

RADIUS INSIGHT

Third Quarter 2011

South Coast Vacancy

Arrows indicate change during Q3 2011

Office/R&D Vacancy

Santa Barbara 5.4% ▼

Goleta 10.3% ■

Carpinteria 14.4% ▲

Industrial Vacancy

Santa Barbara 1.2% ▼

Goleta 7.3% ▲

Carpinteria 10.2% ▼

Retail Vacancy

Santa Barbara 2.0% ■

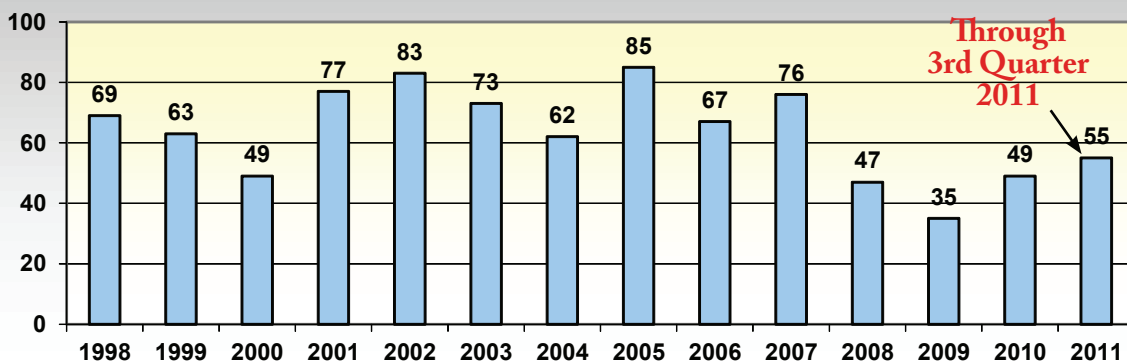
Third Quarter 2011 Leasing Overview

Continuing uncertainty in the national and local economy contributed to a lackluster third quarter in the South Coast Leasing Market. Vacancy rates were mixed along the South Coast with small drops in the Industrial sectors of Santa Barbara and Carpinteria and the Office sector of Santa Barbara while there were slight increases in the Carpinteria Office and Goleta Industrial sectors. The Goleta Office and Santa Barbara Retail sectors remained flat despite a deal for the former Pep Boys location at 424 State that should see the introduction of a new 99 Cent Store in the coming months. Overall, the vacancy rate for the South Coast Office Market stayed at 8% for the third quarter despite sluggish activity and new vacancies. As long as there is lackluster job growth, governmental gridlock and a stuttering economic recovery then the South Coast will continue to see these kinds of ups and downs in the commercial real estate sector.

Third Quarter 2011 Sales Market Overview

One bright area of note saw a busy third quarter in the commercial sales sector. The South Coast now stands at 55 sales for the year to date, more than the total sales for each of the last three years. It is expected that we should reach around 60-65 sales this year. The lion's share of the activity came in investment sales such as 1424 State Street and 202 W Carrillo Street and 131 Anacapa Street. However there were some solid owner/user sales, including 70 S Kellogg Avenue and 501 E Gutierrez Street. As the economy continues to sputter and there are few alternatives for the large amount of capital sitting on the sidelines, look for more investment sales as the South Coast has proven itself to be an attractive area for investment. Returns may not be as high as some other markets but the risks are reduced due to our low vacancy levels and high barriers to new development.

South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)

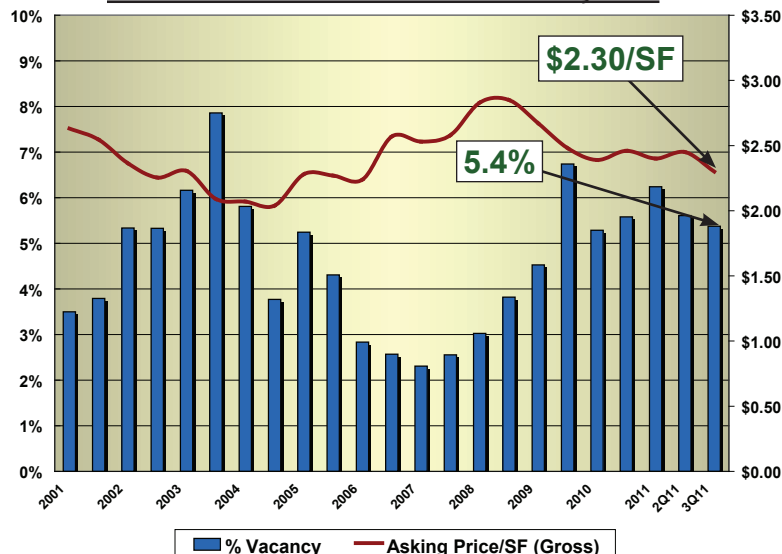


The average number of transactions over the last 13 years is **64** per year.

