



Lodging — U.S. RevPAR +3.7% Y/Y Last Week; significant Harvey + Irma impact

Hurricanes a big benefit to limited-service hotels; wide volatility in markets

What's Incremental To Our View

Overall U.S. RevPAR was +3.7% y/y for the week ending 09/09/17, per STR, down from the prior week's result of +4.3%. (2-year stacked RevPAR was +4.2% vs. +8.6% in the prior week.) Midscale (+9.5%) was the strongest chain scale; Independent hotels (+1.2%) underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-5.4% vs. -2.3% prior week) was softer than Transient (+1.1% vs. +4.8% prior week). The headline RevPAR was impacted by Hurricane Harvey (+105.9% for Houston and -17.3% for New Orleans) and Hurricane Irma (negative impact to coastal Florida and up for Atlanta and Orlando).

As discussed last week: it is important to note that large and damaging weather events such as Harvey and Irma have historically been net positives for hotel demand, especially for limited service and extended stay hotels (see Choice (CHH, \$61.71, Hold) post-Katrina in 2005). However, while RevPAR growth rates will likely go up for companies such as CHH and Wyndham (WYN, \$100.84, Buy) in 2017, we caution investors to remember this is one-time and not sustainable demand and will likely mean 2018 RevPAR growth rates will be challenged by the tough y/y comp (See CHH in 2006).

Takeaways from the latest weekly results:

- **While Labor Day itself was a clean holiday comp, there was significant market-by-market impact from both Hurricanes Harvey and Irma.** Headline results for the industry and chain scales were noisy last week and will likely remain noisy for at least two more weeks due to Hurricanes Harvey and Irma. **We provide historical and expected future impact from both storms below:**
- **Harvey impact:** Houston RevPAR was +105.9% for the week (+203% on Monday night, up triple digits for most nights of the week), compared with +29.8% last week. Concurrently, New Orleans was -17.3% for the week, compared with -22.5% in the previous week (the city was impacted by Harvey a few days after Houston). Historically weather events such as these have been a net benefit to hotel demand (outside of the most impacted areas). This increased demand comes from extended relocations in hotels and increased government spending to repair the damage in the areas hit. **We expect high occupancy in Houston and Texas in general for the next several months due to Harvey.**

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What's Inside

Weekly STR results and analysis

- We continue to track the operating status of hotels within our REIT coverage as well as a sample of other hotels in the Houston market. As of Tuesday 9/12, the majority of hotels were open although some remain fully booked. Please see pg. 6 for the full hotel list.

Irma impact - Results varied widely across markets:

Atlanta +39.4% (Improved as week progressed, +79.9% on Friday night) Orlando, +21.8% (Improved as week progressed, +50.3% on Saturday night) Tampa -3% (Weaker as the week progressed) Miami -25.5% (Weaker as the week progressed, -50.5% on Friday night). **Please see the back pages of this note for additional color on the Hurricane impact.**

Color on last week's RevPAR results:

- **Midscale was the strongest chain scale:** Luxury RevPAR (+2.3%), Upper Upscale (+1.4%), Upscale (+3.4%), Upper Midscale (+5.7%), Midscale (+9.5%), and Economy (+8.1%). Independent hotels (+1.2%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient (due in part to the hurricane impact):** Transient segment (individual business and leisure travelers) RevPAR was +1.1% (vs. +4.8% last week) and Group segment RevPAR was --5.4% (vs. -2.3% last week).
- **Boston (+6.8%) led the top 5 markets:** Chicago (+4.6%); LA (+2.2%); NYC (-0.3%); Washington, D.C. (+2.8%).
- **Other relevant markets:**
 - **San Francisco was negative:** RevPAR was -3.9% vs. +16.8% last week. We anticipate weak y/y results in San Francisco for 3Q due to the renovations at the Moscone Center.
 - **Miami (FX, Zika, new supply) was very negative (due to Hurricane Irma):** RevPAR was -25.5% vs. +13.1% last week.
 - **Texas results were up due to Hurricane Harvey:** Dallas RevPAR was +6.2% (vs. 5.4% last week). Houston RevPAR was +105.9% (vs. +29.8% last week).

