

FRANCHISING ECONOMIC OUTLOOK



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ABOUT THE INTERNATIONAL FRANCHISE ASSOCIATION

Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 830,876 franchise establishments that support nearly 8.8 million direct jobs, \$896.9 billion of economic output for the U.S. economy, and almost 3% of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.



ABOUT FRANDATA

FRANdata offers independent, comprehensive market insight focusing on the franchise ecosystem. Our research combines rigorous analysis with industry expertise and astute forecasting. By leveraging the largest database of franchise information in the industry, FRANdata focuses on delivering unparalleled insights and high-level strategic advice to a global franchise client base.

AUTHORS

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As the authority in franchise funding, Benetrends has been funding America's most popular brands for 40 years. Benetrends' innovative and comprehensive suite of funding solutions not only helps franchisees successfully launch their dreams, but also helps catapult growth of franchise systems

METHODOLOGY

The detailed forecasts and projections presented in this report by FRANdata combine a range of existing and new quantitative and qualitative information relevant to franchising in the United States. FRANdata's forecasting model uses internal databases that closely track approximately 4,000+ brands in the U.S. and external sources of information, such as macroeconomic data and industry-specific research, to make informed predictions.

FRANdata draws on a variety of quantitative data sources, including publicly available information on franchise brands, disclosure documents, historical growth rates, and correlations between unit growth and macroeconomic factors, such as interest rates, GDP growth rates, inflation, consumer disposable income, household wealth, and small business sentiment.

In addition, qualitative data sources, which include insights from industry experts, lenders, franchisees, and franchisors are also incorporated into our findings. These sources aim to provide an understanding of observed growth and trends in financing.

FRANdata's forecast estimates the performance for the year 2024 based on observed factors. The projections for franchise establishments, employment, and economic output for 2025 consider the factors predicted to occur this year and extrapolated using 2024 estimates. FRANdata is responsible for the charts and research in this report unless otherwise noted.

KEY TERMS

Business format franchise: This type of franchise includes not only a product, service, and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals.

Business lines:

- **Business services:** Includes accounting services, financial services, insurance, business consulting, computer products and services, mailing packaging, shipping, printing, advertising and promotions, legal services, security services, and business-focused publications.
- **Commercial and residential services:** Includes maintenance services and building and construction.
- **Lodging:** Includes a wide range of accommodation types including hotels, B&Bs, resorts, hostels, motels, and others that provide a place to stay overnight.
- **Personal services:** Includes services related to beauty, health and fitness, storage, moving, education, childcare, sports and recreation, pets, and travel.
- **Quick service restaurants (QSRs):** Includes limited-service restaurants that serve meals at lower price points and typically provide fast service, a limited menu, and limited table service.
- **Real estate:** Includes brokerage services, property inspection services, residential property managers, and non-residential property managers.

KEY TERMS (CONTINUED)

- **Retail food, products, and services:** Includes food and beverage stores; convenience stores; food-service contractors; caterers; retail bakeries; beer, wine, and liquor stores; gas stations with convenience stores; motor-vehicle parts and supply stores, including tire dealers, automotive equipment rental and leasing, and automotive repair and maintenance; furniture and home furnishings stores; electronics and appliance stores; building material and garden equipment and supplies dealers; health supplement stores, pharmacies and drug stores; beauty supplies and optical goods stores; clothing and general merchandise stores; office supplies and stationery stores; florists and gift stores; used merchandise stores; consumer-goods rentals; photographic services; and book and music stores.
- **Table/full-service restaurants:** Includes establishments offering table service with three categories of establishments: fine dining, casual dining, and midscale.

Consumer disposable income: The amount that U.S. residents have left to spend or save after paying taxes.

Disclosure statement: Also known as the Franchise Disclosure Document (FDD), the disclosure document provides public information about the franchisor and franchise system for prospective franchisees as they consider purchasing decisions.

Franchise brand: The brand under which franchisees operate their business.

Franchise output: The total value of sales of goods and services.

Franchisee: A person that purchases the right to operate a business model under the franchisor's brand name and system.

Franchise establishments: Businesses that are owned and operated by franchisees.

Franchising: Franchising is the right of individuals to apply a company's business model for a specific time frame by using its trademark(s). Trademarks include business names, symbols (logos), and slogans used to identify businesses and the goods and services they provide.

Franchisor: The company that owns the trademarks and proprietary system for operating businesses and gives individuals the right, under limited agreement and for consideration, to run businesses using those trademarks and following those operational guidelines.

Gross domestic product (GDP): GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Household wealth: Household wealth or household net worth represents the total value of assets (financial as well as non-financial) minus the total value of outstanding liabilities of households (including non-profit institutions serving households).

Industry: An industry is a group of companies that are related based on their primary business activities.

Inflation: Inflation is an increase in the general prices of goods and services.

2025:

FRANCHISING SET TO ACHIEVE RECORD OUTPUT OF \$936.4 BILLION

In 2024, franchising outperformed expectations for a second consecutive year, with establishments estimated to have increased by 2.4%, exceeding FRANData's 1.9% projection. Robust consumer spending and moderate improvements in labor availability contributed to this growth.

Franchise employment growth increased by 2.2% in 2024, adding more than 189,000 jobs, bringing franchising employment to 8.8 million. Output growth increased to 3.9%, aligning with FRANData's estimated projection of 4.1%. This growth in franchising was driven by strong consumer demand and the increasing adoption of AI technologies to enhance operational efficiency.

Looking ahead, 2025 is shaping up to be a pivotal year for franchising and the broader economy. Lower interest rates are expected to provide relief for franchise owners, reducing capital costs and potentially driving expansion. With these factors in mind, FRANData forecasts franchising output to exceed \$936.4 billion in 2025, increasing at a rate of 4.4%.

Meanwhile, advancements in technology and automation will continue to reshape operations and workforce dynamics, offering both opportunities and challenges. As inflationary pressures ease and economic uncertainty diminishes, franchising is well-positioned to navigate this transitional period and capitalize on emerging opportunities.

KEY FORECASTS FOR 2025 INCLUDE:

- ◆ The number of franchise establishments will increase by more than 20,000 units, or 2.5%, to 851,000 units. Lower interest rates compared to early 2024, paired alongside a rising Small Business Optimism Index, are expected to drive establishment formation in 2025.
- ◆ In 2025, franchising is expected to add approximately 210,000 jobs, growing at a rate of 2.4%. Meeting labor requirements has become easier compared to previous years, but the cost of labor remains a concern for franchisors and franchisees.
- ◆ Total franchise output is projected to exceed \$936.4 billion in 2025, reflecting a 4.4% increase from \$896.9 billion in 2024.
- ◆ Franchise GDP will continue to grow, increasing at a pace of 5% to \$578 billion. Franchising will grow faster than the U.S. economy, which is projected to increase by 1.9% in 2025 according to the Congressional Budget Office.
- ◆ Retail food, products, and services and personal services will experience higher growth than other industries.
- ◆ Growth in the Southeast and Southwest is forecast to outpace the rest of the U.S. franchise market in 2025, with output growing by 6.2% and 8.5%, respectively.

Franchise Business Economic Outlook: 2021 - 2025					
	2021	2022	2023	2024 (Est.)	2025 (Proj.)
Establishments	774,965	788,683	811,247	830,876	851,402
Percentage Change	2.8%	1.8%	2.9%	2.4%	2.5%
Employment	8,192,600	8,421,799	8,603,394	8,792,423	9,005,757
Percentage Change	8.8%	2.8%	2.2%	2.2%	2.4%
Output (\$ Billion)	\$787.7	\$823.7	\$863.1	\$896.9	\$936.4
Percentage Change	16.3%	4.6%	4.8%	3.9%	4.4%
GDP (\$ Billion)	\$474.2	\$499.2	\$526.3	\$550.3	\$578.0
Percentage Change	6.2%	5.3%	5.4%	4.6%	5.0%

EXECUTIVE SUMMARY FOR THE 2025 FRANCHISING ECONOMIC OUTLOOK

In 2025, FRANdata projects:

- ◆ Total franchise establishments to increase by 2.5% to 851,402 units
- ◆ Franchise employment to grow by 2.4%, adding more than 213,000 jobs
- ◆ Franchising output to increase by 4.4%, surpassing \$900 billion
- ◆ Franchise GDP is estimated to grow by 5% to \$578 billion

The personal services and retail food, products, and services sectors are projected to lead growth in franchising establishments, growing by 4.3% and 3.5%, respectively.

Franchising employment is expected to increase by 2.4%, adding approximately 213,000 jobs and surpassing 9 million employees by year-end. Personal services and retail food, products, and services will see the largest job increases, reflecting strong consumer engagement.

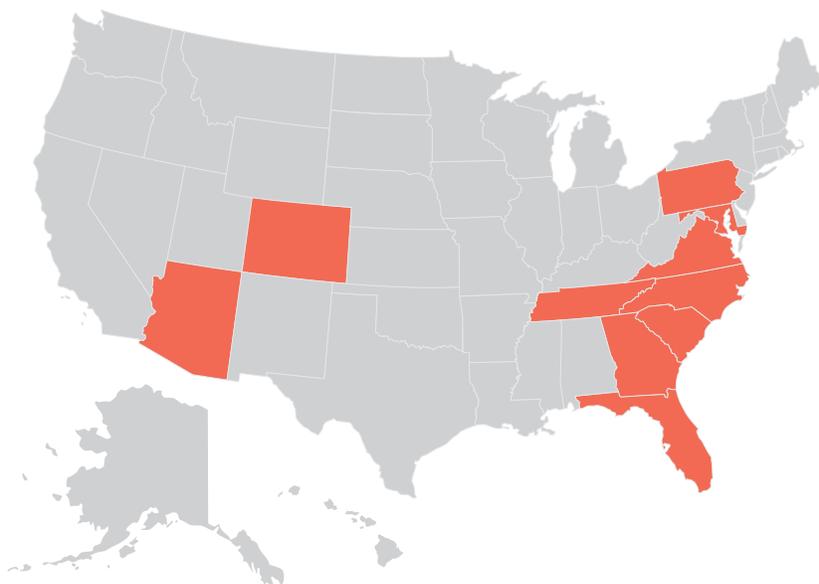
While franchisors and franchisees are less concerned about labor shortages as the main challenge, labor costs remain a concern. In 2025, 21 states will raise their minimum wage, which will place additional pressures on lower-wage sectors like quick-service restaurants (QSR).

Franchise output is projected to reach \$936.4 billion in 2025, marking a 4.4% increase over 2024. This growth will be driven by rising disposable incomes and moderating inflation, which are expected to enhance consumer spending across key franchise sectors.

Technological advancements, including increased use of automation and AI, will improve operational efficiency and profitability, while access to favorable financing conditions will support investments in expansion and innovation.

Additionally, franchise growth in emerging sectors like healthcare and technology, combined with expansion into high-growth markets, will further bolster output. Franchising is set to meet consumer demand in 2025 and is well-positioned to adapt and achieve sustained profitability in the year ahead.

THE TOP 10 STATES FOR FRANCHISE GROWTH IN 2025



1. Georgia
2. North Carolina
3. Virginia
4. Arizona
5. South Carolina
6. Pennsylvania
7. Tennessee
8. Florida
9. Colorado
10. Maryland

INDUSTRY-SPECIFIC FORECASTS

Personal services and retail food, products, and services are expected to be the fastest-growing industries in 2025, increasing by 4.3% and 3.5%, respectively. Combined, these industries will grow to more than 317,000 units.

QSR establishments are forecast to grow by 2.2% in 2025. Lower inflation and stabilizing interest rates are expected to boost consumer confidence and discretionary spending. Increased return-to-office efforts are expected to boost foot traffic, positively impacting breakfast and lunch sales among QSR brands.

Real estate is projected to experience a 0.7% growth rate for franchise establishments in 2025. Although the economic conditions affecting the housing market, such as mortgage rates, are improving, supply challenges will lead to comparatively slower growth within the sector.

