

## CONSUMER: Lodging

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## Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

## Lodging: US RevPAR +26.7% Y/Y Last Week (+12.8% vs. 2019), Driven by Group Demand.

Overall U.S. RevPAR was +26.7% y/y for the week ending 10/15/2022, per STR, stronger than the prior week's result of +21.2% y/y. Last week's RevPAR was up against a +77.3% comparable result in 2021 vs. +74.9% in the prior week. **On a 3-year run-rate (vs. 2019), RevPAR was +12.8% vs. +12.8% in the prior week's 3-year run-rate.**

*Last week saw the continuation of strong Group segment demand, +80.6% y/y, in part driven by the lack of a midweek holiday.*

### Major RevPAR statistics presented below:

- Luxury RevPAR: +42.7% y/y and +10.1% over 3 years;
- Upper Upscale RevPAR: +49.5% y/y and +2.8% over 3 years;
- Upscale RevPAR: +30.5% y/y and +5.8% over 3 years;
- Upper Midscale RevPAR: +17.5% y/y and +14.0% over 3 years;
- Midscale RevPAR: +9.8% y/y and +18.0% over 3 years;
- Economy RevPAR: +5.5% y/y and +17.9% over 3 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +21.6% y/y and +19.4% over 3 years; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +80.6% y/y vs. +48.9% prior week; over 3 years: +0.6% vs +4.6% prior week.
  - Transient: +26.5% y/y vs. +22.4% prior week; over 3 years: +13.5% vs +10.9% prior week.

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

- Headline RevPAR was +26.7% y/y vs. the running 28-day average of +25.2% y/y.
- **Occupancy:** Absolute occupancy was 70.3% y/y vs. 68.7% for the running 28-day average.
- **Absolute Group occupancy:** 25.9% last week vs. 24.5% for the running 28 days.

We summarize our view on the lodging sector at the moment as one of “relative optimism,” a view markedly more favorable than the bear case of “relative pessimism”. Of the lodging stocks our favorite name is [Hyatt \(H, Buy\)](#) which we see in the “sweet spot” of both the group recovery and strength in international markets, most notably the Caribbean. Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric Apple Leisure Group segment. To this we note an EV/EBITDA valuation multiple approx. 350 bps. below that of HLT (Hold) and MAR (Hold). [Additionally, we raised our rating on RHP \(Buy\) to Buy from Hold on 9/7/22 and raised our price target to \\$103 from \\$95.](#) At 75% of its business coming from groups/conventions, RHP has the greatest exposure to this customer segment. *For the lodging sector as a whole, we see the biggest potential drivers of earnings upside coming from corporate group business and associated outside of room spend (aka “Total RevPAR”) and secondarily from the recovery in international markets.*

Weekly RevPAR Summary

	YoY % change in RevPAR												
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
8/27/2022	18.2%	30.9%	40.4%	23.3%	12.3%	4.2%	-0.5%	12.9%	54.6%	47.4%	23.6%	40.6%	36.4%
9/3/2022	13.2%	24.9%	31.3%	17.0%	7.1%	-0.4%	-3.6%	10.3%	58.4%	40.3%	12.5%	26.0%	27.6%
9/10/2022	14.9%	32.6%	32.8%	18.2%	7.3%	1.4%	-0.4%	12.1%	71.9%	71.4%	27.5%	36.5%	37.1%
9/17/2022	30.6%	56.4%	65.1%	35.7%	18.0%	8.5%	4.3%	24.0%	100.7%	103.2%	34.8%	80.9%	95.8%
9/24/2022	30.3%	50.0%	59.3%	35.5%	18.2%	9.4%	4.7%	24.8%	100.2%	39.0%	36.4%	36.5%	87.5%
10/1/2022	22.6%	34.1%	45.5%	27.0%	15.7%	7.9%	4.9%	16.5%	74.3%	60.0%	25.4%	68.1%	64.2%
10/8/2022	21.2%	28.1%	37.8%	25.6%	15.7%	9.4%	5.6%	16.8%	61.8%	33.2%	18.8%	26.4%	49.9%
10/15/2022	26.7%	42.7%	49.5%	30.5%	17.5%	9.8%	5.5%	21.6%	91.6%	33.8%	25.4%	68.5%	70.7%

Lighter demand during Columbus Day holiday week      Upper Upscale and Luxury led the industry      NYC and DC led the Top 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%	1.7%	2.4%	-1.8%	4.5%	1.6%	-0.1%	-1.5%
3Q19	0.7%	1.3%	1.1%	-0.5%	-0.1%	-1.0%	-0.9%	1.6%	-2.2%	-0.4%	-0.2%	-2.2%	4.5%
4Q19	0.7%	3.6%	1.0%	-0.6%	-1.0%	-2.7%	-1.5%	2.3%	-4.1%	-11.6%	1.1%	-0.7%	5.2%
1Q20	-19.3%	-21.4%	-23.1%	-20.8%	-19.1%	-16.8%	-11.2%	-16.7%	-28.0%	-24.5%	-19.3%	-21.0%	-23.2%
2Q20	-69.9%	-86.8%	-86.7%	-74.8%	-65.4%	-51.3%	-35.0%	-65.2%	-76.9%	-88.2%	-74.5%	-83.7%	-83.7%
3Q20	-48.5%	-72.0%	-71.8%	-55.2%	-41.7%	-29.7%	-19.0%	-39.0%	-77.6%	-79.1%	-58.4%	-73.4%	-68.0%
4Q20	-50.6%	-71.4%	-72.4%	-55.5%	-40.6%	-26.3%	-14.5%	-43.5%	-81.0%	-76.1%	-59.3%	-75.4%	-71.4%
1Q21	-27.7%	-42.7%	-54.4%	-34.3%	-17.4%	-5.9%	-4.1%	-18.0%	-48.4%	-56.7%	-45.3%	-45.0%	-43.5%
2Q21	160.4%	391.1%	305.3%	173.3%	150.1%	100.7%	61.1%	162.0%	73.8%	192.1%	166.4%	158.3%	126.2%
3Q21	83.8%	201.3%	162.9%	91.2%	72.8%	56.4%	39.5%	71.1%	169.2%	207.8%	95.8%	166.4%	96.9%
4Q21	96.4%	215.5%	185.6%	98.3%	74.2%	55.2%	37.2%	86.4%	273.7%	225.6%	124.8%	195.9%	129.6%
1Q22	67.2%	112.3%	127.2%	69.7%	51.0%	38.2%	24.3%	58.3%	97.1%	137.1%	115.2%	85.1%	58.1%
2Q22	38.8%	70.2%	82.9%	46.8%	26.2%	15.4%	8.8%	27.7%	141.2%	172.1%	51.0%	109.5%	145.7%

