



RADIUS INSIGHT

First Quarter 2010

South Coast Vacancy

Arrows indicate change during Q1 2010

- Office/R&D Vacancy**
- Santa Barbara 5.9% ▲
- Goleta 13.4% ▲
- Carpinteria 8.7% ▲
- Industrial Vacancy**
- Santa Barbara 1.2% ▼
- Goleta 7.2% ▼
- Carpinteria 14.6% ▲
- Retail Vacancy**
- Santa Barbara 2.2% ▼

2010 First Quarter Market Overview

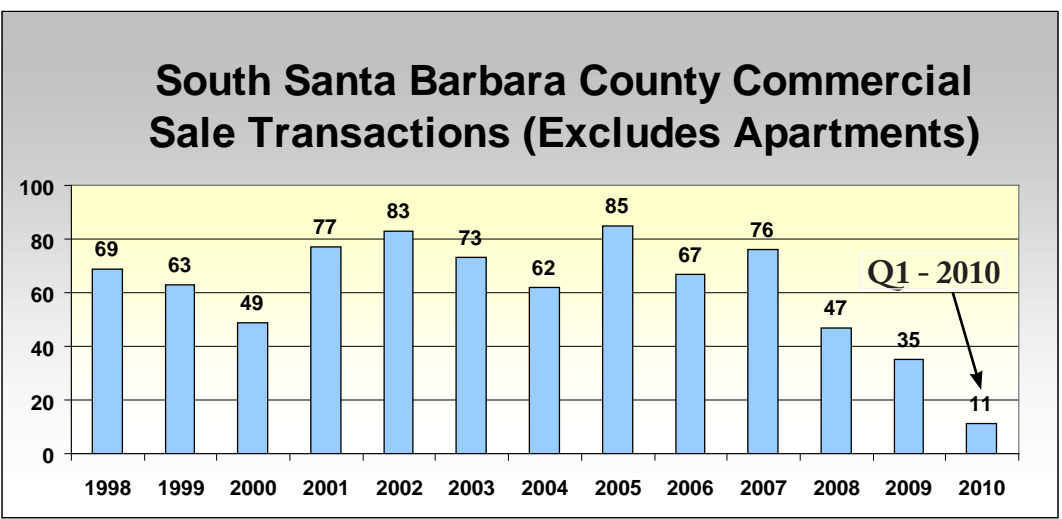
The commercial markets are heating up compared to 2009 but it will take a fair number of consecutive strong quarters for vacancy rates to decrease. At the end of the first quarter the vacancy rate for the overall office market on the South Coast is currently at 9.3% which is the highest overall rate we have seen since we began tracking the vacancy percentages in 1992. As we often state a vacancy rate of 9.3% is small compared to the 20% vacancy numbers most of Southern California is experiencing.

2010 First Quarter Leasing Market Overview

During the 1st quarter of 2010 we saw an increase in commercial activity across nearly all submarkets. This increased activity was mainly a result of a changing mentality among local businesses. During most of 2009 local companies were planning for the short-term due to the uncertainty regarding the future of their business. Early in 2010 this mindset returned to a more long range view as companies once again could foresee the future of their business. As you can imagine real estate decisions become involved in long term planning.

2010 First Quarter Sales Market Overview

The first quarter of 2010 saw an increase in the number of commercial sales from the first quarter of 2009. Sales increased from six to eleven. While that number is still low compared to historical averages, this represents a great improvement in the overall picture of the market. There were several high profile sales during the first quarter including several retail buildings on State Street and a large set of office/industrial buildings in Goleta. This is a good indicator that there is more money coming into the market (Banks and other lending institutions continue to have a small presence among these sales). There has been a marked uptick in Small Business Administration loans, seller carry back financing and all cash transactions. While Santa Barbara should be largely immune to the rise in commercial defaults the ability to borrow money will not. The challenges inherent in putting transactions together with conventional financing will continue to slow the market recovery. Two positive indicators: 1) There are investors out there who recognize that Santa Barbara is still a good place to invest and 2) There is still a limited inventory of available properties for sale on the South Coast.



The average number of transactions over the last 12 years is **66** per year.

