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HST reported 3Q22 adjusted FFO per share of $0.38.

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PRESENTATION

Operator

Good morning and welcome to the Host Hotels & Resorts Third 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 delivered strong performance during the third quarter, setting a number of milestones in the recovery.

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Total Food and Beverage and group revenues exceeded 2019 for the first time since the onset of the pandemic and our EBITDA margin was 250 basis points better than 2019.

During the third quarter, our adjusted EBITDAre was $328 million, and our Adjusted FFO per share was $0.38. Our All Owned Hotel EBITDA of $341 million in the third quarter was 15% above 2019 driven by continued rate strength, elevated out-of-room revenues and tight expense controls. All Owned Hotel revenues in the third quarter increased 4.9% over the third quarter of 2019, while All Owned Hotel operating expenses were up only 1.2%. All Owned Hotel RevPAR for the third quarter was $192, a 1.4% improvement over the third quarter of 2019. As a reminder, this is now the second consecutive quarter RevPAR has exceeded 2019 levels since the onset of the pandemic.

While macroeconomic concerns continue to dominate the headlines, we are not seeing any signs of weakness in our business. In contrast to 2008, the banking system is in good shape, leverage levels are reasonable and consumers still have $1.7 trillion in excess savings, with the majority concentrated in the top income brackets which gives us confidence the recovery in the lodging industry is sustainable.

In a poll released by the Global Business Travel Association last month, a majority of companies indicated that they are not limiting travel specifically due to economic concerns, and 78% of the participants expect volumes to increase in 2023.

Consistent with normal seasonality and shifting business and market mix, we expect fourth quarter nominal RevPAR to be slightly above that of the third quarter as well as above the fourth quarter of 2019.

Our recent acquisitions continued to contribute to our outperformance and are substantially ahead of our underwriting expectations. Based on updated expectations for full year 2022, EBITDA from our seven 2021 hotel acquisitions is expected to be approximately 100% above our underwriting expectations, already putting us better than our targeted stabilization range of 10 to 12x EBITDA.

Subsequent to quarter end, we acquired the Four Seasons Resort and Residences Jackson Hole, a 125-room luxury resort in Jackson Hole, Wyoming, for approximately $315 million. The acquisition price represents a 13.6x EBITDA multiple or a 6.6% cap rate on 2022 estimated results. It is expected to be one of our top 3 assets based on full year 2022 results with an estimated RevPAR of $855, TRevPAR of $1,430 and EBITDA per key of $185,000, further improving the quality of our portfolio.

The resort is one of only a handful of luxury ski-in/ski-out resorts in the United States. It sits on 6.3 acres in Teton Village, just steps from the gondola at the base of the Jackson Hole Mountain Resort, one of the top-rated ski destinations in the country. The resort is located 20 minutes from Downtown Jackson, within close proximity to Grand Teton and Yellowstone National Parks, a unique feature, making it a year-round destination where future supply is expected to be severely restricted.

The resort has 125 oversized rooms and suites that average approximately 650 square feet with gas fireplaces, balconies and dramatic views of the surrounding mountains and valleys. The property also features an additional 44 private residences, which are not part of our ownership, ranging in size from 1,700 to 3,700 square feet. Of the 44 residences, 30 currently participate in a rental program through the resort.

From 2014 through 2019, the resort had a RevPAR CAGR of 5.8%, significantly outperforming the ultra-luxury set, which had a RevPAR CAGR of 4.3% over the same time period. The resort, which opened in 2003, underwent a comprehensive guestroom renovation in 2022 and no disruptive capital expenditures are expected in the near term. Since 2015, $15 million or $120,000 per key has been invested in the property. In addition, the Jackson Hole Airport is undergoing a $65 million renovation and expansion, which is scheduled to be complete at the end of this year. Since 2021, nonstop flights from 6 cities have been added to better accommodate year-round demand, shrinking shoulder seasons and increasing visitor growth.

As is typically the case, we took a conservative approach when underwriting this asset, and we believe there is performance upside beyond 2022. As I just mentioned, earlier this year, the resort underwent a comprehensive guestroom renovation, and the Jackson Hole airport was closed for approximately 3 months. By continuing to grow year-round occupancy to historical levels and repositioning the food and beverage outlets and the public spaces, we expect the resort to stabilize at approximately 11 to 13x EBITDA in the 2026 to 2028 timeframe. With built in winter and

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summer demand generators, a lack of competition and no new supply on the horizon, we believe the Four Seasons Jackson Hole is positioned to outperform over the long term.

On the dispositions front, during the third quarter, we sold the 254-key Chicago Marriott Suites Downers Grove for $16 million. The hotel is expected to need $15 million of investment over the next 5 years.

