HOST HOTELS & RESORTS, INC.
Form 10-Q
October 15, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 10, 2010

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.

(Exact name of registrant as specified in its charter)

Maryland	**53-0085950**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6903 Rockledge Drive, Suite 1500, Bethesda, Maryland	**20817**
(Address of principal executive offices)	**(Zip Code)**

(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. x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

The registrant had 665,935,339 shares of its $0.01 par value common stock outstanding as of October 13, 2010.

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CONDENSED CONSOLIDATED BALANCE SHEETS

September 10, 2010 and December 31, 2009

(in millions, except share and per share amounts)

	September 10, 2010 (unaudited)	December 31, 2009
ASSETS		
Property and equipment, net	$ 10,452	$ 10,231
Assets held for sale		8
Due from managers	59	29
Investments in affiliates	136	153
Deferred financing costs, net	39	49
Furniture, fixtures and equipment replacement fund	153	124
Other	334	266
Restricted cash	84	53
Cash and cash equivalents	838	1,642
Total assets	$ 12,095	$ 12,555
LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY		
Debt		
Senior notes, including $1,146 million and $1,123 million, respectively, net of discount, of Exchangeable Senior Debentures	$ 3,989	$ 4,534
Credit facility	57	
Mortgage debt	1,270	1,217
Other	108	86
Total debt	5,424	5,837
Accounts payable and accrued expenses	187	174
Other	201	194
Total liabilities	5,812	6,205
Non-controlling interests Host Hotels & Resorts, L.P.	154	139
Host Hotels & Resorts Inc. stockholders equity:		
Cumulative redeemable preferred stock (liquidation preference $0 and $100 million, respectively) 50 million shares authorized; 0 and 4 million shares issued and outstanding, respectively		97
Common stock, par value $.01, 1,050 million shares authorized; 660.1 million shares and 646.3 million shares issued and outstanding, respectively	7	6
Additional paid-in capital	7,026	6,875
Accumulated other comprehensive income	9	12
Deficit	(946)	(801)
Total equity of Host Hotels & Resorts, Inc. stockholders	6,096	6,189
Non-controlling interests other consolidated partnerships	33	22
Total equity	6,129	6,211
Total liabilities, non-controlling interests and equity	$ 12,095	$ 12,555

See notes to condensed consolidated statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Quarter and Year-to-date Ended September 10, 2010 and September 11, 2009

(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
REVENUES				
Rooms	$ 629	$ 574	$ 1,785	$ 1,696
Food and beverage	254	239	849	823
Other	63	68	192	223
Total full-service hotel sales	946	881	2,826	2,742
Other revenues	60	22	117	76
Total revenues	1,006	903	2,943	2,818
EXPENSES				
Rooms	178	167	497	465
Food and beverage	213	203	641	627
Other departmental and support expenses	277	259	778	754
Management fees	37	32	112	106
Other property-level expenses	124	94	306	270
Depreciation and amortization	134	137	409	429
Corporate and other expenses	20	19	69	51
Total operating costs and expenses	983	911	2,812	2,702
OPERATING PROFIT (LOSS)	23	(8)	131	116
Interest income	2	1	3	5
Interest expense	(89)	(95)	(268)	(264)
Net gains on property transactions and other		11		13
Gain (loss) on foreign currency transactions and derivatives	(1)	1	(6)	5
Equity in losses of affiliates	(1)	(2)	(5)	(36)
LOSS BEFORE INCOME TAXES	(66)	(92)	(145)	(161)
Benefit for income taxes	5	25	21	29
LOSS FROM CONTINUING OPERATIONS	(61)	(67)	(124)	(132)
Income (loss) from discontinued operations, net of tax		9	(2)	(55)
NET LOSS	(61)	(58)	(126)	(187)
Less: Net loss attributable to non-controlling interests	3	3	2	5
NET LOSS ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	(58)	(55)	(124)	(182)
Less: Dividends on preferred stock		(2)	(4)	(6)
Issuance costs of redeemed preferred stock			(4)	
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (58)	$ (57)	$ (132)	$ (188)

Basic and diluted earnings (loss) per common share:				
Continuing operations	$ (.09)	$ (.11)	$ (.20)	$ (.23)
Discontinued operations		.02		(.10)
Basic and diluted loss per common share	$ (.09)	$ (.09)	$ (.20)	$ (.33)

See notes to condensed consolidated statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date Ended September 10, 2010 and September 11, 2009

(unaudited, in millions)

	Year-to-date ended September 10, 2010	Year-to-date ended September 11, 2009
OPERATING ACTIVITIES		
Net loss	$ (126)	$ (187)
Adjustments to reconcile to cash provided by operations:		
Discontinued operations:		
(Gain) loss on dispositions	1	(27)
Depreciation		86
Depreciation and amortization	409	429
Amortization of deferred financing costs	8	11
Amortization of debt premiums/discounts, net	24	22
Deferred income taxes	(22)	(33)
Net gains on property transactions and other		(13)
(Gain) loss on foreign currency transactions and derivatives	6	(5)
Non-cash loss (gain) on extinguishment of debt	4	(4)
Equity in losses of affiliates, net	5	36
Distributions from equity investments	2	1
Change in due from managers	(25)	11
Changes in other assets	24	(19)
Changes in other liabilities	18	62
Cash provided by operations	328	370
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	12	199
Acquisitions	(292)	
Proceeds from sale of interest in CBM Joint Venture LLC		13
Return of capital from investments in affiliates		39
Purchase of mortgage note on a portfolio of hotels	(53)	
Capital expenditures:		
Renewals and replacements	(99)	(114)
Repositionings and other investments	(50)	(141)
Change in furniture, fixtures and equipment (FF&E) replacement fund	(20)	(20)
Change in FF&E replacement funds designated as restricted cash	4	(11)
Cash used in investing activities	(498)	(35)
FINANCING ACTIVITIES		
Financing costs		(10)
Issuances of debt		506
Draw (repayment) on credit facility	56	(410)
Repurchase/redemption of senior notes, including exchangeable debentures	(571)	(115)
Mortgage debt prepayments and scheduled maturities	(124)	(342)
Scheduled principal repayments	(8)	(11)
Common stock issuance	158	588
Redemption of preferred stock	(101)	
Dividends on common stock	(14)	(26)
Dividends on preferred stock	(6)	(7)

