

Lodging

China & Italy hotels: RevPAR -15% & -81% y/y for week ending 12/12/20. US -57%.

China & Italy results continue to be range-bound. US essentially unchanged w/w

Quick take: Per STR for the week ending December 12th, China hotel RevPAR in local currency was -14.7% y/y, better than -20.2% in the prior week. As can be observed in Exhibit 1 below, RevPAR declines have been mostly in the -15% to -25% range since mid-August. We believe one of the headwinds to breaking out of this range is the lack of in-bound international travel.

Italy was down 80.9% y/y, essentially unchanged from the -80.2% in the prior week. We note that weekly results for Italy have been around -80% to -85% since late October.

These weekly results compare to the **US** for the same week down 57.3% y/y. This latest US result (clean comp) compares to -58.4% in the prior week's results and is roughly equivalent to the results seen in mid-June.

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 December 12th vs. trailing 28 days (see charts at end of note for graphical representations):

China (local currency):

- RevPAR was -14.7% y/y for the week ending December 12th, **an improvement** from -17.8% for the trailing 28 days.
- ADR was -5.6% y/y for the week ending December 12th, **an improvement** vs. -8.5% for the trailing 28 days.
- Occupancy was -9.6% y/y for the week ending December 12th, **a small improvement** from -10.1% for the trailing 28 days.

Italy (local currency):

- RevPAR was -80.9% y/y for the week ending December 12th, **an improvement** from the -82.4% 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 -30.4% y/y for the week ending December 12th, **an improvement** from the -33.2% for the trailing 28 days.
- Occupancy was -72.6% y/y for the week ending December 12th, **a small improvement** vs. -73.6% 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 59.1%.** 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 65.4% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending December 12th was 16.5%.** So far it has been approx. 42 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 60.1% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending December 12th was 37.8%** So far it has been approx. 40 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 60.5% during the comparable week last year.*

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

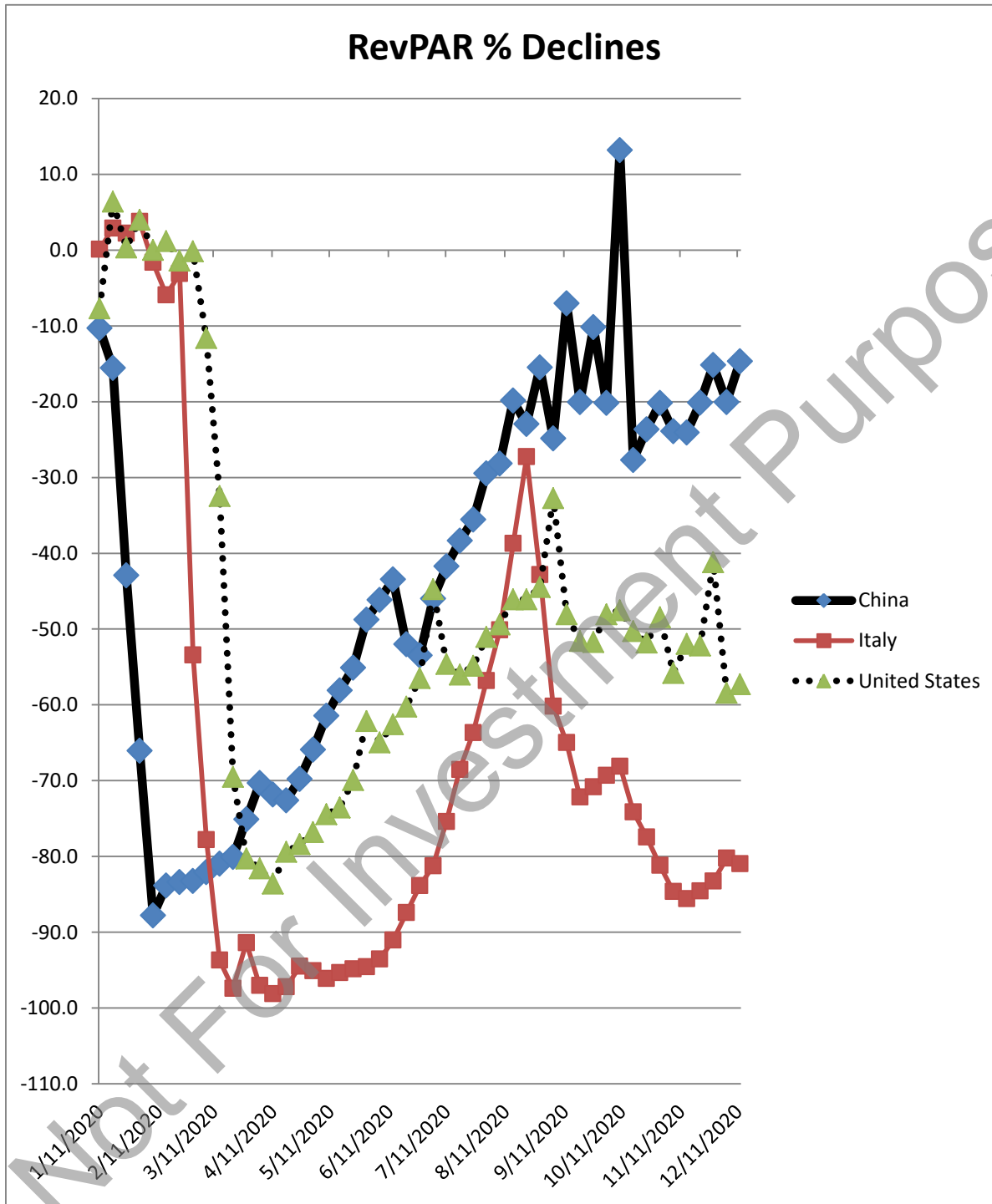
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data set; ergo this is our best approximation 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 December 12th, room count declines are running at down 54% from early January levels.
- **US:** Based on the STR sample as of December 12th, room count declines are running at down 4% from early January levels.

