

## Lodging

China & Italy hotels: RevPAR -4% & -92% y/y for week ending 1/2/21. US -35%.

Easier y/y comps in China. Worst weekly result for Italy. US helped by holiday.

**Quick take: Per STR for the week ending January 2nd, China hotel RevPAR in local currency was -3.6% y/y, better than -7.5% in the prior week. We believe the large week-over-week improvement was primarily driven by the beginning of extremely easy y/y comps, which should only significantly accelerate going forward. On a 2-year run-rate, which we believe is an equally important KPI, RevPAR was down 26.6%.**

- **By comparison for Italy the easy y/y comps will not begin until mid-February and for the US not until early March.**

**Italy** was down 92.3% y/y, materially worse than the -87.0% in the prior week. *This is the worst weekly performance in Italy since Covid began and possibly the worst performance in Italy since WWII. This latest result was weaker than the weekly trend of -80% to -85% since late October.*

These weekly results compare to the **US** for the same week down 35.1% y/y. *This latest US result compares to -52.3% in the prior week's results and is roughly equivalent to the -33% for the week leading up to Labor Day.*

Please note there are many hotels that suspended operations/closed and they are not included in the comparisons. Implications are that the headline statistics overstate the actual performance of the overall industry.

**RevPAR detail for week ending January 2nd vs. trailing 28 days (see charts at end of note for graphical representations):**

China (local currency):

- RevPAR was -3.6% y/y for the week ending January 2nd, **an improvement** from -10.5% for the trailing 28 days.
- ADR was -1.1% y/y for the week ending January 2nd, **an improvement** vs. -3.7% for the trailing 28 days.
- Occupancy was -2.5% y/y for the week ending January 2nd, **an improvement** from -7.1% for the trailing 28 days.

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

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

### What's Inside

China and Italy data and analysis following last week's results

Italy (local currency):

- RevPAR was -92.3% y/y for the week ending January 2nd, a **deceleration** from the -83.4% for the trailing 28 days.
- ADR was -43.9% y/y for the week ending January 2nd, a **deceleration** from the -38.0% for the trailing 28 days.
- Occupancy was -86.3% y/y for the week ending January 2nd, a **deceleration** vs. -73.3% for the trailing 28 days.

Additional thoughts and observations:**Hotel occupancy observations from the latest weekly STR results from China, Italy, and US:**

- **China: Absolute occupancy in China was 51.8%.** Absolute occupancy levels for hotels *that were still open* in China bottomed out at approx. 10% the week of February 29th. This was approx. 21 days after occupancy first started to see rapid deceleration in China, approx. 13 weeks ahead of when this happened in the US. *By comparison, occupancy was 53.1% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending January 2nd was 8.8%.** So far it has been approx. 45 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 64.4% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending January 2nd was 40.6%** So far it has been approx. 43 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 49.0% during the comparable week last year.*

