Q2 South Coast Commercial Sales Summary

Contribution by Rhonda Henderson

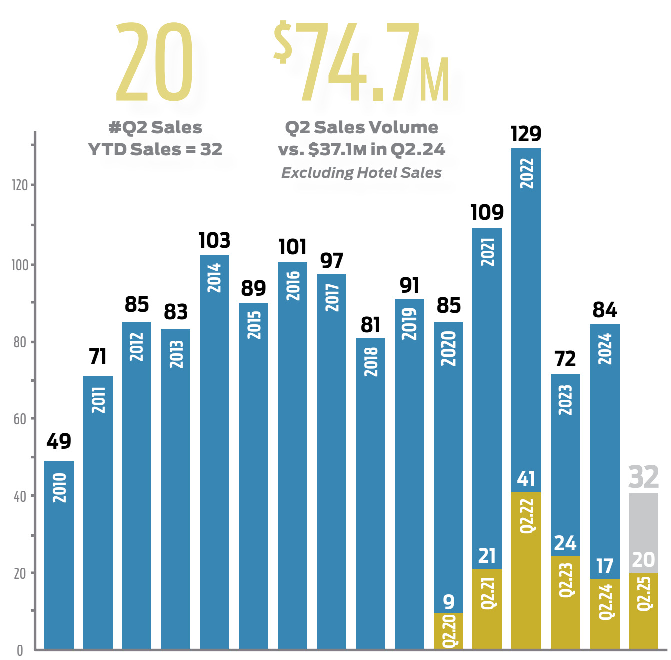
Today's market reflects a clear shift from rapid-fire volume to a more cautious, value-driven environment

SO. COAST COMMERCIAL SALES

The second quarter of 2025 closed with South Coast commercial real estate sales seeing **tempered yet strategically focused momentum.** A total of 20 transactions were recorded for the quarter, bringing the year-to-date tally to 32 sales across Santa Barbara, Goleta, Carpinteria and Summerland. Q2 sales volume reached $74,678,382—more than double the $37.1 million recorded during the same period in 2024. Year-to-date figures now total $108,673,382, slightly outpacing last year but still trailing the record-setting activity of 2022, when pent-up, post-pandemic demand and historically low interest rates fueled over $406 million in mid-year sales.

Today's market reflects a clear shift from rapid-fire volume to a more cautious, value-driven environment. This is not unique to the South Coast. Across the country, commercial real estate markets are recalibrating as high interest rates continue to weigh on transaction velocity and investor sentiment. The Federal Reserve has maintained elevated rates through the first half of 2025, and while there's cautious optimism for potential cuts in late Q3 or Q4, the cost of capital remains high. Lenders have tightened underwriting standards, debt service coverage ratios have increased, and cap rate expansion has become the new normal in many secondary and tertiary markets.

Q2.25 South Coast Commercial Sales



15-year average = 88.6 sales/year. Excludes apartment sales.

That said, the South Coast is operating in a somewhat insulated pocket compared to broader national trends—a long-standing strength of our market. While national commercial sales volumes have fallen significantly—down nearly 50% in some major metros—the greater Santa Barbara region continues to attract capital, albeit selectively. We're not seeing the distress sales or asset dumping plaguing the urban cores of Los Angeles, San Francisco or New York. Instead, the focus here remains on long-term hold strategies, income-producing assets, and properties tied to sector-specific growth or community benefit. **Nearly half of the second quarter's transactions closed off-market, highlighting the continued dominance of private deal flow, relationship-driven negotiations, and targeted acquisitions.**

Several high-profile transactions underscore these themes. The

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Q2 South Coast Commercial Sales Summary

Continued from P.1

off-market sale of Storke Pointe Business Center at **326 Bollay Dr.** in Goleta closed at $15.8 million ($371/SF). The 42,611 sq. ft. flex building is fully leased to Redwire Space Enterprises, which expanded in mid-2024 as part of its West Coast aerospace and defense growth strategy. The sale reinforces Goleta's position as a Central Coast innovation corridor, where well-located R&D and flex product remain in demand despite broader capital market constraints.

