

Lodging

China & Italy hotels: RevPAR -29% y/y (2yr: -49%, yes correct) & +89% y/y (2yr: -1%) for wk end 8/7

2yr: Delta hitting occupancy in China hard, however Italy almost even with 2019

What's Incremental To Our View

Quick take: Per STR for the week ending August 7th, hotel RevPAR in China in local currency was -28.9% y/y vs. +25.4% y/y in the prior week. Last week's RevPAR was up against a -28.2% comparable result in 2020 vs. -29.5% in the prior week. *On a 2-year run-rate, which we believe is an equally if not more important KPI, RevPAR was down 49.3% vs. down 11.9% in the prior week's 2-year run-rate. Due to the surprising extreme deceleration in results, we double-checked with STR on the results and they assured us they are correct.*

- **Delta variant causing big cuts to travel in China, highly varied by region.** By [division](#), week-over-week percentage changes ranged from -75.9% to -0.4%. 26 divisions were down over 30%. Please see these articles for additional color:
 - <https://www.bloomberg.com/news/articles/2021-08-03/china-s-latest-outbreak-threatens-to-derail-consumer-recovery>
 - <https://www.scmp.com/news/china/politics/article/3144234/coronavirus-beijing-tightens-travel-restrictions-keep-delta>

Italy in local currency was up 88.7% y/y vs. +90.3% in the prior week. Last week's RevPAR was up against a -50.1% comparable result in 2020 and -56.8% in the prior week. ***On a 2-year run-rate, RevPAR was down 1.2% vs. down 16.1% in the prior week's 2-year run-rate. -1.2% is the "least bad" performance vs. 2019 for any week this year and as seen in Exhibit 1 (below), Italy is showing a very strong pace of recovery since June.***

These weekly results compare to the US for the same week up +87.9% y/y. This latest US result is below the +102.9% in the prior week's result. ***Last week's RevPAR was up against a -49.4% comparable result in 2020 vs. -51.1% in the prior week. On a 2-year run-rate, RevPAR was -3.6%, slippage from the prior week's +0.1% 2-year run-rate. So far it is inconclusive if the Delta variant has had an impact on results.***

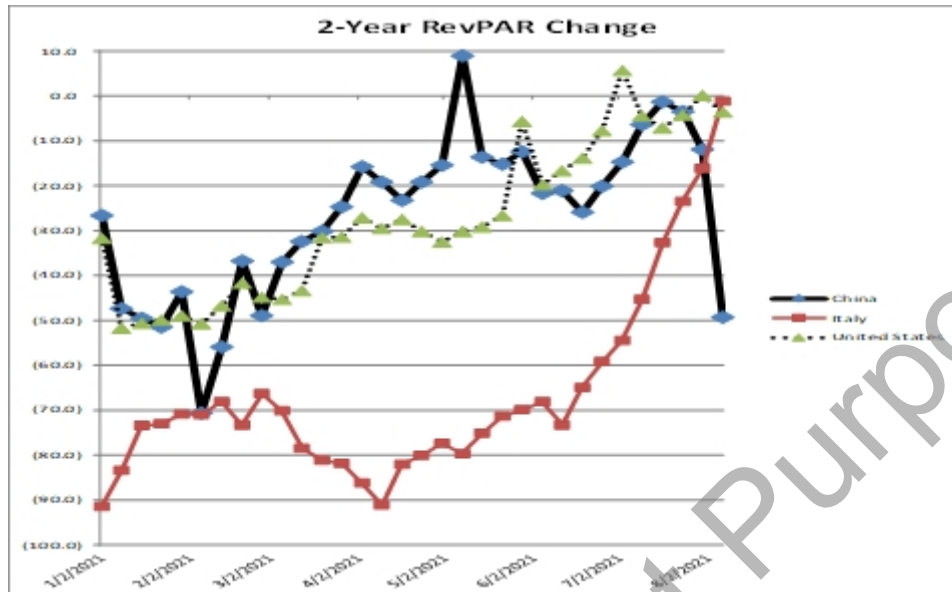
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What's Inside

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

Exhibit 1: 2-Year RevPAR for China, Italy, US



Source: STR, Truist Securities research

RevPAR detail for week ending August 7th vs. trailing 28 days (see charts at end of note for graphical representations):

China (local currency):

- RevPAR was -28.9% y/y for the week ending August 7th, **lower than** the +24.1% for the trailing 28 days.
- ADR was +13.9% y/y for the week ending August 7th, **lower than** the +22.8% for the trailing 28 days.
- Occupancy was -37.6% y/y for the week ending August 7th, **materially lower** than the +1.0% for the trailing 28 days.

