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HST.OQ - Q1 2025 Host Hotels & Resorts Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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

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

## CONFERENCE CALL PARTICIPANTS

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**Duane Pfennigwerth** *Evercore ISI - Analyst*

**Chris Woronka** *Deutsche Bank - Analyst*

**David Katz** *Jefferies - Analyst*

**Shaun Kelly** *Bank of America - Analyst*

**Mike Bellisario** *Robert W. Baird - Analyst*

**Chris Darling** *Green Street - Analyst*

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## PRESENTATION

### Operator

Good morning and welcome to the Host Hotels & Resorts first-quarter 2025 earnings conference call. Today's call is being recorded.

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

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

Thank you and good morning, everyone.

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

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

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

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

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

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

In the first quarter, we delivered adjusted EBITDA of \$514 million, an increase of 5.1% over last year, and adjusted FFO per share of \$0.64, an increase of 4.9% over last year. First quarter adjusted EBITDA and adjusted FFO per share benefited from \$10 million of business interruption proceeds related to Hurricanes Helene and Milton, which is the same amount we recognized in the first quarter of 2024 related to Hurricane Ian.

Comparable hotel total RevPAR improved 5.8% compared to the first quarter of 2024, and comparable hotel RevPAR improved 7%, driven by strong rate growth. Comparable hotel EBITDA margin improved by 30 basis points year over year to 31.8% as revenue growth outpaced the expenses due to higher rates.

As a reminder, the operational results discussed today refer to our 79-hotel comparable portfolio in 2025, which excludes the Alila Ventana Big Sur and the Don CeSar. Additionally, this quarter, we are referring to revenue growth for our business mix segments as RevPAR growth due to the leap year in 2024.

Turning to business mix, RevPAR growth in the first quarter was better than expected, driven by increases in room rates. We saw particularly strong performance in Washington DC, New York, New Orleans, Los Angeles, and Maui. Transient RevPAR grew by 6%, driven by resorts, which benefited from a late Easter. Our three Maui resorts accounted for almost half of the transient RevPAR growth in the quarter, alongside strong performance in New York and Los Angeles.

Digging deeper into Maui, the leisure transient recovery continued, driving Maui's strong results in the first quarter. Transient rooms sold were up approximately 70% year over year. Growth in revenues from transient guests more than offset declines from tough group comparisons in the first quarter of 2024, which included revenue from recovery and relief groups, as well as elevated group cancellation revenue.

Maui's 16% RevPAR growth in the first quarter provided a 70 basis points benefit to portfolio RevPAR growth. Total RevPAR at our three Maui resorts was also up nearly 7% due to strong outlet growth and increases in golf and spa revenue, despite collecting \$8 million in attrition and cancellation revenue last year. Taken together, we are encouraged that the recovery is well underway in Maui.

Business transient RevPAR grew 2%, driven by rate growth, as we saw a favorable market mix and a continued shift from government to corporate negotiated customers in the first quarter. Group RevPAR for the quarter was up 7% year over year as special events, the Easter holiday shift, and strong corporate group bookings in major markets drove group rate growth.

Our property sold \$1.1 million group room nights in the first quarter, bringing our definite group room nights on the books for 2025 to \$3.6 million, or 85% of comparable full-year 2024 group room nights. And total group revenue pace is up 3.3% to the same time last year.

Turning to ancillary spend, RevPAR growth outpaced total RevPAR growth in the first quarter. Rate growth achieved around special events such as the inauguration and the Super Bowl drove outsized RevPAR growth in the first quarter, while the decline in attrition and cancellation revenue due to Maui's tough comparison muted total RevPAR growth. Despite a challenging comparison, we still saw solid growth in food and beverage and other revenues.

F&B RevPAR grew 5%, driven by both banquet and outlet growth, and other revenue per available room grew 2%, despite a meaningful decline in attrition and cancellation revenue.

Turning to the Don CeSar, we were thrilled to welcome guests back to the resort in late March after a six-month remediation effort following Hurricanes Helene and Milton. Our team leveraged strong industry relationships and lessons learned from the Ritz-Carlton, Naples to enhance amenities and rebuild infrastructure to increase resilience, including elevating critical equipment and systems.

