

Lodging

Lodging: US RevPAR +102.0% Y/Y Last Week; 2yr +19.6% vs. Prior -0.4%; clean Thanksgiving comp

Americans gorged on turkey & on hotel rooms. Even on a normal low-occupancy holiday week, ADRs up bigly

What's Incremental To Our View

Overall U.S. RevPAR was +102.0% y/y for the week ending 11/27/2021, per STR, weaker than the prior week's result of +107.6%. Last week's RevPAR was up against a -41.2% comparable result in 2020 vs. -52.2% in the prior week's 2-year run-rate. On a 2-year run-rate, RevPAR was +19.6% vs. -0.4% in the prior week's 2-year run-rate.

While low occupancy holiday weeks can make for unusual y/y and 2-yr comparisons, we note that given a relative clean comp there was a healthy pickup in occupancy (2-yr: +5%) and more to ADR (+14%). Beneficiaries were more midpriced-to-budget hotels and less so on urban markets.

Last week was in our view one of the easier-to-analyze clean comp holiday weeks versus both 2019 and 2020 and as a result we have more takeaways from the results.

- **Given in part by flexible office policies and remote working combined with many 2020 Thanksgivings that were not with family, there was healthy demand growth vs. 2019 especially early in the week and we suspect the vast majority of the pickup was leisure-driven (2-yr: Sunday occupancy +12%, Monday-Wednesday +5-7%, with modest 1-2% gains Thursday/Friday).**
- **Hoteliers appeared able to push room rates despite occupancies in the 40s-60s percent. Upscale ADR vs. 2019 was +9%; all other chain scales were +13-28% (highest for Luxury and Economy).**
- **There was some weakness beyond the headline results.**
 - Luxury and Upper Upscale occupancy vs. 2019 were -10% and -6% respectively whereas Upscale to Economy were +5-9%.
 - While resorts, small markets, suburbia, and airport locations had positive RevPAR vs. 2019, some major markets were materially down. NYC was -3%, Oahu was -21%, and San Francisco was -18%.

With one day left in the month, we can high-level forecast November results although we view Luxury and Upper Upscale as more volatile to project (we have a 20 point range for y/y).

November estimates:

- For the month of November, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish approximately +230-250% y/y for Luxury, +190-210% y/y for Upper Upscale, and +100-110% y/y for Upscale full-service. We estimate that

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What's Inside

Weekly STR results and analysis

the overall industry will finish approximately +100-105% y/y. Please note that reported monthly results include hotels that are not in the weekly data set.

- On a 2-year basis, STR data would suggest roughly down 0-5% RevPAR for the overall industry.
 - By chain scale:
 - Luxury: down 5% to 15%
 - Upper Upscale: down 17% to 27%
 - Upscale: down 10% to 15%

Major RevPAR statistics presented below:

- Luxury RevPAR: +182.3% y/y and +15.0% over 2 years
- Upper Upscale RevPAR: +165.1% y/y and +8.5% over 2 years;
- Upscale RevPAR: +105.9% y/y and +14.8% over 2 years;
- Upper Midscale RevPAR: +94.7% y/y and +22.0% over 2 years;
- Midscale RevPAR: +68.2% y/y and +23.5% over 2 years;
- Economy RevPAR: +43.6% y/y and +24.2% over 2 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +88.5% y/y and +25.0% over 2 years; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +210.0% y/y vs. +542.6% prior week; over 2 years: --13.5% vs -28.1% prior week.
 - Transient: +142.6% y/y vs. +159.6% prior week; over 2 years: +21.1% vs -3.7% prior week.

