



RADIUS INSIGHT

Third Quarter 2010

- South Coast Vacancy**
Arrows indicate change during Q3 2010
- Office/R&D Vacancy**
- Santa Barbara 5.6% ■
 - Goleta 14.8% ▼
 - Carpinteria..... 11.2% ▲
- Industrial Vacancy**
- Santa Barbara 1.6% ■
 - Goleta 5.8% ▼
 - Carpinteria..... 14% ▼
- Retail Vacancy**
- Santa Barbara 2.4% ■

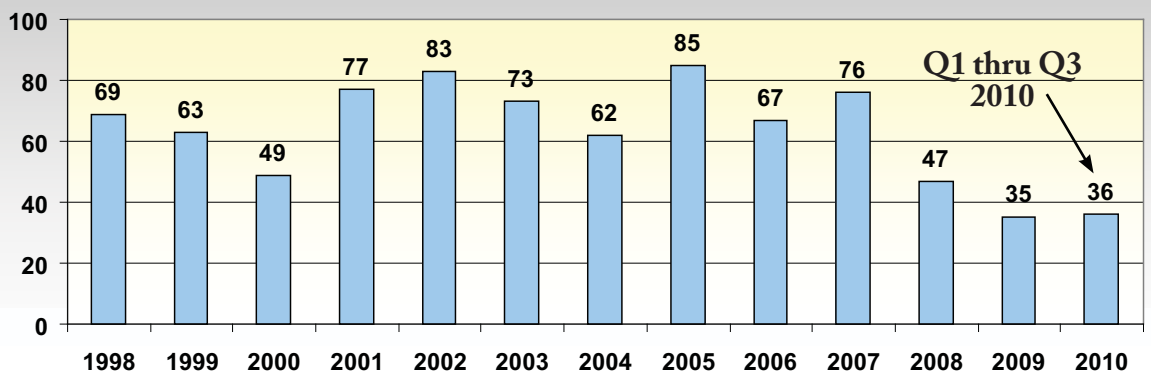
2010 Third Quarter Sales Market Overview

The third quarter of 2010 saw 11 completed commercial sales transactions. The largest sale was the Salvation Army's 57,000 square foot campus in Carpinteria. This property sold for more than the asking price of \$6,000,000 to the neighboring tenant lynda.com. Lynda.com will be occupying the property once their improvements are completed. During the third quarter the former Left at Albuquerque building at 700 State Street sold to an investor. The Santa Barbara Housing Authority sold approximately 2 acres of land entitled for affordable housing on the corner of Montecito Street and Olive Street. As you can see in the chart below after three quarters in 2010 we have surpassed the number of commercial sale transactions that we saw in all of 2009.

2010 Third Quarter Leasing Overview

The largest retail lease transaction during the third quarter was REI's lease of 24,500 square feet at 314 State. This transaction will increase retail traffic on the 300 - 500 blocks of State Street. Just 5 years ago national retailers were mainly focused in the area immediately around Paseo Nuevo. Old Navy, Tilly's and Apple have brought traffic up State Street. REI will now begin to draw traffic down State towards the 101 underpass and the ocean front. Another notable item during the 3rd quarter was the slight downtick in the Goleta Office vacancy. Hopefully Goleta office vacancy has peaked at around 16% and will return to more traditional vacancy levels.

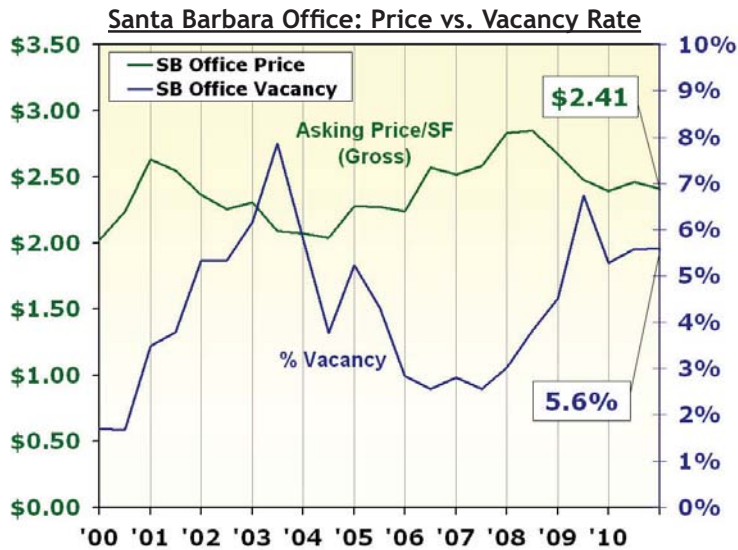
South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)



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

Santa Barbara Office Leasing

Although more than 20 new Santa Barbara office leases of 3,000 SF or more have been signed this year, the vacancy rate has remained relatively level since the beginning of the year, hovering at 5.6%. With the continued addition of new vacancy onto the market, there continues to be an excess supply of available space for tenants to choose from. In order for the market to get on a track to recovery we need to have two events occur; fewer properties coming onto the market and increased leasing activity in the small office market where there are still dozens of properties available.



