

Lodging

China & Italy hotels: RevPAR -20% & -81% y/y for week ending 10/31/20. US -48%.

A little better here, a little worse there, and no clear trend of improvement

What's Incremental To Our View

Quick take: Per STR for the week ending October 31st, China hotel RevPAR in local currency was -20.2% y/y, an improvement from -23.7% in the prior week. That said, while China was showing a “V-shaped” recovery through July, the trendline of improvement has flattened since then. See Exhibit 1 below.

Italy was down 81.2% y/y, worse than the -77.4% in the prior week. Ten 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. Additionally we have observed a significant uptick in hotel closing in Italy over the past two weeks.

These weekly results compare to the **US** for the same week down 48.4% y/y, an improvement from the prior week's result of down 51.8%. -48.4% is similar to the results, with the exception of the week of Labor Day, that we have seen since early August.

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 31st vs. trailing 28 days:

China (local currency):

- RevPAR was -20.2% y/y for the week ending October 31st, **a deceleration** from -16.9% for the trailing 28 days.
- ADR was -14.4% y/y for the week ending October 31st, **a deceleration** vs. -10.2% for the trailing 28 days.
- Occupancy was -6.7% y/y for the week ending October 31st, **an acceleration** vs. -7.6% 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 -81.2% y/y for the week ending October 31st, **a deceleration** from the -74.7% for the trailing 28 days.
- ADR was -29.3% y/y for the week ending October 31st, **a deceleration** from the -26.2% for the trailing 28 days.
- Occupancy was -73.4% y/y for the week ending October 31st, **a deceleration** vs. -65.8% 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 65.0%.** 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 69.7% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending October 31st was 18.9%.** So far it has been approx. 36 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 71.0% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending October 31st was 44.4%.** So far it has been approx. 34 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 62.6% during the comparable week last year.

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

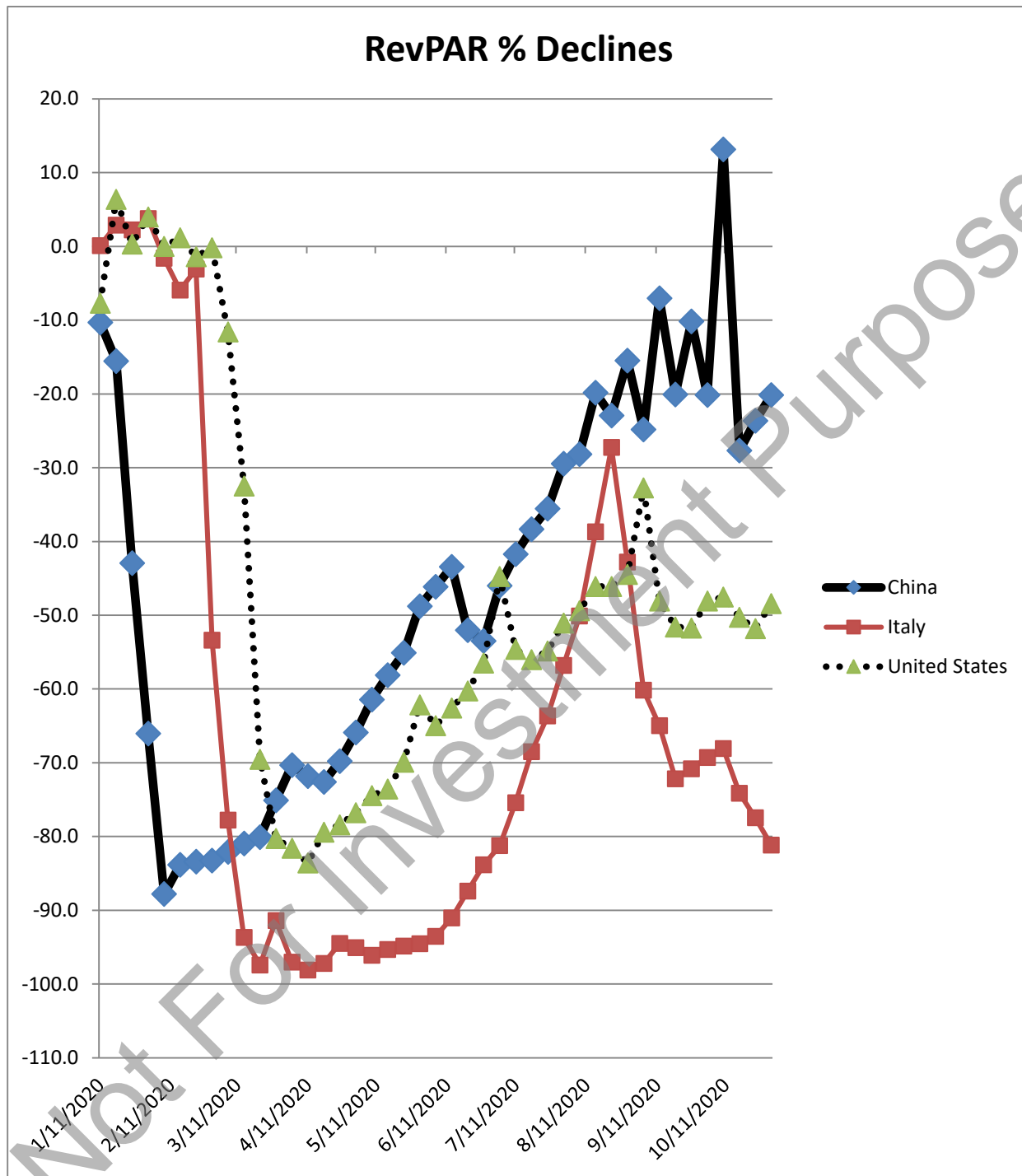
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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. 6%.
- **Italy:** Based on the STR sample as of October 31st, room count declines are running at down 28% from early January levels.
- **US:** Based on the STR sample as of October 31st, room count declines are running at down 4% from early January levels.