Distributions to non-controlling interests		(3)		(3)
Contributions from non-controlling interests		7		
Change in restricted cash other than FF&E replacement fund		(28)		6
Cash provided by (used in) financing activities		(634)		176
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(804)		511
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		1,642		508
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	838	$	1,019

See notes to condensed consolidated statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date Ended September 10, 2010 and September 11, 2009

(unaudited)

Supplemental disclosure of cash flow information (in millions):

	Year-to-date ended	
	September 10, 2010	September 11, 2009
Interest paid	$ 209	$ 216
Income taxes paid	3	4

Supplemental disclosure of noncash investing and financing activities:

For the year-to-date periods ended September 10, 2010 and September 11, 2009, we issued approximately 1.1 million shares and 3.3 million shares, respectively, upon the conversion of operating partnership units, or OP Units, of Host Hotels & Resorts, L.P. held by non-controlling partners valued at approximately $12 million and $17 million, respectively.

On September 2, 2010, we acquired a 90% controlling interest in the W New York, Union Square hotel through a consolidated joint venture in which we are the controlling member. In conjunction with the acquisition, the partnership assumed a $115 million mortgage debt with a fair value of $119 million and contingent and deferred consideration valued at $8 million.

On July 22, 2010, we acquired a leasehold interest in the Le Meridien Piccadilly in London, England. In conjunction with the acquisition, we assumed a $51 million (£33 million) mortgage loan and recorded a $21 million (£14 million) capital lease obligation.

See notes to condensed consolidated statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization

Host Hotels & Resorts, Inc., or Host, a Maryland corporation operating through an umbrella partnership structure, is the owner of hotel properties. We operate as a self-managed and self-administered real estate investment trust, or REIT, with our operations conducted solely through an operating partnership, Host Hotels & Resorts, L.P., or Host LP, and its subsidiaries. We are the sole general partner of the operating partnership and, as of September 10, 2010, own approximately 98% of the partnership interests of Host LP.

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 U.S. generally accepted accounting principles, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated 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, 2009.

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 September 10, 2010 and the results of our operations for the quarterly and year-to-date periods ended September 10, 2010 and September 11, 2009 and cash flows for the year-to-date periods ended September 10, 2010 and September 11, 2009. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

3. Earnings per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted earnings per common share is computed by dividing net income (loss) available to common stockholders as adjusted for potentially dilutive securities, by the weighted average number of shares of common stock outstanding plus potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, OP Units held by non-controlling partners and exchangeable debt securities. No effect is shown for securities that are anti-dilutive.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
	(in millions, except per share amounts)			
Net loss	$ (61)	$ (58)	$ (126)	$ (187)
Net loss attributable to non-controlling interests	3	3	2	5
Dividends on preferred stock		(2)	(4)	(6)
Issuance costs of redeemed preferred stock (a)			(4)	
Loss available to common stockholders	(58)	(57)	(132)	(188)
Assuming deduction of gain recognized for the repurchase of 2004 Debentures (b)				(2)
Diluted loss available to common stockholders	$ (58)	$ (57)	$ (132)	$ (190)
Basic weighted average shares outstanding	654.5	606.1	651.7	568.7
Diluted weighted average shares outstanding	654.5	606.1	651.7	570.1
Basic and diluted loss per share	$ (.09)	$ (.09)	$ (.20)	$ (.33)

(a) Represents the original issuance costs associated with the Class E preferred stock, which were redeemed during the second quarter 2010.

(b) During 2009, we repurchased $75 million face amount of our 3 1/4% Exchangeable Senior Debentures (the 2004 Debentures) with a carrying value of $72 million for $69 million. The adjustments to dilutive earnings per common share include the $3 million gain, net of interest expense on the repurchased debentures.

4. Property and Equipment

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

	September 10, 2010	December 31, 2009
Land and land improvements	$ 1,645	$ 1,574
Buildings and leasehold improvements	11,960	11,502
Furniture and equipment	1,874	1,794
Construction in progress	92	104
	15,571	14,974
Less accumulated depreciation and amortization	(5,119)	(4,743)
	$ 10,452	$ 10,231

5. Debt

Senior Notes. On August 25, 2010, we redeemed $225 million of the outstanding $725 million of our 7 1/8% Series K senior notes that are due in November 2013. As a result of the repurchase, we recorded a $7 million loss on debt extinguishment which is included in interest expense.

Mortgage Debt. On September 2, 2010, we assumed a $115 million mortgage loan as part of our acquisition of a 90% controlling interest in a consolidated joint venture that owns the W New York, Union Square with a fair value of $119 million. The mortgage loan bears interest at a fixed rate of 6.3847% and matures October 11, 2011.

On July 22, 2010, we assumed a £33 million ($51 million) mortgage loan as part of our acquisition of the leasehold interest in the Le Meridien Piccadilly. The loan bears interest at 3-month LIBOR plus 118 basis

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

points and matures on January 20, 2011, with two one-year extensions subject to the satisfaction of certain financial covenants.

Credit Facility. On July 20, 2010, we drew £37 million ($56 million) under our credit facility at an interest rate of one-month LIBOR plus 90 basis points to fund the acquisition of the leasehold interest in the Le Meridien Piccadilly.

6. Stockholder s Equity

Dividends. On September 16, 2010, our Board of Directors declared a dividend of $0.01 per share on our common stock. The dividend was paid on October 15, 2010 to stockholders of record as of September 30, 2010.

