



# RADIUS INSIGHT

Third Quarter 2008

## South Coast Vacancy

Arrows indicate change during quarter three 2008

## Office/R&D Vacancy

- Santa Barbara ..... 4.3% ▲
- Goleta ..... 9.0% ▲
- Carpinteria..... 3.9% ▲

## Industrial Vacancy

- Santa Barbara ..... 0.6% ▼
- Goleta ..... 4.8% ▼
- Carpinteria..... 5.8% ▲

## Retail Vacancy

- Santa Barbara ..... 1.2% ▲

## 2008 Third Quarter Vacancy Overview

For the year, vacancy rates have increased across all quarters of the commercial real estate landscape. The initial slowdown was first noted at the end of the first quarter before the true nature of the credit crisis was discovered. By the end of the second quarter there was a definitive sense that the markets were being affected by the slowdown in the economy. Now with the events of the last few weeks we see that the crisis is not a short term problem. Markets will continue to be affected into 2009 and possibly beyond. The ability to gain credit is the fuel that runs this economy and until the confidence returns we will continue to see businesses sitting on the sidelines putting off major real estate decisions for as long as possible.

## SOUTH COAST SALES DATA: AVERAGE SALE PRICE PER SQUARE FOOT

	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Santa Barbara</b>									
Office	\$275	\$300	\$320	\$414	\$375	\$457	\$540	\$530	\$656
Industrial	\$182	\$185	\$178	\$276	\$368	\$376	\$522	\$435	\$592
Retail	\$194	\$244	\$225	\$385	\$487	\$467	\$567	\$579	\$359
<b>Goleta</b>									
Office	\$139	\$249	\$209	\$225	\$227	\$303	\$270	\$378	\$203
Industrial	0 Sales	\$145	\$144	\$160	\$210	\$331	\$223	0 Sales	\$202
<b>Carpinteria</b>									
Office	\$176	\$96	0 Sales	\$298	\$330	\$395	\$300	\$218	\$247
Industrial	\$146	\$150	\$192	\$159	\$109	\$157	\$301	\$193	0 Sales

\*The number of sales in Goleta and Carpinteria are limited causing more pronounced variations each year.

## SOUTH COAST HIGHLIGHT SALES



### 600 Pine St.

Bldg. Size: 58,453 SF  
Sale Price: \$13,100,000



### 802 Cota St.

Bldg. Size: 5,685 SF  
Sale Price: \$2,499,375



### 5464 Carpinteria Ave.

Bldg. Size: 52,563 SF  
Sale Price: \$13,000,000



### 625 Chapala St.

Bldg. Size: 2,158 SF  
Sale Price: \$1,300,000

## Santa Barbara Office Leasing

The Santa Barbara office market saw the vacancy rate rise from 3.8% to 4.3%. This is the third straight quarter of rising vacancy and has resulted in building owners beginning to lower asking rates to attract tenants. While overall rates trended downward (especially more recently) we did see a few larger leases completed at rates over \$2.45/SF NNN. One of the largest contributors to the increase in vacancies is the financial services sector including; real estate, escrow and title, banking, mortgage and investment firms.

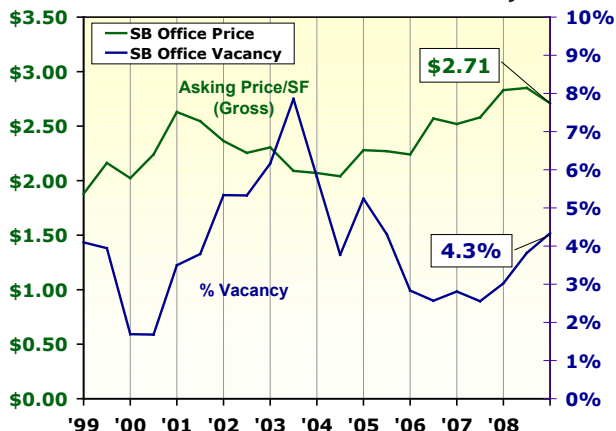
### LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
360 Olive St.	14,900 SF	Valueclick
3902 State St.	10,500 SF	Coldwell Banker
3780 State St.	10,000 SF	Multiple Tenants
614 Santa Barbara St.	8,000 SF	Giatti

### LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
4183 State St.	7,500 SF	Service Master
1101 Anacapa St.	6,300 SF	Berkeley Aviation
2050 APS	3,800 SF	Whitstone Research
3888 State St.	3,300 SF	Sue Firestone & Assoc.