The Don CeSar holds a cherished place in the hearts of hotel employees in the St. Pete Beach community. In fact, the majority of associates returned after six months, a testament to their resilience, loyalty, and commitment to the Don CeSar. Since the reopening, we are seeing stronger than anticipated transient demand, higher average checks in our temporary F&B outlets, increased demand for spa services, and a greater number of club members reactivating membership.

As a reminder, we currently estimate our total property damage and remediation cost at the Don CeSar will be between \$100 million and \$110 million and our insurance deductibles are \$20 million. We collected \$10 million of business interruption proceeds in the first quarter. While we expect to collect additional business interruption proceeds, it is too early to estimate the timing or amount of additional payments.

Turning to capital allocation, during the first quarter, we repurchased 6.3 million shares of common stock at an average price of \$15.79 per share for a total of \$100 million. Since 2022, we have repurchased \$415 million of stock at an average repurchase price of \$16.16 per share. We have \$585 million of remaining capacity under our Board-authorized share repurchase program.

Turning to portfolio reinvestment, during the first quarter, we completed comprehensive renovations at the Grand Hyatt, Atlanta in Buckhead, marking the first completion of six properties in the Hyatt Transformational Capital Program. We also completed and reopened The View, a two-story rotating restaurant lounge on the 48th floor of the New York Marriott Marquis, as well as Aviv, a new restaurant on the lobby level of the 1 Hotel South Beach.

We continue to make progress on the condo development at the Four Seasons Resort, Orlando at Walt Disney World. We expect to complete the mid-rise condominium building and begin closing on sales in the fourth quarter of this year. We now have deposits and purchase agreements for 16 of the 40 units.

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

With the Hyatt Transformational Capital Program, we expect to complete renovations at the Hyatt Regency Austin and the Hyatt Regency Capitol Hill in the second half of this year. As a reminder, we expect to benefit from approximately \$27 million of operating profit guarantees related to the Hyatt Transformational Capital Program this year, which we expect will offset the majority of the EBITDA disruption at those properties.

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

Looking back at prior renovations, we completed 24 transformational renovations between 2018 and 2023, which we believe are continuing to provide meaningful tailwinds for our portfolio. Of the 19 hotels that have stabilized post renovation operations to date, the average RevPAR index share gain is over 8.9 points, which is well in excess of our targeted gain of 3 to 5 points.

As of the first quarter, we are excited to share that all 16 of the Marriott Transformational Capital Program comprehensive renovations have stabilized and are meaningfully contributing to our portfolio performance. As evidenced by our first-quarter results, our capital allocation decisions over the past few years continue to serve us well.

Turning to our outlook for 2025. While we outperformed our expectations in the first quarter, we remain cautious given the heightened macroeconomic uncertainty. Demand trends appear to be holding for now, but the potential for deteriorating lodging fundamentals has increased.

Based on the information we have today, we are maintaining our comparable hotel RevPAR guidance range with a slight reduction to total RevPAR driven by moderating trends and group lead volume. As Sourav will discuss in more detail, the low end of our guidance range contemplates a mild slowdown, while the high end assumes a more stable macroeconomic environment.

In preparing our guidance, we looked to prior downturns, including the recession in the early 1990s, the 2008 financial crisis, and the pandemic, which had the most severe impact on the lodging industry. As a result of the wide range of potential economic outcomes, we are also providing an approximate rule of thumb for the current environment based on how our portfolio is positioned today.

For every 100 basis points change in RevPAR, we would expect to see a \$32 million to \$37 million change and adjusted EBITDA.

In times like this, it is important to remember that Host is well positioned to weather any environment and continue to thrive as a result of our fortress investment grade balance sheet, a leverage ratio of 2.8 times, our access to capital, our size and scale, our diversified business and geographic mix, and our continued reinvestment in our portfolio. We will continue to utilize our competitive advantages, be disciplined in our capital allocation approach, and position Host to outperform in the current environment and over the long term.

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

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

Thank you, Jim, and good morning, everyone.

Building on Jim's comments, I will go into detail on our first quarter operation, updated 2025 guidance, and our balance sheet. Starting with total revenue trends, RevPAR growth outpaced total RevPAR for the first time in over a year, as outsized rate growth driven by special events boosted RevPAR. Despite challenging comparisons, group and transient guests continued to increase their out of room spend at our hotels.

