

Q3 Doubles Jan-Jun Sales

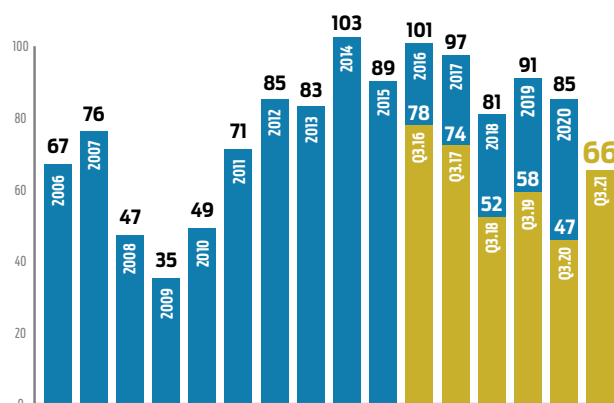
Seven off-market deals underscore market's low inventory as high demand remains

The South Coast commercial sales market has been nothing short of healthy as we wrap up the third quarter of 2021 and head toward the end of the year. **For the first three quarters, sales were up 31% over the same period in 2020.** In fact strong activity from Q2 carried into Q3, with 33 total sales and a haul of \$89.4MM between July and September. By comparison, Q3 in 2020 reported 23 sales and \$115.3MM in volume. *(It should be noted that Q3 2021 dollar volume does not take into account one of the largest commercial transactions in our market's history—the off-market sale of the Hotel Californian in September for an undisclosed figure—as these large hospitality deals would otherwise skew this figure).* Once again, despite continued low inventory, high demand persists among both owner-users and investors alike.

The Hotel Californian, Santa Barbara
121 Keys + 21,000 SF Retail | Undisclosed Sale Price
9/1/2021



2021 South Coast Commercial Sales



15-year average = 77.3 sales/year. Excludes apartment sales.

Year to date totals clock in at 66 sales with \$221MM in volume, well ahead of the 47 recorded over the same period in 2020 and more on par with Q1–Q3 2019 figures (58 sales, \$320.7MM volume), which more closely reflects a strong (and normal) year. In fact, this should put us on target to surpass the 15-yr. average of 77.3 sales per year.

As for the breakdown of properties sold by type, there were 11 industrial buildings, five (5) of which were condos, 10 office, eight (8) retail, three (3) land and one (1) hotel sale. Owner-users also led the way taking 18 of the 33 sales. Another noteworthy stat is the **number of off market deals in our market—seven (7) total in Q3—which directly coincides with the lack of inventory** we continue to experience.

Commercial Sales Summary Continued on P.2

Q3
Quick
Stats

7

OFF MARKET
SALES

11

INDUSTRIAL
SALES

18 (55%)

OWNER-USER
SALES

\$89.4MM

TOTAL SALES
VOLUME

Q3 Commercial Sales Summary

Continued from P.1

Observations would suggest the commercial sales market is at least as healthy and strong as it was prior to the pandemic, and thus far the beginning of the fourth quarter has shown no sign of slowing down. Strong market fundamentals including low interest rates, low inventory, high demand for quality assets and continued influx of new population certainly all are contributing factors. Barring any unforeseen developments, all signs point to a very strong finish to the year, especially as there are a number of substantial assets currently in escrow that are scheduled to close by end of year.

Notable Q3 Sales

- **Hotel Californian, Santa Barbara (Off-market)** — 121-key luxury hotel with 21,000 SF retail space (undisclosed sale price)
- **The Platform, 126 E. Haley St., Santa Barbara** — 32,133 SF industrial building sold to 1031 exchange buyer (\$13.9MM)
- **82 Coromar Dr., Goleta (Off-market)** — 77,900 SF industrial building sold to an owner-user (\$12.7MM)
- **1002 Anacapa St., Santa Barbara** — 9,115 SF corner downtown office building sold to owner-user (\$4.5MM)

1002 Anacapa St., Santa Barbara
Office | 9,115 SF | \$4,459,202
8/13/2021

The Platform, 126 E. Haley St., Santa Barbara
Industrial/Office | 32,133 SF | \$13,905,700
9/1/2021



