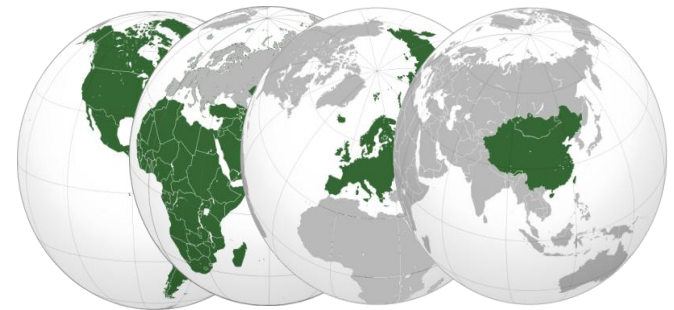


GSU Economic Forecasting Conference

August 22, 2012



Introduction



Bob Gunkel

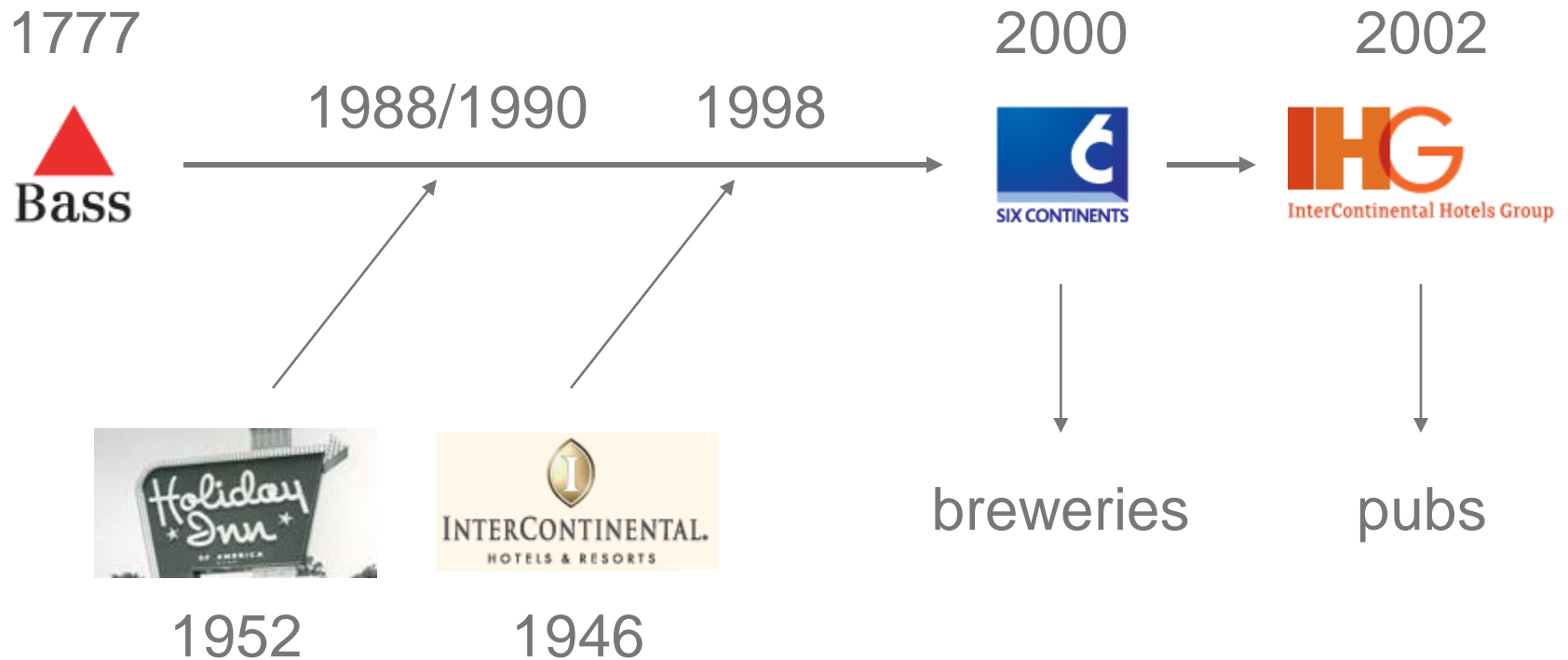
Senior Vice President and Chief Financial Officer, Americas

- BS in accounting from the University of Virginia
- Investment banking in New York
- MBA in finance from the Wharton School of Business
- Investment analysis at Marriott
- Leads the Americas finance organization and is responsible for the management of financial operations for all properties in North and South America
- Over 20 years experience in the hospitality industry

Agenda

1. Introduction to IHG
2. Why lodging is important to the U.S. economy and where we are in the business cycle
3. The Southeast and Atlanta's part in the lodging industry
4. Forecasts for the future