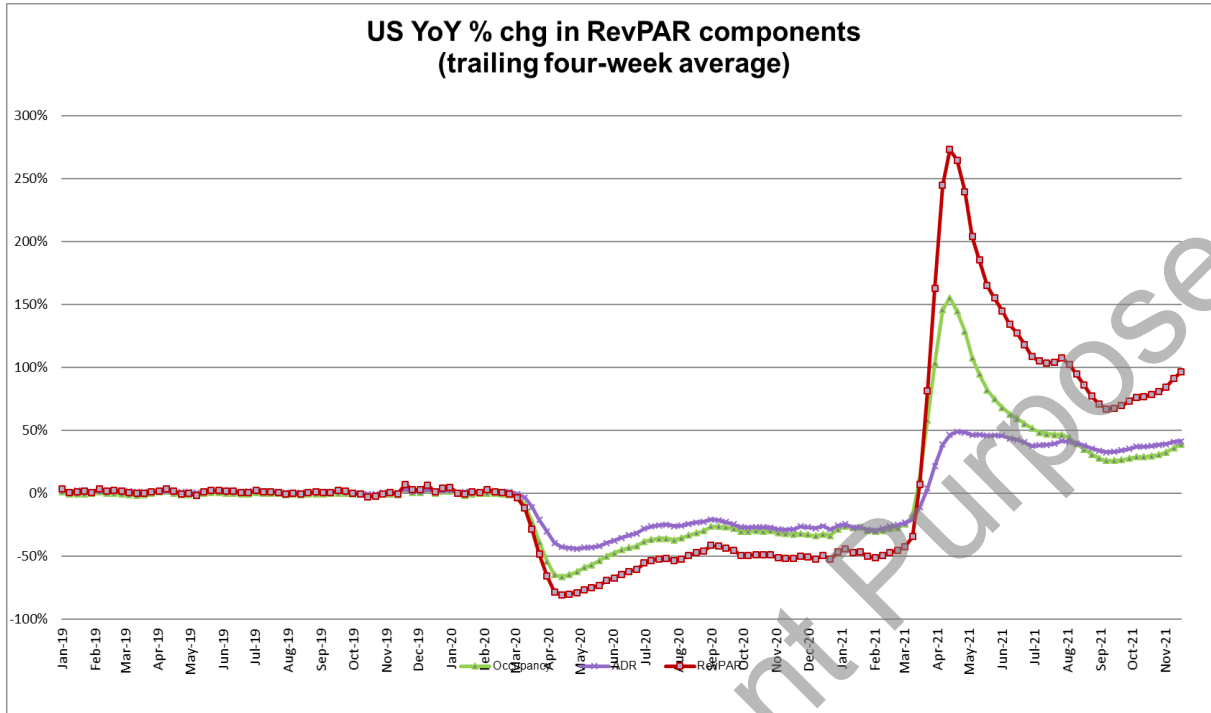
Last week's RevPAR details and sequential trends:

- **Headline RevPAR** was +102.0% y/y vs. the running 28-day average of +100.7% y/y.
- **Occupancy:** Absolute occupancy was 53.0% y/y vs. the running 28-day average of 58.5% y/y.
- **Open/closed hotels:** Per STR, 0.7% of the hotel supply was closed (vs. 0.7% last week).
 - Please note there are many hotels that suspended operations/closed and they are not included in the comparisons. Implications are that the headline statistics likely overstate the actual performance of the overall industry.
- **Absolute Group occupancy was light given a leisure/holiday week:** 5.9% last week vs. 13.9% for the running 28 days.

As far as stocks, we reiterate our view the companies relatively best positioned here in our coverage universe are the drive-to leisure-centric C-Corps CHH, WH, and RLJ for the value-play business traveler in the early corporate demand recovery, and the timeshare companies, HGV, VAC, and TNL (formerly WYND). WH, RLJ, HGV, VAC, and TNL are the only names we believe we can still get material upside based on our 2023 estimates, hence our Buy ratings. CHH is rated Hold.

