



Lodging - US RevPAR +9.1% Y/Y Last Week; Easy holiday shift comp, still noisy

Rebound post-holidays was as expected. Very strong group results in NYC and SF

What's Incremental To Our View

Overall U.S. RevPAR was +9.1% Y/Y for the week ending 9/29/2018, per STR, well above the prior week's result of -2.3%. (2-year stacked RevPAR was +10.2% vs. -4.8% in the prior week.) Independent hotels (about 1/3rd of the data set) were +10.3% y/y. Luxury (+26.5%) was the strongest chain scale for branded hotels; Midscale was the weakest at +2.5%. Upper Midscale (+3.4%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+27.2% vs. -10.8% prior week) was far stronger than Transient (+6.8% vs. -0.7% prior week), driven by the calendar shift.

What a difference a weak week makes. Coming off two weeks of negative RevPAR results (in part impacted by Hurricane Florence, the tough y/y comp from the 2017 hurricanes, and the Jewish High Holiday calendar shift), last week's strong results were largely reflective of corporate demand that shifted into a non-holiday week. That being said, considering the continued recovery from Hurricane Florence, the y/y hurricane comps, and the holiday shift, last week's results remained very noisy.

- For reference, the y/y comp included Yom Kippur on Friday and Saturday. While a midweek holiday would have been more impactful to the y/y comp, we believe the holiday was still very significant to last week's RevPAR results.
 - Day of week data highlighted the impact of the holiday. Monday and Tuesday RevPAR averaged +7.5%; Wednesday to Friday RevPAR averaged +11.7%. Saturday RevPAR was +8.9%.

Results would have likely been stronger if not for the hurricanes and this is supported by modest/negative results for 2017 hurricane-impacted markets such as Houston, Miami, Orlando (the latter being a major group market). Further detail is noted below. Notably, some major corporate and group markets that were not directly impacted by the hurricanes had very strong results as discussed below.

Last week's results were top of mind for some investors due to the impact on 3Q RevPAR results. We believe that last week's results should help shore up some concerns on companies making the low end of guidance (and we see some potential beats). There is one day left of STR data for the quarter that will come out next Wednesday (and data for hotels that do not report daily data will arrive in a few weeks); however, we believe the relative impact to the quarter will be less significant than the impact from last week's

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What's Inside

Weekly STR results and analysis

data. We believe the strong RevPAR result on Saturday could be an indication of a strong y/y result for Sunday 09/30/18, but even a mid-single digit RevPAR result will have a relatively modest impact on the quarter.

Due to the very strong corporate group results, Luxury and Upper Upscale were the strongest chain scales, in particular for ADR (Luxury ADR: +18.1%; Upper Upscale: +8.1%). This is very good news for hotel owners as the strong rates are more likely to flow to profitability.

- **Group RevPAR for many of the major markets was very strong and this will be a positive for many of the public Lodging REITS.** Boston Group RevPAR was +13.0%; Chicago +23.4%; NYC: +162.7%; and San Francisco: +136.5%.

As a rule of thumb when analyzing the weekly data, if Group results are abnormally strong or weak, which they were last week, there is a holiday shift going on.

Due to the hurricane and calendar shift comparisons, we anticipate continued choppiness of the data for at least the next few weeks followed by a continued harder comp for the 2017 hurricane markets for the next several months.

For the month of September, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Buy], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish at approximately +1-2% (our prior estimate was +0-1%). We estimate that the overall industry will finish approximately +0.5-1.0% (our prior estimate was +0-1%). Please note that reported monthly results include hotels that are not in the weekly data set.

- We forecast MAR North American RevPAR is coming in towards the lower-end of the +1.5-2.0% 3Q guidance range (ex-brand premia).

For the quarter, we estimate that full-service branded domestic hotels will finish at approximately +2-3% (our prior estimate was +1.5-3.5%). We estimate that the overall industry will finish approximately +2.0% (our prior estimate was +1.5-2.5%).

