



RADIUS INSIGHT

Third Quarter 2009

South Coast Vacancy

Arrows indicate change during Q3 2009

Office/R&D Vacancy

- Santa Barbara 7.2% ▲
- Goleta 10.8% ▼
- Carpinteria 4.4% ▲

Industrial Vacancy

- Santa Barbara 0.9% ■
- Goleta 7.4% ▲
- Carpinteria 13.3% ▼

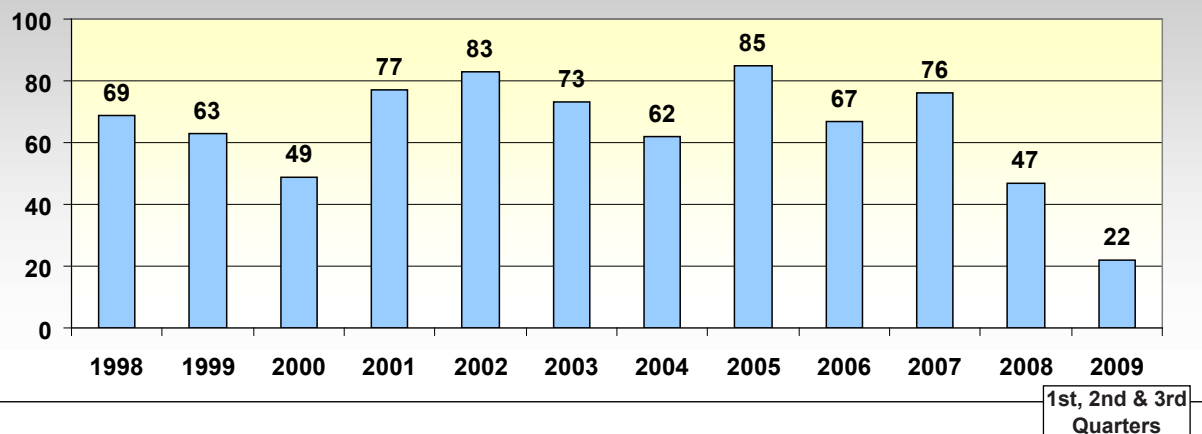
Retail Vacancy

- Santa Barbara 2.9% ▲

2009 Third Quarter Commercial Vacancy and Sales Market Overview

In 2009 to date, the South Coast has had only 22 commercial sales transactions compared to an average of 68 transactions per year over the last 11 years. In the last few months, however, we have seen an increase in the amount of sales activity evidenced by 12 of the 22 sales happening in the 3rd quarter and more offers and more properties going into escrow. Hopefully this will lead to an increased number of closed deals for the remainder of the year. Based on current activity we should end up around 30 closed deals for the year, by far the lowest in the last 15 years. Fortunately the South Coast is not seeing the same “distressed sellers” which exist in other markets. This is due to the fact that property owners in this area are not overly leveraged with large loans and our vacancy remains relatively low compared to the nation as a whole and specifically the rest of California. We have definitely seen sales prices decrease and cap rates increase but not to the extent you will find in the rest of the state. Qualified buyers are still able to get commercial loans from several local banks; however lenders are requiring larger down payments, personal guarantees and are exercising far more conservative underwriting standards on projected income and expenses for the properties. Many tenants taking advantage of the market and are looking to purchase vacant properties so that they can control their own destiny. Tenants can get SBA guaranteed financing at or below 6.0% with as little as 10% cash down.

South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)

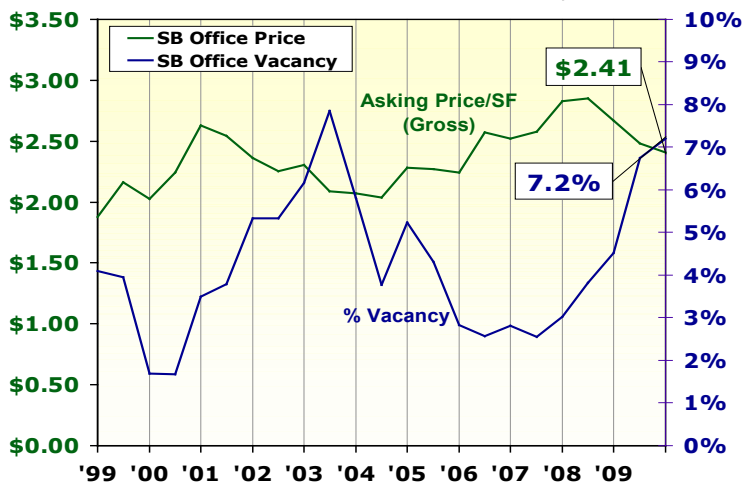


The average number of transactions over the last 11 years is **68** per year.

