August Lodging RevPAR Monitor: Mostly Steady for rest of '18, some harder comps

Demand acceleration from Dec '17-May '18 now subsiding; '19 Group unimpressive

Based on forward-looking observations in our internal RevPAR data analytics lab combined with conversations with private hotel owners over the past ten weeks, we identify **three main trends driving future RevPAR:** Stable, though not accelerating, **In-The-Quarter-For-The-Quarter (ITQFTQ) business transient** and **group/convention** demand, some late-summer softness in the **leisure customer** (likely causations include solar eclipse and hurricane comps, discussed below), and **2019 group/convention** RevPAR trends that continue to unimpress (outside of San Francisco and Philadelphia). We have to wonder if trade war fears are making companies/bookers a bit more hesitant in making longer term group and convention commitments. We are introducing forecasts for **4Q18 of +2-4%**, and **full-year 2019 of +1-3%** (puts and takes described below).

- **Bottom line,** our 2018 forecast for US full-service branded hotels (aka the typical Hilton [HLT, Buy] and Marriott [MAR, Hold] branded hotel) of +2-4% is unchanged.

- However due to the weakness in last-minute leisure business (sources: OTAs via data aggregators), albeit on a very strong initial base of booked business, our **3Q forecast slips to +1.5-3.0% from +2.5-4.5%** previously. While this new +1.5-3.0% range is likely not a surprise at this point following MAR's 3Q North American guidance of +1.5-2.0%, **we are of the view that MAR should come in at least at the high-end of their range.** HLT guided to +2.5-3.0% Systemwide RevPAR in 3Q (they do not provide regional quarterly guidance). **Given relative RevPAR outperformance in international markets, we are of the view that HLT is likely to perform similar to MAR in the U.S. in 3Q.**

The stocks: Under this above scenario, 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 Buy) are our favorites and for the hotel REITS, given its opportunities for self-help margin improvement, we prefer buy-rated Park (PK, 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

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What's Inside

An in-depth update to our RevPAR outlook

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 (detailed below) to what will be the strongest market in the country, San Francisco.

Examining the three trends driving future RevPAR:

1. **Stable, though not accelerating, In-The-Quarter-For-The-Quarter (ITQFTQ) business transient and group/convention demand trends.** From December 2017 through May 2018, each subsequent month we observed forward trends (and RevPAR expectations) very gradually improve (as did the hotel companies as evident by RevPAR raises). However over the past ten weeks these comparable forward trends have stabilized and appear to be no longer accelerating. To be clear, we do not see conclusive evidence of deceleration, rather the forward trend line has stopped pointing up and is now pointing sideways.

    a. **In this scenario it is difficult to argue for valuation multiple expansion for the lodging stocks though expected earnings growth should be relatively unchanged.**

2. **Transient leisure, after seeing strong initial booking volumes for the summer months (keep in mind that this type of business is booked 45-60 days out at most, so what we observed in April and May was a small percentage of the final tally (but it is the best indicator we have)), has cooled off the past ten weeks.** We attribute this cooling to a combination of:

    a. **2017 solar eclipse y/y comp.** The 2017 solar eclipse resulted in very strong results for several top-25 MSAs, namely Nashville and St. Louis, with RevPAR up approx. 40% for the week of the eclipse (week ending 8/26). As evidenced by last year's chain scale results, the toughest comps will be with limited service hotels.

    b. **2017 hurricane comps.** As can be seen in the table below, 4Q17 RevPAR growth was helped by approx. 1.5pts from hurricane displacement and recovery spending as well as consumers visiting US resorts as opposed to Caribbean resorts post-hurricane(s). We see this difficult comp continuing through 1Q19. That said, Caribbean resorts have a very easy y/y comp beginning in September as will the cruise lines and the timeshare companies, especially Marriott Vacations (VAC, Buy).

Overall US RevPAR and US RevPAR less FL & TX

	RevPAR%			Demand %	
	US	US minus FL & TX		US	US minus FL & TX
Jun-17	2.7	2.9		2.5	2.5
Jul-17	0.9	0.8		1.3	1.0
Aug-17	2.6	2.5		2.7	2.2
Sep-17	*2.3*	*0.6*		*3.2*	*1.6*
Oct-17	*4.1*	*2.3*		*3.5*	*1.8*
Nov-17	*3.9*	*2.3*		*3.6*	*2.2*
Dec-17	*4.6*	*2.4*		*4.3*	*3.1*
Jan-18	*3.0*	*1.5*		*3.0*	*2.0*
Feb-18	*3.5*	*3.0*		*3.1*	*2.9*

Source: STRH Research, STR

    c. **Higher gas prices.** While gas prices have not historically had much impact on hotel stays for business travel, there has been impact on leisure travel. Per AAA, gas prices have risen 22% y/y from last summer, +33% since summer of 2016, and are at the highest prices since 2014. While difficult to precisely quantify the impact on RevPAR, we are of the view that higher gas prices do nothing to help leisure travel demand.

