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HST.OQ - Q2 2026 Host Hotels and Resorts, Inc. Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Welcome to the Host Hotels & Resorts second-quarter 2026 earnings conference call. Today's conference is being recorded.

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

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

Thank you. And good morning, everyone.

Before we begin, today's call will include forward-looking statements within the meaning of federal securities laws. As described in our filings with the SEC, these statements are subject to 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.

On today's call, we will also discuss certain non-GAAP financial information, such as FFO, adjusted EBITDAre, and comparable hotel level results. For reconciliations to the most directly comparable GAAP information, please see yesterday's earnings press release, our 8-K filed with the SEC, and the supplemental financial information on our website at hosthotels.com.

The operational results discussed today refer to our 74-hotel comparable hotel portfolio in 2026, which excludes the Don CeSar and Sheraton Parsippany, which we sold in June.

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, Jamie. And thanks to everyone for joining us this morning.

We delivered a strong second quarter, building on the momentum of the first quarter and again exceeding our expectations. We delivered adjusted EBITDAre of $525 million, an increase of 5.8% over last year, and adjusted FFO per share of $0.63, an increase of 8.6% over last year. Comparable hotel RevPAR improved 7% compared to the second quarter of 2025 and comparable hotel total RevPAR improved 5.9% driven by rate growth and higher food and beverage revenue. Comparable hotel EBITDA margin improved by 60 basis points year-over-year to 31.9%, driven by rate growth alongside lower fixed expenses.

RevPAR growth in the second quarter came in significantly better than our expectations with broad-based strength across markets and business mix. Growth was driven by sustained luxury resort demand, elevated rates associated with the World Cup and strong group performance.

Looking at World Cup performance, we estimate that the event contributed approximately 160 basis points of RevPAR growth in the second quarter. For June alone, RevPAR in our World Cup markets grew 15% compared to 12% in non-World Cup markets. For the full year, we expect the World Cup to contribute approximately 70 basis points of gross RevPAR growth, a 10-basis point increase over our initial expectation.

Turning to business mix. Transient revenue was up 7%, marking the strongest growth in the past seven quarters driven by higher rates as demand remained relatively stable. Rate growth was supported by major events, citywide compression, and continued leisure strength at our luxury resorts. Growth was led by Maui, New York, and San Francisco with improvements in key business transient markets also providing a tailwind to performance.

Briefly touching on Maui. RevPAR grew 14% and total RevPAR grew 11%, reflecting strong demand growth. In fact, occupancy grew more than 8 percentage points in the quarter as the market's recovery continues. We continue to expect our Maui properties to contribute approximately $120 million of EBITDA in 2026.

Business transient revenue grew 4%, driven by strong rate growth and we were encouraged to see an increase in business transient room nights in several key markets from a variety of industries.

Group room revenue for the quarter was up 7% year-over-year. driven fairly evenly by room night and rate growth. Our properties sold 1.1 million group room nights in the second quarter and definite group room nights on the books for 2026, now stand at $3.8 million, with total group revenue pace up more than 5% to the same time last year.

Turning to ancillary spending. Food and beverage revenue grew 6% and other revenue was approximately flat as growth in on-property spending was offset by a decrease in attrition and cancellation revenue compared to last year's tough comparisons. The broad-based growth across food and beverage departments, golf, and spa demonstrates the continued strength of the affluent consumer as well as the benefits of the strategic investments we have made in many of our properties over the last several years.

Turning to capital allocation. In June, we completed the sale of the Sheraton Parsippany for approximately $12 million. This disposition reflects our strategy of selling lower growth assets with near-term elevated capital expenditure requirements.

In July, we paid a quarterly common dividend of $0.20 per share and a special dividend of $0.72 per share. The special dividend represented the distribution of the approximately $500 million taxable gain from the sale of the two Four Seasons resorts in the first quarter of this year. This is a great example of our commitment to discipline and opportunistic capital allocation. By returning capital to shareholders through regular quarterly and special dividends we are enhancing long-term value for our investors.

Turning to portfolio reinvestment. During the second quarter, we continued the execution of the Hyatt Transformational Capital Program, which is nearly 90% complete and on track for completion by the end of 2026. Transformational renovations are now finished at five of six hotels in the program, including the Grand Hyatt Atlanta in Buckhead, the Hyatt Regency Capitol Hill, the Hyatt Regency Austin, the Hyatt Regency Reston, and the Grand Hyatt Washington, D.C. The Manchester Grand Hyatt San Diego, the final asset in the program, was phased to mitigate business interruption and is expected to be substantially complete by the end of this year.

