

California Hospitality 2027

A white paper for hotel owners, asset managers and
management companies

*Headwinds, tailwinds and the owner's
playbook for the year after the
mega events.*



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How to read this paper

Every figure carries a superscript number that points to the Sources section. Where a number is derived from two published figures, the text says so. Where a public forecast did not exist (California statewide 2027 ADR, for example), we say that too rather than invent one.

The paper is written for the people who sign the capital plan: owners, asset managers and the executives of management companies. Property level tactics appear where they change the owner's number.

EXECUTIVE SUMMARY

2027 is the year the events leave and the cost base stays.

California closed 2025 at a record \$158.9 billion of travel spending, and the state's own forecast has 2026 rising a further 4.8% on the back of a Super Bowl, a World Cup and a recovering San Francisco.^{1,3} The number that should concern an owner is

the one after that: the same forecast has statewide occupancy dipping in 2027, to 68.5%, and staying there through 2028.⁶ The event calendar thins, the wage schedule does not, and the international recovery is arriving in the wrong markets.

\$158.9B

California travel spending, 2025 (+1.7%). Record high; hotel guests accounted for \$83.0B of it.

Dean Runyan / Visit California, Apr 2026

68.5%

Forecast statewide hotel occupancy in 2027, down 0.3 points on 2026 after the event year.

Visit California / Tourism Economics, May 2026

-6.4%

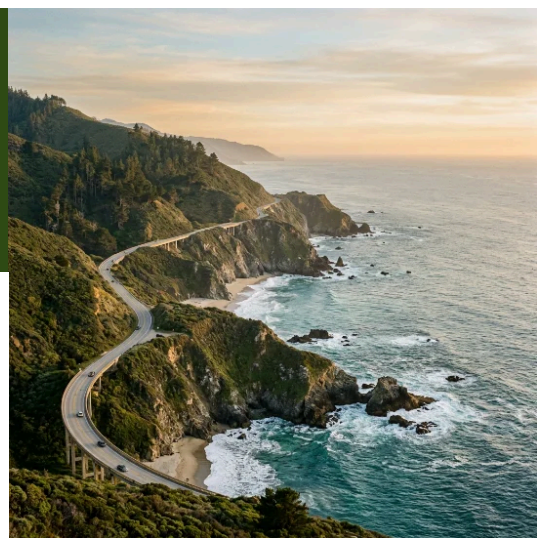
International air arrivals to California, August 2026 versus August 2025. Europe and India down 16 to 27%.

Visit California / NTT, Sep 2026

58%

Share of all US hotel room nights booked by loyalty members through H1 2026. The fastest growing channel.

Kalibri Labs, Sep 2026



Six findings shape the owner's agenda for 2027.

1. The state is growing; the average hotel is not.

Travel spending is at a record, yet 2025 statewide occupancy was 67.3% and RevPAR grew only 1.6% through November, against a US market that fell 0.3%.^{6, 7} The growth is concentrated: San Francisco RevPAR rose 11.8% in 2025 and is forecast to set a record in 2027, while Los Angeles fell 1.5% and San Diego 2.5%.^{7, 12} An owner with a Southern California portfolio has been living in a different market from the one in the headlines.

2. The mega events paid in rate, not in heads.

Super Bowl LX delivered roughly \$720 million to the Bay Area against a \$370 to \$630 million projection.³⁰ The World Cup did not repeat the trick: 70% of Los Angeles hotels reported bookings below expectations in May, and nationally the tournament produced about \$680 million of incremental hotel revenue against a \$900 million forecast, most of it through ADR rather than occupancy.^{29, 66} Santa Monica's match day hotels ran ADR up 42% with occupancy up only 3.7%.¹⁷ The lesson for 2027, with Super Bowl LXI at SoFi in February and then a quieter calendar, is that event demand is a pricing exercise, not a volume one.

3. The cost base has been legislated upward.

Los Angeles hotels of more than 60 rooms will pay \$25.50 an hour from July 2027, rising to \$30.00 by January 2030, plus a \$6.00 an hour health benefit payment from July 2027.³³ Insurance premiums for California hotels rose 28.1% in 2023 and 11.8% in 2024, and labor now runs at roughly 35% of revenue in the state.^{35, 7} None of these lines reverse when a convention leaves town.

4. Distribution is the largest controllable cost below GOP.

Independent hotels still source 63.4% of bookings through OTAs at commissions of 15 to 30%, while a direct booking costs a well run boutique about 9% of its value and cancels half as often (10.6% versus 21.8%).^{42, 45} On a \$100 room night that is the difference between keeping \$91 and keeping \$75. Kalibri Labs puts the industry's acquisition cost at 15 to 25% of guest paid revenue; every point recovered is margin, not revenue.⁴⁰

5. Owned demand is winning everywhere it is built.

Loyalty members booked 58% of US room nights through H1 2026, and member only rates grew 19% year over year while rack rate business fell 5%.³⁹ Marriott's member share of US and Canada room nights reached 75% in 2025; Hyatt's membership grew 17% in a year.^{46, 48} Independents that built their own programs saw the same physics: a Cornell study of Stash Hotel Rewards found 82% of guests who first booked through an OTA moved to direct after joining.⁵³

6. Distress is a market, and 2027 is when it clears.

California hotel sales rose 22% to \$4.1 billion in 2025, and in the first half of 2026 distressed or lender involved sales were 28% of transactions and 37% of dollars.^{21, 22} Roughly 30% of US hotel loans mature in 2026.²² For a well capitalised owner this is the entry point of the cycle; for a levered one it is the exit.

The 2027 play is not to chase occupancy the events will not bring. It is to own more of the demand you already have, price the events you do get, and use the distress cycle to buy rather than to sell.



01

California in numbers

- The state is growing; the average hotel is not.

KEY TAKEAWAYS

01

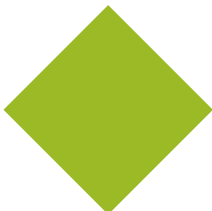
Travel spending hit a record \$158.9B in 2025, yet statewide occupancy was only 67.3%.

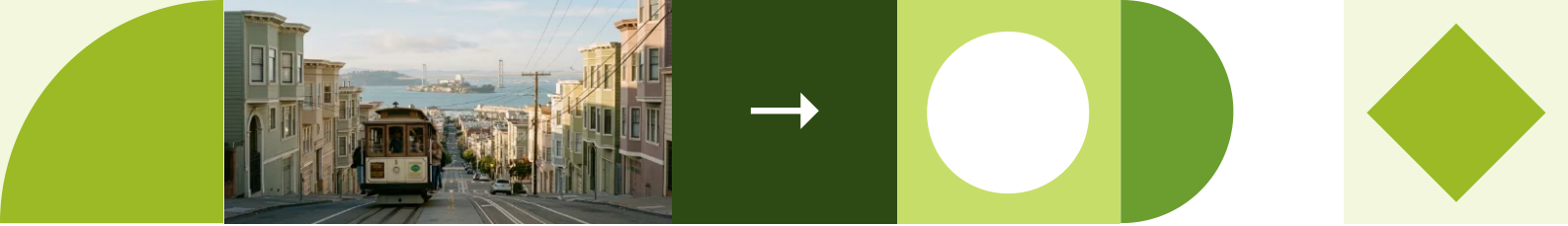
02

The state forecasts 2027 occupancy dipping to 68.5%: rate has to do all of the work.

03

Replacement cost of \$250K to \$300K a room sits far above the \$138K median trading price.





SECTION 01

California in numbers: the 2025 baseline and the 2026 to 2027 outlook.

The state's visitor economy is the largest in the country and, on the public data, the healthiest it has ever been. The hotel data underneath it tells a quieter story: flat occupancy, rate doing the work, and a sharp divide between the Bay Area and the south.

The visitor economy: a record year with a soft centre

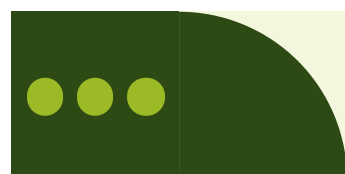
Dean Runyan Associates' annual study for Visit California put 2025 travel spending at \$158.9 billion, up 1.7% on a restated \$156.2 billion in 2024. Travel supported about 1.2 million jobs and generated \$13.6 billion of state and local tax revenue, up 3.6%. Spending by hotel, motel and short term rental guests was \$83.0 billion, up 2.7%; spending on accommodation itself was \$35.2 billion, up 2.2%.¹ The Governor's office added that the state booked 1.2 million additional room nights in 2025 and added 4,350 travel jobs.²

The soft centre is international. International visitor spending fell to about \$25 billion in 2025, down roughly \$1 billion year over year.²

Canada, historically the second largest source market at 1.8 million visitors and \$3.72 billion of spend in 2024, fell 20.1% in 2025.³ Visit California's own description of the year, offered in January 2026, was that "flat is the new up."⁶⁹

What the state forecasts for 2026 and 2027

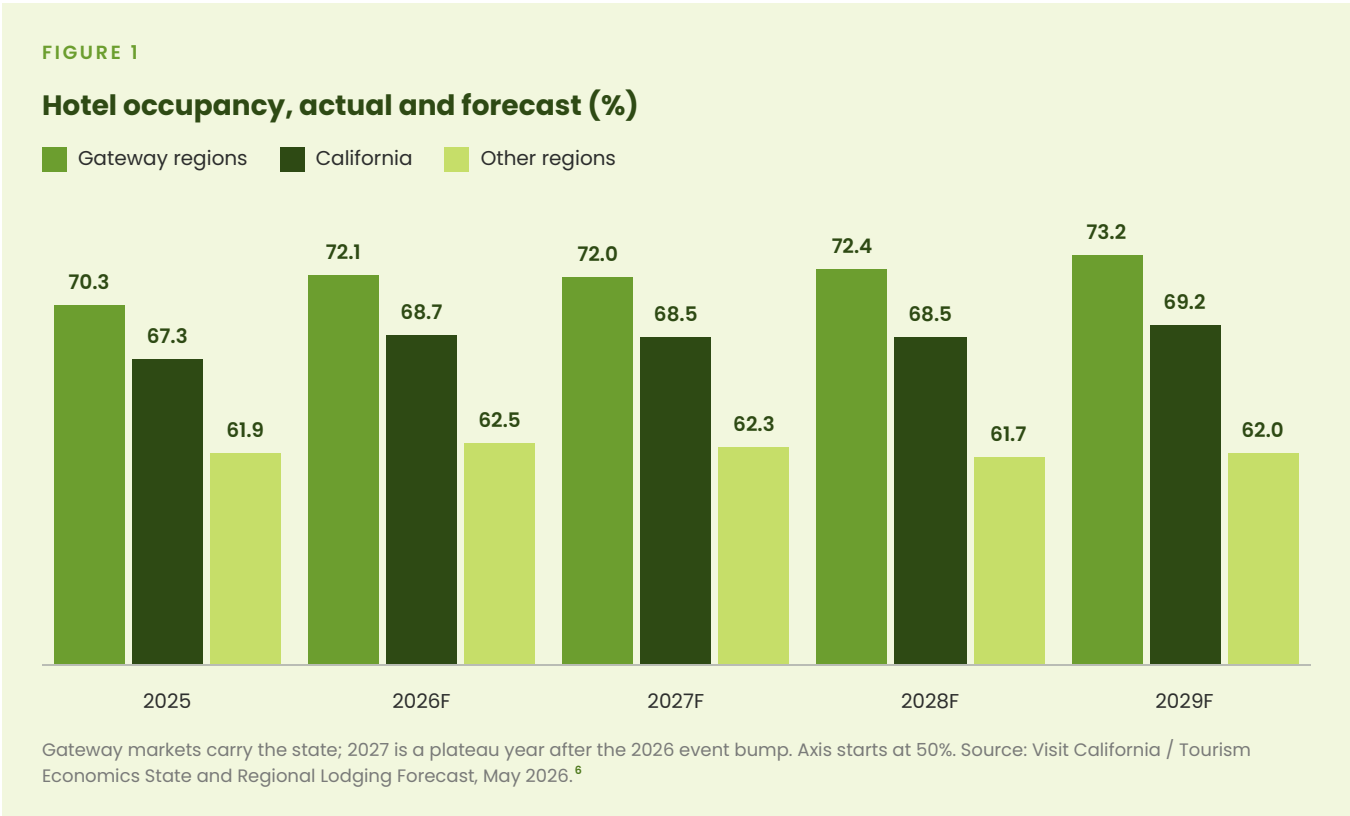
Tourism Economics' May 2026 baseline for Visit California has 2026 visitation up 1.5% to 275.5 million and spending up 4.8% to \$166.5 billion. Domestic spending is expected to grow 4.8% after 2.5% in 2025; international spending 5.8% after a 4.4% fall; Canada visits 2.6% after the 20.1% collapse; Mexico 2.8%; overseas arrivals 1.8% after a 5.0% decline. The downside scenario has total visits up only 1.2% and international down 0.4%.³



For lodging specifically, the state expects 2026 room revenue to rise 5.2% to \$28.2 billion and statewide ADR to rise 2.9% to \$196, finally passing the 2023 peak. Gateway markets are forecast to grow revenue 3.3% against 1.7% elsewhere, helped by the Super Bowl in the Bay Area and World Cup matches in both Los Angeles and the Bay Area.⁶

Then the forecast turns. Statewide occupancy is expected to reach 68.7% in 2026, slip to 68.5% in 2027, hold at 68.5% in 2028 and only recover

to 69.2% in 2029. Gateway regions follow the same shape (72.1% in 2026, 72.0% in 2027); the rest of the state is forecast at 62.5% in 2026 and 62.3% in 2027, with demand growth slowing from 2.2% to 0.8%.⁶ The state has not published a 2027 ADR or RevPAR figure, and we have not invented one. The honest read of the occupancy line is that 2027 is a year in which rate has to do all of the work.



