

# HVS Market Intelligence Report: California's Antelope Valley

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Officially part of northern Los Angeles County, the cities of Lancaster and Palmdale in the Antelope Valley take on quite a different tenor than the “entertainment capital of the world.” Preeminent government and research institutions like the U.S. Air Force and NASA lend the Antelope Valley its reputation in the field of aeronautics, but the area’s business market is diverse and growing fast. In fact, businesses are growing or relocating to the Antelope Valley at a rate greater than new space is being made available, and the demand for inexpensive industrial land is outpacing the efforts of local communities to create and improve suitable sites.

Lancaster and Palmdale, the principal cities in the Antelope Valley, have experienced rapid development in recent years. Since 2000, Lancaster has invested approximately \$225 million and Palmdale \$235 million toward commercial and industrial development. The following article surveys the major government and corporate presences in the Antelope Valley and the hotel supply that serves them.

## The Aerospace Industry

The Antelope Valley’s lodging market thrives on government and commercial demand. The nearly 301,000-acre Edwards Air Force Base stands on the site of some of the earliest flight tests conducted by the U.S. Air Force, as well as some of the most famous: it was here in 1947 that Chuck Yeager became the first to fly faster than the speed of sound. Spanning 1.1 million acres of California’s Mojave Desert, the Naval Air Weapons Station (NAWS) China Lake annually hosts more than 32,000 official visitors. The SpringHill Suites in Lancaster opened in January of 2008 to meet the needs of visitors and personnel seeking upscale extended-stay accommodations. NAWS China Lake is expected to gain 750 to 1,000 new jobs when the Base Realignment and Closure (BRAC) process is completed by 2011, and Edwards Air Force Base has also seen a significant rise in both on-site staff and visitors in recent years under BRAC.

The 5,800-acre U.S. Air Force Plant 42 in northeast Palmdale is home to aircraft manufacturers Lockheed Martin and Northrop Grumman, both major contractors with both Edwards Air Force Base and NAWS China Lake. Other big-business, high-tech firms in the Valley include Boeing, BAE Systems, and SR Technics Group, as well as a U.S. Federal Aviation Administration Traffic Control Center.

## A New Breadth of Business

Beyond the presence of the aerospace giants and the contractors they hold in orbit, the industrial base of the Antelope Valley is diversifying among a cluster of business parks. A number of large facilities in Lancaster and Palmdale provide infrastructure for hundreds of companies.

The expansive Palmdale Trade and Commerce Center is home to such companies as Senior Systems Technology, Entenmann’s Bakery Outlet and Distribution Center, and Home Gallery Furniture Superstore. Construction has been underway on a number of projects located near the Palmdale Trade and Commerce Center. The first-phase, 60,000-square-foot expansion of the 240,000-square-foot Palmdale Corporate Center came online in August of 2008. This Class A office space is located near the new 250,000-square-foot Palmdale Regional Medical Center, also a major hub of commercial activity. Nearly 500,000 square feet of industrial and commercial buildings are in various stages of construction in the Fairway Business Park in Palmdale. Moreover, Palmdale’s Foreign Trade Zone (FTZ) has expanded to include more than 90 acres at Mojave Airport, which is of especial significance to hoteliers because of the increased international visitation the expanded FTZ brings to the area.

## Retail Revitalization, Tourism, and the Promise of Conventions

Retail and public facilities developments have also occurred at record levels in Lancaster and Palmdale in recent

### Summary

Business is diverse and growing in California’s Antelope Valley—a good sign for area hotels.

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years. A Wal-Mart Supercenter opened in the fall of 2007 in the Valley Central Plaza. Lancaster's new Spectrum Center, a 125,000-square-foot retail shopping center, is being developed at 20th Street West and Avenue J-8 by Martin Properties of Westlake Village. The Spectrum Center is expected to include shopping, lodging, and restaurants in addition to a 93-unit TownePlace Suites. Currently in the planning stages, the Promenade at Amargosa Creek is a 115-acre, mixed-use development that will be located in the busy 10th Street West corridor. The master plan for the Promenade is expected to include a 30-acre expansion of auto dealerships along Avenue K-8, 535,000 square feet of retail space, 471,000 square feet of office space, and 67,000 square feet of theater space.

Downtown Lancaster has also been revitalized. The Lancaster Performing Arts Center, a regional Sheriff's station, a Metrolink station, and the Aerospace Walk of Honor have combined to rejuvenate and energize the downtown commercial district. The new Palmdale Regional Medical Center is under construction at Palmdale Boulevard and Tierra Subida Avenue. The City of Palmdale is also in the process of developing a convention center with approximately 50,000 square feet of meeting space. Though yet in the preliminary stages, the convention center should supplement the Antelope Valley's existing elements by generating a steady supply of meeting and group demand in the future.

### **Hotel Supply and Demand**

Room-night demand at area hotels has risen strongly in recent years, with demand peaking early in the week (consistent with the travel patterns commercial and government travelers). The 233-unit Essex House Hotel & Convention Center was converted to a senior-living village in 2007, and new supply has recently come online (with even more on the horizon) to help absorb the displaced demand.

The lodging landscape in Lancaster and Palmdale has historically been dotted with limited-service hotels. Upscale hotel products that have entered the area in the recent term have helped to foment area demand. The market will, however, require some time to stabilize as the contingencies of marketing efforts, economic conditions, and construction schedules associated with the increase of hotel inventory unroll over the near term.

Average rates in Lancaster and Palmdale have increased year-over-year, helped by the surety of demand generated by Edwards Air Force Base and other government and commercial firms and facilities. Note also that the government per-diem rate, which has a repercussive effect on the average rates of area hotels, increases from \$118.00 to \$128.00 as of October of 2008.

### **Conclusion**

The economy of the Antelope Valley, including the principal cities of Lancaster and Palmdale, has remained relatively solid, despite the nation's economic ill-footing of late. The government and contractors of Edwards Air Force Base, NAWS China Lake, and the high-tech and industrial sectors are expected to remain cornerstones of the market and will continue to contribute to the area's overall growth. Ongoing commercial and industrial projects remain underway in the area, and the prospects for area hotels—both those existing and yet-to-come—look sunny indeed.