Lodging - US RevPAR +3.6% Y/Y Last Week; Group catch-up post-Easter shift

Group RevPAR +8.1%; top markets largely positive with post-holiday corp. travel

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What's Inside

Weekly STR results and analysis

What's Incremental To Our View

Overall U.S. RevPAR was +3.6% Y/Y for the week ending 5/4/2019, per STR, stronger than the prior week's result of -2.9%. (2-year stacked RevPAR was +7.2% vs -1.0% in the prior week.) Independent hotels (about 1/3rd of the data set) were +3.9% y/y. Luxury (+6.9%) was the strongest chain scale for branded hotels; Midscale was the weakest at -0.2%. Upper Midscale (+2.8%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+8.1% vs. -28.6% prior week) was stronger than Transient (+2.4% vs. +4.6% prior week).

As we anticipated, last week was a far better RevPAR week on a sequential basis given the rebound following the Easter/Passover/Good Friday holidays earlier in the month. Corporate travel resumed to our expected levels and this is supported by Group RevPAR of +8.1% last week. Midweek daily RevPARs averaged ~ +4% (given lighter corporate travel over the prior few weeks). With the catch-up of corporate travel last week, many Top 25 markets exhibited strong RevPAR growth (see below for 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.

For the month of April, 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 flattish (our prior estimate was flattish to +1%). We estimate that the overall industry will finish +0.5-1.5% (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 (especially Houston). **We believe comps are starting to become "less hard" as evidenced by the Houston trends in particular over the last few weeks, although Houston is still facing tough supply growth headwinds.**

Last week's RevPAR details:

- **Luxury was the strongest chain scale.** Upscale and Upper Midscale underperformed by 470 bps and 410 bps, respectively: Luxury RevPAR (+6.9%), Upper Upscale (+3.8%), Upscale (+2.2%), Upper Midscale (+2.8%), Midscale (-0.2%), and Economy (+0.8%). Independent hotels (+3.9%) modestly 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 +2.4% (vs. +4.6% last week) and Group segment RevPAR was +8.1% (vs. -28.6% last week).
- **Boston (+17.4%) was the strongest of the top five markets:** Chicago (+14.5%), LA (+10.8%), NYC (-3.2%), and DC (+11.8%).
- **Other relevant markets:**
  - **San Francisco was modestly positive (Moscone Convention Center expansion and renovation completed):** RevPAR was +1.9% vs. -13.4% last week.
  - **Texas results were down (y/y hurricane comps in Houston):** Dallas RevPAR was -1.6% (vs. -12.6% last week). Houston RevPAR was -22.7% (vs. -13.1% last week).
  - **Hurricane-impacted markets in FL were mixed:** Miami (-2.1% vs. +8.6% last week); Orlando (+4.8% vs. +6.4% 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.**

SunTrust Robinson Humphrey

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
3/23/2019	**0.4%**	-3.6%	-1.0%	-1.8%	0.7%	0.3%	1.2%	2.5%	-2.5%	-6.8%	1.3%	-2.3%	-16.8%
3/30/2019	**5.1%**	-8.9%	9.2%	7.5%	9.0%	6.1%	2.8%	1.6%	-22.9%	9.3%	-6.0%	-4.2%	25.2%
4/6/2019	**1.9%**	-2.9%	9.8%	3.2%	1.8%	-3.0%	-1.2%	-2.5%	4.4%	-10.2%	-2.3%	22.8%	16.7%
4/13/2019	**6.9%**	5.9%	7.1%	4.3%	6.0%	5.8%	6.8%	8.4%	3.2%	9.8%	9.4%	17.0%	0.6%
4/20/2019	**-8.0%**	-1.9%	-13.7%	-12.0%	-11.6%	-10.4%	-4.8%	-1.1%	6.2%	-4.4%	2.1%	-26.3%	-30.1%
4/27/2019	**-2.9%**	-5.1%	-10.6%	-5.5%	-1.0%	0.8%	2.8%	1.3%	-7.5%	-7.7%	-6.4%	-16.9%	-20.3%
5/4/2019	**3.6%**	6.9%	3.8%	2.2%	2.8%	-0.2%	0.8%	3.9%	-3.2%	17.4%	10.8%	14.5%	11.8%

Strong Group; lag benefit from Easter

Luxury and Upper Upscale led the industry

Boston and Chicago 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%
1Q19	1.5%	-0.7%	1.2%	-0.5%	0.4%	-0.1%	1.9%	3.1%	-7.1%	-2.1%	-1.7%	-4.5%	-2.4%

