



## May RevPAR Monitor: New business and group bookings non-existent (for now)

But could change on a dime when vaccine out; stocks trading on news of such

Based on the forward-looking observations in our RevPAR data analytics lab combined with conversations with private hotel owners over the past six weeks, our checks on US full-service hotels were unsurprisingly not overly encouraging. Besides hotels, we also monitor forward airline bookings and hotel closing/reopenings and with these there were some small signs of encouragement, though the hole to climb out of is deep. Highlights/lowlights which we discuss in this report include: **1)** “Headline occupancy” on the books for the back half of 2020 shows big improvements from 2Q20 levels. However, the problem is those occupancy rates get slashed as arrival dates get closer due to non-existent new bookings for business and group travel and from cancellation of existing Group events/reservations; **2)** Drive-to leisure is the one glimmer of hope, a positive for limited service drive-to hotels such as those franchised by CHH and WH and for the timeshare companies (BXG, HGV, VAC, WYND; and **3)** Initial indications for hotel bookings for March 2021, the first month of the extremely easy y/y comp, are concerning as they are still down y/y.

**Bottom line, we continue to believe it will be a longer and slower recovery for the US hotel industry, especially for business-centric and group/convention hotels, than some are expecting and we continue to describe the shape of the recovery as an “elongated check mark”.** Fortunately for public lodging companies, the good news is the vast majority have been able to increase their liquidity positions to ride out this very slow recovery. [The one thing that could suddenly jumpstart demand for hotels would be a vaccine and we continue to believe the lodging stocks will be very volatile and trade primarily on news/speculations of such.](#) Historically, the second derivative of the pace of actual new room reservations has been a strong indicator of future hotel stock performance, however for the moment we believe such correlations are broken. For example, RHP did not go up 25% a week ago Monday due to a sudden influx of new group bookings, rather it was on vaccine news/speculations. *In our view, owning lodging/travel stocks today, especially for full-service portfolios, is a bet that such a vaccine is created and widely distributed by the first half of 2021.*

**Forward occupancy trends: If we were looking at the same forward data under “normal times” we would say it looks encouraging, but such positive implications fail to account for a huge negative, that being cancellations and lack of new business travel and group bookings as arrival dates get closer (we sensed this last part was missing in several recent earnings calls when companies noted they were encouraged by occupancy on the books for the last half of the year).** For example, occupancy on the books for US full-service hotels in 3Q20 is “only” down approx. 25% y/y and “only” down 5% y/y for 4Q20, each of which is a significant second derivative improvement from 2Q20 tracking down close to 75%

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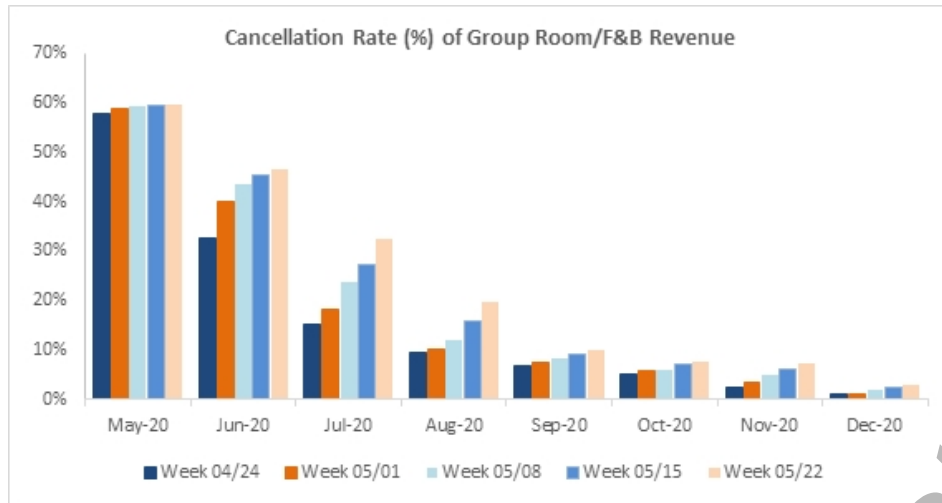
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### What's Inside

An analysis of last month's global lodging results and trends.

Mentioned: Buy-rated HGV, VAC, WYND, WH and Hold-rated BXG, CHH and RHP.

