HOST HOTELS & RESORTS, INC.
Form 10-Q
July 28, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended June 30, 2017

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.)	53-008595
Delaware (Host Hotels & Resorts, L.P.)	52-2095412
(State or Other Jurisdiction of	(I.R.S. Employer

Incorporation or Organization)	Identification No.)
6903 Rockledge Drive, Suite 1500	20817
Bethesda, Maryland	(Zip Code)
(Address of Principal Executive Offices)	

(240) 744-1000

(Registrant's telephone number, including area code)

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	No
Host Hotels & Resorts, L.P.	Yes	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 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	No
Host Hotels & Resorts, L.P.	Yes	No

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

Host Hotels & Resorts, Inc.

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

Host Hotels & Resorts, L.P.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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
Host Hotels & Resorts, L.P.	Yes	No

As of July 27, 2017 there were 740,051,905 shares of Host Hotels & Resorts, Inc.'s common stock, $.01 par value per share, outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context requires otherwise, 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, in cases where it is important to distinguish between Host Inc. and Host L.P. 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.

Host Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”). 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”). The remaining OP units 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. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same persons who direct the management of 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 substantially the same on their respective condensed consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that the combination into a single report of the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

The substantive difference between Host Inc.’s and Host L.P.’s filings is the fact that Host Inc. is a REIT with public stock, while Host L.P. is a partnership with no publicly traded equity. In the condensed consolidated 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 for Host L.P.). Apart from the different equity treatment, the condensed consolidated financial statements of Host Inc. and Host L.P. nearly are identical.

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2016 under the heading “Explanatory Note.”

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

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HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2017 and December 31, 2016

(in millions, except share and per share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Property and equipment, net	$ 10,251	$ 10,145
Assets held for sale	98	150
Due from managers	120	55
Advances to and investments in affiliates	307	286
Furniture, fixtures and equipment replacement fund	192	173
Other	240	225
Restricted cash	2	2
Cash and cash equivalents	644	372
Total assets	$ 11,854	$ 11,408
LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY		
Debt		
Senior notes	$ 2,776	$ 2,380
Credit facility, including term loans of $996 million and $997 million, respectively	1,215	1,206
Mortgage debt and other	1	63
Total debt	3,992	3,649
Accounts payable and accrued expenses	221	278
Liabilities held for sale	75	—
Other	269	283
Total liabilities	4,557	4,210
Non-controlling interests - Host Hotels & Resorts, L.P.	156	165
Host Hotels & Resorts, Inc. stockholders’ equity:		
Common stock, par value $.01, 1,050 million shares authorized, 738.8 million shares and 737.8 million shares issued and outstanding, respectively	7	7
Additional paid-in capital	8,102	8,077
Accumulated other comprehensive loss	(77)	(83)
Deficit	(931)	(1,007)
Total equity of Host Hotels & Resorts, Inc. stockholders	7,101	6,994

Non-controlling interests—other consolidated partnerships	40	39
Total equity	7,141	7,033
Total liabilities, non-controlling interests and equity	$ 11,854	$ 11,408

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Quarter and Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions, except per share amounts)

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Year-to-date ended June 30, 2017	Year-to-date ended June 30, 2016
REVENUES				
Rooms	$940	$933	$1,783	$1,776
Food and beverage	416	439	838	847
Other	85	87	168	175
Total revenues	1,441	1,459	2,789	2,798
EXPENSES				
Rooms	230	228	449	449
Food and beverage	275	289	552	573
Other departmental and support expenses	324	332	643	660
Management fees	69	66	125	123
Other property-level expenses	97	100	197	193
Depreciation and amortization	178	178	358	359
Corporate and other expenses	26	27	55	54
Gain on insurance and business interruption settlements	(2)	—	(5)	(3)
Total operating costs and expenses	1,197	1,220	2,374	2,408
OPERATING PROFIT	244	239	415	390
Interest income	1	—	2	1
Interest expense	(43)	(39)	(82)	(78)
Gain on sale of assets	29	172	46	231
Gain (loss) on foreign currency transactions and derivatives	—	2	(2)	3
Equity in earnings of affiliates	8	9	15	11
INCOME BEFORE INCOME TAXES	239	383	394	558
Provision for income taxes	(27)	(32)	(21)	(23)
NET INCOME	212	351	373	535
Less: Net income attributable to non-controlling interests	(2)	(4)	(5)	(6)
NET INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	$210	$347	$368	$529
Basic earnings per common share	$.28	$.47	$.50	$.71
Diluted earnings per common share	$.28	$.47	$.50	$.71

See notes to condensed consolidated financial statements.

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HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Quarter and Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
NET INCOME	$212	$351	$373	$535
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation and other comprehensive income of unconsolidated affiliates	8	—	15	14
Change in fair value of derivative instruments	(9)	3	(10)	(2)
Amounts reclassified from other comprehensive income (loss)	2	20	1	24
OTHER COMPREHENSIVE INCOME, NET OF TAX	1	23	6	36
COMPREHENSIVE INCOME	213	374	379	571
Less: Comprehensive income attributable to non-controlling interests	(4)	(4)	(6)	(6)
COMPREHENSIVE INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	$209	$370	$373	$565

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions)

	Year-to-date ended June 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income	$373	$535
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	358	359
Amortization of finance costs, discounts and premiums, net	3	3
Stock compensation expense	5	6
Deferred income taxes	20	13
Gain on sale of assets	(46)	(231)
(Gain) loss on foreign currency transactions and derivatives	2	(3)
Gain on property insurance settlement	—	(1)
Equity in earnings of affiliates	(15)	(11)
Change in due from managers	(62)	(67)
Distributions from investments in affiliates	13	18
Changes in other assets	(23)	(3)
Changes in other liabilities	(16)	(7)
Cash provided by operating activities	612	611
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	226	440
Return of investments in affiliates	4	9
Advances to and investments in affiliates	—	(1)
Acquisitions	(467)	(50)
Capital expenditures:		
Renewals and replacements	(111)	(162)
Redevelopment and acquisition-related investments	(32)	(146)
Cash provided by (used in) investing activities	(380)	90
FINANCING ACTIVITIES		
Financing costs	(9)	—
Issuances of debt	398	—
Draws on credit facility	340	449
Repayment of credit facility	(340)	(490)
Mortgage debt and other prepayments and scheduled maturities	—	(120)
Common stock repurchase	—	(162)
Dividends on common stock	(332)	(300)

Other financing activities	(2)	(4)
Cash provided by (used in) financing activities	55	(627)
Effects of exchange rate changes on cash held	4	4
INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	291	78
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	547	377
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$838	$455

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Year-to-date ended June 30, 2017 and 2016

(unaudited)

Supplemental disclosure of cash flow information (in millions):

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the amount shown in the statements of cash flows:

	June 30, 2017	June 30, 2016
Cash and cash equivalents	$ 644	$ 266
Restricted cash	2	16
Cash included in furniture, fixtures and equipment replacement fund	192	173
Total cash and cash equivalents and restricted cash shown in the statements of cash flows	$ 838	$ 455

The following table presents cash paid during the year-to-date for the following:

	Year-to-date ended June 30,	
	2017	2016
Total interest paid	$ 72	$ 68
Income taxes paid	$ 15	$ 12

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2017 and December 31, 2016

(in millions)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Property and equipment, net	$ 10,251	$ 10,145
Assets held for sale	98	150
Due from managers	120	55
Advances to and investments in affiliates	307	286
Furniture, fixtures and equipment replacement fund	192	173
Other	240	225
Restricted cash	2	2
Cash and cash equivalents	644	372
Total assets	$ 11,854	$ 11,408
LIABILITIES, LIMITED PARTNERSHIP INTERESTS OF THIRD PARTIES AND CAPITAL		
Debt		
Senior notes	$ 2,776	$ 2,380
Credit facility, including term loans of $996 million and $997 million, respectively	1,215	1,206
Mortgage debt and other	1	63
Total debt	3,992	3,649
Accounts payable and accrued expenses	221	278
Liabilities held for sale	75	—
Other	269	283
Total liabilities	4,557	4,210
Limited partnership interests of third parties	156	165
Host Hotels & Resorts, L.P. capital:		
General partner	1	1
Limited partner	7,177	7,076
Accumulated other comprehensive loss	(77)	(83)
Total Host Hotels & Resorts, L.P. capital	7,101	6,994
Non-controlling interests—consolidated partnerships	40	39
Total capital	7,141	7,033
Total liabilities, limited partnership interest of third parties and capital	$ 11,854	$ 11,408

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Quarter and Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions, except per unit amounts)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
REVENUES				
Rooms	$940	$933	$1,783	$1,776
Food and beverage	416	439	838	847
Other	85	87	168	175
Total revenues	1,441	1,459	2,789	2,798
EXPENSES				
Rooms	230	228	449	449
Food and beverage	275	289	552	573
Other departmental and support expenses	324	332	643	660
Management fees	69	66	125	123
Other property-level expenses	97	100	197	193
Depreciation and amortization	178	178	358	359
Corporate and other expenses	26	27	55	54
Gain on insurance and business interruption settlements	(2)	—	(5)	(3)
Total operating costs and expenses	1,197	1,220	2,374	2,408
OPERATING PROFIT	244	239	415	390
Interest income	1	—	2	1
Interest expense	(43)	(39)	(82)	(78)
Gain on sale of assets	29	172	46	231
Gain (loss) on foreign currency transactions and derivatives	—	2	(2)	3
Equity in earnings of affiliates	8	9	15	11
INCOME BEFORE INCOME TAXES	239	383	394	558
Provision for income taxes	(27)	(32)	(21)	(23)
NET INCOME	212	351	373	535
Less: Net (income) loss attributable to non-controlling interests	—	1	(1)	1
NET INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.	$212	$352	$372	$536
Basic earnings per common unit	$.29	$.48	$.51	$.72
Diluted earnings per common unit	$.29	$.48	$.51	$.72

See notes to condensed consolidated financial statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Quarter and Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
NET INCOME	$212	$351	$373	$535
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation and other comprehensive income of unconsolidated affiliates	8	—	15	14
Change in fair value of derivative instruments	(9)	3	(10)	(2)
Amounts reclassified from other comprehensive income (loss)	2	20	1	24
OTHER COMPREHENSIVE INCOME, NET OF TAX	1	23	6	36
COMPREHENSIVE INCOME	213	374	379	571
Less: Comprehensive (income) loss attributable to non-controlling interests	(2)	1	(2)	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.	$211	$375	$377	$572

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date ended June 30, 2017 and 2016

(unaudited, in millions)

	Year-to-date ended June 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income	$373	$535
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	358	359
Amortization of finance costs, discounts and premiums, net	3	3
Stock compensation expense	5	6
Deferred income taxes	20	13
Gain on sale of assets	(46)	(231)
(Gain) loss on foreign currency transactions and derivatives	2	(3)
Gain on property insurance settlement	—	(1)
Equity in earnings of affiliates	(15)	(11)
Change in due from managers	(62)	(67)
Distributions from investments in affiliates	13	18
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Cash provided by operating activities	612	611
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	226	440
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Advances to and investments in affiliates	—	(1)
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Capital expenditures:		
Renewals and replacements	(111)	(162)
Redevelopment and acquisition-related investments	(32)	(146)
Cash provided by (used in) investing activities	(380)	90
FINANCING ACTIVITIES		
Financing costs	(9)	—
Issuances of debt	398	—
Draws on credit facility	340	449
Repayment of credit facility	(340)	(490)
Mortgage debt and other prepayments and scheduled maturities	—	(120)
Repurchase of common OP units	—	(162)
Distributions on common OP units	(336)	(303)

Other financing activities	2	(1)
Cash provided by (used in) financing activities	55	(627)
Effects of exchange rate changes on cash held	4	4
INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	291	78
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	547	377
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$838	$455

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Year-to-date ended June 30, 2017 and 2016

(unaudited)

Supplemental disclosure of cash flow information (in millions):

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the amount shown in the statements of cash flows:

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	2017	2016
Total interest paid	$ 72	$ 68
Income taxes paid	$ 15	$ 12

See notes to condensed consolidated financial statements.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization

Description of Business

Host Hotels & Resorts, Inc. operates as a self-managed and self-administered real estate investment trust ("REIT"), with its operations conducted solely through Host Hotels & Resorts, L.P. and its subsidiaries. Host Hotels & Resorts, L.P., a Delaware limited partnership, operates through an umbrella partnership structure, with Host Hotels & Resorts, Inc., a Maryland corporation, as its sole general partner. In the notes to these unaudited condensed consolidated financial statements, we use the terms "we" or "our" to refer to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. together, unless the context indicates otherwise. We also use the term "Host Inc." specifically to refer to Host Hotels & Resorts, Inc. and the term "Host L.P." specifically to refer to Host Hotels & Resorts, L.P. in cases where it is important to distinguish between Host Inc. and Host L.P. As of June 30, 2017, Host Inc. holds approximately 99% of Host L.P.'s OP units.

Consolidated Portfolio

As of June 30, 2017, our consolidated portfolio, primarily consisting of luxury and upper upscale hotels, is located in the following countries:

	Hotels
United States	89
Australia	1
Brazil	3
Canada	2
Mexico	1
Total	96

Joint Ventures

We own a non-controlling interest in a joint venture in Europe ("Euro JV") that owns hotels in two separate funds in seven countries. We own a 32.1% interest in the first fund ("Euro JV Fund I") (3 hotels) and a 33.4% interest in the second fund ("Euro JV Fund II") (7 hotels).