The lodging and leisure stocks: As we have written in our last several reports, while the RevPAR trends are uninspiring, the good news is we believe companies are likely not going to miss their (uninspiring and intentionally conservative per some company conference calls) guided ranges. If nothing else, that has at least prevented the stocks from giving back most of their November and December gains, along with the continued hope (but fading by the day) that President Trump will eventually Make RevPAR Great Again, in our view. **There are several relative bright spots that we believe will continue to prevent hotel stock prices from significantly contracting:**

1. **Other sectors considered "uninvestable" by investors.** Investors tell us other sectors which historically were in their investment universe have become "uninvestable" due to threats from Amazon (AMZN, \$982.58, Buy, Squali) and the like. While we see Airbnb (private) as a threat to the hotel industry, we think the threat is nowhere near the magnitude of say Uber (private) vs. yellow cabs. A frequent comment we hear from investors when we discuss lackluster hotel fundamentals and expensive lodging stocks, most notably MAR vs. peers, is "Our other investment choices look far less attractive so we're sticking with our investments in lodging for now."
2. **Hotel REIT dividends are attractive and should be sustainable over the next year.** We believe unwillingness to have to go against a 6%+ dividend yield has kept investors from being overly negative (potentially shorting) the hotel REITS.

Lodging – Examining potential Irma RevPAR impact

Impact should be a net positive to demand over the next year

Investors have asked us how Hurricane Irma will impact the Florida lodging markets. While long-term impact will likely be positive for many reasons (low season, easy Zika y/y comp in Miami, few hotels appear to have significant damage, etc.), we note that each market will be impacted differently. We provide a market-by-market deep dive in this note. In order to assuage potentially displaced group and leisure demand, we expect hotels/CVBs will be marketing that Florida is "Open For Visitors" as soon as possible.

We have received many investor questions on the RevPAR impact from Hurricane Irma. While we are still awaiting news on the physical condition of some REIT-owned hotels, at a high level, the impact from the hurricane will likely be a long-term net positive to most of the Florida hotel markets. Similar to Hurricane Harvey and past storms, we expect the lower-tier hotels to be the greatest beneficiaries (from displaced residents, relief workers, and construction personnel.) However, we caution investors that each hurricane's impact to hotel demand is unique. Irma had a much larger geographic reach than most hurricanes (one should not compare Hurricane Irma to Hurricane Sandy). Further, as much of the state is currently in low/shoulder season for lodging demand, there may be outsized y/y RevPAR gains. (These gains will reverse again next year to become a very hard comp.)

The relevancy of the Florida market to the lodging stocks cannot be overstated. Florida represents approximately 8.5% of the total US hotel market (by room count) and is well represented by all the C-corps and Lodging REITS (exposures range from 7% to 16% for our covered REITS, see below for detail). As [tourism is the largest industry in Florida \(an estimated \\$67B impact\)](#), we expect hotels and convention and visitors bureaus (CVBs) to market that Florida is "Open For Visitors" as soon as possible. This is not just relevant for tomorrow's guest but also a potential guest in 2018. Media attention from Irma has been significant; we expect hotels to sell the message of the "back to normal" as many leisure travelers start to make reservations for winter travel this time of year. Along those lines, some group demand may consider relocating depending on the condition of their hotel and surrounding area. We believe transient corporate demand will be least impacted of the three major customer segments, although this is not a significant source of demand for most Florida hotels in our REIT coverage (most are group and leisure-focused).

Short-term storm impact: negative for coastal markets, positive for Orlando (and Atlanta). There are a few considerations to note. First, [much of the state remains without power](#) (this includes some hotels). Some cities remain inaccessible (access to Miami Beach and the [Upper Florida Keys started on Tuesday](#), Key West remains closed); there are still flooding issues in some parts of the State. [Airlift remains limited](#) in many locations. We expect airlift and road conditions to significantly improve this week.

- As aforementioned, inland markets received coastal evacuees pre-storm. This included two major Southeast markets -- Orlando and Atlanta.

Long-term considerations: As we have mentioned previously, we expect the hurricane impact to be a net positive to demand, especially for limited service and extended-stay hotels. Further, because this time of year is low season in some Florida markets (see below for detail), **RevPAR gains may be more pronounced.** While hurricane-related demand is generally rate-sensitive, we note that government demand should book at per diem rates (these rates often exceed ADRs for lower-tier hotels. The [September federal per diem rates are at least \\$100](#) for most major Florida markets.)

