



Lodging - US RevPAR +0.3% Y/Y Last Week; Clean comp. Uninspiring result.

Weak occ growth (-1% to -2% for full-service brands); Supply growth pressuring

What's Incremental To Our View

Overall U.S. RevPAR was +0.3% Y/Y for the week ending 3/2/2019, per STR, slightly stronger than the prior week's result of +0.0%. (2-year stacked RevPAR was +4.5% vs +2.1% in the prior week.) Independent hotels (about 1/3rd of the data set) were +0.6% y/y. Luxury (+0.7%) was the strongest chain scale for branded hotels; Upscale was the weakest at -1.3%. Upper Midscale (+0.0%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-0.7% vs. +1.9% prior week) was slightly softer than Transient (-0.4% vs. -0.5% prior week).

We believe last week was a clean y/y comp with soft results across the chain scales. While ADR growth was "okay" (+1.3% for the industry and led by +2.7% for Luxury and +2.0% for Upper Upscale), occupancy was -100 bps for the industry and down 100-200 bps for full-service branded hotels (AKA the typical Hilton, Hyatt, and Marriott hotel). We first called out this trend in January and expect the occupancy loss will persist at least in the near-term and believe it difficult to change direction this far into the cycle. We believe supply growth is a headwind especially in Upscale and Upper Midscale (higher and mid-rated select-service hotels in particular).

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 +1.5-3.0% (our prior estimate was +2-4%). We estimate that the overall industry will finish approximately +1.5-2.5% (our prior estimate was +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 difficult comp for these areas for the next several months.

RevPAR details:

- **Luxury was the strongest chain scale.** Upscale and Upper Midscale underperformed by 200 bps and 70 bps, respectively: Luxury RevPAR (+0.7%), Upper Upscale (+0.2%), Upscale (-1.3%), Upper Midscale

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What's Inside

Weekly STR results and analysis

(+0.0%), Midscale (-1.0%), and Economy (-0.4%). Independent hotels (+0.6%) outperformed headline U.S. RevPAR.

- **Within Upper Upscale & Luxury class hotels, Group was slightly softer than Transient:** Transient segment (individual business and leisure travelers) RevPAR was -0.4% (vs. -0.5% last week) and Group segment RevPAR was -0.7% (vs. +1.9% last week).
- **Chicago (+11.4%) was the strongest of the top five markets:** Boston (-3.5%), LA (-3.7%), NYC (-5.9%), and DC (-0.5%).
- **Other relevant markets:**
 - **San Francisco was strong yet again (Moscone Convention Center expansion and renovation completed):** RevPAR was +11.9% vs. +14.0% last week.
 - **Texas results were mixed (y/y hurricane comps in Houston):** Dallas RevPAR was +4.0% (vs. -9.4% last week). Houston RevPAR was -10.1% (vs. -9.9% last week).
 - **Hurricane-impacted markets in FL were down:** Miami (-2.3% vs. -4.9% last week); Orlando (-4.4% vs. -0.5% 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.	Upper Luxury		Upscale	Upper Midscale		Midscale	Economy	Inde- pendent	New York		Boston	LA	Chicago	DC
12/29/2018	-2.3%	-4.7%	-4.0%	-3.7%	-2.0%	-2.0%	-2.0%	-1.3%	-0.8%	-5.3%	-7.0%	-5.2%	-0.3%	-4.2%	-9.1%
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%		
3/2/2019	0.3%	0.7%	0.2%	-1.3%	0.0%	-1.0%	-0.4%	0.6%	-5.9%	-3.5%	-3.7%	11.4%	-0.5%		

Clean comp; overall weak both
Transient and Group

Luxury and Upper Upscale led the industry

Chicago and DC 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%
3/2/2019	1.3%	2.7%	2.0%	1.1%	1.3%	-0.1%	-0.4%	1.0%	-2.3%	1.2%	-1.9%	6.0%	5.1%

