



Lodging - U.S. RevPAR +3.4%; Leisure-heavy holiday week drives decent results

Continued strong outperformance in hurricane impacted markets

What's Incremental To Our View

Overall U.S. RevPAR was +3.4% Y/Y for the week ending 11/25/17, per STR, up from the prior week's result of +2.6%. (2-year stacked RevPAR was +9.0% vs. +11.9% in the prior week.) Luxury (+4.9%) was the strongest chain scale. Within Upper Upscale & Luxury class hotels, Group (-5.0% vs. -4.1% prior week) was softer than Transient (+2.9% vs. +2.5% prior week). Tailwinds continued in most hurricane-impacted markets: Houston RevPAR was +54.1%, Miami was +19.2%, and Orlando was +18.2%.

We continue to see relative strength in leisure demand, exhibited in last week's Thanksgiving holiday travel demand. Group showed underperformance (-5.0%) but it was during a week with normally low group demand.

There continues to be massive outperformance from hurricane-impacted markets, notably in Houston (+54.1%), Miami (+19.2%), and Orlando (+18.2%).

Based on the recent trends, we reiterate our views from our most recent Lodging RevPAR Monitor where we believe 4Q could come in at the high-end or slightly above the high end of RevPAR guidances for the C-corps. While we still do not see any surge in bookings, we believe the C-corps set conservative guidances for the quarter.

RevPAR details:

- **Luxury was the strongest chain scale:** Luxury RevPAR (+4.9%), Upper Upscale (+2.1%), Upscale (+3.9%), Upper Midscale (+3.7%), Midscale (+3.8%), and Economy (+3.7%). Independent hotels (+2.5%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient (although Thanksgiving week naturally has low group business, so investors should not read too much into last week's results):** Transient segment (individual business and leisure travelers) RevPAR was +2.9% (vs. +2.5% last week) and Group segment RevPAR was -5.0% (vs. -4.1% last week).
- **Boston (+11.7%) was the strongest of the top 5 markets:** Chicago (-0.5%), LA (+0.8%), NYC (-1.8%), and D.C. (-0.5%).

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Bradford Dalinka
212-303-4190
bradford.dalinka@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

What's Inside

Weekly STR results and analysis

- **Other relevant markets:**

- **San Francisco was down:** RevPAR was -2.2% vs. +9.8% last week. We anticipate weak y/y results in San Francisco for 4Q due to the renovations at the Moscone Center (although less bad than 2Q/3Q).
- **Texas results were mixed:** Dallas RevPAR was -5.5% (vs. +2.2% last week). Houston RevPAR was +54.1% (vs. +40.9% last week).

Headline November RevPAR tracking approx. +4% (up from our prior estimate of +3-4%): Luxury and Upper Upscale (most REIT portfolios and most of MAR/HLT/H) is tracking approximately 100-200 bps below the headline. We assume clean 2% performance for the rest of the month. (Headline October came in at +4.1%.)

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 guided ranges. We believe as it relates especially to the C-corps, *"Stable" is the new "Good"*. That said, 2018 will likely still see a gradual deceleration in RevPAR growth rates from 2017's levels and this will likely be more negative for the hotel REITS as costs are rising faster than revenues. The good news for the hotel REITS is that their dividends are attractive, in our view, and should be sustainable over the next year. We believe an unwillingness to have to go against a 6%+ dividend yield has kept investors from being overly negative (potentially shorting) the hotel REITS.

