

Lodging

China & Italy hotels: RevPAR down 15% & 43% y/y for week ending 8/29/20

Huge w/w improvement for China, Italy slipped, US improved slightly

What's Incremental To Our View

Quick take: Per STR for the week ending August 29th, China hotel RevPAR in local currency was -15.5% y/y, a large improvement from -23.0% in the prior week. Italy was down 42.8% y/y, a large slippage from -27.3% in the prior week. Just six weeks ago Italy was tracking down nearly 70% y/y. These compare to the US for the same week down 44.5% y/y, a slightly improvement from the prior week's result of down 46.1%. 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 superior improvements in China and Italy over the past several months as reflective of these countries continuing to open-up, driven by success in "flattening the curve." For the US, we see a lower trajectory of improvement over the past several weeks as a result of the US failing to flatten the curve.

RevPAR detail for week ending August 29th vs. trailing 28 days:

China (local currency):

- RevPAR was -15.5% y/y for the week ending August 29th, **an improvement** from the -22.2% for the trailing 28 days.
- ADR was -9.8% y/y for the week ending August 29th, **an improvement** from the -11.1% for the trailing 28 days.
- Occupancy was -6.2% y/y for the week ending August 29th, **an improvement** vs. -12.5% 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 -42.8% y/y for the week ending August 29th, **a deceleration** from -39.8% for the trailing 28 days.
- ADR was +2.6% y/y for the week ending August 29th, **a deceleration** vs. +4.3% for the trailing 28 days.
- Occupancy was -44.2% y/y for the week ending August 29th, **a deceleration** vs. -42.3% 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 64.9%. 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. 12 weeks ahead of when this happened in the US. By comparison, occupancy was 69.2% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels *that were still open* in Italy for the week ending August 29th was 36.0%.** So far it has been approx. 27 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 64.6% during the comparable week last year.
- **US: Absolute occupancy levels for hotels *that were still open* in the US for the week ending August 29th was 48.2%.** So far it has been approx. 25 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 66.6% during the comparable week last year.

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

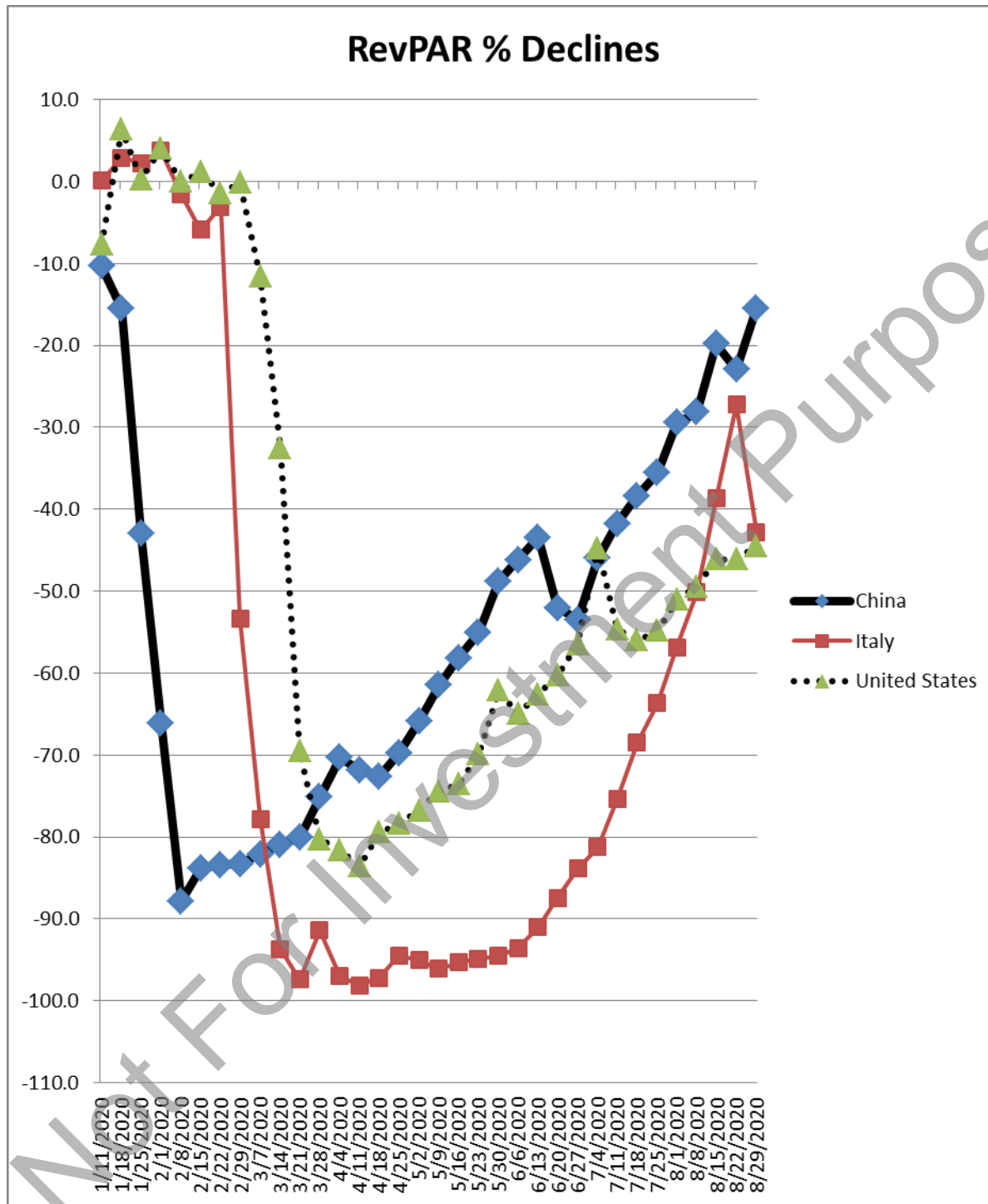
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data sent; ergo this is our best approximation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

- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February from early January's levels. Today, room count is down approx. 7%.
- **Italy:** Based on the STR sample as of August 29th, room count declines are running at down 37% from early January levels.
- **US:** Based on the STR sample as of August 29th, room count declines are running at down 6% from early January levels.

About our data set:

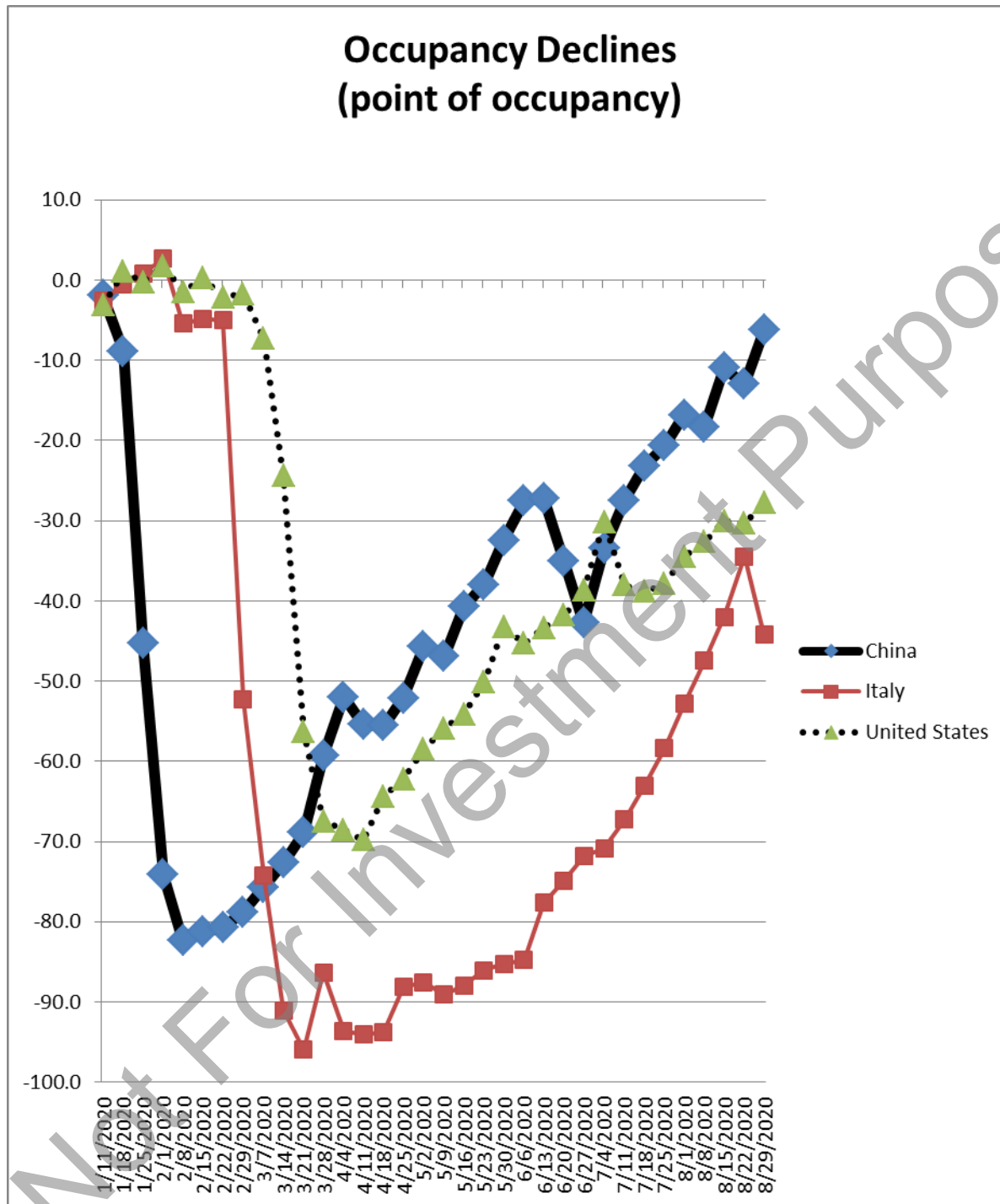
- **China:** Currently 826k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **826k rooms is a sequential acceleration from the prior week where 819k 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 50k hotel rooms reporting data in the survey, or 14% 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. **50k is an increase from the prior week where 43k 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

