

Lodging

Lodging: US RevPAR -35.1% Y/Y Last Week; New Year's Calendar shift & Friday holiday helped. Somewhat.

Performance comparable to week leading up to Labor Day.

What's Incremental To Our View

Overall U.S. RevPAR was -35.1% Y/Y for the week ending 01/02/2021, per STR, ahead of the prior week's result of -52.3%. (2-year stacked RevPAR was -29.8% vs. -58.5% in the prior week). Independent hotels (~ 1/3rd of the data set) were -31.4% y/y. Economy (-6.1%) was the relatively strongest chain scale for branded hotels; Luxury/Upper Upscale were the weakest at -52.7%. Upscale (-34.8%) and Upper Midscale (-23.0%) outperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-74.5% vs. -70.7% prior week) was softer than Transient (-42.6% vs. -66.6% prior week).

The last week of the year is a traditionally leisure-centric holiday week. And while we do not intend to be too glib, *hoteliers can't lose business and group demand if you never had it to begin with.*

Last week's results were quite noisy beyond the headline, led by the calendar shift of New Year's (NYE on a Thursday night in 2020 vs. Tuesday night in 2019). Ceteris paribus, a Friday New Year's Day combined with a Christmas Friday makes for a stronger leisure week than a midweek holiday. Even in a pandemic-impacted demand environment, those that were staying in hotels (the comparative week was predominately leisure focused in 2019 as well) would in theory be more likely to extend a vacation or leisure trip given the timing of the 2020 holidays and WFH continuing for many.

Outside of one materially outperforming market (Norfolk/Virginia Beach RevPAR was +27.5% y/y), **most of the warm weather holiday markets were still in materially negative RevPAR territory last week including Miami (-28.0%), Oahu (-82.0% -- not a great indicator for any Hawaii-exposure REITS for 4Q with Oahu occupancy ~30% for the end of the month), Orlando (-53.8%), San Diego (-62.3%), and Tampa/St. Petersburg (-12.8%).**

We would anticipate some positive demand spillover impact to leisure markets into early January. However, we still anticipate quite challenged January comparisons (ex-perhaps MLK Weekend) given limited corporate demand at least until the start of COVID comps commence later in the month.

C. Patrick Scholes
212-319-3915
Patrick.Scholes@truist.com

Gregory J. Miller
212-303-4198
Gregory.J.Miller@truist.com

What's Inside

Weekly STR results and analysis

For the month of December, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Sell], or Marriott [MAR, Hold] hotel) will finish approximately -71% for Luxury/Upper Upscale full-service (our prior forecast was -72% to -75%) and approximately -55% for Upscale full-service (our prior forecast was -55% to -57%). We estimate that the overall industry will finish approximately -51% (our prior forecast was -52% to -54%). Please note that reported monthly results include hotels that are not in the weekly data set.

- December results were a tad stronger than we expected for higher-end hotels but in an environment where RevPAR is down 70+ percent, we view the slight outperformance vs. our expectations, especially in a last-minute booking pandemic-impacted demand environment with some hotels re-closing, as nothing to write home about. Upscale and lower-rated hotels performed in-line with our expectations.
- For 4Q, we estimate that full-service branded domestic hotels will finish approximately -72% to -73% for Luxury/Upper Upscale full-service (our prior forecast was -72% to -75%) and -56% for Upscale full-service (our prior forecast was -55% to -57%). We estimate that the overall industry will finish approximately -51% (our prior forecast was -50% to -53%).

Compared to the prior week (ended 12/26), sequential RevPAR trends were stronger vs. last week's results.

