ATLAS
HOSPITALITY GROUP

California Hotel Market Overview

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Presented by:

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AHG 2024 Issues To Look For

- "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 15.3% in 2024 vs. 2023, while the number of individual sales declined by 7.5%.
- 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

Francis House Calistoga

SALES PRICE: $9,600,000
7 ROOMS / $1,371,429 PER ROOM
PURCHASED BY EDWARD ANTHONY LUXURY ESTATES

Pacific Edge Hotel

SALES PRICE: $80,000,000
130 ROOMS / $615,385 PER ROOM
PURCHASED BY DUNE DRIFTER (CHRIS WILLIAMS PART OF MARRIOTT FAMILY)

Residence Inn/Springhill Suites Anaheim

SALES PRICE: $303,000,000
468 ROOMS / $647,435 PER ROOM
PURCHASED BY DYNAMIC CITY INVESTORS

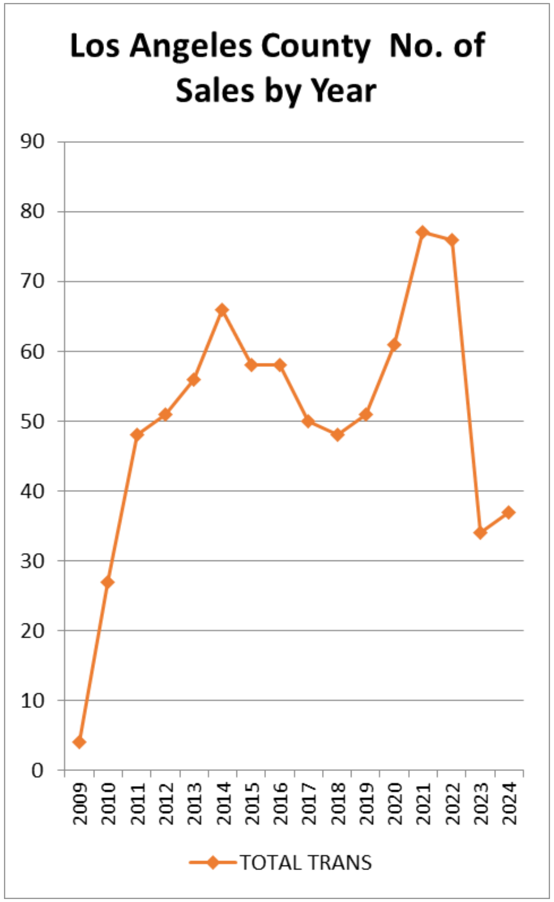
2024 Hotel Sales Summary

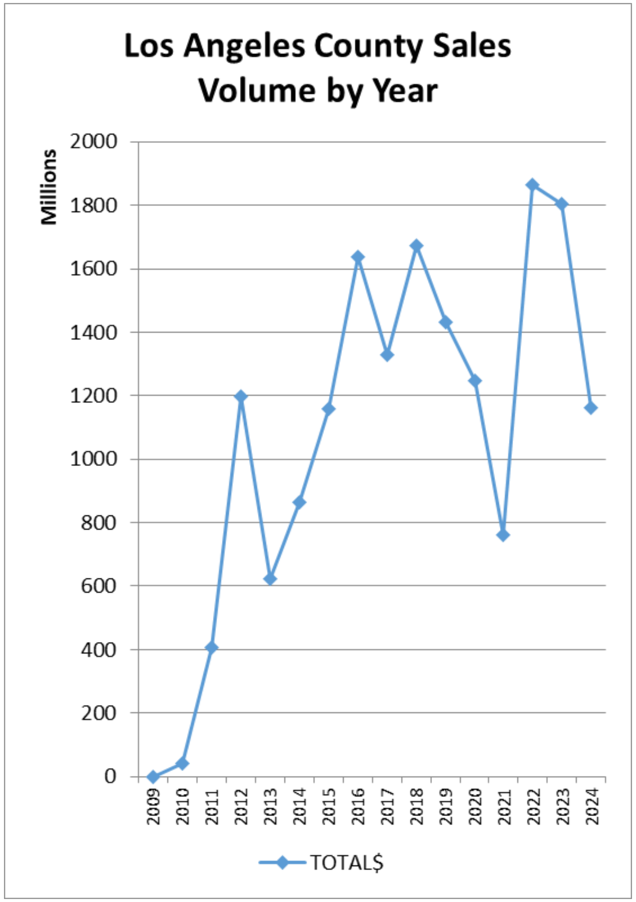
- Total of 245 transactions in 2024 compared to 265 in 2023 down 7.5%. 2022 there were 483 transactions. Total sales volume is the fourth lowest since we have been tracking California hotel sales.
- Sales volume declined by 48.5%, the Third steepest decline in sales volume in the last fifteen years. This was only surpassed by 2023 when sales volume declined by 58.6% and 2009 when sales volume declined by 75%
- Median price per room declined by 7.2%, which is the second highest median price per room on record
- 2023 – Transactions above $10M down -58.3%

LA & OC

LA COUNTY

- 37 Hotel transactions in 2024 +8.8% from 2023
- Sales volume for 2024 -56.6%
- 77 Transactions in 2022, 2024 -51.9% from the peak
- Median Price Per room +.9% @ 163,462





