



China & Italy hotels: RevPAR down 43% & 91% y/y for week ending 6/13/20

Continuing to climb out of the deep hole

What's Incremental To Our View

Quick take: Per STR for the week ending June 13th, China hotel RevPAR in local currency was -43.4% y/y, a 270bps improvement over the prior week's results. Italy was down 91.0% y/y, which is about a 400bps improvement over what we observed for most of April and May. These compare to the US for the same week down 62.6% y/y, a 240bps improvement from the prior week's results. 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.

We look closely at how hotels in China are faring as we have believed it not unreasonable to think that a similar pattern to what is happening in China is a preview of what might happen in the US. Now that we have several months of weekly data since Covid-19 hit hotel demand, we can say that statistically so far there has been a very strong and predictive correlation between China RevPAR results and US RevPAR results.

- Based on statistical findings China is leading the U.S. trend by seven weeks, as shown by the high correlation between US and China's RevPAR % change and their occupancy (absolute as well as % change).
- For China, RevPAR % change seems to be the best indicator to predict trends in the United States, followed by occupancy % change and absolute occupancy % respectively. ADR % change does not seem to be a good leading indicator.
- **Using the above correlations, our prediction for the most recent weekly US RevPAR result was -65.0% whereas the actual result was -62.6%.** Please note that past correlations are no guarantee that correlations in the future may hold, especially since the correlations are only based on approx. 5 months of data.

About our data set:

- **China:** Currently 806k 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 where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **806k rooms is a small sequential acceleration from the prior week where 804k rooms were reporting data.** We note that

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What's Inside

China and Italy data and analysis as of week ending 6/13/20

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 21.6% of the total number of hotel rooms in Italy. **24k rooms is up from the prior week where 17k rooms were reporting data.**

RevPAR detail for week ending June 13th vs. trailing 28 days:

China (local currency):

- RevPAR was -43.4% y/y for the week ending June 13th, **an improvement** from the -49.0% for the trailing 28 days.
- ADR was -22.3% y/y for the week ending June 13th, **an improvement** from the -25.1% for the trailing 28 days.
- Occupancy was -27.2% y/y for the week ending June 13th, **an improvement** vs. -31.9% for the trailing 28 days.

Italy (local currency):

- RevPAR was -91.0% y/y for the week ending June 13th, **an improvement** from -92.9% for the trailing 28 days.
- ADR was -59.9% y/y for the week ending June 13th, **a deceleration** vs. -59.2% for the trailing 28 days.
- Occupancy was -77.6% y/y for the week ending June 13th, **an improvement** vs. -82.7% 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 50.1%.** Absolute occupancy levels for hotels **that were still open** in China bottomed out at approx. 10% the week of February 8th. This was approx. 21 days after occupancy first started to see rapid deceleration in China, approx. 11 weeks ahead of when this happened in the US. By comparison, occupancy was 68.8% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending June 13th was 18.2%.** So far it has been approx. 16 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 81.4% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending June 13th was 41.7%.** So far it has been approx. 14 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 73.6% during the comparable week last year.

