

## VACANCY

	4Q'11	1Q'12
<b>Office/R&amp;D</b>		
Santa Barbara	6.1% ▲	6.2%
Goleta	10.8% ▼	10.2%
Carpinteria	19.4% ▼	17.5%
<b>Industrial</b>		
Santa Barbara	1.2% ▼	1.0%
Goleta	7.1% ▲	7.5%
Carpinteria	8.9% ▼	5.1%
<b>Retail</b>		
Santa Barbara	2.1% ▼	1.6%

Figures above represent percentage points.

## Job, Commercial Real Estate Markets Rebounding

Generally speaking, as the job market goes, so does the economy. It's worth noting that both the job and the commercial real estate markets in Santa Barbara County are showing encouraging movement in the right direction.

As reported recently in the Santa Ynez Valley News, the latest state figures show unemployment in Santa Barbara County improved from 9.7 percent in February 2011 to 8.9% this February. "The job market is significantly more healthy than it was a year ago," said local economist Mark Schniepp. Since February 2011, the county has gained 2,400 jobs, a 1.5 percent growth rate with areas like professional and technical services and healthcare benefiting the most.

Just as unemployment has improved modestly in the county, so have vacancy rates across most commercial real estate sectors, and this means fewer empty spaces. Vacancy did rise slightly in the Santa Barbara Office and

Goleta Industrial sectors, but Carpinteria, on the other hand, has enjoyed notable leasing success in those same sectors.

Let's see how the rest of the commercial real estate market has fared so far in 2012...

### LEASING OVERVIEW

Leasing activity in the 1st Quarter of 2012 was lower when compared to the same time period in 2011, but this doesn't mean the market is slipping. Overall we are seeing positive movement in vacancy rates in five out of the seven sectors tracked. Yes, the Santa Barbara office and Goleta industrial markets saw increases in their vacancy rates, but those were minimal.

We expect activity to pick up in the second quarter as continuing improvement in the overall economy makes its way into the South Coast area.



**1 N. Calle Cesar Chavez, SB**  
15,300 SF  
EventRents



**75 Robin Hill Rd., Goleta**  
10,400 SF  
Sora, Inc.



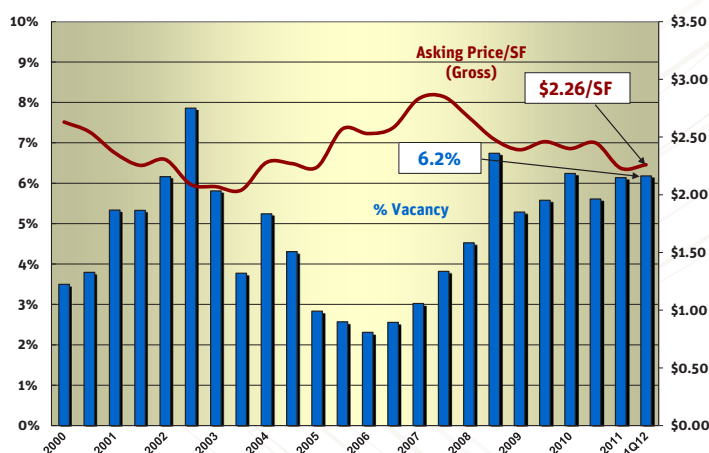
**52 N. Fairview Ave., Goleta**  
5,700 SF  
AC4 Fitness

# LEASING | OFFICE

## SANTA BARBARA OFFICE

The Santa Barbara office market started the year steady with both lease rates and vacancy remaining nearly unchanged for the last 2 years. During the 1st Quarter 19 office leases were completed. Asking prices rose slightly from \$2.23 per SF at the end of 2011 to \$2.26 per SF to end the 1st Quarter 2012, while vacancy rose nominally from 6.1% to 6.2% for the same time periods. Look for both lease rates and vacancy to remain steady for the remainder of the year. Notable leases during the quarter included a 9,700 SF space at 203 Chapala St. and a 5,100 SF space at 3888 State St.

