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OVERVIEW:

Co. reported 2Q22 adjusted FFO per share of $0.58.

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts Second Quarter 2022 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.

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

Thank you, and good morning, everyone.

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

In addition, on today's call, we will discuss certain non-GAAP financial information, such as FFO, adjusted EBITDAre and 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 will be 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 F. Risoleo - *Host Hotels & Resorts, Inc. - President, CEO & Director*

Thank you, Jaime, and thanks to everyone for joining us this morning.

Once again, we delivered significant outperformance during the second quarter and substantially beat all consensus metrics. During the second quarter, our adjusted EBITDAre was $500 million, and our adjusted FFO per share was $0.58. Our All Owned Hotel EBITDA of $510 million in the second quarter was 19% above 2019, driven by an accelerating recovery in our urban and downtown markets and continued strength in Sunbelt markets. In addition to exceeding 2019 levels, our second quarter adjusted EBITDAre was also the highest in Host's history.

All Owned Hotel revenues in the second quarter increased 3.7% over the second quarter of 2019, while All Owned Hotel operating expenses were down 3.8%. The increase in revenues was driven by strong rates across the portfolio coupled with stronger-than-usual other revenues. All Owned Hotel RevPAR for the second quarter was $219, a 31% improvement over the first quarter. This represents the first time our quarterly RevPAR has exceeded 2019 levels since the onset of the pandemic. Our recent acquisitions, dispositions and renovated properties continue to contribute to our performance, which I will discuss in a few minutes.

Preliminary All Owned Hotel RevPAR for July is expected to be approximately $195, which is slightly above July of 2019. Consistent with historical seasonal trends and shifting business and market mix, we expect third quarter nominal RevPAR to be below that of the second quarter.

While macroeconomic concerns have been dominating the headlines, we are not seeing any signs of a weakening consumer in our business. As we look to history, it is worth discussing why we think today's macroeconomic environment with respect to lodging is different.

First, certain segments of the lodging industry are still recovering, and we believe there is meaningful room for growth, particularly in the business transient and group segments. Even more encouraging, hotels benefit from the ability to reprice rooms on a nightly basis ahead of rising costs, even during periods of high inflation, as was the case in the 1970s.

Second, consumers and businesses have significantly more cash on hand with leverage and debt service ratios better than they were prior to the Great Financial Crisis in 2008. The labor market is also exceptionally strong, with over 3 million more jobs opened than we had at the height of the last expansion and an unemployment rate hovering near a 5-decade low. In addition, we have continued to benefit from a consumer spending rotation away from goods and into services, including travel, and we expect this trend to continue.

Lastly, we expect to benefit from exceptionally low supply growth for the next several years. The total pipeline has fallen by 11% since the start of the pandemic and the number of rooms in construction is down 30%. As a result, industry projections suggest annual supply growth of just over 1% through 2023, well below the long-term average of 1.8%. In contrast, supply growth at the start of the last 3 downturns was running at over 2.5%. The market way to supply growth for Host's portfolio is projected to be approximately 1% as we will benefit from exceptionally low growth in places like San Diego, Hawaii and San Francisco.

Despite these tailwinds, many are concerned about the potential impact to our business, which is still in a demand recovery mode. In the second quarter, group demand was 9% below 2019, while business transient demand was 25% below 2019. These factors could mean that any softening demand simply prolongs the trajectory of the lodging recovery instead of leading to an absolute decline in occupancy and rate.

Irrespective of potential future macroeconomic challenges, we believe that Host is well positioned to outperform the broader industry. We have dramatically improved the quality of our portfolio through our capital allocation efforts, we have invested in our assets, and we have an investment-grade balance sheet. Further, we believe the current rising interest rate environment could create opportunities for Host, as other buyers may step to the sidelines.

Our 2021 acquisitions continued to perform substantially ahead of our underwriting expectations. Based on updated performance for full year 2022, EBITDA from our 7 new hotel acquisitions is expected to be 77% above our underwriting expectations, already putting us within our disclosed stabilization range of 10x to 12x EBITDA.

Looking back on our transaction activity since 2018, we have acquired $3.2 billion of assets at a 14x EBITDA multiple and disposed of $4.9 billion of assets at a 17x EBITDA multiple, including $938 million of estimated foregone capital expenditures. Impairing All Owned Hotel 2019 results for our portfolio to 2017, we have increased the RevPAR of our assets by 11%, EBITDA per key by 25%, EBITDA margins by 190 basis points and avoided considerable business disruption associated with capital projects.