Franchise Establishments by Business Line					
	2021	2022	2023	2024 (Est.)	2025 (Proj.)
Business Services	99,296	100,333	101,236	102,147	103,271
Percentage Change	1.6%	1.0%	0.9%	0.9%	1.1%
Commercial and Residential Services	75,678	77,695	81,752	83,387	85,409
Percentage Change	3.5%	2.7%	5.2%	2.0%	2.4%
Lodging	35,041	35,496	35,887	36,210	36,572
Percentage Change	1.7%	1.3%	1.1%	0.9%	1.0%
Personal Services	114,012	116,882	122,259	126,660	132,045
Percentage Change	3.6%	2.5%	4.6%	3.6%	4.3%
Quick Service Restaurants	188,402	191,605	195,245	199,931	204,366
Percentage Change	2.6%	1.7%	1.9%	2.4%	2.2%
Real Estate	67,929	68,466	68,945	69,290	69,775
Percentage Change	2.4%	0.8%	0.7%	0.5%	0.7%
Retail Food, Products, and Services	162,579	165,305	172,248	179,138	185,408
Percentage Change	3.2%	1.7%	4.2%	4.0%	3.5%
Table/Full-Service Restaurants	32,027	32,901	33,675	34,113	34,557
Percentage Change	3.3%	2.7%	2.4%	1.3%	1.3%
Grand Total	774,965	788,683	811,247	830,876	851,402
Percentage Change	2.8%	1.8%	2.9%	2.4%	2.5%

REGIONAL TRENDS

FRANdata forecasts that the Southeast and Southwest regions will continue to lead in terms of franchise establishment, employment, and output growth. Business-friendly policies and a lower cost of living compared to other regions of the country have been a considerable factor for industry and population growth.

Output growth in the Midwest, Southeast, and Southwest are forecast to outpace the national output growth rate of 4.4%, with output growing by 4.6%, 6.2%, and 8.5%, respectively. Output growth in the Northeast and West is expected to be muted, with the Northeast increasing by 2.6% and the West experiencing a decline of -0.5%.

- ◆ The Southeast region is the largest franchise market, accounting for approximately 259,000, or 30.4%, of total projected units in 2025. The region employs nearly 2.8 million people and contributes \$283.8 billion in total output. Output for the region is projected to grow at a rate of 6.2%, outpacing the national growth rate of 4.4%.

- ◆ The top 10 fastest-growing states for franchising in 2025 based on establishment growth rate and total franchise establishments are: Georgia, North Carolina, Virginia, Arizona, South Carolina, Pennsylvania, Tennessee, Florida, Colorado, and Maryland.

- ◆ These top 10 states are expected to contribute 285,000 units, 3 million jobs, and \$311.0 billion in output in 2025.

Region	Growth in Franchise Establishments	Growth in Franchise Employment	Growth in Franchise Output
Midwest	1.0%	0.8%	4.6%
Northeast	2.0%	1.9%	2.6%
Southeast	4.1%	4.5%	6.2%
Southwest	2.3%	2.2%	8.5%
West	2.1%	1.5%	-0.5%
Grand Total	2.5%	2.4%	4.4%

Top 10 States by Growth Rate

	Franchise Establishments (in thousands)				Franchise Employment (in thousands)				Franchise Output (in billion \$)			
	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (24-25)	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (24-25)	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (24-25)
GA	31.1	32.0	34.2	3.3%	334.0	340.7	361.3	4.5%	33.6	34.6	37.4	8.1%
NC	29.1	31.0	32.4	5.5%	312.3	328.0	342.7	6.6%	31.5	33.9	35.6	5.0%
VA	23.4	24.1	25.5	2.7%	250.1	257.0	270.2	3.9%	25.0	25.7	26.8	4.1%
AZ	18.5	19.1	20.4	2.6%	196.5	202.7	216.1	3.8%	19.4	20.1	22.6	12.6%
SC	15.9	17.3	18.5	2.7%	168.5	182.9	215.5	3.9%	17.3	17.9	19.5	9.0%
PA	28.4	29.4	30.3	2.2%	301.0	310.7	320.6	3.3%	30.4	31.5	33.2	5.3%
TN	20.1	20.9	21.7	3.2%	213.3	221.6	230.0	4.3%	21.4	22.2	23.4	5.5%
FL	62.0	64.8	66.4	2.4%	657.5	687.8	702.4	3.5%	65.9	69.1	73.0	5.6%
CO	17.9	18.4	18.9	2.5%	189.7	194.5	199.9	3.7%	19.1	19.6	21.4	9.1%
MD	15.1	15.8	16.4	2.4%	160.3	167.2	173.3	3.5%	16.3	17.3	18.1	4.9%

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2025 ECONOMIC OUTLOOK FOR FRANCHISING

INTRODUCTION

In 2025, the franchising sector is positioned for significant growth, driven by a combination of favorable economic conditions, changing consumer preferences, and supportive economic policies. This anticipated expansion reflects the broader trend of recovery and resilience within the U.S. economy, which has consistently improved since the pandemic. Rising consumer confidence and increased spending are key drivers of this growth. According to FRANdata, franchise establishments increased to 831,000 in 2024, representing a 2.4% increase from the previous year. This upward trend is expected to continue, with projections indicating a 2.5% increase, bringing total franchise establishments to 851,000 by the end of 2025.

The sectors projected to lead this expansion include personal services and retail food, products, and services, which are particularly responsive to changing consumer demands. Personal services, including health and wellness, beauty, childcare, and pet services, are projected to grow by 4.3%, reaching over 132,000 units. Similarly, the retail food, products, and services sector is expected to grow by 3.5%, totaling more than 185,000 units. These industries are set to benefit from improving economic conditions including stabilizing inflation, lower interest rates, and potential tax reductions that enhance discretionary spending. Additionally, the QSR segment, which will benefit from increased foot traffic due to return-to-office initiatives, is projected to grow at a moderate rate of 2.2%.

Franchising employment is projected to exceed 9 million in 2025, increasing by 2.4%, and adding approximately 213,000 jobs to the economy. This improvement in the labor market will bolster franchising by providing a steady workforce and reinforcing consumer spending power. However, challenges such as a low labor participation rate and a tight unemployment-to-job-opening ratio may present obstacles. To mitigate these challenges, many franchised businesses are likely to continue adopting automation and technology to improve efficiency and manage labor costs.

*Anticipated economic policies for 2025 are expected to have a significant impact on the franchising landscape. Ongoing efforts to stabilize interest rates and inflation will create a more predictable business environment, encouraging investment and expansion within the franchising sector. Workforce development initiatives may also help address labor shortages by equipping workers with the skills needed for franchise-related roles. **Overall, the economic outlook for franchising in 2025 is strong, with favorable conditions and supportive policies paving the way for continued growth and expansion across various sectors.***

FRANCHISE ESTABLISHMENT GROWTH

Outlook Positive for Franchise Establishment Formation

More favorable economic conditions are expected to boost consumer confidence and spending, encouraging greater expansion through franchising. FRANData estimates that franchise establishments reached a total of 831,000 units in the United States. The year-over-year growth rate from 2023 to 2024 is estimated to be 2.4%. That growth is expected to continue throughout 2025, with franchise establishments forecasted to grow by 2.5%, increasing to 851,000 establishments.

With consumers demonstrating a preference for services and high-value goods, personal services and retail food, products, and services are expected to be the fastest-growing industries in 2025. Personal services, including the health and wellness, child-related, beauty-related, and pet services sectors, are expected to grow by 4.3% this year to 132,045 units. Retail food, products, and

services are forecast to grow by 3.5% to more than 185,408 units.

QSR establishments are forecast to grow by 2.2% in 2025. Lower inflation and stabilizing interest rates are expected to boost consumer confidence and discretionary spending. Increased return-to-office efforts are expected to boost foot traffic, positively impacting breakfast and lunch sales among QSR brands.

Real estate is projected to experience a 0.7% growth rate for franchise establishments in 2025. The housing market continues to face challenges related to affordability and supply, with mortgage rates predicted to stay higher than consumer expectations.

Franchise Business Economic Outlook: 2021-2025

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Percentage Change	8.8%	2.8%	2.2%	2.2%	2.4%
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Franchise Establishments by Business Line

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FRANCHISE EMPLOYMENT GROWTH

While labor availability increases, rising wages present challenges

Employers may find it easier to fill jobs than they did in early 2024 as the labor market has stabilized relative to the 2022-2023 period. Franchise employment is expected to increase by 2.4% in 2025, adding approximately 210,000 jobs to the economy. By the end of 2025, total franchising employment is projected to exceed nine million employees due to conducive economic conditions for business expansion, such as lower inflation and decreased borrowing rates, resulting in increased job creation compared to the previous year.

Employment growth will vary based on the industry. The commercial and residential services sector will likely experience the most growth, increasing by

21 basis points from the 2024 growth rate of 0.6% to a projected rate of 2.7% in 2025. Factors driving this growth include the growing demand for labor in the construction industry following the potential recommencement of large-ticket projects that were delayed in previous years due to high interest rates. Additionally, consumer demand for home maintenance and remodeling services resulting from improving sales of new and existing homes will boost skilled labor demand within the industry.

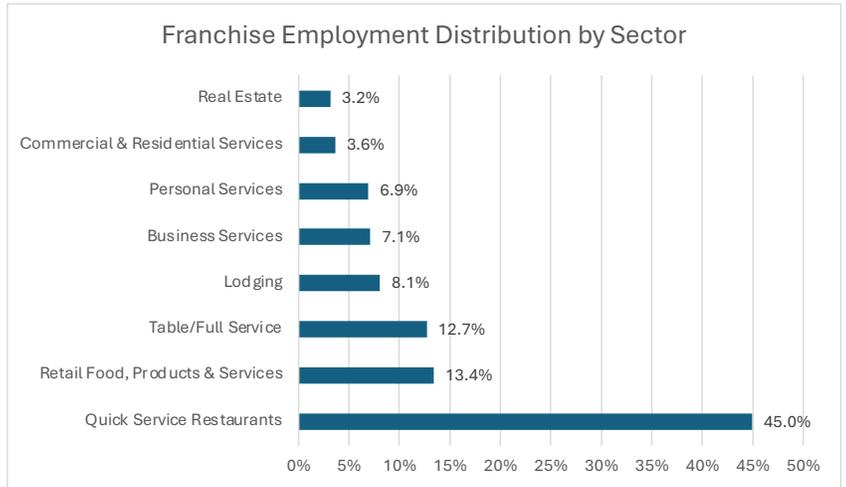
Personal services employment will increase by 3.8% as consumers continue to prioritize health and wellness in 2025. With more retail stores forecast to open in the

new year, jobs in this industry are expected to increase at a growth rate of 3.5%.

Labor supply has been a consistent challenge after the pandemic for the QSR and full-service restaurant industries. Employment growth within these industries will likely be moderate as franchisors will have difficulties matching wage expectations on account of the rise in minimum wages across multiple states.

With improving market conditions in the real estate industry, employment growth will also improve and grow at 1.3%. Among all the franchise business lines, lodging is expected to experience the lowest employment growth rate of 1.0%

because of a lower demand for employees due to technological innovations and a lesser need for room services.



Franchise Employment by Business Line					
	2021	2022	2023	2024 (Est.)	2025 (Proj.)
Business Services	586,523	601,996	619,721	631,484	642,136
Percentage Change	3.8%	2.6%	2.9%	1.9%	1.7%
Commercial and Residential Services	288,542	303,044	316,222	318,118	326,810
Percentage Change	13.7%	5.0%	4.3%	0.6%	2.7%
Lodging	664,886	709,901	716,586	721,466	728,337
Percentage Change	30.2%	6.8%	0.9%	0.7%	1.0%
Personal Services	527,718	550,528	579,742	602,554	625,158
Percentage Change	11.0%	4.3%	5.3%	3.9%	3.8%
Quick Service Restaurants	3,728,402	3,795,132	3,850,240	3,944,723	4,048,217
Percentage Change	5.2%	1.8%	1.5%	2.5%	2.6%
Real Estate	265,954	274,221	278,997	281,619	285,245
Percentage Change	8.4%	3.1%	1.7%	0.9%	1.3%
Retail Food, Products, and Services	1,069,837	1,091,014	1,130,214	1,166,623	1,207,920
Percentage Change	5.5%	2.0%	3.6%	3.2%	3.5%
Table/Full-Service Restaurants	1,060,736	1,095,961	1,111,673	1,125,836	1,141,934
Percentage Change	14.9%	3.3%	1.4%	1.3%	1.4%
Grand Total	8,192,600	8,421,799	8,603,394	8,792,423	9,005,757
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FRANCHISE OUTPUT GROWTH

Franchise Output to Exceed \$900 Billion in 2025

Franchise output grew by 3.9% in 2024, a slight deceleration as compared to the previous year. This decline from 4.8% in 2023 was due to several factors, including the depletion of pandemic-era savings, slower wage growth, rising household debt, and a reduction in personal savings rates – combined with an environment of higher inflation and caution in consumer spending.

