

Lodging

China & Italy hotels: RevPAR -24% & -85% y/y for week ending 11/7/20. US -56%.

While vaccine is a light at the end of the tunnel, still a deep hole to climb

What's Incremental To Our View

Quick take: Per STR for the week ending November 7th, China hotel RevPAR in local currency was -23.9% y/y, a deceleration from -20.2% in the prior week. While China was showing a “V-shaped” recovery through July, the trendline of improvement has stalled since then. See Exhibit 1 below.

Italy was down 84.6% y/y, worse than the -81.2% in the prior week. By comparison, Italy was down “only” -~40% y/y in August. *We believe Italy and to a lesser degree Europe as a whole are struggling as the summer tourism/leisure-heavy months have ended and more recently from the second-waves of Covid. Additionally we have observed a significant uptick in hotel closings in Italy over the past three weeks.*

These weekly results compare to the **US** for the same week down 55.6% y/y, a large deceleration from the prior week’s result of down 48.4%. *-55.6% is unfortunately the worst weekly performance for the US since mid-July.*

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 November 7th vs. trailing 28 days:

China (local currency):

- RevPAR was -23.9% y/y for the week ending November 7th, a **small acceleration** from -24.2% for the trailing 28 days.
- ADR was -15.0% y/y for the week ending November 7th, a **small acceleration** vs. -15.5% for the trailing 28 days.

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What's Inside

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

- Occupancy was -10.4% y/y for the week ending November 7th, **statistically equivalent** to the -10.3% for the trailing 28 days.

Italy (local currency):

- RevPAR was -84.6% y/y for the week ending November 7th, **a deceleration** from the -78.6% for the trailing 28 days.
- ADR was -32.9% y/y for the week ending November 7th, **a deceleration** from the -28.1% for the trailing 28 days.
- Occupancy was -77.1% y/y for the week ending November 7th, **a deceleration** vs. -70.2% 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 62.8%.** 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 70.1% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending November 7th was 15.9%.** So far it has been approx. 37 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 69.3% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending November 7th was 44.2%** So far it has been approx. 35 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 68.8% 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 November 7th, room count declines are running at down 39% from early January levels.
- **US:** Based on the STR sample as of November 7th, room count declines are running at down 4% from early January levels.

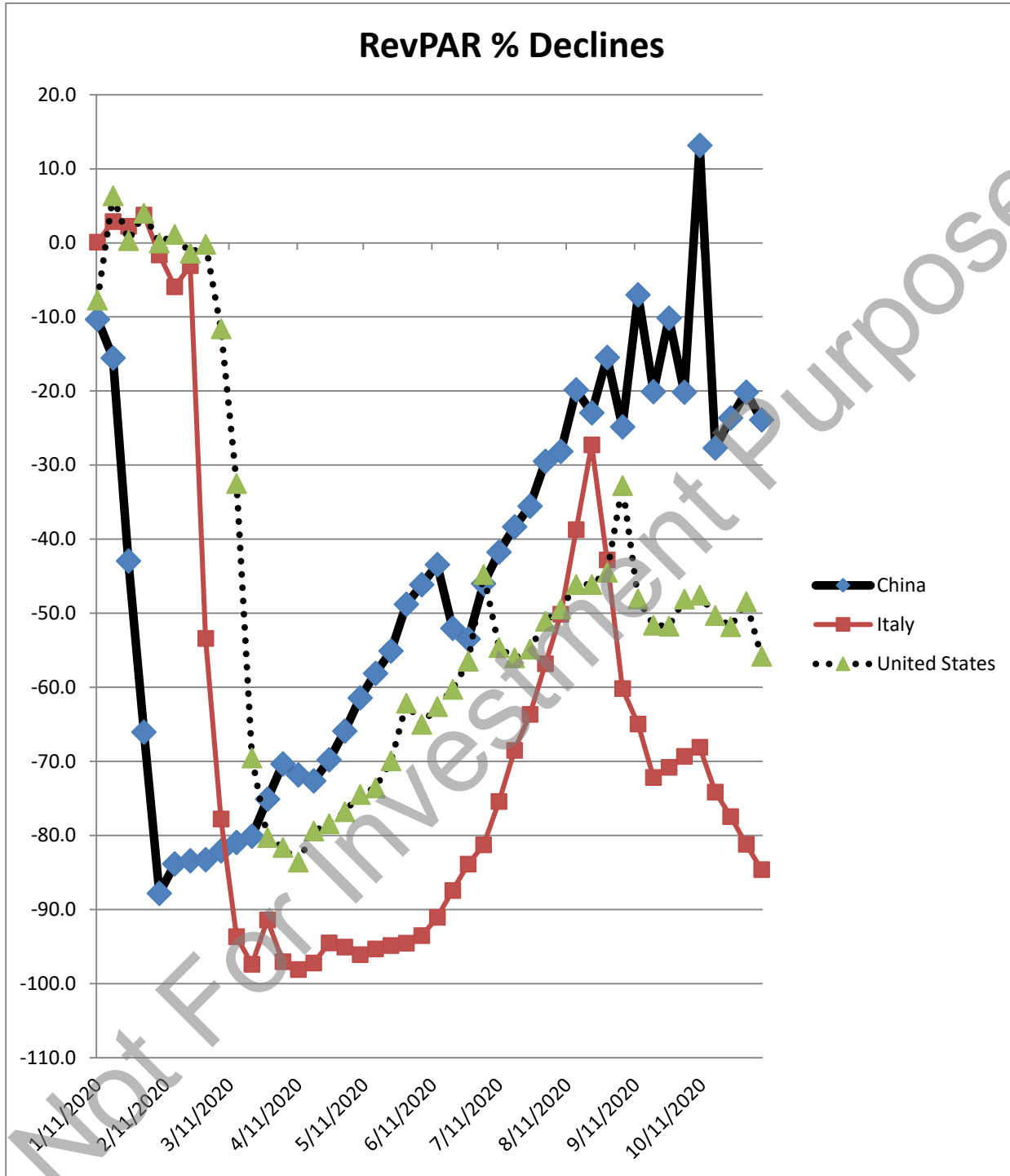
About our data set:

- **China:** Currently 837k 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. **837k rooms is small increase from the prior week where 833k 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 49k hotel rooms reporting data in the survey, or 6% 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. **49k is a downtick from the prior week where 58k rooms were reporting data.**

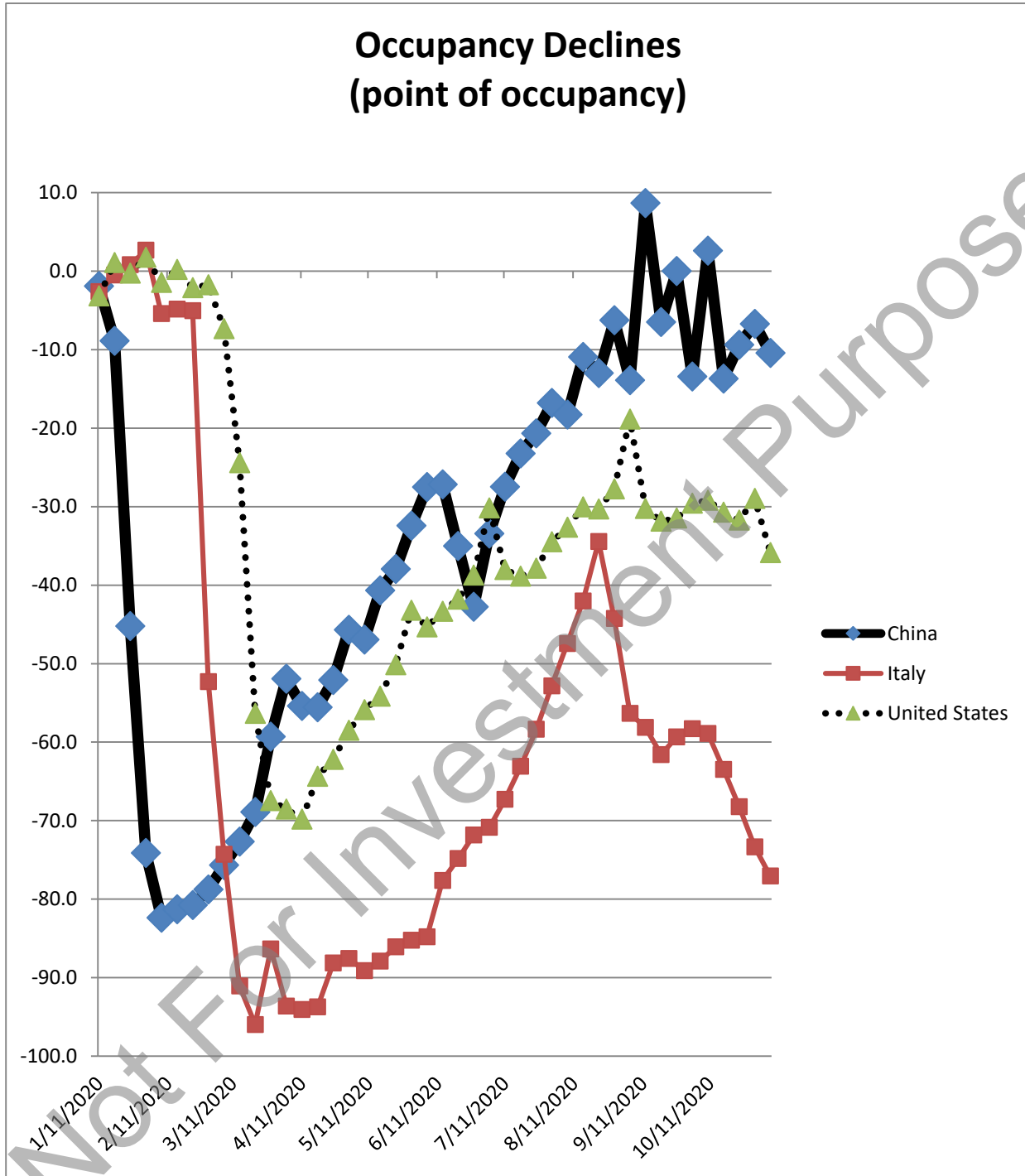
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Exhibit 1: RevPAR for China, Italy, US



