



RADIUS INSIGHT

Fourth Quarter 2009

South Coast Vacancy

Arrows indicate change during Q4 2009

Office/R&D Vacancy

Santa Barbara 5.3% ▼

Goleta 9.2% ▼

Carpinteria 5.7% ▲

Industrial Vacancy

Santa Barbara 1.6% ▲

Goleta 7.4% ◻

Carpinteria 14.2% ▲

Retail Vacancy

Santa Barbara 2.6% ▼

2009 Year End Market Overview and Going Forward

2009 has ended and while there was little celebrating to do, the overall impact of the year was not as calamitous as many people predicted. About halfway through the year we saw a noticeable increase in activity on both the sales and leasing side. While bank lending continued to be sparse in the commercial market there was positive activity on the apartment investment side. Additionally, Small Business Administration (SBA) loans grew in popularity as the Federal Government was willing to provide the backing of a significant number of commercial loans. Have we reached the bottom yet? That is a difficult question to answer because there are few good indicators of what a bottom is and we typically only know in hindsight after we have seen the market begin to improve. What we can say is that if we have not hit bottom yet we will this year. If you thought of 2009 as a “reset” year for Commercial Real Estate then think of 2010 as a year of “starts and stops”.

We are going to see more activity this year in leasing but it will include more ups and downs in the vacancy levels. We will see a continuation of lower than historic average sales due to the continuation of stricter lending requirements and the lack of a quality supply of properties for sale. If we can avoid another major shock to the economy then 2010 will be the year we reach the bottom. The only question after that is how long we will stay in it. While we have a long way to go to overcome the high unemployment rates that we face locally and statewide and the lackluster economy as a whole, there are some positive indicators that say that recovery is coming. Overall, our prediction is that we will see positive indicators towards the end of this year with a forecast of growth in 2011.

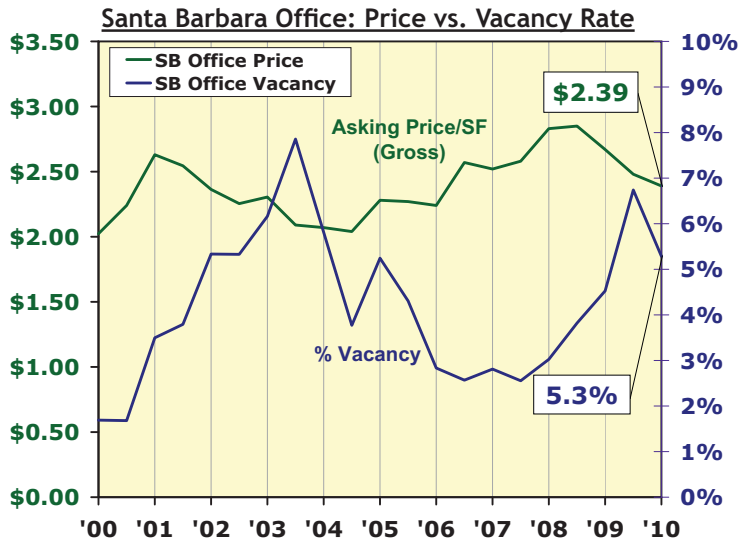
2009 Year End Leasing Market Overview

On the leasing front, 2009 started out slow but then rallied in the 3rd and 4th quarters. During the first two quarters of 2009 local companies seemed to be hoping for the best but planning for the worst. This led to a fairly stagnant leasing market characterized by companies choosing to take a “wait and see” approach to expanding their business. Leasing activity did pick up noticeably in the 3rd and 4th quarters as companies with expiring leases were able to take advantage of softening lease rates and leasing inducements from landlords (increased TI dollars, free rent, etc.). We saw several major companies such as Citrix, Cencal Health, Cottage Hospital and Marborg lease large amounts of space in the area for growth purposes. We also saw the smaller businesses get back into the market and that above all else is a good indicator that the economy might be seeing some positive signs of recovery.



Santa Barbara Office Leasing

The 4th quarter saw a continuation of the increased activity in leasing that started in the 3rd quarter. Nine leases over 5,000 SF were signed. The vacancy rate decreased by 26% (from 7.2% to 5.3%). While leasing activity in the 1st quarter should continue at its current pace, we anticipate that lease rates will continue to fall slightly and the vacancy rate to remain at its current level. Although high unemployment is a key factor in delaying the State's recovery, we are seeing some positive signs of life in our local business sector.