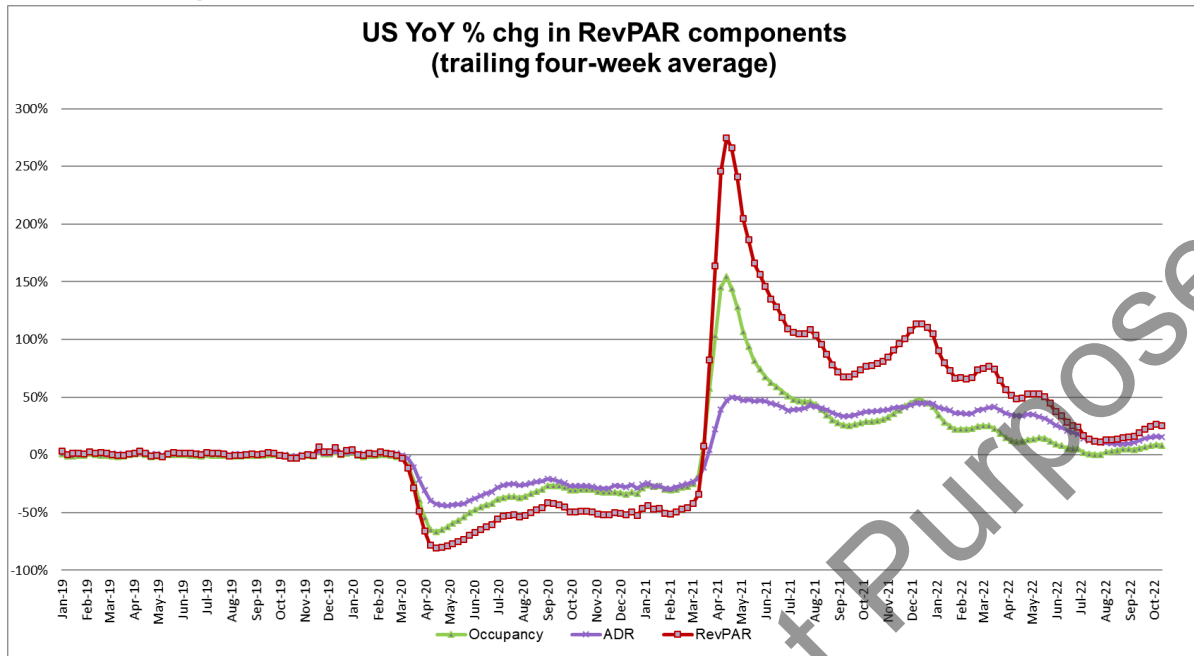
	YoY % change in ADR												
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
8/27/2022	10.8%	3.7%	10.7%	11.0%	6.7%	5.9%	4.3%	8.2%	20.2%	23.6%	14.8%	20.2%	16.6%
9/3/2022	10.0%	4.5%	10.6%	10.2%	5.6%	4.0%	3.1%	8.3%	25.7%	22.3%	8.1%	14.5%	13.6%
9/10/2022	11.4%	9.3%	12.4%	12.1%	6.6%	5.2%	3.9%	9.3%	34.9%	33.8%	12.2%	20.3%	20.4%
9/17/2022	18.1%	13.5%	22.5%	17.8%	9.8%	7.3%	5.6%	15.1%	48.5%	42.6%	18.1%	41.4%	43.4%
9/24/2022	17.6%	16.0%	20.5%	18.3%	9.6%	6.6%	4.6%	14.9%	57.1%	16.9%	16.5%	17.5%	36.8%
10/1/2022	14.0%	11.7%	16.3%	14.9%	8.7%	6.6%	5.0%	11.4%	32.9%	28.2%	14.0%	31.7%	29.2%
10/8/2022	13.5%	9.1%	14.3%	14.6%	9.3%	7.5%	6.1%	12.0%	31.7%	15.4%	13.8%	14.9%	24.3%
10/15/2022	17.0%	13.3%	18.7%	18.0%	10.8%	7.9%	6.3%	14.8%	44.2%	15.6%	15.0%	31.6%	39.1%

