

## VACANCY

	1Q'12	2Q'12
<b>Office/R&amp;D</b>		
Santa Barbara	6.2% ▼	5.8%
Goleta	10.2% ▼	8.3%
Carpinteria	17.5% ▼	13.1%
<b>Industrial</b>		
Santa Barbara	1.0% ▼	0.9%
Goleta	7.5% ▲	8.5%
Carpinteria	5.1% ▲	7.1%
<b>Retail</b>		
Santa Barbara	1.6% ▲	1.7%

Figures above represent percentage points.

## Some ups & downs, but will 2nd Quarter optimism continue?

Despite historically low interest rates, continued European financial uncertainty has sidelined many investors for the first two quarters of 2012. Locally, there are two contrasting financial indicators that are worth keeping a close eye on.

While the latest figures show an uptick in Santa Barbara County's unemployment rate, increasing from 7.4 percent in May to 7.9 percent in June, "We continue to see the trend of improvement over the same period from the previous year, which is a silver lining," said Raymond McDonald, executive director of the Santa Barbara County Workforce Investment Board, in a Noozhawk report. The county's unemployment is still down from 8.4 percent a year ago, and well below the state unemployment rate of 10.7 percent, as well as the national average of 8.2 percent.

Hardest hit have been jobs in the public sector, particularly education, health services and government. That said, the leisure, trade, transportation and utilities industries have all experienced moderate to slow growth, according to Noozhawk.

Perhaps that's not too surprising given the current bright spot that is the area's hospitality and tourism industries, key to the county's overall economic health. In June, the Santa Barbara News-Press reported on the highest bed tax collection in Santa Barbara for any fiscal year since at least 2001. And just recently Noozhawk reports that, with the close

of the fiscal year in June, the City of Santa Barbara accumulated \$13.66 million in transient occupancy taxes, a growth of 9.6 percent and the highest yield to date. June alone increased by 11 percent over the same month last year.

"People feel more optimistic about the economy, though they are staying closer to home when they travel and that benefits Santa Barbara significantly," said Kathy Janega-Dykes of the Santa Barbara Conference & Visitors Bureau and Film Commission.

Such optimism is likely not lost on local investors, who continue to have an appetite for purchasing commercial property in Santa Barbara County.

On the development side, some are undertaking major projects that will have significant impact on the market. Heading into the end of 2012, look for the Entrada De Santa Barbara beach front hotel project to begin their off-site construction. In addition, the Alma Del Pueblo mixed use condo project near the Arlington Theater is breaking ground and beginning their initial phases of construction.

While it would be premature to draw definitive conclusions based on all of the above, particularly during this volatile election year, we at Radius continue to be optimistic about the local picture and are encouraged by many of the commercial real estate trends we're seeing through the first half of the year...

# LEASING | OFFICE

## SOUTH COUNTY LEASING OVERVIEW

Leasing trends are showing stabilization throughout the south Central Coast. Four out of the seven commercial real estate sectors show downward trends, with Carpinteria office vacancies decreasing substantially due to the continued expansion of lynda.com and Gigavac. We expect to see similar activity heading into the 3rd Quarter 2012 as properties that have had little interest are now gaining attention.

