreement, as a measure of financial compliance.

In addition to EBITDA, the Company also calculates and presents EBITDAre in accordance with standards established by Nareit, which defines EBITDAre as EBITDA, excluding gains and losses from the sale of certain real estate assets (including gains and losses from change in control), plus real estate related impairments, and adjustments to reflect the entity's share of EBITDAre of unconsolidated affiliates. The Company presents EBITDAre because it believes that it provides further useful information to investors in comparing its operating performance between periods and between REITs that report EBITDAre using the Nareit definition.

The Company also considers the exclusion of non-cash straight-line operating ground lease expense from EBITDAre useful, as this expense does not reflect the underlying performance of the related hotels (Adjusted EBITDAre).

The Company further excludes actual corporate-level general and administrative expense for the Company as well as Adjusted EBITDAre from its non-hotel property from Adjusted EBITDAre (Adjusted Hotel EBITDA) to isolate property-level operational performance over which the Company's hotel operators have direct control. The Company believes Adjusted Hotel EBITDA provides useful supplemental information to investors regarding operating performance and it is used by management to measure the performance of the Company's hotels and effectiveness of the operators of the hotels.

The following table reconciles the Company's GAAP net income to EBITDA, EBITDAre, Adjusted EBITDAre and Adjusted Hotel EBITDA for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 58,512	$ 59,146	$ 156,724	$ 142,493
Depreciation and amortization	45,498	45,135	137,398	135,781
Amortization of favorable and unfavorable operating leases, net	99	97	281	299
Interest and other expense, net	17,470	14,933	50,973	44,785
Income tax expense	313	1,331	874	1,712
EBITDA	121,892	120,642	346,250	325,070
Gain on sale of real estate	-	(1,785)	-	(1,785)
EBITDAre	121,892	118,857	346,250	323,285
Non-cash straight-line operating ground lease expense	35	38	109	116
Adjusted EBITDAre	121,927	118,895	346,359	323,401
General and administrative expense	11,079	10,271	34,640	30,216
Adjusted EBITDAre from non-hotel property [1]	(845)	-	(845)	-
Adjusted Hotel EBITDA	$ 132,161	$ 129,166	$ 380,154	$ 353,617

(1) Non-hotel property only includes the results of one hotel in New York, New York that is leased to a third-party hotel operator. This property's Adjusted EBITDAre results are not included in Adjusted Hotel EBITDA starting in the second half of 2023.

Hotels Owned

As of September 30, 2023, the Company owned 220 hotels with an aggregate of 28,929 rooms located in 37 states. The following tables summarize the number of hotels and rooms by brand and by state:

Number of Hotels and Guest Rooms by Brand

Brand	Number of Hotels	Number of Rooms
Hilton Garden Inn	40	5,593
Hampton	37	4,953
Courtyard	34	4,807
Homewood Suites	30	3,417
Residence Inn	29	3,548
Fairfield	10	1,213
Home2 Suites	10	1,146
SpringHill Suites	9	1,245
TownePlace Suites	9	931
AC Hotels	3	468
Hyatt Place	3	411
Marriott	2	619
Embassy Suites	2	316
Aloft	1	157
Hyatt House	1	105
Total	220	28,929

Number of Hotels and Guest Rooms by State

State	Number of Hotels	Number of Rooms
Alabama	13	1,246
Alaska	2	304
Arizona	13	1,776
Arkansas	2	248
California	26	3,721
Colorado	4	567
Florida	22	2,844
Georgia	5	585
Idaho	1	186
Illinois	7	1,255
Indiana	4	479
Iowa	3	301
Kansas	3	320
Kentucky	1	156
Louisiana	3	422
Maine	3	514
Maryland	2	233
Massachusetts	3	330
Michigan	1	148
Minnesota	3	405
Mississippi	2	168
Missouri	4	544
Nebraska	4	621
New Jersey	5	629
New York	3	346
North Carolina	8	881
Ohio	3	406
Oklahoma	4	545
Oregon	1	243
Pennsylvania	4	525
South Carolina	5	590
Tennessee	11	1,337
Texas	27	3,328
Utah	3	393
Virginia	11	1,667
Washington	3	490
Wisconsin	1	176
Total	220	28,929

The following table summarizes the location, brand, manager, date acquired or completed and number of rooms for each of the 220 hotels and the non-hotel property that the Company owned as of September 30, 2023. As noted below, 14 of the Company's properties are subject to ground leases and 15 of its hotels are encumbered by mortgage notes.

