

Lodging

China & Italy hotels: RevPAR -28% & -74% y/y for week ending 10/17/20

Every market stalled and/or going the wrong direction

What's Incremental To Our View

Quick take: Per STR for the week ending October 17th, China hotel RevPAR in local currency was -27.7% y/y, a large deceleration from +13.2% in the prior week. We view a holiday shift (more days of Golden Week in 2019 vs. 2020) driving extended leisure travel in the prior week as the likely factor for the week/week decrease. The -27.7% result was the worst weekly performance since early August.

Italy was down 74.1% y/y, materially worse than the -68.1% in the prior week. Eight 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 50.3% y/y, a deceleration from the prior week's result of down 47.5%. 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 October 17th vs. trailing 28 days:

China (local currency):

- RevPAR was -27.7% y/y for the week ending October 17th, a **deceleration** from -13.8% for the trailing 28 days.
- ADR was -16.2% y/y for the week ending October 17th, a **deceleration** vs. -7.5% for the trailing 28 days.
- Occupancy was -13.7% y/y for the week ending October 17th, a **deceleration** vs. -6.8% 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 -74.1% y/y for the week ending October 17th, a **deceleration** from the -70.7% for the trailing 28 days.
- ADR was -29.1% y/y for the week ending October 17th, a **deceleration** from the -26.7% for the trailing 28 days.
- Occupancy was -63.5% y/y for the week ending October 17th, a **deceleration** vs. -60.0% 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 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. 13 weeks ahead of when this happened in the US. By comparison, occupancy was 75.3% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending October 17th was 29.8%.** So far it has been approx. 34 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 81.7% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending October 17th was 50.1%.** So far it has been approx. 32 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 72.3% during the comparable week last year.

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

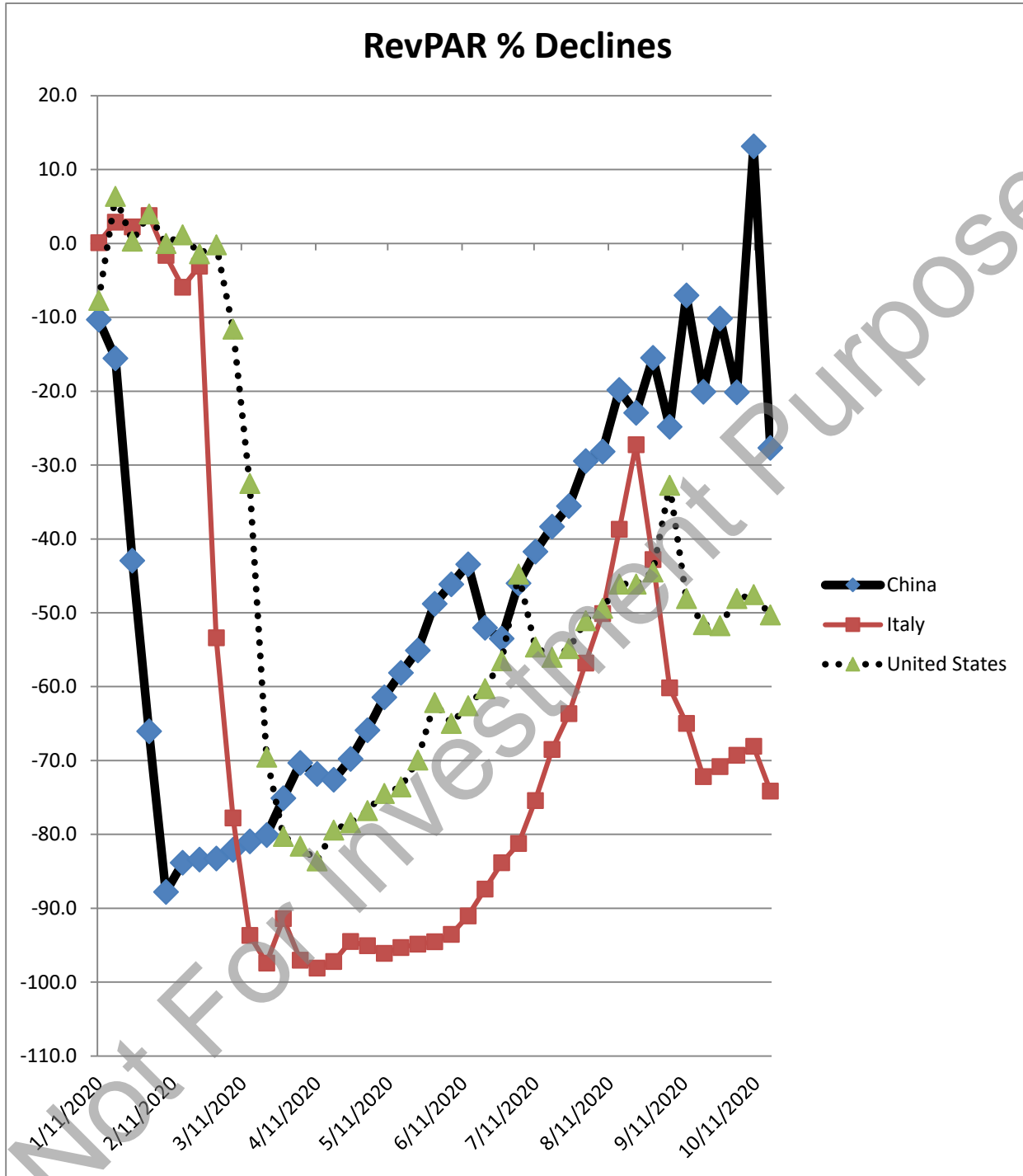
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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 October 17th, room count declines are running at down 19% from early January levels.
- **US:** Based on the STR sample as of October 17th, room count declines are running at down 8% from early January levels.