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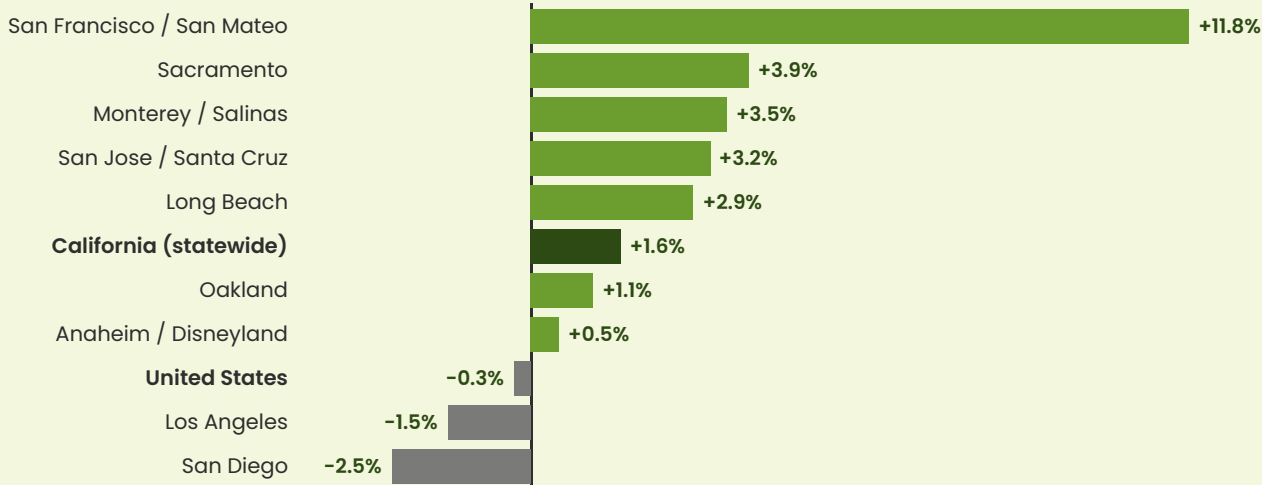
Hotel performance: two Californias

Through November 2025, California RevPAR was up 1.6% against a US market down 0.3% and a Pacific region up 0.9%.⁷ The statewide average conceals a split that matters more than the average. San Francisco and San Mateo RevPAR

rose 11.8%, the best of any top 25 US market, on ADR of \$228 and 70.1% occupancy in November, and yet remained 24.2% below its pre pandemic level.^{7,8} Sacramento, Monterey, San Jose and Long Beach all grew 3% or more. Anaheim was flat at 0.5%. Los Angeles fell 1.5% and San Diego fell 2.5%.⁷

FIGURE 2

RevPAR growth by California market, year to date November 2025 (% vs 2024)



Two Californias: the Bay Area recovering from a deep hole, Southern California flat to down. Source: Atlas Hospitality Group presentation to the Appraisal Institute, January 2026, using STR data.⁷

The first half of 2026 changed the Southern California picture, as the events arrived. Los Angeles County hotels through June 2026 ran 73.1% occupancy (up 1.8%), ADR of \$220.04 (up 6.2%) and RevPAR of \$160.82 (up 8.0%), on 4.84 million room nights sold.¹⁰ San Diego set an all

time monthly RevPAR record in June 2026 at \$198.18 (up 12.0%) and revised its full year growth expectation from 2 to 3% to about 5%.¹⁴ Anaheim ran RevPAR up about 12% through April.¹⁵ San Francisco, in March 2026 alone, posted RevPAR of \$193.85, up 32.6%.⁹

TABLE 1 Key California markets at a glance

Market	2025 occupancy	2025 ADR	2025 RevPAR trend	2026 and 2027 outlook
Los Angeles	71.6%	\$196	-0.4% (12 months to Nov)	RevPAR +3 to 5% a year through 2028 (CoStar); HI 2026 RevPAR +8.0% on the events
San Francisco	67.2%	\$245.38	+11.8% (2025 full year)	2026 RevPAR \$188.06 (+14.1%); 2027 \$195.61, a record; 25 million visitors
San Diego	72.3%	\$213	-0.9%	2026 revised to ~+5% RevPAR; convention calendar weak in 2026, strong 2027 group pace
Orange County / Anaheim	72.1%	\$209	flat	RevPAR +1 to 4% a year through 2028; ~600,000 convention room nights in 2026
Napa County	64.6%	\$422.52	occupancy +2.6%	2026 occupancy -0.3%, ADR +1.6%; group is 28% of occupancy and rising
Santa Barbara South Coast	73%	n/d	occupancy +3.2% (FY25/26)	Steady drive market, limited new supply
Greater Palm Springs	70%	\$269.61	room revenue +7.7% (to May 2025)	Group +13.8%; leisure pace softening

Sources: Hotel Online market outlook (CoStar data), January 2026;⁹ SF Travel, May and August 2026;^{11,12} San Diego forecast and mid year review;¹⁴ HVS Anaheim, June 2026;¹⁵ Napa Valley Register, January 2026;¹⁸ Pacific Coast Business Times;⁷² Greater Palm Springs Business Insider.⁷¹ n/d: not disclosed.



Supply, capital and the cost of building

Supply is not the problem it was. California opened 50 hotels and 7,100 rooms in 2025, but the pipeline behind them is shrinking: 96 hotels and 11,121 rooms were under construction at the end of 2025, down from 124 and 16,468 a year earlier, and the first half of 2026 saw only 21 openings and 1,988 rooms, down 63% in rooms year over year.^{19, 20} Atlas Hospitality reports construction timelines stretching from about 18 months to 30 to 36 months, and build costs of \$250,000 to \$300,000 a room for a basic three storey select service hotel.^{19, 20} For an existing owner, that is a moat: replacement cost sits far above the \$138,409 median price per room at which California hotels traded in 2025.²¹

The capital markets are where the stress shows. Sales volume rose 22% to \$4.1 billion in 2025 and a further 17% to \$1.63 billion in the first half of 2026, but 36 of the 128 first half sales were distressed or lender involved, 37% of the dollars.^{21, 22} The Hilton San Francisco Union Square and Parc 55, about 3,000 rooms, sold out of receivership for \$408 million, or \$138,634 a key, against a 2016 appraisal of \$1.56 billion.⁵⁹ The Westin Long Beach traded at \$42 million against \$85 million nine years earlier.²² Atlas counts \$18.7 billion of California hotel CMBS maturing, and the Mortgage Bankers Association puts 30% of all US hotel loans maturing in 2026.^{7, 22}

FIGURE 3

California hotel transaction volume, \$ billions

■ All sales ■ Distressed or lender involved, share of H1 2026 dollars

2025 full year

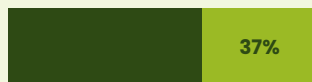
259 sales · +22%



\$4.1B

H1 2026

128 sales · +17% YoY



37%

\$1.63B

36 of 128

H1 2026 sales that were distressed or lender involved

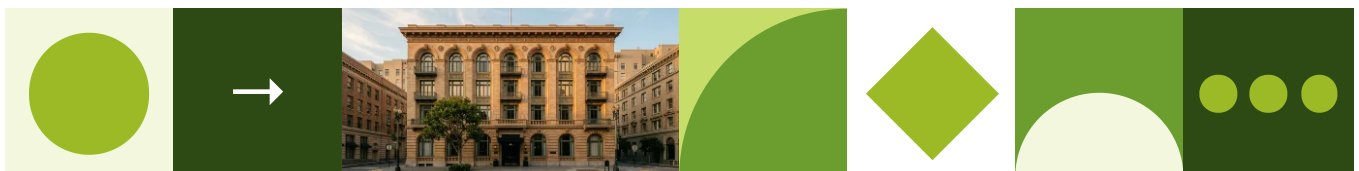
\$138,634

Per key for the Hilton Union Square and Parc 55, sold out of receivership

\$18.7B

California hotel CMBS maturing

Distress is now a market in its own right. Sources: Atlas Hospitality Group sales surveys via Asian Hospitality, March 2026, and Bisnow, August 2026.^{21, 22}



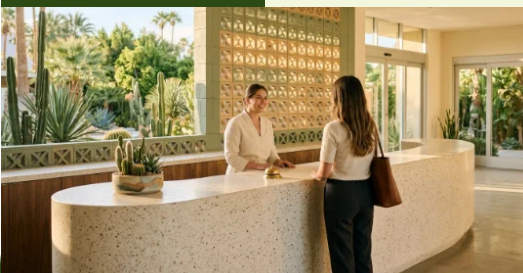
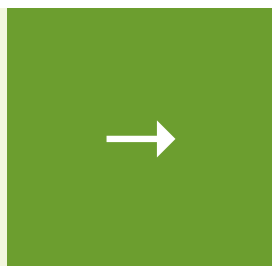
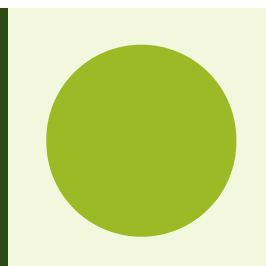
The public purse: hotel taxes tell the same story

Transient occupancy tax receipts are the cleanest public read on hotel revenue by city, because they are audited and budgeted. San Francisco's hotel tax is recovering: FY2025/26 was revised up \$10.5 million to \$275.7 million, 8.0% above the prior year, with RevPAR in the first four months of the fiscal year up 15.2%, though the Controller does not expect full recovery until after FY2029/30.²⁵ San Diego went the other way, cutting its FY2026 TOT projection by \$3.9 million to \$166.3 million and its growth assumption from 2.2% to 0.2%, citing "declining international travel."²⁶ Anaheim's TOT budget

fell 8.9% to \$246.6 million for FY2025/26, with a 3.8% recovery pencilled for FY2026/27.²⁷ Los Angeles voters rejected Measure TT, which would have raised the city hotel tax from 14% to 16%, by 52.9% to 47.1% in June 2026; the City Administrative Officer describes TOT as a revenue that has "plummeted by 30 percent or more in a single year."²⁴

Employment is the one line that keeps rising. California's leisure and hospitality sector employed 2,061,300 people in August 2026, up 45,700 on the year.²³ More people, serving flat occupancy, at legislated wages: that is the arithmetic the rest of this paper is about.

● **More people, serving flat occupancy, at legislated wages: that is the arithmetic the rest of this paper is about.**



02

Headwinds

- The mega events paid in rate, not in heads.

KEY TAKEAWAYS

01

Long haul arrivals are down 16 to 27%; only Mexico and Canada are growing again.

02

The LA hotel wage steps to \$25.50 plus a \$6.00 benefit from July 2027.

03

World Cup match days ran ADR up 42% but occupancy up only 3.7%.





SECTION 02

Headwinds: what is working against the P&L.

Seven forces are pushing against California hotel margins in 2027. Four of them are structural and will not reverse with the cycle. Owners should underwrite to them, not around them.

02

1. International demand is recovering in the wrong places

California takes 24% of all international visits to the United States, up from 22.8% in 2024, and 18.3% of international spend: 16.4 million visitors and \$25.4 billion in 2025.⁴ The share is rising because the country is falling faster than the state. US inbound visitation fell 5.5% to 68.3 million in 2025, and Canadian travel to the US fell 25%, with Canadians spending C\$3.3 billion less on US trips.^{17, 63}

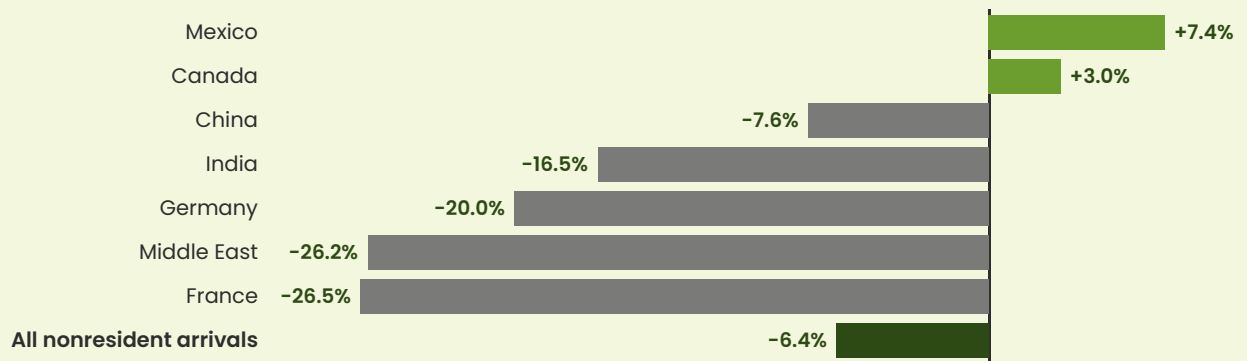
The August 2026 arrivals data shows the shape of the recovery. Total nonresident air arrivals to California were 650,900, down 6.4% year over

year. Mexico (up 7.4%) and Canada (up 3.0%) are growing again. China fell 7.6%, India 16.5%, Germany 20.0%, the Middle East 26.2% and France 26.5%.⁵ The near markets that are recovering are the lower spending ones; the long haul markets that fill luxury and upper upscale rooms in San Francisco, Los Angeles and Napa are still in decline. Fee changes are not helping: the ESTA fee nearly doubled to \$40 in September 2025, and a \$250 visa integrity fee has been authorised but, as of the latest public confirmation, not implemented.⁶⁴ The U.S. Travel Association does not expect international inbound to regain 2019 levels until 2029.⁶²



FIGURE 4

International air arrivals to California, August 2026 (% vs August 2025)



