Lodging - US RevPAR +1.7% Y/Y Last Week; Relatively Clean Comp

Luxury & Independents again strong. Occupancy negative for most chain scales.

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What's Inside

Weekly STR results and analysis

What's Incremental To Our View

Overall U.S. RevPAR was +1.7% Y/Y for the week ending 2/9/2019, per STR, softer than the prior week's result of +2.4%. (2-year stacked RevPAR was +4.4% vs +6.2% in the prior week.) Independent hotels (about 1/3rd of the data set) were +4.3% y/y. Luxury (+5.0%) was the strongest chain scale for branded hotels; Upscale was the weakest at -1.6%. Upper Midscale (-0.4%) and Midscale (-1.0%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+5.9% vs. +9.6% prior week) was stronger than Transient (+0.1% vs. +0.7% prior week).

Last week's STR results presented varied performance with continued strength in Luxury and Independents.

- Luxury (+5.0% RevPAR) significantly outpaced all other chain scales (see below for detail). Independents were +4.3%.
- Occupancy was down for most chain scales. Only Luxury (+0.4%) and Economy (+1.2%) were up. We see this as partly from relatively lower supply growth in these chain scales.
- There were a few calendar shifts last week such as the move of Mardi Gras to 3/5/19 from 2/13/18 and potentially some noise from Super Bowl moving to Atlanta from Minneapolis. We note that Group RevPAR for Atlanta was +77.5% last week and Minneapolis was -74.1%. Atlanta's stadium has more seating and it is also a larger hotel market; we see these Super Bowl impacts potentially contributing to the strong Group performance.

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.** Upscale and Upper Midscale underperformed by 660 bps and 540 bps, respectively: Luxury RevPAR (+5.0%), Upper Upscale (+1.5%), Upscale (-1.6%), Upper Midscale (-0.4%), Midscale (-1.0%), and Economy (+0.6%). Independent hotels (+4.3%) 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 +0.1% (vs. +0.7% last week) and Group segment RevPAR was +5.9% (vs. +9.6% last week).
- **LA (+4.9%) was the strongest of the top five markets:** Boston (+4.2%), Chicago (+3.1%); NYC (-2.6%), and DC (-3.6%).
- **Other relevant markets:**
  - **San Francisco was very strong (Moscone Convention Center expansion and renovation completed):** RevPAR was +19.5% vs. -1.2% last week. **ADR was +18.0% so results should flow nicely to 1Q margins.**
  - **Texas results were mixed (y/y hurricane comps in Houston):** Dallas RevPAR was +7.8% (vs. +0.9% last week). Houston RevPAR was -16.5% (vs. -8.4% last week).
  - **Hurricane-impacted markets in FL were fair:** Miami (-0.6% vs. +5.2% last week); Orlando (+1.4% vs. +3.5% 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.**

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
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%
1/26/2019	**-0.9%**	-0.3%	-5.8%	-4.7%	-1.4%	-0.5%	1.8%	4.3%	-12.9%	-11.3%	-6.4%	-29.2%	-10.6%
2/2/2019	**2.4%**	6.4%	4.6%	-0.2%	-0.6%	-1.3%	0.1%	3.4%	-3.6%	13.0%	5.7%	-13.9%	-2.4%
2/9/2019	**1.7%**	5.0%	1.5%	-1.6%	-0.4%	-1.0%	0.6%	4.3%	-2.6%	4.2%	4.9%	3.1%	-3.6%

Group strong, in part from Super Bowl

Luxury and Upper Upscale led the industry

LA 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
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%
4Q18	2.4%	3.0%	1.1%	0.0%	0.5%	1.3%	2.9%	4.9%	3.5%	12.2%	3.0%	2.8%	-3.4%

