RADIUS Insight

RADIUS Commercial Real Estate

SOUTH COAST MARKET REPORT

Q3 2024

Q3 Commercial Sales Summary

Q3 SALES FLAT, VOLUME NEARLY DOUBLES

Third quarter commercial sales saw a bump in activity even though the market seemed to continue at the same pace as previous quarters. There were 18 total sales in Q3, compared to 17 in Q2, but sales volume nearly doubled to $61.3MM vs. $37.1MM in Q2. For further reference, the third quarter of 2023 pulled in 14 sales at $33.5MM.

The quarterly breakdown by property type included five (5) retail, four (4) office, two (2) industrial, six (6) land and one (1) specialty property transactions. Of the 18 total, 10 were owner-user purchases vs. eight (8) investor sales. The largest sale of the quarter was 2300 Garden St. (former St. Anthony's Seminary) which fetched $16.7MM at auction after a long period on the market. This price was the outlier of the quarter as the average sale price of the remaining 17 properties was just $2.6MM. Other notable sales included 1200 Coast Village Rd., Montecito (AKA The Bottle Shop), which sold 8/1 for $5.6MM; and 5381 Ekwill St., Goleta, a 9.4-acre land property rezoned for Multifamily, which sold 8/29 for $6.75MM

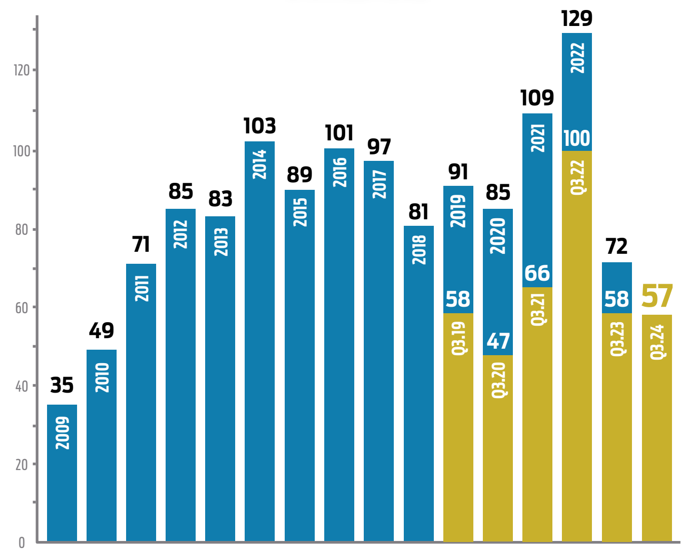
The Fed's announcement of a 50 basis point rate cut in September sparked momentum and provided confidence in the market going forward. However, the upcoming election has stalled some of this expected momentum as investors remain uncertain as to how the outcome is going to affect the market. Additionally, the 10-yr. treasury has quietly climbed back up to 4.2% as of October, creating even more confusion. That said, we expect the increased sales activity we saw in Q3 to continue as we approach the end of 2024, with Q4 typically the most active quarter of the year.

2024 South Coast Commercial Sales

18
#Q3 SALES (2024) vs. 17 in Q2

$61.3MM
Q3 SALES VOLUME vs. $37.1MM IN Q2
Excluding Hotel Sales

55%
10 OWNER-USER SALES VS. 8 INVESTORS



15-year average = 85.3 sales/year. Excludes apartment sales.

