

TEAM PHOENIX

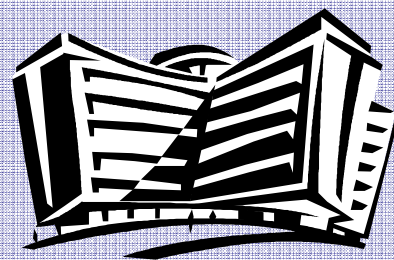
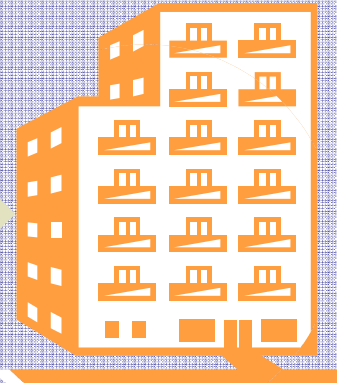
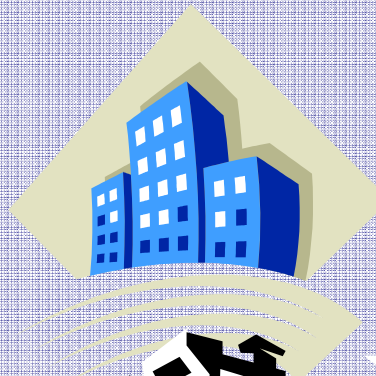
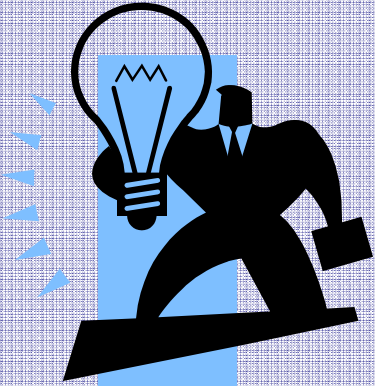
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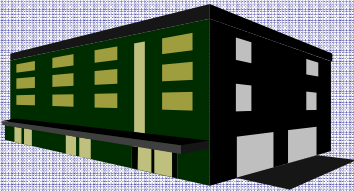


REIT

Real Estate Investment Trusts

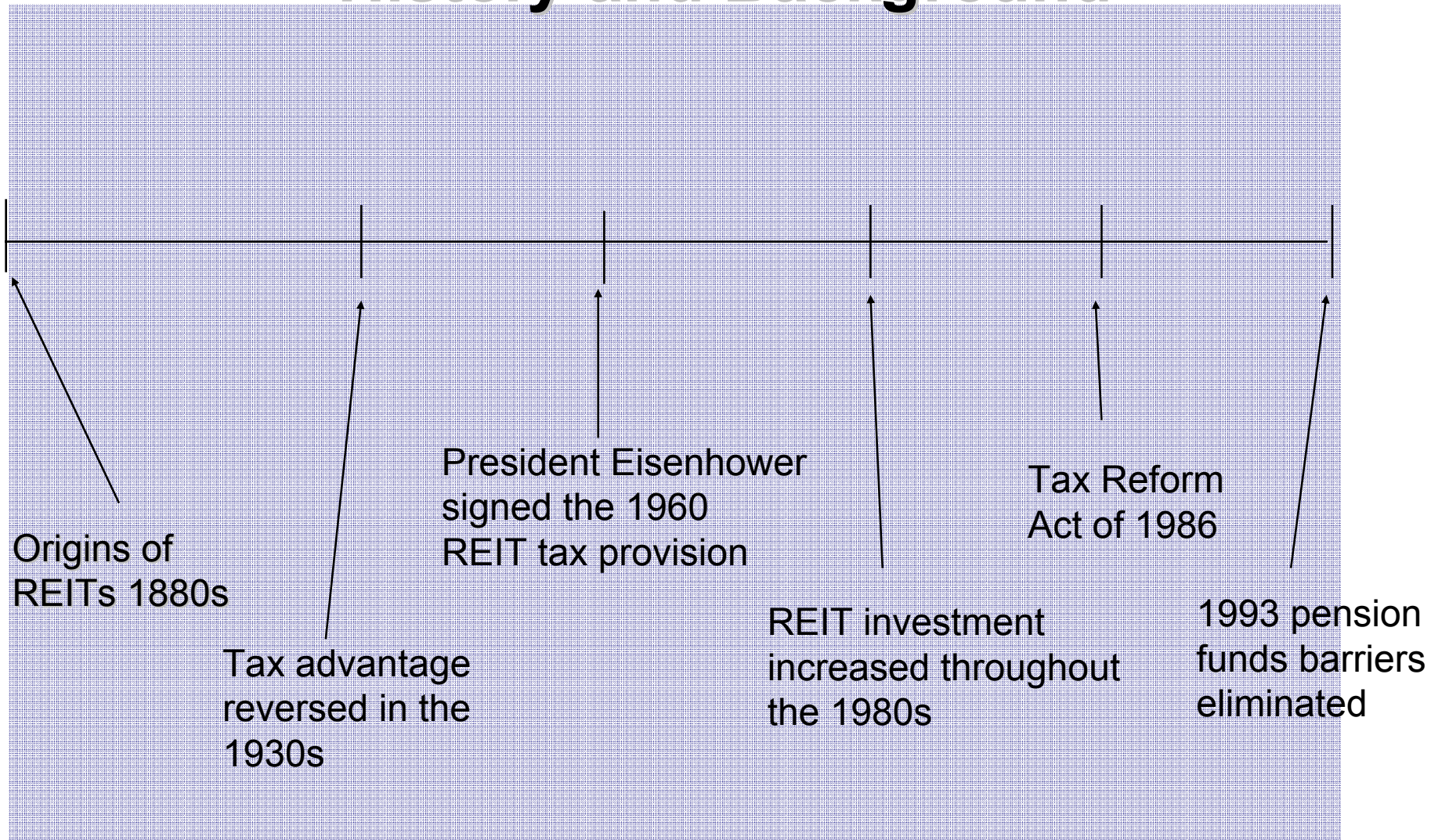
What is a REIT?







History and Background





- Structured as Corporation, business trust, or similar association
- Managed by a board of directors or trustees
- Shares need to be fully transferable
- Minimum of 100 shareholders
- Pays dividends of at least 90 percent of REIT's taxable income
- No more than 50 percent of the shares can be held by five or fewer individuals during the last half of each taxable year
- At least 75 percent of total investment assets must be in real estate
- Derive at least 75 percent of gross income from rents or mortgage interest
- Have no more than 20 percent of its assets consist of stocks in taxable REIT subsidiaries

REIT

Industry

Structure

Equity REITs: (96.1%)

- Equity REITs invest in and own properties (thus responsible for the equity or value of their real estate assets).
- Their revenues come principally from their properties' rents.