In 2025, output growth is expected to regain momentum, outpacing 2024. FRANdata forecasts total output generated by franchised businesses to grow by 4.4%, reaching \$936.4 billion. Strengthened consumer spending, supported by rising disposable incomes and moderating inflation, will support demand for goods and services across key franchise sectors, including QSR, retail food, products, and services, and personal services. An

improving labor market will contribute to a more efficient and productive workforce, enhancing franchise profitability.

Additionally, franchise expansion into high-growth markets and emerging sectors like healthcare and technology will further bolster output. Technological advancements, such as automation and AI, are expected to streamline operations, reduce costs, and improve customer service, increasing overall profitability. Access to capital through favorable financing conditions will enable franchises to invest in expansion and innovation. As franchises continue to adapt to changing market conditions and capitalize on emerging opportunities, their resilience, combined with supportive regulatory policies, will contribute to sustained output growth in 2025.

Franchise Output by Business Line (\$Billion)

	2021	2022	2023	2024 (Est.)	2025 (Proj.)
Business Services	\$95.3	\$99.4	\$103.0	\$105.1	\$107.9
Percentage Change	13.0%	4.3%	3.7%	2.0%	2.7%
Commercial and Residential Services	\$52.7	\$55.8	\$59.4	\$62.2	\$65.2
Percentage Change	6.9%	5.9%	6.3%	4.7%	4.9%
Lodging	\$82.8	\$87.1	\$91.4	\$95.8	\$100.7
Percentage Change	59.2%	5.2%	5.0%	4.8%	5.1%
Personal Services	\$35.8	\$39.4	\$42.5	\$45.3	\$48.7
Percentage Change	37.9%	10.1%	7.8%	6.6%	7.5%
Quick Service Restaurants	\$261.2	\$275.1	\$290.8	\$305.3	\$321.8
Percentage Change	8.4%	5.3%	5.7%	5.0%	5.4%
Real Estate	\$60.2	\$60.8	\$62.7	\$64.2	\$66.1
Percentage Change	24.3%	1.0%	3.2%	2.4%	3.0%
Retail Food, Products, and Services	\$127.0	\$129.8	\$134.9	\$139.0	\$144.0
Percentage Change	4.9%	2.1%	4.0%	3.0%	3.6%
Table/Full-Service Restaurants	\$72.8	\$76.4	\$78.3	\$80.0	\$81.9
Percentage Change	31.9%	5.0%	2.5%	2.2%	2.4%
Grand Total	\$787.7	\$823.7	\$863.1	\$896.9	\$936.4
Percentage Change	16.3%	4.6%	4.8%	3.9%	4.4%

INDUSTRY OVERVIEW

BUSINESS SERVICES

FRANdata expects franchise establishments to increase by 1.1% within the business services industry in 2025, driven by declining interest rates and sustained entrepreneurial activity. This growth is projected to increase the total number of locations to over 103,000. Additionally, the expansion is predicted to create around 11,000 new jobs. The industry's output is also expected to reach \$107.9 billion, marking a 2.7% year-over-year increase.

The industry is expected to continue expanding in 2025, supported by factors such as lower interest rates, active lending markets, strong entrepreneurial activity, and stabilized wage growth. The growth of the business services sector is closely tied to the rate of new business formations, which are a key driver of market demand. However, a low labor participation rate and a persistently tight unemployment-to-job-opening ratio could impede the establishment of new businesses, which is likely to hinder the sector's ability to expand and capitalize on emerging opportunities.

Within the business services industry, the franchise model encompasses a wide range of sectors, such as accounting, consulting, legal solutions, personnel management, printing and publications, security services, and operational support like logistics, telecommunications, and storage. The largest franchised businesses in the industry are



full-time/temporary personnel and advertising and promotions.

In 2025, personnel services are likely to expand their customer base as businesses seek their services to address the persistent shortage in finding high quality labor despite the improvement in overall labor supply. As digital channels now account for a large share of U.S. advertising spending, advertising franchises will likely increase revenue by integrating advanced targeting methods and optimizing multi-channel approaches. Additionally, the business services industry is expected to see significant growth in cybersecurity services as businesses prioritize data protection and digital security. Blockchain technology is poised to transform sectors like logistics and accounting by enhancing transparency and efficiency, while the push for sustainability will create opportunities for green logistics services. For example, packaging and shipping brands like Pak Mail have included sustainability practices in their operations by accepting and recycling loosefill, bubble wrap, Styrofoam inserts, and other packaging material at their locations as well as delivering shipments through fuel-efficient routes.

COMMERCIAL & RESIDENTIAL SERVICES

In 2025, the commercial and residential services industry is projected to exceed 85,000 establishments, reflecting a year-over-year growth rate of 2.4%. Employment in the industry is expected to grow by 2.7% compared to 2024, reaching approximately 327,000 jobs. The industry output is expected to follow the growth trend seen in 2024,



driven by moderate housing price increases, with a projected growth rate of 4.9%, which would bring the total output to \$65.2 billion.

In 2025, as the mortgage rates stabilize and the growth of housing prices moderate, improvement in the sales of new and existing homes may boost customer demand for commercial and residential services. The National Association of Realtors (NAR) projects 4.5 million existing home sales in 2025. The increase in the home transaction activity may prompt home sellers to seek home improvement services in order to increase the overall value of the property. Additionally, new homeowners may require home remodeling and maintenance services following unforeseen repairs that often occur within the first year of ownership.

After a period of rapid growth during the pandemic, brands in this industry may also face challenges in the year ahead. With an average of 42 new brands entering the industry every year between 2020 and 2024, the market has increasingly become competitive. This has led to a decline in average unit volume for some sectors between 2022 and 2023.

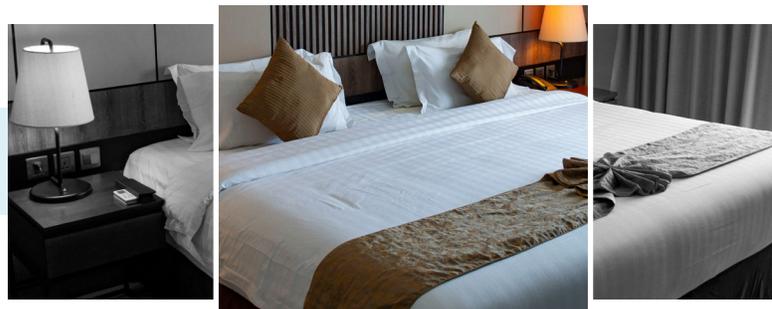
LODGING

In 2025, FRANdata forecasts a 1% year-over-year increase in the number of franchise establishments in the lodging industry, bringing the total to approximately 37,000 locations. While development remains slow due to high construction costs, hotel room construction reached its highest level in June 2024, the peak since February 2023. Total industry output is expected to grow by 5.1%, reaching \$100.7 billion, primarily driven by increased revenue per available room (RevPAR) and active domestic travel. Employment in the lodging sector is also projected to increase at a rate of 1%, exceeding 728,000 jobs in 2025.

The U.S. lodging industry, which experienced a rapid rebound after the COVID-19 pandemic, has seen moderate growth since 2022. This trend is expected to continue through 2025, with slower growth in both RevPAR and occupancy rates. According to the 2025 hospitality outlook reports from CBRE, STR, PwC, and Lodging Analytics Research & Consulting (LARC), the average occupancy rate is projected to reach 63%, remaining below the pre-pandemic level of 65.9%. This is attributed to the high costs and sluggish growth in real disposable income leading

Additionally, increased operating costs, including higher wages, may continue to impact profitability.

Franchisors and franchisees will need to leverage AI to improve operational efficiency and counter ongoing labor shortages due to an aging population and constrained workforce availability. Adopting technological advancements, such as smart home integration services, virtual consultations, and advanced design solutions, will be essential for franchises in the industry to maintain competitiveness and elevate service quality and customer experience. For instance, Neighborly has collaborated with Qubo, an AI platform, to empower its franchisee network by providing robust data analytics and performance tracking of key business metrics enabling operational efficiency and boosting profitability.



to a slow-down in customer demand for travel. However, the expected rise of 1.9% in Average Daily Rate (ADR), alongside a 2.1% increase in RevPAR, indicate potential recovery in revenue performance.

Franchise lodging brands have continued to refine their portfolios to attract a broader customer base, with an increasing focus on extended-stay concepts. From 2021 to 2022, hotel brands saw strong RevPAR growth, followed by a more modest growth in 2023 and 2024. This trend is likely to continue into 2025. For example, Hilton's average RevPAR increased from \$74 in 2021 to \$104 in 2022, an annual growth rate of 40%, which then increased by 11% to \$116 from 2022 to 2023.

Domestic travel remains a significant revenue driver for the industry, accounting for 75% of global travel spending. As international travel gradually recovers from pandemic-related disruptions, the proportion of global travel spending attributed to domestic travel is expected to decline slightly,

returning to its pre-pandemic level of 70%. Despite this trend, international arrivals to the U.S. have yet to fully recover to pre-pandemic levels as of 2024, according to the International Trade Administration of the U.S. Department of Commerce. Conversely, U.S. citizens' departures to international destinations surpassed 2019 levels in both 2023 and 2024. This dynamic of a strong domestic travel market coupled with a gradual rebound in international travel presents growth opportunities for the U.S. lodging industry.

Facing high operating costs in recent years, the lodging sector has increasingly turned to technology to improve efficiency and customer satisfaction

following the pandemic. Innovations such as contactless check-in/check-out have become more widespread. Additionally, competition from platforms like Airbnb may decline in the coming years, with travelers expressing dissatisfaction about rising prices, additional charges (such as cleaning fees), and inconsistent property quality. These issues have led some customers to return to traditional hotels, where brand consistency and service quality remain stronger.

PERSONAL SERVICES

In 2025, FRANData anticipates that personal services will continue to lead franchise expansion, demonstrating the highest year-over-year growth in both the number of establishments and overall output. The number of franchise establishments is projected to grow by 4.3%, reaching 132,000 locations, while output is expected to increase by 7.5%, totaling \$48.7 billion. The sector is also expected to create more than 625,000 jobs in 2025.

This growth is driven by the expansion of established brands, as well as the emergence of new brands catering to niche markets. The beauty industry, particularly the skincare segment, is set to expand further, propelled by a diverse and growing consumer base, including Generation Z (those born between 1996-2010), Generation Alpha (those born between 2010-2024), and an increasing number of male consumers.

While traditional fitness centers face challenges due to rising competition, specialized studios focusing on niche services, such as saunas, cold plunges, mental health therapies, and intravenous vitamin hydration are thriving. The demand for physical therapy also remains high, driven by an aging population and the rising popularity of



sports. Childcare and early childhood education sectors also remain robust, despite ongoing labor shortages.

The outlook for personal services franchising in 2025 remains robust, supported by continued innovation and diversification into emerging niche markets. As consumer preferences shift toward more personalized and specialized services, franchises that effectively adapt to these evolving demands are poised to achieve sustained growth. The expansion of sectors such as wellness, beauty, and specialized fitness highlights the industry's capacity to cater to a diverse and growing customer base. For example, Hello Sugar, a beauty salon brand specializing in waxing, sugaring, and more, has opened a total of 61 locations since it entered the market in 2021. While challenges, including labor shortages, persist in certain areas, the personal services franchise industry is expected to maintain its trajectory of steady expansion, contributing to job creation and economic growth in the coming years.

