



ATLAS

HOSPITALITY GROUP

# California Hotel Market Overview

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Presented by:

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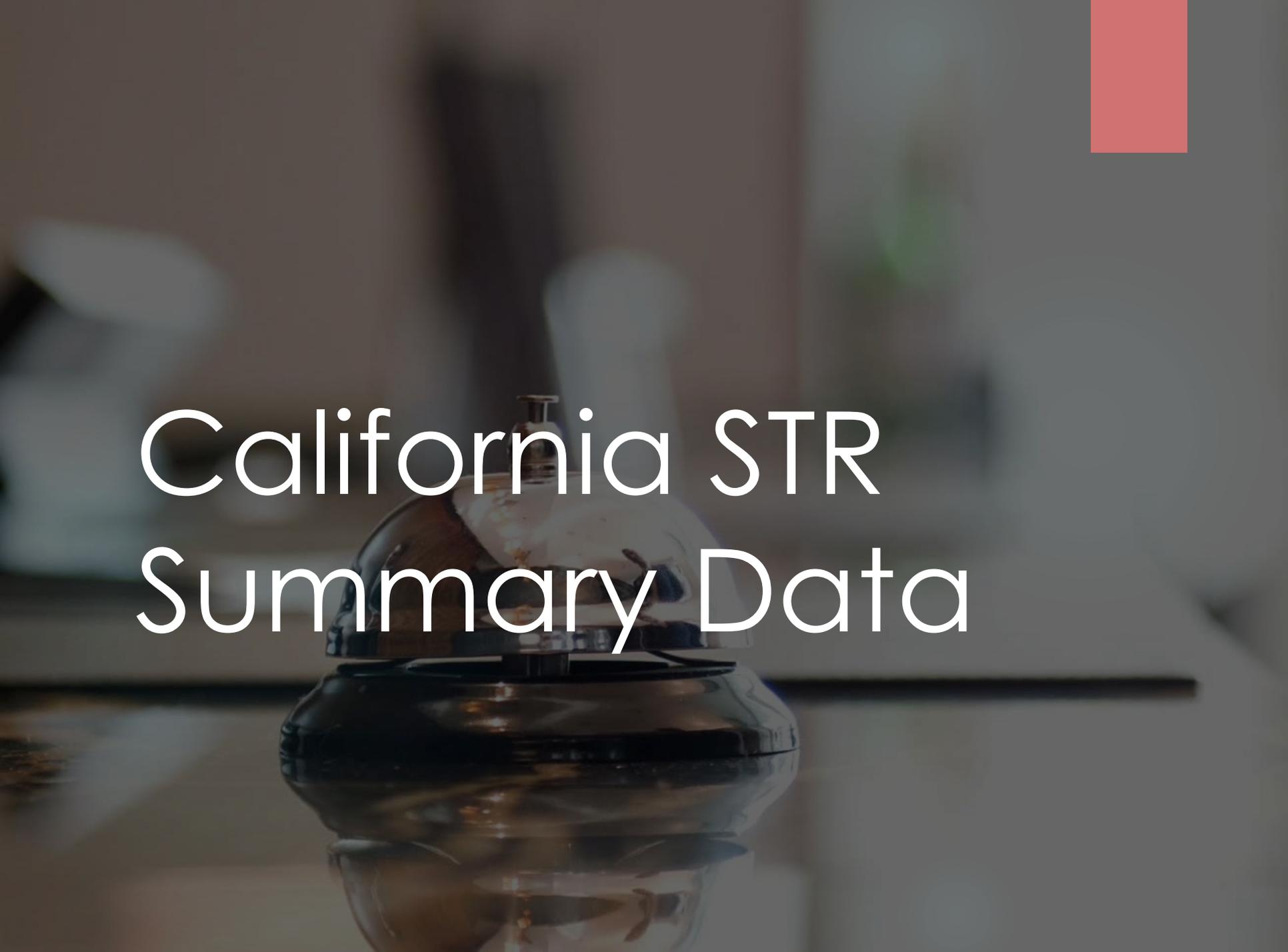
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# AHG 2025 Predictions

- **RevPAR will continue to decline**
  - RevPar in CA increased by 1.6%, San Francisco leads RevPAR rebounds with 11.8% YTD increase, over 28% just in the month of November
- **The delta between buyer and seller expectations continues to grow**
  - Elevated interest rates and a wide bid-ask spread weighed on California's hotel transaction market in 2025, limiting deal volume despite isolated big-ticket sales.
- **Operating Costs will increase faster than revenues will decline**
  - Fixed and variable expenses continue to increase eroding NOI margins.
- **Lenders are pulling back – interest rate cuts have been nominal**
  - Cuts occurred, but underwriting stayed tight and refinancing math stayed challenging for lodging.
- **Pressure mounting on owners with loans maturing in the next 6-12 months – Increased foreclosure activity**
  - The Maturity wall remains massive. Maturity pressure translated into more distress driven outcomes (special servicing, delinquencies and foreclosures).