Turning to second quarter operations. Our All Owned Hotel revenue was up nearly 4% to second quarter 2019, driven by 15% rate growth. Transient revenue was up 10% compared to second quarter 2019 and rate was up 22%, with growth driven by significant demand across our urban and downtown markets.

Our resort properties continue to outperform with transient revenue up more than 50% to second quarter 2019, driven by 70% transient rate growth. We had 5 resorts with transient rates above $1,000 for the quarter. And of those 5, the 2 highest rates were at hotels we acquired in 2021. The Four Seasons Resort Orlando at Walt Disney World Resort had a second quarter transient average rate that exceeded $1,500, and the Alila Ventana Big Sur had a transient average rate of over $2,000.

Providing some detail on a few of our urban markets, San Francisco saw continued positive momentum throughout the second quarter with many groups performing at pre-pandemic levels on peak nights. Some of these are picking up on weekends, and business transient picking up with the return of big tech and consulting companies. In addition, San Francisco citywides throughout the quarter created a compression on peak nights for our downtown hotels. In New York, second quarter RevPAR was flat to 2019 and business transient rooms sold increased more than 75% compared to the first quarter. 2022 group pace for our New York hotels is up over 5% to 2019, and our New York Marriott Marquis is on track to exceed 2019 group room nights, driven by 2 significant bookings within the past 60 days. In total, these 2 groups booked 17,000 room nights and are expected to contribute approximately $5 million in the second half of 2022.

Turning to group. Business surged back at our hotels during the second quarter. Group revenue was down just 3% to second quarter 2019, driven by 6% rate growth. In the second quarter, our hotels sold 1.1 million group room nights, a 64% increase over the first quarter, and we continue to be encouraged by net booking activity in the quarter for the quarter.

Looking forward to our expectations for group in 2022, we currently have 3.5 million definite group nights on the books with 1.7 million coming in the second half. This is a meaningful increase to the 3 million group room nights we had on the books for 2022 as of the first quarter, and it represents approximately 80% of 2019 actual group room nights, up from 70% last quarter. For comparison, at the end of the second quarter of 2019, we had 94% of 2019 actual group room nights on the books.

Group rate on the books for 2022 is up 5% to the same time 2019, a 30 basis point increase over last quarter. For the remainder of the year, total group revenue pace is down just 30 basis points to the same time in 2019.

As we look forward to 2023, we currently have 2.2 million definite group room nights on the books, which is down 16% to the second quarter of 2019. Our operators saw an acceleration in group bookings during the second quarter for 2023, signaling that meeting planners are not hitting pause on future bookings. That said, we do expect the short-term nature of group bookings to continue over the near term.

In addition to delivering significant operational improvements, we continue to execute on our three strategic objectives, all of which are aimed at elevating the EBITDA growth profile of our portfolio. As a reminder, our objectives include redefining the hotel operating model with our managers, gaining market share at hotels through comprehensive renovations and strategically allocating capital to development ROI projects. We are targeting a range of $147 million to $222 million of incremental stabilized EBITDA on an annual basis from the initiatives and projects underlying our three strategic objectives.

Sourav will get into more detail on business mix, markets and redefining our operating model in a few minutes.

We have completed 12 out of 16 properties in the Marriott Transformational Capital Program and we expect to substantially complete 3 additional properties by the end of this year. We believe these renovations allow us to capture incremental market share as is the case at the New York Marriott

Marquis. It is evident that the renovated hotel is attracting new groups. Booking activity in the year for the year is 2.5x the 3-year pre-COVID average and year-to-date group room revenue is 24% higher than 2019.

In addition to the positive momentum we are seeing at the New York Marriott Marquis, we have seen a RevPAR index share gain of 8.8 points at the Ritz-Carlton, Amelia Island on a trailing 12-month basis compared to its pre-renovation index, a 12.7-point gain at the New York Marriott Downtown and an 11.9-point gain at the JW Marriott Buckhead, all far exceeding our targeted range of 3 to 5 points of RevPAR index gains at renovated assets.

In addition to the 16 Marriott Transformational Capital Program assets, we have 8 hotels where we have completed or are in the process of completing major renovations. One of these is the Hyatt Regency Maui, where we have seen a RevPAR index share gain of 8.5 points since completed the transformational renovation in December of 2020. This hotel is expected to contribute $80 million in EBITDA in 2022 and is expected to be the largest EBITDA contributor to our portfolio this year.

