



RADIUS INSIGHT

Year End 2010

South Coast Vacancy

Arrows indicate change during Q4 2010

Office/R&D Vacancy

- Santa Barbara 6.2% ▲
- Goleta 13.7% ▼
- Carpinteria..... 15.9% ▲

Industrial Vacancy

- Santa Barbara 1.2% ▼
- Goleta 5.8% ■
- Carpinteria..... 13.9% ▼

Retail Vacancy

- Santa Barbara 2% ▼

2010 Year End Leasing Overview

Is it over yet? That's a common question that a lot of people are hearing and asking these days. Is the economy improving yet? Is the commercial real estate market improving yet? Well, one thing is for sure, 2010 is now over and we are looking forward to 2011. On certain fronts, we also believe that the worst of our commercial real estate woes are over too. We definitely still have a surplus of vacant space that will take several years to absorb but 2010 saw a continuation of the last half of 2009's uptick in leasing. Several large-scale deals occurred that made headlines but what's more important is that we saw an increase in the number of small deals. We have said from the outset of this most recent downturn that until the market starts to see small office users come back into the marketplace we will not know for sure that we have turned the corner. We now believe that the corner has been turned but it will still be a slow journey back to normal.

We also said 2010 would be a year of ups and downs when it came to the vacancies in the market. That was a pretty accurate statement as Goleta saw its office vacancy rate rise to more than double what it was at the end of 2009, an astonishing 16%. This was a high not seen in the 20 plus years that we have been tracking vacancy rates. Slowly, Goleta's office market settled down to just under 14% at the end of 2010.

For the year ahead, we believe that asking prices will continue to stabilize in the office and retail markets of Santa Barbara but that there will continue to be great opportunities for very aggressive deals in the Goleta and Carpinteria office markets.

2010 Year End Sales Market Overview

Sales of commercial properties improved along the South Coast as we saw a 40% increase in the number of sales transactions (not including apartments) in 2010. There were quite a few high profile sales along State Street (Hotel State Street, the upper floors of the Granada Building, Left at Albuquerque, the Borders Building, the Fithian Building and the Carrillo Building) and in Goleta (the Cabrillo Business Park and the Ekwill Business Park) that will serve as key indicators in the movement of those markets through 2011. CAP rates are still lower in Santa Barbara than traditional markets as investors understand the myriad reasons why Santa Barbara is a considerably safer market than many other California communities.

There should be a continuation of the improvement in sales in 2011. Interest rates will rise but that should not have much effect on the investment sales. Additionally, the SBA remains a strong option for owner/users looking to purchase properties for their businesses. Rates are still competitive and the low down payment options offer an attractive way for businesses to expand.



Santa Barbara Office Leasing

The Santa Barbara Office market remained stable during the 4th quarter of 2010. The quarter was highlighted by a tenant leasing the entire 5th floor of 820 State Street (8,500 square feet). In another market an 8,500 square foot lease might be commonplace but of the 129 current available office spaces in Santa Barbara only 2 are over 10,000 square feet (901 Olive Street and 3660 State Street). The majority of office spaces in the South Coast larger than 10,000 square feet are located in Goleta. The typical office product in the Santa Barbara market further displayed by the fact that of the 18 new office leases during the 4th quarter in Santa Barbara, 14 were under 2,000 square feet. This represents a marked change as the small office market in Santa Barbara had been stagnant since early 2009. Look for this market to remain stable throughout 2011.

Santa Barbara Office: Price vs. Vacancy Rate



Santa Barbara Industrial Leasing

The Santa Barbara Industrial market remains the most stable submarket we track with a vacancy rate of 1.2%. During the 4th quarter we saw a relatively high number of transactions for Santa Barbara industrial with 6 completed deals. These new leases were highlighted by Allied Waste leasing two separate buildings totaling over 13,000 square feet. With the high demand and limited product the Santa Barbara industrial vacancy rate has remained between 1% and 3% for over a decade. Look for industrial vacancy to increase slightly during 2011 as a number of larger spaces may be coming on the market. At the time of this writing there was only one industrial space on the market over 10,000 square feet. Of the 19 available spaces, 13 fell within the 2,000 to 8,000 square foot range.