Our 2019 forecast of +1-3%: What we are lacking in strength we are seeing in length. This cycle we never really saw the overheating and excesses (so far) that tend to precede recessions and while we struggle to believe 2019 RevPAR growth rates will accelerate from 2018's levels, the deceleration (baring any shocks) is gradual.
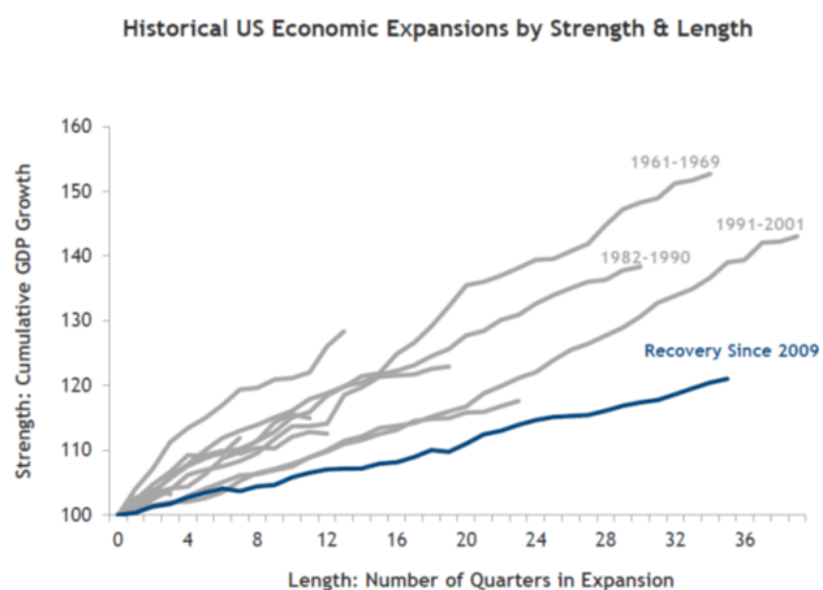
Source: STRH Research

We look at many factors when determining this 2019 RevPAR growth range, including:

1. **Initial group bookings and pricing.** As discussed further in this report, ex-San Francisco, US Group/Convention RevPAR (same-store, excluding new supply) is tracking flat to slightly-negative.

2. **Expectations for corporate rate negotiations.** Recall that last year, corporate room rate negotiations were mostly completed before the passage of the tax bill. Thus, we believe that hotels were unable to assume a re-acceleration of corporate demand resulting from the tax bill when negotiations commenced and it was too late for hotels to renegotiate significant rate increases in December post-the tax bill passing. Subsequently, corporate negotiated rates are only up only approx. 2% this year. However, we believe this year the hotel companies will have a better to position to negotiate from and 2019's corporate negotiated rate increases should be slightly higher than 2018's.

    a. **As always, the major outstanding question on the corporate demand front for 2019 will be the amount of non-negotiated corporate volume room nights, specifically the last-minute bookings at rack rates.** In 2018, this last minute volume increase was a large reason for RevPAR growth expectations coming up.

3. **New hotel supply/competition.** Whereas new supply growth will again in 2019 be approx. +2.5% for the US (approx. 50 bps. higher for top-25 markets), US real GDP is expected to decelerate to +2.4% in 2019 from this year's +3% prediction. This creates a small supply-demand imbalance that will make y/y RevPAR growth acceleration challenging.

4. **Y/Y comp issues.** As discussed above, y/y hurricane comps are difficult through 1Q19 and this will be a headwind for the start of 2019. Secondly, 2018 benefited from the tax reform stimulus and barring another economic stimulus, this will create a difficult comp for 2019.

5. **Government per diems for 2019 were recently announced and the hotel room per diem rate is only up 1% y/y.** Government business is typically 5-10% of hotel business, but much higher in Washington DC.

<u>Looking at our most recent forward-looking demand and pricing observations:</u>

3Q18

- **July:** July 4th shifted to a Wednesday this year from a Tuesday last year. This resulted in soft results for the month. For the month of July, we estimate that full-service branded domestic hotels (the typical Hilton, Hyatt [H, Hold], or Marriott hotel) finished at approximately +2-3%. We estimate that the overall industry finished at approximately +1%.

