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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts Fourth Quarter 2023 Earnings Conference Call. Today's conference is being recorded.

At this time, I'd like to turn the call over to Jaime Marcus, Senior Vice President of Investor Relations.

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

Thank you, Jaime, and thanks to everyone for joining us this morning. 2023 was a terrific year for Host on several fronts. First, we delivered strong operational improvements, driven largely by occupancy increases and continued rate growth. Second, we completed the work on the 3 strategic objectives we established in 2021 and we will continue to realize the benefits of our ongoing efforts well into the future. Third, we returned significant capital to stockholders in the form of dividends and share repurchases, continue to successfully allocate capital through reinvestment in our portfolio and announced an agreement with Hyatt to complete transformational renovations at 6 properties in our portfolio.

Lastly, we maintained an investment grade balance sheet and continue to position Host to capitalize on the significant growth opportunities we see in the lodging space including potential acquisition opportunities.

Turning to our results. We finished 2023 above the midpoint of our full year guidance range. We delivered adjusted EBITDAre of $1.629 billion and adjusted FFO per share of $1.92. Comparable hotel total RevPAR grew 8.3% and comparable hotel RevPAR grew 8.1% compared to 2022. Notably, comparable hotel EBITDA margin was 60 basis points ahead of 2019 due in large part to our efforts to redefine the hotel operating model with our managers.

During the fourth quarter, we delivered adjusted EBITDAre of $378 million and adjusted FFO per share of $0.44, which includes $26 million of business interruption proceeds from Hurricane Ian. Comparable hotel RevPAR improved 1.5% compared to the fourth quarter of 2022. Our RevPAR performance for the quarter was driven by an increase in both occupancy and rate.

Despite an estimated 30 basis point impact from the wildfires in Maui, our fourth quarter comparable hotel EBITDA margin of 28.1% was flat to 2019. This marks the seventh consecutive quarter since the onset of the pandemic that we have achieved total RevPAR, RevPAR comparable hotel EBITDA and margins at or above 2019 levels. I will say that one more time. We have delivered operating metrics at or above 2019 levels for nearly 2 years.

As a reminder, the operational results discussed today refer to our comparable hotel portfolio in 2023, which excludes Hyatt Coconut Point and Ritz-Carlton, Naples. In 2024, our comparable hotel portfolio only excludes Ritz-Carlton Naples. During the fourth quarter, our portfolio results were once again impacted by the evolving nature of demand at our 3 resorts on Maui. We estimate that the Maui wildfires impacted fourth quarter comparable hotel RevPAR by 130 basis points, comparable hotel total RevPAR by 150 basis points, comparable hotel EBITDA by $9 million and comparable hotel EBITDA margin by 30 basis points.

For the full year, we estimate that Maui impacted our comparable hotel RevPAR by 50 basis points, comparable hotel total RevPAR by 70 basis points, comparable hotel EBITDA by $13 million and comparable hotel EBITDA margin by 10 basis points. Including our joint venture timeshare, we estimate that Maui impacted adjusted EBITDAre by $15 million in the fourth quarter and $22 million for the full year.

Our risk management team is continuing to engage with our insurers about potential business interruption coverage in Maui and the timing and amounts of any potential proceeds are not yet known.

Shifting to another market that remains top of mind, San Francisco results showed meaningful year-over-year improvement in the fourth quarter. RevPAR was up 10%, driven by both rate and occupancy and F&B revenue was up 15%. Group business is driving the strong results with group room revenue up 36% for the fourth quarter compared to last year as our properties have shifted their focus to in-house groups until the citywide calendar improves in 2025.

We have seen positive trends from 2023 continuing in the first quarter of 2024 with conventions driving weekday demand. In fact, January was the best month in the history of the San Francisco Marriott Marquis with total revenue and EBITDA setting all-time records.

Briefly, looking at out-of-room spend in the fourth quarter. Comparable hotel food and beverage and other revenues were down slightly due to impacts from Maui. We estimate that Maui impacted fourth quarter F&B and other revenues by 60 basis points and 540 basis points, respectively. Encouragingly, the out-of-room revenue trends we have seen post-pandemic remain elevated for the rest of our portfolio.

In addition to driving strong RevPAR growth and operating improvements across the business, we continue to be recognized as a global leader in corporate responsibility over the course of 2023. We introduced new 2030 environmental and social targets, which are aligned with our vision of becoming a net positive company by 2050, incorporate the progress made toward our prior goals and are more reflective of our current portfolio by updating our baseline to 2019. These environmental and social targets will enable our team to focus on and measure our progress over the long term.

