

2015 QUARTERLY VACANCY COMPARISON

Q4 '14 Q1 '15

Office/R&D

Santa Barbara	3.9%	▼	3.5%
Goleta	9.2%	▼	8.9%
Carpinteria	27.3%	▼	26.7%*

Industrial

Santa Barbara	0.1%	▲	0.3%
Goleta	3.5%	▲	4.0%
Carpinteria	2.7%	■	2.7%

Retail

Santa Barbara	1.3%	▲	1.5%
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Figures above represented in
percentage points.

*See Page X for details on Carpinteria
Office sector vacancy

Strong Fundamentals = Solid 2015

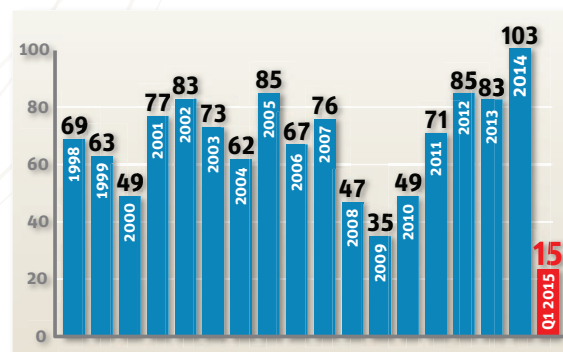
South Coast Commercial Real Estate Momentum Continues

On the surface it was a rather unremarkable first quarter on both the sales and leasing side. Activity has eased after 2014's gangbuster 103 commercial sales with considerably fewer deals during Q1 2015 than the same quarter last year, though we were not far off the 17-year quarterly average with 15 total. In fact, the +\$20 Million sale of the REI building in downtown Santa Barbara is just the first of several larger sales we anticipate this year, which may shift the narrative from the number of deals to sales volume.

Multifamily continues to be a favorite sector for investors. Interest rates remain very attractive at historic lows with loans seemingly there for the taking, yet the lack of available inventory simply cannot satisfy demand.

On the leasing side, vacancy was also relatively stable across the South Coast, for the most part, particularly in Santa Barbara. In the retail space, for example, Santa Barbara's vacancy remained slight at just 1.5%, despite the large 22,000 SF grocery space recently vacated by Fresh Market. The challenge in this sector continues to be finding tenants for spaces above 3,000 SF.

Another notable space that came to market was the 105,300 SF left behind after Allergan's acquisition and consolidation, yet Goleta's industrial vacancy rose only modestly from 3.5% to 4.0% in the quarter. In fact that one space represents about 62% of the total industrial space available in the market.



Q1 2015 South Coast
Commercial Sales Transactions
(Excluding Apartments)

Ultimately, we anticipate 2015 will be another strong year.

COMMERCIAL SALES SUMMARY

Statistically, in our market the first quarter tends to be the slowest performing quarter.

So when the 17-year average of approx. 16 commercial sales per quarter is achieved during the first three months of the year, it is considered a strong showing. Q1 2015 did come in just shy of that mark with a respectable 15 commercial sales on the South Coast, though we were never on pace to match Q1 2014's astounding 23 deals.

Considering the first quarter's modest haul, it is unlikely 2015 will surpass last year's record of 103 total commercial transactions. However, given the

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SALES | COMMERCIAL

Continued from Page 1

properties in the pipeline and the overwhelming number of buyers in the market, we do predict another above average year for South Coast sales.

Looking beyond the first quarter, we expect the story this year will shape up to be more about record breaking sale prices, such as the April sale of the REI retail center at State Street and Highway 101. The high profile property, which was marketed at \$21.95 Million, sold to an out-of-town buyer in the largest sale of retail property in downtown Santa Barbara since 2002.

What is influencing the strengthening market?

Market fundamentals remain strong. On the leasing side, occupancy rates remain stable and vacancy low, while lease rates are inching steadily upward. Additionally, inventory available for purchase remains extremely low, yet there is no shortage of qualified buyers waiting eagerly on the sidelines. We continue to see strong interest in well priced assets and, in some cases, multiple competing offers. Interest rates also remain near all time lows with no real signs of increasing in the near future.

Why do we think 2015 will not surpass 2014's record tally?

