



ATLAS

HOSPITALITY GROUP

California Hotel Market Overview

June 5th, 2025

Presented by:

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AHG 2024 Predictions

- “For Sale” Supply Increase:
Substantial Increase in the number of for sale offerings.
 - The number of available properties for sale has increased slightly over 2023. Sellers still wanting 2021/2022 pricing
- Continued Decline in Sales:
Significant delta between buyer and seller expectations
 - California hotel sales volume is down 10.4% in 2024 vs. 2023, while the number of individual sales declined by 6.4%.
- Increased Foreclosure Activity:
 - Dec 2023 – 53 all filed
 - Dec 2024 – 86 NOD’s filed
 - This number does not include all of the CMBS loans that are in default or special servicing.
- Operating Costs: Expenses are increasing faster than revenues are declining.
 - In 2024, the hotel industry's net operating income (NOI) margins experienced a decline compared to 2023. EBITDA margins have decreased from 6.5% - 15% in most cases mostly influenced by higher wages and insurance expenses.

STR RevPAR Performance

| 12/24 vs. 12/23 YTD | % |
|-----------------------------|------|
| United States | 1.6 |
| Pacific | -0.7 |
| California | -1.1 |
| San Jose/Santa Cruz | 9.0 |
| Anaheim/Disneyland | -2.3 |
| Monterey/Salinas | 1.5 |
| San Luis Obispo/Paso Robles | -0.3 |
| San Francisco/San Mateo | -5.0 |
| San Diego | 2.3 |
| Santa Barbara/Santa Maria | 1.5 |
| Sacramento | 2.2 |
| Los Angeles | -1.6 |
| Long Beach | -1.0 |
| Oakland | -5.3 |



Notable Hotel Sales in 2024



Riviera Resort Palm Springs

SALES PRICE: \$58,750,000
398 ROOMS / \$147,613 PER ROOM
PURCHASED BY WELCOME GROUP



Ontario Airport Hotel

SALES PRICE: \$21,300,000

309 ROOMS / \$68,932 PER ROOM

PURCHASED BY CORE HOTEL VENTURE

2024 Hotel Sales Summary

- ▶ Total of 248 transactions in 2024 compared to 265 in 2023 down 6.4%. In 2022 there were 483 transactions. Total sales volume is the fourth lowest since we have been tracking California hotel sales.
- ▶ Sales volume declined by 10.4%.
- ▶ Median price per room declined by 0.5%, to \$149,222