We also own non-controlling interests in an additional six joint ventures that own eight hotels.

Omg

2. Summary of Significant Accounting Policies

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made herein are adequate to prevent the information presented from being misleading. However, the financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10–K for the year ended December 31, 2016.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 30, 2017, and the results of our operations for the quarter and year-to-date periods ended June 30, 2017 and 2016, respectively, and cash flows for the year-to-date periods ended June 30, 2017 and 2016, respectively. Interim results are not necessarily indicative of full year performance because of the impact of seasonal variations.

HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Three of our partnerships are considered variable interest entities (VIEs) as the general partner maintains control over the decisions that most significantly impact the partnerships. This includes the operating partnership, Host L.P., which is consolidated by Host Inc., of which Host Inc. is the sole general partner and holds approximately 99% of its partnership interests; the consolidated partnership that owns the Houston Airport Marriott at George Bush Intercontinental; and the unconsolidated partnership that owns the Philadelphia Marriott Downtown. Host Inc.'s sole significant asset is its investment in Host L.P. and, consequently, substantially all of Host Inc.'s assets and liabilities consist of the assets and liabilities of Host L.P. All of Host Inc.'s debt is an obligation of Host L.P. and may be settled only with assets of Host L.P.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

New Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The standard adopts a two-step approach wherein, if substantially all of the fair value of the gross assets acquired is concentrated in a single (group of similar) identifiable asset(s), then the transaction would be considered an asset purchase. As a result of the standard, we anticipate that the majority of our hotel purchases will be considered asset purchases as opposed to business combinations. However, the determination will be made on a transaction-by-transaction basis and we do not expect the determination to materially change the recognition of the assets and liabilities acquired. This standard will be applied on a prospective basis and, therefore, it does not affect the accounting for any of our previous transactions. The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that, on the statement of cash flows, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending total amounts thereof. The standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We adopted this standard beginning January 1, 2017. As a result, amounts included in restricted cash and furniture, fixtures and equipment replacement fund on our consolidated balance sheet are included with cash and cash equivalents on the statement of cash flows, and we have restated the statement of cash flows for the year-to-date ended June 30, 2016 to reflect this change. The adoption of this standard did not change our balance sheet presentation.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to simplify accounting for share-based payment transactions and will affect the classification of certain share-based awards and related income tax withholdings. The standard is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We adopted this standard beginning January 1, 2017. As a result of the standard, the majority of our share-based payment awards granted in 2017 are equity-classified awards, and the excess tax benefits or deficiencies that are incurred based on the difference between the intrinsic value of the award and the grant-date fair value is recognized as income tax benefit or expense on the income statement. However, the implementation of this standard has not had a material effect on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard sets forth steps to determine the timing and amount of revenue to be recognized to depict the transfer of goods or services in an amount that reflects the consideration that the entity expects in exchange. In March, April, May and December 2016, the FASB issued ASUs Nos. 2016-08, 2016-10, 2016-12 and 2016-20, respectively, all related to Topic 606, which further clarify the application of the standard. Additionally, in February 2017, the FASB issued ASU No. 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), which is required to be adopted concurrently with Topic 606, as it provides further guidance on accounting for the derecognition of and partial sales of a non-financial asset. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effectiveness of ASU No. 2014-09 to reporting periods beginning after December 15, 2017 and permitted early application for annual reporting periods beginning after December 15, 2016. The new standards can be applied retrospectively or under a modified retrospective approach. Based on our assessment of this standard, it will not materially affect the amount or timing of revenue recognition for revenues from room, food and beverage, and other hotel level sales; however, it may allow for earlier gain recognition for certain asset sale transactions pursuant to which we have continuing involvement with the asset. We anticipate adopting this standard on January 1, 2018 and are evaluating new disclosure requirements. Upon adoption, we expect to implement these standards using a modified retrospective approach with a cumulative effect recognized with no restatements of prior period amounts.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which affects aspects of accounting for lease agreements. Under the new standard, all leases, including operating leases, will require recognition of the lease assets and lease liabilities by lessees on the balance sheet. However, the net effect on the statement of operations and the statement of cash flows largely is unchanged. The standard is effective for fiscal years beginning after December 15, 2018, with early application permitted. The standard requires a modified retrospective approach, with restatement of the periods presented in the year of adoption. We anticipate adopting this standard on January 1, 2019. The primary impact of the new standard will be to the treatment of our 25 ground leases, which represent approximately 85% of all of our operating lease payments. While we have not completed our analysis, we believe that the application of this standard will result in the recording of a right of use asset and the related lease liability of between $400 million and $500 million for the ground leases, although changes in discount rates, ground lease terms or other variables may have a significant effect on this calculation. As noted above, we expect the adoption of this standard to have minimal impact on our income statement.

3. Earnings Per Common Share (Unit)

Basic earnings per common share (unit) is computed by dividing net income attributable to common stockholders (unitholders) by the weighted average number of shares of Host Inc. common stock or Host L.P. common units outstanding. Diluted earnings per common share (unit) is computed by dividing net income attributable to common stockholders (unitholders), as adjusted for potentially dilutive securities, by the weighted average number of shares of Host Inc. common stock or Host L.P. common units outstanding plus other potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans or the common OP units distributed to Host Inc. to support such shares granted, and other non-controlling interests that have the option to convert their limited partnership interests to common OP units. No effect is shown for any securities that are anti-dilutive. We have 8.3 million common OP units which are convertible into 8.5 million common shares which are not included in Host Inc.'s calculation of earnings per share as their effect is not dilutive. The calculation of Host Inc. basic and diluted earnings per common share is shown below (in millions, except per share amounts):

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
Net income	$212	$351	$373	$535
Less: Net income attributable to non-controlling interests	(2)	(4)	(5)	(6)
Net income attributable to Host Inc.	$210	$347	$368	$529
Basic weighted average shares outstanding	738.6	744.0	738.3	746.8
Assuming distribution of common shares granted	0.2	0.3	0.2	0.3

under the comprehensive stock plans, less shares assumed purchased at market				
Diluted weighted average shares outstanding	738.8	744.3	738.5	747.1
Basic earnings per common share	$.28	$.47	$.50	$.71
Diluted earnings per common share	$.28	$.47	$.50	$.71

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HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The calculation of Host L.P. basic and diluted earnings per unit is shown below (in millions, except per unit amounts):

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
Net income	$212	$351	$373	$535
Less: Net (income) loss attributable to non-controlling interests	—	1	(1)	1
Net income attributable to Host L.P.	$212	$352	$372	$536
Basic weighted average units outstanding	731.5	737.4	731.2	740.2
Assuming distribution of common units to support shares granted under the comprehensive stock plans, less shares assumed purchased at market	0.1	0.3	0.2	0.3
Diluted weighted average units outstanding	731.6	737.7	731.4	740.5
Basic earnings per common unit	$.29	$.48	$.51	$.72
Diluted earnings per common unit	$.29	$.48	$.51	$.72

4. Property and Equipment

Property and equipment consists of the following (in millions):

	June 30, 2017	December 31, 2016
Land and land improvements	$2,131	$ 2,047
Buildings and leasehold improvements	13,777	13,483
Furniture and equipment	2,389	2,377
Construction in progress	75	86
	18,372	17,993

Less accumulated depreciation and amortization	(8,121)	(7,848)
	$ 10,251	$ 10,145

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5. Debt

During the second quarter, we amended our credit facility agreement, extending the maturity of the $1 billion revolver portion to May 2021, with two six-month extension options. Additionally, the $500 million term loan that was scheduled to mature in June 2017 was amended to extend the maturity to May 2021, with one 12-month extension option, and lower the margin for an all-in interest rate of 2.3% at June 30, 2017. The amendment did not affect the terms of the $500 million term loan due to mature in September 2020. As of June 30, 2017, we had $775 million of available capacity under the revolver portion of our credit facility.

HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

6. Equity of Host Inc. and Capital of Host L.P.

Equity of Host Inc.

Equity of Host Inc. is allocated between controlling and non-controlling interests as follows (in millions):

	Equity of Host Inc.	Non-redeemable, non-controlling interests	Total equity	Redeemable, non-controlling interests
Balance, December 31, 2016	$6,994	$ 39	$7,033	$ 165
Net income	368	1	369	4
Issuance of common stock for comprehensive stock plans	14	—	14	—
Dividends declared on common stock	(295)	—	(295)	—
Distributions to non-controlling interests	—	—	—	(3)
Changes in ownership and other	15	(1)	14	(10)
Other comprehensive income	5	1	6	—
Balance, June 30, 2017	$7,101	$ 40	$7,141	$ 156

Capital of Host L.P.

As of June 30, 2017, Host Inc. is the owner of approximately 99% of Host L.P.'s common OP units. The remaining common OP units are held by third party limited partners. Each common OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock, based on the conversion ratio of 1.021494 shares of Host Inc. common stock for each common OP unit.

In exchange for any shares issued by Host Inc., Host L.P. will issue common OP units to Host Inc. based on the applicable conversion ratio. Additionally, funds used by Host Inc. to pay dividends on its common stock are provided by distributions from Host L.P.

Capital of Host L.P. is allocated between controlling and non-controlling interests as follows (in millions):

	Capital of Host L.P.	Non-controlling interests	Total Capital	Limited Partnership Interest of Third Parties
Balance, December 31, 2016	$6,994	$ 39	$7,033	$ 165
Net income	368	1	369	4
Issuance of common OP units to Host Inc. for	14	—	14	—

comprehensive stock plans				
Distributions declared on common OP units	(295)	—	(295)	(3)
Changes in ownership and other	15	(1)	14	(10)
Other comprehensive income	5	1	6	—
Balance, June 30, 2017	$ 7,101	$ 40	$ 7,141	$ 156

Dividends/Distributions

On June 15, 2017, Host Inc.'s Board of Directors declared a regular quarterly cash dividend of $0.20 per share on its common stock. The dividend was paid on July 17, 2017 to stockholders of record as of June 30, 2017. Accordingly, Host L.P. made a distribution of $0.2042988 per unit on its common OP units based on the current conversion ratio.

7. Dispositions

During the second quarter 2017, we sold the Sheraton Memphis Downtown for $67 million and recorded a gain of approximately $28 million.

As of June 30, 2017, the Hilton Melbourne South Wharf has been classified as held for sale. The hotel was sold on July 28, 2017 for A$230 million ($182 million) and we will record a gain of approximately $74 million in the third quarter.

8. Fair Value Measurements

Derivatives and Hedging

Foreign Investment Hedging Instruments. We have five foreign currency forward sale contracts for a total notional amount of $133 million that hedge a portion of the foreign currency exposure resulting from the eventual repatriation of our Canadian dollar and euro net investments in foreign operations. These derivatives are considered hedges of the foreign currency exposure of a net investment in a foreign operation. The contracts are required to be measured at fair value on a recurring basis using significant other observable inputs (Level 2) in the GAAP fair value hierarchy. As a result, we recorded a liability of $2 million and an asset of $12 million as of June 30, 2017 and December 31, 2016, respectively, related to the contracts. These contracts are marked-to-market with changes in fair value recorded to other comprehensive income (loss). We recorded a loss of $7 million and a gain of $3 million for the quarters ended June 30, 2017 and 2016, respectively, and losses of $10 million and $2 million for the year-to-date periods ended June 30, 2017 and 2016, respectively. The foreign currency forward sale contracts are valued based on the forward yield curve of the foreign currency to U.S. dollar forward exchange rate on the date of measurement. We also evaluate counterparty credit risk when we calculate the fair value of the derivatives.

In addition to the foreign currency forward sale contracts, we have designated $162 million of the foreign currency draws on our credit facility as hedges of net investments in foreign operations. Changes in fair value of the designated credit facility draws are recorded to other comprehensive income (loss). We recorded a loss of $8 million and a gain of $3 million for the quarters ended June 30, 2017 and 2016, respectively, and losses of $11 million and $3 million for the year-to-date periods ended June 30, 2017 and 2016, respectively.

Other Liabilities

Fair Value of Other Financial Liabilities. We did not elect the fair value measurement option for any of our other financial liabilities. The fair values of secured debt and our credit facility are determined based on the expected future payments discounted at risk-adjusted rates. Senior notes are valued based on quoted market prices. The fair values of financial instruments not included in this table are estimated to be equal to their carrying amounts.

The fair value of certain financial liabilities is shown below (in millions):

	June 30, 2017 Carrying Amount	Fair Value	December 31, 2016 Carrying Amount	Fair Value
Financial liabilities				
Senior notes (Level 1)	$2,776	$ 2,939	$2,380	$ 2,477
Credit facility (Level 2)	1,215	1,224	1,206	1,211
Mortgage debt and other, excluding capital leases (Level 2)	—	—	62	62

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9. Geographic Information

We consider each of our hotels to be an operating segment, none of which meets the threshold for a reportable segment. We also allocate resources and assess operating performance based on individual hotels. All of our other real estate investment activities (primarily office buildings and apartments) are immaterial and, with our operating segments,

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meet the aggregation criteria, and thus, we report one segment: hotel ownership. Our consolidated foreign operations consist of hotels in four countries as of June 30, 2017. There were no intersegment sales during the periods presented.

