

RADIUS INSIGHT

CENTRAL COAST COMMERCIAL REAL ESTATE
QUARTERLY MARKET UPDATE

OCTOBER | 2016

RADIUS COMMERCIAL REAL ESTATE & INVESTMENTS
205 E. CARRILLO, SUITE 100 | SANTA BARBARA, CA 93101
805.965.5500 | WWW.RADIUSGROUP.COM



Always Moving Forward.

We proudly welcome Hagelis to our Team of local commercial experts.

Radius Commercial Real Estate & Investments is pleased to announce the acquisition of the talent and strength of Ventura-based retail pros Hagelis. Just one more step forward in our relentless commitment to provide unparalleled service, coverage and market expertise.



4227 E. Main St. Suite 220
Ventura CA 93003
805.654.9300

*The Radius Team. The Clear Choice for Commercial Brokering
in the Central Coast & Ventura County.*



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This time last year, Radius proudly announced the launch of our *Radius Ranch, Vine & Ag* division, in addition to our all-new Business Brokering service line, all in an effort to expand on our commitment to better serve our clientele's diverse real estate interests.

Now we move the bar once again with the addition of *Hagelis Retail Advisors* to The Radius Team. With Hagelis' unparalleled reputation in the retail sector and firm footprint in Ventura County, we are excited to open new doors, giving investors and tenants more access and greater options.

Radius now offers the combined expertise of 21 top brokers across two offices in Santa Barbara and Ventura Counties, making us one of the largest home-grown and locally operated brokerages in the region. Though we never set out to be the biggest, we are always pushing the boundaries to broaden our reach and provide the strongest team behind every deal to ensure your competitive advantage.



The Radius Team. We Have You Covered.

LEASING 5

COMMERCIAL SALES 11

MULTIFAMILY SALES 19



By Gene Deering
Radius Commercial Real Estate & Investments

Lagunitas Business Park

Perhaps one of 2016's most interesting transactions that will have impact on the leasing scene in the South Coast was the sale of 6380 Vial Real in Carpinteria which includes an entitled 85,000 sq. ft. Office/R&D building. The Lagunitas project may swing Carpinteria's diminished office landscape back the other way with an infusion of sorely needed new office space.

Office

The most dramatic transition we have ever seen in any of our submarkets occurred in Carpinteria's office sector with vacancy dropping from 20.7% this time last year to its current level of 1.8%. This highly significant shift has increased prices and recently enabled an investor to purchase the Lagunitas project which includes an entitled 85,000 sq. ft. office/R&D building. Of course most of the shift in Carpinteria's office sector resulted from the growth of ProCore which now occupies over 95,000 sq. ft. of space. Major tenants in Carpinteria now include Nusil, ProCore and LinkedIn/Microsoft.

Unlike Carpinteria, Santa Barbara's office sector has remained largely unchanged in 2016. In the last 60 days we have seen a noticeable decrease in activity even with the availability of some very interesting high end spaces. The largest downtown office lease to date was easily Kaplan International leasing 23,000 sq. ft. in the old Bekins building on Cota Street. This deal backfills most of the space vacated by Brooks Photography.



7402 HOLLISTER AVE. | 28,000 SF

InTouch Health staked claim to this prominent, 28,000 sq. ft. office building previously occupied by Citrix Systems—plus another 24,500 sq. ft. at 7406 Hollister Ave.—in the Hollister Business Park through 2023.

Another surprise this year was the stability of Goleta's office sector. With a number of larger companies downsizing or leaving town (Mentor, Allergan, Raytheon), we had expected Goleta's office vacancy rate could rise above 10%. However a handful of local companies continued to expand, causing vacancy to only slightly increase from 7.30% to 8.50%.

	VACANCY RATES* (%)					AVG. ASKING PRICES (\$/SF GROSS)				
	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Office/R&D										
Santa Barbara	3.4%	3.6%	3.6%	4.0%	4.1%	\$3.00	\$2.99	\$2.86	\$2.88	\$3.01
Goleta	7.3%	7.7%	9.0%	8.3%	8.5%	\$1.74	\$1.75	\$1.84	\$1.88	\$1.82
Carpinteria	20.7%	1.3%**	1.0%	0.3%	1.8%	\$1.67	\$1.35	\$1.48	\$1.40	\$2.14
Industrial										
Santa Barbara	0.3%	0.3%	0.4%	0.1%	0.1%	\$2.03	\$1.48	\$1.71	\$1.75	\$1.86
Goleta	5.3%	5.1%	5.5%	4.4%	3.8%	\$1.52	\$1.48	\$1.57	\$1.68	\$1.71
Carpinteria	3.8%	2.8%	2.5%	1.5%	4.7%	\$1.01	\$0.82	\$1.24	\$1.20	\$1.07
Retail										
Santa Barbara	1.5%	1.3%	1.9%	1.4%	1.6%	\$3.82	\$3.80	\$3.95	\$4.21	\$3.97

*Vacancy rates represented in percentage points

**The dramatic drop in Carpinteria's Q4 2015 office vacancy was due in part to approx. 52,000 SF of office space coming off market after the sale of 5464 Carpinteria Ave., which will convert to a senior care facility, plus a handful of large notable leases including two at 6307 Carpinteria Ave. (46,000 SF).

