

Lodging

Lodging: US RevPAR +89.7% Y/Y Last Week; 2yr -15.8% vs. Prior -4.3%; Halloween shift downside week

Past 2 weeks averaged approx. -10% vs. 2019, one point better than the six week average before that

What's Incremental To Our View

Overall U.S. RevPAR was +89.7% y/y for the week ending 11/6/2021, per STR, stronger than the prior week's result of +84.5%. Last week's RevPAR was up against a -55.8% comparable result in 2020 vs. -48.4% in the prior week's 2-year run-rate. On a 2-year run-rate, RevPAR was -15.8% vs. -4.3% in the prior week's 2-year run-rate.

Much of the sequential change was driven by the timing of Halloween (Sunday in 2021, Saturday prior week in 2020, and Wednesday prior week in 2019). Averaging out the two weeks impacted by Halloween, overall RevPAR trends have been fairly steady on average in recent weeks.

Fairly consistent to themes we have heard both at the NYU Conference and in NAREIT meetings, weekend leisure remains robust even in a non-peak weekend in early November; Friday/Saturday occupancies were in the low to mid 70s. Conversely, we noticed a dip in Monday/Tuesday occupancy especially in higher-rated chain scales which we may attribute to November seasonality and the Halloween calendar shift. For example, Monday night Luxury occupancy was 44.9% last week vs. 51.6% in the prior week; for Upper Upscale 45.6% vs. the prior 50.0%. Tuesday night occupancy was down about 200-300 bps sequentially versus the prior week for Luxury/Upper Upscale/Upscale.

We may see better results in some gateway markets next week (especially NYC) given some international border reopenings. We discourage investors feeding off of media headlines from airports and any travel/hotel industry boosterism on packed first days' flights as none of this would be indicative of trends beyond the next few weeks. It is simply too early to make judgment calls especially with stubbornly high COVID cases in some European markets (CNN). We add that public companies have been reticent to comment on any U.S. read-through demand impact from rising COVID cases in Europe.

- The Marathon may also contribute to healthy demand in next week's NYC results and perhaps some impact on the national data as NYC is a high-rated market.

Major RevPAR statistics presented below:

- Luxury RevPAR: +217.7% y/y and -25.8% over 2 years
- Upper Upscale RevPAR: +180.7% y/y and -34.5% over 2 years;
- Upscale RevPAR: +91.4% y/y and -24.3% over 2 years;
- Upper Midscale RevPAR: +66.6% y/y and -7.2% over 2 years;

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What's Inside

Weekly STR results and analysis

- Midscale RevPAR: +48.2% y/y and +5.7% over 2 years;
- Economy RevPAR: +35.8% y/y and +14.3% over 2 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +81.5% y/y and -8.8% over 2 years; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +360.7% y/y vs. +398.7% prior week; over 2 years: -47.4% vs -30.6% prior week.
 - Transient: +130.3% y/y vs. +119.7% prior week; over 2 years: -16.8% vs -8.7% prior week.