Santa Barbara Office Leasing

The first quarter saw robust leasing activity in Santa Barbara's office market. However, the majority of larger leases completed were renewals, thus not affecting the vacancy rate. Vacancy actually rose to 5.9% due to the addition 29,500 SF of Santa Barbara Bank & Trust's administrative offices to the market. Leasing activity in the first quarter of 2010 was 30% higher than the first quarter of 2009. Expect the 2nd quarter to carry that momentum forward. However, there is still a long list of properties still available and it will take some time for the office market to stabilize.



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
1021 Anacapa Street	29,500 SF	SB Bank & Trust
3757 State Street	12,600 SF	Multiple Tenants
1903 State Street	9,200 SF	ReMax
101 E Victoria Street	7,700 SF	Multiple Tenants

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
223 E De la Guerra	11,500 SF	Sonos, Inc.
222 E Carrillo	9,400 SF	Fell, Marking, Abkin
829 De la Vina	8,400 SF	Evans, Hardy & Young
19 E Ortega	5,600 SF	Ergomotions, Inc.

Santa Barbara Industrial Leasing

The industrial vacancy rate in Santa Barbara decreased slightly despite activity being relatively shallow. This submarket continues to have the lowest vacancy across the South Coast with limited supply and few anticipated vacancies. Look for this sector to remain tight over the second quarter.

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
415 N Salsipuedes Street	14,400 SF	SBBT
436 E Gutierrez Street	11,500 SF	Haggen Printing
820 Bond Avenue	7,500 SF	Profile Record Storage
734 Cacique Street	6,400 SF	

LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
619 E Montecito Street	9,600 SF	
120 Santa Barbara Street	4,900 SF	Goodman Reed Cars
204 N Quarantina Street	1,600 SF	Nute's International

Santa Barbara Retail Leasing

Santa Barbara's retail market saw the second straight quarter of decline in vacancy. While it is not yet time to declare the retail woes over, there are positive indicators out there. State Street is seeing an increase in activity related to tenant showings and making offers on spaces. Several smaller Downtown State Street retail spaces are receiving multiple lease offers. We expect the retail market will continue to see strong activity through the second quarter. A bright spot is the leasing of 820 State, formerly Anchor Blue, by Guess Inc., for a new concept called "G by Guess".

Santa Barbara Retail: Price vs. Vacancy Rate



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

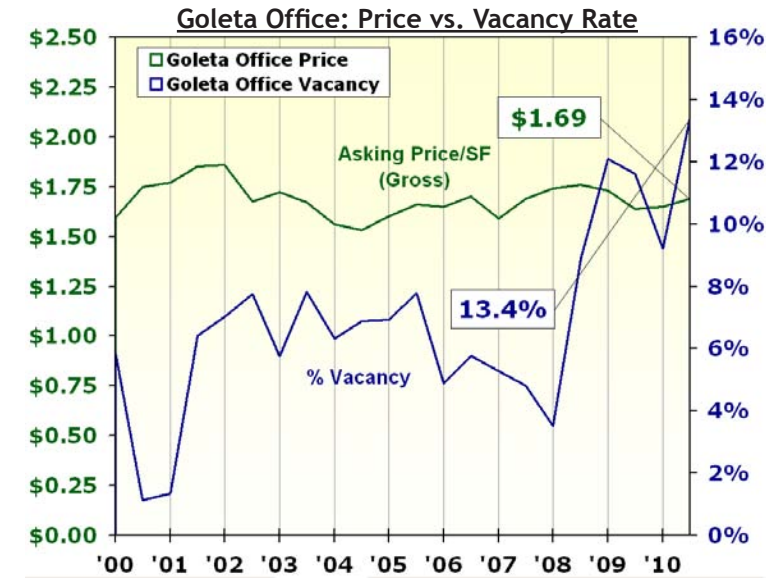
ADDRESS	SIZE (SF)	LEASED BY
409 Anacapa Street	6,400 SF	Reid's Appliances
430 Chapala Street	6,400 SF	SB Alchemy Arts
820 State Street	5,800 SF	G by Guess
3763 State Street	5,100 SF	Whole Foods