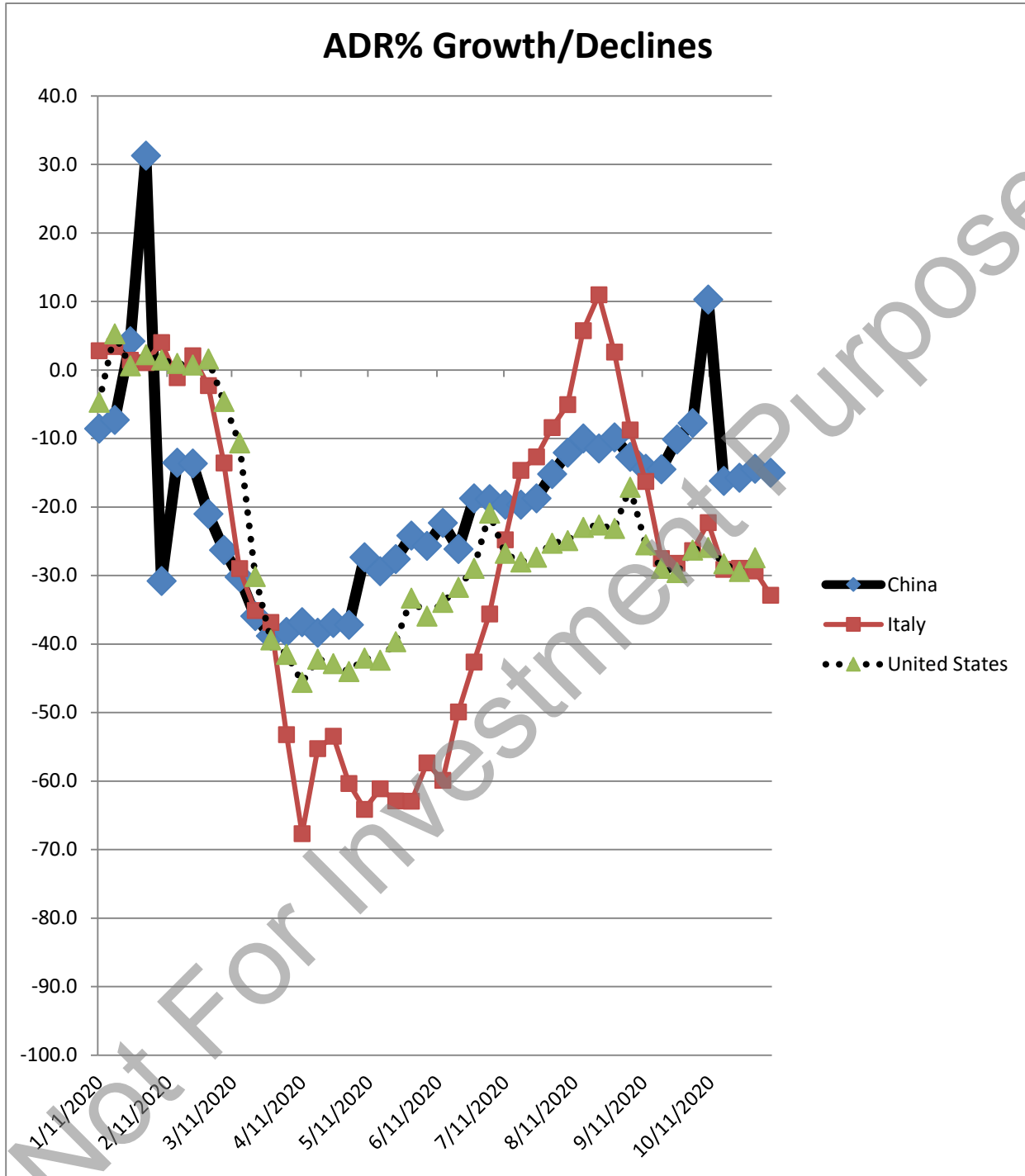
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