Santa Barbara Office Leasing

Santa Barbara's Office market saw a slight improvement during the third quarter with the vacancy rate decreasing from 5.6% to 5.4%. While the second quarter saw approximately 200,000 SF of leased space the third quarter had less than 30,000 SF of leasing activity. Even though the vacancy rate decreased slightly there are still a very large number of small to medium sized locations for lease and this means that there are still a number of opportunities for tenants to make long term deals at attractive rates. There are currently over 30 locations between 2,000 SF and 5,000 SF for tenants to choose from. With achieved lease rates averaging approximately \$2.20 per SF on a modified gross basis the expectation is that Santa Barbara office prices may need to dip further if the market is to counteract the current economic picture moving forward.

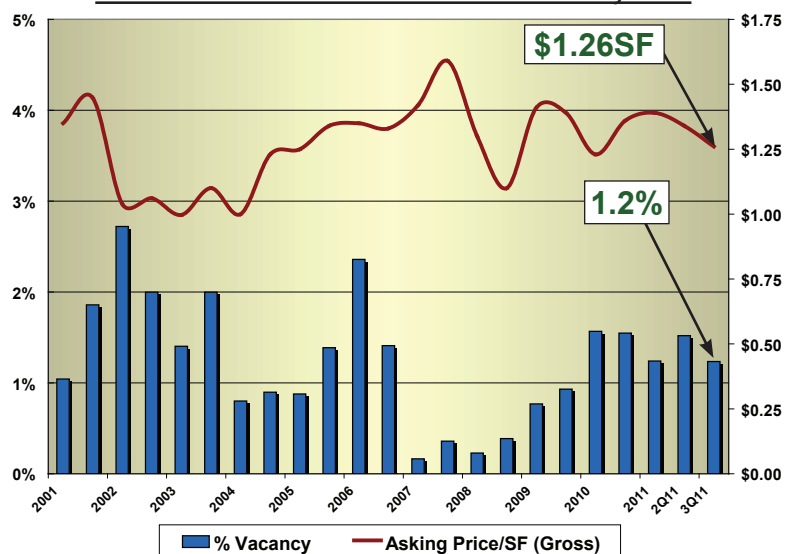
Santa Barbara Office: Price vs. Vacancy Rate



Santa Barbara Industrial Leasing

Santa Barbara's Industrial vacancy rate settled back down to approximately 1.2% in the third quarter. This range of 1%-2% seems to be the new norm for Santa Barbara as no new industrial properties are coming on line and there are still plenty of tenants looking for the small to medium sized properties. Asking rates are hovering right around \$1.25 per SF on a modified gross basis. This has the potential of trouble in the future as more commercial tenants will seek out the cheaper properties and convert them from true industrial into more general commercial and possibly retail. This will further constrict the smaller, blue collar industrial tenants and force them into locations further from Santa Barbara or cause prices to rise as they have to offset what will increasingly become higher rents in the future.

Santa Barbara Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
118 E Carrillo Street	10,600 SF	Morgan Stanley
901 Olive Street	9,600 SF	SoftShare
3757 State Street	9,400 SF	Multiple Tenants
4181 State Street	8,400 SF	MGPL

LARGEST OFFICE LEASES Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
21 E Victoria Street	6,200 SF	Aspect Education
104 W Anapamu	5,400 SF	D-2 Technologies
3916 State Street	3,400 SF	Emcare, Inc.
360 Olive Street	3,200 SF	CPR, Inc.