City	State	Brand	Manager	Date Acquired or Completed	Rooms	
Anchorage	AK	Embassy Suites	InnVentures	4/30/2010	169	
Anchorage	AK	Home2 Suites	InnVentures	12/1/2017	135	
Auburn	AL	Hilton Garden Inn	LBA	3/1/2014	101	
Birmingham	AL	Courtyard	LBA	3/1/2014	84	
Birmingham	AL	Hilton Garden Inn	LBA	9/12/2017	104	
Birmingham	AL	Home2 Suites	LBA	9/12/2017	106	
Birmingham	AL	Homewood Suites	McKibbon	3/1/2014	95	
Dothan	AL	Hilton Garden Inn	LBA	6/1/2009	104	
Dothan	AL	Residence Inn	LBA	3/1/2014	84	
Huntsville	AL	Hampton	LBA	9/1/2016	98	
Huntsville	AL	Hilton Garden Inn	LBA	3/1/2014	101	
Huntsville	AL	Home2 Suites	LBA	9/1/2016	77	
Huntsville	AL	Homewood Suites	LBA	3/1/2014	107	
Mobile	AL	Hampton	McKibbon	9/1/2016	101	(2)
Prattville	AL	Courtyard	LBA	3/1/2014	84	
Rogers	AR	Hampton	Raymond	8/31/2010	122	
Rogers	AR	Homewood Suites	Raymond	4/30/2010	126	
Chandler	AZ	Courtyard	North Central	11/2/2010	150	
Chandler	AZ	Fairfield	North Central	11/2/2010	110	
Phoenix	AZ	Courtyard	North Central	11/2/2010	164	
Phoenix	AZ	Hampton	North Central	9/1/2016	125	(2)
Phoenix	AZ	Hampton	North Central	5/2/2018	210	
Phoenix	AZ	Homewood Suites	North Central	9/1/2016	134	(2)
Phoenix	AZ	Residence Inn	North Central	11/2/2010	129	
Scottsdale	AZ	Hilton Garden Inn	North Central	9/1/2016	122	
Tempe	AZ	Hyatt House	Crestline	8/13/2020	105	(2)
Tempe	AZ	Hyatt Place	Crestline	8/13/2020	154	(2)
Tucson	AZ	Hilton Garden Inn	Western	7/31/2008	125	
Tucson	AZ	Residence Inn	Western	3/1/2014	124	
Tucson	AZ	TownePlace Suites	Western	10/6/2011	124	
Agoura Hills	CA	Homewood Suites	Dimension	3/1/2014	125	
Burbank	CA	Courtyard	Huntington	8/11/2015	190	(1)
Burbank	CA	Residence Inn	Marriott	3/1/2014	166	
Burbank	CA	SpringHill Suites	Marriott	7/13/2015	170	(1)
Clovis	CA	Hampton	Dimension	7/31/2009	86	
Clovis	CA	Homewood Suites	Dimension	2/2/2010	83	
Cypress	CA	Courtyard	Dimension	3/1/2014	180	
Cypress	CA	Hampton	Dimension	6/29/2015	110	
Oceanside	CA	Courtyard	Marriott	9/1/2016	142	(1)
Oceanside	CA	Residence Inn	Marriott	3/1/2014	125	
Rancho Bernardo/San Diego	CA	Courtyard	InnVentures	3/1/2014	210	
Sacramento	CA	Hilton Garden Inn	Dimension	3/1/2014	153	
San Bernardino	CA	Residence Inn	InnVentures	2/16/2011	95	
San Diego	CA	Courtyard	Huntington	9/1/2015	245	(1)
San Diego	CA	Hampton	Dimension	3/1/2014	177	(1)
San Diego	CA	Hilton Garden Inn	InnVentures	3/1/2014	200	
San Diego	CA	Residence Inn	Dimension	3/1/2014	121	
San Jose	CA	Homewood Suites	Dimension	3/1/2014	140	(1)

City	State	Brand	Manager	Date Acquired or Completed	Rooms	
San Juan Capistrano	CA	Residence Inn	Marriott	9/1/2016	130	(2)
Santa Ana	CA	Courtyard	Dimension	5/23/2011	155	(1)
Santa Clarita	CA	Courtyard	Dimension	9/24/2008	140	
Santa Clarita	CA	Fairfield	Dimension	10/29/2008	66	
Santa Clarita	CA	Hampton	Dimension	10/29/2008	128	
Santa Clarita	CA	Residence Inn	Dimension	10/29/2008	90	
Tustin	CA	Fairfield	Marriott	9/1/2016	145	
Tustin	CA	Residence Inn	Marriott	9/1/2016	149	
Colorado Springs	CO	Hampton	Chartwell	9/1/2016	101	
Denver	CO	Hilton Garden Inn	InnVentures	9/1/2016	221	(1)
Highlands Ranch	CO	Hilton Garden Inn	Dimension	3/1/2014	128	
Highlands Ranch	CO	Residence Inn	Dimension	3/1/2014	117	
Boca Raton	FL	Hilton Garden Inn	Dimension	9/1/2016	149	
Cape Canaveral	FL	Hampton	LBA	4/30/2020	116	
Cape Canaveral	FL	Homewood Suites	LBA	9/1/2016	153	
Cape Canaveral	FL	Home2 Suites	LBA	4/30/2020	108	
Fort Lauderdale	FL	Hampton	Dimension	6/23/2015	156	
Fort Lauderdale	FL	Residence Inn	LBA	9/1/2016	156	
Gainesville	FL	Hilton Garden Inn	McKibbon	9/1/2016	104	
Gainesville	FL	Homewood Suites	McKibbon	9/1/2016	103	
Jacksonville	FL	Homewood Suites	McKibbon	3/1/2014	119	
Jacksonville	FL	Hyatt Place	Crestline	12/7/2018	127	
Miami	FL	Courtyard	Dimension	3/1/2014	118	(2)
Miami	FL	Hampton	HHM	4/9/2010	121	
Miami	FL	Homewood Suites	Dimension	3/1/2014	162	
Orlando	FL	Fairfield	Marriott	7/1/2009	200	
Orlando	FL	Home2 Suites	LBA	3/19/2019	128	
Orlando	FL	SpringHill Suites	Marriott	7/1/2009	200	
Panama City	FL	Hampton	LBA	3/12/2009	95	
Panama City	FL	TownePlace Suites	LBA	1/19/2010	103	
Pensacola	FL	TownePlace Suites	McKibbon	9/1/2016	97	
Tallahassee	FL	Fairfield	LBA	9/1/2016	97	
Tallahassee	FL	Hilton Garden Inn	LBA	3/1/2014	85	(2)
Tampa	FL	Embassy Suites	HHM	11/2/2010	147	
Atlanta/Downtown	GA	Hampton	McKibbon	2/5/2018	119	
Atlanta/Perimeter Dunwoody	GA	Hampton	LBA	6/28/2018	132	
Atlanta	GA	Home2 Suites	McKibbon	7/1/2016	128	
Macon	GA	Hilton Garden Inn	LBA	3/1/2014	101	(2)
Savannah	GA	Hilton Garden Inn	Newport	3/1/2014	105	(2)
Cedar Rapids	IA	Hampton	Aimbridge	9/1/2016	103	(4)
Cedar Rapids	IA	Homewood Suites	Aimbridge	9/1/2016	95	(4)
Davenport	IA	Hampton	Aimbridge	9/1/2016	103	(4)
Boise	ID	Hampton	Raymond	4/30/2010	186	(1)
Des Plaines	IL	Hilton Garden Inn	Raymond	9/1/2016	253	
Hoffman Estates	IL	Hilton Garden Inn	HHM	9/1/2016	184	
Mettawa	IL	Hilton Garden Inn	HHM	11/2/2010	170	
Mettawa	IL	Residence Inn	HHM	11/2/2010	130	
Rosemont	IL	Hampton	Raymond	9/1/2016	158	
Skokie	IL	Hampton	Raymond	9/1/2016	225	
Warrenville	IL	Hilton Garden Inn	HHM	11/2/2010	135	
Indianapolis	IN	SpringHill Suites	HHM	11/2/2010	130	

