

Contribution by Rhonda Henderson

# A TOP-HEAVY QUARTER WITH TWO DEFINING TRANSACTIONS

The first quarter of 2026 marked the South Coast's largest commercial sales quarter (in sales volume) on record. **The quarter recorded approx. \$361 million across 40 transactions (not including sales of hotel properties), a dramatic jump from Q1 2025's \$33.9 million and 12 sales.** It's also worth noting that those 40 deals more than double the total annual count for all of 2025 (78).

But this exceptional quarter requires context, as it was shaped by two highly unusual transactions that materially skewed the headline numbers: the \$235 million Tech Park Goleta portfolio and the \$56 million sale of The Post in Montecito.

The Tech Park Goleta transaction was not a traditional single-asset sale, nor even a conventional multi-tenant trade. It was a 12-property, approx. 734,000 sq. ft. technology campus recapitalization spanning multiple business parks in Goleta, with new institutional capital introduced through Praelium, Blackbird Investment Group, and H.I.G. Capital. Portfolio offerings of this scale, particularly in a supply-constrained coastal market, are rarely available, and even more rarely trade in a single coordinated execution.

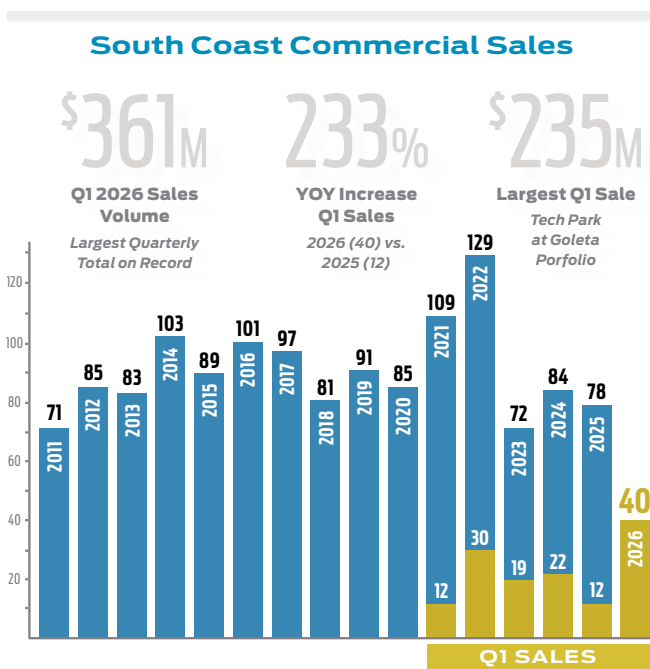
Meanwhile, The Post, an assemblage of multi-retail properties at the gateway to Montecito, is not a typical retail comp either.

The combined sale of two adjacent properties to Asana Partners totaled approx. \$56 million and reflects a curated, remodeled, and fully leased coastal asset in one of the South Coast's most supply-constrained and lifestyle-driven submarkets. The seller of the properties acquired the assets in 2022 for approximately \$26.25 million, then began repositioning and leasing the asset to its current tenancy and rent profile.

The transaction was effectively two components: the primary Cabrillo frontage (31,365 SF) and the Los Patos buildings (approximately 7,800 SF). The pricing reflects an approximate 6.0% cap rate on in-place NOI and over \$1,400 per square foot. While the asset's scale, location, and tenancy curation support strong pricing within the Montecito market, there remains a question as to the durability of the achieved rents and whether they represent a sustainable level over time.

Because of these two sales, the quarter can be viewed in two ways.

First, the reported quarter: 40 total sales and approx. \$361 million in volume (not including two hospitality sales), inclusive of all closed commercial transactions.



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## SO. COAST COMMERCIAL SALES

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Second, the normalized quarter: Stripping away the Tech Park Goleta portfolio and The Post sales, the figures adjust to 26 transactions totaling just under \$70 million, still a meaningful increase over Q1 2025 (12 sales, \$34 million) and a clear improvement in underlying activity.

The underlying story remains consistent with the tone that closed out 2025: **this is still a selective, disciplined, and top-weighted market.** Capital is not chasing everything. It is showing up where the story is compelling, where scarcity matters, and where long-term relevance is clear.

Asset-level activity within the quarter reinforces that point. Notably, 1525 State St. saw the successful sale of seven individual office condominium units, representing the continued execution of a value-creation strategy that transitioned the asset from single ownership to a commercial condo structure. The activity reflects both owner-user demand and the market's continued receptiveness to smaller, well-located office opportunities with flexibility of ownership.

About half of first-quarter transactions were completed off-market, reinforcing a trend we highlighted in prior reports: **relationships, direct sourcing, and targeted deal flow continue to play an outsized role in this market.** In a constrained inventory environment, the best opportunities are often not broadly marketed, and that dynamic remains firmly in place.

Office led the quarter by dollar volume (\$202.6 million), though heavily influenced by the Tech Park portfolio. Retail volume (\$64.3 million) was similarly elevated due to The Post. Again, minus those two sales, activity across industrial, office, land, and hospitality appears more consistent with a normalized, selective market.

Hospitality continues to serve as an important barometer. Two hotel sales, Franciscan Inn & Suites (\$22.5 million) and Palihouse Santa Barbara (\$16.75 million), combined for \$39.25 million in first-quarter volume, totaling 77 rooms and reinforcing investor confidence in the South Coast's lodging fundamentals. This is consistent with 2025 trends, where strong transient occupancy tax performance and sustained demand for coastal lodging supported continued activity in the sector.

From a capital markets perspective, conditions remain measured. Rates have stabilized, and while capital costs are still elevated, improved predictability has helped narrow bid-ask spreads. As a result, transactions are moving forward, just with a more disciplined approach.



**125 Cremona Dr., Goleta**  
 Part of 12 Separate Transactions Comprising  
 the "Tech Park at Goleta" Portfolio Sale  
 ±734,000 SF Office/R&D/Industrial · \$235,000,000



**Plaza Linda Vista**  
 1525 State St., Santa Barbara  
 Sale of 7 individual office condominiums

**The clearest takeaway from Q1 2026 is that the quarter was exceptional, but not necessarily repeatable.** Two transactions accounted for a disproportionate share of total volume, underscoring how concentrated the quarter was. Even so, removing those outliers, the market still showed greater depth than Q1 2025, where just 12 transactions totaled \$33.9 million. That is the more meaningful signal.

The South Coast continues to behave as it has: constrained, selective, relationship-driven, and highly sensitive to quality. But when the right opportunities emerge, whether scale in Goleta, coastal retail in Montecito, or well-positioned office, hospitality, and infill assets, capital remains ready. ■

**2026 So. Coast Leasing Quick Stats**
**VACANCY**

	Q4.25	Q1.26
OFFICE		
Santa Barbara	9.9%	<b>9.2%</b>
Goleta	8.0%	<b>7.9%</b>
Carpinteria	10.9%	<b>10.4%</b>
INDUSTRIAL		
Santa Barbara	1.5%	<b>1.2%</b>
Goleta	4.6%	<b>3.6%</b>
Carpinteria	7.2%	<b>5.1%</b>
RETAIL		
Santa Barbara	3.7%	<b>3.2%</b>

**GROSS ABSORPTION (SF)**

	Q4.25	Q1.26
OFFICE		
Santa Barbara	64,900	<b>66,200</b>
Goleta	12,800	<b>38,100</b>
Carpinteria	2,000	<b>0</b>
INDUSTRIAL		
Santa Barbara	13,900	<b>6,500</b>
Goleta	25,200	<b>6,000</b>
Carpinteria	14,400	<b>8,200</b>
RETAIL		
Santa Barbara	19,000	<b>85,200</b>

**AVG. GROSS ASKING RATES (\$/SF)**

	Q4.25	Q1.26
OFFICE		
Santa Barbara	\$3.33	<b>\$3.45</b>
Goleta	\$2.31	<b>\$2.41</b>
Carpinteria	\$2.46	<b>\$2.65</b>
INDUSTRIAL		
Santa Barbara	\$3.18	<b>\$3.09</b>
Goleta	\$1.59	<b>\$1.57</b>
Carpinteria	\$1.52	<b>\$1.61</b>
RETAIL		
Santa Barbara	\$4.32	<b>\$4.94</b>

**AVG. GROSS ACHIEVED RATES (\$/SF)**

	Q4.25	Q1.26
OFFICE		
Santa Barbara	\$3.46	<b>\$3.69</b>
Goleta	\$2.61	<b>\$2.24</b>
Carpinteria	N/A	<b>N/A</b>
INDUSTRIAL		
Santa Barbara	\$2.68	<b>\$3.00</b>
Goleta	\$1.91	<b>\$1.65</b>
Carpinteria	\$1.58	<b>\$1.40</b>
RETAIL		
Santa Barbara	\$3.93	<b>\$3.17</b>

