

California Hotel Market Overview

May 2026

Presented by:

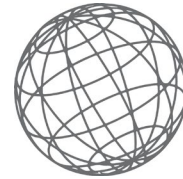
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AHG 2025 PREDICTIONS — RESULTS

MIXED

RevPAR will continue to decline

RevPAR in CA increased by 1.6% statewide. However, San Francisco led with +11.8% YTD — and Anaheim gained +21.5% by April 2026. San Diego (-2.5%) and LA (-1.5%) did decline, making this a tale of two markets.

CONFIRMED

Buyer/seller expectations gap continues to grow

Elevated interest rates and a wide bid-ask spread constrained California's transaction market throughout 2025, limiting deal volume despite isolated big-ticket sales. The gap narrowed only where sellers capitulated.

CONFIRMED

Operating costs will increase faster than revenues

Fixed and variable expenses continued to increase, eroding NOI margins across all segments. Labor (~35% of revenue) and insurance (up 15–20%) were the primary culprits. GOP margins compressed 50–100 bps.

CONFIRMED

Lenders pulling back — interest rate cuts nominal

Rate cuts occurred but underwriting stayed tight and refinancing math remained challenging for lodging. 10-year yields stayed elevated at 4.6–4.7%, keeping actual debt costs high despite Fed pivots.

