Lodging

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

China & Italy hotels: RevPAR +71% (2yr -44%) & -72% y/y for week ending 1/30/21. US -51%.

Easy y/y comps have arrived for China but note the 2-yr growth rates.

Quick take: Per STR for the week ending January 30th, China hotel RevPAR in local currency was +70.6% y/y, a large improvement from -13.2% in the prior week as the extremely easy y/y comps are now being lapped. Last week was up against a -66.1% comparable result in 2020. Going forward the y/y comps will get even easier. Last week's strength was entirely driven by Occupancy, which was up 186.1% y/y whereas ADR was still down 40.1% y/y; when one is lapping a 12% occupancy figure, there really isn't anywhere to go but up. *On a 2-year run-rate, which we believe is an equally important KPI, RevPAR was down 43.6%.*

- **By comparison for Italy the easy y/y comps will not begin until mid-February and for the US not until early March.**

Italy was down -71.7% y/y, a slight improvement from -73.4% in the prior week.

These weekly results compare to the US for the same week down 50.6% y/y. This latest US result compares to -50.1% in the prior week's result. 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 January 30th vs. trailing 28 days (see charts at end of note for graphical representations):

China (local currency):

- **We note that Chinese New Year was on Saturday, January 25th last year and falls on Friday, February 12th this year; we view the post-COVID environment and easy comps will materially impact the comparisons for several weeks given public holidays from February 11th to February 17th.**
- RevPAR was +70.6% y/y for the week ending January 30th, **an improvement** from -24.6% for the trailing 28 days.
- ADR was -40.4% y/y for the week ending January 30th, **worse than** the -18.4% for the trailing 28 days.

SEE PAGE 7 FOR REQUIRED DISCLOSURE INFORMATION

- Occupancy was +186.1% y/y for the week ending January 30th, **an improvement** from -7.5% for the trailing 28 days.

Italy (local currency):

- RevPAR was -71.7% y/y for the week ending January 30th, **an improvement** from the -75.5% for the trailing 28 days.
- ADR was -25.9% y/y for the week ending January 30th, **an improvement** from the -29.9% for the trailing 28 days.
- Occupancy was -61.8% y/y for the week ending January 30th, **an improvement** vs. -65.1% 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 35.4%.** Absolute occupancy levels for hotels ***that were still open*** in China bottomed out at approx. 10% the week of February 8th, 2020. 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 12.4% during the comparable week last year.*
- **Italy: Absolute occupancy levels for hotels *that were still open* in Italy for the week ending January 30th was 21.2%.** So far it has been approx. 49 weeks after occupancy first started to see rapid deceleration in Italy. *By comparison, occupancy was 55.4% during the comparable week last year.*
- **US: Absolute occupancy levels for hotels *that were still open* in the US for the week ending January 30th was 40.4%.** So far it has been approx. 47 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. *By comparison, occupancy was 57.4% during the comparable week last year.*

