HOST HOTELS & RESORTS, INC.
Form 10-K
February 26, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-14625 (Host Hotels & Resorts, Inc.)

0-25087 (Host Hotels & Resorts, L.P.)

HOST HOTELS & RESORTS, INC.

HOST HOTELS & RESORTS, L.P.

(Exact Name of Registrant as Specified in Its Charter)

Maryland (Host Hotels & Resorts, Inc.)	53-0085950 (Host Hotels & Resorts, Inc.)
Delaware (Host Hotels & Resorts, L.P.) (State or Other Jurisdiction of Incorporation or Organization)	52-2095412 (Host Hotels & Resorts, L.P.) (I.R.S. Employer Identification No.)
6903 Rockledge Drive, Suite 1500 Bethesda, Maryland (Address of Principal Executive Offices)	20817 (Zip Code)

(240) 744-1000

(Registrant's Telephone Number, Including Area Code)

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

	Title of Each Class	Name of Each Exchange on Which Registered
Host Hotels & Resorts, Inc.	Common Stock, $.01 par value (756,740,181 shares outstanding as of February 21, 2014)	New York Stock Exchange
Host Hotels & Resorts, L.P.	None	None

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

Host Hotels & Resorts, Inc.	None
Host Hotels & Resorts, L.P.	Units of limited partnership interest (750,325,094 units outstanding as of February 21, 2014)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Host Hotels & Resorts, Inc.	Yes x	No ¨
Host Hotels & Resorts, L.P.	Yes ¨	No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Host Hotels & Resorts, Inc.	Yes ¨	No x
Host Hotels & Resorts, L.P.	Yes ¨	No x

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.

Host Hotels & Resorts, Inc.	Yes x	No ¨
Host Hotels & Resorts, L.P.	Yes x	No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Host Hotels & Resorts, Inc.   Yes x   No ¨
Host Hotels & Resorts, L.P.   Yes x   No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Host Hotels & Resorts, Inc.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	(Do not check if a smaller reporting company) ¨	Smaller reporting company	¨

Host Hotels & Resorts, L.P.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	(Do not check if a smaller reporting company) x	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Host Hotels & Resorts, Inc.   Yes ¨   No x
Host Hotels & Resorts, L.P.   Yes ¨   No x

The aggregate market value of common shares held by non-affiliates of Host Hotels & Resorts, Inc. (based on the closing sale price on the New York Stock Exchange) on June 28, 2013 was $12,310,903,149.

Documents Incorporated by Reference

Portions of Host Hotels & Resorts, Inc.'s definitive proxy statement to be filed with the Securities and Exchange Commission and delivered to stockholders in connection with its annual meeting of stockholders to be held on May 14, 2014 are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the fiscal year ended December 31, 2013 of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context otherwise requires, references to "Host Inc." mean Host Hotels & Resorts, Inc., a Maryland corporation, and references to "Host L.P." mean Host Hotels & Resorts, L.P., a Delaware limited partnership, and its consolidated subsidiaries. We use the terms "we" or "our" or "the company" to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise. We use the term Host Inc. to specifically refer to Host Hotels & Resorts, Inc. and the term Host L.P. to specifically refer to Host Hotels & Resorts, L.P. (and its consolidated subsidiaries) in cases where it is important to distinguish between Host Inc. and Host L.P. Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 98.7% of the partnership interests ("OP units") as of December 31, 2013. The remaining approximate 1.3% partnership interests are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.'s day-to-day management and control.

We believe combining the annual reports on Form 10-K of Host Inc. and Host L.P. into this single report results in the following benefits:

enhances investors' understanding of Host Inc. and Host L.P. by enabling investors to view the business as a whole in the same manner as management views and operates the business;
eliminates duplicative disclosure and provides a more streamlined presentation, since a substantial portion of our disclosure applies to both Host Inc. and Host L.P.; and
creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.
Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same members who direct the management of Host L.P. The executive officers of Host Inc. are appointed by Host Inc.'s board of directors, but are employed by Host L.P. Host L.P. employs everyone who works for Host Inc. or Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are the same on their respective financial statements.

There are a few differences between Host Inc. and Host L.P., which are reflected in the disclosure in this report. We believe it is important to understand the differences between Host Inc. and Host L.P. in the context of how Host Inc. and Host L.P. operate as an interrelated consolidated company. Host Inc. is a real estate investment trust, or REIT, and its only material asset is its ownership of partnership interests of Host L.P. As a result, Host Inc. does not conduct business itself, other than acting as the sole general partner of Host L.P., and issuing public equity from time to time, the proceeds from which are contributed to Host L.P. in exchange for OP units. Host Inc. itself does not issue any indebtedness and does not guarantee the debt or obligations of Host L.P. Host L.P. holds substantially all of our assets and holds the ownership interests in our joint ventures. Host L.P. conducts the operations of the business and is structured as a limited partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Host Inc., Host L.P. generates the capital required by our business through Host L.P.'s operations, by Host L.P.'s direct or indirect incurrence of indebtedness, or through the issuance of OP units.

The substantive difference between the filings of Host Inc. and Host L.P. is that Host Inc. is a REIT with public stock, while Host L.P. is a partnership with no publicly traded equity. In the financial statements, this difference primarily is reflected in the equity (or partners' capital for Host L.P.) section of the consolidated balance sheets and in the consolidated statements of equity (or partners' capital) and in the consolidated statements of operations and comprehensive income (loss) with respect to the manner in which income is allocated to non-controlling interests. Income allocable to the holders of approximately 1.3% of the OP units is reflected as income allocable to non-controlling interests at Host Inc. and within net income at Host L.P. Also, earnings per share generally will be slightly less than the earnings per OP unit, as each Host Inc. common share is the equivalent of .97895 OP units (instead of 1 OP unit). Apart from these differences, the financial statements of Host Inc. and Host L.P. are nearly identical.

To help investors understand the differences between Host Inc. and Host L.P., this report presents the following separate sections or portions of sections for each of Host Inc. and Host L.P.:

- Part II Item 5 - Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities for Host Inc. / Market for Registrant's Common Units, Related Unitholder Matters and Issuer Purchases of Equity Securities for Host L.P.;
- Part II Item 6 - Selected Financial Data;
- Part II Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations is combined, except for a separate discussion of material differences, if any, in the liquidity and capital resources between Host Inc. and Host L.P.;
- Part II Item 7A - Quantitative and Qualitative Disclosures about Market Risk is combined, except for separate discussions of material differences, if any, between Host Inc. and Host L.P.; and
- Part II Item 8 - Consolidated Financial Statements and Supplementary Data. While the financial statements themselves are presented separately, the notes to the financial statements generally are combined, except for separate discussions of differences between equity of Host Inc. and capital of Host L.P.

This report also includes separate Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of Host Inc. and Host L.P. in order to establish that the Chief Executive Officer and the Chief Financial Officer of Host Inc. and the Chief Executive Officer and the Chief Financial Officer of Host Inc. as the general partner of Host L.P. have made the requisite certifications and that Host Inc. and Host L.P. are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P.

PART I

Forward Looking Statements

Our disclosure and analysis in this 2013 Form 10-K and in Host Inc.'s 2013 Annual Report to stockholders contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify each such statement by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast" and similar expressions in connection with any disc future operating or financial performance. In particular, these forward-looking statements include those relating to future actions, future acquisitions or dispositions, future capital expenditure plans, future performance or results of current and anticipated expenses, interest rates, foreign exchange rates or the outcome of contingencies, such as legal proceedings.

We cannot guarantee that any future results discussed in any forward-looking statements will be realized, although we believe that we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including those discussed in Item 1A "Risk Factors." Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those results anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make or related subjects in our reports on Form 10-Q and Form 8-K that we file with the Securities and Exchange Commission ("SEC"). Also note that, in our risk factors, we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we believe could cause our actual results to differ materially from past results and those results anticipated, estimated or projected. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such risk factors. Consequently, you should not consider the discussion of risk factors to be a complete discussion of all of the potential risks or uncertainties that could affect our business.

Item 1. Business

Host Inc. was incorporated as a Maryland corporation in 1998 and operates as a self-managed and self-administered REIT. Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and in which it holds approximately 98.7% of the partnership interests ("OP units") as of December 31, 2013. The remaining partnership interests are owned by various unaffiliated limited partners. Host Inc. has the exclusive and complete responsibility for Host L.P.'s day-to-day management and control.

As of February 14, 2014, our consolidated lodging portfolio consists of 114 primarily luxury and upper-upscale hotels containing approximately 60,000 rooms, with the majority located in the United States, and with 15 of the properties located outside of the U.S. in Canada, New Zealand, Chile, Australia, Mexico and Brazil. We also are developing two hotels in Rio de Janeiro, Brazil. In addition, we own non-controlling interests in two international joint ventures: a joint venture in Europe, which owns 19 luxury and upper upscale hotels with approximately 6,400 rooms in France, Italy, Spain, The Netherlands, the United Kingdom, Belgium, Poland, Germany and Sweden; and a joint venture in Asia/Pacific, which owns one upscale hotel in Australia and minority interests in two operating hotels, one upscale and one midscale, in India and five additional hotels in India currently under development. We also hold non-controlling investments in the 255-room Hyatt Place Nashville Downtown in Tennessee, a 131–unit vacation ownership project under development adjacent to our Hyatt Regency Maui Resort & Spa and the Philadelphia Marriott Downtown in which we sold an 89% ownership interest in January 2014.

The Lodging Industry

The lodging industry in the United States consists of private and public entities that operate in an extremely diversified market under a variety of brand names. The lodging industry has several key participants:

Owners—own the hotel and typically enter into an agreement for an independent third party to manage the hotel. These properties may be branded and operated under the manager’s brand or branded under a franchise agreement and operated by the franchisee or by an independent hotel manager. The properties also may be operated as an independent hotel by an independent hotel manager.

Owner/Managers—own the hotel and operate the property with their own management team. These properties may be branded under a franchise agreement, operated as an independent hotel or operated under the owner’s brand. We are prohibited from operating and managing hotels under applicable REIT rules.

Franchisors—own a brand or brands and strive to grow their revenues by expanding the number of hotels in their franchise system. Franchisors provide their hotels with brand recognition, marketing support and centralized reservation systems for the franchised hotels.
Franchisor/Managers—own a brand or brands and also operate hotels on behalf of the hotel owner or franchisee.
Managers—operate hotels on behalf of the hotel owner, but do not, themselves, own a brand. The hotels may be operated under a franchise agreement or as an independent hotel.

The hotel manager is responsible for the day-to-day operation of the hotel, including the employment of hotel staff, the determination of room rates, the development of sales and marketing plans, the preparation of operating and capital expenditure budgets and the preparation of financial reports for the owner. They typically receive fees based on the revenues and profitability of the hotel.

The lodging industry is viewed as consisting of six different segments, each of which caters to a discrete set of customer tastes and needs: luxury, upper upscale, upscale, midscale (with and without food and beverage service) and economy. Our portfolio primarily consists of luxury and upper upscale properties that are located in the central business districts of major cities, near airports and resort/conference destinations, which are operated under internationally recognized brand names such as Marriott, Hyatt, Starwood and Accor (see – “Our Hotel Portfolio”). Revenues earned at our hotels consist of three broad categories: rooms, food and beverage, and other revenues. While approximately 65% of our revenue is generated from room sales, many of our properties feature a variety of amenities that help drive demand and profitability. Our hotels typically include meeting and banquet facilities, a variety of restaurants and lounges, swimming pools, exercise facilities and/or spas, gift shops and parking facilities, the combination of which enable them to serve business, leisure and group travelers.

The following graphs summarize the composition of the 114 hotels in our consolidated portfolio based on the percentage of revenues represented by our luxury, upper upscale and other categories and by property type:

Our industry is influenced by the cyclical relationship between the supply of and demand for hotel rooms. Lodging demand growth typically is related to the vitality of the overall economy, in addition to local market factors that stimulate travel to specific destinations. In particular, economic indicators such as GDP growth, business investment and employment growth are some of the primary drivers of lodging demand. The global recession of 2008 and 2009 resulted in a considerable decline both in consumer and business spending and a severe decline in demand within the lodging industry. Beginning in 2010, as economic conditions gradually have stabilized and strengthened, lodging demand has improved steadily, driven by moderate GDP growth in the U.S. coupled with increasing business investment. The primary demand driver has been transient demand from business and leisure travelers and, to a much lesser degree, group business. We expect demand to continue to improve in 2014, as the potential for growth in group business, and expected continued growth in transient business, could lead to further RevPAR improvements. However, several economic headwinds may hamper lodging demand, including the expected tapering of the U.S. federal reserve bond-buying program known as quantitative easing, the tenuous nature of the Euro Zone recovery, the slow-down in growth in China and general instability in emerging markets.

Lodging supply growth generally is driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new development. However, the rate of supply growth also is influenced by a number of additional factors, including the availability of capital, interest rates, construction costs and unique market considerations. The relatively long lead-time required to complete the development of hotels makes supply growth easier to forecast than demand growth, but increases the volatility of the cyclical behavior of the lodging industry. As illustrated in the charts below for the U.S. lodging industry, at different points in the cycle, demand may increase when there is no new supply or supply may grow when demand is declining. The decline in lodging demand during the recession of 2008 through 2009 and the lack of available financing for new hotel construction caused a significant reduction in hotel development. As a result, supply growth was relatively low in 2010 through 2013. Overall, we expect domestic supply growth to remain constrained in 2014, at approximately 1.5%, which still is below the historical average of approximately 2%. Additionally, we believe that the average supply growth for upper upscale hotels in our markets will be approximately 0.9% in 2014. However, New York City and Washington, D.C. are expected to experience above average growth in supply, which will increase competition in these markets.

We anticipate that demand growth will exceed supply growth in the near term, resulting in continued growth in revenue per available room (“RevPAR”), which is consistent with analysis prepared by PKF Hospitality Research. RevPAR is a commonly used operational measure of hotel performance in the lodging industry calculated as the product of average room rate and occupancy percentage. Occupancy levels in the upper-upscale market currently are above their 15-year average. Therefore, while there is potential for occupancy growth, we believe RevPAR growth primarily will be driven by increases in average room rate. However, there can be no assurance that any increases in hotel revenues or earnings at our properties or improvement in margins will continue for any number of reasons, including those discussed above.

Our portfolio primarily consists of upper upscale hotels and, accordingly, its performance is best understood in comparison to the upper upscale segment rather than the entire industry. The charts below detail the historical supply, demand and RevPAR growth for the U.S. lodging industry and for the U.S. upper upscale segment for 2009 to 2013 and forecast data for 2014:

U.S. Lodging Industry Supply, Demand and RevPAR Growth

U.S. Upper Upscale Supply, Demand and RevPAR Growth

Business Strategy

Our primary long-term business objective is to provide superior total returns to our equity holders through a combination of appreciation in asset values, growth in earnings and dividend distributions. To achieve this objective, we seek to:

- drive operating results at our properties through aggressive asset management;
- acquire properties in urban and resort/conference destinations. We will continue to focus on target markets in gateway domestic cities such as New York, Washington, D.C., Boston, Miami, Chicago, Los Angeles, San Francisco, San Diego, Seattle and Hawaii and international cities, such as London, Paris, Munich, Berlin, Madrid, Barcelona, Stockholm,

Sydney, Tokyo, Rio de Janeiro, São Paulo and Mexico City, which we believe have strong demand generators that appeal to multiple customer segments and have high barriers to entry that limit new supply. While our focus will remain primarily on luxury and upper upscale properties, we will remain opportunistic and may acquire or develop hotels in other lodging segments or markets;

wherever possible, match each property with the appropriate manager and brand affiliation. For the majority of our portfolio, we seek properties that are franchised or operated by leading management companies as we believe their wide-spread brand recognition and brand loyalty programs can maximize demand. We will also look for opportunities to enhance flexibility in our management agreements which can increase the market value of the property;

strategically invest in major redevelopment and return on investment ("ROI") projects in order to maximize the inherent value in our portfolio;

maintain a strong balance sheet with a low leverage level and balanced debt maturities in order to minimize our cost of capital and to maximize our financial flexibility in order to take advantage of opportunities throughout the lodging cycle;

expand our global portfolio holdings and revenue sources through joint ventures or direct acquisitions that diversify our investments; and

recycle capital through the disposition of assets to better align our portfolio within our target gateway markets. We also may opportunistically dispose of hotels to take advantage of market conditions or in situations where the hotels are at a competitive risk.

Since 2002, the percentage of revenues from our target markets in the U.S. and internationally has increased from approximately 55% to 75%. The following graph summarizes the composition of our consolidated hotels by market based on percentage of revenues (which excludes properties owned by our European and Asia/Pacific joint ventures):

Acquisitions and Development. Our acquisition strategy focuses on acquiring hotels at attractive yields that exceed our cost of capital in our target markets. As discussed above, these markets consist of gateway cities in the U.S. and in key international cities that are positioned to attract premium corporate, leisure and international travelers, and have significant barriers to entry. Based on historical trends, we believe these markets will have favorable long-term supply and demand dynamics and consequently better potential for revenue growth. In the U.S., we will focus primarily on acquiring upper upscale and luxury hotels at prices below replacement cost and, secondarily, developing midscale and upscale hotels with strategic partners, in target markets. Our efforts in Europe will include the acquisition of upper upscale and luxury hotels in our target markets through our European joint venture. In the

Asia/Pacific and Latin America regions, we will concentrate both on the acquisition of upper upscale and luxury hotels and the development of midscale and upscale hotels in our target markets, which we may look to acquire directly or through joint ventures with strategic partners. We may acquire additional properties through various structures, including transactions involving single assets, portfolios, joint ventures and acquisitions of the securities or assets of other REITs.

Value Enhancement Initiatives. We look to enhance the value of our portfolio by identifying and executing strategies designed to achieve the highest and best use of our properties. These projects have included the development of timeshare, office space or condominium units on excess land, redevelopment or expansion of existing retail space, the purchase or extension of ground leases, the acquisition of air rights or development entitlements or the restructuring of management agreements. We believe that the successful execution of these projects will create significant value for the company.

Redevelopment and Return on Investment Projects. We pursue opportunities to enhance asset value by completing select capital improvements outside the scope of recurring renewal and replacement capital expenditures. These projects are designed to take advantage of changing market conditions and the favorable location of our properties to increase profitability and enhance customer satisfaction. We also evaluate our capital expenditures projects based on their environmental impact. In collaboration with our hotel managers, we evaluate new products and systems designed to optimize energy performance and reduce water consumption. Many of these sustainability projects include the renewal and replacement of systems and equipment reaching the end of its life cycle with more efficient solutions and incorporating sustainable materials and construction practices within renovation projects. We also invest in building infrastructure projects that mitigate potential risks associated with extreme weather events or climate change. Our capital expenditures projects generally fall into the following categories:

Redevelopment projects. These projects are designed to optimally position our hotels within their markets and competitive set. Redevelopment projects include extensive renovations of guest rooms, including bathrooms, lobbies, food and beverage outlets, expanding ballroom and meeting rooms, and major mechanical system upgrades.

Targeted Return on Investment projects. These ROI projects often are smaller and focused on specific areas, such as converting unprofitable or underutilized space into meeting space, adding guestrooms or implementing a building automation system.

Acquisition Capital Expenditures Projects. In connection with the acquisition of a property, we prepare capital and operational improvement plans designed to improve profitability and enhance the guest experience. These projects may include required renewal and replacement projects, significant redevelopment and even re-branding of the property and represent a key component of our decision to invest in a hotel and typically are completed within two to three years of acquisition.

Renewal and Replacement Capital Expenditures. We work closely with our managers to ensure that renewal and replacement capital expenditures are spent efficiently in order to maximize the profitability of the hotel, while minimizing disruption to operations. Typically, room renovations occur at intervals of approximately seven years, but the timing may vary based on the type of property and equipment being replaced. These refurbishments generally are divided into the following types: soft goods, case goods, bathroom and infrastructure. Soft goods include items such as carpeting, bed spreads, curtains and wall vinyl and may require more frequent updates in order to maintain brand quality standards. Case goods include items such as dressers, desks, couches, restaurant and meeting room chairs and tables and generally are not replaced as frequently. Bathroom renovations include the replacement of tile, vanity, lighting and plumbing fixtures. Infrastructure includes the physical plant of the hotel, including the roof, elevators, façade and fire systems.

Asset Management. As the owner of a diverse portfolio of properties, we are in a unique position to work with our managers to maximize revenues, while minimizing operating costs. The size and composition of our portfolio and our affiliation with most of the leading operators and brands in the industry allow us to benchmark similar hotels and identify best practices and efficiencies that can improve the long-term profitability of our hotels by driving group business which allows our operators to shift the mix of business to the higher-rated transient segments. We also carefully evaluate our management and franchise agreements prior to the acquisition of a new hotel or upon termination of an existing contract. This may include obtaining franchise rights for hotels and hiring an independent operator to manage the hotel, which may be more efficient for some hotels, while still maintaining the brand recognition of the existing manager. See "—Operational Agreements" for further discussion.

Capital structure and liquidity profile. In order to maintain its qualification as a REIT, Host Inc. is required to distribute 90% of its taxable income (other than net capital gain) to its stockholders and, as a result, generally relies on external sources of capital, as well as cash from operations, to finance growth. We use a variety of debt and equity instruments to fund our external growth, including senior notes and mortgage debt, exchangeable debentures, common and preferred stock offerings, issuances of OP units and joint ventures/limited partnerships to take advantage of the prevailing market conditions. While we may issue debt at any time, management believes it is prudent, over time, to target a leverage ratio of approximately 3.0x debt-to-EBITDA. We believe that lower leverage reduces our overall cost of capital and our earnings volatility and increases our access to capital, thereby providing us with the necessary flexibility to take advantage of opportunities throughout the lodging cycle, which we consider a key competitive advantage.

We also seek to structure our debt profile to allow us to access different forms of financing, primarily senior notes and exchangeable debentures, as well as mortgage debt (particularly outside of the U.S. when debt is priced reasonably and can be denominated in the local currency). Generally, this means we look to minimize the number of assets that are encumbered by mortgage debt, minimize near-term maturities and maintain a balanced maturity schedule.

Joint Ventures. We expect to continue to utilize joint ventures to finance external growth. We believe joint ventures provide a significant means to access external capital and spread the inherent risk of hotel ownership. Our primary focus for joint ventures is in international markets, which helps to diversify exposure to market risk.

Dispositions. Our disposition strategy is aligned with our overall portfolio focus to reallocate our investments to target gateway markets. Generally, our dispositions will be focused on secondary or tertiary markets, or as part of our strategy to limit our total investment within individual markets. We may dispose of assets in our target markets through direct sales or through the creation of joint ventures when we have the opportunity to capitalize on value enhancement strategies and apply the proceeds to other business objectives. Additionally, we will dispose of properties where we believe the potential for growth is constrained or on properties with significant capital expenditure requirements where we do not believe we would generate a significant return on the investment. Proceeds from dispositions are deployed to repay debt or fund acquisitions and ROI/redevelopment projects.