Looking back on our transaction activity since 2018, we have acquired $3.5 billion of assets at a 13.7x EBITDA multiple and disposed of $4.9 billion of assets at a 17x EBITDA multiple, including $954 million of estimated foregone capital expenditures. Comparing All Owned Hotel 2019 results for our current portfolio to 2017, we have increased the RevPAR of our assets by 12%, EBITDA per key by 26%, EBITDA margins by 190 basis points and avoided considerable business disruption associated with capital projects.

Turning to the third quarter operations, our All Owned Hotel revenue was up nearly 5% to the third quarter of 2019 driven by 16% rate growth.

We estimate that Hurricane Ian impacted our third quarter RevPAR growth by 40 basis points and All Owned Hotel EBITDA by $3 million when comparing to the third quarter of 2019. The majority of the impact came from Hyatt Regency Coconut Point and The Ritz-Carlton Naples Beach. We expect fourth quarter RevPAR growth to be negatively impacted by 250 basis points and Adjusted EBITDAre to be impacted $17 million.

Despite a brief loss of commercial power and damage to the property's grounds, pools and amenities, the Hyatt Regency Coconut Point remained open to first responders. The hotel is expected to reopen to guests in mid-November, and we expect the waterpark to reopen in the second quarter of 2023. The Ritz-Carlton, Naples Beach is expected to remain closed for the remainder of the year and into 2023. A phased reopening strategy is being evaluated, and we will provide additional information when it is available. From an insurance perspective, our deductible is limited to $15 million and we expect to collect business interruption insurance, though it is still too early to estimate when we will receive those payments.

Turning back to third quarter results, transient revenue was up 2% compared to third quarter of 2019 and rate was up 25%. Growth continues to be driven by our Sunbelt and Hawaiian properties which achieved double-digit rate growth over 2019 for the sixth consecutive quarter.

Our resort properties continued to outperform with transient revenue up more than 30% to third quarter 2019 driven by 64% transient rate growth at our 16 resorts. We had 4 resorts with transient rates above $1,000 for the quarter, and this marks the second consecutive quarter where our newly acquired Alila Ventana Big Sur achieved transient rates above $2,000. Our urban and downtown hotels saw continued progress with 2% transient demand growth over the second quarter and rates more than 8% above the third quarter of 2019.

Turning to group, business continued to surge back at our hotels during the third quarter. Group revenue was up over 3% in the third quarter of 2019 for the first time driven by 6% rate growth. In the third quarter, our hotels sold 991,000 group rooms, just 2.6% behind the third quarter of 2019, and we continue to be encouraged by net booking activity in the quarter for the quarter.

For the full year 2022, we currently have 3.7 million definite group room nights on the books, an increase of 200,000 room nights from the second quarter. This represents approximately 82% of 2019 actual group room nights, up from 80% last quarter. Group rate on the books for 2022 is up 6% to the third quarter of 2019, a 90 basis point increase over last quarter. Total group revenue pace for the remainder of 2022 is down just 70 basis points to the sametime 2019.

As we look forward to 2023, we currently have 2.6 million definite group room nights on the books, an increase of 400,000 room nights since last quarter. Total group revenue pace is down only 5.8% driven by rate on the books being up over 6% to 2019. We expect the short-term nature of group bookings to continue over the near term and are encouraged by the large base we have on the books already. Sourav will get into more detail on business mix, markets and our balance sheet in a few minutes.

In addition to delivering 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 managers, gaining market share at hotels through comprehensive renovations and strategically allocating capital to development ROI projects. We are targeting a

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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.

We continue to make progress on the Marriott Transformational Capital Program as we believe these renovations allow us to capture incremental market share. At the JW Marriott Buckhead, which has a RevPAR index share gain of 13.2 points on a trailing 12-month basis compared to its pre-renovation index, trailing 12-month transient rates are up 11% over 2019 and banquet revenue per group room night has increased by over 6%. In addition to the positive momentum we are seeing at the JW Marriott Buckhead, we have seen a RevPAR index share gain of 11.7 points at our New York Marriott Downtown on a trailing 12-month basis compared to its pre-renovation index and a 7.6 point gain at The Ritz-Carlton Amelia Island, all far exceeding our targeted range of 3 to 5 points of RevPAR index gains at renovated assets.

In addition to the 16 Marriott Transformational Capital Program assets, we have 8 hotels where we have completed or are in the process of completing comprehensive renovations. This includes the Don CeSar, located in St. Pete Beach, Florida. The renovated resort is a phenomenal performer for us with a RevPAR index share gain of 12.8 points over its pre-renovation average.

