

Equity Research June 29, 2022

**CONSUMER: Lodging** 

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9 Page Document

## Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

# Lodging: US RevPAR +21% Y/Y Last Week. +12% vs. 2019; strong despite holiday hurting biz travel

Overall U.S. RevPAR was +21.4% y/y for the week ending 6/25/2022, per STR, softer than the prior week's result of +26.6%. Last week's RevPAR was up against a +109.4% comparable result in 2021 vs. +113.8% in the prior week. *On a 3-year run-rate (vs. 2019)*, *RevPAR was +12.3% vs. +9.4% in the prior week's 3-year run-rate.* 

We suspect the Juneteenth holiday on Monday negatively impacted business travel on Monday and Tuesday. Versus 2019, RevPAR was -5% on Monday and flat on Tuesday before significantly accelerating as the week progressed.

Additionally, continued issues with air travel cancellations are also likely impacting national results, both leisure and corporate hotel demand, although it is difficult to precisely quantify.

## Breaking out some of the week's results:

- We are seeing clearer evidence of the tough y/y comp for Economy/Midscale with occupancy down all days last week, albeit with still strong room rates. As noted below, RevPARs for Economy and Midscale were MSD positive, a few hundred bps lower than the running 28-day average despite the start of the summer travel season. We advise investors stay attentive to both the "rollover" of a tough y/y comp (not to be swayed too much by sequentially a tougher comp) but on the flipside any indications of weakening middle class consumer travel spend in future weeks lodging results.
- Group performance was decent and RevPAR slightly above the running 28 day average. We assume there was higher-than-normal leisure group due to summer weddings and other social events. This view may be supported by the breakout of occupancy and ADR: Occupancy was 23.8% last week (vs. 22.4% running 28 days) but ADR was lower (\$213 vs. \$219, perhaps also reflective of a mix shift from corporate to more leisure).

## Major RevPAR statistics presented below:

- Luxury RevPAR: +33.4% y/y and +11.6% over 3 years;
- Upper Upscale RevPAR: +48.7% y/y and +2.4% over 3 years;
- Upscale RevPAR: +29.8% y/y and +5.4% over 3 years;
- Upper Midscale RevPAR: +15.4% y/y and +12.9% over 3 years;
- Midscale RevPAR: +6.9% y/y and +16.7% over 3 years;
- Economy RevPAR: +3.1% y/y and +16.2% over 3 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +12.2% y/y and +18.7% over 3 years; and
- Within Upper Upscale & Luxury class hotels:
- oGroup: +150.6% y/y vs. +184.4% prior week; over 3 years: +3.7% vs -3.5% prior week
- oTransient: +12.3% y/y vs. +19.1% prior week; over 3 years: +12.6% vs +14.0% prior week.

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

- Headline RevPAR was +21.4% y/y vs. the running 28-day average of +25.6% y/y.
- Occupancy: Absolute occupancy was 72.3% y/y vs. the running 28-day average of 69.5% v/v.
- Absolute Group occupancy: 23.8% last week vs. 22.4% for the running 28 days.

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As far as specific stocks/sub-sectors, we continue to be most favorable on the leisure-centric companies, namely WH (Buy) and the Vacation Ownership companies, HGV (Buy), VAC (Buy), BVH (Buy), and TNL (Buy). Common characteristics besides high leisure exposure include attractive valuations, recovered balance sheets, and return of capital to shareholders via repurchases and/or dividends. To the list of favorites, we include Hyatt (H, Buy) given its increasing exposure to leisure via its acquisition of Apple Leisure Group and its progress on selling owned assets and shifting to a more asset-lite company. We also continue to favor RLJ (RLJ, Buy, Miller) driven partly by our continued view of its relative valuation discount and operational enhancements/hotel repositionings supporting incremental EBITDA growth. Lastly, we are encouraged by the progress we are seeing in higher-end corporate and group travel, which was reflected in our recent (6/1) upgrade of PK (Buy) to Buy from Hold.



