



Lodging: US RevPAR -54.8% Y/Y Last Week; Recovery stalled.

What's Incremental To Our View

Overall U.S. RevPAR was -54.8% Y/Y for the week ending 7/25/2020, per STR, slightly ahead of the prior week's result of -56.0%. (2-year stacked RevPAR was -56.1% vs. -55.8% in the prior week). Independent hotels (~ 1/3rd of the data set) were -47.0% y/y. Economy (-26.9%) was the relatively strongest chain scale for branded hotels; Luxury was the weakest at -77.0%. Upscale (-61.0%) underperformed the industry average; Upper Midscale (-49.0%) outperformed. Within Upper Upscale & Luxury class hotels, Group (-90.1% vs. -91.5% prior week) was softer than Transient (-61.8% vs. -62.4% prior week).

In short, we view last week's results similar to the prior week -- a travel industry stalling due to rising COVID-19 cases and still limited higher-rated corporate travel. Similar to the prior week, last week's results reflect a clean y/y comp. **There is some evidence of weakening results in virus hotspots (AZ/FL/TX) as noted below.**

- Clean comps continue through most of August so we will have a better read into Summer 2020 trends and any improvement/lack thereof in the three major demand segments.
- We remind investors: there are many hotels that suspended operations/closed 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 July, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish -65% to -75% (unchanged from our prior estimate). We estimate that the overall industry will finish approximately -50% to -54% (our prior estimate was -48% to -52%). Please note that reported monthly results include hotels that are not in the weekly data set.

Compared to the prior week (ended 7/18), sequential RevPAR trends were somewhat stronger than last week's results.

- Headline RevPAR was -54.8% vs. the running 28 day average of -52.9%.
- RevPAR for the weeks ended March 14 through July 18, 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/-44.8/-54.6/-56.0% respectively.
- **Occupancy:** absolute occupancy of 48.1% was sequentially **slightly stronger** than the prior week of 47.5%. Occupancy y/y change of -37.9% is sequentially **stronger** than the prior week of -38.9%.

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What's Inside

Weekly STR results and analysis

- **ADR:** ADR y/y change of -27.3% was sequentially **slightly stronger** than the prior week of -28.0%. (We do not consider sequential changes in absolute ADR material.)
- **"Location" RevPAR Y/Y change sequentially mixed. We still do not see a material corporate demand rebound:** Urban (-75.2% vs. -76.5% in the prior week), Suburban (-53.5% vs. -54.7%), Interstate (-34.6% vs. -34.9%), and Resort (-50.2% vs. -50.9%).
 - **Absolute occupancies somewhat stronger:** Urban: 34.2% vs. 33.5% in the prior week, Suburban: 49.9% vs. 49.6%, Interstate: 53.2% vs. 53.1%, and Resort: 46.5% vs. 45.5%.
- **Open/closed hotels:** Per STR 6.7% of the hotel supply is closed (vs. 6.2% in the prior week.). We do not read too much into the headline higher closure rate for now.

Last week's RevPAR details:

- **Economy was the relatively strongest chain scale:** Upscale and Upper Midscale underperformed by 3,410 bps and 2,210 bps, respectively: Luxury RevPAR (-77.0%), Upper Upscale (-75.6%), Upscale (-61.0%), Upper Midscale (-49.0%), Midscale (-37.8%), and Economy (-26.9%). Independent hotels (-47.0%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was -61.8% (vs. -62.4% last week) and Group segment RevPAR was -90.1% (vs. -91.5% last week).
 - Absolute Group occupancy remains near zero and does not seem to be improving: 3.4% last week vs. 2.9% for the running 28 days. **There may be some summer weddings/social group contributing to last week's results - do not read into these results as a major positive trend.**
- **Los Angeles was the relatively strongest market of the top five markets:** Boston (-81.9%), Chicago (-73.7%), Los Angeles (-67.3%), NYC (-79.6%), and Washington, D.C. (-72.1%).
- **Other relevant markets:**
 - **San Francisco:** RevPAR was -79.2% vs. -80.1% last week.
 - **COVID-19 "watch" markets (RevPAR):**
 - **Dallas:** -63.9% vs. -62.8% last week. Absolute occupancy 40.5% vs. 40.3% last week.
 - **Houston:** -61.4% vs. -60.4% last week. Absolute occupancy 37.4% vs. 38.1% last week.
 - **Phoenix:** -40.5% vs. -40.2% last week. Absolute occupancy 42.2% vs. 43.2% last week.
 - Note: Weekly changes for resort locations (more impactful to Phoenix) may add noise to the sequential comparisons.
 - **Florida market RevPAR:**
 - **Miami:** (-74.6% vs. -74.3% last week).
 - **Orlando:** (-70.1% vs. -71.1% last week).

