



Lodging - US RevPAR +5.2% Y/Y Last Week; July 4th Calendar Shift

Group strong (RevPAR +12.4%) due to shift of holiday but Transient up just 1.8%

What's Incremental To Our View

Overall U.S. RevPAR was +5.2% Y/Y for the week ending 6/30/2018, per STR, up from the prior week's result of +3.0%. (2-year stacked RevPAR was +11.8% vs. +2.8% in the prior week.) Independent hotels (about 1/3rd of the data set) were +4.0% y/y. Upper Upscale (+7.1%) was the strongest chain scale for branded hotels; Economy was the weakest at +2.4%. Upper Midscale (+4.5%) and Midscale (+4.5%) also underperformed the overall US hotel industry average. Within Upper Upscale & Luxury class hotels, Group (+12.4% vs. +3.0% prior week) was stronger than Transient (+1.8% vs. +2.8% prior week).

Last week was impacted by the shift of the July 4th holiday from a Tuesday in 2017 to a Wednesday in 2018. As we mentioned in last week's note, the July 4th shift pushed some corporate business (particularly Group) out of the week of the holiday and into adjacent weeks. Last week was a beneficiary.

- We expect a reversal for Group RevPAR in next week's data (for the week ending July 7th). Upper Upscale is likely to underperform.
- Critically, while Group RevPAR was strong at +12.4%, Transient RevPAR was just +1.8%. We interpret this differential to show that Transient business demand did not shift nearly as much as Group.
- Also notable are the day-of-week patterns. Recall that the y/y data also reflects a "long weekend" but perhaps with more weighting to 2017 as July 4th was on a Tuesday. We believe that outside of generally strong leisure demand trends, more travelers are likely to take off a Monday for a four-day weekend as opposed to Monday and Tuesday for a five-day weekend. While late workweek RevPAR was strong (Thursday +12.3% and Friday +7.4%), Saturday was -3.7%. Our interpretation of the data is that the July 4th shift to a Wednesday from a Tuesday may have detracted from potential leisure travel.
 - Another indicator that we use to assess leisure travel is the performance of Independent hotels. Independents' RevPAR was +4.0%, which underperformed the national average. This suggests a tougher leisure demand comp y/y.
- Hurricane-impacted markets had positive performance (see below for detail).

As a rule of thumb when analyzing the weekly data, if Group results are abnormally strong or weak, which they were last week, there is a holiday shift going on.

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What's Inside

Weekly STR results and analysis

For the month of June, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, \$79.45, Buy], Hyatt [H, \$77.95, Hold], or Marriott [MAR, \$124.52, Hold] hotel) will finish at approximately +4.0-4.5% (our prior estimate was +3.5-4.0%). We estimate that the overall industry will finish approximately +4.0-4.5% (our prior estimate was +3.5-4.0%). Please note that reported monthly results include hotels that are not in the weekly data set.

For the quarter, we estimate that full-service branded domestic hotels will finish at approximately +3.5-4.0% (our prior estimate was +3.5-4.5%). We estimate that the overall industry will finish approximately +3.5-4.0% (unchanged from our prior estimate).

Next week's data is likely to be very noisy. We expect to see some leisure strength particularly around July 4th. This will likely be countered by some lost corporate demand (particularly Group) as discussed above.

RevPAR details:

- **Upper Upscale was the strongest chain scale.** Upper Midscale and Midscale both underperformed by 260 bps: Luxury RevPAR (+4.8%), Upper Upscale (+7.1%), Upscale (+5.8%), Upper Midscale (+4.5%), Midscale (+4.5%), and Economy (+2.4%). Independent hotels (+4.0%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient (mostly from the July 4th calendar shift):** Transient segment (individual business and leisure travelers) RevPAR was +1.8% (vs. +2.8% last week) and Group segment RevPAR was +12.4% (vs. +3.0% last week).
- **Chicago (+12.3%) was the strongest of the top five markets:** Boston (+3.1%), LA (+2.2%), NYC (+9.8%), and DC (+5.0%).
- **Other relevant markets:**
 - **San Francisco was strong (strength in Transient and Group ADR and Contract occupancy):** RevPAR was +10.7% vs. +2.4% last week. We anticipate y/y comps will be relatively easy in 2Q and 3Q as the Moscone Convention Center's North and South halls were closed from April to August 2017.
 - **Texas results were positive:** Dallas RevPAR was +2.5% (vs. +6.0% last week). Houston RevPAR was +19.3% (vs. +14.2% last week). Note that FEMA has extended the financial assistance for some Texans in Houston hotels through July 1st.
 - **Hurricane-impacted markets in FL had positive results (although performance was driven heavily by Group):** Miami (+6.9% vs. +5.1% last week); Orlando (+14.5% vs. +15.3% last week).
 - **Oahu results were mixed last week. We continue to believe that there is insufficient evidence (so far) to suggest a major demand shift from the volcano eruption on the Big Island.** Oahu was +0.7% vs. +2.2% running 28 days. Comparatively, U.S. Resort RevPAR was +4.3% last week vs. +5.0% running 28 days. [As we previously noted](#), we believe some of the Big Island hotel demand that chooses to stay on another island may be more likely to stay on Maui or Kauai due to the comparable destination appeal and less likely to stay in/near Waikiki (where the majority of Oahu hotel supply is based).
 - In part due to the general strength of the Oahu market (particularly in terms of occupancy), it is difficult for us to determine the measurability of impact from demand that is choosing to stay on Oahu from the Big Island. [STR noted similarly in an article on HotelNewsNow published on June 18th](#). That being said, we do not have granular data on the Maui and Kauai markets where we believe the greatest demand shift (on a relative basis) is most likely to occur.
 - On a positive note, [Norwegian Cruise Line \(NCLH, \\$46.65, Buy\) resumed calls](#) to the Big Island in mid-June. Additionally, [some tour operators appear to be adjusting itineraries in light of the volcano disruption](#), which might alleviate some travelers concerns about staying on the island.
 - We believe a bigger test for the Big Island is forthcoming as potential Hawaii travelers determine whether to stay on the Big Island or adjust their travels elsewhere. Many vacationers plan a Hawaii vacation well in advance and it is possible we have yet to see in the data a more measurable impact from potential travelers who decided after the volcano news to avoid staying on the Big Island.

