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HST.OQ - Q1 2026 Host Hotels & Resorts Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts first quarter 2026 earnings conference call. Today's conference is being recorded. At this time, I would like to turn the call over to Jaime Marcus, Senior Vice President of Investor Relations. Jaime, please go ahead.

Jaime Marcus - *Host Hotels & Resorts Inc - Senior Vice President, Investor Relations*

Thank you, and good morning, everyone. Before we begin, please note that many of the comments made today are considered to be forward-looking statements under federal securities laws. As described in our filings with the SEC, these statements are subject to numerous risks and uncertainties that could cause future results to differ from those expressed, and we are not obligated to publicly update or revise these forward-looking statements.

In addition, on today's call, we will discuss certain non-GAAP financial information, such as FFO, adjusted EBITDAre, and comparable hotel-level results. You can find this information together with reconciliations to the most directly comparable GAAP information in yesterday's earnings press release and our 8-K filed with the SEC and in the supplemental financial information on our website at hosthotels.com.

The operational results discussed today refer to our 74-hotel comparable hotel portfolio in 2026, which excludes the Don CeSar and Sheraton Parsippany. With me on today's call are Jim Risoleo, President and Chief Executive Officer; and Sourav Ghosh, Executive Vice President and Chief Financial Officer.

With that, I would like to turn the call over to Jim.

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Thank you, Jaime, and thanks to everyone for joining us this morning. Our first quarter results exceeded our expectations, representing a strong start to 2026. We delivered adjusted EBITDA of \$543 million, an increase of 5.6% over last year, and adjusted FFO per share of \$0.67, an increase of 4.7% over last year. First quarter adjusted EBITDA and adjusted FFO per share benefited from \$7 million of business interruption proceeds related to Hurricanes Helene and Milton compared to \$10 million in the first quarter of 2025.

Comparable hotel total RevPAR improved 4.6% compared to the first quarter of 2025, and comparable hotel RevPAR improved 4.4% driven by rate growth and continued strength in out-of-room spending. Comparable hotel EBITDA margin improved by 70 basis points year over year to 32.7%, driven by revenue growth.

RevPAR growth in the first quarter was meaningfully better than expected. Strong rate growth was enabled by resilient demand despite estimated weather impacts of approximately 120 basis points and tough comparisons to last year. We saw particularly strong performance at our resorts in Florida and Phoenix as well as in San Francisco, which benefited from the Super Bowl and the ongoing market recovery. Notably, San Francisco achieved 26% RevPAR growth and more than 70% EBITDA growth in the quarter, reflecting continued momentum in the market's recovery.

Turning to business mix. Transient revenue grew by 5.5%, driven by rate growth, particularly at our resorts. First quarter transient results benefited from Easter in early April, which compressed spring break demand in March, contributing to 9% transient revenue growth at our resorts. Feedback from our properties indicates that ongoing geopolitical uncertainty supported travelers favoring US luxury destinations over international destinations. As a result, resort properties delivered particularly strong performance in the first quarter.

Briefly touching on Maui. RevPAR grew 1.5% and total RevPAR grew 1.6% as growth was impacted by the Kona Low rainstorm in March. Prior to the storm, overall demand at our Maui resorts was tracking ahead of our expectations for the first quarter. It is important to note that the impacts from the storm were contained and are not ongoing. We have also seen strong re-bookings since the storm. And as a result, we continue to expect Maui to contribute approximately \$120 million of EBITDA in 2026.

Business transient revenue grew 4%, driven by strong rate growth as we saw a continued mix shift from government to corporate-negotiated customers in the first quarter. Group room revenue for the quarter was up 2.4% year over year, driven by improvements in both demand and rate. Our properties sold 1.1 million group room nights in the first quarter, and definite group room nights on the books for 2026 now stand at 3.5 million, with total group revenue pace up nearly 4% to the same time last year.

Turning to ancillary spend. F&B revenue grew 5% and other revenue grew 6% with broad-based strength across departments, demonstrating the continued strength of the affluent consumer as well as the benefits of the strategic investments we have made in many of our properties over the last several years.

Turning to capital allocation. We repurchased 4 million shares of common stock at an average price of \$18.97 per share for a total of \$75 million in the first quarter. Since 2017, we have repurchased 73.2 million shares at an average price of \$16.76 per share, bringing our total share repurchases to approximately \$1.2 billion.

Yesterday, the Board of Directors authorized a quarterly common dividend of \$0.20 per share and a special dividend of \$0.72 per share. The dividend will be paid on July 15th to stockholders of record on June 30th. The special dividend represents the distribution of the approximate \$500 million taxable gain from the sale of the two Four Seasons resorts in the first quarter of this year.

