RADIUS insight
QUARTERLY CRE MARKET REPORTS

RADIUS® Commercial Real Estate
Q2 | 2026

SO.COAST COMMERCIAL SALES

Contribution by Rhonda Henderson DRE #02121348

TAKING THE LONG VIEW

> ***The second quarter demonstrated that the South Coast's most meaningful investments are being made by buyers with a long-term view of the market***

The South Coast commercial market continues to evolve. Increasingly, the transactions shaping today's market aren't simply changing ownership. They're helping influence the future of the region.

That evolution has coincided with a more disciplined investment environment. As buyers have adjusted to the higher cost of capital over the past several quarters, investment hasn't disappeared. It has become more selective. Buyers are placing greater emphasis on fundamentals, long-term value, and rigorous underwriting than they did when interest rates first began rising.

No transaction better illustrates that evolution than Yardi Systems' acquisition of the former Macy's building and related Paseo Nuevo Mall interests for its future downtown Santa Barbara headquarters.

Continued on P.2

Yardi Systems' acquisition of the former Macy's building (foreground right) forms part of a broader redevelopment framework that also includes plans to convert the former Nordstrom building (upper left) into rental housing, marking one of downtown Santa Barbara's most significant reinvestment efforts in years.

SO.COAST COMMERCIAL SALES

Continued from P.1

More than another commercial sale, the acquisition represents one of the most consequential private investments in downtown Santa Barbara in years. By relocating its headquarters to the heart of the city, Yardi is making a long-term commitment to the future of downtown Santa Barbara.

After years of discussion and uncertainty surrounding the future of Paseo Nuevo, the transaction represents a tangible step forward. It also forms part of a broader redevelopment framework approved by the City this quarter that pairs Yardi's future headquarters with plans to convert the former Nordstrom building into rental housing. Together, the projects bring new jobs, new housing, and renewed activity to two long-vacant anchor buildings at the center of downtown.

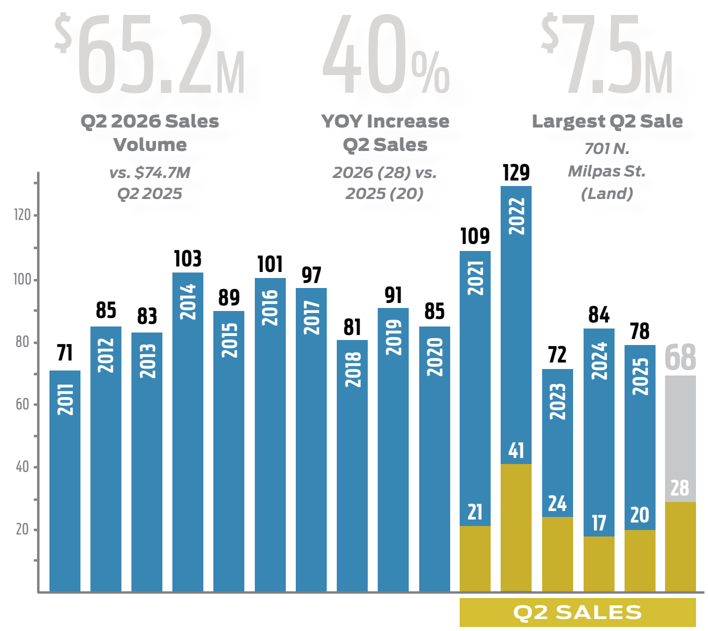
Following an extraordinary first quarter dominated by two institutional transactions totaling nearly $280 million, the market returned to a more measured pace. The second quarter recorded 28 sales totaling $65,181,831, including 10 office, eight retail, six industrial, and four land and development transactions. While those figures fall well below the headline volume reported in the first quarter, the comparison is somewhat misleading. Once the extraordinary Tech Park Goleta portfolio and Montecito Post transactions are removed, second-quarter activity closely mirrors the underlying market seen throughout the past year.

The quarter also reinforced a trend that has become increasingly apparent as financing costs have risen. Buyers are still active, but they are demanding stronger fundamentals. Well-priced properties in desirable locations continue attracting interest, while assets requiring significant repositioning or carrying unrealistic pricing are taking longer to trade.

That emphasis on long-term investment extended beyond downtown. Friendship Manor acquired the entitled redevelopment site at 701 N. Milpas St., approved for an 82-unit mixed-use residential development that includes 16 moderate-income affordable units. The transaction highlights the continued value of entitled housing sites as developers and nonprofit housing providers invest in addressing the South Coast's long-term housing needs.

Continued on P.3

South Coast Commercial Sales



15-year annual average = 90.5 sales. Excluding apartment sales.

Rendering of the previously approved mixed-use redevelopment at 701 N. Milpas St., Santa Barbara. Friendship Manor, a nonprofit provider of affordable senior housing in Isla Vista, recently acquired the previously entitled site and is expected to relocate its Isla Vista senior housing community there, although future development plans have not been publicly announced. The acquisition positions a long-underutilized site for renewed activity, reflecting the kind of long-term investment increasingly defining today's South Coast commercial market.

SO.COAST COMMERCIAL SALES

Continued from P.2

The off-market acquisition of 220 W. Pueblo St. by Santa Barbara Plastic Surgery Center reflects another characteristic of the local market. Medical practices, professional firms, and other local businesses continue choosing to own the properties they occupy rather than lease them. Despite today's financing environment, owner-user demand remains one of the healthiest segments of the South Coast commercial market.

Private transactions also remained an important part of quarterly activity, with six off-market sales and one sale-leaseback completed during the quarter. That's nothing new for the South Coast. Many of the region's most sought-after properties change hands quietly through long-established relationships before they are ever publicly marketed.

National headlines continue to focus on office distress and declining commercial property values. On the South Coast, the picture remains different. Sellers continue to hold firm, buyers remain selective, and quality properties continue finding willing purchasers despite a higher-cost capital environment.

The second quarter may not be remembered for record-setting sales volume. Instead, it offered a clearer picture of today's market. From Yardi's downtown headquarters to new housing projects and owner-user acquisitions, the common thread was commitment. Buyers, businesses, and investors made deliberate decisions based on long-term confidence in the South Coast rather than short-term market conditions.

Market Outlook

The South Coast commercial sales market enters the second half of 2026 with healthy fundamentals and a disciplined buyer pool. Buyers continue pursuing opportunities where pricing, location, and long-term value align, while redevelopment and housing projects remain important drivers of future activity. If the second quarter offered one lasting takeaway, it is that confidence in the South Coast continues to be measured less by transaction volume than by the willingness of buyers and investors to make long-term commitments to the region.

Santa Barbara Plastic Surgery Center's acquisition of 220-222 W. Pueblo St., the longtime home of its medical practice, reflects the continued strength of owner-user demand as South Coast businesses invest for the long term in the properties they occupy.

Q2 Key Takeaways

Yardi's acquisition of the former Macy's property was the quarter's defining transaction. More than a change in ownership, it reflects a long-term commitment to downtown Santa Barbara and marks the transition from years of discussion to tangible action.

The market is becoming more disciplined, not less active. As buyers adapt to a higher-cost capital environment, they're placing greater emphasis on fundamentals, long-term value, and disciplined underwriting.

Sales activity returned to a more typical pace. While overall volume moderated after an extraordinary first quarter, the underlying market remained consistent with recent trends.

Owner-users and redevelopment continue driving demand. Transactions such as Friendship Manor's acquisition of the entitled 701 N. Milpas redevelopment site and Santa Barbara Plastic Surgery Center's purchase of 220 W. Pueblo St. demonstrate continued confidence in the South Coast's long-term fundamentals.

2026 So. Coast Leasing Quick Stats

VACANCY

		Q1.26	Q2.26
OFFICE	Santa Barbara	9.2%	**6.9%**
	Goleta	7.9%	**8.4%**
	Carpinteria	10.4%	**12.2%**
INDUSTRIAL	Santa Barbara	1.2%	**1.6%**
	Goleta	3.6%	**2.7%**
	Carpinteria	5.1%	**7.0%**
RETAIL	Santa Barbara	3.2%	**3.0%**

GROSS ABSORPTION (SF)

		Q1.26	Q2.26
OFFICE	Santa Barbara	66,200	**52,200**
	Goleta	38,100	**57,100**
	Carpinteria	0	**2,300**
INDUSTRIAL	Santa Barbara	6,500	**13,900**
	Goleta	6,000	**53,500**
	Carpinteria	8,200	**8,900**
RETAIL	Santa Barbara	85,200	**21,000**

AVG. GROSS ASKING RATES ($/SF)

		Q1.26	Q2.26
OFFICE	Santa Barbara	$3.45	**$3.47**
	Goleta	$2.41	**$2.43**
	Carpinteria	$2.65	**$2.35**
INDUSTRIAL	Santa Barbara	$3.09	**$2.97**
	Goleta	$1.57	**$1.50**
	Carpinteria	$1.61	**$1.55**
RETAIL	Santa Barbara	$4.94	**$4.58**

AVG. GROSS ACHIEVED RATES ($/SF)

		Q1.26	Q2.26
OFFICE	Santa Barbara	$3.69	**$3.54**
	Goleta	$2.24	**$2.29**
	Carpinteria	N/A	**$2.42**
INDUSTRIAL	Santa Barbara	$3.00	**$3.17**
	Goleta	$1.65	**$2.25**
	Carpinteria	$1.40	**$1.65**
RETAIL	Santa Barbara	$3.17	**$7.30**

