



Lodging - US RevPAR +1.8% Y/Y Last Week; Mid & Economy hurt by y/y eclipse comp

Luxury hotels continue to shine; Group strong on easy comp

What's Incremental To Our View

Overall U.S. RevPAR was +1.8% Y/Y for the week ending 8/25/2018, per STR, worse than the prior week's result of +2.5%. Independent hotels (about 1/3rd of the data set) were +1.1% y/y. Luxury (+5.0%) was again the strongest chain scale for branded hotels followed by Upper Upscale (+4.0%); Middle and lower tier hotels were the weakest with Upper Midscale (-1.2%), Midscale (-1.9%) and Economy (-1.3%) underperformed the overall US hotel industry average. Within Upper Upscale & Luxury class hotels, Group (+9.9% vs. +3.7% prior week) was stronger than Transient (+0.7% vs. +2.2% prior week).

Last week was a very noisy week to compare year-over-year due to:

1. **The solar eclipse (Monday, August 21st, 2017):**
 - a. **Sunday and Monday RevPAR were especially soft, down 10.4% and 0.5% y/y, respectively and for lower-tiered hotels these days were down approx. 20% and 8% y/y, respectively.** For reference, Sunday, August 20th, 2017 RevPAR was +18.6%, Monday was +8.2%, and the remainder of the work week was +4-5%.
 - b. **The y/y comp for Group business was easy, especially for Luxury hotels.** For the industry, Group was up 9.9% last week vs. down 2% in the comparable week last year. Specifically for Luxury hotels, Group was +14% vs. -11% in the comparable week last year.
2. **The beginning of the impact of Hurricane Harvey (biggest impact to Texas and Louisiana) being seen.**
 - a. For Thursday-Saturday, Houston and New Orleans were up approx. 22% and 42% y/y respectively as last year those cities emptied as the hurricane approached.
 - b. Hurricane Harvey made landfall on the Texas Gulf Coast on August 25th and eventually proceeded towards Louisiana over the next several days. The first tropical storm watches for Texas were issued on August 23, 2017 (a Wednesday).

The next few weeks of data (and continuing for the rest of the year) will be noisy due to the combined impact of Hurricanes Harvey and Irma. We additionally note that investors should not focus as much on

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

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

Jeffrey Stantial
212-590-0993
jeffrey.stantial@suntrust.com

What's Inside

Weekly STR results and analysis

the y/y RevPAR growth in 2017 v. 2016 for the Florida markets as there was [another y/y hurricane comp](#) (Hurricane Hermine in 2016).

RevPAR details:

