



## Lodging - US RevPAR +8.5% Y/Y Last Week; Very easy comp with MLK Holiday shift

DC did very well (RevPAR: +30.7%) -- although this was partly group related

### What's Incremental To Our View

Overall U.S. RevPAR was +8.5% Y/Y for the week ending 1/19/2019, per STR, stronger than the prior week's result of -8.0%. (2-year stacked RevPAR was +5.4% vs -2.6% in the prior week.) Independent hotels (about 1/3rd of the data set) were +9.6% y/y. Upper Upscale (+11.7%) was the strongest chain scale for branded hotels; Economy was the weakest at +3.7%. Midscale (+4.5%) and Upper Midscale (+6.7%) underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+15.2% vs. -9.9% prior week) was stronger than Transient (+6.2% vs. -9.6% prior week).

As a reversal of the prior week's very tough holiday comp related to the calendar shift of MLK Day ([see last week's note for detail on the hard comp for the week ending 1/12](#)), last week's results were generally very positive throughout the chains scales and markets for the week ending 1/19.

- **As a reminder:** in 2018, the MLK holiday fell on Monday, January 15th, thus impacting corporate travel during the week and leisure travel over the weekend. In 2019, the holiday shifted to January 21st, thus we expected an easier holiday comp in last week's results.
- Day-of-week RevPAR indicated some of the impact. Friday/Saturday RevPAR averaged +18.7%; Monday to Thursday RevPAR averaged +8.3%.

DC did very well last week. We went past the headline result (+30.7% RevPAR last week vs. -26.3% the week prior). Important to us is that Group RevPAR was +81.8%. The good news is a strong Group week may have bolstered overall RevPAR for the market. We still remain conservative as it relates to the near-term impact from the government shutdown. [Please see our January RevPAR Monitor for more detail.](#)

*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 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.

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### What's Inside

Weekly STR results and analysis

**RevPAR details:**

- **Upper Upscale was the strongest chain scale.** Upscale and Upper Midscale underperformed by 500 bps and 500 bps, respectively: Luxury RevPAR (+7.3%), Upper Upscale (+11.7%), Upscale (+6.7%), Upper Midscale (+6.7%), Midscale (+4.5%), and Economy (+3.7%). Independent hotels (+9.6%) 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 +6.2% (vs. -9.6% last week) and Group segment RevPAR was +15.2% (vs. -9.9% last week).
- **DC (+30.7%) was the strongest of the top five markets:** Boston (+4.1%), Chicago (+4.2%); LA (-1.6%), and NYC (+3.2%).
- **Other relevant markets:**
  - **San Francisco was very positive (Moscone Convention Center expansion and renovation completed):** RevPAR was +26.6% vs. +13.8% last week.
  - **Texas results were mixed (y/y hurricane comps in Houston):** Dallas RevPAR was +12.2% (vs. -8.1% last week). Houston RevPAR was -8.7% (vs. -29.7% last week).
  - **Hurricane-impacted markets in FL were mixed:** Miami (-2.3% vs. -16.0% last week); Orlando (+7.5% vs. -33.9% 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	Independent	New York	Boston	LA	Chicago	DC
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%
1/12/2019	-8.0%	-8.6%	-9.4%	-11.8%	-7.9%	-6.1%	-1.8%	-6.9%	-11.7%	-12.3%	-7.3%	-5.5%	-26.3%
1/19/2019	8.5%	7.3%	11.7%	6.7%	6.7%	4.5%	3.7%	9.6%	3.2%	4.1%	-1.6%	4.2%	30.7%

Easy MLK Holiday calendar shift

Upper Upscale and Luxury led the industry

DC 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%	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	Independent	New York	Boston	LA	Chicago	DC
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%
1/12/2019	-2.3%	1.6%	0.5%	-2.5%	-1.8%	-1.7%	-1.2%	-3.2%	-3.0%	-1.7%	-1.3%	-1.1%	-7.9%
1/19/2019	3.4%	3.0%	3.9%	2.5%	2.3%	1.2%	0.8%	3.6%	2.4%	1.5%	0.1%	0.0%	11.0%