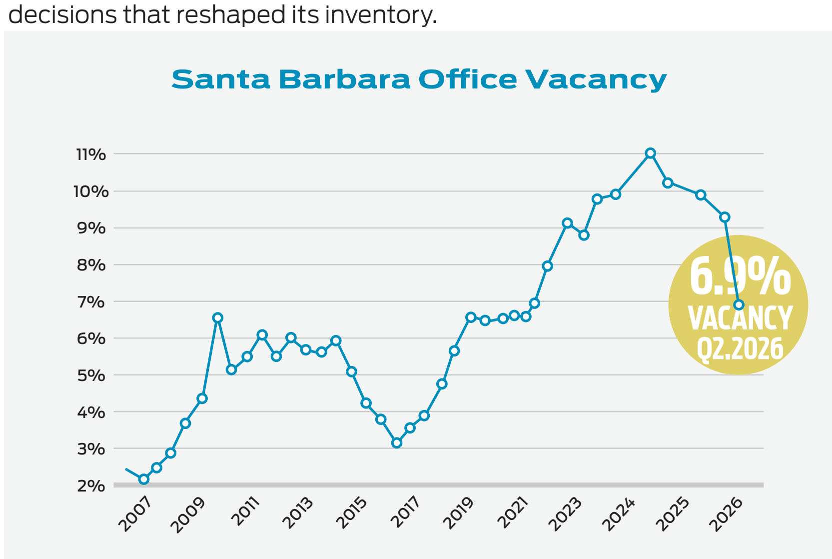
Contributions by Brad Frohling DRE #01323736, Gene Deering DRE #01450943 & Paul Gamberdella DRE #01267748

REDEVELOPMENT AND STEADY DEMAND DEFINE THE QUARTER

The South Coast commercial leasing market remained healthy during the second quarter, with activity returning to a more normalized pace following an exceptionally active start to the year. Office leasing was defined by landmark redevelopment approvals that reshaped the market's inventory, industrial demand remained supported by limited supply, and retail activity continued to reflect healthy tenant demand despite fewer completed transactions.

Office Leasing—Landmark Redevelopment Projects Bring Clarity to the Market

While leasing activity remained steady during the second quarter, the South Coast office market was ultimately defined by long-awaited decisions that reshaped its inventory.



That story centered on two of downtown Santa Barbara's most prominent vacant buildings. Yardi advanced plans to transform the former Macy's building into its future headquarters, representing one of

Continued on P.5

Continued from P.4

the most significant private commitments to downtown Santa Barbara in recent years, while the owners of the former Nordstrom building received approval to move forward with plans to convert the second and third floors to apartments, with the ground floor and lower level continuing to be marketed for retail. The Santa Barbara City Council's approval of both projects in June resolved years of uncertainty surrounding the properties. The broader implications of these projects for downtown are explored in the Downtown State Street section later in this report.

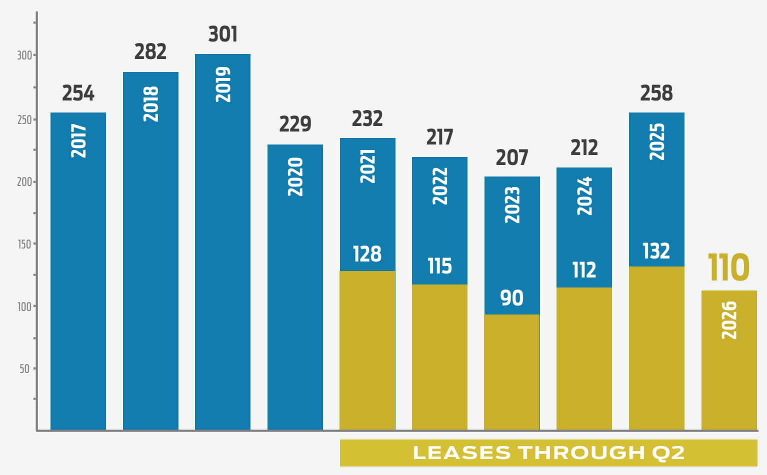
Those decisions also reshaped the South Coast office inventory, contributing to a decline in Santa Barbara's reported office vacancy from 9.2% in Q1 to 6.9% in Q2 as more than 110,000 SF of office space at the former Nordstrom building was removed from inventory upon news of the City Council's decision. The quarter's largest Santa Barbara office lease was City Net Homeless Services' 5,130 SF commitment at 201 N. Calle Cesar Chavez. Deals are currently in the works for the market's two largest available office spaces: 614 Chapala St. (27,217 SF) and 25 E. Mason St. (18,776 SF).

Office | 201 N. Calle Cesar Chavez, Santa Barbara
±5,130 SF Leased to City Net Homeless Services
(Largest Q2 office lease in Santa Barbara)

Goleta continued to post healthy office fundamentals, with vacancy holding at 8.4%. Over the past several years, landlords have invested in their office buildings and have generally been rewarded with rising lease rates. The quarter's largest office leases included Sylux's 11,777 SF commitment at 421 Pine Ave. and Community West Bank's 9,161 SF lease at 420 S. Fairview Ave. Although not included in the second-quarter statistics, the market's largest available office space at 50 Castilian (43,655 SF) leased in early July and is no longer available. The largest remaining available office spaces include 29,372 SF at 6500 Hollister Ave. and 28,012 SF at 7402 Hollister Ave.

In Carpinteria, office vacancy stands at 12.2%, although

So. Coast Annual New Leases



the published figure does not include several larger underutilized office spaces commonly referred to as "shadow vacancy." A drive through Carpinteria's office parks illustrates the extent of these underutilized spaces. One 2,250 SF lease was completed during the quarter at 4188 Carpinteria Ave. The largest available office space remains 1155 Eugenia, offering 18,000 SF.

Industrial Leasing — Low Vacancy Continues to Support the Market

Industrial leasing activity remained steady during the second quarter, with eight new leases completed across the South Coast. The quarter's highlight transaction was Umbra Labs' lease of 40,487 SF at 7414 Hollister Ave. in Goleta.

Vacancy remained low in both Santa Barbara and Goleta, while Carpinteria's industrial vacancy increased to 7%, primarily due to more than 50,000 SF becoming available at 6395 Cindy Lane. Lease rates remained relatively stable, creating balanced negotiating leverage for both landlords and tenants.

The largest available industrial property in Goleta is the former Moss Motors facility at 440 Rutherford, offering more than 50,000 SF, while Santa Barbara currently has three downtown

Continued on P.6

Industrial | 7414 Hollister Ave., Goleta
±40,487 SF Leased by Umbra Labs
(Largest lease of the quarter in the market)

Continued from P.5

industrial spaces exceeding 10,000 SF available for lease. Looking ahead, more than 70,000 SF of high-bay distribution space has been approved at the former Kellogg Drive-In Theater site, creating a premier industrial development with excellent parking adjacent to UC Santa Barbara.

Retail Leasing — Activity Returns to a Sustainable Pace

Following an exceptionally active first quarter, South Coast retail leasing returned to a more typical pace during the second quarter. Twelve new retail leases totaling approximately 21,000 SF were completed, compared with approximately 85,000 SF leased during the first quarter.

Notable transactions included Free People's lease of approximately 4,632 SF at 1036 State St. and Motion Training Collective's approximately 4,463 SF lease at 320 State St. after quickly outgrowing its previous location at 918 Chapala St. That former 1,700 SF space was rapidly backfilled by Force Performance, reflecting continued demand for well-located fitness space.

Santa Barbara's retail vacancy rate declined from 3.4% in the second quarter of 2025 to 3.0% in the second quarter of 2026. Current asking rents average $4.58 per SF gross equivalent (base rent plus NNN). Average achieved lease rates increased from $4.44 per SF gross equivalent during the first quarter to $7.30 per SF gross equivalent in the second quarter, although that increase was heavily influenced by a small number of premium lease transactions in Montecito, the Funk Zone and the Paseo Nuevo Mall. As with most retail markets, individual lease rates continue to vary significantly based on location, size, and property characteristics.

Market Outlook

The South Coast commercial leasing market enters the second half of 2026 with healthy underlying fundamentals. Office activity will continue to be shaped by the long-term impact of major redevelopment projects, while industrial demand is expected to remain supported by limited supply and few large blocks of available space. In the retail sector, leasing activity has returned to a more sustainable pace following an unusually active first quarter, with vacancy continuing to trend lower and well-located properties attracting tenant interest. Collectively, these trends point to a market that remains stable, balanced, and well positioned for continued long-term investment.

The former Macy's building at 701 State St. is slated to become Yardi's future corporate headquarters, bringing new direction to one of downtown Santa Barbara's most prominent vacant properties. *(Former project rendering shown here)*

Q2 Key Takeaways

Redevelopment approvals reshaped the office market. The Yardi headquarters project and Nordstrom redevelopment reduced reported office vacancy while bringing long-awaited direction to two of downtown Santa Barbara's most prominent vacant properties.

Office fundamentals remained healthy across the South Coast. Goleta continued to benefit from landlord investment and stable occupancy, while active negotiations for several large office spaces suggest continued tenant demand.

Industrial supply remains constrained. Low vacancy, balanced lease negotiations, and the approval of new high-bay industrial space at the former Kellogg Drive-In site point to a market with limited inventory and measured future growth.

Retail leasing normalized following an exceptional first quarter. Although transaction volume slowed, leasing activity remained healthy, vacancy continued to decline, and tenant demand remained evident across well-located retail properties.

Market fundamentals remain positive across all major property types. Stable occupancy, ongoing investment, and continued leasing activity suggest the South Coast commercial market remains well positioned entering the second half of the year.