City	State	Brand	Manager	Date Acquired or Completed	Rooms	
Merrillville	IN	Hilton Garden Inn	HHM	9/1/2016	124	
Mishawaka	IN	Residence Inn	HHM	11/2/2010	106	
South Bend	IN	Fairfield	HHM	9/1/2016	119	
Overland Park	KS	Fairfield	Raymond	3/1/2014	110	
Overland Park	KS	Residence Inn	Raymond	3/1/2014	120	
Wichita	KS	Courtyard	Aimbridge	3/1/2014	90	(4)
Louisville	KY	AC Hotels	Concord	10/25/2022	156	
Lafayette	LA	Hilton Garden Inn	LBA	7/30/2010	153	(2)
Lafayette	LA	SpringHill Suites	LBA	6/23/2011	103	
New Orleans	LA	Homewood Suites	Dimension	3/1/2014	166	(1)
Marlborough	MA	Residence Inn	Crestline	3/1/2014	112	
Westford	MA	Hampton	Crestline	3/1/2014	110	
Westford	MA	Residence Inn	Crestline	3/1/2014	108	(1)
Annapolis	MD	Hilton Garden Inn	Crestline	3/1/2014	126	
Silver Spring	MD	Hilton Garden Inn	Crestline	7/30/2010	107	
Portland	ME	AC Hotels	Crestline	8/20/2021	178	
Portland	ME	Aloft	Crestline	9/10/2021	157	
Portland	ME	Residence Inn	Crestline	10/13/2017	179	(1)
Novi	MI	Hilton Garden Inn	HHM	11/2/2010	148	
Maple Grove	MN	Hilton Garden Inn	North Central	9/1/2016	121	
Rochester	MN	Hampton	Raymond	8/3/2009	124	
St. Paul	MN	Hampton	Raymond	3/4/2019	160	
Kansas City	MO	Hampton	Raymond	8/31/2010	122	
Kansas City	MO	Residence Inn	Raymond	3/1/2014	106	
St. Louis	MO	Hampton	Raymond	8/31/2010	190	
St. Louis	MO	Hampton	Raymond	4/30/2010	126	
Hattiesburg	MS	Courtyard	LBA	3/1/2014	84	
Hattiesburg	MS	Residence Inn	LBA	12/11/2008	84	
Carolina Beach	NC	Courtyard	Crestline	3/1/2014	144	
Charlotte	NC	Fairfield	Newport	9/1/2016	94	
Durham	NC	Homewood Suites	McKibbon	12/4/2008	122	
Fayetteville	NC	Home2 Suites	LBA	2/3/2011	118	
Greensboro	NC	SpringHill Suites	Newport	3/1/2014	82	
Jacksonville	NC	Home2 Suites	LBA	9/1/2016	105	
Wilmington	NC	Fairfield	Crestline	3/1/2014	122	
Winston-Salem	NC	Hampton	McKibbon	9/1/2016	94	
Omaha	NE	Courtyard	Marriott	3/1/2014	181	
Omaha	NE	Hampton	HHM	9/1/2016	139	
Omaha	NE	Hilton Garden Inn	HHM	9/1/2016	178	(1)
Omaha	NE	Homewood Suites	HHM	9/1/2016	123	
Cranford	NJ	Homewood Suites	Dimension	3/1/2014	108	
Mahwah	NJ	Homewood Suites	Dimension	3/1/2014	110	
Mount Laurel	NJ	Homewood Suites	Newport	1/11/2011	118	
Somerset	NJ	Courtyard	Newport	3/1/2014	162	(2)
West Orange	NJ	Courtyard	Newport	1/11/2011	131	
Islip/Ronkonkoma	NY	Hilton Garden Inn	Crestline	3/1/2014	166	
New York	NY	(non-hotel)	N/A	3/1/2014	-	(2)(3)
Syracuse	NY	Courtyard	Crestline	10/16/2015	102	
Syracuse	NY	Residence Inn	Crestline	10/16/2015	78	
Cleveland	OH	Courtyard	Concord	6/30/2023	154	
Mason	OH	Hilton Garden Inn	Raymond	9/1/2016	110	

