

CONSUMER: Lodging

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Reasons for this report

- ✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +5.8% y/y last week, +41.9% vs. 2019. Strong group drove Upscale/Upper Upscale strength

Overall U.S. RevPAR was +5.8% y/y for the week ending 12/16/2023, per STR, above the prior week's result of +3.3%, and above the trailing 10-week average of +2.5%. Versus 2019, RevPAR was +41.9%, above the prior week's result of +17.0%, and above the trailing 10-week average of +19.2%.

Last week's lodging results were ADR-led from urban markets, particularly late-in-the-year Group demand. San Francisco (RevPAR +59% y/y) benefited from the American Geophysical Union conference. Las Vegas also had strong results throughout the week including from the UFC bout on Saturday the 16th, even though Las Vegas Group RevPAR was -21% y/y last week.

Also driving outperformance for Upscale and Upper Upscale was the later start to Christmas holiday travel versus the 2019 and 2022 comparisons, where last week's workweek ended on 12/15 versus 12/16/22 and 12/20/19. Effectively, there is one full additional work week in the 2023 calendar as compared to the more holiday-impacted weeks in 2019 and 2022.

As examples to the ADR variance across the U.S. lodging industry last week, the U.S. industry average was +4.7% with Independents +7%, Upper Upscale and Upscale +4%, and the more leisure/non-Top 25 market Luxury/Midscale/Economy chain scales flat to down 1%. Urban ADR was +6% versus Resort of +2%.

One anomaly of note is Luxury Class RevPAR (which includes Luxury independents) was +9% y/y last week versus Luxury Chain Scale RevPAR of +2%. The independent hotels contributed to material outperformance on Luxury Class occupancy (+8%) versus Chain Scale of +3%. When we see these variations, we assume that there was stronger demand to Top 25 markets with many independent hotels (e.g. NYC) and/or particular Resort outperformance. For last week given our review of the STR data, we lean more towards the former than the latter and suggest Urban leisure and group demand were tailwinds.

Major RevPAR statistics presented below:

- Luxury RevPAR: +1.8% y/y and +34.5% versus 2019;
- Upper Upscale RevPAR: +9.0% y/y and +46.5% versus 2019;
- Upscale RevPAR: +6.7% y/y and +40.0% versus 2019;
- Upper Midscale RevPAR: +2.5% y/y and +34.9% versus 2019;
- Midscale RevPAR: -0.6% y/y and +28.1% versus 2019;
- Economy RevPAR: -5.4% y/y and +18.3% versus 2019;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +8.5% y/y and +46.8% versus 2019; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +12.8% y/y vs. +5.1% prior week; versus 2019: +161.6% vs +19.7% prior week.
 - Transient: +7.5% y/y vs. +4.2% prior week; versus 2019: +34.4% vs +16.6% prior week.
- Las Vegas RevPAR: +54.1% y/y and +151.3% 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 +5.8% y/y vs. the running 28-day average of +2.1% y/y.

- **Occupancy:** Absolute occupancy was 54.7% vs. 54.2% for the running 28-day average.
- **Absolute Group occupancy:** 13.4% last week vs. 14.3% for the running 28 days.

The lodging stocks: Overall, we continue to summarize our view on the lodging sector at the moment as one of “relative optimism,” *though more so for the global C-Corps and less so for the hotel REITS.*

- **Of the lodging stocks our favorite name continues to be Hyatt Hotels Corp. (H, Buy), which we see having several idiosyncratic catalysts.** Hyatt is a beneficiary of group strength primarily through its legacy portfolio but also to an extent due to the acquired Apple Leisure Group, the recovery of international higher-rated travel, and particular strength in leisure demand to the Caribbean and Europe, a continued push to asset-light, a leading global rooms pipeline, and improved FCF story. Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric Apple Leisure Group business.
- **For the hotel REITS, our favorite name is RHP (Buy).** With 75% of its business coming from groups/conventions, Ryman Hospitality Properties has the greatest exposure to this customer segment and has no hotels located in the especially tech-heavy San Francisco area. We add that RHP’s hotels are likely benefiting from several “self-help” factors including having properties in better condition than some other big box comparables and convention centers as well as what has proven to be a smart strategy of maintaining their property-level salesforce during the peak of the pandemic.

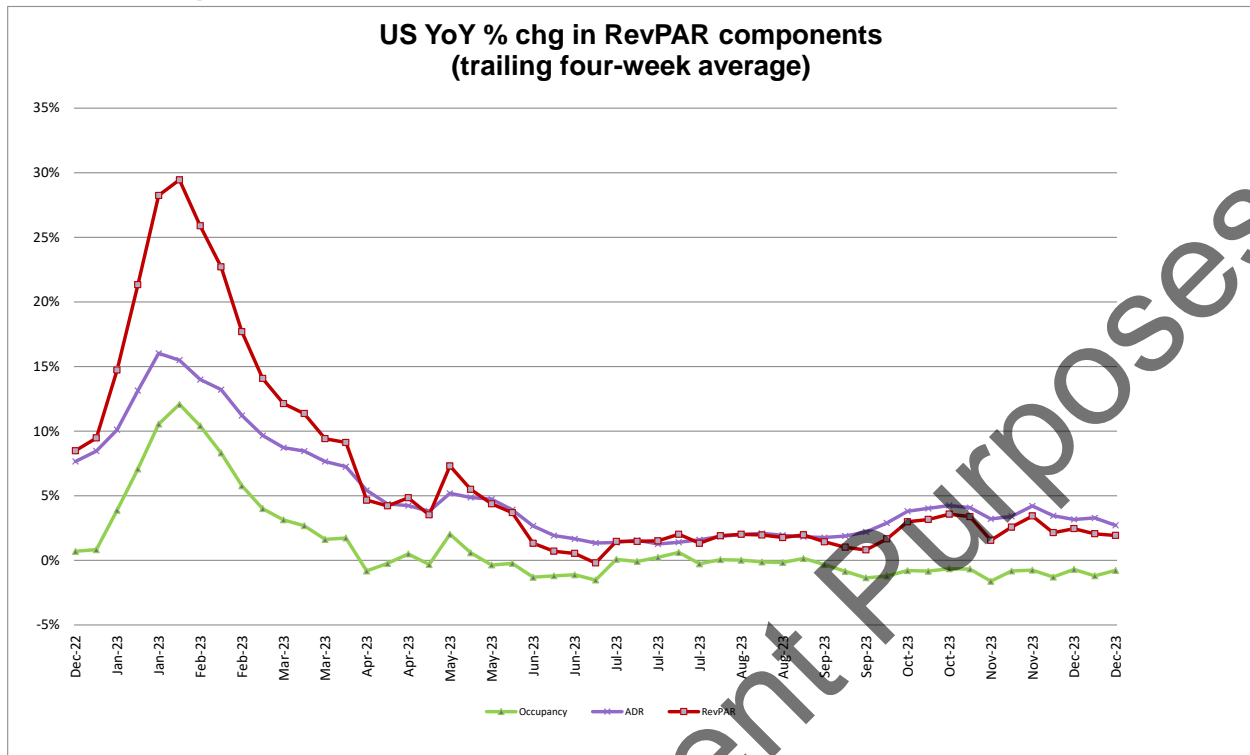
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Weekly RevPAR Summary

