



Lodging - US RevPAR +4.5% Y/Y Last Week: Not a bad result considering DC comp

Big lift from Group event in Chicago

What's Incremental To Our View

Overall U.S. RevPAR was +4.5% Y/Y for the week ending 1/27/2018, per STR, up from the prior week's result of -3.2%. (2-year stacked RevPAR was +8.4% vs. +1.9% in the prior week.) Independent hotels (about 1/3rd of the data set) were up +8.5% y/y. Luxury (+6.1%) was the strongest chain scale for branded hotels. Midscale and Upper Midscale trailed at +2.8% and +1.2%, respectively. Within Upper Upscale & Luxury class hotels, Group (+6.7% vs. -12.4% prior week) was stronger than Transient (+4.0% vs. -5.7% prior week). Strength in some citywides (e.g: Chicago) offset the tough DC Inauguration comp.

Last week's results were impacted by the tough comp from the 2017 Presidential Inauguration (DC -13.4% for the week) offset by very strong group results in select markets. For example, Chicago group RevPAR was +167.2% (we believe partly driven from the ASHRAE Winter Conference).

For the month of January, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, \$86.41, Buy], Hyatt [H, \$81.00, Hold], or Marriott [MAR, \$147.27, Hold] hotel) will finish at approx. +1.5-2.0%. We estimate that the overall industry will finish approximately +2.5-3.0% driven in part by strength in the Economy chain scale. Please note that reported monthly results include hotels that are not in the weekly data set.

RevPAR details:

- **Luxury was the strongest chain scale. Midscale and Upper Midscale underperformed by 330 bps and 490 bps respectively:** Luxury RevPAR (+6.1%), Upper Upscale (+3.3%), Upscale (+1.2%), Upper Midscale (+1.2%), Midscale (+2.8), and Economy (+5.4%). Independent hotels (+8.5%) outperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +4.0% (vs. -5.7% last week) and Group segment RevPAR was +6.7% (vs. -12.4% last week).
- **Chicago (+44.7%) was the strongest of the top 5 markets:** Boston (+0.6%), LA (+2.5%), NYC (+10.1%), and D.C. (-13.4%).
- **Other relevant markets:**

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What's Inside

Weekly STR results and analysis

- **San Francisco was flattish:** RevPAR was +0.4% vs. -0.8% last week. We anticipate weak y/y results in San Francisco for 1Q due to the renovations at the Moscone Center (comps get easier starting in 2Q).
- **Texas results were up:** Dallas RevPAR was +8.0% (vs. -6.2% last week). Houston RevPAR was +12.7% (vs. +15.1% last week).
- **Other hurricane-impacted markets continue to see strong performance:** Miami (+15.0% vs. +14.8% last week); Orlando (+9.9% vs. +13.6% 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, we think 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.

