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OVERVIEW:

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts First Quarter 2024 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 of Investor Relations. You may begin.

Jaime N. Marcus - *Host Hotels & Resorts, Inc. - SVP of IR*

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, in our 8-K filed with the SEC and in the supplemental financial information on our website at hosthotels.com.

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 Jim.

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Thank you, Jaime, and thanks to everyone for joining us this morning. In the first quarter, we delivered adjusted EBITDAre of $483 million and adjusted FFO per share of $0.60, which includes $10 million of business interruption proceeds from Hurricane Ian. Excluding the business interruption proceeds, our adjusted EBITDAre was 7% above the first quarter of 2023, and our adjusted FFO per share was 8% above last year.

We delivered a year-over-year comparable hotel total RevPAR improvement of 50 basis points, underscoring the continued strength of out-of-room revenue while comparable hotel RevPAR declined 1.2%. First quarter RevPAR faced headwinds from tough year-over-year comparisons, particularly in Maui.

The year-over-year decline in Maui RevPAR had an actual drag of 170 basis points on our first quarter portfolio RevPAR. However, this understates the true impact of the wildfires as we would have expected Maui to contribute 140 basis points to portfolio RevPAR growth in the first quarter given the renovation disruption at Fairmont Kea Lani in 2023. As a result, the total estimated impact of the wildfires on first quarter RevPAR is 310 basis points.

RevPAR was also impacted by unseasonable weather in Florida, Arizona and California, and unanticipated renovation delays at the Singer Oceanfront Resort. Despite these headwinds, our first quarter comparable hotel EBITDA margin of 31.2% and was 30 basis points above 2019. As a reminder, our first quarter operational results discussed today refer to our comparable hotel portfolio, which excludes The Ritz-Carlton Naples in 2024.

In addition, while Alila Ventana Big Sur is included in our first quarter results, it is currently closed and it has been removed from our comparable hotel set for the remainder of the year after a portion of Highway 1 collapse in late March. At this time, we expect the resort to reopen towards the end of the second quarter.

During the first quarter, our portfolio results continued to be impacted by the evolving nature of demand on Maui. Our risk management team has reached an agreement with our insurance carriers and we are now including between $18 million and $22 million of business interruption proceeds related to the Maui wildfires and our full year 2024 guidance.

Turning to business mix. It is worth noting that this quarter, we are referring to revenue growth for our business mix segment as revenue per available room as a result of the leap year. Group revenue per available room grew 4% in the first quarter, driven by room nights.

Our properties booked over 500,000 group room nights in the year for the year bringing our definite group room nights on the books for 2024 to 3.6 million, with total group revenue pace up 7% compared to the same time last year.

In the first quarter, business transient revenue per available room grew 5%, driven by both rate and room nights and leisure remained steady with transient rates at our comparable resorts up 52% compared to 2019, including our 3 Maui resorts.

Briefly touching on out-of-room spend. Food and beverage revenue per available room grew 2% in the first quarter compared to last year, driven by an all-time high banquet and catering contribution.

Other revenue per available room grew 6%, driven by elevated attrition and cancellation fees. It is worth noting that nearly 40% of our total revenue in 2023 came from food and beverage and other revenue and our 2024 guidance assumes a similar proportion.

Since 2017, non-room revenue has steadily grown as our portfolio has shifted towards more complex, higher-end properties, which benefit from substantial out-of-room spend from both guests and non-guests. In fact, there may be instances that the property teams at our hotels strategically forgo incremental room rate as they focus on the total revenue picture.

The Ritz-Carlton, Naples is a clear example of the positive impact out-of-room spending. In the first quarter, the resort achieved RevPAR of $900, which is only half of its $1,700 total RevPAR. As a result of our meaningful expansion and transformational renovation, transient rates in the quarter were up 40% compared to 2019 driven by club level rooms, and food and beverage revenue grew 38%, driven by outlets.

In March, the resort posted its best revenue month ever, aided by Easter week's RevPAR, which was 45% above the competitive set. In addition, the resort was recently named to Travel and Leisure's It List, and we are proud to say that it truly is firing on all cylinders.

Turning to capital allocation. Yesterday, we announced the acquisition of the fee simple interest in a 2-hotel complex comprising the 215 room, 1 Hotel Nashville, in the 506 room Embassy Suites by Hilton Nashville Downtown for approximately $530 million in cash. The acquisition price represents a 12.6x EBITDA multiple or a cap rate of approximately 7.4% on 2024 estimated results. The properties are each expected to rank among our top 25 assets based on estimated full year 2024 results, with an expected combined RevPAR of $275, TRevPAR of $435 and EBITDA per key of $58,550, further improving the quality of our portfolio.