YoY % change in RevPAR														
U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Independent	New York	Boston	LA	Chicago	DC		
9/23/2023	1.2%	-0.5%	2.7%	4.2%	1.8%	-1.1%	-4.0%	-1.5%	17.6%	13.0%	-4.5%	8.9%	11.8%	
9/30/2023	5.4%	5.3%	9.7%	6.8%	2.7%	-0.9%	-4.9%	5.6%	17.3%	3.8%	3.0%	-3.6%	20.3%	
10/7/2023	5.2%	8.2%	13.2%	6.9%	0.9%	-2.2%	-4.3%	3.1%	22.3%	23.1%	8.9%	23.0%	15.3%	
10/14/2023	0.8%	-7.0%	2.0%	1.8%	0.5%	-1.0%	-3.2%	1.4%	7.3%	18.5%	1.6%	2.3%	-14.8%	
10/21/2023	2.9%	-2.2%	3.9%	4.8%	1.8%	-0.6%	-3.0%	3.3%	8.5%	8.6%	1.5%	5.7%	6.5%	
10/28/2023	4.6%	3.3%	6.0%	6.7%	3.7%	-0.2%	-3.7%	3.9%	18.1%	20.0%	1.9%	-11.4%	20.5%	
11/4/2023	-2.1%	-7.7%	-3.0%	-1.1%	-1.1%	-2.7%	-3.2%	-2.4%	6.4%	6.0%	0.1%	-12.1%	9.4%	
11/11/2023	4.9%	5.6%	8.6%	6.5%	2.6%	-1.9%	-4.3%	3.9%	15.7%	18.2%	2.7%	11.5%	16.9%	
11/18/2023	6.3%	6.3%	8.6%	5.5%	2.5%	-1.6%	-4.4%	10.0%	12.5%	22.8%	-6.8%	4.8%	19.0%	
11/25/2023	-0.6%	-2.1%	0.7%	-0.4%	-1.7%	-0.5%	-5.9%	0.3%	15.3%	7.3%	-5.0%	-0.6%	1.2%	
12/2/2023	-0.8%	-9.8%	1.8%	1.0%	-1.1%	-3.5%	-5.9%	-1.2%	17.2%	0.2%	6.8%	1.9%	3.4%	
12/9/2023	3.3%	3.6%	5.0%	4.4%	1.0%	-1.4%	-3.7%	3.1%	10.7%	29.3%	-3.1%	2.9%	3.3%	
12/16/2023	5.8%	1.8%	9.0%	6.7%	2.5%	-0.6%	-5.4%	8.5%	25.7%	17.8%	-2.9%	-13.5%	-6.7%	
Strong group drove Upscale/Upper Upscale				Upper Upscale and Independent led the industry				NYC and BOS led the Top 5 markets						
1Q19	1.5%	-0.7%	1.2%	-0.5%	0.4%	-0.1%	1.9%	3.1%	-7.1%	-2.1%	-1.7%	-4.5%	-2.4%	
2Q19	1.1%	1.1%	0.5%	-0.4%	0.0%	-0.7%	1.7%	2.4%	-1.8%	4.5%	1.6%	-0.1%	-1.5%	
3Q19	0.7%	1.3%	1.1%	-0.5%	-0.1%	-1.0%	-0.9%	1.6%	-2.2%	-0.4%	-0.2%	-2.2%	4.5%	
4Q19	0.7%	3.6%	1.0%	-0.6%	-1.0%	-2.7%	-1.5%	2.3%	-4.1%	-11.6%	1.1%	-0.7%	5.2%	
1Q22	67.2%	112.3%	127.2%	69.7%	51.0%	38.2%	24.3%	58.3%	97.1%	137.1%	115.2%	85.1%	58.1%	
2Q22	38.8%	70.2%	82.9%	46.8%	26.2%	15.4%	8.8%	27.7%	141.2%	172.1%	51.0%	109.5%	145.7%	
3Q22	16.6%	27.7%	36.6%	22.5%	10.8%	3.5%	0.0%	11.3%	67.4%	59.9%	21.4%	48.1%	54.6%	
4Q22	16.3%	19.7%	30.1%	20.5%	11.7%	5.1%	1.4%	12.3%	50.8%	35.8%	11.4%	37.3%	53.2%	
1Q23	16.7%	16.0%	29.8%	20.4%	13.4%	4.8%	0.8%	12.9%	46.6%	35.0%	11.6%	26.6%	56.7%	
2Q23	2.5%	-2.3%	5.1%	5.8%	3.8%	-0.4%	-3.8%	-0.6%	13.3%	11.2%	1.2%	12.1%	17.4%	
3Q23	1.7%	0.1%	3.9%	3.7%	1.7%	-1.0%	-3.5%	0.2%	16.4%	8.0%	1.2%	-1.9%	15.5%	
YoY % change in ADR														
U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Independent	New York	Boston	LA	Chicago	DC		
9/23/2023	2.9%	0.5%	1.9%	3.2%	3.0%	1.0%	0.3%	2.7%	16.5%	7.5%	-1.5%	2.8%	7.8%	
9/30/2023	4.6%	-2.1%	3.5%	3.5%	2.8%	0.6%	-0.7%	6.2%	13.7%	2.2%	0.5%	-3.7%	10.9%	
10/7/2023	5.4%	0.1%	6.0%	5.2%	3.1%	0.4%	-0.4%	5.0%	13.9%	13.1%	2.4%	10.7%	9.9%	
10/14/2023	3.2%	-3.8%	2.5%	3.6%	3.1%	1.5%	0.6%	4.5%	8.3%	13.3%	-0.4%	4.1%	-7.5%	
10/21/2023	3.8%	-1.8%	2.9%	3.7%	2.9%	0.8%	-0.4%	5.7%	8.0%	5.9%	-0.1%	0.9%	4.9%	
10/28/2023	3.9%	-0.2%	2.6%	3.6%	2.9%	0.5%	-0.7%	5.0%	12.7%	11.5%	0.4%	-9.7%	11.6%	
11/4/2023	2.0%	-2.5%	1.4%	2.4%	2.7%	0.5%	0.2%	2.8%	5.0%	0.4%	0.1%	-6.1%	5.6%	
11/11/2023	4.0%	-0.8%	3.2%	3.4%	2.4%	0.4%	-0.8%	4.6%	8.8%	9.9%	0.6%	6.0%	8.9%	
11/18/2023	7.0%	4.0%	5.5%	3.9%	2.8%	-0.2%	-0.7%	14.1%	7.7%	10.6%	-4.0%	2.2%	10.4%	
11/25/2023	0.9%	-5.1%	-0.2%	0.0%	0.0%	-1.7%	-1.9%	2.4%	7.2%	1.6%	-3.4%	-1.2%	0.9%	
12/2/2023	0.8%	-9.2%	0.3%	1.4%	1.0%	-1.3%	-2.1%	2.0%	9.8%	-0.6%	2.1%	1.6%	0.8%	
12/9/2023	4.5%	4.6%	4.5%	4.1%	2.5%	0.1%	-1.2%	5.8%	11.4%	13.4%	-1.8%	1.6%	1.7%	
12/16/2023	4.7%	-1.2%	4.2%	4.0%	2.4%	0.2%	-0.6%	6.9%	16.2%	5.0%	-0.9%	-3.7%	-6.1%	
1Q19	1.1%	2.2%	2.5%	1.0%	0.8%	-0.2%	-0.3%	1.9%	-3.8%	0.7%	-1.0%	-2.4%	1.5%	
2Q19	1.2%	2.5%	1.4%	0.6%	0.7%	-0.2%	0.6%	1.7%	-1.0%	3.2%	0.8%	-1.7%	0.2%	
