

## Lodging

China & Italy hotels: RevPAR down 10% & 71% y/y for week ending 9/26/20

China w/w improvement but could be from holiday; Italy & US recovery stalled

What's Incremental To Our View

**Quick take: Per STR for the week ending September 26th, China hotel RevPAR in local currency was -10.2% y/y, a large acceleration from -20.1% in the prior week.**

- It is possible that the large week-over-week improvement in **China** was due to the upcoming National Day Holiday (Golden Week) beginning on October 1st. While this holiday begins the same week every year, it is possible that people are doing more traveling ahead of the holiday this year. *Either way, the trendline in China is very encouraging (see charts below) and we believe it is reflective of the success the country has had with reopening due to strict health/social distancing/mask requirements.*
- **Italy** was down 70.8% y/y, not so dissimilar to -72.2% in the prior week. Just five 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.

These weekly results compare to the **US** for the same week down 51.7% y/y, essentially unchanged from the prior week's result of down 51.6%. Similar to Italy, though to a lesser degree, we see the deceleration from August's results due to 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.

**RevPAR detail for week ending September 26th vs. trailing 28 days:**

China (local currency):

- RevPAR was -10.2% y/y for the week ending September 26th, **an acceleration** from the -16.2% for the trailing 28 days.

C. Patrick Scholes  
212-319-3915  
Patrick.Scholes@truist.com

Gregory J. Miller  
212-303-4198  
Gregory.J.Miller@truist.com

### What's Inside

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

- ADR was -10.2% y/y for the week ending September 26th, **an acceleration** from the -13.1% for the trailing 28 days.
- Occupancy was flat y/y for the week ending September 26th, **an acceleration** vs. -3.5% for the trailing 28 days.

#### Italy (local currency):

- RevPAR was -70.8% y/y for the week ending September 26th, **a deceleration** from -67.3% for the trailing 28 days.
- ADR was -28.2% y/y for the week ending September 26th, **a deceleration** vs. -20.1% for the trailing 28 days.
- Occupancy was -59.3% y/y for the week ending September 26th, **a small deceleration** vs. -59.0% 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 65.3%.** 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 also 65.3% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending September 26th was 34.9%.** So far it has been approx. 31 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 85.7% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending September 26th was 48.7%.** So far it has been approx. 29 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 71.1% 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. 7%.
- **Italy:** Based on the STR sample as of September 26th, room count declines are running at down 20% from early January levels.
- **US:** Based on the STR sample as of September 26th, room count declines are running at down 5% from early January levels.