YoY % change in ADR

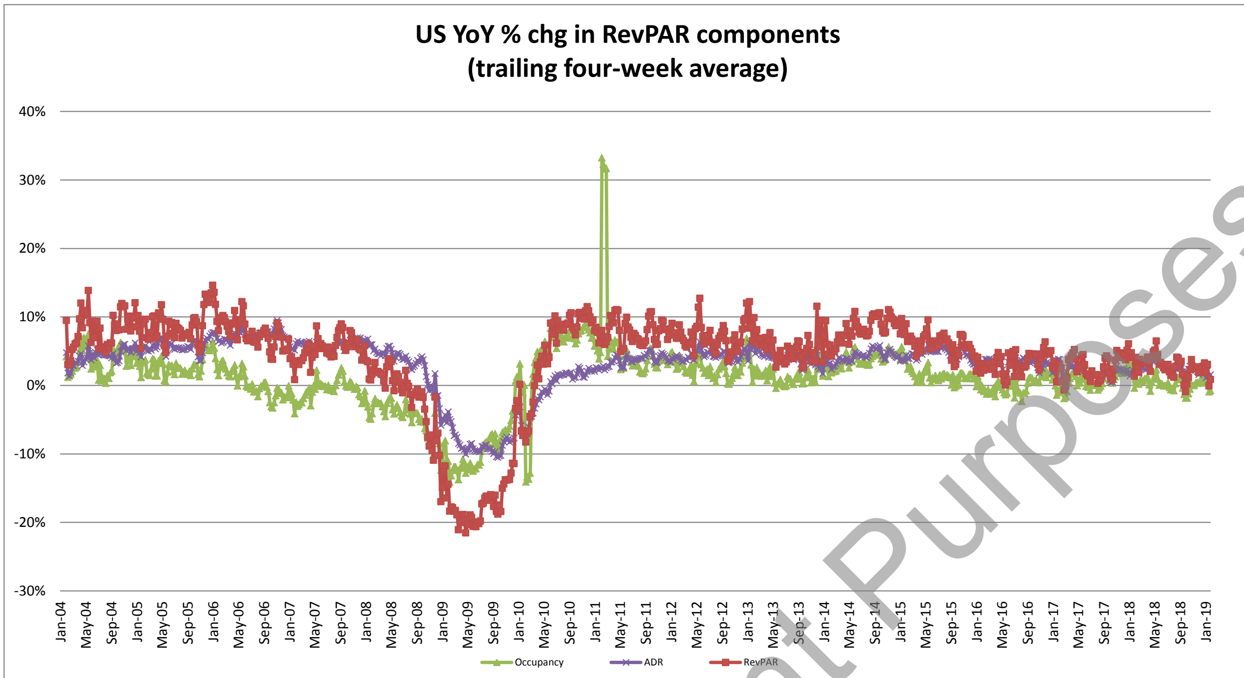
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
12/15/2018	**3.2%**	5.1%	3.2%	2.4%	1.4%	0.7%	0.5%	4.6%	9.1%	7.8%	3.1%	1.9%	12.6%
12/22/2018	**0.4%**	-5.2%	1.3%	1.8%	1.6%	0.0%	0.0%	-0.5%	7.3%	8.3%	0.1%	2.7%	6.1%
12/29/2018	**-0.5%**	0.1%	-0.8%	-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%
1/26/2019	**-0.3%**	5.1%	-0.9%	-1.4%	-0.3%	-0.6%	-0.5%	1.7%	-6.7%	-4.0%	-3.7%	-15.6%	-4.3%
2/2/2019	**2.3%**	7.2%	4.5%	1.2%	0.5%	-1.1%	-0.8%	2.2%	-1.9%	6.0%	4.7%	-5.4%	-0.7%
2/9/2019	**1.5%**	4.5%	2.3%	0.5%	0.4%	-0.3%	-0.6%	1.9%	-0.5%	2.5%	4.7%	0.4%	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%
4Q18	2.0%	3.7%	2.2%	1.6%	1.1%	0.9%	0.6%	2.9%	3.4%	5.6%	1.4%	2.2%	-2.1%