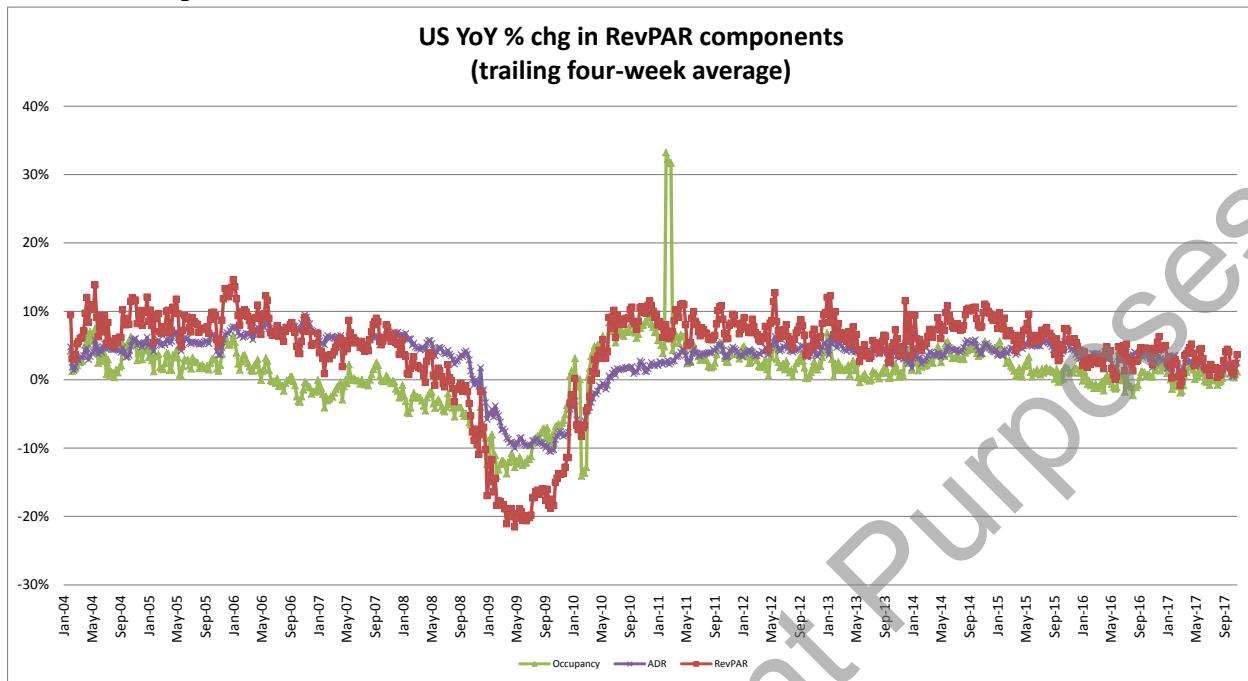
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Weekly RevPAR Summary

