Nov. RevPAR Monitor: Dec ’19 & 2020 group looking decent

But hotels still can’t hold ADR for other customers. Our RevPAR forecasts u/c.

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

Kevin Robinson
617-345-6544
kevin.robinson@suntrust.com

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 six weeks, we continue to observed areas of relative strength and weakness. Strength is with group bookings and from industry-wide occupancy “holding in there” at around flat to -1%. Weakness is coming from hotels’ inability to maintain room rate integrity as arrival dates get closer for transient (business + leisure) customers. Combining these two strengths and weaknesses, a huge wildcard for 2020 will be hotels’ success or failure to use the strong initial group base as a buffer to push transient ADRs higher. We believe it is not impossible but unlikely hotels will be able to do so in the current supply/ demand environment.

As we look out over the next six months, we see individual business travel RevPAR tracking approx. -1%, leisure somewhat better at approx. +0.5%, and group, as to be expected late-cycle outperforming at approx. +2.5% (if investors are more comfortable with Ryman’s (RHP, Hold) sector-high valuation multiple and historically high valuation spread with Host (HST, Hold) than we are, RHP would be preferred in this scenario). Per discussions with clients over the past several weeks, investors are trying to figure out when to re-enter lodging. *Barring a large tariff deal or major infrastructure bill, neither of which we envision happening anytime soon, it is difficult to find a demand catalyst for the sector in the near-to-mid-term.*

We reiterate our 4Q19 RevPAR forecast for full-service branded US hotels at flat to +2% and 2020 at -1% to +1%. In 2020 we believe the industry is on track to see approx. 100bps. lower RevPAR growth than in 2019. **We do not believe these ranges significantly differ from most investors’ expectations at this moment.**

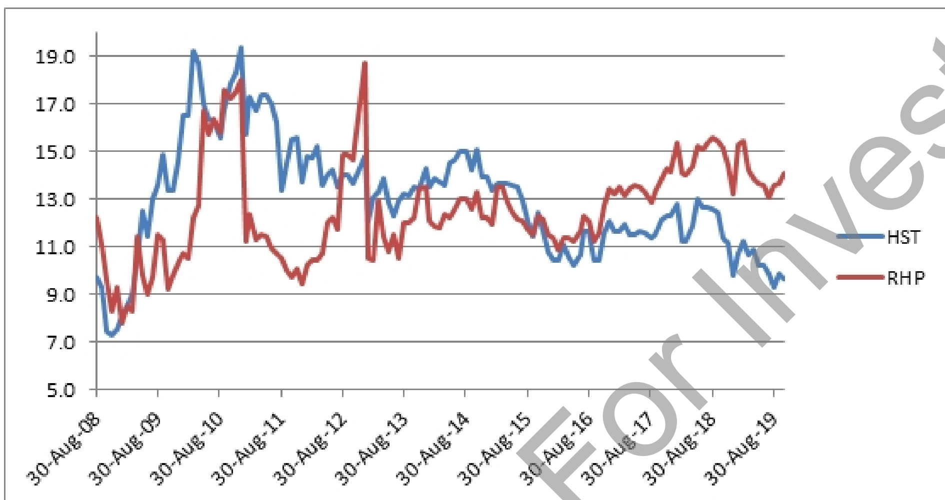
We are introducing a 1Q20 RevPAR forecast of +0-2%. As detailed further in this report, March (and April) have very strong levels of group business on the books, partly from a very easy y/y extended spring break/ Easter comp. While group RevPAR for 2Q20 is actually tracking +4.5-6.5% at the moment, the trend line for holding this lever of RevPAR growth has not been positive as the range has dropped by approx. 200bps over the past two months. Additionally, transient business trends continue to show weakness and when we put these two segments together and assume recent trends of deceleration continue, we believe +0-2% is a reasonable range to expect at the end of the day. Companies will not give 1Q20 RevPAR guidance until February/March.

SEE PAGE 21 FOR REQUIRED DISCLOSURE INFORMATION

For the most part in the above scenarios, it is difficult to get excited about lodging stocks in general but not much screams "pound-the-table short" either, especially as nothing in our checks indicates RevPAR growth is suddenly "falling out of bed". We see more interesting stories in Vacation Ownership (Marriott Vacations (VAC, Buy) & Wyndham Destinations (WYND, Buy) and Cruise lines (Norwegian (NCLH, Buy) & Royal Caribbean (RCL, Buy) at the moment. While much of what we stated on the first page of this report is a negative for hotel REITS as costs are growing faster than those RevPAR ranges, there are several positives:

- **The good news for the hotel REITS, is that we do not see much risk for valuation multiples to significantly contract from current levels; however, we continue to believe there will be gradual cuts to consensus estimates over the next year and 2021 same-store earnings will be lower than 2020's.** Other positives in our opinion:
  - **Attractive dividend yields.** Most hotel REITS are paying out a 4-8% annualized yield and with a few exceptions, we do not see the pay-out ratios as particularly stretched.
  - **The strongest balance sheets in the history of the hotel REIT sector for HST and Sunstone (SHO, Hold).**
  - **A relatively strong late-cycle group/convention RevPAR growth environment for RHP (and to a lesser degree other companies) combined with impressive 2020 bookings at their new Colorado property.** As mentioned previously, if investors are more comfortable with RHP's sector-high valuation multiple, historically high valuation spread with HST, and above average financial leverage than we are, RHP would be preferred in this scenario.

1-year forward historical multiple of EBITDA on where HST and RHP have traded



Source: STRH research, FactSet

As we discussed in past several months, the challenge right now is holding onto ADR growth (or as we say in the industry, "rate integrity") for transient (business & leisure) customers and this negative trend has continued. When we look out 4-12 months, we observe room reservations being made at +1-3% y/y ADR increases. However, as arrival dates get closer (and when the vast majority of business transient bookings are made) that y/y growth rate turns negative and final ADR results for the week/month average out to around flat.

- In previous research we discussed possible reasons why occupancy is holding fairly steady at historically peak levels but hotels cannot seem to push ADR growth. Besides our belief that hotel manager incentives around keeping occupancy high in order to receive the largest reimbursement for hotel stays paid with loyalty points is a major contributor to this problem, based on conversation with large hotel asset managers we also believe hotel room rebooking tools contribute to the issue, amongst other factors. These apps and websites, such as Pruvo, assist travelers in automatically rebooking a hotel room if price drops are identified.

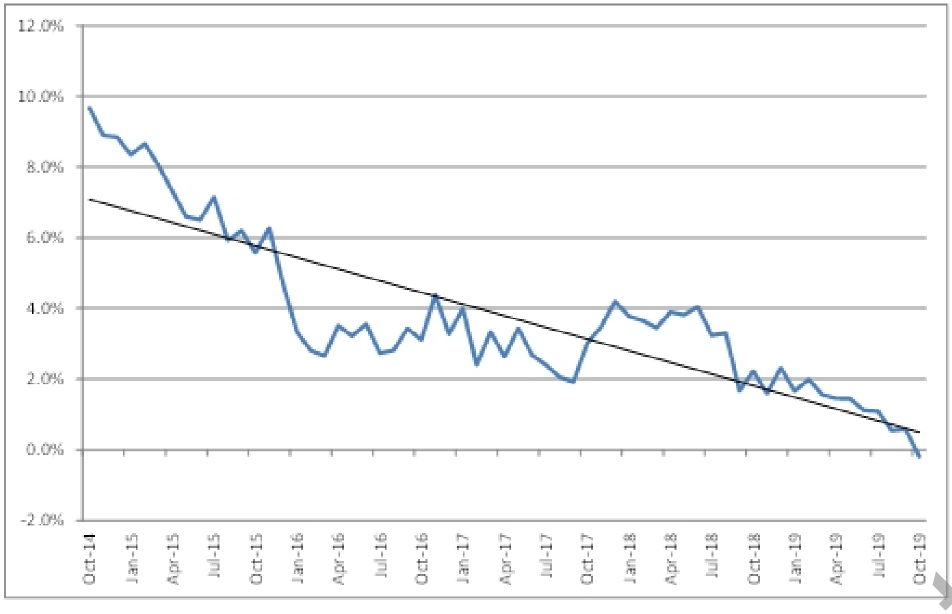
As we look into 2020, city-wide group bookings are relatively strong which we believe to be driven by an easy y/y Easter comp combined with overall better city-wide convention calendars for the year. It is not atypical to see Group business outperforming other customer segments late in a cycle. Based on Cvent data, the outlook for 2020 corporate group bookings is much softer than for city-wide group bookings. We note from our contacts at Cvent (they are involved in about one-third of corporate group bookings in the US) that bookings are fairly flattish over the next four quarters, evidenced in various indicators such as shorter durations of stays, a slightly contracting booking window, and average size of the room block (flat to slightly down), etc. For corporate groups, demand is not keeping up with supply and because of this group is very competitive and now we are seeing a share grab. We believe this will eventually lead to rate discounting.