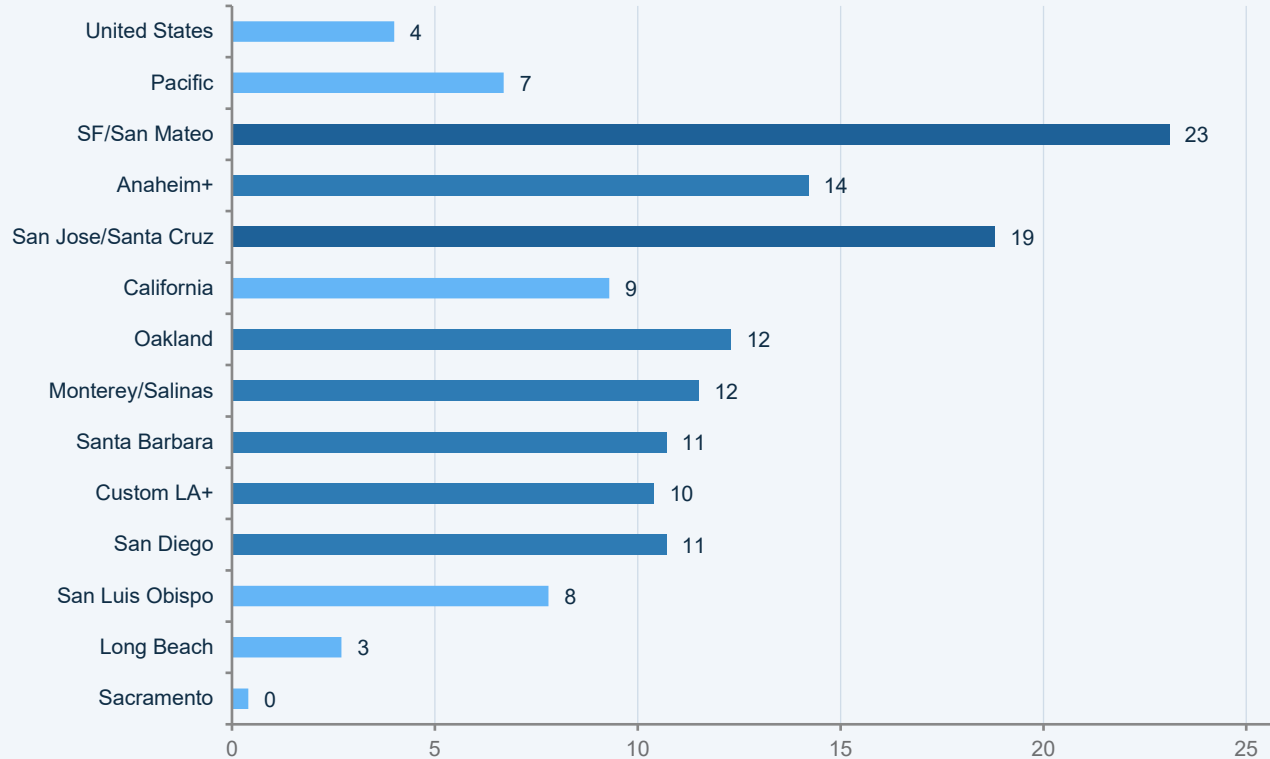
CONFIRMED

Pressure mounting — increased foreclosure activity

The maturity wall translated into distress-driven outcomes. NOD filings surged +150% YOY in the first 5 months of 2026 vs. 2025. Special servicing, delinquencies, and foreclosures all accelerated.

STR CALIFORNIA RevPAR — YTD THROUGH APRIL 2026

YTD April 2026 vs. April 2025 (%)



+9.3%

CA YTD
Through Apr

+23.1%

SF/San Mateo
Leads YTD

2025 CALIFORNIA HOTEL SALES SUMMARY

259

Total Hotel
Sales

\$3.91B

Total Sales
Volume

\$138K

Median \$/Room
(down 7.9%)

\$111K

NorCal Median
\$/Room (-13%)

Volume Up Slightly +1.61%

259 sales statewide but the middle of the market softened. Mid-year was down 7.4% before 2nd half distressed sales boosted totals.

Distress Dominated the Headlines

Lender-initiated sales of The Line LA, Residence Inn Berkeley, and Signia San Jose contributed ~\$219M (15.7% of H1 volume). Parc 55 & Hilton SF Union Square sold for \$408M — a 43% discount — in H2.

Above \$10M Segment Up 2.94%, But Pricing Compressed

Transactions above \$10M increased in count but median price per room fell 3%, reflecting the weight of distressed assets in the mix.

Hotel-to-Residential Conversions Persist

Los Gatos Lodge (128 rooms → 155 residential units) reflects an ongoing, steady trend rather than an accelerating one, as land values in supply-constrained markets often exceed hotel going-concern value.

NOTABLE CALIFORNIA HOTEL SALES — 2025

Surfrider Malibu

\$37,500,000

20 Rooms
\$1,875,000 / room

Buyer: Chrome Hearts / Richard Stark (Clothing Co.)

Highest price-per-room sale in California history — non-traditional hospitality buyer

Belmond El Encanto

\$82,000,000

92 Rooms
\$893,478 / room

Buyer: Justin Mateen (Founder of Tinder)

Santa Barbara luxury resort; high-profile individual buyer acquisition

Los Gatos Lodge

\$78,425,000

128 Rooms
\$612,695 / room

Buyer: Summerhill Homes — Conversion to 155 Residential Units

Signals ongoing trend of hotel-to-residential conversions in supply-constrained markets

Parc 55 & Hilton SF Union Square

\$408,000,000

~1,857 Rooms Combined
~\$220,000 / room

Buyer: Park Hotels & Resorts (distressed sale)

Sold at a 43% discount to prior valuation — defining distressed transaction of 2025

California Hotel Development

Statewide Supply Pipeline | 2025 Openings | 2026 Outlook

HOTEL DEVELOPMENT SURVEY HIGHLIGHTS — 2025

50

New Hotels
Opened in 2025

+43% vs. 2024 (35)

7,100

New Rooms
Delivered

Pandemic-delayed projects

97

Hotels Under
Construction

11,352 rooms

1,120

Hotels in
Planning

140,526 rooms statewide

Largest 2025 Opening

The 1,600-room Gaylord Pacific Resort & Convention Center (Chula Vista) — California's largest hotel opening of 2025, driving San Diego County to lead the state in new rooms (2,034 rooms).

LA County Leads in Count

Los Angeles County had the highest number of new hotels opened (7 hotels) and continues to lead the state in total development activity: 18 hotels (2,172 rooms) under construction, 138 hotels (20,557 rooms) in planning.

Pipeline Contracting — Construction Down

Despite the 43% jump in 2025 openings, the active construction pipeline shrank from 124 hotels (2024) to 97 by year-end 2025. New construction costs of \$250K–\$300K/key for mid-scale make ground-up development economically challenging.