In closing, as macroeconomic concerns continue to play out, we believe our capital allocation efforts over the past few years and our fortress balance sheet leave us very well positioned to navigate any challenges that might lie ahead. We have worked with our managers to redefine the operating model, meaningfully reinvested in our assets and maintained a strong investment-grade balance sheet. We will continue to be patient and opportunistic as we position our portfolio for outperformance.

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

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

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

Starting with topline performance, rate continues to drive the RevPAR upside, especially at our Sunbelt and Hawaiian hotels where rate was up more than 25% to the third quarter of 2019. Rates at our urban and downtown hotels surpassed 2019 levels for the first time since the onset of the pandemic with rates 4% above the third quarter of 2019.

Turning to business mix, overall transient revenue was up 2% over the third quarter of 2019 driven by 25% rate growth. Holidays throughout the quarter and into October continue to recover from an occupancy perspective, with Columbus Day achieving the highest holiday occupancy post pandemic. Urban and downtown holiday occupancy growth outpaced Sunbelt and Hawaiian markets with especially strong demand growth in Chicago, New York, and Washington, D.C.

Business transient revenue was down 22% for the third quarter of 2019, but volume improved 300 basis points over last quarter driven by our hotels in New York, Washington, D.C., Boston and Seattle. Business transient rooms sold reached a new quarterly high in the recovery, and August set a new monthly high-water mark with more than 120,000 rooms sold, beating the prior record set in June. In September, overall business transient rooms sold were slightly ahead of August when comparing to 2019 driven by our urban and downtown hotels, and encouragingly business transient rates were up 3.1% to the third quarter of 2019. Looking specifically at recent business transient trends in urban and downtown markets, rooms sold were just 10% below 2019 in September driven by San Francisco and Denver, which exceeded 2019 levels, while New York was just 3% below 2019.

Turning to group, this quarter marks the first time that revenue has surpassed 2019 levels for group business overall. In addition, corporate and association group revenue surpassed 2019 levels, marking 3 positive milestones for our portfolio in the recovery. In the quarter, group total revenues, including out-of-room spend, were 5% above the third quarter of 2019 driven by a 6% increase in rate. In the quarter for the quarter group rooms sold were up 20% over the third quarter of 2019. Group room revenue in Sunbelt and Hawaiian markets was up 13% driven by rates, and room nights sold were above 2019 levels for the first time post pandemic.

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At our newly renovated New York Marriott Marquis, group room nights were up 36% to the third quarter of 2019 as group demand returned and the transformed property is being very well received. For New Year's Eve weekend, our hotels in New York already have 62% occupancy on the books at an average rate of $610, an improvement of 219% compared to 2019.

Corporate group revenue exceeded the third quarter of 2019 by 70 basis points driven by a 9% improvement in rate. Our hotels and resorts in New York, Maui, Orlando, Phoenix and Washington, D.C. contributed to the revenue outperformance.

Association group revenue was up 20 basis points to the third quarter of 2019 driven by 4% rate growth. San Diego hotels drove most of the improvement, benefitting from 11 citywide conferences. Our Chicago hotels also benefitted from multiple citywide groups during the third quarter. Wrapping up on group with Social, Military, Educational, Religious and Fraternal or SMERF groups, revenue was up 14% compared to the third quarter of 2019 driven by a 20% increase in rooms sold at our urban and downtown hotels.

Shifting gears to expenses. All Owned Hotel expenses were up 1.2% to the third quarter of 2019. The slight increase to expenses was driven by higher utilities and property insurance despite wages and benefits savings, which were down 1.4% to the third quarter of 2019. As expected, the staffing lag we faced early in the recovery began to ease in the third quarter and our managers believe they are near desired staffing levels for current business volumes. Wrapping up on expenses, we continue to expect our annual wage and benefit rate inflation for 2021 to 2022 to be in the 4% to 5% range.

Taking our strong topline and expense controls together, our third quarter All Owned Hotel EBITDA margin came in at 28.7%, which is 250 basis points better than the third quarter of 2019. It is important to note that we received the business interruption proceeds from the Falls Pool project at the Orlando World Center Marriott in the third quarter, which benefitted our margin by approximately 60 basis points. For the second quarter in a row, margins were higher than 2019 across all operating departments driven by strong rates and increased out-of-room revenues on the topline combined with expense efficiencies.

As it relates to our efforts to redefine the operating model, both wages and benefit expenses and above-property costs remained below 2019 levels. To date, our operators have achieved approximately 70% of the $100 million to $150 million that is expected to come from potential long-term cost savings based on 2019 All Owned Hotel revenues.

