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HST.OQ - Q4 2024 Host Hotels & Resorts Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 20, 2025 / 3:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts fourth-quarter 2024 earnings conference call. Today's conference is being recorded.

At this time, I would like to turn the call over to Jaime Marcus, Senior Vice President of Investor Relations. Please go ahead.

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

Thank you, and good morning, everyone. Before we begin, please note that many of the comments made today are considered to be forward-looking statements under federal securities laws. As described in our filings with the SEC, these statements are subject to numerous risks and uncertainties that could cause future results to differ from those expressed, and we are not obligated to publicly update or revise these forward-looking statements. In addition, on today's call, we will discuss certain non-GAAP financial information, such as FFO, adjusted EBITDAre and comparable hotel level results. You can find this information together with reconciliations to the most directly comparable GAAP information in yesterday's earnings press release and our 8-K filed with the SEC and in the supplemental financial information on our website at hosthotels.com.

With me on today's call are Jim Risoleo, President and Chief Executive Officer; and Sourav Ghosh, Executive Vice President and Chief Financial Officer.

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

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

Thank you, Jaime, and thanks to everyone for joining us this morning. 2024 was a busy year for Host. We delivered operational improvements driven by continued rate growth and out-of-room spending. We acquired $1.5 billion of iconic and irreplaceable real estate across four properties, three of which are in new markets for Host. We continue to reinvest in our portfolio through capital expenditures and resiliency investments.

We made progress on the Hyatt Transformational Capital Program and the condo development at the Four Seasons Resort Orlando at Walt Disney World Resort. We returned significant capital to stockholders in the form of dividends and share repurchases and we maintained an investment-grade balance sheet and continue to position Host to take advantage of potential opportunities in the future.

Turning to our results. We finished 2024 above our most recent guidance estimates. For the full year, we delivered adjusted EBITDAre of $1,656 billion, a 1.7% increase over 2023, and adjusted FFO per share of $1.97, a 2.6% increase year over year. Comparable hotel total RevPAR grew 2.1%, while comparable hotel RevPAR grew 90 basis points compared to 2023. Comparable hotel EBITDA margin of 29.2% was down 60 basis points versus 2023, primarily due to increased wages, fixed expense pressures, and performance in Maui following the wildfires in 2023.

During the fourth quarter, we delivered adjusted EBITDAre of $373 million and adjusted FFO per share of $0.44. Comparable hotel total RevPAR improved 3.3% compared to the fourth quarter of 2023, and comparable hotel RevPAR was up 3%, driven by strong transient demand, including an improving leisure transient demand in Maui and increased ancillary revenues. Comparable hotel EBITDA margin improved by 30 basis points year over year to 28.1%, driven by improvements in rates, increases in ancillary spending, sustained productivity improvements, and certain one-time items.

As a reminder, the operational results discussed today refer to our 78 hotel comparable portfolio in 2024, which excludes the Ritz-Carlton Naples, Alila Ventana Big Sur, and the Don CeSar. In 2025, our 79-hotel comparable portfolio only excludes Alila Ventana Big Sur and the Don CeSar as the Ritz-Carlton Naples is comparable in 2025.

Turning to business mix. RevPAR growth in the fourth quarter was better than expected, driven by over 3% rate growth. Transient revenue drove the outperformance in the quarter, growing 8%, which is the highest improvement in the last six quarters. Revenue growth was led by leisure in Maui, New York, and Oahu, which all had strong festive seasons. Notably, our three Maui resorts accounted for nearly half of the transient room revenue growth in the fourth quarter.

Transient rates at our comparable resorts remained robust at 44% above 2019 levels, even as our Maui resorts strategically offered leisure incentives to drive demand. Excluding Maui, transient rates at our comparable resorts were in line with recent quarters.

Business transient revenue grew approximately 6%, driven by strong rate growth as we saw a favorable market mix and a continued shift from government to the corporate negotiated segment. As expected, group room revenue for the quarter was down approximately 5% year over year due to tough comparisons in San Francisco and Maui as Maui benefited from recovery and relief group room nights in 2023. Our properties sold 960,000 group room nights in the fourth quarter, bringing our total group room nights sold for 2024 to $4.3 million or 101% of comparable 2023 group room nights.