Contribution by Justin Diem DRE #02058176

BEYOND STATE STREET'S STOREFRONT COUNT

DOWNTOWN STATE STREET

At first glance, downtown Santa Barbara changed very little during the second quarter, with the number of available storefronts increasing by just one, from 30 in Q1 2026 to 31 in Q2 2026. But beneath those nearly unchanged numbers there was considerably more happening than the storefront count alone would suggest.

As noted earlier in this report, the quarter's defining milestone came in June, when the Santa Barbara City Council approved Yardi's proposal to transform the former Macy's building (701 State St.) into its future corporate headquarters. One of the most significant private commitments to downtown Santa Barbara in recent years, the project brings new purpose to a property that has cast a shadow over the 700 block of State Street for nearly a decade. At the same meeting, the City Council also approved plans allowing the owners of the former Nordstrom building to move forward with converting the second and third floors to residential use while retaining retail space on the ground floor and lower level. Together, the former Macy's and Nordstrom buildings, long the vacant anchors of Paseo Nuevo, finally appear to have a clear direction.

The long-term vision for downtown continues to evolve and advance, even though many of these properties will remain visibly vacant until redevelopment projects are completed. Other examples, cited in previous reports, include UCSB's future Innovation Center at 410 State St., the Music Academy's redevelopment at 901 State St., and smaller projects at 1315 State St. and 530 State St. Collectively, these projects represent meaningful long-term investment that continues to reshape the future of downtown Santa Barbara.

State Street Retail Vacancy

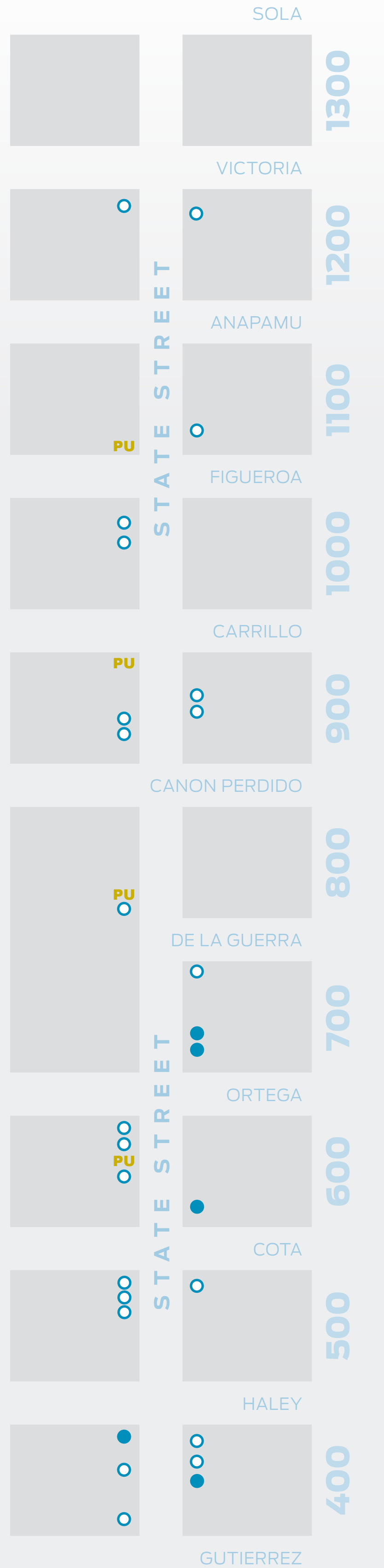
	Q1.2026*	Q2.2026*
Total Storefronts	249	**249**
Storefronts Available For Lease	30	**31**
Vacancy Rate of Available Storefronts	12.05%	**12.45%**
Vacant Storefronts	23	**22**
Perceived Vacancy Rate	9.24%	**8.84%**
Storefronts Available But Occupied	3	**5**
Pop-Up Shops	4	**4**

Continued on P.8

*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 6/23/26.*

Vacant Storefronts by the Block

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



DOWNTOWN STATE STREET

Continued from P.7

Street-level activity continued throughout the quarter as well. Bombay Station leased the former Bibi Ji restaurant space at 734 State St., while Free People opened at Paseo Nuevo (1036 State St.) and (IN)Larkin leased the former Starbucks location at 1235 State St., both occupying highly visible corner locations. Additional momentum came from the opening of the SBIFF Film Center at 916 State St., A Royal Suite at 1109 State St., Gallery Santa Barbara at 1220 State St., and the reopening of the popular Sandbar restaurant following its renovation. Collectively, these additions reflect continued confidence in downtown's long-term vitality.

Not every part of State Street, however, is evolving at the same pace. The 400 block continues to face significant challenges, now with six available storefronts following the listing of 435 State St. Many of these are former restaurants and bars. Although much of the southern entrance to downtown remains in transition, several projects offer reason for optimism. UCSB's Innovation Center at 410 State St., continued progress at 330 State St., Manifattura's new restaurant at 413 State St., and the stabilization of the office building at 419 State St. all point toward renewed activity over time. Given that this stretch forms many visitors' first impression of downtown Santa Barbara, continued public attention and investment here will be particularly important.

Although the storefront count changed little during the quarter, the story of downtown Santa Barbara did not. The activity behind those numbers reflects a district that continues to evolve, one project at a time.

Sandbar reopened in June following an extensive renovation, adding to the steady momentum of new business activity along State Street.

Q2 Key Takeaways

Downtown's biggest developments occurred behind the scenes. While available storefronts increased by just one during the quarter, major redevelopment approvals and ongoing investment signaled continued long-term progress beneath the surface.

The former Macy's and Nordstrom buildings reached important turning points. City approval of the Yardi headquarters project and the Nordstrom redevelopment plans brought long-awaited direction to two of downtown's most prominent vacant properties.

Redevelopment continues to help shape downtown's future. Projects including UCSB's Innovation Center, the Music Academy redevelopment, and additional adaptive reuse initiatives continue advancing, even though many sites will remain visibly vacant until construction is complete.

New businesses continue to strengthen State Street. Several notable retailers, restaurants, and cultural uses opened or leased space during the quarter, reflecting ongoing confidence in downtown Santa Barbara.

The southern gateway to downtown remains the district's greatest challenge—and opportunity. Although the 400 block continues to experience elevated vacancies, several redevelopment projects and new business openings provide reason for optimism over the long term.

NORTH SANTA BARBARA COUNTY & SANTA YNEZ VALLEY

Contribution by Sierra Falso DRE #01276646

LEASING LEADS A STEADY QUARTER

North County recorded 24 commercial real estate sales during the second quarter of 2026, compared with 26 during the same quarter last year. Leasing activity moved in the opposite direction, increasing from 27 recorded leases in Q2 2025 to 29 this quarter.

Taken together, the quarter reflects steady commercial activity, with leasing gaining momentum even as investment sales moderated slightly from a year ago. Properties that sold during the quarter also generally reached the finish line more quickly than those sold during the same period last year.

Sales Activity

The quarter's highlighted transactions reflected continued investor interest in well-located retail assets. One of the most notable sales was 2196 Preisker Lane in Santa Maria, where a newly constructed 4,964-square-foot Chick-fil-A property sold for $3,300,000. The property, completed in 2025 and backed by a new 15-year ground lease, was on the market for approximately 208 days before closing.

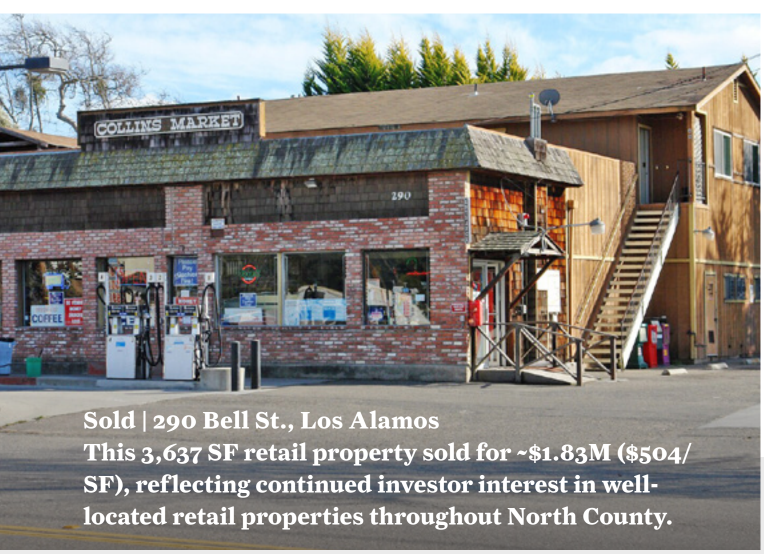
Another notable transaction was 290 Bell Street in Los Alamos, where a 3,637-square-foot retail building sold for $1,832,000, or approximately $504 per square foot, in an investment sale that closed during the quarter.

Sold | 2196 Preisker Ln., Santa Maria
This newly constructed Chick-fil-A sold for $3.3 million, reflecting continued investor demand for well-located retail properties backed by long-term corporate tenancy.

Leasing Activity

Leasing activity remained healthy throughout North County, with 29 recorded commercial leases completed during the quarter. Several notable retail openings also highlighted continued business investment across the region.

New tenants included Jersey Mike's at Crossroads at Buellton Village, Hot Topic at Santa Maria Town Center, Sprouts Farmers Market on South Bradley Road in Santa Maria, and SYV Creamery at Founders Market in Solvang. The mix of national retailers and locally owned businesses reflects continued activity across North County's primary commercial corridors.