YoY % change in Occupancy

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	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%
1/26/2019	**-0.6%**	-5.1%	-4.9%	-3.3%	-1.2%	0.1%	2.3%	2.5%	-6.6%	-7.6%	-2.9%	-16.1%	-6.6%
2/2/2019	**0.1%**	-0.8%	0.1%	-1.3%	-1.1%	-0.2%	0.9%	1.2%	-1.7%	6.6%	1.0%	-9.1%	-1.7%
2/9/2019	**0.2%**	0.4%	-0.8%	-2.1%	-0.8%	-0.6%	1.2%	2.4%	-2.1%	1.7%	0.2%	2.7%	-4.6%
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%
4Q18	0.4%	-0.7%	-1.1%	-1.6%	-0.6%	0.4%	2.3%	1.9%	0.1%	6.3%	1.6%	0.6%	-1.3%

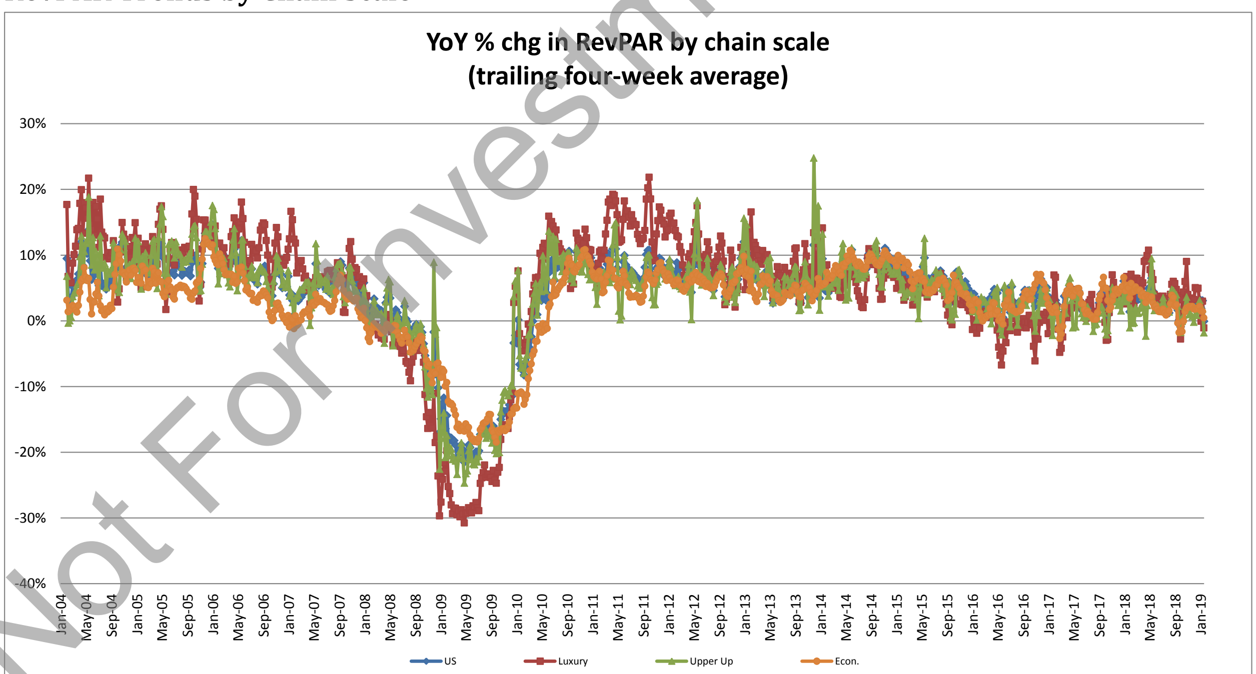
Source: STR data, STRH research

RevPAR Component Trends



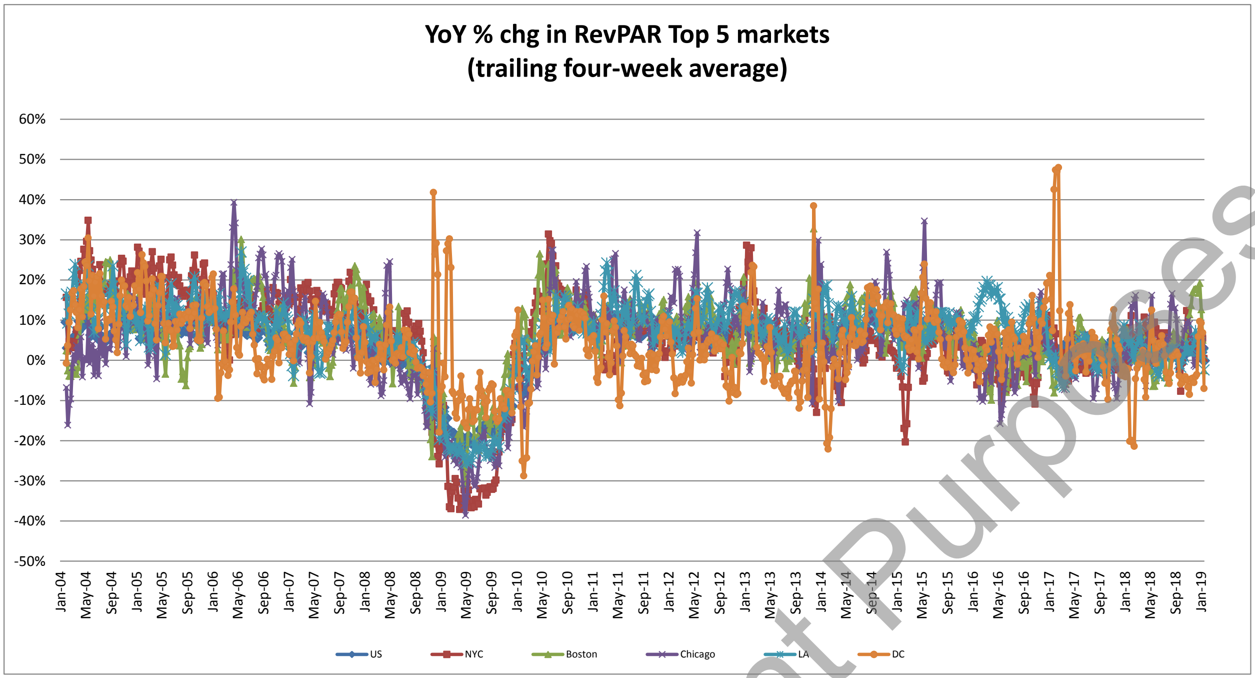
Source: STR data, STRH research

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 2/12/19	Rating	PT*	% upside down-side	2019E EBITDA ($M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	$28.42	Hold	$26	-9%	$182	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	$80.35	Hold	$80	0%	$363	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	$10.49	Hold	$11	5%	$261	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	$17.98	Hold	$21	17%	$1,499	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	$70.37	Hold	$78	11%	$797	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	$13.28	Hold	$15	13%	$141	7.7X	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	$30.56	Buy	$46	51%	$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	$74.32	Buy	$88	18%	$2,267	14.9X	Downside risk: slowing pipeline
Marriott International	MAR	$114.74	Hold	$125	9%	$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	$92.86	Buy	$130	39%	$741	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	$29.08	Buy	$33	13%	$766	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	$7.61	Buy	$14	84%	$175	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust	RLJ	$18.68	Hold	$21	12%	$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	$80.31	Hold	$76	-5%	$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	$14.00	Hold	$15	7%	$319	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	$45.10	Buy	$62	37%	$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	$51.17	Buy	$63	23%	$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, $13.28, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $80.35, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, $28.42, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $10.49, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $70.37, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $30.56, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $74.32, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $17.98, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $114.74, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, $29.08, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.61, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $80.31, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $18.68, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, $14.00, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $92.86, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $51.17, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $45.10, Buy, C. Patrick Scholes)

Analyst Certification

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