Comparable hotel food and beverage RevPAR grew 5% in the quarter driven by both banquets and outlets. Banquet revenue increased 5%, driven by growth in group room nights and contribution per group room night outside of Maui. Results were driven by both Ritz-Carlton resorts in Naples, the Phoenician, the New York Marriott Marquis, the Grand Hyatt Manchester San Diego, and our recently acquired 1 Hotel and Embassy Suites complex in Nashville.

Outlet revenue also grew 5%, resulting from more normalized operations in Maui, the opening of The View Restaurant at the New York Marriott Marquis, and the repositioned Singer Oceanfront Resort. Other revenue per available room grew 2% in the first quarter, despite difficult comparisons from record levels of attrition and cancellation collected last year. Golf and spa revenues continue to grow, leaving us encouraged that the affluent consumer is still prioritizing spending on premium experiences.

Overall, transient RevPAR was up 6% compared to the first quarter of 2024, driven by improving leisure transient demand in Maui. Outside of Maui, transient strength was driven by the repositioned Singer Oceanfront Resort, the Four Seasons Orlando Resort at Walt Disney World, the Westin Kierland, and the Four Seasons Jackson Hole. In fact, year over year, the Four Seasons Jackson Hole held transient rate over \$2,800 while increasing transient rooms sold by 15%.

Special events and holidays in the quarter showed meaningful growth. For our five hotels in Washington DC, RevPAR for the inauguration was up an impressive 660% over the same time frame last year. For President's Day weekend, all hotel types had double-digit RevPAR growth, resulting in 16% RevPAR growth for the comparable portfolio.

Looking ahead to holidays in the second quarter, transient revenue pace is down slightly for Memorial Day weekend compared to the same time last year, as convention hotels have opted to take more groups on the books that weekend. Outside of convention hotels, transient revenue is pacing up in the mid-single digits, with Maui pacing up over 30%. July 4th's transient revenue pace is also up 4% over last year, again driven by Maui. Business transient RevPAR was up 2% to the first quarter of 2024, driven by nearly 7% rate growth, while volume was down 5%. We expect business transient revenue to remain flat for the remainder of this year as a result of the uncertain macroeconomic environment.

Turning to group, RevPAR was up 7% year over year, which includes an estimated 200 basis points negative impact from Maui. As expected, group room nights were down compared to the first quarter of 2024, driven by recovery and relief group room nights in Maui last year, which did not repeat in 2025.

Group room night volume was up slightly for the portfolio excluding Maui. Group RevPAR growth was driven by broad-based corporate group strengths across the portfolio, as well as association groups. For full year 2025, we have over \$3.6 million definite group room nights on the books, representing a 12% increase since the fourth quarter. As Jim mentioned, total group revenue pace is up 3.3% over the same time last year.

Group lead volume has moderated as association and government-related groups pause new bookings due to the heightened uncertainty, but we are encouraged that rates continue to hold across the portfolio for bookings made in the first quarter for the rest of 2025. We also continue to see strong city-wide booking pace in many of our key markets, including San Francisco, New Orleans, San Antonio, and Nashville.

Shifting gears to margin, comparable hotel EBITDA margin of 31.8% was 30 basis points above the first quarter of 2024 as a result of weight-driven total RevPAR growth, which outpaced fixed expenses growth. We expect year-over-year margin comparisons to decline as the year progresses, primarily driven by wages and benefits and fixed expense pressures alongside a modest reduction in total RevPAR forecasts.

Turning to our outlook for 2025, as Jim discussed, we are maintaining our comparable hotel RevPAR guidance range with a slight reduction to total RevPAR driven by moderating group lead volume. It is important to note that the guidance range we are providing is based on the information we have today, and we remain cautious given the heightened uncertainty.

As a reminder, we have assumed a gradual improvement at our Maui properties this year and no improvement in the international demand imbalance. At the low end of our guidance, we have assumed a mild slowdown driven by deteriorating macroeconomic sentiment and the worsening international demand imbalance. And at the high end, we have assumed a more stable macroeconomic environment driven by clarity on trade policies and improvements in the international demand imbalance.