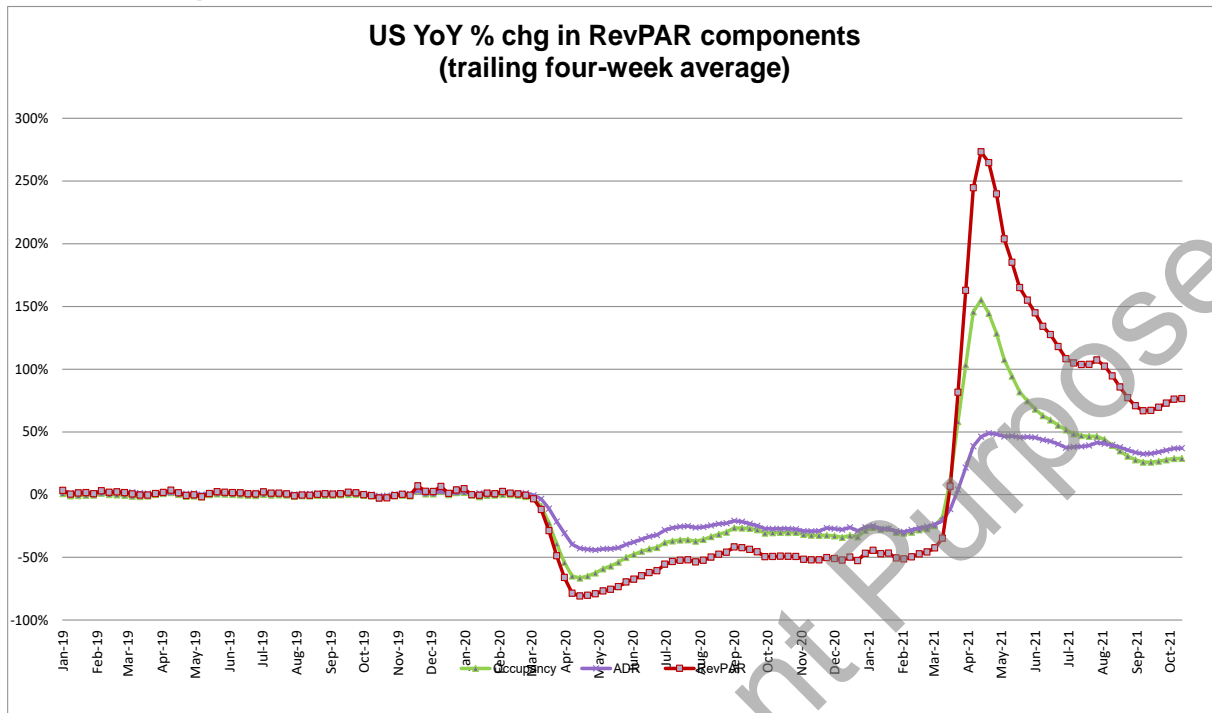
Last week's RevPAR details and sequential trends:

- **Headline RevPAR** was +89.7% y/y vs. the running 28-day average of +84.2% y/y.
- **Occupancy:** Absolute occupancy was 59.8% y/y vs. the running 28-day average of 61.9% y/y.
- **Open/closed hotels:** Per STR, 0.7% of the hotel supply was closed (vs. 0.8% 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 relatively light** and driven in our view partly from leisure group such as wedding demand and moderate attendance from fall conventions: 16.0% last week vs. 16.2% for the running 28 days.

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

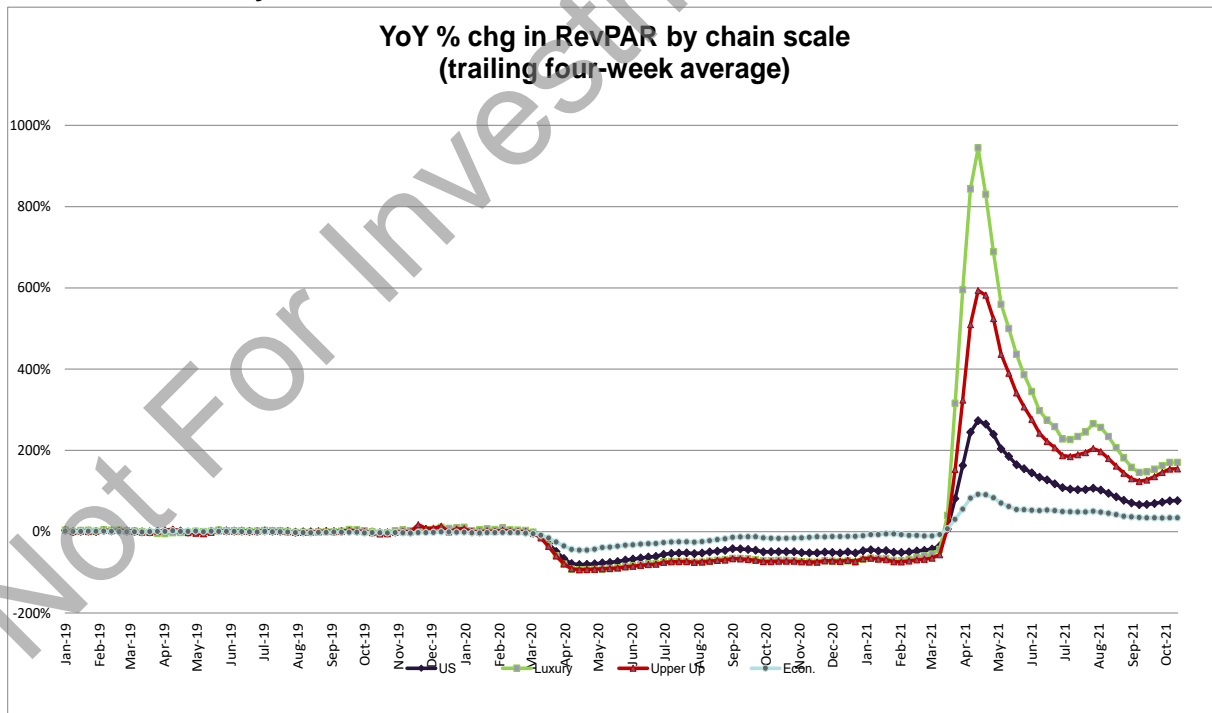
While the broader economy may have a U-shaped recovery, we believe hotel operating performance will take substantially longer to recover and be much choppier and vary by segmentation and geography. Additionally, we believe work from home will have a short-to-medium impact on hotel demand, though the 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).