Common Stock Offering. During the third quarter of 2010, we issued the remaining 3.8 million shares of common stock available under the 2009 Sales Agency Financing Agreement with BNY Mellon Capital Markets, LLC. On August 19, 2010, we entered into a new Sales Agency Financing Agreement with BNY Mellon Capital Markets, LLC, through which we may issue and sell, from time to time, shares of common stock having an aggregate offering price of up to $400 million. The sales will be made in at the market offerings under Securities and Exchange Commission (SEC) rules, including sales made directly on the New York Stock Exchange. BNY Mellon Capital Markets, LLC is acting as sales agent. During the third quarter, we issued approximately 3.6 million shares of common stock through this new program. For the quarter, we issued 7.4 million shares under our stock issuance programs at an average price of $14.08 per share for net proceeds of $103.5 million. We may continue to sell shares of common stock under our new program from time to time based on market conditions, although we are not under an obligation to sell any shares. We have approximately $350 million remaining under the new program.

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

	Host Hotels & Resorts, Inc.	Non-redeemable non-controlling interests	Total equity	Redeemable non-controlling interests
Balance, December 31, 2009	$ 6,189	$ 22	$ 6,211	$ 139
Net income (loss)	(124)		(124)	(2)
Issuance of common stock	158		158	
Redemption of preferred stock	(101)		(101)	
Other changes in ownership	(23)	11	(12)	17
Other comprehensive income (loss) (note 8)	(3)		(3)	
Balance, September 10, 2010	$ 6,096	$ 33	$ 6,129	$ 154

	Host Hotels & Resorts, Inc.	Non-redeemable non-controlling interests	Total equity	Redeemable non-controlling interests
Balance, December 31, 2008	$ 5,590	$ 24	$ 5,614	$ 158
Net income (loss)	(182)	(1)	(183)	(4)
Issuance of common stock	611		611	
Other changes in ownership	31	(1)	30	(30)
Other comprehensive income (loss) (note 8)	1		1	
Balance, September 11, 2009	$ 6,051	$ 22	$ 6,073	$ 124

7. Geographic Information

We consider each one 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

All of our other real estate investment activities (primarily our leased hotels and office buildings) are immaterial and meet the aggregation criteria, and thus, we report one segment: hotel ownership. Our foreign operations consist of four properties in Canada, two properties in Chile, one property in Mexico and one property in the United Kingdom. There were no intercompany sales during the periods presented. The following table presents total revenues for each of the geographical areas in which we operate (in millions):

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
United States	$ 969	$ 874	$ 2,838	$ 2,731
Canada	22	20	71	61
Chile	6	5	17	15
Mexico	5	4	13	11
United Kingdom	4		4	
Total revenue	$ 1,006	$ 903	$ 2,943	$ 2,818

8. Comprehensive Income

Other comprehensive income consists of unrealized gains and losses on foreign currency translation adjustments and hedging instruments.

The following table presents comprehensive income for all periods presented (in millions):

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Net loss	$ (61)	$ (58)	$ (126)	$ (187)
Other comprehensive income (loss)	7	4	(3)	1
Comprehensive loss	(54)	(54)	(129)	(186)
Comprehensive loss attributable to the non-controlling interests	3	3	2	5
Comprehensive income (loss) attributable to Host Hotels & Resorts, Inc.	$ (51)	$ (51)	$ (127)	$ (181)

9. Dispositions

Dispositions. We have disposed of two hotels in 2010 for net proceeds of approximately $12 million. The following table summarizes the revenues, income (loss) before taxes, and the gain (loss) on dispositions, net of income tax, of the hotels which have been included in discontinued operations for all periods presented (in millions):

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Revenues	$	$ 14	$ 5	$ 61
Loss before income taxes			(2)	(81)
Gain (loss) on dispositions, net of tax		9	(1)	26

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Net income attributable to Host Hotels & Resorts, Inc. is allocated between continuing and discontinued operations as follows (in millions):

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Loss from continuing operations, net of tax	$ (58)	$ (64)	$ (122)	$ (127)
Discontinued operations, net of tax		9	(2)	(55)
Net loss attributable to Host Hotels & Resorts, Inc.	$ (58)	$ (55)	$ (124)	$ (182)

10. Acquisitions

For our acquisitions, we record the assets acquired, liabilities assumed and non-controlling interests at fair value as of the acquisition date. Furthermore, acquisition-related costs, such as broker fees, due diligence costs and legal and accounting fees, are expensed in the period incurred and are not capitalized or applied in determining the fair value of the acquired assets. During 2010, we have acquired four hotel assets; three in the third quarter and one subsequent to quarter end. For the acquisitions described below, we recorded $5 million of acquisition-related expenses, $1 million of which will be reflected in the fourth quarter. The acquisitions are consistent with our strategy of acquiring luxury and upper-upscale hotels in major urban markets. We recorded the purchase price of the acquired assets and liabilities at the estimated fair value on the date of purchase. The purchase price allocations are estimated based on available information, however, we are still in the process of finalizing the acquisition accounting for the below transactions:

On September 30, 2010, subsequent to quarter end, we acquired the 245-room JW Marriott, Rio de Janeiro for approximately R$81 million ($48 million);

On September 2, 2010, we formed a joint venture with a subsidiary of Istithmar World to purchase the 270-room W New York, Union Square. We have a 90% interest and serve as the managing member of the joint venture and, therefore, consolidate the entity. The joint venture purchased the hotel for $188 million, which, in addition to cash consideration, includes the assumption of $115 million of mortgage debt, with a fair value of $119 million, and contingent and deferred consideration valued at $8 million. Additionally, in conjunction with the acquisition, the joint venture purchased restricted cash, FF&E reserve funds and other working capital at the hotel of $10 million. The joint venture acquired the hotel as part of the settlement agreement reached with the previous owners and mezzanine lenders on July 22, 2010;

On August 11, 2010, we acquired the 424-room Westin Chicago River North for approximately $165 million; and

On July 22, 2010, we acquired the leasehold interest in the 266-room Le Meridien Piccadilly in London, England for £64 million ($98 million), including cash consideration of approximately £31 million ($47 million) and the assumption of a £33 million ($51 million) mortgage. As part of the purchase of the leasehold interest, we acquired restricted cash and working capital at the hotel of £4 million ($6 million). In connection with the acquisition, we assumed a capital lease obligation which we valued at £14 million ($21 million). The capital lease obligation is included in debt on the accompanying balance sheet and increased the book value of the leasehold interest purchased. We also recorded a deferred tax liability and corresponding goodwill of £11 million ($17 million) related to the difference in the hotel valuation measured at fair value on the acquisition date and the tax basis of the asset. We drew