Our 2030 environmental targets are in their third generation and put hosts on a linear path to net zero operations by 2040, leaving 10 years to get to net positive by 2050. We now have 14 properties with LEED certification and projects in the pipeline at 19 properties. In addition, we are the only lodging REIT to have green building certifications linked to our sustainable financings.

In this year's corporate responsibility report, we highlighted our asset level climate risk assessment across 3 near-term climate perils, including flood, wind and wildfire and 3 long-term perils, including heat, cold and water stress. Based on the results, we have identified assets with elevated climate risk and their corresponding EBITDA contributions, which allows us to prioritize capital investments and resilience and better underwrite potential acquisitions.

Our 2030 social targets are in their second generation and now include 2 responsible supply chain targets around supplier diversity and responsible sourcing and one new community impact target. As an employer of choice, we aim to lead our industry by integrating diversity, equity, inclusion and belonging best practices into all aspects of our culture.

Turning to capital allocation. We repurchased 1.9 million shares at an average price of $16.50 per share in the fourth quarter. For the full year, we repurchased 11.4 million shares at an average price of $15.93 per share for a total of $181 million. We have approximately $792 million of remaining capacity under the repurchase program.

In the fourth quarter, we declared a quarterly cash dividend of $0.20 per share, an 11% increase over the prior quarter. We also announced a special dividend of $0.25 per share bringing the total dividends declared for the year to $0.90 per share.

In total, we returned over $700 million of capital to shareholders in 2023. Additionally, in the fourth quarter, the buyer of the Sheraton New York repaid the $250 million seller financing loan we provided to effectuate the disposition. Our size, scale and balance sheet have allowed us to provide seller financing on 3 recent dispositions at a time when debt capital was scarce, further demonstrating that our fortress balance sheet and unparalleled access to capital creates unique opportunities and substantial value for shareholders.

Turning back to fourth quarter operations. Our overall business mix results were skewed by Maui as leisure transient demand decreased and group demand increased driven by recovery and relief groups. Outside of this temporary demand shift, business mix results were as expected. Group led to growth with nearly 1 million group room nights sold in the fourth quarter, bringing our total group nights sold for 2023 to 4.1 million or 112% of comparable 2022 actual group room nights.

Business transient continued its gradual improvement with 7% revenue growth for the quarter and leisure remaining strong with transient rates at our resorts up 58% to 2019, including our 3 Maui resorts.

As we look at the current backdrop for our business, we are optimistic about 2024 for several reasons. First, macroeconomic sentiment is incrementally more positive with consensus expectations of a soft landing. Second, supply levels and anticipated growth in supply is at historically low levels in our markets and chain skills. Third, we expect tailwinds from increased airline capacity and continued improvement in the international inbound demand imbalance. And lastly, the transactions market is expected to pick up as improved macroeconomic sentiment allows for more visibility on operating performance and the market is expecting that we will see rate cuts later this year. As we consider these factors, we believe Host is best positioned to capitalize on acquisition opportunities with $2.9 billion of total available liquidity and net leverage of 1.9x. In addition, we have completed 24 transformational renovations and 4 development ROI projects, which we believe, provide meaningful tailwinds for our portfolio.

Looking at results to date of the 10 hotels that have stabilized post-renovation operations, the average RevPAR index share gain is 8.2 points, which is well in excess of our targeted gain of 3 to 5 points. We are also continuing to reinvest in our portfolio with additional comprehensive renovations and resiliency investments underway and we do not expect meaningful disruption this year.

And most importantly, we believe the diverse demand drivers in our portfolio leave us well positioned for top line growth. Sourav will discuss more operational detail and our 2024 outlook in a few minutes.

Turning to portfolio reinvestment. In 2023, we invested nearly $650 million in capital expenditures at our properties, completing renovations to approximately 3,500 guest rooms, 111,000 square feet of meeting space and approximately 110,000 square feet of public space. In addition, we substantially completed property restorations following Hurricane Ian.

In 2024, our capital expenditure guidance range is $500 million to $605 million, which reflects approximately $225 million to $280 million of investment for redevelopment, repositioning and ROI projects. Within the Hyatt transformational capital program, we have already started renovations at the Grand Hyatt Atlanta and the Grand Hyatt Washington, which we expect to complete in the first half of 2025. We will also start transformational renovations at the Hyatt Regency Reston in the fourth quarter of this year.