- **Luxury was the strongest chain scale.** Upper Midscale and Midscale underperformed by 297 bps and 370 bps, respectively: Luxury RevPAR (+5.0%), Upper Upscale (+4.0%), Upscale (+3.3%), Upper Midscale (-1.2%), Midscale (-1.9%), and Economy (-1.3%). Independent hotels (+1.1%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +0.7% (vs. +2.2% last week) and Group segment RevPAR was +9.9% (vs. +3.7% last week).
- **Chicago (+15.4%) was the strongest of the top five markets:** Boston (+0.5%), Chicago (+15.4%), LA (+3.3%), NYC (+3.1%), and DC (+2.2%).
- **Other relevant markets:**
 - **San Francisco continues to be slightly weaker than we would expect:** RevPAR was +0.9% vs. -0.9% last week. We anticipate y/y comps will be relatively easy in 3Q as the Moscone Convention Center's North and South halls were closed from April to August 2017.
 - **Texas results were mixed (Houston was impacted towards the end of the week by the y/y Hurricane Harvey comp):** Dallas RevPAR was -2.8% (vs. +4.9% last week). Houston RevPAR was +8.8% (vs. -0.5% last week). [Note that FEMA ended financial assistance for some Texans in Houston hotels on July 1st.](#)
 - **Hurricane-impacted markets in FL continued to be strong:** Miami (+6.4% vs. +4.8% last week); Orlando (+6.0% vs. +9.5% last week).
 - **Oahu results were somewhat weaker comparatively last week. We continue to believe that there is insufficient evidence (so far) to suggest a major demand shift from the volcano eruption on the Big Island.** Oahu was +1.0% vs. +3.8% running 28 days. Comparatively, U.S. Resort RevPAR was +4.9% last week vs. +5.2% running 28 days. [As we previously noted](#), we believe some of the Big Island hotel demand that chooses to stay on another island may be more likely to stay on Maui or Kauai due to the comparable destination appeal and less likely to stay in/near Waikiki (where the majority of Oahu hotel supply is based). **Please note that the comparison of Oahu to U.S. Resorts will be noisier in future weeks due in some respects to the impact of Hurricane Irma (Orlando in particular has numerous resorts that received displaced Floridians and tourists).**
 - We believe a bigger test for the Big Island is forthcoming as potential Hawaii travelers determine whether to stay on the Big Island or adjust their travels elsewhere. Many vacationers plan a Hawaii vacation well in advance and it is possible we have yet to see in the data a more measurable impact from potential travelers who decided after the volcano news to avoid staying on the Big Island.
 - On a positive note, [Norwegian Cruise Line \(NCLH, Buy\) resumed calls](#) to the Big Island in mid-June. Additionally, [some tour operators appear to be adjusting itineraries in light of the volcano disruption](#), which could alleviate some travelers concerns about staying on the island.
 - In part due to the general strength of the Oahu market (particularly in terms of occupancy), it is difficult for us to determine the measurability of impact from demand that is choosing to stay on Oahu from the Big Island. [STR noted similarly in an article on HotelNewsNow published on June 18th.](#) That being said, we do not have granular data on the Maui and Kauai markets where we believe the greatest demand shift (on a relative basis) is most likely to occur.

The stocks: We continue to favor C-Corps over hotel REITS (we favored hotel REITS for the first half of this year). [In an environment of low RevPAR growth combined with gradually increasing wages/margin pressures, returns for hotel owners is a major headwind to EBITDA growth.](#) Hotel stocks, but especially hotel REIT stocks, typically work best when there is a spark to RevPAR growth and at this moment we are not seeing such sparks like we did earlier in the year. **We are more favorable on other sectors at the moment, namely cruise lines.**

- For the C-Corps, HLT and [Playa Hotels](#) (PLYA, \$10.32, Buy) are among our favorites and for the hotel REITS, given its opportunities for self-help margin improvement, we prefer buy-rated Park (PK, \$33.66, Buy). For the rest of the hotel REITS, following the first half outperformance, we struggle to derive any material upside to the stocks even when running pro-forma targets with 5% higher EBITDA and giving valuation multiple expansion.
- The (relatively) good news for the hotel REITS is that historically 10 (or less) years into an economic cycle these were stocks that crashed & burned. At this juncture in our RevPAR intelligence there is nothing to suggest a late cycle “crash & burn” scenario is on the horizon over the next year. Additionally for the hotel REITs, we do not see dividend cuts on the horizon and for 2019 many are heavily exposed to what will be the strongest market in the country, San Francisco.