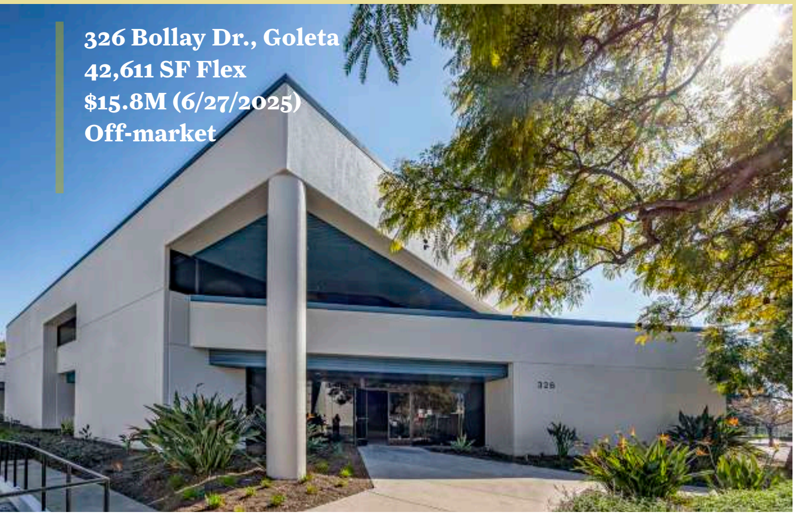

901 State St., Santa Barbara
21,258 SF Adaptive Reuse (Music Academy of the West)
$10.0M (6/3/2025)

Downtown Santa Barbara also saw a headline transaction at **901 State St.,** formerly the Forever 21 flagship. The Music Academy of the West acquired the property for $10 million and plans to transform the 21,258 sq. ft. building into a downtown music education and performance hub. The deal is backed by a $20 million philanthropic commitment and represents more than just a property trade—it signals a **strategic shift in how State Street is being reimagined, moving away from legacy retail toward cultural and community-driven activation.** Permitting is underway, with a phased build-out targeting completion by 2028.

This follows another major downtown repositioning that occurred in the first quarter of 2025, when UC Santa Barbara acquired the newly built Soltara mixed-use project at State and East Gutierrez Streets. That transaction included an 80-unit residential complex and approximately 18,000 sq. ft. of commercial space. UCSB intends to use the property for workforce housing and academic support services, further advancing State Street's shift from traditional retail to institutional, residential and experiential uses.

Together, these transactions mark a broader evolution for downtown Santa Barbara. **The move from retail-only footprints to mixed-use developments prioritizing education, housing and cultural engagement is exactly the trajectory needed to stabilize the corridor long-term.** For Paseo Nuevo and the greater State Street area, this trend underscores the critical importance of embracing adaptive reuse, diversified tenancy, and renewed urban planning that invites both residents and visitors back into the downtown core.

Interest rates have undeniably influenced the pace and nature of South Coast commercial real estate, but the region continues to exhibit resilience compared to national averages. The combination of desirable coastal geography, limited supply, and a community-oriented buyer pool has shielded the area from the more dramatic corrections seen elsewhere. Rather than a liquidity crisis, **the market is experiencing a strategic pause—a recalibration where investors are still active but focused only on the right assets at the right price.**


326 Bollay Dr., Goleta
42,611 SF Flex
$15.8M (6/27/2025)
Off-market

The Radius team anticipates this pattern will continue through the second half of the year. We expect to see sustained off-market activity, opportunistic purchases, and a continued focus on properties that offer long-term value, whether through stable cash flow, strategic location or adaptive reuse potential. The Santa Barbara market continues to chart its own course—navigating national headwinds while leaning into the fundamentals that make this region one of the most resilient and sought-after markets on the West Coast.

2025 So. Coast Leasing Quick Stats

VACANCY

		Q1.25	Q2.25
OFFICE	Santa Barbara	10.7%	**10.5%**
	Goleta	8.1%	**8.6%**
	Carpinteria	25.6%	**9.8%**
INDUSTRIAL	Santa Barbara	1.0%	**1.7%**
	Goleta	3.3%	**3.2%**
	Carpinteria	3.2%	**0.3%**
RETAIL	Santa Barbara	3.3%	**3.4%**

GROSS ABSORPTION (SF)

		Q1.25	Q2.25
OFFICE	Santa Barbara	44,700	**65,600**
	Goleta	23,000	**46,600**
	Carpinteria	8,600	**N/A**
INDUSTRIAL	Santa Barbara	11,100	**8,100**
	Goleta	5,800	**97,100**
	Carpinteria	22,000	**N/A**
RETAIL	Santa Barbara	17,500	**32,300**

AVG. GROSS ASKING RATES ($/SF)

		Q1.25	Q2.25
OFFICE	Santa Barbara	$3.18	**$3.18**
	Goleta	$2.32	**$2.33**
	Carpinteria	$2.73	**$2.77**
INDUSTRIAL	Santa Barbara	$3.32	**$2.90**
	Goleta	$2.05	**$1.88**
	Carpinteria	$1.54	**$1.58**
RETAIL	Santa Barbara	$4.18	**$4.26**

AVG. GROSS ACHIEVED RATES ($/SF)

		Q1.25	Q2.25
OFFICE	Santa Barbara	$3.40	**$3.01**
	Goleta	$2.28	**$2.51**
	Carpinteria	$1.75	**N/A**
INDUSTRIAL	Santa Barbara	$2.59	**$3.45**
	Goleta	$1.56	**$3.01**
	Carpinteria	$1.20	**N/A**
RETAIL	Santa Barbara	$2.99	**$4.44**