Other major ROI projects include the completion of renovations at the Hilton Singer Island Resort and the construction of the Phoenician Canyon Suites Villa expansion. In addition to our capital expenditure investment, we expect to spend $50 million to $70 million on the luxury condominium development at Four Seasons Resort Orlando at Walt Disney World Resorts this year. We expect to benefit from approximately $9 million of operating profit guarantees related to the Hyatt transformational capital program, which will offset the expected revenue disruption at those properties for 2024.

We are extremely proud of our operational and financial performance in 2023 and the iconic portfolio and balance sheet we have built and maintained. Our people, our platform and our portfolio have allowed us to create meaningful shareholder value, and we are confident in the significant opportunities ahead for continued growth and value creation in 2024. With that, I will now turn the call over to Sourav.

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 fourth quarter operations, full year 2024 guidance and our balance sheet. Starting with business mix. Overall transient revenue was down 5% compared to the fourth quarter of 2022, driven by the evolving nature of demand in Maui. We estimate that Maui had a 590 basis point impact to transient revenue, which was evenly split between demand and rate. We were encouraged that transient rate at our resorts grew 2% above last year's tough comparisons despite the demand impact from Maui and renovation disruption.

Looking ahead to spring break. Transient revenue pace is up for our portfolio compared to the same time last year, driven by occupancy and rate growth at our resorts. Outside of Maui, resort transient revenue pace for spring break is up 20%. Business transient revenue was up over 7% to the fourth quarter of 2022, driven by both rate and demand growth at our downtown properties. Business transient demand continued its slow and steady recovery. Room nights at our downtown properties were down 15% in the fourth quarter compared to 2019, which is the smallest gap to 2019 post-pandemic. For the full year, business transient demand grew 12% over 2022. In 2024, we expect further demand growth driven by large corporates alongside rate growth in the mid-single digits.

Turning to group. 2023 was the year of group and convention hotel recovery. For the full year, group room revenues increased 21% over last year and room night volume recovered to 95% of 2019 levels. It is worth noting that our group results were positively skewed by disaster and recovery bookings in Maui. Excluding Maui, group room night volume recovered to 94% of 2019 levels.

Group room revenue exceeded 2022 by 13% in the fourth quarter, driven by an increase in both rate and room nights and we estimate roughly half of that growth can be attributed to recovery and relief groups on Maui. Outside of Maui, hotels in San Francisco, Boston, D.C. and Seattle contributed to the group room night increase. Notably, November's APAC conference in San Francisco drove results with an estimated 41,000 citywide group room nights.

Looking ahead to 2024, we have 3.1 million definite group room nights on the books, representing a 16% increase since the third quarter, putting us ahead of where we were this time last year. Total group revenue pace is up 10% over the same time last year, driven by rate, room nights and banquets. 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 New Orleans, San Diego, Seattle and D.C.

Shifting gears to margins. As expected, margin declines year-over-year were driven by increases in wages and benefits, fixed expenses as well as moderating attrition and cancellation revenues and impacts from Maui. Despite these headwinds, full year 2023 comparable hotel EBITDA margin was 30.1%, representing a 60 basis point increase over 2019. Our ability to achieve this margin expansion is a result of our efforts to redefine the operating model and is indicative of our strong execution, particularly when considering the total comparable hotel expenses have only grown 7% in the last 4 years and occupancy is still 8 points below 2019.

Turning to our outlook for 2024. The midpoint of our guidance contemplates a stable operating environment with continued improvement in group business, a continued gradual recovery in business transient, steady leisure transient demand and the continued evolution of demand on Maui as the island recovers from the recent wildfires. At the low end, we have assumed slower group pickup and softer leisure transient 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 2.5% and 5.5% over 2023. We expect comparable hotel EBITDA margins to be down 120 basis points year-over-year at the low end of our guidance to down 40 basis points at the high end. Notably, we expect margins to be down only 20 basis points at the midpoint versus 2019 despite a 50 basis point margin impact from Maui.

In terms of RevPAR growth cadence for the year, we expect comparable hotel RevPAR growth to be in the low single digits in the first half of the year due to tough comparisons to 2023, which saw a surge in recovery of downtown markets driven by improving group business and elevated leisure demand. We 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 impact of the Maui wildfires.

For January, we expect comparable hotel RevPAR to be approximately $187, a 1.4% improvement over 2023. At the midpoint of our guidance range, we anticipate comparable hotel RevPAR growth of 4% compared to 2023 and a comparable hotel EBITDA margin of 29.3%, which is 80 basis points below 2023.