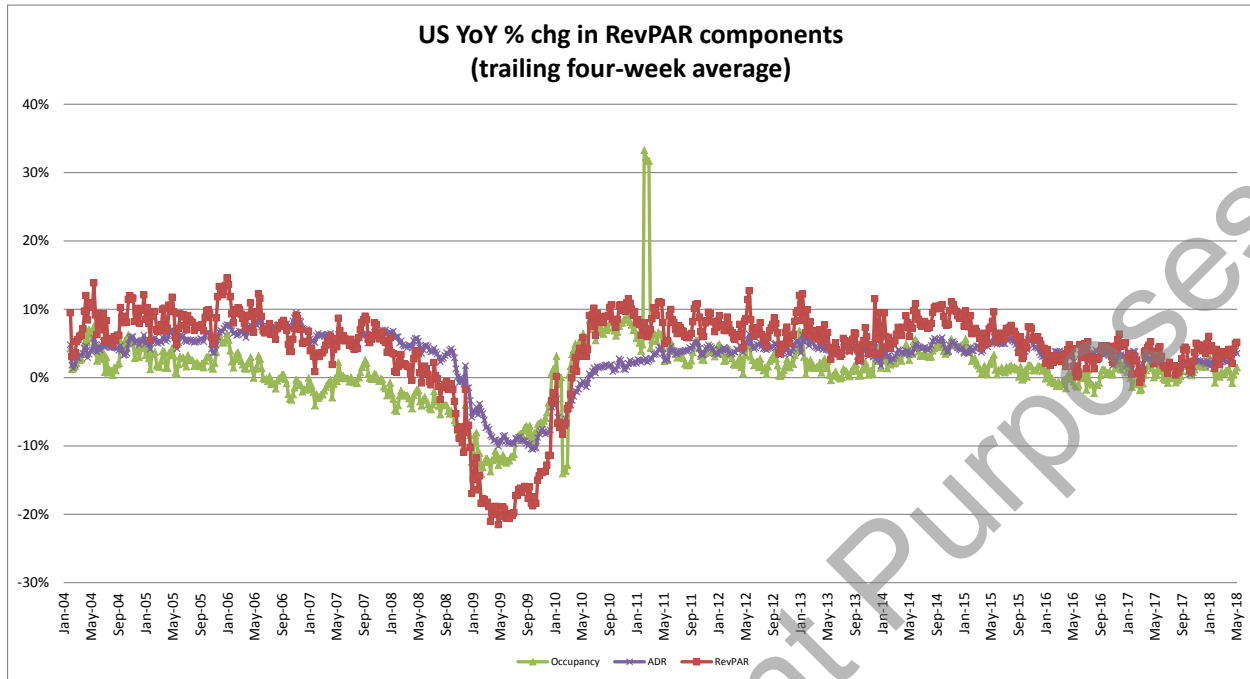
Not For Investment Purpose

Weekly RevPAR Summary

| YoY % change in RevPAR | | | | | | | | | | | | | |
|--|-------|--------|---------------|---|----------------|----------|---------|-------------|--------------------------------------|--------|-------|---------|--------|
| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Independent | New York | Boston | LA | Chicago | DC |
| 6/23/2018 | 3.0% | 5.1% | 3.7% | 2.5% | 1.7% | 1.6% | 1.7% | 2.8% | 11.5% | 5.3% | 2.4% | 6.6% | 7.2% |
| 6/30/2018 | 5.2% | 4.8% | 7.1% | 5.8% | 4.5% | 4.5% | 2.4% | 4.0% | 9.8% | 3.1% | 2.2% | 12.3% | 5.0% |
| 7/7/2018 | -2.0% | 0.9% | -2.7% | -3.8% | -3.8% | -1.4% | -0.9% | -1.1% | 0.8% | -18.1% | 2.9% | -17.3% | -6.4% |
| 7/14/2018 | -0.4% | -1.3% | -1.5% | -1.1% | -0.8% | 0.4% | 0.2% | -0.1% | -3.7% | -2.3% | -3.3% | 5.5% | -17.8% |
| 7/21/2018 | 3.0% | 4.6% | 3.9% | 2.1% | 1.9% | 2.2% | 2.7% | 2.6% | 2.1% | -5.4% | 4.7% | 21.2% | 1.0% |
| 7/28/2018 | 4.2% | 6.4% | 5.6% | 3.4% | 3.7% | 3.9% | 4.0% | 3.0% | 5.6% | 8.7% | 3.3% | 14.0% | 0.1% |
| 8/4/2018 | 4.1% | 6.4% | 4.8% | 3.0% | 2.9% | 3.7% | 3.3% | 4.2% | 0.5% | 12.0% | 3.9% | 15.2% | 4.0% |
| 8/11/2018 | 5.1% | 4.8% | 4.8% | 3.5% | 3.5% | 5.4% | 5.6% | 6.2% | 6.5% | 3.4% | -0.1% | 16.1% | 0.8% |
| 8/18/2018 | 2.5% | 6.5% | 3.2% | 2.1% | 0.7% | 1.1% | 1.3% | 2.1% | 6.2% | 4.0% | 3.7% | 5.5% | 0.9% |
| 8/25/2018 | 1.8% | 5.0% | 4.0% | 3.3% | -1.2% | -1.9% | -1.3% | 1.1% | 3.1% | 0.5% | 3.3% | 15.4% | 2.2% |