# **Weekly RevPAR Summary**

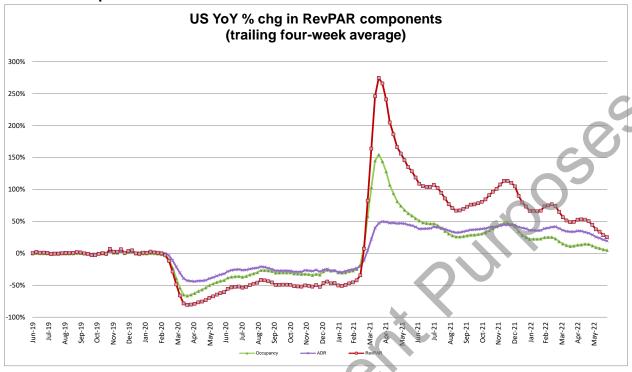
	YoY % change in RevPAR												
_			Upper		Upper			Inde-					
	U.S.	Luxury						•	New York	Boston	LA	Chicago	DC
3/26/2022	55.5%	93.0%	109.8%	62.8%	39.5%	25.5%		43.6%		203.3%	100.0%	100.9%	162.3%
4/2/2022	42.8%	47.4%	88.4%	55.3%	37.5%	23.7%	12.6%	26.0%	132.6%	144.7%	60.6%	70.7%	137.0%
4/9/2022	48.4%	76.0%	100.3%	58.6%	36.1%	21.4%	10.8%	34.3%	177.7%	206.1%	68.1%	98.0%	172.3%
4/16/2022	48.3%	114.9%	104.9%	52.1%	24.2%	10.3%	4.5%	43.6%	202.9%	229.2%	73.0%	73.3%	142.8%
4/23/2022	57.2%	112.2%	111.0%	62.1%	37.7%	24.9%	13.1%	49.7%	168.0%	246.7%	71.2%	92.8%	178.5%
4/30/2022	56.8%	109.3%	122.0%	63.2%	36.5%	23.4%	12.9%	45.1%	160.5%	175.9%	73.6%	118.6%	184.5%
5/7/2022	49.9%	101.3%	109.8%	54.8%	31.8%	21.1%	11.9%	37.9%	154.9%	180.4%	67.8%	93.0%	180.7%
5/14/2022	46.6%	87.2%	96.1%	53.5%	32.0%	22.3%	14.2%	34.2%	164.8%	175.4%	69.1%	103.9%	200.0%
5/21/2022	48.7%	83,4%	98.2%	55.9%	32.8%	21.8%	15.3%	37.8%	203.7%	192.5%	46.8%	135.8%	167.6%
5/28/2022	33.1%	56.2%	70.4%	41.0%	21.8%	12.7%		23.7%		201.2%	38.0%	120.6%	118.3%
6/4/2022	21.5%	36.9%	49.4%	29.0%	14.6%	7.9%		12.5%		128.1%	33.7%	123.6%	99.7%
6/11/2022	32.4%	60.3%	76.1%	40.3%	20.3%	10.3%		21.3%		165.1%	51.4%	121.5%	132.9%
6/18/2022	26.6%	47.9%	61.6%	35.3%	18.2%	9.2%		15.3%		202.4%	28.4%	120.3%	124.0%
6/25/2022	21.4%	33.4%	48.7%	29.8%	15.4%	6.9%		12.2%		98.6%	15.0%	92.5%	110.8%
		Soft early week due to Juneteenth; truncated BT/group			Upper	Upper Upscale and Luxury led the industry				DC and N	YC led the	Γop 5 markets	
1Q19	1.5%	-0.7%	1.2%	-0.5%	0.4%	-0.1%	1.9%	3.1%	-7.1%	-2.1%	-1.7%	-4.5%	-2.4%
2Q19	1.1%	1.1%	0.5%	-0.4%	0.0%	-0.7%		2.4%		4.5%	1.6%	-0.1%	-1.5%
3Q19	0.7%	1.3%	1.1%	-0.5%	-0.1%	-1.0%		1.6%		-0.4%	-0.2%	-2.2%	4.5%
4Q19	0.7%	3.6%	1.0%	-0.6%	-1.0%	-2.7%		2.3%		-11.6%	1.1%	-0.7%	5.2%
1Q20	-19.3%	-21.4%	-23.1%	-20.8%	-19.1%	-16.8%		-16.7%		-24.5%	-19.3%	-21.0%	-23.2%
2Q20	-69.9%	-86.8%	-86.7%	-74.8%	-65.4%	-51.3%		-65.2%		-88.2%	-74.5%	-83.7%	-83.7%
3Q20	-48.5%	-72.0%	-71.8%	-55.2%	-41.7%	-29.7%		-39.0%		-79.1%	-58.4%	-73.4%	-68.0%
4Q20	-50.6%	-71.4%	-72.4%	-55.5%	-40.6%	-26.3%		-43.5%		-76.1%	-59.3%	-75.4%	-71.4%
1Q21	-27.7%	-42.7%	-54.4%	-34.3%	-17.4%	-5.9%		-18.0%		-56.7%	-45.3%	-45.0%	-43.5%
2Q21	160.4%	391.1%	305.3%	173.3%	150.1%	100.7%		162.0%		192.1%	166.4%	158.3%	126.2%
3Q21 4Q21	83.8% 96.4%	201.3% 215.5%	162.9% 185.6%	91.2% 98.3%	72.8% 74.2%	56.4% 55.2%		71.1% 86.4%		207.8% 225.6%	95.8% 124.8%	166.4% 195.9%	96.9% 129.6%