- **Overall negatives for 2020 besides the unfavorable trend of gradually decelerating demand and pricing power for individual business travelers include another year of +2.5% supply growth (closer to +3% in urban markets), the 2020 presidential election (uncertainty causes hesitation), and a difficult holiday shift y/y comp in December.**
- **As we look out into 2021, city-wide group business continues to look soft, and even more so when factoring another two years of supply growth between now and then.** We attribute this softness to hesitation by corporations and meeting planners to make future commitments due to uncertainty around the economy and trade wars; we believe such uncertainty is similar to the reasons for weakness in nonresidential fixed investments (EPI). *As 2022 city-wide group business strengthens from 2021, it is quite possible 4Q21 could be the trough for RevPAR growth.*

Recession watch: The trailing 3 month average for US RevPAR dipped negative for the first time this cycle. Trailing 3 month RevPAR growth turning negative has always been associated with a recession (at least since reliable RevPAR data was made available in 1987). Following the weak results in October, T3M is currently -0.5% vs. +0.6% last month. **That said, it is entirely possible this figure may return to slightly positive in December as this month, and to a lesser degree November, will be the strongest months of the quarter (ergo why we are not making a big deal about this figure turning negative just yet).** As discussed previously and further in this report, strong city-wide convention calendars next year may prevent the T3M from going and staying negative in 2020 (assuming no major attrition or cancellations), however, 2021 looks to be a difficult year for US group business and the industry will not have the backstop of relatively strong group business in 2021.

- To be clear, T3M RevPAR growth turning negative by itself is not a predictor of recessions as when it does turn negative we can already be well into a recession:
  - November 1990, the fifth month into that recession the metric turned negative;
  - May 2001, the third month into that recession the metric turned negative; and
  - Aug 2008, the ninth month into that recession the metric turned negative.
  - For the definition of a recession, we use the National Bureau of Economic Research's (NBER) definition. The NBER defines a recession as "a significant decline in economic activity spread across the economy, lasting more than two quarters which is 6 months, normally visible in real gross domestic product (GDP), real income, employment, industrial production, and wholesale-retail sales".

Trailing three month US RevPAR growth with trendline since this cycle's RevPAR growth peak in 4Q14



Source: STRH Research, STR

Table 2

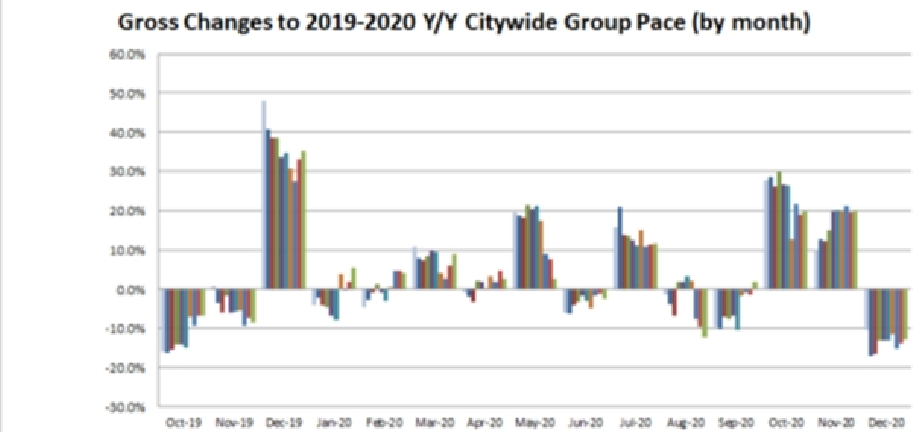
	Quarterly Tracking			
	4Q19	*2019E*	*1Q20*	*2020E*
	Overall	Overall forecast	Overall	Overall forecast
Oct-19	+0-2%	+0-2%	+0-2%	-1% to +1%
Aug-19	+0-2%	+0-2%		-1% to +1%
Jul-19	+0-2%	+0-2%		-1% to +1%
Jun-19	+0-2%	+0-2%		-1% to +1%
Mar-19		+0-2%		
Feb-19		+0-2%		
Dec-18		+0.5-2.5%		
Oct-18		+1-3%		
Aug-18		+1-3%		
Jul-18		+1-3%		