City	State	Brand	Manager	Date Acquired or Completed	Rooms	
Twinsburg	OH	Hilton Garden Inn	Aimbridge	10/7/2008	142	(5)
Oklahoma City	OK	Hampton	Raymond	5/28/2010	200	
Oklahoma City	OK	Hilton Garden Inn	Raymond	9/1/2016	155	
Oklahoma City	OK	Homewood Suites	Raymond	9/1/2016	100	
Oklahoma City (West)	OK	Homewood Suites	Chartwell	9/1/2016	90	
Portland	OR	Hampton	Raymond	11/17/2021	243	
Collegeville/Philadelphia	PA	Courtyard	Newport	11/15/2010	132	
Malvern/Philadelphia	PA	Courtyard	Newport	11/30/2010	127	
Pittsburgh	PA	AC Hotels	Concord	10/25/2022	134	
Pittsburgh	PA	Hampton	Newport	12/31/2008	132	
Charleston	SC	Home2 Suites	LBA	9/1/2016	122	
Columbia	SC	Hilton Garden Inn	Newport	3/1/2014	143	
Columbia	SC	TownePlace Suites	Newport	9/1/2016	91	
Greenville	SC	Hyatt Place	Crestline	9/1/2021	130	
Hilton Head	SC	Hilton Garden Inn	McKibbon	3/1/2014	104	
Chattanooga	TN	Homewood Suites	LBA	3/1/2014	76	
Franklin	TN	Courtyard	Chartwell	9/1/2016	126	
Franklin	TN	Residence Inn	Chartwell	9/1/2016	124	
Knoxville	TN	Homewood Suites	McKibbon	9/1/2016	103	
Knoxville	TN	SpringHill Suites	McKibbon	9/1/2016	103	
Knoxville	TN	TownePlace Suites	McKibbon	9/1/2016	97	
Memphis	TN	Hampton	Crestline	2/5/2018	144	
Memphis	TN	Hilton Garden Inn	Crestline	10/28/2021	150	
Nashville	TN	Hilton Garden Inn	Dimension	9/30/2010	194	
Nashville	TN	Home2 Suites	Dimension	5/31/2012	119	
Nashville	TN	TownePlace Suites	Chartwell	9/1/2016	101	
Addison	TX	SpringHill Suites	Marriott	3/1/2014	159	
Arlington	TX	Hampton	Western	12/1/2010	98	
Austin	TX	Courtyard	HHM	11/2/2010	145	
Austin	TX	Fairfield	HHM	11/2/2010	150	
Austin	TX	Hampton	Dimension	4/14/2009	124	
Austin	TX	Hilton Garden Inn	HHM	11/2/2010	117	
Austin	TX	Homewood Suites	Dimension	4/14/2009	97	
Austin/Round Rock	TX	Hampton	Dimension	3/6/2009	94	
Austin/Round Rock	TX	Homewood Suites	Dimension	9/1/2016	115	
Dallas	TX	Homewood Suites	Western	9/1/2016	130	
Denton	TX	Homewood Suites	Chartwell	9/1/2016	107	
El Paso	TX	Homewood Suites	Western	3/1/2014	114	
Fort Worth	TX	Courtyard	LBA	2/2/2017	124	
Fort Worth	TX	Hilton Garden Inn	Raymond	11/17/2021	157	
Fort Worth	TX	Homewood Suites	Raymond	11/17/2021	112	
Fort Worth	TX	TownePlace Suites	Western	7/19/2010	140	
Frisco	TX	Hilton Garden Inn	Western	12/31/2008	102	
Grapevine	TX	Hilton Garden Inn	Western	9/24/2010	110	
Houston	TX	Courtyard	LBA	9/1/2016	124	
Houston	TX	Marriott	Western	1/8/2010	206	
Houston	TX	Residence Inn	Western	3/1/2014	129	
Houston	TX	Residence Inn	Western	9/1/2016	120	
Lewisville	TX	Hilton Garden Inn	Aimbridge	10/16/2008	165	(6)
San Antonio	TX	TownePlace Suites	Western	3/1/2014	106	
Shenandoah	TX	Courtyard	LBA	9/1/2016	124	