We also made progress on the second Marriott Transformational Capital Program, which is approximately 37% complete and is tracking on time and under budget. Guestroom renovations at the New Orleans Marriott are nearing completion, renovations at the Ritz-Carlton Naples, Tiburon and Westin Kierland are in progress, and the Ritz-Carlton Marina del Rey is scheduled to start renovations later this month.

In the second quarter, we received $5 million of operating guarantees related to our transformational capital programs. As a reminder, we expect to benefit from approximately $19 million of operating profit guarantees in 2026 related to our two transformational capital programs, which we expect will offset most of the EBITDA disruption at 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 28 of the 40 units, including 20 of 31 mid-rise units and eight of nine villas. As a result of the expected timing of the remaining closings, we now anticipate 2026 EBITDA of $16 million to $20 million compared to our prior expectation of $20 million to $25 million with the difference expected to be recognized in 2027.

For 2026, our capital expenditure guidance range is approximately $550 million to $630 million. This includes approximately $250 million to $285 million of reinvestment focused on redevelopment, repositioning, and ROI projects as well as $25 million to $30 million of property damage reconstruction associated with the Kona Low rainstorm in Hawaii. We also anticipate remediation costs of approximately $2 million, and we expect insurance coverage to substantially cover the losses in excess of our deductible.

In addition to our capital expenditure investment, we spent approximately $17 million to close out the condo development at the Four Seasons Orlando.

Our continued reinvestment across the portfolio remains a key differentiator and is an important driver of Host's sustained outperformance. Once the second Marriott Transformational Capital Program is completed in 2029, we will have reinvested approximately $2.1 billion into comprehensive renovations across 34 hotels, which are expected to contribute approximately 60% of our hotel EBITDA in 2026. We have stabilized post-renovation performance at 21 of these properties, where we have seen an average stabilized RevPAR index share gain of nearly 9 points. These results underscore how our disciplined capital allocation strategy over the past several years is translating into meaningful value creation for our shareholders.

Earlier this week, we released our 2026 corporate responsibility report, which outlines our CR strategy and performance, highlighting continued progress across environmental stewardship, social impact, and governance in support of our long-term responsible investment strategy and 2050 net positive vision. We are proud to again be recognized for our corporate responsibility leadership, including Nareit's 2026 Leader in the Light Award for Operations for large cap REITs, inclusion in the 2026 Dow Jones Best-in-Class World and North America Indices, re-validation of our emissions reduction target by the Science Based Targets initiative and an advanced Net Zero Assessment rating from Moody's. The CR report can be found on the Corporate Responsibility section of our website at hosthotels.com.

Turning to our full year outlook. We continue to expect strong leisure demand, modest improvements to short-term group booking trends, and stable business transient demand. As a result of our second quarter outperformance and improved outlook for the second half of the year, we are raising our 2026 comparable hotel total RevPAR and RevPAR growth guidance ranges to 4.75% to 5.25% over 2025. It is important to note that our RevPAR and total RevPAR growth guidance ranges are now in line. This reflects the outsized rate growth we achieved in the first half of the year and our expectation that rate growth will normalize in the second half of the year.

Looking ahead, we are optimistic about the travel environment, which is supported by resilient demand trends and a continued preference among high-end consumers for experiential travel. Industry fundamentals in the second quarter reflected strong RevPAR growth driven by sustained rate strength, while new supply across our markets and chain scales remains near historic lows. Against this favorable backdrop, Host's investment grade balance sheet gives us the flexibility to continue reinvesting in our portfolio, pursue opportunistic acquisitions and dispositions, and return capital to shareholders in the form of dividends and share repurchases. As our results over the past several years have shown, Host's competitive advantages uniquely position the company to continue capturing additional upside in the current environment and over the long term.

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 second quarter operations, our financial results, our updated 2026 guidance and our balance sheet.

Starting with total revenue trends. RevPAR growth outpaced total RevPAR as outsized rates driven by special events boosted rooms growth beyond ancillary revenue growth. Comparable hotel food and beverage revenue for the quarter grew 6%, led by widespread improvements in banquet and catering revenues.

Banquet and catering revenue increased 7% driven by increases in both group room night volume and contribution per group room night. Approximately half of the growth in the second quarter came from our large convention hotels led by Washington, D.C., where a 45% increase in banquet and catering revenue reflected a 20% increase in banquet and catering contribution for group room night from our newly renovated Hyatt properties.