Q2 South Coast Leasing Summary

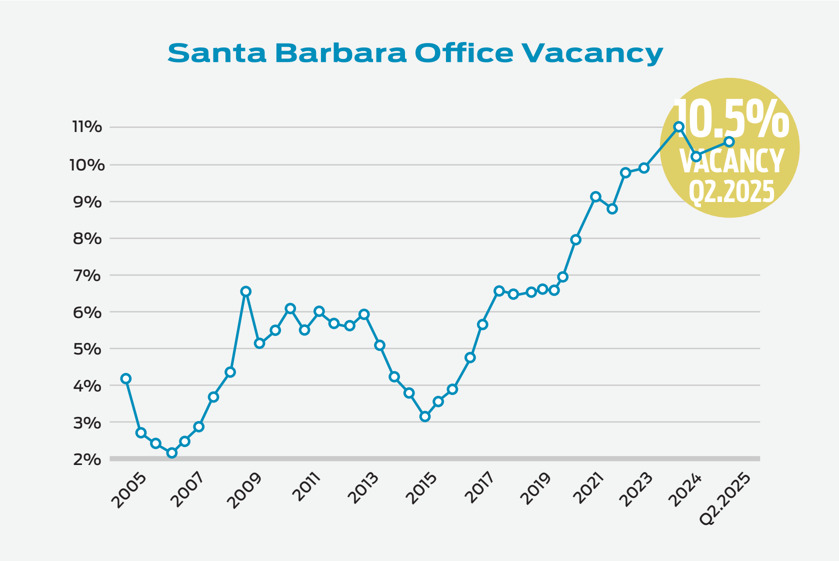
SOUTH COAST LEASING

Contribution by Justin Diem, Brad Frohling & Gene Deering

Office

As is typical in the very small Carpinteria office market, the vacancy rate can shift quickly. ProCore removed nearly 71,000 SF of sublease space from the market, which caused the vacancy rate to plummet from 25.6% in Q1 to 9.8% during Q1. The company's massive campus on the bluffs will continue looming over Carpinteria's office vacancy with their master lease not expiring until March 2027. No other new office leases took place during Q2 2025. Otherwise the largest available space on the market remains the 18,000 SF building at **1155 Eugenia Place.**

Meanwhile, Goleta's office vacancy rate ticked up from 8.1% in Q1 to 8.6% by the end of Q2. The largest office lease in the second quarter was The State of California taking 13,708 SF at **120 Cremona Dr.** The three largest office spaces for lease remain sublease opportunities at **50 Castilian Dr.** (43,655 SF), **6550 Hollister Ave.** (39,875 SF) and **6500 Hollister Ave.** (29,372 SF).



Finally, Santa Barbara's office vacancy rate closed the second quarter at 10.5%, down slightly from 10.7% in Q1. The largest deal of the quarter was KIVA Cowork renewing their 11,196 SF lease at **1117 State St.** Other deals include Katz Moses expanding into 7,963 SF at **4183**

Leasing Summary Continued on P.4

Q2 South Coast Leasing Summary

Continued from P.3

State St. and Unwrap taking 6,750 SF at **419 State St.** Meanwhile the downtown spaces vacated by Sonos at **600 and 614 Chapala St.** (33,836 SF total) remain a challenge to backfill.

Industrial

The South Coast industrial leasing market saw just 13 new industrial leases total during the second quarter, with most of the activity in Goleta and no new leases in Carpinteria (there are only two small active listings for lease in Carpinteria). Industrial rates in general have been flat over recent quarters and we continue to see a slow down of 10,000 SF+ leasing activity with 10 spaces over this size currently on the market (178,000 SF total).

Vacancy rates have remained low on the South Coast but there is a notable jump in Santa Barbara from 1.0% in Q1 to 1.7% in Q2 due largely to a handful of new listings. As we have mentioned in previous reports Santa Barbara rates have experienced a 10-yr.+ run of increased rates. A number of the vacant Santa Barbara spaces have active negotiations in play, so we expect to see that vacancy come down closer to 1% soon.

The most notable industrial lease of the quarter was Umbra taking 49,275 SF at **7418 Hollister Ave.** in Goleta in an off-market deal, as the company moves away from downtown Santa Barbara to grow and consolidate in Goleta, similar to the Sonos moves in recent years. We expect to see more notable leases this quarter as this sector of the market continues to be strong.

Retail

Retail vacancy in Santa Barbara continued to climb in Q2. While the market saw improved leasing activity—with 18 new leases and 32,301 SF of positive absorption surpassing Q1 totals—the growing inventory of large available retail spaces remains a key concern.

The retail vacancy rate rose from 3.3% in Q1 to 3.4% in Q2, marking nearly a full percentage point increase over the past year, and significantly higher than the 2.0% rate seen in Q3 2023. Asking rents increased slightly, from $4.18 to $4.26 per square foot (gross equivalent), while achieved rents jumped from $2.99 to $4.44 per square foot. It's important to note that this achieved rent figure excludes Montecito leases, and was also notably skewed by three other high-priced deals.

Those three leases—Starbucks at **402 N. Milpas St.,** Seoulmate Kitchen at the Public Market, and a small suite at the nearly completed conversion project at **801 State St.** (4 W. De La Guerra)—highlight how a few boutique transactions can disproportionately influence market averages in a small area like Santa Barbara.

The 1% year-over-year increase in vacancy has been largely driven by major downtown spaces on the market. In 2025, CVS vacated 27,453 SF at **1109 State St.,** and 24 Hour Fitness exited its 31,407 SF location. Meanwhile, other large properties, such as 23,976 SF at **610 State St.,** remain on the market though still occupied. When combined with the 33,053 SF of ground-floor retail space at the former Nordstrom site, the inventory of large, available spaces downtown is becoming increasingly daunting.