Brief History of IHG



IHG's Brand Portfolio

- Diversified portfolio with concentration in mainstream brands

Luxury	
Upscale	 
Midscale	 
Economy	

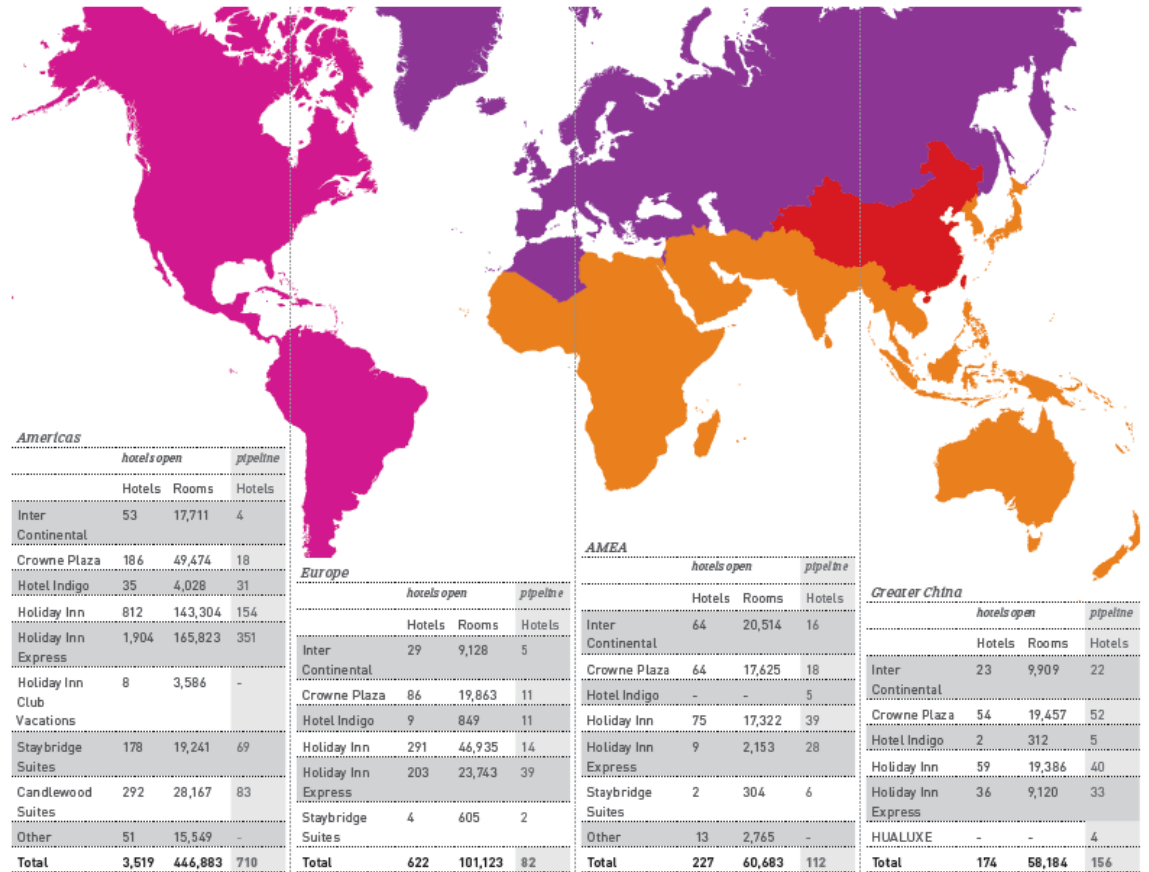
Extended Stay Upper	
Extended Stay Lower	

New Brands

	
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IHG's Footprint

- IHG has more guest rooms than any other hotel company in the world, with more than **650,000** rooms in over **4,400** hotels in **100** countries.
- Guests make over **130** million stays in IHG hotels every year across the company's seven hotel brands.
- IHG has a dominant position in the midscale segment, with **27.7%** of all hotels in that segment carrying a Holiday Inn or Holiday Inn Express flag.
- IHG's largest presence is in the United States, where it employs **89,500** people directly, and another **47,000** through the supplier impact of IHG operations.

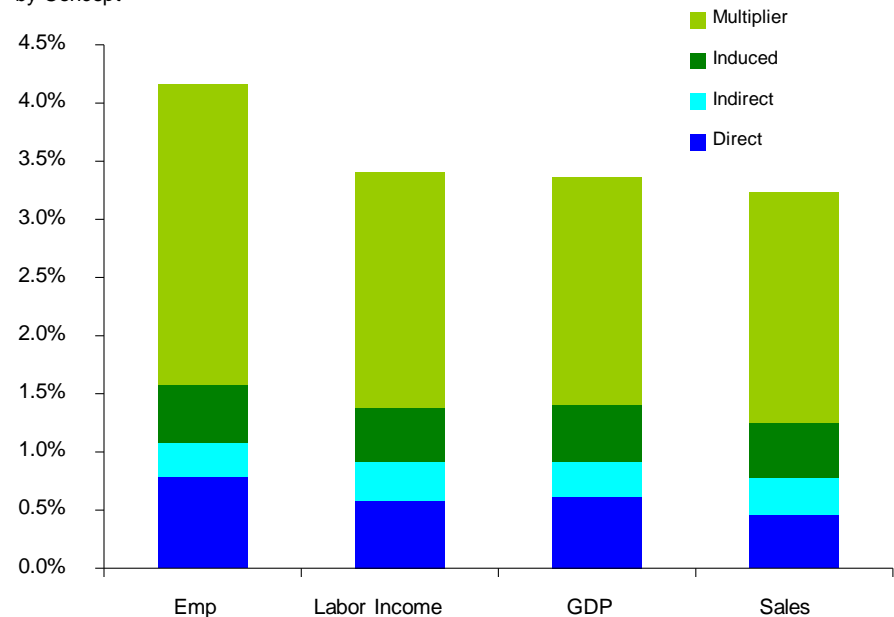


Why is the lodging industry important to the overall U.S. economy?

- Hotels and their guests supported **4.2%** of all US employment in 2009. The hotel industry is labor intensive, represented by the greater contribution to overall US employment than GDP.
- Hotel-related sales contributed **3.4%** to US GDP.
- IHG's impact includes direct sales of **\$8.4 billion**, with guests spending **\$35.6 billion** outside of the hotels.
- For every dollar spent on an IHG hotel facility, another **\$5.92** gets spent in the US economy.

