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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the Host Hotels & Resorts third-quarter 2024 earnings conference call. Today's conference is being recorded.

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

Jaime Marcus - *Host Hotels & Resorts Inc - Senior Vice President 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 law. 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 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.

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

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

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

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

Before we turn to the quarter, I want to take a moment to acknowledge the devastating effects of Hurricanes Helene and Milton, which made landfall in late September and early October. We were deeply saddened to see the loss of life and damage the hurricanes brought, and while many of our hotels were impacted, we are very fortunate that the employees at our properties remained safe throughout the storms. In response to the urgent needs of those impacted, we partnered with the American Red Cross, World Central Kitchen, Team Rubicon, Community Foundation Tampa Bay and Feeding Tampa Bay to deliver vital disaster relief support.

Due to evacuation mandates and the loss of commercial power from Hurricanes Helene in Milton, four of our properties were temporarily closed, three of which reopened within 10 days. The most significant damage occurred at The Don CeSar, which remains closed to guests. We are still evaluating the remediation and disruption impacts of the storms, and we currently expect a phased reopening of The Don CeSar beginning towards the end of the first quarter of 2025. Please note that The Don CeSar is still included in our comparable hotel results in the third quarter, but it has been removed from our comparable hotel set in our full year guidance.

It is worth noting that our resilience investments at the Ritz-Carlton, Naples paid off during both hurricanes. As a reminder, during the remediation following Hurricane Ian, we opportunistically enhanced the resiliency of the property by elevating critical equipment, improving dry flood-proofing measures and accelerating future building envelope waterproofing replacements. As a result of these investments, we saw minimal water intrusion inside the resort despite a storm surge comparable to that of Hurricane Ian, and we reopened the resort seven days after commercial power was restored. Following the success of these enhanced resiliency measures, we will continue to prioritize these types of investments across our portfolio over the near term. For additional details on our resiliency investments, please see our 2024 Corporate Responsibility Report, which details our CR program and strategy, our ESG initiatives and our industry-leading accomplishments. It can be found on the Corporate Responsibility section of our website at hosthotels.com.

Turning to our results in the third quarter, we delivered adjusted EBITDAre of $324 million and adjusted FFO per share of $0.36. As a reminder, in the third quarter of last year, our adjusted EBITDAre benefited from $54 million of business interruption insurance proceeds, which led to a 10% decrease in our adjusted EBITDAre this quarter. Excluding the business interruption proceeds, our adjusted EBITDAre would have been up over 5% and adjusted FFO per share would have been up 9%. We delivered a year-over-year comparable hotel total RevPAR improvement of 3.1%, underscoring the continued strength of out-of-room revenue, while comparable hotel RevPAR was up 80 basis points. As a reminder, the operational results discussed today refer to our comparable hotel portfolio for the third quarter, which excludes the Ritz-Carlton, Naples and Alila Ventana Big Sur.

Our third quarter comparable hotel RevPAR came in slightly better than we expected despite weather impacts from the hurricanes in Florida during the last week of the quarter. While Maui is recovering, the year-over-year decline in RevPAR for Maui had an actual drag of 170 basis points in the third quarter. As we have discussed over the past few quarters, this understates the true impact of the wildfires as we would have expected Maui to contribute 20 basis points to portfolio RevPAR growth in the third quarter given the transformational renovation at Fairmont Kea Lani in 2023 and the expected lift for 2024. As a result, the total estimated impact of the wildfires on third quarter RevPAR is approximately 190 basis points. Following the anniversary of the tragic wildfires, we supported our managers, local tourism authorities and government officials in promoting the return of visitors to Maui. Our three hotels launched the Ho'okipa marketing campaign. Ho'okipa means the spirit of hospitality in Hawaiian. The marketing efforts included social media and TV ads, digital displays and e-mail campaign and videos from each of our resorts that aired in Southern California during the month of September. Additionally, the Governor of Hawaii, the Mayor of Maui and the Head of the Hawaii Lodging and Tourist Association met with longtime supporters of Hawaii, the Los Angeles Rams and key travel partners across the greater Los Angeles market to communicate the importance of tourism for Maui's economic recovery. The Rams have supported Hawaii over the years, and part of the governor's trip was aimed at formalizing the relationship between the two going forward. Thus far, the sales and marketing efforts are paying off. Thanksgiving and festive revenue pace for our three Maui resorts is up over 35% and over 65%, respectively, compared to the same time last year. We are encouraged that Maui is beginning to show improvements on its road to recovery.