Digging deeper into Maui, the leisure recovery is underway. Total RevPAR at our three Maui resorts was up 6.4% in the fourth quarter as leisure guest total spend exceeded recovery and relief group business last year. Transient rooms sold were up approximately 50% year over year at our 2 Wailea Resort and transient rooms sold at the Hyatt Regency Maui and Kaanapali were up 325%. The leisure guest continues to spend at our F&B outlets, spas and golf courses, leaving us encouraged by the leisure recovery that is beginning to take shape in Maui.

For the full year, we estimate that Maui impacted our comparable hotel total RevPAR by 110 basis points, RevPAR by 160 basis points, and EBITDA margin by 20 basis points, including the business interruption proceeds received during the year.

Turning to ancillary spend. We continue to see improvements in food and beverage revenues and out-of-room spending. F&B revenue grew nearly 3% in the quarter, driven by outlets at our resorts. Notably, banquet revenue increased despite a decrease in group room nights driven by growth in banquet revenue per group room night. Other revenue grew 8% despite an expected moderation of attrition and cancellation revenue.

For the full year, F&B revenue grew 3.6%, driven by an increase in banquet contribution and an improvement in group room night volume. Taken together, we continue to see the strength of the affluent customer across properties in our portfolio.

Moving to our reconstruction efforts at the Don CeSar. We have substantially completed our remediation efforts and our focus has shifted to rebuilding compromised infrastructure to increase resilience, including elevating critical equipment and systems as we did at the Ritz-Carlton Naples. We expect a phased reopening of the property beginning late in the first quarter.

We currently estimate our total property damage and remediation costs at the Don CeSar will be between $100 million and $110 million, and our total insurance deductible is $20 million. Additionally, we expect to collect business interruption proceeds. We have included approximately $9 million of business interruption proceeds in our 2025 adjusted EBITDAre guidance, which we expect to receive in the first half of the year, but it is still too early to estimate the timing or amounts of additional payments. In total, we estimate that Hurricanes Helene and Milton negatively impacted our adjusted EBITDAre by $15 million in 2024.

Turning to capital allocation. In 2024, we completed $1.5 billion of acquisitions across four hotels, including the 1 Hotel Nashville and Embassy Suites by Hilton Nashville Downtown, the 1 Hotel Central Park and the Ritz-Carlton Oahu, Turtle Bay. Thus far, our new acquisitions are performing in line with our underwriting expectations.

In addition to successfully allocating capital through acquisitions, we also returned capital to stockholders through share repurchases and dividends. In 2024, we repurchased 6.3 million shares at an average price of $16.99 per share for a total of $107 million. Since 2022, we have repurchased $315 million of stock at an average repurchase price of $16.27 per share, and we have $685 million of remaining capacity under our share repurchase program.

In the fourth quarter, we declared a quarterly cash dividend of $0.20 per share and announced a special dividend of $0.10 per share, bringing the total dividends declared for the year to $0.90 per share. In total, we returned over $844 million of capital to stockholders in 2024.

Turning to portfolio reinvestment. In 2024, we invested nearly $550 million in capital expenditures and resiliency investments. We completed renovations to approximately 2,100 guestrooms; 213,000 square feet of meeting space; and approximately 93,000 square feet of public space. In addition, we completed the repositioning renovation at the Singer Oceanfront Resort, as well as made progress on the Hyatt Transformational Capital Program. We also completed vertical construction on the mid-rise condominium building at the Four Seasons Resort Orlando at Walt Disney World Resort, marking a significant milestone in the development. Sales efforts for the condos started in November of 2024, and we have deposits and purchase agreements for 14 of the 40 units.

In 2025, our capital expenditure guidance range is $580 million to $670 million, which includes between $70 million and $80 million for property damage reconstruction, the majority of which we expect to be covered by insurance. Our CapEx guidance also reflects approximately $270 million to $315 million of investment for redevelopment, repositioning, and ROI projects.

Within the Hyatt Transformational Capital Program, we expect to start renovations at the Hyatt Regency Washington on Capitol Hill, the Manchester Grand Hyatt San Diego, and the Hyatt Regency Austin. As a reminder, we expect to benefit from approximately $27 million of operating profit guarantees in 2025 related to the Hyatt Transformational Capital Program, which we expect will offset the majority of the EBITDA disruption at those properties.

Other major ROI projects for 2025 include the construction of The Phoenician Canyon Suites villa expansion and the Don CeSar ballroom expansion, which we expect to complete in the fourth quarter of 2025. In addition to our capital expenditure investment, we expect to spend $75 million to $85 million on the condo development at the Four Seasons Resort Orlando at Walt Disney World Resort this year.

