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HST.OQ - Q1 2022 Host Hotels & Resorts Inc Earnings Call

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OVERVIEW:

Co. reported 1Q22 adjusted FFO per share of $0.39.

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts First 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, in our 8-K filed with the SEC; and in the supplemental financial information on our website at hosthotels.com.

With me on today's call 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. We kicked off the first quarter of 2022 with meaningful outperformance and once again substantially beat all consensus metrics for the quarter. We delivered adjusted EBITDAre of $306 million and adjusted FFO per share of $0.39 during the quarter. All owned hotel pro forma EBITDA of $330 million in the first quarter, was just 18% below 2019, and March pro forma hotel EBITDA came in 8% above 2019 driven by significant rate growth at our resorts.

Pro forma total revenues in the first quarter increased 10% sequentially over the fourth quarter, while pro forma hotel level operating expenses grew 5%. The increase in revenues was driven by improvements across rooms, F&B and other departments. Pro forma RevPAR for the first quarter was $167, an 11% improvement from the fourth quarter, as rates continued to increase in our Sunbelt markets and hold up at our urban hotels.

This is the highest quarterly RevPAR we have seen since the onset of the pandemic, bringing our RevPAR to approximately 18% below first quarter 2019 levels. Our recent acquisitions, dispositions and renovated properties continued to contribute to our performance during the first quarter and notably, we had 5 hotels with ADRs of over $1,000.

Preliminary April RevPAR is expected to be approximately $225 to $230, which is up slightly to our March RevPAR. It is worth pointing out that our preliminary April monthly RevPAR represents the first time that our monthly RevPAR is expected to exceed 2019 levels since the onset of the pandemic.

However, consistent with historical monthly trends, we expect to see a pullback in May and June relative to 2019 levels. In addition to Maui and San Diego, we are pleased to see urban markets such as New York, Washington, D.C. and San Francisco, driving the outperformance to our forecast. In short, all business segments and markets are trending in a positive direction, and we are very pleased with our performance.

Subsequent to quarter end, we sold the 1,780-key Sheraton New York Times Square Hotel for $373 million or 28x 2019 EBITDA. When calculating the EBITDA multiple, we included $136 million of an estimated foregone CapEx over the next 5 years. In connection with the sale, we are providing a $250 million bridge loan to the purchaser. In addition, we sold a 243-key hotel YVE Miami for $50 million, including $1 million for the FF&E replacement funds or 23.2x 2019 EBITDA.

When calculating the EBITDA multiple, we included $9.5 million of estimated foregone CapEx over the next 5 years. This brings our 2021 to 2022 year-to-date total dispositions to approximately $1.4 billion at a blended 17.8x EBITDA multiple, including estimated foregone capital expenditures of $435 million, which compares favorably to our $1.6 billion of acquisitions at a blended 13x EBITDA multiple.

Our 2021 acquisitions continued to perform substantially ahead of our underwriting expectations. Based on first quarter performance, EBITDA from our 7 new hotel acquisitions and 2 golf courses, is on track to meaningfully outperform our underwriting expectations.

Looking back on our transaction activity since 2018, we have acquired $3.2 billion of assets at a 14x EBITDA multiple and disposed off $4.9 billion of assets at a 17x EBITDA multiple, including $938 million of foregone capital expenditures over the next 5 years.

Comparing proforma 2019 results for our current 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 over the past 2 years. As we continue to evaluate capital allocation opportunities, our efforts will remain focused on assets that have the potential to bolster our EBITDA growth profile.

Turning to first quarter operations, our total portfolio pro forma revenue was up 10% sequentially to the fourth quarter, driven by 16% rate growth. Transient revenue was up over 1% compared to the fourth quarter and rate was up 18%. Putting this into perspective, first quarter transient room revenue was 97% of first quarter 2019. Transient was again driven by our sunbelt and Hawaiian hotels, where revenue was up 17% sequentially with a 21% improvement in rate, and once again exceeded prior peak levels for the fourth quarter in a row. Drilling down to resorts, outperformance continued as ADR grew by 48%, leading to a transient revenue increase of 42% compared to 2019. Our 1 Hotel South Beach and Four Seasons Orlando grew transient revenue over $10 million each, with ADR up 60% to 2019.

Group business continued to improve at our hotels during the first quarter. Group revenue was up 33%, driven fairly equally by rate and demand growth compared to the fourth quarter. Despite a weak January, we were encouraged by net booking activity in-the-quarter-for-the-quarter, which resulted in 682,000 group rooms sold for the quarter.