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

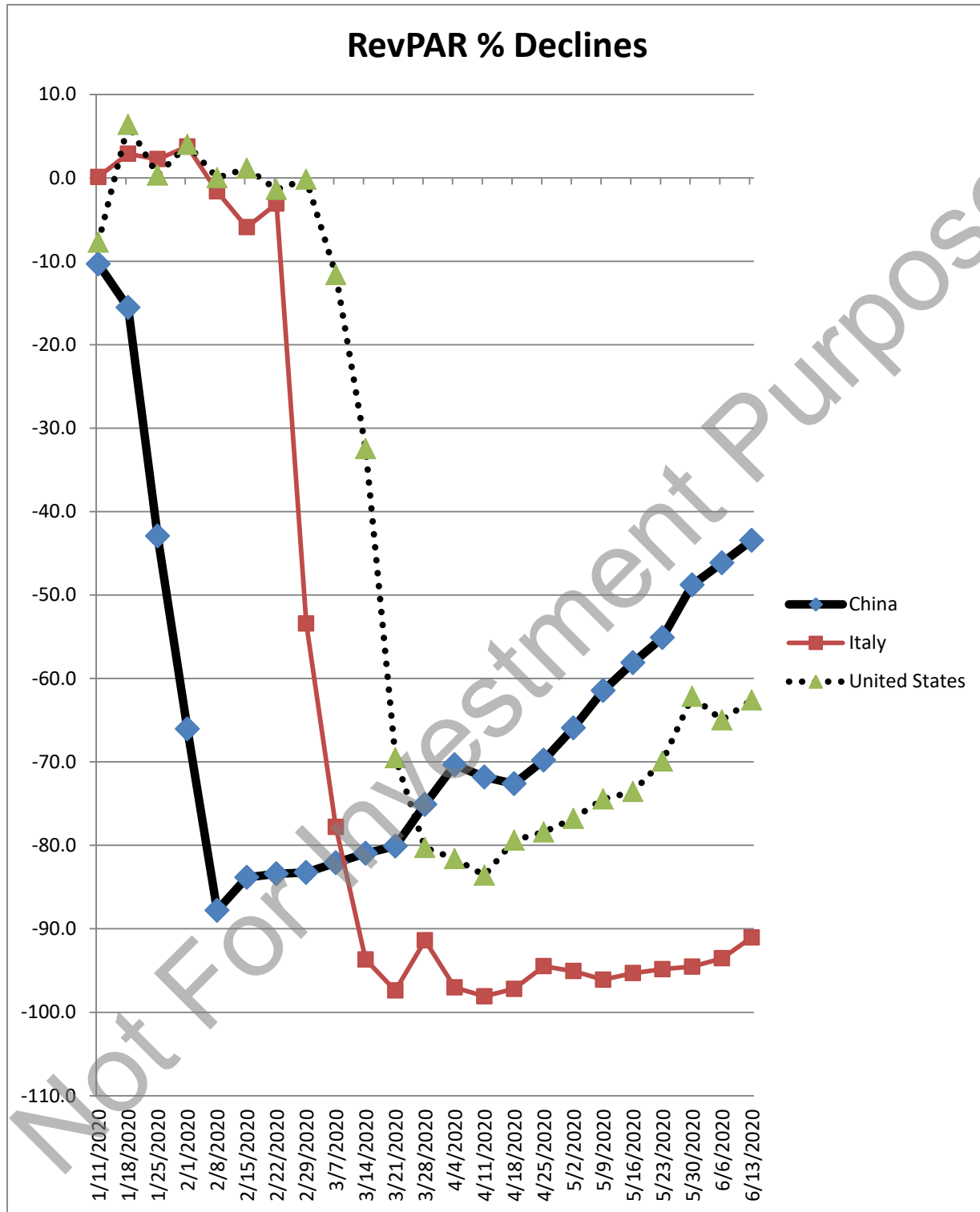
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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. 9%.

- **Italy:** Based on the STR sample as of June 13th, room count declines are running at down 71% from early January levels.