LARGEST AVAILABLE OFFICE SPACES		
ADDRESS	SIZE (SF)	VACATED BY
1903 State Street	9,200 SF	ReMax
101 E Victoria Street	7,700 SF	Multiple Tenants
2936 De la Vina Street	7,600 SF	McDermott Crockett
3757 State Street	6,400 SF	Multiple Tenants

LARGEST OFFICE SPACE LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
4050 Calle Real	48,500 SF	Cencal Health
530 E Montecito Street	28,400 SF	ValueClick
10 E Yanonali Street	10,040 SF	Blue Casa
3780 State Street	10,000 SF	First American Title

Santa Barbara Industrial Leasing

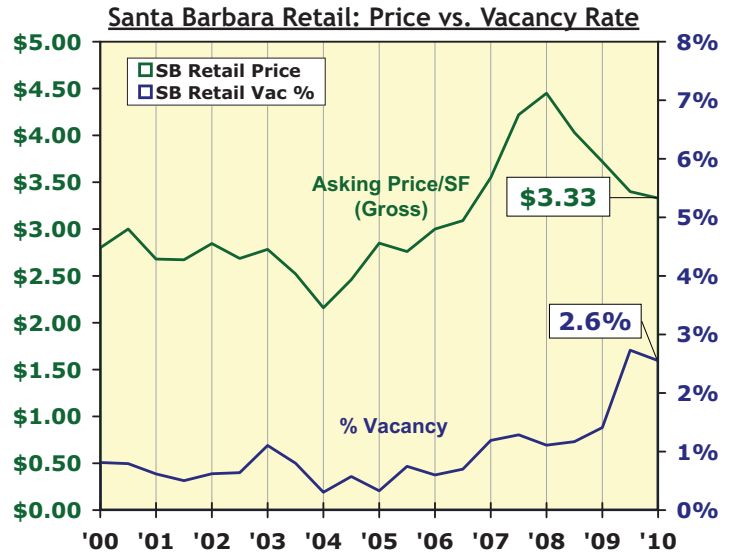
Despite an increase in the vacancy rate during the 4th quarter, Santa Barbara's Industrial market continues to have the lowest vacancy rate of all sectors. The increase is due to two properties over 10,000 SF coming onto the market. There continues to be a short supply of small industrial space and this should help asking rates to remain steady over the Q1 2010.

LARGEST AVAILABLE INDUSTRIAL SPACES		
ADDRESS	SIZE (SF)	VACATED BY
415 N Salsipuedes Street	14,400 SF	SBBT
436 E Gutierrez Street	11,500 SF	
619 E Montecito Street	9,600 SF	Mission Linen
820 Bond Avenue	7,500 SF	Profile Record Storage

LARGEST INDUSTRIAL LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
614 Santa Barbara St	8,000 SF	WorldViz
1 N. CCC St.	6,700 SF	Bella Vista Designs
511 E. Gutierrez St.	3,900 SF	Ventura Overhead
720 E. Haley St.	2,800 SF	Oniramco Corp.

Santa Barbara Retail Leasing

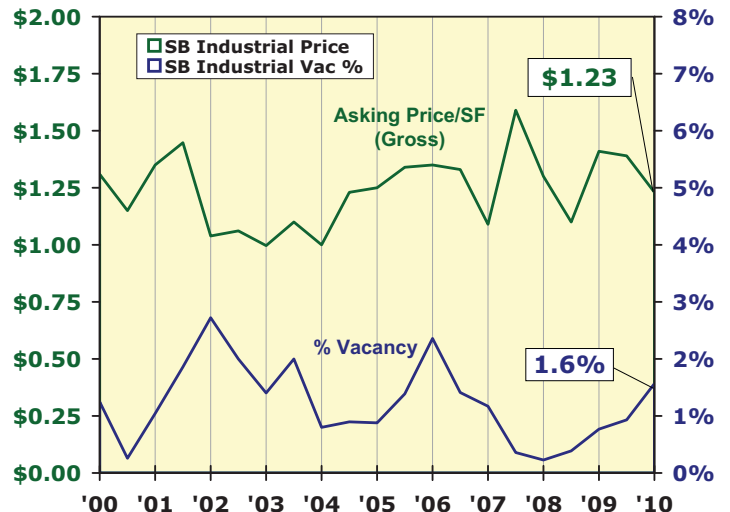
The retail market in Santa Barbara saw the first decline in the vacancy rate in two years. As asking rents have dropped, retailers are beginning to take advantage of the opportunity to move to higher profile locations. Several national tenant transactions were completed in the 4th quarter and with luck we may see consumer spending begin to rise. Look for the vacancy rate to flatten in 2010 as several deals currently in the pipeline come to fruition.



