



Lodging: US RevPAR -44.8% Y/Y Last Week; Holiday leisure demand likely helped

June: US -60%/full-service -73% to -77%. 2Q: US -70%/full-service -80% to -85%

What's Incremental To Our View

Overall U.S. RevPAR was -44.8% Y/Y for the week ending 7/4/2020, per STR, stronger than the prior week's result of -56.5%. (2-year stacked RevPAR was -38.9% vs. -55.4% in the prior week). Independent hotels (~1/3rd of the data set) were -40.6% y/y. Economy (-21.3%) was the relatively strongest chain scale for branded hotels; Luxury was the weakest at -66.4%. Upscale (-48.2%) underperformed the industry average; Upper Midscale (-37.3%) outperformed. Within Upper Upscale & Luxury class hotels, Group (-85.9% vs. -93.1% prior week) was softer than Transient (-53.4% vs. -61.1% prior week).

The good news is the headline y/y RevPAR loss improved materially from the prior week. We view this change driven in some respects by pent-up July 4th leisure demand especially in the higher-rated chain scales. Beyond the headline, lodging trends are far more mixed.

- **Absolute resort occupancy was down vs. the prior week but y/y ADR for Luxury was slightly positive last Saturday at +0.7% -- a positive y/y stat for Luxury for the first time since March 20th.**
- Week-over-week sequential results declined in some COVID-19 spiking markets: Dallas, Houston, and Phoenix for example. Realistically, there is a segment of the population that will be unwilling to travel until cases decline or there is a medical solution -- and such an impact may be apparent in states with spiking cases and busy hospitals. *One week does not make a trend* but we view the performance trends especially in a leisure/resort-friendly market like Phoenix to be of some near-term concern.
- While we would assume the start of next week's data set (Sunday 7/5) would continue to reflect the pent-up holiday weekend demand, in no way do we see corporate demand resurging especially in upper-tier/REIT chain scales. A more compelling data point may be the week ending 7/18 as we lap the holiday impact.
- **Importantly, the 2020 comparison includes Independence Day on a Saturday vs. last year on a Thursday.** This difference adds noise to the analysis.
- We remind investors: there are many hotels that suspended operations/closed (**more hotels closed vs. the prior week**) and they are not included in the comparisons. Implications are that the headline statistics overstate the actual performance of the overall industry.

For the month of June, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish -66% for Upscale and -79% to -80% for

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

Kevin Robinson
617-345-6544
kevin.robinson@suntrust.com

What's Inside

Weekly STR results and analysis

Luxury/Upper Upscale (our prior estimate for the aggregate was -70% to -80%). We estimate that the overall industry will finish approximately -60% (our prior estimate was -59% to -63%). Please note that reported monthly results include hotels that are not in the weekly data set.

- **For 2Q, we estimate that full-service branded domestic hotels will finish -80% to -85% (our prior estimate was -80% to -88%) and the overall industry will finish approximately -70% (our prior estimate was -69% to -73%).**

Compared to the prior week (ended 6/27), sequential RevPAR trends werestrongerthan last week's results but occupancy declined.

- Headline RevPAR was -44.8% vs. the running 28 day average of -56.4%.
- RevPAR for the weeks ended March 14th through June 27th, 2020 were -32.5/-69.5/-80.3/-81.6/-83.6/-79.4/-78.4/-76.8/-74.4/-73.6/-69.9/-62.1/-65.0/-62.6/-60.3/-56.5% respectively.
- **Occupancy:** absolute occupancy of 45.6% was sequentially **softer** than the prior week of 46.2%. Occupancy y/y change of -20.9% is sequentially **stronger** the prior week of -38.7%.
- **ADR:** ADR y/y change of -20.9% was sequentially **stronger** than the prior week of -29.0%. (We do not consider sequential changes in absolute ADR material.)
- **"Location" RevPAR Y/Y change sequentially stronger. We still do not see a material corporate demand rebound:** Urban (-64.7% vs. -76.7% in the prior week), Suburban (-39.4% vs. -54.4%), Interstate (-26.3% vs. -36.4%), and Resort (-45.1% vs. -45.9%).
 - **Absolute occupancies softer:** Urban: 33.7% vs. 33.8% in the prior week, Suburban: 47.0% vs. 47.7%, Interstate: 49.6% vs. 50.6%, and Resort: 46.4% vs. 47.9%.
- **Open/closed hotels:** Per STR 6.8% of the hotel supply is closed (vs. 6.2% in the prior week.). However, some properties appeared to open prior to Independence Day weekend. We do not view the sequential decline of open hotels positively, especially over the holiday weekend, but we await a few weeks more of results to see if this trend will continue. Anecdotally we are hearing more hotels reopening.