Creating value for our stockholders remains our top priority. By returning capital through a regular quarterly cash dividend, special dividends like the one we will pay out this quarter, and our share repurchase program, we are advancing our objective of delivering long-term value for our investors.

Turning to portfolio reinvestment. During the first quarter, we completed the comprehensive renovation at the Hyatt Regency Reston. As of the end of the first quarter, the Hyatt Transformational Capital Program is more than 80% complete and is tracking on time and under

budget. Transformational renovations are now complete at four of the six hotels in the program, including the Grand Hyatt Atlanta Buckhead; the Hyatt Regency Capitol Hill; the Hyatt Regency Austin; and the Hyatt Regency Reston.

We are nearing completion on the Grand Hyatt, Washington, DC, which is expected to be finished later this month. The Manchester Grand Hyatt San Diego, the final asset in the program, has been phased to mitigate business interruption and is expected to be substantially complete by the end of this year.

Additionally, the second Marriott Transformational Capital Program is well underway. Guestroom renovations at the New Orleans Marriott are in progress and are scheduled to be completed in the third quarter. And renovations at The Ritz-Carlton Naples, Tiburon and the Westin Kierland are scheduled to start later this month.

The four-asset program is already more than 25% complete, and it is also tracking on time and under budget. In the first quarter, we received \$3 million of operating guarantees related to our Transformational Capital Programs. As a reminder, we expect to benefit from approximately \$19 million of operating profit guarantees in 2026 related to our two Transformational Capital Programs, which we expect will offset most of the EBITDA disruption at these properties.

Looking at other ROI projects, we are nearing completion of the condo development at the Four Seasons Orlando. To date, we have closed on the sale of 20 of 31 units within the mid-rise building, and we have deposits and purchase agreements in place for eight of the nine villas, bringing total sales and deposits to 28 of 40 units. Overall, the project is on budget and expected to sell out by the end of this year.

For 2026, our capital expenditure guidance range is \$545 million to \$655 million. This includes approximately \$250 million to \$300 million of investment focused on redevelopment, repositioning, and ROI projects, and \$20 million to \$30 million of property damage reconstruction associated with the Kona Low rainstorm in Hawaii.

We also anticipate remediation costs of approximately \$5 million. While we are still evaluating the total impacts of the storm, we expect our insurance coverage to cover the losses in excess of our deductible. In addition to our capital expenditure investment, we expect to spend \$15 million to complete the condo development at the Four Seasons Orlando in 2026.

Our continued reinvestment across our portfolio is a true differentiator for Host. In fact, once the second Marriott Transformational Capital Program is complete, we will have invested \$2.1 billion in comprehensive renovations at 34 hotels in our portfolio, which are expected to contribute approximately 60% of our total hotel EBITDA in 2026.

We have now stabilized post-renovation data on 21 hotels, and the average RevPAR index share gain is nearly 9 points. As evidenced by our results, our capital allocation decisions over the past few years are driving value creation for our shareholders.

We also reinforced our position as a global leader in corporate responsibility in the first quarter. Last week, Host was proud to be included in the Dow Jones Best-in-Class Index World for the seventh consecutive year and North America for the ninth consecutive year, ranking number three globally in our sector. In fact, Host was one of only two North American companies on the World Index and number one in our sector among seven companies on the North America Index.

Turning to our outlook for 2026. We continue to expect strong leisure demand, bolstered by special events, modest improvements to short-term group booking trends, and stable business transient demand. As a result, we are raising our 2026 comparable hotel RevPAR guidance range to 3% to 4.5% over 2025, and our comparable hotel total RevPAR growth guidance range to 3.5% to 5% over last year.

Looking ahead to the remainder of the year, we are optimistic about the travel environment. High-end consumers continue to prioritize experiences and supply across our markets and chain scales remains at historically low levels. Against this backdrop, our fortress balance sheet gives us the flexibility to continuously reinvest in our portfolio while also returning capital to shareholders through a sustainable quarterly dividend, periodic special dividends, and share repurchases.

As our results over the past few years have shown, our competitive advantages uniquely position Host to continue to capture additional upside in the current environment and for many years to come.

With that, I will now turn the call over to Sourav.

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

Thank you, Jim, and good morning, everyone. Building on Jim's comments, I will go into detail on our first quarter operations, updated 2026 guidance and our balance sheet. Starting with total revenue trends, total RevPAR growth continued to outpace RevPAR growth due to broad-based strength across Food and Beverage and other department revenues. Comparable hotel Food and Beverage revenue for the quarter grew 5%, driven by recently repositioned outlets and strong banquet and catering contribution per group room night at convention hotels.

