

Lodging

China & Italy hotels: RevPAR -15% & -83% y/y for week ending 11/28/20. US -41%.

China & Italy improved w/w. Large improvement in US due to Thanksgiving holiday

Quick take: Per STR for the week ending November 28th, China hotel RevPAR in local currency was -15.2% y/y, an improvement from -20.1% in the prior week. This is the best (or “least bad”) weekly performance out of China in nearly two months. We note that the improvement is likely not due to easier y/y comps as RevPAR growth in China did not fall precipitously until February of this year and y/y comps for Hong Kong have been extremely easy since June of this year.

Italy was down 83.3% y/y, slightly better than the -84.6% in the prior week. By comparison, Italy was down “only” ~40% y/y in August. *We believe Italy and 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 five weeks.*

These weekly results compare to the **US** for the same week down 41.2% y/y, a large improvement from the prior week’s result of down 52.2%. *-41.2% is similar to the results seen during the week leading up to July 4th.*

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 28th vs. trailing 28 days (see charts at end of note for graphical representations):

China (local currency):

- RevPAR was -15.2% y/y for the week ending November 28th, **an improvement** from -21.5% for the trailing 28 days.
- ADR was -7.7% y/y for the week ending November 28th, **an improvement** vs. -12.2% for the trailing 28 days.
- Occupancy was -8.1% y/y for the week ending November 28th, **an improvement** vs. the -10.6% 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 -83.3% y/y for the week ending November 28th, **a small improvement** from the -84.5% for the trailing 28 days.
- ADR was -35.3% y/y for the week ending November 28th, **a deceleration** from the -33.8% for the trailing 28 days.
- Occupancy was -74.1% y/y for the week ending November 28th, **an improvement** vs. -76.6% 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 61.1%.** 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 66.4% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending November 28th was 16.4%.** So far it has been approx. 40 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 63.2% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending November 28th was 36.2%.** So far it has been approx. 38 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 50.6% during the comparable week last year.*

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

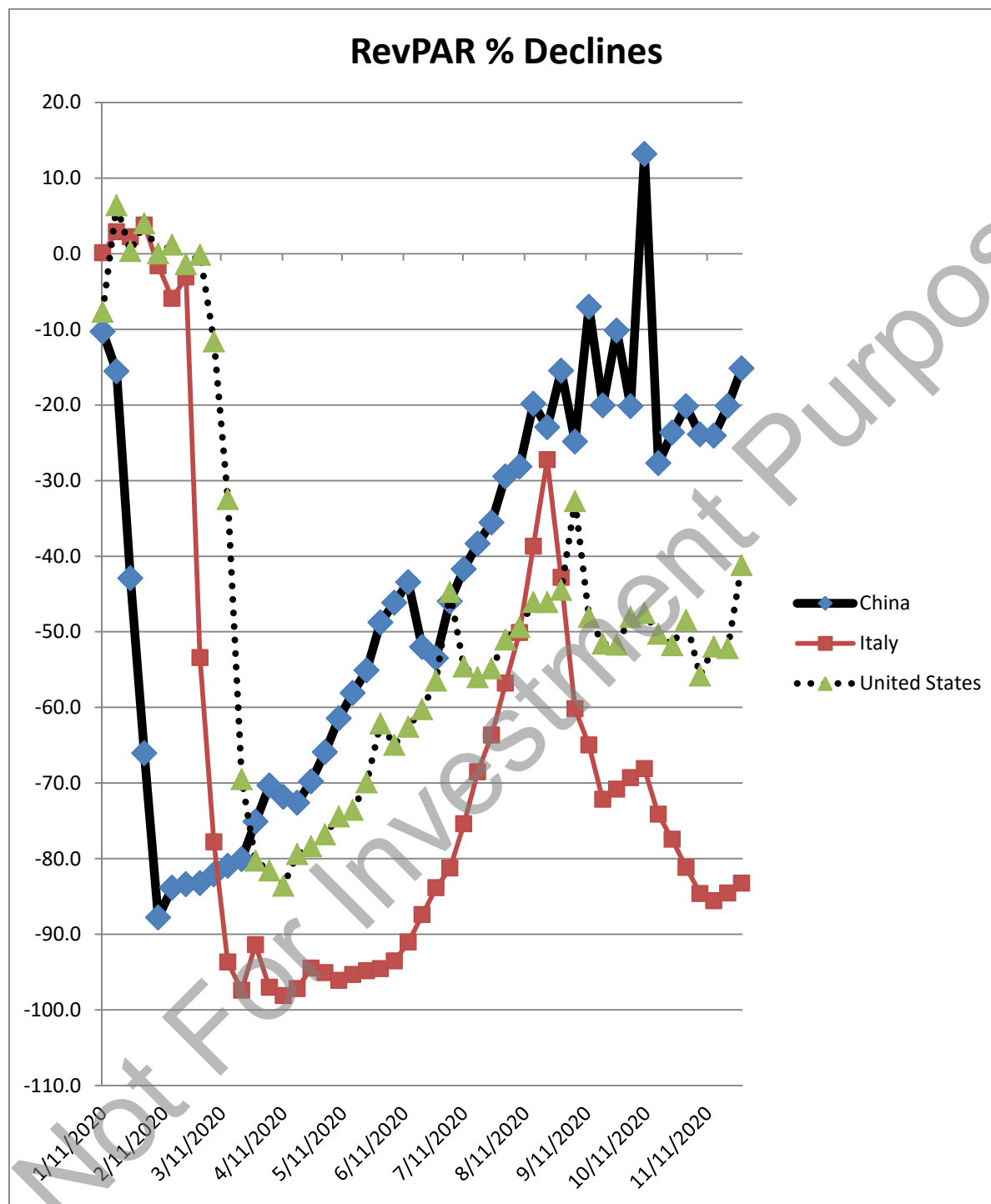
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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. 5%.
- **Italy:** Based on the STR sample as of November 28th, room count declines are running at down 51% from early January levels.
- **US:** Based on the STR sample as of November 28th, room count declines are running at down 3% from early January levels.

