



## Lodging: US RevPAR -0.7% Y/Y Last Week; Columbus Day shift/Hurricane comp

Headline boosted by independents, branded outside of Luxury underperformed.

### What's Incremental To Our View

Overall U.S. RevPAR was -0.7% Y/Y for the week ending 10/19/2019, per STR, stronger than the prior week's result of -2.6%. (2-year stacked RevPAR was +2.8% vs -1.7% in the prior week.) Independent hotels (about 1/3rd of the data set) were +2.5% y/y. Luxury (+4.8%) was the strongest chain scale for branded hotels; Midscale was the weakest at -3.5%. Upper Midscale (-2.7%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-6.3% vs. -18.8% prior week) was softer than Transient (+3.7% vs. +1.1% prior week).

**Last week's results were heavily influenced by the calendar shift of Columbus Day and for some markets the y/y comp vs. Hurricane Michael. These results were evident when reviewing the day of week results by market.**

- Columbus Day calendar shift:** the holiday shifted to October 14th in 2019 from October 8th last year. This shift benefitted Sunday RevPAR (+5.7%) but negatively impacted demand for the workweek (Monday-Wednesday RevPAR: -4.2%). Group RevPAR was -6.3%. Unsurprisingly, given a leisure focused relative outperformance, Luxury and Independents outperformed the business-focused chain scales (see below for detail).
- Hurricane Michael y/y comp:** the storm made landfall along the Florida Panhandle on Wednesday, October 10th, 2018 and then proceeded through the Eastern U.S. We find the impact was mixed given some markets received demand from coastal markets last year whereas some markets may have had cancellations last year (our gut is that the Washington D.C. RevPAR result of +18.5% was partly influenced by the y/y comp).

*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 October, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish flat to down low single digits. We estimate that the overall industry will finish flat to down low single digits.** Please note that reported monthly results include hotels that are not in the weekly data set.

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### What's Inside

Weekly STR results and analysis

**Last week's RevPAR details:**

- **Luxury was the strongest chain scale:** Upscale and Upper Midscale underperformed by 790 bps and 750 bps, respectively: Luxury RevPAR (+4.8%), Upper Upscale (-2.4%), Upscale (-3.1%), Upper Midscale (-2.7%), Midscale (-3.5%), and Economy (-2.4%). Independent hotels (+2.5%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was +3.7% (vs. +1.1% last week) and Group segment RevPAR was -6.3% (vs. -18.8% last week).
- **D.C. (+18.5%) was the strongest of the top five markets:** Boston (-14.1%), Chicago (-5.3%), Los Angeles (-2.6%), and NYC (+1.8%).
- **Other relevant markets:**
  - **San Francisco was moderately down (Moscone Convention Center expansion and renovation completed):** RevPAR was -3.4% vs. +5.5% last week.
  - **Florida markets were mixed:** Miami (+7.9% vs. -4.0% last week); Orlando (-5.9% vs. -6.3% last week).

**The lodging stocks:** We continue to favor C-Corps over hotel REITS (we favored hotel REITS for the first half of last year) and within C-Corps [we prefer Buy-rated WH](#). In an environment of low RevPAR growth combined with gradually increasing wages/margin pressures, we think [returns for hotel owners is a major headwind to EBITDA growth](#). We believe 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 sparks like we did at this time one year ago.

Not For Investment Purpose

### Weekly RevPAR Summary

	U.S.	Upper		Upper		Economy	Inde- pendent	New					
		Luxury	Upscale	Upscale	Midscale			Midscale	York	Boston	LA	Chicago	DC
9/28/2019	-0.8%	0.6%	-2.7%	-2.5%	-0.5%	-0.6%	-1.3%	0.6%	1.7%	-12.0%	-2.6%	0.2%	0.9%
10/5/2019	-7.5%	-12.9%	-11.3%	-7.9%	-5.2%	-5.1%	-4.9%	-6.1%	-18.3%	-22.3%	-5.7%	-23.1%	-12.5%
10/12/2019	-2.6%	-7.3%	-5.7%	-2.9%	-0.6%	-1.0%	-0.5%	-1.5%	-11.9%	-16.5%	-8.8%	-4.7%	-5.0%
10/19/2019	-0.7%	4.8%	-2.4%	-3.1%	-2.7%	-3.5%	-2.4%	2.5%	1.8%	-14.1%	-2.6%	-5.3%	18.5%