In total, the 16 Marriott Transformational Capital Program assets, the 8 hotels where we have completed or are completing comprehensive renovations and the 7 hotels we recently acquired are expected to comprise over 50% of our 2022 All Owned Hotel EBITDA.

From 2020 through the end of this year, we will have invested approximately $1.5 billion in our hotels, which equates to $35,000 per key. This compares favorably to our lodging REIT peer average of just $19,000 per key. We believe our meaningful investments throughout the pandemic and the recovery position our portfolio to outperform. When the 24 comprehensive renovations are complete, the average age of our guest rooms will have decreased by over 25%. As it stands today, over the next 5 years, we estimate that less than a quarter of our portfolio will require disruptive guestroom renovations.

In closing, we believe we are very well positioned to outperform as the lodging recovery continues. We have significantly improved the quality of our portfolio through our capital allocation efforts, meaningfully reinvested in our assets and maintained a strong investment-grade balance sheet. As macroeconomic concerns play out, we will continue to be opportunistic and position our portfolio for outperformance.

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

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

Thank you, Jim, and good morning, everyone.

Building on Jim's comments, I will go into detail on our second quarter operations and full year guidance before wrapping up on our balance sheet, our stock repurchase program, and our dividend. Starting with top line performance, second quarter All Owned Hotel RevPAR of $219 exceeded 2019 for the first time since the onset of the pandemic. Even more encouraging is that all 3 months in the quarter exceeded 2019 levels. Rate continues to drive the RevPAR upside, especially at our Sunbelt and Hawaii hotels, where rate was up more than 27% to the second quarter of 2019.

Our urban and downtown hotels are showing a rapid improvement as well with rates just 2% below the second quarter of 2019. For context, this is a 30% improvement over the first quarter, paired with a 73% sequential increase in rooms sold in these markets.

Turning to transient mix. Overall transient revenue was up 10% over the second quarter of 2019, driven by 22% rate growth. Holidays in the second quarter had steady growth in both transient occupancy and rate over the second quarter of 2019. Memorial Day weekend achieved 76% occupancy, the highest holiday occupancy since the start of the pandemic. Our Sunbelt hotels and resorts achieved strong occupancy and rates with 6 markets exceeding 85% occupancy. Our urban and downtown hotels achieved the highest occupancies within our portfolio over the 4th of July weekend, driven by hotels in Chicago, New York and Philadelphia.

Business transient revenue was down 24% to the second quarter of 2019, but increased 66% over the first quarter, driven by a 48% increase in rooms sold. Business transient rooms sold grew progressively throughout the quarter, and June set a new high watermark with more than 112,000 rooms sold, beating the prior record set in May. The mix of business transient has now shifted to urban and downtown markets, where rates exceeded Sunbelt markets and rooms sold grew 75% over the first quarter.

In the second quarter, top 10 traditional accounts represented 56% of all business transient room nights compared to 60% in 2019. In addition, for the first time since onset of the pandemic, weekday occupancy for our total portfolio surpassed weekend occupancy, yet another sign of a return to normalcy.

Turning to group, revenue in the quarter was just 3% below the second quarter of 2019, driven by a 6% increase in rate. More than half of the 64% increase in group rooms sold over the first quarter came from our urban markets, including Washington, D.C., San Francisco, New York and Chicago. Further illustrating the surge in group demand, group revenue in June was up approximately 3% over 2019. Net in the quarter for the quarter group rooms booked were 77% higher than the second quarter of 2019. This is evidenced of the continued short-term booking nature of group business and the basis for optimistic outlook on group for the remainder of the year.

Corporate group revenue was down just 5% compared to the second quarter of 2019, driven by a 10% improvement in rate. Corporate group rooms sold were up 56% over the first quarter and both rate and room nights were driven by growth in New York and San Francisco.

Association Group revenue was down 13% for the second quarter of 2019, aided by a 2% improvement in rate. However, association group rooms sold were up 74% to the first quarter of 2022 with most of the growth in Washington, D.C., San Francisco and Chicago. Short-term association business is becoming more active as attendance increases, and we expect bookings in this segment to accelerate over time.

Wrapping up on group with social, military, educational, religious and fraternal or SMERF groups, revenue was up 25% compared to the second quarter of 2019, driven fairly evenly by rooms sold and rates. Most of the increase in rooms sold over the first quarter occurred in our urban and downtown markets.