Moving on to our outlook for 2022, we have updated our full year guidance ranges. Taking into account the impacts from Hurricane Ian, we expect full year 2022 All Owned RevPAR for our portfolio to be between $193 to $195 or down 3.5% to down 2.75% to full year 2019, which implies that our fourth quarter RevPAR will be slightly above the fourth quarter of 2019. This full year RevPAR range implies an Adjusted EBITDAre of $1.47 billion to $1.5 billion and an All Owned Hotel EBITDA margin of 31.6% to 31.9%. It is worth noting that our All Owned Hotel metrics do not include the Four Seasons Jackson Hole. For reference, we estimate that Hurricane Ian negatively impacted our full year RevPAR range by 70 basis points, our TRevPAR range by 80 basis points, our Adjusted EBITDA by $20 million and our All Owned Hotel EBITDA margin by 10 basis points.

Despite the impacts of the hurricane, the midpoints of our updated full year guidance ranges are still slightly above our 2019 All Owned Hotel results as presented on pages 28 and 29 of our supplemental financial information. These estimated ranges are driven by continued rate strength across our portfolio, a strong festive season, and a continued recovery in demand. Additional guidance details can be found in the reconciliations of our third quarter 2022 earnings release.

Turning to our balance sheet and liquidity position, our weighted average maturity is 4.8 years at a weighted average interest rate of 4.1%, and we have no significant maturities until 2024. As of today's call, we have $2.2 billion in total available liquidity, which includes $187 million of FF&E reserves and full availability of our $1.5 billion credit facility. Adjusting for the Four Seasons Jackson Hole acquisition and using the midpoint of our full year 2022 EBITDAre guidance of $1.48 billion, we would expect our year-end 2022 net leverage to be at 2.4x, which is unchanged from the third quarter.

Wrapping up, in October, we paid a quarterly cash dividend of $0.12 per share. All future dividends are subject to approval by the company's Board of Directors, though we expect to be able to maintain our quarterly dividend at a sustainable level, taking into consideration potential macroeconomic

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factors. As we consider future dividends, we intend to revert to a pre-pandemic announcement cadence. As a reminder, our fourth quarter dividend announcement would typically come in mid-December.

To conclude, we believe our portfolio, our balance sheet and our team are well positioned to continue outperforming, and we will continue to be strategic in the current macroeconomic environment.

With that, we would be happy to take your questions. (Operator Instructions)

QUESTIONS AND ANSWERS

Operator

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

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

Jim, my question is related to potential opportunities to put your balance sheet to work over 2023, I guess, over the next 12 to 18 months. You've cited elevated CMBS maturities. Obviously, the brands are reinstating PIPs, a lot of debt market dislocation, unattractive terms as well, so it would seem like someone in your position, with the balance sheet you guys have and the liquidity, would be prime to take advantage of potential distress. Can you just talk about how you see that shaping up? What opportunities could look like next year?

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

Sure, Neil. Happy to share a little bit of color with you on how we think the market might evolve going forward. You correctly point out that we are in a unique position given the strength of our balance sheet, being the only investment-grade lodging REIT and finishing this year based on our guidance to the midpoint at 2.4x leverage puts us in a very unique position. I really believe that the fact that we were an all-cash buyer gave us a competitive advantage in the Four Seasons Jackson Hole acquisition. So we were able to move fast, we're able to continue to work off of our relationships with owners and others in the industry and take that deal down with a closing period of less than 30 days from the time that we signed the LOI. So it puts us in a unique position. And as we look out into 2023 and '24, there's really a couple of different areas that I think acquisition opportunities may present themselves.

The CMBS market for full-service hotel maturities in 2023 is north of $7 billion. The CMBS market full-service hotel maturities in 2024 is over $10 billion. What we're seeing already are inbound calls from owners of hotels who have loans coming due over the next year to 2 years reaching out on a direct basis to see if we might have any interest in buying their property because it's going to be very difficult to refinance your loan at par plus put capital in for the assets that have been starved from a PIP perspective. And you're correct in saying that the brands are now starting to reinstate PIPs. I think they were very lenient, as were a lot of lenders, during the pandemic. But we're clearly through that period of time, and we're seeing a lot of pressure not only in the CMBS market but from the brand companies and also from the banks. The banks, I think, are going to be taking a bit more of a firmer position and not kick the can down the road as we get into '23 and '24.

So we are delighted to be positioned where we are. We certainly intend to use the balance sheet. We will continue to be very disciplined in our capital allocation decisions. And when we underwrite a deal, we underwrite it in a very conservative manner. And I think I mentioned in my remarks that our 7 hotel acquisitions that we completed last year have beat our pro forma underwriting by 100%. And we're excited to carry that ball forward and look forward to the opportunities that may present themselves.

Operator

Your next question is coming from Smedes Rose from Citi.

