



China & Italy Hotels: RevPAR down 49% & 95% y/y for week ending 5/30/20

China's 2nd derivative improvement encouraging, not the case yet for Italy.

What's Incremental To Our View

Quick take: Per STR for the week ending May 30th, China hotel RevPAR in local currency was -49% y/y, a 600bps. improvement over the prior week's results. On the other hand Italy was down 95% y/y, which is a level essentially unchanged over the past three months. These compare to the US for the same week down 62% y/y. 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.

From observations of what is happening with RevPAR and re-openings in China, we continue believe it will be a slower and longer recovery in the US, especially for business and group centric hotels, than what the more optimistic/bullish management teams and investors expect. We note that China is approx. 2 months ahead of the US from when RevPAR first fell off a cliff and RevPAR is still tracking down 49% y/y.

- **We look closely at how hotels in China are faring as we believe it not unreasonable to think that a similar pattern to what is happening in China is a preview of what might happen in the US, though exact recovery timing and trajectories in the US are still big unknowns.** China implemented far more stringent social distancing requirements than the US, and while we do not claim to be medical professionals, it may take longer (how much longer is a question no one can answer with certainty at this time) to begin to see a clear second-derivative turn in US hotel bookings, reopenings, and RevPAR, like we have seen in China.
- **China results last week may have benefited from the National People's Congress which occurred from May 22-28.**

About our data set:

- **China:** Currently 802k hotel rooms reporting data in the survey, or 29.0% 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. **802k rooms is a sequential deceleration from the prior week where 813k 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

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What's Inside

China and Italy data and analysis as of week ending 5/30/20

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 11k 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 21.6% of the total number of hotel rooms in Italy. **11k rooms is down from the prior week where 14k rooms were reporting data.**

RevPAR detail for week ending May 30th vs. trailing 28 days:

China (local currency):

- RevPAR was -48.8% y/y for the week ending May 30th, **an improvement** from the -56.2% for the trailing 28 days.
- ADR was -24.2% y/y for the week ending May 30th, **an improvement** from the -27.1% for the trailing 28 days.
- Occupancy was -32.4% y/y for the week ending May 30th, **an improvement** vs. -40.0% for the trailing 28 days.

Italy (local currency):

- RevPAR was -94.5% y/y for the week ending May 30th, **essentially unchanged** from -94.6% for the trailing 28 days.
- ADR was -63.0% y/y for the week ending May 30th, **a deceleration** vs. -61.3% for the trailing 28 days.
- Occupancy was -85.2% y/y for the week ending May 30th, **a small improvement** vs. -86.1% for the trailing 28 days.

Additional thoughts and observations:

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

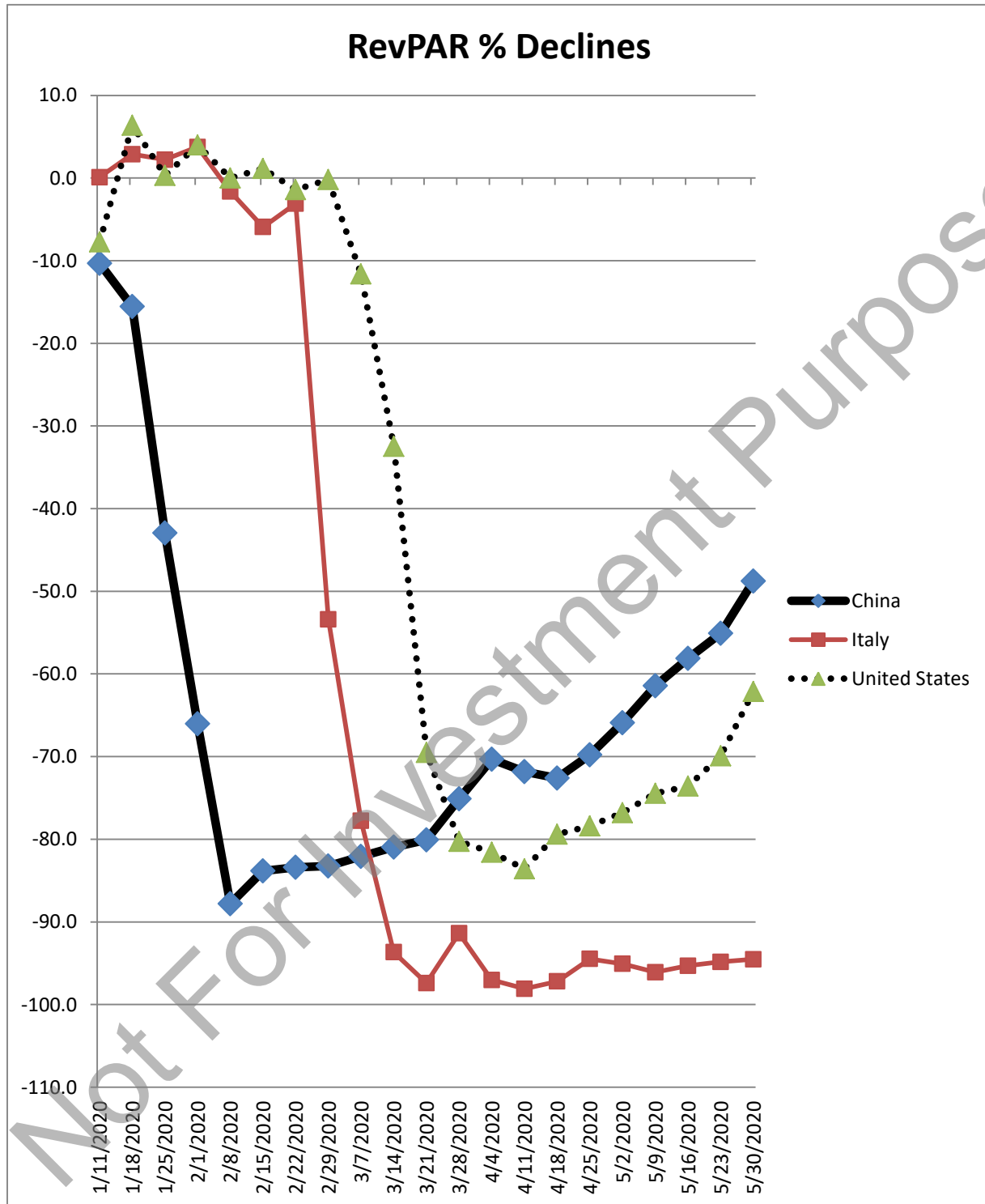
- **China: Absolute occupancy in China was 45.7%.** Absolute occupancy levels for hotels **that were still open** in China bottomed out at approx. 10% the week of February 8th. This was approx. 21 days after occupancy first started to see rapid deceleration in China, approx. 10 weeks ahead of when this happened in the US. By comparison, occupancy was 67.6% during the comparable week last year.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending May 30th was 11.7%.** So far it has been approx. 14 weeks after occupancy first started to see rapid deceleration in Italy. By comparison, occupancy was 79.5% during the comparable week last year.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending May 30th was 36.5%.** So far it has been approx. 12 weeks after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, occupancy was 64.4% 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 set; ergo this is our best approximation of hotel closures.

