



RADIUS INSIGHT

Second Quarter 2010

South Coast Vacancy

Arrows indicate change during Q2 2010

Office/R&D Vacancy

Santa Barbara 5.6% ▼

Goleta 15.9% ▲

Carpinteria 9.8% ▲

Industrial Vacancy

Santa Barbara 1.6% ▲

Goleta 6.6% ▼

Carpinteria 14.6% ■

Retail Vacancy

Santa Barbara 2.4% ▲

2010 Second Quarter Sales Market Overview

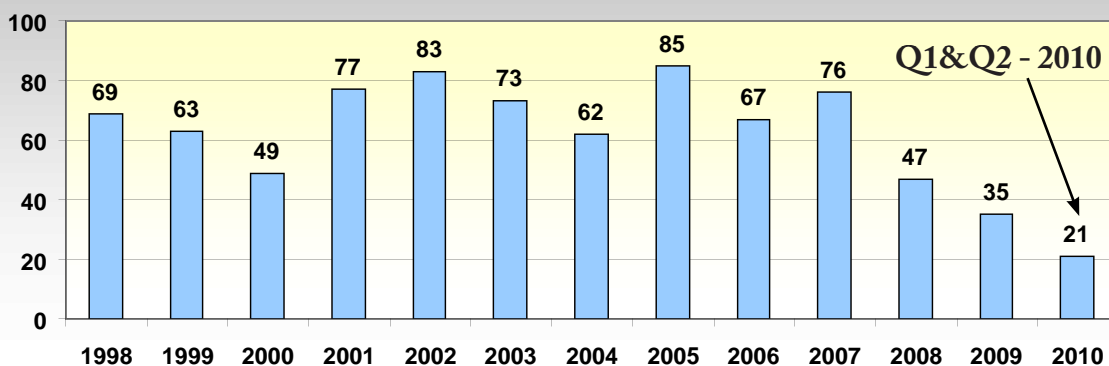
The second quarter of 2010 saw a slight decline in the total number of commercial sales, however, that is still a continued improvement over the same period in 2009. We saw nine commercial sales (excluding apartments) for the second quarter versus 12 for the first quarter. Highlights from the quarter include the sale and leaseback of the Rabobank building at 33 E. Carrillo and the sale of the Hotel State Street at 121 State Street. The quarter closed with the sale of the former Penfield and Smith building at 101 E. Victoria to Dehlsen & Associates. They are moving their offices from Carpinteria. We are continuing to see a good mix of investment sales and purchases by owner/users even though Small Business Administration lending has declined in the second quarter. For the year to date, there have been 21 commercial sales which is **double** what we experienced in 2009 to date. There is still apprehension in the marketplace

as lenders continue to tighten their guidelines and Federal Reserve efforts to increase lending have largely failed. Until businesses focus more on growth and expansion we will continue to see fewer sales. Private investors are also still not flocking to our market as the supply of Class A properties is still limited.

2010 Second Quarter Leasing Overview

For the most part both lease rates and vacancy numbers remained relatively unchanged during the second quarter. The only market segment with a marked change was the Goleta office market. Vacancy has now spiked to 15.9% a new high since Radius has been tracking the vacancy rates. During the second quarter there were 9 retail leases on State Street, 8 of the 9 leases took place on the 900 through 1200 blocks.

South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)



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

Santa Barbara Office Leasing

Santa Barbara's office sector continues to see a significant number of transactions completed. However, the vacancy level dropped only slightly even though there were over 10 new leases of 3,000 SF or more and the 29,500 SF of space at Santa Barbara Bank and Trust was removed from the market. This is due to the continued addition of new vacancy coming to the market. In order to for the market to be on the right track to recovery we need to see much more activity in the smaller office market.



LARGEST AVAILABLE OFFICE SPACES		
ADDRESS	SIZE (SF)	VACATED BY
101 Innovation Place	35,000 SF	QAD
3757 State Street	11,500 SF	Multiple Tenants
111 E Victoria	9,600 SF	Penfield & Smith
1903 State Street	9,200 SF	ReMax

LARGEST OFFICE SPACE LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
1014 Santa Barbara	14,400 SF	Morgan Stanley
33 E Carrillo Street	14,100 SF	Rabobank
104 W Anapamu	10,500 SF	Nasif, Hicks, Harris & Co
3902 State Street	6,400 SF	Johnson Family Dental

Santa Barbara Industrial Leasing

The industrial sector of Santa Barbara saw an increase to 1.6%. This is a modest increase but there has been little movement in leasing over this last quarter mainly due to continued stagnation in the blue collar sector. While this sector has the lowest overall vacancy rate for the South Coast and the supply will continue to stay constrained, this does not bode well for the properties currently on the market today.

