

Lodging

Jan/Feb RevPAR Monitor: Various degrees of omicron pain, even leisure segment not completely spared.

Business travel recovery looks to be pushed back by at least three months

What's Incremental To Our View

In this report we discuss:

- Latest observations on forward-looking booking trends for US hotels and anecdotal learnings from industry contacts, including detail on the three main customer segments:
 - Individual Business
 - Group/convention
 - Leisure
- Stocks/picks

Based upon our analysis of millions of future reservations for US hotels from multiple “big data” sources and from conversations with hotel owner/manager contacts and executives at very large travel agencies, we observe varying degrees of omicron impact on hotel bookings. *Bottom line, when we discussed take-aways from our lodging conference in mid-December, “we sensed there was some concern that the latest Covid variant would make the initial expected 1H22 corporate and group recovery story more of a 2H22 one.” Today, we can say with confidence that the corporate and group recovery have been pushed out by at least a quarter due to omicron and we estimate the negative impact from omicron on US business travel in January and February is approx. 10 points of occupancy (booking demand) and 5 points of ADR from December’s business travel levels.* Making a more bullish assumption that the trajectory of recovery observed post-Labor Day to early December would have continued through December and January, we estimate a loss of 15 points of occupancy (booking demand) and 10 points of ADR from omicron to US business travel.

- Given the very short booking window, it is too early to say that omicron has impacted 2Q22 individual business travel, though we have observed an impact on 2022 group bookings beyond 1Q22, and it is not impossible to think we could see a healthy rebound in March-April (but this is still “wait & hope”).
- While leisure demand remains far more resilient than business and group travel, we did observe a dip in booking volumes in early January. Anecdotally, from the large travel agencies we have heard of a small pull-back in leisure travel by the older than 55 customer due to omicron. That said, leisure travel is still on track to be above 2021 and 2019 levels through at least March. However, due to harder comps against last spring’s leisure surge, leisure occupancy for 2022 will likely be below 2021’s levels beginning in April but still well above 2019’s levels.

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

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

Alexander Barenklau
212-303-4166
Alexander.Barenklau@truist.com

What's Inside

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

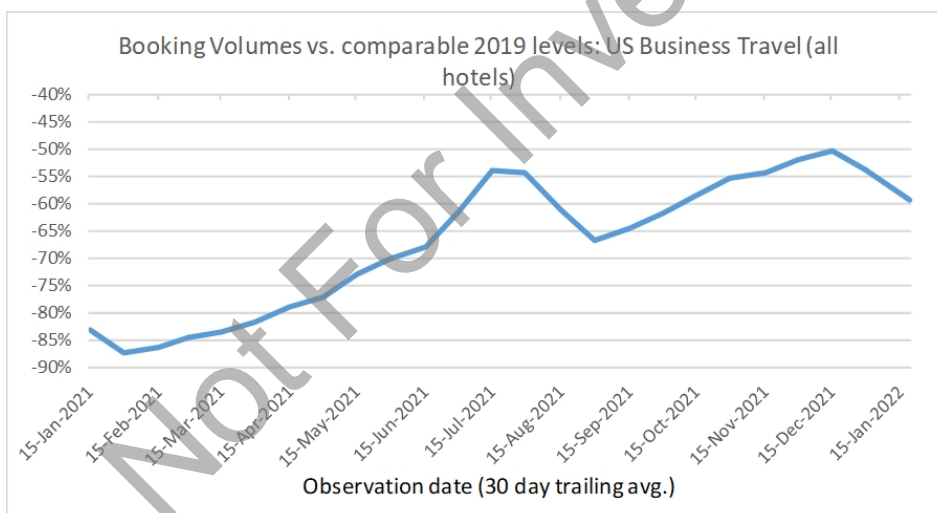
Implications for earnings estimates/stocks: 1Q22 EBITDA is likely to disappoint pre-omicron estimates though given the weak performance of stocks of late we see this at least partially priced-in. Companies with a higher exposure to gateway market business travel (most of the full-service REITS and to an extent H/MAR/HLT) are most impacted even net of strength in leisure bookings. We remain cautious on 1H22 corporate group travel as well as evidenced by softness in forward booking trends.