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%	0.9%	-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%	30.3%	29.7%	28.3%	23.5%	21.1%	32.8%	64.2%	57.7%	43.1%	59.6%	29.4%
4Q21	41.5%	29.6%	41.9%	34.2%	28.5%	22.9%	18.8%	39.2%	99.6%	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%
2Q22	26.2%	14.3%	29.0%	27.1%	18.9%	14.8%	11.8%	20.5%	69.0%	73.6%	32.9%	53.6%	60.6%

	YoY % change in Occupancy												
	U.S.	Upper			Upper			Inde- pendent	New York	Boston	LA	Chicago	DC
		Luxury	Upscale	Upscale	Midscale	Midscale	Economy						
8/27/2022	6.7%	26.3%	26.8%	11.1%	5.2%	-1.6%	-4.5%	4.3%	28.6%	19.3%	7.7%	17.0%	16.9%
9/3/2022	2.9%	19.5%	18.7%	6.1%	1.4%	-4.3%	-6.5%	1.9%	26.0%	14.7%	4.1%	10.1%	12.5%
9/10/2022	3.1%	21.4%	18.2%	5.4%	0.6%	-3.6%	-4.2%	2.6%	27.4%	28.1%	13.6%	13.5%	13.9%
9/17/2022	10.6%	37.8%	34.8%	15.2%	7.5%	1.2%	-1.3%	7.8%	35.1%	42.5%	14.2%	27.9%	36.5%
9/24/2022	10.8%	29.3%	32.3%	14.5%	7.8%	2.6%	0.1%	8.6%	27.4%	18.9%	17.1%	16.2%	37.1%
10/1/2022	7.6%	20.0%	25.0%	10.6%	6.4%	1.2%	-0.1%	4.6%	31.1%	24.9%	10.0%	27.6%	27.1%
10/8/2022	6.7%	17.4%	20.5%	9.6%	5.9%	1.8%	-0.5%	4.2%	22.8%	15.5%	4.4%	10.0%	20.5%
10/15/2022	8.3%	26.0%	26.0%	10.6%	6.1%	1.8%	-0.7%	5.9%	32.9%	15.8%	9.1%	28.0%	22.7%
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%	0.0%	-0.5%	-0.4%	0.0%	-0.3%	-1.4%	0.1%	0.6%	0.4%
4Q19	-0.1%	1.2%	0.4%	-0.2%	-0.8%	-1.7%	-0.4%	0.4%	-0.4%	-6.5%	0.8%	1.5%	1.3%
1Q20	-15.9%	-22.6%	-21.9%	-18.4%	-16.5%	-13.6%	-7.7%	-14.8%	-21.3%	-19.5%	-17.1%	-18.8%	-17.6%
2Q20	-52.1%	-83.0%	-79.8%	-64.0%	-55.1%	-41.3%	-23.9%	-46.6%	-51.5%	-72.7%	-57.1%	-64.7%	-68.2%
3Q20	-32.2%	-68.0%	-62.2%	-40.9%	-29.5%	-20.5%	-10.6%	-27.3%	-57.3%	-60.3%	-39.1%	-53.1%	-51.2%
4Q20	-32.1%	-67.8%	-61.2%	-39.1%	-27.8%	-17.8%	-9.1%	-28.5%	-58.7%	-56.2%	-42.5%	-55.5%	-51.7%
1Q21	-10.1%	-44.6%	-40.5%	-14.7%	-3.8%	0.5%	5.6%	-6.7%	-28.0%	-35.6%	-22.2%	-26.0%	-21.6%
2Q21	81.9%	256.5%	210.5%	125.3%	103.2%	66.7%	35.9%	71.7%	30.2%	111.7%	86.9%	76.8%	83.8%
3Q21	34.9%	128.5%	94.7%	47.4%	34.7%	26.6%	15.2%	28.8%	64.0%	95.2%	36.9%	67.0%	52.1%
4Q21	38.8%	143.4%	101.3%	47.8%	35.6%	26.3%	15.4%	33.9%	87.3%	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%
2Q22	10.0%	48.8%	41.8%	15.5%	6.2%	0.5%	-2.6%	5.9%	42.7%	56.7%	13.7%	36.3%	53.0%

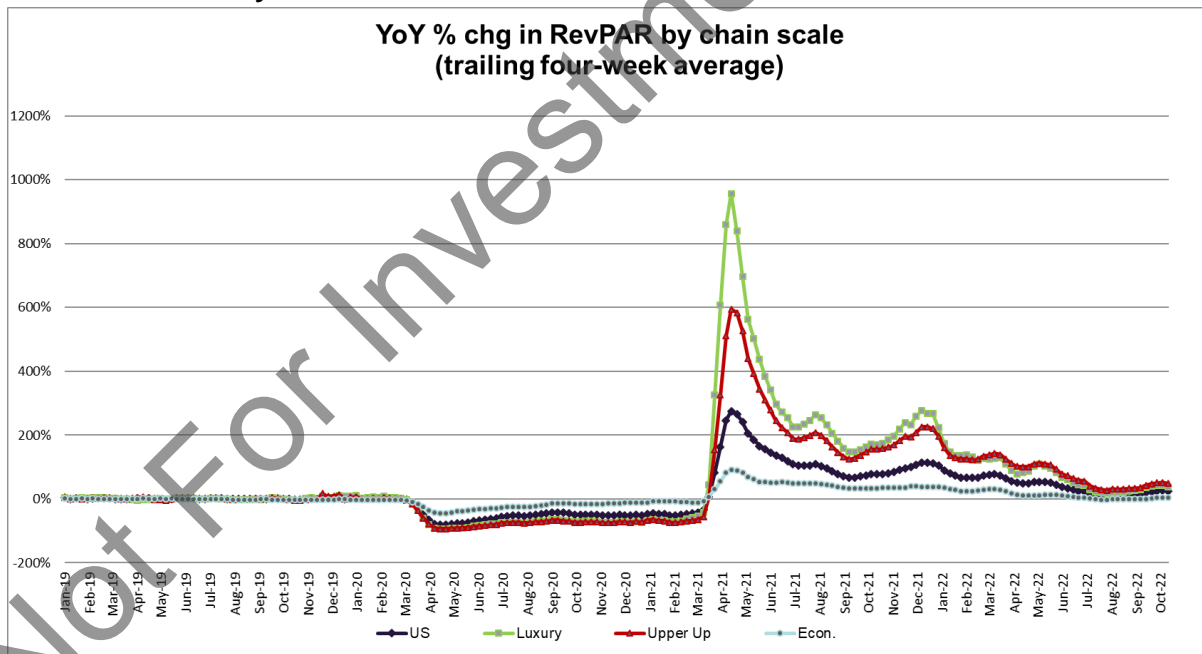
Source: STR data, Truist Securities research