3Q19	0.8%	1.5%	1.3%	0.2%	-0.1%	-0.5%	-0.6%	1.6%	-1.9%	0.9%	-0.2%	-2.8%	4.0%	
4Q19	0.7%	2.4%	0.8%	-0.4%	-0.3%	-1.0%	-1.8%	3.0%	-3.7%	-5.5%	0.3%	-2.2%	3.3%	
1Q20	-4.0%	1.6%	-1.4%	-2.9%	-3.1%	-3.8%	-2.3%	-3.8%	-8.6%	-6.2%	-1.7%	-2.6%	-6.8%	
2Q20	-37.1%	-22.0%	-34.0%	-30.0%	-23.1%	-17.1%	-14.6%	-14.8%	-52.3%	-56.9%	-40.5%	-53.7%	-48.8%	
3Q20	-24.1%	-12.6%	-25.6%	-24.2%	-17.3%	-11.6%	-9.4%	-16.1%	-47.7%	-47.3%	-31.6%	-43.2%	-34.5%	
4Q20	-27.2%	-11.1%	-29.0%	-26.9%	-17.8%	-10.4%	-5.9%	-20.9%	-54.1%	-45.5%	-29.2%	-44.8%	-40.7%	
1Q21	-19.6%	3.4%	-23.4%	-23.0%	-14.2%	-6.3%	-1.5%	-12.1%	-28.3%	-32.7%	-29.7%	-25.7%	-27.9%	
2Q21	43.2%	37.8%	30.6%	21.3%	23.1%	20.4%	15.6%	52.6%	33.5%	38.0%	42.5%	46.1%	23.1%	
3Q21	36.2%	31.8%	35.0%	29.7%	28.3%	23.5%	21.1%	32.8%	64.2%	57.7%	43.1%	59.6%	29.4%	
4Q21	41.5%	29.6%	41.9%	34.2%	28.5%	22.9%	18.8%	39.2%	99.6%	69.6%	46.1%	64.9%	41.8%	
1Q22	37.5%	21.0%	39.7%	34.1%	27.3%	20.5%	17.3%	34.0%	52.2%	50.5%	61.8%	41.1%	31.7%	
2Q22	26.2%	14.3%	29.0%	27.1%	18.9%	14.8%	11.8%	20.5%	69.0%	73.6%	32.9%	53.6%	60.6%	
3Q22	11.6%	6.7%	12.6%	13.3%	7.6%	5.9%	4.2%	8.9%	32.6%	30.0%	14.6%	25.4%	25.5%	
4Q22	12.0%	6.5%	12.6%	13.7%	8.7%	6.2%	4.5%	10.2%	28.0%	20.5%	8.4%	20.2%	27.9%	
1Q23	10.2%	-1.9%	8.4%	11.0%	8.1%	4.7%	3.8%	9.1%	13.4%	15.6%	3.8%	11.5%	24.4%	
2Q23	3.2%	-1.2%	2.5%	4.9%	3.5%	1.6%	0.9%	2.1%	9.6%	5.8%	2.5%	8.5%	11.6%	
3Q23	2.2%	-1.4%	1.3%	2.9%	2.2%	0.3%	0.0%	2.1%	9.8%	3.8%	0.2%	-2.1%	6.2%	
YoY % change in Occupancy														
U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Independent	New York	Boston	LA	Chicago	DC		
9/23/2023	-1.6%	-1.0%	0.8%	1.0%	-1.1%	-2.1%	-4.3%	-4.1%	0.9%	5.0%	-3.0%	5.9%	8.5%	
9/30/2023	0.8%	7.5%	6.0%	3.2%	-0.1%	-1.5%	-4.2%	-0.6%	3.2%	1.5%	2.5%	0.1%	8.5%	
10/7/2023	-0.2%	8.1%	6.7%	1.7%	-2.1%	-2.5%	-4.0%	-1.8%	7.4%	8.8%	6.3%	11.2%	4.9%	
10/14/2023	-2.3%	-3.4%	-0.8%	-1.7%	-2.5%	-2.4%	-3.8%	-3.0%	-0.9%	4.5%	2.1%	-1.8%	-7.9%	
10/21/2023	-0.8%	0.4%	1.0%	1.0%	-1.1%	-1.4%	-2.6%	-2.3%	0.4%	2.6%	1.6%	4.8%	1.5%	
10/28/2023	0.7%	3.5%	3.3%	3.0%	0.8%	-0.7%	-3.1%	-1.1%	4.8%	7.7%	1.5%	-1.8%	7.9%	
11/4/2023	-4.0%	-5.3%	-4.3%	-3.5%	-3.7%	-3.2%	-3.4%	-5.0%	1.4%	5.5%	0.0%	-6.5%	3.6%	
11/11/2023	0.8%	6.4%	5.2%	3.0%	0.2%	-2.4%	-3.5%	-0.7%	6.3%	7.5%	2.1%	5.2%	7.3%	
11/18/2023	-0.6%	2.2%	3.0%	1.5%	-0.3%	-1.4%	-3.7%	-3.6%	4.4%	11.0%	-3.0%	2.6%	7.8%	
11/25/2023	-1.4%	3.2%	0.9%	-0.4%	-1.8%	-1.4%	-4.1%	-2.0%	7.6%	5.7%	-1.6%	0.6%	0.3%	
12/2/2023	-1.6%	-0.7%	1.5%	-0.3%	-2.0%	-2.2%	-3.8%	-3.2%	6.8%	0.7%	4.6%	0.2%	2.6%	
12/9/2023	-1.1%	-1.0%	0.4%	0.3%	-1.5%	-1.5%	-2.5%	-2.6%	-0.6%	14.1%	-1.3%	1.2%	1.6%	
12/16/2023	-0.5%	3.1%	4.6%	2.5%	0.1%	-0.8%	-4.8%	1.5%	8.1%	12.2%	-2.0%	-10.2%	-0.6%	
1Q19	0.4%	-2.8%	-1.3%	-1.4%	-0.5%	0.0%	2.3%	2.1%	-3.5%	-2.8%	-0.7%	-2.2%	-3.8%	
2Q19	-0.1%	-1.4%	-0.9%	-1.0%	-0.7%	-0.6%	1.1%	0.7%	-0.7%	1.3%	0.8%	1.7%	-1.7%	
3Q19	-0.1%	-0.2%	-0.2%	-0.7%	0.0%	-0.5%	-0.4%	0.0%	-0.3%	-1.4%	0.1%	0.6%	0.4%	
4Q19	-0.1%	1.2%	0.4%	-0.2%	-0.8%	-1.7%	-0.4%	0.4%	-0.4%	-6.5%	0.8%	1.5%	1.3%	
1Q22	56.2%	54.0%	53.2%	60.3%	59.4%	52.3%	55.5%	54.2%	29.5%	57.6%	33.0%	31.2%	20.1%	
2Q22	10.0%	48.8%	41.8%	15.5%	6.2%	0.5%	-2.6%	5.9%	42.7%	56.7%	13.7%	36.3%	53.0%	
3Q22	4.5%	19.7%	21.3%	8.1%	2.9%	-2.3%	-4.0%	2.2%	26.3%	23.0%	5.9%	18.1%	23.2%	
4Q22	3.8%	12.4%	15.5%	6.9%	2.7%	-1.1%	-2.9%	1.8%	17.8%	12.7%	7.6%	14.2%	19.8%	
1Q23	5.9%	18.3%	19.8%	8.5%	4.9%	0.1%	-2.9%	3.5%	29.3%	16.8%	7.5%	13.6%	25.9%	
2Q23	-0.7%	-1.0%	2.6%	1.4%	0.3%	-2.0%	-4.6%	-2.7%	3.3%	5.1%	-1.3%	3.3%	5.1%	
3Q23	-0.5%	1.5%	2.6%	1.4%	-0.5%	-1.3%	-3.5%	-1.8%	6.0%	4.1%	1.1%	0.3%	5.0%	