Moving on to business mix. Group room night revenue was up 1% in the third quarter driven by rate as group room nights were flat due to the recovery and relief rooms in Maui that were booked in the third quarter of 2023. Our property booked 212,000 group room nights in the year for the year, bringing our definite group room nights on the books for 2024 to 4.2 million rooms with total group revenue pace of approximately 5% compared to the same time last year. Business transient revenue grew 5% in the third quarter as strong rate growth was driven by market and customer mix shifts.

Turning to leisure. The unfavorable international demand imbalance held steady in the third quarter. Transient room nights sold at our comparable resorts were up 4% in the third quarter, driven by Maui. In addition, leisure rates remained resilient during the third quarter. Transient rates at our comparable resorts were up approximately 50% compared to 2019, which is in line with recent quarters, continuing to underscore the financial health of the affluent consumer.

Out of room spending trends this quarter also continued to demonstrate the strength of group and affluent consumers. Comparable hotel total RevPAR grew over 3% in the third quarter, which represents the largest spread to RevPAR growth in six quarters.

As a reminder, in 2023, nearly 40% of our total revenue came from food and beverage and other revenue, and our 2024 guidance assumes a similar proportion. We continue to believe that total RevPAR represents a more holistic picture of our underlying business as our portfolio continues to benefit from substantial out-of-room spend.

Turning to capital allocation. During the quarter, we repurchased 3.5 million shares of stock at an average price of $16.33 per share through our common share repurchase program, bringing our total repurchases for the quarter to $57 million. Since 2022, we have repurchased $315 million of stock at an average repurchase price of $16.27 per share, and we have $685 million of remaining capacity under our share repurchase program.

Looking back on our transaction activity this year. We acquired $1.5 billion of iconic and irreplaceable real estate at a blended 13.6 times EBITDA multiple based on estimated 2024 results. Thus far, the 1 Hotel Nashville and the Embassy Suites by Hilton Nashville Downtown, the 1 Hotel Central Park and The Ritz-Carlton O'ahu, Turtle Bay are performing in line with our underwriting expectations. The brand and management transition at The Ritz-Carlton O'ahu, Turtle Bay is going well, and we expect continued growth as awareness of the rebranded resort spreads.

Turning to portfolio reinvestment. Our updated 2024 capital expenditure guidance range is $485 billion to $580 billion, which includes approximately $225 million to $255 million of investment for redevelopment, repositioning and ROI projects, $225 million to $275 million for renewal and replacement projects and $35 million to $15 million for property damage reconstruction.

Included in the ROI projects is the Hyatt Transformational Capital Program, which is on track and slightly under budget so far. We received $2 million of operating guarantees in the third quarter to offset business disruptions related to the Hyatt Transformational Capital Program, and we expect to receive an additional $3 million this year, bringing the total operating guarantees to $9 million in 2024.

In addition to the capital expenditure range, this year, we expect to spend $50 million to $60 million on the 40 unit residential condo development at our Four Seasons Resort Orlando at Walt Disney World Resort. The development is well underway and marketing efforts began in July. We anticipate the formal sales launch to begin later this month with closings to begin in the fourth quarter of 2025.

More broadly, we have completed 24 transformational renovations since 2018, which we believe provide meaningful tailwinds for our portfolio. Of the 15 hotels that have stabilized post renovation operations to date, the average RevPAR index share gain is over 7 points, which is well in excess of our targeted gain of 3 points to 5 points.

Wrapping up, we continue to believe that Host is well positioned due to our investment-grade balance sheet, our geographically diversified portfolio and our continued reinvestment in our assets. As we have shown, we were able to access many capital allocation levers to create shareholder value, and we will remain opportunistic going forward.

With that, I will now turn the call over to Sourav to discuss additional operational detail and our revised 2024 outlook.

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 third quarter operations, updated 2024 guidance and our balance sheet.

Starting with total revenue trends. Total RevPAR growth continues to meaningfully outpace RevPAR growth as both group and transient guests maintain elevated levels of out-of-room spending. Comparable hotel food and beverage revenue grew 6% in the third quarter, driven by banquets and catering. In fact, banquet and catering revenue achieved the strongest third quarter in Host's history, with contribution per group room night up 13% year-over-year. Transient guests showed continued willingness to spend as well, with spa revenues up 5% and resort outage revenue per occupied room of 3%. Overall transient room revenue was up slightly compared to the third quarter of 2023, driven by the recovery in Maui as well as strong rate and occupancy growth in San Diego, New Orleans and Houston. From a Visa perspective, we are encouraged that Maui is beginning to show improvement. While RevPAR in Maui was down 19% in the third quarter, total RevPAR was down only 10% as out-of-room spending trends returned with the traditional group and leisure guests coming back to the island.