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

Jim, I was wondering if you could just talk a little bit about the Four Seasons acquisition in Jackson Hole on the pricing side. Do you feel like that kind of level at 13.6x EBITDA is at a discount to where it might have been a couple of years ago or do these kinds of assets just not really see that much fluctuation in pricing in your view? And then maybe, I don't know if you can comment, but another 12-or-so hotels that were in the strategic portfolio, presumably Dajia, continue to look to sell those. What's kind of your interest level there?

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

Sure, Smedes. Let me talk about the process a little bit that brought us the Four Seasons. They brought 3 hotels to market. There has been a public announcement regarding the Four Seasons Troon. I don't believe I'm in a position to really talk about the other assets given that we signed a confidentiality agreement. But suffice it to say that we underwrote all 3 of the properties that were brought to market, and we just couldn't get our arms around pricing for the other 2 assets, and that's why we pursued the Four Seasons Jackson Hole. With respect to Jackson Hole in particular, this asset typically would trade at a multiple that's 15x EBITDA or north of it. The EBITDA is elevated. It's had a really terrific run during the pandemic. It's been discovered by a lot of people. It's a really unique iconic and irreplaceable hotel, steps away from the gondola at Jackson Hole. The metrics that we purchased it are over 13.6x and a 6.6% cap rate on 2022 results.

And a couple of things that I think are really relevant when you talk about pricing on this asset are the following. I mentioned that the Jackson Hole Airport is undergoing a renovation and expansion. It was actually closed for 3 months this past summer. So that crimped demand into the resort. Secondly, the property underwent a complete guestroom and bathroom renovation, which caused significant business disruption. So as we look at it, we believe that 2022 performance was actually muted. And as that hotel renovation and expansion wraps up by the end of this year, we feel that the hotel, the resort can get back to historical levels of occupancy.

The property is really unique because it is a Four Seasons resort. It's a Four Seasons property, but it's a Four Seasons resort that happens to be a ski resort as well. With proximity to Grand Teton and Yellowstone National Parks, it's really a unique asset. So we're delighted to own it. We see some asset management opportunities to create additional value as we typically do when we underwrite a deal. And we'll see where it goes going forward for us.

With respect to the other 12 properties, TBD whether or not or when they bring those assets to market. But again, given our balance sheet and given our relationship and given our performance on this transaction, we think we are really in a strong position to be a buyer of choice for some of these other assets. They have got some terrific properties left like The Ritz-Carlton Laguna; The Ritz-Carlton Half Moon Bay. They have a number of other Four Seasons properties, including the Four Seasons in Austin, the Four Seasons in Palo Alto. So I think they're sellers. Given our balance sheet, our strength, our relationship, I think we are the buyer of choice.

Operator

Your next question is coming from Shaun Kelley from Bank of America.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Jim or Sourav, just trying to kind of gauge the sequential pattern and the recovery here. We're seeing a little bit more bifurcation across the space a little bit just as we get into the more mature phase of the recovery and the bounce-back in corporate and group. So if you're going to boil down your outlook for the fourth quarter, are just overall trends when we think about leisure, group and BT, are they a little bit better for you sequentially in 4Q relative to 3Q? And if so, what's kind of driving that? Give us a little bit of color on what you're able to see out over the next couple of months.

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

Shaun, so I'll start off by saying like when you look at our fourth quarter guidance, even once you take out the negative impact of Ian, we actually raised the guidance RevPAR by 25 bps, and this is to the midpoint, obviously, and adjusted EBITDAre by $7.5 million. So obviously, when you look at sort of our expectations for fourth quarter, we continue to be optimistic in terms of all segments of demand. From a BT perspective, there has been sequential improvement month-over-month. And when you look at specifically September for our urban downtown hotels, BT was down just 10%, which is really encouraging. And San Francisco and Denver, as we mentioned in the prepared remarks, was actually above '19 levels and New York was just shy of 3% to '19. And leisure rates are holding strong. The holiday season is looking really good. Thanksgiving is pacing really well with total revenues actually up 5%, with rates up close to 40%. The same holds true for Christmas, rates are up 40%.

The only thing on the group side for Q4 to keep in mind, when you think about absolute room nights, is a couple of things: a, both Jewish holidays fell in September in '19 whereas that was split for 2022, one fell in September and one in October, so that's going to obviously have a negative impact for Q4; and so is the midterm elections, which is also going to have somewhat of a negative impact in terms of absolute room nights. But rate is pacing ahead. We picked up a meaningful amount of group room nights for not only in the quarter for the quarter for Q3 but booked about 129,000 room nights for Q4, which is 10% above 2019. So all in all, still very positive trajectory, have confidence and, hence, we've raised our overall guidance despite the impact of Ian.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

And then just as a follow-up, Sourav, and just going a little deeper, you talked about sort of the BT magnitude improving and getting close in a number of markets. Any thoughts or any color you can provide on sort of large corporate activity relative to small. We are getting into a negotiated rate season, and I believe that that's going to be, I think Marriott talked about it earlier today, being up double digits. But just can you give us a little bit of color on just how they're behaving? Are you seeing small and medium and some of your channel partners delivering more demand in small and medium channels than large corporates? Or just how people are acting on the ground a little bit?