Despite these challenges, there were bright spots for downtown

Industrial | 7418 Hollister Ave.
Goleta · ±49,275 SF
Leased Off-market 4/1/2025 (Umbra)

Retail | 710 State St.
Santa Barbara · ±8,812 SF
Leased 5/1/2025 (Thrifty Beaches Vintage)

Leasing Summary Continued on P.5

Q2 Ventura County Leasing Summary

Continued from P.4

retail. Most notably, **901 State St.—**the former Forever 21 building totaling 21,258 SF—was purchased by the Music Academy of the West, as noted earlier in this report. This acquisition, along with the sale of the 11,450 SF vacant building at **530 State St.,** highlights how local institutions and investors are stepping in to stabilize key retail assets. These sales reflect a meaningful shift in ownership that help reposition the downtown core, even as the broader future of State Street remains uncertain.

The quarter's largest lease was Thrifty Beaches Vintage's deal for 8,812 SF at **710 State St.,** the former Restoration Hardware space. Though it was a short two-year term, the lease prevented the high-profile space from sitting dark—a fate many neighboring storefronts haven't avoided. Another notable lease was the Ghirardelli Chocolate Company securing 2,824 SF at **509 State St.,** the former Pascucci restaurant location.

Overall, while the Q2 vacancy rate ticked up, it remains relatively low in historical context. Encouragingly, investment and leasing activity in neighborhood retail centers across Santa Barbara continues to yield strong results, supporting the vitality of local businesses and their customer base. Looking ahead, the primary challenge for the retail sector will remain the reactivation or repositioning of large downtown spaces.

Retail | 509 State St.
Santa Barbara • ±2,824 SF
Leased 4/1/2025 (Ghirardelli Chocolate Company)

WEST VENTURA COUNTY

Contribution by Andres Uribe

West Ventura County / Conejo Valley Office

The West Ventura County and Conejo Valley office market has continued to remain stagnant. The overall office vacancy has increased slightly to 24.46% while technically the availability rate has remained the same since Q1 2025. Negative net absorption has continued since Q1, however, it has slowed to -166,000 SF in Q2. On a positive note, new leasing for Q2 has increased to a total of 288,000 SF compared to 181,000 SF in Q1.

The three largest contiguous availabilities remain:

- **450 American St.,** Simi Valley – 209K RSF
- **112 S. Lakeview Canyon Rd.,** Westlake Village – 133K RSF
- **5601 Lindero Canyon Rd.,** Westlake Village – 99K RSF

Q2 San Luis Obispo County Commercial Summary

SAN LUIS OBISPO COUNTY

Contribution by Jay Peet

Office Market Overview

San Luis Obispo County's office market remains strong, with vacancy rates falling to 2.8% in Q2 2025— down from 3.5% a year ago, and well below the national average of 14.1%. This steady demand reflects the region's stable economic base and limited new supply, particularly when compared to more volatile metro areas.

Class B office space has held steady between 2.8% and 3.6% over the past year, while Class A properties, which saw significant challenges in 2023 and 2024, have now fully rebounded.

Sales volume in Q2 was nearly half that of Q1, though still over 90% higher than the same period last year, reflecting continued investor interest. Cap rates ticked up slightly from 9.15% to 9.19% quarter-over-quarter, continuing a gradual rise from 8.82% in Q2 2024. Despite a cooling in sales activity, the market remains healthy, with limited supply, low vacancy, and growing demand for quality office space.

Industrial Market Overview

San Luis Obispo's industrial market continued to demonstrate strength in the first half of 2025, with the vacancy rate declining by 1.1%, landing at 4.6% for Q2. Leasing activity remained steady in Q2, supported by a lack of speculative development and continued interest from small to mid-sized tenants seeking high-quality space in supply-constrained submarkets.

Average industrial sale pricing stands at $183/SF—well above the national average of $144/SF—underscoring the area's desirability and limited supply. Within the sector, logistics properties are averaging $172/SF, flex assets command approximately $250/SF, and specialized industrial buildings are trading around $185/SF. The estimated market cap rate for industrial assets in San Luis Obispo is 7.2%, tighter than the national average of 7.9%, reflecting investor confidence and sustained demand.

Retail Market Overview

The retail market in San Luis Obispo is undergoing a notable shift, driven by a wave of store closures and bankruptcies among national retailers. Roughly 200,000 SF was added to the leasing market in the first half of 2025—the largest two-quarter increase in over five years. San Luis Obispo's limited speculative development pipeline and historically low vacancy rate position the market well to absorb these losses and re-lease space in a measured and orderly manner.

On the sales front, volume dropped sharply from $27.7 million in Q1 to just $8.1 million in Q2. On a year-over-year basis, sales are down more than 46%, reflecting increased investor caution and a reassessment of retail fundamentals.

Multifamily Market Overview

Multifamily vacancy rates in San Luis Obispo County ticked up by 50 basis points in Q2, even as the national average declined. The county's absorption rate currently stands at -13 units, reflecting the impact of new supply entering the market. However, that figure is expected to turn positive in Q3 and Q4 as recently completed developments become habitable and leasing activity ramps up.

Rental rates remained relatively flat between Q1 and Q2 but are up 2% year over year. Rents are projected to continue rising steadily over the next two quarters and beyond, driven by increasing demand throughout the county.

Sales volume in Q2 2025 totaled $11.12 million, representing 39 units at an average of approximately $288,441 per door—nearly triple the Q1 volume of $3.71 million across 12 units. Price per unit rose slightly, while capitalization rates remained virtually unchanged at 5.4% both year over year and quarter over quarter, indicating continued market stability despite fluctuations in activity.