About our data set:

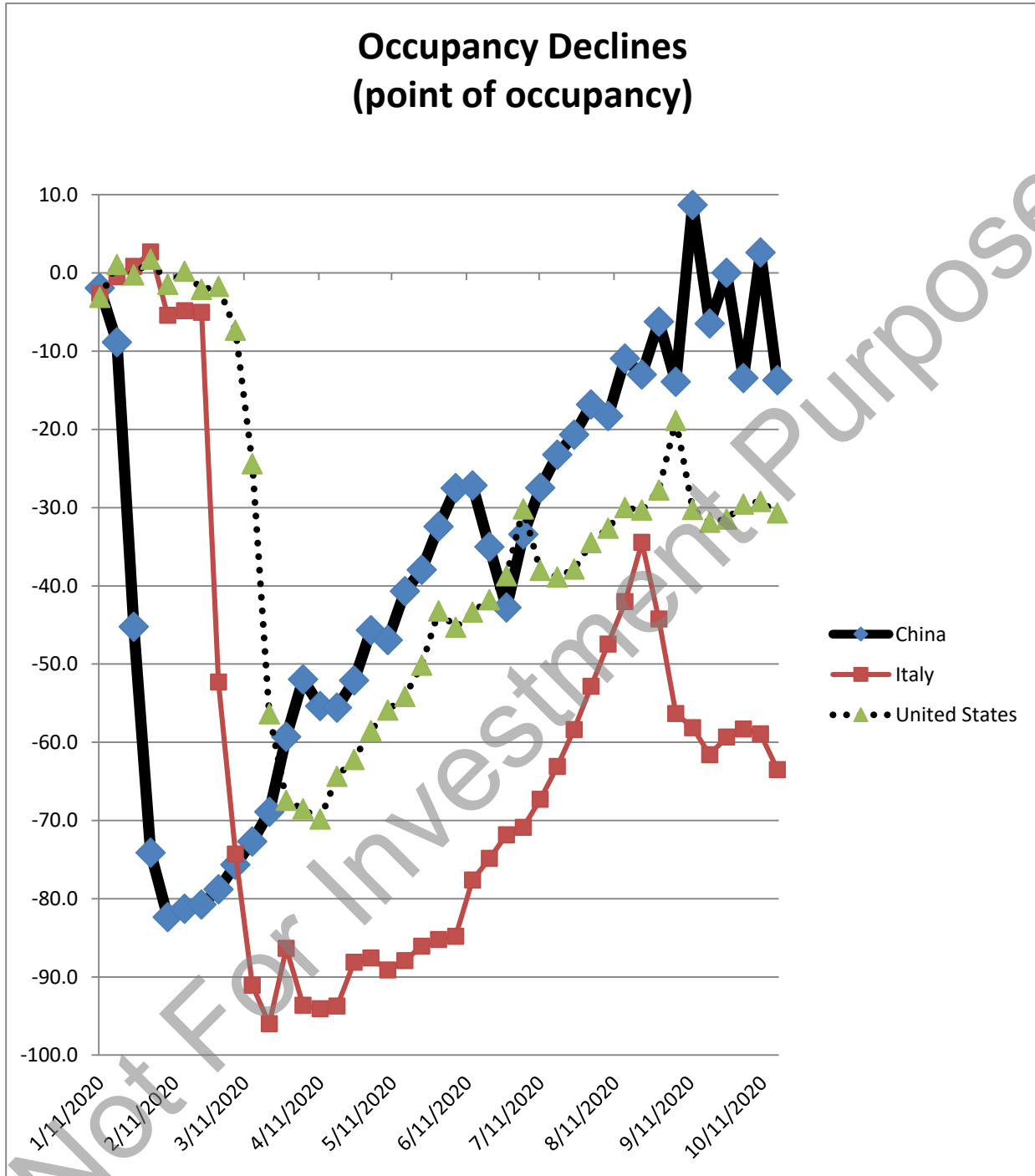
- **China:** Currently 829k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **829k rooms is an improvement from the prior week where 823k 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 68k hotel rooms reporting data in the survey, or 19% 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. **68k is a small uptick from the prior week where 67k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