### 2nd Quarter 2012 Lease Highlight Properties



**6382 Rose Ln., Carpinteria**  
39,100 SF  
Gigavac, LLC



**1 S. Los Carneros Rd., Goleta**  
12,600 SF  
Brown & Brown

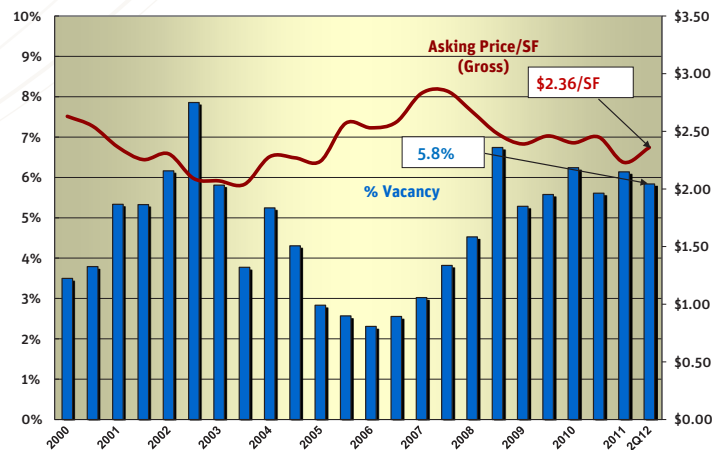


**700 State St., Santa Barbara**  
5,800 SF  
Panera Bread

## SANTA BARBARA OFFICE

As the 2nd Quarter 2012 came to a close, Santa Barbara's office market saw a slight increase in asking rates from \$2.26/SF modified gross at the end of the 1st Quarter to \$2.36/SF modified gross at the end of the 2nd Quarter. While vacancy rates declined slightly from 6.2% at the end of the 1st Quarter to 5.8% at the end of the 2nd Quarter, the vacancy rates have remained fairly consistent over the past three years. Also, of the 13 office leases that were completed during the 2nd Quarter, ten were less than 3,000 SF. Looking to the end of 2012, we anticipate steady leasing activity for tenants 3,000 SF and below with the possibility of some movement of a couple notable larger tenants as their leases come up at the end of the year.

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



### Santa Barbara Office | Largest Available Spaces

Address	Size (SF)	Vacated By
801 Garden St.	22,400	Antioch
200 E. Carrillo St.	17,000	Multiple Tenants
925 De La Vina St.	12,000	Multiple Tenants
118 E. Carrillo St.	10,600	Morgan Stanley

### Santa Barbara Office | Largest Leases

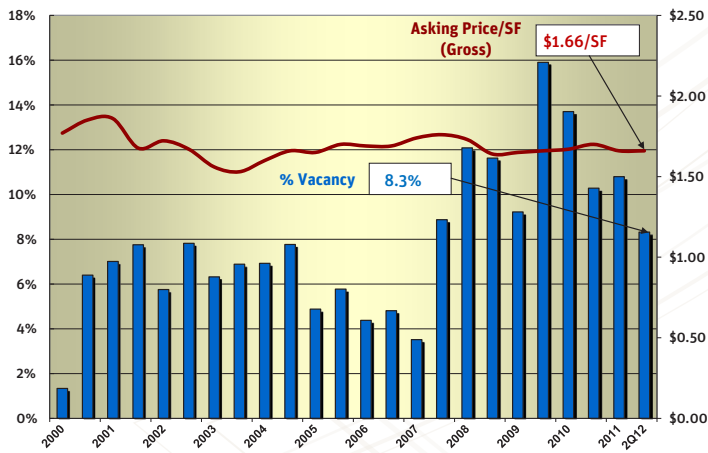
Address	Size (SF)	Leased By
915 E. Montecito St.	4,500	Community Film Schl.
802 E. Cota St.	3,700	PMSM Architects, Inc.
118 E. Ortega St.	3,100	Local Market Launch, LLC
621 W. Micheltorena St.	2,700	Mariposas Project, Inc.

# LEASING | OFFICE

## GOLETA OFFICE

Goleta's office sector continued to see improvement throughout the 2nd Quarter 2012 with a reduction in the vacancy rate from 10.2% to 8.3%, reaching the lowest vacancy rate since 2007. The average asking rate continued to stay relatively steady, only increasing slightly by \$0.02 to \$1.66/SF on a modified gross basis. One interesting trend we have noticed is that tenants such as Brown & Brown Insurance have chosen to leave the expensive Santa Barbara office market opting to relocate to the less expensive Goleta market.

### Goleta Office | Price vs. Vacancy Rate



### Goleta Office | Largest Available Spaces

Address	Size (SF)	Vacated By
7418 Hollister Ave.	86,300	Raytheon
5385 Hollister Ave.	24,500	Multiple Tenants
26 Castilian Dr.	19,400	Network Hardware Resale

### Goleta Office | Largest Leases

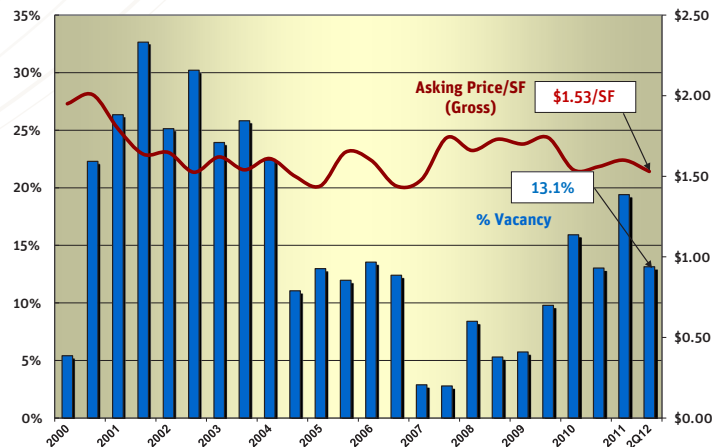
Address	Size (SF)	Leased By
1 S. Los Carneros Rd.	12,600	Brown & Brown
6950 Hollister Ave.	4,000	Tencate Advanced Composites USA, Inc.

