Industry overview

Despite a more challenging global economic backdrop, leading to RevPAR growth moderating, increasing room supply illustrates the positive fundamentals for the industry overall, such as increasing disposable incomes and growing appetite for branded hotels.

The $535 billion hotel industry remains fragmented, with 54% of rooms affiliated with a global or regional chain. Competition among branded players continues to increase as companies seek growth through acquisitions, organic expansion and diversification in their offer.

Evolving consumer expectations in areas such as sustainability, luxury and technology continue to influence how the industry operates, whilst increasing digital commerce has led to a broader competitive landscape involving online travel intermediaries, serviced apartments and peer-to-peer home rental companies.

2019 Industry performance

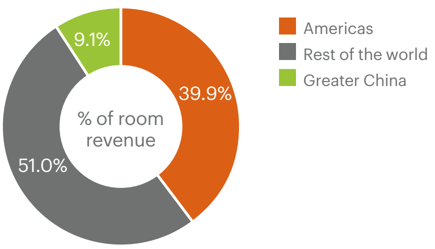
In terms of key performance metrics, room supply reflects how attractive the hotel industry is as an investment from an owner's perspective. RevPAR is an important indicator of the value guests ascribe to a given hotel, brand or market, and grows when guests stay more often or pay higher rates.

2019 saw the industry delivering its 10th year of consecutive RevPAR growth at +1% globally, slower than previous years due in part to lower growth in the global economy. In a slower RevPAR environment, rooms supply growth becomes an important driver of value creation for hotel groups. In 2019, global rooms supply grew by +2%, driven by attractive owner returns across a number of segments.

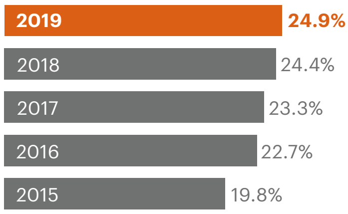
The hotel industry is cyclical; long-term fluctuations in RevPAR tend to reflect the interplay between industry demand, supply and the macroeconomic environment. At a local level, political, economic and factors such as terrorism, oil market conditions and hurricanes can impact demand and supply in the short term.

Overview of global hotel industry

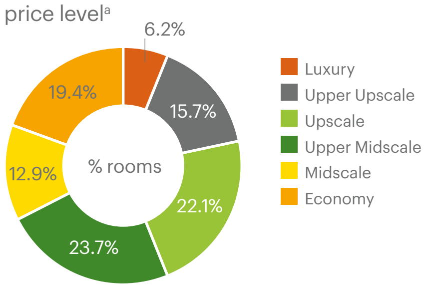
Geography
The US is the largest hotel market, whilst Greater China continues to grow[a]



Branded hotels
The top five[c] hotel groups have increased their market share by 5 percentage points[a]



Segment
The hotel industry can be categorised by price level[a]



Hotel industry growth drivers: 10-year annual growth rate

Global GDP

+3.1% CAGR[b]

Indicator of economic growth – hotel performance correlates with GDP

Global household disposable income

+3.0% CAGR[b]

Growing consumer spending and leisure travel, supported by cheaper air travel

Global corporate profits

+6.1% CAGR[b]

Good indicator of business travel – continues to grow

Global hotel industry performance

Global Industry RevPAR ($)[a]
RevPAR growth suggests solid lodging demand

Global rooms supply (m rooms)[a]
Supply growth reflects the attractiveness of the hotel industry

Please see pages 10 to 13 for information on IHG's business model.

Hotel business models

There are two principal business models used by branded hotel groups:

- Fee-based, asset-light model
  - Franchised: owned and operated by parties distinct from the brand, who pay fees to the hotel company for the use of their brand.
  - Managed: operated by a party distinct from the hotel owner. The hotel owner pays management fees and, if the hotel uses a third-party brand name, fees to that third-party also.
- Owner-operated, asset-heavy model
  - Owned: operated and branded by the owner who bears the costs but benefits from all the income.
  - Leased: similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner.

Asset-heavy business models allow tighter control over hotel operations, whilst asset-light models enable faster growth with lower capital investment.

[a] Source: STR, Inc

[b] Source: Oxford Economics

[c] IHG, Marriott International, Inc., Hilton Worldwide Holdings Inc., Wyndam Hotels & Resorts Inc., Accor S.A.