2300 Garden St., Santa Barbara (Former St. Anthony's)
123,764 SF Specialty Property
Traded for $16.7MM at auction

Q3 Multifamily Sales Summary

Santa Barbara South County

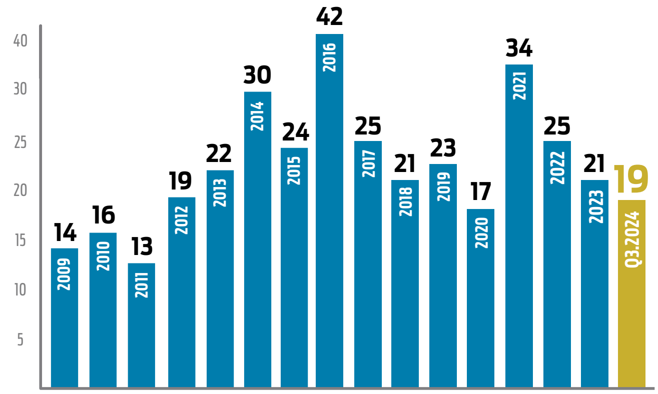
Throughout the third quarter of 2024, we continued to see strong demand and interest for Multifamily properties in Santa Barbara South County. Market conditions from earlier in the year carried through into Q3, with properties consistently trading at high per-unit prices. Buyers are still placing a strong emphasis on the property's current condition, rental income and tenant tenure, as we saw in previous quarters. In Q3, there were five (5) transactions in South Santa Barbara County for properties with 5+ units. The two largest assets sold were at 419 W Islay Street, an 8-unit property which traded for $2,900,000 ($362,500/Unit), and 2011 Oak Ave., another 8-unit property that sold for $2,750,000 ($343,750/Unit).

The highest per-unit property sold in Q3 was a 5-unit property located at 323 W. Islay St. This property sold for $2,480,000 ($496,000/Unit) at just over a 4.00% CAP rate. The premium price for this smaller property reflects the continued demand for well-located assets in Santa Barbara, even as interest rates have risen. Another notable sale was a 9-unit property at 2390 Banner Ave. in Summerland, which sold for $2,750,000 ($305,556/Unit), demonstrating the appeal of properties in the coastal communities surrounding Santa Barbara proper.

The market in Santa Barbara South County remains competitive, with multiple offers still common for well-priced properties. The potential upside in rents continues to be a driving factor, especially given the ongoing housing shortage in the area and the strict regulations on new development. Properties that come to market are continuing to see strong interest from both local and out-of-area investors, reflecting the ongoing desirability of Santa Barbara as a place to invest.

As we move into the final quarter of 2024, we anticipate continued steady activity in the Santa Barbara South County multifamily market, with a potential increase in inventory as some owners may choose to capitalize on the still-strong pricing environment.

2024 South County Multi-Family Sales



Properties 5+ Units in Size

419 W. Islay St., Santa Barbara
8 Units · $2,900,000 ($362,500/Unit)
7/17/2024

Santa Barbara North County

Meanwhile in Santa Barbara North County, we saw a notable increase in activity with four (4) transactions involving properties greater than 5 units. The largest sale of the quarter was a portfolio sale in Lompoc which included two buildings. The two properties at 1001-1021 E. Cypress Ave. (24-unit and 39-unit assets, respectively) sold for a combined $10,050,000 ($159,524/Unit) at a 5.16% CAP rate. Another larger sale to note was 701-717 N. F St. (30 units) which sold for $5,250,000 ($175,000/Unit) at a 5.92% CAP rate. An additional off-market transaction worth noting was the sale of 220-222 S. H Street, a 6-unit property that sold for $1,700,000 ($283,333/Unit). This price per unit is exceptionally high for Lompoc, indicating positive growth in the town and demonstrating the potential value of top-tier units in the area.

The vacancy rate in this submarket is essentially the same as the previous year at 3.5%, slightly below the long-term average. Rents have increased slightly

Multifamily Sales Summary Continued on P.3

Continued from P.2

in the region by about 3% higher than where they were last year at this time. In the past three years, rents have increased by a cumulative 20.6%, reflecting the strong demand for rental housing in Santa Barbara North County.

W. Ventura County

Down in West Ventura County, there were six (6) transactions of properties 5+ units in size in Q3. In a significant sale at 1692 Sycamore Dr. in Simi Valley, this 212-unit property sold for $95,000,000 ($448,113/Unit) at a 4.78% CAP rate, representing the largest sale of the quarter.

1692 Sycamore Dr., Simi Valley
212 Units • $95,000,000
($448,113/Unit | 4.78% CAP)

In terms of per-unit price, the largest sale of the quarter was a property located at 3195 Royal Oaks Dr. in Thousand Oaks, which sold for $2,246,500 ($449,300/Unit) at a 5.00% CAP rate. These properties were on the market for 46 days and sold close to their initial asking price.