Investor Pivot: Acquisitions Over Development

With existing assets trading at significant discounts to replacement cost, investors are increasingly targeting value-add acquisitions. This dynamic will further suppress new supply through 2026–2027.

INLAND EMPIRE HOTEL DEVELOPMENT — 2025

8

New Hotels
Opened in 2025

vs. 6 in 2024

834

New Rooms
Delivered

Largest: Courtyard Loma Linda

16

Hotels Under
Construction

1,719 rooms total

176

Hotels in
Planning

19,100 rooms in IE

IE DEVELOPMENT CONTEXT

Riverside County Leads IE Openings

Riverside County recorded four openings totaling 405 rooms in 2025, matching 2024, driven by select-service and extended-stay product. The 120-room Everhome Suites Temecula was the largest single delivery.

San Bernardino County — Momentum Improved

San Bernardino momentum improved in 2025, with four hotels and 429 rooms opened versus two hotels (224 rooms) in 2024. The 125-room Courtyard Loma Linda was the largest opening.

Construction Pipeline Expanding

Sixteen IE hotels (1,719 rooms) are under construction — six in Riverside (led by the 250-room Hotel Indigo Coachella) and ten in San Bernardino (led by the 146-room Hyatt Place Ontario).

Planning Pipeline Grows to 176 Hotels

The IE planning pipeline expanded to 176 hotels (19,100 rooms): Riverside at 126 hotels/14,365 rooms (anchored by the 449-room Hard Rock Palm Springs) and San Bernardino up to 50 hotels/4,735 rooms.

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. This was a one-time flush of the delayed pipeline — not a signal of sustained development momentum.

Pipeline Contraction

Despite high openings, the total pipeline is shrinking. Hotels under construction dropped from 124 in 2024 to 97 by year-end 2025, signaling a "disciplined" (slow) multi-year growth phase ahead. Fewer new rooms means less competitive pressure on existing assets.

The Replacement Cost Gap

New construction costs have reached \$250K–\$300K per key for mid-scale properties. With existing assets trading at \$100K–\$180K/room in most California markets, investors are pivoting to acquisitions at significant discounts to replacement cost — a fundamental shift in capital allocation.

APPRAISAL IMPLICATION:

Constrained new supply supports long-term occupancy recovery for well-positioned existing assets. However, the replacement cost gap is a double-edged sword — it reduces new competition but also signals that current market values remain well below construction cost, creating headwinds for any cost approach analysis. Appraisers should carefully document supply pipeline and construction cost data as part of any lodging assignment.

Inland Empire – Market Overview

INLAND EMPIRE MARKET OVERVIEW

The Inland Empire (Riverside & San Bernardino Counties) represents one of California's largest and most dynamic hotel markets, with demand driven by logistics/warehousing employment, healthcare, education, and leisure travelers to destinations including Palm Springs, Big Bear, and Joshua Tree.

~230

Total Hotels
(Riverside & SB Co.)

~24,000

Total Rooms
in Market

~\$100

Market Average
ADR (2025)

~62%

Average Market
Occupancy

KEY SUB-MARKETS

Riverside / Corona — Largest concentration of hotels; mixed-use demand from business, healthcare (UCR Medical), and leisure

San Bernardino — Value-oriented segment; institutional demand (Cal State SB); significant distress exposure