Corporate Responsibility

Host’s corporate responsibility strategy integrates fiscal, environmental and social elements at both the corporate and portfolio levels. Our corporate responsibility program focuses on the following themes and objectives:

- Responsible Investment: invest in proven sustainability practices that create and drive value;
- Environmental Stewardship: monitor and improve the resource efficiency and environmental footprint of our properties; and
- Corporate Citizenship: strengthen local communities through financial support, community engagement and volunteer service.

Management and Governance. Our corporate responsibility program is managed by our Corporate Responsibility team and governed by the Nominating and Corporate Governance Committee of the Board of Directors.

Operating Structure

Host Inc. operates through an umbrella partnership structure in which substantially all of its assets are held by Host L.P., of which Host Inc. is the sole general partner and holds approximately 98.7% of the OP units as of December 31, 2013. A REIT is a corporation that has elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), and that meets certain ownership, organizational and operating requirements set forth under the Code. In general, through payments of dividends to stockholders, a REIT is permitted to reduce or eliminate federal income taxes at the corporate level. Each OP unit owned by holders other than Host Inc. is redeemable, at the option of the holder, for an amount of cash equal to the market value of one share of Host Inc. common stock multiplied by a factor of 1.021494 (rather than a conversion factor of 1 share/OP unit that existed prior to the December 2009 stock dividend). Host Inc. has the right to acquire any OP unit offered for redemption directly from the holder in exchange for 1.021494 shares of Host Inc. common stock instead of Host L.P. redeeming such OP unit for cash. Additionally, for every share of common stock issued by Host Inc., Host L.P. will issue .97895 OP units to Host Inc. As of December 31, 2013, non-controlling limited partners held 9.5 million OP units, which were convertible into 9.7 million Host Inc. common shares. Assuming that all OP units held by non-controlling limited partners were converted into common shares, there would have been 764.5 million common shares of Host Inc. outstanding at December 31, 2013.

Our operating structure is as follows:

Because Host Inc. has elected to be treated as a REIT, certain tax laws limit the amount of "non-qualifying" income that Host Inc. and Host L.P. can earn, including income derived directly from the operation of hotels. As a result, we lease substantially all of our consolidated properties to certain of our subsidiaries designated as taxable REIT subsidiaries ("TRS") for federal income tax purposes or to third party lessees. Our TRS are subject to income tax and are not limited as to the amount of non-qualifying income they can generate. Our TRS enter into agreements with third parties to manage the operations of the hotels. Our TRS also may own assets engaging in other activities that produce non-qualifying income, such as the development of timeshare or condominium units, subject to certain restrictions. The difference between the hotels' net operating cash flow and the aggregate rents paid to Host L.P. is retained by our TRS as taxable income. Accordingly, the net effect of the TRS leases is that, while, as a REIT, Host Inc. generally is exempt from federal income tax to the extent that it meets specific distribution requirements, among other REIT requirements, a portion of the net operating cash flow from our properties is subject to federal, state and, if applicable, foreign income tax.

Our Hotel Portfolio

As of February 14, 2014, we owned a portfolio of 114 hotel properties, of which 99 are located in the United States and 15 are located in Australia, Brazil, Canada, Chile, Mexico and New Zealand. Our consolidated hotels located outside the United States collectively contain approximately 3,826 rooms. Approximately 5% of our revenues were attributed to the operations of these foreign properties in each of 2013, 2012 and 2011, respectively. We also are developing two hotel properties in Brazil.

Our consolidated hotels primarily consist of luxury and upper upscale properties. All of our hotels generally are located in the central business districts of major cities, near airports or in resort/conference destinations that, because of their locations, typically benefit from barriers to entry for new supply. Thirty-nine of our owned hotels, representing approximately 63% of our revenues, have in excess of 500 rooms. The average age of our properties is 30 years, although substantially all of the properties have benefited from significant renovations or major additions, as well as regularly scheduled renewal and replacement and other capital improvements.

By Brand. The following table details our consolidated hotel portfolio by brand as of February 14, 2014:

Brand	Number of Hotels	Rooms	Percentage of Revenues (1)	
Marriott	57	31,431	49.2	%
Ritz-Carlton	7	2,684	7.2	
Starwood:				
Westin	13	6,900	11.2	
Sheraton	8	6,044	9.7	
W	3	1,390	3.2	
St. Regis	1	232	0.6	
The Luxury Collection	1	139	0.1	
Hyatt	9	6,809	11.9	
Hilton/Embassy Suites	3	1,041	1.6	
Swissôtel	1	661	1.1	
Four Seasons	1	364	1.0	
Fairmont	1	450	1.8	
Delta	1	374	0.4	
Accor:				
ibis	3	455	0.3	
Novotel	4	713	0.6	
Other	1	151	0.1	
	114	59,838	100	

(1) Percentage of revenues is based on forecast 2014 revenues. No individual property contributed more than 7% of total revenues in 2013.

By Location. The following table details the location and number of rooms at our consolidated hotels as of February 14, 2014:

Location	Rooms	Location	Rooms
Arizona		Illinois	
Scottsdale Marriott Suites Old Town	243	Chicago Marriott Suites Downers Grove	254
Scottsdale Marriott at McDowell Mountains	266	Chicago Marriott O'Hare	470
The Ritz-Carlton, Phoenix	281	Chicago Marriott Suites O'Hare	256
The Westin Kierland Resort & Spa	732	Courtyard Chicago Downtown/River North	337
California		Embassy Suites Chicago-	
Coronado Island Marriott Resort & Spa (1)	300	Downtown/Lakefront	455
Costa Mesa Marriott	253	Swissôtel Chicago	661
JW Marriott Desert Springs Resort & Spa	884	The Westin Chicago River North	424
Hyatt Regency San Francisco Airport	789	Indiana	
Manchester Grand Hyatt San Diego (1)	1,628	Sheraton Indianapolis Hotel at Keystone	
Manhattan Beach Marriott (1)	385	Crossing (1)	395
Marina del Rey Marriott (1)	370	The Westin Indianapolis	573
Newport Beach Marriott Hotel & Spa	532	Louisiana	
Newport Beach Marriott Bayview	254	New Orleans Marriott	1,329
San Diego Marriott Marquis & Marina (1)	1,360	Maryland	
San Diego Marriott Mission Valley	350	Gaithersburg Marriott Washingtonian Center	284
San Francisco Marriott Fisherman's Wharf	285	Massachusetts	
San Francisco Marriott Marquis (1)	1,500	Boston Marriott Copley Place	1,144
San Ramon Marriott (1)	368	Hyatt Regency Cambridge, Overlooking Boston	470
Santa Clara Marriott (1)	759	Sheraton Boston Hotel	1,220
Sheraton San Diego Hotel & Marina (1)	1,053	Sheraton Needham Hotel	247
The Powell Hotel	151	The Westin Waltham-Boston	346
The Ritz-Carlton, Marina del Rey (1)	304	Minnesota	
The Westin Los Angeles Airport (1)	740	Minneapolis Marriott City Center (1)	583
The Westin Mission Hills Resort & Spa	512	Missouri	
The Westin South Coast Plaza, Costa Mesa (2)	390	Kansas City Airport Marriott (1)	384
Colorado		New Jersey	
Denver Marriott Tech Center Hotel	628	Newark Liberty International Airport Marriott (1)	591
Denver Marriott West (1)	305	Park Ridge Marriott (1)	289
The Westin Denver Downtown	430	Sheraton Parsippany Hotel	370
Florida		New York	
Tampa Airport Marriott (1)	298	New York Marriott Downtown	497
Harbor Beach Marriott Resort & Spa (1)(3)	650	New York Marriott Marquis	1,957
Hilton Singer Island Oceanfront Resort	222	Sheraton New York Times Square Hotel	1,780
Miami Marriott Biscayne Bay (1)	600	The Westin New York Grand Central	774
Orlando World Center Marriott	2,000	W New York	696
Tampa Marriott Waterside Hotel & Marina	719	W New York – Union Square (3)	270
The Ritz-Carlton, Amelia Island	446	North Carolina	
The Ritz-Carlton, Naples	450	Greensboro-High Point Marriott Airport (1)	299
The Ritz-Carlton Golf Resort, Naples	295	Ohio	
Georgia		Dayton Marriott	399
Atlanta Marriott Suites Midtown (1)	254	The Westin Cincinnati (1)	456
Atlanta Marriott Perimeter Center	341	Pennsylvania	
Grand Hyatt Atlanta in Buckhead	439	Four Seasons Hotel Philadelphia	364

JW Marriott Atlanta Buckhead	371	Philadelphia Airport Marriott [1]	419
The Ritz-Carlton, Buckhead	510	Tennessee	
The Westin Buckhead Atlanta	365	Sheraton Memphis Downtown	600
Hawaii		Texas	
Hyatt Regency Maui Resort & Spa	806	Houston Airport Marriott at George Bush	
The Fairmont Kea Lani, Maui	450	Intercontinental [1] [3]	565
Hyatt Place Waikiki Beach	426	Houston Marriott at the Texas Medical Center [1]	394

Location	Rooms	Location	Rooms
Texas (continued)		Australia	
JW Marriott Houston	515	Hilton Melbourne South Wharf (1) (3)	364
San Antonio Marriott Rivercenter (1)	1,001	Brazil	
San Antonio Marriott Riverwalk (1)	512	JW Marriott Hotel Rio de Janeiro	245
The St. Regis Houston	232	Canada	
Virginia		Calgary Marriott	384
Hyatt Regency Reston	518	Delta Meadowvale Hotel & Conference Centre	374
Key Bridge Marriott (1)	582	Toronto Marriott Downtown Eaton Centre Hotel (1)	461
Residence Inn Arlington Pentagon City	299	Chile	
The Ritz-Carlton, Tysons Corner (1)	398	San Cristobal Tower, Santiago	139
Washington Dulles Airport Marriott (1)	368	Sheraton Santiago Hotel & Convention Center	379
Westfields Marriott Washington Dulles	336	Mexico	
Washington		JW Marriott Hotel Mexico City (3)	312
Seattle Airport Marriott	459	New Zealand	
The Westin Seattle	891	Novotel Auckland Ellerslie	147
W Seattle	424	ibis Ellerslie	100
Washington, D.C.		Novotel Wellington	139
Grand Hyatt Washington	897	ibis Wellington	200
Hyatt Regency Washington on Capitol Hill	836	Novotel Queenstown Lakeside	273
JW Marriott Washington D.C.	772	Novotel Christchurch Cathedral Square (1)	154
The Westin Georgetown, Washington, D.C.	267	ibis Christchurch (1)	155
Washington Marriott at Metro Center	459	Total	59,838

(1) The land on which this hotel is built is leased from a third party under one or more lease agreements.
(2) The land, building and improvements are leased from a third party under a long-term lease agreement.
(3) This property is not wholly owned.

Other Real Estate Interests

In addition to our consolidated hotel portfolio, we also own non-controlling interests in several entities that, as of February 14, 2014, owned, or owned an interest in, 24 hotel properties, as detailed below. The operations of the properties owned by these entities are not consolidated and are included in equity in earnings in our consolidated results of operations.

European Joint Venture. We own a general and limited partnership interest in a joint venture in Europe (“Euro JV”) with APG Strategic Real Estate Pool NV, an affiliate of a Dutch Pension Fund, and Jasmine Hotels Pte Ltd, an affiliate of the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd (“GIC RE”). The Euro JV consists of two funds, which we refer to as Euro JV Fund I and Euro JV Fund II. We hold a 32.0% limited partner interest and a 0.1% general partner interest in Euro JV Fund I and a 33.3% limited partner interest and a 0.1% general partner interest in Euro JV Fund II. A subsidiary of Host L.P. acts as the asset manager for the hotels owned by the Euro JV, as well as for one hotel in Paris, France, in exchange for a fee. As of February 14, 2014, the Euro JV owns the following hotels:

Hotel	City	Country	Rooms/Units

Fund I:			
Hotel Arts Barcelona	Barcelona	Spain	483
The Westin Palace, Madrid	Madrid	Spain	467
Sheraton Roma Hotel & Conference Center	Rome	Italy	640
The Westin Palace, Milan	Milan	Italy	227
The Westin Europa & Regina	Venice	Italy	185
Renaissance Brussels Hotel	Brussels	Belgium	262
Brussels Marriott Hotel	Brussels	Belgium	221
Marriott Executive Apartments	Brussels	Belgium	56
Crowne Plaza Hotel Amsterdam City Centre	Amsterdam	The Netherlands	270
Sheraton Skyline Hotel & Conference Centre	Hayes	United Kingdom	350
Sheraton Warsaw Hotel & Towers	Warsaw	Poland	350
Fund I total rooms			3,511

Hotel	City	Country	Rooms/Units
Fund II:			
Paris Marriott Rive Gauche Hotel & Conference Center	Paris	France	757
Pullman Bercy Paris	Paris	France	396
Renaissance Paris La Defense Hotel	Paris	France	327
Renaissance Paris Vendome Hotel	Paris	France	97
Renaissance Amsterdam Hotel	Amsterdam	The Netherlands	402
Le Méridien Piccadilly	London	United Kingdom	280
Le Méridien Grand Hotel Nuremberg	Nuremberg	Germany	192
Sheraton Stockholm Hotel	Stockholm	Sweden	465
Fund II total rooms			2,916
Total European joint venture rooms			6,427

Asia/Pacific Joint Venture. We own a 25% interest in a joint venture (the “Asia/Pacific JV”) with RECO Hotels JV Private Limited, an affiliate of GIC RE. Our Asia/Pacific JV owns the 278-room Four Points by Sheraton Perth in Perth, Australia and a 36% non-controlling interest in a joint venture in India with Accor S.A. and InterGlobe Enterprises Limited that owns two hotels, with an additional five hotels under development, totaling 1,750 rooms. The seven hotels in India will be operated under the Pullman, Novotel and ibis brands.

Other U.S. Real Estate Investments. Our other domestic real estate investments include the following:

We have a non-controlling 50% interest in a joint venture with White Lodging Services that developed and owns the 255-room Hyatt Place Nashville Downtown in Tennessee. The hotel opened in November 2013.
We have a non-controlling 67% interest in a joint venture with Hyatt Residential Group to develop, sell and operate a 131-unit vacation ownership project in Maui, Hawaii adjacent to our Hyatt Regency Maui Resort & Spa. The project is expected to open in late 2014.
We have a non-controlling 11% interest in a joint venture that owns the Philadelphia Marriott Downtown following our January 10, 2014 sale of an 89% interest in the property based on a market value of $303 million. The property is subject to a mortgage loan of $230 million.

Competition

The lodging industry is highly competitive. Competition often is specific to individual markets and is based on a number of factors, including location, brand, guest facilities and amenities, level of service, room rates and the quality of accommodations. The lodging industry is viewed as consisting of six different segments, each of which caters to a discrete set of customer tastes and needs: luxury, upper upscale, upscale, midscale (with and without food and beverage service) and economy. The classification of a property is based on lodging industry standards, which take into consideration many factors such as guest facilities and amenities, level of service and quality of accommodations. Most of our hotels operate in urban and resort markets either as luxury properties under such brand names as Fairmont®, Four Seasons®, Grand Hyatt®, JW Marriott®, Ritz-Carlton®, St. Regis®, The Luxury Collection® and W®, or as upper upscale properties under such brand names as Embassy Suites®, Hilton®, Hyatt®, Le Méridien®, Marriott Executive Apartments®, Marriott Marquis®, Marriott Suites®, Pullman®, Renaissance®, Sheraton®, Swissôtel® and Westin®. We also may selectively invest in upscale and midscale properties such as Courtyard by Marriott®, Crowne Plaza®, Four Points by Sheraton®, Hyatt Place®, ibis®, Novotel® or Residence Inn by Marriott®, particularly in international markets.[1] While our hotels primarily compete with other hotels in the luxury and upper upscale segments, they also may compete with hotels in other lower-tier segments. In addition, many management contracts for our hotels do not prohibit our managers from converting, franchising or developing other hotel properties in our markets. As a result, our hotels compete with other hotels that our managers may own, invest in, manage or franchise.

We believe our properties enjoy competitive advantages associated with the hotel brands under which they operate. The international marketing programs and reservation systems of these brands, combined with the strong management systems and expertise they provide, should enable our properties to perform favorably in terms of both occupancy and room rates. In addition, repeat guest business is enhanced by guest reward or guest recognition programs offered by most of these brands.

[1] This annual report contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us. None of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees, has or will have any responsibility or liability for any information contained in this annual report

We also compete with other REITs and other public and private investors for the acquisition of new properties and investment opportunities, both in domestic and international markets, as we attempt to position our portfolio to take best advantage of changes in markets and travel patterns of our customers.

Seasonality

Our hotel sales traditionally have experienced moderate seasonality, which varies based on the individual property and the region. Hotel sales for our consolidated portfolio averaged approximately 24%, 27%, 23% and 26% for the first, second, third and fourth calendar quarters, respectively, in 2013.

Environmental and Regulatory Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances. These laws may impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, certain environmental laws and common law principles could be used to impose liability for release of hazardous or toxic materials, and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released hazardous or toxic materials. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require corrective or other expenditures. In connection with our current or prior ownership or operation of hotels, we potentially may be liable for various environmental costs or liabilities. Although currently we are not aware of any material environmental claims pending or threatened against us, we can offer no assurance that a material environmental claim will not be asserted against us in the future.

Operational Agreements

All of our hotels are managed by third parties pursuant to management or operating agreements, with some of such hotels also subject to separate license agreements addressing matters pertaining to operation under the designated brand. Under these agreements, the managers generally have sole responsibility and exclusive authority for all activities necessary for the day-to-day operation of the hotels, including establishing room rates, securing and processing reservations, procuring inventories, supplies and services, providing periodic inspection and consultation visits to the hotels by the managers' technical and operational experts and promoting and publicizing the hotels. The managers provide all managerial and other employees for the hotels, review the operation and maintenance of the hotels, prepare reports, budgets and projections, and provide other administrative and accounting support services to the hotels. These support services include planning and policy services, divisional financial services, product planning and development, employee staffing and training, corporate executive management and certain in-house legal services. We have certain approval rights over budgets, capital expenditures, significant leases and contractual commitments, and various other matters.

General Terms and Provisions – Agreements governing the management and operation of our hotels typically include the terms described below:

Term and fees for operational services. The initial term of our management and operating agreements generally is 15 to 25 years, with one or more renewal terms at the option of the manager. The majority of our management agreements condition the manager's right to exercise options for specified renewal terms upon the satisfaction of specified economic performance criteria. The manager typically receives compensation in the form of a base management fee, which is calculated as a percentage (generally 2-3%) of annual gross revenues, and an incentive management fee, which typically is calculated as a percentage (generally 10-20%) of operating profit after the owner has received a priority return on its investment in the hotel. In the case of our Starwood-managed hotels, the base

management fee is only 1% of annual gross revenues, but that amount is supplemented by license fees payable to Starwood under a separate license agreement (as described below).
License services. In the case of our Starwood-managed hotels, the operation of the hotels is subject to separate license agreements addressing matters pertaining to the designated brand, including rights to use trademarks, service marks and logos, matters relating to compliance with certain brand standards and policies, and the provision of certain system programs and centralized services. Although the term of these license agreements with Starwood generally is coterminous with the corresponding operating agreements, the license agreements contemplate the potential for continued brand affiliation even in the event of a termination of the operating agreement. As noted above, the Starwood licensors receive compensation in the form of license fees (generally 5% of gross revenues attributable to room sales and 2% of gross revenues attributable to food and beverage sales), which amounts supplement the lower base management fee of 1% of gross revenues received by Starwood under the operating agreements.
Chain or system programs and services. Managers are required to provide chain or system programs and services generally that are furnished on a centralized basis. Such services include the development and operation of certain computer systems

and reservation services, regional or other centralized management and administrative services, marketing and sales programs and services, training and other personnel services, and other centralized or regional services as may be determined to be more efficiently performed on a centralized, regional or group basis rather than on an individual hotel basis. Costs and expenses incurred in providing these chain or system programs and services generally are allocated on a cost reimbursement basis among all hotels managed by the manager or its affiliates or that otherwise benefit from these services.

Working capital and fixed asset supplies. We are required to maintain working capital for each hotel and to fund the cost of certain fixed asset supplies (for example, linen, china, glassware, silver and uniforms). We also are responsible for providing funds to meet the cash needs for hotel operations if at any time the funds available from working capital are insufficient to meet the financial requirements of the hotels. For certain hotels, the working capital accounts which would otherwise be maintained by the managers for each of such hotels are maintained on a pooled basis, with managers being authorized to make withdrawals from such pooled account as otherwise contemplated with respect to working capital in accordance with the provisions of the management or operating agreements.

Furniture, fixtures and equipment replacements. We are required to provide the managers with all furniture, fixtures and equipment (“FF&E”) necessary for the operation of the hotels (including funding any required FF&E replacements). On an annual basis, the managers prepare budgets for FF&E to be acquired and certain routine repairs and maintenance to be performed in the next year and an estimate of the necessary funds, which budgets are subject to our review and approval. For purposes of funding such expenditures, a specified percentage (typically 5%) of the gross revenues of each hotel is deposited by the manager into an escrow or reserve account in our name, to which the manager has access. In the case of our Starwood-managed hotels, our operating agreements contemplate that this reserve account also may be used to fund the cost of certain major repairs and improvements affecting the hotel building (as described below). For certain of our Marriott-managed hotels, we have entered into an agreement with Marriott to allow for such expenditures to be funded from one pooled reserve account, rather than funds being deposited into separate reserve accounts at each hotel, with the minimum required balance maintained on an ongoing basis in that pooled reserve account being significantly below the amount that otherwise would have been maintained in such separate hotel reserve accounts. For certain of our Starwood-managed hotels, the periodic reserve fund contributions, which otherwise would be deposited into reserve accounts maintained by managers for each hotel, are distributed to us and, as to this pool of hotels, we are responsible for providing funding of expenditures which otherwise would be funded from reserve accounts for each of the subject hotels.

Building alterations, improvements and renewals. The managers are required to prepare an annual estimate of the expenditures necessary for major repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and elevators of each hotel, along with alterations and improvements to the hotel as are required, in the manager’s reasonable judgment, to keep the hotel in a competitive, efficient and economical operating condition that is consistent with brand standards. We generally have approval rights as to such budgets and expenditures, which we review and approve based on our manager’s recommendations and on our judgment. Expenditures for these major repairs and improvements affecting the hotel building typically are funded directly by owners, although (as noted above) our agreements with Starwood contemplate that certain such expenditures may be funded from the reserve account.