- **August:** August is the month with the greatest degree of transient leisure business. For the top 25 markets. Excluding Nashville and St. Louis, the trends look very strong, tracking above the high- end of our +1.5-3.0% range for 3Q. That said, once we look outside of the top 25 markets, and especially for limited service hotels, RevPAR growth will be more challenged due to a very tough solar eclipse comp.

- **September:** Both Jewish holidays fall in September this year with Rosh Hashanah beginning on Sunday, September 9th and Yom Kippur beginning on Tuesday, September 18th. The timing of these holidays is not so dissimilar to 2017 where Rosh Hashanah began on Wednesday, September 20th and Yom Kippur started on Friday, September 29th. That said, the shift with Yom Kippur beginning on a Tuesday evening this year vs. a Friday evening last year will have a negative impact on business travel. Additionally, September will see a headwind from last year's hurricane related demand, as discussed above. We estimate the month will finish towards the mid-point of our 3Q range.

4Q18

- **October:** Looks like a clean comp month as both Jewish holidays fall in September again. Halloween shifts to a Wednesday from a Tuesday last year, which should have a small negative impact on RevPAR (as we observed on this year's July 4th shift, a holiday falling on a Wednesday does not help RevPAR). Still, we see RevPAR tracking at the high-end of our +2-4% 4Q forecast.

- **November:** Looks to be a clean comp month. We see RevPAR tracking at the low-end of our quarterly forecast. Interestingly, the previous two Novembers had unusually strong RevPAR growth (we really couldn't come up with a good explanation at the time) whereas this November seems to be a weak month for reasons yet known.

- **December:** Is tracking at the high-end of our quarterly forecast. We suspect New Year's Eve shifting to a Monday from a Sunday last year is helping growth as New Year's Eve revelers may be planning for a long weekend.

Quarterly Tracking

	3Q18E Overall	4Q18E Overall	2018E Overall forecast
Jul-18	+1.5-3.5%	+2-4%	+2-4%
May-18	+2.5-4.5%		+2-4%
Apr-18	+2.5-4.5%		+2-4%
Mar-18	+1.5-3.5%		+1-3%
Feb-18			+0.5-2.5%
Jan-18			+0-2%
Dec-17			+0-2%
Nov-17			-0.5% to +1.5%
Oct-17			-0.5% to +1.5%
Sep-17			-0.5% to +1.5%
Aug-17			-0.5% to +1.5%
Jul-17			-0.5% to +1.5%
Jun-17			-0.5% to +1.5%

Source: STRH Research

Internationally for July, RevPAR growth in Europe continued to be fairly strong, albeit with FX being a headwind, whereas Asia Pacific was surprisingly soft. According to STR, local currency RevPAR in Europe was +10.4% y/y in July. Hurt by 508 bps of FX headwinds last month (a reversal from FX tailwinds over the last year), results in Europe in US$ of +5.3% y/y compare to +10.1% in the prior month. Russia RevPAR was +102.7% due in part to the World Cup (largely ADR driven). Ex-Russia, we calculate local currency RevPAR in Europe was +6.7% in July.

- By comparison, Hilton guided for European RevPAR growth in 2018 (in constant currency) to be in the mid-single digits for 2018 and Marriott projected (in constant currency) mid-single digits growth for 3Q, 4Q, and FY 2018.
  - Our projection for 3Q European RevPAR growth in local currency is +4-6%.

Asia-Pacific was negative for the first time since June 2016 (while we are somewhat concerned about the impact of the trade disputes with China, we need more than one month to call a trend): RevPAR was -1.0% in US$ y/y. This compares to the +5.2% reported last month. Within Asia, Northeastern Asia, which includes China, Japan and Korea, was +0.4%. Australia/Oceania was -8.0%, Central & South Asia was -3.3%, and Southeastern Asia was +3.4%. Mainland China RevPAR was +2.4% in US$.

- **By comparison,** HLT is guiding 2018 RevPAR up high-single digits with China +12-13% and MAR is guiding up at a high-single digit rate for 3Q, 4Q, and FY 2018.
  - Our projection for 3Q Asia-Pacific RevPAR growth in USD is +5-7%.

Hyatt, InterContinental, and Marriott have the greatest exposure to Europe and Asia. From Europe, MAR generates approximately 15% of EBITDA, IHG ($62.79, NR) 15%, WH 15%, and H and HLT 10% each. Of these companies, H and MAR have the greatest exposure to Asia (~10-20% of EBITDA). Each of the other companies generates 5% to 10% of EBITDA from the Asia-Pacific region.

