Lodging - US RevPAR +5.2% Y/Y Last Week; RevPAR benefit from NYE calendar shift

Last day of year very strong but caused a nasty hangover for rest of the week

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Brian Hollenden, CFA
212-303-1742
brian.hollenden@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

What's Inside

Weekly STR results and analysis

What's Incremental To Our View

Overall U.S. RevPAR was +5.2% Y/Y for the week ending 1/5/2019, per STR, far stronger than the prior week's result of -2.3%. (2-year stacked RevPAR was +14.9% vs -8.7% in the prior week.) Independent hotels (about 1/3rd of the data set) were +15.9% y/y. Luxury (+13.6%) was the strongest chain scale for branded hotels; Upscale was the weakest at -3.2%. Midscale (-0.6%) and Upper Midscale (-2.2%) underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-17.8% vs. -11.6% prior week) was softer than Transient (+14.3% vs. -3.8% prior week) given the holiday week.

As expected, the extended New Year's holiday week (New Year's Day shifting to a Tuesday from a Monday) led to a longer holiday weekend and stronger leisure demand into the start of the week. However, RevPAR turned negative on Wednesday (-4.9%) and was generally down for the rest of the week.

- Sunday RevPAR was -23.3% (down due to the y/y holiday comp) but this was followed by Monday RevPAR of +100.7%.
- **As previously discussed, NYC is a major beneficiary of New Year's leisure demand (sellouts and peak rates)** -- NYC RevPAR was +10.2% with Monday +153.9%.
  - While there was a significant rainstorm in NYC on NYE late evening that may have had a slight impact on demand, occupancy was > 90% on NYE.
- **There was a big divergence in Transient vs. Group RevPAR** (+14.3% vs. -17.8%, respectively) due to the holiday falling on a Tuesday vs. Monday last year. There was likely limited corporate group business last week.
- **DC RevPAR was -9.1%**: we are watching this market very closely given the government shutdown and the closure of many of DC's major attractions. Last week's data may not indicate much of a trend given the holiday weekend but continued weak results may be more telling.
- Houston's tough comp continues: RevPAR was -28.0%.

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.

For the month of December, 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 +0.5-1.0% (our previous estimate was +0.5-2.0%). We estimate that the overall industry will finish approximately +1.5-2.0% (our previous estimate was +1-2%). Please note that reported monthly results include hotels that are not in the weekly data set.

For 4Q, 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 +0.5-1.5% (our prior estimate was +1-3%). We estimate that the overall industry will finish approximately +2-2.5% (our prior estimate was +2-3%).

Due to the hurricane comparisons from the 2017 storms, we anticipate continued choppiness of the data in some of the most impacted major markets (Miami, Orlando, and Houston) and a generally hard comp for these areas for the next several months.

RevPAR details:

- **Luxury was the strongest chain scale (as expected for the extended holiday weekend).** Upscale and Upper Midscale underperformed by 1,680 bps and 1,580 bps, respectively: Luxury RevPAR (+13.6%), Upper Upscale (+0.0%), Upscale (-3.2%), Upper Midscale (-2.2%), Midscale (-0.6%), and Economy (+1.3%). Independent hotels (+15.9%) outperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was significantly softer than Transient as expected:** Transient segment (individual business and leisure travelers) RevPAR was +14.3% (vs. -3.8% last week) and Group segment RevPAR was -17.8% (vs. -11.6% last week).
- **NYC (+10.2%) was the strongest of the top five markets:** Boston (-15.3%), Chicago (+3.5%), LA (-0.8%), and DC (-9.1%).
- **Other relevant markets:**
    - **San Francisco was flattish:** RevPAR was +0.4% vs. -5.0% last week.
    - **Texas results were very negative (y/y hurricane comps especially in Houston):** Dallas RevPAR was -16.0% (vs. +15.8% last week). Houston RevPAR was -28.0% (vs. -23.1% last week).
    - **Hurricane-impacted markets in FL were mixed:** Miami (+10.9% vs. -4.3% last week); Orlando (-0.8% vs. -6.1% last week).