Looking at holiday progression, Maui is expected to shift from lagging to leading our portfolio. In the third quarter, Maui represented a drag to portfolio results for both the July 4 and Labor Day weekends. Looking forward, and as Jim alluded to earlier, Maui is driving holiday performance in the fourth quarter. Transient revenue pace for the total portfolio is up 2% for Thanksgiving week compared to the same time last year, and festive period is up 20%. Business transient revenue was 5% above the third quarter of 2023 driven by rate trend. Overall, business transient demand was down 2% driven by fewer government room nights. Encouragingly, demand from consulting firms increased this quarter, narrowing its gap to prepandemic levels.

Turning to group. Revenue grew 1% in the third quarter driven by rate growth and strong pickup in New Orleans, New York and Boston. As a reminder, group business faced tough comparisons this quarter due to the recovery and relief rooms booked in Maui last year. We estimate that Maui negatively impacted third quarter group revenue growth by 570 basis points. For full year 2024, we have approximately 4.2 million definite group room nights on the books, keeping us ahead of same time last year.

Group rate on the books is up 3% and total group revenue pace is up 5% over the same time last year, bolstered by banquet and catering spend. Looking ahead, our 2025 total group revenue pace is nearly 5% ahead of the same time last year, driven by both rate and room night. We continue to be encouraged by the citywide booking pace in San Francisco, San Antonio, Seattle, Nashville and New Orleans, all of which have citywide group room night pace up meaningfully compared to the same time last year. It is also worth noting that San Francisco citywide room nights are pacing up 40%.

Shifting gears to margins. Third quarter comparable hotel EBITDA margin of 25.3% was 130 basis points below last year. The decline was driven by increases in wages and benefits. Additionally, we estimate a 110 basis points impact from Maui and the Hurricane Ian business interruption proceeds we received for our comparable hotels last year.

Turning to our revised outlook for 2024. Despite the impact of Hurricanes Helene and Milton, we maintained our previous full year comparable hotel guidance growth midpoint. As a result, we anticipate comparable hotel total RevPAR growth of approximately 1% and comparable hotel RevPAR to be approximately flat compared to 2023. Our guidance assumes the continued recovery in Maui and steady demand trends in the fourth quarter.

We estimate the Maui wildfires will impact full year comparable hotel total RevPAR by 180 basis points and RevPAR by 220 basis points. Excluding business interruption proceeds received earlier this year, we expect full year adjusted EBITDAre to be impacted by approximately $75 million relative to our pre-fire estimate.

We expect a comparable hotel EBITDA margin of approximately 29%, which is 90 basis points below 2023. We estimate a 30 basis points impact to full year comparable hotel EBITDA margin from Maui relative to our pre-fire estimate, a 40 basis points impact from insurance and property taxes and a 110 basis points impact from wages and benefit rate increases, which is partially offset by a 90 basis points benefit from operational improvements.

Our revised 2024 full year adjusted EBITDAre guidance is expected to be $1.630 billion, a $15 million or approximately 1% decrease over the prior midpoint as a result of the hurricanes in Florida. Of the $15 million, we estimate that $2 million occurred in the third quarter and $13 million will occur in the fourth quarter.

Our adjusted EBITDAre estimate includes approximately $57 million from operations at The Ritz-Carlton, Naples, a decline of $5 million compared to our prior guidance and $24 million from operations at The Don CeSar, a decline of $9 million compared to our prior guidance. In addition, it includes $11 million from operations at Alila Ventana Big Sur. As a reminder, The Ritz-Carlton, Naples, Alila Ventana Big Sur and The Don CeSar are excluded from our comparable hotel guidance for full year 2024.

Turning to our balance sheet and liquidity position in the third quarter. We completed the issuance of $700 million of Series L senior notes at 5.5%. The proceeds were used in part to repay the outstanding revolver portion of our credit facility. Our weighted average maturity is 5.5 years at a weighted average interest rate of 4.8%. Our quarter-end leverage ratio was 2.7 times, and we currently have $2.3 billion in total available liquidity, which includes $240 million of FF&E reserves and $1.5 billion of availability on our credit facility.

In October, we paid a quarterly cash dividend of $0.20 per share, demonstrating our commitment to returning capital to stockholders. As always, future dividends are subject to approval by the company's Board of Directors.

To conclude, we are pleased with the performance of our portfolio, and we are encouraged by steady business mix trends heading into 2025. We will continue to opportunistically allocate capital as we seek to elevate the EBITDA growth profile of our portfolio and increase shareholder value.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Stephen Grambling, Morgan Stanley.