Santa Barbara Office Leasing

In the 3rd quarter of 2009 the Santa Barbara office vacancy rate continued to increase for the 9th straight quarter. Since the middle of 2007 we have seen the vacancy rate steadily rise from 2.3% to its current level of 7.2%. During this 2 year period in which the vacancy rate has increased by over 2.5 times we have seen lease rates decline by 15 to 20%. Look for lease rates to decrease further as landlords continue to compete for tenants. Contrary to the previous years the vacancy rate is now higher for office space in downtown Santa Barbara than Upper State Street.

Santa Barbara Office: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
4050 Calle Real	56,300 SF	Multiple Tenants
3780 State Street	15,400 SF	Multiple Tenants
1903 State Street	9,200 SF	ReMax
614 Santa Barbara St.	8,000 SF	Giatti

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
414 E. Carrillo St.	5,000 SF	Health Wave
222 E. Carrillo St.	3,100 SF	SG Acquisitions
2020 Chapala St.	2,800 SF	McDermott Crockett
104 W. Anapamu St.	2,700 SF	Armed Forces

Santa Barbara Industrial Leasing

The market least affected by the current economic climate continues to be the Santa Barbara Industrial market. Vacancy rates remain some of the lowest in the Country at less than 1%. Even with the tight vacancy we are starting to see a few spaces sit on the market longer than they would have previously.

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
619 E Montecito Street	9,600 SF	Mission Linen
820 Bond Avenue	7,500 SF	Profile Record Storage
1 N. CCC, Suite 9	6,700 SF	Door 9 Studios
4129 State St.	4,000 SF	

LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
526 Laguna Street	6,000 SF	SB Paint Depot
122 Santa Barbara St.	4,000 SF	
835 N. Milpas St.	1,500 SF	McDermott Crockett
817 N. Milpas St.	1,200 SF	Proficient Electric

Santa Barbara Retail Leasing

Compared to all other retail markets this is still a very low rate. Most of the vacancies are in the downtown area, mainly in the 300 to 1200 blocks of State Street. Look for lease rates to continue to decrease as a result of a lack of interest from both local and national retail tenants. Some retail spaces on State Street are leasing for 60% of what they leased for at the high 3 years ago. Also look for more national and local tenants to expand into the downtown vacancies at the beginning of next year to take advantage of the lower lease rates. We are now seeing restaurants and other specialized retailers waiting for space to come available with existing improvements in place that they would have otherwise had to put in at their own expense.

Santa Barbara Retail: Price vs. Vacancy Rate



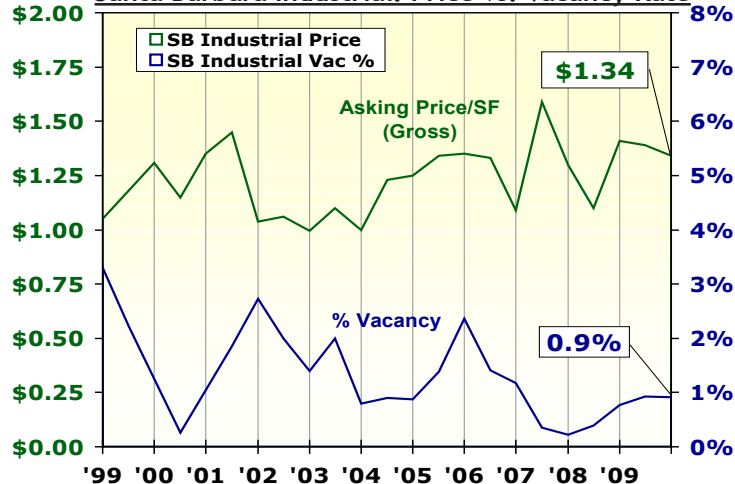
LARGEST AVAILABLE RETAIL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1025 Santa Barbara St.	15,000 SF	Haywards Furnishings
1117 State Street	11,300 SF	Antica Rugs
3042 State Street	10,900 SF	Thomasville Furnishings
1114 State Street	10,900 SF	Statestide