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

Sure. Through the course of the year, actually, we have been seeing more uptick off large corporate groups coming in, started off with more small, medium size, and we saw a decent pickup of large. In terms of just tailwinds for next year, the big piece, which is the remaining, is sort of the large associations and citywide business. And frankly, with the large associations, they all have a governing board, which needs to determine which city they will hold their events at, which hotels that will pick. And a lot of the decisions are going to be made effectively over the next 2 months. So we expect booking activity on those large associations to really pick up in the first quarter of '23.

But overall, through the course of the year, we've actually seen an uptick in more larger groups relative to what we saw in the beginning of the year, which was more small, medium-sized groups. And frankly, the rate is holding. For rate for next year, that's up over 6%, what we have on the books, for our definite group room nights that we have in the books. And on special corporate negotiations, that really is still in progress, and we had said earlier and so as the management of companies, we expect to end up in sort of the high single digits once it's all said and done.

Operator

Your next question is coming from Duane Pfennigwerth from Evercore.

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

Wonder if you could just provide some perspective on how you evaluate capital allocation, what is the process or the metrics you use to balance how do we think about incremental share repurchase or versus investing in your own existing properties versus opportunistic asset purchases?

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

Sure, Duane. We are in the unique position to have the balance sheet that allows us to allocate capital in a number of different areas. As we look at the potential acquisition of an asset like the Four Seasons Jackson Hole, a property of that nature is not going to come to market on a regular basis. I really feel that if we hadn't acquired that asset, it was likely to be acquired by somebody who would likely never sell that hotel. So capital allocation decisions are made based on elevating the EBITDA growth profile of the portfolio, returning capital to shareholders when we think that's appropriate and at a moment in time, this asset was available now and that's why we elected to make the acquisition.

So we are going to continue to be prudent in our capital allocation decisions. We're going to look at what we think is the best use of our funds. As you know, we have been very forthright in investing in our portfolio. From 2020 through 2022, we will have deployed $1.5 billion of capital in our existing assets. We will have fully repositioned 24 properties, 16 in the Marriott Transformational Capital Program, plus an additional 8 that are really outperforming our expectations and creating long-term shareholder value, which is really our overriding objective as we think about capital allocation. The RevPAR gains that we are seeing are generally approaching double digit, if not higher. And that puts us in a position to outperform the competition. And we think that is a really smart use of capital going forward. Now that's not to say, if we don't see opportunities down the road to continue to use our balance sheet, that we won't be in the market buying back shares.

So as I said on the second quarter call, we think this is a time to be patient, to see what comes down the road. And as we can see today, there's a lot of dislocation occurring given the fed meeting yesterday and what's happening with the pound versus the U.S. dollar. So we're all in a very good position going forward. We like the EBITDA multiple on the Four Seasons Jackson Hole as well. At 13.6x for a luxury resort that we feel is going to outperform going forward, and we'll bring that into a stabilized EBITDA multiple of 11 to 13x over the next several years. So that's how we think about it. We don't put peanut butter on a piece of toast when we're thinking about how we're going to deploy capital, but we look at all the opportunities that are available for us.

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

I appreciate those thoughts, Jim. And if I could just ask a follow-up on Florida, not the first time we've seen storm activity or hurricane activity. Can you talk about maybe holiday bookings or the strength of peak leisure bookings in Florida, ex the Gulf Coast? And are you seeing perhaps any benefit in properties, ex Southwest Florida, from this disruption?

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

Well, we actually were in a position to move some business from The Ritz-Carlton Naples to our Four Seasons Resort Orlando. Right after the hurricane hit, we moved very sizable wedding group to that property. The Ritz-Carlton Golf Lodge, which was not affected by Ian, has been running full out. There are groups that we had at the beach resort that we moved over there, so that property has really picked up business. Maybe Sourav perhaps get into a little bit of detail around what we're seeing for the holidays because it's very strong across the board. The Naples property is going to remain closed through the balance of this year to 2023, and we're looking at various staged reopening options. When we have more information, we will certainly share that with everyone.