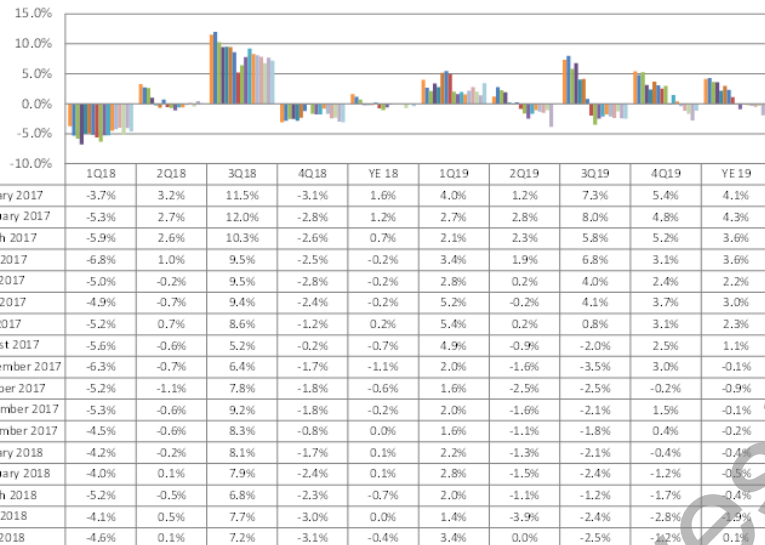**Examining the three customer segments:**

Leisure travel:
- Our latest pricing and demand observations from our RevPAR data lab show RevPAR growth for late Summer and early Fall leisure travel tracking approx. flat.

Individual business traveler RevPAR expectations (visibility is about 60 days) were consistent with our prior observation. We expect this segment up 3.0-4.5% for the rest of the year.

Forward-looking Group/convention demand expectations continue to be lackluster (primary data source: TAP). While it is difficult to prove causation, we would not be surprised if trade war fears are making companies somewhat more hesitant in making longer term group meeting and convention commitments.

Net of Supply Growth Changes to 2018/2019
Y/Y Citywide Group Pace (by Quarter/Year)

	1Q18	2Q18	3Q18	4Q18	YE 18	1Q19	2Q19	3Q19	4Q19	YE 19
Pace as of January 2017	-3.7%	3.2%	11.5%	-3.1%	1.6%	4.0%	1.2%	7.3%	5.4%	4.1%
Pace as of February 2017	-5.3%	2.7%	12.0%	-2.8%	1.2%	2.7%	2.8%	8.0%	4.8%	4.3%
Pace as of March 2017	-5.9%	2.6%	10.3%	-2.6%	0.7%	2.1%	2.3%	5.8%	5.2%	3.6%
Pace as of April 2017	-6.8%	1.0%	9.5%	-2.5%	-0.2%	3.4%	1.9%	6.8%	3.1%	3.6%
Pace as of May 2017	-5.0%	-0.2%	9.5%	-2.8%	-0.2%	2.8%	0.2%	4.0%	2.4%	2.2%
Pace as of June 2017	-4.9%	-0.7%	9.4%	-2.4%	-0.2%	5.2%	-0.2%	4.1%	3.7%	3.0%
Pace as of July 2017	-5.2%	0.7%	8.6%	-1.2%	0.2%	5.4%	0.2%	0.8%	3.1%	2.3%
Pace as of August 2017	-5.6%	-0.6%	5.2%	-0.2%	-0.7%	4.9%	-0.9%	-2.0%	2.5%	1.1%
Pace as of September 2017	-6.3%	-0.7%	6.4%	-1.7%	-1.1%	2.0%	-1.6%	-3.5%	3.0%	-0.1%
Pace as of October 2017	-5.2%	-1.1%	7.8%	-1.8%	-0.6%	1.6%	-2.5%	-2.5%	-0.2%	-0.9%
Pace as of November 2017	-5.3%	-0.6%	9.2%	-1.8%	-0.2%	2.0%	-1.6%	-2.1%	1.5%	-0.1%
Pace as of December 2017	-4.5%	-0.6%	8.3%	-0.8%	0.0%	1.6%	-1.1%	-1.8%	0.4%	-0.2%
Pace as of January 2018	-4.2%	-0.2%	8.1%	-1.7%	0.1%	2.2%	-1.3%	-2.1%	-0.4%	-0.4%
Pace as of February 2018	-4.0%	0.1%	7.9%	-2.4%	0.1%	2.8%	-1.5%	-2.4%	-1.2%	-0.5%
Pace as of March 2018	-5.2%	-0.5%	6.8%	-2.3%	-0.7%	2.0%	-1.1%	-1.2%	-1.7%	-0.4%
Pace as of April 2018	-4.1%	0.5%	7.7%	-3.0%	0.0%	1.4%	-3.9%	-2.4%	-2.8%	-1.9%
Pace as of May 2018	-4.6%	0.1%	7.2%	-3.1%	-0.4%	3.4%	0.0%	-2.5%	-1.2%	0.1%