Italy (local currency):

- RevPAR was +88.7% y/y for the week ending August 7th, **a step down** from the +103.3% for the trailing 28 days.
- ADR was +18.1% y/y for the week ending August 7th, **worse than** the +22.8% for the trailing 28 days.
- Occupancy was +59.7% y/y for the week ending August 7th, **below** the +65.0% 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 39.6%. By comparison, occupancy was 63.5% during the comparable week last year.
- **Italy:** Absolute occupancy levels for hotels *that were still open* in Italy for the week ending August 7th was 57.8%. So far it has been approx. 75 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 36.2% during the comparable week last year.
- **US:** Absolute occupancy levels for hotels in the US for the week ending August 7th was 68.0%. So far it has been approx. 74 weeks after occupancy first started to see rapid deceleration in mid-March 2020 in the US. By comparison, occupancy was 50.1% 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.

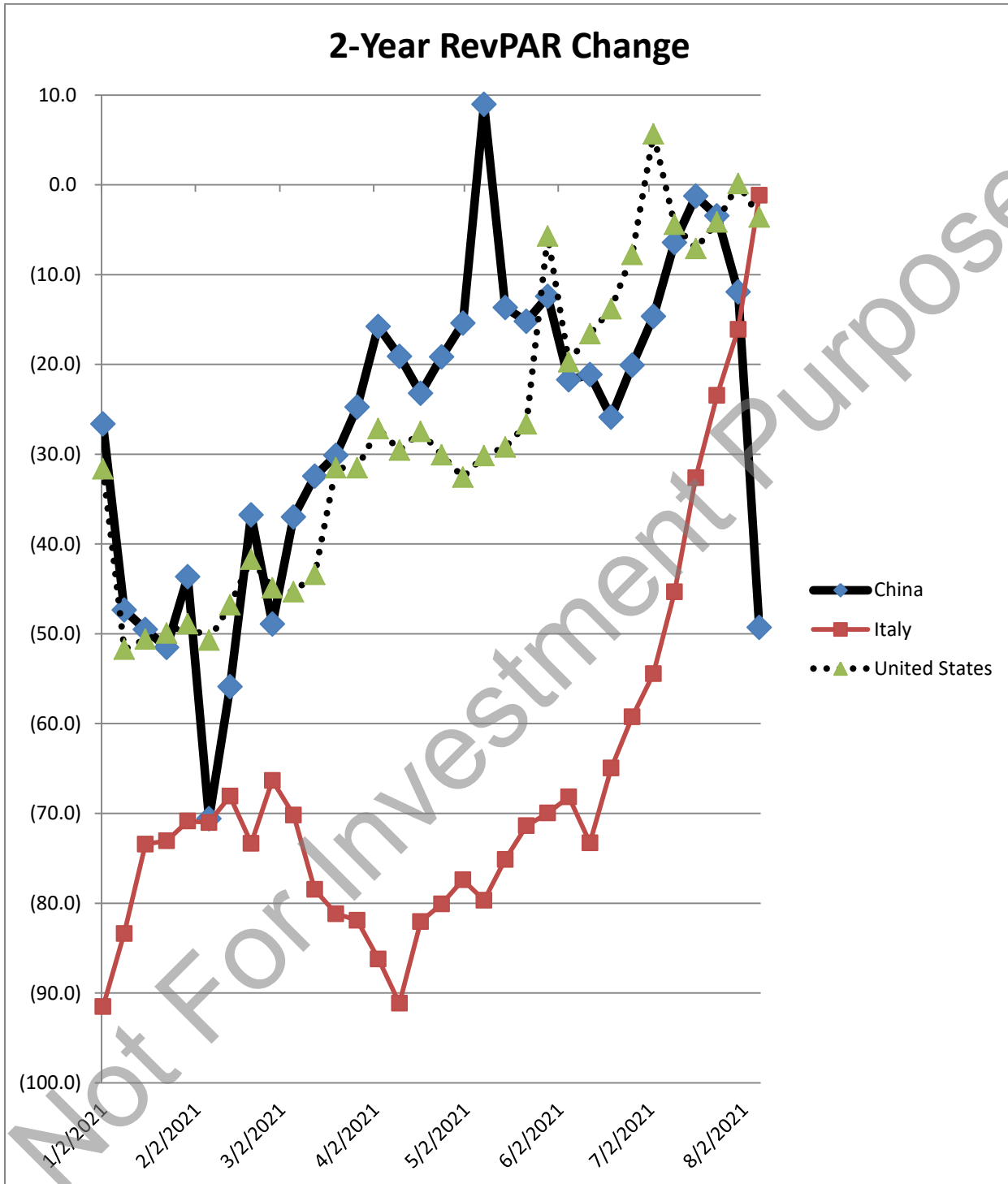
- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February 2020 from early January 2020 levels. Today, room count is down approx. 6% from mid-February 2020.
- **Italy:** Based on the STR sample as of August 7th, room count declines are running down approx. 19% from early January 2020 levels.
- **US:** Based on the STR sample as of August 7th, room count, reflecting annual 2% supply growth partially offset by hotels still closed, is UP approx. 1% from early January 2020 levels.