The newly built LEED silver complex opened in 2022 and stands directly across from the 2.1 million square foot music city convention center, adjacent to the Bridgestone Arena, which is home of the NHL Nashville Predators, and within a 10-minute drive of Nissan Stadium, the Country Music Hall of Fame Museum, Vanderbilt University, Tennessee State University and Centennial Park. It sits on 1.2 fee simple acres in Nashville's famed Lower Broadway Entertainment District.

The 2 hotel complex has a combined 721 oversized rooms that average approximately 500 square feet with a 75% suite mix. The properties offer 7 separate food and beverage outlets, including Harriet's Rooftop at the 1 Hotel, which provides guests with exclusive views of Music City skyline in an elevated night life setting. Other amenities include a spa, 2 fitness centers, a yoga studio and 33,000 square feet of shared meeting space.

From 2000 to 2023, the Nashville hotel market had a RevPAR CAGR of 7.7%, even while absorbing new supply. It is the #2 ranked convention destination in the United States and the convention center has continued to set record attendance numbers by attracting larger events with promising definite bookings in future years.

The new Nissan Stadium, home of the NFL Tennessee Titans, is also expected to generate increased demand as the stadium's dome attracts more entertainment and sporting events with year-round activation.

In addition, Nashville has the fastest-growing airport in the United States with current passenger traffic 33% above 2019. The recent $1.5 billion airport expansion added 6 international gates and 8 satellite gates. And another $1.5 billion expansion is already underway, with expected completion in 2028. While supply growth is expected to continue in Nashville, most projects are in the planning stages and in the select service chain scale. We believe the 1 Hotel Nashville and the Embassy Suites by Hilton Nashville Downtown are highly differentiated from the future supply due to their central location and diversified product offerings, which provide distinct value propositions to customers and guests.

With multiple demand generators and no expected near-term capital expenditure requirements, we believe the combined properties will stabilize at approximately 10 to 12x EBITDA in the 2026 to 2028 time frame, driving additional value creation for our portfolio.

Due to the timing of the acquisition, the 1 Hotel Nashville and the Embassy Suites by Hilton Nashville Downtown are not yet included in our comparable hotel guidance metrics, but will be included starting in the second quarter.

The acquisition is expected to generate $29 million of adjusted EBITDA for our ownership period, which is included in our adjusted EBITDAre and FFO guidance for 2024.

Looking back on our transaction activity. We have acquired $4 billion of assets since 2018 at a 13.5x EBITDA multiple and disposed of $5 billion of assets at a 17x EBITDA multiple, including $976 million of estimated foregone capital expenditures. This accretive capital recycling has allowed us to grow our adjusted EBITDAre and dividend in excess of full year 2019 levels as we continue on the path towards $2 billion of adjusted EBITDAre.

As we have demonstrated, we believe Host is well positioned to continue capitalizing on value-enhancing acquisition opportunities. After adjusting for post-quarter transactions, we have $1.7 billion of total available liquidity and net leverage of 2.3x, and we will continue using our size, scale, and relationships to uncover more acquisition opportunities.

Turning to portfolio reinvestment, our 2024 capital expenditure guidance range remains $500 million to $605 million, which reflects approximately $225 million to $280 million of investment for redevelopment, repositioning and ROI projects.

During the first quarter, we started the Hyatt Transformational Capital program renovations at the Grand Hyatt, Atlanta and the Grand Hyatt, Washington, which we expect to complete in the first half of 2025.

We received $2 million of operating guarantees in the first quarter to offset business disruptions related to the Hyatt Transformational Capital program and we expect to benefit from an additional $7 million in 2024.

More broadly, we have completed 24 transformational renovations since 2018, which we believe provide meaningful tailwinds for our portfolio. Of the 12 hotels that have stabilized post renovation operations to date, the average RevPAR index share gain is 8.5 points, which is well in excess of our targeted gain of 3 to 5 points.

Wrapping up, we believe Host is well positioned to continue to outperform. Our successful capital allocation strategy has allowed us to deliver 2023 adjusted EBITDAre and adjusted FFO per share above 2019 levels, outperforming the other full-service lodging REITs. We are encouraged by the supply picture for our markets and chain scales, which remains below historical levels. The improving international demand imbalance, the continued improvement in business transient demand and increased activity in the transactions market.

We believe our EBITDA growth profile, our investment-grade balance sheet, our diversified portfolio, and our continued portfolio reinvestment are key differentiators. As we have demonstrated, Host can and will continue to do it all.

