Q4 South Coast Commercial Sales Summary

Contribution by Rhonda Henderson

SELECTIVE, DISCIPLINED & TOP-WEIGHTED

The South Coast commercial real estate market closed 2025 with a clear takeaway: discipline outweighed velocity. While transaction count moderated, pricing held firm on quality assets and total dollar volume exceeded prior-year levels. Capital remained active, but highly selective, showing up where the story, scale, and fundamentals made sense.

SO. COAST COMMERCIAL SALES

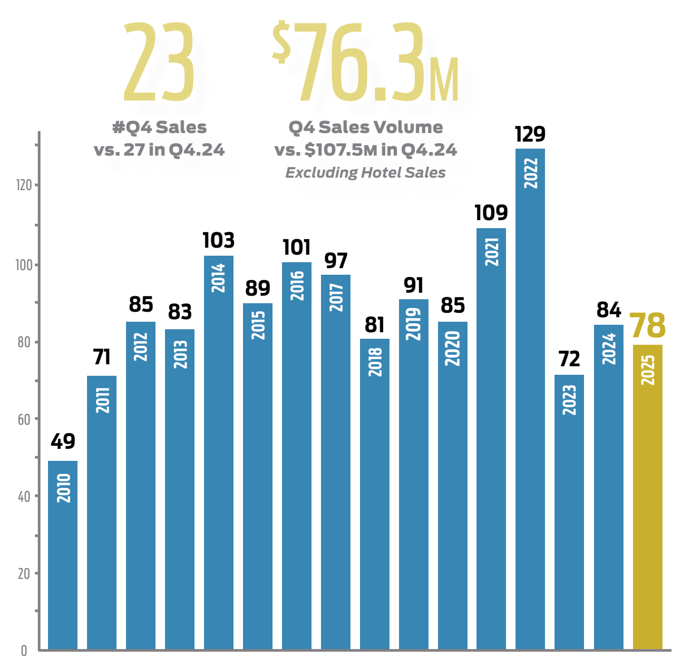
By year-end 2025, the market recorded **78 transactions totaling $260,738,477,** compared to **82 transactions totaling $230,724,367** the prior year. Fewer deals ultimately drove materially more volume, reinforcing a defining theme of the year: this was not a market chasing activity, but one rewarding conviction.

Comparing the fourth quarters of 2024 and 2025, **the transaction count decreased by about 15% (27 in Q4 2024 vs. 23 in 2025), while dollar volume also declined, by about 29% ($107.5MM in Q4 2024 vs. $76.3MM in 2025).** While Q4 2024 benefited from greater velocity, Q4 2025 skewed toward higher-quality, more deliberate transactions, reinforcing the broader 2025 theme of discipline over momentum.

Notably, a meaningful portion of fourth-quarter transactions closed off-market, reinforcing what we've seen all year: relationships and targeted deal flow continue to matter in a selective capital environment.

Consistent with trends throughout 2025, owner-users remained highly active, particularly in office and smaller industrial assets, while investment activity concentrated around scale, redevelopment opportunity, and durable income. This bifurcation continues to define the South Coast market, with users and long-hold capital transacting for different, but equally deliberate reasons.

South Coast Commercial Sales



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

Notable Fourth Quarter Transactions

- **25 W. Cota St. & 530 Chapala St., Santa Barbara –** These sales were effectively one coordinated transaction, sold by a local investor to the University of California. Paypal was the most recent tenant and vacated prior to the sale closing. The deal illustrates continued demand for scale, aggregation, and control in the downtown core, particularly when multiple assets can be assembled under a single acquisition strategy.

Continued on P.2

Q4 South Coast Commercial Sales Summary

Continued from P.1

- **7190 Hollister Ave., Goleta –** This property across from the Camino Real Marketplace in Goleta traded for $17.1 million as a land deal with plans for redevelopment; as such its value is attributed more to land and long-term repositioning potential than in-place income.
- **1025 Cindy Ln., Carpinteria –** A strong example of execution creating value. The buyer, a 1031 exchange investor, targeted quality industrial space. During escrow, the largest vacant unit was leased, delivering a stabilized asset with long-term income—the kind of steady performance buyers are prioritizing right now.

25 W. Cota & 530 Chapala St., Santa Barbara
21,008 SF Office/Retail Over 2 Buildings
$11.6 Million Combined

Larger Transactions That Shaped 2025

A relatively small group of trades accounted for a meaningful share of annual volume, reinforcing the year's top-weighted profile.

- **7190 Hollister Ave., Goleta –** $17.1MM ($37/SF Land)
- **Storke Pointe Business Center (326 Bollay Dr., Goleta) –** $15.8MM (6.0% Cap Rate)
- **E. Victoria St., Santa Barbara –** Asking price over $22MM (confidential transaction)
- **25 W. Cota St. & 530 Chapala St., Santa Barbara –** ~$11.6MM combined
- **901 State St., Santa Barbara –** $10.0MM

Asset Class Performance — Quality Over Quantity

By category, office remained the most active sector by transaction count, closing **22 deals totaling $91.7 million** for the year. Activity was driven primarily by owner-users and selective investors focused on well-located assets with flexibility, repositioning potential, or long-term relevance.

Industrial continued to perform as one of the market's most consistent sectors, with **18 transactions totaling $46.6 million.** Demand remained anchored in fundamentals, scarcity, and durability, particularly for functional assets suited to long-term ownership.

901 State St., Santa Barbara
21,258 SF Commercial Building
$10 Million
Purchased by Music Academy of the West

Retail activity totaled **$60.7 million across 20 transactions,** with pricing and velocity largely confined to daily-needs retail and walkable core locations. The gap between core retail and legacy formats continued to widen.

Land / Special Purpose assets emerged as a defining driver of dollar volume, particularly in the fourth quarter. While only **13 transactions closed year-to-date, they accounted for $57.4 million,** with nearly $39 million closing in Q4 alone. These trades reflect long-term positioning, entitlement strategies, and redevelopment plays rather than near-term execution.

Hospitality transactions remain an important barometer

Continued on P.3

Continued from P.2

of economic health on the South Coast. In 2025, four hospitality transactions totaling approximately **$125 million closed, representing 256 hotel and inn rooms.** These transactions spanned both luxury resort and boutique lodging and occurred against the backdrop of strong transient occupancy tax (TOT) performance and ongoing public discussion around bed-tax policy and tourism funding. While regulatory considerations remain part of the local conversation, investor appetite continues to reflect confidence in Santa Barbara's long-term tourism fundamentals: constrained supply, steady visitor demand, and the region's position as a premium coastal destination.

Capital Markets & Deal Structure

Interest rates remained elevated, but volatility cooled over the course of the year. As underwriting stabilized, bid-ask spreads narrowed and sellers who priced to reality found liquidity. Off-market transactions remained prevalent, reinforcing that 2025 rewarded sellers who were prepared, realistic, and well-positioned.

Looking ahead to 2026, expectations are centered less on dramatic rate cuts and more on improved predictability around the cost of capital. That clarity alone is likely to support continued, selective transaction activity, particularly for well-located, stable assets.

Year-End Takeaway

2025 was not a year of urgency; it was a year of precision. Buyers were deliberate. Sellers were tested. The South Coast avoided the kind of distress seen in larger metros, not by ignoring capital market pressures, but by leaning into fundamentals: limited supply, long-term ownership, and enduring demand for well-located assets.

Put simply, this was a year where knowing what you owned—and why you owned it—mattered.

As we head into 2026, the market remains selective but fundamentally sound, with the deepest demand focused on assets offering certainty of income, clarity of use, and long-term relevance.

The South Coast continues to chart its own course—measured, disciplined, and resilient.