Industrial

Industrial remains the hottest commercial category in the region (and throughout California for that matter). The South Coast has always been in short supply of industrial space, and the continued trend of more and more office and retail tenants clamoring for industrial space to be utilized as office/retail has driven up prices and further constrained supply.

There is talk that the Santa Barbara Municipal Airport might be constructing some new industrial buildings which would be incredibly well received by the market. At the time of this report, industrial space in Santa Barbara was nearly non-existent with vacancy at 0.1%. You can expect lease rates to continue to increase as there remain

Continued on Page 8

27 E. COTA ST. | 23,000 SF

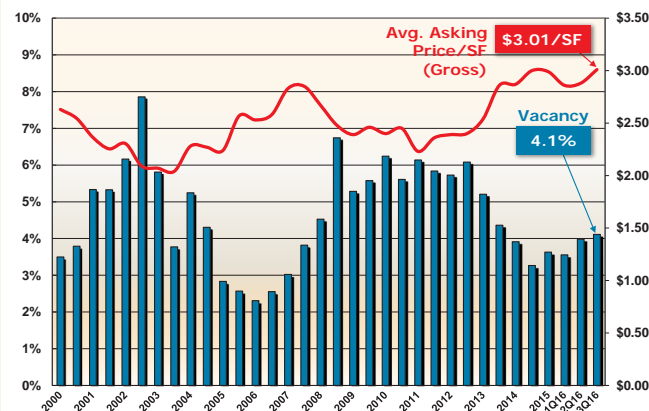
Santa Barbara's largest office lease in 2016 involved 23,000 sq. ft. of the historic Lyons building going to Kaplan International, backfilling most of the space vacated by Brooks Photography.