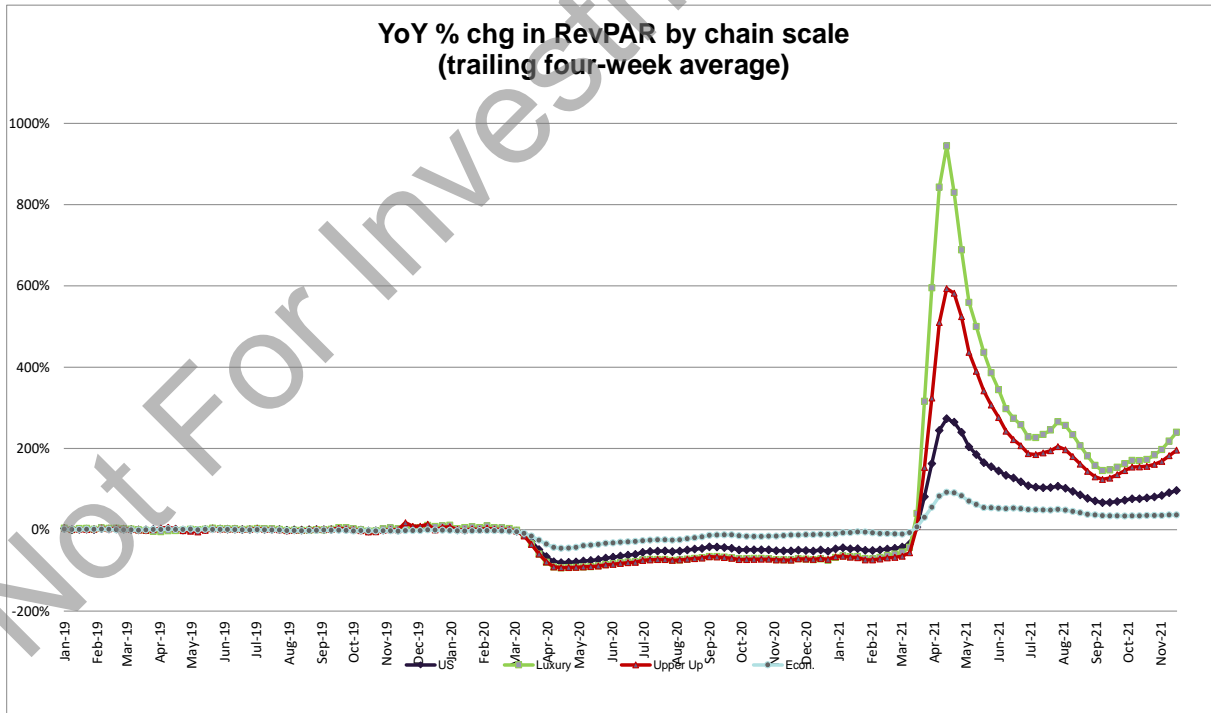
While the broader economy may have a U-shaped recovery, we believe hotel operating performance will take substantially longer to recover and be much choppier and vary by segmentation and geography. Additionally, we believe work from home will have a short-to-medium impact on hotel demand, though the longer-term impact is still unknown. While some travel industry leaders, news reporters, and businesspeople have predicted that 35-50% of business travel will be permanently lost, our view is that it will be far less than 35-50% though it will not be zero either (Hospitality Net).

RevPAR Component Trends



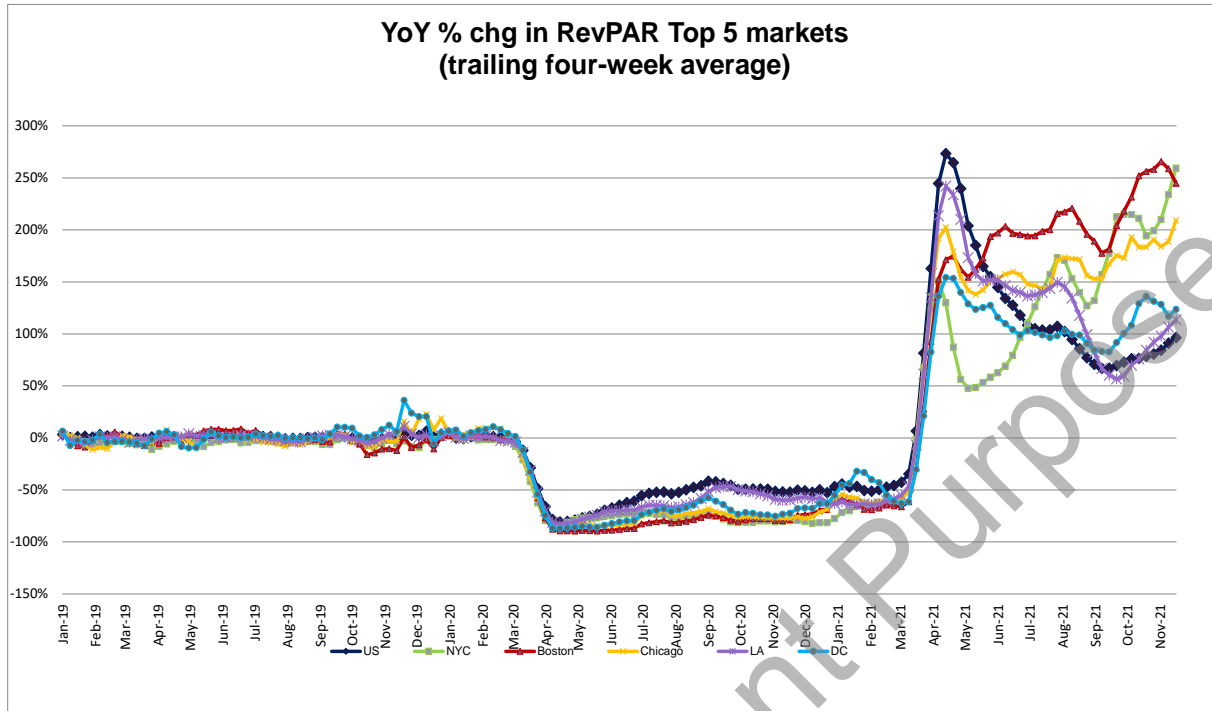
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