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
101 Innovation Place	35,000 SF	QAD
111 E Victoria	9,600 SF	Penfield & Smith
3757 State Street	9,400 SF	Multiple Tenants
820 State Street	8,500 SF	TMC Communications

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
30 E. Figueroa Steet	4,000 SF	Ivanhoe Energy
14 E Carrillo Street	4,000 SF	Pacifica Commercial Realty
1300 Santa Barbara	3,100 SF	County of Santa Barbara
100 E. De La Guerra	2,700 SF	

Santa Barbara Industrial Leasing

Although the industrial sector of Santa Barbara saw its vacancy rate increase by 33% since the first quarter, the good news is that this represented a jump from 1.2% to 1.6% (very low vacancy numbers). There has been little activity in industrial leasing over the last two quarters.

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
719 E. Haley Street	3,200 SF	Planet Solar
728 Union Street	1,800 SF	

Santa Barbara Retail Leasing

Santa Barbara's retail market is seeing a modest comeback as more State Street leases are being signed. Year to date, we have seen several highlight retail leases from national and local tenants. However, this does not mean a return to normal for State Street or Santa Barbara. Expect retail vacancy to rise as new vacancies surrounding the new REI location come onto the market along with other new vacancies like The Men's Warehouse. Look for asking rates to hold steady in the prime blocks of State (700-900). At the same time rates will likely continue to see modest declines in the outlying blocks from 300 to 600 State and 1100 to 1300 State.

Santa Barbara Retail: Price vs. Vacancy Rate



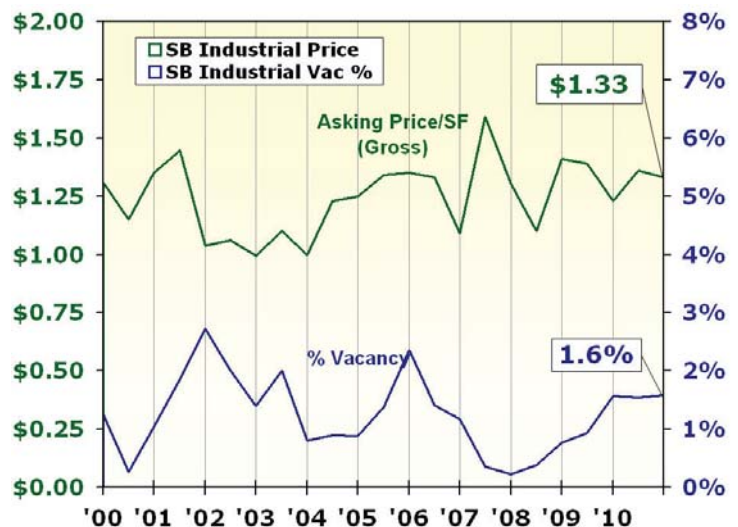
LARGEST AVAILABLE RETAIL SPACES

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
602 E Montecito Street	10,700 SF	Ferguson Design Center

LARGEST RETAIL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
314 State Street	24,500 SF	REI, Inc.
936 State Street	5,400 SF	US Bank & Trust
330 State	5,400 SF	Tom and Adam White
1021 State Street	2,500 SF	Blue Eyed Girl

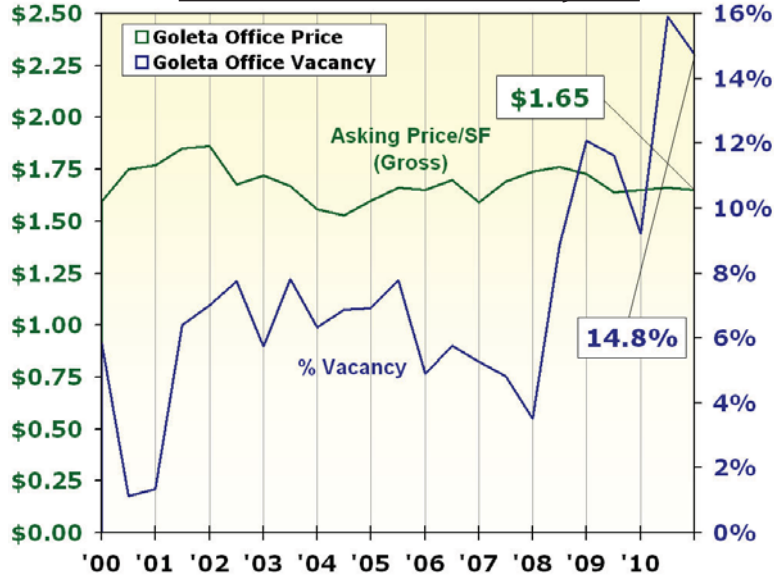
Santa Barbara Industrial: Price vs. Vacancy Rate



