



## Lodging - US RevPAR flat Y/Y Last Week; Relatively Clean Comp. Occ is sliding.

Headline positively influenced by Independent hotels; Branded hotels soft

### What's Incremental To Our View

Overall U.S. RevPAR was +0.0% Y/Y for the week ending 2/23/2019, per STR, softer than the prior week's result of +3.4%. (2-year stacked RevPAR was +2.1% vs +8.0% in the prior week.) Independent hotels (about 1/3rd of the data set) were +2.8% y/y. Luxury (+0.3%) was the strongest chain scale for branded hotels; Midscale was the weakest at -3.6%. Upper Midscale (-1.8%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+1.9% vs. +11.4% prior week) was stronger than Transient (-0.5% vs. -0.5% prior week).

**We believe last week was a clean y/y comp though was perhaps driven by a small lingering negative impact from Valentine's Day.** The headline result was positively influenced by Independents (see below for detail). Ex-Independents, last week was fairly soft.

**Occupancy growth is continuing to go negative for branded hotels.** We first called out this trend last month. Month-to-date we see the greatest occupancy weakness in Luxury and Upscale although unlike Upscale, Luxury ADR growth is offsetting negative occupancy. Notably, occupancy was negative -1.7% last week y/y.

**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% (unchanged from our prior estimate). We estimate that the overall industry will finish approximately +2-3% (unchanged from our prior estimate).** 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 difficult comp for these areas for the next several months.

### RevPAR details:

- **Luxury was the "strongest" chain scale.** Upscale and Upper Midscale underperformed by 300 bps and 210 bps, respectively: Luxury RevPAR (+0.3%), Upper Upscale (+0.0%), Upscale (-2.7%), Upper Midscale

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### What's Inside

Weekly STR results and analysis

(-1.8%), Midscale (-3.6%), and Economy (-2.7%). Independent hotels (+2.8%) 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 -0.5% (vs. -0.5% last week) and Group segment RevPAR was +1.9% (vs. +11.4% last week).
- **Boston (+2.2%) was the strongest of the top five markets:** Chicago (-2.8%); LA (-3.6%), NYC (-2.2%), and DC (-6.9%).
- **Other relevant markets:**
  - **San Francisco was very positive (Moscone Convention Center expansion and renovation completed):** RevPAR was +14.0% vs. +62.2% last week.
  - **Texas results were down (y/y hurricane comps in Houston):** Dallas RevPAR was -9.4% (vs. +4.0% last week). Houston RevPAR was -9.9% (vs. +0.8% last week).
  - **Hurricane-impacted markets in FL were down:** Miami (-4.9% vs. -5.0% last week); Orlando (-0.5% vs. +10.8% 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

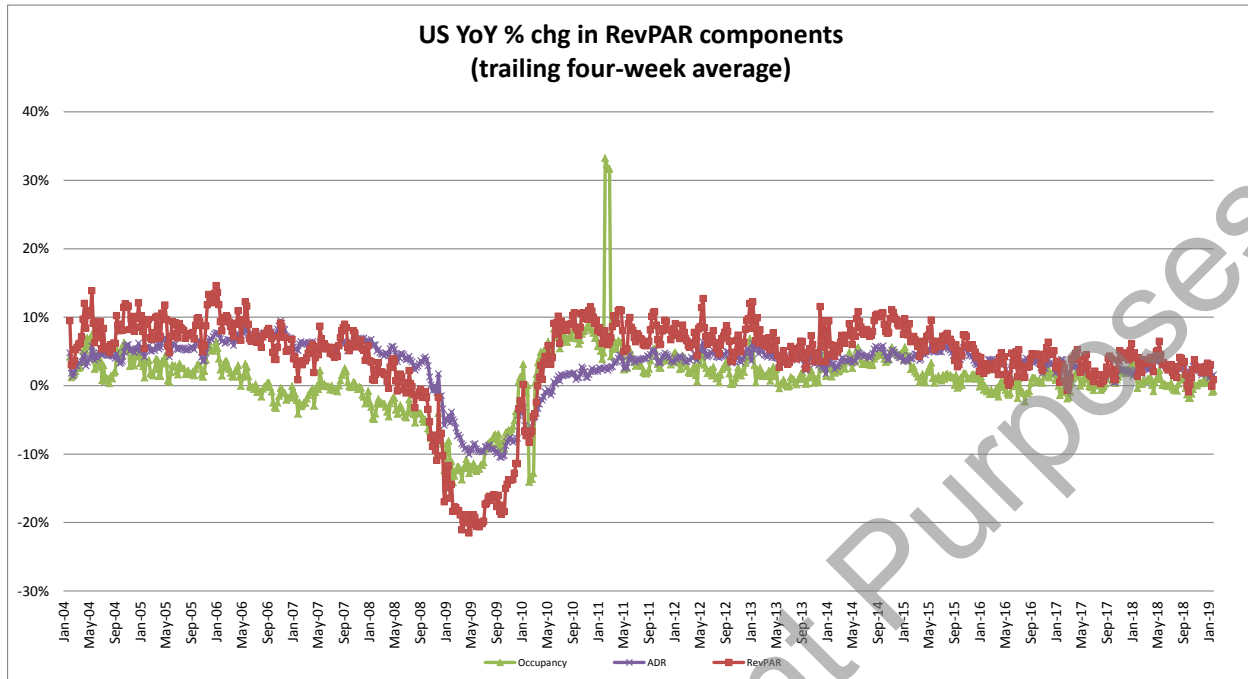
YoY % change in RevPAR													
	U.S.	Upper		Upper		Economy	Inde- pendent	New					
	Luxury	Upscale	Upscale	Midscale	Midscale			York	Boston	LA	Chicago	DC	
12/29/2018	-2.3%	-4.7%	-4.0%	-3.7%	-2.0%	-2.0%	-1.3%	-0.8%	-5.3%	-7.0%	-5.2%	-0.3%	-4.2%
1/5/2019	5.2%	13.6%	0.0%	-3.2%	-2.2%	-0.6%	1.3%	15.9%	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%
2/23/2019	0.0%	0.3%	0.0%	-2.7%	-1.8%	-3.6%	-2.7%	2.8%	-2.2%	2.2%	-3.6%	-2.8%	-6.9%
Overall weak both Transient and Group				Luxury and Upper Upscale 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 Luxury		Upscale	Upscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
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%
2/23/2019	1.7%	3.1%	1.6%	0.2%	0.9%	-0.5%	-1.2%	3.1%	-1.1%	2.1%	-0.5%	-1.2%	-1.3%
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
12/29/2018	-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%
2/23/2019	-1.7%	-2.7%	-1.6%	-2.9%	-2.7%	-3.2%	-1.5%	-0.2%	-1.2%	0.1%	-3.1%	-1.6%	-5.6%
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%