Mortgage REITs:

(1.6%)

- Mortgage REITs deal in investment and ownership of property mortgages.
- These REITs loan money for mortgages to owners of real estate, or invest in (purchase) existing mortgages or mortgage backed securities.
- Their revenues are generated primarily by the interest that they earn on the mortgage loans.

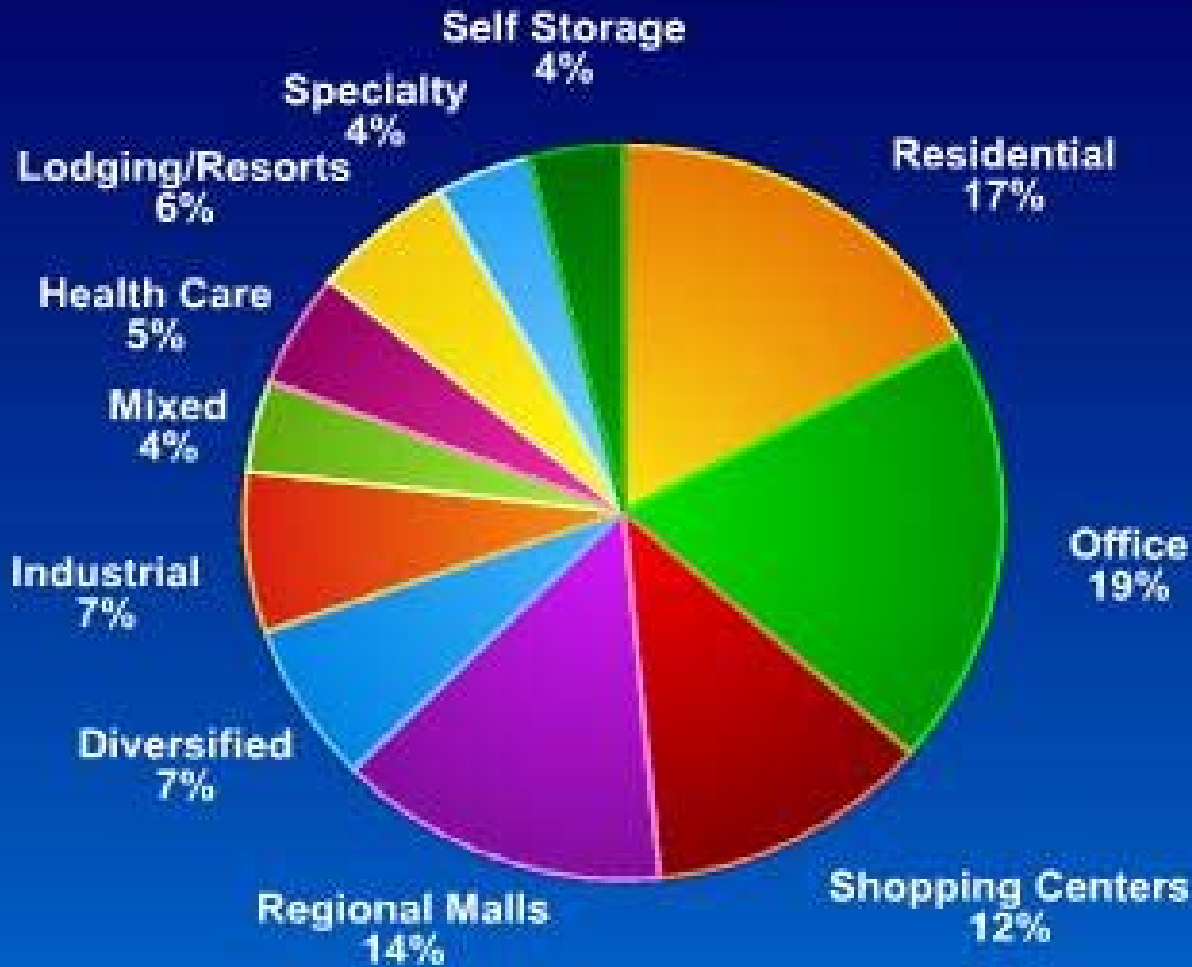
Hybrid REITs:

(2.3%)

- Hybrid REITs combine the investment strategies of Equity REITs and Mortgage REITs by investing in both properties and mortgages.

REITs Invested In All Property Types

(as of Dec. 31, 2005)



Industry Economic Statistics

- Net Revenues – More than \$88 Billion
- Revenues make up approximately .007% of \$13 Trillion US GDP
- Market Cap – More than \$334 Billion on 7 Million Shares
- Total Assets in excess of \$500 Billion