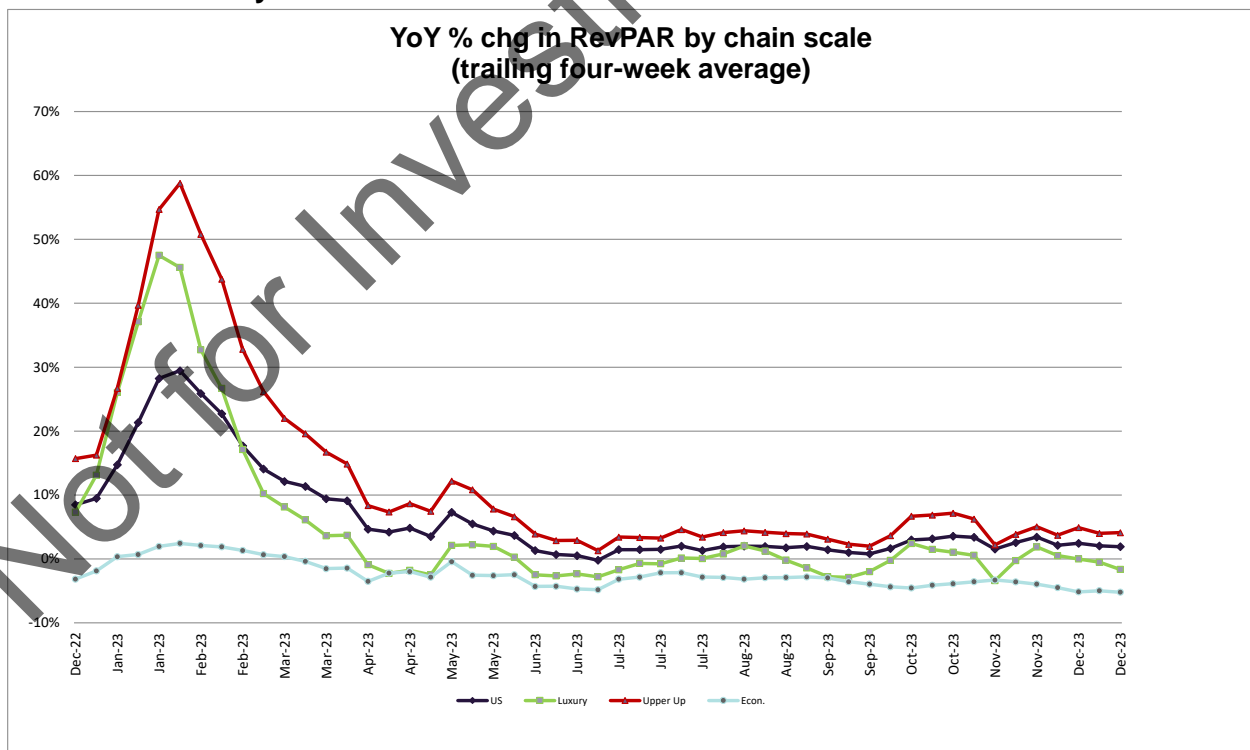
Source: STR data, Truist Securities research

