

RADIUS INSIGHT

Second Quarter 2011

South Coast Vacancy

Arrows indicate change during Q2 2011

Office/R&D Vacancy

Santa Barbara 5.6% ▲

Goleta 10.3% ▼

Carpinteria 13.0% ▼

Industrial Vacancy

Santa Barbara 1.5% ▲

Goleta 6.3% ▲

Carpinteria 12.9% ▼

Retail Vacancy

Santa Barbara 2.0% ▲

Second Quarter 2011 Leasing Overview

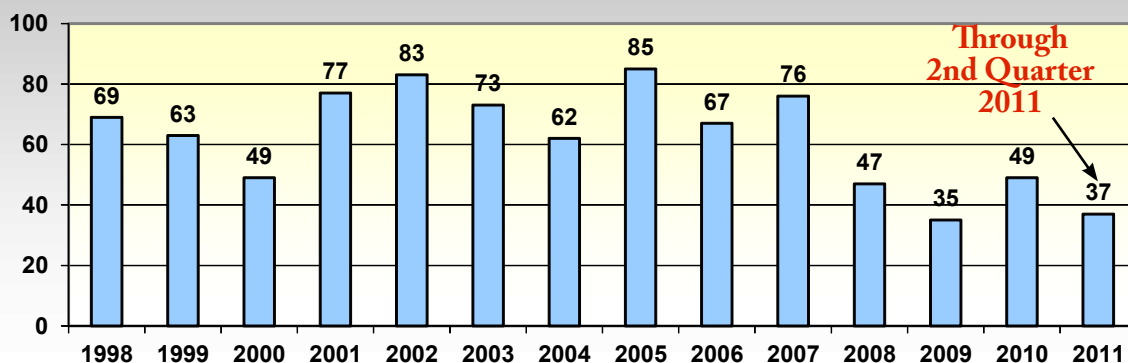
The Leasing Market returned mixed results during the second quarter even as leasing activity remained strong. Vacancy rates increased slightly in all sectors (office, industrial and retail) in Santa Barbara while the Carpinteria and Goleta office sectors experienced decreases. Although RightScale leased over 26,000 SF of Santa Barbara office space it did not impact the vacancy rate due to the fact that the space was occupied by many small tenants on month to month leases at the Santa Barbara Technology Incubator. Goleta witnessed the largest improvement overall, slowly inching back towards single digit vacancy rates. This is the fourth straight quarter of declining vacancy rates in the Goleta Office sector. Carpinteria also posted positive gains in their office and industrial sector. We forecast that leasing activity will remain steady during the 3rd quarter of 2011.

Second Quarter 2011 Sales Market Overview

There was a decline in the number of sales during the second quarter when compared to the first quarter of 2011. The Sales Market only produced 11 sales compared with 26 in the previous quarter. The highlight sales included a 70,000 SF building formerly owned but still occupied by Mentor at 301 Mentor Drive that sold for \$19.4 million and a 29,000 SF building that currently houses Spectrum Fitness on Calle Real sold for \$3.9 million.

Even with only 11 sales during the second quarter the outlook is bright for the number of commercial sales to exceed 60 for the entire year. This would be first time since 2007 that this kind of activity has occurred on the South Coast.

South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)