Near markets are back; long haul Europe and India are not. Source: Visit California, NTTO data, updated September 25, 2026.⁵

WHY THIS MATTERS TO AN OWNER

San Francisco's 2019 international visitor count was 2.95 million; 2024 was 2.34 million, and ADR is still at 92% of 2019.⁶¹ Santa Monica's 2025 numbers show what happens when international is the only growth: visitor spending rose 8.7% to \$996.6 million because international spend rose 27.8%, while domestic spend fell 11.4%, total visitors fell 7.8% and hotel tax receipts fell 13.2%.¹⁶

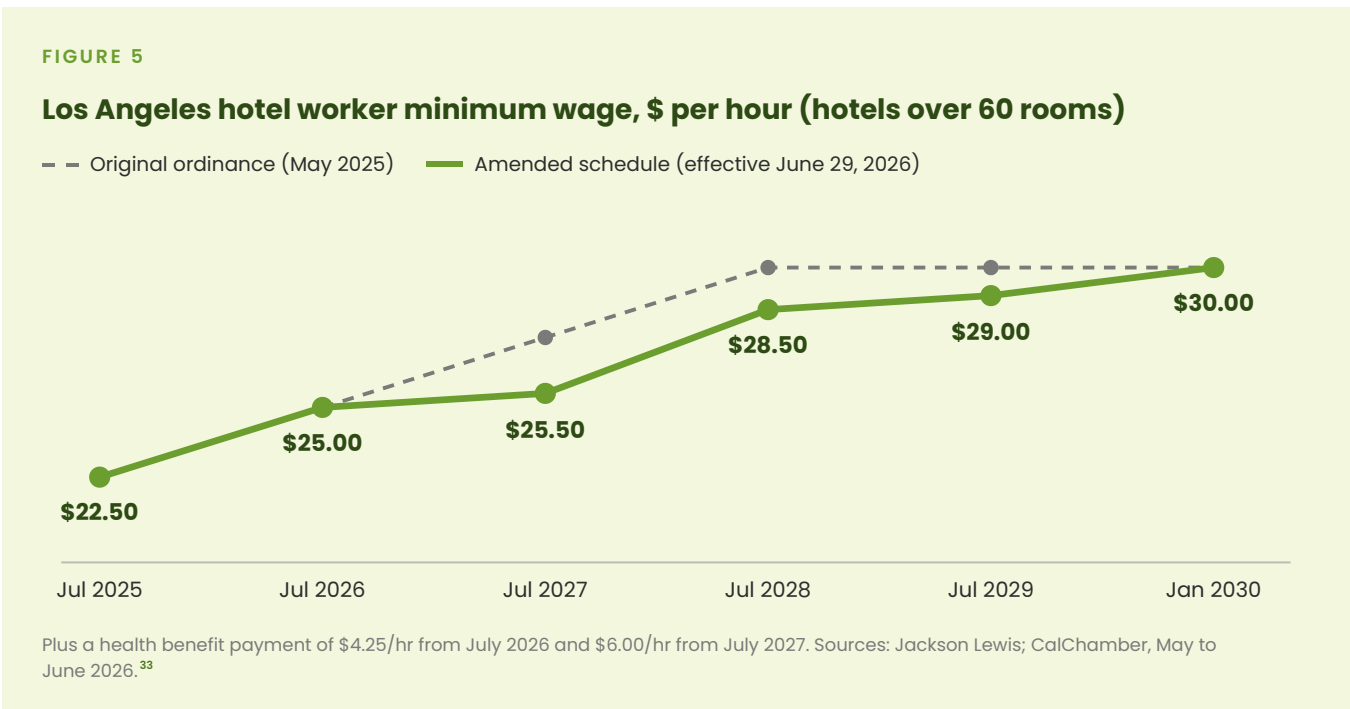
A market can post record spending and falling hotel revenue in the same year.



2. Labor: the Olympic wage and everything around it

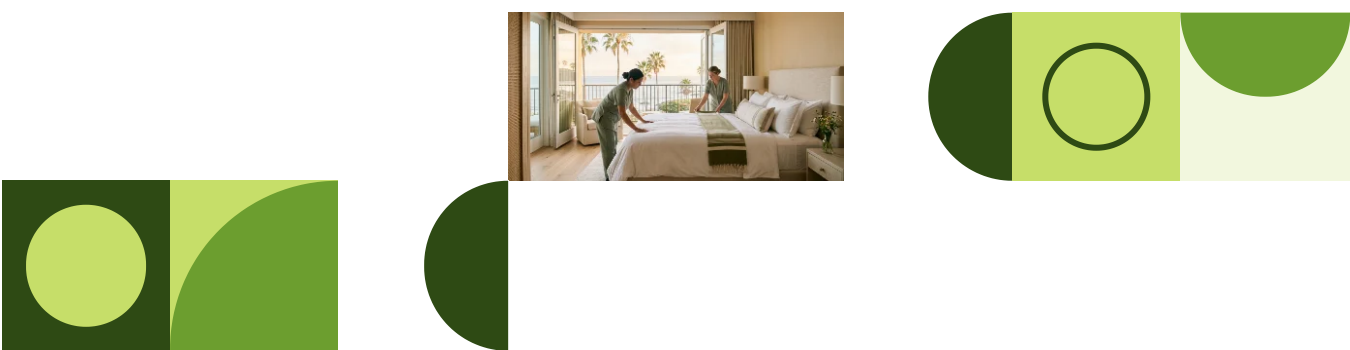
The City of Los Angeles amended its hotel worker minimum wage ordinance in May 2026, effective June 29, 2026. For hotels with more than 60 rooms and for LAX workers, the rate is \$25.00 from July 1, 2026, \$25.50 from July 1, 2027, \$28.50 from July 1, 2028, \$29.00 from July

1, 2029 and \$30.00 from January 1, 2030, indexed to CPI thereafter. On top of the wage sits a mandatory health benefit payment of \$4.25 an hour from July 2026 and \$6.00 an hour from July 2027, aligning with the airport rate of \$8.35 from July 2028.³³ The amendment slowed the original schedule, which would have reached \$30.00 in July 2028, but it did not change the destination.



Elsewhere the floor is also rising. From July 1, 2026, the general minimum wage is \$19.61 in San Francisco, \$18.42 in the City of Los Angeles, \$18.47 in Santa Monica and unincorporated LA County, \$20.87 for West Hollywood hotel employees and \$19.00 for San Diego hotel and amusement park workers, against a state mini-

mum of \$16.90.³⁴ Atlas Hospitality puts labor at roughly 35% of revenue for California hotels; AHLA puts it at about half of operating costs nationally.^{7, 35} San Diego reported payroll up 6.3% and EBITDA per occupied room down 7.7% in 2025.¹⁴



3. Insurance and the aftermath of the fires

California hotel insurance costs rose 28.1% in 2023, when the US average was 19%, and a further 11.8% in 2024. Individual properties reported premium increases of 25 to 50% with reduced limits, and industry wide premiums sit roughly 70% above pre pandemic levels.³⁵ Atlas expects increases of up to 20% again in 2026.⁷ The January 2025 wildfires briefly lifted Los Angeles occupancy to 74.9% (against 61% a year earlier) and pushed luxury ADR up 22.7% as displaced residents filled rooms, but the weekend leisure demand that followed reverted to year over year declines within days.³⁶ The lasting effect of the fires is on the insurance line, not the revenue line.

4. The mega events under delivered on volume

Ahead of the World Cup, 70% of Los Angeles hotels told AHLA that bookings were below expectations, and nearly 80% of hoteliers across host

cities said the same.²⁹ The outcome bore it out. Tourism Economics had forecast 1.24 million international World Cup visitors and about \$900 million of incremental US hotel revenue; the tournament delivered roughly \$680 million, overseas arrivals in July 2026 fell 7% year over year, and HVS concluded the benefit came through rate rather than occupancy.⁶⁶ Santa Monica's experience is the template: on match days in the first five weeks, occupancy rose 3.7% while ADR rose 42.1% and RevPAR 47.3%.¹⁷ The Los Angeles host committee's own revised estimate of \$892 million total impact is a regional number, most of which never touched a hotel.²⁹

The 2027 calendar is thinner. Super Bowl LXI at SoFi Stadium on February 14, 2027 is estimated by GO-Biz at about \$477 million of economic activity, and San Francisco's convention bureau expects more Moscone events in 2027 than in 2026.^{31, 12} Beyond those two, 2027 is a year without a national spotlight until LA28 begins to book.

+42.1%

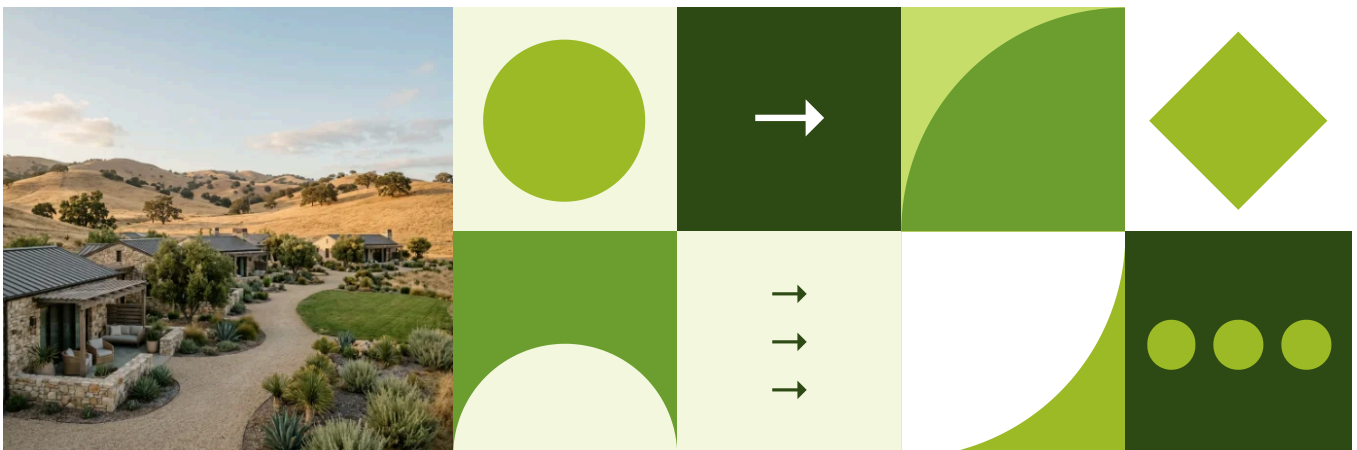
Santa Monica ADR on World Cup match days

+3.7%

Santa Monica occupancy on the same days

~\$680M

Incremental US hotel revenue from the World Cup, against a ~\$900M forecast



5. The consumer is trading down, except at the top

Deloitte's 2026 summer survey found only 45% of Americans planning a summer trip with paid lodging, a six year low. Households earning over \$100,000 will make up 55% of travelers (50% in 2025), and 51% of households under \$100,000 say travel is the first thing they cut when costs rise.⁶⁵ CBRE's midyear forecast has US luxury RevPAR up 5.2% in 2026 and economy down 0.6%.⁶⁰ For California this means the upper tier keeps pricing power while the midscale and economy tiers that dominate the state's inland and suburban inventory face the "other regions" occupancy line of 62%.

6. Debt maturities and the distress overhang

Thirty percent of US hotel loans mature in 2026, and California has \$18.7 billion of CMBS coming due.^{22, 7} In the first half of 2026, 28% of California hotel sales by count were distressed or lender involved.²² The Bay Area sits at the centre: Bisnow reports foreclosure resales as low as \$6,250 a key at a Pleasanton select service hotel, and the Hyatt Regency Embarcadero and

Four Seasons San Francisco both traded at deep discounts.¹³ An asset that is performing well can still be refinanced at a rate that wipes out the improvement. Distress is a 2027 story because 2026 maturities take twelve to eighteen months to resolve.

7. Regulation of the rate itself

California's SB 478, with the lodging provisions of AB 537, has banned drip pricing and undisclosed mandatory resort fees since July 1, 2024. The Federal Trade Commission's rule on unfair or deceptive fees followed on May 12, 2025, covering short term lodging nationally.³⁷ The practical effect is that the advertised rate is the total rate, and any hotel whose ADR strategy leaned on fees has had to move that revenue into the room rate, where OTAs commission it. Meanwhile the property tax debate has returned: the Howard Jarvis Taxpayers Association reports split roll assessment (rejected as Proposition 13 in 2020) is back on the 2026 gubernatorial campaign agenda, and a November 2026 initiative would restrict local special taxes and transfer taxes such as Los Angeles' Measure ULA. Neither is law; both belong on the risk register.



TABLE 2 The headwinds, sized

Headwind	Size of the effect	Structural or cyclical	What the owner controls
International mix shift	Long haul arrivals -16 to -27% (Aug 2026)	Cyclical, slow (2029 recovery)	Source market mix, Mexico and Canada programs, co op marketing
LA hotel wage schedule	\$25.50 (Jul 2027) to \$30.00 (Jan 2030) plus \$6.00 benefit	Structural	Scheduling, productivity, outlet model, technology
Insurance	+28.1% (2023), +11.8% (2024), up to +20% (2026)	Structural	Risk engineering, captives, deductibles
Event volume shortfall	World Cup ~\$680M vs ~\$900M forecast, US	Cyclical	Pricing discipline, group base, event day rate strategy
Consumer trade down	45% planning paid lodging trips, six year low	Cyclical	Positioning, value stack, loyalty rate
Debt maturities	30% of US hotel loans mature in 2026	Cyclical	Refinancing timing, recapitalisation, buy or sell
Fee regulation	All in pricing mandatory since Jul 2024 / May 2025	Structural	Rate architecture, direct channel packaging

Sources as cited in the text of this section. 5, 33, 35, 66, 65, 22, 37



03

Tailwinds

- A hotel whose rates, availability and content are readable by these systems is, for the first time in fifteen years, on equal footing with the OTA.