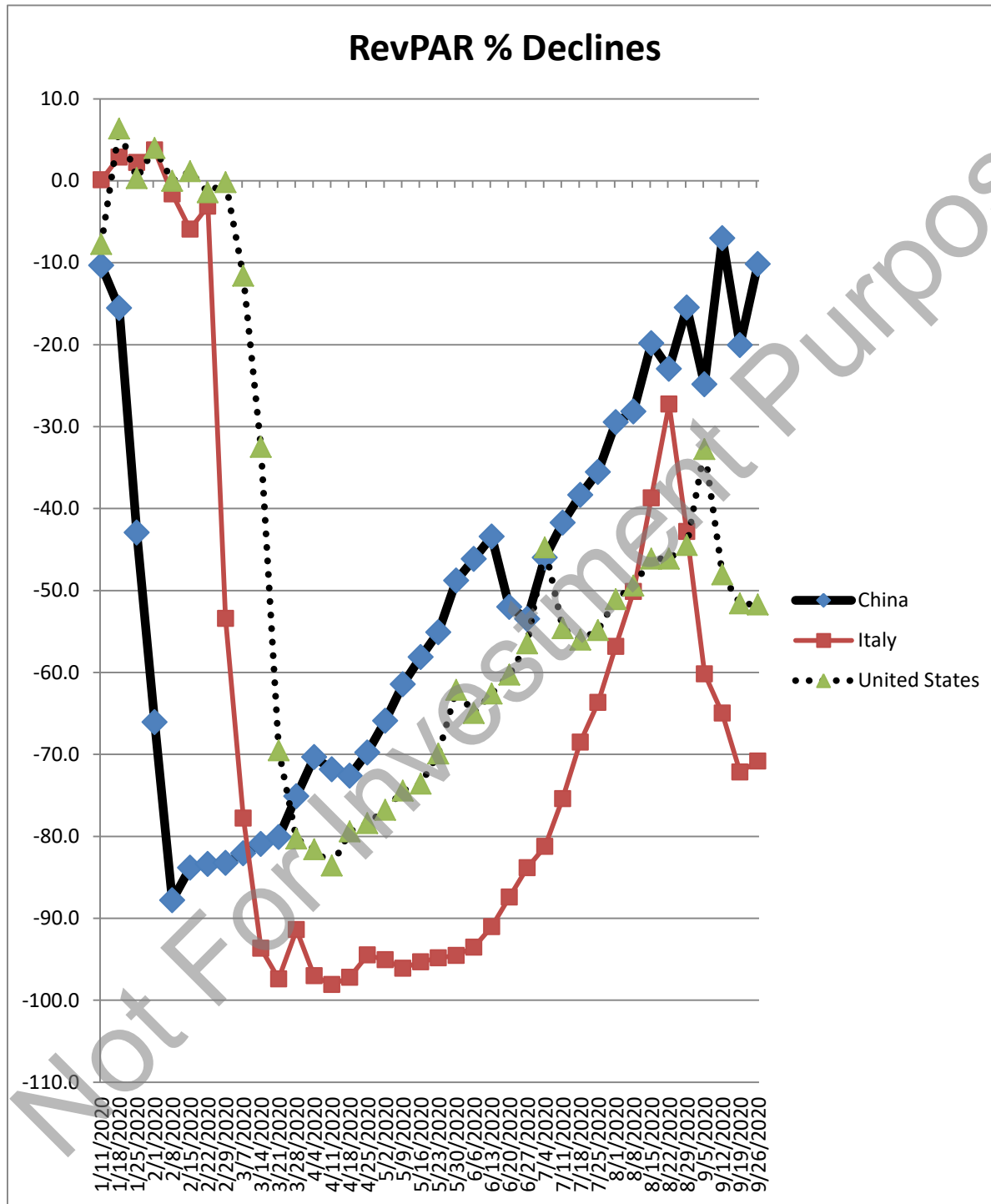
##### **About our data set:**

- **China:** Currently 825k 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. **825k rooms is a small sequential acceleration from the prior week where 820k 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 64k hotel rooms reporting data in the survey, or 17% 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. **64k is a decrease from the prior week where 67k rooms were reporting data.**

