Sarofim Realty Advisors to Invest in Courtyard Joint Venture; Marriott Mezzanine Loan to Be Repaid in Full; Marriott to Accelerate Pace of Courtyard Reinventions

WASHINGTON, Dec 15, 2004 /PRNewswire-FirstCall via COMTEX/ -- Marriott International, Inc. (NYSE: MAR) ("Marriott") and Host Marriott Corporation (NYSE: HMT) ("Host Marriott") today announced the signing of a purchase and sale agreement with Sarofim Realty Advisors ("Sarofim"), on behalf of an institutional investor, by which that investor will obtain a 75 percent interest in the Courtyard Joint Venture. The transaction will be subject to certain closing conditions, including closing of the refinancing described below. Today, Marriott and Host Marriott own equal shares in the 120 property joint venture. As a result of the transaction, the pace of Courtyard hotel reinventions, a program that renovates and upgrades Courtyard hotels, will be accelerated and Marriott International will recycle a significant amount of Marriott capital now invested in the joint venture.

(Logo: http://www.newscom.com/cgi-bin/prnh/20030605/MARRIOTTLOGO)

Sarofim's investor will acquire approximately 85 percent of Host Marriott's interest in the joint venture for $92 million and invest approximately $240 million of new equity into the joint venture. Host Marriott has the right to cause the partnership to redeem its remaining interest under certain conditions between 2007 and 2009. Thereafter, the joint venture will have the right to redeem Host Marriott's remaining interest.

"We are delighted to have Sarofim and their client join us in the Courtyard Joint Venture," said Arne Sorenson, Marriott's Executive Vice President and Chief Financial Officer. "The Courtyard brand leads its tier of the U.S. lodging industry in revenue per available room (REVPAR) index. As a result of this transaction, we expect to accelerate property reinventions and thereby generate even higher returns on investment. Reinvented Courtyards in the Marriott system are showing dramatic increases in guest intent to return, guest satisfaction, house profit margins and REVPAR index."

Reinvented Courtyards feature fresh, crisp designs for guestrooms and public spaces. Reinventions include 24 hour food availability, new guest room furnishings with rich, new fabrics and colors, larger desks, brighter lighting, and granite bathroom vanities. To date, the joint venture has reinvented 46 of its hotels. Reinventions of an additional 22 properties are expected to be completed by the end of the first quarter 2005 with the remainder complete by the first quarter 2006.

C.A. Galpern, President and Chief Executive Officer of Sarofim Realty Advisors noted, "We are very pleased to be partnering with Marriott in this transaction and look forward to strong returns from this outstanding portfolio of hotels."

Marriott's existing mezzanine loan to the joint venture (including accrued interest) totals approximately $260 million and will be repaid at closing. With the addition of the new equity, Marriott's percentage interest in the joint venture will decline from 50 percent to 21 percent. Marriott has agreed to retain its joint venture interest for at least three years. Additionally, Marriott expects to make available a seven year subordinated loan of approximately $100 million to fund remaining reinvention costs in 2005 and 2006. Cash interest on the loan will be paid currently. Sarofim and Marriott expect to lower the joint venture's cost of capital as they arrange a refinancing of the joint venture's senior debt secured by its Courtyard by Marriott II limited partnership properties. The new financing is expected to total approximately $500 million to $550 million.

Marriott will enter into a new, long-term management agreement with the joint venture at the closing of the transaction which is expected to occur in the first quarter of 2005. The new management agreement has comparable fees, duration and other terms to the existing management agreement but because the existing agreement will be terminated, accounting rules require Marriott to record a one-time, non-cash write-off of its investment in the existing management contract totaling approximately $13 million pre-tax in the 2004 fourth quarter. Upon closing in the first quarter 2005, Marriott expects to book a gain on the repayment of the mezzanine loan, substantially offset by the company's share of the joint venture's costs of prepaying the existing senior loan.

On an ongoing basis, Marriott will see its interest income decline as a result of the repayment of the mezzanine loan and with a substantial reduction in Marriott's equity percentage in the joint venture, Marriott expects lower ongoing book losses from the joint venture. Excluding the one-time gains and losses described above and until such time as the proceeds from the loan payoff are redeployed, the net impact of the transaction is expected to reduce Marriott's earnings per share by approximately $0.01 per quarter.

Note: This press release contains "forward-looking statements" within the meaning of federal securities laws, including the anticipated closing on the transactions described above and its expected contribution to future earnings. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including the completion of satisfactory refinancing arrangements; the impact of the Courtyard reinvention on the joint venture's operations, the pace and extent of the current recovery in both the economy and the lodging industry; supply and demand changes for hotel rooms; competitive conditions in the lodging industry. These statements are made as of the date of this press release, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MARRIOTT INTERNATIONAL, INC. (NYSE: MAR) is a leading lodging company with more than 2,600 lodging properties in the United States and 64 other countries and territories. Marriott International operates and franchises hotels under the Marriott, JW Marriott, The Ritz-Carlton, Renaissance, Residence Inn, Courtyard, TownePlace Suites, Fairfield Inn, SpringHill Suites, and Bulgari brand names; develops and operates vacation ownership resorts under the Marriott Vacation Club International, Horizons, The Ritz-Carlton Club and Marriott Grand Residence Club brands; operates Marriott Executive Apartments; provides furnished corporate housing through its Marriott ExecuStay division; and operates conference centers. The company is headquartered in Washington, D.C., and has approximately 128,000 employees. It is ranked as the lodging industry's most admired company and one of the best places to work for by Fortune(R) magazine. In fiscal year 2003, Marriott International reported sales from continuing operations of $9 billion. For more information or reservations, please visit our web site at http://www.marriott.com.

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SOURCE Marriott International, Inc.

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