The lodging stocks: We expect continued investor disappointment over the next several quarters. The primary driver of our negative stance is our belief in a slower than originally anticipated US RevPAR recovery, with urban business and group-centric hotels unfortunately being in the cross hairs of the worst of the pain.

- **The good news is that leisure travel, especially drive-to leisure, has shown some green shoots over the past two months. However, given the surge in COVID-19 cases in sunshine states, we see this leisure recovery now at a slower pace than we did one or two months ago.** For the public companies, we reiterate the companies best relatively positioned here in our coverage universe for drive-to leisure are CHH (Hold) and WH (Buy) (we prefer WH over CHH due to a more attractive comparable valuation) and for the timeshare companies (Hold-rated BXG and Buy rated: [HGV](#), [VAC](#), and [WYND](#)). *To be clear, like*

for the business and group-centric hotels, the next year will still be very challenging for these companies. That said, they are relatively better positioned as to not be in the direct cross-hairs of the industry's greatest areas of pain.

(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

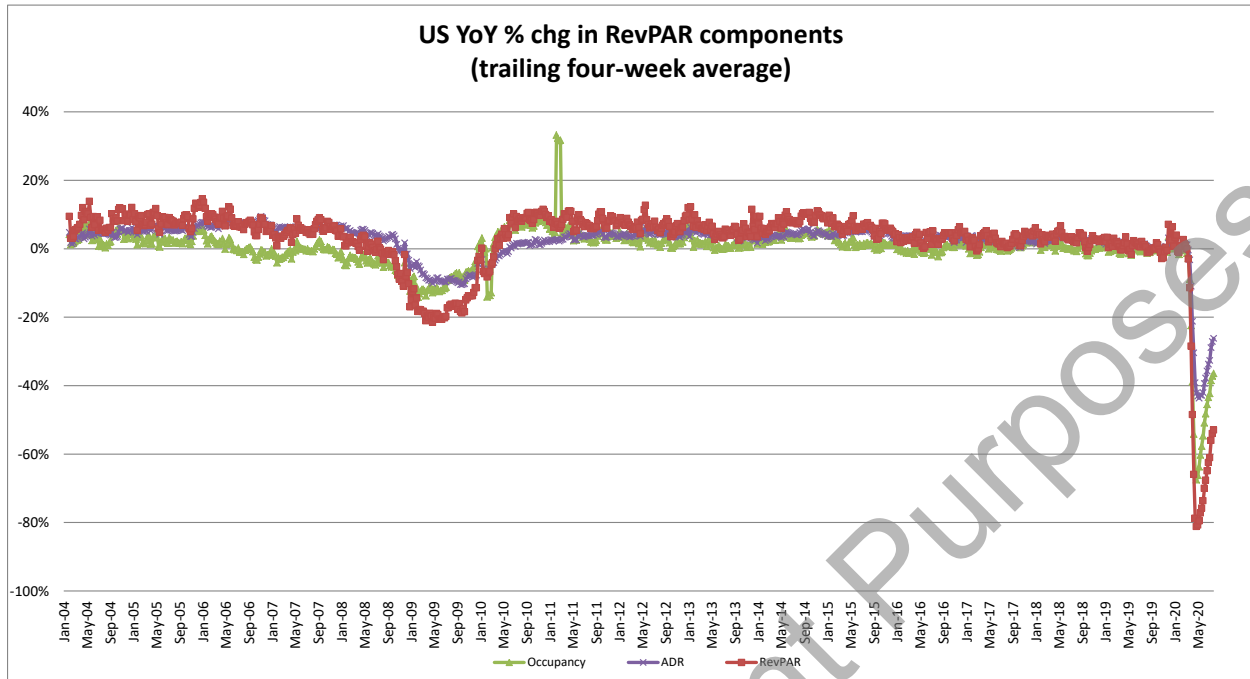
YoY % change in RevPAR													
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
6/6/2020	-65.0%	-82.7%	-84.2%	-70.7%	-58.8%	-45.2%	-28.8%	-59.7%	-77.0%	-89.2%	-71.8%	-84.9%	-78.4%
6/13/2020	-62.6%	-80.4%	-81.6%	-68.5%	-56.4%	-43.4%	-29.9%	-56.3%	-74.9%	-87.0%	-73.7%	-83.8%	-79.8%
6/20/2020	-60.3%	-79.3%	-79.1%	-66.5%	-54.4%	-42.4%	-30.3%	-53.2%	-77.3%	-86.4%	-68.4%	-82.1%	-81.2%
6/27/2020	-56.5%	-76.1%	-76.5%	-63.3%	-50.0%	-37.8%	-26.5%	-48.7%	-78.3%	-85.4%	-65.2%	-78.7%	-77.9%
7/4/2020	-44.8%	-66.4%	-65.2%	-48.2%	-37.3%	-28.4%	-21.3%	-40.6%	-67.2%	-71.6%	-60.2%	-56.8%	-58.0%