As Jim mentioned, this is the benefit of the strategic investments we have made over the last few years, which is clearly evident in out-of-room spending by our guests. Banquet and catering revenue increased 3%, led by our San Diego properties, the San Francisco Marriott Marquis, the San Antonio Marriott Rivercenter and the Ritz-Carlton, Amelia Island. These hotels all achieved banquet and catering contribution per group room night growth of over 7%.

In fact, banquet and catering contribution at the Ritz-Carlton, Amelia Island grew 24%, driven by incentive groups and upsells. Outlet revenue grew 8%, driven by the New York Marriott Marquis, the 1 Hotel South Beach, and the Grand Hyatt San Diego, all of which have recently renovated restaurants. The San Francisco Marriott Marquis and Santa Clara Marriott also benefited from broad-based improvement in the first quarter, which was further enhanced by the Super Bowl in February.

Other revenues increased 6%, once again propelled by strength in golf and spa operations. Spa revenue was up 4%, driven by improved capture, particularly at Ritz-Carlton, Amelia Island and Westin Kierland, which continue to benefit from recent spa renovations. Golf revenue grew 9% despite impacts in Maui, led by strong performance at our Naples and Phoenix golf courses.

Shifting to room revenues, overall transient revenue was up 5.5% compared to the first quarter of 2025, driven by rate growth and leisure demand. Notably, our Florida and Phoenix resorts generated approximately 60% of the transient revenue growth in the quarter. Transient revenue at our resorts increased by more than 9%, underscoring the continued strength of high-end demand.

Looking ahead to the upcoming holiday weekends, transient revenue pace is up 6% for Memorial Day weekend compared to the same time last year, driven by Resorts. Revenue pace for the weekend of July 4 is up nearly 50% over last year, driven by northeastern cities, including Philadelphia, Washington, DC, New York, and Boston. While we expect that number to actualize lower, it is encouraging to see early strength in both demand and rate for World Cup matches and the America 250 celebrations.

Business transient revenue was up 4% to the first quarter of 2025, driven primarily by rate growth. While overall business transient demand remains below pre-pandemic levels, government volume has stabilized, and we are encouraged by corporate activity from consulting, technology, and financial services firms.

Turning to group. Revenue was up 2.4% year over year. Growth was driven by both demand and rate improvements, particularly for association and other groups. Group revenue growth was led by San Francisco, which benefited from strong city-wide performance in addition to the Super Bowl.

For full year 2026, we have 3.5 million definite group room nights on the books, representing a 12% increase since the fourth quarter. As Jim mentioned, total group revenue pace is up nearly 4% over the same time last year. More specifically, we are seeing meaningful total group revenue pace in San Francisco, New York, the Florida Gulf Coast, and Miami. Group booking pace remains strongest for the second and fourth quarters.

Shifting gears to margins. Comparable hotel EBITDA margin of 32.7% was 70 basis points above the first quarter of 2025 as a result of total revenue growth, which outpaced absolute wage and benefit increases. We expect year-over-year margin comparisons to moderate as the year progresses, primarily driven by lower average rate growth expectations in the second half of the year.

Turning to our outlook for 2026. We are increasing our comparable hotel RevPAR growth guidance range to 3% to 4.5% and our comparable hotel total RevPAR growth guidance range to 3.5% to 5%. The midpoint of our guidance contemplates a stable operating environment with the continuation of the trends seen in the first quarter. This includes leisure transient strength driven by special events such as the World Cup, modest improvements to short-term group booking trends, and stable business transient demand.

At the low end of our guidance, we have assumed no improvement in short-term group booking trends and weaker special events demand. And at the high end, we have assumed improving short-term group booking trends and increased demand around special events. We expect comparable hotel EBITDA margins to be up 20 basis points year over year at the low end of our guidance to up 50 basis points at the high end, a 30 basis point improvement over our prior guidance.

In terms of comparable hotel RevPAR growth cadence for the remainder of the year, we expect second quarter RevPAR growth to be similar to that of the first quarter, driven by the World Cup. We expect comparable hotel RevPAR for April to increase approximately 4.4% year over year. RevPAR growth in the second half of the year is expected to be in the low-single digits.

The midpoint assumes comparable hotel RevPAR growth of 3.75% compared to 2025, a 100-basis-point improvement over our prior guidance. We continue to expect an estimated 40-basis-point net benefit from special events for the full year with an estimated 60-basis-point lift from the World Cup, partially offset by a 20-basis-point headwind from the presidential inauguration in the first quarter of 2025. In addition, Maui is expected to contribute approximately 35 basis points to our full-year RevPAR growth.