Treatment of additional owner funding. As additional owner funding becomes necessary either for expenditures generally funded from the FF&E replacement funds, or for any major repairs or improvements to the hotel building which may be required to be funded directly by owners, most of our agreements provide for an economic benefit to us through an impact on the calculation of incentive management fees payable to our managers. One approach frequently utilized at our Marriott-managed hotels is to provide such owner funding through loans which are repaid, with interest, from operational revenues, with the repayment amounts reducing operating profit available for payment of incentive management fees. Another approach that is used at our Starwood-managed hotels, as well as with certain expenditures projects at our Marriott-managed hotels, is to treat such owner funding as an increase to our investment in the hotel, resulting in an increase to owner’s priority return with a corresponding reduction to the amount of operating profit available for payment of incentive management fees. For our Starwood-managed hotels that are subject to the pooled arrangement described above, the amount of any additional reserve account funding is allocated

to each of such hotels on a pro rata basis, determined with reference to the net operating income of each hotel and the total net operating income of all such pooled hotels for the most recent operating year.
Territorial protections. Certain management and operating agreements impose restrictions for a specified period which limit the manager and its affiliates from owning, operating or licensing a hotel of the same brand within a specified area. The area restrictions vary with each hotel, from city blocks in urban areas to up to a multi-mile radius from the hotel in other areas.
Sale of the hotel. Subject to specific agreements as to certain hotels (see below under ‘Special Termination Rights’), we generally are limited in our ability to sell, lease or otherwise transfer the hotels by the requirement that the transferee assume the related management agreements and meet specified other conditions, including the condition that the transferee not be a competitor of the manager.

Performance Termination Rights. In addition to any right to terminate that may arise as a result of a default by the manager, most of our management and operating agreements include reserved rights by us to terminate management or operating agreements on the basis of the manager's failure to meet certain performance-based metrics, typically including a specified threshold return on owner's investment in the hotel, along with a failure of the hotel to achieve a specified RevPAR performance threshold established with reference to other competitive hotels in the market. Typically, such performance-based termination rights arise in the event the operator fails to achieve specified performance thresholds over a consecutive two-year period, and are subject to the manager's ability to 'cure' and avoid termination by payment to us of specified deficiency amounts (or, in some instances, waiver of the right to receive specified future management fees). We have agreed in the past, and may agree in the future, to waive certain of these termination rights in exchange for consideration from a manager or its affiliates, which consideration may include cash compensation or amendments to management agreements.

Special Termination Rights. In addition to any performance-based or other termination rights set forth in our management and operating agreements, we have specific negotiated termination rights as to certain management and operating agreements. With respect to our Marriott portfolio, subject to certain timing and other limitations, these rights include termination rights applicable to 16 properties. With respect to our Starwood portfolio, subject to certain timing and other limitations, these rights include termination rights applicable to 8 properties. We also have similar termination rights applicable to 8 other properties. While the brand affiliation of a property may increase the value of a hotel, the ability to dispose of a property unencumbered by a management agreement, or even brand affiliation, also can increase the value for prospective purchasers. These termination rights can take a number of different forms, including termination of agreements upon sale that leave the property unencumbered by any agreement; termination upon sale provided that the property continues to be operated under a license or franchise agreement with continued brand affiliation; as well as termination without sale or other condition, which may require payment of a fee. These termination rights also may restrict the number of agreements that may be terminated over any annual or other period; impose limitations on the number of agreements terminated as measured by EBITDA; require that a certain number of properties continue to maintain the brand affiliation; or be restricted to a specific pool of assets.

Employees

As of December 31, 2013, we had 242 employees, of which 218 work in the United States. We had 24 employees located in our offices in London, Rio de Janeiro, Amsterdam and Singapore. None of Host's employees are covered by collective bargaining agreements, other than those working in our office in Rio de Janeiro. The number of employees referenced above does not include the hotel employees of our nine hotels in Brazil, New Zealand and Australia, which while technically are Host employees, are under the direct supervision and control of our third-party hotel managers. Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not manage employees at our consolidated hotels, we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. We believe relations with the employees of these third party managers are positive. For a discussion of these relationships, see Part I Item 1A. "Risk Factors—We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor."

Employees at certain of our third-party managed hotels are covered by collective bargaining agreements that are subject to review and renewal on a regular basis. For a discussion of these relationships, see Part I Item 1A. "Risk Factors—We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor."

Where to Find Additional Information

The address of our principal executive office is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland, 20817. Our phone number is 240-744-1000. We maintain an internet website at: www.hosthotels.com. Through our website, we make available free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The public also may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Our website also is a key source of important information about us. We routinely post to the Investor Relations section of our website important information about our business, our operating results and our financial condition and prospects, including, for example, information about material acquisitions and dispositions, our earnings releases and certain supplemental financial information related or complimentary thereto. The website also has a Governance page in the Investor Relations section that includes, among other things, copies of our By-laws, our Code of Business Conduct and Ethics and Conflicts of Interest Policy for our directors, our Code of Business Conduct and Ethics Policy for employees, our Corporate Governance Guidelines and the charters for each standing committee of Host Inc.'s Board of Directors, which currently are the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. Copies of these charters and policies, Host Inc.'s By-laws and Host L.P.'s partnership agreement also are available in print to stockholders and unitholders upon request to Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817, Attn: Secretary. Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, any document, unless expressly incorporated by reference therein.

Item 1A. Risk Factors

The statements in this section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Financial Risks and Risks of Operation

Our revenues and the value of our properties are subject to conditions affecting the lodging industry.

The lodging industry is subject to changes in the travel patterns of business and leisure travelers, both of which are affected by the strength of the economy, as well as other factors. The performance of the lodging industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in gross domestic product ("GDP"). Changes in travel patterns of both business and leisure travelers, particularly during periods of economic contraction or low levels of economic growth, may create difficulties for the industry over the long-term and adversely affect our results. The majority of our hotels are classified as luxury or upper upscale. In an economic downturn, these types of hotels may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. This characteristic may result from the fact that these hotels generally target business and high-end leisure travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. During the recession in 2008 and 2009, overall travel was reduced, which had a significant effect on our results of operations. While operating results have improved since then, there continues to be uncertainty in the overall strength of the recovery in the United States, Europe and other parts of the world. Additionally, continued high unemployment has slowed the pace of the economic recovery. Therefore, there can be no assurance that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy. Our results of operations and any forecast we make, may be affected by, and can change based on, a variety of circumstances that affect the lodging industry, including:

- changes in the international, national, regional and local economic climate;
- changes in business and leisure travel patterns;
- the effect of terrorist attacks and terror alerts in the United States and internationally, as well as other geopolitical disturbances;
- supply growth in markets where we own hotels, which may adversely affect demand at our properties;
- the attractiveness of our hotels to consumers relative to competing hotels;
- the performance of the managers of our hotels;
- outbreaks of disease and the impact on travel of natural disasters and weather;
- physical damage to our hotels as a result of earthquakes, hurricanes, or other natural disasters, or the income lost as a result of the damage;
- changes in room rates and increases in operating costs due to inflation and other factors; and
- unionization of the labor force at our hotels.

A reduction in our revenue or earnings as a result of the above risks may reduce our working capital, impact our long-term business strategy, and impact the value of our assets and our ability to meet certain covenants in our existing debt agreements.

In addition, continued political uncertainty and changes in government policies, in particular with respect to U. S. economic policy, federal budget deficit concerns, and the slowdown in the Federal Reserve's bond buying program could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world. This in turn could, directly or indirectly, adversely affect lodging demand and therefore our business and financial condition. In addition, U.S. government travel is approximately 5% of our business, and may suffer as a result of U.S. federal spending cuts resulting from regulations reducing the amount of travel by U.S. government employees and contractors. In 2013 we experienced weakened government demand for our hotel rooms in some markets such as Washington, D.C., which may continue, depending on factors such as the outcome of U.S. Federal budget negotiations.

Disruptions in the financial markets may affect adversely our business and results of operations, our ability to obtain financing on reasonable and acceptable terms, and our ability to hedge our foreign currency exchange risk.

The United States and global equity and credit markets have experienced and may in the future experience significant price volatility, dislocations and liquidity disruptions. This may cause the market price of the stock of many companies to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. In the event these disruptions occur, liquidity in the financial markets will be affected, which may make terms for financings less attractive, and, in some cases, result in the lack of availability of certain types of financing. Uncertainty regarding the stability of the equity and credit markets may impact negatively our ability to access additional short-term and long-term financing on reasonable terms or at all, which would impact negatively our liquidity and financial condition. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing and may impact negatively our ability to enter into derivative contracts in order to hedge risks associated with changes in interest rates and foreign currency exchange rates. While we believe we have adequate sources of liquidity with which to meet our anticipated requirements for working capital, debt service and capital expenditures for the foreseeable future, if our operating results weaken significantly and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could affect materially and adversely our results of operations and financial condition.

Economic conditions may affect adversely the value of our hotels which may result in impairment charges on our properties.

We analyze our assets for impairment throughout the year when events or circumstances occur that indicate that their carrying values may not be recoverable. For example, we analyze our assets for impairments when a property has current or projected losses from operations, when it becomes more likely than not that a hotel will be sold before the end of its previously estimated useful life, or when other material trends, contingencies or changes in circumstances indicate that a triggering event has occurred, such that an asset's carrying value may not be recoverable. For impaired assets, we record an impairment charge equal to the excess of the property's carrying value over its fair value. We may incur additional impairment charges in the future, which charges will affect negatively our results of operations. We can provide no assurance that any impairment loss recognized would not be material to our results of operations. For information on impairment charges taken in 2013 and 2012, see Part II Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies."

We depend on external sources of capital for future growth and we may be unable to access capital when necessary.

Unlike regular C corporations, Host Inc. must finance its growth and fund debt repayments largely with external sources of capital because it is required to distribute to its stockholders at least 90% of its taxable income (other than net capital gain) in order to qualify as a REIT, including taxable income recognized for federal income tax purposes but with regard to which it does not receive cash. Funds used by Host Inc. to make required distributions are provided through distributions from Host L.P. Our ability to access external capital could be hampered by a number of factors, many of which are outside of our control, including credit market conditions as discussed above, unfavorable market perception of our growth potential, decreases in our current and estimated future earnings, or decreases in the market price of the common stock of Host Inc. Our ability to access additional capital also may be limited by the terms of our existing indebtedness which, under certain circumstances, restrict our incurrence of debt and the payment of dividends and Host L.P. distributions. The occurrence of any of these factors, individually or in combination, could prevent us from being able to obtain the external capital we require on terms that are acceptable to us, or at all, which could have a material adverse effect on our ability to finance our future growth.

We have substantial debt and may incur additional debt.

As of December 31, 2013, we and our subsidiaries had total indebtedness of approximately $4.8 billion. Our substantial indebtedness requires us to dedicate a significant portion of our cash flow from operations to debt service payments, which reduces the availability of our cash flow to fund working capital, capital expenditures, expansion efforts, dividends and distributions and other general corporate needs. Additionally, our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability in the future to undertake refinancings of our debt or to obtain financing for expenditures, acquisitions, development or other general corporate needs on terms and conditions acceptable to us, if at all; or
- affect adversely our ability to compete effectively or operate successfully under adverse economic conditions.

If our cash flow and working capital are not sufficient to fund our expenditures or service our indebtedness, we will be required to raise additional funds through:

- sales of Host L.P.'s OP units or Host Inc.'s common stock;
- the incurrence of additional permitted indebtedness by Host L.P.; or

the sale of our assets.

We cannot make any assurances that any of these sources of funds will be available to us or, if available, will be on terms that we would find acceptable or in amounts sufficient to meet our obligations or fulfill our business plan. Under certain circumstances, we would be required to use the cash from some of the events described above to repay other indebtedness.

The terms of our debt place restrictions on us and our subsidiaries and these restrictions reduce our operational flexibility and create default risks.

The documents governing the terms of our senior notes and our credit facility contain covenants that place restrictions on us and our subsidiaries. These covenants restrict, among other things, our ability to:

- conduct acquisitions, mergers or consolidations, unless the successor entity in such transaction assumes our indebtedness;
- incur additional debt in excess of certain thresholds and without satisfying certain financial metrics;
- create liens securing indebtedness, unless an effective provision is made to secure our other indebtedness by such liens;
- sell assets without using the proceeds from such sales for certain permitted uses or to make an offer to repay or repurchase outstanding indebtedness;
- make distributions without satisfying certain financial metrics; and
- conduct transactions with affiliates other than on an arm’s length basis and, in certain instances, without obtaining opinions as to the fairness of such transactions.

In addition, certain covenants in our credit facility also require us and our subsidiaries to meet financial performance tests. The restrictive covenants in the applicable indenture(s), the credit facility and the documents governing our other debt (including our mortgage debt) will reduce our flexibility in conducting our operations and will limit our ability to engage in activities that may be in our long-term best interest. Failure to comply with these restrictive covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt. In addition, certain of our mortgage debt requires that, to the extent cash flow from the hotels which secure such debt drops below stated levels, we escrow cash flow after the payment of debt service until operations improve above the stated levels. In some cases, the lender may apply the escrowed amount to the outstanding balance of the mortgage debt. If such provisions are triggered, the amounts required to be escrowed may affect negatively our liquidity from these mortgaged properties by limiting our access to cash flow after debt service. For a detailed description of the covenants and restrictions imposed by the documents governing our indebtedness, see Part II Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition.”

Our ability to pay dividends and to make distributions may be limited or prohibited by the terms of our indebtedness or preferred units.

We are, and may in the future become, party to agreements and instruments that restrict or prevent the payment of dividends on classes and series of Host Inc. capital stock and Host L.P.’s payment of distributions on its classes of units. Under the terms of Host L.P.’s credit facility, distributions to Host L.P. unitholders, including Host Inc., upon which Host Inc. depends in order to obtain the cash necessary to pay dividends, are permitted only to the extent that Host L.P. can satisfy certain financial covenant tests (concerning leverage, fixed charge coverage and unsecured interest coverage) and meet other requirements. We also will be subject to similar restrictions under the terms of our senior notes if our senior notes are no longer rated investment grade. We are, however, permitted under our credit facility and senior notes indenture to make distributions of estimated taxable income that are necessary to maintain Host Inc.’s REIT status.

Under the terms of Host L.P.'s outstanding preferred OP units, we are not permitted to make distributions on our common OP units unless all cumulative distributions have been paid (or funds for payment have been set aside for payment) on our preferred OP units. In the event that we fail to pay the accrued distributions on our preferred OP units for any reason, including any restriction on making such distributions under the terms of our debt instruments (as discussed above), distributions will continue to accrue on such preferred OP units and we will be prohibited from making any distributions on our common OP units until all such accrued but unpaid distributions on our preferred OP units have been paid (or funds for such payment have been set aside).

An increase in interest rates would increase the interest costs on our credit facility and on our floating rate debt and could impact adversely our ability to refinance existing debt or sell assets.

Interest payments for borrowings on our credit facility, the mortgages on certain properties and fixed-to-floating interest rate swaps linked to two other properties are based on floating rates. As a result, an increase in interest rates will reduce our cash flow available for other corporate purposes, including investments in our portfolio. Further, rising interest rates could limit our ability to refinance existing debt when it matures and increase interest costs on any debt that is refinanced. We may from time to time enter into agreements such as interest rate swaps, caps, floors and other interest rate hedging contracts. Currently, the majority of our mortgages with floating rates are fully or partially hedged through the use of floating-to-fixed interest rate swaps or interest rate caps and floors. While these agreements may lessen the impact of rising interest rates, they also expose us to the risk that other parties to the agreements will not perform or that the agreements will be unenforceable. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to dispose of assets as part of our business strategy.

Rating agency downgrades may increase our cost of capital.

Our senior notes are rated by Moody’s Investors Service, Standard & Poor’s Ratings Services and Fitch Ratings. These independent rating agencies may elect to downgrade their ratings on our senior notes at any time. Such downgrades may affect negatively our access to the capital markets and increase our cost of capital.

Our expenses may not decrease if our revenue decreases.

Many of the expenses associated with owning and operating hotels, such as debt-service payments, property taxes, insurance, utilities, and employee wages and benefits, are relatively inflexible and do not necessarily decrease in tandem with a reduction in revenue at the hotels. Our expenses also will be affected by inflationary increases, and certain costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period. In the event of a significant decrease in demand, our hotel managers may not be able to reduce the size of hotel work forces in order to decrease wages and benefits. Our managers also may be unable to offset any such increased expenses with higher room rates. Any of our efforts to reduce operating costs or failure to make scheduled capital expenditures also could adversely affect the future growth of our business and the value of our hotel properties.

Our acquisition of additional properties may have a significant effect on our business, liquidity, financial position and/or results of operations.

As part of our business strategy, we seek primarily to acquire luxury and upper upscale hotel properties. We may acquire properties through various structures, including transactions involving portfolios, single assets, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combination of methods, including proceeds from Host Inc. equity offerings, issuance of limited partnership interests of Host L.P., advances under our credit facility, the incurrence or assumption of indebtedness and proceeds from the sales of assets. To the extent there are disruptions in credit markets, it may limit our ability to finance acquisitions and may limit the ability of purchasers to finance hotels and therefore our ability to use disposition proceeds to finance acquisitions.

We routinely are actively engaged in the process of identifying, analyzing and negotiating possible acquisition transactions. We cannot provide any assurances that we will be successful in consummating future acquisitions on favorable terms or that we will realize the benefits that we anticipate from such acquisitions. Our inability to consummate one or more acquisitions on such terms, or our failure to realize the intended benefits from one or more acquisitions, could have a significant adverse effect on our business, liquidity, financial position and/or results of operations, including as a result of our incurrence of additional indebtedness and related interest expense and our assumption of unforeseen contingent liabilities in connection with completed acquisitions.

We may not achieve the value we anticipate from new hotel developments or value enhancement projects at our existing hotels.

We currently are, and in the future may be, involved in the development of hotel properties, timeshare units or other alternate uses of portions of our existing properties, including the development of retail, office or apartments, including through joint ventures. There are risks inherent in any new development, including:

We may not obtain the zoning, occupancy and other required governmental permits and authorizations necessary to complete the development. A delay in receiving these approvals could affect adversely the returns we expect to receive.
Any new construction involves the possibility of construction delays and cost overruns that may increase project costs.
Defects in design or construction may result in delays and additional costs to remedy the defect or require a portion of a property to be closed during the period required to rectify the defect.
We may not be able to meet the loan covenants in any financing obtained to fund the new development, creating default risks.
The development of timeshare units could become less attractive due to decreases in demand for residential, fractional or interval ownership, increases in mortgage rates and/or decreases in mortgage availability, market absorption or oversupply, with the result that we may not be able to sell the timeshares for a profit or at the prices or selling pace we anticipate.

In addition, to the extent that developments are conducted through joint ventures, this creates additional risks, including the possibility that our partners may not meet their financial obligations or could have or develop business interests, policies or objectives that are inconsistent with ours. See "—We may acquire hotel properties through joint ventures with third parties that could result in conflicts."

Any of the above factors could affect adversely our and our partners' ability to complete the developments on schedule and along the scope that currently is contemplated, or to achieve the intended value of these projects. For these reasons, there can be no assurances as to the value to be realized by the company from these transactions or any future similar transactions.

We do not control our hotel operations and we are dependent on the managers of our hotels.

To maintain our status as a REIT, we are not permitted to operate any of our hotels. As a result, we have entered into management agreements with third-party managers to operate our hotel properties. For this reason, we are unable to directly implement strategic business decisions with respect to the daily operation and marketing of our hotels, such as decisions with respect to the setting of room rates, repositioning of a hotel, food and beverage pricing and certain similar matters. Although we consult with our hotel operators with respect to strategic business plans, the hotel operators are under no obligation to implement any of our recommendations with respect to these matters. While we monitor the hotel managers' performance, we have limited recourse under our management agreements if we believe that the hotel managers are not performing adequately. The cash flow from our hotels may be affected adversely if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. Because our management agreements are long term agreements, we also may not be able to terminate these agreements if we believe the manager is not performing adequately.

From time to time, we have had, and continue to have, differences with the managers of our hotels over their performance and compliance with the terms of our management agreements. We generally resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. Failure by our hotel managers to fully perform the duties agreed to in our management agreements or the failure of our managers to adequately manage the risks associated with hotel operations, including cyber-security risks, could affect adversely our results of operations.

In addition, our hotel managers or their affiliates manage, and in some cases own, have invested in, or provided credit support or operating guarantees to hotels that compete with our hotels, all of which may result in conflicts of interest. As a result, our hotel managers have in the past made, and may in the future make, decisions regarding competing lodging facilities that are not or would not be in our best interest.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our consolidated hotels (other than employing, but not managing, associates at our properties in Brazil, New Zealand and Australia), we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes involving our third-party managers and their labor force or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, a significant component of our hotel operating costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. As we are not the employer nor bound by any collective bargaining agreement, we do not negotiate with any labor organization, and it is the responsibility of each property's manager to enter into such labor contracts. Our ability, if any, to have any material impact on the outcome of these negotiations is restricted by and dependent on the individual management agreement covering a specific property and we may have little ability to control the outcome of these negotiations.

Our hotels have an ongoing need for renovations and potentially significant capital expenditures in order to remain competitive in the marketplace, maintain brand standards or to comply with applicable laws or regulations. The timing and costs of such renovations or improvements may result in reduced operating performance during construction and may not improve the return on these investments.

We are required by our loan agreements or agreements with our hotel managers to make agreed upon capital expenditures. In addition, we will need to make further capital expenditures in order to remain competitive with other hotels, to maintain the economic value of our hotels and to comply with applicable laws and regulations. The timing of these improvements can affect hotel performance, particularly if the improvements require closure of a significant number of rooms or other features of the hotels, such as ballrooms, meeting space and restaurants. These capital improvements reduce the availability of cash for other purposes and are subject to cost overruns and delays. In addition, because we depend on external sources of capital, we may not have the necessary funds to invest and, if we fail to maintain our properties in accordance with brand standards set by our managers, the manager may terminate the management agreement. Moreover, we may not necessarily realize a significant, or any, improvement in the performance of the hotels in which we make these investments.

The ownership of hotels outside the United States and the expansion of our business into new markets outside of the United States will expose us to risks related to owning hotels in those international markets.

