Apple REIT Ten, Inc.

Apple REIT Ten was declared effective by the SEC in 2011 and invests in hotels and other income-producing real estate in select metropolitan areas in the United States. As of the end of the fourth quarter 2011, the REIT had $471.2 million in assets in 26 hotels totaling 3,300 rooms. The REIT is in the Growth LifeStage of effective REITs, which is characterized by accelerated growth in capital raise and acquisitions. 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

- Strong acquisition efforts have deployed almost all capital raised with little debt employed.
- Metrics are trending toward more stable levels but still reflect unevenness typical of Growth LifeStage REITs.
- A FINRA complaint against David Lerner Associates related to its overall sales practices has had a potential impact on Apple 10’s capital raise.

Capital Stack Review

- The $45.7 million raised this past quarter has brought the capital raised in the 11 months since inception to $473.8 million.
- Debt – Current debt ratio is at 14.8%, up from 9.8% in the previous quarter, with 100% of the REIT’s debt in fixed instruments.
- Debt Maturity – 82.9% of the REIT’s debt matures in 2016 or later.
- Loan Activity – 5 loans totaling $69.4 million were assumed in association with acquisitions.
- Cash on Hand – 1.5% reflects strong acquisition activity.

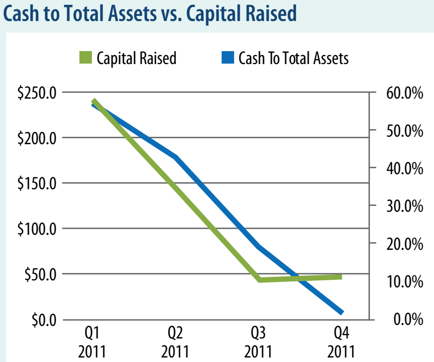
Metrics

- Distribution – The distribution yield remained steady at 7.5% over the past year.
- Distribution Source – The majority of the distribution was paid from net proceeds of the offering.
- MFFO Payout Ratio – 165% in the fourth quarter 2011, up slightly from 152% in the third quarter.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – 12.7x for the quarter based on very low debt ratio.
- Impairments – None reported.

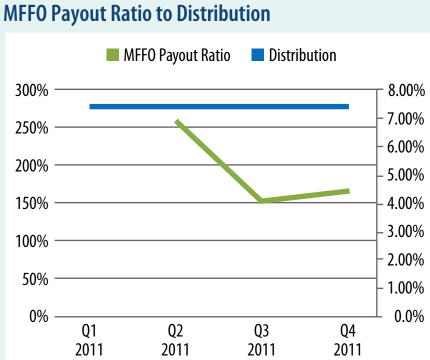
Real Estate

- Acquisitions – A total of $458.2 million in acquisitions in 26 properties was completed in 2011 at an average price of $138,848 per key including:
- In June, a 5-property portfolio totaling 509 rooms was purchased for $75.5 million or $148,330 per key.
- Occupancy – The Company reported 69.0% at year-end, which is down from 75.0% in the previous quarter. This compares with an industry average of 60.1% as of December 31, 2011.*
- ADR (Average Daily Rate) – The Company reported $110 which is even with last quarter. This compares with an industry average of $101.64 as of December 31, 2011.*
- RevPAR (Revenue per Available Room) – The Company reported $76, which is down from $83 in the previous quarter. This compares with an industry average of $60.6 as of December 31, 2011.*
- Revenue – Less than one year of operations.
- Dispositions – None reported.
- Diversification – Hotel locations are well-diversified for a REIT at this LifeStage, with locations in 15 states across 8 brands. Eight hotels are branded Hilton Garden Inns.

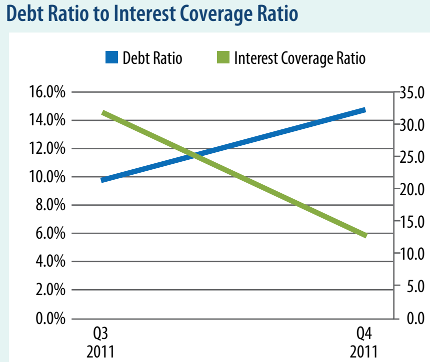
Cash to Total Assets vs. Capital Raised



MFFO Payout Ratio to Distribution



Debt Ratio to Interest Coverage Ratio



*As reported by Smith Travel Research.