HOST HOTELS & RESORTS, INC.
Form 10-K
February 22, 2016

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, 2015

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.)<br>(State or Other Jurisdiction of Incorporation or Organization) | 52-2095412 (Host Hotels & Resorts, L.P.)<br>(I.R.S. Employer Identification No.) |
| 6903 Rockledge Drive, Suite 1500 Bethesda, Maryland<br>(Address of Principal Executive Offices) | 20817<br>(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 (752,278,409 shares outstanding as of February 19, 2016) | 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 (745,576,892 units outstanding as of February 19, 2016) |

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 30, 2015 was $14,592,475,672.

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 12, 2016 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, 2015 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 99% of the partnership interests ("OP units") as of December 31, 2015. The remaining 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% 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 2015 Form 10-K and in Host Inc.'s 2015 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 expenditures 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 99% of the partnership interests ("OP units") as of December 31, 2015. 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 19, 2016, our consolidated lodging portfolio consists of 105 primarily luxury and upper-upscale hotels containing approximately 57,000 rooms, with the majority located in the United States, and with 12 of the properties located outside of the U.S. in Australia, Brazil, Canada, Chile, Mexico and New Zealand. In addition, we own non-controlling interests in two international joint ventures: approximately a 33% interest in a joint venture in Europe, which owns 10 luxury and upper-upscale hotels with approximately 3,900 rooms in Belgium, France, Germany, Spain, Sweden, the Netherlands and the United Kingdom; and a 9% indirect interest, through joint ventures, in five operating hotels in India and two additional hotels in India currently under development. We also hold non-controlling investments in two domestic hotels and a timeshare joint venture in Hawaii.

## Business Strategy

Our goal is to be the preeminent owner of high-quality lodging real estate at the epicenter of dynamic, growing markets and to generate superior long-term risk-adjusted returns for our stockholders throughout all lodging cycles, through a combination of appreciation in asset values, growth in earnings, and dividend distributions. Our strategy to achieve this objective includes:

- Superior Portfolio - Own a geographically-diverse portfolio of hotels located in major urban centers and resort destinations with relatively higher barriers to entry;
- Disciplined Capital Allocation - Allocate and recycle capital to earn returns that exceed our cost of capital and actively return capital to stockholders;
- Strong Asset Management Capabilities - Create value in our existing portfolio through intelligent asset management and capital investment;
- Powerful and Flexible Capital Structure - A flexible capital structure that allows us to execute our strategy throughout the lodging cycle; and

- Employer of Choice and Responsible Corporate Citizen - Our organizational structure is aligned with our business objectives to be an employer of choice and a responsible corporate citizen.

Portfolio. We will focus on refining our portfolio to include multiple types of hotels in locations which we believe have strong demand generators that appeal to multiple customer segments, achieve premium rates, and have relatively higher barriers to entry. While we will continually evaluate and refine our portfolio, we generally focus on the following types of assets:

- Resorts in locations with strong airlift and limited supply growth. These assets feature superior amenities and are operated by premier operators;
- Convention destination hotels that are group oriented in urban/resort markets. These assets feature extensive, high-caliber meeting facilities and are often connected to prominent convention centers;
- City-center hotels in urban and coastal markets with high barriers to entry. Positioned in prime locations, these assets possess multiple demand drivers for both business and leisure travelers; and
- Suburban and airport hotels that either are market leaders in prime suburban commercial locations, or connected to airport terminals or conveniently located on airport ground.

We also will seek to have a well-balanced portfolio within select major markets. Our general goal is that 80% to 90% of our portfolio revenues will be generated by hotels located within these markets, which will allow us the flexibility to make opportunistic investments in alternative locations that we expect will perform well over time. Domestically, these markets include Los Angeles, San Francisco, San Diego, Seattle, Hawaii, New York, Washington, D.C., Boston, Florida, and Chicago. These markets historically have outperformed the overall U.S. lodging industry in terms of real revenue per available room (“RevPAR”) growth, although there can be no assurances that this outperformance will continue for any number of reasons, including changes in travel patterns or supply in these markets. The following chart details the long-term performance of our domestic major markets over the past 20 years:

We will strive for diversified exposure within multiple brands, focused asset classes, and favorable location types. As one of the largest owners of Marriott, Starwood and Hyatt properties, our hotels primarily are operated under brand names that are among the most respected and widely recognized in the lodging industry. Within these diversified brands, we have focused predominately on the upper-upscale and luxury asset classes, as we believe they have a broad appeal for both the individual and group leisure and business customers.

Internationally, our focus is on premium assets in major Western European markets through our European Joint Venture platform like London, Paris and Berlin. At the same time, we plan to reduce our exposure to markets in the Asia-Pacific region and in South and Central America.

Capital Allocation. Guided by a disciplined approach to capital allocation, we are positioned to make capital decisions around delivering the greatest value and returning capital to stockholders. Our goal is to allocate and recycle capital to earn returns that exceed our risk-adjusted cost of capital.

We will look to refine our portfolio through our disposition strategy.  Generally, our dispositions will be focused on non-core assets where we believe the potential for growth is constrained or on properties with significant capital expenditures requirements that we do not believe would generate a return on the investment. Prior to the sale of assets, we will look for opportunities to increase the sale price, which may include value-added capital expenditures projects and ground lease extensions. We also will look to take advantage of opportunities to capture attractive pricing for hotels that have management contract flexibility. In robust transaction markets, we also may opportunistically dispose of higher-quality assets through direct sales or through the creation of joint ventures to capitalize on value enhancement strategies and prices that are in excess of our estimated long-term value of holding the asset.

Through our disciplined approach to acquisitions and new development, we seek investments that we believe can achieve unlevered returns that exceed our cost of capital in locations that we expect to outperform in the long-term. Generally, we will look to invest capital early in the lodging cycle and benefit from the subsequent industry-wide increase in values. As we move further into the lodging cycle, we will increase our focus on opportunities where we believe we can add value through redevelopment, repositioning or new development, or pursue a portfolio or larger redevelopment asset where our scale is a competitive advantage.

We focus on creating and mining value from our existing portfolio through capital investments and value enhancement initiatives. These projects may include significant changes to guest rooms, public space and meeting space, as well as a repositioning of the property under a different operator or brand. We work closely with our managers to attempt to time these projects so as to minimize disruption to operations and the impact to the environment.