Stephen Grambling - *Morgan Stanley & Co. - Analyst*

I guess, I'd like to touch base on the transaction market. You obviously were active this year with acquisitions. I'm curious how you're thinking about how the market might be evolving now and whether you'd be more likely to be a buyer or a seller at this point, if you're seeing any change in terms of who's actually an active participant either from people putting up assets for sale or people coming to you looking for assets for sale.

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

Sure, Stephen. I would say that until the last 90 days or so, really both buyers and sellers have been on the sidelines. The bid-ask spread has just been too great, and everyone was in a wait-and-see mode, wait-and-see mode for a couple of different reasons. I think the fact that we're past the election now will clear one hurdle for a lot of people. They'll be able to wrap their arms around what the economic policies of the new administration are likely to look like over the near term. And the debt capital markets have become much more conducive to transacting. Rates have come down, spreads have come in, SASB financing is available.

And I think that as we get into next year, you're likely to see private equity get back into the game and come off the bench. There have been some additional transactions out there that we have evaluated. Nothing has risen -- has beat the bar for us. And we're absolutely delighted that we were able to complete the four hotels and three transactions that we did earlier this year. Our balance sheet is a differentiator and it will continue to be a differentiator for us.

I think that we would have more competition today if those assets were brought to the market. Clearly, there would be because they're all attractive properties, they're all unique and they're all in great locations and one of a kind assets.

So that said, relationships and reputation matter and will always, I think, continue to differentiate Host as we go forward. So our ability to move quickly with no need for financing is always a differentiator for us. I expect that over the course of the -- not the balance of this year so much but next year probably, I know you hold me to this if it doesn't come true, but I'm willing to go out on a limb and say that at ALIS, we're likely to hear about additional transactions coming to market because I do think that people have waited a long time.

And the good news is that the pressure to sell wasn't there, and that's because fundamentally, the business is very sound and resilient. Yes, we have our little bumps in the road along the way, but it's not like folks are rushing to exit at any price.

So I think we'll see an active transaction market next year. And from Host's perspective, we're likely to test the market ourselves with some of our non-core assets to really understand pricing, assets that likely will need heavy CapEx investments that we just don't see -- good hotels but not a long-term fit for the portfolio given the direction that we have moved in over the last seven or eight years in terms of the types of assets we own and really with our focus being on free cash flow generation as a differentiator going forward.

So we're likely to test the market. We'll see what pricing comes back at. If pricing is attractive, we'll sell. If it's not, we'll pull back and invest in the assets ourselves.

We'll be hopeful to be able to be a continued net acquirer going forward. I mean, we sit here at 2.7 times leverage today. We have a lot of dry powder. And it will either be -- well, it will always be continuing to invest in our portfolio.

Sourav, I think, mentioned in his comments that we've seen a 7-point yield index gain on average from the investments we've made. We bought back $57 million of stock last quarter and we bought $1.5 billion of assets this year. So we'll look forward to continuing to grow the portfolio. And we prefer to do it on a one-off basis and not be in a competitive situation. But if we have to be in a competitive situation, we will. And we'll just see what happens.

Stephen Grambling - *Morgan Stanley & Co. - Analyst*

Great. And maybe one unrelated follow-up for Sourav. I know we've talked about this on prior calls, and maybe I missed this in your remarks. But I guess, are we still thinking about the underlying EBITDA? There's a lot of moving parts with the different acquisitions. There's The Don CeSar issues and insurance proceeds. Is the underlying EBITDA to build off of still kind of that $1.75 billion? And I guess within that, does that have to include what level of recovery in Maui? And how would you generally think about Maui kind of building back?

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

Sure. Yes, Stephen. It's still $1.750 billion, and I'll build it from the $1.630 billion so you have all the different moving pieces. So starting off with the midpoint of our current guidance of $1.630 billion, you would take out $40 million of BI for this year. So $19 million of it, Ian. That was $10 million in Q1, $9 million and Q2 and then $21 million BI that we received for the Maui wildfires. So that's the $40 million that you would deduct.

Then you would add about $49 million or so for Turtle Bay and 1 Hotel Central Park, add another $13 million for Nashville. And then the $75 million to $80 million, Maui, which all get into a little bit more in terms of how we are thinking about recovery.

Then you would add $5 million for Alila Ventana Big Sur. And then the $15 million we talked about in terms of hurricane impact, you would add to that to get to a grand total of $1.750 billion. That's what we really consider to be the true run rate when you think about adjusted EBITDAre.

As it relates to Maui, as Jim and I sort of got into our prepared remarks, we're certainly encouraged by the transient trends and the pickup we are seeing specifically for Thanksgiving as well as for effectively around the week of Christmas and New Years.