### Santa Barbara Office | Price vs. Vacancy Rate



### Santa Barbara Office | Largest Available Spaces

Address	Size (SF)	Vacated By
801 Garden St.	22,400	Antioch Univ.
4183 State St.	15,900	MGPL
118 E Carrillo St.	10,600	Morgan Stanley
121 Gray Ave., 2nd Flr.	7,900	The Walking Co.

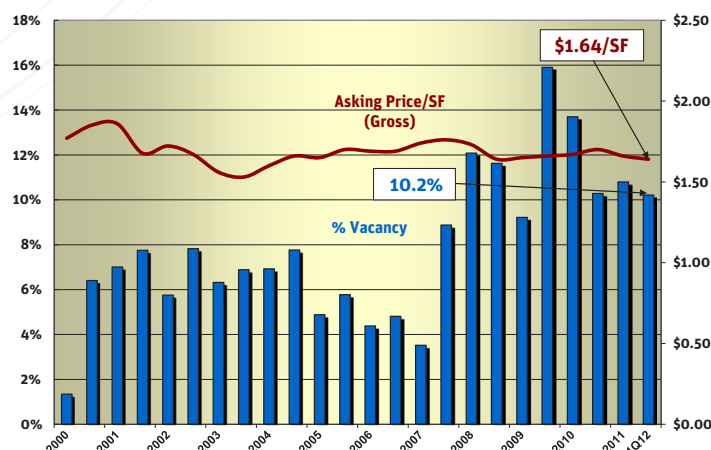
### Santa Barbara Office | Largest Leases

Address	Size (SF)	Leased By
203 Chapala St.	9,700	Kaseya
3888 State St.	5,100	SFA
104 W. Anapamu "G"	3,100	Caliber Funding, LLC
826 De La Vina St.	2,600	Pinger, Inc.

## GOLETA OFFICE

Goleta's office sector saw improvement from the end of 2011 with a reduction in the vacancy rate from 10.8% to 10.2%. The average asking rate stayed relatively steady, only declining slightly from \$1.66 to \$1.64 per SF on a modified gross basis. The 1st Quarter of 2012 did see several new office leases in Goleta, including ConMed leasing approximately 16,000 SF and Aplegen leasing approximately 5,500 SF. The vacancy level has been holding steady for the past 5 quarters and it's likely that we will not see major changes in the near term. Vacancy levels are likely to stay between 9% and 11% for the foreseeable future as larger tenants remain hard to find and smaller availabilities remain scarce.

### Goleta Office | Price vs. Vacancy Rate



### Goleta Office | Largest Available Spaces

Address	Size (SF)	Vacated By
7418 Hollister Ave.	86,300	Multiple Tenants
1 S. Los Carneros Rd.	63,000	S.B. Bank & Trust
7406 Hollister Ave.	43,000	Textron
50 Castilian Drive	28,800	Cottage Hospital

### Goleta Office | Largest Leases

Address	Size (SF)	Leased By
26 Castilian	16,000	ConMed
50 Castilian Dr.	11,200	Appfolio
75 Robin Hill Rd. Bldg. B1	10,400	Soraa, Inc.
6500 Hollister Ave.	5,700	GSA

# LEASING | OFFICE

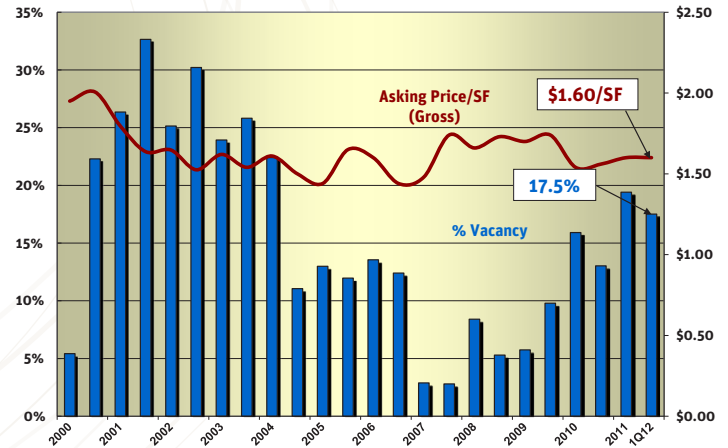
## CARPINTERIA OFFICE

The Carpinteria office market saw a decrease in vacancy from 19.4% at the end of 2011 to 17.5% at the end of the 1st Quarter of 2012. This is attributable to an office lease at 1145 Eugenia Pl. for approximately 11,600 SF.