LARGEST RETAIL LEASE DEALS

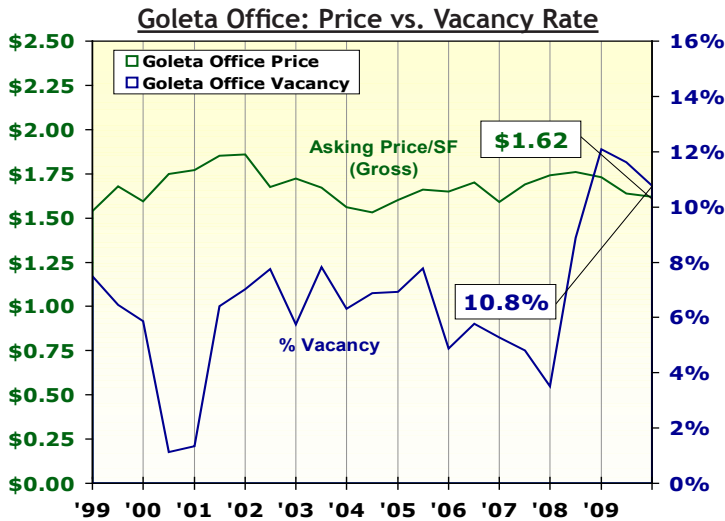
ADDRESS	SIZE (SF)	LEASED BY
127 W. Canon Perdido	3,500 SF	Proform Fitness
1014 State Street	2,500 SF	Rodrigo Clark
209 W Carrillo Street	2,000 SF	Mel's
614 E. Haley Street	1,700 SF	Cassoulet, Inc.

Santa Barbara Industrial: Price vs. Vacancy Rate



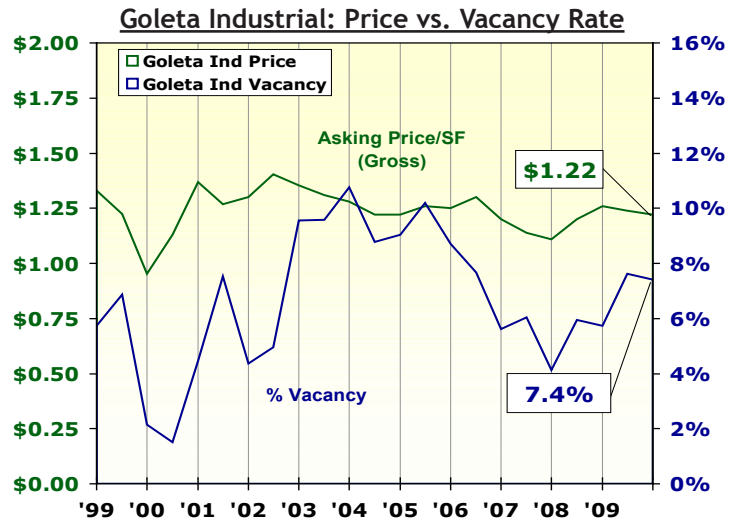
Goleta Office Leasing

The Goleta office vacancy rate decreased in the second quarter from 11.6% to 10.8%. This decrease was due to several large office leases and one large office tenant who decided to remain in their space instead of subleasing it. As we have seen over the past 2 years the strongest area of the Goleta Office market remains the class "A" space. The class "B" and class "C" space continues to sit on the market for extended periods of time.



Goleta Industrial Leasing

Vacancy for the Goleta Industrial market decreased slightly from 7.6% to 7.4% during the second quarter. We expect Industrial lease rates to decrease by 5% - 10% during the next three quarters.



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
5385 Hollister Ave.	46,900 SF	Citrix
120 Cremona Drive	34,000 SF	Multiple Tenants
420 S. Fairview Ave.	30,700 SF	New Construction

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6550 Hollister Ave.	39,000 SF	Cottage Hospital
6950 Hollister Ave.	12,600 SF	Montecito Bank
75 Robin Hill	3,800 SF	Soraa
5324 Ekwill Street	3,300 SF	Global Lifestyle Designs

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
30 S La Patera	56,000 SF	Multiple Tenants
82 Coromar Dr.	53,000 SF	Nexxus
59 S. La Patera	19,000 SF	ZAD

LARGEST INDUSTRIAL SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
439 Kellogg Way	5,600 SF	Jeff Marshall
6489 Calle Real	1,300 SF	CMC Rescue