RevPAR details:

- **Luxury was the strongest chain scale.** Midscale and Upper Midscale underperformed by 2,400 bps and 2,310 bps, respectively: Luxury RevPAR (+26.5%), Upper Upscale (+10.6%), Upscale (+6.9%), Upper Midscale (+3.4%), Midscale (+2.5%), and Economy (+3.5%). Independent hotels (+10.3%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient (we believe this is largely from the holiday shift):** Transient segment (individual business and leisure travelers) RevPAR was +6.8% (vs. -0.7% last week) and Group segment RevPAR was +27.2% (vs. -10.8% last week).
- **NYC (+31.3%) was the strongest of the top five markets:** Boston (+6.4%), Chicago (+19.3%), LA (+9.5%), and DC (+7.6%).
- **Other relevant markets:**
 - **San Francisco was very strong (we believe this was largely from the holiday calendar shift):** RevPAR was +60.5% vs. +0.8% 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 (y/y hurricane comps). Notably, Dallas and Houston RevPAR results have improved sequentially for the last four weeks:** Dallas RevPAR was +0.6% (vs. -5.1% last week). Houston RevPAR was -16.7% (vs. -36.6% last week). [Note that FEMA ended financial assistance for some Texans in Houston hotels on July 1st.](#)
 - **Hurricane-impacted markets in FL were mixed:** Miami (+5.4% vs. -17.2% last week); Orlando (-0.4% vs. -22.4% last week).
 - Interestingly, Orlando Group RevPAR was +13.7%, which was modest relative to other major Group markets.
 - **Oahu results were positive. 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 (we note that while tourism appears to be getting back to normal on the island (Hawai'i Volcanoes National Park reopened on September 22nd), there may be a lag factor as many guests book Hawaii vacations well in advance of their trips).** Oahu was +7.1%

vs. +3.1% running 28 days. Comparatively, U.S. Resort RevPAR was +8.7% last week vs. +2.4% 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 remain very noisy 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).**

- Additionally, our Hawaii industry contacts note that leisure airlift has been very strong throughout the state this year and as a result we believe comparisons to 2017 are more noisy.

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 a spark 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 among some of our favorites and for the hotel REITs, given its opportunities for self-help margin improvement, we prefer Buy-rated Park Hotels & Resorts (PK, Buy). For the rest of the hotel REITs, following the first half outperformance, we struggle to derive any material upside potential 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 likely be the strongest market in the country (San Francisco).

Weekly RevPAR Summary

	YoY % change in RevPAR								New York	Boston	LA	Chicago	DC
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Index					
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%
9/1/2018	4.6%	2.7%	3.8%	4.5%	3.6%	2.7%	4.2%	5.7%	2.4%	7.2%	1.9%	3.4%	6.0%
9/8/2018	-2.4%	1.1%	-2.2%	-4.4%	-6.8%	-7.3%	-5.6%	1.7%	-3.4%	12.5%	-5.9%	-11.9%	-4.3%
9/15/2018	-3.7%	-7.6%	-5.2%	-4.0%	-4.7%	-4.0%	-4.5%	-1.7%	-11.4%	-0.1%	-2.7%	5.1%	-19.4%
9/22/2018	-2.3%	-7.4%	-3.5%	-2.4%	-2.8%	-1.6%	0.0%	-1.7%	-18.7%	0.9%	-0.1%	3.5%	-6.2%
9/29/2018	9.1%	26.5%	10.6%	6.9%	3.4%	2.5%	3.5%	10.3%	31.3%	6.4%	9.5%	19.3%	7.6%

Easier and noisier comp due to Hurricanes and holiday shift

Luxury and Upper Upscale led the industry

NYC and Chicago 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%	5.7%
3Q15	5.9%	4.4%	4.0%	5.5%	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%	0.8%	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	Index	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%
9/1/2018	3.0%	1.6%	2.6%	3.3%	2.9%	2.3%	2.4%	2.9%	1.4%	4.9%	1.7%	3.3%	4.0%
9/8/2018	1.0%	0.4%	0.1%	-0.6%	-0.6%	-0.8%	-1.0%	2.6%	-2.0%	8.2%	-1.0%	-6.4%	1.1%
9/15/2018	-0.3%	-3.5%	-1.0%	-0.9%	0.1%	0.2%	-1.6%	0.6%	-6.9%	-0.8%	0.3%	7.8%	-6.8%
9/22/2018	0.0%	-3.3%	-0.1%	0.5%	0.6%	0.8%	0.5%	0.0%	-15.8%	0.3%	0.7%	3.7%	-1.7%
9/29/2018	7.3%	18.1%	8.1%	5.3%	3.5%	2.3%	2.6%	7.7%	25.5%	3.3%	5.6%	10.4%	4.0%