LARGEST AVAILABLE RETAIL SPACES		
ADDRESS	SIZE (SF)	VACATED BY
1117 State Street	11,300 SF	Antica Rugs
1114 State Street	11,000 SF	Stateside Restaurant
610 Anacapa Street	10,800 SF	Cafe Gliss
15 S Hope Avenue	10,100 SF	Aga John Rugs

LARGEST RETAIL LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
3042 State Street	10,100 SF	
127 W. Canon Perdido	5,000 SF	SB Dance Center
17 W. Montecito St.	3,900 SF	Ducatti
910 E. Haley St.	2,700 SF	Master Medical

Santa Barbara Industrial: Price vs. Vacancy Rate



Goleta Office Leasing

In the fourth quarter of 2009 we saw the vacancy rate in Goleta decrease from 10.8% to 9.2%. One of the largest lease transactions on the South Coast in the last 5 years was completed during Q4 2009 with FLIR converting from a sublease to a direct lease for 86,000 square feet at 70 Castilian. Three of the four transactions mentioned in the chart below during the fourth quarter were renewals. This was not only good news for the landlords of these properties but also a positive sign for the region as these companies renewed their commitment to the area.

Goleta Office: Price vs. Vacancy Rate



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
75 Robin Hill Rd.	20,000 SF	Occam

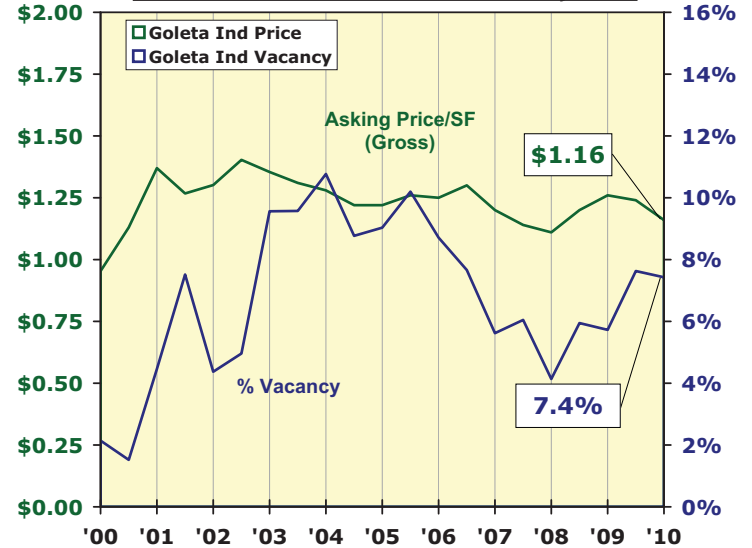
LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
70 Castilian Dr.	86,200 SF	FLIR
6300 Hollister Ave.	31,500 SF	Asylum
7402 Hollister Ave.	28,000 SF	Citrix
82 Coromar Dr.	23,300 SF	Mosley & Associates

Goleta Industrial Leasing

Vacancy for the Goleta Industrial market remained constant during the fourth quarter of 2009 at 7.4%. During Q4 2009 we saw the third M-1 land lease in excess of one acre completed in 2009 at 750 Technology Way, Santa Barbara Airbus leased the former Cox Communications facility (an 11,700 square foot building and over one acre of paved parking). Despite this positive news we expect vacancy in this segment of the market to rise over the 1st half of 2010 and we expect to see continued downward pressure on Goleta Industrial lease rates.

