



Lodging - US RevPAR +1.7% Y/Y Last Week; Tough y/y calendar comp

Mar/Apr averaging ~+4% for full-service branded -- a decent result

What's Incremental To Our View

Overall U.S. RevPAR was +1.7% Y/Y for the week ending 4/28/2018, per STR, down from the prior week's result of +8.7%. (2-year stacked RevPAR was +10.5% vs. +9.3% in the prior week.) Independent hotels (about 1/3rd of the data set) were +1.8% y/y. Luxury (+5.2%) was the strongest chain scale for branded hotels; Upper Upscale was the weakest at -0.2%. Midscale (+2.7%) outperformed and Upper Midscale (+1.4%) underperformed the overall US hotel industry average. Within Upper Upscale & Luxury class hotels, Group (-3.6% vs. +32.9% prior week) was softer than Transient (+3.3% vs. +1.4% prior week).

Last week was a very tough comp for Upper Upscale and Group. Upper Upscale was +10.8% and Group was +23.8% in the comparable week last year. We believe the tough comp was from Easter being on the 16th last year and that business travel for the week was pushed to the week of the 23rd (the comparable week of data).

- **There was quite a bit of variation in Group performance by market and not all markets were negative** -- but some large markets such as Boston (Group RevPAR: -14.3%), Chicago (-1.6%), Orlando (-13.8%), and Philadelphia (-42.7%) hurt the aggregate.
- **There was mixed performance from hurricane-impacted markets** (see below), but we believe some of the performance was attributable to the tough calendar comp.

For the month of April, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, \$80.24, Buy], Hyatt [H, \$76.93, Hold], or Marriott [MAR, \$137.60, Hold] hotel) will finish at approximately +5.5-6.5% (unchanged). We estimate that the overall industry will finish approximately +3.5-4.5% (vs. our prior estimate of +4-5%). Please note that reported monthly results include hotels that are not in the weekly data set.

What is more critical to us is how we believe the "truer" run-rate of March and April shaped up (netting out the impact of the Easter calendar shift). We estimate that full-service branded domestic hotels will finish March and April combined at ~+4%. This is not too bad of a result, in our opinion. Some of the strength has been driven by transient leisure at the luxury tier (a trend that seems to be relatively pronounced as of late).

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What's Inside

Weekly STR results and analysis

RevPAR details:

- **Luxury was the strongest chain scale. Midscale and Upper Midscale underperformed by 250 bps and 380 bps, respectively:** Luxury RevPAR (+5.2%), Upper Upscale (-0.2%), Upscale (+0.2%), Upper Midscale (+1.4%), Midscale (+2.7%), and Economy (+1.1%). Independent hotels (+1.8%) performed in-line with headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +3.3% (vs. +1.4% last week) and Group segment RevPAR was -3.6% (vs. +32.9% last week).
- **NYC (+7.3%) was the strongest of the top five markets:** Boston (-10.0%), Chicago (+1.7%), LA (+6.6%), and D.C. (+1.8%).
- **Other relevant markets:**
 - **San Francisco was up:** RevPAR was +6.1% vs. +56.0% 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 mixed:** Dallas RevPAR was -0.4% (vs. +18.9% last week). Houston RevPAR was +8.5% (vs. +9.8% last week).
 - **Hurricane-impacted markets in FL had mixed results:** Miami (+8.2% vs. +9.9% last week), Orlando (-8.0% vs. +7.7% last week).

The lodging and leisure stocks:

As far as the stocks, based on our last several months of RevPAR data analytics observations, we are more positive on the hotel REITS than we were at the same time last year, though still not overly bullish like we are for the leisure focused sectors.