About our data set:

- **China:** Currently 833k hotel rooms reporting data in the survey, or 27% 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. 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. **833k is up from the prior week where 824k rooms were reporting data.**
- **Italy:** Currently 65k hotel rooms reporting data in the survey, or 17% 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. **65k is down slightly from the prior week where 66k rooms were reporting data.**

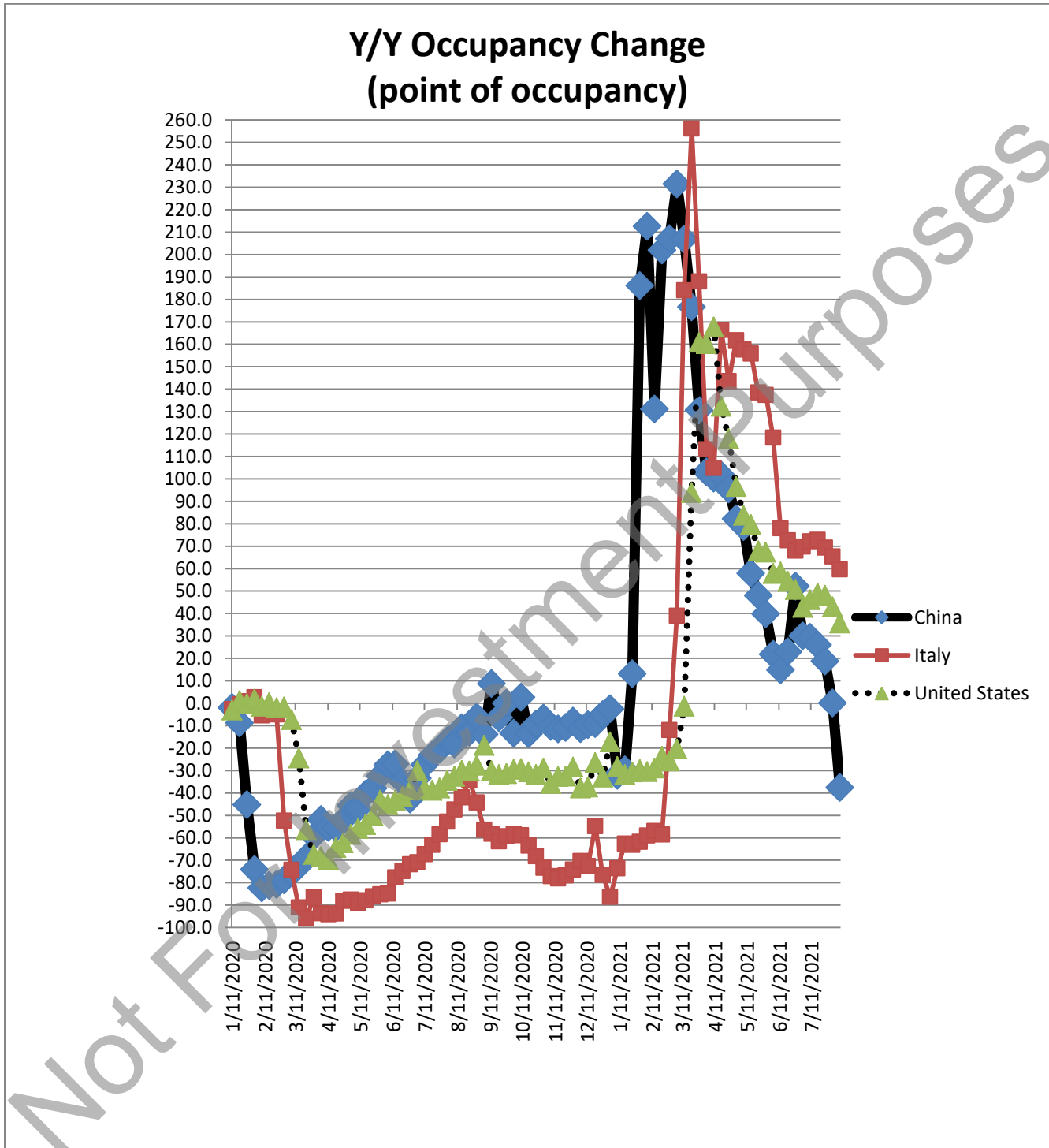
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Exhibit 2: RevPAR for China, Italy, US