As we think about bridging our 2023 results to 2024, we estimate that Maui is impacting comparable hotel RevPAR by 100 basis points and comparable hotel EBITDA margin by 50 basis points. We also expect a 15 basis point impact to margins from moderating attrition and cancellation revenues and a 45 basis point impact from property taxes and insurance.

In 2024, we expect wage rates to increase approximately 5%. For context, in 2023, wages and benefits comprise approximately 50% of our total comparable hotel expenses and attrition and cancellation revenues were $75 million, which is approximately 50% higher than 2019.

Our 2024 full year adjusted EBITDAre midpoint is $1.635 billion. This includes an expected additional $10 million from business interruption proceeds related to Hurricane Ian and an estimated $60 million contribution from operations at the Ritz-Carlton, Naples, which is excluded from our comparable hotel set in 2024. It is important to note that we have not included any assumption for business interruption proceeds from the Maui wildfires in our 2024 guidance.

Turning to our balance sheet and liquidity position. Our weighted average maturity is 4.2 years at a weighted average interest rate of 4.5%. We have a balanced maturity schedule with our next maturity of $400 million coming due in April 2024. We are closely monitoring the debt capital markets, and we believe our balance sheet provides us with optionality and flexibility.

As Jim noted, we have $2.9 billion in total available liquidity, which includes $217 million of FF&E reserves and full availability of our $1.5 billion credit facility. We ended 2023 at 1.9x net leverage. And since our last call, Fitch upgraded the company's issuer rating from BBB- to BBB with a stable outlook, returning Host to its pre-pandemic rating level.

Wrapping up, in January, we paid a quarterly cash dividend of $0.20 per share and a special dividend of $0.25 returning to our pre-pandemic quarterly payout level. The Board of Directors authorized a quarterly cash dividend of $0.20 on our common stock to be paid on April 15, 2024, to stockholders of record on March 28, 2024. As always, future dividends are subject to approval by the company's Board of Directors.

To conclude, we are proud of our achievements in 2023, and we believe our best-in-class portfolio and balance sheet leave us uniquely positioned 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) Your first question is coming from Shaun Kelley from Bank of America.

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

Jim or Sourav, maybe we could just start off with a little color on the M&A environment. You alluded to it in your prepared remarks a little bit. And obviously, we know the strength of the balance sheet. But coming out of the ALIS Conference, how are conversations going? And maybe you could just lead us a little bit on how you can really tap in using your balance sheet strength to unlock some opportunities that others may not have in front of them at this point in the market?

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

Sure, Shaun. This is Jim. I'm happy to take that question. I think our fortress balance sheet really differentiates Host in the space. Sitting here today at 1.9x leverage with $2.9 billion of liquidity is a testament to the fact that we can do it all as we have shown, and that's how we intend to approach 2024. We want to be net acquirers, we want to continue to elevate the EBITDA growth profile of the portfolio in 2024 through acquisitions but also through continued reinvestment in the portfolio as we've done over the past few years.

You may recall that we acquired $1.6 billion of assets at the beginning of the recovery in 2021 and another $315 million in 2022 and over that time frame, we've invested from '22 through '23, we've invested over $2.1 billion in our assets. So our 16 properties under the MTCP, as we noted in our prepared remarks, are significantly outperforming our underwriting expectations of 3 to 5 points in yield index, the properties that have stabilized post operations are up to 8 points -- or up to 10 points, I'm sorry, 8 to 10 points, and we continue to do the same with the HTCP program in 2024 as a start.

Now with respect to the acquisition market, frankly, there just aren't a lot of properties that are currently listed for sale, certainly not assets that would interest Host. But that's really not slowing us down at all. We are talking to our competitors in the industry, our friends in the industry and others to try to kick deals loose that are Host-type assets. We are leaning on our relationships. We're leaning on our reputation, on our ability to close deals all cash that really gives us a very meaningful competitive advantage. And we believe this is the year to get the balance sheet to work.

So we're working very hard to find the right source of assets to add to the portfolio. The assets that we like are those that have diverse demand drivers with a combination of group, business transient and leisure and we want to continue the same. But at the end of the day, it really is everything that we do is to elevate the EBITDA growth profile of the portfolio.

Now I said that there aren't a lot of assets on the market today. But I believe and we believe as a team here at Host that under the assumption that the Fed is going to start loosening interest rates in the second half of this year that will spark sellers to bring properties to market, and it's going to also spark competition for those assets. So our point of view is, we have the balance sheet. We can do it all. We want to get out there, we want to get ahead of the pack. And I hope over the course of the next several months that we're going to be able to tell you that we've been an acquirer early in 2024.