# California STR Summary Data

# STR RevPAR Performance

11/25 vs. 11/24 YTD	%
United States	-0.3
Pacific	0.9
California	1.6
San Diego	-2.5
Los Angeles	-1.5
Anaheim/Disneyland	0.5
San Luis Obispo/Paso Robles	0.6
Santa Barbara/Santa Maria	0.8
Oakland	1.1
Long Beach	2.9
San Jose/Santa Cruz	3.2
Monterey/Salina	3.5
Sacramento	3.9
San Francisco/San Mateo	11.8

# San Francisco/San Mateo Spotlight

- ▶ YTD November 2025 STR:
  - ▶ ADR: \$228
  - ▶ OCC: 70.1%
  - ▶ RevPAR: \$160.23
- ▶ YTD November 2019 STR:
  - ▶ ADR: \$255
  - ▶ OCC: 82.9%
  - ▶ RevPAR: \$211.42

RevPAR Still down 24.2% From Pre-Covid



# Key Performance Trends

- 
- ▶ **The Luxury Lead:** Across the state, the Luxury and Upper-Upscale segments were the primary drivers of RevPAR growth. While occupancy remained flat or slightly down in mid-market hotels, premium properties were able to push Average Daily Rates (ADR) higher, protecting their RevPAR
  - ▶ **San Francisco's Rebound:** After several years of lagging, San Francisco emerged as a top market for RevPAR *growth* in 2025. A revitalized convention calendar and an increase in international tourism (up nearly 9%) helped the city regain its footing.
  - ▶ **San Diego's Stability:** San Diego maintained the highest overall occupancy in the state (averaging ~74%), which allowed it to maintain a high and stable RevPAR even as new supply (like the 1,600-room Gaylord Pacific) entered the market.



# Notable Hotel Sales in 2025



# Surfrider Malibu

SALES PRICE: \$37,500,000  
20 ROOMS / \$1,875,000 PER ROOM  
PURCHASED BY CHROME HEARTS/RICHARD STARK (CLOTHING COMPANY)



# Belmond El Encanto

SALES PRICE: \$82,000,000  
92 ROOMS / \$893,478 PER ROOM  
PURCHASED BY JUSTIN MATEEN (FOUNDER OF TINDER)



# Los Gatos Lodge

SALES PRICE: \$78,425,000

128 ROOMS / \$612,695 PER ROOM

PURCHASED BY SUMMERHILL HOMES – WILL BE 155 RESIDENTIAL UNITS

# 2025 Hotel Sales Summary

- ▶ California ended 2025 with 252 hotel sales totaling \$3.907 billion, but the year's totals still mask a market that remains constrained. The middle of the market softened, with median pricing sliding to roughly \$138K from \$149K down 7.9%.
- ▶ Median Price Per Room in Northern California declined by nearly 13% from \$128k to \$111K.
- ▶ Sales volume increased slightly by 1.61%. Mid Year was down 7.4%
- ▶ One notable theme was the dominance of distressed assets at the top of the market: lender-initiated sales of The Line LA in Los Angeles, the Residence Inn Berkeley in Alameda County and the Signia San Jose in Santa Clara County together contributed roughly \$219 million – about 15.7 % of all deal volume in the first half. Parc 55 & Hilton SF Union Square 2<sup>nd</sup> Half of the year sold for \$408M – 43% discount
- ▶ Transactions above \$10M up 2.94% but median price per room down 3%.