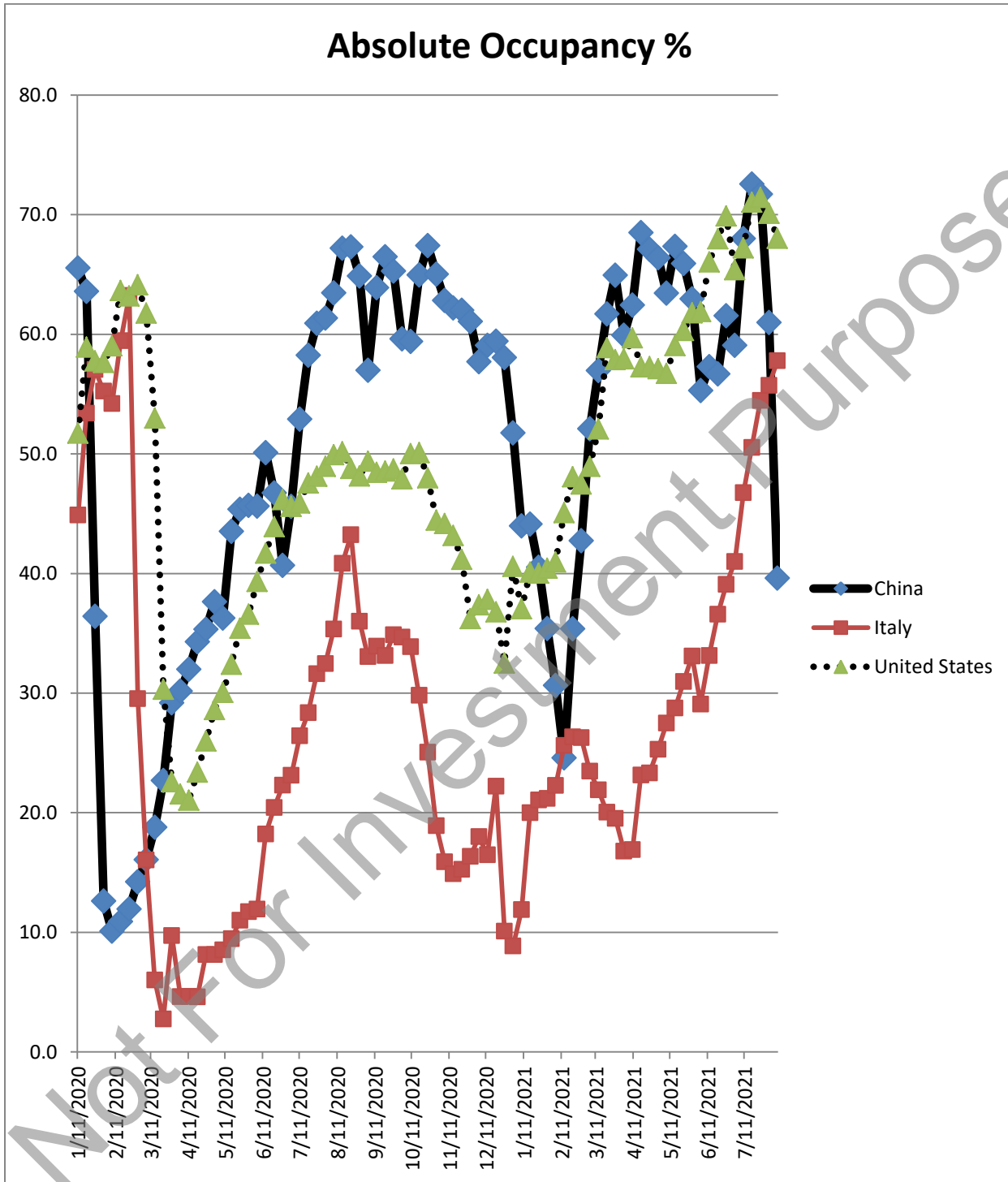
Source: STR, Truist Securities research

Exhibit 3: Occupancy for China, Italy, US



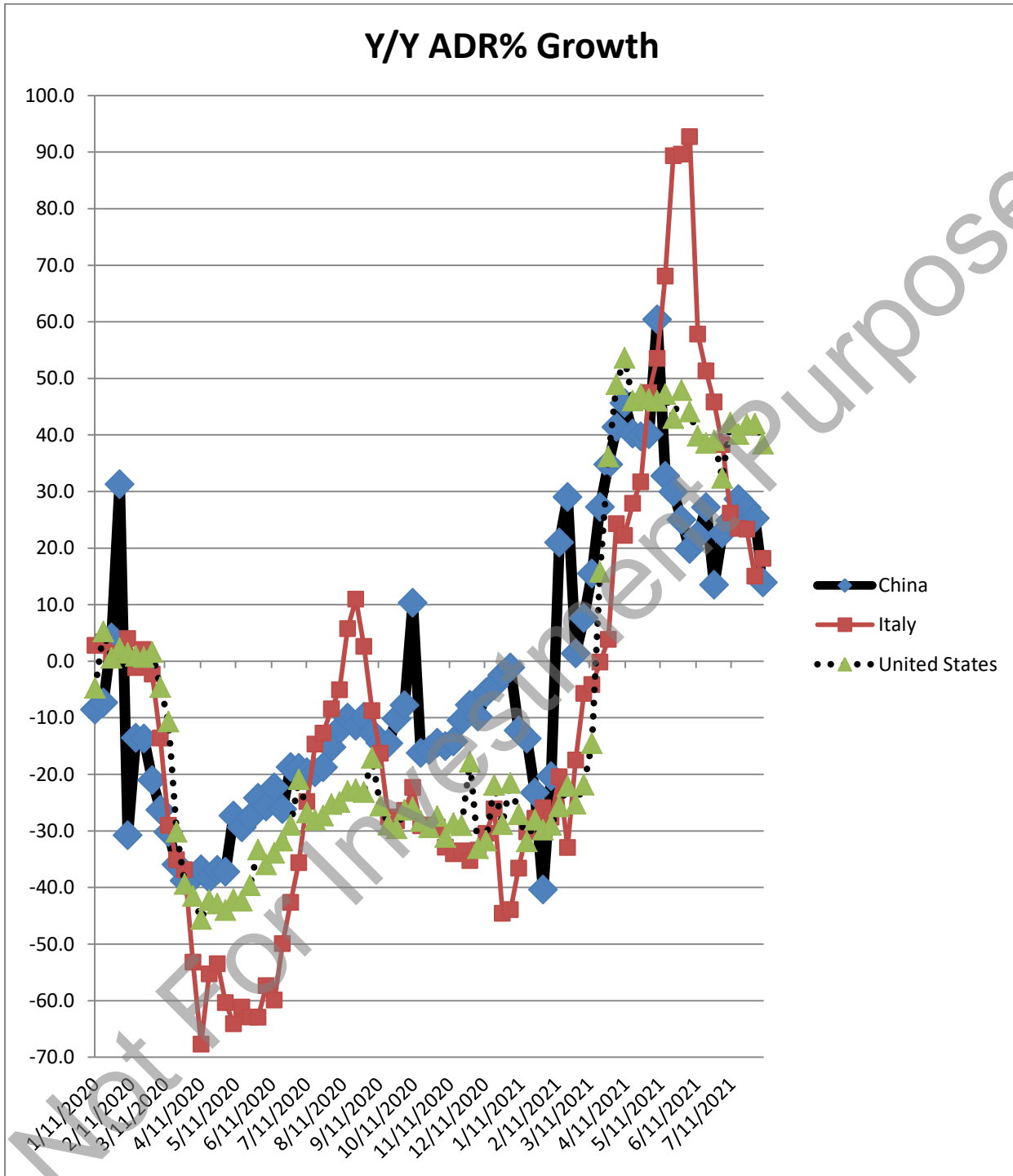
Source: STR, Truist Securities research