QUICK SERVICE RESTAURANTS AND TABLE/FULL-SERVICE RESTAURANTS

FRANdata forecasts a 2.2% growth in franchise establishments within the quick service restaurant (QSR) industry in 2025, bringing the total to over 204,000 units. Employment in this sector is expected to grow by 2.6%, surpassing 4 million employees. Additionally, the overall industry output is forecast to rise by 5.4%, increasing from \$305.3 billion in 2024 to \$321.8 billion in 2025.

The franchised table/full-service restaurant sector is anticipated to experience a 2.4% growth in output, reaching approximately \$81.9 billion in 2025. Establishments in this segment are projected to grow by 1.3%, exceeding 34,500 units, and contributing nearly 16,100 additional jobs.

In 2024, persistent inflation and heightened operational costs negatively impacted the franchised QSR and full-service restaurant industries, with same-store sales (SSS) and customer traffic being consistently lower during the first nine months compared to the same period in 2023, as reported by the National Restaurant Association (NRA). Financial distress led to a 50% increase in bankruptcy filings over 2023 levels. In response, QSRs and fast-casual chains engaged in promotional strategies and “value wars” to attract price-sensitive consumers.

Looking ahead to 2025, lower inflation and stabilizing interest rates are expected to enhance consumer confidence and discretionary spending. The resurgence of the return-to-office culture is likely to boost breakfast and lunch sales. Reduced borrowing costs will encourage franchisors to expand their systems by taking advantage of more affordable financing options. Although consumer spending is expected to remain strong, diners are anticipated to become more selective, focusing on the perceived value and personalization of their dining experiences rather than merely seeking discounted prices. QSRs and fast-casual brands offering superior quality-to-price ratios are expected to outperform, maintaining their appeal to cost-



conscious consumers. Conversely, full-service restaurants may diversify their revenue streams through catering services and brand merchandising.

With takeout and digital ordering representing a significant revenue segment, restaurants are expected to adopt company-owned, AI-powered predictive ordering platforms and delivery systems to decrease reliance on costly third-party vendors. The implementation of voice automation in drive-thru ordering and robotic assistance in kitchen operations is anticipated to improve efficiency, reduce labor demands, and enhance service consistency. For instance, Dirty Dough has installed machine-learning cameras that use object detection to track hourly employee counts and customer wait times to enable optimal and streamlined employee staffing.

Sustainability continues to be a priority, with over 70% of consumers considering it an important factor in their dining choices, according to an NRA study. Nutritional and health-focused foods, including plant-based and protein-rich menu options, along with increased transparency in ingredient sourcing and dietary choices, will continue to shape consumer brand preferences. Restaurants investing in eco-friendly practices are likely to benefit from stronger customer loyalty, cost savings through waste reduction, and better supply chain optimization.

Among the top challenges, elevated food prices, which have risen by 29% since 2019 according to the U.S. Department of Agriculture’s Consumer Price Index, and increasing labor costs driven by minimum wage hikes in 21 states, will continue to pressure profit margins.

RETAIL FOOD, PRODUCTS, AND SERVICES

FRANdata projects that franchise retail output will grow by 3.6% to \$144 billion in 2025. The number of franchise retail establishments is expected to grow at 3.5% and exceed 185,000 units. Employment within this industry will also increase by over 41,000 employees, increasing by 3.5%.

The potential outcomes from the proposed tariffs is likely to foster cautious optimism in the 2025 franchise retail market, with a focus on consumer spending, adaptable supply chains, and value-driven purchases over non-essential items. Franchised grocery retailers are likely to benefit from moderated inflationary pressures, while franchised retailers in the home goods sector may experience slower demand due to continued housing market uncertainties. Luxury franchised retailers are projected to see moderate growth following a slowdown in 2024, as consumers remain focused on value-driven purchases. Franchised retailers specializing in resale items, including apparel and toys, are positioned for growth, driven by eco-conscious and value-sensitive consumers favoring sustainable, upcycled second-hand goods.

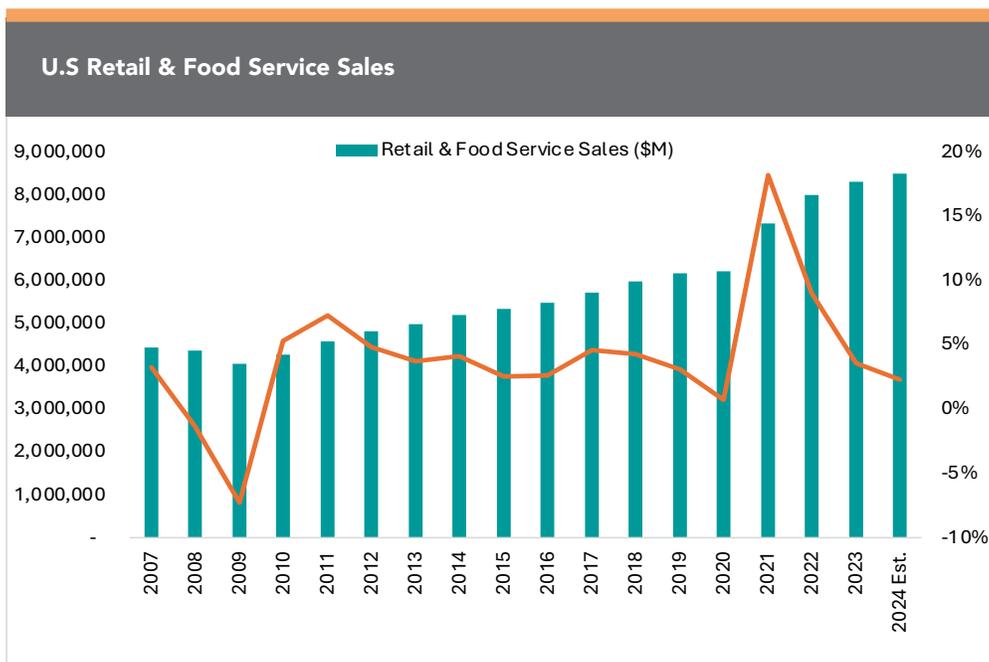
The evolution of experiential shopping is expected to transform franchised retail stores into immersive destinations that blend shopping with



entertainment, education, and social interaction. Technologies such as augmented reality (AR) features, virtual try-ons, interactive displays, and smart mirrors are anticipated to enhance shopper engagement, extending visit durations and increasing spending.

To stay competitive, franchised retailers are expected to advance their omnichannel strategies, creating seamless 'phygital' shopping experiences that integrate physical and digital platforms, such as online reservations and in-store pickups. By leveraging generative and predictive AI for hyper-personalized shopping experiences, franchisees can provide tailored recommendations, enhancing customer loyalty. AI and machine learning are likely to optimize inventory management and sales forecasting, aiding franchisees in supply chain efficiency and shrinkage reduction.

Additionally, increased collaborations and diversification through cross-industry franchising is anticipated to bolster mutual sales performance and enhance financial stability within the retail sector.



REAL ESTATE

FRANdata projects real estate franchise establishments to reach approximately 69,700 units after growing at a moderate rate of 0.7%. Employment in this sector is expected to increase by 1.3%, adding 3,600 jobs. Output from the real estate sector is forecast to increase by 3%, reaching \$66.1 billion.

In 2024, high mortgage rates (averaging 6.72%), deterred home sellers, who were reluctant to sell due to being “locked in” at comparatively lower 30-year fixed mortgage rates below 4%. The low supply of existing homes drove up home prices, creating affordability challenges for potential home buyers and leading to slow growth for franchised businesses serving the residential housing market.

Mortgage rates are predicted by Fannie Mae to remain elevated above 6% in 2025. While the interest rates are expected to decline marginally from the 2024 levels, activity in the residential housing market is likely to improve as buyers and sellers get tired of waiting for better economic conditions. More repeat home buyers are opting to leverage their appreciated home equity and stock market gains to pay in cash rather than



take out loans at higher rates. Consequently, existing home sales are expected to increase at an annualized rate of 9%, according to the National Association of Realtors (NAR). Additionally, the increased availability of newly constructed homes is likely to stabilize home price growth and improve affordability. These favorable conditions indicate a slow yet steady recovery for franchised brokerages and franchised home inspection services in the coming year.

Additionally, the increased supply of newly constructed rental properties, particularly in the Sun Belt regions, has led to improved rental affordability and a slower pace of rental growth in 2024 compared to 2022 and 2023. These favorable trends are expected to continue, attracting more renters and increasing rental property occupancy rates in 2025, thereby boosting growth for franchised property management, leasing, and maintenance services.

CONCLUSION

With the anticipated economic landscape in 2025, franchising is expected to continue its strong growth trajectory, driven by favorable economic conditions, technological advancements, and sustained consumer spending. Franchise employment and output are set to outpace the growth recorded in 2024, and interest rate cuts will provide a solid foundation for the expansion of establishments, with service-oriented industries driving much of this growth. Key sectors, including personal services, retail food products, and commercial and residential services, are projected to experience the most significant expansion, fueled by heightened consumer demand and the emergence of specialized niche markets within personal services.

Moderate growth is projected for the quick-service restaurant (QSR) and table/full-service dining industries, driven in part by the increasing implementation of back-to-office policies. In contrast, the business services and lodging sectors are expected to experience more restrained growth as they continue to address labor shortages and rising operational costs by leveraging advanced technologies to enhance efficiency and improve customer satisfaction.

Although challenges related to labor availability and operational expenses persist, they are less pronounced than during the immediate post-pandemic recovery period. Ongoing advancements in artificial intelligence and other technological innovations are expected to play an increasingly critical role in optimizing operational efficiency and managing costs, thereby reinforcing the resilience and adaptability of the franchising sector in an evolving economic environment.