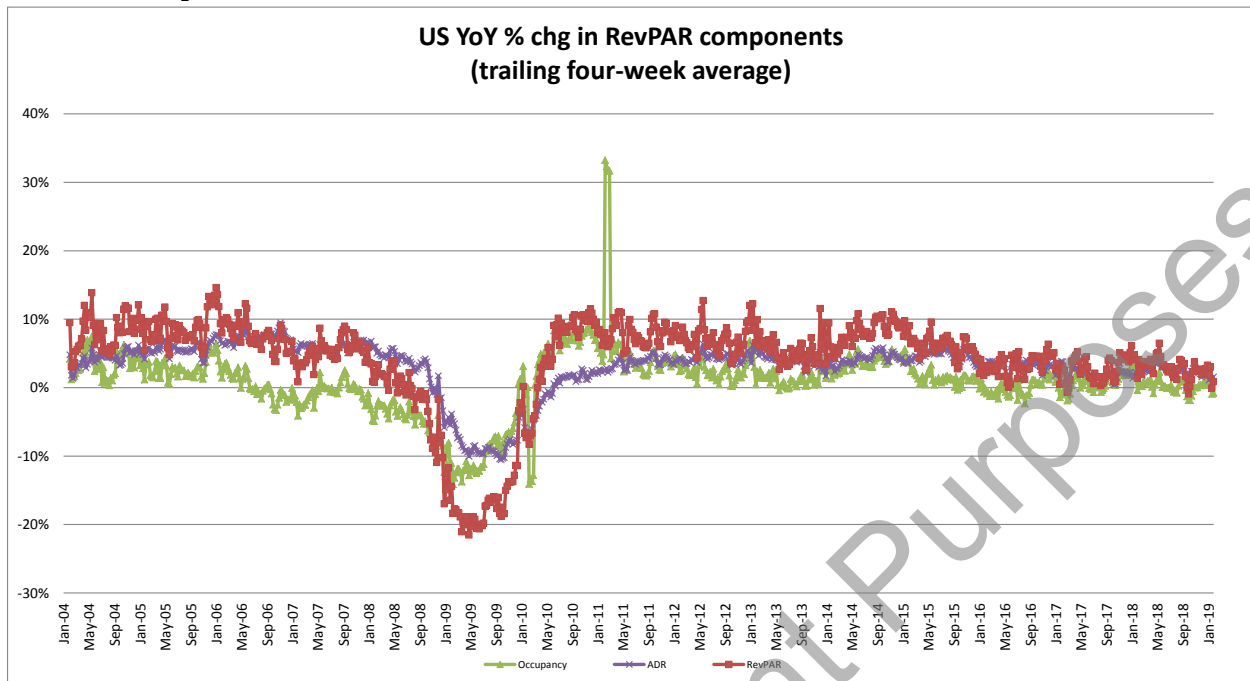
1Q16	3.2%	1.9%	2.7%	3.2%	2.6%	1.7%	3.3%	3.7%	-3.1%	1.4%	11.3%	-1.9%	1.1%
2Q16	2.9%	1.5%	2.2%	2.9%	2.8%	2.7%	3.4%	3.0%	-3.1%	3.3%	9.4%	0.3%	2.1%
3Q16	3.4%	1.5%	2.5%	2.7%	2.4%	3.1%	3.6%	4.4%	-2.7%	2.3%	7.5%	1.9%	3.5%
4Q16	2.6%	2.1%	1.4%	2.2%	2.0%	2.2%	3.2%	3.8%	-1.2%	1.3%	5.8%	3.9%	4.1%
1Q17	2.5%	2.3%	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	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%
3/2/2019	-1.0%	-2.0%	-1.8%	-2.3%	-1.3%	-0.9%	0.0%	-0.4%	-3.7%	-4.7%	-1.8%	5.1%	-5.4%