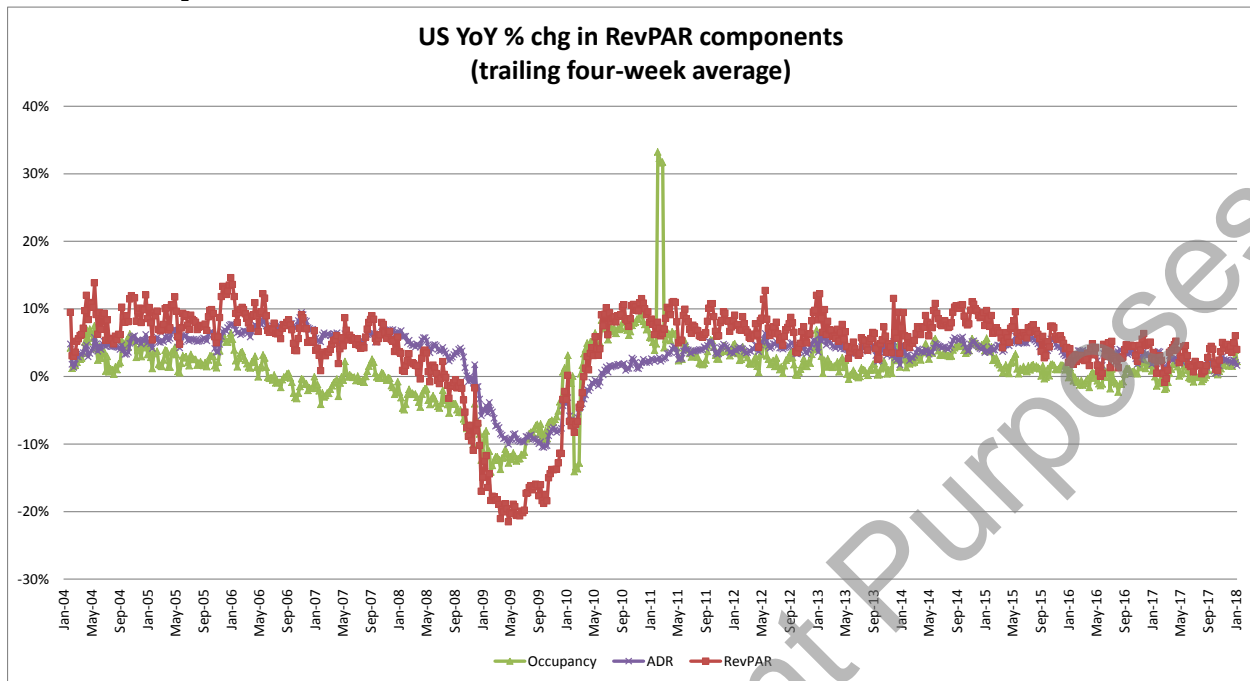
Not For Investment Purposes

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
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%	
1/6/2018	9.6%	25.0%	11.8%	11.7%	10.1%	9.9%	9.8%	2.5%	34.0%	24.4%	14.5%	13.8%	1.9%	
1/13/2018	5.5%	6.2%	0.8%	0.2%	0.8%	1.0%	4.4%	16.5%	-1.6%	-4.2%	-2.4%	-10.6%	-3.6%	
1/20/2018	-3.2%	-7.2%	-7.1%	-2.3%	-0.1%	1.2%	2.9%	-4.9%	4.8%	0.7%	4.3%	6.2%	-64.1%	
1/27/2018	4.5%	6.1%	3.3%	1.2%	1.2%	2.8%	5.4%	8.5%	10.1%	0.6%	2.5%	44.7%	-13.4%	
Strong transient and group even despite tough DC comp Luxury and Economy led the industry Chicago and NYC led the Top5 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%	
YoY % change in ADR														
	U.S.	Upper Luxury		Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
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%	
1/6/2018	5.8%	15.9%	6.9%	6.8%	4.8%	5.7%	5.9%	1.5%	23.8%	7.4%	10.6%	5.1%	-1.9%	
1/13/2018	5.4%	7.0%	2.5%	1.5%	1.4%	2.2%	3.8%	13.8%	-2.1%	-2.7%	2.8%	-3.8%	-2.5%	
1/20/2018	-1.7%	-6.1%	-3.7%	-0.9%	0.1%	1.6%	2.2%	-1.5%	-0.1%	0.0%	5.9%	3.0%	-54.4%	
1/27/2018	3.9%	2.3%	2.5%	2.3%	2.3%	3.3%	4.6%	6.3%	4.2%	-0.9%	3.4%	17.1%	-2.9%	
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%	
YoY % change in Occupancy														
	U.S.	Upper Luxury		Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
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%	
1/6/2018	3.6%	7.8%	4.6%	4.6%	5.0%	4.0%	3.7%	1.0%	8.2%	15.8%	3.6%	8.3%	3.9%	
1/13/2018	0.2%	-0.7%	-1.7%	-1.3%	-0.6%	-1.2%	0.6%	2.3%	0.5%	-1.5%	-5.0%	-7.1%	-1.1%	
1/20/2018	-1.5%	-1.1%	-3.6%	-1.4%	-0.2%	-0.4%	0.7%	-3.5%	4.8%	0.7%	-1.5%	3.1%	-21.2%	
1/27/2018	0.6%	3.8%	0.8%	-1.1%	-1.1%	-0.5%	0.8%	2.1%	5.7%	1.6%	-0.9%	23.6%	-10.8%	
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%	-0.6%	-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%	