The following table presents total revenues and property and equipment for each of the geographical areas in which we operate (in millions):

	Revenues Quarter ended June 30,		Revenues Year-to-date ended June 30,		Property and Equipment, net	
	2017	2016	2017	2016	June 30, 2017	December 31, 2016
United States	$1,406	$1,415	$2,722	$2,711	$10,105	$ 9,913
Australia	8	8	16	16	—	85
Brazil	5	7	11	14	60	63
Canada	15	14	26	24	72	71
Chile	—	4	—	9	—	—
Mexico	7	8	14	15	14	13
New Zealand	—	3	—	9	—	—
Total	$1,441	$1,459	$2,789	$2,798	$10,251	$ 10,145

10. Non-controlling Interests

Host Inc.’s treatment of the non-controlling interests of Host L.P.: Host Inc. adjusts the non-controlling interests of Host L.P. each period so that the amount presented equals the greater of its carrying value based on accumulated historical cost or its redemption value. The historical cost is based on the proportional relationship between the historical cost of equity held by our common stockholders relative to that of the unitholders of Host L.P. The redemption value is based on the amount of cash or Host Inc. common stock, at our option, that would be paid to the non-controlling interests of Host L.P. if it were terminated. Therefore, the redemption value of the common OP units is equivalent to the number of shares that would be issued upon conversion of the common OP units held by third parties valued at the market price of Host Inc. common stock at the balance sheet date. One common OP unit may be exchanged for 1.021494 shares of Host Inc. common stock. Non-controlling interests of Host L.P. are classified in the mezzanine section of our balance sheets as they do not meet the requirements for equity classification because the redemption feature requires the delivery of registered shares.

The table below details the historical cost and redemption values for the non-controlling interests:

	June 30, 2017	December 31, 2016
Common OP units outstanding (millions)	8.3	8.6
Market price per Host Inc. common share	$ 18.27	$ 18.84
Shares issuable upon conversion of one common OP unit	1.021494	1.021494
Redemption value (millions)	$ 156	$ 165
Historical cost (millions)	83	84
Book value (millions) [(1)]	156	165

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(1) The book value recorded is equal to the greater of redemption value or historical cost.

Other Consolidated Partnerships. We consolidate four majority-owned partnerships that have third-party, non-controlling partners. The third-party partnership interests are included in non-controlling interests — other consolidated partnerships on the balance sheets and totaled $40 million and $39 million as of June 30, 2017 and December 31, 2016, respectively

11. Legal Proceedings

We are involved in various legal proceedings in the normal course of business regarding the operation of our hotels and company matters. To the extent not covered by insurance, these legal proceedings generally fall into the following broad categories: disputes involving hotel-level contracts, employment litigation, compliance with laws such as the Americans with Disabilities Act, tax disputes and other general matters. Under our management agreements, our operators have broad latitude to resolve individual hotel-level claims for amounts generally less than $150,000. However, for matters exceeding such threshold, our operators may not settle claims without our consent.

Based on our analysis of legal proceedings with which we currently are involved or of which we are aware and our experience in resolving similar claims in the past, we have accrued approximately $5 million as of June 30, 2017. We have estimated that, in the aggregate, our losses related to these proceedings could be as much as $17 million. We believe this range represents the maximum potential loss for all of our legal proceedings. We are not aware of any other matters with a reasonably possible unfavorable outcome for which disclosure of a loss contingency is required. No assurances can be given as to the outcome of any pending legal proceedings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this report. Host Inc. operates as a self-managed and self-administered REIT. Host Inc. is the sole general partner of Host L.P. and holds approximately 99% of its partnership interests. Host L.P. is a limited partnership operating through an umbrella partnership structure. The remaining common OP units are owned by various unaffiliated limited partners.

Forward-Looking Statements

In this report on Form 10-Q, we make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "expect," "may," "intend," "predict," "project," "plan," "will," "estimate" and other similar phrases, including references to assumptions and forecasts of future results. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those anticipated at the time the forward-looking statements are made.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- 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, consumer confidence and the value of the U.S. dollar, and (ii) factors that may shape public perception of travel to a particular location 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 effects of the United Kingdom's referendum to withdraw from the European Union, the slowing of growth in markets such as China and Brazil, or unrest in the Middle East, all of which could affect the relative volatility of global credit markets generally, global travel and lodging demand, including with respect to our foreign hotel properties;
- risks that the recent travel ban to the United States and proposed immigration policies will suppress international travel to the United States generally;
- volatility in global financial and credit markets, and the impact of budget deficits and potential 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 operating or labor costs or changes in workplace rules that affect labor costs;
- the effect of rating agency downgrades of our debt securities on the cost and availability of new debt financings;
- the reduction in our operating flexibility and the limitation on our ability to pay dividends and make distributions resulting from restrictive covenants in our debt agreements, which limit the amount of distributions from Host L.P. to Host Inc., and other risks associated with the amount of our indebtedness or related to restrictive covenants in our debt agreements, including the risk that a default could occur;
- our ability to maintain our properties in a first-class manner, including meeting capital expenditures requirements, and the effect of renovations, including temporary closures, on our hotel occupancy and financial results;
- the ability of our hotels to compete effectively against other lodging businesses in the highly competitive markets in which we operate in areas such as access, location, quality of accommodations and room rate structures;
- our ability to acquire or develop additional properties and the risk that potential acquisitions or developments may not perform in accordance with our expectations;

- relationships with property managers and joint venture partners and our ability to realize the expected benefits of our joint ventures and other strategic relationships;
- risks associated with a single manager, Marriott International, managing a significant portion of our properties;
- changes in the desirability of the geographic regions of the hotels in our portfolio or in the travel patterns of hotel customers;

- the ability of third-party internet and other travel intermediaries to attract and retain customers;
- our ability to recover fully under our existing insurance policies for terrorist acts and our ability to maintain adequate or full replacement cost "all-risk" property insurance policies on our properties on commercially reasonable terms;
- the effect of a data breach or significant disruption of hotel operator information technology networks as a result of cyber attacks;
- the effects of tax legislative action and other changes in laws and regulations, or the interpretation thereof, including the need for compliance with new environmental and safety requirements;
- the ability of Host Inc. and each of the REITs acquired, established or to be established by Host Inc. to continue to satisfy complex rules in order to qualify as REITs for federal income tax purposes and Host Inc.'s and Host L.P.'s ability and the ability of our subsidiaries, and similar entities to be acquired or established by us, to operate effectively within the limitations imposed by these rules; and
- risks associated with our ability to execute our dividend policy, including factors such as investment activity, operating results and the economic outlook, any or all of which may influence the decision of our board of directors as to whether to pay future dividends at levels previously disclosed or to use available cash to pay special dividends.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2016 and in other filings with the Securities and Exchange Commission ("SEC"). Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material.

Operating Results and Outlook

Operating Results

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

Historical Income Statement Data:

	Quarter ended June 30,			Year-to-date ended June 30,		
	2017	2016	Change	2017	2016	Change
Total revenues	$1,441	$1,459	(1.2)%	$2,789	$2,798	(0.3)%
Net income	212	351	(39.6)%	373	535	(30.3)%
Operating profit	244	239	2.1 %	415	390	6.4 %
Operating profit margin under GAAP	16.9 %	16.4 %	50 bps	14.9 %	13.9 %	100 bps
Adjusted EBITDA [1]	$444	$436	1.8 %	$811	$782	3.7 %
Diluted earnings per share	0.28	0.47	(40.4)%	0.50	0.71	(29.6)%
NAREIT FFO per diluted share [1]	0.49	0.49	—	0.93	0.90	3.3 %
Adjusted FFO per diluted share [1]	0.49	0.49	—	0.94	0.90	4.4 %

Comparable Hotel Data:

	2017 Comparable Hotels [2]					
	Quarter ended June 30,			Year-to-date ended June 30,		
	2017	2016	Change	2017	2016	Change
Comparable hotel revenues [1]	$1,310	$1,312	(0.1)%	$2,512	$2,478	1.4 %
Comparable hotel EBITDA [1]	406	405	0.4 %	728	707	2.9 %
Comparable hotel EBITDA margin [1]	31.0 %	30.85 %	15 bps	29.0 %	28.55 %	45 bps
Change in comparable hotel RevPAR - Constant US$	1.7 %			2.5 %		
Change in comparable hotel RevPAR - Nominal US$	1.7 %			2.6 %		
Change in comparable domestic RevPAR	1.8 %			2.7 %		
Change in comparable international RevPAR - Constant US$	(3.1)%			(5.1)%		

(1) Adjusted EBITDA, NAREIT FFO and Adjusted FFO per diluted share and comparable hotel operating results (including comparable hotel revenues and comparable hotel EBITDA and margins) are non-GAAP (U.S. generally accepted accounting principles) financial measures within the meaning of the rules of the SEC. See “Non-GAAP Financial Measures” for more information on these measures, including why we believe that these supplemental

measures are useful, reconciliations to the most directly comparable GAAP measure, and the limitations on the use of these supplemental measures.

(2) Comparable hotel operating statistics for 2017 and 2016 are based on 89 hotels as of June 30, 2017.

Revenue per Available Room (“RevPAR”)

Comparable RevPAR on a constant US$ basis improved 1.7% for the second quarter, driven by a 70 basis point increase in occupancy and a 0.8% increase in average room rate. Year-to-date, comparable RevPAR on a constant US$ basis improved 2.5% as a result of a 70 basis point increase in occupancy and a 1.6% increase in average room rate. Results were mixed across our portfolio for the quarter, as strong performances in our Seattle, Phoenix and Boston markets were partially offset by declines in our Houston, Atlanta, San Francisco and New York markets. Strong transient and contract business for the quarter was partially offset by a decline in group business due to the shift of the Easter holiday into the second quarter and softer attendance at citywide conventions.

On a constant US$ basis, RevPAR at our comparable international properties decreased 3.1% for the second quarter and 5.1% year-to-date primarily due to declines in both rate and occupancy at our properties in Rio de Janeiro due to weakness in the Brazilian economy and difficult comparisons to pre-Olympic activity in the prior year.

Rooms

Total room revenue increased 0.8% and 0.4% for the quarter and year-to-date, respectively, reflecting the increase in comparable room revenue of 1.7% and 2.0% for the quarter and year-to-date, respectively, partially offset by the net effect of our 2017 and 2016 acquisitions and dispositions. For the quarter and year-to-date, total room expenses increased 0.9% and remained flat, respectively, reflecting the comparable hotel room expenses increase of 2.4% and 2.2% for the quarter and year-to-date, respectively, partially offset by the net effect of our 2017 and 2016 acquisitions and dispositions.

Food and beverage

For the second quarter and year-to-date, food and beverage revenues decreased 5.2% and 1.1%, respectively, reflecting the results at our comparable hotels as well as a decrease due to the net effect of our 2017 and 2016 acquisitions and dispositions. Comparable food and beverage revenue decreased 4.4% and remained flat for the quarter and year-to-date, respectively, due to a decrease in banquet and audio visual revenues reflecting the decline in group business for the quarter. As a result of the decrease in higher margin banquet and audio visual business, which was replaced with lower margin outlet business, comparable food and beverage profit for the second quarter decreased 5.3%. This decrease partially offset strong first quarter results, leading to a 4.3% increase in comparable food and beverage profit year-to-date.

Operating profit

Operating profit margins (calculated based on GAAP operating profit as a percentage of GAAP revenues) increased 50 basis points, to 16.9%, for the second quarter and 100 basis points, to 14.9%, year-to-date. These operating profit margins are affected significantly by several items, including dispositions, depreciation and corporate expenses. Our comparable hotel EBITDA margins, which exclude these items, increased 15 basis points, to 31.0%, for the second quarter and 45 basis points, to 29.0%, year-to-date. For the quarter, the margin improvement was driven by growth in room revenues. Year-to-date, we continue to see labor productivity improvements at certain of our properties, which are reflective of the time and motion studies we have initiated at some of our largest hotels over the past two years and continue to implement at our medium and smaller-sized hotels. These studies have resulted in hotel managers establishing more accurate labor model standards and improved and expanded forecasting tools, which allow them to more effectively schedule labor based on demand and to minimize excess staffing, thereby reducing costs.

Net income, Adjusted EBITDA and Adjusted FFO per Diluted Share

Net income for the quarter and year-to-date decreased $139 million and $162 million, respectively, due to a decrease in gain on sale of assets of $143 million and $185 million, respectively, partially offset by the improvement in operating profit discussed above. Adjusted EBITDA increased $8 million for the quarter and $29 million year-to-date due to improvement in our comparable hotel EBITDA and strong performance at three of our non-comparable hotels that were under renovation last year, slightly offset by the net effect of our 2017 and 2016 acquisitions and dispositions. These changes led to a decrease in earnings of $0.19, or 40.4%, per diluted share for the quarter and $0.21, or 29.6%, per diluted share year-to-date and no change in Adjusted FFO per diluted share for the quarter and an increase of $0.04, or 4.4%, for year-to-date.

The trends and transactions described for Host Inc. affected similarly the operating results for Host L.P., as the only significant difference between the Host Inc. and the Host L.P. statements of operations relates to the treatment of income attributable to the third party limited partners of Host L.P.

Outlook

Forecasts for the United States economy continue to be cautiously optimistic for 2017, as employment data continues to strengthen and business investment has modestly improved. However, legislative efforts have stalled, delaying any potential economic stimulus through tax reform, infrastructure spending and regulatory easing. Therefore, the macroeconomic backdrop has been less supportive of industry demand growth than might have been expected at the beginning of the year, particularly as it relates to business travel.

Additionally, supply growth is expected to continue accelerating in the second half of 2017. In particular, markets in which we own a significant number of hotels have experienced above-average supply growth during this cycle, which may continue to impact the ability of our managers to grow room rate in the near-term and also could lead to downward pressure on occupancy.

