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EDITED TRANSCRIPT

HST.OQ - Q3 2026 Host Hotels & Resorts, Inc. Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

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

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

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

The operational results discussed today refer to our 73 hotel comparable hotel portfolio in 2026. The comparable hotel portfolio excludes the Don CeSar and Alila Ventana Big Sur, which was closed for over 30 days due to a wildfire evacuation mandate. The comparable hotel portfolio also excludes the One Hotel Brooklyn Bridge and Renaissance Dallas at Plano Legacy West Hotel, which were acquired in the fourth quarter.

With me on today's call are Jim Rosoleo, 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.

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Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Thank you, Jamie, and thanks to everyone for joining us this morning. We continue to outperform our expectations in the third quarter, building on strong operating and financial results in the first half of 2026. In the third quarter, we delivered adjusted EBITDAre of $347 million, an increase of 8.8% over last year and adjusted FFO per share of $0.39, which was up 11.4% compared to the third quarter of 2025. Year-to-date compared to 2025, adjusted EBITDAre and adjusted FFO per share were up 6.5% and 8.3%, respectively.

Comparable hotel RevPAR improved 8.8% compared to the third quarter of 2025 and comparable hotel total RevPAR improved 7.3%, driven by rate growth, strong leisure, group and business transient demand and higher food and beverage revenues. Comparable hotel EBITDA margin increased 90 basis points year-over-year to 25.2%. As rate growth more than offset higher wage expense. RevPAR growth in the third quarter meaningfully exceeded our expectations with broad-based strength across markets and business mix.

In fact, 23 of our 24 domestic markets delivered increases in comparable hotel RevPAR in the quarter. Growth was driven by leisure transient bolstered by special events, group demand pickup and improving business transient demand. Looking at World Cup performance, we estimate that the event contributed approximately 100 basis points of RevPAR growth in the third quarter. For the full year, the World Cup contributed approximately 70 basis points of gross RevPAR growth, which is consistent with our prior expectation.

Turning to business mix, transient revenue grew by approximately 12%, the strongest growth since early 2023, accounting for more than 80% of the room revenue increase in the third quarter. Growth was driven by both rate and occupancy, unlike the first half of the year, which was primarily rate-driven. We saw particularly strong transient performance in Maui, Washington DC, San Francisco and New York.

Turning to Maui, strong demand drove RevPAR growth of nearly 14% and total RevPAR growth of 12% despite weather-related disruptions. In fact, Maui accounted for more than two thirds of our resort RevPAR growth in the quarter. We now expect our Maui properties to generate approximately $122 million of EBITDA in 2026, a $2 million increase over our prior guidance.

While Maui outperformed our expectations, storms in Hawaii impacted third quarter comparable hotel RevPAR growth by 25 basis points and full year comparable hotel RevPAR growth by 40 basis points. Including the Kona Low storm earlier this year, we estimate Hawaii weather events will impact full-year EBITDA by approximately $10 million, of which $7 million is attributable to Maui.

Turning to business transient, revenue was up 9% in the third quarter, led by both room night and rate growth. Importantly, business transient room night growth was up in the mid-single-digits. An encouraging sign of building momentum for the segment going forward. Group room revenue for the quarter was up 5% year-over-year, driven by short-term bookings and corporate groups. Our definite group room nights on the books increased to $4 million for 2026. In full year 2026, total group revenue pace is up 6% to the same time last year with the fourth quarter pacing up nearly 10%.

Turning to ancillary spending, food and beverage revenue grew 6%, spa revenue grew 2% and golf revenue grew 4%. Continued growth in ancillary spending underscores the strength of the affluent consumer and the benefits of our strategic portfolio investments in recent years. On the capital allocation front, yesterday we announced the acquisition of the leasehold interest in the 195-room One Hotel Brooklyn Bridge for $202 million in cash. The property has 83 years remaining on the ground lease with a government nonprofit lessor.

The purchase price represents a 10.2 times EBITDA multiple and an approximately 8.2% cap rate based on estimated 2026 results. The property is expected to rank among our top 10 assets. With estimated total RevPAR of $1,130, RevPAR of $615 and EBITDA per key of approximately $100,000, further enhancing the quality of our portfolio. The 1 Hotel Brooklyn Bridge was the first new build for One Hotels, and it sits on an irreplaceable piece of property on the East River, along the riverfront park and adjacent to the Brooklyn Bridge.

