# HOTEL FRANCHISE HIERARCHY

The 2026 hotel franchise landscape for CRE-financed projects

*Better context. Better conviction.*

Sample — Executive Summary & Section 1

*Forthcoming 2027 · Editorial board: Mark Kuklis*

# Hotel Franchise Hierarchy

The U.S. hotel franchise universe in 2026 is a fee-extraction machine operating across six STR chain scales, six dominant franchisors, and a swelling layer of soft-brand collections that have absorbed most of the independent-luxury distribution market. The franchisors are asset-light by design; capital risk sits with the owner and, by extension, with the lender. This reference summarizes the brand inventory, the fee architecture, the property improvement plan ("PIP") economics, the franchise-document terms that govern lender protections, and the conversion dynamics that drive most current re-flagging activity. Anchors are the most recent 10-Ks, 20-Fs, FDDs, HVS surveys, and STR/CoStar data sets available through early 2026.

**EXECUTIVE SUMMARY**

- Six STR chain scales govern brand placement and PIP-cost benchmarks; economy and luxury RevPAR diverged sharply in 2025 (luxury +3%, economy –4%). - All-in franchise cost runs 10–13% of rooms revenue for upper-midscale and upscale, 11–14% for upper-upscale and lifestyle – Hilton brands at the high end. - PIP costs in 2024–2025 ran approximately 30% above pre-COVID benchmarks; PIPs as issued are floors, not ceilings – budget 10–15% contingency above brand scope. - Performance termination is triggered when RevPAR Index falls below 80–85% of competitive set for two consecutive years; model this against the property's historical RPI before underwriting. - Conversion underwriting advantages over new-build are real but market-specific: a $115,000–$130,000/key select-service conversion basis applies to markets where stabilized caps support the math. - Comfort letters provide lender protections under franchised assets; cure and operating periods vary by franchisor and govern post-foreclosure transition risk.

A note on brand counts. Older underwriting templates frequently cite Marriott at ~30 brands, Hilton at ~22, IHG at ~19, Hyatt at ~23, Choice at ~15, and Wyndham at ~24. Each of those figures is stale. As of early 2026 the operative counts are: Marriott approximately 33 brand-system entities including Series by Marriott, the Outdoor Collection, and citizenM; Hilton 25 with the 2025 Outset Collection launch; IHG 21 with the February 2026 launch of Noted Collection (and Ruby acquired in 2025); Hyatt approximately 30 brand-system entities across its five portfolios; Choice 22 inclusive of the Radisson Americas brands acquired in 2022; Wyndham 25. Counts vary by how soft-brand collections, license arrangements, and partnership inventory are treated. The numbers below reflect company-reported portfolios.

## 1. STR chain scale framework

| | | |
|---|---|---|
| **Luxury** | $400+ ADR | RevPAR $300+ |
| **Upper-upscale** | $220-360 ADR | RevPAR $150-260 |
| **Upscale** | $150-230 ADR | RevPAR $95-160 |
| **Upper-midscale** | $110-160 ADR | RevPAR $70-110 |
| **Midscale** | $85-120 ADR | RevPAR $50-80 |
| **Economy** | $60-95 ADR | RevPAR $35-60 |

**Figure 1.** U.S. hotel chain scale performance – TTM through early 2026 (STR/CoStar). Luxury RevPAR +3% in 2025 (ADR-driven); economy RevPAR –4% on combined occupancy and rate erosion.

STR (a CoStar Group business) classifies branded hotels into six chain-scale segments based principally on systemwide average daily rate, with independent hotels carried as a separate category and class-segmented in parallel. The six scales are luxury, upper upscale, upscale, upper midscale, midscale, and economy. The five-segment classification referenced in older underwriting templates collapses upper midscale and midscale; the six-scale taxonomy is the working standard because brand placement and PIP-cost benchmarks diverge meaningfully between upper midscale and midscale. STR has not issued a structural reclassification since the 2019 methodology update, but it adjusts brand-level placement on a rolling basis as performance data warrants – Moxy, for example, has been moved across scales as its actual ADR positioning has clarified.

| $230–$245 | $95–$105 | $75–$85 | $38–$42 |
|---|---|---|---|
| Luxury RevPAR (TTM early 2026, STR/CoStar) | Upscale RevPAR | Upper midscale RevPAR | Economy RevPAR |

Trailing-twelve-month performance through early 2026 (STR/CoStar Chain Scale Monthly Report, January 2026 data), drawing from national reporting and supporting industry compilations, gives the following rough U.S. ranges. Luxury runs occupancy of 73–75%, ADR in the low-$300s to $330 band, and RevPAR of $230–$245. Upper upscale runs occupancy near 74%, ADR $170–$185, RevPAR $125–$135. Upscale runs occupancy near 74%, ADR $130–$140, RevPAR $95–$105. Upper midscale runs roughly 67% occupancy at ADR near $115–$125, RevPAR $75–$85. Midscale sits near 58–60% occupancy, ADR roughly $90–$100, RevPAR in the mid-$50s. Economy is around 56–58% occupancy, ADR $65–$75, RevPAR in the high-$30s to low-$40s. Bifurcation through 2024 and 2025 was pronounced: STR reported luxury RevPAR growth near 3% in 2025 driven entirely by ADR, while economy RevPAR contracted on the order of 4% on combined occupancy and rate erosion. The 2026 CoStar/Tourism Economics forecast puts national RevPAR growth at roughly 0.6%, with supply growth of approximately 0.7% and a modest FIFA World Cup tailwind concentrated in host markets. Underwriters should treat these as directional ranges; STR's chain-scale boundaries float year-to-year and brand assignment is centrally determined, not driven by an individual property's realized ADR.

# That’s the sample.

The full **Hotel Franchise Hierarchy** brief runs the complete reference end to end — every section, all tables, full citations.

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