Last week's RevPAR details:

- **Economy was the relatively strongest chain scale:** Upscale and Upper Midscale underperformed by 2,690 bps and 1,600 bps, respectively: Luxury RevPAR (-66.4%), Upper Upscale (-65.2%), Upscale (-48.2%), Upper Midscale (-37.3%), Midscale (-28.4%), and Economy (-21.3%). Independent hotels (-40.6%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was -53.4% (vs. -61.1% last week) and Group segment RevPAR was -85.9% (vs. -93.1% last week).
 - Absolute Group occupancy remains near zero and does not seem to be improving: 2.3% last week vs. 2.6% for the running 28 days.
- **Chicago was the relatively strongest market of the top five markets:** Boston (-71.6%), Chicago (-56.8%), Los Angeles (-60.2%), NYC (-67.2%), and Washington, D.C. (-58.0%).
- **Other relevant markets:**
 - **San Francisco:** RevPAR was -66.3% vs. -80.6% last week.
 - **COVID-19 "watch" markets (RevPAR):**
 - **Dallas:** -46.4% vs. -58.7% last week. Absolute occupancy 38.5% vs. 41.0% last week.
 - **Houston:** -46.9% vs. -57.9% last week. Absolute occupancy 36.2% vs. 39.0% last week.
 - **Phoenix:** -18.5% vs. -34.9% last week. Absolute occupancy 44.1% vs. 49.1% last week. Phoenix sequential improvement was ADR driven last week as occupancies were double-digits negative even over the holiday weekend. Interestingly, occupancy declines grew worse over the course

of the week from -5% on Sunday and -9% on Monday/Tuesday to -20s by Thursday. **The occupancy trend despite the holiday weekend is in our view a negative sign.**

- Note: Weekly changes for resort locations (more impactful to Phoenix) may add noise to the sequential comparisons.
- **Florida market RevPAR:**
 - **Miami:** (-65.0% vs. -58.8% last week).
 - **Orlando:** (-68.9% vs. -76.2% last week). **Finally, Orlando had a sequential week/week improvement -- perhaps driven by the holiday weekend.** We still expect Orlando results to improve as Florida opens up and especially as the theme parks resume operations. Note: [Walt Disney World theme parks are currently scheduled to reopen July 11-15th](#) (Disney). Covered companies with material exposure near the theme parks include: HST, PK, RHP, RLJ, and WH. Other C-corps have large resorts in the area but relative exposure impact is lower (MAR, HLT, and H). **We would view spiking cases following theme park reopenings potentially very problematic for Orlando hotels.**

From observations of what is happening with RevPAR and re-openings in China, we suspect we may see a slower and longer recovery in the US, especially for business and group centric hotels, than what the more optimistic/bullish management teams and investors expect.

(Our ratings and price targets generally represent our recommendations and forecasts based on a 12 to 18 month outlook. We acknowledge that near term uncertainty and volatility could affect financial inputs to our targets, and the likely multiples the market may pay for those metrics.)

Not For Investment Purposes

Weekly RevPAR Summary

Table showing YoY % change in RevPAR. Columns include U.S., Upper Luxury, Upscale, Midscale, Economy, Independent, New York, Boston, LA, Chicago, DC. Rows list dates from 5/16/2020 to 7/4/2020.

Mixed results despite headline improvement. Abs. occ lower.

Economy and Midscale led the industry (on a relative basis)

Chicago and DC led the Top 5 markets (on a relative basis; all markets extremely negative)

Table showing quarterly YoY % change in RevPAR for quarters 1Q17 through 4Q19 and 1Q20. Columns are the same as the main RevPAR table.

