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THE GREAT SAN FRANCISCO HOTEL RESET

JANUARY 2026

Since the Gold Rush, San Francisco has been defined by cycles of boom and bust in business and real estate—and the hotel market has been no exception. The pandemic dealt a significant blow, knocking San Francisco from its 2019 position as the nation's leading urban RevPAR market. The city's heavy reliance on tech, tourism and conventions created a perfect storm when travel demand collapsed.

SAN FRANCISCO HOTEL PERFORMANCE HAS TURNED THE CORNER

The chart below highlights San Francisco's performance variance compared to the U.S. since the pandemic.

San Francisco Area Market – Supply, Demand, Occupancy, ADR and RevPAR

Year	Supply	% Chg.	Demand	% Chg.	Occ	% Chg.	ADR	% Chg.	RevPAR	% Chg.
2019	1,624,250	----	1,274,959	----	78.5%	----	$222.59	----	$174.72	----
2020	1,600,522	-1.5%	740,322	-41.9%	46.3%	-41.1%	$170.76	-23.3%	$78.99	-54.8%
2021	1,604,883	0.3%	968,409	30.8%	60.3%	30.4%	$205.37	20.3%	$123.92	56.9%
2022	1,611,064	0.4%	1,106,255	14.2%	68.7%	13.8%	$237.64	15.7%	$163.18	31.7%
2023	1,625,665	0.9%	1,086,460	-1.8%	66.8%	-2.7%	$233.71	-1.7%	$156.19	-4.3%
2024	1,665,922	2.5%	1,099,359	1.2%	66.0%	-1.3%	$228.88	-2.1%	$151.04	-3.3%
YTD Oct 24	1,383,808	----	930,585	----	67.3%	----	$231.19	----	$155.47	----
YTD Oct 25	1,417,856	2.5%	1,007,598	8.3%	71.1%	5.7%	$235.50	1.9%	$167.36	7.6%

United States - Supply, Demand, Occupancy, ADR and RevPAR

Year	Supply	% Chg.	Demand	% Chg.	Occ	% Chg.	ADR	% Chg.	RevPAR	% Chg.
2019	1,995,835,229	----	1,313,652,626	----	65.8%	----	$131.57	----	$86.60	----
2020	1,916,277,787	-4.0%	840,534,515	-36.0%	43.9%	-33.4%	$103.32	-21.5%	$45.32	-47.7%
2021	2,009,205,815	4.8%	1,155,584,460	37.5%	57.5%	31.1%	$124.76	20.8%	$71.75	58.3%
2022	2,042,888,459	1.7%	1,277,777,933	10.6%	62.6%	8.8%	$149.57	19.9%	$93.55	30.4%
2023	2,047,243,331	0.2%	1,289,926,586	1.0%	63.0%	0.7%	$156.19	4.4%	$98.42	5.2%
2024	2,057,850,339	0.5%	1,297,441,574	0.6%	63.1%	0.1%	$159.05	1.8%	$100.28	1.9%
YTD Oct 24	1,714,756,894	----	1,103,795,872	----	64.4%	----	$159.78	----	$102.85	----
YTD Oct 25	1,727,618,378	0.8%	1,100,126,493	-0.3%	63.7%	-1.1%	$161.32	1.0%	$102.73	-0.1%

San Francisco's RevPAR loss in 2020 exceeded the national average. Although recovery ratios in 2021 and 2022 aligned with national trends, the steep 2020 contraction widened the gap. By 2022, national RevPAR began setting records while San Francisco's RevPAR was 93% of 2019 levels. The rebound stalled in 2023, and by 2024, hotel RevPAR remained at only 86% of 2019.

San Francisco's challenges impacted both visitation and investor interest. The halt in international travel, particularly from Asia, persistent social challenges and retail closures deterred tourists and conventioneers. Meanwhile, negative headlines about foreclosures, weak performance and rising operating costs dampened investor confidence.

In 2023, signs of optimism emerged. The decline in demand and ADR slowed, and major events like the JPMorgan Healthcare Conference, MLB All-Star Game, and NCAA playoffs drew strong attendance. The convention calendar improved, and AI's resurgence brought tech—and San Francisco—back into the spotlight. Passenger counts at San Francisco International Airport grew, new routes were announced, and local leadership changes signaled renewed momentum: Anna Marie Presutti became CEO of San Francisco Travel, and Daniel Lurie was elected mayor.

In 2025, both demand for hotel rooms and ADR began to rise. By October, occupied room nights increased 8.3% year-over-year (YOY), and ADR grew 1.9%. This contrasts sharply with the U.S. overall, where demand declined and ADR grew just 1.6%, resulting in a modest 0.5% national RevPAR increase compared to San Francisco's 7.6%. Air traffic at San Francisco International Airport is also nearing 2019 levels, including a rebound in international arrivals.

SAN FRANCISCO IS TOP OF MIND FOR HOTEL INVESTORS

San Francisco has historically had limited hotel transaction activity. The city has approximately 130 hotels, about half of which have fewer than 150 rooms. During the 12-year recovery from the Great Recession (2007-2019), many owners held onto their assets as San Francisco's hotel performance surged.

Investors know the sharpest gains often occur early in a recovery. By late 2024 or early 2025, many anticipated the market bottom and positioned themselves accordingly. While transaction activity remained muted in 2023–2024 due to the contraction of the recovery and pricing uncertainty, momentum is building. Over the past year, four major hotel sales have set the pace for what is expected to be a continuing trend.