£37 million ($56 million) from our credit facility to fund the cash portion of the acquisition. For accounting purposes, the above allocations are based on estimates from the best current information available. The final allocation of the fair value of assets and the capital lease obligation are in part dependent upon valuation determined by third party appraisals, which have not been completed.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in our acquisitions (in millions):

Property and equipment	$ 524
Goodwill	17
Restricted cash, FF&E reserve and other assets	19
Total assets	560
Mortgage debt	(170)
Capital lease obligation	(21)
Deferred tax liability	(17)
Other liabilities	(10)
Net assets acquired	$ 342

Our summarized unaudited consolidated pro forma results of operations, assuming the acquisitions occurred on January 1, 2009, are as follows (in millions, except per share amounts):

	Quarter ended		Year-to-date ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Revenues	$ 1,046	$ 935	$ 3,035	$ 2,897
Loss from continuing operations	(59)	(66)	(130)	(135)
Net loss	(59)	(57)	(132)	(190)
Net loss available to common shareholders	(56)	(56)	(138)	(191)
Basic earnings (loss) per common share:				
Continuing operations	$ (.09)	$ (.11)	$ (.21)	$ (.24)
Discontinued operations		.02		(.10)
Basic loss per common share	$ (.09)	$ (.09)	$ (.21)	$ (.34)
Diluted earnings (loss) per common share:				
Continuing operations	$ (.09)	$ (.11)	$ (.21)	$ (.24)
Discontinued operations		.02		(.10)
Diluted loss per common share	$ (.09)	$ (.09)	$ (.21)	$ (.34)

For the third quarter and year-to-date 2010, we have included $3.4 million of revenues and $0.2 million of net income in our condensed consolidated statements of operations related to the operations of our acquisitions.

Other investments. On April 13, 2010, we acquired, at a discount, the two most junior tranches of a 427 million ($581 million) mortgage loan that is secured by six hotels located in Europe. The two junior tranches purchased by us have a face value of 64 million ($87 million) and are subordinate to 363 million ($494 million) of senior debt. Interest payments for the tranches are based on the 90-day EURIBOR rate plus 303 basis points, or approximately 3.8%, and the loan is performing. The loan matures in October of 2010 and there are two, one-year extension options, subject to debt service coverage requirements. We anticipate that these coverage requirements will be met for the initial one-year extension, and that the borrower will exercise the first extension option through October of 2011.

11. Fair Value Measurements

We have adopted the provisions under GAAP for both recurring and non-recurring fair value measurements. Our recurring fair value measurements consist of the valuation of our derivative instruments, which may or may not be designated as accounting hedges. In evaluating the fair value of both financial and non-financial assets and liabilities, GAAP outlines a valuation framework and creates a fair value hierarchy that distinguishes between market assumptions based on market data (observable inputs) and a reporting entity s own assumptions about market data (unobservable inputs). Fair value is defined as the price that

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction (an exit price) and includes an evaluation of counterparty credit risk.

The following table details the fair value of our financial assets and liabilities that are required to be measured at fair value on a recurring basis and the change in the fair value of the derivative instruments at September 10, 2010 (in millions).

	Fair Value at Measurement Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Change in the Fair Value for the year-to-date period ended September 10, 2010
Fair Value Measurements on a Recurring Basis:				
Interest rate swap derivatives (1)	$	$ 12.5	$	$ 13.5
Interest rate cap derivative		0.1		(1.7)
Foreign currency forward purchase contracts (1)		11.6		9.9

(1) These derivative contracts have been designated as hedging instruments.

Interest Rate Swap Derivatives. We have three interest rate swap agreements for an aggregate notional amount of $300 million. We entered into these derivative instruments in order to hedge changes in the fair value of the fixed-rate debt that occur as a result of changes in market interest rates. We have designated these derivatives as fair value hedges. The derivatives are valued based on the benchmark yield curve on the date of measurement. We also evaluate counterparty credit risk in the calculation of the fair value of the swaps. As of September 10, 2010 and December 31, 2009, we recorded an asset of $12.5 million and a liability of $1 million, respectively, related to the fair value of the swaps. We record the change in the fair value of the underlying debt due to change in the LIBOR rate as an addition to the carrying amount of the debt. The difference between the change in the fair value of the swap and the change in the fair value in the underlying debt is considered the ineffective portion of the hedging relationship. We recognized a loss of $0.2 million and $0.5 million related to the ineffective portion of the hedging relationship for the third quarter of 2010 and 2009, respectively. For year-to-date 2010 and 2009, we recognized a loss of $1.0 million and $0.5 million, respectively. These loss amounts exclude the actual interest savings from the interest rate swaps included in our results of operations of $1.4 million and $4.5 million for the quarter and year-to-date 2010 periods, respectively.

Interest Rate Cap Derivative. We have one interest rate cap agreement related to variable rate mortgage debt. The interest rate cap is valued based on the benchmark yield curve on the date of measurement. We recognized a loss of $0.3 million and $1.0 million based on the changes in the fair value of the derivative during the third quarter of 2010 and 2009, respectively. For year-to-date 2010 and 2009, we recognized a loss of $1.7 million and a gain of $0.3 million, respectively. The fair value of the cap was $0.1 million and $1.8 million at September 10, 2010 and December 31, 2009, respectively. Changes in the fair value of this instrument are recorded in gain (loss) on foreign currency transactions and derivatives.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Foreign Currency Forward Purchase Contracts. As of September 10, 2010, we had four foreign currency forward purchase contracts to hedge a portion of the foreign currency exposure resulting from the eventual repatriation of our net investment in the European joint venture. These derivatives are considered a hedge of the foreign currency exposure of a net investment in a foreign operation with changes in fair value recorded to accumulated other comprehensive income. The forward purchase contracts are valued based on the forward yield curve of the Euro to U.S. Dollar forward exchange rate on the date of measurement. The following table summarizes our foreign currency forward purchase contracts (in millions):