RevPAR Component Trends



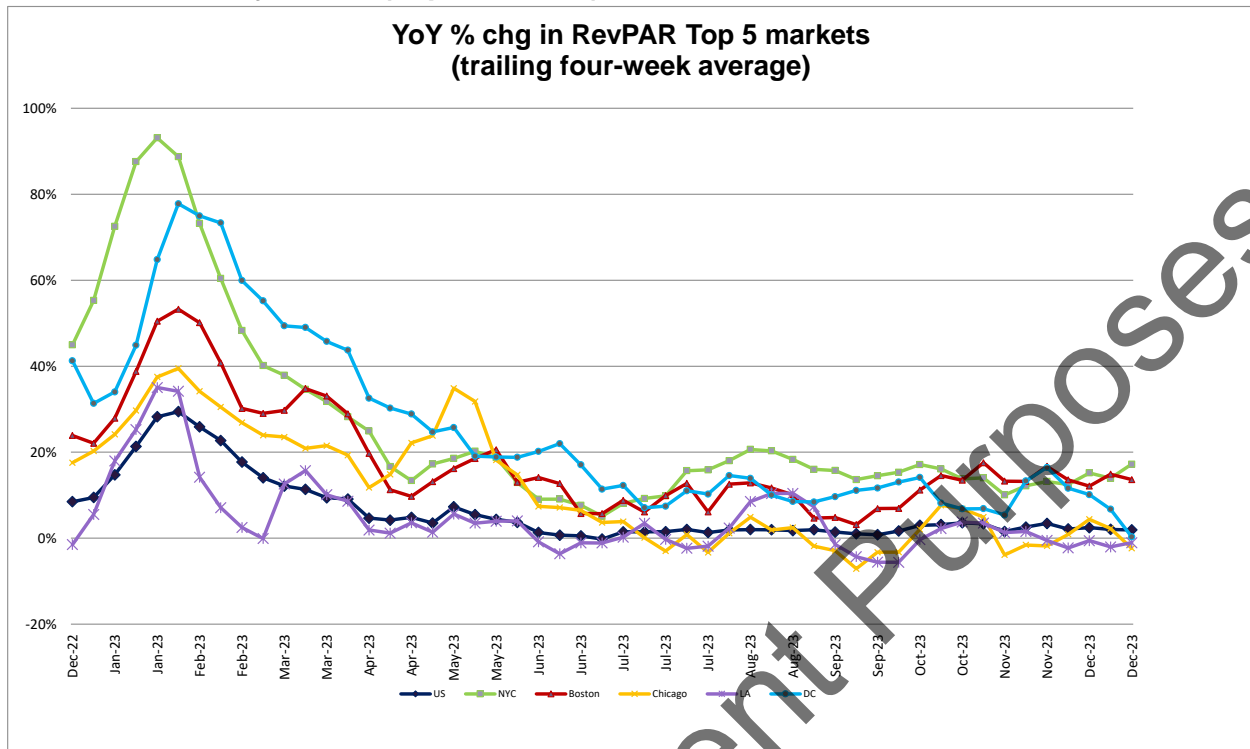
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



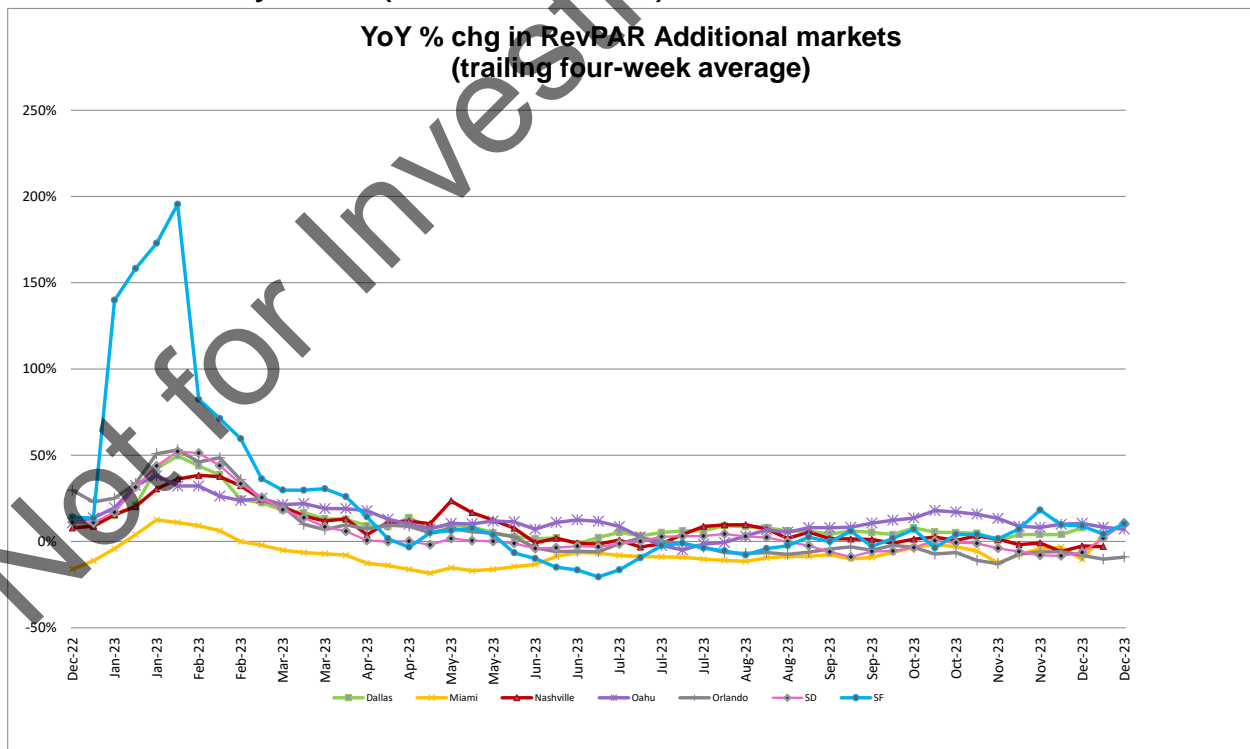
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