RevPAR Component Trends



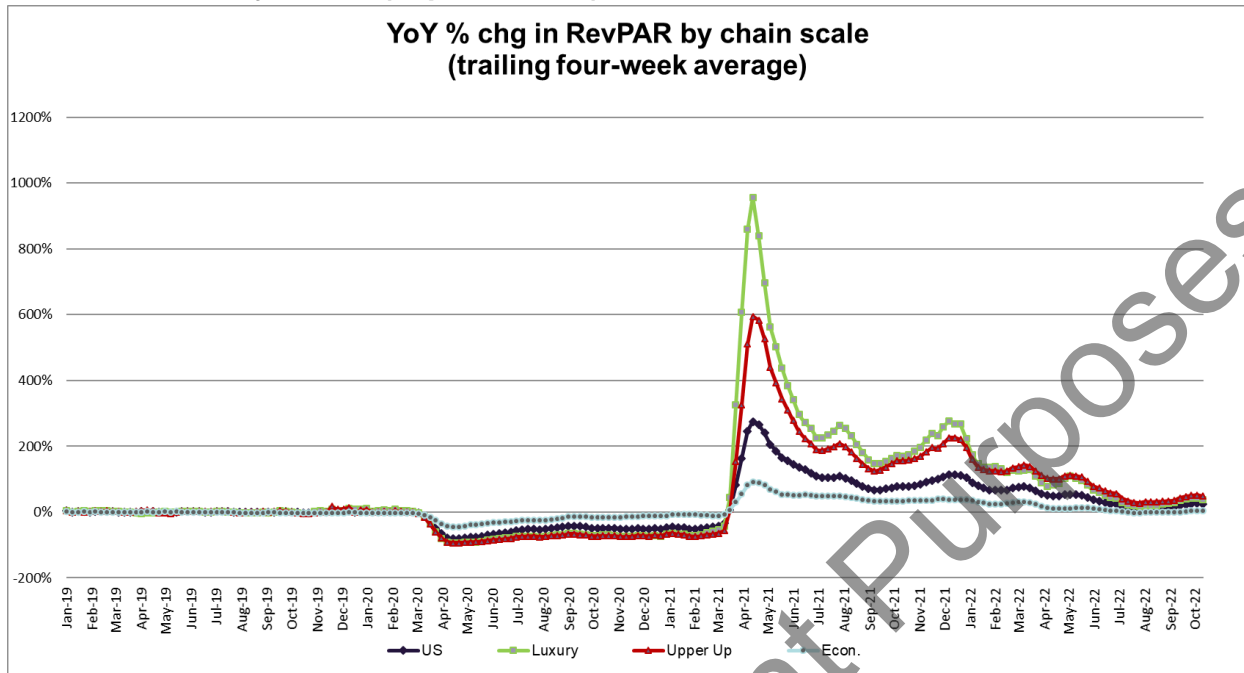
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



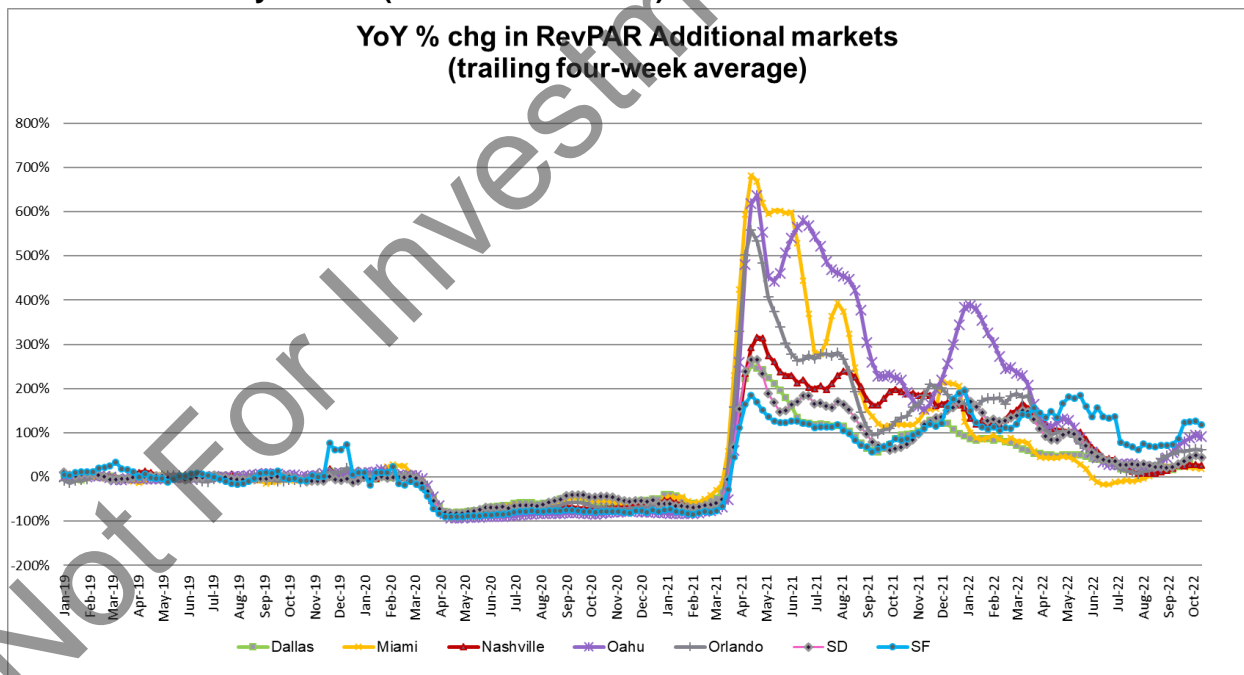
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