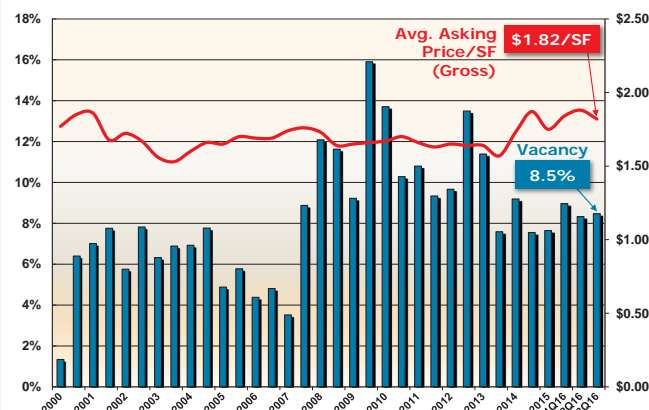
SOUTH COAST OFFICE VACANCY

Average Gross Asking Prices & Vacancy Rates

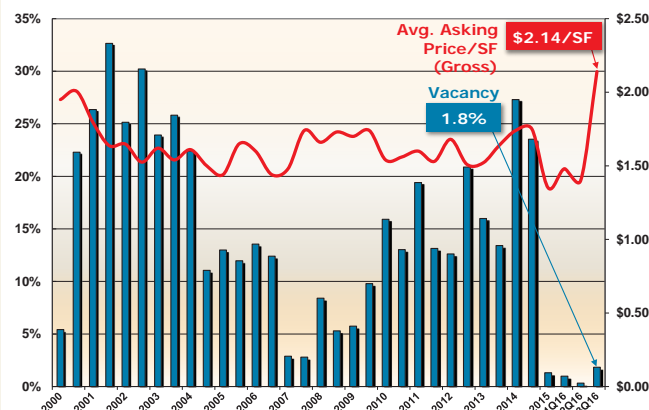
SANTA BARBARA



GOLETA



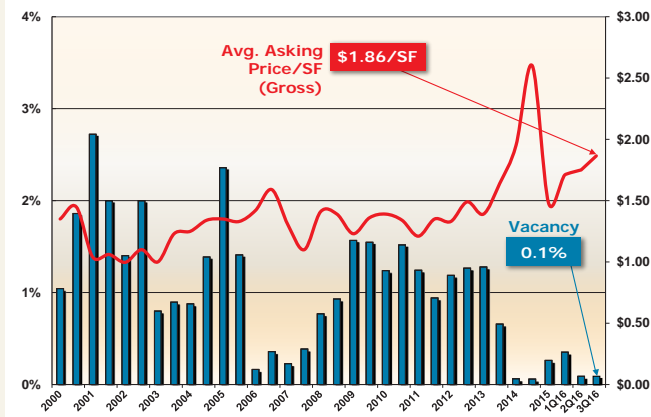
CARPINTERIA



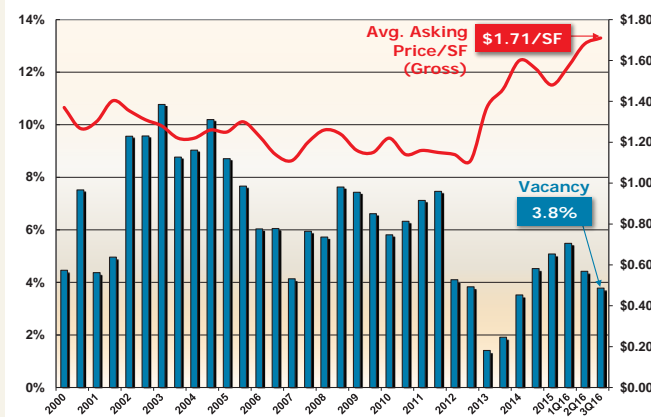
SOUTH COAST INDUSTRIAL VACANCY

Average Gross Asking Prices & Vacancy Rates

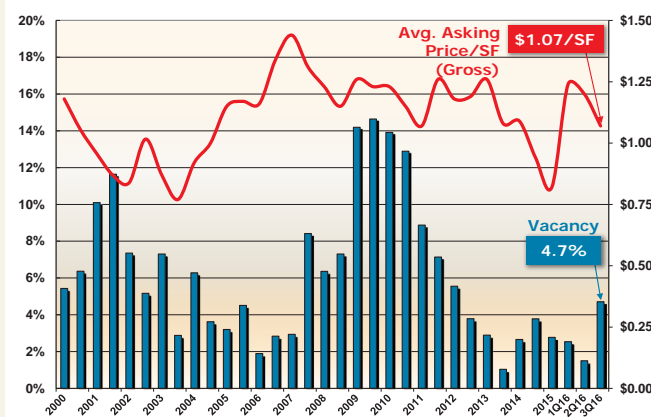
SANTA BARBARA



GOLETA



CARPINTERIA



Continued from Page 7

few options for many of the industrial tenants that help fuel our economy.

Goleta's industrial vacancy is at 3.8%. This is a little misleading as over half the available space is a 105,000 sq. ft. sublease with Allergan which cannot be demised.

Similarly, Carpinteria's industrial vacancy is now at 4.7% and most of this inventory is a 34,000 sq. ft. space available for sublease. The largest new industrial lease (non-renewal) was ProCore leasing 28,800 sq. ft. at 6385 Cindy Ln., followed by another Carpinteria office tenant (LinkedIn/Microsoft) leasing a 26,000 sq. ft. warehouse in Carpinteria.

This year also saw InTouch Health lease 24,000 sq. ft. in Goleta at 7406 Hollister Ave. along with Sunniva Holdings leasing 20,000 sq. ft. of clean room space on Thornwood Avenue in Goleta.

6385 CINDY LN., BLDG. C | 28,800 SF

ProCore has established itself as the power tenant in the Carpinteria market—recently leasing this large industrial building at 6385 Cindy Ln.—now occupying approx. 95,000 sq. ft. of space.



Retail

From a numbers standpoint the retail market is largely unchanged over the last 12 months. That said, we have seen a noticeable slowdown along State Street. As new spaces have come available, many landlords have continued to push rents and those rates have slowed activity especially for spaces larger than 1,500 sq. ft. Mom-and-Pop retailers cannot afford to pay close to \$5.00/SF full service gross (includes NNN and utilities) for a 2,000 sq. ft. space, which equates to a monthly rent of \$10,000. There are not too many retailers that can support that kind of rent.

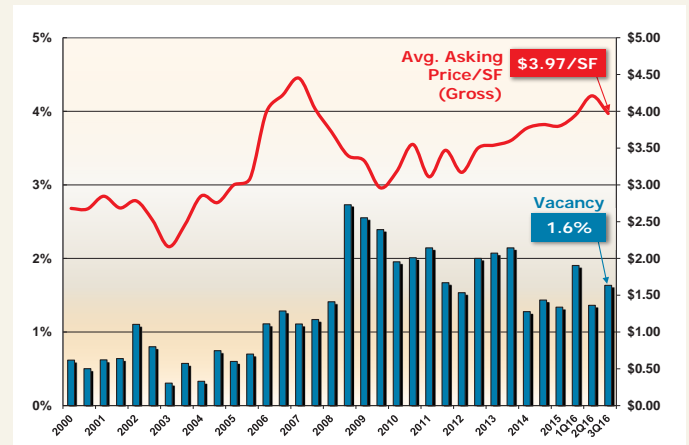
Not surprisingly, the most exciting retail news is the construction at the long-awaited La Entrada project (The Californian Hotel) on lower State Street near the pier, which includes roughly 5,600 sq. ft. of high end retail suites. Well-located within the highly coveted Funk Zone, this should become some of the most attractive retail space in all of Santa Barbara with the hotel complex and its numerous world-class amenities likely to be a center of activity for international visitors and local guests alike.

In fact, over the past 24 months interest in retail space in Santa Barbara has been largely focused on the Funk Zone. Retailers are willing to endure sometimes lower quality buildings, limited parking and considerably higher-than-average rents to have a spot in this desirable zone with its easy access to the beach, Stearns Wharf and downtown. Look for demand to continue to increase in the Funk Zone as more and more projects are completed. It will be particularly interesting to see how parking evolves as more and more people crowd into the neighborhood.

The largest retail lease in the area over the past year was Trader Joe's taking the 22,000 sq. ft. space vacated by Fresh Market on Milpas. One block up CVS signed a 20 year lease in the former Fresh & Easy location.

SANTA BARBARA RETAIL VACANCY

Average Gross Asking Prices & Vacancy Rates



222 N. MILPAS ST. | 22,000 SF

In the largest new lease of retail space in the past year, Trader Joe's snatched up the former Fresh Market location at the corner of Milpas and Montecito streets.