The stocks: We continue to favor C-Corps over hotel REITs (we favored hotel REITs for the first half of 2018). 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 2018. **We are more favorable on other sectors at the moment, namely cruise lines.**

- For the C-Corps, HLT (Buy) 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 assuming 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
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%
11/3/2018	**-0.1%**	-2.1%	-2.6%	-3.8%	-0.5%	1.7%	1.4%	3.3%	-0.4%	18.6%	-3.1%	-0.1%	-8.3%
11/10/2018	**1.6%**	2.2%	-0.4%	-0.4%	0.2%	3.0%	1.3%	4.0%	2.9%	15.7%	3.7%	-9.6%	-1.5%
11/17/2018	**3.1%**	7.2%	1.3%	0.0%	0.0%	1.7%	2.2%	7.0%	7.7%	21.5%	8.9%	4.8%	-8.4%
11/24/2018	**2.8%**	5.5%	0.8%	-0.5%	1.4%	2.2%	2.1%	5.4%	4.9%	14.6%	7.2%	-0.2%	-3.9%
12/1/2018	**3.3%**	5.2%	2.3%	1.2%	2.0%	1.2%	1.4%	5.4%	0.2%	19.1%	9.8%	-1.3%	-2.5%
12/8/2018	**0.5%**	1.4%	-1.1%	-2.4%	-1.4%	-0.1%	1.7%	3.5%	1.2%	15.1%	-4.4%	-1.8%	0.6%
12/15/2018	**4.6%**	7.6%	5.1%	1.6%	2.3%	1.4%	2.1%	6.9%	8.3%	17.9%	8.4%	6.8%	29.2%
12/22/2018	**4.7%**	-4.6%	6.0%	5.6%	8.8%	3.9%	3.5%	3.0%	8.4%	24.5%	3.7%	12.8%	11.4%
12/29/2018	**-2.3%**	-4.7%	-4.0%	-3.7%	-2.0%	-2.0%	-1.3%	-0.8%	-5.3%	-7.0%	-5.2%	-0.3%	-4.2%
1/5/2019	**5.2%**	13.6%	0.0%	-3.2%	-2.2%	-0.6%	1.3%	15.9%	10.2%	-15.3%	-0.8%	3.5%	-9.1%

Benefit from New Year's calendar shift comp

Luxury and Economy led the industry

NYC and Chicago 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%
3Q18	1.7%	3.3%	1.9%	0.8%	-0.5%	0.1%	1.8%	2.2%	0.7%	2.8%	1.3%	7.5%	-3.4%

