



Lodging - US RevPAR +5.2% Y/Y Last Week; Not a frightening result

No ghosting around with a Group calendar shift due to Halloween

What's Incremental To Our View

Overall U.S. RevPAR was +5.2% Y/Y for the week ending 10/27/2018, per STR, higher than the prior week's result of +3.6%. (2-year stacked RevPAR was +11.9% vs. +6.2% in the prior week.) Independent hotels (about 1/3rd of the data set) were +7.7% y/y. Luxury (+6.4%) was the strongest chain scale for branded hotels; Upper Midscale was the weakest at +3.0%. Midscale (+3.3%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+9.8% vs. +5.5% prior week) was stronger than Transient (+3.1% vs. +2.3% prior week), driven by the Halloween calendar shift.

Last week's results were a relative RevPAR scream (positively speaking) and we believe that was driven by the shift of Halloween to a Wednesday night this year from a Tuesday night last year. We believe that a Wednesday holiday may have pushed some group business into the prior week (week ending 10/27/18). Our view is that a Tuesday holiday allows for more groups to shift to the end of that week whereas a Wednesday holiday makes corporate travel more challenging for the entire week, particularly for corporate meetings and conventions. However, we expect this calendar shift will make for a tougher comp next week.

- RevPAR growth was strong not just during the workweek (Monday - Thursday RevPAR averaged +5.0%) but actually grew into the weekend (Friday: +6.8%; Saturday +7.5%).
- Major hurricane-impacted markets were negative last week as discussed below.

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 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 October, 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 +2-3% (unchanged from our previous estimate). We estimate that the overall industry will finish approximately +2.5-3.5% (our previous estimate was +2-3%). Please note that reported monthly results include hotels that are not in the weekly data set.

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What's Inside

Weekly STR results and analysis

RevPAR details:

- **Luxury was the strongest chain scale.** Midscale and Upper Midscale underperformed by 310 bps and 340 bps, respectively: Luxury RevPAR (+6.4%), Upper Upscale (+4.4%), Upscale (+3.2%), Upper Midscale (+3.0%), Midscale (+3.3%), and Economy (+3.8%). Independent hotels (+7.7%) outperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +3.1% (vs. +2.3% last week) and Group segment RevPAR was +9.8% (vs. +5.5% last week).
- **Chicago (+21.7%) was the strongest of the top five markets:** Boston (+11.6%), LA (+1.6%), NYC (+5.9%), and DC (+0.3%).
- **Other relevant markets:**
 - **San Francisco was very strong:** RevPAR was +29.4% vs. +15.4% last week.
 - **Texas results were negative (y/y hurricane comps):** Dallas RevPAR was -3.0% (vs. +8.6% last week). Houston RevPAR was -23.0% (vs. -30.6% last week).
 - **Hurricane-impacted markets in FL were negative:** Miami (-5.5% vs. -11.6% last week); Orlando (-1.8% vs. +15.9% last week).
 - **Oahu results were slightly up. 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. For further insights, we recommend the Travel Weekly October 14th interview with the Island of Hawaii Visitors Bureau linked here.).** Oahu was +1.3 vs. +2.3% running 28 days. Comparatively, U.S. Resort RevPAR was +5.7% last week vs. +2.9% 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 (private owners, consultants, brokers) 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													
		Upper		Upper		Inde-								
	U.S.	Luxury	Upscale	Upscale	Midscale	Midscale	Economy	pendent	New York	Boston	LA	Chicago	DC	
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%	
10/6/2018	1.5%	5.9%	1.6%	0.1%	-1.5%	-0.9%	0.7%	2.6%	11.7%	7.2%	-3.4%	3.3%	-0.7%	
10/13/2018	0.8%	-1.2%	-0.2%	-0.4%	-0.4%	1.5%	1.4%	2.1%	3.4%	6.5%	3.2%	3.0%	-17.0%	
10/20/2018	3.6%	4.8%	2.5%	2.2%	1.7%	2.9%	2.0%	5.3%	3.0%	8.8%	7.3%	11.6%	-9.2%	
10/27/2018	5.2%	6.4%	4.4%	3.2%	3.0%	3.3%	3.8%	7.7%	5.9%	11.6%	1.6%	21.7%	0.3%	