- Value Enhancement Initiatives seek to achieve the highest and best use of our properties. These projects may include the development of timeshare, office space or condominium units on excess land, redevelopment or expansion of existing retail space, and the acquisition of air rights or development entitlements.
- Redevelopment and Return on Investment Projects are designed to take advantage of changing market conditions and the favorable location of our properties and seek to increase profitability and enhance customer satisfaction. Our capital expenditures projects generally fall into the following categories:

Redevelopment projects. These projects are designed to improve the positioning of our hotels within their markets and competitive set. Redevelopment projects include extensive renovations of guest rooms and bathrooms, lobbies, food and beverage outlets; expanding and/or extensive renovation of ballroom and meeting rooms; major mechanical system upgrades, and green building initiatives and certifications.

Targeted Return on Investment (ROI) projects. These projects often are smaller and focused on increasing space profitability or lowering net operating costs. Typical ROI projects include converting unprofitable or underutilized space into meeting space, adding guestrooms, and implementing energy and water conservation measures such as LED lighting, guestroom water efficient fixtures, and building automation systems.

Renewal and Replacement Capital Expenditures are designed to maintain the quality and competitiveness of our hotel properties. Typically, room renovations occur at intervals of approximately seven years, but the timing may vary based on the type of property and equipment being renovated. These renovations 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; which 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/escalators, façade, heating, ventilation, and air conditioning systems and fire systems.

Throughout the lodging cycle, to the extent that we are unable to find appropriate investment opportunities that meet our return requirements, we will focus on returning capital to stockholders through dividends or common stock repurchases. Significant factors we review to determine the level and timing of the returns to stockholders include the current stock price compared to our determination of the underlying value of our assets, current and forecasted operating results and the completion of hotel sales.

Asset Management. As the owner of a large and diverse portfolio, we believe we are in a unique position to work with our managers to drive operating performance and implement value-added real estate decisions. The size and composition of our portfolio and our affiliation with most of the leading brands and operators in the industry allow our asset managers to benchmark similar hotels and identify best practices and efficiencies that can improve long-term profitability. Our asset managers are supported by a feasibility team that provides independent underwriting of ROI and value-enhancement projects, as well as dedicated resources around business intelligence, revenue management and restaurant and bar operations. We also carefully evaluate and monitor our property agreements, including our management and franchise agreements, in an effort to obtain flexibility and drive overall value. Ultimately, our goal is to differentiate our assets within their competitive market, drive operating performance and enhance the value of the real estate.

- Enhance profitability by using our proprietary business intelligence system to benchmark and monitor hotel performance and cost controls and complete deep-dive analytic reviews across brands and properties to identify new opportunities that could increase profit.
- Drive revenue growth by conducting detailed strategic reviews with our managers on market pricing and segment mix in order to develop the appropriate group/transient mix and market share targets for each property. We also work with

our managers to ensure that their brands' on-line presence addresses a broad customer base, including group customers and overseas travelers.

- Strategically position food & beverage outlets through initiatives such as combining bars and restaurants to create a more relevant experience for consumers throughout the day or outsourcing outlets when a viable partnership may improve profitability and increase our customer base.
- Work with leading brands, as well as independent operators, in the lodging industry and actively seek to diversify operators within our portfolio. We will look to capitalize on situations where we have management agreement flexibility to appropriately match a hotel and its operator, brand and contract terms. This will include new relationships with independent operators that may be an improved fit for smaller or unbranded products.
- Improve contract flexibility through the extension or purchase of ground leases or the restructuring of management agreements to enhance overall value.

Financing Strategy. Our goal is to maintain a flexible capital structure that allows us to execute our strategy throughout the lodging cycle. 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, including taxable income recognized for federal income tax purposes but with regard to which we do not receive cash) 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.

- Management believes that a strong balance sheet is a key competitive advantage that affords us a lower cost of capital and positions us for external growth. While we may issue debt at any time, generally we will target a net debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio, (or "Leverage Ratio," as defined in our credit facility) of 2.5x to 3.0x and seek to maintain an investment grade rating on our senior unsecured debt. We believe the investment grade rating and lower leverage will deliver the most consistent access to capital, thereby providing us with the necessary flexibility to take advantage of opportunities throughout the lodging cycle.
- We seek to structure our debt profile to maintain financial flexibility and a balanced maturity schedule with access to different forms of financing; primarily senior notes and exchangeable debentures, as well as mortgage debt. Generally, we look to minimize the number of assets that are encumbered by mortgage debt, minimize near-term maturities and maintain a balanced maturity schedule. We may issue debt in foreign currencies to match the proceeds thereof with their intended use in order to reduce the potential costs of investing in foreign properties in terms of foreign currency fluctuation and local taxes. Depending on market conditions, we also may utilize variable rate debt which can provide greater protection during a decline in the lodging industry. Generally we will target our floating rate debt to be 20% to 35% of total debt, in part depending on our outlook on future interest rates.
- 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.

Corporate Responsibility. Our corporate responsibility program focuses on the management of the environmental, social and governance risks and opportunities for our business and is organized around the following themes and objectives:

Responsible Investment: We incorporate sustainability into our asset management approach. During the acquisition of new properties, we assess both sustainability opportunities and climate change related risks as part of our due diligence process. During the ownership of our properties, we seek to invest in proven sustainability practices in our redevelopment and ROI projects that can enhance asset value while also improving environmental performance.

Environmental Stewardship: We seek to improve the environmental footprint of our properties. We have established goals to reduce energy use and carbon emissions from across our portfolio and will continue to report on actual performance in our environmental disclosures. As part of our asset management approach, we work closely with our hotel managers to monitor environmental performance and support implementation of operational best practices. In our redevelopment and ROI projects, we target specific environmental efficiency projects, equipment upgrades and replacements that reduce energy and water consumption and offer appropriate returns on investment.

Corporate Citizenship: We are committed to being a responsible corporate citizen and strengthening our local communities. We do this through financial support, community engagement, volunteer service, and industry collaboration. Our approach to corporate citizenship is reinforced by our Code of Business Conduct and Ethics and periodic engagement with key stakeholders to understand their corporate responsibility priorities.

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 expenditures budgets and the preparation of financial reports for the owner. The hotel manager typically receives fees based on the revenues and profitability of the hotel.