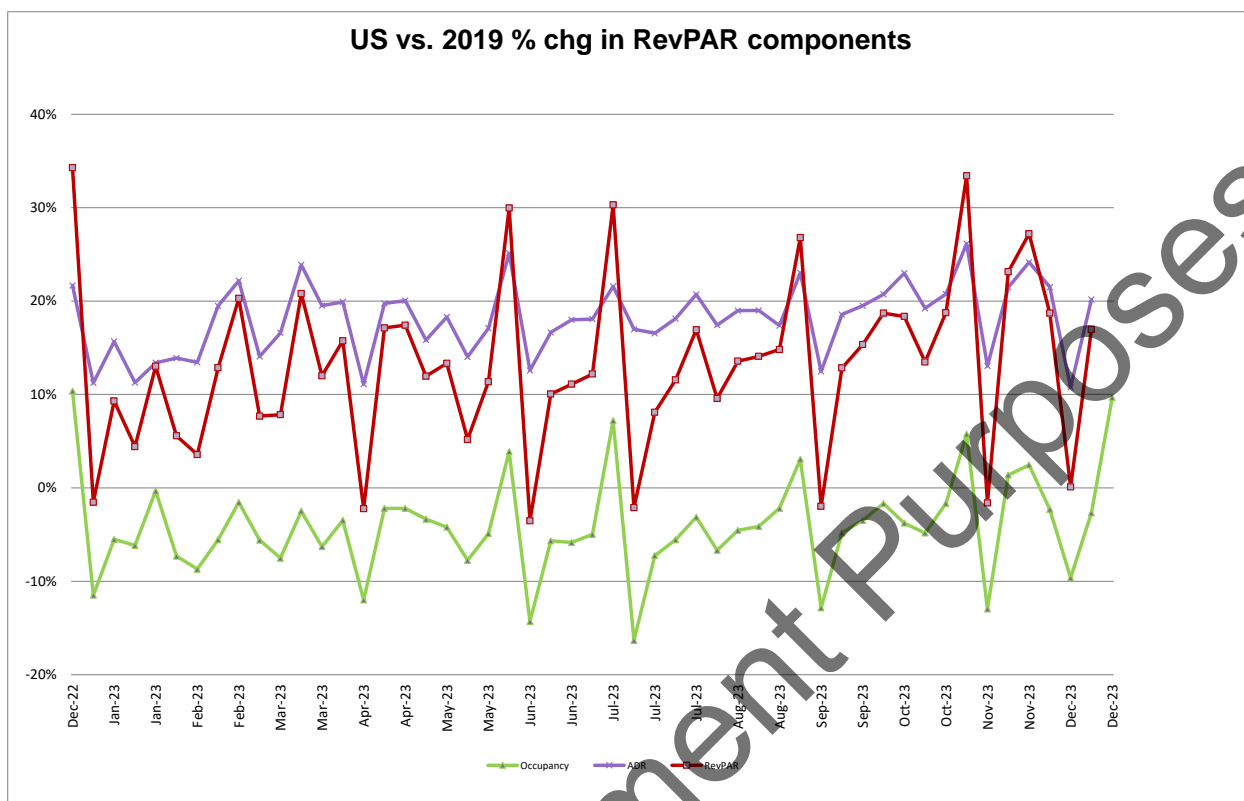
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