City	State	Brand	Manager	Date Acquired or Completed	Rooms	
Stafford	TX	Homewood Suites	Western	3/1/2014	78	
Texarkana	TX	Hampton	Aimbridge	1/31/2011	81	(6)
Provo	UT	Residence Inn	Dimension	3/1/2014	114	
Salt Lake City	UT	Residence Inn	Huntington	10/20/2017	136	
Salt Lake City	UT	SpringHill Suites	HHM	11/2/2010	143	
Alexandria	VA	Courtyard	Marriott	3/1/2014	178	
Alexandria	VA	SpringHill Suites	Marriott	3/28/2011	155	
Charlottesville	VA	Courtyard	Crestline	3/1/2014	139	
Manassas	VA	Residence Inn	Crestline	2/16/2011	107	
Richmond	VA	Courtyard	White Lodging	12/8/2014	135	(1)
Richmond	VA	Marriott	White Lodging	3/1/2014	413	(2)
Richmond	VA	Residence Inn	White Lodging	12/8/2014	75	(1)
Suffolk	VA	Courtyard	Crestline	3/1/2014	92	
Suffolk	VA	TownePlace Suites	Crestline	3/1/2014	72	
Virginia Beach	VA	Courtyard	Crestline	3/1/2014	141	
Virginia Beach	VA	Courtyard	Crestline	3/1/2014	160	
Kirkland	WA	Courtyard	InnVentures	3/1/2014	150	
Seattle	WA	Residence Inn	InnVentures	3/1/2014	234	
Tukwila	WA	Homewood Suites	Dimension	3/1/2014	106	
Madison	WI	Hilton Garden Inn	Raymond	2/18/2021	176	
Total					28,929	

(1) Hotel is encumbered by mortgage.
(2) Property is subject to ground lease.
(3) In May 2023, the Company entered into an operating lease for an initial 15-year term with a third-party hotel operator at its independent boutique hotel in New York, New York for all hotel operations of the hotel's 210 hotel rooms. Lease revenue from this property is recorded in other revenue in the Company's consolidated statements of operations and comprehensive income. As a result of the lease agreement, this property is excluded from the Company's hotel and room counts effective May 2023 and is considered a non-hotel property through the end of the lease term.
(4) Manager noted as of September 30, 2023. Effective October 1, 2023, management responsibility of this property was transferred from Aimbridge Hospitality, LLC ("Aimbridge") to Chartwell Hospitality, LLC ("Chartwell").
(5) Manager noted as of September 30, 2023. Effective October 1, 2023, management responsibility of this property was transferred from Aimbridge to Concord.
(6) Manager noted as of September 30, 2023. Effective October 1, 2023, management responsibility of this property was transferred from Aimbridge to Texas Western Management Partners, LP ("Western").

Related Parties

The Company has engaged in, and is expected to continue to engage in, transactions with related parties. These transactions cannot be construed to be at arm's length, and the results of the Company's operations may be different if these transactions were conducted with non-related parties. See Note 6 titled "Related Parties" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for additional information concerning the Company's related party transactions.

Liquidity and Capital Resources

Capital Resources

The Company's principal short term sources of liquidity are the operating cash flows generated from the Company's properties and availability under its Revolving Credit Facility. Over the long term, the Company may receive proceeds from strategic additional secured and unsecured debt financing, dispositions of its hotel properties and offerings of the Company's common shares, including pursuant to the ATM Program. Macroeconomic pressures, including inflation, increases in interest rates and general market uncertainty, could impact the Company's ability to raise debt or equity capital to fund long-term liquidity requirements in a cost-effective manner.

As of September 30, 2023, the Company had $1.4 billion of total outstanding debt consisting of $285.2 million of mortgage debt and $1.1 billion outstanding under its unsecured credit facilities, excluding unamortized debt issuance costs and fair value adjustments. As of September 30, 2023, the Company had available corporate cash on hand of approximately $35.4 million, and unused borrowing capacity under its Revolving Credit Facility of approximately $650 million.

The credit agreements governing the unsecured credit facilities contain mandatory prepayment requirements, customary affirmative and negative covenants and events of default. The credit agreements require that the Company comply with various covenants, which include, among others, a minimum tangible net worth, maximum debt limits, minimum interest and fixed charge coverage ratios, and restrictions on certain investments. The Company was in compliance with the applicable covenants as of September 30, 2023.

See Note 4 titled "Debt" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for a description of the Company's debt agreements as of September 30, 2023.

The Company has a universal shelf registration statement on Form S-3 (No. 333-262915) that was automatically effective upon filing on February 23, 2022. The Company may offer an indeterminate number or amount, as the case may be, of (1) common shares, no par value per share; (2) preferred shares, no par value per share; (3) depository shares representing the Company's preferred shares; (4) warrants exercisable for the Company's common shares, preferred shares or depository shares representing preferred shares; (5) rights to purchase common shares; and (6) unsecured senior or subordinate debt securities, all of which may be issued from time to time on a delayed or continuous basis pursuant to Rule 415 under the Securities Act. Future offerings will depend on a variety of factors to be determined by the Company, including market conditions, the trading price of the Company's common shares and opportunities for uses of any proceeds.