The lodging and leisure stocks:

Overall for the stocks, we think **the continuation of improving trends** signals an opportunity to grind higher and favor hotel owners (REITs) over the managers/franchisors as the hotel owners have the greatest sensitivity to changes in RevPAR. The rule of thumb for earnings sensitivity to a 1 point change in RevPAR is a 5 point change in EBIT for an owned hotel versus a 1 point change in EBIT for a hotel franchisor (a hotel manager falls somewhere between, depending on the degree of incentive management fees in the contract).

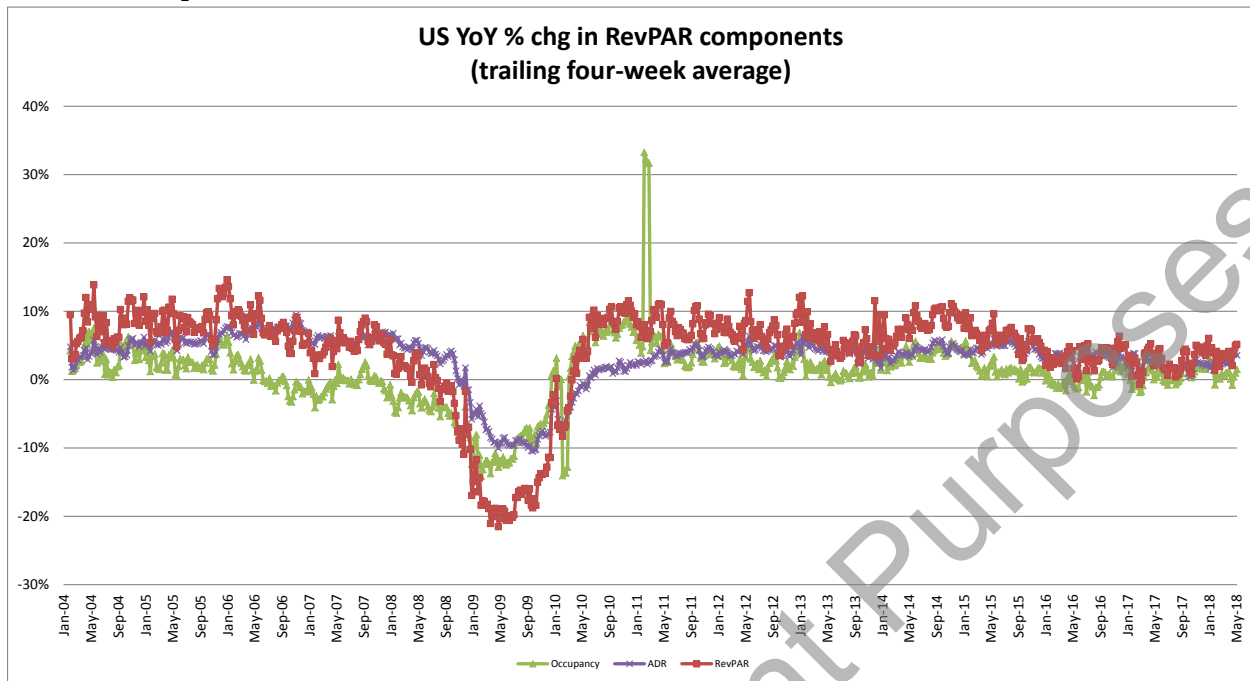
Not For Investment Purposes

Weekly RevPAR Summary

YoY % change in RevPAR													
	U.S.	Upper		Upper			Inde- pendent	New					DC
		Luxury	Upscale	Upscale	Midscale	Midscale		Economy	York	Boston	LA	Chicago	
3/24/2018	5.4%	8.8%	5.2%	4.1%	5.1%	5.1%	4.6%	5.3%	-4.0%	-7.4%	-0.2%	6.8%	
3/31/2018	0.7%	17.1%	-6.7%	-2.5%	-3.7%	-0.6%	1.8%	5.6%	20.9%	-7.3%	6.2%	-4.9%	-25.9%
4/7/2018	-2.0%	5.5%	-11.0%	-5.6%	-2.9%	1.2%	1.7%	3.2%	-5.8%	-7.7%	-0.4%	-29.9%	-19.4%
4/14/2018	12.2%	8.2%	21.8%	12.1%	15.0%	11.5%	6.8%	5.3%	-11.5%	9.2%	1.1%	47.3%	30.8%
4/21/2018	8.7%	12.2%	14.4%	8.0%	7.3%	5.9%	4.0%	5.1%	6.7%	-0.7%	4.3%	23.7%	19.5%
4/28/2018	1.7%	5.2%	-0.2%	0.2%	1.4%	2.7%	1.1%	1.8%	7.3%	-10.0%	6.6%	1.7%	1.8%
5/5/2018	3.3%	3.3%	1.8%	1.9%	2.9%	4.4%	2.6%	4.2%	6.6%	-9.4%	-4.0%	-7.9%	-2.2%
5/12/2018	4.4%	4.4%	2.4%	3.5%	3.3%	4.6%	3.0%	6.2%	15.9%	-5.8%	0.4%	2.6%	0.4%
5/19/2018	3.0%	3.1%	2.2%	1.0%	1.6%	2.6%	1.7%	4.9%	8.1%	-0.5%	-5.6%	-1.4%	0.5%
5/26/2018	2.7%	3.4%	1.8%	1.6%	2.3%	3.4%	1.7%	3.2%	0.9%	-4.6%	-1.6%	5.4%	-1.9%
6/2/2018	2.3%	4.0%	3.1%	1.0%	1.1%	1.8%	0.7%	2.6%	2.2%	-3.6%	-6.5%	1.6%	13.7%
6/9/2018	2.3%	2.3%	1.8%	1.5%	0.8%	1.8%	1.4%	3.2%	0.9%	11.3%	-2.2%	-0.8%	4.8%
6/16/2018	1.8%	2.6%	1.5%	1.2%	0.9%	1.7%	1.5%	1.6%	5.0%	-7.7%	1.5%	5.0%	-1.2%