- **We expect full-service hotels and resorts (particularly luxury hotels) to focus on attracting traditional fall demand as quickly as possible.** These hotels are less likely to take in much hurricane-related demand long-term unless there are significant "traditional demand" deficiencies. Group-oriented hotels will focus on retaining that demand. Transient corporate demand should return to normal patterns by-and-large within the next few weeks. There are some hotel markets where there may be a more prolonged negative demand impact (Key West in particular).

Market-specific deep dive:

For coastal Florida markets, we note that the late summer/early fall is generally low/shoulder season. Hurricane-related demand will likely be very positive to occupancy (far less to ADR) and net positive to RevPAR. But each market will have its own dynamics at play. We note REIT and C-corp specific considerations below.

Top 50 market impact:

- **Orlando** (appx. 2.5% of the US hotel market): This is an interior Florida market and was used by many coastal residents for accommodations during the hurricane. We expect Orlando to have high occupancy early next week due to the storm. From a seasonality perspective, Orlando's demand tends to go down somewhat after the school year starts but picks up into the fall more quickly than the Florida coastal markets. As Orlando is a major convention market, we expect hotels will work quickly to make needed repairs so as not to displace this business.
 - REIT-specific considerations: HST, PK, RHP, and SHO have hotels in the Orlando area. Most of these hotels orient to in-house group and leisure.
 - C-corp specific considerations: As Orlando is the 2nd largest lodging market in the US (only behind Las Vegas), the C-corps are well represented in Orlando. We expect [the quick reopening of Walt Disney World and Universal Studios to be very good news](#) for the entire market (and a positive story for Florida leisure demand in general.) Much of the Orlando lodging supply is in/near the major theme park areas and the convention center.
- **Miami** (appx. 1.0%): Many of Miami's largest hotels (and highest ADR markets) are located in Brickell/Downtown (adjacent business areas that had some flooding during the hurricane and had some inaccessible roads afterwards) and Miami Beach (which was evacuated pre-storm and remained closed until Tuesday). As many Miamians remain without power and this is low season for hotels, we expect some hotels will have large RevPAR gains y/y. **We also note that Miami has a relatively easy comp due to the Zika concerns from last year. Similar to Houston, Miami has significant hotel supply growth -- we expect hurricane-related demand will be a net positive regardless.**
 - REIT-specific considerations: CHSP, HST, and PK have coverage in Miami. CHSP's hotel is in South Beach, HST's hotels are in the downtown area, and PK's hotel is near the airport. To our understanding, PK's hotel is one of the few Miami properties in REIT coverage that was not in an evacuation zone.

- **Tampa** (appx. 1.0%): Similar to Miami, many of Tampa Bay's largest hotel submarkets are at or near the water (ex.: Westshore, St. Pete Beach, Clearwater). It is too early to determine the impact to this market.
 - REIT-specific considerations: HST has two hotels in the Tampa area. The Don CeSar will reopen on Friday per its website. The Marriott Tampa Airport is on airport grounds. [The airport resumed partial operations on Tuesday](#) and was expected to resume full operations on Wednesday.
- **Ft. Lauderdale** (appx. 0.6%): Most of the largest hotels are along or near the water. We expect demand impact will be similar to Miami.
 - REIT-specific considerations: HST has one beachfront hotel, the Marriott Harbor Beach, which was closed from Irma per its website.
- **Jacksonville** (appx. 0.5%): The city received flooding from the hurricane. It is too premature to determine impact from the hurricane.
 - REIT-specific considerations: HST has a Ritz-Carlton in nearby Amelia Island. The hotel is expected to re-open on Friday "or as conditions may allow" per its website.
- **Atlanta** (appx. 2.0%): While Atlanta ended up in the path of Irma, the market also received demand from Floridians and Georgians evacuating the storm. Atlanta will likely see stronger RevPAR next week but this demand should dissipate as displaced residents return home.
 - REIT-specific considerations: DRH, HST, and PK have hotels in Atlanta.
 - C-corp specific considerations: Atlanta is the 7th largest hotel market in the U.S. and has significant coverage by the C-corps (including many select-service and limited-service hotels.)

A big unknown for many REITS is the status of Key West, a city that remains effectively shut down. DRH, LHO, PK, and SHO are represented in the market. [While insurance will compensate for property damage and business interruption](#), we note that this is a heavily tourist-dependent market and it remains unclear how bad the hurricane damage is in the Keys.

SW Florida: HST has two Ritz-Carltons in Naples, both of which remain closed per their websites.