7/11/2020	-54.6%	-75.6%	-75.7%	-61.4%	-48.8%	-36.4%	-24.8%	-47.0%	-77.7%	-82.9%	-67.2%	-73.6%	-71.0%
7/18/2020	-56.0%	-77.6%	-76.7%	-62.3%	-49.9%	-38.3%	-27.5%	-48.4%	-79.9%	-82.7%	-68.6%	-77.0%	-73.9%
7/25/2020	-54.8%	-77.0%	-75.6%	-61.0%	-49.0%	-37.8%	-26.9%	-47.0%	-79.6%	-81.9%	-67.3%	-73.7%	-72.1%
Clean comp; rising cases impacting demand		Economy and Midscale led the industry (on a relative basis)						LA and DC led the Top 5 markets (on a relative basis; all markets extremely negative)					
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%
4Q19	0.7%	3.6%	1.0%	-0.6%	-1.0%	-2.7%	-1.5%	2.3%	-4.1%	-11.6%	1.1%	-0.7%	5.2%
1Q20	-19.3%	-21.4%	-23.1%	-20.8%	-19.1%	-16.8%	-11.2%	-16.7%	-28.0%	-24.5%	-19.3%	-21.0%	-23.2%

YoY % change in ADR													
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
6/6/2020	-35.9%	-22.6%	-34.9%	-31.0%	-22.9%	-16.6%	-13.1%	-33.5%	-56.0%	-60.9%	-40.3%	-59.4%	-42.9%
6/13/2020	-33.9%	-20.5%	-32.9%	-30.0%	-22.3%	-16.7%	-13.9%	-30.4%	-7.5%	-15.0%	11.4%	-66.9%	-21.5%
6/20/2020	-31.7%	-18.8%	-29.8%	-28.8%	-21.9%	-16.1%	-13.8%	-27.0%	-52.7%	-55.7%	-38.1%	-53.6%	-48.5%
6/27/2020	-29.0%	-14.0%	-26.9%	-26.9%	-19.6%	-14.0%	-12.0%	-23.7%	-52.3%	-54.1%	-35.6%	-49.0%	-44.9%
7/4/2020	-20.9%	-5.1%	-12.3%	-15.7%	-13.2%	-11.9%	-11.0%	-18.4%	-31.6%	-34.4%	-30.9%	-24.9%	-22.2%
7/11/2020	-26.8%	-12.4%	-25.1%	-24.4%	-18.4%	-13.2%	-11.6%	-21.5%	-46.2%	-49.4%	-38.4%	-42.1%	-35.6%
7/18/2020	-28.0%	-13.6%	-26.3%	-26.0%	-20.0%	-14.5%	-13.3%	-22.7%	-48.4%	-50.3%	-39.5%	-45.9%	-38.5%
7/25/2020	-27.3%	-15.6%	-25.6%	-25.7%	-19.9%	-14.4%	-13.3%	-21.7%	-47.8%	-49.1%	-37.5%	-41.9%	-36.9%
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%
4Q19	0.7%	2.4%	0.6%	-0.4%	-0.3%	-1.0%	-1.0%	1.9%	-3.7%	-5.5%	0.3%	-2.2%	3.9%
1Q20	-4.0%	1.6%	-1.4%	-2.9%	-3.1%	-3.8%	-3.8%	-2.3%	-8.6%	-6.2%	-2.7%	-2.6%	-6.8%