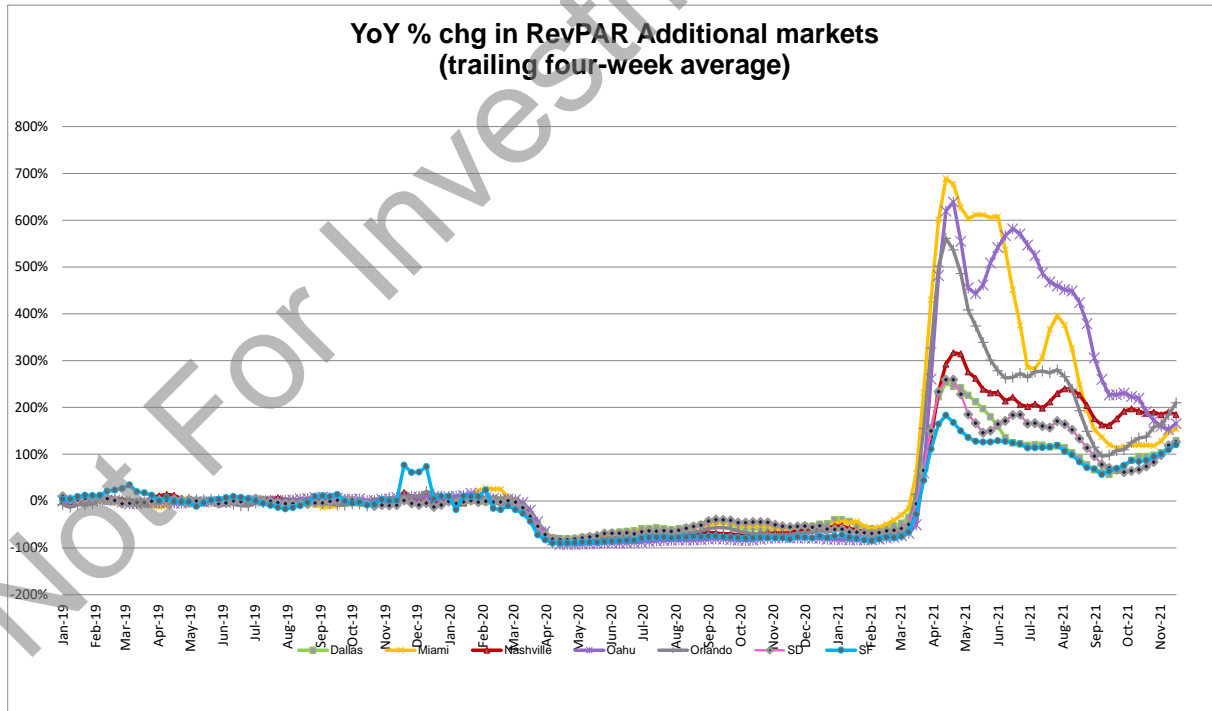
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



