

CONSUMER: Lodging

C. Patrick Scholes

212-319-3915
Patrick.Scholes@truist.com

Gregory J. Miller

212-303-4198
Gregory.J.Miller@truist.com

Barry Jonas

212-590-0998
Barry.Jonas@truist.com

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +12.1% y/y last week, +7.7% vs. 2019. About a month left of easy y/y Omicron comps.

Overall U.S. RevPAR was +12.1% y/y for the week ending 3/4/2023, per STR, up from the prior week's result of +11.8% y/y. Versus 2019, RevPAR was +7.7%.

Last week's results were up against clean comps. Easy y/y Omicron comps continue to burn off, as last week's y/y RevPAR of +12.1% compares against the 10-week trailing average of +20.0%. RevPAR performance vs. 2019 continues to be driven by ADR growth (+14.1%) as occupancy (-5.6%) is still negative. This negative occupancy is also most noticeable in business travel centric full-service chain scales (occupancy vs. 2019 for Upper Upscale -10.5%, Upscale -6.5%.)

Major RevPAR statistics presented below:

- Luxury RevPAR: +7.7% y/y and +6.8% versus 2019;
- Upper Upscale RevPAR: +23.3% y/y and -1.8% versus 2019;
- Upscale RevPAR: +15.9% y/y and +0.4% versus 2019;
- Upper Midscale RevPAR: +9.5% y/y and +7.5% versus 2019;
- Midscale RevPAR: +3.0% y/y and +10.4% versus 2019;
- Economy RevPAR: -0.6% y/y and +8.0% versus 2019;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +8.5% y/y and +15.5% versus 2019; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +36.3% y/y vs. +39.2% prior week; versus 2019: +2.2% vs -8.5% prior week.
 - Transient: +7.5% y/y vs. +6.4% prior week; versus 2019: +8.3% vs +43.1% prior week.
- Las Vegas RevPAR: +46.0% y/y and +54.3% versus 2019.
 - **As a caveat, we note that many large Strip casino hotel operators do not participate in STR's survey.**

Last week's RevPAR details and sequential trends (all comparable information on new STR methodology):

- Headline RevPAR was +12.1% y/y vs. the running 28-day average of +13.8% y/y.
- **Occupancy:** Absolute occupancy was 62.8% vs. 61.4% for the running 28-day average.
- **Absolute Group occupancy:** 23.0% last week vs. 21.0% for the running 28 days.

We see a mixed bag for demand/pricing/supply trends for the lodging companies at the moment. Similar to the past year in lodging (and many other) stocks, we see “macro over micro” at the moment. We see the main driver/wildcard coming from the economic impact from interest rates and inflation (and perhaps more importantly investor sentiment around these). While the risks from COVID are not zero (e.g. China reopening impact to the worldwide economy and outbound Chinese travel), we believe COVID issues are now secondary to macroeconomic considerations for most investors and for public company executives. We see **Hyatt (Buy)** as the relative outperformer in our lodging coverage universe for a host of reasons, including continued Caribbean/leisure outperformance and upcoming accretive asset sales. Leisure travel demand and pricing continues to show significant strength in 2023, a positive read-through for all-inclusive resorts (Buy-rated **PLYA, H**) and Vacation Ownership (Buy-rated **BVH, HGV, TNL, VAC**), and Wellness (**OSW**, Buy, Miller). While we have three Buy-rated Lodging REITS, (**PK, RLJ [Miller], RHP**), we have a neutral to cautious view on our broader Lodging REIT sector coverage, with Hold-rated **DRH, HST, PEB (Miller), and SHO**, a view driven by potential downside pressures on revenues and particularly on operating profit margins.

Not for Investment Purposes

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$33.94, Buy, C. Patrick Scholes)
The Walt Disney Company (DIS, \$99.06, Buy, Matthew Thornton)
DiamondRock Hospitality Company (DRH, \$8.71, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$121.37, Buy, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$49.14, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$146.99, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$16.92, Hold, C. Patrick Scholes)
OneSpaWorld Holdings Limited (OSW, \$11.29, Buy, Gregory Miller)
Pebblebrook Hotel Trust (PEB, \$14.79, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$13.88, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$9.38, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$94.96, Buy, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$11.36, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$10.38, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$42.18, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$153.33, Buy, C. Patrick Scholes)

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