KEY TAKEAWAYS

01

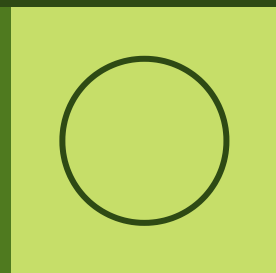
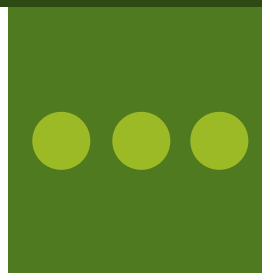
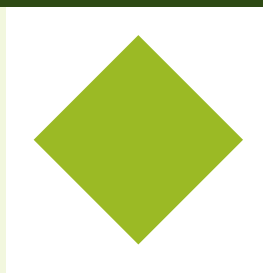
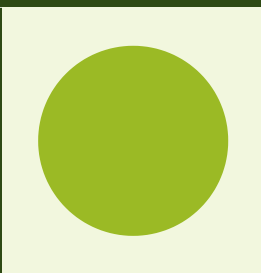
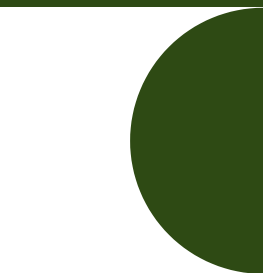
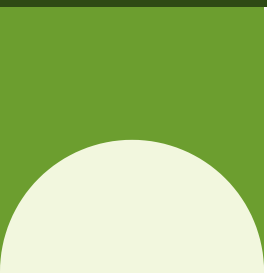
San Francisco RevPAR is forecast to reach a record \$195.61 in 2027.

02

Loyalty members booked 58% of US room nights in the first half of 2026.

03

LA28 room blocks are contracted in 2027, a year before the spot market prices them.





SECTION 03

Tailwinds: what is working for it.

The case for California hotels in 2027 rests on five things the headlines under weight: a state marketing machine with a measured return, a San Francisco that has turned, a convention calendar that is rebuilding, a customer that is easier to reach directly than ever, and an Olympic runway that starts to price in 2027.

03

1. The state spends \$140 million a year to fill your rooms

Visit California's budget has grown from \$3.5 million in 1998 to about \$140 million a year, active in 13 global markets under "The Ultimate Playground" positioning.³⁸ Its FY2024/25 effectiveness study, by SMARInsights, credits \$60.1 million of global media and website investment with \$25.6 billion of incremental visitor spending and \$1.8 billion of incremental tax revenue, about \$426 of spending for every dollar.³⁸ The Canada program alone runs at \$5.2 million a year, with the "California Love" campaign launched in April 2025 and a second wave in November.³ A new chief executive, Julie Coker from NYC Tourism + Conventions, takes over in October 2026.³⁸ For an owner, the practical tailwind is the co operative marketing and international trade programs that ride on that budget; few hotels use them.

2. San Francisco has turned, and 2027 is forecast as a record

San Francisco led all top 25 US markets in 2025 with ADR up 6.0% to \$225.82 and RevPAR up 11.8% to \$155.84.⁸ SF Travel's 2025 actuals were 23.7 million visitors, \$9.4 billion of spend, 67.2% occupancy, ADR \$245.38 and RevPAR \$164.85, with 635,227 Moscone room nights across 34 events, up from 399,000 room nights and 25 events in 2024.¹¹ The August 2026 forecast from the Mayor's office and SF Travel has 2026 at 24.4 million visitors, \$9.94 billion, 70.7% occupancy, ADR \$266.16 and RevPAR \$188.06 (up 14.1%), and 2027 at 25 million visitors, \$10.6 billion, 72.1% occupancy, ADR \$271.43 and RevPAR \$195.61, with international overnight visitors up 5.2% to 2.42 million.¹²

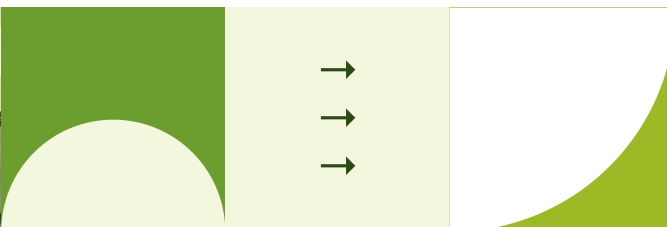
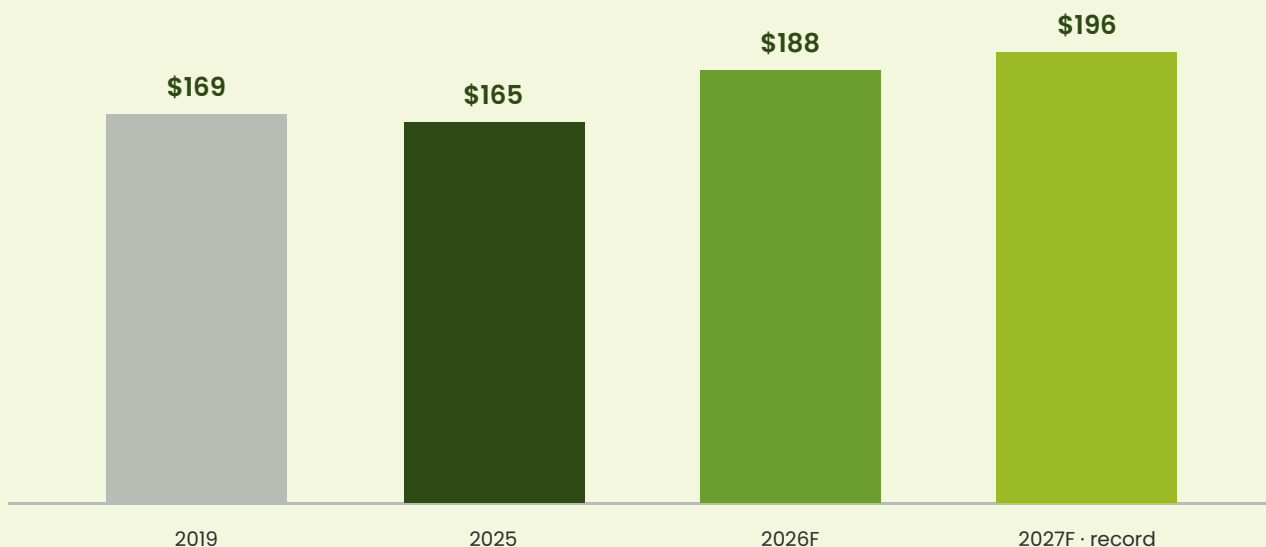


FIGURE 6

San Francisco hotel RevPAR, \$ per available room



The one big California market with a 2027 record on the forecast. Sources: SF Travel, May 2026; Mayor's office and SF Travel, August 2026; 2019 Bay Area figure via Bisnow.^{11, 12, 13}

The REITs confirm it from the inside.

Pebblebrook reported second quarter 2026 San Francisco RevPAR up 16% and hotel EBITDA up 24.6%, with year to date EBITDA at its seven San Francisco hotels up more than \$13 million, or 110%; its Los Angeles hotels grew RevPAR 8.6% and EBITDA about 14%.⁵⁶ Host Hotels called San

Francisco one of its three strongest transient markets in the quarter and raised full year RevPAR guidance to 4.75% to 5.25%.⁵⁷ AHLA and Oxford Economics estimate San Francisco hotels now generate \$12 billion of economic impact and \$2 billion of tax revenue a year.⁶¹

\$195.61

San Francisco RevPAR forecast for 2027, a record

25M

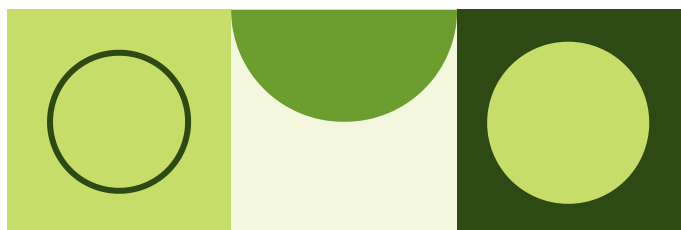
Visitors forecast for 2027

+110%

Pebblebrook YTD EBITDA at its seven SF hotels

674K

Moscone room nights planned in 2026, from 399K in 2024



3. Conventions are rebuilding, and 2027 group pace is strong where 2026 was weak

San Diego's 2026 convention calendar was the weakest line in the state: Pebblebrook cited 120,000 fewer convention room nights year to date and Sunstone reported San Diego total RevPAR down 8.4% in the second quarter. Both reported double digit group pace increases for 2027.^{56, 58} Anaheim expects nearly 600,000 convention room nights in 2026, about \$1.74 billion of impact, with DisneylandForward (\$1.9 billion minimum) and OCVIBE's two hotels arriving around 2028.¹⁵ Los Angeles hosted 19 citywide conventions in 2025 with 260,000 attendees and 209,000 room nights, plus 470 self contained meetings worth a further 254,000 room nights.²⁸ Nationally, 85% of meeting planners are optimistic about 2026, 93% in North America, and more than 70% expect meeting costs to rise, which is pricing power for the hotel.⁶⁷

4. Owned demand is growing faster than any paid channel

Kalibri Labs' mid 2026 data is the clearest tailwind in the paper. Loyalty members booked 58% of US room nights through the first half of 2026. Member only discounted rates grew 19% year over year, against 2% for OTAs, 1% for corporate and a 5% decline for rack rate.

Brand.com's share of total US room night demand is 29%, up from 24% in 2019.³⁹ Marriott ended 2025 with about 271 million Bonvoy members after adding 43 million in the year; members accounted for 75% of US and Canada room nights and 68% globally, up from 58% at the program's 2019 launch.⁴⁶ Hilton Honors passed 260 million members in the second quarter of 2026; World of Hyatt reached about 69 million, up 17% in a year, with US RevPAR up 6.7% in the quarter.^{47, 48} Accor's ALL program doubled to 100 million members in five years, and members spend more than twice as much as non members.⁴⁹

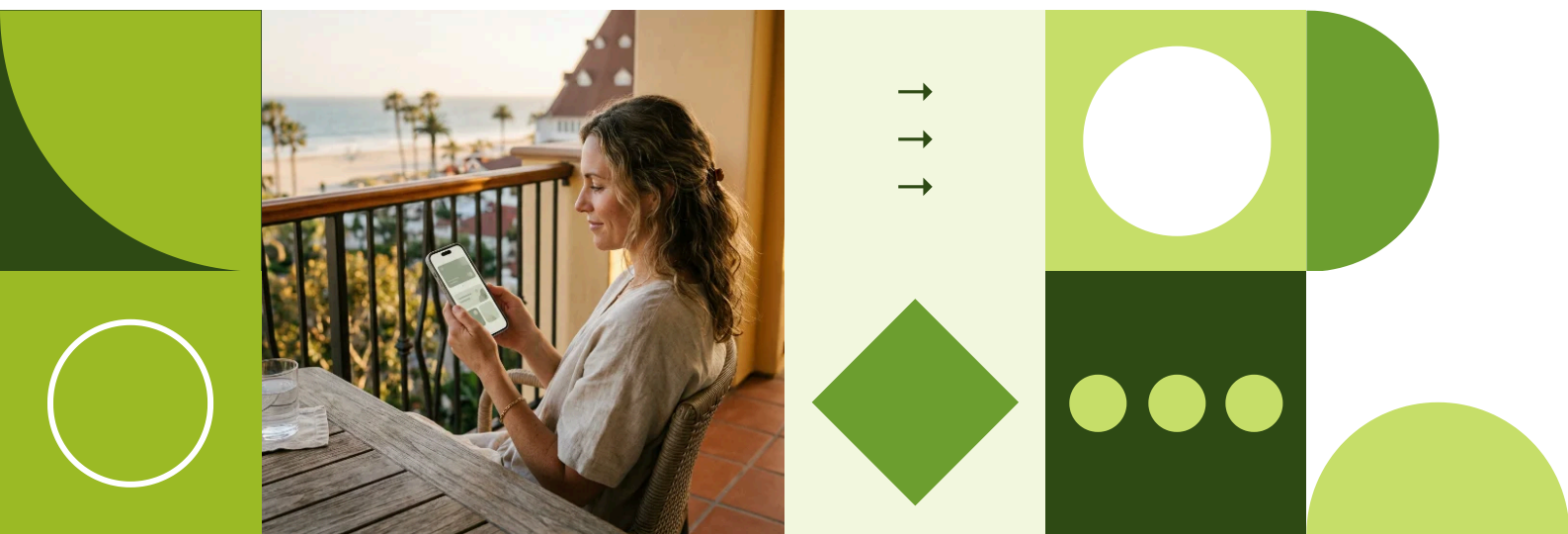
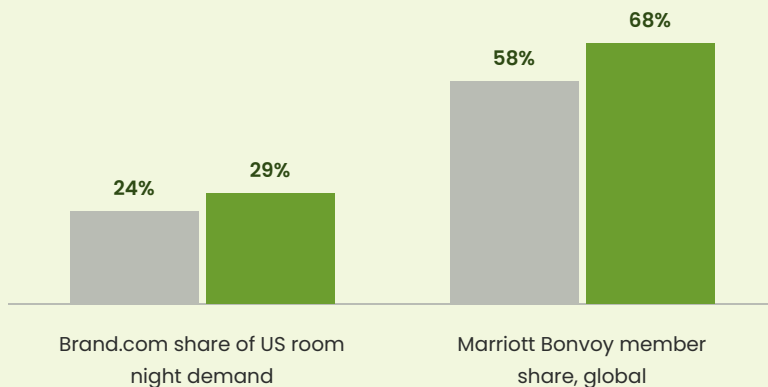


