



RADIUS INSIGHT

Year End 2008

South Coast Vacancy

Arrows indicate change during 2008

Office/R&D Vacancy

Santa Barbara 4.5% ▲

Goleta 12.0% ▲

Carpinteria 8.4% ▲

Industrial Vacancy

Santa Barbara 0.8% ▲

Goleta 5.7% ▲

Carpinteria 6.4% ▲

Retail Vacancy

Santa Barbara 1.4% ▲

2008 Year End Commercial Vacancy and Sales Market Overview

The commercial market in South Santa Barbara County (Goleta, Santa Barbara, Carpinteria) is not immune to the recent economic downturn which has affected the majority of our country. In 2008, we saw commercial vacancies rise across the board and lease rates start to decline. The South Santa Barbara County office vacancy rate is currently 8.0%. While this is high for our area, vacancies across Southern California are much higher. At the end of the third quarter, the Ventura County office vacancy rate was 19%, in Orange County the vacancy rate was 21% and in San Diego the vacancy rate was 24%. While Santa Barbara property owners are certainly feeling this increase, we will not see vacancy rates on the South Coast jumping up to the higher rates that exist throughout much of Southern California.

Locally we saw a reduction in commercial leasing by about 20%. On the sales side, we saw even more of a slowdown (see the chart on page 2). Lease rates will continue to decrease and vacancies will increase throughout 2009 as tenants search out better deals and negotiate more actively with their existing landlords. Landlords will do more to keep existing tenants, offering incentives that have not been seen in this market in many years. We are confident that the South Coast market will be able to weather this storm better than other locations due to several factors. The first is the relative lack of new square footage being built. There is very little new construction on the commercial side which helps keep the demand higher for existing buildings. Secondly, the South Coast is not home to a great number of national/international office and R&D tenants. As such, the local and regional companies that do reside in this area are not subject to corporate downsizing mandates that oftentimes follow economic downturns. Finally, since the South Coast is a smaller market, with less regional tenants, the response time to changes in the economy is faster; local companies are able to adjust to market conditions quickly which keeps our marketplace active.

Due to the limited inventory of commercial property in Santa Barbara, we do not anticipate a major downfall in lease rates and property values, but do foresee slower than average 1st and 2nd Quarters. Provided access to capital improves and the stock market stabilizes we should see increased market activity in the second half of 2009. For those parties interested in selling or leasing their properties in 2009, they will need to come to grips with the reality that the Santa Barbara area is not immune to the issues that face the economy at large and that competitive and appropriate pricing will be critical to getting properties sold and leased in 2009.