Columbus Day corporate impact and Hurricane comp in some markets

Luxury and Upscale led the industry

DC and New York '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%
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%
2Q19	1.1%	1.1%	0.5%	-0.4%	0.0%	-0.7%	1.7%	2.4%	-1.8%	4.5%	1.6%	-0.1%	-1.5%

#### YoY % change in ADR

	U.S.	Upper		Upper		Economy	Inde- pendent	New					
		Luxury	Upscale	Upscale	Midscale			Midscale	York	Boston	LA	Chicago	DC
9/28/2019	-0.5%	-0.2%	-1.3%	-1.4%	-0.4%	-0.5%	-0.9%	0.8%	1.3%	-5.2%	-2.6%	-0.6%	1.9%
10/5/2019	-3.8%	-5.0%	-5.2%	-3.6%	-2.1%	-1.7%	-2.2%	-2.8%	-12.5%	-9.8%	-2.9%	-14.8%	-3.8%
10/12/2019	-1.2%	-3.2%	-3.0%	-1.5%	0.3%	0.7%	0.0%	0.0%	-8.6%	-8.6%	-5.5%	-3.2%	-4.6%
10/19/2019	0.2%	3.4%	-1.0%	-1.4%	-0.8%	-0.8%	-1.5%	1.9%	-0.5%	-7.3%	-2.5%	-6.0%	16.6%

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%
2Q19	1.2%	2.5%	1.4%	0.6%	0.7%	-0.2%	0.6%	1.7%	-1.0%	3.2%	0.8%	-1.7%	0.2%