## CARPINTERIA OFFICE

The Carpinteria office market saw a slight decline in asking price from \$1.55/SF at the end of the 1st Quarter 2012 to \$1.53/SF on a modified gross basis at the end of the 2nd Quarter, reaching the lowest average asking price since 2010.

While the market continues to remain in double digit vacancy territory, vacancy rates continued to decline drastically throughout the 2nd Quarter from 17.5% at the end of the 1st Quarter 2012 to 13.1% at the end of the 2nd Quarter. The main contributing factor for the large decrease in vacancy is the continued growth and expansion of lynda.com who leased an additional 19,100 SF of office space.

### Carpinteria Office | Price vs. Vacancy Rate



### Carpinteria Office | Largest Available Spaces

Address	Size (SF)	Vacated By
5464 Carpinteria Ave.	23,800	Microsoft
6307 Carpinteria Ave.	9,900	Clipper Windpower
4180 Via Real	9,000	Multiple Tenants
1033 Cindy Ln.	4,900	ZBE, Inc.

### Carpinteria Office | Largest Leases

Address	Size (SF)	Leased By
1001 Mark Ave.	19,100	lynda.com
1145 Eugenia Pl.	7,500	Pacific Offshore
6187 Carpinteria Ave.	2,800	Montecito Realty, LLC

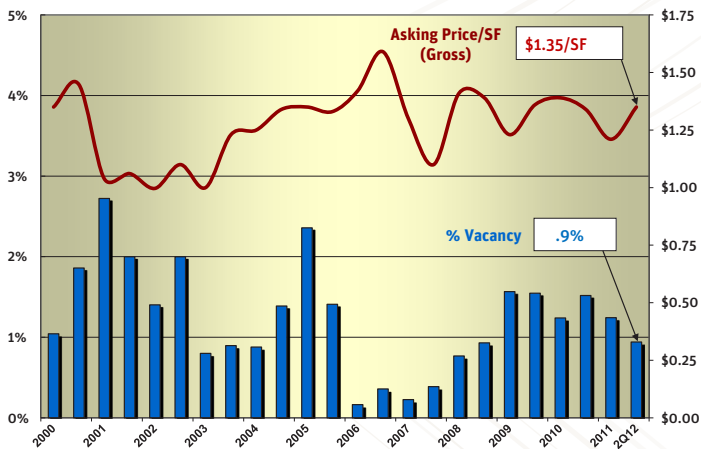
# LEASING | INDUSTRIAL

## SANTA BARBARA INDUSTRIAL

The Santa Barbara industrial market was quiet in the 2nd Quarter 2012 with just two transactions totaling no more than 4,000 SF. So far average lease rates remain consistent in 2012, decreasing only slightly by \$0.01 to \$1.35 for the 2nd Quarter. Vacancy rates also remain fairly stable, decreasing marginally from 1.0% at the end of the 1st Quarter 2012 to 0.9% at the end of the 2nd Quarter.

While there has been a steady flow of industrial tenants looking to lease space in Santa Barbara, there are several large vacant properties such as 1 N. Calle Cesar Chavez and 4183 State St. which remain on the market due to tenants leasing space in Goleta and Carpinteria. However, we have not seen many new properties come on the market and smaller spaces are leasing as vacancy rates are at their lowest since mid 2008.