2025 So. Coast Leasing Quick Stats

VACANCY

		Q3.25	Q4.25
OFFICE	Santa Barbara	9.9%	**9.9%**
	Goleta	8.0%	**8.0%**
	Carpinteria	10.9%	**10.9%**
INDUSTRIAL	Santa Barbara	2.0%	**1.5%**
	Goleta	4.1%	**4.6%**
	Carpinteria	7.1%	**7.2%**
RETAIL	Santa Barbara	3.8%	**3.7%**

GROSS ABSORPTION (SF)

		Q3.25	Q4.25
OFFICE	Santa Barbara	88,500	**64,900**
	Goleta	111,000	**12,800**
	Carpinteria	44,400	**2,000**
INDUSTRIAL	Santa Barbara	1,000	**13,900**
	Goleta	27,900	**25,200**
	Carpinteria	N/A	**14,400**
RETAIL	Santa Barbara	17,400	**19,000**

AVG. GROSS ASKING RATES ($/SF)

		Q3.25	Q4.25
OFFICE	Santa Barbara	$3.28	**$3.33**
	Goleta	$2.35	**$2.31**
	Carpinteria	$2.56	**$2.46**
INDUSTRIAL	Santa Barbara	$2.98	**$3.18**
	Goleta	$1.80	**$1.59**
	Carpinteria	$1.54	**$1.52**
RETAIL	Santa Barbara	$4.33	**$4.32**

AVG. GROSS ACHIEVED RATES ($/SF)

		Q3.25	Q4.25
OFFICE	Santa Barbara	$3.13	**$3.46**
	Goleta	$2.30	**$2.61**
	Carpinteria	$3.22	**N/A**
INDUSTRIAL	Santa Barbara	N/A	**$2.68**
	Goleta	$1.77	**$1.91**
	Carpinteria	N/A	**$1.58**
RETAIL	Santa Barbara	$3.41	**$3.93**

SOUTH COAST LEASING

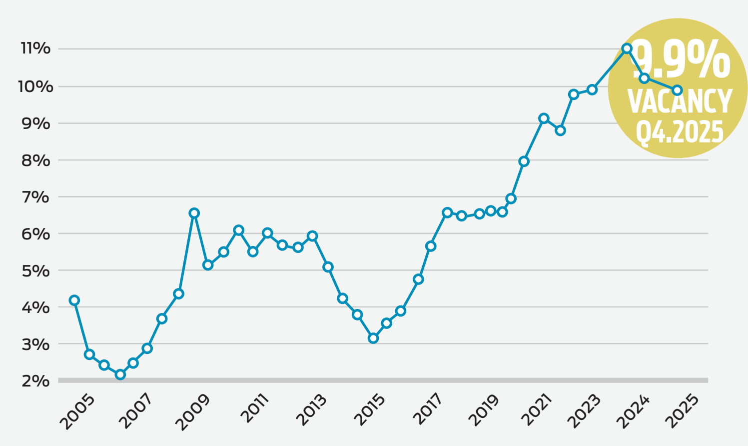
Contributions by Brad Frohling & Gene Deering

Office

Santa Barbara's office market vacancy rate remained at 9.9% at the end of Q4 2025, same as Q3. In the fourth quarter there were a few larger deals at 223 E. De La Guerra St., with Harrison Design taking 6,799 SF and The Santa Barbara Independent taking 4,331 SF. Another building which saw a fair number of leases was 820 State St., with Mission Wealth Management taking 4,790 SF on the fifth floor and Central Coast Community Energy taking 2,594 SF on the fourth floor. The largest true vacancies remain the former Sonos space at 614 Chapala St. (27,217 SF), the other former Sonos space at 25 E. Mason St. in the Funk Zone (18,776 SF), and there are now two spaces at 1021 Anacapa St. (13,920 SF and 6,540 SF).

Meanwhile Goleta's Office vacancy rate also remained flat from Q3, sitting at 8.0%. There were just 6 new leases completed during the fourth quarter totaling only 12,827 SF of space. The largest lease was

Santa Barbara Office Vacancy



Lucidean taking 4,181 SF of second floor space at 125 Cremona Dr. for lab use. This is a more common trend lately where second floor office (not always easy to rent in this market) is becoming "lab" space. Given the limited amount of new larger leases, it is surprising the vacancy rate has remained as low as it has. The largest available spaces remaining

Continued on P.5

Q4 South Coast Leasing Summary

Continued from P.4

on market are 50 Castilian Dr. (43,655 SF – AppFolio Sublease) and 6500 Hollister Ave. (29,372 SF – SHP Sublease). Across our market we are seeing vacancies remain flat and large available spaces remain vacant.

Finally, Carpinteria's office market remains quiet, with the vacancy rate also remaing flat at 10.9% during the fourth quarter. There was just one new lease signed at 1145 Eugenia Pl. for 2,000 SF. The list of vacant spaces remains at 12 different spaces totaling 50,000 SF. When you drive around the Carpinteria Business Park the vacancy rate sure feels higher given the lack of cars in parking lots. Most notably the campus owned by Microsoft, which consists of nearly 120,000 SF total, does not have much activity in the parking lot but does not have any spaces being marketed for lease.

Industrial

Leasing in the South Coast industrial market moved at a modest pace in the fourth quarter with just eight new leases and four renewals total, across Santa Barbara, Goleta and Carpinteria. The vacancy rates for all three cities remain relatively low with the exception of Carpinteria where they have experienced over 7% vacancy for two consecutive quarters largely due to a couple of larger vacancies. Average gross asking rates were relatively unchanged with the exception of an increase in Santa Barbara—now at $3.18/SF—as the supply of industrial property remains constrained.

Two notable leases this quarter include 11,600 SF at 1025 Cindy Lane taken by Prohealth. And 21,400 SF at 93 Castilian Dr. was leased to Yasasan LLC. With industrial rates leveling off and some additional vacancies, industrial tenants now have some leverage in the market to negotiate more favorable terms than in recent years. Overall, while our industrial market remains healthy, we do appear to have slowed in overall tenant activity and overall absorption of vacant space.

Retail

Santa Barbara loves its pickles! Joining our list of pickle-named business in the South Coast (including Three Pickles with three locations; and Pacific Pickle Works at 718 Union Ave.), The Picklr is coming to the Fairview Center. The Picklr, a new indoor pickleball facility, signed the largest retail lease in the fourth quarter, taking over the 25,348 SF space vacated by Bed Bath and Beyond years ago. Landing a fitness use in a big box is very complex and

this will be a nice boost of energy to the north side of the Fairview Center. Their long term commitment (10 year lease at $2.00/SF NNN) and installation of courts shows the demand for pickleball exists beyond the outdoor courts on Old Coast Highway.

Other large deals include a nightclub taking over the space at 409 State St. (7,092 SF) and Kariella's lease of 2,918 SF at 1218 State St.

Looking at Santa Barbara's retail vacancy we see the vacancy rate remaining relatively unchanged from the third quarter, at 3.7%, which is slightly above the 2.0% to 3.0% levels we saw in 2023. Much of this increase is due to there being 18 spaces larger than 5,000 SF currently available, for a total of 227,000 SF. The number of spaces vacated by national tenants remains eye-opening: Macy's, RiteAid, RiteAid (again), RiteAid (again), CVS, Nordstrom, and 24 Hour Fitness.

Q4 South Coast Leasing Summary

Contribution by Justin Diem

Downtown State Street Year-End Retail Update

The year ended with more questions than answers for Downtown State Street. While periodic glimmers of progress are visible, the high number of available storefronts and the slow advancement of the State Street Master Plan remain significant hurdles.

Between Gutierrez and Sola Streets, an estimated 39 retail storefronts are currently available along State Street. Eight are either occupied by tenants on short-term leases or planning to vacate. Since the onset of the pandemic, the number of available storefronts has remained relatively consistent, fluctuating between 33-40. However, the evolving dynamics of State Street mean that vacancy figures alone cannot tell the full story.

Given current conditions, short term and expiring leases have become a key factor in determining market stability. Spaces leased to lower-credit tenants on 1-2 year terms can improve the immediate appearance of Downtown, but they underscore the market's fragility if those tenancies do not convert into long term commitments. Additionally, many of these short-term leases are executed at significantly reduced rental rates, allowing landlords to mitigate losses while waiting for broader market improvement. If lease rates and lease terms continue to decline, property values will be adversely affected, specifically for buildings with spaces over 3,000 SF.

Restaurant turnover remains a persistent challenge, as food and beverage concepts continue to test the market. 1218 State has been leased by several operators in recent years, and The Grand on State is scheduled to open a new jazz and dining experience which will be an exciting addition next to The Granada. Meanwhile, L'Antica Pizzeria at 1031 State has transitioned to The Copper, maintaining a Naples-inspired Italian menu.

