

## Lodging

Lodging: US RevPAR +187.6% Y/Y Last Week; 2-yr -32.6% vs. prior -30.1%

RevPAR slipped for second straight week as spring break now in rearview mirror

### What's Incremental To Our View

**Overall U.S. RevPAR was +187.6% Y/Y for the week ending 5/1/2021, per STR, softer than the prior week's result of +220.7%. Last week's RevPAR was up against a -76.6% comparable result in 2020 vs. -73.1% in the prior week's 2-year run-rate. On a 2-year run-rate, RevPAR was down 32.6% vs. down 30.1% in the prior week's 2-year run-rate and somewhat below with the -27% to -32% range we have seen for the past several weeks.**

**We view that the conclusion of an extended March-April Spring Break reflects lighter leisure demand pre-summer months combined with continued limited professional corporate travel (Upscale and above). Effectively, May should reflect whatever growth in higher-rated business travel that is to come (we have low expectations).**

Further evidence in our view: sequentially weakening trends driven by Transient occupancy last week of 35.3% being below the running 28 days of 36.8% and April of 37.3%. Occupancy in the mid-week for Luxury and Upper Upscale remains very challenged at sub 40% levels, suggesting still light professional corporate demand.

On a two-year basis, we note the comparisons are somewhat cleaner vs. Passover/Good Friday/Easter 2019. **For the public companies that are active readers of our STR note, please see our commentary in the April forecast section for our thoughts on 2-year disclosure.**

- Luxury was +498.9% and -50.5% over 2 years
- Upper Upscale at +391.1% and -56.3% over 2 years;
- Upscale was +204.7% and -39.4% over 2 years;
- Upper Midscale was +197.3% and -21.7% over 2 years;
- Midscale was +115.0% and -10.9% over 2 years;
- Economy was +61.6% and -0.7% over 2 years;

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### What's Inside

Weekly STR results and analysis

- Independent hotels (~ 1/3rd of the data set) were + 194.0% y/y and -22.4% over 2 years; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +229.1% y/y vs. +217.4% prior week; over 2 years: -79.2% vs -73.5% prior week.
  - Transient: +628.4% y/y vs. +847.7% prior week; over 2 years: -29.7% vs -31.0% prior week.

#### April estimates:

- **For the month of April, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Sell], or Marriott [MAR, Hold] hotel) will finish approximately +730-740% for Luxury, +535-545% for Upper Upscale, and +250-260% for Upscale full-service. We estimate that the overall industry will finish approximately +240-250%.** Please note that reported monthly results include hotels that are not in the weekly data set.
  - For the time being, we are not making detailed 2-year monthly forecast comparisons vs. the STR data as we await the impact of hotel closures and new openings, which adds volatility to the data. This impact is even greater for chain scales and Top 25 markets due to closed urban full-service hotels. **That said roughly speaking we estimate 2-yr RevPAR for the overall industry roughly down 30%, Upper Upscale down in the low 50s%, Upscale down in the upper 30s and Economy up in the low single digits.**

#### 2-year disclosures vs. STR data:

**For the benefit of comparisons to our covered hotel names, we frankly view detailed company disclosure for 2020 and 2019 as highly relevant at this time** especially given that low-rated hotels, particularly independent low-rated hotels, may be presenting stronger headline STR results than what is happening on-the-ground for C-corps and REITS. We add that the impact of new hotels, reopening hotels, and permanently closing hotels adds noise to the data. Simple comparisons vs. 2019 are not uniform by C-corp or REIT due to mergers, brand acquisitions, and market concentration. That said, we also expect many of our companies to outperform their relatively weaker competitors (weak brands/weak comp sets in the same markets). **We commend the public companies this quarter that have provided clear cut apples-apples comparisons for 2019, 2020, and 2021** including by month and market/region. Disclosure of absolute RevPAR is also additive to show sequential improvement by month, based on hotels open. We encourage similar disclosure in intraquarter releases and for 2Q-4Q 2021 earnings.

- **Additionally, for the REITS that had strong/soft citywides in their respective markets in 2019, we view this information should be highlighted.** For example, 2019 was an exceptional year for San Francisco citywides. As such, 2019 may be a “hard comp” for comparison purposes for REITS with heavy San Francisco exposure.

#### Last week's RevPAR details and sequential trends:

- Headline RevPAR was +187.6% vs. the running 28 day average of +235.2%.
- **Occupancy:** absolute occupancy of 57.1% was vs. the running 28 day average of 57.8%.
- **Open/closed hotels:** Per STR, 2.6% of the hotel supply was closed (vs. 2.6% 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.
- **Absolute Group occupancy** remains very light: 8.0% last week vs. 7.4% for the running 28 days.