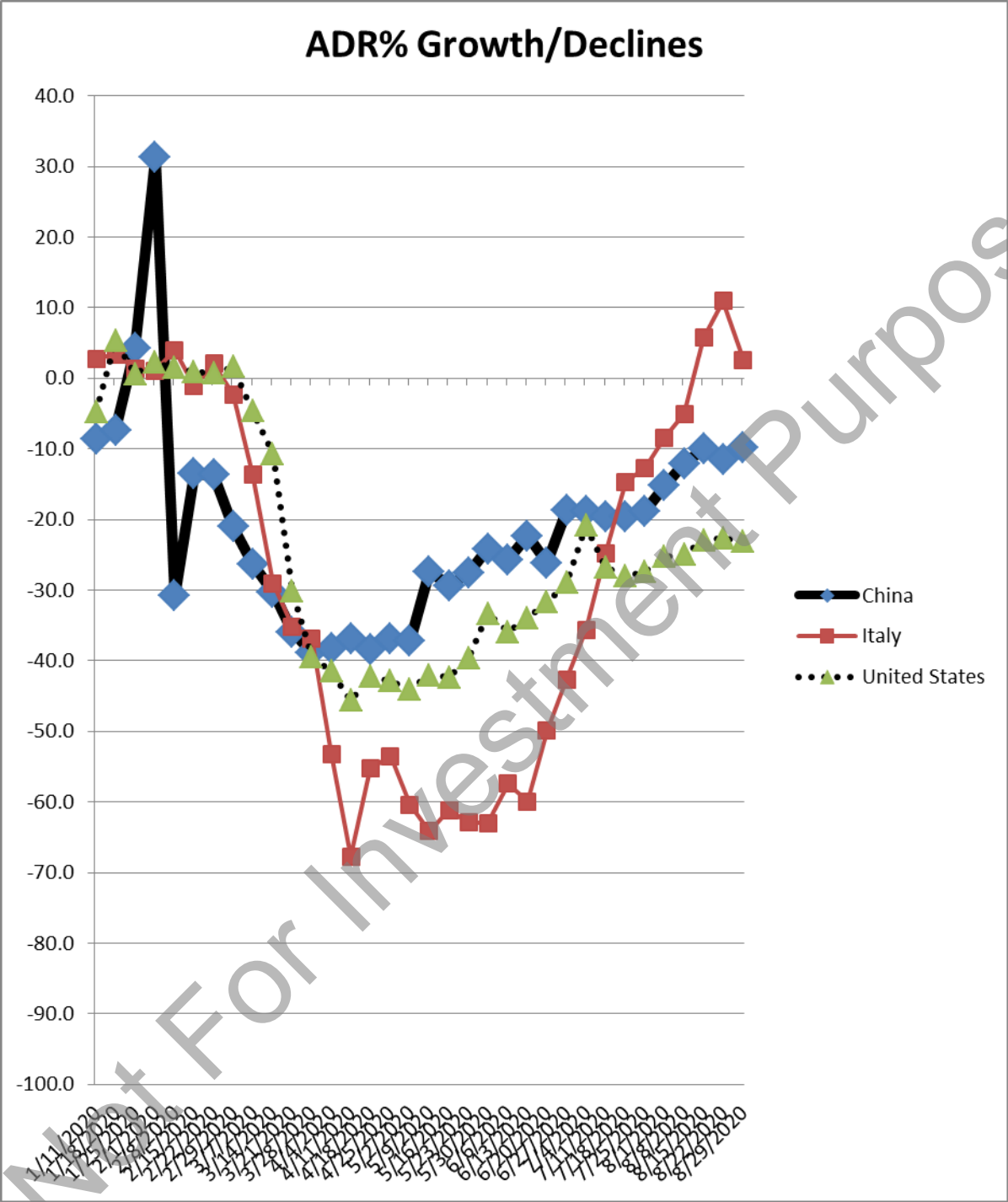
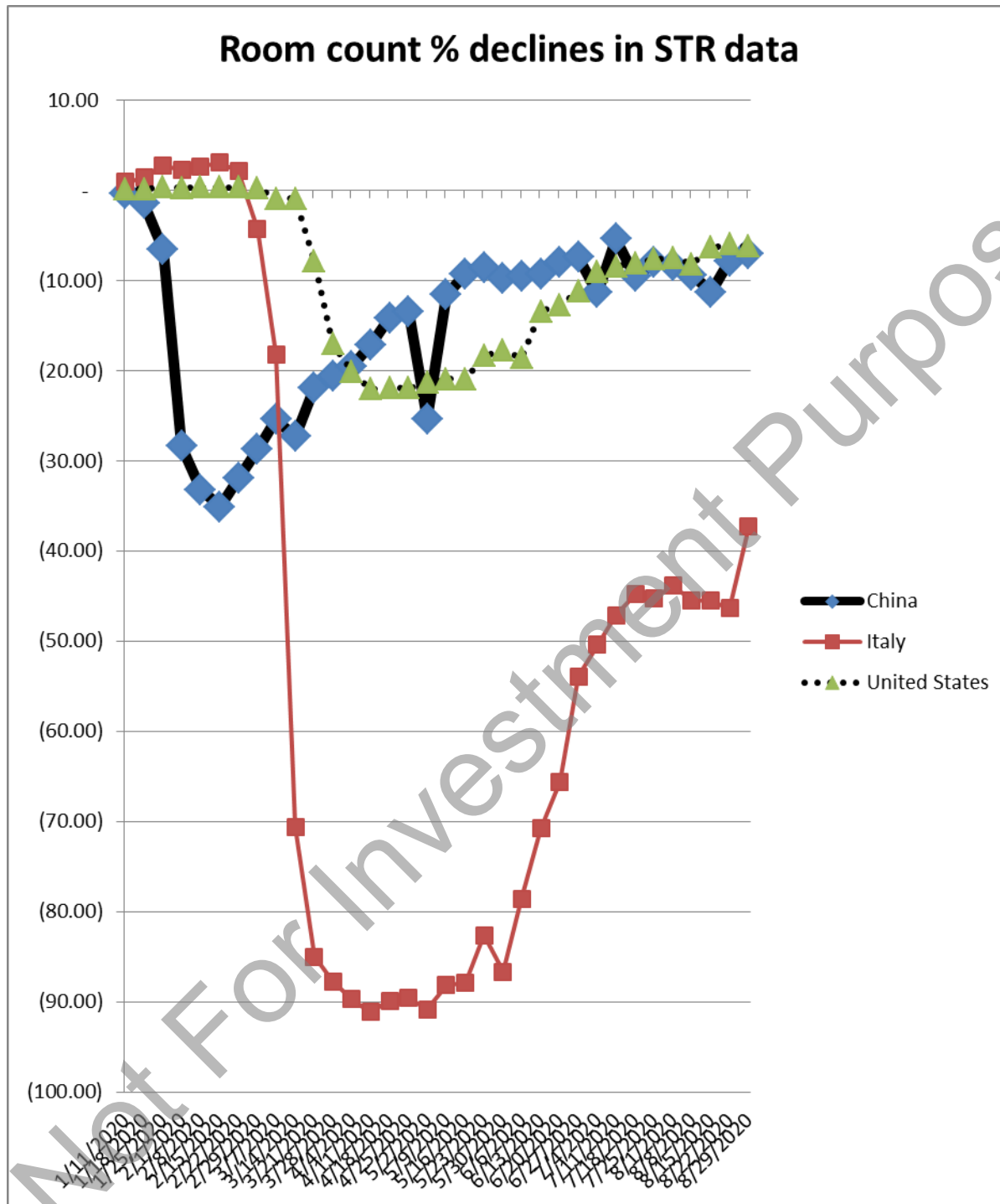


Exhibit 4: Room count in survey for China, Italy, US



Source: STR, STRH research

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