About our data set:

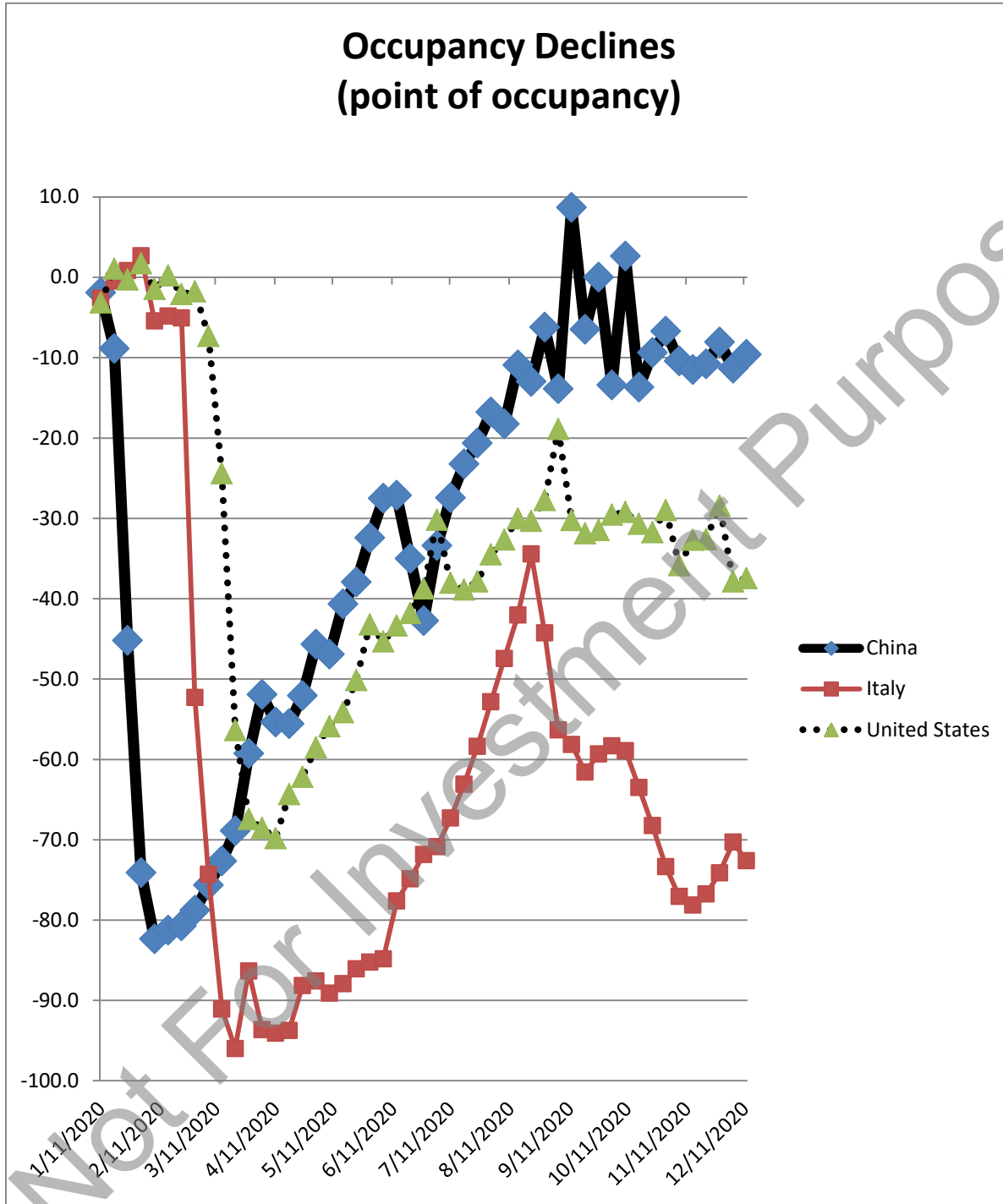
- **China:** Currently 829k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December 2019 where 889k rooms were in the survey, or 32% of the total number of hotel rooms in China. **829k rooms is a downtick from the prior week where 838k 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 37k 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. **37k is up from the prior week where 36k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