Source: STR data, Truist Securities research

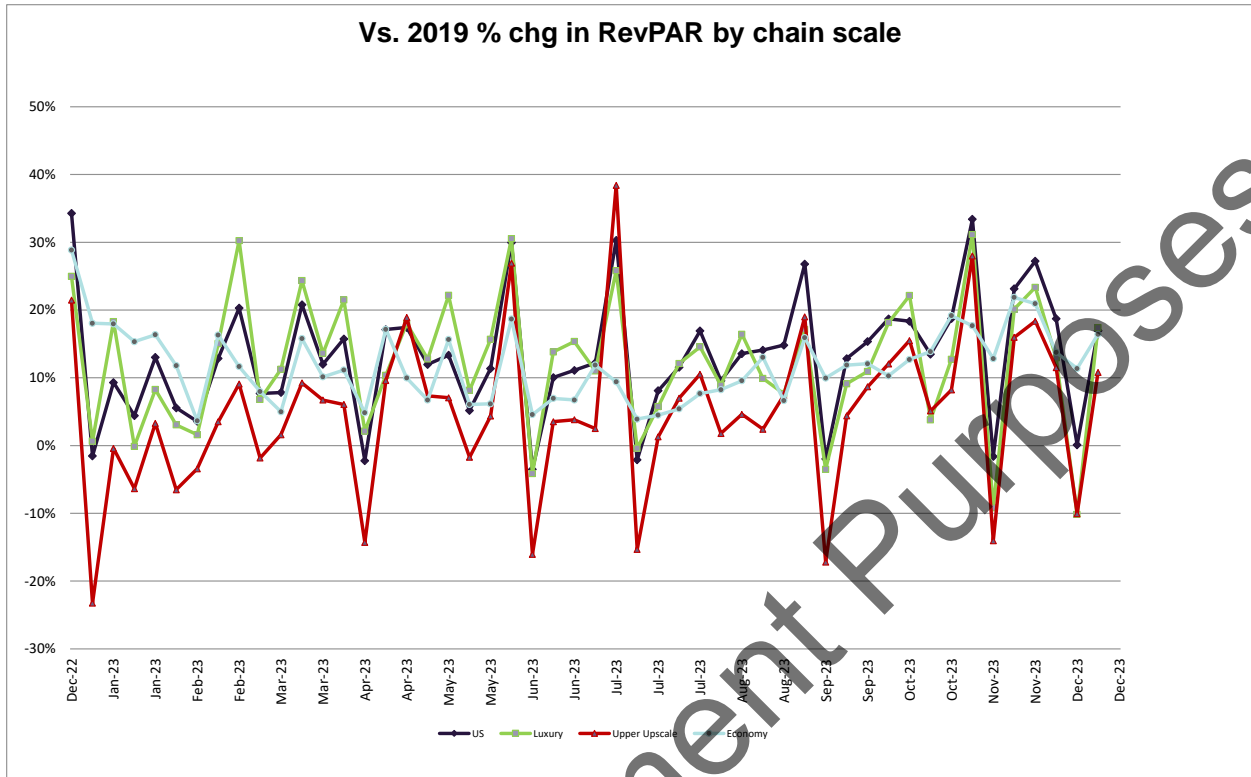
RevPAR Component Trends



Source: STR data, Truist Securities research

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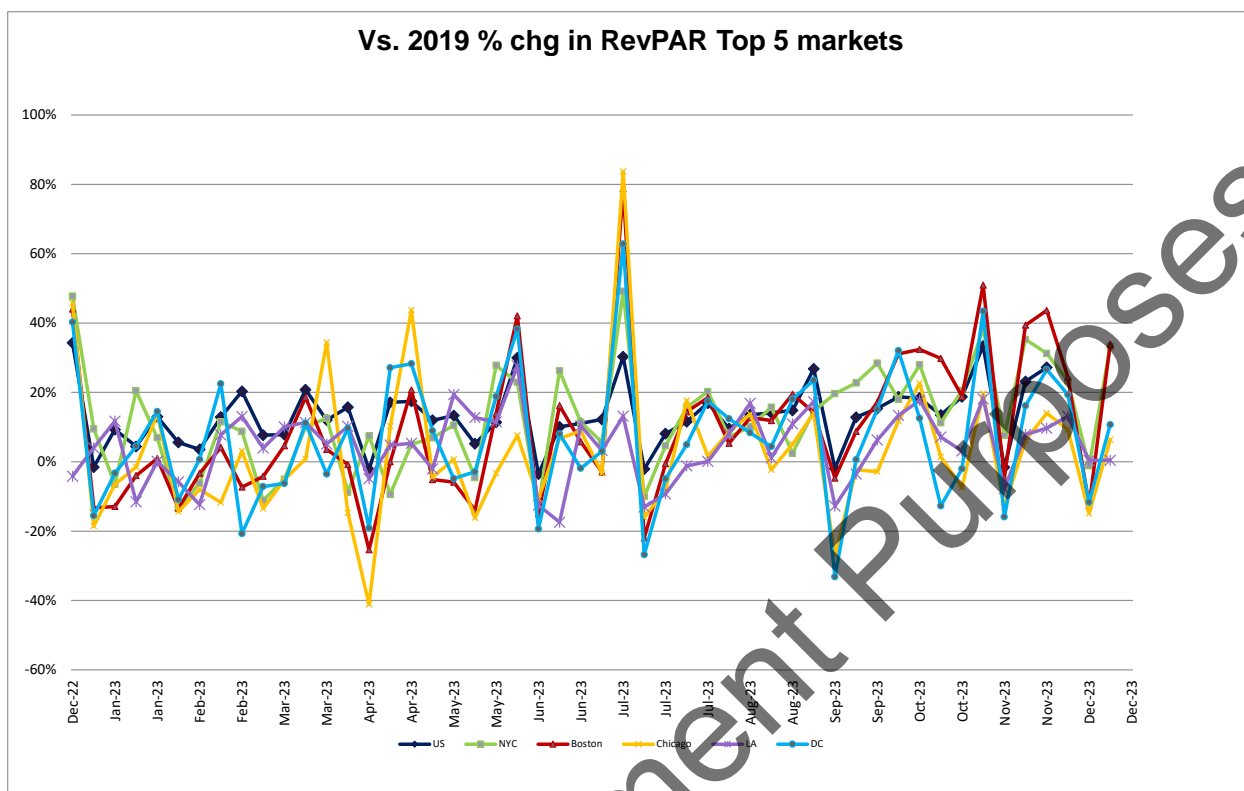
RevPAR Trends by Chain Scale



Source: STR data, Truist Securities research

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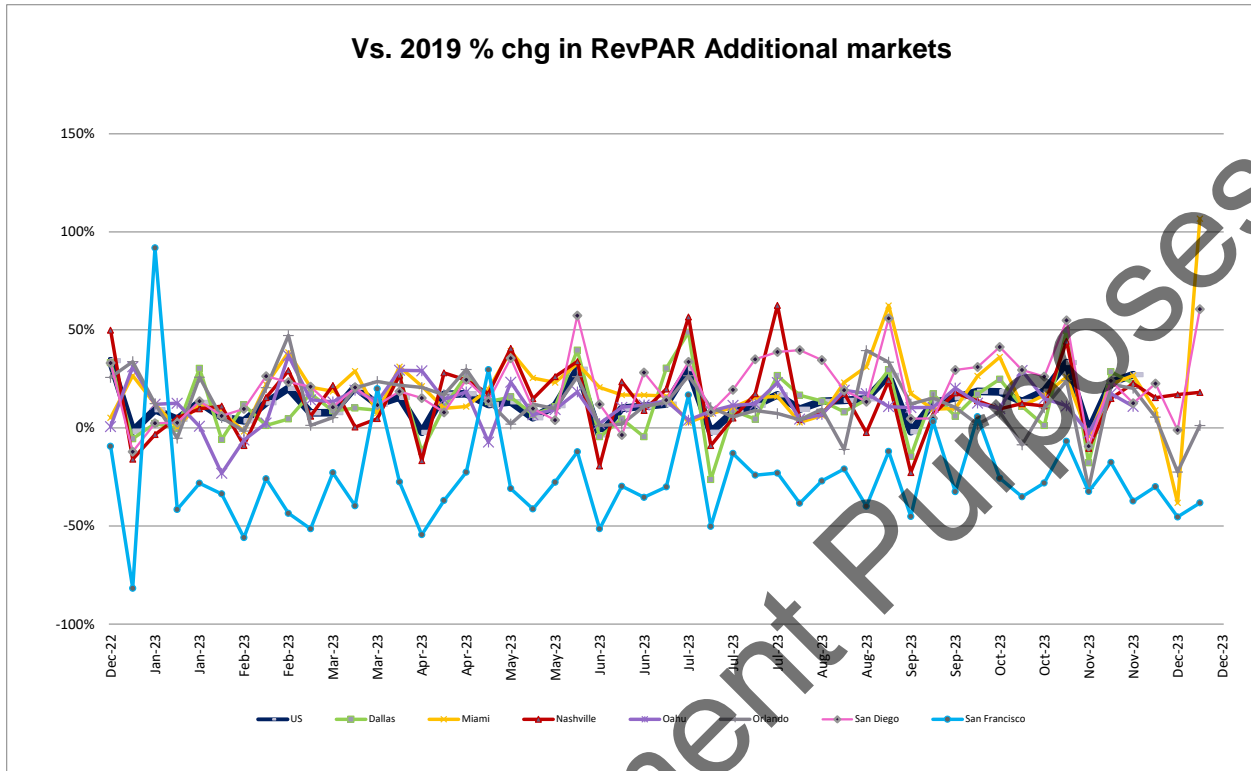
RevPAR Trends by Market (Top 5 markets)