Contributions by Brad Frohling, Gene Deering &amp; Paul Gamberdella

# STEADY IMPROVEMENT ACROSS SECTORS

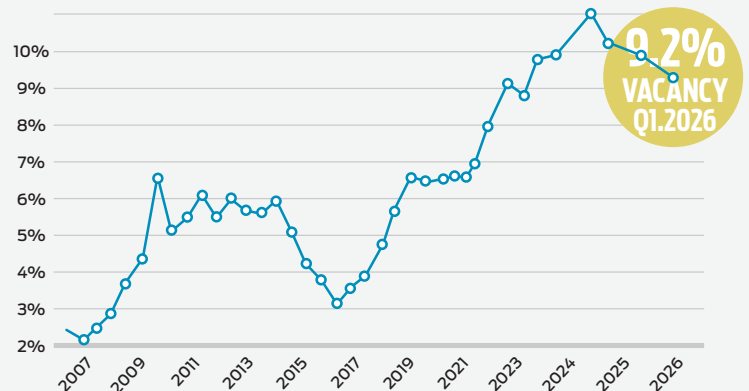
Leasing activity across the South Coast in the first quarter of 2026 reflected modest but measurable improvement, with declining vacancy rates in both office and industrial sectors and continued strength in retail. While overall transaction volume remained somewhat limited—particularly in industrial—the quarter demonstrated steady underlying demand across most product types.



## Office Leasing—Santa Barbara and Goleta Improve, Carpinteria Remains Unchanged

The South Coast office market showed improvement to begin the year, with vacancy rates declining in both Santa Barbara and Goleta. In Santa Barbara, vacancy fell to 9.2%, marking its lowest level since the third quarter of 2022. This decrease was driven in part by two of the largest leases of the quarter: Impact Tech's 19,971 square foot lease at 25 W.

### Santa Barbara Office Vacancy



Cota Street—built out by Sonos and most recently occupied by PayPal—and Intake Breathing Technology's 8,028 square foot lease of the former Zoom space at 420 E. Carrillo Street. These transactions highlight continued leasing activity in larger, well-improved office spaces,

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SO. COAST LEASING

Continued from P.3

particularly those previously occupied by technology users. One of the remaining large availabilities is the former Sonos space at 600–614 Chapala Street (27,217 SF), which has been on the market since October 2023.

In Goleta, office vacancy declined to 7.9% in Q1 2026. The largest transaction was Maker House’s lease of 1351 Holiday Hill Road following the sale of the property. Additional activity included lease renewals at 111 Castilian (10,200 SF) and 6500 Hollister (5,784 SF), reflecting stability among existing tenants. The largest remaining availability in Goleta continues to be the 43,655 square foot sublease at 50 Castilian, which has been on the market for an extended period.

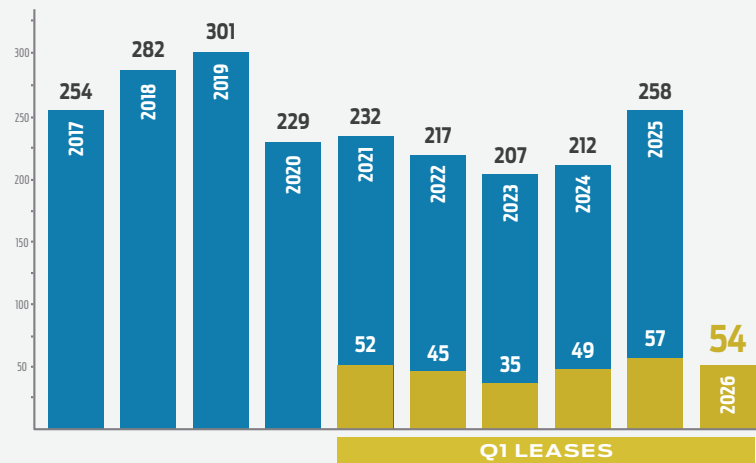
Carpinteria’s office market remained largely unchanged during the quarter, with vacancy holding just above 10% and no new leases or renewals reported. The largest available spaces on market include 1155 Eugenia (18,000 SF) and 6398 Cindy Lane (10,167 SF). Ongoing uncertainty remains surrounding the long-term utilization of larger campuses in the market, including Procore’s blufftop space and Microsoft’s campus, both of which appear to be underutilized. Adding to this dynamic, a 40,763 square foot blufftop property comprised of two office buildings will become 100% vacant as of May 1 following PlanMember Services’ relocation to a neighboring property. While the asset is currently being marketed for sale, it represents potential future lease availability; should it come to market for lease, it would introduce additional supply and place upward pressure on vacancy in the Carpinteria office sector.

**Industrial Leasing—Fundamentals Improve as Activity Remains Limited**

The South Coast industrial market saw slight improvement in fundamentals during the first quarter, with vacancy rates decreasing across all three submarkets. Lease rates remained relatively flat, and overall activity was limited, with only three new leases reported along with a few lease renewals. Demand continues to be concentrated in smaller spaces, which remain scarce, while larger users (10,000 square feet and above) are less active and currently have more options available in the market. Despite the lower volume of transactions, industrial fundamentals remain stable.



**So. Coast Annual New Leases**



**Retail Leasing—Active Quarter with Continued Low Vacancy**

Retail leasing in Santa Barbara remained active in Q1 2026, with 15 leases completed totaling approximately 85,000 square feet. Lease sizes ranged from approximately 900 to 37,000 square feet. The largest transaction was the 37,313 square foot lease to EoS Fitness at 820 State Street, reactivating the former 24 Hour Fitness space and incorporating additional ground floor frontage along State Street. The addition of this State Street frontage creates a new entrance that will benefit the business while enhancing visibility and contributing positively to the building and the overall vitality of the downtown corridor.

Another notable lease was the 13,700 square foot space at

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## SO. COAST LEASING

*Continued from P.4*

1109 State Street, formerly occupied by CVS, which will be re-tenanted by A Royal Suite Home Furnishings. This new lease will breathe life into a longtime vacant space, introducing a much-needed furniture shopping and showroom alternative for Santa Barbara consumers while contributing positively to the tenant mix along the downtown State Street corridor.

Additional activity included Habitat for Humanity ReStore at 400 State (approximately 8,000 SF), S&J Fitness at 116 Anacapa Street in the Funk Zone (approximately 3,450 SF), and The Routine pilates studio at 135 E. Anapamu Street (approximately 1,625 SF), the well-known former Victor the Florist building at the corner of Anapamu and Santa Barbara Streets.

Retail fundamentals remain strong, with vacancy decreasing slightly year-over-year from 3.3% in Q1 2025 to 3.2% in Q1 2026. Asking lease rates are currently averaging \$4.94 per square foot (gross equivalent), while achieved rates increased from \$2.99 to \$3.17 per square foot year-over-year. Premium submarkets such as the Funk Zone and Montecito continue to command significantly higher lease rates, generally ranging from \$5.00 to \$14.00 per square foot depending on location and asset characteristics. Total available retail inventory at the end of Q1 2026 was approximately 340,000 square feet, down slightly from approximately 343,000 square feet one year prior.

### Market Outlook

Looking ahead, the trajectory of South Coast leasing activity will likely be shaped by tenant demand across a relatively limited supply of quality space, particularly in smaller industrial and well-located retail environments. In the office sector, continued absorption of larger, well-improved spaces—especially those previously occupied by technology tenants—will be a key indicator of market recovery, while the timing and extent of occupancy decisions at larger campuses in Carpinteria remain an important variable.

Industrial is expected to maintain stable fundamentals, with ongoing scarcity in smaller units and increased optionality for larger users.

Retail leasing activity should remain steady given low vacancy and consistent demand, though achieved lease rates may continue to fluctuate based on the limited number of transactions and the influence of high-performing submarkets such as the Funk Zone and Montecito. ■



**Retail | 1109 State St., Santa Barbara**  
**±13,700 SF Leased by A Royal Suite Home Furnishings**  
**(Formerly occupied by CVS)**

### So. Coast Leasing—Key Takeaways

#### OFFICE

- Santa Barbara vacancy drops to 9.2% (lowest since Q3 2022)
- Goleta vacancy declines to 7.9%
- Large, high-quality spaces drive leasing activity

#### INDUSTRIAL

- Vacancy declines across all submarkets
- Only 3 new leases completed in Q1
- Small spaces remain constrained; larger tenants have options

#### RETAIL

- 15 leases | ~85,000 SF completed
- Vacancy at 3.2% with limited available inventory
- Achieved rents rise to \$3.17/SF Gross Equivalent

Contribution by Justin Diem

# DOWNTOWN STATE— MARKET-DRIVEN RESILIENCE AMID PROLONGED PLANNING

The State Street Master Plan has continued its gradual progression since its launch in Fall 2021, with a public draft now scheduled for City Council review on April 28. Over this extended planning period, the private sector has independently driven leasing activity, sustaining measurable momentum despite a challenging operating environment.