RevPAR Component Trends



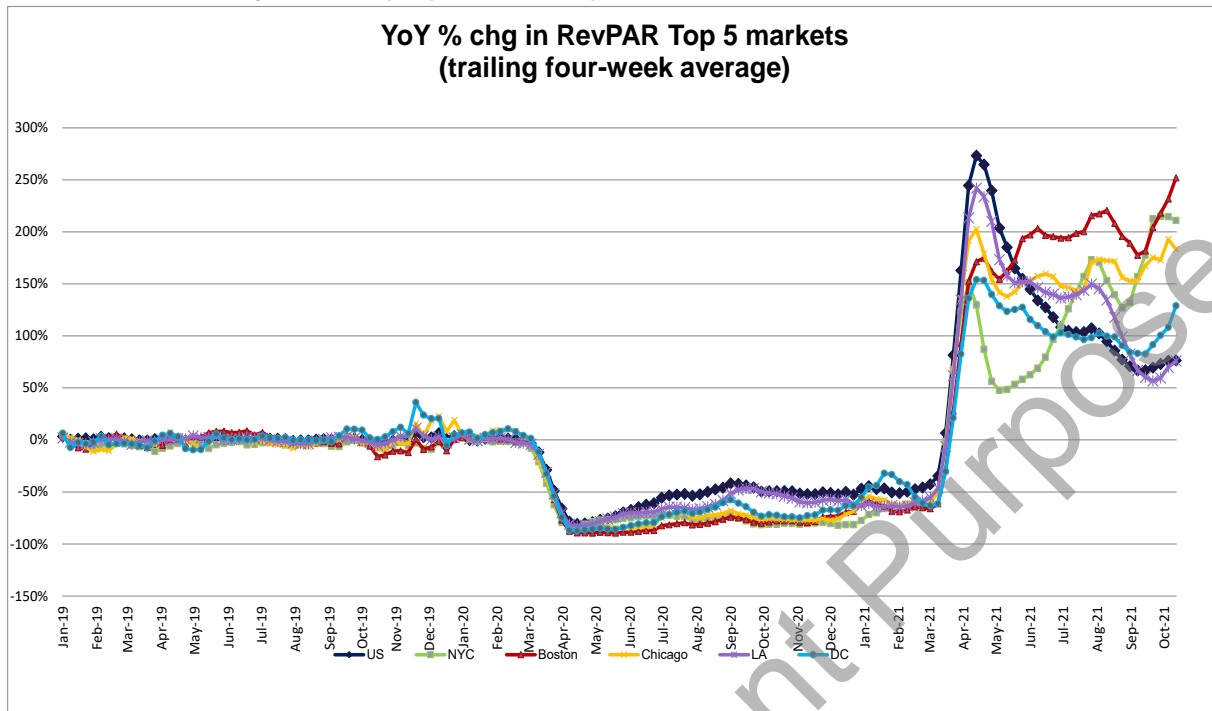
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