The third quarter of 2024 is a great example of the effects of the Fed rate hikes on transactions in this area. We are seeing buyers who still want to get into the market and purchase in the area but cannot come up with pricing that sellers have become accustomed to and saw during the low-interest rate periods of the previous few years. Most owners and buyers are continuing to go through a “price discovery” process and the new normal where the higher interest rates will affect their purchasing power.

San Luis Obispo County

SLO County saw just one (1) 5+ unit transaction in Q3. A 10-unit building at 9110 Montecito Ave. in Atascadero sold for $2,200,000 ($220,000/Unit) at a cap rate of 4.85%. This sale price represents a slight decrease from the average per-unit prices seen in previous quarters, potentially indicating a shift in local market dynamics.

The vacancy rate in the South SLO submarket is currently around 3.6%, slightly above the long-term average of 3.4-3.5%. South SLO County has seen year-over-year rental growth of roughly 3.6%, which has been one of the better growth rates among the Central Coast submarkets.

Summary

Heading into the remainder of Q4, activity has been slower than initially anticipated. There was a certain expectation approaching 2024 that we would see a turnaround in activity, which is still the case now. We expect to see more activity in 2025 in comparison to 2023 as more buyers and sellers are starting to find common ground when it comes to pricing.

The Q3 2024 data demonstrates that while the market is adjusting to new economic realities, there is still significant investor interest in multifamily properties across the Central Coast.

Q3 South Coast Leasing Summary

2024 So. Coast Leasing Quick Stats

VACANCY

		Q2.24	Q3.24
OFFICE	Santa Barbara	10.8%	**11.0%**
OFFICE	Goleta	7.1%	**7.9%**
OFFICE	Carpinteria	25.0%	**29.1%**
INDUSTRIAL	Santa Barbara	1.4%	**1.1%**
INDUSTRIAL	Goleta	2.2%	**2.9%**
INDUSTRIAL	Carpinteria	1.5%	**3.3%**
RETAIL	Santa Barbara	2.6%	**3.0%**

GROSS ABSORPTION (SF)

		Q2.24	Q3.24
OFFICE	Santa Barbara	70,600	**62,700**
OFFICE	Goleta	27,000	**29,300**
OFFICE	Carpinteria	600	**0**
INDUSTRIAL	Santa Barbara	6,700	**1,500**
INDUSTRIAL	Goleta	73,000	**37,400**
INDUSTRIAL	Carpinteria	11,300	**5,000**
RETAIL	Santa Barbara	24,600	**21,900**

AVG. GROSS ASKING RATES ($/SF)

		Q2.24	Q3.24
OFFICE	Santa Barbara	$3.15	**$3.13**
OFFICE	Goleta	$2.23	**$2.24**
OFFICE	Carpinteria	$2.65	**$2.62**
INDUSTRIAL	Santa Barbara	$2.94	**$2.36**
INDUSTRIAL	Goleta	$1.86	**$1.88**
INDUSTRIAL	Carpinteria	$1.30	**$1.36**
RETAIL	Santa Barbara	$4.22	**$4.25**

AVG. GROSS ACHIEVED RATES ($/SF)

		Q2.24	Q3.24
OFFICE	Santa Barbara	$3.23	**$3.43**
OFFICE	Goleta	$2.34	**$2.42**
OFFICE	Carpinteria	$1.95	**N/A**
INDUSTRIAL	Santa Barbara	$2.66	**$4.18**
INDUSTRIAL	Goleta	$1.90	**$1.76**
INDUSTRIAL	Carpinteria	$1.05	**$1.50**
RETAIL	Santa Barbara	$3.60	**$3.75**