The piece that is going to be a little bit challenging and will take a little bit longer to recover is going to be the group piece. Because if you recall, beginning of this year, there certainly wasn't a clear method on Maui in terms of being open for business. Once we lapped over the one-year anniversary of the fire, there's certainly much more clear direction in terms of the island being open for tourism and welcoming guests back. The meeting planners didn't really have much of a chance in the beginning of the year to really book forward.

So we didn't see much group booking activity into 2025 and into the future. We expect to see that really pick up beginning next year. So the group piece of the business, and group for Maui across our hotels on a room night basis works out to be about 30% or so. And from a revenue perspective, it's around 20% of revenues as a group, But it does build a meaningful base for the hotels, particularly with the Hyatt.

That's going to take a little bit while to come back. So that $75 million to $80 million, I mean, we don't have any budgets yet so I can't really give you a number. But what I would say is that the trends are encouraging from a transient pickup perspective and group is going to come back certainly. It will just take a little more time, probably towards the end of next year into 2026.

Operator

Michael Bellisario, Baird.

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

Just sort of along the same lines on the moving pieces and all your numbers in the models. Can you maybe just take a step back? What's the clean run rate for the portfolio, both top and bottom line, that you think everything is performing at today, ex all the one-timers? And then how might that be different or the same as you start thinking about looking out to 2025?

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

Just so I'm sure I understand the question. The clean run rate, once you do all the puts and takes, including the acquisition, taking out the BI is the $1.750 billion I just walked through. A big component of the $1.750 billion is obviously the $75 million to $80 million of Maui EBITDA that we are missing. The question really is, for 2025, how much of that EBITDA comes back. For 2025, without getting into more details because we obviously don't have budgets right now. I don't really have a good sense in terms of where top line and expenses will come in.

But what we do know is that group booking pace is looking strong for 2025. We already have 2.8 million group room nights on the books. We picked up about 400,000. Total group revenue is up effectively 5% and rate -- group rate is up about 3.5%. But we're feeling pretty good about 2025 from a group perspective in terms of what visibility we have. Specific to Maui, like I said, I think group is going to take a little bit of time to get back. And unclear at this point in time how much of that $75 million to $80 million we'll really be able to see in Maui.

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

Got it. Sorry, I should have been clear. I was sort of referring to the current top line and bottom line growth rates, right? Like are you seeing -- do you think the underlying performance of the portfolio is 3% on the top line, 4% expenses, all the -- ex all the onetime items? Not really thinking about the absolute numbers, more about the growth rates ex all the onetime items.

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

For -- you're saying for 2024 or into 2025?

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

Just today. Just I think as everyone thinks about is this a 2% RevPAR growth environment? Is 3%, 4% expenses? What's kind of your view on where the portfolio is performing today and looking out of the '25 ex all these onetime items, just thinking about it in terms of growth rates.

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

Yes. If you think in terms of growth rates, I mean, this year would have, just on a RevPAR perspective, given how much drag we're seeing from Maui, we would have been closer to a 3% RevPAR growth rate. And in that case, we would have actually seen margin expansion because our total expenses was up 2.8%.

So net-net, for this year, we would have meaningfully outperformed relative to the industry just given the benefit we saw from all the capital investments we put into our hotels on the Transformation Capital Program.

And as Jim spoke here, the index share gains that we saw, so it's sort of unfortunate that we've had a drag in terms of the Maui wildfire. Otherwise, certainly a 3% growth rate in RevPAR just for this year, and we would have actually seen about a 10 basis points, 15 basis points margin expansion.
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Operator

Smedes Rose, Citi.

Smedes Rose - *Citigroup Inc - Analyst*

I just -- sorry, I wanted to just clarify something on Maui. Could you just talk about what you're expecting there this year in terms of EBITDA, I guess, excluding the business interruption proceeds? So I just get a sense of like what the gap is, the $75 million to $80 million you're talking about potentially for next year?

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

Sure. It's $97 million excluding -- $97 million, excluding the BI proceeds.

Smedes Rose - *Citigroup Inc - Analyst*

Okay. And then I guess one thing you mentioned next year for the group outlook, the group calendars look good across -- the convention calendars look good. Any thoughts around sort of grouping up, I guess, into 2025 to help sort of lock in demands now and revenues? Or would you expect to keep more in line with where you've been historically in terms of the percent of overall group segmentation?

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

Yes. I mean, honestly, it is really an asset-by-asset exercise that we go through. And we know for which years what the optimal group room night is and so that we can maximize yielding of the transient rate. So it really depends. But overall, I would say the mix is not going to shift meaningfully for the portfolio. We certainly focus on grouping up on -- across the board wherever it does make sense. And wherever we do have holes, we also like fill in with contract business. So you'll see a shift in contract business over the years. So the yield management is really asset by asset.