Notably, vacancy along State Street between Gutierrez and Sola Streets (400–1300 blocks) has declined significantly. After peaking at 48 available storefronts in

Q4 2020, vacancies have returned to approximately 30—on par with mid-2019 levels. The natural question is: what is driving this improvement?

There is no singular explanation. The reduction in vacancy is not a clear validation of the State Street closure, nor does it point to any one policy success. Rather, it underscores the role of market forces as the primary stabilizing influence on State Street’s commercial real estate. Even amid ongoing debate and uncertainty, a degree of collaboration across stakeholders has helped maintain forward momentum and cautious optimism for downtown’s future.

At the street level, conditions may still appear unsettled. However, much of the current activity reflects a transitional phase. As highlighted in prior reports, a number of meaningful projects are underway, and this pipeline is essential

to understanding current vacancy figures. At least 14 buildings are in various stages of planning or construction, causing some storefronts to appear vacant

### State Street Retail Vacancy

	Q1.2026*
Total Storefronts	249
Storefronts Available For Lease	30
Vacancy Rate of Available Storefronts	12.05%
Vacant Storefronts	23
Perceived Vacancy Rate	9.24%
Storefronts Available But Occupied	3
Pop-Up Shops	4

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Radius Vice President Justin Diem regularly conducts research including visual inspection of the downtown State Street corridor (400–1300 blocks). The vacancy rate is calculated using State Street-facing storefronts. Some spaces may be leased and we are not aware. Pop-up shops are included as vacant since they are short term (12 months or less). First floor State Street-fronting offices/banks are excluded in this count. \*Report updated as of 3/16/26.

### Vacant Storefronts by the Block

- Vacant / Available Spaces
- Available but Occupied Spaces
- PU Short Term Pop-Up Shops



## DOWNTOWN STATE STREET

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when they are, in fact, committed. These range from standard tenant improvements to more complex, multi-year redevelopments—including the prominent corner of Canon Perdido and State, where the Music Academy has acquired the former Forever 21 building. Leasing activity in early 2026 has provided additional support, and as noted earlier in the Santa Barbara retail leasing section of this report, three notable transactions have helped drive that momentum. These include the EoS Fitness lease at 820 State (37,313 SF, formerly occupied by 24 Hour Fitness), a 13,700 SF lease at 1109 State to A Royal Suite Home Furnishings, and an 8,000 SF lease at 400 State to Habitat for Humanity ReStore. While the ReStore lease represents positive absorption, it also highlights a broader shift in tenant composition. Approximately 12 resale-oriented retailers—variously categorized as vintage, consignment, thrift, or secondhand—now operate along State Street. These tenants typically do not meet traditional “high-credit” standards and often transact on shorter-term leases at lower rental rates, which can impact property valuations under conventional underwriting metrics..

Another encouraging development is the measurable impact of the Downtown Santa Barbara Improvement Association. Through targeted and efficiently deployed funding, the organization has delivered visible improvements—particularly in cleanliness and maintenance within the downtown core—demonstrating how focused initiatives can drive near-term results where public efforts have lagged.

Ultimately, the trajectory of State Street remains a work in progress. However, the resilience of existing businesses, the willingness of owners and investors to reinvest, and the continued appeal of one of California’s most distinctive coastal downtowns all point to a foundation that, while evolving, remains fundamentally intact. ■



**Retail | 820 State St., Santa Barbara**  
**±37,313 SF Leased by EoS Fitness**  
**(Formerly occupied by 24 Hour Fitness)**

## Key Takeaways

**Vacancy Recovery**—Storefront vacancies have declined from a peak of 48 (Q4 2020) to approximately 30, returning to pre-pandemic (mid-2019) levels.

**Market-Led Stability**—The improvement in occupancy is primarily driven by private-sector leasing activity—not policy outcomes—highlighting the strength of market forces.

**Pipeline Activity Matters**—At least 14 properties are in planning or construction phases, temporarily inflating perceived vacancy.

**Notable Leasing Momentum**—Three significant early-2026 leases (fitness, home furnishings, and nonprofit retail) are contributing to renewed absorption.

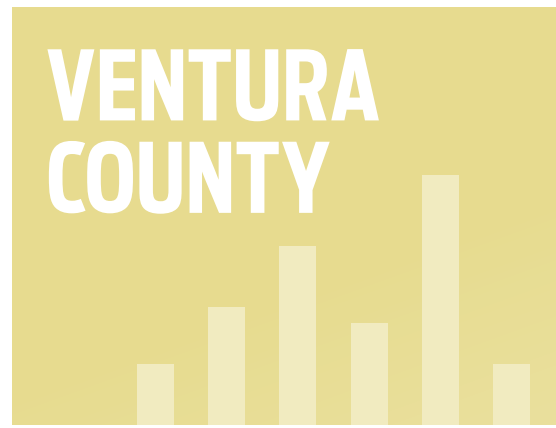
**Tenant Mix Shift**—Growth in resale-oriented retailers (~12 locations) reflects changing economics, with lower rents and shorter lease terms impacting asset valuation.

**Private Sector Impact**—The Downtown Santa Barbara Improvement Association has delivered visible improvements through targeted investment, particularly in cleanliness and maintenance.

**Cautious Optimism**—Despite ongoing uncertainty, continued investment and business resilience support a positive long-term outlook for State Street.

Contribution by Daniel Bagdazian

## WEST VENTURA COUNTY RETAIL— STABLE FUNDAMENTALS, SELECTIVE DEMAND DRIVING LEASING AND SALES ACTIVITY



### West Ventura County Retail Leasing

During the first quarter of 2026, Ventura County's retail market remained stable, with leasing activity driven by demand for functional, second-generation space. Tenant demand continued to favor service-oriented and experiential users. Vacancy held at 5.7% (unchanged from Q4 2025), while availability increased modestly to 6.4%. A growing share of inventory consists of older or functionally obsolete space, reinforcing the divide between high-quality, well-anchored centers and less competitive assets.

Asking rents averaged approximately \$29.47/SF annually (\$2.50/SF monthly), remaining flat quarter-over-quarter and signaling moderated growth, although long-term fundamentals continue to support the market.

A mix of food, service, and small-format users drove activity. Notable leases included Handel's Ice Cream at Camarillo Village Square and Nothing Bundt Cakes at Sycamore Village, highlighting demand from national food concepts. Additional activity included Cotti Coffee, Confie Insurance, and other service users, supporting small shop absorption. In Ventura, Lift Dept. Inc. leased approximately 4,571 SF at \$1.33/SF (MG), reflecting demand for functional, lower-cost space.

At the top end, several leases demonstrate where tenants are paying premium rents, including \$3.75/SF NNN at Moorpark Grove Shopping Center, \$3.60/SF NNN for a turnkey restaurant space in Newbury Park, and \$3.50/SF NNN in a Ralphs-anchored center in Ventura. These transactions reinforce that top-tier rents in the \$3.50–\$3.75/SF range are being achieved in well-located centers and second-generation restaurant space.

Broader trends indicate shop space is generally transacting in the \$2.00–\$3.50/SF range depending on location and quality, while larger-format space continues to lease at discounted rates, including a 12,600 SF lease in Ventura at 1350 E Thompson Blvd at approximately \$1.25/SF to D-Bat Baseball and Softball.

Quick-service and fast-casual operators continue to face a challenging environment due to inflation and reduced discretionary spending; however, second-generation restaurant space continues to see strong demand due to lower buildout costs.

### West Ventura County Retail Sales

Owner-users continue to drive the majority of retail property sales, leveraging SBA financing to acquire properties for long-term occupancy. This trend remains consistent as users seek greater control over real estate amid rising occupancy costs.

A recent owner-user transaction—a comedy club start-up—in Downtown Ventura at 20 North Oak Street reinforces demand for well-located infill assets, trading at approximately \$290/SF.