YoY % change in ADR

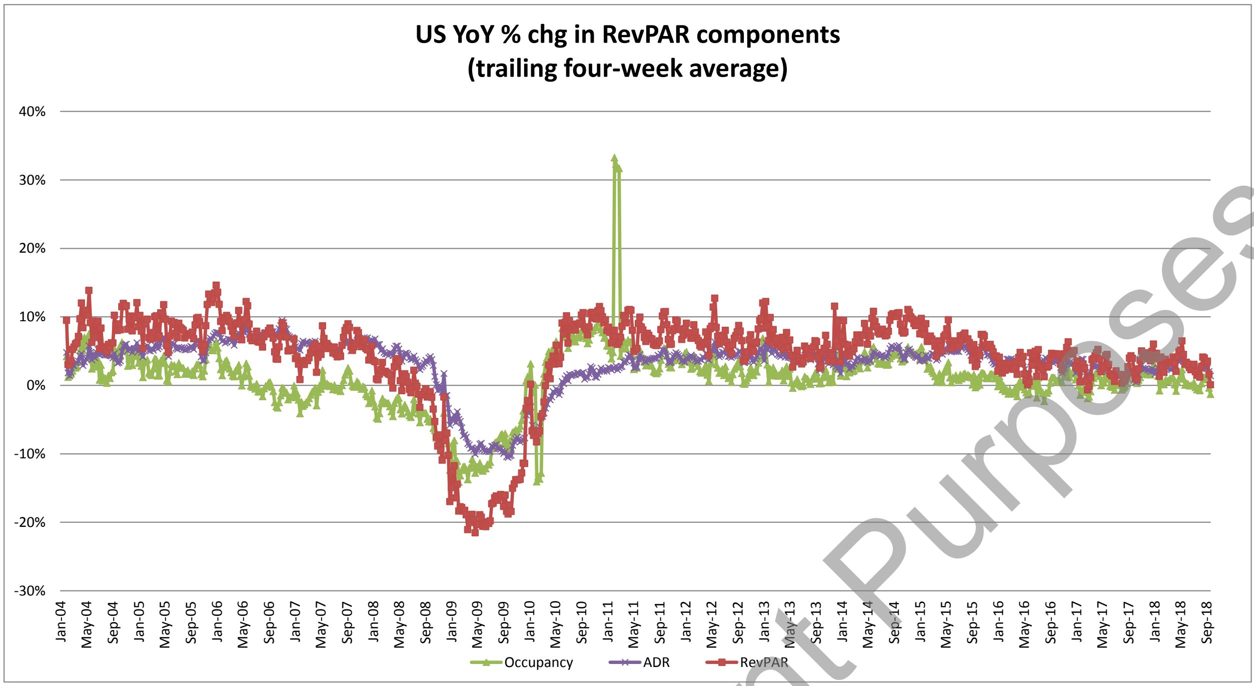
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
9/22/2018	**0.0%**	-3.3%	-0.1%	0.5%	0.6%	0.8%	0.5%	0.0%	-15.8%	0.3%	0.7%	3.7%	-1.7%
9/29/2018	**7.3%**	18.1%	8.1%	5.3%	3.5%	2.3%	2.6%	7.7%	25.5%	3.5%	5.6%	10.4%	4.0%
10/6/2018	**2.4%**	4.7%	1.9%	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%
11/3/2018	**0.7%**	0.2%	0.3%	-0.8%	1.0%	1.2%	0.9%	2.3%	-0.9%	9.2%	-1.6%	0.8%	-3.8%
11/10/2018	**1.0%**	2.2%	0.5%	0.4%	0.4%	1.6%	0.5%	1.6%	2.5%	4.9%	2.6%	-2.9%	-2.1%
11/17/2018	**2.5%**	6.7%	2.8%	1.7%	0.9%	1.0%	0.4%	3.6%	5.4%	10.8%	5.2%	3.3%	-4.0%
11/24/2018	**2.1%**	7.6%	2.1%	1.7%	1.3%	0.8%	0.3%	2.5%	5.1%	7.4%	4.3%	0.3%	0.3%
12/1/2018	**2.2%**	4.5%	2.0%	2.0%	1.4%	0.9%	0.1%	2.8%	0.1%	6.6%	5.1%	-1.4%	-0.8%
12/8/2018	**1.3%**	3.9%	1.6%	0.8%	0.4%	0.4%	0.1%	2.4%	2.7%	6.1%	-0.4%	-1.4%	1.3%
12/15/2018	**3.2%**	5.1%	3.2%	2.4%	1.4%	0.7%	0.5%	4.6%	9.1%	7.8%	3.1%	1.9%	12.6%
12/22/2018	**0.4%**	-5.2%	1.3%	1.8%	1.6%	0.0%	0.0%	-0.5%	7.3%	8.3%	0.1%	2.7%	6.1%
12/29/2018	**-0.5%**	0.1%	-0.8%	-0.2%	-0.1%	0.2%	-0.5%	-0.4%	-3.9%	-1.2%	-4.3%	-0.7%	1.6%
1/5/2019	**5.6%**	14.3%	3.5%	2.0%	0.9%	0.8%	0.7%	9.9%	10.2%	-3.6%	0.5%	1.0%	-0.9%
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%
3Q18	2.1%	3.3%	2.4%	1.8%	1.2%	1.3%	1.2%	1.9%	1.2%	1.9%	1.1%	6.7%	-0.8%

YoY % change in Occupancy

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
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%
11/3/2018	**-0.7%**	-2.2%	-2.8%	-3.0%	-1.4%	0.6%	0.5%	0.9%	-99.0%	-98.9%	-99.0%	-99.0%	-99.0%
11/10/2018	**0.7%**	0.0%	-0.9%	-0.8%	-0.2%	1.3%	0.8%	2.4%	0.4%	10.3%	1.1%	-6.9%	0.7%
11/17/2018	**0.6%**	0.4%	-1.5%	-1.7%	-0.9%	0.7%	1.8%	3.3%	2.3%	9.7%	3.6%	1.5%	-4.7%
11/24/2018	**0.7%**	-2.0%	-1.2%	-2.1%	0.1%	1.4%	1.8%	2.8%	-0.2%	6.7%	2.8%	-0.6%	-4.2%
12/1/2018	**1.0%**	0.7%	0.2%	-0.8%	0.6%	0.3%	1.2%	2.6%	0.1%	11.8%	4.5%	0.1%	-1.7%
12/8/2018	**-0.8%**	-2.3%	-2.6%	-3.2%	-1.9%	-0.5%	1.6%	1.0%	-1.5%	8.6%	-4.0%	-0.4%	-0.7%
12/15/2018	**1.3%**	2.4%	1.9%	-0.8%	0.9%	0.7%	1.7%	2.2%	-0.8%	9.4%	5.2%	4.8%	14.7%
12/22/2018	**4.3%**	0.6%	4.7%	3.7%	7.1%	3.9%	3.5%	3.5%	1.1%	15.0%	3.6%	9.9%	5.0%
12/29/2018	**-1.8%**	-4.9%	-3.2%	-3.5%	-1.8%	-2.2%	-0.8%	-0.4%	-1.5%	-5.9%	-0.9%	0.4%	-5.7%
1/5/2019	**-0.4%**	-0.6%	-3.3%	-5.1%	-3.1%	-1.4%	0.6%	5.4%	0.0%	-12.1%	-1.3%	2.5%	-8.3%
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%
3Q18	-0.4%	0.0%	-0.5%	-1.0%	-1.7%	-1.1%	0.5%	0.3%	-0.5%	0.9%	0.2%	0.7%	-2.6%

