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GOOGLE EXPANDS GOLETA FOOTPRINT AS SALES REMAIN SELECTIVE

\$32.5
MILLION

GOOGLE ACQUISITION
147-165 Castilian Drive, Goleta

~300K

SQUARE FEET
Google's reported Goleta footprint

-26%

YOY SALES COUNT
17 transactions vs. 23 in Q3 2025

South Coast commercial real estate sales totaled \$75 million in Q3 2026, with two major transactions driving 58% of dollar volume, and off-market deals accounting for 71%.

The South Coast commercial real estate market recorded 17 sales totaling \$75,033,288 in the third quarter of 2026, down from 23 transactions in Q3 2025. Google's \$32.5 million acquisition in Goleta led the quarter, followed by the \$11.3 million sale of Kellogg Square. Together, the two transactions represented approximately 58% of total sales volume.

The headline numbers tell only part of the story. Excluding those two transactions, the remaining 15 sales totaled approximately \$31.2 million. Buyers continued to pursue opportunities, but activity remained selective, with a small number of large transactions having a substantial effect on quarterly results.

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Google's \$32.5 million acquisition of 147-165 Castilian Drive adds approximately 83,400 square feet to the company's Goleta presence, bringing its reported local footprint to roughly 300,000 square feet. The purchase further expands Google's presence in a region shaped by UCSB's research and technology ecosystem.

SO. COAST COMMERCIAL SALES

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Google's Goleta Acquisition Expands Its Local Presence

Google's acquisition of 147–165 Castilian Drive from Investec was the quarter's largest sale. The approximately 83,400-square-foot campus brings Google's reported Goleta footprint to roughly 300,000 square feet, establishing a substantial local presence for the company.

Google's quantum computing work has deep ties to UC Santa Barbara, illustrating how university research and specialized talent contribute to the region's commercial real estate demand. Although Google has not announced the intended use of the newly acquired buildings, the acquisition adds to its existing research and development presence in Goleta.

Another notable Goleta transaction was the \$4.025 million sale of 6780 Cortona Drive. Local manufacturer CMC Rescue sold the property to Las Cumbres Observatory, a nonprofit that operates a global network of observatories and provides telescope access for scientific research. The property will support an organization based in the region whose work extends well beyond Santa Barbara County.

Together, these transactions highlight the role of technology, scientific research and specialized organizations in the South Coast commercial property market.

Retail Investment Continues in Existing Shopping Centers

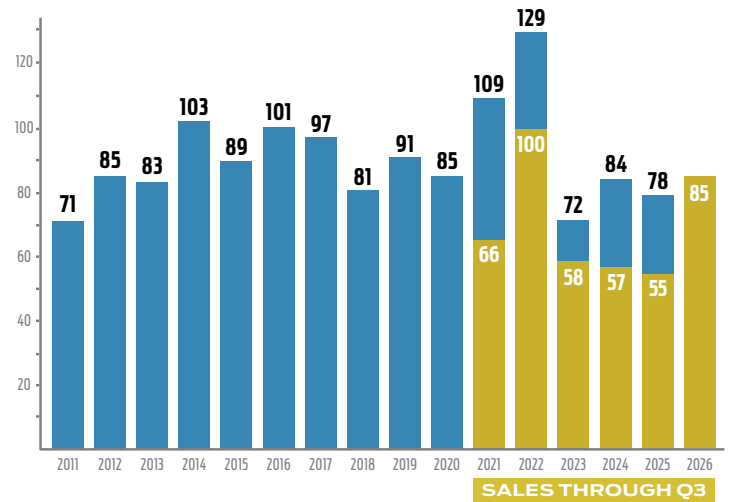
Kellogg Square, located at 5555–5585 Hollister Avenue in Goleta, sold off-market to an investor for \$11.3 million, or approximately \$327 per square foot. The buyer plans to remodel the center while retaining its retail use.

The sale demonstrates continued investor interest in improving and operating established neighborhood shopping centers, even as some retail properties across the region are considered for housing or other uses.

Retail accounted for six sales totaling approximately \$23.3 million during Q3 2026. Kellogg Square represented nearly half of that volume.

In downtown Santa Barbara, Yardi Systems acquired 715–719 State Street for \$3.7 million. The approximately 10,400-square-foot property adds to Yardi's downtown investment following its purchase of the former Macy's building at Paseo Nuevo and its plans for a downtown headquarters, discussed in Radius's Q2 2026 report. The State Street acquisition provides another example of continued investment in downtown commercial property.

Annual South Coast Commercial Sales



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



Smaller Office Properties Continue to Trade

Office properties accounted for seven sales totaling approximately \$7.5 million during the quarter. Several transactions involved commercial condominiums, continuing a pattern observed throughout 2026.

These smaller properties provide opportunities for continued transaction activity in a market where buyers remain selective. However, sales of smaller office assets do not necessarily indicate stronger demand for larger office buildings, which can involve different financing requirements, leasing risks and ownership considerations.

Off-Market Sales Account for 71% of Q3 Volume

Six of the quarter's 17 transactions closed privately, totaling \$52,929,500, or approximately 71% of the \$75.0 million in

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total sales volume. Off-market transactions therefore represented a substantial share of South Coast commercial real estate investment activity in Q3 2026.

Privately negotiated sales can emerge through existing relationships and conversations between owners and prospective buyers before a property is publicly marketed. These transactions highlight the importance of understanding local ownership, recognizing potential opportunities and knowing which buyers are actively seeking particular property types.

For a market with relatively few transactions and substantial variation in individual sale values, off-market activity is an important part of the broader picture of commercial real estate investment.

Higher Borrowing Costs Continue to Shape Investment Decisions

Financing conditions remain a consideration for commercial real estate buyers and sellers. In September 2026, the Federal Reserve raised its target range for the federal funds rate by a quarter percentage point to 3.75%–4.00%, citing continued inflation.

Higher borrowing costs can reduce the income remaining after debt service, require buyers to contribute more equity or limit the prices they can justify paying. For property owners considering a sale, financing conditions can affect the pool of qualified buyers and the valuations those buyers can support, even when a property is performing well.

Transactions are still closing, but buyers must evaluate acquisitions against current financing costs rather than assume borrowing costs will decline. Property fundamentals, realistic pricing and the buyer's investment objectives remain central to whether a transaction can move forward.

Goleta Leads South Coast Sales Volume

Goleta accounted for approximately \$49.4 million, or 66%, of South Coast commercial sales volume in Q3 2026. Google's acquisition and the Kellogg Square sale contributed significantly to that total, underscoring the effect a small number of major transactions can have on submarket results.

The quarter also included two land sales totaling approximately \$7.7 million: an agricultural property at 1628 Cravens Lane in Carpinteria and 328 West Montecito Street in Santa Barbara.

Market Outlook

Q3 2026 reflected a selective South Coast commercial real estate market in which substantial investments continued alongside more limited overall transaction activity. Google's acquisition demonstrated the scale of investment associated with an expanding local presence, while the Kellogg Square sale showed continued interest in improving established retail properties. Smaller office sales and privately negotiated transactions also contributed to quarterly activity.

With 17 sales and approximately 58% of dollar volume concentrated in two transactions, the quarter's total should not be interpreted as evidence of uniformly stronger demand across property types. Buyers continue to evaluate opportunities according to their operational needs, investment objectives and ability to make the financing work at current borrowing costs.

For sellers, the distinction between headline sales volume and broader market activity remains important. Property characteristics, pricing, financing and the motivations of prospective buyers all influence whether a transaction can move forward. ■

Q3 2026 Commercial Sales — Key Takeaways

Off-market transactions accounted for 71% of sales volume. Six privately negotiated transactions totaled approximately \$52.9 million, underscoring the significance of off-market activity.

17 sales totaled \$75.0 million. Transaction count declined from 23 sales in Q3 2025, while Google's acquisition and the Kellogg Square sale accounted for approximately 58% of quarterly dollar volume.

Google expanded its reported Goleta footprint to approximately 300,000 square feet. The acquisition added an approximately 83,400-square-foot campus; its intended use has not been announced.

Goleta led regional sales volume. The submarket accounted for approximately \$49.4 million, or 66% of total sales volume.

Buyers remained selective across property types. Retail investment, research-related acquisitions and smaller office transactions demonstrated continued activity, while financing costs and property-specific fundamentals continued to shape investment decisions.