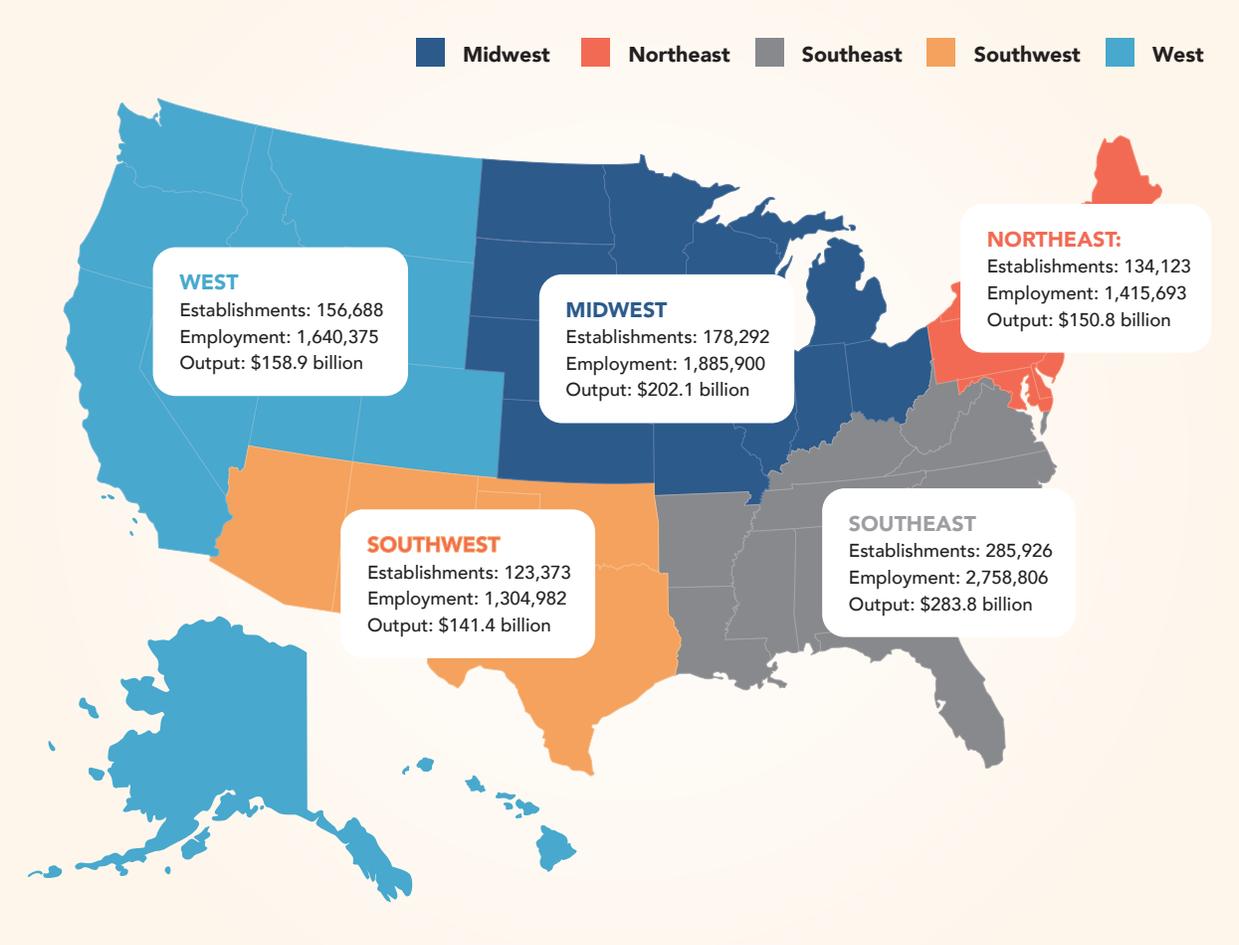
STATE FRANCHISE OUTLOOK

Franchising Follows the Population Growth

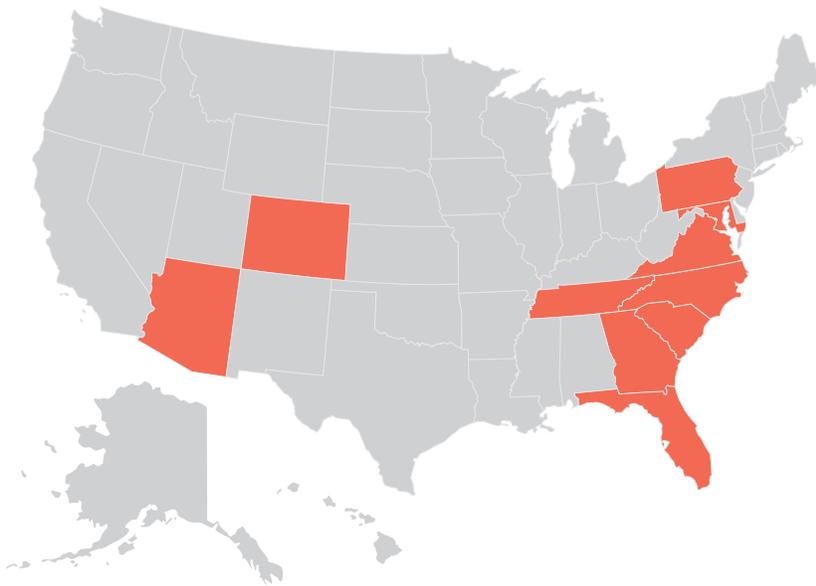
In 2025, FRANdata projects the Southeast will maintain its position as the leading region for franchised businesses in the United States. Currently accounting for over 30% of all U.S. franchised businesses, this share is expected to increase due to the region’s business-friendly policies and ongoing migration, leading the Southeast to experience the highest rate of franchise growth in 2025. Franchise establishments in the Southeast are projected to rise to 259,000, representing a 4.1% increase, which surpasses the overall U.S. growth projection of 2.5%. Employment in the region is forecast to grow by 4.5%, reaching

2.8 million employees, while output is expected to increase by 6.2%, generating \$283.8 billion. The Southwest region follows next in growth in 2025, continuing trends observed in 2024. The number of franchise establishments in the Southwest is projected to grow by 2.3%, reaching 123,000 units. Employment in franchising is expected to increase by 2.2%, employing 1.3 million individuals. Moreover, the region is anticipated to experience the highest output growth rate, increasing by 8.5% and generating \$141.4 billion in franchise revenue.

2025 Franchising Outlook by Region



Top 10 States for Franchise Growth



1. Georgia
2. North Carolina
3. Virginia
4. Arizona
5. South Carolina
6. Pennsylvania
7. Tennessee
8. Florida
9. Colorado
10. Maryland

Economic growth varies across states, influenced by factors such as the business environment, migration trends, infrastructure, and the concentration of local industries. Based on projected establishment growth and total franchised units, FRANdata identifies the **top 10 states for franchise growth in 2025 as Georgia, North Carolina, Virginia, Arizona, South Carolina, Pennsylvania, Tennessee, Florida, Colorado, and Maryland.** Notably, eight of these top-performing states are located in the southeast and southwest regions, reflecting the growth forecast for these areas.

Georgia is projected to be the leading state for franchising in 2025. The state's business-friendly environment and economic and workforce development initiatives have positioned Georgia for robust industry growth in the coming years. In 2025, Georgia is anticipated to make significant investments in infrastructure and education, as well as develop resource plans to assist incoming industries and support economic development. Tax reforms have also been proposed to accelerate state income tax cuts. These combined efforts are expected to create a strong foundation for business expansion and will support franchise establishment growth. In 2025, franchise establishments are forecast to grow at a rate of 6.7% to 34,156 units.

Additionally, the state has experienced consistent population growth over the past few decades and is estimated to now exceed 11.1 million as of 2024, representing a 4.7% increase since 2020. This steady growth is attributed to factors such as a favorable business environment, economic opportunities, and migration patterns. In 2025, franchising employment and output are expected to grow at a rate of 6.1% and 8.1%, respectively, employing 361,000 people and generating \$37.4 billion in franchise revenue.

North Carolina is forecast to be the second fastest-growing state for franchising in 2025, driven by its favorable pro-business environment and robust population growth. The state offers attractive policies, tax incentives, and a streamlined regulatory framework that encourages business investment. In 2024, North Carolina's population grew by 165,000 people, the fourth-largest gain in the nation, following Texas, Florida, and California. This growth provides franchised businesses with both a large customer base and access to a diverse, skilled workforce. In 2025, franchise establishments are expected to increase by 4.5% to 32,395 units. Employment is projected to increase by 4.5% to 342,660 people, and output will increase by 5%, generating \$35.6 billion in franchise revenue.

Franchise Establishments (in thousands)					
State	Region	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (24-25)
Georgia	Southeast	31.1	32.0	34.2	3.3%
North Carolina	Southeast	29.1	31.0	32.4	5.5%
Virginia	Southeast	23.4	24.1	25.5	2.7%
Arizona	Southwest	18.5	19.1	20.4	2.6%
South Carolina	Southeast	15.9	17.3	18.5	2.7%
Pennsylvania	Northeast	28.4	29.4	30.3	2.2%
Tennessee	Southeast	20.1	20.9	21.7	3.2%
Florida	Southeast	62.0	64.8	66.4	2.4%
Colorado	West	17.9	18.4	18.9	2.5%
Maryland	Northeast	15.1	15.8	16.4	2.4%

In 2025, certain states are expected to encounter challenges in franchise growth due to various economic and regulatory factors. States such as Illinois and New York are forecast to experience a growth rate of -2.4%, and -1.2% in franchise establishments, respectively. These negative growth rates can be attributed to stringent state-level policies, such as high taxes, extensive labor regulations, and rising operational costs. Since 2020, many states have passed legislation aimed at increasing the minimum wage. Both Illinois and New York are among the 21 states set to raise their minimum wages in 2025, which will increase

to \$15.00/hour and \$16.00/hour, representing an increase of 33.3%, and an additional 9.4%, since 2020. While higher wages can enhance disposable income for workers, potentially boosting consumer spending and benefiting local businesses, they also lead to higher operational costs for franchises, particularly those in labor-intensive industries such as QSR and retail food, products, and services. Furthermore, these increased costs could be passed on to consumers, potentially affecting price-sensitive demand and leading to slower growth in sectors where affordability is a key factor.

THE 2025 MACROECONOMIC SITUATION

INTRODUCTION

In 2024, the U.S. economy exceeded expectations despite concerns about a mild recession. Real GDP grew at an annual rate of 2.7% in Q3 2024, a slight decrease from 3% in Q2 2024, and a 50-basis point decline from Q3 2023. This growth was largely driven by robust consumer spending. However, the unemployment rate rose marginally from 3.8% in December 2023 to 4.1% in December 2024.

To address inflation, the Federal Reserve maintained an interest rate of 5.3% for most of the year and introduced three rate cuts in Q4 2024, lowering the rate to 4.3% by year-end. Although the inflation rate did not meet the Federal Reserve's 2% target, it gradually decreased from 3.3% in December 2023 to 2.7% in November 2024. These indicators suggest the U.S. economy has achieved a "soft landing" after experiencing a period of elevated inflation.

Looking ahead to 2025, the economy is forecast to continue its growth trajectory, contingent upon the sustained strength of two factors: the labor market and consumer spending. The current unemployment rate remains at a healthy level while several challenges persist. Job hires have been declining since 2023, as businesses prioritize efficiency over workforce expansion. This shift is likely to impact lower-skilled workers, as automation and new technologies increasingly assume routine tasks. Additionally, an aging population and a stubbornly low labor participation rate raise concerns about the long-term availability of workers to fill vacancies.

Franchising will need to adapt to these evolving economic conditions. High-income consumers are expected to be key in sustaining and driving overall demand in 2025. This group is less affected by inflation or elevated prices, providing a stable and optimistic foundation for 2025 forecasts. Rising wages, strong disposable income, and accessible credit will support consumer spending throughout the year. Low delinquency rates, a healthy debt-to-disposable income ratio, and increased savings further strengthen economists' projections of continued economic stability, with no immediate indications of a downturn.

However, franchising will likely face external pressures in 2025, including potential for tariffs and geopolitical tensions, which could pose challenges for supply chains. While these disruptions are expected to be less severe than those caused by the COVID-19 pandemic, franchisees will still need to prioritize risk management strategies when it comes to navigating supply chain uncertainties. Embracing technologies such as machine learning to analyze costs and optimize operations will be essential for maintaining growth and adapting to these ongoing challenges.

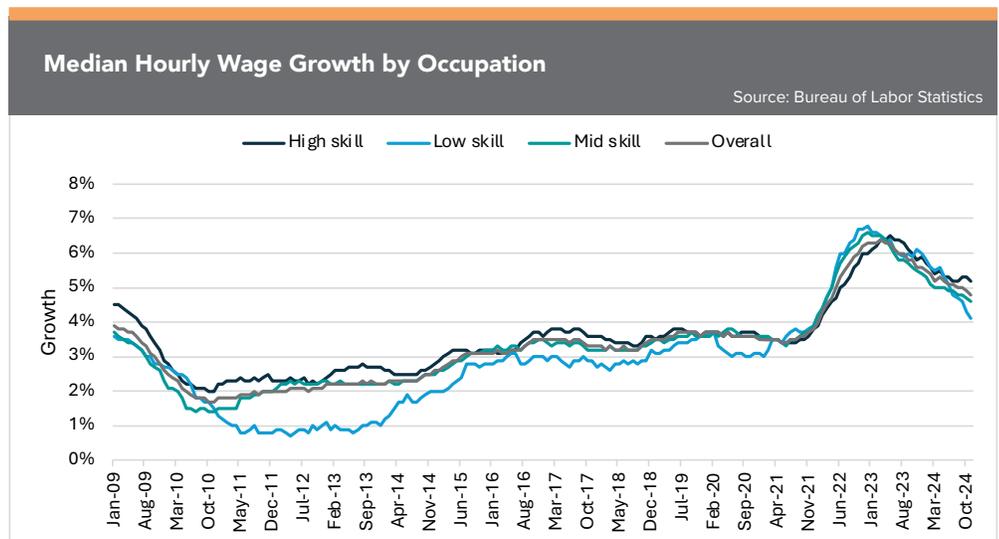
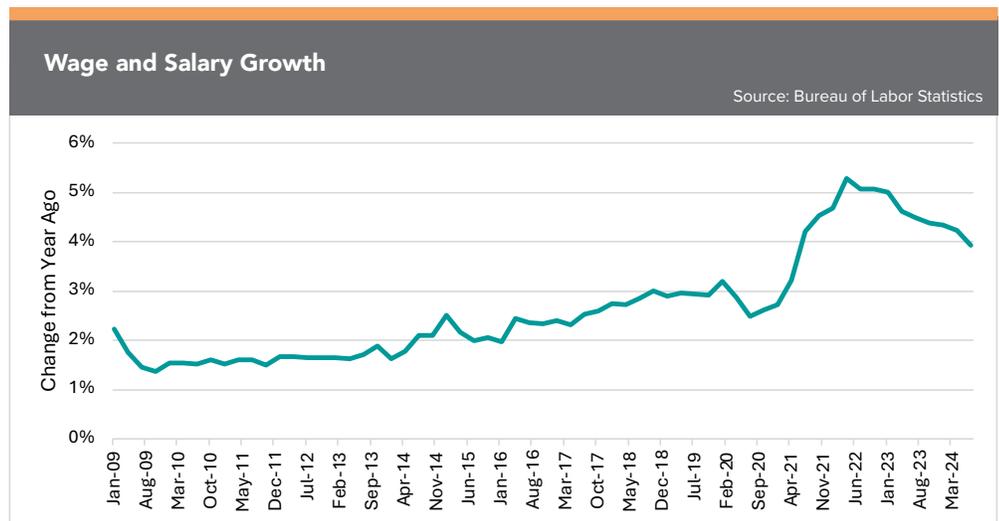
EMPLOYMENT AND WAGES