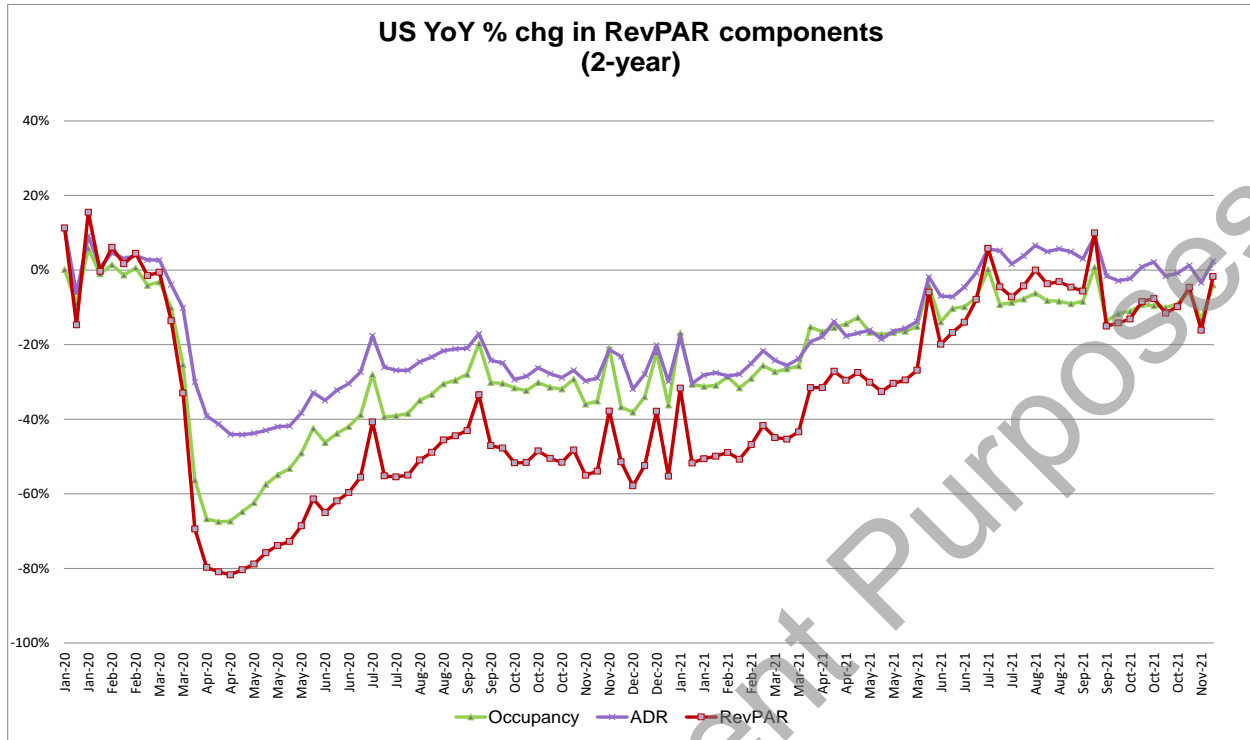
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



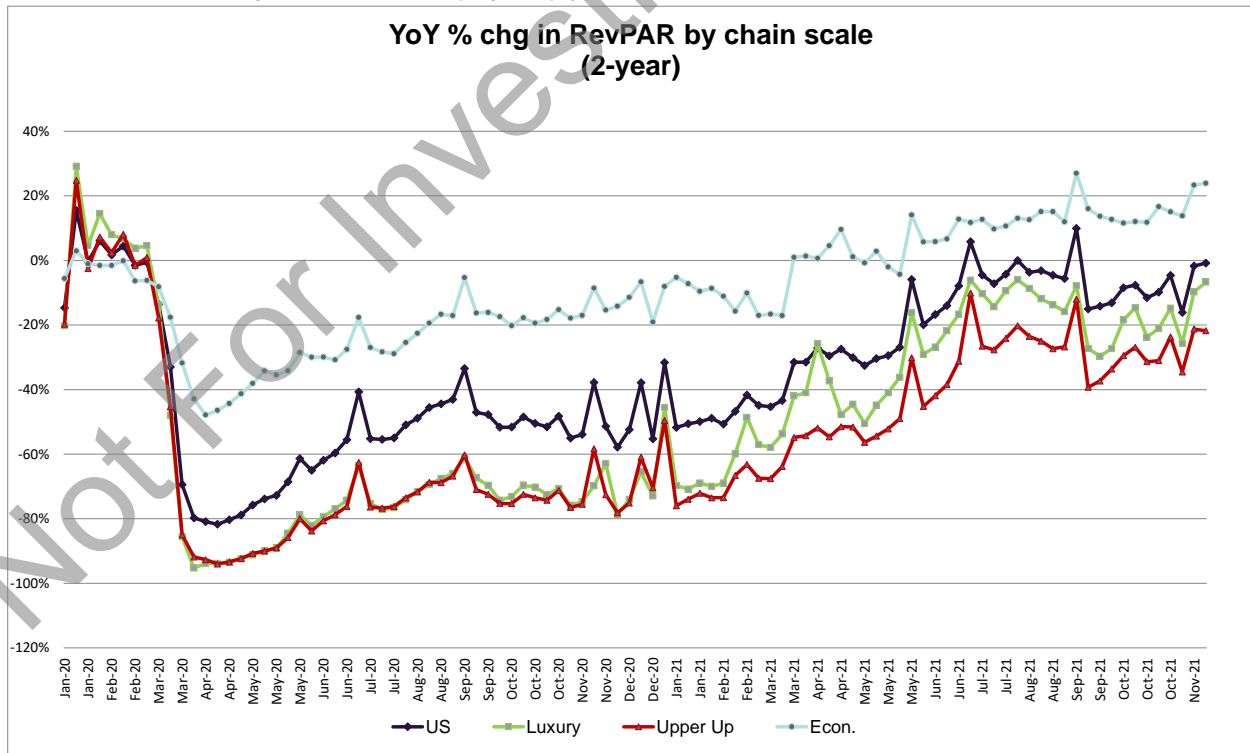
Source: STR data, Truist Securities research