Our full year 2025 guidance contemplates comparable hotel RevPAR growth of between 50 basis points and 2.5% over 2024. We expect comparable hotel EBITDA margins to be down 160 basis points year over year at the low end of our guidance to down 100 basis points at the highest, a 50 basis points improvement over our prior guidance.

In terms of RevPAR growth cadence for the remainder of the year, our guidance reflects quarterly growth in the negative 2% to positive 1% range, with fourth quarter being strongest and third quarter being weakest. As Jim mentioned, given the uncertainty and range of potential outcomes, we are providing an approximate rule of thumb in the current environment based on how the portfolio stands today.

For modeling purposes, we estimate that every 100 basis points change in RevPAR would roughly equate to a \$32 million to \$37 million change in adjusted EBITDAre. The midpoint assumes comparable hotel RevPAR growth of 1.5% compared to 2024 and a comparable hotel EBITDA margin of 28%, which is 130 basis points below 2024.

As we think about bridging our 2024 results to 2025, we estimate a 110 basis points impact to full-year comparable hotel EBITDA margin from wage and benefit rate increases and a 40 basis points impact from lower business interruption proceeds, which is partially offset by a 20 basis points benefit from operational improvement.

For the full year, we continue to expect overall wage and benefit expenses to increase over 6%, which comprises approximately 57% of our total hotel operating expenses. Our 2025 full year adjusted EBITDAre midpoint is \$1.645 million. This represents a \$25 million or 1.5% improvement over our prior guidance midpoint driven entirely by first-quarter outperformance. It is important to note that we expect to receive additional business interruption proceeds for the Don CeSar, but it is still too early to estimate the timing or amount of any additional payments.

Our 2025 full year adjusted EBITAre midpoint also includes \$25 million of estimated EBITDA from the Four Seasons condo development, which we expect to recognize concurrent with condo sale closings in the fourth quarter.

Lastly, our midpoint includes an estimated \$1 million loss at the Don CeSar and an estimated \$13 million contribution from operations at Alila Ventana Big Sur, both of which are excluded from our comparable hotel sets in 2025.

Turning to our fortress balance sheet and liquidity position, our weighted average maturity is 5 years at a weighted average interest rate of 4.7%. We currently have \$2.2 billion in total available liquidity, which includes \$264 million of FF&E reserves and \$1.5 billion available under the revolver portion of the credit facility. Our quarter end leverage ratio was 2.8 times. In April, we paid a quarterly cash dividend of \$0.20 per share. As always, future dividends are subject to approval by the company's Board of Directors. We will continue to be strategic in managing our balance sheet and liquidity position as we move through the remainder of 2025.

Wrapping up, we believe our investment grade balance sheet as well as our size, scale, and diversification uniquely positions hosts to successfully navigate in uncertain times while capitalizing on opportunities for growth in the future.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Ari Klein, BMO.

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### Ari Klein - BMO Capital Markets - Analyst

Thank you. I was hoping you talk a little bit more about some of the recent trends you've been seeing in April from a demand standpoint? And then maybe on a market level, are you expecting some kind of divergence in performance and assets and gateway markets that are more exposed to inbound international travel and perhaps you can just talk a little bit more broadly about what you're seeing on that front? Thank you.

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

Hi, Ari, I'll take the second part of your question and Sourav can take the first part regarding trends.

The top markets in the country, the top 25 are actually performing really well. And if you look through our first-quarter performance. I know we called out certain markets with one-time events like the inauguration in Washington, DC and the Super Bowl in New Orleans, and Los Angeles and New York City and Maui. But if you were to exclude those markets, we still had solid RevPAR performance throughout the rest of the portfolio.

So international inbound is about 8% of our total room nights and the markets that are frankly most affected by Canadian inbound travel are Seattle and New York City, and as you know, we don't have a large presence in Seattle. And New York City has just been performing extremely well, and I think that can all be tied back to the transformational renovation that we undertook at the Marriott Marquis during COVID.

And our group business is extremely strong at the Marquis and we mentioned it in our prepared comments, we're excited that we have been able to open The View restaurant with Danny Meyer running it. I think it's going to do fantastically well for us. So we're not seeing the drag on our portfolio from international inbound, that's been talked about across the board.