Q2 Multifamily Investments Summary | 5+ Unit Assets

Contribution by Jack Gilbert & Steve Golis

South Santa Barbara County

Transaction volume in Santa Barbara South County continues to reflect a clear slowdown from last year. During the first half of 2025, there were just 11 total sales of multifamily properties 5+ units in size, compared to 34 total for all of 2024, which averaged 8.5 per quarter. Sales volume January through June 2025 amounted to roughly $40.5 million, well below the $146 million recorded for all of last year. Buyer interest remains, but deals have become more fragile—inspections, insurance quotes and property condition need to align perfectly for a sale to close.

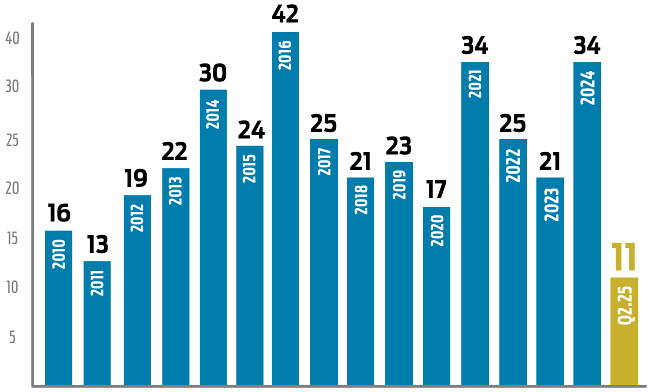
The most notable trade of the quarter was the two-property portfolio at 622 & 630 E. Victoria St., which sold for $5,850,000 ($365,625 per unit) at a 4.23% CAP rate. These buildings are very well located with significant upside for the surrounding neighborhood, which supported stronger pricing despite today's stricter underwriting. The property received multiple offers, highlighting the continued buyer demand for well-located investment opportunities like this.

Another notable transaction was 427 W. Islay St., a 22-unit building near Cottage Hospital, which sold for $6,500,000 ($295,455 per unit) at a 6.21% CAP rate. The mostly studio-heavy unit mix helped explain the lower price per unit even though the CAP rate was on the higher side for South County.

Smaller trades also continued, including 15 W. Islay St., a 5-unit property with deferred maintenance and long-term tenants, which sold for $1,850,000 ($370,000 per unit) at a 3.94% CAP rate. Similarly, 330 E. Figueroa St. sold for $1,500,000 ($300,000 per unit), and 410 W. Sola St. traded off-market for $1,250,000 ($250,000 per unit), showing ongoing demand for smaller, more accessible assets.

622 & 630 E. Victoria St., Santa Barbara
16-Unit, 2-Property Portfolio · $5,850,000 ($365,625/Unit)
Sold 6/17/2025

2025 South County Multi-Family Sales



Properties 5+ Units in Size

It's also noteworthy that many of the South County sellers this quarter were not traditional investment groups optimizing a return, but rather long-time owners who are simply tired of managing property in the City of Santa Barbara—or leaving the region entirely. Motivations are more about exiting the market than achieving peak pricing, which has helped deals close despite overall slower demand. Notably, cap rates have moved upward, now averaging closer to 5% compared to the mid-4% range last year.

Isla Vista

There were no transactions of 5+ units in the Isla Vista submarket this quarter. This is not surprising, as there is minimal product in this size range and larger student housing buildings rarely come to market. Smaller duplexes and triplexes continue to see turnover, but activity for 5+ units remains rare. Year-to-date, only two larger trades have occurred in Isla Vista, totaling just 24 units, which underscores the scarcity of available inventory in this niche market.

Multifamily Sales Summary Continued on P.8

Q2 Multifamily Investments Summary | 5+ Unit Assets

Continued from P.7

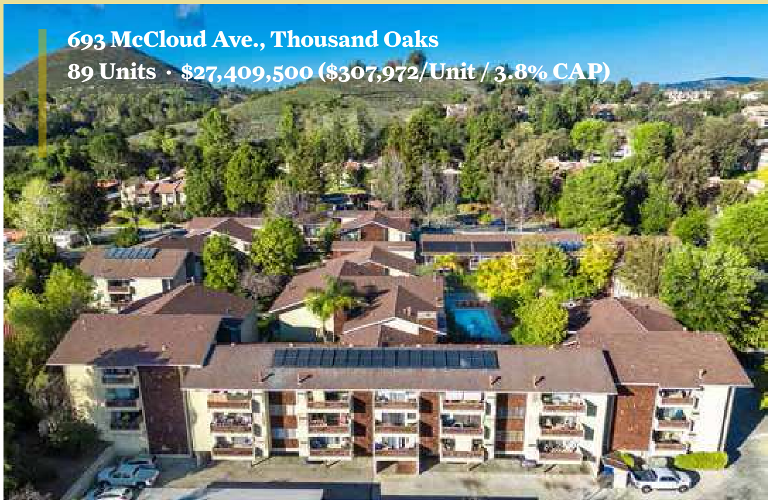
North Santa Barbara County

North County saw just one transaction this quarter, continuing a slower trend that mirrors South County. In 2024, North County recorded 16 total transactions (averaging four per quarter), but through the first half of 2025, only four total deals have closed with a combined sales volume of just $8.6 million.