Part of our business strategy is to expand our presence outside of the United States. As of December 31, 2013, we own directly 15 hotels located outside of the United States. We also are party to a joint venture that owns 19 hotels in Europe and to a joint venture that owns one hotel in Australia and a non-controlling interest in two hotels currently open and five hotels in development in India. We may have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the local economy, an absence of business relationships in the area, or unfamiliarity with local governmental and permitting procedures and regulations. There are risks inherent in conducting business outside of the United States, which include:

- employment laws and practices;
- tax laws, which may provide for income or other taxes or tax rates that exceed those of the U.S. and which may provide that foreign earnings that are repatriated, directly or indirectly, are subject to dividend withholding tax requirements or other restrictions and which may affect our ability to repatriate non-U.S. earnings in a tax efficient manner;
- compliance with and unexpected changes in regulatory requirements or monetary policy;
- the willingness of domestic or international lenders to provide financing and changes in the availability, cost and terms of such financing;
- adverse changes in local, political, economic and market conditions;
- insurance coverage related to terrorist events;
- changes in interest rates and/or currency exchange rates and difficulties in hedging these risks;
- regulations regarding the incurrence of debt;
- difficulties involved in managing an organization doing business in many different countries; and
- difficulties in complying with U.S. rules governing REITs while operating outside of the United States.

Any of these factors could affect adversely our ability to obtain all of the intended benefits of our international country expansion. If we do not effectively manage this expansion and successfully integrate the international hotels into our organization, our operating results and financial condition may be adversely affected.

We may acquire hotel properties through joint ventures with third parties that could result in conflicts.

We have made investments in joint ventures and are exploring further investment opportunities in the United States, Asia, Europe and Latin America. We may, from time to time, invest as a co-venturer in other entities holding hotel properties instead of purchasing hotel properties directly. We also may sell interests in existing properties to a third party as part of forming a joint venture with such third party. Investments in joint ventures may involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Co-venturers often share control over the operation of a joint venture. Actions by a co-venturer also could subject the assets to additional risks as a result of any of the following circumstances:

- our co-venturer might have economic or business interests or goals that are inconsistent with our, or the joint venture's, interests or goals; or
- our co-venturer may be in a position to take action contrary to our instructions or requests, or contrary to our policies or objectives.

Although generally we will seek to maintain sufficient control of any joint venture in order to permit our objectives to be achieved, we might not be able to take action without the approval of our joint venture partners. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers from focusing their time and effort on our business.

Our management agreements could affect the sale or financing of our hotels.

Under the terms of our management agreements, we generally may not sell, lease or otherwise transfer our hotels unless the transferee is not a competitor of the manager and the transferee assumes the related management agreements and meets specified other conditions. Our ability to finance or sell our properties, depending upon the structure of such transactions, may require the manager's consent. If the manager does not consent to such sale or financing, we may be precluded from taking actions in our best interest.

We may not be able to recover fully under our existing terrorism insurance program for losses caused by some types of terrorist acts, and neither U. S. nor foreign terrorism insurance laws or regulations ensure that we will be able to obtain terrorism insurance in adequate amounts or at acceptable premium levels in the future.

We generally obtain terrorism insurance to cover property damage caused by acts of terrorism under separate standalone policies of insurance as well as policies on U.S. properties which currently are subject to U.S. federal government cost sharing as provided in the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA"). We also have terrorism insurance under our general liability program and in our program for directors' and officers' coverage. We also obtain terrorism insurance to cover some of our foreign properties through insurance programs involving or administered by foreign governments. We may not be able to recover fully under our existing terrorism insurance policies for losses caused by some types of terrorist acts, and neither U.S. nor foreign terrorism insurance legislation or regulations ensure that we will be able to obtain terrorism insurance in adequate amounts or at acceptable premium levels in the future. TRIPRA is due to expire on December 31, 2014. There is no assurance that terrorism insurance will be readily available or affordable before or after expiration of TRIPRA in December 2014 or that TRIPRA will not be modified, repealed or allowed to expire.

While TRIPRA allows direct insurers to be reimbursed for certain losses they incur on U.S. properties resulting from nuclear, biological, chemical and radiological ("NBCR") perils, TRIPRA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, even with government reimbursement. Any damage related to war and to NBCR incidents, therefore, is excluded under policies covering our U.S. properties. Moreover, many of our foreign properties are not covered against NBCR perils. We obtain a certain amount of property insurance coverage on our U.S. properties for NBCR perils through our wholly-owned subsidiary that acts as our direct insurer against such perils to the extent of reimbursement under TRIPRA. We ultimately are responsible for any loss borne by our insurance subsidiary.

As a result of the above, there remains uncertainty regarding the adequacy and cost of terrorism coverage that will be available to protect our interests in the event of terrorist attacks that impact our properties.

Some potential losses are not covered by insurance.

We, or our hotel managers, carry comprehensive insurance coverage for general liability, property, business interruption and other risks with respect to all of our hotels and other properties. These policies offer coverage features and insured limits that we believe are customary for similar types of properties. Generally, our "all-risk" property policies provide coverage that is available on a per-occurrence basis and that, for each occurrence, has an overall limit, as well as various sub-limits, on the amount of insurance proceeds we can receive. Sub-limits exist for certain types of claims, such as service interruption, debris removal, expediting costs, landscaping replacement and natural disasters such as earthquakes, floods and hurricanes, and may be subject to annual aggregate coverage limits. The dollar amounts of these sub-limits are significantly lower than the dollar amounts of the overall coverage limit. In this regard, hotels in certain of our markets, including California, Florida and New Zealand, have in the past been and continue to be particularly susceptible to damage from natural disasters. Recovery under the applicable policies also is subject to substantial deductibles and complex calculations of lost business income. There is no assurance that this insurance, where maintained, will fully fund the re-building or restoration of a hotel that is impacted by an earthquake, hurricane, or other natural disaster, or the income lost as a result of the damage. Our property policies also provide that all of the claims from each of our properties resulting from a particular insurable event must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in our policies have been exceeded and, in the case where the manager of one of our hotels provides this coverage, any such claims will be combined with the claims of other owners participating in the manager's program for the same purpose. Therefore, if an insurable event occurs that affects more than one of our hotels, or, in the case of hotels where coverage is provided by the manager, affects hotels owned by others, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, depending on the type of claim, have been reached. Each affected hotel only may receive a proportional share of the amount of insurance proceeds provided for under the policy if the total value of the loss exceeds the aggregate limits available. We may incur losses in excess of insured limits and, as a result, we may be even less likely to receive complete coverage for risks that affect multiple properties, such as earthquakes, hurricanes, or certain types of terrorism.

In addition, there are other risks, such as certain environmental hazards, that may be deemed to fall completely outside the general coverage limits of our policies or may be uninsurable or too expensive to justify coverage. We also may encounter challenges with an insurance provider regarding whether it will pay a particular claim that we believe to be covered under our policy. Should a loss in excess of insured limits or an uninsured loss occur, or should we be unsuccessful in obtaining coverage from an insurance carrier, we could lose all or a part of the capital we have invested in a property, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

Litigation judgments or settlements could have a significant adverse effect on our financial condition.

We have accrued a potential litigation loss of approximately $68 million in connection with a lawsuit in the 166th Judicial District Court of Bexar County, Texas involving the sale of land encumbered by a ground lease for the San Antonio Marriott Rivercenter. See Part I Item 3. “Legal Proceedings” for more information on the verdict and the status of the appeal.

We also are involved in various other legal proceedings in the normal course of business and are vigorously defending these claims; however, no assurances can be given as to the outcome of any pending legal proceedings. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition, but might be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

We also could become the subject of future claims by the operators of our hotels, individuals or companies who use our hotels, our investors, our joint venture partners or regulating entities and these claims could have a significant adverse effect on our financial condition and performance.

We may be subject to unknown or contingent liabilities related to hotels or businesses we acquire.

Assets and entities that we have acquired, or may in the future acquire, may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements may not survive long enough for us to become aware of such liabilities and seek recourse against our sellers. While usually we require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification often is limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. The total amount of costs and expenses that may be incurred with respect to liabilities associated with acquired hotels and entities may exceed our expectations, plus we may experience other unanticipated adverse effects, all of which may affect adversely our revenues, expenses, operating results and financial condition. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers generally are contractually obligated to pay all losses and other expenses relating to such retained liabilities without regard to survival limitations, materiality thresholds, deductibles or caps on losses, there can be no guarantee that such arrangements will not require us to incur losses or other expenses in addition to those incurred by the sellers.

We depend on our key personnel.

Our success depends on the efforts of our executive officers and other key personnel. None of our key personnel have employment agreements and we do not maintain key person life insurance for any of our executive officers. We cannot assure you that these key personnel will remain employed by us. While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our financial performance.

Exchange rate fluctuations could affect adversely our financial results.

As a result of the expansion of our international operations, currency exchange rate fluctuations could affect our results of operations and financial position. We expect to generate an increasing portion of our revenue and expenses in such foreign currencies as the Euro, the Canadian dollar, the Mexican peso, the Australian dollar, the New Zealand dollar, the British pound sterling, the Polish zloty, Swedish krona, the Brazilian real and the Chilean peso. Although we may enter into foreign exchange agreements with financial institutions and/or obtain local currency mortgage debt in order to reduce our exposure to fluctuations in the value of these and other foreign currencies, these transactions, if entered into, will not eliminate that risk entirely. To the extent that we are unable to match revenue received in foreign currencies with expenses paid in the same currency, exchange rate fluctuations could have a negative impact on our results of operations and financial condition. Additionally, because our consolidated financial results are reported in U.S. dollars, if we generate revenues or earnings in other currencies, the conversion of such amounts to U.S. dollars can result in an increase or decrease in the amount of our revenues or earnings.

Applicable REIT laws may restrict certain business activities.

As a REIT, Host Inc. is subject to various restrictions on the types of income it can earn, assets it can own and activities in which it can engage. Business activities that could be restricted by applicable REIT laws include, but are not limited to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units. Due to these restrictions, we anticipate that we will conduct certain business activities, including those mentioned above, in one or more of our taxable REIT subsidiaries. Our taxable REIT subsidiaries are taxable as regular C corporations and are subject to federal, state, local, and, if applicable, foreign taxation on their taxable income.

We may be unable to sell properties because real estate investments are inherently illiquid.

Real estate properties generally cannot be sold quickly and, accordingly, we may not be able to vary our portfolio promptly in response to economic or other conditions. The inability to respond promptly to changes in the performance of our investments could affect adversely our financial condition and the ability to service our debt. In addition, under the federal income tax laws applicable to REITs, we may be limited in our ability to recognize the full economic benefit from a sale of our assets.

Our ground lease payments may increase faster than the revenues we receive from the hotels located on the leased ground.

As of December 31, 2013, 36 of our hotels are subject to third-party ground leases (encumbering all or a portion of the hotel). These ground leases generally require periodic increases in ground rent payments, which often are based on economic indicators such as the Consumer Price Index. Our ability to pay ground rent could be affected adversely to the extent that our hotel revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases. In addition, if we were to sell a hotel encumbered by a ground lease, the buyer would be required to assume the ground lease, which may result in a lower sales price.

Environmental problems are possible and can be costly.

We believe that our properties comply in all material respects with applicable environmental laws. Unidentified environmental liabilities could arise, however, and could have a material adverse effect on our financial condition and performance. Additionally, even after we have sold a property, we may be liable for environmental liabilities that occurred during our ownership. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and remediate hazardous or toxic substances or petroleum product releases at the property. The owner or operator may be required to pay a governmental entity or third parties for property damage, and for investigation and remediation costs incurred by the parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. Environmental laws also govern the presence, maintenance and removal of toxic or hazardous substances. These laws require that owners or operators of buildings properly manage and maintain these substances and notify and train those who may come into contact with them and undertake special precautions. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to toxic or hazardous materials.

Compliance with other government regulations can be costly.

Our hotels are subject to various other forms of regulation, including Title III of the Americans with Disabilities Act (“ADA”), building codes and regulations pertaining to fire and life safety. Under the ADA, all public accommodations are required to meet certain federal rules related to access and use by disabled persons. These laws and regulations may be changed from time-to-time, or new regulations adopted, resulting in additional costs of compliance, including potential litigation. For example, the ADA was revised substantially in September 2010 and our facilities were required to comply with the new regulations by March 15, 2012. A determination that we are not in compliance with the ADA could result in a court order to bring the hotel into compliance, imposition of fines or an award of attorneys’ fees to private litigants. Compliance with the ADA and other laws and regulations could require substantial capital expenditures. Any increased costs could have a material adverse effect on our business, financial condition or results of operations.

In addition, the operations of our international properties are subject to a variety of United States and international laws and regulations, including the United States Foreign Corrupt Practices Act ("FCPA"). We have policies and procedures designed to promote compliance with the FCPA and other anti-corruption laws, but we cannot assure you that we will continue to be found to be operating in compliance with, or be able to detect violations of, any such laws or regulations. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international properties might be subject and the manner in which existing laws might be administered or interpreted.

Risks of Ownership of Host Inc.'s Common Stock

There are limitations on the acquisition of Host Inc. common stock and changes in control.

Host Inc.'s charter and bylaws, the partnership agreement of Host L.P., and the Maryland General Corporation Law (the "MGCL") contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for Host Inc.'s stockholders or Host L.P.'s unitholders or otherwise be in their best interests, including the following:

Restrictions on transfer and ownership of Host Inc.'s stock. To maintain Host Inc.'s qualification as a REIT for federal income tax purposes, not more than 50% in value of Host Inc.'s outstanding shares of capital stock may be owned in the last half of the taxable year, directly or indirectly, by five or fewer individuals, which, as defined in the Code, may include certain entities. In addition, if Host Inc., or one or more owners of 10% or more of Host Inc., actually or constructively owns 10% or more of a tenant of Host Inc. or a tenant of any partnership in which Host Inc. is a partner, the rent received by Host Inc. either directly or through any such partnership from such tenant generally will not be qualifying income for purposes of the REIT income qualification tests of the Code, and, therefore, could jeopardize Host Inc.'s qualification as a REIT, unless the tenant qualifies as a TRS and certain other requirements are met.

Accordingly, Host Inc.'s charter prohibits ownership, directly or by attribution, by any person or persons acting as a group, of more than 9.8% in value or number, whichever is more restrictive, of shares of Host Inc.'s outstanding common stock, preferred stock or any other class or series of stock, each considered as a separate class or series for this purpose. Together, these limitations are referred to as the "ownership limit."

Stock acquired or held in violation of the ownership limit will be transferred automatically to a trust for the benefit of a designated charitable beneficiary, and the intended acquirer of the stock in violation of the ownership limit will not be entitled to any distributions thereon, to vote those shares of stock or to receive any proceeds from the subsequent sale of the stock in excess of the lesser of the price paid for the stock or the amount realized from the sale. A transfer of shares of Host Inc.'s stock to a person who, as a result of the transfer, violates the ownership limit may be void under certain circumstances, and, in any event, would deny that person any of the economic benefits of owning shares of Host Inc.'s stock in excess of the ownership limit. These restrictions will not apply if Host Inc.'s Board of Directors determines that it is no longer in Host Inc.'s best interests to continue to qualify as a REIT or that compliance with the restrictions on transfer and ownership is no longer required for Host Inc. to qualify as a REIT.

Removal of members of the Board of Directors. Host Inc.'s charter provides that, except for any directors who may be elected by holders of a class or series of shares of capital stock other than common stock, directors may be removed only for cause and by the affirmative vote of stockholders holding at least two-thirds of all the votes entitled to be cast in the election of directors. Vacancies on Host Inc.'s Board of Directors may be filled, at any regular meeting or at any special meeting called for that purpose, by the affirmative vote of the remaining directors, except that a vacancy resulting from an increase in the number of directors may be filled by a majority vote of the entire Board of Directors. Any vacancy resulting from the removal of a director by the stockholders may be filled by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast in the election of directors.

Preferred shares; classification or reclassification of unissued shares of capital stock without stockholder approval. Host Inc.'s charter provides that the total number of shares of stock of all classes that Host Inc. has authority to issue is 1,100,000,000, consisting of 1,050,000,000 shares of common stock and 50,000,000 shares of preferred stock. Host Inc.'s Board of Directors has the authority, without a vote of stockholders, to classify or reclassify any unissued shares of stock into other classes or series of stock, and to establish the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms or conditions of redemption for each class or series. Because Host Inc.'s Board of Directors has this power, it may give the holders of any class or series of stock terms, preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.

Certain provisions of Maryland law may limit the ability of a third-party to acquire control of Host Inc. Certain provisions of the MGCL may have the effect of inhibiting a third-party from acquiring Host Inc., including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between a corporation and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of the corporation’s then outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations: and
- “control share” provisions that provide that holders of “control shares” of a corporation (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer

to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of issued and outstanding "control shares") have no voting rights except to the extent approved by the stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

Host Inc. is subject to the Maryland business combination statute. Our bylaws contain a provision exempting us from the control share provisions of the MGCL. There can be no assurance that this bylaw provision exempting us from the control share provisions will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Directors, without stockholder approval and regardless of what currently is provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have.

Merger, consolidation, share exchange and transfer of Host Inc.'s assets. Under Maryland law and Host Inc.'s charter, subject to the terms of any outstanding class or series of capital stock, we can merge with or into another entity, consolidate with one or more other entities, participate in a share exchange or transfer Host Inc.'s assets within the meaning of the MGCL if approved (1) by Host Inc.'s Board of Directors in the manner provided in the MGCL, and (2) by Host Inc.'s stockholders holding two-thirds of all the votes entitled to be cast on the matter, except that any merger of Host Inc. with or into a trust organized for the purpose of changing Host Inc.'s form of organization from a corporation to a trust requires only the approval of Host Inc.'s stockholders holding a majority of all votes entitled to be cast on the merger. Under the MGCL, specified mergers may be approved without a vote of stockholders and a share exchange only is required to be approved by the board of directors of a Maryland corporation if the corporation is the successor entity. Host Inc.'s voluntary dissolution also would require approval of stockholders holding two-thirds of all the votes entitled to be cast on the matter.

Certain charter and bylaw amendments. Host Inc.'s charter contains provisions relating to restrictions on transfer and ownership of Host Inc.'s stock, fixing the size of the Board of Directors within the range set forth in the charter, removal of directors, the filling of vacancies, exculpation and indemnification of directors, calling special stockholder meetings and others, all of which may be amended only by a resolution adopted by the Board of Directors and approved by Host Inc.'s stockholders holding two-thirds of the votes entitled to be cast on the matter. Other charter amendments generally require approval of the Board and the affirmative vote of holders of a majority of the votes entitled to be cast on the matter. As permitted under the MGCL, Host Inc.'s charter and bylaws provide that the Board of Directors has the exclusive right to amend Host Inc.'s bylaws. These provisions may make it more difficult to amend Host Inc.'s charter and bylaws to alter the provisions described herein that could delay, defer or prevent a transaction or a change in control or the acquisition of Host Inc. common stock, without the approval of the Board of Directors.

Shares of Host Inc.'s common stock that are or become available for sale could affect the share price of Host Inc.'s common stock.

We have in the past and may in the future issue additional shares of common stock to raise the capital necessary to finance hotel acquisitions, fund capital expenditures, refinance debt or for other corporate purposes. Sales of a substantial number of shares of Host Inc.'s common stock, or the perception that sales could occur, could affect adversely prevailing market prices for Host Inc.'s common stock. In addition, holders of OP units who redeem their units and receive, at Host Inc.'s election, shares of Host Inc. common stock will be able to sell those shares freely. As of December 31, 2013, there are approximately 9.5 million OP units outstanding owned by third parties that are redeemable, which represents approximately 1.3% of all outstanding units. Further, a substantial number of shares of Host Inc.'s common stock have been and will be issued or reserved for issuance from time to time under our employee benefit plans. We maintain two stock-based compensation plans: (i) the comprehensive stock plan, whereby we may award to participating employees and directors restricted shares of common stock, options to purchase common stock and deferred shares of common stock, and (ii) an employee stock purchase plan. At December 31, 2013, there were approximately 18 million shares of Host Inc.'s common stock reserved and available for issuance under the comprehensive stock plan and employee stock purchase plan and 0.7 million outstanding options exercisable with a weighted average exercise price of $15.41 per share.

Also as of December 31, 2013, Host L.P. had outstanding $400 million principal amount of exchangeable senior debentures that currently are exchangeable for cash, shares of Host Inc.'s common stock or any combination thereof. Assuming the holders elected to exchange and we elected to settle in shares of Host Inc. common stock, the debentures would be exchangeable for approximately 29.9 million shares based on the current exchange price. While these debentures currently are exchangeable through March 31, 2014 based on past trading prices of Host Inc. common stock, whether they remain exchangeable after March 31, 2014 will depend on then current trading prices of Host Inc. common stock.

Our earnings and cash distributions will affect the market price of shares of Host Inc.'s common stock.

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancings, and secondarily is based upon the value of the underlying assets. For that reason, shares of Host Inc.'s common stock may trade at prices that are higher or lower than the net asset value per share. To the extent that we retain operating cash flow for investment purposes, working capital reserves or other purposes, rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of our underlying assets, may impact negatively the market price of Host Inc.'s common stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would affect adversely the market price of Host Inc.'s common stock.

Market interest rates may affect the price of shares of Host Inc.'s common stock.

We believe that one of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the dividend rate on the shares, considered as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of REIT shares may expect a higher dividend rate. Thus, higher market interest rates could cause the market price of Host Inc.'s common stock to decrease.

Federal Income Tax Risks

To qualify as a REIT, each of Host Inc. and its subsidiary REITs are required to distribute at least 90% of its taxable income, excluding net capital gain, regardless of available cash or outstanding obligations.

To continue to qualify as a REIT, Host Inc. is required to distribute to its stockholders with respect to each year at least 90% of its taxable income, excluding net capital gain. To the extent that Host Inc. satisfies this distribution requirement, but distributes less than 100% of its taxable income and net capital gain for the taxable year, it will be subject to federal and state corporate income tax on its undistributed taxable income and net capital gain. In addition, Host Inc. will be subject to a nondeductible 4% excise tax on the amount, if any, by which distributions made by Host Inc. with respect to the calendar year are less than the sum of (1) 85% of its ordinary income, (2) 95% of its net capital gain, and (3) any undistributed taxable income from prior years, less excess distributions from prior years. Host Inc. intends to make distributions, subject to the availability of cash and in compliance with any debt covenants, to its stockholders in order to comply with the distribution requirement and to avoid the imposition of a significant nondeductible 4% excise tax and will rely for this purpose on distributions from Host L.P. and its subsidiaries. There are differences in timing between Host Inc.'s recognition of taxable income and its receipt of cash available for distribution due to, among other things, the seasonality of the lodging industry and the fact that some taxable income will be "phantom" taxable income, which is taxable income that is not matched with cash flow. Due to transactions entered into in years prior to Host Inc.'s conversion to a REIT, Host Inc. could recognize substantial amounts of "phantom" taxable income in the future. It is possible that any differences between the recognition of taxable income and the receipt of the related cash could require us to borrow funds or for Host Inc. to issue additional equity in order to enable Host Inc. to meet its distribution requirements and, therefore, to maintain its REIT status and to avoid the nondeductible 4% excise tax. In addition, because the REIT distribution requirements prevent Host Inc. from retaining earnings, generally we will be required to refinance debt at its maturity with additional debt or equity. It is possible that any of these sources of funds, if available at all, would not be sufficient to meet Host Inc.'s distribution and tax obligations.