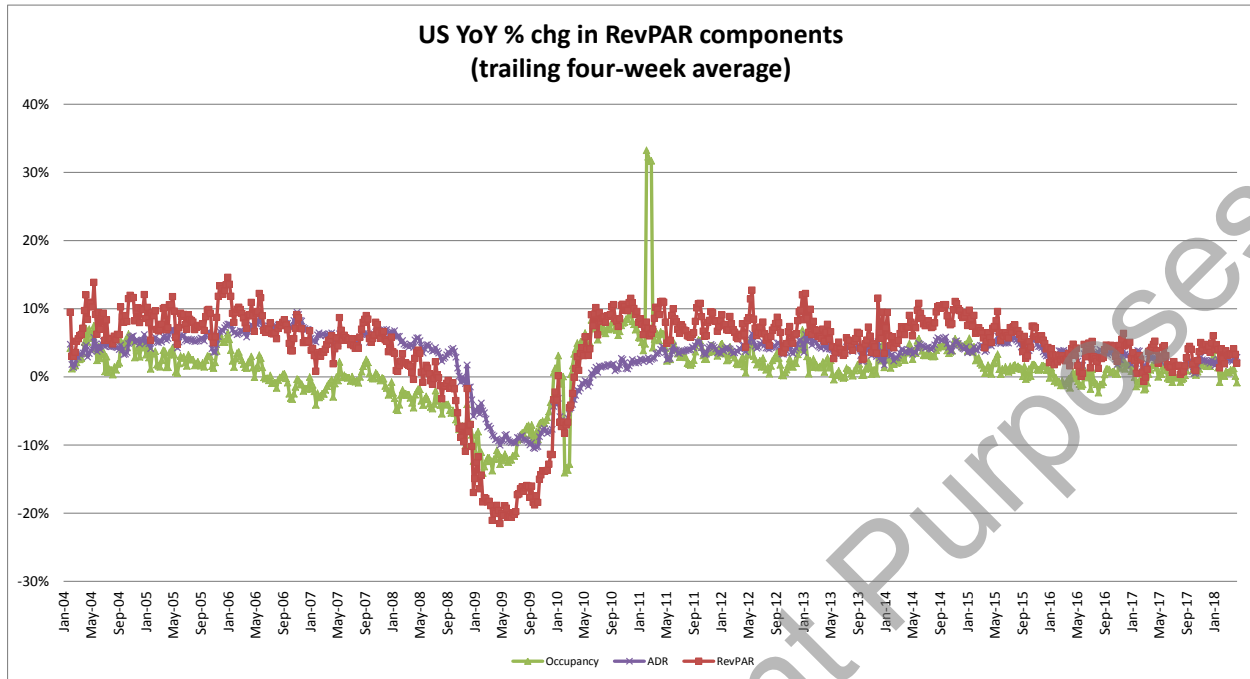
- Given recent forward-looking demand and pricing trends, we continue to have high confidence that numbers will not need to be cut in 2018 and that companies may actually have modest earnings beats and that dividends will be paid (though we're not expecting dividend raises of any size this year).
- We see the major issue/challenge for the hotel owners in 2018 as cost containment. **In an environment of property-level operating costs of 2.5%+ vs. 1-3% RevPAR growth**, this does not bode well for margin expansion for hotel owners (outside of PK [\$28.77, Buy], which has some unique self-help drivers).
- **For the C-Corps, it's all good until it isn't (and it's relatively good right now).** While most C-corps trade at expensive multiples by historical standards (not the case for the hotel REITs as the gap between hotel REITs and C-Corps is as wide as it has ever been), we note that historically asset-light C-Corp multiples can potentially get "wacky" (we note Four Seasons and Choice Hotels in the prior cycle, for example) and can stay expensive up to the point where a management team potentially delivers unexpected bad news (then look out below!). Based on our data research and industry conversations (private hotel owners), we are not anticipating such unexpected bad news (the "all good until it isn't" part) in April/May earnings releases as it relates to 1Q results and forward expectations.

Weekly RevPAR Summary

YoY % change in RevPAR													
	U.S.	Upper		Upper			Inde-	New					
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy	pendent	York	Boston	LA	Chicago	DC
3/24/2018	5.4%	8.8%	5.2%	4.1%	5.1%	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%
Tough y/y calendar comp				Luxury and Midscale led the industry					NYC 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%	6.9%	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-	New					
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy	pendent	York	Boston	LA	Chicago	DC
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%
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-	New					
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy	pendent	York	Boston	LA	Chicago	DC
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%	-4.9%	-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%
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%