The market has been in double digit vacancy territory for the past seven quarters while asking rates continue to hover between \$1.55 and \$1.65 per SF on a modified gross basis.

While Carpinteria has suffered from the traffic impacts of the Highway 101 improvement project and the stigma of being too far south of Santa Barbara, the city does have the opportunity to distinguish itself from the rest of the South Coast market if it can lead the way in landlords negotiating lower rents to try and attract tenants from the Santa Barbara and Ventura markets.

### Carpinteria Office | Price vs. Vacancy Rate



### Carpinteria Office | Largest Available Spaces

Address	Size (SF)	Vacated By
5464 Carpinteria Ave.	23,800	Microsoft
6398 Cindy Ln.	19,100	Giati Designs
6307 Carpinteria Ave.	9,900	Clipper Windpower

### Carpinteria Office | Largest Leases

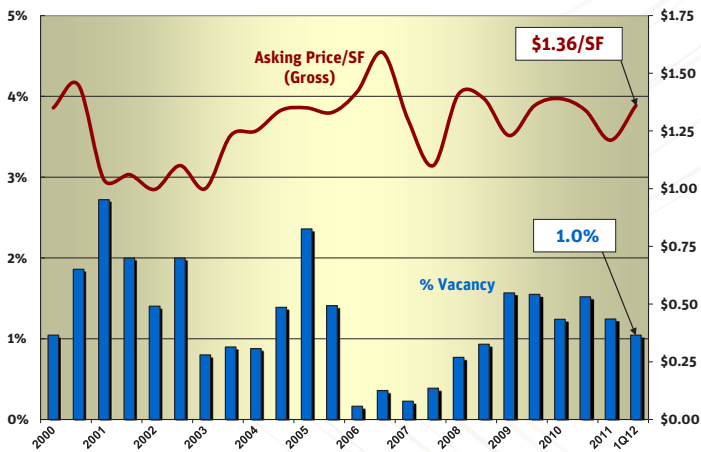
Address	Size (SF)	Leased By
1145 Eugenia Pl.	11,600	An American Insurance

# LEASING | INDUSTRIAL

## SANTA BARBARA INDUSTRIAL

The Santa Barbara industrial market saw lease rates increase modestly from \$1.21 per SF on the average at the end of 2011, to \$1.36 per SF at the end of 1st Quarter 2012. As expected, the vacancy rate remained low, declining from 1.2% to 1% at the end of 2011. Vacancy will remain low for the foreseeable future, in part due to recent industrial leasing activity in Carpinteria which has further depleted the amount of available space in that market. This may push some industrial tenants back north to Santa Barbara, where industrial inventory remains low as well, and especially to Goleta given its large supply of industrial space.

### Santa Barbara Industrial | Price vs. Vacancy Rate



### Santa Barbara Industrial | Largest Available Spaces

Address	Size (SF)	Vacated By
1 N Calle Cesar Chavez	17,500	Bekins
4183-4185 State St.	15,874	Multiple Tenants
531 E. Cota St.	8,900	Haywards
606 Olive St.	8,500	Hayward Design Ctr.

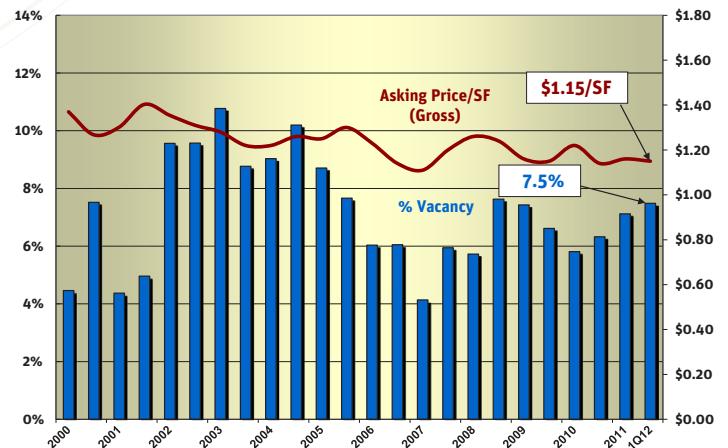
### Santa Barbara Industrial | Largest Leases

Address	Size (SF)	Leased By
1 N. Calle Cesar Chavez #15	15,300	EventRents, Inc.