About our data set:

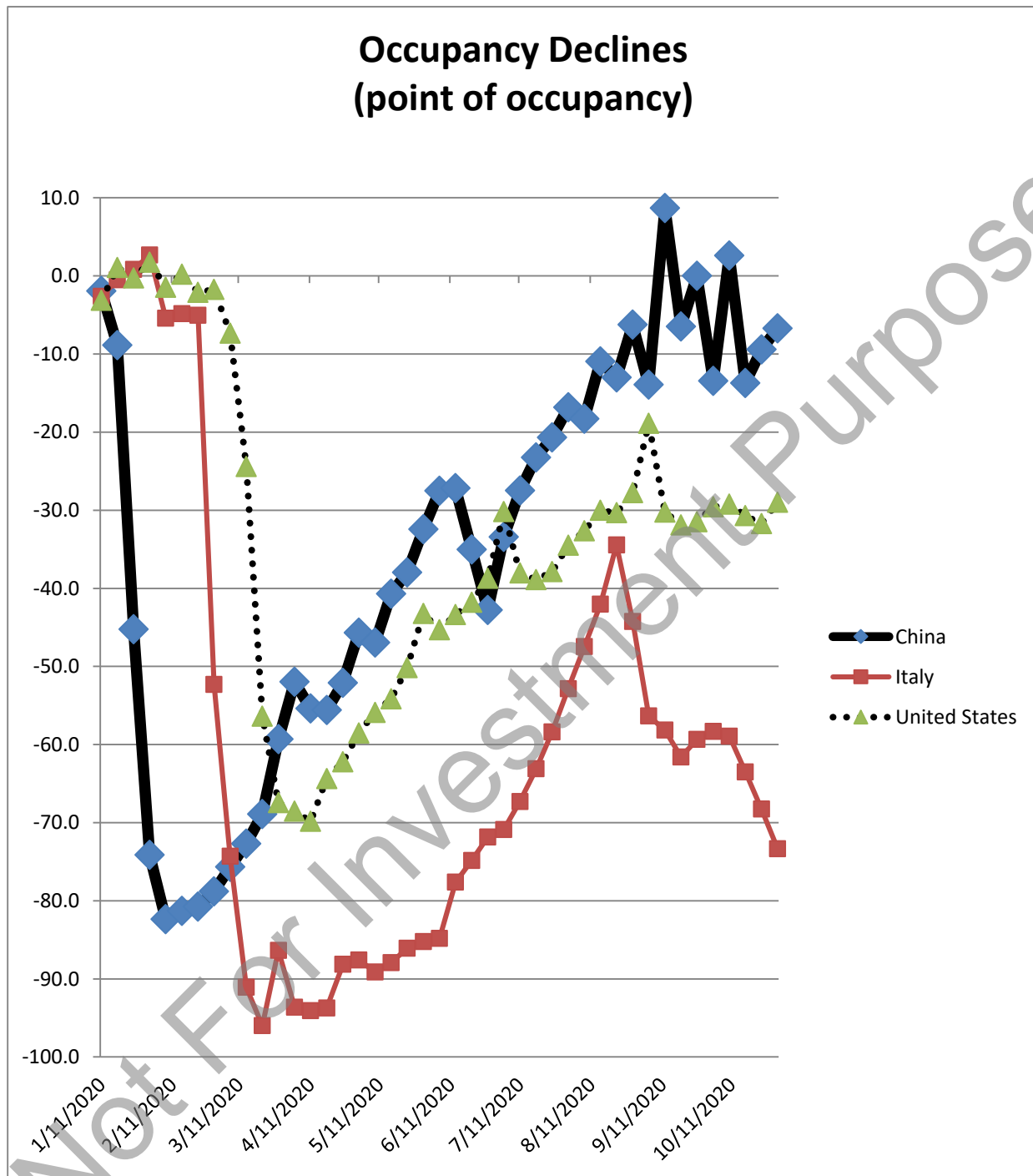
- **China:** Currently 833k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **833k rooms is a deceleration from the prior week where 840k 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 58k hotel rooms reporting data in the survey, or 16% 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. **58k is a downtick from the prior week where 65k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



