

Lodging

China & Italy hotels: RevPAR down 20% & 72% y/y for week ending 9/19/20

China, Italy, and US all went the wrong direction last week, especially Italy

What's Incremental To Our View

Quick take: Per STR for the week ending September 19th, China hotel RevPAR in local currency was -20.1% y/y, a large deceleration from -7.0% in the prior week but approx. equal to the monthly result for August.

- We believe the strong -7% result in **China** two weeks ago was helped by the timing of the mid-Autumn festival which was on the comparable Friday last year. This year the holiday falls on Thursday, October 1. The most recent weekly result did not have the benefit of a holiday shift, hence the slippage.

Italy was down 72.2% y/y, another large slippage from -65.0% in the prior week. -72.2% is the worst weekly performance for Italy since early July. Just four weeks ago Italy was down “only” -27% y/y. We believe Italy and to a lesser degree Europe as a whole are struggling as the summer tourism/leisure-heavy months have ended and from second-waves of Covid in some areas. The following articles provide good insight:

- www.cnn.com/travel/article/italy-tourism-economy-catastrophe-covid/index.html
- <https://www.express.co.uk/news/world/1327845/Italy-news-tourism-coronavirus-rome-venice-italy-economy>
- <https://www.hotelnewsnow.com/Articles/304387/UK-weekly-metrics-soften-post-bank-holiday-lift>

These weekly results compare to the **US** for the same week down 51.6% y/y, a deceleration from the prior week's result of down 48.1%. Similar to Italy, though to a lesser degree, we see the deceleration as a result of leisure travel seasonally fading after Labor Day and not being replaced by business/group travel as historically has been the case.

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.

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What's Inside

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

RevPAR detail for week ending September 19th vs. trailing 28 days:China (local currency):

- RevPAR was -20.1% y/y for the week ending September 19th, a **deceleration** from the -17.6% for the trailing 28 days.
- ADR was -14.5% y/y for the week ending September 19th, a **deceleration** from the -13.2% for the trailing 28 days.
- Occupancy was -6.5% y/y for the week ending September 19th, a **deceleration** vs. -5.1% for the trailing 28 days.

Italy (local currency):

- RevPAR was -72.2% y/y for the week ending September 19th, a **deceleration** from -61.4% for the trailing 28 days.
- ADR was -27.5% y/y for the week ending September 19th, a **deceleration** vs. -12.5% for the trailing 28 days.
- Occupancy was -61.6% y/y for the week ending September 19th, a **deceleration** vs. -55.8% 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 66.5%.** 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 71.1% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending September 19th was 33.1%.** So far it has been approx. 30 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 86.3% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending September 19th was 48.6%.** So far it has been approx. 28 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 71.3% 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. 8%.
- **Italy:** Based on the STR sample as of September 19th, room count declines are running at down 17% from early January levels.
- **US:** Based on the STR sample as of September 19th, room count declines are running at down 5% from early January levels.

About our data set:

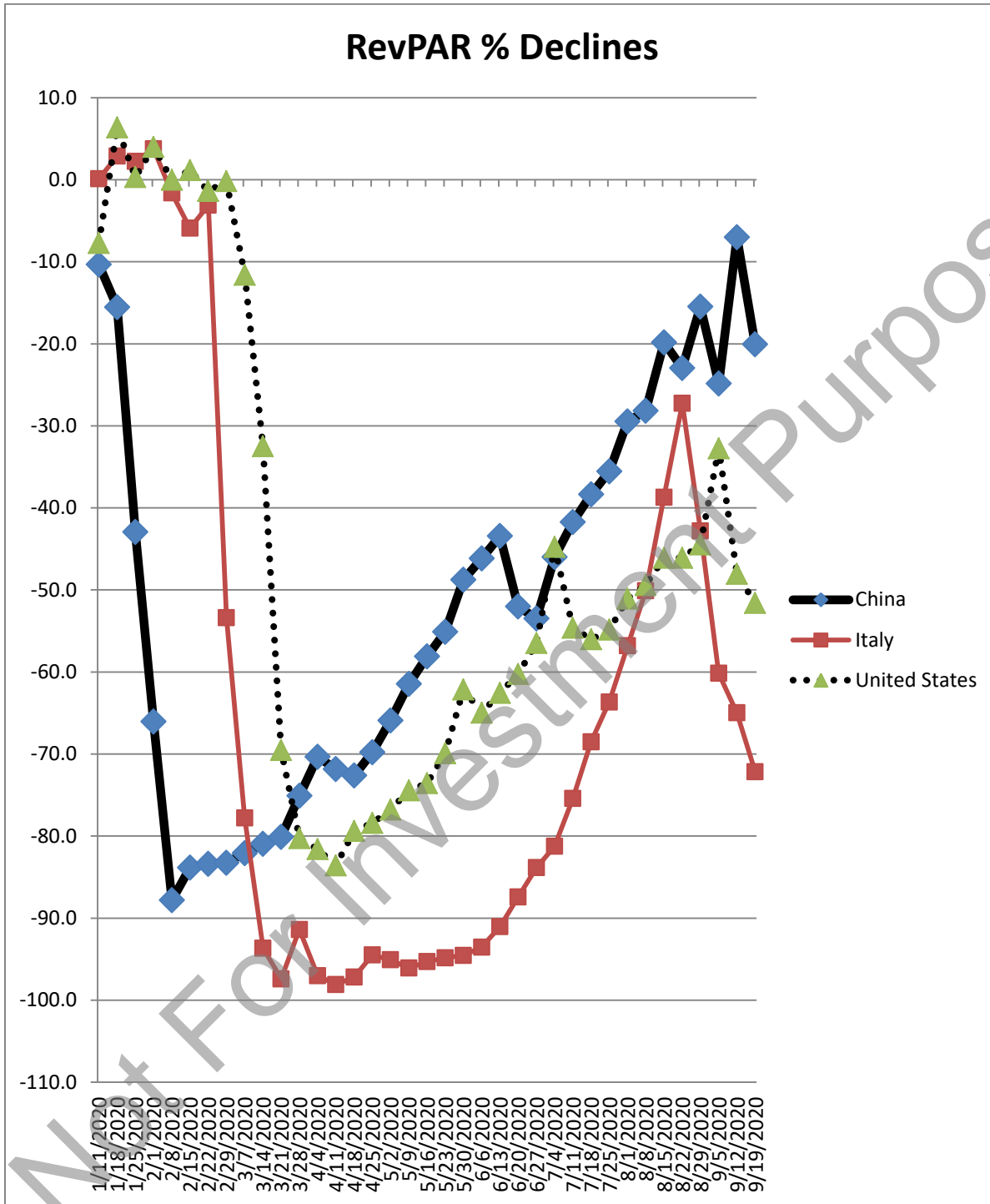
- **China:** Currently 820k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **820k rooms is a small sequential**

deceleration from the prior week where 822k 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 67k hotel rooms reporting data in the survey, or 18% 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. **67k is an increase from the prior week where 64k rooms were reporting data.**

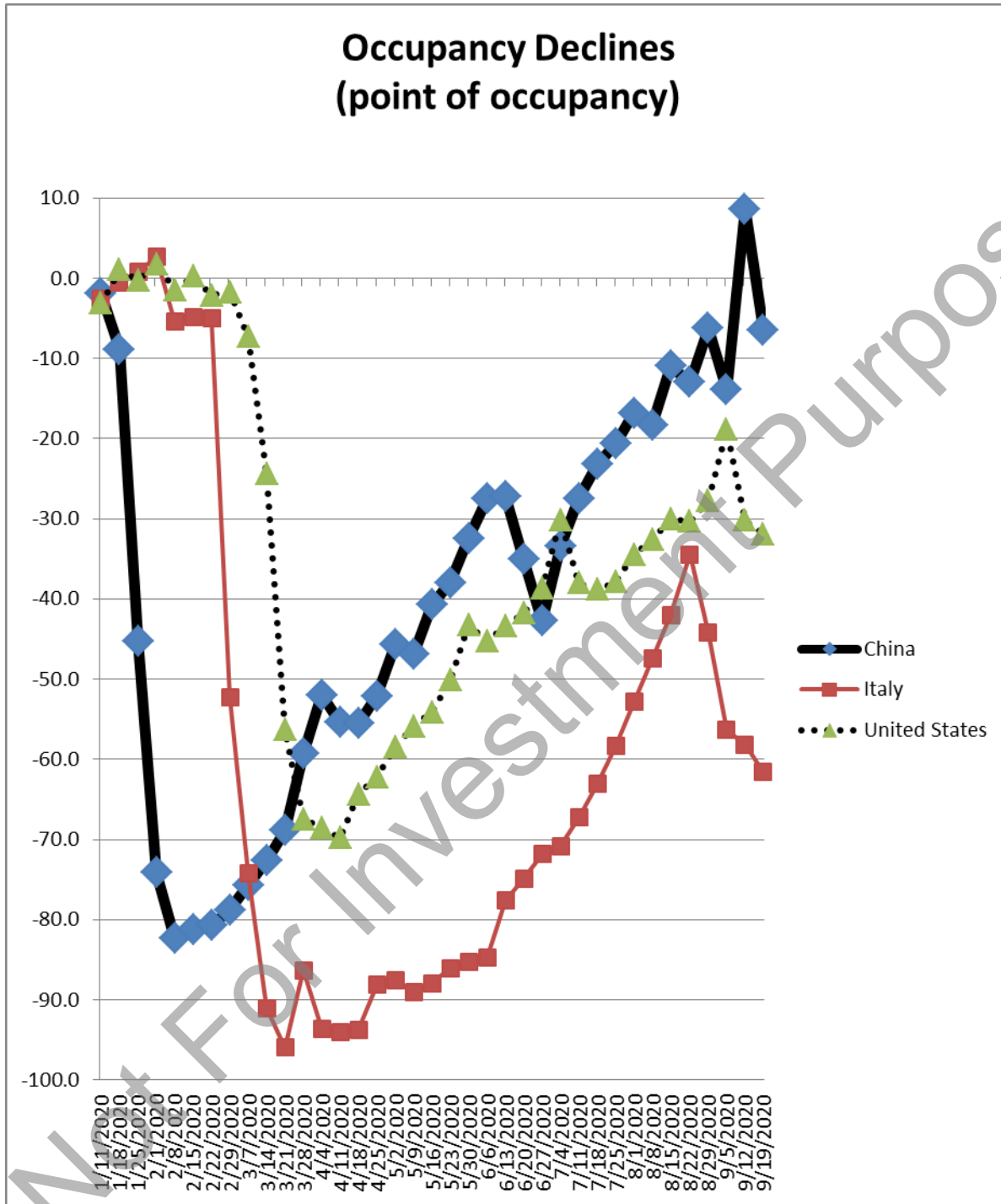
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Exhibit 1: RevPAR for China, Italy, US