- Headline RevPAR was -35.1% vs. the running 28 day average of -47.2%.
- RevPAR for the weeks ended March 14th through January 2nd, 2021 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/-54.8/-51.1/-49.4/-46.1/-46.1/-44.5/-32.8/-48.1/-51.6/-51.7/-48.1/-47.5/-50.3/-51.8/-48.4/-55.8/-52.0/-52.2/-41.2/-58.4/-57.3/-42.5/-52.3/-35.1%, respectively.
- Occupancy:** absolute occupancy of 40.6% was sequentially **stronger** than the prior week of 32.5%. Occupancy y/y change of -17.2% is sequentially **stronger** than the prior week of -33.0%.
- ADR:** ADR y/y change of -21.5% was sequentially **stronger** than the prior week of -28.8%. (We do not consider sequential changes in absolute ADR material.) "Location" RevPAR Y/Y change was sequentially **stronger** vs. the prior week. We still do not see a material corporate demand rebound: Urban (-55.2% vs. -67.1% in the prior week), Suburban (-25.6% vs. -39.7%), Interstate (-7.8% vs. -27.6%), and Resort (-38.5% vs. -63.5%).
 - Absolute occupancies stronger vs. the prior week:** Urban: 34.5% vs. 25.7% in the prior week, Suburban: 41.6% vs. 35.5%, Interstate: 39.5% vs. 32.6%, and Resort: 50.1% vs. 34.1%.
- Open/closed hotels:** Per STR 2.3% of the hotel supply is closed (vs. 2.9% last week).
- Please note there are many hotels that suspended operations/closed and they are not included in the comparisons. Implications are that the headline statistics likely overstate the actual performance of the overall industry.

Last week's RevPAR details:

- Economy was the relatively strongest chain scale:** Upscale and Upper Midscale underperformed by 2,870 bps and 1,690 bps, respectively: Luxury RevPAR (-52.7%), Upper Upscale (-52.7%), Upscale (-34.8%), Upper Midscale (-23.0%), Midscale (-13.6%), and Economy (-6.1%). Independent hotels (-31.4%) was stronger than the headline U.S. RevPAR.
- Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was -42.6% (vs. -66.6% last week) and Group segment RevPAR was -74.5% (vs. -70.7% last week).
 - Absolute Group occupancy remains light: 2.7% last week vs. 2.6% for the running 28 days.
- Washington, D.C. was the relatively strongest market of the top five markets:** Boston (-50.7%), Chicago (-41.9%), Los Angeles (-66.9%), NYC (-70.7%), and Washington, D.C. (-41.1%).

- **Other relevant markets:**

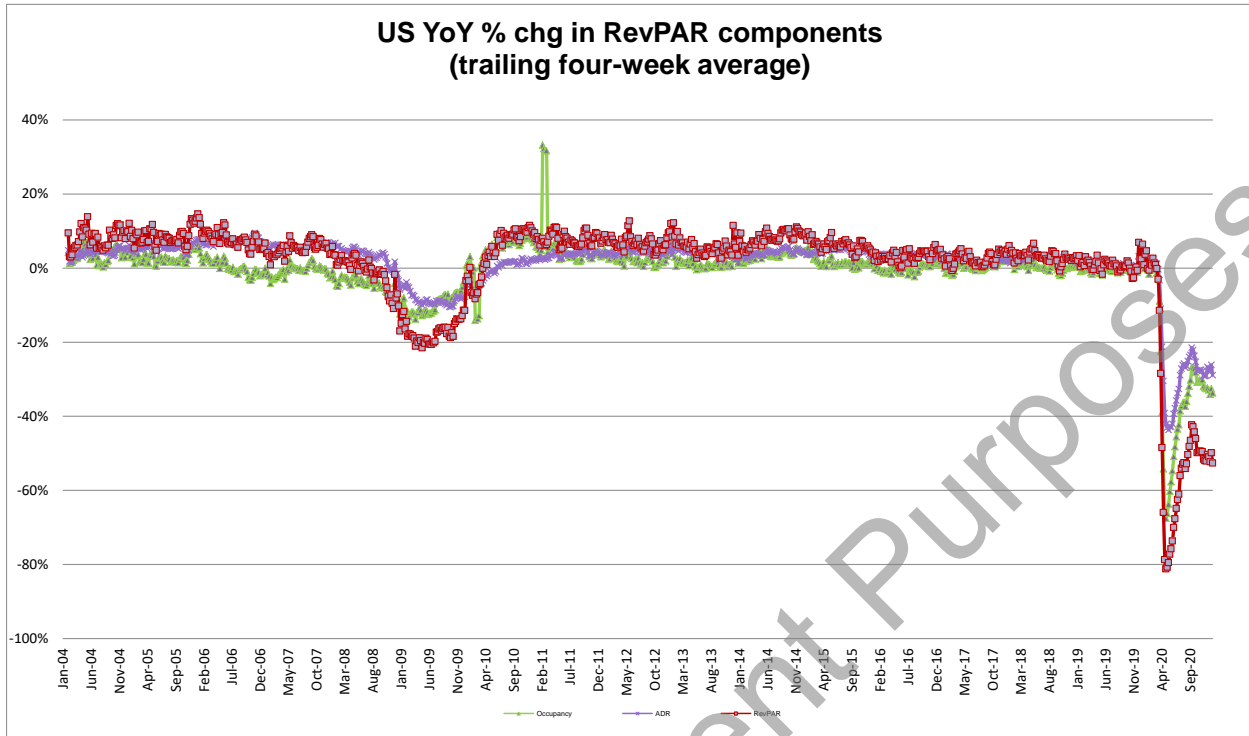
- **San Francisco:** RevPAR was -69.0% vs. -72.9% last week.
- **Florida market RevPAR:**
 - **Miami:** (-28.0% vs. -62.0% last week).
 - **Orlando:** (-53.8% vs. -68.9% last week).