Host L.P. owns 100% of the outstanding common stock and a portion of the outstanding preferred stock of two entities that have elected to be treated as REITs. Each of these subsidiary REITs are subject to the same requirements that Host Inc. must satisfy in order to qualify as a REIT, including the distribution requirements described above.

Adverse tax consequences would occur if Host Inc. or any of its subsidiary REITs fail to qualify as a REIT.

We believe that Host Inc. has been organized and has operated in such a manner so as to qualify as a REIT under the Code, commencing with its taxable year beginning January 1, 1999, and Host Inc. currently intends to continue to operate as a REIT during future years. In addition, Host Inc. owns, through Host L.P., two entities that have elected to be treated as REITs. As the requirements for qualification and taxation as a REIT are extremely complex and interpretations of the federal income tax laws governing qualification and taxation as a REIT are limited, no assurance can be provided that Host Inc. currently qualifies as a REIT or will continue to qualify as a REIT or that each of Host Inc.'s subsidiary REITs qualify as a REIT or will continue to qualify as a REIT. If any of the subsidiary REITs were to fail to qualify as a REIT, it is possible that Host Inc. would fail to qualify as a REIT unless it (or the subsidiary REIT) could avail itself of certain relief provisions. New legislation, treasury regulations, administrative interpretations or court decisions could change significantly the tax laws with respect to an entity's qualification as a REIT or the federal income tax consequences of its REIT qualification. If Host Inc. or any of its subsidiary REITs were to fail to qualify as a REIT, and any available relief provisions did not apply, the non-qualifying REIT would not be allowed to take a deduction for distributions to its stockholders in computing its taxable income, and it would be subject to federal and state corporate income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Moreover, unless entitled to statutory relief, the non-qualifying REIT would not qualify as a REIT for the four taxable years following the year during which REIT qualification was lost.

Any determination that Host Inc. or one of its subsidiary REITs does not qualify as a REIT will have a material adverse effect on our results of operations and could reduce materially the value of Host Inc.'s common stock. The additional tax liability of Host

Inc. or the subsidiary REIT for the year, or years, in which the relevant entity did not qualify as a REIT would reduce its net earnings available for investment, debt service or distributions to stockholders. Furthermore, the non-qualifying entity no longer would be required to make distributions to its stockholders as a condition to REIT qualification and all of its distributions to stockholders would be taxable as ordinary C corporation dividends to the extent of its current and accumulated earnings and profits. This means that, if Host Inc. were to fail to qualify as a REIT, Host Inc.'s stockholders currently taxed as individuals would be taxed on those dividends at capital gain rates and Host Inc.'s corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject in each case to applicable limitations under the Code. Host Inc.'s failure to qualify as a REIT also would cause an event of default under Host L.P.'s credit facility, which default could lead to an acceleration of the amounts due thereunder, which, in turn, would constitute an event of default under Host L.P.'s outstanding debt securities.

If our leases are not respected as true leases for federal income tax purposes, each of Host Inc. and its subsidiary REITs would fail to qualify as a REIT.

To qualify as a REIT, Host Inc. must satisfy two gross income tests, pursuant to which specified percentages of its gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS, which rental income currently constitutes substantially all of Host Inc.'s and each of our subsidiary REITs' gross income, to qualify for purposes of the gross income tests, our leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We believe that the leases will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the Internal Revenue Service ("IRS") will agree with this characterization. If the leases were not respected as true leases for federal income tax purposes, neither Host Inc. nor either of our subsidiary REITs would be able to satisfy either of the two gross income tests applicable to REITs and each likely would lose its REIT status.

If our affiliated lessees fail to qualify as taxable REIT subsidiaries, each of Host Inc. and its subsidiary REITs would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of Host Inc. will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease substantially all of our hotels to our subsidiary (or its affiliates) that is taxable as a regular C corporation and that has elected to be treated as a taxable REIT subsidiary with respect to Host Inc. and to each subsidiary REIT. So long as any affiliated lessee qualifies as a taxable REIT subsidiary, it will not be treated as a "related party tenant." We believe that our affiliated lessees have qualified and will continue to qualify, and that the taxable REIT subsidiaries of each of our subsidiary REITs have qualified and will continue to qualify, to be treated as taxable REIT subsidiaries for federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a taxable REIT subsidiary for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of our affiliated lessees (including the taxable REIT subsidiaries of our subsidiary REITs) from treatment as a taxable REIT subsidiary, it is possible that Host Inc. or a subsidiary REIT would fail to meet the asset tests applicable to REITs and substantially all of its income would fail to qualify for the gross income tests. If Host Inc. or a subsidiary REIT failed to meet either the asset tests or the gross income tests, each likely would lose its REIT status.

Despite the REIT status of each of Host Inc. and its subsidiary REITs, we remain subject to various taxes.

One of the subsidiary REITs of Host Inc. will be required to pay federal income tax at the highest regular corporate rate on "built-in gain" recognized as a result of the sale of one or more of its hotels prior to the expiration of the applicable 10-year holding period, including certain hotels acquired from Starwood and its affiliates in 2006. The total amount of gain on which the subsidiary REIT would be subject to corporate income tax if all of its built-in gain assets were sold in a taxable transaction prior to the expiration of the applicable 10-year holding period would be material to it. Recently enacted legislation, however, has reduced the 10-year period to five years in the case of dispositions of assets in 2012 or 2013. In addition, we expect that we could recognize other substantial deferred tax liabilities in the future without any corresponding receipt of cash.

Notwithstanding Host Inc.'s status as a REIT, Host Inc. and our subsidiaries (including our subsidiary REITs) are subject to federal, state, local and foreign taxes on their income and property in certain cases. For example, Host Inc. and our subsidiary REITs will pay tax on certain types of income that are not distributed and will be subject to a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm's length basis. Moreover, the taxable REIT subsidiaries of Host Inc. and our subsidiary REITs are taxable as regular C corporations and will pay federal, state and local income tax on their net income at the applicable corporate rates, and foreign taxes to the extent that they own assets or conduct operations in foreign jurisdictions.

Host L.P. is obligated under its partnership agreement to pay all such taxes (and any related interest and penalties) incurred by Host Inc.

If the IRS were to challenge successfully Host L.P.'s status as a partnership for federal income tax purposes, Host Inc. would cease to qualify as a REIT and would suffer other adverse consequences.

We believe that Host L.P. qualifies to be treated as a partnership for federal income tax purposes. As a partnership, it is not subject to federal income tax on its income. Instead, each of its partners, including Host Inc., is required to report and pay tax, if applicable, on such partner's allocable share of its income. No assurance can be provided, however, that the IRS will not challenge Host L.P.'s status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating Host L.P. as a corporation for federal income tax purposes, Host Inc. would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, would cease to qualify as a REIT. If Host L.P. fails to qualify as a partnership for federal income tax purposes or Host Inc. fails to qualify as a REIT, either failure would cause an event of default under Host L.P.'s credit facility that, in turn, could constitute an event of default under Host L.P.'s outstanding debt securities. Also, the failure of Host L.P. to qualify as a partnership for federal income tax purposes would cause it to become subject to federal, state and foreign corporate income tax, which tax would reduce significantly the amount of cash available for debt service and for distribution to its partners, including Host Inc.

As a REIT, each of Host Inc. and its subsidiary REITs is subject to limitations on its ownership of debt and equity securities.

Subject to certain exceptions, a REIT generally is prohibited from owning securities in any one issuer to the extent that (1) the value of such securities exceeds 5% of the value of the REIT's total assets, (2) the securities owned by the REIT represent more than 10% of the issuer's outstanding voting securities, or (3) the REIT owns more than 10% of the value of the issuer's outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote or value test if the subsidiary elects to be a taxable REIT subsidiary. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 25% of the value of the REIT's total assets. If Host Inc. or any of its subsidiary REITs were to violate these ownership limitations, each likely would lose its REIT status.

Each of Host Inc. or its subsidiary REITs may be required to pay a penalty tax upon the sale of a hotel.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT from the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100% excise tax. Under existing law, whether property, including hotels, is held as inventory or primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances with respect to the particular transaction. We intend to hold our hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owning hotels and to make occasional sales of hotels consistent with our investment objectives. There can be no assurance, however, that the IRS might not contend that one or more of these sales are subject to the 100% excise tax.

Risks Relating to Redemption of OP Units

A holder who offers its OP units for redemption may have adverse tax consequences.

A holder whose OP units are redeemed will be treated for federal and state income tax purposes as having sold the OP units. The sale of these units is a taxable event and the holder thereof will be treated as realizing an amount equal to the sum of (1) the value of the common stock or cash the holder receives, and (2) the amount of Host L.P.'s nonrecourse liabilities allocated to the redeemed OP units. The gain or loss recognized by the holder of OP units is measured by the difference between the amount realized by the holder and the holder's tax basis in the OP units redeemed (which tax basis includes the amount of Host L.P.'s nonrecourse liabilities allocated to the redeemed OP units). It is possible that the amount of gain and/or the tax liability related thereto that the holder recognizes and pays could exceed the value of the common stock or cash that the holder receives.

Differences between an investment in shares of Host Inc. common stock and Host L.P. OP units may affect redeemed holders of OP units.

If a holder of OP units elects to have its units redeemed, we will determine whether the holder receives cash or shares of Host Inc.'s common stock in exchange for the OP units. Although an investment in shares of Host Inc.'s common stock is substantially similar to an investment in Host L.P. OP units, there are some differences. These differences include form of organization, management structure, voting rights, liquidity and federal and state income taxation, some of which differences may be material to investors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

See Part 1 Item 1. "Business—Our Hotel Portfolio" above for a discussion of our hotels.

Item 3. Legal Proceedings

On April 27, 2005, we initiated a lawsuit against Keystone-Texas Property Holding Corporation ("Keystone") seeking a declaration that a provision of the ground lease for the property under the San Antonio Marriott Rivercenter was valid and claiming that Keystone had breached that lease provision. On October 18, 2006, Keystone filed an amended counterclaim and later, a third party claim, alleging that we had tortiously interfered with Keystone's attempted sale of the property and that we slandered Keystone's title to the property.

On February 8, 2010, we received an adverse jury verdict in the 166th Judicial District Court of Bexar County, Texas. The jury found that we tortiously interfered with the attempted sale by Keystone of the land under the San Antonio Marriott Rivercenter and awarded Keystone $34.3 million in damages, plus statutory interest. In addition, the jury found that we slandered Keystone's title to the property and awarded Keystone $39 million in damages, plus statutory interest. Keystone only will be entitled to receive one of these damage awards. On February 12, 2010, the jury awarded Keystone $7.5 million in exemplary damages with respect to the second claim. The trial court, however, subsequently granted our motion to disregard the jury's exemplary damages award. On June 3, 2010, the trial court issued its final judgment awarding Keystone: (i) $39 million in damages for slander of title or, alternatively, $34.3 million for tortious interference of contract; (ii) approximately $6.8 million in pre-judgment and post-judgment interest (as of December 31, 2013, interest was $17 million); (iii) approximately $3.5 million in attorneys' fees, expenses, and costs; and (iv) an additional $750,000 in attorneys' fees for any appeal to the court of appeals and Texas Supreme Court.

On November 23, 2011, a three-judge panel of the San Antonio Court of Appeals issued its memorandum opinion denying our appeal of the trial court's June 3, 2010 final judgment. In addition, the panel overturned the trial court's decision to grant our motion to disregard the jury's $7.5 million award of exemplary damages. On January 17, 2012, we filed motions seeking rehearing from the three-judge panel and a motion for rehearing by the entire seven-judge court of appeals. Those motions were denied on February 29, 2012.

On May 16, 2012, we filed a Petition for Review in the Texas Supreme Court and on August 17, 2012 the Court requested briefing on the merits. Briefing concluded in January 2013. On June 28, 2013, the Court issued an order denying the petition for review; however, on December 13, 2013, the Court granted our motion for rehearing on that order and heard oral argument on our appeal on February 4, 2014. No assurances can be given as to the outcome of this appeal. We have accrued a loss contingency of approximately $68 million related to this litigation. We have funded a court-ordered $25 million escrow reserve for this legal proceeding.

We also are involved in various other legal proceedings in the normal course of business and are vigorously defending these claims; however, no assurances can be given as to the outcome of any pending legal proceedings. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition, but might be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

Item 4. Mine Safety Disclosures

Not Applicable.

EXECUTIVE OFFICERS

In the following table we set forth certain information regarding those persons currently serving as executive officers of Host Inc. as of February 1, 2014. Host L.P. does not have executive officers.

Name and Title	Age	Business Experience Prior to Becoming an Executive Officer of Host Inc.
Richard E. Marriott Chairman of the Board	75	Richard E. Marriott joined our company in 1965 and has served in various executive capacities. In 1979, Mr. Marriott was elected to the Board of Directors. In 1984, he was elected Executive Vice President and in 1986, he was elected Vice Chairman of the Board of Directors. In 1993, Mr. Marriott was elected Chairman of the Board.
W. Edward Walter President, Chief Executive Officer and Director	58	W. Edward Walter joined our company in 1996 as Senior Vice President for Acquisitions and was later named Treasurer and Chief Operating Officer before becoming our Chief Financial Officer in 2003 and President, Chief Executive Officer and Director in October 2007.
Elizabeth A. Abdoo Executive Vice President, General Counsel and Secretary	55	Elizabeth A. Abdoo joined our company in June 2001 as Senior Vice President and General Counsel and became Executive Vice President in February 2003. She was elected Secretary in August 2001.
Minaz B. Abji Executive Vice President, Asset Management	60	Minaz B. Abji joined our company in 2003 as Executive Vice President, Asset Management. Prior to joining us, Mr. Abji was President of Canadian Hotel Income Properties REIT, a Canadian REIT located in Vancouver, British Columbia where he worked since 1998.
Joanne G. Hamilton Executive Vice President,	56	Joanne G. Hamilton joined our company as Executive Vice President, Human Resources in January 2010. Prior to joining our company, she was the Chief Human Resource Officer for Beers & Cutler, an accounting and consulting firm based in Vienna, Virginia from 2007 to 2010. Prior to joining Beers & Cutler, Ms. Hamilton served as Senior Vice President of Human Resources for Spirent PLC, a global telecommunications company, from 2002 to 2007.

Human Resources		
Gregory J. Larson Executive Vice President, Chief Financial Officer	49	Gregory J. Larson joined our company in 1993. In 1998, Mr. Larson joined the Treasury group as Vice President of Corporate Finance. He assumed leadership of the Investor Relations department in 2000, was promoted to Senior Vice President in 2002, and was elected Treasurer in 2005. In November 2007, Mr. Larson was selected to lead our corporate strategy business and promoted to Executive Vice President. In May 2013 he was named Chief Financial Officer.
James F. Risoleo Executive Vice President & Managing Director, Europe	58	James F. Risoleo joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Executive Vice President and Chief Investment Officer in 2000. In January 2012, he became managing director of the Company's European business activities.
Struan B. Robertson Executive Vice President Chief Investment Officer	48	Struan B. Robertson joined our company in January 2013. From 1994 to 2012 he held various positions at Morgan Stanley, most recently as Global Co-Head of its real estate and lodging investment banking business.
Brian G. Macnamara Senior Vice President, Corporate Controller	54	Brian G. Macnamara joined our company in February 1996, was promoted to Vice President, Assistant Corporate Controller in February 2007, and was elected Senior Vice President, Corporate Controller in September 2007.

PART II

Item 5. Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities for Host Inc.

Host Inc.'s common stock is listed on the New York Stock Exchange and trades under the symbol "HST." The following table sets forth, for the fiscal periods indicated, the high and low sales prices per share of Host Inc.'s common stock as reported on the New York Stock Exchange Composite Tape and dividends declared per share:

	Stock Price		Dividends Declared
	High	Low	Per Share
2012			
1st Quarter	$ 17.25	$ 14.71	$ 0.06
2nd Quarter	17.06	14.11	0.07
3rd Quarter	16.30	14.06	0.08
4th Quarter	17.25	13.78	0.09

	Stock Price		Dividends Declared
	High	Low	Per Share
2013			
1st Quarter	$ 17.73	$ 16.14	$ 0.10
2nd Quarter	18.77	16.02	0.11
3rd Quarter	18.70	16.41	0.12
4th Quarter	19.44	17.09	0.13

Under the terms of our senior notes indenture and the credit facility, Host Inc.'s ability to pay dividends and make other payments is dependent on its ability to satisfy certain financial requirements. See Part II Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition" and Part I Item 1A. "Risk Factors—Financial Risks and Risks of Operation—Our ability to pay dividends and to make distributions may be limited or prohibited by the terms of our indebtedness or preferred units."

As of February 21, 2014, there were 24,750 holders of record of Host Inc.'s common stock. However, because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe that there are considerably more beneficial holders of our common stock than record holders. As of February 21, 2014, there were 1,696 holders of OP units (in addition to Host Inc.). OP units are redeemable for cash, or, at our election, for Host Inc.'s common stock.

Host Inc.'s ability to qualify as a REIT under the Internal Revenue Code is facilitated by limiting the number of shares of its stock that a person may own. Its charter provides that, subject to limited exceptions, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 9.8% in value or in number, whichever is more restrictive, of shares of Host Inc.'s outstanding common stock, preferred stock or any other class of stock, each considered as a separate class or series for this purpose. Host Inc.'s Board of Directors has the authority to increase the ownership limit from time to time, but does not have the authority to do so to the extent that, after giving effect to such increase, any five beneficial owners of capital stock beneficially could own in the aggregate more than 49.5% of the outstanding capital stock. See Part I Item 1A. "Risk Factors—Risks of

Ownership of Host Inc.'s Common Stock—There are limitations on the acquisition of Host Inc. common stock and changes in control."

Stockholder Return Performance

The following graph compares the five-year cumulative total stockholder return on Host Inc.'s common stock against the cumulative total returns of the Standard & Poor's Corporation Composite 500 Index and the National Association of Real Estate Investment Trust ("NAREIT") Equity Index. The graph assumes an initial investment of $100 in Host Inc.'s common stock and in each of the indexes, and also assumes the reinvestment of dividends.

Comparison of Five-Year Cumulative Stockholder Returns 2008 – 2013

	2008	2009	2010	2011	2012	2013
Host Hotels & Resorts, Inc.	$100.00	$157.88	$242.26	$202.29	$218.77	$278.51
NAREIT Equity Index	$100.00	$127.99	$163.76	$177.32	$212.26	$218.32
S&P 500 Index	$100.00	$126.46	$145.51	$148.59	$172.37	$228.19

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing of Host Inc. or Host L.P. (or any of their respective subsidiaries) under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Fourth Quarter 2013 Host Inc. Sales of Unregistered Securities

On December 6, 2013, Host Inc. issued 12,335 shares of common stock to Fidelity Investments Charitable Gift Fund in exchange for 12,076 OP units of Host L.P. held by the fund. All shares were issued pursuant to the private placement exemption from registration provided by Section 4(2) of the Securities Act. The number of shares issued was based on the current conversion factor of 1.021494 shares per OP unit.

Item 5. Market for Registrant's Common Units, Related Unitholder Matters and Issuer Purchases of Equity Securities for Host L.P.

There is no established public trading market for our OP units and transfers of OP units are restricted by the terms of Host L.P.'s partnership agreement. The following table sets forth, for the fiscal periods indicated, Host L.P.'s distributions declared per common OP unit:

	Distributions Declared Per Common Unit	
	2012	2013
1st Quarter	$ 0.0613	$ 0.1021
2nd Quarter	0.0715	0.1124
3rd Quarter	0.0817	0.1226
4th Quarter	0.0919	0.1328

The number of holders of record of Host L.P.'s common OP units on February 21, 2014 was 1,696 . The number of outstanding common OP units as of February 21, 2014 was 750,325,094 of which 740,816,858 were owned by Host Inc. Under the terms of our senior notes indenture and the credit facility, Host L.P.'s ability to make distributions and other payments is dependent on its ability to satisfy certain financial requirements. In addition, under the terms of Host L.P.'s preferred OP units, we are not permitted to make distributions on our common OP units unless all cumulative distributions have been paid on our preferred OP units. See Part II Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition" and Part I Item 1A. "Risk Factors—Financial Risks and Risks of Operation—Our ability to pay dividends and to make distributions may be limited or prohibited by the terms of our indebtedness or preferred units"

Fourth Quarter 2013 Host L.P. Purchases of Equity Securities

Period	Total Number of OP Units Purchased		Average Price Paid Per Unit	Total Number of OP Units Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of OP Units that May Yet Be Purchased Under the Plans or Programs (in millions)
October 1, 2013 — October 31, 2013	21,405	*	1.021494 shares of Host Inc. Common Stock*	—	—
November 1, 2013 — November 30, 2013	61,185	*	1.021494 shares of Host Inc. Common Stock*	—	—
December 1, 2013 — December 31, 2013	42,241	*	1.021494 shares of Host Inc. Common Stock*	—	—
Total	124,831			—	—

* Reflects common OP units redeemed by Host Inc. in exchange for shares of its common stock.

Item 6. Selected Financial Data (Host Hotels & Resorts, Inc.)

The following table presents certain selected historical financial data which has been derived from audited consolidated financial statements of Host Hotels & Resorts, Inc. for the five years ended December 31, 2013 and should be read in conjunction with the consolidated financial statements and related notes and Part II Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations":

	Calendar year				
	2013	2012	2011	2010	2009
	(in millions, except per share amounts)				
Income Statement Data:					
Revenues	$5,166	$5,059	$4,714	$4,154	$3,882
Income (loss) from continuing operations	210	(8)	(27)	(137)	(188)
Income (loss) from discontinued operations, net of tax [1]	115	71	11	5	(70)
Net income (loss)	325	63	(16)	(132)	(258)
Net income (loss) attributable to Host Hotels & Resorts, Inc.	317	61	(15)	(130)	(252)
Net income (loss) available to common stockholders	317	61	(15)	(138)	(261)
Basic earnings (loss) per common share:					
Continuing operations	.27	(.01)	(.04)	(.22)	(.33)
Discontinued operations	.16	.09	.02	.01	(.12)
Basic earnings (loss) per common share	.43	.08	(.02)	(.21)	(.45)
Diluted earnings (loss) per common share:					
Continuing operations	.27	(.01)	(.04)	(.22)	(.33)
Discontinued operations	.15	.09	.02	.01	(.12)
Diluted earnings (loss) per common share	.42	.08	(.02)	(.21)	(.45)
Dividends declared per common share	.46	.30	.14	.04	.25
Balance Sheet Data:					
Total assets	$12,814	$12,994	$13,090	$12,411	$12,555
Debt	4,759	5,411	5,753	5,477	5,837
Preferred stock	—	—	—	—	97

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties prior to their disposition and the gain or loss on those dispositions.

