

Host Hotels & Resorts: What Should the Next Dollar Do?

Internal ID: S&F-STR-295

Topic: Capital Allocation, Mergers & Acquisitions, Growth Strategy

Industry: Hotel & Resort REITs

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Teaching case | Strategy and capital allocation

Information cutoff: November 2, 2023, 11:59 p.m. ET

The choice

By the close of November 2, Host Hotels & Resorts (HST) had reported third-quarter results and announced a substantial reinvestment program with Hyatt. The company was still navigating uneven hotel demand, margin pressure, insurance proceeds, hurricane and wildfire disruption, and a sizable capital plan with some spending already planned.

The choice in this case is hypothetical. Imagine HST's capital-allocation team preparing its next planning-cycle framework after the Hyatt announcement. How should it prioritize the next increment of discretionary capital among: (1) projects at existing hotels, (2) selective acquisitions or capital recycling through dispositions, and (3) share repurchases, dividends, or retained liquidity? What evidence would justify changing the mix? This is a teaching scenario, not a claim that HST's board announced or faced this exact decision.

Your task is to recommend a decision framework and sequence. The public record does not disclose a new pool of uncommitted capital, a specific acquisition target, an asset-sale candidate, project-level return forecasts, a repurchase valuation, or a company hurdle rate. Do not invent these inputs. State what information management would need and how it should compare uses of capital.

A lodging owner, not an operating company

HST is a lodging real-estate investment trust that owns upper-upscale and luxury hotels. Hotel operations are conducted by third-party brands and operators under management and franchise arrangements. The owners fund property investment and bear real-estate exposure; hotel operators and brands influence guest reach, service delivery, and operating performance. A hotel's RevPAR or operating results are therefore relevant to HST, but they are not by themselves a measure of shareholder value.

The company's 2022 Form 10-K described its capital-allocation objective as enhancing and improving its portfolio while prudently returning capital to stockholders. It discussed evaluating iconic upper-upscale and luxury acquisitions and opportunistic dispositions, including selling assets where growth appeared constrained or capital requirements were not expected to earn adequate returns. The filing provides a stated policy, not a promise to transact in any particular way. (2022 Form 10-K, "Disciplined Capital Allocation," p. 2)

What the latest quarter showed

HST's November 1 release reported third-quarter comparable hotel RevPAR of \$201.32, up 1.8% year over year, while comparable Total RevPAR was \$312.35, down 0.6%. Net income was \$113 million, down 2.6%; adjusted EBITDAre was \$361 million, up 10.1%; and adjusted FFO per diluted share was \$0.41, up 7.9%. These are different measures with different definitions and scopes. In particular, adjusted EBITDAre is not hotel-level comparable EBITDA, and neither measure is the same as free cash flow or shareholder return. [1]

Management attributed RevPAR growth to stronger group business, offset by moderating resort rates. Convention and downtown hotel occupancy increased 150 basis points. Comparable hotel EBITDA was \$314 million, with a 26.6% margin, down 280 basis points. HST cited higher insurance and utility expenses, stabilized staffing levels, and lower group attrition and cancellation fees as factors in the margin decline. Adjusted EBITDAre benefited from business-interruption proceeds. [1]

As of November 1, HST said it had received \$208 million of an expected potential \$310 million recovery for covered Hurricane Ian costs. It recognized \$54 million as a third-quarter business-interruption gain. The amount and timing of further recovery were uncertain. After the Maui wildfires, HST estimated a \$7 million third-quarter impact to net income and adjusted EBITDAre from its Maui hotels and joint-venture timeshare, with a 60-basis-point RevPAR impact and 120-basis-point Total RevPAR impact. Hyatt Regency Maui began welcoming new guests on November 1. These were company estimates available at the cutoff, not a forecast of subsequent recovery. [1]

HST's full-year 2023 comparable RevPAR growth guidance was 7.25%-8.75%. The company estimated the Maui wildfires would reduce full-year RevPAR by about 50 basis points and adjusted EBITDAre by \$30 million; it also included a further \$26 million of expected Hurricane Ian business-interruption gains in its year-end guidance. These were management forecasts, not actual results. [1]

The Hyatt program: commitment and protection

On November 1, HST announced an agreement with Hyatt for transformational reinvestment projects at six hotels: Grand Hyatt Atlanta in Buckhead, Grand Hyatt Washington, Manchester Grand Hyatt San Diego, Hyatt Regency Austin, Hyatt Regency Washington on Capitol Hill, and Hyatt Regency Reston.

HST expected total investment of approximately \$550-600 million, with two-thirds already planned in its capital plan over the next several years. It expected to invest \$125-200 million per year over three to four years. Hyatt agreed to provide priority returns on the agreed investments and \$40 million in total operating-profit guarantees to offset expected business disruption. HST said the projects were intended to improve the hotels' competitive positions and long-term performance. [1]

These terms matter, but their limits also matter. The public release did not give property-by-property budgets, return estimates, timing, guarantee allocation, or the full mechanics of the guarantees and priority returns. The \$40 million was described as operating-profit protection against disruption; it should not be treated as a guaranteed investment return or a quantified project-level safety net. The fact that two-thirds of planned spending was already in HST's capital plan means the entire \$550-600 million is not a new, wholly unbudgeted alternative in this hypothetical choice.