## GOLETA INDUSTRIAL

The Goleta Industrial sector was quiet in the 1st Quarter of 2012 seeing very minimal activity consisting mainly of renewals of existing tenants. The vacancy rate increased slightly from 7.1% at the end of 2011 to 7.5% at the end of the 1st Quarter of 2012. Average asking rates dropped by \$.01 to \$1.15 per SF on a modified gross basis and overall the market remains quiet. We do not expect vacancy levels to change drastically over the next quarter or two, however that could change if business confidence increases and companies feel the need to increase production or supply. With the relatively low vacancy rates of Santa Barbara and Carpinteria, Goleta is poised to take advantage of any increased demand with its supply of large properties.

### Goleta Industrial | Price vs. Vacancy Rate



### Goleta Industrial | Largest Available Spaces

Address	Size (SF)	Vacated By
6775 Hollister Ave.	81,100	DuPont
30 S La Patera Ln.	65,700	Multiple Tenants
7406 Hollister Ave.	43,000	Textron
25 Castilian Dr.	23,400	Calient Networks

### Goleta Industrial | Largest Leases

Address	Size (SF)	Leased By
None		



# LEASING | INDUSTRIAL

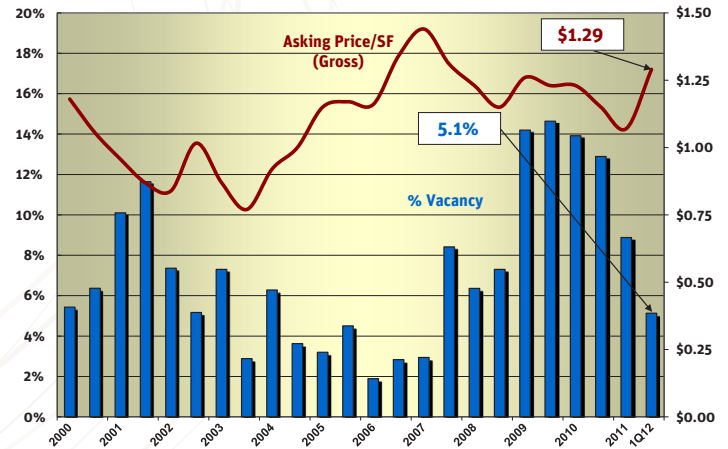
## CARPINTERIA INDUSTRIAL

The Carpinteria Industrial market saw a significant decrease in vacancy from 8.9% at the end of 2011 to 5.1% at the end of the 1st Quarter of 2012, the lowest it's been in four years.

This sector saw more activity than the office sector during the same period. There were several significant leases totaling more than 20,000 SF of activity. These include Biosphere Industries and Brothers of Industry leasing 7,000 to 8,000 SF each for industrial purposes.

The average asking rate for industrial type properties in Carpinteria rose to \$1.29 per square foot (modified gross) during the 1st Quarter due to several new smaller vacancies in the Carpinteria Business Park.

Carpinteria Industrial | Price vs. Vacancy Rate



### Carpinteria Industrial | Largest Available Spaces

Address	Size (SF)	Vacated By
6382 Rose Ln.	39,100	Pacific Scientific
6385 Rose Ln.	7,200	This Little Piggy

### Carpinteria Industrial | Largest Leases

Address	Size (SF)	Leased By
509 Maple St.	7,300	Brothers of Industry
1010 Cindy Ln.	8,100	Biosphere Industries

## LEASING | RETAIL

## SANTA BARBARA RETAIL

During the 1st Quarter of 2012 there were 9 retail transactions in Santa Barbara dropping the vacancy rate from 2.1% at the end of 2011 to 1.6%, its lowest level since 2008. Consequently, asking rates rose from \$3.11 to \$3.33 on the average.

