SunTrust Robinson Humphrey

July Lodging RevPAR Monitor: Soft close-in corp demand – Lowering 3Q RevPAR est

4Q at +0-2% improves vs 3Q due to holiday shift. Presenting 2020 est: -1 to +1%

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What's Inside

An analysis of last month's global lodging results and our forecasts for the months and quarters ahead

Based on the forward-looking observations in our RevPAR data analytics lab combined with conversations with private hotel owners over the past eight weeks, we continue to observe corporate demand under moderate pressure. Because of this we are lowering our 3Q RevPAR forecast for US full-service branded hotels to -2% to flat from -1 to +1% previously. No company has guided to 3Q RevPAR expectations yet, but Hilton (HLT, Hold) will be the first when they report 2Q earnings tomorrow. We find it interesting that over the past eight weeks we have seen pressure on room rate growth for individual business travelers (mid-week business primarily in urban markets based on data from OTAs), specifically seeing ADR growth on future bookings (booking window is 30-45 days at most) fall from +1-3% several months ago to closer to flattish. However, as a result of this adjustment, the pace of occupancy declines slowed somewhat. *While this trend is not positive, certainly for hotel owner profitability, we certainly did not see any proverbial "shoes dropping."*

- **The relative good news is we observe a pick-up in overall RevPAR growth in 4Q from 3Q's levels; however, we believe this is mostly due to holiday-shift strength in December. We are introducing a 4Q RevPAR range of +0-2%.** Both Christmas and New Year's moving to a Wednesday seems to have helped demand, especially for group/convention, for the month.
- **Lastly, we are introducing a 2020 RevPAR forecast for US full-service branded hotels of -1 to +1%.** Positives for 2020 include an easy Easter comp in March and April and a relatively strong US group/convention calendar for the year. Negatives for 2020 include the unfavorable trend of decelerating demand and pricing power for individual business travelers, another year of +2.5% supply growth (closer to +3% in urban markets), and a difficult holiday shift y/y comp in December. *Putting this -1 to +1% forecast in perspective, we still find it amazing that 10+ years into the cycle hotels still might be able to eke out positive RevPAR growth in 2020.*

Pricing vs. occupancy: On average for the rest of the year for US full-service branded hotels we see pricing up 0-1% y/y with occupancy down y/y by a similar range. We see transient-business RevPAR closer to -3 to -1% (more supply coming on in urban hotels), and transient-leisure and group/convention hovering around +1-2.5%.

Why are individual business travel RevPAR trends decelerating but leisure traveler trends are holding in there? For business travel, we believe it to be from deceleration in the economic health for manufacturing and service sectors as evidenced by deceleration in business fixed investment and capex related manufacturing activity combined with y/y new hotel supply growth that has remained constant during

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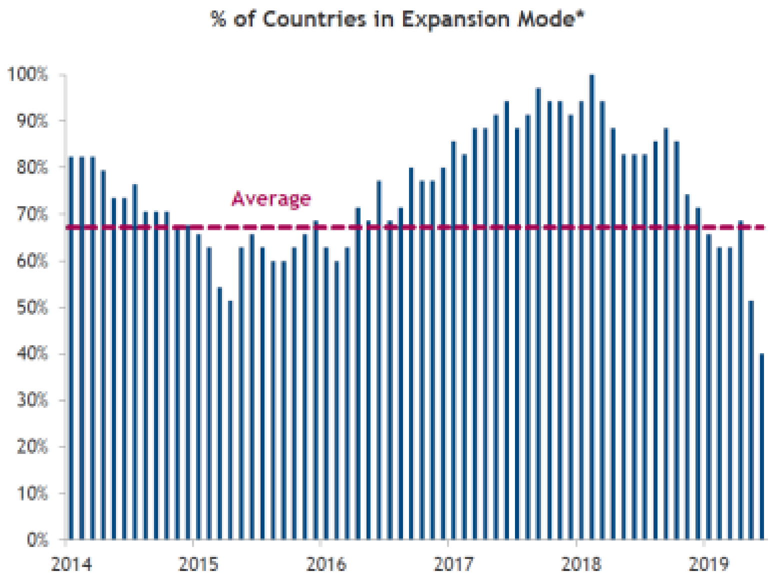
this time. We observe this slowdown in the Purchasing Managers' Index ("PMI"). We note the greatest degree of new supply growth has been in the Upscale and Upper-midscale segments, which are hotels that are primarily focused on the price-conscious business traveler. On the other hand, we continue to see strength in consumer confidence, job creation, and wage increases, all of which are tailwinds for leisure travel spending. (See table 20 for data on new hotel supply).