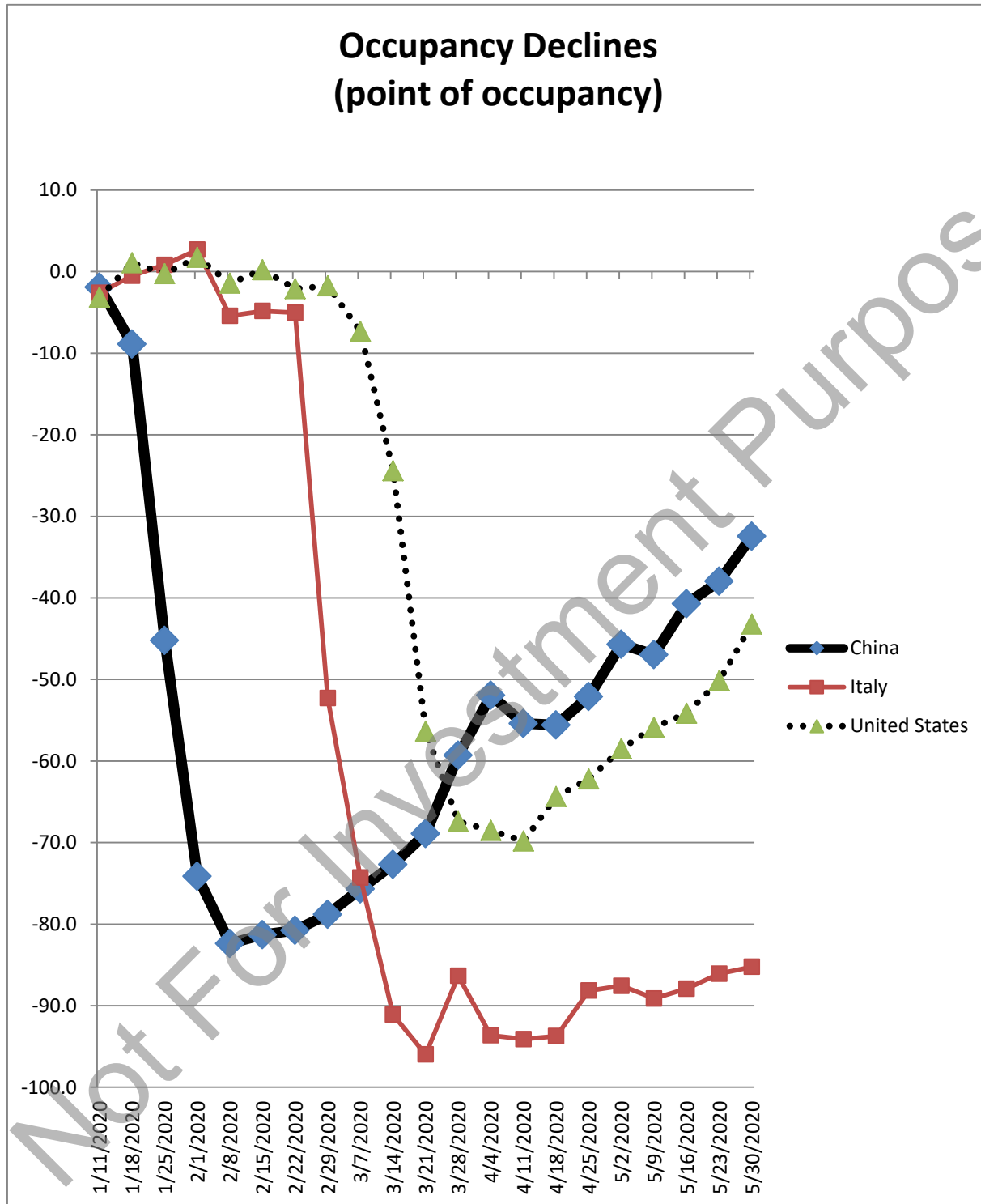
- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February from early January's levels. Today, room count is down approx. 10%.
- **Italy:** Based on the STR sample as of May 30th, room count declines are running at down 87% from early January levels.
- **US:** Based on the STR sample as of May 30th, room count declines are running at down 17% from early January levels.