Supply and Demand Trends. 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, trends in economic indicators such as GDP growth, business investment and employment growth are key indicators of the relative strength of lodging demand. Lodging demand also will be affected by changes to international travel.

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.

Additionally, the rapid growth of on-line short-term rentals has added a new source of supply for the industry; however, the overall impact on the hotel industry has been difficult to track. Additionally, the availability of these outlets is more variable than typical changes in supply and tends to be very market specific.

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. Since the market downturn in 2008 and 2009, new supply of this segment has been limited and has remained well below historic levels and, as a result, demand has increased at a greater rate than supply, leading to RevPAR growth. However, as the market has continued to strengthen, supply has increased and for 2016 is expected to be commensurate with its historic cumulative average growth rate from 1988 to 2015 of approximately 2% for the industry. However, for the upper-upscale segments in which the majority of our properties compete, we continue to have a lower level of supply growth of approximately 1.5%. 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 2011 to 2015 and forecast data for 2016:

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

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

Managers and 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 franchise or 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.

As of February 19, 2016, our hotels are managed by the following hotel management companies:

| Manager | # of hotels | Brands |
|---|---|---|
| Marriott International, Inc. | 53 | Ritz-Carlton®, JW Marriott®, Marriott Marquis®, Marriott®, Courtyard by Marriott®, Residence Inn by Marriott® |
| Starwood Hotels and Resorts Worldwide, Inc. | 23 | W®, Westin®, Sheraton®, Luxury Collection®, St. Regis® |
| Hyatt Hotels Corporation | 8 | Grand Hyatt®, Hyatt Regency® |
| AccorHotels | 5 | ibis®, Novotel® |
| Hilton Hotels & Resorts | 2 | Hilton®, Embassy Suites® |
| Crestline Hotels & Resorts | 2 | Marriott®, Hilton® |
| Sage Hospitality | 2 | Marriott®, Curio - A Collection by Hilton® |
| Kokua Hospitality | 2 | Axiom Hotel®, Hyatt Place® |
| Destination Hotels | 2 | Autograph Collection by Marriott®, YVE Hotel Miami® |
| HEI Hotels & Resorts | 2 | Westin®, Sheraton® |
| Davidson Hotels & Resorts | 2 | Marriott®, Sheraton® |
| FRHI Hotels & Resorts | 2 | Fairmont®, Swissôtel® |
| | 105 | |

These management agreements can affect the value of the property associated with it based on the pricing and flexibility of the agreement. We often will seek to negotiate the terms of an agreement to provide greater value to the associated asset. See "Performance Termination Rights" and "Special Termination Rights" described below. Currently, 32 of our management agreements have termination rights, subject to certain conditions detailed below, that can lend to the flexibility of the agreement. We have an additional eight properties currently operating under agreements that will end within the next 20 years, with no further extension options exercisable by the manager.

General Terms and Provisions – Agreements governing our hotels managed by brand owners (Marriott, Starwood, Hyatt, Hilton and AccorHotels, above) typically include the terms described below:

Term and fees for operational services. The initial term of our management and operating agreements generally is 10 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 governed by 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 would have been maintained otherwise 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 capital 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 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. 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 the 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.

In addition to hotels managed by brand owners, we have ten branded hotels and two non-branded hotels operated by independent managers. Our management agreements with independent managers, while similar in operational scope to agreements with our brand managers, typically have shorter initial terms, no renewal rights, more flexible termination rights, and more limited system-wide services. However, while we have additional flexibility with regard to these operators, all but two of those hotels remain subject to the underlying franchise or licensing agreements.

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 99% of the OP units as of December 31, 2015. 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 the current conversion factor of 1.021494. 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. in exchange for the consideration received from the issuance of the common stock. As of December 31, 2015, non-controlling limited partners held 9.1 million OP units, which were convertible into 9.4 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 759.7 million common shares of Host Inc. outstanding at December 31, 2015.

Our operating structure is as follows:

(1)We own a 25% interest in a joint venture in Asia, which owns a 36% non-controlling interest in a separate joint venture in India.

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, but they are limited in terms of their value as a percentage of the total value of our assets. 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, a portion of the net operating cash flow from our properties is subject to federal, state and, if applicable, foreign income tax.

Our Consolidated Hotel Portfolio

As of February 19, 2016, we owned a portfolio of 105 hotel properties, of which 93 are located in the United States and 12 are located in Australia, Brazil, Canada, Chile, Mexico and New Zealand. Our consolidated hotels located outside the United States collectively contain approximately 3,200 rooms. Approximately 4% of our revenues were attributed to the operations of these foreign properties in 2015, and 5% in each of 2014 and 2013. See Note 15 Geographic and Business Segment Information in our Notes to Consolidated Financial Statements for more information on revenues in the geographic regions in which we operate.

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, which are operated under internationally recognized brand names such as Marriott, Hyatt, Starwood and Accor Hotels. There also has been a trend towards specialized, smaller boutique hotels that are customized towards a particular customer profile. Generally, these properties will be operated by an independent third party and either will have no brand affiliation, or will be associated with a major brand, while maintaining the majority of its independent identity (which we refer to as "soft-branded" properties). We have expanded our investments to include independent and soft-branded properties where we believe it is the best fit for the hotel.

Revenues earned at our hotels consist of three broad categories: rooms, food and beverage, and other revenues. While approximately 64% 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.

Forty-one of our consolidated hotels, representing approximately 66% 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 expenditures and other capital improvements.