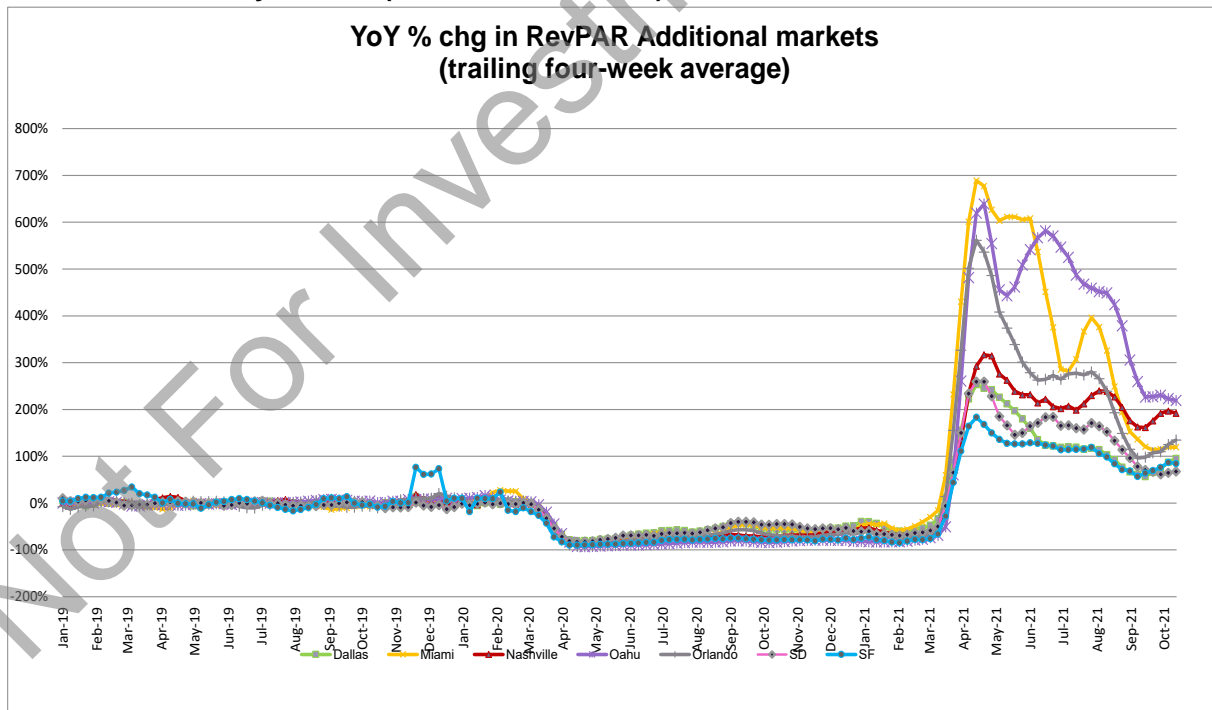
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