With that, I will now turn the call over to Sourav to discuss additional operational detail and our revised 2024 outlook.

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Thank you, Jim, and good morning, everyone. Building on Jim's comments, I will go into detail on our first quarter operations, updated 2024 guidance and our balance sheet.

Starting with business mix. Overall transient revenue per available room was down 6% compared to the first quarter of 2023, driven by tough comparisons, including the evolving nature of demand in Maui, unseasonable weather in many markets and unanticipated renovation delays at the Singer Oceanfront Resort. Combined, we estimate that the renovation delay and Maui had a 440 basis point impact to transient RevPAR in the quarter. However, leisure rate is still strong.

Transient rates at our resorts remained resilient at 52% above the first quarter of 2019 and resort food and beverage outlet revenue per occupied room grew over last year. Gulf revenue continued to grow the record levels set in the first quarter of the last 2 years despite the impact from our Maui golf courses.

Looking ahead to holidays in the second quarter, for Memorial Day weekend, transient room revenue pace for the overall portfolio is up over last year and up high single digits, excluding Maui. We are still outside the primary booking window for July 4, but thus far, we are encouraged by strong bookings in San Diego, Houston and New York.

Business transient revenue per available room was 5% above the first quarter of 2023 driven by an increase in rate and room nights as business transient demand continued its slow and steady recovery. Seattle, Boston, and San Francisco led room night growth, and both New York and Boston are within 2% of pre-pandemic demand.

Turning to group. Revenue per available room was up 4% in the first quarter, driven by room night growth in San Diego, San Francisco, Orlando and Maui. Notably, group room night volume reached 96% of the first quarter of 2019 levels, led by corporate and SMERF groups. For full year 2024, we have 3.6 million definite group room nights on the books, representing a 17% increase since the fourth quarter and putting us ahead of same time last year.

Group rate on the books is up 4%, and total group revenue pace is up 7% over the same time last year. As Jim mentioned, our banquet and catering contribution per group room night in the first quarter was at an all-time high, coming in approximately 1% above the prior record set in the first quarter of 2023.

We continue to be encouraged by the ongoing strength of group business as evidenced by strong pace, lengthening booking windows and double-digit citywide room night pace in key markets such as Nashville, New Orleans, San Antonio, Seattle and Washington, D.C.

Shifting gears to margins. As expected, margin declines year-over-year were driven by increases in wages, benefits and fixed expenses as well as impacts from Maui. Despite these headwinds, our comparable hotel EBITDA margin was 31.2% in the first quarter, representing a 30 basis point increase over 2019 as a result of our continued efforts to redefine the operating model. We expect year-over-year margin comparisons to improve as the year progresses.

Turning to our revised outlook for 2024. The midpoint of our guidance continues to contemplate steady demand in travel and low supply growth. Our expectations for the year are driven by improvements in group business, a gradual recovery in business transient, softer short-term leisure transient demand and a continued evolution of demand on Maui as the island recovers from the recent wildfires.

At the low end, we have assumed slow group pickup and softer leisure transient demand. And at the high end, we have assumed a faster recovery at our Maui resorts and increased group pickup. For full year 2024, we anticipate comparable hotel RevPAR growth of between 2% and 4% over 2023. We expect comparable hotel EBITDA margins to be down 80 basis points year-over-year at the low end of our guidance to down 30 basis points at the high end.

Notably, we expect comparable hotel EBITDA margins to be up 10 basis points at the midpoint versus 2019 despite an estimated 20 basis point margin impact from Maui. At the midpoint of our guidance range, we anticipate comparable hotel total RevPAR growth of 3.7% and comparable hotel RevPAR growth of 3% compared to 2023. This 100 basis point reduction in our RevPAR growth midpoint is driven by lower-than-expected first quarter results, underperformance in Maui and softer-than-expected short-term leisure transient demand.

That said, the strength of out-of-room revenues allowed for total RevPAR to decline only 60 basis points relative to our prior midpoint. We expect a comparable hotel EBITDA margin midpoint of 29.6%, which has improved 30 basis points from our initial guidance and is now only 50 basis points below 2023. We estimate the Maui wildfires will impact full year comparable hotel TRevPAR by 90 basis points, RevPAR by 130 basis points and comparable hotel EBITDA margin by 20 basis points. We also expect a 50 basis point impact from property taxes and insurance.

