



Lodging - US RevPAR +3.4% Y/Y Last Week; Valentine's Day Calendar Shift Helped

RevPAR hearts were left in San Francisco: +62.2% last week (+51.7% ADR)

What's Incremental To Our View

Overall U.S. RevPAR was +3.4% Y/Y for the week ending 2/16/2019, per STR, stronger than the prior week's result of +1.7%. (2-year stacked RevPAR was +8.0% vs +4.4% in the prior week.) Independent hotels (about 1/3rd of the data set) were +1.9% y/y. Upper Upscale (+5.7%) was the strongest chain scale for branded hotels; Midscale was the weakest at +0.9%. Upper Midscale (+3.8%) outperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+11.4% vs. +5.9% prior week) was stronger than Transient (-0.5% vs. +0.1% prior week).

The calendar shift of Valentine's Day to a Thursday in 2019 from a Wednesday in 2018 contributed to very strong Group performance last week (+11.4%). Our rule of thumb: when a holiday falls on a Wednesday, this is bad for business travel, especially Group/Convention. Tuesday (RevPAR +12.8%) was especially helped by the shift this year.

Another takeaway from the results: the Top 5 markets had mediocre RevPAR results (see below for detail); however, San Francisco was +62.2%, of which ADR was +51.7%. These results indicate to us what we have been anticipating for the big markets -- that the renovated/expanded Moscone Convention Center in San Francisco is taking share from some large group markets in 2019. The strong results in San Francisco particularly on ADR should flow very nicely to profits for most of the Lodging REITS in our coverage.

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 February, 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 +2-4%. We estimate that the overall industry will finish approximately +2-3%. Please note that reported monthly results include hotels that are not in the weekly data set.

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 290 bps and 190 bps, respectively: Luxury RevPAR (+2.7%), Upper Upscale (+5.7%), Upscale (+2.8%), Upper Midscale (+3.8%), Midscale (+0.9%), and Economy (+1.3%). Independent hotels (+1.9%) underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was stronger than Transient:** Transient segment (individual business and leisure travelers) RevPAR was -0.5% (vs. +0.1% last week) and Group segment RevPAR was +11.4% (vs. +5.9% last week).
- **Boston (+2.7%) was the strongest of the top five markets:** Chicago (-0.9%); LA (-4.8%), NYC (-0.8%), and DC (-1.7%).
- **Other relevant markets:**
 - **San Francisco was very positive (Moscone Convention Center expansion and renovation completed):** RevPAR was +62.2% vs. +19.5% last week. ADR was +51.7% -- the continuation of high ADR citywides should be a material benefit in 1Q actuals for Lodging REITS with large SF exposure. Group RevPAR last week was +140.4%.
 - **Texas results were positive (y/y hurricane comps in Houston):** Dallas RevPAR was +4.0% (vs. +7.8% last week). Houston RevPAR was +0.8% (vs. -16.5% last week).
 - **Hurricane-impacted markets in FL were mixed:** Miami (-5.0% vs. -0.6% last week); Orlando (+10.8% vs. +1.4% 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.	Upper			Upper			Inde- pendent	New	York	Boston	LA	Chicago	DC
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
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%
2/16/2019	3.4%	2.7%	5.7%	2.8%	3.8%	0.9%	1.3%	1.9%	-0.8%	2.7%	-4.8%	-0.9%	-1.7%

Group strong particularly in some key markets

Upper Upscale and Upper Midscale led the industry

Boston and NYC led the Top 5 markets

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.	Upper			Upper			Inde- pendent	New	York	Boston	LA	Chicago	DC
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
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%
2/16/2019	2.7%	3.9%	5.1%	2.8%	2.6%	0.2%	-0.2%	1.6%	0.5%	1.9%	-5.0%	-0.9%	0.7%

