# Lodging - US RevPAR -2.3% Y/Y Last Week; Holiday calendar shift + hurricanes

## We expect a partial RevPAR rebound next week, important for 3Q RevPAR guidances

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**What's Inside**

Weekly STR results and analysis

### What's Incremental To Our View

Overall U.S. RevPAR was -2.3% Y/Y for the week ending 9/22/2018, per STR, better than the prior week's result of -3.7%. (2-year stacked RevPAR was -4.8% vs. -1.8% in the prior week.) Independent hotels (about 1/3rd of the data set) were -1.7% y/y. Economy (+0.0%) was the "strongest" chain scale for branded hotels; Luxury was the weakest at (-7.4%). Upper Midscale (-2.8%) and Midscale (-1.6%) were down in part from the holiday shift and y/y hurricane comp. Within Upper Upscale & Luxury class hotels, Group (-10.8% vs. -9.7% prior week) was far softer than Transient (-0.7% vs. -2.6% prior week).

**As expected, last week's results were particularly noisy and choppy** due in part from the combined impact of the Yom Kippur holiday calendar shift (impacting midweek business demand due to the Tuesday/Wednesday holiday) and the impact of Hurricane Florence (mixed impact by market, but less impactful to the Top 25 markets). We also noted that there were flight cancellations in the Mid-Atlantic (including NYC) midweek last week due to the storm. Combined with a tough comp from last year's hurricanes as well as Rosh Hashanah commencing on Wednesday night last year, there were numerous factors that make last week's results very noisy.

- Group RevPAR was far softer than Transient RevPAR last week (-10.8% vs. -0.7%, respectively) and we interpret the large spread to be primarily due to the Jewish High Holidays calendar shift and secondarily from Hurricane Florence.

*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 many one-time factors noted above, we do not consider last week's results to be particularly indicative of longer-term lodging trends. However, we believe next week's results will play an important factor in terms of C-corps meeting/beating RevPAR for the US.**

- Importantly: with the exception of Hurricane Florence, we believe that the remainder of the above events were part of most of our coverage's guidances (and our 3Q projections). Nevertheless, the September and QTD results (discussed below) seem slightly more challenged than we initially anticipated. Our impression is that the closure of some hotels from Hurricane Florence is a modest negative for the quarter, although for the most part these are franchised hotels in smaller markets (largely select- and limited-service hotels).



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Thus, we do not anticipate the franchise fee impact to the C-corps to be as material as was the case for Hurricanes Harvey and Irma. Similarly, the impact to the Lodging REITS will be more limited.

- Day of week results highlight the complexity of analyzing the week. Sunday to Tuesday RevPAR averaged -7.7% although we believe that the calendar shift from Rosh Hashanah in 2017 resulted in modestly positive RevPAR growth by the end of the week (Thursday to Saturday averaged +2.4%).
- The best performing markets by RevPAR last week were largely outside of the hurricane impacted markets (both 2017 and 2018 storms). While we detail TX and FL below, notably, NYC RevPAR was -18.7% in part from the holiday shift and weather and flight cancellations from Hurricane Florence. NYC RevPAR was -30% to -40% from Sunday to Tuesday.
    - Even more of a headwind for NYC for the quarter: Group RevPAR last week was -51.2%, the worst Top 25 market.
    - All major markets impacted by the 2017 hurricanes in TX and FL had negative results, largely double digits.

**We expect a rebound in corporate demand next week, in part as corporate demand pushed from the 2018 High Holidays into non-holiday weeks. Additionally, next week's data will have an easier comp partly due to the 2017 Yom Kippur calendar shift** (the holiday started on Friday September 29th, 2017 -- the Friday night start reduces impact to the majority of the business week). That being said, the influence of the difficult comp from the 2017 hurricanes will continue.

- **We expect to see less volatility in the y/y RevPAR comparisons starting in mid-October (a few weeks past the 2017 High Holiday calendar shifts). While comparisons will remain very tough due to the 2017 hurricanes, we note that the Florida Keys reopened to visitors on October 1st.**

**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 +0-1% (unchanged from our prior estimate). We estimate that the overall industry will finish approximately +0-1% (unchanged from our prior estimate).** Please note that reported monthly results include hotels that are not in the weekly data set.

