

## Industry overview

# A strong and resilient sector full of opportunity

We operate in an industry with high growth potential, underpinned by strong long-term fundamentals.

The global hotel industry strengthened to record RevPAR levels in 2024 as stable employment markets, resilient consumer spending and robust levels of business activity created supportive conditions for growth.

The \$730 billion hotel industry has compelling structural growth drivers, underpinned by factors including the inherent needs and desires to travel for business and leisure purposes, and an expanding middle class in emerging markets with increasing disposable incomes. Spend on travel continues to be an area of resilient discretionary spending by consumers, while demand for business travel remains robust. Easing inflationary pressures and the turn in the interest rate cycle over the last 12 months has supported stable employment markets and robust levels of business activity and economic growth. Whilst in some countries geopolitical risk and economic outlook present challenges and uncertainties, overall conditions for the global industry remain supportive for continued growth.

In what is a relatively fragmented sector, with 57% of rooms affiliated with a global or regional chain, competitor pressures in the branded space remain intense as all major players pursue growth strategies through a combination of organic growth, partnership arrangements and acquisitions.

Branded hotel penetration has steadily increased as a long-term trend, with this expected to continue to grow as consumers look to trusted brands to meet their evolving expectations, particularly when it comes to state-of-the-art technology and the skills, scale and resources required to provide enjoyable, effective and sustainable stays. Hotels affiliated with a major global brand and enterprise system also tend to generate higher owner returns.

While there have been short-term challenges impacting the completion and opening of new-build hotels, primarily driven by the cost and availability of financing, there remains a long-term need for new hotel supply to satisfy the demand drivers previously mentioned. Global hotel room net new supply increased at a CAGR of 2.3% over the 10 years from 2014 to 2024, with industry forecasts showing a similar rate in the years beyond.

Cost remains a significant barrier to building a scale position in the global hotel industry, whether that's due to investment to build and maintain the properties, establishing strong loyalty programmes and technology platforms, or developing and marketing leading brands.

The hotel industry is cyclical: long-term fluctuations in RevPAR tend to reflect the interplay between industry demand, supply and the macro-economic environment. At a local level, political and economic factors, as well as those such as terrorism, oil market conditions and significant weather events, can also impact demand and supply. While the potential for macro-economic challenges from factors such as lingering inflation, higher borrowing costs and geopolitical flashpoints create some ongoing uncertainty in 2025, the attractive industry fundamentals that led to the sector outpacing global economic growth in 17 out of 25 years between 2000 and 2024 remain firmly in place for the long term.

As a global business, with a footprint in more than 100 countries, operating in the midst of change and uncertainty is something IHG is very used to and this experience continues to be one of our greatest strengths. Our strategy of developing a strong brand portfolio and an industry-leading loyalty programme, together with our fee-based income streams and prevalent midscale positioning, means IHG is well positioned to remain resilient through varying economic cycles.

## The hotel industry has long-term growth drivers...

**1.6%**

US disposable personal income grew on average by 1.6% per annum between 2000 and 2024

Source: Federal Reserve Economic Data (FRED)

**\$44tn**

Globally, middle income consumers spent \$44tn in 2020, with this expected to increase to \$62tn by 2030

Source: The Brookings Institution

**2.3%**

Global hotel room net new supply grew 2.3% per annum between 2014 and 2024

Source: STR

## with significant barriers to entry...

The top five hotel groups<sup>a</sup> have almost a quarter of market share

Share of top five branded hotel groups as % of global rooms supply

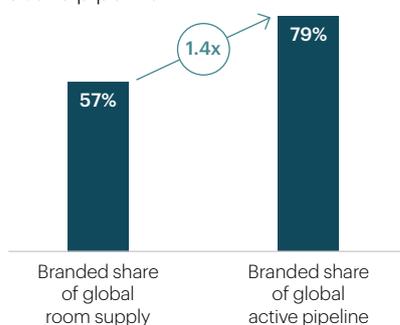
2024	24.0%
2023	24.4%
2022	24.4%
2021	24.3%
2020	23.9%

a. Includes IHG, Marriott International, Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc., Accor S.A.

Source: STR

Share expected to further expand

Branded share of global industry supply and share of global industry active pipeline



Source: STR

Consumers value loyalty membership, which requires a large-scale enterprise to deliver

**79%**

of consumers are more likely to recommend brands with good loyalty programmes

Source: Bond, in partnership with Visa

**85%**

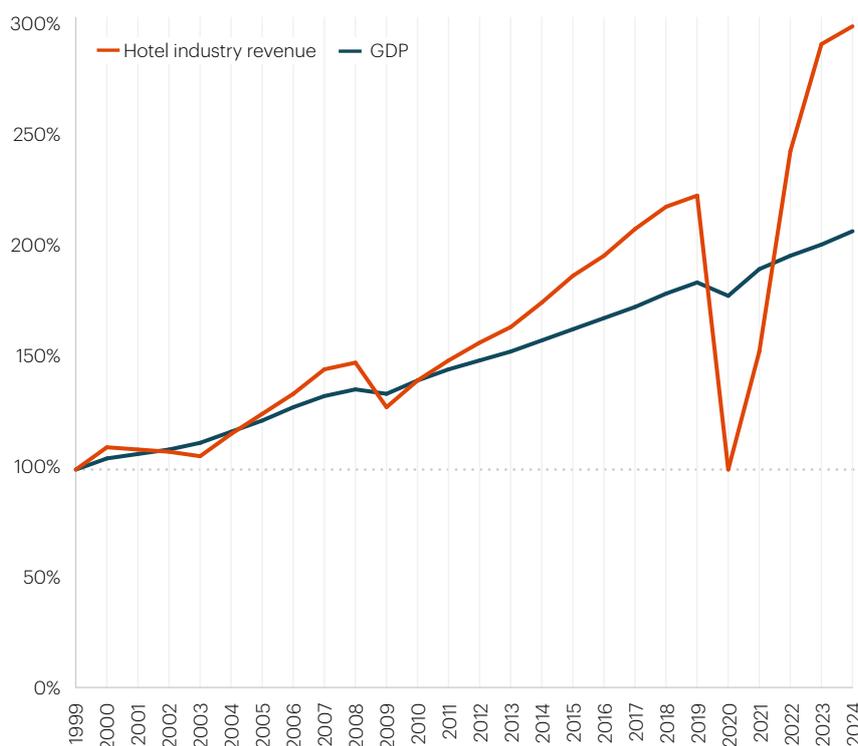
of consumers are more likely to use a brand if they are members of its loyalty programme

Source: Bond, in partnership with Visa

## and a track record of growth

Global hotel revenues have outpaced GDP growth, and are now ahead of pre-Covid-19 levels

Global industry revenue vs global GDP, indexed to 1999



Global industry RevPAR (\$)

RevPAR movements are illustrative of lodging demand

2024	90.44
2023	89.18
2022	75.77
2021	49.84
2020	34.18
2019	73.78

Source: STR

Global rooms supply (m rooms)

Supply growth further reflects the attractiveness of the hotel industry

2024	22.6
2023	21.4
2022	20.6
2021	20.1
2020	19.7
2019	19.5

Source: STR