1Q21	96.4% 67.2%	112.3%	185.6%	69.7%	51.0%	38.2%		58.3%		137.1%	115.2%	85.1%	58.1%
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_	YoY % change in ADR												
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
3/26/2022	37.1%	17.5%	37.7%	36.5%	28.0%	20.7%	16.6%	30.8%	67.0%	79.1%	55.4%	52.5%	64.8%
4/2/2022	28.6%	7.2%	31.5%	32.5%	26.2%	18.9%	14.3%	19.3%	69.1%	66.2%	41.3%	39.3%	64.6%
4/9/2022	33.0%	14.6%	33.4%	33.3%	25.9%	20.1%	15.2%	26.2%	82.6%	80.5%	43.3%	46.3%	74.1%
4/16/2022	36.7%	30.3%	37.9%	32.7%	21.2%	15.6%	12.7%	34.7%	93.3%	97.4%	43.2%	40.1%	60.1%
4/23/2022	36.6%	27.8%	37.9%	33.4%	24.3%	19.1%	15.2%	34.0%	80.9%	101.7%	42.9%	45.2%	69.5%
4/30/2022	34.0%	17.7%	35.9%	31.3%	22.5%	17.2%	14.1%	29.2%	77.8%	70.5%	42.9%	53.4%	73.9%
5/7/2022	32.5%	21.5%	36.1%	30.3%	22.2%	18.1%		27.0%	72.8%	72.4%	42,4%	46.3%	68.8%
5/14/2022	29.8%	18.6%	32.9%	29.6%	21.2%	17.6%	14.2%	24.2%	80.2%	71.8%_	41.7%	50.8%	75.7%
5/21/2022	30.4%	18.7%	33.7%	30.7%	21.4%	17.5%	14.4%	25.3%	100.2%	81.2%	32.1%	63.9%	65.6%
5/28/2022	23.6%	10.1%	25.5%	25.2%	17.0%	14.2%		19.1%		86.6%	27.6%	59.1%	51.4%
6/4/2022	18.5%	10.0%	21.5%	21.1%	14.3%	12.1%		13.7%		59.6%	25.1%	69.1%	42.6%
6/11/2022	23.3%	15.8%	28.7%	24.3%	15.8%	12.5%		17.9%		75.4%	31.7%	62.1%	56.0%
6/18/2022	19.4%	11.6%	23.5%	21.8%	14.1%	11.2%	9.2%	13.6%	56.8%	88.7%	21.1%	57.3%	53.2%
6/25/2022	17.0%	7.9%	20.1%	19.8%	13.1%	9.8%		12.7%		50.0%	15.5%	45.7%	51.3%
		1					,						
1Q19	1.1%	2.2%	2.5%	1.0%	0.8%	-0.2%	-0.3%	1.0%	-3.8%	0.7%	-1.0%	-2.4%	1.5%
2Q19	1.2%	2.5%	1.4%	0.6%	0.7%	-0.2%	0.6%	1.7%	-1.0%	3.2%	0.8%	-1.7%	0.2%
3Q19	0.8%	1.5%	1.3%	0.2%	-0.1%	-0.5%	-0.5%	1.6%	-1.9%	0.9%	-0.2%	-2.8%	4.0%
4Q19	0.7%	2.4%	0.6%	-0.4%	-0.3%	-1.0%	-1.0%	1.9%	-3.7%	-5.5%	0.3%	-2.2%	3.9%
1Q20	-4.0%	1.6%	-1.4%	-2.9%	-3.1%	-3.8%	-3.8%	-2.3%	-8.6%	-6.2%	-2.7%	-2.6%	-6.8%
2Q20	-37.1%	-22.0%	-34.0%	-30.0%	-23.1%	-17.1%	-14.6%	-34.8%	-52.3%	-56.9%	-40.5%	-53.7%	-48.8%
3Q20	-24.1%	-12.6%	-25.6%	-24.2%	-17.3%	-11.6%	-9.4%	-16.1%	-47.7%	-47.3%	-31.6%	-43.2%	-34.5%
4Q20	-27.2%	-11.1%	-29.0%	-26.9%	-17.8%	-10.4%	-5.9%	-20.9%	-54.1%	-45.5%	-29.2%	-44.8%	-40.7%
1Q21	-19.6%	3.4%	-23.4%	-23.0%	-14.2%	-6.3%	-1.5%	-12.1%	-28.3%	-32.7%	-29.7%	-25.7%	-27.9%
2Q21	43.2%	37.8%	30.6%	21.3%	23.1%	20.4%	18.6%	52.6%	33.5%	38.0%	42.5%	46.1%	23.1%
3Q21	36.2%	31.8%	35.0%	29.7%	28.3%	23.5%		32.8%		57.7%	43.1%	59.6%	29.4%
4Q21	41.5%	29.6%	41.9%	34.2%	28.5%	22.9%		39.2%		69.6%	46.1%	64.9%	41.6%
1Q22	37.5%	21.0%	39.7%	34.1%	27.3%	20.8%	17.3%	34.0%	52.2%	50.5%	61.8%	41.1%	31.7%