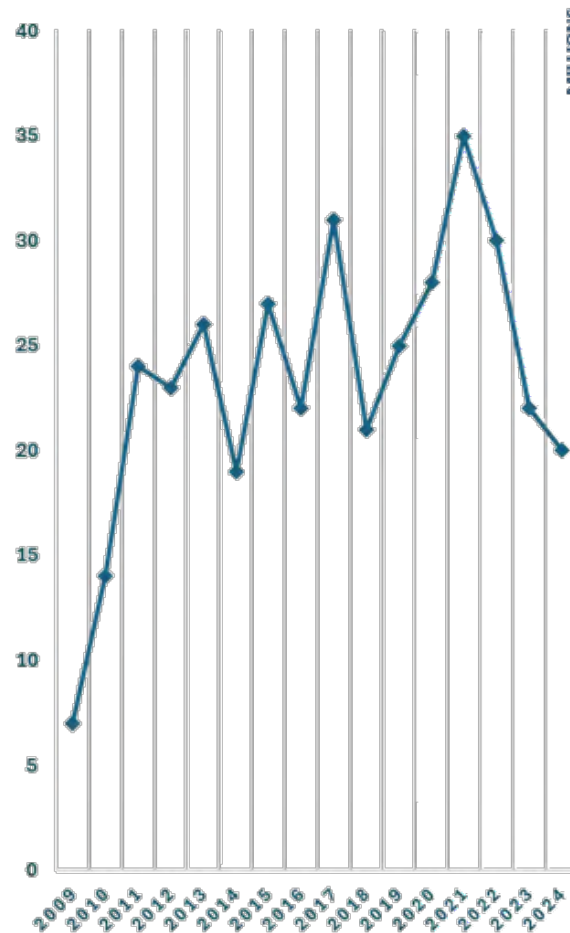


INLAND EMPIRE

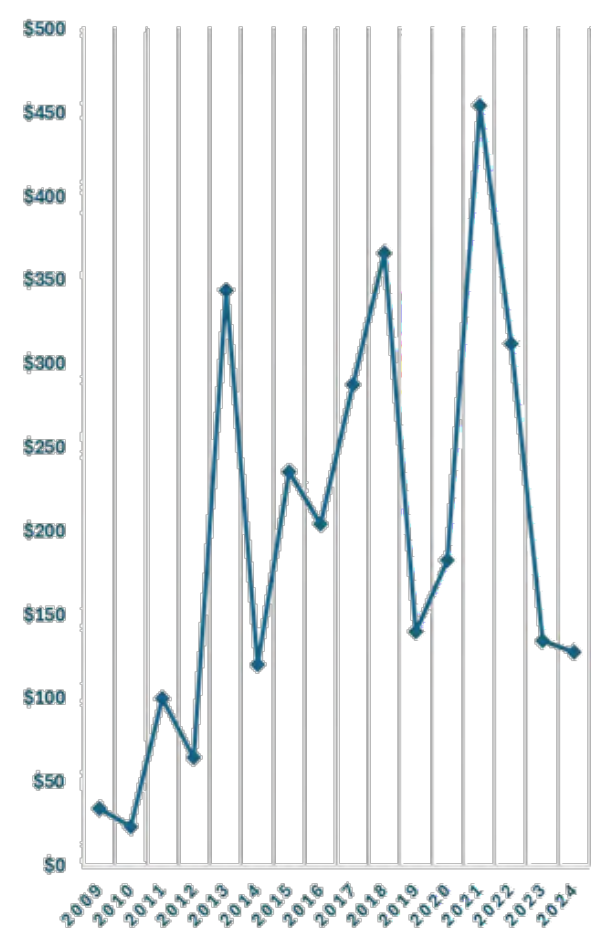
Riverside County

- ▶ 20 Hotel transactions in 2024 -9.0% from 2023
- ▶ Sales volume for 2024 -56.6%
- ▶ Median Price Per room - 19% @ \$130,316

**Riverside County
No. of Sales by Year**



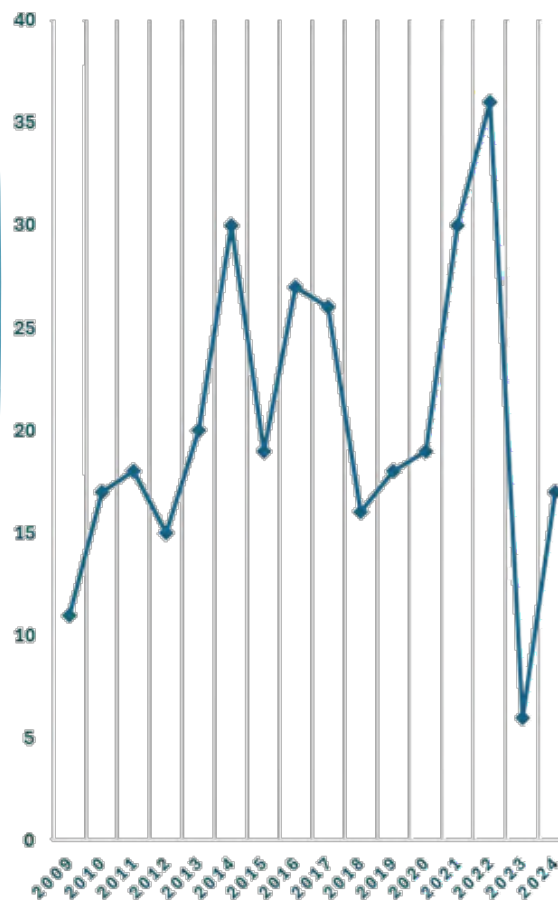
**Riverside County Sales
Volume by Year**