Additional owner-user activity includes the sale of 4426 Central Ave. (The Sportsman Restaurant) in Camarillo, an approximately 8,600 SF restaurant property that sold for approximately \$366/SF, highlighting demand for turnkey restaurant assets.

Investment sales activity has remained steady but selective, as sellers target cap rates buyers have been unwilling to accept in a higher interest rate environment. However, transactions continue where properties offer clear value-add or repositioning

**Retail | 1350 E. Thompson Blvd., Ventura**  
**12,600 SF Leased by D-Bat Baseball & Softball**  
Larger-format spaces continue to lease at discounted rates,  
a broader trend across West Ventura County.



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## VENTURA COUNTY

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potential. A notable example is the sale of North Ranch Gateway in Thousand Oaks, a 144,000 SF grocery-anchored shopping center that traded in March 2026 and was acquired by Nuveen, reflecting continued institutional demand for necessity-based retail assets with strong fundamentals.

Additional sales highlight continued bifurcation based on asset quality and occupancy. An office/retail property at 5808 Telephone Road in Ventura sold for \$2.6 million, or approximately \$209/SF, after over two years on the market. The property was approximately 50% occupied at sale, illustrating pricing adjustments required to attract buyers to value-add opportunities.

Aggressive 1031 exchange buyers continue to allocate capital into retail centers, particularly those with stable, service-oriented tenancy and long-term income durability.

Overall, the market remains stable and disciplined, supported by strong owner-user demand and selective investor activity focused on assets with durable fundamentals and long-term upside potential. ■

## Key Takeaways

**Stable, Disciplined Market**

Vacancy held at 5.7% as leasing and sales activity remain steady but selective.

**Flight to Quality**

Demand continues to concentrate in well-anchored centers, while older inventory lags.

**Small Shop & Restaurant Strength**

Food, service, and second-generation restaurant users are driving leasing momentum.

**User-Driven Sales Environment**

Owner-users and 1031 buyers dominate activity, with investors focused on select value-add and grocery-anchored assets.

## Contribution by Andres Uribe

**Ventura County / Conejo Valley Office**

The Ventura County and Conejo Valley office market continued to face elevated vacancy and negative absorption through Q1 2026, reflecting ongoing tenant downsizing and cautious leasing activity. Overall vacancy rose to approximately 20.8%, increasing both quarter-over-quarter and year-over-year, while availability climbed to roughly 23.8%, underscoring the continued surplus of office space across the market.

Net absorption remained firmly negative at approximately -168,000 square feet in Q1—a notable decline from the prior quarter and consistent with the broader trend of occupiers rightsizing their footprints amid the ongoing adoption of hybrid work.

The Conejo Valley and Calabasas submarkets continue to contend with elevated availability of large contiguous blocks, largely driven by corporate consolidations and lease rollovers. Sublease availability has declined modestly, suggesting early signs of stabilization; however, direct vacancy continues to rise as tenants return space to the market.

Looking ahead, vacancy is expected to remain elevated in the near term, as upcoming lease expirations are likely to result in further downsizing and non-renewals. That said, limited new construction and relatively stable rents may support a gradual stabilization as tenants continue to recalibrate their long-term space needs. ■

**Largest Contiguous Availabilities**

- 30699 Russell Ranch Rd., Westlake Village — 131,000 RSF
- 2380 Conejo Spectrum St. Thousand Oaks — 97,000 RSF
- 5601 Lindero Canyon Rd., Westlake Village — 99,000 RSF

Contribution by Sierra Falso

## North Santa Barbara County Leasing Highlights

### Retail

Retail leasing activity strengthened considerably during the first quarter, with 12 new leases executed—approximately double the volume recorded in Q1 2025. Demand remains concentrated in food, grocery, and wellness-oriented concepts, reflecting broader consumer trends and the region’s evolving retail mix.

In a key transaction, Lassen’s Natural Foods & Vitamins in Santa Maria is reopening in a larger 12,300 square foot full-service grocery space at 1790 South Broadway in the same shopping center. The new location replaces its former smaller-format store, which burnt down last May, and represents a significant reinvestment in the market.

Additional retail momentum is reflected in the planned introduction of new “healthy & fresh market” concepts in Solvang and Buellton, as well as the continued activation of community-oriented retail uses.

Retail vacancy remains low at approximately 4.3%, indicating sustained tenant demand and limited available inventory.

### Office

Office leasing activity also improved, with 12 new leases completed in Q1 compared to 8 during the same period last year. Vacancy remains stable at approximately 4.4%, underscoring the relative balance between supply and demand in the North County office market.

### Industrial

Industrial leasing activity held steady, with 6 leases signed during the quarter compared to 7 in Q1 2025. Vacancy stands at approximately 4.9%, closely aligned with the broader market average of roughly 4.5%, reflecting stable operating conditions.

# NORTH SANTA BARBARA COUNTY & SANTA YNEZ VALLEY

Retail | 1790 S. Broadway, Santa Maria  
12,300 SF

Lassen’s Natural Foods & Vitamins will reopen in a larger footprint in the same shopping center where it burned last May.



## North Santa Barbara County Sales Highlights

### Multifamily

The most significant transaction of the quarter—and one of the largest in recent years—was the sale of the Hancock Terrace Apartments in Santa Maria. The 272-unit property traded for \$75 million, equating to approximately \$275,735 per unit and \$367 per square foot, at a reported CAP rate of 5.4%. The transaction represents a major benchmark for suburban multifamily assets within the region.

### Hospitality

In Los Alamos, the historic Union Hotel at 362 Bell St. sold for \$4 million. The property, a longstanding landmark within the community, is expected to be repositioned and reopened after nearly five years, with plans to reintroduce lodging, special



Hospitality | Union Hotel  
362 Bell St., Los Alamos  
Sold For \$4 Million

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NORTH SB COUNTY & SY VALLEY

Continued from P.10

events, and expanded public access to its famous saloon and scenic grounds.

**Development Activity**

**Buellton**

Retail development activity in Buellton continues to evolve, highlighted by renewed interest from In-N-Out Burger in establishing a location within the Santa Ynez Valley. The company is currently pursuing a proposed site along McMurray Road, situated near existing food and beverage destinations and offering strong visibility along the Highway 101 corridor.

This follows a previously proposed location at the former Parks Plaza movie theater site, which was ultimately denied due to traffic-related concerns. That site has since been approved for redevelopment as a medical office project, with plans moving forward for a Cottage Health facility.

While the timing and approvals for the McMurray Road location remain to be determined, the continued pursuit of a Buellton location by In-N-Out Burger reflects sustained retailer interest in the trade area and reinforces the city's position as a key commercial node within North Santa Barbara County.

**Santa Maria**

Santa Maria continues to see meaningful residential expansion, with several large-scale projects underway or advancing. Blosser Ranch, a master-planned community, has commenced grading and initial construction across approximately 160 acres at South Blosser Road and West Battles Road. The development is planned to include approximately 1,500 residential units, along with supporting infrastructure such as a school site, fire station, retail components, and recreational amenities. Additionally, Bellecrest Senior Housing is moving forward with a 142-unit age-restricted community featuring single-family homes and lifestyle-oriented amenities.

**Solvang**

Development activity in Solvang remains limited in the near term, with certain proposed projects not currently advancing. As a result, near-term commercial expansion in this submarket is expected to remain constrained relative to surrounding areas.



**Institutional News**

At 208 Dairyland Rd. in Buellton, a newly developed educational campus has been completed and is now occupied by a specialized elementary program, Hundred Hills School. The project introduces a unique institutional use to the market and contributes to the diversification of North County's commercial base. ■

## Contribution by Jay Peet

**Office**

The SLO office sector continues to demonstrate stability with selective pricing dispersion. Transaction activity remains limited, but deals that are closing reflect a mix of owner-user demand and smaller private capital—particularly in medical and low-rise product—and indicate a wide pricing range, generally between \$250–\$600+ PSF, depending on location, asset quality and tenancy.

**Notable Transactions**

- 1304 Ella St (SLO) – \$3.25M / \$1,030 PSF (premium outlier driven by medical use and location)
- 1124 Nipomo St (SLO) – \$1.1M / \$154 PSF (value-oriented / older asset)
- 310 S Halcyon Rd (Arroyo Grande) – \$725K / \$148 PSF
- 154 W Branch St (Arroyo Grande) – \$2.4M / \$550 PSF

This spread highlights a bifurcated market, with premium assets (medical, downtown, newer construction) achieving strong pricing, while older or secondary assets are trading at significant discounts. Meanwhile, vacancy has increased modestly to ~7.8%, reflecting continued tenant downsizing and slower leasing velocity. Average asking rents remain relatively flat at \$2.03/SF FSG.