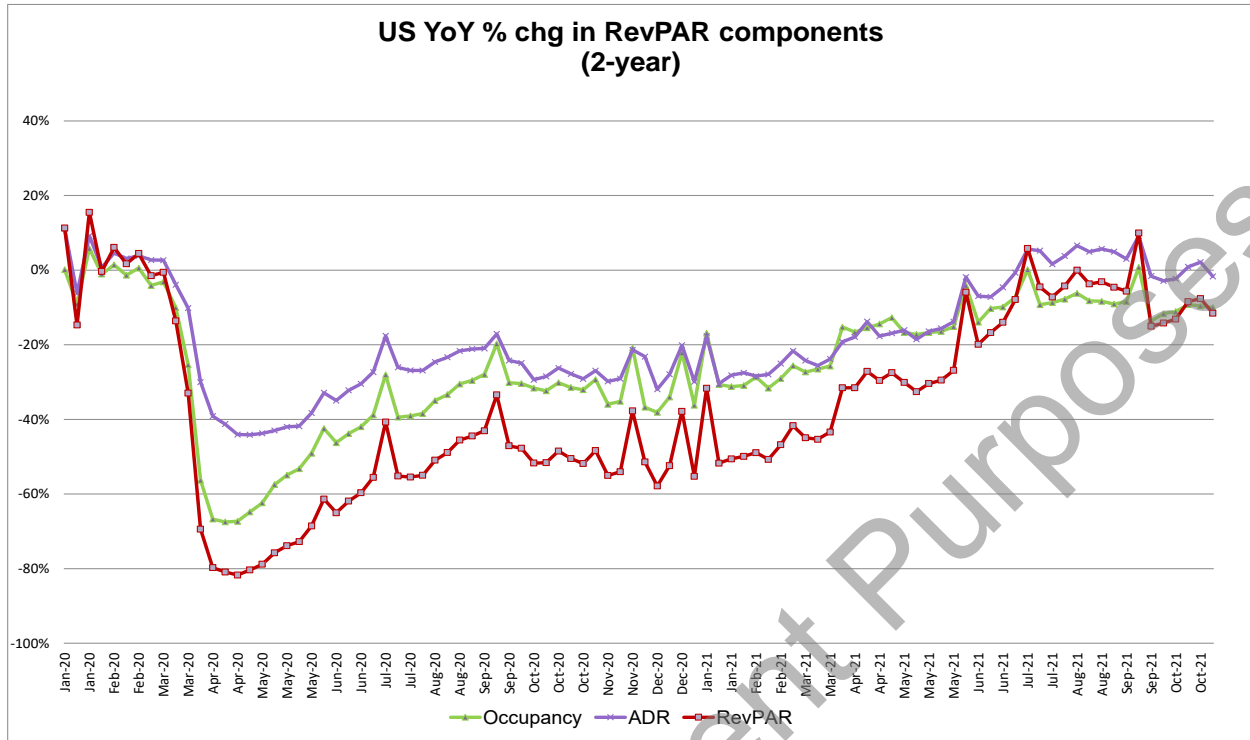
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



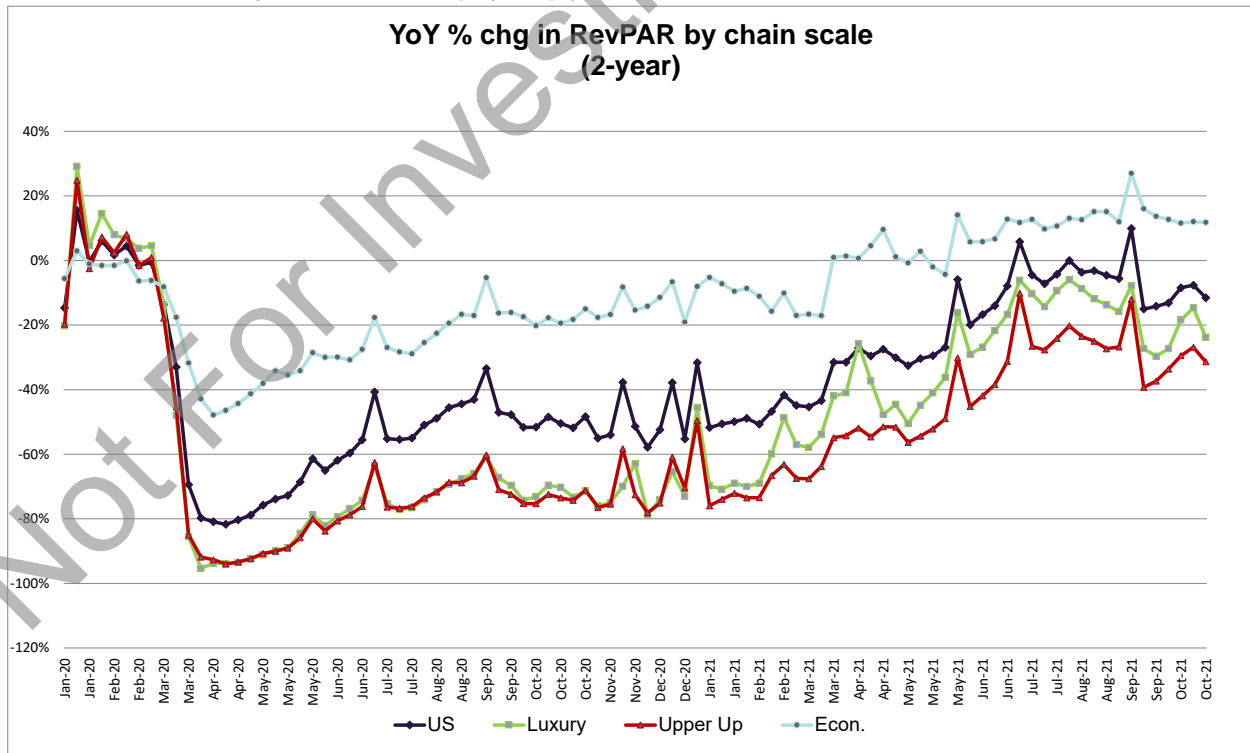
Source: STR data, Truist Securities research

