

## EARNINGS

# Host Sees Opportunities To Acquire Outside Top 25 Markets

Executives Optimistic About Group Bookings in 2021



Host Hotels & Resorts opened the 165-room AC Hotels by Marriott Scottsdale North in Scottsdale, Arizona, on Jan. 21. The hotel was developed on an underutilized parking lot next to the Westin Kierland Resort & Spa. (CoStar)

By **Danielle Hess**  
Hotel News Now

Feb 19, 2021 | 8:24 P.M.

Host Hotels & Resorts is eyeing acquisition opportunities from private owners in markets outside the U.S. top 25, President and CEO James Risoleo said on the company's [fourth quarter](#) and full-year 2020 earnings call.

The number of "attractive hotels coming to market" significantly increased in the first week of 2021, he said.

"From looking at just a handful of deals in the fourth quarter of 2020, we now have a solid pipeline of interesting and actionable opportunities to evaluate," he said, adding that the hotels are owned by private owners "that have been contemplating liquidity for some time."

Through an amendment to a credit agreement, Host's acquisition capacity has increased to \$2 billion using existing liquidity with a minimum liquidity requirement of \$600 million, Chief Financial Officer Sourav Ghosh said.

"The capacity [may include] \$500 million of proceeds from asset sales that would otherwise have been required to repay debt as long as we use the proceeds to acquire assets that are unencumbered by debt," he said.

Risoleo said the company expects competition on acquiring these assets, but Host's financial position "gives us the ability to go out and buy hotels on an all-cash basis, without the need to obtain debt financing, which is a distinguishing factor for us.

"We have very strong, deep relationships having been in this industry for over 30 years, and a very solid reputation."

## Strategy Shift

Host has shifted its acquisition strategy to focus on markets outside of the top 25 based on research from a predictive analytics model, Risoleo said.

This tool helps the company find markets that are likely to "outperform the revenue and [earnings before interest, taxes, depreciation and amortization] growth profile of our existing portfolio," he said.

When asked by analysts what's changed Host's acquisition appetite, Risoleo said it was "the simple fact that a lot of owners of hotels who were holding off bringing their properties to market have now started to see light at the end of the tunnel."

"We feel confident assuming that the vaccine continues to be rolled out and there isn't disruption due to any of the new variants being found ... it's the beginning of a new cycle. There are a lot of buyers who sat on the sidelines to wait for the time where there might be more buyer interest, and we're starting to see that now," he said.

## Group Booking Trends

Host saw an increase in group bookings for its Marriott International-managed hotels in January, Risoleo said.

January is historically a slow month for group booking activity.

Those properties booked approximately 101,000 group room nights for 2021 in January, which was a 32% increase over January 2019, he said.

Several types of groups are booking, but Risoleo said he's pleased to see the return of bookings for incentive meetings after a hiatus in 2020.

## Performance Results

For the fourth quarter, Host reported revenue per available room of \$38.09, down 79.7%, according to the company's [earnings release](#). Occupancy decreased 74.5% to 19.4% and average daily rate decreased 20.4% to \$196.23.

RevPAR declined 70.3% to \$57.17 for full-year 2020. Occupancy dropped 67% to 26% and ADR decreased 10.2% to \$219.91.

Host expects a "gradual, sequential improvement in RevPAR in the first quarter of 2021," Ghosh said.

"We expect this to be occupancy-driven in the second and third quarters when ADR may sequentially decline as suspended luxury and upper-upscale hotels reopen," he said. "Our research indicates that operations at approximately 13.5% of luxury and upper-upscale hotels in our top 25 markets are currently suspended and likely to reopen [with] low occupancies during the second and third quarters of this year."

As of press time, Host's stock was trading at \$16.77 per share, up 14.6% year to date. The NASDAQ Composite was up 7.7% for the same period.

## TRENDING

1. Margaritaville Resort Aims for Laid-Back Vibe on Isle of Manhattan

---

2. Arne Sorenson, President and CEO of Marriott International, Dies

---

3. Former MI5 Mayfair Offices To Become Starwood-Operated Private Members Hotel

---

4. The Standard Hotel Shuts Down After Two Decades on Los Angeles' Famed Sunset Strip

---

5. Resilient Extended-Stay Segment Poised for More Growth

---

6. Airbnb Bets on Growth From Remote Work Trends

---

## 7. Ashford Hospitality Files Lawsuit Focusing on What Constitutes Violation of Charter Laws

---

## 8. The Factors That Can Determine the Fate of Hotel Markets This Year

---

## 9. Joint Venture Looks To Move Fast on Discounted Hotel Deals

---

## 10. Stepping Into CEO Role at Marriott, Capuano Emphasizes Collaboration

[Request a Demo](#)

[Call Now](#)

## Company

[About CoStar](#)

[CoStarGroup.com](#)

[Careers](#)

[Press Room](#)

[Privacy Notice](#)

[CA: Do Not Sell My Personal Info](#)

[Terms of Use](#)

[Help Fight Data Theft](#)

[FAQs](#)

[Contact Us](#)

[Social](#)

© 2021. CoStar Realty Information Inc.

---