YoY % change in ADR

Table showing YoY % change in ADR. Columns include U.S., Upper Luxury, Upscale, Midscale, Economy, Independent, New York, Boston, LA, Chicago, DC. Rows list dates from 5/16/2020 to 7/4/2020.

Table showing quarterly YoY % change in ADR for quarters 1Q17 through 4Q19 and 1Q20. Columns are the same as the main ADR table.

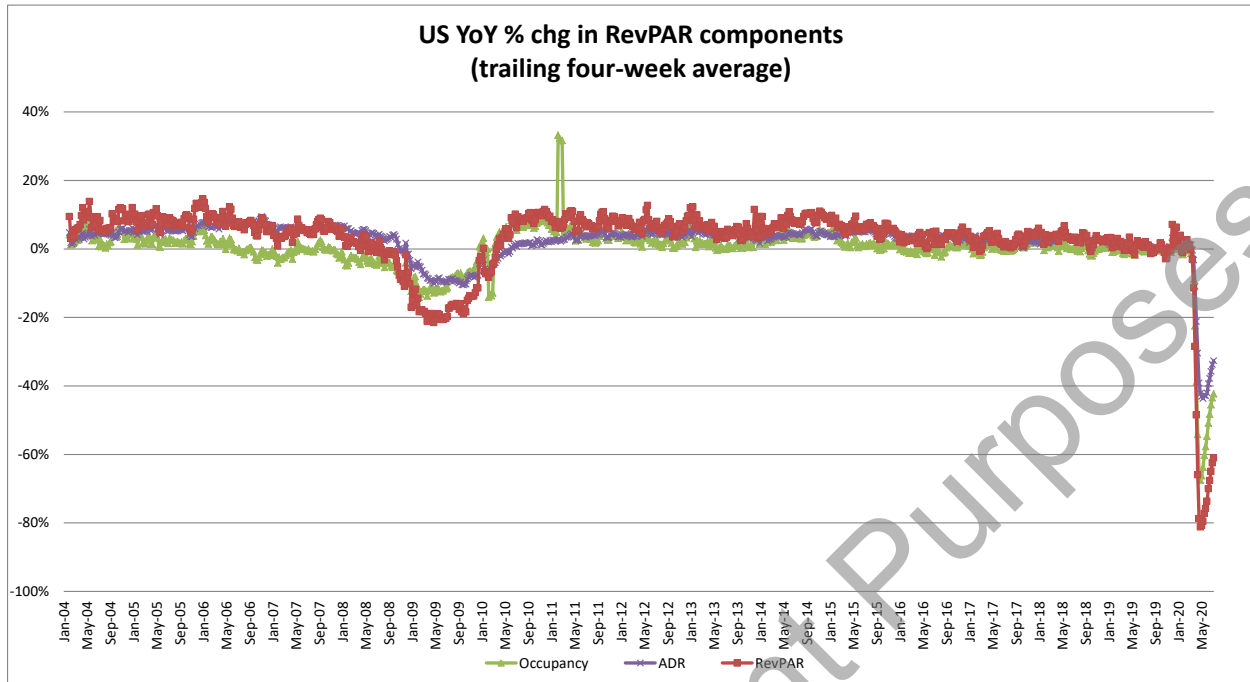
YoY % change in Occupancy

Table showing YoY % change in Occupancy. Columns include U.S., Upper Luxury, Upscale, Midscale, Economy, Independent, New York, Boston, LA, Chicago, DC. Rows list dates from 5/16/2020 to 7/4/2020.

Table showing quarterly YoY % change in Occupancy for quarters 1Q17 through 4Q19 and 1Q20. Columns are the same as the main Occupancy table.