Transaction Date	Transaction Amount in Euros	Transaction Amount in Dollars	Forward Purchase Date	Fair Value at September 10, 2010	Fair Value at December 31, 2009	Change in Fair Value for the period ended September 10, 2010	Change in Fair Value for the period ended September 11, 2009
February 2008	30	$ 43	August 2011	$ 4.7	$ (.1)	$ 4.8	$ (2.6)
February 2008	15	22	February 2013	3.1	.7	2.4	(1.5)
May 2008	15	23	May 2014	3.7	1.1	2.6	(1.6)
July 2010	20	26	October 2014	0.1		0.1	
Total	80	$ 114		$ 11.6	$ 1.7	$ 9.9	$ (5.7)

Fair Value of Other Financial Assets and Liabilities. We did not elect the fair value measurement option for any of our other financial assets or liabilities. Notes receivable and other financial assets are valued based on the expected future cash flows discounted at risk-adjusted rates and are adjusted to reflect the effects of foreign currency translation. Valuations for secured debt and the credit facility are determined based on the expected future payments discounted at risk-adjusted rates. Senior notes and the exchangeable senior debentures 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 assets and liabilities are shown below (in millions):

	September 10, 2010 Carrying Amount	September 10, 2010 Fair Value	December 31, 2009 Carrying Amount	December 31, 2009 Fair Value
Financial assets				
Mortgage notes	$ 49	$ 49	$	$
Other notes receivable			11	11
Financial liabilities				
Senior notes	2,843	2,970	3,411	3,473
Exchangeable Senior Debentures	1,146	1,330	1,123	1,246
Credit facility	57	56		
Mortgage debt and other, net of capital leases	1,355	1,364	1,303	1,269

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

12. Non-controlling Interests

Host LP. We adjust the non-controlling interests of Host LP each period so that the amount presented equals the greater of its carrying value based on the 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 LP. The redemption value is based on the amount of cash or Host common stock, at our option, that would be paid to the non-controlling interests of the operating partnership if the partnership were terminated. Therefore, we have assumed that the redemption value is equivalent to the number of shares of Host common stock issuable upon conversion of the OP Units owned by non-controlling partners valued at the market price of Host common stock at the balance sheet date. Subsequent to a stock dividend issued in 2009, one OP Unit is exchangeable into 1.021494 shares of Host common stock. Non-controlling interests of Host LP are classified in the mezzanine section of the balance sheet 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:

	September 10, 2010	December 31, 2009
OP Units outstanding (millions)	10.6	11.7
Market price per Host common share	$ 14.21	$ 11.67
Shares issuable upon conversion of one OP Unit	1.021494	1.021494
Redemption value (millions)	$ 154	$ 139
Historical cost (millions)	$ 101	$ 113
Book value (millions) (1)	$ 154	$ 139

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

Net income (loss) is allocated to the non-controlling interests of Host LP based on their weighted average ownership percentage during the period.

Other Consolidated Partnerships. As of September 10, 2010, we consolidate four majority-owned partnerships that have third-party, non-controlling ownership interests. The third-party partnership interests are included in non-controlling interest-other consolidated partnerships on the consolidated balance sheets and totaled $33 million and $22 million as of September 10, 2010 and December 31, 2009, respectively. Three of the partnerships have finite lives ranging from 99 to 100 years that terminate between 2081 and 2095, and the associated non-controlling interests are mandatorily redeemable. At September 10, 2010 and December 31, 2009, the fair values of the non-controlling interests in the partnerships with finite lives were approximately $58 million and $44 million, respectively.

13. Other Real Estate Investments

We own a leasehold interest in 53 Courtyard by Marriott properties and 18 Residence Inn by Marriott properties, which were sold to Hospitality Properties Trust (HPT) and leased back to us in 1995 and 1996. In conjunction with our conversion to a REIT, in 1999 we entered into subleases for these 71 properties with a third party. In late June 2010, HPT sent notices of default because the subtenants failed to meet net worth covenants, which would have triggered an event of default by us under the master leases between us and HPT. As a result, we terminated the subleases effective July 6, 2010 and we started to act as owner under the management agreements. Accordingly, for the remaining portion of the third quarter of 2010, we recorded the operations of the hotels as opposed to rental income. As a result, we recorded $50 million of hotel revenues for the 71 properties, as well as $6 million of rental income earned prior to the termination of the subleases in the third quarter, which are included in other revenues on the condensed consolidated statements of operations. Additionally, we recorded $37 million of hotel expenses related to the 71 properties, as well as $19 million of rental expense due to HPT in the third quarter, which are included in other property-level

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

expenses on the condensed consolidated statements of operations. The property revenues and rental income recorded less the hotel expenses and rental expenses resulted in a slight loss for all periods presented.

We will continue to perform all obligations under the master leases. The subtenants remain obligated to us for outstanding rent payment obligations to the extent that operating cash generated by the hotels is less than rent that would have been paid under the terminated subleases. At the expiration of the master leases, HPT is obligated to pay us deferred proceeds related to the initial sale of the properties of approximately $67 million, subject to damages arising out of an event of default, if any, under the master leases, plus additional amounts of approximately $7.8 million. We gave notice to HPT that we will not extend the term of the master lease on the 18 Residence Inn properties which results in the termination and expiration of the master lease on those properties effective December 31, 2010, at which time we expect that $17 million of deferred proceeds will be paid to us by HPT. In the fourth quarter of 2010, we also intend to give notice that we will not extend the term of the master lease on the 53 Courtyard by Marriott properties, which will result in termination and expiration of the master lease on those properties effective December 31, 2012.