6/23/2018	3.0%	5.1%	3.7%	2.5%	1.7%	1.6%	1.7%	2.8%	11.5%	5.3%	2.4%	6.6%	7.2%
6/30/2018	5.2%	4.8%	7.1%	5.8%	4.5%	4.5%	2.4%	4.0%	9.8%	3.1%	2.2%	12.3%	5.0%
Some benefit from July 4th Calendar Shift													
				Upper Upscale and Upscale led the industry					Chicago and NYC led the Top 5 markets				
1Q15	8.0%	6.3%	6.0%	7.0%	8.5%	8.8%	9.2%	8.9%	-4.3%	13.8%	7.7%	11.4%	6.3%
2Q15	6.5%	5.5%	5.4%	5.9%	6.3%	6.6%	6.7%	7.1%	-1.8%	7.1%	7.4%	11.0%	11.7%
3Q15	5.9%	4.4%	4.0%	5.7%	5.7%	6.4%	6.1%	6.8%	0.6%	7.1%	11.1%	5.1%	0.3%
4Q15	4.8%	2.7%	3.8%	4.2%	4.9%	3.7%	4.4%	5.9%	-2.0%	5.3%	8.3%	1.4%	2.1%
1Q16	2.7%	1.6%	1.9%	2.2%	2.0%	0.0%	1.8%	4.0%	-1.2%	-3.0%	16.6%	-4.8%	3.1%
2Q16	3.5%	0.8%	2.9%	3.1%	3.2%	3.2%	3.0%	4.2%	-4.5%	1.5%	11.1%	-1.0%	3.5%
3Q16	3.3%	1.5%	2.5%	2.0%	1.8%	2.5%	3.0%	5.1%	-2.5%	-0.5%	9.3%	1.2%	5.5%
4Q16	3.2%	1.9%	0.6%	1.2%	2.2%	3.9%	4.4%	5.1%	0.9%	-1.6%	6.9%	3.3%	8.0%
1Q17	3.4%	2.1%	3.0%	1.0%	2.4%	3.5%	2.6%	5.2%	-1.3%	-1.1%	-2.5%	1.5%	16.1%
2Q17	2.7%	2.3%	0.6%	0.6%	1.2%	2.4%	3.7%	5.1%	0.2%	4.4%	3.6%	0.8%	0.8%
3Q17	1.9%	0.5%	-0.7%	0.7%	1.8%	3.5%	2.9%	3.1%	-0.9%	-0.2%	-1.2%	-5.0%	-0.6%
4Q17	4.2%	4.5%	3.2%	3.8%	3.9%	3.7%	3.7%	4.1%	0.8%	3.7%	4.2%	-2.5%	2.2%
1Q18	3.5%	6.6%	0.9%	2.2%	3.0%	3.8%	5.3%	3.8%	7.1%	2.6%	2.7%	5.8%	-11.0%
YoY % change in ADR													
	U.S.	Upper		Upper			Inde- pendent	New					DC
		Luxury	Upscale	Upscale	Midscale	Midscale		Economy	York	Boston	LA	Chicago	
3/24/2018	4.4%	7.8%	3.9%	3.2%	3.1%	3.5%	4.2%	4.7%	5.1%	-0.7%	-0.1%	-1.2%	4.3%
3/31/2018	3.6%	14.9%	-1.8%	1.5%	1.3%	3.0%	3.2%	6.5%	15.6%	-5.2%	4.9%	-4.3%	-19.2%
4/7/2018	0.7%	7.7%	-3.3%	-0.8%	0.1%	2.1%	2.6%	3.6%	-2.7%	-4.4%	2.8%	-17.0%	-12.6%
4/14/2018	5.8%	0.8%	10.8%	4.5%	5.6%	4.5%	4.0%	2.8%	-4.9%	4.6%	3.9%	23.8%	20.9%
4/21/2018	5.4%	3.7%	8.1%	4.3%	3.6%	3.1%	3.5%	3.5%	3.3%	-1.2%	4.8%	12.7%	11.7%
4/28/2018	2.3%	5.1%	1.6%	1.8%	1.7%	2.6%	2.7%	2.0%	5.7%	-5.8%	7.4%	2.6%	3.0%