On August 12, 2020, the Company entered into an equity distribution agreement pursuant to which the Company may sell, from time to time, up to an aggregate of $300 million of its common shares under the ATM Program under the Company's prior shelf registration statement and the current shelf registration statement described above. Since inception of the ATM Program in August 2020 through September 30, 2023, the Company sold approximately 4.7 million common shares under its ATM Program at a weighted-average market sales price of approximately $16.26 per common share and received aggregate gross proceeds of approximately $76.0 million and proceeds net of offering costs, which included $0.9 million of commissions, of approximately $75.1 million. The Company used the net proceeds from the sale of these shares (all during 2021) primarily to pay down borrowings under its then-existing $425 million revolving credit facility and used the corresponding increased availability under the $425 million revolving credit facility for general corporate purposes, including acquisitions of hotel properties. As of September 30, 2023, approximately $224.0 million remained available for issuance under the ATM Program. No shares were sold under the Company's ATM Program during the nine months ended September 30, 2023. The Company plans to use future net proceeds from the sale of shares under the ATM Program for general corporate purposes which may include, among other things, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, improvement of properties in its portfolio and working capital. The Company may also use the net proceeds to acquire another REIT or other company that invests in income producing properties. Future offerings will depend on a variety of factors to be determined by the Company, including market conditions, the trading price of the Company's common shares and opportunities for uses of any proceeds.

Capital Uses

The Company anticipates that cash flow from operations, availability under its Revolving Credit Facility, additional borrowings, and proceeds from hotel dispositions and equity offerings will be adequate to meet its anticipated short-term and long-term liquidity requirements, including required distributions to shareholders, share repurchases, capital improvements, debt service, hotel acquisitions, lease commitments, and cash management activities.

Distributions

The Company generally must distribute annually at least 90% of its REIT taxable income, subject to certain adjustments and excluding any net capital gain, in order to maintain its REIT status. On September 19, 2023, the Company declared a monthly cash distribution of $0.08 per common share, paid on October 16, 2023, to shareholders of record as of September 29, 2023. For the three and nine months ended September 30, 2023, the Company paid distributions of $0.24 and $0.80 per common share, respectively, for a total of $54.8 million and $183.1 million, respectively. Subsequent to quarter end, on October 19, 2023, the Company declared a monthly cash distribution of $0.08 per common share, payable on November 15, 2023 to shareholders of record as of October 31, 2023.

The Company, as it has done historically due to seasonality, may use its Revolving Credit Facility to maintain the consistency of distributions, taking into consideration any acquisitions, dispositions, capital improvements and economic cycles. While management currently expects monthly cash distributions to continue at $0.08 per common share, any distribution will be subject to approval of the Company's Board of Directors and there can be no assurance of the classification, timing or duration of distributions at any particular distribution rate. The Board of Directors monitors the Company's distribution rate relative to the performance of its hotels on an ongoing basis and may make adjustments to the distribution rate as determined to be prudent in relation to other cash requirements of the Company or to the extent required to maintain REIT status. If cash flows from operations and the Revolving Credit Facility are not adequate to meet liquidity requirements, the Company may utilize additional financing sources to make distributions. Although the Company has relatively low levels of debt, there can be no assurance it will be successful with this strategy, and it may need to reduce its distributions to minimum levels required to maintain its qualification as a real estate investment trust. If the Company were unable to extend its maturing debt in future periods or if it were to default on its debt, it may be unable to make distributions.

Share Repurchases

In May 2023, the Company's Board of Directors approved a one-year extension of its existing share repurchase program, authorizing share repurchases up to an aggregate of $338.7 million. The Share Repurchase Program may be suspended or terminated at any time by the Company and will end in July 2024 if not terminated or extended earlier. During the nine months ended September 30, 2023, the Company purchased, under its Share Repurchase Program, approximately 0.5 million of its common shares at a weighted-average market purchase price of approximately $14.34 per common share for an aggregate purchase price, including commissions, of approximately $6.9 million. The shares were repurchased in open market transactions under the Share Repurchase Program, including pursuant to written trading plans intended to comply with Rule 10b5-1 under the Exchange Act. Repurchases under the Share Repurchase Program have been funded, and the Company intends to fund future repurchases, with cash on hand or availability under its unsecured credit facilities, subject to applicable restrictions under the Company's unsecured credit facilities (if any). The timing of share repurchases and the number of common shares to be repurchased under the Share Repurchase Program will also depend upon prevailing market conditions, regulatory requirements and other factors. As of September 30, 2023, approximately $335.4 million remained available for purchase under the Share Repurchase Program.

Capital Improvements

Management routinely monitors the condition and operations of its hotels and plans renovations and other improvements as it deems prudent. The Company is committed to maintaining and enhancing each property's competitive position in its market. The Company has invested in and plans to continue to reinvest in its hotels. Under certain loan and management agreements, the Company is required to place in escrow funds for the repair, replacement and refurbishing of furniture, fixtures, and equipment, based on a percentage of gross revenues, provided that such amount may be used for the Company's capital expenditures with respect to the hotels. As of September 30, 2023, the Company held approximately $30.3 million in reserves related to these properties. During the nine months ended September 30, 2023, the Company invested approximately $42.0 million in capital expenditures. The Company anticipates spending approximately $70 million to $80 million during 2023, which includes various renovation projects for approximately 20 to 25 properties, however, inflationary pressures or supply chain shortages, among other issues, may result in increased costs and delays for anticipated projects. The Company does not currently have any existing or planned projects for new property development.