Sold | 290 Bell St., Los Alamos
This 3,637 SF retail property sold for ~$1.83M ($504/SF), reflecting continued investor interest in well-located retail properties throughout North County.

Market Perspective

Overall, North County delivered another steady quarter. While commercial sales moderated modestly compared with last year, leasing activity increased and several notable retail transactions and tenant openings reflected continued confidence in the market. Well-located retail properties remained the focus of both investors and expanding businesses, reinforcing North County's position as an active commercial market on California's Central Coast.

MULTIFAMILY INVESTMENTS 5+ units

Contribution by Jack Gilbert DRE #02197493

A MARKET IN TRANSITION

Q2 Central Coast Multifamily Market Overview

The second quarter of 2026 recorded nine transactions of 5+ unit multifamily properties across the Central Coast, totaling $31,730,000 in sales volume and 80 units — the quietest quarter in recent years. The same period produced 17 transactions and $74.1 million in 2025, and 24 transactions and $220.0 million in 2024. After a deceptively strong first quarter ($307.0 million, roughly 81% of it from three institutional trades), Q2 shows what the market looks like when only private capital is transacting: smaller deals, longer marketing periods, and hard-fought pricing.

Three forces defined the quarter: a 10-year Treasury that ground higher and never gave the move back; institutional capital fully on the sidelines, with the largest closing at just $5.85 million; and the City of Santa Barbara moving from debating rent control to finalizing it, with the permanent ordinance published in draft on June 10 and set for adoption July 28. Yet the thin closing tape overstates how quiet the quarter was. Listing activity accelerated meaningfully — most visibly in Ventura County — and the deals marketed in Q2 will show up as Q3 closings.

9

TRANSACTIONS

Fewest quarterly multifamily sales on the Central Coast in recent years

$31.7 MILLION

TOTAL Q2 SALES VOLUME

Down 57% from Q2 2025 and 86% from Q2 2024

0

INSTITUTIONAL BUYERS

Every Q2 sale was acquired by private capital

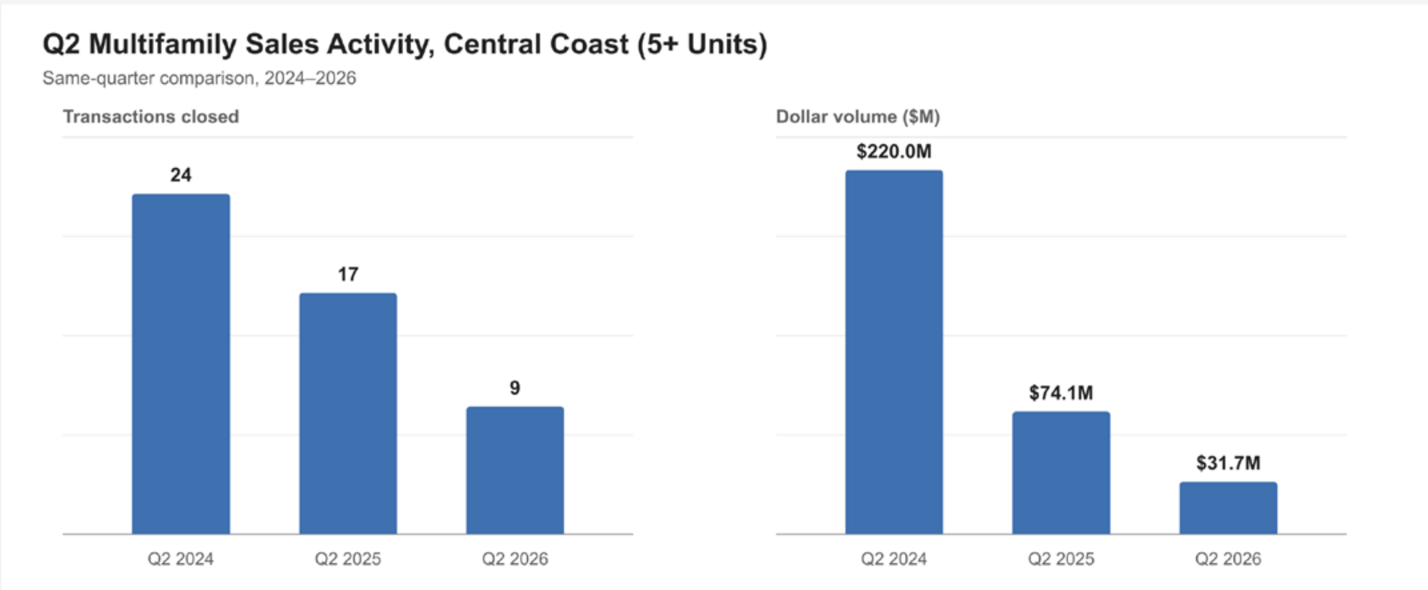


Fig. 1 — Q2 transaction count and dollar volume, 2024–2026. Q2 2026 volume fell 57% year-over-year and 86% from Q2 2024.

Continued on P.11

Continued from P.10

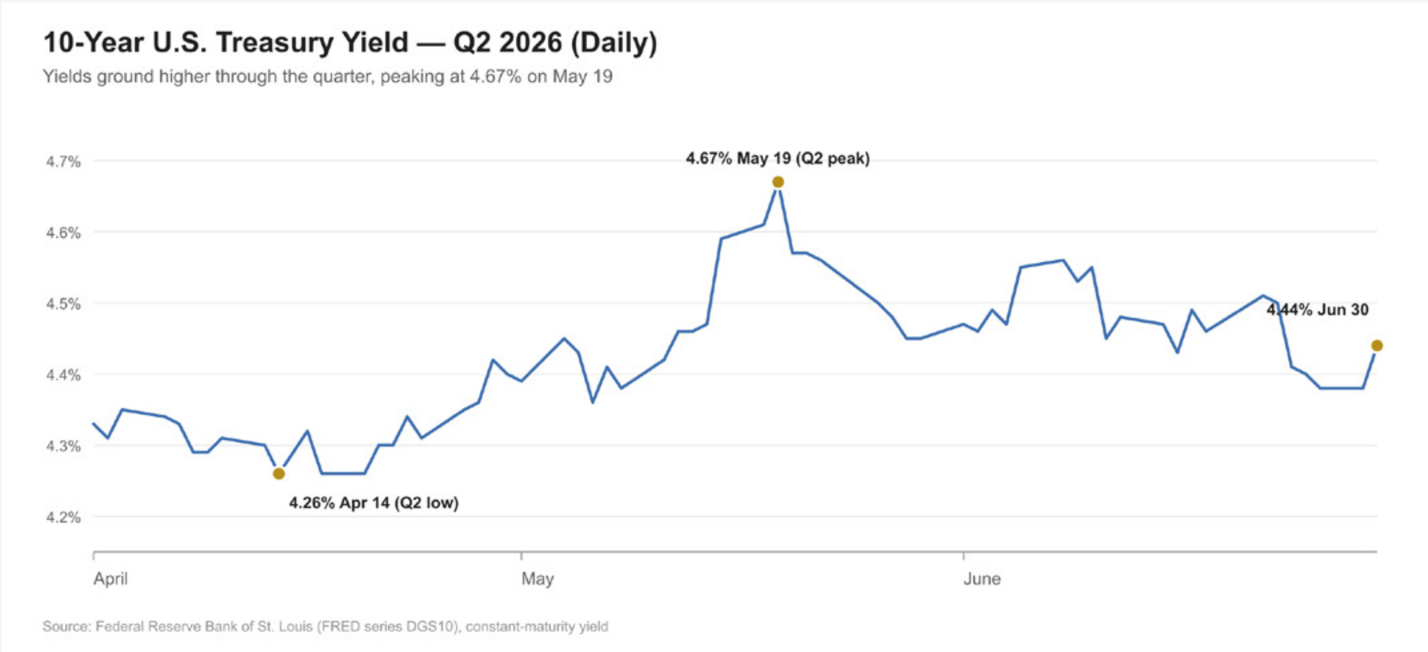


Fig. 2 — Daily 10-year Treasury yield, Q2 2026. Source: Federal Reserve (FRED, DGS10).

INTEREST RATES: THE 10-YEAR GRINDS HIGHER

The 10-year Treasury opened the quarter at 4.33%, touched its Q2 low of 4.26% in mid-April, climbed roughly 40 basis points to a peak of 4.67% on May 19, and closed at 4.44% — averaging about 4.42%, some 20 basis points above the first quarter. Early Q3 has offered no relief: yields moved back above 4.60% in mid-July.

The math this creates is unforgiving. With the 10-year in the mid-4s, all-in debt costs generally price near or above 6% while quality coastal product still trades at cap rates in the high-4s to high-5s — negative or, at best, neutral leverage. Levered buyers can't stretch, all-cash and 1031 exchange buyers set the market, and sellers who don't need to transact simply wait. Until borrowing costs and going-in yields normalize, volume is likely to stay well below the 2021–2024 run rate.

THE INSTITUTIONAL FREEZE

Not a single institutional buyer closed on the Central Coast in Q2. The nine trades ranged from $900,000 to $5.85 million, with a median of $3.7 million — every buyer a private individual, trust, or small partnership. The contrast with Q1 is stark: Hines' $105 million Oxnard acquisition, the $75 million Hancock Terrace purchase in Santa Maria, and Jackson Square's $69.5 million Camarillo deal totaled $249.5 million of institutional volume — followed by zero. Some of that is lumpiness, as institutional-scale product rarely trades here. But with negative leverage, decelerating rent growth, and regulatory uncertainty in the region's highest-profile city, large allocators have little reason to chase thin going-in yields. Institutions can afford to wait; this quarter's private sellers — estates, long-time owners, exchange buyers — often could not.