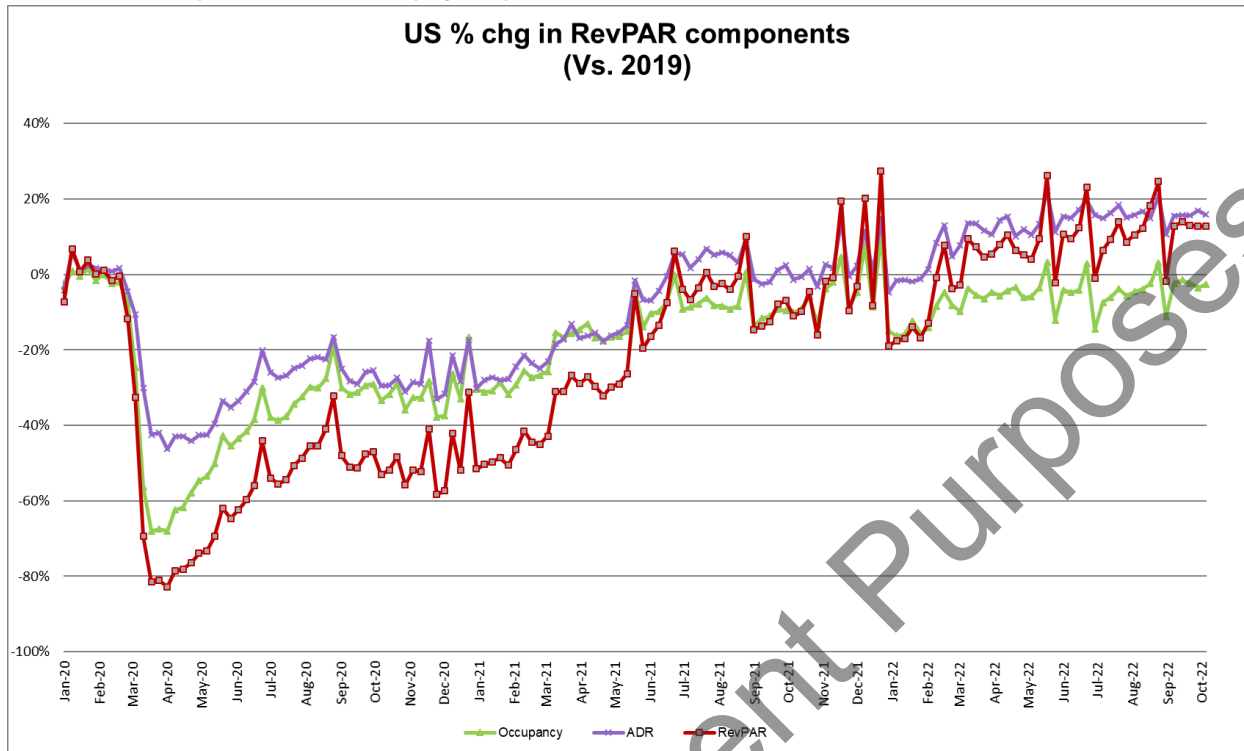
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



