

SOUTH COAST SALES SUMMARY

COMMERCIAL SALES

While 2015 got off to a slow start with only 15 sales completed during the first quarter, the market, as expected, began to pick up steam with 23 sales in Q2, which is well above the 16 sales-per-quarter average. Despite the fact that both quarters paced behind a record-setting 2014, the market remains frothy for well priced properties in Santa Barbara.

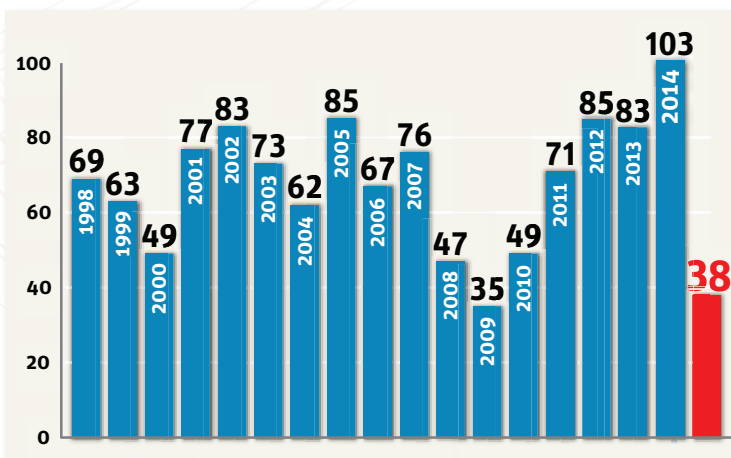
Driving factors continue to be an improving economy, attractive interest rates and low inventory coupled with a strong buyer pool that includes 1031 Exchange Buyers leading the charge. These fundamentals remain strong so look for momentum to continue into the third quarter.

Commercial Sales Summary Continued on P.3

Year-to-Date South Coast Commercial Sales Transactions

(Through Q2 2015. Excluding Apartments.)

While the first two quarters saw fewer sales than the 52 recorded during the same time last year, the South Coast is still pacing ahead of the 16-per-quarter average.



South Coast Leasing 2015 Quarterly Vacancy Comparison

	Q1 '15	Q2 '15
Office/R&D		
Santa Barbara	3.5%	3.3%
Goleta	8.9%	7.6%
Carpinteria	26.7%	23.5%*
Industrial		
Santa Barbara	0.3%	0.1%
Goleta	4.0%	4.5%
Carpinteria	2.7%	3.8%
Retail		
Santa Barbara	1.5%	1.4%

Figures above represented in percentage points.

**See Page 2 for details on Carpinteria Office Vacancy.*

Leasing Summary on P.2

MULTIFAMILY SALES

Not much changed in Q2 as the numbers reflect an extreme lack of Multifamily inventory in the South Coast. Many cash and exchange buyers are waiting in the wings as Multi-family continues to be a preferred investment category with low interest rates and the popularity of owning on the Central Coast. We will continue to see multiple bid situations and higher prices.

Apartment rents continue to rise in Santa Barbara County with a typical 1 BR renting at \$1750/mo. and a 2 BR/1BA \$2500/mo. The vacancy rate is still at an astonishing low of .99%. As many are shifting from home ownership to renting, the demand for apartments is out growing availa-

bile rentals. We are seeing many younger people forming their households later as jobs become more and more mobile. According to the Wall Street Journal more millennials are renting more now than five years ago.

Q2 Notable Sales

By far, the largest sale recorded in the South Coast was the three-property "Tropicana" portfolio in Isla Vista, which sold to UCSB for a combined \$156 Million for about 208 units. It is expected the complexes may convert to solely housing for UCSB students, which may continue to tighten vacancy in the market as City College students look for other options.

See Sales Graph on P.4

SOUTH COAST LEASING SUMMARY

LEASING

On the leasing side, commercial vacancy continued to remain quiet/stable throughout the second quarter in the South Coast, with inventory in all three Santa Barbara sectors continuing to tighten slightly. In fact, by the end of the second quarter Santa Barbara's Industrial sector dipped to its lowest point in years at below .1%, and there remained just one Industrial space for 2,900 SF available in Santa Barbara, located at 120 & 122 Santa Barbara St.