- **US:** Based on the STR sample as of June 13th, room count declines are running at down 13% from early January levels.

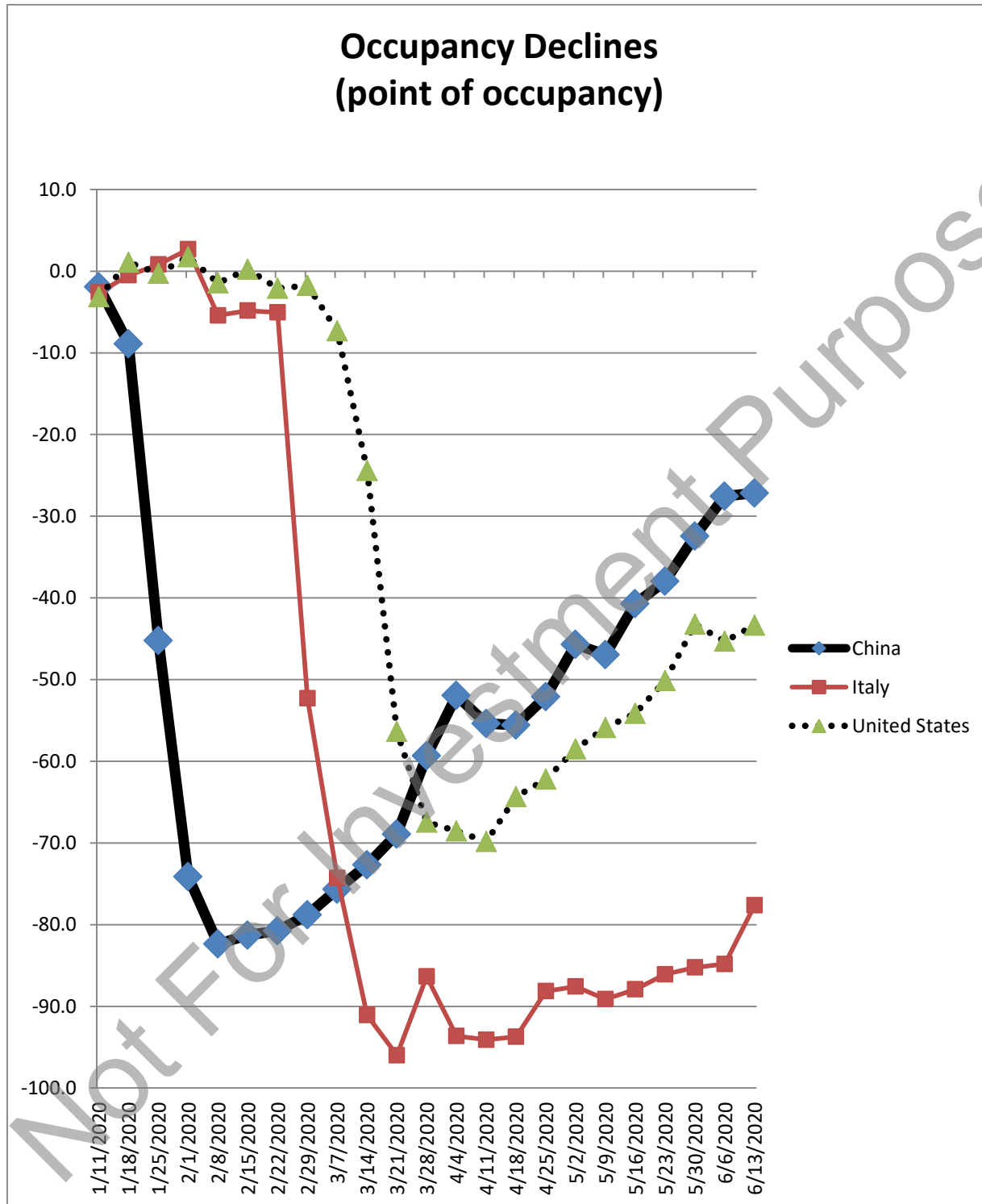
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Exhibit 1: RevPAR for China, Italy, US

