# Apple REIT Seven, Inc.

**Editor's Note:** Apple REITs 6 through 9 are very similar in structure and performance. As a result, many similarities will be seen in the discussion of each individual REIT.

Apple REIT Seven was declared effective by the SEC in 2006 and invests in income–producing real estate in the United States. As of the end of 2011, the REIT had $865.1 million in assets in 51 hotels totaling 6,426 rooms. The REIT closed to new investments in July 2007. As such, the REIT is in the Maturing LifeStage of Closed REITs that is marked by a refinement of the portfolio through dispositions, strategic acquisitions, and debt. The investment style of this REIT is considered to be "Core," which is typically defined as a REIT that generates a high percentage of its total return from income and a modest percentage from asset appreciation. REITs in this category are also expected to exhibit low volatility in asset values.

**Key Highlights**

- In August 2011, it was announced that a merger of Apple REITs 6 through 9 was being considered as a possible precursor to listing on a public exchange.
- The REIT holds no cash and has a modest debt ratio. Future capital needs can be funded from borrowings on its line of credit unless they are substantial.
- A loss of $200,000 was taken related to the ownership in Apple Air and its trading in two jets for one new jet.
- The Company, its directors, and certain officers are currently subject to a legal complaint that seeks, among other things, certification of a putative nationwide class and the state subclasses, damages, rescission of share purchases, and other costs and expenses.

**Capital Stack Review**

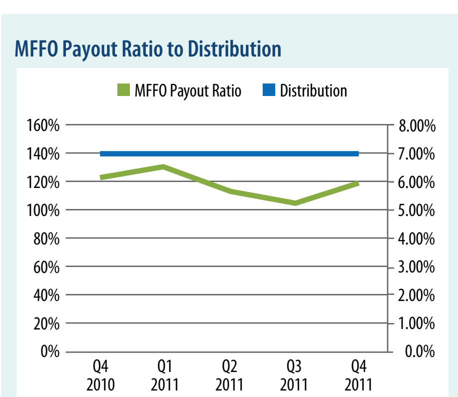
- Debt – With a debt ratio of 20.2%, the REIT has a below median usage of debt for REITs in the Liquidating LifeStage. 63.0% of the REIT's debt is fixed rate.
- Debt Maturity – 86.7% of the Company's debt matures by 2014.
- Loan Activity – An $85 million credit facility matures in October 2012.
- Cash on Hand –The REIT had no cash on hand on its balance sheet as December 31, 2011.

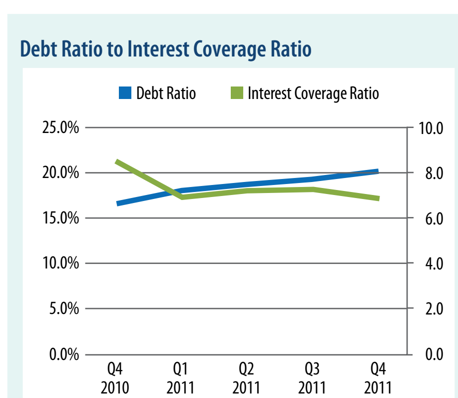
**Metrics**

- Distribution – 7.0% and has remained steady for eight quarters.
- Distribution Source – $60.0 million of the $70.04 million of distributions declared were paid from cash flow with the balance paid from borrowing.
- MFFO Payout Ratio – 119% for the year ended 2011, down from 122% at year-end 2010.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – 6.9x EBIDTA reflects the modest debt ratio in the REIT.
- Impairments – None reported.

**Real Estate**

- Acquisitions – No acquisitions were made in 2011.
- Occupancy – The Company reported 73% up from 71% in 2010. This compares with 60.1% for the industry as of December 31, 2011.*
- ADR (Average Daily Rate) – The Company reported $110 compared with $108 in 2010. This compares with $101.64 for the industry as of December 31, 2011.*
- RevPAR (Revenue Per Available Room) – The Company reported $80 versus $77 in 2010. This compares with $61.06 as of December 31, 2011.*
- Expenses – Remained equal to 2010, at 58% of total hotel revenue.
- Dispositions – None reported.
- Diversification – 51 hotels located across 18 states with 9 franchises. Twelve properties are flagged as Homewood Suites.




*As reported by Smith Travel Research.