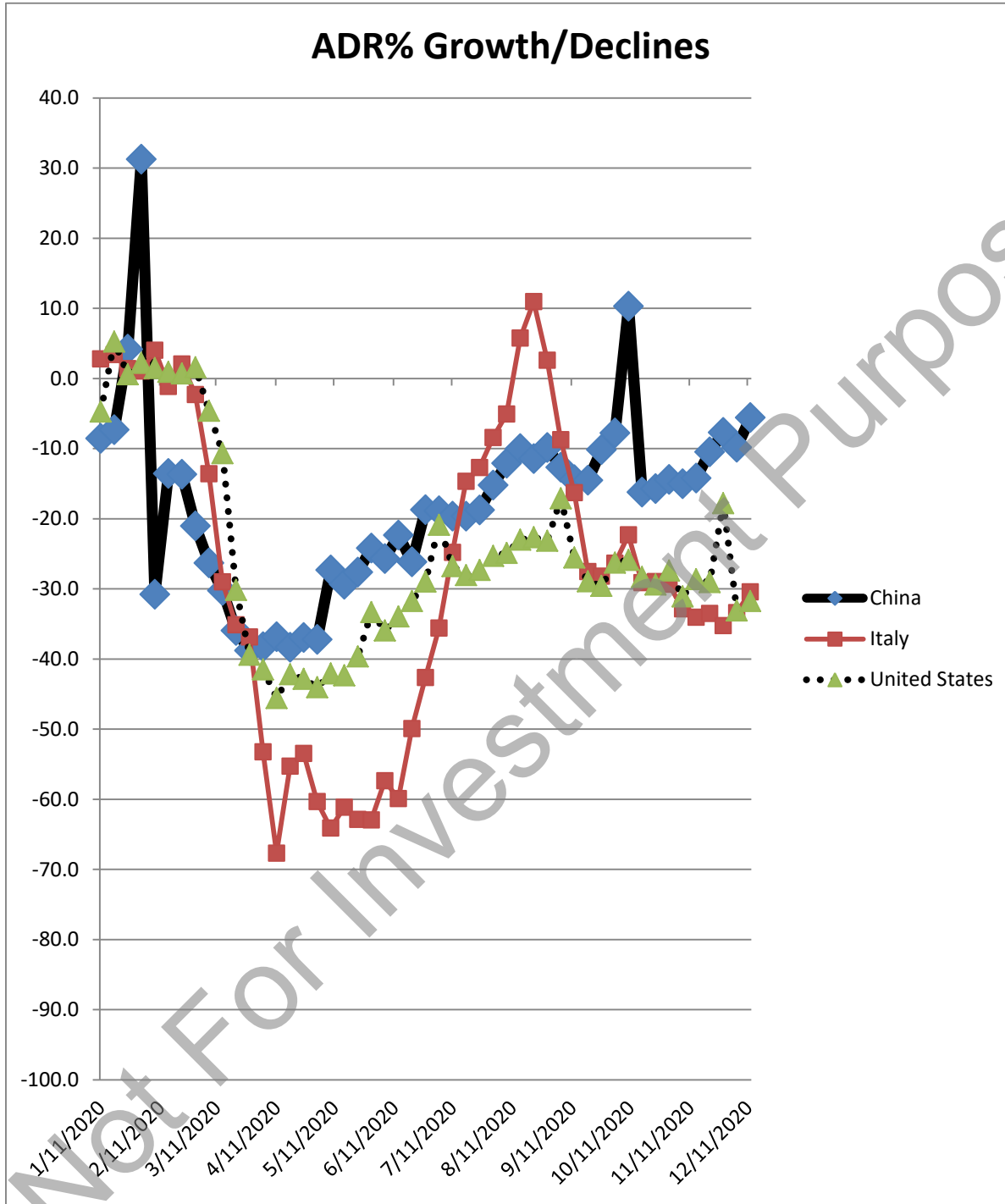
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