SAN BERNARDINO

- ▶ 17 Hotel transactions in 2024 +183%.
- ▶ Sales volume for 2024 +274%
- ▶ Median Price Per room +41.25% @ \$111,290

**San Bernardino County
No. of Sales by Year**



**San Bernardino County
Sales Volume by Year**





California Hotel Development

Hotel Development Survey Highlights

- ▶ In 2024 California saw 35 new hotels with 3,798 rooms opened. This was a 34% decline from the number of hotels opened in 2023 (53)
- ▶ 124 hotels under construction with 16,468 rooms
- ▶ 1,186 hotels in planning with a total of 153,560 rooms
- ▶ The 197-room Chicken Ranch Casino Hotel in Jamestown was the largest hotel to open in the State in 2024, while the AC Hotel in Sacramento and SpringHill Suites Chula Vista Eastlake came in second, with 179 rooms
- ▶ Los Angeles County had the highest number of new hotels opened with five and led in number of new rooms (607). Riverside County followed in second with four hotels and 519 rooms opened in 2024
- ▶ Los Angeles County leads the State in terms of hotel developments; with 23 hotels equaling a total of 2,833 rooms under construction and 199 projects with 27,457 rooms currently in planning

Riverside County

- ▶ Four hotels with 519 rooms were opened in Riverside County, the largest being the 168 room **Thompson Palm Springs** . A significant room count increase from the 159 rooms opened in 2023 .
- ▶ Riverside County has 9 hotels with 1,249 rooms under construction, the largest continues to be the 250-room Hotel Indigo in Coachella .
- ▶ Riverside County has 123 hotels with a total of 17,735 rooms in planning. The 449-room Hard Rock Hotel in Palm Springs being the largest project in the pipeline. .

San Bernardino County

- ▶ San Bernardino County had two hotels with a total of 224 rooms open in 2024, the 128 room **Hampton Inn / Home2 Suites by Hilton, Big Bear** being the largest . This was a 72% decrease compared to the eight hotels with 789 rooms opened in 2023 .
- ▶ San Bernardino County has eleven hotels with 1,079 rooms under construction, with the 146-room Hyatt Place Ontario being the largest.
- ▶ San Bernardino County has 46 hotels with 4,432 rooms in planning, a 25% increase in number of rooms in planning as compared to the 43 hotels with 3,547 rooms in planning in 2023