RevPAR Component Trends (2-year)



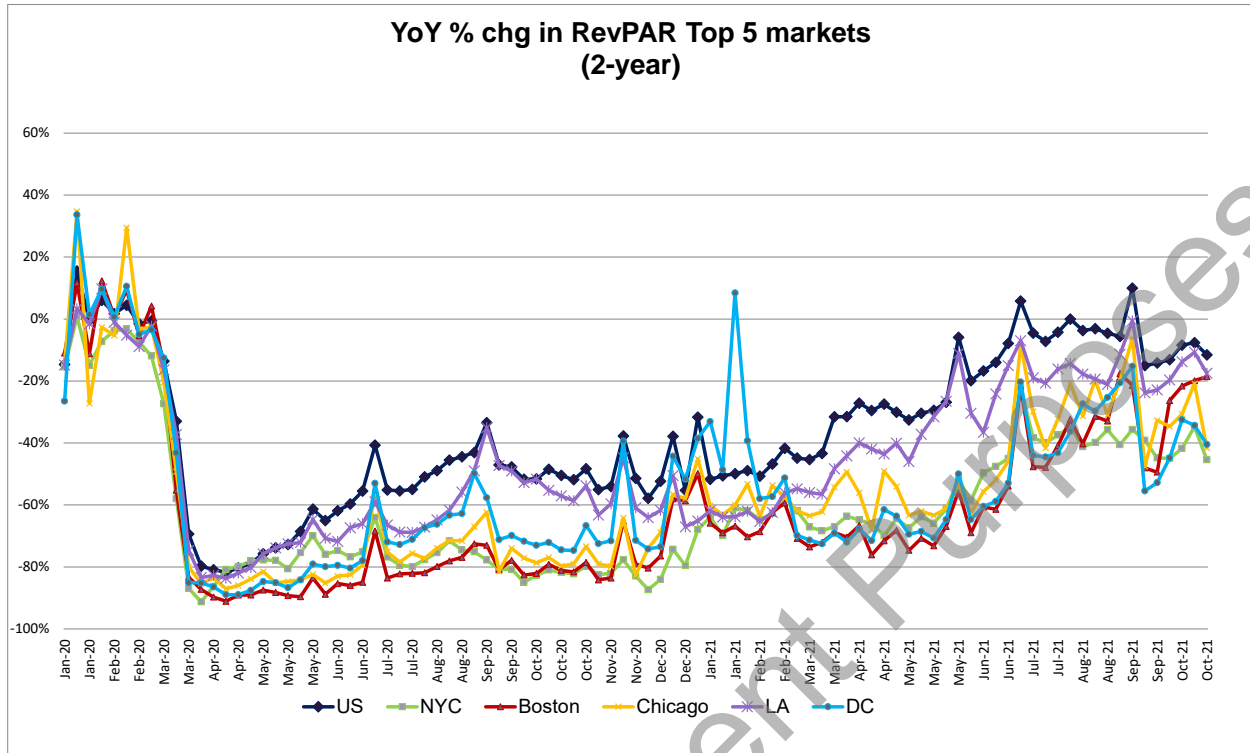
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale (2-year)