5/5/2018	2.7%	3.8%	1.6%	2.2%	2.1%	3.1%	3.4%	3.1%	3.7%	-4.0%	0.7%	4.4%	-2.2%
5/12/2018	3.5%	4.7%	2.2%	3.5%	2.4%	3.1%	3.5%	4.5%	8.5%	-1.2%	1.4%	2.6%	1.2%
5/19/2018	3.5%	4.3%	2.8%	2.2%	2.0%	2.8%	3.1%	5.1%	6.7%	0.1%	0.3%	1.3%	1.1%
5/26/2018	2.4%	3.0%	2.7%	2.0%	1.7%	2.4%	1.5%	2.6%	3.2%	-1.6%	1.8%	3.8%	-1.6%
6/2/2018	2.1%	3.2%	1.6%	1.1%	1.0%	1.5%	2.1%	2.5%	2.2%	-3.3%	-0.9%	-0.1%	9.2%
6/9/2018	2.1%	2.3%	2.4%	2.1%	1.2%	1.6%	2.3%	3.1%	2.4%	9.8%	-0.4%	2.1%	3.0%
6/16/2018	2.0%	3.7%	2.3%	1.8%	1.1%	1.6%	2.4%	1.7%	4.5%	-2.4%	1.7%	5.7%	-0.7%
6/23/2018	2.9%	3.5%	3.4%	2.4%	1.7%	1.7%	2.2%	3.0%	9.8%	3.7%	2.3%	6.4%	4.5%
6/30/2018	3.1%	1.6%	4.5%	3.2%	2.4%	1.8%	1.4%	2.4%	8.0%	3.5%	0.9%	8.3%	3.7%
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%
1Q16	3.2%	1.9%	2.7%	3.2%	2.6%	1.7%	3.3%	3.7%	-3.1%	1.4%	11.3%	-1.9%	1.1%
2Q16	2.9%	1.5%	2.2%	2.9%	2.8%	2.7%	3.4%	3.0%	-3.1%	3.3%	9.4%	0.3%	2.1%
3Q16	3.4%	1.5%	2.5%	2.7%	2.4%	3.1%	3.6%	4.4%	-2.7%	2.3%	7.5%	1.9%	3.5%
4Q16	2.6%	2.1%	1.4%	2.2%	2.0%	2.2%	3.2%	3.8%	-1.2%	1.3%	5.8%	3.9%	4.1%
1Q17	2.5%	2.3%	2.4%	1.3%	1.6%	1.8%	2.4%	3.5%	-2.2%	0.0%	-0.2%	1.7%	13.6%
2Q17	2.2%	2.2%	1.2%	1.7%	1.5%	2.1%	2.3%	3.5%	-1.5%	4.1%	2.8%	1.5%	2.0%
3Q17	1.4%	1.4%	0.2%	0.8%	1.2%	1.9%	2.4%	2.2%	-2.0%	0.8%	1.8%	-2.4%	0.0%
4Q17	2.4%	2.2%	1.9%	1.8%	1.8%	2.5%	3.4%	2.1%	-0.2%	0.8%	4.6%	-2.0%	2.4%
1Q18	2.5%	4.5%	1.0%	1.7%	2.0%	3.0%	4.0%	3.1%	3.5%	-1.0%	4.0%	1.4%	-9.4%
YoY % change in Occupancy													
	U.S.	Upper		Upper			Inde- pendent	New					DC
		Luxury	Upscale	Upscale	Midscale	Midscale		Economy	York	Boston	LA	Chicago	
3/24/2018	1.0%	0.9%	1.3%	0.9%	1.9%	1.5%	0.8%	-0.1%	0.2%	-3.3%	-7.3%	1.0%	2.4%
3/31/2018	-2.8%	1.9%	-5.0%	-4.0%	-4.9%	-3.4%	-1.3%	-0.9%	4.6%	-2.2%	1.2%	-0.6%	-8.3%
4/7/2018	-2.7%	-2.1%	-8.0%	-4.5%	-3.0%	-0.9%	-0.9%	-0.5%	-3.2%	-3.4%	-3.1%	-15.6%	-7.8%
4/14/2018	6.1%	7.3%	10.0%	7.3%	8.9%	6.7%	2.7%	2.4%	-7.0%	4.4%	-2.7%	19.0%	8.2%