YoY % change in Occupancy													
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
6/6/2020	-45.3%	-77.7%	-75.7%	-57.5%	-46.6%	-34.3%	-18.1%	-39.4%	-47.7%	-72.4%	-52.7%	-62.7%	-62.3%
6/13/2020	-43.4%	-75.3%	-72.6%	-55.1%	-43.8%	-32.0%	-18.6%	-37.2%	-68.4%	-48.2%	-54.8%	-69.7%	-46.1%
6/20/2020	-41.8%	-74.4%	-70.3%	-53.0%	-41.6%	-31.3%	-19.1%	-35.9%	-52.0%	-69.3%	-49.0%	-61.3%	-63.5%
6/27/2020	-38.7%	-72.1%	-67.9%	-49.8%	-37.9%	-27.7%	-16.5%	-32.8%	-54.6%	-68.1%	-45.9%	-58.2%	-59.9%
7/4/2020	-30.2%	-64.6%	-60.3%	-38.6%	-27.7%	-18.7%	-11.6%	-27.2%	-52.0%	-56.7%	-42.5%	-42.5%	-46.0%
7/11/2020	-38.0%	-72.2%	-67.5%	-49.0%	-37.2%	-26.7%	-14.9%	-32.4%	-58.5%	-66.2%	-46.8%	-54.4%	-54.9%
7/18/2020	-38.9%	-74.0%	-68.3%	-49.0%	-37.4%	-27.8%	-16.4%	-33.3%	-61.1%	-65.3%	-48.2%	-57.4%	-57.6%
7/25/2020	-37.9%	-72.7%	-67.2%	-47.6%	-36.3%	-27.4%	-15.7%	-32.3%	-60.8%	-64.3%	-47.7%	-54.8%	-55.7%
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%
4Q19	-0.1%	1.2%	0.4%	-0.2%	-0.8%	-1.7%	-0.4%	0.4%	-0.4%	-6.5%	0.8%	1.5%	1.3%
1Q20	-15.9%	-22.6%	-21.9%	-18.4%	-16.5%	-13.6%	-7.7%	-14.8%	-21.3%	-19.5%	-17.1%	-18.8%	-17.6%