Operator

Your next question is coming from Smedes Rose from Citi.

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

I was wondering if you could just talk a little bit more about -- on the group bookings side. It sounds like part of your improvements you're seeing are driven by kind of large citywide conventions and the return is maybe sort of association business. But could you talk about maybe just what you're seeing just more on the corporate side larger meeting, smaller meetings, more frequent meetings. Just any kind of detail around that would be interesting.

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

Sure Smedes. We're doing really well on the corporate group business, and that remains strong. So while association is certainly coming back in one of your markets, particularly with citywide coming back toward 2024 in a meaningful way. The 2024 citywide room night pace is around 90% of 2019 actuals and quite a few cities are pacing ahead. But corporate group continues to be strong. And what's also important to note is their spend on banquet and catering continues to be strong.

So the catering contribution at our hotels has not declined year-over-year and we are keeping pace both from a demand perspective, but as well as from a rate perspective. Right now, our group pace from an ADR standpoint, is around 4%, and we are pacing ahead to last year by 3.4% in terms of room nights. And on a total revenue basis, it's 10% that we are pacing ahead year-over-year. So pretty meaningful. The markets, which are driving this for our portfolio specifically, the 3.1 million group room nights that we have on the book for 2024. They include San Diego, Orlando, D.C., San Francisco and San Antonio, those markets make up just over 50% of the 3.1 million that's already on the books. And in terms of citywide pace, what's pacing well is also San Diego, D.C., but also Seattle, New Orleans and Miami.

Operator

Your next question is coming from Robin Farley from UBS.

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

Just circling back to your comments on potential acquisitions. I guess I'm surprised just given the maturities, CMBS maturities, some of which were pushed back in 2023 into 2024 that maybe there's not more kind of for sale in the first half of '24. So I guess what is your sense of kind of what's happening with those maturities? And then also, just curious what your current thoughts are on the type of assets location if there's been any change in terms of what Host would be looking for?

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

Sure, Robin. We track all the CMBS maturities, the CMBS loans outstanding and the maturities. This year, there's about $26 billion of full service loans that will be maturing. And I know that earlier in the pandemic, there was a lot of talk of distress. Frankly, we haven't seen it materialize, certainly not on assets or markets that would interest us. We'll continue to track it. There may be pressure as we get later into the year because one of the things that other hotel owners are going to have to deal with sooner or later is reinvesting in their portfolio.

And as you know, as I mentioned earlier in my response, we have invested significant capital in our portfolio. So we're in a really great place to continue to gain yield index and continue to outperform going forward. So I think it's still TBD on distressed but we're certainly not counting on that. We're making it happen on our own by trying to capitalize on our relationships, our reputation and our balance sheet to be net acquirers this year.

The types of assets and the types of markets, it's really -- it's -- there is nothing that's perspective per se, that's off the list. But we are always going to be thoughtful about maintaining geographic diversification, which has served us well. I think notwithstanding the tragedy in Maui, the geographic diversification of our portfolio still allowed us to achieve 8.1% RevPAR growth in 2023, notwithstanding a 50 basis point impact from the Maui wildfires.

So we'll continue to look at assets where we can add value through our strong asset management and enterprise analytics capabilities, assets where we see ROI opportunities that haven't been completed by the current owner and new markets, we'll continue to look for resorts. We'll also continue to start looking at urban markets today because we've seen some good solid performance out of the urban market. So I think recovery is on the way. We feel good about the macro picture. There is visibility from an underwriting perspective. And let's all keep our fingers crossed at the soft landing that seems to be the consensus to say does come through.

Operator

Your next question is coming from Bill Crow from Raymond James.

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

Maybe for Sourav, a question about the kind of the tail of 2 halves of the year and RevPAR growth in the low single digits in the first half and then accelerating up to I guess, what, 5%, 6%, 7% in the second half of the year to hit your numbers. Can you kind of compartmentalize how much tailwind you get from Maui? How much you get from renovation disruption? Perhaps Coconut Point is providing a lift given the challenges in that market last year. What can you tell us to give us kind of confidence in that outsized growth in the second half of the year?

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

Sure. So the first piece, I'll talk about the first half, the reason that is low single digits is because of the tough comps that we have, particularly given the Q1 performance in 2023. And remember, 2022 Q1 was impacted by Omicron. So we had a meaningful amount of growth in the first quarter of '23. And the first half, leisure did extremely well, as you might recall. So just tougher comps in the first half, that's why the low single digits.