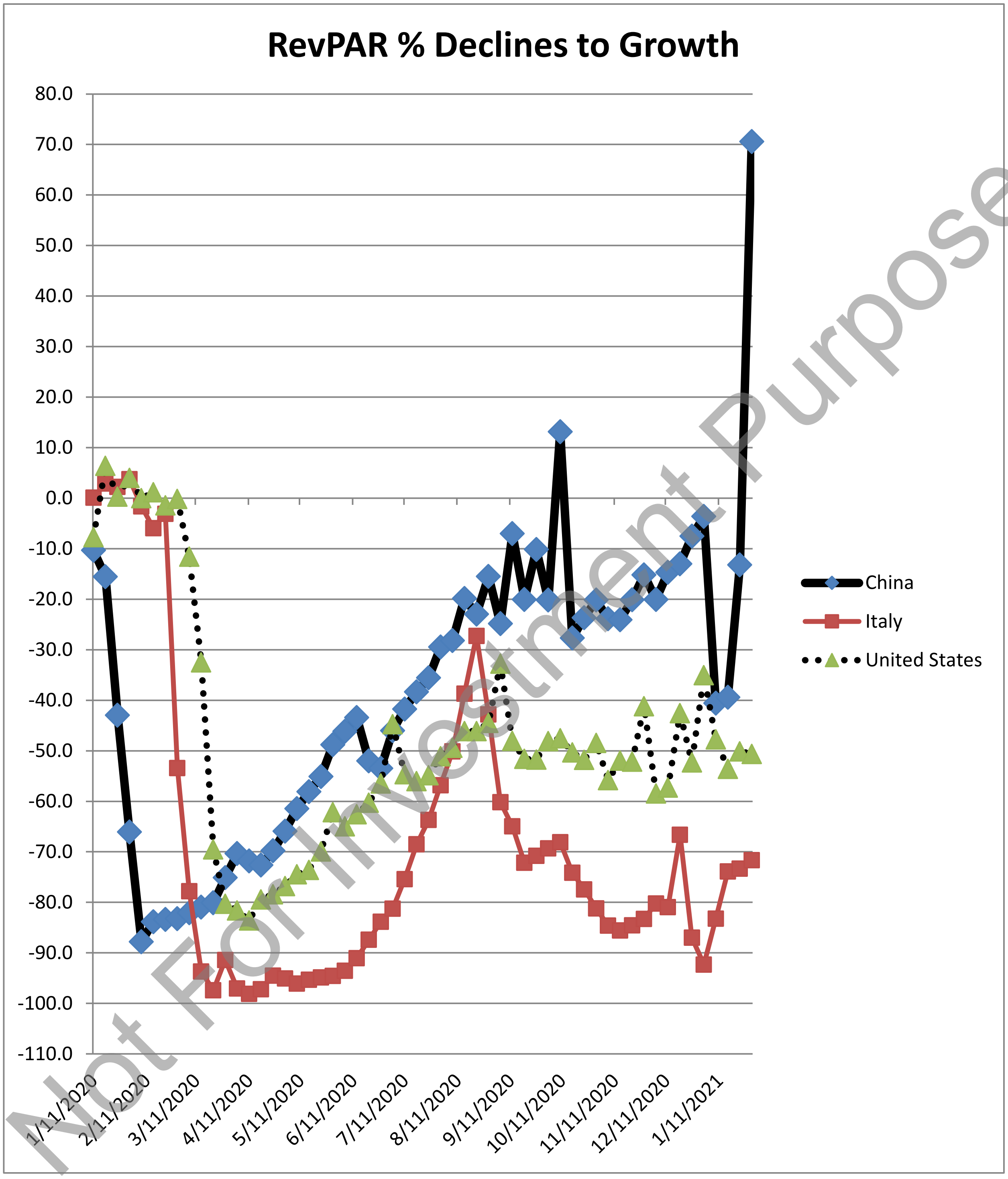
Hotel closure observations from the latest weekly STR results from China, Italy, and US:
For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data sent; 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 2020 from early January 2020 levels. Today, room count is down approx. 7% from mid-February 2020.
- **Italy:** Based on the STR sample as of January 30th, room count declines are running at down 54% from early January 2020 levels.
- **US:** Based on the STR sample as of January 30th, room count declines are running at down 3% from early January 2020 levels.