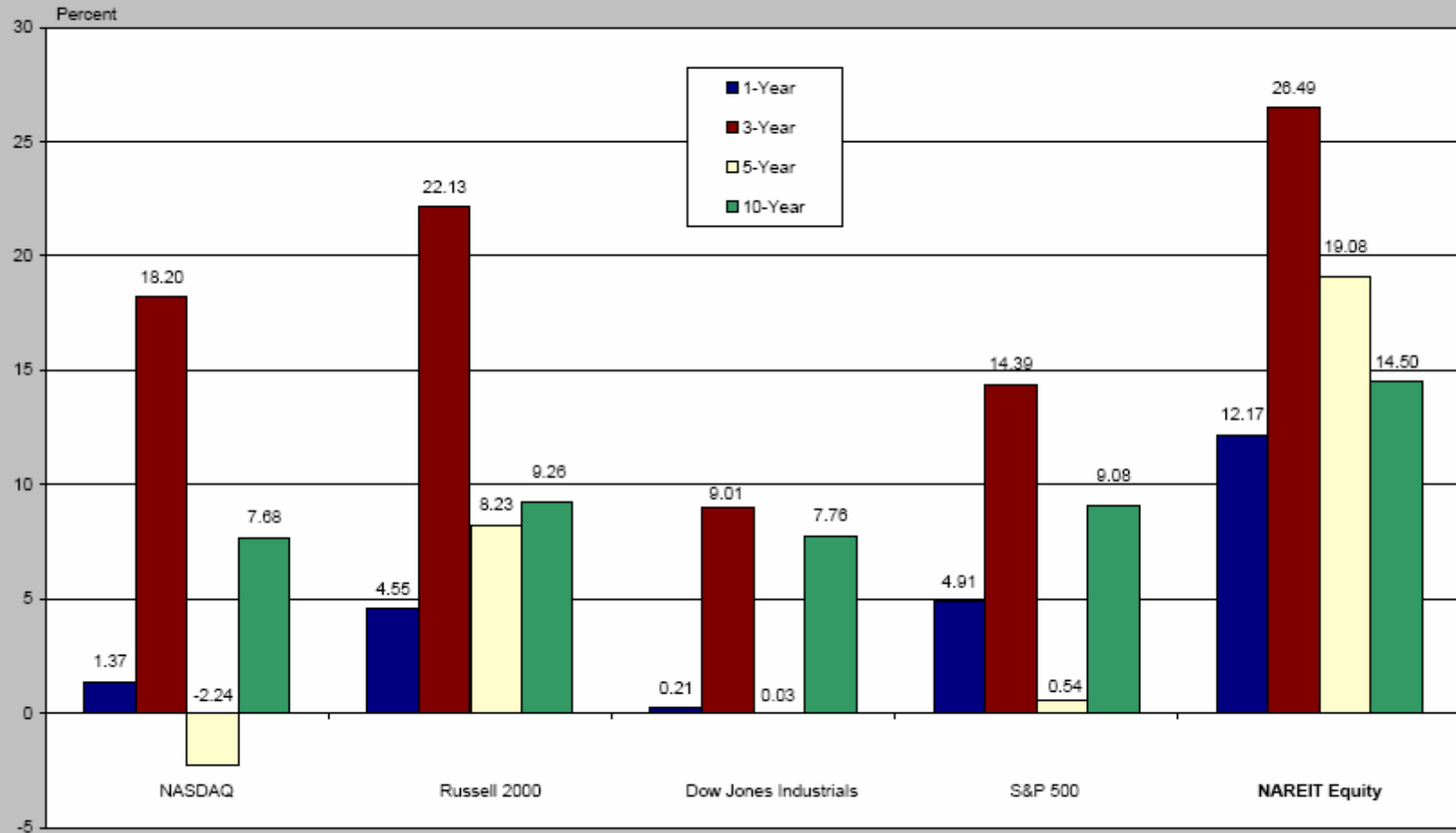
How Does A REIT make money?

Because REITs have to pay out 90% of taxable earnings as dividends, they find it difficult to build up big reserves of capital to fund acquisitions or new buildings on their own. As a result, they depend heavily on raising capital through debt and equity issuance.

REITs continually adjust the blend of equity and debt, as well as the combination of long- and short-term debt that they use to fund their businesses. Following the real estate and banking crises of the 1980s, the industry generally scaled back its reliance on borrowing. Debt levels of around 40% or less (of the gross value of a REIT's assets) are now considered safe.

As a result, equity issuance took on a bigger role, especially as rapid gains in REIT share prices boosted the returns that companies could get by selling stock. In both 2003 and 2004, the industry raised more capital through equity than through debt issuance. However, in 2005, debt issuance outpaced that of capital raised through equity offerings.

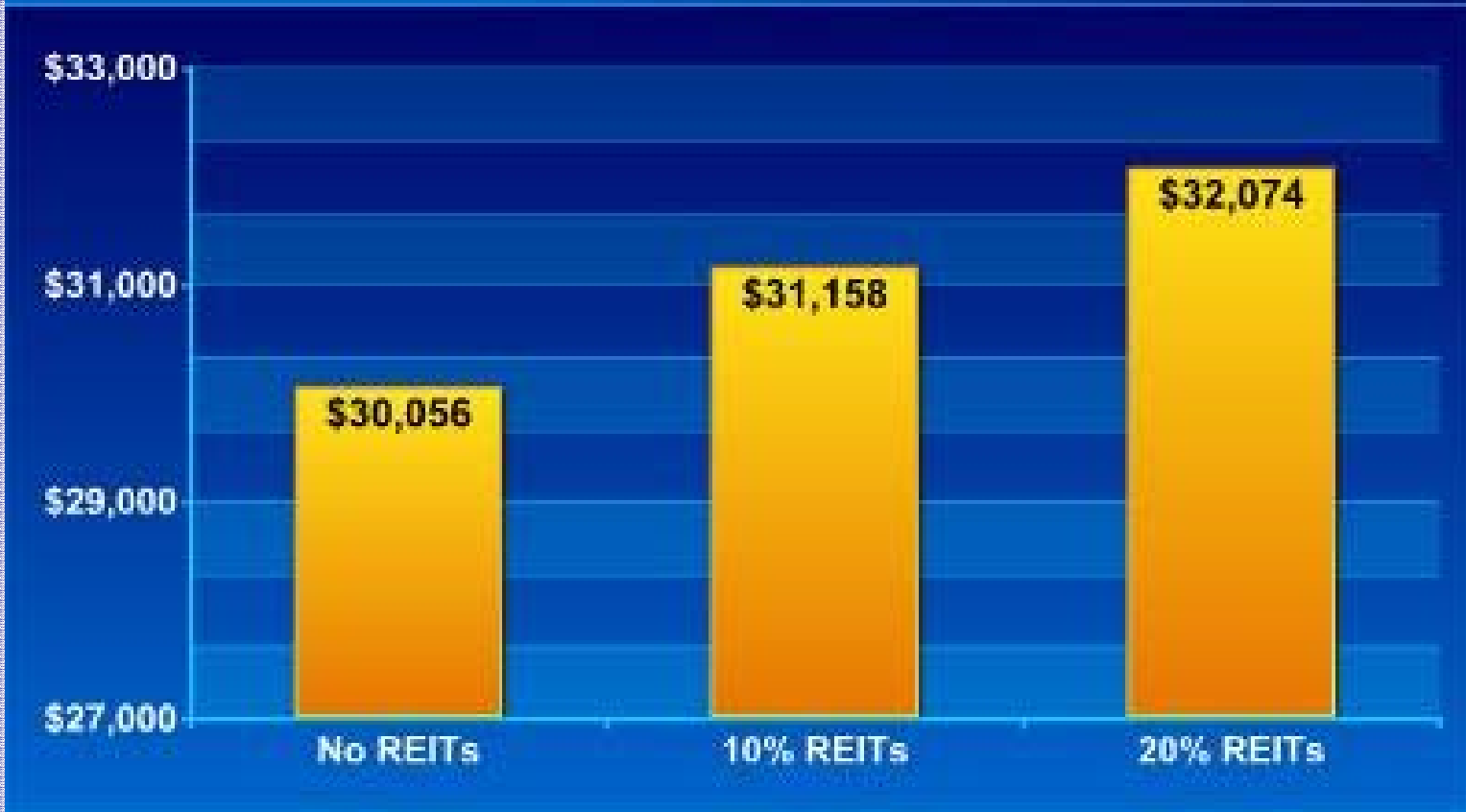
Long-Term Performance of Listed U.S. Equity REITs vs. Other U.S. Benchmarks (Compound total returns, periods ending December 31, 2005)



Source: National Association of Real Estate Investment Trusts®, Nasdaq Stock Market, Inc. and Ibbotson Associates.