Vacancy in Santa Barbara's Office sector ticked down to 3.3% in Q2 from 3.5% in Q1 with average gross asking rates increasing slightly from \$2.94/SF to \$3.00/SF, and Retail similarly fell to 1.4% vacancy in Q2 from 1.5% in Q1 with average gross asking rates increasing from \$3.65/SF to \$3.82/SF.

Perhaps the most notable—and largest—lease in Santa Barbara was 11,200 SF of prime downtown retail/office space located at 1113 State Street leased by Impact Hub which provides shared office, co-working and event space for entrepreneurs, startups and small businesses. There were no other leases in Santa Barbara above 10,000 SF.

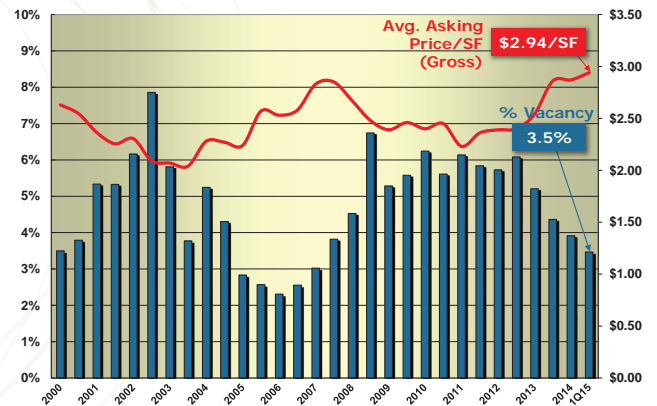
The only increases in vacancy came in both Goleta and Carpinteria Industrial sectors, with Goleta rising to 4.5% in Q2 from 4.0% in Q1, and Carpinteria seeing the largest increase to 3.8% from 2.7%. That said, there remain just three Industrial spaces in Carpinteria available for a total of approx. 50,000 SF, so we could see another swing in that vacancy rate should any of those spaces lease in Q3.

Leasing Summary Continued on P.3

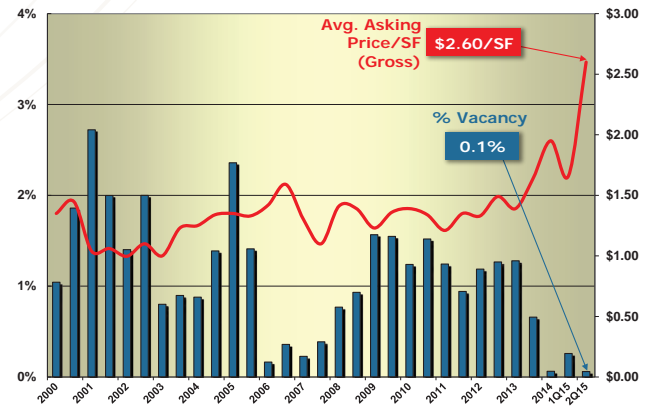
Q2 2015 Largest Leases

Address	Type	Size (SF)	Leased By
6144 Calle Real, Goleta	Office	14,200	Impulse Properties
1113 State St., SB	Retail/Office	11,200	Impact Hub
111 Castilian Dr., Goleta	Office	10,200	Seek Thermal
44 Castilian Dr., Goleta	Office	9,000	Applied Cavitation Inc.
495 Pine Ave., Goleta	Industrial	13,800	Caribbean Coffee Co.
460 Ward Dr., Goleta	Industrial	9,500	Deployable Space Sys.
619 Olive St., SB	Industrial	8,200	Goodman Reed Motorcars
5780-82 Thornwood, Gol.	Industrial	7,500	SB Hackerspace; AM Syst.
1113 State St., SB	Retail/Office	11,200	Impact Hub
3412 State St., SB	Retail	3,600	cielo24 Media Data Sol.
800 N. Milpas St., SB	Retail	3,300	Pella Doors & Windows
1936 State St. Ste A, SB	Retail	2,400	7-Eleven