FIGURE 7

Owned demand keeps growing (% of room nights)

■ 2019 ■ 2025 / H1 2026



US AND CANADA, 2025

75%

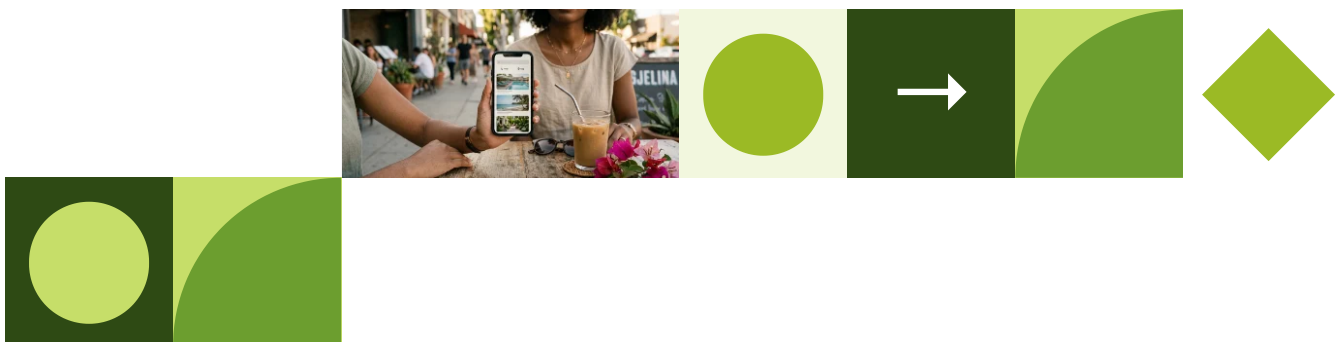
of Marriott room nights in the US and Canada booked by Bonvoy members

Loyalty members were 58% of all US hotel room nights through H1 2026. Sources: Kalibri Labs via LODGING, September 2026; Marriott FY2025 results, February 2026.^{39, 46}

5. AI search is reopening the direct channel

Google's AI Mode began booking hotels for all US logged in users on August 27, 2026, with checkout inside the interface and loyalty pricing shown for Choice, Hilton and Wyndham; Expedia and Booking.com have lived inside ChatGPT since October 2025, and Expedia says that generative AI referral traffic "is converting to bookings at higher rates than other traffic."⁵⁰ Phocuswright finds 56% of active US travelers

used AI for planning, booking or in destination help in the year to mid 2026, up from 33% a year earlier, and that half of travelers who see an AI answer still click through to the source site.⁵¹ A hotel whose rates, availability and content are readable by these systems is, for the first time in fifteen years, on equal footing with the OTA in the discovery phase. One that is not has handed the shelf to the intermediary again. Only 11% of hotel chains have deployed agents that can complete a booking.⁵¹



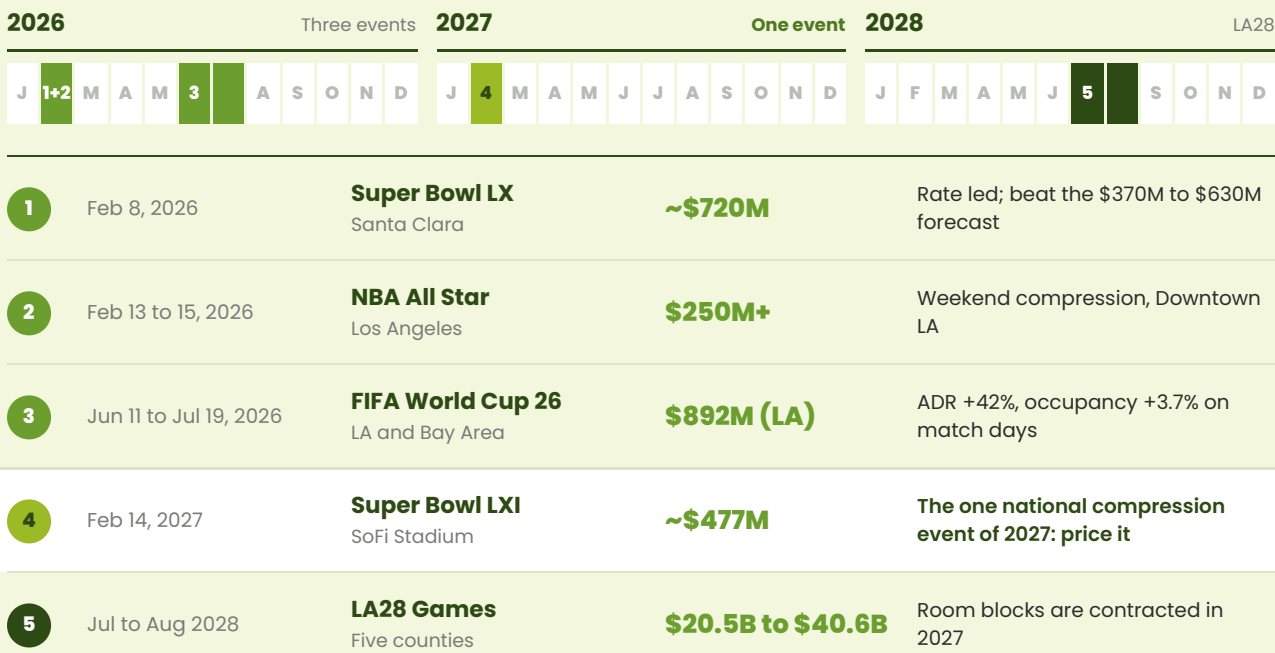
6. LA28 starts to price in 2027

LAEDC's study for LA28 puts the Games at \$20.5 to \$40.6 billion of economic output across five counties, up to 224,000 jobs, about 2 million visitors and \$1.6 to \$4.3 billion of direct non resident spending in Los Angeles County.³² GO-Biz

counts nearly 15 million spectators.³¹ Sponsor, federation and broadcaster room blocks are contracted two to three years out; 2027 is the contracting year, and the owner who has a group sales strategy for it will hold inventory that the spot market prices in 2028.

FIGURE 8

The mega event calendar, 2026 to 2028



Published economic impact, not hotel revenue. Sources: Bay Area Host Committee;³⁰ GO-Biz;³¹ LA World Cup 26 Host Committee and LAist;²⁹ Santa Monica Daily Press;¹⁷ LAEDC via Hotel Online.³²

NET OF HEADWINDS AND TAILWINDS

2027 is a rate and mix year. The owners who win it will be the ones who own the customer, price the calendar and buy the distress.

04

Where the margin goes

- A point of distribution cost recovered is worth more than a point of occupancy gained.

KEY TAKEAWAYS

01

Independents still source 63.4% of bookings through OTAs at 15 to 30% commission.

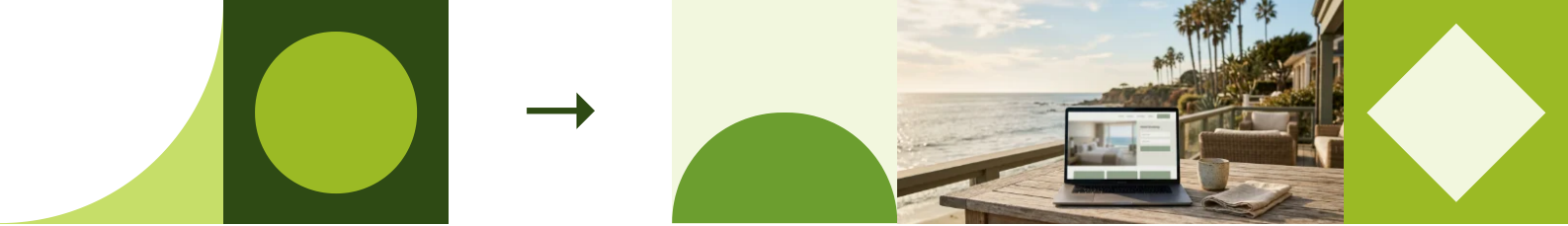
02

Direct costs about 9% of booking value and cancels half as often (10.6% vs 21.8%).

03

Moving a 130 room hotel from 63% to 45% OTA is worth about \$310K of EBITDA a year.





SECTION 04

Where the margin goes: the distribution problem.

Between the guest's credit card and the owner's EBITDA sits a cost that most asset management reports do not show as a single line: the cost of acquiring the booking. In California, with occupancy flat and rate doing the work, it is the largest controllable number below gross operating profit.

The cost of a booking, by channel

OTA commissions for independent hotels run from 15% to more than 30%, up from about 10% a decade ago; larger brands negotiate lower rates than independents can.⁴¹ Booking Holdings' 2025 revenue of \$26.9 billion on \$186.1 billion of gross bookings implies an average take of 14.5%; Expedia Group's \$14.7 billion on \$119.6 billion implies 12.3%, both blended across hotels, air and packages and both below what a single independent hotel pays.⁴³ OTAs handled \$100.3 billion of US gross bookings in 2025, 20% of all US travel, and hotels are 63% of that OTA volume.⁴⁴ The intermediaries need hotels more than airlines: only 13% of airline online revenue flows through OTAs.⁴⁴

Direct is not free. Pixel & Polish's 2026 benchmark of boutique and independent hotels, covering \$95.7 million of tracked direct revenue, puts the median cost per direct booking at 9% of booking value, against 18 to 22% OTA commission; the median direct share across the portfolio was 69%, and 86% of properties were above 60%.⁴⁵ Kalibri Labs' longer view, first set out in 2017 and still the industry's reference figure, is that the total cost of customer acquisition runs at 15 to 25% of guest paid revenue, up to 35% at the high end, against 5 to 10% in the 1990s, and that OTA and GDS business costs three to four times as much as direct.⁴⁰

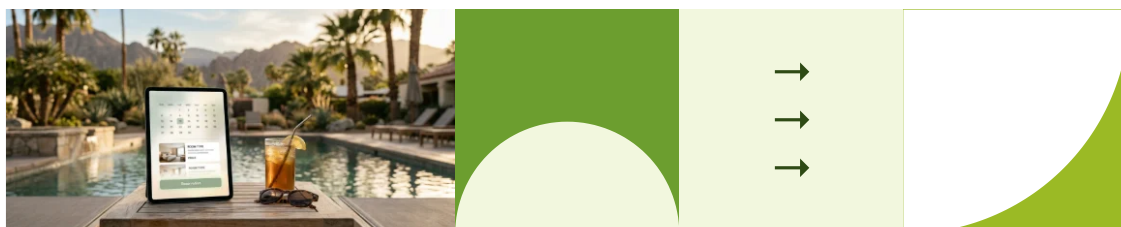
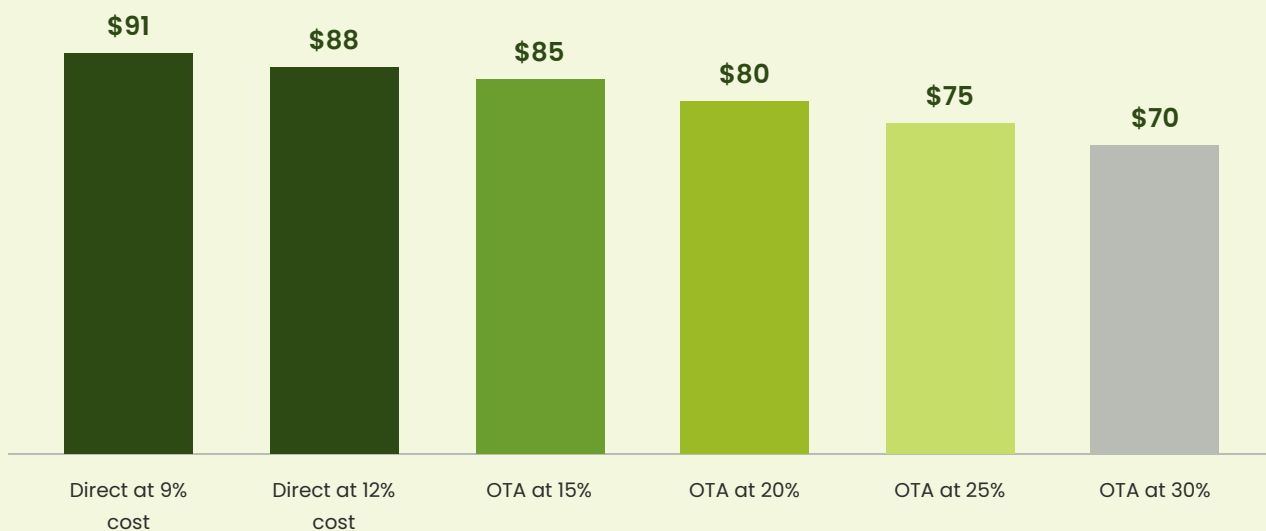


FIGURE 9

Revenue kept per \$100 of room revenue, by channel



Distribution cost is the largest controllable line below GOP. Sources: Cloudbeds commission guide, August 2026; Pixel & Polish direct booking benchmark, 2026.^{41, 45}

The independent hotel's position

Cloudbeds' 2026 State of Independent Hotels report, built on 90 million bookings, shows why the problem is acute for the unbranded California owner. Independents source 63.4% of bookings through OTAs. OTA bookings cancel at 21.8% against 10.6% for direct. Two thirds of stays are one or two nights. US independent RevPAR fell 4.4% in 2025 while the overall US market, in CoStar's data, fell only 0.3%.^{42, 8} SiteMinder's data adds that Expedia Group is the single largest booking source in North America and that direct's share barely moved

in 95% of markets in 2025.⁶⁸ The independent is paying the most for its demand, keeping the least of it, and losing the most to cancellation.