Santa Barbara South County | 5+ Units

South County recorded four closings totaling $17,980,000 and 33 units — a count that includes the quarter's single Isla Vista sale, consistent with how we traditionally report the broader South Coast — matching Q1 on the same basis, and down from six a year ago. Average pricing of $467,277 per unit was the region's highest, at an average 5.32% cap rate on conventional trades. The composition tells the real story: capital gravitated toward assets with limited exposure to the coming ordinance.

706-708 E. Haley Street, a 2016-built mixed-use property (five apartments over three commercial spaces), sold for

Continued on P.12

Continued from P.11

$3,305,000 — within 1% of list — with its post-1995 RSO exemption featured prominently in the marketing. 160 Ash Avenue in Carpinteria, seven units operated on blended short-term/conventional rents, achieved the quarter's highest South County per-unit price at $692,857 ($4,850,000) — outside city limits and outside the ordinance entirely. The one squarely covered asset, the 16-unit two-building portfolio at 3445 & 3449 Richland Drive, closed at $5,850,000 — a full 10% below list and at the widest cap rate of the three, 5.50%. One quarter is a small sample, but the pattern matches what we see in buyer behavior every week: ordinance exposure is now being priced explicitly.

Sold | 160 Ash Ave., Carpinteria (White Caps Apartments)
7 Units · $4,850,000 ($692,857/Unit)
Highest South County Q2 Price Per Unit

RENT CONTROL: WHERE THINGS STAND

Q2 was the quarter rent control went from concept to countdown. The temporary freeze (Ordinance 2026-6206) held rents on covered units at their December 16, 2025 levels throughout the quarter, and on June 10 the City published the public-review draft of the permanent Rent Stabilization Ordinance (SBMC Ch. 26.90). Key provisions:

- *Annual increases capped at the lesser of 60% of CPI or 3% (0% floor, no banking) — roughly one-third of the statewide AB 1482 standard in a typical year.*
- *Coverage of ~13,000 units, generally those with a certificate of occupancy before February 1, 1995. Post-1995 construction, single-family homes and condos, owner-occupied duplexes, and deed-restricted units are exempt.*
- *A mandatory owner-funded rental registry (~$2 million/year), a rent board, and petition processes for fair-return adjustments and capital-improvement pass-throughs.*
- *Timeline: public comment closed July 10; formal adoption is scheduled for July 28, 2026; the program becomes operative January 1, 2027.*

The practical effects were already visible in Q2: wider bid-ask spreads on covered assets, lower rent-growth assumptions inside city limits, and a clear premium for exempt product, vacant units, and assets outside city jurisdiction — Goleta, Carpinteria, and the unincorporated county remain under state law only. CoStar shows asking rent growth decelerating to roughly +1.2% year-over-year; with in-place rents frozen, revenue growth on covered assets is effectively zero until the program's first allowable increase. The July 28 hearing should finally give underwriting the clarity it has lacked for the past year.

RENT CONTROL: WHAT TO EXPECT

1. **Surrounding markets heating up:** Listing activity in the ordinance-exempt markets accelerated sharply, with just one 5+ unit property coming to market in Q1 2026 versus five in Q2 — and two more added in the first half of July. Goleta is the standout: prior to the RSO discussions, the city went two and a half years without a single 5+ unit multifamily sale; it now has three properties on the market and one in escrow.
2. **Buyer hesitation:** Even after the July 28 hearing brings clarity, expect a brief adjustment period marked by volatility in perceived market value — manifesting in expanded cap rates and an increased emphasis on vacancy in underwriting.
3. **Sellers exiting, not optimizing:** Expect the seller pool to continue skewing toward long-time owners exiting the regulatory burden rather than investors optimizing a return.

Continued on P.13

Continued from P.12

Isla Vista

Isla Vista recorded one transaction (included in the South County totals above): 6597 Trigo Road, a 10-unit, all-one-bedroom student housing property built in 1970, sold April 24 for $3,975,000 ($397,500/unit) at a 5.66% cap rate — fully leased for 2025–26 and about 3% below list after an earlier price reduction. Isla Vista sits in the unincorporated county and is not subject to the city's ordinance; AB 1482 governs. The longer-term picture is unchanged: UCSB enrollment underpins durable demand, but the university's San Benito on-campus housing project is a genuine headwind for the smallest floor plans. An all-one-bedroom building competes most directly with dormitory-style product — a dynamic reflected in a mid-5s cap rate that would have been unthinkable for IV student housing three years ago.

Sold | 6597 Trigo Rd., Isla Vista
10 Units Student Housing · $3,975,000 (5.66% Cap Rate)

Santa Barbara North County | 5+ Units

North County saw a single trade: 223 E. Tunnell Street in Santa Maria, seven 1940s casitas arranged around a courtyard, sold June 23 for $1,250,000 — 23% below its $1,625,000 list — at a 7.91% cap rate, the highest disclosed on any Central Coast trade so far in 2026. Pricing power has clearly shifted toward buyers at the value end of the market. Context matters: Santa Maria is digesting a wave of new supply, with CoStar overall vacancy near 9% (stabilized ~4.3%) as recent deliveries lease up. The Hancock Terrace affordable conversion from Q1 should gradually pull 200+ units out of the market-rate pool, and asking rents are stabilizing — up roughly 1.3% year-over-year after steep 2025 declines, the region's strongest print, albeit off a lowered base.

Ventura County | 5+ Units

Ventura County closed two trades totaling $7.9 million and 28 units, down from five transactions and $43.3 million in Q2 2025. 706-720 W. 5th Street in Oxnard, an 18-unit 1954-vintage property, sold for $4,480,000 ($248,889/unit) at a 4.90% cap rate; 293-295 W. Park Row Avenue in Ventura, 10 units in a two- and three-bedroom mix, closed at $3,420,000 ($342,000/unit) and a 5.60% cap.

But the closing count is a misleading measure of the quarter. Q2 in Ventura County was a conversion period, not a contraction: twelve 5+ unit listings were active at quarter-end, eight of which hit the market during Q2, and three were already reported in escrow. The true level of Q2 activity will be visible in Q3's closing tape, and we expect the county's transaction count to rebound meaningfully. Rents are the soft spot — the county posted the Central Coast's only negative print at roughly -0.4% year-over-year — and South Oxnard operators continue to report elevated turnover, adding carrying cost just as rent growth has stalled.

San Luis Obispo County | 5+ Units

SLO County recorded two closings for $4.6 million and 12 units, down from five a year ago. 175 Stimson Avenue in Pismo Beach, a seven-unit 1983 property, sold for $3,700,000 — $528,571 per unit, the quarter's highest anywhere on the Central Coast — at a 5.98% cap rate, down from a $4,275,000 list. 2580 Main Street in Cambria, five units on two creek-side parcels, was an as-is estate sale at $900,000 ($180,000/unit) with rents well under market. The notable shift is rents: after leading the region at 2%+ annually through 2025, SLO asking rent growth flattened to roughly zero in early 2026. Cal Poly keeps the demand floor firm, and near-6 caps on coastal product like Stimson Avenue should keep exchange capital coming through the balance of the year.

Q2 2026 Summary & Outlook

Nine transactions, $31.7 million, 80 units: Q2 2026 goes into the books as the Central Coast's slowest quarter in years, and the causes are not mysterious — debt costs above going-in yields, institutional capital that placed nearly $250 million in Q1

Continued on P.14

Continued from P.13

closing nothing, and the region's most consequential regulatory event in decades reaching the doorstep of adoption. Beneath the headline, the market's pulse is stronger than the closing count suggests: listing activity accelerated across the region, cap rates on closed deals averaged in the mid-5s (with prints from 4.79% to 7.91%), and sellers who met the market — often at meaningful discounts to list — got deals done.

What we are watching in Q3: the July 28 adoption hearing, which finally gives underwriters a fixed rulebook for city of Santa Barbara assets ahead of the January 1, 2027 start; the 10-year Treasury, which re-entered the 4.6s in July — sustained yields there would extend the volume drought, while a retreat toward 4% would unlock a real backlog of buyers and sellers; conversion of Ventura County's escrow pipeline; and supply absorption in Santa Maria. The Central Coast's fundamentals — chronically constrained supply, coastal premium, university and healthcare employment anchors — have not changed. The price of money and, in Santa Barbara, the rules of the game have. Owners weighing a sale should get current on both. As always, feel free to contact us for updated insights on market activity and the regulatory landscape.

Q2 2026 vs. Q2 2025, by Submarket

	SALES Q2 25	SALES Q2 26	UNITS Q2 25	UNITS Q2 26	VOLUME Q2 25	VOLUME Q2 26	CAP Q2 25	CAP Q2 26
SB South County	6	3	61	23	$18,174,500	$14,005,000	5.50%	5.15%
Isla Vista	0	1	0	10	$0	$3,975,000	N/A	5.66%
SB North County	1	1	12	7	$1,500,000	$1,250,000	4.90%	7.91%
Ventura County	5	2	145	28	$43,326,831	$7,900,000	4.77%	5.25%
SLO County	5	2	54	12	$11,120,000	$4,600,000	4.69%	5.98%
CENTRAL COAST TOTAL	**17**	**9**	**272**	**80**	**$74,121,331**	**$31,730,000**	**—**	**—**

Cap rates are simple averages of disclosed rates on closed 5+ unit sales. SB South County figures include the Isla Vista sale, shown as a breakout row; cap-rate averages exclude the mixed-use 706-708 E Haley St sale.