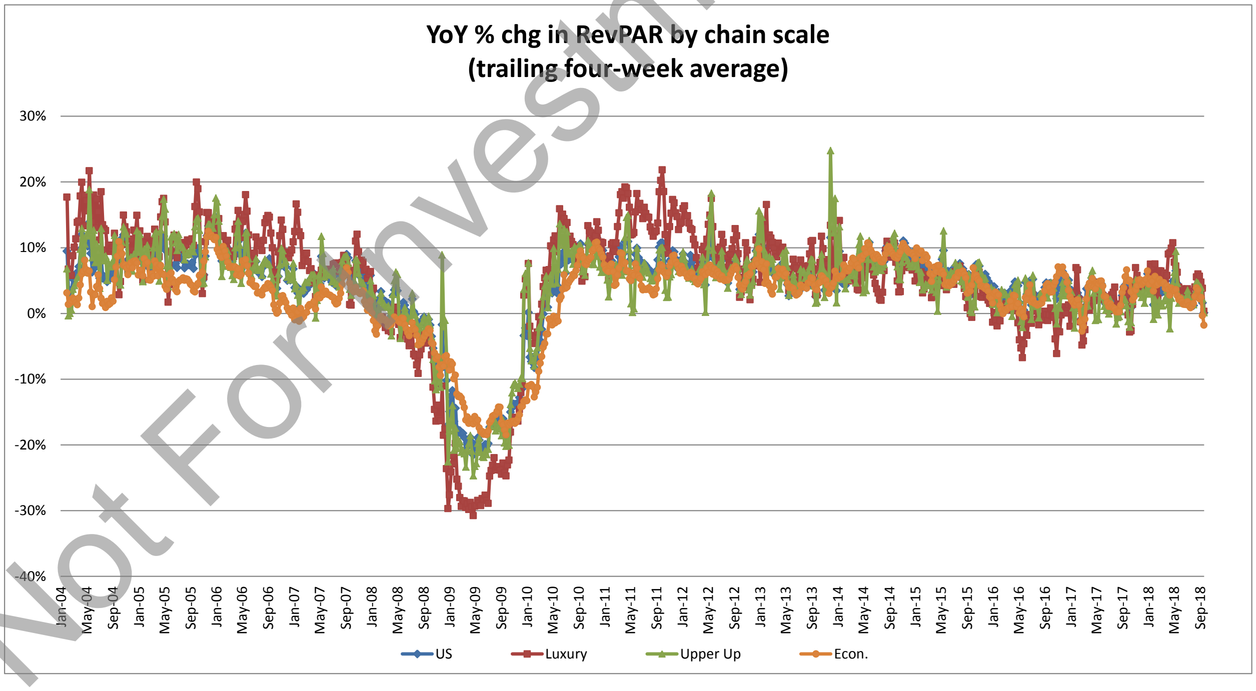
Source: STR data, STRH research

RevPAR Component Trends



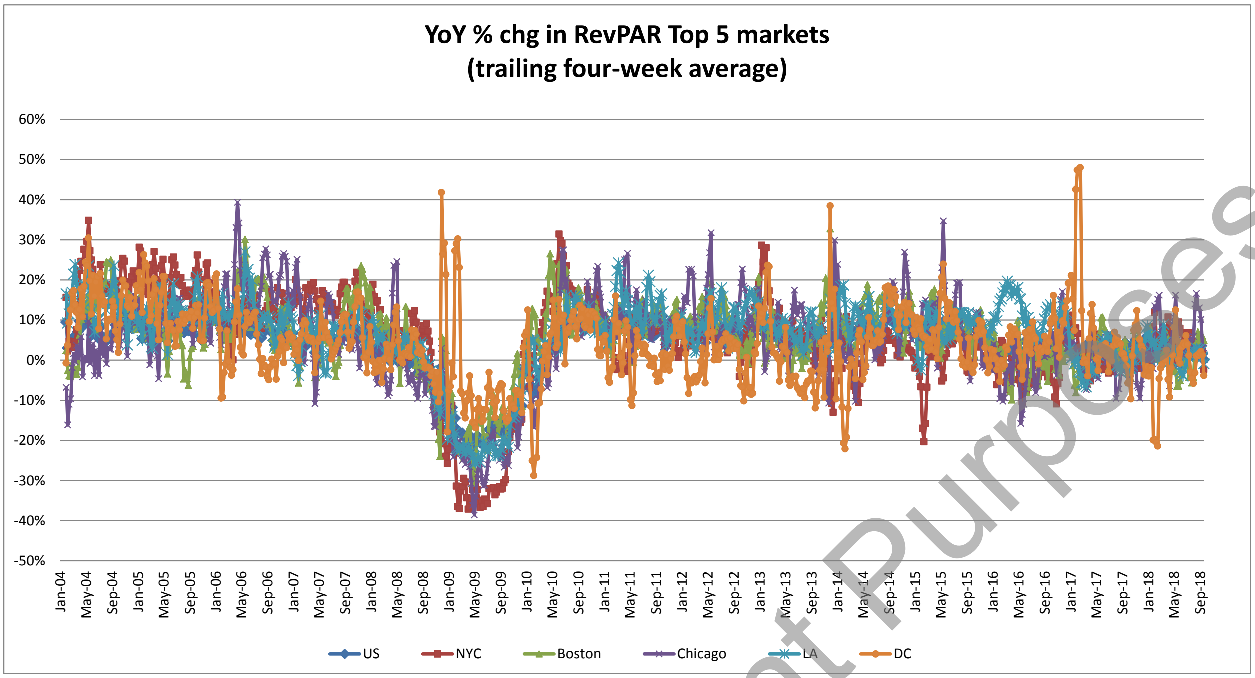
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

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Price Target/Risks Summary

Lodging	TKR	Price 1/8/19	Rating	PT*	% upside down-side	2019E EBITDA ($M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	$26.32	Hold	$27	3%	$187	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	$74.19	Hold	$80	8%	$363	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	$9.44	Hold	$11	17%	$258	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	$17.40	Hold	$21	21%	$1,498	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	$68.66	Hold	$78	14%	$797	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	$13.25	Hold	$18	36%	$161	8.1X	Upside risk: Accelerating tour flow, FCF generation and decliining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	$29.04	Buy	$44	52%	$462	11.4X	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	$71.86	Buy	$88	22%	$2,267	14.9X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
Marriott International	MAR	$109.76	Hold	$125	14%	$3,292	14.9X	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	$77.92	Buy	$130	66%	$741	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	$27.95	Buy	$34	22%	$779	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	$7.37	Buy	$14	90%	$175	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust	RLJ	$17.38	Hold	$21	21%	$518	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	$73.46	Hold	$76	3%	$461	12.2X	Upside risk:recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	$13.85	Hold	$15	8%	$320	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	$37.80	Buy	$62	64%	$1,003	9.3X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	$48.62	Buy	$63	30%	$639	13.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.

** All of our Lodging price targets (ex-RHP) 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, $13.25, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $74.19, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, $26.32, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $9.44, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $68.66, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $29.04, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $71.86, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $17.40, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $109.76, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, $27.95, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.37, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $73.46, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $17.38, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, $13.85, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $77.92, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $48.62, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $37.80, 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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STRH Ratings System for Equity Securities

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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

Coverage Suspended (CS) – indicates that STRH's rating and/or target price have been temporarily suspended due to applicable regulations and/or STRH Management discretion. The previously published rating and target price should not be relied upon

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Legend for Rating and Price Target History Charts:
B = Buy
H = Hold
S = Sell
D = Drop Coverage
CS = Coverage Suspended
NR = Not Rated
I = Initiate Coverage
T = Transfer Coverage

<u>The prior rating system until Oct. 7, 2016:</u>

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

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Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
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Hold	257	35.06%	Hold	34	13.23%
Sell	1	0.14%	Sell	0	0.00%

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