| Noisy y/y comp due to eclipse and Hurricane Harvey | | | | Luxury and Upper Upscale led the industry | | | | | Chicago 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% |
| 2Q18 | 4.0% | 4.9% | 3.4% | 2.8% | 3.0% | 4.1% | 3.1% | 4.6% | 4.2% | -1.2% | 0.6% | 4.0% | 3.1% |
| YoY % change in ADR | | | | | | | | | | | | | |
| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Independent | New York | Boston | LA | Chicago | DC |
| 6/23/2018 | 2.9% | 3.5% | 3.4% | 2.4% | 1.7% | 1.7% | 2.2% | 3.0% | 9.8% | 3.7% | 2.3% | 6.4% | 4.5% |
| 6/30/2018 | 3.1% | 1.6% | 4.5% | 3.2% | 2.4% | 1.8% | 1.4% | 2.4% | 8.0% | 3.5% | 0.9% | 8.3% | 3.7% |
| 7/7/2018 | 1.1% | 3.4% | 1.3% | 1.0% | 0.3% | 0.9% | 1.3% | 1.1% | 1.7% | -9.5% | 1.7% | -7.8% | -3.4% |
| 7/14/2018 | 1.2% | 1.4% | 0.9% | 0.9% | 0.8% | 1.6% | 1.8% | 1.3% | 0.0% | -0.6% | -2.3% | 6.2% | -11.0% |
| 7/21/2018 | 2.6% | 4.6% | 3.4% | 2.3% | 1.7% | 1.6% | 2.5% | 2.1% | 2.9% | -3.7% | 3.0% | 13.9% | 1.4% |
| 7/28/2018 | 2.9% | 4.6% | 3.6% | 2.3% | 2.3% | 2.0% | 2.7% | 2.5% | 4.4% | 4.7% | 2.4% | 10.1% | -0.6% |
| 8/4/2018 | 3.1% | 4.4% | 2.9% | 2.5% | 2.1% | 2.5% | 3.4% | 2.8% | 1.4% | 6.8% | 2.3% | 11.0% | 1.8% |
| 8/11/2018 | 3.0% | 4.8% | 3.0% | 2.9% | 2.3% | 2.6% | 3.2% | 2.9% | 4.6% | 1.3% | 0.0% | 10.6% | 0.5% |
| 8/18/2018 | 2.2% | 4.7% | 2.0% | 2.3% | 1.0% | 1.1% | 1.4% | 1.6% | 3.9% | 2.6% | 2.4% | 6.0% | 0.5% |
| 8/25/2018 | 1.8% | 1.4% | 2.3% | 2.4% | 0.2% | 0.0% | 0.2% | 0.9% | 2.5% | 0.9% | 1.2% | 8.9% | 2.2% |
| 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% |
| 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% |