All Q2 2026 closed transactions (5+ units)

	CITY	CLOSED	UNITS	SALE PRICE	PRICE/UNIT	CAP RATE	NOTES
*706-708 E Haley St**	Santa Barbara	4/27/26	8*	$3,305,000	$413,125	5.37%*	Mixed-use, RSO-exempt
3445 & 3449 Richland Dr	Santa Barbara	4/30/26	16	$5,850,000	$365,625	5.50%	2-building portfolio
160 Ash Ave	Carpinteria	6/12/26	7	$4,850,000	$692,857	4.79%	Blended STR income
6597 Trigo Rd	Isla Vista	4/24/26	10	$3,975,000	$397,500	5.66%	Student housing, 100% leased
223 E Tunnell St	Santa Maria	6/23/26	7	$1,250,000	$178,571	7.91%	1940 casitas, sold 23% below list
706-720 W 5th St	Oxnard	4/20/26	18	$4,480,000	$248,889	4.90%	1954 vintage
293-295 W Park Row Ave	Ventura	5/7/26	10	$3,420,000	$342,000	5.60%	2BD/3BD mix
175 Stimson Ave	Pismo Beach	4/16/26	7	$3,700,000	$528,571	5.98%	Highest $/unit of Q2
2580 Main St	Cambria	4/29/26	5	$900,000	$180,000	—	Estate sale, as-is, under-rented

**706-708 E Haley St is mixed-use (5 apartments + 3 commercial spaces); unit metrics are on an 8-unit basis and its 5.37% cap rate includes commercial income.*

Continued on P.15

Continued from P.14

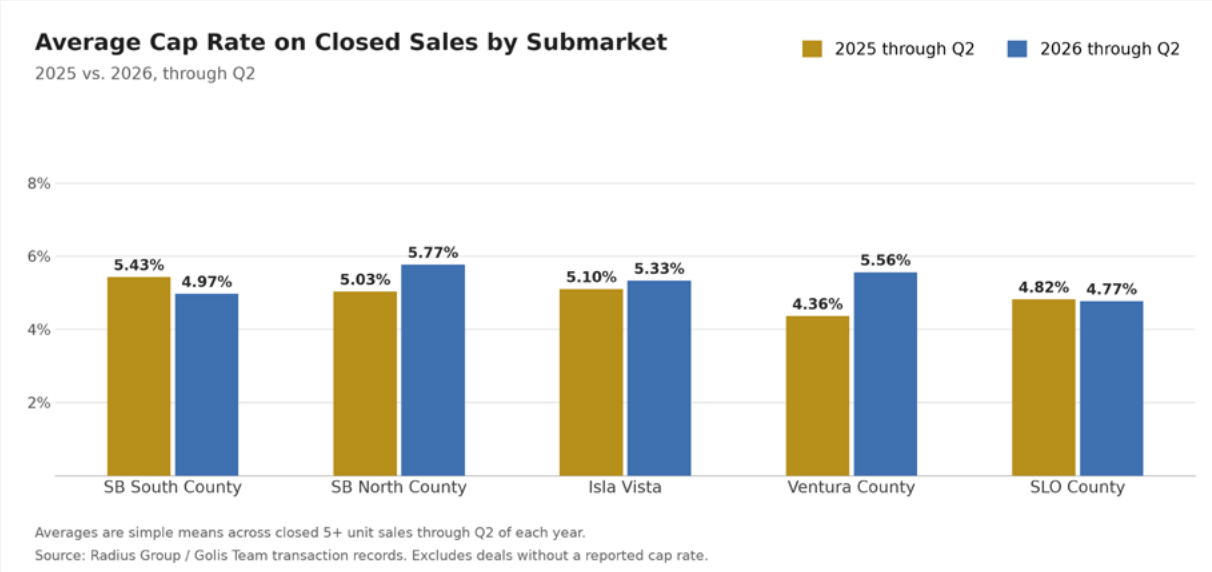


Fig. 3 — Average cap rate on closed sales by submarket, 2025 vs. 2026, through Q2.

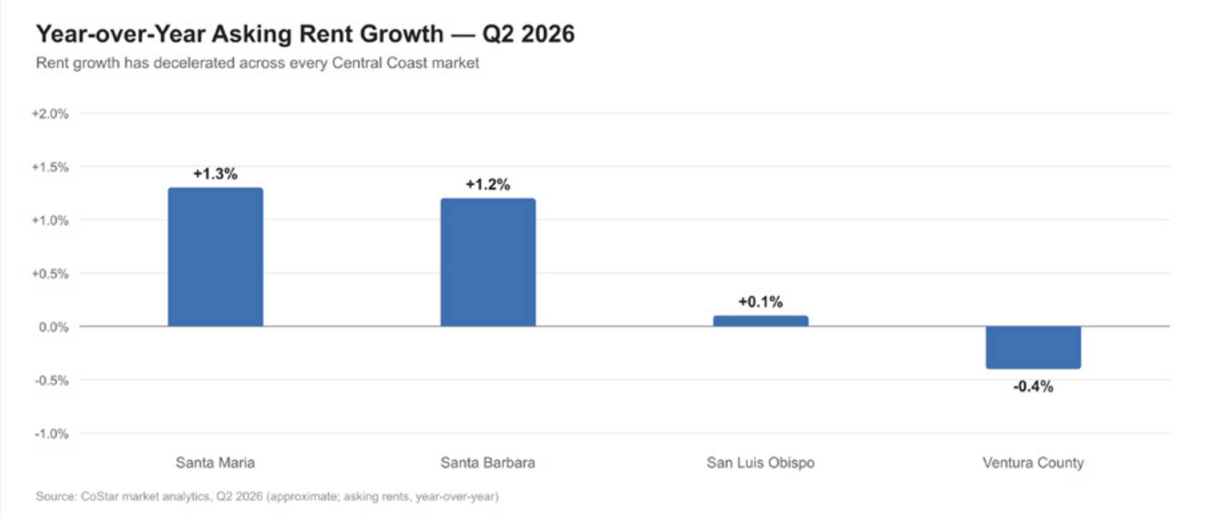


Fig. 4 — Year-over-year asking rent growth by market, Q2 2026 (CoStar).

RENT SNAPSHOT (COSTAR, Q2 2026)

- *Santa Barbara (metro): asking rents ~$2,900/unit, +1.2% year-over-year and decelerating; overall vacancy ~2.7%. City-covered units frozen at December 16, 2025 levels.*
- *Santa Maria: asking rents ~$2,360/unit, +1.3% year-over-year, recovering from 2025 declines; overall vacancy ~9% on new deliveries.*
- *Ventura County: asking rents ~$2,670/unit, -0.4% year-over-year — the only negative print on the Central Coast.*
- *San Luis Obispo: asking rents ~$2,745/unit, roughly flat year-over-year after leading the region at 2%+ through 2025.*

Sources & Notes

Transaction data: Radius Group / Golis Team records (MLS, CoStar, public records); 5+ unit sales in Santa Barbara, Ventura, and SLO counties. Rates: Federal Reserve (FRED DGS10), daily, Q2 2026. Rent/vacancy context: CoStar market analytics, Q2 2026 (approximate). Ordinance status: City of Santa Barbara (Ord. 2026-6206; draft SBMC Ch. 26.90, June 10, 2026; adoption hearing July 28, 2026).

MULTIFAMILY INVESTMENTS 2-4 units

Contribution by Aneta Jensen DRE #01994822 & Silas Burkey DRE #02328305

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

The second quarter of 2026 recorded 20 closed sales of 2–4 unit residential income properties across South Santa Barbara County, the segment's most active quarter in over a year. Activity rose from 17 transactions in Q1 2026 and just 12 in Q2 2025, a 67% year-over-year increase confirming that the rebound that took shape earlier in the year has carried into the spring. Sixteen of the 20 sales closed in Santa Barbara, three in Goleta, and one in Carpinteria, while Summerland recorded no sales, once again underscoring how concentrated this market remains within the Santa Barbara core. The shift this quarter was the type of product that moved. After a first quarter dominated by duplexes (15 of 17 sales), the market rebalanced dramatically: ten duplexes and nine triplexes closed escrow, along with one fourplex. Triplex volume jumped from two sales to nine, the sharpest move of any category.

