

## Asset Manager's Report to the DRA Board

---

### **Hilton Vancouver Washington Vancouver, WA**

December 2023

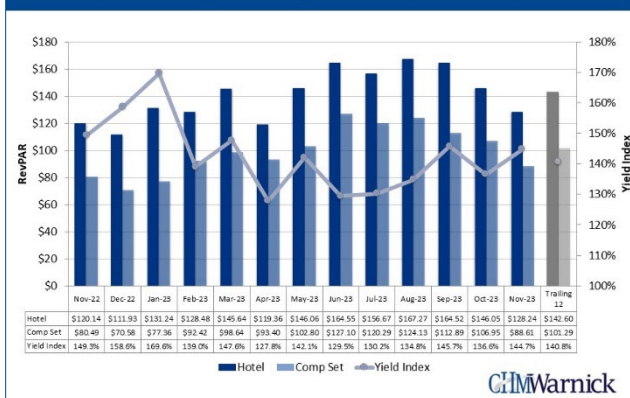


## 1 Performance Relative to the Competitive Set

The table and chart below summarize the Hotel's performance compared with the competitive set of Vancouver hotels in November 2023 (the most current information available).

Performance of the Competitive Set			
	Occupancy	ADR	RevPAR
<b>November 2023</b>			
Competitive Set	63.5%	\$139.62	\$88.61
% Chg. from Prior Yr.	7.5%	2.4%	10.1%
Hilton Vancouver	71.0%	\$180.72	\$128.24
% Chg. from Prior Yr.	-6.0%	13.6%	6.7%
Yield Index	111.8%	129.4%	144.7%
<b>Trailing 12 Months</b>			
Competitive Set	68.6%	\$147.73	\$101.29
% Chg. from Prior Yr.	6.1%	2.7%	9.0%
Hilton Vancouver	73.2%	\$194.75	\$142.60
% Chg. from Prior Yr.	-3.0%	7.7%	4.4%
Yield Index	106.8%	131.8%	140.8%

### RevPAR Performance vs. Competitive Set



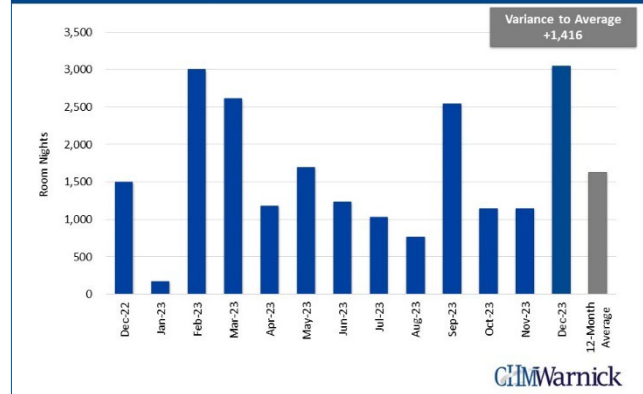
**Indicator Explanation:** RevPAR is calculated by multiplying the occupancy percentage times the average room rate. RevPAR helps management identify the optimal mix of occupancy and average rate. The RevPAR yield index measures the performance of an individual hotel against its competitive set. A yield index of 100 percent means a hotel is operating at the average of the competitive set.

- The new supply along the waterfront continues to strengthen rates, which has helped to drive overall RevPAR throughout the market.
- The Hotel continues to perform very well against the competitive set and has maintained a sizable average daily rate ("ADR") premium throughout the year.
- On the strength of ADR and, to a lesser extent, occupancy (both yielding well above fair share), the Hotel achieved a 144.7% RevPAR index during November with a trailing 12-month index of 140.8%.

## 2 Future Group Bookings

The following table summarizes future group business booked during the past 12 months.

### Group Rooms Booked vs. 12-Mo. Average

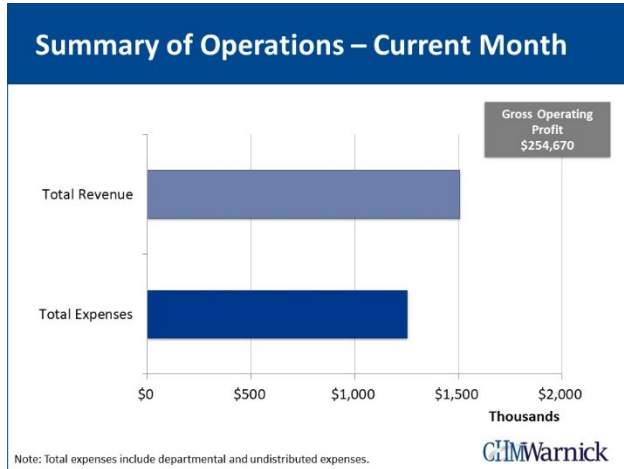


**Indicator Explanation:** Group business is one of the most important market segments for the Hotel because it fills the meeting rooms and generates banquet, as well as room, revenue.