More broadly, we have completed 24 transformational renovations since 2018, which we believe will continue to provide meaningful tailwinds for our portfolio. Of the 16 hotels that have stabilized post renovation operations to date, the average RevPAR index share gain is over 7.5 points, which is well in excess of our targeted gain of 3 to 5 points.

We continued to be recognized as a global leader in corporate responsibility over the course of 2024. Last month, Host was named to Newsweek's list of America's Most Responsible Companies for the sixth year in a row. The annual ranking analyzes data from more than 2,000 of the largest public companies in the United States before selecting the most responsible. The final list for 2024 recognizes the top 600 most responsible companies spanning dozens of industries. Host landed at spot number 88 and is ranked number 4 in the real estate and housing industry.

We also continued to make progress on our sustainability goals with four properties achieving LEED certification during the year, bringing the total to 20. Importantly, we achieved a new milestone in our sustainability efforts for renewable energy use and green building certifications, resulting in the maximum pricing benefit under our credit facility, which reduced the interest rate for the outstanding term loans by 5 basis points.

Wrapping up, we are proud of our accomplishments in 2024, including the iconic portfolio we have assembled and the investment-grade balance sheet we have maintained. We are encouraged by the state of travel, as affluent consumers continue to prioritize experiences, and the supply picture for our markets and chain scales remains below historical levels. We continue to believe that Host is well positioned due to our geographically diversified portfolio, our continued reinvestment in our assets and our fortress balance sheet, and we are confident in the opportunities for continued shareholder value creation in 2025.

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

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

Thank you, Jim, and good morning, everyone. Building on Jim's comments, I will go into detail on our fourth quarter operations, full year 2025 guidance and our balance sheet.

Starting with total revenue trends. Total RevPAR growth continued to outpace RevPAR growth as both group and transient guests maintained elevated levels of out-of-room spending.

Comparable hotel, food and beverage revenue grew approximately 3% in the quarter, driven by 5% growth in resort outlet revenue per occupied room. Approximately half of the resort outlet revenue per occupied room growth came from Maui. It is worth noting that our newly repositioned Singer resort achieved a 50% increase in outlet revenue per occupied room compared to the pandemic highs, which were achieved in the fourth quarter of 2022. Banquet and catering revenue grew 2% in the fourth quarter as banquet contribution per group room night growth of 7% more than offset fewer group rooms sold year-over-year. Notable group strength at the Manchester Grand Hyatt San Diego, Orlando World Center, our Phoenix Resorts and the Four Seasons Orlando bolstered banquet revenue growth.

Other revenues grew 8% despite the expected moderation of attrition and cancellation revenues. Spa revenue was up 18%, driven by the newly expanded spa at the Ritz-Carlton, Amelia Island. Golf revenue was up 6% when adjusting for the operational change at the Ritz-Carlton Oahu, Turtle Bay. To put golf's lasting popularity into perspective, full year 2024 golf revenue was 70% above prepandemic levels.

Shifting to room revenues. Overall, transient revenue was up by 8% compared to the fourth quarter of 2023, driven by improving leisure transient demand in Maui as well as strong rate growth across the portfolio. Looking at holidays in the fourth quarter, Thanksgiving RevPAR grew 8% and festive season RevPAR grew 12%, driven by Maui and the New York Marriott Marquis in both cases. Maui RevPAR for the festive season actualized 42% ahead of last year, which is further evidence of the meaningful leisure recovery that is beginning to take shape.

Looking ahead to holidays in 2025, the Easter shift from late March to late April makes spring break comparisons difficult. Using the months of March and April combined as an indication, transient revenue pace is up approximately 4% compared to the same time last year.

Business transient revenue grew 6% versus the fourth quarter of 2023, driven primarily by rate growth, which is consistent with the trends we saw for the full year. In 2025, we expect further business transient in demand growth driven by large corporate accounts.

Group room revenue in the fourth quarter was down 5% year-over-year due to expected tough comparisons, including APEC in San Francisco, and the recovery and relief group rooms in Maui last year. Outside of Maui, hotels in San Diego, New Orleans, San Antonio and Phoenix had the largest group revenue increases. Corporate groups continued to show strength with revenue up 6%, driven fairly evenly by room nights and rate.