- **As has been the case for several years, the companies we favor most are the more leisure-centric ones, namely H (BUY) and WH (Buy) for the hotel C-Corps and the vacation ownership companies (BVH, HGV, TNL, and VAC). While prior to Covid we were very optimistic on the long-term growth trajectory for experiential leisure travel, shifting consumer trends in a Covid and (eventually) post-Covid world make us even more favorable on this component of the hotel/hospitality industry.**

Business travel: It is not impossible to believe that once omicron passes (March? April?) we could see a healthy acceleration. However, at the moment it is still “wait & hope” for such an acceleration as there is no statistical evidence yet in the forward booking data (source: TripBAM) that business travel is starting to bounce back from the omicron setback. The booking window for business travel only stands at approx. 16 days vs. approx. 20 days pre-covid and consequently it is too early to tell if there will be a rebound in 2Q or conversely if omicron will also negatively impact 2Q22 business travel. *That said, unless we soon see a reversal of the weak trends in the forward-booking pace, 2Q22 will likely also be negatively impacted.* In addition to the charts and statistics on business travel booking and pricing trends provided in this report, we highlight high-level commentary from our conversations with very large corporate travel agencies:

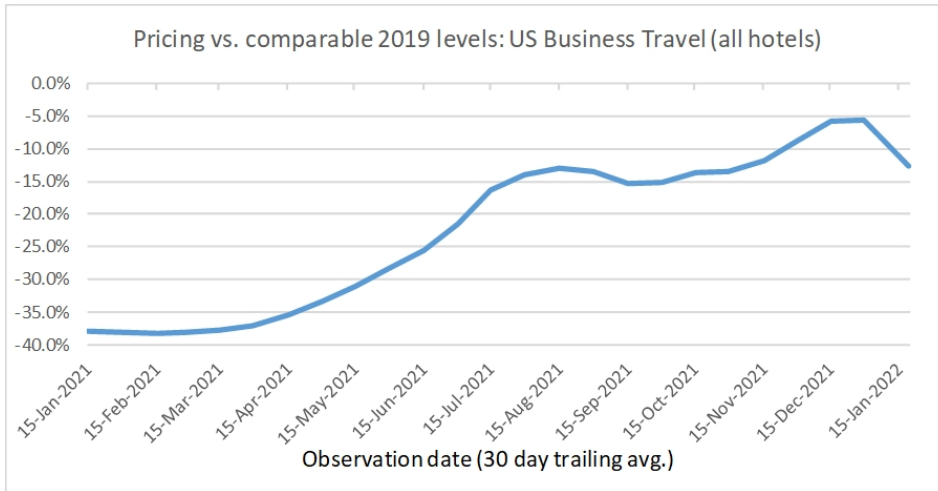
- Business travel cancellations from omicron started mid-December and 1Q22 trends are weaker than 4Q21.
- Return to offices are again being delayed.
- Travel decisions are being pushed back to at least February by corporate travel managers and overall, corporations are being cautious and waiting to make travel decisions.
- Corporate rates have not changed much from 2021 (the issue as we have noted previously is not rate but demand).
- Many business travel hotels are filling to only a 70% maximum occupancy due to staffing shortages.
- Two years into this, thought it would be better by now.

Exhibit 1:



Source: Truist Securities Research, TripBAM

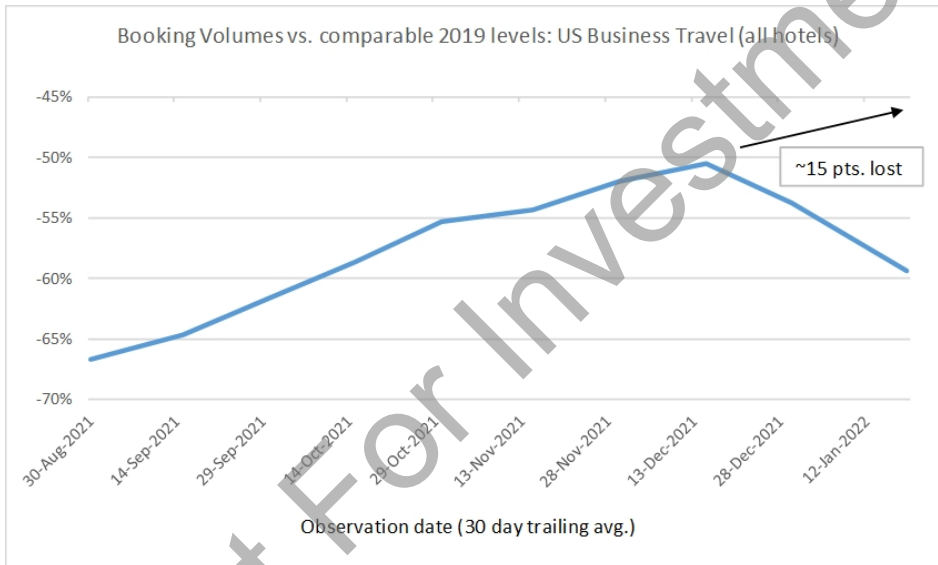
Exhibit 2:



Source: Truist Securities Research, TripBAM

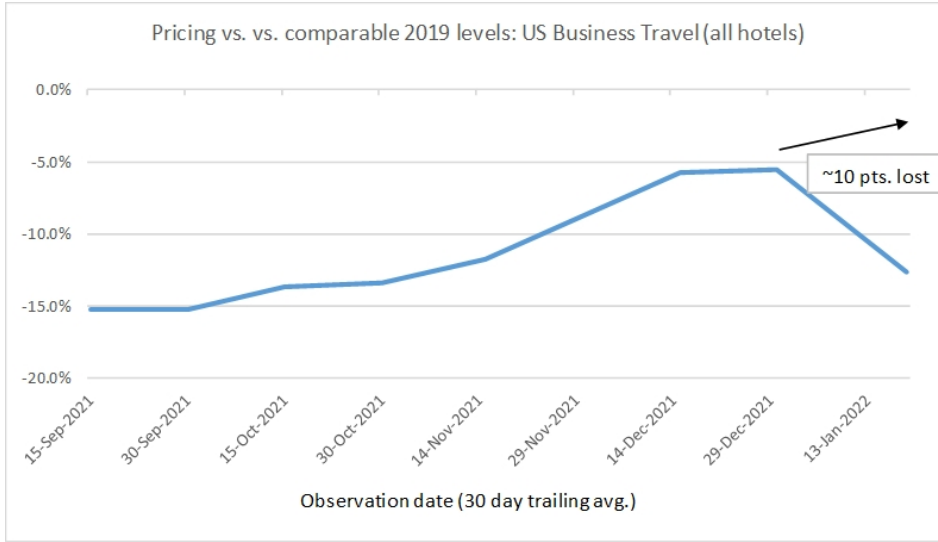
Based on business travel booking “big data” from TripBAM, we estimate the negative impact from omicron on US business travel in January and February is a loss of approx. 10 points of occupancy (booking demand) and 5 points of ADR from December’s business travel levels. Making a more bullish assumption that the trajectory of recovery observed post-Labor Day to early December would have continued through December and January, we estimate a loss of 15 points of occupancy (booking demand) and 10 points of ADR from omicron to US business travel.

Exhibit 3: If the trajectory of demand recovery had continued into December and January



Source: Truist Securities Research, TripBAM

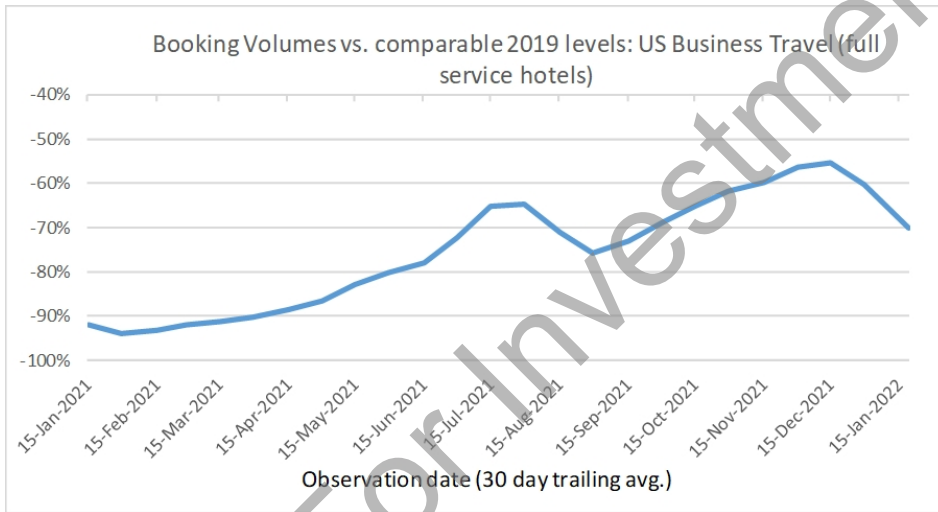
Exhibit 4: If the trajectory of pricing recovery had continued into December and January



Source: Truist Securities Research, TripBAM

Not surprisingly, full-service hotels have borne the brunt of the omicron impact on business travel, though select and limited-service hotels have seen some impact as well:

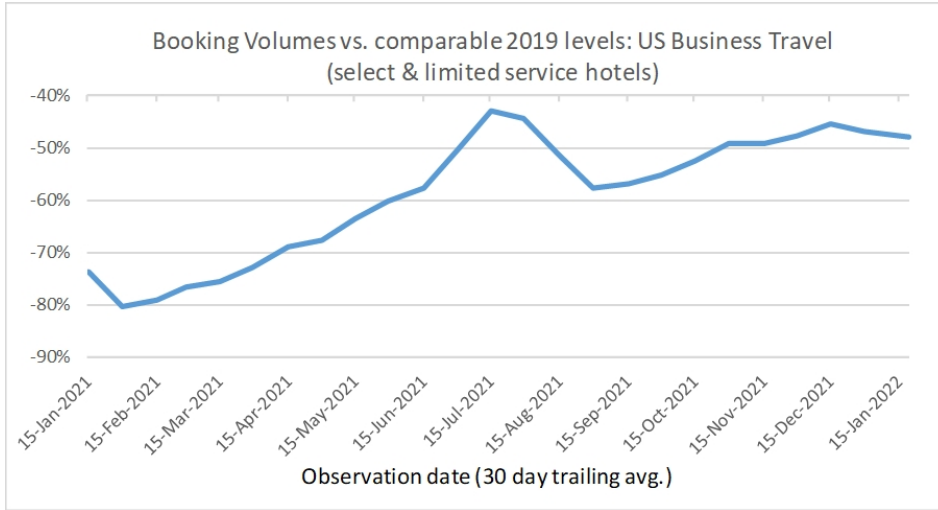
Exhibit 5: Full-service bookings



Source: Truist Securities Research, TripBAM

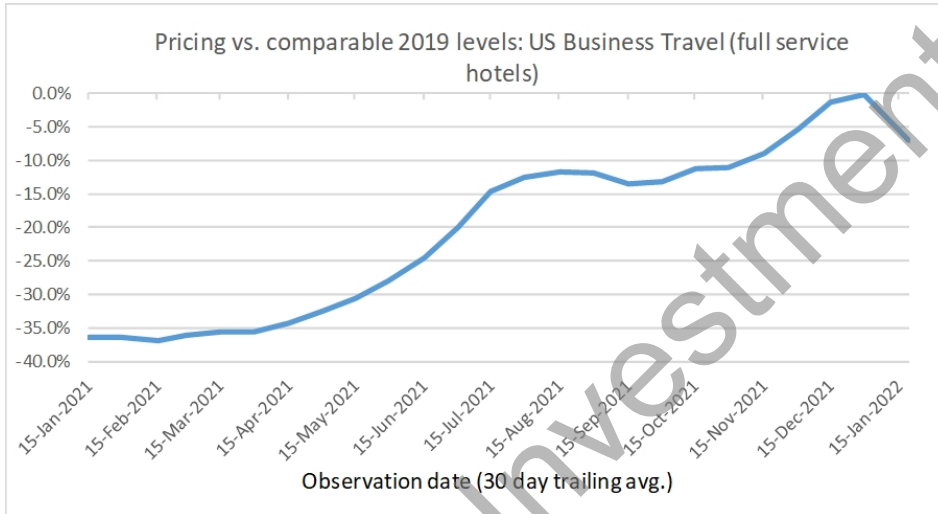
Not For Investment Purposes

Exhibit 6: Select and limited service bookings



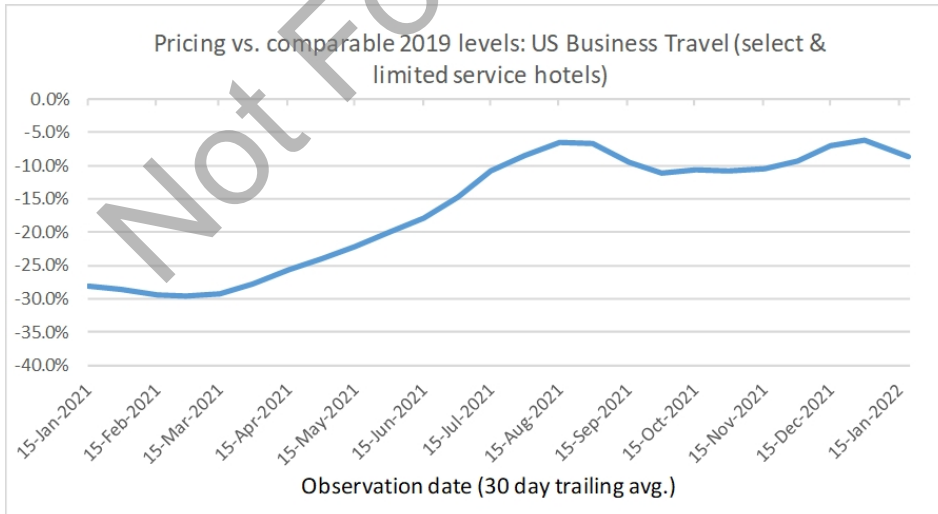
Source: Truist Securities Research, TripBAM