### 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.	15,900	Multiple Tenants
531 E. Cota St.	8,900	Haywards
590 E. Gutierrez St.	5,700	The Lighting Boutique

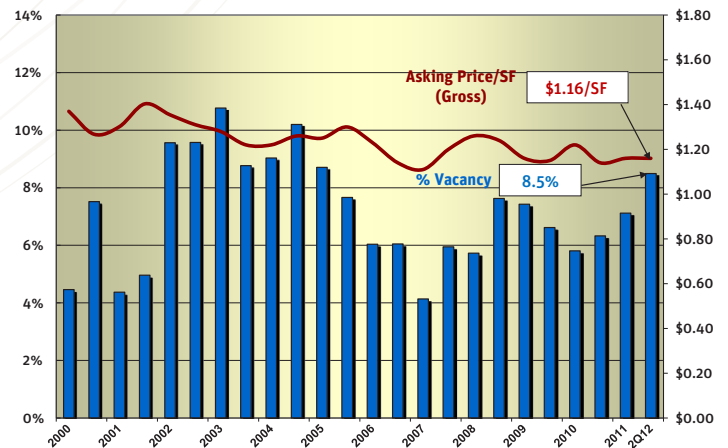
### Santa Barbara Industrial | Largest Leases

Address	Size (SF)	Leased By
118 E. Ortega St.	3,100	Local Market Launch
218 E. Cota St.	2,000	Magic Geek, Inc.
426 Garden St.	2,000	Orfalea Foundation

## GOLETA INDUSTRIAL

The Goleta industrial market saw a small increase in vacancy from 7.5% at the end of the 1st Quarter 2012 to 8.5% at the end of the 2nd Quarter. Average asking rates have remained steady since mid 2010, hovering around \$1.16/SF on a modified basis. The highlight lease was from Kaai Soraa, who leased approximately 12,600 SF at 495 S. Pine Ave. As Santa Barbara and Carpinteria vacancy rates continue to remain significantly lower than Goleta, it is likely Goleta will take advantage of any increased demand in the industrial market with its considerable supply of larger vacant 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
6740 Cortona Dr.	36,000	UCSB

### Goleta Industrial | Largest Leases

Address	Size (SF)	Leased By
485 Pine Ave.	12,600	Kaai Soraa
6483 Calle Real	2,700	K and A Design Group
6489 Calle Real	800	Lachaine & Associates

# LEASING | INDUSTRIAL

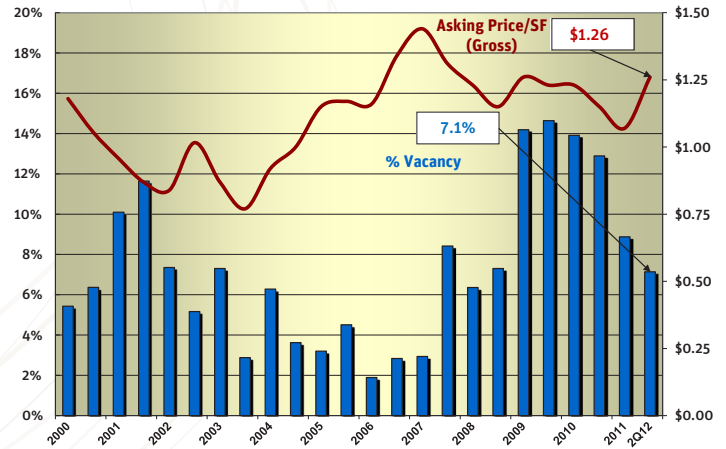
## CARPINTERIA INDUSTRIAL

After Carpinteria's industrial sector experienced a significant decrease in vacancy last quarter, vacancy rates reversed sharply in the 2nd Quarter, climbing from 5.1% at the end of the 1st Quarter to 7.1% at the end of the 2nd Quarter.

Consequently, the average asking price for industrial type properties in Carpinteria decreased to \$1.26/SF modified gross during the same time period.

Of the three new leases during the 2nd Quarter, the largest by far was from Gigavac, LLC, who leased approximately 39,100 SF at 6382 Rose Ln., a property that had been available for almost a year.

### Carpinteria Industrial | Price vs. Vacancy Rate



### Carpinteria Industrial | Largest Available Spaces

Address	Size (SF)	Vacated By
5201 6th St.	26,300	Name Unavailable
6398 Cindy Ln.	19,100	Giati Designs
1132 Mark Ave.	11,300	Name Unavailable
6383 Rose Ln.	8,100	Rite Map

### Carpinteria Industrial | Largest Leases

Address	Size (SF)	Leased By
6382 Rose Ln.	39,100	Gigavac, LLC
516 Palm Ave.	1,400	Elan Cohen & Marlynda Romero
500 Maple St.	1,300	Matt Pepper

## LEASING | RETAIL

## SANTA BARBARA RETAIL

The Santa Barbara retail sector experienced a substantial change in asking rates rising from \$3.33/SF to \$3.47/SF on a modified gross basis, while vacancy increased minimally from 1.6% to 1.7% over the course of the 2nd Quarter 2012. The most notable lease was by Panera Bread which will open their second location at 700 State St. in the 5,800 SF space formerly occupied by Left At Albuquerque.