Source: STRH research, TAP

2018: Headline group demand is pacing approx. -0.4%. To this we add approx. 2.0 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at approx. +1.4-2.0% for 2018.

2018 Group demand pace trend:
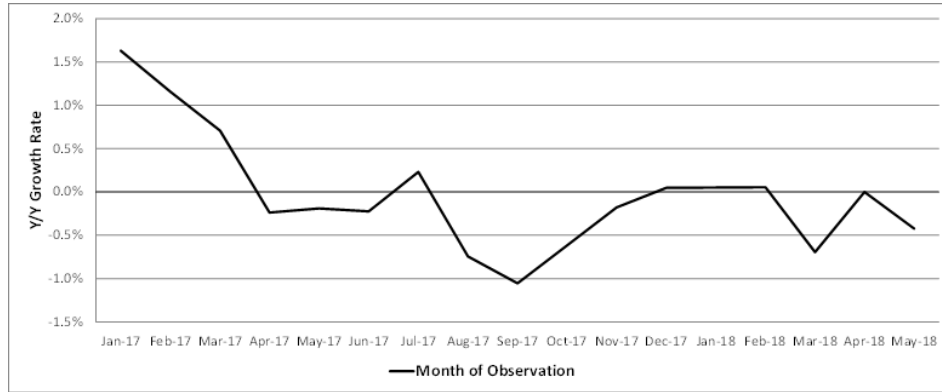
Source: STRH research, TAP

2019: Our net-of-supply group pace for 2019 is +0.1% at the moment (Approx. 100-200 bps. lower ex-San Francisco and Philadelphia). To this we add approx. 1.5 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at approx. +1-2% y/y for 2019 at the moment. We note that 2019 will show massive gains in SF due to the completion of the Moscone Center renovations and Philadelphia has a strong convention calendar.

2019 Group demand pace trend
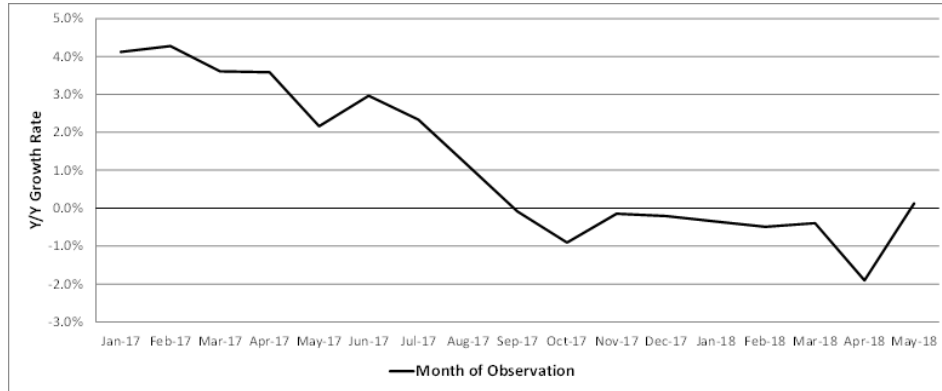
Source: STRH research, TAP

Segmentation By Company

	Transient Corporate	Transient Leisure	Group
REITS			
CHSP	45%	20%	35%
DRH	45%	20%	35%
HST	45%	15%	40%
LHO	55%	20%	25%
PK	45%	20%	35%
RHP	5%	15%	80%
RLJ	55%	25%	20%
SHO	45%	20%	35%
PEB (not covered)	60%	20%	20%

	Transient Corporate	Transient Leisure	Group
C-Corps			
CHH	45%	45%	10%
H	40%	20%	40%
HLT	50%	20%	30%
MAR	45%	20%	35%
WH	45%	45%	10%
IHG (not covered)	45%	40%	15%

Source: STRH Research

Major Markets:

Not surprisingly, due to completed renovation of the convention center, San Francisco will be the outstanding market over the next year. Washington DC is the weakest major market over the next year with the industry chatter being that due to political strife/unfavorable views of the executive office, the capital is a less desirable location to visit. **Canadian cities**, which were the strongest performers over the past two years are cooling off likely due to less favorable FX rates. **NYC** continues to be the surprise upside market, likely due to more favorable FX for international visitors and perhaps some business pushed to NYC from DC. Miami has a very tough comp beginning in September and will likely have negative RevPAR growth over the next year. Orlando continues to be a fairly strong market (though not as strong as the past year). Despite the difficult Hurricane comp, **Houston** looks to be a strong market due to the strengthening oil/energy industry.