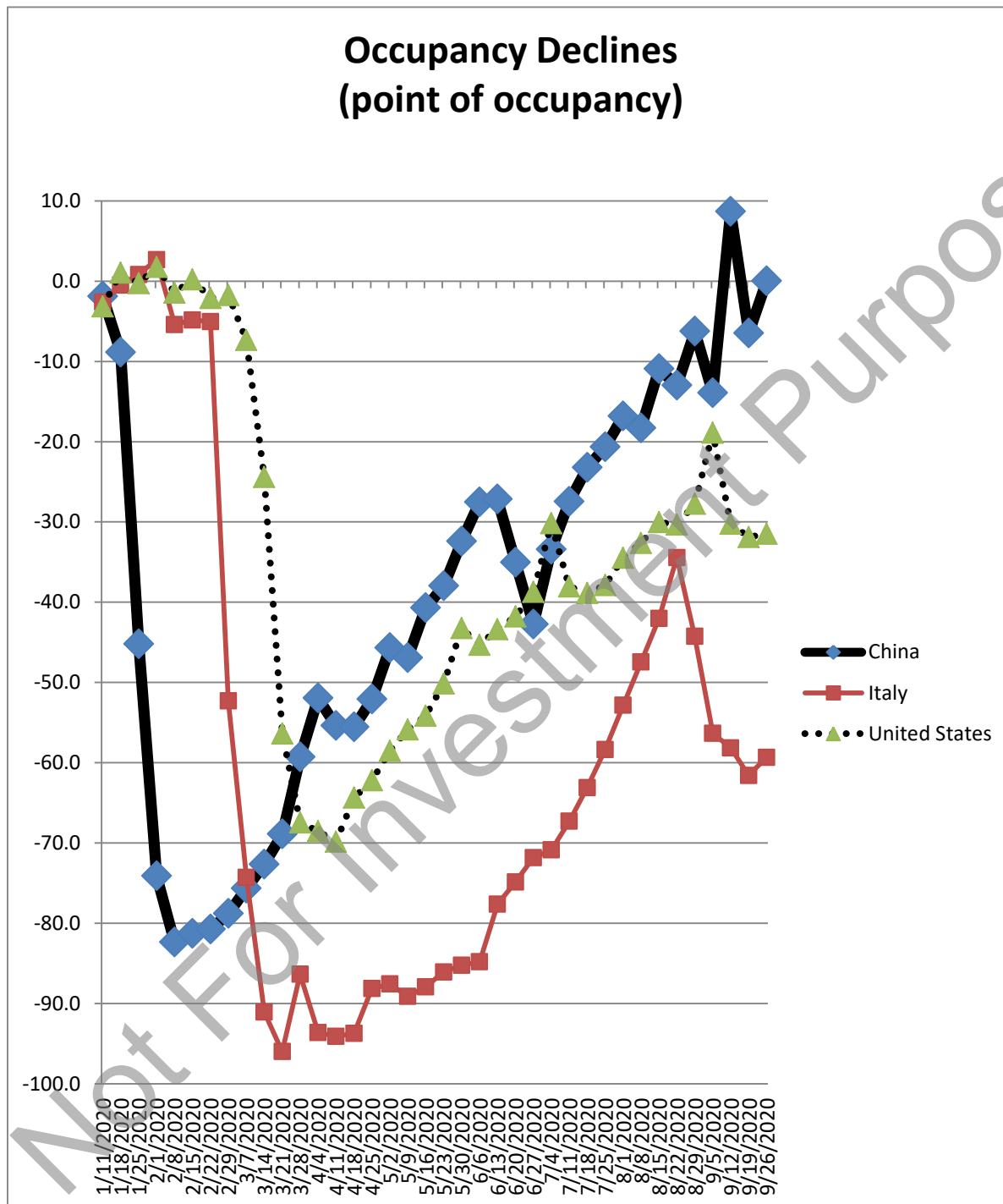
Not For Investment Purposes

Exhibit 1: RevPAR for China, Italy, US



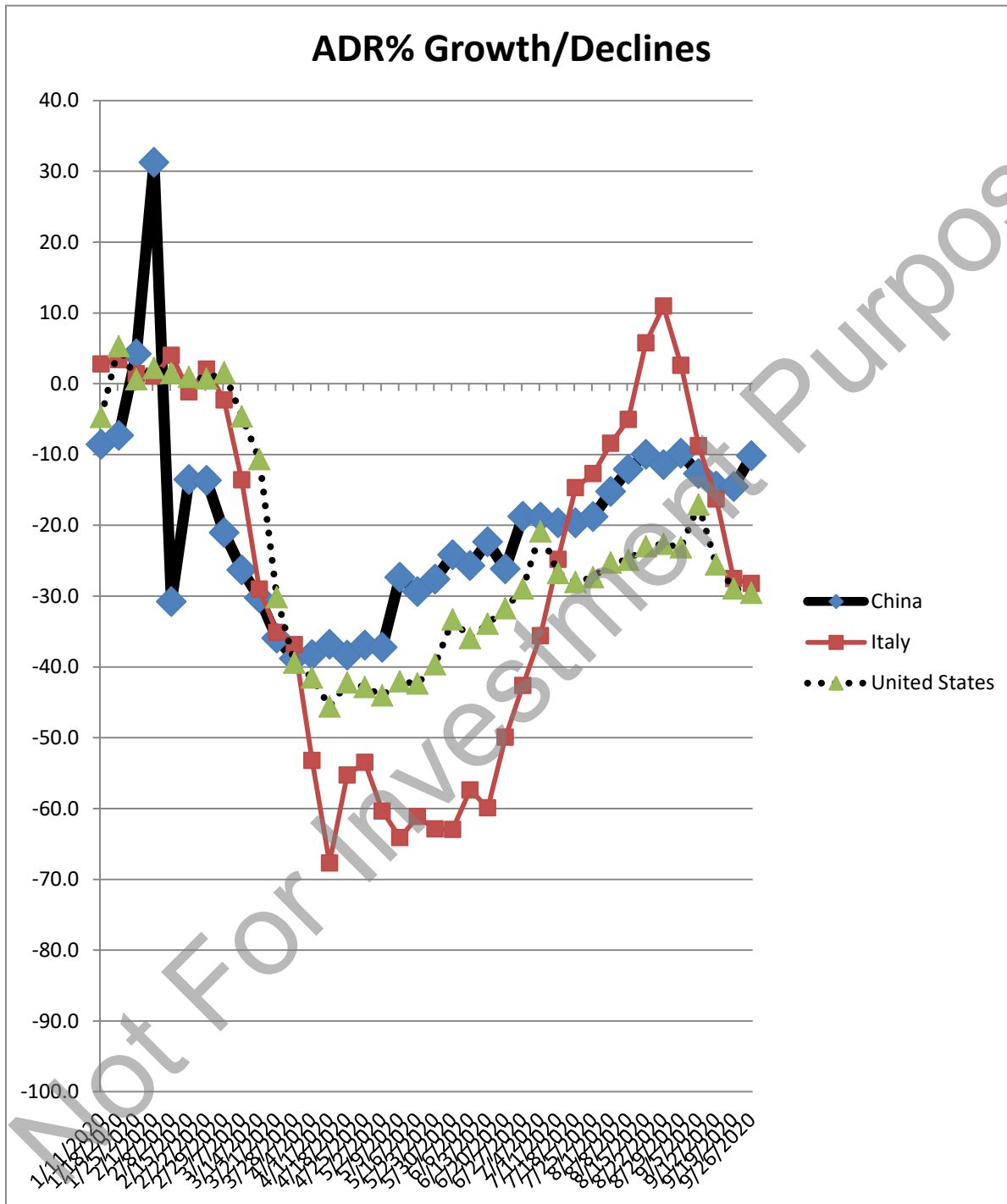
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