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1 N Calle Cesar Chavez	17,500 SF	Existing Tenant
131-137 Anacapa Street	16,700 SF	Multiple Tenants
1 N Calle Cesar Chavez	15,300 SF	Murray Plumbing
531 E Cota Street	8,900 SF	Haywards

LARGEST INDUSTRIAL LEASES Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
126 Powers Avenue	3,200 SF	Activegroup, Inc.
12 W Cota Street	3,000 SF	Cobalt 27, LLC

Santa Barbara Retail Leasing

With only one large lease to speak of, Santa Barbara's Retail sector experienced a lethargic third quarter. This is usually the time of year that deals are consummated if tenants hope to be open by the holidays. Vacancy rates hovered right at 2% despite the 99 Cents Store lease at 424 State Street. With over 40 available properties on State Street from the ocean to Highway 154 there is still a significant amount of space available as compared to 2007. REI is expected to come online in the middle of the fourth quarter and that should give the lower State Street area a bump in traffic activity.

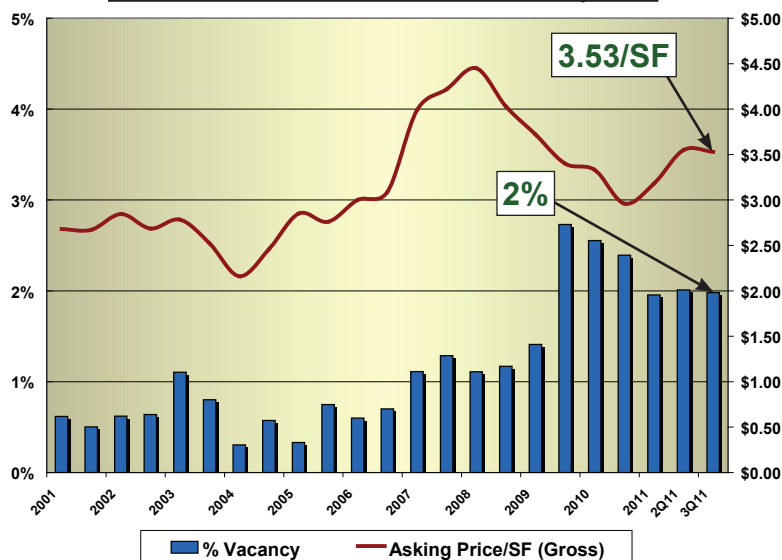
LARGEST AVAILABLE RETAIL SPACES

<u>ADDRESS</u>	<u>SIZE (SF)</u>	<u>VACATED BY</u>
314 State Street	23,000 SF	Multiple Tenants
1117 State Street	11,200 SF	Antica Rugs
111 State Street	7,100 SF	Be-Bop Burger
34 W Carrillo Street	5,900 SF	Greyhound

LARGEST RETAIL LEASES Q3 2011

<u>ADDRESS</u>	<u>SIZE (SF)</u>	<u>LEASED BY</u>
424 State Street	16,900 SF	\$.99 Store
714 State Street	2,500 SF	Mimosa
1345 State Street	2,400 SF	Fausset Optometry
2830 De la Vina	2,200 SF	Presto Pasta