About our data set:

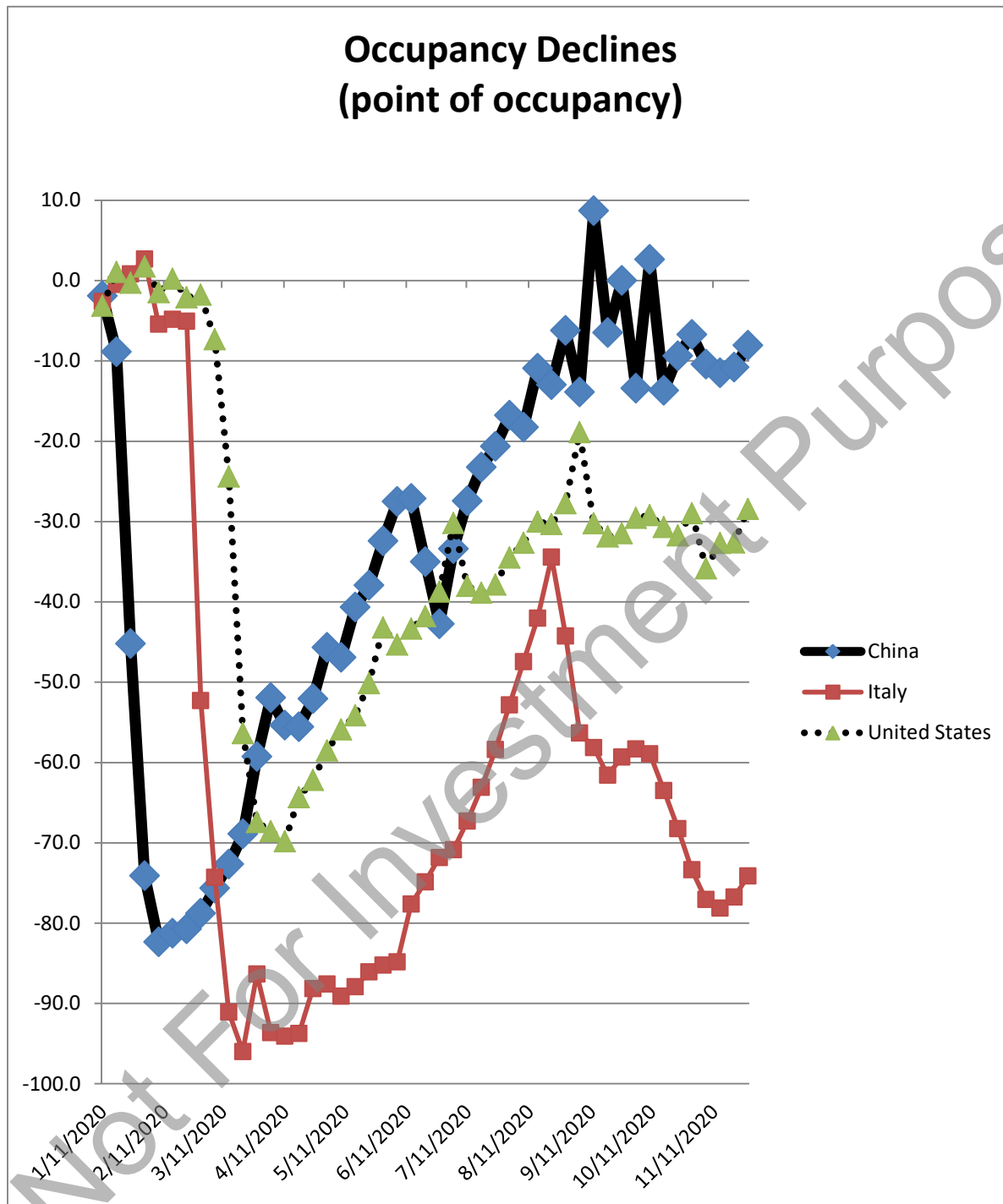
- **China:** Currently 847k hotel rooms reporting data in the survey, or 30% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **847k rooms is a small uptick from the prior week where 845k 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 40k hotel rooms reporting data in the survey, or 11% 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. **40k is unchanged from the prior week where 40k rooms were reporting data (excluding rounding it was down approx. 500 rooms week-over-week).**