Opened in 2017, the hotel is a LEED gold-certified luxury property with Manhattan skyline views and 195 oversized rooms, including 29 suites. The hotel has 12,000 square feet of meeting space, multiple food and beverage outlets, a 10-treatment room, Bamford Wellness Spa, a fitness center, underground parking and a rooftop pool.

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The property also features Barbuto Brooklyn, the restaurant concept from James Beard Award-winning chef, Jonathan Waxman. The hotel benefits from convenient Manhattan access, strong Brooklyn demand drivers, and significant barriers to new supply. The acquisition expands our luxury presence in New York into a new submarket and further strengthens our relationship with the 1 Hotel brand.

Brooklyn has emerged as an extension of Manhattan with high-end dining and retail, a growing technology hub, and a significant concentration of fashion and entertainment companies. We also announced the acquisition of the fee simple interest in the 308-room Renaissance Dallas at Plano Legacy West Hotel for approximately $172 million in cash. The purchase price represents an 11.2 times EBITDA multiple and an approximately 7.9% cap rate based on estimated 2026 results.

The property is expected to rank among our top 25 assets on a total RevPAR and EBITDA per key basis based on estimated full year 2026 results. With expected total RevPAR of $380, RevPAR of $200 and EBITDA per key of approximately $50,000, further enhancing the geographic diversification of our portfolio. The acquisition establishes host presence in the high-growth Dallas-Fort Worth market through a uniquely positioned asset in the Plano-Frisco submarket.

The Renaissance Plano features 16 suites, 35,000 square feet of meeting space, multiple food and beverage outlets, an outdoor pool, a fitness center and an attached parking garage. As the only hotel within Legacy West, a premier 240-acre mixed-use development anchored by major corporations, class A offices, luxury residences and high-end retail. The hotel benefits from strong business transient, corporate group and social demand.

With more than 75 Forbes Global 2000 companies in the area, the submarket is well positioned to benefit from continued corporate relocations and planned entertainment district development. Together, these acquisitions add two high-quality assets at attractive pricing, expand our presence in key growth markets, and enhance the quality, performance, and geographic diversification of our portfolio. They reflect our disciplined approach to capital allocation and our commitment to generating long-term shareholder value.

Taken together, the blended 10.7 times EBITDA multiple for these two acquisitions is more than one turn below the recent trading multiple of our shares and substantially completes the reallocation of proceeds from the Four Seasons sales earlier this year. Additionally, the acquisitions are immediately accretive to earnings and are expected to generate $6 million of EBITDA during our 2026 ownership period, which is included in our adjusted EBITDAre and FFO guidance. Compared with the interest income we would have earned on the cash invested, the combined acquisitions are expected to contribute approximately $4 million of incremental adjusted EBITDAre.

Turning to portfolio reinvestment, as of the third quarter, the Hyatt Transformational Capital Program is approximately 90% complete and on track for completion by the end of this year. The final asset in the program, the Manchester Grand Hyatt San Diego, is expected to be substantially completed by year-end. We also made additional progress on the second Marriott Transformational Capital Program, which is approximately 50% complete and is tracking on time and under budget.

Renovations at the Ritz-Carlton Naples Tiburon and the guest room renovation phase at the New Orleans Marriott are complete. The Westin Kierland and the Ritz-Carlton Marina del Rey are currently under renovation. In the third quarter, we received $7 million of operating guarantees related to our transformational capital programs. We expect approximately $19 million in operating profit guarantees from our two transformational capital programs in 2026, which is expected to offset most of the EBITDA disruption at those properties.

Looking at other ROI projects. We completed the final phase of the Four Seasons branded condo development at the Walt Disney World Resort during the second quarter on time and within budget. To date, we have closed on 29 of the 40 units, including 21 of 31 mid-rise units and eight of nine villas. We expect approximately $18 million of EBITDA in 2026, with $5 million expected to be recognized in 2027.