Outlet revenue increased 4%, driven by growth across resorts, the ongoing ramp of The View at the New York Marriott Marquis and our newly renovated Hyatt properties. Maui led outlet growth in the quarter with a 14% increase driven by substantial occupancy increases at the Andaz Maui and Hyatt Regency Maui.

Other revenues were flat in the quarter, as a decrease in attrition and cancellation revenue from last year's tough comparisons offset strength in golf and spa growth. Spa revenue was up 4%, driven by increased capture at our resorts. Notably, spa capture at the Ritz-Carlton Naples, Ritz-Carlton Amelia Island, Andaz Maui, and Hyatt Regency Coconut Point was up double digits compared to last year.

Golf revenue grew 9%, driven by our courses in Maui and Naples. Further underscoring Maui's robust recovery, golf revenue in the second quarter was 9% ahead of pre-fire levels. These increases reflect continued demand from premium leisure travelers, as guests prioritize spending on wellness and experiential offerings.

Shifting to rooms revenues, overall transient revenue was up 7% compared to the second quarter of 2025 driven by special events, citywide compression, and continued leisure strength at our resorts. Resort RevPAR grew 9% in the quarter with Maui accounting for nearly 40% of the growth. Other standout resorts include the 1 Hotel South Beach, which benefitted from the F1 Grand Prix, and our Florida Gulf resorts, which benefitted from an extended spring break. These results continue to underscore the strength of high-end demand.

As Jim mentioned, the World Cup contributed approximately 160 basis points to RevPAR growth in the second quarter. Overall, RevPAR growth in our World Cup markets outperformed our other markets for the month of June. We also saw strength in non-World Cup markets, which benefited from travelers avoiding congestion and pricing in host cities. This trend underscores one of the many advantages of our geographically diverse portfolio.

Looking at recent holidays, revenue growth for Easter and Memorial Day was driven by resorts. With Easter, room revenue up 11% and Memorial Day weekend room revenue up nearly 5%. Transient revenue was up 27% for July 4, with a broad-based growth across our markets and property types driven by America 250 celebrations and multiple World Cup matches.

Looking ahead to upcoming holidays, transient revenue pays for Labor Day weekend, Thanksgiving, and the festive period are all up double digits with strength across property type and markets.

Business Transient revenue increased 4% compared to the second quarter of 2025, driven by rate growth. Notably, several key markets saw business transient room night growth in the quarter, including New York, Washington, D.C., Chicago, and San Diego. In fact, the New York Marriott Marquis had 14% business transient room night growth in the quarter, driven by demand from tech, consulting, and finance companies.

Turning to group. Revenue was up 7% year-over-year. Growth was driven fairly evenly by rate and room nights, which was supported by renovated properties and strong event-related demand. Corporate groups were the primary driver of revenue growth, accounting for approximately two-thirds of the increase, while associations and other groups also grew in the low to mid-single digits.

For full year 2026, we have 3.8 million definite group room nights on the books, representing an 8% increase since the first quarter. As Jim mentioned, total group revenue pace is up more than 5% over the same time last year. For the second half of the year, we are seeing meaningful total group revenue pace in the Florida Gulf Coast, Miami, Boston, New York, and Maui, and group booking pace remained strongest for the fourth quarter.

Shifting gears to margins, comparable hotel EBITDA margin of 31.9% was 60 basis points above the second quarter of 2025, driven by outsized rate growth alongside lower total fixed costs. We continue to expect year-over-year margin comparisons to moderate in the second half of the year, primarily due to lower expected rate growth in the second half.

On the insurance front, our June first property renewal came in better than expected at down 6% compared to last year, which equates to a $2.5 million expense reduction in 2026 compared to our prior guidance. Those savings are now incorporated in our updated guidance.

Turning to our outlook for 2026. As Jim mentioned, we are increasing our comparable hotel total RevPAR and RevPAR growth guidance ranges to 4.75% to 5.25% over the last year.

The midpoint of our guidance contemplates a stable operating environment with a continuation of the trends seen in the first half of the year. This includes a rate-driven leisure transient strength, modest improvements to short-term group booking trends, and stable business transient demand. At the low end, we have assumed weaker short-term transient booking trends. At the high end, we have assumed better short-term transient booking trends.

We expect comparable hotel EBITDA margins to be up 40 basis points year-over-year at the low end of our guidance to up 50 basis points at the high end, a 20-basis point improvement over our prior guidance at the midpoint.

