

## Lodging

Lodging: US RevPAR -47.7% Y/Y Last Week; Clean comp in traditionally low occupancy early January

Economy occ up y/y last wk: 1st + major data point we've seen in STR since March

### What's Incremental To Our View

**Overall U.S. RevPAR was -47.7% Y/Y for the week ending 01/09/2021, per STR, softer than the prior week's result of -35.1%. (2-year stacked RevPAR was -55.4% vs. -29.8% in the prior week). Independent hotels (~ 1/3rd of the data set) were -45.3% y/y. Economy (-1.6%) was the relatively strongest chain scale for branded hotels; Upper Upscale was the weakest at -72.5%. Upscale (-51.7%) underperformed the industry average; Upper Midscale (-35.8%) outperformed. Within Upper Upscale & Luxury class hotels, Group (-88.3% vs. -74.5% prior week) was softer than Transient (-56.7% vs. -42.6% prior week).**

**While early January's normally low occupancy (51.7% same week last year) offers easier comparisons vs. 2021 (37.0% last week), with a similar impact to ADR, we remain unconvinced of any material return in business travel -- either transient or group.** We make this point in particular as w/w sequential comparisons especially on a group "rebound" were noted by at least one industry prognosticator today. In our view, group occupancy of 3.1%, down 83.2% y/y, is not exactly a rebound (especially when compared to a holiday week). We do not view low occupancy periods ex-holidays in December and January as highly material to higher-rated hotel analysis as business demand is generally soft in these months.

**There is at least one piece of good news to point out. Economy occupancy was +1.1% y/y with ADR -2.6%. RevPAR was almost flat at -1.6%.** Branded economy hotels materially outperformed Midscale at -18.5% RevPAR followed by the more consistent weak results exhibited in select-service and full-service since the pandemic.

**Washington D.C. hotels had unusually strong performance mid-last week and we can attribute this outperformance in part to the storming of the Capitol and related rallies.** Occupancy was 55.5% on Tuesday and 50.7% on Wednesday vs. ~30-31% on Monday and Thursday nights. ADRs were down 4.7% and 4.4% y/y on Tuesday and Wednesday vs 26.0% on Monday and 21.6% on Thursday.

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### What's Inside

Weekly STR results and analysis

**Compared to the prior week (ended 1/2/21), sequential RevPAR trends were softer vs. last week's results.**

- **Headline RevPAR** was -47.7% vs. the running 28 day average of -44.2%.
- **RevPAR** for the weeks ended March 14th through January 9, 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/-47.7%, respectively.
- **Occupancy:** absolute occupancy of 37.0% was sequentially **softer** than the prior week of 40.6%. Occupancy y/y change of -28.3% is sequentially **softer** than the prior week of -17.2%.
- **ADR:** ADR y/y change of -27.1% was sequentially **softer** than the prior week of -21.5%. (We do not consider sequential changes in absolute ADR material.) "Location" RevPAR Y/Y change was sequentially **softer** vs. the prior week. We still do not see a material corporate demand rebound: Urban (-63.1% vs. -55.2% in the prior week), Suburban (-44.7% vs. -25.6%), Interstate (-16.0% vs. -7.8%), and Resort (-58.4% vs. -38.5%).
  - **Absolute occupancies softer vs. the prior week:** Urban: 29.1% vs. 34.5% in the prior week, Suburban: 40.7% vs. 41.6%, Interstate: 39.4% vs. 39.5%, and Resort: 31.2% vs. 50.1%.
- **Open/closed hotels:** Per STR 2.3% of the hotel supply is closed (vs. 2.3% 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 3,420 bps and 1,690 bps, respectively: Luxury RevPAR (-65.3%), Upper Upscale (-72.5%), Upscale (-51.7%), Upper Midscale (-35.8%), Midscale (-18.5%), and Economy (-1.6%). Independent hotels (-45.3%) were 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 -56.7% (vs. -42.6% last week) and Group segment RevPAR was -88.3% (vs. -74.5% last week).
  - Absolute Group occupancy remains light: 3.1% last week vs. 2.5% for the running 28 days.
- **Washington, D.C. was the relatively strongest market of the top five markets:** Boston (-66.4%), Chicago (-56.0%), Los Angeles (-58.5%), NYC (-62.8%), and Washington, D.C. (-32.9%).
- **Other relevant markets:**
  - **San Francisco:** RevPAR was -76.3% vs. -69.0% last week.
  - **Florida market RevPAR:**
    - **Miami:** (-40.8% vs. -28.8% last week).
    - **Orlando:** (-66.2% vs. -53.8% 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.

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## Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$7.53, Buy, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$106.31, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$8.80, Sell, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$72.07, Sell, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$31.78, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$111.87, Hold, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$14.75, Sell, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$126.51, Hold, C. Patrick Scholes)  
**Vail Resorts, Inc.** (MTN, \$284.54, Hold, C. Patrick Scholes)  
**Pebblebrook Hotel Trust** (PEB, \$20.93, Hold, Gregory Miller)  
**Park Hotels & Resorts Inc.** (PK, \$17.75, Sell, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$5.87, Hold, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$72.18, Sell, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$14.63, Hold, Gregory Miller)  
**Sunstone Hotel Investors, Inc.** (SHO, \$11.32, Sell, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$137.46, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$61.54, Buy, C. Patrick Scholes)  
**Wyndham Destinations, Inc.** (WYND, \$46.52, Buy, C. Patrick Scholes)

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