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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 condensed consolidated financial statements and related notes included elsewhere in this report. Host Hotels & Resorts, Inc. is a Maryland corporation and operates as a self-managed and self-administered real estate investment trust, or REIT. Host Hotels & Resorts, Inc. owns properties and conducts operations through Host Hotels & Resorts, L.P., a Delaware limited partnership, of which Host Hotels & Resorts, Inc. is the sole general partner and in which it holds approximately 98% of the partnership interests as of September 10, 2010. In this report, 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 to specifically refer to Host Hotels & Resorts, Inc. and the term Host LP to refer to Host Hotels & Resorts, L.P. in cases where it is important to distinguish between Host and Host LP.

Forward-Looking Statements

In this report on Form 10-Q, we make some 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, int predict, project, plan, will, estimate and other similar terms and phrases. Forward-looking statements are based on management s current expectations and assumptions and are not guarantees of future performance that 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:

- national and local economic and business conditions, including the changing economic environment as well as the potential for terrorist attacks, that will affect our results of operations, occupancy rates at our hotels and the demand for hotel products and services;

- operating risks associated with the hotel business;

- risks associated with the level of our indebtedness;

- risks associated with our ability to meet covenants in our debt agreements and to enter into derivative contracts in order to hedge risks associated with changes in interest rates and foreign currency exchange rates;

- relationships with property managers and joint venture partners;

- our ability to maintain our properties in a first-class manner, including meeting capital expenditure requirements;

- costs associated with litigation judgments or settlements;

- the ability of Host and each of the REIT entities acquired, established or to be established by Host, to continue to satisfy complex rules to qualify as REITs for federal income tax purposes, Host LP s ability to satisfy the rules to maintain its status as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to maintain their status as taxable REIT subsidiaries for federal income tax purposes and Host s ability and the ability of its subsidiaries, and similar entities to be acquired or established by Host, to operate effectively within the limitations imposed by these rules;

our ability to acquire or develop additional properties and the risk that potential acquisitions or developments may not perform in accordance with expectations;

the relatively fixed nature of our property-level operating costs and expenses; and

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our ability to recover fully under our existing insurance for terrorist acts, to maintain adequate or full replacement cost all-risk property insurance on our properties on commercially reasonable terms and to satisfy the insurance requirements of our lenders.

We undertake no obligation to publically 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, 2009 and in other filings with the SEC. Although we believe 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.

Outlook

We currently own 113 hotel properties, which operate primarily in the luxury and upper upscale hotel sectors. For a general overview of our business and a discussion of our reporting periods, see our most recent Annual Report on Form 10-K.

Operating Outlook. The positive trends that we experienced in the first half of 2010 continued to improve in the third quarter as RevPAR at our comparable hotels increased 8.8% for the quarter. The RevPAR growth was driven by a 290 basis point increase in occupancy and a 4.5% improvement in average rate. Both our transient and group business experienced improvements in occupancy and rate in the quarter. As demand levels have improved across the board, our managers have shifted business away from discounted leisure business, although lower-rated contracts negotiated in 2009 for special corporate and group business continue to hinder rate growth in the near-term. Year-to-date, comparable hotel RevPAR is up 5.6%.

RevPAR changes that are driven predominately by occupancy have different implications on overall revenue levels, as well as incremental operating profit, than do changes that are driven predominately by average rate. For example, increases in occupancy would lead to increases in rooms revenues and ancillary revenues, such as food and beverage, as well as incremental costs (including housekeeping services, utilities and room amenity costs). RevPAR increases due to higher room rates, however, would not result in additional room-related costs. As a result, changes in RevPAR driven by increases or decreases in average room rates have a greater effect on profitability than changes in RevPAR caused by occupancy levels. For the third quarter, revenue growth was driven by both occupancy and rate improvements, and as a result, we experienced some growth in our operating profit margins. However, year-to-date, our growth has been driven primarily by occupancy improvements. Therefore, while we have experienced strong RevPAR growth for the year, we continue to see pressure on year-to-date operating margins. We would not anticipate strong growth in operating margins until we experience sustained growth in average room rates at our properties. Additionally, margins continue to be affected by a decline in attrition and cancellation fees, compared to 2009.

We are encouraged by the improvement in key economic indicators, particularly business investment and corporate profits, as we believe these trends will continue to facilitate improvements in corporate travel, which is an important catalyst of overall demand at our properties. However, other factors, such as low GDP growth, continued high unemployment and weak consumer spending, continue to slow the overall economic recovery. Based on these indicators, we believe that the overall trends experienced in the second and third quarters of 2010 will continue and that comparable hotel RevPAR will increase 5.5% to 6.5% for 2010. However, the effect of this improvement on our operating results is slightly offset by a more cautious outlook with respect to food and beverage and auxiliary revenues.

While we believe the positive trends in the lodging industry create the opportunity for business improvements during the remainder of 2010, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy and changes in travel patterns.

Investing activities outlook

Property acquisitions. During the third quarter, we purchased three hotel assets located in London, New York and Chicago, respectively, for approximately $430 million. Consideration paid included cash of $285 million, $166 million of mortgage debt assumed with a fair value of $170 million and contingent and deferred consideration valued at $8 million (debt and liabilities presented are the consolidated amounts and include amounts that are attributable to the 10% non-controlling partner of the joint venture which owns the W New York, Union Square). Additionally, subsequent to quarter end, we acquired the 245-room JW Marriott, Rio de Janeiro for approximately R$81 million ($48 million) (see Liquidity and Capital Resources for further discussion). Over the past several months, we have begun to see an increase in the number of acquisition opportunities available, and from time to time, we have been, and continue to be, engaged in discussions concerning possible acquisitions. Nevertheless, the significant business considerations surrounding these transactions make the timing of any future acquisitions difficult to predict.

We may acquire properties using various structures, including transactions involving single assets, portfolios, joint ventures or acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. Acquisitions are financed through available cash or a combination of cash and other sources, including proceeds from equity offerings of Host or issuance of OP Units by Host LP, the incurrence of debt, proceeds from sales of properties and advances under our credit facility.