Santa Barbara Industrial: Price vs. Vacancy Rate



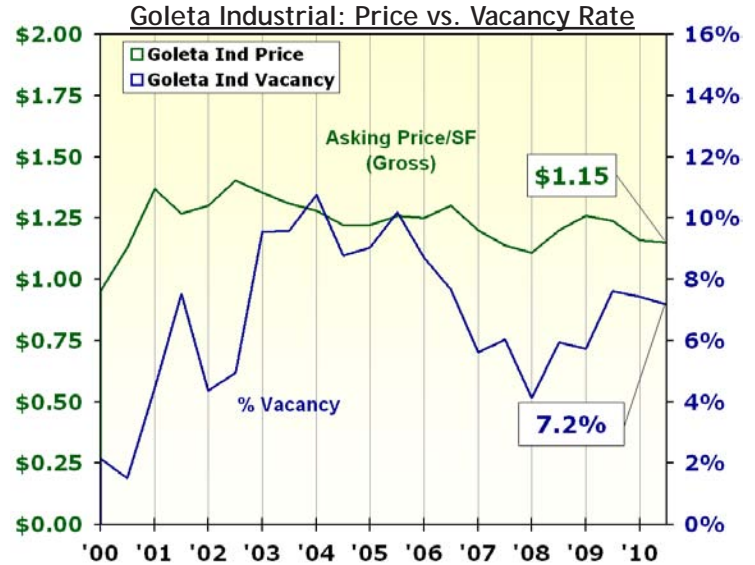
Goleta Office Leasing

Goleta Office vacancy had a large spike up from 9.2% to 13.4% in the first quarter due to several large vacancies coming on the market and a lackluster amount of leasing activity. The two previous quarters had shown steady vacancy rate reductions. The only bright spot was a renewal on Bollay Drive to Inogen. The Goleta office market will take the longest of the office markets to recover. Companies looking to expand into large spaces are becoming scarce and the creation of new companies locally has slowed dramatically. It will take several years for this market to recover fully.



Goleta Industrial Leasing

Activity in the Goleta industrial sector was quiet during the first quarter as well. Vacancy decreased slightly from 7.4% to 7.2%. The lack of industrial activity is similar to that of Santa Barbara and Carpinteria. The industrial markets are showing the least amount of activity currently. We are seeing more renewals than new transactions across all three industrial markets.



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
6500 Hollister Ave.	53,300 SF	Citrix
5385 Hollister Ave.	46,900 SF	Citrix
6330 Hollister Ave.	43,900 SF	Bargain Network

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
326 Bollay Drive	38,900 SF	Inogen
420 S. Fairview	5,700 SF	Snyder Law
6500 Hollister	5,300 SF	Warp 9
5973 Encina	1,100 SF	SB Sleep Clinic

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
82 Coromar Dr.	53,000 SF	Nexus
30 S La Patera	40,000 SF	Multiple Tenants
6466 Hollister Ave.	20,900 SF	FedEx

LARGEST INDUSTRIAL SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
600 Ward Drive	30,000 SF	DuPont
6780 Cortona	11,800 SF	DuPont
123 Aero Camino	4,700 SF	BioArchitecture
5725 Thornwood	4,000 SF	Voigt, Inc.

SOUTH COAST HIGHLIGHT SALES - 2010



900 State Street

Bldg. Size: 38,000 SF
Price: \$9,800,000



6769-6775 Hollister Ave.