\$10,000 Invested in 1994...

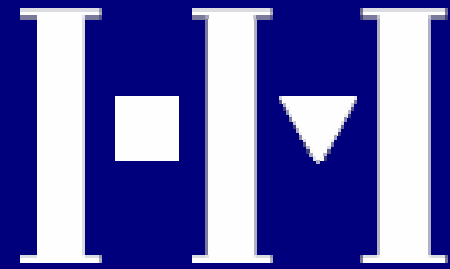


50% Stocks
50% Bonds

10% REITs
49% Stocks
41% Bonds

20% REITs
46% Stocks
34% Bonds

Source: NAREIT®, Stocks- S&P 500, Ibbotson U.S. Small Stock Series, MSCI EAFE Index; Bonds- 20-year U.S. Government Bonds; T-Bills- U.S. 30-day T-Bills, Figures based on average annual return over the period 1994-2003. Portfolios rebalanced annually.



Host Marriott



Host Marriott

One of the largest owners of hotels in the world, with 122 upscale and luxury full-service lodging properties primarily located in the US and operated under the Marriott, Ritz-Carlton, Hyatt, Four Seasons, Hilton and Swiss Hotels brands.

Host Marriott Corporation has a strategy for maximizing shareholder value: acquire high quality, full-service hotels at attractive prices with the potential for significant capital appreciation.

The company elected REIT status as of January 1, 1999.

HOST MARRIOTT CORP NEW
as of 2/10/2006

SPX



Charts By **EDGAR**
Online

Volume



Sub-Industry: Real Estate Investment Trusts *Peer Group: REITs - Lodging/Resorts

Peer Group	Stock Symbol	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-day Price Chg(%)	1-year Price Chg.(%)	Beta	Yield (%)	Quality Ranking	Stk. Mkt. Cap. (Mil. \$)	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap. (%)
Host Marriott	HMT	20.01	57	0.35	6%	25%	1.14	2.4	C	7,073	4.0	3.2	68.9
Boykin Lodging	BOY	12.57	16	0.78	1%	34%	0.46	Nil	C	221	NM	NM	NA
Equity Inns	ENN	15.76	NM	0.12	11%	42%	0.59	4.3	B-	851	NM	NM	NA
FelCor Lodging Trust	FCH	19.21	NM	-0.73	11%	36%	1.23	3.1	C	1,156	NM	NM	NA
Hersha Hospitality Trust	HT	9.52	59	0.16	3%	-15%	0.49	7.6	NR	194	NM	NM	NA
Hospitality Properties Trust	HPT	42.11	26	1.60	4%	-2%	0.48	6.9	A-	3,029	NM	NM	NA
InnKeepers USA Trust	KPA	17.62	84	0.21	8%	30%	0.98	3.4	B-	756	NM	NM	NA
LaSalle Hotel Properties	LHO	37.92	63	0.60	1%	23%	0.83	3.2	NR	1,236	NM	NM	NA
MeriStar Hospitality	MHX	9.57	NM	-1.68	3%	21%	1.90	Nil	C	837	7.1	5.2	48.3
Sunstone Hotel Investors	SHO	28.82	NM	NA	6%	38%	NA	4.2	NR	1,663	NM	NM	NA
Supertel Hospitality	SPPR	4.63	20	0.23	-1%	19%	0.99	6.0	B-	56	12.1	12.8	64.8
Winston Hotels	WXH	9.95	NM	-0.11	-1%	-11%	0.64	6.0	B-	264	NM	NM	NA

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Source: S&P.