Ranking the big six major US markets for the remainder of 2018. Group/meeting bookings is the best way to think about market outperformance/ underperformance for time periods more than 90 days out. A healthy (or weak) convention calendar really drives city performance (with the notable exception of NYC as that is mostly a transient market). Based on initial group/convention bookings, we lump the top six markets into three buckets:

1. **Well above average in over the next 18 months:** SF
2. **Average to slightly above average:** NYC
3. **Below average:** Boston, Chicago, Los Angeles
4. **Well below average:** Washington DC

Additional color on the big six:

Boston:

3Q: Below average
4Q: Below average
2019: Average

Est exposure to Boston market	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
Boston	17%	15%	6%	19%	8%	2%	0%	4%	14%
Rank	2	3	6	1	5	8	9	7	4
Note: Est. exposures include surrounding areas									
Source: STRH Research, Company data									

Chicago:

3Q: Well above average
4Q: Well above average
2019:Well below average

Group/convention outlook for Chicago

Pace as of	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Apr-18	43.5%	-1.3%	34.7%	27.7%	-27.1%	-9.9%	-12.6%	-19.5%
Mar-18	44.1%	-1.3%	34.1%	28.4%	-25.3%	-9.9%	-12.1%	-21.3%
Feb-18	42.0%	-0.4%	35.0%	27.2%	-23.9%	-9.8%	-12.9%	-21.1%
Jan-18	41.1%	0.8%	35.5%	26.2%	-25.9%	-7.3%	-14.5%	-20.3%
Dec-17	40.0%	1.9%	36.0%	25.2%	-28.0%	-4.5%	-16.2%	-19.5%
Nov-17	38.0%	2.7%	42.3%	22.9%	-27.2%	-4.7%	-17.0%	-19.2%
Sep-17	34.9%	1.6%	36.7%	25.1%	-27.4%	-2.0%	-20.0%	-19.7%
Aug-17	10.4%	2.1%	33.6%	26.7%	7.3%	5.1%	-21.3%	-17.1%
Jul-17	5.0%	3.0%	61.4%	14.4%	-9.4%	4.9%	-14.7%	-22.1%

Source: STRH Research, TAP

Est exposure to Chicago market									
	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
Chicago	9%	11%	4%	7%	0%	6%	0%	4%	7%
Rank	2	1	6	3	8	5	8	6	3
Note: Est. exposures include surrounding areas									
Source: STRH Research, Company data									

Los Angeles:

3Q: Below average
4Q: Average
2019: Below average

Group/convention outlook for Los Angeles								
Pace as of	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Apr-18	18.0%	-20.2%	-6.3%	3.4%	-27.2%	3.7%	-3.6%	16.3%
Mar-18	19.4%	-21.3%	-9.3%	3.2%	-30.7%	-1.7%	-3.2%	16.2%
Feb-18	20.4%	-22.4%	-8.0%	4.3%	-32.9%	-0.1%	-21.1%	12.1%
Jan-18	18.7%	-25.9%	-6.2%	4.5%	-28.6%	5.8%	-19.2%	12.9%
Dec-17	16.9%	-29.7%	-4.0%	4.8%	-24.0%	11.9%	-17.3%	13.7%
Nov-17	16.8%	-29.7%	-1.1%	6.2%	-25.6%	11.9%	-20.6%	22.2%
Sep-17	13.1%	-32.1%	1.1%	8.1%	-24.0%	13.4%	-18.4%	28.6%
Aug-17	16.9%	-32.3%	-0.3%	14.9%	-19.8%	13.3%	-19.6%	9.5%
Jul-17	18.8%	-37.3%	16.5%	12.6%	-19.8%	13.3%	-15.5%	11.1%

Source: STRH Research, TAP

Est exposure to LA market									
	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
LA	8%	1%	6%	9%	15%	0%	0%	5%	9%
Rank	4	7	5	2	1	8	8	6	2
Note: Est. exposures include surrounding areas									
Source: STRH Research, Company data									

NYC: Following an approx. +6% 1Q, NYC should see a positive RevPAR growth result for 2018. As 1Q was helped by weather and holiday comps, we do not see the rest of the year as strong as 1Q but still see it slightly positive nonetheless. Besides the previously discussed FX tailwind, helping NYC are new regulations on short-term rentals (Airbnb) which may take some of the new "shadow supply" pressure away.