It is important to point out that bulk of the demand around the World Cup is expected to materialize within the 30-day booking window. That said, we are encouraged that transient revenue pace for our portfolio in World Cup markets is up nearly 40% year over year, and has been steadily picking up occupancy as we get closer to the match dates.

At the midpoint, we expect a comparable hotel EBITDA margin of 29.5%, which is 30 basis points above 2025. Our margin performance reflects our continued success in partnering with our operators to drive productivity gains across our portfolio as well as the capital allocation decisions we have made over the past few years.

For the full year, we continue to expect wage rates to increase approximately 5%, which comprises approximately 50% of our total comparable hotel operating expenses. Our 2026 full-year adjusted EBITDA midpoint is \$1.810 billion. This implies a \$40 million or more than 2% improvement over our prior-guidance midpoint, driven by first-quarter outperformance and a slightly more optimistic view of the second half of the year.

Our adjusted EBITDA midpoint includes \$28 million of estimated EBITDA from operations at the Don CeSar, which is excluded from our comparable hotel set in 2026. It also includes approximately \$7 million of business interruption proceeds related to Hurricanes Helene and Milton, which we received in the first quarter. While we also expect to receive business interruption proceeds for the recent Kona Low rainstorm in Hawaii, it is still too early to estimate the timing or amount of any payments.

Lastly, our 2026 full year adjusted EBITDA midpoint includes between \$20 million and \$25 million of estimated net EBITDA from the Four Seasons condo development, which we expect to recognize concurrent with condo sale closings. In the first quarter, we recognized \$4 million of EBITDA associated with condo sales.

Turning to our balance sheet and liquidity position. Our weighted average maturity is 4.9 years at a weighted average interest rate of 4.8%. We currently have \$3.4 billion in total available liquidity, which includes \$151 million of FF&E reserves and \$1.5 billion available under the revolver portion of the credit facility.

In April, we paid a quarterly cash dividend of \$0.20 per share. Yesterday, as Jim mentioned, the Board of Directors authorized a quarterly dividend of \$0.20 per share and a special dividend of \$0.72 per share to shareholders of record as of June 30th, which is payable on July 15th.

Payment of these dividends will reduce our total available liquidity by approximately \$770 million, bringing our adjusted leverage ratio to 2.5 times. As always, any future dividends are subject to approval by the company's Board of Directors.

In closing, we believe our investment-grade balance sheet as well as our size, scale, and diversification uniquely position Host to continue to outperform in the current environment while capitalizing on opportunities for growth in the future.

With that, we would be happy to answer your questions. To ensure we have time to address as many questions as possible, please limit yourself to one question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Smedes Rose, Citi.

Smedes Rose - Citibank Cameroon SA - Analyst

Good morning. I guess I wanted to ask you on -- I'll ask on the World Cup. Sourav, you mentioned that I think transient revenues or -- I'm not sure if it's revenues or bookings are up 40% in World Cup markets. Where does that have to get to in order to achieve your gross RevPAR expectations for a 60 bps benefit from that event?

Sourav Ghosh - Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President

Yeah. Just to back up a little bit, majority of the bookings really happen within the 45-day window and believe it or not, in the week leading up to the matches, 40% of the occupancy from the World Cup is actually booked in that last week. So there is -- we are pacing well relative to where we stand right now. But it's really a last-minute buildup, literally like three weeks leading into it with, like I said, 40% of the occupancy really being booked one week out. And that is in line with the World Cup occupancy build that we have from -- stats that we got from the last World Cup in Russia and Qatar.

And the other thing I would point out is you've seen in the news group block reductions. And that block reduction is not at all indicative of overall event. That sort of happens in the normal course. FIFA always -- there is a wash in terms of the overall group bookings that takes place. So it is really much more of a transient play than a group play and obviously, it differs from market to market.

James Risoleo - Host Hotels & Resorts Inc - President, Chief Executive Officer, Director

Smedes, just to help you think about a little -- add a little more color to it. We think that about two-thirds of that 60-basis-point pickup is going to occur in the second quarter and the remainder in the third quarter. And it's -- the third quarter is much more difficult to forecast because of not knowing what teams are going to show up in the knockout rounds, et cetera. But we're very pleased with how things are pacing. I mean we have World Cup matches in, I think, 10 of our markets, led by New York and Miami, in particular, where there are going to be knockout matches occurring. So we feel good about our 60-basis-point gross assumption. I do want to point out that that's 40-basis-point net if you take out the inauguration benefit that we had last year.

Operator

Rich Hightower, Barclays.