We estimate market exposures to our covered REITS in Florida as follows:

- CHSP: 9%
- DRH: 11%
- HST: 12%
- LHO: 7%
- PK: 16%
- RHP: 16%
- SHO: 8%

Houston Hotel Status

Company	Property	8/29/2017	9/1/2017	9/6/2017	9/12/2017
Chesapeake Lodging Trust	No Geographical Exposure				
DiamondRock Hospitality Company	No Geographical Exposure				
FelCor Lodging Trust	Wyndham Houston - Medical Center	Open	Open	Open	Open
Host Hotels & Resorts, Inc.	Houston Marriott - Texas Medical Center/Museum District	Closed	Open	Open	Open, No Availability
	JW Marriott Houston	Open, No New Reservations	Open	Open, No Availability	Open, About 5 Rooms Left
	St. Regis Houston	Open, No New Reservations	Open	Open	Open, No Availability
	Houston Airport Marriott at George Bush Intercontinental	Open	Open, No New Reservations	Open, Booked Until Further Notice	Open, Booked Until Further Notice
LaSalle Hotel Properties	No Geographical Exposure				
Park Hotels & Resorts, Inc.	No Geographical Exposure				
Ryman Hospitality Properties, Inc.	No Geographical Exposure				
Sunstone Hotel Investors	Hilton Houston North	Open	Open, No New Reservations	Open, Booked Until Further Notice	Open, Booked Until Further Notice
	Houston Marriott North	Closed	Open, Booked Through Week	Open, Booked Until October	Open, Booked Until Further Notice
RLJ Lodging Trust	Hyatt House Houston - Galleria	Open	Open, Booked Through Weekend	Open	Open, No Availability
	Residence Inn Houston - Galleria	Open	Open	Open, Booked Until Further Notice	Open, 1 Room Available
	Courtyard Houston - Galleria	Closed	Open, Booked "Solid"	Open, Booked Until October	Open, Booked until Weekend
	Hampton Inn Houston - Galleria	Open	Open, 2 Rooms Open Tonight, Booked Through Weekend	Open, Booked For Next Two Weeks	Open, Booked until Weekend
	Residence Inn Houston - Sugar Land	Busy Signal	Open	Not Taking Reservations	Open, One Room Available
	Courtyard Houston - Sugar Land	Busy Signal	Open, Completely Booked	Open, Completely Booked	Open, No Availability
	Courtyard Houston - Downtown/Convention Center	Open	Open	Open, Booked Next Few Days	Open, No Availability
	Residence Inn Houston - Downtown/Convention Center	Open	Open, Booked Until Middle September	Open, Booked Through Week	Open, Booked for Next Few Days
	SpringHill Suites Houston - Downtown/Convention Center	Open	Open, Booked Through Weekend	Open, Booked Through Friday	Open, Booked for the Night
Downtown Big Box	Marriott Marquis Houston	Closed	Open	Open	Open
	Hilton Americas-Houston	Open, No New Reservations	Open	Open	Open, No Availability

Source: STRH Research

Weekly RevPAR Summary

YoY % change in RevPAR												
U.S.	Upper Luxury	Upper Upscale	Upper Upscale	Upper Midscale	Upper Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
7/1/2017	6.8%	11.4%	8.0%	5.9%	5.9%	4.9%	3.4%	6.4%	6.0%	16.9%	10.3%	22.9%
7/8/2017	-2.0%	3.4%	-5.6%	-6.2%	-5.7%	-1.9%	-0.2%	2.2%	-4.4%	-7.1%	-2.8%	1.5%
7/15/2017	1.6%	1.8%	1.7%	0.5%	0.8%	1.7%	1.6%	1.6%	-1.8%	5.7%	1.8%	-7.7%
7/22/2017	0.4%	0.3%	-1.3%	-1.3%	0.0%	0.7%	0.3%	1.7%	-1.8%	2.2%	0.3%	-13.6%
7/29/2017	1.5%	0.0%	-1.5%	0.2%	1.1%	2.0%	1.6%	3.7%	1.8%	-1.9%	-4.3%	-18.0%
8/5/2017	-0.8%	-0.7%	-1.8%	-0.8%	-0.6%	0.0%	-0.5%	-1.4%	-2.3%	5.7%	-3.3%	11.1%
8/12/2017	2.2%	3.3%	2.1%	1.7%	1.3%	1.5%	1.2%	2.5%	-0.7%	-7.8%	0.8%	-7.9%
8/19/2017	3.5%	3.0%	1.7%	2.2%	3.5%	4.8%	4.1%	4.0%	2.2%	1.9%	-4.8%	2.4%
8/26/2017	6.3%	2.9%	2.7%	2.6%	7.6%	11.0%	9.3%	7.9%	-2.3%	5.9%	0.4%	-4.3%
9/2/2017	4.3%	5.8%	2.9%	3.6%	4.0%	5.3%	2.3%	4.9%	1.0%	5.0%	3.0%	-1.3%
9/9/2017	3.7%	2.3%	1.4%	3.4%	5.7%	9.5%	8.1%	1.2%	-0.3%	6.8%	2.2%	4.6%