SOUTH COAST HIGHLIGHT SALES - Q3 2009



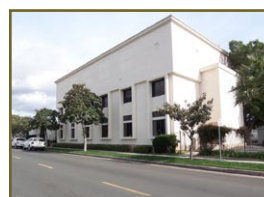
1111 Chapala Street
Bldg. Size: 18,822 SF



1101 Anacapa Street
Bldg. Size: 13,552 SF
Price: \$8,800,000



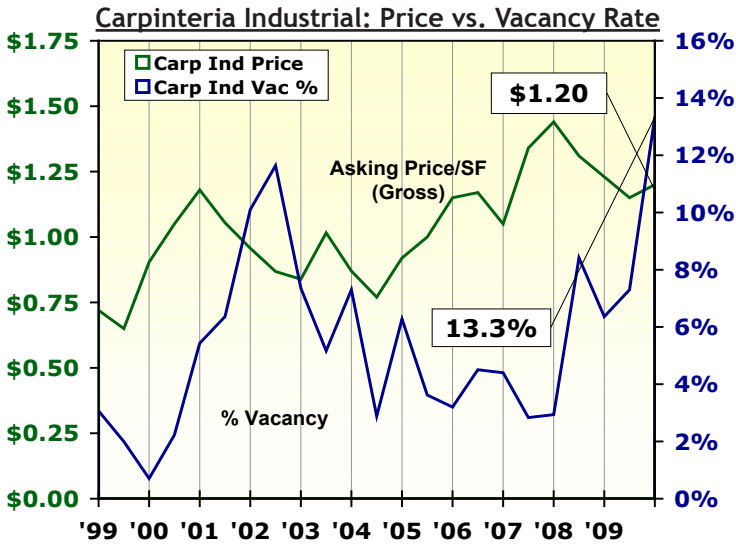
314 State Street
Bldg. Size: 11,420 SF
Price: \$3,000,000



414 E. Cota Street
Bldg. Size: 10,000 SF
Price: \$2,525,000

Carpinteria Industrial Leasing

Two large Industrial buildings became available in the Carpinteria Industrial Park which caused the vacancy rate to increase substantially from 7.3% to 13.3% during the second quarter. As you would expect, lease rates will most likely decrease to account for this higher vacancy.



LARGEST AVAILABLE INDUSTRIAL SPACES

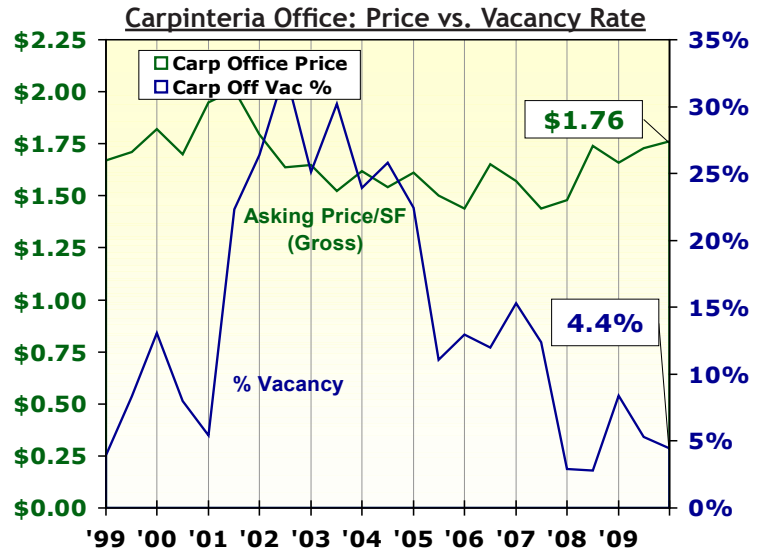
ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Ln.	64,000 SF	Multiple Tenants
6382 Rose Lane	39,100 SF	Pacific Scientific
5690 Casitas Pass Rd.	13,000 SF	Multiple Tenants
5045 Sixth St.	13,000 SF	

LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
516 Palm Ave.	1,300 SF	Bergstrom

Carpinteria Office Leasing

Two large office leases dropped the relatively small Carpinteria office market vacancy from 5.3% to 4.4%*. With other large tenants currently negotiating existing leases, this vacancy rate will change depending on the results of those negotiations. *The portion of the QAD campus that is for lease is considered Santa Barbara, rather than Carpinteria.