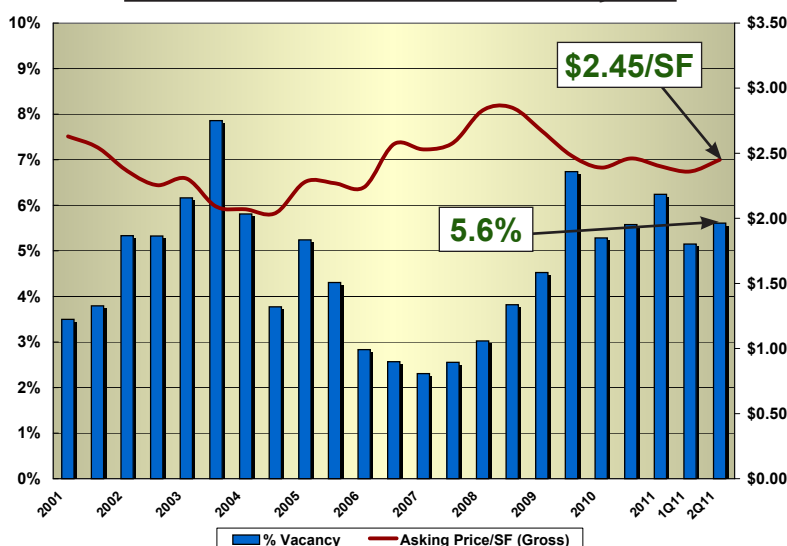


The average number of transactions over the last 13 years is **64** per year.

Santa Barbara Office Leasing

Santa Barbara's Office market gave up only a small amount of their previous gains from the first quarter even though RightScale leased over 26,000 SF on Gutierrez and Sonos subleased approximately 20,000 SF on Garden. The reason behind this is is that these locations were not actively included in the vacancy rate for Santa Barbara because neither was technically vacant. This belies the still strong activity that was present during the second quarter as approximately 200,000 SF of space was leased. Lease rates remained strong as the average achieved rate for space was \$2.24 per SF modified gross compared to an asking rate of \$2.45 per SF modified gross.

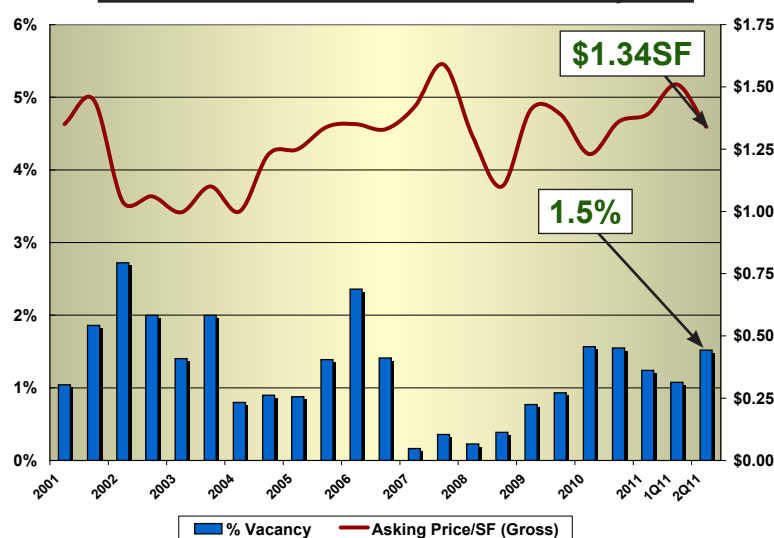
Santa Barbara Office: Price vs. Vacancy Rate



Santa Barbara Industrial Leasing

While the vacancy rate for Santa Barbara's Industrial market rose slightly from 1.1% in the first quarter to 1.5% in the second, there were several leases in the 1,000 SF to 2,000 SF range illustrating that there is still demand in this market segment. The overwhelming percentage of the currently available industrial space is made up of four properties. Outside of those four, there is very little available space and demand is still high for smaller (1,000 SF to 2,000 SF) spaces. Additionally, given that there is very little available space the average achieved lease rate of approximately \$1.45 per SF modified gross is quite close to the average asking rate of \$1.51 per SF modified gross.

Santa Barbara Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
901 Olive Street	14,400 SF	SoftShare
3757 State Street	9,400 SF	Multiple Tenants
360 Olive Street	8,700 SF	Control Point
4181 State Street	8,400 SF	MGPL

LARGEST OFFICE SPACE LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
4151 Foothill Road	59,800 SF	Confidential
402 E Gutierrez Street	26,300 SF	RightScale, Inc.
801 Garden Street	20,000 SF	Sonos, Inc.
136 W Canon Perdido	18,100 SF	Tempest Telecom

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
501 E Gutierrez Street	18,000 SF	Industrial Tenant
1 N Calle Cesar Chavez	17,500 SF	Bekins
1 N Calle Cesar Chavez	15,300 SF	Murray Plumbing
820 Bond Avenue	7,500 SF	Profile Record Storage