Upcoming Debt Maturities and Debt Service Payments

As of September 30, 2023, the Company had approximately $175.4 million of principal and interest payments due on its debt over the next 12 months. Included in this total is an $85.0 million term loan and a mortgage loan of approximately $20.5 million, both maturing in the third quarter of 2024. The Company plans to pay outstanding amounts and service payments due upon the upcoming debt maturity dates using funds from operations, borrowings under its Revolving Credit Facility and/or proceeds from new financing, refinancing or loan extensions. Interest expense related to the Company's unsecured credit facilities is expected to be higher over the next 12 months than it was during the previous 12 months as a result of increases in market interest rates on its variable-rate debt and increased borrowings on its Revolving Credit Facility. See Note 4 titled "Debt" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q for more detail regarding future maturities of the Company's debt instruments as of September 30, 2023.

Purchase Contract Commitments

As of September 30, 2023, the Company had separate outstanding contracts for the potential purchase of six hotels as well as one free-standing parking garage for a total combined purchase price of approximately $359.0 million. Five of the seven properties under contract are existing. The Company completed the purchase of four of the existing properties, including two hotels and one free-standing parking garage in Salt Lake City, Utah and one hotel in Renton, Washington on October 11, 2023 and October 18, 2023, respectively. See Note 9 titled "Subsequent Events" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for more information. The Company plans to complete the purchase of the one remaining existing property in the fourth quarter of 2023. The other two purchase contracts are for hotels under development, with the Madison, Wisconsin hotel currently planned to be completed and opened for business in mid-2024 and the Nashville, Tennessee hotel currently planned to be completed and opened for business in 2025, at which respective times the Company expects to complete the purchases of these hotels. Although the Company is working towards completing the acquisitions of the three remaining properties, in each case there are a number of conditions to closing that have not yet been satisfied, and there can be no assurance that closings on these properties will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under the applicable purchase contracts and acquire these properties. The Company plans to utilize its available cash or borrowings under its unsecured credit facilities available at closing to purchase the hotels under contract if closings occur.

Cash Management Activities

As part of the cost sharing arrangements discussed in Note 6, titled "Related Parties" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, certain day-to-day transactions may result in amounts due to or from the Company and ARG. To efficiently manage cash disbursements, the Company or ARG may make payments for the other company. Under the cash management process, each company may advance or defer up to $1 million at any time. Each quarter, any outstanding amounts are settled between the companies. This process allows each company to minimize its cash on hand and reduces the cost for each company. The amounts outstanding at any point in time are not significant to either of the companies.

Business Interruption

Being in the real estate industry, the Company is exposed to natural disasters on both a local and national scale. Although management believes the Company has adequate insurance to cover this exposure, there can be no assurance that such events will not have a material adverse effect on the Company's financial position or results of operations.

Seasonality

The hotel industry historically has been seasonal in nature. Seasonal variations in occupancy at the Company's hotels may cause quarterly fluctuations in its revenues. Generally, occupancy rates and hotel revenues for the Company's hotels are greater in the second and third quarters than in the first and fourth quarters. However, due to the effects of COVID-19, these typical seasonal patterns have been disrupted in recent years. In the first quarter of 2022, the Company experienced lower than expected operating results due to the Omicron variant of COVID-19 along with the typical seasonal decrease associated with the first quarter. Since that time, the seasonal variability has recovered to its pre-COVID-19 trend. To the extent that cash flow from operations is insufficient during any quarter due to temporary or seasonal fluctuations in revenue, the Company expects to utilize cash on hand or available financing sources to meet cash requirements.

Critical Accounting Policies and Estimates

The preparation of the Company's financial statements in accordance with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Company's financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in the Company's Unaudited Consolidated Financial Statements and Notes thereto. The Company has discussed those policies and estimates that it believes are critical and require the use of complex judgment in their application in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on February 21, 2023. There have been no material changes to the Company's critical accounting policies or the methods or assumptions applied.

Subsequent Events

On October 11, 2023, the Company completed the purchase of two existing hotels and an existing free-standing parking garage in Salt Lake City, Utah, including a 175-room Courtyard and a 159-room Hyatt House, for a combined gross purchase price of approximately $91.5 million. The Company utilized its available cash on hand and borrowings under its Revolving Credit Facility to purchase the properties.

On October 16, 2023, the Company paid approximately $18.3 million, or $0.08 per common share, in distributions to shareholders of record as of September 29, 2023.

On October 18, 2023, the Company completed the purchase of the existing 146-room Residence Inn in Renton, Washington for a total gross purchase price of $55.5 million. The Company utilized its available cash on hand and borrowings under its Revolving Credit Facility to purchase the hotel.

On October 19, 2023, the Company declared a monthly cash distribution of $0.08 per common share. The distribution is payable on November 15, 2023, to shareholders of record as of October 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2023, the Company's financial instruments were not exposed to significant market risk due to foreign currency exchange risk, commodity price risk or equity price risk. However, the Company is exposed to interest rate risk due to possible changes in short term interest rates as it invests its cash or borrows on its Revolving Credit Facility and due to the portion of its variable-rate term debt that is not fixed by interest rate swaps. As of September 30, 2023, after giving effect to interest rate swaps, as described below, approximately $275.0 million, or approximately 20% of the Company's total debt outstanding, was subject to variable interest rates. Based on the Company's variable-rate debt outstanding as of September 30, 2023, every 100 basis points change in interest rates will impact the Company's annual net income by approximately $2.8 million, all other factors remaining the same. With the exception of interest rate swap transactions, the Company has not engaged in transactions in derivative financial instruments or derivative commodity instruments.