Goleta Industrial: Price vs. Vacancy Rate



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	Nexus
59 S. La Patera	19,000 SF	ZAD

LARGEST INDUSTRIAL SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
750 Technology Way	11,700 SF	Santa Barbara Airbus
750 Technology Way	5,000 SF	Kelly Fleet Services
6860 Cortona Dr.	5,000 SF	LCOGT
5511 Ekwil St.	2,800 SF	Joel Hoffman

SOUTH COAST HIGHLIGHT SALES - 2009



1111 Chapala Street

Bldg. Size: 18,822 SF



1101 Anacapa Street

Bldg. Size: 13,552 SF

Price: \$8,800,000



1601 State Street

Bldg. Size: 27,600 SF

Price: \$14,000,000



1200 State Street

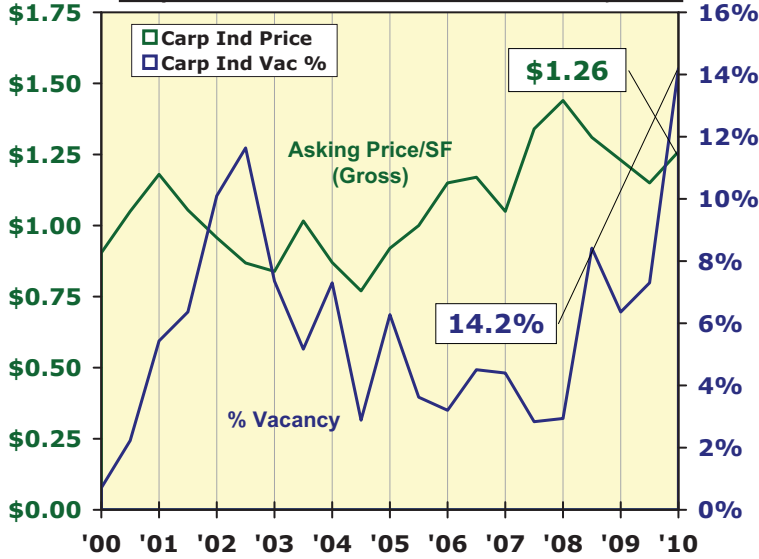
Bldg. Size: 14,500 SF

Price: \$6,500,000

Carpinteria Industrial Leasing

The industrial market in Carpinteria continues to experience fairly pronounced increases in vacancy compared to historical levels. With not a great deal of current tenant activity in this segment of the market, we expect the vacancy rate to remain at this higher level for the balance of 2010. Asking rates will likely decline in the 1st and 2nd quarters of 2010 as landlords look to attract new tenants.

Carpinteria Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Ln.	68,400 SF	Multiple Tenants
6382 Rose Lane	39,100 SF	Pacific Scientific
5045 Sixth St.	13,000 SF	
5690 Casitas Pass Rd.	12,800 SF	Multiple Tenants

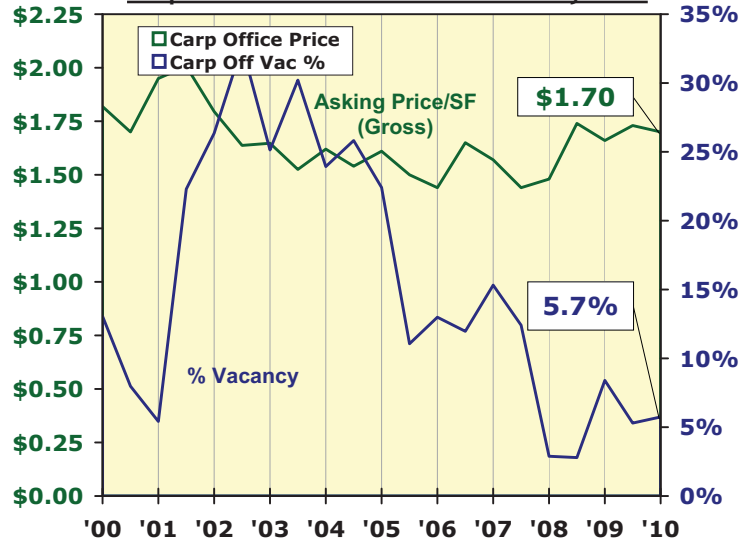
LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
1105 Mark Ave.	5,400 SF	Black Diamond

Carpinteria Office Leasing

Carpinteria's office market saw a slight increase in the vacancy level in the 4th quarter. Overall, leasing activity is still not as active in this market segment as the Santa Barbara and Goleta office market. The one bright spot is the continued acquisition of lease space by lynda.com who leased approximately 44,000 SF of space in Carpinteria during 2009. We expect vacancy levels to stay in the 5% to 7% range in the 1st quarter of 2010 and lease rates to decrease slightly.