By Steve Brown, Chris Parker, Bob Tuler & Jake Chancer
Radius Commercial Real Estate & Investments

29 W. Calle Laureles | \$4,550,000

This state-of-the-art ±7,444 sq. ft. office building sold to a 1031 exchange buyer in July. The 100% leased office building is occupied by Santa Barbara's premier architectural firm, DesignArc, and was extensively remodeled in 2006. Originally constructed for a bank in 1954, this freestanding office condo features an open concept floorplan with high ceilings, skylights and expansive sliding glass doors.

Peak, Plateau or Neither?

Why is it when we consider the state of commercial real estate investments in our market, everything starts looking like a trek through the Santa Ynez Mountains?

Hills and valleys. Peaks and plateaus. Given the commercial activity of recent years, to some it might seem the valleys are shallower and the peaks are milder. Casual climbers have certainly enjoyed a more easy-going trail over the past few years, while aggressive hikers have recently been left needing a bit more.

Indeed real estate markets are cyclical by nature, and in Santa Barbara these cycles are tempered by both our political climate and our geography. The natural physical borders created by the Santa Ynez mountains and the Pacific Ocean simply limit potential growth in this market which directly impacts the balance of supply vs. demand on the South Coast and has led to the increase or stability of prices in our market.

We are not immune to the highs and lows of these cycles, even if we live in the American Riviera. But investors still have options for strong returns on their investments, and CAP rates continue to look manageable, especially in the current interest rate environment.

As such, sales activity for the first two quarters of 2016 was somewhat in line with recent years, but the third quarter took off, and then some.

The third quarter came to a close with 31 sales, edging out strong performances of 23 transactions during Q2 and 24 during Q1. This brings the first nine months of 2016 to a total of 78 deals, which tops the benchmark 77 sales during the same time in 2014, previously the most prolific first three quarters Radius has ever recorded. Staying on this pace could put us in contention to surpass 2014's all-time record of 103 commercial sales.

Heading into 2016 we considered the possibility that accelerating prices and diminishing CAP rates may slow activity. Instead what we have seen is that buying pressure—particularly from exchange-driven investors—has not slowed and continues to impact our market.

But the story becomes a bit more sobering when you consider total sales volume in 2016.

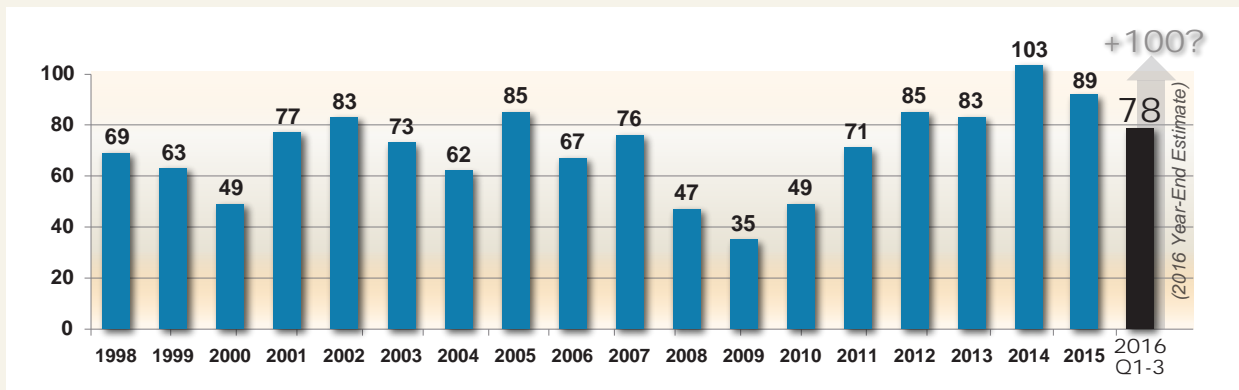
Total dollar sales volume for the third quarter was approximately \$82 million with the largest sale being an 18,000 sq. ft. office building that sold in downtown Santa Barbara in July for \$6.95 million. And as the third quarter came to a close, overall sales volume for the year to date landed at approximately \$282 million, significantly less than the \$455 million during the same period last year.

Despite the fact there have been eight more transactions this year compared to the same time last year, we are simply looking at smaller sales. There have only been four deals larger than \$10 million compared to seven in 2015 and eight in both 2014 and 2013. This decrease in sales volume is due in part to a lack of larger development and hospitality deals that occurred in previous years.

So, peak, plateau or neither? All indicators are signaling that demand for well located, quality properties remains strong. The market still has legs, so to speak. Again, judging by the number of transactions in 2016, the pace hasn't really slowed. If anything investors are looking for bigger rocks to climb.