The value gap compounds the cost gap. The average direct booking in the boutique benchmark was worth \$516 against \$312 for an OTA booking, because direct guests book longer stays, higher categories and add ons at the point of sale.⁴⁵ Kalibri's 2019 Book Direct study, on 80 million bookings, found direct bookings 12.5% more profitable than OTA bookings on average and loyalty bookings on brand.com returning nearly double an OTA booking's net revenue.⁴⁰



What this means at asset level

Take a 130 room Southern California independent at 72% occupancy and a \$250 ADR: about 34,000 occupied nights and \$8.5 million of room revenue. At the Cloudbeds independent average of 63% OTA mix and a 20% commission, the OTA line is roughly \$1.07 million a year. Move the mix to 45% OTA, still a worse mix than 86% of the hotels in the boutique benchmark run, and the saving is about \$310,000 a year before any change in occupancy or rate. Capitalised at an 8% cap rate, that is roughly \$3.9 million of value, or about \$30,000 a key, from a change in channel mix alone. (Derived illustration; inputs from the sources cited above.)^{42, 45}

WORKED EXAMPLE · 130 ROOM INDEPENDENT

~\$310K

EBITDA a year from moving OTA mix from 63% to 45%

~\$3.9M

Value at an 8% cap rate

~\$30K

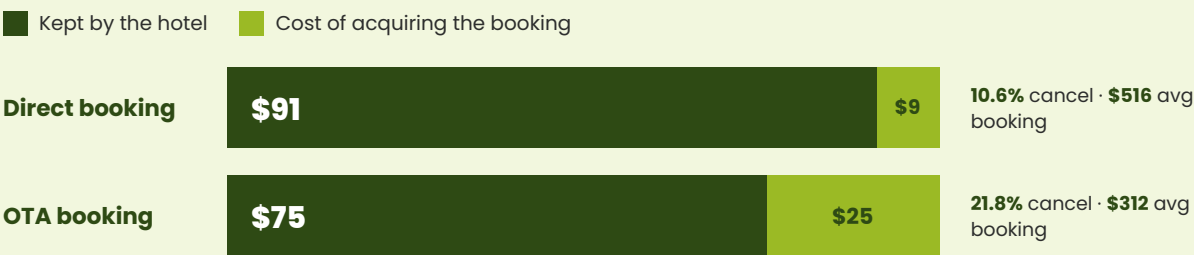
Per key, from channel mix alone

The owner's three distribution questions

- 1 **What is our cost per booked room, all in, by channel?** Most management reports show commission as a line in rooms expense and marketing as a line in sales and marketing; nobody adds them up per booking.
- 2 **What share of our room nights do we own?** Brand.com or property direct, loyalty member, email list. If the number is not in the monthly pack, the management company is not managing it.
- 3 **What does a booking cancel at, by channel?** A 21.8% OTA cancellation rate means a fifth of the OTA pickup on the pace report will not arrive.

FIGURE 10

What a \$100 room night leaves the owner



+\$16 kept per \$100 half the cancellations +65% booking value

Derived from Cloudbeds (cancellation), Pixel & Polish (direct cost, booking value) and the OTA commission range in the text.^{41, 42, 45}

05

What the winners did

- The campaigns did not shrink the OTAs. They grew the pie the brands owned inside it.

KEY TAKEAWAYS

01

Every winner had a reason to book direct, a way to recognise the guest and a measure the owner watched.

02

Stash: 82% of guests who first booked through an OTA moved to direct after joining.

03

Evans Hotels recaptured \$1.3M of direct revenue in six months at a 54x return.





SECTION 05

What the winners did: loyalty and marketing case studies.

The evidence that owned demand pays is now a decade deep. What follows is the public record: what was tried, what it cost, and what it returned, from the global brands to three California properties.

Case 1. Hilton, "Stop Clicking Around" (2016 to 2018)

Hilton spent nearly \$100 million across 18 countries on the industry's first mass market book direct campaign, tying its lowest rate to Honors membership.⁴⁷ By early 2018 direct bookings were about a third of all Hilton bookings, the program had added 11 million members in a single year to reach 71 million, and roughly 95% of members booked direct.⁴⁷ Eight years on, Hilton Honors has more than 260 million members.⁴⁷ The lesson was not the advertising. It was that the loyalty rate gave the guest a reason to book direct that survived the campaign.

The counter evidence belongs in the record too. Skift's 2026 review of the decade of book direct campaigns notes that OTAs kept "roughly the same slice of the pie," and that Hyatt's chief

commercial officer had half of his stock compensation tied to direct booking share and missed the targets from 2023 to 2025.⁴⁷ The campaigns did not shrink the OTAs. They grew the pie the brands owned inside it.

Case 2. Marriott Bonvoy: penetration from 58% to 75%

Bonvoy launched in February 2019 with members at 58% of room nights. By 2025 members were 68% of global and 75% of US and Canada room nights, and the program added 43 million members in the year to reach about 271 million.⁴⁶ For an owner, the operational consequence is visible on Host Hotels' earnings call: Marriott reduced its loyalty charge to owners by 20 basis points from January 2025, worth \$3 million to \$3.5 million a year to Host alone, because the program's scale is now self funding.⁵⁷ Owned demand at that penetration changes the economics of the brand fee itself.



Case 3. Hyatt: the boutique acquisition play

Hyatt has run loyalty as a growth strategy for independents. Members grew 260% from 2018 to 2023, take about 50% more stays and spend more than 70% more a year than non members, and the 2023 purchase of Mr & Mrs Smith for £53 million added more than 1,500 boutique and luxury independents to the World of Hyatt redemption network.⁴⁸ Membership was about 69 million at mid 2026, up 17% in a year, and US RevPAR grew 6.7% in the second quarter, with World Cup host cities running leisure transient up 17% in June.⁴⁸ An independent owner does not have to build a program; joining one at the right price is the same trade.

Case 4. Stash Hotel Rewards: the independent's version

Stash is a shared loyalty program for independent hotels, with more than 320 partner properties, double its 2022 count, and 95% hotel retention.⁵³ A Cornell University School of Hotel Administration study of 50,000 travelers across 24 Stash hotels found members stayed 50% more often and spent \$405 to \$780 more a

year at partner hotels, and that 82% of guests who first booked through an OTA moved to direct after joining.⁵³ Preferred Hotels' I Prefer program, at more than 6 million members across 700 hotels, reports that nearly half of member stays come from guests who joined at a different hotel in the network.⁵² The network effect is the point: an independent's own list is small, but a shared list with reciprocity is not.

Case 5. Evans Hotels, San Diego: \$1.3 million recaptured in six months

Evans Hotels, owner of The Lodge at Torrey Pines, the Catamaran Resort and the Bahia Resort, is the clearest California example on the public record. Using Triptease retargeting and on site messaging, the group recaptured more than \$1.3 million of direct revenue in the first half of 2025, at a 54 times return on retargeting spend, averaging \$218,000 of retargeting attributed revenue a month; a single Cyber Monday message produced \$280,000. Its leisure mix runs 60% direct to 40% OTA.⁵⁴ Those are not the numbers of a brand with 270 million members. They are the numbers of three independent resorts that decided to compete for the last click.

82%

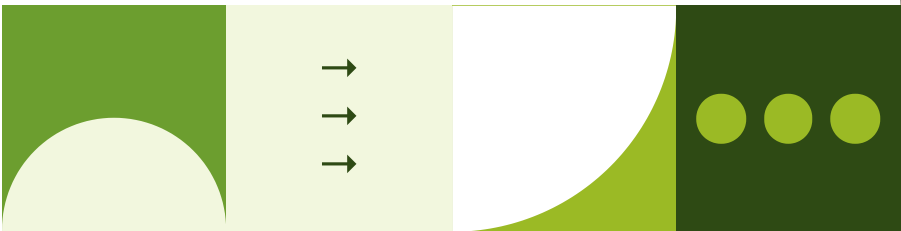
of Stash guests who first booked via an OTA moved to direct after joining

\$1.3M

Direct revenue recaptured by Evans Hotels in H1 2025

54x

Evans Hotels' return on retargeting spend



Case 6. Balboa Bay Resort, Newport Beach: pricing the intent, not the visitor

Balboa Bay Resort deployed predictive personalisation on its booking path from July 2023, showing offers only to visitors scored as low intent and holding rate for those scored as high intent. In one reported month the low intent strategy produced \$77,571 of revenue, the high intent strategy \$39,628 at an average booking value of \$1,355, and the resort avoided \$30,750 of promotional discount it would otherwise have given away. Over a year its booking engine conversion ran above its local competitive set.⁵⁵ In the same vendor's international case set, GCP Hospitality reported metasearch at

15% of direct revenue with an 18 times return on ad spend and set a direct target of 20 to 30% for leisure destinations.⁵⁵

Case 7. Pebblebrook in San Francisco: asset management meets a turning market

Pebblebrook's seven San Francisco hotels grew year to date 2026 EBITDA by more than \$13 million, or 110%, on RevPAR up 16% in the second quarter; its Los Angeles hotels grew EBITDA about 73% year to date. Portfolio wide, group room nights rose 18% and OTAs were held to about 25% of transient mix, 20 to 23% at resorts.⁵⁶ The market did most of the RevPAR work; the mix discipline is what turned a 16% RevPAR gain into a 24.6% EBITDA gain.

THE PATTERN

Every case above ran on the same three parts: a reason to book direct, a way to recognise the guest, and a measure the owner watched. None of them needed 270 million members to work.

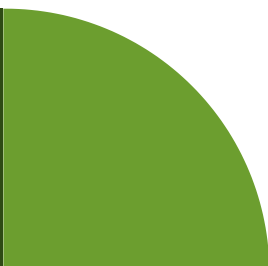
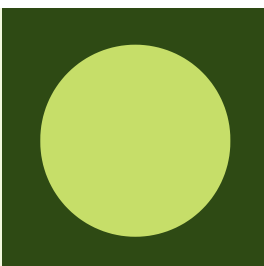


TABLE 4 Seven cases, one pattern

Case	What they did	Result	Transferable to a California owner?
Hilton, Stop Clicking Around	\$100M campaign; lowest rate for members	Direct ~1/3 of bookings; +11M members in a year; 95% of members book direct	The mechanism, not the budget: a member rate is the reason to book direct
Marriott Bonvoy	Single program, member rate, 30+ brands	Member share 58% to 75% (US); owner loyalty charge cut 20 bps	Branded owners: push penetration; it lowers the fee over time
Hyatt / Mr & Mrs Smith	Bought a boutique network into the program	Members +17% YoY; members stay 50% more, spend 70% more	Independents: joining a network is the same trade as building one
Stash Hotel Rewards	Shared program for 320+ independents	82% of OTA first guests moved to direct; +50% stay frequency	Directly; designed for the unbranded owner
Evans Hotels, San Diego	Retargeting and on site direct messaging	\$1.3M recaptured in H1 2025; 54x ROAS; 60/40 direct/OTA	Directly; three independent resorts
Balboa Bay Resort	Intent scored offers on the booking path	\$30,750 discount avoided in a month; ABV \$1,355 at high intent	Directly; any hotel with a booking engine
Pebblebrook, SF and LA	Group base, OTA cap at ~25% of transient	SF EBITDA +110% YTD on RevPAR +16%	Asset managers: a mix KPI in the management agreement

Sources: Skift;⁴⁷ Marriott;⁴⁶ Host Hotels;⁵⁷ Hyatt;⁴⁸ Stash and Cornell;⁵³ Triptease;⁵⁴ The Hotels Network;⁵⁵ Pebblebrook.⁵⁶



06

The 2027 owner's playbook

- Underwrite 2027 to these numbers; do not plan for relief.

KEY TAKEAWAYS

01

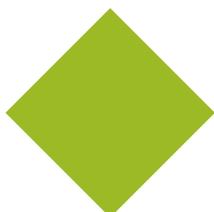
The first three moves cost almost nothing and pay back in the first year.

02

Super Bowl LXI week is the one national compression event of 2027: price it.

03

Decide whether you are a buyer or a seller before the lender decides for you.



SECTION 06

The 2027 owner's playbook.

Nine moves, in the order an asset manager should make them. Each names the number it moves and the evidence it rests on. The first three cost almost nothing and pay in the first year.

Move 1. Put cost per booked room on the monthly pack

Add three lines to the owner's report: all in cost per booked room by channel (commission plus marketing plus loyalty charge), owned share of room nights, and cancellation rate by channel. Kalibri's industry range is 15 to 25% of guest paid revenue; a boutique running well sits near 9% on direct and 18 to 22% on OTA.^{40, 45} What is not measured is not managed, and in most management agreements distribution cost is the management company's line, not the owner's. Make it a KPI in the annual plan with the same weight as GOP margin.

Move 2. Set a direct share target and a channel cap

Pebblebrook holds OTAs to about 25% of transient mix and 20 to 23% at resorts.⁵⁶ The boutique benchmark median is 69% direct.⁴⁵ An independent at the Cloudbeds average of 63% OTA has room to move 15 to 20 points without

touching occupancy, and the worked example in Section 4 shows that on a 130 room hotel each of those points is worth roughly \$20,000 of EBITDA a year. Write the target into the management agreement and the revenue manager's incentive.