	YoY % change in Occupancy												
-			Upper		Upper			Inde-					
	U.S.	Luxury	Upscale	Upscale	Midscale	Midscale	Economy	pendent	New York	Boston	LA	Chicago	DC
3/26/2022	13.5%	64.2%	52.3%	19.3%	9.0%	4.0%	-2.2%	9.8%	46.8%	69.3%	28.7%	31.8%	59.2%
4/2/2022	11.0%	37.6%	43.3%	17.2%	9.0%	4.1%	-1.5%	5.6%	37.5%	47.3%	13.7%	22.5%	44.0%
4/9/2022	11.6%	53.6%	50.1%	19.0%	8.0%	1.1%	-3.8%	6.4%	52.1%	69.5%	17.3%	35.4%	56.4%
4/16/2022	8.5%	64.9%	48.6%	14.6%	2.5%	-4.6%	-7.2%	6.6%	56.7%	66.7%	20.8%	23.7%	51.6%
4/23/2022	15.1%	66.1%	53.1%	21.6%	10.8%	4.9%	-1.8%	11.7%	48.1%	71.9%	19.8%	32.8%	64.3%
4/30/2022	17.1%	77.9%	63.4%	24.3%	11.4%	5.3%	-1.1%	12.3%	46.5%	61.8%	21.5%	42.5%	63.6%
5/7/2022	13.1%	65.7%	54.1%	18.9%	7.8%	2.5%	-1.7%	8.6%	47.5%	62.6%	17.8%	31.9%	66.3%
5/14/2022	13.0%	57.9%	47.5%	18.4%	8.9%	4.0%	0.0%	8.1%	46.9%	60.3%	19.3%	35.2%	70.8%
5/21/2022	14.0%	54.5%	48.2%	19.3%	9.3%	3.7%	0.8%	10.0%	51.7%	61.4%	11.1%	43.8%	61.6%
5/28/2022	7.6%	41.9%	35.9%	12.6%	4.1%	-1.3%	-3.0%	3.9%	41.3%	61.4%	8.2%	38.6%	44.2%
6/4/2022	2.5%	24.5%	23.0%	6.5%	0.3%	-3.7%	-3.9%	-1.1%	28.8%	42.9%	6.9%	32.2%	40.0%
6/11/2022	7.4%	38.4%	36.8%	12.9%	3.8%	-1.9%	-3.3%	2.9%	37.9%	51.1%	15.0%	36.7%	49.3%
6/18/2022	6.0%	32.6%	30.9%	11.0%	3.6%	-1.9%	-3.7%	1.6%	32.9%	60.2%	6.0%	40.1%	46.2%
6/25/2022	3.8%	23.6%	23.8%	8.3%	2.1%	-2.6%	-4.5%	-0.4%	28.9%	32.4%	-0.5%	32.1%	39.3%
		•							•				
1Q19	0.4%	-2.8%	-1.3%	-1.4%	-0.5%	0.0%	2.3%	2.1%	-3.5%	-2.8%	-0.7%	-2.2%	-3.8%
2Q19	-0.1%	-1.4%	-0.9%	-1.0%	-0.7%	-0.6%	1.1%	0.7%	-0.7%	1.3%	0.8%	1.7%	-1.7%
3Q19	-0.1%	-0.2%	-0.2%	-0.7%		-0.5%		0.0%		-1.4%	0.1%	0.6%	0.4%
4Q19	-0.1%	1.2%	0.4%	-0.2%		-1.7%		0.4%		-6.5%	0.8%	1.5%	1.3%
1Q20	-15.9%	-22.6%	-21.9%	-18.4%	-16.5%	-13.6%		-14.8%		-19.5%	-17.1%	-18.8%	-17.6%
2Q20	-52.1%	-83.0%	-79.8%	-64.0%		-41.3%		-46.6%		-72.7%	-57.1%	-64.7%	-68.2%
3Q20	-32.2%	-68.0%	-62.2%	-40.9%	-29.5%	-20.5%		-27.3%		-60.3%	-39.1%	-53.1%	-51.2%
4Q20	-32.1%	-67.8%	-61.2%	-39.1%		-17.8%		-28.5%		-56.2%	-42.5%	-55.5%	-51.7%
1Q21	-10.1%	-44.6%	-40.5%	-14.7%		0.5%		-6.7%		-35.6%	-22.2%	-26.0%	-21.6%
2Q21	81.9%	256.5%	210.5%	125.3%		66.7%		71.7%		111.7%	86.9%	76.8%	83.8%
3Q21	34.9%	128.5%	94.7%	47.4%	34.7%	26.6%		28.8%		95.2%	36.9%	67.0%	52.1%
4Q21	38.8%		101.3%	47.8%		26.3%		33.9%		92.1%	53.9%	79.4%	62.2%
1Q22	56.2%	54.0%	53.2%	60.3%	59.4%	52.3%	55.5%	54.2%	29.5%	57.6%	33.0%	31.2%	20.1%