Carpinteria Office: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
6385 Rose Lane	8,200 SF	
6383 Rose Lane	7,750 SF	Pacific Scientific
4650 Carpinteria Ave.	3,800 SF	New Construction

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6430 Via Real	2,750 SF	lynda.com
5464 Carpinteria	2,600 SF	Taser
6420 Via Real	1,250 SF	lynda.com
5464 Carpinteria	1,000 SF	Taser

SOUTH COAST HIGHLIGHT LEASES - 2009



6550 Hollister Ave

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



70 Castilian Drive

Bldg. Size: 86,200 SF
Tenant: FLIR



6410-6460 Via Real

Bldg. Size: 44,000 SF
Tenant: lynda.com

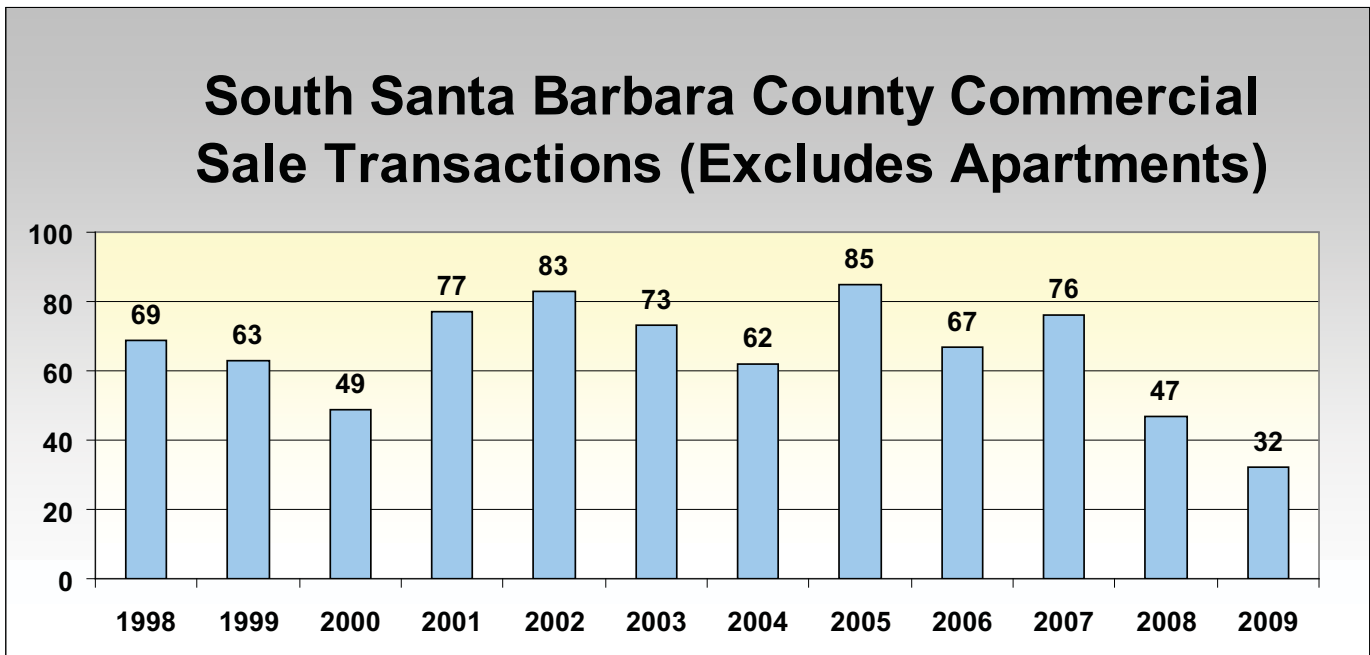
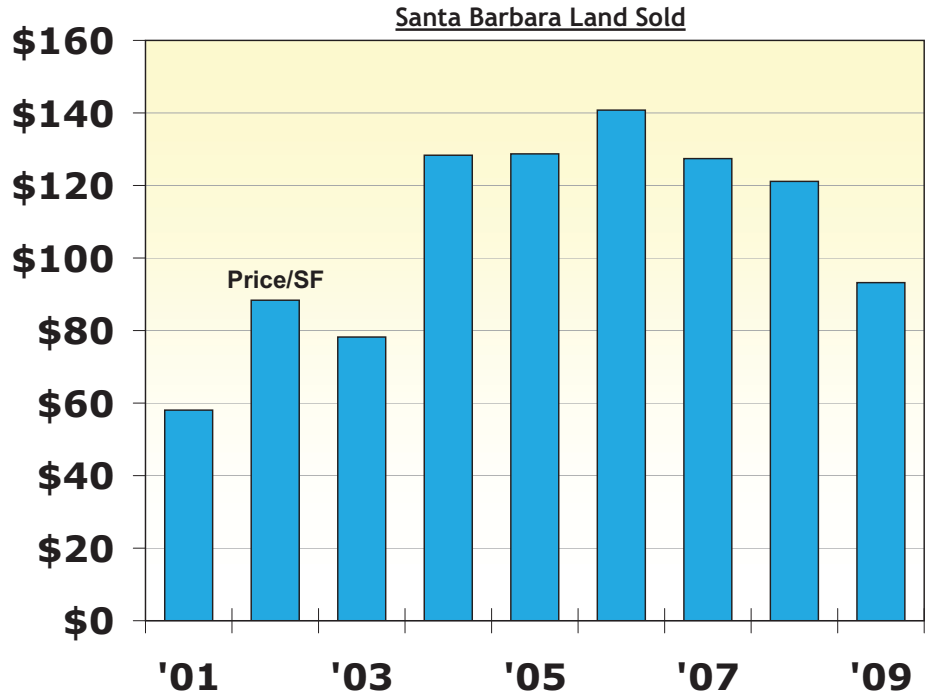