I think there is a divergence clearly today between, the top 25 markets and luxury resorts that we have a lot of, and as you know, the secondary and tertiary markets, the lower chain scales. And we're delighted with how the portfolio is positioned today. And we have seen strong leisure demand. I'll let Sourav give you some stats around that in the first quarter across all of our resorts.

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

Yeah, Ari, as it relates to April, we obviously don't have final numbers for April, but when you look at the travel data month to date April for upper tier is up 2.5%. Luxury is up above that and upper upscale is effectively flat, and other scales, I believe is down 3%. For our portfolio, we are actually trending better than the upper tier performance for April month to date, and it's really being driven by our luxury resorts that had a very strong Easter. So all in all, luxury is holding very strong as we said in our prepared remarks.

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**Operator**

Duane Pfennigwerth, Evercore ISI.

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**Duane Pfennigwerth** - *Evercore ISI - Analyst*

Hey, thanks. Maui clearly did a little bit better I think than you think. Can you just talk about your outlook for the remainder of the year? I guess both from a RevPAR perspective, are there any periods that have easier versus tougher comps and then from a profit growth or EBITDA growth perspective?

Thank you.

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

Sure, Duane. So when you look throughout the year for Maui, obviously, Q1 is very strong for Maui, and so is Q4. Q2, Q3 somewhat moderating. But let me walk you through the Maui, the updated Maui bridge, if you will, because we've provided that last quarter. So if you remember, we had sort of restated our 2024 EBITDA at \$72 million so that was, if you recall, \$97 million net of BI left \$17 million from relief and recovery rooms, and then left \$8 million from the one-time attrition cancellation revenue that got us to a restated \$72 million number, deduct from that the \$7 million for wage and benefit increase in 2025.

And now you would add to that \$30 million to \$40 million estimated for the year in terms of improvement in operations. Last quarter, we had stated instead of \$30 million to \$40 million, we had stated our estimate at that point in time was \$15 million to \$30 million. So in other words, our expectation for Maui from an EBITDA standpoint has gone up by approximately \$10 million to the midpoint. So in that sense, our EBITDA projection for Maui currently stands at the midpoint at about \$100 million.

It was previously what we had said was somewhere around \$80 million to \$95 million, so certainly, that has improved. I would say the majority of that improvement, \$10 million is Q1. However, we still anticipate a little bit of continued improvement throughout the year as well.

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**Operator**

Chris Woronka, Deutsche Bank.

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**Chris Woronka** - *Deutsche Bank - Analyst*

Hey, guys, good morning. Jim, you guys kind of set yourself apart from your peers a little bit coming out of COVID with a lot of acquisitions, and you've been busy in the last couple of years and I know we're not quite even halfway through the year yet, but do you think all the uncertainty in the world that that we're all talking about, is that in your mind create more opportunities on the acquisition front in the near term?

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

Well, Chris, I wish I had a crystal ball to really answer that question in a precise manner. I really don't know what's going to happen. I can only point to what we've done in the past as maybe a prelude to how we think about markets and deploying capital in the future. But there's been a lot of talk all throughout COVID regarding the stress in the markets and that they're going to be a lot of asset sales and it didn't occur.

And based on what we're seeing, certainly within our portfolio from a operating fundamental perspective, we hope that this translates to other owners of hotels as well, that the big R word is a thing of the past and that we see a shift in policy, which is really causing all the uncertainty out there today, and that we have other great things coming out of Washington, the tax bill and the budget bill in the second half of the year. And that the economy takes off and the uncertainty goes away.

So I really think if that does happen, and obviously it's dependent somewhat upon interest rates, that you may see a more active transaction market pickup later this year. But as of today, I think the general attitude and mood out there is everyone's in a wait-and-see mode. There is just not a lot happening in the transaction market because of the uncertainty that exists in the macro basis.

So from our perspective, we're going to continue being opportunistic as we deploy capital, we will continue to invest in our portfolio that has served us very well. We have seen great results of the 16 Marriott Transformational Capital Program assets that we completed, as well as 8 other assets that we've undertaken transformational renovations on.