As far as stocks, we reiterate the companies relatively best positioned here in our coverage universe are the drive-to leisure-centric C-Corps CHH and WH, RLJ for the value-play business traveler in the early corporate demand recovery, and the timeshare companies, BXG, HGV, VAC, and TNL (formerly WYND). WH, RLJ, BXG, HGV, VAC, and TNL are the only names we believe we can still get material upside based on our 2023 estimates, hence our Buy rating. CHH is rated Hold.

- While a widely distributed vaccine will be a game changer, until that point our best guess for the return of the business traveler for RevPAR modeling purposes is not until at least 3Q21 (three months ago we said 2Q21). Until that time, we continue to envision large corporations being extremely cautious in sending their employees out to travel, unless it is for essential purposes. Along similar lines, we see large group events and meetings being significantly curtailed until a vaccine is widely available and even after that experiencing lower than normal attendance for at least the first year perhaps partly driven by lower T&E budgets, ROI on webinars, meeting planner reticence to book, etc.

**While the broader economy may have a U-shaped recovery, we believe hotel operating performance will take substantially longer to recover and be much choppier and vary by segmentation and geography.** Additionally, we believe work from home will have a short-to-medium impact on hotel demand, though the longer-term impact is still unknown. While some travel industry leaders, news reporters, and businesspeople have predicted that [35-50% of business travel will be permanently lost](#) our view is that it will be far less than 35-50% though it will not be zero either (Hospitality Net).

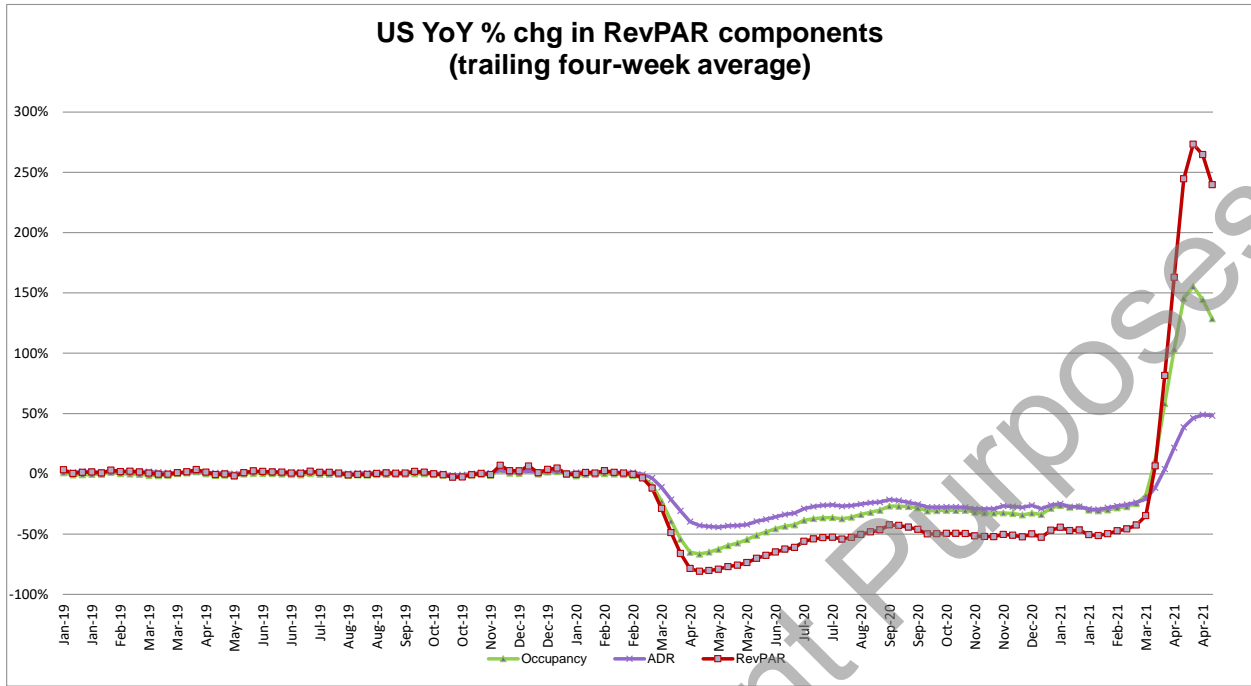
- Good news for the hotel REITS is that unlike the 2008-2009 downturn where many issued significant dilutive equity, that has not been the case (so far) this downturn. We believe such equity issuance was a major reason why most hotel REITS were never able to get back to their pre-2008 prices. However we do not see such a headwind today -- with the potential for some permanent incremental costs savings ([+100-300bps](#)) being the consensus range by some Lodging REITS, most hotel REITS have the potential to eventually get back to or possibly exceed their pre-Covid prices.