SOUTH COAST COMMERCIAL SALES

Excluding Sales of Apartments



Q1-Q3 South Coast Commercial Sales Breakdown

Retail – 25 Transactions

\$400/SF–\$1,120/SF (Avg.\$625/SF)

Office – 26 Transactions

(23) Santa Barbara Office

\$380/SF–\$978/SF (Avg.\$585/SF)

(3) Goleta Office

\$214/SF - \$563/SF (Avg.\$350/SF)

Industrial – 13 Transactions

(5) Santa Barbara Industrial

\$191/SF –\$514/SF (Avg. \$379/SF)

(3) Goleta Industrial

\$277/SF –\$316/SF (Avg. \$297/SF)

(5) Carpinteria Industrial

\$145/SF –\$436/SF (Avg. \$254/SF)

Land – 12 Transactions

Hospitality – 2 Transactions

78 Total Transactions

2017 COMMERCIAL SALES PREDICTIONS

- CAP Rates continuing near current levels
- Interest Rates stable
- Still many buyers in the market fueled by Exchange \$\$
- Continued Development, especially fueled by AUD



Notable 2016 Sales

Q1 Sales

214 State St. | \$7.6 Million (pictured above)

This unique property in the heart of the Funk Zone comprises approximately 8,584 sq. ft. of prime retail space divided amongst two buildings. Current tenants include American Ale and Test Pilot. The property received multiple offers and ultimately sold above asking price to an investor in a 1031 exchange. The property was sold at \$885/SF and a 4.1% CAP rate.

6750 Navigator Way | \$12,750,000

This 46,430 sq. ft. multi-tenant office building closed escrow in February for \$12,750,000 (6.5% CAP rate, \$275/SF building). Built in the early 1960's with its most recent remodel in 2015, the Cabrillo Business Park building houses Hewlett Packard, Texas Instruments, U.S. Forest Service and Ergomotion.

324-336 N. Milpas St. | \$8.2 Million

The 11,468 SF retail building was occupied by Fresh & Easy until the company went bankrupt in 2015. The vacant building was then leased to CVS who signed a 20 year lease in late 2015 and the building sold this past February at a 3.89% CAP rate and \$715/SF.

5198 Hollister Ave. & 1000 Casitas Pass Rd. | Est. \$63.3 Million (pictured below)

March saw the combined sale of the Magnolia Shopping Center in Goleta and the Casitas Plaza Shopping Center in Carpinteria, purchased for an estimated \$63.3 million by ROIC, a publicly traded REIT with corporate offices in San Diego. Excluding hotel properties, this was the largest transaction since 2002, surpassing the 2015 sale of the REI-anchored retail center on State Street that traded for \$21,950,000.



Q2 Sales

6701 Hollister Ave. | \$7,255,500

This 3.72 acre parcel in the Cabrillo Business Park adjacent to the Deckers campus was purchased in early April by the famous footwear maker who may have plans to eventually expand their operation into the vacant land.

601-725 S. Kellogg Way | \$13.5 Million

This 12.5 acre parcel near old town Goleta was in escrow while the buyer City Ventures worked through the entitlement process. The property recently received entitlement for 175 solar powered homes and subsequently closed per the contract as an entitled development.

Q3 Sales

29 W. Anapamu St. | \$6,950,000 (pictured right)

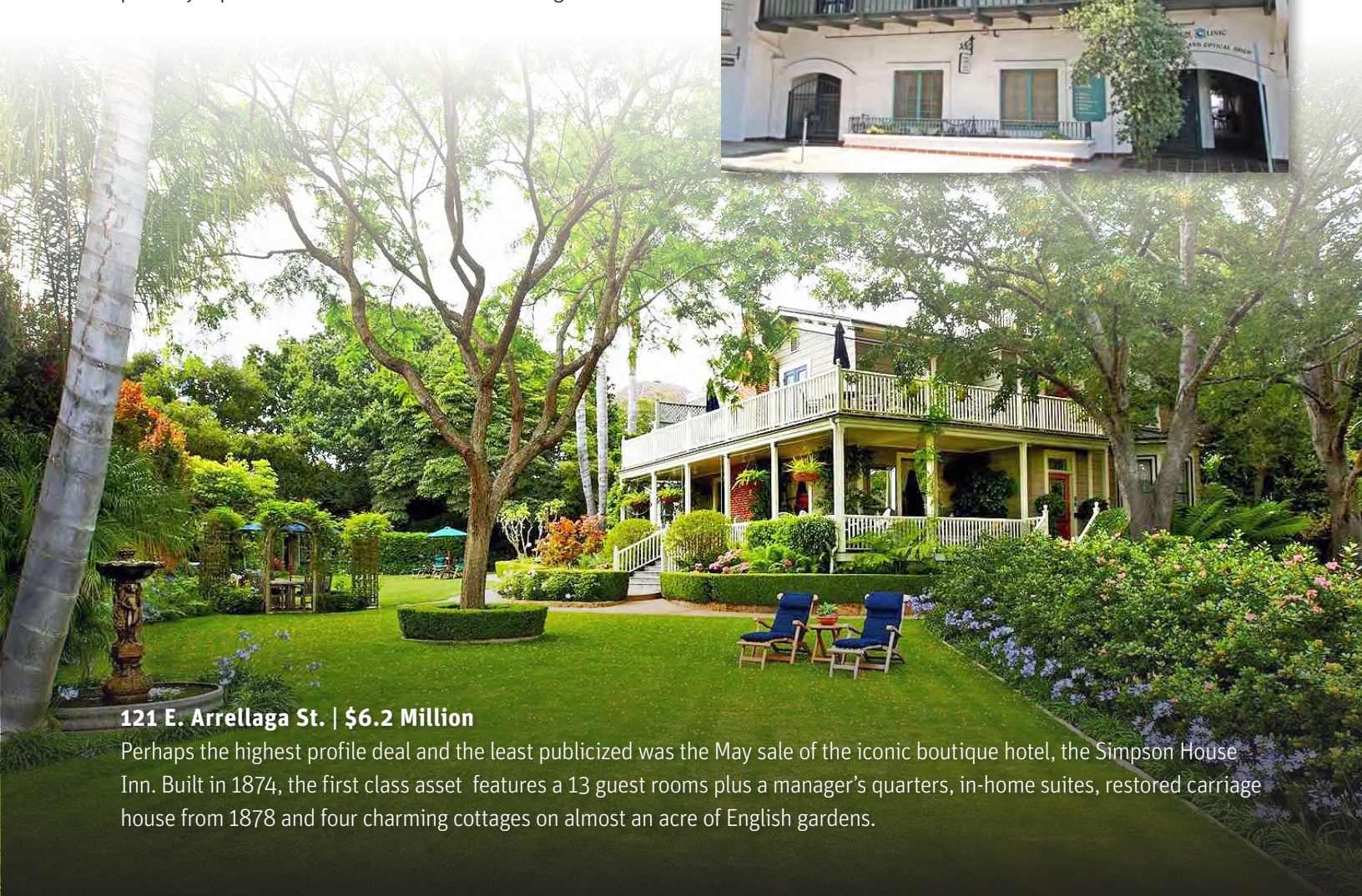
This 18,281 sq. ft. office building sold in July to an investor in an off-market deal. Sansum Clinic occupied 92% of the building but has recently been in the process of vacating. Watch for this 1980's building to be remodeled and possibly repositioned as office or senior housing.

