



Lodging - US RevPAR -7.7% Y/Y Last Week; Generally a very easy y/y comp but...

The New Year's hangover gave back the prior week's strength

What's Incremental To Our View

Overall U.S. RevPAR was -7.7% Y/Y for the week ending 1/11/2020, per STR, softer than the prior week's result of +4.3%. (2-year stacked RevPAR was -15.3% vs +10.0% in the prior week.) Independent hotels (about 1/3rd of the data set) were -5.7% y/y. Economy (-3.4%) was the relatively strongest chain scale for branded hotels; Luxury was the weakest at -13.5%. Upscale (-7.3%) and Upper Midscale (-5.2%) outperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-22.0% vs. -11.1% prior week) was softer than Transient (-5.4% vs. +11.0% prior week).

Given a strong leisure week over the New Year's holiday, we anticipated last week's results (for the week ending 1/11/2020) would have been a very easy comp with relatively stronger corporate demand. That was not necessarily the case as Group RevPAR (a partial proxy for corporate travel) was -22.0% last week. A number of top markets had negative results for much of the workweek.

Importantly, we assume the change of dates for the extremely high rated January healthcare conference in San Francisco (which moved to this week in 2020 from last week in 2019) **and the NCAA football championship** (in 2020 on Monday in New Orleans vs. 1/7/19 in Santa Clara (Bay Area), CA) impacted the headline results. Room rates in Union Square San Francisco were reportedly over \$1,000/night for some Upper Upscale hotels last year and we have heard anecdotally that room rates were again very high this year. Given early January is low season in general (occupancy was 52% last week), any shift of a big conference or sporting event can be impactful to the national headline results. We would assume very strong results for San Francisco and New Orleans when we receive this week's data next Wednesday. **San Francisco RevPAR was -69.4% last week. San Francisco is a high RevPAR market and a big negative result like last week can impact the national headline.**

Last week's RevPAR details:

- **Economy was the strongest chain scale:** Upscale and Upper Midscale underperformed by 290 bps and 180 bps, respectively: Luxury RevPAR (-13.5%), Upper Upscale (-12.3%), Upscale (-7.3%), Upper Midscale (-5.2%), Midscale (-5.2%), and Economy (-3.4%). Independent hotels (-5.7%) outperformed the headline U.S. RevPAR.

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What's Inside

Weekly STR results and analysis

- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was -5.4% (vs. +11.0% last week) and Group segment RevPAR was -22.0% (vs. -11.1% last week).
- **Boston was the strongest of the top five markets:** Boston (+1.8%), Chicago (-9.6%), Los Angeles (-8.4%), NYC (-2.4%), and Washington, D.C. (-0.3%).
- **Other relevant markets:**
 - **San Francisco was very soft due to the calendar shift of the January healthcare conference and the 2019 NCAA football championships in Santa Clara in last week's results (the market has a tough 1Q20 y/y group comp):** RevPAR was -69.4% vs. -3.9% last week.
 - **Florida markets were mixed:** Miami (+7.2% vs. +16.3 last week); Orlando (-1.2% vs. +9.9% last week). [For more insights on the Miami market following management meetings and hotel tours in early January, please click on the attached link.](#)

The lodging stocks: For the most part it is difficult to get excited about lodging stocks in general but not much screams “pound-the-table short” either. We see more interesting stories in [Vacation Ownership \(Marriott Vacations \(VAC, Buy\) & Wyndham Destinations \(WYND, Buy\)\)](#) and [Cruise lines \(Norwegian \(NCLH, Buy\) & Royal Caribbean \(RCL, Buy\)\)](#) at the moment. For hotel REITS at the moment, the number one challenge is [costs growing faster than revenues](#). That said, the good news for the hotel REITS is that we do not see much risk for valuation multiples to significantly contract from current levels; however we continue to believe there will be gradual cuts to consensus estimates over the next year and 2021 same-store earnings will be lower than 2020's.