Percentage Value



Daily Prices: 11-Feb-2005 - 11-Feb-2006

Reuters Investor



Percentage Value

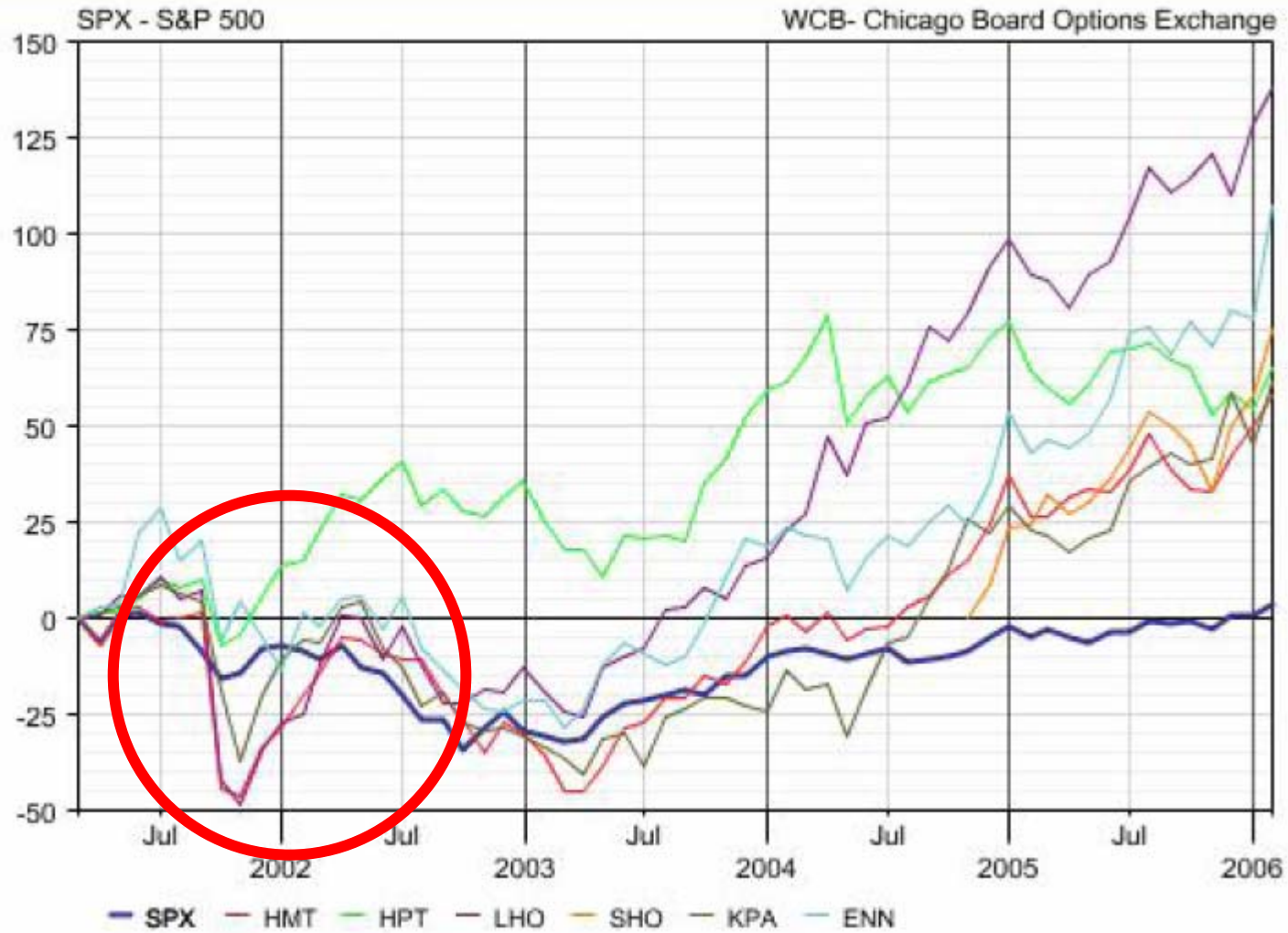


Weekly Prices: 11-Feb-2001 - 11-Feb-2006

Reuters Investor



Percentage Value



Monthly Prices: 11-Feb-2001 - 11-Feb-2006

Reuters Investor



Analyst Recommendations

Monthly Average Trend Buy Buy/Hold Hold Weak Hold Sell No Opinion Trend

B

BH

H

WH

S

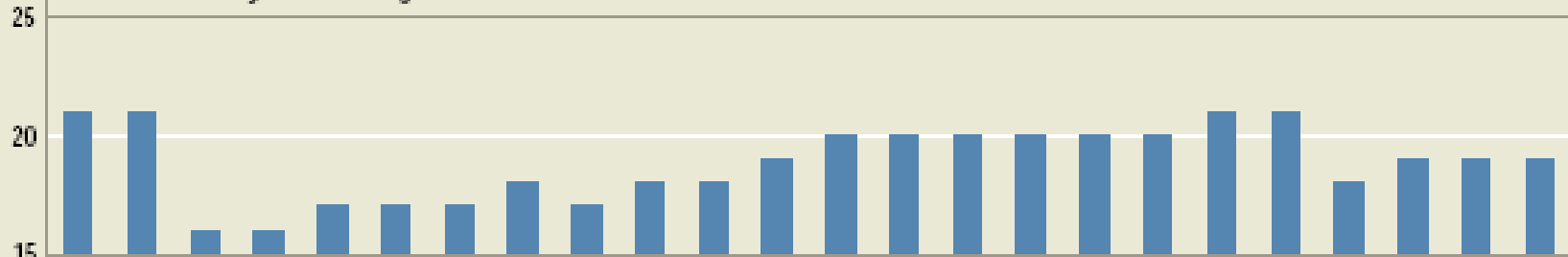
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Trend

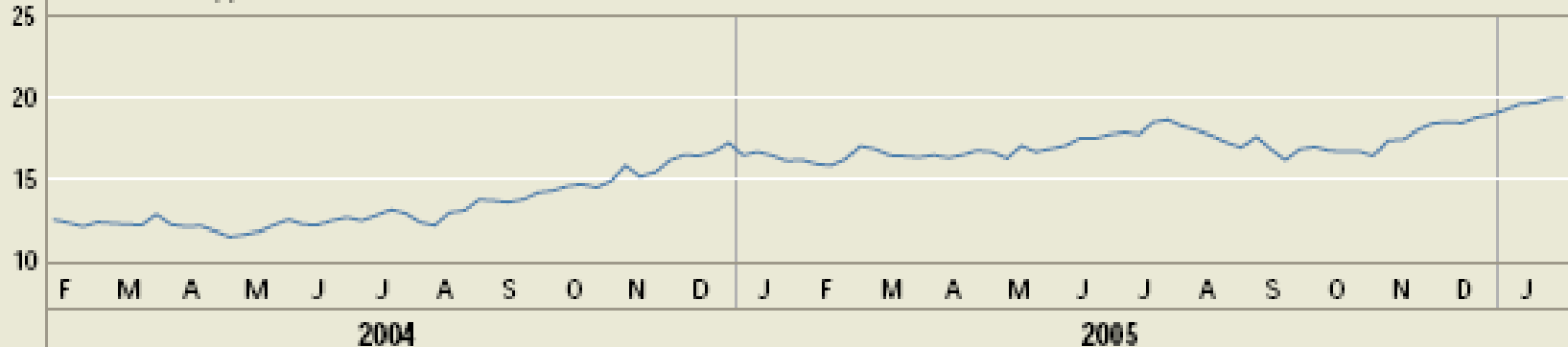
Wall Street Average



Number of Analysts Following Stock



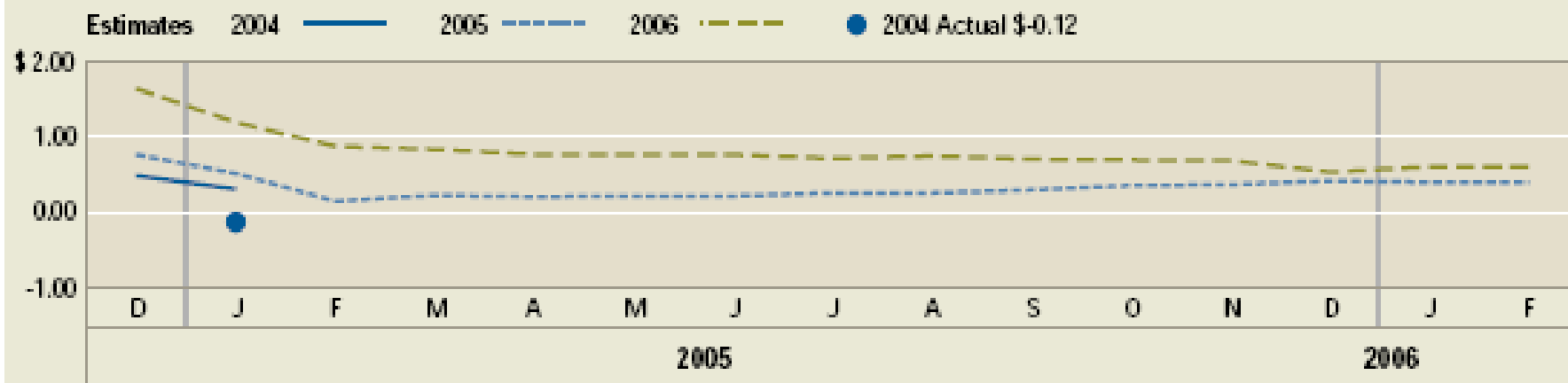
Stock Price (\$)



Source: S&P, I/B/E/S International, Inc.