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%

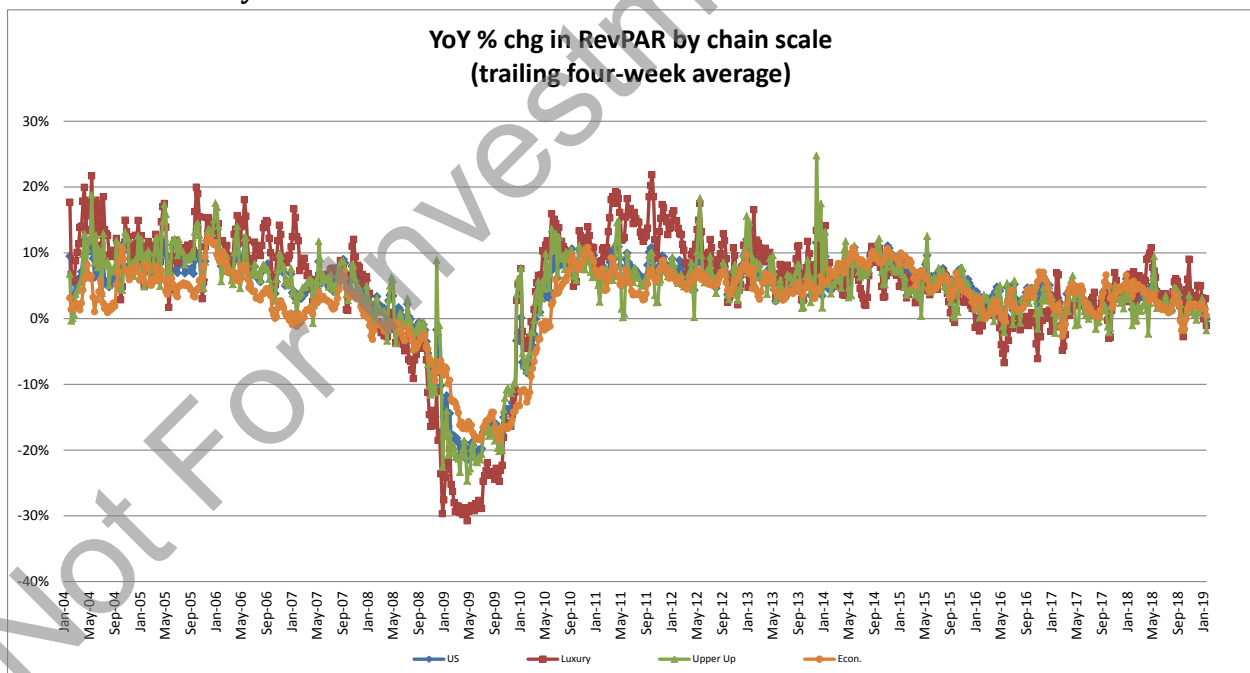
Source: STR data, STRH research

RevPAR Component Trends

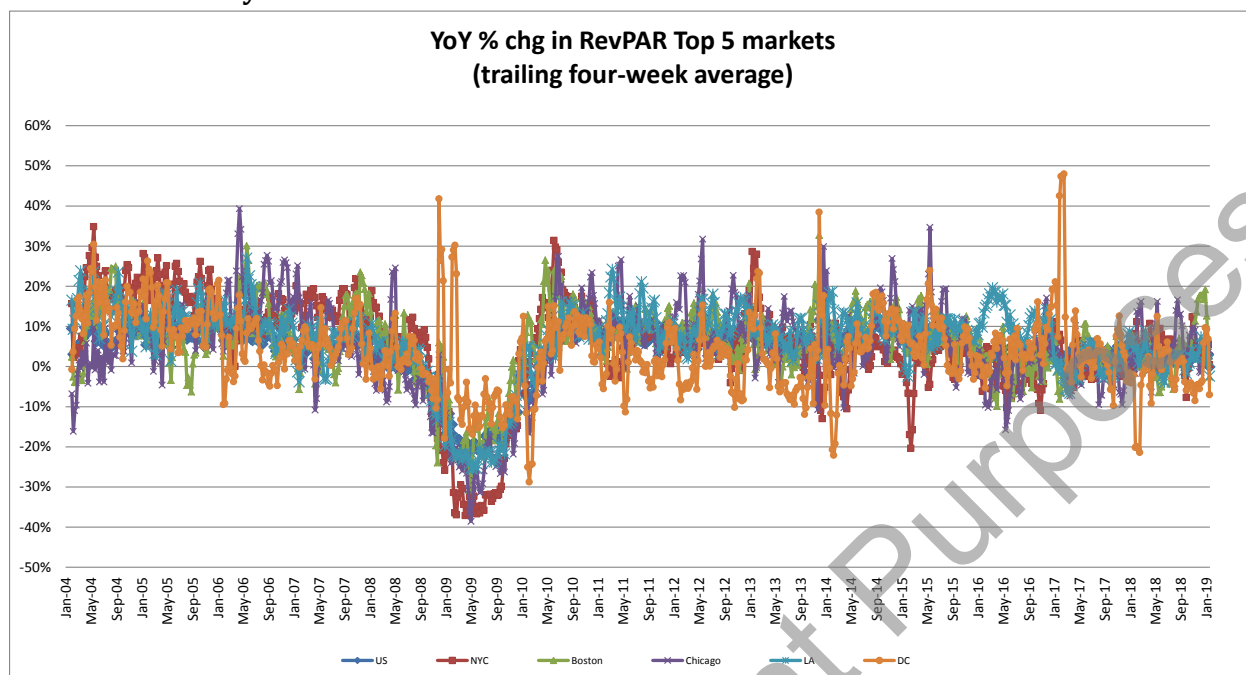


Source: STR data, STRH research

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 3/5/19	Rating	PT*	% upside down- side	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$30.26	Hold	\$26	-14%	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	\$81.16	Hold	\$87	7%	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.82	Hold	\$11	2%	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	\$19.84	Hold	\$22	11%	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	\$74.91	Hold	\$82	9%	13.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$15.85	Hold	\$16	1%	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	\$33.32	Buy	\$51	53%	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	\$84.01	Buy	\$99	18%	14.8X	Downside risk: slowing pipeline
Marriott International	MAR	\$125.22	Hold	\$137	9%	14.8X	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	\$98.73	Buy	\$149	51%	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$31.53	Buy	\$34	8%	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
Playa Hotels & Resorts	PLYA	\$7.83	Buy	\$14	79%	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust	RLJ	\$18.71	Hold	\$20	7%	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	\$83.24	Hold	\$76	-9%	12.2X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$15.14	Hold	\$15	-1%	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	\$45.64	Buy	\$72	58%	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	\$53.55	Buy	\$67	25%	13.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.

Source: FactSet, STRH research

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$15.85, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$81.16, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, \$30.26, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.82, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$74.91, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$33.32, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$84.01, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$19.84, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$125.22, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$31.53, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.83, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$83.24, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$18.71, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$15.14, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$98.73, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$53.55, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$45.64, 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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· Buy – total return \geq 15% (10% for low-Beta securities)***

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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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Sell	3	0.42%	Sell	1	33.33%

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