LARGEST INDUSTRIAL LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
523-525 Garden Street	3,200 SF	Kline Racing
118 Gray Avenue	1,925 SF	Storage Client
511 E Gutierrez Street	1,900 SF	Storage Client
527 Garden Street	1,400 SF	R&D Client

Santa Barbara Retail Leasing

Santa Barbara's Retail sector continued to see only moderate activity in the marketplace and the majority of leases completed were with local tenants. National tenants are keen on entering the Santa Barbara market but the allure for local landlords is not as strong. The vacancy rate remains low at 2%. The lower blocks of State Street (100-500) continue to see more vacancies than the higher blocks (600-1000) as demand for retail space remains strong in the prime blocks of 700 to 900 State. Additionally, rents continue to firm up in these prime blocks of State.

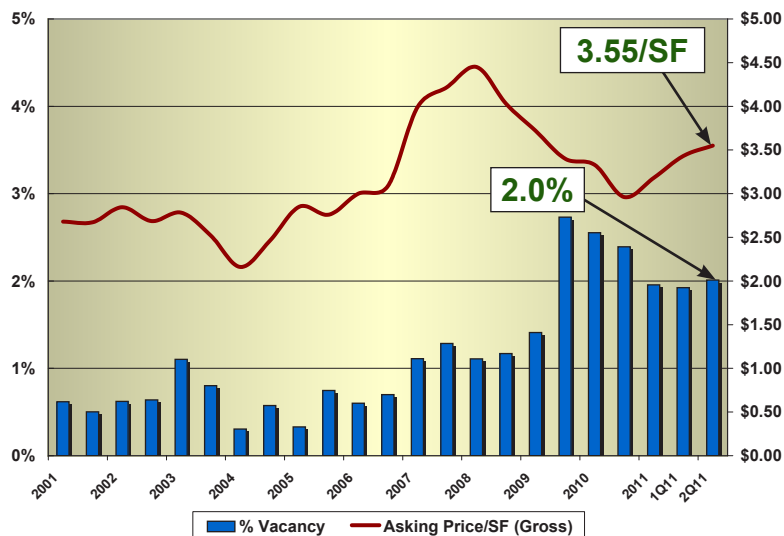
LARGEST AVAILABLE RETAIL SPACES

<u>ADDRESS</u>	<u>SIZE (SF)</u>	<u>VACATED BY</u>
314 State Street	23,000 SF	Multiple Tenants
424 State Street	16,900 SF	Pep Boys
1117 State Street	11,200 SF	Antica Rugs
34 W Carrillo Street	5,900 SF	Greyhound

LARGEST RETAIL LEASES Q2 2011

<u>ADDRESS</u>	<u>SIZE (SF)</u>	<u>LEASED BY</u>
118 E Ortega Street	3,100 SF	ErgoMotion, Inc.
11 W De la Guerra	2,500 SF	Baretto Paseo, Inc.
911.5 State Street	2,500 SF	Savvy, Inc.
3615 State Street	1,500 SF	Tri-County Blinds

Santa Barbara Retail: Price vs. Vacancy Rate



SOUTH COAST HIGHLIGHT SALES - Q2 2011



301 Mentor Drive

Bldg. Size: 70,300 SF
Price: \$19,400,000



6144 Calle Real

Bldg. Size: 29,000 SF
Price: \$3,920,000



1316 State Street

Bldg. Size: 3,600 SF
Price: \$3,000,000



469 Kellogg Way

Land Size: 108,500 SF
Price: \$1,495,000

SOUTH COAST HIGHLIGHT LEASES - Q2 2011



402 E Gutierrez Street

Size: 26,000 SF
Tenant: RightScale, Inc.



801 Garden Street

Size: 20,000 SF
Tenant: Sonos, Inc.



75 Castilian Drive

Size: 16,000 SF
Tenant: Transphorm, Inc.