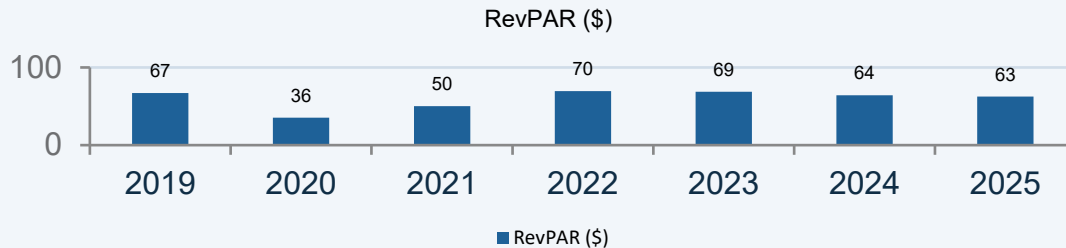
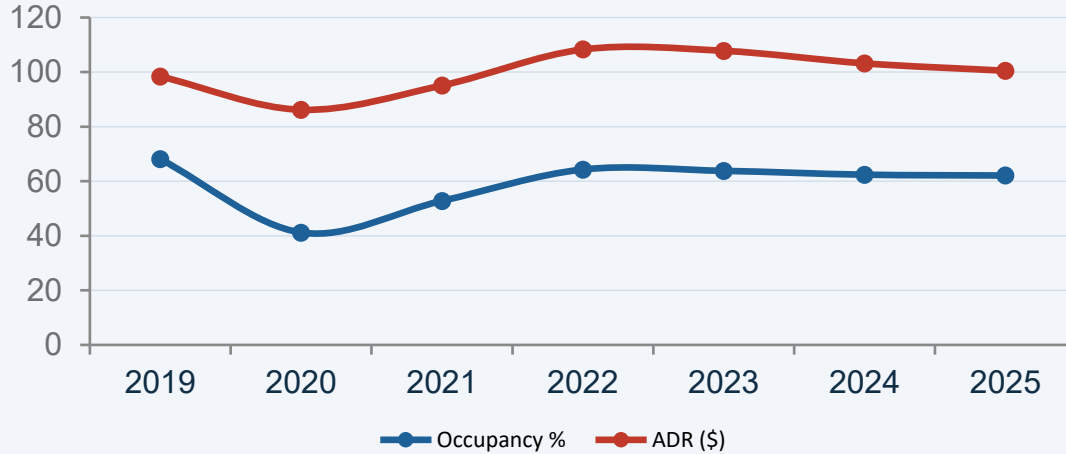
Palm Springs / Desert — High seasonal volatility; luxury segment strong; winter/spring peak

Ontario / Rancho Cucamonga — Airport-proximate market; strong corporate and transient demand; highest ADR in IE

Temecula / Murrieta — Wine country leisure market; weekend-driven RevPAR; resort & boutique product performing well

INLAND EMPIRE STR PERFORMANCE

Occupancy (%) & ADR (\$) Trend — Inland Empire



RevPAR vs. Pre-COVID

-6.9%

\$62.5 vs \$67.1 (2019)