| 2Q18 | 2.9% | 3.5% | 2.9% | 2.4% | 2.1% | 2.6% | 2.7% | 3.1% | 3.7% | -0.1% | 2.1% | 3.3% | 2.4% |
| YoY % change in Occupancy | | | | | | | | | | | | | |
| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Independent | New York | Boston | LA | Chicago | DC |
| 6/23/2018 | 0.1% | 1.6% | 0.3% | 0.1% | 0.0% | -0.1% | -0.6% | -0.2% | 1.6% | 1.6% | 0.1% | 0.1% | 2.6% |
| 6/30/2018 | 2.1% | 3.2% | 2.4% | 2.5% | 2.1% | 2.6% | 1.0% | 1.6% | 1.6% | -0.4% | 1.3% | 3.6% | 1.2% |
| 7/7/2018 | -3.1% | -2.4% | -3.9% | -4.7% | -4.1% | -2.3% | -2.1% | -2.2% | -0.8% | -9.5% | 1.2% | -10.3% | -3.1% |
| 7/14/2018 | -1.6% | -2.7% | -2.4% | -2.0% | -1.6% | -1.2% | -1.5% | -1.4% | -3.7% | -1.6% | -1.0% | -0.6% | -7.7% |
| 7/21/2018 | 0.4% | 0.1% | 0.5% | -0.2% | 0.1% | 0.5% | 0.2% | 0.5% | -0.8% | -1.8% | 1.6% | 6.4% | -0.4% |
| 7/28/2018 | 1.3% | 1.8% | 1.9% | 1.0% | 1.4% | 1.8% | 1.3% | 0.5% | 1.2% | 3.8% | 0.9% | 3.6% | 0.6% |
| 8/4/2018 | 1.0% | 1.9% | 1.9% | 0.5% | 0.7% | 1.2% | -0.1% | 1.3% | -0.8% | 4.9% | 1.5% | 3.8% | 2.2% |
| 8/11/2018 | 2.0% | -0.1% | 1.7% | 0.6% | 1.1% | 2.7% | 2.3% | 3.1% | 1.7% | 2.1% | -0.1% | 5.0% | -1.2% |
| 8/18/2018 | 0.3% | 1.7% | 1.2% | -0.2% | -0.3% | 0.0% | 0.0% | 0.4% | 2.2% | 1.4% | 1.2% | -0.4% | 0.4% |
| 8/25/2018 | 0.0% | 3.5% | 1.6% | 0.9% | -1.4% | -1.9% | -1.5% | 0.1% | 0.6% | -0.4% | 2.1% | 6.0% | 0.0% |
| 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% |
| 2Q18 | 1.1% | 1.3% | 0.5% | 0.4% | 0.9% | 1.5% | 0.4% | 1.5% | 0.5% | -1.1% | -1.4% | 0.7% | 0.7% |