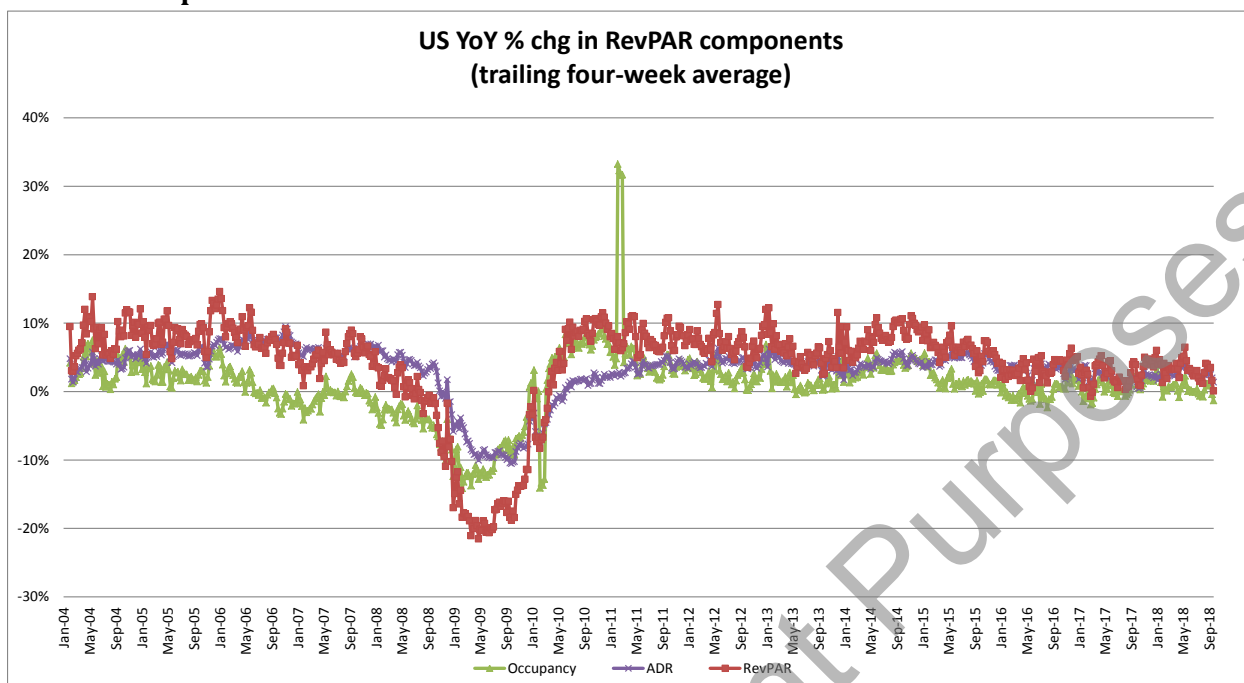
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%
1Q16	3.2%	1.9%	2.7%	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%	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	Independent	New York	Boston	LA	Chicago	DC
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%
1/12/2019	-5.9%	-10.0%	-9.9%	-9.5%	-6.3%	-4.5%	-0.6%	-3.9%	-9.0%	-10.7%	-6.1%	-4.4%	-20.0%
1/19/2019	5.0%	4.2%	7.6%	4.1%	4.4%	3.2%	2.8%	5.8%	0.8%	2.6%	-1.7%	4.1%	17.8%

