



ATLAS

HOSPITALITY GROUP

# California Hotel Market Overview

June 6<sup>th</sup>, 2024

Presented by:

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# AHG 2023 Predictions

- Interest Rates - Substantial increases in interest rates in the short and medium term and simultaneous widening of credit spreads.
  - 10- Year Treasury Dec 2021 = 1.52%/Dec 23' 4.48%
  - 1-Month LIBOR Dec 2021 = 0.10%/Dec 23' 4.40%
  - 1-Month SOFR Dec 2021 = 0.05%/Dec 23' 5.34%
  - Fed Funds Rate Dec 2021 = 0.07%/Dec 23' 5.25%
- Labor issues – Ongoing and increasing challenges with availability of labor and rising wage rates, de facto unions
  - California Minimum Wage now \$16.00 (\$20 fast food affects 500K)
  - Revenues up but NOI margins down
- Decline in sales – Significant delta between buyer and seller expectations
  - 2023 Sales volume declined 56.4% - sharpest decline since 2009
- Inflation - Impact of massive government stimulus, significant non transitory inflation, and supply chain bottlenecks nominal ADR's have been rising rapidly but real ADR's have minimal growth
  - In 2023, average inflation was 4.1%
  - ADR growth of roughly 4% in 2023

# Hotel REIT Stock Performance

T12 05/24



-64.23%



-2.44%



+9.98%



-28.98%

# Hotel Stock Performance

T12 05/24

The Hyatt logo features the word "HYATT" in a serif font with a registered trademark symbol, positioned above a thin, curved line that spans the width of the letters.

+30.97%



Hilton

+42.80%

The Wyndham logo features a blue square icon with a white crown-like shape inside, followed by the word "WYNDHAM" in a bold, sans-serif font.

+6.21%

The Marriott logo features a red circular icon with a white stylized "M" inside, followed by the word "Marriott" in a red, serif font.

+35.19%



# Notable Hotel Sales in 2024



# Fairmont Century Plaza Los Angeles

SALES PRICE: \$720,000,000

400 ROOMS / \$1,800,000 PER ROOM

PURCHASED BY THE RUEBEN BROTHERS



# Farmhouse Inn Forestville

SALES PRICE: \$32,000,000

25 ROOMS / \$1,280,000 PER ROOM

PURCHASED BY BILL FOLEY



# Inn at Rancho Sante Fe

SALES PRICE: \$100,000,000

85 ROOMS / \$1,176,471 PER ROOM

PURCHASED BY GEM REAL ESTATE OUT OF CHICAGO





# La Serena Villas Palm Springs

SALES PRICE: \$18,875,000

18 ROOMS / \$1,048,611 PER ROOM

PURCHASED BY DYNAMIC CITY CAPITAL

# STR RevPAR Performance

04/22 vs. 04/21 YTD	%
United States	63.1
Pacific	85.6
California	81.6
Custom Anaheim/Disneyland+	405.8
Custom Los Angeles+	145.8
San Francisco/San Mateo, CA	134.6
Monterey/Salinas, CA	81.6
San Jose/Santa Cruz, CA	76.1
Long Beach, CA	74.7
Santa Barbara/Santa Maria, CA	60.1
Sacramento, CA	45.0
San Luis Obispo/Paso Robles, CA	24.6

# STR RevPAR Performance

12/22 vs. 12/21 YTD	%
United States	29.8
Pacific	35.6
California	34.6
San Francisco/San Mateo	86.3
San Jose/Santa Cruz	65.0
Anaheim/Disneyland+	64.9
Los Angeles	48.3
California	34.6
Long Beach	33.8
Monterey/Salinas	21.0
Santa Barbara/Santa Maria	17.9
Sacramento	15.6
Monterey/Salinas	6.5

# STR RevPAR Performance

12/23 vs. 12/22 YTD	%
United States	4.9
Pacific	2.5
California	2.2
Anaheim/Disneyland+	10.4
San Francisco/San Mateo, CA	8.8
Long Beach, CA	7.2
San Jose/Santa Cruz, CA	4.4
California	2.3
Sacramento, CA	1.4
Los Angeles+	1.0
Monterey/Salinas, CA	-3.4
San Luis Obispo/Paso Robles, CA	-4.1

# STR RevPAR Performance

03/24 vs. 03/23 YTD	%
United States	0.2
Pacific	-0.9
California	-2.0
San Jose/Santa Cruz	10.8
Anaheim/Disneyland	4.5
Monterey/Salinas	0.7
San Luis Obispo/Paso Robles	0.1
San Francisco/San Mateo	0.1
San Diego	-0.5
Santa Barbara/Santa Maria	-1.6
Sacramento	-2.3
Los Angeles	-4.5
Long Beach	-5.3