On the second half, what's really giving us confidence are 2 things: One, specifically is the group booking pace for the second half, both particularly for Q3 as well as Q4, when you look at overall second half, our pace is really strong. We have confidence in that pace number and the second piece is really the tailwind from 4 hotels that had a meaningful impact last year from renovation in the second half, second half of 2023. Those 4 hotels really being the one hotel South Beach, Fairmont Kea Lani, the Biscayne Bay Marriott and the Hilton Singer Island, which is a complete redevelopment project.

So that's really what's going to help drive that tailwind into the second half at group booking pace and the tailwind from those 4 renovation properties. There are other factors as well, but those are probably the 2 largest most impactful factors driving the mid-single digits in the second half.

Operator

Your next question is coming from Michael Bellisario from Baird.

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

You want to stick to your outlook. Do you have an industry RevPAR forecast that you're thinking about? And then specific to your outlook, what are you assuming for the mix of rate and occupancy in 2024? And how does that affect your expense outlook and how you're thinking about cost per occupied room?

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

Sure. So the way we think of the industry forecast is -- and if you look at STR it's effectively at around 4%. But remember, our midpoint number is getting impacted 100 basis points as a result of the impact from Maui. So in other words, that would be 100 basis points more if it wasn't for Maui. That, also keep in mind, the weighting of our portfolio is different when you look at sort of the different markets that we have waiting in. So it's not a true apples-to-apples comparison when you are looking at our comparable RevPAR growth versus what the third parties put out there. So that's one thing to keep in mind as well.

So overall, please, particularly given the capital investments that we have made, which Jim talked about and the lift that we are getting from the MTCP projects as well as the 8 other projects that we invested in and the RevPAR index gain translating into EBITDA growth as well. In terms of total expense growth for this year at the midpoint, we are effectively at 5.8% total expense growth on that midpoint of 4% for the total portfolio. And sorry, the other question you asked was just split between occ rates on that 2% and that's pretty evenly split between the two.

Operator

Your next question is coming from Duane Pfennigwerth from Evercore ISI.

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

So on the group pace, I think you said up 13%. How are you thinking about closing group bookings in the quarter for the quarter over the balance of the year? Assume closing group would moderate as the booking curve continues to normalize. And then relatedly, are you leaning on group any differently than you did pre-pandemic given changes in underlying seasonality? So for example, given changes in business trends, is there more of an effort to lean on group to fill in off-peak periods?

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

I'll start with the second part of your question first. It's really an asset-by-asset revenue management decision in terms of what is available and where we can maximize yield. And we're looking always at the total revenue piece of it. It's not just the room night piece because obviously, the banquet and catering that groups provide makes a meaningful difference. So I wouldn't necessarily say there is a different way that we are -- or the managers are approaching revenue management. Obviously, the goal is to fill the hotels with the highest not only rated business, but the highest business that's going to provide you the highest total revenue and ultimately, total EBITDA for the hotel.

When you think about sort of the cadence of group for the balance of the year, we already have 3.1 million group room nights on the books. We expect for the year based on the midpoint to be above in terms of total group room nights for the year relative to 2023. And we do not just given how well we've been pacing, obviously, in the year for the year pickup is going to be lower.

And in the month for the month and in the quarter for the quarter is going to be lower than what we have seen previously just because the lead times have expanded not only for just in the year for the year but also into future years. But we feel very confident with the ongoing sort of the short-term pickup to make that gap up, particularly given sort of the need dates that have been filled for the year, both in the first half as well as the second half.

Operator

Your next question is coming from Chris Woronka from Deutsche Bank.

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

Appreciate all the details so far. Just had a question as to how you're thinking about cadence of transient through the year, especially as we get into summer Q3. Remember last year, we had a little, I guess, surprise where more International outbound and we didn't get the corresponding numbers inbound. How are you kind of internally modeling summer transient this year?

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

Sure. So the way we're thinking of transient, I mean, we obviously expect it to be moderating for the summer. We didn't have an extremely strong summer last year. And to your point, I mean, U.S. outbound for the year was 117% above '19 level and inbound was effectively at 90% of '19. For what it's worth right now, the U.S. travel is projecting that inbound number is going to be more at 98% for 2024 relative to '19, which is a good stat. We do expect an impact on a year-over-year basis, therefore, the low single-digit guidance for the first half of the year. But what I will say is our fourth quarter ended with our transient ADR for our resorts, still up 58% to 2019.