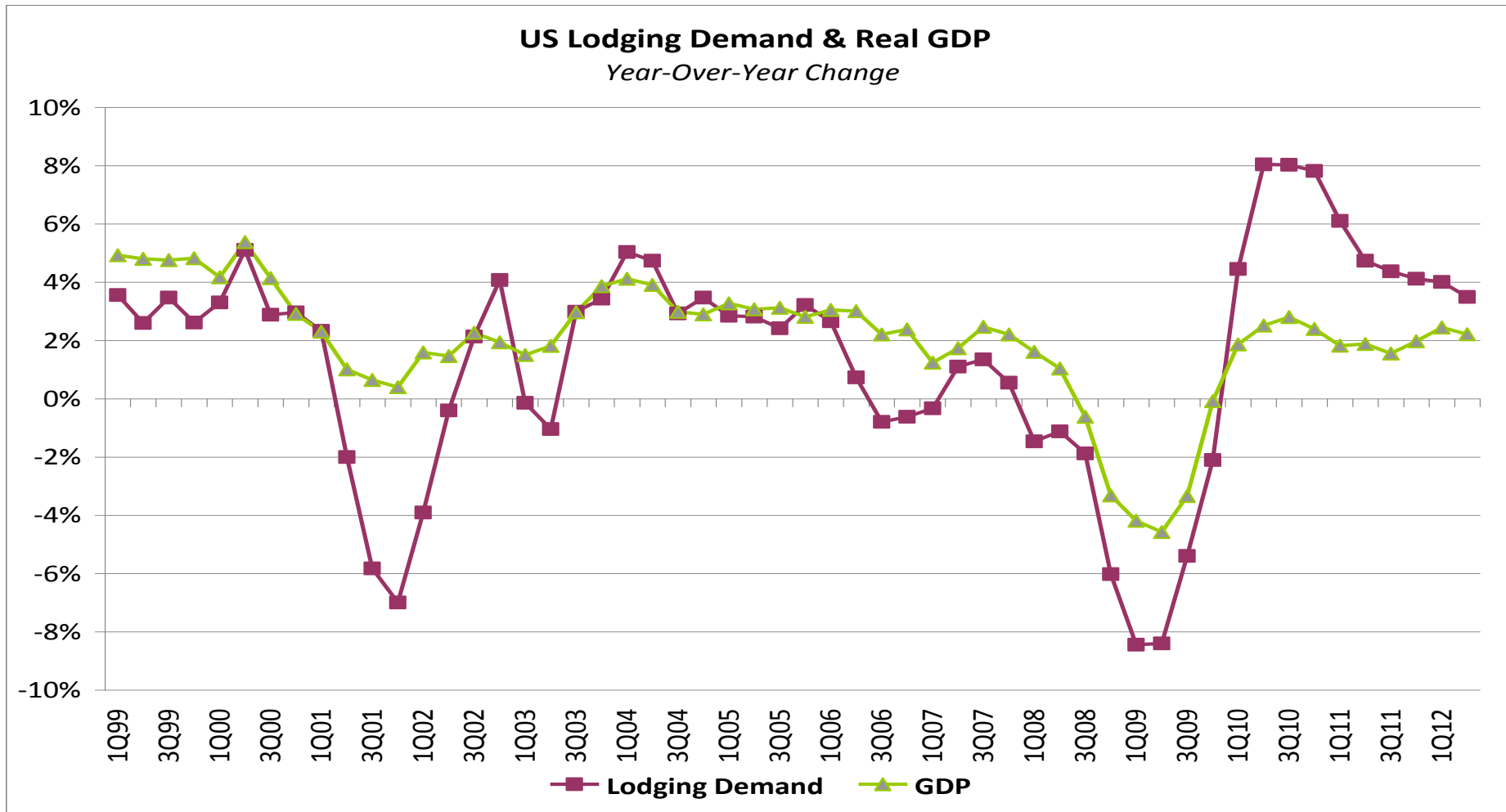
US Hotel Industry Economic Impacts

by Concept



Source : Tourism Economics

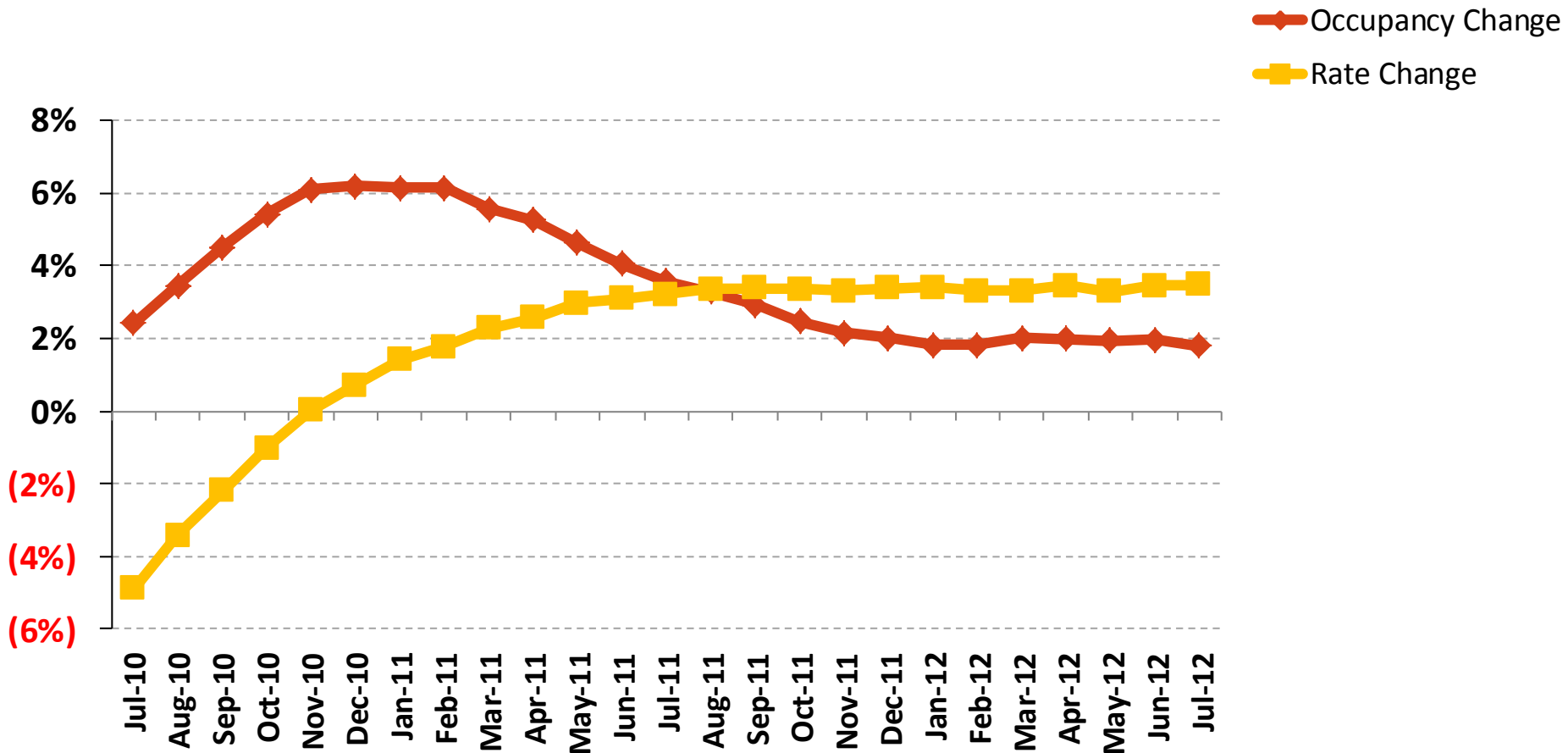
The lodging industry tends to track Real GDP closely, with larger peaks and valleys.



Occupancy gains have softened and ADR growth is increasing.