For the remainder of the year, we expect comparable hotel RevPAR growth in the mid-single digits with both quarters above our prior expectations. Comparable hotel RevPAR for July is expected to increase approximately 10% year over year.

At the midpoint, our guidance assumes comparable hotel RevPAR growth of 5% versus 2025, representing a 125-basis point improvement from our prior guidance. We estimate that roughly half of the increase reflects our second quarter outperformance with the balance driven by a stronger outlook for the second half of the year. Our guidance also assumes a 50-basis point net benefit from special events for the full year, including an estimated 70-basis point lift from the World Cup, partially offset by a 20-basis point headwind from the presidential inauguration in the first quarter of 2025. Maui is expected to contribute approximately 45 basis points to full year RevPAR growth.

At the midpoint, we expect a comparable hotel EBITDA margin of 29.7%, which is 50 basis points above 2025. Our margin performance reflects our continued success in partnering with our operators to drive productivity gains across our portfolio as well as the capital allocation decisions we have made over the past few years.

For the full year, we continue to expect wage rates to increase approximately 5%, which comprises approximately 50% of our total comparable hotel operating expenses.

Our 2026 full year adjusted EBITDAre midpoint is $1.830 billion. This implies a $20 million or 1% improvement over our prior guidance midpoint, driven by outperformance in the first half of the year and a more optimistic view of the second half of the year.

Our adjusted EBITDAre midpoint includes $29 million of estimated EBITDA from operations of the Don CeSar, which is excluded from our comparable hotel set in 2026, It also includes approximately $7 million of business interruption proceeds related to Hurricanes Helene and Milton, which we received in the first quarter. We expect to receive business interruption proceeds for the recent Kona Low rainstorm in Hawaii as well, though it is still too early to estimate the timing or amount of any payments.

Lastly, our 2026 full year adjusted EBITDAre midpoint includes between $16 million and $20 million of estimated net EBITDA from the Four Seasons condo development which we expect to recognize concurrent with condo sale closings. In the second quarter, we recognized $8 million of EBITDA associated with condo sales, bringing the total EBITDA recognized to $12 million for the first half of the year.

Turning to our balance sheet and liquidity position. Our weighted average maturity is 4.7 years at a weighted average interest rate of 4.8%. Adjusted for the regular and special dividend paid on July 15, we currently have $3 billion in total available liquidity, which includes $156 million of FF&E reserves and $1.5 billion available under the revolver portion of the credit facility.

In July, we paid a quarterly cash dividend of $0.20 per share and a special dividend of $0.72 per share to shareholders of record as of June 30. Adjusted for this dividend payment, our leverage ratio is 2.2 times. As always, any future dividends are subject to approval by the company's Board of Directors.

In closing, we believe our investment-grade balance sheet, combined with our scale, diversification, and platform strength position Host to drive outperformance and continue capturing incremental upside in the current environment and over the long term.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ari Klein, BMO Capital Markets.

Ari Klein - *BMO Capital Markets - Analyst*

On the guide, the flow through to EBITDA from the RevPAR update looks like it was a little bit less than we saw previously. Somewhat relatedly, Marriott announced an ITR incentive program. Broadly, the brand seems to be looking at ways to lower costs. From your perspective, can you talk about what the impact has been or will be for your portfolio?

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

So in terms of the flow-through for the second quarter, one thing I want to point out is two pieces on the expense side. One was just higher IMF. Because of the outperformance of certain properties in terms of top line, we did hit IMF for those assets, and therefore, it did impact overall flow-through. But that's only a piece of it.

The other piece was given the short-term pickup in transient demand, particularly related to the World Cup, the travel agent commissions expense that we incurred was a little bit higher than expected, and we don't expect that to continue into the second half. So that's really what was impacting flow-through. Otherwise, flow-through would've been even better given the overall total revenue increase.

In terms of Marriott, I would start off with what we have seen in terms of benefit over the past couple of years. Two specific items. Since January 2025, that's when Marriott reduced its loyalty charge-out rate by 20 basis points, which is now at 4%. That annualized is worth about $3 million to $3.5 million for our portfolio.

The second thing was that another reduction over the last several years, call it three to four years, is the account sales and national group sales, which is a booking fee per booking. That to us, again, approximately $3 million in annual savings.

In terms of what's coming ahead, specifically this year, there was a change to the high occupancy reimbursement policy that was enhanced. That's about a, call it a $500,000 savings to us for our portfolio. The other thing that's coming forth is they have shifted procurement, and they've taken a lot of that procurement in-house, and we expect to get about a $7 million benefit for our portfolio over the next few years.