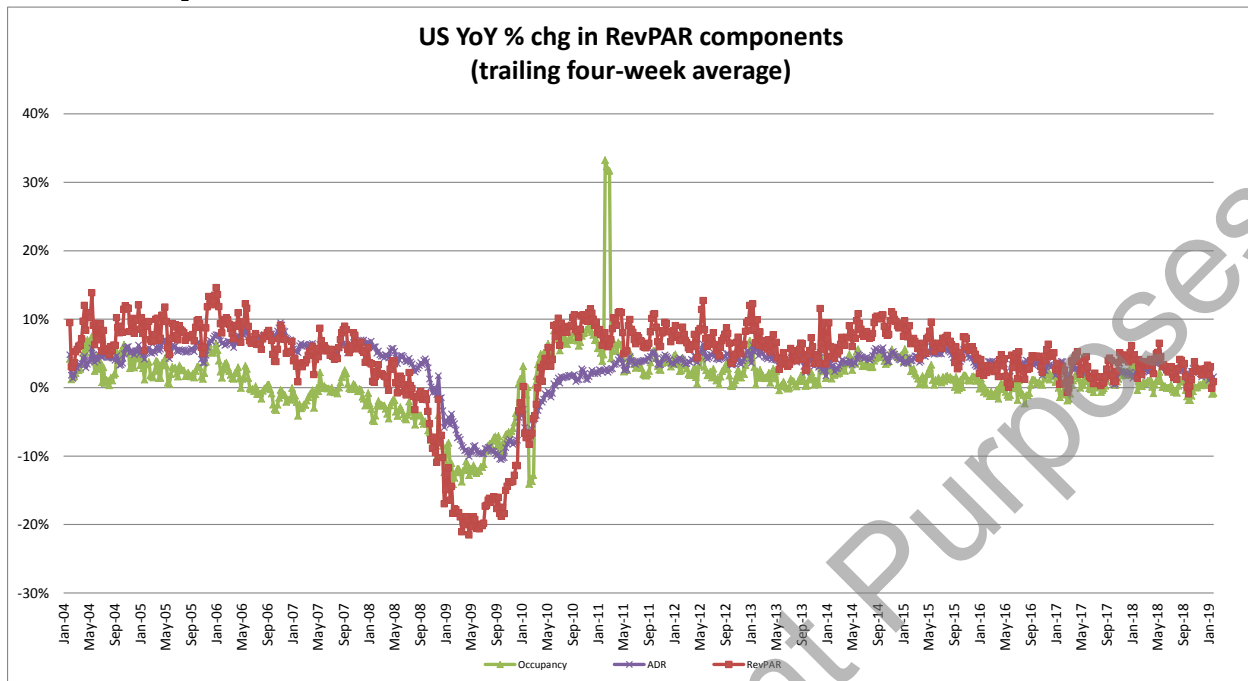
1Q16	3.2%	1.9%	2.7%	3.2%	2.6%	1.7%	3.3%	3.7%	-3.1%	1.4%	11.3%	-1.9%	1.1%
2Q16	2.9%	1.5%	2.2%	2.9%	2.8%	2.7%	3.4%	3.0%	-3.1%	3.3%	9.4%	0.3%	2.1%
3Q16	3.4%	1.5%	2.5%	2.7%	2.4%	3.1%	3.6%	4.4%	-2.7%	2.3%	7.5%	1.9%	3.5%
4Q16	2.6%	2.1%	1.4%	2.2%	2.0%	2.2%	3.2%	3.8%	-1.2%	1.3%	5.8%	3.9%	4.1%
1Q17	2.5%	2.3%	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.	Upper			Upper			Inde- pendent	New	York	Boston	LA	Chicago	DC
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
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%
2/16/2019	0.7%	-1.2%	0.5%	0.0%	1.1%	0.7%	1.4%	0.3%	-1.2%	0.8%	0.1%	0.1%	-2.4%