Exhibit 1: RevPAR for China, Italy, US



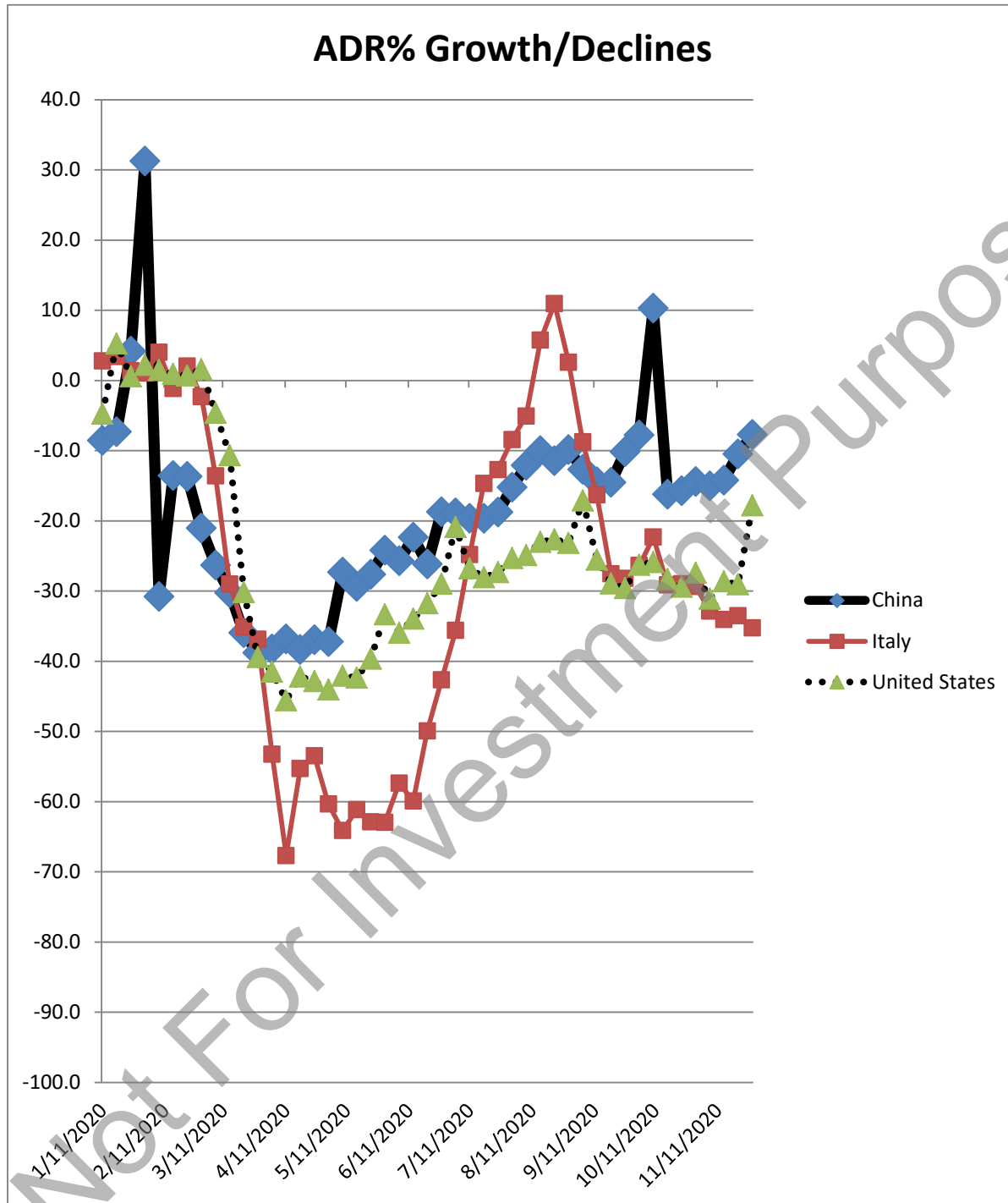
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