We saw meaningful improvement in banquet and AV revenue as group business continued to return. In the first quarter, banquet and AV revenue increased by $24 million, up 17% over the fourth quarter. As groups get back to in person meetings, we expect the trend of higher out-of-room spend to continue.

Looking forward to our expectations for group in 2022, we currently have 3 million definite group room nights on the books, which compares favorably to the 2.7 million group room nights we had on the books for 2022 as of the fourth quarter after adjusting for our recent dispositions. Group rate in 2022 is up 4% to the first quarter of 2019, a 300 basis point increase over the last quarter, with 1 million definite group room nights on the books in the second quarter. This represents 82% of second quarter 2019 actual group room nights.

Last quarter, our 2022 definite group room nights on the books represented 60% of 2019 actuals. Adjusted for our transactions and including bookings from the first quarter, 2022 definite group room nights now stand at approximately 70% of 2019 full year actuals. For the remainder of the year, 2022 definite group room night pace is down 14% to 2019, while total group revenue pace is down just 8% to 2019.

Sourav will get into more detail on business mix and markets in a few minutes.

In addition to delivering significant operational improvements, we continued to execute on our 3 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 operators, gaining market share at hotels through comprehensive renovations and strategically allocating capital to development ROI projects.

As a reminder, 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 3 strategic objectives. $100 million to $150 million is expected to come from potential long-term cost savings over time based on 2019 revenues from redefining the operating model with our managers. We have achieved approximately 60% to 70% of these savings to date.

Another $22 million to $37 million of incremental stabilized EBITDA is related to our goal of gaining 3 to 5 points of index growth at the 16 Marriott Transformational Capital Program hotels and 8 other hotels where comprehensive transformational renovations have been recently completed or are underway.

Starting with the Marriott Transformational Capital Program portion of our renovations. During the first quarter, we completed the Marina del Rey Marriott and the Houston Marriott Medical Center.

This brings the number of completed properties to 12 out of 16 in this program with 89% of the work complete, and we expect to be substantially complete by the end of 2022. The remaining Marriott Transformational Capital Program properties include the Boston Copley Marriott, the San Diego Marriott Marquis, the JW Marriott in Houston, which will be substantially completed by year-end and the Marriott Metro Center in Washington, D.C., which we expect to complete in the first half of 2023. We expect to receive over $11 million in operating profit guarantees from Marriott this year related to these renovations.

In total, we expect to invest approximately $750 million on the Marriott Transformational Capital Program assets. As a reminder, we were planning to invest approximately 70% of the $750 million as part of our routine cycle-based renovations. The remaining 30% is ROI-focused CapEx and includes renovation scopes brought forward from future years to create comprehensive transformational renovations. We believe these renovations allow us to capture incremental market share as is the case at the Ritz-Carlton Amelia Island, where we have seen a RevPAR index share gain of 8 points since May 2021. The Ritz-Carlton Amelia Island is now the #1 hotel in its competitive set, up from 3 or 4 historically.

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.

The completed hotels include the Don Cesar, Hyatt Regency Maui and Hyatt Regency Coconut Point. The Ritz-Carlton Naples Beach Resort and Miami Marriott Biscayne Bay are both expected to be completed by year-end, and the Westin Denver Downtown, the Westin Georgetown in Washington, D.C. and the Fairmont Kea Lani in Maui are scheduled to be finished by mid-2023. In total, we expect to invest approximately $420 million on these 8 assets over 4 years, $157 million of which we expect to spend in 2022.

And finally, we are targeting another $25 million to $35 million of incremental stabilized EBITDA from 4 major development ROI projects.

During the first quarter, we completed and opened the 2-acre River Falls Aquatics Park and substantially completed the 60,000 square foot meeting space expansion at our Orlando World Center Marriott. Both of these projects came in ahead of schedule and under budget. As mentioned, by year-end, we expect to complete the expansion at the Ritz-Carlton Naples Beach Resort, which adds to the Andaz Maui Villas and AC Scottsdale North, both of which are complete. These 4 assets make up the current development ROI projects and our third strategic objective and we continue to identify new development projects that will unlock value within our portfolio.

In total, we expect to invest $216 million on these 4 assets. Stabilization of these projects is expected to occur within 2 to 3 years of completion, but we are seeing early signs of outperformance.