2025 Occ. Change YOY

-0.3 pts

62.1% vs 62.4%

ADR Change YOY

-2.6%

\$100.5 vs \$103.2

RevPAR Change YOY

-2.9%

\$62.5 vs \$64.4

RIVERSIDE COUNTY HOTEL TRANSACTIONS

10

2025 Transactions

\$61.8M

2025 Volume

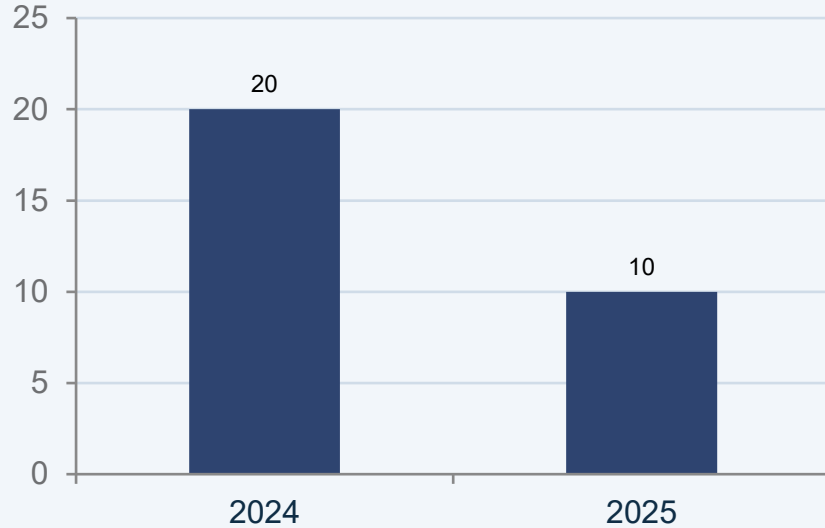
\$152.6K

Median \$/Room

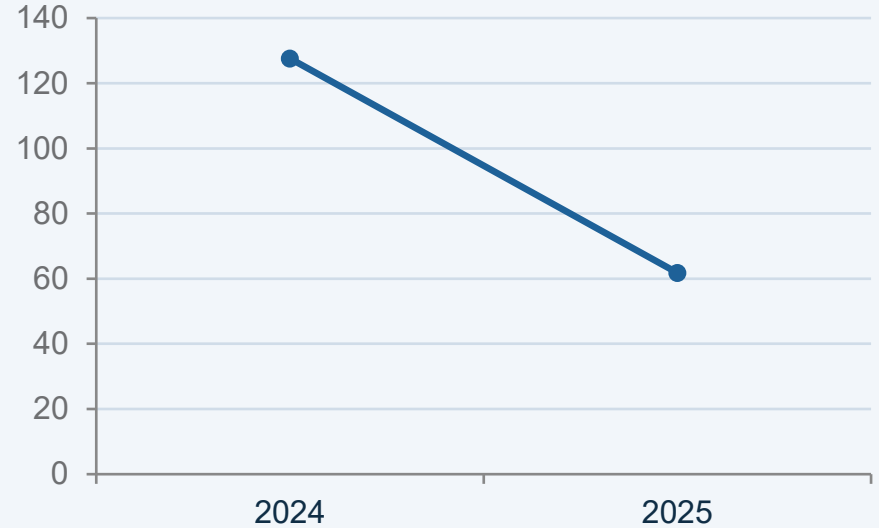
+17%

Median \$/Room YOY

Number of Hotel Sales — Riverside



Sales Volume (\$M) — Riverside



Note: Riverside County transaction data. Estimates include distressed/lender-initiated transfers. Source: 2025 Comps YE Survey.

