



China & Italy hotels: RevPAR down 38% & 69% y/y for week ending 7/18/20

China – US recovery correlation now broken as US heading in wrong direction

What's Incremental To Our View

Quick take: Per STR for the week ending July 18th, China hotel RevPAR in local currency was -38.3% y/y, a sizable improvement from -41.7% in the prior week. Italy was down -68.5% y/y, vs. -74.7% in the prior week. These compare to the US for the same week down 56.0% y/y, an 140 bps. deceleration from the prior week's result of down 54.6%. 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 see the latest results and improvements in China and Italy as reflective of these countries continuing to open-up, driven by success in “flattening the curve.” We see US deceleration as a result of the US failing to flatten the curve.

China – US recovery correlation now broken as US heading in the wrong direction.

- We have looked 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.
- Prior to the past two week's results, statistically so far there was 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).
- However, the correlation did not hold the past two weeks as the US performed worse than what our model predicted.
- Using the above correlations, our prediction for the most recent weekly US RevPAR result was -41.2% whereas the actual result was -56.0%.

About our data set:

- **China:** Currently 804k 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. **804k rooms is a sequential deceleration from the prior week where 841k rooms were reporting data.** We note that the STR data set

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What's Inside

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

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 44k hotel rooms reporting data in the survey, or 12% 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. **44k rooms is up slightly from the prior week where 43k rooms were reporting data.**

RevPAR detail for week ending July 18th vs. trailing 28 days:

China (local currency):

- RevPAR was -38.3% y/y for the week ending July 18th, **an improvement** from the -44.9% for the trailing 28 days.
- ADR was -19.7% y/y for the week ending July 18th, **a small deceleration** from the -19.4% for the trailing 28 days.
- Occupancy was -23.2% y/y for the week ending July 18th, **an improvement** vs. -31.6% for the trailing 28 days.

Italy (local currency):

- RevPAR was -68.5% y/y for the week ending July 18th, **an improvement** from -77.2% for the trailing 28 days.
- ADR was -14.7% y/y for the week ending July 18th, **an improvement** vs. -28.3% for the trailing 28 days.
- Occupancy was -63.1% y/y for the week ending July 18th, **an improvement** vs. -68.1% 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 58.3%.** 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 75.9% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending July 18th was 28.4%.** So far it has been approx. 21 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 76.9% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending July 18th was 47.5%.** So far it has been approx. 19 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 77.8% during the comparable week last year.

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

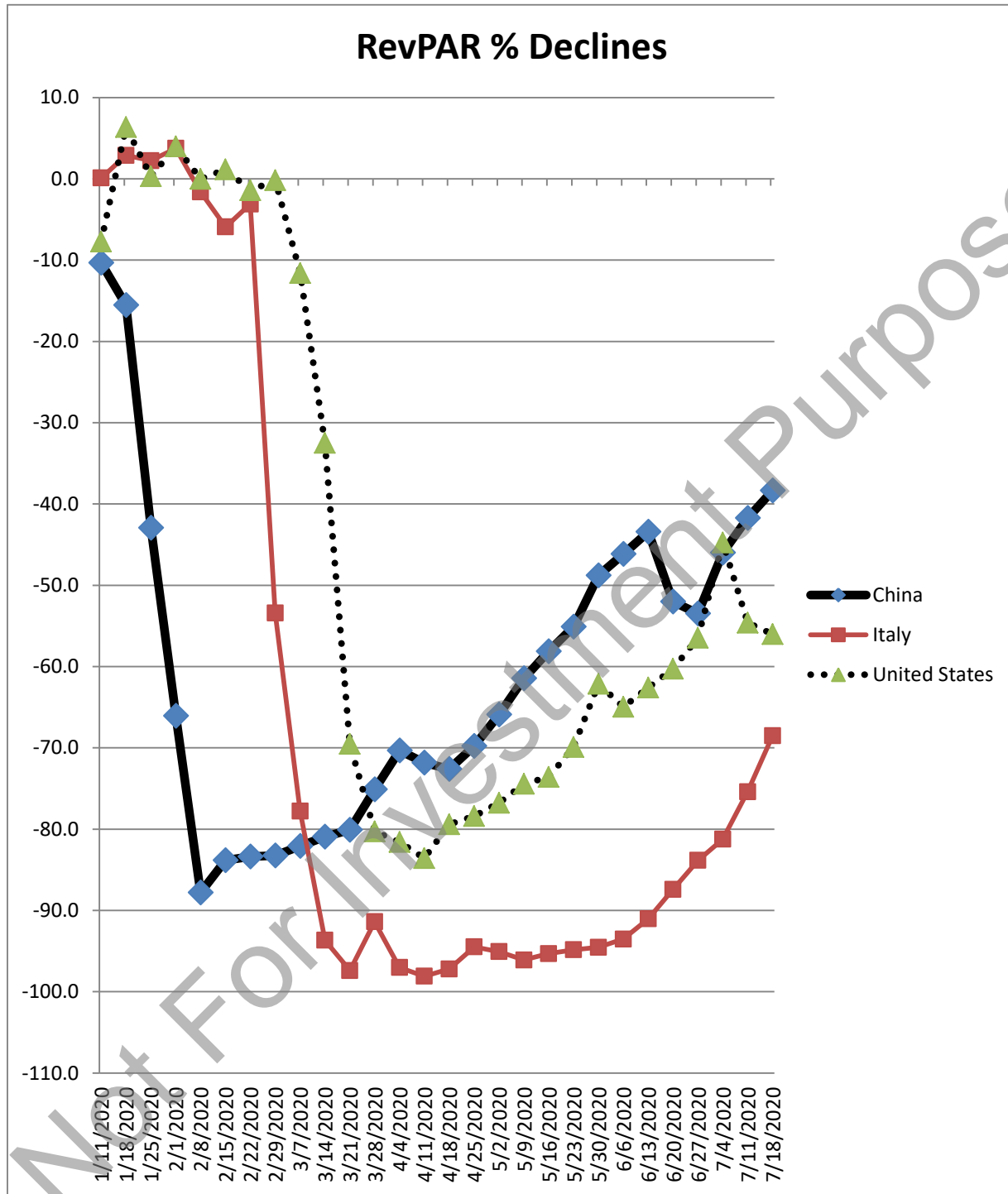
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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. 10%.
- **Italy:** Based on the STR sample as of July 18th, room count declines are running at down 45% from early January levels.

