

## CONSUMER: Lodging

**C. Patrick Scholes**

212-319-3915  
Patrick.Scholes@truist.com

**Gregory J. Miller**

212-303-4198  
Gregory.J.Miller@truist.com

**Barry Jonas**

212-590-0998  
Barry.Jonas@truist.com

6 Page Document

**Reasons for this report**

✓ Our analysis of the most recent weekly US lodging results

## Lodging: US RevPAR +18.9% y/y last week and +3.6% vs. 2019. Softer results w/ modest Valentine's Day calendar shift

Overall U.S. RevPAR was +18.9% y/y for the week ending 2/11/2023, per STR, down from the prior week's result of +26.6% y/y. Versus 2019, RevPAR was +3.6%. Results were overall sequentially a tad softer than recent weeks although we view Valentine's Day calendar timing as a partial factor. Versus 2022, the holiday shifted from the following week Tuesday to the following week Monday. Versus 2019, the holiday was in the current week on Thursday. Weakness appears to be occupancy-led, not ADR.

Versus 2019, we add a Super Bowl timing shift (2/3/19). The Super Bowl took place on the same day in 2022 for STR comparative purposes.

**In the running 28 days which does not include the 2023 New Year's period and is arguably a bit of a fairer comparison of early year business and leisure travel with less holiday impact, we note a few trends:**

- Occupancy last week at 57.8% compared to the running 28 days of 56.0%. Versus 2019, occupancy was -8.7% last week versus -5.7% for the running 28 days.
- ADR was steady on 2019 comparisons, up about 13% both last week and on running 28 days.
- ADR growth was very strong in Las Vegas despite somewhat softer occupancy: last week versus 2019, occupancy was -9.2% but ADR was +50.0%. Given Las Vegas is the largest U.S. lodging market, we highlight the relative impact to Upper Upscale and U.S. stats when ADR is this strong in Las Vegas.

**Phoenix is not one of the largest hotel markets but had unsurprisingly positive impact from the Super Bowl this year.** RevPAR was +114.3% versus 2019 with all gains ADR driven. Notably, this is high season for some Phoenix resorts and we view RevPAR gains less strong compared to when a cold-weather city hosts the event.

**As a reminder of important STR methodology changes:** STR has commenced new methodology as of 1/1/23, including Las Vegas being included in the top 25 markets, replacing Norfolk/Virginia Beach. Additionally, STR has revised methodology for non-participating hotels and separately for estimating performance of Las Vegas casinos and Walt Disney World hotels (DIS, Buy, Thornton). Summary impact to U.S. industry RevPAR and classes (including independent hotels) is presented below for reference. There is greater impact to higher-rated chain scales, independents, Top 25 markets, Las Vegas Strip as an STR submarket, and Orlando (both the STR market and the Lake Buena Vista STR submarket). **We will be evaluating the changes to the data over time including implications to weekly RevPAR results and changes y/y and versus 2019.**

Please see the PDF version of this note for higher-quality graphics.

**U.S. Industry Data Impact**

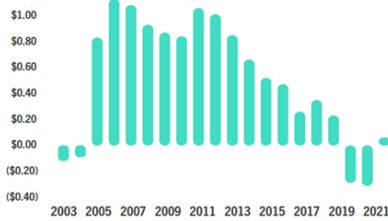
The new process provides a larger range of values for properties that do not submit data weekly or monthly. Las Vegas Strip and Walt Disney World non-participants utilize a different process.

Based on 20 years of historical data (2000-19), several key differences emerged when comparing the new methodology with the previous.

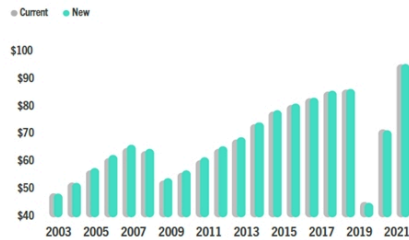
- Industry revenues increase \$968 million per year
- RevPAR increases an average of \$0.54 per year
- The change in revenues and RevPAR is driven entirely by ADR, which is up an average of \$0.88 per year.
- Upper Upscale, Upscale, and Independent chain scales see the largest impact. Upper Upscale and Upscale revisions are largely because of Walt Disney World Resorts. Independent revisions are from the new non-participant methodology and changes to Las Vegas Strip casino hotels.
- Excluding Walt Disney World hotels, and the individually modeled Las Vegas casino hotels, industry RevPAR would decrease an average of \$0.34 per year.