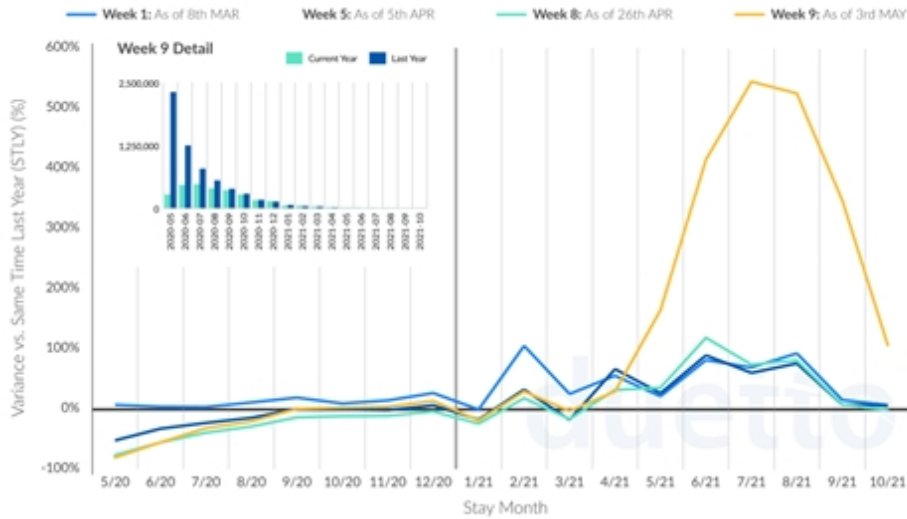
y/y. However, what is happening is that **1) Minimal if any new business travel reservations are coming in as arrival dates get closer (business travel has at most a 45 day booking window) and 2) Groups are avoiding cancelling for as long as possible.** Additionally, we believe forward occupancy trends are probably worse than what our various data checks are showing as the relevant data is not being properly managed at the hotel-level as some of those in charge of reporting/updating them to our data collectors have been furloughed/laid-off. In the chart below, based in data from [Kalibri Labs](#) we observe a rapid increase in cancellations as arrival dates get closer:



Source: STRH Research, Kalibri Labs

**Despite Group cancellations for 2020, we observe many of these meetings/events are being rebooked for 2021.** Based on data from [Duetto](#), the below graph shows the variance of bookings for future stay dates as compared to same time last year, broken down by stay month. The small pop-out graph shows the most recent week's on the books for future stay months for this year and last year. Data from the most recent week highlights the very large uptick in pace for the Summer of 2021. When segmented out, this seems to be largely driven by group (cancelling July 2020 and rebooking July 2021).

NA: On The Books vs. STLY by by Stay Month (Pace as of May 3rd)

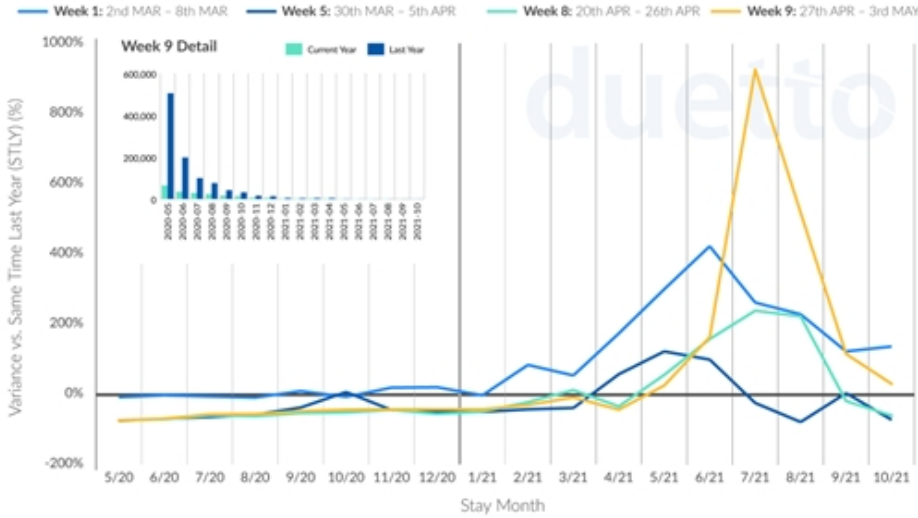


Source: STRH research, Duetto

**Group and business travel new bookings: If they're not a zero over the past six weeks, they're pretty close to it.** While there have been some green shoots in US leisure travel, not so dissimilar to hotel activity in China and described below, corporations are extremely reluctant to allow their employees to travel unless it is for critically important/urgent reasons. As we recently said, *“While some states are starting to open up, corporations will be far more conservative regarding sending their employees out on the road just yet. Unlike many states that seem to be ignoring the recommendations of health officials, corporations in the ‘real world’ are following those recommendations”*. The graph below shows variance in volume of new bookings for future stay dates as compared to same time last year, broken down by stay month. The small pop-out graph shows the most recent week’s new bookings for future stay months for this year and last year. From this we observe new hotel reservation bookings mostly flat-lined for 2020. Again, we believe sharp uptick in 2021 is due to cancelled group meetings/events in 2020 being rescheduled:

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### NA: Weekly New Bookings vs. STLY by Stay Month (Pick Up)



Source: STRH research, Duetto

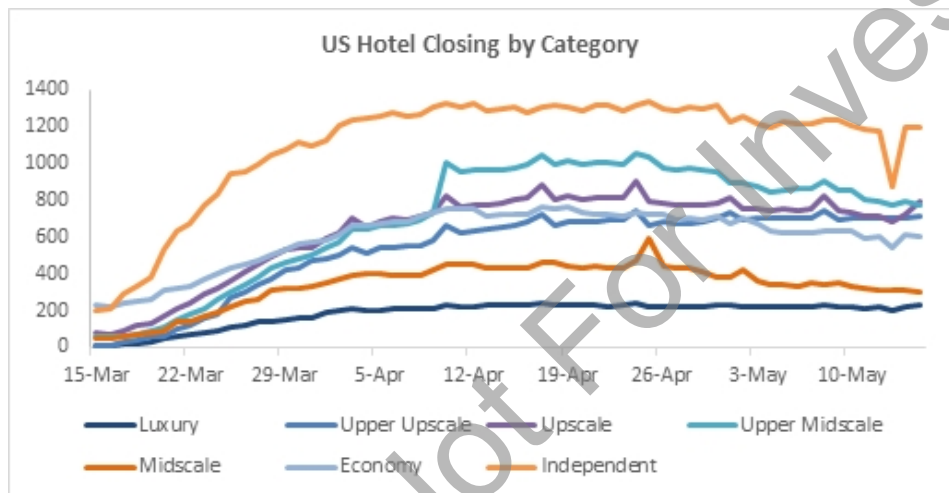
**In addition to future hotel bookings, we also look at the pace of airline bookings to see if there are any signs of life.** Based on data from Kalibri Labs, the best we can say from our observations is that the pace of cancellations has greatly decreased as evidenced by the number of new airline reservations being made in the US is “only” down 83% y/y vs. down 173% y/y in mid-March (a percentage down more than 100 implies there are more cancellations coming in than new reservations being made):

Week ending	Future Airline Bookings													
	1-Mar	8-Mar	15-Mar	22-Mar	29-Mar	5-Apr	12-Apr	19-Apr	26-Apr	3-May	10-May	17-May	24-May	
Total US	-14.8%	-53.1%	-140.1%	-173.0%	-152.9%	-128.9%	-120.6%	-91.9%	-91.7%	-89.8%	-86.8%	-86.0%	-82.9%	

Source: STRH Research, Kalibri Labs

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**Hotel opening/closing observations: Some signs of improvement.** We have likely reached the peak in closures as if one has not closed by now it is not likely they are going to.



Source: STRH Research, Kalibri Labs

**Corporations are hesitant, individuals less so as pretty much the only travel happening right now is drive-to leisure.** Based on the most recent weekly data from STR, [we observed far better hotel occupancy for weekend hotel stays \(a proxy for leisure travel\) than for weekdays \(a proxy for business travel\) in leisure-centric cities in states that have begun easing of lockdowns.](#) That said, offsetting some of this pent-up demand are financial headwinds to travelers due to job loss. For example, while a recent media (MarketWatch) headline stated “Nearly 1 in 3 Americans are planning to take a road trip this summer, as low gas prices outweigh coronavirus fears” and initial sounds encouraging, in the body of the text is stated, “Nevertheless, the number of Americans planning a road trip is down 44% from last year.” [So yes, pent up demand is there but unfortunately many Americans will not be able to take a summer vacation in the style they were accustomed to due to the economic fallout of Covid19.](#) (MarketWatch)

**March 2021 booking and occupancy trends are not encouraging despite the easy y/y comp.** March 2021 is the first y/y virus comp month and occupancy on the books for March 2021 is still down approx. 20% y/y. We believe this is reflective of the above described hesitancy in booking business travel and group meetings as well as some group cancellations. *Again, such negative trends could change on a dime if/when vaccine becomes available.*

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## Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$4.43, Hold, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$84.77, Hold, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$22.23, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$35.93, Hold, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$98.65, Buy, C. Patrick Scholes)  
**Wyndham Hotels & Resorts, Inc.** (WH, \$48.49, Buy, C. Patrick Scholes)  
**Wyndham Destinations, Inc.** (WYND, \$34.76, Buy, C. Patrick Scholes)

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