**Hotel closure observations from the latest weekly STR results from China, Italy, and US:**

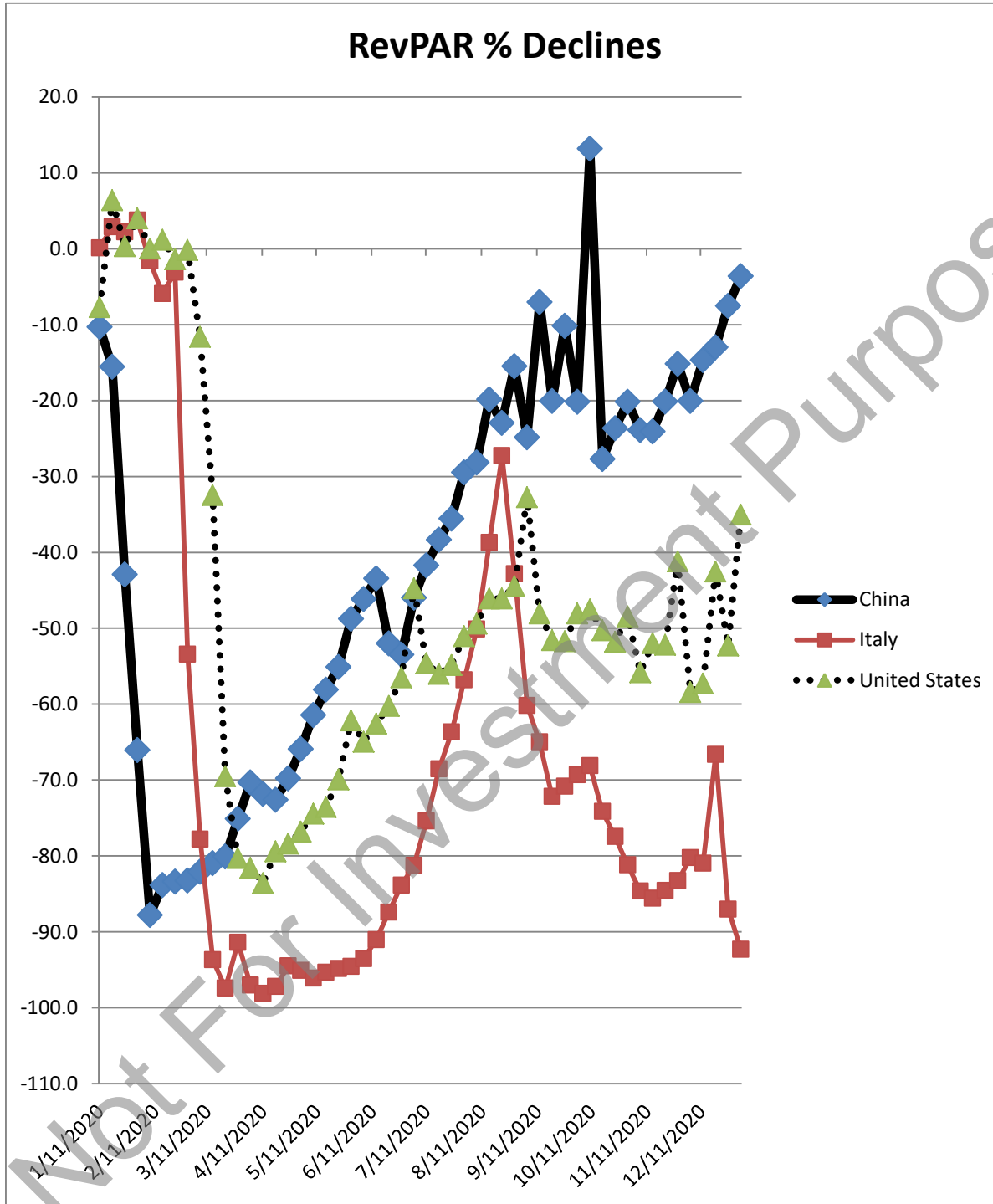
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation of hotel closures.

- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February from early January's levels. Today, room count is down approx. 6%.
- **Italy:** Based on the STR sample as of January 2nd, room count declines are running at down 71% from early January levels.
- **US:** Based on the STR sample as of January 2nd, room count declines are running at down 4% from early January levels.