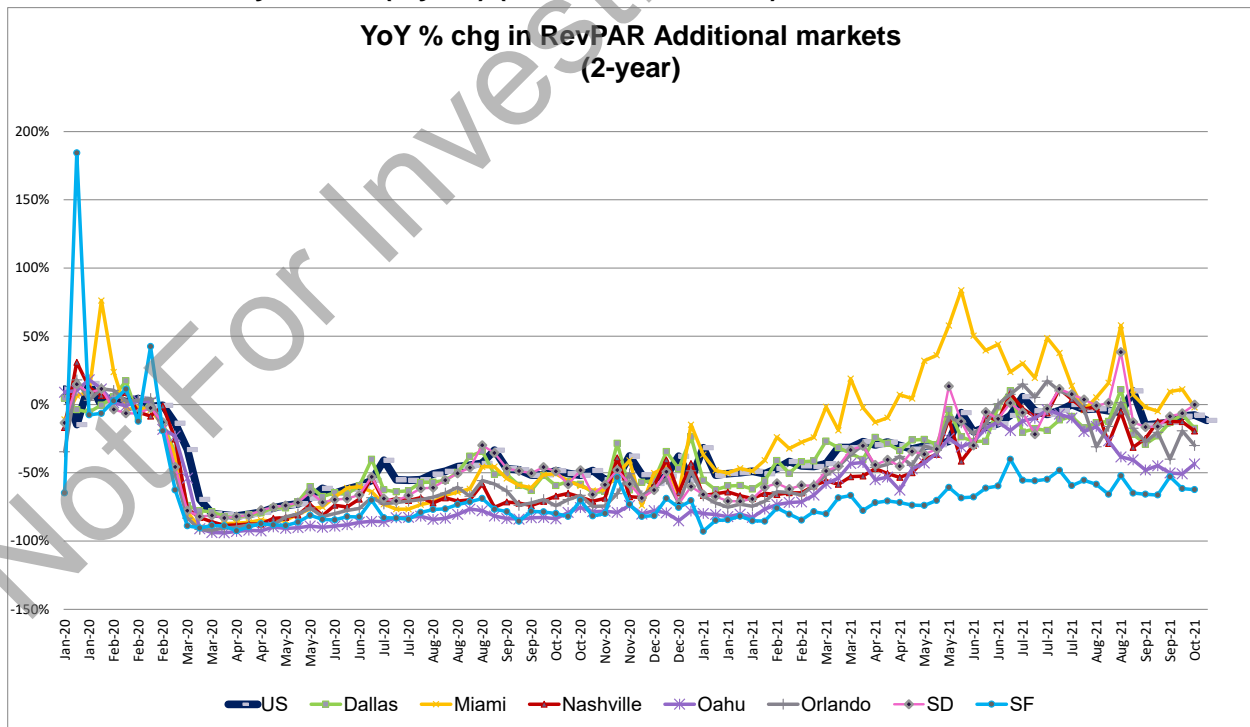
Source: STR data, Truist Securities research