82 Coromar Dr., Goleta (Off-Market)
Industrial | 77,900 SF | \$12,700,000
9/14/2021



2021 SO. COAST LEASING QUICK STATS

Vacancy

		Q2.21	Q3.21
OFFICE	Santa Barbara	10.8%	10.2%
	Goleta	6.2%	6.9%
	Carpinteria	3.3%	1.9%
INDUSTRIAL	Santa Barbara	0.6%	0.8%
	Goleta	5.6%	3.0%
	Carpinteria	3.6%	1.7%
RETAIL	Santa Barbara	4.3%	4.3%

Quarterly Absorption (SF)

		Q2.21	Q3.21
OFFICE	Santa Barbara	71,000	36,400
	Goleta	57,100	45,000
	Carpinteria	4,700	12,100
INDUSTRIAL	Santa Barbara	45,000	0
	Goleta	95,200	31,100
	Carpinteria	36,000	18,700
RETAIL	Santa Barbara	30,200	21,000

Avg. Gross Asking Rates (\$/SF)

		Q2.21	Q3.21
OFFICE	Santa Barbara	\$3.08	\$3.19
	Goleta	\$2.19	\$2.21
	Carpinteria	\$2.04	\$2.19
INDUSTRIAL	Santa Barbara	\$2.78	\$2.33
	Goleta	\$1.61	\$1.75
	Carpinteria	\$1.15	\$1.35
RETAIL	Santa Barbara	\$4.22	\$4.14

Avg. Gross Achieved Rates (\$/SF)

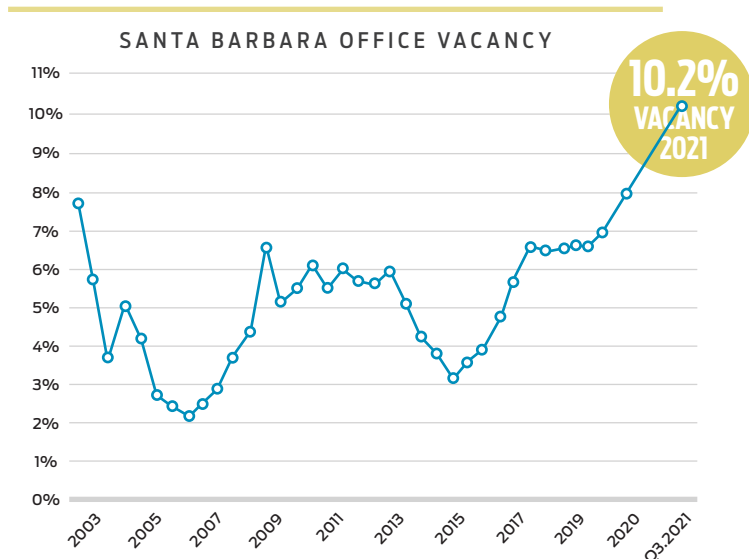
		Q2.21	Q3.21
OFFICE	Santa Barbara	\$3.25	\$2.62
	Goleta	\$2.16	\$2.09
	Carpinteria	\$1.99	\$1.85
INDUSTRIAL	Santa Barbara	\$2.11	N/A
	Goleta	\$1.46	\$1.63
	Carpinteria	\$1.35	\$1.18
RETAIL	Santa Barbara	\$2.94	\$5.75

Q3 South Coast Leasing Summary

Office

Santa Barbara's office vacancy rate remained above 10% for the third consecutive quarter, closing out Q3 2021 at 10.2%. The largest of these available spaces remains the 87,000 SF on the second and third floors of the former Macy's location in the Paseo Nuevo Mall. That said, this long-time retail space with limited windows would require a large office tenant and would generally not be considered traditional Santa Barbara office space. Therefore excluding this space from the data would result in a vacancy rate of about 8.5%, much more in line with historical figures.

During Q3 2021 there were 29 new Santa Barbara office leases signed totaling approx. 36,400 SF, the largest of which involved Hollister & Brace law firm moving to 200 E. Carrillo St. (3,661 SF) after decades on Santa Barbara Street.