### Santa Barbara Office: Price vs. Vacancy Rate



## Santa Barbara Industrial Leasing

As the vacancy rate remained below 1% asking rates increased. While the average asking rate is up 28% this number is deceiving as the extremely low vacancy leads to more dramatic fluctuations due to limited numbers. The extension of the low vacancy rate for industrial properties in Santa Barbara continues to be the adaptation of traditional industrial uses to more commercial or retail uses. We do not see a reversal of this trend in the near term future.

### LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
436 E Gutierrez Street	11,500 SF	Brazil Baroque
820 Bond Avenue	7,500 SF	Profile Record Storage
726 Cacique Street	7,100 SF	Cortan Construction
116 Santa Barbara Street	4,000 SF	Bali Beach

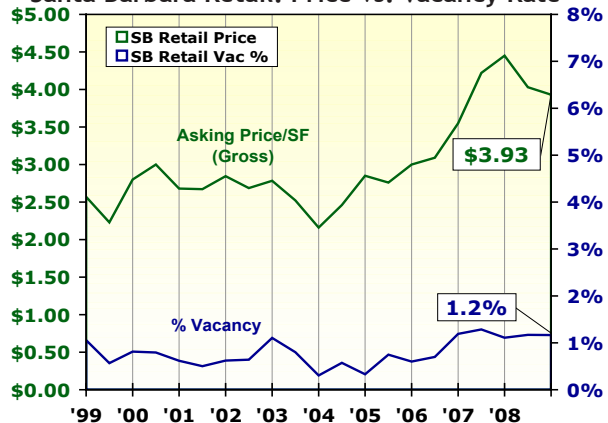
### LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
1 N Calle Cesar Chavez	15,300 SF	Murray Plumbing
1 N Calle Cesar Chavez	11,800 SF	US Air
1 N Calle Cesar Chavez	5,300 SF	Dalgene's Carpet

## Santa Barbara Retail Leasing

Frequently we are asked if vacancy rates are running away on State Street, however the numbers show vacancy is still only 1.2%. This perception of high vacancy may result from the long downtime of extensive remodels, it is not unusual to see a store close for 12 months to complete their remodel. In addition, there are several large deals in negotiation that would reduce the vacancies even further. However, the remainder of 2008 and 2009 cannot be forecasted with any amount of certainty due to the continued credit crisis having adverse impacts on consumer spending and the ability of retailers to gain credit to keep up inventories.

### Santa Barbara Retail: Price vs. Vacancy Rate



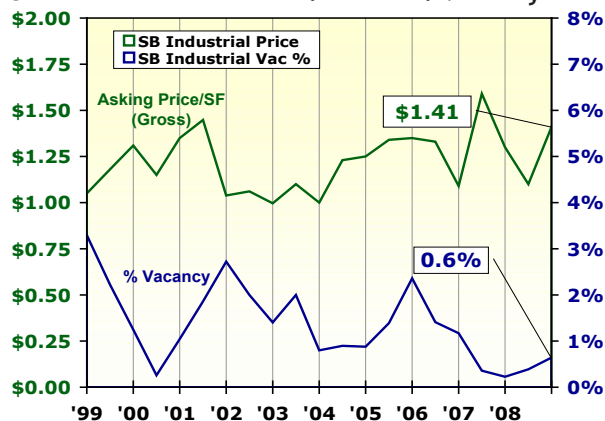
### LARGEST AVAILABLE RETAIL SPACES

ADDRESS	SIZE (SF)	VACATED BY
424 State Street	16,900 SF	Pep Boys
127 W Canon Perdido	12,300 SF	Opportunity Shop
1119-1129 State Street	11,000 SF	Multiple Tenants
314 State Street	9,500 SF	In and Out Auto

### LARGEST RETAIL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
18 S Milpas Street	7,800 SF	Mission Granite
929 State Street	3,700 SF	Arte D'italia
1230 State Street	3,300 SF	SB Consignment
614 N Milpas Street	2,700 SF	Livingreen

