

## Asset Manager's Report to the DRA Board

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

March 2024

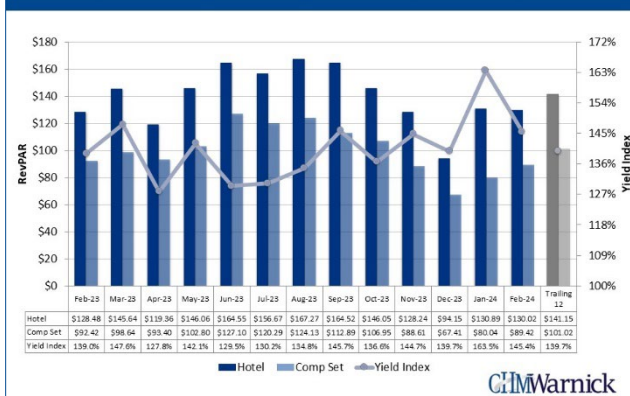


## 1 Performance Relative to the Competitive Set

The table and chart below summarize the Hotel's performance compared with the competitive set of Vancouver hotels in February 2024 (the most current information available).

| Performance of the Competitive Set |           |          |          |
|------------------------------------|-----------|----------|----------|
|                                    | Occupancy | ADR      | RevPAR   |
| <b>February 2024</b>               |           |          |          |
| Competitive Set                    | 62.8%     | \$142.48 | \$89.42  |
| % Chg. from Prior Yr.              | -3.8%     | 0.6%     | -3.3%    |
| Hilton Vancouver                   | 68.3%     | \$190.39 | \$130.02 |
| % Chg. from Prior Yr.              | -1.0%     | 2.2%     | 1.2%     |
| Yield Index                        | 108.8%    | 133.6%   | 145.4%   |
| <b>Trailing 12 Months</b>          |           |          |          |
| Competitive Set                    | 68.4%     | \$147.77 | \$101.02 |
| % Chg. from Prior Yr.              | 2.1%      | 2.7%     | 4.8%     |
| Hilton Vancouver                   | 71.9%     | \$196.33 | \$141.15 |
| % Chg. from Prior Yr.              | -5.4%     | 6.2%     | 0.5%     |
| Yield Index                        | 105.2%    | 132.9%   | 139.7%   |

### 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.

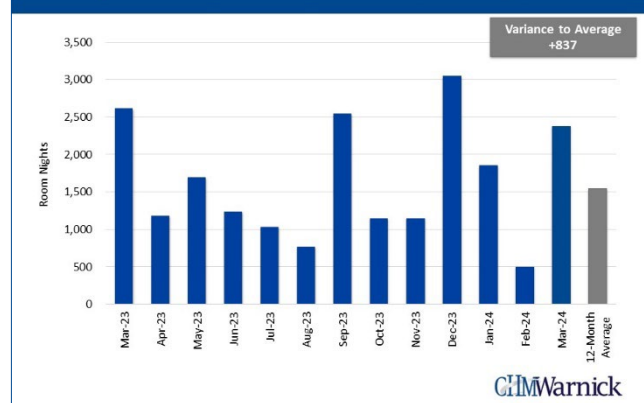
- The continued strength in crew average daily rate (“ADR”) and related occupancy continues to enhance performance to the comp set and helps to create compression opportunities and drive higher overall transient and group ADR (especially mid-week).
- As a result of effective revenue management the Hotel continues to maintain a sizable ADR premium.
- On the strength of ADR and, to a lesser extent, occupancy, the Hotel achieved a 145.4% RevPAR index during February with a trailing 12-month index of 139.7%.

## 2 Future Group Bookings

The table and chart below summarize current group pace and group business booked during the past 12 months.

| Group Room Night Pace as of Mar-24 |          |                        |        |
|------------------------------------|----------|------------------------|--------|
|                                    | Definite | Variance to Last Month | Budget |
| 2024                               | 17,771   | (1)                    | 20,210 |
| 2025                               | 9,752    | 1,284                  |        |
| 2026                               | 3,600    | 832                    |        |
| 2027                               | 1,509    | 264                    |        |