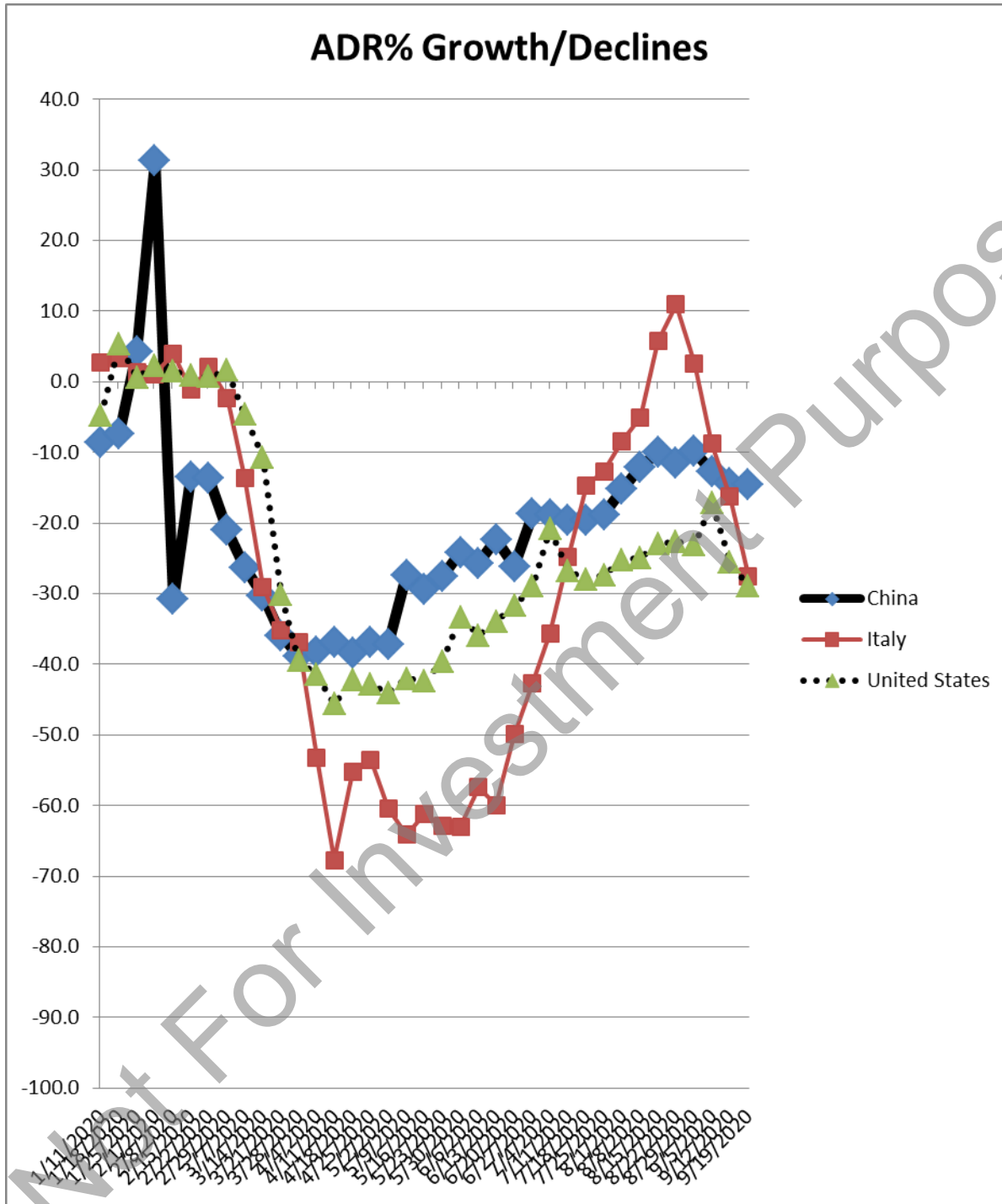
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