State Street Retail Vacancy

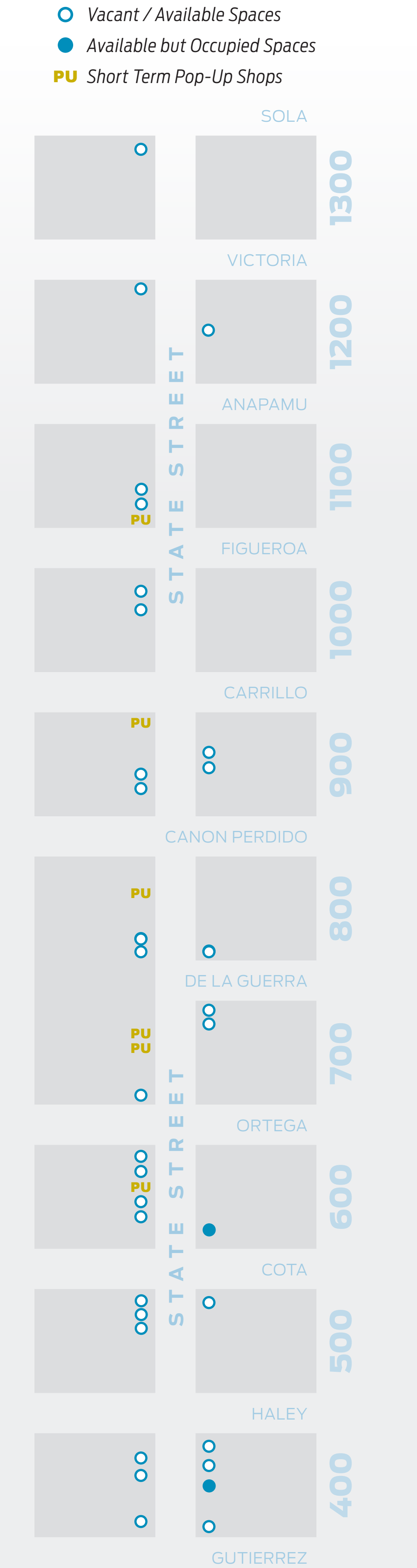
	Q4.2025*
Total Storefronts	249
Storefronts Available For Lease	39
Vacancy Rate of Available Storefronts	15.66%
Vacant Storefronts	**31**
Perceived Vacancy Rate	**12.45%**
Storefronts Available But Occupied	2
Pop-Up Shops	6

Amid prolonged vacancy and overall market softness, State Street has also presented opportunities for local and nonprofit organizations. One of the first completed projects is the Community Environmental Council's renovation of approx. 10,000 SF at 1219 State. Three additional notable projects are underway, including UCSB's acquisition of the former Staples building and adjacent apartments at 410 State; the Santa Barbara International Film Festival Film Center at 916 State; and the Music Academy project at 901 State. While some of these initiatives are not recent announcements, they represent the clearest signs of forward momentum for larger commercial properties on State Street.

As the private sector continues to navigate the daily challenges of operating Downtown, the broader community awaits the State Street Master Plan, which has taken years longer than anticipated to materialize. Until the City provides clear and actionable direction, the market is likely to face continued headwinds and an extended period of uncertainty.

*Radius Vice President Justin Diem regularly conducts research including visual inspection of the downtown State Street corridor (400–1300 blocks). The vacancy rate is calculated using State Street-facing storefronts. Some spaces may be leased and we are not aware. Pop-up shops are included as vacant since they are short term (12 months or less). First floor State Street-fronting offices/banks are excluded in this count. *Report updated as of 1/8/26.*

Vacant Storefronts by the Block



Q4 Ventura County Summary

VENTURA COUNTY

Contribution by Andres Uribe

Ventura County / Conejo Valley Office

Across Ventura County, including the Conejo Valley, 2025 proved to be a “busy-but-choppy” year for the office market. Leasing activity improved, yet move-outs and footprint reductions kept overall vacancy elevated at 20.4% year-end. Net absorption finished negative at -100,117 SF, while sublease availability fell sharply to 3.6%, the lowest level in five years. This decline suggests space is increasingly being re-leased or removed from the market rather than recycled into the sublease pool.

Leasing activity skewed toward renewals, modest expansions, and selective flight-to-quality moves, alongside a handful of deeply discounted transactions that created compelling value for tenants willing to occupy as-is space. Notable Conejo Valley transactions included Marvell Technology’s 66,000 SF renewal and expansion at 112 S. Lakeview Canyon in Thousand Oaks and Connectiv’s approximately 18,000 SF new lease at 1525 Rancho Conejo Blvd. In West Ventura County, Tri-Counties Regional Center completed a 42,414 SF renewal in Oxnard.

On the investment side, 2025 may ultimately be remembered as a year of significant opportunity, marked by heavily discounted sales. Highlights include the sale of 515 Marin St. in Thousand Oaks, a 63,000 SF well-leased asset, for $143/SF; the 178,000 SF property at 1 Dole Dr. in Westlake Village acquired by Oaks Christian for $140/SF; and a three-building, high vacancy Westlake Village portfolio at 30699, 30700 and 30721 Russell Ranch Rd. totaling approximately 328,000 SF, which traded for roughly $39.5 million.

Leased | Northgate Plaza, 121 S. Westlake Blvd., Thousand Oaks ±35,380 SF anchor position (formerly Bed Bath & Beyond) leased in October to Club Studio Fitness

Contribution by Daniel Bagdazian

West Ventura County Leasing

During the fourth quarter of 2025, Ventura County’s retail market remained stable, with leasing activity increasingly defined by targeted absorption of functional, second-generation space rather than broad-based expansion. Tenant demand continued to favor service-oriented, experiential and value-focused users.

Vacancy remained steady at 5.7%, as incremental absorption from select box and shop-space leases was largely offset by lingering availability tied to prior big-box closures, including Jo-Ann Fabrics, Big Lots, Rite Aid, and Forever 21. Leasing activity in Q4 reflected a more disciplined market, with tenants prioritizing infill locations and second generation spaces, amid higher construction costs and a more cautious consumer environment.

Asking lease rates averaged approximately $29.50/SF annually, holding firm quarter-over-quarter and signaling continued pricing support in core trade areas. Over the past five years, Ventura County retail rents have continued to trend upward, supported by resilient local demand and limited new supply. A significant portion of vacant space remains concentrated in older

Continued on P.8

Q4 Ventura County Summary

Continued from P.7

or obsolete inventory, reinforcing the ongoing divide between high-quality, well-anchored centers and less competitive assets.

Leasing activity during the 4th quarter was driven by several notable transactions across experiential, soft-goods, value, and food users. Club Studio Fitness completed the largest lease of Q4, taking the 35,380 SF former Bed Bath & Beyond at Northgate Plaza in Thousand Oaks, highlighting sustained demand for experiential and wellness concepts in affluent trade areas. In Oxnard, Goodwill leased 17,052 SF at Fremont Square, backfilling a 2nd Generation Rite Aid. In Ventura, Skechers leased 10,000 SF at Poinsettia Plaza, backfilling a former Lamps Plus space, and a former 14,300 SF Rite Aid location in Camarillo was repositioned, with Five Below acquiring the lease, illustrating continued absorption of legacy pharmacy space by value-oriented retailers.

Quick-service and fast-casual operators have faced a challenging operating environment, with industry participants reporting sales declines of approximately 15% across the board. Inflation and reduced discretionary income appear to be the primary drivers. Despite this pressure, second-generation restaurant spaces continue to generate strong interest throughout Ventura County, indicating that demand for food-oriented retail remains high as operators prioritize 2nd generation, well-located locations.

West Ventura County Sales

Owner-users continue to drive the majority of retail property sales in our market, primarily by leveraging SBA financing to acquire properties for long-term occupancy and operations. In Fillmore, an owner-operator acquired a 3.22-acre mixed-zoning parcel with self-storage and retail components. The buyer plans to operate the self-storage facility directly, underscoring sustained demand from hands-on operators seeking functional real estate with long-term operational upside rather than passive investment returns. A similar owner-user transaction occurred in the Oxnard / Port Hueneme submarket, where a local grocer acquired a former Walgreens. This sale further reinforces the depth of owner-user demand for well-located retail assets, even as overall investment activity remains selective.

Investment sales have been slower, largely due to sellers targeting cap rates that buyers have been unwilling to accept in a higher interest rate environment. However, transactions continue to occur where properties offer a clear value-add or repositioning opportunity. A notable example is Conejo Valley Plaza, located at the intersection of Moorpark Road and Janss Road in Thousand Oaks. The center sold at a 5.5% cap rate to Gerrity Group, a private REIT, which plans to reposition the asset, drive rental growth, and enhance long-term value-highlighting continued investor appetite for legacy retail centers with upside.