Not For Investment Purposes

Weekly RevPAR Summary

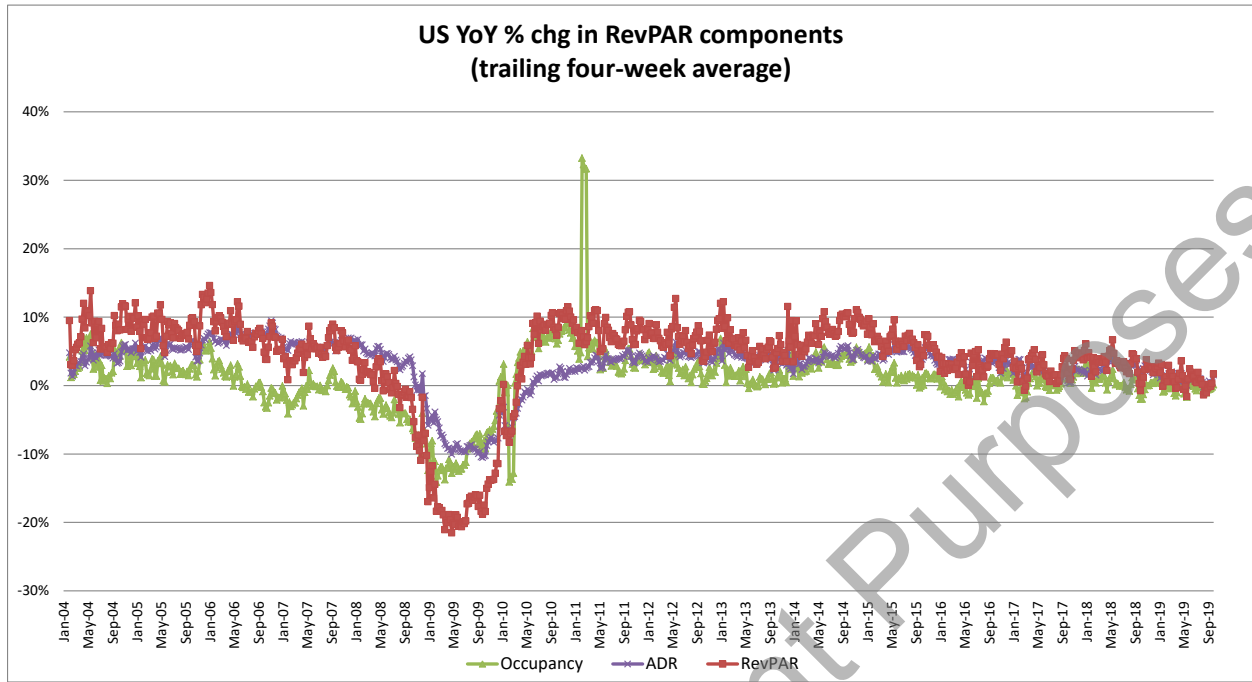
YoY % change in RevPAR													
	U.S.	Upper		Upper			Economy	Inde- pendent	New				
		Luxury	Upscale	Upscale	Midscale	Midscale			York	Boston	LA	Chicago	DC
12/21/2019	7.8%	9.3%	13.9%	10.7%	7.2%	2.7%	1.2%	4.6%	8.5%	11.1%	9.9%	15.2%	26.4%
12/28/2019	-7.4%	-6.3%	-6.7%	-6.7%	-7.1%	-9.1%	-4.6%	-8.0%	-11.1%	-3.4%	-5.2%	0.2%	-0.1%
1/4/2020	4.3%	12.1%	5.9%	1.1%	-0.4%	-2.2%	-1.6%	7.7%	8.9%	1.9%	5.3%	-5.2%	2.9%
1/11/2020	-7.7%	-13.5%	-12.3%	-7.3%	-5.2%	-5.2%	-3.4%	-5.7%	-2.4%	1.8%	-8.4%	-9.6%	-0.3%
Very easy comp but relatively light corporate travel				Economy and Midscale led the industry				Boston 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%	-1.0%
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			Economy	Inde- pendent	New				
		Luxury	Upscale	Upscale	Midscale	Midscale			York	Boston	LA	Chicago	DC
12/21/2019	1.8%	-4.2%	1.6%	1.6%	1.5%	-0.2%	-0.7%	1.0%	3.4%	-1.1%	2.8%	3.8%	8.9%
12/28/2019	-2.6%	-4.3%	-1.5%	-3.2%	-1.6%	-2.3%	-1.8%	-2.6%	-10.2%	-2.7%	-3.6%	-0.1%	-0.1%
1/4/2020	4.0%	5.5%	3.8%	1.2%	0.7%	-0.4%	-0.3%	6.0%	1.8%	-1.8%	2.3%	-0.9%	-1.8%
1/11/2020	-4.7%	-11.1%	-8.6%	-3.7%	-2.1%	-1.2%	-2.0%	-2.7%	-2.5%	-0.4%	-4.0%	-3.5%	-2.2%
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			Economy	Inde- pendent	New				
		Luxury	Upscale	Upscale	Midscale	Midscale			York	Boston	LA	Chicago	DC
12/21/2019	5.9%	14.1%	12.1%	9.0%	5.6%	2.9%	1.9%	3.6%	4.9%	12.3%	6.9%	11.0%	16.0%
12/28/2019	-4.9%	-2.0%	-5.3%	-3.6%	-5.6%	-7.0%	-2.8%	-5.5%	-1.0%	-0.7%	-1.6%	0.3%	-0.1%
1/4/2020	0.3%	6.3%	2.0%	-0.2%	-1.0%	-1.8%	-1.3%	1.6%	7.0%	3.8%	3.0%	-4.3%	4.8%
1/11/2020	-3.1%	-2.8%	-1.0%	-3.8%	-3.2%	-4.0%	-1.5%	-3.1%	0.2%	2.3%	-4.6%	-6.3%	1.9%
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%