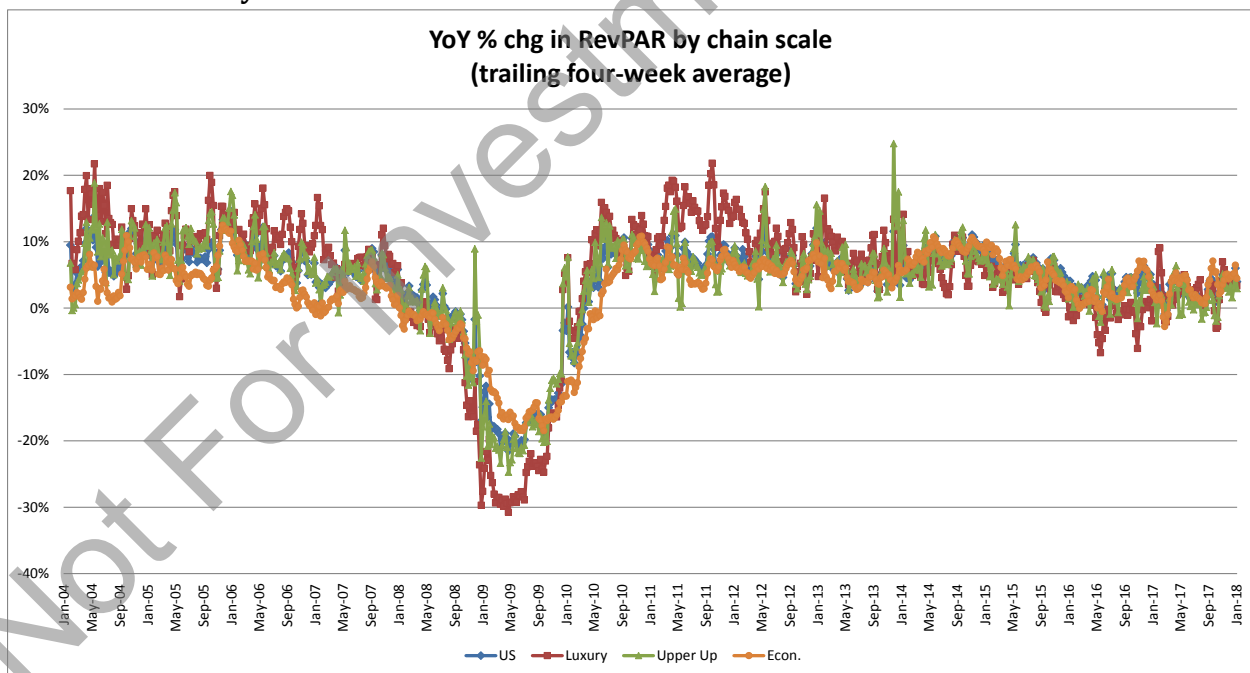
Source: STR data, STRH research

RevPAR Component Trends



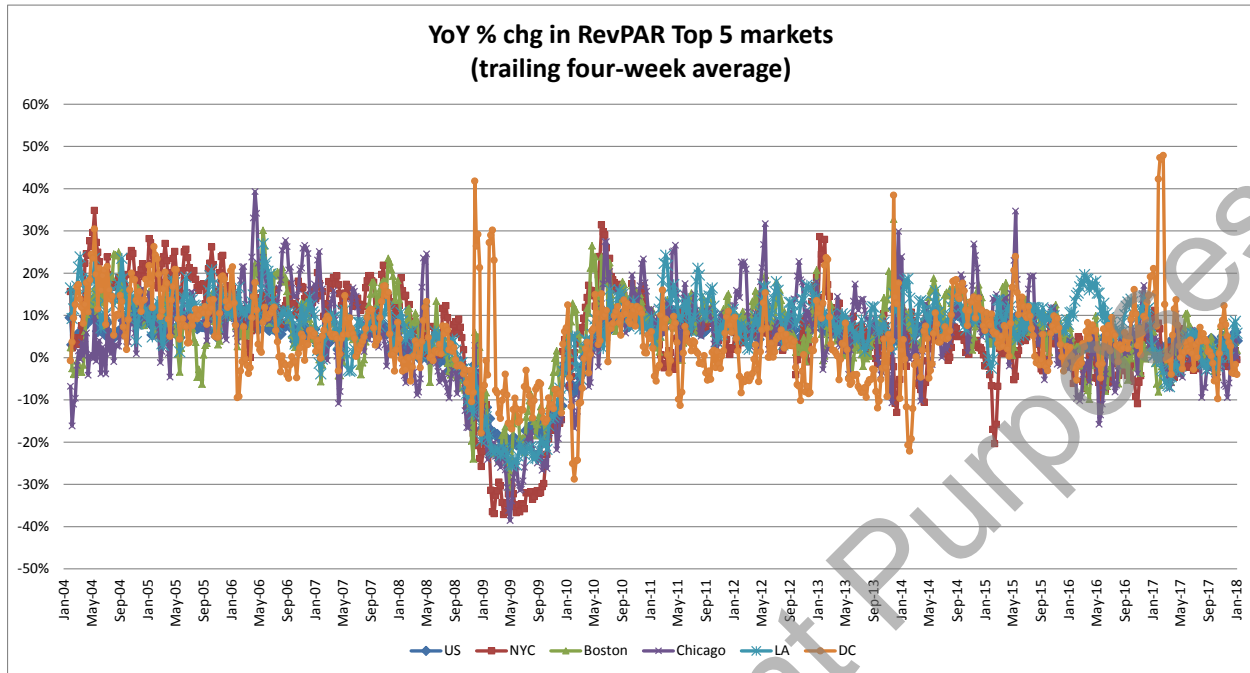
Source: STR data, STRH research

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 1/30/18	Rating	PT*	% upside down- side	2018E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$27.29	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	\$82.15	Hold	\$71	-14%	\$323	14.0X	Upside risk: conservative guidance. Downside risk: big catalyst of special dividend already baked into the stock.
DiamondRock Hospitality	DRH	\$11.67	Hold	\$11	-6%	\$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	\$20.83	Hold	\$19	-9%	\$1,431	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	\$81.00	Hold	\$68	-16%	\$773	13.0X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$19.01	Buy	\$19	0%	\$167	7.9X	Downside risk: 3rd party induced defaults, worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$44.25	Buy	\$45	2%	\$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	\$86.41	Buy	\$77	-11%	\$2,070	14.7X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$67.08	Hold	\$51	-24%	\$899	13.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$31.52	Buy	\$30	-5%	\$372	11.1X	Downside risk: membership base erosion as churn outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$30.25	Hold	\$26	-14%	\$319	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$147.27	Hold	\$108	-27%	\$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	\$151.53	Hold	\$128	-16%	\$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	\$23.15	Hold	\$22	-5%	\$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	\$76.37	Hold	\$60	-21%	\$366	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$16.76	Hold	\$15	-11%	\$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	\$123.47	Buy	\$112	-9%	\$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, \$19.01, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$82.15, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$27.29, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$11.67, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$81.00, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$44.25, Buy, Bradford Dalinka)
Hilton Worldwide Holdings Inc. (HLT, \$86.41, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$20.83, Hold, C. Patrick Scholes)
InterContinental Hotels Group, PLC (IHG, \$67.08, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$31.52, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$30.25, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$147.27, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$28.94, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$76.37, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$23.15, Hold, C. Patrick Scholes)
Sunstone Hotel Investors (SHO, \$16.76, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corp. (VAC, \$151.53, Hold, C. Patrick Scholes)
Wyndham Worldwide Corporation (WYN, \$123.47, Buy, C. Patrick Scholes)

Analyst Certification

I, C. Patrick Scholes, 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.

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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Legend for Rating and Price Target History Charts:

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H = Hold

S = Sell

D = Drop Coverage

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- NR – NOT RATED, STRH does not provide equity research coverage
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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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