Additionally, aggressive 1031 exchange buyers exiting other asset classes have begun reallocating capital into retail shopping centers. A buyer exchanging out of industrial property in the Los Angeles Basin acquired Ventura Village Shopping Center, located at the intersection of Telephone Road and Victoria Avenue in Ventura. The property traded at a 6.5% cap rate, reflecting both exchange-driven urgency and the relative stability of grocery- and service-oriented retail in well-located infill markets.

Overall, the market enters 2026 in a stable and disciplined position, supported by continued owner-user demand and selective investor activity focused on assets with durable fundamentals and upside potential.

Q4 North Santa Barbara County & Santa Ynez Valley Summary

NORTH SANTA BARBARA COUNTY & SANTA YNEZ VALLEY

Contribution by Sierra Falso

Commercial Sales

The North County commercial real estate market closed out 2025 with solid activity, recording 29 total sales. Highlight transactions for the fourth quarter include:

- **1349 La Brea Ave., Santa Maria:** Sold for $60MM ($277/SF). This cold storage facility represented the year's largest deal by far.
- **1673 Copenhagen Dr., Solvang:** Sold for $1MM ($1,169/SF). The 855 SF retail storefront was acquired by a local restaurateur already operating in the area.
- **1550 E. Main St.:** Sold for $15.75MM ($196/SF) to community Health Centers of Central Coast.

Sold · 1349 La Brea Ave., Santa Maria
216,777 SF Industrial Bldg.
$60 Million ($277/SF)

For the year, the market showed resilience despite a modest slowdown in transaction volume:

- **2025 Total Transactions:** 97 CRE sales (down slightly from 105 in 2024).
- **2025 Avg. Sale Price:** $2.3MM (compared to $3.6MM in 2024).
- **2025 Avg. Cap Rate:** 5.7% (slight increase from 5.6% in 2024).

Steady investor demand for industrial assets (e.g., cold storage in Santa Maria) has kept cap rates relatively compressed in select sectors. Retail and hospitality properties in tourist-driven areas like Solvang have shown resilience with modest cap rate movement. North County cap rates have remained competitive compared to broader California trends, reflecting the region's strong fundamentals in agriculture, wine country tourism, and specialized industrial uses.

Two high-profile transactions highlighted the market's continued demand for well-positioned commercial assets:

- **1075 E. Betteravia Rd., Santa Maria:** Industrial/retail property in a prime location sold for $16.25MM (~$181/SF).
- **1600 N. H St., Lompoc:** Sold for $7+MM (~$124/SF)

Leasing

Solvang Retail Momentum

Santa Ynez Valley's retail scene, particularly in storybook Solvang, enjoyed strong leasing activity through the end of 2025.

Founders Market (1693 Mission St. & Alisal), a prime mixed-use retail re-development, welcomed five new specialty small shop retailers, including Rooted Vince Cellars opening a new wine tasting room, and Santa Ynez Creamery who is close to opening in the front row anchor position. Three additional leases at the property are in advanced negotiations and expected to be signed by the end of January, 2026. Meanwhile there's a waitlist for future small shop and restaurant spaces planned along Mission Street in the coming year. Solvang's iconic Danish-inspired charm and growing visitor traffic continue to drive interest in high-quality retail and hospitality opportunities.

No. County Vacancy Rates

	Q4.24	Q4.25
Industrial	9.9%	**9.9%**
Retail	8.0%	**8.0%**
Office	10.9%	**10.9%**

Continued on P.10

Q4 North Santa Barbara County & Santa Ynez Valley Summary

Continued from P.9

2025 Standout Lease Transactions

The Santa Maria leasing market remained active in 2025, with strong demand for large-format industrial and retail spaces. Notable leases nclude:

- **1401 W. Fairway Dr., Santa Maria:** 49,895 SF industrial/warehouse space Leased to WheelPros at $0.98 NNN.
- **1335 S. Bradley Rd., Santa Maria:** 105,000 SF retail space in the former Costco building Leased to Furniture Land (for an undisclosed amount.)
- **1310 W. McCoy Ln., Santa Maria:** 41,434 SF direct industrial lease $0.97 NNN Solid mid-size industrial transaction demonstrating steady demand for functional, well-positioned warehouse/distribution space in the market.

No. County Lease Activity

	Q4.25	2025 Total
Total Leased SF	140K	**540.3K**
Avg. Leased SF	7,002 SF	**4,658 SF**
Total Building SF	408.4K SF	**2.5MM SF**
Avg. Building SF	20,422 SF	**21,718 SF**
Avg. Asking Rent	$1.35/SF	**$1.36/SF**
Avg. NNN	$1.28/SF	**$1.21/SF**
Avg. Modified Gross	$1.85/SF	**$1.85/SF**
Avg. Full Service	$1.25/SF	**$1.47/SF**

Leased · 1335 S. Bradley Rd., Santa Maria
105,000 SF Retail Bldg.
(Furniture Land)

Sold · 1075 E. Betteravia Rd., Santa Maria
90,000 SF Industrial/Retail Bldg.
$16.25 Million ($181/SF)
Owner-User: Purchased by Tenant

Sold · 1600 N. H St., Lompoc
62,523 SF Freestanding Retail Bldg.
$7.8 Million ($124/SF)
Investor Sale

Leased · 1401 W. Fairway Dr., Santa Maria
49,895 SF Industrial Bldg.
(Wheelpros)

Q4 San Luis Obispo County Commercial Summary

Contribution by Jay Peet

SAN LUIS OBISPO COUNTY

Industrial Market Overview

The industrial sector remained the strongest performing asset class in San Luis Obispo County throughout 2025, with consistently low vacancy across primary corridors in San Luis Obispo, Paso Robles, and Atascadero.

Submarkets near Hwy 101 and regional logistics routes continued to attract the highest tenant demand, particularly for food processing, distribution, and light manufacturing users. Limited speculative development and increasing construction costs further constrained new supply.

Leasing activity remained steady, and functional industrial properties continued to command premium rents with minimal downtime.

Investment demand remained strong among both owner-users and institutional buyers, with pricing continuing to outperform national averages and capitalization rates remaining compressed relative to broader markets.

Retail Market Overview

Retail performance across San Luis Obispo County showed increasing divergence by location in 2025.

Downtown San Luis Obispo experienced elevated vacancy levels during the year, driven primarily by national retailer consolidation, rising operating costs, and shifts in consumer behavior. While pedestrian traffic remains strong, particularly during peak tourism and academic periods, several legacy retail spaces remain in transition.

In contrast, neighborhood and community centers in outlying submarkets including Paso Robles, Atascadero, and Arroyo Grande, demonstrated stronger occupancy and more consistent leasing activity. Service-oriented tenants, medical users, and regional operators continue to anchor demand in these areas.

Limited speculative development and favorable demographics continue to support long term retail fundamentals countywide, with well positioned centers expected to remain resilient entering 2026.

Office Market Overview

San Luis Obispo County's office market continued to demonstrate relative strength compared to major metropolitan areas, supported by limited new construction and a stable professional services base.

The strongest performance remains concentrated in the City of San Luis Obispo, particularly in medical, professional, and education adjacent corridors. These submarkets benefit from proximity to Cal Poly, regional healthcare providers, and government offices.

Class A and well located Class B properties maintained high occupancy, while older and functionally obsolete assets in secondary locations experienced more selective demand.

Office investment activity remained moderate in Q4, with cap rates stabilizing following gradual adjustments earlier in the cycle. Investors continue to prioritize tenancy quality, lease duration, and asset condition.

Market Outlook Entering 2026

Entering 2026, San Luis Obispo County's commercial real estate market remains defined by limited supply, disciplined development activity, and meaningful submarket differentiation.

Key themes expected to continue shaping performance include:

- *Continued premium pricing for assets in the City of San Luis Obispo*
- *Strong multifamily demand near Cal Poly*
- *Ongoing repositioning of downtown retail spaces*
- *Sustained strength in industrial corridors*
- *Selective capital deployment based on asset quality and location*

Properties demonstrating durable income, strong tenant profiles, and proximity to major employment and educational centers are expected to continue outperforming countywide averages.