By Brand. The following table details our consolidated hotel portfolio by brand as of February 19, 2016:

| Brand | Number of Hotels | Rooms | Percentage of Revenues [(1)] | |
|---|---|---|---|---|
| Marriott: | | | | |
| Marriott | 43 | 25,145 | 41.8 | % |
| Autograph Collection | 1 | 281 | 0.3 | |
| JW Marriott | 6 | 3,105 | 5.5 | |
| Residence Inn | 1 | 299 | 0.3 | |
| Ritz-Carlton | 6 | 2,403 | 7.6 | |
| Starwood: | | | | |
| Westin | 13 | 6,912 | 11.8 | |
| Sheraton | 7 | 5,797 | 9.3 | |
| W | 3 | 1,390 | 3.1 | |
| St. Regis | 1 | 232 | 0.5 | |
| The Luxury Collection | 2 | 782 | 1.2 | |
| Hyatt: | | | | |
| Grand Hyatt | 2 | 1,336 | 2.3 | |
| Hyatt Place | 1 | 426 | 0.5 | |
| Hyatt Regency | 6 | 5,049 | 10.1 | |
| Hilton: | | | | |
| Curio | 1 | 357 | 0.3 | |
| Hilton | 2 | 598 | 1.0 | |
| Embassy Suites | 1 | 455 | 0.6 | |
| FRHI Hotels & Resorts | | | | |
| Swissôtel | 1 | 661 | 1.1 | |
| Fairmont | 1 | 450 | 2.0 | |
| AccorHotels: | | | | |
| ibis | 3 | 612 | 0.3 | |
| Novotel | 2 | 304 | 0.2 | |
| Other/Independent | 2 | 394 | 0.2 | |
| | 105 | 56,988 | 100 | |

(1) Percentage of revenues is based on 2015 revenues (revenues of $5,338 million excludes properties owned by our joint ventures in the United States, Europe and the Asia/Pacific region, and sold hotels). No individual property contributed more than 7% of total revenues in 2015.

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By Location. The following table details the location and number of rooms at our consolidated hotels as of February 19, 2016:

| 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 Suites O'Hare | 256 |
| The Phoenician, A Luxury Collection Resort | 643 | Courtyard Chicago Downtown/River North | 337 |
| The Camby Hotel | 281 | Embassy Suites by Hilton Chicago Downtown | |
| The Westin Kierland Resort & Spa | 732 | Magnificent Mile | 455 |
| California | | Swissôtel Chicago | 661 |
| Axiom Hotel | 151 | The Westin Chicago River North | 429 |
| Coronado Island Marriott Resort & Spa (1) | 300 | Indiana | |
| Costa Mesa Marriott | 253 | Sheraton Indianapolis Hotel at Keystone Crossing | 395 |
| JW Marriott Desert Springs Resort & Spa | 884 | The Westin Indianapolis | 575 |
| Hyatt Regency San Francisco Airport | 789 | Louisiana | |
| Manchester Grand Hyatt San Diego (1) | 1,628 | New Orleans Marriott | 1,333 |
| Manhattan Beach Marriott (1) | 385 | Maryland | |
| Marina del Rey Marriott (1) | 370 | Gaithersburg Marriott Washingtonian Center | 284 |
| Marriott Marquis San Diego Marina (1) | 1,360 | Massachusetts | |
| Newport Beach Marriott Hotel & Spa | 532 | Boston Marriott Copley Place | 1,144 |
| Newport Beach Marriott Bayview | 254 | Hyatt Regency Cambridge, Overlooking Boston | 470 |
| San Francisco Marriott Fisherman's Wharf | 285 | Sheraton Boston Hotel | 1,220 |
| San Francisco Marriott Marquis (1) | 1,500 | The Westin Waltham Boston | 351 |
| San Ramon Marriott (1) | 368 | Minnesota | |
| Santa Clara Marriott (1) | 759 | Minneapolis Marriott City Center | 583 |
| Sheraton San Diego Hotel & Marina (1) | 1,053 | New Jersey | |
| The Ritz-Carlton, Marina del Rey (1) | 304 | Newark Liberty International Airport Marriott (1) | 591 |
| The Westin Los Angeles Airport (1) | 740 | Sheraton Parsippany Hotel | 370 |
| The Westin Mission Hills Resort & Spa | 512 | New York | |
| The Westin South Coast Plaza, Costa Mesa (2) | 390 | New York Marriott Downtown | 513 |
| Colorado | | New York Marriott Marquis | 1,966 |
| Denver Marriott Tech Center | 605 | Sheraton New York Times Square Hotel | 1,780 |
| Denver Marriott West (1) | 305 | The Westin New York Grand Central | 774 |
| The Westin Denver Downtown | 430 | W New York | 696 |
| Florida | | W New York – Union Square | 270 |
| Tampa Airport Marriott (1) | 298 | Ohio | |
| Fort Lauderdale Marriott Harbor Beach Resort | | The Westin Cincinnati (1) | 456 |
| & Spa (1)(3) | 650 | Pennsylvania | |
| Hilton Singer Island Oceanfront/Palm Beaches | | The Logan | 357 |
| Resort | 222 | Philadelphia Airport Marriott (1) | 419 |
| Miami Marriott Biscayne Bay (1) | 600 | Tennessee | |
| Orlando World Center Marriott | 2,004 | Sheraton Memphis Downtown | 600 |
| The Ritz-Carlton, Amelia Island | 446 | Texas | |
| The Ritz-Carlton, Naples | 450 | Houston Airport Marriott at George Bush | |
| The Ritz-Carlton Golf Resort, Naples | 295 | Intercontinental (1) (3) | 573 |
| YVE Hotel Miami | 243 | Houston Marriott at the Texas Medical Center (1) | 394 |
| Georgia | | JW Marriott Houston | 516 |
| Atlanta Marriott Suites Midtown (1) | 254 | San Antonio Marriott Rivercenter (1) | 1,001 |

| | | | |
|---|---|---|---|
| Atlanta Marriott Perimeter Center | 341 | San Antonio Marriott Riverwalk (1) | 512 |
| Grand Hyatt Atlanta in Buckhead | 439 | The St. Regis Houston | 232 |
| JW Marriott Atlanta Buckhead | 371 | Virginia | |
| The Ritz-Carlton, Buckhead | 510 | Hyatt Regency Reston | 518 |
| The Westin Buckhead Atlanta | 365 | Key Bridge Marriott (1) | 582 |
| Hawaii | | Residence Inn Arlington Pentagon City | 299 |
| Hyatt Regency Maui Resort & Spa | 806 | The Ritz-Carlton, Tysons Corner (1) | 398 |
| Fairmont Kea Lani, Maui | 450 | Washington Dulles Airport Marriott (1) | 368 |
| Hyatt Place Waikiki Beach | 426 | Westfields Marriott Washington Dulles | 336 |

