HVS

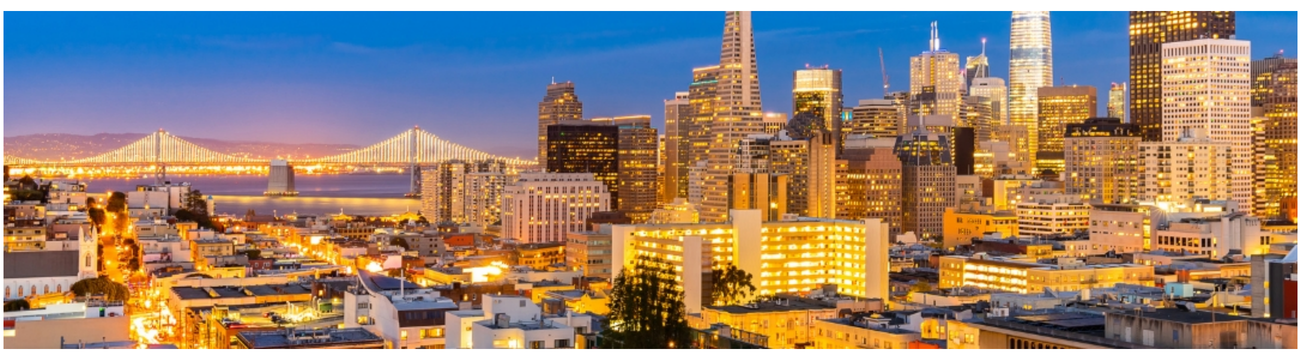
MARKET REPORT

San Francisco's Hotel Investment Outlook Brightens

NOVEMBER 6, 2025

Following a slow post-pandemic recovery and a modest decline in 2024, RevPAR for the San Francisco market has rebounded in 2025, with year-to-date performance reaching the highest levels since 2020. With strengthening fundamentals, the market appears poised for notable growth in hotel investments.

The San Francisco lodging market has been experiencing a major rebound in performance, with RevPAR up 8.9% as of year-to-date August. This improvement has been driven by a strong convention calendar, major employers implementing return-to-office mandates, and modest growth in tourism levels. San Francisco Travel Association anticipates Moscone Center will generate over 650,000 room nights in 2025, which equates to roughly 106.0% of 2023 levels but only 68.0% of peak 2019 performance. Salesforce, the city's largest private employer, implemented a full return-to-office policy in January 2025. Gap, Inc. has been phasing in a return to office, increasing from two days a week in January to five days a week by the end of September 2025. The City of San Francisco has also implemented a four-day in-person mandate beginning August 2025.

