



Lodging: US RevPAR flat Y/Y Last Week; First clean comp in a while

Only Luxury and Economy hotels showed positive RevPAR growth

What's Incremental To Our View

Overall U.S. RevPAR was flat Y/Y for the week ending 10/26/2019, per STR, stronger than the prior week's result of -0.7%. (2-year stacked RevPAR was +5.4% vs +2.8% in the prior week.) Independent hotels (about 1/3rd of the data set) were +1.5% y/y. Luxury (+2.0%) was the strongest chain scale for branded hotels; Economy was the weakest at -2.6%. Upper Midscale (-0.5%) and Midscale (-2.1%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-4.3% vs. -6.3% prior week) was softer than Transient (+2.7% vs. +3.7% prior week).

Last week's results reflect a clean y/y comparison, RevPAR growth/decline was fairly even across days of the week.

Last week's RevPAR details:

- **Luxury was the strongest chain scale:** Upscale and Upper Midscale underperformed by 330 bps and 250 bps, respectively: Luxury RevPAR (+2.0%), Upper Upscale (-0.5%), Upscale (-1.4%), Upper Midscale (-0.5%), Midscale (-2.1%), and Economy (-2.6%). Independent hotels (+1.5%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was +2.7% (vs. +3.7% last week) and Group segment RevPAR was -4.3% (vs. -6.3% last week).
- **D.C. (+10.9%) was the strongest of the top five markets:** Boston (-5.7%), Chicago (-0.1%), Los Angeles (+4.4%), and NYC (-5.2%).

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What's Inside

Weekly STR results and analysis

- **Other relevant markets:**

- **San Francisco was down (Moscone Convention Center expansion and renovation completed):** RevPAR was -15.1% vs. -3.4% last week.
- **Florida markets were up:** Miami (+2.4% vs. +7.9% last week); Orlando (+6.6% vs. -5.9% 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 Purposes



Weekly RevPAR Summary

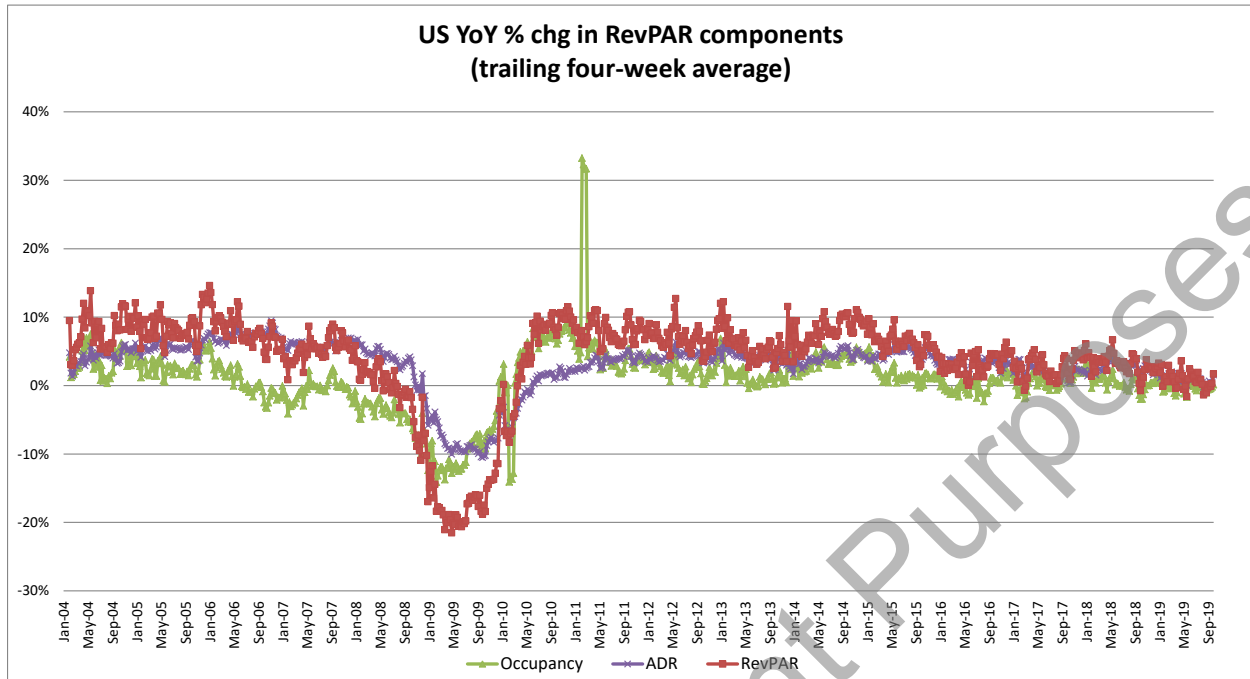
YoY % change in RevPAR													
U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
9/28/2019	-0.8%	0.6%	-2.7%	-2.5%	-0.5%	-0.6%	-1.3%	0.6%	1.7%	-12.0%	-2.6%	0.2%	0.9%
10/5/2019	-7.5%	-12.9%	-11.3%	-7.9%	-5.2%	-5.1%	-4.9%	-6.1%	-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%
10/26/2019	0.0%	2.0%	-0.5%	-1.4%	-0.5%	-2.1%	-2.6%	1.5%	-5.2%	-5.7%	4.4%	-0.1%	10.9%
<div style="display: flex; justify-content: space-between; margin-top: 10px;"> Clean Comp; Transient stronger than Group Luxury and Upscale led the industry DC and LA led the Top 5 markets </div>													
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%	0.6%	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%
3Q19	0.7%	1.3%	1.1%	-0.5%	-0.1%	-1.0%	-0.9%	1.6%	-2.2%	-0.4%	-0.2%	-2.2%	4.5%