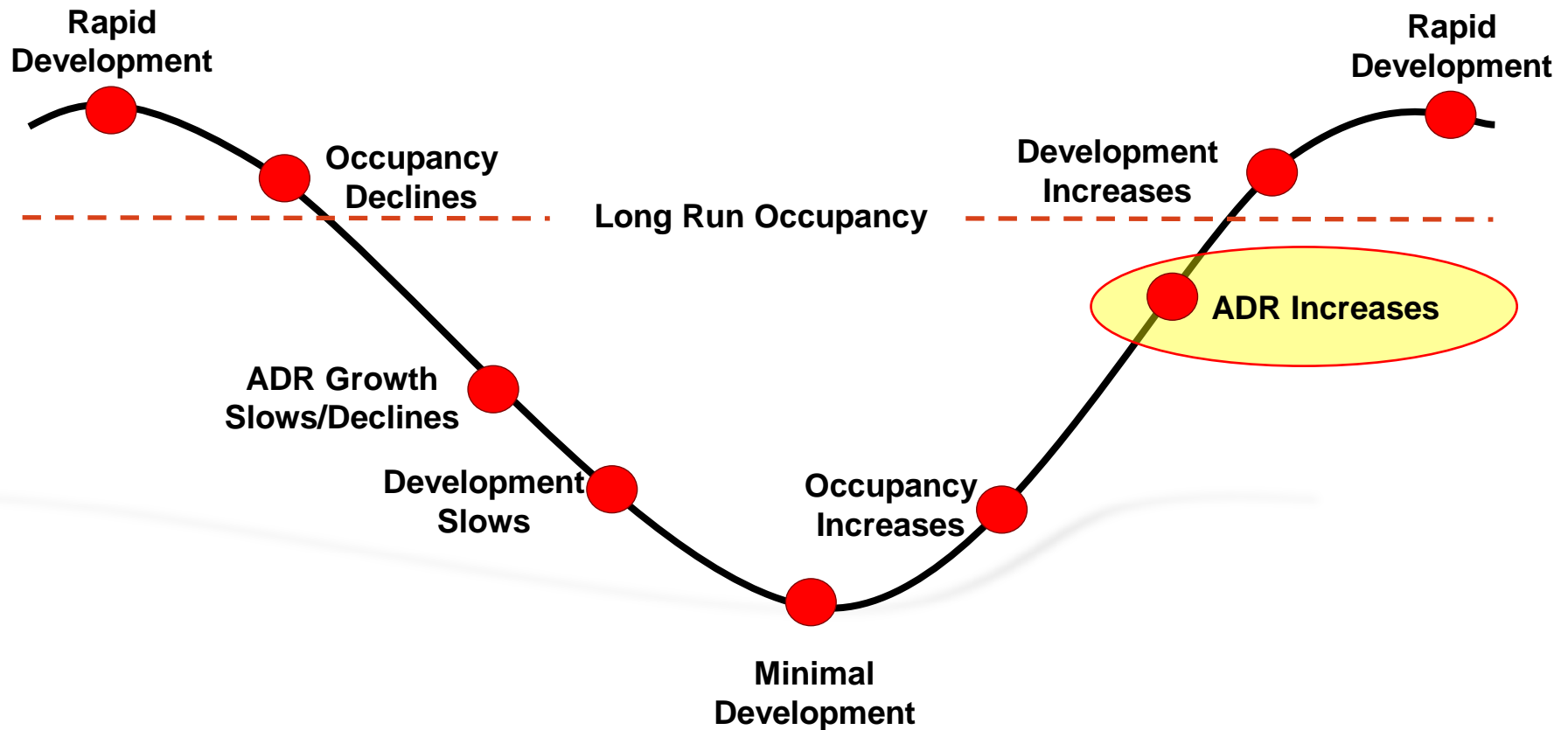
Global Industry Occupancy and Rate Change

12-Month Moving Average—Year-Over-Year Change



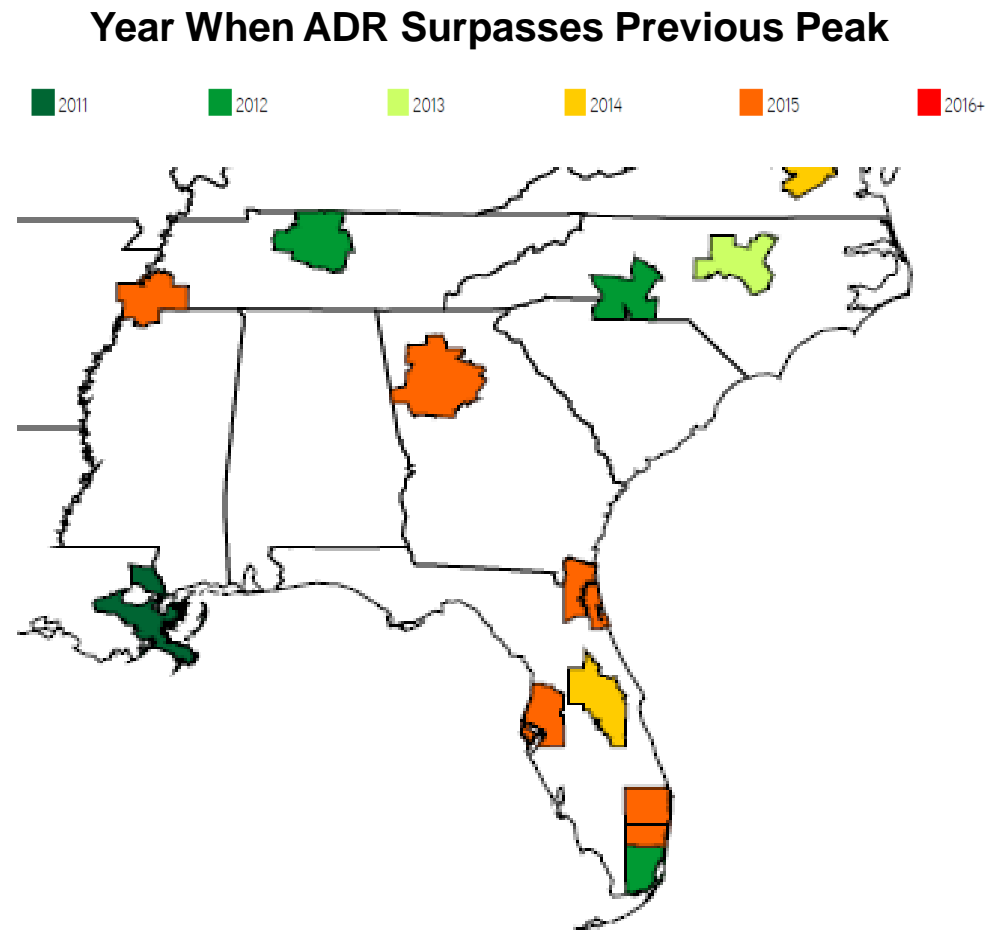
Where (in the business cycle) is the lodging industry?