(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).

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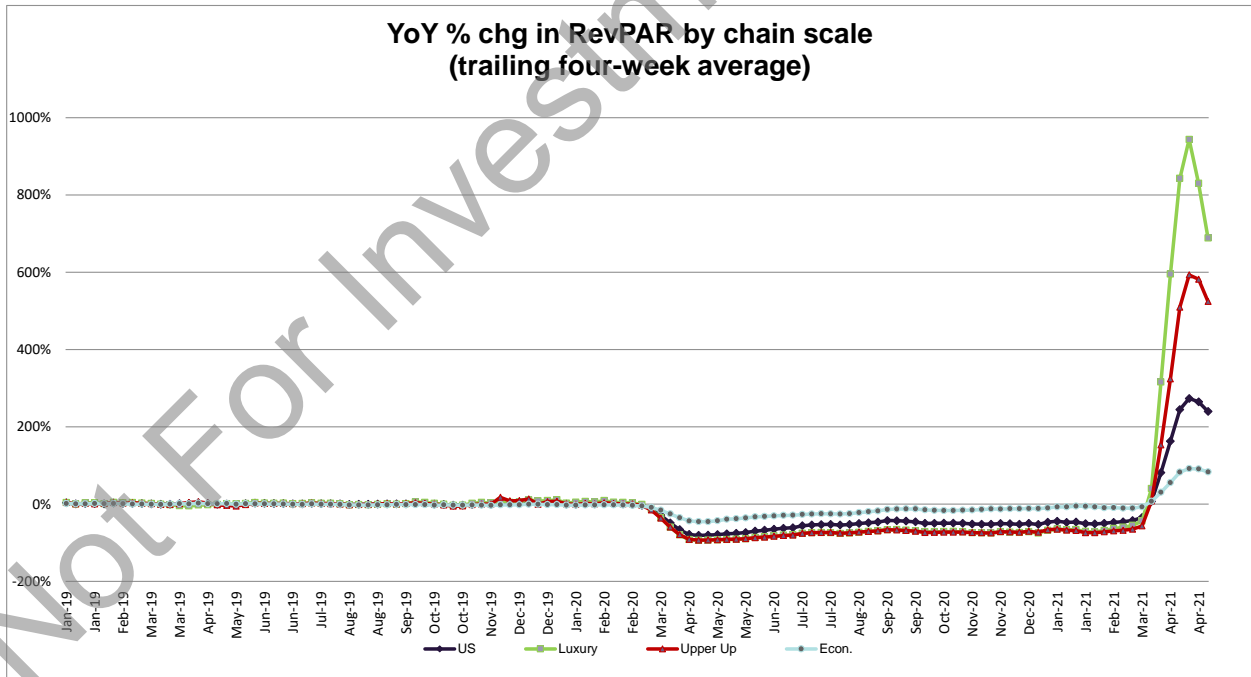