Looking ahead to 2025, we have 3.2 million definite group room nights on the books, representing a 16% increase since the third quarter, putting us nearly 3% ahead of where we were this time last year. Total group revenue pace is up 5.6% over the same time last year, driven by widespread rate growth across the portfolio coupled with the demand growth. More specifically, we are seeing growth in San Francisco, San Antonio and New York. Notably, our San Francisco hotels booked over 70% more group rooms for 2025 in the fourth quarter versus the same time last year. We continue to be encouraged by the ongoing strength of group business as evidenced by strong portfolio pace as well as citywide room night pace in key markets such as San Francisco, San Antonio, New Orleans and Denver.

Shifting gears to margins. Full year 2024 comparable hotel EBITDA margin of 29.2% was 60 basis points below 2023. The decrease was driven primarily by wages and benefits, fixed expense pressures as well as the impacts from Maui.

Turning to our outlook for 2025. The midpoint of our guidance contemplates a stable operating environment with a continued improvement in group business, a continued gradual recovery in business transient and steady leisure demand. We have assumed a gradual improvement at our Maui properties this year and the continuation of the international demand imbalance. At the low end of our guidance, we have assumed a slower recovery in Maui and the deterioration of the international demand imbalance. And at the high end, we have assumed a faster recovery at our Maui resorts and an improvement in the international demand imbalance.

For full year 2025, we anticipate comparable hotel RevPAR growth of between 50 basis points and 2.5% over 2024. We expect comparable hotel EBITDA margins to be down 210 basis points year-over-year at the low end of our guidance to down 150 basis points at the high end.

In terms of RevPAR growth cadence for the year, we anticipate mid-single-digit growth in the first quarter with January comparable hotel RevPAR growth up 9.5%. For the remaining 3 quarters, we anticipate growth in the low single digits.

As a reminder, the second quarter faces difficult comparisons to 2024 as a result of the Easter holiday shift into April, and we have a lack of visibility into how the international travel imbalance will trend this summer.

At the midpoint of our guidance, we anticipate comparable hotel RevPAR growth of 1.5% compared to 2024 and the comparable hotel EBITDA margin of 27.5%, which is 180 basis points below 2024.

As we think about bridging our 2024 results to 2025, we estimate a 110 basis point impact to full year comparable hotel EBITDA margin from wage and benefit rate increases, a 40 basis point impact from lower business interruption proceeds and a 30 basis point impact from Maui operations given the onetime benefits in 2024.

In 2025, we expect overall wage and benefit expenses to increase over 6%. For context, in 2024, overall wages and benefits grew 5.4% and comprised approximately 57% of our total hotel operating expenses.

Our 2025 full year adjusted EBITDAre midpoint is $1,620 million. On a year-over-year basis, this reflects an expected $140 million to $160 million headwind from wages and benefits, the Don CeSar, Maui, lower business interruption proceeds and lower interest income. It includes approximately $9 million of business interruption proceeds related to Hurricanes Helene and Milton, which we expect to receive in the first half of the year. It is important to note that we expect to receive additional business interruption proceeds for the Don CeSar, but it is still too early to estimate the timing and the amounts of any additional payments.

Our 2025 full year adjusted EBITDAre midpoint also includes $25 million of estimated EBITDA from the Four Seasons condo development, which we expect to recognize concurrent with condo sale closings in the fourth quarter and $24 million of restricted stock-based compensation, which we are adding back to adjusted EBITDAre beginning in 2025, consistent with industry practice.

Lastly, our midpoint includes an estimated $3 million loss at the Don CeSar and an estimated $12 million contribution from operations at Alila Ventana Big Sur, both of which are excluded from our comparable hotel set in 2025.

Turning to our balance sheet and liquidity position. Our weighted average maturity is 5.2 years at a weighted average interest rate of 4.7%. We have a balanced maturity schedule with our next maturity of $500 million coming due in June of this year. We are closely monitoring the debt capital markets and we believe our balance sheet provides us with ample optionality and flexibility. We ended 2024 at a leverage ratio of 2.7 times, and we have $2.3 billion in total available liquidity, which includes $242 million of FF&E reserves and $1.5 billion of availability on our credit facility.

Wrapping up, in January, we paid a quarterly cash dividend of $0.20 per share and a special dividend of $0.10, bringing the total dividends declared in 2024 to $0.90 per share. The Board of Directors authorized a quarterly cash dividend of $0.20 on our common stock to be paid on April 15, 2025, to stockholders of record on March 31, 2025. As always, future dividends are subject to approval by the company's Board of Directors.