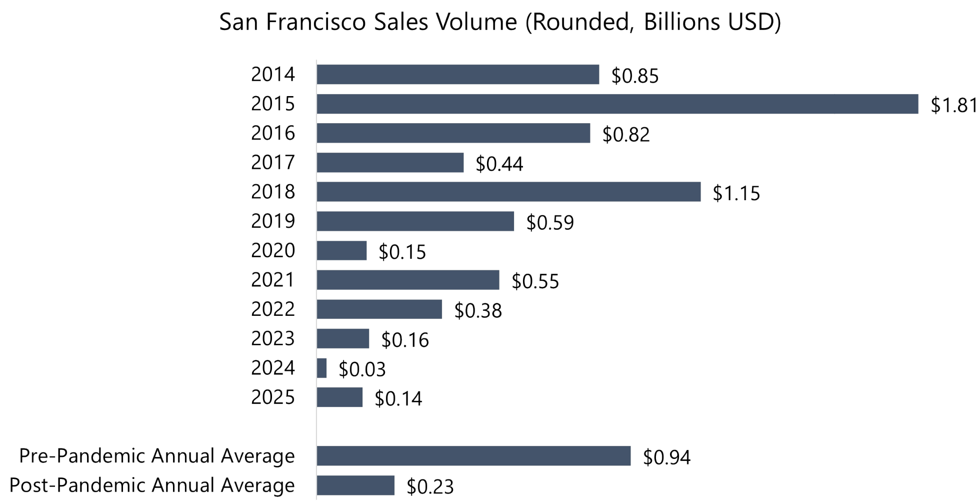


Tracking Hotel Investment Trends in San Francisco

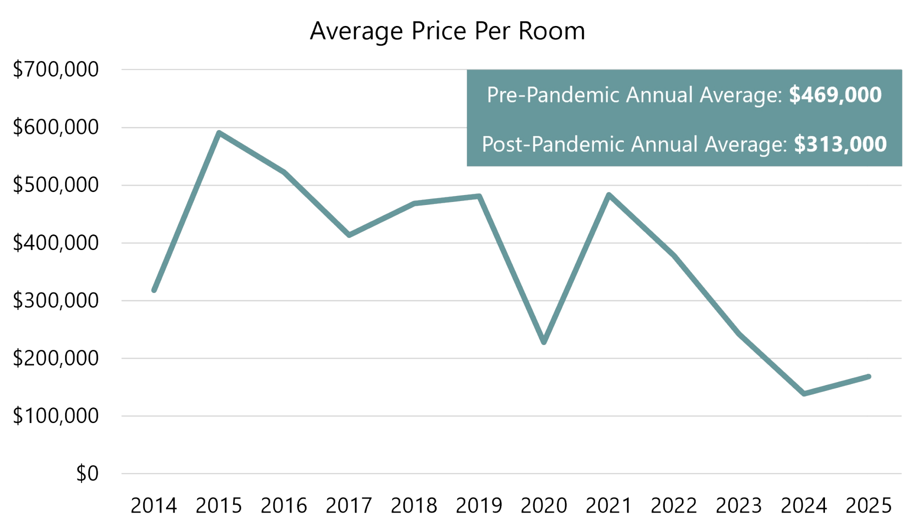
Despite the recent improvement in market performance, hotel transactions over the last several years have primarily consisted of smaller, limited-service hotels. The only major sale in 2025 was Park Hotels & Resorts' disposition of the 315-room Hyatt Centric in Fisherman's Wharf. Other properties that have been marketed for sale in 2025 but have not traded include the Hotel Zeppelin, The Orchard Hotel, The Orchard Garden Hotel, InterContinental Mark Hopkins, Fairmont San

Francisco, Grand Hyatt San Francisco, and Cova Hotel. Transactions are currently pending for several assets, including The Clancy, a 410-room Autograph Collection affiliate; the 1,921-room Hilton San Francisco Union Square; and the 1,024-room Parc 55, a Hilton Hotel.

SF Transaction Volume Poised to Rebound



Sources: HVS, MSCI Real Capital Analytics



** Sales volume data for 2025 exclude the pending $115-million sale of The Clancy, Autograph Collection (410 rooms) and the pending undisclosed sales of the 1,921-room Hilton San Francisco Union Square and 1,024-room Parc 55*

Sources: HVS, MSCI Real Capital Analytics

While the improvement in market performance has not yet spurred significant transaction activity, certain investors remain highly committed to the city's long-term recovery. KHP Capital Partners made headlines when it acquired the former Le Méridien in the Financial District for $221.5 million ($615,000 per room) in 2021. Following a complete transformation and rebranding as The Jay, Autograph Collection, the 360-room property is now positioned as one of the highest-tier hotels in the city.

The Jay, Autograph Collection (former Le Méridien San Francisco)

Source: Marriott

Spotlight: Huntington Hotel

Flynn Holdings and Highgate Hotels are also investing significant funds into renovating the Huntington Hotel, aiming to position the historic property as one of the market leaders in ADR. The 1922-built hotel was acquired from Deutsche Bank in 2023 after former ownership Woodridge Capital defaulted on a $56.2-million loan.