YoY % change in ADR													
U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
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%
10/26/2019	0.2%	1.8%	-0.5%	-1.0%	-0.2%	-0.6%	-1.7%	1.4%	-4.0%	-2.3%	3.1%	-1.9%	9.0%
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%
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%
3Q19	0.8%	1.5%	1.3%	0.2%	-0.1%	-0.5%	-0.5%	1.6%	-1.9%	0.9%	-0.2%	-2.8%	4.0%

YoY % change in Occupancy													
U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
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%
10/26/2019	-0.2%	0.2%	0.0%	-0.4%	-0.3%	-1.5%	-1.0%	0.1%	-1.2%	-3.4%	1.2%	1.8%	1.8%
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%
3Q19	-0.1%	-0.2%	-0.2%	-0.7%	0.0%	-0.5%	-0.4%	0.0%	-0.3%	-1.4%	0.1%	0.6%	0.4%

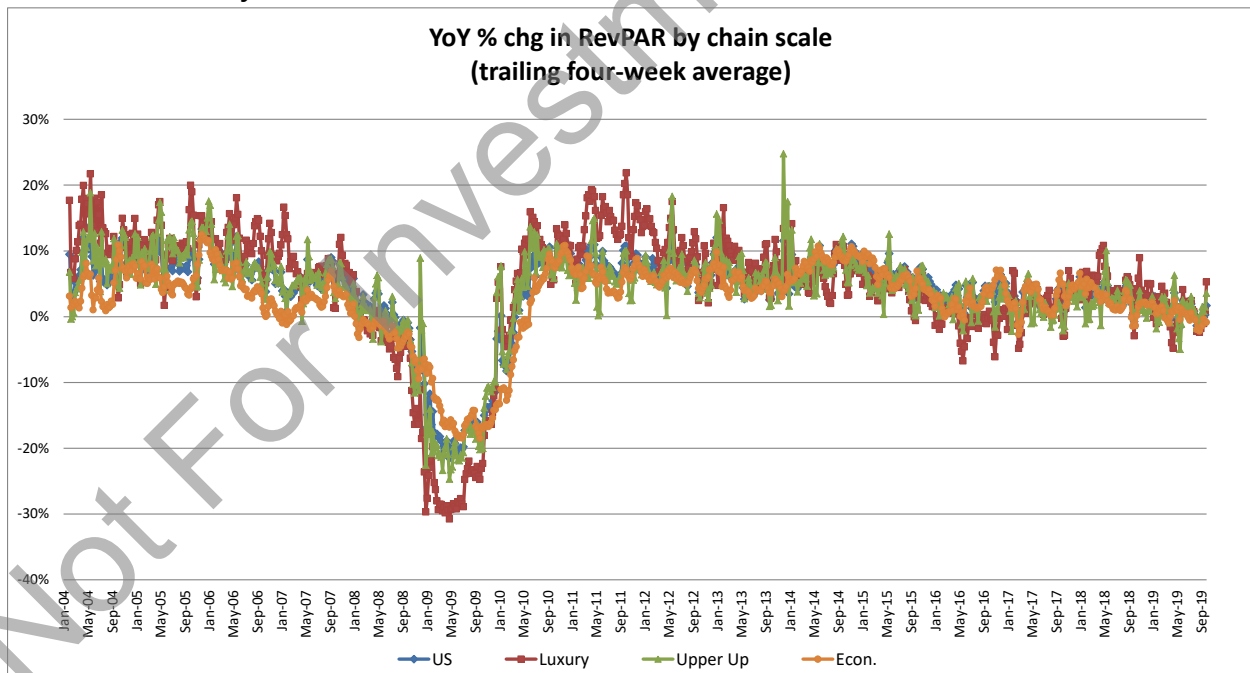
Source: STR data, STRH research

RevPAR Component Trends



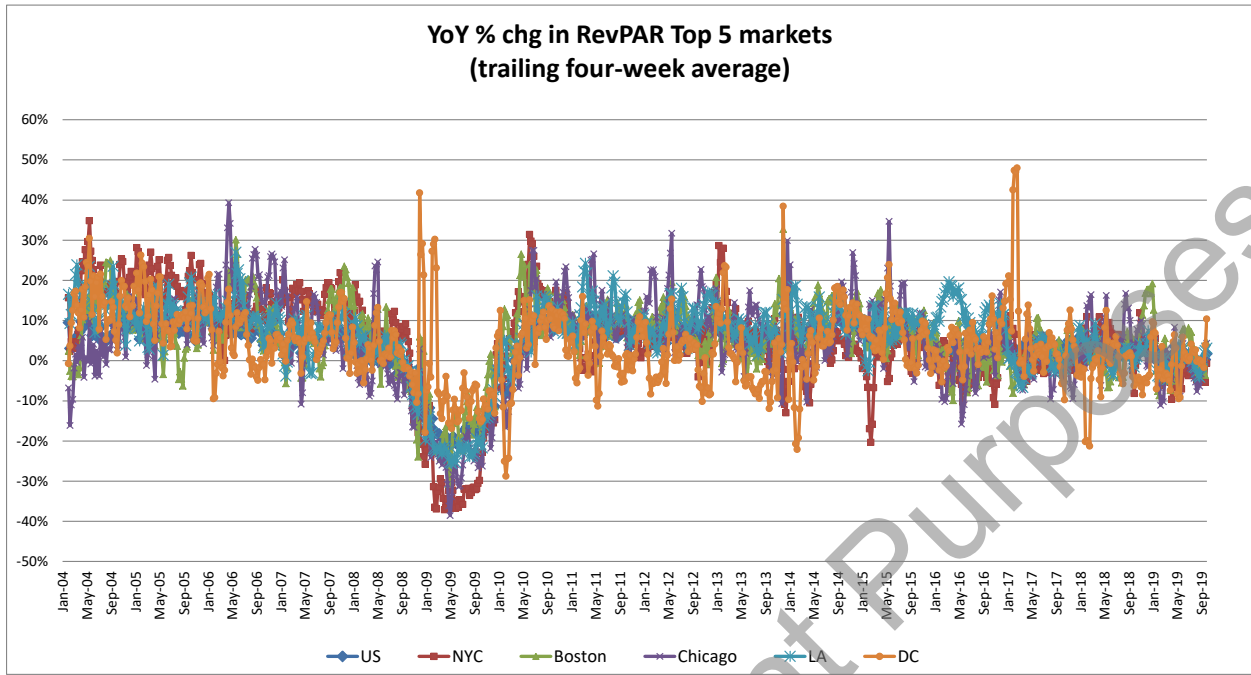
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