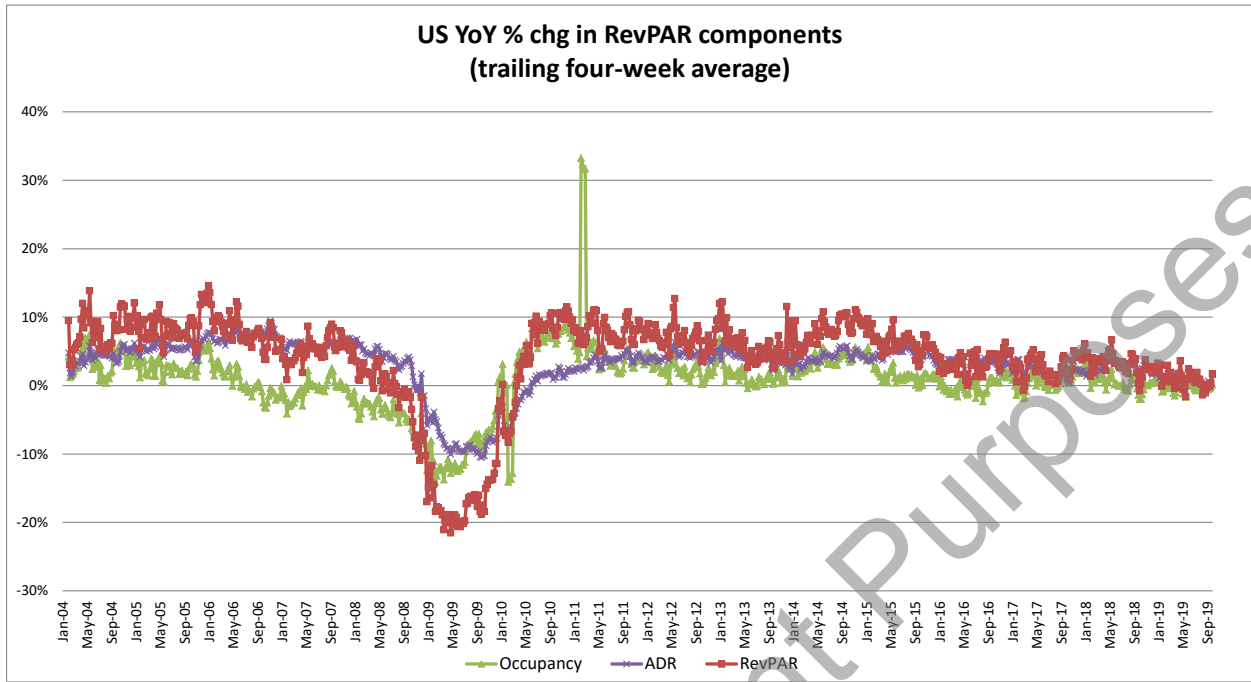
#### YoY % change in Occupancy

	U.S.	Upper		Upper		Economy	Inde- pendent	New					
		Luxury	Upscale	Upscale	Midscale			Midscale	York	Boston	LA	Chicago	DC
9/28/2019	-0.4%	0.8%	-1.4%	-1.1%	0.0%	-0.2%	-0.4%	-0.2%	0.5%	-7.2%	-0.1%	0.7%	-1.1%
10/5/2019	-3.9%	-8.4%	-6.4%	-4.5%	-3.1%	-3.4%	-2.7%	-3.4%	-6.7%	-13.9%	-2.8%	-9.7%	-9.1%
10/12/2019	-1.4%	-4.3%	-2.7%	-1.5%	-0.9%	-1.7%	-0.5%	-1.4%	-3.7%	-8.7%	-3.4%	-1.5%	-0.4%
10/19/2019	-0.9%	1.3%	-1.4%	-1.7%	-2.0%	-2.7%	-0.9%	0.7%	2.4%	-7.4%	-0.1%	0.8%	1.6%

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%
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%
2Q19	-0.1%	-1.4%	-0.9%	-1.0%	-0.7%	-0.6%	1.1%	0.7%	-0.7%	1.3%	0.8%	1.7%	-1.7%