In terms of RevPAR growth cadence for the year, we expect comparable hotel RevPAR growth to be flat to low single digits in the first half of the year based on the drivers I just mentioned. We continue to expect mid-single-digit comparable hotel RevPAR growth in the second half of the year as a result of strong group booking pace, less renovation disruption compared to the second half of 2023, and the diminishing year-over-year impacts of the Maui wildfires, which occurred in August of 2023.

Our revised 2024 full year adjusted EBITDAre midpoint is $1.670 billion, a $35 million or 2% increase over the prior quarter. This includes an expected additional $8 million from business interruption proceeds related to Hurricane Ian, $20 million of business interruption proceeds related to the Maui wildfires, an estimated $62 million contribution from operations at The Ritz-Carlton, Naples, which is up from $60 million in our prior guidance and $6 million from operations at Alila Ventana Big Sur, a decline of $10 million compared to our prior guidance.

As a reminder, Ritz-Carlton Naples and Alila Ventana Big Sur are excluded from our comparable hotel set for the full year 2024 forecast. Our adjusted EBITDA and FFO guidance also includes an estimated $29 million contribution from the 1 Hotel Nashville and Embassy Suites by Hilton Nashville downtown.

Turning to our balance sheet and liquidity position. Our weighted average maturity is 4.3 years at a weighted average interest rate of 4.7% after repaying the $400 million Series G senior notes in April. As Jim noted, we currently have $1.7 billion in total available liquidity, which includes $231 million of FF&E reserves. Our quarter end leverage ratio adjusted for post-quarter transactions was 2.3x, and we have $1.3 billion of availability on our credit facility. Also, since our last call, Moody's upgraded the company's issuer outlook from stable to positive.

Further, in April, we paid a quarterly cash dividend of $0.20 per share demonstrating our commitment to returning capital stockholders. As always, future dividends are subject to approval by the company's Board of Directors. We will continue to be strategic and opportunistic in managing our balance sheet and liquidity position as we move through the remainder of 2024.

To conclude, we believe our best-in-class portfolio and balance sheet uniquely position Host to capitalize on opportunities for growth in the future.

With that, we would be happy to take 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) Our first question is coming from Michael Bellisario with Baird.

Michael Joseph Bellisario - *Robert W. Baird & Co. Incorporated, Research Division - Director and Senior Research Analyst*

Jim, one long question for you on Nashville. Could you walk us through the timeline for this deal, maybe how your cost of capital and view of value evolved, especially given how much the capital markets have moved in the last 3 to 6 months? And then just lastly, how you're thinking about the continued ramp-up of these properties, given that they're both less than 2 years old?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Sure, Mike. Nashville is a market that we have had our eye on for a number of years. It is a market where I would say we're underrepresented given the dynamic that is occurring in Nashville. Years ago, we did a 50-50 joint venture with White Lodging on a Hyatt Place. We were one of the early ones in Nashville. And that property has continued to outperform all of our expectations. I think we refinanced it 2 or 3 times along the way. So we have been scouring the market and actually had reached out to our friends at Starwood Capital and Crescent before the 1 Hotel and Embassy Suites even opened when it was in the construction phase.

We're not much of, we're not terribly keen on being a developer, but that was one deal that I really wanted to see if we could participate in when it was coming out of the ground. And that was a nonstarter for the development team. So we've been following it for a long time. It came out very strong in 2022. It was open for a partial year, and it had RevPAR of $185 and EBITDA of $8.7 million. And to proceed in a cautious way and really not having a clear view at that point in time with respect to how the macro picture is going to play out, whether we were going to really have a hard landing and end up at a serious recession or the Fed was going to engineer a soft landing, we elected to just watch the property over '23 and keep the dialogue going.

So obviously, our cost of capital is a fluid metric. We look at it over time, and adjusts from time to time. And as we engaged in this transaction, earlier in this year, the equity markets were in a different place. And so that's tick one to your question.

Secondly, we wanted to make certain that the property was going to perform as anticipated. And in 2023, the asset had a RevPAR of $257. And the out-of-room spend was very, very strong to result in EBITDA for '23 of $37.7 million. So our underwriting this year has us at $275 RevPAR and $42.2 million of EBITDA. And we think Nashville is really just getting started as a market, honestly. There are so many good things happening in Nashville that it is a market of the future. It's the #2 convention market in the United States behind Orlando. They've just completed a $1.5 billion expansion of the airport and they're immediately starting on another $1.5 billion expansion.

Oracle just announced that they're moving to Nashville to be closer to the center of health care tech. Amazon is developing a significant presence in the city as well. I think they're going to have about 5,000 jobs in Nashville. The demographics of the city are very positive. You have a lot of demographic inflows into Nashville. The tax environment is very favorable. It's a favorable business environment.

