HVS

MARKET REPORT

From Niche Luxury to Financing Tool: Branded Residential Matures

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A review of how a Branded Residential component can, in a world of rising construction costs, make new-build development make financial sense.

Branded residential has come a long way. What once amounted to a handful of Four Seasons and Ritz-Carlton addresses is now a genuine product category, and the question is no longer whether the model works but how far it can go. The global pipeline runs into hundreds of projects and tens of thousands of units. Two cities have emerged as the laboratories where the most ambitious iterations are stress-tested: Dubai and Miami. Between them they account for a disproportionate share of both delivered stock and live pipeline, and they are where developers, operators and brands first learn whether a new concept will travel.

The brand universe has widened

What began as an ultra-luxury play is now a much broader field. Within hospitality, the model has moved down the positioning ladder, with upscale and upper-upscale brands routinely launching branded residential, and collection and soft-brand labels proving particularly flexible vehicles. Beyond hospitality, fashion houses led the way and have been joined by automotive, technology, lifestyle and wellness labels, each monetising a lifestyle they have already built in the consumer's mind. At HVS, we see this as a sign of maturity rather than saturation, but it raises a more demanding feasibility question: not whether to brand, but which brand fits the asset and the buyer pool, and what that brand is genuinely worth in premium and absorption terms.

Construction costs are reshaping the pipeline

The macro environment has shifted the sector. With construction costs having risen sharply, new ground-up projects have slowed in many markets, and the focus has swung toward refurbishment and repositioning. The economics increasingly tilt that way: acquisition is sometimes cheaper than building from scratch, and where it is not, the gap has narrowed to a point that no longer justifies the developer's margin. New-build seldom makes sense in today's conditions. Where it does still go ahead, the more notable European examples tend to be around the Mediterranean, in resort destinations and, increasingly, inland in niche viticultural or culturally rich locations, and they nearly always include a branded residential component. Underlying market conditions and the availability of suitable land allow achieved values to come in above construction costs, but only just, and the branded residential element is often what makes the numbers work. Rigorous feasibility work helps determine the opportunities and outcome of new projects.

Why the branded component transforms the IRR

This is where branded residential stops being a product strategy and becomes a financial one. In a mixed-use scheme, the residential component is the fastest route to cash: units sold off-plan, with payments staged against construction milestones, bring money into the project long before the hotel opens. A brand accelerates that process, tightening absorption, lifting pricing and giving international buyers the comfort to commit capital to jurisdictions or developers they may not otherwise know.

The impact on feasibility is not only a higher headline valuation, it is a fundamentally better IRR. Early cash flows reduce peak debt, shorten the period over which interest accrues, and compress the window between spend and return. A branded component can turn a marginally bankable project into a clearly financeable one. The premium itself is more subjective than headline numbers suggest: comparability is difficult, specifications are above average, and the achieved premium depends on developer strategy around cash-flow needs, marketing spend and phasing. As a rule of thumb, faster sales produce a lower premium but not necessarily a worse IRR; slower sales mean interest continues to accrue, marketing continues to be paid and early buyers can drift away. This trade-off between premium and timing is one of the subtleties that defines the sector, and modelling the sales ramp alongside the premium, rather than either in isolation, is central to how we approach feasibility at HVS.

A more sophisticated market on all sides

As every actor has become more sophisticated, these projects now go through more processes than they used to, and valuers have to be more on the ball to match. Developers have moved from “build, sell, walk away” to staying involved across the asset's lifespan, which has become advisable in a market where repeat buyers and referrals drive disproportionate value. Operators have become more contractually astute, with greater attention to defect clauses, deposit protections and performance provisions, while engaging more deeply in product design to protect brand expression. Buyers ask harder questions about service charges, governance and exit. Feasibility work has had to keep pace on all three fronts.

The geopolitical reset and why Europe is back in focus

The Iran regional conflict that began in early 2026 has materially disrupted travel and investment sentiment across the Middle East. We hope the disruption proves as short-lived as possible, but its impact on both traveller and investor appetite will be felt for some time.

In parallel, Europe has re-emerged, as it did in the immediate post-COVID window, as a safer destination for capital, supported by solid domestic and intra-regional demand. The luxury segment in particular has seen notable demand growth since COVID, accompanied by a healthy investor appetite, and the most daring developers, those with the greatest patience for capital deployment and clearest long-term vision, are increasingly comfortable taking on new-build, with branded residential making the numbers more financially sound. That said, with construction and procurement costs likely to keep rising, regulatory frameworks that differ materially by jurisdiction, and the long lead times of new development, even the most experienced developers benefit from the input of a valuer who understands these dynamics.

Conclusion

Branded residential has moved decisively out of its niche. The product has widened, the financial logic has become central to mixed-use feasibility, and every participant has grown more sophisticated. The questions worth asking now are no longer whether branding adds value, but how much, for whom, and at what structural cost – and those are questions only proper feasibility work can answer. In a market facing higher construction costs, a geopolitical reset pushing European

capital back to the fore, and the regulatory complexities that come with it, robust modelling of the branded component is the difference between a project that finances itself and one that does not.