Overall for the hotel stocks we continue to believe that news/progress (or lack of) on a vaccine is the most important driver of the stocks at the moment and industry fundamentals have taken a back seat. Our view on the sector continues to be one of caution for the most part with the degree of caution positively correlated with the more exposure to corporate business and group/convention customers one has. Based on our forward observations for business and group/convention travel over the next two quarters and from actual RevPAR results in October and November, we continue to believe that most estimates for 4Q20-2Q21 look too optimistic. Given the RevPAR deceleration we have seen since summer leisure travel ended and the continued push-back of business and group travel into sometime in 2021, we do not believe the substantial quarter-over-quarter improvements that the Street is expecting for 4Q20 and 1Q21 will come to fruition.

(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).

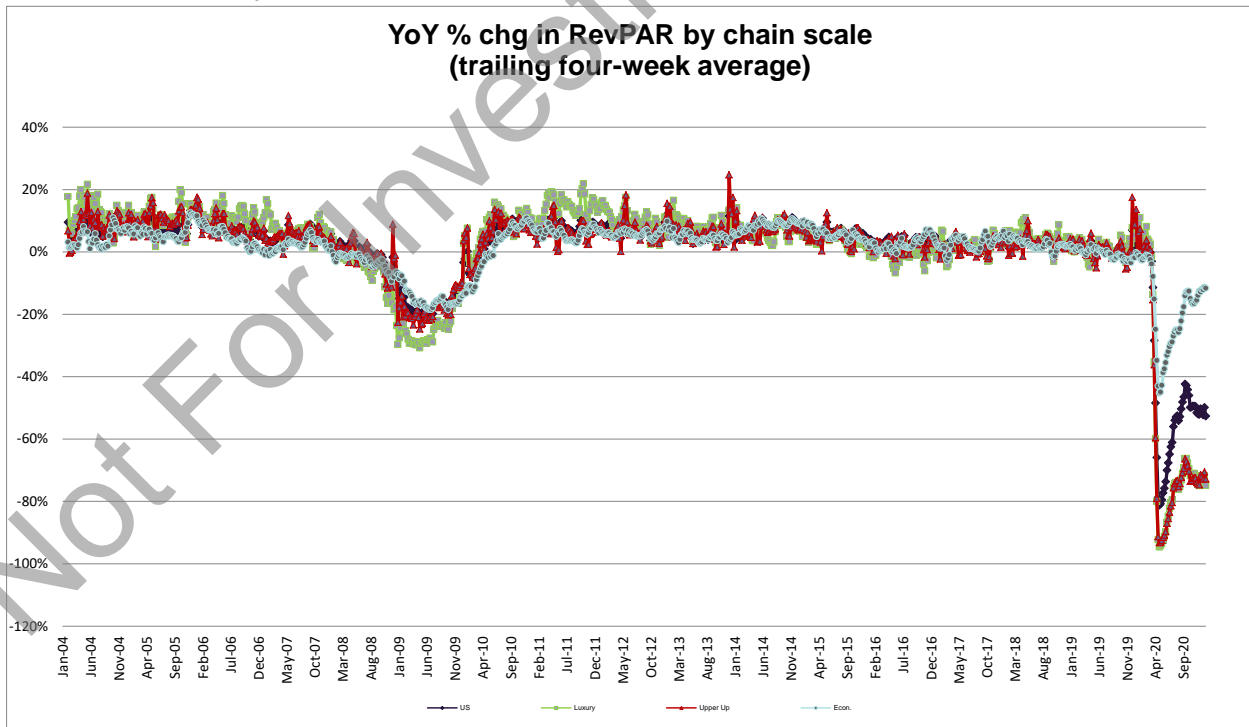
Not For Investment Purposes

RevPAR Component Trends



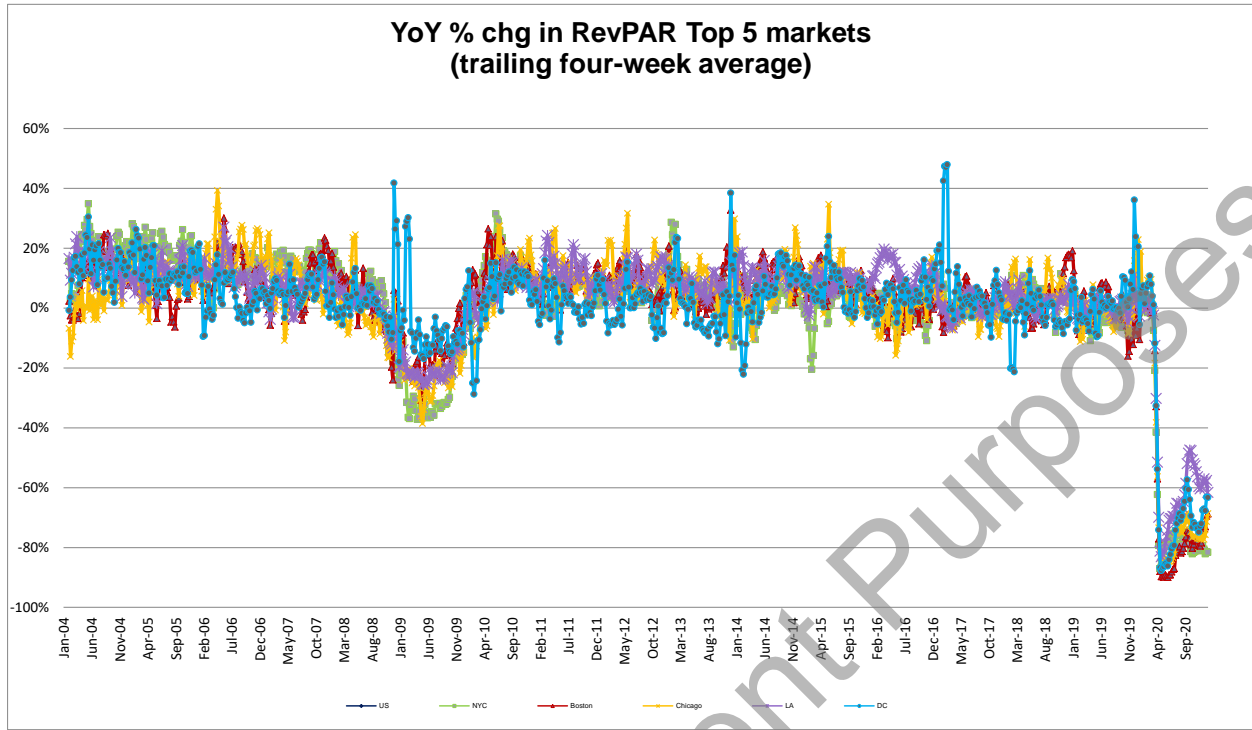
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