**KEY OFFICE TRENDS**

- Owner-user buyers dominate transaction activity, particularly in sub-5,000 SF assets.
- Medical office continues to command premium pricing.
- Increased investor focus on basis and usability vs. pure income plays.
- Cap rates trending 6.50%–7.25%, with variability based on tenancy and asset quality.

**Industrial**

The industrial sector remains the top-performing asset class in the county, with fundamentals supported by limited supply and consistent demand. However, recent Q1 2026 sales data shows pricing variability based on functionality, location and building size, reinforcing a more nuanced market, with pricing generally ranging from approximately \$150–\$300+ PSF, with smaller functional buildings and coastal locations sometimes achieving higher pricing on a relative basis.

**Notable Transactions**

- 1730 Railroad St (Oceano) –18,500 SF warehouse / \$900K / \$49 PSF (larger, older industrial asset – lower basis)
- 1232 Longbranch Ave (Grover Beach) – 3,458 SF / \$514K / \$149 PSF
- 1140 Alessandro St (Morro Bay) – 1,200 SF / \$595K / \$496 PSF (small-bay / coastal premium)

**Additional context from recent activity**

- 1101 Paso Robles St (Paso Robles) – \$2M (2025) (supports pricing stability in core industrial nodes)
- Coastal and smaller-bay assets continue to command premium PSF pricing due to scarcity and usability

**KEY INDUSTRIAL TRENDS**

- Strong owner-user demand continues to drive transactions.
- Small-bay industrial (sub-5,000 SF) commands premium pricing.
- Significant pricing spread between functional small-bay product (high PSF) and larger, older warehouse product (lower PSF).
- Limited inventory continues to constrain supply.
- Cap rates trending 6.00%–6.75%, with variation based on tenancy and location.

# SAN LUIS OBISPO COUNTY COMMERCIAL



Continued on P.13

Continued from P.12

## Retail

Retail fundamentals in San Luis Obispo County remain stable with continued strength in prime corridors, while recent Q1 2026 sales data highlights a highly segmented market driven by location, tenant use, and asset quality.

Recent transactions indicate pricing generally ranging from approximately \$200–\$600+ PSF, with premium coastal and downtown restaurant assets achieving the highest valuations. The data reflects strong demand for well-located, service-oriented retail, particularly food and beverage properties.

### Notable Transactions

- 101 W Branch St (Arroyo Grande) – 11,984 SF restaurant / \$2.4M / \$200 PSF
- 750 Main Rd (Pismo Beach) – 2,157 SF restaurant / \$2.4M / \$1,110 PSF (coastal premium and large plot of land)
- 715 Higuera St (San Luis Obispo) – 2,005 SF / \$1.75M / \$873 PSF (prime downtown SLO retail)
- 1401 Price St (Pismo Beach) – 9,900 SF / \$5.8M / \$586 PSF
- 2143 Broad St (San Luis Obispo) – 3,150 SF / \$1.0M / \$317 PSF

### Market Interpretation

The data reinforces a three-tier retail market:

1. Premium Coastal & Downtown Assets—  
\$500–\$1,000+ PSF; Strong demand for restaurant and experiential retail; Driven by tourism, foot traffic, and limited supply
2. Core Infill / Stabilized Retail—  
\$300–\$500 PSF; Grocery-adjacent, neighborhood-serving retail; Consistent investor demand
3. Value-Add / Secondary Corridors—  
\$150–\$300 PSF; Older strip centers or non-prime locations; Opportunities for repositioning and lease-up

### KEY TRENDS

Restaurant and food-service assets command premium pricing.

Strong demand for walkable, high-traffic locations (Downtown SLO, Pismo, Arroyo Grande).

Continued investor focus on service-based and experiential retail.

Pricing remains highly location-driven vs. uniform across the market.

Cap rates trending 6.00%–6.75%, with tighter yields for premium assets.

## Forward-Looking Catalyst—Downtown SLO

Downtown San Luis Obispo is positioned for near-term retail strengthening, driven by several key developments including Cal Poly's upcoming HotHouse innovation hub, delivery of a new 400-space parking structure, and addition of new apartments and townhomes increasing residential density. These factors are expected to increase foot traffic, improve accessibility, and support tenant demand, particularly for food, beverage, and experiential retail users. ■

Contribution by Jack Gilbert

# FLIGHT TO STABILITY— INVESTORS PRIORITIZE IN-PLACE INCOME AMID POLICY UNCERTAINTY & RISING RATES



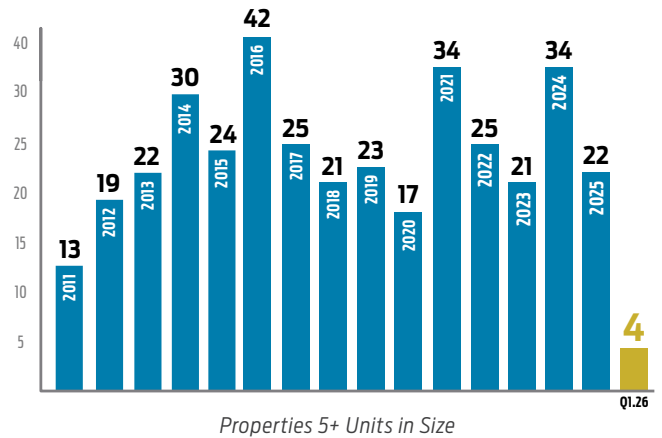
## Market Overview

The first quarter of 2026 recorded 18 transactions of 5+ unit multifamily properties across the Central Coast, totaling \$306,987,068 in combined sales volume and 857 units — matching the deal count of Q1 2024 and significantly outpacing Q1 2025's 13 transactions. While the headline numbers are encouraging, the quarter was broadly characterized by macro and political uncertainty that weighed on underwriting confidence, particularly in the city of Santa Barbara.

On the macro side, the 10-year Treasury yield rose approximately 20 basis points over the course of the quarter, starting at around 4.16% and finishing near 4.36%. The move was not dramatic in isolation, but against a backdrop of renewed tariff concerns, mixed employment signals, and persistent inflation uncertainty, it reinforced the cautious tone that has defined multifamily underwriting since the rate hike cycle began. Buyers across all submarkets continued to prioritize in-place income over pro-forma upside, and most transactions closed with meaningful negotiation between initial ask and final price.

The most consequential local factor in Q1 was the City of Santa Barbara's ongoing rent freeze and the broader political environment surrounding rent stabilization. The City has signaled that stringent rent cap and RSO enforcement measures are imminent, creating real underwriting uncertainty for assets subject to city jurisdiction. This dynamic shifted investor attention — and in some cases, capital — toward submarkets outside the city limits, most notably Goleta and North County. The interplay between macro rate pressure and local regulatory risk defined how capital was allocated across the Central Coast this quarter.

## 2026 South County Multi-Family Sales



## Santa Barbara South County—5+ Units

Only four transactions closed in South County for 5+ unit properties in Q1, reflecting the increasing friction that the City of Santa Barbara's rent freeze and anticipated RSO measures are creating for buyers underwriting city assets. With a stringent rent cap broadly expected to be formalized in the near term, investors are demanding higher yields to compensate for the reduced rent growth potential, a dynamic that is widening the bid-ask gap and suppressing deal flow in the city proper. Paradoxically, stabilized assets with strong in-place income are becoming more attractive in this environment: if rent growth is effectively capped, the quality and durability of current cash flow matter more than ever, and well-occupied buildings with at-market rents carry a meaningful premium.