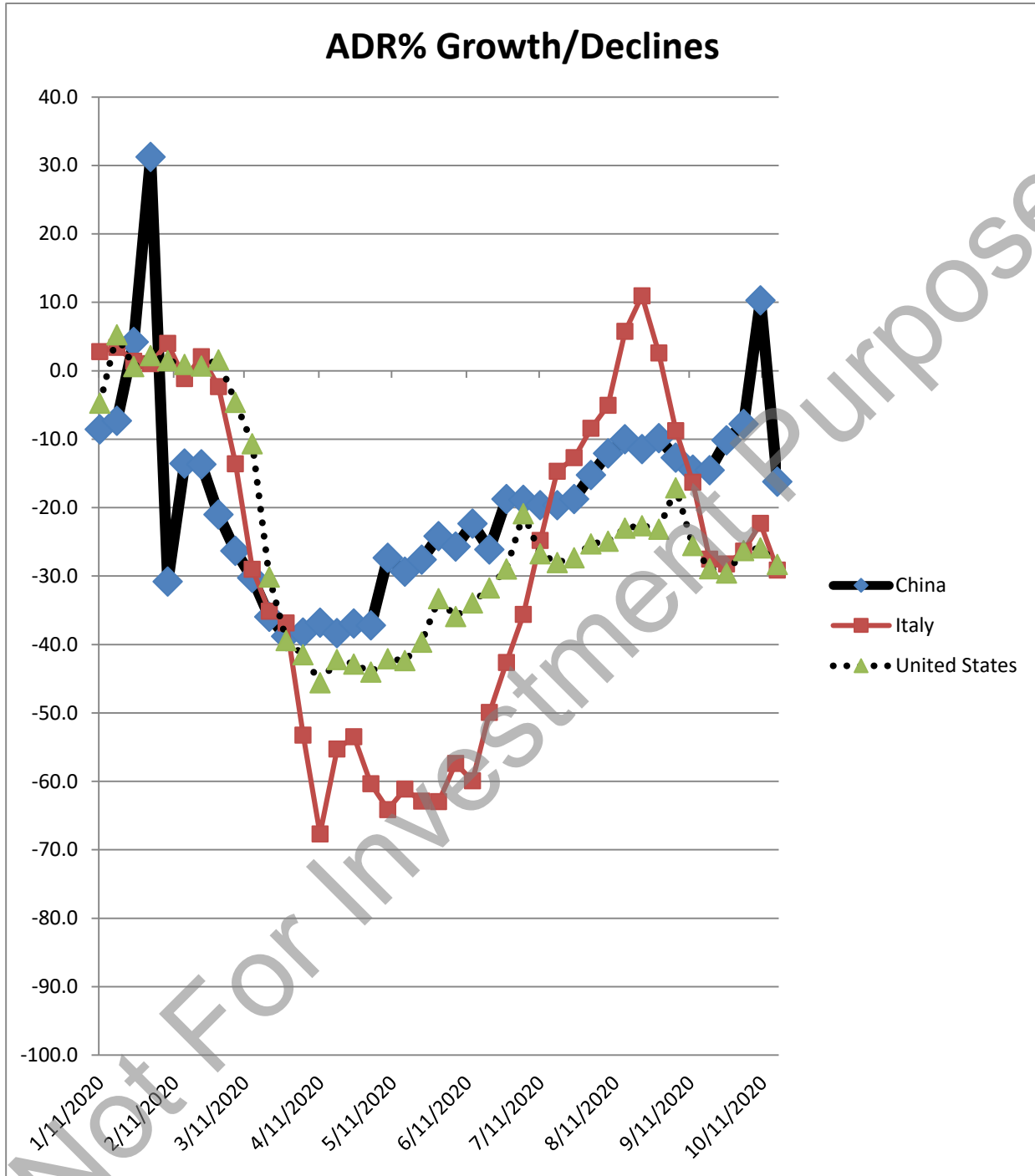
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