4/21/2018	3.1%	8.2%	5.8%	3.5%	3.6%	2.7%	0.5%	1.6%	3.3%	0.5%	-0.5%	9.8%	7.0%
4/28/2018	-0.6%	0.0%	-1.8%	-1.6%	-0.3%	0.0%	-1.6%	-0.2%	1.5%	-4.4%	-0.8%	-0.9%	-1.1%
5/5/2018	0.5%	-0.5%	0.2%	-0.3%	0.8%	1.2%	-0.7%	1.1%	2.8%	-5.6%	-4.6%	-3.6%	0.0%
5/12/2018	0.8%	-0.3%	0.2%	0.0%	0.9%	1.4%	-0.4%	1.6%	6.8%	-4.6%	-1.0%	0.0%	-0.8%
5/19/2018	-0.5%	-1.2%	-0.6%	-1.2%	-0.5%	-0.3%	-1.4%	-0.3%	1.3%	-0.6%	-5.9%	-2.7%	-0.6%
5/26/2018	0.3%	0.3%	-0.9%	-0.4%	0.5%	1.0%	0.3%	0.6%	-2.2%	-3.1%	-3.3%	1.5%	-0.2%
6/2/2018	0.1%	0.8%	1.4%	-0.1%	0.1%	0.4%	-1.3%	0.1%	0.0%	-0.3%	-5.7%	1.7%	4.1%
6/9/2018	-0.2%	0.0%	-0.6%	-0.5%	-0.4%	0.3%	-0.9%	0.1%	-1.4%	1.4%	-1.8%	-2.9%	1.7%
6/16/2018	-0.3%	-1.0%	-0.7%	-0.6%	-0.1%	0.1%	-0.8%	-0.1%	0.5%	-5.4%	-0.2%	-0.8%	-0.5%
6/23/2018	0.1%	1.6%	0.3%	0.1%	0.0%	-0.1%	-0.6%	-0.2%	1.6%	1.6%	0.1%	0.1%	2.6%
6/30/2018	2.1%	3.2%	2.4%	2.5%	2.1%	2.6%	1.0%	1.6%	1.6%	-0.4%	1.3%	3.6%	1.2%
1Q15	3.1%	0.5%	1.3%	1.7%	3.6%	3.9%	3.5%	4.0%	-0.2%	6.1%	1.1%	4.0%	4.6%
2Q15	1.6%	0.6%	0.5%	0.6%	1.7%	2.2%	1.3%	2.3%	-0.3%	0.3%	0.3%	1.7%	3.5%
3Q15	1.4%	0.6%	0.4%	0.5%	1.3%	1.8%	1.0%	2.1%	0.2%	-0.3%	1.3%	-0.1%	0.4%
4Q15	1.2%	0.4%	0.8%	0.2%	1.3%	0.6%	0.2%	2.1%	0.3%	1.4%	2.0%	-0.9%	1.1%
1Q16	-0.5%	-0.3%	-0.8%	-0.9%	-0.6%	-1.7%	-1.5%	0.3%	2.0%	-4.3%	4.7%	-3.0%	2.0%
2Q16	0.6%	-0.7%	0.7%	0.2%	0.4%	0.5%	-0.4%	1.2%	-1.4%	-1.7%	1.5%	-1.4%	1.3%
3Q16	0.0%	0.0%	-0.1%	-0.6%	-0.6%	-0.6%	-0.6%	0.7%	0.3%	-2.8%	1.7%	-0.7%	1.9%
4Q16	0.6%	-0.2%	-0.8%	-1.0%	0.2%	1.7%	1.2%	1.2%	2.2%	-2.8%	1.0%	-0.5%	3.7%
1Q17	0.9%	-0.2%	0.6%	-0.3%	0.7%	1.6%	0.2%	1.6%	1.0%	-1.1%	-2.4%	-0.2%	2.2%
2Q17	0.5%	0.1%	-0.6%	-1.1%	-0.3%	0.4%	1.4%	1.6%	1.7%	0.3%	0.8%	-0.7%	-1.2%
3Q17	0.5%	-0.9%	-0.9%	-0.1%	0.6%	1.6%	0.5%	0.9%	1.1%	-1.0%	-2.9%	-2.7%	-0.5%
4Q17	1.8%	2.2%	1.3%	2.0%	2.1%	1.2%	0.3%	2.0%	1.0%	2.8%	-0.3%	-0.5%	-0.2%
1Q18	0.9%	2.1%	0.0%	0.5%	1.1%	0.9%	1.3%	0.7%	3.5%	3.7%	-1.3%	4.4%	-1.8%