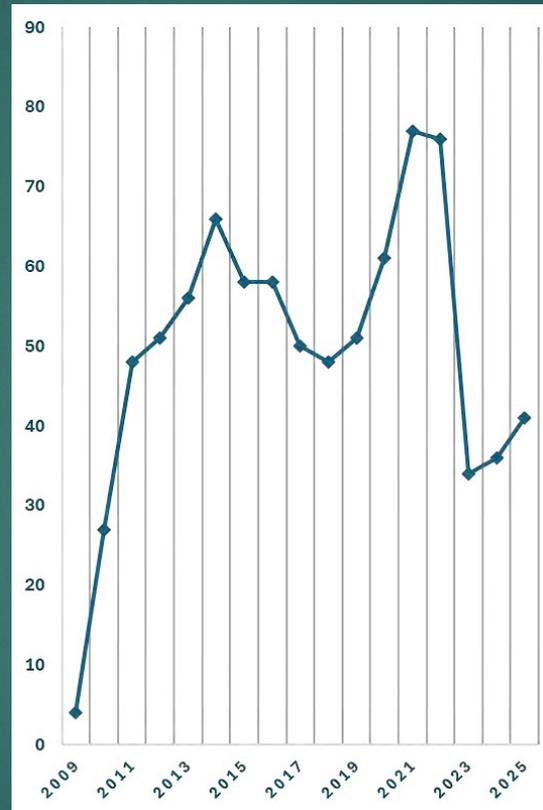


LA & OC

# LA COUNTY

- ▶ 41 Hotel transactions in 2025 +14% from 2024
- ▶ Sales volume for 2025 +52%
- ▶ 77 Transactions in 2022, 2025 -47% from the peak
- ▶ Median Price Per room +16 % @ \$185K

## No. of Sales



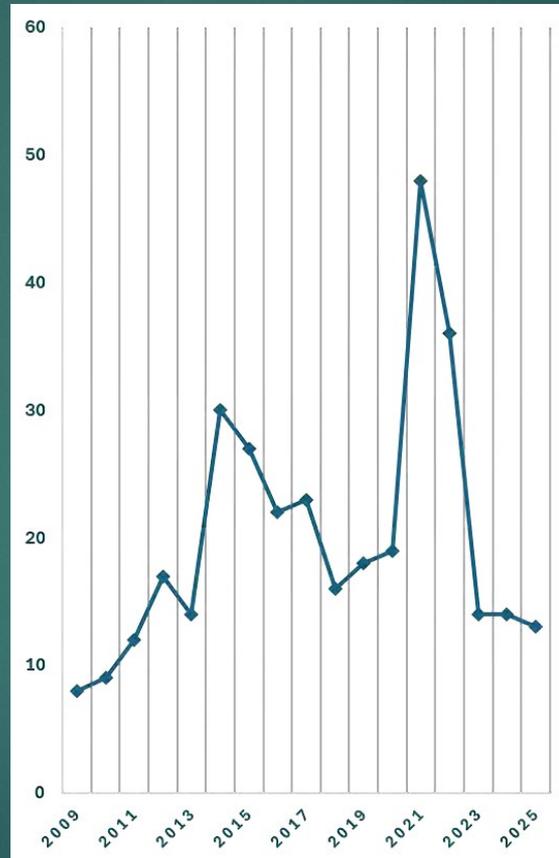
## Sales Volume



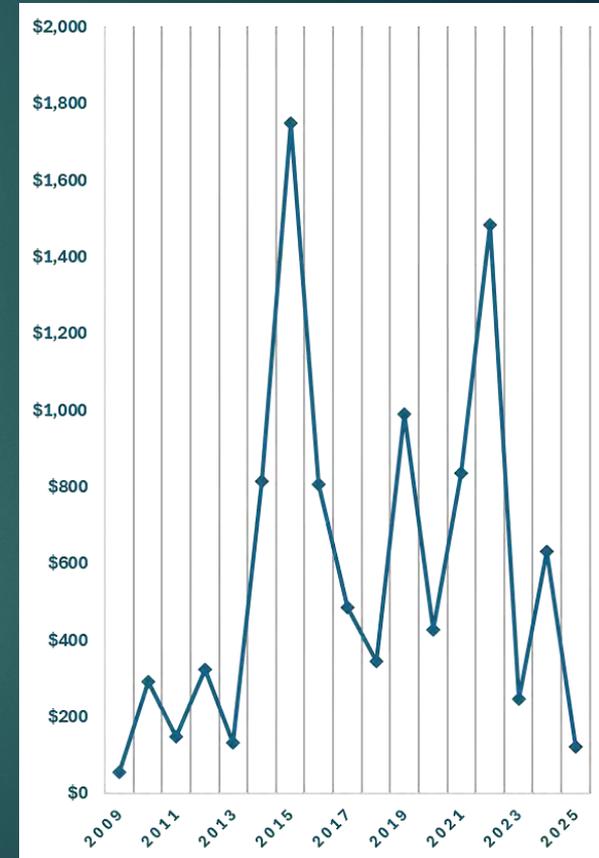
# ORANGE COUNTY

- ▶ 13 Hotel transactions in 2025 -7%.
- ▶ Sales volume for 2025 -81%
- ▶ 48 Transactions in 2022, 2025 -72% from the peak
- ▶ Median Price Per room -56% @ \$142,541 (2024 was \$321,608)