There simply is not enough product. As we noted the buyer pool is strong but a lack of available "For Sale" inventory will not support buyer demand. In the current market, any property that has sat on the market for an extended period of time has likely done so due to unrealistic seller expectations. We have found that time and again sellers are better off pricing their property at market with the potential of receiving multiple offers and hopefully generating an "over-bid" situation versus overpricing properties and having the property sit on the market which often times may lead to a reduced sale price. A prime example of how properly pricing a property can lead to multiple offers and a great result for a seller is the recent sale of 734 State Street. The fully leased, well appointed retail property was listed at \$2.1 Million (5% CAP Rate), received multiple offers and ultimately sold for \$500,000 over asking price.

Local Trends

There were just two \$5 Million-plus commercial sales during Q1 2015 compared to seven in the same quarter last year. Despite this, our outlook for large sales transactions for the rest of the year is good as we anticipate a number of bigger deals in the next several months.

Coming out of the Great Recession, we began seeing unique micro-markets develop in Santa Barbara's commercial real estate land-

scape. For prime retail properties, such as the 700–800 blocks of State Street, Montecito and the Funk Zone, we are seeing sales figures surpass previous market highs. Additionally, industrial and multifamily properties remain in extremely high demand across the South Coast and are selling at record numbers as a result of limited inventory and low vacancy. Conversely, demand for office buildings in markets such as Carpinteria and Goleta, for example, has remained slow, mainly attributable to high office vacancy in those areas.

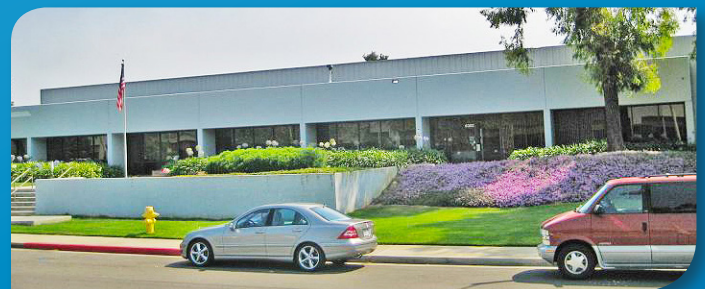
Since the recession, the overall theme on the South Coast seems to be that investors are less price sensitive when it comes to fully leased investments which are typically characterized by low risk, but they are more hesitant to purchase properties that are in line with (or below) historical values yet are experiencing vacancy issues.

The largest sale of the quarter was 2320 Bath St., a four-story medical office building located across from Cottage Hospital. The property was purchased in an off-market transaction at a sale price above \$18 Million.

Q1 2015 Notable South Coast Commercial Sales



2320 Bath St., Santa Barbara
Office | 34,250 SF | Sold in January for \$18.4 Million (Off-market)



6382 Rose Ln, Carpinteria (Off-Market)
Industrial | 39,125 SF | Sold in February for \$4.2 Million

SALES | MULTIFAMILY

In 2014 the US homeownership rate dropped to a 25-year low of 64.5%, according to new data released by the Census Bureau. Home price growth has outpaced incomes, a trend that is expected to continue this year. Slow income growth and a lack of savings are the main reasons for renting instead of buying, even as mortgage rates remain historically low. Accumulating savings has become even more difficult as rents continue to rise.

The multifamily sector still remains a preferred area for investors with its strong fundamentals and strong demand. Not to mention it has the most access to financing for acquisitions with relatively low interest rates. We believe investor activity in this sector should remain very strong for the next few years, with the main obstacle being lack of inventory creating multi-bid situations. Rental rates continue to increase across Santa Barbara and Ventura Counties due to a tightening supply of apartments. Of course, the other difficulty is finding replacement properties for sellers. We expect the multifamily sector overall to remain strong.