For 2026, our capital expenditure guidance range is approximately $550 million to $600 million. This includes approximately $255 million to $280 million of investment focused on redevelopment, repositioning, and ROI projects, as well as $10 million to $15 million of property damage reconstruction associated with the Kona Low rainstorm in Hawaii. We expect $2 million of remediation costs associated with the Hawaii storms this year and an additional $10 million of restoration spending in 2027, with insurance substantially covering losses above our deductible. In addition to our capital expenditure investments this year, we spent approximately $17 million to close out the condo

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development at the Four Seasons Orlando. Our continued portfolio reinvestment remains a key differentiator, and we believe it is a driver of host outperformance. Once the second Marriott transformational Capital Program is completed in 2029, we expect to have invested approximately $2 billion in comprehensive renovations across 34 hotels that are projected to generate more than 60% of our 2026 hotel EBITDA.

At the 21 properties where post renovation performance has stabilized. RevPAR index share has increased by nearly 9 points on average, demonstrating the meaningful value created by our disciplined capital allocation strategy.

Turning to our outlook for the full year, we once again outperformed our expectations in the third quarter. As a result of our strong performance year-to-date and improved expectations for the fourth quarter, we are increasing our comparable hotel RevPAR and total RevPAR guidance estimates to approximately 6.75% and 6%, respectively. We are also increasing our adjusted EBITDAre guidance to $1,865 million, representing a $35 million or 2% improvement. Sourav will discuss the assumptions behind these updated estimates in more detail.

Building on our outperformance in 2025, we have continued to exceed expectations throughout 2026. Since issuing our initial full year guidance in February. We have increased our RevPAR expectations by 400 basis points and our adjusted EBITDA are expectations by $95 million. Looking ahead to 2027, we remain optimistic about the travel outlook, supported by a favorable demand environment, the strength of the high-end consumer, continued growth in business travel and historically low supply growth across our markets and chain scales.

We also expect to benefit from several Host-specific tailwinds, including incremental EBITDA from our recent acquisitions, a healthy 2027 total group revenue pace of 6 percent compared to the same time last year, continued recoveries in Maui and San Francisco, the ramp-up of our transformational capital projects and the Phoenician villas, moderating labor cost growth and lower property insurance expense. With a high-quality portfolio, an investment-grade balance sheet and a proven track record of execution, Host is well positioned to build on our outperformance and deliver compelling long-term value for our shareholders.

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

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

Thank you, Jim, and good morning, everyone. Building on Jim's comments, I will go into detail on our third quarter operations, financial results, our updated 2026 guidance and our balance sheet.

Starting with total revenue trends, RevPAR growth outpaced total RevPAR as outsized rates coupled with more than 2 points of occupancy growth boosted room revenue growth beyond ancillary revenue growth. Comparable hotel food and beverage revenue for the quarter grew 6%, led by banquet and catering revenue growth.

Banquet and catering revenue increased 8%, driven by 6% growth in banquet and catering contribution per group room night and increases in group room night volume. Banquet growth was broad-based across both hotel types and markets. Restaurant and bar revenue grew 5% in the quarter, driven by our resorts in Maui and Oahu despite impacts from weather. In addition, we had a particularly strong quarter at the Orlando World Center Marriott.

Golf revenue grew 4% and spa revenue grew 2% driven by our resorts in Naples and Maui, despite impacts from an unusually hot summer in Phoenix and renovations at the Hyatt Regency Coconut Point.

Shifting to business mix. Transient revenue grew approximately 12% compared to the third quarter of 2025, reflecting broad-based strength in both rates and room nights. Momentum remained strong throughout the quarter, supported by event-driven compression, pricing strength, business transient growth and holiday outperformance.

Maui, Washington DC, San Francisco and New York generated more than half of the transient room revenue increase. Resort RevPAR grew 6% in the quarter, driven by rate growth despite approximately 600 basis points of renovation impact. Hawaii led resort performance with

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double-digit transient RevPAR growth at all four of our resorts in Maui and Oahu. These results continue to underscore the strength of high-end demand.

Looking at recent holidays, revenue for the July 4, and Labor Day weekend grew 27% and 10% respectively. Looking forward, transient revenue pace for the total portfolio is up 24% for Thanksgiving week compared to the same time last year and the festive period is up 14%. In all cases, recent holiday results and upcoming holiday transient pace are driven by broad-based strength across the portfolio. Business transient revenue was up 9% to the third quarter of 2025, driven by a 5% increase in room nights.

San Francisco and Washington DC generated over 40% of the growth during the quarter. San Francisco's growth was led by technology demand, while DC benefited from both corporate and federal government travel. The growth in business transient room nights this quarter highlights the continued recovery in demand with additional upside as volume builds toward 2019 levels.