We expect growth for the second half of 2017; however, we anticipate that the rate of growth will decelerate. This is because of the strong performance in the first half of the year due, in part, to the Presidential inauguration and related activities, as well as a difficult comparison in the second half of the year for our hotels in Brazil due to last year's Olympics. As a result of these trends, we estimate that comparable RevPAR growth for the full year 2017 will be between 1.0% and 1.75% on a constant US$ basis.

The current outlook for the lodging industry is uncertain; therefore, there can be no assurances that any increases in hotel revenues or earnings will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy, changes in travel patterns, and international economic and political instability.

Strategic Initiatives

Portfolio

Dispositions. During the quarter, we sold the Sheraton Memphis Downtown for $67 million. The Hilton Melbourne South Wharf was classified as held-for-sale as of June 30, 2017 and sold on July 28, 2017 for A$230 million ($182 million).

Balance Sheet

During the second quarter, we amended and restated our credit facility, extending the maturity of the revolver portion to May 2021, with two six-month extension options (subject to certain conditions). The $500 million term loan that was due to mature in June 2017 was amended to extend the maturity to May 2021, with one 12-month extension option (subject to certain conditions) and to lower the margin for an all-in interest rate of 2.3% at June 30, 2017, based on Host L.P.'s unsecured long-term debt rating. Our second $500 million term loan scheduled to mature in September 2020 remained unchanged. As of June 30, 2017, we had $775 million of available capacity remaining under the revolver portion of our credit facility.

Capital Investments

Redevelopment and Return on Investment Capital Expenditures. Redevelopment and return on investment ("ROI") projects primarily consist of large-scale redevelopment projects designed to increase cash flow and improve profitability by capitalizing on changing market conditions and the favorable locations of our properties, including projects such as the redevelopment of a hotel, the repositioning of a hotel restaurant, the installation of energy efficient systems or the conversion of underutilized space to more profitable uses. Additionally, in conjunction with the acquisition of a property, we prepare capital and operational improvement plans designed to maximize profitability. We deployed approximately $32 million for these projects during the first half of 2017.

We expect that redevelopment and ROI projects for full year 2017 will be approximately $100 million to $110 million.

Renewal and Replacement Capital Expenditures. These expenditures are designed to ensure that our standards for product quality are maintained and to enhance the overall competitiveness of our properties in the marketplace. We deployed $111 million on renewal and replacement capital expenditures during the first half of 2017. During the second quarter, we completed the renovation of 740 rooms at The Westin Los Angeles Airport and the final phase of the rooms renovation at the Toronto Marriott Downtown Eaton Centre Hotel. We expect that our investment in renewal and replacement expenditures in full year 2017 will total approximately $275 million to $290 million.

Results of Operations

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

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Change	Year-to-date ended June 30, 2017	Year-to-date ended June 30, 2016	Change
Total revenues	$1,441	$1,459	(1.2)%	$2,789	$2,798	(0.3)%
Operating costs and expenses:						
Property-level costs [(1)]	1,173	1,193	(1.7)	2,324	2,357	(1.4)
Corporate and other expenses	26	27	(3.7)	55	54	1.9
Gain on insurance and business interruption settlements	2	—	N/M	5	3	66.7
Operating profit	244	239	2.1	415	390	6.4
Interest expense	43	39	10.3	82	78	5.1
Gain on sale of assets	29	172	(83.1)	46	231	(80.1)
Provision for income taxes	27	32	(15.6)	21	23	(8.7)
Host Inc.:						
Net income attributable to non-controlling interests	2	4	(50.0)	5	6	(16.7)
Net income attributable to Host Inc.	210	347	(39.5)	368	529	(30.4)
Host L.P.:						
Net income (loss) attributable to non-controlling interests	—	(1)	N/M	1	(1)	N/M
Net income attributable to Host L.P.	212	352	(39.8)	372	536	(30.6)

(1) Amount represents total operating costs and expenses from our unaudited condensed consolidated statements of operations, less corporate and other expenses and gain on insurance and business interruption settlements.

N/M=Not meaningful.

Statement of Operations Results and Trends

For the second quarter and year-to-date 2017, the results of hotels acquired or sold during the comparable periods (collectively, our "Recent Acquisitions and Dispositions") impacted our year-over-year comparisons. Comparisons of our operations were affected by the acquisition of two hotels during the first quarter 2017: the W Hollywood acquired in March 2017 and The Don CeSar and Beach House Suites complex acquired in February 2017. Dispositions include the sale of two hotels in 2017 and ten hotels in 2016. The table below presents the effects on earnings from our Recent Acquisitions and Dispositions (in millions, increase (decrease)):

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Change	Year-to-date ended June 30, 2017	Year-to-date ended June 30, 2016	Change
Revenues:						

Acquisitions	$29	$—	$ 29	$41	$—	$ 41
Dispositions	1	54	(53)	12	129	(117)
Total revenues	$30	$54	$ (24)	$53	$129	$ (76)
Net income (excluding gain on sale):						
Acquisitions	$7	$—	$ 7	$11	$—	$ 11
Dispositions	1	7	(6)	2	18	(16)
Net income (excluding gain on sale):	$8	$7	$ 1	$13	$18	$ (5)

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Hotel Sales Overview

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

	Quarter ended June 30,			Year-to-date ended June 30,		
	2017	2016	Change	2017	2016	Change
Revenues:						
Rooms	$940	$933	0.8 %	$1,783	$1,776	0.4 %
Food and beverage	416	439	(5.2)	838	847	(1.1)
Other	85	87	(2.3)	168	175	(4.0)
Total revenues	$1,441	$1,459	(1.2)	$2,789	$2,798	(0.3)

Rooms. Total rooms revenues increased 0.8% and 0.4% for the quarter and year-to-date, respectively. For our comparable hotels, rooms revenues increased 1.7% and 2.0% for the quarter and year-to-date, respectively, due to an increase in both occupancy and rate. The net effects of our Recent Acquisitions and Dispositions reduced rooms revenues by $15 million for the quarter and $44 million for the year-to-date.

Food and beverage. Total food and beverage ("F&B") revenues decreased 5.2% for the quarter and 1.1% year-to-date. Consistent with the decline in group business due to the shift in the Easter holiday, the results reflect a decrease in banquet and audio visual revenues, partially offset by an increase in restaurant and outlet revenues, which led to a decrease in comparable F&B revenues of 4.4% for the quarter. Year-to-date, comparable F&B revenues remained flat. The net effect of our Recent Acquisitions and Dispositions reduced F&B revenues by $7 million for the quarter and $25 million for the year-to-date.

Other revenues. Total other revenues decreased 2.3% for the quarter and 4.0% year-to-date, primarily due to the net effect of our Recent Acquisitions and Dispositions, which reduced other revenue by $2 million for the quarter and $7 million year-to-date. At our comparable hotels, other revenues increased 1.9% for the quarter and 1.4% year-to-date.

Property-level Operating Expenses

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

	Quarter ended June 30,			Year-to-date ended June 30,		
	2017	2016	Change	2017	2016	Change
Expenses:						
Rooms	$230	$228	0.9 %	$449	$449	0.0 %
Food and beverage	275	289	(4.8)	552	573	(3.7)
Other departmental and support expenses	324	332	(2.4)	643	660	(2.6)
Management fees	69	66	4.5	125	123	1.6
Other property-level	97	100	(3.0)	197	193	2.1

expenses						
Depreciation and amortization	178	178	—	358	359	(0.3)
Total property-level operating expenses	$1,173	$1,193	(1.7)	$2,324	$2,357	(1.4)

Our operating costs and expenses, which have both fixed and variable components, are affected by changes in occupancy, inflation, and revenues (which affect management fees), though the effect on specific costs will differ. Our wages and benefits account for approximately 57% of the operating expenses at our hotels (excluding depreciation). Other property-level expenses consist of property taxes, the amounts and structure of which are highly dependent on local jurisdiction taxing authorities, and property and general liability insurance, all of which do not necessarily increase or decrease based on similar changes in revenues at our hotels.

Rooms. Rooms expenses increased 0.9% for the second quarter and were flat for year-to-date 2017, respectively, which reflects the net decrease of $4 million and $11 million for the quarter and year to date, respectively, from our Recent Acquisitions and

Dispositions. Rooms expenses at our comparable hotels increased 2.4% and 2.2% for the quarter and year-to-date, respectively, due to increases in wages per occupied room, laundry and linen expenses.

Food and beverage. F&B expenses decreased 4.8% for the quarter and 3.7% year-to-date. The net effect of our Recent Acquisitions and Dispositions reduced F&B expense by $6 million and $18 million for the quarter and year-to-date, respectively. For our comparable hotels, F&B expenses decreased 3.9% for the quarter and 2.1% year-to-date, consistent with the decline in comparable F&B revenues.

Other departmental and support expenses. Other departmental and support expenses decreased $8 million for the second quarter and $17 million year-to-date, primarily due to a decrease of $10 million for the quarter and $25 million year-to-date from the net effect of our Recent Acquisitions and Dispositions. On a comparable hotel basis, other departmental and support expenses were essentially flat for the quarter and year-to-date.

Management fees. Base management fees, which generally are calculated as a percentage of total revenues, decreased $1 million in the second quarter and $2 million year-to-date due to the decrease in revenues in both periods. Incentive management fees are generally based on the level of operating profit at each property after we receive a priority return on our investment. The fees increased $1 million for the second quarter and $3 million year-to-date, primarily reflecting improved operations in our Washington D.C. market.

Other property-level expenses. These expenses generally do not vary significantly based on occupancy and include expenses such as property taxes and insurance. Other property level expenses decreased $3 million for the second quarter and increased $4 million year-to-date. Other property-level expenses at our comparable hotels increased 1.2% for the quarter and 4.1% year-to-date, primarily due to increases in property taxes and ground rent, partially offset by decreases in insurance expense. The net effect of our Recent Acquisitions and Dispositions reduced other property-level expenses by $2 million for the quarter and $5 million year-to-date.

Other Income and Expense

Corporate and other expenses. The following table details our corporate and other expenses for the quarter and year-to-date (in millions):

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
General and administrative costs	$24	$ 24	$ 49	$ 48
Non-cash stock-based compensation expense	2	3	5	6
Litigation accruals and acquisition costs, net	—	—	1	—
Total	$26	$ 27	$ 55	$ 54

Interest expense. Interest expense increased due to the issuance of the Series G senior notes in the first quarter 2017. The following table details our interest expense for the quarter and year-to-date (in millions):

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
Cash interest expense(1)	$41	$ 38	$ 79	$ 75

Non-cash interest expense	2	1	3	3
Total interest expense	$43	$ 39	$ 82	$ 78

(1) Including the change in accrued interest, total cash interest paid was $72 million and $68 million for year-to-date 2017 and 2016, respectively.

Gain on sale of assets. During the second quarter and year-to-date 2017, we recognized a gain on sale of assets of $29 million and $46 million, respectively, due primarily to the sale of one hotel in each of the second quarter and the first quarter. We recognized a gain on sale of assets of $172 million and $231 million, respectively, during the second quarter and year-to-date 2016, respectively, due to the sale of five hotels during the second quarter and three during the first quarter.

Equity in earnings of affiliates. The year-to-date increase in equity in earnings of affiliates primarily reflects improved hotel operations at the Euro JV.

Provision for income taxes. We lease substantially all of our properties to consolidated subsidiaries designated as taxable REIT subsidiaries (“TRS”) for federal income tax purposes. The difference between hotel-level operating cash flow and the aggregate rent paid to Host L.P. by the TRS represents its taxable income or loss, on which we record an income tax provision or benefit. The decrease in the income tax provision recorded in the second quarter and year-to-date 2017 compared to the same periods in 2016 primarily relates to an increase in domestic corporate income taxes on hotel operations in 2017 offset by a $9 million Chilean capital gain tax on the sale of our two properties in Chile that was recorded in the second quarter of 2016.

Comparable Hotel RevPAR Overview

We discuss operating results for our hotels on a comparable basis. Comparable hotels are those properties that we have consolidated for the entirety of the reporting periods being compared. Comparable hotels do not include the results of hotels acquired or sold, that incurred significant property damage or business interruption, or have undergone large scale capital projects during these periods. As of June 30, 2017, 89 of our 96 owned hotels are classified as comparable hotels. See “Comparable Hotel Operating Statistics” for a complete description of our comparable hotels. We also discuss our comparable RevPAR results by geographic market and mix of business (i.e. transient, group, or contract).