The 1st Quarter was highlighted by a lease with American Apparel moving into 6,000 SF at 735 State Street. This brings the expanding retailer three blocks down State Street into more than twice the size space they currently occupy at 1019 State Street.

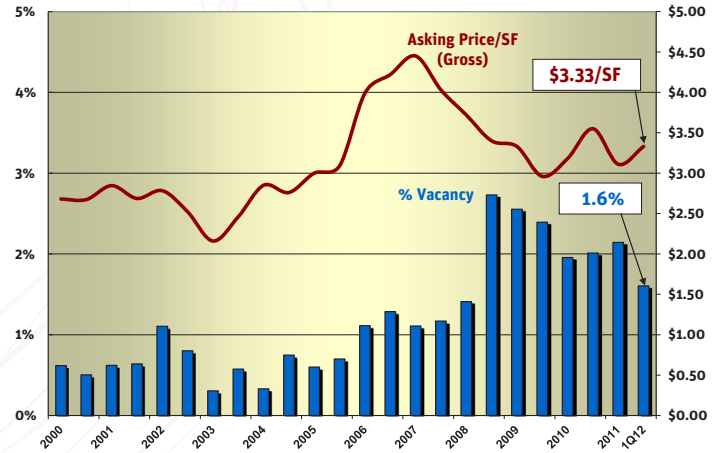
## Santa Barbara Retail | Largest Available Spaces

Address	Size (SF)	Vacated By
1117 State St.	11,200	Antica Rugs
202 W. Carrillo St.	8,800	Multiple Tenants
314 State Street	7,900	In and Out Automotive

## Santa Barbara Retail | Largest Leases

Address	Size (SF)	Leased By
735 State St.	6,000	American Apparel
318 State St.	2,700	State Street Boxing
3609 State St.	2,500	Big City Futon
921 State St.	1,600	Jewelry by Gauthier

Santa Barbara Retail | Price vs. Vacancy Rate



## SALES | COMMERCIAL

## SOUTH COUNTY COMMERCIAL

The year started with a noticeable dip in commercial sales transactions versus the same time last year. There were just 11 commercial sales during the 1st Quarter of 2012 with \$43,550,000 / 148,150 SF in volume. (Radius was involved in 9 out of the 11 sales.) Comparatively, 1st Quarter 2011 saw 18 sales with a total transaction volume of \$62,430,000 / 277,700 SF.

An unusual trend this year is that investor sales are exceeding owner/user sales (7 investor and 4 owner/user).

Also worth noting is a possible sign that the construction industry is rebounding. There were 11 owner/user sales and only 1 development transaction in 2011, yet we have already seen 3 development deals in 2012.

We credit the lower number of transactions this quarter to lack of supply as there is less inventory on the market for sale. Still, there are numerous pending sales and we expect to see the number of commercial transactions continue at a similar pace in the 2nd Quarter.

Notable transactions during the 1st Quarter include Fresh N Easy closing on the 2 acre parcel at 5955 Calle Real where they will build a new 14,000 SF market; the investment sale of Trader Joe's at 3025 De La Vina at a low 5% CAP; and the sale of 901 Olive, an 18,000 SF office building in downtown Santa Barbara.

Investment demand is strong but, as mentioned before, there continues to be a shortage of inventory.