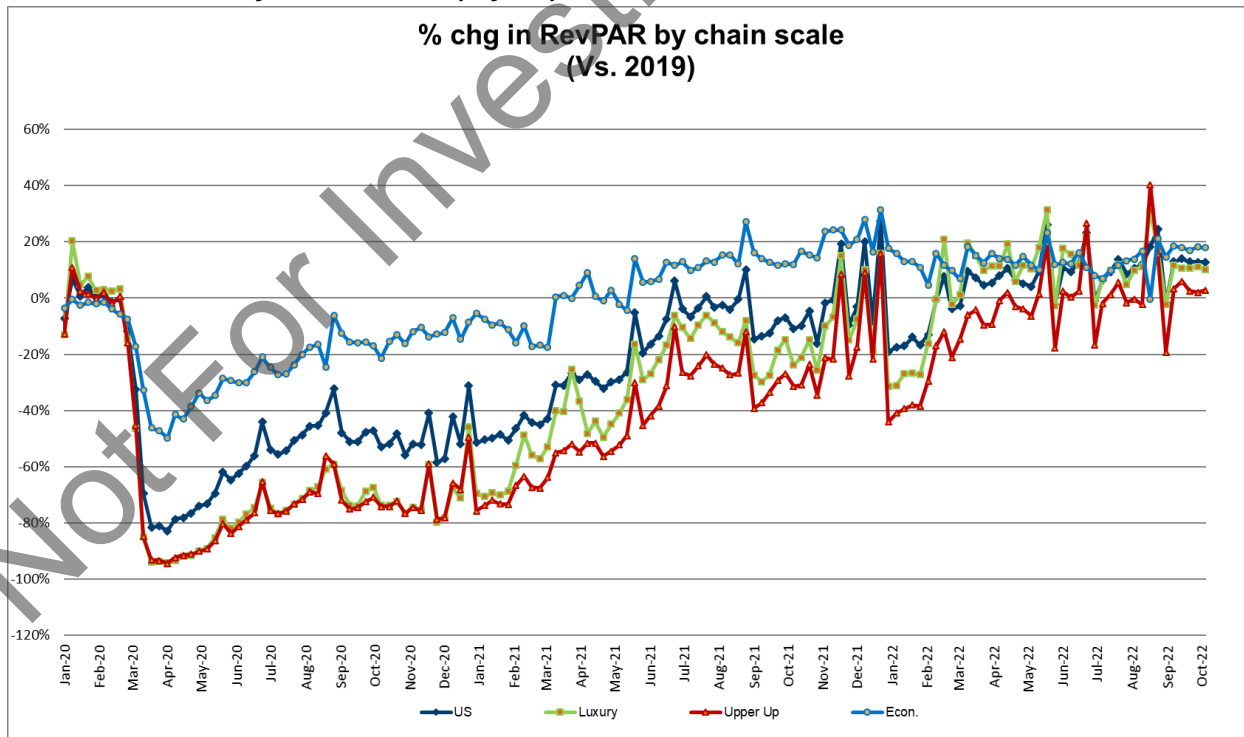
Source: STR data, Truist Securities research

RevPAR Component Trends (3-year)



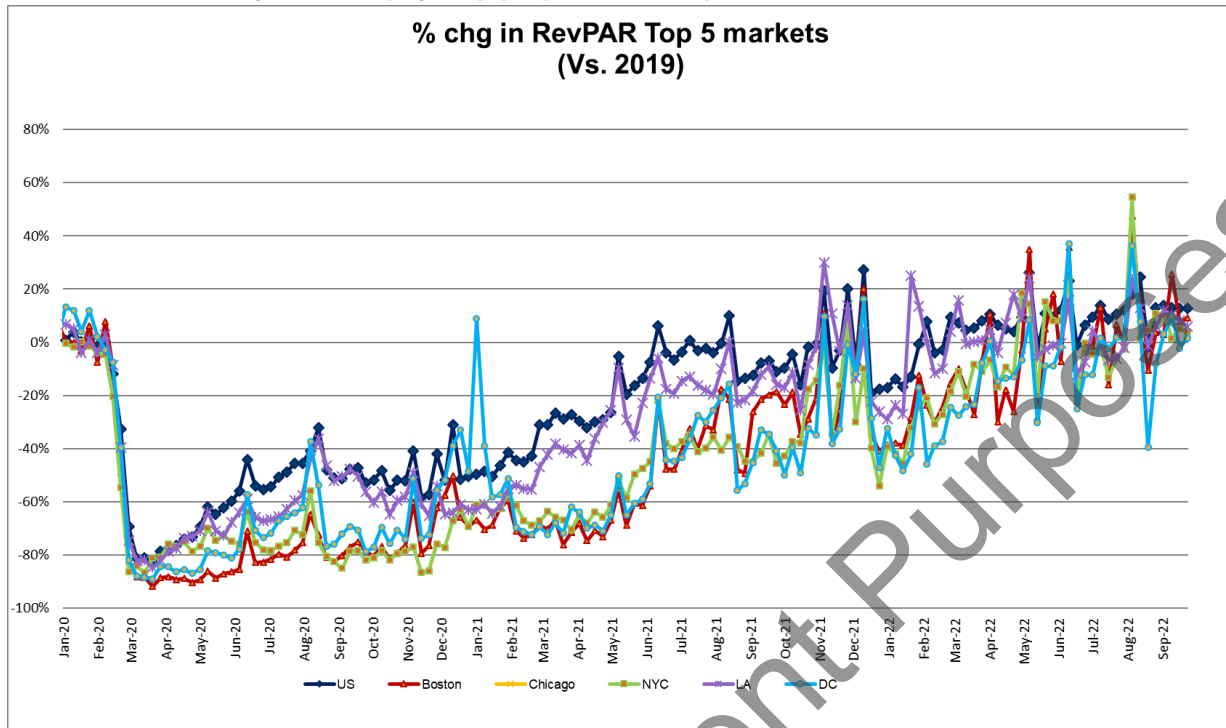
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale (3-year)