Source: STRH Research

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

- **4Q19:** Our expectations by month:
  - **October:** Hurt by the timing of Yom Kippur. The month finished down approx. -2.3% in RevPAR growth for US full-service branded hotels.
  - **November:** The timing of Thanksgiving is a week later this year, on the 28th vs. the 22nd last year and subsequently there are three business travel weeks in November of this year before Thanksgiving vs. only two last year. While difficult to precisely forecast the RevPAR impact of this extra week, we believe it to be a slight positive for the month and see RevPAR flat to up low-single digits.
  - **December:** Looks to be an interesting month because of what appears to be a positive impact of Christmas and New Year's Day moving to a Wednesday from a Tuesday last year. Group business in December looks surprisingly strong. We expect the month to be the strongest of the quarter and finish up low-single digits in RevPAR growth.
- **1Q20:** Our expectations by month:
  - **January:** Clean comp month. January gains a Friday and loses a Tuesday, which we will be an approx. 50bps headwindto RevPAR growth. We expect the month to finish flat to +2%.
  - **February:** Clean comp month. February gains a Saturday (extra day for leap year), perhaps a 30bps tailwind to RevPAR growth. We expect the month to finish flat to +2%.
  - **March:** Group business looks particularly strong. The month gains a Monday and a Tuesday and loses a Friday and a Saturday, the neteffect being an approx. 30bps headwind to RevPAR growth. Passover starting April 8th may give a small boost to the last two days of March. We expect the month to finish up low-single digits.

Table 3

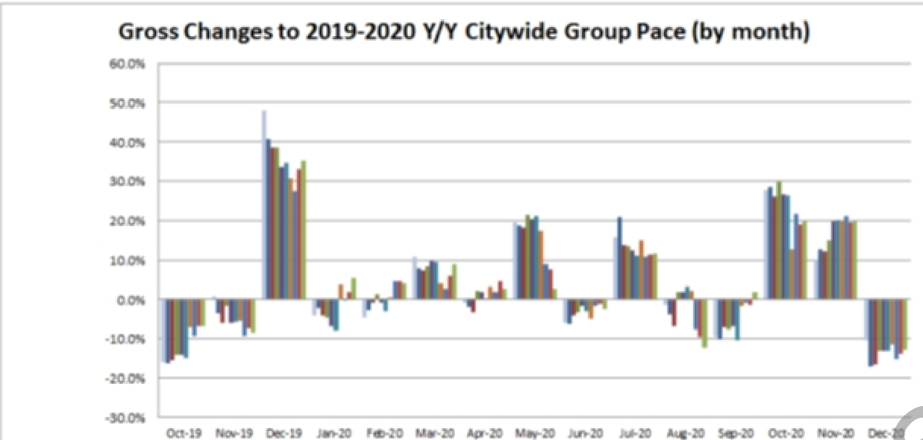


	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Pace as of October 2018	-16.1%	0.6%	48.1%	-4.2%	-4.6%	10.8%	-0.8%	19.5%	-6.1%	15.9%	-1.3%	-9.6%	27.6%	9.9%	-10.3%
Pace as of November 2018	-16.5%	-3.5%	40.8%	-2.2%	-2.7%	7.9%	-2.0%	18.6%	-6.3%	20.9%	-4.0%	-10.0%	28.5%	12.8%	-17.3%
Pace as of December 2018	-15.7%	-5.9%	38.5%	-4.2%	-0.8%	7.2%	-3.4%	18.1%	-4.2%	13.9%	-6.9%	-7.2%	26.0%	12.2%	-16.5%
Pace as of January 2019	-14.0%	-1.6%	38.5%	-4.7%	1.4%	8.5%	2.2%	21.4%	-3.3%	13.5%	2.0%	-7.6%	29.9%	15.0%	-13.2%
Pace as of February 2019	-14.2%	-6.0%	33.6%	-6.8%	-0.9%	9.7%	1.8%	20.5%	-1.7%	12.3%	2.0%	-6.8%	26.6%	19.8%	-13.0%
Pace as of March 2019	-14.9%	-5.8%	34.8%	-7.8%	-2.9%	9.4%	0.2%	21.0%	-2.9%	11.0%	3.1%	-10.3%	26.2%	20.0%	-13.3%
Pace as of June 2019	-7.1%	-5.5%	30.8%	3.7%	0.5%	4.1%	3.3%	17.4%	-4.9%	14.9%	2.1%	-1.6%	12.7%	19.7%	-11.4%
Pace as of July 2019	-9.2%	-9.4%	27.4%	-0.2%	4.6%	2.6%	2.0%	8.8%	-1.6%	10.8%	-7.8%	-0.9%	21.6%	21.2%	-15.2%
Pace as of August 2019	-6.9%	-7.4%	33.0%	1.8%	4.7%	6.0%	4.5%	7.4%	-1.1%	11.5%	-9.5%	-1.3%	19.0%	19.6%	-13.8%
Pace as of September 2019	-7.0%	-8.4%	35.3%	5.3%	4.1%	8.9%	2.8%	2.7%	-2.5%	11.6%	-12.3%	1.8%	19.7%	19.9%	-12.8%

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 "decent". However, over the next several years urban hotels will see approx. 3% new supply growth annually and those headline "gross demand" growth rates will be diluted on a "same-store" basis by this new supply.