Santa Barbara Retail: Price vs. Vacancy Rate



SOUTH COAST HIGHLIGHT SALES - Q3 2011



131-137 Anacapa

Bldg. Size: 16,700 SF
Price: \$3,500,000



1424 State Street

Bldg. Size: 15,000 SF
Asking Price: \$7,600,000



1025 Santa Barbara Street

Bldg. Size: 15,800 SF
Price: \$7,140,000



70 S Kellogg Avenue

Bldg Size: 22,200 SF
Price: \$3,700,000

SOUTH COAST HIGHLIGHT LEASES - Q3 2011



424 State Street

Size: 16,900 SF
Tenant: 99 Cent Stores



5383 Hollister Avenue

Size: 8,300 SF
Tenant: 5Linx Enterprises



21 E Victoria Street

Size: 6,200 SF
Tenant: Aspect Education



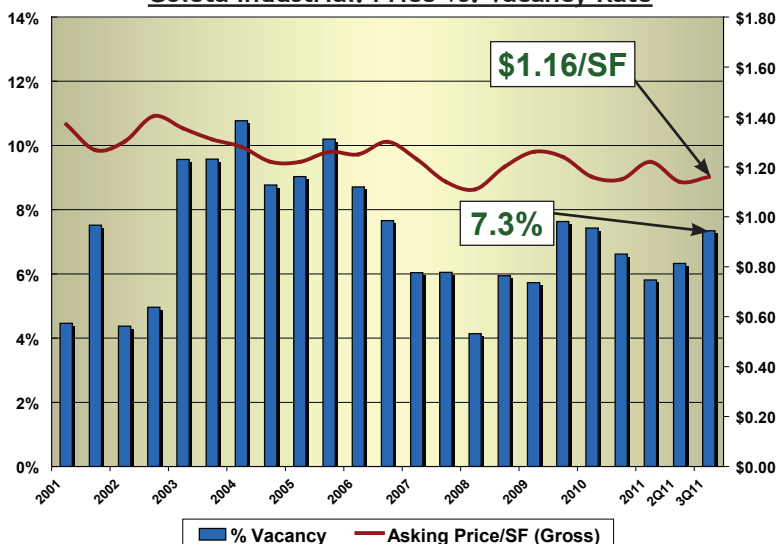
150 Castilian Drive

Size: 5,400 SF
Tenant: CIO Solutions

Goleta Industrial Leasing

The Goleta Industrial sector's vacancy rate rose slightly from 6.3% to 7.3% over the last quarter. This rise came about due to the anemic overall leasing activity during the third quarter and the continued addition of new vacancies to the marketplace. The average asking lease rate was \$1.16 per SF on a modified gross basis.

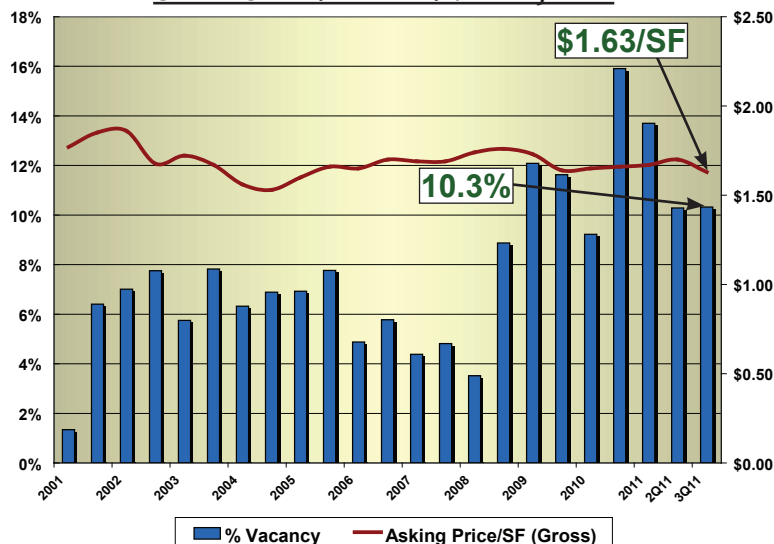
Goleta Industrial: Price vs. Vacancy Rate



Goleta Office Leasing

With less than 20,000 SF of new leasing activity during the quarter, there was no movement in the vacancy rate for the Goleta Office sector, holding steady at 10.3%. Asking rates dipped slightly to an average of \$1.63 per SF on a modified gross basis. Several renewals also helped keep the market stable. This sector is faring much better than last year as Goleta's office market saw an all time high of 16% in 2010. While the fourth quarter of the year is typically a slow one we do expect 2011 to finish with a further reduction in the vacancy rate as demand for Goleta office space returns. With landlords competing to offer attractive packages for tenants to move and to stay we expect more transactions and a possible dip in achieved lease rates.

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 Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
75 Robin Hill Road	5,900 SF	Deployable Space Sys.
6489 Calle Real	1,000 SF	Rich Graphics

LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
1 S. Los Carneros Rd.	63,000 SF	SBB&T
26 Castilian Drive	34,600 SF	Network Hardware
50 Castilian Drive	28,800 SF	Cottage Hospital