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
4650 Carpinteria Ave.	3,800 SF	New Construction
1090 Eugenia Place	2,800 SF	
6430 Via Real	2,800 SF	Clipper Windpower

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6460 Via Real	13,900 SF	lynda.com
6410 Via Real	11,000 SF	lynda.com

SOUTH COAST HIGHLIGHT LEASES - Q3 2009



6550 Hollister Ave

Bldg. Size: 39,900 SF
Tenant: Cottage Hospital



6950 Hollister Ave

Bldg. Size: 12,600 SF
Tenant: Montecito Bank



6460 Via Real

Bldg. Size: 13,900 SF
Tenant: lynda.com



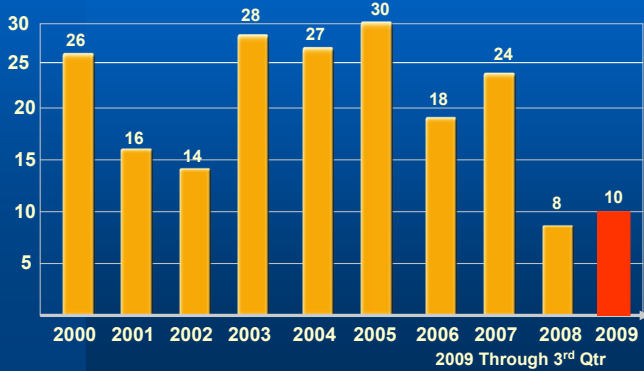
6410 Via Real

Bldg. Size: 11,000 SF
Tenant: lynda.com

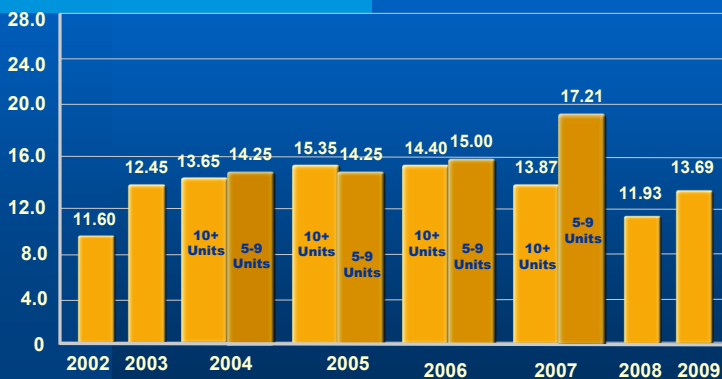
Apartment Sales in Santa Barbara County

During the third quarter 2009, there were a total of 3 apartment deals closed down from 6 in the second quarter 2009 along the South County of Santa Barbara. Two of those sales were 9 unit buildings, the other being an 8 unit building. That put the total number of apartment sales through the third quarter at 10, which has already exceeded the total number of apartment sales of 8 for all of 2008. At the time of this writing there has been another 12 unit property closed as well. We anticipate that the smaller buildings, those ranging from 5-15 units, will continue to make up the vast majority of apartment deals the remainder of 2009 and into 2010.

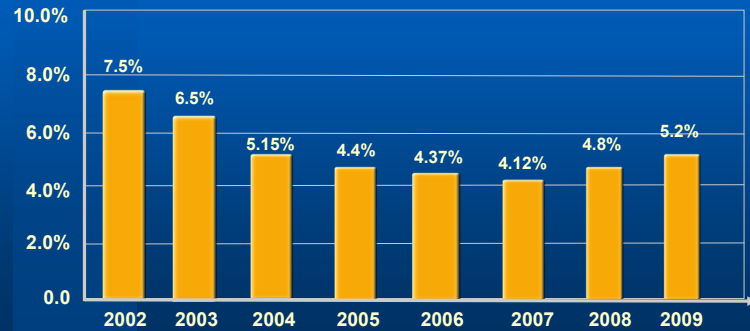
Number of Sale Transactions South SB County



South SB County (GRM)



South SB County (CAP)



Highlight Apartment Sales



Address: 1125 De La Vina
 Sales Price: \$1,800,000
 # of Units: 9 Units
 Price/Unit: \$200,000
 CAP Rate: 4.55%
 GRM: 14.29



Address: 297 Mathilda Dr
 Sales Price: \$1,800,000
 # of Units: 9 Units
 Price/Unit: \$200,000
 CAP Rate: 5.48%
 GRM: 11.86



Address: 6576 SabadoTarde
 Sales Price: \$2,900,000
 # of Units: 8 Units
 Price/Unit: \$362,500
 CAP Rate: 5.91%
 GRM: 11.11

South SB County (PPU)

