

## CONSUMER: Lodging

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## Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

## Lodging: US RevPAR +94% Y/Y Last Week. +8% vs. 2019 vs. prior -1%; Pres Day shift

Leisure week + omicron trailing off are headwinds (ex-calendar shift impact)

Overall U.S. RevPAR was +93.8% y/y for the week ending 2/26/2022, per STR, stronger than the prior week's result of +69.1%. Last week's RevPAR was up against a -44.5% comparable result in 2021 vs. -40.6% in the prior week. **On a 3-year run-rate (vs. 2019), RevPAR was +7.7% vs. -0.8% in the prior week's 3-year run-rate.**

*The headline results look appealing. As discussed in last week's note, President's Day weekend demand was very strong to many hotels that benefit from leisure demand. However, comps are noisy given holiday calendar shifts. March comps should offer cleaner comparisons.*

While Valentine's Day and President's Day calendar shifts from 2019/2021 complicate our analysis of last week's results, we believe reduced omicron impact is also apparent in midweek results as a tailwind. We await clean comps over the next few weeks to better assess the recovery of corporate and large group demand (Easter/Passover/Good Friday calendar shifts are not until later in March).

• **Midweek occupancy in full-service last week into the upper 50s/low 60s is encouraging; midweek occupancy however was into the upper 60s in Upscale which presents a continued disconnect in the recovery of select-service versus full-service.** Interestingly, midweek occupancy was below 65% in all locations ex-Resort and Airport, suggesting to us that even some suburban transient corporate oriented select-service hotels may not have seen a big lift of demand coming out of the holidays. **High-level we think extended President's Day demand flowed into the mid-week given Airport occupancies being relatively strong.**

### Major RevPAR statistics presented below:

- Luxury RevPAR: +173.1% y/y and +20.8% over 3 years
- Upper Upscale RevPAR: +169.7% y/y and -11.9% over 3 years;
- Upscale RevPAR: +89.6% y/y and -4.9% over 3 years;
- Upper Midscale RevPAR: +66.0% y/y and +5.3% over 3 years;
- Midscale RevPAR: +53.5% y/y and +11.1% over 3 years;
- Economy RevPAR: +34.8% y/y and +11.6% over 3 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +90.7% y/y and +26.7% over 3 years; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +358.0% y/y vs. +333.5% prior week; over 3 years: -34.9% vs -33.5% prior week.
  - Transient: +122.2% y/y vs. +65.6% prior week; over 3 years: +31.0% vs +5.0% prior week.

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

- Headline RevPAR was +93.8% y/y vs. the running 28-day average of +73.9% y/y.
- **Occupancy:** Absolute occupancy was 62.2% y/y vs. the running 28-day average of 56.5% y/y.
- **Absolute Group occupancy was fairly light:** 16.3% last week vs. 14.3% 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 (Hold), WH (Buy), and RLJ (Buy) for the value-play business traveler in the early corporate demand recovery, H (Buy) for its increased leisure exposure and plans to divest materially from its owned assets, and the timeshare companies, HGV (Buy), VAC (Buy), BVH (Buy), and TNL (Buy, formerly WYND).

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).

Not For Investment Purposes



## Companies Mentioned in This Note

**Bluegreen Vacations Holding Corporation** (BVH, \$27.13, Buy, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$141.20, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$9.22, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$91.98, Buy, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$49.30, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$142.17, Hold, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$17.42, Hold, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$164.91, Hold, C. Patrick Scholes)  
**Vail Resorts, Inc.** (MTN, \$251.95, Hold, C. Patrick Scholes)  
**Pebblebrook Hotel Trust** (PEB, \$21.83, Hold, Gregory Miller)  
**Park Hotels & Resorts Inc.** (PK, \$17.98, Hold, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$9.50, Hold, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$86.63, Hold, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$13.41, Buy, Gregory Miller)  
**Sunstone Hotel Investors, Inc.** (SHO, \$10.17, Hold, C. Patrick Scholes)  
**Travel + Leisure Co.** (TNL, \$52.87, Buy, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$153.81, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$83.54, Buy, C. Patrick Scholes)

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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.

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