YoY % change in ADR

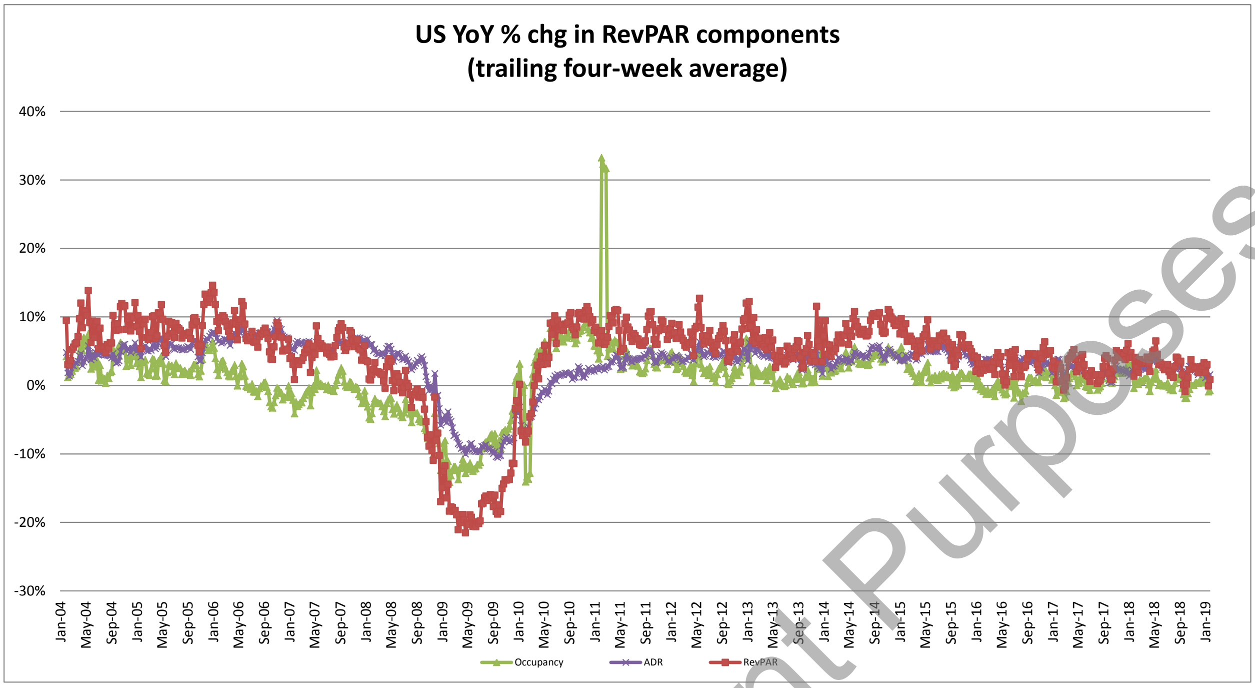
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
3/23/2019	**0.2%**	-0.8%	0.8%	0.1%	1.0%	-0.3%	-0.1%	0.4%	-3.9%	-3.3%	-0.7%	-2.0%	-9.1%
3/30/2019	**0.9%**	-6.4%	4.6%	2.0%	2.4%	0.7%	0.5%	-0.8%	-16.4%	5.5%	-3.9%	-2.1%	19.7%
4/6/2019	**1.5%**	-3.1%	5.5%	2.1%	1.7%	-1.9%	-0.8%	-1.5%	1.8%	-2.9%	-2.7%	10.7%	11.9%
4/13/2019	**4.4%**	6.1%	5.0%	3.7%	4.2%	3.0%	3.1%	4.6%	0.0%	6.2%	4.1%	7.9%	0.2%
4/20/2019	**-1.9%**	4.5%	-5.6%	-3.1%	-2.9%	-2.9%	-2.2%	1.5%	4.7%	-2.5%	-0.9%	-16.9%	-19.4%
4/27/2019	**-1.4%**	0.9%	-4.5%	-2.1%	0.5%	0.4%	0.8%	0.9%	-3.9%	-5.8%	-4.4%	-12.6%	-13.2%
5/4/2019	**2.3%**	4.7%	2.5%	0.8%	1.7%	0.1%	0.6%	2.3%	-0.8%	8.5%	5.9%	7.1%	8.0%
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%
1Q19	1.1%	2.2%	2.5%	1.0%	0.8%	-0.2%	-0.3%	1.0%	-3.8%	0.7%	-1.0%	-2.4%	1.5%