- **US:** Based on the STR sample as of July 18th, room count declines are running at down 8% from early January levels.

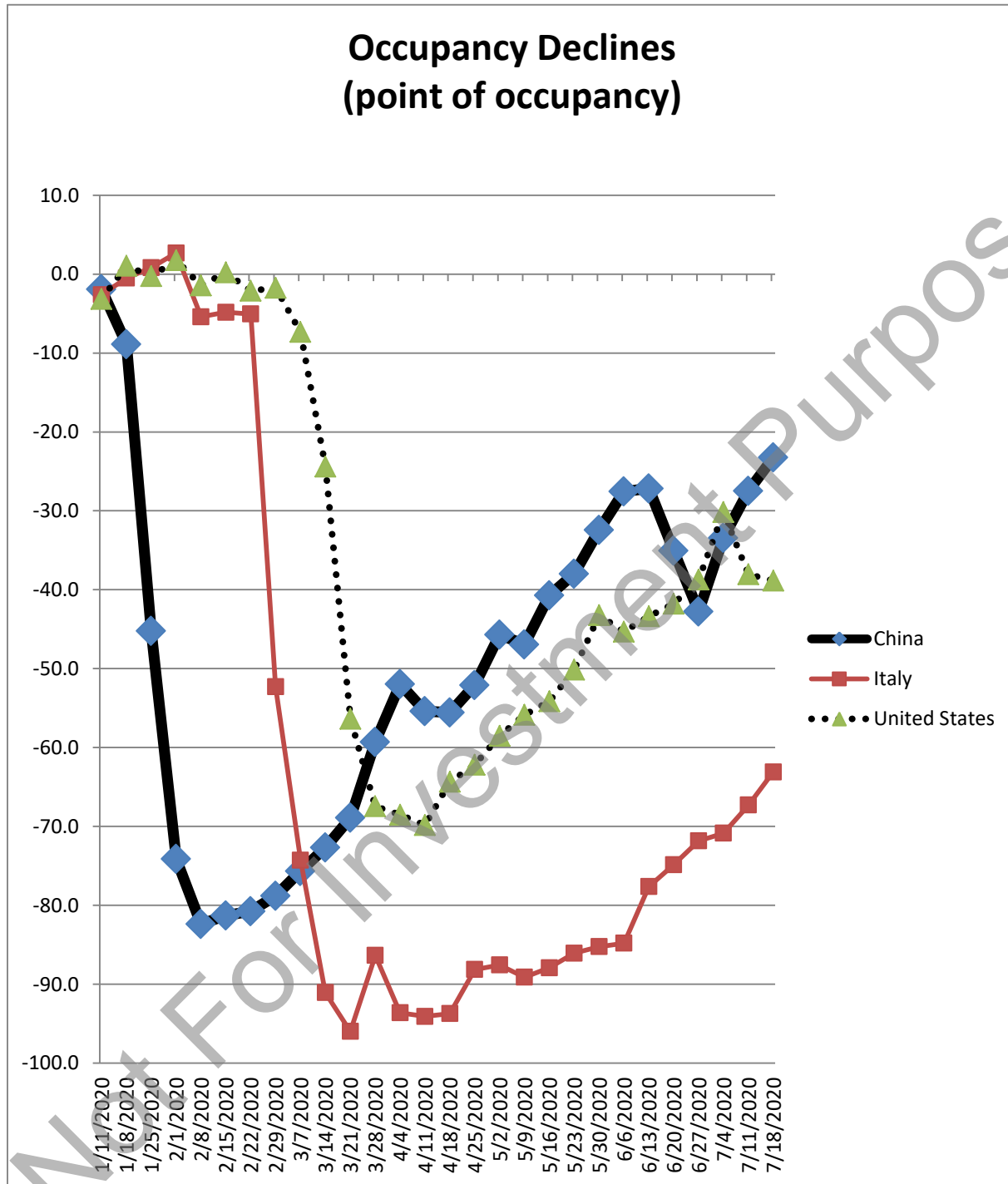
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Exhibit 1: RevPAR for China, Italy, US