SAN BERNARDINO COUNTY HOTEL TRANSACTIONS

21

2025 Transactions

\$100.4M

2025 Volume

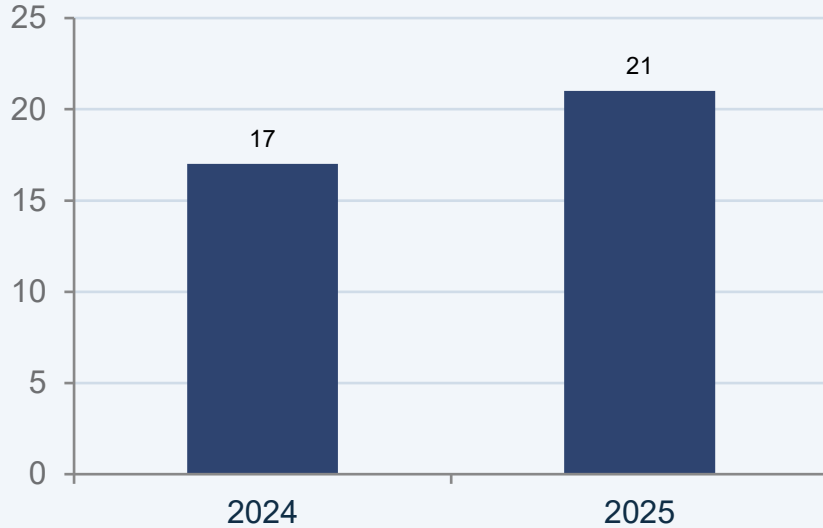
\$110K

Median \$/Room

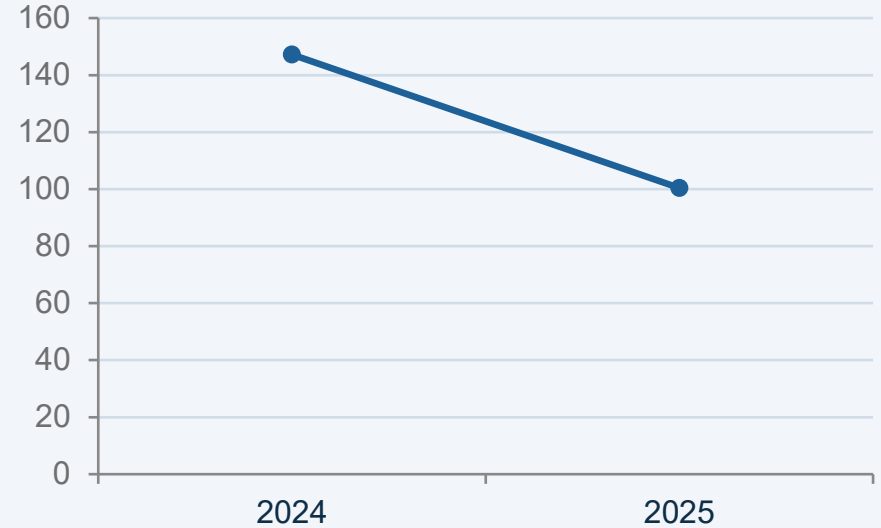
-1%

Median \$/Room YOY

Number of Hotel Sales — San Bernardino



Sales Volume (\$M) — San Bernardino



Note: San Bernardino County transaction data. Estimates include distressed/lender-initiated transfers. Source: 2025 Comps YE Survey.

NOTABLE TRANSACTION: ONTARIO AIRPORT HOTEL

\$20.7M

Purchase Price

~\$67K

Price per Key

309

Keys

National CORE

Buyer

TRANSACTION TIMELINE

2019

Cathay Bank originates \$15M construction loan

Feb 2024

Owner Morgan Holding Group files for bankruptcy

Aug 2, 2024

National CORE signs purchase contract

Aug 13, 2024

Court approves \$20.7M foreclosure sale

May 12, 2026

GreenRock & J.P. Morgan close \$103M financing; conversion to 295-room Hyatt Regency

ON THE MARKET: EMBASSY SUITES PALM DESERT

\$21M

Prior Sale Price in 2021

\$25M

Current Asking

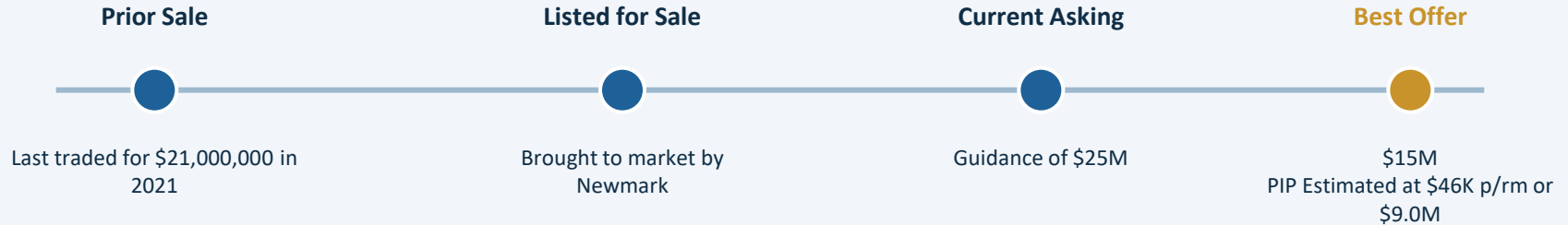
198

Keys

\$126K

Asking \$/Key

MARKETING TIMELINE



Distressed Hotel Market Overview

YTD DISTRESS ACTIVITY: 2026 vs. 2025 (JAN – MAY)

Source: AHG Distressed Asset Database | California Statewide | Same Period (Jan–May) Comparison



TOTAL DISTRESS FILINGS — Jan–May 2025:

33

Jan–May 2026:

44

+33% YOY

NOD surge of +150% is the leading indicator — defaults filed now will roll into NOS/REO over the next 3–6 months