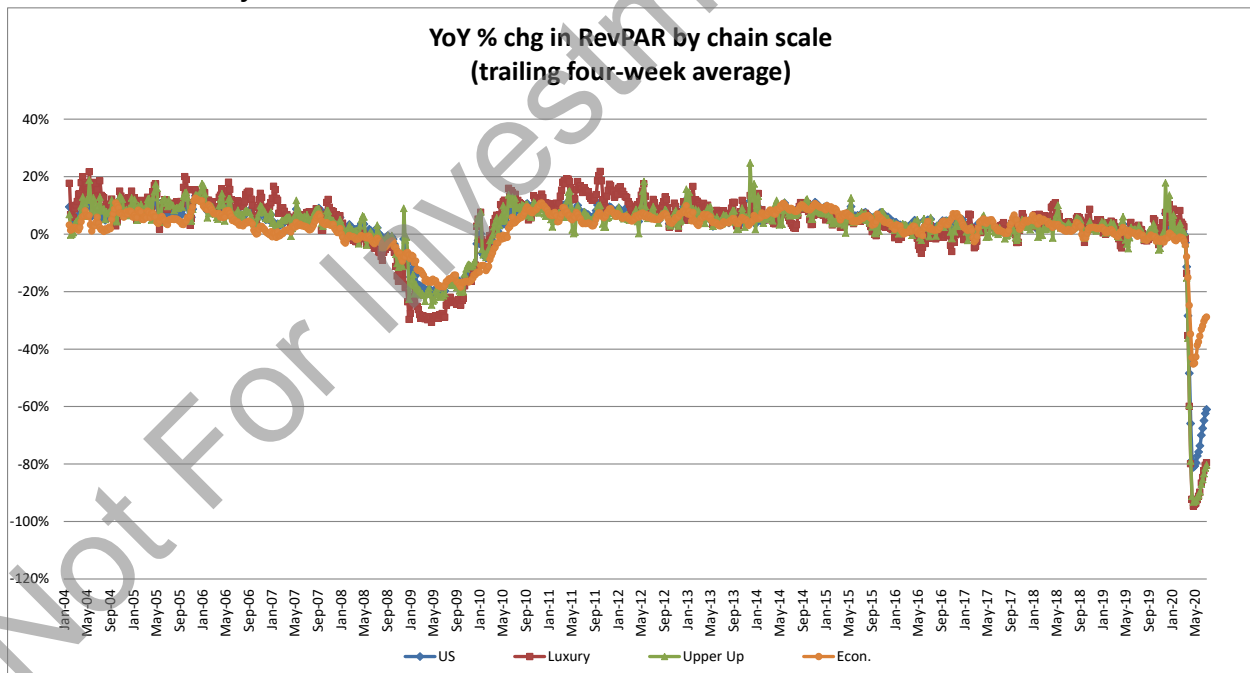
Source: STR data, STRH research

RevPAR Component Trends



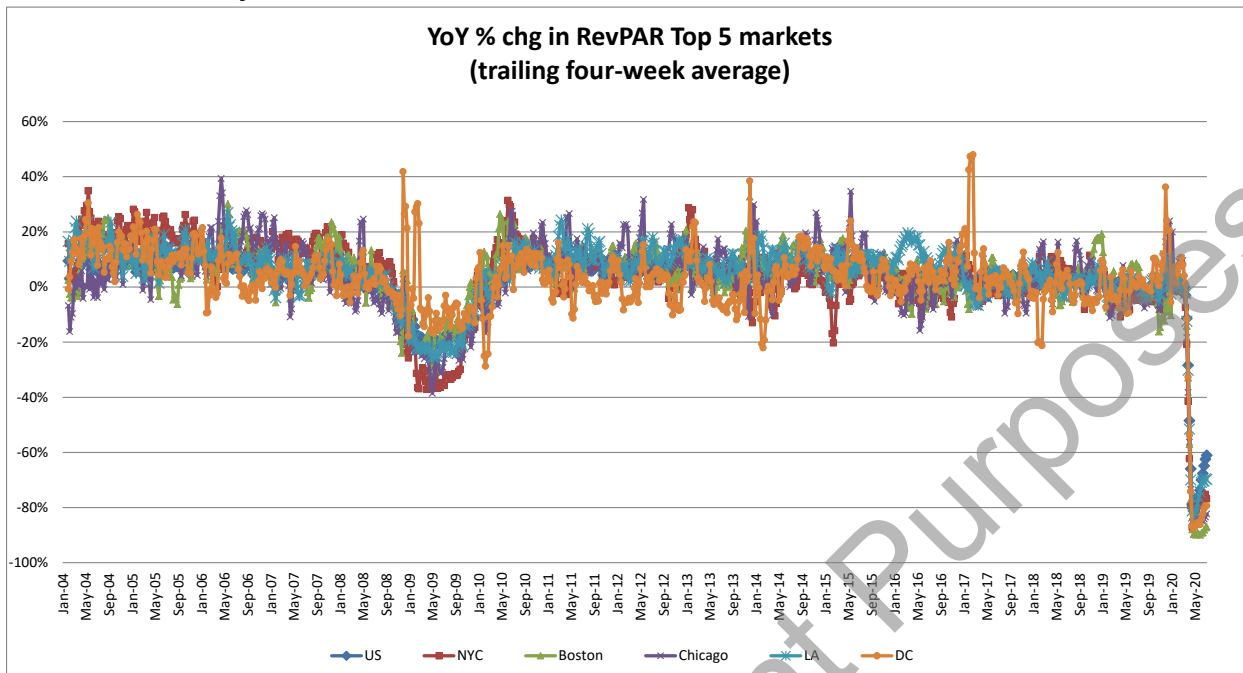
Source: STR data, STRH research

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 7/7/20	Rating	PT*	% upside down- side	2021E Valuation EBITDA (\$M)* **	2021E As Reported EBITDA (\$M)*	Target EV/EBITDA Multiple	Risks Note: COVID-19 represents a material risk to our entire coverage especially related to the length/severity of the demand shock.
Choice Hotels	CHH	\$80.17	Hold	\$67	-16%	\$336	\$336	13.0X	Upside risk: conservative growth of new brands. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$5.16	Hold	\$4	-22%	\$147	\$148	11.5X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: leisure hotels struggle more than expected in 2020. 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.
Host Hotels & Resorts	HST	\$10.84	Hold	\$9	-17%	\$776	\$776	12.0X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Hyatt Hotels	H	\$49.84	Hold	\$49	-2%	\$488	\$516	12.7X	Upside risk: Accelerating tour flow, FCF generation and declining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Bluegreen Vacations Corporation	BXG	\$5.23	Hold	\$5	5%	\$73	\$73	6.3X	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 Grand Vacations	HGV	\$21.10	Buy	\$23	8%	\$318	\$334	9.3X	Upside risk: Macro lodging trends improve beyond expectations. Downside risk: slowing pipeline. Deep 2021 recession.
Hilton	HLT	\$74.17	Hold	\$66	-11%	\$1,796	\$1,877	13.9X	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. Slowing pipeline. Downside Risk: 2021 is a deep recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott International	MAR	\$87.43	Hold	\$86	-2%	\$2,571	\$2,794	14.0X	Downside risk: M&A story fades and multiples revert to historical levels
Marriott Vacations	VAC	\$84.00	Buy	\$114	36%	\$690	\$0	9.5X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs.
Park Hotels & Resorts	PK	\$9.00	Buy	\$10	11%	\$526	\$538	12.0X	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. Very slow recovery in San Francisco.
Pebblebrook Hotel Trust***	PEB	\$12.23	Hold	\$9	-26%	\$292	\$292	13.25X	Upside risk: quicker recovery post-COVID, Cap Cana group strength/rate growth in the D.R. Downside risk: demand shock, hurricanes, slow ramp up of Cap Cana, country-specific risks (emerging market portfolio)