Table 4

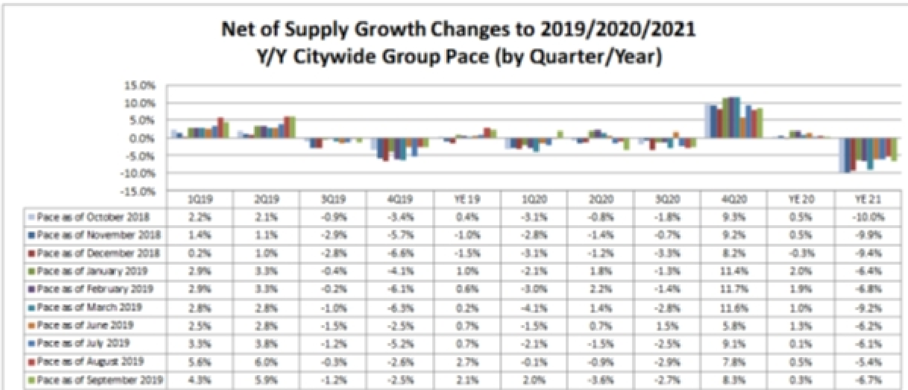


	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Pace as of October 2018	-16.1%	0.6%	48.1%	-4.2%	-4.6%	10.8%	-0.8%	19.5%	-6.1%	15.9%	-1.3%	-9.6%	27.6%	9.9%	-10.3%
Pace as of November 2018	-16.5%	-3.5%	40.8%	-2.2%	-2.7%	7.9%	-2.0%	18.6%	-6.3%	20.9%	-4.0%	-10.0%	28.5%	12.8%	-17.3%
Pace as of December 2018	-15.7%	-5.9%	38.5%	-4.2%	-0.8%	7.2%	-3.4%	18.1%	-4.2%	13.9%	-6.9%	-7.2%	26.0%	12.2%	-16.5%
Pace as of January 2019	-14.0%	-1.6%	38.5%	-4.7%	1.4%	8.5%	2.2%	21.4%	-3.3%	13.5%	2.0%	-7.6%	29.9%	15.0%	-13.2%
Pace as of February 2019	-14.2%	-6.0%	33.6%	-6.8%	-0.9%	9.7%	1.8%	20.5%	-1.7%	12.3%	2.0%	-6.8%	26.6%	19.8%	-13.0%
Pace as of March 2019	-14.9%	-5.8%	34.8%	-7.8%	-2.9%	9.4%	0.2%	21.0%	-2.9%	11.0%	3.1%	-10.3%	28.2%	20.0%	-13.1%
Pace as of June 2019	-7.1%	-5.5%	30.8%	3.7%	0.5%	4.1%	3.3%	17.4%	-4.9%	14.9%	2.1%	-1.6%	12.7%	19.7%	-11.4%
Pace as of July 2019	-9.2%	-9.4%	27.4%	-0.2%	4.6%	2.6%	2.0%	8.8%	-1.6%	10.8%	-7.8%	-0.9%	21.6%	21.2%	-15.2%
Pace as of August 2019	-6.9%	-7.4%	33.0%	1.8%	4.7%	6.0%	4.5%	7.4%	-1.1%	11.5%	-9.5%	-1.3%	19.0%	19.6%	-13.8%
Pace as of September 2019	-7.0%	-8.4%	35.3%	5.3%	4.1%	8.9%	2.8%	2.7%	-2.5%	11.6%	-12.3%	1.8%	19.7%	19.9%	-12.8%