# California Hotel Development Survey Highlights

- In 2023 California saw 53 new hotels with 6,280 rooms opened. This was a 10% decline from the number of rooms opened in 2022
- 107 hotels under construction with 14,225 rooms
- 1,245 hotels in planning with a total of 163,829 rooms
- The 380-room Moxy Los Angeles was the largest hotel to open in the State in 2023
- Los Angeles County had the highest number of new hotels opened with nine and led in number of new rooms (1,370). San Bernardino County followed in second place with eight hotels and 789 rooms
- Los Angeles County leads the State in terms of hotels (18) and rooms (2,162) under construction



# California Hotel Development Survey Summary

- ▶ The rapid increase in interest rates, together with lenders pulling away from making hotel construction loans is having a significant negative impact on hotel development in California.
- ▶ For those developers who have hotel projects in planning but have not yet obtained financing, we predict that very few will move forward.
- ▶ Strong headwinds facing new hotel development.

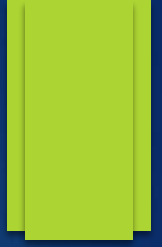
# 2023 In Summary

- ▶ The second largest percentage decline in individual sales in the last fifteen years, down 45%. Only 2009 has seen a steeper decline, down 52% from the previous year
- ▶ Sales volume declined by 56.4%, the second steepest decline in sales volume in the last fifteen years. This was surpassed by only 2009 when sales volume declined by 75%
- ▶ Median price per room declined by 1.08%, which is still the second highest median price per room on record
- ▶ 2023 – Transactions above \$10M down - 58.25%





# INLAND EMPIRE



# 2023 Summary

- 2021: Riverside median price per room - \$116,286
- 2021: Total transactions – 35
  
- 2022: Riverside median price per room - \$142,310 +22.3%
- 2022: Total Transactions – 30 -14.3%
  
- 2023: Riverside median price per room - \$161,502 +13.49%
- 2023: Total Transactions – 22 **-26.67%**
  
- 2021: San Bernardino median price per room - \$85,227
- 2021: Total transactions – 30
  
- 2022: San Bernardino median price per room - \$145,857 +71.14%
- 2022: Total transactions – 36 +20%
  
- 2023: San Bernardino median price per room - \$78,788 **-45.98%**
- 2023: Total Transactions - 26 **-23.53%**



# Notable Hotel Sales

## Inland Empire 2024



# Andalusian Court Palm Springs

SALES PRICE: \$4,000,000

7 ROOMS / \$571,429 PER ROOM

PRIVATE INVESTOR FROM CONNETICUT



# Del Marcos Hotel Palm Springs

SALES PRICE: \$6,970,000

16 ROOMS / \$425,635 PER ROOM

PURCHASED BY KIRWOOD COLLECTION



# Hyundai Resort Desert Hot Springs

SALES PRICE: \$1,500,000  
97 ROOMS / \$15,463 PER ROOM  
SOLD IN 2023



# Hyundai Resort Desert Hot Springs

SALES PRICE: \$700,000

97 ROOMS / \$7,200 PER ROOM

JUST SOLD IN APRIL OF 2024

# How does 2024 look?

- First quarter sales 2024, Down -24%
- If we continue at this pace, 198 transactions, 3<sup>rd</sup> lowest on record
- The delta between buyer and seller expectations continues to grow
- Lenders are pulling back
- Pressure mounting on owners with loans maturing in the next 6-12 months



# CASE STUDIES

- ▶ 145 RMS Hilton select service Fremont: Opened in 2021, purchased for \$41.7M, 145 RMS. 2023 Revenue of \$4.6M, NOI of \$381K – Special Servicer estimating current value at \$21,750,000
- ▶ 100 RM boutique San Jose: Purchased in 2014 for \$20.4M. pre-covid, \$6.5M Rev, \$1.6M NOI. 2023: \$3.9M Rev, -\$611K NOI – highest offer is \$8.250M
- ▶ 354 RM full-service San Jose: Purchased 2017 for \$61.750M pre-covid \$18.1M Room Rev, NOI \$6.0M, 2023 \$8.6M Room Rev, -\$900K NOI – Special Servicer estimating value at \$30M

The background of the slide features a dark, textured surface with numerous question marks of varying sizes and colors (gold, white, and dark blue) scattered across it. A prominent white question mark is centered in the lower-left quadrant. In the top right corner, there is a solid lime green rectangular block.

# Issues in 2<sup>ND</sup> Half of 2024

- ▶ “For Sale” Supply Increase: Substantial increase in the number of for sale offerings.
- ▶ Continued decline in sales: Significant delta between buyer and seller expectations
- ▶ Operating Costs: Expenses are increasing faster than revenues are declining
- ▶ Interest Rates: What rate cuts???
- ▶ Increased foreclosure activity



# TRAVEL TIPS

- ▶ Google Flights - now has Southwest Airlines
- ▶ Chase Sapphire – points system is much better than AMEX



Any Questions....

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