Exhibit 7: Full-service pricing



Source: Truist Securities Research, TripBAM

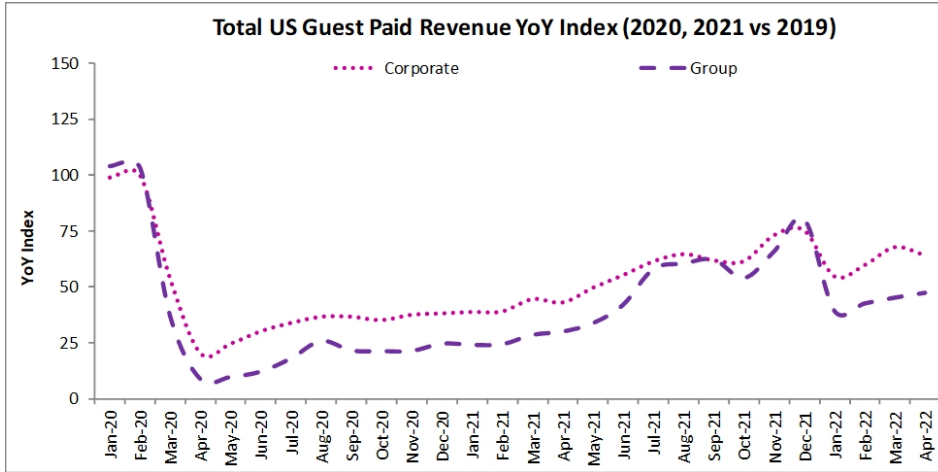
Exhibit 8: Select and limited service pricing



Source: Truist Securities Research, TripBAM

Additionally, we highlight forward-looking data from [Kalibri Labs](#) that shows a similar pull-back in booking trends:

Exhibit 9:

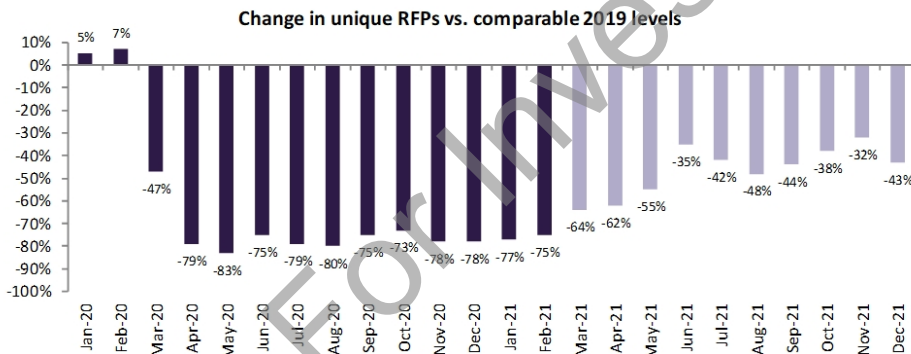


Source: Kalibri Labs, Truist Securities

Group observations:

In our analysis of corporate group/meeting trends we look at data from [Cvent](#) (Cvent sources approx. 30% of the corporate meetings in the US), amongst other sources. Following a steady trajectory of improvement from September to November, business meeting RFPs (Requests for Proposals for meeting space, an early indication of future group bookings) pulled back in December and remain down materially vs. 2019’s comparable levels. While we do not have January’s final booking results, we strongly suspect continued deceleration from pre-omicron levels.

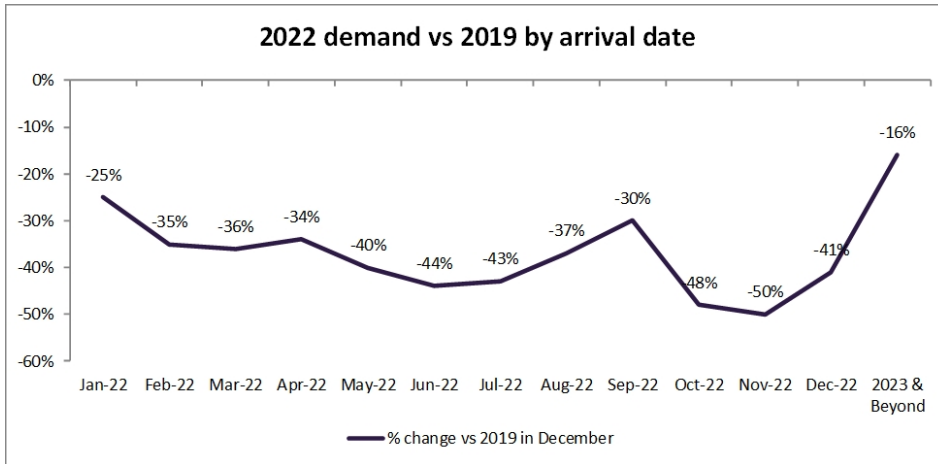
Exhibit 10:



Source: Cvent, Truist Securities

Looking specifically by month and for 2023 and beyond:

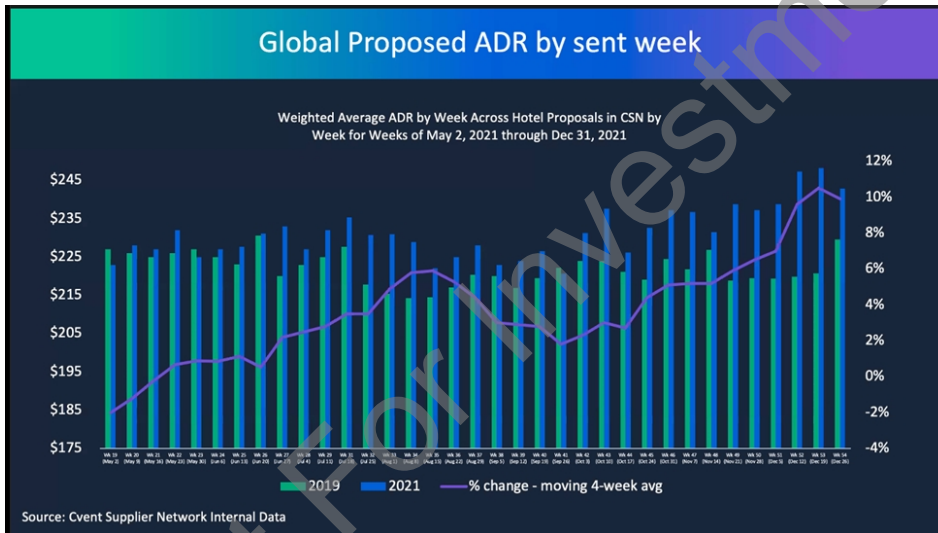
Exhibit 11:



Source: Cvent, Truist Securities

The Best News for corporate group business is that room rates remain (surprisingly) resilient as proposed rates on group bookings over the past several weeks were up close to 10% vs 2019, although approx. flat vs. 2019 when adjusted for inflation:

Exhibit 12:



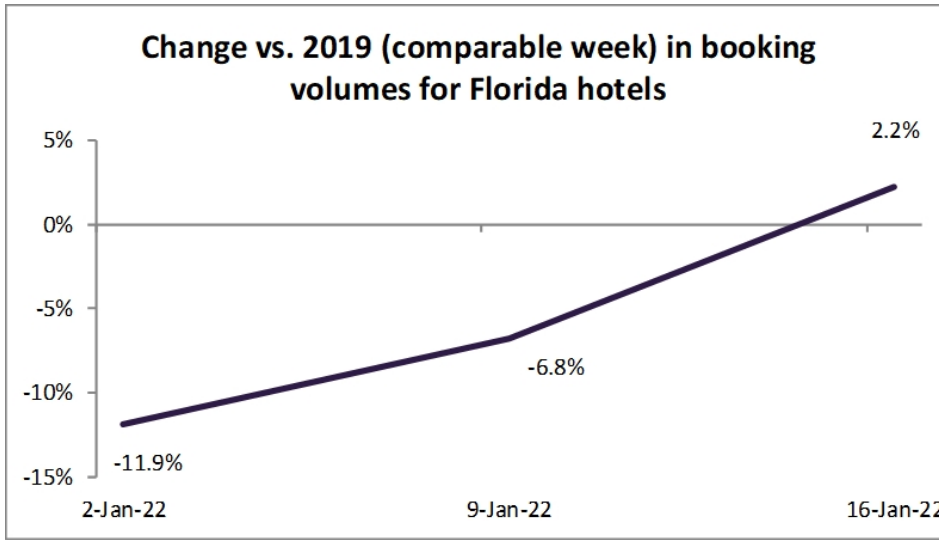
Source: Cvent, Truist Securities

Leisure travel observations:

Leisure booking volumes pulled back in early January but have been on a steady trajectory of improvement since then. Additionally, from observing forward Airbnb bookings (source: [Airdna](#), cumulative leisure bookings are on track to be above 2021 and 2019 levels through at least March. [Please join us for a conference call on Airbnb booking trends on Monday, February 14.](#) However, due to harder comparisons against last spring’s leisure surge, leisure occupancy for 2022 will likely be below 2021’s levels beginning in April but still well above 2019’s levels.