- Due to the significant noise from one-time events, in particular from the Florence-impacted areas, we believe that our forecast may be optimistic. In our opinion, it is extremely difficult to determine how quickly hotel operations will resume to normal. There may be significant displacement of residents from hurricane-impacted areas for some time, although due to the track of the storm, we do not expect many Top 25 markets to receive significant incremental demand long-term.

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

**RevPAR details:**

- **Economy was the "strongest" chain scale.** Midscale and Upper Midscale underperformed by 160 bps and 280 bps, respectively: Luxury RevPAR (-7.4%), Upper Upscale (-3.5%), Upscale (-2.4%), Upper Midscale (-2.8%), Midscale (-1.6%), and Economy (+0.0%). Independent hotels (-1.7%) modestly outperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient (we believe this is largely from the holiday shift):** Transient segment (individual business and leisure travelers) RevPAR was -0.7% (vs. -2.6% last week) and Group segment RevPAR was -10.8% (vs. -9.7% last week).
- **Chicago (+3.5%) was the strongest of the top five markets:** Boston (+0.9%), LA (-0.1%), NYC (-18.7%), and DC (-6.2%).
- **Other relevant markets:**
    - **San Francisco was modestly positive:** RevPAR was +0.8% vs. -4.6% 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 down (y/y hurricane comps):**Dallas RevPAR was -5.1% (vs. -6.6% last week). Houston RevPAR was -36.6% (vs. -38.8% last week). Note that FEMA ended financial assistance for some Texans in Houston hotels on July 1st.

- **Hurricane-impacted markets in FL were down:** Miami (-17.2% vs. +8.0% last week); Orlando (-22.4% vs. -23.1% last week).
- **Oahu results were modestly 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 last week), there may be a lag factor as many guests book Hawaii vacations well in advance of their trips).** Oahu was +1.7% vs. +0.6% running 28 days. Comparatively, U.S. Resort RevPAR was -3.5% last week vs. +1.7% 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 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**

| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Inde-pendent | 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% |
| 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% |

Tough and noisy comp due to Hurricanes and Jewish High Holiday

Economy and Midscale "led" the industry

Chicago and Boston led the Top 5 markets

| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Inde-pendent | New York | Boston | LA | Chicago | DC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | Inde-pendent | 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% |

| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Inde-pendent | New York | Boston | LA | Chicago | DC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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% |