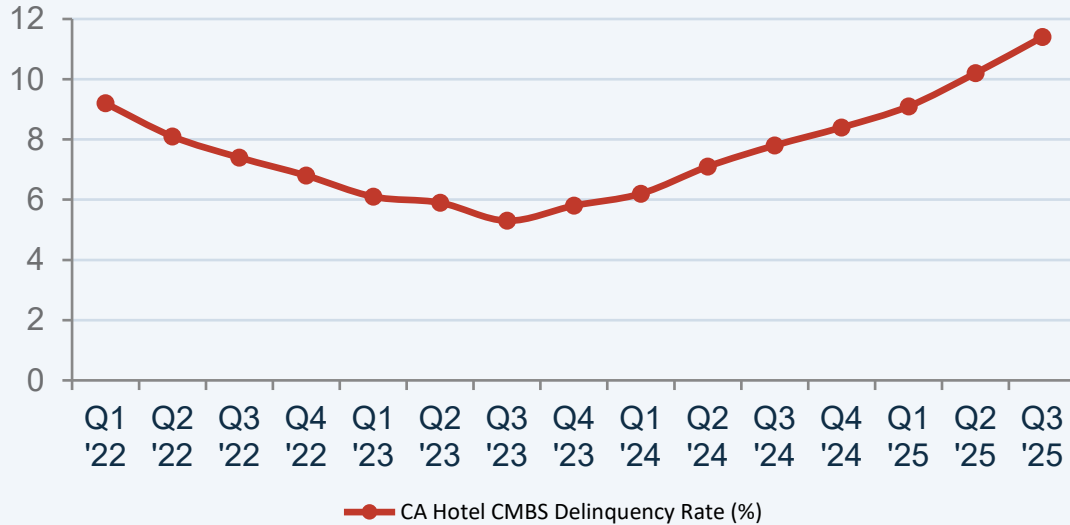
NOS decline may reflect extend-and-pretend workouts; NOD pipeline suggests volume will increase sharply

REO flat YOY — but with 25 new NODs in just 5 months of 2026, completed foreclosures are expected to accelerate through 2026

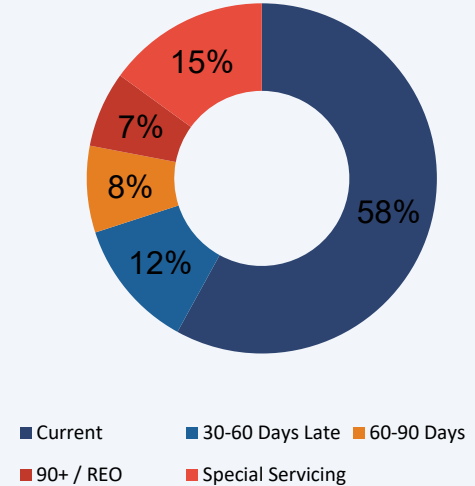
Source: AHG Distressed Asset Database — GM_NOD_NOS_REO_Reporting_20260527.xlsx. Jan–May same-period comparison.

CMBS DELINQUENCIES & SPECIAL SERVICING

CA Hotel CMBS Delinquency Rate (%) — Trending Up



IE Hotel CMBS Loan Status Mix



California hotel CMBS delinquency rate has risen to ~11.4% — the highest since 2021 peak

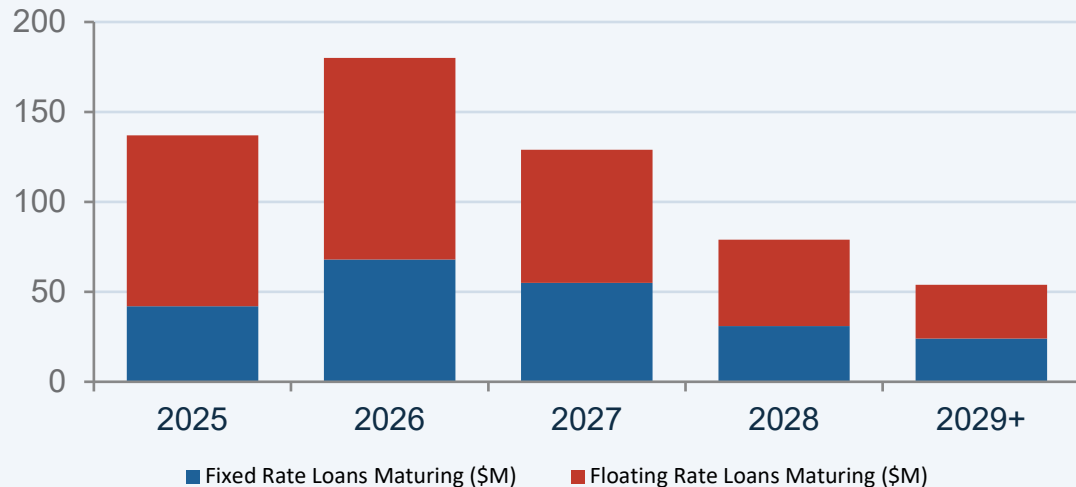
Approximately \$18.7 billion in hotel CMBS maturing nationally in 2025–2026; 70% are floating-rate