Bldg. Size: 169,300 SF
Price: \$29,000,000



559 San Ysidro

Bldg. Size: 9,600 SF



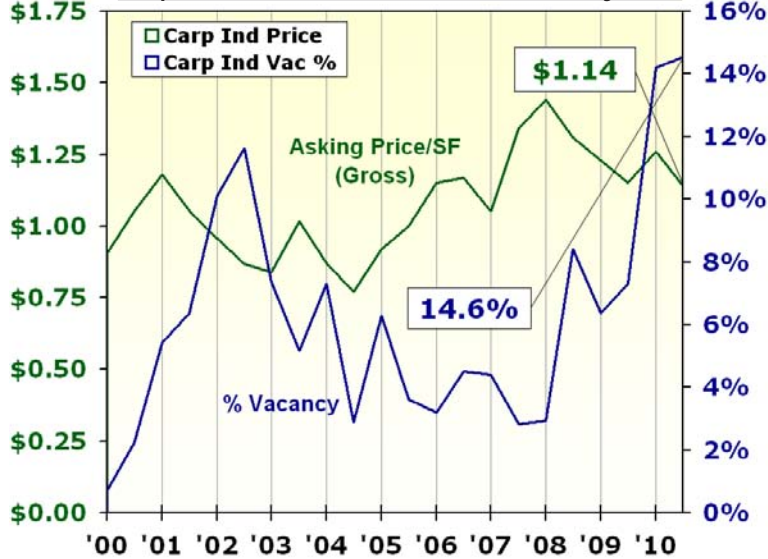
511 State Street

Bldg. Size: 4,600 SF
Price: \$2,800,000

Carpinteria Industrial Leasing

Carpinteria industrial saw vacancy levels increase slightly during the first quarter. The majority of the leasing activity continues to be renewals, thus giving little relief to the continued surplus vacancy. We are seeing asking rates continue to fall as landlords continue to try and attract tenants to the area. The lease rates will have to fall further in order to compete with the nearby Ventura industrial markets.

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
1015 Cindy Ln.	19,200 SF	Helix
5690 Casitas Pass Rd.	13,000 SF	Multiple Tenants

LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
1035 Cindy Lane	13,500 SF	ZBE, Inc.
1115 Mark Avenue	5,300 SF	Gigavac
517 Maple Avenue	3,900 SF	Rincon Catering
6440 Via Real	2,300 SF	lynda.com

Carpinteria Office Leasing

Carpinteria's office market saw another increase in the vacancy level in the 1st quarter. Several midsize office properties came onto the market and leasing activity was slow. The vacancy rate rose higher than expected to 8.7%. Look for the second quarter to remain flat as the slow activity continues in this sector. Rates will continue to adjust downward as well.

Carpinteria Office: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
4180 Via Real	7,700 SF	Multiple Tenants
1035 Cindy Lane	4,900 SF	
6420 Via Real	3,330 SF	Nivasonix, LLC

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6420 Via Real	3,744 SF	lynda.com
990 Cindy Lane	2,100 SF	Clean Seas

