



REITMonitor.net

## Hotel REIT Sector Comments

08/29/2014

### Summary and Outlook

Powerful Hotel REIT rally pushed stock prices up 19% during the first 8 months of 2014, supported by decline in gasoline prices. Lower gasoline prices ease restraint on travel budgets, enabling purchase of extra room nights and ancillary items. Hotel REITs are exceptionally sensitive to unforeseen events, reacting adversely (like airlines) at times of crisis, reflecting disruption over terrorist and security concerns, as well as unusual weather events and volcanos. At this time, events in Syria, Iraq and Ukraine weigh on Hotel REITs with international portfolio exposure. Hotel REITs report significant profitability improvement on occupancy gains, although average daily rates show only modest growth for 2014. Portfolio returns are stimulated by hotel renovation and opportunistic acquisitions.

### Yield Range

Yields for Hotel REITs paying dividends range from 0.8% for **FelCor Lodging Trust** to 6.7% for **Hospitality Properties Trust**. Average yield for Hotel REITs is now 2.7%. Hotel REITs should be expected to increase dividends during 2014 and 2015 as profitability continues to improve. The only Hotel REIT not paying a dividend at this time is **Strategic Hotels & Resorts**.

### Capitalization Range

Market cap for Hotel REITs totals \$35 billion, representing 5% of total market cap for all REITs followed by **REITMonitor.net**. Hotel REITs report total capitalization (including market cap, as well as debt, preferred stock and non-trading equity) in a range of 16.1X-229.8X to annualized FFO. Lowest valuation is **Hospitality Properties Trust** and highest is **FelCor Lodging Trust**.

### S&P 500 Index Hotel REITs

At this time, there is a single Hotel REIT included in the S&P 500 Index, **Host Hotels & Resorts** (at market cap of \$18 billion and total cap/FFO at 21.3X, yielding 2.5%). **Host Hotels & Resorts** has international exposure through hotel investments in key cities located in Europe, Mexico and Pacific markets.

### Hotel REIT Rankings

We increased BUY recommendation to our highest rank for **Ashford Hospitality Trust** (still trading at a discount following spin-off of **Ashford Hospitality Prime**, currently ranked BUY). We also upgraded rank to BUY for **LaSalle Hotel Properties**, **Sunstone Hotel Investors** and **Strategic Hotels & Resorts**. We maintain BUY rank for **Host Hotels & Resorts** and **Hospitality Properties Trust**, reflecting dividend growth. Other Hotel REITs are ranked HOLD at this time, including **Hersha Hospitality Trust**.

Note: This report is for information only. It is not a solicitation or an offer to buy or sell securities of any company mentioned herein. REITMonitor.net does not make markets in the securities mentioned herein and does not have investment banking relationships with any company mentioned herein. The views expressed are those of the authors, and are based on a diligent review of available information. The report is based on information which is believed to be accurate, but we do not guarantee its accuracy or completeness. REITMonitor.net, its officers, employees and stockholders (and members of their families) and its customers may have long/short positions or holdings in the securities mentioned, and they may at any time hold, increase or decrease these positions. Neither the authors of this report nor any related household members are officers, directors, or advisory board members of any company mentioned herein. REITMonitor.net, or any of its employees do not own shares equal to 1% or more of any company mentioned herein. **Copyright 2014 REITMonitor.net**