Richard Hightower - *Barclays Services Corp - Equity Analyst*

Good morning guys. Thanks for taking the question. Back to the significant dollars spent on all the collective ROI programs, but obviously, mainly the Marriott and Hyatt transformational programs. Given the strength that you're obviously seeing on the non-room side, I mean, are you able to break out what the returns have been on the non-room side versus the room side? What does that tell us about the business going forward? And you mentioned the significant gain in RevPAR share index. And I'm just -- maybe more general commentary on the non-CapEx competitors as we sit here six years after COVID, what does that dynamic look like? So a bit of a multi-parter.

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Yeah. Rich, there's an awful lot in that question, but let me start by saying that our transformative renovations of over \$2.1 billion to date have served Host shareholders very well. The 9 points in yield index that we picked up on 21 stabilized assets out of 34 that we'll complete is way above our expectations. And we continue to see that run rate improving as we have the six properties from the Hyatt Transformational Capital Program coming back online, and we complete the work at the four Marriott properties.

Just for reference, the 4 Marriott properties are the New Orleans Marriott; the Ritz-Carlton, Tiburon; the Ritz-Carlton, Marina Del Rey, and the Westin Kierland Resort & Spa in Phoenix. So we couldn't be more pleased with how assets are performing. And we have not really stepped back and broken down the various components of where the returns came from. I think if you just look at the numbers, our pickup -- our continued pickup in banquet and catering revenues, out-of-room spend generally from spa investments has been meaningful.

Our outlet spend has been really quite good. And the outlet renovations are not necessarily tied to the Transformational Capital Program. I mean, the AVIV Restaurant at the 1 Hotel South Beach has opened above our pro-forma expectations as has the View at the New York Marriott Marquis. So we think this is a really strong use of capital. We have clear sight lines to generating mid-teens cash-on-cash returns. And it's something we're going to continue to do going forward.

It's clearly a differentiator for Host. And it all began in -- when we went into COVID, and we had just started the Marriott Transformational Capital Program in 2018. One good example, Rich, is what happened at the Marriott Marquis. We started the transformational renovation there in '19. And while others pulled back when COVID hit, we accelerated the renovation.

So it's a statistic I talked about at our recent general managers' meeting that I think is worth repeating. In 2018, the Marriott Marquis did -- generated \$65 million in EBITDA. In 2025, it generated \$100 million in EBITDA. And that's based on \$100 million total transformational renovation. So it's a great use of capital. You can expect to see us continuing to do that going forward.

Operator

Michael Bellisario, Baird.

Michael Bellisario - *Robert W. Baird & Co Inc - Analyst*

Thank you. Good morning, everyone. I want to focus on Hawaii here, two parts. Just first, could you quantify the RevPAR and EBITDA impacts in both Maui and Oahu? And then the rebookings that you mentioned. Are those getting pushed into the second quarter? Or is it more that you're seeing a shift into 4Q and the pickup is going to occur a little bit further out?

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

Sure, Mike. So the overall impact from weather was 120 basis points. And that actually includes 80 basis points of RevPAR impact for Hawaii and 40 basis points from Winter Storm Fern. Just so clear, it's -- the Q1 impact is not just the Hawaii storm, but also the winter storm that took place on the East Coast. In terms of EBITDA impact, Maui was, call it, around \$5 million-ish and then Oahu was about \$1 million or so in terms of impact -- negative impact for the quarter.

Michael Bellisario - *Robert W. Baird & Co Inc - Analyst*

And then the rebookings?

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

The rebookings, as Jim mentioned, that is -- we are picking some of that up in late April and May and June. So certainly, some of it did bleed into the beginning of April in terms of cancels, but we are seeing those rebookings pick up through the remainder of the year.

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Yeah, Mike, Maui was pacing ahead of our initial expectations in the first quarter. And we're very happy that we're able to maintain our guide for Maui of \$120 million in EBITDA contribution to the midpoint. So we've also seen a pickup in seat availability from the airlines going into Maui and going into Hawaii in general. So we feel really good about how the market is recovering after some tough years post the wildfires.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Thank you and good morning. Appreciate it's tough to know the precise drivers of why somebody checks in or why demand was stronger in 1Q. But if we think about a real winter in the Northeast, no snow in the Rockies, safety concerns in Mexico, at least for a period of the quarter, this may have been a good combination that funneled more demand to warm weather destinations in the US. So I wonder, what do you think of that premise? And more importantly, what are you seeing in your bookings that convinces you better demand is sustaining going forward? Thank you.

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Yeah, Duane, we did see a very, very strong quarter in Florida and Arizona and our resorts in both markets. And more broadly, as we think about our customer and the affluent customer who visits our properties, we have not seen a pullback generally. I'd say a broad-based statement. The first quarter really proved that out.