Now, we picked up 8.9 points in yield index. I mean, that's very significant and that flows right to the bottom line. We underwrote 3 to 5 points. So I think investing in your assets, done smartly, is a really good use of capital, buying back stock when we're trading at levels that we are today is also a good use of capital and continuing to pay a dividend is also something that's very important to us. So we're in a unique position, Chris, given the balance sheet and the fact that we're sitting here today only 2.8 times leverage and we have \$2.2 billion of liquidity. We really are in the unique position where we can do it all.

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**Operator**

David Katz, Jefferies.

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**David Katz** - *Jefferies - Analyst*

Hi, everyone, thanks for taking my question. And I'm going to sort of follow on this just a little bit, because in a stable operating environment, without any prospects for sizable deals, and I'm not trying to put words in your mouth and suggest that there aren't. But I'd love to get a sense for when you might consider, perhaps returning some more capital through repurchases or other kind of one-time events? Just a thought.

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

Well, I think that you will see us continue to be thoughtful about repurchasing stock and continuing to pay our dividend, David. We went into blackout on March 24. That was about a week or so before Liberation Day when the stock really started to underperform. I think it's safe to say that if we were in a position to buy back additional shares when the stock price really weakened, then you would have seen us do that in the marketplace.

So we're going to keep one eye on operations as we always do because we have a lot of priorities that are important to the long-term growth of this business and to the long-term value creation for our shareholders, so I can't sit here definitively today and give you a number about how much we're going to deploy to buy back shares and whether or not we're going to be acquiring assets, given the landscape that's out there today, and the fact that there just isn't a lot out there that's exciting. So I would just tell you it's a wait-and-see approach, we'll be opportunistic and let's see how the year plays out.

**Operator**

Shaun Kelly, Bank of America.

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**Shaun Kelly** - Bank of America - Analyst

Hi, good morning, everyone, and thanks for taking my question. Jim or Sourav, I just wanted to go back to the consumer environment a little bit. You called out a couple of data points which are interesting, which were the bookings on those sort of peak weekends, 4th of July, Memorial Day, which actually sound pretty encouraging.

What are you seeing in sort of the off-peak periods, be it weekday, weekend or just sort of particularly for some of the same -- that same portfolio? Are you seeing -- the question is are you seeing a high, low dynamic where people are coming at those periods but a little softer in the shoulders or is it consistent throughout just given your mix and the higher end consumer? Thanks.

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

Hey, Shaun, I would say so far, it's still been pretty consistent. There hasn't been a meaningful change in trend as we look at weekday and weekend, and obviously, that does differ from asset to asset and from market to market. But overall, there's nothing meaningful that has really shown up that we can sort of speak to. And like we said, we still have a positive group booking pace, our total group revenue pace for the year is at 3.3%, and that group rate has held.

You might recall we have set up the group rate effectively for the full year with that 4%. We are effectively still there at 3.8%. So and then leisure, as I mentioned earlier, has been holding on pretty strong, and nothing dramatic on the BT front. Yes, volume was lower year over year on the BT front, but weight was higher, and we're pretty much seeing the same thing as we look at April as well, so nothing unique there.

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**Operator**

Mike Bellisario, Baird.

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**Mike Bellisario** - Robert W. Baird - Analyst

Thanks, good morning, guys.

Jim, a question for you on sort of margins and operations. Have you guys implemented broader cost-cutting initiatives yet? Are you making any staffing changes or kind of any preemptive cuts at this point to manage margin for the remainder of the year?

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

Well, the past downturns have been very instructive and informative, Mike. I mean, we have developed contingency plans property by property, not on a portfolio-wide basis because each asset is different. And the plans are ready to be implemented if and when the need occurs. At this point in time with how the portfolio is performing, I mean, we always have an eye on expenses always, and I think Sourav mentioned in his remarks that we had a 20 basis points operational improvement based on productivity and in actions that we've taken at the property level.

So if things were to go south, and we're not seeing that today, I mean, we are not seeing it today. I want to emphasize that very clearly. We are very comfortable with the guidance that we're maintaining for the balance of this year, but if things were to go south, of course, we would be in a position to very quickly implement our contingency planning and cut expenses as needed across the portfolio.

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**Operator**

Chris Darling, Green Street.