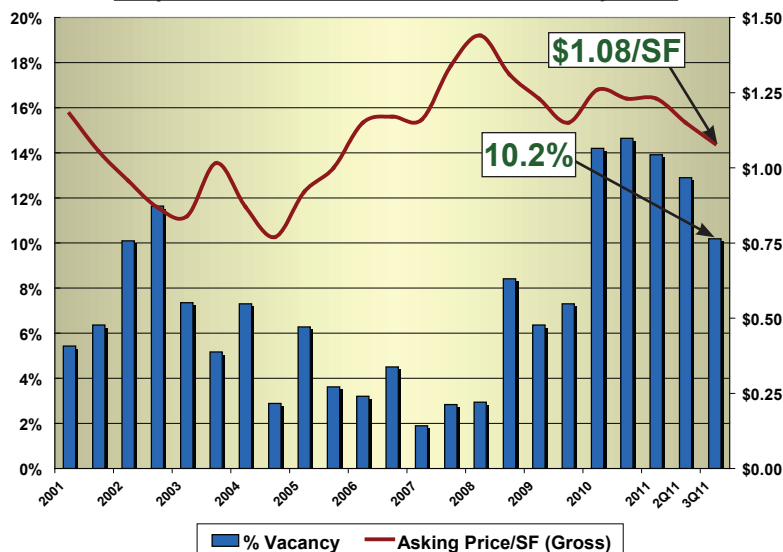
LARGEST OFFICE LEASES Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
5383 Hollister Avenue	20,100 SF	AT&T
5383 Hollister Avenue	8,300 SF	5Lynx Enterprises
55 Castilian Drive	7,300 SF	Sientra
150 Castilian Drive	5,400 SF	CIO Solutions

Carpinteria Industrial Leasing

Carpinteria's Industrial sector saw some relief during the third quarter mainly due to previous expansion of existing tenants during the second quarter that was not reported until the third quarter. The average asking rate dropped slightly to \$1.08 per SF on a modified gross basis. Carpinteria's Industrial sector continues to suffer from the same problem that Santa Barbara and Goleta suffer from and that is a lack of smaller industrial vacancies. The demand from tenants in the 1,000 SF to 2,000 SF range is still strong. However, we do not forecast any new development of this type of product based on the long permit process and the low availability of capital in the marketplace.

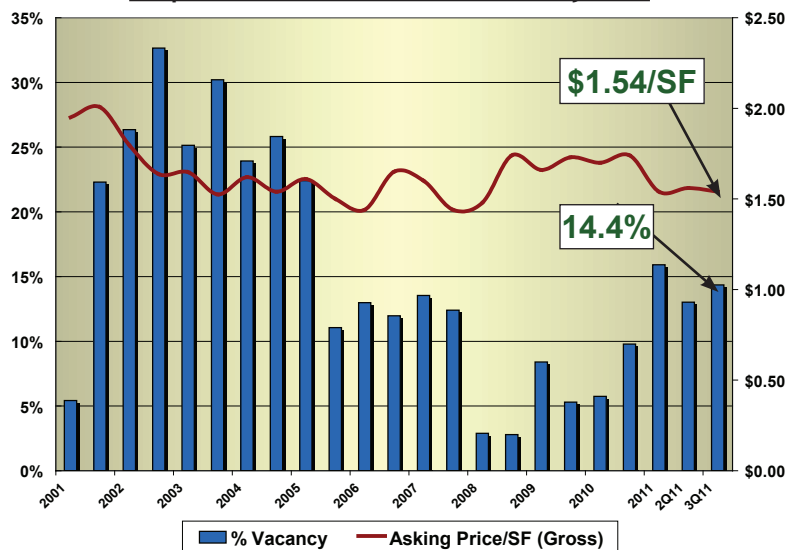
Carpinteria Industrial: Price vs. Vacancy Rate



Carpinteria Office Leasing

The vacancy rate of Carpinteria's Office sector saw a slight increase from 13% to 14.4% based on an upcoming vacancy of 11,600 SF at 1145 Eugenia Place. The market had been showing positive improvement with three small office leases during the quarter. The average achieved lease rate of \$1.56 per SF modified gross is very strong compared to the average asking rate of \$1.54 per SF modified gross. With the arrival of this new vacancy there are eight properties in Carpinteria of 4,000 SF or more. This accounts for over 80% of all available office space in Carpinteria. If these spaces are to be absorbed in the near term then the asking rates will need to become more competitive to compete with Goleta.