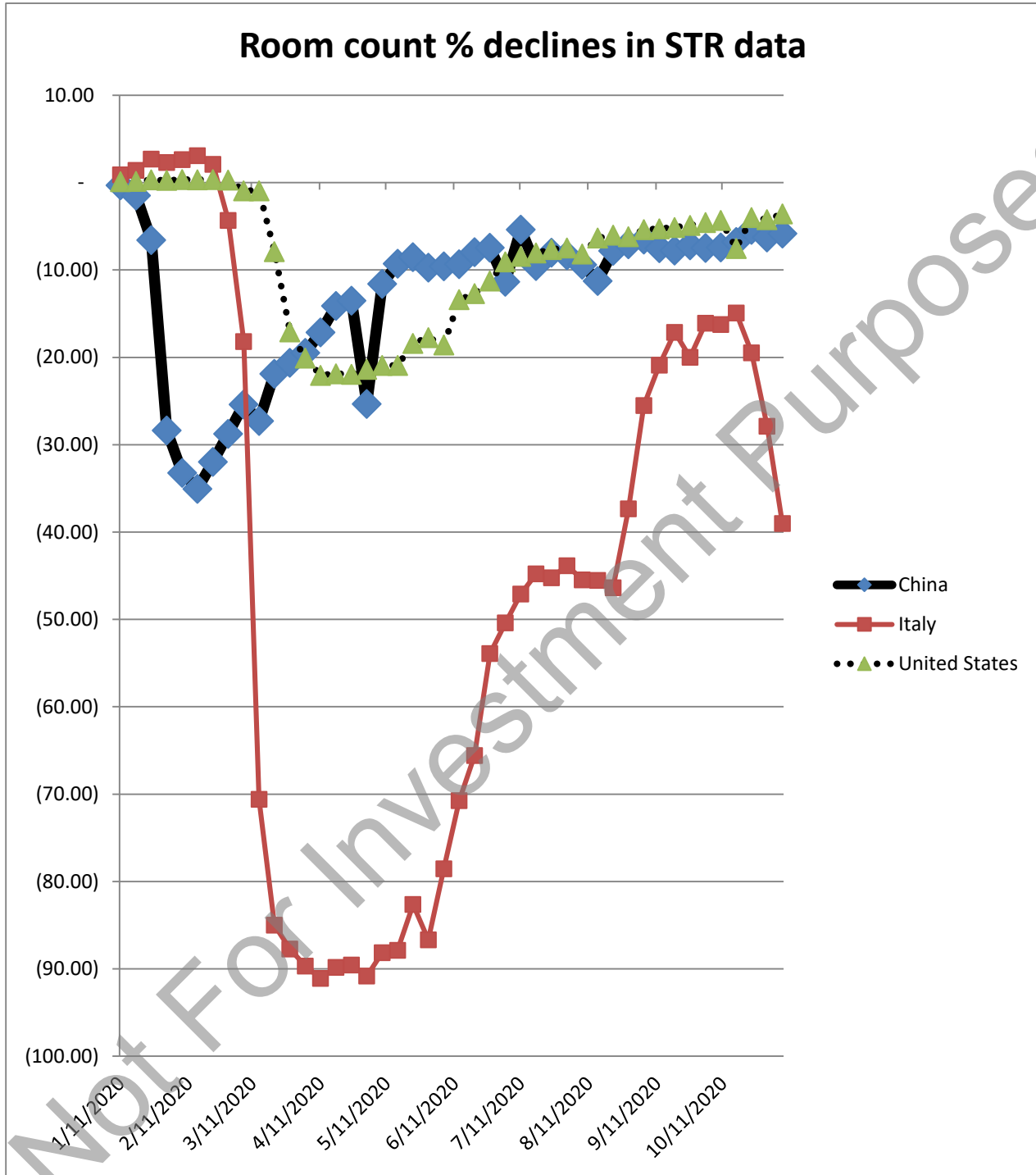
Source: STR, Truist Securities research

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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