

Highlights from the HVS 2018 Franchise Fee Guide

HVS Authors: Kasia Russell, MAI and Bomie Kim

Franchise Fee Guide by Hotel Company - 2018

Hotel Company	Average % Royalty Fee *	Average % Marketing Fee *	Average % Loyalty Fee **	Average % Sales Fee *	Average % Misc. *
RLH Corporation	3.3%	1.0%	0.0%	0.7%	0.3%
Best Western	5.0%	0.9%	0.1%	0.4%	0.5%
G6 Hospitality	5.0%	1.8%	0.0%	0.8%	0.8%
Wyndham	5.0%	1.8%	1.7%	2.0%	0.6%
Red Roof Inn	4.5%	2.0%	0.9%	2.3%	1.5%
Radisson Hotel Group	4.8%	2.2%	1.4%	1.5%	1.4%
Hyatt	5.1%	1.2%	1.6%	1.5%	2.1%
Choice	5.4%	1.5%	2.1%	1.9%	0.7%
Marriott	5.5%	1.5%	1.7%	1.9%	1.1%
Hilton	5.4%	1.9%	2.1%	2.2%	1.2%
IHG	5.1%	1.5%	1.8%	3.0%	1.8%
Average	4.9%	1.6%	1.2%	1.7%	1.1%

* Fees expressed as a percentage of rooms revenue

** Fees expressed as a percentage of total revenue

Source: HVS

Highlights from the HVS 2018 Development Cost Survey

HVS Authors: Luigi Major, MAI and Bomie Kim

Average Development Cost by Asset Type - 2018

	Land	Building/Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Budget/Economy						
Average	\$7,701	\$56,033	\$5,725	\$8,602	\$3,837	\$79,324
Allocation	10%	70%	8%	11%	5%	
Limited-Service						
Average	\$16,250	\$91,802	\$16,724	\$17,137	\$5,197	\$139,712
Allocation	11%	62%	10%	11%	3%	
Extended-Stay (Midscale)						
Average	\$12,660	\$93,166	\$16,771	\$18,651	\$3,830	\$139,072
Allocation	9%	67%	11%	12%	3%	
Extended-Stay (Upscale)						
Average	\$20,224	\$124,747	\$25,243	\$24,391	\$5,134	\$192,938
Allocation	10%	66%	11%	13%	3%	
Select-Service						
Average	\$34,033	\$137,635	\$29,799	\$20,803	\$6,337	\$221,006
Allocation	13%	64%	12%	11%	3%	
Full-Service						
Average	\$30,559	\$221,480	\$41,753	\$28,880	\$10,121	\$318,195
Allocation	12%	66%	11%	11%	3%	
Luxury						
Average	\$74,307	\$353,106	\$102,282	\$60,799	\$13,705	\$604,199
Allocation	11%	60%	15%	12%	3%	

Source: HVS

Highlights from the HVS 2018 Spa Performance Report

HVS Authors: Mia Mackman and Rod Clough, MAI

Spa Performance - 2018

	% of Revenue	\$ Per Occupied Room	\$ Per Treatment Room	Dept. Expense %
Upper-Upscale Hotel Spas	5.6%	\$15.37	\$110,000	77.5%
Luxury Hotel Spas	4.5	45.45	173,000	77.4

Source: HVS

Highlights from the HVS Fall 2018 Equity Yields Report

HVS Authors: Carter Allen, MAI and Rod Clough, MAI

Equity Yields Report - Fall 2018

	2016	2017	2018
<i>Lower-tier Hotels</i>			
Discount Rate	11.8%	12.1%	11.8%
Equity Yield	20.3	20.9	20.1
<i>Mid-scale Hotels</i>			
Discount Rate	11.0%	10.9%	10.9%
Equity Yield	19.7	19.5	18.8
<i>Upper-upscale & Luxury Hotels</i>			
Discount Rate	10.2%	10.5%	10.0%
Equity Yield	17.6	17.7	16.8

Source: HVS

Highlights from the HVS Fall Brokers Survey

HVS Author: Rod Clough, MAI

Cap Rates Decline in the latest HVS Brokers Survey

Cap Rates	Low	High	Average
Limited-service Hotels	6.0%	10.0%	8.5%
Select-service Hotels	5.0	9.0	7.8
Full-service Hotels	5.0	8.5	7.1
Luxury Hotels	4.0	8.5	6.2
Exit Cap Rates			
Limited-service Hotels	5.0%	11.0%	8.8%
Select-service Hotels	4.5	10.0	8.3
Full-service Hotels	4.5	10.0	7.7
Luxury Hotels	5.0	10.0	7.0
Discount Rates			
Limited-service Hotels	7.5%	15.0%	10.8%
Select-service Hotels	7.0	15.0	10.1
Full-service Hotels	7.0	12.0	9.4
Luxury Hotels	6.0	12.0	8.8

Source: HVS

Highlights from WSJ Economic Survey

WSJ Economic Survey - October 2018

Number of economists in survey that expect future Fed rate increases:

December 2018	100.0%
March 2019	89.5
April 2019	1.7
May 2019	8.8

Economics expect unemployment to remain low throughout 2019:

June 2018 (Actual)	4.0%
December 2018	3.6
June 2019	3.6
December 2019	3.6

Source: WSJ

Highlights from TravelClick Outlook

TravelClick's Fourth Quarter Outlook

	ADR	Committed Occupancy
All Travel Segments	2%	1.3%
Group Segment Only	1	2.3
Transient Segment Only	2.4	0.1
Transient Business Travel Only	1.8	3
Transient Leisure Travel Only	2	-1.8

Source: TravelClick

Investment Opportunities

HVS Americas re-launched its Brokerage and Advisory division in 2018. HVS Brokerage in the Americas is seeking talented hotel brokers to join our team. Contact Rod Clough, MAI if you are interested.

View our current listings here:

<https://hvs.com/services/brokerage-and-transaction-advisory/listings>