YoY % change in RevPAR													
U.S.	Upper Luxury		Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
10/7/2017	3.0%	3.3%	3.9%	1.7%	2.1%	1.3%	0.6%	3.4%	1.2%	5.5%	1.6%	6.4%	-15.0%
10/14/2017	7.8%	16.7%	11.0%	6.2%	4.4%	3.2%	2.9%	7.7%	11.1%	21.1%	6.4%	2.6%	36.3%
10/21/2017	2.6%	1.2%	1.2%	1.8%	3.4%	4.0%	4.0%	2.0%	-0.1%	2.5%	-1.6%	4.2%	8.4%
10/28/2017	6.7%	6.6%	4.3%	5.9%	7.7%	8.9%	6.6%	6.5%	0.7%	7.0%	7.5%	-14.3%	5.6%
11/4/2017	-0.4%	-1.4%	-3.8%	-1.4%	0.8%	2.7%	3.3%	-0.3%	-2.5%	7.2%	-4.2%	-18.5%	-1.1%
11/11/2017	10.0%	11.1%	11.4%	9.1%	9.8%	6.9%	6.2%	9.5%	0.8%	7.2%	12.0%	1.2%	18.4%
11/18/2017	2.6%	0.7%	0.1%	2.2%	3.9%	4.4%	4.3%	2.3%	-5.1%	-9.0%	-8.4%	-6.3%	-2.5%
11/25/2017	3.4%	4.9%	2.1%	3.9%	3.7%	3.8%	3.7%	2.5%	-1.8%	11.7%	0.8%	-0.5%	-0.5%
Clean complex-hurricanes, Leisure strength from holiday travel													
Luxury and Upscale led the industry													
Boston and LA 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%	6.3%	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%
YoY % change in ADR													
U.S.	Upper Luxury		Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
10/7/2017	2.0%	-1.7%	1.4%	0.9%	1.4%	1.6%	3.0%	1.9%	0.5%	3.7%	4.4%	5.5%	-10.9%
10/14/2017	5.3%	9.1%	5.8%	3.7%	2.5%	2.7%	3.8%	4.7%	5.8%	10.7%	5.6%	-1.4%	23.3%
10/21/2017	1.7%	2.0%	1.4%	1.1%	1.8%	2.7%	4.1%	1.1%	1.0%	2.4%	2.6%	2.8%	6.8%
10/28/2017	2.6%	3.9%	1.5%	2.1%	2.6%	3.9%	4.5%	2.0%	0.5%	0.9%	5.8%	-8.9%	3.8%
11/4/2017	0.4%	1.1%	-0.5%	0.2%	1.1%	2.5%	4.0%	0.0%	-2.6%	0.3%	0.5%	-8.5%	-1.0%
11/11/2017	4.8%	5.4%	5.0%	3.2%	3.5%	3.0%	4.5%	4.9%	0.7%	0.9%	7.2%	-1.7%	7.6%
11/18/2017	1.9%	0.6%	0.9%	1.4%	2.6%	3.2%	4.3%	1.6%	-2.6%	-5.8%	-2.5%	-3.8%	-0.1%
11/25/2017	2.0%	2.1%	1.7%	0.8%	1.1%	2.4%	3.7%	1.9%	-1.5%	1.0%	2.1%	-2.4%	-0.7%
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%
YoY % change in Occupancy													
U.S.	Upper Luxury		Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
10/7/2017	0.9%	5.1%	2.4%	0.8%	0.7%	-0.3%	-2.3%	1.5%	0.6%	1.8%	-2.7%	0.9%	-4.7%
10/14/2017	2.4%	6.9%	4.9%	2.4%	1.8%	0.4%	-0.9%	2.8%	5.0%	9.4%	0.8%	4.1%	10.6%
10/21/2017	0.9%	-0.8%	-0.2%	0.7%	1.6%	1.3%	-0.1%	1.0%	0.9%	0.1%	-4.2%	1.4%	1.5%
10/28/2017	4.0%	2.6%	2.8%	3.7%	5.0%	4.8%	2.0%	4.4%	0.2%	6.0%	1.6%	-5.9%	1.7%
11/4/2017	-0.9%	-2.5%	-3.4%	-1.6%	-0.3%	0.2%	-0.6%	-0.3%	0.1%	6.9%	-4.8%	-11.0%	-0.1%
11/11/2017	4.9%	5.4%	6.1%	5.7%	6.1%	3.8%	1.7%	4.3%	0.1%	6.3%	4.5%	3.0%	10.0%
11/18/2017	0.8%	0.1%	-0.8%	0.8%	1.3%	1.1%	0.0%	0.7%	-2.6%	-3.4%	-6.1%	-2.7%	-2.4%
11/25/2017	1.4%	2.7%	0.4%	3.1%	2.6%	1.4%	-0.1%	0.5%	-0.3%	10.6%	-1.2%	2.0%	0.2%
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%