As of September 30, 2023, the Company's variable-rate debt consisted of its unsecured credit facilities, including borrowings outstanding under its Revolving Credit Facility and $1.0 billion of term loans. Currently, the Company uses interest rate swaps to manage its interest rate risk on a portion of its variable-rate debt. As of September 30, 2023, the Company had 13 interest rate swap agreements that effectively fix the interest payments on approximately $695.0 million of the Company's variable-rate debt outstanding with swap maturity dates ranging from January 2024 to December 2029. Under the terms of all of the Company's interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to the annual rate of the one-month SOFR plus a 0.10% SOFR spread adjustment. See Note 5 titled "Fair Value of Financial Instruments" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for a description of the Company's interest rate swaps as of September 30, 2023.

In addition to its variable-rate debt and interest rate swaps discussed above, the Company has assumed or originated fixed interest rate mortgages payable to lenders under permanent financing arrangements as well as two fixed-rate senior notes facilities totaling $125 million. The following table summarizes the annual maturities and average interest rates of the Company's mortgage debt and borrowings outstanding under its unsecured credit facilities at September 30, 2023. All dollar amounts are in thousands.

	October 1 - December 31, 2023	2024	2025	2026	2027	Thereafter	Total	Fair Market Value
Total debt:								
Maturities	$ 2,245	$ 113,597	$ 295,140	$ 74,649	$ 278,602	$ 616,014	$ 1,380,247	$ 1,316,664
Average interest rates (1)	4.3 %	4.7 %	5.0 %	5.3 %	5.3 %	5.0 %		
Variable-rate debt:								
Maturities	$ -	$ 85,000	$ 225,000	$ -	$ 275,000	$ 385,000	$ 970,000	$ 967,526
Average interest rates (1)	4.5 %	4.9 %	5.5 %	5.8 %	5.9 %	5.6 %		
Fixed-rate debt:								
Maturities	$ 2,245	$ 28,597	$ 70,140	$ 74,649	$ 3,602	$ 231,014	$ 410,247	$ 349,138
Average interest rates	4.1 %	4.1 %	4.0 %	4.0 %	4.1 %	4.1 %		

(1) The average interest rate gives effect to interest rate swaps, as applicable.

Item 4. Controls and Procedures

Senior management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2023. There have been no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is or may be a party to various legal proceedings that arise in the ordinary course of business. The Company is not currently involved in any litigation nor, to management's knowledge, is any litigation threatened against the Company where the outcome would, in management's judgment based on information currently available to the Company, have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following is a summary of all share repurchases during the third quarter of 2023.

Issuer Purchases of Equity Securities

	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) [(1)]
July 1 - July 31, 2023	-	-	-	$ 335,495
August 1 - August 31, 2023	3,374	$ 14.49	3,374	$ 335,446
September 1 - September 30, 2023	-	-	-	$ 335,446
Total	3,374		3,374	

(1) Represents amount outstanding under the Company's authorized $338.7 million Share Repurchase Program. This program, which was announced in 2015 and most recently extended in May 2023, may be suspended or terminated at any time by the Company and will end in July 2024 if not terminated or extended earlier.

Item 5. Other Information.

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description of Documents
3.1	Amended and Restated Articles of Incorporation of the Company, as amended (Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q (SEC File No. 001-37389) filed August 6, 2018)
3.2	Third Amended and Restated Bylaws of the Company **(**Incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q (SEC File No. 001-37389) filed May 18, 2020)
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)**
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)**
31.3	Certification of the Company's Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)**
32.1	Certification of the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **(FURNISHED HEREWITH)**
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Income, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements, tagged as blocks of text and in detail **(FILED HEREWITH)**
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted as Inline XBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Apple Hospitality REIT, Inc.

By:	/s/ Justin G. Knight **Justin G. Knight,** **Chief Executive Officer** **(Principal Executive Officer)**	Date: November 7, 2023
By:	/s/ Elizabeth S. Perkins **Elizabeth S. Perkins,** **Chief Financial Officer** **(Principal Financial Officer)**	Date: November 7, 2023
By:	/s/ Rachel S. Labrecque **Rachel S. Labrecque,** **Chief Accounting Officer** **(Principal Accounting Officer)**	Date: November 7, 2023

Exhibit 31.1

CERTIFICATION

I, Justin G. Knight, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Justin G. Knight

Justin G. Knight
Chief Executive Officer
Apple Hospitality REIT, Inc.

Exhibit 31.2

CERTIFICATION

I, Elizabeth S. Perkins, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023	/s/ Elizabeth S. Perkins
	Elizabeth S. Perkins
	Chief Financial Officer
	Apple Hospitality REIT, Inc.

Exhibit 31.3

CERTIFICATION

I, Rachel S. Labrecque, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023	/s/ Rachel S. Labrecque
	Rachel S. Labrecque
	Chief Accounting Officer
	Apple Hospitality REIT, Inc.

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apple Hospitality REIT, Inc., (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of September 30, 2023 and for the period then ended.

Apple Hospitality REIT, Inc.

/s/ Justin G. Knight

Justin G. Knight
Chief Executive Officer

/s/ Elizabeth S. Perkins

Elizabeth S. Perkins
Chief Financial Officer

/s/ Rachel S. Labrecque

Rachel S. Labrecque
Chief Accounting Officer

Date: November 7, 2023