Wall Street Consensus Estimates



Fiscal years	Avg. Est.	High Est.	Low Est.	# of Est.	Est. P/E
2006	0.61	0.69	0.53	4	32.8
2005	0.40	0.42	0.14	5	50.0
2006 vs. 2005	▲ 52%	▲ 64%	▲ 279%	▼ -20%	▼ -34%
Q4'06	0.22	0.02	-0.02	3	91.0
Q4'05	0.21	0.24	0.17	5	95.3
Q4'06 vs. Q4'05	▲ 5%	▼ -92%	▼ -112%	▼ -40%	▼ -5%

Source: S&P, I/B/E/S International, Inc.

LEADING THE MARKET

- One of the largest REIT's in the world
- Owner of high-quality assets in locations with high barriers to entry
- Strong operating leverage from hotel ownership
- Competitive advantage in terms of scale

FACTORS CONTRIBUTING TO HIGHER DEMAND

- Expansion of US Economy (at a rate of 4.4 percent in fiscal year 2004)
- Increase in business investments and profits
- Air travel returning to pre-2001 levels, resulting in a high RevPAR (Revenue per available room) growth

Resulting in,

- Increase of 7.3% (from 2003) comparable hotel room RevPAR
- Average room rate up 2.9%
- Increase in occupancy of 2.9% points.

STRONG MANAGEMENT TEAM

Consideration of ROI and Value Enhancement projects such as alternative uses of assets (developing land and property that are in excess or not in use, turning them into condominiums, timeshare)



OR sales of assets that have a lower RevPAR penetration index

DEAL WITH STARWOOD

- HMT to purchase 38 hotel assets with 18,964 rooms with Starwood, for \$4 billion
- Expected to close the deal late in 1Q06

RESULTING IN

- HMT will be largest US lodging company and sixth largest publicly traded REIT

SIDE EFFECT

- HMT is issuing equity to partially fund the purchase to Starwood shareholders. HMT will be under pressure once the stock is sold by Starwood shareholders

LABOR ISSUES

- Union contracts are expiring in major cities during 2nd quarter of 2006
- Threatened by a strike
- Possible negative effects during summer

EXPENSE PRESSURES

- Labor costs are increasing – nothing new but comprises of 50% of full service hotel costs!!!
- Insurance and energy costs are increasing – large affect after the 2005 hurricanes.

DISTURBANCES EFFECTING CONSUMER DEMAND FOR TRAVEL

-  Terrorism
-  Acts of God
-  War
-  Macro affects

GOALS OF HMT

- Increase RevPAR and RevPAR penetration index across assets
 - Accelerate existing efforts on Value Enhancing and ROI projects
 - Sale of non-core assets
- Increased acquisitions – upperscale and luxury assets
- Utilize the proceeds from sale of non-core assets to repay debt or invest on properties that are better aligned with the existing portfolio
- Reduction of labor costs and increased operating efficiency
- Take advantage of the current high demand utilizing properties with high RevPAR managing the lodging cycle
- Reduce leverage, over time, to achieve an EBITDA-to interest coverage ratio of 3.0x or greater and seek to maintain a balanced maturity schedule with an average maturity of no less than five years

Summary – Macro Environment

Uneven Recovery

Office markets are recovering nationwide, but the rebound has been very uneven, and many markets are still in the doldrums, despite improvements.

3Q VACANCY RATE*		% POINT CHANGE FROM 3Q 2004
Dallas/Fort Worth	25.8%	-2.0%
Atlanta	21.3	-2.9
Houston	20.3	-1.5
Chicago	19.0	-1.3
Los Angeles	15.0	-2.3
San Francisco	14.8	-4.5
South Florida	13.7	-2.6
Orange County	11.9	-4.9
New York	10.0	-0.1
Washington D.C.	7.0	+0.4

*Studley bases its vacancy rates on availability for direct and sublease space.