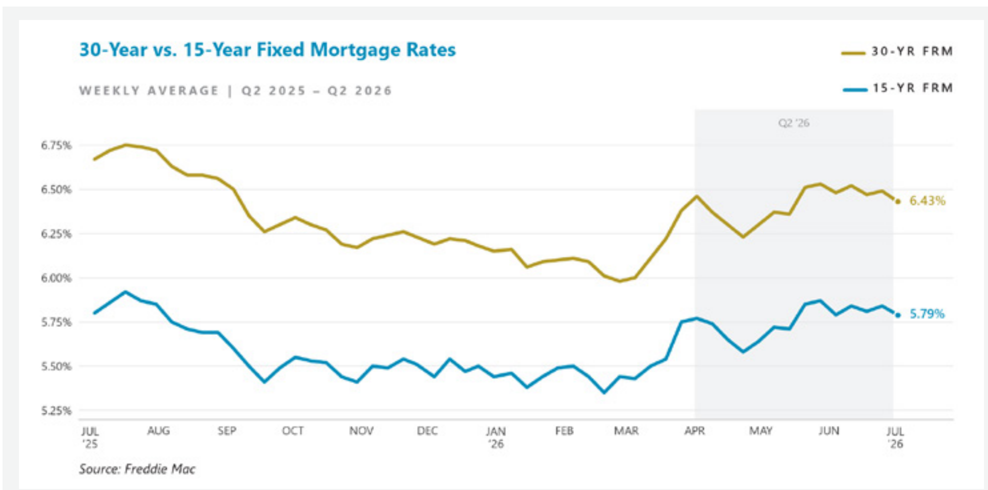
South SB County 2–4 Unit Quarterly Sales Comparison

	Q2 '26 SALES	Q1 '26 SALES	Q2 '25 SALES	AVG PRICE (Q2 '26)	AVG PPU (Q2 '26)	PRIOR PPU (Q1 '26)	∆ PPU (%)
Duplex	10	15	10	$1,733,700	$826,222	$950,500	–13.1%
Triplex	9	2	1	$1,835,097	$611,699	$585,801	+4.4%
Fourplex	1	0	1	$2,040,000	$510,000	—	—
TOTAL	20	17	12				

Note: No fourplexes traded in Q1 2026. PPU averages exclude 330 W. Canon Perdido St, where the value of in-development ADUs distorts per-unit pricing.

Regulatory and Financing Environment

Momentum built even as financing costs ticked higher, with thirty-year mortgage rates drifting into the mid-6% range and the Federal Reserve on hold through its June meeting. The broader multifamily market remains in a state of adjustment as higher costs of capital and a tighter regulatory framework reset pricing expectations for larger, purely income-driven assets. The 2–4 unit segment has proven more resilient: buyers can pair residential financing with rental income, and many purchases carry an owner-user component. Meanwhile, the City of Santa Barbara's Rent Stabilization Ordinance, layered over statewide AB 1482, keeps buyers focused on in-place income and vacancy at close of escrow. That scrutiny is producing a clear flight to quality: turnkey, well-located assets are commanding premiums and moving quickly, value-add product faces longer marketing periods and sharper price discovery, and vacancy itself has become a source of value, allowing a buyer to establish market rents from day one rather than inheriting regulated, below-market leases.



Sales Performance & Pricing Metrics

DUPLEXES 10 SALES | AVG. PRICE: $1,733,700 | AVG. PPU: $826,222

The quarter's headline sale was 330 W. Canon Perdido Street, a 2011-built Andalusian-style corner duplex in downtown Santa Barbara that closed at $2,465,000, the highest price of any South County 2–4 unit transaction this quarter. Delivered with both 3-bedroom, 3-bath units vacant and two additional units in development, the sale pencils to $1,232,500 per unit on paper,

Continued on P.17

Continued from P.16

though much of that figure reflects the ADU development underway rather than the standing units; originally listed at $2,995,000, it required a $500,000 reduction and 155 days on market to trade. On a like-for-like basis, the quarter's per-unit benchmark belongs to 1129 San Pascual Street, a circa-1916 adobe built as the first home of noted architect John William Chard, which was vacant at sale, is reported to have gone under contract in five days, and closed at $2,245,000, or $1,122,500 per unit. At the other end of the range, 329 Santa Barbara Street, a probate offering, drew immediate attention at its price point and closed 1.5% over asking at $1,010,000, or $505,000 per unit. Goleta's three duplex sales, concentrated in the Freeman Place / Linfield Place pocket, averaged $747,833 per unit, led by 475 Linfield Place at 105.5% of list, and Carpinteria's lone sale, 4837 7th Street, closed modestly above asking at $950,000 per unit after three days on market.

Sold | 330 W. Canon Perdido, Santa Barbara
Duplex w/ ADU Development · $2,465,000

TRIPLEXES 9 SALES | AVG. PRICE: $1,835,097 | AVG. PPU: $611,699

Triplexes delivered the quarter's biggest surprise: nine closed sales, up from two in Q1 2026 and a single transaction a year ago, all within the City of Santa Barbara, with average price per unit up 4.4% quarter-over-quarter. 2019 Castillo Street set the category high at $725,000 per unit; with three renovated two-bedroom units in excellent condition and reported income of roughly $12,100 per month, it sold 3.6% over asking in 10 days, the clearest example of this quarter's flight to quality. The low end belonged to 2535 De La Vina Street at $491,667 per unit after 279 days on market and a price reduction, evidence that buyers are discounting value-add product as capital shifts toward stabilized, turnkey assets.

FOURPLEXES 1 SALE | PRICE: $2,040,000 | PPU: $510,000

2019 Bath Street was the only fourplex to trade in the past two quarters, closing at 97.1% of asking after 44 days with approximately $10,900 per month in place. It also recorded the lowest price per unit of any transaction this quarter, a reminder that per-unit pricing compresses as unit count rises and that fourplexes trade closer to pure income fundamentals.

South Santa Barbara County Market Summary

Across all 20 sales, the average transaction achieved 97.2% of its final list price and 93.9% of its original list price, but getting there took discipline: eight listings (40%) absorbed at least one price reduction before selling, averaging a $195,000 cut. Days on market averaged 59 against a median of 40, a market moving at two very different speeds, where well-located product with sound in-place economics transacts within weeks while listings priced ahead of buyer expectations sit for 100 to 279 days. Twenty-six 2–4 unit listings were active at some point during the quarter (11 duplexes, 7 triplexes, and 8 fourplexes), 15 of them new to market, and two went pending. Measured against 20 closed sales, that inventory represents roughly 3.9 months of supply, comfortably below the five-to-six month threshold generally viewed as a balanced market: a seller-favorable but selective environment in which pricing strategy, more than scarcity, is determining outcomes.

Future Outlook

Heading into the second half of the year, the fundamentals point to continued, if measured, momentum. Sales volume has risen both sequentially and year-over-year, buyer depth is broadening beyond duplexes into triplexes, and months of supply remain tight. If mortgage rates stabilize or begin to ease, we would expect that momentum to accelerate; in the meantime, the elevated cost of capital keeps working in favor of owner-users who can apply a second or third unit's rent directly against their mortgage. Expect the flight to quality to persist: turnkey properties and those offering vacancy at close should continue to command premiums and transact quickly, while properties with below-market regulated rents, deferred maintenance, or tenant complexities trade at adjusted pricing as the market at large continues its adjustment to the Rent Stabilization Ordinance and today's financing costs.

Continued on P.18

Continued from P.17

Isla Vista Student Housing SFR & 2–4 Unit Segment

Isla Vista's student housing segment recorded six closed sales this quarter: four duplexes and two single-family homes. That compares with four closings in Q2 2025 and none in Q1 2026, when eight new listings came to market, but no sales closed. Duplex prices ranged from $1,680,000 to $2,500,000, averaging $2,064,250, or $1,032,125 per unit, a striking 46% premium over the $707,963 per-unit average across the South County's other submarkets; the single-family sales averaged $1,556,500. The premium is structural. Supply is scarce and essentially static, demand is pushed steadily higher by UCSB's consistent enrollment growth, and turnover is predictable, with much of the tenant base cycling roughly every three years. Student housing also sits on the favorable side of the regulatory divide: Isla Vista is governed by the comparatively less restrictive statewide AB 1482 rather than the City of Santa Barbara's Rent Stabilization Ordinance, and units are re-leased annually following a structured two-week turnover period—natural turnover that lets owners bring rents to market level nearly every year.

Sold | 6670 Sueno Rd., Isla Vista
Duplex · $2,500,000

Del Playa Drive accounted for two of the six closings: 6516 Del Playa Drive, a duplex that closed at $2,227,000 ($1,113,500 per unit, 95.8% of asking), and 6553 Del Playa Drive, an oceanfront single-family home fully leased for the coming school year that closed at $1,518,000. Nothing in Isla Vista is far from the water, but Del Playa sits directly adjacent to the beach, an immediacy student tenants prize above all else, and product on the street trades rarely and at a premium. Elsewhere, 6670 Sueno Road was the quarter's top sale at $2,500,000, or $1,250,000 per unit, on a rare 11,761 SF lot with expansion or redevelopment potential, while the sister Sabado Tarde Road duplexes, marketed together from late February, closed at $1,850,000 (2.8% over asking) and $1,680,000 (96% of list), both renovated for student occupancy and leased for the coming school year. 6877 Fortuna Road, a single-family home on the community's western edge, closed at its full reduced asking price of $1,595,000.

The pipeline points to continued momentum. 6724 Pasado Road went pending in mid-May at a $2,795,000 asking price, after trading at $2,100,000 in Q2 2025, and closed shortly after quarter end. 6880 Pasado Road went under contract following the quarter, and new single-family listings joined the market late in the quarter on Del Playa Drive and Sueno Road.

Isla Vista 2–4 Unit Quarterly Sales Comparison

	Q2 '26 SALES	Q1 '26 SALES	Q2 '25 SALES	AVG PRICE (Q2 '26)	AVG PPU (Q2 '26)	PRIOR PPU (Q2 '25)	Δ PPU (%)
SFR	2	0	2	$1,556,500	$1,556,500	$1,867,500	–16.7%
Duplex	4	0	1	$2,064,250	$1,032,125	$1,050,000	–1.7%
Fourplex	0	0	1	—	—	$750,500	—
TOTAL	6	0	4				

Note: No Isla Vista properties traded in Q1 2026; prior PPU reflects Q2 2025, the most recent quarter with closed sales. SFR figures reflect single-family homes operated as student rentals.