| | | | |
|---|---|---|---|
| Washington | | Brazil (continued) | |
| Seattle Airport Marriott | 459 | Novotel Rio de Janeiro Parque Olimpico | 150 |
| The Westin Seattle | 891 | Canada | |
| W Seattle | 424 | Calgary Marriott Downtown | 388 |
| Washington, D.C. | | Toronto Marriott Downtown Eaton Centre Hotel (1) | 461 |
| Grand Hyatt Washington | 897 | Chile | |
| Hyatt Regency Washington on Capitol Hill | 838 | San Cristobal Tower, Santiago | 139 |
| JW Marriott Washington DC | 777 | Sheraton Santiago Hotel and Convention Center | 379 |
| The Westin Georgetown, Washington, D.C. | 267 | Mexico | |
| Washington Marriott at Metro Center | 459 | JW Marriott Hotel Mexico City (3) | 312 |
| Australia | | New Zealand | |
| Hilton Melbourne South Wharf (1) (3) | 376 | ibis Wellington | 200 |
| Brazil | | Novotel Christchurch Cathedral Square (1) | 154 |
| ibis Rio de Janeiro Parque Olimpico | 257 | ibis Christchurch (1) | 155 |
| JW Marriott Hotel Rio de Janeiro | 245 | Total | 56,988 |

(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.

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By Market: In 2015, our major markets in the U.S. and internationally represent 90% of our revenues. The following table summarizes the composition of our consolidated hotels as of February 19, 2016 by market based on percentage of 2015 revenues (percentages are based on revenues of $5,338 million, which exclude sold hotels and properties owned by our joint ventures in the United States, Europe and the Asia/Pacific region):

| | Number of Hotels | Percentage of Revenues | |
|---|---|---|---|
| Northeast | | | |
| Boston | 4 | 6 | % |
| New York | 8 | 17 | % |
| | 12 | 23 | % |
| Midatlantic/Southeast | | | |
| Washington, D.C. | 12 | 10 | % |
| Atlanta | 6 | 3 | % |
| Florida | 9 | 12 | % |
| | 27 | 25 | % |
| Central | | | |
| Chicago | 6 | 3 | % |
| Denver | 3 | 1 | % |
| Houston | 4 | 2 | % |
| | 13 | 6 | % |
| West | | | |
| Seattle | 3 | 3 | % |
| San Francisco | 6 | 7 | % |
| Phoenix | 5 | 4 | % |
| Los Angeles | 8 | 5 | % |
| San Diego | 4 | 8 | % |
| Hawaii | 3 | 5 | % |
| | 29 | 32 | % |
| | | | |
| Other Domestic | 12 | 10 | % |
| | | | |
| International | | | |
| Asia-Pacific | 4 | 1 | % |
| Canada | 2 | 1 | % |
| Latin America | 6 | 2 | % |
| | 12 | 4 | % |
| | 105 | 100 | % |

By Class:  We have focused on investing in the upper-upscale and luxury asset classes, as we believe they have broad appeal for both the leisure and business customer. We also may invest in other property types which we believe have the potential for strong demand growth, including urban select service. The following graph summarizes the composition of the 105 hotels in our consolidated portfolio based on the percentage of 2015 revenues represented by our luxury, upper upscale and other categories (percentages are based on revenues of $5,338 million, which exclude sold hotels and properties owned by our joint ventures in the United States, Europe and the Asia/Pacific region):

By Type:  Our focus has been on gateway markets in urban and resort/conference destinations.  The following graph summarizes the composition of the 105 hotels in our consolidated portfolio based on the percentage of 2015 revenues represented by our property type categories (percentages are based on revenues of $5,338 million, which exclude sold hotels and properties owned by our joint ventures in the United States, Europe and the Asia/Pacific region):

Other Real Estate Interests

We own non-controlling interests in several entities that, as of February 19, 2016, owned, or owned an interest in 17 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. See Part II Item 8. "Financial Statements and Supplementary Data – Note 3. Investments in Affiliates."

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 19, 2016, 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 |
| Brussels Marriott Hotel Grand Place | Brussels | Belgium | 221 |
| Fund I total rooms | | | 1,171 |
| | | | |
| Fund II: | | | |
| Paris Marriott Rive Gauche Hotel & Conference Center | Paris | France | 757 |
| 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 |
| Sheraton Stockholm Hotel | Stockholm | Sweden | 465 |
| Sheraton Berlin Grand Hotel Esplanade | Berlin | Germany | 394 |
| Fund II total rooms | | | 2,722 |
| Total European joint venture rooms | | | 3,893 |

Asia/Pacific Joint Venture. We own a 9% indirect interest through joint ventures (the "Asia/Pacific JV"), which own five operating hotels in India and two additional hotels in India currently under development, totaling 1,750 rooms. The seven hotels in India are or 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 owns the 255-room Hyatt Place Nashville Downtown in Tennessee.

We have a non-controlling 67% interest in a joint venture with HV Global Group, a subsidiary of Interval Leisure Group, to develop, sell and operate the Hyatt Ka'anapali Beach, A Hyatt Residence Club, a 131-unit vacation ownership project in Maui, Hawaii adjacent to our Hyatt Regency Maui Resort & Spa. The project opened in December 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.

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®, Grand Hyatt®, JW Marriott®, Ritz-Carlton®, St. Regis®, Autograph Collection®, Curio – A Collection by Hilton®, The Luxury Collection® and W®, or as upper upscale properties under such brand names as Embassy Suites®, Hilton®, Hyatt®, Le Méridien®, 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®, 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.

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 best take 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%, 24% and 25% for the first, second, third and fourth calendar quarters, respectively, in 2015.

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.

Employees

As of February 19, 2016 we had 240 employees, of which 226 work in the United States, including our regional offices in Miami and San Diego. We opened our regional offices in 2015 to establish a localized asset management, design and construction and investment presence. We had 8 employees located in our offices in London and Amsterdam. None of Host's employees are covered by collective bargaining agreements. The number of employees referenced above does not include the hotel employees of our 7 hotels in Brazil, New Zealand and Australia, which, while technically 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."

(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.