Office

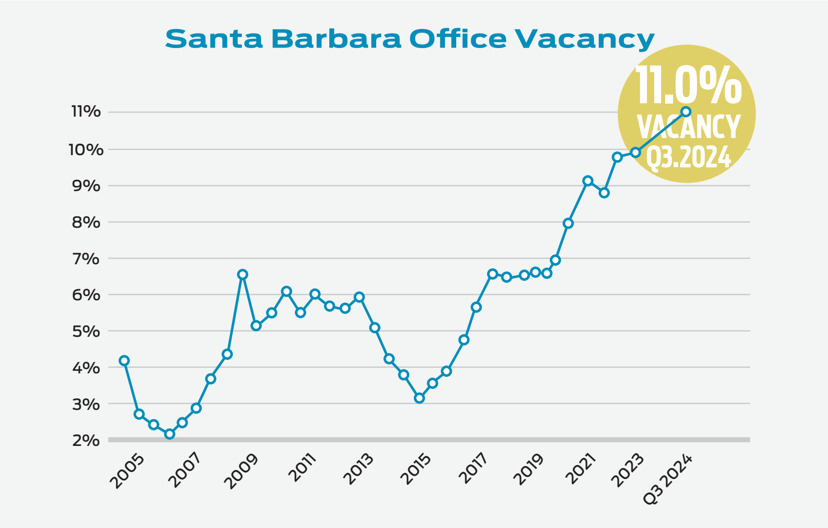
During the third quarter, office vacancy throughout the South Coast increased marginally. Goleta's office market maintains the lowest office vacancy rate of the three submarkets at 7.9%, up from 7.1% in Q2. The largest new lease completed during Q3 was Sansum (now Sutter) taking 19,000 SF at 5383 Hollister Ave. Meanwhile the three largest available office spaces in Goleta are all subleases, located at 50 Castilian Dr. (43,655 SF), 6500 Hollister Ave. (29,372 SF) and 425 Pine Ave. (22,964 SF).

Moving on to Santa Barbara, the office vacancy rate ticked up to 11% in Q3, up from 10.8% in Q2. While downtown has had a number of larger retail spaces come available recently, State Street enjoyed a bit of a boost on the office side with 17,131 SF at 1020 State Street leased by a law firm. Additionally, Merrill Lynch extended their 9,494 SF lease at 1424 State St., while PathPoint leased 7,022 SF at 901 Olive St.

Finally in Carpinteria, the office vacancy rate jumped to 29.1% during Q3, up from 25% in Q2. There were no new leases signed. The largest available spaces remain the combined 79,000 SF available for sublease from ProCore (6267 Carpinteria Ave. and 6307-B Carpinteria Ave).

Industrial

Industrial leasing activity was slow during the third quarter with only four (4) new leases signed in the entire South Coast market. We can attribute the lack of transactions mainly to low inventory. The standout lease was the 35,297 SF space leased by Karl Storz Imaging at 147-165 Castilian Dr.

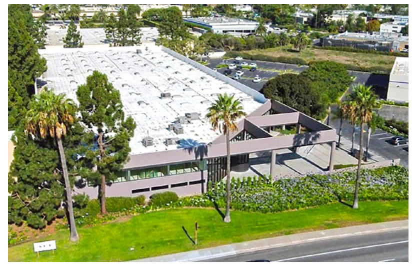


in Goleta. Interestingly they signed this lease for expansion but, shortly thereafter, decided to sublet the space, putting the entirety back on the market for sublease. Nine (9) of the South Coast's 24 current industrial vacancies are in excess of 10,000 SF, as such we have seen a slowdown of larger tenants in the market. The 10,790 SF at 430 E. Gutierrez in Santa Barbara should be leased soon which will help that segment of the market. Overall vacancy rates hardly changed when looking at the same quarter in 2023 so the entire market remains in 1-3% vacancy. Achieved lease rates have increased slightly since the same time in Q3 of 2023 so overall the industrial market remains very healthy. Going forward it will be interesting to see which tenants step forward on the larger spaces but we can safely predict the smaller industrial spaces will continue to be in very

Leasing Summary Continued on P.6

Q3 South Coast Leasing Summary

Continued from P.5



Leased | 147A, 149/A & 151 Castilian Dr., Goleta · ±35,297 SF Industrial 7/22/2024 (Karl Storz Imaging)

Leased | 5383 Hollister Ave., Goleta · ±19,007 SF Office 7/24/2024 (Sansum/Sutter Health)

Leased | 1020 State St., Santa Barbara ±17,131 SF Office 9/27/2024 (Law Firm)

Leased | 418 State St., Santa Barbara · ±5,250 SF Retail 8/1/2024 (Casa Agria Specialty Ales)

high demand. Rates should remain stable, however larger tenants will have the advantage negotiating for those larger vacant spaces.