Lastly, what you were speaking to is the intent to recommend reimbursement that Marriott talked about on their call in terms of 50 basis points back to the owners. That intent to recommend would be a reduction to the Program Services Fund. So effectively, if the intent to recommend is above a certain threshold for a particular asset, there would be a reduction to the PSF. That's up to 50 basis points.

No further details have been provided in terms of what that threshold looks like specifically for the intent to recommend threshold, but obviously, it's going to be a positive impact for our portfolio, particularly given the fact that we have invested significant amount of capital over the years to our entire portfolio, not just Marriott, particularly through MTCP 1 and MTCP 2 that's ongoing right now. So certainly, expect that to be a net benefit for us. And then lastly, I will mention is, with the rollout of the new PMS system that's supposed to occur in 2027, we expect that to benefit as well from our Marriott portfolio.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank AG - Research Analyst*

Jim, where do you think we are on kind of the group pricing, I don't want to call it reset, but pricing acceleration, just understanding the lead time that it takes. It seems like you had pretty good rate growth in the quarter on groups. I know there could be a little bit of World Cup noise in that. But I think in the past, you've said as we go through the year here and in '27 and beyond, you expect to see continued momentum on group pricing. So can you just kind of give us maybe a data point or two on how that's tracking?

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

Chris, we're happy with how group is performing this year. Sourav and I both mentioned that our total group revenue pace is up 5% for the year. While it's too early to give color on how group is going to perform in 2027, what I can tell you is that our total group revenue pace is positive. So we like the way we're set up for the year. And I think group is starting to normalize in terms of lead times and booking windows.

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

Yeah. I'll add a couple of adds to that, particularly for the second half of the year, Chris. We talked about how we expected third quarter to be our weakest quarter. What's interesting is that group booking pace, since we reported last, has actually improved for the third quarter.

It was negative low single digits, and that was really because of the Jewish holiday shift that occurred. Now it is actually positive low single digits.

Additionally, our fourth quarter group pace is now close to almost 10%. Previously, that was about 7%. So we certainly saw momentum in terms of group in the year for the year as well as in future years. As Jim mentioned, 2027 in particularly, we are seeing a positive pace, and we'll certainly provide that specific number on our next earnings call.

Just a couple of other points. We picked up about 61,000 group room nights in the second quarter for Q2, but most interestingly, we picked up about 210,000 room nights in the quarter for the remainder of the year. To put that into perspective, last year we had picked up, for the balance of the year, only 167,000 room nights. So definitely group is strong, particularly corporate group at our properties.

Operator

Chris Darling, Green Street.

Chris Darling - *Green Street - Analyst*

Jim, hoping you could elaborate on your capital allocation priorities, how they might have changed given the run-up in your share price year-to-date. And just given the significant available dry powder you have, should we expect to see you go on offense sooner than later?

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

Sure, Chris. Capital allocation always is one of Host's most important value creation levers. We're focused on maximizing long-term shareholder return. We look at every use of capital against the available alternatives, including acquisitions, reinvestment in our existing portfolio, share repurchases, dividends, and asset recycling.

So you are correct. We're sitting here with an investment-grade balance sheet and leverage of approximately 2.2 times, after taking into account the July dividend, and in a portfolio that continues to work and generates strong free cash flow. So we have a lot of flexibility to play offense when we see opportunities that meet our return thresholds.

We're seeing more activity today. There have been a lot of deals in the market. We've underwritten a lot of transactions, and to date, we haven't been able to cross the bar that we set for ourselves internally. But there are high-quality assets out there, and we will continue to look for assets with multiple demand generators, drivers, attractive market fundamentals, and importantly, opportunities where our active management and ownership can create incremental EBITDA. That's where we can be most opportunistic.

We have an advantage over others because we're an all-cash buyer. We can move quickly. We have deep industry relationships, and our platform really gives us the opportunity to underwrite complex assets with confidence.

Why do we like acquisitions? Because it can do more than just add EBITDA. An acquisition can add to the long-time growth profile of the company, and benefit from our expense benchmarking. Renovation is, as you've seen time and again, branding, repositioning opportunities, and the like. I think the 1 Hotel South Beach stands out as one of those acquisitions that has proved out very well for Host. When we bought it was doing $35 million in EBITDA. This year it's going to do $65 million plus.