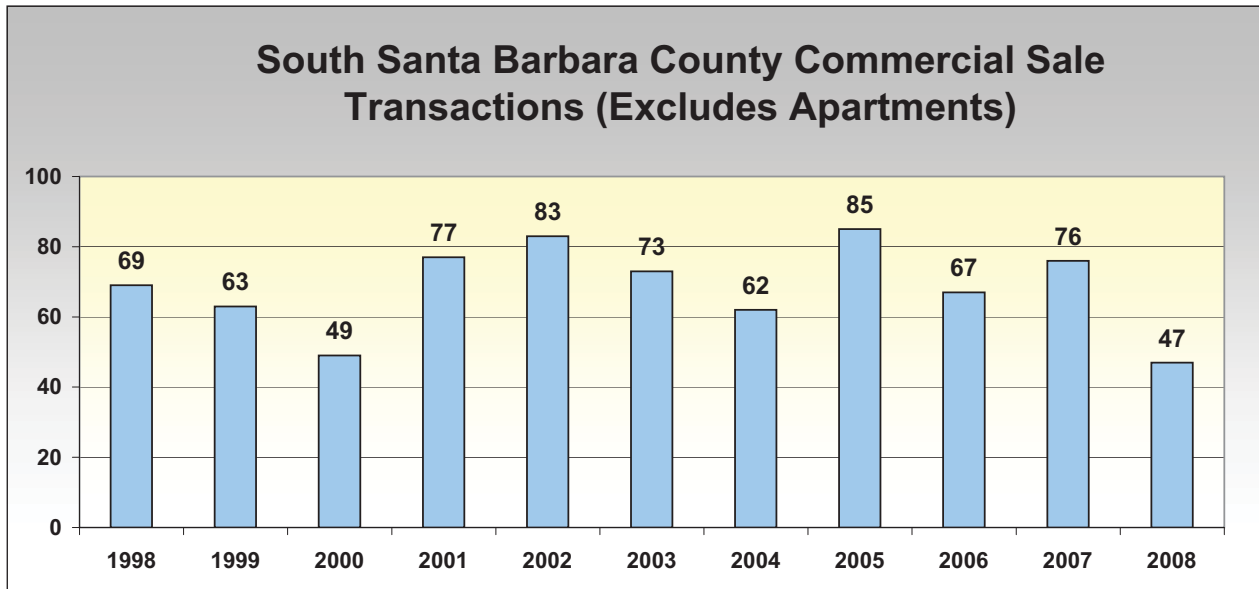
The Radius Group Value Proposition

Radius Group Commercial Real Estate has experience and expertise in selling and leasing properties during slower economic times. The founding partners have gone through the commercial downturns of 1981-1982, 1991-1994 and 2000-2002. Landlords and tenants, sellers and buyers will depend on Radius Group's expertise in 2009, more than ever, to navigate through the potentially challenging times ahead. Our Radius Group team is well-known for our unmatched integrity, experience and market knowledge. In 2009, Radius Group will continue providing the same quality service and knowledgeable answers to guide our clients in making sound and strategic business decisions.



South Coast Sales Data: Number of Completed Transactions

One of the most pronounced shifts from 2007 to 2008 was the number of completed transactions for commercial property (Office, Industrial, Retail, Land). In 2008 only 47 transactions were completed, 38% less than in 2007. With the uncertainty in the economy buyers have decided to scrutinize transactions to a degree which has not been seen in Santa Barbara for the last 8 years.



The average number of transactions over the last 11 years is 68 per year.

South Coast Sales Data: Average Sales Price Per Square Foot

In 2008 the number of sales was down significantly, but those sales which did come together tended to be in line with recent years on a price per square foot basis. In Carpinteria, over the course of the last year there was only one completed sale transaction for office or industrial properties. Look for the price per square foot for sale transactions to come down in 2009 and an increase in the number of sales. There is still a limited supply of commercial buildings on the market for sale.

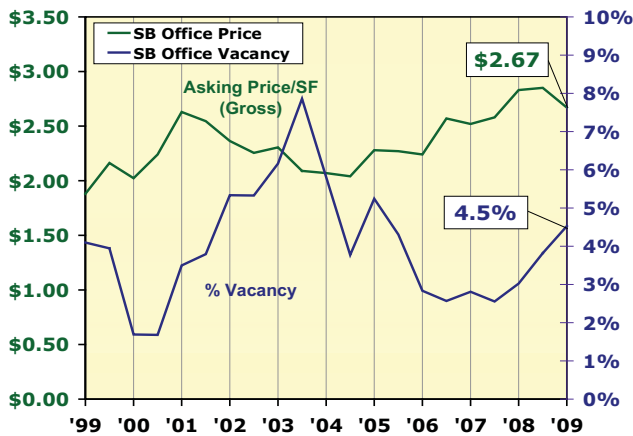
	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Santa Barbara</u>									
Office	\$275	\$300	\$320	\$414	\$375	\$457	\$540	\$530	\$599
Industrial	\$182	\$185	\$178	\$276	\$368	\$376	\$522	\$435	\$281
Retail	\$194	\$244	\$225	\$385	\$487	\$467	\$567	\$579	\$645
<u>Goleta</u>									
Office	\$139	\$249	\$209	\$225	\$227	\$303	\$270	\$378	\$218
Industrial	0 Sales	\$145	\$144	\$160	\$210	\$331	\$223	0 Sales	\$224
<u>Carpinteria</u>									
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.

Santa Barbara Office Leasing

Santa Barbara office vacancy increased from 3.0% one year ago to the current rate of to 4.5%. Some of the most drastic softening in the Santa Barbara office market has taken place in spaces ranging in size from 1,000 to 2,000 square feet. Lease rates will likely continue to decline in 2009. As vacancy rates increase property owners that better prepare buildings for immediate occupancy and demonstrate competitive pricing will experience better showings and quicker leasing.