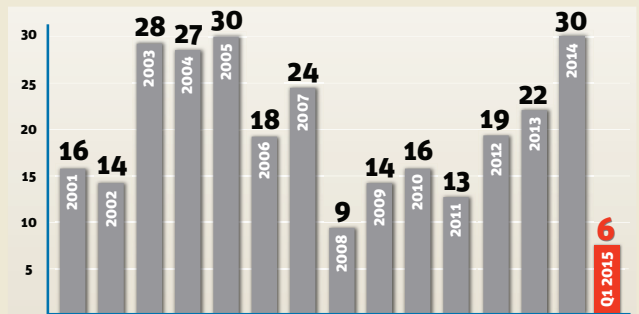
Q1 Quick Stats

*Avg. GRM's = 13x for 5-9 Units
and 14.5x for 10+ Units*

Avg. CAP Rates = 4% for 10+ Units

Avg. PPU = \$245,000 for 10+ Units

*Apartment financing remains readily
available with several local banks
competing for these loans.*

Q1 2015 South Coast Multifamily Sales — 5+ Units

buyers and exchange buyers ready and waiting.

With historically low availability, we remain in one of the highest demand eras we've ever seen. Interest rates remain low at 4-4.5% and look to stay this way into the second quarter, while CAP rates are averaging in the mid 3-4% range thus far.

Highlight sales include 16 units in downtown Santa Barbara at 431 E. Victoria St. which sold for \$4 Million in an off market deal; and in Isla Vista, the Icon Gardens mixed-use properties in Isla Vista which sold for just under \$39 Million total, and 12 units at 6565 Segovia Rd. which sold for \$2,637,000 after being on the market for only 12 days with an amazing 12 offers.

Isla Vista continues to be a strong draw for investors and we are seeing the same trend with no inventory available. It's worth noting that

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SOUTH COUNTY

In the first quarter of 2015, multifamily transactions reached nine total sales with six of those properties in the 5+ units size range. The numbers demonstrate the extreme lack of inventory with many cash



6545 Trigo Rd. & 6530 Seville Rd.
Isla Vista | Icon Gardens

*Mixed-use, multi-unit properties near UCSB
closed in March for \$38.5 Million combined*



6565 Segovia Rd.
Isla Vista

*12 units closed in January for \$2,637,500
(\$219,791/Unit) with over 12 offers*



431 E. Victoria St. (Off-Market)
Santa Barbara

*16-unit property closed in March for \$4 Million
(\$250,000/Unit)*

SALES | MULTIFAMILY

Continued from Page 3

UCSB set yet another record for first-year and transfer students seeking admission to the seaside campus, with 85,208 applications for undergraduate admission for the fall quarter of 2015, an increase of more than 5 percent over last year.

Rental rates continue to rise along the South Coast based on strong demand and low vacancy. The vacancy rate continues to average around .5% for the Santa Barbara area compared to the national apartment vacancy rate of around 4.1% (according to REIS) which has remained unchanged. Santa Barbara rental rates continue to be the strongest in the South Coast, averaging \$1,500–\$1,900 for a one bedroom apartment and \$2,000–2,500 for a two bedroom apartment, depending on location.

NORTH COUNTY

North Santa Barbara County continued to see strong activity in the first quarter despite low inventory. Both Santa Maria and Lompoc have experienced an increase in activity this year. The highlight sale of the quarter was the purchase of the Carmen Apartments, 128 units which traded in February for over \$15.6 Million. Average price per unit in the North County was \$122,900 with CAP rates averaging approximately 4.8%–5.5%.

North County rents remain stable with some complexes implementing rent increases. We expect rents to continue to rise for the same fundamentals as in Santa Barbara, and more would-be homeowners becoming renters because they simply cannot qualify for loans.

Multifamily loans are very competitive with rates in the low to high 4% range. Vacancy rates are compressing, rents are increasing and there is little new construction to compete with existing properties.

We expect investors to keep seeing the benefit of investing in North County apartments. All the properties we are involved with are experiencing very high levels of occupancy with no rent concessions.

WEST VENTURA COUNTY

High demand for multifamily investments continues in the Ventura market and like most areas the supply has not been there to satisfy investors. The city of Ventura's overall rental growth rate of 7% was also well above countywide averages, leading to a record average

rent for the city of \$1,535. With a vacancy rate of only 1.86%, demand for all unit types drove rents higher in Ventura, with one bedroom units up 9.2%.

There were 24 sales in Ventura during the first quarter and there are a couple of large buildings in escrow along with a few smaller ones that should close in the second quarter. The largest sale involved 28 units in Santa Paula which traded for \$3,770,000. A total of 19 sales were in the 2–4 unit range and five sales were 5+ units in size.