### Santa Barbara Industrial: Price vs. Vacancy Rate





### Goleta Office Leasing

We saw the Goleta office vacancy rate level off in the 3rd quarter after jumping up to 9% in the second quarter. Look for vacancy rates to tick up further in the fourth quarter as several new properties begin marketing space. There are eight properties over 20,000 SF for lease in the Goleta market as of October 1st. In addition, there are another 7 to 8 properties between 10,000 SF and 20,000 SF available. Contrast that with less than eight properties smaller than 3,000 SF for lease and it is easy to see where the bulk of availability is in the Goleta market. We are forecasting that asking rates will drop for B and C class space as landlords will be faced with the prospect of increased competition for fewer tenants in a market with increasing vacancy. Although we may see some softening in B & C class office markets, class A space seems to be experiencing higher demand and we expect lease rates to hold steady for this class of space.

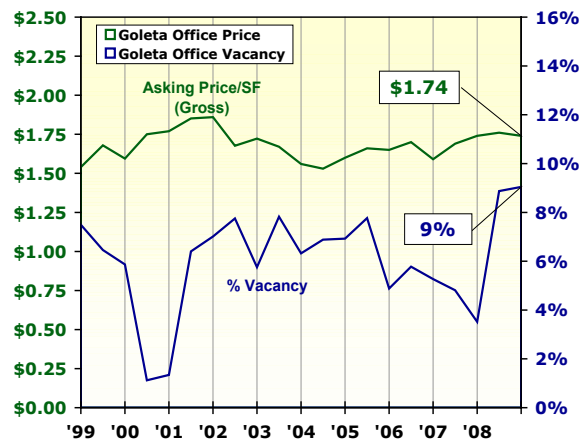
#### LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
420 S Fairview Ave.	49,700 SF	New Construction
5385 Hollister Ave.	46,900 SF	Multiple Tenants
6330 Hollister Ave.	43,900 SF	Bargain Network
5540 Ekwil Drive	28,000 SF	Allergan

#### LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
420 S Fairview Ave.	23,500 SF	Yardi
315 Bollay Dr.	11,900 SF	Texas Instruments
111 Castilian Dr.	10,200 SF	Innerlite, Inc.
5385 Hollister Ave.	4,100 SF	Acromatics

Goleta Office: Price vs. Vacancy



### Goleta Industrial Leasing

We saw the Goleta industrial vacancy rate decline slightly in the 3rd quarter thanks to medium size leases from JFC Sales and the RMS Group. The industrial market is performing slightly better than the office market due to the fewer number of properties on the market. The DuPont sublease listing comprises over 40% of the available industrial space in Goleta. Average asking prices dropped slightly to \$1.17/SF on a modified gross basis. This is in part due to the lease deals transpiring in the sub 10,000 SF size range where prices tend to average higher. We believe there will be little change in the industrial market in Goleta for the remainder of the year. Vacancies have hovered between 4% and 6% since the beginning of 2007 and we do not see any indicators that will change.

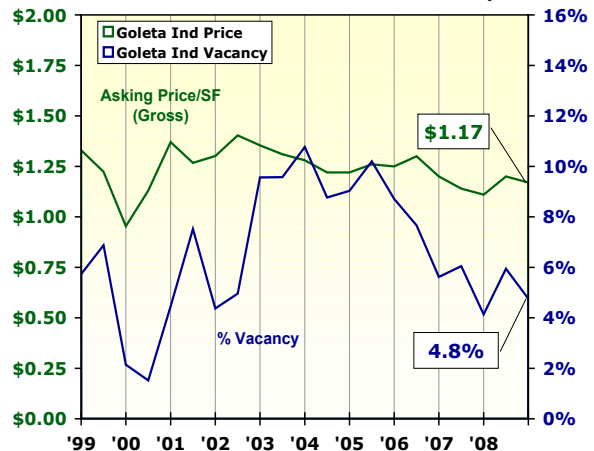
#### LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
82 Coromar Dr.	39,000 SF	Nexus
6466 Hollister Ave.	20,900 SF	Federal Express
59 S La Patera	19,000 SF	ZAD