The industry is seeing average daily rate (ADR) increases, but at a slower rate than in previous recoveries.



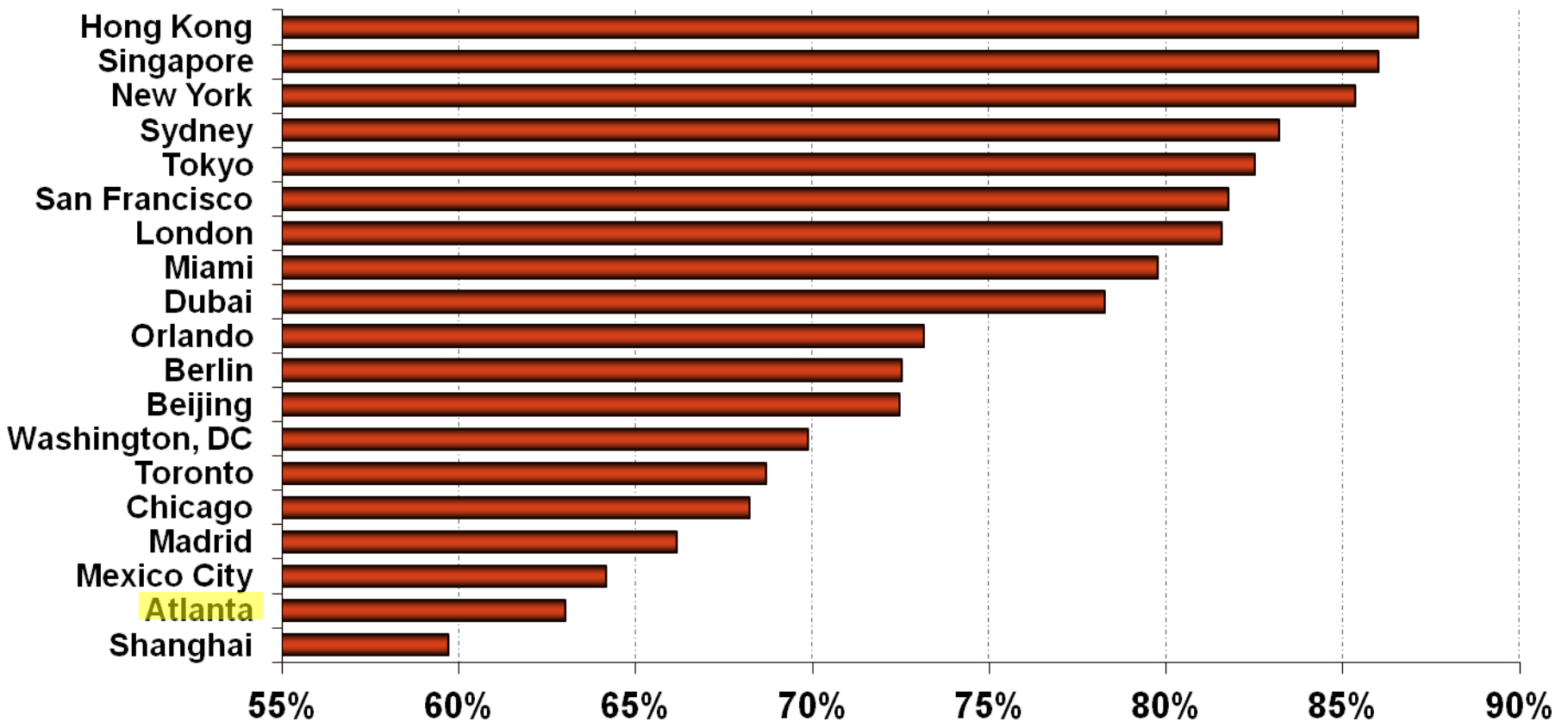
In the Southeast, ADR growth is forecasted to return to its historical peak more slowly than any U.S. region.

- In the **top 50** U.S. markets, **10** are forecasted to not reach their historical ADR peak until at least 2015.
- **6** of those **10** are located in the Southeast: Memphis, Atlanta, Jacksonville, Tampa, West Palm Beach, and Fort Lauderdale.
- New Orleans, Nashville, Charlotte, and Miami are the healthiest markets in the Southeast.



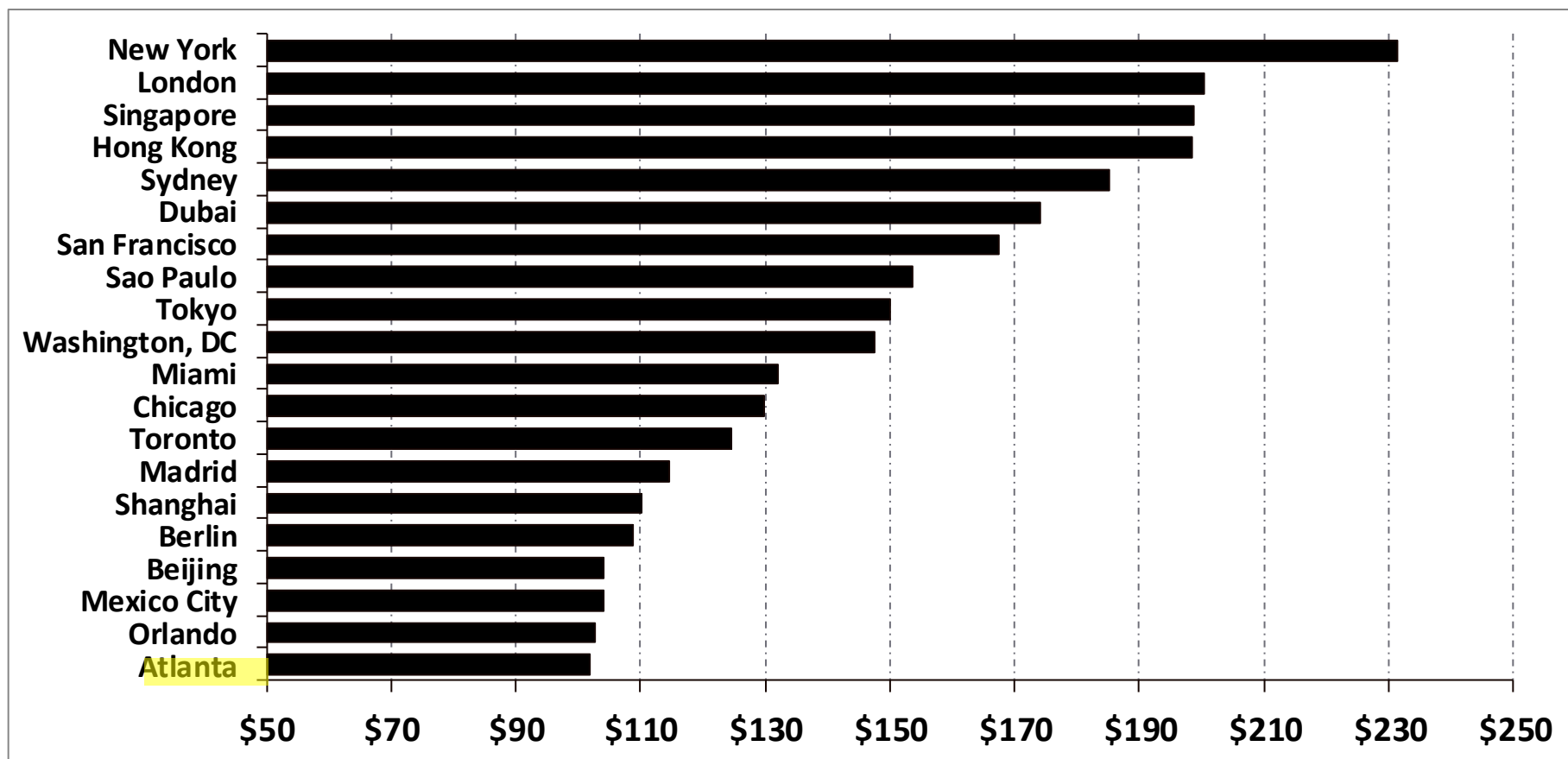
Atlanta remains near the bottom of the list of global cities in occupancy due to high supply.