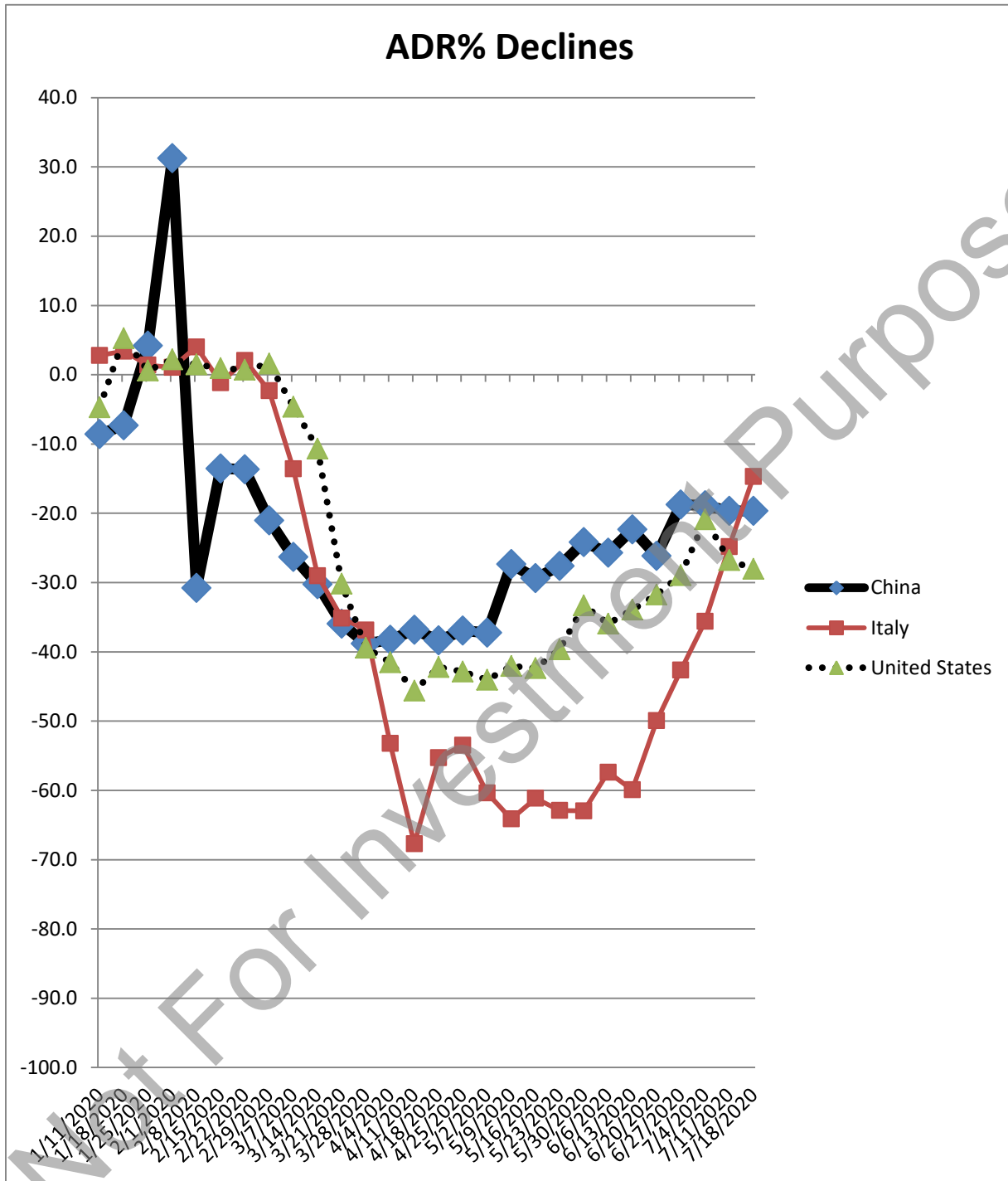
Source: STR, STRH research

Exhibit 2: Occupancy for China, Italy, US



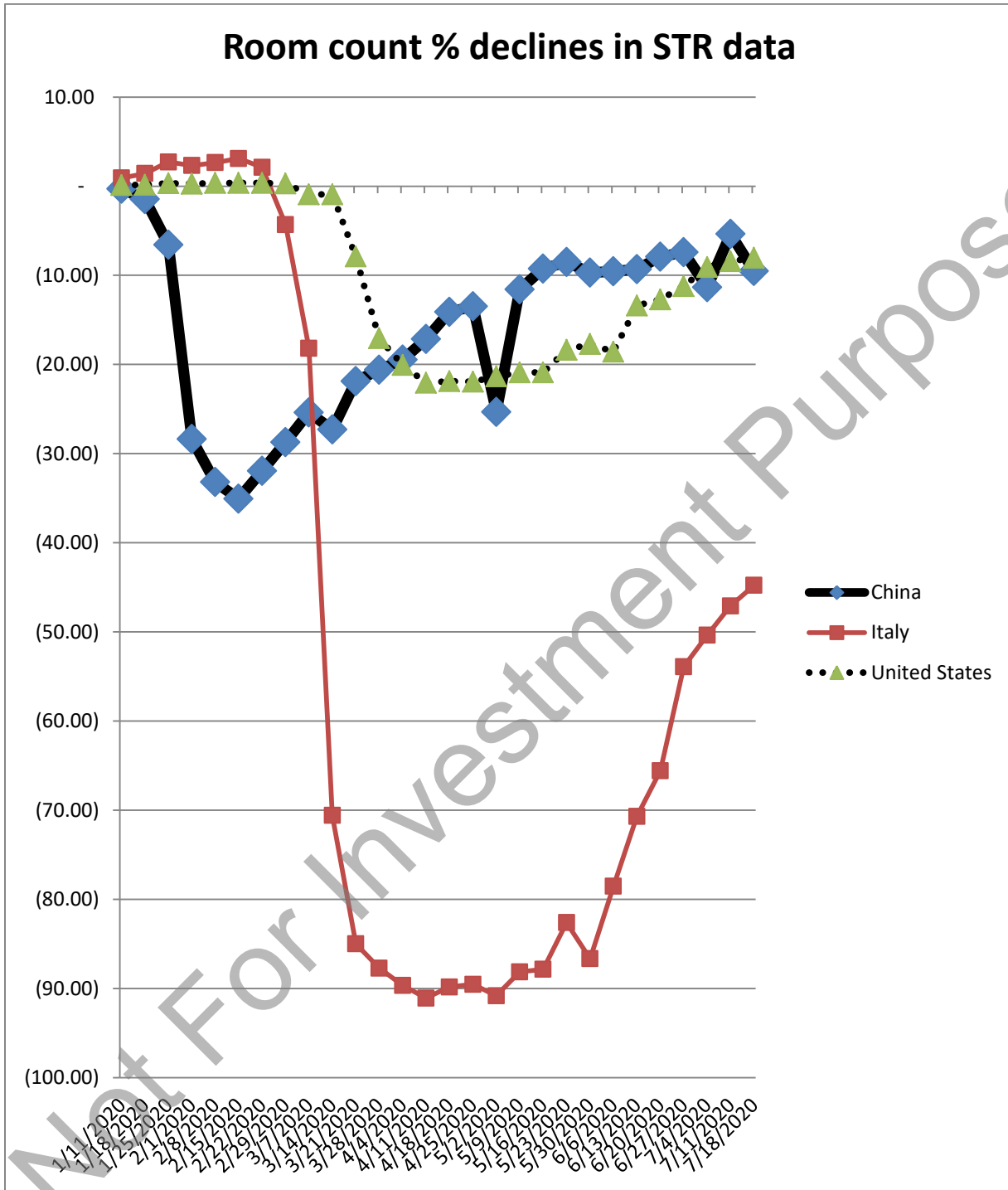
Source: STR, STRH research

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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