2026 So. Coast Leasing Quick Stats

VACANCY

	Q2.26	Q3.26
OFFICE	Santa Barbara 6.9%	7.3%
	Goleta 8.4%	7.9%
	Carpinteria 12.2%	48.7%
INDUSTRIAL	Santa Barbara 1.6%	1.5%
	Goleta 2.7%	2.6%
	Carpinteria 7.0%	7.0%
RETAIL	Santa Barbara 3.0%	3.0%

GROSS ABSORPTION (SF)

	Q2.26	Q3.26
OFFICE	Santa Barbara 52,200	36,200
	Goleta 57,100	77,200
	Carpinteria 2,300	600
INDUSTRIAL	Santa Barbara 13,900	7,500
	Goleta 53,500	3,500
	Carpinteria 8,900	0
RETAIL	Santa Barbara 21,000	34,700

AVG. GROSS ASKING RATES (\$/SF)

	Q2.26	Q3.26
OFFICE	Santa Barbara \$3.47	\$3.42
	Goleta \$2.43	\$2.38
	Carpinteria \$2.35	\$2.70
INDUSTRIAL	Santa Barbara \$2.97	\$3.03
	Goleta \$1.50	\$1.41
	Carpinteria \$1.55	\$1.55
RETAIL	Santa Barbara \$4.58	\$4.91

AVG. GROSS ACHIEVED RATES (\$/SF)

	Q2.26	Q3.26
OFFICE	Santa Barbara \$3.54	\$3.63
	Goleta \$2.29	\$2.62
	Carpinteria \$2.42	\$1.75
INDUSTRIAL	Santa Barbara \$3.17	\$2.59
	Goleta \$2.25	\$1.90
	Carpinteria \$1.65	N/A
RETAIL	Santa Barbara \$7.30	\$4.20

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

RECORD GOLETA OFFICE RENTS & LOWER RETAIL VACANCY MARK A MIXED SOUTH COAST CRE MARKET

While Two Large Vacancies Push Carpinteria's Reported Office Vacancy to 48.7%

South Coast commercial leasing showed a market of contrasts in Q3 2026.

In office, two large

vacant properties dramatically altered Carpinteria's reported vacancy, while Goleta completed a major lease and Santa Barbara continued to balance a defining downtown investment with persistent large-space availability. Industrial vacancy and rents remained stable, but nine spaces larger than 10,000 square feet remained vacant across the South Coast. Santa Barbara retail showed positive indicators, with a second consecutive quarter of 13 leases, declining vacancy and higher average achieved rents year over year.



SOUTH COAST LEASING

Office Leasing — A Market of Contrasts Across the South Coast

The South Coast office market varied sharply by submarket.

Carpinteria's reported vacancy reached 48.7%, compared with 7.4% in Santa Barbara and 7.9% in Goleta. In Carpinteria, two vacant properties totaling approximately 162,000 square feet account for roughly one-third of the market's stated office inventory, illustrating how a small number of large buildings can disproportionately influence reported vacancy. Meanwhile, Toyon signed a lease for 43,665 square feet in Goleta's former AppFolio building, while several other large office spaces remain available. In Santa Barbara, Yardi's earlier purchase and occupancy of the former Macy's building at Paseo Nuevo remains a defining downtown development of 2026, even as several large office spaces continue to face extended marketing periods.

Goleta Office — Achieved Rents Reach Historic Highs

Over the past four quarters, Goleta's office market has recorded the two highest quarterly average gross achieved rates since Radius began tracking the data: \$2.61/SF in Q4 2025 and \$2.62/SF in Q3 2026. These record-setting quarters cap a broader upward shift in achieved rents

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SO.COAST LEASING

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that began in 2024, was sustained through 2025, and has culminated in new highs in 2026. The annual average increased nearly 14% in 2024, from \$2.14/SF to \$2.43/SF, and remained at approximately \$2.43/SF in 2025.

Goleta's office vacancy rate was 7.9% in Q3 2026. The quarter's largest office lease was Toyon's commitment to 43,665 square feet in the former AppFolio building. The property had been marketed for an extended period before the lease was completed.

Other large office spaces remain available. Teladoc's 28,015-square-foot space at 7402 Hollister Road is being offered at an asking rate of \$2.15/SF NNN. Additional availabilities include 22,639 square feet at 6950 Hollister Avenue and 35,112 square feet at 6550 Hollister Avenue. Both properties offer a variety of office spaces, and 6950 Hollister Avenue was recently remodeled down to the studs.



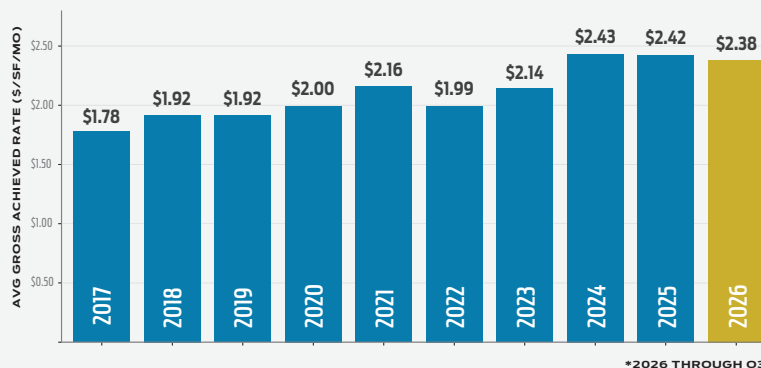
Office | 50 Castilian Dr, Goleta
±43,665 SF Leased to Toyon
(Former AppFolio Building)

Santa Barbara Office — Santa Barbara Office Vacancy Holds Relatively Low as Large Spaces Linger on the Market

Santa Barbara's office vacancy rate was 7.4% in Q3 2026. Although it occurred earlier in 2026, Yardi's purchase and occupancy of the former Macy's building at Paseo Nuevo for its future headquarters remains the defining downtown office-market development of the year. The acquisition does not appear in the reported office vacancy figures, but it represents a major commitment to downtown Santa Barbara and brings new direction to a prominent property.

Other office leasing activity included McCarthy & Kroes' expansion into 4,892 square feet at 125 E. Victoria Street, at \$3.28/SF NNN. Klein DeNatale also added approximately 4,000 square feet at 30 E. Figueroa Street to complement its existing Montecito office. Meanwhile, several large office spaces remained on the

Goleta Office — Avg Gross Achieved Rents



market after extended marketing periods:

- **614 Chapala Street**— 27,217 SF (approx. three years)
- **25 E. Mason Street**— 32,579 SF (approx. three years)
- **21 E. Victoria Street**— 14,033 SF (approx. 11 months)
- **1021 Anacapa Street**— 13,920 SF (approx. 19 months)

Yardi's earlier acquisition and occupancy remain a major commitment to downtown, but the extended marketing periods for these other properties show that significant office availabilities remain. The two conditions can exist at the same time: a prominent building can gain a new long-term purpose while other large spaces continue to seek tenants.

Carpinteria Office — Vacancy Jumps to 48.7% as Two Large Properties Enter the Market

Carpinteria's reported office vacancy rate jumped to 48.7% in Q3 2026, reflecting the arrival of two substantial vacant properties in a market with approximately 500,000 square feet of total office inventory. By comparison, the quarter's only new office lease was just 560 square feet. The contrast between that small lease and the scale of the newly available properties illustrates how sharply a few large buildings can affect reported

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Office | 6185 Carpinteria Ave., Carpinteria (40,763 SF)
Including this large vacant property on the bluffs and the 121,000 SF campus next-door, Carpinteria's Office Vacancy Rate jumped to nearly 50% in Q3

SO. COAST LEASING

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vacancy in Carpinteria.

The first property is Enclave @ Carpinteria, the 121,230-square-foot creative office and research and development (R&D) campus on the bluffs commonly known as the Procore campus. The property recently came to market for sale and lease.

The second is the vacant 40,763-square-foot Planned Member building at 6185 Carpinteria Avenue, listed for sale at \$239/SF.

Although the Planned Member building is not being marketed for lease, its size and vacant status make it a significant part of the market's available inventory. It has therefore been included in the vacancy calculation as an exception to the market's usual methodology.

Together, the two properties represent approximately 162,000 square feet—roughly one-third of Carpinteria's stated office inventory. Whether either property attracts a buyer or occupier could materially affect the reported vacancy rate in future quarters. With so much space concentrated in just two properties, their disposition and occupancy will be important factors in how Carpinteria's office market develops.

Industrial Leasing — Rates Hold Steady, but Nine Large Spaces Remain Vacant

Industrial leasing activity across Santa Barbara, Goleta and Carpinteria was slow but stable in Q3 2026. Santa Barbara recorded very few new leases, Goleta had one new lease, and the quarter included a couple of small renewals.

Industrial vacancy rates remained essentially flat across all three South Coast submarkets, while lease rates were generally unchanged. After more than a decade of significant year-over-year rental rate increases, rates now appear to be holding steady, giving landlords and tenants more balanced negotiating leverage.

Larger industrial spaces remain a particular challenge. Properties exceeding 10,000 square feet have experienced prolonged vacancies across all three submarkets. Combined, Santa Barbara, Goleta and Carpinteria had nine vacant industrial spaces larger than 10,000 square feet.

The limited activity among larger users has been a consistent feature of the South Coast industrial market in 2026. Stable vacancy and lease rates do not mean that all available spaces are leasing quickly: the nine large vacant spaces show that substantial blocks of industrial



Retail | 13–15 E Cabrillo Blvd, Santa Barbara
±6,916 SF Leased to Local Restaurant Group
(Former Blue Water Grill)

inventory continue to face extended marketing periods.

Retail Leasing — Vacancy Falls to 3.0% as Achieved Rents Rise Year Over Year

Santa Barbara retail recorded 13 leases in Q3 2026, matching the total from Q2. The amount of leased space increased to 34,654 square feet, up from 27,289 square feet in the previous quarter. Individual transactions ranged from approximately 900 to 6,916 square feet.

The largest lease was for 6,916 square feet at 13–15 E. Cabrillo Boulevard, the former Blue Water Grill space. The location will be occupied by a new restaurant concept from the operators of Secret Bao, which will continue operating at its existing location across from the courthouse.