Turning to Group, revenue was up 5% year-over-year. Growth was driven by rate alongside modest room night growth. Corporate groups accounted for nearly 90% of the group revenue increase with in-the-quarter-for-the-quarter group room nights up 26%. Short-term bookings range from technology companies in San Francisco to consulting firms in Washington DC. For full year 2026, we have 4 million definite group room nights on the books, representing a nearly 6% increase since the second quarter. As Jim mentioned, total group revenue pace is up 6% year-over-year with particularly strong fourth quarter pace in San Diego, San Francisco, Maui, Miami, New Orleans and Oahu. Looking ahead, our 2027 total group revenue pace is also 6% ahead of the same time last year, driven by rate, room nights and strong banquets contribution. 2027 Group revenue pace is led by our properties in Phoenix, Washington DC, New York and Orlando.

Turning to margins, comparable hotel EBITDA margin expanded by 90 basis points year-over-year to 25.2% as rate growth more than offset higher wage expense. Substantially lower food costs and improved food and beverage productivity also helped offset these cost pressures. As we would expect with higher occupancy, total expenses grew approximately 6% in the third quarter. However, total expenses per occupied room were only up 3%, reflecting our continued work with operators to control costs at the property level.

Turning to our outlook for 2026, as Jim mentioned, we are increasing our comparable hotel RevPAR and total RevPAR guidance estimates as a result of our outperformance year-to-date and improved expectations for the fourth quarter. Two-thirds of the increase in our guidance reflects our strong third quarter results, while the remaining third reflects improved expectations for the fourth quarter. We now expect comparable hotel RevPAR and total RevPAR to grow approximately 6.75% and 6% respectively compared to 2025.

For the fourth quarter, we expect high single-digit RevPAR growth, an improvement from our prior guidance supported in part by estimated RevPAR growth of 6.5% in October. Our guidance assumes a stable operating environment with the continuation of the trends we saw through the first three quarters of the year, including rate-driven leisure transient strength, favorable group booking pace and improving business transient demand. We expect a comparable hotel EBITDA margin of approximately 30%, up 30 basis points from the midpoint of our prior guidance and 80 basis points above 2025.

This performance reflects continued productivity gains achieved with our operators and the benefits of our capital allocation decisions over the past several years. For the fourth quarter, we expect comparable hotel EBITDA margin expansion year-over-year as rate growth more than offsets higher wage expense. For the full year, we continue to expect wage rates to increase approximately 5% which comprises approximately 50% of our total comparable hotel operating expenses.

Our 2026 full-year adjusted EBITDAre guidance is $1,865 million. This represents a $35 million or 2% improvement over our prior guidance midpoint, driven by outperformance in the third quarter and improved expectations for the fourth quarter. Our adjusted EBITDAre guidance midpoint includes estimated EBITDA of $31 million from operations of The Don Cesar, $11 million from Alila Ventana Big Sur and $6 million from the 1 Hotel Brooklyn Bridge and Renaissance Plano, which were acquired in the fourth quarter. All four properties are excluded from our 2026 comparable hotel portfolio in the third quarter.

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Guidance also includes approximately $7 million of business interruption proceeds related to Hurricanes Helene and Milton, which we received in the first quarter. We also expect to receive business interruption proceeds related to the recent Kona Low rainstorm in Hawaii and the wildfire in California, but the timing and amount remain uncertain.

Turning to our balance sheet. Subsequent to quarter end, we recast our $2.5 billion credit facility, extending the revolver and term loans through 2031 and 2032. We also expanded the accordion to $1.25 billion and achieved total reductions of 12.5 basis points on revolver draws, 15 basis points on the term loans and 5 basis points on the facility fee. Reflecting both a reset of the pricing grid to current market levels and a new leverage-based pricing benefit.

Following the recast, our debt has a weighted average maturity of 5.2 years and a weighted average interest rate of 4.8%. Adjusting cash for recent acquisitions and the October dividend, we have $2.6 billion of available liquidity, including $157 million of FF&E reserves and $1.5 billion of revolver capacity with an adjusted leverage ratio of 2.3 times. This balance sheet strength provides meaningful flexibility to pursue capital allocation opportunities and continue driving outperformance. In October, we paid a quarterly cash dividend of $0.20 per share. As always, any future dividends are subject to approval by the company's Board of Directors.