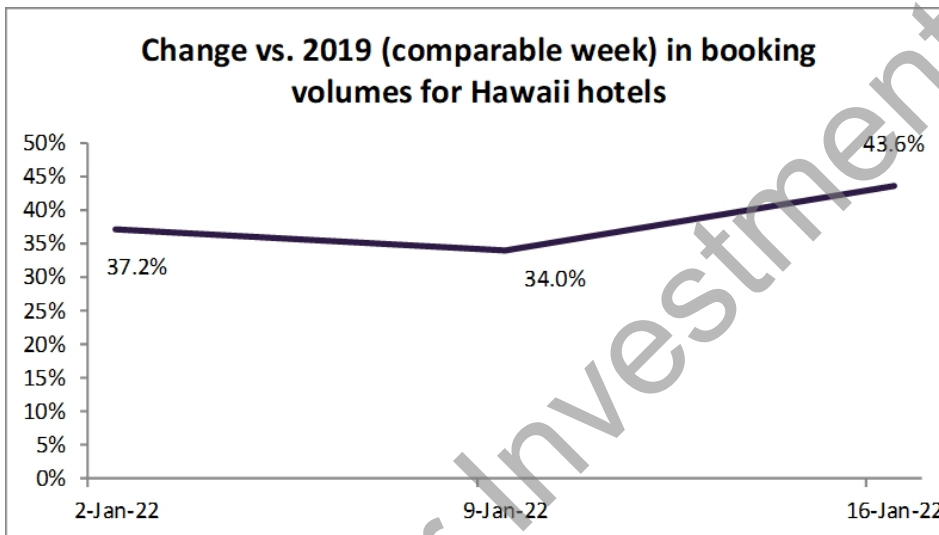
We first highlight forward-looking leisure-centric booking data collected from OTAs by [Sojern](#). Specifically looking at two highly leisure-centric markets, Florida and Hawaii, we continue to see forward-booking volumes above comparable 2019 levels in the most recent weekly data results:

Exhibit 13:



Source: Sojern, Truist Securities

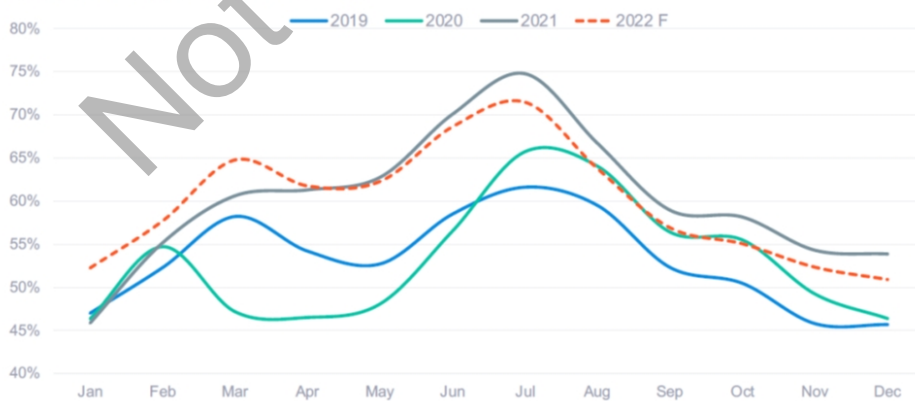
Exhibit 14:



Source: Sojern, Truist Securities

Exhibit 15: Airbnb occupancy forward pacing and forecast. Note that this forecast is a “hybrid forecast” where the forecast for 1H22 is mostly based on actual bookings whereas 2H22 is more based on an economic forecast.

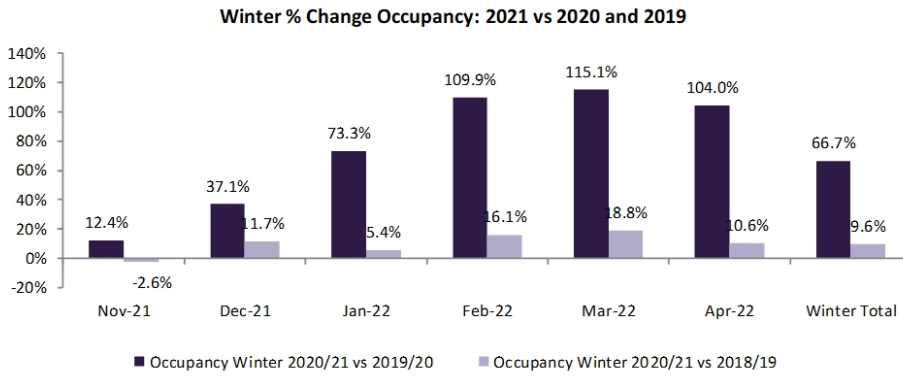
U.S. Short-term Rental Occupancy (2019 - 2022)