Comparable Hotel RevPAR by Geographic Market

The following tables set forth performance information for our comparable hotels by geographic market as of June 30, 2017 and 2016, respectively:

Comparable Hotels by Market in Constant US$ (by RevPAR)

	As of June 30, 2017		Quarter ended June 30, 2017			Quarter ended June 30, 2016			
Market	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Hawaii	3	1,682	$328.85	89.9%	$295.61	$306.58	91.3%	$279.80	5.7%
New York	8	6,961	282.83	90.8	256.92	286.61	89.8	257.49	(0.2)
Boston	4	3,185	267.82	89.9	240.86	257.23	86.7	223.10	8.0
Seattle	2	1,315	251.37	89.7	225.39	224.86	84.4	189.84	18.7
San Francisco	4	2,912	249.76	86.8	216.71	256.22	87.0	222.92	(2.8)
Washington, D.C.	12	6,024	239.35	86.9	208.00	235.21	86.9	204.51	1.7
Chicago	6	2,392	224.95	86.6	194.82	224.61	84.8	190.52	2.3
San Diego	3	2,981	215.56	84.9	182.94	212.54	85.3	181.33	0.9
Florida	8	4,559	227.44	76.9	175.00	221.10	75.9	167.90	4.2
Los Angeles	7	2,843	203.41	85.1	173.20	199.62	84.2	168.10	3.0
Denver	2	735	184.50	85.8	158.28	185.98	78.2	145.42	8.8
Atlanta	5	1,939	189.62	79.7	151.06	191.43	81.4	155.73	(3.0)
Phoenix	4	1,518	199.70	75.6	150.89	195.68	69.0	135.00	11.8
Houston	4	1,716	175.95	71.1	125.16	190.41	75.3	143.44	(12.7)
Other	10	6,179	182.60	76.1	138.89	186.67	76.0	141.95	(2.2)
Domestic	82	46,941	234.59	84.0	196.97	232.54	83.2	193.46	1.8
Asia-Pacific	1	384	$186.41	89.5%	$166.81	$192.00	89.0%	$170.88	(2.4)%
Canada	2	849	179.52	65.6	117.75	164.78	64.1	105.63	11.5
Latin America	4	963	175.49	60.3	105.74	191.36	64.7	123.79	(14.6)

International	7	2,196	179.59	67.5	121.31	181.99	68.8	125.25	(3.1)
All Markets - Constant US$	89	49,137	232.59	83.2	193.57	230.64	82.5	190.39	1.7

Comparable Hotels in Nominal US$

	As of June 30, 2017		Quarter ended June 30, 2017			Quarter ended June 30, 2016			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Asia-Pacific	1	384	$186.41	89.5 %	$166.81	$190.69	89.0 %	$169.72	(1.7)%
Canada	2	849	179.52	65.6	117.75	171.79	64.1	110.12	6.9
Latin America	4	963	175.49	60.3	105.74	185.97	64.7	120.30	(12.1)
International	7	2,196	179.59	67.5	121.31	181.99	68.8	125.25	(3.1)
Domestic	82	46,941	234.59	84.0	196.97	232.54	83.2	193.46	1.8
All Markets	89	49,137	232.59	83.2	193.57	230.64	82.5	190.39	1.7

Comparable Hotels by Market in Constant US$ (by RevPAR)

	As of June 30, 2017		Year-to-date ended June 30, 2017			Year-to-date ended June 30, 2016			
Market	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Hawaii	3	1,682	$347.37	90.1 %	$312.88	$331.22	90.9 %	$301.22	3.9 %
New York	8	6,961	258.82	84.4	218.46	262.20	84.7	222.17	(1.7)
San Francisco	4	2,912	262.86	82.2	215.99	270.86	83.6	226.32	(4.6)
Florida	8	4,559	257.48	78.8	202.88	251.99	79.3	199.95	1.5
Washington, D.C.	12	6,024	239.79	79.9	191.67	222.39	78.8	175.16	9.4
Seattle	2	1,315	227.60	83.3	189.65	207.14	77.3	160.04	18.5
Phoenix	4	1,518	236.06	78.4	184.97	239.66	73.7	176.61	4.7
Boston	4	3,185	232.73	79.4	184.80	225.61	77.9	175.80	5.1
San Diego	3	2,981	221.74	83.1	184.32	208.91	83.3	174.11	5.9
Los Angeles	7	2,843	204.59	83.7	171.29	201.18	83.3	167.69	2.1
Atlanta	5	1,939	194.27	79.2	153.89	193.70	78.9	152.83	0.7
Chicago	6	2,392	192.54	75.1	144.56	192.82	72.8	140.32	3.0
Denver	2	735	176.39	78.9	139.13	176.50	71.2	125.69	10.7
Houston	4	1,716	184.50	74.6	137.70	189.23	76.6	144.99	(5.0)
Other	10	6,179	183.95	74.9	137.78	183.76	72.6	133.48	3.2
Domestic	82	46,941	232.06	80.3	186.29	228.24	79.4	181.32	2.7
Asia-Pacific	1	384	$205.69	90.2 %	$185.43	$209.82	89.0 %	$186.84	(0.8)%
Latin America	4	963	183.43	59.5	109.18	198.04	65.7	130.17	(16.1)
Canada	2	849	170.08	59.1	100.43	161.53	57.4	92.74	8.3
International	7	2,196	184.30	64.8	119.49	188.78	66.7	125.94	(5.1)
All Markets - Constant US$	89	49,137	230.31	79.6	183.29	226.74	78.9	178.83	2.5

Comparable Hotels in Nominal US$

	As of June 30, 2017		Year-to-date ended June 30, 2017			Year-to-date ended June 30, 2016			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Percent Change in RevPAR
Asia-Pacific	1	384	$205.69	90.2 %	$185.43	$203.72	89.0 %	$181.41	2.2 %
Latin America	4	963	183.43	59.5	109.18	188.38	65.7	123.82	(11.8)
Canada	2	849	170.08	59.1	100.43	163.04	57.4	93.60	7.3
International	7	2,196	184.30	64.8	119.49	183.67	66.7	122.53	(2.5)
Domestic	82	46,941	232.06	80.3	186.29	228.24	79.4	181.32	2.7

All Markets	89	49,137	230.31	79.6	183.29	226.54	78.9	178.67	2.6

Our top performing domestic markets for the quarter were Seattle and Phoenix, with RevPAR growth of 18.7% and 11.8%, respectively. In Seattle, RevPAR was positively affected by the completed rooms renovation and lack of business disruption at the W Seattle, while our Phoenix market benefited from operations improvements following the rebranding and renovation work at The Camby Hotel.

In addition, our Boston and Denver markets outperformed the portfolio. Our Denver hotels benefited from strong transient volume, which led to an increase in occupancy of 760 basis points. The RevPAR improvement at our Boston properties was due to two additional city-wide groups.

In the southern and central U.S., our Florida properties outperformed the portfolio with a RevPAR increase of 4.2%, while our Houston properties underperformed the portfolio. The improvement in Florida was due to a double digit increase in RevPAR at The Ritz-Carlton, Naples, while Houston experienced a decrease in city-wide events. Atlanta underperformed the market due to an occupancy decline of 170 basis points, largely due to the Easter holiday shift, and renovations at the Ritz-Carlton, Buckhead.

On the west coast, our Los Angeles and Hawaii markets outperformed the portfolio. Our Los Angeles market benefited from a 19% increase in RevPAR at The Ritz-Carlton, Marina del Rey due to an increase in occupancy of 12.2 percentage points. In Hawaii, strong leisure travel resulted in rate growth of 7.3%, which led to an increase in RevPAR of 5.7%. The RevPAR decline at our San Francisco hotels was due to the ongoing construction at the Moscone Convention Center, while our San Diego market underperformed due to soft group bookings from weak city wide groups.

On the east coast, our New York properties underperformed while our Washington, D.C. properties were in-line with the portfolio. In New York, RevPAR declined due to a decrease in transient volume of 4.8%. In Washington, D.C., RevPAR growth was due to strong city wide events, which led to a rate increase of 1.8%.

On a constant dollar basis, our international markets experienced a decline in RevPAR of 3.1% for the quarter, primarily due to declines in both rate and occupancy at our properties in Rio de Janeiro. This decline was due to increases in supply, coupled with the weakened Brazilian economy and difficult comparisons to the prior year pre-Olympics activity.

Hotels Sales by Business Mix

The majority of our customers fall into three broad categories: transient, group, and contract business. The information below is derived from business mix data for 89 of our hotels for which business mix data is available from our managers. For further detail on our business mix, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10 K.

For the second quarter, our revenue growth was driven by an improvement in transient revenue of 3.1%, with an increase in room nights sold of 2.0% and average rate of 1.0%. The shift in the Easter holiday resulted in a boost in spring break leisure travel, leading to strong transient volume during the quarter. Conversely, group revenues declined by 2.7% due to the Easter holiday shift and softer attendance at citywide conventions. Overall, contract business, which represents approximately 6% of our revenues, was the strongest performing, with a 19.5% increase in revenue due to a 19.4% increase in room nights, driven by additional airline crews at hotels in markets where new supply or demand concerns warranted negotiating multi-year contracts at favorable rates.

Year-to-date, which is not impacted by the shift in the Easter holiday, our revenue growth was driven by a group revenue increase of 2.3%, while transient revenue grew by just 0.3%. The group revenue increase was driven by a 7.1% increase in other group, which includes social, military, education, religious, fraternal and youth and amateur sports teams, as well as a 3.5% revenue increase in association group.

Liquidity and Capital Resources

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

Overview. We look to maintain a capital structure and liquidity profile with an appropriate balance of cash, debt, and equity in order to provide financial flexibility given the inherent volatility of the lodging industry. We believe this strategy will result in a lower overall cost of capital, allow us to complete opportunistic investments and acquisitions and will position us to manage potential declines in operations throughout the lodging cycle. Over the past several years, we have decreased our leverage as measured by our net debt-to-EBITDA ratio and reduced our debt service obligations, leading to an increase in our fixed charge coverage ratio.

We intend to use available cash predominantly for acquisitions or other investments in our portfolio. If we are unable to find appropriate investment opportunities, we will consider other uses, such as a return of capital through dividends or common stock repurchases, the amounts of which will be determined by our operations and other market factors. Significant factors we review to determine the amount and timing of common stock repurchases include our current stock price compared to our determination of the underlying value of our assets, current and forecast operating results and the completion of hotel sales.

We have structured our debt profile to maintain a balanced maturity schedule and to minimize the number of assets that are encumbered by mortgage debt. Currently, only one of our consolidated hotels is encumbered by mortgage debt. We have access to multiple types of financing, as approximately 98% of our debt consists of senior notes and borrowings under our credit facility, none of which are collateralized by specific hotels. We believe that we have sufficient liquidity and access to the capital markets in order to take advantage of opportunities to enhance our portfolio, withstand declines in operating cash flow, pay near-term debt maturities, and fund our capital expenditures programs. We may continue to access the capital markets if favorable conditions exist in order to further enhance our liquidity and to fund cash needs.

Cash Requirements. We use cash for acquisitions, capital expenditures, debt payments, operating costs, and corporate and other expenses, as well as for dividends and distributions to stockholders and OP unitholders and stock and OP unit repurchases. As a REIT, Host Inc. is required to distribute to its stockholders at least 90% of its taxable income, excluding net capital gain, on an annual basis. On July 17, 2017, we paid a dividend of $0.20 per share on Host Inc.'s common stock, which totaled approximately $148 million.

Capital Resources. As of June 30, 2017, we had $644 million of cash and cash equivalents. We depend primarily on external sources of capital to finance growth, including acquisitions. As a result, the liquidity and debt capacity provided by our credit facility and the ability to issue senior unsecured debt are key components of our capital structure. Our financial flexibility (including our ability to incur debt, make distributions and make investments) is contingent on our ability to maintain compliance with the financial covenants of such indebtedness, which include, among other things, the allowable amounts of leverage, interest coverage and fixed charges.

If, at any time, we determine that market conditions are favorable, after taking into account our liquidity requirements, we may cause Host L.P. to issue senior notes or debentures exchangeable for shares of Host Inc. common stock. Given the total amount of our debt and our maturity schedule, we will continue to redeem or refinance senior notes and mortgage debt from time to time, taking advantage of favorable market conditions. In February 2017, Host Inc.'s Board of Directors authorized repurchases of up to $250 million of senior notes and mortgage debt other than in accordance with its terms, of which the entire amount remains available under this authority. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date will affect earnings and NAREIT FFO per diluted share as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. In addition, while we intend to use any available cash predominantly for acquisitions or other investments in our hotel portfolio, to the extent we do not identify appropriate investments, we may elect in the future to use available cash for other purposes, including share repurchases, subject to market conditions. Accordingly, in light of our priorities in managing our capital structure and liquidity profile and given prevailing conditions and relative pricing in the capital markets, we may, at any time, subject to applicable securities laws, be considering, or be in discussions with respect to the repurchase or issuance of exchangeable debentures and/or senior notes or the repurchase or sale of common stock. Any such transactions may, subject to applicable securities laws, occur simultaneously.

Additionally, in February 2017, Host Inc.'s Board of Directors authorized a new program to repurchase up to $500 million of Host Inc. common stock. The common stock may be purchased from time to time depending upon market conditions, and may be purchased in the open market or through private transactions or by other means, including principal transactions with various financial institutions, like accelerated share repurchases, forwards, options and similar transactions and through one or more trading plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The plan does not obligate us to repurchase any specific number or any specific dollar amount of shares and may be suspended at any time at our discretion. We have not repurchased any shares under this program.

Sources and Uses of Cash. Our sources of cash include cash from operations, proceeds from debt and equity issuances, and proceeds from asset sales. Uses of cash include acquisitions, investments in our joint ventures, capital expenditures, operating costs, debt repayments, and repurchases and distributions to equity holders.

Cash Provided by Operations. Our cash provided by operations increased $1 million to $612 million for the year-to-date ended June 30, 2017 compared to the same period of 2016, as the improvement in operations was partially offset by an increase in interest expense and a decrease in distributions from investments in affiliates.

Cash Used in Investing Activities. Net cash used in investing activities was $380 million during the first half of 2017 compared to net cash provided by investing activities of $90 million for the first half of 2016. Cash used in investing activities primarily consisted of capital expenditures on our existing portfolio and the acquisition of The Don CeSar, W Hollywood and the Miami Marriott Biscayne Bay ground lease in 2017. Cash used for renewal and replacement capital expenditures for the first half of 2017 and 2016 was $111 million and $162 million, respectively, while cash used for capital expenditures invested in ROI/redevelopment projects and acquisition capital expenditures during the same period was $32 million and $146 million, respectively. This use of cash was partially offset by cash provided by investing activities, primarily consisting of proceeds from the sale of two hotels in 2017 and eight hotels in 2016.