The encouraging thing is there's few citywides that are certainly pacing very well for next year. And specifically for the Host market, I would say, San Francisco being up 40% from his standpoint, New York, San Antonio, Orlando, DC, it really makes up more than 40% right now of the group room night that we already have on the books for 2025.

So overall, I feel really good. And as we see the need for each of these assets and where the holes are, we're going to fill accordingly. I certainly hope that the strength in corporate group continues and the banquet and catering contribution that comes along with it to really drive total EBITDA.

Operator

David Katz, Jefferies.

David Katz - *Jefferies LLC - Analyst*

I'd love some initial commentary around the labor market. I think there's a lot of potential puts and takes and opportunities that may or may not occur given the election outcomes. I know it's early and you've gone out on a limb elsewhere so I'm not asking that. But any perspectives or thoughts you can share with respect to that and whether it's plus would be great.

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

Sure, David. Generally speaking, we are very pleased with the labor picture at our assets. We're not the manager. We're not the employer. But we have two of the very best in the business in Marriott and Hyatt in particular that manage the bulk of our portfolio. And they're an employer of choice. They are the opportunity that people search out if they want to make hospitality a career. So we're very encouraged going forward.

We -- coming out of the pandemic, we got back to optimal staffing levels fairly quickly after we redefined and reinvented the operating model. So going -- looking forward, we're nothing but optimistic on the labor front. I don't see any issues that are going to present a problem for us as we get into 2025 and beyond.

David Katz - *Jefferies LLC - Analyst*

And if I may, I just wanted to follow up on kind of leisure transient and maybe get one layer further down. Are -- is some of the softness that we're discussing more a decision to go or no go? Or would you classify it more as a pushback on the level of rates and rate growth that were out there? How would we unpack that?

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

Well, I think there are a couple of different components to the leisure picture. Go, no-go I'm not sure that is -- that's really the bottom line, David. And I say that because if you look at international outbound air capacity versus inbound, we have seen that 120% number has held steady now for the last several quarters. So people are still traveling. They're spending money. They're just not spending it at our properties, generally speaking.

We're not seeing any pushback on ADR, in our leisure transient ADR in our portfolio. We finished the third quarter with leisure transient ADRs up 50% over the third quarter of 2019. And that has held for 10 quarters in a row now.

So people are still spending money. When they get to our properties, they're spending money out of the room as well. We continue to see records on a quarterly basis in terms of -- per occupied room spend at our outlets, we've seen spa revenues continue to increase, golf revenues continue to increase.

So clearly, the affluent consumer is still spending money. We believe that over time, that the pendulum will swing back and we'll see a more normalized balance of international inbound versus international outbound. I think international inbound has held somewhere around 90% of 2019 levels, maybe even a little less than that. A lot of that could have to do with the strong dollar. We keep our eye on a lot of different things as we're assessing the health of the leisure consumer.

Operator

Chris Darling, Green Street.

Chris Darling - *Green Street Advisors - Analyst*

Going back to the Orlando condo development. Can you walk through underwritten sales proceeds relative to your development budget there? And then are there any similar densification opportunities that you might pursue in the near term in other places within the portfolio?

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

Sure. Are you talking about in terms of what assumptions we've made with respect to top line sales?

Chris Darling - *Green Street Advisors - Analyst*

Yes, that would be helpful, all relative to your overall kind of construction budget there.

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

Yes. So I think the construction budget was, what, $150 million to $170 million. And that really hasn't changed. We started in mid-July the construction of the project, and we anticipate starting sales in -- later in this quarter, mid-November -- mid to the end of November.

We're targeting completion of the mid-rise, that's 31 out of the 40 condos, I think in the fourth quarter 2025. And then there are nine villas that will be completed in the first half of 2026. So it's 40 units in total. And our anticipated returns are going to be in the mid to high teens cash on cash.

So we will not provide our assumptions with respect to sales per square foot, but we underwrote it to a mid- to high teens cash-on-cash return. And the construction budget is proceeding on time and within budget. So we're fairly confident that we're going to hit those numbers.

Chris Darling - *Green Street Advisors - Analyst*

Okay. That's fair enough. And I guess to the second half of my question, any similar opportunities that you might pursue in the near term elsewhere in the portfolio?

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

Well, one of the really attractive attributes of The Ritz-Carlton O'ahu, Turtle Bay was a 49 acre parcel of entitled land for residential development that's immediately adjacent to the resort, a significant portion of which is oceanfront property. And you just don't find that type of opportunity in Hawaii, and it's one of the things that really drove us to complete the acquisition of Turtle Bay. We are still in the planning stages and we have not taken into consideration any EBITDA upside for the resort.