- During December, the sales team received 92 leads representing notable revenue potential for 2024 and beyond.
- Lead conversion continues to be strong. For the month, the sales team turned 43 bookings definite representing 2,719 room nights.
- The Hotel has Delta Airlines crews contracted through 2024 and FedEx crews contracted through 1<sup>st</sup> quarter 2025.
- The sales and catering department is fully staffed with one catering manager out on leave; that position is being covered by task force to appropriately cover incoming sales leads.
- The recently opened Ilani Hotel is currently adding more meeting space; the additional space along with the quality and versatility of the space will ultimately enhance its competitiveness to the Hotel for groups and local catered events.

### 3 Monthly Financial Results

The following table summarizes financial results for December 2023.

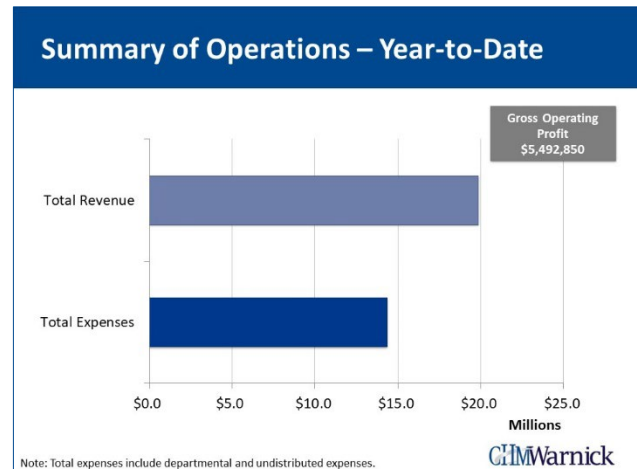


**Indicator Explanation:** Rooms and food and beverage (“F&B”) are the primary source of Hotel revenues. Expenses are impacted by the large amount of meeting space in relation to a relatively small number of guest rooms. Payroll is the largest individual expense.

- Lower occupancy for the month resulted in a decline in rooms revenue compared to budget and prior year.
- In contrast to occupancy, average daily rate (“ADR”) increased to both budget and prior year performance.
- During December, total food and beverage (“F&B”) revenue fell below budget but was up to prior year. The decline relative to budget was driven by lower banquet and catering, in-room dining, and meeting room rental activity, which outpaced a modest increase in outlet volume. The increase to prior year was driven by an increase in in-outlet and banquet activity.
- Gross operating profit (“GOP”) equated to 16.9% of total revenues. Lower F&B profit combined with higher undistributed expenses adversely impacted flow through and related GOP performance when compared to budget.
- Negotiations with the Union have been completed and the new labor agreement is scheduled to be ratified in early January 2024.

### 4 Year-to-Date Financial Results

The following table summarizes financial results year-to-date through December 2023.



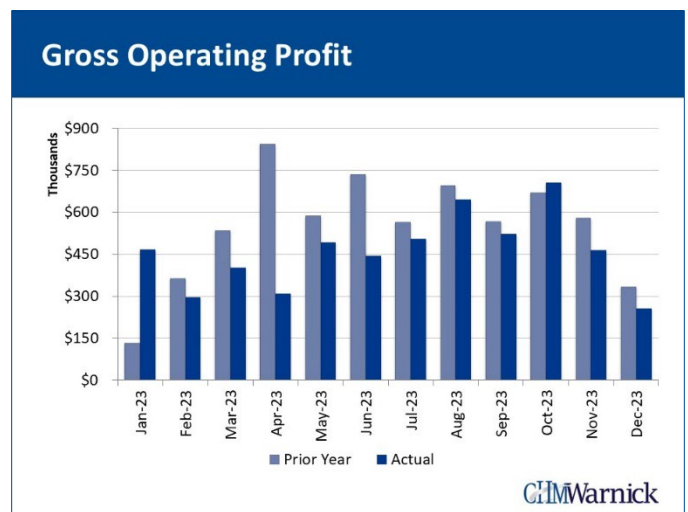
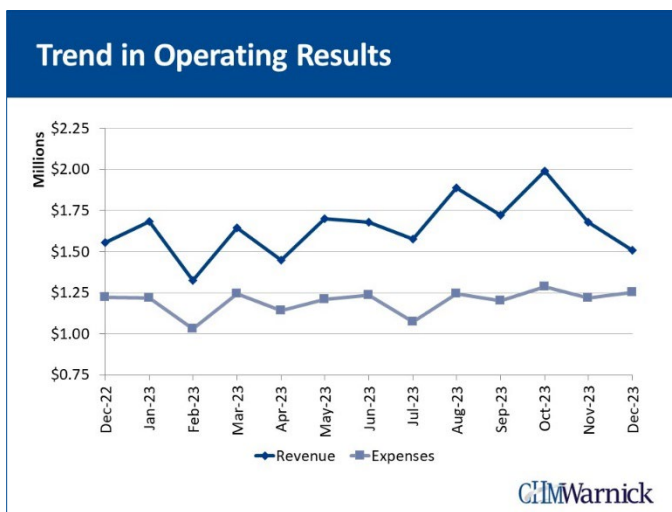
**Indicator Explanation:** Year-to-date financial results give a better picture of the progression in business than any one month of operation.