Coconut Point is going to be back in business in the next week or so. And the only part of that property that is still in a state of disrepair is the water park really, which we hope to have back on by April. So it's very unfortunate that this happens, but it's the business that we're in, and we're very well prepared to manage through the process and to move business to our other resorts that didn't suffer any damage.

With that, I'll let Sourav talk a little bit about holiday bookings.

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

Yes, there's definitely compression that's happening in the overall Florida market, not specifically in a specific market within Florida, but just overall, we are seeing that compression up there. What I will say is the business, what we are seeing is room nights certainly have picked up in the last

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couple of weeks, but what's interesting is that the rates have really gone through the roof relative to '19. Like I mentioned for our overall portfolio, that rate is north of 40%. We're seeing similar trends for Florida as well.

Operator

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

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

We talked a lot about the impressive room rate growth, right, that we're continuing to see, I haven't heard as much about kind of the ancillary pricing on some of the group business like the catering and things like that. And where I'm going with it is I'm trying to kind of triangulate. Looking ahead, you've made a lot of progress on margins across the hotels. But next year, as we get a heavier group mix versus this year, do you think you have moved margins and prices up enough on some of the ancillary group stuff to kind of offset the impact of cleaning more rooms as occupancy presumably goes higher next year?

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

Absolutely. I think let me start off by saying that banquet and catering business has been very strong. For the third quarter, we were up 6% to 2019 on an absolute basis. And when you look at it on a per group room night basis, we were up 8.7%. So clearly, the folks that are coming into our hotels, the groups that are coming in, are spending significantly more. And what's been great is when you look at the food cost and the beverage cost across our portfolio, it is actually better than what it was in 2019. So certainly, our managers, closely working with asset managers as well, are adjusting menu pricing on a real-time basis to really adjust for any inflationary pressures.

So overall, that's, as I mentioned in my prepared remarks, how we've been able to really drive margin performance across all departments. And we feel very confident that the measures that we have in place and the long-term initiatives that we have worked through over the past 12 to 18 months are sustainable, and we definitely are looking at margin expansion going into next year relative to '19.

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

Just a quick follow-up on that, if I can, when you talk about some of the group revenues, are you talking more on pricing increases? Or is there a way to kind of look at -- is the take rate or attachment similar or higher than it was on 2019 as well?

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

It's both. Take rate definitely is higher. Groups are definitely spending more than they did, and pricing has adjusted as well. But I would say it's not just a function of pricing. Certainly, we are seeing groups asking for more and, frankly, buying more premium shelf menu items as well as premium sort of shelf bar options as well. That's what they're picking, so it's both.

Operator

Your next question is coming from Aryeh Klein from BMO.

Aryeh Klein - *BMO Capital Markets Equity Research - United States Real Estate Analyst*

You've made ultra high-end properties a clear focus, and there's certainly plenty of concerns around the macro, and luxury hasn't historically done well in a recession. Is there any nuance within high-end luxury resorts that suggest they behave differently than the rest of luxury?

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

Ultra-luxury resorts, Aryeh, have consistently outperformed luxury and every other property type over time. So as an example, as we look at the Four Seasons Resort Jackson Hole, looking at the performance of that property from 2014 to 2019, it had a 5.8% RevPAR CAGR. The ultra-luxury resort generally had a RevPAR CAGR during that same time frame of 4.3%. So clearly, ultra-luxury outperforms, and this asset, in particular, outperforms the ultra-luxury set. So as we evaluated back in 2018, the 1 Hotel South Beach, that's when we first really dug into how ultra-luxury performs and how it's performed over time. And we look back as far as 1990 to today at different time frames to see how these assets hold up during downturns, during recessions.

The other thing I would point out as we sit today is that the $1.7 trillion of excess savings that's still in the system, 80% of that savings amount is in the upper-income brackets. So we're certainly not seeing any pullback on ultra-luxury performance. And I expect that going forward, it's going to hold up very well if we were to suffer any sort of slowdown. One of the assets that we acquired last year which is the Four Seasons Resort Orlando at Walt Disney World, we bought that asset, I think it was 16.8x EBITDA multiple on 2019 performance. It's going to finish this year 8x EBITDA multiple on our purchase price. So I think that's just a further testament to how ultra-luxury is performing. The same thing has happened with the Alila Ventana. That's going to finish the year at 8x EBITDA and not seeing any slowdown in booking trends, zero resistance to ADR growth.

Aryeh Klein - *BMO Capital Markets Equity Research - United States Real Estate Analyst*

And then just, Sourav, can you just talk to the remaining 30% of redefining the operating model and maybe the timing around that?

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

Sure. That's sort of still evolving. Like I mentioned on previous calls, a part of it is just evolving brand standards, and we continue to work with our managers to identify brand standards that we can completely eliminate or modify. Some of it, frankly, just takes a little more time. And especially as business comes back to normalcy and you have more of the frequent guests coming back to the hotels, you just have a better sample set to make those determinations as to what brand standards makes sense from a stabilized perspective.

