

Lodging

China & Italy hotels: RevPAR -41% & -83% y/y for week ending 1/9/21. US -48%.

New lockdowns hurting China. Italy “less awful” & US similar to 4Q avg.

Quick take: Per STR for the week ending January 9th, China hotel RevPAR in local currency was -40.6% y/y, far worse than the -3.6% in the prior week. Despite the easy -10.3% comparable result in 2019 that last week was up against, we believe results were **negatively impacted by new Covid lockdowns by the timing of any holidays. On a 2-year run-rate, which we believe is an equally important KPI, RevPAR was down 47.4%.**

- **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 83.2% y/y, “less awful” than the -92.3% in the prior week. *This latest result was consistent with the weekly trend of -80% to -85% since late October.*

These weekly results compare to the US for the same week down 47.7% y/y. *This latest US result compares to -35.1% in the prior week’s result, which was aided by the Christmas and New Years holidays, and is similar to the weekly results going back to August.*

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 9th vs. trailing 28 days (see charts at end of note for graphical representations):

China (local currency):

- RevPAR was -40.6% y/y for the week ending January 9th, **a deceleration** from -17.3% for the trailing 28 days.
- ADR was -12.3% y/y for the week ending January 9th, **a deceleration** vs. -4.6% for the trailing 28 days.
- Occupancy was -32.2% y/y for the week ending January 9th, **a deceleration** from -13.3% for the trailing 28 days.

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What's Inside

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

Italy (local currency):

- RevPAR was -83.2% y/y for the week ending January 9th, **a small improvement** from the -84.1% for the trailing 28 days.
- ADR was -36.6% y/y for the week ending January 9th, **an improvement** from the -39.9% for the trailing 28 days.
- Occupancy was -73.6% y/y for the week ending January 9th, **essentially unchanged** vs. -73.5% 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 44.0%.** 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 64.9% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending January 9th was 11.9%.** So far it has been approx. 46 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 45.0% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending January 9th was 37.0%.** So far it has been approx. 44 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 51.7% during the comparable week last year.*

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

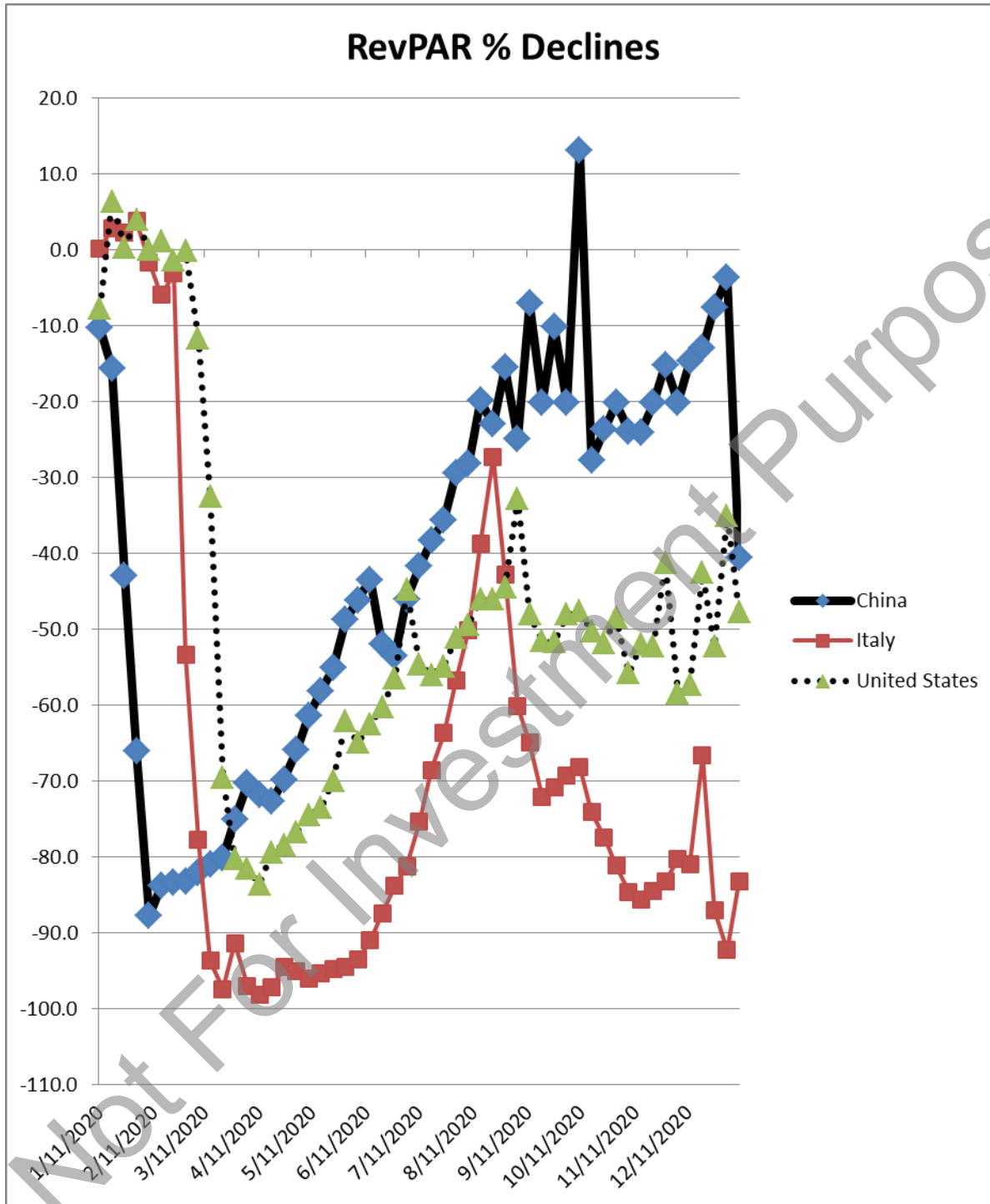
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data sent; ergo this is our best approximation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

- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February 2020 from early January 2020 levels. Today, room count is down approx. 7% from mid-February 2020.
- **Italy:** Based on the STR sample as of January 9th, room count declines are running at down 63% from early January 2020 levels.
- **US:** Based on the STR sample as of January 9th, room count declines are running at down 3% from early January 2020 levels.

About our data set:

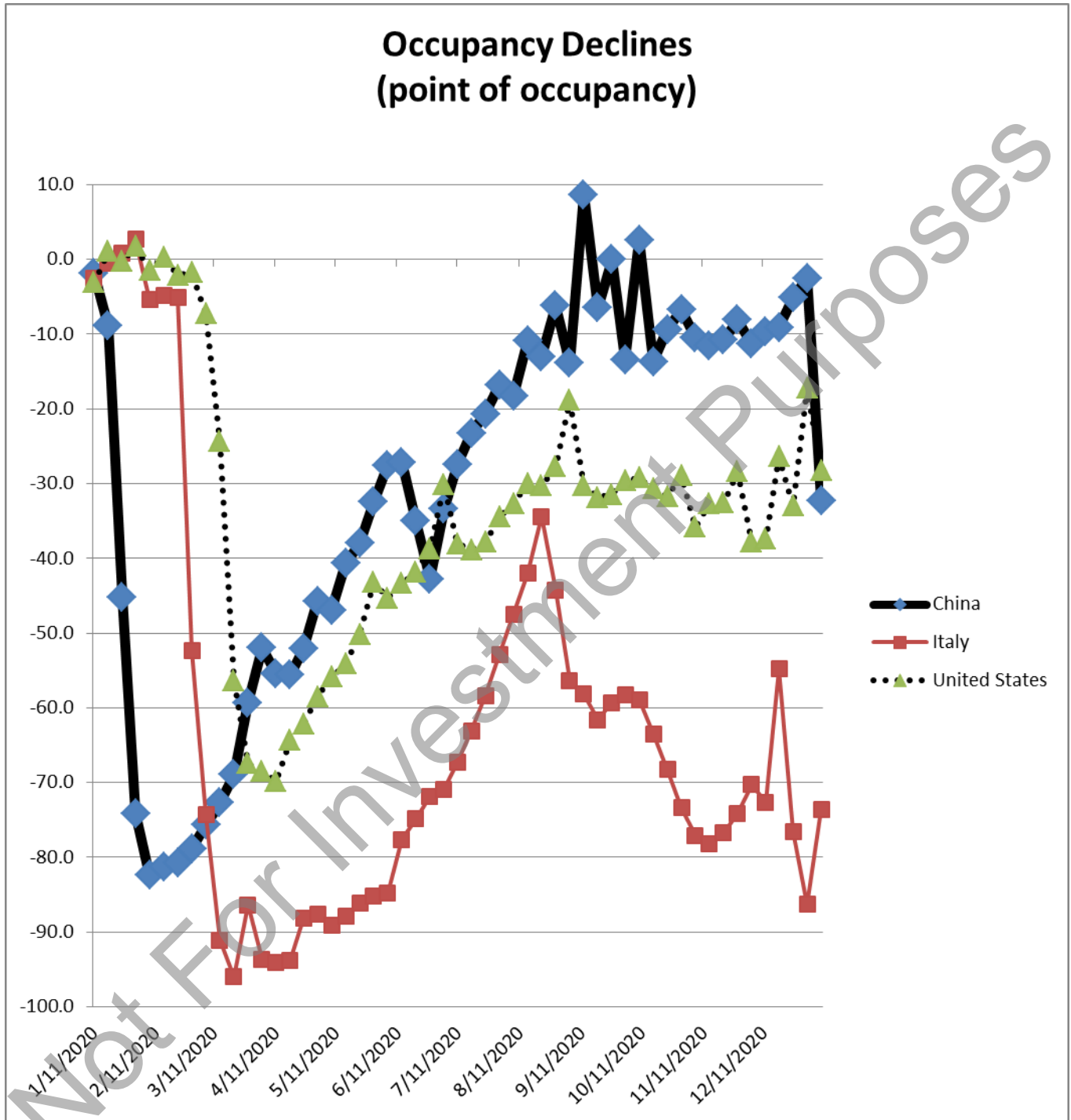
- **China:** Currently 822k hotel rooms reporting data in the survey, or 28% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December 2019 where 889k rooms were in the survey, or 32% of the total number of hotel rooms in China. **822k rooms is a down tick from the prior week where 837k 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 30k hotel rooms reporting data in the survey, or 9% 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. **30k is up from the prior week where 24k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