There is some tangential evidence that as a result of what happened in Mexico and the Iran war dampening travel to -- certainly to the Middle East and anybody who was transiting through Dubai, which was the number one major international transit airport, caused people to stay in the US. So we're hopeful that as they visited our properties and they saw what great shape they're in, and they had fantastic experiences that we're going to be able to retain those guests and get them to come back.

I mean we saw a shift in and an imbalance in international inbound versus international outbound right after COVID hit, if you recall. And there was a lot of pent-up demand on the part of affluent US travelers, US consumers who couldn't travel to Europe and who couldn't travel

to other international destinations due to quarantine restrictions and testing requirements and things of that nature. And as soon as those restrictions came off, people went. I think we were like 120% international outbound last year relative to 90% international inbound. We saw that number improve just a slight bit in the month of March, and we're hopeful that it's going to continue to improve going forward.

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

And I would add, like if you look at our holiday -- upcoming holidays, the transient pace is really strong. So that gives us further confidence. I believe I mentioned in my prepared remarks, Memorial Day room revenue is -- overall transient is pacing, it's like 6%. So high-single digits. When you look at on the group side, what also gives us confidence in the first quarter, we picked up 95,000 rooms in Q1 for Q1. And despite Q2 with World Cup and being more heavily transient-focused, Q2 to Q4, we picked up 280,000 room nights in the first quarter for the remainder of the year. So we're really encouraged by that. So when you look at our group booking pace by quarter, Q2 and Q4 are both in the high-single digits. So that further gives us confidence in terms of our outlook for the balance of the year.

Operator

Floris Van Dijkum, Ladenburg.

Floris Van Dijkum - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Thank you. Jim, I'm curious if you could touch a little bit on the transaction markets. Obviously, you've been very successful in selling your Four Seasons hotels. There are a number of hotels on the market. One of the hotel REITs is selling stuff, there's some private equity investors that are -- put in markets -- or some assets on the market. Could you talk a little bit about what you see in terms of returns available and where your most attractive investment opportunities are? Are they continuing to be in the -- in your core portfolio in the ROI projects or share buybacks or new assets? If you can give a little bit more color, that would be great.

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Sure, Floris. Let me start by talking a bit about how we think about capital allocation. And then I can talk about both acquisitions and dispositions. But our focus remains unchanged. I mean, we're disciplined, we're return-focused, and we're very cycle-aware when it comes to capital allocation. And every decision is evaluated against the same yardstick, and that is long-term total shareholder return.

So we think about it by four primary uses of capital, I would say: dividends, share repurchases, portfolio reinvestment, and opportunistic acquisitions. So we're in a great place with our fortress investment-grade balance sheet. We have low leverage. Even after we pay the dividend, we'll still be at 2.5 times leverage. So our balance sheet allows us to be opportunistic, and we're not being forced into any single-capital decision.

So I think the fact that we paid -- elected to pay a special dividend of \$0.72 in connection with the sale of the two Four Seasons, it speaks loudly to the discipline that we have. There are a lot of acquisitions out there, a lot of potential acquisitions out there. We'll see what clears the market. I don't know, the guide -- the pricing guide is pretty high. It's a bar that we're not able to reach. We look at everything that comes into the market, but risk-adjusted returns are just not there for us.

So we like to stay by the hoop. We'd like to hang around, and we'll see what happens. We're the best buyer for a lot of these assets because of the fact that we can do transactions on an all-cash basis, we don't have to access the debt markets, and we can move quickly. And we've proved that time and time again.

But given the uncertain macro picture, I think discipline matters more than activity at this stage of the cycle. So how are we thinking about deploying capital? We do have \$500 million left. We continue to view the dividend as a core component of shareholder returns. I mentioned

the \$0.72 special. We also declared a \$0.20 quarterly regular dividend. And the special reflects our commitment to returning excess capital when appropriate, while maintaining the flexibility in the cap stack.

Another place that we've been very active on deploying capital is on share buybacks. Share buybacks are always evaluated alongside all other capital uses. And we don't talk about this that often, but since 2017, we bought back 72.3 million shares of stock at an average price of \$16.67. That's \$1.2 billion of capital returned. So you can expect us to continue to tap the buyback market based on market conditions, our view of operations and alternative uses of capital.

So I mean, capital allocation at Host is really -- it's all encompassing. It's acquisitions, it's dividends, it's share buybacks. It's dispositions, as you saw what we did with the two Four Seasons, and we're constantly testing the market, and we're willing to sell assets at the right price up and down the portfolio. So portfolio investment has served us really well. I mentioned in my remarks that -- or maybe Sourav did, I don't remember, 60% of our EBITDA this year is expected to come from hotels that have undergone or undergoing transformational renovations. And all this comes down to one thing, Floris.