Santa Barbara Office: Price vs. Vacancy Rate



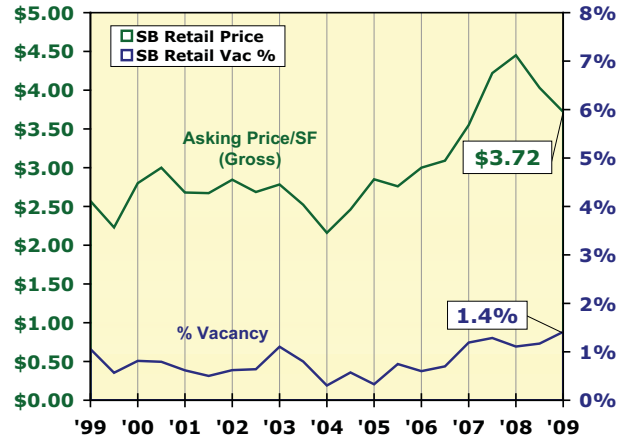
LARGEST AVAILABLE OFFICE SPACES		
ADDRESS	SIZE (SF)	VACATED BY
3780 State Street	15,400 SF	Multiple Tenants
3902 State Street	10,500 SF	Coldwell Banker
1903 State Street	9,300 SF	ReMax
614 Santa Barbara St.	8,000 SF	Giatti

LARGEST OFFICE SPACE LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
360 Olive Street	14,900 SF	Control Point
136 W Canon Perdido	10,800 SF	RightScale
4183 State Street	7,500 SF	Service Master
135 E Ortega Street	7,500 SF	Advanced Scientific

Santa Barbara Retail Leasing

Santa Barbara retail vacancy remains relatively low at 1.4%. Even with vacancy at a low level this is the highest retail vacancy rate in the last 10 years. Most of the retail vacancies on State Street are for medium sized (2,000 SF to 4,000 SF) locations - there are very few large spaces available. Look for retail vacancy to increase substantially 2009. After seeing Santa Barbara retail lease rates peak at the end of 2007, we have seen rates start to decline as vacancy has increased.

Santa Barbara Retail: Price vs. Vacancy Rate



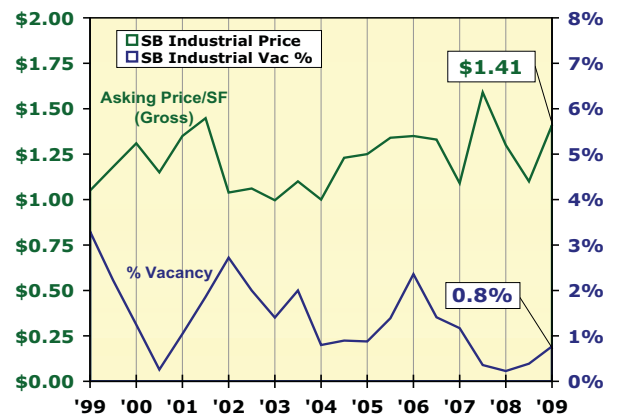
LARGEST AVAILABLE RETAIL SPACES		
ADDRESS	SIZE (SF)	VACATED BY
127 W Canon Perdido	12,300 SF	Opportunity Shop
530 State Street	11,400 SF	SB Consignment
610 Anacapa Street	10,800 SF	Cafe Gliss
424 State Street	10,000 SF	Pep Boys

LARGEST RETAIL LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
901 State Street	20,400 SF	Forever 21
928 State Street	18,700 SF	
1129 State Street	9,000 SF	Anthropologie
2285 Las Positas	8,900 SF	SB Ballet Company

Santa Barbara Industrial Leasing

The Santa Barbara industrial market continues to be the tightest of market types we track. Vacancy remains below 1% and lease rates actually increased in 2008. We do not expect any substantial changes in the Santa Barbara Industrial market in 2009. Look for fewer tenants and owners willing to spend money to convert industrial/warehouse space into R&D/office space in 2009.