Other notable transactions included:

- **1035 State Street**— Columbia Bank leased approx. 6,253 square feet after acquiring the previous tenant, Pacifica Premier Bank.
- **136 E. Haley Street**— MarAmi Vineyard leased approx. 3,890 square feet in the former Coast Tires & Service location.
- **433 Chapala Street**— Santa Barbara Insurance leased the final 2,850 square feet available following redevelopment of the former Happy's Automotive property. John A. Martin & Associates had leased the balance of the property the previous year.

Santa Barbara's retail vacancy rate declined from 3.8% in Q3 2025 to 3.0% in Q3 2026. Average asking rent in Q3 2026 was \$4.91/SF on a gross-equivalent basis, including base rent and NNN expenses. Average achieved rent increased from \$3.41/SF in

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SO.COAST LEASING

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Q3 2025 to \$4.20/SF in Q3 2026.

The lower vacancy rate and higher year-over-year achieved rent indicate continued leasing activity in Santa Barbara retail. However, achieved rents can fluctuate significantly from quarter to quarter because the number of completed transactions is limited and individual leases vary by location, size, layout and property condition. Average rent changes should therefore be considered alongside the number and characteristics of the spaces leased.

Market Outlook — Large Properties Are the Defining Variable in Several Submarkets

Q3 2026 results point to different challenges across South Coast commercial property types.

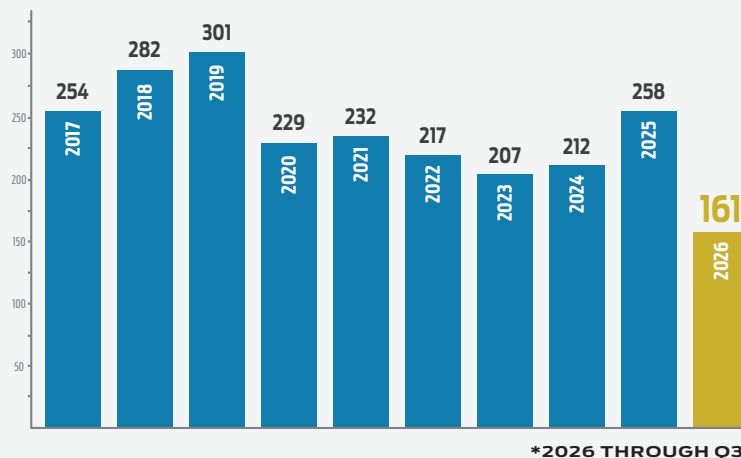
In office, Carpinteria's reported vacancy rate is heavily affected by two large vacant properties, while Santa Barbara's market continues to reflect the significance of Yardi's earlier purchase and occupancy of the former Macy's building at Paseo Nuevo, alongside several long-marketed office spaces. Goleta completed a substantial lease to Toyon, but more than 80,000 square feet remains available across the three large spaces highlighted in this report.

In industrial, vacancy and lease rates were essentially unchanged, yet nine spaces larger than 10,000 square feet remained vacant across the South Coast. The figures point to a market where overall conditions are stable but larger spaces continue to take longer to lease.

In Santa Barbara retail, 13 leases were completed for the second consecutive quarter, leased square footage increased from Q2, vacancy declined year over year, and average achieved rent rose. The achieved-rent figures remain sensitive to the mix of individual transactions.

Across these markets, aggregate vacancy and rent statistics provide important context, but the size, location and status of individual properties help explain what the numbers mean on the ground. ■

So. Coast Annual New Leases



Q3 2026 Leasing — Key Takeaways

Carpinteria office vacancy rose to 48.7%. Two large vacant properties totaling approximately 162,000 square feet drove the reported rate sharply higher in a market with approximately 500,000 square feet of office inventory.

Santa Barbara's office market combines a major downtown commitment with persistent large vacancies. Yardi's earlier purchase and future occupancy of the former Macy's building at Paseo Nuevo remains a defining downtown milestone of 2026, while four large office availabilities remain on the market, including spaces at 614 Chapala Street and 25 E. Mason Street.

Goleta completed a major office lease, but sizeable options remain. Toyon leased 43,665 square feet in the former AppFolio building. Large availabilities remain at 6950 Hollister Ave, 6550 Hollister Ave and 7402 Hollister Ave.

Industrial rates remained stable, but nine large spaces are still vacant. Across Santa Barbara, Goleta and Carpinteria, nine available industrial spaces exceed 10,000 square feet, reflecting continued challenges in attracting larger users.

Santa Barbara retail vacancy declined while achieved rents increased year over year. Vacancy fell from 3.8% to 3.0%, and average achieved rent rose from \$3.41/SF to \$4.20/SF on a gross-equivalent basis.

Contribution by Justin Diem DRE #02058176

STATE STREET AVAILABLE STOREFRONTS DROP BELOW 30 FOR FIRST TIME SINCE 2019

DOWNTOWN STATE STREET

Downtown Santa Barbara's State Street corridor recorded 29 available storefronts in Q3 2026, down from 31 in Q2. It was the first time the count had fallen below 30 since 2019. The lower count is an encouraging change in storefront availability, but restaurant closures and reported concerns about local customer traffic show that vacancy alone does not tell the full story of downtown business conditions.

City Adopts State Street Master Plan as Referendum Opposition Advances

During Q3, the City of Santa Barbara officially adopted the State Street Master Plan. Shortly afterward, a petition gathered enough signatures to qualify a voter referendum opposing the continued closure of State Street to vehicular traffic. The effort was led by the State Street Business Alliance and concerns the street closure that began as a COVID-era emergency measure more than six years ago.

The adoption of the plan and qualification of the referendum placed the future configuration and use of State Street at the center of the downtown business conversation.

New Tenants and Adaptive Reuse Bring Activity to Individual Properties

Several transactions and openings contributed to the quarter's storefront activity. The Antique Alley building at 706 State Street sold to an owner-user. At 537 State

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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 by State Street facing storefronts. Some of the spaces may be leased and we are not aware of it. Pop-up shops are included as vacant space since it is only short term (12 months or less). First floor State St. fronting office/banks have been excluded in this count of retail storefronts. Unless noted above, reuse projects remain in the total storefront count until new use is open. *Report updated as of 9/23/26.*

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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Street, clothing designer Wear & Roam leased a suite inside Hotel Santa Barbara. State of Mind Café, a coffee shop designed for the disability community, leased space at 918 State Street next to the new SBIFF theatre.

The former Brat Haus property at 801 State Street was converted into four commercial spaces, with three residential units on the second floor. Milio's Pizza opened in the corner space alongside clothing retailer Neighbor Neighbor.

The conversion took nearly three years, illustrating the time and resources required to adapt an existing building for new uses—even when the building is relatively efficient in size and layout. With the Yardi conversion of the former Macy's and apartment conversion of the former Nordstrom in the planning process, hopefully we do not have to wait many years for those projects to take shape since the scale is much larger.

Four Restaurant Closures Highlight Concerns About Local Customer Traffic.

Four restaurant closures affected State Street during the quarter. BibiJi, which had recently moved from the 700 block to the 1200 block, ended its run on State Street. Satellite closed at 1117 State Street following a slowdown. Pascucci and Santa Playa Mariscos also closed on the 1200 block.

Several well-known restaurants cited a lack of local customer traffic as a key factor in their decisions. These closures illustrate why a declining storefront count should not be treated as a complete measure of downtown business health: fewer vacant storefronts do not necessarily mean every business is sustainable or that customer traffic is sufficient to support every tenant. ■



The Antique Alley building at 706 State Street sold to an owner-user. The property was listed at \$1,645,000.

State Street — Q3 Key Takeaways

Available storefronts fell to 29. The count declined from 31 in Q2, dropping below 30 for the first time since 2019.

New leases and openings brought activity to individual properties. Wear & Roam, State of Mind Café and Milio's Pizza were among the businesses associated with new leasing or openings during the quarter.

Restaurant closures point to continued business challenges. Four restaurant closures and reported concerns about local customer traffic show that storefront vacancy alone does not capture the economic health of the corridor.

The future configuration of State Street remains contested. The City adopted the State Street Master Plan, and a petition opposing the plan qualified for a voter referendum during Q3.

Contribution by Sierra Falso DRE #01276646

REPOSITIONING, REINVESTMENT & NEW USES SHAPE THE MARKET

North Santa Barbara County and the Santa Ynez Valley saw a mix of commercial property transactions, business changes and development activity in Q3 2026. In Lompoc, a former big-box retail space reopened as a grocery store, while Vandenberg began construction on a major training facility. In Santa Maria, a former preschool property changed hands for continued community-serving use, and hospitality reinvestment continued at the former Radisson. Meanwhile, Buellton advanced downtown planning and mixed-use development proposals, and Solvang outlined a substantial long-range capital investment program. Together, these developments illustrate how existing properties, new investment and proposed projects are shaping commercial real estate opportunities across the region.

SANTA MARIA— Community Services and Industrial Leasing

CommUnify purchased the former Grace Lutheran Preschool at 420 E. Fesler Street for \$950,000, closing July 24. The organization plans to use the property for Head Start child care and education services, bringing a new community-serving use to an existing building.

Industrial leasing activity included Wicks Roofing & Solar's five-year lease for 6,670 square feet at 2225 Skyway Drive. Signed September 18, the lease has a starting rent of \$1.00 per square foot per month, NNN.