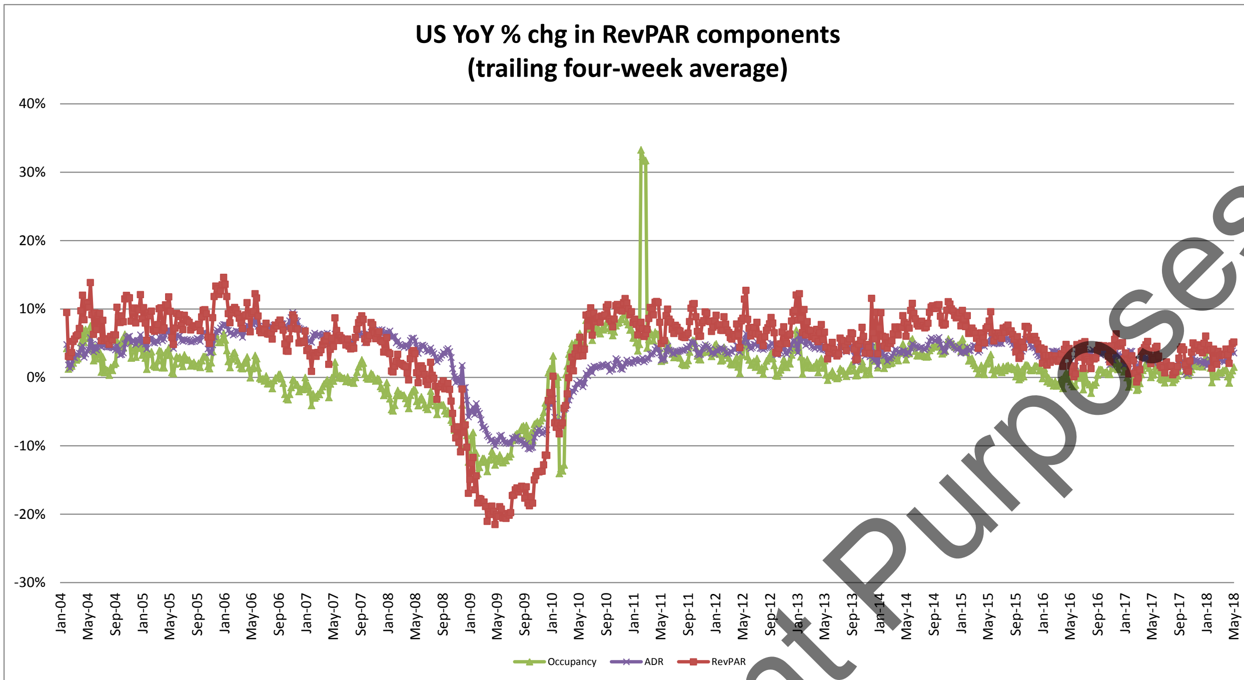
**YoY % change in Occupancy**

| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Inde-pendent | 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% |
| 9/1/2018 | **1.6%** | 1.1% | 1.3% | 1.1% | 0.7% | 0.4% | 1.7% | 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% |

| | U.S. | Luxury | Upper Upscale | Upscale | Upper Midscale | Midscale | Economy | Inde-pendent | New York | Boston | LA | Chicago | DC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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% |