Playa Hotels & Resorts	PLYA	\$3.49	Hold	\$2	-43%	\$136	\$142	9.5X	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	\$8.47	Sell	\$7	-17%	\$270	\$282	11.5X	Downside risk: booking issues stickier than expected. Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in various hotels post-2020 renovations. Downside risk: Weaker than expected demand trends following capital investment projects.
Ryman Hospitality Properties	RHP	\$31.43	Hold	\$30	-5%	\$316	\$322	12.5X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Sunstone Hotel Investors	SHO	\$7.73	Hold	\$7	-9%	\$197	\$197	11.5X	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.
Vail Resorts, Inc.****	MTN	\$178.21	Buy	\$233	31%	\$811	\$811	14.5X	
Wyndham Destinations	WYND	\$28.96	Buy	\$39	33%	\$771	\$799	7.3X	
Wyndham Hotels & Resorts	WH	\$43.28	Buy	\$45	4%	\$512	\$528	12.0X	

* 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

Source: FactSet, STRH research

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$5.23, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$80.17, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$5.16, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$49.84, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$21.10, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$74.17, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$10.84, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$87.43, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$178.21, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$12.23, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$9.00, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$3.49, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$31.43, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$8.47, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$7.73, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$84.00, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$43.28, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$28.96, 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

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning securities in the subject companies.