Millennials are entering the housing market and many are opting to rent rather than buy due to insufficient income and not having the money for the down payment. Many of the younger generation will remain in rental housing for more than a decade and increase the demand for rentals. The vacancy rate in Ventura County will remain low driving rents up with very few apartments available to rent.

Multifamily sales activity and values for quality assets are expected to continue to increase as individual and institutional investors compete for the most desirable properties. As the economy gains momentum, job growth and new households forming are the factors creating stronger demand for rental housing and driving up apartment rental rates to new highs in West Ventura County.

Echo-boomers are forming households at a quick pace, leading to the staggering demand for rental housing. Nationwide, and locally, occupancy levels and rent growth are climbing to new peaks, and multifamily investments are reaping record returns.



Carmen Apartments

201 W. Carmen Ln., Santa Maria

128 Units | Closed in February for \$15,649,999 (\$122,266/Unit)

LEASING

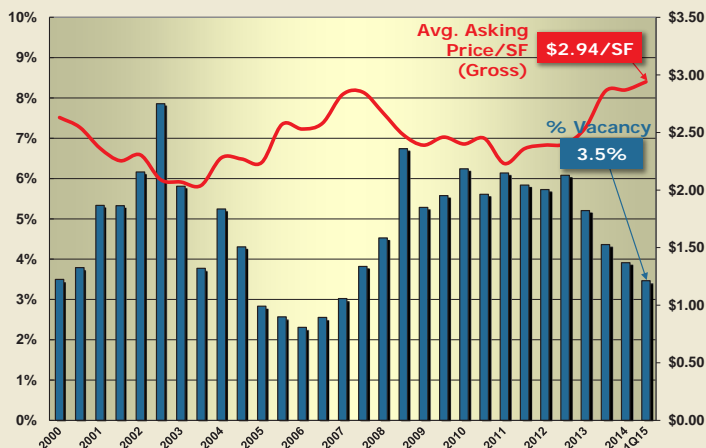
SANTA BARBARA OFFICE

In the first quarter of 2015 Santa Barbara's Office market continued on the same trajectory as 2014, with lease rates moving upward and vacancy decreasing, down to 3.5% from 4.3% the same quarter last year. Look for this trend to continue as there are a number of larger office tenants actively pursuing space in Santa Barbara.

The largest office lease of the quarter and the only one involving more than 10,000 SF was 223 E. De La Guerra St. (11,500 SF) which leased to Estalea, a leader in developing new technology startups. The company previously vacated a smaller 8,000 SF space at 10 E. Figueroa St.

Another highlight deal involves Logic Monitor's lease of about 3,800 SF at 1002 Anacapa St. on the corner of Anacapa and Carrillo Streets. The new space essentially doubles the tech company's footprint downtown with their other office located just a half a block away on Carrillo.

Santa Barbara Office | Q1 2015 Avg. Asking Price & Vacancy Rate



Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
801 Garden St., Multiple Stes.	13,900	Sonos
7 W. Figueroa St., 200 & 300	11,400	Multiple Tenants
29 W. Anapamu St., 2nd & 3rd	9,400	Sansum Clinic
10 E. Figueroa St.	8,000	Estalea

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
223 E. De La Guerra St.	11,500	Estalea
801 Garden St., 300 & 301	6,200	Integrated Insurance Svcs.
1027 Garden St.	4,400	Evolus Inc.
3760 State St., Ste 101	4,400	Silver Air LLC
1002 Anacapa St.	3,800	LogicMonitor