Noisy results due to Hurricanes
Harvey and Irma

Midscale and Economy led the industry

Boston and Chicago 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%	3.0%	4.2%	3.0%	-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%

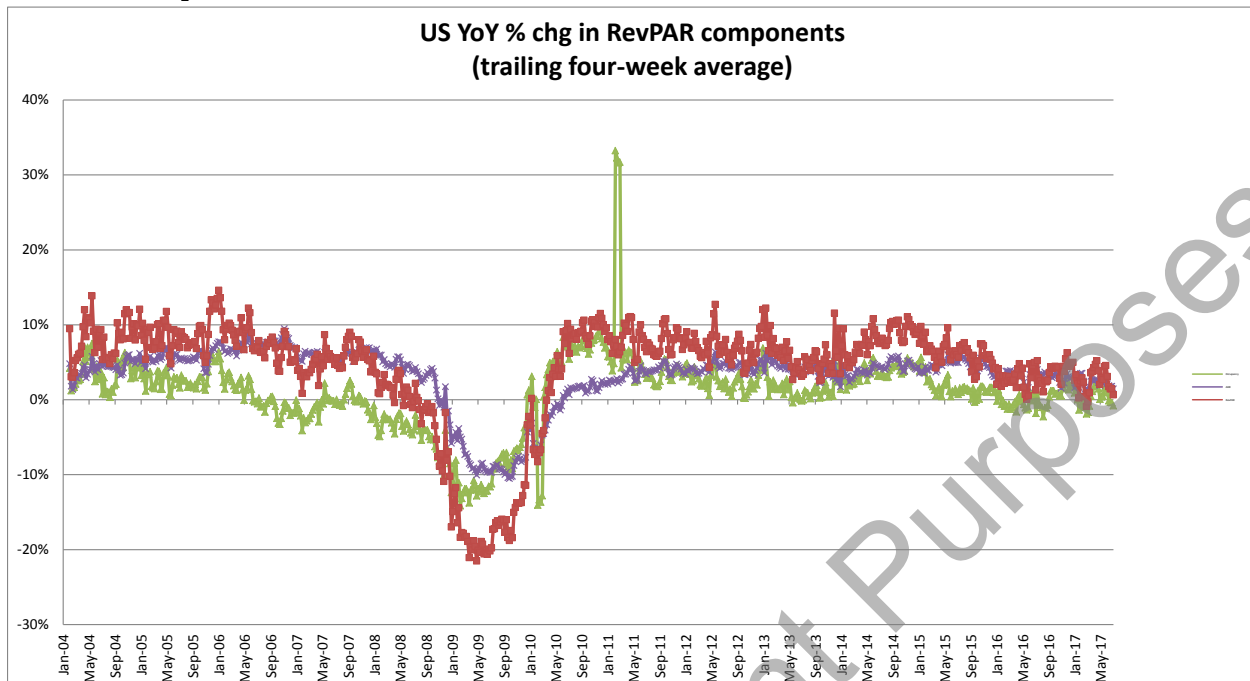
YoY % change in ADR												
U.S.	Upper Luxury	Upper Upscale	Upper Upscale	Upper Midscale	Upper Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
7/1/2017	2.8%	5.4%	2.6%	2.6%	1.9%	1.3%	1.6%	2.2%	2.5%	9.4%	7.3%	10.6%
7/8/2017	1.1%	3.1%	-1.7%	-1.4%	-0.2%	1.3%	3.0%	2.7%	-7.0%	-0.9%	1.9%	1.5%
7/15/2017	1.7%	1.7%	1.7%	1.1%	1.3%	1.5%	1.6%	1.8%	-2.6%	5.4%	4.4%	-5.5%
7/22/2017	0.5%	0.8%	-0.5%	-0.6%	0.3%	0.9%	0.6%	1.5%	-2.4%	4.0%	1.8%	-7.4%
7/29/2017	1.2%	0.1%	-1.0%	0.3%	1.2%	1.8%	1.8%	2.6%	0.2%	-0.3%	-0.3%	-11.5%
8/5/2017	0.7%	-0.4%	0.2%	0.4%	0.6%	1.1%	1.4%	0.5%	-3.3%	3.6%	-0.4%	8.4%
8/12/2017	1.5%	-0.8%	0.9%	1.0%	1.0%	1.5%	1.6%	1.6%	-1.4%	-1.5%	1.6%	-3.2%
8/19/2017	2.1%	0.7%	2.1%	1.5%	2.1%	2.7%	2.9%	2.1%	0.0%	2.5%	-1.0%	3.2%
8/26/2017	3.2%	5.1%	2.5%	1.7%	3.6%	5.0%	4.8%	4.3%	-1.8%	4.5%	2.6%	-1.6%
9/2/2017	2.1%	4.2%	1.4%	0.9%	1.1%	2.0%	2.3%	2.6%	-0.7%	2.6%	3.4%	-1.3%
9/9/2017	1.6%	3.4%	1.2%	1.9%	2.1%	3.8%	4.4%	0.6%	-1.5%	1.7%	3.6%	4.3%

