

HVS U.S. Hotel Franchise Fee Guide 2019

📅 November 21, 2019 / 👤 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 distinguished 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 2019 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.

Historically, this guide subjected each brand's criteria to a broader and more uniform set of assumptions. However, the 2018 guide and subsequent updates have been reengineered to consider each brand's own unique set of variables.

HVS collected the franchise disclosure documents (FDDs) from 73 hotel brands and then analyzed the sections pertaining to the costs associated with being a franchisee. Since the Federal Trade Commission regulates the sale of franchises, information regarding each franchise fee structure is readily available through these disclosure documents. For purposes of this study, FDDs published in 2019 for all brands represented herein were collected and reviewed. Franchisors must reveal and adhere to all terms of the franchise agreement as set forth in these documents, thereby eliminating (in theory) the potential for introducing variables in any individual contract. Only mandatory and quantified fees were included in this study, and each of these was categorized as one of the following:

Royalty Fee

Sales/Reservation Fees

Marketing

Summary

The HVS U.S. Hotel Franchise Fee Guide provides a comparative review of hotel franchises based on their applicable franchise fees. Hotels are complicated investments. Selecting an appropriate franchise affiliation for a property entails exhaustive research and investigation by an investor.

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Source: HVS

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 2019 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.

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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.

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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

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