The labor market is showing signs of stabilization after experiencing a significant gap between job openings and labor force participation in 2022-2023. By 2025, job seekers may face longer timelines in securing suitable positions, while employers are likely to experience less difficulty filling vacancies compared to early 2024, as wage growth has stabilized. This improvement, however, is not uniform across industries and varies depending on sector-specific dynamics. The healthcare sector, particularly in nursing and specialized care roles, continues to experience persistent labor shortages, while hiring difficulties in the retail and hospitality industries have eased. The widespread adoption of AI has improved productivity, but its impact is still limited. Sectors like technology and software development have seen higher adoption rates, while industries such as manufacturing and logistics have been slower to incorporate these innovations.

A key long-term concern is the labor supply, driven by an aging population and a persistently low unemployment-to-job-opening ratio. As of November 2024, this ratio stands at 0.9, showing improvement from 0.5 in 2022, but available labor still cannot fully meet demand. The labor participation rate has remained steady at 62.5% in 2024, indicating that the current labor supply may be nearing its limit. While this may not present immediate challenges, it raises concerns about sustaining workforce availability in the long term.

Wage growth has slowed, with wages and salaries rising by 3.9% in Q3 2024, compared to 4.5% during the same period in 2023. This reflects a cooling labor market, although employers hiring for lower-wage positions may still need to offer above-minimum wages to attract qualified workers. Labor market competitiveness continues to vary by sector, with employers increasingly prioritizing skills over degrees to address labor shortages.

Additionally, the growing trend of companies requiring employees to return to the office, including full-time attendance in some cases, may influence employee retention and voluntary quits. This shift in work arrangements could further impact the labor market dynamics and employer-employee relationships in the coming years.



CONSUMER SPENDING AND CONFIDENCE

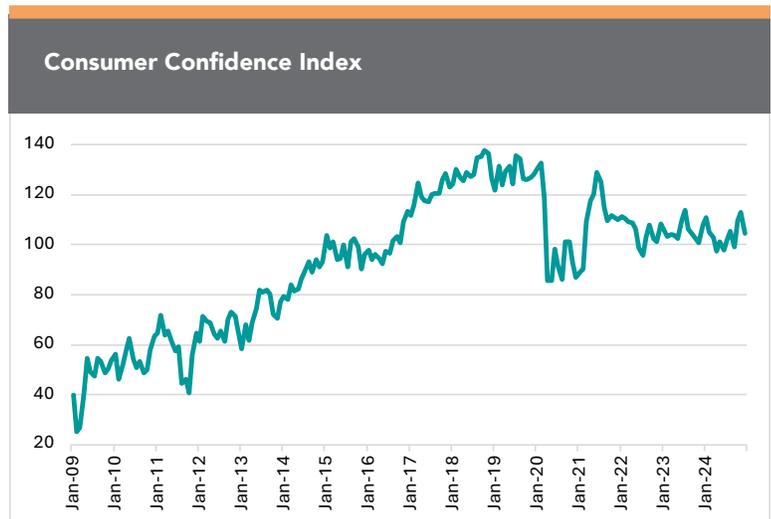
Consumer spending remains a crucial driver of the U.S. economy, contributing significantly to GDP growth. In Q3 2024, personal consumption expenditure accounted for 68.9% of real GDP, continuing a trend where it has consistently exceeded 65% since 2000. This spending contributed 1.7% to the overall 2.9% real GDP growth.

A robust job market underpins strong consumer spending, with the unemployment rate at 4.2% and wage growth at 3.9% by the end of 2024. This positive trend is expected to continue into 2025, supporting sustained consumer expenditure. Continued income growth has helped alleviate some inflation concerns, particularly for higher-income consumers.

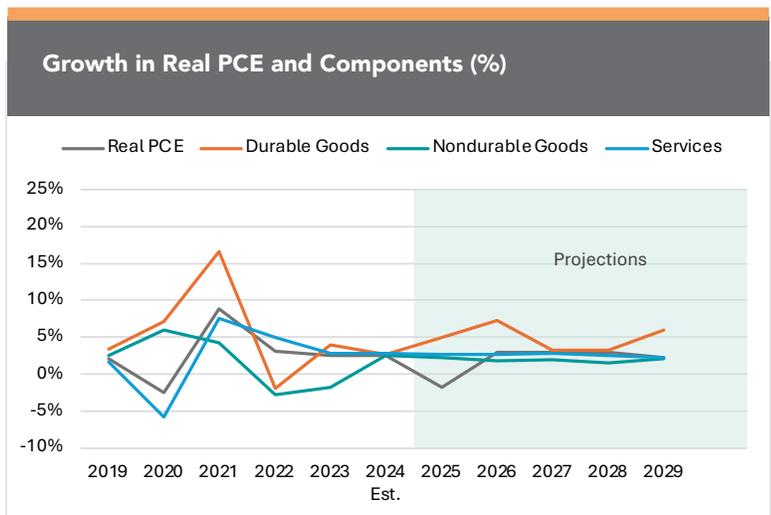
Despite overall positive trends, lower-income populations still face challenges due to high prices for goods and services. Eric Freedman, Chief Investment Officer at U.S. Bank Asset Management, points out that housing and transportation costs constitute significant portions of these households' budgets. In response to inflationary pressures, even higher-income consumers are increasingly turning to discount brands to manage expenses.

While inflation has influenced consumers' quality of life and spending habits, it hasn't completely deterred spending as consumer spending is increasingly reliant on debt. Credit card debt surpassed \$1 trillion in July 2023 and reached \$1.1 trillion in 2024, a 5% year-over-year increase. The credit card loan delinquency rate, though rising since 2022, remains below historical levels at 3.2% in 2024. Debt service payments as a percentage of disposable personal income remain healthy at 11.3% in Q3 2024, below the 2014-2020 average. The savings rate has gradually increased from a decade-low of 2% in 2022 to 4.4% in 2024.

These trends suggest that consumers are generally managing their debts well, supporting their spending potential for the coming year. Consumer spending patterns are affecting different sectors variably. Franchised businesses, especially in retail operations, are not significantly challenged by current consumer spending trends. However, non-essential service providers, particularly those catering to lower- and middle-income customers, face growing pressure to adopt effective pricing strategies that balance affordability with profitability.



Source: The Conference Board

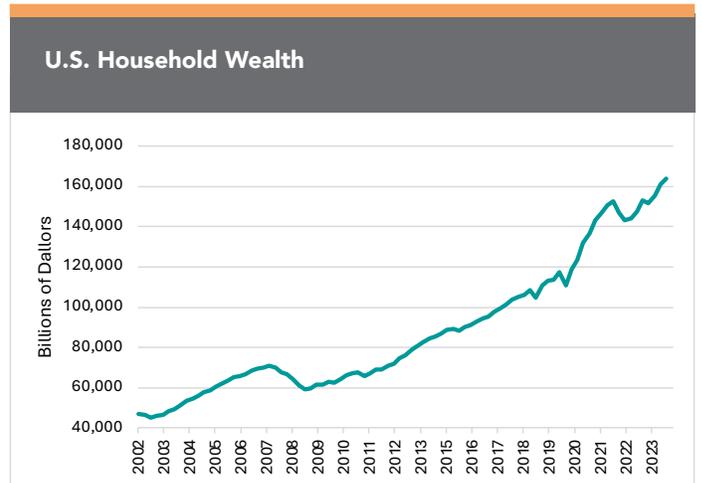


Source: U.S. Bureau of Economic Analysis & FRANData Projections

HOUSEHOLD WEALTH

Household wealth in the United States for 2025 highlights opportunities for growth as well as ongoing challenges. Total household net worth is projected to approach \$120 trillion, reflecting ongoing economic recovery and strategic asset accumulation across various demographic segments. This growth is expected to be driven primarily by financial assets, which are anticipated to reach \$64 trillion, outpacing the growth of non-financial assets such as real estate, which may approach \$77 trillion.

Despite this overall positive trend, the distribution of wealth across generations and demographic groups is evolving. Baby Boomers are expected to maintain the largest share of national wealth, though their proportion is likely to decline. Meanwhile, Generation X is projected to experience significant wealth appreciation, followed by millennials. The composition of household wealth continues to shift, with younger generations gradually increasing their economic foothold, though substantial disparities in asset ownership and accumulation persist.



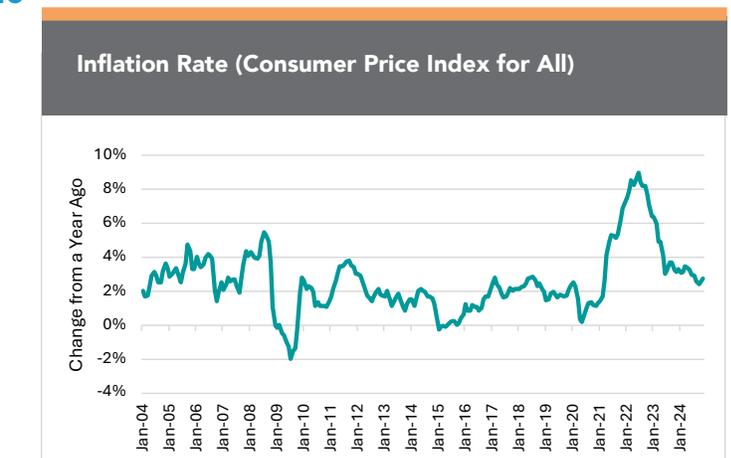
Source: Board of Governors of the Federal Reserve System (US)

The trajectory of household wealth in 2025 will be influenced by various economic factors, including mortgage rates, labor market conditions, and policy developments. While younger Americans have shown remarkable wealth growth since the pre-pandemic period, supported by a strong job market and wage growth, challenges remain. Student loan debt continues to be a significant burden, particularly for younger demographic groups. Additionally, economic uncertainties and potential market fluctuations could impact these projections.

INTEREST RATES AND SMALL BUSINESS LENDING

The Federal Reserve began reducing the federal funds effective rate (interest rates) in September 2024 after maintaining high interest rates for three quarters. After three consecutive cuts, the interest rate reached 4.3% by December 2024. During the Great Recession, when interest rates exceeded 5%, it took approximately two years for rates to decrease to lower levels. A similar trajectory is anticipated for current interest rates. While a sharp decline is not expected in 2025, interest rates are projected to gradually decrease to a range of 3% to 4%.

In 2025, further reductions in interest rates are expected to alleviate some of the lending pressures faced by franchisors and franchisees. As of September 2024, SBA loan approvals totaled approximately \$23 billion. The average loan amount has been declining since interest rates began rising in 2021, with the 2024 average loan amount at \$462,000—an 11.5% decrease from the 2023



Source: Bureau of Labor Statistics

average. The number of loans issued has gradually recovered since reaching a decade-low in 2020. With roughly 53,220 loans issued in 2023, the number of loans in 2024 is expected to surpass this figure, based on performance through the first nine months of the year and the recent interest rate cuts.