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%	4.8%	-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%	3.9%	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%

YoY % change in Occupancy												
U.S.	Upper Luxury	Upper Upscale	Upper Upscale	Upper Midscale	Upper Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
7/1/2017	3.8%	5.7%	5.2%	3.3%	3.9%	3.5%	1.7%	4.1%	3.5%	6.9%	2.9%	11.1%
7/8/2017	-3.0%	0.3%	-4.0%	-4.9%	-5.5%	-3.2%	-3.2%	-0.5%	2.8%	-6.3%	-4.6%	0.0%
7/15/2017	-0.1%	0.1%	0.0%	-0.6%	-0.5%	0.2%	0.0%	-0.2%	0.7%	0.3%	-2.6%	-2.3%
7/22/2017	-0.2%	-0.5%	-0.8%	-0.6%	-0.3%	-0.2%	-0.3%	0.2%	0.7%	-1.7%	-1.5%	-6.7%
7/29/2017	0.3%	-0.1%	-0.5%	-0.2%	0.0%	0.2%	-0.3%	1.0%	1.6%	-1.7%	-4.0%	-7.4%
8/5/2017	-1.5%	-0.3%	-1.9%	-1.1%	-1.2%	-1.1%	-1.9%	-1.9%	1.1%	2.0%	-2.9%	2.5%
8/12/2017	0.7%	4.1%	1.1%	0.7%	0.3%	0.1%	-0.4%	0.9%	0.7%	-6.4%	-0.8%	-4.9%
8/19/2017	1.4%	2.3%	-0.4%	0.7%	1.4%	2.0%	1.2%	1.9%	2.2%	-0.5%	-3.9%	-0.8%
8/26/2017	3.0%	-2.0%	0.1%	0.9%	3.9%	5.8%	4.2%	3.5%	-0.5%	1.4%	-2.1%	-2.8%
9/2/2017	2.2%	1.6%	1.5%	2.7%	2.9%	3.2%	-0.1%	2.3%	1.7%	2.4%	-0.4%	0.0%
9/9/2017	2.1%	-1.0%	0.3%	1.4%	3.5%	5.5%	3.6%	0.6%	1.2%	5.0%	-1.3%	0.3%
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%
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%
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%
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%
1Q16	-0.5%	-0.3%	-0.8%	-0.9%	-0.6%	-1.7%	0.3%	0.3%	2.0%	-4.3%	4.7%	-3.0%
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%
3Q16	0.0%	0.0%	-0.1%	-0.6%	-0.6%	-0.6%	0.7%	0.3%	0.3%	-2.8%	1.7%	-0.7%
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%
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%
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%

