GSU Economic Forecasting Conference
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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
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

1777

1952

1946

1988/1990

1998

2000

2002

breweries

pubs
IHG’s Brand Portfolio

- Diversified portfolio with concentration in mainstream brands

<table>
<thead>
<tr>
<th>Tier</th>
<th>Brands</th>
<th>Extended Stay Upper</th>
<th>Extended Stay Lower</th>
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<tbody>
<tr>
<td>Luxury</td>
<td>InterContinental</td>
<td>Staybridge Suits</td>
<td></td>
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<tr>
<td>Upscale</td>
<td>Crowne Plaza, Hotel Indigo</td>
<td></td>
<td>Candlewood Suites</td>
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<tr>
<td>Midscale</td>
<td>Holiday Inn, Holiday Inn Express</td>
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<tr>
<td>Economy</td>
<td>Economical</td>
<td>X</td>
<td>New Brands</td>
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New Brands:
- HUALUXE
- EVEN HOTELS
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.

Oxford Economics, Smith Travel Research, IHG PS&P
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.

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**US Hotel Industry Economic Impacts**

*Source: Tourism Economics*
The lodging industry tends to track Real GDP closely, with larger peaks and valleys.

Oxford Economics, Smith Travel Research, IHG PS&P
Occupancy gains have softened and ADR growth is increasing.

Global Industry Occupancy and Rate Change
12-Month Moving Average—Year-Over-Year Change

Smith Travel Research; STR Global
July 2012 Estimated
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*

- Hong Kong
- Singapore
- New York
- Sydney
- Tokyo
- San Francisco
- London
- Miami
- Dubai
- Orlando
- Berlin
- Beijing
- Washington, DC
- Toronto
- Chicago
- Madrid
- Mexico City
- Atlanta
- Shanghai

Smith Travel Research; STR Global
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

New York
London
Singapore
Hong Kong
Sydney
Dubai
San Francisco
Sao Paulo
Tokyo
Washington, DC
Miami
Chicago
Toronto
Madrid
Shanghai
Berlin
Beijing
Mexico City
Orlando
Atlanta

$50 $70 $90 $110 $130 $150 $170 $190 $210 $230 $250

Smith Travel Research; STR Global
Specifically in the luxury market in Atlanta, new hotels have helped stall growth in that segment.

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

Smith Travel Research; STR Global, PwC
Lenders tend to dislike the hotel industry

- Labor-Intensive Industry (Unions, Health Care, etc.)
- Economic "Shocks" (Oil Spills, Terrorism, etc.)
- Rising Taxes (Property, Unemployment, Corporate, etc.)
- One-Night Lease
- Internet Competition from Online Travel Agents (Opaque)
- Government Rhetoric/GSA Reductions in Per Diems
Atlanta occupancy and average daily rate history and forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupancy %</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>62.8%</td>
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<tr>
<td>2008</td>
<td>58.5%</td>
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<tr>
<td>2009</td>
<td>52.4%</td>
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<tr>
<td>2010</td>
<td>57.4%</td>
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<tr>
<td>2011</td>
<td>59.2%</td>
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<tr>
<td>2012 Fcst</td>
<td>59.7%</td>
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<tr>
<td>2013 Fcst</td>
<td>60.6%</td>
</tr>
<tr>
<td>2014 Fcst</td>
<td>62.4%</td>
</tr>
<tr>
<td>2015 Fcst</td>
<td>64.8%</td>
</tr>
<tr>
<td>2016 Fcst</td>
<td>65.8%</td>
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PKF Hospitality Research, LLC
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