11 Anacapa St. | \$5.6 Million

This 11,536 sq. ft. warehouse building in the heart of the Funk Zone also exchanged hands in July. At this point it is unclear what the future plan is for the property but keep your eye out for potential retail redevelopment as it is located in a prime coastal/ Funk Zone location.

29 W. Calle Laureles | \$4,550,000

This state-of-the art 7,444 sq. ft. office building sold to a 1031 exchange buyer in July as well. The 100% leased office building is occupied by Santa Barbara's premier architectural firm, DesignArc, and was extensively remodeled in 2006. Originally constructed for a bank in 1954, this freestanding office condo features an open concept floorplan with high ceilings, skylights and expansive sliding glass doors.



121 E. Arrellaga St. | \$6.2 Million

Perhaps the highest profile deal and the least publicized was the May sale of the iconic boutique hotel, the Simpson House Inn. Built in 1874, the first class asset features a 13 guest rooms plus a manager's quarters, in-home suites, restored carriage house from 1878 and four charming cottages on almost an acre of English gardens.



Development

Hotels

Rosewood Miramar Beach Montecito 123 Room Ocean Front Hotel (pictured above)

Rosewood Miramar Beach Montecito just broke ground this month and is slated to open in 2018. The development is spread over nearly 16 acres of prime beachfront real estate and will offer 124 guestrooms and 37 suites, many of which will be located in single-story cottages and bungalows. Amenities at Rosewood Miramar Beach Montecito will include an oceanfront bar and restaurant with an outdoor terrace, a signature restaurant, two swimming pools, a spa, a state-of-the-art fitness center, and an exclusive membership-only beach club.

Santa Barbara Inn

After almost 3 years of extensive remodeling, the anticipated wait for the new and improved Santa Barbara Inn is finally over. In August, we saw the opening of the freshly re-imagined Spanish Mediterranean boutique with 70 rooms and suites and ocean views. Additional amenities include an indoor/outdoor ocean view dining at Convivo Restaurant, a modern fitness center and an event center accommodating up to 80 guests.



35 State St. | The Californian Hotel 123-Room Hotel & Retail Project

Just months away from opening, the highly anticipated Californian Hotel is expected to be a major draw for international visitors and local guests. The 123-key luxury hotel incorporates retail suites and restaurants, adding to the uniquely walkable location's already ripe selection of attractions including the vibrant Funk Zone, Urban Wine Trail, beach, Stearns Wharf and downtown Santa Barbara.





Residential Development

3885 State St. | The Marc Apartments 89 Units & Retail Project *(pictured above)*

Now in the process of pre-leasing and estimated to be completed in November, The Marc comprises (89) one-, two-, and three-bedroom apartment homes ranging from 646–1,026 sq. ft., which will be added to the Santa Barbara housing market this year. The Marc is a 1.4-acre residential community including a resort-style pool, spa, and fitness facilities. The apartments will be leased in three phases. The first phase began last month and 45% of the first phase is already pre-leased. The new development will also consist of 2,500 sq. ft. of ground level retail.

3714 State St. | Sandman Inn Redevelopment 73 Housing Units & Retail Project

Construction of 73 condominium units and approximately 5,000 sq. ft. of commercial spaces has now officially broken ground. The housing units will be approximately 1,200 sq. ft. in size. Some of the units will be considered “affordable” under the city guidelines, as part of the approval process.