Meanwhile down in Carpinteria, there remains very little available space of any type, with the office sector sitting at just 1.9% vacancy. Only one office space is currently on the market which is a sublease at 6398 Carpinteria Ave., meaning there is no office space currently available on a direct basis in Carpinteria. Additionally there were only four new office leases signed totaling just over 12,000 SF.

Moving on to Goleta, the office vacancy rate rose slightly from 6.2% in Q2 to 6.9% in Q3. Despite the increase in vacancy rate, the average gross asking rate also rose to \$2.21/SF Gross while the average achieved rate dropped slightly to \$2.09/SF Gross. The largest office space currently available in Goleta is the former Inogen space at 326 Bollay Dr. at 38,183 SF with an asking rate of \$2.06/SF Gross.

During the third quarter, there were eight (8) new office leases signed, the largest of which was the lease at 130 Castilian Dr., Ste 100, a

Leasing Summary Continued on P.4

Q3 South Coast Leasing Summary

Continued from P.3

10,694 SF space that leased for \$2.26/SF Gross to Appfolio. Over the next quarter, we can expect to see the vacancy rate continue to drop as more spaces lease, accompanied by rising lease rates.

Industrial

The third quarter saw some positive absorption of industrial space with the vacancy rate notably decreasing in Goleta (3.0%) and Carpinteria (1.7%) while Santa Barbara remained flat (0.8%). There were just four leases executed in Goleta totaling 31,000 SF and only one 18,000 SF lease in Carpinteria.

Not surprisingly we've seen asking rates increase in both submarkets given very limited inventory. Currently in all of the South Coast there are a mere 12 industrial vacancies. The greatest demand is in the sub 10,000 SF range, while larger industrial spaces remain at 4183 State St. for 18,000 SF and the former Skate One space at 30 S. La Patera which exceeds 66,000 SF. Except for the completion of the Cabrillo Business Park industrial complex, there are no new pending projects so we expect these extremely low vacancy rates to continue and rates to remain stable.

Santa Barbara Retail

During Q3 there were nine (9) total new retail leases signed comprising approx. 27,000 SF, which amounts to seven (7) fewer leases than Q2, yet square footage absorbed was on par with last quarter. These lease transactions ranged in size from approx. 300–6,100 SF.

The three most notable leases include approx. 6,100 SF going to GAP athleisure brand Athleta at 733 State St.; Validation Ale's lease of approx. 4,700 SF at 102 E. Yanonali St. in the Funk Zone; and Hook & Press Donuts' lease of approx. 3,015 SF at 15 E. Figueroa St., the former Jeannine's space.

On the vacancy front, while there was limited activity during the third quarter, Santa Barbara's retail vacancy rate remained unchanged from the last two quarters at 4.3%. Asking rates have clicked down slightly moving from approx. \$4.22/SF in Q2 to approx. \$4.14/SF Gross Equivalent (Base Rent + NNN) in Q3. While the average achieved rate surged upward from \$2.94/SF Gross Equivalent in Q2 to \$5.75/SF Gross Equivalent (Base Rent + NNN) in Q3, this was due to one very small outlier lease with high NNN's skewing the data. With a limited number



Leased | 26 Castilian Dr., Ste F, Goleta
Industrial | ±20,823 SF (Leonardo DRS)



Leased | 733 State St., Santa Barbara
Retail | ±6,148 SF (Athleta)



Leased | 200 E. Carrillo St., Ste 100, Santa Barbara
Office | ±3,661 SF (Hollister & Brace)

of lease transactions it's not uncommon for achieved rates to fluctuate dramatically. The true market rate of a retail building or space is dictated by the specific location and size of the retail asset (contact your Radius commercial representative regarding your retail property).

There is currently approx. 449,000 SF of retail space available for lease in the Santa Barbara area, of which approx. 200,000 SF includes space at both the former Sears building in La Cumbre Plaza (approx. 150,000 SF) and the former Macy's building in downtown Santa Barbara (approx. 45,000 SF).