The following tables summarize significant acquisitions and dispositions that have been completed as of July 28, 2017 (in millions):

Transaction Date		Description of Transaction	Investment
Acquisitions			
March	2017	Acquisition of the Miami Marriott Biscayne Bay ground lease	$ (38)
March	2017	Acquisition of the W Hollywood	(219)
February	2017	Acquisition of The Don CeSar and Beach House Suites complex	(214)
		Total acquisitions	$ (471)

Transaction Date		Description of Transaction	Net Proceeds[1]	Sales Price
Dispositions				
July	2017	Disposition of the Hilton Melbourne South Wharf[2]	$ 181	$ 182
April	2017	Disposition of Sheraton Memphis Downtown	66	67
January	2017	Disposition of JW Marriott Desert Springs Resort & Spa	160	172
		Total dispositions	$ 407	

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(1) Proceeds are net of transfer taxes, other sales costs and FF&E replacement funds deposited directly to the property or hotel manager by the purchaser.

(2) Amount represents the full sales price including portion attributable to the 25% non-controlling partner.

Cash Provided by (Used in) Financing Activities. In the first half of 2017, net cash provided by financing activities was $55 million compared to net cash used of $627 million for the first half of 2016. Cash used in financing activities in 2017 primarily consisted of dividend payments, while 2016 also included the repayment of mortgage debt and the repurchase of Host Inc. common stock. Cash provided by financing activities in 2017 included the issuance of the Series G senior notes.

The following tables summarize significant issuances, net of deferred financing costs and issuance discounts, or repayments of debt, including premiums, that have been completed through July 28, 2017 (in millions):

Transaction Date		Description of Transaction	Net Proceeds
Debt Issuances			
March	2017	Proceeds from the issuance of $400 million 3.875% Series G senior notes	$ 395
		Total issuances	$ 395

Transaction Date		Description of Transaction	Transaction Amount
Debt Repayments			
July	2017	Repayment of A$86 mortgage loan on the Hilton Melbourne South Wharf[1]	$ (69)
		Total cash repayments	$ (69)

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(1) Amount represents the full repayment, including portion attributable to the 25% non-controlling partner.

The following table summarizes significant equity transactions that have been completed through July 28, 2017 (in millions):

Transaction Date		Description of Transaction	Transaction Amount
Equity of Host Inc.			
January - July	2017	Dividend payments [1][2]	$ (480)
		Cash payments on equity transactions	$ (480)

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(1) In connection with the dividends, Host L.P. made distributions of $486 million to its common OP unit holders.

(2) Includes the cash payment for the fourth quarter 2016 dividend that was paid in January 2017.

Debt

As of June 30, 2017, our total debt was $4.0 billion, with an average interest rate of 3.9% and an average maturity of 5.5 years. Additionally, 68% of our debt has a fixed rate of interest and 95 of our hotels, representing 99% of our revenues, are unencumbered by mortgage debt.

On May 31, 2017, Host L.P. entered into an amendment and restatement (the “Restatement”) of its existing senior unsecured bank credit facility dated as of September 10, 2015 with Bank of America, N.A., as administrative agent and certain other agents and lenders (the “Existing Credit Agreement”), for the purpose of replacing and refinancing (1) its existing $1 billion revolving credit facility tranche that was scheduled to mature in June 2018 (excluding any available extension option) with a new revolving credit facility tranche in the same committed amount (the “Revolver”) and (2) its existing $500 million term loan facility tranche that would have matured in June 2017 (excluding any available extension option) with a new term loan facility tranche in the same principal amount (the “New Term Facility”). The Restatement does not refinance the existing separate $500 million term loan facility tranche scheduled to mature in September 2020 (the “2020 Term Facility”), which remains outstanding. The Restatement provides, among other things, for:

- an interest rate on all borrowings based on LIBOR or a base rate plus a margin that varies according to Host L.P.’s unsecured long-term debt rating, with such rate being (1) in the case of Revolver borrowings, either LIBOR plus a margin ranging from 82.5 to 155 basis points or a base rate plus a margin ranging from zero to 55 basis points and (2) in the case of the New Term Facility borrowings and 2020 Term Facility borrowings (which remains unchanged from the Existing Credit Agreement), either LIBOR plus a margin ranging from 90 to 175 basis points or a base rate plus a margin ranging from zero to 75 basis points;

- in the case of the Revolver, a facility fee payable on the total amount of the Revolver commitment at a rate ranging from 12.5 to 30 basis points, with the actual rate determined according to Host L.P.’s unsecured long-term debt rating;
- a maturity date of (1) in the case of the Revolver, May 31, 2021, which date may be extended by up to a year by the exercise of up to two 6-month extension options, each of which is subject to certain conditions, including the payment of an extension fee and (2) in the case of the New Term Facility, May 31, 2021, which date may be extended up to a year by the exercise of one 1-year extension option, which is subject to certain conditions, including the payment of an extension fee. The maturity date of the 2020 Term Facility under the Existing Credit Agreement remains unchanged, with a scheduled maturity date in September 2020;
- a foreign currency subfacility for Canadian dollars, Australian dollars, Euros, British pounds sterling and, if available to the lenders, Mexican pesos of up to the foreign currency equivalent of $500 million, subject to a lower amount in the case of Mexican pesos borrowings;
- an option for Host L.P. to add in the future $500 million of commitments which may be used for additional revolving credit facility borrowings and/or term loans, subject to obtaining additional loan commitments and the satisfaction of certain conditions specified in the Restatement;
- a subfacility of up to $100 million for swingline borrowings and a subfacility of up to $100 million for issuances of letters of credit;
- no required scheduled amortization payments prior to the maturity date of the Revolver, the New Term Facility or the 2020 Term Facility, as applicable; and
- financial covenants that are the same as under the Existing Credit Agreement.

Borrowings under the Restatement may be used for working capital and other general corporate purposes, including for the consummation of acquisitions. As of June 30, 2017, Host L.P. had approximately CAD 106.9 million, EUR 77.2 million, GBP 11.7 million and AUD 50 million (for a total of approximately $224 million) outstanding under the Revolver, $500 million outstanding under the New Term Facility and $500 million outstanding under the 2020 Term Facility.

In addition, the Restatement removed the requirement for Host L.P., under certain circumstances as provided in the Existing Credit Agreement, to provide subsidiary guarantees and pledges of equity interests if its leverage ratio were to exceed 6:1. The Restatement imposes restrictions on customary matters that also were restricted in the Existing Credit Agreement. As with the Existing Credit Agreement, certain covenants are less restrictive at any time that our leverage ratio is below 6:1. In particular, at any time that our leverage ratio is below 6:1, the covenants in respect of dividends and other restricted payments are not applicable, and acquisition and investment transactions generally are permitted without limitation so long as, after giving effect to any such transaction, we are in compliance with the financial covenants under the Restatement. The Restatement also includes financial covenant tests applicable to the incurrence of debt that generally are consistent with the limitations applicable under the senior notes indentures for our investment grade senior notes. The Restatement also includes usual and customary events of default for facilities of this nature, and provides that, upon occurrence and continuation of an event of default, payment of all amounts payable under the credit facilities may be accelerated, and the lenders' commitments may be terminated. In addition, upon the occurrence of certain insolvency or bankruptcy related events of default, all amounts payable under the credit facilities automatically will become due and payable and the lenders' commitments automatically will terminate.

Financial Covenants

Credit Facility Covenants. Our credit facility contains certain important financial covenants concerning allowable leverage, unsecured interest coverage, and required fixed charge coverage. There were no changes to these financial covenants in connection with the amendment and restatement of the credit facility. Total debt used in the calculation of our leverage ratio is based on a "net debt" concept, under which cash and cash equivalents in excess of $100 million are deducted from our total debt balance for purposes of measuring compliance. To the extent that no amounts are outstanding under the credit facility, breaching these covenants is not an event of default thereunder.

We are in compliance with all of our financial covenants under the credit facility. The following table summarizes the results of the financial tests required by the credit facility as of June 30, 2017:

	Actual Ratio		Covenant Requirement for all years
Leverage ratio	2.4	x	Maximum ratio of 7.25x
Fixed charge coverage ratio	7.1	x	Minimum ratio of 1.25x
Unsecured interest coverage ratio (1)	9.9	x	Minimum ratio of 1.75x

(1) If, at any time, our leverage ratio exceeds 7.0x, our minimum unsecured interest coverage ratio will be reduced to 1.5x.

Senior Notes Indenture Covenants

Covenants for Senior Notes Issued After We Attained an Investment Grade Rating

We are in compliance with all of the financial covenants applicable to our Series D, Series E, Series F and Series G senior notes. The following table summarizes the results of the financial tests required by the senior notes indentures for our Series D, Series E, Series F and Series G senior notes and our actual credit ratios as of June 30, 2017:

	Actual Ratio		Covenant Requirement
Unencumbered assets tests	486	%	Minimum ratio of 150%
Total indebtedness to total assets	20	%	Maximum ratio of 65%
Secured indebtedness to total assets	<1	%	Maximum ratio of 40%
EBITDA-to-interest coverage ratio	9.3	x	Minimum ratio of 1.5x

Covenants for Senior Notes Issued Before We Attained an Investment Grade Rating

The terms of our senior notes that were issued before we attained an investment grade rating contained provisions providing that many of the restrictive covenants in the senior notes indenture would not apply should Host L.P. attain an investment grade rating. Accordingly, because our senior notes currently are rated investment grade by both Moody's and Standard & Poor's, the covenants in our senior notes indenture (for all series prior to the Series D senior notes) that previously limited our ability to incur indebtedness or pay dividends no longer are applicable. Even if we were to lose the investment grade rating, however, we would be in compliance with all of our financial covenants under the senior notes indenture. The following table summarizes the actual credit ratios for our existing senior notes (other than the Series D, Series E, Series F and Series G senior notes) as of June 30, 2017 and the covenant requirements contained in the senior notes indenture that would be applicable at such times as our existing senior notes no longer are rated investment grade by either Moody's or Standard & Poor's:

	Actual Ratio*		Covenant Requirement
Unencumbered assets tests	492	%	Minimum ratio of 125%
Total indebtedness to total assets	21	%	Maximum ratio of 65%
Secured indebtedness to total assets	<1	%	Maximum ratio of 45%
EBITDA-to-interest coverage ratio	9.3	x	Minimum ratio of 2.0x

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* Because of differences in the calculation methodology between our Series D, Series E, Series F and Series G senior notes and our other senior notes with respect to covenant ratios, our actual ratios for the two sets of senior notes are slightly different.

For further detail on our credit facility and senior notes, see our Annual Report on Form 10-K for the year ended December 31, 2016.

Dividend Policy

Host Inc. is required to distribute at least 90% of its annual taxable income, excluding net capital gain, to its stockholders in order to maintain its qualification as a REIT, including taxable income recognized for federal income tax purposes but with regard to which we do not receive cash. Funds used by Host Inc. to pay dividends on its common stock are provided through distributions from Host L.P. As of June 30, 2017, Host Inc. is the owner of approximately 99% of the Host L.P. common OP units. The remaining common OP units are held by third party limited partners. Each Host L.P. OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock based on the conversion ratio. The conversion ratio is 1.021494 shares of Host Inc. common stock for each Host L.P. OP unit.

Investors should take into account the non-controlling interest in the Host L.P. common OP units when analyzing common dividend payments by Host Inc. to its stockholders, as these common OP unitholders share, on a pro rata basis, in cash distributed by Host L.P. to all of its common OP unitholders. For example, if Host Inc. paid a $1 per share dividend on its common stock, it would be based on the payment of a $1.021494 per common OP unit distribution by Host L.P. to Host Inc., as well as to the other Host L.P. common OP unitholders.

Host Inc.’s policy on common dividends generally is to distribute, over time, 100% of its taxable income, which is dependent primarily on Host Inc.’s results of operations, as well as gains and losses on property sales. Host Inc. paid a regular quarterly cash dividend of $0.20 per share on its common stock on July 17, 2017 to stockholders of record on June 30, 2017. All future dividends are subject to approval by Host Inc.’s Board of Directors. While Host Inc. intends to use available cash predominantly for acquisitions or other investments in its portfolio, to the extent that we do not identify appropriate investments, we may decide in the future to use available cash for other items, such as common stock repurchases or increased dividends, the amount of which dividends could be in excess of taxable income.

European Joint Venture

At June 30, 2017, hotel investments by the Euro JV total approximately €1.5 billion, with €0.7 billion of mortgage debt. All of the mortgage debt of the Euro JV is non-recourse to us and our partners and a default thereunder does not trigger a default under any of our debt. Our investment, total partners’ funding, and debt outstanding as of June 30, 2017 are as follows:

	Host's Net Investment (in millions)	Total Partner Funding (in millions)	% of Total Commitment	Debt balance (in millions)	Host's Portion of Non-Recourse Debt (in millions)
Euro JV Fund I	€ 122	€ 463	67 % (1)	€ 305	€ 98
Euro JV Fund II	91	301	67 %	394	132
	€ 213	€ 764		€ 699	€ 230

(1) The remaining commitment for Fund I is limited to investments in the current portfolio of hotels, including capital expenditures and debt repayments.