San Francisco Hotel Sales

Property	Buyer	Purchase Price	Price per Room	Sale Date	Number of Rooms	Estimated Cap Rate
Four Seasons San Francisco	Blackstone	$130,000,000	$469,314	December-25	277	N/A
Hilton San Francisco and Parc 55 Hotels	Newbond Holdings and Conversant Capital	$408,000,000	$138,540	November-25	2,945	N/A
The Autograph Hotel Clancy	Sixth Street and Rillar Capital	$115,000,000	$280,488	November-25	410	5.2%
Hyatt Centric	EOS Investors LLC.	$80,000,000	$253,165	May-25	316	1.6%

Recent deals in San Francisco reflect pricing well below pre-pandemic levels. Properties like the Four Seasons, Hilton and Parc 55 reportedly operated at a loss, attracting buyers seeking opportunities in distressed assets and low cap rates. The Four Seasons, Autograph Hotel Clancy and Hyatt Centric were reportedly sold free and clear of debt, while the Hilton San Francisco and Parc 55 transaction involved a restructuring of existing debt from missed mortgage payments—likely a key incentive for the sale.

In the midscale segment of the San Francisco market, the Tilden Hotel exemplifies the market's challenges. The 188-room property, formerly the Mark Twain Hotel, sold in 2015 for $48.6 million ($422,404 per room) before undergoing extensive renovations reopening as the Tilden Hotel. Closed in 2020 and reportedly in poor condition, the hotel was purchased in June 2025 for $9.3 million ($78,813 per room)—an 81% discount from its 2015 sale price. The new owners promptly renovated the property, which reopened in November 2025. While renovation costs are unknown, the estimated investment basis is likely well below the peak of the prior cycle.

The most recent per-room pricing for San Francisco hotels reflects estimated discounts of 50% to 80% from pre-pandemic levels. A longer-term view highlights the city's transaction trends.

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Hotel Zoe	Not Disclosed	$68,500,000	$309,955	November-23	221	3.2%
Yotel	Madison Market Street Lending, LLC	$62,000,000	$305,419	September-22	203	N/A
Hotel Spero	Fairwood Capital	$71,000,000	$300,847	August-22	236	9.8%
The Marker	Stockdale Capital Partners	$77,000,000	$379,310	January-22	203	8.8%
Hyatt Place San Francisco	Property Reserve, Inc.	$142,000,000	$617,391	January-22	230	2.0%
Le Meridien San Francisco	KHP Capital Partners	$221,500,000	$615,278	September-21	360	5.9%
Villa Florence	AWH Partners JV Roxborough Group	$87,500,000	$462,963	September-21	189	7.2%
Autograph Hotel Adagio	Magna Hospitality Group	$82,000,000	$479,532	July-21	171	N/A
Aloft Santa Clara	Peninsular Investments	$56,000,000	$320,000	June-21	175	7.4%
AC Hotel	AVR Realty Company, LLC	$95,400,000	$454,286	May-19	210	6.3%
Four Limited Service Hotels	Oxford Capital Corporation	$131,000,000	$356,948	April-19	367	4.6%
Hyatt Place Emeryville	Hotel Holiday Garden	$66,250,000	$378,571	April-19	175	7.4%
Four Seasons Hotel Embarcadero	Westbrooke Partners	$126,600,000	$816,774	May-19	155	N/A
Huntington Hotel	Woodbridge Capital	$87,100,000	$622,143	September-18	140	N/A
Grand Hyatt San Francisco	Host Hotels & Resorts	$575,000,000	$871,212	March-18	660	3.1%
St. Regis Hotel	QIA	$175,000,000	$673,077	December-16	260	4.0%
Ritz-Carlton San Francisco	Carey Watermark 2	$290,900,000	$865,774	December-16	336	4.0%
Fairmont Hotel San Francisco	Mirae Asset Financial	$450,000,000	$761,421	November-15	591	4.3%
Four Seasons Hotel Embarcadero	Loews Hotels	$141,300,000	$894,304	April-15	158	2.5%

Historically, San Francisco hotels commanded premium pricing and compressed cap rates, with pre-pandemic sales ranging from $600,000 to $800,000 per room. Limited transaction volume stemmed from strong performance and low interest rates, as owners often chose to refinance rather than sell.

The pandemic disrupted this dynamic, initially producing sales of properties that were distressed and appeared discounted. However, recent transactions confirm a structural reset: Per-room values now sit well below historical norms, shaped by 2025 baseline RevPAR, tempered recovery expectations and persistently higher interest rates. Investor sentiment toward San Francisco is improving, supported by the city's political, economic and social revitalization. The pricing environment reflects a recalibration toward lower long-term performance assumptions, signaling a market in transition, where opportunities exist but require disciplined underwriting and operational resilience.

In the initial pandemic period, recovery to pre-pandemic revenue levels was a key investment metric. For San Francisco, the post-pandemic nadir in 2024 effectively reset the baseline for comparison.

Looking ahead, San Francisco's hotel market is expected to strengthen, driven by a robust convention calendar, increased return-to-office activity and rising office leasing. Major events in 2026, including the Super Bowl and World Cup matches, are poised to boost occupancy and rates.

Recent hotel transactions highlight two key themes:

1. **Renewed optimism about San Francisco's long-term prospects**
2. **A reset in valuation expectations, creating a more realistic basis for investment**

San Francisco is entering a period of investor enthusiasm, supported by a re-aligned civic and business foundation. This reset signals a recalibration—and a window for strategic buyers to capitalize on the upside of the cycle.

As expected, sellers are now motivated by the increased transaction activity and investor interest. Brokers report rising pricing expectations and some rapacity, which could lead to a larger bid/ask spread. Long-term recovery for San Francisco hotels will depend on an alignment of investment pricing and market performance.

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