Q1 2015 Notable South Coast Leases

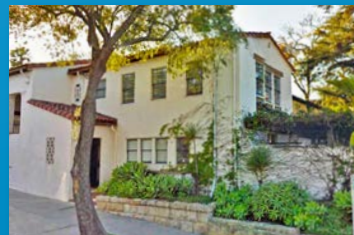


1002 Anacapa St., Santa Barbara

Office | 3,800 SF | Leased in March | LogicMonitor

18 S. Milpas St.
Santa Barbara

Retail
7,400 SF
Leased in January
Lumber Liquidators

223 E. De La Guerra St.
Santa Barbara

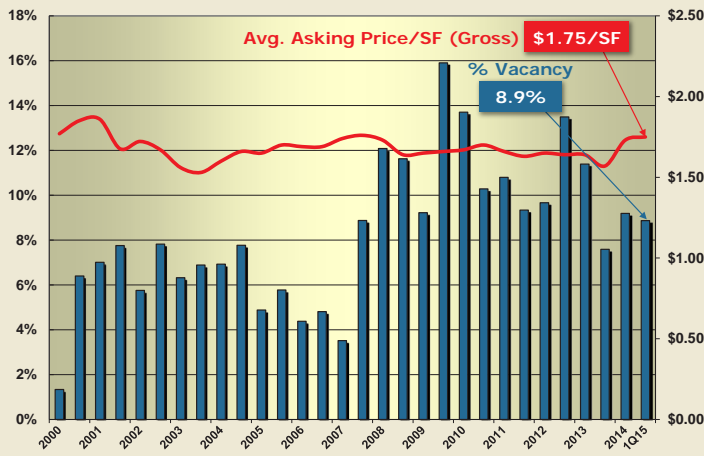
Office
11,500 SF
Leased in February
Estalea

1351 Holiday Hill Rd.
Goleta

Office
10,500 SF
Leased in January
Cubes, Inc.

LEASING

Goleta Office | Q1 2015 Avg. Asking Price & Vacancy Rate



GOLETA OFFICE

Goleta's Office market remained stable and somewhat uneventful in the first quarter of 2015. The office market saw a minor decrease in vacancy from 9.2% at the end of the fourth quarter 2014 to 8.9% by the end of the first quarter 2015. Average lease rates bumped up slightly, likely due to more availability of higher quality office space. Goleta has experienced four consecutive quarters below 10% vacancy, but it is expected that vacancy will increase as Flir vacates over 80,000 SF on Castilian.

We have witnessed some companies continue to grow in size and manpower in the market, so the increase in vacancy should be mild and rates should remain relatively flat. Large office users should have the definite advantage in lease negotiations as pure office space without industrial/R&D is of less demand.

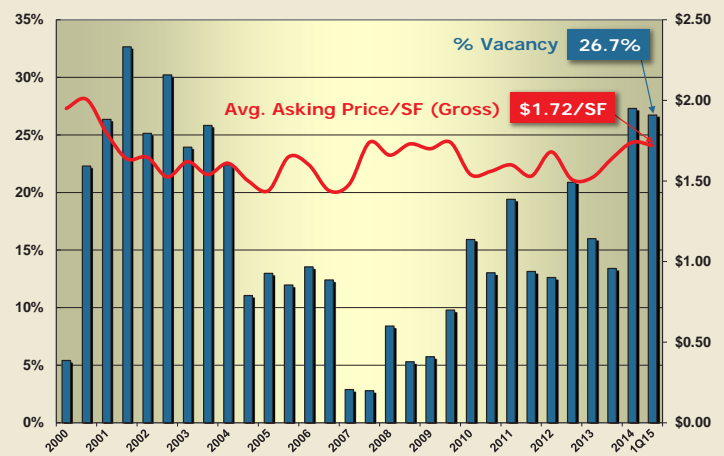
Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
5425 Hollister Ave., 1st&2nd	56,300	Mentor
495 S. Fairview Ave., A & B	52,200	Deckers
5540 Ekwil St.	28,000	National Security Tech.
460 Ward Dr., Ste D1, D2, E2	22,100	Superconductor Technologies

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
90 Castilian Dr., 1st Flr.	18,700	AppFolio, Inc.
26 Castilian Dr., Ste C	11,100	Hawk Applications Corp.
1351 Holliday Hill Rd.	10,500	Cubes, Inc.

Carpinteria Office | Q1 2015 Avg. Asking Price & Vacancy Rate



CARPINTERIA OFFICE

Carpinteria's office market is truly in a state of flux.

There were just two leases during the first quarter, the largest about 2,800 SF. As such, vacancy for the market declined marginally to about 26.7% from 27.3% at the end of Q4 2014.

But it is expected that vacancy will decrease sharply sometime this year, due primarily to the pending sale of the large office park at 5464 Carpinteria Ave. which will be converted into a senior care facility. This will effectively wipe away about 52,000 SF of office space from the market's inventory, of which about 37,500 SF* is technically currently vacant. If this square footage were removed from the market's overall inventory today, we would actually be looking at a vacancy rate of about 21.7%.