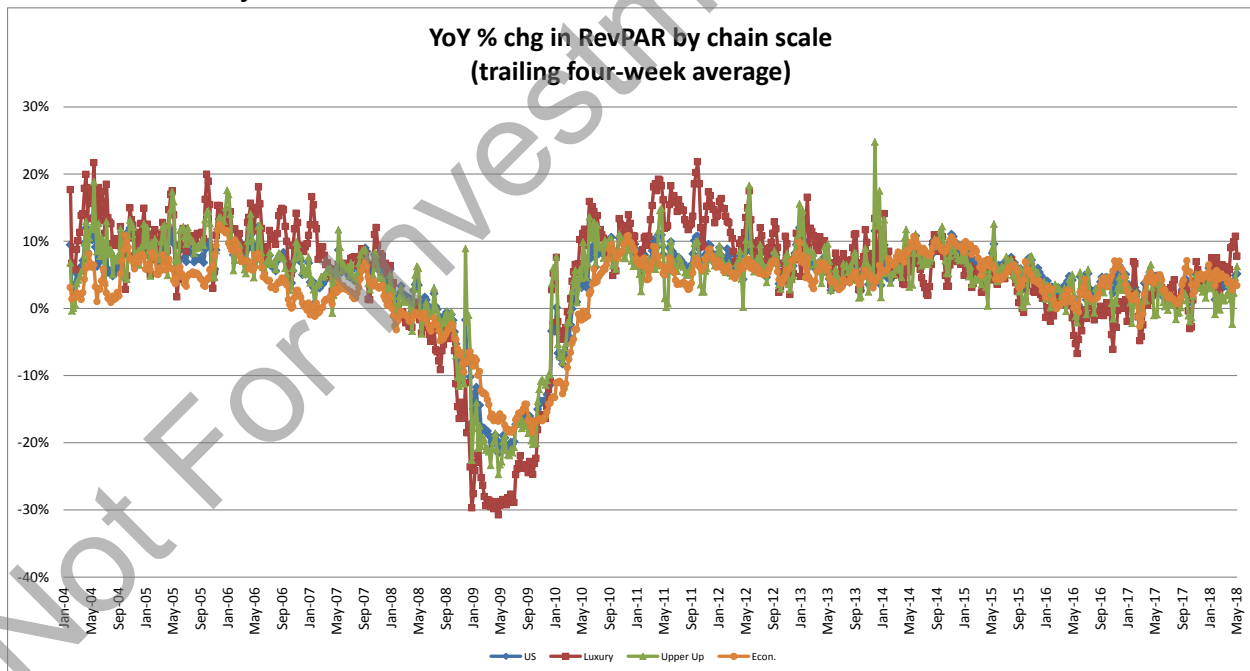
Source: STR data, STRH research

RevPAR Component Trends



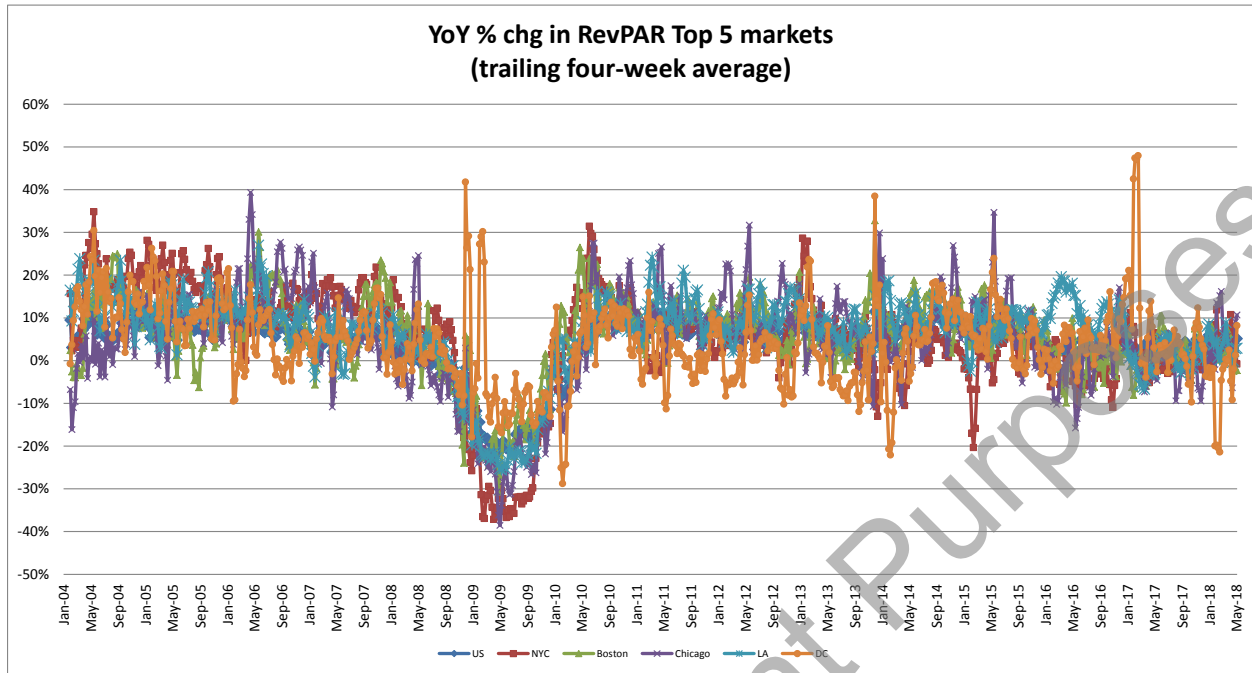
Source: STR data, STRH research

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 8/28/18 | Rating | PT* | % upside down- side | 2019E EBITDA (\$M) | Target EV/EBITDA Multiple | Risks |
|---------------------------------|------|------------------|--------|-------|---------------------------|--------------------------|---------------------------------|--|
| Chesapeake Lodging Trust | CHSP | \$32.64 | Hold | \$27 | -17% | \$188 | 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 | \$86 | 11% | \$365 | 15.0X | Upside risk: conservative guidance. Downside risk: slowdown in development opportunities. |
| DiamondRock Hospitality | DRH | \$11.89 | Hold | \$12 | 1% | \$267 | 12.0X | Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy. |
| Host Hotels & Resorts | HST | \$21.40 | Hold | \$21 | -2% | \$1,558 | 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 | \$78.38 | Hold | \$86 | 10% | \$826 | 14.1X | Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility. |
| Bluegreen Vacations Corporation | BXG | \$19.55 | Hold | \$24 | 23% | \$183 | 9.2X | Downside risk: 3rd party induced defaults worsen. Middle market customers underperform. |
| Hilton Grand Vacations | HGV | \$32.61 | Buy | \$47 | 44% | \$473 | 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 Downside risk: overhang from remaining big sponsor ownership, slowing pipeline |
| Hilton | HLT | \$77.47 | Buy | \$95 | 23% | \$2,266 | 16.0X | Downside risk: membership base erosion as churn outstrips new timeshare sales |
| ILG | ILG | \$35.29 | Buy | \$34 | -4% | \$436 | 11.1X | Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure. |
| LaSalle Hotel Properties | LHO | \$35.17 | Hold | \$32 | -9% | \$320 | 12.5X | 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 International | MAR | \$124.68 | Hold | \$136 | 9% | \$0 | 15.8X | 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 |
| Marriott Vacations | VAC | \$124.69 | Buy | \$143 | 15% | \$368 | 11.1X | Downside risk: Significant supply growth and macroeconomic challenges/shocks. |
| Park Hotels & Resorts | PK | \$33.36 | Buy | \$34 | 2% | \$774 | 12.6X | Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio) |
| Playa Hotels & Resorts | PLYA | \$10.38 | Buy | \$14 | 35% | \$205 | 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. |