Item 6. Selected Financial Data (Host Hotels & Resorts, L.P.)

The following table presents certain selected historical financial data which has been derived from audited consolidated financial statements of Host Hotels & Resorts, L.P. for the five years ended December 31, 2013 and should be read in conjunction with the consolidated financial statements and related notes and Part II Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

	Calendar year				
	2013	2012	2011	2010	2009
	(in millions, except per unit amounts)				
Income Statement Data:					
Revenues	$5,166	$5,059	$4,714	$4,154	$3,882
Income (loss) from continuing operations	210	(8)	(27)	(137)	(188)
Income (loss) from discontinued operations, net of tax [(1)]	115	71	11	5	(70)
Net income (loss)	325	63	(16)	(132)	(258)
Net income (loss) attributable to Host Hotels & Resorts, L.P.	321	62	(15)	(132)	(257)
Net income (loss) available to common unitholders	321	62	(15)	(140)	(266)
Basic earnings (loss) per common unit:					
Continuing operations	.28	(.01)	(.04)	(.22)	(.32)
Discontinued operations	.15	.10	.02	.01	(.12)
Basic earnings (loss) per common unit	.43	.09	(.02)	(.21)	(.44)
Diluted earnings (loss) per common unit:					
Continuing operations	.28	(.01)	(.04)	(.22)	(.33)
Discontinued operations	.15	.10	.02	.01	(.12)
Diluted earnings (loss) per common unit	.43	.09	(.02)	(.21)	(.45)
Distributions declared per common unit	.470	.306	.143	.0408	.025
Balance Sheet Data:					
Total assets	$12,814	$12,994	$13,090	$12,410	$12,553
Debt	4,759	5,411	5,753	5,477	5,837
Preferred units	—	—	—	—	97

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties prior to their disposition and the gain or loss on those dispositions.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Overview

Host Inc. operates as a self-managed and self-administered REIT that owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and in which it holds approximately 98.7% of its common OP units as of December 31, 2013. The remainder of Host L.P.'s common OP units are owned by various unaffiliated limited partners. Host Inc. has the exclusive and complete responsibility for Host L.P.'s day-to-day management and control.

Host Inc. is the largest lodging REIT in NAREIT's composite index and one of the largest owners of luxury and upper upscale hotel properties. As of February 14, 2014, we own 114 hotels in the United States and internationally and have minority ownership interests in an additional 24 hotels through joint ventures in the United States, Europe and the Asia/Pacific region. These hotels are primarily operated under brand names that are among the most respected and widely recognized in the lodging industry. The majority are located in central business districts of major cities, near airports and in resort/conference destinations that benefit from significant barriers to entry by competitors. Since 2002, the percentage of revenues from our target markets has increased from approximately 55% to 75% in 2013, as we have focused our acquisition efforts on these locations, and similarly disposed of non-core assets. While hotels in these markets still are subject to competitive pressures, we believe this strategy of combining premium brands with superior locations provides opportunities to achieve room rate and occupancy premiums in excess of our competitors.

Our Customers

The majority of our customers fall into three broad groups: transient business, group business and contract business, which accounted for approximately 60%, 35%, and 5%, respectively, of our 2013 room sales. Similar to the majority of the lodging industry, we further categorize business within these broad groups based on characteristics they have in common as follows:

Transient business broadly represents individual business or leisure travelers. Business travelers make up the majority of transient demand at our hotels. Therefore, we will be significantly more affected by trends in business travel than trends in leisure demand. The four key subcategories of the transient business group are:

Retail: This is the benchmark rate that a hotel publishes and offers to the general public. It typically is the rate charged to travelers that do not have access to negotiated or discounted rates. It includes the "rack rate," which typically is applied to rooms during high demand periods and is the highest rate category available. Retail room rates will fluctuate more freely depending on anticipated demand levels (e.g. seasonality and weekday vs. weekend stays).
Non-Qualified Discount: These include special rates offered by the hotels, including packages, advance-purchase discounts and promotional offers. These also include rooms booked through online travel agencies (OTA's).
Special Corporate: This is a negotiated rate offered to companies and organizations that provide significant levels of room night demand to the hotel or to hotel brands generally. These rates typically are negotiated annually at a discount to the anticipated retail rate. In addition, this category includes rates offered at the prevailing per diem for approved government travel.
Qualified Discount: This category encompasses all discount programs, such as AAA and AARP discounts, rooms booked through wholesale channels, frequent guest program redemptions, and promotional rates and packages offered by a hotel.

Group business represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. The three key sub-categories of the group business category are:

- Association: group business related to national and regional association meetings and conventions.
- Corporate: group business related to corporate meetings (e.g., product launches, training programs, contract negotiations, and presentations).
- Other: group business predominately related to social, military, education, religious, fraternal and youth and amateur sports teams, otherwise known as SMERF business.

Contract business refers to blocks of rooms sold to a specific company for an extended period of time at significantly discounted rates. Airline crews are typical generators of contract demand for our airport hotels. Additionally, contract rates may be utilized by hotels that are located in markets that are experiencing consistently lower levels of demand.

Understanding Our Performance

Our Revenues and Expenses. Our hotels are operated by third-party managers under long-term agreements, pursuant to which they typically earn base and incentive management fees based on the levels of revenues and profitability of each individual hotel. We provide operating funds, or working capital, which the managers use to purchase inventory and to pay wages, utilities, property taxes and other hotel-level expenses. We generally receive a cash distribution from our hotel managers each month, which distribution reflects hotel-level sales less property-level operating expenses (excluding depreciation).

Revenue from owned hotels represents 99% of our total revenue. The following table presents the components of our hotel revenue as a percentage of our total revenue:

	% of 2013 Revenues	
· Rooms revenue. Occupancy and average daily room rate are the major drivers of rooms revenue. The business mix of the hotel (group versus transient and retail versus discount business) is a significant driver of room rates.	64	%
· Food and beverage revenue. Food & beverage revenues consist of revenues from group functions, which may include both banquet revenue and audio and visual revenues, as well as outlet revenues from the restaurants and lounges at our properties.	29	%
· Other revenue. Occupancy, the nature of the property (e.g., resort, etc.) and its price point are the main drivers of other ancillary revenue, such as parking, golf course, spa, entertainment and other guest services.	6	%

Hotel operating expenses represent approximately 97% of our total operating costs and expenses. The following table presents the components of our hotel operating expenses as a percentage of our total operating costs and expenses:

	% of 2013 Operating Costs and Expenses	
· Rooms expense. These costs include housekeeping, reservation systems, room supplies, laundry services and front desk costs. Occupancy is the major driver of rooms expense. These costs can increase based on increases in salaries and wages, as well as on the level of service and amenities that are provided.	19	%
· Food and beverage expense. These expenses primarily include food, beverage and the associated labor costs and will correlate closely with food and beverage revenues. Group functions with banquet sales and audio and visual components will generally have lower overall costs as a percentage of revenues than outlet sales.	23	%
·	27	%

Other departmental and support expenses. These expenses include labor and other costs associated with other ancillary revenue, such as parking, golf courses, spas, entertainment and other guest services, as well as labor and other costs associated with administrative departments, sales and marketing, repairs and minor maintenance and utility costs.		
· Management fees. Base management fees are computed as a percentage of gross revenue. Incentive management fees generally are paid when operating profits exceed certain threshold levels.	5	%
· Other property-level expenses. These expenses consist primarily of real and personal property taxes, ground rent, equipment rent and property insurance. Many of these expenses are relatively inflexible and do not necessarily change based on changes in revenue at our hotels.	8	%
· Depreciation and amortization expense. This is a non-cash expense that changes primarily based on the acquisition and disposition of hotel properties and the level of past capital expenditures.	15	%

The expense components listed above are based on those presented in our consolidated statements of operations. It also is worth noting that wage and benefit costs are spread among various line items. Taken separately, these costs represent approximately 55% of our hotel operating expenses.

Key Performance Indicators. Revenue per available room (“RevPAR”) is a commonly used measure within the hotel industry to evaluate hotel operations. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved. RevPAR does not include food and beverage, parking, or other guest service revenues generated by the property. Although RevPAR does not include these ancillary revenues, it is considered the key indicator of core revenues for many hotels.

RevPAR changes that are driven by occupancy have different implications on overall revenue levels, as well as incremental operating profit, than do changes that are driven by average room rate. For example, increases in occupancy at a hotel will lead to increases in rooms revenues and ancillary revenues, such as food and beverage revenue, as well as additional incremental costs (including housekeeping services, utilities and room amenity costs). RevPAR increases due to higher room rates, however, will not result in additional room-related costs, with the exception of those charged as a percentage of revenue. As a result, changes in RevPAR driven by increases or decreases in average room rates have a greater effect on profitability than do changes in RevPAR caused by occupancy levels.

In discussing our operating results, we present RevPAR and certain other financial data for our hotels on a comparable hotel basis. Comparable hotels are those properties that we have owned for the entirety of the reporting periods being compared and which operations have been included in our consolidated results. Comparable hotels do not include the results of properties acquired or sold, or that incurred business interruption due to significant property damage or large scale capital improvements. We also present RevPAR separately for our comparable consolidated domestic and international (both on a nominal and constant dollar basis) hotels, as well as for our joint venture in Europe. We provide RevPAR results in constant currency due to the number of consolidated properties we have internationally and the effect that exchange rates have on our reporting. We use constant currency because we believe it is useful to investors because it provides clarity on how the hotels are performing in their local markets. For all other measures (net income, operating profit EBITDA, FFO, etc.) our discussion is only in nominal US$, which is consistent with our financial statement presentation under GAAP.

We also evaluate the performance of our business through certain non-GAAP financial measures. Each of these non-GAAP financial measures should be considered by investors as supplemental measures to GAAP performance measures such as total revenues, operating profit, net income and earnings per share. We provide a more detailed discussion of these non-GAAP financial measures, how management uses such measures to evaluate our financial condition and operating performance and a discussion of certain limitations of such measures in "—Non-GAAP Financial Measures." Our non-GAAP financial measures include:

NAREIT Funds From Operations ("FFO") and Adjusted FFO per diluted share. We use NAREIT FFO and Adjusted FFO per diluted share as supplemental measures of company-wide profitability. NAREIT adopted FFO in order to promote an industry-wide measure of REIT operating performance. We also adjust NAREIT FFO for gains and losses on extinguishment of debt, acquisition costs and litigation gains or losses outside the ordinary course of business.

Hotel adjusted operating profit and margins. Hotel adjusted operating profit measures property-level results before debt service, depreciation and corporate expenses and is a supplemental measure of aggregate property-level profitability. We use hotel adjusted operating profit and associated margins to evaluate the profitability of our comparable hotels.

EBITDA and Adjusted EBITDA. Earnings before income taxes, interest expense, depreciation and amortization ("EBITDA") is a supplemental measure of the operating performance of our properties and facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. We also adjust EBITDA for gains and losses related to real estate transactions, impairment losses and litigation gains or losses outside the ordinary course of business ("Adjusted EBITDA").

Summary of 2013 Operating Results

The following table reflects certain line items from our audited statements of operations and the significant operating statistics (in millions, except per share and hotel statistics):

Historical Income Statement Data:

	2013	2012	Change 2012 to 2013	2011	Change 2011 to 2012
Total revenues	$5,166	$5,059	2.1 %	$4,714	7.3 %
Net income (loss)	325	63	415.9 %	(16)	N/M
Operating profit	512	362	41.4 %	309	17.2 %
Operating profit margin under GAAP	9.9 %	7.2 %	270 bps	6.6 %	60 bps
Adjusted EBITDA	$1,306	$1,190	9.7 %	$1,018	16.9 %
Diluted earnings (loss) per share	$.42	$.08	425.0 %	$(.02)	N/M
NAREIT FFO per diluted share	1.26	1.04	21.2 %	.89	16.9 %
Adjusted FFO per diluted share	1.31	1.10	19.1 %	.92	19.6 %

Comparable Hotel Data:

	2013 Comparable Hotels (1)			2012 Comparable Hotels (1)		
	2013	2012	Change 2012 to 2013	2012	2011	Change 2011 to 2012
Comparable hotel revenues	$4,670	$4,452	4.9 %	$4,428	$4,195	5.5 %
Comparable hotel operating profit	1,190	1,089	9.3 %	1,061	946	12.2 %
Comparable hotel adjusted operating profit margin	25.5 %	24.5 %	100 bps	24.0 %	22.6 %	140 bps
Change in comparable hotel RevPAR - Constant US$ (2)	5.8 %			6.6 %		
Change in comparable hotel RevPAR - Nominal US$	5.6 %			6.4 %		
Change in comparable domestic RevPAR	5.9 %			6.3 %		
Change in comparable international RevPAR - Constant US$ (2)	3.9 %			13.0 %		

(1) Comparable hotel operating statistics for 2013 and 2012 are based on 105 comparable hotels as of December 31, 2013, while the comparable hotel operating statistics for 2012 and 2011 are based on 103 comparable hotels as of December 31, 2012.

(2) For a discussion of our constant US$ and nominal US$ presentation, see "—Comparable Hotel Operating Statistics."

In 2013, on a constant US$ basis, RevPAR at our comparable hotels increased 5.8% compared to 2012, marking the fourth straight year of comparable RevPAR growth in excess of 5.5%. While the overall growth in the economy since the 2008-2009 recession has been slow, particularly with regards to GDP growth and the level of unemployment, specific drivers of lodging demand have proven to be more resilient. In particular, corporate business, which is one of the most important demand drivers of our portfolio, has strengthened as corporate profits and business investment have increased at a much greater rate than the overall economy. Additionally, our domestic target markets have benefited from an increase in demand from travel to the U.S. as international arrivals increased.

On a constant US$ basis, RevPAR at our comparable consolidated international hotels increased 3.9% in 2013. The increase reflects improvement in average room rate in all of our consolidated international markets, largely offset by a decrease in occupancy of 5.6 percentage points at our properties in Latin America, which was negatively affected by on-going construction at the JW Marriott Hotel Mexico City.

RevPAR growth in 2013 at our comparable hotels was both rate and occupancy driven, as room rates improved 4.2%, on a nominal US$ basis, and occupancy improved 100 basis points to 76%, which is above our pre-recession occupancy levels in 2007. Our operators have been able to leverage the higher occupancy levels in order to gradually increase room rates, particularly for our transient business. Therefore, much of the room revenue improvement for the year was driven by improvement in transient demand, as transient revenue increased 7.5%, benefiting from an increase in occupancy and a positive mix shift to higher rated business, and group revenue increased 2.6%.

Food and beverage revenues at our comparable hotels increased 4.0% for 2013. The increase was driven primarily by a positive mix shift to banquet and audio visual revenues, which provide higher overall operating margins than outlet revenue, as catered functions generally are more profitable. Additionally, outlet revenue increased, particularly in the second half of the year, as a result of strategic efforts to drive food and beverage profitability by renovating and repositioning restaurants at certain of our properties. Food and beverage revenue has significantly benefited from restaurant repositionings and renovations completed over the past three years. Overall, food and beverage revenues increased by 5.9% compared to 2012.

In aggregate, revenues for our owned hotels increased $327 million to $5.1 billion for the year, while other revenues decreased $220 million. The decline in other revenues was due to the expiration of the lease on the 53 Courtyard by Marriott hotels leased from Hospitality Properties Trust (“HPT”) on December 31, 2012. Accordingly, total revenues increased $107 million to approximately $5.2 billion for 2013.

Operating margins (calculated based on GAAP operating profit as a percentage of GAAP revenues) increased 270 basis points for the full year 2013. These operating margins are affected significantly by several items, including operations from recently acquired hotels, depreciation, impairments, and corporate expenses. Our comparable hotel adjusted operating profit margins, which exclude these items, increased 100 basis points to 25.5%. The improvements were driven by the increase in average room rate, as well as a 7.9% increase in comparable food and beverage profit.

Net income for Host Inc. improved $262 million in 2013 to $325 million. Net income benefited from the improvement in operating profit as well as a decrease in interest expense of $69 million due to the repayment or refinancing of debt at lower interest rates, a decrease in impairment expense of $59 million and an increase in gains on hotel dispositions of $49 million. Adjusted EBITDA, which is defined as EBITDA adjusted for gains and losses related to real estate transactions, impairment expense, and other items, increased $116 million, or 9.7%, to $1.3 billion.

During 2013, Host Inc.’s diluted income per common share improved $0.34 per share to $0.42 per common share. The improvement in our income per diluted share reflects the improvement in operating results at our hotels as described above. Host Inc.’s Adjusted FFO per diluted share increased 19.1% to $1.31 per diluted share for 2013.

The trends and transactions described above for Host Inc. affected similarly the operating results for Host L.P, as the only significant difference between the Host Inc. and Host L.P. statements of operations relates to the treatment of income attributable to the outside partners of Host L.P. For the year, Host L.P.’s net income improved $262 million to $325 million, and the diluted income per common unit improved $0.34 per common unit to $0.43 per common unit.

2014 Outlook

We believe that the broad economic trends that have translated into the steady improvement in lodging demand should continue in 2014. In the United States, according to Blue Chip Economic Indicators, the consensus estimate for real GDP growth in 2014 currently is 2.8%. This growth rate is a notable increase over 2013, due to an improved outlook surrounding private sector demand and consumer sentiment as well as business investment and international travel, which are particularly important indicators of demand at properties located in our targeted gateway markets. Additionally, significant impediments to growth due to governmental fiscal policy in 2013, such as the Federal government shutdown in the fourth quarter, uncertainty due to the threat of the potential U.S. credit default and austerity efforts at the state and local levels, are not expected to repeat or to have the same negative year-over-year effect for 2014. At the same time, however, certain key factors continue to affect negatively the economic recovery and add to general market uncertainty. These factors include, but are not limited to, continued political uncertainty with respect to U.S. economic policy, including the potential effects of the tapering of the bond-buying program by the Federal Reserve, continued high levels of unemployment, the tenuous nature of the Euro Zone recovery, the slow-down in growth in China, and slower growth and elevated risks associated with emerging markets. As a result of these economic trends, we believe the overall improvement in the economic climate will result in a steady increase in demand for our domestic portfolio during 2014.

In Europe, we expect moderate demand growth, consistent with the slowly improving economic climate. For the Euro JV properties, we anticipate that this moderate demand growth will lead to modest improvements in RevPAR. Our properties in Latin America are expected to exhibit solid RevPAR improvement as Rio de Janeiro will benefit from increased leisure demand generated by the FIFA World Cup. In the Asia/Pacific region, we expect that our properties in Australia and New Zealand will exhibit moderate growth in RevPAR as the increases in new supply will be low.

Over the same period, we have experienced relatively low supply growth in upper upscale hotels in most of our target markets due to the long planning cycle of hotel development projects, lack of available credit in prior years, and the pricing of upper upscale hotels, which have continued to trade below replacement cost. As a result, demand has exceeded supply growth in the industry. Overall, we expect this trend to continue into 2014, with the exception of the New York and Washington, D.C. markets, where supply growth is expected to exceed the historical industry average during 2014.

As a result of these trends, we continue to believe that the strong overall fundamentals in the lodging industry should drive improvements in RevPAR growth and operating results. Specifically, based on our current group bookings, we believe there is the potential for increasing group demand, which would allow our operators to shift the business mix to higher-rated corporate group and transient demand as opposed to lower-rated transient discount business. As a result, we believe the majority of the RevPAR growth for 2014 will be driven by improvements in average rate, as we expect occupancy growth will be similar to that experienced in 2013. For the full year 2014, we believe these trends will result in improved operating performance and comparable hotel RevPAR growth on a constant US$ basis of 5% to 6%. We anticipate that comparable food and beverage and other revenue will increase approximately 3% to 4% in 2014 driven in part by the expected increase in group demand.

While we believe that the lodging industry will continue to improve, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy and changes in travel patterns. See Part I Item 1A. “Risk Factors.”

Investing Activities

Acquisitions and Development. We continue to seek investment opportunities in our target markets, which we have identified as those that are expected to have the greatest lodging demand growth, the fewest additions to supply, and the strongest potential for revenue growth. We see increased competition for acquisitions in our target markets due to the accessibility of capital and the current availability of inexpensive financing. Consequently, pricing for upper upscale and luxury assets has become more aggressive, and recent transaction values have approached replacement cost levels. Our acquisition strategy also includes the acquisition or development of midscale and upscale properties in select target markets. Since January 1, 2013, we have completed the following transactions:

Acquisitions

Subsequent to year-end 2013, we acquired the 151-room Powell Hotel in San Francisco, including the fee simple interest in the land, for $75 million. The property includes a significant long-term retail lease with Sephora, a leading provider of perfume and cosmetics. We intend to invest $22 million in an extensive redevelopment of the property beginning late in 2014.

On May 31, 2013, we acquired the fee-simple interest in the 426-room Hyatt Place Waikiki Beach in Honolulu, Hawaii for $138.5 million.

In December 2013, we made the final incremental payment of $19.9 million for the purchase of the fee simple interest in the land at the New York Marriott Marquis Times Square. In addition, $25 million of the payments made pursuant to the terms of the ground lease have been attributed towards the purchase of the land. The purchase was completed in conjunction with our 2012 lease of the existing retail space to Vornado Realty Trust and its on-going redevelopment which is expected to be completed in early 2015.

Development

On November 12, 2013, we opened the 255-room Hyatt Place Nashville Downtown through a 50/50 joint venture with White Lodging Services. Total development costs for the project are approximately $43 million. We have contributed approximately $6 million to the joint venture.

We have invested approximately R$94 million ($45 million) as of December 31, 2013 related to the development of two hotels totaling 405 rooms in Rio de Janeiro. The hotels are expected to open in the second quarter of 2014 and will be managed by Accor under the ibis and Novotel brands. Our total investment is expected to be R$131 million ($67 million).

We hold a 67% non-controlling interest in a 131–unit vacation ownership project under development in Maui, Hawaii, adjacent to our Hyatt Regency Maui Resort & Spa. The total development cost of the project is expected to be $200 million, of which $110 million will be financed through a construction loan. We have contributed $47 million, including land valued at $36 million, as of December 2013. Sales of the timeshares are underway and we anticipate the project to open in late 2014.

Dispositions. We have sold seven properties (five in 2013, two in 2014) since January 1, 2013 for a total sales price of $960 million. These properties are non-core assets where we believe the potential for growth is constrained or where we were able to opportunistically take advantage of pricing in the market. Significant dispositions include:

- the February 12, 2014 sale of Courtyard Nashua for $10 million;
- the January 10, 2014 sale of 89% of the Philadelphia Marriott Downtown based on a market value of $303 million. Total proceeds were $290 million, which includes our 11% portion of the proceeds received from the $230 million mortgage debt issued by the partnership at closing;
- the December 18, 2013 sale of the Dallas/Addison Marriott Quorum by the Galleria for $56 million;
- the November 20, 2013 sale of the Four Seasons Hotel Atlanta for $63 million;
- the November 1, 2013 sale of the Portland Marriott Downtown Waterfront for $87 million;
- the June 28, 2013 sale of The Ritz-Carlton, San Francisco for $161 million; and
- the January 11, 2013 sale of the Atlanta Marriott Marquis for $293 million.