California Hotel Development Survey Summary

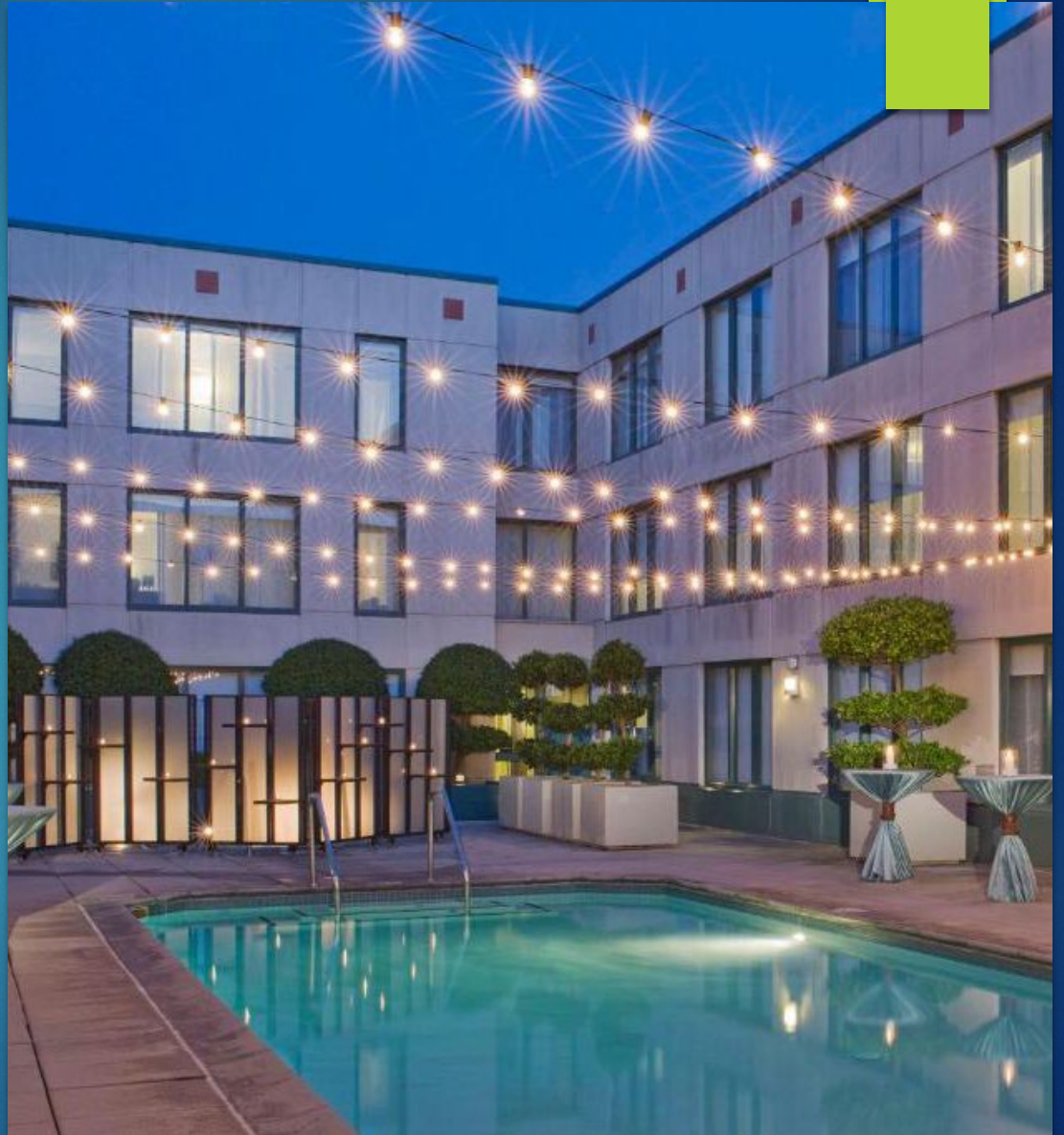
- The increased cost of construction as well as the rise in interest rates combined with many lenders pulling away from new hotel construction is continuing to apply downward pressure on new hotel development.
- We are also seeing an increase in the number of hotels that have started then stopped construction and are now in default on their loans or in bankruptcy.
- We predict that in the near term the future for hotel construction will remain weak as investors focus on purchasing existing hotels at discounts to replacement cost.