A counterintuitive beneficiary of the rent control climate

Continued on P.15

Multifamily | 1410 Garden St., Santa Barbara  
5 Units • \$3,350,000 (\$670,000/Unit)



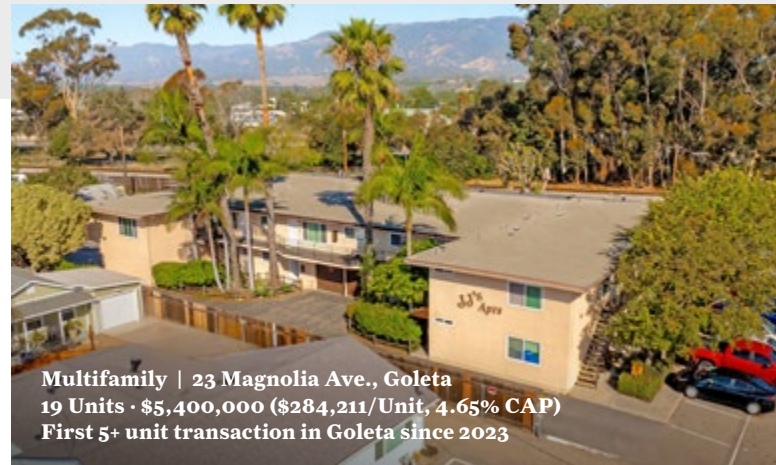
## MULTIFAMILY 5+ UNITS

Continued from P.14

is vacancy itself. In the current political environment, a building that is fully or partially vacant, while ordinarily a liability, gives a new owner the ability to set rents at market from day one, without the constraints that apply to occupied units under RSO. This was central to the story at 1410 Garden Street, a 5-unit, 1976-vintage building that sold for \$3,350,000. The previous owner had systematically worked to move out tenants who had been paying significantly below-market rents, a process that both increased the property's income potential and, critically, delivered it vacant at close. The new owner can now address deferred maintenance without tenant disruption and lease units at current market rates — a clean-slate scenario that carries real value in a market where occupied units at legacy rents are increasingly difficult to reposition.

In Goleta, 23 Magnolia Avenue, a 19-unit complex, sold for \$5,400,000 (\$284,211/unit) at a 4.65% CAP rate. This was notable as the first 5+ unit multifamily transaction in Goleta since 2023, and it speaks to the growing investor interest in the submarket as an alternative to city of Santa Barbara assets. Goleta offers similar employment demand drivers — UCSB research, Cottage Health, the tech and semiconductor corridor along Hollister — without exposure to the city's rent stabilization ordinance. As regulatory pressure in Santa Barbara intensifies, expect continued capital migration toward Goleta product.

Rounding out the quarter was 601 Eucalyptus Avenue, a 6-unit all-two-bedroom building in Santa Barbara that sold for \$2,750,000 (\$458,333/unit) at a 4.97% CAP rate. This was a 1031 exchange acquisition, a structure that continues to be a meaningful driver of transaction activity in supply-constrained markets where buyers need to place capital within defined timelines.



**Multifamily | 23 Magnolia Ave., Goleta**  
 19 Units · \$5,400,000 (\$284,211/Unit, 4.65% CAP)  
 First 5+ unit transaction in Goleta since 2023

### Isla Vista—5+ Units

Isla Vista recorded a single transaction in Q1 2026. 6570 Del Playa Drive, a 5-unit mountainside building, sold off-market for \$4,400,000 (\$880,000/unit) at a 5.01% CAP rate. The IV market faces a more nuanced outlook than in prior years. UCSB has committed to growing overall enrollment and will continue to generate strong off-campus housing demand over the long term. However, the San Benito student housing project, a significant on-campus residential development currently in the pipeline, and the university's broader initiative to house a greater share of students on campus represent a credible headwind, particularly for smaller floor plan units (studios and one-bedrooms) that compete most directly with dormitory-style housing. Larger units with multiple bedrooms and shared living configurations remain more insulated, as they cater to upperclassmen and graduate students who prefer off-campus independence. Investors underwriting IV assets should model this dynamic carefully, especially for buildings with a concentration of smaller units.

### Santa Barbara North County—5+ Units

North County produced three transactions in Q1 2026 but generated \$79 million in total volume, the second highest of any submarket, almost entirely on the strength of one landmark deal. 534 E. Boone Street ("Hancock Terrace") in Santa Maria, a 272-unit, 2016-built Class A complex, was acquired by an affordable housing consortium for \$75,000,000 (\$275,735/unit) at a 5.4% CAP rate utilizing bond financing. The buyers plan to convert approximately 75% of units to affordable housing restricted to 50% and 80% AMI, with a nonprofit operating partner and a specialized affordable housing finance firm structuring the capital stack.



**Multifamily | 534 E. Boone St., Santa Maria (Hancock Terrace)**  
 272 Units · \$75,000,000 (\$275,735/Unit, 5.4% CAP)  
 Acquired by an affordable housing consortium

The structural implications are meaningful. Vacancy in Santa Maria has climbed in recent quarters driven by a wave of new supply deliveries, and the conversion of 200+ units away from the market-rate pool could help ease that pressure over

Continued on P.16

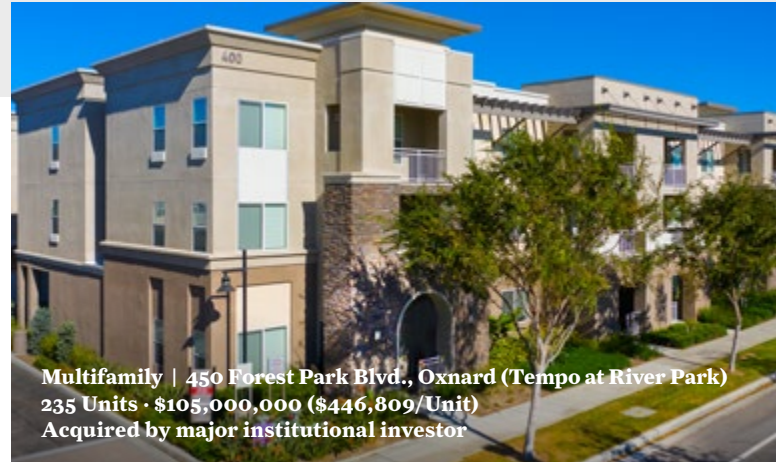
MULTIFAMILY 5+ UNITS

Continued from P.15

time, benefiting the private operators who remain. The two smaller North County transactions reflect steady demand for straightforward income-producing assets. 435 E. Newlove Drive in Santa Maria, a 6-unit complex of 3BD/2.5BA townhomes, each with a two-car garage — sold for \$2,215,968 (\$369,328/unit) at a 4.79% CAP rate. The property had been on and off the market prior to closing and represents a quality asset for a submarket typically defined by lower price points. 215 N. Miller Street (7 units, Santa Maria), a portfolio of three structures including a 4-plex, a duplex, and a single-family home, sold for \$1,810,000 (\$258,571/unit) at a 4.97% CAP rate, with in-place gross rents of \$143,004.

Ventura County—5+ Units

Ventura County was the most active submarket in Q1 by both deal count and dollar volume, with six transactions totaling \$193.2 million across 472 units. The quarter featured two landmark institutional acquisitions alongside four private-market deals in Ventura city and Santa Paula. In Oxnard, a 235-unit, 2016-built Class A complex at 450 Forest Park Boulevard was acquired by a major institutional investor for \$105,000,000 (\$446,809/unit), financed with a conventional loan. In Camarillo, a 165-unit, 2003-vintage complex at 390 Paseo Camarillo traded at \$69,500,000 (\$421,212/unit) in an institutional-to-institutional transaction. Both deals reflect durable long-term conviction in Ventura County’s supply-constrained coastal markets and provide a meaningful pricing anchor for surrounding Class B and C product.

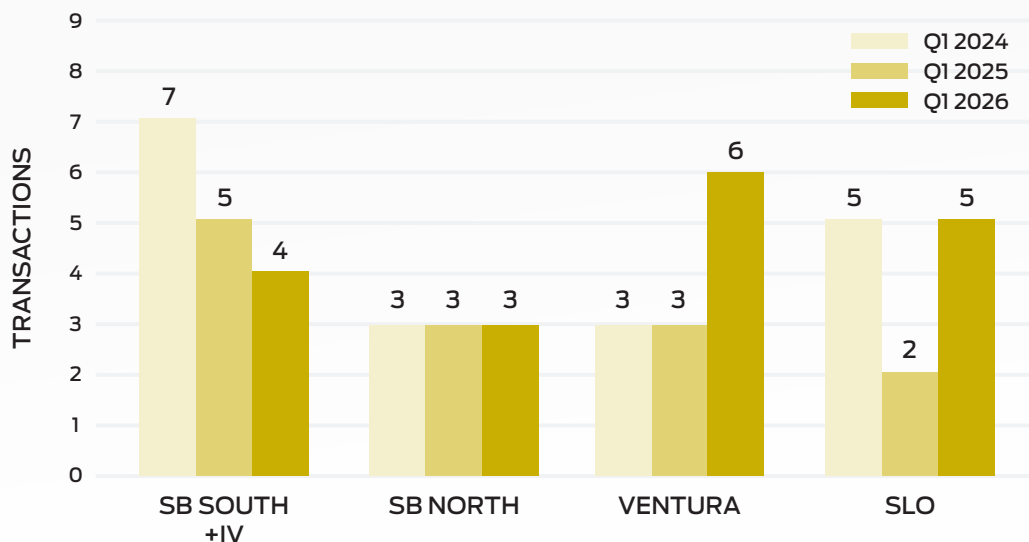


Across the four private-market deals, the most instructive dynamic was the widening gap between North and South Oxnard as distinct investment environments. 560 W. Gonzales Road, a 24-unit, 1960-vintage asset in North Oxnard, sold for \$6,000,000 (\$250,000/unit) at a 5.98% CAP rate with five Section 8 tenants providing an income floor. North Oxnard has historically attracted a different tenant profile than the southern end of the city, and anecdotally, South Oxnard has been experiencing elevated turnover in recent quarters, a trend that operators and market participants attribute in part to increased ICE enforcement activity and the resulting uncertainty within the renter population. This is a dynamic worth monitoring closely, as higher turnover carries real carrying costs and can affect underwritten stabilized income.