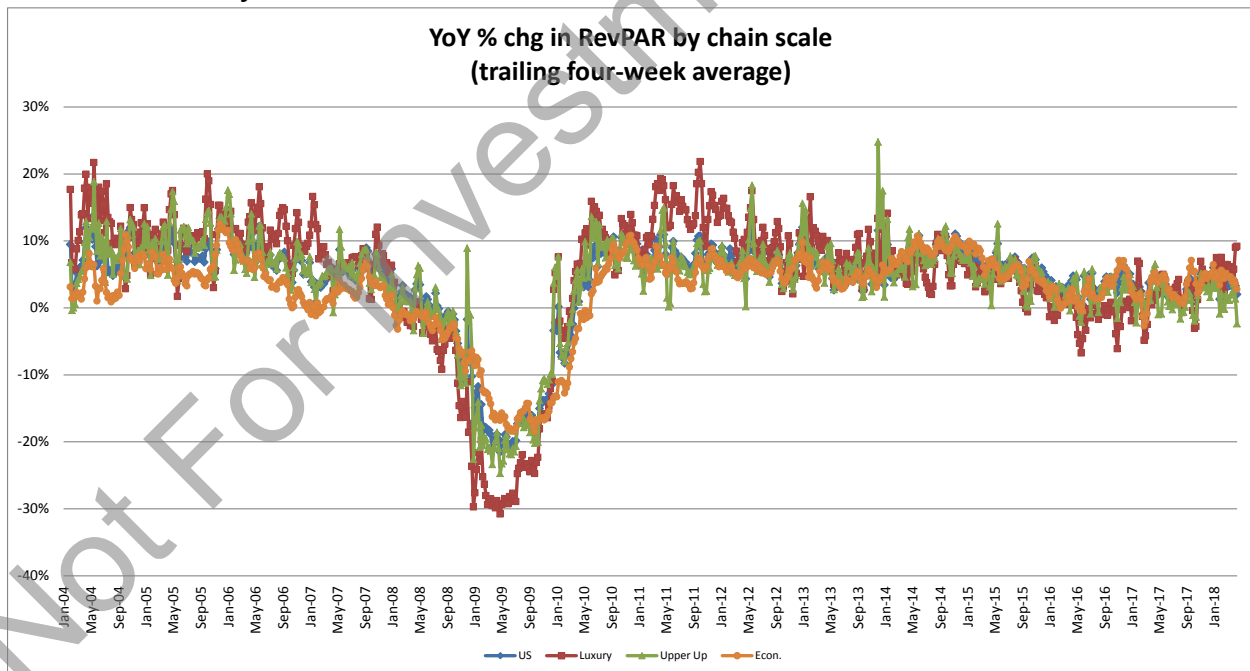
Source: STR data, STRH research

RevPAR Component Trends

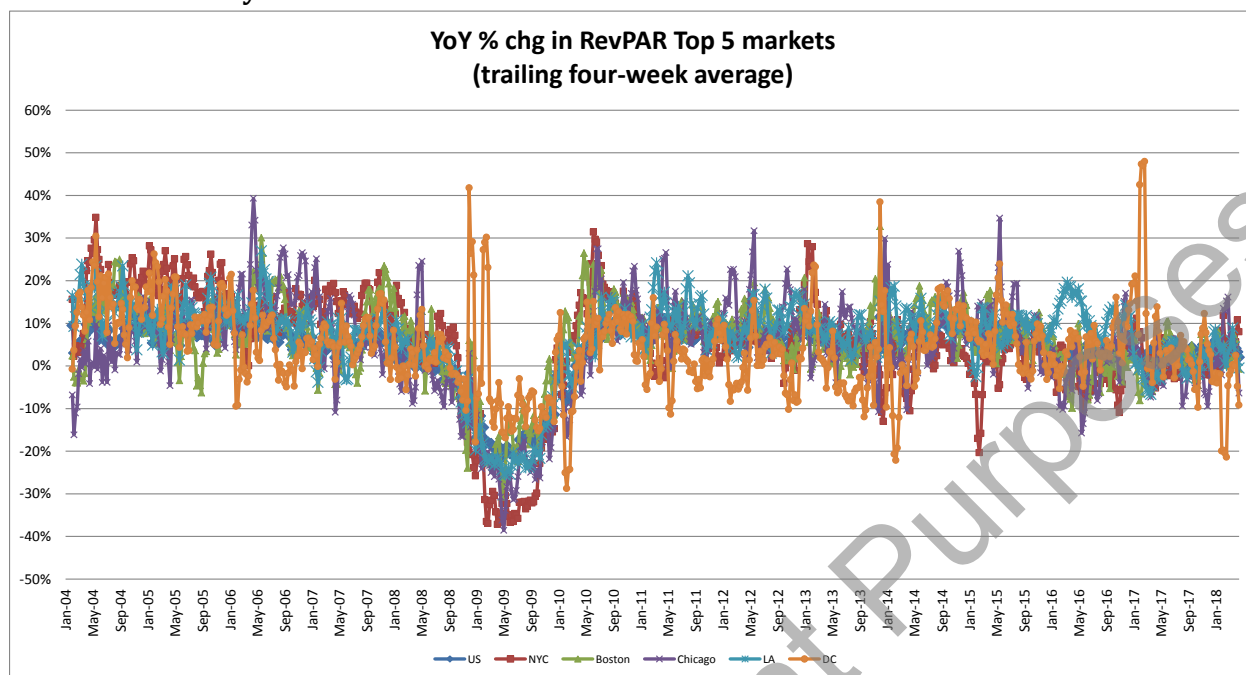


Source: STR data, STRH research

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 5/1/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$29.98	Hold	\$27	-10%	\$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	\$79.90	Hold	\$82	3%	\$333	15.0X	Upside risk: conservative guidance. Downside risk: big catalyst of special dividend already baked into the stock.
DiamondRock Hospitality	DRH	\$11.03	Hold	\$11	0%	\$265	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	\$19.53	Hold	\$20	2%	\$1,520	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	\$76.93	Hold	\$83	8%	\$784	13.9X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$22.59	Buy	\$21	-7%	\$184	7.9X	Downside risk: 3rd party induced defaults, worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$42.99	Buy	\$50	16%	\$465	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	\$80.24	Buy	\$95	18%	\$2,279	15.8X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$63.85	Hold	\$66	3%	\$991	14.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$34.62	Buy	\$34	-2%	\$436	11.1X	Downside risk: membership base erosion as chum outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$29.61	Hold	\$24	-19%	\$313	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$137.60	Hold	\$128	-7%	\$3,731	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	\$124.41	Buy	\$143	15%	\$355	11.1X	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	\$28.77	Buy	\$32	11%	\$745	12.6X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
RLJ Lodging Trust	RLJ	\$20.72	Hold	\$21	1%	\$540	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	\$78.40	Hold	\$70	-11%	\$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	\$15.65	Hold	\$15	-4%	\$331	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 Worldwide Corp	WYN	\$114.97	Buy	\$131	14%	\$1,436	10.6X	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 2019 EBITDA								