Shifting gears to expenses, All Owned Hotel expenses were down 3.8% to second quarter 2019, while All Owned Hotel revenues were up 3.7%. Expense declines were driven by wages and benefit savings down 7% to the second quarter of 2019. Our properties have worked to insulate operations from rising costs. And thus far, we are not seeing a discernible impact on overall controllable operating costs. At this time, any expense growth is concentrated at our resorts, where strong demand is driving increased rates and higher out-of-room spend.

Turning to staffing and wages, staffing at our hotels remains at approximately 94% of desired levels based on business volume compared to 97% historically. While our operators fill several thousand open positions during the quarter, a lag between demand and staffing levels still exists at certain hotels. We expect this lag to gradually diminish through continued hiring and normal seasonal market and mix shift in the second half of the year. Wrapping up on expenses, we continue to expect our annual wage and benefit rate inflation for 2021 to 2022 to be in the 4% to 5% range.

Taking our strong top line and expense controls together, our second quarter All Owned Hotel EBITDA margin came in at 37.1%, which is 480 basis points better than the second quarter of 2019 and the highest All Owned Hotel EBITDA margin in Host's history. Margins improved in both Sunbelt and urban markets across all operating departments driven by strong rates and increased other revenues on the top line, combined with expense efficiencies and hiring challenges in certain markets. To date, our operators have achieved approximately 70% of the $100 million to $150 million that is expected to come from potential long-term cost savings based on 2019 All Owned Hotel revenues. As other revenues normalize and hiring continues, we expect margins will moderate while remaining above 2019 levels.

Moving on to our outlook for 2022. We are pleased to be able to reinstate full year guidance as we are now seeing more normal seasonal trends in our portfolio. We expect full year 2022 All Owned Hotel RevPAR for our portfolio to be between $191 to $195 or down 4.5% to down 2.5% to full year 2019. As you think about the quarterly RevPAR cadence, we expect third and fourth quarter operations to be slightly above 2019. As a reminder, the first quarter of 2022 was severely impacted by Omicron, which drives our full year RevPAR range slightly below 2019. This range implies an adjusted EBITDAre of $1.445 billion to $1.510 billion and All Owned Hotel EBITDA margin of 31.5% to 32.1%.

For reference, the midpoint of these ranges is slightly above our 2019 All Owned Hotel results as presented on Pages 22 and 23 of our supplemental financial information. These estimated ranges are driven by normal seasonality at our Sunbelt hotels and resorts alongside continued growth at our urban and downtown hotels as group and business transient demand continues to pick up at a meaningful pace. Additional guidance details can be found in the reconciliations of our second quarter 2022 earnings release.

Turning to our balance sheet and liquidity position, our weighted average maturity is 5 years at a weighted average interest rate of 3.7%, and we have no significant maturities until 2024. As of quarter end, we had $2.4 billion in total available liquidity, comprised of approximately $699 million of cash, $179 million of FF&E reserves and full availability of our $1.5 billion credit facility.

Subsequent to quarter end, our Board of Directors authorized an increase in our share repurchase program, increasing our total authorization back to $1 billion, which is consistent with our previous authorization. As is the case with our ATM Program, we view our share repurchase program as another capital allocation tool to help us maximize financial flexibility.

Wrapping up, I am pleased to share that our Board of Directors authorized a third quarter dividend of $0.12 per share on Host's common stock, a 100% increase over the prior quarter and the second time we have doubled our dividend this year. All future dividends are subject to approval by the company's Board of Directors, but we expect to be able to maintain our quarterly dividend at a sustainable level, taking into consideration potential macroeconomic factors.

To conclude, we believe the operating improvements we have seen this year signal a robust lodging cycle ahead. As we have seen quarter-after-quarter during this recovery, our portfolio, our balance sheet, and our team are differentiated and well-positioned to continue outperforming in any macroeconomic environment.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is coming from Neil Malkin with Capital One Securities.

Neil Lawrence Malkin - *Capital One Securities, Inc., Research Division - Analyst*

Fantastic quarter across the board. Well done. A question on MTCP. I mean, I think it's clear that it's well ahead of schedule, meaningfully outperforming. Can you just talk about kind of what you're seeing as far as the group impact? You mentioned briefly, you're getting some new groups. But can you just talk about how you see the strategic renovations at those sort of bigger, more complex hotels is going to -- you expect it to drive group seemingly to new levels, given your comments about how far below associations are and being down just what, 8% or 9% from 2019? And if you can help us at all quantify that in terms of run rate or anything like that, that'd obviously be helpful.