Source: Airdna, Truist Securities

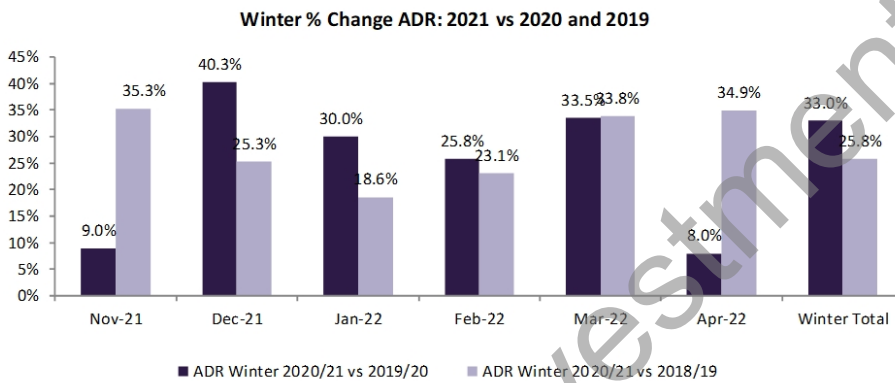
Lastly, to gauge the strength/weakness of US leisure travel we look at future occupancy, rate, and RevPAR pace for US ski resorts ([source DestiMetrics](#)). From this data, we see forward trends are exceptionally strong for these cold weather (winter) resort locations for the rest of the ski season:

Exhibit 16: US ski resorts



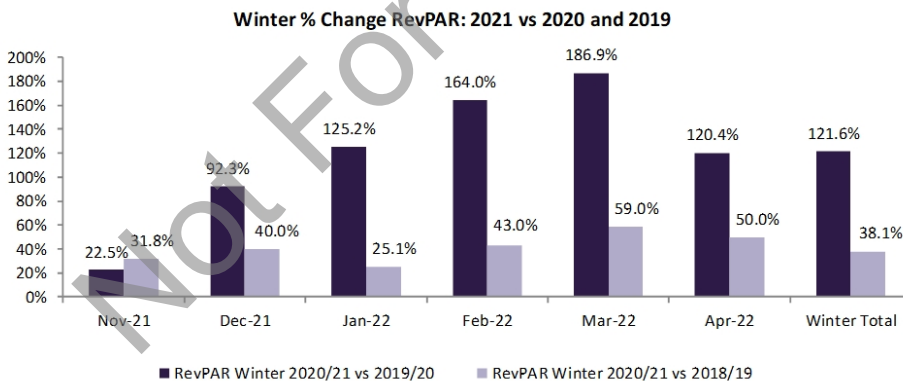
Source: DestiMetrics, Truist Securities

Exhibit 17: US ski resorts



Source: DestiMetrics, Truist Securities

Exhibit 18: US Ski resorts



Source: DestiMetrics, Truist Securities

Exhibit 19:

| Segmentation By Company | | | |
|-----------------------------|-----------------------------|--------------------------|--------------|
| Lodging REITS | Transient Corporate* | Transient Leisure | Group |
| DRH | 35% | 35% | 30% |
| HST | 40% | 25% | 35% |
| PEB | 35% | 40% | 25% |
| PK | 35% | 35% | 30% |
| RHP | 5% | 25% | 70% |
| RLJ | 55% | 25% | 20% |
| SHO | 35% | 30% | 35% |
| C-corps | Transient Corporate* | Transient Leisure | Group |
| CHH | 45% | 45% | 10% |
| H | 20% | 50% | 30% |
| HLT | 50% | 20% | 30% |
| MAR | 50% | 30% | 20% |
| WH | 30% | 70% | less than 1% |
| Experiential Leisure | Transient Corporate | Transient Leisure | Group |
| MTN | 0% | 95% | 5% |
| PLYA** | 0% | 90% | 10% |
| Cruise Lines | Transient Corporate | Transient Leisure | Group |
| CCL | 0% | 100% | 0% |
| NCLH | 0% | 100% | 0% |
| RCL | 0% | 100% | 0% |
| Vacation Ownership | Transient Corporate | Transient Leisure | Group |
| BVH | 0% | 100% | 0% |
| HGV | 0% | 100% | 0% |
| TNL | 0% | 100% | 0% |
| VAC | 0% | 100% | 0% |

Notes:

*For simplicity, transient corporate includes contract/crew (generally 5% or less of total demand for most companies). Contract/crew is generally very low-rated business. Figures are largely pre-pandemic and reflect normalized demand.

**For PLYA, we estimate a normalized portfolio given the material impact of Hyatt Cap Cana

Source: Truist Securities Research, company filings

Companies Mentioned in This Note

Airbnb, Inc. (ABNB, \$142.77, Hold, Naved Khan)
Bluegreen Vacations Holding Corporation (BVH, \$28.79, Buy, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$89.65, Buy, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$47.24, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$143.39, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$159.38, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$54.61, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$157.60, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$82.70, Buy, C. Patrick Scholes)
Bluegreen Vacations Holding Corporation (BVH, \$25.79, Buy, C. Patrick Scholes)

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