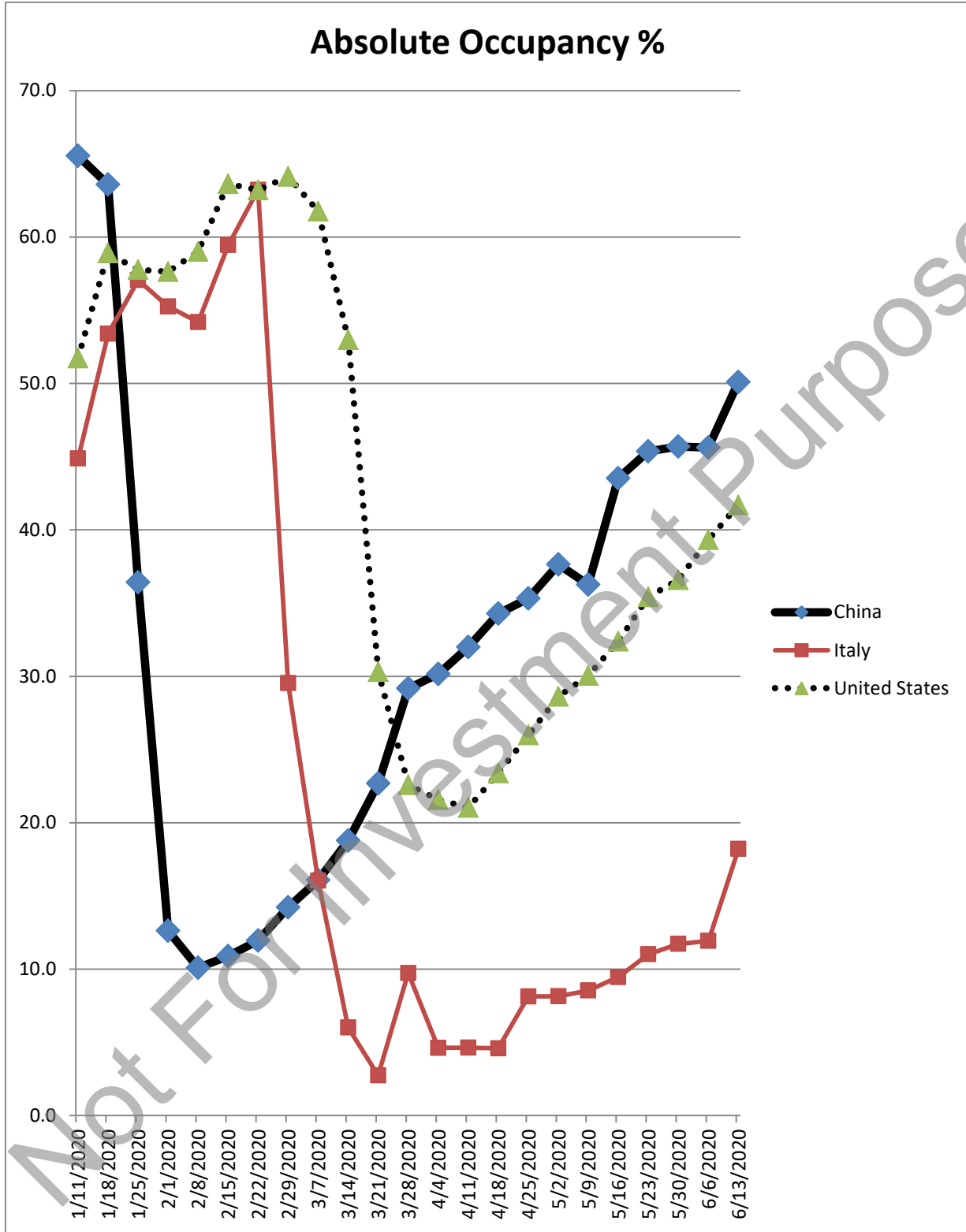


Source: STR, STRH research

Exhibit 2: Occupancy for China, Italy, US

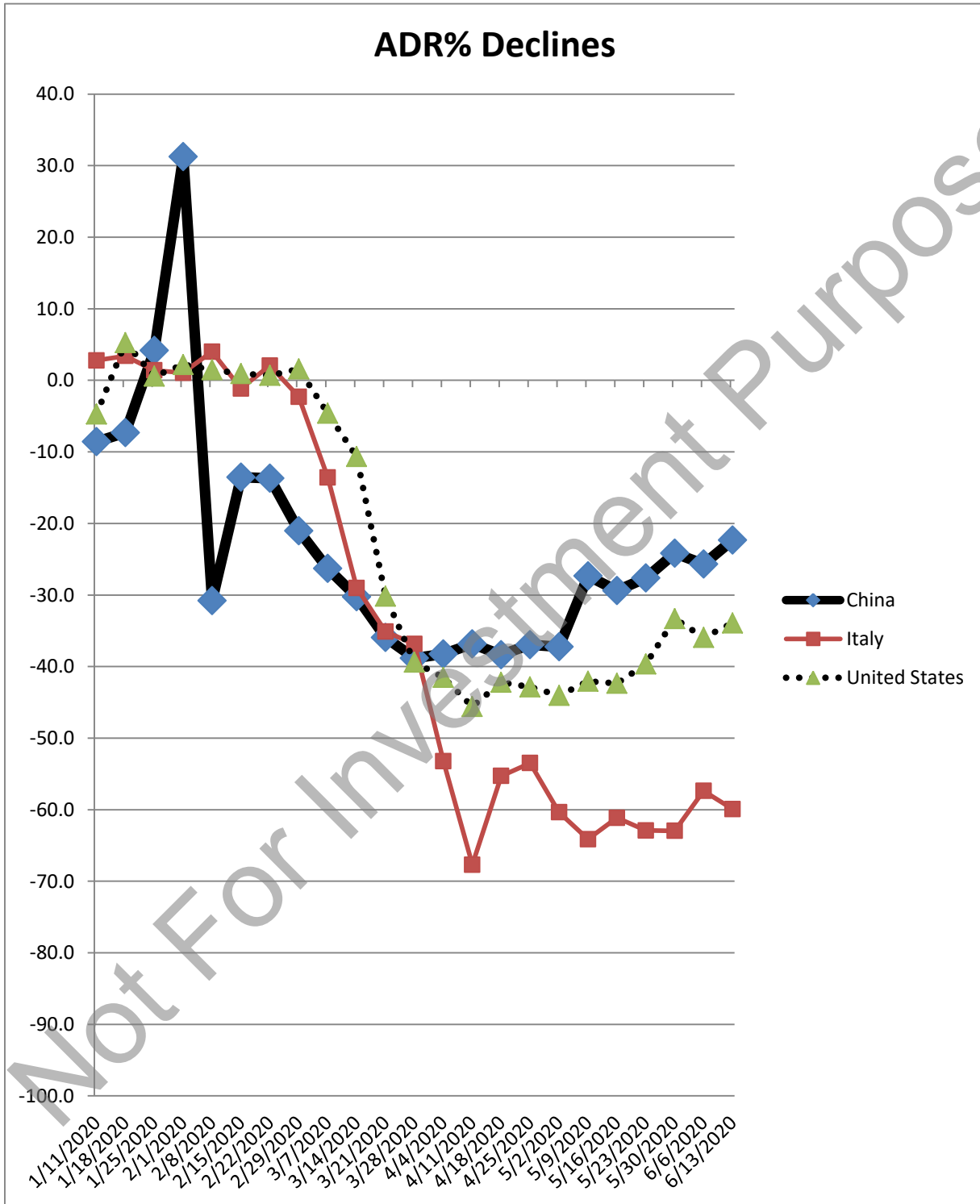


Source: STR, STRH research



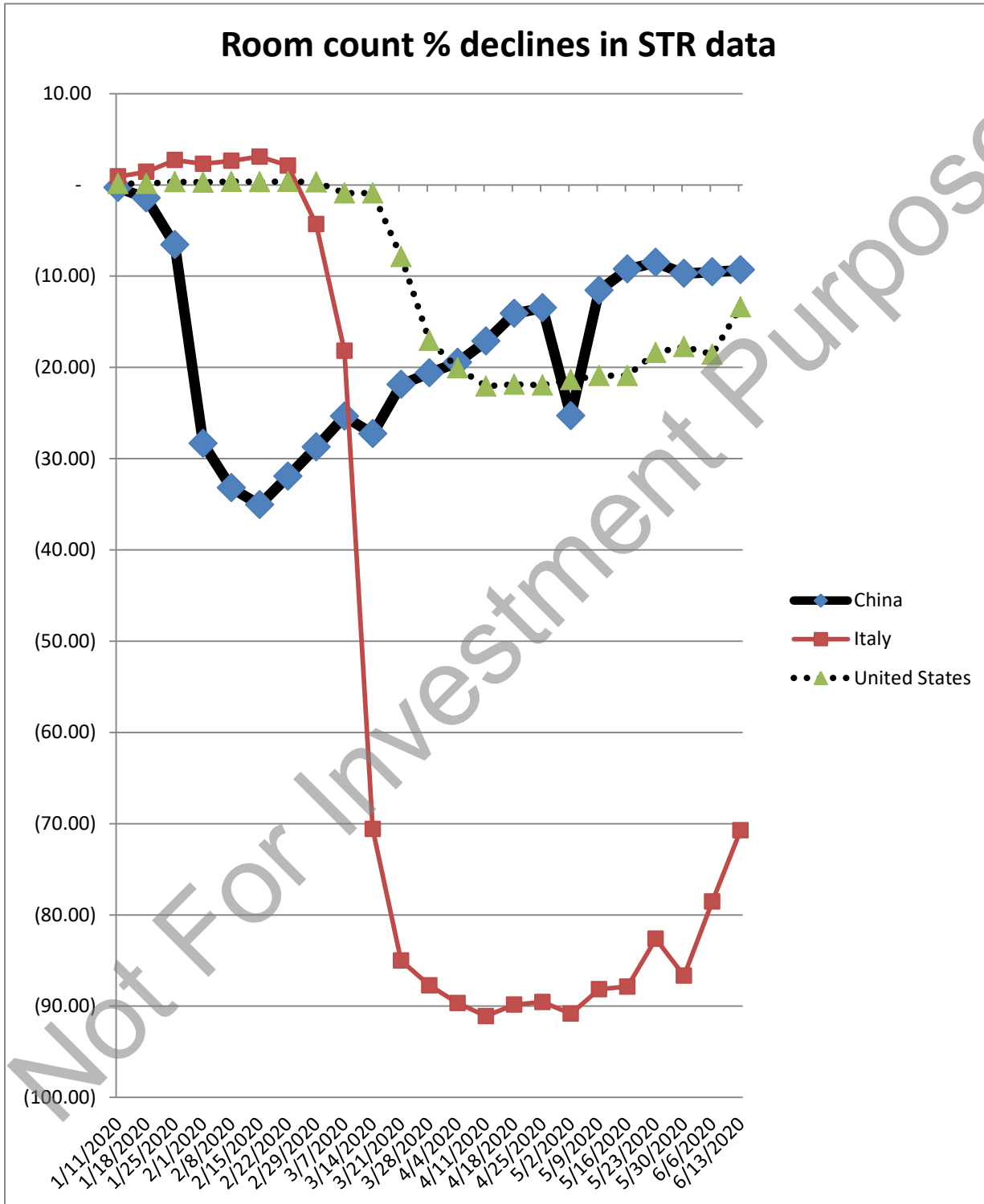
Source: STR, STRH research

Exhibit 3: ADR for China, Italy, US



Source: STR, STRH research

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



Source: STR, STRH research

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