Hospitality reinvestment also continued at 3455 Skyway Drive, the former Radisson. The property is now marketed as Delta Hotels by Marriott, with 191 rooms and the Runway 43 restaurant. The precise conversion and formal-reveal dates remain unverified, so the rebranding is best understood as an ongoing repositioning rather than a confirmed Q3 opening.

Red Lobster's Santa Maria restaurant at 1525 S. Bradley Road closed in August, marking another change in the local restaurant landscape.

LOMPOC & VANDENBERG— Retail Reuse and Major Institutional Investment

A former big-box retail space found a new use when Spencer's Fresh Markets opened August 19 at 1009 North H Street in Lompoc, occupying the former Big Lots location. The opening demonstrates how an existing retail property can accommodate a different tenant and continue serving the surrounding community.

At Vandenberg, groundbreaking took place August 17 for the Sentinel Formal Training Unit, a project with reported construction costs of approximately \$113 million. The major institutional investment adds a significant construction project to the area's development activity.

Downtown Lompoc also received a boost toward long-term reinvestment. A \$6 million gift announced in July allocates \$5 million to restoration and reopening of the Lompoc Theatre and \$1 million to a performing-arts fund.

Notable Sales & Leasing

The leasehold interest in O'Cairns Inn & Suites at 940 E. Ocean Avenue sold August 31 for \$5.59 million, or approximately \$67,349 per room. Oceanic Lompoc LP acquired the 83-room hotel from Coto Investments, Inc.

Industrial leasing included California Auto Tinting and Polishing's

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NORTH SANTA BARBARA COUNTY & SANTA YNEZ VALLEY



Spencer's Fresh Markets opened in the former Big Lots space at 1009 North H Street in Lompoc in August 2026, bringing a new grocery use to an existing retail property.

NORTH COUNTY & SANTA YNEZ VALLEY

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five-year lease for 1,885 square feet at 807–811 E. Chestnut Avenue. Signed July 10, the lease has a starting rent of \$1.33 per square foot per month, modified gross.

SANTA YNEZ VALLEY— Downtown Planning and Long-Range Investment

In Buellton, planning advanced for an Avenue of the Flags park-and-plaza concept within a broader revitalization area exceeding 55 acres. Separately, the city identified a formally submitted application for 26 residences and approximately 2,800 square feet of ground-floor commercial space at 560 Avenue of Flags. Following conceptual reviews in August, the project remains proposed rather than approved or completed.

In Solvang, the city approved a long-range capital plan projecting roughly \$300 million in investment. A city workers' wage strike that began September 15 continued into late September, adding near-term operational uncertainty.

Notable Sales & Leasing

A 44.33-acre property at 3555 Roblar Avenue in Santa Ynez sold July 13 for \$12.4 million. The property includes approximately 39,935 square feet of improvements.

Industrial leasing activity included a new lease for the entire 6,450-square-foot industrial building at 910 Airport Road in Santa Ynez, situated on one acre of usable land. The lease was signed August 16, with occupancy scheduled for October 15. The property had been marketed at \$1.85 per square foot per month,



O'Cairns Inn & Suites, an 83-room hotel on East Ocean Avenue in Lompoc, sold for \$5.59 million in August 2026.

gross; the final lease rate and tenant were not disclosed.

THE BIGGEST TAKEAWAY— Vacancies Can Create Opportunities for New Uses

A vacancy is not always the end of a property's story; it can be the beginning of its next highest and best use. Spencer's Fresh Markets' reuse of a former Big Lots and the repositioning of the former Radisson into Delta Hotels by Marriott offer examples of existing properties taking on new roles.

For owners and investors, these examples underscore the value of looking beyond current occupancy. Location, building layout, permitted uses, financial feasibility and tenant demand all factor into whether a property can support a different use or attract new investment. While these individual projects do not establish a market-wide rebound, they demonstrate the importance of evaluating each property on its own merits. ■

The 44.33-acre property at 3555 Roblar Avenue in Santa Ynez, featuring approximately 39,935 square feet of improvements, sold for \$12.4 million in July 2026.

Contribution by Jay Peet DRE #01779282

MARIGOLD CENTER SALE TOPS A BUSY QUARTER ACROSS SAN LUIS OBISPO COUNTY

SAN LUIS OBISPO COUNTY COMMERCIAL

San Luis Obispo recorded \$77.1 million in sales, North County led in transaction count, and South County activity centered on multifamily properties. Low office vacancy contrasted with softer industrial indicators.

Commercial property sales remained active across San Luis Obispo County in Q3 2026, but market conditions varied by property type and location. The quarter's largest transaction was the \$58.25 million sale of Marigold Center in San Luis Obispo, while smaller office, industrial, retail and apartment properties traded throughout the county.

Across the broader San Luis Obispo market, office vacancy ended the quarter at 3.4%, compared with 4.9% for industrial. Yet both sectors recorded negative trailing 12-month net absorption, with industrial posting a sharper decline. The figures underscore a market where low vacancy does not necessarily translate to broad-based demand.

San Luis Obispo Market at a Glance

	Q3 2026
Office vacancy	3.4%
Office availability	3.9%
Office net absorption, trailing 12 months	-25,667 SF
Industrial vacancy	4.9%
Industrial availability	5.4%
Industrial net absorption, trailing 12 months	-191,947 SF
Industrial space under construction	~262,000 SF

Multifamily—Wide Pricing Differences

Apartment transactions occurred in San Luis Obispo, North County and South County, but per-unit pricing varied substantially. In San Luis Obispo, seven units at 1249 Palm Street sold for \$3.195 million, approximately \$456,000 per unit, while nine units at 1480 Madonna Road sold for \$1.5 million, or about \$167,000 per unit.

South County also showed a wide range. Seven units at 230 Stimson Avenue in Pismo Beach sold for \$2.76 million, approximately \$394,000 per unit, compared with ten units at 1960 Beach Street in Oceano that sold for \$1.76 million, or roughly \$176,000 per unit. The Pismo Beach transaction carried a reported 4.17% cap rate.

These differences reinforce the importance of evaluating location, property condition, income and operating characteristics rather than relying on a single countywide price-per-unit benchmark.

Office—Low Vacancy, Selective Demand

Office vacancy in the broader market ended Q3 at 3.4%, although trailing 12-month net absorption remained negative at 25,667 square feet. Low vacancy therefore does not guarantee demand for every available suite; tenant improvements, lease-up time and renewal prospects remain important considerations.

Medical and dental properties accounted for much of San Luis Obispo's office-sale activity. Two neighboring medical office buildings on California Boulevard sold for \$1.95 million and \$1.82 million, both to owner-users.

North County recorded the quarter's largest office transaction: a two-building, 59,832-square-foot office and high-tech flex campus at 2231 and 2261 Wisteria Lane in Paso Robles sold for \$8 million in a sale-leaseback. Other transactions largely involved smaller, owner-user-sized office buildings in Paso Robles and Atascadero. South County office activity was limited to a pair of medical office condominiums in Grover Beach that sold at an undisclosed price.

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SAN LUIS OBISPO COUNTY COMMERCIAL

Continued from P.12

Retail—Marigold Center Leads the Quarter

The \$58.25 million sale of Marigold Center, a 174,428-square-foot community shopping center in San Luis Obispo, was the quarter's largest transaction across all property types. Anchored by a 52,071-square-foot supermarket, the center accounted for roughly three-quarters of the city's approximately \$77.1 million in reported Q3 sales.

Beyond Marigold, San Luis Obispo retail activity included two small downtown restaurant buildings on Higuera Street, each selling for approximately \$1.2 million to \$1.3 million.

North County transactions included a 47,555-square-foot neighborhood center in Atascadero that sold for \$2.94 million in a bank-owned transaction; CoStar reported the center was 83% leased. A former bank building in Atascadero sold for \$2.7 million. South County's only retail closing was a 1,600-square-foot retail and office property in Arroyo Grande that sold for \$744,000 before accounting for \$43,600 in seller concessions.



Industrial—Underwriting Requires Caution

Industrial conditions showed greater signs of softness. Broader-market vacancy reached 4.9%, availability stood at 5.4%, and trailing 12-month net absorption was negative 191,947 square feet. Approximately 262,000 square feet remained under construction. These measures support conservative assumptions for downtime, concessions and lease renewals.

Despite these conditions, buyers remained active. In San Luis Obispo, two food-processing buildings totaling 8,486 square feet sold to an owner-user for \$2.16 million.

North County recorded five industrial sales. The largest was a 27,096-square-foot light manufacturing building at 2450 Ramada Drive in Paso Robles, which sold for \$5.75 million in a sale-leaseback at a reported 6.00% cap rate. An 18,300-square-foot industrial service property in Atascadero sold for \$2.07 million, with a reported 5.47% cap rate. Other deals included smaller warehouses and industrial properties in Paso Robles and Atascadero. South County recorded one industrial sale: a 1,945-square-foot warehouse condominium in Grover Beach that sold for \$530,000.

Regional Activity—Three Different Markets

San Luis Obispo proper recorded 13 closed sales across commercial properties and apartments of five or more units, totaling approximately \$77.1 million. Marigold Center dominated volume; the remaining transactions were largely smaller investments, medical and dental offices, downtown restaurant buildings and an industrial owner-user purchase.