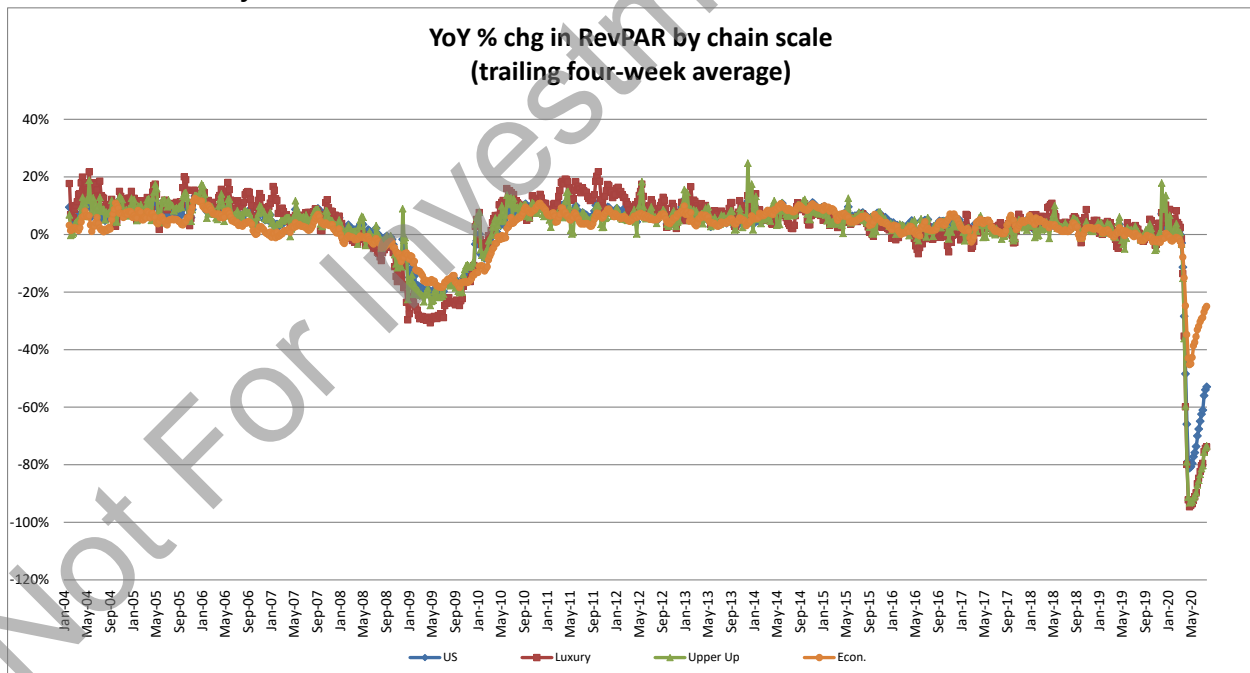
Source: STR data, STRH research

RevPAR Component Trends



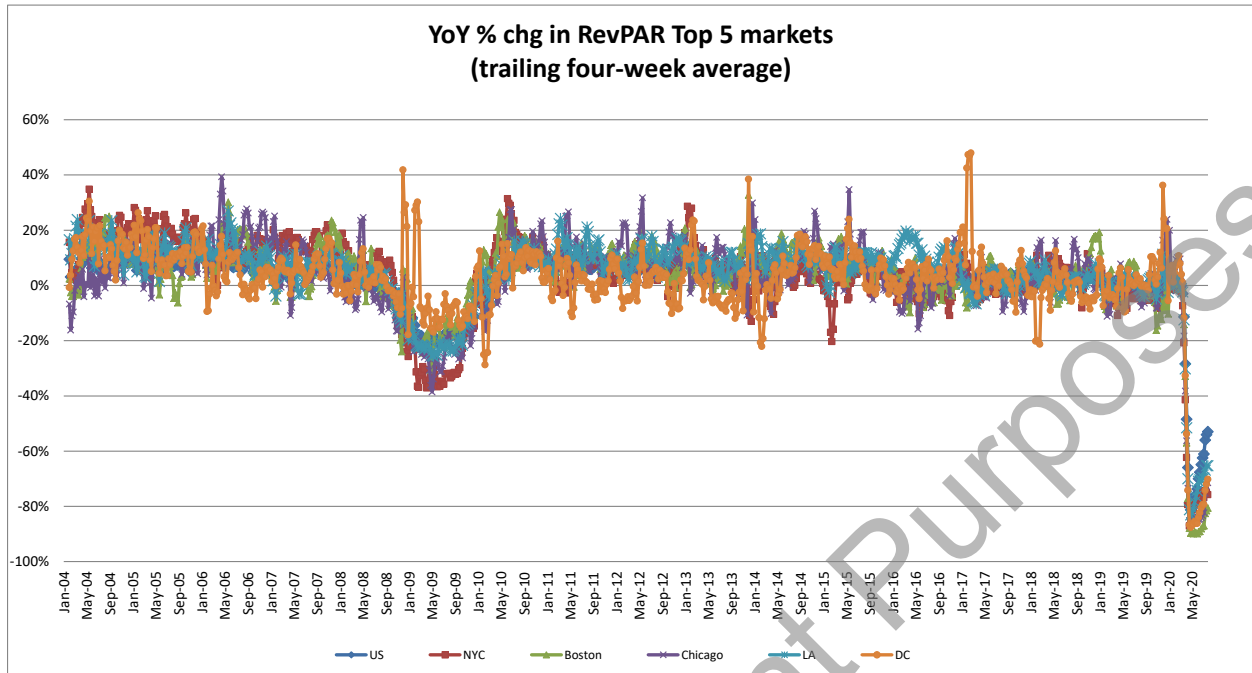
Source: STR data, STRH research

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 7/28/20	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.
Bluegreen Vacations	BXG	\$6.71	Hold	\$5	-18%	\$73	\$73	6.3X	Upside risk: Accelerating tour flow, FCF generation and declining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Choice Hotels	CHH	\$84.35	Hold	\$84	0%	\$299	\$299	14.0X	Upside risk: conservative growth of new brands. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$4.80	Sell	\$4	-17%	\$44	\$44	11.5X	Upside risk: faster demand improvement in corporate travel than expected. Brand changes (e.g. Vail) lead to material EBITDA improvement. Leisure hotels hold/improve on RevPAR and margins despite the challenging macro. Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Hilton	HLT	\$76.67	Hold	\$75	-2%	\$1,557	\$1,167	14.9X	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	\$19.60	Buy	\$23	17%	\$318	\$334	9.3X	Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected (incl. NYC).
Host Hotels & Resorts	HST	\$10.52	Sell	\$7	-33%	\$31	\$31	12.0X	Upside risk: Transient and group trends outperform expectations, particularly for owned hotels. Material disposition of owned hotels. Faster than expected improvement in net rooms growth.
Hyatt Hotels	H	\$49.26	Sell	\$44	-11%	\$254	\$282	#REF!	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Disposition of owned hotels at attractive pricing. Downside risk: slowing pipeline. Deep 2022 recession.
Marriott International	MAR	\$86.55	Hold	\$88	2%	\$76	\$0	14.9X	Downside risk: M&A story fades and multiples revert to historical levels
Marriott Vacations	VAC	\$87.98	Buy	\$114	30%	\$690	\$0	9.5X	Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected. CHSP revenue and asset management strategies lead to faster than expected EBITDA gains.