I would say that we're going to remain disciplined. We're not going to pursue acquisitions simply because we have capital available. We're not going to overpay. The bar remains high. The math needs to work on an unlevered IRR basis, and we need to see a clear path to value creation through market growth asset management opportunities and portfolio fit and capital investment upside.

Operator

David Katz, Jefferies.

David Katz - *Jefferies LLC - Analyst*

Jim, earlier in some of your prepared remarks, you talked about funneling or directing capital into those properties in the portfolio that have the greatest growth. As you look at your portfolio today, assuming there are some properties in there that perhaps don't have the best growth prospects, how much of your portfolio, in qualitative terms, would you consider that to be today? We'll take as much specificity as you can offer.

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

Let me start by saying that we are very, very happy with the composition of our portfolio today. There's no doubt that the portfolio is working really well for us.

I think if you just step back for a moment and look at 2025, I think we did about $1.76 billion of EBITDA in 2025. We sold $84 million of EBITDA, where we sold the two Four Seasons and the St. Regis in Houston. And this year, our midpoint is $1.83 billion. That's $73 million increase, despite the sale of $84 million in EBITDA. So the portfolio is working really well, and it will continue to work well. We're not under any pressure to sell anything.

If we think that we can improve the overall free cash flow and EBITDA per key, which free cash flow comes from increasing EBITDA per key, that is something we will do over time. The pricing has to be right. It's no different than the way we underwrite a potential acquisition. It's how we look at potential dispositions as well.

So I would tell you, over time, I've said this before, and we proved out the point, we are always testing the market to see if there are opportunities to recycle capital. Every asset in the portfolio is for sale. I think we proved that out by selling the two Four Seasons and returning a $500 million in a special dividend to our shareholders. That's one way to create shareholder return and shareholder value, and we'll continue to take a look going forward. There's no compulsion, and we're certainly not under any pressure to sell anything, not sitting here with a solid investment-grade balance sheet at 2.2 times leverage.

David Katz - *Jefferies LLC - Analyst*

Understood. I wasn't implying that there should be a lot to sell.

Operator

Smedes Rose, Citi.

Smedes Rose - *Citi Infrastructure Investments LLC - Analyst*

I wanted to ask a little bit about on the expense side. It sounds like you had some upside surprises around on the insurance savings this year. And I'm just wondering, could you just remind us of what you think the sort of total pace of property level expenses will be this year? And what are kind of the, I mean, I realize it's early, but how are you sort of thinking about the pace of growth into next year, I guess, particularly anything you're seeing on kind of wages and benefits, but also just overall costs.

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

Sure. In terms of this year, Smedes, I think at the midpoint of our guidance at a 5% total revenue increase for the year. Our total expense, we are estimating at about 4.2%. So when you look into next year, and in terms of wages and benefits for this year, our estimate has not changed. We still expect wage and benefit rate growth of 5%.

Looking into next year, we obviously do not have budgets, but I'll tell you what we sort of do expect on the wage and benefit side. It should end up being lower, just given the front-loading impact of all the CBA agreements. And if you recall, the prior year was 6%, this year is 5%. So net-net, we should be better off relative to this year. Don't have a number for you yet. So that should be a tailwind from a wage and benefit standpoint.

Operator

Michael Bellisario, Baird.

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

My question, I sort of want to follow up on David's prior question a little bit but want to focus on sort of the hotels you want to keep, not sell. When you guys look back and what you're doing now, you've done a lot of heavy lifts in ROI work recently. I guess, just sort of what's left for you to do beyond the second Marriott program. Are there more projects in the pipeline? Just sort of trying to understand where and how your excess capital might be spent beyond potential acquisition opportunities.

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

Sure, Mike. We've talked about the transformational renovations that we've undertaken in the past. I think somewhere around 34 hotels that comprise 60% of this year's EBITDA. That's one of the reasons you continue to see the outperformance in our RevPAR and TRevPAR going forward.

There are always opportunities to deploy capital. I would say, I would agree with you that the heavy lifting is done, but there are other assets in the portfolio where we will take a look and underwrite deployment of capital to see what sort of IRR we can generate. Certainly, by no means are we -- where we have been because we have repositioned the assets that are going to provide the highest return to our shareholders.

For a little context, and you can do the math, I'm sure you have. Our top 40 hotels generated approximately 80% of our EBITDA. Those are the hotels that we're generally focused on. Not that there's anything wrong with the other 34, 35 that we have, but we'll continue to look at ways to reposition assets, reposition outlets. We will continue to look at land opportunities, value enhancement opportunities like we did at The Westin Kierland, for example, where we built an AC Hotel on excess parking lot space and the villas at the Andaz Wailea, the condos at the Four Seasons Orlando. So we're always looking for ways to create value that's embedded in the portfolio.