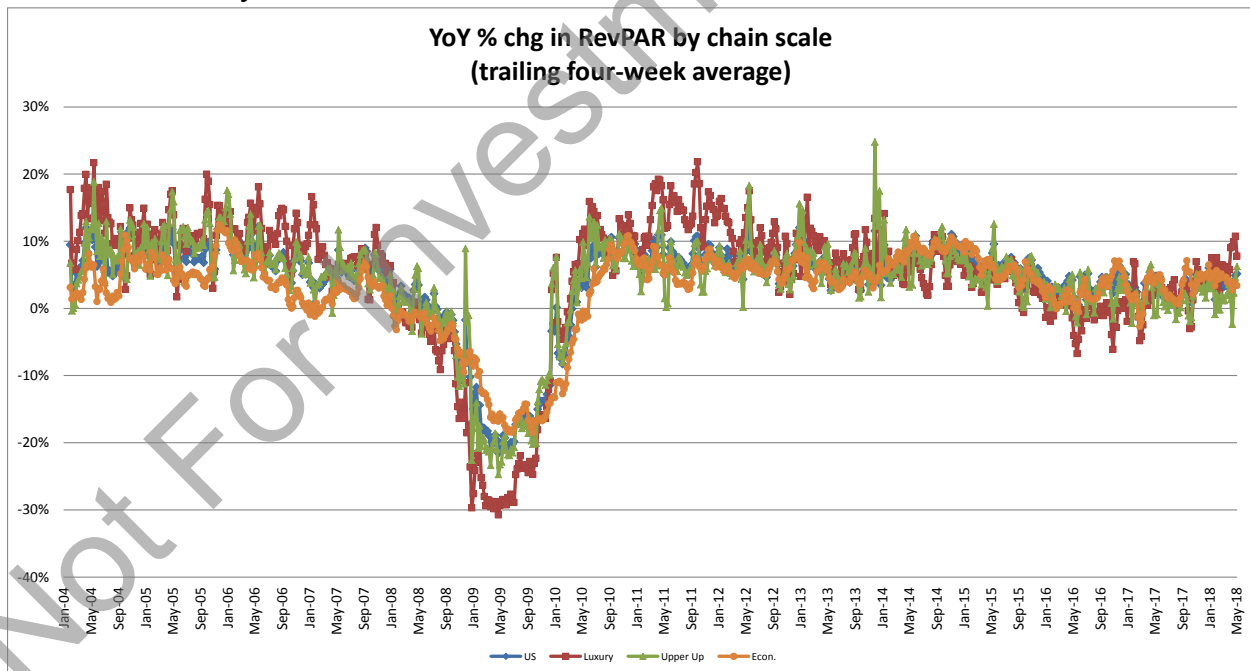
Source: STR data, STRH research

RevPAR Component Trends



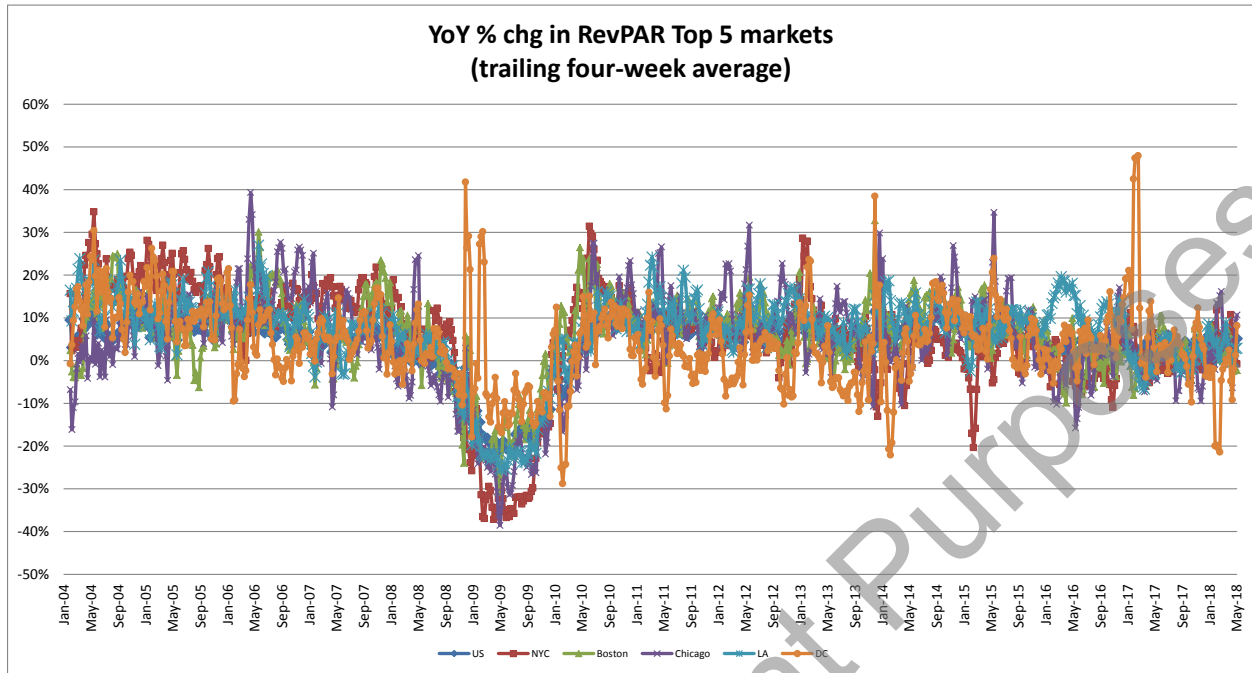
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