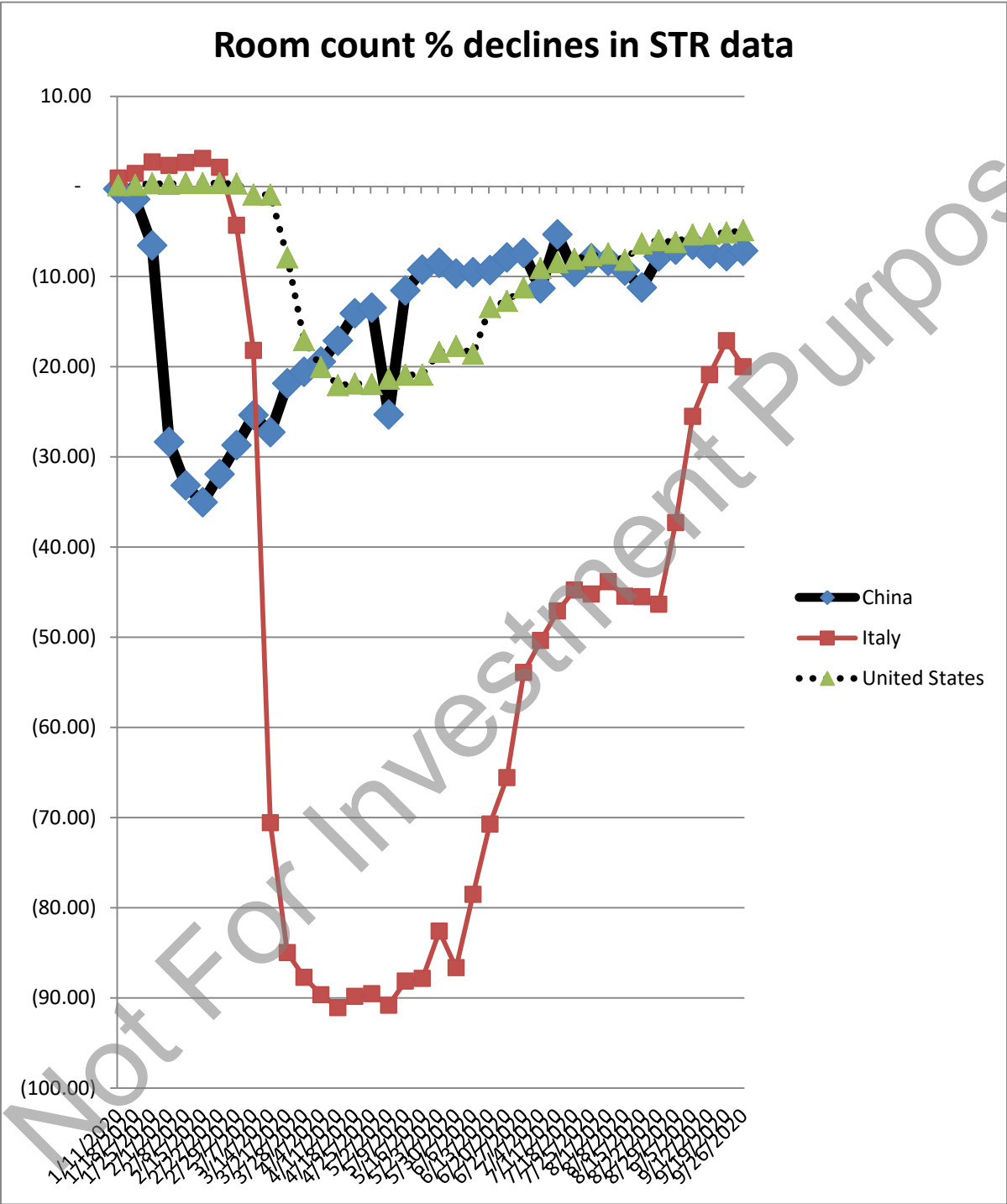
Source: STR, Truist Securities research

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

## Analyst Certification

I, C. Patrick Scholes, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

## Required Disclosures

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning securities in the subject companies.