In addition to the incremental stabilized EBITDA from our 3 strategic objectives, we expect approximately $120 million to come from the 7 hotel and 2 golf course acquisitions we completed in 2021, all of which are meaningfully outperforming our underwriting for 2022.

In closing, we continued to improve the quality of our portfolio with our recent dispositions, and we are very pleased with the $1.6 billion of acquisitions we closed on in 2021. As the lodging recovery continues to accelerate, we believe Host is very well positioned to capture a greater share of demand given the investments we have made in our hotels, our improved portfolio quality and our balance sheet strength.

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 first quarter top line performance, margins and balance sheet before wrapping up with an update on our dividend.

Starting with topline performance first quarter pro forma RevPAR of $167 was the highest it has been since the onset of the pandemic. The quarter was a table of 2 months, with March RevPAR of $221, more than double that of January. Improvements in the quarter were driven by leisure travel in sunbelt markets and Hawaii. These markets achieved a first quarter RevPAR of $251, a 26% increase over the fourth quarter. Our urban markets experienced the brunt of the Omicron impact in the first half of the quarter, but swiftly recovered ending March on a high note. For comparison, March RevPAR at our urban hotels was $132, up nearly 25% to the fourth quarter of 2021.

Turning to transient mix, holidays in the first quarter drove steady sequential growth in both occupancy and transient ADR with President's Day achieving the highest holiday occupancy since 2019, which was driven by our sunbelt markets. Our urban hotels achieved 76% occupancy over Easter, which is nearly double that of the MLK holiday weekend. Holiday occupancy in our urban markets outperformed our sunbelt markets for the second time since the onset of the pandemic with a rate improvement of 26% over the MLK holiday weekend.

Business transient revenue was up 2% in the first quarter with a 4% increase in rate despite the impact from Omicron and winter storms in January. Business transient room nights set a recovery record in March, breaking the 100,000 level, and encouragingly, half of those room nights sold were in urban markets. For comparison, that represents a 28% increase over October 2021, which had 78,000 business transient room nights and was the previous high watermark.

Providing a little color on a few of our urban markets, in San Francisco we saw leisure demand starting to pick up in March. Business transient volume was slow for the first 2 months of the quarter, but our hotels saw a significant spike in March from consulting firms and tech clients. In New York, traditionally strong leisure periods have rebounded to levels approaching 2019. While transient demand remains short term in nature, we are starting to see the booking window stretch beyond 30 days. In March, business transient rooms in New York reached a post-COVID high, and as offices continue to reopen, we expect business transient demand to continue to ramp. Early in the first quarter, Washington, D.C. experienced declines related to cancellations, but all of our hotels saw a meaningful improvement in demand in March due to Cherry Blossoms and spring break. As government offices reopen, we expect business ranging volume to continue to improve.

Turning to group, revenue increased 33% over the fourth quarter driven by 14% demand growth, combined with a 17% improvement in rate. Most of the room night increase came from our hotels in Orlando, Maui and San Diego, where we saw incentive business from corporate groups come back into the mix.

As it relates to overall group business, banquet and catering revenue was up 17% over the fourth quarter and clearly showed that groups are willing to spend when they meet in person. Banquet revenue per group room night exceeded 2019 levels in the first quarter for the first time in the recovery, ending 7% higher, with March absolute banquet and catering revenue down just 10% to 2019.

Corporate group revenue increased 41% over the fourth quarter driven by 17% demand growth and a 21% increase in rate. Corporate group room nights picked up meaningfully each month in the quarter and ended at 70% of 2019 levels in March. Orlando and San Diego hotels drove most of the demand growth in this subsegment.

Association groups also showed steady sequential improvements. First quarter association group room nights increased 26% over the fourth quarter with a 13% increase in rate.

Shifting gears to expenses, total pro forma expenses were down 17% to first quarter 2019, in line with the total revenue decline.

Staffing at our hotels remains at 94% of desired levels based on business volumes versus 97% historically. Hotels hit pause on hiring during Omicron and were unable to keep up as demand surged back in February and March. While our hotels continue to fill open roles, a lag between demand and staffing levels still exists. This has acted as an offset to wages and benefits expense quarter-over-quarter.

Briefly touching on our efforts to redefine the operating model, we have made meaningful progress on evolving brand standards with our operators. Marriott recently announced over 200 brand standard revisions that aim to reduce costs, align standards across brands and segments, enable greater operational flexibility and eliminate outdated standards. Some examples include removing alarm clocks, printed compendiums and premium channels from guest rooms. Our operators have also moved to residential-style amenities in luxury hotel rooms and revamped the food and beverage options and hours of operation in many hotels to align with customer preferences. We expect brand standards to continue to evolve as we work with our operators to enhance efficiencies.