Table 1



Sources: SunTrust IAG, Haver, Markit (Keith Lerner, Chief Market Strategist, SunTrust Advisory Services, Inc., "*Q3 2019 - Investment Strategy Outlook*", published 07/08/19)

*Note: Expansion mode is defined as a manufacturing PMI survey figure of 50 or greater. Includes 35 out of 46 countries within the MSCI All Country World Index where data is available representing 98% of the benchmark's market capitalization; using PMI Manufacturing composite where available, otherwise using PMI Composite. Data is as of June 2019 except for Hong Kong, New Zealand and Israel.

Longer-term, we think city-wide group/convention business does improve in 2020 from 2019 but much of the uptick is diluted by new hotel supply for same-store hotels. Weak 2021 city-wide trends continue to look concerning (they did get a bit "less bad" over the past eight weeks), especially on a same-store (hotel) basis due to two more years of +3% compounded new supply. For smaller corporate meetings, 2020 modestly decelerates from 2019's levels whereas the 2021 deceleration is not as severe as that observed for the city-wide conventions.

- *We suspect that new convention space supply in Las Vegas opening up in 2020 will be partly to blame for soft bookings for the rest of the country in 2021. Per Fantini Research, Las Vegas will be increasing its convention space inventory by 18% y/y in 2020. We recall that excessive new supply at the end of the last cycle in Las Vegas magnified the challenges that the US group and convention market faced (and history does tend to repeat itself…).*

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Table 2

Quarterly Tracking					
	2Q19	*3Q19*	*4Q19*	*2019E*	*2020E*
	Overall	Overall	Overall	Overall forecast	Overall forecast
Jun-19	+0-2%	-2% to 0%	+0-2%	+0-2%	-1% to +1%
Mar-19	+0-2%	-1% to +1%		+0-2%	
Feb-19	+0-2%			+0-2%	
Dec-18	+0.5-2.5%			+0.5-2.5%	
Oct-18				+1-3%	
Aug-18				+1-3%	
Jul-18				+1-3%	

Source: STRH Research

What does it all mean for the lodging stocks? With unit growth stories intact but not accelerating for most C-Corps and RevPAR growth continuing to gradually decelerate, we believe it is challenging to find many upward catalysts for the hotel sector at this stage of the cycle. Last week we lowered our ratings on HLT to Hold from Buy (price target unchanged at $101) and RLJ Lodging Trust (RLJ) to Sell from Hold (price target to $15 from $19). Within the hotel space, Wyndham Hotels (WH, Buy) remains our favorite name.

- In the greater lodging space, we find more interesting catalysts with the timeshare names, namely with Marriott Vacations (VAC, Buy) from their inroads into selling to the Marriott (MAR, Hold) Bonvoy members and with Wyndham Destinations (WYND, Buy) from their progress with Blue Thread initiatives and five-pronged approach to bringing down the loan loss provision percentage. We estimate both of these companies have free cash flow yields in the low-teens and believe management teams are committed and motivated to return capital to shareholders primarily via share repurchases.

We'll repeat: It's all about self-help in this anemic flattish RevPAR growth environment, be it market share gains or cost containments. We believe there are a few common approaches that provide the best opportunities for improvement:

1. **Market share gains.** As we discuss in a recent note, several Lodging C-corps showed impressive market share gains in 1Q19. We believe there have been successful ways to gain share through a variety of techniques including: new brand development, new hotel prototypes, new market entrance (especially being the first international lodging brand to an emerging market), M&A, etc. When Lodging C-corps exhibit market share gains, this can not only positively impact base franchise and management fees but also incentive management fees (incrementality matters) and helps attract new franchisees.
2. **Margin improvement plans.** For both the C-corps and the REITS (but especially the REITS given flattish to negative EBITDA margin growth guided by many REITS for 2019), margin growth is a big emphasis. On the revenue front, the efforts are partly driven from pushing non-rooms revenue spend (especially F&B and ancillary fees. Some full-service group-oriented hotels are pushing in-house group demand especially given weaker 2019 citywide demand in select markets (Boston, Chicago, and DC, for example). On the expense side, hotels have maintained active cost containment efforts, inclusive of shared staffing roles, the use of technology, and environmental/utility improvements. For the C-corps, there are a variety of efforts underway, especially related to book direct efforts and enacting more stringent contracts on online travel agencies (OTAs).
3. **Share repurchases and special dividends.** We have seen significant share repurchase activity by many of the Lodging C-corps. While many REITS have been less active on buybacks, some REITS have expressed support of buybacks particularly if there is a large valuation gap between an internal NAV and

an anticipated future stock price. For the REITS, it would not surprise us to see continued usage of special dividends in the event that the bid-ask spread for potential acquisitions remains too large to overcome (although that may be changing, see #5).