The following table sets forth operating statistics for the 10 Euro JV hotels as of June 30, 2017 and 2016, all of which are comparable:

	Comparable Euro JV Hotels in Constant Euros (1)					
	Quarter ended June 30,			Year-to-date ended June 30,		
	2017	2016	Change	2017	2016	Change
Average room rate	€234.49	€228.36	2.7 %	€215.26	€211.32	1.9 %
Average occupancy	84.6 %	80.3 %	430 bps	76.5 %	72.0 %	450 bps
RevPAR	€198.43	€183.47	8.2 %	€164.65	€152.05	8.3 %

(1) The presentation above includes the operating performance for 10 hotels consisting of 3,902 rooms. See "-Comparable Hotel Operating Statistics."

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The Euro JV's comparable hotel RevPAR increased approximately 8.2% and 8.3% on a constant euro basis for the second quarter and year-to-date, respectively. The improvement was the result of a substantial increase in occupancy, coupled with improvement in room rate.

On May 12, 2017, the Euro JV distributed €18 million to its partners, of which we received approximately €6 million ($6 million). In the first half of 2016, the Euro JV had distributed €33 million to its partners of which we received approximately €11 million ($12 million).

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016. For a detailed discussion of the new accounting standards, see "Note 2. Summary of Significant Accounting Policies" in this quarterly report.

Comparable Hotel Operating Statistics

To facilitate a quarter-to-quarter comparison of our operations, we present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses, hotel EBITDA and associated margins) for the periods included in this report on a comparable hotel basis in order to enable our investors to better evaluate our operating performance.

Because these statistics and operating results relate only to our hotel properties, they exclude results for our non-hotel properties and other real estate investments. We define our comparable hotels as properties:

(i) that are owned or leased by us and the operations of which are included in our consolidated results for the entirety of the reporting periods being compared; and
(ii) that have not sustained substantial property damage or business interruption, or undergone large-scale capital projects (as defined further below) during the reporting periods being compared.

The hotel business is capital-intensive and renovations are a regular part of the business. Generally, hotels under renovation remain comparable hotels. A large scale capital project that would cause a hotel to be excluded from our comparable hotel set is an extensive renovation of several core aspects of the hotel, such as rooms, meeting space, lobby, bars, restaurants, and other public spaces. Both quantitative and qualitative factors are taken into consideration in determining if the renovation would cause a hotel to be removed from the comparable hotel set, including unusual or exceptional circumstances such as: a reduction or increase in room count, rebranding, a significant alteration of the business operations, or the closing of the hotel during the renovation.

We do not include an acquired hotel in our comparable hotel set until the operating results for that hotel have been included in our consolidated results for one full calendar year. For example, we acquired The Don CeSar in February of 2017. The hotel will not be included in our comparable hotel set until January 1, 2019. Hotels that we sell are excluded from the comparable hotel set once the transaction has closed. Similarly, hotels are excluded from our comparable hotel set from the date that they sustain substantial property damage or business interruption or commence a large-scale capital project. In each case, these hotels are returned to the comparable hotel set when the operations of the hotel have been included in our consolidated results for one full calendar year after completion of the repair of the property damage or cessation of the business interruption, or the completion of large-scale capital projects, as applicable.

Of the 96 hotels that we owned on June 30, 2017, 89 have been classified as comparable hotels. The operating results of the following hotels that we owned as of June 30, 2017 are excluded from comparable hotel results for these periods:

- The Denver Marriott Tech Center, removed in the first quarter of 2016 (business disruption due to extensive renovations, including conversion of 64 rooms to 41 suites, conversion of the concierge lounge into three meeting rooms, and the repositioning of the public space and food and beverage areas);
- The Hyatt Regency San Francisco Airport, removed in the first quarter of 2016 (business disruption due to extensive renovations, including all guestrooms and bathrooms, meeting space, the repositioning of the atrium into a new restaurant and lounge, and conversion of the existing restaurant to additional meeting space);

- Marriott Marquis San Diego Marina, removed in the first quarter of 2015 (business interruption due to the demolition of the existing conference center and construction of the new exhibit hall);
- The Phoenician (acquired in June 2015 and, beginning in the second quarter of 2016, business disruption due to extensive renovations, including all guestrooms and suites, a redesign of the lobby and public areas, renovation of pools, recreation areas and a restaurant and a re-configured spa and fitness center);
- Axiom Hotel (acquired as the Powell Hotel in January 2014, then closed during 2015 for extensive renovations and reopened in January 2016);
- The Don CeSar and Beach House Suites complex (acquired February 2017); and
- W Hollywood (acquired March 2017).

The operating results of 12 hotels disposed of in 2017 and 2016 are not included in comparable hotel results for the periods presented herein.

CONSTANT US$, NOMINAL US$ AND CONSTANT EUROS

Operating results denominated in foreign currencies are translated using the prevailing exchange rates on the date of the transaction, or monthly based on the weighted average exchange rate for the period. For comparative purposes, we also present the RevPAR results for the prior year assuming the results of our foreign operations were translated using the same exchange rates that were effective for the comparable periods in the current year, thereby eliminating the effect of currency fluctuation for the year-over-year comparisons. We believe that this presentation is useful to investors as it provides clarity with respect to the growth in RevPAR in the local currency of the hotel consistent with the manner in which we would evaluate our domestic portfolio. However, the estimated effect of changes in foreign currency has been reflected in the actual and forecast results of net income, EBITDA, earnings per diluted share and Adjusted FFO per diluted share. Nominal US$ results include the effect of currency fluctuations, consistent with our financial statement presentation.

We present RevPAR results for our joint venture in Europe in constant Euros using the same methodology as used for the constant US$ presentation.

Non-GAAP Financial Measures

We use certain “non-GAAP financial measures,” which are measures of our historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. These measures include the following:

- Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA, as a measure of performance for Host Inc. and Host L.P.,
- Funds From Operations (“FFO”) and FFO per diluted share, both calculated in accordance with National Association of Real Estate Investment Trusts (“NAREIT”) guidelines and with certain adjustments from those guidelines, as a measure of performance for Host Inc., and
- Comparable hotel operating results, as a measure of performance for Host Inc. and Host L.P.

The following discussion defines these measures and presents why we believe they are useful supplemental measures of our performance.

Set forth below for each such non-GAAP financial measure is a reconciliation of the measure with the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable thereto. We also have included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures” in our Annual Report on Form 10-K for the year ended December 31, 2016, further explanations of the adjustments being made, a statement disclosing the reasons why we believe the presentation of each of the non-GAAP financial measures provide useful information to investors regarding our financial condition and results of operations, the additional purposes for which we use the non-GAAP financial measures and limitations on their use.

EBITDA and Adjusted EBITDA

Earnings before Interest Expense, Income Taxes, Depreciation and Amortization ("EBITDA") is a commonly used measure of performance in many industries. Management believes EBITDA provides useful information to investors regarding our results of operations because it helps us and our investors evaluate the ongoing operating performance of our properties after removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization). Management also believes the use of EBITDA facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. Management uses EBITDA to evaluate property-level results and as one measure in determining the value of acquisitions and dispositions and, like FFO and Adjusted FFO per diluted share, it is widely used by management in the annual budget process and for compensation programs.

Adjusted EBITDA

Historically, management has adjusted EBITDA when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA, when combined with the primary GAAP presentation of net income (loss), is beneficial to an investor's complete understanding of our operating performance. Adjusted EBITDA also is a relevant measure in calculating certain credit ratios. We adjust EBITDA for the following items, which may occur in any period, and refer to this measure as Adjusted EBITDA:

- Real Estate Transactions – We exclude the effect of gains and losses, including the amortization of deferred gains, recorded on the disposition or acquisition of depreciable assets and property insurance gains in our consolidated statement of operations because we believe that including them in Adjusted EBITDA is not consistent with reflecting the ongoing performance of our assets. In addition, material gains or losses from the depreciated value of the disposed assets could be less important to investors given that the depreciated asset book value often does not reflect its market value (as noted below for FFO).
- Equity Investment Adjustments – We exclude the equity in earnings (losses) of unconsolidated investments in partnerships and joint ventures as presented in our consolidated statement of operations because it includes our pro rata portion of depreciation, amortization and interest expense, which are excluded from EBITDA. We include our pro rata share of the Adjusted EBITDA of our equity investments as we believe this more accurately reflects the performance of our investments. The pro rata Adjusted EBITDA of equity investments is defined as the EBITDA of our equity investments, adjusted for any gains or losses on property transactions, multiplied by our percentage ownership in the partnership or joint venture.
- Consolidated Partnership Adjustments – We deduct the non-controlling partners' pro rata share of the Adjusted EBITDA of our consolidated partnerships as this reflects the non-controlling owners' interest in the EBITDA of our consolidated partnerships. The pro rata Adjusted EBITDA of non-controlling partners is defined as the EBITDA of our consolidated partnerships, adjusted for any gains or losses on property transactions, multiplied by the non-controlling partners' percentage ownership in the partnership or joint venture.
- Cumulative Effect of a Change in Accounting Principle – Infrequently, the Financial Accounting Standards Board ("FASB") promulgates new accounting standards that require the consolidated statement of operations to reflect the cumulative effect of a change in accounting principle. We exclude these one-time adjustments because they do not reflect our actual performance for that period.
- Impairment Losses – We exclude the effect of impairment expense recorded because we believe that including it in Adjusted EBITDA is not consistent with reflecting the ongoing performance of our assets. In addition, we believe that impairment expense, which is based on historical cost book values, is similar to gains (losses) on dispositions and depreciation expense, both of which also are excluded from EBITDA.
- Acquisition Costs – Under GAAP, costs associated with completed property acquisitions are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the company.
- Litigation Gains and Losses – We exclude the effect of gains or losses associated with litigation recorded under GAAP that we consider outside the ordinary course of business, which is consistent with our definition of Adjusted FFO. We believe that including these items is not consistent with our ongoing operating performance.

In unusual circumstances, we also may adjust EBITDA for gains or losses that management believes are not representative of our current operating performance. The last such adjustment was in 2013.

The following table provides a reconciliation of the differences between EBITDA and Adjusted EBITDA and net income, the financial measure calculated and presented in accordance with GAAP that we consider the most directly comparable:

Reconciliation of Net Income to EBITDA and Adjusted EBITDA for Host Inc. and Host L.P.

(in millions)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
Net income [1]	$212	$351	$373	$535
Interest expense	43	39	82	78
Depreciation and amortization	178	178	358	359
Income taxes	27	32	21	23
EBITDA [1]	460	600	834	995
Gain on dispositions [2]	(28)	(172)	(43)	(230)
Gain on property insurance settlement	—	—	—	(1)
Acquisition costs	—	—	1	—
Equity investment adjustments:				
Equity in earnings of affiliates	(8)	(9)	(15)	(11)
Pro rata Adjusted EBITDA of equity investments	22	20	39	35
Consolidated partnership adjustments:				
Pro rata Adjusted EBITDA attributable to non-controlling partners in other consolidated partnerships	(2)	(3)	(5)	(6)
Adjusted EBITDA [1]	$444	$436	$811	$782

(1) Net Income, EBITDA, Adjusted EBITDA, NAREIT FFO and Adjusted FFO include a gain of $1 million for each of the year-to-date periods ended June 30, 2017 and 2016 for the sale of the portion of land attributable to individual units sold by the Maui timeshare joint venture.
(2) Reflects the sale of two hotels in 2017 and eight hotels in 2016.

FFO Measures

We present NAREIT FFO and NAREIT FFO per diluted share as non-GAAP measures of our performance in addition to our earnings (loss) per share (calculated in accordance with GAAP). We calculate NAREIT FFO per diluted share as our NAREIT FFO (defined as set forth below) for a given operating period, as adjusted for the effect of dilutive securities, divided by the number of fully diluted shares outstanding during such period in accordance with NAREIT guidelines. NAREIT defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (losses) from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation, amortization and impairments, and adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect our pro rata share of the FFO of those entities on the same basis.

We also present Adjusted FFO per diluted share when evaluating our performance because management believes that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. Management historically has made the adjustments detailed below in evaluating our performance, in our annual budget process, and for our compensation programs. We believe that the presentation of Adjusted FFO per diluted share, when combined with both the primary GAAP presentation of earnings per share and FFO per diluted share as defined by NAREIT, provides useful supplemental information that is beneficial to an investor's complete understanding of our operating performance. We adjust NAREIT FFO per diluted share for the following items, which may occur in any period, and refer to this measure as Adjusted FFO per diluted share:

- Gains and Losses on the Extinguishment of Debt – We exclude the effect of finance charges and premiums associated with the extinguishment of debt, including the acceleration of the write-off of deferred financing costs from the original issuance of the debt being redeemed or retired and incremental interest expense incurred during the refinancing period. We also exclude the gains on debt repurchases and the original issuance costs associated with the retirement of preferred stock. We believe that these items are not reflective of our ongoing finance costs.
- Acquisition Costs – Under GAAP, costs associated with completed property acquisitions are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the company.

- Litigation Gains and Losses – We exclude the effect of gains or losses associated with litigation recorded under GAAP that we consider outside the ordinary course of business. We believe that including these items is not consistent with our ongoing operating performance.

In unusual circumstances, we also may adjust NAREIT FFO for gains or losses that management believes are not representative of our current operating performance. The last such adjustment was in 2013.