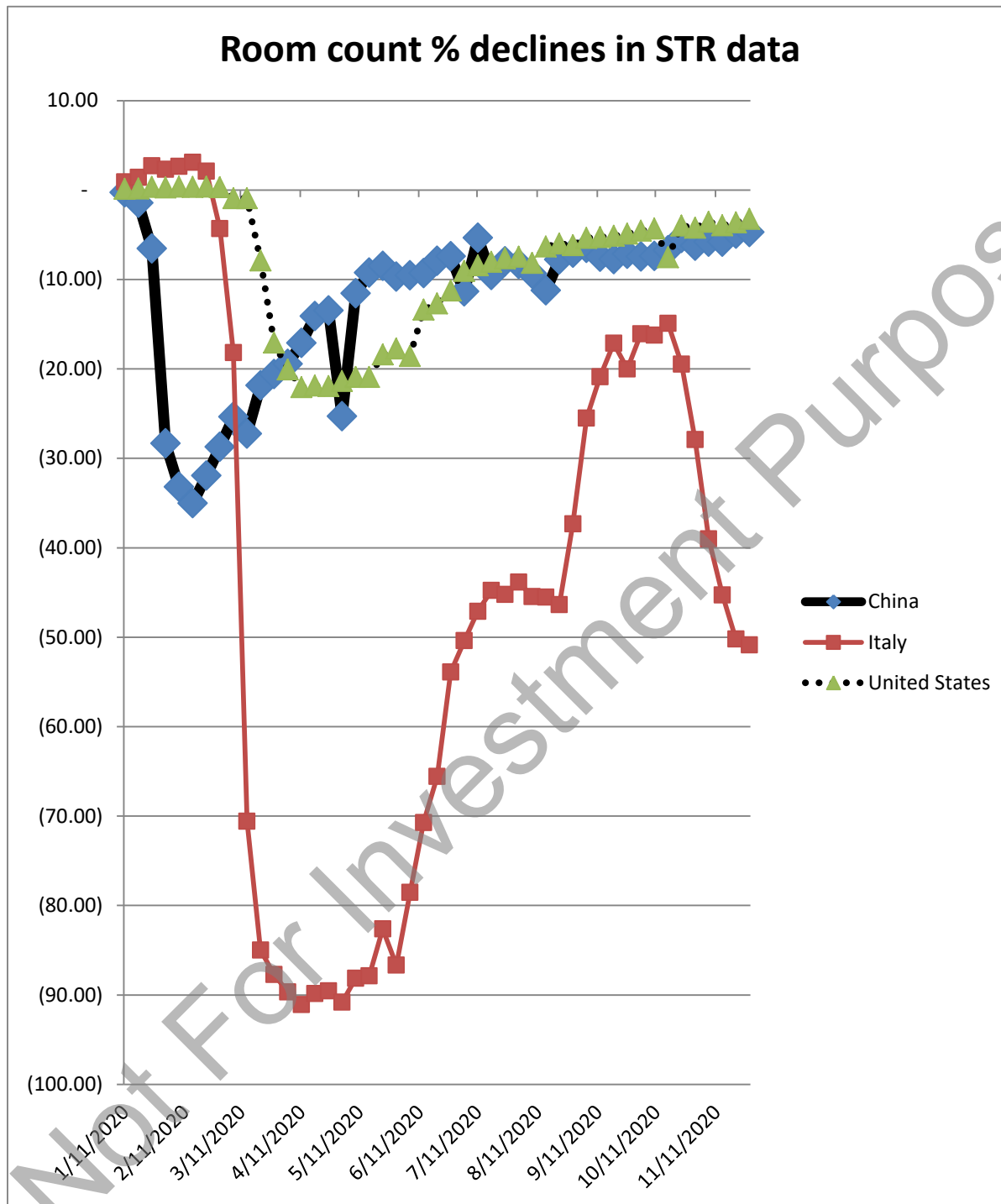
Source: STR, Truist Securities research

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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