



China & Italy hotels: RevPAR down 36% & 64% y/y for week ending 7/25/20

Big wk/wk improvements for China & Italy. Not US, as recovery has stalled.

What's Incremental To Our View

Quick take: Per STR for the week ending July 25th, China hotel RevPAR in local currency was -35.6% y/y, another sizable improvement from -38.3% in the prior week. Italy was down -63.7% y/y, also a sizable improvement vs. -68.5% in the prior week. These compare to the US for the same week down -54.8% y/y, an 120 bps. improvement from the prior week's result of down -56.0%. 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 stagnation over the past several weeks as a result of the US failing to flatten the curve.

As we noted last week, the China – US recovery correlation is now broken as US recovery stalled whereas China continues with strong improvements. *If the US's recovery had continued at the same pace as China's, we calculate the US should have "only" been down 38.3% y/y instead of the -54.8% result, or 16.5 points of RevPAR shortfall.*

RevPAR detail for week ending July 25th vs. trailing 28 days:

China (local currency):

- RevPAR was -35.6% y/y for the week ending July 25th, **an improvement** from the -40.4% for the trailing 28 days.
- ADR was -18.8% y/y for the week ending July 25th, **an small improvement** from the -19.4% for the trailing 28 days.
- Occupancy was -20.7% y/y for the week ending July 25th, **an improvement** vs. -26.1% for the trailing 28 days.

Italy (local currency):

- RevPAR was 63.7% y/y for the week ending July 25th, **an improvement** from -72.1% for the trailing 28 days.

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What's Inside

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

- ADR was -12.7% y/y for the week ending July 25th, **an improvement** vs. -20.8% for the trailing 28 days.
- Occupancy was -58.4% y/y for the week ending July 25th, **an improvement** vs. -64.8% 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 60.9%.** 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 76.8% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending July 25th was 31.6%.** So far it has been approx. 22 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 76.0% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending July 25th was 48.1%.** So far it has been approx. 20 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 77.4% during the comparable week last year.

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

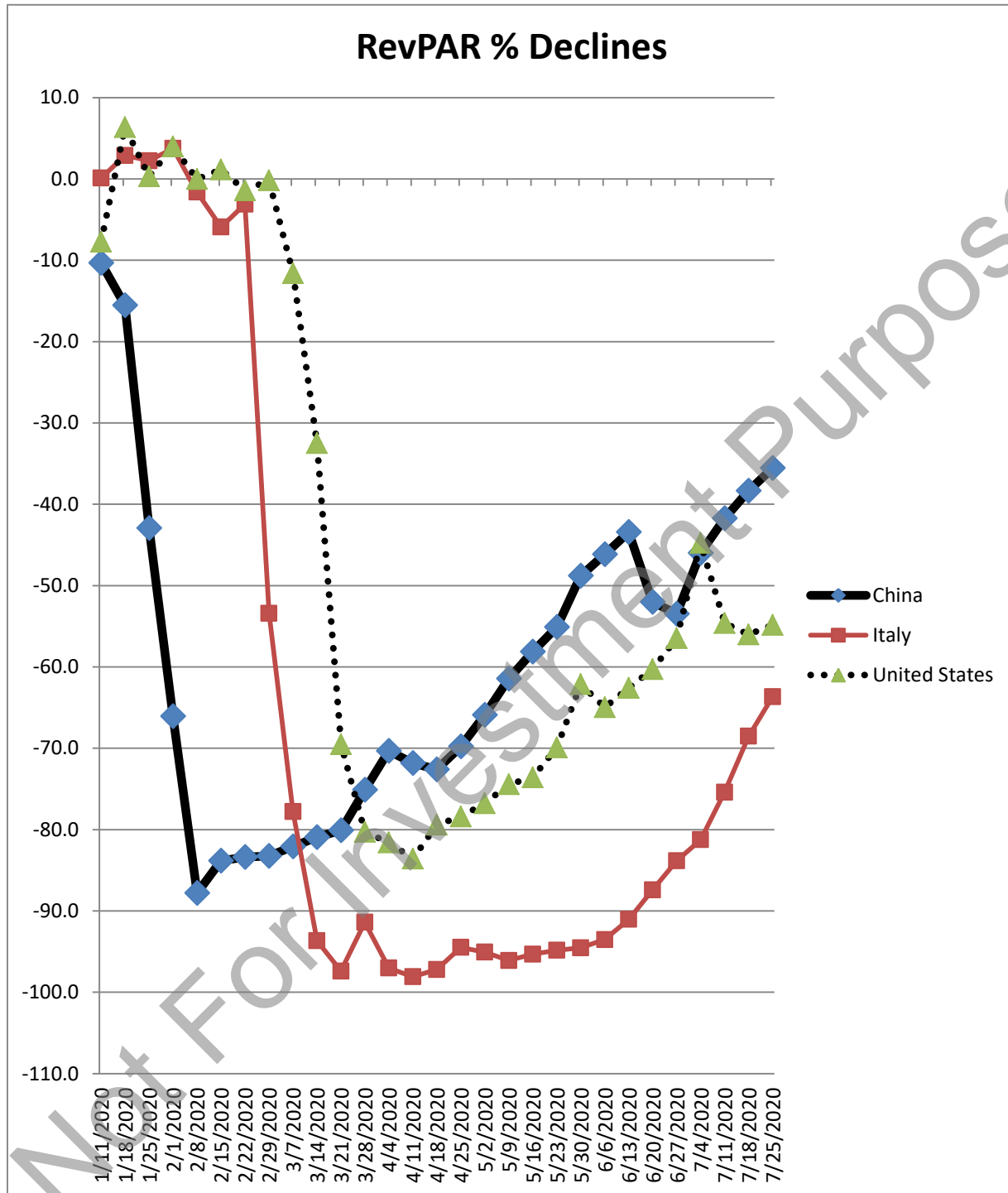
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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. 8%.
- **Italy:** Based on the STR sample as of July 25th, room count declines are running at down 45% from early January levels.
- **US:** Based on the STR sample as of July 25th, room count declines are running at down 8% from early January levels.