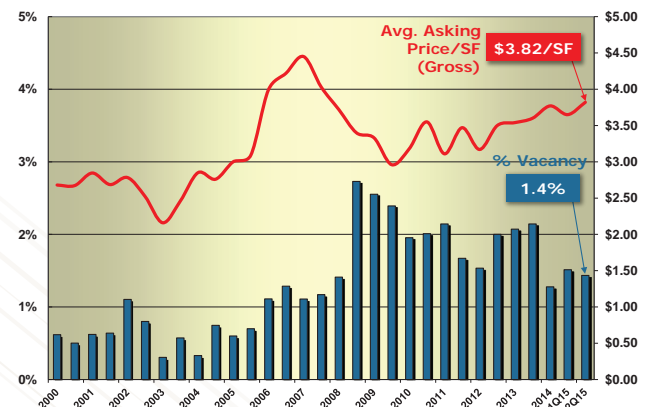
Santa Barbara Office | Avg. Asking Price & Vacancy Rate



Santa Barbara Industrial | Avg. Asking Price & Vacancy Rate



Santa Barbara Retail | Avg. Asking Price & Vacancy Rate



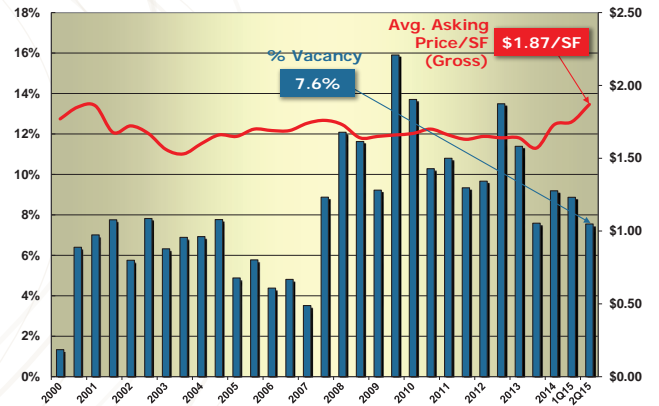
SOUTH COAST LEASING SUMMARY

Leasing Summary Continued from P.2

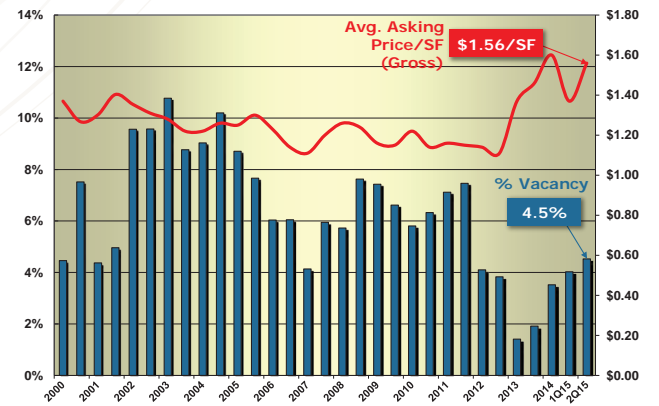
Goleta's Office sector experienced the largest real change in vacancy dropping from 8.9% at the end of Q1 to 7.6% in Q2, the sector's lowest level since late 2007 recorded 3.5%. Still, there were just two leases above 10,000 SF occurring at 6144 Calle Real (14,200 SF) and 111 Castilian Dr. (10,200 SF), and a combined 322,000 SF remained on the market by the end of Q2.

Carpinteria's Office sector vacancy rate did drop from 26.7% in the first quarter to 23.5% by the end of the second quarter, though that market remains in a state of flux due to the pending sale of the large office park located at 5464 Carpinteria Ave. When that deal closes it will remove approx. 52,000 SF of office space from the market as the buyer is expected to convert the complex to a senior care facility.

Goleta Office | Avg. Asking Price & Vacancy Rate



Goleta Industrial | Avg. Asking Price & Vacancy Rate



Q2 2015 Largest Available Spaces

Address	Type	Size (SF)	Vacated By
5425 Hollister Ave., Goleta	Office	56,300	Mentor
7406 Hollister Ave., Goleta	Office/Ind.	52,900	Moog; Citrix
495 S. Fairview A/B, Goleta	Office	52,200	Deckers
6307 Carpinteria Ave, Carp.	Office	46,200	CKE
71 S. Los Carneros, Goleta	Industrial	105,300	Allergan
7406 Hollister Ave., Goleta	Office/Ind.	52,900	Moog; Citrix
6385 Cindy Ln., Carpinteria	Industrial	28,800	Forms+Surfaces
5756 Thornwood, Goleta	Industrial	20,800	Flir
222 N. Milpas St., SB	Retail	22,000	The Fresh Market
32 W. Carrillo St., SB	Retail	7,300	Greyhound
820 State St. 1st Flr, SB	Retail	5,800	Guess
1101 Coast Village Rd., Mont.	Retail	5,250	Multiple Tenants