To conclude, we are pleased with our achievements in 2024, and we believe our diversified portfolio and strong balance sheet leave us uniquely positioned to capitalize on opportunities 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) Michael Bellisario, Baird.

Michael Bellisario - *Baird - Analyst*

Just on your guidance, I know you mentioned Maui and across-border travel were kind of the high low sensitivities. But I guess, what else have you assumed at the high end, low end, just from a macro backdrop perspective? And then maybe, what have you derisked and where might we see upside materialize as the year progresses?

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

Sure. From a macro perspective, we have effectively worked on the best knowledge we have as of today in terms of GDP growth and nonresidential fixed investment. Obviously, that can change throughout the year, but it's just based on information -- best information available as of today.

In terms of where there could be upside, group is certainly strong, our group pace is very strong for the year. Our group rate is at 4% year-over-year. We already have 3.2 million group room nights, which is 2.7% better than last year from a pay standpoint. And our total group revenue pace was 5.6% versus last year. So we do expect that there could be further strengthening of group.

Right now, the way it's pacing, our first quarter and the fourth quarter group pace are extremely strong. There certainly is room in the second and third quarter for in the year for the year bookings. And I would say, tied to the group pace, there is certainly potential in terms of driving more banquet and catering business. That's I think where the upside is on the group side.

On the business transient side, depending on business sentiment remaining strong for the remainder of the year, there certainly could be tailwinds that we see from the large corporations really traveling again an increase in BT volume.

Operator

Smedes Rose, Citigroup.

Smedes Rose - *Citi - Analyst*

I wanted to maybe ask you a little bit more about Maui. If you take out the business interruption insurance for '24, it looks like you came in at around $95 million. Could you just maybe kind of level set what you think the range is at the high and the low end could be for $95 million, and maybe other factors that might have positively impacted '24 that perhaps won't be repeated in '25?

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

Yes. Smedes, I think that's a great question because there are a lot of moving pieces with respect to Maui. And I think Sourav has a bridge that we're prepared to talk through right now.

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

So going through the bridge, Smedes, you're right, it's about $97 million of EBITDA that we achieved in 2024, net of BI. Use that as a starting point, I would deduct about $17 million for nonrecurring relief and recovery rooms that we saw in 2024, also deduct about $8 million for onetime attrition and cancellation revenue that we received. So that brings your restated 2024 Maui EBITDA to $72 million. So that effectively excludes your onetime items. Now from that $72 million, you should deduct about $7 million for about a 7% increase in wage and benefits that we are seeing in 2025 versus 2024.

And then I would add about $15 million to $30 million estimate of improvement in operations. So that's where we are seeing actual improvement in operations. That would get you effectively to $80 million to $95 million for 2025. If you do the math, that's sort of the low to high.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

Jim, I guess if we look back in '24, obviously, leisure in Maui, we're kind of -- what caused you to be off versus initial? But if we think about group and BT a year ago and how they actualize. I mean is it fair to say both of those were better and you're starting from a fairly conservative point on those? And so just thinking about which parts of the business get better in '25 and leisure, Maui, especially getting better is really not something you're contemplating in guidance. But just kind of how '24 shook out versus initial on the group and BT?

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

Yes. Chris, BT is continuing a slow, steady climb. We saw a 6% increase in BT revenues last year. We anticipate that there could be some tailwind on the business transient side of the business. We have the big consulting companies and tech companies are getting back on the road.

And I think that's very positive. And it's obviously not something that you can forecast with any degree of certainty given the short-term nature of it. But businesses are back traveling. Businesses are back in the office in many instances. So we feel good about how BT performed in '24 and are optimistic with respect to how BT will perform in '25.

The same on the group side of the business. And the piece of group that continues to perform exceptionally well is out of room spend. Banquet and catering revenues continue to climb to new highs. It's a testament to the affluent consumer who is booking the group business, particularly for incentive groups that they're not holding back on F&B offerings and AV offerings and the like and spend actually at the spa and the golf courses.

So we feel good about how group is set up this year. We're ahead of where we were at the same time last year. And we have some room in a couple of quarters, as Sourav said, to really pick up some additional rooms in the year for the year or in the quarter for the quarter. So all in all, I think we feel good about BT and group.