The other piece, which will take a little more time, we have a lot of proof of concepts and pilots going out at our hotels, is just looking at various technologies that can drive productivity improvements, just overall efficiencies of the hotel, whether it's incremental revenue or whether it's just reducing expenses, all kinds of different sort of technologies that we can leverage. Frankly, that's sort of you test hardware, there are things to it, and you do multiple pilots and see what works best, and then you sort of roll it up across the portfolio. So I would say you're looking at probably next 12 to 18 months for some of this. And in some cases, some technologies are probably 20 months out before we can really roll it out across the portfolio.

Operator

Your next question is coming from Jay Kornreich from SMBC.

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

I guess taking the flip side of the acquisition conversation, as many companies are bulking up their balance sheet and going in a sense of ahead of the possible recession, just given the uncertainty of the macro, what would you need to see to take a more defensive stance, kind of hold acquisition and harbour more capital to the balance sheet.

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

Let me start by saying, Jay, that at this point in time, we're not seeing any signs of weakness in any of our segments, leisure group and business transient. And that is not only for the balance of this year, but that's as we look out into 2023. Now of course, we don't have budgets yet for 2023 and we're not giving guidance for 2023 at this point in time, but we feel that we're really set up quite well to continue to outperform as we move into 2023. If we started to see business transient fall off, if we started to see a real impact in the job market, we started to see corporate groups not booking or cancelling, we would become more defensive.

Now that said, I think we're in a terrific position sitting here today at 2.4x leverage. We truly have a fortress balance sheet. We don't have any maturities until 2024 and the maturity that we have is a $400 million bond issue in 2024, that being investment grade, we're always going to have access to the debt markets. Granted, it might be a little more expensive than the current pricing, but we're going to be able to do what we need to do. Our entire portfolio, with the exception, I think, of 2 assets, is fully unencumbered. So having been through slowdowns and downturns in the past, we keep a keen eye on business demand generators. And if we see things starting to turn south, then we'll get a little more conservative and defensive.

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

Okay. And then just as a follow-up, I guess tangentially, on the topic of raising capital, are there any other assets you've highlighted that you'd like to either dispose of or markets you'd like to have less exposure to?

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

Well, we continually look at what actions we can take to elevate the EBITDA growth profile of Host. And in the context of the Jackson Hole deal, that does give us an opportunity to effectuate a reverse like-kind exchange. If we can put a portfolio together and get fair value, to do that in this market, it's likely we would have to provide seller financing, and we'd be prepared to do that. With the right sponsor and on the right terms. The assets we've disposed of have really gone a long way toward helping us to elevate the EBITA growth profile of the company even last year. Just to summarize, between 2018 and 2022 we bought $3.5 billion of assets at a 13.7x EBITDA multiple, and we disposed of $4.9 billion at a 17x EBITDA multiple, and that takes into account close to $1 billion in avoided CapEx and it also allows us to not suffer the intended business disruption that would occur with that. So that is where we would go going forward. And if we can get the right pricing and we have the right sponsor, we prefer to transact additional asset sales over the next 6 months to 1.5 years or so.

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*

You covered a lot of ground, but I wondered if you could just circle back and comment on appetite, views, perspectives on urban assets and various sort of ranges of cities versus leisure/resort type assets and how you're thinking about those categories.

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

David, it really comes down to pricing and growth. And if we feel that we can buy an urban asset at the right price, and that it's going to perform in a manner that's going to elevate the EBITDA growth profile of the company, taking into account capital considerations and renovations and all other items associated with owning a hotel, with buying a hotel, then I would say, in a broad sense, there's really no market that has a red line drawn through it today.

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We are going to continue to be really thoughtful about geographic diversification. And outside of Maui, Oahu, and where we have 12% of our EBITDA coming out of both of those markets, there is no one single market in the country where we have more than 10% of our EBITDA coming out today in 2022. The 2, I believe, that have 10% are Orlando and San Diego, 2 terrific markets. So as we think about allocating capital, we think it's important that we maintain a very geographically diverse portfolio and that we put capital in places where we're going to be able to generate outsized returns.

Operator

To be respectful of other calls, that's all the time we have for today. I will now hand the conference back to Jim Risoleo for closing remarks. Please go ahead.

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

Well, I'd like to thank everyone for joining us on our call today. We truly appreciate the opportunity to discuss our quarterly results with you. I hope you enjoy the holiday season, and I look forward to seeing many of you in NAREIT in a few weeks. Thank you for your continued support.

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.

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