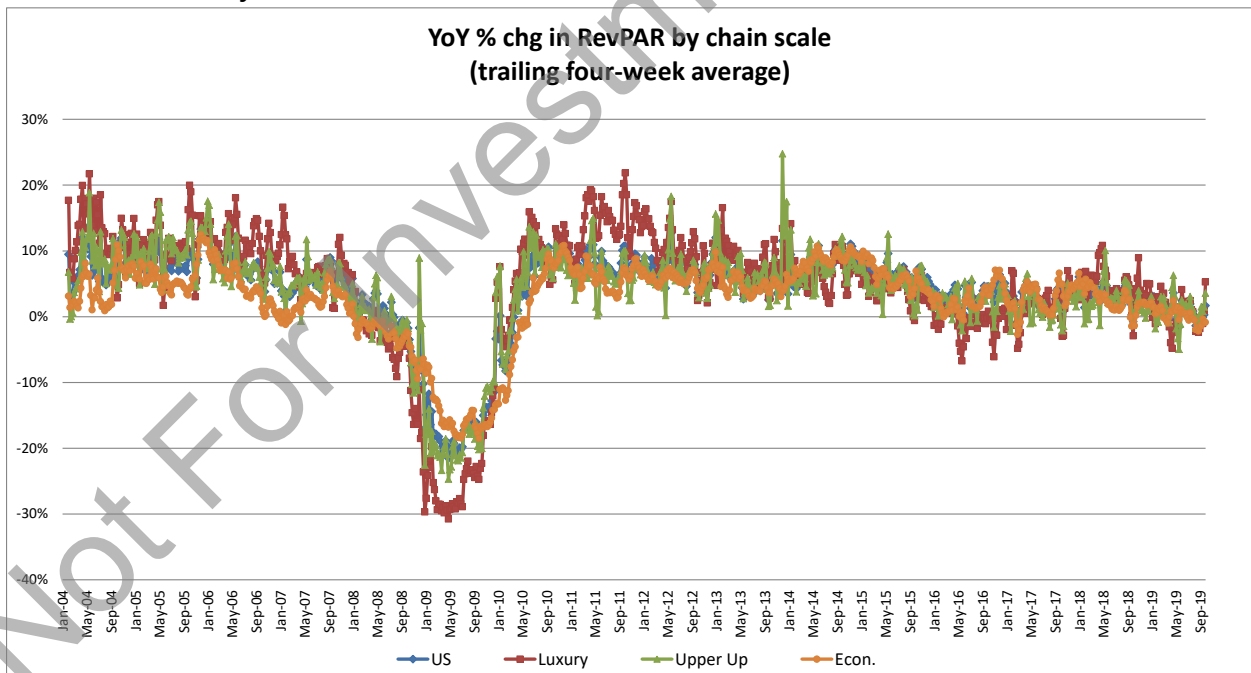
Source: STR data, STRH research

### RevPAR Component Trends



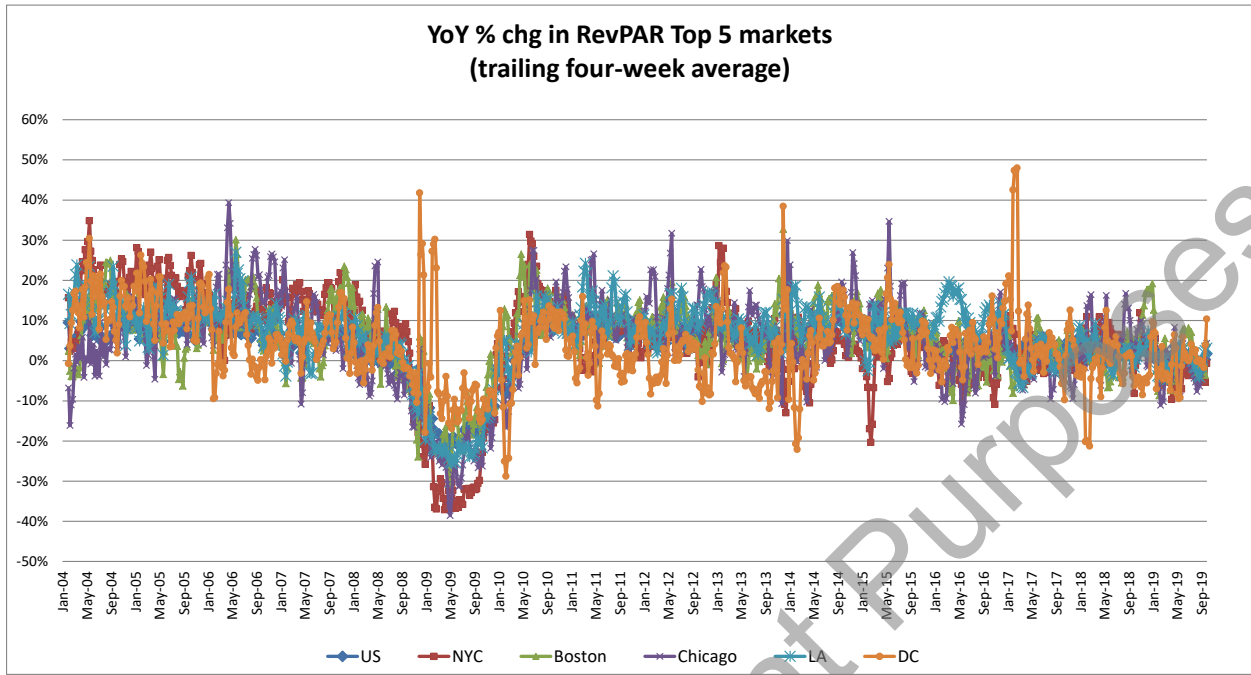
Source: STR data, STRH research

### RevPAR Trends by Chain Scale



Source: STR data, STRH research

### RevPAR Trends by Market



Source: STR data, STRH research

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## Price Target/Risks Summary

Lodging	TKR	Price 10/22/19	Rating	PT*	% upside down- side	2020E Valuation EBITDA (\$M)**	2020E As Reported EBITDA (\$M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	\$85.32	Hold	\$88	3%	\$387	\$387	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.10	Hold	\$9	-11%	\$250	\$251	11.5X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy.
Host Hotels & Resorts	HST	\$16.78	Hold	\$19	13%	\$1,431	\$1,431	12.0X	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	\$70.59	Hold	\$79	12%	\$729	\$763	13.2X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$9.72	Hold	\$12	19%	\$108	\$108	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	\$34.31	Buy	\$42	23%	\$423	\$450	11.0X	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 Upside risk: Macro lodging trends improve beyond expectations.
Hilton	HLT	\$90.73	Hold	\$99	9%	\$2,386	\$2,487	14.8X	Downside risk: slowing pipeline. 2020 is a recession year in the U.S. 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.
Marriott International	MAR	\$122.05	Hold	\$131	7%	\$3,482	\$3,796	14.8X	Downside Risk: 2020 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$108.80	Buy	\$147	35%	\$742	\$865	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$23.58	Buy	\$28	19%	\$883	\$898	12.0X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs. 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.
Pebblebrook Hotel Trust***	PEB	\$26.71	Hold	\$30	12%	\$467	\$467	14.0X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
Playa Hotels & Resorts	PLYA	\$7.89	Buy	\$11	39%	\$187	\$195	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
RLJ Lodging Trust***	RLJ	\$16.85	Sell	\$14	-17%	\$382	\$395	11.0X	Upside risk: recovering group demand better than expected, better margin recovery.
Ryman Hospitality Properties	RHP	\$85.36	Hold	\$78	-9%	\$511	\$505	12.2X	Downside risk: booking issues stickier than expected. Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions.
Sunstone Hotel Investors	SHO	\$13.87	Hold	\$14	1%	\$311	\$311	11.5X	Downside risk: Weaker than expected demand trends following capital investment projects.
Vail Resorts, Inc.	MTN	\$231.51	Buy	\$280	21%	\$796	\$796	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	\$46.10	Buy	\$75	63%	\$1,032	\$1,050	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	\$50.59	Buy	\$68	34%	\$650	\$672	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