And the Maui situation, we feel -- obviously, it's a little too soon to really drill down on how it's going to perform this year, but I will tell you we had an incredible festive season at our Maui resorts. And as you know, Chris, from your visit to the island, our properties are in terrific shape. And we're optimistic going forward that we're going to continue to see business come back to Maui.

It's going to take a little bit of time for incentive group to come back only because there's a 6-plus month booking window to get that type of business on the books. And as you know, Maui just recently reopened for business in the last quarter or so. And we're starting to see meeting planners visit the island and come away very optimistically.

Operator

David Katz, Jefferies.

David Katz - *Jefferies - Analyst*

I wanted to go back to a release a while back regarding selling some noncore assets. And I think we've had a little more debate around how fertile the asset trading market is going to be right now. How should we think about that? I know there isn't a specific timing on it, but just a commitment to do so and whatever updated thoughts?

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

Well, David, the release was a rumor that one of the online services published. I think that article indicated that we had hired an adviser to assist us in the sale of a portfolio of hotels. In fact, we did not hire an adviser. And we always test the market with different groups of assets to see what sort of pricing might be available to us.

Let me level set and say that we're very, very comfortable with the portfolio that we have today. It's in great physical condition. We continue to invest in our assets. We're continuing to pick up significant share gains on the 24 transformational renovations that we completed, we're almost 8 points ahead in yield index relative to underwriting of 3 to 5 points.

So Host is in a unique position where if we have an opportunity to sell something that we feel is good value for our shareholders, we will, but we're certainly under no compulsion to do so. And that's how we will continue to approach the markets.

With respect to the transaction market generally, there is -- it hasn't opened up as much as I think a lot of us thought that it would. I think we're still seeing a bit of a damper given where the 10-year treasury is trading right now, and there is still a fairly wide bid-ask spread between sellers and buyers, particularly with respect to sellers who don't have to sell. So that is actually good for us, given our balance sheet and the liquidity that we have. If we were to see an opportunity in the marketplace that made sense for us, we certainly could transact.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - *Evercore ISI - Analyst*

And sorry, I missed Hawaii. I was in the middle of our other earnings season. But so look, 4Q surprised positively.

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

We could do it again, Duane, that's all right.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Great. Let's talk about that offline. I might take you up on that. So look, 4Q surprised positively, 1Q is surprising positively from a topline perspective, at least relative to our estimates. And it looks like your guidance assumes meaningful decel that you don't actually see.

So maybe you could just comment on that. Do you actually see this decel or you don't see it yet? It might happen, it might not happen, it might happen?

And then if RevPAR growth does play out better, can you just help us think about how we should think about flow through to the bottom line? How have you positioned your portfolio for flow-through to the bottom line if the top line actually does play out better?

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

Yes. I'll take the first part of the question, and then I'll let Sourav address flow-through. It's early in the year from a guidance perspective. And I think we really want to sit back and see how Maui recovers and also see if there is a shift either way in the international outbound-inbound demand imbalance. So our midpoint assumes that the Maui bridge that Sourav laid out have $15 million to $30 million improvement in operations over the last year after you wash out the onetime events.

And our assumptions regarding international inbound at the midpoint assumes that it remains static where it is today, which is basically 125% international outbound flights over 94% of international inbound. And that actually -- that statistic actually weakened a bit from the last quarter. We were at 120% in the last quarter. So we're still seeing the affluent American consumers wanting to travel to Europe and elsewhere.

So we felt that it was prudent to just be thoughtful about those two drivers of our forecast. And as we see the year evolve, we will address it accordingly. So I don't want to beat a dead horse on our comfort level with how group is set up and how BT is set up, but you'll note that I don't talk -- we don't talk about those when it comes to the drivers of our range of RevPAR guidance and total RevPAR guidance for the year.

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

Yes. And to that, I will also add. In January, we achieved RevPAR of 9.5%. Remember, we do have a meaningful presence in DC and inauguration really helped January and DC was up 77%. So when you actually take D.C. out, January was up 6%. So obviously, a meaningful delta. And then as I spoke to earlier, our pace was set up really well.

Group pace was very much Q1 loaded. And also think about sort of the Easter shift that's taking place, so Q1 will perform better and Q2 is going to be challenged with Easter being in late April in addition to all the things that Jim mentioned.