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

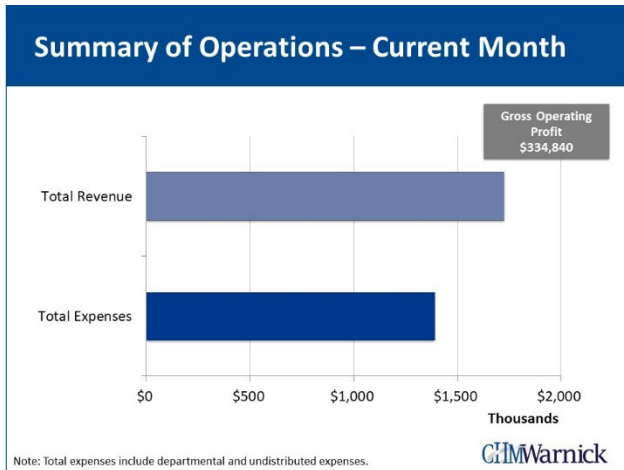


**Indicator Explanation:** Group business is one of the most important market segments for the Hotel because it fills the meeting rooms and generates banquet, as well as room, revenue.

- During March, the sales team received 92 leads; lead volume was up 12% month-over-month and up 26% compared to March 2019 activity (previous peak period).
- For the month, the sales team turned 42 bookings definite representing notable growth in room nights and F&B activity (banquet and catering) for 2024 and beyond.
- For the second month in a row, the Hotel experienced a sizable group cancellation for 2024 and 2025 due to ramifications extending from the pandemic; this adversely impacted both rooms and F&B. The sales team is also anticipating an additional cancellation for later in 2024 (details to follow once finalized).
- The sales and catering team has two open positions and one catering manager remains on FMLA, which is being covered by a task force sales manager.
- The Hotel has Delta through 2024 and FedEx is in contracted through Q1 2025.

### 3 Monthly Financial Results

The following table summarizes financial results for March 2024.

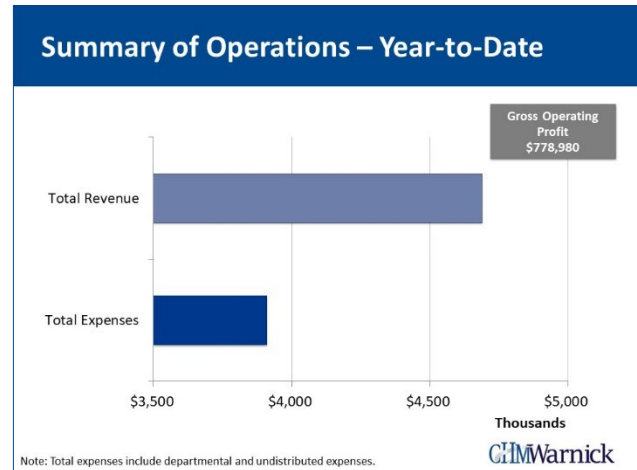


**Indicator Explanation:** Rooms and food and beverage (“F&B”) are the primary source of Hotel revenues. Expenses are impacted by the large amount of meeting space in relation to a relatively small number of guest rooms. Payroll is the largest individual expense.

- For the month, total operating revenue finished 4.2% below budget but was 4.8% higher than prior year. The decline to budget was driven by lower rooms revenue followed by a decline in misc. income and F&B activity. The increase to prior year was the result of higher F&B volume, which outpaced a decline in rooms and misc. activity.
- During March, the impact of lower occupancy and ADR driven primarily by a shortfall in transient demand resulted in a shortfall in room revenue to both budget and prior year.
- For the month total F&B revenues were slightly down to budget but notably higher to prior year performance. The decline to budget was driven by lower outlet activity while the increase to prior year was the result of higher banquet and catering volume.
- Gross operating profit (“GOP”) fell short of both budget and prior year performance and equated to 19.4% of total revenues. March GOP flow through was adversely impacted by higher than anticipated undistributed expenses including room PM program expenses and a bad debt write-off along with higher departmental and undistributed labor costs.

### 4 Year-to-Date Financial Results

The following table summarizes financial results year-to-date through Month Year.