IE-specific CMBS pool: ~42 loans totaling ~\$380M; 15 currently flagged in special servicing

Special servicers increasingly choosing Loan-to-Own transfers over extensions as valuations decline

LOAN MATURITY WALL & REFINANCING PRESSURE

IE Hotel Loan Maturities by Year (\$M) — Fixed vs. Floating



REFINANCING IMPACT ANALYSIS

10-Yr Treasury **4.6–4.7%**

Persistently elevated long-end rates

Hotel Lending Spread **+300–425 bps**

Tight credit conditions for lodging

All-In Rate **7.9–9.2%**

vs. ~4.5% on legacy originations

Coverage Gap **-30 to -40%**

Typical IE NOI can't support refi

LIKELY OUTCOMES FOR MATURING IE HOTEL LOANS

~25%

Successfully Refinanced

Strong performers with low leverage; institutional ownership

~35%

Loan Modification/Extension

Extend-and-pretend; kicking the can; requires partial payoff

~25%

Distressed Sale

Seller capitulation; opportunistic buyers at 70–80¢/\$ valuations

~15%

Foreclosure/REO

Non-cooperative borrowers; terminal properties; lender takes asset

2026 CALIFORNIA HOTEL MARKET OUTLOOK

REVPAR Modest +1–3% Statewide Growth Projected

California RevPAR already up +9.3% YTD through April 2026. The 2026 FIFA World Cup (LA & SF host cities) and Super Bowl LX (Santa Clara) are expected to drive 7–25% revenue premiums in host markets during event months. Luxury and experience-driven assets will continue to outperform mid-scale and economy segments.

TRANSACTIONS Volume Up 10–15%; Distress Drives the Mix

After 259 sales totaling \$4.1B in 2025, 2026 transaction volume is expected to increase modestly but distress-driven deals will represent a larger share. The bid-ask spread is narrowing as sellers capitulate to higher-for-longer rates. Buyers continue to underwrite at significant discounts to replacement cost.

DEVELOPMENT Supply Pipeline Continues to Contract

Despite 50 new hotels (7,100 rooms) opening in 2025, the under-construction pipeline fell from 124 to 97 hotels. New construction costs of \$250K–\$300K/key for mid-scale make ground-up development uneconomical in most California markets. Investors are pivoting to value-add acquisitions at discounts to replacement cost.

OPERATING COSTS Continued Margin Compression Statewide

Labor (now ~35% of revenue) and insurance (up 15–20%) will outpace RevPAR gains across all California markets. EBITDA margins projected to decline 50–100 bps. Properties lacking recent renovations face brand-mandated PIPs that further erode cash flow and depress going-concern values.

DISTRESS Peak Distress Cycle: 2026–2027

NOD filings are up +150% YOY statewide through May 2026. The \$18.7B hotel CMBS maturity wall is peaking — 70% are floating-rate loans facing refinancing hurdles. Special servicers are shifting from extend-and-pretend to enforcement. Appraisers should anticipate more distressed comparables influencing statewide market values.

APPRAISAL IMPACT Key Valuation Considerations — California

Income approach carries more weight given the constrained and distress-influenced sales market. Distressed comp adjustments are critical and must be documented. Cap rate expansion of 50–100 bps anticipated across most California markets. Hotel-to-residential conversion analysis increasingly relevant for aging assets in supply-constrained markets.

Questions?

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