Move 3. Give the guest a reason to book direct that survives the campaign

Every successful case in Section 5 ran on a member rate or a member benefit that an OTA could not match: Hilton's lowest rate, Marriott's member pricing, Stash's points, Evans Hotels' on site offers.^{47, 46, 53, 54} For a branded hotel, that means pushing loyalty penetration toward the 75% Marriott now sees in the US and Canada.⁴⁶ For an independent, it means either joining a shared program (Stash, I Prefer, a soft brand) or building a light one: a real member rate, a recognised perk at check in, and a birthday and pre arrival email cadence. Kalibri's member only rates grew 19% in a year while rack rate fell 5%; the customer is already voting.³⁹



Move 4. Price the calendar, do not chase it

The 2026 events proved that demand arrives as rate, not as occupancy: Santa Monica ran ADR up 42% on match days with occupancy up 3.7%; nationally the World Cup produced about three quarters of the hotel revenue forecast, most of it through rate.^{17, 66} For 2027 that means a written event day rate strategy for Super Bowl LXI week (February 14, 2027), the NBA and NFL calendars at SoFi and Intuit Dome, Moscone's 38 plus events, and the Anaheim convention calendar, with length of stay controls and non refundable member rates rather than deep group blocks at flat rates.^{31, 11, 15}

Move 5. Rebuild the international mix toward the markets that are actually growing

Mexico is California's largest international source at 8.4 million visitors and \$5.4 billion, and it grew 7.4% in August 2026; Canada is recovering at 3.0%; Europe, India and the Middle East are down 16 to 27%.^{4, 5} The owner's move is

to redirect international sales effort and co operative marketing toward Mexico, Canada and the Asia Pacific markets where California holds 32 to 43% of US arrivals (Australia, China, India), and to use Visit California's \$140 million program, whose trade and co op channels are under used by individual hotels.^{4, 38} Rate fences by source market and Spanish language direct booking paths are inexpensive and rarely done.

Move 6. Make the hotel readable by machines

Fifty six percent of active US travelers used AI in the travel process in the year to mid 2026; Google's AI Mode books hotels; Expedia and Booking.com live inside ChatGPT.^{51, 50} The owner's checklist: structured data on every page (rates, availability, amenities, policies), an llm-s.txt and content that answers the questions travelers ask assistants, listings in the assistant directories, and, for a branded hotel, confirmation that the brand's connection to Google AI Mode surfaces the loyalty rate. The 11% of chains that have deployed booking agents will take share from the 89% that have not.⁵¹



Move 7. Contract LA28 in 2027

Olympic room blocks for sponsors, federations, broadcasters and hospitality programs contract two to three years ahead. LAEDC's estimate of \$1.6 to \$4.3 billion of direct non resident spending in Los Angeles County and up to 2 million visitors is the size of the prize; the five county footprint reaches Orange, Riverside, San Bernardino and Ventura.³² An owner with a 2027 group sales plan for the Games holds inventory the spot market will price in 2028. One without will be selling through an intermediary at 2028 commission rates.

Move 8. Attack the two structural cost lines now

Labor and insurance are the two lines that do not reverse. On labor, the Los Angeles schedule is known to the dollar through 2030: \$25.50 from July 2027, \$28.50 from July 2028, plus a \$6.00 health benefit payment from July 2027.³³ The response is productivity per occupied room (scheduling systems, housekeeping on request, outlet model redesign, technology at the desk), not headcount cuts that show up in review scores. On insurance, the 2023 to 2024 increas-

es of 28.1% and 11.8% and the 2026 expectation of up to 20% argue for risk engineering investment, higher deductibles, and portfolio level placement or captives where scale allows.^{35, 7} Underwrite 2027 to these numbers; do not plan for relief.

Move 9. Decide, before the lender does, whether you are a buyer or a seller

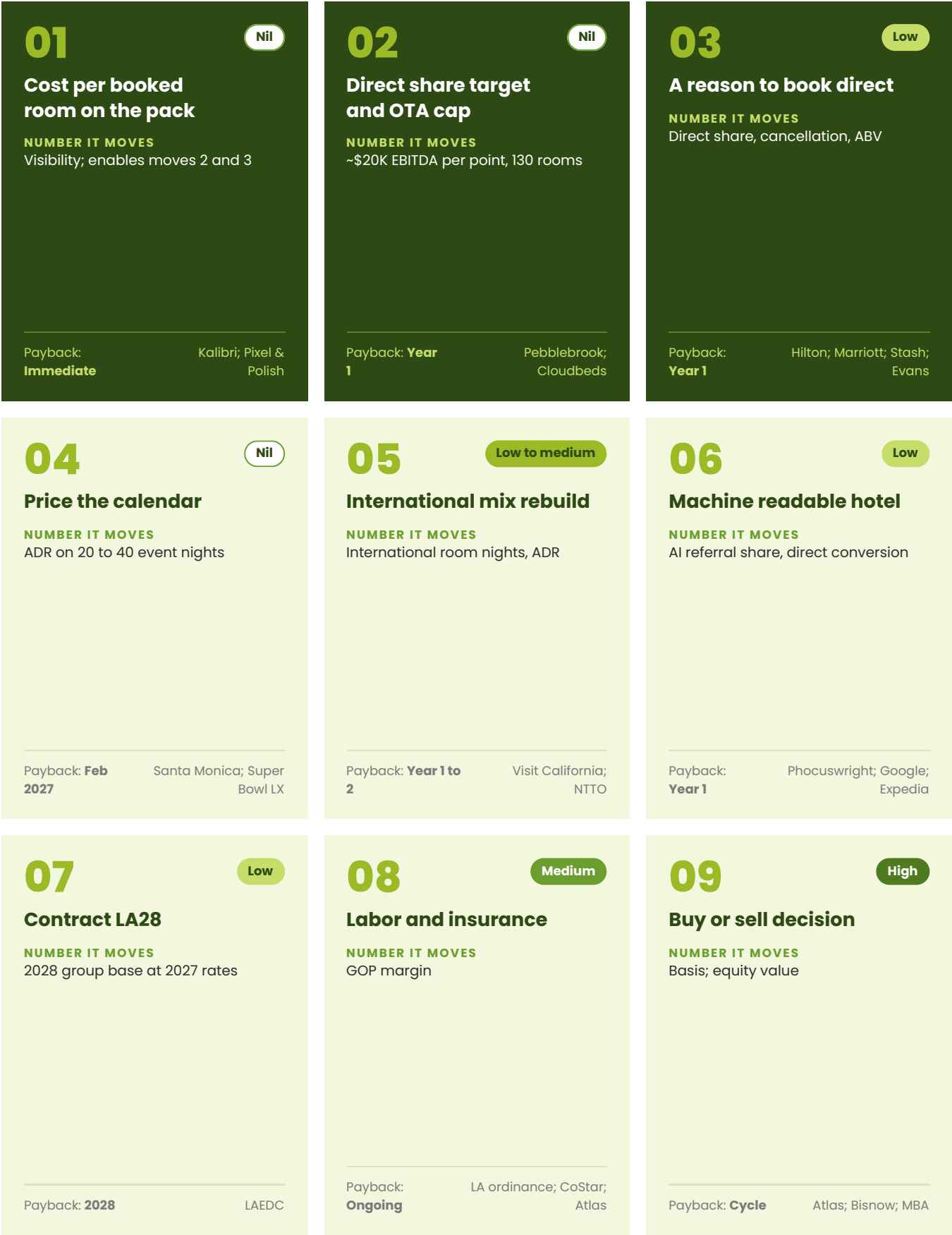
With 30% of US hotel loans maturing in 2026 and 37% of first half 2026 California sale dollars distressed, 2027 is the year the cycle clears.²² Replacement cost at \$250,000 to \$300,000 a room sits roughly double the \$138,409 median 2025 transaction price, and San Francisco assets have traded at \$138,634 a key against a \$1.56 billion 2016 appraisal.^{19, 21, 59} A well capitalised owner should be underwriting acquisitions in the Bay Area and Downtown Los Angeles now, at basis levels that the 2027 San Francisco forecast (RevPAR \$195.61, a record) makes look conservative.¹² A levered owner should be in front of the refinancing with a distribution and cost plan that a lender can read, because that plan is the difference between an extension and a receiver.



FIGURE 11 The nine moves, prioritised

Cost Nil Low Low to medium Medium High

Start here: the first three cost almost nothing and pay in the first year.



Payback and cost are Centric planning judgements; the evidence line points to the sources cited in the text.

07

Regional snapshots

- The state average is a fiction.

KEY TAKEAWAYS

01

San Francisco is the recovery market and, on basis, the entry point.

02

Los Angeles grows on rate over a flat base, with the wage step up in July.

03

Inland markets feel distribution cost most, on ADRs near \$120.





SECTION 07

Regional snapshots.

Six markets, six different problems, in the order an owner should worry about them.

Los Angeles County

The largest and most contested market. 49.5 million visitors in 2025 (down 1%), 6.4 million international (down 3%), \$42.6 billion of business sales and more than 530,000 jobs.²⁸ Hotels ran 71.6% occupancy and \$196 ADR for the twelve months to November 2025 with RevPAR down 0.4%, then 73.1% and \$220.04 in the first half of 2026 with RevPAR up 8.0% on the events.^{9,10} CoStar's outlook is RevPAR growth of 3 to 5% a year through 2028.⁹ The structural issues are the wage ordinance, the 14% TOT that voters declined to raise, and a Downtown that still depends on a convention centre expansion. The asset story is the opposite: 41 hotels traded for \$736 million in 2025, and Southern California sales volume rose 57% in the first half of 2026.^{21,22} Santa Monica, the county's premium beach submarket, is a warn-

ing about mix: visitors down 7.8%, hotel tax down 13.2%, and international now half of all visitors.¹⁶

San Francisco and the Bay Area

The recovery market. RevPAR up 11.8% in 2025, forecast up 14.1% in 2026 and to a record \$195.61 in 2027; Moscone room nights from 399,000 in 2024 to 674,000 planned in 2026; visitors forecast at 25 million in 2027.^{8,11,12} The hotel tax is recovering at 8% a year but the Controller does not see full recovery before FY2029/30.²⁵ Basis is the opportunity: the Hilton Union Square and Parc 55 at \$138,634 a key, the Hyatt Regency Embarcadero at \$279 million, the Four Seasons at \$130 million.^{59,13} Bay Area RevPAR is still forecast at \$149 in 2029 against \$169 in 2019, so the entry is into a market that has not finished recovering.¹³ Super Bowl LX proved the region can out deliver a forecast when the event is right.³⁰

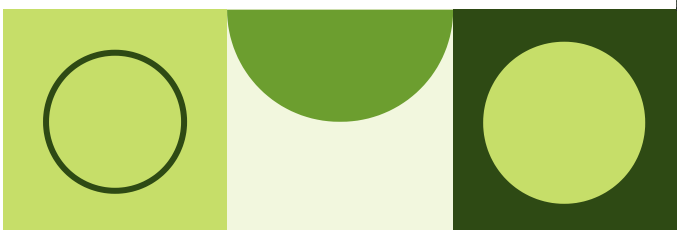
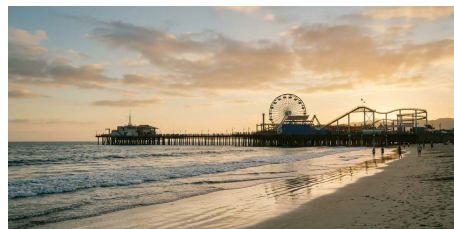


FIGURE 12

Six markets, six problems: California's 2027 posture



1

Los Angeles

Rate growth on a flat base; wage step up in July

73.1% occupancy, HI 2026

2

San Francisco / Bay Area

Record RevPAR forecast; distress still clearing

\$195.61 RevPAR, 2027F record

3

San Diego

Group pace up; resorts must hold record rates

\$198.18 RevPAR, June 2026 record

4

Orange County / Anaheim

Modest growth; conventions strong; TOT under pressure

~600K convention room nights, 2026

5

Napa, Sonoma, Central Coast

Steady occupancy, rate led, luxury exposed to long haul

\$422.52 Napa ADR, 2025

6

Palm Springs and inland

Flat demand, midscale pressure

62.3% other regions occupancy, 2027F

Market figures as cited in Sections 1, 3 and 7. Sources: Discover Los Angeles;¹⁰ SF Travel;¹² Hotel Online;¹⁴ HVS;¹⁵ Napa Valley Register;¹⁶ Visit California / Tourism Economics.⁶ Map: US Census boundaries via us-atlas.