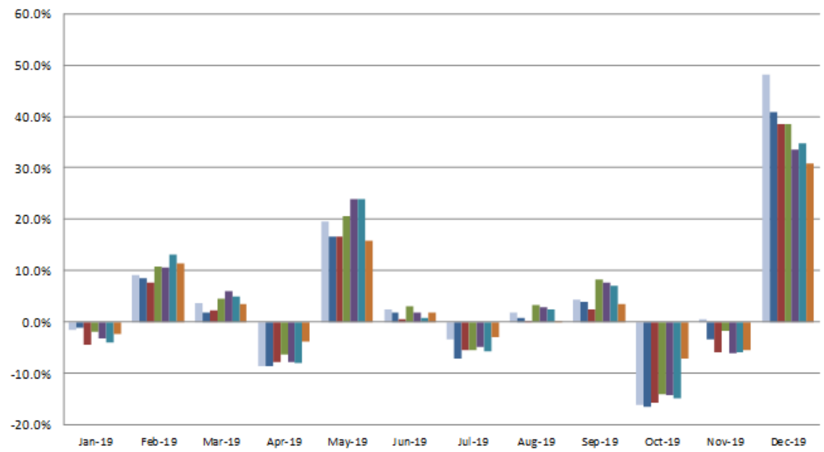
4. **M&A.** For both the C-corps and REITS, consolidation remains a hot topic for investors. However, investors have remained reticent to support potentially overpriced acquisitions especially at this stage in the lodging cycle. The C-corps can have somewhat more supportable tack-on acquisitions if synergies are significant (La Quinta for Wyndham, for example). We view REIT consolidation as likely limited in the near-term mostly due to the lack of willing sellers and there are few recent mergers that made as much sense to us as the LHO-Pebblebrook (PEB, Hold, Miller) combination last year, where we find there are deep synergies. That said, we could envision some further private equity interest in the REITS; any combination of private equity buyouts and/or M&A could lift REIT stock prices, even if temporary.
5. **Single-asset acquisitions and dispositions (for the REITS more often dispositions right now).** We sense the balance of our REIT coverage remain net sellers. However, commentary from Sunstone (SHO, Hold) last quarter, consistent to our research for the PEB initiation, suggests to us that cap rates may be rising for select assets. While dispositions can help lower leverage levels in a late-cycle environment (part of the fundamental strategy today for PEB and RLJ), we could see some REITS as more active buyers especially to support dividend payout ratios if EBITDA margins compress more significantly in a late-lodging cycle environment. Fortunately, we find that many REITS within our coverage have strong balance sheets today and we sense that strategy is likely to hold for at least the next few years given current lodging cycle fundamentals.

Looking at our most recent forward-looking demand and pricing observations for full-service US branded hotels:

- **3Q19:** Our expectations by month:
  - **July:** Disappointing given the easy y/y July 4th comp (shifted) to a Thursday from a Wednesday) and is tracking around flat y/y.
  - **August:** Tracking around flat to -1%. We suspect this month is hurt by the extra week in September this year before Labor Day weekend.
  - **September:** Is helped this year by the shift in timing of the Jewish Holidays. Rosh Hashanah moves from September 9-11 (Sunday-Tuesday) in 2018 to September 29 –October 1 (Sunday-Tuesday) this year. Even more impactful is Yom Kippur moving from September 18–19 (Tuesday-Wednesday) in 2018 to October 8-9 (Tuesday-Wednesday) this year which is a clear RevPAR benefit to September but a hit to October (see table below). That said, even with this shift, trends are far from spectacular as we observe this month tracking +0-2% at the moment.

Table 3

Gross Changes to 2019 Y/Y Citywide Group Pace (by month)