On the surface that number is still high, but were just one large space like the 46,100 SF space at 6307 Carpinteria to lease, vacancy would essentially fall to below 12%. We also expect more tenants from Santa Barbara to continue to look to Carpinteria as a strong alternative to higher lease rates in those areas.

Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
6307 Carpinteria Ave., A&B	46,100	CKE
5464 Carpinteria Ave.*	37,500*	Microsoft
6185 Carpinteria Ave.	12,350	STW
1005 Mark Ave.	9,300	Celerus Diagnostics, Inc.

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
1090 Eugenia Pl., Ste 200	2,800	Pacifica, Inc.
546 Walnut Ave.	715	Patrick O'Conner

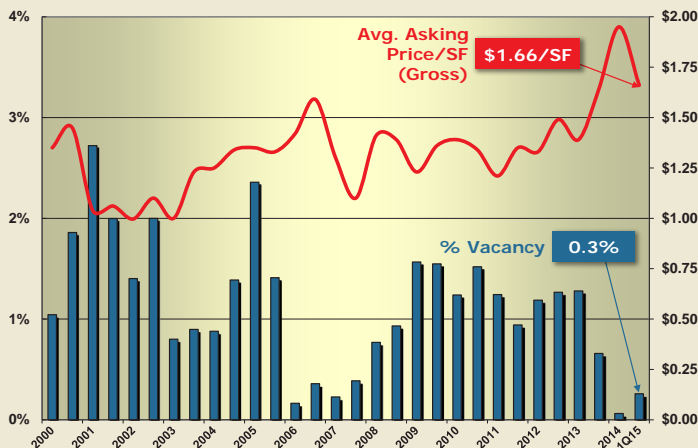
LEASING

SANTA BARBARA INDUSTRIAL

Average gross asking rates for Santa Barbara Industrial properties have come down from a peak in the fourth quarter of 2014 when they were at \$1.95/SF, down to \$1.66/SF in the first quarter of 2015. This is actually more in line with the first three quarters of 2014. This decrease is attributed to the lack of available inventory as well as lower quality spaces on the market. Industrial property is hard to come by in Santa Barbara, and one lease can have an impact on the rate based upon the small sample size.

Vacancy remained extremely low at about 0.3% in the first quarter, up just slightly from 0.1% at the end of 2014 but down from 1.2% in the year ago quarter. We will continue to see a very competitive market with such limited inventory. Many industrial tenants who purchased properties during the last 3 years will no longer have to endure market rate adjustments as lease rates continue to rise.

Santa Barbara Industrial | Q1 2015 Avg. Asking Price & Vacancy Rate



Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
125 S. Quarantina St.	3,800	Muneno Tomio Woodworks
12 W. Cota St.	3,200	Storage
120 & 122 Santa Barbara St.	2,900	Santa Barbara Art Foundry

Q1 2015 Largest Leases

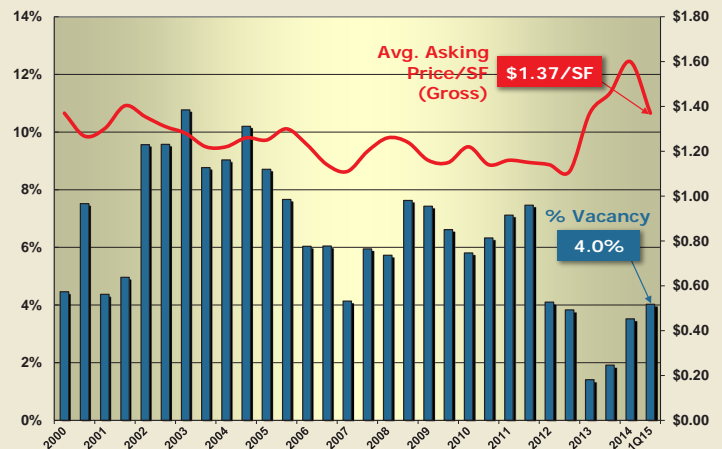
Address	Size (SF)	Leased By
116 Santa Barbara St.	2,400	Good Beer Co. LLC
511 E. Gutierrez St.	2,600	Multiple Tenants
718 Union St.	1,900	Pacific Pickle Works

GOLETA INDUSTRIAL

Like the market's Office sector, Goleta's Industrial sector also remained stable during the first quarter of 2015. There was a slight uptick from the 3.5% vacancy at the end of the fourth quarter of 2014 to 4.0% by the end of the Q1 2015. It's worth noting that approx. 105,300 SF of space became available for lease as a result of Allergan's acquisition and consolidation. This represents about 62% of the approx. 170,200 SF total industrial space available in Goleta at the end of the first quarter.