Charts indicating changes in ratings can be found in recent notes and/or reports at our website or by contacting Truist Securities. Please see our disclosures page for more complete information at <https://truist.bluematrix.com/sellside/Disclosures.action>.

## Truist Securities Ratings System for Equity Securities

### Dissemination of Research

Truist Securities, Inc. ("Truist Securities") seeks to make all reasonable efforts to provide research reports simultaneously to all eligible clients. Reports are available as published in the restricted access area of our website to all eligible clients who have requested a password. Institutional investors, corporates, and members of the Press may also receive our research via third party vendors including: Thomson Reuters, Bloomberg, FactSet, and S&P Capital IQ. Additional distribution may be done by sales personnel via email, fax, or other electronic means, or regular mail.

For access to third party vendors or our Research website: <https://truistresearch.bluematrix.com/client/library.jsp>.

Please email the Research Department at [EquityResearchDepartment@research.truist.com](mailto:EquityResearchDepartment@research.truist.com) or contact your Truist Securities sales representative.

### Truist Securities Rating System for Equity Securities

Truist Securities, Inc. ("Truist Securities") rates individual equities using a three-tiered system. Each stock is rated relative to the broader market (generally the S&P 500) over the next 12-18 months (unless otherwise indicated).

**Buy (B)** – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Hold (H)** – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Sell (S)** – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

**Not Rated (NR)** – Truist Securities does not have an investment rating or opinion on the stock

**Coverage Suspended (CS)** – indicates that Truist Securities' rating and/or target price have been temporarily suspended due to applicable regulations and/or Truist Securities Management discretion. The previously published rating and target price should not be relied upon.

Truist Securities analysts have a price target on the stocks that they cover, unless otherwise indicated. The price target represents that analyst's expectation of where the stock will trade in the next 12-18 months (unless otherwise indicated). If an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Truist Securities Research Management not to assign a target price; likewise certain stocks that trade under \$5 may exhibit volatility whereby assigning a price target would be unhelpful to making an investment decision. As such, with Research Management's approval, an analyst may refrain from assigning a target to a sub-\$5 stock.

### Legend for Rating and Price Target History Charts:

B = Buy



H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

Truist Securities ratings distribution (as of 09/30/2020):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	467	64.68%	Buy	155	33.19%
Hold	240	33.24%	Hold	60	25.00%
Sell	15	2.08%	Sell	3	20.00%

## Other Disclosures

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. Truist Securities, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice.

Truist Securities, Inc.'s research is provided to and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). The term "Institutional Account" shall mean the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

Truist Securities, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of Truist Financial Corporation. Truist Securities, Inc. is owned by Truist Financial Corporation and affiliated with SunTrust Investment Services, Inc. and BB&T Securities, LLC. Despite this affiliation, securities recommended, offered, sold by, or held at Truist Securities, Inc., SunTrust Investment Services, Inc. or BB&T Securities, LLC (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Truist Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Truist Bank may have a lending relationship with companies mentioned herein.

Please see our Disclosure Database to search by ticker or company name for the current required disclosures, including valuation and risks, Link: <https://truist.bluematrix.com/sellside/Disclosures.action>

Please visit the Truist Securities (formerly known as SunTrust Robinson Humphrey) equity research library for current reports and the analyst roster with contact information, Link (password protected): [TRUIST RESEARCH LIBRARY](#)

Truist Securities, Inc., member FINRA and SIPC. Truist and Truist Securities are service marks of Truist Financial Corporation.

If you no longer wish to receive this type of communication, please request removal by sending an email to [EquityResearchDepartment@Research.Truist.com](mailto:EquityResearchDepartment@Research.Truist.com)

© Truist Securities, Inc. 2020. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

ADDITIONAL INFORMATION IS AVAILABLE at our website, [TruistSecurities.com](http://TruistSecurities.com), or by writing to: Truist Securities, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070