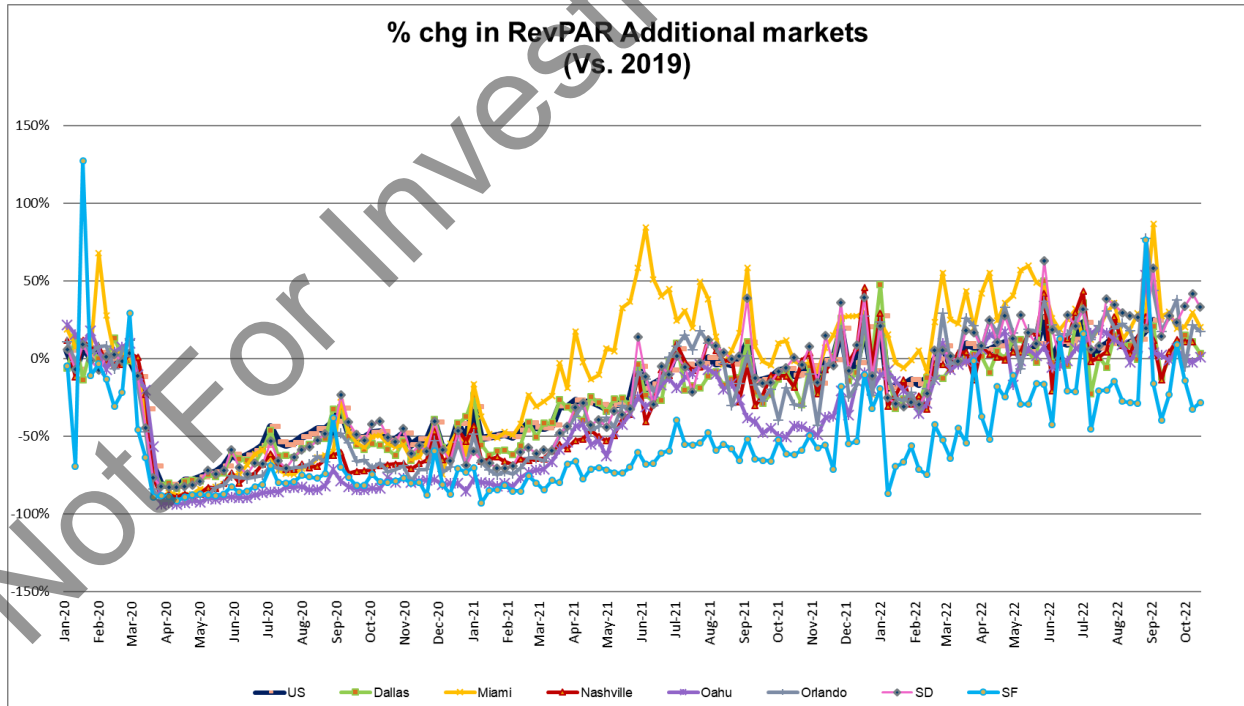
Source: STR data, Truist Securities research

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

**H: Valuation and Risks**

Our price target of \$122 for H is derived by applying a 13.8x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2024 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2024 EBITDA multiple of 12.5x and a franchise/management fee EBITDA multiple of 16.0x plus a 10% discount for time of money.

Downside risk: lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

**RHP: Valuation and Risks**

Our price target of \$103 for RHP is derived by applying a 13.0x target EV/EBITDA multiple to our estimate for 2023 lodging EBITDA and a 16.0x multiple to our Opry/attractions estimate.

Risks to our rating and price target include:

Downside risks: Group demand returns slower than expected. Property-specific risks given a small portfolio.

**HLT: Valuation and Risks**

We apply a blended multiple of 16.6x (11.5x for Owned/leased and 17.0x for Managed/franchised) to our 2023 adjusted EBITDA estimate to derive a price target of \$150. This multiple is above the high end of the historical range of 10x-16x.

Risks to our rating and price target:

Upside risks include: Higher than expected pipeline growth, material RevPAR growth (macroeconomic improvement beyond expectations), material market share gains.

Downside risks include: Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be canceled, which would diminish system growth for the firm and disappoint investors.

**MAR: Valuation and Risks**

Our \$184 price target is based on a 16.8x blended multiple on our 2023E EBITDA. In the parts, we assign a 13.0x multiple of EBITDA to the Owned segment and 17.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: Significant U.S macroeconomic improvement results in large recovery in transient corporate and group/convention demand. Owned assets sell for premium prices relative to MAR expectations. Supply growth is stronger than expectations. Consolidation in the lodging industry benefits MAR.

Downside Risks: Deep macroeconomic recession. Geopolitical, inflation, and policy risks negatively impact lodging demand. Inability to grow pipeline in line with Street expectations.

**Companies Mentioned in This Note**

- Hyatt Hotels Corporation (H, \$86.92, Buy, C. Patrick Scholes)
- Hilton Worldwide Holdings Inc. (HLT, \$128.60, Hold, C. Patrick Scholes)
- Marriott International, Inc. (MAR, \$149.99, Hold, C. Patrick Scholes)
- Ryman Hospitality Properties, Inc. (RHP, \$85.46, Buy, C. Patrick Scholes)
- Sunstone Hotel Investors, Inc. (SHO, \$10.55, Hold, C. Patrick Scholes)

**Analyst Certification**

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.

**Required Disclosures**

The following companies are clients of Truist Securities, Inc. for investment banking services within the last 12 months: H-US and MAR-US

Truist Securities, Inc. or an affiliate has received compensation for investment banking services within the last 12 months: H-US and MAR-US

Truist Securities, Inc. or an affiliate expects to receive or intends to seek compensation for investment banking services from the following company in the next three months: H-US