Some group calendar shift due to Halloween

Luxury and Upper Upscale led the industry

Chicago and Boston led the Top 5 markets

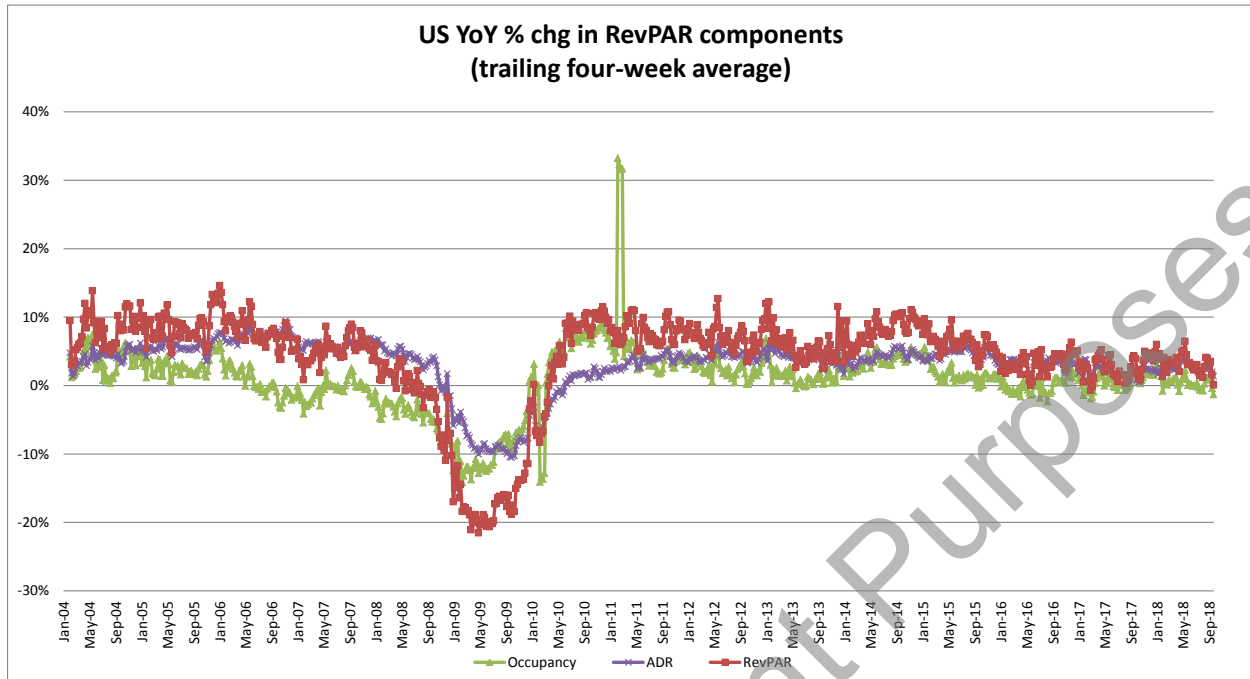
1Q15	8.0%	6.3%	6.0%	7.0%	8.5%	8.8%	9.2%	8.9%	-4.3%	13.8%	7.7%	11.4%	6.3%
2Q15	6.5%	5.5%	5.4%	5.9%	6.3%	6.6%	6.7%	7.1%	-1.8%	7.1%	7.4%	11.0%	11.7%
3Q15	5.9%	4.4%	4.0%	5.7%	5.7%	6.4%	6.1%	6.8%	0.6%	7.1%	11.1%	5.1%	0.3%
4Q15	4.8%	2.7%	3.8%	4.2%	4.9%	3.7%	4.4%	5.9%	-2.0%	5.3%	8.3%	1.4%	2.1%
1Q16	2.7%	1.6%	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.	Upper		Upper		Economy	Inde- pendent	New York	Boston	LA	Chicago	DC	
		Luxury	Upscale	Upscale	Midscale								
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%	3.5%	5.6%	10.4%	4.0%
10/6/2018	2.4%	4.7%	1.9%	1.7%	1.1%	0.9%	0.6%	2.9%	7.5%	3.0%	-1.1%	2.3%	-0.6%
10/13/2018	1.6%	1.0%	1.8%	1.5%	1.2%	1.0%	0.7%	2.3%	2.9%	3.8%	3.6%	3.9%	-12.5%
10/20/2018	3.2%	5.0%	3.2%	2.9%	2.2%	1.8%	1.1%	4.0%	2.9%	4.0%	4.6%	8.1%	-6.5%
10/27/2018	4.0%	5.2%	4.9%	3.2%	2.5%	1.6%	2.0%	5.1%	4.3%	8.3%	1.2%	14.1%	-1.2%
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								New York	Boston	LA	Chicago	DC
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent					
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%
10/6/2018	-0.9%	1.1%	-0.4%	-1.6%	-2.6%	-1.7%	0.2%	-0.3%	3.8%	4.1%	-2.3%	0.9%	-0.2%
10/13/2018	-0.7%	-2.2%	-2.0%	-1.8%	-1.6%	0.5%	0.7%	-0.2%	0.5%	2.6%	-0.4%	-0.8%	-5.1%
10/20/2018	0.4%	-0.1%	-0.7%	-0.6%	-0.5%	1.0%	0.9%	1.2%	0.1%	4.6%	2.6%	3.3%	-2.8%
10/27/2018	1.2%	1.2%	-0.5%	0.1%	0.4%	1.6%	1.7%	2.5%	1.5%	3.0%	0.4%	6.7%	1.5%
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%