Future Outlook

The conditions behind this quarter's results are durable: enrollment-driven demand, effectively fixed supply, and a regulatory framework that preserves the annual reset to market rents. With the Pasado Road transactions already extending activity into the third quarter and fresh inventory testing the market, Isla Vista student rentals, duplex or single-family, remain among the most reliable performers on the South Coast.

Opinion

> *"The financial lifeblood of any community ultimately rests in its ability to attract or repel capital."*

Contribution by Don Katich, Radius General Manager DRE #01321838

FINDING HOPE FOR SANTA BARBARA'S COMMERCIAL PROPERTY OWNERS

Commercial property owners in Santa Barbara continue to face mounting pressure on their property rights. In recent months, a series of proposals have targeted how owners manage and profit from their assets. These include the city's Rent Freeze, the proposed Rent Stabilization Ordinance, discussions around implementing a Vacancy Tax and Vacancy Control, the Mansion Tax, and a proposed Billionaires Tax (Wealth Tax), which has qualified for the November 2026 ballot. What makes these efforts even more concerning is that the assault on property rights is no longer limited to commercial properties — it is increasingly migrating to single-family homes, condominiums, and Accessory Dwelling Units (ADUs). While many of these ideas reflect an ongoing effort to expand government control over private property and generate revenue via taxes, not all of them have advanced. In fact, several important developments show that property owners still have meaningful ways to push back and protect their interests.

One of the most encouraging signs is the growing political momentum at both the state and local levels to defend property rights. The Save Proposition 13 initiative has qualified for the November 2026 ballot and aims to close loopholes that have allowed excessive local taxes and transfer fees to expand without proper voter approval. Here in Santa Barbara, there are also active discussions about pursuing a local referendum to repeal the city's proposed Rent Stabilization Ordinance, which could lead to a special election. Adding to this momentum, the Santa Barbara Rental Property Association is actively challenging the city's Rent Freeze ordinance in federal court. Although the initial complaint was dismissed, the court allowed the association to amend and refile its lawsuit in August. These efforts demonstrate that property owners are willing to take legal action to protect their rights at the local level.

At the same time, several aggressive attempts to further restrict property rights at the state level have already been stopped. AB 1157 would have cut allowable annual rent increases from the current 5% plus inflation (capped at 10%) down to just 5%, while expanding rent control to single-family homes and other property types. AB 1611 would have eliminated the ability to defer capital gains taxes through 1031 exchanges for rental housing investors. Both of these bills died in committee. These were not minor or symbolic proposals — they represented serious efforts to limit how property owners operate and reinvest in their assets. Their defeat shows that coordinated opposition from property owners and business groups can still be effective.

Continued on P.20

Continued from P.19

Locally, Santa Barbara property owners are also adapting on the ground. Yardi's conversion of significant retail space at Paseo Nuevo into modern downtown office space reflects how local properties are being repositioned to meet current demand. As this quarterly report notes, Santa Barbara's overall retail vacancy rate was 3.0%, while the perceived vacancy rate along the State Street corridor stands at 8.84%. These numbers indicate that while challenges remain in certain locations, well-located and adaptable properties continue to attract tenants.

As economist Milton Friedman observed, capital tends to flow to places where it is welcomed and treated fairly, and it flees from jurisdictions where it is heavily penalized or attacked. The financial lifeblood of any community ultimately rests in its ability to attract or repel capital. Santa Barbara's commercial real estate market is shaped by our limited land supply and strong tourism economy, which together create both constraints and lasting value. As Mayor Randy Rowse has stated, "Our commercial corridors and downtown are essential to Santa Barbara's identity and economy. We need to support the property owners and businesses that keep our community vibrant."

Although these attacks on property rights continue, property owners must remain vigilant. The recent defeats of extreme legislation, active local legal efforts, and visible adaptation by owners provide real reasons for optimism. However, these gains will only be sustained if property owners stay engaged and actively advocate for policies and candidates who protect capital and defend property rights that continue to come under attack. Those who invest in their assets while remaining involved in these issues are best positioned to protect and grow the value of what they own.

I welcome your thoughts on this topic. Please feel free to reach out at dkatich@radiusgroup.com

Contribution by Jack Gilbert, Radius Senior Associate, The Golis Team DRE #02197493

SANTA BARBARA RENT CONTROL: THE NEW MATH FOR MULTIFAMILY OWNERS

On July 28, the Santa Barbara City Council is scheduled to formally introduce its permanent rent stabilization ordinance for adoption. A temporary rent freeze has already been in force since February retroactive to December 16, 2025, and the permanent program goes operative January 1, 2027. Together they will govern the income — and therefore the value — of roughly 13,000 multifamily units inside the city limits. If adopted as currently drafted and without legal intervention, here is what it means for owners, property managers and other stakeholders.

The Freeze — In Force Now

- **Rents locked at December 16, 2025 levels —** effectively retroactive: that date's actual rents are each unit's base rent and fair-return baseline, whether below, at, or above market.
- **Pre-Feb 1995 buildings covered,** including older duplexes; sunsets Dec 31,2026 or when the permanent program starts.
- **Tighter no-fault eviction rules —** market withdrawal must remove all units at once, with a five-year re-rental ban.

Continued on P.21

1.1.27
Program Operative Date

0%
Increases allowed in 2026 — covered rents frozen at Dec 16, 2025 levels

60%/3%
2027 annual cap: lesser of 60% of CPI or 3% — no banking, one increase / 12 mo.

~2-2¼%
Projected first allowable increase, January 2027

13K
Covered units — certificate of occupancy before Feb 1, 1995

Opinion

Continued from P.20

The Ordinance — Jan 1, 2027

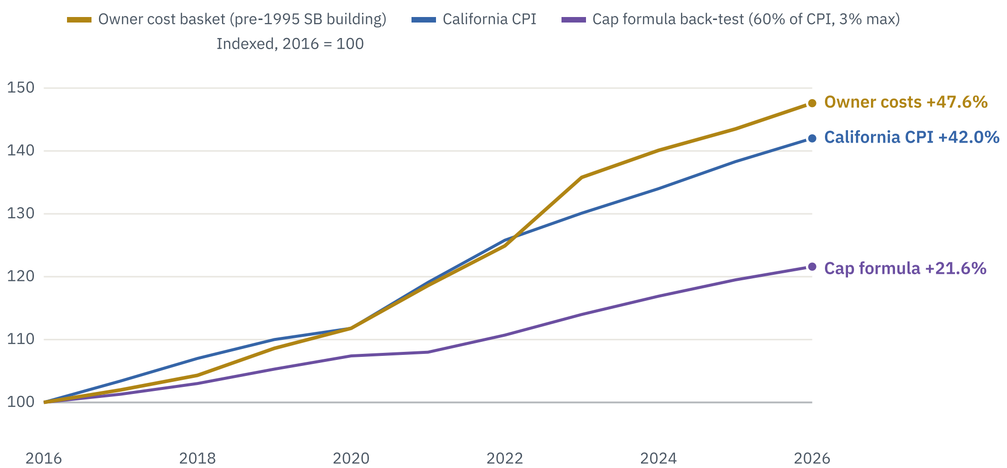
- **Cap = lesser of 60% of CPI or 3% (0% floor).** Roughly a quarter to a third of the AB 1482 state-law ceiling. The majority's rationale: CPI is ~40% housing— "we don't want to count housing twice."
- **Mandatory rental registry —** register every unit, even exempt ones, or legally collect no rent; owner-funded at ~$2M/year, plus a new 5–7 member rent board.
- **Relief petitions —** owner fair-return and capital-improvement petitions; tenant downward petitions.

What It Means For Value

- **Capped income, higher cap rates.** Growth limited to ~2%/yr while expenses compound — buyers reprice covered assets accordingly.
- **The value-add playbook narrows.** No banking and a 60%-of-CPI cap curb renovate-and-reset strategies on covered units.
- **A bifurcated market.** Post-1995, condos, SFRs and outside-city product keep pricing flexibility — and a premium. Goleta, Carpinteria, Ventura & SLO remain under AB 1482 (5% + CPI, 10% max).
- **Your 2025 books are the baseline.** The fair-return petition presumes Dec-2025 NOI was a fair return — clean records are the entire case for relief above the cap.

The Squeeze — Operating Costs vs. The Cap (2016–2026)

Had the ordinance's cap existed since 2016, allowable rent growth (+21.6%) would have run at less than half the pace of owner operating costs (+47.6%).



Weighted basket of taxes, insurance, utilities, labor & materials from public rate data — full methodology at sbrso.com/squeeze.

SBRSO.COM

TRACK ALL OF IT, FREE!

The Golis Team built the Santa Barbara Rent Stabilization Observatory — SBRSO.COM — so owners, reporters and policymakers can argue from the same facts: every claim cited, verbatim council record, no paywall. *Questions? GolisTeam@RadiusGroup.com*

The Squeeze Cost Data | The Ordinance, Explained | Council Record | Fair Return Calculator | The Honest Case

OWNER ACTION PLAN BEFORE JAN 2027

1

Confirm coverage – pull each C-of-O date

2

Document base-year NOI – audit-ready 2025 books

3

Run the fair-return math – sbrso.com/fair-return

4

Map capital-improvement recovery before major work

5

Reassess hold vs. sell / 1031 with current numbers

6

Get a current BOV – values are repricing now

"That doesn't make these buildings bad investments – it makes them different investments, and the owners who understand the new math first are the ones who will protect their equity."

Steve Golis, Principal & Founder, Radius Commercial Real Estate