Q4 Multifamily Investments Summary | 5+ Unit Assets

MULTI-FAMILY SALES 5+ units

Market Overview

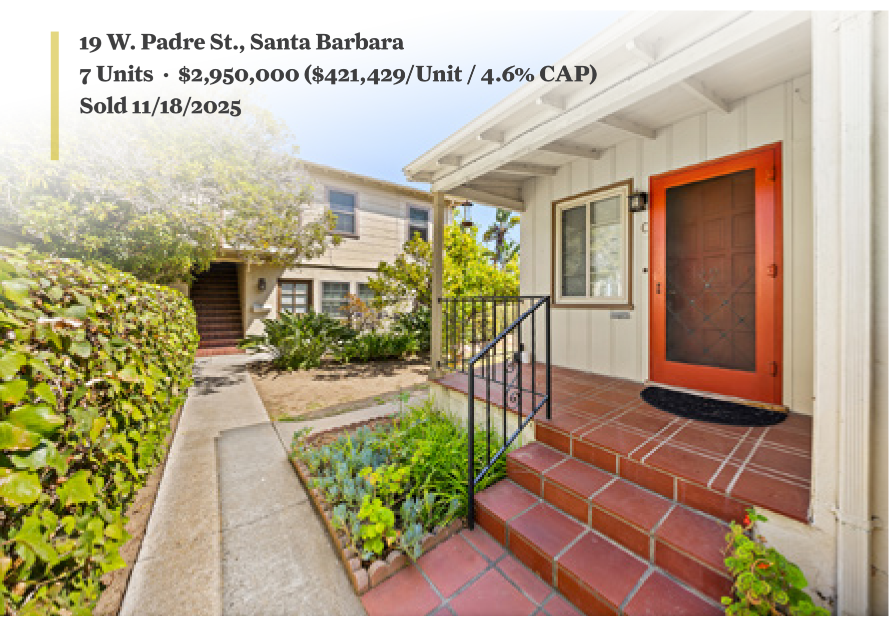
Multifamily investment activity across the Central Coast concluded 2025 with measured progress in transaction velocity. While the full year saw a total of 80 sales close, representing 1,790 units and $647.5 million in volume (a ~34% decline from 2024's near-billion-dollar total), Q4 emerged as the year's most active quarter. A total of 27 transactions closed in the final three months, representing ~35% of the year's total and accounting for $213 million in volume. This late-year momentum was driven by a combination of factors, including the Federal Reserve's decision to cut rates, which improved buyer sentiment and deal feasibility.

The market remains defined by selective transactions and disciplined underwriting, but the increase in Q4 activity suggests that the bid-ask spread that defined much of 2025 may be narrowing. The year was heavily influenced by three institutional transactions in Ventura County totaling $293 million in volume, which together accounted for over almost half of the central coast's total volume.

Additionally, escalating regulatory concerns and rent control discussions have begun to cast a shadow of uncertainty over investor sentiment, particularly in the South County submarket. As the market moves into 2026, participants remain realistic yet cautiously optimistic. Cap rates throughout the region vary considerably depending on asset quality, location, and immediate income potential, with most transactions falling within a 4.5% to 6% range.

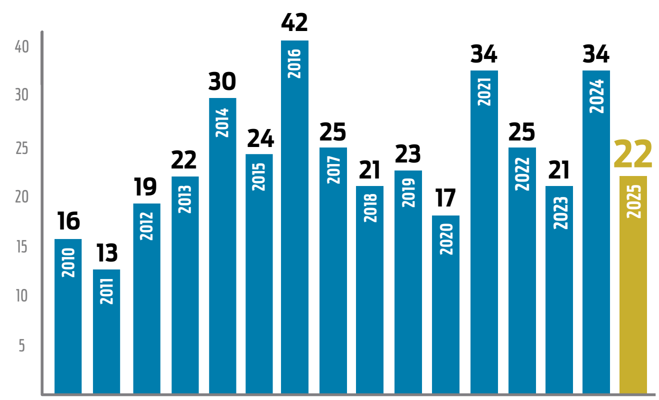
Santa Barbara South County | 5+ Units

South Santa Barbara County recorded 22 transactions in 2025 — down from 29 in 2024 — totaling 284 units and $139.2 million in volume, a significant 15% decrease from 2024's $165 million. The average price per unit also declined by about 12.9% to ±$407,048, while the average cap rate increased to about 4.9%. Notably, no sales of 5+ unit properties were recorded in Goleta, Carpinteria or Summerland in 2025, though there were three sales in Isla Vista. While Isla Vista sales are counted as a part of the South Coast region, we will isolate the IV market analysis separately later in this report, given the micro-market's unique characteristics as a student housing center.



19 W. Padre St., Santa Barbara
7 Units · $2,950,000 ($421,429/Unit / 4.6% CAP)
Sold 11/18/2025

2025 South County Multi-Family Sales



Properties 5+ Units in Size

The South Coast maintains a very low apartment vacancy rate of 3.0%, which is consistent with its long-term historical average. While 21 market-rate units opened last year, the construction pipeline remains modest with 97 units currently under way.

The year's transactions reaffirmed buyers' focus on in-place stability and well-located assets. One example is **1726 De La Vina St.** This turn-key, all two-bedroom six-unit property traded for $2,900,000 ($483,333/unit). Also, **19 W. Padre St.,** a 7-unit property with two vacant units at the time of sale, traded for $2,950,000 ($421,429/unit) at a 4.5% cap rate.

Buyer sentiment in South County remains mixed amid ongoing rent stabilization discussions in Santa Barbara. In early 2026, the City of Santa Barbara enacted a temporary rent freeze while deciding what type of rent stabilization ordinance to impose by year-

Continued on P.13

Continued from P.12

end. This regulatory uncertainty has created considerable hesitation among investors, not only within the City of Santa Barbara but also in neighboring South County cities that may follow suit, and to a lesser extent, in North County municipalities.

Santa Barbara North County | 5+ Units

North County registered 11 transactions in 2025, totaling 123 units and $20.5 million in volume, a steep 86.6% drop from 2024's volume. The average price per unit decreased to $178,532, and the average cap rate saw a slight compression to 4.72%. On a macro level, operators are seeing slightly higher vacancies than in other Central Coast markets, especially in the Lompoc/Santa Maria areas. This trend is attributed in part to broader immigration concerns affecting local tenant stability.

Q4 accounted for three of the year's 11 sales, totaling $5.1 million in volume and highlighting the region's appeal for investors seeking yield and fewer regulatory pressures. While transactions in the Santa Ynez and Solvang areas were limited to just a couple of trades, the submarket is growing with increasing interest from investors drawn to its unique demographics and stability. In Lompoc, **201-209 S. G St.,** an 8-unit cottage-style property, sold for $1,600,000. The price differential between North and South County remains significant, and Lompoc continues to see tremendous activity fueled by the nearby Vandenberg Space Force Base and SpaceX facility.

San Luis Obispo County | 5+ Units

San Luis Obispo County recorded 17 transactions in 2025, totaling 194 units and $51.1 million in volume, a 47.8% decrease from 2024's $97.9 million. The average price per unit fell by 13.6% to $260,736, while the average cap rate increased by 66 basis points to 4.85%. Q4 was the most active quarter, with 5 of the year's 17 sales (29.4%) closing for a total of $23.2 million. The largest of these was **60 Casa St.** in San Luis Obispo, which sold for $14,150,000 ($442,188/unit) at a 4.4% cap rate, reflecting continued demand for well-located assets in the city. **1265 Nice Ave.** in Grover Beach, an 8-unit property, also sold in Q4 for $2,645,000 ($330,625/unit) at a 5.02% cap rate.


60 Casa St., San Luis Obispo
32 Units · $14,150,000 ($442,188/Unit / 4.4% CAP)

The SLO market is heavily influenced by Cal Poly, which is launching a 10-year "Future Housing" program to add approximately 4,200 new on-campus beds, with the first phase of ~1,348 beds opening in Fall 2026-2027. The university plans to mandate that first and second-year students live on campus once completed and projects enrollment to grow by ~2,000 students over the next five years. Although the new on-campus beds may temporarily ease pressure on the private rental market in the near term, the long-term outlook remains demand-positive. Cal Poly's enrollment growth strategy will ultimately increase the number of upper-division students who transition off-campus, meaning the private market should expect a larger, not smaller, pool of tenants over time.