Additionally, a current vacant space is being purchased by an owner-user who is expanding their operation, which will bring the vacancy rate back down. As the Santa Barbara Industrial market remains at historic lows, this will continue to provide Goleta with stable lease rates and very low vacancy throughout 2015.

Goleta Industrial | Q1 2015 Avg. Asking Price & Vacancy Rate



Q1 2015 Largest Available Spaces

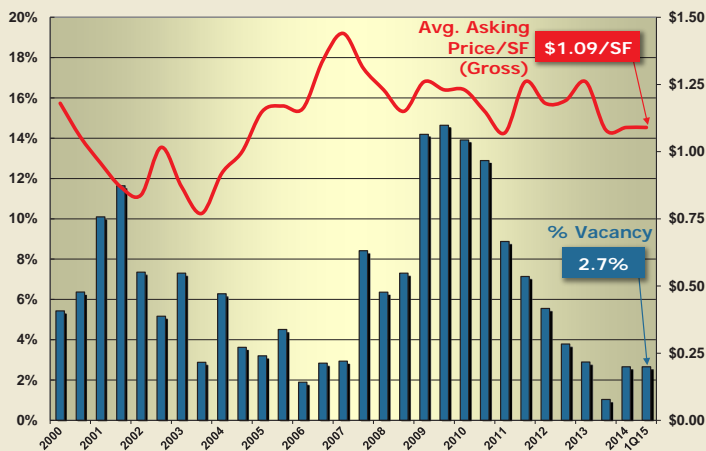
Address	Size (SF)	Vacated By
71 S. Los Carneros Rd.	105,300	Allergan
5756 Thornwood Dr.	20,800	Flir
460 Ward Dr., Ste F	11,800	Superconductor Technologies
6780 Cortona Dr.	11,800	DuPont

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
123 Aero Camino, Ste A	4,700	Jeff Spangler D.B.A. Jade Now
53 Santa Felicia Dr.	4,200	SKT Brewing, LLC
6464 Hollister Ave.	2,800	Data Marine, LLC

LEASING

Carpinteria Industrial | Q1 2015 Avg. Asking Price & Vacancy Rate



CARPINTERIA INDUSTRIAL

By the end of the first quarter of 2015, Carpinteria's Industrial vacancy remained virtually unchanged from the end of 2014 at about 2.7% or 35,000 SF. In fact, of the two vacant spaces in the market, the 28,800 SF building at 6385 Cindy Ln., former Forms+Surfaces space, constitutes 83% of the total space available.

The industrial sector also remains extremely tight in neighboring areas like Santa Barbara and Goleta, which may continue to direct attention to Carpinteria for lower lease rates and convenience for employees commuting from the Ventura area. That said, inventory remains minimal.

Over the remaining year we should expect vacancy to decline provided no major players in the area decide to vacate their spaces.

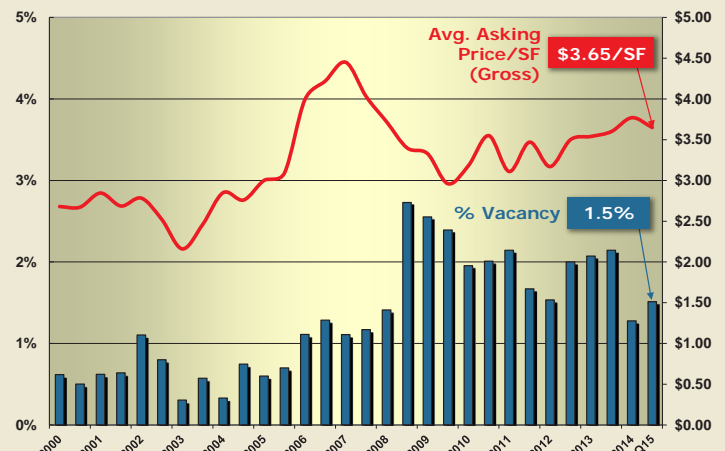
Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
6385 Cindy Ln., C	28,800	Forms+Surfaces
5055 6th St.	5,800	SuperSprings