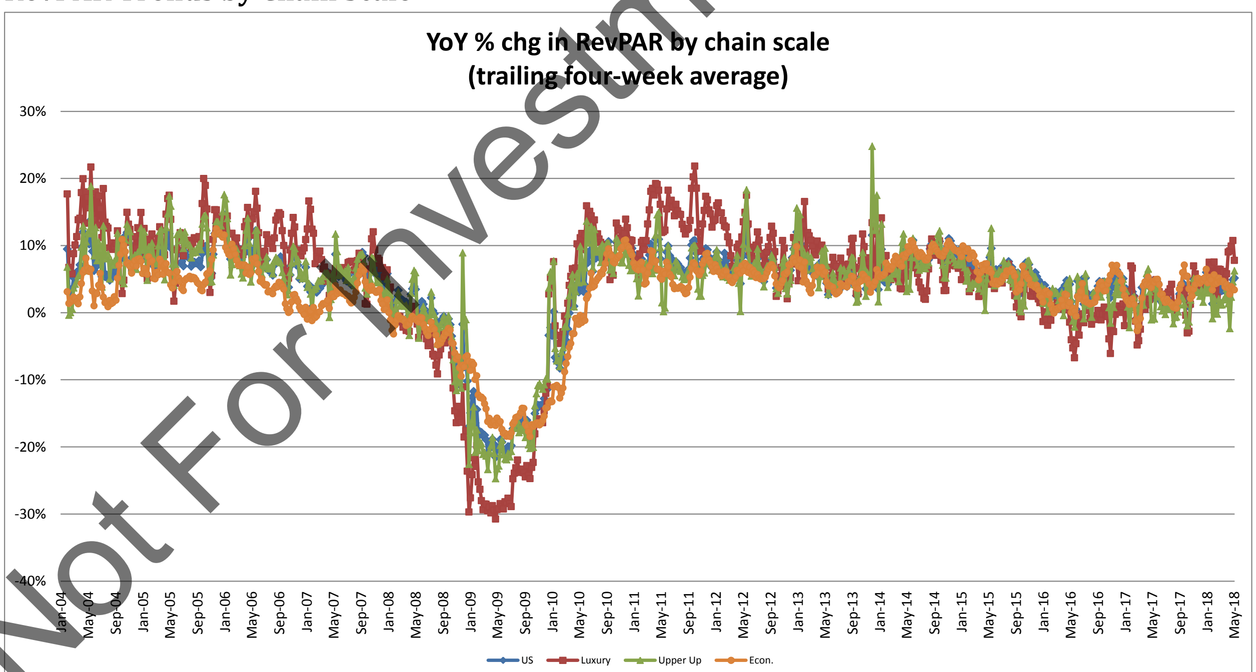
Source: STR data, STRH research

## RevPAR Component Trends



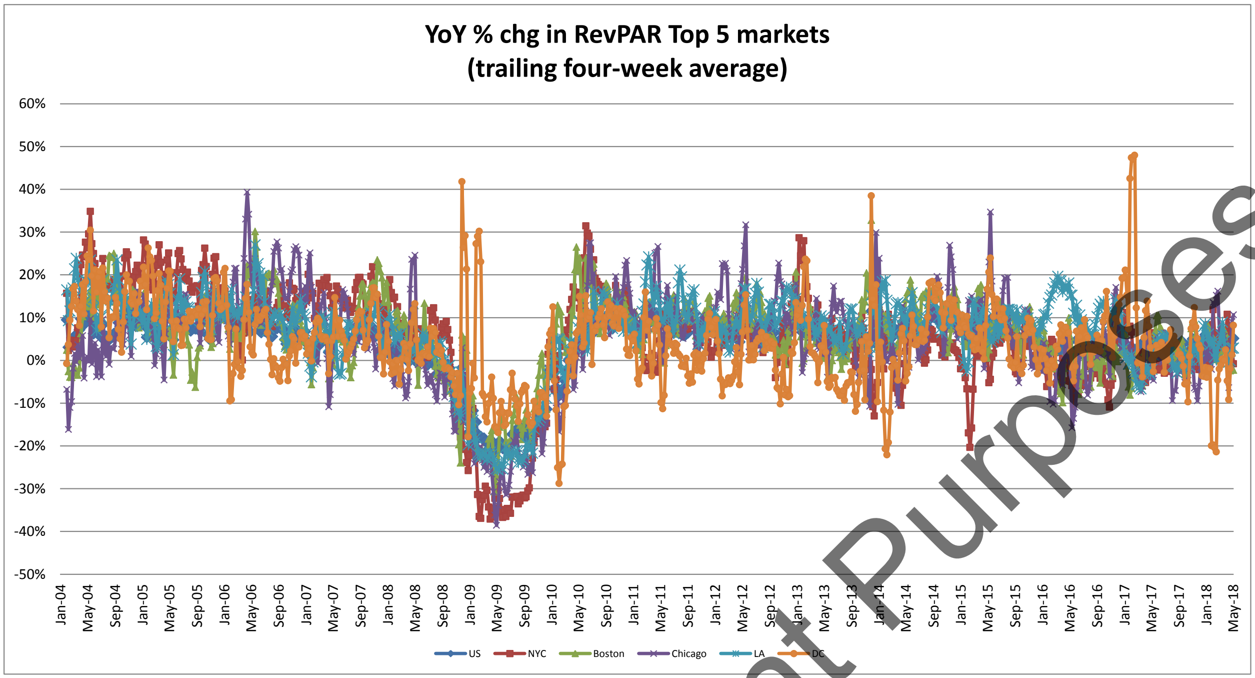

Source: STR data, STRH research

## 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 9/25/18 | Rating | PT* | % upside down-side | 2019E EBITDA ($M) | Target EV/EBITDA Multiple | Risks |
|---|---|---|---|---|---|---|---|---|
| Chesapeake Lodging Trust | CHSP | $32.79 | Hold | $27 | -18% | $188 | 12.0X | Upside risk: improvement in NY and Chicago markets<br>Downside risk: softening of RevPAR trends in Boston or SF. Slowdown in real estate lending. |
| Choice Hotels | CHH | $82.80 | Hold | $86 | 4% | $365 | 15.0X | Upside risk: conservative guidance.<br>Downside risk: slowdown in development opportunities. |
| DiamondRock Hospitality | DRH | $11.71 | Hold | $12 | 2% | $267 | 12.0X | Upside risk: specific markets (esp. NYC) perform better than expected.<br>Downside risk: company unable to locate properties to buy. |
| Host Hotels & Resorts | HST | $21.17 | 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.<br>Downside risk: Group underperforms. NYC hotels underperform and asset sales do not happen. |
| Hyatt Hotels | H | $77.37 | Hold | $86 | 11% | $826 | 14.1X | Upside risk: Transient and group trends outperform expectations<br>Downside risk: ongoing misexecution and volatility. |
| Bluegreen Vacations Corporation | BXG | $18.00 | Hold | $24 | 33% | $183 | 9.2X | Downside risk: 3rd party induced defaults worsen. Middle market customers underperform. |
| Hilton Grand Vacations | HGV | $32.58 | Buy | $50 | 53% | $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 | $80.11 | Buy | $95 | 19% | $2,266 | 16.0X | Downside risk: overhang from remaining big sponsor ownership, slowing pipeline |
| LaSalle Hotel Properties | LHO | $34.39 | Hold | $32 | -7% | $320 | 12.5X | Upside risk: ability to increase dividend.<br>Downside risk: heavy D.C. exposure. |
| Marriott International | MAR | $129.27 | Hold | $136 | 5% | $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.<br>Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand. |
| Marriott Vacations | VAC | $117.30 | Buy | $146 | 24% | $789 | 11.2X | Downside risk: M&A story fades and multiples revert to historical levels |
| Park Hotels & Resorts | PK | $32.59 | Buy | $34 | 4% | $774 | 12.6X | Downside risk: Significant supply growth and macroeconomic challenges/shocks. |
| Playa Hotels & Resorts | PLYA | $9.55 | Buy | $14 | 47% | $205 | 11.5X | Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio) |
| RLJ Lodging Trust | RLJ | $22.39 | Hold | $21 | -6% | $537 | 11.5X | Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.<br>Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks. |