LARGEST AVAILABLE INDUSTRIAL SPACES		
ADDRESS	SIZE (SF)	VACATED BY
415 N Salsipuedes Street	14,400 SF	SBBT
740 Cacique Street	8,100 SF	PJ Milligan
820 Bond Avenue	7,500 SF	Profile Record Storage
131 Anacapa Street	6,600 SF	Multiple Tenants

LARGEST INDUSTRIAL LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
1 N Calle Cesar Chavez	4,700 SF	Templock Enterprises
200 N Quarantina Street	700 SF	Deco-Trend

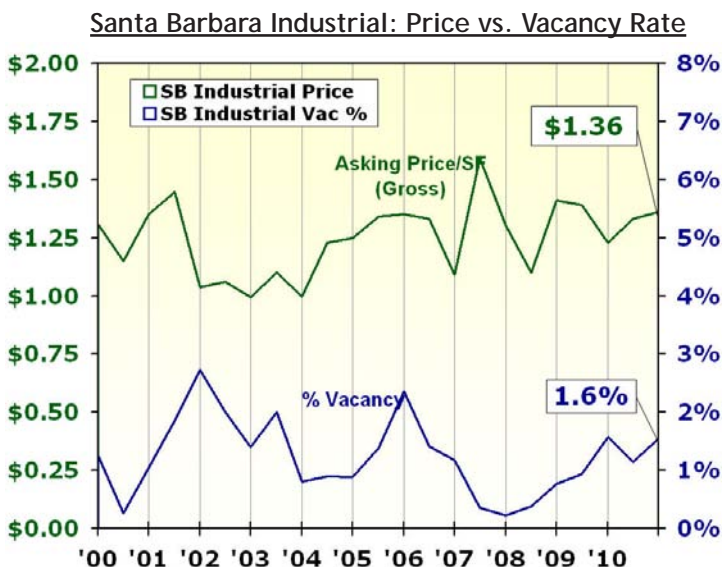
Santa Barbara Retail Leasing

Santa Barbara's retail market saw a slight increase in vacancy but it was not due to more availability in the core blocks of State. In fact, the majority of activity during the second quarter was on State Street as nine new leases were completed. The retail sector has improved but will not fully recover until consumer transactions return to historical averages. We are seeing fewer high end national retailers coming to State Street as the trend towards affordable consumables continues. We should see activity continue as retailers want to be open by the lucrative holiday season.



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
602 E Montecito Street	10,700 SF	Ferguson Design Center

LARGEST RETAIL LEASE DEALS		
ADDRESS	SIZE (SF)	LEASED BY
917 State Street	8,700 SF	Tillys, Inc.
136 State Street	3,700 SF	Raoul Textiles
1025 State Street	2,700 SF	Crossroads Trading Co.
1017 State Street	2,500 SF	Bridal Salon



Goleta Office Leasing

The Goleta office vacancy continued its rapid rise during the second quarter of 2010. Since January of 2008 the vacancy rate has risen 400% from less than 4% to nearly 16% a new historic high for Goleta. Look for lease rates to decrease as landlords fight for the few office tenants in the Goleta marketplace.

Goleta Office: Price vs. Vacancy Rate



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
6785 Hollister Avenue	9,300 SF	Tobin Lucks
44 Castilian Drive	9,000 SF	Sensus Metering
7200 Hollister Avenue	8,400 SF	AMR West
601 Pine Drive	4,400 SF	IntriPlex Technologies

Goleta Industrial Leasing

Two 10,000 square foot leases on Thornwood helped lower the industrial vacancy rate in Goleta. A couple of larger industrial spaces continue to keep the industrial vacancy rate over 6%. Industrial tenants in excess of 25,000 square feet are a rare commodity throughout the entire South Coast. Look for landlords to offer numerous incentives to try and attract any large industrial tenant considering moving or expanding.

Goleta Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
82 Coromar Dr.	53,000 SF	Nexxus
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
5757 Thornwood Drive	10,100 SF	Newton Enterprises
5760 Thornwood Drive	10,100 SF	FLIR
75 Robin Hill Road	5,900 SF	Deployable Space Sys.
5551 Ekwil Drive	5,600 SF	Akela, Inc.