The Huntington Hotel will reportedly operate independent of a brand affiliation and will offer the following accommodations and facilities:

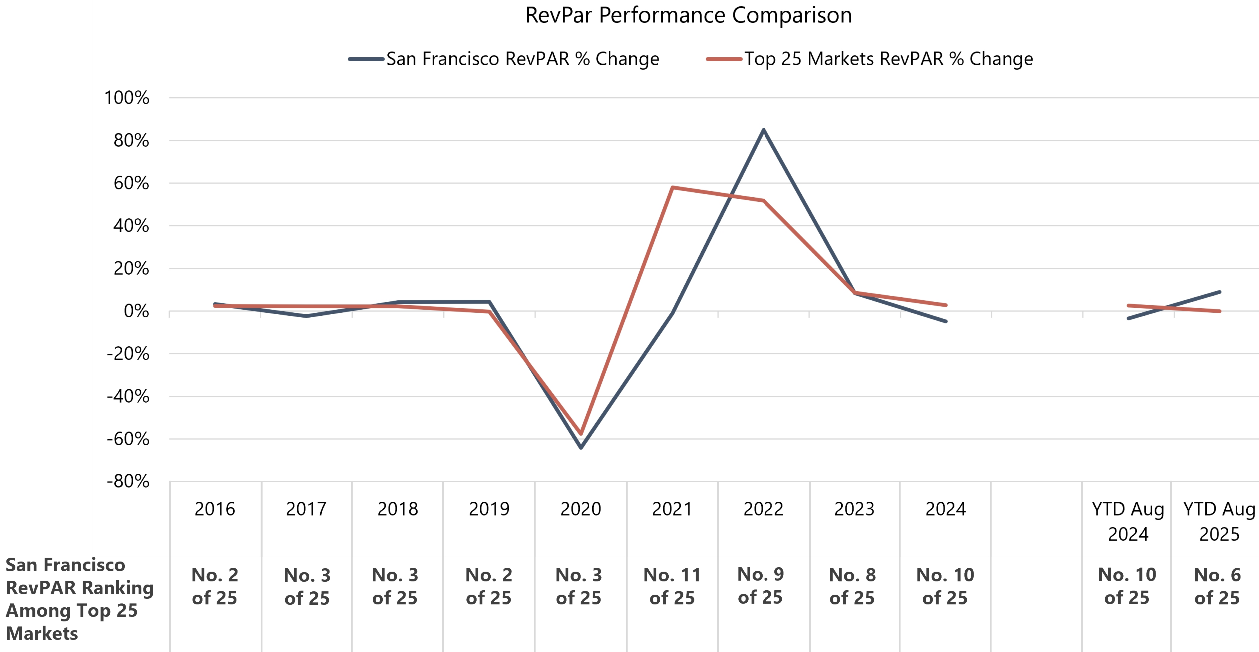
- 143 guestrooms (including 62 luxury suites) with an average size of 581 square feet
- The iconic Big 4 restaurant, a longstanding fixture of Nob Hill
- A new lobby bar and lounge featuring a wide selection of cocktails and drinks
- A three-level spa with an indoor pool, a tanning deck, a sauna, a steam room, a locker room, a relaxation room, and 13 indoor treatment rooms
- 1,000 square feet of meeting space

The redevelopment will also include a complete restoration of the brick façade while retaining the hotel's historic, Georgian-style architecture. The renovated property is set to open in early 2026.

Key Drivers of Future Investment

San Francisco has historically been one of the strongest lodging markets in the United States, consistently ranking in the top three for RevPAR between 2016 and 2019. Given its prolonged economic recovery from the pandemic-related downturn, the San Francisco market fell to tenth place by year-end 2024. The rebound in performance in the year-to-date 2025 period has resulted in the city regaining some of its former status, with year-to-date RevPAR levels ranking sixth in the nation.

RevPAR Reached Recent Peak in Latest Data



Source: HVS, STR

High barriers to entry and strengthening fundamentals should ensure that San Francisco continues to grow consistently over the long term. Given that pricing appears to be at some of the lowest levels since the pandemic, investors now have the opportunity to enter the market at a favorable time.

At HVS, we turn data into powerful insights that drive your success. With a strong local presence in the San Francisco Bay Area, we can provide insight into current market trends that will enable you to make informed investment decisions. Connect with John Berean, your local NorCal hospitality expert, for more information.

Sources

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