Exhibit 4: Absolute Occupancy for China, Italy, US



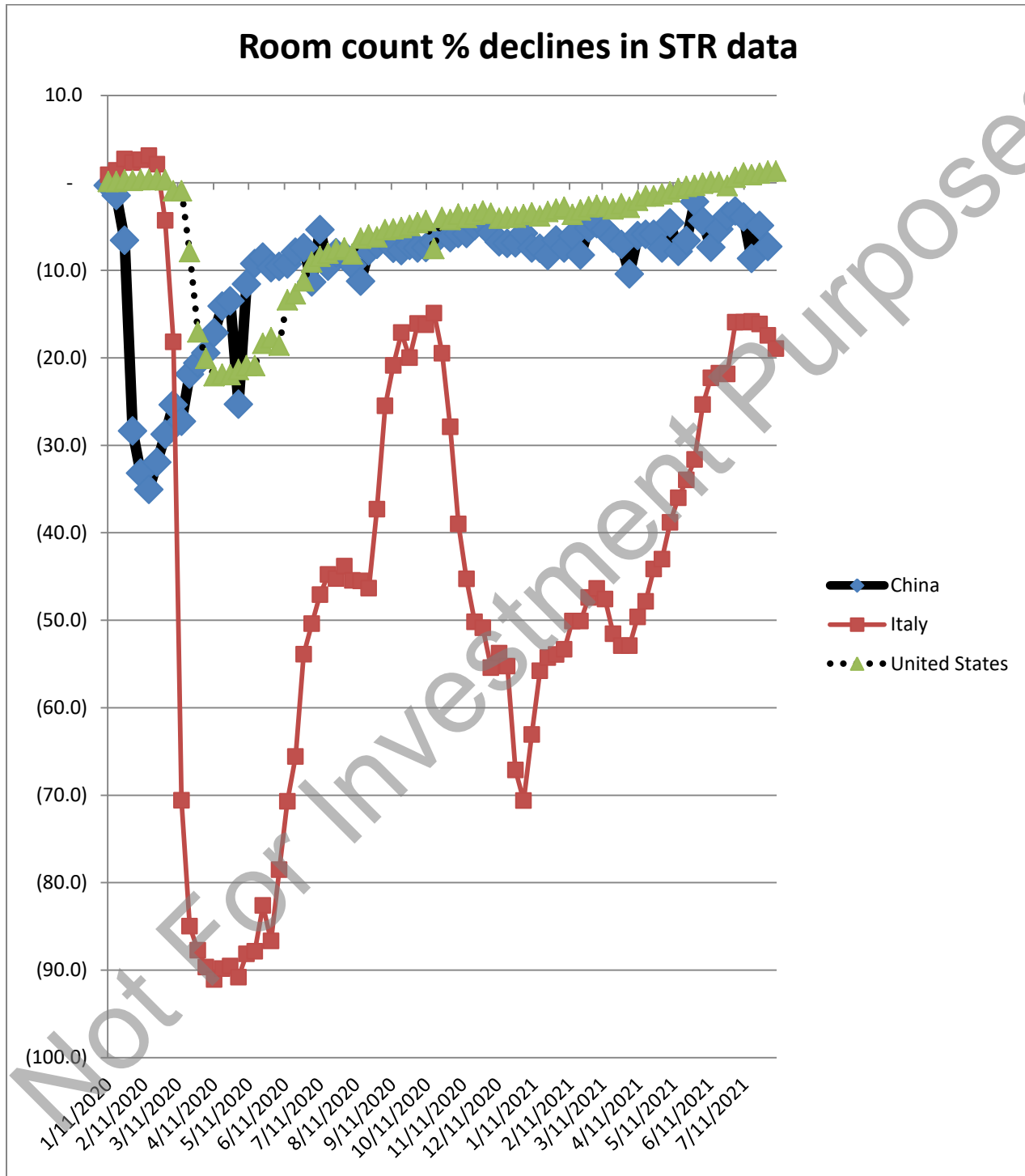
Source: STR, Truist Securities research

Exhibit 5: ADR for China, Italy, US



Source: STR, Truist Securities research

Exhibit 6: Room count in survey for China, Italy, US



Source: STR, Truist Securities research

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