Industry Occupancy By Key Cities—Upper Upscale, Upscale & Upper Midscale
12-Months Ending June 2012



Robust supply has also left Atlanta at the low end of global cities for ADR.

Industry Average Rate By Key Cities—Upper Upscale, Upscale & Upper Midscale
12-Months Ending June 2012



Specifically in the luxury market in Atlanta, new hotels have helped stall growth in that segment.

Loews Atlanta Hotel
(April 1st, 2010)



The St. Regis Atlanta
(April 11th, 2009)



Mandarin Oriental, Atlanta
(May 1st, 2008)

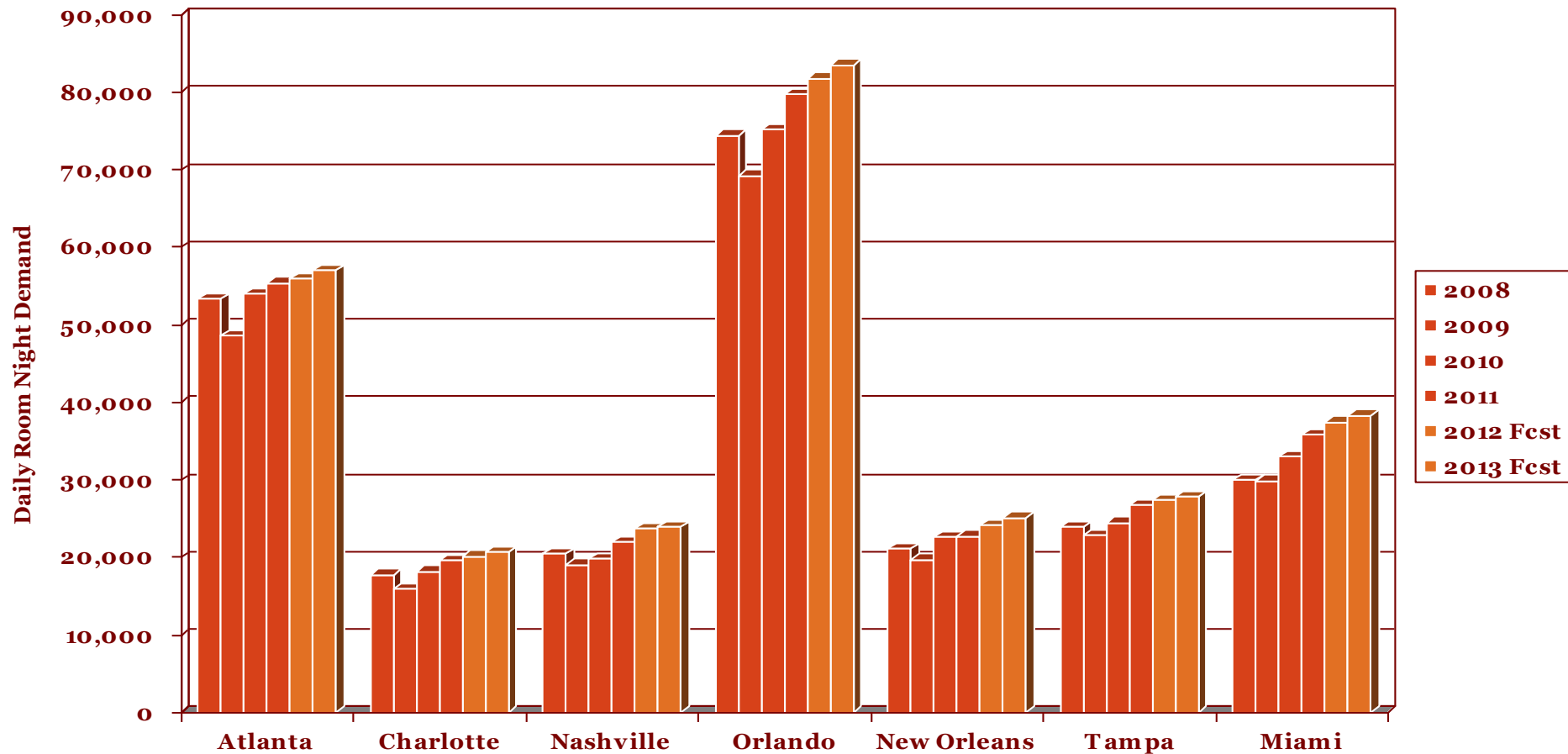


Why is much of the Southeast over-supplied (relative to other regions)?