SOUTH COAST HIGHLIGHT LEASES - 2010



820 State Street

Size: 5,830 SF
Tenant: G By Guess



430 Chapala Street

Size: 6,400 SF
Tenant: SB Alchemy



409 Anacapa Street

Size: 6,400 SF
Tenant: Reid's Appliances



420 S. Fairview Ave.

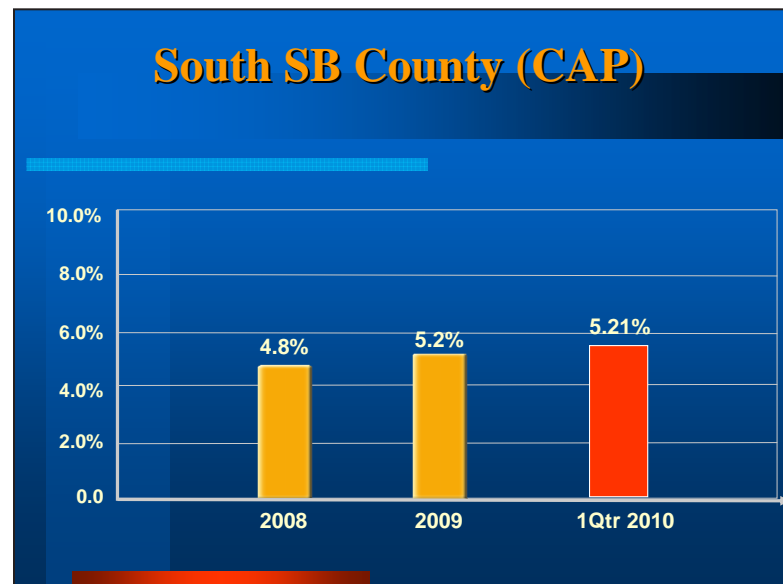
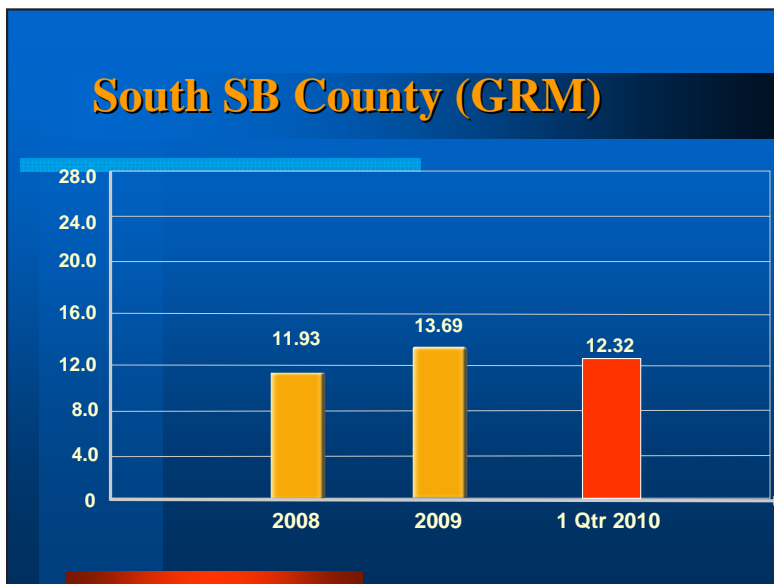
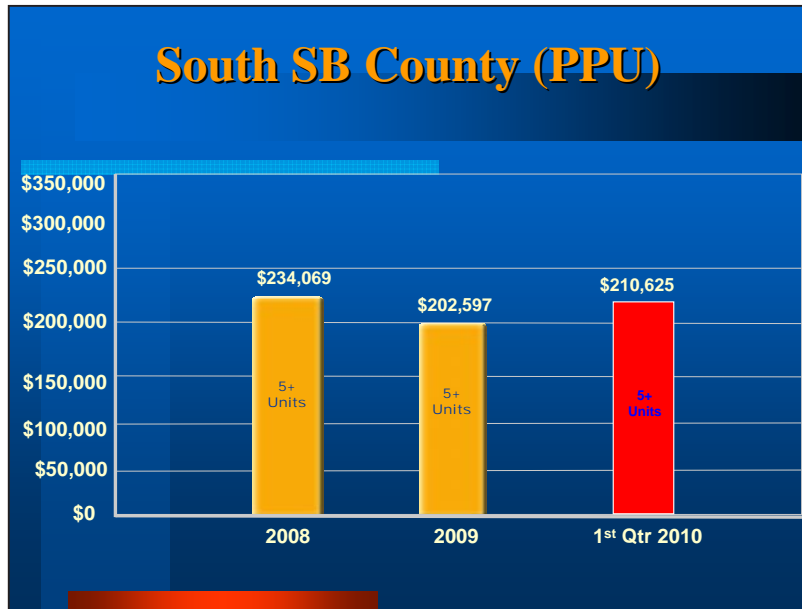
Size: 5,700 SF
Tenant: Snyder Law

South County Apartment Forecast for 2010

- Prices per unit for 10+ units will average between \$180,000 to \$220,000 per unit. Smaller buildings (5-9 units) will sell between \$195,000 and \$230,000 per unit.
- We forecast that cap rates have moved down for the south County and sales will happen between 5.25% to 6.00% on average.
- Gross rent multipliers will stay at or near 10.5X – 12.75X for 10+ units while 5-9 unit buildings will sell between 11-14 x gross.
- Rents in Santa Barbara will increase modestly by between 1-3%.
- Vacancy rates will remain stable and should still be under 5% and we predict that may go down even further as would be home buyers

cannot qualify for home loans without proper credit and income. With little or no new product coming online, expect the rental market to remain strong though with stable rents.

- Isla Vista continues to be a bright spot for the South County as sales activity and interest in purchasing a property there continues to remain very strong. To date in 2010 there have been two notable sales in I.V. There are currently two large properties in escrow.
- In 2009, the South County had a total of 14 sales of over 5 plus units as opposed to only 9 in 2008, a substantial increase though not at the levels in previous years. Our forecast for 2010 is to surpass 2009 totals.



Radius Group Commercial Real Estate is the dominant full service commercial real estate brokerage firm on California's Central Coast. Our dedication to providing successful real estate solutions to client requirements is evidenced by our unparalleled results.

Our Reputation Says It All...Ask Anyone

Radius Group Commercial Real Estate

☛ Largest Retail Building Sold Since 2008

☛ Largest Apartment Sale 1st Quarter 2010

☛ Handled more commercial leases than any other brokerage firm in 1st Quarter 2010.

☛ Three largest retail leases in Santa Barbara in 1st Quarter 2010.

☛ 6 of the 11 First Quarter 2010 Commercial Sales

☛ What can we do for you?

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