The following table provides a reconciliation of the differences between our non-GAAP financial measures NAREIT FFO and Adjusted FFO (separately and on a per diluted share basis) and net income, the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable:

Host Inc. Reconciliation of Net Income to

NAREIT and Adjusted Funds From Operations per Diluted Share

(in millions, except per share amount)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2017	2016	2017	2016
Net income (1)	$212	$351	$373	$535
Less: Net income attributable to non-controlling interests	(2)	(4)	(5)	(6)
Net income attributable to Host Inc.	210	347	368	529
Adjustments:				
Gain on dispositions (2)	(28)	(172)	(43)	(230)
Tax on dispositions	—	9	—	9
Gain on property insurance settlement	—	—	—	(1)
Depreciation and amortization	177	177	357	357
Equity investment adjustments:				
Equity in earnings of affiliates	(8)	(9)	(15)	(11)
Pro rata FFO of equity investments	15	16	28	26
Consolidated partnership adjustments:				
FFO adjustment for non-controlling partnerships	(1)	(1)	(2)	(3)
FFO adjustments for non-controlling interests of Host L.P.	(2)	—	(4)	(1)
NAREIT FFO (1)	363	367	689	675
Adjustments to NAREIT FFO:				
Acquisition costs	—	—	1	—
Loss on debt extinguishment	1	—	1	—
Adjusted FFO (1)	$364	$367	$691	$675
For calculation on a per share basis(3):				
Diluted weighted average shares outstanding - EPS, NAREIT FFO and Adjusted FFO	738.8	744.3	738.5	747.1

NAREIT FFO per diluted share	$.49	$.49	$.93	$.90
Adjusted FFO per diluted share	$.49	$.49	$.94	$.90

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(1-2) Refer to the corresponding footnote on the Reconciliation of Net Income to EBITDA and Adjusted EBITDA for Host Inc. and Host L.P.

(3) Earnings per diluted share and NAREIT FFO and Adjusted FFO per diluted share are adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, preferred OP units held by non-controlling partners, exchangeable debt securities and other non-controlling interests that have the option to convert their limited partnership interests to common OP units. No effect is shown for securities if they are anti-dilutive.

Comparable Hotel Operating Results

We present certain operating results of our hotels, such as hotel revenues, expenses, food and beverage profit and EBITDA (and the related margins), on a comparable hotel, or "same store" basis as supplemental information for investors. For an explanation of which properties we consider to be "comparable hotels", see "Comparable Hotel Operating Statistics" above.

The following tables presents certain operating results and statistics for our comparable hotels for the periods presented herein and a reconciliation of the differences between comparable hotel EBITDA, a non-GAAP financial measure, and net income, the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable. Similar reconciliations of the differences between (i) comparable hotel revenues and (ii) our revenues as calculated and presented in accordance with GAAP (each of which is used in the applicable margin calculation), and between (iii) comparable hotel expenses and (iv) operating costs and expenses as calculated and presented in accordance with GAAP, are also included in the reconciliation:

Comparable Hotel Results for Host Inc. and Host L.P.

(in millions, except hotel statistics)

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Year-to-date ended June 30, 2017	Year-to-date ended June 30, 2016
Number of hotels	89	89	89	89
Number of rooms	49,137	49,137	49,137	49,137
Change in comparable hotel RevPAR -				
Constant US$	1.7 %	—	2.5 %	—
Nominal US$	1.7 %	—	2.6 %	—
Operating profit margin (1)	16.9 %	16.4 %	14.9 %	13.9 %
Comparable hotel EBITDA margin (1)	31.0 %	30.85 %	29.0 %	28.55 %
Food and beverage profit margin (1)	33.9 %	34.2 %	34.1 %	32.3 %
Comparable hotel food and beverage profit margin (1)	34.2 %	34.5 %	33.7 %	32.3 %
Net income	$212	$351	$373	$535
Depreciation and amortization	178	178	358	359
Interest expense	43	39	82	78
Provision for income taxes	27	32	21	23
Gain on sale of property and corporate level income/expense	(12)	(156)	(6)	(192)
Non-comparable hotel results, net (2)	(42)	(39)	(100)	(96)
Comparable hotel EBITDA	$406	$405	$728	$707

	Quarter ended June 30, 2017 GAAP Results	Adjustments: Non-comparable hotel results, net(2)	Adjustments: Depreciation and corporate level items	Comparable Hotel Results	Quarter ended June 30, 2016 GAAP Results	Adjustments: Non-comparable hotel results, net(2)	Adjustments: Depreciation and corporate level items	Comparable Hotel Results
Revenues								

Room	$940	$(74)	$ —	$ 866	$933	$(81)	$ —	$ 852
Food and beverage	416	(42)	—	374	439	(48)	—	391
Other	85	(15)	—	70	87	(18)	—	69
Total revenues	1,441	(131)	—	1,310	1,459	(147)	—	1,312
Expenses								
Room	230	(18)	—	212	228	(21)	—	207
Food and beverage	275	(29)	—	246	289	(33)	—	256
Other	490	(44)	—	446	498	(54)	—	444
Depreciation and amortization	178	—	(178)	—	178	—	(178)	—
Corporate and other expenses	26	—	(26)	—	27	—	(27)	—
Gain on insurance and business interruption settlements	(2)	2	—	—	—	—	—	—
Total expenses	1,197	(89)	(204)	904	1,220	(108)	(205)	907
Operating Profit - Comparable Hotel EBITDA	$244	$(42)	$ 204	$ 406	$239	$(39)	$ 205	$ 405

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	Year-to-date ended June 30, 2017				Year-to-date ended June 30, 2016			
		Adjustments				Adjustments		
	GAAP Results	Non-comparable hotel results, net[(2)]	Depreciation and corporate level items	Comparable Hotel Results	GAAP Results	Non-comparable hotel results, net[(2)]	Depreciation and corporate level items	Comparable Hotel Results
Revenues								
Room	$1,783	$(152)	$ —	$ 1,631	$1,776	$(178)	$ —	$ 1,598
Food and beverage	838	(94)	—	744	847	(102)	—	745
Other	168	(31)	—	137	175	(40)	—	135
Total revenues	2,789	(277)	—	2,512	2,798	(320)	—	2,478
Expenses								
Room	449	(35)	—	414	449	(44)	—	405
Food and beverage	552	(59)	—	493	573	(69)	—	504
Other	965	(88)	—	877	976	(114)	—	862
Depreciation and amortization	358	—	(358)	—	359	—	(359)	—
Corporate and other expenses	55	—	(55)	—	54	—	(54)	—
Gain on insurance and business interruption settlements	(5)	5	—	—	(3)	3	—	—
Total expenses	2,374	(177)	(413)	1,784	2,408	(224)	(413)	1,771
Operating Profit - Comparable Hotel EBITDA	$415	$(100)	$ 413	$ 728	$390	$(96)	$ 413	$ 707

(1) Profit margins are calculated by dividing the applicable operating profit by the related revenue amount. GAAP operating profit margins are calculated using amounts presented in the consolidated statements of operations. Comparable hotel margins are calculated using amounts presented in the above tables.

(2) Non-comparable hotel results, net, includes the following items: (i) the results of operations of our non-comparable hotels and sold hotels, which operations are included in our consolidated statements of operations as continuing operations, (ii) gains on insurance settlements and business interruption proceeds, and (iii) the results of our office spaces and other non-hotel income.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All information in this section applies to Host Inc. and Host L.P.

Interest Rate Sensitivity

As of June 30, 2017 and December 31, 2016, 68% and 65%, respectively, of our outstanding debt bore interest at fixed rates. To manage interest rate risk applicable to our debt, we may enter into interest rate swaps or caps. The interest rate derivatives into which we enter are strictly to hedge interest rate risk, and are not for trading purposes. The percentages above reflect the effect of any derivatives into which we have entered to manage interest rate risk. No interest rate hedging transactions were entered into during the first or second quarters of 2017. See Item 7A of our most recent Annual Report on Form 10–K and Note 9 – "Fair Value Measurements" in this quarterly report.

Exchange Rate Sensitivity

As we have operations outside of the United States (specifically, the ownership of hotels in Australia, Brazil, Canada and Mexico and our investments in the Euro JV and Asia/Pacific JV), currency exchange risks arise in the normal course of our business. To manage the currency exchange risk, we may enter into forward or option contracts or hedge our investment through the issuance of foreign currency denominated debt. We have five foreign currency forward sale contracts for a total notional amount of $133 million. No forward purchase contracts were entered into during the first or second quarters of 2017.

The foreign currency exchange agreements into which we have entered are strictly to hedge foreign currency risk and not for trading purposes. In addition to the forward sales contracts, we have designated $162 million of the foreign currency draws on our credit facility as hedges of net investments in foreign operations. As a result, currency translation adjustments in the designated credit facility draws are recorded to other comprehensive income (loss), which adjustments offset a portion of the translation adjustment related to our international investments.

See Item 7A of our most recent Annual Report on Form 10-K and Note 9 – "Fair Value Measurements" in this quarterly report.

Item 4. Controls and Procedures

Controls and Procedures (Host Hotels & Resorts, Inc.)

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Controls and Procedures (Host Hotels & Resorts, L.P.)

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including Host Inc.’s Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, Host Inc.’s Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities (Host Hotels & Resorts, Inc.)

On February 22, 2017, Host Inc. announced a program to repurchase up to $500 million of common stock. The common stock may be purchased from time to time depending upon market conditions, and repurchases may be made in the open market or through private transactions or by other means, including principal transactions with various financial institutions, like accelerated share repurchases, forwards, options and similar transactions, and through one or more trading plans designed to comply with Rule 10b5-1 under the Securities Act of 1934, as amended. The program does not obligate us to repurchase any specific number of shares or any specific dollar amount and may be suspended at any time at our discretion. No repurchases were made in the first or second quarters of 2017.

Period	Total Number of Host Inc. Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
April 1, 2017 – April 30, 2017	—	$ —	—	$ 500
May 1, 2017 – May 31, 2017	—	—	—	500
June 1, 2017 – June 30, 2017	—	—	—	500
Total	—	$ —	—	$ 500

Issuer Purchases of Equity Securities (Host Hotels & Resorts, L.P.)

Period	Total Number of OP Units Purchased	Average Price Paid per Unit	Total Number of OP Units Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs (in millions)
April 1, 2017 – April 30, 2017	50,184	* 1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—
May 1, 2017 – May 31, 2017	7,620	* 1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—
June 1, 2017 – June 30, 2017	33,561	* 1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—

Total	91,365	—	—

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

Item 6. Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or date as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representation and warranties may not describe the actual state of affairs as the date they were made or at any other time.

The exhibits listed on the accompanying Exhibit Index are filed as part of this report and such Exhibit Index is incorporated herein by reference.

Exhibit No.	Description
10	Material Contracts
10.1	Fourth Amended and Restated Credit Agreement, dated as of May 31, 2017, among Host Hotels & Resorts, L.P., Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, Wells Fargo Bank, N.A., Deutsche Bank Securities Inc., PNC Bank, National Association, U.S. Bank National Association, SunTrust Bank, Goldman Sachs Bank USA, The Bank of New York Mellon, Credit Agricole Corporate and Investment Bank, The Bank of Nova Scotia, Sumitomo Mitsui Banking Corporation and TD Bank, N.A. as documentation agents, and various other agents and lenders (incorporated by reference to Exhibit 10.1 to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Current Report on Form 8-K filed on June 5, 2017).
12	Statements re Computation of Ratios
12.1*	Computation of Ratios of Earnings to Fixed Charges for Host Hotels & Resorts, Inc.
12.2*	Computation of Ratios of Earnings to Fixed Charges for Host Hotels & Resorts, L.P.
31	Rule 13a-14(a)/15d-14(a) Certifications
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.

31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.
31.3*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.
32	Section 1350 Certifications
32.1†*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.
32.2†*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.

Exhibit No.	Description
101	XBRL
101.INS	XBRL Instance Document. Submitted electronically with this report.
101.SCH	XBRL Taxonomy Extension Schema Document. Submitted electronically with this report.
101.CAL	XBRL Taxonomy Calculation Linkbase Document. Submitted electronically with this report.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. Submitted electronically with this report.
101.LAB	XBRL Taxonomy Label Linkbase Document. Submitted electronically with this report.
101.PRE	XBRL Taxonomy Presentation Linkbase Document. Submitted electronically with this report.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the Quarter and Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, Inc.; (ii) the Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016, respectively, for Host Hotels & Resorts, Inc.; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the Quarter and Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, Inc.; (iv) the Condensed Consolidated Statements of Cash Flows for the Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, Inc.; (v) the Condensed Consolidated Statements of Operations for the Quarter and Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, L.P.; (vi) the Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016, respectively, for Host Hotels & Resorts, L.P.; (vii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the Quarter and Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, L.P.; (viii) the Condensed Consolidated Statements of Cash Flows for the Year-to-date ended June 30, 2017 and 2016, respectively, for Host Hotels & Resorts, L.P.; and (ix) Notes to Condensed Consolidated Financial Statements that have been detail tagged.

* Filed herewith.

† This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HOST HOTELS & RESORTS, INC.
July 28, 2017	/S/ BRIAN G. MACNAMARA Brian G. Macnamara
	Senior Vice President,
	Corporate Controller
	(Principal Accounting Officer and duly authorized officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HOST HOTELS & RESORTS, L.P.
	By: HOST HOTELS & RESORTS, INC., its general partner
July 28, 2017	/S/ BRIAN G. MACNAMARA Brian G. Macnamara
	Senior Vice President,
	Corporate Controller of Host Hotels & Resorts, Inc.,
	general partner of Host Hotels & Resorts, L.P.
	(Principal Accounting Officer and duly authorized officer)