From a flow-through standpoint, the way to think about it is at the midpoint of our guidance at 1.5% RevPAR growth, our total expense, hotel expense growth is 4.3%, and that accounts for the BI delta between the two years or the $31 million delta between 2024 and '25, because remember, we had about $40 million of business interruption proceeds in '24, and we are -- in our current guidance have $9 million for 2025. So that's obviously getting impacted because that shows up as a contract expense in our income statement.

So if you adjust for BI, then the total hotel expense growth is only 3.7% despite the wage and benefit growth that we talked about being just over 6% for the portfolio. So in other words, if you do the math, if you're including the BIPs, if we get to a 4.3% RevPAR growth, then you would effectively breakeven on the margin front. And if you want to exclude the BI, then all you need is 3.7% of RevPAR growth to breakeven. Hopefully, that helps.

Operator

Chris Darling, Green Street.

Chris Darling - *Green Street - Analyst*

Jim, how are you thinking about labor availability today given some of the rhetoric coming out of the current administration? And then maybe more broadly, can you speak to some of the tools that your operators have available to mitigate labor-related challenges going forward from here?

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

Sure, Chris. I think we're positioned very well on the labor front, given that we have two of the best-in-class managers running most of our hotels in Marriott and Hyatt. And we have not heard of any concerns across the portfolio with respect to availability of labor. Both Marriott and Hyatt are companies where people want to go to work if they want a career in hospitality. And we always want to make certain that we have the best and the most capable people at each of our properties.

And we've worked closely with our managers over the years to make certain that, that is the case. So no concern on the labor front.

With respect to productivity enhancements, I'll let Sourav talk a little bit about how we view productivity. But one of the really interesting things that is starting to evolve and I think it can be exciting going forward is the use of artificial intelligence to assist customers at the hotels to book out of room spend, whether it's outlet revenue, whether it's spa, whether it's golf, whether it's experiences off property. And that just further leverages the labor force that we have in place.

So I think there are a lot of good things to come. We continue to talk about total RevPAR. The total RevPAR is very important to the Host portfolio. We have about 40% of our revenues this year that are going to be non-rooms revenues. And while we don't necessarily make the same margin on non-room revenues, $1 of EBITDA is $1 of EBITDA.

So we will push hard to continue to make that happen.

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

On the productivity side, I would just say that obviously, the major managers have really strong tools. Marriott, for example, uses Atlas. And the focus really is making sure that they are utilizing best-in-class labor standards as they figure out scheduling and tying that appropriately with the forecast that we have for the property, and that's how we can drive productivity. And I would say they use a multitude of tools to also attract and retain talent, which has never really been a challenge, as Jim said, for our major managers.

Operator

Robin Farley, UBS.

Robin Farley - *UBS - Analyst*

Just to clarify, the $25 million in condo sales proceeds. Are you including in guidance just the condos for which you have deposits or in other words, could there be upside to that? And also, I apologize if you've said this already, we have so many companies reporting today. Did you say what you're expecting the corporate negotiated rate increase to be for '25?

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

Sure. On the condo sales, Robin we are assuming more right now than the 14 deposits that we have already received. And that's an assumption that we're making as we go through the year. We expect to grow -- or I should say, get deposits on more condos, but it is right now, the guidance includes more than the 14 condos that we have received deposits on.

The other thing I will say is I would not expect any EBITDA from the condo until the fourth quarter of this year. Just keep that in mind because we actually have to hand over the keys to the owners before we can recognize the revenue from the sales.

And then your next question in terms of sort of negotiated rates. I'm sure you heard sort of Marriott's call, it's effectively close to the mid-single-digit number.

Operator

Aryeh Klein, BMO Capital Markets.

Aryeh Klein - *BMO Capital Markets - Analyst*

You previously noted that group will take longer to recover in Maui. Just curious what your expectations are around that for 2025 and if you're starting to see that pick up for 2026? And then maybe just from a bridging standpoint as it relates to Maui, do some of the wage headwinds that you're seeing impact that $175 million or some number? Or does that come down a little bit?

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

Sorry, say the last part of your question again, Aryeh. Which number came down?

Aryeh Klein - *BMO Capital Markets - Analyst*

Just in terms of the ultimate recovery number getting back to where it was, I think it was around $175 million. So you had around $80 million gap to make up. Does that come down a little bit as you think about the potential opportunity given higher wage costs?