During 2014, we believe the disposition market should remain favorable, particularly for assets in our target markets. We are also seeing increased interest in our non-target markets as a result of increased liquidity and plan to remain opportunistic with our disposition activity.

Value Enhancement Initiatives. We also look to enhance the value of our portfolio by identifying and executing strategies designed to achieve the highest and best use of all aspects of our properties. This may include extending ground leases or restructuring management agreements, as well as developing or disposing of underutilized space connected to our properties. We believe that the successful execution of these projects will create significant value for the company. During 2013, we completed the following value-enhancement projects:

- On April 1, 2013, we sold approximately four acres of excess land adjacent to our Newport Beach Marriott Hotel & Spa to a luxury homebuilder for $24 million and recognized a $21 million gain on the sale. The land, which previously was used for tennis courts, has been approved for the development and sale of 79 luxury condominiums.
- We reached an agreement with the city of Houston for a new 40-year ground lease for the Houston Airport Marriott, which was set to expire in 2019. Under the terms of the agreement, in addition to the extension, the ground lease expense as a percentage of revenues has been reduced in return for an investment of approximately $35 million to renovate and enhance the hotel, including complete renovation of the guestrooms and public spaces, as well as elevator and systems upgrades.
- We successfully converted the Memphis Marriott Downtown to the Sheraton Memphis Downtown, which is franchised and managed by Davidson Hotels & Resorts and are in the process of completing the capital plan to reposition the property. We believe that this transaction matches the appropriate brand, operator and capital plan for the market and, as a result, will increase the value of the property.
- We reached an agreement with Marriott International with respect to the Calgary Marriott Downtown. We agreed to extend the term of the management agreement and received an increase in the owner’s priority threshold, which will reduce current and future management fees. We intend to invest $23 million in repositioning capital expenditures at the hotel.
- In connection with the negotiation of the franchise and management agreements described above, we also received the right from Marriott International to franchise three additional hotels and accelerated a similar franchise right on a fourth hotel. We believe that this additional flexibility substantially improves the value of these hotels by increasing the potential pool of interested buyers.

Capital Expenditures Projects. We continue to pursue opportunities to enhance asset value through select capital improvements, including projects that are designed specifically to increase the eco-efficiency of our hotels, incorporate elements of sustainable design and replace aging equipment and systems with more efficient technology. During 2013, we completed renovations of 6,900 guestrooms, over 420,000 square feet of meeting space and approximately 150,000 square feet of public space.

Redevelopment and Return on Investment Capital Expenditures. Redevelopment and ROI projects primarily consist of large-scale redevelopment projects designed to increase cash flow and improve profitability by capitalizing on changing market conditions and the favorable location of our projects. Approximately $97 million was spent on these projects during 2013 compared to $144 million in 2012. Significant redevelopment and ROI capital expenditures during the year included the following projects:

- Newark Airport Marriott – the completion of a 20,000 square foot ballroom and renovation to approximately 25,000 square feet of existing ballroom and meeting space. This space was completed in time for the 2014 Super Bowl at MetLife Stadium in East Rutherford, New Jersey;
- Orlando World Center Marriott – the redevelopment of the pool area, including new waterslides, activity areas and dining facilities as part of the large-scale renovation at the hotel that began in 2012;
- JW Marriott Desert Springs Resort & Spa – the construction of a new 17,000 square-foot pavilion; and
- The Ritz-Carlton, Naples – the repositioning of the Terrazza, Dusk and Grill food and beverage outlets.

For 2014, we plan to spend between $70 million and $80 million for redevelopment and ROI projects. The projects will include the renovation of all 600 rooms at the Sheraton Memphis Downtown as part of the conversion from the Marriott brand, the repositioning of 11 restaurants throughout our portfolio, and the beginning phases of the redevelopment at the Houston Airport Marriott in connection with the extension of its ground lease.

Acquisition Capital Expenditures. In conjunction with the acquisition of a property, we prepare capital and operational improvement plans designed to maximize profitability. During 2013, we spent approximately $36 million on acquisition capital projects compared to $128 million during 2012 for these designated projects at hotels we acquired from 2010 through 2013. During 2013, significant acquisition capital expenditure projects completed included the following:

- The renovation of all 897 guest rooms at the Grand Hyatt Washington, which included use of environmentally-friendly materials and installation of energy efficient thermostat systems; and
- The renovation of all 1,625 guest rooms at the Manchester Grand Hyatt San Diego. We also began the renovation of over 100,000 square feet of meeting space and the expansion of the fitness center as part of the multi-year $84 million renovation of the hotel.

For 2014, we expect to invest between $30 million and $35 million for acquisition capital expenditures, including the completion of the meeting space and fitness center renovation at the Manchester Grand Hyatt San Diego.

Renewal and Replacement Capital Expenditures. We spent $303 million and $366 million on renewal and replacement expenditures during 2013 and 2012, respectively. These expenditures are designed to ensure that our high standards for product quality are maintained and to enhance the overall competitiveness of our properties in the marketplace. These projects included the renovation of over 4,300 rooms, 65,000 square feet of public space and 350,000 square feet of meeting space in 2013. Projects that were underway during the fourth quarter of 2013 included the renovation of 230 suites at the Fairmont Kea Lani, the guestrooms at The Westin Indianapolis, The Westin Waltham-Boston and the Newport Beach Marriott Hotel & Spa, as well as the ballroom at the JW Marriott Washington D.C. Major projects completed in 2013 included the following:

- The renovation of all 312 guestrooms at the JW Marriott Hotel Mexico City;
- The renovation of 1,452 guestrooms, 47 suites and the concierge lounge at the San Francisco Marriott Marquis;
- The renovation of almost 40,000 square feet of meeting and public space at The Ritz-Carlton, Tysons Corner; and
- The renovation of over 36,000 square feet of meeting space at The Westin Denver Downtown, including the installation of energy efficient LED lighting.

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We expect that our investment in renewal and replacement expenditures in 2014 will total approximately $320 million to $340 million. These projects will include the renovation of an additional 220 suites at the Fairmont Kea Lani, rooms renovations at Sheraton Boston Hotel, Hyatt Regency Reston and The Westin Buckhead Atlanta, and a ballroom and meeting space renovation at Harbor Beach Marriott Resort & Spa.

International Joint Venture Investments. We continue to utilize joint ventures to expand our portfolio and to help diversify exposure to target markets internationally. During 2013, the Euro JV completed the following transactions:

On August 29, 2013, the Euro JV acquired the 465-room Sheraton Stockholm Hotel in Sweden, for approximately €102 million ($135 million). In connection with the acquisition, the Euro JV entered into a €61 million ($81 million) mortgage loan with an interest rate of 5.67% that matures in 2018. We contributed approximately €14 million ($19 million) to the Euro JV in connection with this acquisition, funded through a draw on our credit facility.

On October 22, 2013, the Euro JV sold the Courtyard Paris La Defense West – Colombes for €19 million ($26 million) plus certain customary closing adjustments and recognized a gain of approximately €1.7 million ($2.3 million).

Financing Activities

We continued to pursue our long-term goal of a stronger balance sheet by lowering our debt-to-equity ratio and extending debt maturities by raising and deploying capital strategically, thereby improving our overall leverage and coverage ratios. We believe that lower leverage reduces our overall cost of capital and earnings volatility and increases access to capital, thereby providing the necessary flexibility to take advantage of opportunities throughout the lodging cycle, which we consider a key competitive advantage. As our operations have improved, we have focused strategically on raising and deploying capital to improve our leverage ratios, while at the same time completing substantial investments in our portfolio through acquisitions and capital investments. Since January 1, 2013, we have used proceeds from asset dispositions and available cash to repay or refinance $1.6 billion of debt with a weighted average interest rate of 6.3%. Additionally, on March 1, 2014, we intend to repay the $300 million mortgage loan secured by The Ritz-Carlton, Naples and Newport Beach Marriott Hotel & Spa at maturity. As a result of these transactions, and subsequent to the expected March 2014 repayment, we will have decreased our weighted average interest rate compared to 2012 by 45 basis points, to 4.95%, and lengthened our weighted average debt maturity by 0.9 years to 6.0 years. Specifically, we completed the following significant financing transactions:

We issued $400 million of 3 ¾% Series D senior notes due October of 2023 for net proceeds of $396 million. The net proceeds from the issuance of the Series D senior notes, together with cash on hand, were used to redeem the $400 million of 9% Series T senior notes due 2017 at an aggregate price of $418 million in May 2013.

We redeemed $400 million of our 6¾% Series Q senior notes due 2016 for an aggregate price of $404 million. We redeemed the remaining $150 million of the Series Q senior notes subsequent to year end.

In March 2013 we called the remaining $175 million face amount of our 3¼% exchangeable senior debentures for redemption and holders of $174 million of the debentures elected to exchange their debentures for shares of Host Inc. common stock totaling approximately 11.7 million shares, rather than receive the cash redemption proceeds. The remaining $1 million of debentures were redeemed for cash.

We repaid the 4.75%, $246 million mortgage loan on the Orlando World Center Marriott and the 8.51%, $31 million loan on the Westin Denver Downtown. Additionally, we refinanced the 5.55%, $134 million mortgage loan secured by the Harbor Beach Marriott Resort & Spa with a $150 million mortgage loan that bears interest at a fixed rate of 4.75% and matures January 1, 2024.

We issued 16.9 million common shares under our "at-the-market" offering programs. The shares were issued at an average price of $17.78 per share for net proceeds of approximately $297 million. The net proceeds were used to fund recent acquisitions, development projects and a portion of our ROI/redevelopment expenditures.

After adjusting for hotel acquisitions and dispositions, debt repayments and dividend payments that have occurred subsequent to year end and the expected March 1, 2014 mortgage loan repayment, we will have approximately $779 million of available capacity under our credit facility and a debt balance of $4,084 million.

We believe that we have sufficient liquidity and access to the capital markets in order to pay our near-term debt maturities, fund our capital expenditures programs and take advantage of investment opportunities. For a detailed discussion, see "—Liquidity and Capital Resources."

Results of Operations

The following table reflects certain line items from our audited statements of operations (in millions, except percentages):

	2013	2012	% Change 2012 to 2013	2011	% Change 2011 to 2012
Revenues:					
Owned hotel revenues	$5,115	$4,788	6.8 %	$4,464	7.3 %
Other revenues (1)	51	271	(81.2)%	250	8.4 %
Operating costs and expenses:					
Property-level costs (2)	4,533	4,601	(1.5)%	4,296	7.1 %
Corporate and other expenses (3)	121	107	13.1 %	111	(3.6)%
Gain on insurance settlements	—	11	N/M	2	N/M
Operating profit	512	362	41.4 %	309	17.2 %
Interest expense	304	373	(18.5)%	371	0.5 %
Benefit (provision) for income taxes	(21)	(31)	(32.3)%	1	N/M
Income (loss) from continuing operations	210	(8)	N/M	(27)	(70.4)%
Income from discontinued operations	115	71	62.0 %	11	N/M
Host Inc.:					
Net income (loss) attributable to non-controlling interests	$8	$2	300 %	$(1)	N/M
Net income (loss) attributable to Host Inc.	317	61	419.7 %	(15)	N/M
Host L.P.:					
Net income (loss) attributable to non-controlling interests	$4	$1	300 %	$(1)	N/M
Net income (loss) attributable to Host L.P.	321	62	417.7 %	(15)	N/M

(1) For 2012 and 2011, respectively, includes the results of the 53 Courtyard by Marriott properties leased from Hospitality Properties Trust (“HPT”). These leases expired on December 31, 2012.
(2) Amounts represent operating costs and expenses from our consolidated statements of operations, less corporate and other expenses and the gain on insurance settlements.
(3) For 2013 includes an $8 million accrual related to the San Antonio Rivercenter litigation. See Legal Proceedings for further details.
N/M=Not Meaningful

Hotel Sales Overview

The following table presents revenues in accordance with GAAP and includes both comparable and non-comparable hotels (in millions, except percentages):

	2013	2012	% Change 2012 to 2013	2011	% Change 2011 to 2012
Revenues:					
Rooms	$3,317	$3,082	7.6 %	$2,849	8.2 %
Food and beverage	1,503	1,419	5.9 %	1,336	6.2 %
Other	295	287	2.8 %	279	2.9 %
Owned hotel revenues	5,115	4,788	6.8 %	4,464	7.3 %
Other revenues	51	271	(81.2)%	250	8.4 %
Total revenues	$5,166	$5,059	2.1 %	$4,714	7.3 %

2013 Compared to 2012. During 2013, total revenues increased $107 million, primarily due to increased rooms and food and beverage (“F&B”) revenues. The 2012 amounts include $232 million for hotels leased from Hospitality Properties Trust (“HPT”). These leases were terminated on December 31, 2012. For 2013, our owned hotel revenues, which exclude the HPT leases, increased $327 million. Our 2013 revenues benefited from the results of the Grand Hyatt Washington, acquired in July 2012 and the Hyatt Place Waikiki Beach, acquired in May 2013 (collectively, our “Recent Acquisitions”), which contributed an incremental $72 million of revenues. Revenues and expenses for eight properties sold in 2013 or 2012 have been reclassified to discontinued operations and, accordingly, are excluded from the revenues and expenses discussed in this section.

Rooms. Rooms revenues increased $235 million in 2013. The improvement in rooms revenues reflects a 5.6% increase in RevPAR at our comparable hotels, as well as RevPAR improvements for recently renovated properties that are not included in our comparable results. In addition, rooms revenues for 2013 increased $51 million due to incremental revenues from our Recent Acquisitions.

Food and beverage. F&B revenues increased $84 million in 2013. For our comparable hotels, F&B revenues increased 4.0% for 2013, driven by a positive mix shift to banquet, audio visual revenues and outlet revenue growth. For 2013, the increase in F&B revenues due to our Recent Acquisitions was approximately $20 million.

Other revenues from owned hotels. During 2013, other revenues from owned hotels increased $8 million due to increases in attrition and cancellation fees and garage revenue. The increase in other revenues from owned hotels due to our Recent Acquisitions was approximately $2 million for 2013.

Other revenues. Other revenues decreased $220 million in 2013. Excluding the effects of the terminated HPT leases, other revenues increased $12 million, or 30.8%, primarily due to lease revenue at the New York Marriott Marquis as a result of the new retail lease with Vornado.

While management evaluates the performance of each individual hotel against its competitive set in a given market, overall we evaluate the portfolio operating results using three different criteria: geographic market, property type (i.e. urban, suburban, resort/conference or airport), and mix of business (i.e. transient, group or contract).

Comparable Hotel Sales by Geographic Market.

The following table sets forth performance information for our comparable hotels by geographic market as of December 31, 2013 and 2012:

Comparable Hotels by Market in Constant US$[(1)]

	As of December 31, 2013		Year ended December 31, 2013			Year ended December 31, 2012 [(2)]			
Market	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Boston	6	3,672	$193.69	77.6 %	$150.25	$189.22	74.0 %	$140.11	7.2 %
New York	8	6,450	278.42	86.6	241.20	272.52	83.5	227.64	6.0
Philadelphia	3	2,191	185.36	75.2	139.37	180.98	74.7	135.24	3.1
Washington, D.C.	11	5,119	197.26	74.4	146.68	197.96	73.4	145.21	1.0
Atlanta	5	1,939	171.38	73.6	126.11	165.63	69.5	115.06	9.6
Florida	7	3,230	196.43	75.3	147.99	186.39	74.0	137.95	7.3
Chicago	6	2,387	191.06	75.1	143.52	184.03	75.5	138.94	3.3
Denver	3	1,363	144.17	63.9	92.18	138.62	63.6	88.13	4.6
Houston	4	1,706	181.26	76.6	138.75	157.53	76.5	120.51	15.1
Phoenix	4	1,522	188.53	68.2	128.65	180.15	66.9	120.47	6.8
Seattle	3	1,774	168.60	78.1	131.71	158.04	75.1	118.73	10.9
San Francisco	5	3,701	199.66	80.3	160.41	180.22	80.8	145.55	10.2
Los Angeles	8	3,228	162.93	81.7	133.11	152.29	81.1	123.49	7.8
San Diego	5	4,691	186.14	78.2	145.59	182.78	76.4	139.69	4.2
Hawaii	2	1,256	353.41	82.0	289.89	332.04	83.3	276.47	4.9
Other	12	7,532	155.82	66.8	104.05	146.87	68.0	99.90	4.2
Domestic	92	51,761	199.44	76.3	152.13	191.00	75.2	143.62	5.9
Asia-Pacific	6	1,223	$156.30	82.3 %	$128.59	$149.15	79.8 %	$118.96	8.1 %
Canada	3	1,219	183.53	68.9	126.43	174.08	68.2	118.70	6.5
Latin America	4	1,075	238.71	65.6	156.52	224.15	71.2	159.49	(1.9)
International	13	3,517	187.71	72.6	136.31	179.22	73.2	131.15	3.9
All Markets - Constant US$	105	55,278	198.72	76.0	151.12	190.26	75.1	142.82	5.8

Comparable Hotels in Nominal US$

	As of December 31, 2013		Year ended December 31, 2013			Year ended December 31, 2012 [(2)]			
International Market	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy	RevPAR	Average Room Rate	Average Occupancy	RevPAR	Percent Change in

				Percentage				Percentage				RevPAR		
Asia-Pacific	6	1,223	$156.30	82.3	%	$128.59	$154.17	79.8	%	$122.96		4.6		%
Canada	3	1,219	183.53	68.9		126.43	179.47	68.2		122.37		3.3		
Latin America	4	1,075	238.71	65.6		156.52	232.18	71.2		165.21		(5.3	)	
International	13	3,517	187.71	72.6		136.31	185.24	73.2		135.56		0.6		
Domestic	92	51,761	199.44	76.3		152.13	191.00	75.2		143.62		5.9		
All Markets - Nominal US$	105	55,278	198.72	76.0		151.12	190.64	75.1		143.10		5.6		

(1) For a discussion of our markets and constant US$ and nominal US$ presentation, see "—Comparable Hotel Operating Statistics."
(2) The 2012 results include one additional day of operations in February compared to 2013 due to the leap year in 2012.

For 2013, our top performing markets were Houston, Seattle and San Francisco with RevPAR increases of 15.1%, 10.9% and 10.2%, respectively. The increase in our Houston market primarily resulted from higher average room rates as these hotels shifted from lower-rated group and transient business to higher-rated segments as well as aggressive pricing increases in group for both retail and special corporate business. The increase in our Seattle market reflects a 6.7% increase in average room rate and a 3.0 percentage point increase in average occupancy driven by higher-rated group and transient demand. RevPAR growth in our San Francisco market was driven entirely by rate improvements from an improved business mix. Occupancy declined slightly during the year, but still remained at over 80% as strong transient and group demand throughout the city have translated to RevPAR gains at our properties.

RevPAR for our Atlanta hotels increased 9.6% for 2013, reflecting a strong citywide and special event calendar during the year that drove group and transient demand.

For 2013, our Los Angeles market RevPAR increased 7.8% primarily due to improved average room rates as a result of increased transient business driven by a mix shift to higher-rated segments and increased corporate group business.

For 2013, our Florida hotels increased RevPAR 7.3% as a result of a 5.4% increase in average room rate and 1.3 percentage point increase in average occupancy driven by strong leisure demand.

Our Boston market RevPAR increased 7.2% as a result of a 3.5 percentage point increase in average occupancy and a 2.4% increase in average room rate due to strong group performance and transient business due in part to Major League Baseball's Playoff and World Series events and the favorable 2012 comparisons related to hurricane Sandy.

Our New York hotels increased RevPAR 6.0% as a result of a 3.1 percentage point increase in average occupancy and a 2.2% increase in average room rate. In 2012, RevPAR growth was negatively affected by hurricane Sandy in the fourth quarter and renovation disruption at several of our New York hotels. In 2013, RevPAR results have been tempered by supply growth in this market.

For 2013, our Washington D.C. market RevPAR increased only 1.0% due to a 1.0 percentage point increase in average occupancy resulting from transient room nights. For 2013, the sequestration and U.S. Federal Government shutdown negatively impacted this market by lowering demand for government and related industry business.

Internationally, RevPAR in our Asia/Pacific and Canadian markets increased 8.1% and 6.5%, respectively, on a constant US$ basis. For 2013, the increase at our Asia/Pacific hotels resulted from a 4.8% increase in average room rate and a 2.5 percentage point increase in average occupancy, driven by transient demand and the results of renovations completed in 2012. The improvement in RevPAR at our Canadian hotels was primarily driven by an increase in average room rate. RevPAR at our Latin American properties decreased 1.9% on a constant US$ basis, largely due to a decrease in occupancy. The nominal RevPAR results of our international properties were negatively affected by the relative strength of the US Dollar during 2013.

Comparable Hotel Sales by Property Type.

The following table sets forth performance information for our comparable hotels by property type as of December 31, 2013 and 2012:

Comparable Hotels by Type in Nominal US$

	As of December 31, 2013		Year ended December 31, 2013			Year ended December 31, 2012 (1)			
Property type [2]	No. of	No. of Rooms	Average	Average Occupancy	RevPAR	Average	Average Occupancy	RevPAR	Percent

	Properties		Room Rate	Percentage			Room Rate	Percentage			Change in RevPAR	
Urban	54	34,183	$212.05	77.8	%	$164.95	$205.15	76.4	%	$156.81	5.2	%
Suburban	28	10,021	163.16	70.7		115.40	152.34	70.7		107.74	7.1	
Resort/Conference	12	5,906	239.60	71.5		171.32	228.57	70.3		160.61	6.7	
Airport	11	5,168	132.13	80.0		105.74	126.34	79.9		100.91	4.8	
All Types	105	55,278	198.72	76.0		151.12	190.64	75.1		143.10	5.6	

(1) The 2012 results include one additional day of operations due to the leap year.
(2) For a discussion of our property types, see "—Comparable Hotel Operating Statistics."

For 2013, our suburban properties led the portfolio with a 7.1% increase in RevPAR, as stable average occupancy levels at these properties have allowed operators to increase average daily room rates. We believe strong demand that has led to high average occupancy and increasing rates in adjacent urban markets has contributed to an increase in demand at our suburban properties. For 2013, our resort/conference hotels experienced RevPAR growth of 6.7%, driven by a 4.8% increase in average room rate and a 1.2 percentage point increase in average occupancy due to higher demand. Our urban properties experienced a RevPAR growth of 5.2% for 2013, as results were mixed throughout these markets. Strength in several of our west coast markets, as well as our Houston and Atlanta markets were partially offset by weakness in our Washington D.C. and Philadelphia markets.