The asset itself, it's unmatched. I mean it is a main and main location. It's literally right across the street from the Music City Convention Center, a $2.1 million facility. And that facility for 2023 and '24 on the books exceed [2019] (corrected by company after the call) nights, all over 1 million citywide room nights. The pace in '24 is 19% over '23, the pace in '25 is 10% over same time last year. So there are just a lot of really positive things that are happening in this market.

And I know there's been some talk about new supply and -- we spent a lot of time in the market. I spent a lot of time myself in the market. And really to wrap our hands -- our head around what could possibly happen. I will tell you that a lot of the projects that were planned are still in the planning stage because developers are finding out that it is costing more to build than they anticipated. And when you layer higher construction costs on with a higher cost of debt and lower proceeds from a construction loan perspective, the deals just aren't getting done.

As a matter of fact, there was a Ritz-Carlton planned for quite some time, and that transaction got completely pulled by Ritz because the site was tied up and nothing was happening on it. So there will be some select serve come online in the marketplace. We've taken that into consideration in our underwriting, but in terms of full service, upper upscale luxury hotels, if and when it happens, it's probably 3 or 4 years out best-case scenario.

So that's how we're thinking about Nashville. It's a market we don't have an exposure in. It's a market we wanted to get into, and we follow this asset for a long time.

Operator

Our next question is coming from Shaun Kelley with Bank of America.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Jim, Sourav, and I apologize I joined a little bit late. So if there's some piece of prepared remarks, it's a repeat here than my apologies. But hoping you can just dig in on what you're seeing on the leisure transient softness, came up a couple of times. -- that I heard. Just some examples you could give when you started to see that behavior shift, is it continuing into April? Just any kind of sense by market or behavior that you can see right now? That would be great.

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Sure, Shaun. Where we started really seeing it as the short-term leisure transient demand. And I want to specify demand because in our prepared remarks, we talked about how rate for leisure has still surprised us to the upside. We are effectively for our portfolio Q1, 52% above 2019. And if you recall, that's kind of where we were in prior quarter as well. So the rate is not letting down. It's just the short-term transient demand. Reality is we started seeing that really March is probably when we did. And part of it is, we suspect is really being driven also by the poor weather that we had in Q1.

And going into April, obviously, you have the Easter shift, we have a significant portion of our portfolio is resorts and Q1 does extremely well for our resorts. So the Easter shift is a little, I would say, not as much impactful for our portfolio. However, what does happen with the timing of Easter, it does shorten the time that the resorts can really drive rates and demand. So therefore, April sort of in the short-term pickup is certainly slower. However, rates are still holding strong.

What I can tell you with what data we have available as of right now, we don't have the full month data yet, but April is trending effectively flat for the portfolio. But remember, that includes Maui. If you exclude Maui, we were actually closer to slightly above 1% for April.

So overall, things are still looking very strong. And when we look at the sort of the second half of the year, what I will say is the group piece is looking extremely strong for the second half. And that's what really gives us confidence for the full year is we picked up 421,000 room nights for the remainder of the year and 60% of that was for the second half. So clearly, have tremendous confidence for the second half and overall total revenue pace is actually close to 9% for the second half of the year.

Operator

Our next question is coming from Aryeh Klein with BMO.

Aryeh Klein - *BMO Capital Markets Equity Research - United States Real Estate Analyst*

Maybe just going back to Nashville, now that, that acquisition has been done, how are you thinking about future M&A? And perhaps which markets are of interest? Are there Nashville types markets that you're not in that you'd still like to get into? And then maybe just on the overall M&A landscape, with rates seemingly higher for longer. Has there been any shift in the market? Have you seen assets pulled or anything like that?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Yes. A couple of questions there, Aryeh. Let's talk about the M&A landscape first. So I think there was a fair amount of anticipation among the brokerage community that we would see a pickup in transaction activity as the Fed moved to lower interest rates. We haven't seen that happen yet because of where the Fed is sitting. However, I believe that there are some owners out there who will be sellers now because they just can't afford to wait any longer and for a lot of reasons. I mean, they haven't invested in their assets over the course of the pandemic. They may have loans coming due, and they're going to have refi them into a higher interest rate environment.

So we're hearing a little bit of chatter that we might see a more active M&A market in the second half of the year. That said, we don't sit around at Host and wait for marketed opportunities. We really prefer to continue to work with our long-standing partners relationships that we have and that's how we got the Nashville deal done. You may recall that we also bought the 1 Hotel South Beach from Starwood Capital. So we're very happy that Starwood Capital and Crescent have the confidence and faith in Host as an owner to give us this deal on an off-market basis.