RevPAR Component Trends (2-year)



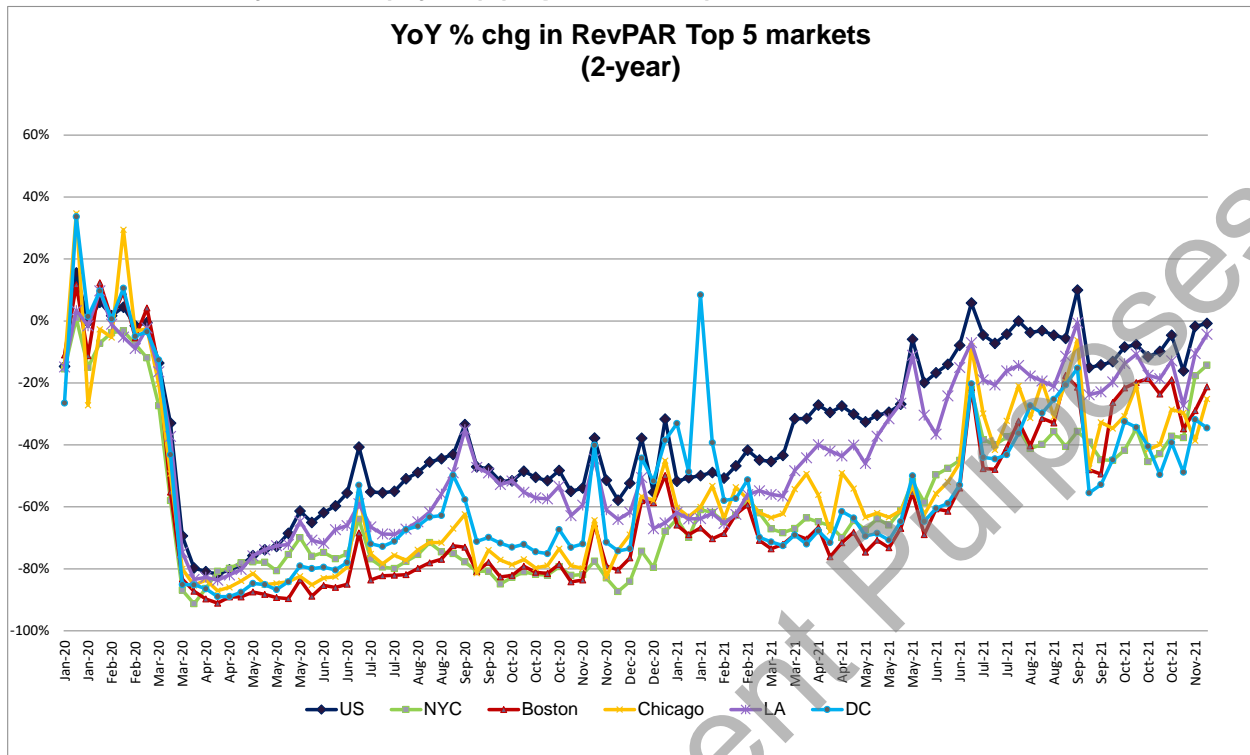
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale (2-year)