The remaining private deals in Ventura city and Santa Paula reflected the classic value-add vintage acquisition thesis. 3980

Continued on P.17

Q1 Transaction Activity— 2024-2026



Source: CoStar

MULTIFAMILY 5+ UNITS

Continued from P.16

Telegraph Road, the underlying land for a 28-unit townhouse complex on an expiring ground lease, with the buyer expected to assume control of the improvements upon lease expiration, closed for \$6,400,000 (\$228,571/unit). 92–114 E. Center Street (12 units, Ventura) sold at a 6.24% CAP rate, the highest disclosed yield in the submarket this quarter. 327–331 S. Steckel Drive (8 units, Santa Paula) rounded out the quarter at \$2,462,500 (\$307,813/unit) at 5.09%, with one Section 8 tenant in place.

**San Luis Obispo County—5+ Units**

SLO County rebounded meaningfully in Q1 2026 with five transactions, up from just two in Q1 2025, spanning the city of SLO, Pismo Beach, and Grover Beach. The largest deal was 2804 Augustina Street in San Luis Obispo, a 25-unit, all-one-bedroom complex built in 1970 that sold for \$7,200,000 (\$288,000/unit). With rents well below market, the listing agent cited a proforma CAP rate approaching 6.5% at stabilization — the clearest value-add play of the quarter on the Central Coast, anchored by Cal Poly’s reliable demand base.

Pismo Beach contributed two coastal premium transactions. 172 Ocean View Avenue, a 1928-built 8-unit property with two detached cottages, sold for \$2,640,000 (\$330,000/unit) at a 4.19% CAP rate. 2570 Spyglass Drive (5 units) sold for \$1,945,000 with one vacant unit offering immediate rent mark-up opportunity. In SLO proper, 1771 Johnson Avenue, a fully occupied 9-unit townhome complex built in 2010 with one-car garage per unit, opened the quarter at \$3,728,600 (\$414,289/unit, 4.78% CAP), representing the premium commanded by newer, stabilized product in the market. A two-property portfolio in Grover Beach (18 combined units) rounded out the quarter at an estimated \$4,310,000 at a 4.7% CAP rate.

**Summary**

Q1 2026 delivered 18 transactions and \$307 million in total volume across the Central Coast, a strong headline number that nonetheless came with an asterisk of uncertainty. A rising 10-year Treasury, macro volatility, and local regulatory pressure in the city of Santa Barbara all weighed on buyer conviction, particularly for assets inside city limits. The result was a flight toward clarity: investors sought properties with strong in-place income, manageable leverage, and limited exposure to the regulatory ambiguity that has come to define underwriting in the city of Santa Barbara.

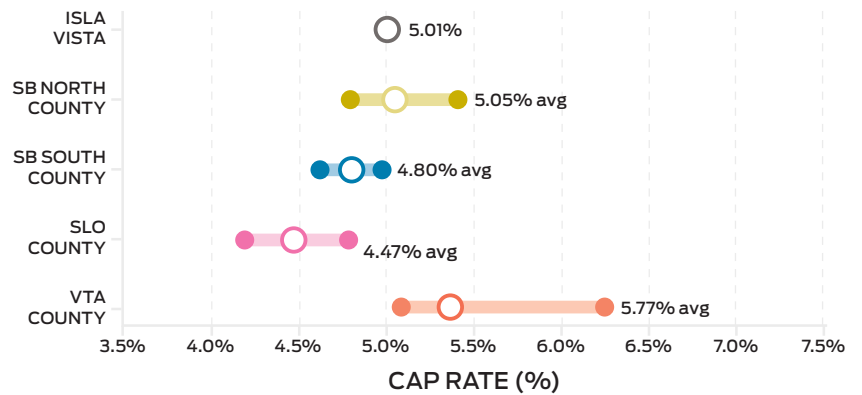
The Santa Barbara rent freeze and the broadly anticipated passage of stringent RSO measures represent the most significant near-term variable for South County investment activity. Rather than dampening demand entirely, this dynamic is somewhat redistributing capital, toward Goleta (which saw its first 5+ unit sale since 2023), toward 1031 exchange buyers absorbing stabilized assets on compressed timelines, and toward properties with vacant units that offer a clean rent-setting opportunity. The premium on current income quality over pro-forma rent growth has never been higher in this submarket.

Elsewhere on the Central Coast, the macro picture was more straightforward. Institutional capital continued to validate Ventura County’s fundamentals with two landmark trades, though the emerging bifurcation between North and South Oxnard, driven in part by enforcement-related renter uncertainty in South Oxnard, warrants closer attention from operators in that market. SLO County’s Q1 rebound to five transactions reflects an improving equilibrium between buyer and seller expectations, with value-add appetite leading the way. And the Hancock Terrace affordable housing conversion in Santa Maria represents a structural supply intervention that should benefit private operators as the market digests its recent delivery pipeline.

Looking ahead to Q2, the primary variables are the trajectory of the 10-year Treasury, the finalization of Santa Barbara’s rent control framework, and the pace of new supply absorption in Santa Maria and Camarillo. The Central Coast’s underlying demand fundamentals — constrained supply, coastal lifestyle premium, university and healthcare employment anchors — remain intact. Investors who underwrite to current income and realistic stabilized assumptions will continue to find a range of opportunities across the risk/return spectrum throughout 2026.

**Q1 CAP RATE RANGE BY SUBMARKET**

(white dot = submarket avg; disclosed deals only)

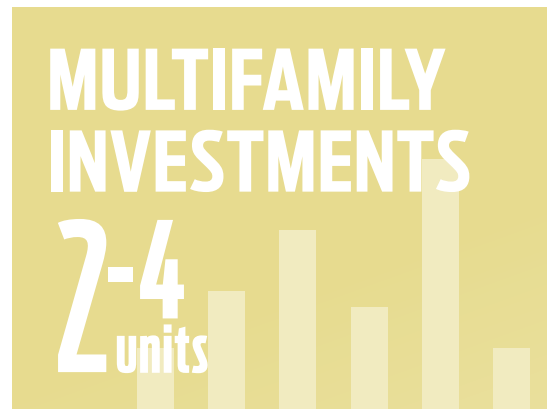


Source: CoStar

### Contribution by Aneta Jensen

The first quarter of 2026 recorded 17 closed sales of 2–4 unit residential income properties across South Santa Barbara County, marking a notable increase from Q1 2025, which saw only 8 transactions, all within the City of Santa Barbara. This reflects a meaningful rebound in transaction volume despite a more complex and restrictive regulatory environment.

Of the 17 sales, 15 occurred in Santa Barbara, one in Goleta, and one in Carpinteria, reinforcing the continued concentration of activity within the Santa Barbara core market. Duplexes dominated the landscape, accounting for 15 of the 17 transactions, while 2 triplexes sold, and no fourplexes traded during the quarter.



### South Santa Barbara County | 2–4 Units (Excluding Isla Vista)

From a pricing standpoint, duplexes achieved an average sale price of \$1,901,000, or \$950,500 per unit, while triplexes averaged \$1,757,402, or \$585,801 per unit. While duplexes continue to command a higher price per unit, both duplexes and triplexes benefit from strong owner-user demand, as buyers are able to utilize residential financing and offset mortgage payments with rental income. This structure, which incorporates both personal income and projected rental income, makes these smaller multifamily assets highly accessible and attractive entry points into the Santa Barbara market. As a result, pricing remains supported by a broad buyer pool consisting of both investors and long-term owner-users.

The regulatory backdrop remains one of the most influential factors shaping buyer behavior and valuation. While early 2025 was marked by uncertainty surrounding renovictions, the current market is operating under more restrictive tenant protection policies. The City of Santa Barbara's rent freeze, along with evolving rent stabilization measures, continues to limit landlords' ability to increase rents in line with rising operating costs. At the state level, AB 1482 applies broadly, with limited exemptions for single-family residences, condominiums, and owner-occupied duplexes. As a result, most small income properties fall under both state and local regulations, requiring buyers to place greater emphasis on in-place income, vacancy potential, and long-term operational constraints.