Carpinteria Office: Price vs. Vacancy Rate



LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Lane	46,300 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 Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
NONE	NONE	NONE

LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
5464 Carpinteria Ave	23,800 SF	Microsoft
4180 Via Real	12,600 SF	Multiple Tenants
1145 Eugenia Place	11,600 SF	AGIA
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower

LARGEST OFFICE SPACE LEASES Q3 2011

ADDRESS	SIZE (SF)	LEASED BY
4690 Carpinteria Ave.	3,000 SF	Redspin, Inc.
1110 Eugenia Place	2,400 SF	AIS Construction
1180 Eugenia Place	1,600 SF	ERM West, Inc.

Highlight Apartment Sales South Santa Barbara County

We have had a total of 11 recorded sales year to date of buildings over 5 units. We are on pace to exceed the number of sales for the South County for the year 2010. Interest rates continue to move downward. Homes continue to be in flux which continues to keep our rental market strong.

We had two sales that are worth mentioning in the third quarter. One of which was the largest recorded sale for the South County.

203 Ladera
28 units
26 one bedrooms and two studios, master metered
The property closed for \$4,650,000 with a cap rate at 5.25%.

1212-1216 Alta Vista
10 units
8 two bedrooms and 2 one bedrooms
The property was completely redone within the last two years with the owners putting close to \$1M in the property.
The property closed for \$2,760,000 at a cap rate of 5.17%.

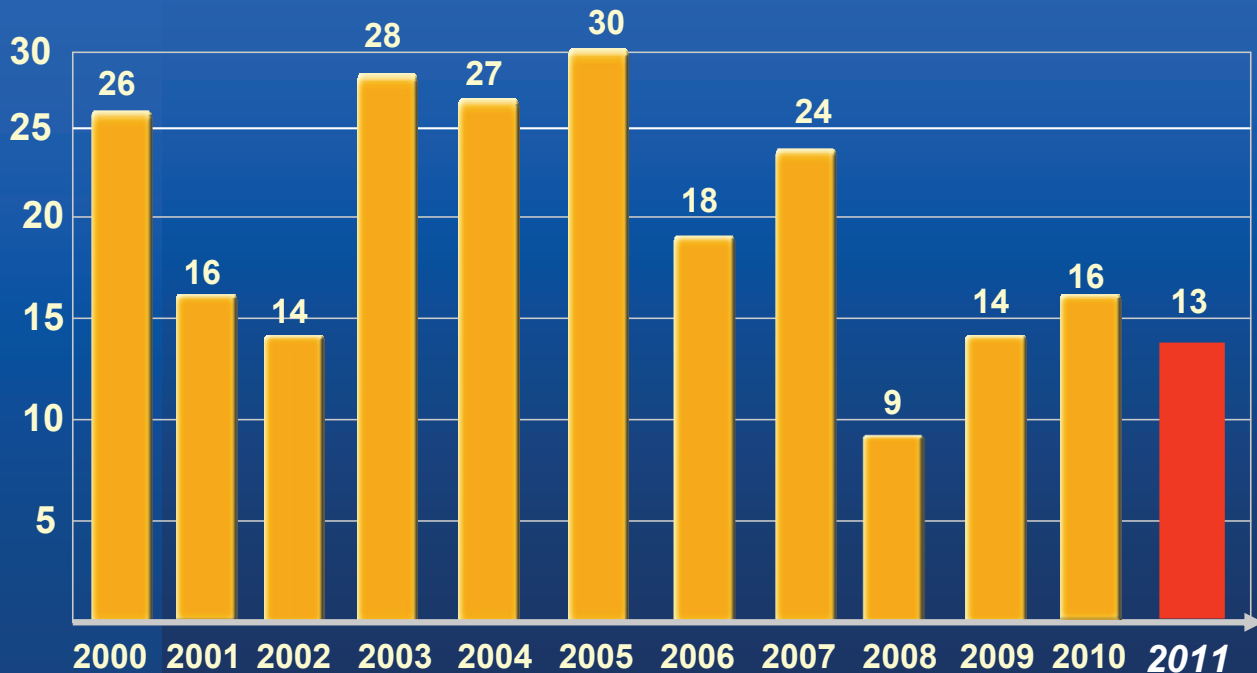
Our largest sales to date for Santa Barbara County have occurred in Lompoc. There is also currently a 64 unit property in escrow in Lompoc.

The North and South County continue to remain incredibly strong on the rental market. Occupancy levels in all areas of Santa Barbara County are in the high 90% category. Rents have increased across the board as more and more residents gravitate towards renting rather than home ownership.