About our data set:

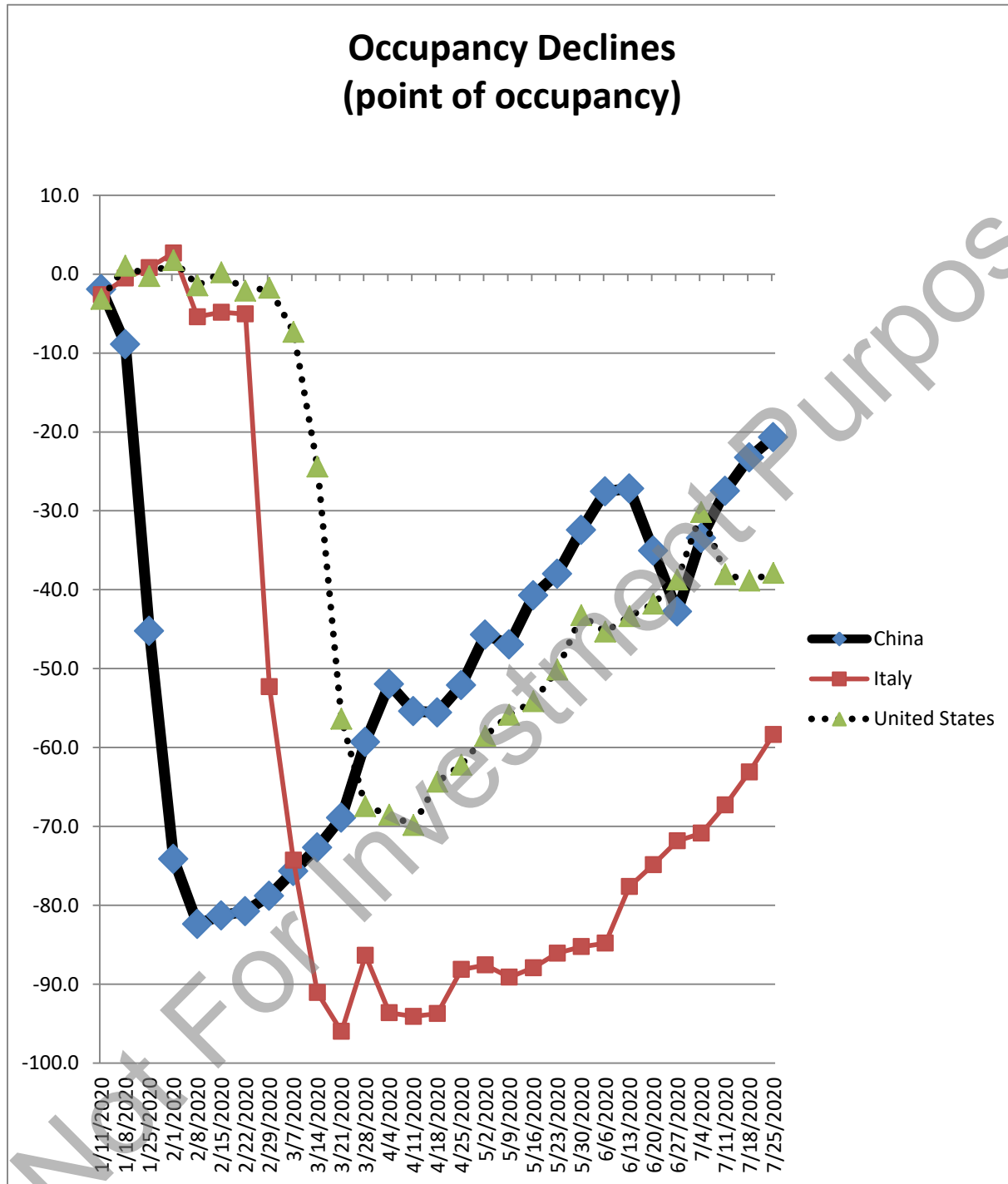
- **China:** Currently 818k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **818k rooms is a sequential acceleration from the prior week where 804k 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 44k hotel rooms reporting data in the survey, or 13% 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 is unchanged from the prior week where 44k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