### WH: Valuation and Risks

Our price target of \$68 for WH is based on a 13.0x multiple (in line with portfolio quality/RevPAR relative to peers) of our 2020 EBITDA estimate.

Downside risk: slowdown in development opportunities. La Quinta synergies below expectations. La Quinta integration takes longer than anticipated. Macro demand headwinds.

### Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$9.72, Hold, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$85.32, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$10.10, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$70.59, Hold, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$34.31, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$90.73, Hold, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$16.78, Hold, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$122.05, Hold, C. Patrick Scholes)  
**Vail Resorts, Inc.** (MTN, \$231.51, Buy, C. Patrick Scholes)  
**Pebblebrook Hotel Trust** (PEB, \$26.71, Hold, Gregory Miller)  
**Park Hotels & Resorts Inc.** (PK, \$23.58, Buy, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$7.89, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$85.36, Hold, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$16.85, Sell, Gregory Miller)  
**Sunstone Hotel Investors, Inc.** (SHO, \$13.87, Hold, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$108.80, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$50.59, Buy, C. Patrick Scholes)  
**Wyndham Destinations, Inc.** (WYND, \$46.10, 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.

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.

### Required Disclosures

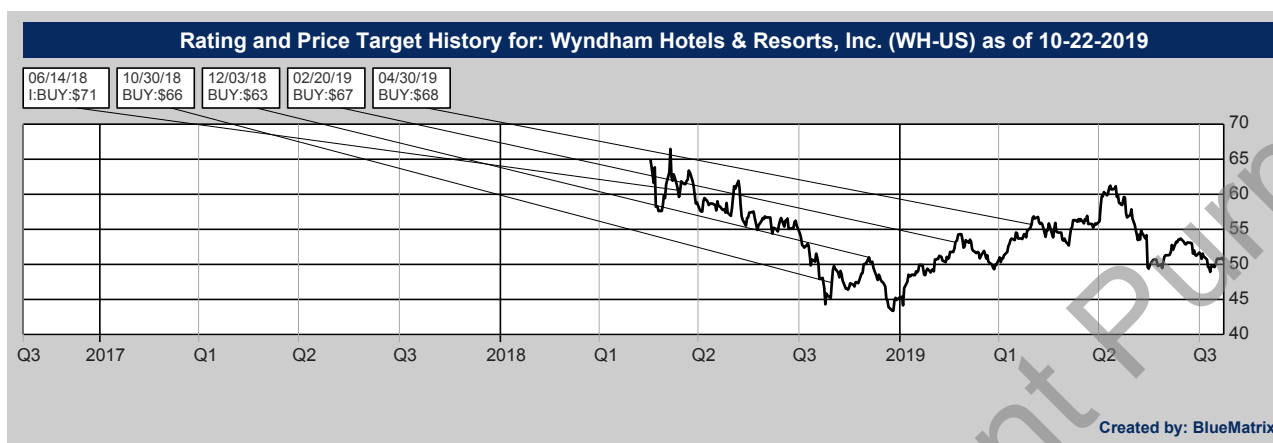
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## STRH Ratings System for Equity Securities

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S = Sell

D = Drop Coverage

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Sell	7	1.05%	Sell	0	0.00%

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