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

Yes, Neil. Look, we couldn't be happier with the performance we're seeing out of our MTCP hotels as well as other hotels that we embarked on transformational comprehensive renovations. We think that it was a very good time to be renovating our properties. By the end of this year, we will have invested $1.5 billion in our assets, that equates to roughly $35,000 a key. And relative to the REIT peer group, where they spend $19,000 a key, we believe that, that puts our portfolio in the full position to outperform going forward.

So in addition to the few properties that we referenced on the call today with respect to RevPAR index, let me remind you that we have talked about gaining 3 to 5 points of market share. That's how we underwrote our investments in the MTCP assets. We are blowing through those numbers. We have in addition to the New York Marriott Downtown, which is up 12.7 points and the JW Buckhead, which is up 11.9, Coronado Island is up over 7 points now, the Don CeSar is up over 5 points, it's close to 6 points and the others that are coming back online is a little too soon to really look back to the baseline because we don't have enough run room yet. But I think the New York Marriott Marquis is an excellent example of what a fully refreshed and renovated hotel will do for you because the booking activity and the level of group room nights that we've seen at that property are off the charts.

So we expect as we get back to a sense of normalcy, which is clearly a direction we're heading in the business in general that our properties are going to continue to take more market share. There are just a lot of hotels out there that haven't had any capital invested in them. And regardless of whether or not properties are renovated and they suffer the attendant disruption, we'll pick that up. And if they're not renovated, well the Marquis, the flagship that we can point to.

Operator

Your next question is coming from Aryeh Klein with BMO Capital Markets.

Aryeh Klein - *BMO Capital Markets Equity Research - Analyst*

On the group side, can you talk a little bit about what you're seeing on rates for new bookings? And then in-quarter group bookings have been well above 2019 for you and the industry. Can you talk a little bit about why that might be sustainable? And is that something that could be disproportionately impacted if the macro were to worsen?

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

Sure, Aryeh. On the group side, I mean, the rate story has been really strong. And what I'll say is for the second half of the year, we actually picked up 30 basis points in rate relative to what we had at the end of Q1. So our rate for the balance of the year is around 4.7%. And that holds true not only for the second half of the year, but also looking out into 2023 where our rates are up close to 5% as well.

What's super encouraging on the group side, I think a good stat to really look at is most recently, so despite all the macro noise, if you look at what we picked up in June, for Q2, so we picked up 121,000 group room nights in the quarter for the quarter, which is 77% above 2019. In the second quarter for Q3 and Q4, we picked up about 319,000 room nights, and that's 40% above 2019. And when you look at just June again for the second half, we picked up 126,000 room nights, which is 61% over '19.

So these are obviously meaningful pickup most recently, not only for Q2 but at the end of Q2 in June, which really indicates sort of strength in the group business, particularly, I would say, corporate group and the association is falling right behind it as well and picking up for the second half. And the rates thus far is super encouraging, again, for June relative to '19, group rate was actually up 44%.

Aryeh Klein - *BMO Capital Markets Equity Research - Analyst*

And then just on the sustainability of in quarter for the quarter bookings. Is that something you'd expect to continue?

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

We do expect it'll probably temper a little bit. I mean it's very difficult to say because it's such short-term business, how much in the quarter for the quarter business will get or how much in the month for the month. But based on the trends we saw in Q2 in April, May, June, we would expect, again, a meaningful amount. I don't know if it's going to be exactly what we saw in Q2, but certainly a meaningful amount of short-term business pick up in the third and fourth quarters.

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

Aryeh, one comment on 2023. One of the very encouraging facts that we can point to is that meeting planners have not hit pause. We're still seeing strong booking activity into 2023 with $2.2 million definites on the books for 2023 and the total group revenue pace continues to improve. It's down 9% now to 2019 with strong ADR growth. So hotels booked, I think, 253,000 group room nights in the quarter for 2023. That activity was about 83% of 2019 levels, which is about on par with where it was in quarter 1. So very encouraging as we look out beyond even 2022.

Operator

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

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

Jim, realizing that you don't solve for occupancy and understanding your data points about how much corporate and group occupancy is still possibly to be captured going forward. But do you think we're headed for structurally lower occupancy given the rates that you're able to get on the business you have? And the fact that the labor market might be tight for a while and you might not be able to get as much labor as you need at the price you want. So do you think we're going to end up 300 basis points or something lower on [oc] when we peak this cycle?