The demand for apartments is strong from investors though very little inventory is on the market. Banks have ample money to lend on apartments and current interest rates for apartments are in the low 4% range.

The general consensus throughout the media is that if you are looking to invest in Real Estate, apartments should be a very strong consideration.

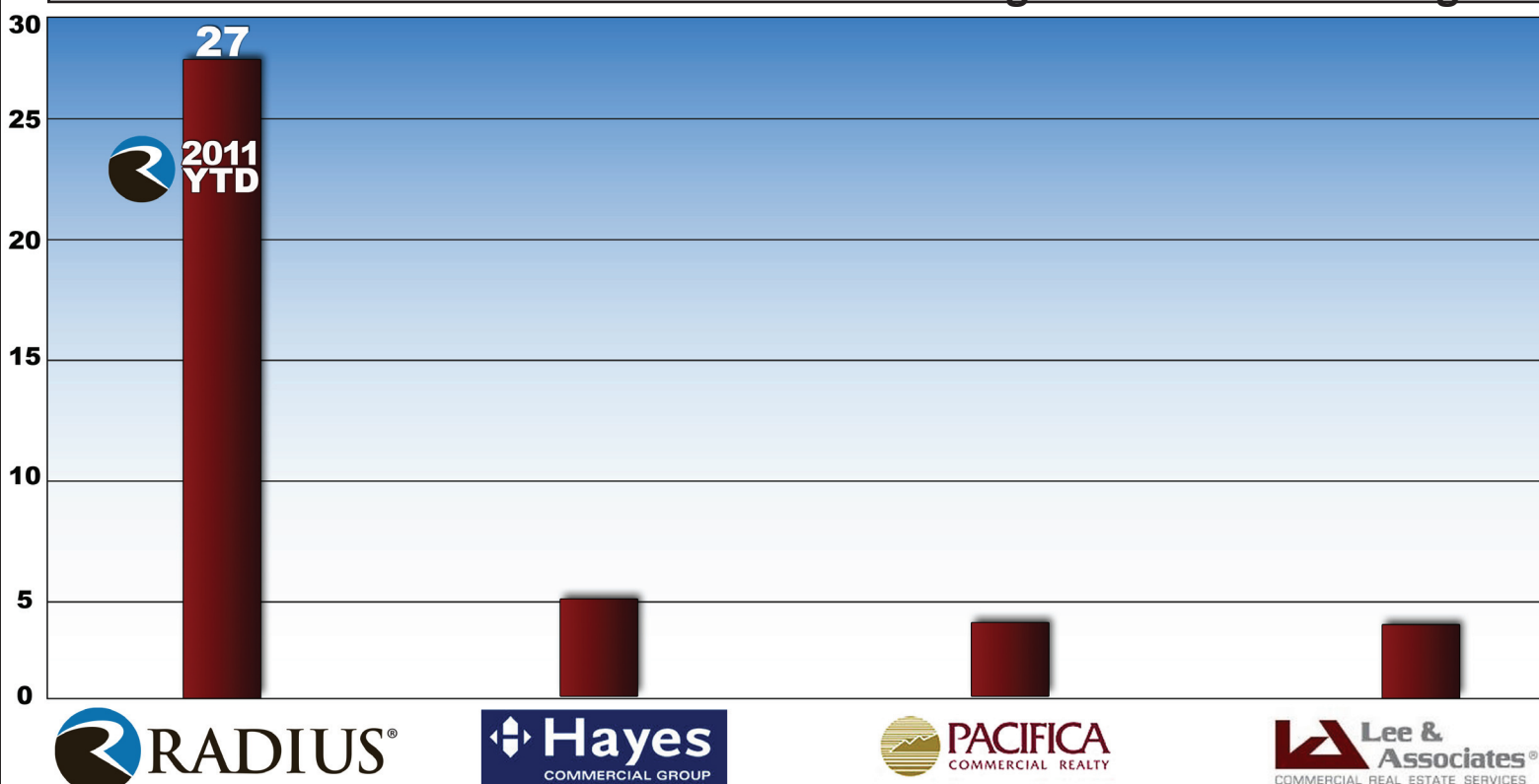
Number of Sale Transactions South SB County



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Our Reputation Says It All...Ask Anyone

2011 South Coast Commercial Sales YTD Among Commercial Brokerages



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