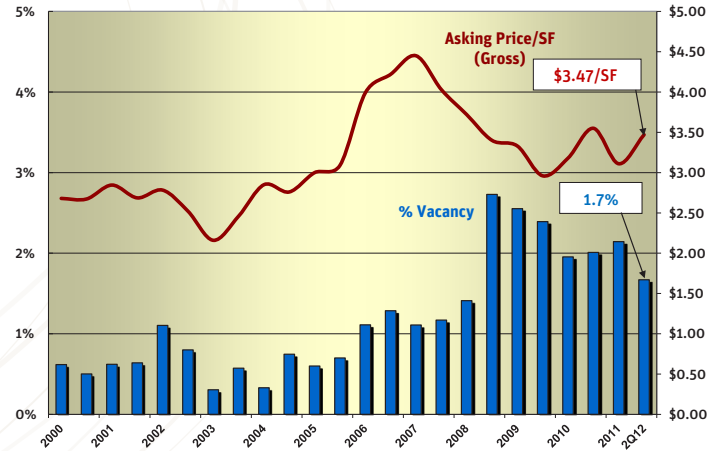
## Santa Barbara Retail | Largest Available Spaces

Address	Size (SF)	Vacated By
606 Olive St.	8,500	Hayward Design Center
314 State St.	7,900	In and Out Automotive
202 W. Carrillo St.	7,500	Multiple Tenants
111 State St.	7,100	BeBop Burgers

## Santa Barbara Retail | Largest Leases

Address	Size (SF)	Leased By
700 State St.	5,800	Panera Bread
1230 State St.	3,300	Name Unavailable
116 E. Yanonali St., A	3,000	Pali Wine Company, L.P.
116 E. Yanonali St., B	2,700	Unnamed Wine Tasting Company

Santa Barbara Retail | Price vs. Vacancy Rate



## SALES | COMMERCIAL

## SOUTH COUNTY COMMERCIAL

Sales of commercial property in the first half of 2012 started out noticeably slower than the first half of 2011. By the end of the 2nd Quarter 2011 there had been a total of 37 commercial sales compared to only 24 commercial sales transactions in 2012. This is partially due to lack of inventory. As a result, in the 2nd Quarter we saw more off-market transactions than traditional market transactions.

Another interesting trend in the 2nd Quarter is that over 70% of the buyers were owner-users. This is a direct result of the Small Business Administration's (SBA) financing of low interest loans and high loan to value. With low fixed SBA interest rates, owner-users are finding that buying their own real estate and making loan payments is actually cheaper than leasing, and having to put down just 10% makes it feasible for many. As long as SBA financing is a viable option for owner-users we believe this trend will continue.

While owner-users are leading the charge today, looking into the future we expect to see an increased number of investors joining the hunt as they too are motivated by historically low interest rates. And based on the 15 properties Radius brokers alone currently have in escrow, 2012 sales volume by the end of the year could surpass 2011's mark of 71 transactions, the highest since 2007.