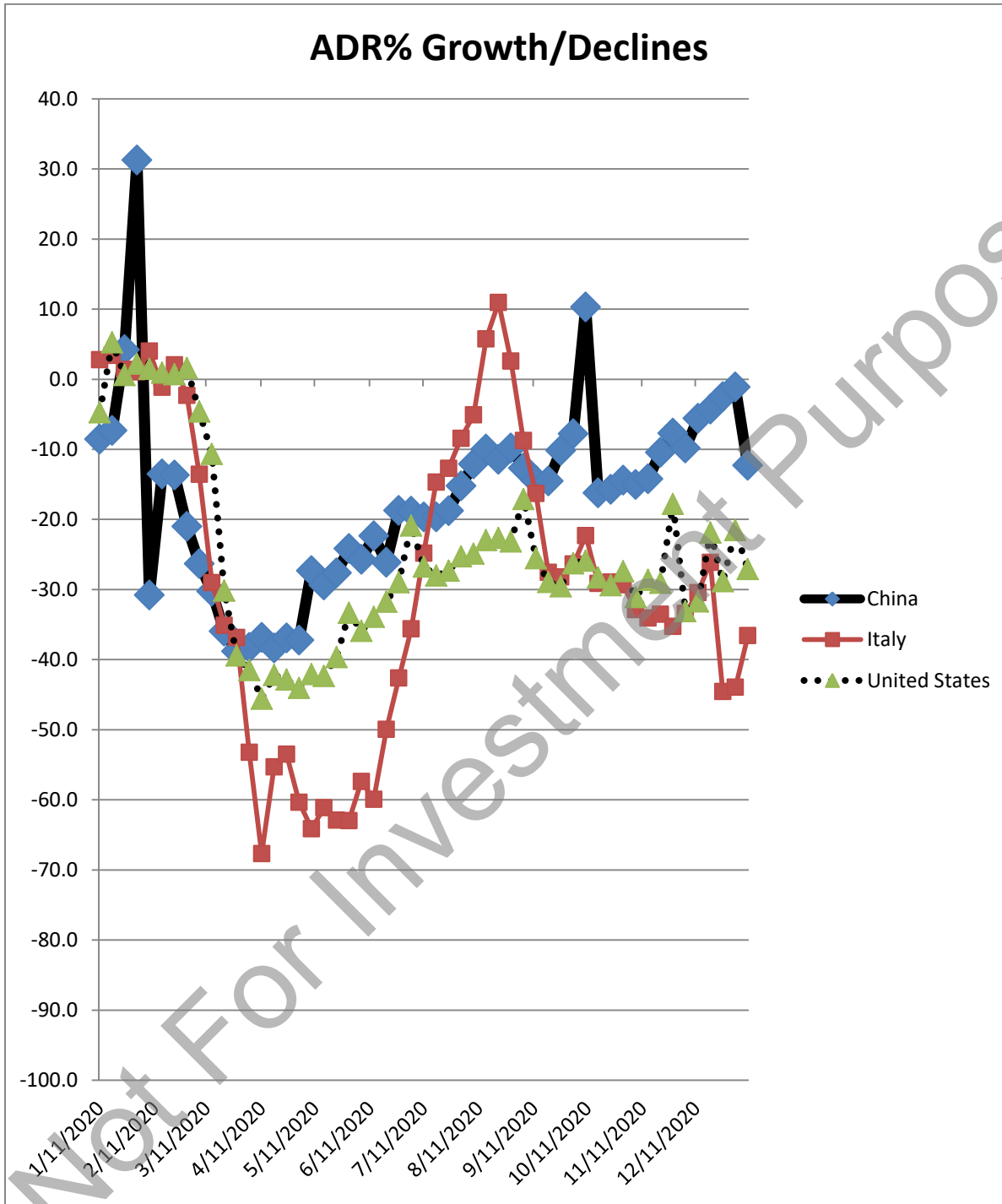
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