About our data set:

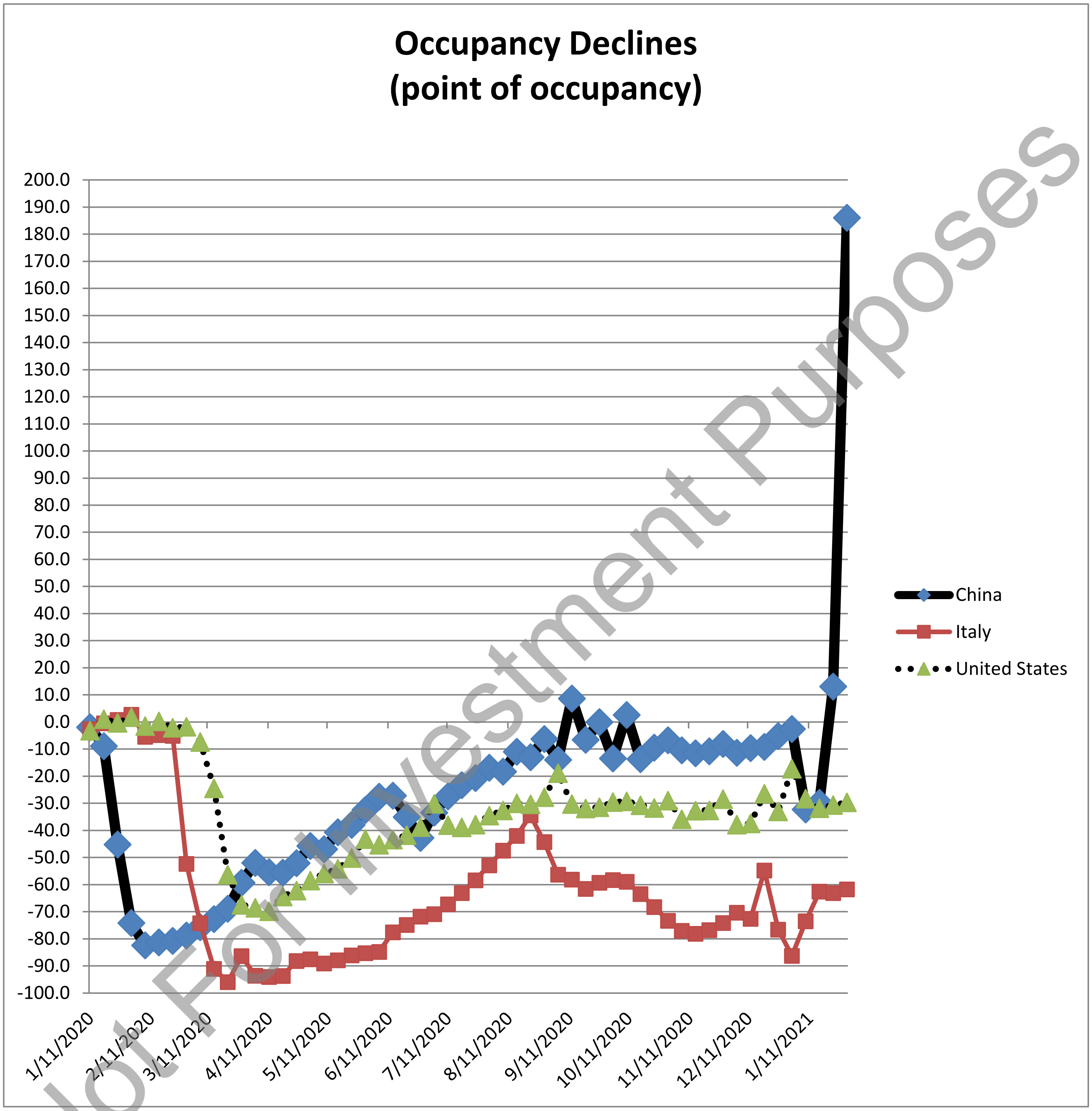
- **China:** Currently 830k hotel rooms reporting data in the survey, or 29% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December 2019 where 889k rooms were in the survey, or 32% of the total number of hotel rooms in China. **830k rooms is up from the prior week where 815k 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 unchanged from the prior week where 37k rooms were reporting data.**