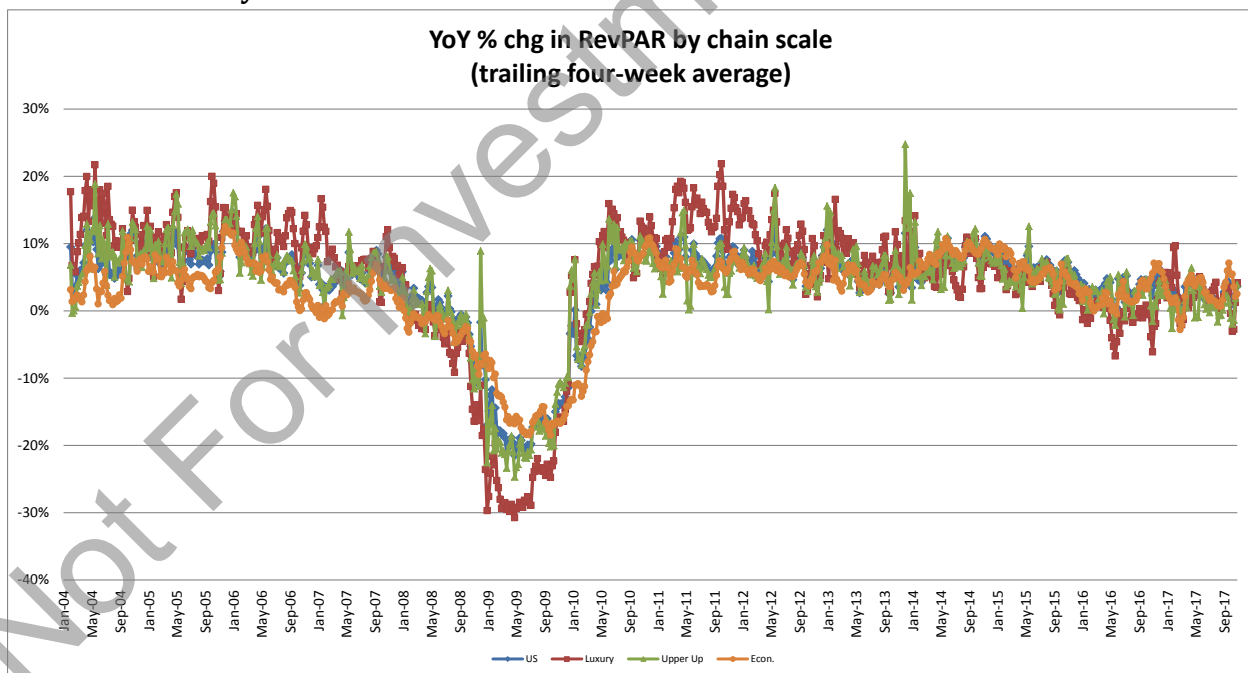
Source: STR data, STRH research

RevPAR Component Trends



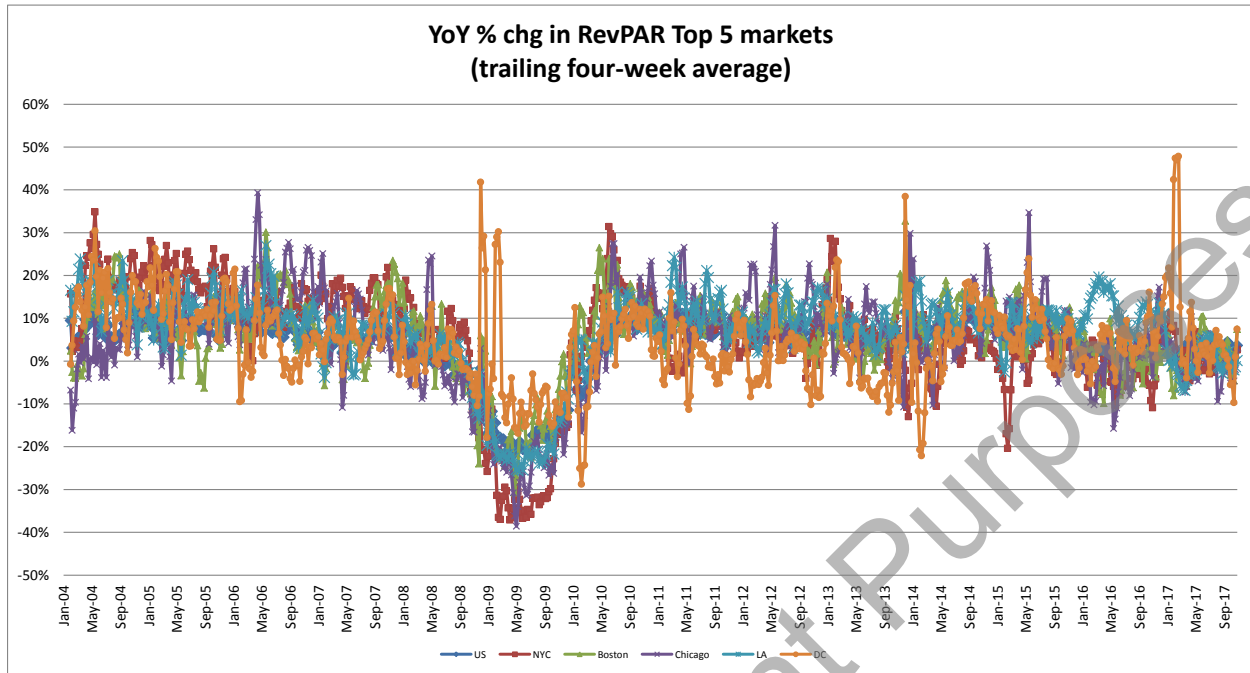
Source: STR data, STRH research

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 11/28/17	Rating	PT*	% upside down- side	2018E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$28.65	Hold	\$24	-16%	\$180	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	\$78.30	Hold	\$71	-9%	\$323	14.0X	Upside risk: conservative guidance. Downside risk: big catalyst of special dividend already baked into the stock.
DiamondRock Hospitality	DRH	\$10.94	Hold	\$11	1%	\$249	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	\$19.46	Hold	\$19	-2%	\$1,432	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	\$71.27	Hold	\$68	-5%	\$773	13.0X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Hilton Grand Vacations	HGV	\$39.21	Buy	\$45	15%	\$413	11.5X	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	\$76.13	Buy	\$77	1%	\$2,070	14.7X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$58.49	Hold	\$51	-13%	\$899	13.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$28.25	Buy	\$30	6%	\$372	11.1X	Downside risk: membership base erosion as chum outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$28.11	Hold	\$26	-8%	\$319	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$126.90	Hold	\$108	-15%	\$3,149	14.8X	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: 2017 or 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$134.18	Hold	\$128	-5%	\$305	11.1X	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	\$28.12	Hold	\$28	0%	\$760	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.
RLJ Lodging Trust	RLJ	\$21.06	Hold	\$22	4%	\$581	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	\$68.73	Hold	\$60	-13%	\$389	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$16.40	Hold	\$15	-9%	\$340	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	\$110.35	Buy	\$112	1%	\$1,485	10.0X	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