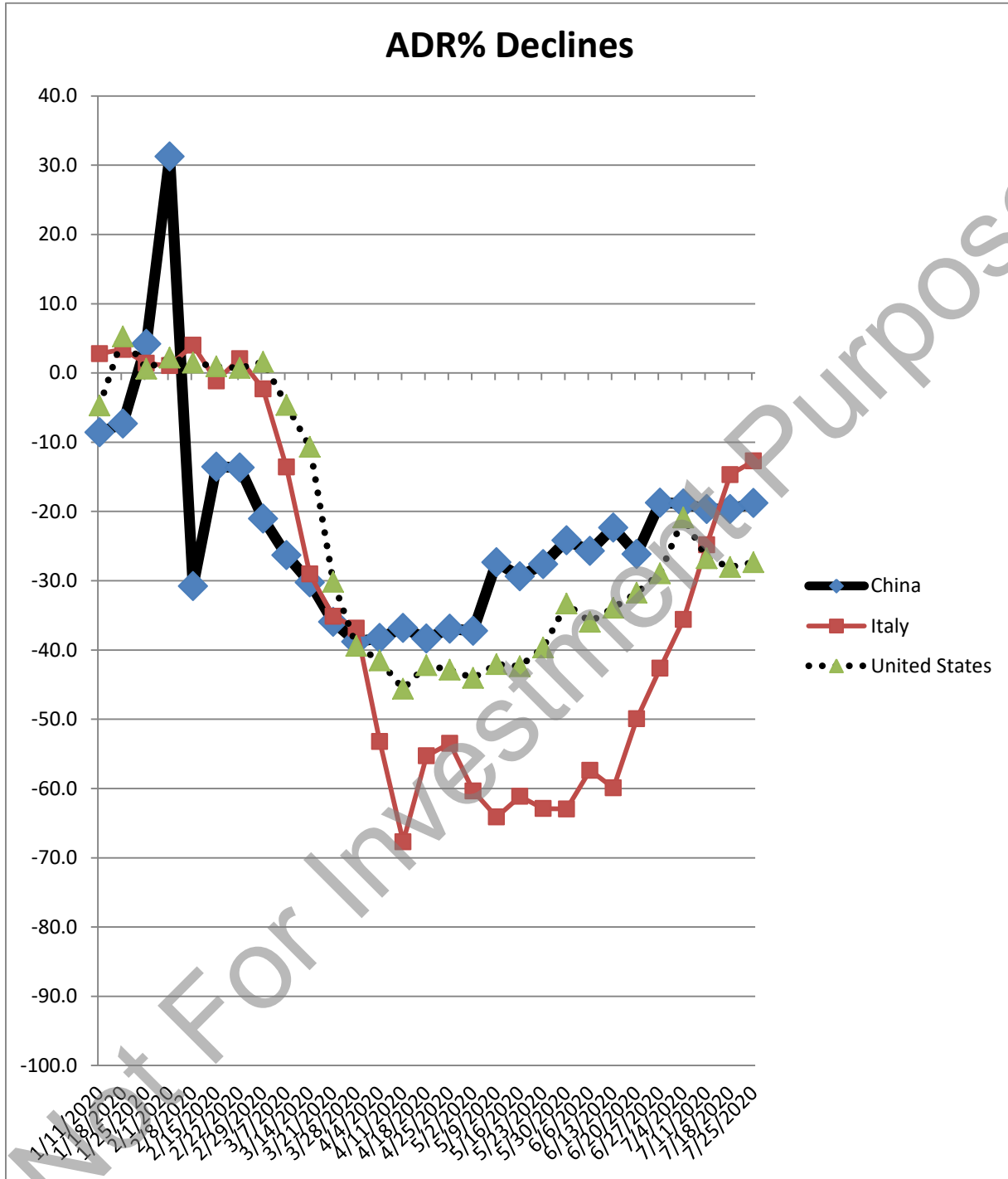
Source: STR, STRH research

Exhibit 2: Occupancy for China, Italy, US



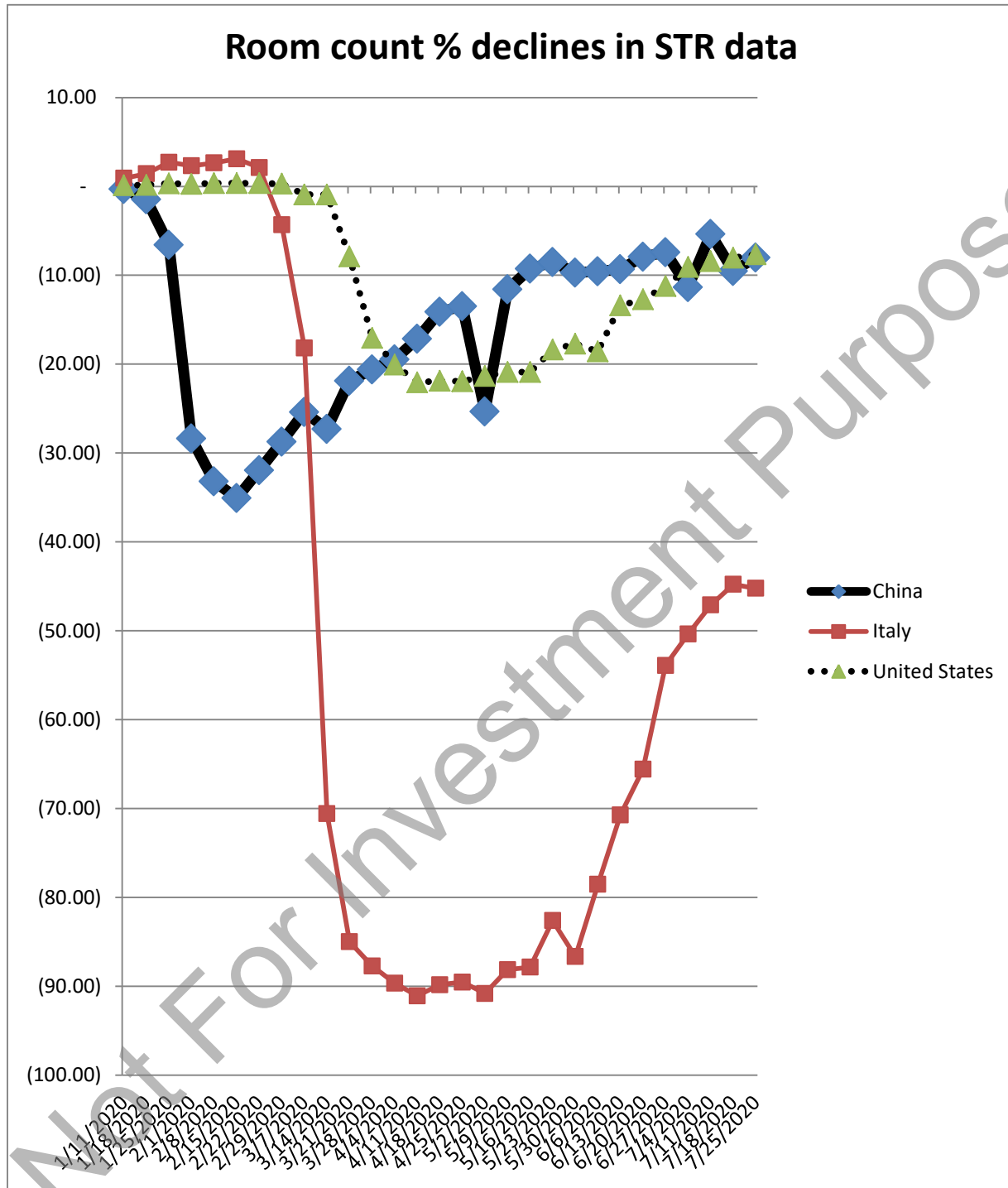
Source: STR, STRH research

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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