#### Q1 2025 vs Q1 2026 2–4 Unit Market Comparison

	2026 SALES	2025 SALES	Δ SALES (%)	AVG PRICE (2026)	AVG PPU (2026)	PRIOR PPU (2025)	Δ PPU (%)
DUPLEX	15	5	8.1%	\$1,901,000	\$950,500	\$879,283	8.1%
TRIPLEX	2	2	6.0%	\$1,757,402	\$585,501	\$552,292	6.0%
FOURPLEX	0	1	—	—	—	—	—
<b>TOTAL</b>	<b>17</b>	<b>8</b>	<b>112.5%</b>	—	—	—	—

Note: Fourplex data unavailable for 2026; PPU averages exclude Fourplex and Total rows.

Despite these headwinds, small residential income properties remain highly desirable across a wide range of buyers. Duplexes and triplexes, in particular, offer a unique opportunity for owner-users to enter the Santa Barbara market while offsetting housing costs. The ability to qualify for residential loans—combined with more accessible down payment requirements compared to larger multifamily properties—continues to expand the buyer pool. Consequently, valuation in this segment is driven less by cap rates and more by factors such as condition, livability, and the potential to achieve market rents.

As is typical, the first quarter reflects a slower start to the year following a strong fourth quarter, with activity expected to build into the spring and summer months.

### Triplex

**Average Sold Price: \$1,757,402 | Average Sold PPU: \$585,801**

Several transactions during the quarter illustrate the range of opportunities and pricing dynamics within the market. The only sale in Goleta, 4593 Hollister Avenue, featured a 3-bedroom, 1.5-bath main residence along with two detached studios on a sizable

Continued on P.19

## MULTIFAMILY 2-4 UNITS

Continued from P.18

0.41-acre lot. Despite being fully occupied, the property traded after just seven days on the market, driven by its strong value-add potential, including opportunities for ADU development and future rent growth. Originally listed at \$1,249,000, the property ultimately sold for \$1,561,250 following a short, sub-30-day escrow.

In Santa Barbara, 21 E Arrellaga Street, the only triplex sale in the city, closed at \$1,953,553, or \$651,184 per unit. The property was delivered vacant following a prolonged escrow due to probate, providing the buyer with a clean slate to renovate and lease at market rates. This vacancy-driven upside continues to be a key value driver in the current regulatory environment.

### Duplex

**Average Sold Price: \$1,901,000 | Average Sold PPU: \$950,500**

At the high end of the market, 428 Corona Del Mar, Santa Barbara achieved the highest sale price and price per unit of the quarter, closing at \$3,125,000, or \$1,562,500 per unit. Located in the highly desirable East Beach area, the property was delivered fully vacant and renovated, and had previously operated as a short-term vacation rental. Its premium location and turnkey condition allowed it to command top-of-market pricing.

Conversely, 220 W Figueroa Street was among the lowest sales of the quarter, closing at \$1,400,000 after 151 days on the market. Originally built in 1895 and in near tear-down condition, the property's value was driven primarily by its expansive lot size (over 10,000 square feet) and favorable R-4 zoning, which supports

higher-density redevelopment. The asset consisted of a 2-bedroom, 1-bath historic residence along with an attached legal one-bedroom junior ADU, was delivered vacant, presenting an ideal opportunity for a buyer with a contractor-oriented skill set to capitalize on land value and future development potential rather than relying on in-place income.

The only sale in Carpinteria was a duplex located on Carpinteria Street, backing to the Carpinteria Salt Marsh Reserve and situated on a large 0.26-acre lot zoned CPD/R. ( Commercial Planned Development/Residential ) the property represents a compelling example of how zoning flexibility can drive value beyond current income. This flexibility is particularly attractive for investors seeking to unlock higher density residential or mixed use project in supply constrained coastal markets. The property was listed at \$1,749,999 and sold for \$1,731,000. Despite being tenant-occupied, the property went into escrow just 2 days after hitting the market, underscoring the strong demand for well-located assets with redevelopment potential.



### South Santa Barbara County Market Summary

Based on the first quarter data, the South Santa Barbara County 2–4 unit market is showing improved activity, with 17 closed transactions indicating stronger buyer participation compared to last year. At the same time, supply remains steady, with 26 active listings and 19 new properties coming to market during the quarter, suggesting that inventory is keeping pace with demand.

Duplexes remain the most sought-after asset type, driven by strong owner-user demand, their appeal as an alternative to single-family homes, and the relatively low level of management expertise required to operate them.

The average price per unit for duplexes this quarter reached \$950,500, showing a strong increase compared to \$879,283 in Q4 2025—an approximate 8.1% rise. Similarly, triplexes experienced growth, with the average price per unit increasing to \$585,801 from \$552,292 in the previous quarter, reflecting a 6% increase.

The limited pending activity, with only 3 properties going under contract during the quarter, shows that buyers are still cautious and selective. Overall, the market appears balanced, with buyers placing strong emphasis on pricing, condition, and immediate usability when making decisions.

### Future Outlook

Looking ahead, the data suggests the market should continue to improve gradually, especially if interest rates stabilize or begin to decline. That said, because there is still a steady amount of inventory available, price growth will likely remain limited, and sellers will need to stay realistic with pricing to attract buyers.

Continued on P.20

## MULTIFAMILY 2-4 UNITS

Continued from P.19

Properties with clear upside—such as vacant units, renovation potential, or the ability to add ADUs—are expected to perform better, as buyers are prioritizing opportunities to increase income. In contrast, properties with below-market rents and limited upside may take longer to sell.

Overall, the upward movement in price per unit across all 2–4 unit asset types, coupled with an increase in transaction volume within this segment, highlights continued buyer demand and strong support for well-located small multifamily properties. Despite broader market constraints—including regulatory pressures—these assets demonstrate greater resilience to tightening policies, driven by the flexibility of the owner-user component, more accessible financing qualification, and a lower barrier to entry for buyers.

### Isla Vista Student Housing SFR & 2–4 Unit Segment

Isla Vista saw strong activity in the student housing segment during the first quarter of 2026, despite recording zero sales. A total of 8 new listings came to market, with 3 properties going pending and one closed listing recorded during the quarter. In comparison, Q1 2025 recorded two closed transactions, indicating a slight slowdown in completed sales despite continued buyer interest.

Of the properties brought to market, five were duplexes and three were single-family homes. Two of the listings were located on Del Playa—one on the bluff side and one on the mountain side. Bluff-front properties typically draw strong interest but can also raise concerns related to coastal erosion, which may influence buyer decision-making. Most of the listings featured three-bedroom units or larger, aligning with typical student housing demand.

Two properties received multiple offers and entered escrow during Q1 after a short time on the market. One notable example was 6789 Sabado Tarde, which was listed at \$1,800,000 and closed at the beginning of Q2 for \$1,820,000, exceeding its asking price.

Another pending transaction was a duplex located at 6670 Sueno, which is in contract to a local investor and is expected to close at the beginning of Q2. The property attracted strong interest due to its development potential, particularly related to the larger lot size, which presents opportunities for future expansion or redevelopment.

Overall, advertised cap rates (4.68%–6.24%) reflect continued investor interest in Isla Vista student housing despite a more measured transaction pace.

While the City of Santa Barbara continues to tighten regulations on rental housing, Isla Vista remains subject to AB 1482 rent control, which is generally less restrictive. Given the annual turnover typical in student housing, property owners are often able to adjust rents to market levels more frequently than in traditional rental markets.

### Student Housing vs Traditional 2–4 Units

It is worth noting that student housing properties—both 2–4 unit assets and single-family homes operated as student rentals—tend to trade primarily on a rental income basis, unlike traditional 2–4 unit properties, where valuation places greater emphasis on a price-per-unit basis.

### Future Outlook

Isla Vista student housing is expected to remain one of the most active and resilient markets for real estate investment in the region. With current inventory on the market and a noticeable shift in investor focus away from the City of Santa Barbara, Isla Vista continues to attract capital seeking more stable and predictable submarkets. Investors are increasingly drawn to the area's proven profitability and the ability to consistently reset rents to market levels due to the annual tenant turnover inherent in student housing. ■



Multifamily | 6670 Sueno Rd, Isla Vista  
Duplex · Listed at \$2,695,000  
In escrow after hitting the market in Q1