And we're talking to a lot of other folks out there and I'm hopeful, certainly not assured, but hopeful that over the course of the year that we'll be able to get additional transactions completed. We're in a unique position. And we're going to take advantage of the position that we're in. We don't have to go to the debt capital markets to get a deal done. Even post Nashville, we're sitting here at 2.3x leverage. We have $1.7 billion of available liquidity. The investment grade balance sheet is very important to us.

We certainly intend to maintain our investment-grade rating. That said, with a leverage ratio of circa 3x roughly, we have the ability to acquire another $1.1 billion of assets this year. So that is our focus. We continue to want to elevate the EBITDA growth profile of the portfolio. We told many of you who were at our Investor Day last May, that we're on track to get to $2 billion of EBITDA and I just encourage everyone to watch us and see what we do.

Operator

Our next question is coming from Smedes Rose with Citi.

Smedes Rose - *Citigroup Inc., Research Division - Director & Senior Analyst*

Sourav, I just wanted to circle back. I know you talked about this a little bit in your opening remarks that the -- on a comparable basis, your EBITDA outlook declined by over $20 million. And so you -- that included some business insurance. It turned out, it's going to be a lot more, which is great.

But I guess I just wanted to understand, of that about $22 million decline, how much did you think was isolated or sort of realized as it were in the first quarter? And how much is coming through the balance of the year and maybe related to your 1 point reduction in sort of RevPAR forecast?

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Sure thing. I just want to clarify and maybe I'll just quickly walk through the bridge from our prior guidance to this guidance. Because on the comparable hotel operations, it's actually a $13 million decline, which is a result of the change of 1 point to our midpoint of going down from the 4% to the 3%. The $13 million, it's not $22 million, so let's start off with $1.635 billion, which was our previous guidance. You take out $13 million of comparable operations and which is pretty impressive if you think about it because typically a 1 point decline in RevPAR would equate to $30 million of EBITDA decline.

So we're deducting only $13 million from there, you have $20 million of comparable BI from the Maui wildfires, which you will be adding to that. Then you take out $10 million for Ventana, maybe that's where you're getting the $223 million because the $10 million is moving to non-comp from comps. So that's Alila Ventana, taking out $10 million of EBITDA. You're adding $2 million incremental for Naples because our forecast went from $60 million for the year to $62 million. And then you're adding $29 million for Nashville, the 1 Hotel and the Embassy Suite and then another $8 million of BI for the Ritz, Naples. So that, if you really add that up, you will get to the $1.670 billion. So hopefully, that helps bridge it from our prior guidance.

In terms of where that 1 point decline I would say it's 2/3 in Q1 and about 1/3 in Q2. And as I mentioned earlier, our second half is looking very strong. So we have a ton of confidence in terms of group for the second half, and that confidence has improved. Our total revenue pace for the second half is now over -- slightly over 9%. And a lot of that is Q3 that's driving it. So -- that's sort of how it lays out. Hopefully, that makes it clear.

Operator

Our next question is coming from Stephen Grambling with Morgan Stanley.

Stephen White Grambling - *Morgan Stanley, Research Division - Equity Analyst*

Just a follow-up on that. So there's a lot of moving parts in terms of bridging that guidance. And some of that includes BI. Some of it is the core, of the BI is covering some of the disruption. What do you think is the kind of right recurring EBITDA in the year to build off of as we think about longer term?

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Sure. So if you think about the $1.670 billion that we have guided to for the year, the way to think about long-term run rate, you take out $38 million of BI, right? So it's effectively the $10 million that we already had in the previous guidance, plus the $28 million that we have put into the guidance. You'll take out the $38 million, and then you will add $10 million for Alila Ventana, you would add $13 million for Nashville. So that, as Jim mentioned, we're expecting about $42.2 million this year. We already have $29 million in there. So that's where the $13 million is coming for Nashville.

And then you would add another about $46 million, call it, for Maui. But for this year, our estimated Maui EBITDA is about $114 million. And if you add the $46 million, that sort of gets you back to where we were pre-fire. So when add that all up, I would say it comes to a pretty even $1.7 billion in terms of sort of ongoing run rate.