**U.S. industry RevPAR**

Difference Between Methodologies



RevPAR

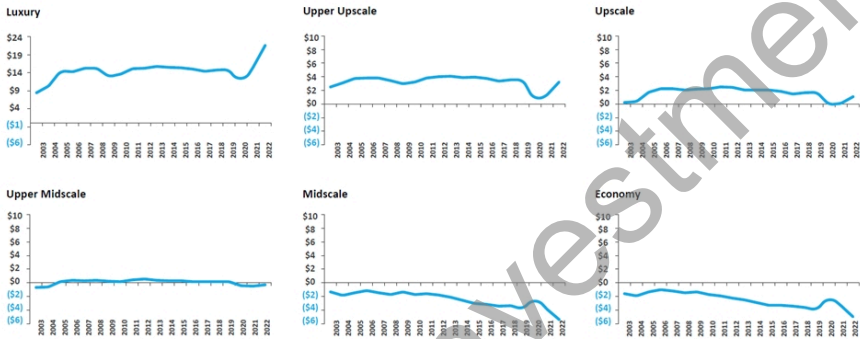


STR, 2022 © CoStar Group

Source: STR/CoStar

**Luxury class RevPAR up \$13, other classes less affected**

U.S. class RevPAR, new less current



STR, 2022 © CoStar Group

Updated U.S. Non-Participant Data Week Ending December 2021 7

Source: STR/CoStar

**Major RevPAR statistics presented below:**

- Luxury RevPAR: +16.9% y/y and +1.6% versus 2019;
- Upper Upscale RevPAR: +35.7% y/y and -3.4% versus 2019;
- Upscale RevPAR: +23.3% y/y and -1.5% versus 2019;
- Upper Midscale RevPAR: +14.4% y/y and +2.1% versus 2019;
- Midscale RevPAR: +5.3% y/y and +2.8% versus 2019;
- Economy RevPAR: +0.9% y/y and +3.6% versus 2019;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +14.1% y/y and +9.9% versus 2019; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +55.5% y/y vs. +87.6% prior week; versus 2019: +8.3% vs -5.0% prior week.
  - Transient: +14.4% y/y vs. +25.7% prior week; versus 2019: +0.4% vs +8.7% prior week.
- Las Vegas RevPAR: +47.8% y/y and +36.2% versus 2019.
  - **As a caveat, we note that many large Strip casino hotel operators do not participate in STR's survey.**

**Last week's RevPAR details and sequential trends (all comparable information on new STR methodology):**

- Headline RevPAR was +18.9% y/y vs. the running 28-day average of +25.6% y/y.
- **Occupancy:** Absolute occupancy was 57.8% vs. 56.0% for the running 28-day average.
- **Absolute Group occupancy:** 21.0% last week vs. 20.0% for the running 28 days.

**We see a mixed bag for demand/pricing/supply trends for the lodging companies at the moment.** Similar to the past year in lodging (and many other) stocks, we see “macro over micro” at the moment. We see the main driver/wildcard coming from the economic impact from interest rates and inflation (and perhaps more importantly investor sentiment around these). While the risks from COVID are not zero (e.g. China reopening impact to the worldwide economy and outbound Chinese travel), we believe COVID issues are now secondary to macroeconomic considerations for most investors and for public company executives. We see **Hyatt** as the relative outperformer in our lodging coverage universe for a host of reasons, including continued Caribbean/leisure outperformance and upcoming accretive asset sales. Leisure travel demand and pricing continues to show significant strength going into 2023, a positive read-through for all-inclusive resorts (Buy-rated **PLYA, H**) and Vacation Ownership (Buy-rated **BVH, HGV, TNL, VAC**), and Wellness (**OSW**, Buy, Miller). While we have three Buy-rated Lodging REITS, (**PK, RLJ, RHP**), we have a neutral to cautious view on our broader Lodging REIT sector coverage, with Hold-rated **DRH, HST, PEB**, and **SHO**, a view driven by potential downside pressures on revenues and particularly on operating profit margins.

Not for Investment Purposes

## Companies Mentioned in This Note

**Bluegreen Vacations Holding Corporation** (BVH, \$32.89, Buy, C. Patrick Scholes)  
**The Walt Disney Company** (DIS, \$107.66, Buy, Matthew Thornton)  
**DiamondRock Hospitality Company** (DRH, \$9.45, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$116.11, Buy, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$47.57, Buy, C. Patrick Scholes)  
**Hilton Worldwide Holdings Inc.** (HLT, \$151.37, Hold, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$18.53, Hold, C. Patrick Scholes)  
**OneSpaWorld Holdings Limited** (OSW, \$11.03, Buy, Gregory Miller)  
**Pebblebrook Hotel Trust** (PEB, \$16.32, Hold, Gregory Miller)  
**Park Hotels & Resorts Inc.** (PK, \$14.56, Buy, C. Patrick Scholes)  
**Playa Hotels & Resorts N.V.** (PLYA, \$7.74, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$93.68, Buy, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$12.18, Buy, Gregory Miller)  
**Sunstone Hotel Investors, Inc.** (SHO, \$10.70, Hold, C. Patrick Scholes)  
**Travel + Leisure Co.** (TNL, \$43.27, Buy, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$163.22, Buy, 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

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning securities in the subject companies.