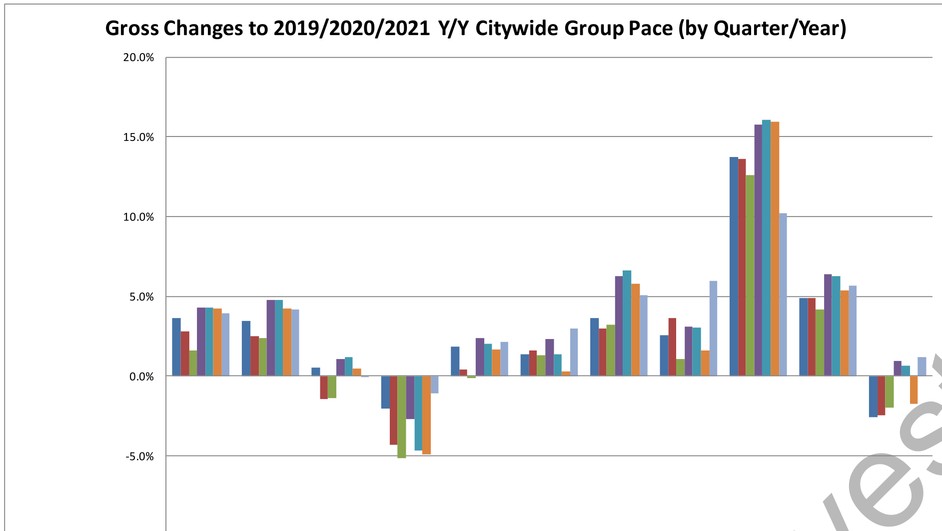


	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Pace as of October 2018	-1.5%	9.1%	3.8%	-8.7%	19.5%	2.5%	-3.3%	1.8%	4.3%	-16.1%	0.6%	48.1%
Pace as of November 2018	-1.1%	8.6%	1.8%	-8.5%	16.6%	1.8%	-7.1%	0.8%	4.0%	-16.5%	-3.5%	40.8%
Pace as of December 2018	-4.5%	7.7%	2.2%	-7.8%	16.7%	0.7%	-5.4%	0.2%	2.6%	-15.7%	-5.9%	38.5%
Pace as of January 2019	-1.8%	10.8%	4.7%	-6.4%	20.6%	3.1%	-5.5%	3.3%	8.3%	-14.0%	-1.6%	38.5%
Pace as of February 2019	-3.2%	10.7%	6.1%	-7.7%	23.9%	1.8%	-4.8%	3.0%	7.7%	-14.2%	-6.0%	33.6%
Pace as of March 2019	-3.9%	13.2%	5.0%	-8.0%	24.0%	0.8%	-5.6%	2.4%	7.0%	-14.9%	-5.8%	34.8%
Pace as of June 2019	-2.3%	11.4%	3.4%	-3.7%	15.7%	1.9%	-3.0%	0.0%	3.5%	-7.1%	-5.5%	30.8%

Source: STRH Research, TAP

<u>Examining the forward-looking group/convention trends:</u> On the surface, we would describe headline forward looking trends for 2019 and especially for 2020 as "not that bad." However, over the next several years urban hotels will see approximately 3% new supply growth annually in our view and those headline "gross demand" growth rates will be diluted on a "same-store" basis by this new supply.

Table 4

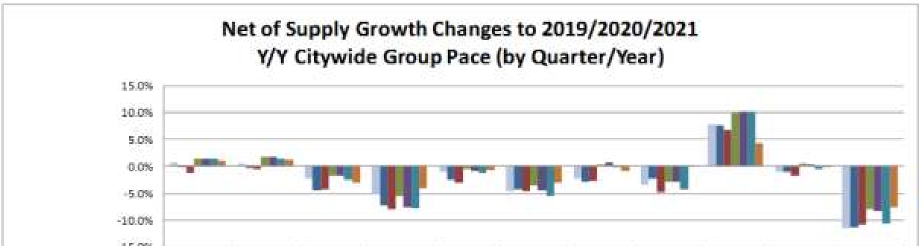


	1Q19	2Q19	3Q19	4Q19	YE 19	1Q20	2Q20	3Q20	4Q20	YE 20	YE 21
Pace as of October 2018	3.6%	3.5%	0.5%	-2.0%	1.8%	1.3%	3.6%	2.6%	13.7%	4.9%	-2.6%
Pace as of November 2018	2.8%	2.5%	-1.5%	-4.3%	0.4%	1.6%	3.0%	3.7%	13.6%	4.9%	-2.5%
Pace as of December 2018	1.6%	2.4%	-1.4%	-5.2%	-0.1%	1.3%	3.2%	1.1%	12.6%	4.1%	-2.0%
Pace as of January 2019	4.3%	4.7%	1.0%	-2.7%	2.4%	2.3%	6.2%	3.1%	15.8%	6.4%	1.0%
Pace as of February 2019	4.3%	4.7%	1.2%	-4.7%	2.0%	1.4%	6.6%	3.0%	16.1%	6.3%	0.6%
Pace as of March 2019	4.2%	4.2%	0.4%	-4.9%	1.6%	0.3%	5.8%	1.6%	16.0%	5.4%	-1.8%
Pace as of June 2019	3.9%	4.2%	-0.1%	-1.1%	2.1%	2.9%	5.1%	5.9%	10.2%	5.7%	1.2%

Source: STRH Research, TAP

However, when we add approximately 3% of annual urban hotel supply (compounded) over the next several years, the same-store projection looks less encouraging:

Table 5

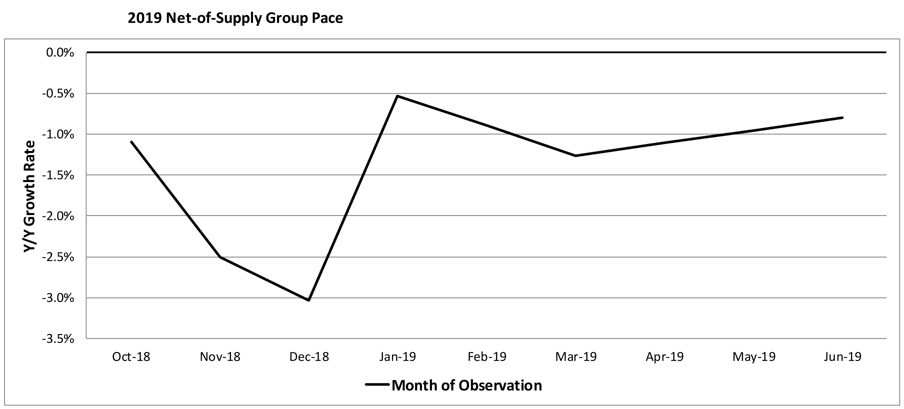


	1Q19	2Q19	3Q19	4Q19	YE 19	1Q20	2Q20	3Q20	4Q20	YE 20	YE 21
Pace as of October 2018	0.7%	0.6%	-2.4%	-4.9%	-1.1%	-4.6%	-2.3%	-3.3%	7.8%	-1.0%	-11.5%
Pace as of November 2018	-0.1%	-0.4%	-4.4%	-7.2%	-2.5%	-4.3%	-2.9%	-2.2%	7.7%	-1.0%	-11.4%
Pace as of December 2018	-1.3%	-0.5%	-4.3%	-8.1%	-3.0%	-4.6%	-2.7%	-4.8%	6.7%	-1.8%	-10.9%
Pace as of January 2019	1.4%	1.8%	-1.9%	-5.6%	-0.5%	-3.6%	0.3%	-2.8%	9.9%	0.5%	-7.9%
Pace as of February 2019	1.4%	1.8%	-1.7%	-7.6%	-0.9%	-4.5%	0.7%	-2.9%	10.2%	0.4%	-8.3%
Pace as of March 2019	1.3%	1.3%	-2.5%	-7.8%	-1.3%	-5.6%	-0.1%	-4.3%	10.1%	-0.5%	-10.7%
Pace as of June 2019	1.0%	1.3%	-3.0%	-4.0%	-0.8%	-3.0%	-0.8%	0.0%	4.3%	-0.2%	-7.7%

Source: STRH Research, TAP

- **2019E:** Our net-of-supply group pace for 2019 is -0.8% (roughly 100-150 bps. lower ex-San Francisco). To this we add approximately 2.5 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at about +2% y/y for 2019 at the moment. We observe that trends for the rest of the year have improved very slightly as we passed the difficult Easter comp in March and April.

Table 6

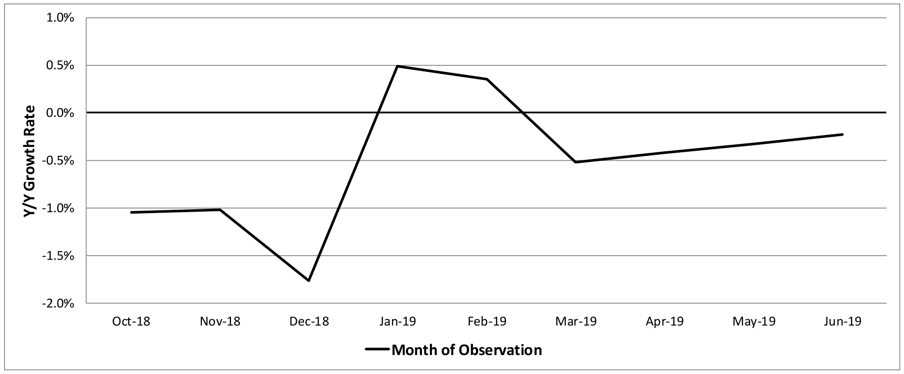


Source: STRH Research, TAP

- **2020E:** Our net-of-supply group pace for 2020 is -0.2%. To this we add approximately 2 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking atroughly +2.0% y/y for 2020 at the moment, with approximately 50% of final group reservations on the books.

Table 7

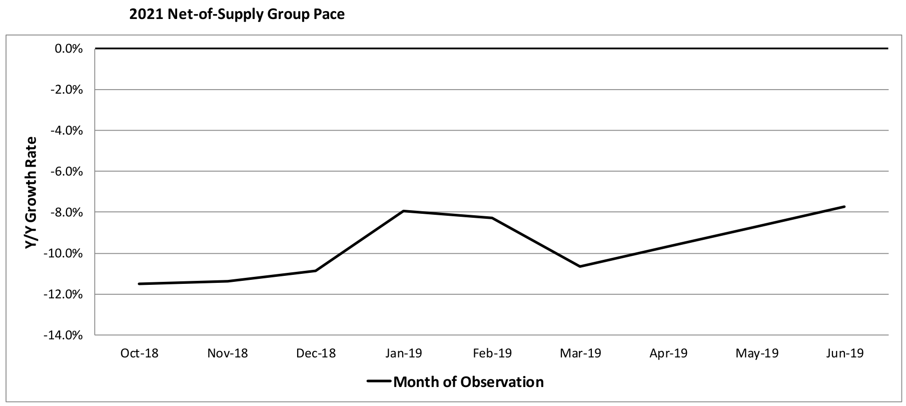
2020 Net-of-Supply Group Pace



Source: STRH Research, TAP

- **2021E:** Our net-of-supply group pace for 2020 is -7.7%. To this we add approximately 2 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at approximately -5.5% y/y for 2021 at the moment, with roughly 20% of final group reservations on the books.