But we believe there is going to be, over time, meaningful EBITDA upside at The Ritz itself as well as a development profit. And that is whether or not we sell the land or we joint venture the development of those 49 units -- of those 49 acres, which probably going to be somewhere plus or minus 250 units. And it's likely going to be risk residential units, at least 50% of which will participate in the rental pool because that's just how things -- as a matter of law, that's how things happen in Hawaii. So it's an exciting project. It's a fairly large project. That's why we're considering joint venturing it or selling the property outright.

But suffice it to say that we would expect to make a profit on the sale or development of the land and see meaningful upside to the resort, both from units being in the rental pool and a share of revenues with the owner as well as ancillary spend at the restaurants, golf and spa.

That's the most exciting project we have. We are looking at potential development, which I can't get into any details at this point in time with you, potential residential development at another one of our resort properties. But that's in the very early stages. And as it manifests itself, we'll certainly share more details with you down the road.

Operator

Aryeh Klein, BMO Capital Markets.

Aryeh Klein - *BMO Capital Markets - Analyst*

Maybe just going back to Maui. It looks like you slightly narrowed the expected RevPAR headwind for the year in that market. I'm just curious if that was based on what you're seeing in Q4. And then, Sourav, you mentioned group taking longer to recover in Maui. Can you just provide us where group and transient currently stands from a delta perspective relative to pre-wildfire?

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

Yes, sure. So yes, if you recall, last quarter we had said that the total Maui impact was about 250 basis points drag to the overall RevPAR. We have revised that to 220 basis points. So in other words, it's actually improved by 30 bps. And yes, you are correct. It really is based on what we are seeing in terms of transient pace for Thanksgiving and for the festive period. So we feel encouraged in terms of where things are heading from a changing perspective.

I will say like where we are off if overall is about, call it, 20% or so in terms of sort of room nights, the piece that is going to take longer to come back, like I mentioned earlier, is going to be more the group side versus the transient.

And for Maui, if I remember correctly for our key hotels pre-fire, we did about 100,000 group room nights. And while we're pacing okay for 2025, we are still pretty behind double digits in terms of group pace. And that's the piece which we are you keeping a close eye on. And hopefully at the beginning of next year, we will start seeing group activities pick up.

The transient pace is actually pretty similar to where we were pre-fire at least for the fourth quarter, which is very encouraging relative to sort of where we were back in -- before the fires occurred. So group is a piece we're keeping an eye on. And hopefully, we see the group activity pick up as we get into next year.

Aryeh Klein - *BMO Capital Markets - Analyst*

Got it. And then, Jim, I'm wondering if maybe you can provide us with a little bit more color on The Ritz-Carlton O'ahu performance and how that's trended post conversion.

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

It's trending in line with our pro forma expectations, Aryeh. The transition is going well at the present time. It's at the top of the list when anyone is searching for Ritz Carlton. It's a very important asset to The Ritz-Carlton brand. It's getting all the attention that is certainly warranted going forward.

So we're excited about it. I mean, we're working with Arte developers who bought an adjacent parcel from Blackstone on a realignment of the golf courses. There are two golf courses there. They're going to lease one and manage the other one on our behalf. So everything is going according to plan. The asset was in terrific shape when we bought it. So no near-term CapEx needs and we're seeing good pace over festive season and beyond into next year.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

Jim, I wanted to kind of ask, year-to-date, I think you're running about 72% comparable occupancy. And if I look back to '19, I think it was over 79%. And I'm curious -- and I know there's nuances and the portfolio is a little different. But do you guys see any impact from whether you want to call it shadow supply, Airbnb or, conversely, maybe some of these soft brands or even kind of these new affiliation brands that technically aren't part of your major brands?

Just any thought as to whether -- because it seems like group and corporate occupancy is -- and certainly, leisure is pretty much as far back as it's going to get. So is there any thought on kind of where those lost occupancy points are coming from?

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

Yes. Chris, the short answer is it's not as a result of shadow supply. And it's not as a result of new supply because the new supply picture has never looked better relative to what's being developed today as to other times in the cycle. I think what has happened, and we have about -- I think we think it's 8 to 9 points of occupancy that we can still pick up. And we actually view that as a tailwind to the portfolio, not as a negative bias.

Return to office is slow to evolve in several markets but it's coming back. And I think that is probably one of the biggest dynamic things that changed coming out of the pandemic. The good news is that Salesforce in San Francisco, they're going back to work. Amazon is going back to work.