4050 Calle Real

Bldg. Size: 48,500 SF
Tenant: CenCal Health

2009 Year End Sales Market Overview

Over the course of 2009 there were 32 commercial sales transactions in Santa Barbara, Goleta, and Carpinteria. This low number of completed transactions came as no surprise. Investor's feelings that commercial values would continue to soften coupled with the inability to secure financing in 2009 all but put a halt to the South Coast commercial investment market. Of the 32 completed commercial sales in 2009, 14 closed for less than \$1,000,000. Looking forward to 2010 we expect the number of transactions to increase slightly, but we do not expect to return to our 12 year average of 65 commercial sale transactions per year. Those with the available funds to purchase South Coast commercial real estate in 2010 will unquestionably be finding value relative to pricing levels of 3-5 years ago. This is due to depressed property values and upward pressure on "Cap Rates."



The average number of transactions over the last 12 years is **65** per year.

Apartment Sales in Santa Barbara County

During the fourth quarter of 2009, there were a total of four apartment deals (of 5+ units) closed, up from three sales during the third quarter of 2009 along the South Coast of Santa Barbara. Three of the sales were located in the city of Santa Barbara, two on Arrellaga Street and one on Bath Street. The final sale of the year was on Picasso Road in Isla Vista and at \$3.6 million was the largest apartment transaction of 2009. The Golis Team represented the sellers of 26 W. Arrellaga Street and 6621 Picasso Road. That put the total number of apartment sales for 2009 at 14, which exceeded the eight apartment sales in 2008. We anticipate that the smaller buildings, those ranging from 5-20 units, will continue to make up the vast majority of apartment deals throughout 2010.

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

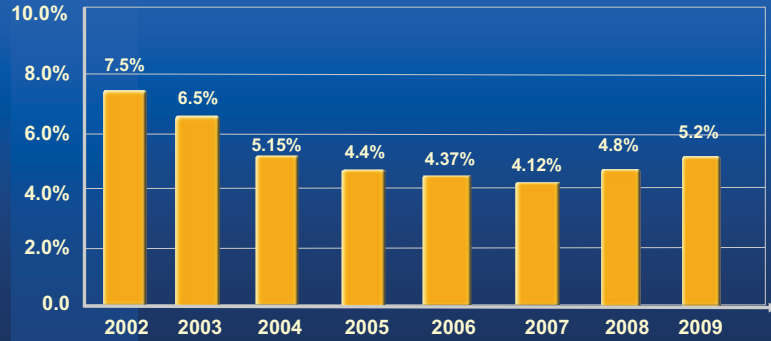


Address: 297 Mathilda Dr
Sales Price: \$1,800,000
of Units: 9 Units
Price/Unit: \$200,000
CAP Rate: 5.48%
GRM: 11.86



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 (CAP)



South SB County (GRM)



South SB County (PPU)

