

# **SAN DIEGO HOTEL MARKET UPDATE**

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## Performance Overview

- RevPAR up 1.2% YoY (trailing 12 months through August)
- Summer slowdown due to:
  - Decline in domestic leisure travel
  - Reduced government demand
  - Near zero international demand
- 2025 RevPAR projected to decline YoY
- Recovery expected in 2026, but risks remain

## **Development Trends**

- Developer interest strong but constrained by:
  - High construction costs
  - Environmental regulations
  - Community resistance
- \$25 minimum wage hike adds pressure
- 10 hotels (1,328 rooms) under construction → 1.9% supply increase

HotelGuru.com

# Investment Outlook

## Challenges

- Brand-mandated PIPs & FRCMs
- High refinancing costs
- Labor cost increases

**14** hotels with CMBS loans maturing by 2026

**1** in special servicing

**7** flagged for distress

San Diego  
Investment

# Hotel Openings

- A full-service Le Meridien with 231 rooms will open in downtown San Diego in June of 2026
- a 32-unit Autograph by Marriott will open in Carlsbad in May of 2026.

**These limited-service hotels are coming soon →**

Hotel Name	Room Count	Opening Date
Tempo by Hilton San Diego San Diego/Del Mar	127 rooms	Oct 2025
WoodSpring Suites Santee	122 rooms	Dec 2025
Element Mission Valley	150 suites	Feb 2026
Tru by Hilton Downtown	133 rooms	Apr 2026
Home2 Suites by Hilton Downtown	130 suites	Apr 2026
Element Chula Vista	156 suites	Jul 2026
Fairfield by Marriott Airport	128 rooms	May 2027
SpringHill Suites by Marriott Airport	119 rooms	May 2027

## Submarket Performance

Occupancy, ADR and RevPAR growth by submarket and trailing 12-month performance:

Submarket	Occupancy	ADR	RevPAR
Carlsbad/Oceanside	70.9% +1.0%	\$207.31 +2.5%	\$146.90 +3.5%
Mission Valley	73.9% -2.8%	\$165.36 +0.8%	\$122.13 -2.0%
San Diego CBD	73.3% -0.1%	\$269.48 +1.5%	\$197.64 +1.4%
San Diego Northeast	73.2% +1.1%	\$175.75 +8.2%	\$128.67 +9.4%
San Diego South/East	72.9% -3.6%	\$151.77 +1.9%	\$110.65 -1.8%
San Diego/La Jolla	74.7% +2.1%	\$261.35 +1.6%	\$195.31 +3.6%
SeaWorld/Old Town/Airport	76.2% +3.9%	\$203.87 -1.0%	\$155.30 +2.8%

Source: CoStar

## Outlook for 2026

- Revenues projected to grow 2%; new supply will impact RevPAR
- Drivers:
  - Fed interest rate cuts
  - Return to office (sort of)
  - Improved government and international travel
- Challenges:
  - Flat government rates
  - Competition from Airbnb/cruises
  - No pricing power; cost-conscious travelers

## Operational Focus

- **Labor costs up 6.3%**
- EBITDA & net income down 7.7% per occupied room
- Focus areas:
  - Automation for cost control
  - Direct bookings to reduce commissions
  - Tech adoption for productivity
  - Negotiate health and liability insurance rates
  - Watch high-cost food items

## Key Trends for 2026

Voice Tech & Chatbots

Facial Recognition  
Check-In

Smart Room  
Technology

Digital Check-In

Cloud-based PMS

Hyper-Personalization

## Final Thoughts

- Q4 2025 may mirror summer softness in ADR
- 2026 offers cautious optimism but limited pricing power, up .5%
- San Diego's lodging taxes and minimum wage increase will hurt
- Technology, AI and Digital Disruption Rule
- Direct booking strategies are key to success



# THANK YOU!

READ MY FULL REPORTS ON SAN DIEGO AND THE  
SOUTHERN CALIFORNIA HOTEL MARKET:

[HOTELGURU.COM](https://HOTELGURU.COM)

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