Operator

Our next question is coming from Bill Crow with Raymond James.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Perfect. Jim, it seems like the Four Seasons, Orlando is an interesting resort to look at it. It seems -- correct me if I'm wrong, but it seems like that asset, in particular, benefited from pent-up inbound international demand and maybe what might be called aspiration or splurge spending over the past couple of years. I'm just curious how 2024 is shaping up relative to '23? And maybe more generally, is splurge spending kind of coming down or cooling a bit?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Bill, it's -- yes, I would say that, I don't know if I want to say that it's coming down or cooling a bit. The ADR is likely to be lower this year in Orlando than it was in '23, but it's still meaningfully above where it was in 2019. So we're not seeing a reset really backwards by any means. And one of the other things that will impact us a bit in Orlando this year is some disruption associated with our condo development. So we are steering guests away from a certain side of the building during times of construction. And -- so that is going to be an impact on Orlando as well.

But all in all, we've had -- we still continue to have I think 5 resorts in the quarter that drove over $1,000 ADRs. And we're not seeing a real slowdown in the affluent customer. There has been a rotation that we talked about last year with respect to an international inbound versus -- international outbound versus inbound imbalance. That is still occurring.

I think over time that will right itself and correct itself. I think going back to Orlando for a moment, the Four Seasons in the quarter, had an ADR of over $2,000. So people are still -- they still want to go to Orlando, they still want to stay at the Four Seasons. And what we have working against us a bit is a strong dollar. It's not weakening. It will likely weaken once rates start to come down, and that's keeping the international traveler away from the United States right now. I mean there was a fairly significant uptick in the first quarter.

As we all try to wrap our head around the soft leisure demand -- we talked a lot about weather in 3 states: Arizona, Florida and California, and it was meaningful. I mean we lost group business at the Phoenician over the course of the waste management open because of the rains.

Now we dug into this a little more. And we tried to answer the question, where did these people go? I mean the demand didn't just disappear. People just stay home. We found out that as an example, the international outbound to the Caribbean in the first quarter was 135% of where it was in 2019 levels and RevPAR in the Caribbean was up 17%. So it's just a longer way of saying that our belief is that the consumer -- the affluent consumer is still healthy. They're still spending money. They're still prioritizing experiences over goods. And we're just not seeing the reset back.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

That's helpful. Jim, you were one of the louder voices among your peers. I think everybody talked about it, but kind of projecting that this inbound outbound balance would correct itself this summer. Has the change in currency values -- and maybe some of the outbound activity you saw in first quarter, has that kind of reduced your conviction on that call?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

I would say it's going to take longer than we anticipated. Yes. We just -- just very difficult to wrap your arms around that. One of the other things that we as an industry are dealing with through U.S. travel and AHLA is working with the state department to see what can be done to shorten Visa wait times. I mean Visa wait times in the U.S. are still running at 400 days. And that is a discouraging factor to many people as they are looking to come to the U.S. A corollary to that is in Canada, you can get it a Visa 40 days out. So there is a program in place to try to break that log jam and to hire more people to do the processing necessary.

Operator

Our next question is coming from Duane Pfennigwerth with Evercore ISI.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Most of my questions have been asked. But just on the Naples Ritz, can you remind us what seasonality is for that asset historically? I know your guide implies about 50% of the full year contribution in the March quarter. But does that align with historical seasonality? What did 1Q typically represent historically, if there's such a thing as a "normal year."

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Sure, Duane. So yes, your estimate is right. We did about $32 million of EBITDA from operations of the Ritz Naples -- what you will -- when you see the $42 million in the income statement, that really includes the $10 million of BI that was in our previous guidance. So for purely from operations, $32 million, that's about 50%. I would say Q2 is about 25%. Q3 is relatively close to 0, and then Q4 is the remaining 25%. That's sort of how it breaks up for the year. And yes, it is pretty consistent to prior levels in terms of seasonality.

Operator

Our next question is coming from Robin Farley with UBS.

Robin Margaret Farley - *UBS Investment Bank, Research Division - MD and Research Analyst*

Most of my questions have already been addressed. But one, I was just looking at your commentary about the increase in revenue in the quarter, the different parts of revenue per room. And it sounded like the biggest increase was coming from, I think, you said the other revenue, up 6% from cancellation and attrition fees. So I'm just wondering if that was -- that increase was an unusually high level? Is that something you'll be comping next year that we should be thinking about or -- maybe thinking about as onetime in nature?

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Yes, Robin, clearly, attrition and cancellation revenue is coming in higher, and I wouldn't say that's necessarily a systemic thing. We were expecting -- the attrition cancellation revenues to go back more to norm. We had in our previous forecast for the year, approximately $57 million or so for the year. And now we have closer to $71 million forecasted for the year. It's not across the portfolio. And part of it is our managers are frankly doing a much better job of collecting those revenues and contracts are tighter. So it's just been sort of a trend that we are seeing, and we may actually stabilize at those higher levels, but it's not a systemic issue about the portfolio or anything that was some of these jumps out on a onetime basis in Q1.