**About our data set:**

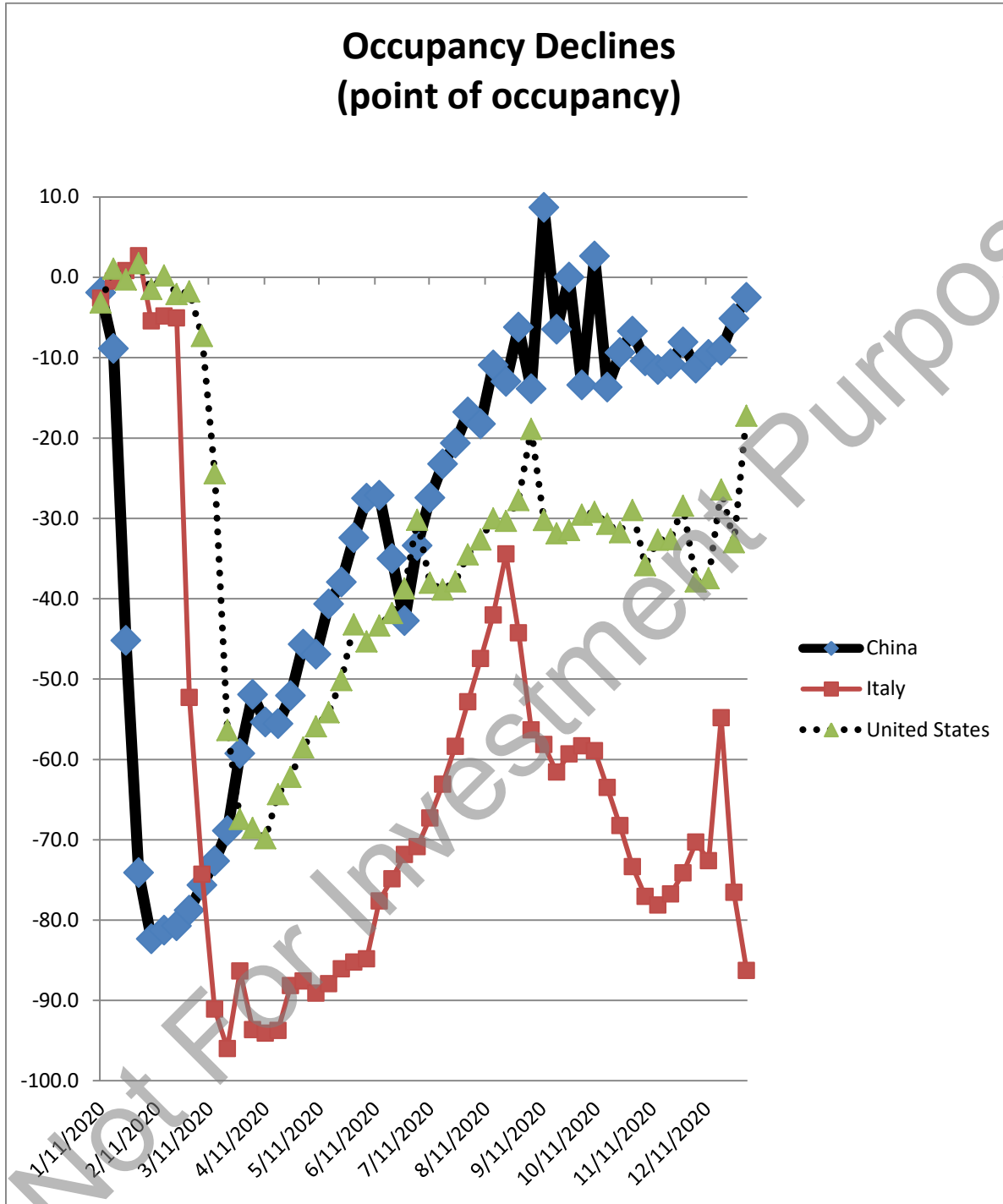
- **China:** Currently 837k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December 2019 where 889k rooms were in the survey, or 32% of the total number of hotel rooms in China. **837k rooms is an uptick from the prior week where 828k rooms were reporting data.** We note that the STR data set is primarily branded hotels, which see a larger number of international (meaning fly-to) guests than does the average hotel in China. Implications are that with international inbound flights to China severely curtailed, RevPAR results and hotel reopenings in the STR data set could be weaker than the average hotel in China.
- **Italy:** Currently 24k hotel rooms reporting data in the survey, or 7% of the total number of rooms in Italy. Due to hotel closings, these figures are a decrease from the last week of December where 80k rooms were in the survey, or 22% of the total number of hotel rooms in Italy. **24k is down from the prior week where 26k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



