Apple REIT Six, 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 Six was declared effective by the SEC in 2004 and invests in income–producing real estate in the United States. At year-end 2011, the REIT had $759.4 million in assets in 66 hotels totaling 7,658 rooms. The REIT closed to new investments in March 2006. 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 very low debt ratio. Future capital needs can be funded from borrowings on its line of credit.
- A loss of $450,000 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

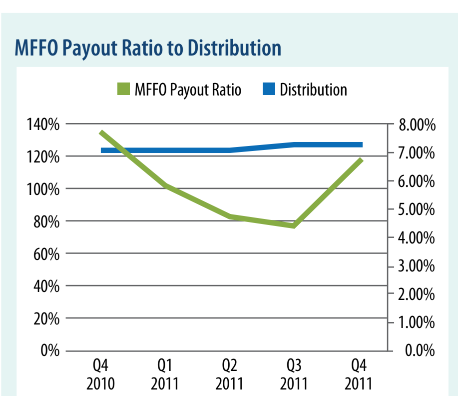
- Debt – With a debt ratio of only 8.3%, the REIT has a significantly below median usage of debt for Closed REITs. 69.3% of the REIT's debt is variable rate.
- Debt Maturity – 90% of the Company's debt matures in 2013.
- Loan Activity – The company refinanced its $60 million unsecured credit facility in September 2011 with a maturity date of September 2013.
- Cash on Hand – The REIT had no cash on hand on its balance sheet as of December 31, 2011.

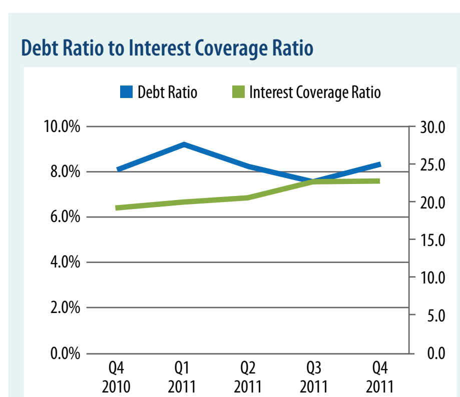
Metrics

- Distribution – 7.2% up from 7.0% in the second quarter of 2011.
- Distribution Source – $11.4 million of the $17.6 million of distributions declared was paid from cash flow, with the balance paid from borrowing.
- MFFO Payout Ratio – 2011 YTD was 92%; however, the fourth quarter figure increased to 118% from 77% in Q3 2011, reflecting the seasonality of the hotel business and an uptick in distribution.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – 22.3x EBIDTA reflects the very low debt ratio in the REIT.
- Impairments – None reported

Real Estate

- Acquisitions – No acquisitions were made in 2011.
- Occupancy – The Company reported 72%, up slightly from 71% in 2010. This is compared with 60.1% for the industry as of December 31, 2011.*
- ADR (Average Daily Rate) – The Company reported $110 compared with $104 in 2010. This compares with $101.64 for the industry as of December 31, 2011.
- RevPAR (Revenue Per Available Room) – The Company reported $79 versus $74 in 2010. This compares with $61.06 for the industry as of December 31, 2011.*
- Expenses – Declined to 59% of total hotel revenue in 2011, from 60% in 2010.
- Dispositions – The REIT sold two hotels located in Tempe, Ariz. in June for $10.8 million; no gain or loss was incurred upon the sale.
- Diversification – 66 hotels located across 18 states with 10 franchises. Fourteen properties are flagged as Hilton Garden Inns.





*As reported by Smith Travel Research.