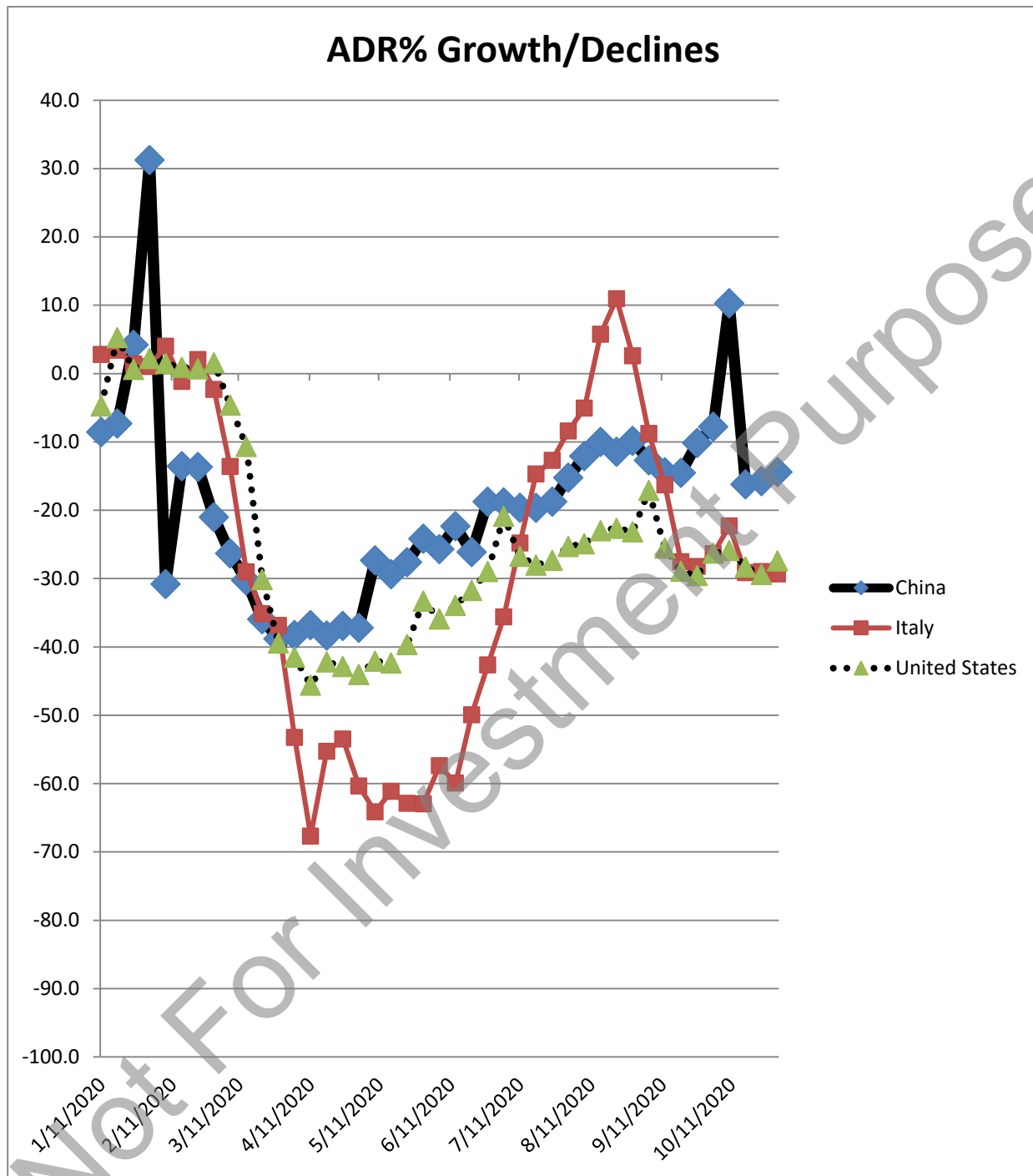
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