In closing, our strong year-to-date performance, recent acquisitions, continued portfolio investment and investment-grade balance sheet reinforce our ability to drive durable earnings growth. Looking ahead, the 2027 tailwinds Jim outlined, including incremental contributions from our acquisitions and capital projects, healthy group pace, market recoveries, business transient demand growth and moderating expense growth, positioned Host to build on this momentum, return capital to shareholders and compound shareholder value over the long-term.

With that, we are happy to take your questions. To allow time for as many participants as possible, please limit yourself to one question.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. (Operator Instructions)

Michael Bellisario, Baird.

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

Thanks. Good morning, everyone. Just a question maybe for Sourav here, but Jim you can chime in too. Can you dig into and sort of remind us on margins and flow-throughs, that's where we've been getting the most questions lately. Just some of the dynamics between 3Q and 4Q in terms of seasonality, fixed versus variable expenses and then any impacts, good or bad, that it might have impacted flow-through for each period?

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

Sure, Mike. So let me start off by saying that we are absolutely thrilled with the 90 basis points margin expansion that we saw in the third quarter. As we said in the prepared remarks, our total expense per occupied room grew only 3% and that's important because when you look at the third quarter, we had 210 basis points of occupancy growth, which if you look at prior quarters, we had less than a point of occupancy growth.

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So when you have occupancy growth, obviously you have variable expenses that come with occupancy growth, so that flows through at a lower percentage. On top of that, I'll remind everybody, as we've said all along, third quarter is always our weakest quarter. When you look at the nominal dollars and you look at nominal ADR, it is like $40 or so lower than every other quarter.

In addition to that, it is the lowest banquet and catering contribution dollar. So when you look at both the banquet and catering perspective, as well as the nominal rate, the overall margin is meaningfully lower in the third quarter, and that's the seasonal piece of it, as you rightly pointed out. And that is true every single year, it is always our weakest quarter. So when you have a very low margin, to get a 38% year-over-year flow-through for the third quarter is exceptional given where the growth came from.

So when you move on to the fourth quarter, our margin will go up by about, call it, 5 points or so from the 25 to say somewhere around 30 based on the implied midpoint. That effectively will drive a much higher flow-through and the flow-through for the fourth quarter in the implied guidance is closer to 50%. So this is just a function of what we are getting each single quarter based on seasonality on the nominal dollar piece, coupled with the fact that we had occupancy growth in the third quarter.

So you have to look where the growth is coming from in each quarter and the respective flow-through. Every quarter is not the same and Q3 being our weakest quarter, the 38% year-over-year flow-through is exceptional and so is a 90 basis points margin expansion.

Operator

David Katz, Jefferies.

David Katz - *Jefferies LLC - Analyst*

Good morning. Thanks for taking my question. You've given some pretty good detail with respect to 2027. I wanted to maybe see if we can go a step farther. There's obviously a fair amount of tailwinds that are out there. What do we need to see, right, in order for '27 to be a year of growth, is that going to necessarily going to require some robust RevPAR growth for the market overall? Do you think you can sort of get there with the tools and the levers that you have as we sit here today, obviously not asking for specific guidance?

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Yeah, as you know Dave, we'll give you guidance in February on a more specific basis and we really like the way we are set up for 2027, starting with our group revenue pace, up 6%, which we think is a good place to be as we go into the year. We are going to have -- continue to have tailwinds in San Francisco and Maui. San Francisco is definitely back and we had a terrific quarter in San Francisco this past third quarter. Maui is forecasted to contribute $122 million of EBITDA, full-year EBITDA, notwithstanding the impacts of the Kono Low rainstorm and two hurricanes that caused a significant amount of business disruption. So we feel good about how we're set up in those two markets.

Sourav mentioned festive pace, which carries over into January. That's feeling really good as well. I think that's about 14% year-over-year. And importantly, we will be bringing a number of our premier assets back online. HTCP, the Hyatt Transformational Capital Program will be done. The last asset to come online is The Grand Hyatt -- Manchester Grand Hyatt in San Diego, it's a 1,600-room hotel. The Phoenician Villas will have a full-year run rate, which they haven't had before.