### RevPAR Component Trends



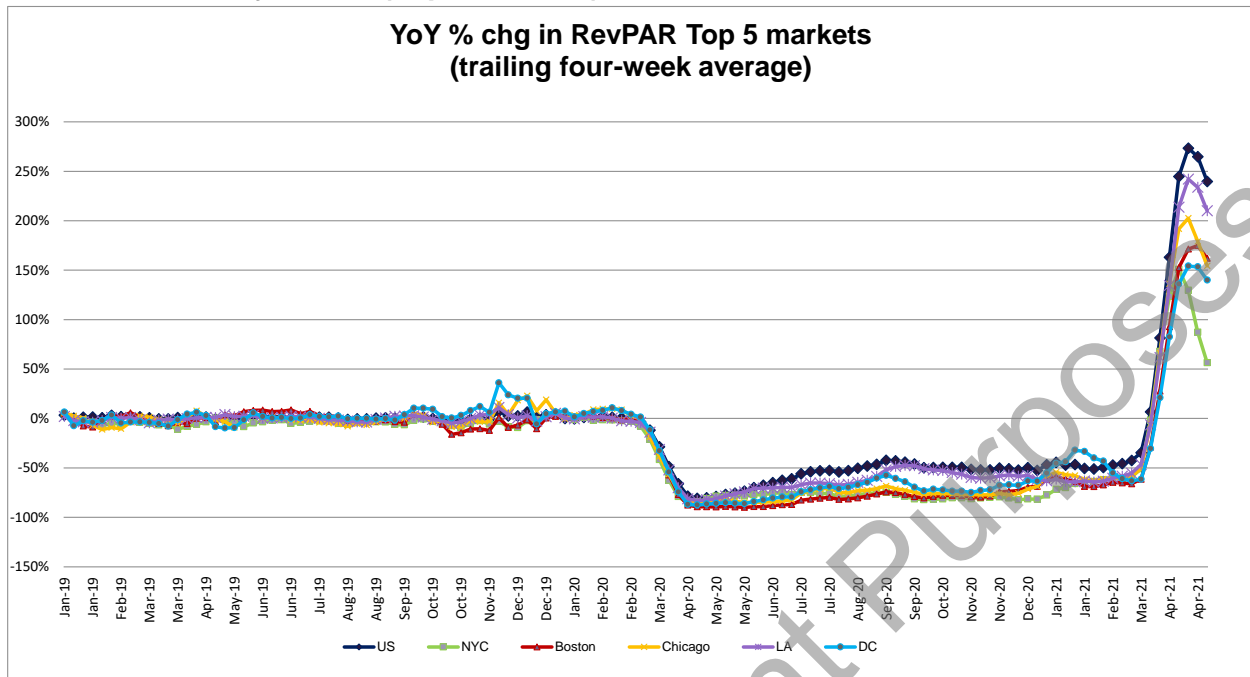
Source: STR data, Truist Securities research

### RevPAR Trends by Chain Scale



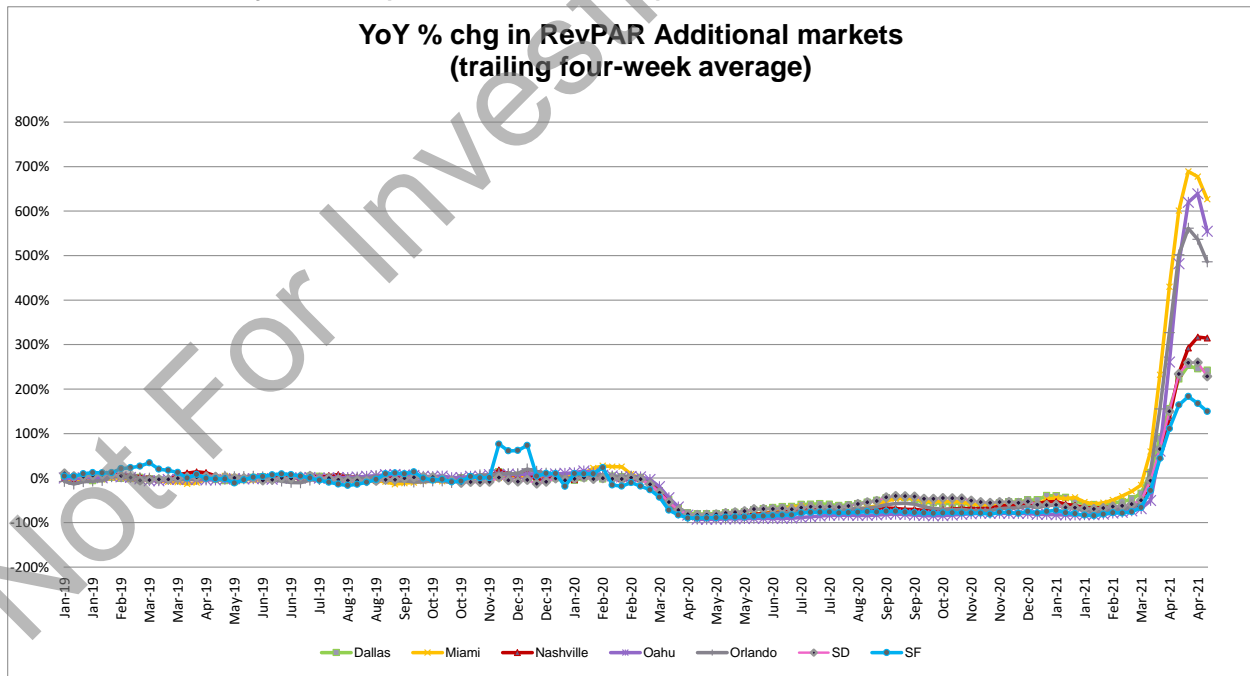
Source: STR data, Truist Securities research

