



Lodging - U.S. RevPAR -6.7%; Calendar shift/tough comp due to Xmas/New Year's

What helped the prior week hurt last week (Xmas to a Monday).

What's Incremental To Our View

Overall U.S. RevPAR was -6.7% Y/Y for the week ending 12/30/2017, per STR, down from the prior week's result of +7.6%. (2-year stacked RevPAR was -4.1% vs. +3.6% in the prior week.) Luxury (-1.0%) was the "strongest" chain scale. Within Upper Upscale & Luxury class hotels, Group (-18.6% vs. +31.1% prior week) was softer than Transient (-6.8% vs. +1.1% prior week). Last week was negatively impacted by the Christmas/New Year's calendar shifts. Next week will be an easier comp due to New Year's Eve. There was continued strength in hurricane-impacted markets.

Last week's results were largely impacted by the y/y calendar shifts of Christmas and New Year's Eve (this explains why the prior week's results were very positive and why next week will also have an easier comp). Thus, last week's results were as expected. In 2016, New Year's Eve fell on a Saturday night (RevPAR was +86.7% that day). In 2017, the holiday fell on a Sunday night and thus the demand benefit should be felt in next week's data set. [Our semiannual Fall Calendar Shift RevPAR Roadmap report provides additional granularity.](#)

- Christmas Day RevPAR (Monday) was -15.2% and December 26 was -10.5%.
- Group RevPAR (-18.6%) was especially weak but we note that this is a holiday week and group demand (particularly corporate) is limited.
- As noted below, hurricane-impacted markets saw continued extreme strength relative to the industry average.

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.

For the month of December, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, \$80.85, Buy], Hyatt [H, \$74.70, Hold], or Marriott [MAR, \$136.45, Hold] hotel) will finish at approx. +1-2% (our previous estimate was +2-3%). We estimate that the overall industry will finish approximately +3-4% (in line with prior estimate). Please note that reported monthly results include hotels that are not in the weekly data set.

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What's Inside

Weekly STR results and analysis

For the quarter, we estimate that full-service branded domestic hotels will finish at approx. +3-4% and the overall industry will finish approximately +4-5%.

RevPAR details:

- **Luxury was the "strongest" chain scale:** Luxury RevPAR (-1.0%), Upper Upscale (-9.0%), Upscale (-6.5%), Upper Midscale (-6.0%), Midscale (-5.9%), and Economy (-3.5%). Independent hotels (-8.6%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient (unsurprisingly, this was a holiday week):** Transient segment (individual business and leisure travelers) RevPAR was -6.8% (vs. +1.1% last week) and Group segment RevPAR was -18.6% (vs. +31.1% last week).
- **LA (-0.7%) was the "strongest" of the top 5 markets:** Boston (-8.7%), Chicago (-17.9%), NYC (-10.7%), and D.C. (-14.1%).
- **Other relevant markets:**
 - **San Francisco was down:** RevPAR was -11.5% vs. -0.3% 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 -8.9% (vs. +13.0% last week). Houston RevPAR was +27.9% (vs. +56.7% last week).
 - **Other hurricane-impacted markets continue to see strong performance:** Miami (+7.5% vs. +11.9% last week); Orlando (+9.5% vs. +13.5% 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 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.



Weekly RevPAR Summary

	YoY % change in RevPAR												
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Index-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%
12/2/2017	1.5%	-1.2%	0.2%	1.7%	4.1%	5.2%	4.5%	-1.6%	-2.5%	-0.9%	10.4%	-1.4%	-4.8%
12/9/2017	6.8%	8.2%	3.8%	5.6%	6.0%	5.8%	6.7%	8.9%	-1.2%	-0.7%	13.2%	1.2%	-6.7%
12/16/2017	8.1%	7.9%	6.7%	7.9%	7.3%	6.3%	5.8%	9.4%	6.7%	3.5%	7.5%	-2.9%	-3.1%
12/23/2017	7.6%	-1.8%	10.2%	10.7%	13.4%	9.6%	8.8%	2.8%	3.3%	12.9%	3.2%	20.0%	7.9%
12/30/2017	-6.7%	-1.0%	-9.0%	-6.5%	-6.0%	-5.9%	-3.5%	-8.6%	-10.7%	-8.7%	-0.7%	-17.9%	-14.1%