#### LARGEST INDUSTRIAL SPACE LEASE DEALS

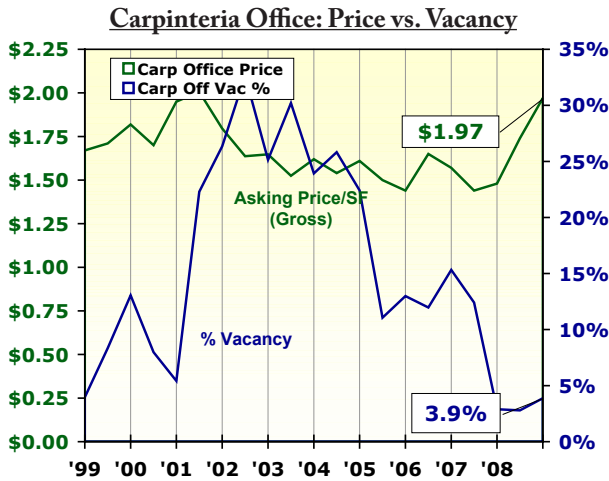
ADDRESS	SIZE (SF)	LEASED BY
165 Castilian Dr.	9,100 SF	JFC Sales
389 S Los Carneros	8,700 SF	RMS Group
867 S Kellogg Ave.	4,500 SF	Tower Air
747 S Kellogg Ave.	3,600 SF	MoveGreen

Goleta Industrial: Price vs. Vacancy



## Carpinteria Office Leasing

Office vacancy rates continue to remain below 5% during 2008. That will change as the office space formerly leased by GBMI and then transferred to Titan should come back onto the market in late 2008 or early 2009. That could account for an additional 5% of the Carpinteria market becoming available. Asking rates have risen steadily over 2008 as the vacancy has stayed low. Look for asking prices to retreat somewhat as new listings come onto the market.



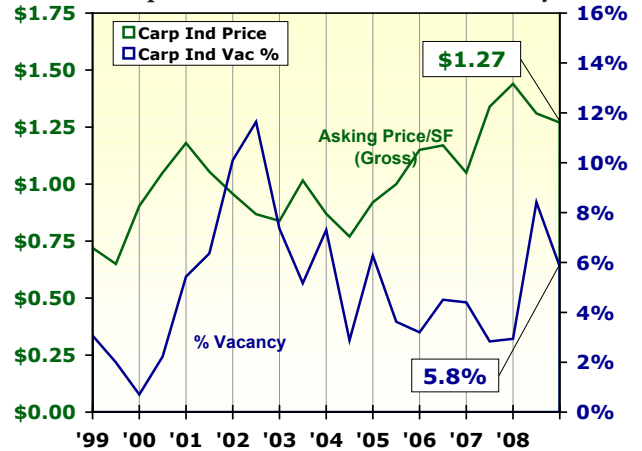
### LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
1180 Eugenia Pl.	5,600 SF	Divecon
4650 Carpinteria Ave.	3,700 SF	New Construction
5464 Carpinteria Ave.	3,600 SF	Arcadian BBS
5464 Carpinteria Ave.	3,100 SF	Dr Issels

### LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6420 Via Real 1-4	3,300 SF	Nivasonix, LLC

## Carpinteria Industrial: Price vs. Vacancy



### LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Ln.	26,700 SF	Multiple Tenants
5690 Casitas Pass Rd.	16,000 SF	Multiple Tenants
1115 Mark Ave.	11,400 SF	Multiple Tenants
6383 Rose Lane B	8,200 SF	International Aerospace

### LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
1026 Cindy Ln.	37,100 SF	Elite Flowers
5665 Carpinteria Ave.	2,400 SF	DSR Audio

## Carpinteria Industrial Leasing

With Elite Flowers leasing 37,000 square feet at 1026-1030 Cindy land we saw the industrial vacancy rates decrease from 8.4% to 5.8%. The majority of available space belongs to the two warehouse listings on Cindy Lane and Casitas Pass. The vacancy level is still higher than recent years but there is such a small amount of space available compared to Santa Barbara and Goleta that this does not translate into a large number of vacancies. The asking rate declined slightly, as well. Similar to the Goleta industrial market, we do not forecast a large amount of activity or overall change in the market conditions.

## SOUTH COAST HIGHLIGHT LEASES



### 1 N. Calle Cesar Chavez

Bldg. Size: 15,262 SF  
Tenant: Murray Plumbing



### 111 Castilian Dr.

Bldg. Size: 10,200 SF  
Tenant: Isolite Systems



### 1111 Chapala St., Ste. 100

Bldg. Size: 2,985 SF  
Tenant: Lee and Associates



### 1014 State St.

Bldg. Size: 2,648 SF  
Tenant: Del Sol