Price Target/Risks Summary

Lodging	TKR	Price 7/3/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$32.39	Hold	\$27	-17%	\$192	12.0X	Upside risk: improvement in NY and Chicago markets Downside risk: softening of RevPAR trends in Boston or SF. Slowdown in real estate lending.
Choice Hotels	CHH	\$75.20	Hold	\$85	13%	\$359	15.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$12.33	Hold	\$11	-11%	\$267	11.5X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy.
Host Hotels & Resorts	HST	\$21.02	Hold	\$21	0%	\$1,557	12.5X	Upside risk: the company increases dividends by more than expected; NYC outperforms or is sold down at attractive multiples. Downside risk: Group underperforms. NYC hotels underperform and asset sales do not happen.
Hyatt Hotels	H	\$77.95	Hold	\$86	10%	\$802	14.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$25.07	Buy	\$24	-4%	\$184	9.2X	Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$34.43	Buy	\$50	45%	\$470	12.0X	Downside risk: Disruption in a major market (HGV more concentrated than peers), issues with Japanese customer (HGV more exposed than peers), difficulty sourcing additional fee-for-service inventory deals
Hilton	HLT	\$79.45	Buy	\$95	20%	\$2,279	15.8X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
ILG	ILG	\$33.91	Buy	\$34	0%	\$436	11.1X	Downside risk: membership base erosion as churn outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$34.64	Hold	\$32	-8%	\$320	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$124.52	Hold	\$135	8%	\$3,762	15.8X	Upside Risk: Significant U.S macroeconomic improvement results in large recovery in transient corporate demand (and consequential >400 bps RevPAR improvement). Owned assets sell for premium prices relative to MAR expectations. Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$117.25	Buy	\$143	22%	\$372	11.2X	Upside risk: continued share repurchases, continued strong execution and M&A drive continued outperformance. Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$31.01	Buy	\$32	3%	\$753	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
RLJ Lodging Trust	RLJ	\$22.35	Hold	\$21	-6%	\$550	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion. Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$83.72	Hold	\$70	-16%	\$440	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$16.65	Hold	\$15	-10%	\$333	12.0X	Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions. Downside risk: Weaker than expected demand trends following capital investment projects.
Wyndham Destinations	WYND	\$43.84	Buy	\$69	57%	\$1,006	9.8X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	\$57.55	Buy	\$71	23%	\$632	14.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2019 EBITDA								

Source: FactSet, STRH research

H: Valuation and Risks

Our price target of \$86 for H is derived by applying a 14.1x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2019 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2019 EBITDA multiple of 13.0x and a franchise/management fee EBITDA multiple of 15.0x.

Upside risk: transient and group trends outperform expectations.

Downside risk: ongoing misexecution and volatility.

HLT: Valuation and Risks

We apply a blended multiple of 15.8x (10.5x for Owned/leased and 16.0x for Managed/franchised) to our 2019 adjusted EBITDA estimate to derive a 12-month price target of \$95. This multiple is towards the higher end of the historical range of 10x-16x.

Risks include:

Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be cancelled, which would diminish system growth for the firm and disappoint investors.

MAR: Valuation and Risks

Our price target of \$135 for MAR is derived by applying a 15.8x target EV/EBITDA multiple (a blended average of the industry average multiples for each business segment) to our estimate for 2019 EBITDA.

Upside Risk: Significant U.S macroeconomic improvement results in large recovery in transient corporate demand (and consequential >400 bps RevPAR improvement). Owned assets sell for premium prices relative to MAR expectations.

Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.

NCLH: Valuation and Risks

Our price target of \$69 is derived by applying a 13.5x P/E multiple, below our target multiple for peers, to our 2019 EPS estimate.