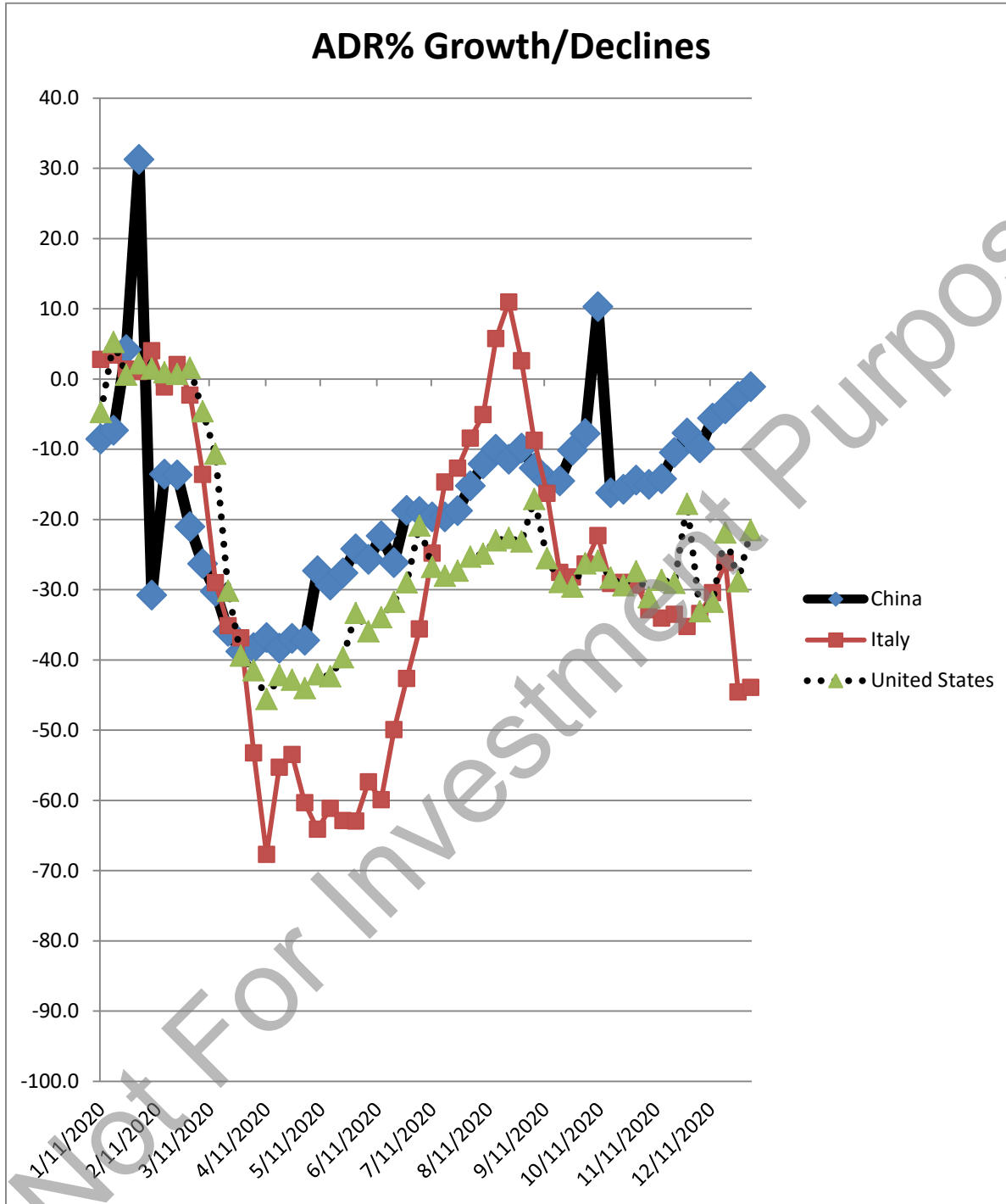
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