Capital expenditures. During 2010, we intend to renovate approximately 4,900 guest rooms, 181,000 square feet of ballroom and meeting space and 94,100 square feet of public space, including lobbies and restaurants. We will also develop a new 21,000 square foot ballroom at the Westin Kierland Resort & Spa. Our 2010 program also includes the start of an extensive $190 million project at the 1,362-room San Diego Marriott Hotel & Marina, which will include a complete renovation of all guest rooms, the pool and fitness center, as well as the expansion and development of new meeting space and an exhibit hall. Year-to-date, we have spent $149 million on capital expenditures, including $50 million on repositioning and return on investment projects. We expect that capital expenditures will be between $300 million to $320 million during 2010.

Financing activities outlook

Debt transactions. Over time, we intend to continue to lower our debt-to-equity ratio as we believe lower overall leverage will reduce our cost of capital and earnings volatility and provide us with the necessary flexibility to take advantage of opportunities that have historically developed in periods of market duress, which we consider a key competitive advantage. However, at any point, we expect to issue debt depending on market conditions and liquidity requirements, which could temporarily increase our debt-to-equity ratios. We have repaid $695 million of debt thus far in 2010. Additionally, during the third quarter, we incurred or assumed $243 million of debt with a fair value of $247 million, which includes a $21 million capital lease obligation and the $56 million draw under our credit facility, to partially fund our acquisitions described above. Additionally, we intend to defease the $115 million mortgage loan assumed with the acquisition of the W New York, Union Square in the fourth quarter.

Equity transactions. During the third quarter, we issued 7.4 million common shares under our at the market offering programs. The shares were issued at an average price of $14.08 for net proceeds of $103.5 million. Year-to-date, we have issued 11.8 million shares at an average price of $13.60 per share for net proceeds of $158.2 million. We may continue to sell shares of common stock under this program from time to time based on market conditions, although we are not under an obligation to sell any shares.

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Results of Operations

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

	Quarter ended September 10, 2010	Quarter ended September 11, 2009	% Increase (Decrease)
Revenues:			
Total full-service hotel sales	$ 946	$ 881	7.4%
Other revenues (1)	60	22	N/M*
Operating costs and expenses:			
Property-level costs (2)	963	892	8.0
Corporate and other expenses	20	19	5.3
Operating profit (loss)	23	(8)	N/M
Interest expense	89	95	(6.3)
Loss attributable to non-controlling interests	3	3	
Income from discontinued operations		9	N/M
Net loss attributable to Host Hotels & Resorts, Inc.	(58)	(55)	5.5
All hotel operating statistics (3):			
RevPAR	$ 120.10	$ 108.49	10.7%
Average room rate	$ 163.16	$ 154.90	5.3%
Average occupancy	73.6%	70.0%	3.6 pts.
Comparable hotel operating statistics (4):			
RevPAR	$ 118.66	$ 109.05	8.8%
Average room rate	$ 161.80	$ 154.83	4.5%
Average occupancy	73.3%	70.4%	2.9 pts.

	Year-to-date ended September 10, 2010	Year-to-date ended September 11, 2009	% Increase (Decrease)
Revenues:			
Total full-service hotel sales	$ 2,826	$ 2,742	3.1%
Other revenues (1)	117	76	53.9
Operating costs and expenses:			
Property-level costs (2)	2,743	2,651	3.5
Corporate and other expenses	69	51	35.3
Operating profit	131	116	12.9
Interest expense	268	264	1.5
Loss attributable to non-controlling interests	2	5	(60.0)
Loss from discontinued operations	2	55	(96.4)
Net loss attributable to Host Hotels & Resorts, Inc.	(124)	(182)	(31.9)
All hotel operating statistics (3):			
RevPAR	$ 119.88	$ 112.09	6.9%
Average room rate	$ 168.52	$ 169.40	(0.5)%
Average occupancy	71.1%	66.2%	4.9 pts.
Comparable hotel operating statistics (4):			
RevPAR	$ 119.56	$ 113.18	5.6%
Average room rate	$ 167.81	$ 169.70	(1.1)%
Average occupancy	71.2%	66.7%	4.5 pts.

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(1) Includes the results of the 71 hotels leased from HPT whose operations we now consolidate as of July 7, 2010 as a result of the termination of the subleases with our subtenant. The line item also includes rental income earned prior to the lease terminations.
(2) Amount represents total operating costs and expenses per our condensed consolidated statements of operations less corporate expenses and includes costs associated with the properties leased from Hotel Properties Trust.
(3) Operating statistics are for all properties as of September 10, 2010 and September 11, 2009, and include the results of operations for disposed hotels prior to their disposition.
(4) Comparable hotel operating statistics for September 10, 2010 and September 11, 2009 are based on 108 comparable hotels as of September 10, 2010.
*N/M=Not meaningful.

2010 Compared to 2009

Hotel Sales Overview

	Quarter ended		
	September 10, 2010	September 11, 2009	% Increase (Decrease)
	(in millions)		
Revenues:			
Rooms	$ 629	$ 574	9.6%
Food and beverage	254	239	6.3
Other	63	68	(7.4)
Total full-service hotel sales	946	881	7.4
Other revenues	60	22	N/M
Total revenues	$ 1,006	$ 903	11.4

	Year-to-date ended		
	September 10, 2010	September 11, 2009	% Increase (Decrease)
	(in millions)		
Revenues:			
Rooms	$ 1,785	$ 1,696	5.2%
Food and beverage	849	823	3.2
Other	192	223	(13.9)
Total full-service hotel sales	2,826	2,742	3.1
Other revenues	117	76	53.9
Total revenues	$ 2,943	$ 2,818	4.4

Hotel sales grew 7.4% and 3.1% for the quarter and year-to-date, respectively, reflecting strong growth in RevPAR at our properties for our consolidated full-service hotels, as well as increases in rooms and food and beverage revenues, partially offset by a decline in other revenues as a result of a decline in attrition and cancellation fees. Revenues for properties sold in 2010 or 2009 have been reclassified to discontinued operations. See Discontinued Operations below.