Source: STR data, Truist Securities research

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RevPAR Trends by Market (Additional markets)



Source: STR data, Truist Securities research

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RHP: Valuation and Risks

Our price target of \$124 for RHP is derived by applying a 13.0x target EV/EBITDA multiple to our estimate for 2024 lodging EBITDA and a 16.0x multiple to our Opry/attractions estimate. We view the multiple assignments as appropriate for the quality and unique nature of the portfolios (slight premium to REIT peer average of ~12.0-12.5x on Hospitality).

Risks to our rating and price target include: Group demand returns slower than expected. Property-specific risks given a small portfolio.

H: Valuation and Risks

Our price target of \$143 is derived by applying a 14.2x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2024 EBITDA. Our sum-of-the-parts analysis on our 2024 segment multiple assumptions include (12.5x owned EBITDA u/c, 16x fees EBITDA u/c) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

Companies Mentioned in This Note

Hyatt Hotels Corporation (H, \$130.53, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$109.54, Buy, C. Patrick Scholes)

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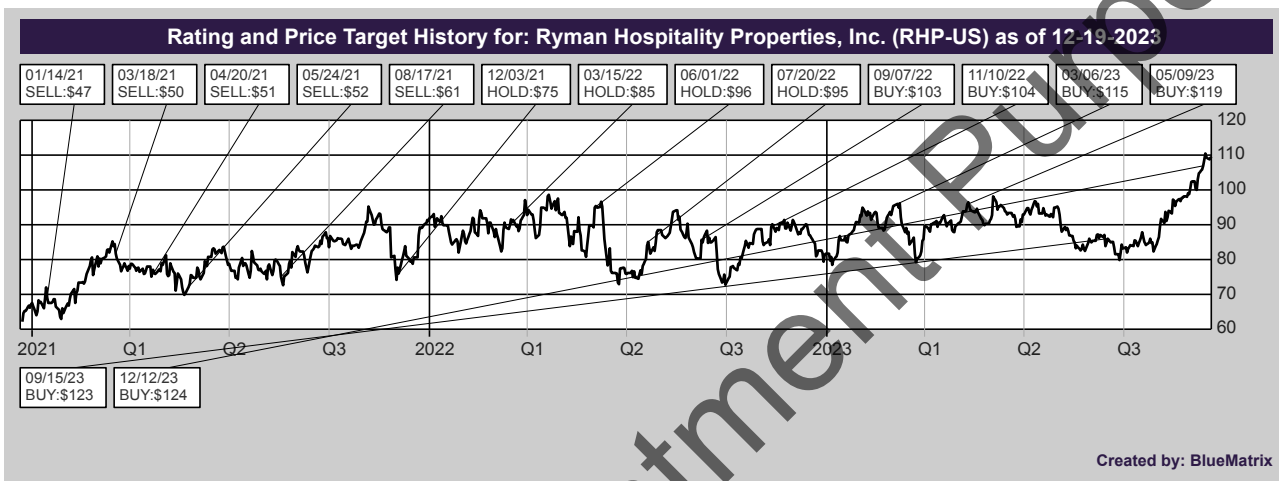
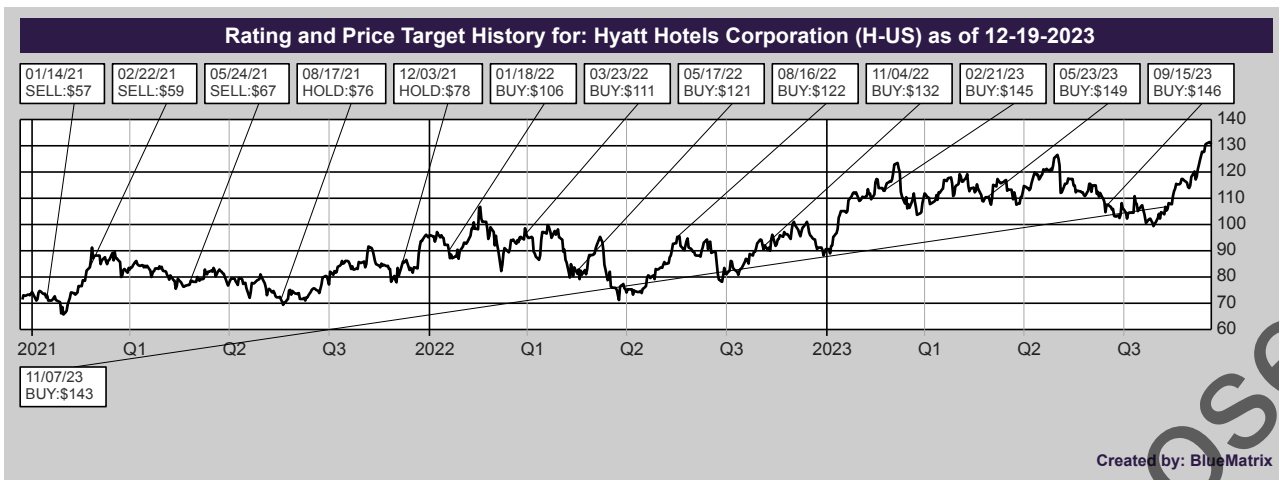
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Legend for Rating and Price Target History Charts:

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S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

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