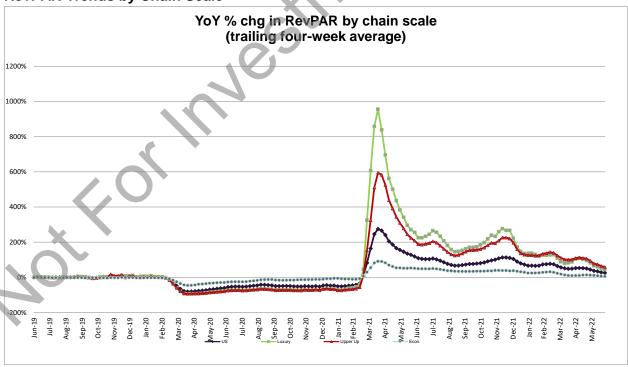
Source: STR data, Truist Securities research

# **RevPAR Component Trends**



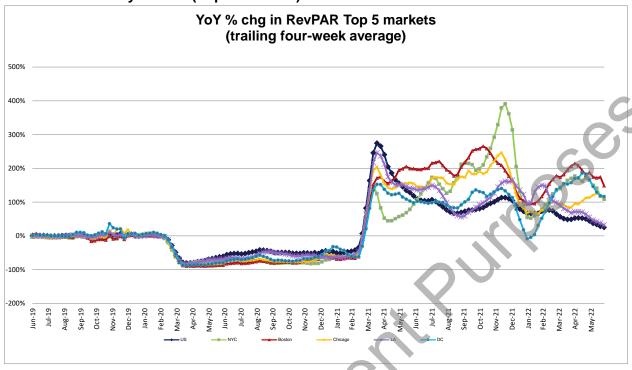
Source: STR data, Truist Securities research

# **RevPAR Trends by Chain Scale**



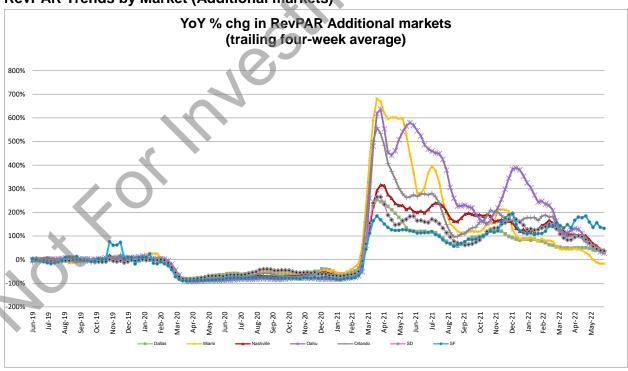
Source: STR data, Truist Securities research