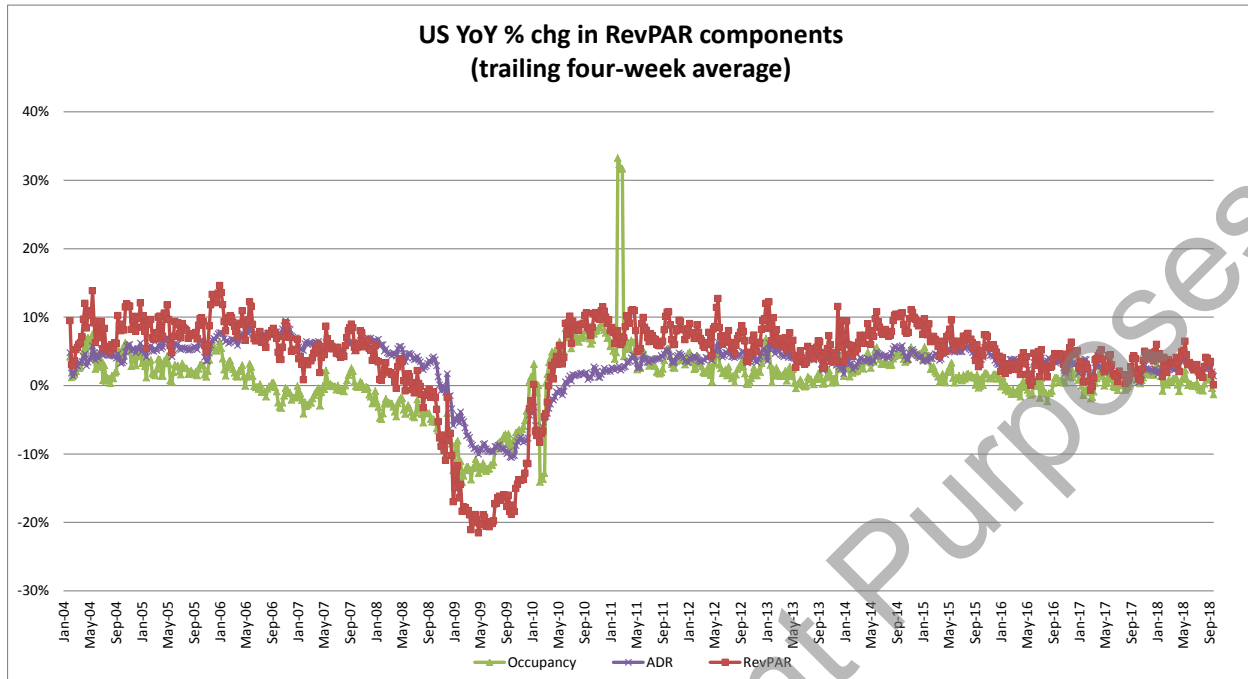
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%
1Q16	3.2%	1.9%	2.7%	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%	2.4%	3.5%	2.2%	-2.2%	0.0%	-2.4%	1.7%	13.6%
2Q17	2.2%	2.2%	1.2%	1.7%	1.5%	2.1%	3.3%	3.5%	-1.5%	4.1%	2.8%	1.5%	2.0%
3Q17	1.4%	1.4%	0.2%	0.8%	1.2%	1.3%	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								New York	Boston	LA	Chicago	DC
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Index					
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%
9/1/2018	1.6%	1.1%	1.3%	1.1%	0.7%	0.4%	2.7%	2.7%	1.1%	2.2%	0.2%	0.1%	1.9%
9/8/2018	-3.5%	0.7%	-2.3%	-3.8%	-6.2%	-6.6%	-4.6%	-0.9%	-1.4%	4.0%	-4.9%	-5.8%	-5.3%
9/15/2018	-3.3%	-4.2%	-4.3%	-3.1%	-4.8%	-4.1%	-3.0%	-2.2%	-4.8%	0.7%	-3.0%	-2.5%	-13.5%
9/22/2018	-2.3%	-4.2%	-3.4%	-2.8%	-3.3%	-2.4%	-0.5%	-1.7%	-3.4%	0.6%	-0.8%	-0.1%	-4.5%
9/29/2018	1.7%	7.1%	2.4%	1.6%	-0.1%	0.2%	0.8%	2.4%	4.7%	2.9%	3.8%	8.1%	3.5%