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%

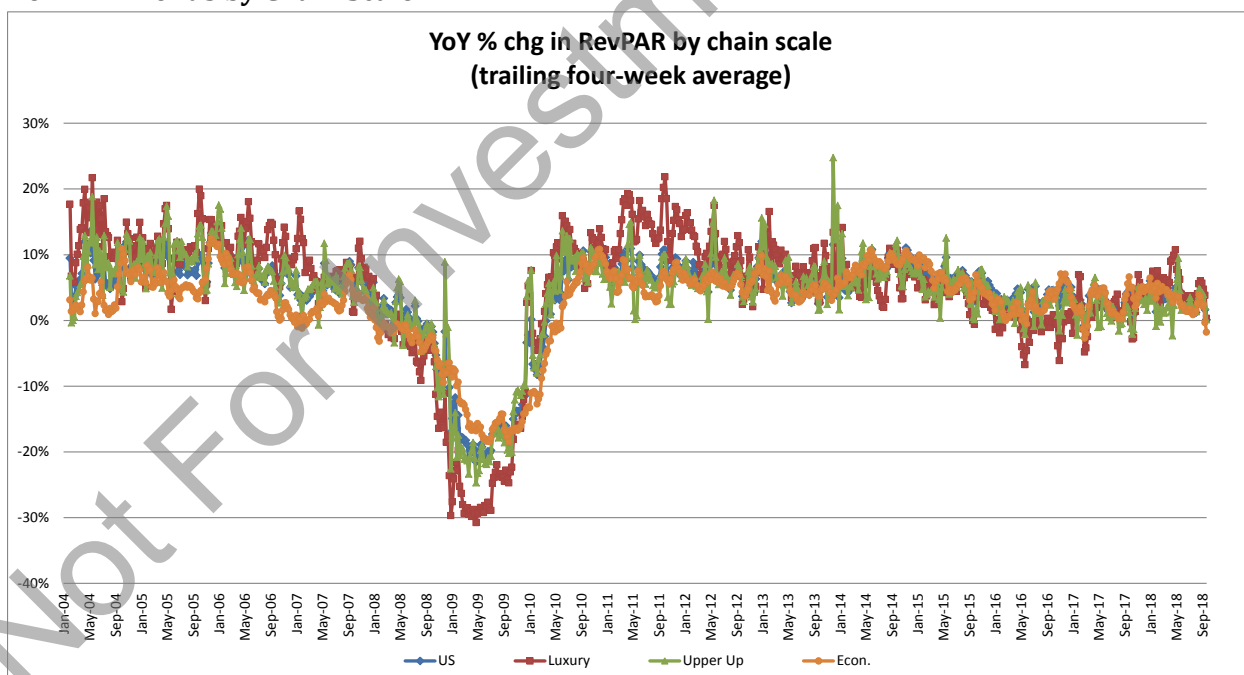
Source: STR data, STRH research

### RevPAR Component Trends

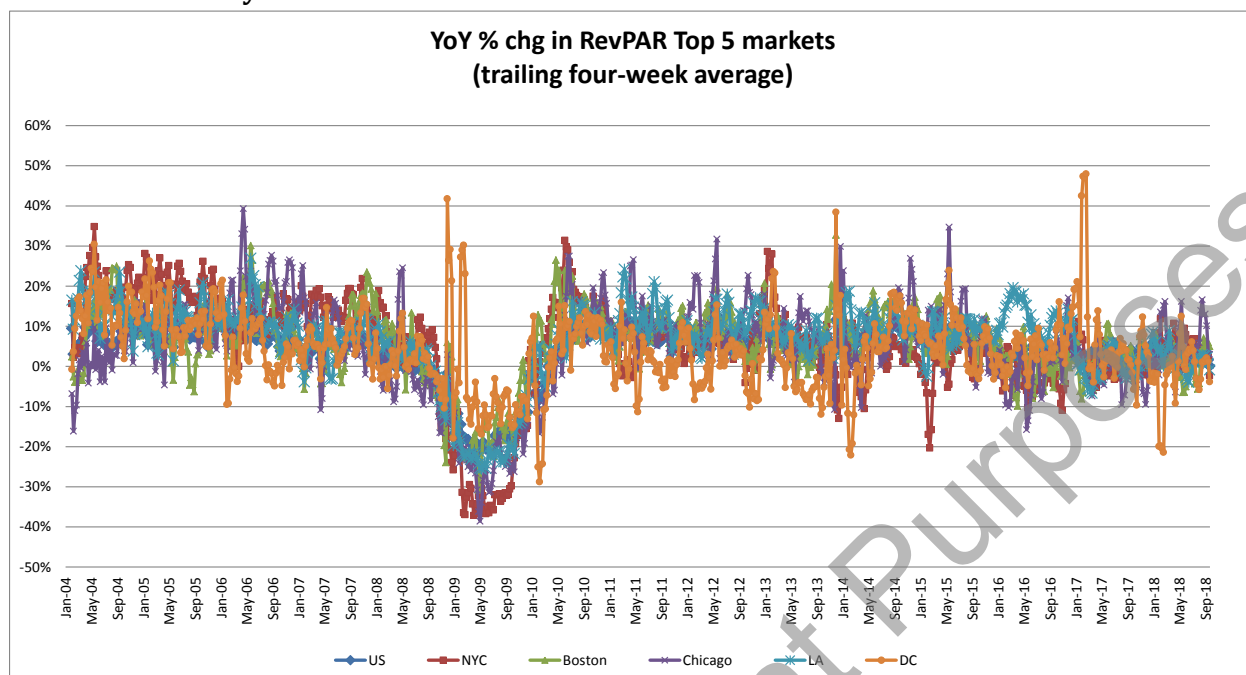


Source: STR data, STRH research

### RevPAR Trends by Chain Scale



Source: STR data, STRH research

**RevPAR Trends by Market**

Source: STR data, STRH research

## Price Target/Risks Summary

Lodging	TKR	Price 1/22/19	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$26.60	Hold	\$27	2%	\$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	\$74.53	Hold	\$80	7%	\$363	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$9.87	Hold	\$11	11%	\$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	\$17.26	Hold	\$21	22%	\$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	\$67.21	Hold	\$78	16%	\$797	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$12.70	Hold	\$18	42%	\$161	8.1X	Upside risk: Accelerating tour flow, FCF generation and declining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$29.26	Buy	\$44	50%	\$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	\$71.01	Buy	\$88	24%	\$2,267	14.9X	Downside risk: slowing pipeline
Marriott International	MAR	\$107.26	Hold	\$125	17%	\$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: 2019 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$81.05	Buy	\$130	60%	\$741	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$28.16	Buy	\$34	21%	\$779	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$7.75	Buy	\$14	81%	\$175	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	\$17.96	Hold	\$21	17%	\$518	11.5X	Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$76.42	Hold	\$76	-1%	\$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	\$13.87	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	\$39.75	Buy	\$62	56%	\$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, \$13.40, Hold, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$75.42, Hold, C. Patrick Scholes)  
**Chesapeake Lodging Trust** (CHSP, \$27.06, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$10.06, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$68.12, Hold, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$30.50, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$73.08, Buy, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$17.52, Hold, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$109.05, Hold, C. Patrick Scholes)  
**Park Hotels & Resorts Inc.** (PK, \$28.70, Buy, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$7.75, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$76.66, Hold, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$18.35, Hold, C. Patrick Scholes)  
**Sunstone Hotel Investors, Inc.** (SHO, \$14.07, Hold, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$83.77, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$49.98, Buy, C. Patrick Scholes)  
**Wyndham Destinations, Inc.** (WYND, \$40.55, 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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S = Sell

D = Drop Coverage

CS = Coverage Suspended

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T = Transfer Coverage

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· 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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Sell	2	0.28%	Sell	0	0.00%

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