This quarter's sole sale was 709–713 N. E St. in Lompoc, a 12-unit building that traded for $1,500,000 ($125,000 per unit) at a 4.90% CAP rate. The property has affordability covenants in place, limiting short-term upside potential, which was reflected in the lower price per unit. Even so, the deal attracted interest due to the stable rental demand in Lompoc and the lower entry pricing compared to South County. Like South County, North County has also seen pricing adjust downward—average price per unit has dipped from $189,000 in 2024 to roughly $159,000 in 2025, while cap rates have inched higher, now above 5%.

W. Ventura County

West Ventura County showed a mix of institutional and private deals, with Thousand Oaks seeing renewed buyer activity. While transaction counts are down significantly compared to 2024 (just eight trades year-to-date compared to 29 all last year), institutional interest in well-located assets continues to drive select sales. The largest trade was 693 McCloud Ave. in Thousand Oaks, an 89-unit property which sold to Hines for $27,409,500 ($307,972 per unit) at a 3.80% CAP rate, underscoring strong institutional demand for larger stabilized assets. Also in Thousand Oaks, 399 Erbes Rd., a 26-unit complex, traded for $8,500,000 ($326,923 per unit).


693 McCloud Ave., Thousand Oaks
89 Units · $27,409,500 ($307,972/Unit / 3.8% CAP)

In Oxnard, 1200 N. H St., an 18-unit building, sold for $4,647,331 ($258,185 per unit) at a 5.55% CAP rate, while 150–166 Johnson Rd., a 6-unit property, closed at $1,670,000 ($278,333 per unit) at a 4.97% CAP rate. Meanwhile, 3611 Saviers Rd., another Oxnard property, traded for $1,100,000 ($183,333 per unit) at a 2.51% in-place CAP rate, reflecting severely below-market rents and deferred income upside.

San Luis Obispo County

San Luis Obispo County recorded five transactions in Q2, showing steady demand across Arroyo Grande, San Luis Obispo and Atascadero despite broader market hesitancy. Notable trades included 180 Brisco Rd. in Arroyo Grande, a 10-unit property that sold for $2,600,000 ($260,000 per unit) at a 4.25% CAP rate, and 1191 Fair Oaks Ave., which traded for $2,325,000 ($290,625 per unit) at a 4.42% CAP rate. Smaller buildings also changed hands, such as 505 11th St. in San Miguel, a 2008-built 5-unit property that sold for $1,295,000 ($259,000 per unit), while 1247 Murray Ave. in San Luis Obispo, a 6-unit building near Cal Poly, sold for $1,700,000 ($283,333 per unit) at a 5.50% CAP rate. The largest sale was 5323 El Camino Real in Atascadero, a 25-unit property that sold for $3,200,000 ($128,000 per unit), offering an attractive workforce housing play with long-term stability.

While SLO County still appeals to buyers seeking reliable cash flow in less volatile markets, it continues to see the strongest rent growth across the Central Coast, at just over 2% annually, which has supported relatively stable demand despite pricing adjustments elsewhere.

Q2 2025 Market Summary & Outlook

So far in 2025, transaction activity across the Central Coast remains slower and more selective than last year. Santa Barbara South County saw only 11 total transactions in the first half of the year, compared to 34 in all of 2024, while North County has only four deals year-to-date versus 16 total last year. West Ventura and SLO counties have experienced similar declines in transaction count and total sales volume, with pricing moderating across all submarkets.

The market feels fragile. Buyers are present and actively pursuing the right opportunities, but they will not overpay and will walk away if inspections, insurance quotes, or property conditions don't align with underwriting. Deals only happen when sellers have realistic pricing expectations rather than trying to achieve the premiums of the 2020–2022 market.

Multifamily Sales Summary Continued on P.9

Q2 Multifamily Investments Summary | 5+ Unit Assets

Continued from P.8

Rental growth has also slowed considerably. Over the past 12 months, effective rents in Santa Barbara have grown by just 0.4%, compared to 1.7% in Ventura County and 2.2% in San Luis Obispo. Most of Santa Barbara County's modest rent growth has been concentrated in North County, while South County rents have likely softened slightly due to regulatory pressures and stagnant turnover. This limited rent growth has reinforced cautious underwriting, especially in markets with heavier regulation.

1031 exchange buyers remain a key part of the market, sometimes paying a slight premium due to exchange timelines. Many are even moving out of single-family rentals and into multifamily for better returns.

There is also growing hesitancy toward new development, even in well-located areas, due to construction materials pricing volatility and uncertainty in pro forma rents. While development interest hasn't disappeared, most groups are adopting a wait-and-see approach rather than breaking ground in the current climate.

Looking ahead, there is cautious optimism that potential Federal Reserve rate cuts later in 2025 combined with provisions from the new tax bill could gradually improve transaction liquidity and buyer confidence. Still, pricing will remain grounded in today's realities until capital markets meaningfully loosen.

In the City of Santa Barbara specifically, ongoing regulatory pressures and rent control policies continue to weigh on underwriting. Many current sellers are not traditional investment groups seeking optimized returns, but long-term owners who are simply tired of managing property in the city—or looking to leave the region entirely.

Owners and potential sellers should stay closely informed about these evolving dynamics.