Robin Margaret Farley - *UBS Investment Bank, Research Division - MD and Research Analyst*

So that bridge that you built earlier to kind of what's recurring and not recurring, would you say that -- I guess, that kind of roughly like $14 million increase in your original expectations, you're saying we should assume that cancellations stay at that level? Or would you say that something that would (inaudible) we're thinking about?

Sourav Ghosh - *Host Hotels & Resorts, Inc. - Executive VP & CFO*

Yes, it's difficult to exactly predict what it will be for the following year, but it seems like thus far, attrition and cancellation is going to be at that elevated level, at least based on what we're seeing today.

Operator

Our next question is coming from David Katz with Jefferies.

David Brian Katz - *Jefferies LLC, Research Division - MD and Senior Equity Analyst of Gaming, Lodging & Leisure*

Can you just talk about the deal market a little bit? Are there assets out there that would be sold but not for the cost of capital? Is there still some sort of sellers posturing with respect to price that needs to adjust itself. What are the gating factors for a more active deal trading market to start to occur, please?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Yes, David, I think the limiting factor is really the cost of debt. It's not so much the availability of debt right now because the CMBS market for those buyers who need to tap CMBS financing is wide open. And there's been a lot of volume occur this year across multiple asset classes in real estate. But the cost of debt is still such that it is precluding private equity firms to underwrite to their hurdle returns and concurrently with their underwriting give the seller the price that they're looking for in the asset.

So I think that is the biggest gating issue. And that puts Host in a really competitive advantage. I mean I talked about it before. We do not have to go to the debt window to get a deal done. And I think there will be opportunities over the course of the year where you have certain private equity firms who might be coming up on end of fund issues with respect to certain assets that they have to trade. They waited for the Fed to cut rates, but they're out of time. A couple of deals that we did in 2018 and started with the 1 Hotel South Beach. That was an end of fund issue with the Starwood Capital. They had to trade that asset. Same with the Four Seasons Orlando, another instance where that deal was at the end of fund life as well.

So I can tell you that neither owner of those assets really want to part with them because it is terrific properties. And I hope we're going to be able to find some additional opportunities in that vein as we work our way through 2024.

Operator

Our next question is from Chris Woronka with Deutsche Bank.

Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

Wanted to kind of ask about Hawaii, Maui. I mean you guys -- I think used the term evolution of demand. Just can you give us a little more color on kind of what's happening? Are you guys seeing reservations come in and cancel? Or are you seeing just the booking windows get closer in? Just trying to get a sense for how much visibility you think you had? Is it getting better, it's getting worse? And what are some of the factors around that?

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Yes. I'll start, Chris, and I'll let Sourav jump in and add what additional color he might have on it. But we are obviously very close to the -- to what's happening on Maui and I can't describe it in any more specific terms other than to say that demand continues to evolve on the island. I think that when the wildfires occurred, devastating wildfires occurred, those folks who might have been new to Maui and maybe they were staying down in Wailea in one of our 2 terrific properties the Andaz or the Fairmont Kea Lani. They just said they listened to the governor and the governor said, "Stay away from Maui."

So travelers took the governor at his word. Now that language has been tempered since. The cleanup continues on the west side. The good news is that the displaced residents are really moving into more permanent homes and apartments. We like that. We like to see people get out of hotels and move into their -- move into a home and start their way back because so many people lost so much. They lost everything as a result of these wildfires.

So the hotel association is -- and all the hotel owners on the island are working together to put a marketing plan in place. One of the other factors that still is out there with respect to the island is the fact that air capacity, the number of seats is down around 19% over the first quarter of 2019. And that's consistent with where the capacity went post the wildfires in August of last year. So -- it's a bit of a chicken and egg situation right now. We've got to get people back to the island. We have to sell the beauty of Maui and the experiences that they can get, even if it's not on the west side, if it's in Wailea. And we're confident that once that starts happening, that the airlines will increase capacity and the recovery will commence.

Operator

Ladies and gentlemen, we have reached the end of our allotted time for questions and answers. So I will now turn the call back over to Mr. Risoleo for any closing comments he may have.

James F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Well, thank you again for joining us. We appreciate the opportunity to discuss our quarterly results with you, and we look forward to seeing many of you on the road and certainly at NAREIT in New York. Have a good day. Thank you.

Operator

Thank you, everyone. This concludes today's conference, and you may disconnect your lines at this time. We thank you for your participation.