Taken together, a strong topline and expense controls have allowed our margin to continue to meaningfully improve. Our pro forma hotel EBITDA margin in the first quarter was 31.4%, which is just 10 basis points below that of the first quarter 2019. For comparison, this represents a 350-basis point increase to our fourth quarter hotel EBITDA margin, which was 27.9%. First quarter margin improvement was primarily a result of strong ADR and cancellation revenue. As demand and rate quickly recovered from a decline in January, March had the highest monthly hotel EBITDA margin in Host's history for today's pro forma portfolio at 41%.

Turning to our outlook for 2022, we are still unable to provide full year operational guidance given the continued volatility surrounding COVID. That said, we believe sequential quarterly RevPAR improvements will continue, as declines to 2019 diminish throughout the year. We expect second quarter RevPAR to be between $195 and $205 or down [negative 8% to down negative 3%] (corrected by company after the call) relative to 2019. This RevPAR range implies an Adjusted EBITDAre range of $375 million to $410 million for the second quarter. We expect sustained strength in leisure, as well as business transient and group demand to continue accelerating in our urban markets as companies get back on the road and groups get back to meeting in person. We have seen a recovery in international travel, particularly from Canada, Germany and the U.K. New York remains the top destination market followed by San Francisco and Seattle, and we expect sequential improvements in international demand over the course of this year.

Given the cadence of the lodging recovery, it is difficult to provide an accurate forecast for the year. While we expect sequential RevPAR improvements relative to 2019, seasonality and changing market and business mix are expected to lead to lower RevPAR and margins for the second half of the year relative to the second quarter. For reference, the third quarter has typically been our weakest quarter of the year, and as is historically the case, we would expect third quarter RevPAR and margins to be below that of the second quarter.

Turning to our balance sheet and liquidity position, our weighted average maturity is 5.3 years at a weighted average interest rate of 3.4%, and we have no significant maturities until 2024.

After accounting for our 2 hotel dispositions in April, we now have $2 billion in total available liquidity, comprised of approximately $439 million of cash, $162 million of FF&E reserves and a full availability of our $1.5 billion credit facility.

Wrapping up, I am pleased to share that the Board of Directors authorized a second quarter dividend of $0.06 per share on Host's common stock, a 100% increase over the prior quarter. All future dividends are subject to approval by the company's Board of Directors, but as the operational recovery continues, we expect to be able to grow our dividend to a sustainable level.

To conclude, we are optimistic that 2022 will continue to build on the strong momentum of the past few quarters. We remain very well positioned to execute on our goal of increasing the EBITDA growth profile and improving the performance of our portfolio.

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) Our first question is coming from Chris Woronka from Deutsche Bank.

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

Thanks for all the data points. I guess I'll ask the obvious one, which is the 2Q guidance with what you said about April. And I understand there's normally seasonally a drop in May and June. But I think the basic math is suggesting a bigger-than-normal drop, like a double-digit drop versus '19. Can you just give us a little bit of color on how you're thinking about that?

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

Sure, Chris. We have talked a lot about the Q1 performance and April performance internally at Host. And we just don't think we're going to be able to sustain the level of rate that we achieved in Q1 and in the month of April at our resort properties. The spring break that occurred this year was off the charts. It really was very, very, very strong. And we expect to see some moderation back to the mean, as we see a rotation from spring breakers back into the urban markets group and business transient coming back. So that's the reason why we brought the guidance down for Q2. Strong April, but we expect May and June to moderate. May is definitely going to be lower than April, June may be slightly above May at this point in time.

Operator

Your next question is coming from Neil Malkin from Capital One Securities.

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

Jim, a question for you kind of on the same line. But in terms of maybe just leisure resorts or probably more so that the other urban or group hotels. Can you just talk about what out of room total spending looks like? I mean, at least from our expectations, it's continued to just be really strong. And I know that people you've, I think, alluded to, even though rates may not be sustainable at some of these resorts, the other side of the revenue equation should pick up as group and various other core travel segments come back. So can you just talk about what you're seeing there, the total out of room? And how to think about that maybe as we go forward in terms of out-of-room spending on a per occupied level?