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

Yes. A lot in that question, Chris. With respect to labor, let me touch on that first. And we talked about it's been quarter-over-quarter that we're running at roughly 94% of optimal levels compared to 97% pre-pandemic. I think the 97% number in it of itself is a little inflated because we took the opportunity early in the pandemic to really zero-based budget every hotel. And we've taken a number of positions out of the properties, allowing the properties to become more efficient and increase productivity, and you're seeing that come through in our margin performance as well.

So I think the labor situation is going to stabilize. As we've said before, and we look at this on a regular basis, we anticipate wage growth this year, 4% to 5% -- probably 4.5% to 5% to be a lower tight in the range. So it's not off the charts.

With respect to occupancy, the trends are going solidly in the right direction on the group segment and the business transient segment. So we continue to pick up business transient room nights and not seeing any softness there whatsoever. So I think it's just a matter of time, it's going to evolve, and it's not going to evolve evenly across the country. Are there going to be some markets that are going to take longer to get back to 2019 levels and others that are going back right now. So the short answer is, we fully anticipate that we're going to see a recovery to prior peak occupancy levels, both on the BT side and on the group side.

Operator

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

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

A little bit about holiday bookings. How do those bookings look relative to what you normally have on the books at this time and any new patterns emerging?

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

Duane, I think you were asking about holiday bookings. Looking out into Thanksgiving and Christmas?

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

Exactly. How does that look relative to what you normally have on the books at this time? I realize it's a long way out. But clearly, the trend on 3Q is a rotation from leisure to more corporate and group dependent. But as we look to kind of fourth quarter and beyond, how do your holiday bookings look?

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

Very strong. Very, very strong. If you look at total Host, I would tell you that we're up into the double digits in terms of total revenue for Thanksgiving. And actually, for Christmas, we are seeing a solid pickup as well, obviously being driven by the Sunbelt markets and Maui. But that stat in it of itself gives us comfort that there's not going to be the pullback in consumer spending at our resort properties that some folks have talked about.

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

I appreciate that. And then maybe just one quick one on -- one quick follow-up on group. I know you alluded to some very large events that came close in, in New York, but how is the average group size trending as that book builds?

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

The average group size is actually very similar to what we saw back in '19. It's not necessarily lower. There certainly what's happening is certainly, certain groups are contracting for less, but then ending up increasing the minimum and actually spending more. Therefore, you'll see sort of a banquet and catering business pick up meaningfully well as well. And that's not just for Host, that's across the board. And just a quick stat on Labor Day, and Jim's touched upon Thanksgiving and Christmas, our transient occupancy pace is ahead by 20% and our rate is a pace is ahead by 17% relative to '19 for transient [occupancy] rate.

Operator

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

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

Just a couple of questions. I apologize for that more than one here. But what are you seeing on shorter nights on Thursdays and Sundays that may or may not be indicative of any changes to the consumers' appetite?

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

We are actually seeing in the second quarter, particularly as you saw in May and June, things are returning to very similar patterns of what we saw in 2019 in terms of weekday and weekend. And now the weekday occupancy, as we talked about, has exceeded weekend occupancy for the portfolio, it's about a 6-point difference when you look at the second quarters' weekday occupancy is at 76% versus weekend at 70%. And when you look at sort of Sunbelt and Hawaii, it's about a 5-point difference; and then the urban, it's about an 8-point difference. So urban is right now at 76% and weekend at 69%. So as we get back to a more normalized mix of business and as the urban downtown hotels pick up occupancy, we are seeing very, very similar sort of weekday and weekend patterns relative to '19.

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

Okay. So maybe fewer long weekends than what we had seen before. Is that fair?

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

That's fair.

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

Yes. Okay. A two-part around '23, and then I'll be done. The first part is, on your Sunbelt resorts, if we kind of limited that to Florida and Arizona, and as you think about '21 in the comps, do you think it's the RevPAR is going to be up at those properties versus '21, certainly versus '19? But -- and the second part of the question is, Jim, I'm going to take the other side of your argument on group for next year. I'm just curious how we should -- should we really celebrate being down? I think you said 16 points -- or 16% of demand versus this time in 2019, if we haven't had meetings for 2 years, and there's all this pent-up demand.

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

You're talking about '23, Bill?

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

Yes, I'm talking about '23, but in both cases, the Sunbelt leisure comp to '21 -- or excuse me, to '22 and where the group pace is?

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

Again, the trends are moving in the right direction on the group pace. Let me talk about that first. The fact that we were able to book 253,000 group room nights in the quarter for 2023, and the activity was about 83% of 2019 levels. I think that we're not seeing anything that would lead us to believe that group is not going to continue to come back. I mean there is a lot of pent-up demand there. And based on conversations that our asset managers and revenue managers are having with our property managers and media planners, everyone intends to get back to normal.