Q3 South Coast Leasing Summary

Downtown State Street Q3 Retail Update

A slight decrease in vacancy is a welcome sign of positive change on State Street. More long term leases were signed than pop-ups which means businesses are gaining confidence in long-term outlooks.

One success story from Q3 was the lease at 733 State St. by Athleta, an apparel brand under the GAP umbrella. It has been rare to see large soft goods brands approach State Street in the past few years and hopefully this becomes a trend. Another notable project nearing completion is at 1309 State St. where the owner recently leased to Maune Contemporary Fine Art Gallery and will be looking for residents for second floor apartment space which converted from office use. Adaptive reuse projects like this will be a positive factor for a more vibrant downtown environment.

Larger spaces at aggressive rates or spaces in need of improvements and compliancy upgrades continue to sit vacant. Meanwhile the walkability of the State Street Promenade continues to progress the image of downtown for tourists and locals alike.

State Street Retail Vacancy

	Q2.2021	Q3.2021
Total Storefronts	249	249
Storefronts Available For Lease	40	38
Vacancy Rate of Storefronts Available For Lease	16.06%	15.26%
Vacant Storefronts	23	22
Perceived Vacancy Rate	9.24%	8.84%
Storefronts Still Occupied by Tenant	4	4
Pop-Up Shops	13	12

Every month, Radius associate Justin Diem conducts a monthly visual inspection of the downtown State Street corridor (400–1300 blocks). We calculate vacancy rates based on State Street-facing storefronts only, excluding first floor office spaces fronting State Street. Some spaces may be leased and we are not aware. Pop-up shops are included in the vacancy rate given their short term status. *Report updated as of 10/5/2021

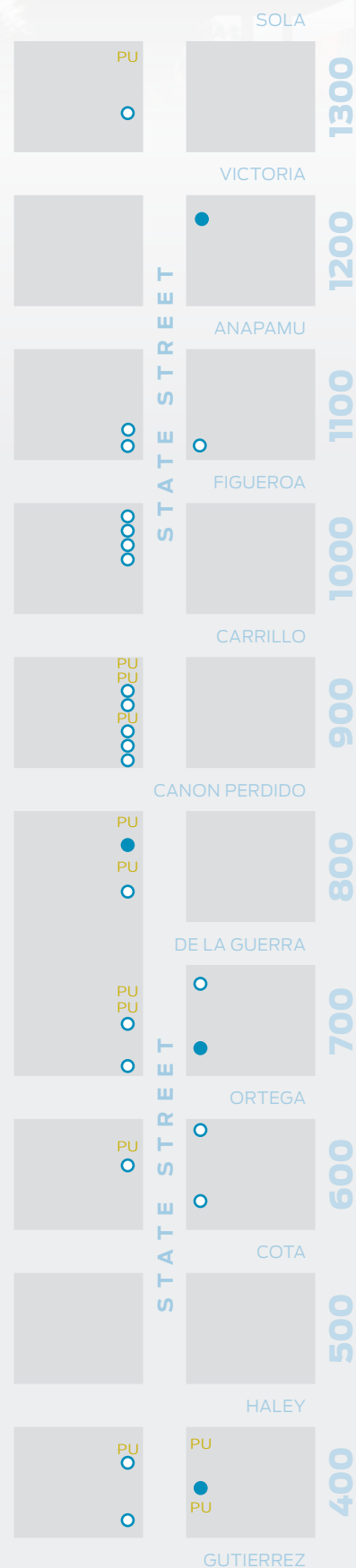
New Leases

We observed at least five (5) unconfirmed new leases on State Street through 10/5/2021:

- 733 State St. — ±6,148 SF (*Athleta*)
- 805 State St. — ±2,858 SF (*Evangelina Boutique moved*)
- 800 State St. — ±2,600 SF (*Leased to bar*)
- 1309 State St. — ±2,360 SF (*Maune Contemporary Fine Art*)
- 429 State St. — ±2,280 SF (*Pop Up Boutique*)

VACANT STOREFRONTS BY THE BLOCK

○ Vacant / Available Spaces ● Available but Occupied Spaces PU Short Term Pop-Up Shops



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