## No. of Sales



## Sales Volume





# California Hotel Development

# Hotel Development Survey Highlights

- ▶ In 2025 California saw 50 new hotels with 7,100 rooms opened, a 43% increase from the number of hotels opened in 2024 (35).
- ▶ 97 hotels under construction with 11,352 rooms 1,186 hotels in planning with a total of 153,560 rooms
- ▶ 1,120 hotels in planning with a total of 140,526 rooms
- ▶ The 1,600-room Gaylord Pacific Resort (Chula Vista) was the largest hotel to open in the State in 2025
- ▶ Los Angeles County had the highest number of new hotels opened (7), while San Diego County led the State in new rooms opened (2,034), driven by the Gaylord Pacific delivery
- ▶ Los Angeles County continues to lead the State in total development activity, with 18 hotels (2,172 rooms) under construction and 138 hotels (20,557 rooms) in planning

# OC Hotel Development

- ▶ Openings cooled materially in 2025, with just one hotel and 91 rooms delivered compared to two hotels and 298 rooms in 2024.
- ▶ The 91-room **La Quinta Inn & Suites La Habra** was the only hotel to open in Orange County.
- ▶ Development in progress includes three hotels totaling 234 rooms, led by the 172-room Home2 Suites Irvine.
- ▶ The planning pipeline totals 67 hotels with 10,401 rooms, down from 69 hotels with 12,136 rooms in planning in 2024.



# California Hotel Development Outlook: 2025-2026

- **Rebound in Openings:** 2025 saw a 43% increase in new hotel openings (50 hotels / 7,100 rooms) as pandemic-delayed projects finally reached the finish line.
- **Pipeline Contraction:** Despite high openings, the total pipeline is shrinking. Hotels under construction dropped from 124 in 2024 to 96 by year-end 2025, signaling a "disciplined" (slow) multi-year growth phase ahead.
- **The "Replacement Cost" Gap:** With new construction costs hitting \$250k–\$300k per key (for mid-scale), investors are pivoting to acquisitions of existing assets at significant discounts to replacement cost.



# 2026 California Hotel Market Outlook

# RevPAR: Modest Growth

- **RevPAR Stabilization:** After a soft 2025, RevPAR is projected to grow modestly
- **Event-Driven Spikes:** The **2026 FIFA World Cup** (LA & SF) and **Super Bowl LX** (Santa Clara) are expected to drive 7%–25% revenue premiums in host markets during match months.
- **Segment Delta:** Luxury and "Experience-driven" assets will continue to push rates, while mid-scale and economy segments face stagnant occupancy.

# Operating Costs: The Margin Squeeze

- Operating costs will continue to outpace revenue growth, though the "rate of increase" may stabilize.
- **Labor & Insurance:** Labor costs (now ~35% of revenue) and double-digit increases in insurance (up to 20%) will continue to squeeze Gross Operating Profit (GOP) margins.
- **Margin Erosion:** Total EBITDA is forecasted to decline as revenue gains fail to fully offset structural cost increases.

# Transactions: From "Paralysis" to "Resolution"

- **Closing the Gap:** The 2025 "bid-ask" spread is narrowing as sellers capitulate to higher-for-longer interest rates and pending PIP (Property Improvement Plan) mandates.
- **Maturity Wall:** Pressure is peaking on **\$18.7 billion in maturing hotel CMBS**; 70% are floating-rate loans facing significant refinancing hurdles.
- **Distress Activity:** Expect an uptick in "loan-to-own" transfers and foreclosures, particularly for urban office-adjacent hotels and aging branded assets.
- **Rate Disconnect:** While official Fed rate cuts may occur, long-term 10-year yields are expected to remain elevated (4.6%–4.7%), keeping the actual cost of debt high for most owners.



# Questions?

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