I mean keep in mind what happened this year in the first quarter with Omicron. It really put a damper on things, and we're seeing the business recover and feel pretty good about how 2023 is going to play out. So we're down 9% on the group revenue pace, I think we'll see that gap continuing to close. So group revenue is pacing ahead of same time in 2019 for markets like the Florida Gulf Coast, Hawaii, New Orleans and San Antonio. So we are seeing some positives in individual markets, and we expect that, that will continue going forward.

With respect to resort ADRs, we talked about this on the last call. And we do have some seasonality involved here with respect to our properties, but the fact that we drove $1,000 transient ADRs at 5 resorts in Q2 is very positive. We're not seeing the consumer pullback whatsoever, and we intend to continue to ask for rate going forward. We're optimistic that we're going to be able to continue to drive rate, maybe not at the same levels as we did in 2021 in this year, but we'll continue to ask for rate going forward as long as the demand is there.

Operator

Your next question is coming from Floris Van Dijkum with Compass Point.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - MD & Senior Research Analyst*

A question on capital allocation. With the increased authority to buy back stock, maybe if you can talk about sort of how you weigh all the options of buybacks versus refurbishments versus new acquisitions? And maybe touch upon what you're seeing right now in the acquisitions market, and we haven't seen a whole lot of hotels trade? What your view is and whether that provides a competitive advantage to Host? And could we expect something activity there? Or will you look at your own stock trading at a pretty substantial discount to consensus NAV and look to invest in? What's going to be the trigger for those decisions?

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

We are -- Floris, we are uniquely positioned as a buyer of assets in this marketplace, given where the debt capital markets are today, the fact that it is virtually impossible to get meaningful levels of debt on the acquisition front. So we're tracking a lot of transactions, and we will balance whether or not the right decision is to invest in an asset given where our cost of capital is today. And with the underwriting requirements will have to be versus buying back our stock over the course of the balance of this year and into next year.

So there hasn't been a broad repricing of buyer asks or seller ask out there on hotels that are actively in the market. You're right that a lot haven't traded for. I think that's one reason why. The second reason why this is just very challenging for buyers to access to debt markets today.

So with the liquidity we have today, the availability of a $1.5 billion revolver and the incremental cash that we're going to generate over the balance of this year as business continues to churn along, we will be in the full position. We will always invest in our assets. We can quantify the ROI. We're seeing it play out. And transformational comprehensive renovations or ROI projects, we think that's a good place to put our capital and then there'll be a balance between share buybacks and investing in hotels.

Operator

Your next question is coming from Michael Bilerman with Citi.

Michael Jason Bilerman - *Citigroup Inc. Exchange Research - Research Analyst*

Jim, just sticking with the share buyback for a moment. I guess, how did you think about sizing the $1 billion relative to the prior authorization? And I guess what triggered the company sort of re-up that and increase it to the size it was? And maybe just a little bit about your consideration during the quarter when those discussions were going on about taking advantage of the volatility that occurred? And just how -- if you didn't do it then, how are you thinking about doing it in the future in terms of buybacks?

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

Well, we took the buyback authorization to where it was pre-pandemic, Michael. We had a $1 billion authorization. We had $371 million remaining on it. So we took it back to $1 billion. And we will continue to watch where our stock trades relative to our view of the business environment and how 2022 is going to play out, how we're feeling about 2023 as we get in a little further into this year and start thinking about budgets next year. And if there is a disconnect between the value of our stock price and how we think the company is going to perform, then we'll take advantage of that dislocation and enter the capital markets. We view the share buyback activity as another capital allocation tool.

Michael Jason Bilerman - *Citigroup Inc. Exchange Research - Research Analyst*

And Jim, how did you think about -- obviously, in the quarter, there was a fair amount of volatility. Your stock has performed exceptionally well, January through early June, but obviously then went from [$21 to below $6]. Were you blacked out at that point? Or was your view of like I don't know where this market is going. And despite knowing how well your assets were performing based on all the investments you've made in the assets and your operating platforms and the assets you own relative to the ones you sold, I guess, why wouldn't you have acted? I know hindsight is 2020. I'm just trying to understand sort of in the Board's mentality during that time when you've re-upped and the price was off significantly from its recent highs.