Ventura County | 5+ Units

Ventura County led all Central Coast regions in 2025 with 29 transactions totaling 1,189 units and $436.7 million in volume. While the number of sales was flat year-over-year, volume decreased by 22.5%, and the average price per unit fell by 7.2% to $270,890. Q4 was the county's most active quarter, with 11 of the year's 29 sales closing in the final three months (37.9% of annual transactions), totaling $160.8 million in volume. This was dominated by the year's largest transaction, the sale of **352 Townsite Promenade** in Camarillo for $110,150,000 ($517,136/unit) to AMLI Residential. Beyond this institutional trade, the quarter saw a number of smaller private-client deals. **134-140 N. 5th St.** in Port Hueneme, a 10-unit property, sold for $2,450,000 ($245,000/unit) at a 4.69% cap rate. The year's other major institutional trades, including 1241 Cypress Point Ln. ($100M) and **299 Thousand Oaks Blvd.** ($83M), closed earlier in the year. Stabilized properties in Oxnard and inland Ventura


352 Townsite Promenade, Camarillo
213 Units · $110,150,000 ($517,136/Unit)

Continued on P.14

Continued from P.13

continue to show elevated cap rates, generally between 5.5% and 6.5%, reflecting both submarket location factors and Oxnard's 4% annual rental cap.

6588 Segovia Rd., Isla Vista
14 Units · $4,350,000 ($310,714/Unit / 5.25% CAP)

Isla Vista | 5+ Units

Isla Vista recorded three transactions in 2025, totaling 38 units and $14.8 million in volume. Because the pool of data for this submarket is so small, it is difficult to deduct meaningful or definitive market-wide trends from these specific figures. The average price per unit saw a drop to $394,544, while the average cap rate reached 5.15%. Despite these headline shifts, value-add opportunities remain highly desirable in the area, as naturally high student turnover provides frequent opportunities for owners to reset rents and capture upside.

The student housing submarket remains attentive to UCSB's housing expansion, specifically phase one, "San Benito," which will add 2,224 undergraduate beds by Fall 2027. However, this expansion is viewed as less of a concern for the private market as it is designed to support the university's commitment to enrollment growth. The single Q4 transaction was the sale of **6588 Segovia Rd.,** a 14-unit property that traded for $4,350,000 ($310,714/unit) at a 5.25% cap rate. Looking ahead, Isla Vista is expected to benefit from increased enrollment in the long term, as upper-division students continue to prefer off-campus living. This sustained demand should have a long-term positive effect on property values, particularly for well-located assets near the 65/66 block and Del Playa corridor.

Market Trends & Observations

- **Flight to Quality:** In a market characterized by uncertainty, investors in 2025 showed a clear preference for high-quality, well-located assets with stable cash flow. This was most evident in Ventura County, where the three largest institutional-grade transactions accounted for nearly half of the region's sales volume.
- **Return to Fundamentals:** The era of speculative, value-add plays has been replaced by a more disciplined investment approach focused on in-place performance. Buyers are conducting more thorough due diligence and are less willing to

Continued on P.15

2025 Multifamily Sales Comparisons (5+ Units)

	UNIT COUNT 2025	UNIT % Δ	SALES 2025	SALES % Δ	VOLUME 2025	VOLUME % Δ	PPU 2025	PPU % Δ	CAP RATE 2025	CAP RATE Δ
Ventura County	1,189	-26.1%	29	0.0%	$436,682,888	-22.5%	$270,890	-7.19%	5.03%	-0.19%
SLO County	194	-39.0%	17	0.0%	$51,125,000	-47.8%	$260,736	-13.61%	4.85%	+0.66%
SB South County	246	-34.1%	19	-34.5%	$124,378,000	-15.0%	$407,048	-12.88%	4.93%	+0.52%
SB North County	123	-81.7%	11	-31.25%	$20,519,000	-86.6%	$178,532	-5.66%	4.72%	-0.38%
Isla Vista	38	-22.4%	3	-40.0%	$14,825,000	-35.5%	$394,544	-26.72%	5.15%	+0.60%
TOTAL / AVERAGE TREND	**1,790**	**-40.8%**	**79**	**-17.7%**	**$647,529,888**	**-34.2%**	**—**	**-13.21%**	**—**	**+0.24%**

Continued from P.14

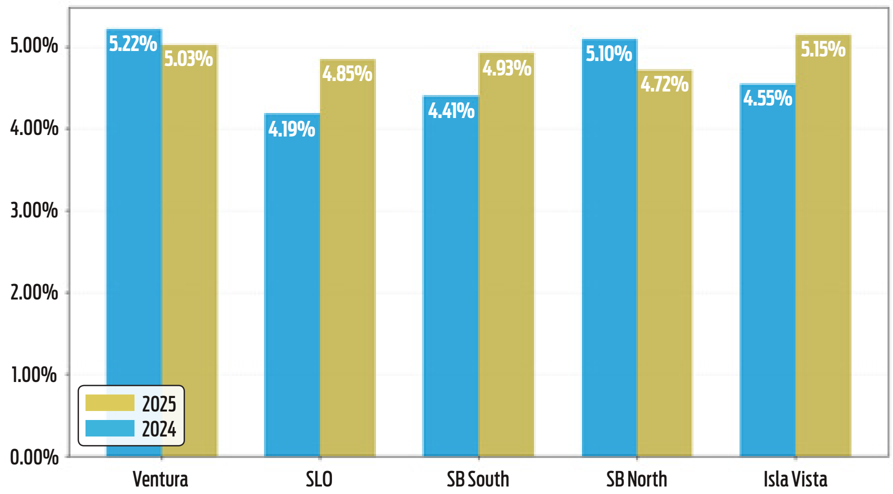
pay a premium for potential upside. This is reflected in the increased average cap rates in SLO County and SB South County.

- **Pricing Dynamics and the Bid-Ask Spread:** Much of 2025 was defined by a gap between seller expectations and buyer realities in a higher interest rate environment. The uptick in Q4 activity suggests this spread began to narrow as sellers adjusted pricing and the Fed's rate pause provided more certainty.
- **Regulatory Impacts:** Ongoing discussions around rent control in Santa Barbara have had a chilling effect on the South County market, contributing to the significant year-over-year decline in volume. In contrast, North County continues to attract investors seeking yield with fewer regulatory pressures.
- **Institutional Activity Remains Selective:** While institutional investors have not abandoned the Central Coast, their activity has become much more selective. Smaller, value-add properties are largely being left to private investors and local operators. This indicates that many strategic, financial-based investors are either not finding the right deals or do not believe 2025 was a good year to sell.

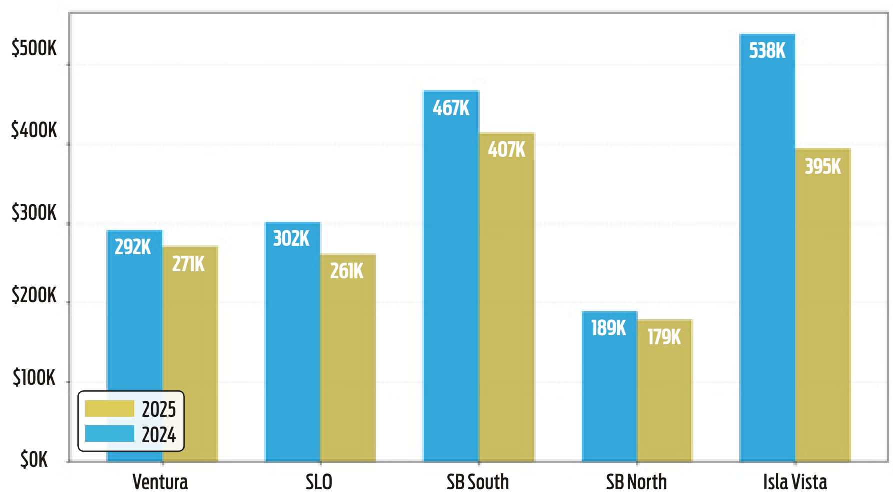
Market Summary & Outlook

2025 marked a year of recalibration for the Central Coast multifamily market, with transaction volume declining 34% from 2024. Despite the decline, activity improved modestly in the latter part of the year, suggesting cautious momentum heading into 2026. The late-year rate cuts have improved buyer optimism, and as sellers continue to align with current pricing realities, we expect to see a more liquid market in the coming year. The flight to quality will likely continue, with institutional capital remaining selective, while private investors pursue smaller, value-oriented transactions. We anticipate that transaction volume will increase from 2025 levels but remain below the highs of 2024. Cap rates are expected to remain relatively stable, with a potential for slight compression if interest rates continue to fall. The Central Coast remains an attractive market for investors who are disciplined, patient, and focused on strong fundamentals.