Goleta Hotel Developments

6300 Hollister Ave. | Marriott Residence Inn 118 Rooms | Completion 2nd Half of 2017

6878 Hollister Ave. | Hilton Garden Inn 138 Rooms | Completion Spring 2017 *(pictured below)*





*By Steve Golis, Brian Johnson & Lori Zahn
Radius Commercial Real Estate & Investments*

MULTIFAMILY SALES



Skyview Apartments | 910 Camino Pescadero, Isla Vista | \$11.8 Million

The largest sale of Multifamily property in Isla Vista in 2016. This 42-unit complex near UCSB occupies a 20,000 sq. ft. parcel and features all 1-bedroom apartments.

South County

In 1965 Peter Noone of Herman's Hermits made famous an old drinking song about Henry VIII. It might seem like a strange way to start this narrative, but there's a line in the song that states "*Second verse same as the first*". That's a good way to describe the multifamily investment market in Santa Barbara's South County.

To say that apartments remain an extremely attractive sector for real estate investments is an understatement. In fact the California Association of Realtors reported that an estimated 19% of all investment property purchases in the state were multifamily. This is down slightly from 2015's 21%, but still higher than all other commercial sectors.

The story is similar in the South County. The third quarter of 2016 saw 10 sales of multifamily properties 5+ units in size. Combine this with the previous two quarters and we are now at 29 for the year. Furthermore, of the eight properties 5+ units in size on the market at this time, currently four are in escrow. This activity puts us on track to easily shatter the record of 30 transactions recorded in both 2005 and 2014.

It doesn't stop there. Sales of multifamily properties in the 2-4 unit range are also doing very well. There were 23 transactions of 2-4 unit properties along the South Coast in the third quarter, 64 total for the year.

Highlight transactions for the third quarter include the sale of 50 units at 520-536 W. Carrillo St. The listing price for that property was \$14,750,000 and it closed over the asking price. A 26-unit property off Old Coast Highway sold at the end of August for \$7,350,000 with a 3.44% CAP rate. And 18 units at 6691 Abrego Rd. in Isla Vista also sold in late August for \$4,350,000.



13 CAMINO DE VIDA, SANTA BARBARA | 118 UNITS

Sold in May for \$22,640,000

The largest sale by far in the South County in 2016 was the Positano Apartments at 13 Camino de Vida in Santa Barbara, a 118-unit complex which sold above \$22.6 million / \$192,000 per unit.

Rising sales undoubtedly bring rising rents in those complexes, in addition to rising concerns from tenants and the public in general over what can be done to alleviate the housing crunch. The City of Santa Barbara has been trying a new approach with the Average Unit Density (AUD) incentive program which allows for smaller units—with the hope of lower rents—near transit and within walking or biking distance to commercial areas. Also, because of the design it allows for fewer parking spaces which has been very popular with developers.

The city's plan was to allow the program to continue until 250 units had been constructed but there are already permits issued for over 400 units and the first large project is coming on line soon on upper State Street at The Marc. Still, even with projects like The Marc, it's not certain this will fix the area's housing problem as a one bedroom unit in this new complex is advertised at \$2,500 per month. Where tenant rights groups and talk of rent control have been largely absent for a long period of time in our market, there are again rumblings of efforts to try to do something to help with the rise in the cost of living in our community. Expect these issues to continue to foment as more students at City College, the battle over vacation rentals and a lack of affordable housing continue to impact the area.

520-536 W. CARRILLO ST., SANTA BARBARA | 19 UNITS

19 Units | Sold in September for \$14,875,000, CAP Rate 3.24%

Other Notable 2016 South County Transactions

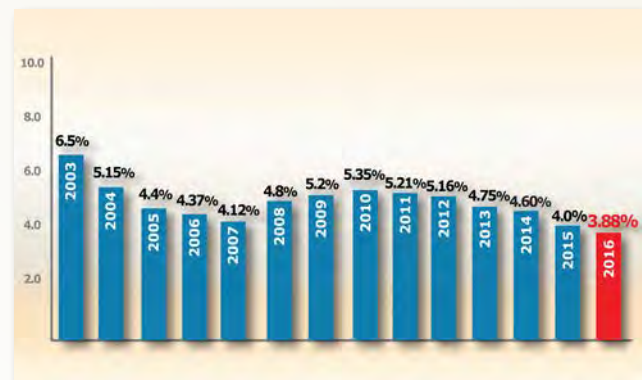
- 47-55 Ocean View Ave, Santa Barbara – 26 Units
La Playa Vista
Sold 8/31/16 for \$7,350,000
\$282,692/Unit | 3.44% CAP Rate
- 234 S. Voluntario St., Santa Barbara – 20 Units
Sold 1/14/16 for \$5,725,000
\$286,250/Unit | 5% CAP Rate
- 309 W. Canon Perdido St., Santa Barbara – 21 Units
Sold 5/3/16 for \$5.4 Million
\$257,143/Unit | 3.32% CAP Rate
- 301 Ocean Ave., Santa Barbara – 14 Units
Sold 5/3/16 for \$4.3 Million
\$307,143/Unit | 3.49% CAP Rate

2016 SOUTH COUNTY MULTIFAMILY TRENDS

SALES TRANSACTIONS (5+ UNITS)



CAP RATES



PPU (5+ UNITS)



2017 SOUTH COUNTY MULTIFAMILY PREDICTIONS

- Price per unit for properties 10+ units will average \$300,000 or higher
- CAP rates will range from mid 3% to mid 4% range
- Rents in Santa Barbara will increase only modestly in 2017, 2% to 3%.
- Vacancy rates will stay low even with a spurt of new construction in the marketplace.
- As newer and nicer units come online you'll have a group of tenants ready to fill them creating a small amount of breathing room in a market that is bursting at the seams with demand.