## 1st Quarter 2012 Sales Highlight Properties



**5955 Calle Real**  
10,715 SF on 1.98 acres  
\$6,900,000

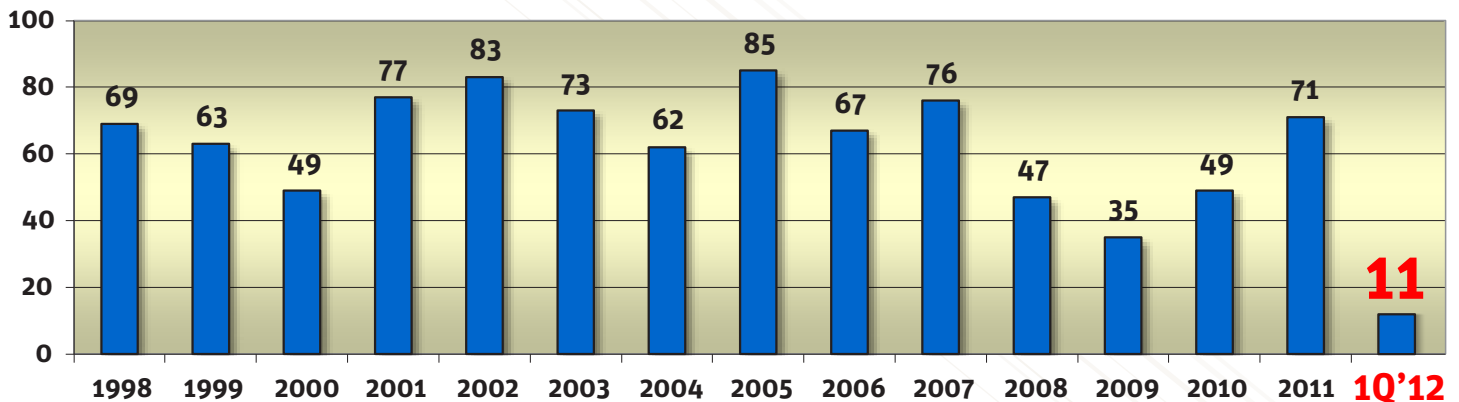


**901 Olive St.**  
18,000 SF  
\$4,800,000



**819 Reddick St.**  
18,700 SF  
\$3,950,000

### South County Commercial Sales Transactions (Excluding Apartments)



## SALES | APARTMENTS

## SOUTH COUNTY APARTMENTS

Santa Barbara south county apartment sales were modest in the 1st Quarter of 2012 with a total of three transactions of 10+ units in the city of Santa Barbara alone. The largest was the sale of 29 units at 320-322 W. Canon Perdido in which Radius represented the buyer. We are currently seeing 10+ unit properties trading in the low to mid 5% range.

Despite the relatively small number of transactions, 1st Quarter 2012 sales activity may be signaling a turn in the market as there were no sales of 10+ unit complexes during the 1st Quarter of 2011 and only six in total for the entire year in all of the south county.

Additionally, there are currently three 10+ unit complexes for sale in Santa Barbara and four in Goleta with two of them in escrow at the time of this report. In fact, two of the Goleta listings are of significant size with one being 60 units and the other 63.

Regarding smaller properties in the 5-9 unit range, there were a total of three sales during the 1st Quarter in Santa Barbara, and there are currently three other complexes for sale with one in escrow. There were no sales in Goleta.



**320-322 W. Canon Perdido**  
29 Units  
\$4,650,000

## South County Apartment Sales Highlights


# Units	City	Sold Price	Price/Unit
29	Santa Barbara	\$4,650,000	\$160,345
13	Santa Barbara	\$3,400,000	\$261,538
10	Santa Barbara	\$1,716,667	\$171,667
8	Santa Barbara	\$1,170,000	\$146,250
5	Santa Barbara	\$1,050,000	\$210,000

The bottom line is right now and it's easier to obtain financing for apartment properties versus other commercial real estate. Historically low interest rates and heavy competition among financiers are working in investors' favor making this a good opportunity for those looking for starter investments.

Inventory remains relatively minimal with few available properties on the open market, although buyers appear eager for larger, well-located properties priced within comparable (properties that have sold) ranges (more than 25 units).

The Santa Barbara and Goleta appeal remains as a blue-chip investment. Prices have stabilized and have seen appreciation in the beginning of the year as the demand for rentals seems to continue to be raising rents.



A photograph of Eric Egolf, President of CIO Solutions, standing in a modern office with large windows and other employees working in the background. He is wearing a grey patterned button-down shirt and has his arms crossed.

“Our agent kept reminding us to stay focused on the long term goal and eventually we’d find the perfect space. They were right.”

*Eric Egolf, President, CIO Solutions, on partnering with Radius to help relocate his thriving company*

Trust was the difference for Eric Egolf. “We knew Radius was looking out for us. There was never any pressure to settle,” he said. “It’s rewarding to work with people who value loyalty and customer service to the same degree we do.” | Being recognized for the work we do is always gratifying. Even more rewarding is the satisfaction and relief our business partners feel when their needs are met and their interests are secure.



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