## 2nd Quarter 2012 Sales Highlight Properties



**Off-Market Sale**  
**121 Gray Ave.**  
 20,000 SF  
 Asking Price: \$6,275,000

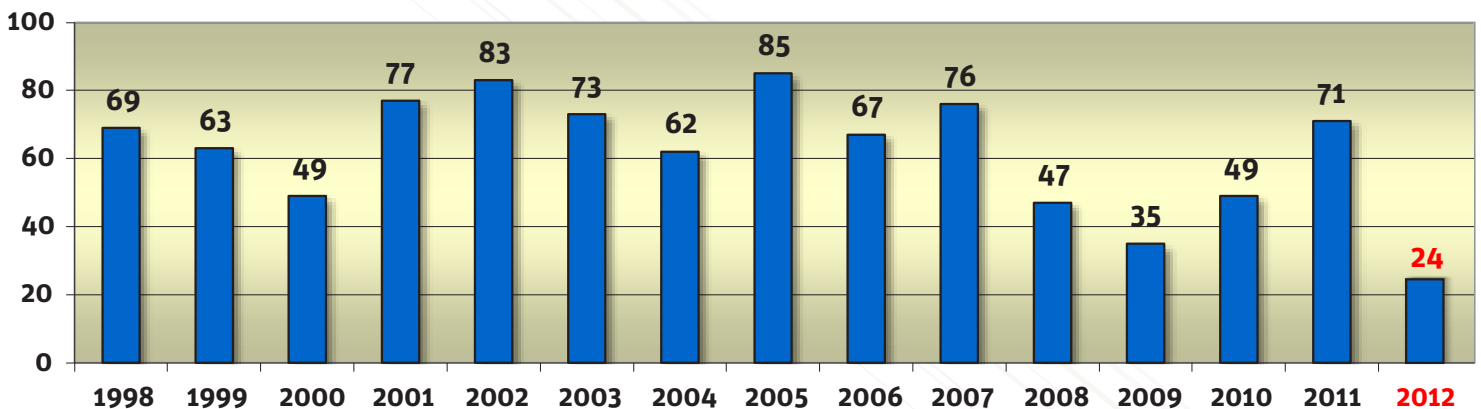


**Off-Market Sale**  
**1101 Coast Village Rd.**  
 5,200 SF  
 Asking Price: \$3,575,000



**510 S. Fairview Ave.**  
 10,191 SF  
 Asking Price: \$1,750,000

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



## SALES | APARTMENTS

## SOUTH COUNTY APARTMENTS

As predicted, the Multi-family commercial real estate sector has become the hot ticket in 2012 in the south Central Coast. Sales in south Santa Barbara County have continued at an encouraging pace through the 2nd Quarter, particularly in the 10+ unit size range. There were a total of three transactions involving properties in this range bringing the year-to-date total to six. By comparison, there were only six sales total of 10+ unit complexes in all of 2011.

The activity does not look to stop there. There are currently three (3) 10+ unit complexes for sale in Santa Barbara with two in escrow, and three (3) 10+ unit complexes in Goleta with two in escrow as well. Two of the Goleta listings are of significant size at 60 and 31 units.

Based on 2nd Quarter sales, 10+ unit complexes are trading between the low to mid 5% Cap Rate range.

Regarding smaller properties on the market (those in the 5-9 unit range), there was just one sale in all of the 2nd Quarter. That sale was in Goleta. There is currently one property at this size for sale in Santa Barbara and three for sale in Goleta.



**781 Embarcadero Del Norte, Isla Vista**  
24 Units  
\$4,000,000

## South County Apartment Sales Highlights

# Units	City	Sold Price	Price/Unit
60	Goleta	In Escrow	In Escrow
49	Santa Barbara	\$11,700,000	\$238,775
32	Santa Barbara	In Escrow	In Escrow
32	Santa Barbara	In Escrow	In Escrow
31	Goleta	In Escrow	In Escrow
29	Santa Barbara	\$6,750,000	\$232,759
24	Isla Vista	\$4,000,000	\$166,667

Inventory remains relatively minimal with few available properties on the open market, yet demand continues to be high for larger (25+ units), well-located properties priced within comparable (properties that have sold) ranges.

The financing landscape remains green. With historically low interest rates and more easily attainable loans for apartment properties versus other commercial real estate, many property owners and investors are sensing the time to act is now.

The Santa Barbara and Goleta appeal remains as a blue-chip investment. Prices are stable and have seen appreciation since the beginning of the year as the continued high demand for rentals seems to be keeping rents on the incline.

The Isla Vista Rental Market is a bit softer than years past, perhaps in part due to more students signing 9-month leases at the beginning of the school year.

# DRAWING ON A FOUNDATION OF CHARACTER & EXPERIENCE

When you partner with Radius Commercial Real Estate & Investments, you are hiring an integral part of your advisory team.

Whether you plan to upgrade to a larger space or expand your investment portfolio, we will bring to bear the full scope of our extensive services and resources to anticipate opportunities, seize competitive advantage and execute winning strategy.

With an innovative approach that combines sophisticated analysis and progressive thinking about current and future trends, we will provide you with creative and pragmatic solutions to today's complex real estate challenges.

Ultimately, you will receive a level of personalized service that is unmatched in this market. That's because we place a premium on meeting each individual's expectations rather than getting the deal done.



*Radius Co-Founders and Principals Steve Brown, Steve Golis and Bob Tuler*



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