Source: Studley Report, Studley Office And Space Data Report

Real Estate Market
Strong

Varies by geographic
and segment markets

Summary – Host Marriott

- Travel Industry Strong
- HM has high value properties

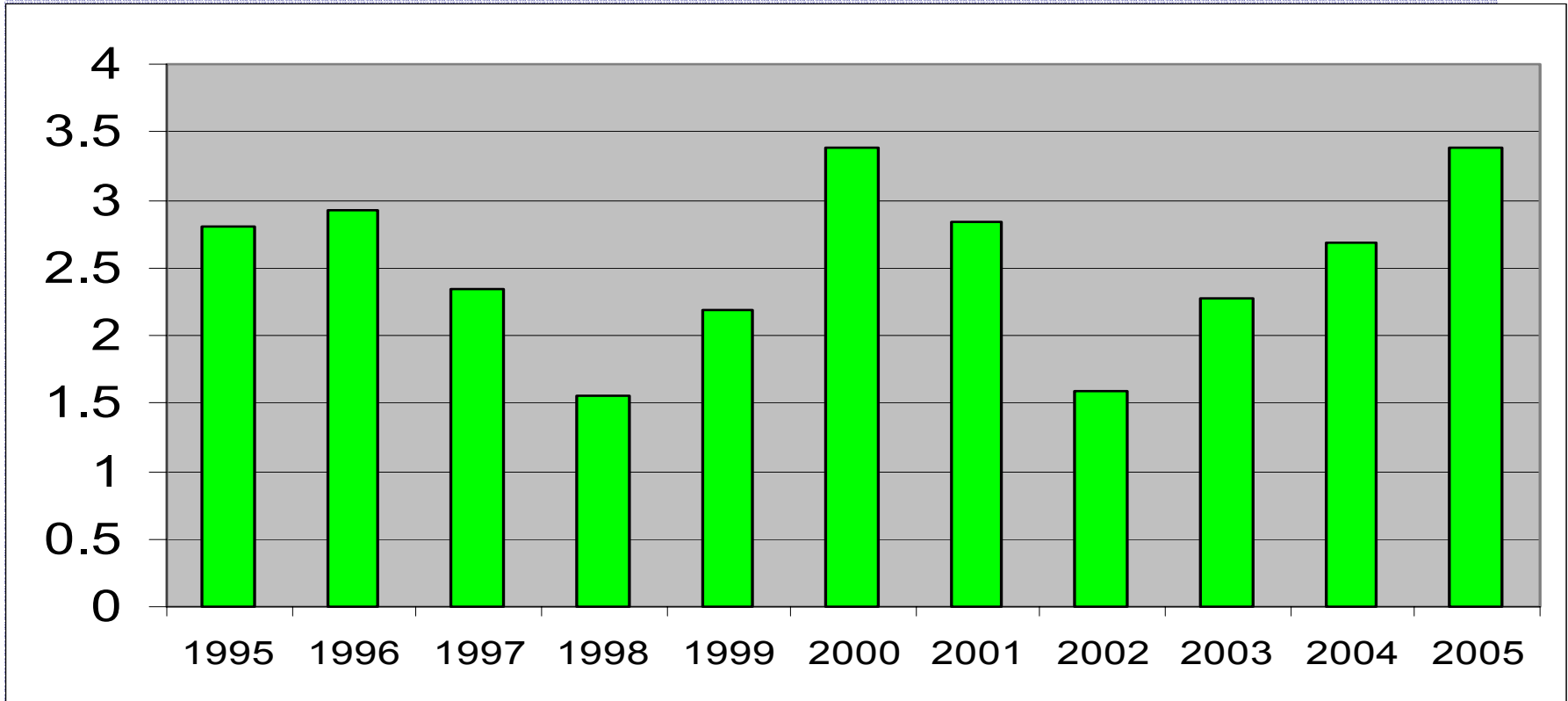


Recommendation:

- Focus on International Potential
- Be careful in California and New York
- Threat of Rising Interest Rates
- Gulf Coast Opportunities

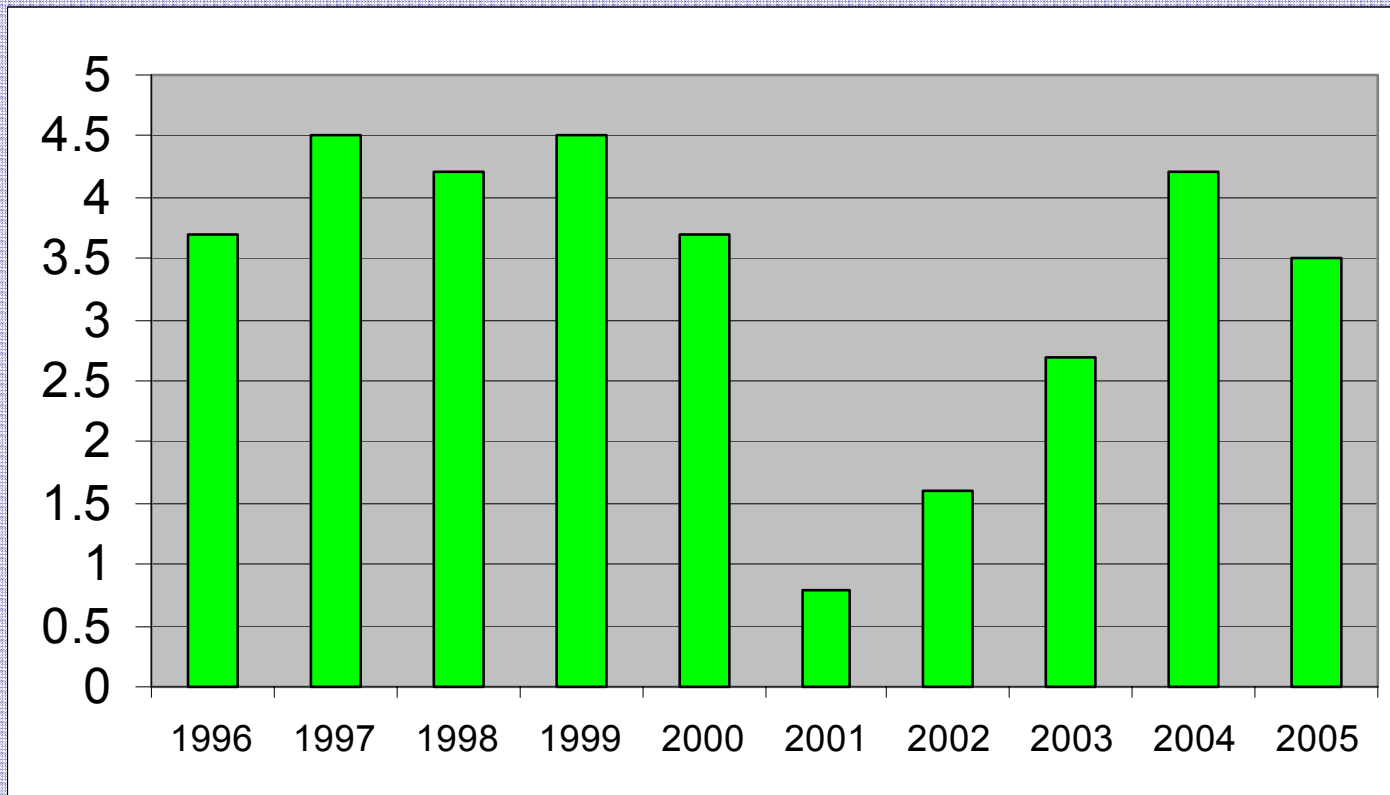
Annual Inflation Rate % Average

(source - InflationData.com)