Impact of Homekey in LA

30% of the transactions in LA were sold using the states Homekey funding program

The 11 properties sold totaled $147,014,000 in sales volume

The Median Price Per Room for Homekey transactions was $192,753, 21% above traditional sales

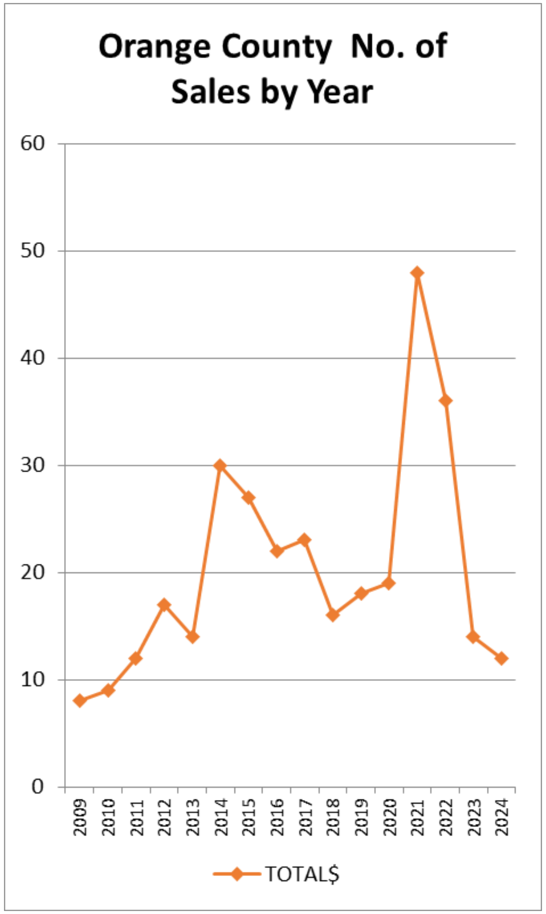
Homekey + announced in November of 2024 with an additional $2.2B in funding

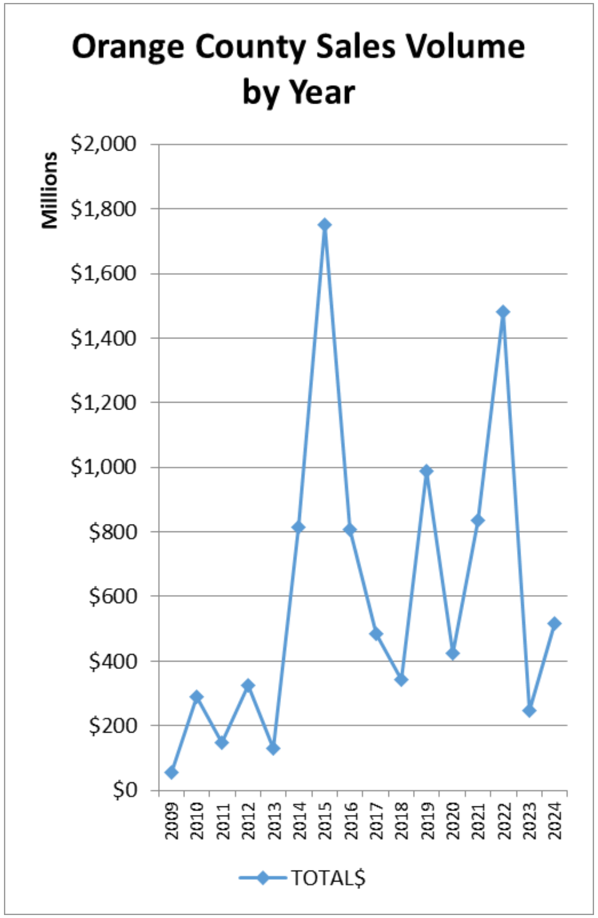
Measure ULA | LA Mansion Tax

- The seller is required to pay the additional transfer tax at the time of the sale for any property transaction over:
- $5 million (4% tax rate).
- $10 million (5.5% tax rate).
- **Exemptions**:
  Certain transfers, such as those involving nonprofit organizations or government agencies, may qualify for exemptions. Homekey is an exemption

ORANGE COUNTY

- 12 Hotel transactions in 2024 -14.3%.
- Sales volume for 2024 +109%
- 48 Transactions in 2022, 2024 -75% from the peak
- Median Price Per room +36.3% @ $270,833





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

OC Hotel Development

- Orange County opened two hotels with a total of 298 rooms in 2024, a 52% decrease from the four hotels and 627 rooms opened in 2023. **Hilton at the Source Buena Park** was the largest opened in 2024 with 178 rooms.
- Orange County currently has the La Quinta Inn & Suites in La Habra, a 91 room project under construction.
- Orange County has 69 hotels with 12,136 rooms in planning, slightly below the number of rooms in planning in 2023 (12,551).

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.

Doom & Gloom Examples

- 145 RMS HGI 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 De Anza Hotel San Jose: Purchased in 2014 for $20.4M. pre-covid, $6.5M Rev, $1.6M NOI. 2023: $3.9M Rev, -$611K NOI – sold for $11.5M
- 354 RM Holiday Inn 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

2025 Predictions

- RevPAR will continue to decline
- The delta between buyer and seller expectations continues to grow
- Operating Costs will increase faster than revenues will decline
- 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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