And some of the Marriott Transformational Capital Program assets will be coming back online as well. So when you take those specific tailwinds to Host, we feel really good about how things are set up. One of the really encouraging things that we saw happen in Q3 was the growth in business transient room nights. BT room nights are still down about 24% relative to where they were in 2019 pre-pandemic.

So the fact that we saw business transient revenue go up 9% with over 5% of that being driven by room nights is very encouraging. And we've looked out for the balance of this year to Demand360 and a couple of other sources for this year and what the forecasts are looking like for 2027, and it's all very positive. I mean, we are anticipating a pickup, continued pickup in business transient.

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And lastly, the affluent consumer, I mean, we continue to see spending at our properties. The properties are renovated and people are coming, they're spending a lot of money. When they get there, they're spending out of room as well. Golf revenues are up, spa revenues are up, outlet revenues are up. And we don't see that slowing down by any means. We're very optimistic with the setup we have for '27.

David Katz - *Jefferies LLC - Analyst*

Appreciate the help.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank AG - Research Analyst*

Hey, good morning, guys. Thanks for the question. Jim, I guess maybe to follow-up on your very recent comments about the BT. Have you seen any change in booking windows or things like that in BT? And it sounds like Q3 was a lot stronger than you initially thought and you kind of had July in the bank when you reported. So looking at things like September, I mean, is this more BT or is this more groups kind of going above their blocks on whether it's rooms or F&B, just trying to get a sense as to how the quarter evolved and also your outlook for BT and whether the windows have changed? Thanks.

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Sure, Chris. I mean, the booking window is still relatively short-term. We saw a strong pickup in BT in the month of August, and it was led by San Francisco and Washington DC. And I don't think the booking patterns have really changed at all from prior.

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

And I'll add, the first time we actually saw BT room night growth, we had mentioned it was really the month of March, it was in Q1 and then we thought that would continue, that's a sort of stabilized from year-over-year risk basis. We didn't really see meaningful growth into April, May, June, but then you also had the special event impact. So at that point in time, we didn't see significant BT pickup. Then in July, BT room nights went up by about 2.5% and then August went up close to 8.5% and then September 4%. So we have seen now multiple months of BT room night growth.

And as Jim mentioned, particularly for the third quarter, 40% of that growth really came from San Francisco and DC, but we are seeing that growth in every single market, particularly on the tech side, the financial sectors and consulting. So it is encouraging to see that and all expectation is that momentum continues into next year.

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

One final data point on that, Chris is, if you look at some of the airline commentary, Delta in particular. On their call, they reported double-digit corporate sales growth and quotes “no cracks in the system”. So I think there are some other sources out there that would validate what we're seeing.

Operator

Smedes Rose, Citi.

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Smedes Rose - *Citibank Cameroon SA (Douala Branch) - Analyst*

I wanted to maybe switch gears a little bit and ask you about your acquisitions that you've recently completed. Maybe you could just talk a little bit about the sourcing of each of those deals and kind of just generally your assessment of potentially other opportunities and sort of the transaction environment overall?

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Sure, Smedes. We're really delighted to be able to complete these two acquisitions. I think that they fill out the portfolio nicely, they further enhance our geographic diversification. I'll talk about Plano first. You heard me talk in the past about our desire to invest in the Dallas market and this is the place that you want to invest if you're going into the Dallas market as all the businesses are moving north, they're moving to Uptown and Plano and Frisco and this asset is an incredible piece of real estate, has 35,000 square feet of meeting space, it will contribute $50,000 per key in EBITDA this year, it will be one of our top 25 assets.

The asset was owned by a lender, was somewhat of a distressed deal. It was marketed by one of the brokerage firms, but we were able to really bring our resources to bear and get ahead of the process and meet some deadlines that were put out there by the ownership group to give us an opportunity to move quickly and take the transaction down. So the complex where the property is located, it consists of a 240-acre park and I mentioned in my prepared remarks that 75 Forbes 2000 companies are located there as well as a lot of high-end retail F&B activities and luxury residential. So we're really excited about that. It fits into the portfolio really well.