| Ryman Hospitality Properties | RHP | $86.36 | Hold | $71 | -18% | $447 | 12.3X | Upside risk:recovering group demand better than expected, better margin recovery.<br>Downside risk: booking issues stickier than expected. |
| Sunstone Hotel Investors | SHO | $16.35 | Hold | $15 | -8% | $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.<br>Downside risk: Weaker than expected demand trends following capital investment projects. |
| Wyndham Destinations | WYND | $43.22 | Buy | $69 | 60% | $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 | $55.27 | Buy | $71 | 28% | $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, $18.00, Hold, C. Patrick Scholes)
**Choice Hotels International, Inc.** (CHH, $82.80, Hold, C. Patrick Scholes)
**Chesapeake Lodging Trust** (CHSP, $32.79, Hold, C. Patrick Scholes)
**DiamondRock Hospitality Company** (DRH, $11.71, Hold, C. Patrick Scholes)
**Hyatt Hotels Corporation** (H, $77.37, Hold, C. Patrick Scholes)
**Hilton Grand Vacations Inc.** (HGV, $32.58, Buy, C. Patrick Scholes)
**Hilton Worldwide Holdings Inc.** (HLT, $80.11, Buy, C. Patrick Scholes)
**Host Hotels & Resorts, Inc.** (HST, $21.17, Hold, C. Patrick Scholes)
**LaSalle Hotel Properties** (LHO, $34.39, Hold, C. Patrick Scholes)
**Marriott International, Inc.** (MAR, $129.27, Hold, C. Patrick Scholes)
**Park Hotels & Resorts Inc.** (PK, $32.59, Buy, C. Patrick Scholes)
**Playa Hotels & Resorts N.V.** (PLYA, $9.55, Buy, C. Patrick Scholes)
**Ryman Hospitality Properties, Inc.** (RHP, $86.36, Hold, C. Patrick Scholes)
**RLJ Lodging Trust** (RLJ, $22.39, Hold, C. Patrick Scholes)
**Sunstone Hotel Investors, Inc.** (SHO, $16.35, Hold, C. Patrick Scholes)
**Marriott Vacations Worldwide Corporation** (VAC, $117.30, Buy, C. Patrick Scholes)
**Wyndham Hotels & Resorts, Inc.** (WH, $55.27, Buy, C. Patrick Scholes)
**Wyndham Destinations, Inc.** (WYND, $43.22, 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)

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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 ≥ 15% (10% for low-Beta securities)***
· Reduce – total return ≤ 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

SunTrust Robinson Humphrey ratings distribution (as of 09/26/2018):

| Coverage Universe | | | Investment Banking Clients Past 12 Months | | |
|---|---|---|---|---|---|
| **Rating** | **Count** | **Percent** | **Rating** | **Count** | **Percent** |
| Buy | 476 | 64.94% | Buy | 132 | 27.73% |
| Hold | 253 | 34.52% | Hold | 36 | 14.23% |
| Sell | 4 | 0.55% | Sell | 1 | 25.00% |

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