Source: STRH Research, TAP

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

Table 5



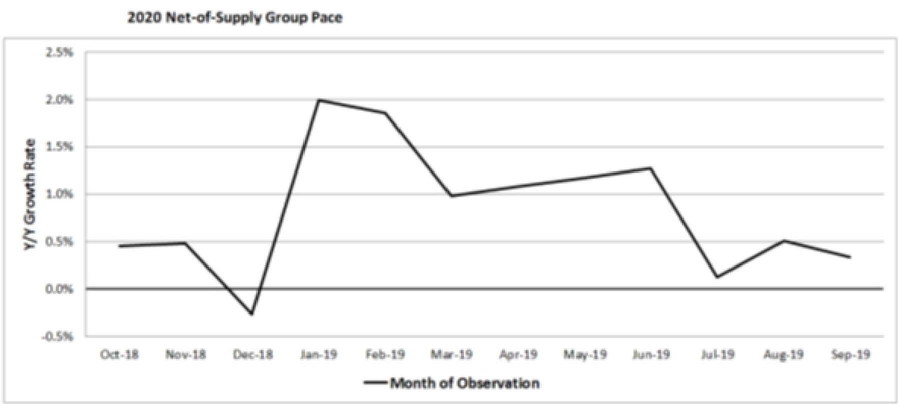
	1Q19	2Q19	3Q19	4Q19	YE 19	1Q20	2Q20	3Q20	4Q20	YE 20	YE 21
Pace as of October 2018	2.2%	2.1%	-0.9%	-3.4%	0.4%	-3.1%	-0.8%	-1.8%	9.3%	0.5%	-10.0%
Pace as of November 2018	1.4%	1.1%	-2.9%	-5.7%	-1.0%	-2.8%	-1.4%	-0.7%	9.2%	0.5%	-9.9%
Pace as of December 2018	0.2%	1.0%	-2.8%	-6.6%	-1.5%	-3.1%	-1.2%	-3.3%	8.2%	-0.3%	-9.4%
Pace as of January 2019	2.9%	3.3%	-0.4%	-4.1%	1.0%	-2.1%	1.8%	-1.3%	11.4%	2.0%	-6.4%
Pace as of February 2019	2.9%	3.3%	-0.2%	-6.1%	0.6%	-3.0%	2.2%	-1.4%	11.7%	1.9%	-6.8%
Pace as of March 2019	2.8%	2.8%	-1.0%	-6.3%	0.2%	-4.1%	1.4%	-2.8%	11.6%	1.0%	-9.2%
Pace as of June 2019	2.5%	2.8%	-1.5%	-2.5%	0.7%	-1.5%	0.7%	1.5%	5.8%	1.3%	-6.2%
Pace as of July 2019	3.3%	3.8%	-1.2%	-5.2%	0.7%	-2.1%	-1.5%	-2.5%	9.1%	0.1%	-6.1%
Pace as of August 2019	5.6%	6.0%	-0.3%	-2.6%	2.7%	-0.1%	-0.9%	-2.9%	7.8%	0.5%	-5.4%
Pace as of September 2019	4.3%	5.9%	-1.2%	-2.5%	2.1%	2.0%	-3.6%	-2.7%	8.3%	0.3%	-6.7%

Source: STRH Research, TAP

Sources: SunTrust Research, TAP

- **2020:** Our net-of-supply group pace for 2020 is +0.3%. To this we add approx. 2 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at approx. +2-2.5% y/y for 2020 at the moment, with approx. 60% of final group reservations on the books.

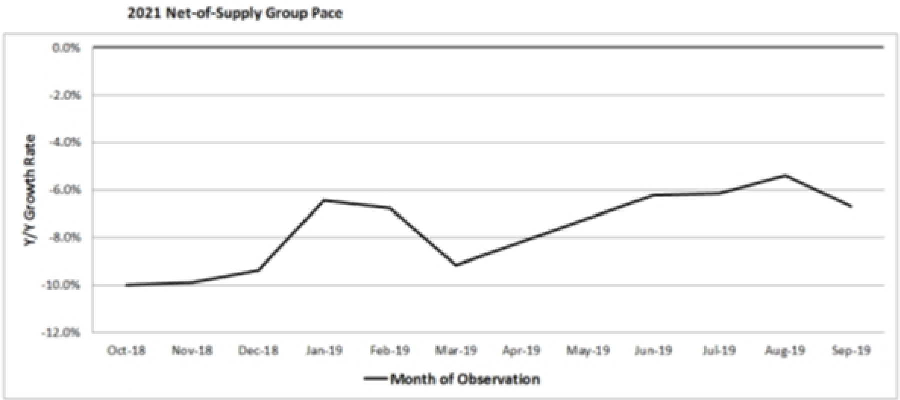
Table 6



Source: STRH Research, TAP

- **2021:** Our net-of-supply group pace for 2020 is -6.7%. To this we add approx. 2 percentage points of rate growth to come up with a projection that same-store Group RevPAR is tracking at approx. -4.5% y/y for 2021 at the moment, with approx. 25% of final group reservations on the books.