The 1 Hotel Brooklyn Bridge, that's our fourth 1 Hotel, that was a direct negotiated deal with Starwood. We are delighted to add that property to the portfolio, particularly in that location in Brooklyn. It's the first purpose-built W hotel. It opened in 2017, as did the Renaissance. So they are both new and fresh and no near-term capital needed for either property as well. Brooklyn Bridge has multiple F&B outlets. It's got 12,000 square feet of meeting space, a Bamford Spa, Jonathan Waxman has Barbuda on the ground level. You may recall that we have Jonathan Waxman in our 1 Hotel Central Park in Jams, that's his concept as well.

And that asset is going to contribute $100,000 per key in EBITDA. So these are two really solid acquisitions that round out the portfolio nicely. It's nice to be the owner of choice, the buyer of choice. We have the ability to get in, analyze the deal quickly, meet deadlines, move fast and the fact that we are on hotel number four now with Starwood and the 1 Hotel brand, I think says a lot.

With respect to deploying additional capital this year. We certainly are looking at opportunities in the marketplace, some are marketed opportunities and not that much I would say that is purely being marketed today is exciting and of interest, but we're working on some off-market opportunities as well and I'm optimistic that we're going to be able to talk about at least one other transaction over the next, let's call it 60 to 90 days. And we are sourcing deals with the overarching goal of creating shareholder value as these two did with a combined EBITDA multiple of 10.7 times and with an eye toward maintaining geographic diversification.

Operator

Duane Pfennigwerth, Evercore.

Peter Laskey - *Evercore ISI - Analyst*

Hi, this is Peter on for Duane. Thanks for taking the question. Just on the occupancy growth in the quarter. Could you just kind of compare that between maybe Monday, Tuesday nights versus Friday, Saturday nights? And as you look forward into 4Q and into 2027 budgeting, what's kind of the opportunity set of rate versus occupancy? And what does your instinct tell you on where the industry or where your portfolio will see more growth next year?

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

The occupancy growth that we saw in the third quarter was a mix of both leisure transient as well as business transient, so we did see midweek growth in a meaningful way. And then we did see some weekend out growth as well, particularly at the resort properties, so both a combination of both, but as Jim mentioned earlier, BT room nights grew over 5%, so BT definitely drove a lot of that occupancy.

In terms of what we think will happen next year, as Jim mentioned earlier, we feel pretty good about business transient growth and the momentum that we have seen over the past couple of months. So when you look at right now, we have about a 7 point occupancy gap relative to pre-pandemic, so that has come down. It used to be an 8 point occupancy gap. There certainly is room to make up that occupancy next year, but we've also seen pricing power.

So I think see a combination of both as we go into next year, but certainly expecting continued demand growth, particularly from BT. Additionally, when we talked about our group pace for next year, our total group revenue pace, that is a combination of both [OC and RATE]. So we will see some OC possibly from group as well. So it will be a combination and hopefully momentum as we get in next year on the business transient side.

Operator

Logan Epstein, Wolfe Research.

Logan Epstein - *Wolfe Research LLC - Analyst*

Thanks for taking the question and good morning. Just one of the drivers you talked about in '27 was the continued recovery in Maui and San Francisco. Just curious if you could expand on the potential magnitude there and maybe talk about how current pace is trending across both markets and especially focusing on maybe how pace is trending in the first quarter given we're lapping the Super Bowl in San Francisco.

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

Yeah, pace for San Francisco is in right now for total group revenue pace is just shy of mid-single-digits, so low to mid-single-digits range. Similar for Maui as it stands right now. But in terms of overall potential, I mean, we obviously do not have budgets from our operators yet, and I'm not in a position to provide any specific numbers. But our expectation is that Maui and San Francisco have meaningful tailwinds for next year, particularly given the fact when you think about sort of our guide for Maui this year, we had $122 million is what we are guiding to in terms of EBITDA for 2026, and that's despite the impact from the Kona Low storms and the other storms that touched Hawaii.

So overall, we saw more growth this year than even what we were expecting, and we expect that to continue into next year. And I would say the same for San Francisco. It's not only the group pace, but also the BT growth, which is going to have a meaningful impact for San Francisco in 2027.

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Logan, for Q4, I can talk about Q4. We have numbers for the balance of this year. The RevPAR forecast for Maui is 15% for the fourth quarter. For San Francisco, a stat there that might be helpful for you is the quarter four group pace is 14%. So quarter three RevPAR for San Fran was 9%. So it's very healthy recovery in both markets.

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Operator

Chris Darling, Green Street.