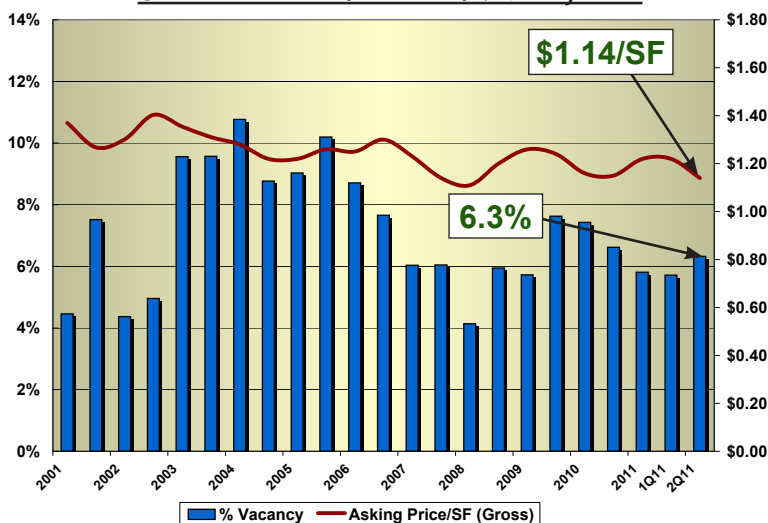
4151 Foothill Road

Size: 59,800 SF
Tenant: Confidential/New Construction

Goleta Industrial Leasing

The Goleta Industrial sector's vacancy rate bumped up from 5.7% to 6.3% during the second quarter based on very little leasing activity and new vacancies in the City. There was only large lease to speak of for the quarter, Transphorm, Inc., who is seeing great success through expansion and increased investment funding. Overall, the industrial sector of Goleta has not changed significantly during the recent downturn. The supply of smaller vacancies continues to be tight.

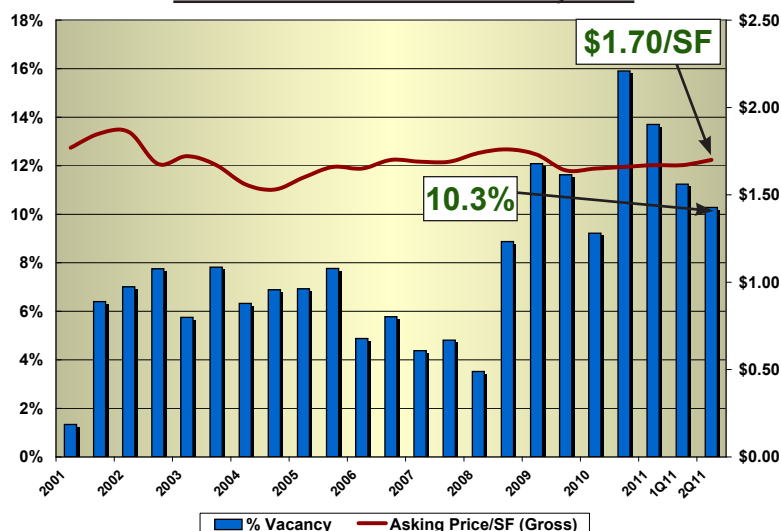
Goleta Industrial: Price vs. Vacancy Rate



Goleta Office Leasing

The Goleta Office sector saw another strong quarter as vacancy rates dropped from 11.2% to 10.3%. The continued improvement was keyed by several medium sized leases. Continued growth from companies like Appfolio and Moseley are helping Goleta's resurgence. This is the fourth straight quarter of decline in the vacancy rate and there is little doubt that the vacancy rate for Goleta will continue to improve this year. The average achieved lease rate for office space was approximately \$1.52 per SF modified gross compared to an average asking price of \$1.68/SF.

Goleta Office: Price vs. Vacancy Rate



LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
30 S La Patera	49,700 SF	Multiple Tenants
6466 Hollister Ave.	20,900 SF	FedEx
26 Castilian Drive	20,400 SF	Network Hardware

LARGEST INDUSTRIAL LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
75 Castilian Drive	16,000 SF	Transphorm, Inc.

LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
26 Castilian Drive	34,600 SF	Network Hardware
1 S. Los Carneros Rd.	30,000 SF	SBB&T
50 Castilian Drive	28,800 SF	Cottage Hospital

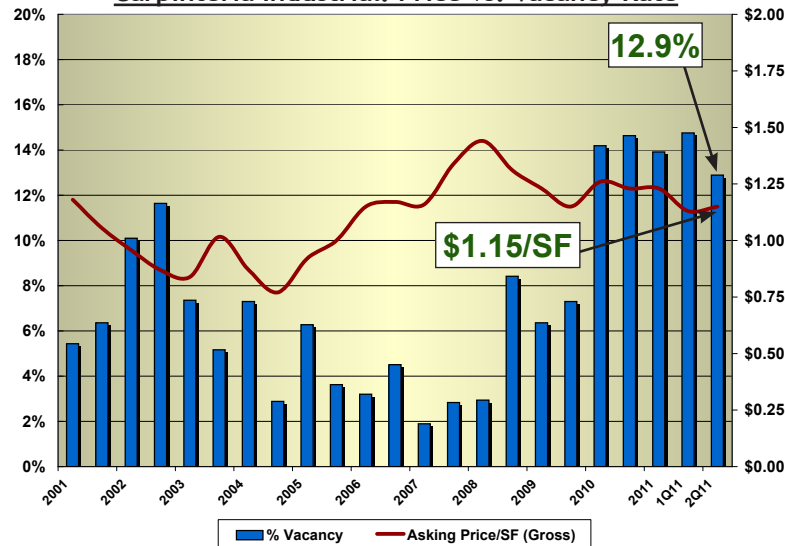
LARGEST OFFICE LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
50 Castilian Drive	14,500 SF	AppFolio
475 Pine Avenue	6,600 SF	Hispanic Bus. Journal
6950 Hollister Avenue	5,900 SF	Montecito Bank & Trust
6485 Calle Real	5,400 SF	Moseley Associates

Carpinteria Industrial Leasing

The Carpinteria Industrial sector saw positive movement this quarter as several leases were signed and little new space was added to the market. Carpinteria's industrial vacancy rate decreased from 14.8% to 12.9%. The average achieved rate of \$.77 per SF modified gross was far lower than the average asking rate of \$1.15 per SF modified gross so it is clear that there is still a gap between where landlords are marketing their spaces and where tenants are willing to be.

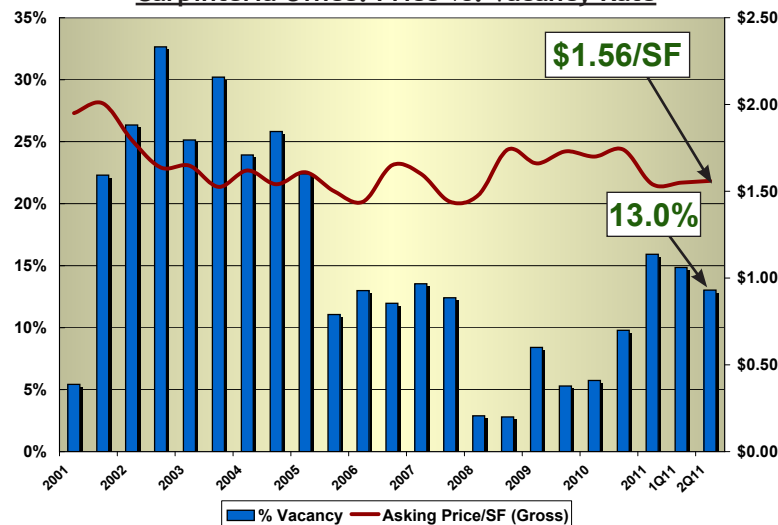
Carpinteria Industrial: Price vs. Vacancy Rate



Carpinteria Office Leasing

The vacancy rate of Carpinteria's Office sector saw good improvement, declining from 14.9% to 13% with a variety of office leases, including additional activity from lynda.com. The average achieved lease rate of \$1.49 per SF modified gross is quite close to the average asking rate of \$1.55 per SF modified gross. We forecasted last quarter that the lease rates would need to be about \$1.50 per SF modified gross for tenants to see the benefits of locating in Carpinteria. Landlords continue to be aggressive in their pricing by lowering Base Rents and the results speak for themselves.