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



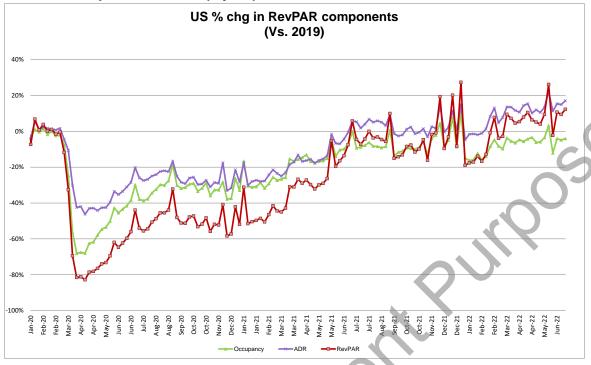
Source: STR data, Truist Securities research

# RevPAR Trends by Market (Additional markets)



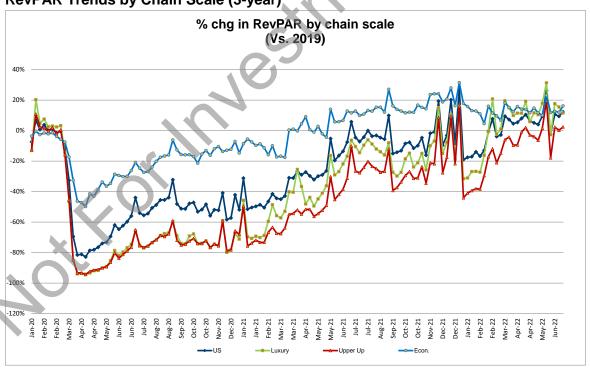
Source: STR data, Truist Securities research

# **RevPAR Component Trends (3-year)**



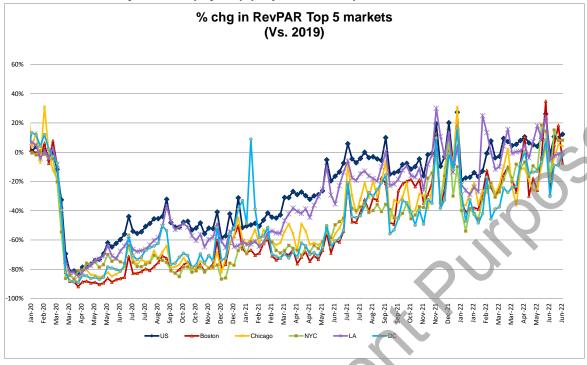
Source: STR data, Truist Securities research

# RevPAR Trends by Chain Scale (3-year)



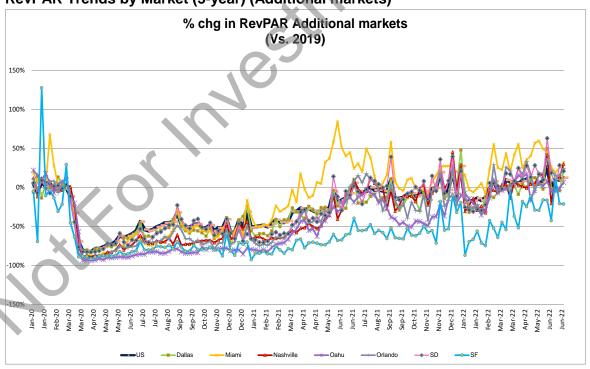
Source: STR data, Truist Securities research

RevPAR Trends by Market (3-year) (Top 5 markets)



Source: STR data, Truist Securities research

# RevPAR Trends by Market (3-year) (Additional markets)



Source: STR data, Truist Securities research

## **Companies Mentioned in This Note**

Bluegreen Vacations Holding Corporation (BVH, \$25.93, Buy, C. Patrick Scholes)

Hyatt Hotels Corporation (H, \$75.64, Buy, C. Patrick Scholes)

Hilton Grand Vacations Inc. (HGV, \$37.37, Buy, C. Patrick Scholes)

Hilton Worldwide Holdings Inc. (HLT, \$115.28, Hold, C. Patrick Scholes)

Park Hotels & Resorts Inc. (PK, \$14.06, Buy, C. Patrick Scholes)

RLJ Lodging Trust (RLJ, \$11.17, Buy, Gregory Miller)

Travel + Leisure Co. (TNL, \$41.17, Buy, C. Patrick Scholes)

Marriott Vacations Worldwide Corporation (VAC, \$120.18, Buy, C. Patrick Scholes)

Wyndham Hotels & Resorts, Inc. (WH, \$67.48, Buy, C. Patrick Scholes)

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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.

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