San Diego

The highest occupancy in the state at about 72 to 74%, and the weakest 2026 convention calendar. RevPAR fell 0.9% in 2025 and 8 to 9% for the REITs with Downtown exposure in the second quarter of 2026, while the leisure resorts set records: June 2026 RevPAR \$198.18, up 12.0%.^{14, 56, 58} Supply added 1,600 rooms in 2025 (Gaylord Pacific) and about 1,200 in 2026; 1,328 rooms remain under construction through 2027.¹⁴ The city has cut its TOT growth assumption to 0.2% on international weakness.²⁶ For 2027 the story is group pace, up double digits for both Pebblebrook and Sunstone, against a resort segment that has to hold record rates without the World Cup.^{56, 58} Evans Hotels shows what a direct program does in this market.⁵⁴

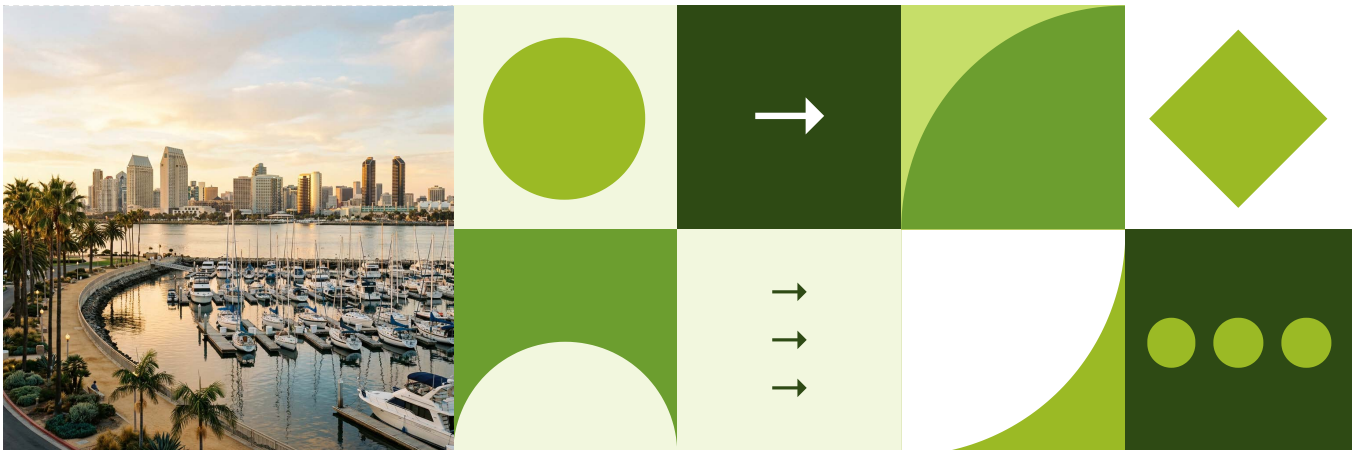
Orange County and Anaheim

Flat RevPAR in 2025 on 72.1% occupancy and \$209 ADR; up about 12% through April 2026; CoStar outlook 1 to 4% a year.^{9, 15} Anaheim's TOT budget fell 8.9% for FY2025/26, and the city runs 40% of its General Fund on hotel tax.²⁷ The 2026

convention calendar (600,000 room nights) is strong; DisneylandForward and OCVIBE add demand generators from 2028.¹⁵ Transaction prices fell hardest here, with the median price per room down 56% in 2025.²¹ A leisure market with a theme park anchor is the most exposed to the consumer trade down Deloitte describes, and the most rewarded by a loyalty rate.

Wine country and the Central Coast

Napa County posted the highest occupancy of any US county in 2025 at 64.6% (up 2.6%) on a \$422.52 ADR, with luxury occupancy up 4.4% and group at 28% of occupancy, up 12%; the 2026 forecast is occupancy down 0.3% and ADR up 1.6%.¹⁸ Sonoma is softer at about 60%; Monterey grew RevPAR 3.5% and Santa Barbara's South Coast ran 73% occupancy, up 3.2%.^{7, 72} These are drive markets with high international luxury exposure (Napa's premium tier) and almost no new supply; the owner's issue is the long haul arrivals decline and, in Napa, a \$220 million default at Stanley Ranch before Blackstone stepped in.²²

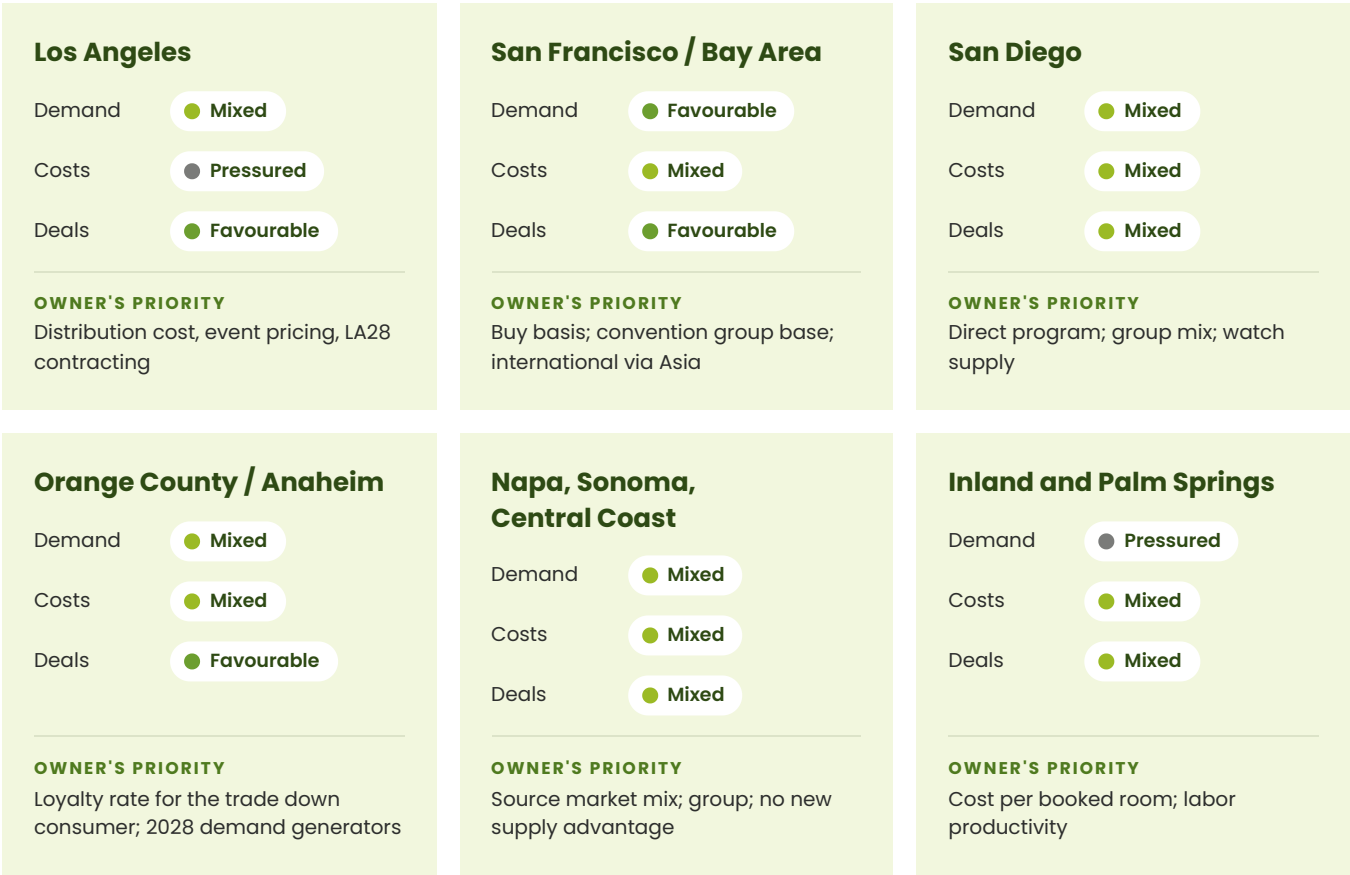


Greater Palm Springs and the inland markets

Palm Springs ran 70% occupancy and a \$269.61 ADR through May 2025 with group up 13.8% and leisure pace down 10%.⁷¹ The rest of inland California sits in the "other regions" line of the

state forecast: 61.9% occupancy in 2025, 62.3% in 2027, demand growth of 0.8%.⁶ These are the markets where the economy and midscale tiers CBRE expects to decline in 2026 are concentrated, and where distribution cost as a share of a \$120 ADR hurts most.⁶⁰

FIGURE 13 Regional posture for 2027



Ratings are Centric's reading of the evidence in this section, from the owner's point of view: demand outlook, cost pressure, and the opportunity to buy.



08

Scenarios and scorecard

- California will grow in 2027 and the average hotel in it will not; the owners who beat the average will own their demand, price the calendar and treat distress as an entry.

KEY TAKEAWAYS

01

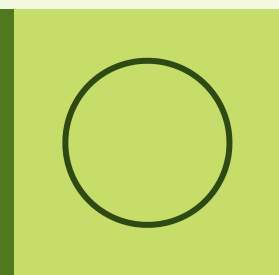
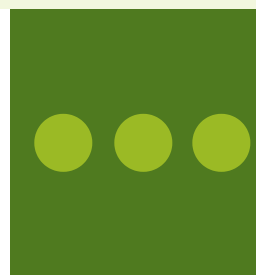
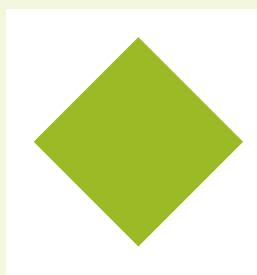
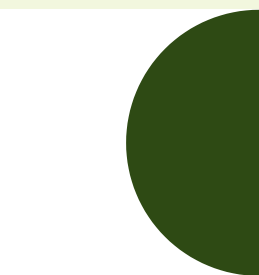
Base case: 68.5% occupancy, San Francisco at a record, near markets recovering.

02

The labor line is legislated and does not vary by scenario.

03

Eight monthly numbers separate a managed asset from an operated one.





SECTION 08

Scenarios and the owner's scorecard.

Three ways 2027 can go, anchored to the published forecasts, and the eight numbers an owner should hold the management company to.

Three scenarios for 2027

The base case follows the state and national forecasts: California occupancy 68.5%, US RevPAR growth of 1.4 to 2.1%, San Francisco at a record, Southern California flat to modestly up on rate, international arrivals recovering in Mexico and Canada but not in Europe or Asia.^{6, 60, 12} The upside case as-

sumes the international fee environment eases, the convention calendars in San Diego and Anaheim deliver their 2027 pace, and Super Bowl LXI repeats Super Bowl LX's over delivery.^{30, 56} The downside case is the state's own: total visitation up only 1.2%, international down 0.4%, Canada down 6.1%, the consumer trade down deepening, and the distress cycle extending as maturities roll.^{3, 65, 22}

67.5%

Downside. California hotel occupancy, 2027

68.5%

Base. The published Visit California / Tourism Economics line

69.5%

Upside. Conventions deliver, fees ease, Super Bowl LXI over delivers

TABLE 7 2027 scenarios

Indicator	Downside	Base	Upside	Source of the anchor
California hotel occupancy	67.5%	68.5%	69.5%	Visit California / Tourism Economics
Statewide ADR growth	0 to 1%	1.5 to 2.5%	3 to 4%	US CoStar / CBRE 2027 (+1.6 to 1.7%); CA 2026 +2.9%
San Francisco RevPAR	\$185	\$195.61	\$205	SF Travel 2027 forecast
International arrivals to CA	-0.4%	+2.4%	+5%	Visit California forecast scenarios
LA hotel labor cost, July 2027	\$25.50 + \$6.00 benefit	same	same	LA ordinance (fixed)
Insurance premium change	+20%	+10%	+5%	Atlas; CoStar
Distressed share of CA sales	40%+	~30%	under 20%	Atlas H1 2026 (37% of dollars)
Loyalty share of US room nights	58%	60%	62%	Kalibri H1 2026 (58%)

Downside and upside values are Centric planning ranges around the published base anchors; the labor line is legislated and does not vary by scenario. 6, 60, 12, 3, 33, 7, 22, 39



The owner's scorecard

Eight numbers, reported monthly, that separate a managed asset from an operated one. Most can be produced from the systems the hotel already runs; none of them appear in a standard STR report.

THE OWNER'S SCORECARD · 2027

Eight numbers to hold your management company to, every month.



Property _____ Month _____

METRIC	BENCHMARK TO BEAT	YOUR NUMBER
☐ Owned share of room nights Brand.com, direct, loyalty, email	Independents over 50%; branded 70%+ member share	_____
☐ All in cost per booked room, by channel The largest controllable line below GOP	Direct under 10% of booking value; blended under 15%	_____
☐ Net RevPAR RevPAR less distribution cost per available room	Growing faster than gross RevPAR	_____
☐ Cancellation rate by channel OTA pickup is a fifth softer than it looks	Direct ~10%; OTA under 20%	_____
☐ Direct ADR versus blended ADR Direct guests buy higher categories and add ons	Direct at least 10% above blended	_____
☐ Group pace, next four quarters The base that lets you price transient	2027 pace above 2026 by Q4 2026	_____
☐ Labor cost per occupied room The legislated line	Flat in real terms despite the schedule	_____
☐ AI and assistant referral share The new shelf	Measured at all; then growing	_____

Benchmarks drawn from Pixel & Polish, Cloudbeds, Kalibri Labs, Marriott and Pebblebrook disclosures cited in Sections 4 and 5. ^{45, 42, 39, 46, 56}

Every number, traced.

Figures are taken from state, city, industry and company sources published between January 2025 and September 2026 and were retrieved between September 25 and 28, 2026. Where two published figures are combined (for example, the 130 room illustration in Section 4, or the implied OTA take rates), the text labels the result as derived or calculated. Statewide 2027 ADR and RevPAR have not been published by Visit California or Tourism Economics; the

paper uses the published 2027 occupancy line and US level 2027 forecasts and says so. Forecasts are the publishers' and are quoted as issued. Centric has no commercial relationship with any source cited. Where a publication was accessed through a secondary outlet (an earnings call transcript, a trade press summary), the primary publisher is named first.

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ABOUT CENTRIC

We build the direct channel for hotels that are tired of renting their guests.

Centric is a marketing and technology agency working with hotel owners, asset managers and management companies on the numbers in this paper: owned share of demand, cost per booked room, net RevPAR and the website, loyalty, search and AI infrastructure that moves them. Our hospitality work spans independent and soft branded hotels in California and the wider United States, with a commercial model that ties our fees to the bookings we produce rather than the media we spend.

The team behind this paper combines hotel revenue and distribution specialists, search and AI visibility engineers, and a creative studio that designs the guest facing side of a direct booking program: the membership, the offer architecture and the seasonal campaign kits that give a guest a reason to book with the hotel and not with an intermediary.



TALK TO US

Usman Khalid, Chief Executive Officer, Centric

usman.khalid@centricdxb.com centricdxb.com