Christmas/New Year's calendar shifts

Luxury and Economy led the industry

LA and Boston 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%

	YoY % change in ADR												
	U.S.	Upper Upside		Upper Midscale	Midscale	Economy	Index 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%
12/2/2017	0.2%	-3.4%	0.1%	0.3%	1.5%	2.8%	4.1%	-1.8%	-4.0%	-0.9%	6.6%	-1.2%	-1.1%
12/9/2017	4.0%	7.2%	2.3%	2.8%	2.8%	3.4%	4.3%	5.8%	-0.8%	-0.6%	6.5%	0.4%	-1.3%
12/16/2017	3.5%	1.5%	2.7%	3.4%	2.8%	3.7%	3.8%	3.5%	5.3%	-0.5%	5.1%	-1.9%	-0.5%
12/23/2017	0.5%	-5.9%	1.0%	1.8%	2.8%	2.8%	3.6%	-1.7%	-1.5%	1.3%	4.9%	4.1%	1.1%
12/30/2017	-1.4%	1.7%	-2.6%	-2.5%	-1.1%	0.0%	0.5%	-2.2%	-10.3%	-7.2%	2.0%	-11.5%	-7.2%

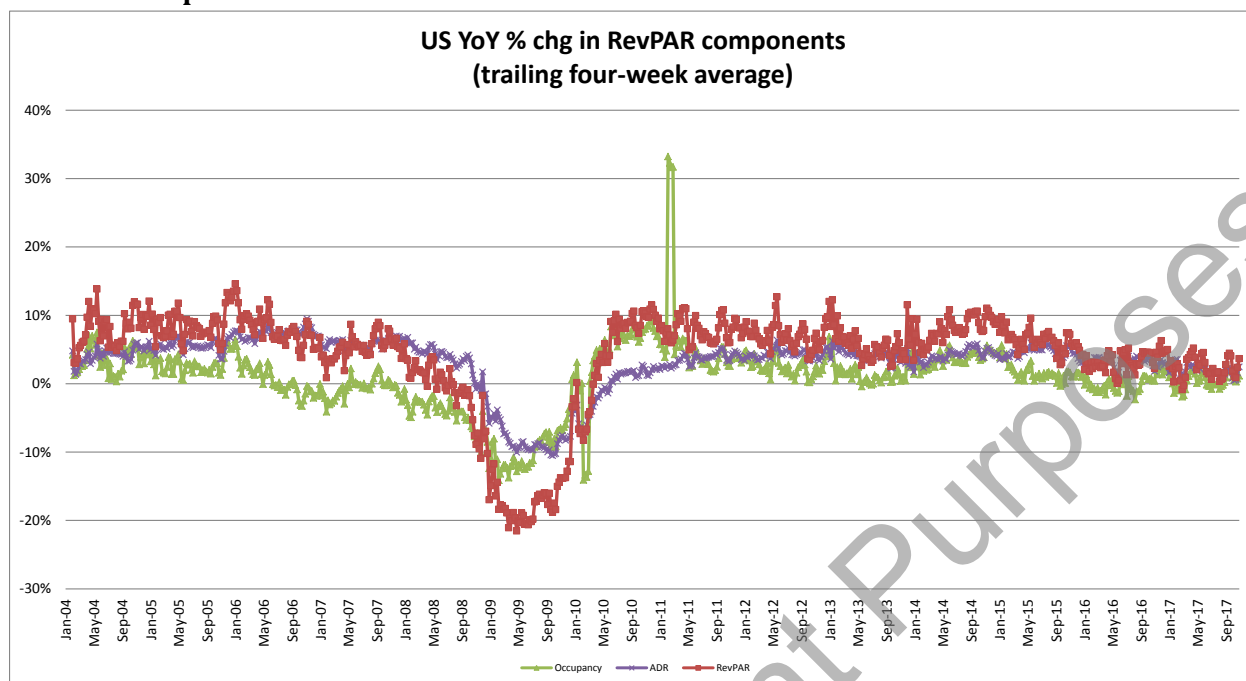
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%
1Q16	3.2%	1.9%	2.7%	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								New York	Boston	LA	Chicago	DC
	U.S.	Luxury	Upper Upscale	Upscale	Midscale	Economy	Index						
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%
12/2/2017	1.3%	2.2%	0.1%	1.4%	2.6%	2.3%	0.4%	0.2%	1.5%	0.0%	3.5%	-0.2%	-3.7%
12/9/2017	2.7%	1.0%	1.5%	2.7%	3.2%	2.3%	2.2%	3.0%	-0.5%	-0.1%	6.2%	0.8%	-5.5%
12/16/2017	4.5%	6.3%	3.9%	4.3%	4.4%	2.5%	2.0%	5.7%	1.3%	4.1%	2.3%	-1.0%	-2.7%
12/23/2017	7.1%	4.4%	9.2%	8.7%	10.3%	6.6%	5.0%	4.6%	4.8%	11.4%	-1.6%	15.3%	6.8%
12/30/2017	-5.4%	-2.7%	-6.7%	-4.1%	-5.0%	-5.9%	-4.0%	-6.6%	-0.5%	-1.6%	-2.6%	-7.3%	-7.4%