- Through December, year-to-date total revenue is below budget; the decline is the result of lower rooms and F&B department revenues. The shortfall in rooms is being driven by lower transient and group demand, while the F&B decline is attributed to lower outlet and banquet capture.
- Year-to-date ADR increased to both budget and prior year and was driven by growth in transient (to budget) as well as higher than anticipated group and crew performance; the growth in ADR has mitigated the impact of lower occupancy performance to both budget and prior year.
- Year-to-date Room and F&B department revenues continue to trend above prior year performance. Misc revenues are trending lower due solely to the impact of a sizable cancellation fee collected in November 2022.
- While cost containment has and continues to be a key focal point of the management team, higher than anticipated labor and operating expenses adversely impacted profit potential with flow through and resultant year-to-date GOP falling below budget and prior year performance.
- The lobby renovation has now been fully completed including all the FF&E; the reopening of the main lobby continues to have a positive impact on guest satisfaction scores.

**Asset Manager’s Focus and Strategic Initiatives**

- Monitor capital outlay to appropriately preserve the asset and maximize its appeal and guest experience while building and preserving appropriate reserves for future capital requirements
- Achieve operational budget through revenue generation, cost containment, and capital controls
- Track and consider refinancing options
- Monitor operations, develop metrics, and plan ongoing strategic initiatives in relation to the market’s post-COVID activity
- Continue to strategize with management to promote additional FIB utilization, particularly in Grays
- Work with management to develop strategies to mitigate the impact of new competition in the market (hotel and restaurant) and enhance the overall competitiveness and appeal of the Hotel

**Trailing 12-Month Trend in Operating Results**



## DEFINITIONS

**Competitive Set** – A sample of hotels in the Vancouver market. The RevPAR for the Vancouver Hilton are measured against these hotels using what is called a “yield index.” A yield index that is greater than 100 percent means that a hotel is performing at a level that is above the average for its competitive set. A yield index that is below 100 means that performance trails the average for the competitive set.

**Departmental Expenses** – Expenses that are incurred in relation to the operation of each distinct operating department. Generally, departmental expenses include costs of goods sold, payroll, and other expenses.

**Fixed Costs** – Expenses are costs of occupancy that cannot be influenced by property management. These include business taxes, insurance expenses, Hilton management fees, and other miscellaneous expenses.

**F&E Reserve** – The F&E reserve is a fund for the future replacement of fixtures and equipment. The intent of the F&E Reserve is to accumulate monies over a period of time to spend on periodic hotel renovations. Periodic renovations are needed to keep the Hotel in good physical condition so that it can maintain its competitive position against other hotels in the market.

**Gross Operating Profit** – Calculated by deducting departmental expenses and undistributed expenses from total revenues. Gross Operating Profit (referred to as GOP) measures the profit that is under the control of hotel management. Hilton uses the term “Income Before Fixed Charges” and the HVS study used the term “House Profit” rather than GOP. We use the term GOP because that is the term used in the Bond Documents.

**Group Booking Pace** – A measure of the future group business that is on the books. Usually, the pace is broken into three classifications: 1) Definite bookings, for which a signed contract has been received; 2) Tentative bookings for which a contract has been issued but not signed; and 3) Prospects, which represent groups that have been contacted but for which a contract has not yet been issued. Booking pace information is used to track performance relative to the budget, to prepare and update forecasts, to quote rates for future business and to track the productivity of sales personnel.

**Hotel Payroll** – Hotel payroll represents the salaries and wages, payroll taxes and employee benefits for all Hotel employees. Payroll is the largest single operating expense in a hotel.

**RevPAR or Revenue Per Available Room** – Calculated by multiplying the occupancy percentage times the average room rate. The occupancy percentage can be managed, to a certain degree, by manipulating room rates. For example, hotel operators may choose to lower (or discount) room rates during certain periods in an effort to maximize occupancy. RevPAR helps management identify the optimal mix of occupancy and average rate.

**Total Revenue** – The revenues generated by all departments in the Hotel, net of allowances.

**Undistributed Expenses** – Expenses that apply to the hotel as a whole and cannot be assigned to an individual operating department (such as rooms). Undistributed expenses are further classified as Administrative and General, Sales and Marketing, Property Operations and Energy.