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

Sure. At our 16 resorts in the first quarter, Neil, we had outlet revenue per available room of $180, which is clearly a high watermark for our portfolio. And I would say probably industry-wide, it's a high watermark. As we look at how that revenue in the aggregate, it was just 7% below quarter 1 of 2019. And that's all driven by private resorts at this point in time. I think our resort performance was plus 40% on a pro forma basis to quarter 1 of 2019. The same -- and Sourav touched on this in his prepared remarks, the same with respect to banquets at our hotels that are driven by group. I mean that banquets were plus $24 million to quarter 4, the per group room night, the banquet dollars exceeded 2019 by 7%. So what we're seeing on corporate, and it's mostly driven by corporate group at this point in time. And what we're seeing is the groups that are signing up are being cautious regarding what commitments they're making on a spend basis, both from a rooms perspective and out-of-room spend, given what happened with Omicron in January and February and the attendant attrition and cancellation fees. But when they arrive at the hotels, they're spending a lot more money than they contracted for, which makes it a little bit difficult to forecast going forward. That's one of the reasons why we're not comfortable talking about the second half of the year but talking about the second quarter at this point in time. Does that answer your question?

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

Yes. I think so. I mean I'm just curious -- again, I understand like the decline in RevPAR, but I mean you do expect it to be clear, especially given your guidance in terms of bookings or room nights for -- on the group side. The out of room or the non-room related revenue were trend to continue its upward tax, correct?

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

Absolutely. So I only touched on outlet revenue and banquet revenues. I mean we have seen a very strong upward trajectory on golf revenues and on small revenues, parking is relatively flat, and we expect that to pick up as people get back on the road and start traveling again. We see no downturn whatsoever in golf or small revenues. The 1 area that -- it did have an impact on our first quarter performance were attrition and cancellation fees of $26 million, and that's relative to $13 million that we collected in Q1 of 2019. So I wouldn't expect to see that level of cancellation and attrition fees going forward. But the other out-of-room spend should continue to grow.

Operator

Your next question is coming from Smedes Rose from Citi.

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

I just wanted to ask, Sourav, as you think about, I guess, margin going forward, you noted that the margins came very close to pre-pandemic levels and RevPAR is still quite a bit below. As RevPAR continues to improve, even if it's somewhat seasonal and more choppy going forward. How do you think about the flow-through of incremental RevPAR gains? And would it be fair to assume that they might be more occupancy driven at this point versus rate driven? Or how are you thinking about that?

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

I would say take a look at sort of how we performed in 2019 on a quarterly basis. And given that we have come back much quicker than expected in terms of just getting back to normal seasonality. And that's obviously what's impacting our Q2 guidance. When you look at margin performance, it would be very similar to what we saw in back in 2019. The only thing I would say is, obviously, when you are growing revenues, rooms revenue is more driven by a rate that will flow through better. So in other words, you can expect sort of Q2 margins, no different from -- sort of fourth quarter of '19, where it's slightly better than the first quarter. But then if you look at the third quarter of 2019, there is a marked difference in what happens in margins just because rate drops. Back in '19, if I remember correctly, rate dropped close to like 10%, and there was a margin drop of about 600 basis points. So similar in terms of seasonality is what we would expect. So you would still expect sequential top line growth relative to '19, but you will see the absolute revenue numbers sort of follow the same patterns that we saw back in 2019.

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

Okay. And can I just ask you 1 quick question. You mentioned 3 million group room nights on the books for '23 that looks like somewhere between maybe 18 to 19 points of occupancy at this point. Where would you be now at a pre-pandemic going into the following year in terms of sort of points of occupancy on the books?

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

No. What I would say is where we were pre-pandemic is at about 3.9 million group room nights at the same time. But what's important to keep in mind here is it's -- we are talking about the full year, right? So Q1 obviously was impacted because of Omicron. So the way to think about it is more the remainder of the year. The remainder of the year, we have 2.3 million group room nights. So that's Q2 through Q4. At the same time back in 2019 for the remainder of the year, we had 2.7 million group room nights. Does that make sense?

So obviously (inaudible).

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

You were talking about for '23. You're talking about (inaudible) group room nights.

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

No. I am talking about '22.

Operator

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

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

Jim, just to put a little finer point on the whole sequential discussion. How much of this change in RevPAR is mix driven more group on the books for June, for example, than there was in the first quarter, so more mix, more business transient group? Or how much of it is just travel demand in some of those Sunbelt markets that caused all the compression and the pricing is just being more dispersed to New York and Boston and Chicago?