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 11/9/21 | 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 | BVH | \$30.25 | Buy | \$41 | 35% | \$115 | \$118 | \$126 | \$36 | \$118 | \$126 | 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 | \$151.05 | Hold | \$114 | -25% | \$366 | \$430 | \$475 | \$377 | \$442 | \$491 | 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. Downside risk: lodging recovery takes longer than expected, weaker results from ROI projects than forecasted, poor performance of recently acquired assets. |
| DiamondRock Hospitality | DRH | \$10.35 | Hold | \$8 | -23% | \$78 | \$182 | \$228 | \$79 | \$182 | \$229 | 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 | \$148.46 | Hold | \$139 | -6% | \$1,528 | \$2,491 | \$2,935 | \$1,699 | \$2,629 | \$3,069 | 15.9X | 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 | \$51.70 | Buy | \$54 | 4% | \$304 | \$436 | \$519 | \$333 | \$467 | \$552 | 10.2X | Upside risk: faster demand improvement in corporate/convention travel than expected. Dispositions at higher multiple than expected (incl. NYC), stronger than expected performance by luxury leisure results on both top-line and margins through the valuation year. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock to acquired resort assets, labor issues. |
| Host Hotels & Resorts | HST | \$18.33 | Hold | \$16 | -13% | \$383 | \$999 | \$1,345 | \$383 | \$999 | \$1,345 | 12.5X | Upside risk: Transient and group trends/slide/performance expectations, particularly for owned hotels. Material disposition of owned hotels. Faster than expected improvement in net rooms growth. Downside risk: lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Pipeline growth slower than expected. |
| Hyatt Hotels | H | \$89.94 | Hold | \$76 | -15% | \$179 | \$496 | \$707 | \$228 | \$544 | \$759 | 13.5X | Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession. |
| Marriott International | MAR | \$164.77 | Hold | \$156 | -5% | \$1,924 | \$3,094 | \$3,728 | \$2,227 | \$3,398 | \$4,044 | 15.9X | Downside risk: M&A story fades and multiples revert to historical levels. |
| Marriott Vacations | VAC | \$169.63 | Buy | \$198 | 17% | \$555 | \$842 | \$933 | \$605 | \$890 | \$981 | 10.4X | Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected. CRSP revenue and asset management strategies lead to faster than expected EBITDA gains. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period especially Oahu, macro demand shock impact to major resort assets, labor issues. |
| Park Hotels & Resorts | PK | \$20.96 | Hold | \$18 | -14% | \$120 | \$465 | \$732 | \$138 | \$481 | \$748 | 12.5X | 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. |
| Pebblebrook Hotel Trust*** | PEB | \$25.33 | Hold | \$24 | -5% | \$87 | \$329 | \$436 | \$87 | \$329 | \$436 | 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 | \$8.42 | Hold | \$7 | -17% | \$49 | \$177 | \$209 | \$62 | \$191 | \$223 | 10.0X | 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 |
| RLJ Lodging Trust*** | RLJ | \$15.11 | Buy | \$19 | 26% | \$125 | \$286 | \$407 | \$189 | \$298 | \$421 | 13.0X | Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery. |
| Ryman Hospitality Properties | RHP | \$91.42 | Sell | \$61 | -33% | \$175 | \$390 | \$449 | \$142 | \$417 | \$478 | 13.0X | Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements. SHO buys hotels at accretive terms and quickly adds incremental EBITDA during the valuation period. Downside risk: Lodging recovery takes longer than expected, labor issues, weak recovery of international travel to gateway markets, natural disaster risk. Mortgage EBITDA stabilizes well lower than expected. |
| Sunstone Hotel Investors | SHO | \$12.83 | Hold | \$11 | -14% | \$48 | \$204 | \$262 | \$60 | \$214 | \$270 | 12.0X | Downside risks: MTN is subject to prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries. |
| Vail Resorts, Inc. | MTN | \$359.46 | Hold | \$308 | -14% | \$573 | \$814 | \$923 | \$573 | \$814 | \$923 | 16.0X | Upside risks include a faster economic recovery and investors continuing to apply higher target valuation multiples. |
| Travel + Leisure Co. | TNL | \$58.03 | Buy | \$76 | 31% | \$733 | \$899 | \$982 | \$733 | \$899 | \$982 | 8.5X | Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. |
| Wyndham Hotels & Resorts | WH | \$86.84 | Buy | \$83 | -4% | \$503 | \$592 | \$692 | \$532 | \$622 | \$724 | 14.0X | Downside risk: Slowdown in development opportunities. |

* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2023 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

Not For Investment Purposes

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$30.25, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$151.05, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.35, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$89.94, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$51.70, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$148.46, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.33, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$164.77, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$359.46, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$25.33, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$20.96, Hold, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$8.42, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$91.42, Sell, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$15.11, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$12.83, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$58.03, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$169.63, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$86.84, Buy, C. Patrick Scholes)

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| Sell | 3 | 0.40% | Sell | 0 | 0.00% |

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