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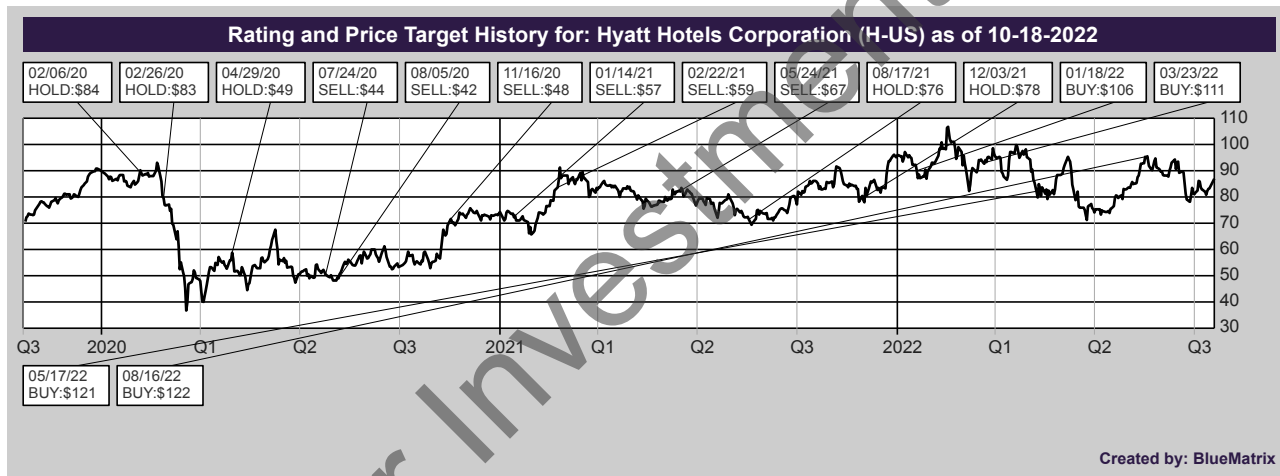
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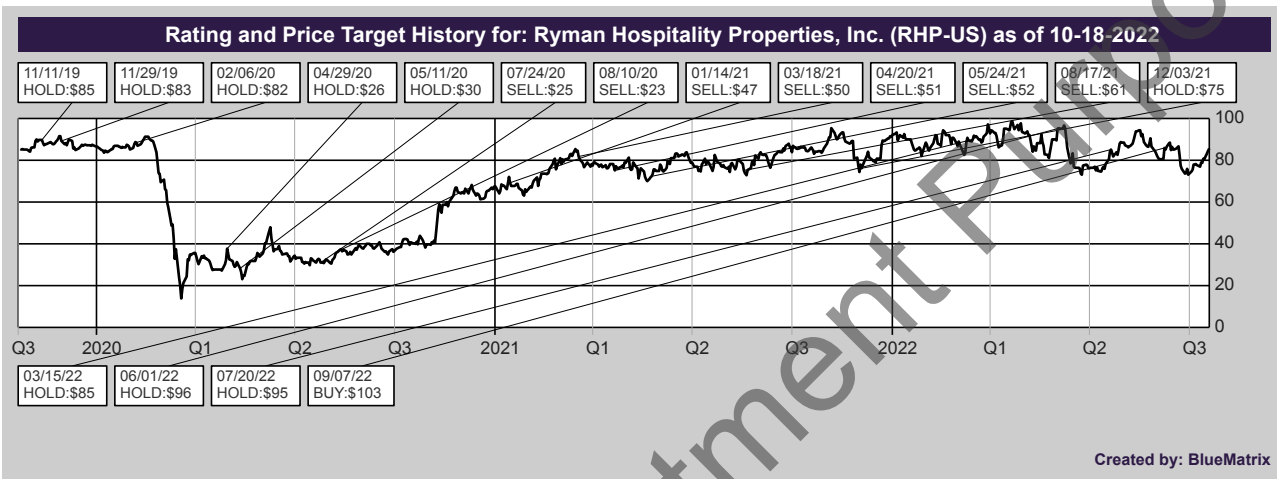
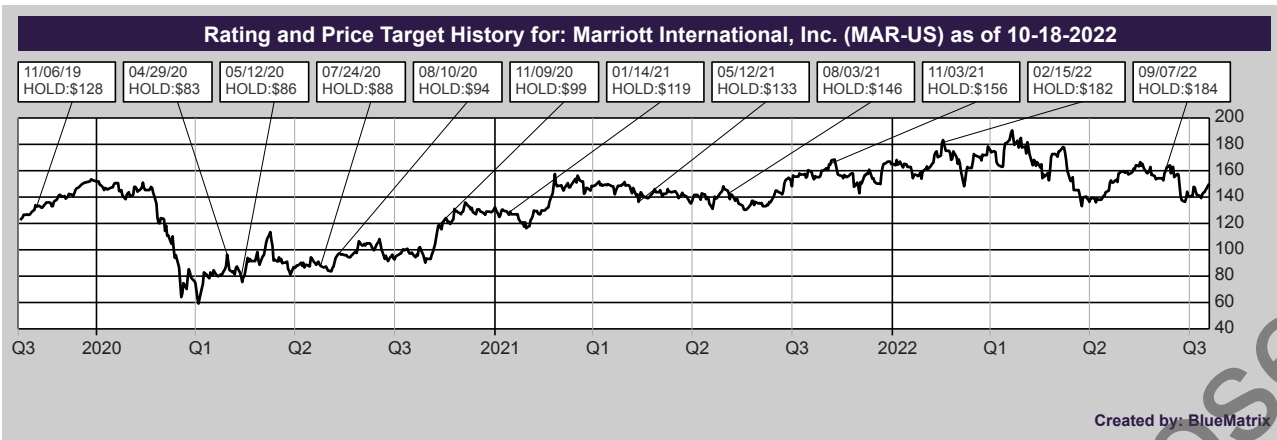
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Coverage Universe			Investment Banking Clients Past 12 Months		
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Sell	3	0.39%	Sell	0	0.00%

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