- A major headwind to same store RevPAR growth in NYC remains several years of compounded 4-6% new supply growth. Per Lodging Econometrics, city-wide new room supply grew 5.1% in 2016, 4.9% in 2017, and is expected to grow 6.8% in 2018, 6.0% in 2019, and 3.5% in 2020. Even if some of these expected new hotels never open, it is difficult to envision that NYC will not have continued pressure from above-average supply over the next several years.

Est exposure to NYC market

	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
NYC	5%	10%	9%	9%	0%	7%	0%	5%	4%
Rank	5	1	2	2	8	4	8	5	7

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

San Francisco: 1Q18 was the last quarter of Moscone-driven weakness. Specifically, March 2018 was the month where SF turned the corner.

3Q: Well above average
4Q: Above average (we are getting mixed reads on this quarter from our various sources, though intuition tells us that 4Q should be strong).
2019: Well above average

Group/convention outlook for San Francisco

Pace as of	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Apr-18	-18.7%	27.5%	61.7%	-18.1%	97.8%	56.1%	8.7%	79.7%
Mar-18	-19.0%	29.1%	66.1%	-17.6%	106.6%	54.8%	17.2%	80.1%
Feb-18	-18.9%	30.3%	66.7%	-19.6%	109.1%	55.0%	29.2%	82.7%
Jan-18	-21.2%	28.0%	67.6%	-11.7%	108.8%	51.4%	35.9%	63.8%
Dec-17	-23.7%	25.5%	68.5%	-3.7%	108.6%	47.7%	43.3%	48.5%
Nov-17	-25.0%	10.1%	78.0%	-3.9%	113.2%	47.2%	49.8%	48.2%
Sep-17	-21.9%	37.3%	77.6%	2.3%	121.8%	40.9%	49.1%	64.1%
Aug-17	-17.9%	50.7%	69.4%	6.3%	124.1%	42.5%	49.1%	67.5%
Jul-17	-15.2%	51.4%	70.0%	9.0%	126.0%	49.5%	50.5%	66.1%

Source: STRH Research, TAP

Est exposure to SF market	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
San Francisco	23%	1%	10%	15%	25%	12%	0%	11%	8%
Rank	2	8	6	3	1	4	9	5	7
Note: Est. exposures include surrounding areas									
Source: STRH Research, Company data									

Washington DC:

3Q: Well below average
4Q: Well below average
2019: Below average

Group/convention outlook for Washington, D.C.								
Pace as of	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Apr-18	-22.5%	20.9%	-29.7%	-31.3%	23.0%	-32.1%	33.6%	-8.1%
Mar-18	-21.3%	26.9%	-27.7%	-18.1%	28.9%	-32.0%	27.4%	-8.1%
Feb-18	-21.0%	24.7%	-24.2%	-18.8%	32.0%	-31.7%	28.7%	-7.9%
Jan-18	-24.2%	27.4%	-32.3%	-19.6%	34.4%	-33.9%	29.3%	-8.7%
Dec-17	-27.7%	30.4%	-41.0%	-20.6%	37.1%	-36.1%	30.0%	-9.6%
Nov-17	-27.2%	31.3%	-40.9%	-20.0%	37.1%	-35.3%	30.5%	-9.6%
Sep-17	-26.5%	29.4%	-45.7%	-17.6%	36.7%	-36.4%	7.0%	-6.0%
Aug-17	-26.4%	29.5%	-50.0%	-18.2%	37.7%	-35.7%	10.1%	-4.7%
Jul-17	-26.0%	28.3%	-46.2%	-18.8%	33.7%	-35.4%	9.7%	-4.7%

Source: STRH Research, TAP

Est exposure to DC market	CHSP	DRH	HST	LHO	PEB	PK	RHP	RLJ	SHO
DC	3%	5%	10%	14%	3%	3%	21%	5%	12%
Rank	7	5	4	2	7	7	1	5	3
Note: Est. exposures include surrounding areas									
Source: STRH Research, Company data									

Current expectations for Top 25 Market new supply:

Supply By Top 25 Markets (Sorted by Pipeline Rooms Growth as % of Census) As of 2Q18						
	Census Rank	YE 2016 Growth Rate	YE 2017 Growth Rate	2018F Growth Rate	2019F Growth Rate	2020F Growth Rate
Nashville	24	3.7%	4.3%	8.1%	6.9%	6.6%
New York City	4	5.1%	4.9%	6.8%	6.0%	3.5%
Seattle	19	2.3%	4.3%	5.5%	5.2%	5.3%
Denver	16	2.6%	5.6%	6.1%	4.1%	4.8%
Miami	14	4.2%	3.4%	3.4%	3.7%	3.9%
Dallas	8	3.2%	5.8%	4.4%	3.5%	5.2%
Houston	9	6.9%	4.0%	3.7%	4.3%	3.0%
Boston	13	4.3%	3.1%	4.5%	3.6%	1.4%
Detroit	21	2.3%	3.1%	3.4%	3.8%	4.6%
Los Angeles	6	1.0%	4.2%	2.0%	3.0%	3.7%
Philadelphia	18	1.5%	3.2%	2.7%	2.7%	2.0%
Minneapolis	23	6.0%	1.8%	3.7%	4.0%	3.0%
Anaheim	12	3.3%	1.9%	1.2%	2.1%	4.6%
Atlanta	7	1.4%	1.7%	2.9%	2.4%	2.8%
Orlando	2	1.8%	0.8%	1.1%	1.2%	2.7%
Phoenix	10	1.6%	2.8%	1.4%	2.5%	3.8%
San Francisco	15	0.1%	1.8%	2.5%	0.9%	0.8%
San Diego	11	1.7%	1.3%	2.3%	2.6%	0.9%
Tampa	17	1.5%	4.0%	2.2%	2.0%	2.5%
Washington, D.C.	5	2.0%	2.0%	1.9%	1.1%	1.8%
Saint Louis	28	1.3%	2.1%	1.6%	1.8%	2.6%
San Antonio	20	1.9%	1.4%	2.3%	1.9%	2.7%
Chicago	3	2.5%	2.3%	1.6%	2.5%	1.1%
Norfolk	26	0.0%	1.2%	0.0%	2.0%	0.0%
Oahu Island	36	1.3%	0.6%	0.0%	0.0%	0.6%
Total Top 25 Markets		**2.6%**	**2.9%**	**3.0%**	**3.0%**	**2.9%**

Source: Lodging Econometrics, STRH Research

Notes: The largest market in the U.S., Las Vegas, is not included in this chart due to its casino orientation. 2018-2020 are forecasts.

RevPAR Guidance (3Q18 and FY 18)			
C-Corps	**3Q18**	**FY 18**	*Notes*
CHH	+0-1.5%	+1.5-3.0%	*Domestic RevPAR ex-WoodSpring*
H		+3-4%	*Comparable systemwide*
HLT	+2.5-3.0%	+3-4%	*Systemwide*
		+2.5-3.5%	*US*
		Mid-single digits (+)	*Americas ex-US*
		Mid-single digits (+)	*Europe*
		Within system-wide guidance range	*Middle East/Africa*
		High single digits (+) with China +12-13%	*Asia Pacific*
MAR	+2.5-3.0%	+3-4%	*Worldwide*
	+1.5-2.0%	+2-3%	*North America*
	+5-6%	+5-6%	*International*
	High-single digit (+)	High-single digit (+)	*Asia Pacific*
	Mid-single digit (+)	Mid-single digit (+)	*Caribbean & Latin America*
	Mid-single digit (+)	Mid-single digit (+)	*Europe*
	Mid-single digit (+)	Flattish	*Middle East/Africa*
WH		Approx. +3%	*Ex-La Quinta and sale of Knights Inn*
		+7-8%	*Total portfolio*
REITS			
CHSP	+3-5%	+3-5%	
DRH		+1.5-2.5%	
HST		+1.75-2.5%	
LHO		-1.0% to -0.5%	
PK		+2-3%	
RHP		+2.5-4.0%	*Hospitality RevPAR*
RLJ		-0.5% to +1.0%	
SHO	+1.25-3.25%	+0.5-2.5%	

Source: Company reports and conference calls

Companies Mentioned in This Note
Choice Hotels International, Inc. (CHH, $77.60, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, $32.64, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $11.89, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $78.38, Hold, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $77.47, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $21.40, Hold, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, $35.17, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $124.68, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, $33.36, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $86.68, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $22.15, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, $16.57, Hold, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $56.63, Buy, C. Patrick Scholes)
Airbnb (Private)
InterContinental Hotels Group (IHG, $62.63, NR)

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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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