Table 8



Source: STRH Research, TAP

Table 9

Segmentation By Company

REITS	Transient Corporate	Transient Leisure	Group
CHSP	45%	20%	35%
DRH	45%	20%	35%
HST	45%	15%	40%
PEB	50%	25%	25%
PK	45%	20%	35%
RHP	5%	15%	80%
RLJ	55%	25%	20%
SHO	45%	20%	35%

C-corps	Transient Corporate	Transient Leisure	Group
CHH	45%	45%	10%
H	40%	20%	40%
HLT	50%	20%	30%
MAR	45%	20%	35%
WH	45%	45%	10%

Source: STRH Research, company filings

Major Markets:

Not surprisingly, due to the completed renovation of the convention center, San Francisco should be the outstanding market in 2019 (1Q and 4Q especially strong). *However, group business for the city in 2020 is showing negative growth (based on our forward booking analysis) mostly due to the very difficult y/y comp as the pent-up 2019 demand moves on to other cities such as Boston, Chicago, and Washington DC.*

Ranking the big six major US markets for 2019. Group/meeting bookings are the best way to think about market outperformance/ underperformance for time periods more than 90 days out. A healthy (or weak) convention calendar really drives city performance (with the notable exception of NYC as that is mostly a transient market). Based on initial group/convention bookings, we lump the top six markets into three buckets:

Remainder of 2019:

1. Above average: San Francisco

2. Average: Boston, Los Angeles, Washington DC

3. Below average: Chicago, NYC

Additional color on the big six:

Boston:

3Q19: Average

4Q19: Average

2020: Above average

Table 10

Est exposure to Boston market								
	CHSP	**DRH**	**HST**	**PEB**	**PK**	**RHP**	**RLJ**	**SHO**
Boston	17%	15%	6%	14%	2%	0%	4%	16%
Rank	1	3	5	4	7	8	6	2
Note: Est. exposures include surrounding areas								
Source: STRH Research, Company data								

Chicago:

3Q19: Below average

4Q19: Below average

2020: Above average

Tables 11-12

Group/convention outlook for Chicago

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Jun-19	-22.4%	6.1%	-2.0%	-17.4%	-7.2%	25.3%	12.3%	-5.2%	-4.1%	6.2%	7.3%
Mar-19	-22.8%	6.0%	2.1%	-17.8%	-6.8%	31.6%	17.6%	-2.4%	-2.2%	10.1%	10.3%
Feb-19	-23.8%	6.0%	2.1%	-16.4%	-6.6%	33.0%	17.9%	-2.4%	-4.1%	9.7%	9.4%
Jan-19	-25.2%	-2.8%	2.1%	-16.8%	-9.7%	33.4%	19.1%	-3.6%	3.2%	11.7%	8.3%
Dec-18	-30.0%	-10.0%	-5.1%	-18.3%	-14.8%	24.7%	21.8%	-6.9%	-0.1%	9.5%	10.7%
Nov-18	-31.1%	-9.2%	-5.6%	-18.3%	-14.8%	27.7%	20.0%	2.4%	2.8%	12.3%	11.2%
Oct-18	-32.4%	-7.9%	-7.7%	-18.2%	-15.0%	19.3%	27.3%	-1.0%	2.7%	13.1%	6.8%

Source: STRH Research, TAP

Est exposure to Chicago market

	CHSP	DRH	HST	PEB	PK	RHP	RLJ	SHO
Chicago	7%	14%	4%	5%	4%	0%	5%	6%
Rank	2	1	6	4	6	8	4	3

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

Los Angeles:

3Q19: Average

4Q19: Average

2020: Well above average

Tables 13-14

Group/convention outlook for Los Angeles

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Jun-19	-1.3%	4.3%	-16.1%	17.4%	0.2%	28.3%	15.2%	55.7%	37.2%	30.5%	-3.2%
Mar-19	-4.0%	-3.1%	-17.1%	7.7%	-4.6%	-1.2%	21.4%	54.2%	28.4%	23.1%	-21.1%
Feb-19	-4.1%	-3.6%	-16.2%	7.7%	-4.7%	-1.2%	22.4%	52.0%	28.5%	23.0%	-21.1%
Jan-19	-4.9%	0.0%	-17.4%	10.4%	-3.7%	-1.9%	23.4%	50.0%	29.5%	23.0%	-20.1%
Dec-18	-12.3%	8.3%	-16.8%	20.4%	-2.3%	-8.6%	19.8%	48.7%	17.9%	17.6%	-23.6%
Nov-18	-15.4%	6.8%	-19.3%	21.0%	-4.2%	-6.8%	10.6%	50.3%	20.0%	16.1%	-26.1%
Oct-18	-27.6%	-1.3%	-31.3%	7.6%	-15.5%	-21.1%	9.6%	48.4%	-0.9%	6.9%	-21.4%