And what we are seeing in terms of spring break, and I think that's like most visibility we have because you won't really get into summer visibility until you get to the end of Q1. Spring break is pacing up 20% in revenue and rate is pacing above 7%, and that's specifically for our resorts, excluding Maui. So we feel very good, which effectively is saying that none of these, particularly the transient resort ADR is still going to be above 50% of 2019 level. So that's really encouraging. Not enough visibility into the summer yet, but spring break is very encouraging.

Operator

Your next question is coming from Stephen Grambling from Morgan Stanley.

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

(technical difficulty) Obviously, we can kind of look at the total dollar amounts but there's been some changes in construction costs and otherwise. I'm just curious how you're thinking about the ROI on those projects? And if you can give any other color comparing and contrasting the 2?

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

Stephen, it's Jim. The first part of your question, we didn't hear it cut off. So would you mind repeating it?

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

Just asking to compare and contrast the Hyatt transformation versus the Marriott transformation programs.

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

And from what perspective?

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

How you're thinking about the return on investment? How these -- how the hotels might compare and contrast as to the reason why we should be assuming that these should be kind of the same uplift? Or could there be a difference when we think about looking at the 2?

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

No, I think as you're looking at the HTCP program, it's modeled after the Marriott program. We have received enhanced priorities on all of our dollars that we're investing, which is meaningful because in many of the hotels, we didn't have owner's priority for one reason or another, either burned off over time or it just didn't exist. So that's -- it's a big plus. Hyatt is also providing $40 million in operating profit guarantees to cover off the anticipated disruption. And as we noted in our comments, we expect to collect $9 million in operating profit guarantees this year that will cover the anticipated disruption associated with the Hyatt renovations. And I think the cadence is that the assumptions are the same. The assumptions are the same, let's hope the results are the same because the results out of the MTCP blew away our assumptions. But we're looking at low teens cash-on-cash returns, say, low double-digit to low teens cash-on-cash returns, which is the same way we underwrote the MTCP program. And frankly, the other 8 assets that have received transformational renovations.

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

And just one follow-up on that. Was that primarily through RevPAR index premium? Or was there also a component? Any way to break that down with F&B uplift or other revenue uplift.

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

It's both. And I think we can talk -- I'm going to let Sourav talk a little bit about the F&B uplift because we have seen a meaningful uplift in F&B revenues throughout the portfolio.

(technical difficulty) I think we have little audio problem here. Hang on.

Operator

Your next question is coming from Aryeh Klein from BMO.

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

So I guess within the 4% RevPAR growth outlook, what are your expectations for leisure performance? Are you seeing any kind of noticeable difference in the consumer behavior at the ultra high-end resorts versus leisure at your other properties? And then maybe if you could just talk to what you're seeing in Maui from a future bookings perspective?

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

Sourav, are you back on audio? No, you are not.

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

I am back on. I am back on.

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

There you go. Okay.

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

I am back on. Sorry, could you repeat the question?

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

I'll start that Aryeh with respect to what are we seeing from the leisure consumer. Our leisure transient traveler is generally, the affluent consumer in the country. We are seeing no slowdown in spend. We're really not seeing a backing off in a meaningful way in ADR. And out of room spend in banquet, in outlets is still strong. This goes back to Stephen's question, the investment that we made in a lot of our properties and the transformational properties has resulted in a significant pickup in outlet spend throughout the portfolio.

So the leisure is, from our perspective, it's still trending very strong. And I think that goes back to the commentary around spring break where our revenue pace is up 20% year-over-year for spring break, and we're very pleased with that.

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

And then just on Maui, what you're seeing from a future booking standpoint that gives you kind of confidence in the recovery in the second half of the year?

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

Well, I'm not certain that we said that there was going to be a recovery in the second half of the year. So we hope that there is a recovery in the second half of the year, but there are a number of things that have to happen on Maui particularly on the west side, which is where the wildfires were. And the gating issue really is finding shelter for the displaced residents. And March 1st is a pivotal date in our mind.

The Governor of the State of Hawaii has stated that if the owners of short-term rentals on Maui don't come to terms with allowing their units to be utilized by the displaced residents, then he is considering a ban on short-term rentals because I think on the island of Maui in total, there's about 30,000 short-term rentals. So it's quite significant, and we're tracking it very closely. Additionally, cleanup and the plans to rebuild Lahaina town are still in process.