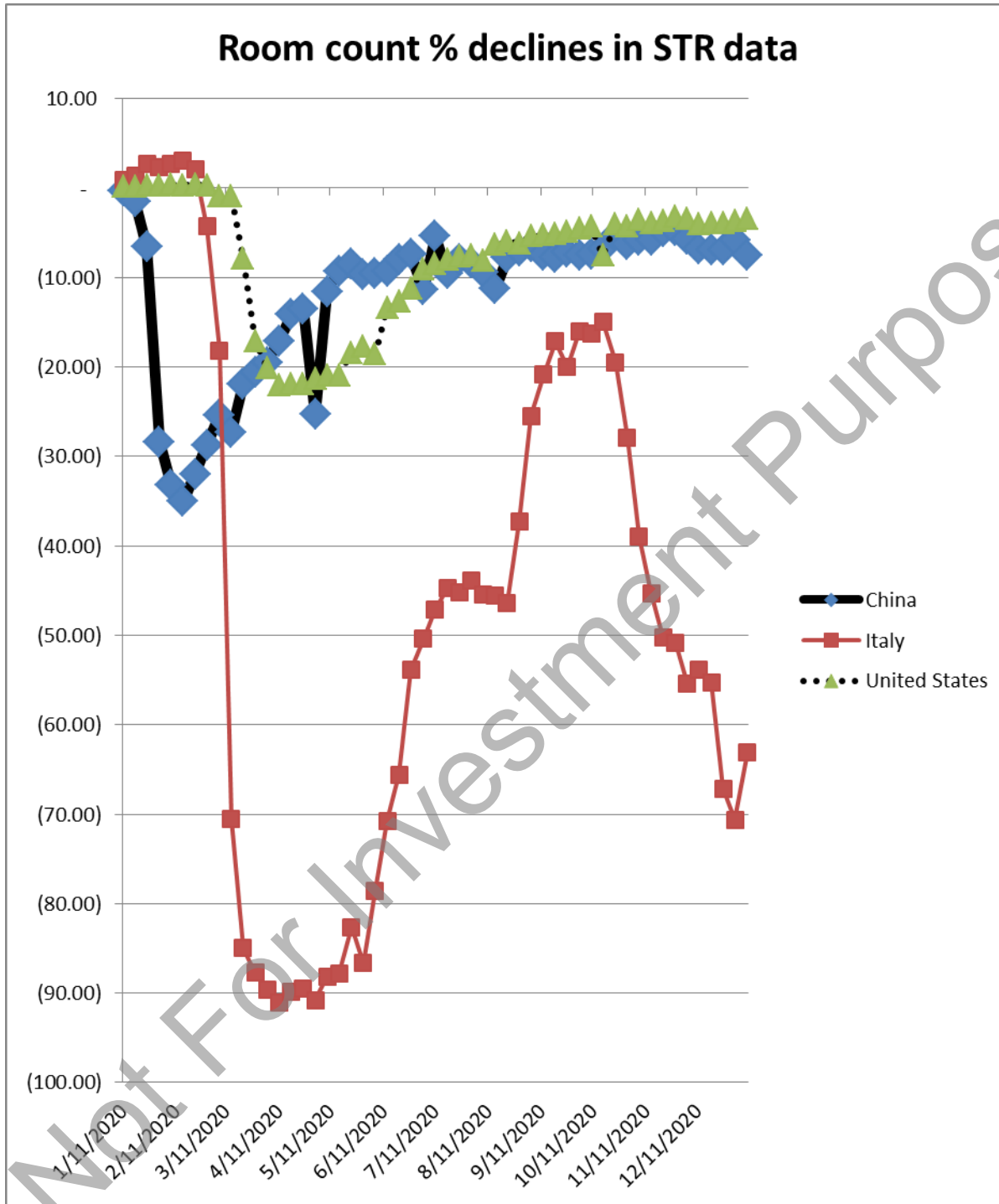
Source: STR, Truist Securities research

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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