Exhibit 1: RevPAR for China, Italy, US

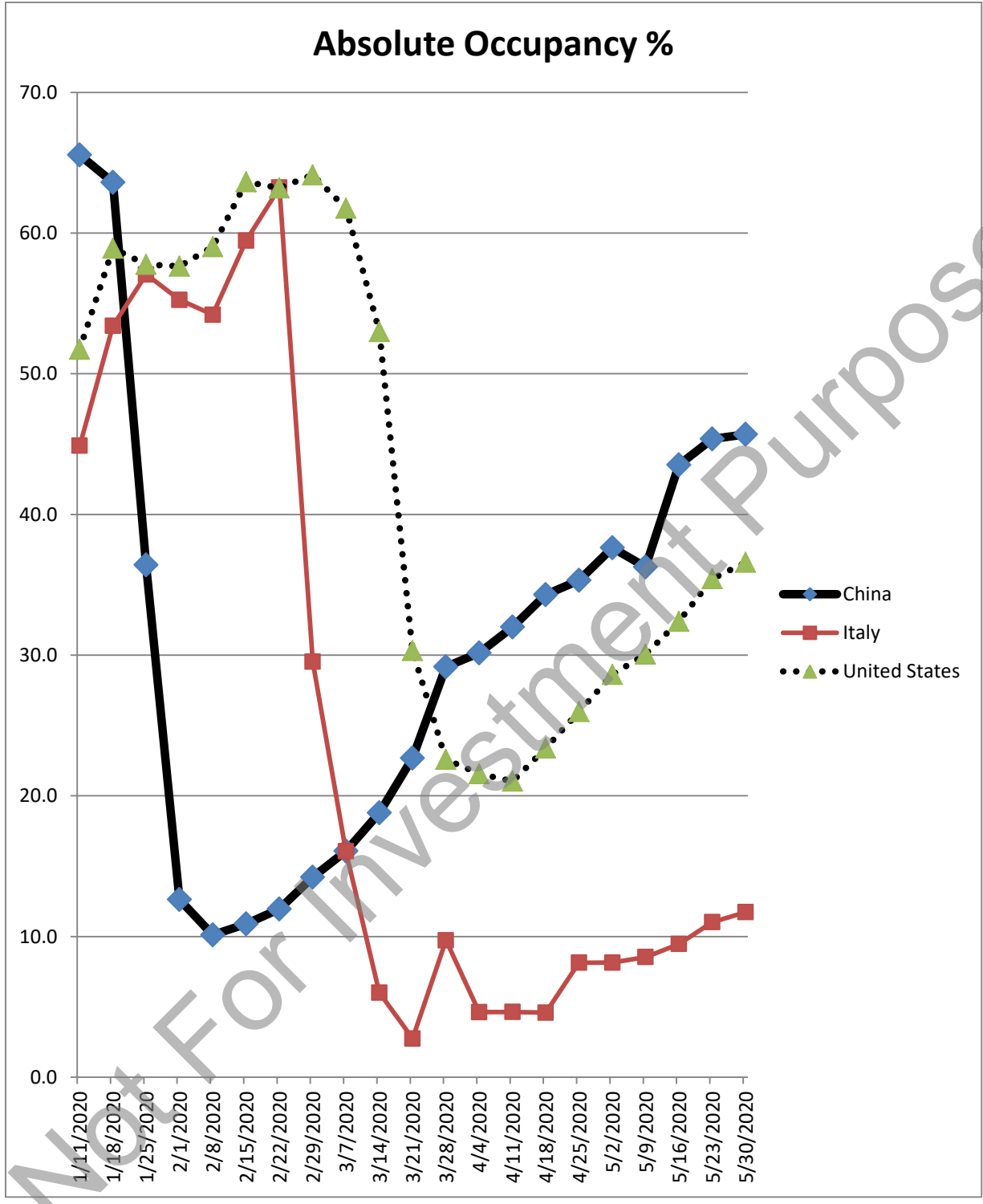


Source: STR, STRH research

Exhibit 2: Occupancy for China, Italy, US