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

Over time, I think there is still potential to get back to the $172 million for sure. It's right before the fire, Maui was doing extremely well and given what we have invested in the assets in Maui, we certainly feel there is potential to grab more share. And we are pretty confident we can still get back to the $172 million that we had spoken about in earlier calls. It's just a matter of sort of when we get to that point.

And then in terms of -- sorry. On Maui's group. And I did want to mention quickly on -- we are definitely seeing group picking up for Maui. It is encouraging to see not only in the year for the year group pickup, but also '26 and beyond and certainly seeing more activity than earlier. As a matter of fact, we picked up a meaningful amount of group room nights in the fourth quarter for 2025 and encouraging signs in January as well.

Operator

Jay Kornreich, Wedbush Securities.

Jay Kornreich - *Wedbush Securities - Analyst*

Just curious about how you're thinking about deploying capital at this point in 2024. You put a significant amount in acquisitions, buying back stock, internal ROI projects. So just curious about how you're thinking about capital deployment in 2025.

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

Sure, Jay. I would say, think about it from an opportunistic perspective. And the fact that we are sitting here with an investment-grade balance sheet at 2.7 times leverage gives us a lot of flexibility to deploy capital across a number of different areas, including buying back stock, including additional acquisitions if something presented that made sense to us, and continue to invest in our portfolio. And we have seen very, very good results from both the Marriott Transformational Capital Program and the other eight assets that we repositioned with transformational renovations. And we're focused this year on the Hyatt Transformational Capital Program.

We're excited about that. We have a number of projects that we're going to start in '25, including the Manchester Grand Hyatt, the Hyatt Regency in Austin and the Hyatt Regency on Capitol Hill. The Grand Hyatt in Washington, DC will be completing this year. So as we think about deploying capital into our assets, there are other properties that we think could pick up meaningful market share if we were to reposition them.

So we continue to have conversations with our brand partners along those lines. And we think that's a good place to put some money to work.

Operator

Floris Van Dijkum, Compass Point.

Floris Gerbrand van Dijkum - *Compass Point - Analyst*

Just a quick question. Could you remind us, you ended the year -- I think your full year occupancy was 67.5% for your domestic portfolio. What was it for at the peak for a year? And could you distinguish between resorts and urban hotels in particular, what the deltas are potentially for -- to get back to peak occupancy?

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

I can tell you what it is in terms of the portfolio. We'll have to get back to you specifically on the delta for resorts versus urban. There is still an 8-point occupancy gap to peak for us right now. And expectation for this year in terms of occupancy is pretty similar to 2024.

Operator

Smedes Rose, Citigroup.

Smedes Rose - *Citi - Analyst*

I just wanted to follow up maybe on capital deployment. And obviously, forecasts are going to go down for '25 based on your updated guidance versus what was out there on consensus. But even lowering those forecast, I mean, it looks, at least to us, that, I mean the stock is trading at like, I don't know, 10 times, 10.5 times EBITDA, cap rate is pretty high relative to certainly what we see in the private market for those transactions that are available or to be seen. What is the argument for not having a more sort of holistic approach to buying back your own stock here? And you've talked about being opportunistic, but I mean, it's very difficult to predict your own share price.

So why not just sort assign a certain amount of capital on a quarterly basis to bring down your share count here and be buying at what looked like fairly compelling valuations?

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

Smedes, I agree with you that the stock is underpriced, and it's a good value. And as we look at our capital allocation opportunities across the board, stock buybacks will certainly be one of them. But in terms of -- if you're suggesting some sort of programmatic plan to buy back stock, that's not something we're in favor of doing. I mean, we have to keep one eye on operations and what's happening at our properties, one eye on the balance sheet as well. So the investment-grade balance sheet is sacrosanct to us.

But at the time that we can buy back shares, we proved to you and to the Street that we will buy back shares. The fourth quarter, we would have bought back stock given where it traded, but unfortunately, we went into black out. And we're in blackout today as a good example because we haven't filed our 10-K. So there are moments in time where you will see us buy back stock, and there are other points in time where, for whatever reason, we won't be able to.

Operator

And that concludes our Q&A session. I will now turn the conference back over to Jim Risoleo for closing remarks.

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

Well, thank you for joining us today. We really appreciate the opportunity to discuss our quarterly results and our 2025 outlook with you. And I'm sure I'll see many of you at conferences in the coming weeks and months. Have a good day.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect.