So the west side, I think, is going to take some time to come back. In the interim, we have been working with relief agencies, in particular, now the Red Cross. And we have contracted with the Red Cross for 350 rooms at the Hyatt Regency Maui through the end of May. And we're hopeful that, that will be extended while the recovery moves forward.

The story on Wailea, where we own the Andaz Wailea and the Fairmont Kea Lani is different. Those properties have been -- in the case of the Fairmont Kea Lani, just completed a transformational renovation. So the asset is in incredible shape as is the Andaz Wailea where we completed the soft goods rooms redo as well as the significant bathroom work.

So both of those assets are in great shape. And we're confident that over time, as the consumer begins to understand the differentiation between Wailea, which is a completely different submarket than the west side and Ka'anapali, that will be the cadence of business pick up. And I would just say that as we think about the midpoint of our guidance this year, we've assumed pretty much a 100 basis point impact on Maui, and that will result in about the same diminution in EBITDA as we experienced last year, but if Maui is better than our anticipation, and it's too soon to really know that, then we think there is some upside. And that takes us to the higher end of the EBITDA guide.

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

Yes. I just want to make sure I explained the EBITDA piece for Maui, to be clear. Obviously, when you look at sort of the first half, it's going to be impacted by the wildfire. That's about it, $25 million to $30 million incremental impact for 2024. So when you think about the total impact for the year, it's close to $50 million that the wildfire impact is actually having as a result of Maui. So just keep that in mind, it's a $25 million incremental impact year-over-year, $25 million to $30 million.

Operator

Your next question is coming from David Katz from Jefferies.

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

You covered a lot of ground already. And I really wanted to just maybe triple click on how we think about the boundaries for deals, more or fixer uppers in or out of bounds versus things that just need a little more strategic direction? And any thoughts on sort of size would be helpful there as well and that's it for me.

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

Yes. Well, David, let me take the second part of your question first because that's an easy one. Bigger is better for us. And we don't turn any attractive opportunity away. But obviously, given our scale and our ability to deploy capital, we focus on larger transactions, we focus on complicated transactions, complicated boxes with diverse demand generators being group, business transient and leisure as well as hotels that have multiple outlets and look for opportunities to not only improve the top line, but to improve the middle part of that P&L through our asset management and enterprise analytics capabilities.

We are perfectly open-minded to buying an asset that needs to be repositioned from a CapEx perspective. It doesn't concern us at all. We certainly have the ability with our design and construction group in-house to do that. But what we really look at is how is this asset going to perform after it is renovated and repositioned and how is it going to perform relative to the existing portfolio because our bottom line goal is to put money to work whether it's within our existing assets or new acquisitions to elevate the EBITDA growth profile of the company. So it's across the board.

Operator

Your next question is coming from Dori Kesten from Wells Fargo.

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

How has the spread between your group and transient ADR shifted from 2019 to today? And I guess how much your transient rates drive your end year for the year group booking pricing?

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

Sorry Dori, can you repeat the question for me?

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

So the spread between your group rates and your transient rates, I'm wondering how that's changed from 2019 to today? And then the second piece of it was how much do your transient rates inform your in the year for the year group pricing?

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

Yes. So it's typically -- so I will answer the second half first, I'll have to get back to you on the specific delta to '19 on group and transient. I don't have that in front of me. But in terms of the way we think about the yielding, it really is group comes first. So you're developing that group base and you're seeing where the group rate is and then you're yielding the transient business.

And depending on where group is coming in, and it's not just a rate piece, you have to remember, it's also -- we get a meaningful amount of ancillary business with food and beverage and golf and spine and all that, that makes up a pretty meaningful amount for our portfolio. It is looking at total revenue and what that contribution is to total EBITDA. So once the group base is built, then we figure out when the properties are looking at, okay, what makes most sense to layer in transient and at what rate.

So you're going to yield out the lower-rated business and obviously move towards the higher rated business. So it's more the group base that drives it versus just where transient is coming in? I mean, so you're looking at transient pickup certainly and in the short term and filling that up, but it also -- the pricing is all determined where group set for majority of our portfolio.

Operator

Certainly. There are no further questions in the queue. I'll now hand the conference back to Jim for closing remarks. Please go ahead.

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

Thank you, and thank you all for joining us today. We appreciate the opportunity to discuss our quarterly results and our guidance for 2024, and we look forward to seeing many of you at conferences in the coming months. Have a great day.

Operator

Thank you, everyone. This concludes today's event. You may disconnect at this time, and have a wonderful day. Thank you for your participation.