Table 7



Source: STRH Research, TAP

Table 8

Segmentation By Company

	Transient Corporate	Transient Leisure	Group
DRH	45%	20%	35%
HST	45%	15%	40%
PEB	50%	25%	25%
PK	45%	20%	35%
RHP	5%	25%	70%
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

<u>**Major Markets:**</u>

2020 looks like a solid city-wide convention calendar for several major cities, most notably *Boston, Chicago, Los Angeles, and Washington DC. San Francisco, which had the best 2019 group result of the major markets, faces a difficult y/y comparison in 2020.*

Ranking the big six major US markets for 2020. 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:

<u>**1Q20:**</u>

1. **Above average:** Boston, Chicago, Los Angeles
2. **Average:** New York City
3. **Below average:** San Francisco, Washington DC

<u>**2020:**</u>

1. **Above average:** Boston, Chicago, Los Angeles, Washington DC
2. **Average:** New York City
3. **Below average:** San Francisco

Additional color on the big six:

Boston:

1Q20: Above average
2020: Above average

Table 9

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

Chicago:

1Q20: Above average
2020: Above average

Tables 10-11

Group/convention outlook for Chicago

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Sep-19	-22.3%	6.7%	-4.1%	-14.2%	-6.6%	60.4%	12.9%	-15.4%	-9.2%	7.2%	6.2%
Aug-19	-22.3%	6.6%	-4.1%	-16.4%	-7.2%	25.8%	12.7%	-10.6%	-7.6%	4.2%	6.4%
Jul-19	-22.3%	6.6%	-2.9%	-16.7%	-7.0%	24.5%	13.0%	-9.7%	-7.7%	4.3%	7.0%
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	DRH	HST	PEB	PK	RHP	RLJ	SHO
Chicago	14%	4%	5%	5%	0%	4%	6%
Rank	1	5	3	3	7	5	2

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

Los Angeles:

1Q20: Above average
2020: Above average

Tables 12-13

Group/convention outlook for Los Angeles

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Sep-19	-1.3%	4.9%	-11.9%	9.8%	0.2%	27.1%	18.3%	49.8%	35.4%	29.8%	5.9%
Aug-19	-1.3%	4.9%	-11.6%	8.4%	0.0%	23.0%	17.8%	61.3%	32.3%	29.8%	3.6%
Jul-19	-1.3%	4.7%	-12.6%	7.8%	-0.3%	17.5%	23.0%	63.6%	33.2%	30.4%	1.0%
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							
	DRH	HST	PEB	PK	RHP	RLJ	SHO
LA	2%	5%	12%	2%	0%	6%	6%
Rank	5	4	1	5	7	2	2
Note: Est. exposures include surrounding areas							
Source: STRH Research, Company data							

NYC

1Q20: Average
2020: 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 5.7% in 2019, 6.6% in 2020, and 2.9% in 2021. Even if some of these expected new hotels never open, 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 in 2020.**

Table 14

Est exposure to NYC market							
	DRH	HST	PEB	PK	RHP	RLJ	SHO
NYC	11%	8%	1%	6%	0%	6%	4%
Rank	1	2	6	3	7	3	5
Note: Est. exposures include surrounding areas							
Source: STRH Research, Company data							

San Francisco:

1Q20: Below average
2020: Below average

Table 15

Group/convention outlook for San Francisco

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE19	1Q20E	2Q20E	3Q20E	4Q20E	YE20	YE21
Sep-19	72.7%	47.7%	0.8%	54.6%	41.8%	-26.2%	-3.5%	-7.4%	-13.9%	-13.8%	-3.9%
Aug-19	72.7%	47.8%	0.8%	55.1%	42.0%	-24.6%	-3.4%	-7.4%	-14.5%	-13.4%	0.8%
Jul-19	72.7%	47.8%	1.5%	54.4%	42.2%	-24.7%	11.5%	-7.4%	-14.2%	-9.8%	-3.6%
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

Table 16

Est exposure to SF market	DRH	HST	PEB	PK	RHP	RLJ	SHO
San Francisco	4%	10%	20%	14%	0%	13%	10%
Rank	6	4	1	2	7	3	4

Note: Est. exposures include surrounding areas

Source: STRH Research, Company data

Washington DC:

1Q20: Below average
2020: Above average

Tables 17-18

Group/convention outlook for Washington, D.C.

Pace as of	1Q19E	2Q19E	3Q19E	4Q19E	YE 19	1Q20E	2Q20E	3Q20E	4Q20E	YE 20	YE 21
Sep-19	20.1%	-18.3%	6.9%	-4.5%	-1.7%	-15.8%	9.2%	38.2%	48.3%	14.6%	-3.9%
Aug-19	31.7%	-18.9%	4.8%	-0.1%	1.2%	-26.8%	12.1%	35.5%	61.9%	12.3%	-2.4%
Jul-19	31.7%	-20.4%	12.3%	0.4%	2.1%	-26.0%	15.3%	36.8%	59.8%	13.3%	-5.2%
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	DRH	HST	PEB	PK	RHP	RLJ	SHO
DC	4%	9%	7%	3%	16%	5%	10%
Rank	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 19