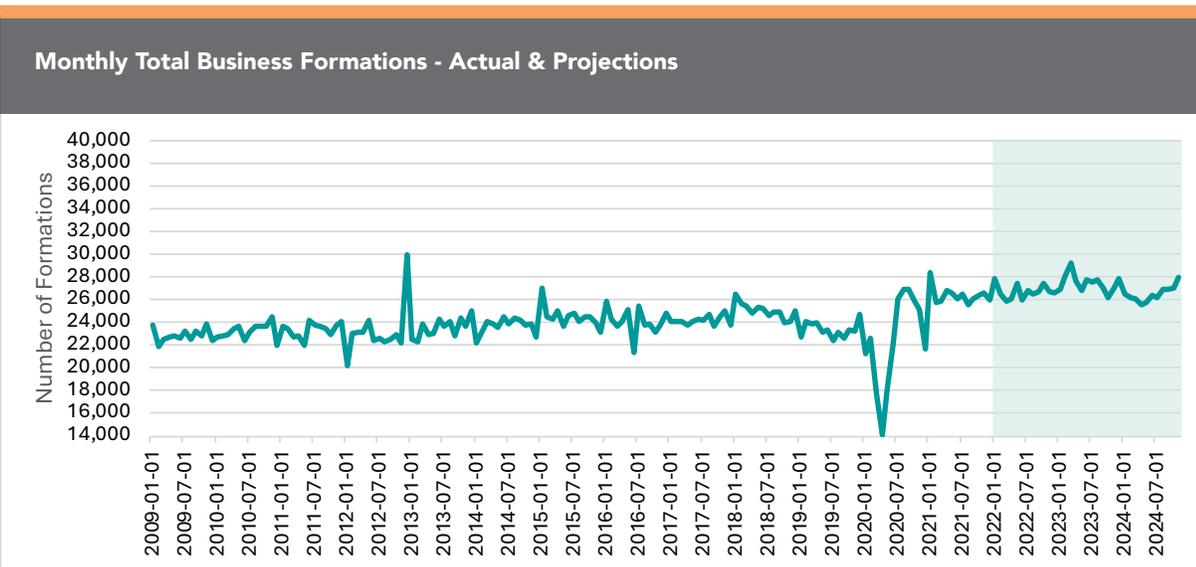
BUSINESS INVESTMENT AND SMALL BUSINESS OPTIMISM INDEX

In November 2024, the total monthly number of business formations reached approximately 28,000, reflecting a 3.5% year-over-year increase. According to the U.S. Department of the Treasury, entrepreneurship continues to thrive, with new business applications averaging 430,000 per month in 2024, approximately 50% higher than in 2019. At the same time, self-employment has become more diverse: 43% of self-employed Americans are women, and the proportion of self-employed individuals from minority groups is approaching an all-time high.

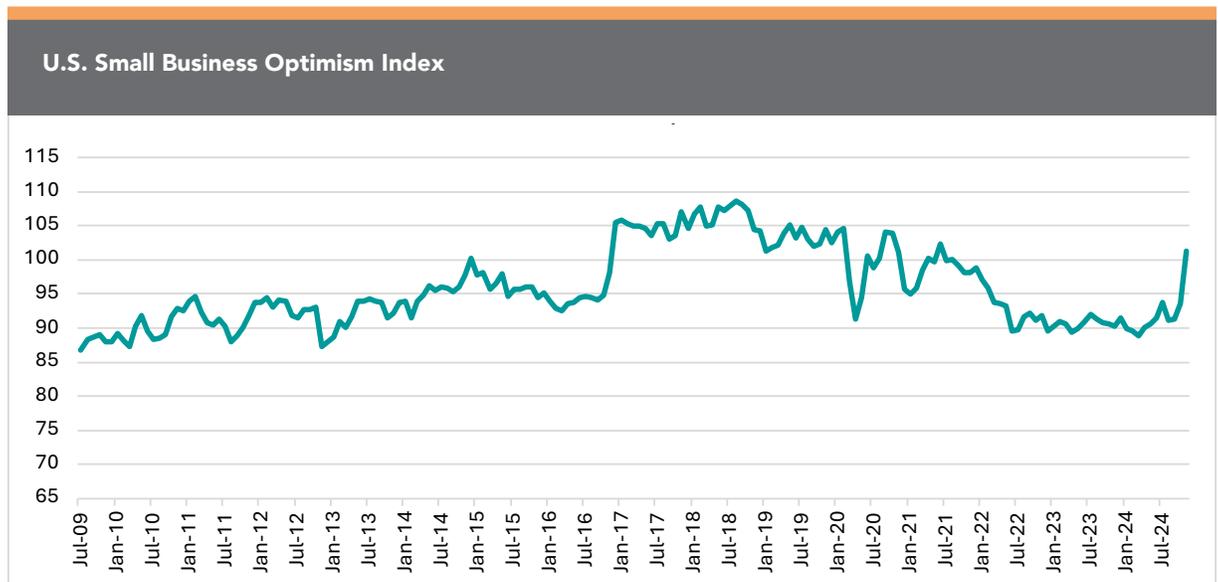
Small businesses have played a pivotal role in the post-COVID-19 economy, accounting for over 70% of

net new jobs since 2019. Additionally, in November 2024, the Small Business Optimism Index rose to 101.3, a 12% increase from the previous year, signaling strong confidence among small business owners in the current economic climate.

Looking ahead to 2025, business formations are expected to continue their upward trajectory, albeit at a slower pace. Lower interest rates compared to early 2024 and a vibrant small business lending market are two key factors driving growth. However, concerns about labor supply persist, which could present challenges to business formations and lead to slower growth.



Source: U.S. Census Bureau



Source: The National Federation of Independent Business (NFIB)

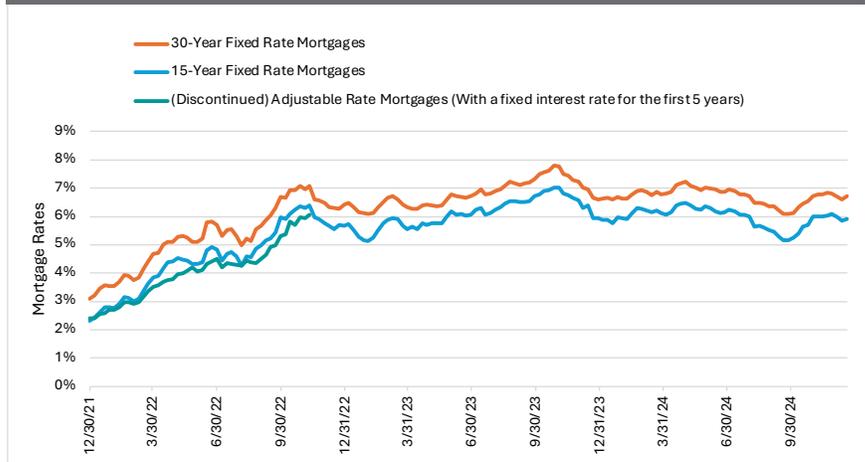
U.S. HOUSING MARKET

The outlook for the U.S. housing market in 2025 presents a complex picture of moderate growth and persistent challenges. Home prices are expected to continue rising, albeit at a slower pace than in previous years. Projections from various sources suggest price appreciation ranging from 2% to 5% nationally, with variations across different regions.

Mortgage rates are anticipated to stabilize in the high 6% range, with some experts predicting a possible slight dip to 6.5%. However, rates are unlikely to fall significantly, which may disappoint potential buyers hoping for more affordable financing options. This stabilization in rates, combined with a gradual increase in housing inventory, is expected to lead to a modest uptick in home sales compared to 2024, though still below historical averages.

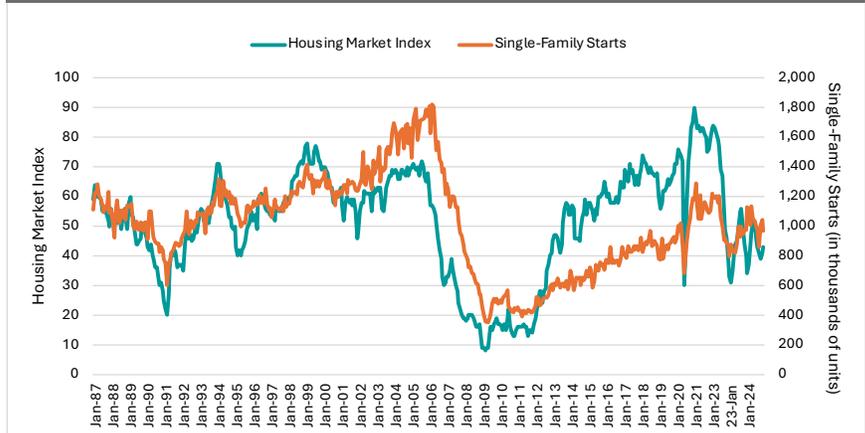
The market is likely to remain challenging for buyers due to continued affordability issues and the persistent “lock-in effect,” where current homeowners are reluctant to sell and lose their lower mortgage rates. First-time buyers are expected to drive much of the market activity, but they will face competition in many areas as demand outpaces supply. While new construction is increasing, it remains insufficient to fully address the housing shortage. The industry may also face headwinds when it comes to its labor supply due to potential changes in immigration policies. The construction sector relies heavily on migrant labor, which comprise approximately 30% of the total workforce of 8.3 million. Overall, the 2025 housing market is forecast to show signs of improvement from 2024, but it will continue to present obstacles, moderately contributing to the growth of franchises in the commercial and residential and real estate sectors.

U.S. Weekly Average Mortgage Rates as of 12/29/2023



Source: Freddie Mac

NAHB/Wells Fargo Housing Market Index (HMI) and Single Family Housing Starts



Source: National Association of Home Builders (NAHB)

APPENDIX | Franchise Establishments

STATE	2022	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (22-23)	Growth Rate (23-24)	Growth Rate (24-25)
Alabama	13,192	13,146	13,365	13,874	-0.4%	1.7%	3.8%
Alaska	1,199	1,251	1,235	1,239	4.3%	-1.2%	0.3%
Arizona	17,601	18,531	19,060	20,434	5.3%	2.9%	7.2%
Arkansas	8,062	8,041	8,152	8,310	-0.3%	1.4%	1.9%
California	74,488	80,544	76,585	77,628	8.1%	-4.9%	1.4%
Colorado	17,287	17,888	18,377	18,900	3.5%	2.7%	2.8%
Connecticut	8,005	8,083	8,114	8,300	1.0%	0.4%	2.3%
Delaware	2,571	2,634	2,778	2,913	2.5%	5.4%	4.9%
District of Columbia	1,203	1,177	1,262	1,303	-2.1%	7.2%	3.2%
Florida	59,780	61,995	64,808	66,409	3.7%	4.5%	2.5%
Georgia	30,577	31,116	32,004	34,156	1.8%	2.9%	6.7%
Hawaii	2,791	2,790	2,632	2,487	0.0%	-5.7%	-5.5%
Idaho	4,599	4,777	4,927	5,063	3.9%	3.1%	2.8%
Illinois	28,837	29,030	29,019	28,327	0.7%	0.0%	-2.4%
Indiana	17,341	17,641	18,279	18,731	1.7%	3.6%	2.5%
Iowa	8,207	8,352	8,288	8,239	1.8%	-0.8%	-0.6%
Kansas	8,194	8,315	8,456	8,565	1.5%	1.7%	1.3%
Kentucky	11,299	11,529	12,463	12,771	2.0%	8.1%	2.5%
Louisiana	11,713	11,490	12,463	12,771	-1.9%	8.5%	2.5%
Maine	2,402	2,613	2,924	3,306	8.8%	11.9%	13.1%
Maryland	15,109	15,119	15,799	16,388	0.1%	4.5%	3.7%
Massachusetts	12,698	13,093	13,363	13,666	3.1%	2.1%	2.3%
Michigan	22,988	23,765	24,095	24,691	3.4%	1.4%	2.5%
Minnesota	14,309	14,165	14,203	14,144	-1.0%	0.3%	-0.4%
Mississippi	7,244	7,049	7,259	7,310	-2.7%	3.0%	0.7%
Missouri	15,834	15,768	16,618	17,028	-0.4%	5.4%	2.5%
Montana	3,069	3,067	3,075	3,069	-0.1%	0.3%	-0.2%
Nebraska	6,182	6,338	6,647	6,811	2.5%	4.9%	2.5%
Nevada	7,908	8,946	9,193	9,632	13.1%	2.8%	4.8%
New Hampshire	3,260	3,457	3,523	3,661	6.1%	1.9%	3.9%
New Jersey	21,199	21,480	21,576	21,889	1.3%	0.4%	1.5%
New Mexico	4,847	4,910	4,970	5,042	1.3%	1.2%	1.4%
New York	29,945	30,327	30,617	30,254	1.3%	1.0%	-1.2%
North Carolina	28,791	29,068	30,998	32,395	1.0%	6.6%	4.5%
North Dakota	2,448	2,213	2,125	2,152	-9.6%	-4.0%	1.3%
Ohio	28,823	29,866	30,157	30,650	3.6%	1.0%	1.6%
Oklahoma	10,461	10,549	10,818	11,054	0.8%	2.6%	2.2%
Oregon	9,478	9,847	9,854	10,217	3.9%	0.1%	3.7%
Pennsylvania	27,959	28,383	29,365	30,313	1.5%	3.5%	3.2%
Rhode Island	2,257	2,247	2,207	2,215	-0.4%	-1.8%	0.4%
South Carolina	15,700	15,888	17,279	18,484	1.2%	8.8%	7.0%
South Dakota	2,852	2,725	2,771	2,777	-4.5%	1.7%	0.2%
Tennessee	19,617	20,113	20,939	21,744	2.5%	4.1%	3.8%
Texas	77,006	80,780	85,773	86,843	4.9%	6.2%	1.2%
Utah	8,728	9,436	9,806	10,265	8.1%	3.9%	4.7%
Vermont	1,097	1,143	1,171	1,218	4.2%	2.5%	4.0%
Virginia	23,188	23,409	24,095	25,542	1.0%	2.9%	6.0%
Washington	15,815	16,639	16,038	16,426	5.2%	-3.6%	2.4%
West Virginia	3,632	3,643	3,754	3,857	0.3%	3.1%	2.7%
Wisconsin	15,001	15,070	15,787	16,177	0.5%	4.8%	2.5%
Wyoming	1,887	1,802	1,809	1,761	-4.5%	0.4%	-2.7%
Total	788,683	811,247	830,876	851,402	2.9%	2.4%	2.5%