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%

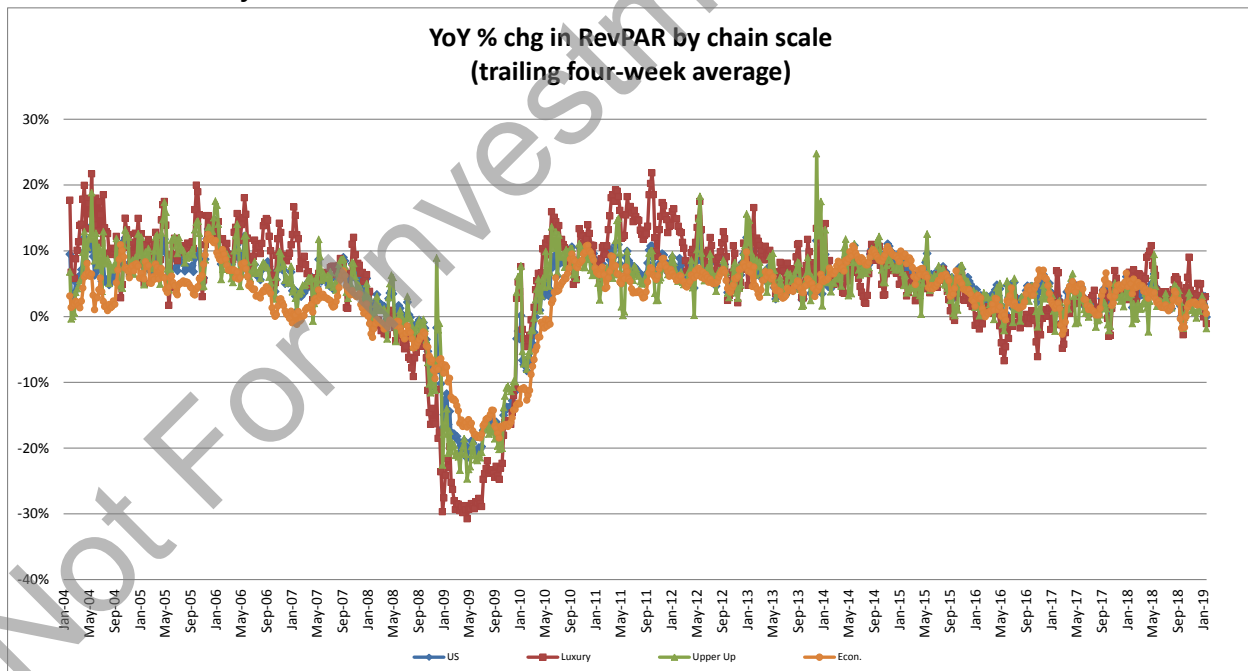
Source: STR data, STRH research

RevPAR Component Trends

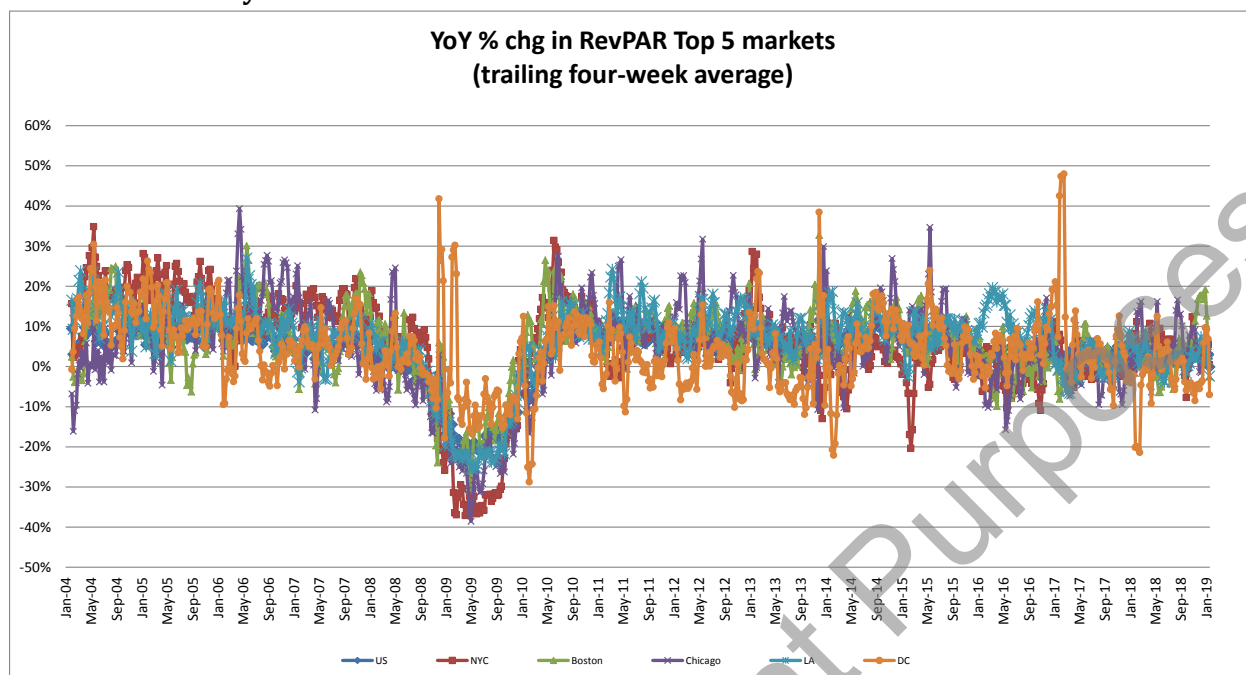


Source: STR data, STRH research

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 2/19/19	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$29.06	Hold	\$26	-11%	\$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	\$79.05	Hold	\$87	10%	\$360	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.73	Hold	\$11	3%	\$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	\$18.52	Hold	\$21	13%	\$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	\$74.08	Hold	\$82	11%	\$790	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$14.27	Hold	\$15	5%	\$141	7.7X	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	\$31.82	Buy	\$46	45%	\$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	\$81.39	Buy	\$99	22%	\$0	15.1X	Downside risk: slowing pipeline
Marriott International	MAR	\$122.03	Hold	\$125	2%	\$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	\$95.26	Buy	\$130	36%	\$741	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$30.01	Buy	\$33	10%	\$766	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$7.97	Buy	\$14	76%	\$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	\$19.05	Hold	\$21	10%	\$518	11.5X	Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$84.97	Hold	\$76	-11%	\$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	\$14.77	Hold	\$15	2%	\$318	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	\$46.50	Buy	\$62	33%	\$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	\$52.29	Buy	\$67	28%	\$614	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, \$14.27, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$79.05, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$29.06, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.73, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$74.08, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$31.82, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$81.39, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.52, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$122.03, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$30.01, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.97, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$84.97, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$19.05, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$14.77, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$95.26, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$52.29, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$46.50, Buy, C. Patrick Scholes)

Analyst Certification

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

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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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