Chris Darling - *Green Street - Analyst*

Thanks. Good morning. Going back to the transaction market, it seems like the focus right now is on deploying your dry powder. But given the favorable fundamental backdrop, is there also an opportunity to accelerate sales of properties that may not be long-term holds for the portfolio?

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Well, Chris, as we talked many times in the past, we are always looking at opportunities to continue to improve the overall quality of the portfolio. And we test the market from time to time and we are testing the market as we sit here and speak today, but we have nothing to talk about right now on the disposition front. So there does seem to be some pretty good momentum out there in the transaction space right now, notwithstanding where interest rates are trending, but I think the fundamental operating backdrop combined with really extremely low to no levels of supply, makes it a good time to be a buyer and to be a seller for those assets that we don't want to own for the long-term.

Operator

Rich Hightower, Barclays.

Richard Hightower - *Barclays Services Corp - Equity Analyst*

Hey, good morning, guys. I was hoping you could help us understand maybe as we think about the World Cup comp in '27, what that remixing looks like from a rate, total revenue and occupancy, all the different moving pieces. Does it essentially just kind of backfill business that didn't happen in '26 and was replaced by World Cup or is there some fundamentally better or worse way to think about sort of June, July next year?

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

Hey, Rich, so just to level set, World Cup impact this year was 70 basis points for gross basis and about 50 bps on a net basis. And when you think about sort of the total EBITDA impact, that somewhere in the neighborhood of $15 million to $17 million of EBITDA impact. In the grand scheme of things, it's not a very big dollar amount that we need to make up. Group pace is already pretty strong, especially when we look at the second quarter for next year, and that obviously is because we had world Cup business during that time and there wasn't incremental group that was mostly transient during the World Cup.

So we feel very good with the way group pace is being set up as well as what we are seeing in terms of transient pace, as Jim mentioned earlier, into next year. So we are pretty confident in terms of being able to bridge that gap during that special event.

Operator

Michael Hirsch, JPMorgan.

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Michael Hirsh - *J.P. Morgan - Analyst*

Hi there and thank you for taking my question. Regarding your comment on low supply growth, how long do you expect that supply tailwind to last? If you could also touch on the new construction environment here and maybe could you speak to any new supply. Looking out to 2028 or 2029 in your key markets?

Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Sure. I think the supply setup is as favorable to hotel owners as it's ever been. Coming out of the pandemic, people who were -- developers were more in a position to manage through the assets that they owned. And now we have seen costs escalate -- construction costs have escalated in a meaningful way combined with where the interest rate market is, where the debt market is, it's difficult to make certainly assets that would be competitive with hotels that we own pencil.

And as you look out to say even '28, Michael, it's -- It takes a long time to build a full-service hotel, an upper upscale property, it takes years. I mean, you have to go through design -- acquire a site, go through design, go through permitting, and then you're looking at probably a minimum 24-month construction period. So there's a lot of demands on the construction industry today, given the build out of data centers, it's expensive. Labor is not that easy to find. And for all those reasons, that gives us optimism that the supply picture is going to remain in check for the foreseeable future.

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

And I'll add the in-construction pipeline is still 31% below pre-pandemic levels.

Operator

James Feldman, Wells Fargo.

Conor Peaks - *Wells Fargo - Analyst*

Hi, thank you. This is Connor on with Jamie. Maybe looking at 3Q performance relative to what you expected going into the quarter, which market surprised you most, the upside and downside? And anything you'd call out on underlying drivers in those markets?

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

I would say San Francisco and DC certainly surprised us to the upside, driven by the business transient growth that we saw in those two markets, and we were expecting growth certainly, but there was outsized growth. And our leisure markets, the resort markets continue to outperform. So we had expected the growth, we didn't expect as much growth, particularly in September, which we were pleasantly surprised by.

And we did have a group in San Francisco, I believe it was the Salesforce group that moved from October into September that also helped performance. So overall, I would say it really was a business transient piece and the occupancy growth that we saw in the third quarter, which we were surprised by because thus far, we haven't seen as much demand growth, it was more all coming from rate.

Operator

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

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Jim Risoleo - *Host Hotels & Resorts, Inc. - President, Chief Executive Officer, and Director*

Thank you again for joining us. We always appreciate the opportunity to discuss our results with you, and we look forward to seeing many of you at upcoming conferences.

Operator

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

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