Source: STRH Research, TAP

Est exposure to LA market								
	CHSP	**DRH**	**HST**	**PEB**	**PK**	**RHP**	**RLJ**	**SHO**
LA	7%	2%	5%	13%	0%	0%	5%	6%
Rank	2	6	4	1	7	7	5	3
Note: Est. exposures include surrounding areas								
Source: STRH Research, Company data								

NYC:

3Q19: Below average

4Q19: Average

2020: Below average

A major headwind to same store RevPAR growth in NYC remains several years of compounded 4-6% new supply growth. Per Lodging Econometrics, city-wide new room supply grew 5.1% in 2016, 4.9% in 2017, 3.4% in 2018, and is projected to grow 8.1% in 2019 and 4.8% in 2020. Even if some of these expected new hotels never open, we think it is difficult to envision that NYC will not have continued pressure from above-average supply over the next several years. **We believe RevPAR growth in NYC will be down low-single digits 2019.**

Table 15

Est exposure to NYC market								
	CHSP	**DRH**	**HST**	**PEB**	**PK**	**RHP**	**RLJ**	**SHO**
NYC	5%	12%	8%	1%	7%	0%	5%	4%
Rank	4	1	2	7	3	8	4	6
Note: Est. exposures include surrounding areas								
Source: STRH Research, Company data								

San Francisco:

3Q19: Below average

4Q19: Well above average

2020: Below average

Table 16

Group/convention outlook for San Francisco

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE19	1Q20E	2Q20E	3Q20E	4Q20E	YE20	YE21
Jun-19	72.7%	48.4%	-0.5%	57.1%	42.6%	-25.4%	10.4%	-9.7%	-11.7%	-10.1%	-0.5%
Mar-19	71.2%	51.5%	8.4%	74.1%	49.6%	-29.0%	12.6%	-12.9%	-8.9%	-10.9%	0.4%
Feb-19	71.2%	51.4%	8.4%	74.1%	49.6%	-28.9%	7.3%	-12.9%	-8.9%	-12.0%	0.4%
Jan-19	82.0%	53.9%	7.4%	76.3%	52.6%	-28.4%	23.5%	-13.0%	-8.9%	-9.2%	6.9%
Dec-18	85.9%	50.1%	8.4%	75.7%	52.6%	-29.8%	32.0%	-15.4%	-10.1%	-9.0%	-9.5%
Nov-18	86.9%	52.6%	8.2%	75.9%	53.5%	-30.5%	36.5%	-15.1%	-10.2%	-8.4%	-2.7%
Oct-18	90.4%	57.9%	14.7%	76.0%	58.0%	-28.0%	37.9%	-15.1%	-10.1%	-7.2%	-2.5%

Source: STRH Research, TAP

San Francisco all along was expected by investors to be the top growth market in 2019 due to the Moscone reopening; however, we believe the city will finish above initial expectations.

Table 17

Est exposure to SF market	CHSP	DRH	HST	PEB	PK	RHP	RLJ	SHO
San Francisco	27%	4%	10%	20%	13%	0%	11%	10%
Rank	1	7	5	2	3	8	4	5

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

Washington DC:

3Q19: Above average

4Q19: Average

2020: Above average

Tables 18-19

Group/convention outlook for Washington, D.C.

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Jun-19	30.6%	-23.3%	0.8%	-0.7%	-1.8%	-31.3%	10.4%	48.4%	54.9%	10.9%	-6.3%
Mar-19	18.3%	-25.8%	4.9%	-1.8%	-5.3%	-27.2%	2.8%	43.9%	58.5%	12.5%	-10.5%
Feb-19	16.6%	-25.8%	4.9%	-0.7%	-5.5%	-26.0%	2.9%	43.9%	58.5%	13.1%	-10.5%
Jan-19	18.6%	-25.6%	7.6%	3.5%	-3.8%	-25.6%	1.9%	46.7%	56.1%	13.2%	-11.3%
Dec-18	20.6%	-28.7%	4.5%	3.0%	-5.7%	-25.8%	-0.8%	43.5%	56.4%	12.1%	-11.2%
Nov-18	16.1%	-32.4%	10.7%	1.1%	-7.8%	-23.8%	-0.3%	49.3%	59.2%	14.6%	-6.8%
Oct-18	19.5%	-31.7%	12.6%	2.6%	-6.3%	-22.4%	0.2%	53.1%	59.9%	16.1%	-6.3%