Capital already in motion

Through September 30, HST reported \$140 million of actual ROI projects, \$194 million of actual renewals and replacements, and \$138 million of insurable reconstruction. For full-year 2023, the company forecast \$200-230 million for ROI projects, \$265-290 million for R&R, and \$150-175 million for insurable reconstruction, for total capital expenditures of \$615-695 million. The full-year amounts were forecasts as of November 1, not completed spending. [1]

The categories serve different purposes. ROI projects seek incremental return; R&R spending maintains or replaces existing assets and can protect competitiveness and operating condition. Reconstruction repairs insured damage. Projects may contain overlapping elements, and labels alone do not establish the actual incremental return. HST's release did not provide a future-cycle property-by-property project list for this case.

Balance sheet and shareholder returns

At September 30, HST reported \$4.2 billion of debt, with a weighted-average maturity of 4.5 years and a weighted-average interest rate of 4.6%. Its next significant maturity was \$400 million in April 2024. HST reported \$916 million of cash and cash equivalents and approximately \$2.6 billion of available liquidity. That liquidity figure included \$218 million of FF&E escrow reserves and \$1.5 billion available under its revolver; cash, escrowed funds, and undrawn borrowing capacity are distinct. The full liquidity figure was not unrestricted cash. [1]

HST repurchased \$100 million of shares in the third quarter at an average \$15.90 per share, and \$150 million year to date at an average \$15.82. About \$823 million remained under its repurchase authorization, which the company could use from time to time depending on market conditions. It also paid a \$0.18-per-share dividend; future dividends remained subject to Board approval. An authorization is permission, not a commitment to spend the remaining amount. A dividend or repurchase competes with investment and liquidity, but the release does not establish whether the shares were undervalued or a repurchase would outperform a particular project. [1]

An industry reference point

Park Hotels & Resorts, a different hotel REIT, also reported third-quarter results on November 1. It described continued investment in its current portfolio, share repurchases, liquidity, and portfolio reshaping. Park also reported a special dividend associated with the effective exit from two San Francisco hotels and related distribution requirements. Its same-quarter figures excluded those San Francisco hotels from comparable metrics. The example shows several possible capital-allocation channels, but differences in portfolio, exclusions, and transaction circumstances make Park's results and distribution an imperfect benchmark for HST. (Park Q3 release, Nov. 1, 2023)

What research can-and cannot-tell the team

Hotel investment studies offer ways to structure the comparison, but none directly estimates the returns of HST's Hyatt projects or answers what HST should do next.

- **Renovation projects.** Turner and Hesford examine 305 renovation projects at one hospitality chain. The publisher abstract reports gains in revenue, profitability, customer satisfaction, and repair/maintenance in the first three years after renovation; revenue and profitability gains declined in years three through six while satisfaction and maintenance benefits persisted. Only the abstract and sample description were accessible for this case preparation; the methods and tables were not reviewed. Treat this as a provisional signal about timing, not a transferable project-return estimate. (Turner & Hesford, 2019)
- **Property risk and performance.** O'Neill and coauthors analyze CBRE data for more than 3,200 U.S. hotels over 2015-2020 using GOPPAR risk measures, group comparisons, and regressions with hotel and market characteristics. They find that risk and profitability differ by hotel type, class, location, brand status, age, size, occupancy, and ADR. The data are observational and include the exceptional 2020 shock; the hotels are anonymized. The study supports property-specific comparison, not an HST project ranking or causal renovation estimate. (O'Neill et al., 2023)
- **Holding periods.** Poretti and Das study 6,138 hotel investment observations from 1990-2018, including unsold properties, using Cox hazard and accelerated failure-time models to account for censored holding periods. They report associations between holding duration and owner type, hotel characteristics, acquisition conditions, renovation timing, and portfolio purchases. This helps surface sale timing and ownership duration as considerations; it does not show that a renovation causes value creation or determine HST's optimal holding period. (Poretti & Das, 2020)
- **Asset-light strategy.** Märklin and Bianchi use an unbalanced panel of 65 U.S. publicly listed hotel firms from 1970-2018, with property, plant, and equipment relative to total assets as an asset-light proxy. They find no statistically significant relationship between that measure and returns, volatility, or Sharpe ratios. Sohn, Tang, and Jang's different observational path model of public hotel companies over 2002-2010 finds favorable associations between fee-revenue share and operating margin/Tobin's Q, and lower earnings volatility. Their samples, measures, and methods differ. Neither study establishes that HST should sell assets or that asset ownership causes better or worse returns. (Märklin & Bianchi, 2022; Sohn et al., 2013)

Decision assignment

Prepare a recommendation for HST's next planning cycle. Address the following:

1. How should HST rank additional investment in existing properties, selective acquisition or disposition, repurchases/dividends, and liquidity? What principles should govern sequencing?
2. How should the team distinguish ROI, R&R, and reconstruction when comparing projects? What property-level evidence would it require before committing additional capital?
3. How much weight should it assign to the Hyatt program's expected priority returns and \$40 million in operating-profit guarantees, given that allocation and mechanics were not disclosed?
4. What would change the team's recommendation-demand or margin trends, project-level forecasts, liquidity needs, asset valuation, or evidence about renovation outcomes?

Use only information public by November 2, 2023, 11:59 p.m. ET. Separate reported actuals from guidance, forecasts from completed spending, hotel-level operating results from company-defined adjusted measures, and expected contractual protections from assured returns. State assumptions; do not supply invented project economics or a preferred

management answer.

Sources

[1] Host Hotels & Resorts, “Host Hotels & Resorts, Inc. Reports Third Quarter 2023 Results,” November 1, 2023, including supplemental financial information. [Release](#) · [Supplemental](#).

Additional citations appear alongside the relevant company and academic evidence above. This case excludes Host’s Form 10-Q filed November 6, 2023 and all information that became public after the stated cutoff.