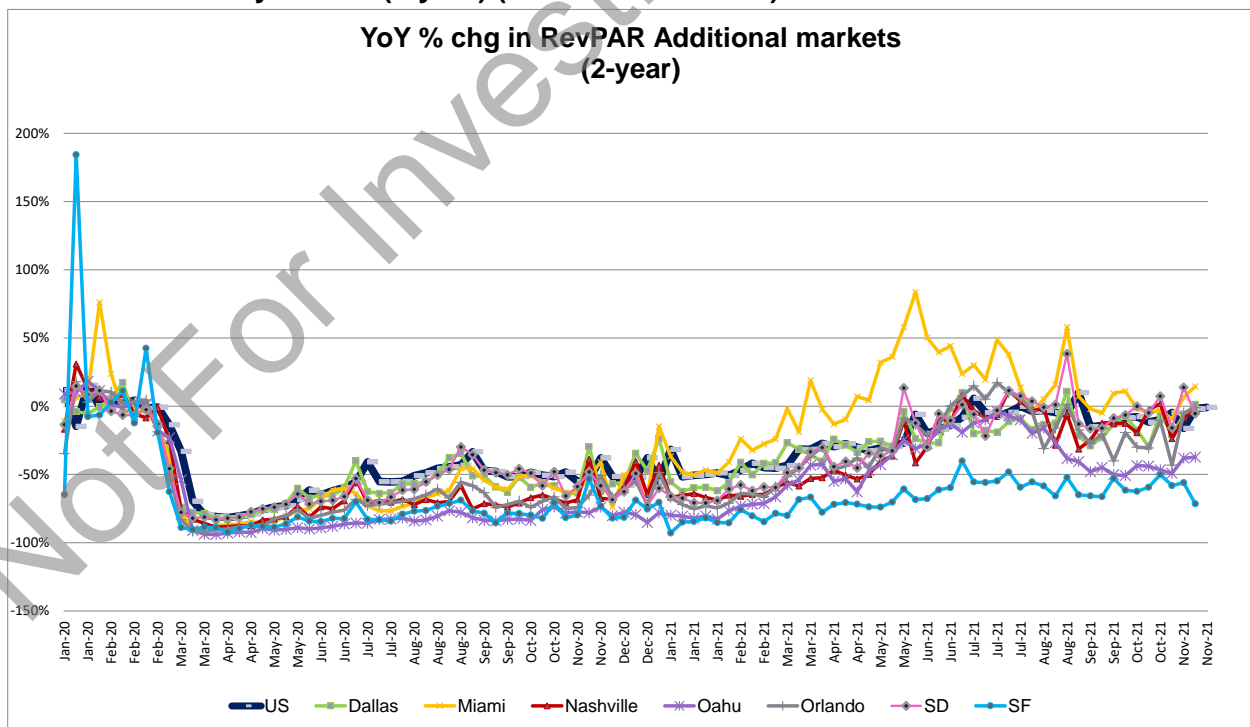
Source: STR data, Truist Securities research

RevPAR Trends by Market (2-year) (Top 5 markets)



Source: STR data, Truist Securities research

RevPAR Trends by Market (2-year) (Additional markets)