North County

For the period ending the third quarter of 2016, the northern part of Santa Barbara County has had four sales of properties 5+ units in size which brings the year-to-date total to seven transactions, all of them in Lompoc and Santa Maria. This is similar to this time last year as the northern market just isn't seeing the same activity as the southern part of the county.

By far the largest transaction of the year to date is the sale of the Country Oaks property in Santa Maria. This 208 unit complex sold for \$37 million in September. Close behind was the \$20 million sale of the 4-property, 122-unit portfolio in Vandenberg Village near Vandenberg Air Force Base, which includes the three sprawling Diplomat complexes.

CAP rates continue to be in the mid to higher 5% range with an average of 5.6% this year. Average price per unit for these sales is right around \$142,000 per unit with a range of \$95,000 to \$178,000 per unit. This wide range is explained by the difference in location, number of units and quality of property. Typically, units in Lompoc will average about \$50,000 less per unit than units in Santa Maria. That said, we have seen Lompoc close that gap this year due to some improving economic conditions in the area, however, Santa Maria is still a more desired location.

Sales in the Solvang, Buellton and Santa Ynez areas will have the highest price per unit due to their location and the quality of life in those areas. Out of the eight properties in the north county area 5+ units in size currently listed for sale, four are in escrow.

2017 NORTH COUNTY MULTIFAMILY PREDICTIONS

- *Price per unit for properties of 10+ units will average over \$120,000 per unit.*
- *Cap Rates will continue to compress with an average of low to mid 5% range.*
- *Rents in Santa Maria and Lompoc will continue to see strong gains.*
- *Vacancy Rates for the North County region should all average 3% or less in the strong areas of Santa Maria and Lompoc.*



COUNTRY OAKS APARTMENTS
333 E. ENOS DR., SANTA MARIA | 208 UNITS
Sold in September for \$37 Million

Ventura County

Ventura and Santa Barbara Counties are like two siblings who are complete opposites. One excels in sports and the other is more cerebral. One is shy and good with small intimate settings while the other is always at the center of a crowd. Neither thinks they're better than the other and they're connected at the hip at the family Thanksgiving dinner. In short, Santa Barbara and Ventura are different but both very solid locations for multifamily investments.

Demand for investments remains strong as buyers from Los Angeles and the rest of Southern California see opportunity in their backyard. In the third quarter alone there were 11 sales of properties 5+ units in size. Over half were 10+ units, and three of those were 100+ units in size. This would be unheard of in Santa Barbara but given the size of Ventura's rental market and the opportunities for large sales this is just par for the course. Year-to-date there have been 26 sales of 5+ unit properties with five of those complexes 100 units or more.

One notable transaction is the August sale of the University Glen Townhomes in Camarillo. California State University, Channel Islands (CSUCI) sold the 386 unit housing community to Kennedy Wilson for \$81 million. The property included shops and restaurants, and the deal provides Kennedy Wilson with a great partnership opportunity with the university. The sale will also benefit the university's expansion plans as CSUCI continues to grow as more and more students are attracted to the campus which is situated between the 101 freeway corridor and the Pacific Ocean.



UNIVERSITY GLEN TOWNHOMES, CAMARILLO | 386 UNITS
CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS
Sold in August for \$81 Million

Other highlight deals include the County's largest sale with 253 units in Westlake Village trading for \$88.25 million, 248 units in Thousand Oaks selling for \$73.5 million, and 41 units in Port Hueneme for \$7 million.

The average CAP rate for Ventura County is hovering around 5.15% which is just below where it was last year at this time. There are only six properties 5+ units in size currently on the market and two of those are in escrow.

Price per unit continues to average around \$200,000 but the range will vary wildly depending on location and quality. In the outer reaches of the county we are seeing prices as low as \$100,000 per unit while in the more affluent parts of Westlake Village and Thousand Oaks we see over \$300,000 per unit.

In Summary

The multifamily market continues to see gains on all metrics year over year as individual and institutional investors see the benefits of competing in our marketplace. All sectors are benefiting as the rise in prices has pushed some investors further into secondary and tertiary markets that offer higher returns. These same markets are being buoyed by the improved economy and are seen as even more attractive destinations for investors.

This run has lasted for longer than normal but that could be because it has taken the economy so long to return to a sense of normalcy. The Fed seems fairly certain at this point that they can no longer push off the talk of raising interest rates but the likelihood seems to not be impacting the market for lenders or investors. Cash continues to be king in this area and buyers are using that to their advantage when making plays for deals. There is little indication that 2017 will be different and we expect a robust market for buyers and sellers.

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805.879.9626
johlgren@radiusgroup.com

www.radiusgroup.com

205 E. CARRILLO ST. SUITE 100
SANTA BARBARA CA 93101

ROBERT RAUCHHAUS

Senior Vice President
Real Estate &
Business Ventures
BRE# 01891927

805.879.9627
rrauchhaus@radiusgroup.com

A division of Radius Commercial Real Estate & Investments. BRE# 01334755