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%

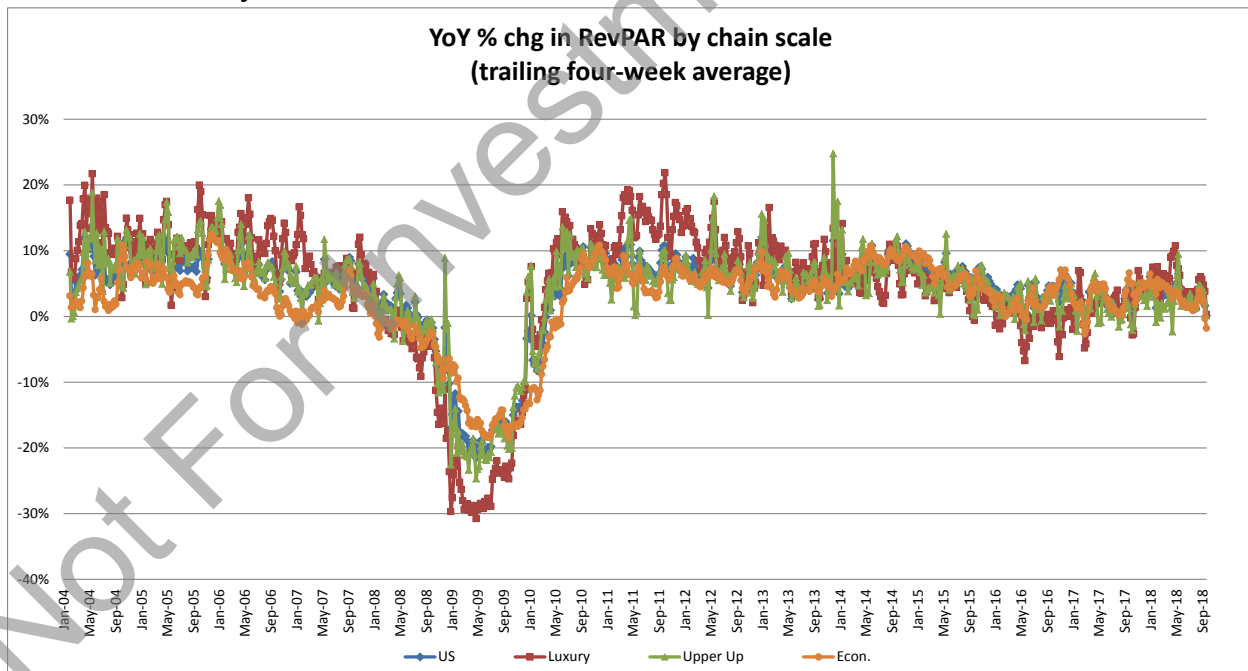
Source: STR data, STRH research

RevPAR Component Trends

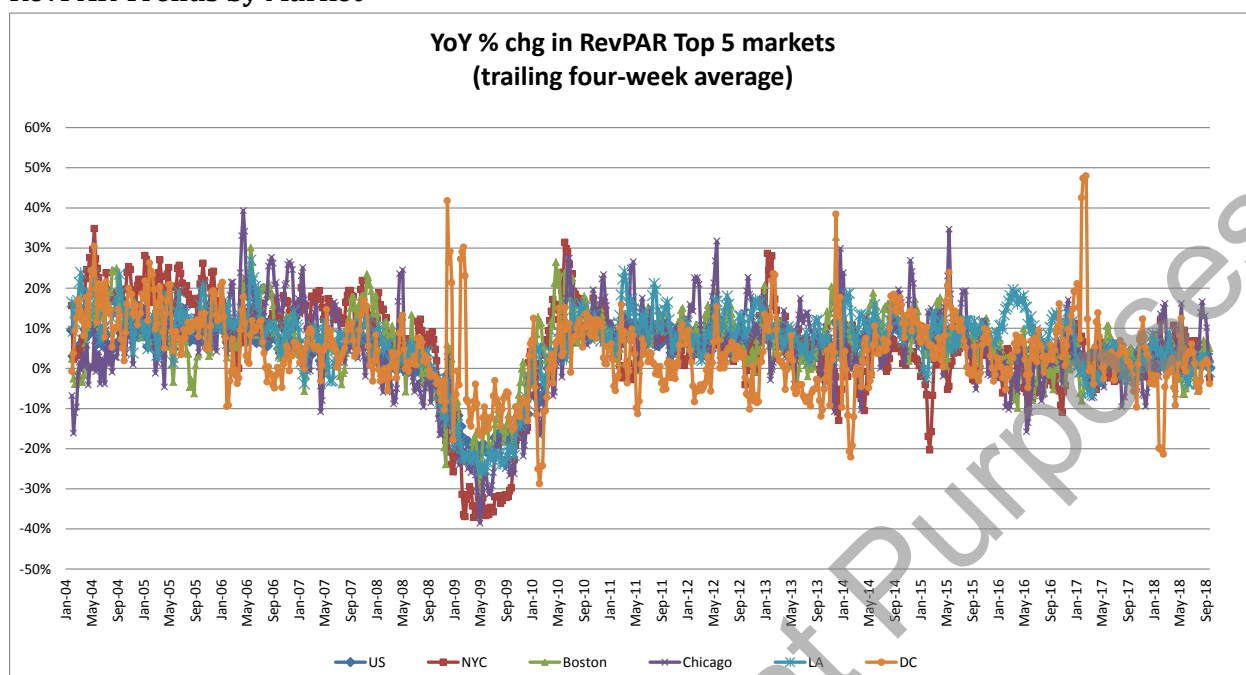


Source: STR data, STRH research

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 10/2/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$31.76	Hold	\$27	-15%	\$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	\$81.45	Hold	\$86	6%	\$365	15.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$11.39	Hold	\$12	5%	\$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	\$20.71	Hold	\$21	1%	\$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	\$77.89	Hold	\$86	10%	\$826	14.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$16.92	Hold	\$24	42%	\$183	9.2X	Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$32.33	Buy	\$50	55%	\$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
Hilton	HLT	\$77.08	Buy	\$95	23%	\$2,266	16.0X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
LaSalle Hotel Properties	LHO	\$33.88	Hold	\$32	-6%	\$320	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$125.97	Hold	\$136	8%	\$0	15.8X	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: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$108.29	Buy	\$146	34%	\$789	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$32.02	Buy	\$34	6%	\$774	12.6X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$9.44	Buy	\$14	48%	\$205	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust	RLJ	\$21.61	Hold	\$21	-3%	\$537	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	\$85.26	Hold	\$71	-17%	\$447	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$15.99	Hold	\$15	-6%	\$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	\$41.26	Buy	\$69	67%	\$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	\$53.85	Buy	\$71	32%	\$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, \$16.92, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$81.45, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$31.76, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$11.39, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$77.89, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$32.33, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$77.08, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$20.71, Hold, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$33.88, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$125.97, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$32.02, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$9.44, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$85.26, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$21.61, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$15.99, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$108.29, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$53.85, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$41.26, Buy, C. Patrick Scholes)

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Buy (B) – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Hold (H) – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Sell (S) – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Not Rated (NR) – STRH does not have an investment rating or opinion on the stock

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H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

The prior rating system until Oct. 7, 2016:

3 designations based on total returns* within a 12-month period**

· Buy – total return \geq 15% (10% for low-Beta securities)***

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

· Neutral – total return is within the bounds above

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

· 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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Coverage Universe			Investment Banking Clients Past 12 Months		
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Hold	256	34.78%	Hold	41	16.02%
Sell	4	0.54%	Sell	1	25.00%

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