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

I think it's a combination of all the above, Bill. Clearly, I don't want to give the impression that our 16 resorts and those 5 properties that had over $1,000 in ADR for the quarter are going to fall off the face of the earth, they're not. I mean the demand is still there. We're still seeing it. But I think as we get past -- we got past April, we're going to get -- as we get into June, we have some seasonality issues associated with the resorts. As an example, the 1 Hotel South Beach in Miami, the Ritz-Carlton in Naples, Four Seasons Orlando, just natural seasonality, we think, may temper some of the demand at those properties. And then we are seeing group and business transient come back, which is going to clearly result in a RevPAR that in the aggregate is lower than what we saw in the first quarter and in the month of April. So we're delighted to have the business, make no mistake about it. We're very excited to see group in BT come back as strong as they have been coming back and having the resort portfolio that we do and having put $1.6 billion to work last year with assets that have really meaningfully outperformed our expectations has, in our minds, served as a good bridge to get us to the point where business transient and group recovers. So it's a combination of all of the above.

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

If I could just ask a follow-up on kind of the health of the consumer. I'm curious whether you're seeing points redemptions picking up? And if so, is that -- does that represent some pushback on these rates at the resorts or maybe a concession that the inflation is starting to eat away at the consumers' wallet?

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

Now I'll let Sourav get into it, but the short answer is no. We have looked at redemption numbers, and we don't think that, that is having an impact at all at this point in time. In fact, or as an example, for Alila Ventana, we're delighted that, that hotel is part of the world of Hyatt because that's the redemption numbers at that property really go a long way to allowing us to drive outsized RevPAR just given the small number of rooms that are there. And when we can really revenue managed the last -- down to the last room, that is how our redemption rate is set. So it's been very positive for us. And Sourav, I don't know if you want to add a little bit of color on what we're seeing?

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

Sure. Net-net, it's actually incremental for us because if you think about sort of where we are getting those redemption room nights, they're primarily in the resort destinations, which has very high occupancy and majority of our hotels in our portfolio are high redemption hotels, and we actually get a higher reimbursement rate at those hotels. And obviously, at a higher occupancy thresholds, it ends up being incremental in terms of revenue that's being driven by those redemption of nights.

Operator

Your next question is coming from David Katz from Jefferies.

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

I wanted to -- you've talked quite a bit about the strength of the balance sheet. And I think the presumption is that there would be other properties out there that would be viable targets in the next 12 months. And I'm just wondering if we can expand that view a little bit whether there are portfolios or even whether corporate M&A would even be within or outside the boundaries?

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

We are constantly evaluating investment opportunities, David. And I think what has happened, at least through our lens, as we view the world today. As other hotel owners have seen the cadence of the recovery, we're seeing 1 or 2 things happening. Pricing expectations for a number of the properties that have been in the market early in this year have been beyond our reach. We just have not been able to pencil the underwriting to make sense. Other assets that we would like to buy, and that's because everyone is expecting a strong recovery, which, obviously, our first quarter results and our April numbers are validating as we move into 2022 and beyond. Other assets that are -- that we might want to acquire just aren't available for sale right now as owners sit and wait until cash flow recovers.

So we are very well positioned. There's no question about it. We have $2 billion of available liquidity today. As the year progresses, that liquidity position will grow. And it puts us in a very strong position as we get later into this year and opportunities become available to really pivot and again, be the buyer of choice as we were last year and take deals on all cash and not have to worry about the state of the debt capital markets today, which have gotten a little bit choppy, less loan to proceed -- less loan-to-value proceeds, higher interest rates, given the commentary and actions that the Fed has taken. And I think that patience is warranted at this point in time. We clearly are going to use the balance sheet, so we're beyond delighted that we were able to do what we did last year and get ahead of the curve and put $1.6 billion of work early in the cycle. So I think everything is on the table, but it's very difficult to speculate on what might become available that meets our underwriting criteria.

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

I appreciate that. And if I can follow up briefly. Just with respect to the kinds of markets where you would or wouldn't be, there's an argument, right, we see where companies are buying more Sunbelt oriented. I wonder if there isn't a contrarian view where some markets that may be under some pressure or duress today or underperforming today might be some places to hunt for value. I just wonder what your thoughts are on that?