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 filed electronically 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 to our earnings releases. We also post to our website copies of investor presentations and we update those presentations periodically, which also contain important information about us. The website has a Corporate Governance page in the Our Company 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 include 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 performance of the lodging industry traditionally has been affected by the strength 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 of operations. The majority of our hotels are classified as luxury or upper upscale and 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 of their trips. Consequently, our luxury or upper upscale hotels may be more susceptible to a decrease in revenue during an economic downturn, as compared to hotels in other categories that have lower room rates. For instance, reductions in overall travel during the recession in 2008 and 2009 significantly affected our results of operations. Other circumstances affecting the lodging industry which may affect our performance and the forecasts we make include:

- the effect on lodging demand of (i) changes in national and local economic and business conditions, including concerns about the duration and strength of U.S. economic growth, global economic prospects and the value of the U.S. dollar, and (ii) other factors such as natural disasters, weather, pandemics, changes in the international political climate, and the occurrence or potential occurrence of terrorist attacks, all of which will affect occupancy rates at our hotels and the demand for hotel products and services;
- the impact of geopolitical developments outside the U.S., such as the pace of the economic recovery in Europe, the slowing of growth in emerging markets such as China and Brazil, or unrest in the Middle East, which could affect the relative volatility of global credit markets generally, global travel and lodging demand, including with respect to our foreign hotel properties;
- the continuing volatility in global financial and credit markets, and the impact of budget deficits and pending and future U.S. governmental action to address such deficits through reductions in spending and similar austerity measures, which

could materially adversely affect U.S. and global economic conditions, business activity, credit availability, borrowing costs, and lodging demand;
- operating risks associated with the hotel business, including the effect of increasing labor costs or changes in workplace rules that affect labor costs;
- the ability of our hotels to compete effectively in areas such as access, location, quality of accommodations and room rate structures; and
- supply growth in markets where we own hotels, which may adversely affect demand at our properties.

We cannot assure you that adverse changes in the general economy or other circumstances that affect the lodging industry will not have an adverse effect on the hotel revenue or earnings at our properties. A reduction in our revenue or earnings as a result of the above risks may reduce our working capital and revenue, 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, we may incur 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.

We depend on external sources of capital for future growth; therefore, any disruption to our ability to access capital at times, and on terms reasonably acceptable to us, may affect adversely our business and results of operations.

Unlike C corporations that do not elect REIT status, 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 by 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:

- price volatility, dislocations and liquidity disruptions in the U.S. and global equity and credit markets such as occurred during 2008 and 2009;
- changes in market perception of our growth potential, including rating agency downgrades by Moody's Investors Service, Standard & Poor's Ratings Services or Fitch Ratings;
- decreases in our current and estimated future earnings;
- decreases or fluctuations in the market price of the common stock of Host Inc.;
- increases in interest rates; and
- the terms of our existing indebtedness which, under certain circumstances, restrict our incurrence of debt.

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 and on our results of operations and financial condition. Potential consequences of disruptions in U.S. and global equity and credit markets and, as a result, an inability for us to access external capital at times, and on terms, reasonably acceptable to us could include:

- a need to seek alternative sources of capital with less attractive terms, such as more restrictive covenants and shorter maturity;
- adverse effects on our financial condition and liquidity, and our ability to meet our anticipated requirements for working capital, debt service and capital expenditures;
- higher costs of capital;
- an inability to enter into derivative contracts in order to hedge risks associated with changes in interest rates and foreign currency exchange rates; or
- an inability to execute on our acquisition strategy.

We have substantial debt and may incur additional debt.

As of December 31, 2015, we and our subsidiaries had total indebtedness of approximately $4 billion. Our indebtedness requires us to commit a significant portion of our annual 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
- sales 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 generated by any or all of the events described above to repay other indebtedness.

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

We are, and may in the future become, party to agreements and instruments that place restrictions on us and our subsidiaries. For instance, the covenants in the documents governing the terms of our senior notes and our credit facility 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;
- incur 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;
- pay dividends on classes and series of Host Inc. capital stock and pay distributions on Host L.P.'s classes of units without satisfying certain financial metrics concerning leverage, fixed charge coverage and unsecured interest coverage; 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 metrics. 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."

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 and the mortgages on certain 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. As of December 31, 2015, approximately 35% of our debt is subject to floating interest rates and we generally target our floating rate debt to be 20% to 35% of our total debt.

Rising interest rates also 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. 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.

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. They do not necessarily decrease directly with a reduction in revenue at the hotels and may be subject to increases that are not tied to the performance of our hotels or the increase in the rate of inflation generally. Also, as of December 31, 2015, 31 of our hotels are subject to third-party ground leases, which generally require periodic increases in ground rent payments. Our ability to pay these rents could be affected adversely if our hotel revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases.

Additionally, 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 fixed or increased expenses with higher room rates. Any of our efforts to reduce operating costs 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.

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 ownership entities. We anticipate that our acquisitions will be financed with a combination of methods and a variety of sources of external capital, 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 sale of assets. Our inability to access external sources of capital may limit our ability to finance acquisitions. For a discussion of factors that may limit our access to sources of capital, see "—We depend on external sources of capital for future growth; therefore, any disruption to our ability to access capital at times, and on terms reasonably acceptable to us, may affect adversely our business and results of operations." In addition, certain of these factors, such as disruption in the global capital markets, may limit the ability of purchasers to finance their acquisition of our hotels and therefore our ability to use disposition proceeds to finance our 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 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. These adverse effects may occur because the performance of the property does not support the additional indebtedness and related interest expense that we incurred as a result of the acquisition. In addition, 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 to seek recourse against our sellers and indemnification covering representations and warranties 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 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 initially anticipated.

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 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, 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 in nature, 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 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.

Furthermore, our management agreements for our brand managed properties generally have provisions that can restrict our ability to 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. Similarly, decisions with respect to the repositioning of a hotel, such as the outsourcing of food and beverage outlets, may require the manager's consent.

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 or supervising, the employees 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 at 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 meaningful 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, they 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.

Our hotels are geographically concentrated in a limited number of large urban gateway cities and, accordingly, we could be disproportionately harmed by adverse changes to these markets, a natural disaster or threat of a terrorist attack.

The concentration of our hotels in a limited number of large urban gateway cities exposes us to greater risk to local economic or business conditions, changes in hotel supply in these cities, and other conditions than more geographically diversified hotel companies. Hotels in New York, Washington, D.C., San Diego, San Francisco, Boston, Florida, Hawaii, Atlanta, and Los Angeles represented approximately 73% of our 2015 revenues. An economic downturn, an increase in hotel supply in these cities, a natural disaster, a terrorist attack or similar disaster in any one of these cities likely would cause a decline in the hotel market and adversely affect occupancy rates, the financial performance of our hotels in these cities and our overall results of operations. For example, in October 2012, our operations in New York City and other East Coast properties were impacted negatively by Hurricane Sandy. In 2013, decreased U.S. government demand for hotel rooms (approximately 5% of our business) in markets such as Washington, D.C. had a negative impact on our results of operations for the year.