Exhibit 1: RevPAR for China, Italy, US



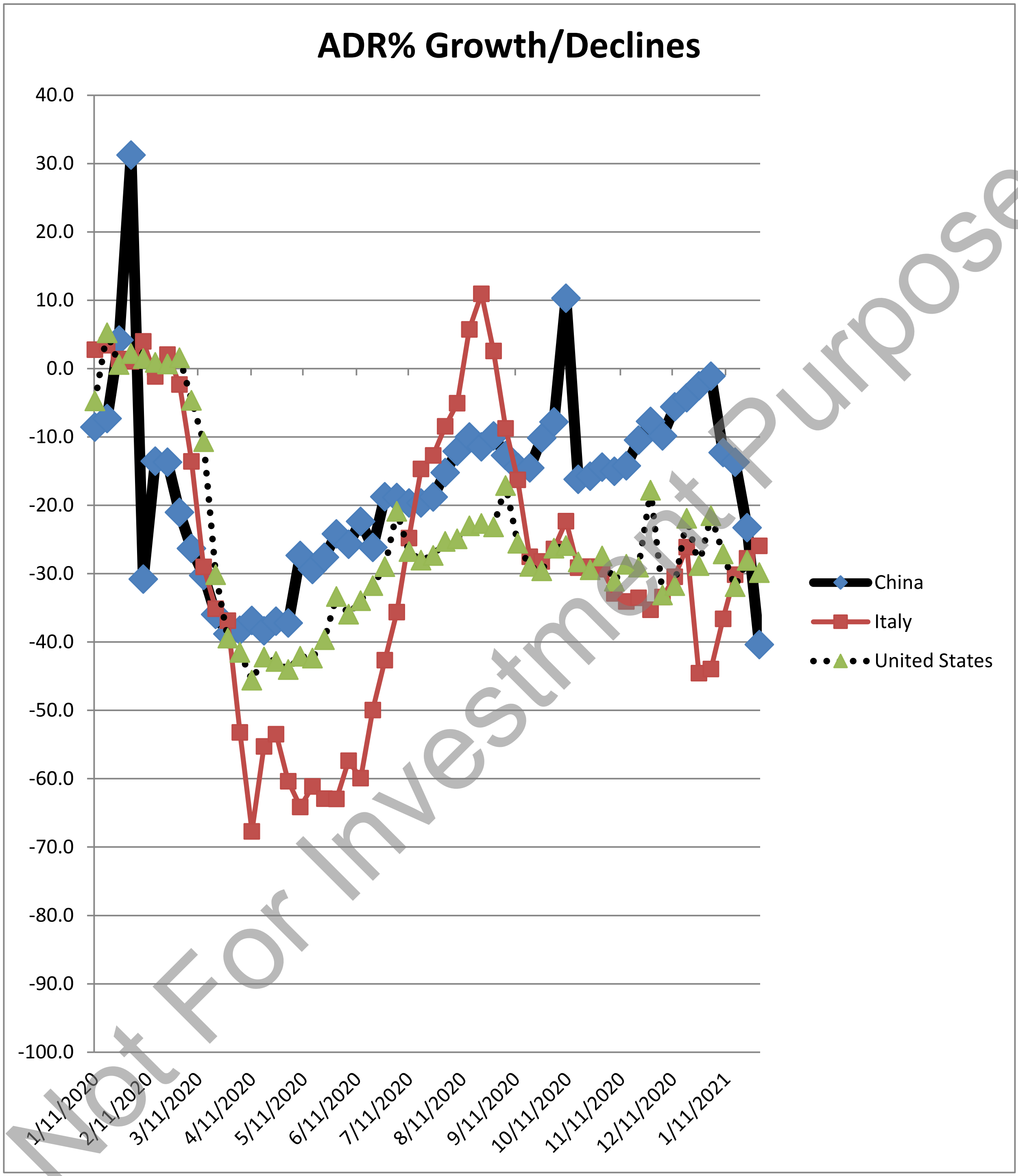
Source: STR, Truist Securities research

Exhibit 2: Occupancy for China, Italy, US