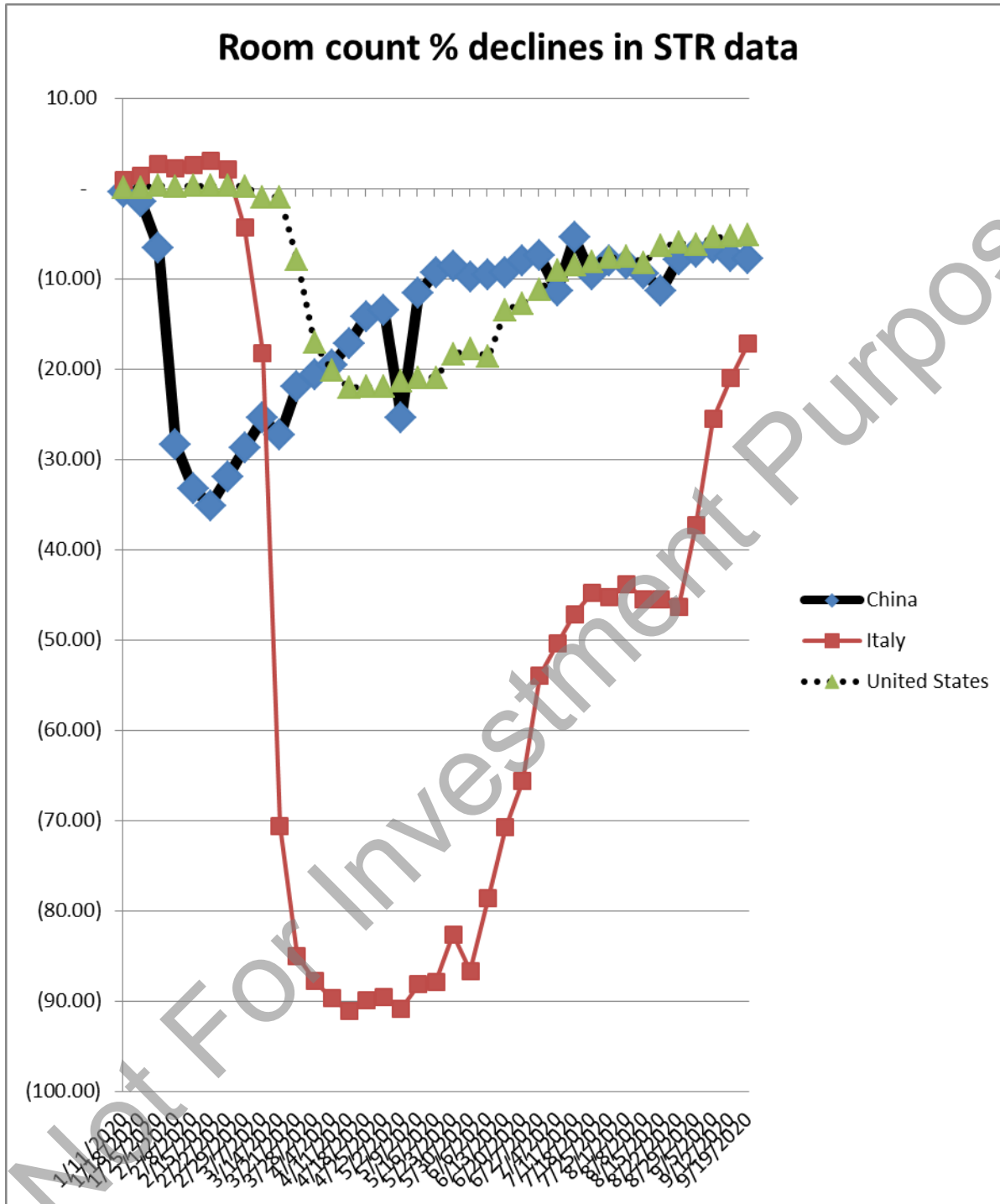
Source: STR, Truist Securities research

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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