North County was the busiest region, with 17 closed commercial sales totaling approximately \$32.6 million across Paso Robles and Atascadero. Two large sale-leasebacks led the market, while smaller office transactions reflected demand from local businesses and owner-users. Five industrial properties also traded, despite vacancy and absorption figures that point to greater leasing risk.

South County was the quietest region, with six closed sales and approximately \$7.8 million in disclosed volume. Apartments accounted for about 84% of that volume. Commercial transactions were small-scale, while apartment pricing varied from approximately \$394,000 per unit in Pismo Beach to \$176,000 in Oceano. No conventional commercial sales were reported in Nipomo, although two agricultural ranches changed hands.

Investor Takeaway

Q3 activity demonstrates why San Luis Obispo County should not be viewed as a single, uniform market. Marigold Center drove San Luis Obispo's sales volume, North County led in transaction count, and South County activity was concentrated in apartments and smaller commercial properties. Low office vacancy contrasts with negative absorption, while industrial vacancy, absorption and construction levels call for careful underwriting. Investors should prioritize verified income, property-specific demand and realistic assumptions for borrowing costs, vacancy and lease-up time. ■

Contribution by Andres Uribe DRE #001924163

Ventura County / Conejo Valley Office

VACANCY REMAINS ELEVATED AS LEASING SHOWS SIGNS OF STABILIZATION

Ventura County's office vacancy rate reached 21.1% in Q3 2026, up 130 basis points year-over-year. Quarterly net absorption turned positive at approximately 19,000 square feet, reversing the previous quarter's losses, but year-to-date absorption remained negative at approximately 139,000 square feet.

Leasing activity continued to center on renewals and expansions, including an extension and expansion totaling more than 26,000 square feet at 1525 Rancho Conejo Boulevard. Tenants are also pursuing higher-quality space at competitive rates. However, large contiguous vacancies, corporate consolidations, high tenant improvement costs and upcoming lease expirations continue to weigh on the market.

Positive quarterly absorption offers an early sign that office demand may be stabilizing, but the year-to-date decline shows that gains remain limited relative to the space lost earlier in 2026. Elevated vacancy and several large contiguous availabilities continue to give tenants options, while high tenant improvement costs and corporate consolidations complicate the path to recovery. For now, the market's improving quarterly performance has yet to translate into a broader turnaround.

With limited new construction and relatively stable asking rents, the market may be moving toward gradual stabilization, although a broader recovery remains uncertain.

Largest Office Availabilities Ventura County / Conejo Valley • Q3 2026

142,155 RSF	One Baxter Way Westlake Village
132,000 RSF	30699 Russel Ranch Rd Westlake Village
97,353 RSF	2380 Conejo Spectrum St Thousand Oaks

VENTURA COUNTY

VACANCY

21.1%

Overall Ventura County Office Vacancy
130 basis points higher year-over-year

QUARTERLY ABSORPTION

+19,000 SF

Q3 2026 Net Absorption
Positive for the quarter

YEAR-TO-DATE ABSORPTION

-139,000 SF

Net Absorption Through Q3 2026

NOTABLE LEASING ACTIVITY

26,000+ SF
Extension and expansion at 1525 Rancho Conejo Blvd



Contribution by Steve Golis DRE #00772218, Jack Gilbert DRE #02197493

RISING RATES AND RENT CONTROL RESHAPE CENTRAL COAST MULTIFAMILY MARKET

Q3 2026 Central Coast Multifamily Market Overview

Q3 2026 was defined by rising interest rates, the City of Santa Barbara's move to permanent rent control and a rebound in sales from a slow second quarter. Twenty apartment buildings of five or more units sold across the Central Coast, totaling \$122.0 million and 382 units, up from nine sales and \$31.7 million in Q2 but below Q3 2025's 22 sales and \$239.0 million, which included two Ventura County institutional trades totaling \$183 million. Year to date, 2026 stands at 47 sales and \$461.7 million, against 53 sales and \$435.5 million at this point last year.

The median sale was about \$2.6 million, and sales under \$20 million (19 of the quarter's 20) totaled \$65.4 million, up 17% from Q3 2025, mostly to private investors. Buyers repriced as rates climbed: the average cap rate on Q3 closings throughout the Central Coast was 5.59%, up 64 basis points from a year ago, and sales with a published list price closed at an average of 93% of asking.

Continued on P.16

MULTIFAMILY INVESTMENTS

5+ units

Q3 2026 By The Numbers

20

SALES CLOSED
vs. 9 in Q2 2026
vs. 22 in Q3 2025

\$122
MILLION

SALES VOLUME
vs. \$31.7M in Q2 2026
vs. \$239M in Q3 2025

382

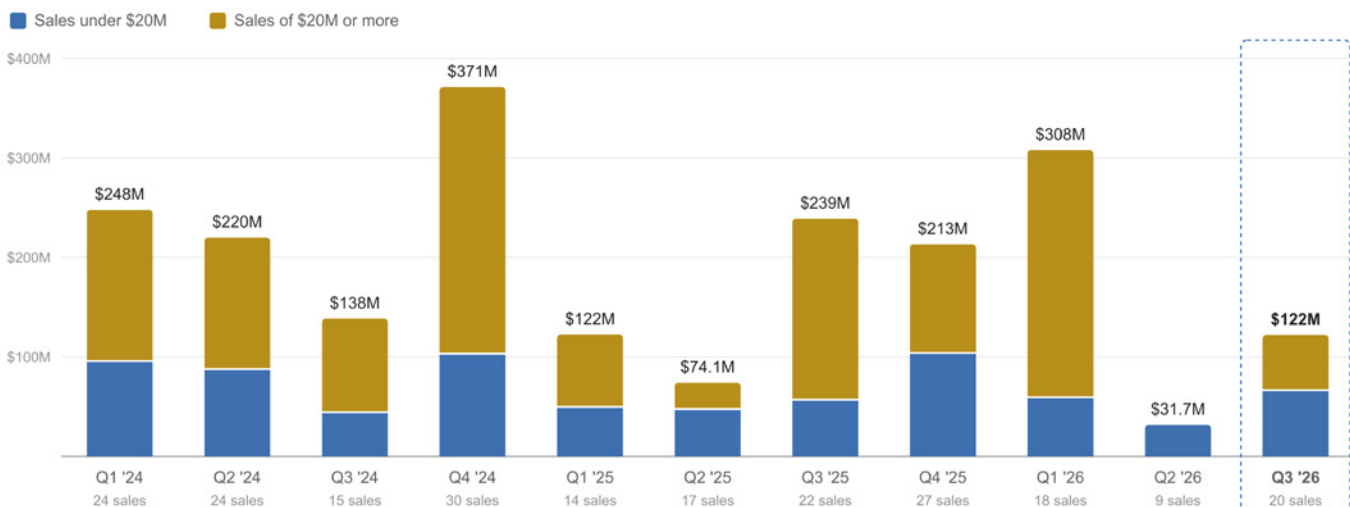
UNITS SOLD
vs. 80 in Q2 2026
vs. 645 in Q3 2025

5.59%

AVG CAP RATE
vs. 5.76% in Q2 2026
vs. 4.95% in Q3 2025

Quarterly Multifamily Sales Volume, Central Coast (5+ Units)

Q1 2024 to Q3 2026, split into \$20M+ trades and the rest of the market; number of sales below each quarter



Source: Golis Team / Radius transaction records (MLS, CoStar, public records). 5+ unit sales in Santa Barbara, San Luis Obispo and Ventura counties.

Fig. 1: Quarterly 5+ unit sales volume, Q1 2024 to Q3 2026. Gold = individual sales of \$20 million or more.

MULTIFAMILY 5+ UNITS

Continued from P.15

INTEREST RATES & NEW CONSTRUCTION

The 10-year Treasury averaged 4.42% in Q2. In Q3 it climbed almost every week, from 4.48% on July 1 to 5.29% on September 30, and on September 16 the Fed raised its policy rate a quarter point, its first increase since 2023, saying inflation “remains elevated.” Futures markets are pricing roughly 90% odds of another increase in December.

For stabilized buildings, a five-year fixed loan quote of about 6.25% in late July works out to roughly 6.85% by late September at the same spread, adding about \$790 a month in debt service on a \$2 million loan. By September 30 the average Q3 cap rate sat only 30 basis points above the 10-year (Fig. 2). With debt now costing more than the going-in yield, buying to hold for the long term and live on the cash flow makes less sense. Fewer sales add to the drag: 47 through September, down from 53 and 63 over the same months of 2025 and 2024, leaving fewer sellers rolling proceeds into 1031 exchanges.

10-Year Treasury Yield vs. Cap Rates on Q3 Closings

Daily 10-year Treasury yield, Jan. 2 to Oct. 15, 2026; Q3 shaded



Fig. 2 — Daily 10-year Treasury yield in 2026 against the average cap rate on Q3 2026 closings.

Sources: Federal Reserve Bank of St. Louis (FRED, series DGS10); Golis Team / Radius transaction records for cap rates (simple average of disclosed rates).

Development took the harder hit. Construction loans float off short-term rates, and construction materials cost 11% more than a year ago (steel mill products 28%). Apartment units under construction fell over the past year in every county we cover: from 1,010 to 332 in Ventura County, 226 to 9 in San Luis Obispo County, and 543 to 472 in Santa Barbara County (Fig. 3). For owners of existing buildings, fewer units under construction means less new competition in 2027 and 2028.