Q2 2015 Notable Leases



1113 State St., Santa Barbara
Office/Retail | 11,200 SF
Leased to Impact Hub



111 Castilian Dr., Goleta
Office | 10,200 SF
Leased to Seek Thermal, Inc.



460 Ward Dr., Goleta
Industrial/Warehouse | 9,500 SF
Leased to Deployable Space Systems

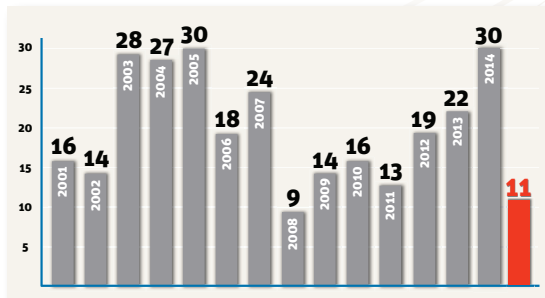
Commercial Sales Summary Continued from P.1

Q2 Notable Sales

There were three sales in Q2 above the \$20 Million mark which is unusual compared to the 0-2 quarterly average sales in this price range over the past two years.

Listed at \$21,950,000, the REI retail complex located at 318 State Street received multiple offers with the property closing in April within 4% of asking price. The Sandman Inn located at 3714 State Street also sold in April at \$22.5 Million and is slated for a condo development. Finally, the former CKE building (Carl's Junior Headquarters) located at 6303-6309 Carpinteria Ave. on the bluffs sold in June for \$25 Million after 24 months on the market.

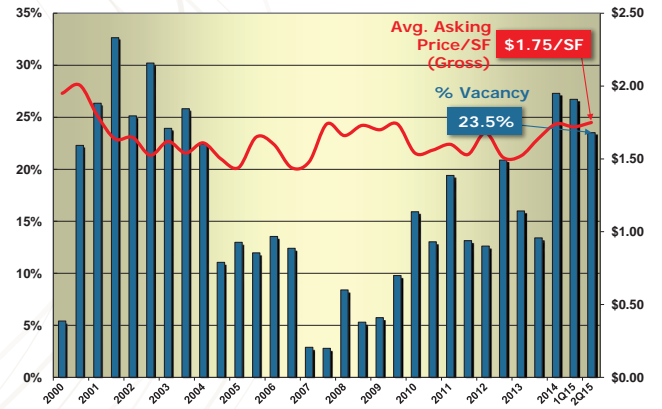
Multifamily Sales Summary Continued from P.1



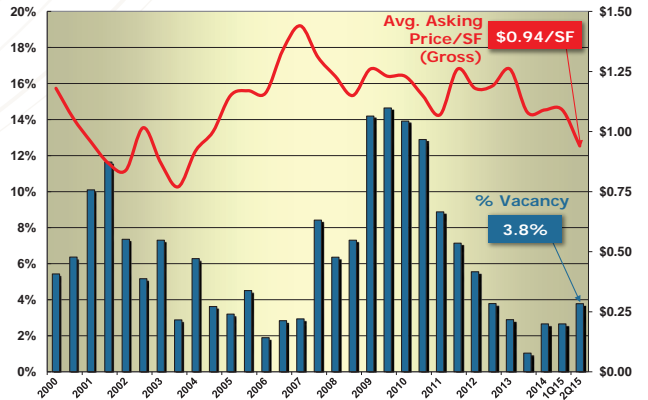
Year-to-Date South Coast Multifamily Sales Transactions
(Through Q2 2015. 5+ Units.)

Leasing Summary Continued from P.3

Carpinteria Office | Avg. Asking Price & Vacancy Rate



Carpinteria Industrial | Avg. Asking Price & Vacancy Rate



Q2 2015 Notable Sales



Tropicana Gardens Portfolio, Isla Vista
Multifamily | 208 Units (3 Properties)
Purchased by UCSB for \$156 Million



318 State Street, Santa Barbara
Retail | 55,500 SF
REI Complex Listed at \$21,950,000



3714 State Street, Santa Barbara
Hotel | Slated for Condo Development Project
Sold for \$22.5 Million