Retail

During Q3 2024, the Santa Barbara market saw 13 new retail leases signed, totaling approximately 22,000 SF. This leasing momentum reflects the ongoing demand for smaller, more manageable spaces that can quickly be converted to suit tenant needs.

The largest Q3 lease was for an undisclosed brewery, which secured 5,250 SF at 418 State St. in downtown Santa Barbara as part of the Kim's Service Station redevelopment project. This location has seen turnover in recent years, but its turnkey nature offers a significant advantage for tenants aiming to expedite the opening process.

Overall retail leasing in the downtown core remained robust for smaller spaces, while larger vacancies continued to challenge the market. New leases by softgoods tenants at 931 and 1307 State St. will add fresh shopping destinations, while local apparel brand Ace Rivington relocated to a high-visibility corner space at 1100 State St. Additionally, two notable subleases at 1218 and 1309 State St. will help maintain occupancy and prevent long-term vacancies. The 2,360 SF space at 1309 State transitioned to Tamsen Gallery from Maune Contemporary, taking advantage of a fully renovated space that offers modern appeal and fewer initial costs. Similarly, Namaste Indian Bistro filled 2,565 SF at 1218 State, adjacent to The Granada Theatre, continuing the trend of well-located, quick-to-market spaces attracting new tenants.

Leasing activity during Q3 highlights an emerging trend in Santa Barbara's retail market: tenants are increasingly prioritizing spaces with low barriers to entry. Locations that have undergone recent permitted buildouts offer a more seamless transition for new occupants. These spaces require fewer tenant improvements and face fewer compliance hurdles, making them more attractive to businesses eager to establish a foothold quickly. This is particularly important in a market like Santa Barbara, where historic buildings and stringent permitting processes can make renovations more time-consuming and expensive.

While the demand for smaller spaces remains strong, vacancy for larger properties continues to grow. The availability of these larger spaces poses a significant challenge for the downtown landscape in particular, as they are typically more difficult to lease due to the higher costs associated with retrofitting them for new tenants. Notably, World Market has placed its 23,976 SF property at 610 State St. on the market; while 24 Hour Fitness is vacating its substantial space at 820 State St. in 2025. Although the property is not highly visible from the street, this represents a significant hole downtown.

In contrast, Montecito's retail market continued to thrive during Q3. Two high-profile leases were completed in this affluent micro-market, underscoring the area's appeal to premium retailers. Wunderkind, a children's boutique, leased space at 1147 Coast Village Rd., while Bella Rosa Estate Jewelry secured 1268 Coast Village Rd. Both leases commanded rates exceeding $10.00/SF, a premium that reflects the high demand and limited supply of the area. These elevated lease rates significantly inflated the average lease data for the quarter, emphasizing the disparity between Montecito and Downtown Santa Barbara's retail markets.

On paper, Santa Barbara's retail market experienced a slight increase in vacancy rate, rising from 2.6% in Q2 to 3% in Q3. This was primarily driven by the large space at 610 State St. coming available, unfortunately offsetting the quarter's absorption. Despite this, asking rents increased slightly from Q2, rising from $4.22 to $4.25/SF (gross equivalent). Achieved rents also saw a rise, climbing from $3.60 to $3.75/SF (gross equivalent), excluding the higher-priced leases in Montecito.

The persistent demand for smaller retail spaces highlights a key trend: businesses are looking for opportunities to enter the market quickly, with minimal upfront investment. As such, spaces that have undergone recent renovations or buildouts are highly desirable. Meanwhile, the growing vacancy of larger, underutilized properties poses a long-term challenge. These spaces, with their high square footage and associated costs, are becoming increasingly difficult to lease. Over time, they may become targets for redevelopment, particularly if the economics of converting them to alternative uses—such as mixed-use projects or residential developments—begin to make financial sense.

Looking ahead, Santa Barbara retail will likely see continued strong activity among smaller spaces, while larger properties will require more creative solutions to avoid long-term vacancy. We'll say it again for good measure... the redevelopment of these larger spaces may be crucial to maintaining the health and vibrancy of the downtown commercial landscape.