Risks to our rating and price target: The largest company-specific risk to our rating and price target, in our view, is incident risk. Because Norwegian generates much of its earnings from one brand, an adverse event with a ship (like the Costa Concordia or Carnival Triumph) would likely have a widespread negative impact across much of the entire fleet.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$25.07, Buy, C. Patrick Scholes)

Choice Hotels International, Inc. (CHH, \$75.20, Hold, C. Patrick Scholes)

Chesapeake Lodging Trust (CHSP, \$32.39, Hold, C. Patrick Scholes)

DiamondRock Hospitality Company (DRH, \$12.33, Hold, C. Patrick Scholes)

Hyatt Hotels Corporation (H, \$77.95, Hold, C. Patrick Scholes)

Hilton Grand Vacations Inc. (HGV, \$34.43, Buy, C. Patrick Scholes)

Hilton Worldwide Holdings Inc. (HLT, \$79.45, Buy, C. Patrick Scholes)

Host Hotels & Resorts, Inc. (HST, \$21.02, Hold, C. Patrick Scholes)

ILG, Inc. (ILG, \$33.91, Buy, C. Patrick Scholes)

LaSalle Hotel Properties (LHO, \$34.64, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$124.52, Hold, C. Patrick Scholes)
Norwegian Cruise Line Holdings Ltd. (NCLH, \$46.65, Buy, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$31.01, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$83.72, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$22.35, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$16.65, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$117.25, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$57.55, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$43.84, Buy, C. Patrick Scholes)

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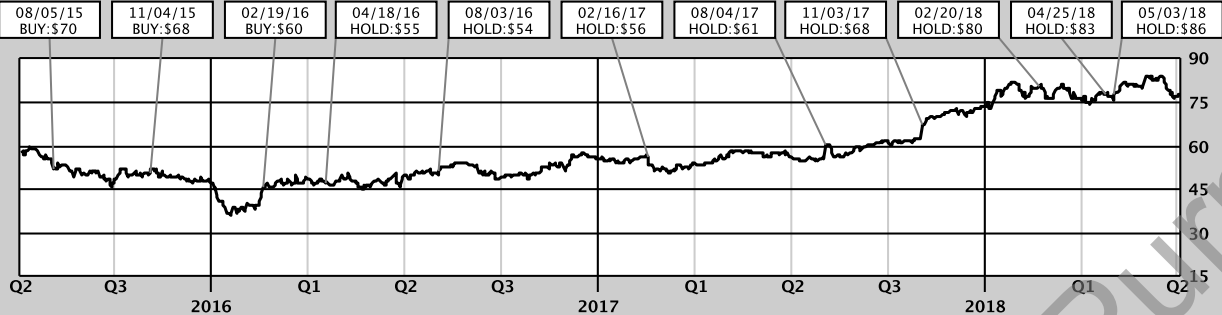
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Rating and Price Target History for: Hyatt Hotels Corporation (H-US) as of 07-04-2018

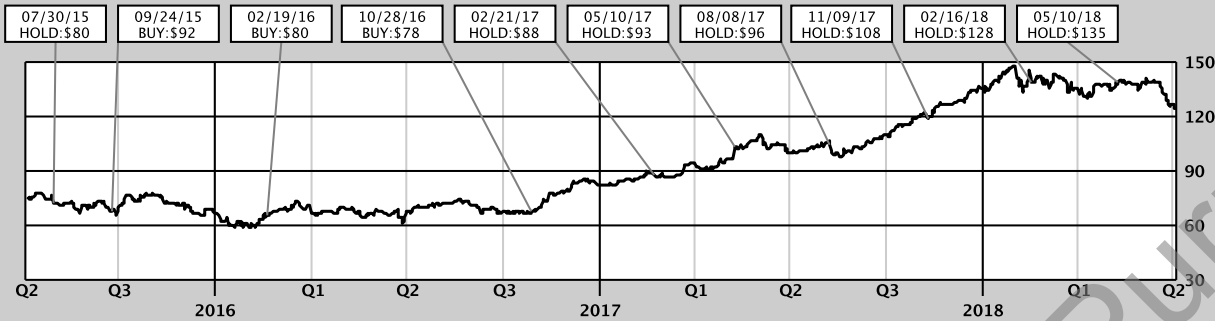


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Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 07-04-2018



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Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 07-04-2018


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Rating and Price Target History for: Norwegian Cruise Line Holdings Ltd. (NCLH-US) as of 07-04-2018


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S = Sell

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T = Transfer Coverage

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3 designations based on total returns* within a 12-month period**

· Buy – total return $\geq$ 15% (10% for low-Beta securities)***

- Reduce – total return $\leq$ negative 10% (5% for low Beta securities)
- Neutral – total return is within the bounds above
- NR – NOT RATED, STRH does not provide equity research coverage
- CS – Coverage Suspended

*Total return (price appreciation + dividends); **Price targets are within a 12-month period, unless otherwise noted; ***Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average

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