YoY % change in Occupancy

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
3/23/2019	**0.2%**	-2.9%	-1.8%	-1.9%	-0.3%	0.6%	1.4%	2.1%	1.5%	-3.6%	2.0%	-0.3%	-8.5%
3/30/2019	**4.2%**	-2.6%	4.5%	5.4%	6.5%	5.4%	2.3%	2.4%	-7.8%	3.7%	-2.2%	-2.1%	4.6%
4/6/2019	**0.4%**	0.2%	4.0%	1.1%	0.1%	-1.1%	-0.3%	-1.1%	2.5%	-7.5%	0.4%	11.0%	4.3%
4/13/2019	**2.4%**	-0.2%	2.0%	0.6%	1.7%	2.7%	3.6%	3.6%	3.2%	3.5%	5.1%	8.5%	0.4%
4/20/2019	**-6.2%**	-6.1%	-8.5%	-9.3%	-9.0%	-7.8%	-2.6%	-2.6%	1.4%	-2.0%	3.0%	-11.3%	-13.3%
4/27/2019	**-1.4%**	-6.0%	-6.3%	-3.5%	-1.6%	0.4%	2.0%	0.4%	-3.7%	-2.1%	-2.1%	-4.9%	-8.1%
5/4/2019	**1.2%**	2.1%	1.3%	1.4%	1.1%	-0.3%	0.2%	1.6%	-2.4%	8.2%	4.7%	6.9%	3.5%
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%
1Q19	0.4%	-2.8%	-1.3%	-1.4%	-0.5%	0.0%	2.3%	2.1%	-3.5%	-2.8%	-0.7%	-2.2%	-3.8%