Source: STR data, Truist Securities research

Price Target/Risks Summary

Lodging	TKR	Price 11/30/21	Rating	PT*	% upside/downside	2021E	2022E	2023E	2021E	2022E	2023E	Target EV/EBITDA Multiple	Risks Note: COVID-19 represents a material risk to our entire coverage especially related to the length/severity of the demand shock.
						Valuation EBITDA (\$M)**	Valuation EBITDA (\$M)**	Valuation EBITDA (\$M)**	As Reported/Consensus EBITDA (\$M)*	As Reported/Consensus EBITDA (\$M)*	As Reported/Consensus EBITDA (\$M)*		
Bluegreen Vacations	BVH	\$29.73	Buy	\$44	48%	\$115	\$133	\$141	\$17	\$16	\$16	7.6X	Downside risk: controlled company issues, limited cap/float, loan defaults, and macroeconomic risk. Upside risk: conservative growth of new brands.
Choice Hotels	CHH	\$143.55	Hold	\$114	-21%	\$366	\$430	\$475	\$377	\$442	\$491	15.0X	Downside risk: slowdown in development opportunities. Upside risk: faster demand improvement in corporate travel than expected. Brand changes (e.g. Vail) lead to material EBITDA improvement. Leisure hotels hold/improve on RevPAR and margins despite the challenging macro. Downside risk: lodging recovery takes longer than expected, weaker results from ROI projects than forecasted, poor performance of recently acquired assets.
DiamondRock Hospitality	DRH	\$8.71	Hold	\$8	-8%	\$78	\$182	\$228	\$79	\$182	\$229	12.0X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Hilton	HLT	\$135.07	Hold	\$139	3%	\$1,528	\$2,491	\$2,935	\$1,669	\$2,629	\$3,069	15.9X	Downside risk: Disruption in a major market (HGV more concentrated than peers), issues with Japanese customer (HGV more exposed than peers), difficulty sourcing additional fee-for-service inventory deals.
Hilton Grand Vacations	HGV	\$47.50	Buy	\$54	14%	\$730	\$1,185	\$1,738	\$339	\$339	\$339	9.8X	Upside risk: faster demand improvement in corporate/convention travel than expected. Dispositions at higher multiple than expected (incl. NYC), stronger than expected performance by luxury/luxury results on both top-line and margins through the valuation year. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock to acquired resort assets, labor issues.
Host Hotels & Resorts	HST	\$15.70	Hold	\$16	2%	\$383	\$999	\$1,345	\$383	\$999	\$1,345	12.5X	Upside risk: Transient and group trends outperform expectations, particularly for owned hotels. Material disposition of owned hotels. Faster than expected improvement in net rooms growth. Downside risk: lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Pipeline growth slower than expected.
Hyatt Hotels	H	\$78.77	Hold	\$76	-4%	\$179	\$496	\$707	\$228	\$544	\$759	13.5X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Marriott International	MAR	\$147.56	Hold	\$156	6%	\$1,924	\$3,094	\$3,728	\$2,227	\$3,398	\$4,044	15.9X	Upside risk: M&A story fades and multiples revert to historical levels.
Marriott Vacations	VAC	\$152.65	Buy	\$201	32%	\$603	\$874	\$951	\$647	\$922	\$1,003	10.5X	Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected. CHSP revenue and asset management strategies lead to faster than expected EBITDA gains.
Park Hotels & Resorts	PK	\$16.64	Hold	\$18	8%	\$120	\$465	\$732	\$138	\$481	\$748	12.5X	Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period especially Oahu, macro demand shock impact to major resort assets, labor issues.
Pebblebrook Hotel Trust***	PEB	\$20.95	Hold	\$24	15%	\$94	\$343	\$453	\$94	\$343	\$453	14.5X	Upside Risk: Material near-term incremental EBITDA from Legacy LHO assets. Downside Risk: Incremental EBITDA from major CapEx investments take longer than anticipated, contributing to multiple contraction. Very slow recovery in San Francisco.
Playa Hotels & Resorts	PLYA	\$7.12	Hold	\$7	-2%	\$49	\$177	\$209	\$62	\$191	\$223	10.0X	Upside risk: quicker recovery post-COVID, Cap Cana group strength/rate growth in the D.R. Downside risk: demand shock, hurricanes, slow ramp up of Cap. Cana, country-specific risks (emerging market portfolio)
RLJ Lodging Trust***	RLJ	\$12.59	Buy	\$19	51%	\$141	\$273	\$431	\$189	\$293	\$452	12.5X	Downside risk: Slower than expected recovery of corporate business travel post-COVID, scope/timing and/or upside from repositionings underwhelms investor expectations; labor costs are not reduced either due to increased wages/benefits or inability to cut costs post-tech improvements
Ryman Hospitality Properties	RHP	\$77.40	Sell	\$61	-21%	\$160	\$430	\$497	\$180	\$457	\$525	13.0X	Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery.
Sunstone Hotel Investors	SHO	\$10.87	Hold	\$11	1%	\$48	\$204	\$262	\$60	\$214	\$270	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements. SHO buys hotels at accretive terms and quickly adds incremental EBITDA during the valuation period. Downside risk: Lodging recovery takes longer than expected, labor issues, weak recovery of international travel to gateway markets, natural disaster risk. Mortgage EBITDA stabilizes well lower than expected.
Vail Resorts, Inc.	MTN	\$331.71	Hold	\$322	-3%	\$540	\$810	\$928	\$540	\$810	\$928	16.0X	Downside risks: MTN is subject to prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries.
Travel + Leisure Co.	TNL	\$49.22	Buy	\$77	56%	\$747	\$928	\$1,008	\$747	\$928	\$1,008	8.6X	Upside risks include a faster economic recovery and investors continuing to apply higher target valuation multiples.
Wyndham Hotels & Resorts	WH	\$79.48	Buy	\$83	4%	\$503	\$592	\$692	\$532	\$622	\$724	14.0X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. Downside risk: Slowdown in development opportunities.

* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2023 EBITDA
 ** Valuation EBITDA excludes select items for specific companies including stock-based compensation.
 *** Covered by Gregory J. Miller - gregory.j.miller@truist.com

Source: FactSet, Truist Securities research

Not For Investment

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$29.73, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$143.55, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$8.71, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$78.77, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$47.50, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$135.07, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$15.70, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$147.56, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$331.71, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$20.95, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$16.64, Hold, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.12, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$77.40, Sell, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$12.59, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$10.87, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$49.22, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$152.65, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$79.48, Buy, C. Patrick Scholes)

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