Apartment Units Under Construction by County

Units under construction at quarter end, 2021 to Q3 2026

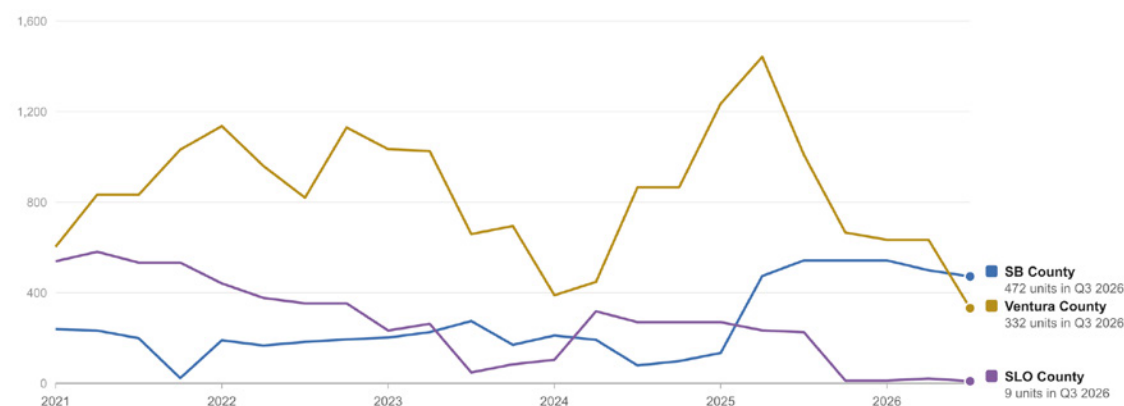


Fig. 3: Apartment units under construction by county, 2021 to Q3 2026 (CoStar).

Source: CoStar market data (county-wide), values read from the October 5, 2026 export; 2026 Q3 is the latest full quarter.

Continued on P.17

MULTIFAMILY 5+ UNITS

Continued from P.16

Santa Barbara South County | 5+ Units

South County, including Isla Vista, recorded five sales, 37 units and \$13,474,000, an average of \$363,068 per unit at a 5.42% cap rate. Three were in Goleta, outside the City's ordinance: 406 Ellwood Beach Drive (8 units, \$3,235,000, 5.61%), 117 Magnolia Avenue (6 units, \$1,989,000, 5.15%) and 431 Ellwood Beach Drive (7 units, \$2,700,000, 5.58%). In the City, 316 W Valerio Street (8 units) sold off-market for \$3,150,000 at 5.70%, about 4% below its January 2024 price, and 1226 N Salsipuedes Street (8 units) sold for \$2,400,000, 13% below list.

Beyond rent control, the City adopted the State Street Master Plan in September (now facing its own referendum) and was designated "Pro-housing" by the state along with the County. The supply gap is plain in the City's own count: only 248 units in 10 projects were built over the past five years. The Santa Barbara-Goleta area is gearing up for roughly 5,700 units now under construction, approved or in review, led by the 1,198-home Caird project on South Patterson Avenue, the two La Cumbre Plaza proposals (about 1,100 apartments) and San Marcos Ranch (956). About a quarter of those units, nearly 1,500, are planned as income-restricted affordable housing, led by People's Self-Help Housing's 300 rentals at Caird, the 236-unit affordable first phase of San Marcos Ranch and Santa Barbara Unified's 106 staff apartments. Countywide employment was up 5,400 jobs over the year.



316 W. VALERIO STREET | SANTA BARBARA
The eight-unit apartment property at 316 W. Valerio Street sold off-market for \$3.15 million in August 2026, approximately \$394,000 per unit. The sale price was about 4% below its January 2024 transaction, reflecting a changed pricing environment for Santa Barbara multifamily investments.

SANTA BARBARA RENT CONTROL: WHAT WAS ADOPTED

On October 6 the City Council adopted the permanent Rent Stabilization Ordinance (SBMC Chapter 26.90) on a 4 to 3 vote. It takes effect November 5 unless a referendum qualifies first; a petition backed by the Santa Barbara Rental Property Association needs about 5,400 valid signatures within 30 days of attestation. If the ordinance stands:

- **Coverage**—About 13,000 units with a certificate of occupancy before February 1, 1995, including owner-occupied duplexes. Newer buildings, single-family homes, condominiums and deed-restricted units are exempt.
- **Increases**—The lesser of 60% of CPI or 3%, with no banking. The City has set the 2027 increase at 2.1%, effective January 1.
- **Turnover and administration**—Rents reset when a unit turns over, so buyers now value vacant units over long-tenured ones. An owner-funded registry (projected at \$154 per unit for now), a rent board and fair-return petitions round out the program.
- **Outside the city**—Goleta, Carpinteria, Isla Vista and the unincorporated county stay under state law (up to 8.6% this year). Goleta went about two and a half years without a 5+ unit sale before the debate began; it produced three this quarter.

Isla Vista | 5+ Units

Isla Vista had no 5+ unit closing in Q3. UCSB's housing build-out is on schedule: San Benito (2,224 beds) opens in fall 2027 and East Campus adds a net 1,276 beds in fall 2028, together the roughly 3,500 beds required by its 2024 settlements. With enrollment flat near 26,000, the new beds are meant to end tripled rooms rather than house growth, and at about \$1,112 per bed in a double room, San Benito will compete hardest with small, older Isla Vista units starting in 2027-28. Research adds demand beyond undergraduates: UCSB physicists John Martinis and Michel Devoret shared the 2025 Nobel Prize in Physics for work behind today's quantum computers, and Google, which runs its Quantum AI lab in Goleta, bought an 83,356-square-foot campus there in August for \$32.5 million. That work brings graduate students, researchers and engineers who want to live near campus.

Continued on P.18

MULTIFAMILY 5+ UNITS

Continued from P.17

Santa Barbara North County | 5+ Units

North County recorded one sale: 516-520 N U Street in Lompoc, ten one-bedroom units, sold September 25 for \$1,265,000 (\$126,500 per unit), 16% below list, at a 5.16% cap rate. The longer story is growth. Vandenberg logged its 69th launch of 2026 on October 12, already above all of 2025, and is cleared for up to 100 Falcon launches a year; base leadership says about 80% of its workforce lives off base and apartments are the scarcest housing. Santa Maria added 1,685 residents last year (+1.5%) and completed 529 units in 5+ unit buildings in 2025, a lease-up wave that has lifted vacancy, while Blosser Ranch (about 1,500 homes, starting with 301 apartments) broke ground in February. In the Santa Ynez Valley, Buellton was the state's sixth-fastest-growing city.

Ventura County | 5+ Units

Ventura County closed seven sales, 286 units and \$92,957,000 as the summer escrows we noted in Q2 converted, and its 6.04% average cap rate was the region's highest. The largest was Clearwater at Riverpark in Oxnard, a 136-unit senior independent-living community, at \$56,537,000; CoStar notes that price reflects only the real estate and excludes the value of the operating business. Monte Vista Townhomes in East Ventura (52 units, built in 1972) sold for \$12,325,000, or \$237,019 per unit, at a 5.78% cap rate to Orange County-based Red Tail Acquisitions. It was a value-add purchase outside the city's core neighborhoods: 37 of the 52 units have been renovated since 2020, and the rest can be upgraded as they turn over. The Area Housing Authority also bought 610-626 River Street in Fillmore (40 units) for \$9,700,000.

Ventura is where new apartments are built. It completed about 2,775 units in 5+ unit buildings in 2024 and 2025, more than Santa Barbara and San Luis Obispo counties combined (about 1,040 and 1,010 respectively). Oxnard leads, from the 333-unit Panorama Riverpark to the 452-apartment Town Square at Wagon Wheel, and the City of Ventura has Arrive Ventura (297 units) under construction with about 1,000 more approved. Growth still happens through infill under the county's SOAR limits, and permits are down 30% this year. The new supply shows in rents: asking rents slipped 0.3% over the year, the only decline in our region, and new buildings are offering up to two months free. Oxnard also has its own rent control, a 4% annual cap on about 13,600 pre-1995 units.

San Luis Obispo County | 5+ Units

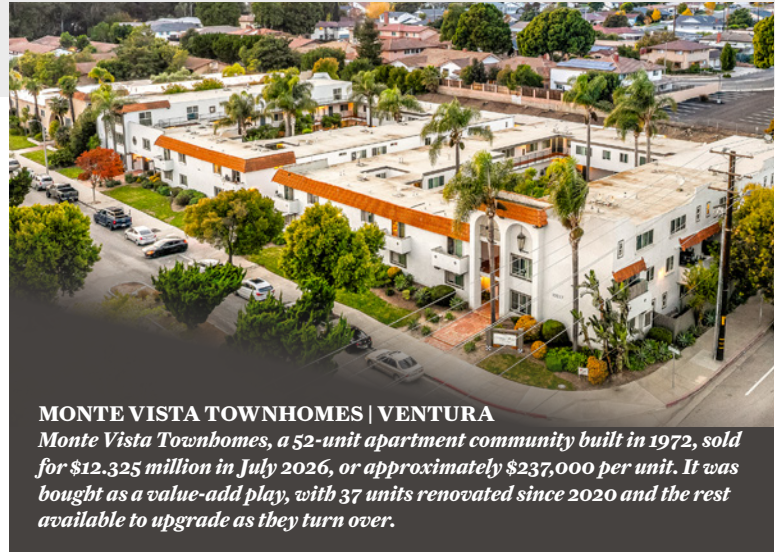
San Luis Obispo County recorded seven sales, 49 units and \$14,279,000, its busiest quarter since at least 2024, and it is the only submarket ahead of last year's pace (14 sales year to date against 12). Deals were small: 1249 Palm Street in San Luis Obispo set the quarter's high at \$456,429 per unit, 230 Stimson Avenue in Pismo Beach went to a 1031 buyer at 4.39%, and 740-760 Ramona Avenue in Grover Beach sold 13% below list at 5.17%.