Santa Barbara Industrial: Price vs. Vacancy Rate



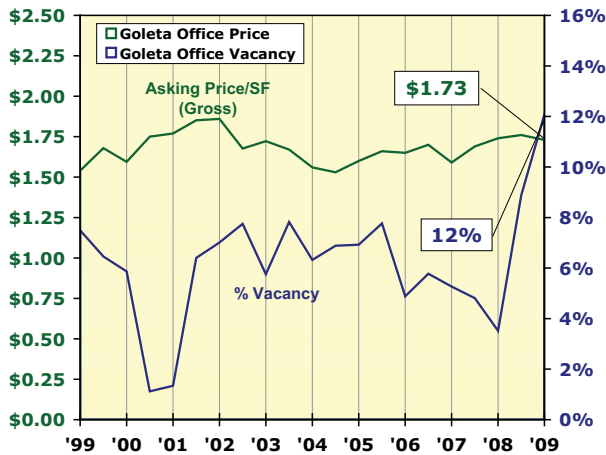
LARGEST AVAILABLE INDUSTRIAL SPACES		
ADDRESS	SIZE (SF)	VACATED BY
436 E Gutierrez Street	11,500 SF	Brazil Baroque
820 Bond Avenue	7,500 SF	Profile Record Storage
615 E Gutierrez Street	3,500 SF	SB Auto Connection
726 Bond Avenue	3,200 SF	Collins Kubicki, Inc.

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
726 Cacique Street	7,100 SF	Pottery Barn
1 N Calle Cesar Chavez	6,400 SF	Brisby Sports Medicine

Goleta Office Leasing

The most pronounced change in vacancy in the South Coast was in the Goleta office market where the vacancy rate jumped to 12% up from 3.5% one year ago. A fair number of large spaces have become available in a short period of time which has raised vacancy rates significantly. The Goleta office market also had some of the only new product come on the market, a Class A office building at 420 S. Fairview Avenue in Goleta. At the time of publication, leases are being negotiated for the majority of the remaining 49,700 square feet.

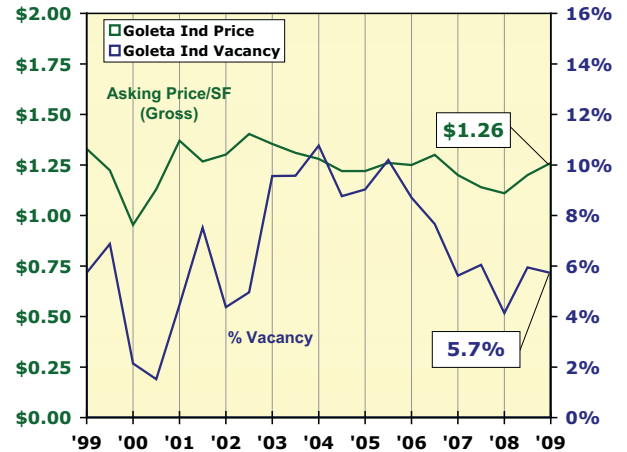
Goleta Office: Price vs. Vacancy Rate



Goleta Industrial Leasing

The vacancy rate in Goleta's industrial market jumped from 4.1% (at year end 2007) to its current rate of 5.7%. A fair number of mid-sized leases were completed during 2008. The largest available space continues to be the 81,300 square foot industrial space at 6775 Hollister, which is a sublease from DuPont Corporation. Look for the industrial vacancy rate in Goleta to continue to rise and for lease rates to decline by around \$0.10/SF in the early part of 2009.

Goleta Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
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

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
7414 Hollister Ave.	39,700 SF	Citrix
1 S Los Carneros	39,000 SF	Allergan
420 S Fairview Ave.	23,500 SF	Yardi
749 Ward Drive	17,200 SF	Pointe Conception Med

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
82 Coromar Dr.	39,000 SF	Nexus
30 S La Patera	32,200 SF	MapLink
6466 Hollister Ave.	20,900 SF	Federal Express

LARGEST INDUSTRIAL SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
485 Pine Avenue	12,600 SF	SJS Technology
165 Castilian Dr.	9,100 SF	JFC Sales
389 S Los Carneros	8,700 SF	RMS Group
6725 Hollister Avenue	4,700 SF	Habitat for Humanity