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

Let me start by saying that we don't have a red line through any market. And it really is dependent upon our view of value and likely performance going forward. So I agree with you that I think the puck is still going to the Sunbelt markets. I don't think that's going to change. And resorts, in particular, for a number of reasons. Number one is most -- very, very low levels of supply in those markets -- in the resort markets in general. But if opportunities presented themselves in some of the markets that are at the bottom of the recovery list, and we thought that they were priced fairly and that we could add value and that the investment would serve to elevate the EBITDA growth profile of the portfolio, which is what we're really focused on doing, we would certainly be prepared to transact.

Operator

Your next question is coming from Aryeh Klein from BMO.

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

Just following up on the resort rates. Clearly, it seems like there's some seasonality at play over the next few months. But as you look further ahead and comps begin to get much tougher kind of in the second half of the year and I guess, the beginning of next year, are you expecting rates to actually decline a bit?

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

It's Sourav. So I think while rates will temper and a lot will be just natural business mix and market mix of shifting of demand to different markets as opposed to the strength of the leisure rates in those specific markets. So we will -- we still expect and just based on the demand that we are seeing into the next quarter. And even the second half of the year, we are of the belief that the leisure rates are still going to hold pretty strong. And probably, frankly, well into next year, there's still a lot of pent-up demand. And once international borders really open up to the U.S., we think there is a meaningful amount of demand that's going to help sort of sustain those rates. Obviously, very difficult to tell to what magnitude it will be tempered as sort of the market mix takes place, but we still feel pretty strong about the leisure rates going through the rest of this year and into next year.

Operator

The next question is from Anthony Powell from Barclays.

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

Sorry to keep focusing on this leisure performance in May and June, but I kind of wanted to ask another question on that. So you've seen strong pricing and demand on holiday weekends there. Your 2 weekends coming up at Memorial Day and also Juneteenth, just checking some of your properties on both of those weekends. They seem to be asking for very high pricing. So what are you seeing in the booking window for those 2 specific weekends? And are you seeing any, I guess, incremental weakness or softness or price resistance as we approach those time periods?

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

Specifically for Memorial Day, and this is, again, going back to sort of still the short-term lead time, we are seeing actually paced 12% above 2019 levels. So still holding very strong for holidays. Sunbelt markets are pushing rates really nicely with rates on the books, up 44% versus the same time in 2019. But overall, still very strong performance for the upcoming holidays.

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

And what about Juneteenth?

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

I don't specifically have Juneteenth numbers handy, but we can certainly get back to you.

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

So I guess you're not really seeing, I guess, an upcoming holiday weekends, any kind of, I guess, relative price softening versus what you saw in April or even Presidents' Day, is that fair?

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

That's fair. We're not seeing any softening.

Operator

Your next question is coming from Jay Kornreich from SMBC.

Jay Bradley Kornreich - *SMBC Nikko Securities America, Inc., Research Division - Research Analyst*

It's Jay. But a similar follow-up to a previous question. With the strong recovery in business transient urban demand, it was interesting to see your Boston and New York asset dispositions. So kind of just curious how you think about your asset allocation plan and whether it may shift back to preserving your urban footprint, which is recovering versus maybe disposing in those markets and focusing more on the outperforming Sunbelt and resort assets?

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

Sure, Jay. Those 2 assets were -- they each had a unique set of circumstances surrounding them that drove us to dispose of the properties in Boston. And let me say before I get into the specifics about each of these 2 assets, we still have a healthy presence in both markets. In Boston, we have the Boston Copley Marriott, which is part of the Marriott Transformational Capital Program. We're in the midst of a complete renovation of that asset. So clearly, we are committed to the Boston market. But the Sheraton, given its location in the Back Bay and the size of the hotel and the plans on the part of the State of Massachusetts to sell the Hynes Center, which the hotel was very dependent upon for groups. It doesn't have an adequate meeting space platform to service groups. And the group business in Boston now has moved to the main convention center, the hotel needed a lot of capital, significant amount of deferred CapEx at that property. It just made a lot more sense for us to dispose of that asset and similarly with the Sheraton in New York. We have the time -- the New York Marriott Marquis in Times Square and the Financial Center Marriott in Downtown New York, both are in incredible shape. They were both part of the Marriott Transformational Capital Program. The assets are well primed to really outperform as the recovery continues at pace, whereas the Sheraton, again, an older hotel in need of substantial CapEx. So in that -- Sheraton was forecasted to lose $15 million at the EBITDA line in 2022.