In addition, certain of our hotels are located in markets that are more susceptible to natural disasters than others, which could adversely affect those hotels, the local economies, or both. For instance, our hotels in Florida may be susceptible to hurricanes, while our hotels in California may be susceptible to earthquakes.

The threat of terrorism also may negatively impact hotel occupancy and average daily rate, due to resulting disruptions in business and leisure travel patterns and concerns about travel safety. Hotels in major metropolitan areas, such as the gateway cities that represent our target markets, may be particularly adversely affected due to concerns about travel safety. The possibility of future attacks may hamper business and leisure travel patterns and, accordingly, the performance of our business and our operations.

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.

As of December 31, 2015, we own directly 13 hotels located outside of the United States. We also are party to a joint venture that owns 10 hotels in Europe and to a joint venture that owns a non-controlling interest in five hotels currently open and two hotels under 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:

- risks of non-compliance with varied and unfamiliar 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;
- the ability to obtain 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 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 and internationally. 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.

For certain joint ventures, we might not be able to take action without the approval of our joint venture partners. Disputes between us and our partners or co-venturers may result in litigation or arbitration that would increase our expenses and may negatively impact operations.

Full insurance recovery for terrorist acts may not be possible.

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"), which has been extended through December 31, 2020. 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.

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, Chile 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.

Cyber threats and the risk of data breaches or disruptions of our managers' or our own information technology systems could materially adversely affect our business.

Our third party hotel managers are dependent on information technology networks and systems, including the internet, to access, process, transmit and store proprietary and customer information. These complex networks include reservation systems, vacation exchange systems, hotel management systems, customer databases, call centers, administrative systems, and third party vendor systems. These systems require the collection and retention of large volumes of personally identifiable information of hotel guests, including credit card numbers. Our hotel managers may store and process such proprietary and customer information both on systems located at the hotels we own and other hotels operated by our third party managers, their corporate locations and at third-party owned facilities, including for example, in a third-party hosted cloud environment. These information networks and systems can be vulnerable to threats such as system, network or internet failures; computer hacking or business disruption; cyber-terrorism; viruses, worms or other malicious software programs; and employee error, negligence or fraud. These threats can be introduced in any number of ways, including through third parties accessing our hotel managers' information networks and systems. The risks from these cyber threats are significant. We rely on the security systems of our mangers to protect proprietary and customer information from these threats. Any compromise of our managers' networks could result in a disruption to operations, such as disruptions in fulfilling guest reservations, delayed bookings or sales, or lost guest reservations. Any of these events could, in turn, result in disruption of the operations of the hotels we own that our managed by them, in increased costs and in potential litigation and liability. In addition, public disclosure, or loss of customer or proprietary information could result in damage to the manager's reputation and a loss of confidence among hotel guests and result in reputational harm for the hotels owned by us and managed by them, which may have a material adverse effect on our business, financial condition and results of operations.

In addition to the information technologies and systems of our managers used to operate our hotels, we have our own corporate technologies and systems that are used to access, store, transmit, and manage or support a variety of business processes. There can be no assurance that the security measures we have taken to protect the contents of these systems will prevent failures, inadequacies or interruptions in system services or that system security will not be breached through physical or electronic break-ins, computer viruses, and attacks by hackers. Disruptions in service, system shutdowns and security breaches in the information technologies and systems we use, including unauthorized disclosure of confidential information, could have a material adverse effect on our business, our financial reporting and compliance, and subject us to liability claims or regulatory penalties which could be significant.

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

We are involved in various legal proceedings in the ordinary 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 depend on our key personnel.

Our continued success depends on the efforts and abilities 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. These individuals are important to our business and strategy and to the extent that any of them departs and is not replaced with a qualified substitute, such person’s departure could harm our operations and financial condition.

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 generate 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 Swedish krona, the Brazilian real, the Indian rupee 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 entirely that risk. To the extent that we are unable to match revenue received in foreign currencies with expenses paid in that 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.

Similarly, changes in the exchange rates of foreign currencies against the U.S. dollar can result in increases or decreases in demand at our U.S. properties from international travelers coming to the United States. Because of the concentration of our hotels in U.S. gateway cities, we may have more exposure to fluctuations in international travel to the United States than other lodging companies not located as heavily in these markets.

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.

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 civil penalties in cases brought by the Justice Department, 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 by-laws, 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, 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 no longer is in Host Inc.'s best interests to continue to qualify as a REIT or that compliance with the restrictions on transfer and ownership no longer is 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 by-laws contain a provision exempting us from the control share provisions of the MGCL. There can be no assurance that this by-law provision exempting us from the control share provisions will not be amended or eliminated at any time in the future.

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, convert, 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 by-law 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 by-laws provide that the Board of Directors has the exclusive right to amend Host Inc.’s by-laws. These provisions may make it more difficult to amend Host Inc.’s charter and by-laws 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, 2015, there are approximately 9.1 million OP units outstanding owned by third parties that are redeemable, which represents approximately 1% 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 currently 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, 2015, there were approximately 16 million shares of Host Inc.’s common stock reserved and available for issuance under the comprehensive stock plan and employee stock purchase plan and 1 million outstanding options exercisable with a weighted average exercise price of $19.37 per share.

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.

Federal Income Tax Risks

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 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 could not qualify as a REIT for the four taxable years following the year during which REIT qualification was lost.

To qualify as a REIT, Host Inc. is required to satisfy several asset and income tests. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which assets are not susceptible to a precise determination of fair market value, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset test requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, there can be no assurance that the IRS will not contend that our hotel leases, interests in subsidiaries, or interests in securities of other issuers will not cause a violation of the REIT requirements.

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 does not qualify as a REIT would reduce its net earnings available for investment, debt service or distributions to stockholders. Furthermore, the entity not qualifying as a REIT no longer would be required to make distributions to its stockholders as a condition to REIT qualification and any distributions made 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 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 hotel managers do not qualify as "eligible independent contractors," or if our hotels are not "qualified lodging facilities," Host Inc. will fail to qualify as a REIT.