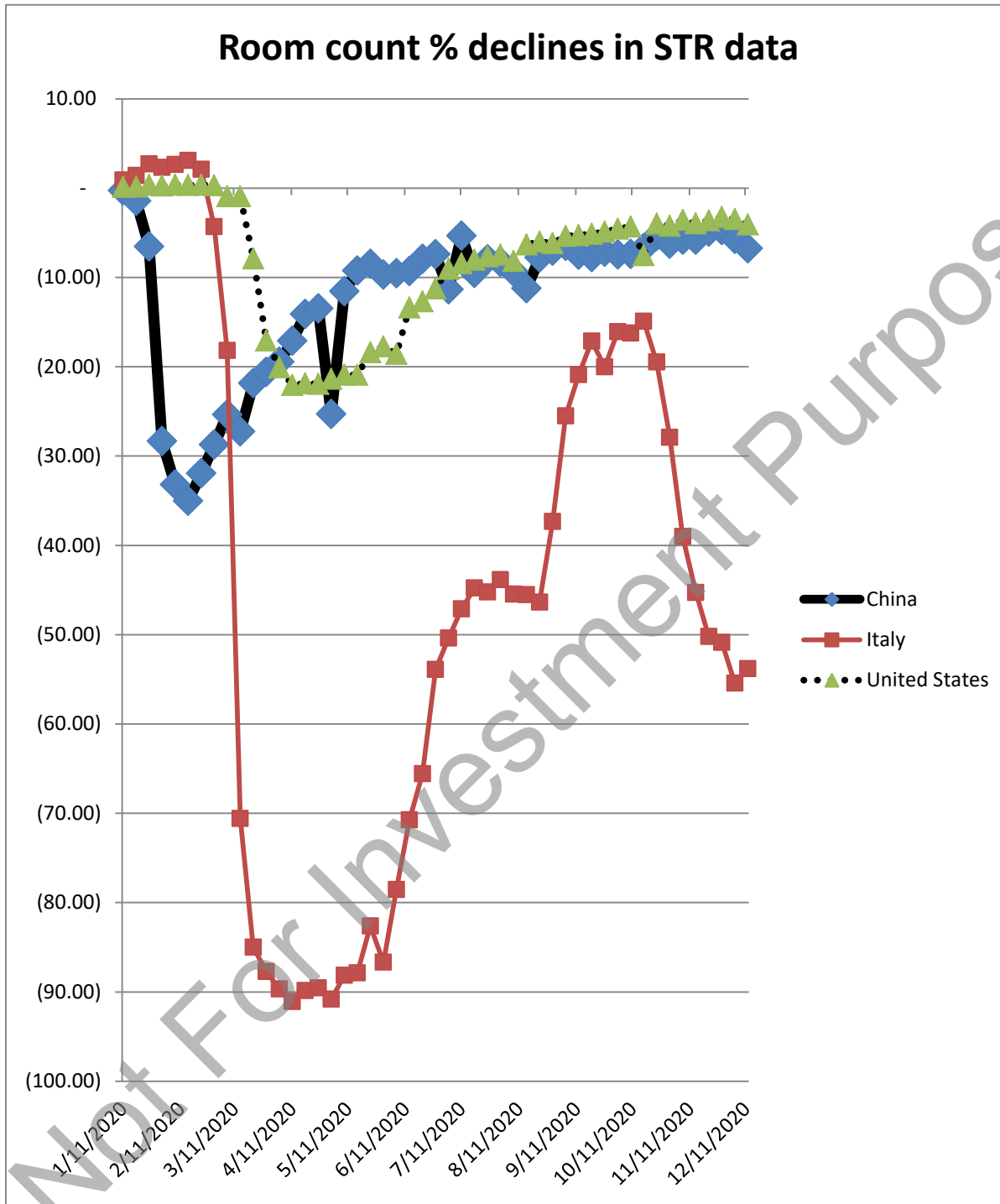
Source: STR, Truist Securities research

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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