Operator

Duane Pfennigwerth, Evercore.

Duane Pfennigwerth - *Evercore Inc. - Analyst*

Just on the Maui recovery, can you just remind us of where that market is on group recovery, your views on full stabilization and if those views have changed at all?

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

So for this year, our estimate hasn't changed at the $120 million of EBITDA that we had spoken to last quarter.

In terms of just group pace is pacing really strong. When you look at the third quarter, our total revenue pace is in the high single digits, and the fourth quarter is meaningfully high double digits. So for the full year, when you look at sort of a total revenue pace, it's at about 7.5%. Our expectation in terms of RevPAR growth for Maui is, call it 10% for the year.

Still going very strong. Obviously, a lot of the group pace is being driven by the continued ramp-up of our Hyatt. And we're seeing success going into next year. We are expected to have very strong pace. Hopefully, we'll give you a number on our call next time. But it is pacing very well for 2027 as well, and we feel that that recovery is ongoing.

Duane Pfennigwerth - *Evercore Inc. - Analyst*

Do you have an estimate for what stabilization EBITDA would look like?

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

It's a little difficult to give you a precise number just because obviously, you have expense growth as well every single year, but we feel that we should be able to get another $20 million to $25 million additional as to what point it will be, will remain to be seen. Once we have budgets for next year, we'll provide a little bit more clarity in terms of what 2027 looks like.

Operator

Robin Farley, UBS.

Robin Farley - - *Media*

I think that's me. I wanted to circle back to the comment about the incentive management fees and kind of the flow-through to EBITDA from the RevPAR growth. Can you give us a little bit of color around what kind of EBITDA sensitivity if we think about does RevPAR growth from this point forward kind of have IMF, an expense to you kind of in there and how we should think about flow through kind of from -- at this level of RevPAR forward?

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

Sure, Robin. I will start off by saying it is somewhat of an art, not a perfect science, just because every single contract that we have does have a very different IMF calculation and all different thresholds as revenue thresholds or GOP thresholds when certain IMF is triggered, and in some cases, if there is deferred IMF, that will be triggered after reaching a certain amount of performance for that property.

That said, if you recall last year, we had talked about how 1 point of RevPAR was somewhere around $30 million to $37 million of EBITDA. That was for last year, and I want to remind you at that point in time, our overall RevPAR and total RevPAR gap was about 40 bps, 50 bps. Total RevPAR being slightly higher than RevPAR.

That rule of thumb is a little bit different now because the portfolio makeup is different. We did sell the two Four Seasons. That in itself brought that point of RevPAR growth equation to EBITDA down. So you're looking at more like $28 million to $30 million of EBITDA. But you do have to keep in mind as to what Total RevPAR does. For example, we raised our RevPAR guide by 125 basis points, but total RevPAR was only raised by 75 basis points. So you have to keep that in mind when you think about the EBITDA impact.

One of the things is, once you reach that IMF payment, that will stabilize. It's not like the IMF continues to have meaningful jumps for the balance of the year. With the outperformance and the trigger of the IMF, I just want to remind folks that in times of high performance, it is a more normalized IMF that we are seeing.

So this is just that certain properties are triggering IMF, which is frankly, a good thing. That means they're outperforming. We don't expect that to meaningfully jump once it has been triggered. In other words, what we saw in Q2 was more, and we're not expecting as much of a jump into the second half, if that makes sense, Robin.

Operator

Dan Politzer, JPMorgan.

Daniel Politzer - *JPMorgan Chase & Co - Analyst*

I wanted to just zoom in a little bit in terms of the RevPAR cadence. I think you guys mentioned third quarter would be a little bit softer or maybe the weakest quarter of the year. Maybe I misheard that, and it was a reference to the group. But I was just hoping you could kind of talk us through the RevPAR cadence and specifically as it relates to kind of puts and takes, just given July is off to such a strong start thus far.

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

Sure. Yes. When we had talked about the cadence of RevPAR last quarter, we had talked about how Q3 was expected to be the weakest quarter, and that typically is for us. With July coming in at 10%, we expect our Q3 to be pretty similar to Q4, not very far off, being really driven by July. We expect August to not have meaningful growth. That always is sort of just a weaker month.