Q2 2025 Multifamily Sales Comparisons

	# OF SALES 2024	**# SALES Q1-2 2025**	# UNITS 2024	**# UNITS Q1-2 2025**	AVERAGE PRICE/UNIT 2024	**AVERAGE PRICE/UNIT Q1-2 2025**	CAP RATE 2024	**CAP RATE Q1-2 2025**	SALES VOLUME 2024	**SALES VOLUME Q1-2 2025**
SB South County	29	**8**	373	**92**	$467,247	**$364,341**	4.41%	**4.99%**	$146M	**$40.5M**
SB North County*	16	**4**	674	**54**	$189,235	**$158,573**	5.10%	**5.18%**	$153M	**$8.6M**
Isla Vista	5	**2**	49	**24**	$538,398	**$436,458**	4.55%	**5.34%**	$23M	**$10.5M**
Ventura County	29	**8**	1,608	**217**	$291,863	**$265,528**	5.22%	**4.27%**	$563M	**$65.7M**
SLO County	17	**7**	318	**81**	$301,825	**$235,106**	4.19%	**4.82%**	$97.9M	**$16.5M**

**Note: The majority of SB North County's $153M sales volume in 2024 was driven by a single large institutional sale.*

Rent Growth Snapshot (Past 12 Months)

+.39%
Effective Rent Growth

Santa Barbara County
Average effective rent: $2,523
Most growth concentrated in North County; South County has likely softened slightly.

+1.73%
Effective Rent Growth

Ventura County
Average effective rent: $2,659

+2.19%
Effective Rent Growth

San Luis Obispo County
Average effective rent: $2,249

Q2 Multifamily Investments Summary | 2–4 Units

MULTI-FAMILY SALES 2-4 units

Contribution by Aneta Jensen

South County | 2–4 Units (Excluding Isla Vista)

The first quarter of 2025 recorded eight closed transactions in the 2–4 unit multifamily residential segment within the City of Santa Barbara — a notable slowdown compared to the strong finish that saw 30 sales in Q4 of 2024. While the drop in sales activity suggests a more measured start to the year, market fundamentals indicate continued interest from both investors and owner-users.

Despite fewer closings, seven new listings hit the market in Q1, showing that property owners are still testing the waters. Three of these newly listed properties went into escrow and successfully closed before the quarter ended — signaling that buyers are actively monitoring the market and are ready to move on well-positioned deals.

At the close of Q1, there were 10 active listings available, providing a solid pipeline of opportunities heading into Q2. With an average Days on Market (DOM) of 50.25, we're seeing a pace that aligns with a more balanced, healthy market.

It's also worth noting that the uncertain future surrounding rent caps and so-called "renoviction" policies currently under discussion by the Santa Barbara City Council may be influencing seller behavior. The potential for increased restrictions and new limitations on landlords has likely become a motivating factor for some mom-and-pop or long-time family-owned operators to exit the market ahead of additional regulation. This policy uncertainty adds another layer of complexity to investment decision-making.

Among the eight sales were five duplexes, two triplexes and one fourplex. Notably three of these properties sold after at least one price reduction, underscoring the importance of strategic pricing in today's environment.

Notable Sales

424–426 E. Valerio St.

This Upper Eastside duplex set the benchmark for highest price per unit in Q1. Originally listed at $3,495,000, the property sold in February after a price adjustment to $3,150,000 — equating to $1,575,000 per unit. The property featured a beautifully maintained 4-bed, 3.5-bath craftsman main residence with a large backyard, plus a detached 1-bed, 1-bath unit with a private patio. Future ADU potential made this an especially attractive offering for value-add buyers in a premium location.

410/411 W. Cota St. & Dibblee St.

A standout from an investment perspective, this combined triplex and duplex package (5 units total) was marketed as a small portfolio. Initially listed at $2,500,000 ($500,000/unit), the property sold at $2,350,000 ($470,000/unit), making it one of the lowest price-per-unit sales of the quarter. Delivered vacant, the opportunity presented flexibility for a full remodel or possible redevelopment into higher-density housing.

Q2 2025 Market Summary & Outlook

Properties with tenant complexities, deferred maintenance, or less attractive GRMs are sitting on the market longer. However, there remains a pool of active, motivated investors — in the $1–$3million range. Well-located properties with clean unit mixes and realistic asking prices are continuing to transact, often without significant concessions.

This segment continues to draw hybrid interest, with a mix of pure investors and owner-occupiers. That blend creates a unique dynamic for duplexes, triplexes and fourplexes in desirable neighborhoods, where some buyers are willing to accept lower immediate returns in exchange for long-term appreciation and lifestyle benefits.

Heading into Q2, Santa Barbara's 2–4 unit market appears stable but price-sensitive. Inventory is modest, demand is still present, and underwriting remains disciplined. Expect more traction from listings priced appropriately with upside potential — especially as buyers adjust expectations and sellers become more strategic.

POLICY AND REGULATION

Contribution by Don Katich, Radius General Manager

Commercial Rent Control: A Real Possibility

Bill expands price-gouging protections to commercial leases, raising alarm in real estate circles

California lawmakers are considering an expansion of the state's emergency price-gouging protections to include commercial real estate, a move that has prompted sharp criticism from property owners, legal experts, and business groups. **Assembly Bill 380 (AB 380),** currently pending in the State Senate after clearing the Assembly, would prohibit certain commercial lease practices for the duration of a declared emergency—and possibly far longer.