Park Hotels & Resorts	PK	\$8.43	Sell	\$7	-17%	\$227	\$0	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	\$10.45	Hold	\$9	-14%	\$202	\$202	13.0X	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	\$3.76	Hold	\$2	-47%	\$115	\$121	9.5X	Upside risk: RevPAR reaccelerates faster than expected, leading to estimate revisions and multiple expansion. Wyndham hotels are repositioned earlier in the 2022 valuation period and incremental EBITDA is more material than our expectations. Downside risk: Lower customer demand/operational inefficiencies for select-service hotels.
RLJ Lodging Trust***	RLJ	\$8.04	Hold	\$8	0%	\$147	\$158	11.5X	Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery.
Ryman Hospitality Properties	RHP	\$31.71	Sell	\$25	-21%	\$171	\$180	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements.
Sunstone Hotel Investors	SHO	\$7.39	Sell	\$6	-19%	\$127	\$127	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	\$191.47	Buy	\$233	22%	\$765	\$811	14.5X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Destinations	WYND	\$28.40	Buy	\$39	36%	\$771	\$799	7.3X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
Wyndham Hotels & Resorts	WH	\$46.05	Buy	\$52	13%	\$441	\$457	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

Source: FactSet, STRH research

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$6.71, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$84.35, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$4.80, Sell, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$49.26, Sell, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$19.60, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$76.67, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$10.52, Sell, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$86.55, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$191.47, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$10.45, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$8.43, Sell, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$3.76, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$31.71, Sell, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$8.04, Hold, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$7.39, Sell, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$87.98, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$46.05, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$28.40, 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.

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