Goleta Office Leasing

In contrast to the relative stability of the Santa Barbara office market, the Goleta office market has seen large vacancy increases over the last 12 months. Goleta office vacancy has continued its' rapid rise since the beginning of the year and now sits at 14.8%. Since January of 2008 the vacancy rate has risen almost 400% from less than 4% to nearly 15% (a new historic high for Goleta). Look for lease rates to decrease as landlords fight for the few office tenants active in the Goleta marketplace during the 4th quarter of 2010.

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
6330 Hollister Ave.	43,900 SF	Bargain Network
50 Castilian Drive	43,300 SF	Cottage Hospital

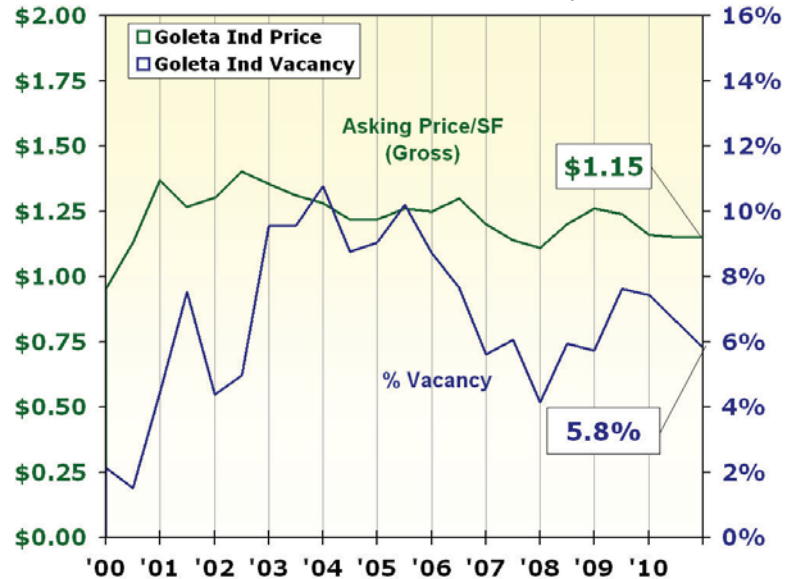
LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6755 Hollister Avenue	11,960 SF	Eucalyptus Systems
5383 Hollister Avenue	6,800 SF	SB Cottage Hospital
6950 Hollister Avenue	4,400 SF	SEE International
75 Castilian Drive	3,800 SF	Transphorm, Inc.

Goleta Industrial Leasing

Goleta's industrial vacancy rate has actually seen a steady decline over the last twelve months from 7.4% to 5.8%. Several modest industrial transactions helped fuel this decline in the vacancy rate. Asking rates have held steady and continue to be in the \$1.15/SF gross range. Goleta has more to offer in the R&D industrial sector and has larger properties available. This is in contrast to Santa Barbara's market which typically features older and usually smaller industrial properties that have tended to attract blue collar service industries.

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	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
None		

SOUTH COAST HIGHLIGHT SALES - Q3 - 2010



6410 Cindy Lane

Bldg. Size: 57,500 SF
Price: \$6,120,000



700 State Street

Bldg. Size: 5,750 SF
Price: \$3,949,000



1903 State Street

Bldg. Size: 9,200 SF
Price: \$2,955,000



2936 De la Vina Street

Bldg. Size: 7,600 SF
Price: \$2,300,000

Carpinteria Industrial Leasing

Carpinteria's industrial market saw a marked vacancy increase beginning in mid 2008 and has not seen much in the way of relief since then. Carpinteria still has to compete against the larger industrial opportunities offered in Goleta and Ventura so the market tends to be very price sensitive. Additionally, the small size of this submarket makes it very volatile. Look for continued softening in Carpinteria industrial lease rates and more landlord incentives to once again try to entice that elusive industrial tenant seeking space during the 4th quarter of 2010.

