

2018 United States Hotel Franchise Fee Guide

November 20, 2018 / By Kasia M. Russell , Bomie Kim



The HVS U.S. Hotel Franchise Fee Guide provides a comparative review of various hotel franchises based on their applicable franchise fees. The selection of an appropriate franchise affiliation affects a property's ability to compete in its local market, generate profits, and achieve a desirable image and market orientation. Because the success of a hotel is based primarily on the cash flow generated, owners and lenders must weigh the benefits of a brand affiliation against the total cost of such a

commitment.



Please note that the study results are not indicative of the impact an individual brand may have on a hotel's overall profitability because only the costs, and not the benefits of the franchise affiliations, have been analyzed. Furthermore, the study does not reflect, nor does it claim to address, operating results of any one brand or any particular brand affiliation upon any single hotel property. The 2018 U.S. Franchise Fee Guide is meant to illustrate a basic comparison among franchise fees charged by participants.

HVS has extensive experience with assisting clients in selecting the appropriate franchise and/or management brand for their proposed or existing hotels. This service also includes assisting with or managing the negotiations in coordination with experienced attorneys and other industry professionals.

Summary of Findings



Collection franchises charge low franchise fees compared to other brands within the same company.



Both the median and average franchise costs of a traditional franchise were close to 11% of rooms revenue.



Median franchise costs per product type did not vary greatly, indicating that the discrepancies between different brands' franchise costs are more dependent on hotel company, chain scale, or other factors than on product type.



Although alternative and/or third-party booking channels continue to be an important driver of rooms revenue, direct booking platforms are the most predominant source for reservations.

Independent or "soft brand" hotel companies, which are reviewed in our report but not quantitatively

Summary

The HVS U.S. Hotel Franchise Fee Guide provides a comparative review of various hotel franchises based on their applicable franchise fees.

[Comments](#)

FILED UNDER CATEGORIES

Development & Construction

Valuations & Market Studies

Travel & Tourism

Economic Trends and Cycles

Hotel Franchises

United States

North America



represented in the Key Findings tables, provide an alternative business model for property owners desiring a more flexible franchise arrangement. The overall fee structure and costs associated with such franchises are different from the traditional franchise model.

Disclaimer

Hotels are complicated investments. Selecting an appropriate franchise affiliation for a property entails exhaustive research and investigation by an investor. The information presented in this guide was developed to provide insight into franchise-fee structures and should not be relied upon by an investor other than as a preliminary resource. HVS has researched and gathered data from authoritative sources, and all efforts have been made to verify the accuracy of these data; however, given variances in reporting methods and franchise terms, HVS cannot guarantee the accuracy of all the data contained in this study. Finally, it should be noted that the 2018 version of this guide is not necessarily comparable with previous versions because of the new methodology of calculating franchise costs, which considers historical data for each brand and does not subject all brands to uniform assumptions.

[Click Here for a Complimentary Copy of the 2018 HVS Franchise Fee Guide](#)

About **Kasia M. Russell**



Kasia Russell, MAI is a Managing Director and Senior Partner with the HVS Portland office. HVS leaders now live in and work from more than 30 markets throughout the North American region, including San Diego, LA, San Francisco, Portland, Seattle, Vancouver, Las Vegas, and Phoenix in the west. Kasia has front-line hotel experience with Extended Stay America and Best Western and also worked for the Hotel Bellwether in Bellingham, Washington, and the Skagit Valley Resort in Bow, Washington. She holds the MAI designation and is a state-certified appraiser in Oregon and surrounding states.

Contact Kasia at (970) 227-7799 or [\[email protected\]](#).

About **Bomie Kim**



Bomie Kim is a Senior Research Analyst and is based in the firm's San Francisco office. In addition to completing consulting and valuation engagements, she conducts research into trends in hotel performance levels, demand, supply, and transactions; she also produces foundational research for HVS articles on U.S. hotel markets, providing the most up-to-date insight into current hotel industry dynamics. Bomie formerly worked in front- and back-of-the-house roles at the Seoul Millennium Hilton in South Korea, as well as at the DoubleTree by Hilton Pudong and the Jianguo Hotel in Shanghai. Bomie earned

a BS in Hotel Administration from the School of Hotel Administration at Cornell University. Contact Bomie at +1 (347) 420-2822 or [\[email protected\]](#)