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
1020 Cindy Ln., Ste 9	7,200	John Hall
5665 Carpinteria Ave.	1,300	Vukas

Santa Barbara Retail | Q1 2015 Avg. Asking Price & Vacancy Rate



SANTA BARBARA RETAIL

The average gross asking rate for Santa Barbara area Retail in Q1 2015 was \$3.63/SF, a 2.5% decrease from the year ago quarter. There were 56 properties (162,000 SF) available for lease at the end of the quarter, about the same as Q4 2014, but a 10% increase in square footage (15,000 SF). In fact, 30% of the available inventory was 3,000 SF or more, a much higher percentage than the typical 15%. Larger retail space generally takes longer to lease because fewer retailers can afford the higher monthly rents.

The first quarter vacancy rate was a slim 1.5%, a slight decrease from 2.3% at year-end 2014. While this demonstrates a very tight market, many retailers around the country continue to struggle to make a reasonable profit due to continued competition from online competitors and big box retailers who can afford to offer lower prices.

In 2015, look for some retailers to continue to look for alternate locations to State Street that may offer more affordable rents. Also look for the restaurant sector to continue to be very competitive, as some are forced to close or re-create themselves to increase their probability for success.

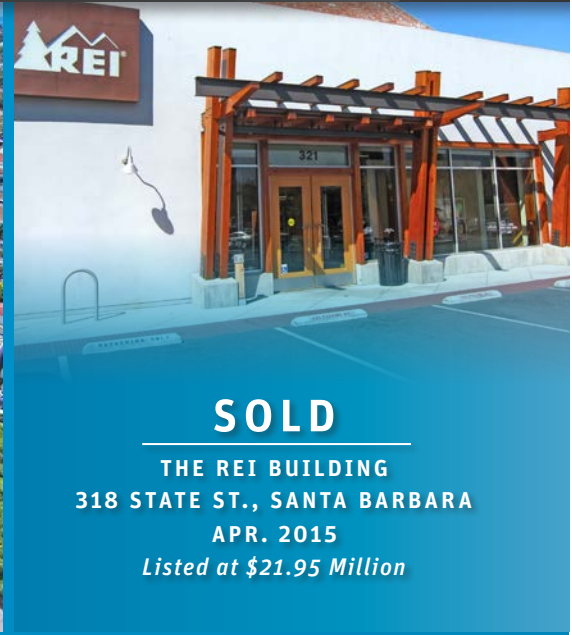
Q1 2015 Largest Available Spaces

Address	Size (SF)	Vacated By
222 N. Milpas St.	22,000	The Fresh Market
32 W. Carrillo St.	7,300	Greyhound
820 State St., 1st Floor	5,900	Guess

Q1 2015 Largest Leases

Address	Size (SF)	Leased By
18 S. Milpas St.	7,400	Lumber Liquidators
631-633 Chapala St.	3,400	Elegant Stache
108 Pierpont, Summerland	3,400	Pace (New Restaurant)

MONUMENTAL RESULTS. EVERY TIME.



SOLD

THE REI BUILDING
318 STATE ST., SANTA BARBARA
APR. 2015
Listed at \$21.95 Million



LEASED

FORMER ELEPHANT BAR
521 FIRESTONE RD., GOLETA
FEB. 2015
Approx. 8,700 SF



Radius is proud to have orchestrated two of the highest profile deals in the South Coast this year: the sale of the REI building at State Street and Highway 101 in downtown Santa Barbara, and the lease of the former Elephant Bar building near the Santa Barbara Airport, soon to reopen as the new High Sierra Grill restaurant. But no matter the size or scope of the deal, we are committed to delivering the same level of service to ensure each and every client receives the monumental results they seek.

The Radius Team. Count On Us. Every Time.



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