Source: FactSet, STRH research

PK: Valuation and Risks

Our \$32 price target is based on an 12.5x multiple on our 2019 EBITDA estimate. This multiple is in-line with portfolio quality.

Downside risk: Significant supply growth and macroeconomic challenges/shocks. Press reports (FT, Bloomberg, others) have indicated possible financial difficulties at HNA, a 25% holder of PK shares. If HNA should have to liquidate PK we believe this would create near-term pressure on the shares.

LHO: Valuation and Risks

Our price target of \$24 for LHO is derived by applying a 12.5X target EV/EBITDA multiple (a premium to the industry given most of the portfolio is unbranded and therefore unencumbered by franchise/management contracts) to our estimate for 2019 EBITDA.

Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$22.59, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$79.90, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$29.98, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$11.03, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$76.93, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$42.99, Buy, Bradford Dalinka)
Hilton Worldwide Holdings Inc. (HLT, \$80.24, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$19.53, Hold, C. Patrick Scholes)
InterContinental Hotels Group PLC (IHG, \$63.85, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$34.62, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$29.61, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$137.60, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$28.77, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$78.40, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$20.72, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$15.65, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$124.41, Buy, C. Patrick Scholes)
Wyndham Worldwide Corporation (WYN, \$114.97, Buy, C. Patrick Scholes)
Four Seasons (private)