So a number of other big corporates are putting -- or mandating that their employees get back to the office. And we believe that over time, as the business transient travel continues to evolve, and it has been evolving on a quarter-over-quarter basis, that we should pick up some of that occupancy gap relative to where we were in 2019.

Operator

Robin Farley, UBS.

Robin Farley - *UBS Securities LLC - Analyst*

Can you give a little more clarity around leisure rates in the quarter on a year-over-year basis? And then kind of your expectation for 2025 in terms of what the leisure traveler -- kind of outside of Maui, but just sort of broadly leisure rate may look like next year, and also what it was in Q3 year-over-year.

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

On a year-over-year basis, Robin, it's relatively flat in a lot of the market to slightly down. Because you may recall that there were certain quarters last year which was meaningfully above the 50% to 2019. It seems to have pretty much normalized around the approximate 50% over '19. So for the most part, pretty flat.

From a demand perspective, that's been the case as well, pretty much flat throughout the year every single quarter that we look at. Actually, I believe it was down 3% year-over-year from a demand perspective in Q1, but then actually that demand improved as we went through. So again, close to flat, but not -- very far from flat from a broad perspective of year-over-year standpoint.

Going into 2025, just given the consumer strength we have seen and given that there is hopefully more clarity around sort of macro -- the overall macroeconomic outlook, we believe that there is -- that the leisure, that have formed a new baseline. So effectively, that's where we have settled down.

And given the growth expectations for next year from a GDP standpoint, from a business investment standpoint and just overall macro outlook, and as Jim mentioned earlier, we expect that imbalance that currently does exist with international inbound-outbound to at some point sort of revert to mean, that should definitely help leisure overall stabilize. And we don't expect any degradation in terms of rate or demand.

Robin Farley - *UBS Securities LLC - Analyst*

Okay. Great. And then just a quick clarification. When you were talking about the $1.75 billion run rate, were you including -- and I know that was like excluding business interruption from Maui. Were you including the theoretical like if you recovered $75 million to $80 million in Maui in that $1.75 billion? I'm sorry, I just didn't catch. You were sort of giving a lot of puts and takes. And what -- in that $1.75 billion, that includes what kind of recovery in Maui?

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

Yes, that did assume the $75 million to $80 million. That was effectively the long-term run rate. So it wasn't necessarily for 2025.

Robin Farley - *UBS Securities LLC - Analyst*

Okay. Great. That's why I wanted to clarify. In other words, based on your other comments, it would seem like you're saying that's not where you'd be in '25. So just -- that's what I want to clarify.

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

That's correct, yes.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - *Evercore ISI Institutional Equities - Analyst*

Just on San Francisco, if I heard you correctly, any times of year or specific citywide events that stick out? I think you said room night pacing is up 40%. And I wonder if there's any more underlying detail you have on that?

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

Sure. That's effectively for overall citywide pacing year-over-year, specifically in terms of group room nights for us. We already, for San Francisco, have approximately 220,000 group room nights on the books, which is about close to 30%, up year-over-year from a pace perspective. It's still obviously far from where we were back in 2019 but nonetheless good progress. And we're really encouraged by the way it's pacing for '25. And if you recall, 2026 is World Cup and Super Bowl in San Francisco. So again, good things to come for San Fran.

Duane Pfennigwerth - *Evercore ISI Institutional Equities - Analyst*

Okay. Great. And then just -- you touched on this in prior questions, but on capital allocation. If we think about ROI projects, additional acquisitions or buyback, I guess, given your experience this year, are you leaning in any more of a direction in any of those three buckets going forward just given your experience this year?

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

Duane, I think that it goes without saying that the easiest opportunities to underwrite with the greatest degree of certainty are those that are in our existing portfolio. So we are well into the Hyatt Transformational Capital Program, and we look forward to continuing to invest in those assets and complete that program in the near term next year.

ROI projects, we're always looking for places to continue to put money in our existing portfolio as well. Stock buybacks, 3.5 million shares, $57 million this last quarter. We will continue to be opportunistic on buying back stock. And acquisitions, of course, if they make sense for us. And we're sitting here at 2.7 times leverage today. We can take our leverage up to somewhere to 3 times, 3.25 times comfortably. So we have a lot of -- significant amount of dry powder to allocate capital across all those various opportunities.

Operator

This concludes the question-and-answer session. I will turn the call to Jim for closing remarks.

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

Well, thank you again for joining us today. We always appreciate the opportunity to discuss our quarterly results with you, and we look forward to seeing many of you in Las Vegas in the coming weeks and at other conferences over the course of the year. Have a great day.

Operator

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