DECLINE IN HOTEL VALUES

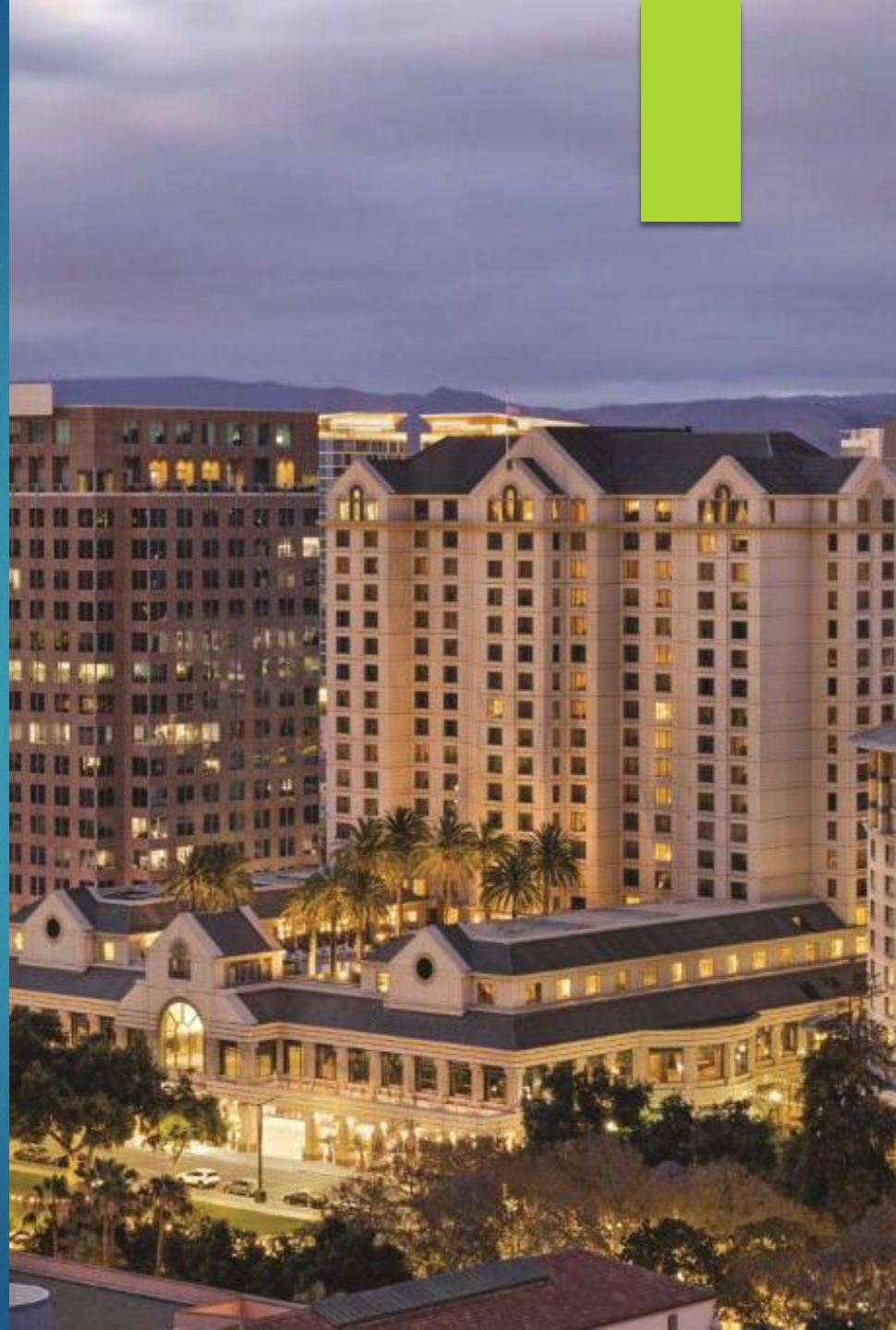
- ▶ PARC 55 & HILTON UNION SQUARE, SAN FRANCISCO