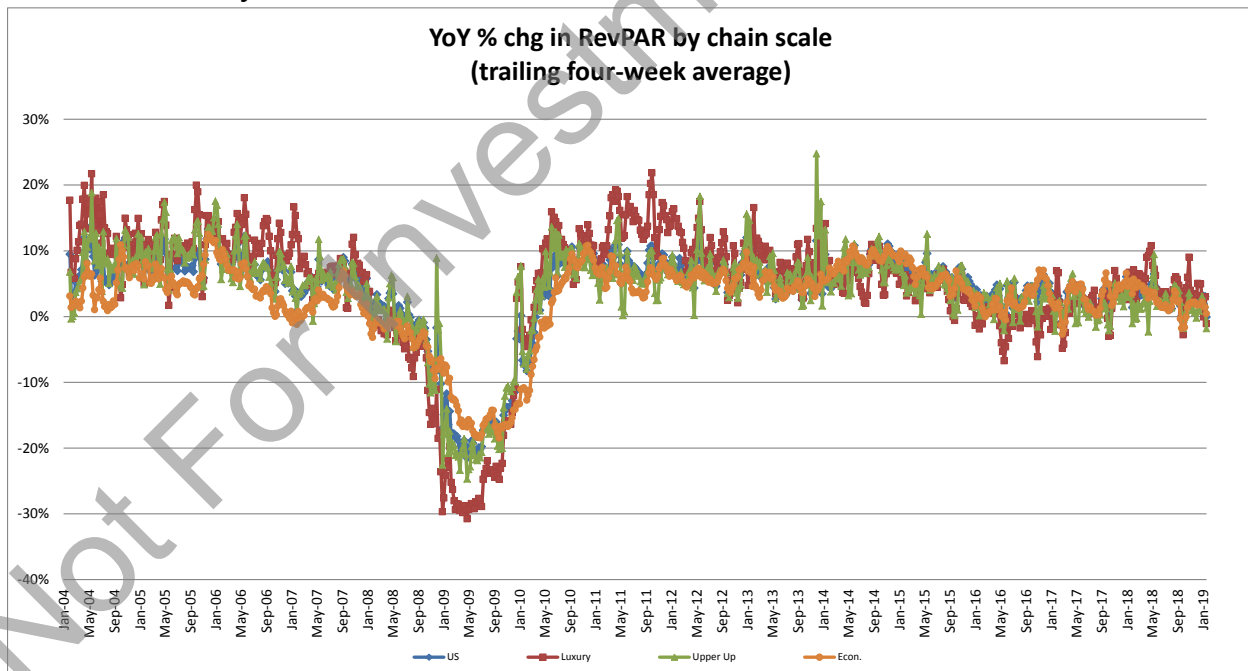
Source: STR data, STRH research

## RevPAR Component Trends

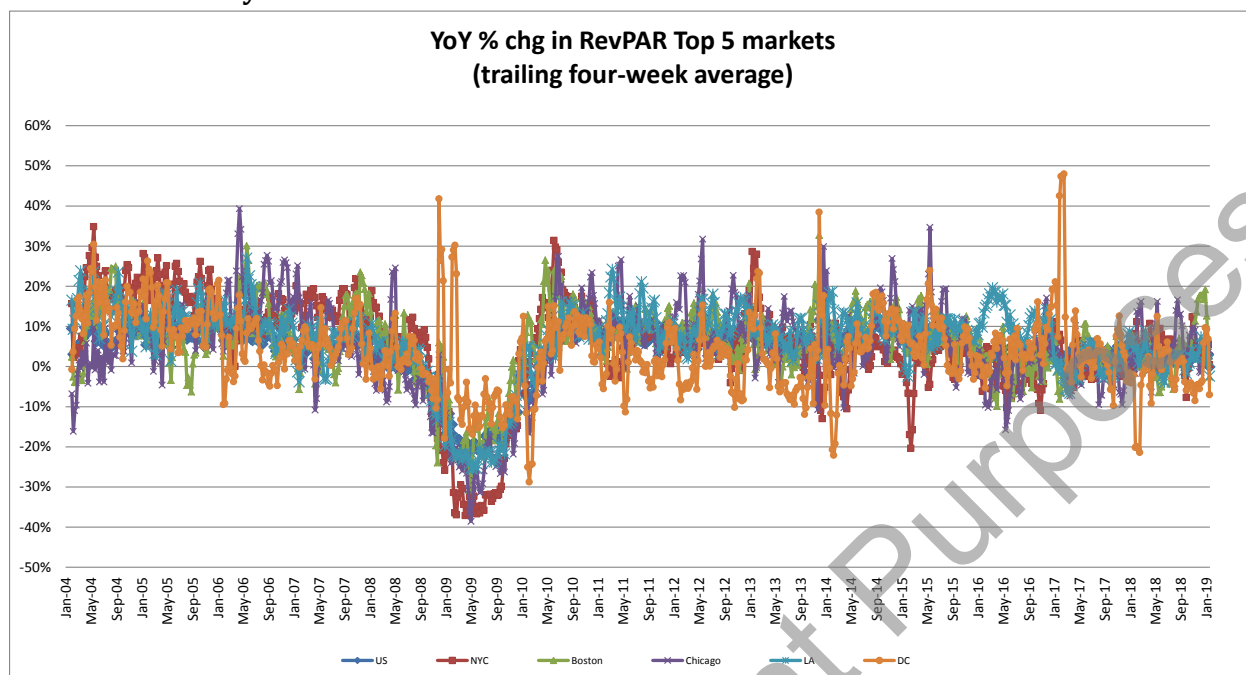


Source: STR data, STRH research

## 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 2/26/19	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$29.82	Hold	\$26	-13%	\$180	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	\$79.23	Hold	\$87	10%	\$360	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.70	Hold	\$11	3%	\$264	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	\$19.70	Hold	\$22	12%	\$1,549	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	\$73.08	Hold	\$82	12%	\$790	13.3X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$13.25	Hold	\$16	21%	\$138	7.8X	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	\$32.41	Buy	\$44	36%	\$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	\$83.49	Buy	\$99	19%	\$2,187	15.1X	Downside risk: slowing pipeline
Marriott International	MAR	\$128.57	Hold	\$125	-3%	\$3,292	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: 2019 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$96.46	Buy	\$130	34%	\$741	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$31.36	Buy	\$33	5%	\$766	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$7.73	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	\$18.94	Hold	\$21	11%	\$518	11.5X	Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$83.91	Hold	\$76	-9%	\$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	\$15.06	Hold	\$15	0%	\$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	\$45.05	Buy	\$72	60%	\$1,006	9.2X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	\$53.61	Buy	\$67	25%	\$614	13.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.

\* All of our Lodging price targets (ex-BXG, CHH, DRH, H, HLT, HST, RHP, SHO, and WH, WYND) 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, \$79.23, Hold, C. Patrick Scholes)  
**Chesapeake Lodging Trust** (CHSP, \$29.82, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$10.70, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$73.08, Hold, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$32.41, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$83.49, Buy, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$19.70, Hold, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$128.57, Hold, C. Patrick Scholes)  
**Park Hotels & Resorts Inc.** (PK, \$31.36, Buy, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$7.73, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$83.91, Hold, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$18.94, Hold, C. Patrick Scholes)  
**Sunstone Hotel Investors, Inc.** (SHO, \$15.06, Hold, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$96.46, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$53.61, Buy, C. Patrick Scholes)  
**Wyndham Destinations, Inc.** (WYND, \$45.05, Buy, C. Patrick Scholes)

## Analyst Certification

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