Ultimately, our goal is to grow free cash flow over time. And we lead the full-service lodging REITs in cumulative free cash flow since 2019. And capital allocation decisions, they're made through that lens, not just growth but durable, repeatable cash flow generation. So to answer your question, on the acquisition side, I think it's just wait and see.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank AG - Research Analyst*

Good morning guys. Thanks for taking the question. Jim or Sourav, I wanted to ask a little bit more about San Francisco. Great quarter, obviously, Super Bowl there. I think you have six assets in the market, four kind of downtown, two outside. There's a lot going on there. I think the market is in a pretty good recovery in the CBD, but also some of the AI now closer to the airport in Silicon Valley. So I guess if you break those two apart, which one do you think is more sustainable? Which one are you more excited about? Which one kind of helps your bottom line out there the most?

James Risoleo - *Host Hotels & Resorts Inc - President, Chief Executive Officer, Director*

Yeah. Sure, Chris. We've been a big believer on San Francisco. We haven't given up. We haven't sold any assets. We continuously are looking at potential opportunities in that market because there is a clear recovery, it's underway and it's accelerating. San Francisco is -- we're seeing office fundamentals improving meaningfully entering 2026. And a pundit used the phrase that it is now a boom loop as opposed to a gloom loop. I can't take credit for that. But it is a boom loop.

I mean San Francisco had outstanding growth in the first quarter. As I mentioned, we delivered a RevPAR of 26% in the quarter, benefiting from the Super Bowl and continued demand recovery and generated over 70% EBITDA growth. It's a diversified demand base. We like the assets we own in San Francisco. You've seen them, I'm sure, because they're well located, they're in great physical shape, and they can gear off of multiple demand generators, including leisure, group and business transient.

Importantly, our assets are well positioned to take on in-house medium and large groups, helping offset citywide demand gaps. So AI is real. The office recovery supports lodging fundamentals. Leasing activity and net absorption improved in early '26 driven by AI-related companies. And that is benefiting not only our properties in city center, but also the Hyatt on Burlingame, which is out by the airport and the Santa Clara Marriott. So we couldn't be happier with what's happening in that market and look forward to continued growth going forward.

Operator

Dan Politzer, JPMorgan.

Daniel Politzer - JPMorgan Chase & Co - Analyst

Good morning everyone and thanks for the question. I know we've talked a bit about it, but I just wanted to circle back on Maui. I think RevPAR there was up 1.5%, 1.6%. You mentioned, I think, 120 basis points of disruption. So close to 3%. I think, RevPAR growth, like as we think about that path to \$120 million, right, it seems like you already saw a bit of a deceleration there. So I guess that -- what's the level of confidence in getting that \$120 million for the year? And can you go -- maybe it's booking window or just the level of visibility in that path?

Sourav Ghosh - Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President

Yeah. Just to be clear, the 120 basis points impact for the quarter was for Hawaii, the Kona Low storm, as well as the Winter Storm Fern. It was really 80 bps. And that's to the portfolio, not to Maui. So Maui would have effectively been in the higher single digits if it wasn't for the storm. So when you're looking at Maui RevPAR in the low single digits, that would have been in the high single digits. The impact that we were talking about is really the impact of the portfolio RevPAR for the first quarter.

In terms of how much confidence we do have, as Jim mentioned, we started the year off really well. We were really pacing ahead of what our expectations were before the storm hit. And when we are looking at sort of the re-bookings that are taking place from the cancels from the storm, that gives us further confidence as well as the overall group booking pace for Maui. And when we look at it by quarter, like fourth quarter is probably the strongest, close to nearly 20% in terms of group booking pace. So our expectation for Maui RevPAR for the full year in order to get to the \$120 million is almost close to 9%, I would say. Hopefully, that helps.

Operator

Robin Farley, UBS.

Robin Farley - UBS AG - Analyst

Great, thanks. Most of my questions have been answered already. I guess just a small one. I think you're still the largest hotel owner for Marriott. And I wonder if you could quantify if the recent change in the split of economics of the Bonvoy program, did that help or hurt you for Q1 or for the full year in either direction?

Sourav Ghosh - Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President

Hey Robin, overall, it has helped us, because not only are we the largest, we also have a very high redemption of hotels within our portfolio. And certainly, the way the program works, it has been beneficial to us with the changes that have occurred both in Q1 and that expectation is that it would continue to benefit us for the full year.

Robin Farley - UBS AG - Analyst

And is there any way to quantify kind of roughly what that benefit is from that change? Because I think it's sort of -- I don't know if it's for you as well a one-time step-up or if it is something that would recur in your base. I know for them, it's a one-time step-up. So I just want to think about the -- if you can quantify. Thank you.