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%

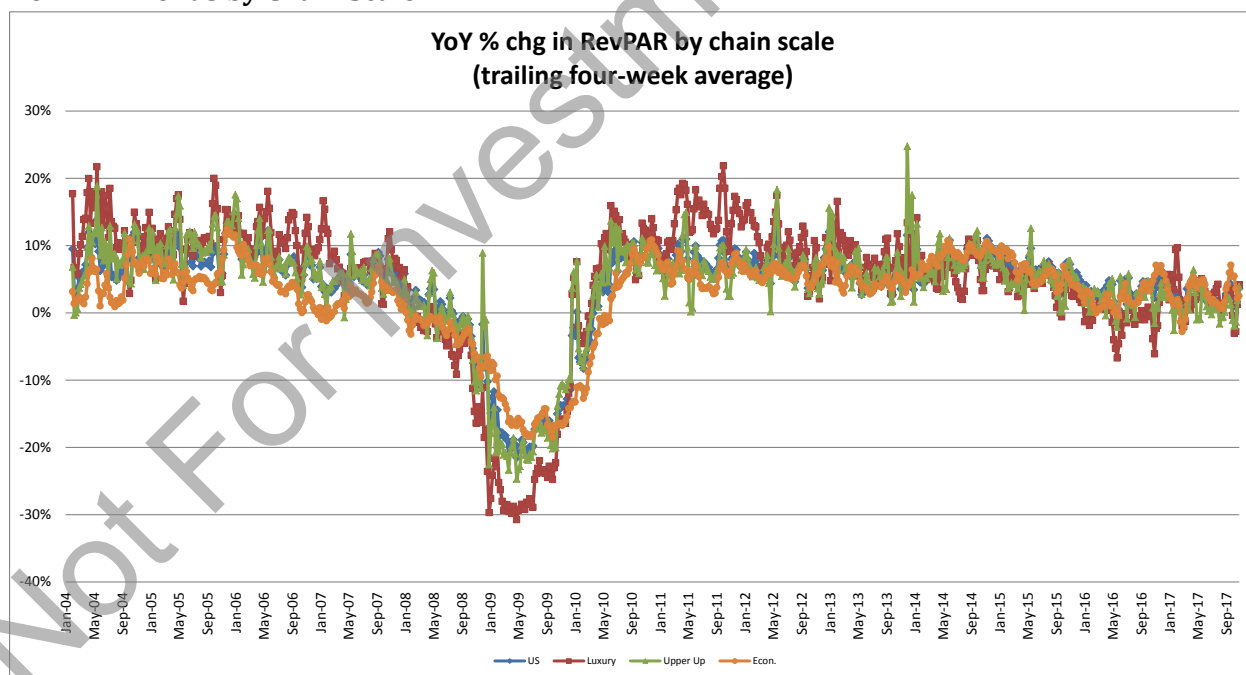
Source: STR data, STRH research

RevPAR Component Trends



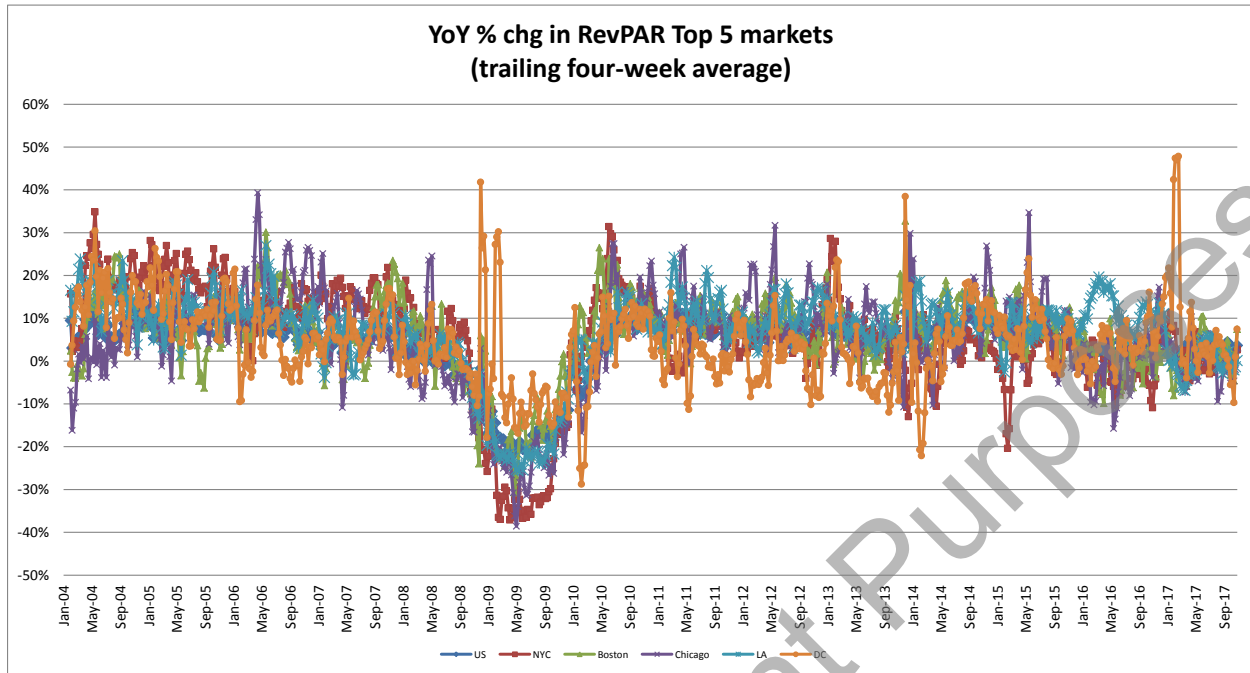
Source: STR data, STRH research

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 1/3/18	Rating	PT*	% upside down- side	2018E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$27.28	Hold	\$24	-12%	\$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	\$77.60	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	\$11.27	Hold	\$11	-2%	\$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	\$19.87	Hold	\$19	-4%	\$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	\$74.70	Hold	\$68	-9%	\$773	13.0X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$18.00	Buy	\$19	6%	\$167	7.9X	Downside risk: 3rd party induced defaults, worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$42.41	Buy	\$45	6%	\$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	\$80.85	Buy	\$77	-5%	\$2,070	14.7X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$63.55	Hold	\$51	-20%	\$899	13.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$29.29	Buy	\$30	2%	\$372	11.1X	Downside risk: membership base erosion as chum outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$28.05	Hold	\$26	-7%	\$319	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$136.45	Hold	\$108	-21%	\$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	\$137.29	Hold	\$128	-7%	\$305	11.1X	Upside risk: Mix shift not an issue for margins, quicker execution/upside 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	\$28.94	Buy	\$32	11%	\$746	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
RLJ Lodging Trust	RLJ	\$22.40	Hold	\$22	-2%	\$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	\$69.37	Hold	\$60	-14%	\$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	\$16.46	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	\$117.50	Buy	\$112	-5%	\$1,485	10.0X	Downside risk: the timeshare business is especially vulnerable to economic softness.

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

Source: FactSet, STRH research

Companies Mentioned in This Note

Bluegreen Vacations Corp. (BXG, \$18.00, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$77.60, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$27.28, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$11.27, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$74.70, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$42.41, Buy, Bradford Dalinka)
Hilton Worldwide Holdings Inc. (HLT, \$80.85, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$19.87, Hold, C. Patrick Scholes)
InterContinental Hotels Group, PLC (IHG, \$63.55, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$29.29, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$28.05, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$136.45, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$28.94, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$69.37, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$22.40, Hold, C. Patrick Scholes)
Sunstone Hotel Investors (SHO, \$16.46, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corp. (VAC, \$137.29, Hold, C. Patrick Scholes)
Wyndham Worldwide Corporation (WYN, \$117.50, Buy, C. Patrick Scholes)

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*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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