**RevPAR Trends by Market (Top 5 markets)**



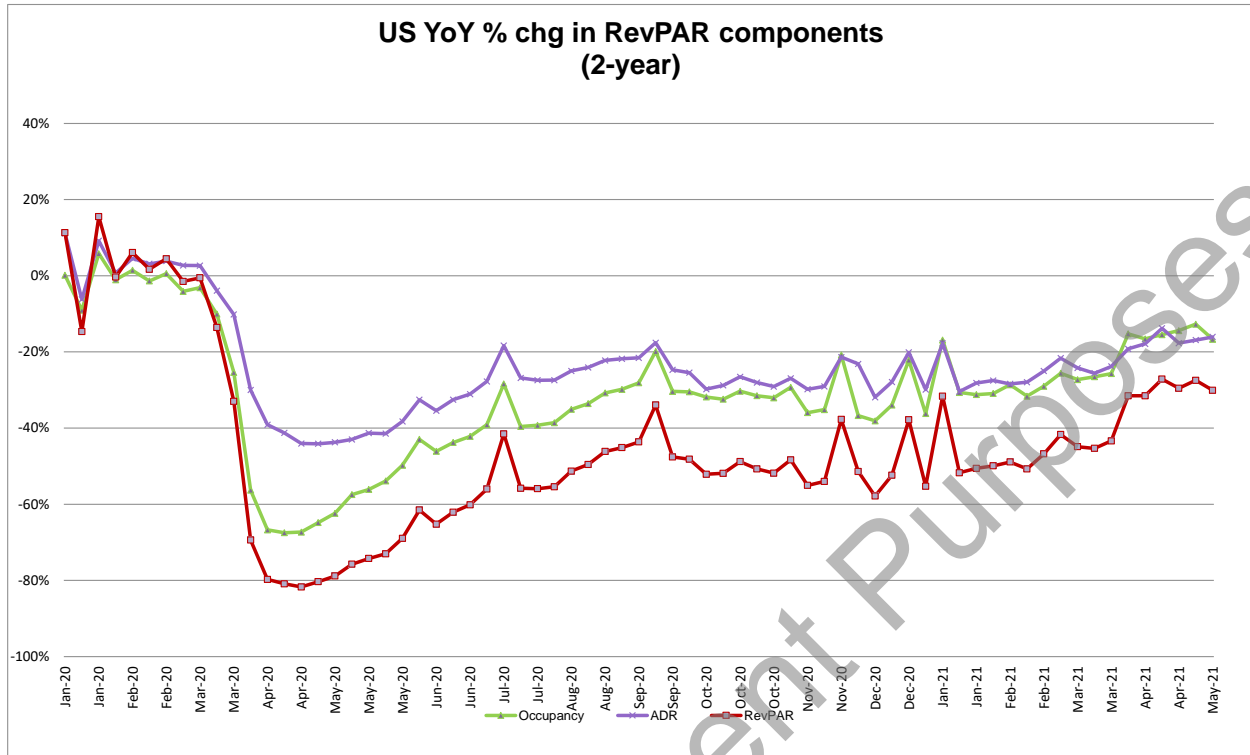
Source: STR data, Truist Securities research