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

It's tough to exactly quantify. We can maybe provide some ranges for you at some point in time, but I don't have that handy at this moment.

Operator

Logan Epstein, Wolfe Research.

Logan Epstein - *Wolfe Research LLC - Equity Analyst*

Thanks for taking the question and good morning. Maybe just one, you talked about the rate growth in the quarter, obviously strong. And you touched on some expected deceleration there for the rest of the year. Just curious if you could break out for the implied 2Q to 4Q RevPAR of 3.5%, how is it breaking out between rate and occupancy growth? And maybe how did that trend also in April, up 4.4%, too?

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

Sure. When you're looking at the second half, I would say about occupancy is growing about 80 bps or so, and the remainder is rate. The rate for the second half is almost 1 point lower than the rate growth that we saw in the first half. And that's primarily because when you think about our portfolio, a lot of our resorts, the high season is Q1, and we saw that outperformance in the first quarter.

Obviously, there was a compressed spring break that also helped drive the Q1 results, particularly at our resorts. And then with World Cup, that's a meaningful transient rate pickup that we are expecting. So overall, that's why you just see a much higher rate in the first half versus the second half. In terms of first half occupancy, I would say the pickup was about 70 bps, is what we're expecting for the first half. And so it's very similar to the second half in terms of occupancy or demand pickup, but rate is going to be about -- the expectation is about 1 point lower or so.

Operator

Jack Armstrong, Wells Fargo.

Jackson Armstrong - *Wells Fargo - Analyst*

Good morning, and thanks for taking the question. Can you take us through some of the building blocks on the expense side that are assumed in your annual guidance? And we've heard from some of your peers over the last few days, the total wage and benefits came in below expectations in the first quarter, but partially as a function of lower head count. Is that something you're seeing in your portfolio?

Sourav Ghosh - *Host Hotels & Resorts Inc - Chief Financial Officer, Executive Vice President*

So for us, in the first quarter, absolute wage and benefit growth was only 4.5%. And that really is being driven by productivity improvements. I mean, we work extremely closely with the operators and are very, very focused in terms of how they are leveraging their labor management systems. In the case of Marriott, that's Atlas, and you have Olympia in the case of Hyatt, particularly focused on really driving labor standards and each of the labor standards, given how unique our properties are, they are very unique to each property and to setting sort of best-in-class labor standards and then scheduling and forecasting based on the labor standards becomes critical.

So there is -- as you will see in the income statement or our comp numbers, Rooms profit margin improved meaningfully, so did Food and Beverage profit margin, and it's all being driven by this honed-in focus on productivity across the portfolio. So that's why despite wage rates

going up 5%, and that's what the expectation that we set out at the beginning of the year for the full year. And we saw that as wage rates are sort of sticking to that 5% increase. Our absolute dollar amount when you look at wage and benefit, that was only a 4.5% increase. So I would say it's really driving more productivity and efficiencies across the portfolio.

Operator

Chris Darling, Green Street.

Chris Darling - Green Street - Analyst

Thank you and good morning. A couple of follow-ups related to capital allocation. First, Jim, I think you mentioned a high bar for acquisitions today. Does that suggest that incremental dispositions might be more likely through the rest of the year? And then secondly, from a tax efficiency standpoint, would the potential need for another special dividend deter you from pursuing that strategy?

James Risoleo - Host Hotels & Resorts Inc - President, Chief Executive Officer, Director

I'll answer the second question first, Chris, because that's the easier one of the two. No, it would not deter us. If we thought it was the right capital allocation decision to sell assets that would result in a special dividend in the event we couldn't do a like-kind exchange and we created significant shareholder value, that is certainly something we would do.

On dispositions versus acquisitions, we constantly test the market with dispositions all the time. And we have -- as I mentioned earlier in the call, our key focus is on generating free cash flow. We think that's a good metric, and it adds to growth in FFO per share, which has done quite well over time. I mean, from 2019 to 2025, our FFO per share was 19%, our growth. And relative to the other full-service lodging REITs, they had minus 33% FFO per share.

So as we're thinking about how we approach capital allocation, dispositions are at many times as beneficial, if not more beneficial than acquisitions. So stay tuned. We'll see how the year plays out, but we are prepared to be sellers. We're also hopeful at some point in time that we can get back into the market and be a buyer.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Jim Risoleo for closing remarks.

James Risoleo - Host Hotels & Resorts Inc - President, Chief Executive Officer, Director

Well, as always, folks, we really appreciate you joining us. We appreciate the opportunity to discuss our quarterly results with you and how we're thinking about the balance of 2026. And we look forward to seeing many of you at conferences in the coming months.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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