Charts indicating changes in ratings can be found in recent notes and/or reports at our website or by contacting SunTrust Robinson Humphrey. Please see our disclosures page for more complete information at <https://suntrust.bluematrix.com/sellside/Disclosures.action>.

STRH Ratings System for Equity Securities

Dissemination of Research

SunTrust Robinson Humphrey (STRH) seeks to make all reasonable efforts to provide research reports simultaneously to all eligible clients. Reports are available as published in the restricted access area of our website to all eligible clients who have requested a password. Institutional investors, corporates, and members of the Press may also receive our research via third party vendors including: Thomson Reuters, Bloomberg, FactSet, and S&P Capital IQ. Additional distribution may be done by sales personnel via email, fax, or other electronic means, or regular mail.

For access to third party vendors or our Research website: <https://suntrustlibrary.bluematrix.com/client/library.jsp>.

Please email the Research Department at <mailto:STRHEquityResearchDepartment@suntrust.com> or contact your STRH sales representative.

STRH Rating System for Equity Securities

SunTrust Robinson Humphrey (STRH) rates individual equities using a three-tiered system. Each stock is rated relative to the broader market (generally the S&P 500) over the next 12-18 months (unless otherwise indicated).

Buy (B) – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Hold (H) – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Sell (S) – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Not Rated (NR) – STRH does not have an investment rating or opinion on the stock

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.

STRH analysts have a price target on the stocks that they cover, unless otherwise indicated. The price target represents that analyst's expectation of where the stock will trade in the next 12-18 months (unless otherwise indicated). If an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of STRH Research Management not to assign a target price; likewise certain stocks that trade under \$5 may exhibit volatility whereby assigning a price target would be unhelpful to making an investment decision. As such, with Research Management's approval, an analyst may refrain from assigning a target to a sub-\$5 stock.

Legend for Rating and Price Target History Charts:

B = Buy

H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

SunTrust Robinson Humphrey ratings distribution (as of 07/08/2020):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	439	63.17%	Buy	150	34.17%
Hold	249	35.83%	Hold	60	24.10%
Sell	7	1.01%	Sell	1	14.29%

Other Disclosures

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. SunTrust Robinson Humphrey, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice.

SunTrust Robinson Humphrey, Inc.'s research is provided to and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). The term "Institutional Account" shall mean the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

SunTrust Robinson Humphrey, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of Truist Financial Corporation. SunTrust Robinson Humphrey, Inc. is owned by Truist Financial Corporation and affiliated with SunTrust Investment Services, Inc. and BB&T Securities, LLC. Despite this affiliation, securities recommended, offered, sold by, or held at SunTrust Robinson Humphrey, Inc., SunTrust Investment Services, Inc. or BB&T Securities, LLC (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Truist Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Truist Bank may have a lending relationship with companies mentioned herein.

Please see our Disclosure Database to search by ticker or company name for the current required disclosures, including valuation and risks, Link: <https://suntrust.bluematrix.com/sellside/Disclosures.action>

Please visit the STRH equity research library for current reports and the analyst roster with contact information, Link (password protected): [STRH RESEARCH LIBRARY](#)

SunTrust Robinson Humphrey, Inc., member FINRA and SIPC. Truist and SunTrust Robinson Humphrey are service marks of Truist Financial Corporation.

If you no longer wish to receive this type of communication, please request removal by sending an email to STRHEquityResearchDepartment@SunTrust.com

© SunTrust Robinson Humphrey, Inc. 2020. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

ADDITIONAL INFORMATION IS AVAILABLE at our website, www.suntrustrh.com, or by writing to: SunTrust Robinson Humphrey, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070