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**Chris Darling** - *Green Street - Analyst*

Hey, thanks, good morning. To what extent is your CapEx budget for the year at risk given the tariff situation and then how is the current backdrop impacted your thinking around planned capital projects in future years and is that really where we might see some risk?

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

Yeah, Chris, I think it's a little too early to tell exactly how tariff policy is going to play out. We are maintaining our CapEx guidance as we've discussed today. It's the same numbers that we gave you on the fourth-quarter call in February. And we have a diverse group of suppliers for our products. Obviously, the tariff risk is greatest probably whenever you're doing a guest room, given the FF&E that's involved, then it becomes less impactful on other spaces in the hotel.

So we have clearly developed off-ramps for -- referring to Mike's question on contingency planning from an operational perspective. Well, to be prudent, we've developed off-ramps for our capital projects if the need should present itself. But I don't anticipate that happening at this point in time. We're moving full steam ahead with our Hyatt Transformational Capital Program.

We've completed the Grand Hyatt in Buckhead already this year, and we will be completing the Hyatt Regency Capitol Hill and the Hyatt Regency Austin this year as well. And to answer your question about 2026, it's a little too early to really start talking about budgeting and what we're thinking about on a capital basis for next year. We will do that later in the summer, which is something that we've done on a historical basis.

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**Operator**

Jay Kornreich, Wedbush.

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**Jay Kornreich** - *Wedbush - Analyst*

Hi, thanks. Good morning. You commented on the current economic uncertainty leading to business transient RevPAR expectations to be flat for the year or the rest of the duration of the year and group new bookings moderating. So I'm wondering if you can just drill a little bit further down to provide more details into those two legs of demand?

And then specifically on the group side, are you seeing the moderation coming in more in the year for the year bookings or more as you're looking out to 2026 bookings and beyond?

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

Sure, so when you're looking at a group, it is really more in the year for the year. So when we're speaking to lead volumes, it's in the year for the year, it's in the quarter for the quarter, in the month for the month. The lead time is effectively shrinking. In other words, folks are certainly taking a pause, and I would say specifically it's government groups, which is not a surprise, and associations. That's where we're seeing a sort of moderation of lead volumes, but it's really a 2025 phenomenon.

We actually picked up about 470,000 group room nights for 2026 through 2028, and we're pacing '26 to '28 in the high-single digits, so it is certainly not as much of an issue for future years but more so what we're seeing in the year for the year and in the month for the month as well. As it relates to business transient, like I mentioned earlier, Q1 volume was down year over year. We were down about 5% or so in terms of BT room nights.

A majority of that decline, I would say, a little over 50% was really driven by government, so government falls under our BT room night. Our rate was up 6.5% for us in Q1, and even government rate actually was up about 4% or so. We expect that the volume -- in our previous guidance, we anticipated that you would continue to see the steady recovery of BT as we had seen last year. Right now, we're assuming that's not going to be the case effectively the decline in volume we saw year over year will continue throughout the year and we will see a moderate year-over-year rate increase similar to what we saw in Q1.

So effectively not much of a change in BT just given the macroeconomic uncertainty.

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**Operator**

Jack Armstrong, Wells Fargo.

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**Jack Armstrong** - Wells Fargo - Analyst

Good morning. Thanks for taking the question. How have you seen the administration's policies now that you had a few months to see them play out, impact you in terms of supply and labor markets? Are you seeing incremental pressure on margins there? And then on the tariff side, how have your expectations for tariffs shape your full year margin guide?

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

The first part of your question, Jack, was that regarding supply or was it supply of labor?

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**Jack Armstrong** - Wells Fargo - Analyst

Yeah, labor supply.

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

Labor supply, we're fortunate that we have the majority of our properties managed by Marriott and Hyatt, 2 really solid employers that people go to because they want to have hospitality as a career and we have not seen any pressure on the labor front, and that's been consistent. I mean, we were able to recover coming out of COVID pretty quickly and restaff our hotels as needed. So no issue there whatsoever.

There is no, at this point in time, no indication that tariffs are going to impact our margins at the hotel level. We've given you guidance on how we think margins are going to perform over the course of this year. Of course, if things change, then we will change accordingly but as we sit here right now, we're comfortable with the margin guidance that we provided.

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**Operator**

Floris van Dijkum, Compass Point.