| RLJ Lodging Trust | RLJ | \$22.15 | Hold | \$21 | -5% | \$537 | 11.5X | Upside risk: recovering group demand better than expected, better margin recovery. |
| Ryman Hospitality Properties | RHP | \$86.68 | Hold | \$71 | -18% | \$447 | 12.3X | Downside risk: booking issues stickier than expected. |
| Sunstone Hotel Investors | SHO | \$16.57 | Hold | \$15 | -9% | \$327 | 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 Destinations | WYND | \$44.44 | Buy | \$69 | 55% | \$1,006 | 9.8X | Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. |
| Wyndham Hotels & Resorts | WH | \$56.63 | Buy | \$71 | 25% | \$634 | 14.0X | Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations. |

* 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

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$19.30, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$78.20, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$32.74, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$11.95, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$78.79, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$32.55, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$78.18, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$21.65, Hold, C. Patrick Scholes)
ILG, Inc. (ILG, \$34.80, Buy, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$35.43, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$126.95, Hold, C. Patrick Scholes)
Norwegian Cruise Line Holdings Ltd. (NCLH, \$54.25, Buy, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$33.66, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$10.32, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$89.14, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$22.22, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$16.69, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$121.75, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$56.46, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$44.46, Buy, C. Patrick Scholes)

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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.

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· Reduce – total return \leq negative 10% (5% for low Beta securities)

· Neutral – total return is within the bounds above

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- 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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