**RevPAR Trends by Market (Additional markets)**



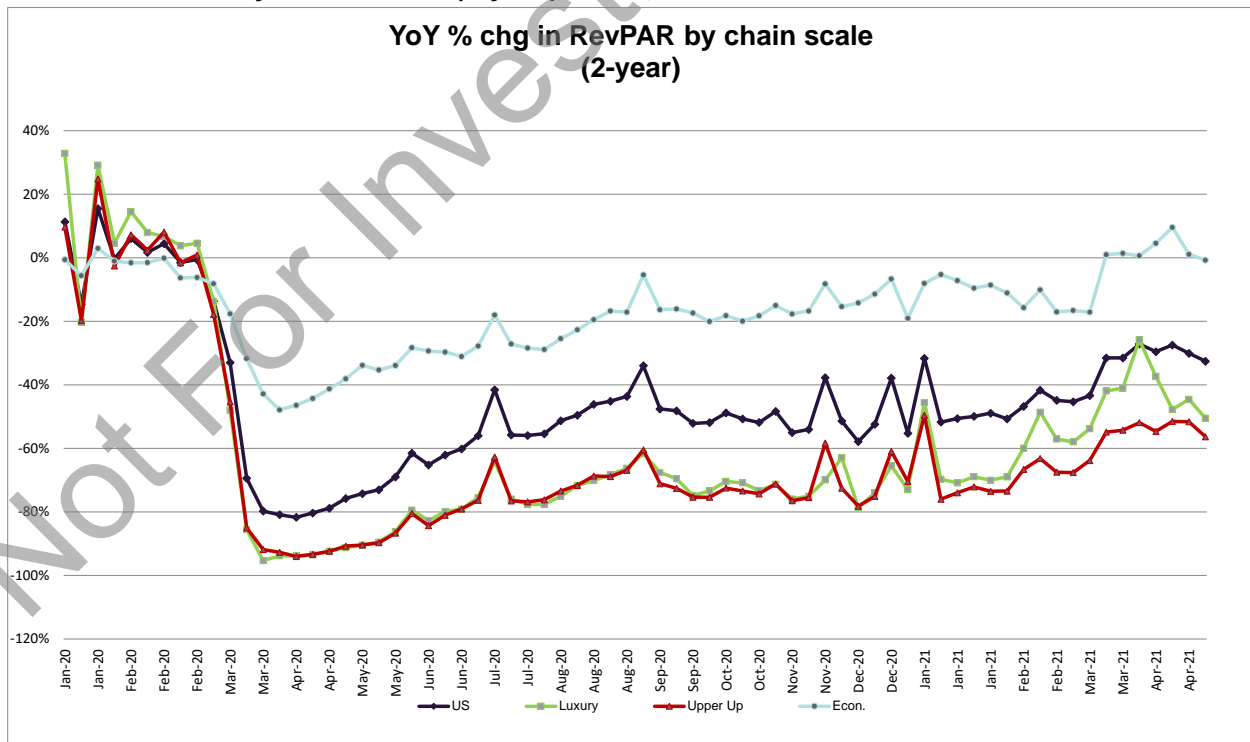
Source: STR data, Truist Securities research

### RevPAR Component Trends (2-year)



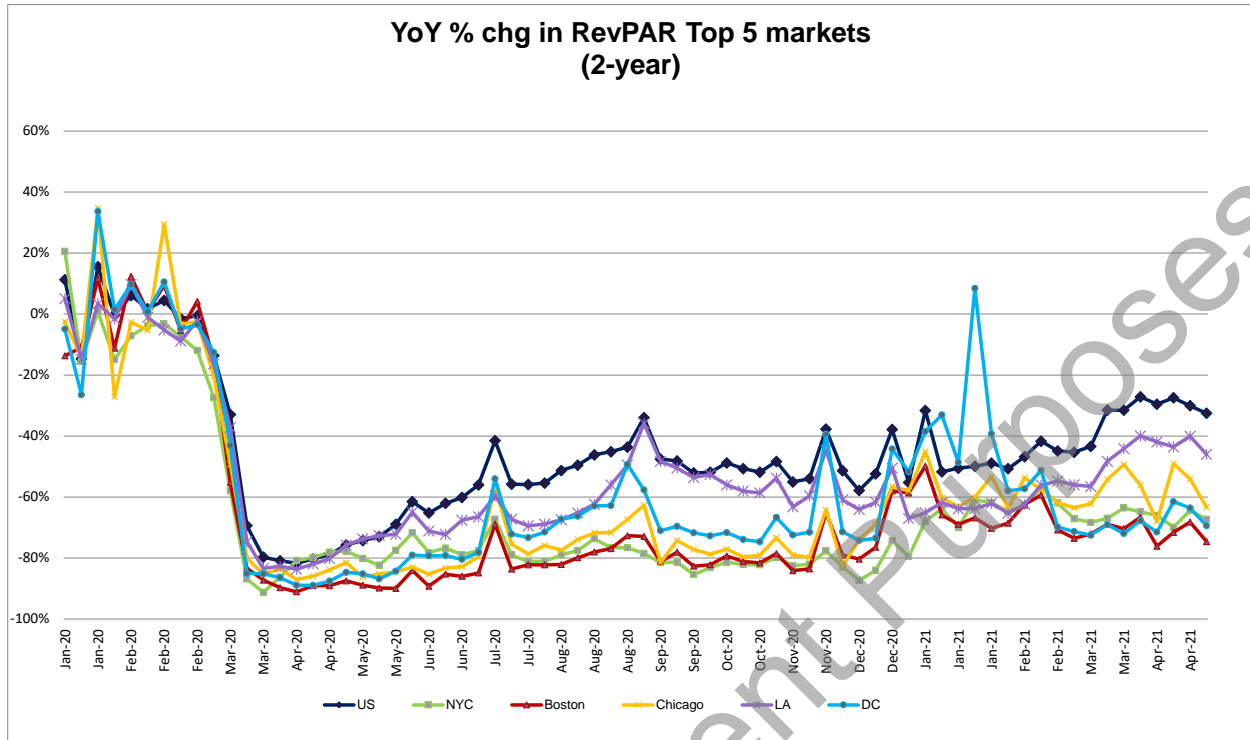
Source: STR data, Truist Securities research