And then September, because of the Jewish holiday shift, you do have group pace, which is lower. While that has improved from, as I said earlier, our group pace was negative for the third quarter, that is now actually positive low single digits. It's certainly moved in the right direction. What's really driving third quarter now being similar to fourth quarter in terms of RevPAR is the July outperformance of 10%.

I do want to mention that on the July number of 10%, only 3% of that 10% is really World Cup driven. So the rest of the portfolio is outperforming meaningfully. It wasn't just a World Cup outperformance.

Operator

Rich Hightower, Barclays.

Richard Hightower - *Barclays Services Corp - Equity Analyst*

So I know transient revenue in the quarter was obviously up very strongly along with the other segments, but room nights were down slightly. And I'm wondering if that was entirely World Cup driven or if there's more sort of going on under the hood there?

And then secondly, just on the rate outlook. You said you expect 2H generally to normalize relative to 1H. And so does that sort of indicate you're seeing pushback anywhere in the system from different segments? Or is that just simply a comment that was seemly good because of World Cup and that's just not going to be sustainable for that reason?

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

Yes, Rich, let me start and then Sourav can jump in with additional color. But the rate-driven RevPAR growth was not an accident. That was a revenue management strategy that we employed across the portfolio. We're set up very, very well with the luxury resort market, in particular. We saw a very strong growth in revenues in our luxury resorts.

World Cup played out as we anticipated that it would. The bookings were very close to the matches. They were close in. And the intent was to drive rate and take occupancy where you could get premium rate. So I think that's a good strategy. And demand is there for it, and that would be our strategy going forward.

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

And Rich, on the rate front, when you look at sort of first half versus second half, and that's why you call it normalizing. The first half is obviously not only being driven by the outperformance in World Cup, but do remember that given our -- the resort portfolio and the outperformance of resort portfolio is more skewed towards the first half. That also is driving the first half rate higher. So second half rate is strong. It's just not being aided by any special events, but we feel very good about sort of the rate growth in the third quarter and fourth quarter based on the business we have.

Also, we talked about this in the prepared remarks, is if you look at the holidays and how they are pacing all double digits of Labor Day, festive, Thanksgiving, very encouraged with the rate growth we're seeing for those quarters. So all in all, we look at the 5% midpoint for RevPAR; rate is still a big piece of that. For the full year, it's a 4% rate growth, and occupancy is about 60 basis points better than last year.

Operator

Jack Armstrong, Wells Fargo.

Jack Armstrong - *Wells Fargo Securities LLC - Analyst*

Just jumping back over to the expense side, it seems like the 5% labor expense growth is a little bit higher than what we've seen from some of your peers. Can you break that growth number down between the wage rate and your level of FTEs and talk about what might be driving that variance versus your peers, and how we should expect your labor expense growth to develop in the back half of this point?

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

Yeah. I'm not sure what comparison you're looking at, but our commentary has been pretty consistent in terms of the expected wage rate growth of 5%. We actually, with the New York CBA coming to a head, that ended up being a slight positive overall in terms relative to what we were forecasting. And our 5% hasn't changed throughout the year.

And we expect, like I said earlier, that to have a step down next year because of the CBA agreements that were done two years ago. It was more front-loaded; therefore, we had a 6% wage rate growth. This year it's 5%, and next year, at least for certain markets, it is going to be lower just because it's a step down. But overall, our commentary on this wage rate growth has been pretty consistent across the board.

Jack Armstrong - *Wells Fargo Securities LLC - Analyst*

Yeah. I guess I was just referring to some of your peers are coming in at closer to 2% or 3% on the labor expense growth, maybe net of some full-time employee cuts. Is that a lever that you're thinking about pulling here over the next 18 months?

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

Yeah. Just to clarify, what I'm referring to in terms of 5% is wage rate growth. It is not absolute wage and benefit growth. That is meaningfully lower. That is why we can achieve a total expense growth of only 4.2% for the year. If we did not have any productivity benefits and we did not have efficiencies, we would not be able to deliver the total expense growth of 4.2%.

The absolute wage and benefit growth is lower. Whenever we talk about the growth in terms of wages, I'm always referring to wage rate growth. So it's not the actual wage and benefit growth. The absolute growth is net of all productivity improvements.

Operator

This concludes today's Q&A session. I will now turn the call back to Jim Risoleo for closing remarks.

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

Well, thank you again for joining us today. We always appreciate the opportunity to discuss our quarterly results, and we look forward to seeing many of you at conferences this fall. Enjoy the rest of your summer.

Operator

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