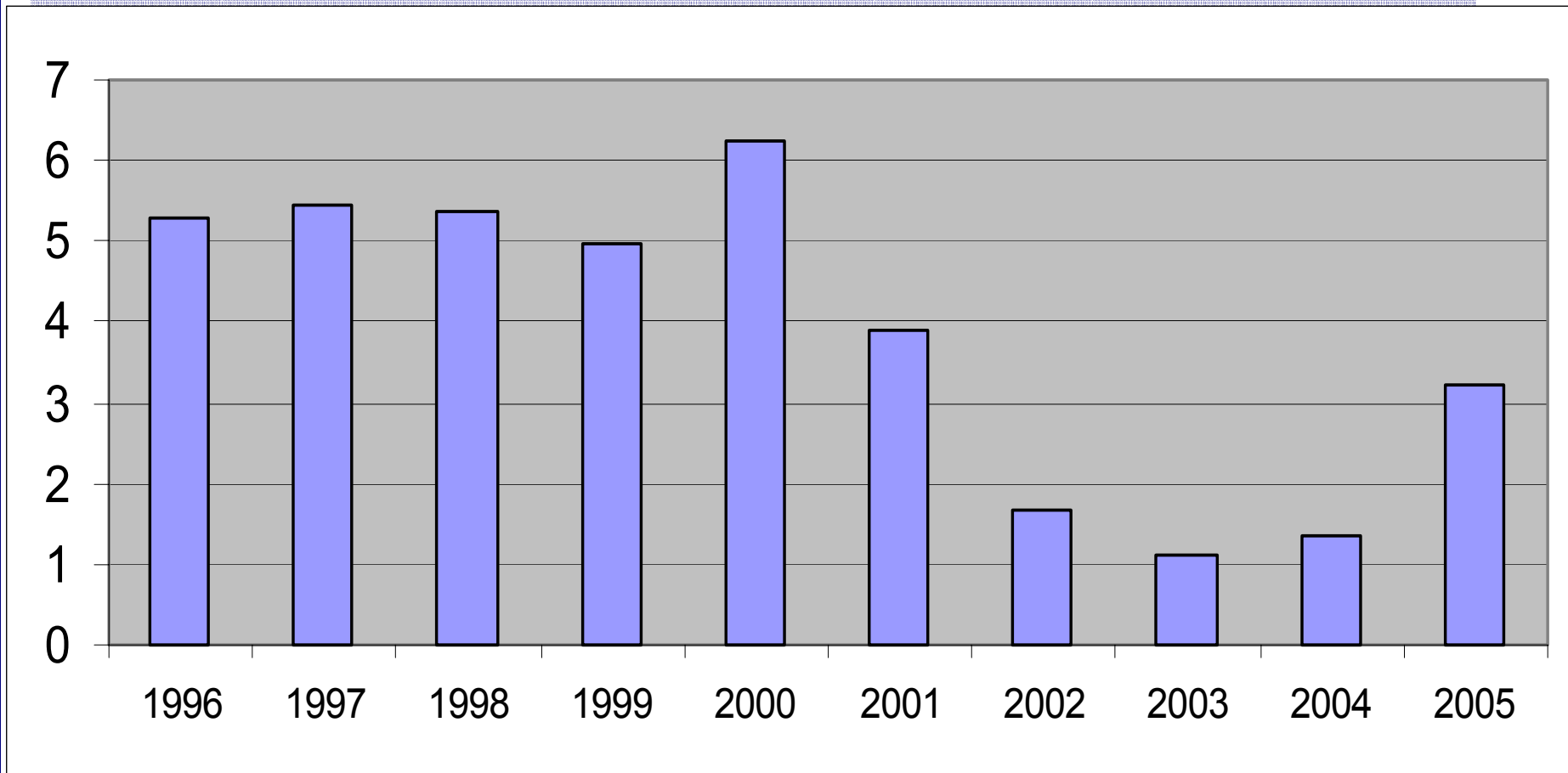
Real GDP Percent % Change Year vs. Previous Year

(source - Bureau of Economic Analysis)



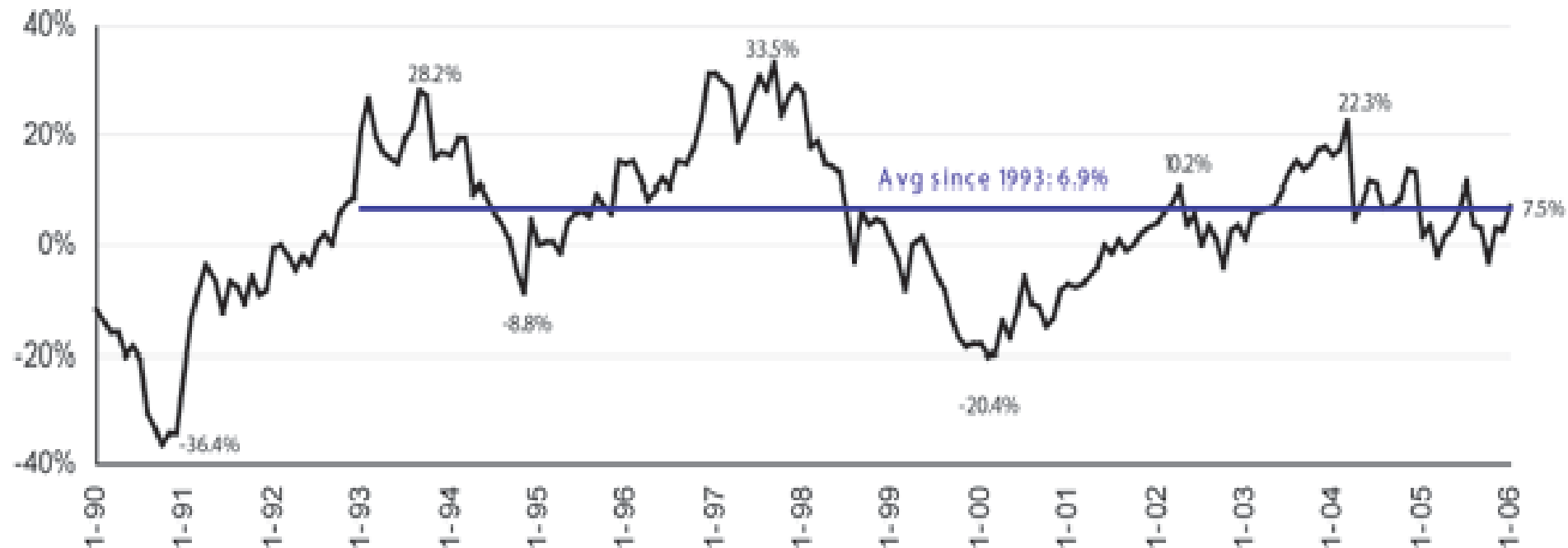
Interest Rate % Averages (Not Seasonally Adjusted)

(Source: Federal Reserve)



Macro Impact - Industry

- REIT Share Price Premiums to Green Street NAV Estimates*
January 1990 - January 2006



Forecast & Projections – Negative Factors That Could Hit The REIT Industry, But Not Likely!

- Weaker than expected economic growth resulting in NOI growth rate
- Terrorist activity or prolonged military action
- Significant rise in interest rates due to factors other than expected
- Other than those items REIT's will out perform most other major sectors

Recommendation for Host Marriott

- Grow, Grow, and Grow – Wall Street Loves Growth
- Invest internationally where countries adopt REIT like legislation
- Focus on acquisitions that quickly put you in markets that you are currently not