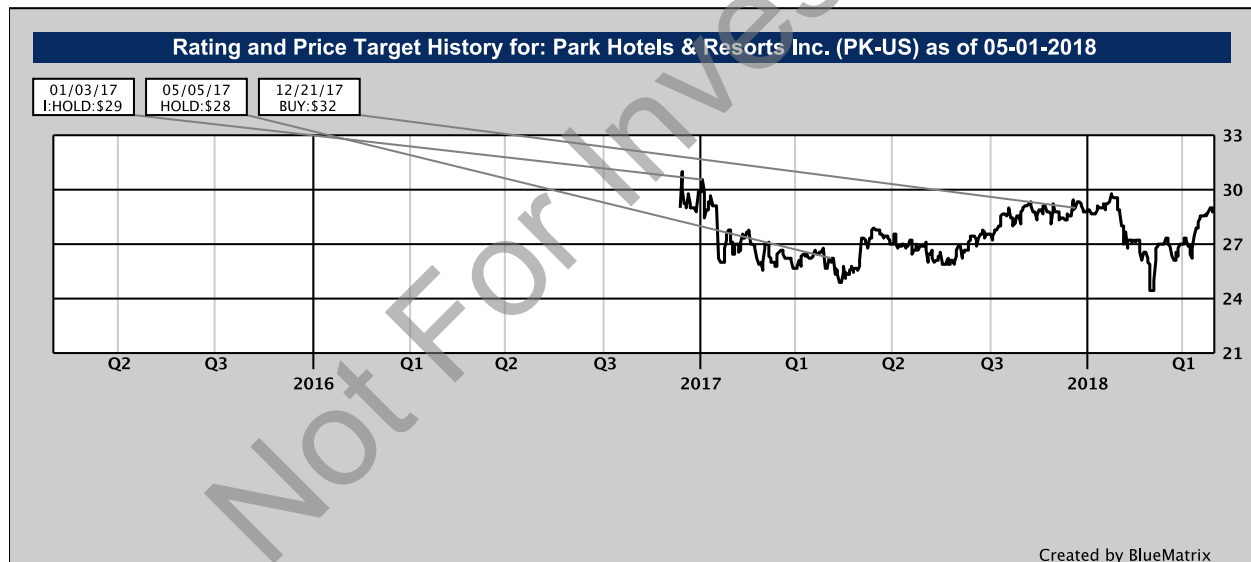
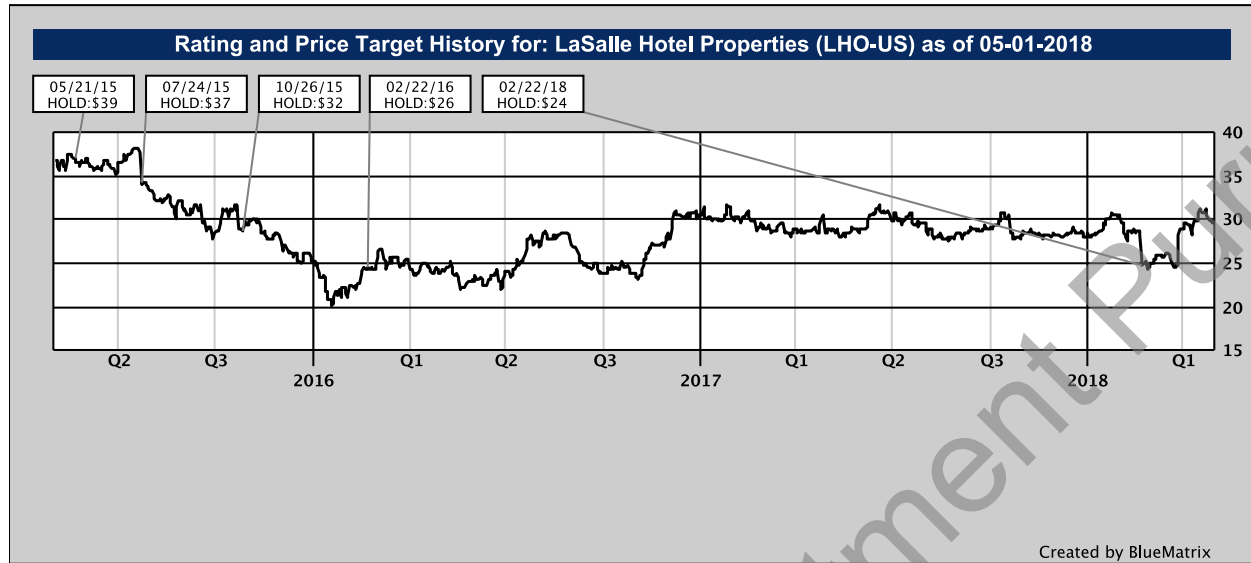
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*Total return (price appreciation + dividends); **Price targets are within a 12-month period, unless otherwise noted; ***Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average

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