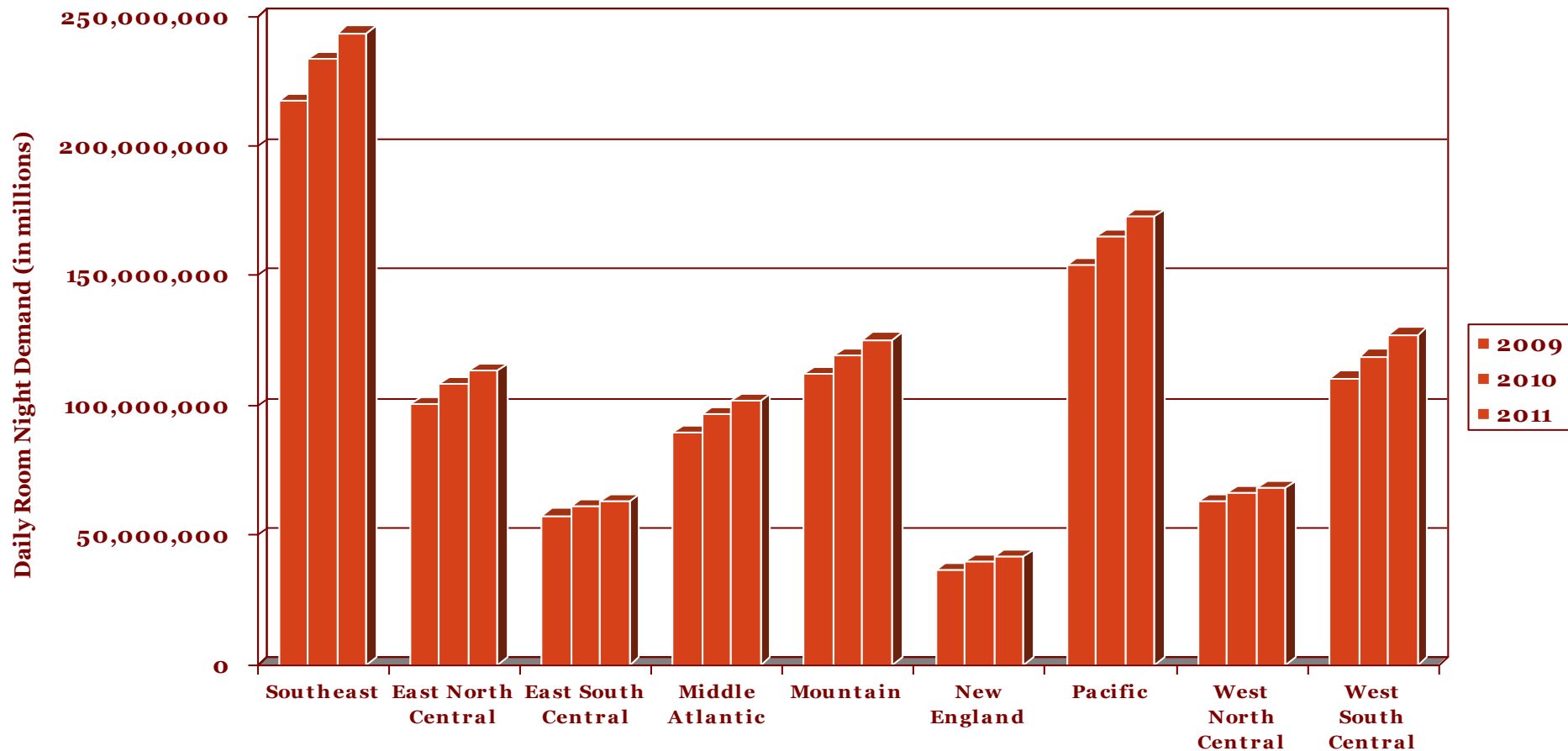
- Pro-growth mindset
- Land availability/few “natural” barriers to entry
- Favorable zoning and entitlement process
- Good weather (longer construction “season”)
- Good airports including worldwide hub in Atlanta (new international terminal)
- All the major brands want and need to be here



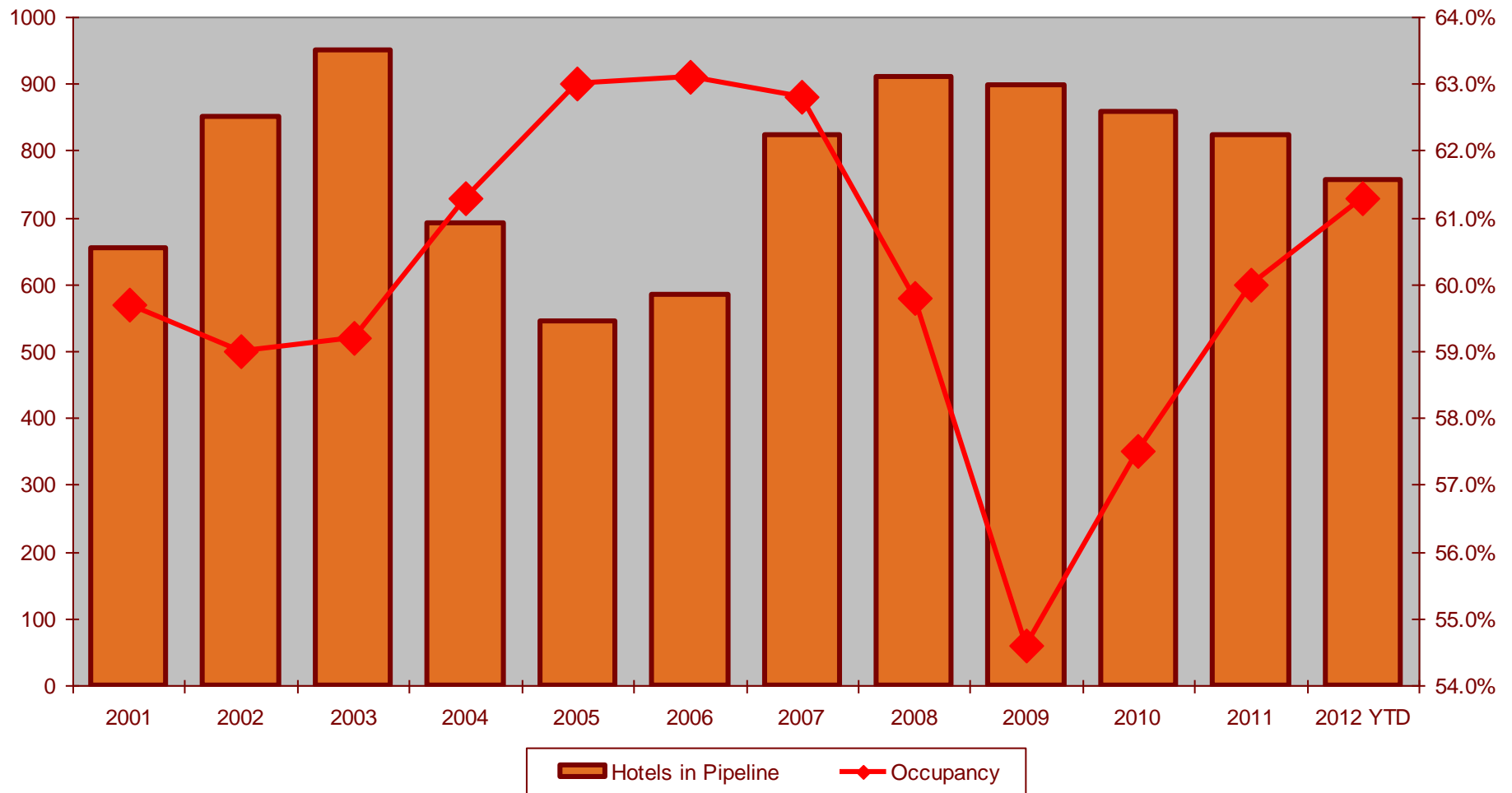
Demand in the Southeast and Atlanta is still strong. 55,386 room nights were consumed daily in Atlanta in 2011.