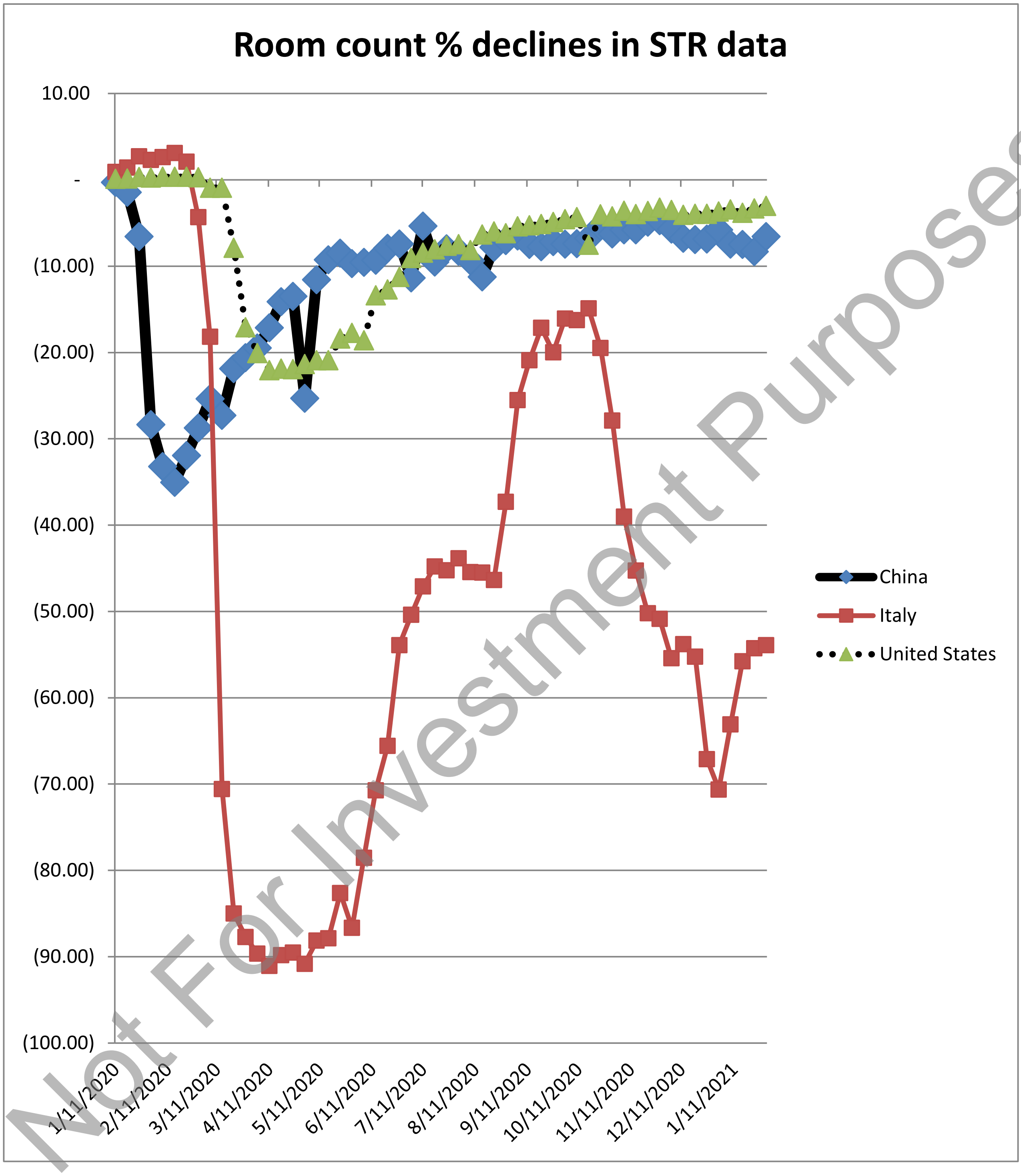
Source: STR, Truist Securities research

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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