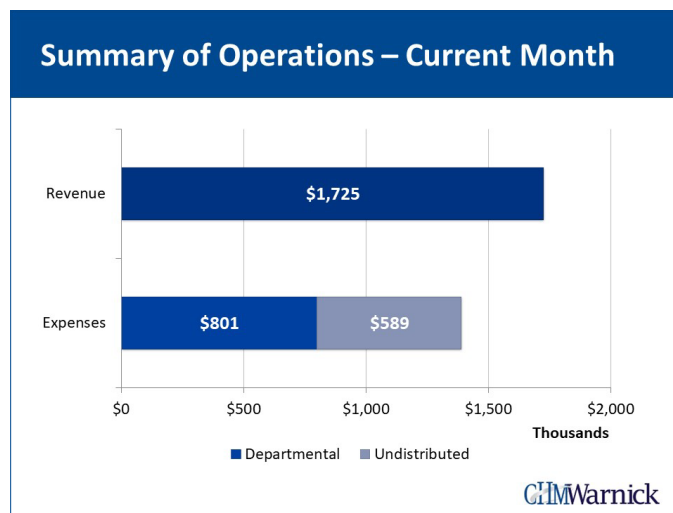
**Indicator Explanation:** Year-to-date financial results give a better picture of the progression in business than any one month of operation.

- Through March, year-to-date total revenue is tracking above budget and prior year; the increase is the result of higher rooms and F&B department revenues and to a lesser degree, other operated income.
- The increase in room revenue is the result of higher occupancy matched with slightly lower ADR. The increase to prior year was all driven by ADR growth which is outpacing a decline in occupancy (transient and crew segments).
- YTD total ADR is tracking slightly below budget but above prior year performance. The decline to budget is due to a shortfall in crew rate while the increase to prior year is the result of higher ADR in both the transient and group sectors.
- The resultant RevPAR is currently tracking 1.4% above budget but trailing prior year by 1.0%.
- Growth in F&B is being driven by increases in outlet, room service and other revenue which is outpacing a decline in banquet/catering (prior year only).
- Cost containment has been, and continues to be, a key focal point of the management team. While higher than anticipated labor and operating expenses have adversely impacted profit potential, GOP remains modestly above budget on a YTD basis.

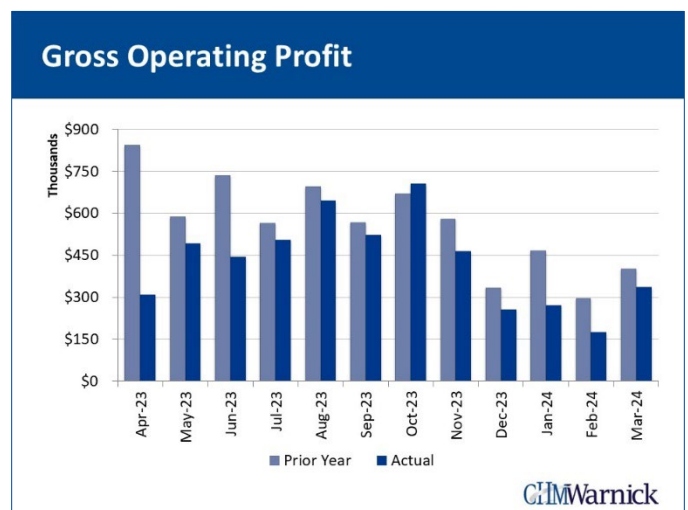
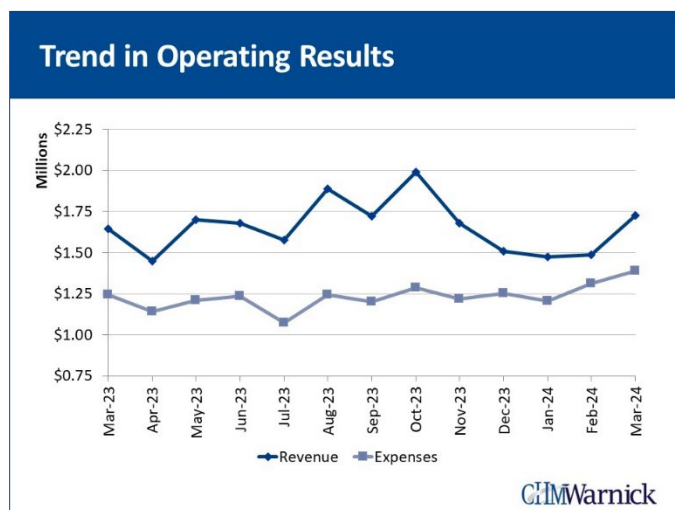
**Asset Manager’s Focus and Strategic Initiatives**

- 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
- Continue to strategize with management to promote additional F&B 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

**Summary of Operations**



**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.