Not For Investment Purposes

Price Target/Risks Summary

Lodging	TKR	Price 10/29/19	Rating	PT*	% upside/down-side	2020E Valuation EBITDA (\$M)**	2020E As Reported EBITDA (\$M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	\$87.24	Hold	\$88	1%	\$387	\$387	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$9.98	Hold	\$9	-10%	\$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	\$16.61	Hold	\$19	14%	\$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	\$72.95	Hold	\$79	8%	\$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	\$34.73	Buy	\$42	22%	\$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	\$97.31	Hold	\$99	2%	\$2,378	\$2,481	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	\$126.53	Hold	\$131	4%	\$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	\$111.29	Buy	\$147	32%	\$742	\$865	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$23.71	Buy	\$28	18%	\$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	\$25.89	Hold	\$26	0%	\$462	\$462	14.0X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
Playa Hotels & Resorts	PLYA	\$8.20	Buy	\$11	34%	\$187	\$195	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion. Upside risk: recovering group demand better than expected, better margin recovery.
RLJ Lodging Trust***	RLJ	\$16.61	Sell	\$14	-16%	\$382	\$395	11.0X	Downside risk: booking issues stickier than expected.
Ryman Hospitality Properties	RHP	\$84.83	Hold	\$78	-8%	\$511	\$505	12.2X	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.
Sunstone Hotel Investors	SHO	\$13.55	Hold	\$14	3%	\$311	\$311	11.5X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Vail Resorts, Inc.	MTN	\$232.70	Buy	\$280	20%	\$796	\$796	15.0X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
Wyndham Destinations	WYND	\$46.37	Buy	\$75	62%	\$1,032	\$1,050	9.3X	
Wyndham Hotels & Resorts	WH	\$52.29	Buy	\$68	30%	\$650	\$672	13.0X	

* 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

Cruise Lines	TKR	Price	Rating	PT*	% upside/down-side	2020E EPS	Target PE Multiple	Risks
Carnival Corp.	CCL	\$44.16	Buy	\$58	31%	\$4.46	13.0X	Downside risk: failure to meet cost savings goals; adverse incidents, most oil exposure
Norwegian Cruise Line	NCLH	\$52.62	Buy	\$72	37%	\$5.77	12.5X	Downside risk: an adverse incident would have an outsized negative impact on NCLH given the single brand
Royal Caribbean Cruises	RCL	\$113.27	Buy	\$159	40%	\$10.94	14.5X	Downside risk: failure to meet cost savings goals; adverse incidents

* All of our Cruise Line price targets are derived by applying a target PE multiple to our estimate for 2020 EPS

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, \$87.24, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$9.98, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$72.95, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$34.73, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$97.31, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$16.61, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$126.53, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$232.70, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$25.89, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$23.71, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$8.20, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$84.83, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$16.61, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$13.55, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$111.29, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$52.29, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$46.37, Buy, C. Patrick Scholes)

Analyst Certification

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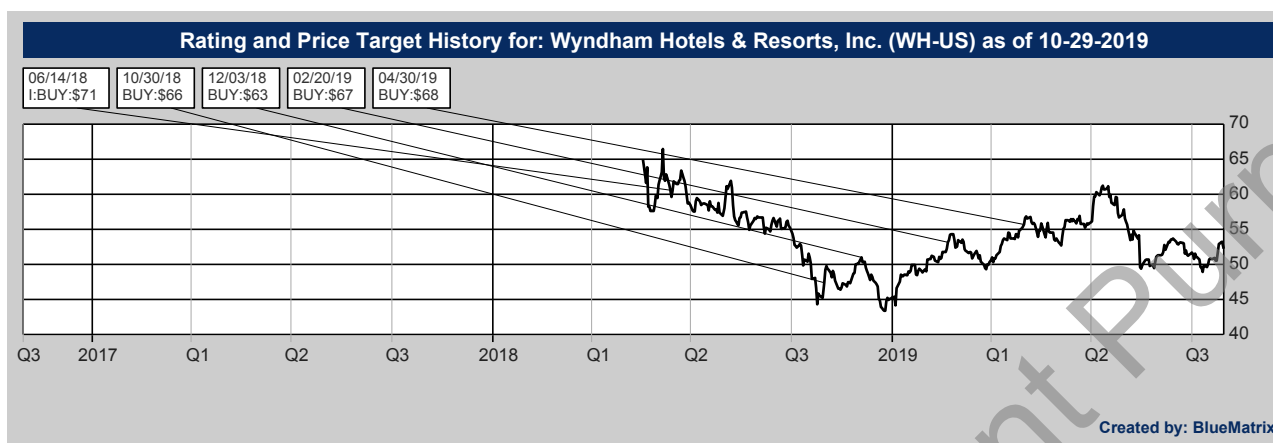
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