Avg Cap Rate by Region: 2024 vs. 2025



Avg PPU by Region: 2024 vs. 2025



Central Coast Multifamily Vacancy Snapshot (5+ Units)

	PREVIOUS VACANCY (Q4 2024)	CURRENT VACANCY (Q4 2025)	SPREAD (YOY CHANGE)
*North San Luis Obispo County**	11.6%	19.1%	+7.8%
Ventura County	4.0%	5.8%	+1.8%
Lompoc / Santa Ynez	4.8%	6.2%	+1.4%
South San Luis Obispo County	3.9%	5.2%	+1.3%
Santa Maria	5.1%	5.5%	+0.4%
Santa Barbara (South County)	2.8%	3.0%	+0.2%

**Note: The significant increase in North SLO County vacancy is primarily attributed to the delivery of the 214-unit Reserve at Vinedo development in Paso Robles*

Source: CoStar

South Santa Barbara County | 2–4 Units

The South Santa Barbara County market for 2–4 unit residential income properties slowed in 2025 compared to the prior year but finished the year with renewed momentum. The fourth quarter was the most active of the year, recording the highest number of closings across all four quarters and underscoring continued buyer demand for well-positioned assets.

While overall transaction volume declined from 2024, pricing experienced a modest softening. The average price per unit (PPU) decreased from $787,784 in 2024 to $719,105 in 2025. Buyers were increasingly selective, and properties offering strong locations, functional unit mixes, good physical condition, and some level of vacancy consistently outperformed the broader market.

Higher interest rates and evolving regulatory requirements influenced buyer behavior throughout the year.

Full-Year 2025 Market Overview

A total of **58 residential income properties (2–4 units)** sold in South Santa Barbara County during 2025, including:

- **35 duplexes**
- **15 triplexes**
- **8 fourplexes**

Total sales volume reached $112,821,135, representing a meaningful decline from $189,722,031 in 2024, when 97 properties sold. Despite the reduced number of transactions, pricing remained relatively resilient given the interest-rate environment.

- **Average price per unit (2025):** $719,105
- **Average price per unit (2024):** $787,784
- **Year-over-year change:** Approx. -8.7%

Approximately **32% of sales closed at or above asking price.** Several of these transactions occurred off market, where the asking and sold prices were recorded at the same level; however, this metric still reflects sustained demand for properly priced small multifamily assets.

Most transaction activity was concentrated in Santa Barbara and Goleta, with only two closings occurring in Summerland and Carpinteria during the year.

In Carpinteria, a fourplex located at **250 Ash St.** sold for $2,900,000, reflecting a price per unit of $725,000. The property featured one vacant unit, making it especially attractive to owner-user buyers, along with ample on-site parking and a highly desirable location just two blocks from the beach.

In Summerland, a commercially zoned duplex at **2176 Ortega Hill Rd.** closed during the year. The property consists of two standalone cottages and offers strong income potential, further enhanced by its location within the Coastal Zone Overlay, which adds long-term value and flexibility.

Continued on P.17

YOY Metrics (2-4 Units)

	2024 FULL YEAR	2025 FULL YEAR	YEAR-OVER-YEAR CHANGE
Total Properties Sold	97 properties	58 properties	-40.2%
Total Sales Volume	$189,722,031	$112,821,135	-40.5%
Average Price Per Unit (PPU)	$787,784	$719,105	-8.7%

Q4 Multifamily Investments Summary | 2–4 Units

Continued from P.16

Quarterly Observations

Sales activity progressed steadily throughout 2025, culminating in a strong year-end finish. Each of the first two quarters recorded 12 closed transactions, followed by 13 closings in Q3 and a notable increase to 20 closings in Q4, the highest of the year. The third quarter marked an important turning point, with increased market activity, fresh market inventory, properties going pending and improved buyer engagement, signaling growing comfort with pricing and financing conditions. That momentum carried into the fourth quarter, when improved alignment between buyer expectations, seller pricing, and financing realities allowed transactions to move forward at a faster pace, despite continued interest-rate uncertainty.

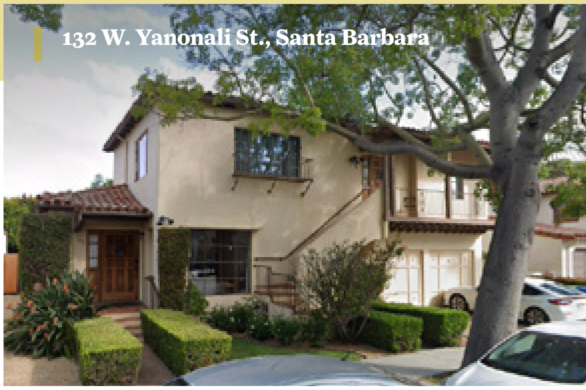
Q4 2025 Snapshot (Excluding Isla Vista)

Excluding Isla Vista, **15 transactions closed in Q4 2025,** making it the strongest quarter of the year for South Santa Barbara County residential income sales. Duplexes and select triplexes continued to perform well, particularly when delivered vacant or allowing for near-term rent resets or owner occupancy.

Properties with long-term below-market rents or meaningful deferred maintenance generally required longer marketing periods and greater pricing flexibility.

Duplexes – $879,283 /Unit

Duplexes continued to command the highest pricing across all residential income property types in 2025. This strength was driven by sustained owner-user demand, favorable financing options, and long-term livability relative to higher-density assets. Notably, duplex pricing remained resilient throughout the year despite elevated borrowing costs.


132 W. Yanonali St., Santa Barbara

At the high end of the range was **132 W. Yanonali St.,** a duplex with a prior short-term vacation rental history. That property sold for $3,250,000, reflecting a price per unit of $1,625,000 and highlighting the premium buyers continue to place on unique income characteristics and location.

One of the lowest price-per-unit sales occurred at **126 Santa Ynez St.,** a renovated two-unit property located on the Lower Eastside that offered a two-car garage. The property closed at $1,250,000, reflecting a price per unit of $625,000.

Triplexes – $552,292/Unit

Triplex pricing showed the widest dispersion among all property types in 2025. Assets offering vacant delivery, renovated interiors, or efficient unit configurations achieved materially stronger pricing, while properties encumbered by long-term below-market rents or greater operational complexity traded more conservatively.

Average pricing was notably influenced by two outliers. On the low end, **1031 De La Vina St.,** a triplex comprised of three vacant one-bedroom units, recorded the lowest price per unit of the year at $428,333. On the high end, a student-housing asset at 6749 Del Playa achieved an average price per unit of $750,500, underscoring the premium investors continue to place on stabilized student-housing income with strong rent performance.

Fourplexes – $601,781/Unit

Fourplex pricing remained relatively stable throughout 2025 but proved highly sensitive to in-place rents, unit mix, and deferred maintenance. Buyers demonstrated limited tolerance for operational risk unless offset by meaningful pricing adjustments or clear upside potential.


2128 Bath St., Santa Barbara

A notable transaction illustrating this trend was **2128 Bath St.** in the Oak Park neighborhood near Cottage Hospital. The property featured a desirable unit mix of four two-bedroom, one-bath units and received an

Continued on P.18

Continued from P.17

offer at asking prior to formal marketing. After exposure to the open market, the property ultimately closed at its asking price. This sale reinforces a central 2025 theme: well-located properties with clean unit mixes and manageable upside continued to attract strong buyer demand, even in a slower overall market environment.

Isla Vista: Student Housing Market (2-4 Units)


6721 Sabado Tarde Rd., Isla Vista

Student housing in Isla Vista remained one of the more active and resilient segments of the market in 2025.

In Q4 2025, **five student-housing properties closed,** representing nearly half of the total annual sales volume in this category. Most of these transactions involved smaller assets, including single-family homes and 2–4 unit properties.

In the fourth quarter alone, five student-housing properties closed, accounting for nearly half of the total annual sales volume in this category. The majority of these transactions involved smaller assets, primarily single-family homes and 2–4 unit properties, reflecting continued investor demand for manageable-scale student housing with operational upside.