### RevPAR Trends by Chain Scale (2-year)



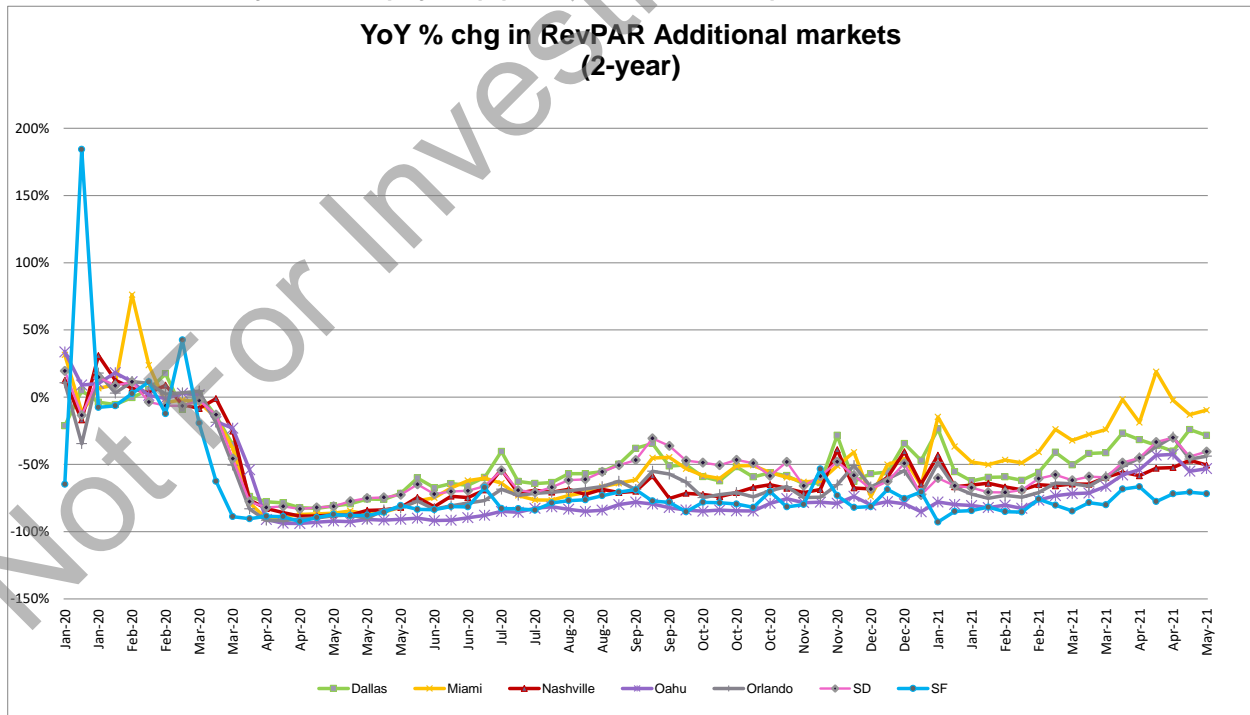
Source: STR data, Truist Securities research