Source: STRH Research, TAP

Est exposure to DC market	CHSP	DRH	HST	PEB	PK	RHP	RLJ	SHO
DC	3%	4%	9%	7%	3%	16%	5%	10%
Rank	7	6	3	4	7	1	5	2

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

Current expectations for Top 25 Market new supply:

Table 20

Supply By Top 25 Markets (Sorted by Pipeline Rooms Growth as % of Census)
As of 1Q19

	Census Rank	YE 2017 Growth Rate	YE 2018 Growth Rate	2019F Growth Rate	2020F Growth Rate
Nashville	21	4.3%	7.2%	6.7%	6.2%
Los Angeles	6	4.2%	1.7%	1.3%	4.9%
New York City	3	4.9%	3.4%	8.1%	4.8%
Detroit	22	3.2%	2.7%	3.7%	4.4%
Dallas	8	5.8%	3.6%	4.0%	4.4%
Miami	14	3.5%	2.6%	3.8%	1.8%
Denver	16	5.6%	5.4%	3.2%	4.6%
Seattle	18	4.4%	7.3%	1.7%	4.9%
Houston	9	4.0%	3.0%	3.9%	3.2%
Boston	12	3.1%	3.8%	4.0%	2.8%
Phoenix	10	2.8%	1.5%	2.1%	2.8%
Orlando	2	0.8%	1.8%	1.7%	2.7%
Philadelphia	19	3.2%	2.2%	1.4%	3.5%
Atlanta	7	1.7%	2.7%	2.1%	2.8%
San Diego	11	1.3%	2.2%	2.5%	0.6%
Minneapolis	23	1.8%	4.2%	2.6%	3.9%
San Francisco	15	1.8%	1.2%	2.9%	1.4%
Tampa	17	4.0%	2.2%	1.5%	2.0%
Anaheim	13	2.0%	1.0%	1.6%	3.1%
Saint Louis	27	2.1%	2.0%	2.0%	1.5%
Washington D.C.	5	2.0%	1.8%	1.1%	1.2%
San Antonio	20	1.4%	2.0%	1.5%	2.0%
Chicago	4	2.3%	2.1%	1.3%	1.3%
Norfolk	28	1.2%	0.0%	1.5%	0.8%
Oahu Island	37	0.6%	0.0%	0.0%	0.6%
Total Top 25 Markets		**2.9%**	**2.6%**	**2.7%**	**2.9%**

Source: Lodging Econometrics, STRH Research

Notes: The largest market in the U.S., Las Vegas, is not included in this chart due to its casino orientation. 2019-2020 are forecasts.

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Table 21

RevPAR Guidance (2Q19 and FY 19)			
	2Q19	FY 19	*Notes*
C-Corps			
CHH	-1% to +1%	+0-1%	*Domestic RevPAR*
H		+1-3%	*Comparable systemwide*
HLT	+1-2%	+1-3%	*Systemwide*
		+1-3%	*US*
		Higher-end of +1-3% guidance	*Americas ex-US*
		Higher-end of +1-3% guidance	*Europe*
		Down low single digits	*Middle East/Africa*
		+3-5%	*Asia Pacific*
MAR	+1-3%	+1-3%	*Worldwide*
	+1-2%	+1-3%	*North America*
	+2-4%	+2-4%	*Outside North America*
	Mid-single digit (+)	Mid-single digit (+)	*Asia Pacific*
	Low-single digit (+)	Low-single digit (+)	*Caribbean & Latin America*
	Mid-single digit (+)	Mid-single digit (+)	*Europe*
	Decline, albeit less significantly than 1Q	Low-single digit (-)	*Middle East/Africa*
PLYA		Slightly negative to slightly positive	*Comparable systemwide*
WH		+1-3%	*Includes La Quinta after 1 yr of ownership and excludes Knights Inn from 2018 base*
		+5-7%	*Total portfolio*
REITS			
CHSP		+1.5-3.5% (no updated since 4Q earnings due to merger)	
DRH		+0.5-2.5%	
HST		+0-2%	
PEB	+0-2%	+1-3%	*Same-property*
PK		+2.5-4.5%	
RHP		+2-4%	*Same-Store Hospitality RevPAR (ex-Rockies)*
RLJ		+0-2%	
SHO	+0-2%	+0.5-3%	

Source: Company reports and conference calls

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, $10.36, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $86.80, Hold, C. Patrick Scholes)
Chesapeake Lodging Trust (CHSP, $27.47, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $9.74, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $76.78, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $32.04, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $93.24, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $17.47, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $136.06, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, $235.27, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, $26.60, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, $25.85, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.27, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $74.23, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $16.94, Sell, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, $13.05, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $96.01, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $58.45, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $45.72, Buy, C. Patrick Scholes)
InterContinental Hotels Group (IHG, $69.56, NR)

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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.

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· Neutral – total return is within the bounds above
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· CS – Coverage Suspended
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