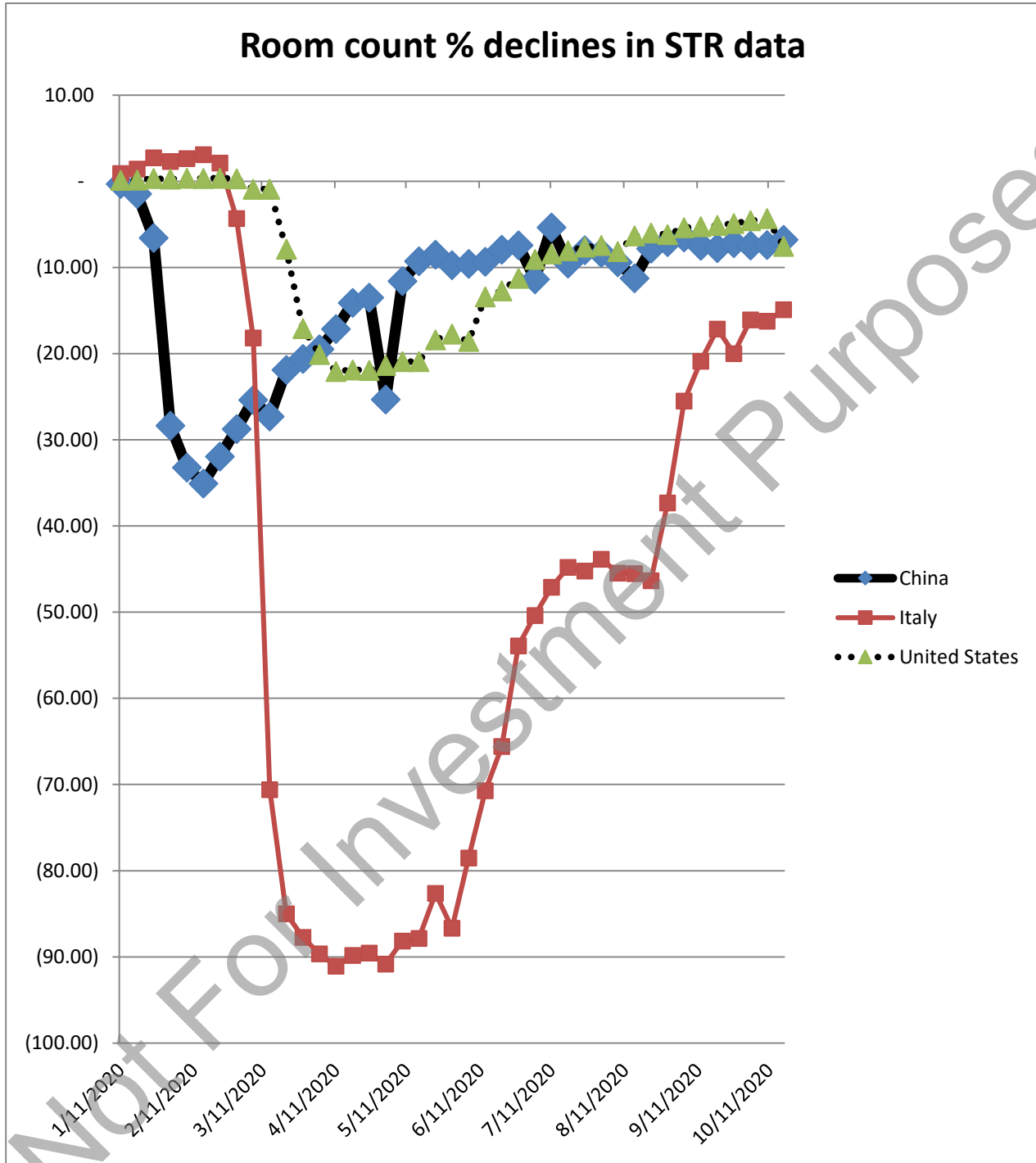
Source: STR, Truist Securities research

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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