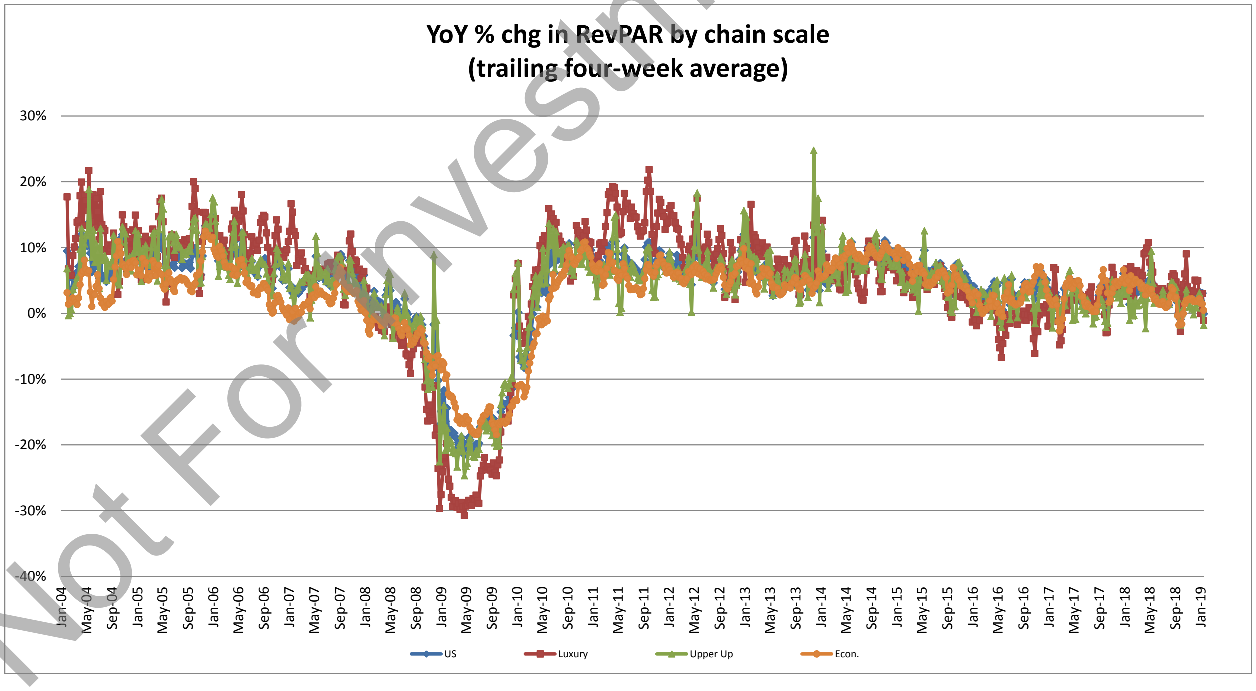
Source: STR data, STRH research

RevPAR Component Trends



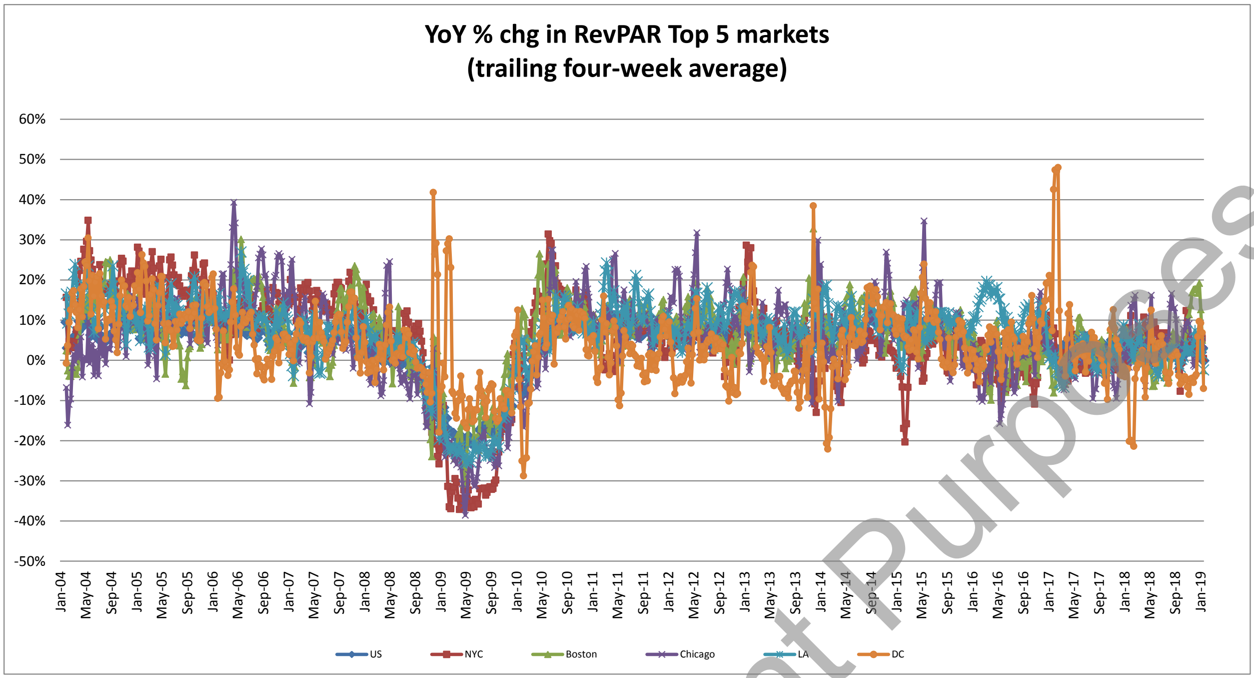
Source: STR data, STRH research

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 5/7/19	Rating	PT*	% upside down-side	2020E Valuation EBITDA ($M)* **	2020E As Reported EBITDA ($M)*	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	$31.24	Hold	$26	-17%	$182	$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	$85.27	Hold	$87	2%	$385	$385	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	$10.61	Hold	$11	4%	$264	$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	$19.36	Hold	$22	14%	$1,540	$1,540	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	$76.75	Hold	$82	7%	$802	$839	13.2X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	$14.85	Hold	$16	8%	$146	$146	7.8X	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	$29.37	Buy	$51	74%	$430	$496	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	$90.49	Buy	$101	12%	$2,382	$32	14.8X	Downside risk: slowing pipeline
Marriott International	MAR	$135.15	Hold	$137	1%	$3,548	$3,877	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: 2020 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	$100.12	Buy	$149	49%	$758	$885	11.1X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	$31.19	Buy	$34	9%	$763	$778	12.6X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs.
Pebblebrook Hotel Trust***	PEB	$32.21	Hold	$34	6%	$489	$489	14.5X	Upside Risks: Material near-term incremental EBITDA from Legacy LHO assets. Downside Risks: Planned asset sales do not materialize as expected and/or at lower-than-expected pricing. Incremental EBITDA from major CapEx investments take longer than anticipated, resulting in multiple contraction.
Playa Hotels & Resorts	PLYA	$8.00	Buy	$13	63%	$218	$223	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust	RLJ	$18.28	Hold	$20	9%	$492	$504	11.6X	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	$85.10	Hold	$81	-5%	$536	$521	12.6X	Upside risk:recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	$14.23	Hold	$15	5%	$316	$316	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.
Vail Resorts, Inc.	MTN	$225.32	Buy	$242	8%	$767	$767	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	$43.92	Buy	$74	68%	$1,028	$1,047	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	$56.06	Buy	$68	21%	$644	$666	13.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.

** All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2020 EBITDA*
*** Valuation EBITDA excludes select items for specific companies including stock-based compensation.*
**** Covered by Gregory J. Miller*

Source: FactSet, STRH research

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, $14.85, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $85.27, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, $31.24, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $10.61, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $76.75, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $29.37, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $90.49, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $19.36, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $135.15, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, $225.32, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, $32.21, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, $31.19, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $8.00, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $85.10, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $18.28, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, $14.23, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $100.12, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $56.06, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $43.92, 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.

I, Gregory J. Miller , 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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Coverage Suspended (CS) – indicates that STRH's rating and/or target price have been temporarily suspended due to applicable regulations and/or STRH Management discretion. The previously published rating and target price should not be relied upon

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NR = Not Rated
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T = Transfer Coverage

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*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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