SOUTH COAST HIGHLIGHT SALES



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



34 W. Victoria St.
Bldg. Size: 20,900 SF
Land Size: 59,000 SF



5464 Carpinteria Ave.
Bldg. Size: 52,563 SF
Sale Price: \$13,000,000

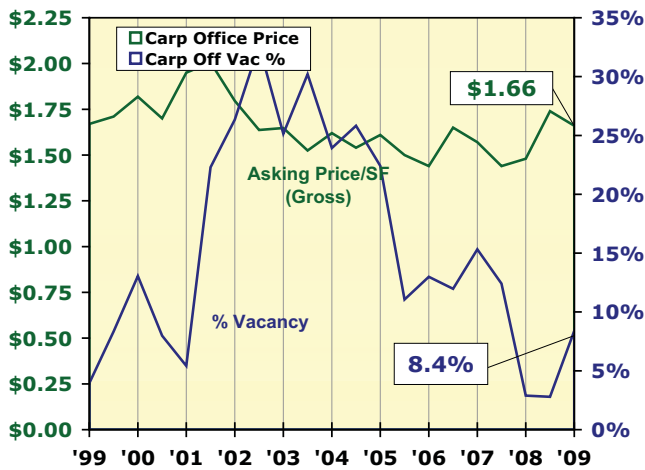


454 S. Patterson Ave.
Bldg. Size: 49,500 SF
Sale Price: \$10,750,000

Carpinteria Office Leasing

The Carpinteria office market is the smallest of the submarkets we track. It is also the most prone to pronounced swings as smaller space is leased or space comes available. In 2008 we saw the vacancy rate increase from 2.9% (at year end 2007) to its current rate to 8.4%. A major 2008 news item in the Carpinteria office market was the approval of the Lagunitas Business Campus development (84,550 SF office/R&D building with 73 homes). We foresee Carpinteria office vacancy continuing to increase and lease rates decreasing slightly throughout 2009.

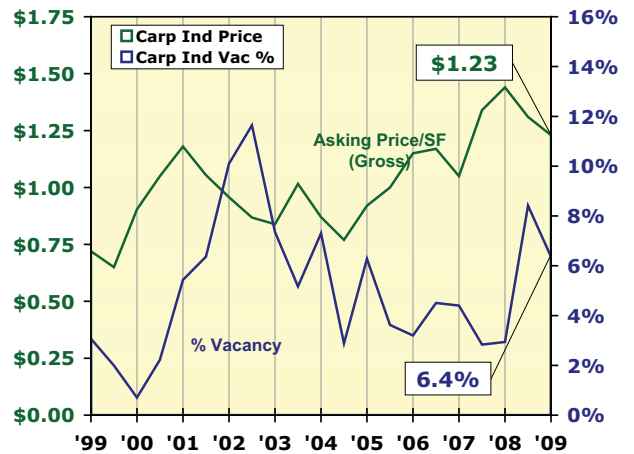
Carpinteria Office: Price vs. Vacancy Rate



Carpinteria Industrial Leasing

The Carpinteria industrial market saw average lease rates decrease and vacancy increase from 2.9% at year end 2007 to its current rate of 6.4%. As Carpinteria lease rates remain near the highest on record, in 2009 we expect lease rates to decrease by 10%-15%, then level off around July 2009.

Carpinteria Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
6410 Via Real	26,600 SF	Titan
1180 Eugenia Pl.	5,600 SF	Divecon
6460 Via Real	2,600 SF	
1110 Eugenia Pl.	2,400 SF	Kelly Computing

LARGEST OFFICE SPACE LEASE DEALS

5464 Carpinteria Ave.	13,600 SF	Microsoft Corp.
1005 Mark Avenue	9,300 SF	Celerus Diagnostics
1180 Eugenia Place	5,600 SF	Divecon
1180 Eugenia Place	4,300 SF	Kelly Technology Group

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 Avenue	11,400 SF	ABN Technology
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
1105 Mark Avenue	11,400 SF	ABN Technology
1125 Mark Avenue	6,100 SF	Gigavac
1005 Mark Avenue	3,900 SF	Rincon Catering

SOUTH COAST HIGHLIGHT LEASES



7414 Hollister Ave.
Bldg. Size: 39,735 SF
Tenant: Citrix



1 S. Los Carneros
Bldg. Size: 39,024 SF
Tenant: Allergan



1026-1030 Cindy Lane
Bldg. Size: 37,101 SF
Tenant: Elite Flowers



7126 Hollister Ave.
Bldg. Size: 21,440 SF
Tenant: Pacific Sales