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

Well, we certainly hope that the price doesn't go down from here. But at times, Michael, it just pays to be patient. And as things were playing out with geopolitical events, the price of oil was going, quantitative tightening, we just felt that it was more prudent at this point in time to preserve cash to sit back and to see what other opportunities might present themselves. So as I said, it's real time. It's -- there's a famous saying out there, "when the facts change your opinion changes". So we'll keep it on how things are playing out.

Michael Jason Bilerman - *Citigroup Inc. Exchange Research - Research Analyst*

I'll remind myself of that on our ratings, too. You got to stay active when the facts change. I appreciate that, Jim.

Operator

Your next question is coming from David Katz with Jefferies.

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

Just looking at Host as a platform and an enterprise, I know that you've historically been somewhat of a leader in putting forth analytics resources and so forth. You've covered an awful lot of operating ground, but I'd love to hear you talk about some of those and what you've added and how you're utilizing those in the current environment?

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

Sure, David. We are -- really, we could go on for an hour in terms of answering that question because our analytics platform, as you well know, is extremely comprehensive and it's really ingrained in any capital allocation decision to be made, whether it's right from identifying markets that are going to grow greater than our portfolio as well as looking at all the data that we have for our existing assets and trying to understand where we have opportunity to really drive incremental value at those assets upon acquisition. And we've actually identified that even prior to acquisition to see where we can unlock value.

That's not only from an operation standpoint, but also ROI opportunities. And as you know, we have a very, very robust CapEx team as well. So when we are identifying those opportunities, we -- it's not only from the revenue opportunity side, but also analyzing the cost metrics of what an ROI opportunity looks like and feeling confident about the returns that we'll get on any ROI opportunity that we invest in.

And the same goes for when we are looking at doing asset management. Our enterprise analytics team, particularly our revenue management and BI team work very closely with our managers to identify opportunities, do a lot of proof of concepts at our properties. And we're always first-to-market, whether that's related to technology, leveraging new technology to drive productivity improvements or if it's just coming up with new ways to really sell the hotels.

So there is sort of at every touch point. I think from our perspective, it's not just at the asset-by-asset level, but also figuring out what meaningful drivers we can pull at a portfolio level. So we do a lot of comprehensive portfolio-related analytics, which can really move the meter for our portfolio. So if we see a trend that's occurring at 1 or 2 hotels, and we know we can apply that across our portfolio, we will work with our brand partners and our major managers to really drive that change. So I can get more granular certainly on this topic, as you know, I'm passionate about this, but I want to make sure we keep track of time here.

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

I appreciate that. The point being, are you able to prove to yourselves that this is an advantageous asset in the current environment?

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

100%. Because we have data down to every account level detail. And I would say it's not just quantitative data, frankly, we have done a lot of qualitative analysis. And what I mean by that is our revenue management teams or our BI teams actually go out to the properties, every single property that we have in our portfolio and understand the actual organizational structure and the various processes that they have in place. And it really is a partnership with our managers to drive improvements at our assets. And so we have a lot of best practices that we are aware of, which we can certainly apply the time to make an acquisition.

Operator

We have a final question from Anthony Powell at Barclays.

Anthony Franklin Powell - *Barclays Bank PLC, Research Division - Research Analyst*

A question on development overall. I mean can you give us an update on the prospects for the golf course development in Maui, maybe more broadly, I know hotel room specifically don't develop, but you guys have a lot of data, you have a lot of expertise in construction. You may be 1 of the better positions to develop and we've seen the premium for newer assets in the market in terms of rate. So this cycle would have made more sense to explore development opportunities as the cycle continues and we recover?

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

Anthony, we're not typically a developer per se. We have developed a few properties over the course of time, most recently on an excess parking lot at our Westin Kierland and Phoenix, we build an AC Hotel, and we will work through the entitlement process and look to add value at the golf courses in Maui and continue to really drive ROI projects like we did with the 19 villas at the Andaz, Wailea and other properties like that. But I don't think you should expect us to be a greenfield developer where we're out doing big ground-up deals. We just don't think that, that is a good use of our capital. And I might add that as part of the Noble Investment, we do have the ability to participate in a development fund with Noble and bring our expertise to bear and not tie up all of our capital on our balance sheet. So that's one of the reasons we made the strategic investment in Noble.

Operator

The Q&A session has concluded. I would now like to turn the floor back over to Jim Risoleo for any closing remarks.

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

Well, I'd like to thank everyone for joining us on our call today. We appreciate the opportunity to discuss our quarterly results with you. We hope you enjoy the rest of your summer and look forward to seeing many of you in-person this fall. Thank you for your continued support.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.