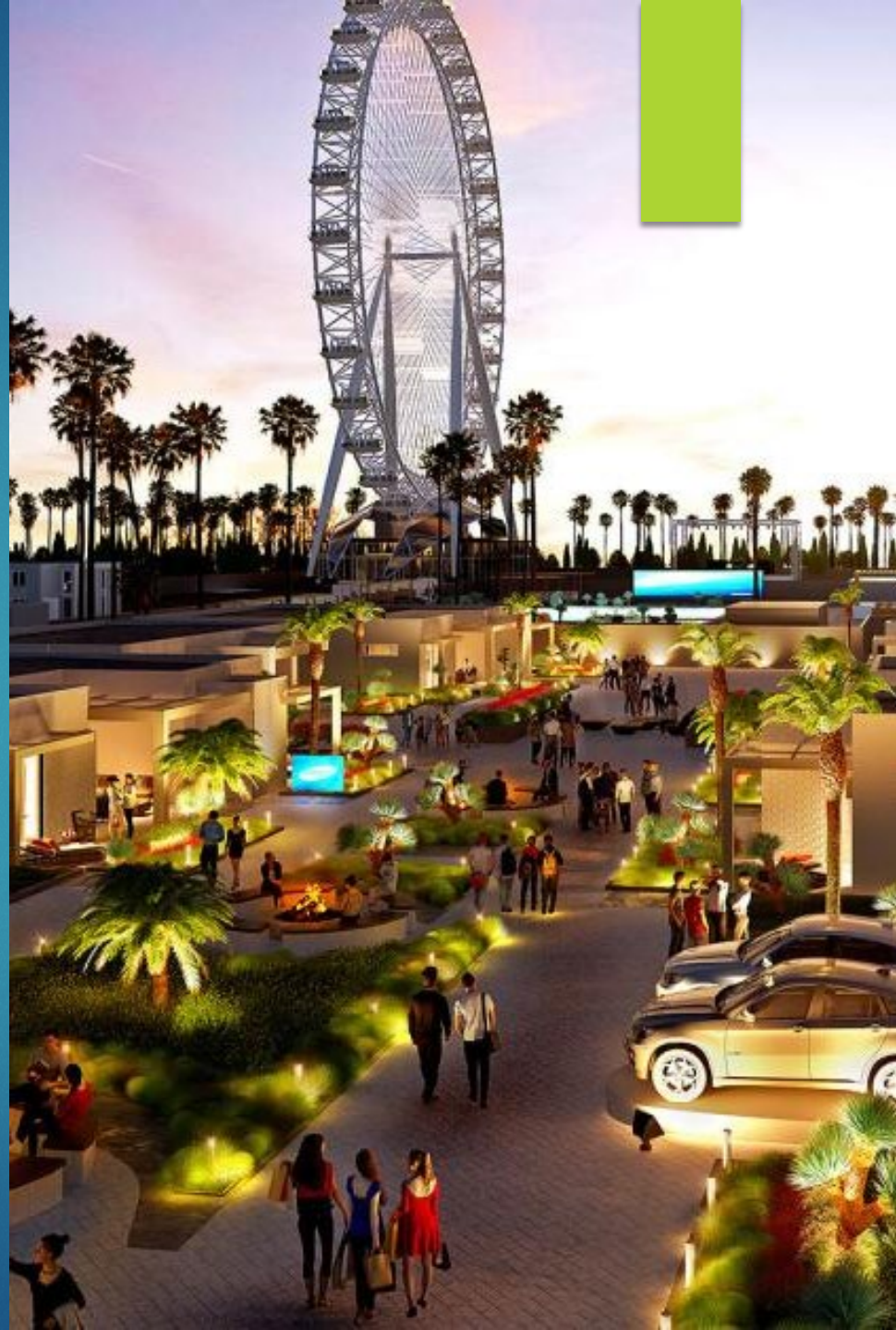
► HYATT CENTRIC
FISHERMANS WHARF,
SAN FRANCISCO



► SIGNIA HOTEL, SAN JOSE



► HOTEL INDIGO, COACHELLA



2025 Predictions

- RevPAR will continue to decline
- The delta between buyer and seller expectations continues to grow
- Operating Costs will continue to rise faster than revenues
- Lenders are pulling back – interest rate cuts have been nominal
- Pressure mounting on owners with loans maturing in the next 6-12 months – Increased foreclosure activity



Questions?

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