Supply By Top 25 Markets (Sorted by Pipeline Rooms Growth as % of Census)
As of 2Q19

	Census Rank	YE 2017 Growth Rate	YE 2018 Growth Rate	2019F Growth Rate	2020F Growth Rate	2021F Growth Rate
Nashville, TN	21	4.3%	7.2%	7.2%	5.4%	6.8%
Los Angeles, CA	6	4.2%	1.7%	1.3%	3.6%	3.4%
New York, NY	3	4.9%	3.4%	6.9%	5.7%	3.0%
Detroit, MI	23	3.2%	2.8%	3.1%	4.1%	4.7%
Dallas, TX	8	5.8%	3.6%	4.1%	4.6%	5.2%
Miami, FL	14	3.5%	2.6%	3.4%	2.3%	2.0%
Denver, CO	16	5.6%	5.4%	3.3%	4.4%	4.0%
Seattle, WA	18	4.4%	7.3%	2.3%	3.4%	2.4%
Houston, TX	9	4.0%	3.0%	3.9%	2.3%	3.5%
Atlanta, GA	7	1.7%	2.7%	2.3%	2.9%	2.8%
Phoenix, AZ	10	2.9%	1.5%	2.6%	2.8%	2.8%
Orlando, FL	2	0.8%	1.8%	2.1%	2.5%	2.0%
Boston, MA	12	3.1%	3.8%	4.8%	2.5%	3.4%
Philadelphia, PA	19	3.2%	2.2%	1.4%	4.7%	1.0%
San Diego, CA	11	1.3%	2.2%	2.6%	0.5%	1.7%
San Francisco, CA	15	1.8%	1.2%	2.4%	1.4%	1.2%
Tampa, FL	17	4.0%	2.2%	1.7%	2.8%	5.1%
Minneapolis, MN	22	1.8%	4.3%	3.0%	3.7%	2.4%
Anaheim, CA	13	2.0%	1.0%	2.0%	2.1%	2.6%
Saint Louis, MO	27	2.1%	2.0%	2.4%	1.9%	2.6%
Washington, DC	5	2.0%	1.7%	1.2%	1.0%	1.3%
San Antonio, TX	20	1.4%	2.0%	1.6%	2.3%	1.0%
Chicago, IL	4	2.3%	2.1%	1.3%	1.0%	1.2%
Norfolk, VA	28	1.2%	0.0%	1.2%	1.3%	0.3%
Oahu Island	38	0.6%	0.0%	0.6%	0.0%	0.0%
Total Top 25 Markets		**2.9%**	**2.6%**	**2.8%**	**2.8%**	**2.7%**

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. 2019-2021 are forecasts.

Table 20

RevPAR Guidance (4Q19 and FY 19)			
	4Q19	FY 19	*Notes*
C-Corps			
CHH	-2% to flat	-1% to flat	*Domestic RevPAR*
H		Approximately +0.5%	*Comparable systemwide*
HLT	Roughly flat	Approximately +1%	*Systemwide*
		In-line with systemwide guidance	*US*
		Low single digit positive	*Americas ex-US*
		Low single digit positive	*Europe*
		Down low single digits	*Middle East/Africa*
		Flat to slightly down; China down low single digits	*Asia Pacific*
MAR	Roughly +1%	Roughly +1%	*Worldwide*
	+0-1%	Roughly +1%	*North America*
	Roughly +1%	Roughly +2%	*Outside North America*
	Flat to down modestly (ex-Hong Kong: up low single digits)		*Asia Pacific*
	Up low single digits		*Caribbean & Latin America*
	Up low to mid single digits		*Europe*
	Down low single digits		*Middle East/Africa*
PLYA		Low single digit decline	*Comparable revenue systemwide*
WH		-1% to flat	*Systemwide ex-2018 acquisitions/dispositions until their anniversary dates*
REITS			
DRH		+0-0.75%	
HST		-1% to -0.25%	
PEB	+0-2%	+0.6-1.2%	*Same-property*
PK		+1-2%	
RHP		+3.5-4.0%	*Same-Store Hospitality RevPAR (ex-Rockies)*
RLJ		+0-1%	
SHO	-1.5% to +0.5%	+1-2%	

Source: Company reports and conference calls; STRH Research

Companies Mentioned in This Note

Choice Hotels International, Inc. (CHH, $95.33, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $10.22, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $79.79, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $34.79, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $103.09, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $17.14, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $137.98, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, $25.75, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, $22.90, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.24, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $89.41, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $16.77, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, $13.95, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $121.89, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $57.32, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $48.34, Buy, C. Patrick Scholes)

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