APPENDIX | Franchise Employment

STATE	2022	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (22-23)	Growth Rate (23-24)	Growth Rate (24-25)
Alabama	135,573	139,411	141,430	146,753	2.8%	1.4%	3.8%
Alaska	9,643	10,265	11,071	11,110	6.4%	7.9%	0.4%
Arizona	186,702	196,521	202,697	216,138	5.3%	3.1%	6.6%
Arkansas	81,980	85,274	86,265	87,900	4.0%	1.2%	1.9%
California	822,040	854,180	812,431	816,115	3.9%	-4.9%	0.5%
Colorado	167,530	189,706	194,466	199,914	13.2%	2.5%	2.8%
Connecticut	94,487	85,726	85,863	87,794	-9.3%	0.2%	2.2%
Delaware	27,950	28,050	28,392	28,812	0.4%	1.2%	1.5%
District of Columbia	13,062	12,482	13,355	13,783	-4.4%	7.0%	3.2%
Florida	656,111	657,468	687,814	702,449	0.2%	4.6%	2.1%
Georgia	319,435	333,986	340,670	361,287	4.6%	2.0%	6.1%
Hawaii	32,470	29,589	27,851	26,310	-8.9%	-5.9%	-5.5%
Idaho	44,672	46,660	48,141	49,559	4.4%	3.2%	2.9%
Illinois	326,651	307,872	307,082	299,633	-5.7%	-0.3%	-2.4%
Indiana	199,629	187,081	193,433	198,127	-6.3%	3.4%	2.4%
Iowa	79,459	88,577	87,708	87,151	11.5%	-1.0%	-0.6%
Kansas	80,485	88,177	89,479	90,592	9.6%	1.5%	1.2%
Kentucky	120,641	122,269	131,886	135,086	1.3%	7.9%	2.4%
Louisiana	119,601	121,852	131,886	135,086	1.9%	8.2%	2.4%
Maine	25,016	27,712	30,942	33,969	10.8%	11.7%	9.8%
Maryland	159,086	160,342	167,186	173,346	0.8%	4.3%	3.7%
Massachusetts	133,457	138,854	141,409	144,553	4.0%	1.8%	2.2%
Michigan	244,694	252,031	254,980	261,167	3.0%	1.2%	2.4%
Minnesota	144,608	150,224	150,299	149,613	3.9%	0.0%	-0.5%
Mississippi	71,336	74,756	76,814	77,317	4.8%	2.8%	0.7%
Missouri	168,229	167,227	175,848	180,115	-0.6%	5.2%	2.4%
Montana	25,220	26,527	27,542	28,460	5.2%	3.8%	3.3%
Nebraska	65,590	67,211	70,339	72,046	2.5%	4.7%	2.4%
Nevada	95,558	94,870	97,281	101,882	-0.7%	2.5%	4.7%
New Hampshire	34,633	36,665	37,281	38,724	5.9%	1.7%	3.9%
New Jersey	213,724	227,796	228,320	231,532	6.6%	0.2%	1.4%
New Mexico	49,833	52,068	52,593	53,328	4.5%	1.0%	1.4%
New York	315,784	321,624	323,988	320,014	1.8%	0.7%	-1.2%
North Carolina	311,705	312,272	328,024	342,660	0.2%	5.0%	4.5%
North Dakota	27,543	26,470	25,487	22,768	-3.9%	-3.7%	-10.7%
Ohio	339,891	316,738	319,123	324,207	-6.8%	0.8%	1.6%
Oklahoma	108,488	111,873	114,477	116,929	3.1%	2.3%	2.1%
Oregon	100,531	104,432	104,273	108,069	3.9%	-0.2%	3.6%
Pennsylvania	285,346	301,005	310,741	320,635	5.5%	3.2%	3.2%
Rhode Island	22,648	23,835	23,355	23,429	5.2%	-2.0%	0.3%
South Carolina	166,604	168,496	182,851	215,514	1.1%	8.5%	17.9%
South Dakota	27,435	28,894	29,325	29,372	5.3%	1.5%	0.2%
Tennessee	226,683	213,297	221,574	230,001	-5.9%	3.9%	3.8%
Texas	792,026	856,683	907,659	918,587	8.2%	6.0%	1.2%
Utah	95,377	100,068	103,771	106,583	4.9%	3.7%	2.7%
Vermont	12,067	12,117	12,396	12,884	0.4%	2.3%	3.9%
Virginia	248,929	250,146	256,980	270,173	0.5%	2.7%	5.1%
Washington	175,938	176,458	169,716	173,743	0.3%	-3.8%	2.4%
West Virginia	38,274	38,630	39,725	40,798	0.9%	2.8%	2.7%
Wisconsin	157,273	159,821	167,056	171,109	1.6%	4.5%	2.4%
Wyoming	20,151	19,106	19,145	18,630	-5.2%	0.2%	-2.7%
Total	8,421,798	8,603,394	8,792,423	9,005,757	2.2%	2.2%	2.4%

APPENDIX | Franchise Output (in million \$)

STATE	2022	2023	2024 (Est.)	2025 (Proj.)	Growth Rate (22-23)	Growth Rate (23-24)	Growth Rate (24-25)
Alabama	13,450	14,406	15,536	16,852	7.1%	7.8%	8.5%
Alaska	1,091	1,174	1,255	1,439	7.5%	6.9%	14.7%
Arizona	18,274	19,411	20,109	22,641	6.2%	3.6%	12.6%
Arkansas	7,822	8,815	8,972	9,851	12.7%	1.8%	9.8%
California	75,897	79,343	76,068	72,034	4.5%	-4.1%	-5.3%
Colorado	16,436	19,073	19,584	21,372	16.0%	2.7%	9.1%
Connecticut	11,474	8,581	8,862	9,066	-25.2%	3.3%	2.3%
Delaware	3,186	2,824	3,213	3,311	-11.4%	13.8%	3.0%
District of Columbia	1,270	1,264	1,487	1,596	-0.4%	17.6%	7.4%
Florida	63,338	65,932	69,143	73,024	4.1%	4.9%	5.6%
Georgia	30,662	33,593	34,601	37,421	9.6%	3.0%	8.1%
Hawaii	5,707	2,975	2,812	1,996	-47.9%	-5.5%	-29.0%
Idaho	5,035	5,192	5,240	5,831	3.1%	0.9%	11.3%
Illinois	35,028	35,819	35,415	35,002	2.3%	-1.1%	-1.2%
Indiana	16,623	19,131	19,593	22,481	15.1%	2.4%	14.7%
Iowa	7,008	8,928	9,895	10,094	27.4%	10.8%	2.0%
Kansas	7,079	8,954	9,046	10,393	26.5%	1.0%	14.9%
Kentucky	10,357	12,301	13,526	14,463	18.8%	10.0%	6.9%
Louisiana	11,150	12,627	12,995	13,839	13.3%	2.9%	6.5%
Maine	2,178	2,573	2,596	2,783	18.1%	0.9%	7.2%
Maryland	17,870	16,331	17,256	18,098	-8.6%	5.7%	4.9%
Massachusetts	13,533	13,665	14,774	14,850	1.0%	8.1%	0.5%
Michigan	20,667	22,911	25,106	26,155	10.9%	9.6%	4.2%
Minnesota	13,938	14,266	14,437	14,698	2.4%	1.2%	1.8%
Mississippi	6,077	6,808	7,399	7,565	12.0%	8.7%	2.2%
Missouri	15,360	17,235	17,712	20,134	12.2%	2.8%	13.7%
Montana	2,187	2,302	2,470	2,524	5.3%	7.3%	2.2%
Nebraska	5,691	6,755	7,804	7,816	18.7%	15.5%	0.1%
Nevada	10,637	8,779	8,895	9,015	-17.5%	1.3%	1.3%
New Hampshire	3,026	3,502	3,598	3,883	15.7%	2.8%	7.9%
New Jersey	24,886	22,794	25,384	26,706	-8.4%	11.4%	5.2%
New Mexico	4,694	5,273	5,370	6,118	12.3%	1.8%	13.9%
New York	39,892	37,085	36,176	35,040	-7.0%	-2.4%	-3.1%
North Carolina	31,198	31,546	33,858	35,551	1.1%	7.3%	5.0%
North Dakota	3,285	2,718	3,140	3,242	-17.3%	15.5%	3.2%
Ohio	29,291	31,560	33,229	34,021	7.7%	5.3%	2.4%
Oklahoma	10,723	11,403	11,511	12,598	6.3%	0.9%	9.4%
Oregon	10,096	10,282	10,274	10,939	1.8%	-0.1%	6.5%
Pennsylvania	28,445	30,399	31,478	33,159	6.9%	3.5%	5.3%
Rhode Island	2,204	2,450	2,549	2,745	11.1%	4.0%	7.7%
South Carolina	14,676	17,332	17,908	19,519	18.1%	3.3%	9.0%
South Dakota	2,950	3,061	3,158	3,194	3.8%	3.2%	1.2%
Tennessee	20,843	21,384	22,163	23,383	2.6%	3.6%	5.5%
Texas	73,738	83,786	93,338	99,998	13.6%	11.4%	7.1%
Utah	9,523	9,827	10,024	10,424	3.2%	2.0%	4.0%
Vermont	1,121	1,158	1,146	1,158	3.3%	-1.0%	1.0%
Virginia	24,170	25,049	25,747	26,806	3.6%	2.8%	4.1%
Washington	16,751	17,162	17,256	17,347	2.5%	0.5%	0.5%
West Virginia	3,821	3,896	3,883	3,951	2.0%	-0.4%	1.8%
Wisconsin	13,793	14,253	14,620	14,851	3.3%	2.6%	1.6%
Wyoming	5,569	5,178	5,312	5,454	-7.0%	2.6%	2.7%
Total	823,720	863,069	896,928	936,434	4.8%	3.9%	4.4%

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