Hotel Sales by Business Mix.

The majority of our customers fall into three broad categories: transient, group and contract business. The information below is derived from business mix results from 102 comparable hotels for which 2013 and 2012 business mix information is available. In 2013, overall revenue growth was due mainly to transient revenues improving 7.5% compared to the prior year, consisting of a 4.0% average room rate increase coupled with a 3.4% growth in transient room nights sold. The transient average room rate increase resulted from a combination of segment price increases and an increasingly favorable business mix. Higher-rated retail and non-qualified discount transient room nights increased 9.1% for the year, while lower-rated special corporate, government and discount segments decreased 0.9%. During 2013, group revenues increased 2.6% when compared to 2012, reflecting an increase in average room rate of 2.8%, while group room nights sold declined 0.2%. Corporate and association group revenues increased 9.9% and 2.6%, respectively, while discount group revenue decreased 8.4%.

2012 Compared to 2011. During 2012, total revenue increased $345 million, or 7.3%, primarily as a result of growth in room revenues, reflecting an increase in RevPAR, and growth in F&B revenues. In addition, revenues benefited from the acquisition of one hotel in July 2012 and a full year of operations for 10 hotels acquired in 2011. Revenues for properties sold in 2012 or 2011 have been reclassified to discontinued operations.

Rooms. Room revenues increased $233 million, or 8.2%, to $3,082 million in 2012 due to strong growth in room rates coupled with a growth in average occupancy. Comparable hotel RevPAR improved 6.4% as a result of a 3.6% increase in average room rate and a 200 basis point increase in average occupancy, which is discussed in more detail below. In addition, room revenue for 2012 increased $67 million due to incremental revenues from recently acquired hotels.

Food and beverage. F&B revenues increased $83 million, or 6.2%, to $1,419 million in 2012, primarily resulting from an increase in comparable F&B revenue of 3.9%. The increase in comparable F&B revenue was driven by improvements in banquet and audio visual revenues during the first half of the year, while outlet revenue improved in the second half of the year, as new and recently renovated restaurants performed well. In addition, F&B revenues for 2012 increased $31 million due to incremental revenues from recently acquired hotels.

Other revenues from owned hotels. During 2012, other revenues from owned hotels increased $8 million, or 2.9%, to $287 million. The improvement primarily resulted from an increase in operating departments such as garage, spa and golf, partially offset by a decrease in gift shop revenue, as well as $2 million in incremental revenues from recently acquired hotels.

Other revenues. Other revenues increased $21 million, or 8.4%, to $271 million in 2012. The improvement was due to $5 million in retail lease revenue at the New York Marriott Marquis as a result of the new lease agreement with Vornado Realty Trust, as well as an increase of $12 million in revenues for hotels we leased from HPT.

Comparable Hotel Sales by Geographic Market.

The following table sets forth performance information for our comparable hotels by geographic market as of December 31, 2012 and 2011:

Comparable Hotels by Market in Constant US$[1]

	As of December 31, 2012		Year ended December 31, 2012 (2)			Year ended December 31, 2011			
Market	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Boston	6	3,672	$189.22	74.0 %	$140.11	$174.35	72.4 %	$126.19	11.0 %
New York	8	6,447	272.52	83.5	227.64	264.83	82.5	218.40	4.2
Philadelphia	3	2,191	180.98	74.7	135.24	179.62	66.1	118.77	13.9
Washington, D.C.	11	5,117	197.96	73.4	145.21	198.51	75.1	149.02	(2.6)
Atlanta	7	3,846	160.57	68.1	109.38	157.31	65.0	102.32	6.9
Florida	8	3,680	210.85	73.7	155.35	196.88	71.7	141.11	10.1
Chicago	6	2,387	184.03	75.5	138.94	176.27	72.6	127.91	8.6
Denver	3	1,363	138.62	63.6	88.13	136.60	61.8	84.38	4.4
Houston	4	1,706	157.53	76.5	120.51	153.34	71.1	109.08	10.5
Phoenix	4	1,522	180.15	66.9	120.47	175.21	67.8	118.83	1.4
Seattle	3	1,774	158.04	75.1	118.73	151.89	73.1	111.06	6.9
San Francisco	6	4,036	194.58	80.6	156.77	180.83	78.4	141.86	10.5
Los Angeles	8	3,228	152.29	81.1	123.49	144.64	77.9	112.70	9.6
San Diego	3	1,703	145.49	78.8	114.60	144.90	76.9	111.41	2.9
Hawaii	2	1,256	332.04	83.3	276.47	318.87	78.7	251.06	10.1
Other	14	8,582	144.02	67.8	97.61	140.66	66.5	93.56	4.3
Domestic	96	52,510	190.60	74.7	142.37	184.10	72.8	133.95	6.3
Canada	3	1,219	$179.47	68.2 %	$122.37	$174.73	67.5 %	$117.97	3.7 %
Latin America	4	1,075	232.18	71.2	165.21	199.18	67.8	135.10	22.3
International	7	2,294	204.73	69.6	142.45	186.23	67.7	126.00	13.0
All Markets - Constant US$	103	54,804	191.15	74.5	142.37	184.19	72.5	133.62	6.6

Comparable Hotels in Nominal US$

	As of December 31, 2012		Year ended December 31, 2012 (2)			Year ended December 31, 2011			
International Market	No. of	No. of Rooms	Average	Average Occupancy	RevPAR	Average	Average Occupancy	RevPAR	Percent

	Properties		Room Rate	Percentage		Room Rate	Percentage		Change in RevPAR
Canada	3	1,219	$179.47	68.2 %	$122.37	$177.23	67.5 %	$119.66	2.3 %
Latin America	4	1,075	232.18	71.2	165.21	214.79	67.8	145.69	13.4
International	7	2,294	204.73	69.6	142.45	194.90	67.7	131.87	8.0
Domestic	96	52,510	190.60	74.7	142.37	184.10	72.8	133.95	6.3
All Markets - Nominal US$	103	54,804	191.15	74.5	142.37	184.52	72.5	133.86	6.4

(1) For a discussion of our markets and constant US$ and nominal US$ presentation, see "—Comparable Hotel Operating Statistics."

(2) The 2012 results include one additional day of operations due to the leap year.

During 2012, several markets experienced double digit RevPAR growth. For our domestic properties, our Philadelphia market led the portfolio with a RevPAR increase of 13.9% as the properties benefited from the completion of recent renovations. The renovations were on-going in 2011, which contributed to the year-over-year RevPAR improvements. That market was followed by our Boston market, with a RevPAR increase of 11.0%, due to strong group demand, which resulted in an increase in average room rate of 8.5% and average occupancy of 1.7 percentage points.

The Florida market had an increase in RevPAR of 10.1% due to a strong performance at our resort properties, which benefited from the completion of several renovations, leading to improvements in average room rates of 7.1% and average occupancy of 2.0 percentage points.

RevPAR at our San Francisco and Los Angeles hotels grew 10.5% and 9.6%, respectively. The growth in our San Francisco hotels resulted from an increase in average room rates of 7.6% and average occupancy of 2.1 percentage points while average room rates and occupancy increased 5.3% and 3.2 percentage points, respectively, at our San Francisco hotels.

Our Chicago market had an increase in RevPAR of 8.6%, as a result of strong improvements in both group and transient demand. The Atlanta market had an increase in RevPAR of 6.9%, resulting from strong transient demand, which led to an increase in average room rates of 2.1% and average occupancy of 3.1 percentage points.

Lower levels of demand in our New York market resulted in a RevPAR increase of only 4.2% due to cancellations related to Hurricane Sandy, including the closure of three hotels, one of which was closed for 15 days. RevPAR in our Washington D.C. market declined by 2.6% during the year, as average room rate decreased slightly and average occupancy decreased 1.7 percentage points. The decline was due to weak transient business, as well as cancellations related to Hurricane Sandy and renovations at three of the hotels.

Comparable Hotel Sales by Property Type.

The following table sets forth performance information for our comparable hotels by property type as of December 31, 2012 and 2011:

Comparable Hotels by Type in Nominal US$

	As of December 31, 2012		Year ended December 31, 2012 (1)			Year ended December 31, 2011			
Property type (2)	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Urban	53	33,232	$203.62	75.9 %	$154.54	$197.61	74.0 %	$146.30	5.6 %
Suburban	27	10,321	151.84	69.9	106.08	146.16	68.1	99.59	6.5
Resort/Conference	12	6,083	246.69	70.0	172.76	234.20	67.9	159.09	8.6
Airport	11	5,168	126.34	79.9	100.91	119.95	77.2	92.62	9.0
All Types	103	54,804	191.15	74.5	142.37	184.52	72.5	133.86	6.4

(1) The 2012 results include one additional day of operations due to the leap year.
(2) For a discussion of our property types, see "—Comparable Hotel Operating Statistics."

During 2012, comparable hotel RevPAR increased across all of our hotel property types. Our Airport properties led the portfolio with a 9.0% increase for the year, driven by an improvement in average room rates of 5.3%, as well as strength at our San Francisco, Chicago, Houston and Tampa airport hotels. Our resort/conference hotels also experienced a significant RevPAR increase of 8.6%, led by our Florida and Hawaii properties. Our urban hotels slightly underperformed the portfolio due to renovation activity during the year and the effects of Hurricane Sandy in the fourth quarter.

Hotel Sales by Business Mix.

The information below is derived from business mix data for 103 of our hotels for which 2012 and 2011 business mix information is available. In 2012, overall transient revenues increased 5.9% when compared to 2011, reflecting a 4.2% improvement in average room rate and a 1.6% increase in room nights. During 2012, group revenues increased approximately 6.4% when compared to 2011, reflecting a 2.3% increase in average room rate and a 4.1% increase in room nights. The improvement was due to strong performance in both association and corporate business.

Property-level Operating Expenses

The following table presents consolidated property-level operating expenses in accordance with GAAP and includes both comparable and non-comparable hotels (in millions, except percentages):

	2013	2012	% Change 2012 to 2013		2011	% Change 2011 to 2012	
Expenses:							
Rooms	$894	$836	6.9	%	$780	7.2	%
Food and beverage	1,095	1,049	4.4		993	5.6	
Other departmental and support expenses	1,249	1,219	2.5		1,179	3.4	
Management fees	222	199	11.6		181	9.9	
Other property-level expenses	376	576	(34.7	)	554	4.0	
Depreciation and amortization	697	722	(3.5	)	609	18.6	
Total property-level operating expenses	$4,533	$4,601	(1.5	)%	$4,296	7.1	%

2013 compared to 2012 and 2012 compared to 2011. Our operating costs and expenses, which consist of both fixed and variable components, are affected by a number of factors. As previously discussed, room expense is affected mainly by occupancy, which drives costs related to items such as housekeeping, reservation systems, room supplies, laundry services and front desk costs. Food and beverage expense correlates closely with food and beverage revenues, and is affected by occupancy and the mix of business between banquet and audio-visual and outlet sales. However, the most significant expense for both room expense and food and beverage expense is related to wages and employee benefits, which comprise approximately 55% of these expenses in any year. Other property-level expenses consist of property taxes, which are highly dependent on local taxing authorities, and property and general liability insurance, and do not necessarily change based on changes in revenues at our hotels. The overall increases in operating expenses in 2013 and 2012 are consistent with higher overall revenues at our properties. The year-over-year increases also reflect the incremental expenses from our recently acquired properties. For 2013, the recently acquired properties include the Hyatt Place Waikiki Beach that was purchased in May 2013 and six months of incremental operations for the Grand Hyatt Washington. For 2012, the recently acquired properties include the Grand Hyatt Washington that was purchased in July 2012 and a full year of operations for 10 hotels acquired in 2011. Property-level operating expenses for hotels sold during the periods presented have been reclassified as discontinued operations.

Rooms. Room expenses increased $58 million during 2013, reflecting an increase of 5.1% at our comparable hotels primarily driven by higher travel agent commissions and wages and benefit expenses. Additionally, rooms expenses increased $12 million for 2013 due to incremental expenses from our Recent Acquisitions.

The increase in room expenses for 2012 reflects an increase of 5.5% at our comparable hotels as a result of higher average occupancy, as well as higher wage rates and benefits. Rooms expenses for 2012 increased an incremental $19 million as a result of acquired hotels.

Food and beverage. F&B expenses increased $46 million during 2013. Comparable F&B expenses increased just 2.7%, as much of the revenue improvement was driven by increases in banquet and audio visual revenues, which have higher overall operating margins than outlet revenue. As a percentage of revenues, F&B expenses decreased 100 basis points for our comparable hotels during 2013. F&B expenses also increased an incremental $13 million due to our Recent Acquisitions.

The increase in F&B expenses for 2012 was a result of a 3.6% increase at our comparable hotels, reflecting higher wages and benefits, partially offset by a slight improvement in productivity. F&B expenses for 2012 also increased an incremental $21 million as a result of acquired hotels.

Other departmental and support expenses. Other departmental and support expenses increased $30 million in 2013, primarily due to increases in loyalty program rewards, wages and benefits, and credit card expenses. Other departmental and support expenses for 2013 also included an incremental $13 million from our Recent Acquisitions. For 2012 the increase in these expenses was driven primarily by higher sales and marketing expenses, which are variable and dependent upon revenues, such as loyalty rewards expense and national sales allocations. These increases partially were offset by lower centralized accounting charges and lower utility rates and consumption. For 2012, acquired hotels also increased other departmental and support expenses by an incremental $24 million.

Management fees. Management fees, which generally are calculated as a percentage of revenues and operating profit, increased 11.6% to $222 million for 2013. Base management fees, which are calculated as a percentage of total revenues, increased $11 million in 2013. Incentive management fees, which are calculated based on operating profit after our preferred return, increased $18 million for the year. Management fees increased $5 million for 2013 due to incremental expenses from our Recent Acquisitions. For 2012, base management fees increased 6.7% to $158 million and incentive management fees increased 29.6% to $48 million. Our management fees increased an incremental $4 million in 2012 as a result of acquired hotels.

Other property-level expenses. These expenses generally do not vary significantly based on occupancy and include expenses such as property taxes and insurance. Other property-level expenses decreased $200 million, or 34.7%, due to the expiration of the HPT leases on December 31, 2012. Excluding the effects of the HPT leases, other property-level expenses increased $34 million, or 10%, in 2013 due to an increase in real estate taxes, as well as $5 million due to incremental expenses from our Recent Acquisitions. For 2012, expenses increased $22 million, or 4.0%, due mainly to increases in property taxes and expenses related to hotels leased from HPT, as well as the inclusion of expenses from recently acquired hotels.

Depreciation and amortization. Depreciation and amortization expense decreased $25 million, or 3.5%, to $697 million in 2013. The decrease is due to a decline in non-cash impairment expenses of $59 million, partially offset by an increase due to Recent Acquisitions and capital expenditures. For 2012, depreciation and amortization expense increased $113 million, or 18.6% to $722 million, which includes a $60 million non-cash impairment charge related to The Westin Mission Hills Resort & Spa. The increase in 2012 also reflects the inclusion of depreciation expense for newly acquired properties and recent capital expenditures.

Other Income and Expense

Corporate and other expenses. Corporate and other expenses primarily consist of wages and benefits, employee stock-based compensation expense, travel, corporate insurance, legal fees, acquisition-related costs, audit fees, building rent and systems costs. Corporate expenses increased approximately $14 million, or 13.1% in 2013, due to higher compensation expenses and legal costs, including litigation accruals of $13 million, which partially were offset by lower acquisition costs.

Corporate expenses decreased approximately $4 million, or 3.6%, in 2012. Corporate expenses in 2011 include a charge of $15 million related to a forfeited acquisition deposit. During 2012, non-recurrence of this expense was partially offset by increases in acquisition and compensation expenses.

Gain on insurance settlements. We recorded gains of $9 million and $2 million in 2012 and 2011, respectively, related to the receipt of business interruption insurance proceeds for two properties in Christchurch, New Zealand, both of which were affected by an earthquake in February 2011. In 2012, we also recorded a gain of $2 million related to property insurance for two hotels in Chile, both of which were affected by an earthquake in February 2010. For further information on our insurance settlements, see Note 13 to our Consolidated Financial Settlements – Gain on Insurance Settlements.

Interest income. Interest income in 2013 decreased approximately $19 million due to the 2012 maturity of the mortgage loan investment associated with the portfolio of five hotels acquired by the Euro JV in November 2012. For 2012 and 2011, interest income primarily was attributable to amounts earned on this mortgage of $20 million and $17 million, respectively.

Interest expense. Interest expense decreased $69 million, or 18.5%, in 2013 due to the repayment or refinancing of debt that resulted in a decrease in our weighted average interest rates and overall debt balance. Total debt extinguishment costs increased $6 million in 2013. Interest expense increased $2 million, or 0.5%, in 2012. The increase is due primarily to a $21 million increase in debt extinguishment costs, which was partially offset by a lower weighted average interest rate and overall debt balances. In addition, savings from our fixed-to-floating interest rate swap reduced interest expense by $7 million in 2013 and $6 million for each of 2012 and 2011. The following table presents interest expense (in millions):

	Year ended December 31, (1		)
	2013	2012	2011
Cash interest expense[1]	$ 239	$ 308	$ 318
Cash incremental interest expense [1][2]	4	5	1
Non-cash interest expense	25	30	43
Cash debt extinguishment costs[1]	23	21	5
Non-cash debt extinguishment costs	13	9	4
Total interest expense	$ 304	$ 373	$ 371

(1) Total cash interest expense paid was $282 million, $338 million and $320 million in 2013, 2012 and 2011, respectively, which includes an increase (decrease) due to the change in accrued interest of $16 million, $4 million and $(4) million for 2013, 2012 and 2011, respectively.

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(2) Incremental interest expense reflects the cash interest expense for refinanced debt subsequent to the issuance of the new financing and prior to the repayment of the refinanced debt.

Net gains on property transactions and other. Net gains on property transactions increased $20 million in 2013 due to the $21 million gain on the sale of land adjacent to our Newport Beach Marriott Hotel & Spa and a deferred $11 million gain related to an eminent domain claim by the State of Georgia of 2.9 acres of land for the highway expansion at the Atlanta Marriott Perimeter Center. The increase in 2012 was due to the $8 million gain related to the sale of land to the Maui JV, compared to a $2 million gain recorded in 2011 for the transfer of the Le Méridien Piccadilly to the Euro JV.

Benefit (provision) for income taxes. We lease substantially all of our properties to consolidated subsidiaries designated as TRS for federal income tax purposes. The difference between hotel-level operating cash flow and the aggregate rent paid to Host L.P. by the TRS represents taxable income or loss, on which we record an income tax provision or benefit. The decrease in the tax provision in 2013 reflects a decrease in taxable income at the TRS due to an increase in rent expense in excess of the increase in operating profit from the hotels and a reduction of certain foreign taxes, while the increase in 2012 reflects year-over-year improvements in property operations recognized by our TRS, as well as increases in certain foreign taxes.

Income (loss) from discontinued operations. Discontinued operations consist of five hotels disposed of in 2013, three hotels disposed of in 2012 and one hotel disposed of in 2011 and represents the results of operations and the gains or losses on the disposition of these hotels during the indicated periods. The following table summarizes the revenues, income before taxes, and the gain on dispositions, net of tax, of the hotels which have been reclassified to discontinued operations, which includes assets held for sale and the results of sold hotels prior to their disposition for the periods presented (in millions):

	Year ended December 31,		
	2013	2012	2011
Revenues	$104	$264	$288
Income before taxes	22	24	11
Gain on disposals, net of tax	97	48	—

Liquidity and Capital Resources

Liquidity and Capital Resources of Host Inc. and Host L.P. The liquidity and capital resources of Host Inc. and Host L.P. are derived primarily from the activities of Host L.P., which generates the capital required by our business from hotel operations, the incurrence of debt and the issuance of OP units. Host Inc.'s only significant asset is the ownership of partnership interests of Host L.P.; therefore, its financing and investing activities are conducted through Host L.P., except for the issuance of its common and preferred stock. Proceeds from stock issuances by Host Inc. are contributed to Host L.P. in exchange for OP units. Additionally, funds used by Host Inc. to pay dividends or to repurchase stock are provided by Host L.P. Therefore, while we have noted those areas in which it is important to distinguish between Host Inc. and Host L.P., we have not included a separate discussion of liquidity and capital resources as the discussion applies both to Host Inc. and Host L.P.

Overview. We look to maintain a capital structure and liquidity profile with an appropriate balance of cash, debt and equity in order to provide financial flexibility, given the inherent volatility in the lodging industry. As operations have improved, we have maintained our focus on strategically decreasing our debt-to-equity ratio through (i) acquisitions and other investments, the majority of which were completed with available cash and proceeds from equity issuances, and (ii) the repayment and refinancing of senior notes and mortgage debt in order to extend maturity dates and lower interest rates.

We have structured our debt profile to maintain a balanced maturity schedule and minimize the number of assets that are encumbered by mortgage debt. We have access to multiple types of financing as approximately 83% of our debt consists of senior notes, exchangeable debentures and borrowings under our credit facility, none of which are collateralized by specific hotel properties. During 2013, our senior notes were rated investment grade by both Moody's and Standard & Poor's and we subsequently issued $400 million of senior notes at 3¾%. In 2013, we repaid $800 million of senior notes and $277 million of mortgage debt and refinanced $150 million of mortgage debt. Additionally, only 10 of our consolidated hotels, which represented just 3% of our 2013 revenues, will be encumbered by mortgage debt subsequent to the repayment of a mortgage loan on March 1, 2014.

We believe that we have sufficient liquidity and access to the capital markets to take advantage of opportunities to enhance our portfolio, withstand declines in operating cash flow, pay near-term debt maturities and fund our capital expenditures programs. We may continue to access the capital markets if favorable conditions exist in order to further enhance our liquidity and to fund cash needs. The table below details our significant cash flows for the three years ended December 31 (in millions):

	2013	2012	2011
Cash and cash equivalents, beginning of year	$417	$826	$1,113
Increase (decrease) in cash and cash equivalents	444	(409)	(287)
Cash and cash equivalents, end of year	$861	$417	$826
Operating activities			
Cash provided by operating activities	$1,019	$781	$662
Investing activities			
Acquisitions and investments	(259)	(579)	(1,096)
Dispositions and return of capital from investments	643	296	47
Capital expenditures	(436)	(638)	(542)
Financing activities			
Issuances of senior notes	400	800	796
Issuances of mortgage debt	150	100	159
Issuance of credit facility term loan	—	500	—
Net draws (repayments) on credit facility revolver	186	142	63
Repurchase of senior notes, including exchangeable debentures	(801)	(1,795)	(404)
Mortgage debt prepayments and scheduled maturities	(411)	(113)	(210)
Host Inc.:			
Common stock issuance	303		