The Southeast has by far the most demand for room nights in the lodging industry.



Industry occupancy versus construction pipeline



Lenders tend to dislike the hotel industry

**Labor-Intensive
Industry
(Unions, Health
Care, etc.)**

**Rising Taxes
(Property,
Unemployment,
Corporate, etc.)**

One-Night Lease

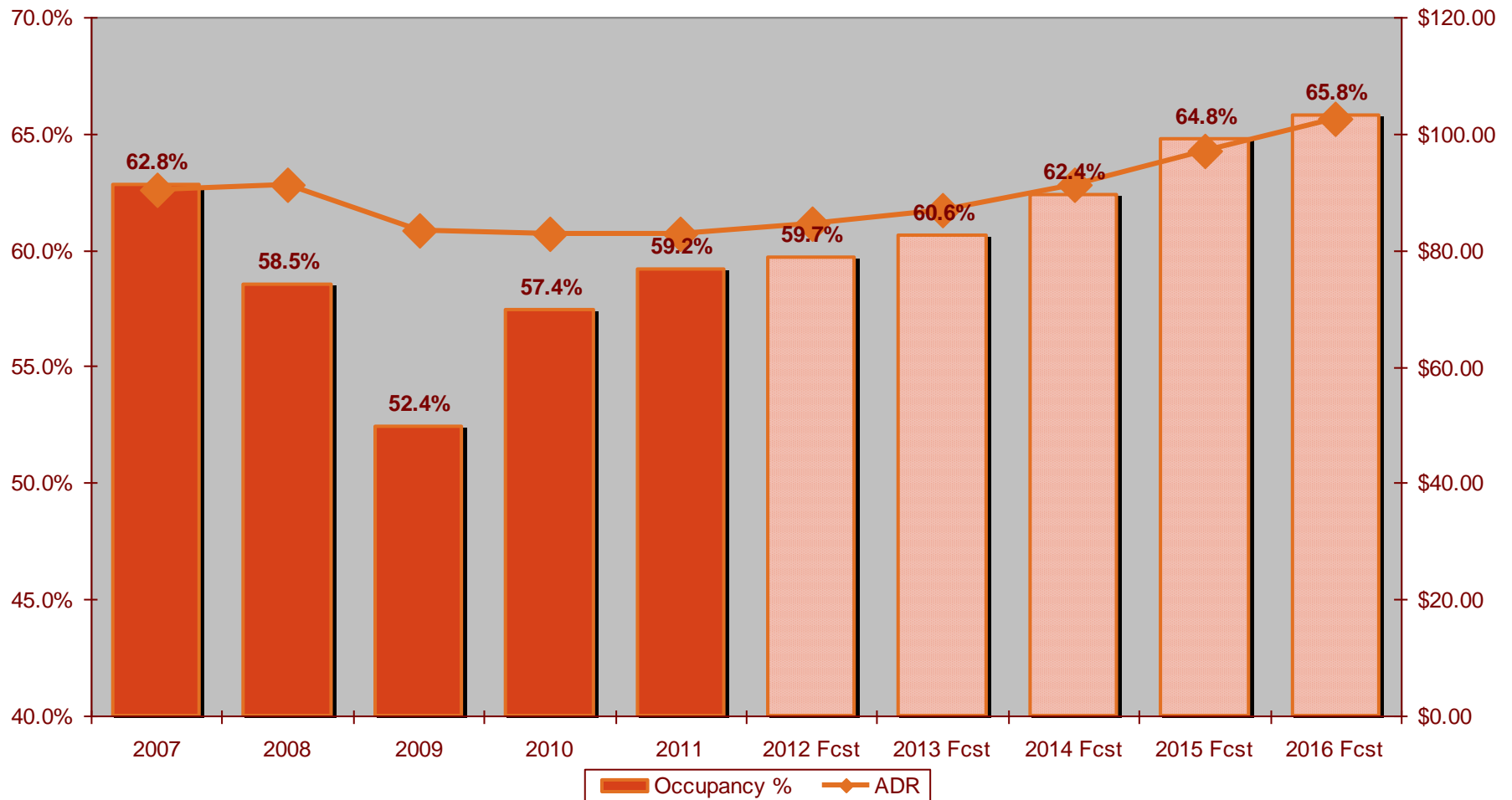
**Internet
Competition
from Online
Travel Agents
(Qpaque)**

**Government
Rhetoric/GSA
Reductions in Per
Diems**

**Economic
“Shocks”
(Oil Spills,
Terrorism, etc.)**



Atlanta occupancy and average daily rate history and forecast



Summary

- Lodging is a significant contributor to the U.S. economy (that cannot be off-shored or outsourced).
- The lodging industry has rebounded well since 2008.
- Atlanta is a vibrant market, but is perpetually over-supplied with available rooms.
- Slower construction growth should begin to address over-supply over the coming years.
- Very little new supply due to lender apprehension.
- Room demand forecasts for Atlanta and the Southeast are robust.

Questions