Choice Hotels International, Inc. (CHH, \$78.30, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$28.65, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.94, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$71.27, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$39.21, Buy, Bradford Dalinka)
Hilton Worldwide Holdings Inc. (HLT, \$76.13, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$19.46, Hold, C. Patrick Scholes)
InterContinental Hotels Group, PLC (IHG, \$58.49, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$28.25, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$28.11, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$126.90, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$28.12, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$68.73, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$21.06, Hold, C. Patrick Scholes)
Sunstone Hotel Investors (SHO, \$16.40, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corp. (VAC, \$134.18, Hold, C. Patrick Scholes)
Wyndham Worldwide Corporation (WYN, \$110.35, Buy, C. Patrick Scholes)

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I, Bradford Dalinka, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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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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Not Rated (NR) – STRH does not have an investment rating or opinion on the stock

Coverage Suspended (CS) – indicates that STRH's rating and/or target price have been temporarily suspended due to applicable regulations and/or STRH Management discretion. The previously published rating and target price should not be relied upon

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Legend for Rating and Price Target History Charts:

B = Buy

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 ≥ 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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Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	422	60.89%	Buy	144	34.12%
Hold/Neutral	268	38.67%	Hold/Neutral	63	23.51%
Sell/Reduce	3	0.43%	Sell/Reduce	1	33.33%

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