Source: STR data, Truist Securities research

RevPAR Trends by Market



Source: STR data, Truist Securities research

Not For Investment Purposes

Price Target/Risks Summary

Lodging	TKR	Price 1/5/21	Rating	PT*	% upside down- side	2021E Valuation EBITDA (\$M)* **	2022E Valuation EBITDA (\$M)* **	2021E As Reported EBITDA (\$M)*	2022E 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	\$7.44	Buy	\$9	17%	\$95	\$108	\$95	\$108	6.5X	Downside risk: controlled company issues, limited cap/float, loan defaults, and macroeconomic risk.
Choice Hotels	CHH	\$105.88	Hold	\$92	-13%	\$318	\$366	\$318	\$366	14.0X	Upside risk: conservative growth of new brands. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$8.27	Sell	\$5	-40%	\$51	\$161	\$18	\$151	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	\$107.95	Hold	\$85	-21%	-\$101	-\$111	\$16	\$16	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	\$30.90	Buy	\$25	-21%	\$247	\$342	\$263	\$377	9.4X	Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected (incl. NYC)
Host Hotels & Resorts	HST	\$13.95	Sell	\$9	-35%	\$242	\$802	\$242	\$802	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 organic growth.
Hyatt Hotels	H	\$71.55	Sell	\$48	-33%	\$89	\$481	\$115	\$510	13.4X	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	\$126.09	Hold	\$99	-21%	\$1,496	\$2,516	\$1,809	\$2,838	14.9X	Downside risk: M&A story fades and multiples revert to historical levels
Marriott Vacations	VAC	\$136.12	Buy	\$135	-1%	\$590	\$729	\$40	\$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	\$16.87	Sell	\$8	-53%	\$33	\$442	\$45	\$454	12.1X	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	\$18.94	Hold	\$11	-42%	\$59	\$296	\$59	\$296	14.5X	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	\$5.31	Hold	\$3	-44%	\$26	\$155	\$34	\$163	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	\$13.17	Hold	\$9	-32%	\$42	\$302	\$54	\$314	12.0X	Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery.
Ryman Hospitality Properties	RHP	\$65.31	Sell	\$23	-65%	\$57	\$278	-\$1	\$4	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements.
Sunstone Hotel Investors	SHO	\$10.93	Sell	\$7	-36%	\$26	\$162	\$26	\$162	11.5X	Upside risk: Enhanced economic conditions, ski resort supply, increased revenues due to quick distribution of COVID-19 vaccine. Downside risk: prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries.
Vail Resorts, Inc.	MTN	\$271.89	Hold	\$246	-9%	\$400	\$792	\$400	\$792	15.0X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Destinations	WYND	\$45.59	Buy	\$41	-11%	\$689	\$812	\$28	\$28	7.3X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
Wyndham Hotels & Resorts	WH	\$59.15	Buy	\$51	-14%	\$402	\$546	\$422	\$568	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 - gregory.j.miller@truist.com

Source: FactSet, Truist Securities research

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$7.44, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$105.88, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$8.27, Sell, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$71.55, Sell, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$30.90, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$107.95, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$13.95, Sell, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$126.09, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$271.89, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$18.94, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$16.87, Sell, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$5.31, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$65.31, Sell, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$13.17, Hold, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$10.93, Sell, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$136.12, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$59.15, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$45.59, 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 Truist Securities. Please see our disclosures page for more complete information at <https://truist.bluematrix.com/sellside/Disclosures.action>.

Truist Securities Ratings System for Equity Securities

Dissemination of Research

Truist Securities, Inc. ("Truist Securities") 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://truistresearch.bluematrix.com/client/library.jsp>.

Please email the Research Department at EquityResearchDepartment@research.truist.com or contact your Truist Securities sales representative.

Truist Securities Rating System for Equity Securities

Truist Securities, Inc. ("Truist Securities") 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) – Truist Securities does not have an investment rating or opinion on the stock

Coverage Suspended (CS) – indicates that Truist Securities' rating and/or target price have been temporarily suspended due to applicable regulations and/or Truist Securities Management discretion. The previously published rating and target price should not be relied upon.

Truist Securities 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 Truist Securities 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

Truist Securities ratings distribution (as of 01/06/2021):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	480	67.61%	Buy	177	36.88%
Hold	220	30.99%	Hold	67	30.45%
Sell	10	1.41%	Sell	2	20.00%

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. Truist Securities, 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.

Truist Securities, 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.

Truist Securities, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of Truist Financial Corporation. Truist Securities, 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 Truist Securities, 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://truist.bluematrix.com/sellside/Disclosures.action>

Please visit the Truist Securities (formerly known as SunTrust Robinson Humphrey) equity research library for current reports and the analyst roster with contact information, Link (password protected): [TRUIST RESEARCH LIBRARY](#)

Truist Securities, Inc., member FINRA and SIPC. Truist and Truist Securities 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 EquityResearchDepartment@Research.Truist.com

© Truist Securities, Inc. 2021. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

ADDITIONAL INFORMATION IS AVAILABLE at our website, TruistSecurities.com, or by writing to: Truist Securities, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070

Not For Investment Purposes