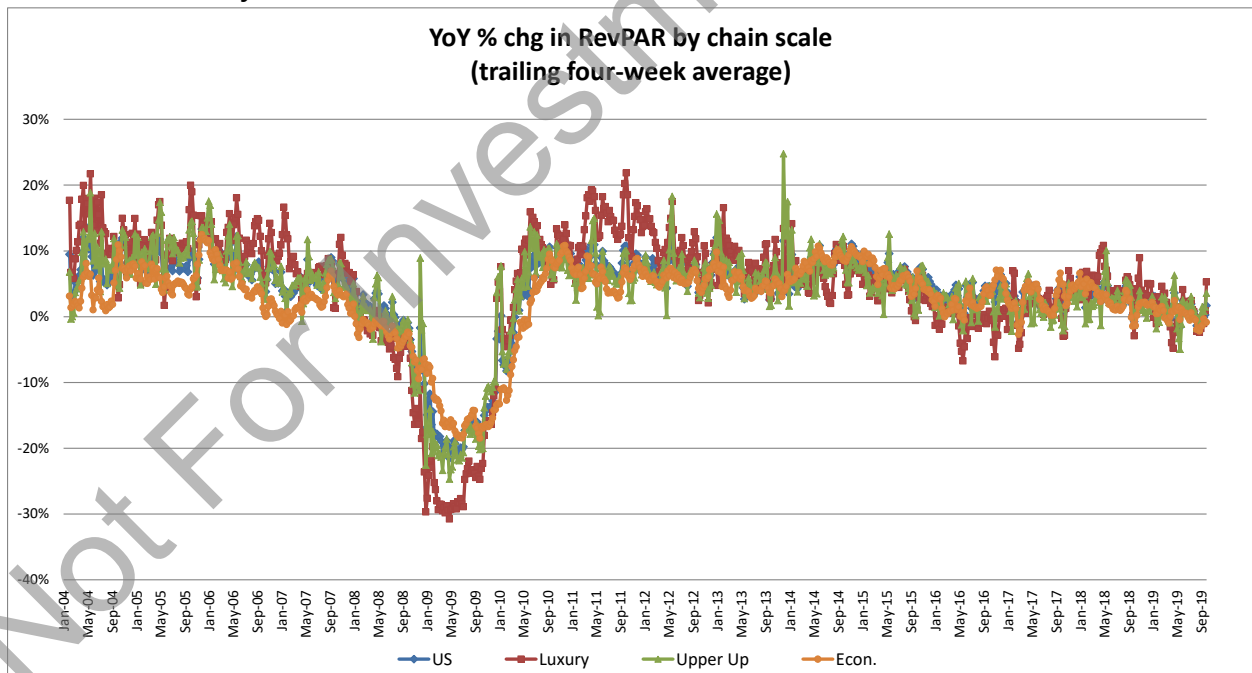
Source: STR data, STRH research

RevPAR Component Trends



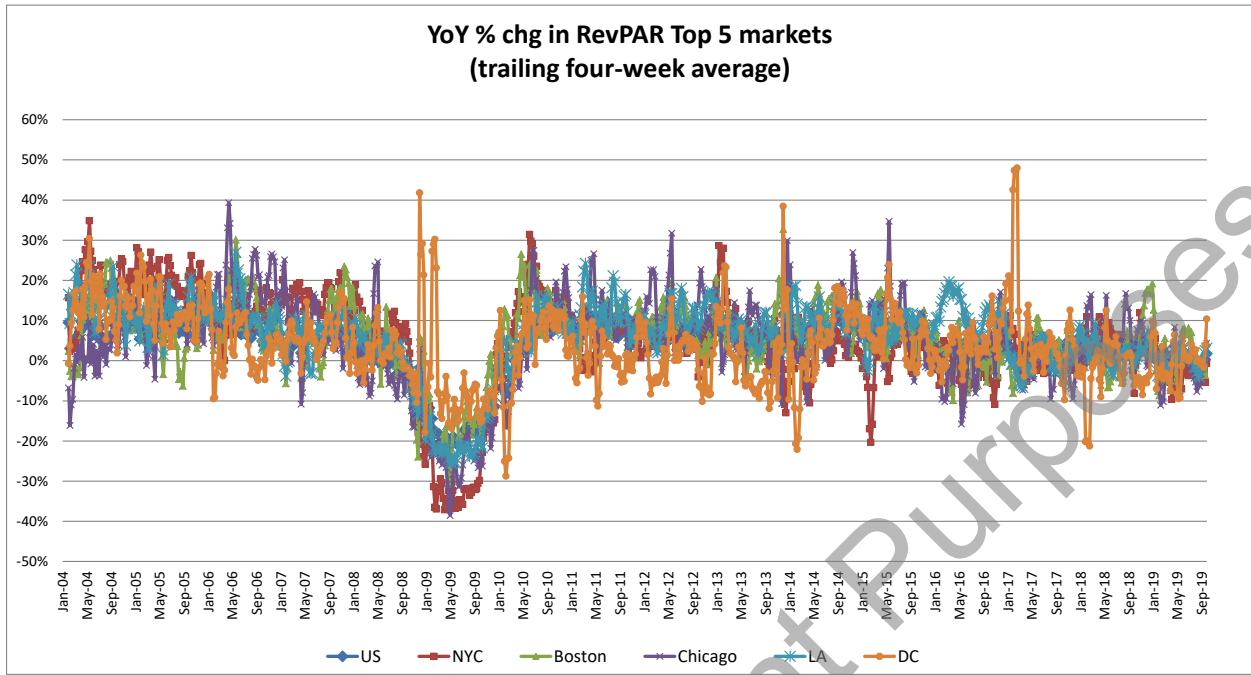
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

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Price Target/Risks Summary

Lodging	TKR	Price 1/14/20	Rating	PT*	% upside down- side	2020E Valuation EBITDA (\$M)* **	2020E As Reported EBITDA (\$M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	\$99.90	Hold	\$87	-13%	\$393	\$393	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.35	Hold	\$9	-13%	\$245	\$245	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	\$17.68	Hold	\$18	2%	\$1,328	\$1,328	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	\$86.76	Hold	\$79	-9%	\$733	\$768	13.2X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$9.81	Hold	\$11	11%	\$106	\$106	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	\$34.47	Buy	\$42	23%	\$412	\$439	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
Hilton	HLT	\$109.09	Hold	\$99	-9%	\$2,378	\$2,481	14.8X	Upside risk: Macro lodging trends improve beyond expectations. Downside risk: slowing pipeline. 2020 is a recession year in the U.S.
Marriott International	MAR	\$147.15	Hold	\$128	-13%	\$3,446	\$3,760	14.9X	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	\$128.67	Buy	\$155	21%	\$831	\$865	11.1X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$24.17	Buy	\$27	12%	\$871	\$886	12.0X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs.
Pebblebrook Hotel Trust***	PEB	\$25.43	Hold	\$26	2%	\$462	\$462	14.0X	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	\$7.62	Buy	\$10	31%	\$173	\$180	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust***	RLJ	\$16.61	Sell	\$15	-10%	\$390	\$402	11.0X	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.
Ryman Hospitality Properties	RHP	\$85.28	Hold	\$83	-3%	\$541	\$527	12.6X	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	\$13.22	Hold	\$14	6%	\$304	\$304	11.5X	Downside risk: Weaker than expected demand trends following capital investment projects.
Vail Resorts, Inc.	MTN	\$251.14	Buy	\$270	8%	\$807	\$807	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	\$51.79	Buy	\$76	47%	\$1,030	\$1,049	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	\$59.94	Buy	\$68	13%	\$635	\$657	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, \$9.81, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$99.90, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.35, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$86.76, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$34.47, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$109.09, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$17.68, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$147.15, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$251.14, Buy, C. Patrick Scholes)
Norwegian Cruise Line Holdings Ltd. (NCLH, \$57.90, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$25.43, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$24.17, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.62, Buy, C. Patrick Scholes)
Royal Caribbean Cruises Ltd. (RCL, \$132.95, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$85.28, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$16.61, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$13.22, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$128.67, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$59.94, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$51.79, 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.

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