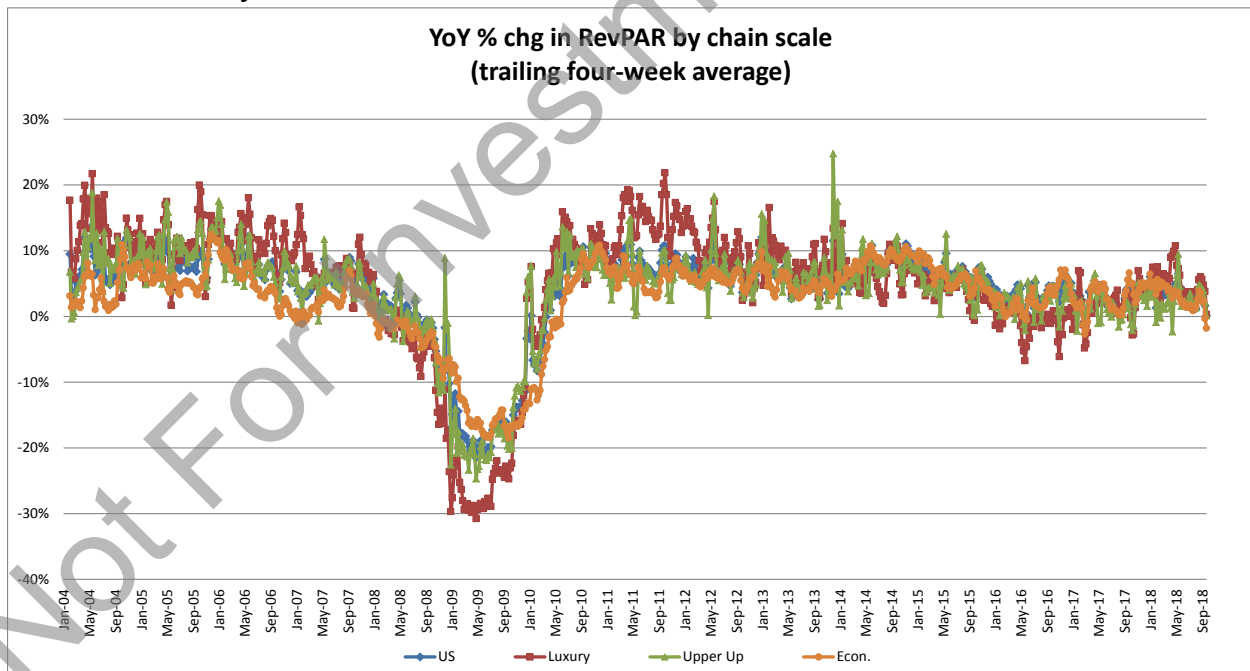
Source: STR data, STRH research

RevPAR Component Trends

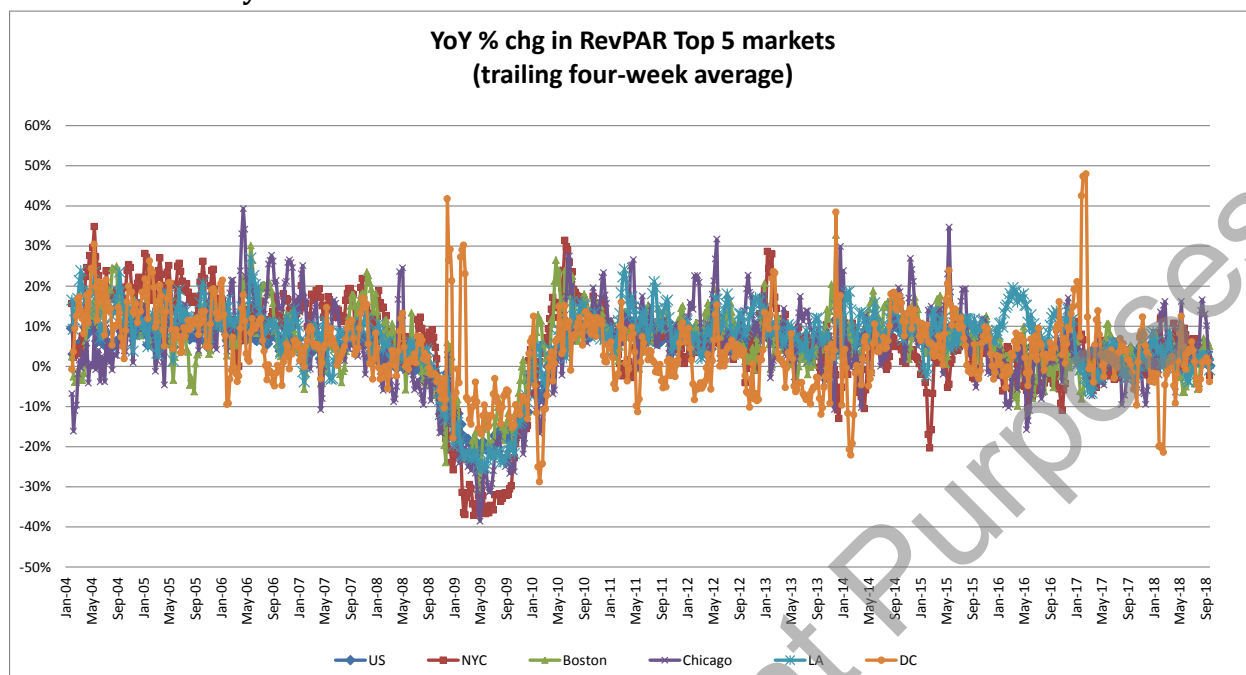


Source: STR data, STRH research

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 10/30/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$29.42	Hold	\$27	-8%	\$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	\$71.53	Hold	\$86	20%	\$365	15.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.47	Hold	\$12	15%	\$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	\$18.97	Hold	\$21	11%	\$1,553	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	\$66.42	Hold	\$86	29%	\$801	14.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$12.70	Hold	\$21	65%	\$167	8.6X	Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$26.89	Buy	\$50	86%	\$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	\$68.70	Buy	\$88	28%	\$2,267	14.9X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
LaSalle Hotel Properties	LHO	\$33.13	Hold	\$32	-3%	\$323	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$115.27	Hold	\$136	18%	\$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	\$86.69	Buy	\$146	68%	\$789	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$28.73	Buy	\$34	18%	\$774	12.6X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$8.38	Buy	\$14	67%	\$178	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio) Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
RLJ Lodging Trust	RLJ	\$19.18	Hold	\$21	9%	\$524	11.5X	Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$76.47	Hold	\$78	2%	\$471	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$14.37	Hold	\$15	4%	\$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	\$34.80	Buy	\$69	98%	\$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	\$47.49	Buy	\$66	39%	\$657	13.0X	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, \$12.70, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$71.53, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$29.42, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.47, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$66.42, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$26.89, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$68.70, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.97, Hold, C. Patrick Scholes)
LaSalle Hotel Properties (LHO, \$33.13, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$115.27, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$28.73, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$8.38, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$76.47, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$19.18, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$14.37, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$86.69, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$47.49, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$34.80, Buy, C. Patrick Scholes)

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I, C. Patrick Scholes, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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· 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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Hold	252	34.29%	Hold	43	17.06%
Sell	4	0.54%	Sell	1	25.00%

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