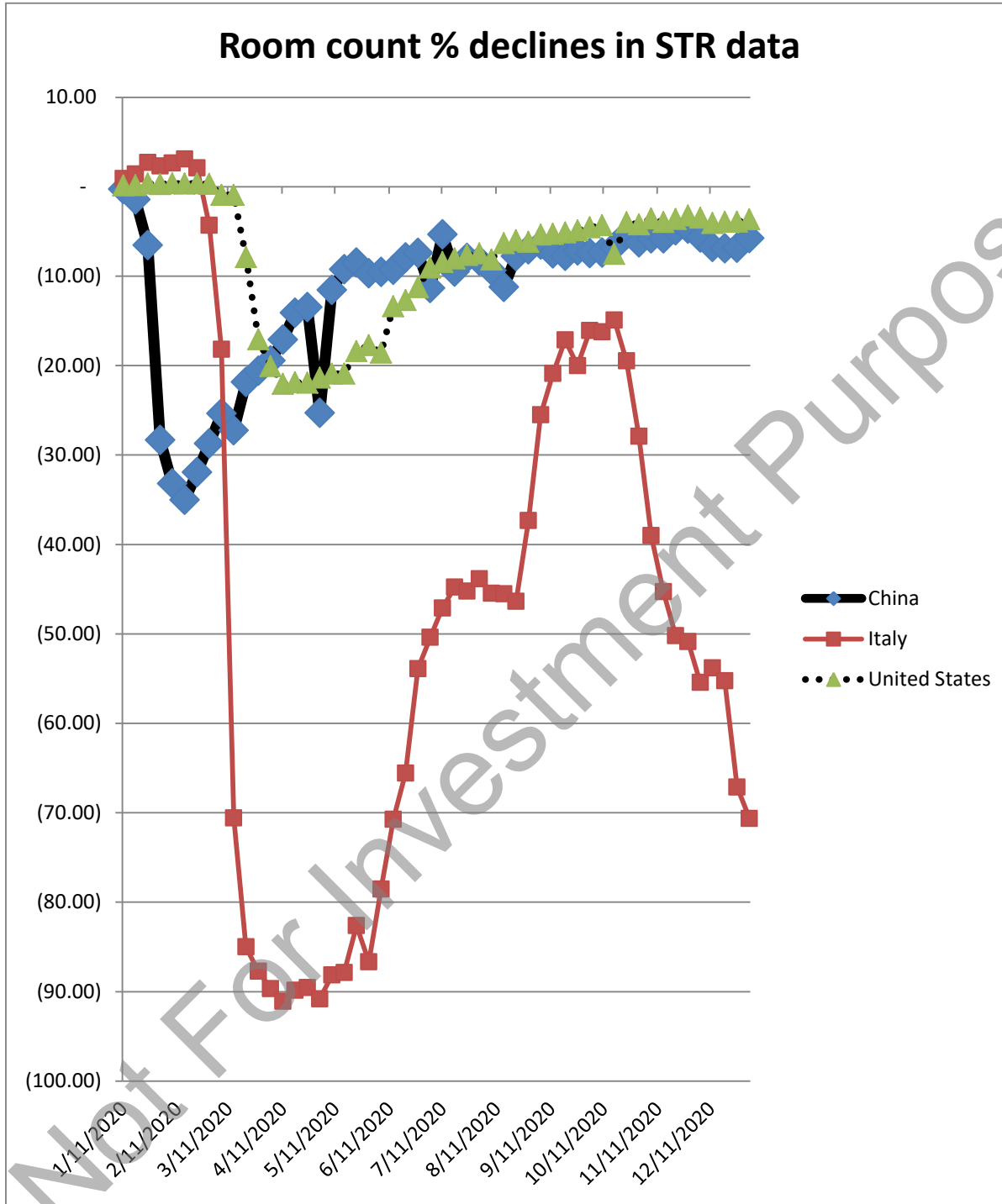
Source: STR, Truist Securities research

Exhibit 3: ADR for China, Italy, US



Source: STR, Truist Securities research

Exhibit 4: Room count in survey for China, Italy, US



Source: STR, Truist Securities research

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