For the full year, Isla Vista recorded a total of 12 student-housing sales including eight 2–4 unit properties and four single-family homes. Within the 2–4 unit category, sales activity consisted of two fourplexes, two triplexes, and four duplexes underscoring sustained liquidity across all small multifamily properties.

Total sales volume in Isla Vista for the 2–4 unit category reached $24,580,000. Properties in this segment typically traded in the mid-4% to high-5% cap rate range, providing investors with measurable returns. These returns are driven by strong rent-reset opportunities and frequent unit turnover, though they are partially offset by higher expense ratios associated with turnover costs and elevated property management fees.

A notable example was the **6721 Sabado Tarde** duplex, which traded at a 5.65% cap rate in December 2025. The property sold off-market for $2,655,000 and featured a renovated unit with vaulted ceilings, along with newly added square footage through a junior ADU garage conversion. These improvements increased the overall bedroom count and maximized rental income potential.

Annual tenant turnover continues to give owners the ability to refresh units and adjust rents to current market levels, supporting steady investor demand in this segment. Buyers continue to prioritize properties that offer a clear upside path, including the potential to add units, maximize bedroom and occupancy counts, and optimize parking configurations.

Despite ongoing regulatory headwinds at both the state and local levels Isla Vista student housing remains attractive to investors due to its high turnover profile, which allows for regular rent resets and sustained rent growth over time.

Market Outlook 2026 | Continued Strength in Small Residential Income Assets

Overall, smaller residential income properties remain in high demand across South Santa Barbara County. Properties continue to trade primarily on a price-per-unit basis, particularly duplexes, though triplexes and fourplexes are also receiving strong buyer attention. In these higher-density assets, buyers are focused on current in-place income as well as the pro forma rental income that can be achieved through immediate turnover and rent adjustments to market levels. The appetite for small residential income properties remains solid, and demand has held up well through 2025 and is expected to continue into 2026.

RANCH & AGRICULTURAL LAND

Contribution by Jon Ohlgren

Sales of Agricultural properties in Santa Barbara County saw overall improvement in 2025 compared to 2024 in terms of closed deals. There were 35 transactions of properties 25 acres or larger in 2025 compared to 22 in 2024.

The most talked-about topics of the ag-zoned landscape are vineyards, cannabis, SGMA (Sustainable Groundwater Management Act), conservation/public benefit, and rezoning.

The vineyard industry has been facing an industry-wide crisis of grape oversupply we've not seen in a lifetime. Between October 2024 and August 2025, over 40,000 acres of vineyards were removed state-wide, and the rip-outs continue. Santa Barbara County has not been immune. The most publicly visible removals in our region are along Hwy 101 between Los Alamos and Santa Maria. Wine grapes all over the county went unharvested in 2025. We are starting to hear the first predictive rumblings that the pendulum may be swinging too far, but expect more pain ahead in 2026. There is plenty of former and abandoned vineyard ground out there ripe for repurposing.

Meanwhile, the flash-in-the-pan cannabis experiment has left behind unfulfilled tax revenue promises and a number of derelict properties also in need of reimagining. Some of these abandoned cannabis operations have been put under the closest microscope in the history of the county via the permitting process they endured. They have undergone multi-agency studies, reviews and analysis that can be updated and utilized towards change of use; in the ashes there is a path forward.

This 30+ acre agricultural land property in Lompoc is currently in escrow with potentil conversion from cannabis use.

Challenges present opportunity. There's a way to conserve land and water, improve public access to outdoor spaces and simultaneously increase the tax base of agriculturally-zoned lands. Conservation of water, flora, fauna and cultural resources continues to be a prominent driver of agricultural land sales. Purchasers, existing owners and developers have multiple pathways to be rewarded for environmental stewardship. The County of Santa Barbara has identified a need to provide the community more access to open lands via the Agricultural Enterprise Ordinance, effective as of January 2025, and via the ongoing crafting of the Recreational Master Plan. Conservation opportunities abound via the The Land Trust for Santa Barbara County and other organizations. In the coming months and years we will see innovative new use proposals seeking to reposition specifically-selected agricultural lands with these goals in mind.

Opinion

> "It's time for evidence-based policy, not emotion-driven edicts."

Contribution by Don Katich, Radius General Manager

RENT FREEZE FOLLY

Ignoring data for Political Theater

In a move that prioritizes short-term applause over sustainable solutions, the Santa Barbara City Council on January 13, 2026, adopted a temporary rent freeze ordinance and amendments to the Just Cause Eviction rules. This interim action, scheduled to become effective February 26, 2026, halts all rent increases for covered residential units until December 31, 2026 — or sooner if a permanent rent stabilization (rent control) program is enacted.

No existing rents are rolled back, but the ordinance introduces a retroactive mechanism: lawful rent increases implemented after December 16, 2025, will offset future allowable hikes under any permanent system.

For example, suppose a permanent program ultimately permits annual increases tied to inflation (60% of CPI), allowing roughly 1.7% annual increase on a $2,000 rental unit, equating to about $34 per month. If a landlord had lawfully raised the rent by $100 prior to the effective date, the $66 difference ($100 - $34 = $66) would be credited against (and reduce) those future permitted increases.

In practice, this could mean the landlord receives no additional rent for several years until the prior increase is fully "absorbed" by accruing allowable amounts, even as operating costs like insurance, utilities, taxes, labor, and maintenance continue to rise unchecked.

In addition, the Just Cause amendments further complicate matters by requiring owners who wish to leave the rental market, by withdrawing units via the Ellis Act, must remove all units on the property simultaneously, impose a five-year re-rental ban, and adhere to new procedural requirements. The removal from the rental market for five years will also extend to a new buyer. Exemptions exist for post-1995 housing, certain owner-occupied properties, subsidized units, and those under the Costa-Hawkins Act, but for many properties, this creates significant uncertainty and disincentives to maintain or expand rental supply.

Tenant rights proponents, during hours of emotional testimony, framed this as urgent relief for affordability crises, citing personal stories of housing insecurity. Yet, this policy reeks of pandering, ignoring robust data that point to inventory shortages, not landlord greed, as the core issue.

Continued on P.21

Continued from P.20

A detailed report from Beacon Economics and Pepperdine School of Public Policy on Santa Barbara County's rental market reveals a far more nuanced reality. Over the past decade, real post-rent renter incomes have risen 25.3%, outpacing the national 21.4% growth. Poverty among renters has dropped sharply from 31.3% to 22.7%, and the share earning over $100,000 has more than doubled to 33.7%. Overall rent burdens have stabilized at 31-33% of income, with only single-person households experiencing a slight increase to 44.4% at the median—hardly indicative of widespread exploitation.

Dig deeper, and the data screams supply constraints. Vacancy rates linger at a dismal 3-4%, below California's 4-5% and the U.S. 6-8% averages, fueling competition and price pressures.

Our rental stock is antiquated: 37% of units were built in the 1960s-1970s, compared to just 18.2% since 2000—lagging state (26.5%) and national (28.5%) figures. Construction costs have exploded, with the Producer Price Index for multifamily inputs rising from 100 in 2014 to 170 in 2024, making new development a financial gauntlet. Rents have climbed—median asking up 27.7% in real terms to $2,100—but growth has moderated recently, with year-over-year softening. Residential mobility has declined, from 45% to 30% for single renters, suggesting tenants are "stuck" due to scarce options, not predatory pricing. This rent freeze, while freezing revenues, does nothing to halt rising owner costs—exacerbating imbalances.

History is clear: such controls deter investment, leading to deferred maintenance, reduced supply, and black-market dealings.

In Santa Barbara, where overcrowding affects 13% of renters and household sizes are shrinking, these measures could accelerate deterioration of an already aging stock. The city's commitment to a permanent program—potentially including long-term caps, a rent registry, a rent board, and new enforcement—signals more bureaucracy ahead, further chilling development.

At Radius Commercial Real Estate (@RadiusGroupCRE), we've engaged in this process, submitting detailed concerns about economic fallout, legal risks, and supply impacts. It's time for evidence-based policy, not emotion-driven edicts. Streamline permitting, offer incentives for new builds, and tackle barriers to inventory growth.

Santa Barbara's charm should not come at the cost of housing viability. By embracing data over drama, we can foster true affordability and prosperity for landlords and tenants.