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.	19,400 SF	Helix
5045 6th Street	13,000 SF	

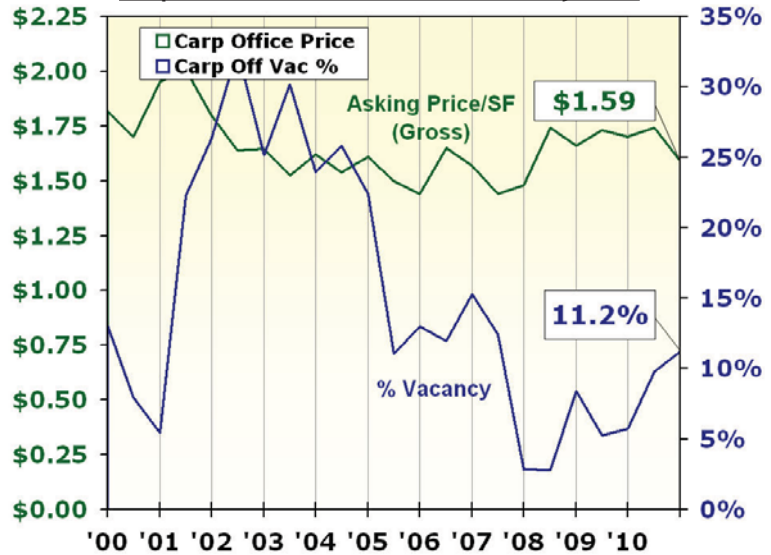
LARGEST INDUSTRIAL LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
4195 Carpinteria Ave	900 SF	Dixie McGuire

Carpinteria Office Leasing

Carpinteria's office vacancy rate saw its' fourth straight increase as additional space made its way to the market. Like the Goleta office market, the Carpinteria office market continues to see a distinct lack of office leasing activity. Look for asking rates to drop over the next two quarters as owners get aggressive in their efforts to fill long standing vacancies.

Carpinteria Office: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
4180 Via Real	16,100 SF	Multiple Tenants
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
1180 Eugenia	5,600 SF	Divecon, Inc.
1035 Cindy Lane	4,900 SF	ZBE, Inc.

LARGEST OFFICE SPACE LEASE DEALS

ADDRESS	SIZE (SF)	LEASED BY
6430 Via Real	4,750 SF	lynda.com
6420 Via Real	3,330 SF	lynda.com

SOUTH COAST HIGHLIGHT LEASES - Q3 2010



314 State Street
 Size: 24,500 SF
 Tenant: REI, Inc.



5383 Hollister Avenue
 Size: 6,800 SF
 Tenant: Santa Barbara Cottage Hospital



6755 Hollister Avenue
 Size: 11,900 SF
 Tenant: Eucalyptus Systems



6430 Via Real 6-8
 Size: 4,750 SF
 Tenant: lynda.com

Highlight Apartment Sales South Santa Barbara County

The inventory for available properties in South County remains relatively minimal with few properties available on the open market though buyers are readily available for properties that are priced within comparable ranges. We have had 3 recorded sales of apartments in the third quarter though we have had four properties go into escrow.

There seems to be an appetite in our area for larger properties up and down our central coast. The appeal to the south county still remains very strong as a blue chip investment. Prices seem to have stabilized and with the exceptionally low interest rates investors are moving to bonds keeping rates at historic lows. We also have more lenders in the market than previously with an ample amount of lenders for apartment properties.

Due to the limited inventory of available rental units on the South Coast, landlords were still able to see slightly positive growth for rents year to date in 2010. With little, if any new rental units being developed, we are in an environment where too many people are chasing after too few available rentals, thus keeping our rents at a stable basis which makes the central coast an attractive market to invest in. Additionally, homeowners that are affected by foreclosures that stay in the area become renters.

In our year to date data for 2010 we have seen an increase in sales and escrows from the previous year at this time. The South County still seems to show it is the blue chip for our current economic environment along

the central coast. We had 14 sales of apartment buildings in 2009 which exceeded the total for 2008. There have been 10 sales of apartment properties over 5 plus units as of early September 2010 with another 3 expected to close by the end of September.

Isla Vista saw a large sale in early September of the Fountainebleu and the annex which sold for \$37M. That brings three large sales in Isla Vista this year for a total of over \$77M in properties trading hands.

We had some properties come on the market for under \$2M on the upper east side that had multiple offers when hitting the market and went into escrow very quickly. Thus showing the strength of demand for apartment investors looking for quality product with numbers that fall in line with other comparable properties.

We may not see interest rates remain at these levels for very long (for apartments in the high 4's to mid 5's at this writing) and capital gains are set to increase next year so this is an excellent time to consider acquiring additional assets in multifamily.



**Fountainebleu
Isla Vista
430 Beds
\$37,400,000**



**Camino Pescadero
Isla Vista
\$2,700,000**

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 has completed over 90 leases totaling more than 380,000 SF to date in 2010.

☞ Radius handled 7 of the 10 commercial sales in the 3rd Quarter of 2010 and over half of all commercial sales to date in 2010.

☞ Radius completed 2 of the 3 largest new retail leases on State Street year to date.

☞ Radius was involved in more than half of all leases that took place to date in 2010.

☞ Radius Group has sold and leased more commercial property than any other company on the South Coast since 2002.

☞ What can we do for you?

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