Carpinteria Office: Price vs. Vacancy Rate



LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Lane	68,500 SF	Multiple Tenants
6382 Rose Lane	39,100 SF	Pacific Scientific
1015 Cindy Lane	9,600 SF	Helix
6383 Rose Lane	8,200 SF	Event Electronics

LARGEST INDUSTRIAL LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
1015 Cindy Lane	9,800 SF	Teeccino Caffee, Inc.
5045 6th Street	7,100 SF	McKee Comm.
5045 6th Street	3,000 SF	Pagliei Collection, Inc.
1020 Cindy Lane	2,000 SF	Inertia Designs

LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
5464 Carpinteria Ave	23,800 SF	Microsoft
4180 Via Real	16,100 SF	Multiple Tenants
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
1035 Cindy Lane	4,900 SF	ZBE, Inc.

LARGEST OFFICE SPACE LEASES Q2 2011

ADDRESS	SIZE (SF)	LEASED BY
1180 Eugenia Pl.	5,600 SF	Pagliei Collection, Inc.
6450 Via Real 3-5	4,800 SF	lynda.com
1135 Eugenia Pl.	2,200 SF	Minehan, McFaul
1180 Eugenia Pl.	1,700 SF	Celebros, Inc.

Highlight Apartment Sales South Santa Barbara County

Apartment demand in Santa Barbara County continued to show positive signs in the 2nd quarter 2011, as the South County sales count increased with five additional sales bringing the year to date total to ten. There are three deals in the South County currently under contract so the third quarter should continue to show positive signs. Apartment financing is still the most readily available loan to get. As opposed to commercial property loans, several banks are competing to make loans on multifamily properties. We have seen loans that buyers are getting at sub 4% and are close to that at this time in June of 2011.

The inventory for available properties in South County remains relatively minimal with few properties available on the open market though buyers readily available for properties that are priced within comparable ranges. There seems to be an appetite in the South County at this time for smaller properties that are very well located as these smaller properties constitute the bulk of the escrows so far in 2011. The appeal to the South County still remains as a blue chip investment.

There are signs of the beginning of a recovery in the North County. Lompoc has had two midsize properties trade year to date, the 101 unit Heritage Oaks community sold for \$11,500,000 and the Laurel Townhomes, a 48 unit building sold for \$4,650,000. We expect sales to continue as more income properties come to market in Lompoc

as well as in Santa Maria where the rental markets continue to be strong. Very limited loss of renters to home purchase and only modest competition for lease single family homes are pluses for North County absorption potential. Currently, occupancy rates are hovering just above 95% in the North County.

As for the South County, occupancy is extremely tight, just over 98% in Santa Barbara. Due to very limited inventory of available rental units on the South Coast, landlords are still able to see slightly positive growth for rents in 2011. With little, if any new rental units coming on the market, 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 so attractive to invest in.

Number of Sale Transactions South SB County 5 + Units



Highlight Apartment Sales 2nd Quarter 2011



415 Micheltorena
5 Units -Sold April 20th
\$1,250,000
PPU \$250,000



1620 Garden St
5 Units -Sold April 29th
\$1,200,000
PPU \$200,000



118 Los Aguajes Ave
11 Units -Sold May 10th
\$2,000,000
PPU \$181,818



1315 Olive St
6 Units - Sold May 20th
\$1,270,000
PPU \$211,667

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 2011 Accomplishments

☞ Radius completed more sales and leases to date in 2011 than any other brokerage on the South Coast.

☞ Radius handled 21 commercial sales transactions through the second quarter of 2011.

☞ Radius had 4 apartment sales transactions totalling over 80 units in the second quarter of 2011.

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

☞ Radius has sold over \$112 million in commercial and apartment properties to date in 2011.

☞ What can we do for you in 2011?

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