So I think those 2 dispositions will go a long way to allowing us to elevate the EBITDA growth profile of the company. Taking the capital from those sales and investing that capital either in our existing portfolio through ROI projects or making additional acquisitions going forward as part of our capital allocation strategy.

Jay Bradley Kornreich - *SMBC Nikko Securities America, Inc., Research Division - Research Analyst*

Great. That's really helpful. And if I could just ask 1 follow-up. As we see a nice recovery in the business trends in all the urban markets, can you just give us a little perspective on how San Francisco is shaping up? And how you expect that market to perform in the second half of the year?

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

Yes. Sure. San Francisco is actually shaping up better than we were expecting. The same I'll give you an example. San Francisco Marriott Marquis actually had 1,000 rooms per night midweek last 3 weeks of March. BT on the books for the last week of April is almost flat to 2019. So overall, pretty good see through for San Francisco in terms of BT pickup.

Operator

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

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

If I look at your EBITDA numbers, particularly if I look at your resort markets relative to '19, obviously, the resorts have been really strong. San Francisco has been lagging. DC has been lagging. New York is not really that big, but that has also been a troubled market. As you think about the recovery that we're seeing in the urban markets, I mean, in your view, I know the people are talking a little bit about sequential growth here, but you're pretty 83% of your EBITDA -- hotel EBITDA already in the U.S. in the first quarter. Some of your competitors think they can achieve that by the fourth quarter of this year. Are you -- is that your house view of potential? I know you're not giving guidance, but certainly, is that, how comfortable are you being able to achieve those kinds of levels by the fourth quarter of this year?

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

I don't think we're really comfortable talking about the second half of the year. It's very difficult at this point in time to forecast how this recovery is going to continue to unfold. So much of the business is being booked short term, although we are starting to see the booking window extend.

As I mentioned, a very valid point, we think, is on the corporate group business that we're seeing. The contracts that are being signed are for lower levels of food and beverage spend and smaller numbers of attendees that are then that are showing up. Because they just don't want to be dealing with attrition and cancellation fees if they have to cancel or if they if there is another event that as we saw in January and February. So at this point in time, I think we're confident and we feel really good about what we're seeing in terms of group bookings for the balance of this year. We had a nice pickup over Q4, where we had $2.7 million definites on the books at the end of Q1. We had 3 million definite room nights on the books. That compares, I think, to $3.9 million in Q1 of 2019 for 2020. So we continue to close the gap going forward and the same with business transient. It's coming back. We think it's going to continue to evolve as offices open. And we feel good about it, but we're just not in a position to give any guidance for the balance of the year.

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

I would add, I mean, if there is any indication in terms of what we did in March as presentation of where we see the trends heading. I think we mentioned in our prepared remarks, March was over 100,000 room nights, which is now the high watermark. So if you remember back in 2021, we had -- the last high watermark was at 78,000 room nights in October of '21. So that's a 28% increase. What we can say is we see that trend continuing into April. And as Jim said, since the lead times are short, it's difficult to have visibility on BT well into the second half, but the trends are at least positive. And March ADR for BT was $223, and that's down only 1.6% to 2019.

Operator

Your next question is coming from Chris Darling from Green Street.

Chris Darling - *Green Street Advisors, LLC, Research Division - Analyst of Lodging*

Just to put a finer point on what you're seeing on BT and group demand. I'm hoping you could just walk through how weekday occupancy specifically is trending relative to '19 and some of your major urban markets.

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

So for the major urban markets, the week day occupancy is still lower than what -- where we would like it to be, but it's trending in the right direction. I think that's the important point. From the last time we spoke on the fourth quarter call, there has been like a 4- to 5-point improvement in midweek occupancies. So that's where sort of we have been focused. Weekend occupancy has obviously improved meaningfully in those urban markets, but that trend continues.

Chris Darling - *Green Street Advisors, LLC, Research Division - Analyst of Lodging*

Fair enough. And I don't know if you have the numbers in front of you, but just curious how that might compare to kind of pre-COVID levels?

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

We are still down, I would say, about sort of high double digits of 18, 20 percentage points in occupancy in those markets.

Operator

Thank you. That concludes our Q&A session. I will now hand the conference back to Jim Risoleo, Chief Executive Officer, for closing remarks. Please go ahead.

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

Thank you, and I would like to thank everyone for joining us on our call today. We appreciate the opportunity to discuss our quarterly results with you. And we all look forward to meeting with many of you in person in the coming weeks and months. We really appreciate your continued support. Have a great day.

Operator

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