Charts indicating changes in ratings can be found in recent notes and/or reports at our website or by contacting Truist Securities. Please see our disclosures page for more complete information at <https://truist.bluematrix.com/sellside/Disclosures.action>

## Truist Securities Ratings System for Equity Securities

### Dissemination of Research

Truist Securities, Inc. ("Truist Securities") seeks to make all reasonable efforts to provide research reports simultaneously to all eligible clients. Reports are available as published in the restricted access area of our website to all eligible clients who have requested a password. Institutional investors, corporates, and members of the Press may also receive our research via third party vendors including: Thomson Reuters, Bloomberg, FactSet, and S&P Capital IQ. Additional distribution may be done by sales personnel via email, fax, or other electronic means, or regular mail.

For access to third party vendors or our Research website: <https://truistresearch.bluematrix.com/client/library.jsp>

Please email the Research Department at [EquityResearchDepartment@truist.com](mailto:EquityResearchDepartment@truist.com) or contact your Truist Securities sales representative.

### Truist Securities Rating System for Equity Securities

Truist Securities, Inc. ("Truist Securities") rates individual equities using a three-tiered system. Each stock is rated relative to the broader market (generally the S&P 500) over the next 12-18 months (unless otherwise indicated).

**Buy (B)** – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Hold (H)** – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Sell (S)** – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Not Rated (NR)** – Truist Securities does not have an investment rating or opinion on the stock

**Coverage Suspended (CS)** – indicates that Truist Securities' rating and/or target price have been temporarily suspended due to applicable regulations and/or Truist Securities Management discretion. The previously published rating and target price should not be relied upon.

Truist Securities analysts have a price target on the stocks that they cover, unless otherwise indicated. The price target represents that analyst's expectation of where the stock will trade in the next 12-18 months (unless otherwise indicated). If an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Truist Securities Research Management not to assign a target price; likewise certain stocks that trade under \$5 may exhibit volatility whereby assigning a price target would be unhelpful to making an investment decision. As such, with Research Management's approval, an analyst may refrain from assigning a target to a sub-\$5 stock.

**Legend for Rating and Price Target History Charts:**

- B = Buy
- H = Hold
- S = Sell
- D = Drop Coverage
- CS = Coverage Suspended
- NR = Not Rated
- I = Initiate Coverage
- T = Transfer Coverage

Truist Securities ratings distribution (as of 02/15/2023):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	467	65.13%	Buy	76	16.27%
Hold	246	34.31%	Hold	34	13.82%
Sell	4	0.56%	Sell	1	25.00%

**Other Disclosures**

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. Truist Securities, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice.

Truist Securities, Inc.'s research is provided to and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). The term "Institutional Account" shall mean the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

Truist Securities, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of Truist Financial Corporation. Truist Securities, Inc. is owned by Truist Financial Corporation and affiliated with Truist Investment Services, Inc. Despite this affiliation, securities recommended, offered, sold by, or held at Truist Securities, Inc. or Truist Investment Services, Inc. (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Truist Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Truist Bank may have a lending relationship with companies mentioned herein.

Please see our Disclosure Database to search by ticker or company name for the current required disclosures, including valuation and risks. Link: <https://truist.bluematrix.com/sellside/Disclosures.action>

Please visit the Truist Securities equity research library for current reports and the analyst roster with contact information. Link: <https://truistresearch.bluematrix.com/client/library.jsp>

Truist Securities, Inc., member FINRA and SIPC. Truist, Truist Securities, and Truist Investment Services are service marks of Truist Financial Corporation.

If you no longer wish to receive this type of communication, please request removal by sending an email to [EquityResearchDepartment@truist.com](mailto:EquityResearchDepartment@truist.com)

© Truist Securities, Inc. 2023. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

ADDITIONAL INFORMATION IS AVAILABLE at our website, [TruistSecurities.com](https://www.truistsecurities.com), or by writing to: Truist Securities, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070

Not for Investment Purposes