The proposed legislation would restrict rent increases and evictions for commercial tenants during state, local, or federal emergencies. Though initially aimed at shielding small businesses during disasters, critics argue the bill risks long-term disruption to real estate markets and imposes undue burden on commercial landlords, many of whom are small business owners themselves.

> "There's no requirement that the tenant be affected by the emergency, yet the landlord still must bear the burden."
>
> *Jennifer Newcomb, partner, Miller Waxler LLP*

Declared Emergencies on the Rise

California is no stranger to emergency declarations. As of June 18, 2025, the California Office of Emergency Services lists nine active emergency declarations in Santa Barbara County, 12 in Ventura County, and eight in San Luis Obispo County. These include natural disasters ranging from wildfires and winter storms to energy conservation mandates and avian influenza outbreaks.

Emergency declarations have become commonplace in California. Since 2015, the state has operated under dozens of overlapping proclamations, including a tree mortality emergency still active since October 2015. Critics say that under AB 380, emergency-triggered commercial lease restrictions could become a permanent feature of the real estate landscape.

Key Provisions and Impacts

Under AB 380, landlords would face five major limitations during a declared emergency:

1. ***Eviction Ban –*** *Property owners would be barred from evicting tenants for nonpayment of rent, effectively mandating rent forgiveness during emergencies.*
2. ***Lease Overrides –*** *Longstanding commercial agreements could be invalidated, undermining negotiated contracts.*
3. ***Rent Cap –*** *Increases would be limited to 10%, making it difficult to offset rising costs in insurance, taxes, and emergency repairs.*
4. ***Indefinite Extensions –*** *Local governments could extend restrictions indefinitely, further chilling investment.*
5. ***Criminal Penalties –*** *Violations could result in misdemeanor charges, including fines up to $10,000 or more and possible jail time.*

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The bill's sponsor, Assemblymember Jesse Gabriel (D-Woodland Hills), argues that the legislation is designed to close loopholes and align commercial protections with those already in place for residential housing, hotels, and essential goods. "AB 380 ensures that price gouging protections last as long as an emergency declaration," Gabriel said, framing it as a safeguard against predatory rent increases.

Industry Pushback

Opponents warn the bill amounts to a backdoor form of commercial rent control. The California Retailers Association criticized the measure's open-ended timeline: "Long-term price controls can lead to supply shortages and market distortions, ultimately increasing costs for consumers."

Jennifer Newcomb, a partner at the Los Angeles-based law firm Miller Waxler, called the bill "overreaching," noting that it shifts financial hardship from tenants to property owners—many of whom are also reeling from the same emergency circumstances.

"There's no requirement that the tenant be affected by the emergency, yet the landlord still must bear the burden," Newcomb said. "This will result in protracted litigation and reduce incentives to invest in emergency-prone areas."

Assemblymember Diane Dixon (R-Huntington Beach) voiced similar concerns during Assembly debate. "A brief period of price controls may be warranted immediately following a disaster," she said. "But indefinitely extending restrictions undermines the market's ability to self-correct."

Uncertain Path Forward

Real estate groups lining up in opposition include the California Association of Realtors, California Self Storage Association, California Apartment Association, California Hotel & Lodging Association, and numerous brokerage and investment firms. The California Business Properties Association and AIR CRE have also raised red flags.

State Assemblymember Gregg Hart (D-Santa Barbara), whose district includes parts of Santa Barbara and San Luis Obispo Counties, voted in favor of the measure.

If enacted, AB 380 could mark the most significant shift in California's commercial real estate law in decades, effectively tying rent policies to the state's expanding list of emergencies—many of which remain unresolved years after the fact.

The bill now awaits consideration in the State Senate, where it faces mounting scrutiny from business groups and legal analysts concerned about its potential to destabilize California's $1.8 trillion commercial real estate market.

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Here we grow again

Always moving forward to add greater value to our clients and the communities we serve, Radius is proud to welcome three standout new agents to our Team. Jay Peet, Sierra Falso and Jack Gilbert bring singular skills and expertise to their specialties, and look forward to meeting and exceeding your needs and expectations.

JAY PEET
Vice President

With over 20 years success in the industry, Jay brings a deep well of knowledge, strategic insight and leadership to the Team, including unrivaled expertise in 1031 exchanges, assisting investors in deferring capital gains on more than $1 billion in real estate transactions to date. With a focus on San Luis Obispo and North Santa Barbara Counties, Jay's meticulously guides clients through complex commercial and investment opportunities throughout our region.

SIERRA FALSO
Associate Agent

With hustle and grit, Sierra's passionate is helping clients bring their visions to life—whether they're CRE owners, developers or prospective tenants. Honing her expertise in Southern California with CBRE's top producing team in the late 90's and early 00's, and amassing 35 years experience, Sierra taps her many achievements in leasing, sales and her own extensive entrepreneurial endeavors to drive success for her clients.

JACK GILBERT
Senior Associate – The Golis Team

Specializing in multifamily investment sales, Jack joined Radius in 2024, and while not technically "new" to the Team, his unparalleled passion for investment strategy and technical analysis led to his well-deserved recent promotion. Jack is actively engaged in transactions across various asset classes including multifamily, student housing, hospitality and office properties.