Each hotel with respect to which our TRS lessee pays rent must be a "qualified lodging facility." A "qualified lodging facility" is a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who legally is authorized to engage in such business at or in connection with such facility. We believe that all of the hotels leased to our TRS are qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of hotels, the REIT provisions of the Code provide only limited guidance for making determinations with respect to the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied in all cases.

If our hotel managers do not qualify as "eligible independent contractors", Host Inc. and each subsidiary REIT likely will fail to qualify as a REIT for federal income tax purposes. Each of the hotel management companies that enters into a management contract with our TRS must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS to be qualifying income for the REIT income test requirements. Among other requirements, in order to qualify as an eligible independent contractor, a hotel manager cannot own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the hotel manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such hotel managers that are publicly traded, only owners of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we monitor ownership of our shares by our hotel managers and their owners, and certain provisions of our charter are designed to prevent ownership of our shares in violation of these rules, there can be no assurance that these ownership levels will not be exceeded.

The size of our TRS will be limited and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if such transactions are not conducted on arm's-length terms.

A REIT may own up to 100% of the equity interests of an entity that is a corporation for federal income tax purposes if the entity is a TRS. A TRS may hold assets and earn income that would not be considered as qualifying assets or as qualifying income if held or earned directly by a REIT, including gross operating income from hotel operations pursuant to hotel management agreements. Both the REIT and its corporate subsidiary must jointly elect to treat such corporate subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock automatically will be treated as a TRS. Overall, no more than 25% (20% for tax years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRS. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT in order to assure that the TRS is subject to an appropriate level of corporate taxation.

Our TRS will pay federal income tax and applicable state and local income tax and, if applicable, foreign income tax on its taxable income. Its after-tax net income will be available for distribution to us, but it is not required to be distributed by such TRS to us. We believe that the aggregate value of the stock and securities of our TRS has been and will be less than 25% (20% for tax years beginning after December 31, 2017) of the value of our total assets (including our TRS stock and securities). Furthermore, we monitor the value of our investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations. There can be no assurance, however, that we will be able to comply with the 25% (20% for tax years beginning after December 31, 2017) limitation discussed above.

Rents paid to us by our TRS may not be based on net income or profits in order for such rents to qualify as "rents from real property." We receive "percentage rents" that are calculated based on gross revenues of the hotels subject to leases from our TRS - not on net income or profits. If the IRS determines that the rents charged under our leases with our TRS are excessive, the deductibility thereof may be challenged at the TRS level, and we could be subject to a 100% excise tax on "re-determined rent" or "re-determined deductions" to the extent rents exceed an arm's length amount. Recently enacted legislation has expanded the items subject to this 100% excise tax for tax years beginning on or after January 1, 2016. We believe that our rents and other transactions between our REITs and their TRS are based on arm's-length amounts and reflect normal business practices, but there can be no assurance that the IRS will agree with our belief.

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

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

Risks Relating to Redemption of OP Units

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

A holder who elects to redeem their OP units 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 elects to redeem their OP units, 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 Consolidated Hotel Portfolio" above for a discussion of our hotels.

Item 3. Legal Proceedings
We are involved in various legal proceedings in the ordinary course of business including, but not limited to, disputes involving hotel-level contracts, employment litigation, compliance with laws such as the Americans with Disabilities Act, tax disputes and other general matters. We 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 record a liability when a loss is considered probable and the amount can be reasonably estimated.

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 19, 2016. As a partnership, 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<br>Chairman of the Board | 77 | 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<br>President,<br>Chief Executive Officer and Director | 60 | 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<br>Executive Vice President,<br>General Counsel and Secretary | 57 | 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<br>Executive Vice President,<br>Asset Management | 62 | 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<br>Executive Vice President,<br>Human Resources | 58 | 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. |
| Gregory J. Larson<br>Executive Vice President, | 51 | 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 |

| | | |
|---|---|---|
| Chief Financial Officer | | corporate strategy business and promoted to Executive Vice President. In May 2013 he was named Chief Financial Officer. |
| James F. Risoleo<br><br>Executive Vice President,<br><br>Managing Director Investments – Europe & West Coast | 60 | James F. Risoleo joined our company in 1996 as Senior Vice President for Acquisitions, and he was elected Executive Vice President and Chief Investment Officer in 2000. In 2012, he became managing director of the company's European business activities. In 2015, Mr. Risoleo also assumed leadership for all of the company's West Coast investment activities. |
| Nathan S. Tyrrell<br><br>Managing Director,<br><br>Investments – East Coast | 43 | Nathan S. Tyrrell joined our finance department in 2005. He became Treasurer in February 2010. In 2015 he was named Managing Director of investment activities for the East Coast. |
| Brian G. Macnamara<br><br>Senior Vice President,<br><br>Corporate Controller | 56 | 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 High | Stock Price Low | Dividends Declared Per Share |
|---|---|---|---|
| 2014 | | | |
| 1st Quarter | $ 20.47 | $ 18.00 | $ 0.14 |
| 2nd Quarter | 22.77 | 20.05 | 0.15 |
| 3rd Quarter | 23.09 | 21.20 | 0.20 |
| 4th Quarter | 24.33 | 20.23 | 0.26 |

| | Stock Price High | Stock Price Low | Dividends Declared Per Share |
|---|---|---|---|
| 2015 | | | |
| 1st Quarter | $ 24.14 | $ 20.04 | $ 0.20 |
| 2nd Quarter | 20.73 | 19.40 | 0.20 |
| 3rd Quarter | 21.29 | 15.39 | 0.20 |
| 4th Quarter | 17.85 | 15.20 | 0.20 |

Under the terms of certain of our senior notes 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— The terms of our indebtedness and preferred units place restrictions on us and our subsidiaries and these restrictions reduce our operational flexibility and create default risks."

As of February 19, 2016, there were 20,162 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 19, 2016, there were 1,600 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 2010 – 2015

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Host Hotels & Resorts, Inc. | $100.00 | $83.48 | $90.26 | $114.93 | $145.41 | $98.16 |
| NAREIT Equity Index | $100.00 | $108.28 | $129.62 | $133.32 | $170.68 | $175.51 |
| S&P 500 Index | $ | | | | | |