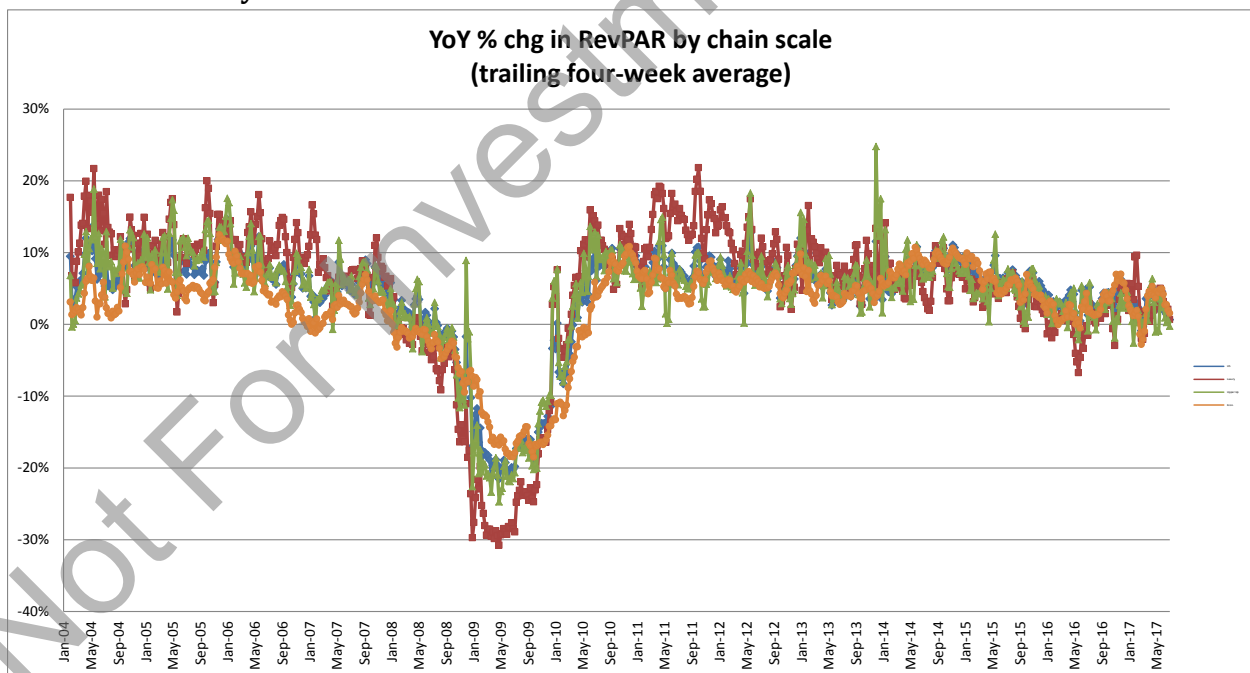
Source: STR data, STRH research

RevPAR Component Trends



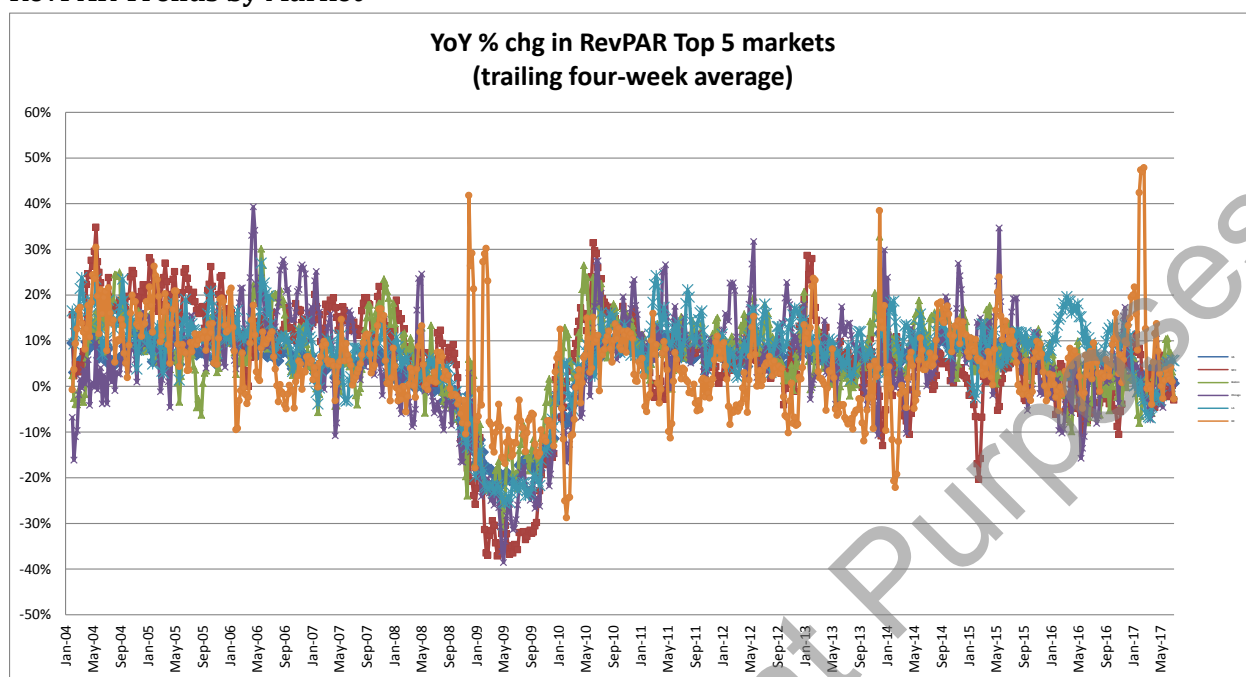
Source: STR data, STRH research

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 9/12/17	Rating	PT*	% upside down- side	2018E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$25.55	Hold	\$23	-10%	\$183	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	\$61.71	Hold	\$65	5%	\$321	13.5X	Upside risk: conservative guidance. Downside risk: big catalyst of special dividend already baked into the stock.
DiamondRock Hospitality	DRH	\$10.78	Hold	\$11	2%	\$254	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	\$18.38	Hold	\$19	3%	\$1,419	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	\$60.30	Hold	\$61	1%	\$777	12.2X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Hilton Grand Vacations	HGV	\$36.31	Buy	\$41	13%	\$408	10.9X	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	\$66.07	Buy	\$67	1%	\$1,947	14.0X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$50.45	Hold	\$51	1%	\$899	13.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$25.90	Buy	\$29	12%	\$368	10.8X	Downside risk: membership base erosion as chum outstrips new timeshare sales
Lasalle Hotel Properties	LHO	\$28.63	Hold	\$26	-9%	\$320	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$105.08	Hold	\$96	-9%	\$3,139	13.7X	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: 2017 or 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$114.20	Hold	\$120	5%	\$296	10.4X	Upside risk: Mix shift not an issue for margins, quicker execution/upsized of buyback program; Downside risk: inability to achieve development margin targets, inability to close asset sales or asset sales are done at lesser values than expected
Park Hotels & Resorts	PK	\$27.21	Hold	\$28	3%	\$741	12.0X	Upside risk: The downturn in the lodging cycle is short-lived and positive macroeconomic trends result in increasingly positive RevPAR growth and improved EBITDA. Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Ryman Hospitality Properties	RHP	\$60.08	Hold	\$59	-2%	\$385	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$15.89	Hold	\$15	-6%	\$341	12.0X	Upside risk: valuation discount to peers. Downside risk: San Diego, Boston, LA exposure. Insufficient ADR lift from Boston Park Plaza/Marriott Wailea Beach renovations.
Wyndham Worldwide Corp	WYN	\$100.84	Buy	\$112	11%	\$1,509	9.8X	Downside risk: the timeshare business is especially vulnerable to economic softness.

* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2018 EBITDA

Source: FactSet, STRH research

Companies Mentioned in This Note

Amazon.com, Inc. (AMZN, \$982.58, Buy, Youssef Squali)
Choice Hotels International, Inc. (CHH, \$61.71, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$25.55, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.78, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$60.30, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$36.31, Buy, Bradford Dalinka)
Hilton Worldwide Holdings Inc. (HLT, \$66.07, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.38, Hold, C. Patrick Scholes)
InterContinental Hotels Group, PLC (IHG, \$50.45, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$25.90, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$28.63, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$105.08, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$27.21, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$60.08, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$21.36, ,)
Sunstone Hotel Investors (SHO, \$15.89, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corp. (VAC, \$114.20, Hold, C. Patrick Scholes)
Wyndham Worldwide Corporation (WYN, \$100.84, Buy, C. Patrick Scholes)
Uber (private)
Airbnb (private)

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Buy (B) – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Hold (H) – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

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Legend for Rating and Price Target History Charts:

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H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

The prior rating system until Oct. 7, 2016:

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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