SOUTH COAST HIGHLIGHT SALES - Q2 - 2010



33 E. Carrillo Street

Bldg. Size: 14,150 SF
Price: \$6,070,000



101 E. Victoria Street

Bldg. Size: 10,430 SF
Price: \$2,990,000



117 State Street

Bldg. Size: 15,475 SF
Price: \$3,400,000



515 State Street

Bldg. Size: 4,120 SF
Price: \$2,550,000

Carpinteria Industrial Leasing

Carpinteria industrial saw vacancy levels remain level. The lack of activity is only offset by the lack of additional space coming onto the market. Lease rates will need to continue to drop in order to attract tenants away from Santa Barbara, Goleta and the Ventura marketplace. Look for landlords to begin making larger cuts in asking rates as well as offering other promotions to attract 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
1015 Cindy Ln.	19,200 SF	Helix
5045 6th Street	13,000 SF	

LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
4187 Carpinteria Ave	1,700 SF	Vista Gaming

Carpinteria Office Leasing

Carpinteria's office market saw another increase in the second quarter as additional space made its way to the market. The area continues to see a real lack of activity as the average asking rate is higher than that of Goleta. In order for tenants to consider Carpinteria the deals will have to be better than what they can get in Santa Barbara or Goleta. Look for a strong third quarter as landlords are beginning to address these issues moving forward.

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	
6439 Via Real	4,800 SF	Dehlsen & Associates

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
1013 Mark Avenue	9,700 SF	Int'l Sports Science

SOUTH COAST HIGHLIGHT LEASES - Q2 2010



104 W. Anapamu Street

Size: 10,507 SF

Tenant: Nasif, Hicks, Harris



917 State Street

Size: 8,680 SF

Tenant: Tilly's



5760 Thornwood Drive

Size: 10,080 SF

Tenant: FLIR Commercial



3902 State Street

Size: 6,396 SF

Tenant: Johnson Dental

Highlight Apartment Sales South Santa Barbara County

Three large transactions along the South Coast of Santa Barbara County made up the entire sales activity in 5+ multi-family properties for the second quarter of 2010. Isla Vista continues to be a bright spot for the South County as sales activity and interest in purchasing a property there still remains very strong. To date there have been three notable sales, two of which, Breakpointe and Coronado, were institutional transactions that closed together in the second quarter. Breakpointe, a 96 unit property located on Abrego Rd. closed for \$15 million while the Coronado; a 55 unit property located a block away on Picasso Rd. closed at \$27.5 million. The other notable sale of the second quarter took place in Carpinteria. The Pueblo del Sol apartments, a 32 unit property sold for \$7.2 million in April of this year. With three sales in the second quarter there was close to \$50M of transaction volume.

There was a lot of activity on smaller multi-family properties in the second quarter with a few closing in the 2-4 unit range. We are also aware of smaller 5+ unit properties currently in escrow that are expected to close early in the third quarter 2010. Interest rates remain at all time lows for multi-family properties so as predicted on smaller unit properties we still expect sales activity to remain steady with CAP rates ranging in the low to mid 5% range, while Gross Rent Multipliers (GRM's) should stay between 11 and 14.

Rental Rates continue to remain steady and occupancies remain strong. We have seen some rental rates decrease though it appears on properties that the building owners/management were looking for above the average of rents of similar sized units and locations.

Our Forecast for the third quarter is quite a few more sales in the south county than in the first and second quarters. The activity has picked up; there is a larger sale that is currently in escrow that could set another benchmark for larger properties.

In addition to the three apartment sales, the Hotel State Street sold with multiple offers for \$3.4 million. The property consists of 51 guest rooms, 6 guest bathrooms, a managers unit and commercial space leased to fast food restaurant Subway. This property was bank owned and was the result of a foreclosure. Below is a breakdown of the three multi-family sales in the second quarter 2010.

If looking for off market properties and or more updated information please call Dan McGregor or Steve Golis



Coronado
Isla Vista
55 Units
6.6% CAP
10.34 GRM
\$272,727 PPU

\$15,000,000



Breakpointe
Isla Vista
96 Units
6.25% CAP
11 GRM
\$286,458 PPU

\$27,500,000



Pueblo Del Sol
Carpinteria
32 Units
5.41% CAP
11.67 GRM
\$225,000 PPU

\$7,200,000

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

☛ Radius was involved in half of all commercial sales to date in 2010.

☛ Radius handled more commercial leases than any other brokerage firm in 2nd Quarter 2010.

☛ Radius completed 3 of the 4 largest new office leases in Santa Barbara year to date.

☛ Radius Group has been involved in more commercial transactions than any other company on the South Coast since 2002.

☛ Radius was involved in more than half of the 62 leases that took place in the 2nd quarter of 2010.

☛ What can we do for you?

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