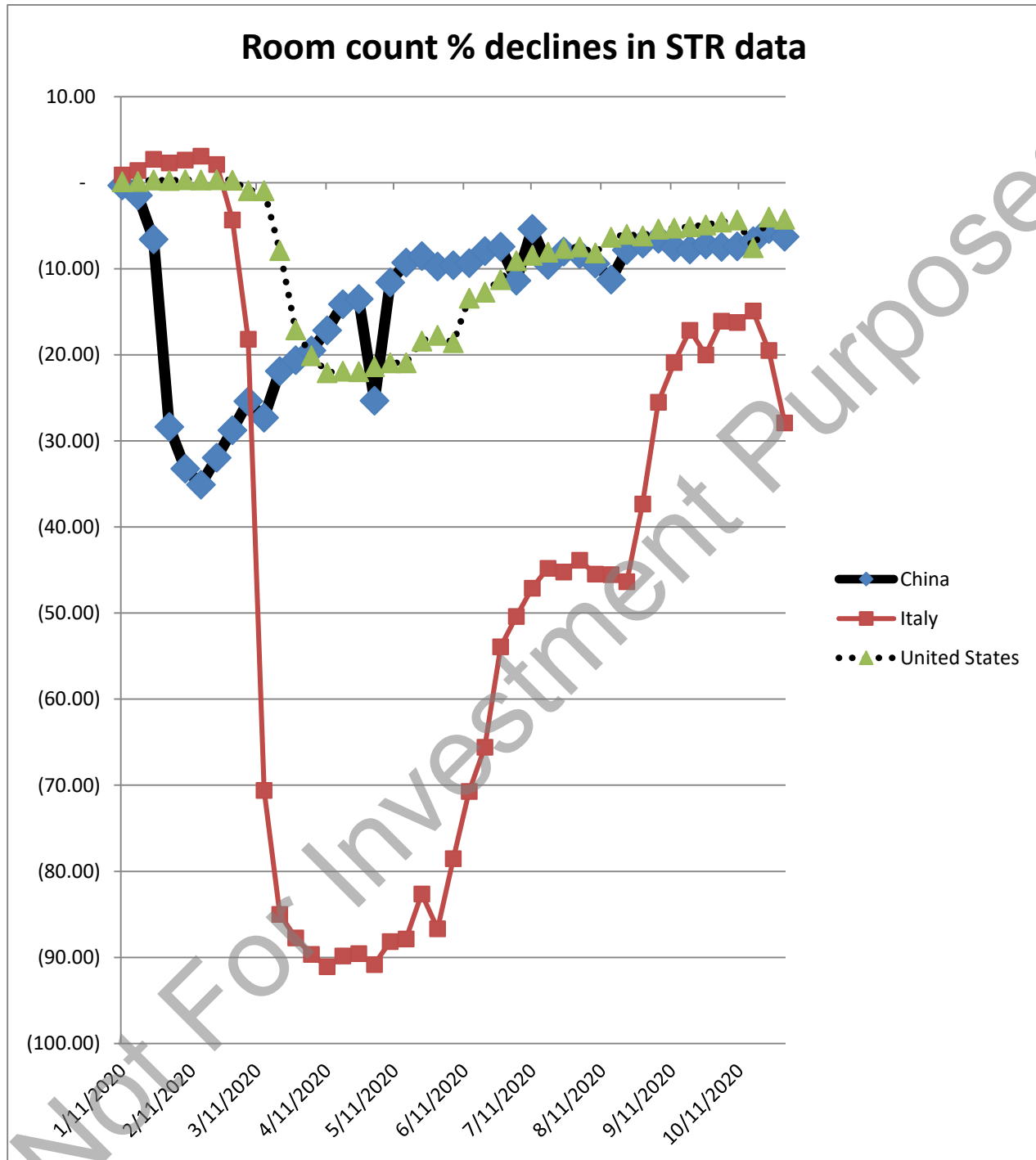
Source: STR, Truist Securities research

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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