On July 6, 2010, we terminated the subleases for 71 hotels leased from HPT because the subtenants failed to meet net worth covenants. Accordingly, beginning on July 7, 2010, we record the operations of the hotels instead of rental income, which we recorded in other revenues on our consolidated statements of operations. For the third quarter of 2010, we recognized revenues for hotels leased from HPT of $50 million, as well as $6 million of rental income earned prior to the termination of the sublease. Year-to-date 2010, revenues for hotels leased from HPT include hotel revenues of $50 million and rental income of $43 million. For the third quarter and year-to-date 2009, revenues for hotels leased from HPT include rental income of $18 million and $55 million, respectively, related to the 71 properties. The property revenues and rental income recorded less the hotel expenses and rental expenses resulted in a slight loss for all periods presented.

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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 properties acquired or sold, or that incurred significant property damage or business interruption or large scale capital improvements during these periods. As of September 10, 2010, 108 of our 112 owned hotels have been classified as comparable hotels. The four non-comparable hotels include the three acquired this quarter and the San Diego Marriott Hotel & Marina, which is currently undergoing significant renovations. See Comparable Hotel Operating Statistics for a complete description of our comparable hotels. We also discuss our comparable operating results by property type (i.e. urban, suburban, resort/conference or airport), geographic region and mix of business (i.e. transient, group or contract).

For the quarter, comparable hotel sales increased 6.9% to approximately $925 million and 3.7% to approximately $2.8 billion year-to-date. The revenue growth reflects the increase in comparable RevPAR of 8.8% for the quarter and 5.6% year-to-date, as well as increases in food and beverage sales, which were partially offset by a decline in other revenues, reflecting the decline in attrition and cancellation fees. The improvements in RevPAR reflect an increase in occupancy of 2.9 percentage points and average room rate of 4.5% for the quarter, and an increase in occupancy of 4.5 percentage points and a decrease in average room rate of 1.1% for year-to-date. We have adopted a reporting calendar that is closely aligned with the reporting calendar used by Marriott International, the manager of a majority of our properties, whose third quarter ended on September 10, 2010. As a result of the reporting calendar we adopted, for our non-Marriott managed hotels (covering approximately 42% of total revenues of our hotels), we are unable to report September operations until the fourth quarter because our hotel managers using a monthly reporting period do not make mid-month results available to us. For further discussion see Reporting Periods in our most recent Annual Report on Form 10-K.

Food and beverage revenues for our comparable hotels increased 6.2% for the quarter and 4.3% year-to-date. The increase in the quarter was driven by an increase in banquet and audio visual sales. Other revenues for our comparable hotels, which primarily represent spa, golf, parking, internet connectivity and attrition and cancellation fees, decreased 6.6% for the quarter and 13.6% year-to-date. The decline is primarily due to a reduction in attrition and cancellation fees compared to 2009, when several large groups and business travelers cancelled their travel plans, which disproportionately affected some of the larger hotels in the portfolio. Excluding the incremental attrition and cancellation fees in 2009 of $5 million and $33 million for the third quarter and year-to-date, respectively, other revenues would have increased by 1.6% and 1.8%, respectively.

Comparable Hotel Sales by Property Type

The following tables set forth performance information for our comparable hotels by property type as of September 10, 2010 and September 11, 2009:

Comparable Hotels by Property Type (a)

	As of September 10, 2010		Quarter ended September 10, 2010			Quarter ended September 11, 2009			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	52	33,122	$ 174.64	77.4%	$ 135.13	$ 165.07	75.1%	$ 123.97	9.0%
Suburban	29	10,964	136.31	68.0	92.68	132.75	64.3	85.33	8.6
Resort/Conference	13	8,082	183.34	63.2	115.79	181.51	58.7	106.50	8.7
Airport	14	6,956	111.92	74.3	83.13	107.88	71.5	77.13	7.8
All Types	108	59,124	161.80	73.3	118.66	154.83	70.4	109.05	8.8

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	As of September 10, 2010		Year-to-date ended September 10, 2010			Year-to-date ended September 11, 2009			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	52	33,122	$ 178.42	73.4%	$ 130.97	$ 177.33	69.0%	$ 122.38	7.0%
Suburban	29	10,964	137.71	66.3	91.27	141.67	61.1	86.51	5.5
Resort/Conference	13	8,082	209.63	68.4	143.37	221.67	63.7	141.28	1.5
Airport	14	6,956	114.69	72.1	82.74	116.70	68.0	79.41	4.2
All Types	108	59,124	167.81	71.2	119.56	169.70	66.7	113.18	5.6

(a) The reporting period for our comparable operating statistics for the year-to-date periods ended September 10, 2010 and September 11, 2009 is from January 2, 2010 to September 10, 2010 and January 3, 2009 to September 11, 2009, respectively. For further discussion, see Reporting Periods in our most recent Annual Report on Form 10-K.

During the third quarter of 2010, comparable hotel RevPAR increased across all of our hotel property types. Our urban properties led the portfolio, with a 9% increase in RevPAR for the quarter. The continued improvement in demand has allowed our operators to begin to increase the average room rates at our urban properties, which improved 5.8% overall for the quarter. Our suburban properties also experienced a significant RevPAR increase in the third quarter driven by strength in the suburban Boston, Orange County, San Francisco and Denver markets. Our resort/conference hotels showed strong growth for the quarter, as occupancy increased 4.5 percentage points, and room rates increased 1%, driven by strong improvement in our resort/conference properties in our Florida and Hawaii regions. RevPAR at our Airport properties improved 7.8% for the quarter driven by strong demand growth in the Chicago and San Francisco airport markets. Year-to-date, we experienced growth for all of our property types, driven primarily by improved occupancy. Our urban properties were the only property type that has experienced rate growth year-to-date.

Comparable Hotel Sales by Geographic Region

The following tables set forth performance information for our comparable hotels by geographic region as of September 10, 2010 and September 11, 2009:

Comparable Hotels by Region (a)

	As of September 10, 2010		Quarter ended September 10, 2010			Quarter ended September 11, 2009			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	26	14,581	$ 161.40	78.8%	$ 127.20	$ 155.71	75.1%	$ 116.86	8.8%
Mid-Atlantic	10	8,328	210.06	82.3	172.96	195.30	80.2	156.62	10.4
North Central	13	5,897	138.44	70.8	97.99				