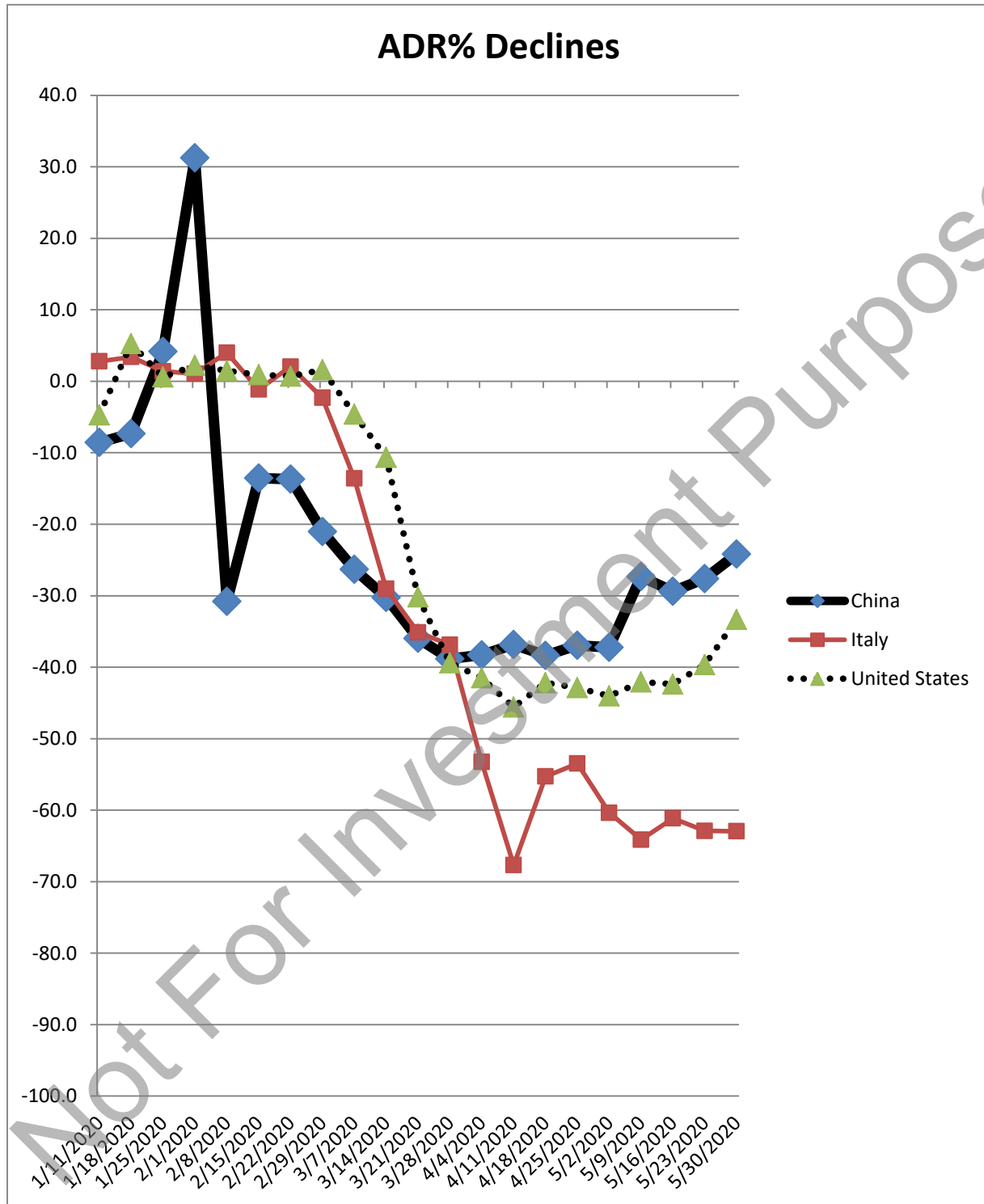


Source: STR, STRH research



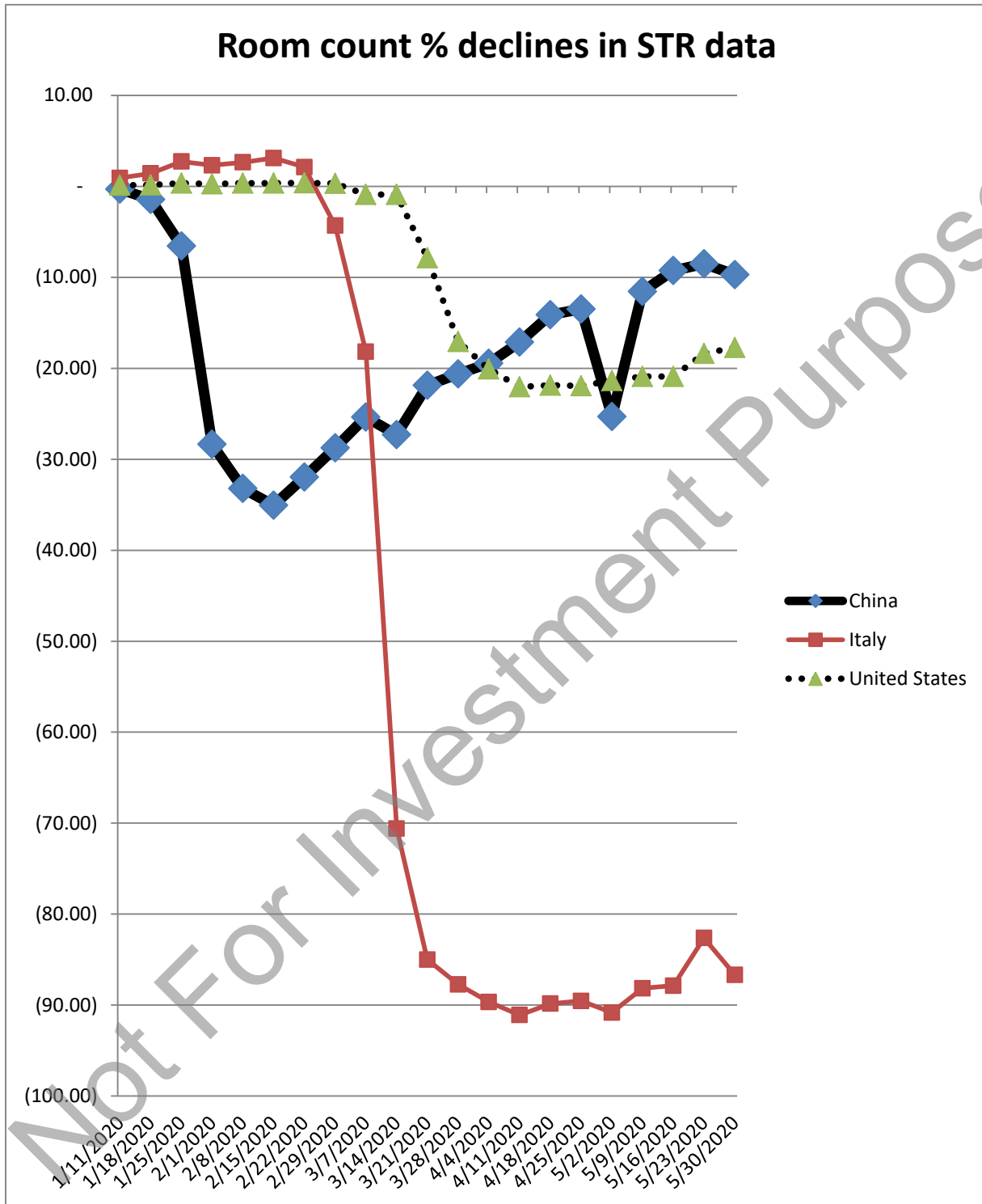
Source: STR, STRH research

Exhibit 3: ADR for China, Italy, US



Source: STR, STRH research

Exhibit 4: Room count in survey for China, Italy, US



Source: STR, STRH research

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