Cal Poly anchors demand, with a record 23,245 students in fall 2025 and only about 39% of undergraduates in campus housing. Its plan for 3,500 to 4,000 new beds is moving slowly: the first 500-bed building missed its fall 2026 opening, putting about 309 students in temporary housing, and the next 700 beds are due for 2027-28, when this fall's freshmen must live on campus for a second year. Meanwhile only 9 apartment units are under construction countywide, and asking rents are up 2.5%, the region's strongest gain (Fig. 4).

Q3 2026 Summary & Outlook

Q3 was the most active quarter of 2026 by count, but not a recovery: prices reset with rates, and the deals that closed were

Continued on P.19



MULTIFAMILY 5+ UNITS

Continued from P.18

the ones where sellers met the market. Heading into Q4, 43 buildings are listed across our markets asking \$201.9 million; 11 are already under contract and 17 have cut their price. We are watching whether the 10-year holds above 5%, the Fed's October 27-28 and December 8-9 meetings, Santa Barbara's referendum and November 3 election, and lease-up of new supply in Ventura and Santa Maria.

The fundamentals have not changed: housing is hard to build here, and university, healthcare, aerospace and agricultural employment keeps rental demand steady. What changed this quarter is the price of money and, in Santa Barbara, the rules. ■

Asking Rent Growth by County

Year-over-year change in average asking rent per unit, 2022 to Q3 2026

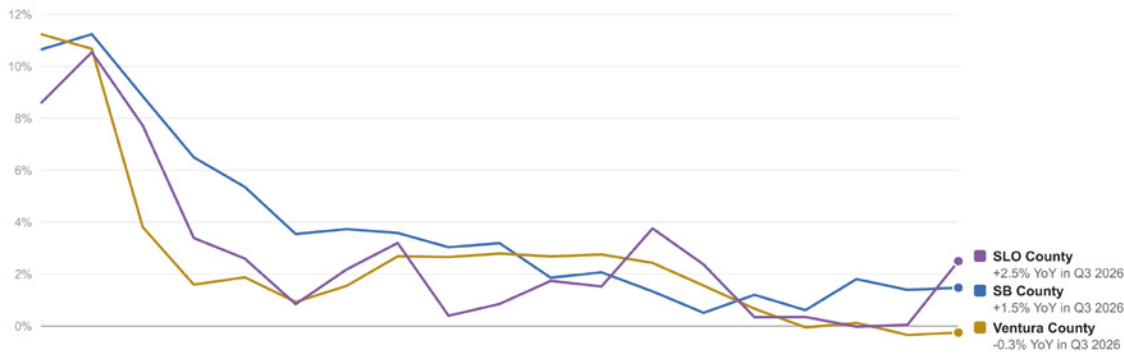


Fig. 4: Year-over-year change in asking rent per unit by county, 2022 to Q3 2026 (CoStar).

Q1-Q3 2026 vs. Q1-Q3 2025, by submarket

	SALES 2025	SALES 2026	UNITS 2025	UNITS 2026	VOLUME 2025	VOLUME 2026	AVG CAP 2025	AVG CAP 2026
SB South County Incl. Isla Vista	15	13	150	105	\$116.3M	\$47.4M	5.08%	5.24%
<i>of which Isla Vista</i>	2	2	24	15	\$10.5M	\$8.4M	5.10%	5.33%
SB North County	8	5	84	302	\$15.4M	\$81.5M	4.76%	5.65%
Ventura County	18	15	766	786	\$275.9M	\$294.1M	4.81%	5.80%
SLO County	12	14	126	126	\$27.9M	\$38.7M	5.02%	5.02%
CENTRAL COAST TOTAL	53	47	1,126	1,319	\$435.5M	\$461.7M	4.92%	5.40%

Source: Golis Team / Radius transaction records (MLS, CoStar, public records).

Year to date through September 30. Cap rates are simple averages of disclosed rates. South County includes Isla Vista, shown as a breakout row. 2025 figures include sales recorded after last year's reports.

Contribution by Aneta Jensen DRE #01994822

A SLOWER MARKET PUTS PRICING IN FOCUS

Twelve 2–4 unit properties sold in South Santa Barbara County in Q3, down 48% from 23 a year earlier. Year-to-date sales remain ahead of 2025, with 48 closings through September versus 43 last year (+11.6%), but activity slowed sharply after a strong first half.

Values were broadly flat: average price per unit (PPU) rose 2% year over year to \$865,847, while median PPU was \$836,250. The average sale was \$2.16 million. With only 12 transactions, individual properties can move averages, making the median and year-over-year comparison more useful indicators.

Buyers gained leverage. Eleven of 12 sales closed below original asking price, at an average discount of 13.3%; none sold above

MULTIFAMILY INVESTMENTS

2-4 units

Q3 2026 South SB County 2–4 Unit Sales Snapshot

	Q3 '26 SALES	Q3 '26 AVG PRICE	Q3 '26 AVG PPU
Duplex	7	\$2,038,500	\$1,019,250
Triplex	2	\$1,967,500	\$655,833
Fourplex	3	\$2,591,667	\$647,917
ALL TYPES	12	\$2,164,958	\$865,847

Duplexes had the highest average PPU. Fourplexes had the highest average sale price but the lowest PPU, reflecting the greater emphasis on income fundamentals as unit count rises.

asking. Months of supply increased to 6.5 from 4.1 in Q2 and 3.5 a year earlier. Only four sales closed within 30 days, compared with 16 of 23 (70%) in Q3 2025. Higher borrowing costs and the City of Santa Barbara's newly approved Rent Stabilization Ordinance are reshaping buyer calculations.

Activity by Area

- **Santa Barbara:** Eight sales, ranging from \$1.55 million at 124 Citrus Avenue to \$2.30 million at 518 E. Islay Street. Islay also recorded the City's highest PPU at \$1.15 million per unit.
- **Carpinteria:** Two sales, including 4928 8th Street, a fourplex that sold for \$3.0 million, the quarter's highest sale.
- **Summerland:** Two sales after none in Q2. 2305 Golden Gate Avenue sold for \$2.33 million (\$1.165 million/unit), the quarter's highest PPU.
- **Goleta:** No 2–4 unit sales, following three in Q2. The sole active listing, 4817 San Gordiano Avenue, has been marketed since 2025.

Scope note: South County figures exclude Isla Vista student housing and properties whose additional unit is a garage ADU conversion or JADU.

Buyers Are Negotiating Harder

The pricing gap between realistic listings and properties initially priced too high widened. Eleven of 12 sales closed below original asking, averaging a 13.3% discount; sales within 5% of list averaged 32 days on market, compared with 113 days for sales more than 10% below list.

- **2535/2537 Crescent Avenue** in Santa Barbara was the only sale at full asking: \$1.795 million after five days. The renovated Samarkand duplex offered two 2-bedroom, 2-bath units, one delivered vacant, and garage parking.
- At the other end of the range, **513 E. Pedregosa Street**, a vacant ocean-view fourplex, sold for \$1.975 million after 382 days—41.3% below its original \$3.365 million asking price. The extended marketing period underscores the importance of aligning asking prices with income potential and property fundamentals.

Continued on P.21

MULTIFAMILY 2-4 UNITS

Continued from P.20

The City Rent Ordinance Is a Major Variable

The Santa Barbara City Council approved its Rent Stabilization Ordinance 4–3 on October 6. It is scheduled to take effect November 5, 2026, unless a referendum petition qualifies, with rent limits beginning January 1, 2027. The ordinance replaces the temporary rent freeze.

A key change is the removal of the state-law exemption for owner-occupied duplexes. For covered pre-February 1, 1995 units, the 2027 annual rent increase cap is 2.1%; the rented unit in an owner-occupied duplex is included. The ordinance also requires every rental unit—including otherwise exempt units—to register and pay a fee, with separate deadlines for covered and other units.

Q3 results show a sharp geographic divide. Santa Barbara sales averaged 84.0% of original list price, a 16.0% discount, while Carpinteria and Summerland sales averaged 95.3% of original list, or 4.7% below asking. Santa Barbara inventory reached 23 active listings and 8.6 months of supply. Carpinteria and Summerland remained tighter, though each had only two sales. Nine listings were pending at quarter-end, seven in Santa Barbara.

Financing & Pricing Outlook

California's average 30-year mortgage rate was reported at 7.4% in October, its highest level since November 2023. Q3 listings with published cap rates showed yields of roughly 4.1%–5.1%, below borrowing costs, putting leveraged investors under pressure. Buyers who occupy one unit can offset housing costs with rent from the others, helping sustain owner-user demand.