**Floris van Dijkum** - *Compass Point Research & Trading, LLC - Analyst*

Hey, thanks for taking my question. Jim, I have a question for you on the transaction market. We've been hearing some signs that some buyers could be pulling out of transactions. Do you currently have assets in the market and what do you think is going to happen in terms of pricing expectation?

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

Yeah, Floris, I think I got your question. You're breaking up a little bit over your line. It was about the transaction market and you're hearing that buyers are pulling out of transactions. What's going to happen long term? I think I mentioned it earlier, it is a wait-and-see approach right now for the most part in the marketplace, there were -- the CMBS market had backed up, it had closed down for a period of time. It's back now, it's open.

So I would expect that we get a little more clarity on policy and we can get through this period of uncertainty that my expectation would be later in this year that we can see the transaction market continue to open up and some of the deals that have been out there that are on pause right now. I think that they're likely to get done. I think certain buyers of assets that I'm aware of, which I'm not at liberty to speak about, not our assets, but other assets in the marketplace, just need a little more time.

And it was really driven by the debt markets, not necessarily by the equity markets. So I think pricing is going to depend on the type of asset that you're looking at. With luxury, still commanding very high prices, and upper upscale assets as well, commanding high prices. One of the really positive factors that I don't think we talked about enough that has happened in the hotel space is very low levels of new supply.

We're just not seeing levels of new supply, certainly not in the luxury and upper upscale space, which is where our exposure is and I think that will drive in part pricing for transactions because people are not going to have to worry about a new luxury resort being built right next to them, or another upper upscale major city center hotel being built as well.

So I think it's a little too soon to say at this point in time how this is all going to play out, but I think it's wait and see across the board. The good news is operations are still strong and hotels are cash flowing, and this is a policy, self-made policy issue that is creating all the uncertainty and that can change very quickly, that can change on a dime. So let's just sit back and see what happens and run the business the best we can going forward.

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**Floris van Dijkum** - *Compass Point Research & Trading, LLC - Analyst*

Are you testing any assets in the market right now, Jim?

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

We always test assets, Floris, of course. We would not be prudent if we weren't testing assets. The good news is for hosts, we don't have to sell any assets. I mean, given the quality of the portfolio that we have and the balance sheet that we have, we're under no stress, no pressure to do anything. And if we don't get the pricing that we think is appropriate for our assets, we're not going to sell anything. It's really that simple.

So we have nothing of any meaningful size out there that we've listed with brokers, that we've talked to some people on an off-market basis about buying assets from us. And we're very respectful that it's difficult to navigate waters when you're deploying new capital a day. So again, wait and see, we'll see how it plays out.

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**Operator**

Smedes Rose, Citigroup.

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**Smedes Rose** - *Citi Investment Research - Analyst*

Hi, thanks. I just wanted to ask, you spoke a lot about Maui, which was really helpful, but just in terms of what you're seeing in O'ahu, specifically with the Ritz-Carlton Turtle Bay, how is that, I guess, performing relative to your expectations and any change in kind of your initial underwriting there given the more uncertainty in the market?

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

No, I think Turtle Bay was up 13% in the quarters meets. RevPAR was up 13% at the hotel level. We have made a decision, a strategic decision, as you know, there are two golf courses there. One is the Fazio course and the other was the Palmer course, and you may recall from your visit to the island that there's another party that is developing some residential, and they have a lease on the Palmer course and they're going to renovate it and do a bunch of different things to it.

So we made a decision that we were going to delay the transfer of the Palmer course and expedite the renovation of the Fazio course which we own today, while we had the opportunity to. So it's about a six-month delay. The hotel itself is performing very well. We're very happy with what we're seeing in terms of O'ahu performance. I just like Maui for our assets. So nothing but positive news there, and we're excited to get the Fazio course redesigned and put the money that we anticipated we would have to put into it when we bought it done.

**Operator**

That will conclude our question-and-answer session, and I will now turn the conference back over to Jim for closing comments.

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

Well, thank you all for joining us today. We really appreciate the opportunity to discuss our quarterly results with you. I look forward to seeing many of you at conferences in the coming months and have a great summer and great rest of the year. Thank you.

**Operator**

Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation and you may now disconnect.

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