### RevPAR Trends by Market (2-year) (Top 5 markets)



Source: STR data, Truist Securities research

### RevPAR Trends by Market (2-year) (Additional markets)



Source: STR data, Truist Securities research



## Price Target/Risks Summary

Lodging	TKR	Price 5/4/21	Rating	PT*	% upside/downside	2021E Valuation EBITDA (\$M)**	2022E Valuation EBITDA (\$M)**	2023E Valuation EBITDA (\$M)**	2021E As Reported/Consensus EBITDA (\$M)*	2022E As Reported/Consensus EBITDA (\$M)*	2023E As Reported/Consensus 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	\$9.56	Buy	\$11	19%	\$88	\$111	\$127	\$88	\$111	\$127	7.5X	Downside risk: controlled company issues, limited cap/float, loan defaults, and macroeconomic risk. Upside risk: conservative growth of new brands.
Choice Hotels	CHH	\$112.17	Hold	\$102	-9%	\$318	\$385	\$450	\$326	\$393	\$458	15.0X	Downside risk: slowdown in development opportunities. 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.
DiamondRock Hospitality	DRH	\$10.09	Sell	\$8	-21%	\$2	\$126	\$251	\$2	\$126	\$251	12.0X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Hilton	HLT	\$128.25	Hold	\$114	-11%	\$1,147	\$2,026	\$2,602	\$1,226	\$2,114	\$2,706	15.8X	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. Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected (incl. NYC).
Hilton Grand Vacations	HGV	\$44.87	Buy	\$48	7%	\$219	\$407	\$487	\$262	\$428	\$509	10.1X	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.
Host Hotels & Resorts	HST	\$17.57	Sell	\$14	-20%	-\$165	\$677	\$1,207	-\$165	\$677	\$1,207	12.5X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Disposition of owned hotels at attractive pricing.
Hyatt Hotels	H	\$80.68	Sell	\$59	-27%	\$14	\$473	\$640	\$39	\$501	\$671	13.5X	Downside risk: slowing pipeline. Deep 2022 recession. Upside risk: MBA (loyalty faded) and multiples revert to historical levels.
Marriott International	MAR	\$147.61	Hold	\$119	-19%	\$1,405	\$2,548	\$3,251	\$1,717	\$2,870	\$3,587	14.9X	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.
Marriott Vacations	VAC	\$176.14	Buy	\$184	4%	\$535	\$930	\$905	\$575	\$874	\$949	10.4X	Upside Risk: Material near-term incremental EBITDA from Legacy LHO assets. Downside Risk: Incremental EBITDA from major CapEx investments take longer than anticipated, contributing to multiple contraction. Very slow recovery in San Francisco.
Park Hotels & Resorts	PK	\$22.28	Sell	\$18	-19%	-\$40	\$419	\$763	-\$28	\$435	\$779	12.5X	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).
Pebblebrook Hotel Trust***	PEB	\$23.54	Hold	\$21	-11%	\$9	\$227	\$401	\$9	\$227	\$401	14.5X	Downside risk: Slower than expected recovery of corporate business travel post-COVID; scope/timing and/or upside from repositionings underwhelms investor expectations; labor costs are not reduced either due to increased wages/benefits or inability to cut costs post-tech improvements.
Playa Hotels & Resorts	PLYA	\$7.24	Hold	\$5	-31%	-\$11	\$124	\$191	-\$1	\$133	\$200	10.0X	Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery.
RLJ Lodging Trust***	RLJ	\$15.91	Buy	\$19	19%	\$22	\$286	\$424	\$34	\$298	\$436	13.0X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements.
Ryman Hospitality Properties	RHP	\$76.05	Sell	\$51	-33%	\$59	\$281	\$430	\$82	\$284	\$423	13.0X	Downside risks: MTN is subject to prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries.
Sunstone Hotel Investors	SHO	\$12.89	Sell	\$10	-22%	-\$11	\$167	\$247	-\$3	\$177	\$255	12.0X	Upside risks include a faster economic recovery and investors continuing to apply higher target valuation multiples.
Vail Resorts, Inc.	MTN	\$316.32	Hold	\$308	-3%	\$573	\$814	\$923	\$573	\$814	\$923	16.0X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Travel + Leisure Co.	TNL	\$63.59	Buy	\$74	16%	\$712	\$855	\$954	\$712	\$855	\$954	8.5X	Downside risk: Slowdown in development opportunities.
Wyndham Hotels & Resorts	WH	\$73.32	Buy	\$81	10%	\$459	\$615	\$711	\$486	\$644	\$743	14.0X	

\* 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

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## Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$9.56, Buy, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$112.17, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$10.09, Sell, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$80.68, Sell, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$44.87, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$128.25, Hold, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$17.57, Sell, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$147.61, Hold, C. Patrick Scholes)  
**Vail Resorts, Inc.** (MTN, \$316.32, Hold, C. Patrick Scholes)  
**Pebblebrook Hotel Trust** (PEB, \$23.54, Hold, Gregory Miller)  
**Park Hotels & Resorts Inc.** (PK, \$22.28, Sell, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$7.24, Hold, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$76.05, Sell, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$15.91, Buy, Gregory Miller)  
**Sunstone Hotel Investors, Inc.** (SHO, \$12.89, Sell, C. Patrick Scholes)  
**Travel + Leisure Co.** (TNL, \$63.59, Buy, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$176.14, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$73.32, Buy, C. Patrick Scholes)

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