For income-driven buyers, the numbers must work at current rents. Vacant delivery can offer flexibility to establish starting rents, but buyers are scrutinizing in-place income, property condition, parking and realistic rent assumptions. The ordinance adds another constraint for covered City properties: buyers cannot assume below-market rents can be brought to market quickly.

The market enters Q4 with a larger supply of active listings, more price reductions and a nine-property pending pipeline. If pendings close, sales volume could improve; continued reductions would signal that pricing is still adjusting. Lower rates could restore some investor demand in 2027, but the City's rent rules are likely to remain a distinct pricing factor.

Sources: Santa Barbara MLS, compiled and verified by The Golis Team; Radius Q1 2025, Q1 2026 and Q2 2026 market reports; Q3 2025 South County 2–4 Unit report; Mark Schniepp, California Economic Forecast, October 12, 2026; Freddie Mac Primary Mortgage Market Survey; local reporting and City of Santa Barbara ordinance materials. PPU = sold price divided by unit count. Sale-to-list calculations use original list price.



513 E PEDREGOSA ST | SANTA BARBARA
Vacant ocean-view fourplex sold for \$1.975 million—41.3% below its original \$3.365 million asking price after 382 days on the market.

ISLA VISTA | 2-4 UNITS & SINGLE-FAMILY RENTALS

STUDENT HOUSING HOLDS ITS PRICING

Three 2–4 unit student-housing properties closed in Isla Vista during Q3, compared with four in Q2 and none in Q1. Year-to-date, seven properties have sold. No single-family homes closed during the quarter, although one additional property, 6730 Sabado Tarde Road, went pending off-market at \$1.9 million and was scheduled to close October 20.

The three sales averaged \$2.21 million and \$1,106,667 per unit, up 7.2% from Q2. They closed at an average of 96.4% of original list price. One sold at asking and two sold below asking. Gross rent multipliers ranged from 10.8 to 16.1; listed cap rates included 5.51% and 6.24%.

Continued on P.22

MULTIFAMILY 2-4 UNITS

Continued from P.21

Q3 2026 Isla Vista Closed Sales

	SALE PRICE	PRICE/UNIT	% OF LIST	DAYS ON MKT	GRM
6724 Pasado Road	\$2,670,000	\$1,335,000	95.5%	20	12.0
6679 Sabado Tarde Road	\$1,695,000	\$847,500	100.0%	16	16.1
6880 Pasado Road	\$2,275,000	\$1,137,500	93.8%	119	10.8

Note: Unit counts use MLS data. Both Pasado Road properties include a third rental; counting those as three units each would reduce the quarter's average PPU to \$958,333.

Featured Sale | 6724 Pasado Road

The quarter's top sale closed July 7 at \$2.67 million, or 95.5% of the \$2.795 million asking price. The property includes two 3-bedroom, 2-bath units plus an efficiency unit, though MLS counted two units. It was fully leased through the 2026–27 school year, with total monthly rents of \$18,600 and a reported net operating income of \$154,123. At the sale price, the cap rate was 5.77% and the gross rent multiplier was 12.0.

The seller invested more than \$163,000 in capital improvements to the main residence in 2026. Approved plans for two ADUs and an oversized parking lot offered a potential path to five rentable units, alongside stabilized in-place income.

Annual Turnover Supports Investor Demand

Isla Vista's student rental market benefits from predictable summer turnover. Most leases run for one school year, allowing owners to reset rents for new tenants each year, although this creates a more intensive cycle of leasing, maintenance and tenant turnover. Isla Vista is outside the City of Santa Barbara's Rent Stabilization Ordinance; statewide AB 1482 applies to existing tenants, while rents for new tenants can generally be set at turnover.

That regulatory distinction helped Isla Vista sales hold up better than South County's broader 2–4 unit market, where sales averaged 87.8% of original list price. Two of Isla Vista's three Q3 sales went under contract within 20 days; the third required 119 days and closed 6.2% below original list. Well-priced properties with strong leases or identifiable upside continue to attract interest.

Single-Family Homes and Inventory

No Isla Vista single-family homes sold in Q3. As of October 16, three were active or pending at asking prices of \$1.8 million to \$2.2 million. 891 Fortuna Lane, listed at \$2.2 million and vacant, went pending 14 days after listing; 6648 Del Playa Drive had been marketed for 116 days after a \$75,000 reduction; and 6769 Del Playa Drive was an oceanfront rental asking \$1.8 million.

At quarter-end, one 2–4 unit property was active: 6745–6747 Del Playa Drive, a four-unit oceanfront property listed at \$3.8 million, or \$950,000 per unit, with an advertised 8.66% cap rate. The listing projects a higher cap rate after leases reset in June 2027; buyers should independently verify that projection.

Outlook

With UCSB-driven demand, limited supply and annual lease turnover, Isla Vista remains a distinct student-housing investment market. Properties with strong in-place leases, ADU potential or below-market rents that can reset at turnover are likely to attract the most attention. Single-family homes command a higher price relative to current rent, while 2–4 unit properties generally deliver more income per dollar invested. ■

Sources: MLS data for Isla Vista 2–4 unit and single-family properties; Radius Q1 2026 Quarterly CRE Market Report; Q2 2026 Isla Vista Student Housing Report. GRM = sale price divided by annual scheduled rent. Cap rates are as stated in listings unless noted as calculated at sale price.

Opinion

The pattern is one of successive limits on owners' ability to manage, maintain, or exit their own properties—while injecting uncertainty into the private rental market the city depends on to provide housing.”

Contribution by Don Katich, Radius General Manager DRE #01321838

JUST WHEN YOU THOUGHT THE CITY COUNCIL COULDN'T ADD MORE RESTRICTIONS ON PROPERTY RIGHTS, THINK AGAIN

Just when you thought the Santa Barbara City Council couldn't place still more restrictions on property rights, think again. The Council is now advancing greater limits to an already overly restrictive Just Cause Eviction ordinance. This comes on top of a multi-month rent freeze, the newly adopted Rent Stabilization Ordinance set to take effect November 5, 2026 with the actual rent limits applying starting January 1, 2027; ongoing litigation against the city in both state and federal courts by property owners; and two referendum movements that are gathering speed. The pattern is one of successive limits on owners' ability to manage, maintain, or exit their own properties—restrictions that are now extending beyond commercial properties and reaching single-family homes, condominiums, and smaller owner-occupied properties.

The sequence began with the temporary rent-increase moratorium adopted in early 2026, freezing covered rents at December 2025 levels through the end of this year. That freeze prompted a federal lawsuit by the Santa Barbara Rental Property Association and individual owners alleging an unconstitutional taking and a rushed process. Although a federal judge later dismissed the initial complaint with leave to amend, the litigation remains on-going and part of the broader conflict. The Council then adopted the Rent Stabilization Ordinance on October 6 by a 4–3 vote. Framed as “stabilization,” it caps annual increases at the lower of 60 percent of CPI or 3 percent on pre-1995 units, requires a citywide registry, and creates a tenant-majority Rent Stabilization Board. The Santa Barbara Rental Property Association is backing a referendum through the Help Save Santa Barbara Housing Committee to place the ordinance before voters.

Now the Council is reviewing substantial amendments to the Just Cause Ordinance. Proposed changes would bar a housing provider from starting a three-day notice for nonpayment until rent has gone unpaid for a full month. If a tenant asserts habitability issues, the owner must

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prove none exist before proceeding. Owner move-in for a close relative would be prohibited if it displaces a child under 18 during the school year or displaces a teacher. Withdrawing a unit from the market would allow a one-year extension at a senior tenant's request, and re-renting within ten years could trigger penalties. Exemptions that once limited relocation fees for single-family homes, condominiums, and owner-occupied properties renting no more than two units (including ADUs) would be eliminated. These rules extend nonpayment exposure, restrict legitimate personal or family use, raise exit costs, and expand financial obligations onto smaller owners previously treated differently.

Parallel proposals reinforce the same direction. The Council has directed staff to explore a residential and commercial vacancy tax for a possible 2028 ballot. It has also considered a sharp increase in the real property transfer tax—to \$10.60 per \$1,000 on higher-value sales—widely described as a mansion tax. Vacancy-control concepts have surfaced in policy discussions as well. Business advocates are also engaged in litigation challenging the State Street Master Plan's environmental review, while a separate referendum drive has already submitted sufficient number of signatures to force the Council either to repeal the plan or place it before voters.

Taken together, the actual and proposed restrictions—rent freeze, rent stabilization, expanded just-cause barriers, relocation-fee expansions, transfer-tax increases, vacancy taxes, and vacancy-control ideas—have been advanced by a Council whose strongest support has been a 4–3 majority. These measures deprive property owners of a fair rate of return, decimate property values, and inject uncertainty into capital markets at precisely the moment stability is required to support the housing development the city says it desperately needs. The city is simultaneously exposing itself to self-insured legal liability while continuing to draw down reserves, all without any historical or factual assurance that such policies succeed. The failed outcome is inevitable. Once again, the real victims of this Council's policies will be those who can least afford or survive them—the households that rely on a functioning private rental market and the owners who have been willing to provide it. ■

HAVE A DIFFERENT TAKE?

If you have a different opinion on this topic, please email me with your comments at: dkatich@radiusgroup.com