Santa Barbara Industrial: Price vs. Vacancy Rate



LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
101 Innovation Place	35,000 SF	QAD
901 Olive Street	14,400 SF	SoftShare
3660 State Street	11,900 SF	Wachovia
3757 State Street	9,400 SF	Multiple Tenants

LARGEST OFFICE SPACE LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
1014 Santa Barbara St	14,400 SF	Morgan Stanley
33 E. Carrillo Steet	14,400 SF	Rabobank
223 E De la Guerra	11,500 SF	Sonos, Inc.
104 W Anapamu St	10,500 SF	Nasif, Hicks, Harris & Co.

LARGEST AVAILABLE INDUSTRIAL SPACES

ADDRESS	SIZE (SF)	VACATED BY
1 N Calle Cesar Chavez	15,300 SF	Murray Plumbing
820 Bond Avenue	7,500 SF	Profile Record Storage
726 Cacique Street	7,100 SF	PJ Milligan
131 Anacapa Street	6,600 SF	Multiple Tenants

LARGEST INDUSTRIAL LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
25 E Mason Street	32,200 SF	Brooks Institute
1 N Calle Cesar Chavez	15,300 SF	Murray Plumbing
415 Salsipuedes Street	14,400 SF	Sonos, Inc.
436 E Gutierrez Street	11,500 SF	Kamran & Co.

Santa Barbara Retail Leasing

The drastic reduction in retail pricing on State Street has enabled local tenants to once again pursue State Street locations. This trend has also reduced the Santa Barbara retail vacancy down to 2.0% from 2.8% in mid 2009. The leasing of the former Boarder's location (38,000 SF) and the former Barns and Noble location (15,000 SF) prior to either space coming onto the market shows national retailers are still excited to enter the exclusive Santa Barbara retail market. During the fourth quarter we also saw the leasing of the former Acapulco/Stateside location, this 11,000 square foot restaurant had been available for 1 year. The leasing of these larger locations along with the REI lease earlier this year will maintain downward pressure on the Santa Barbara retail vacancy rate.

LARGEST AVAILABLE RETAIL SPACES

ADDRESS	SIZE (SF)	VACATED BY
424 State Street	16,900 SF	Pep Boys
1117 State Street	11,200 SF	Antica Rugs
610 Anacapa Street	10,800 SF	Cafe Gliss
15 S Hope Avenue	10,100 SF	Rug Store

LARGEST RETAIL LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
900 State Street	38,000 SF	Marshalls
819 State Street	24,700 SF	Metropolitan Theatres
314 State Street	24,500 SF	REI, Inc.
827 State Street	15,000 SF	H&M Clothing

Santa Barbara Retail: Price vs. Vacancy Rate



SOUTH COAST HIGHLIGHT SALES - 2010



6410 Cindy Lane

Bldg. Size: 57,500 SF
Price: \$6,120,000



700 State Street

Bldg. Size: 5,750 SF
Price: \$3,949,000



900 State Street

Bldg. Size: 38,000 SF
Price: \$9,800,000



5511-5571 Ekwil Drive

Bldg. Size: 44,800 SF
Price: \$6,910,000

SOUTH COAST HIGHLIGHT LEASES - 2010



314 State Street

Size: 24,500 SF
Tenant: REI, Inc.



900 State Street

Size: 38,000 SF
Tenant: Marshalls



6330 Hollister Avenue

Size: 43,900 SF
Tenant: InTouch Health



6410-6460 Via Real

Size: 58,400 SF
Tenant: lynda.com

Goleta Industrial Leasing

Goleta Industrial leasing remained very quiet over the 4th quarter of 2010 with vacancy holding steady at approximately 5.8%. In Q3 of 2010 there were no Goleta Industrial lease transactions of note. The lone transaction in Q4 of 2010 was an approximately 5,000 SF renewal of a Goleta warehouse tenant. The four largest Goleta Industrial vacancies in Q3 of 2010 remained vacant in Q4. Goleta Industrial Gross lease rates have stayed stable at approximately \$1.22 Gross as there have been no deals done which would move the Goleta Industrial “rate-dial.” Although we do not expect to see major industrial activity in Goleta over the next 6 months one thing is for certain, when an industrial tenant has a need in the Goleta market, the multiple options available will lead to a softening in industrial lease rates as industrial landlord’s compete to attract that elusive Goleta Industrial tenant by once again providing lower lease rates and other leasing incentives.



LARGEST AVAILABLE INDUSTRIAL SPACES

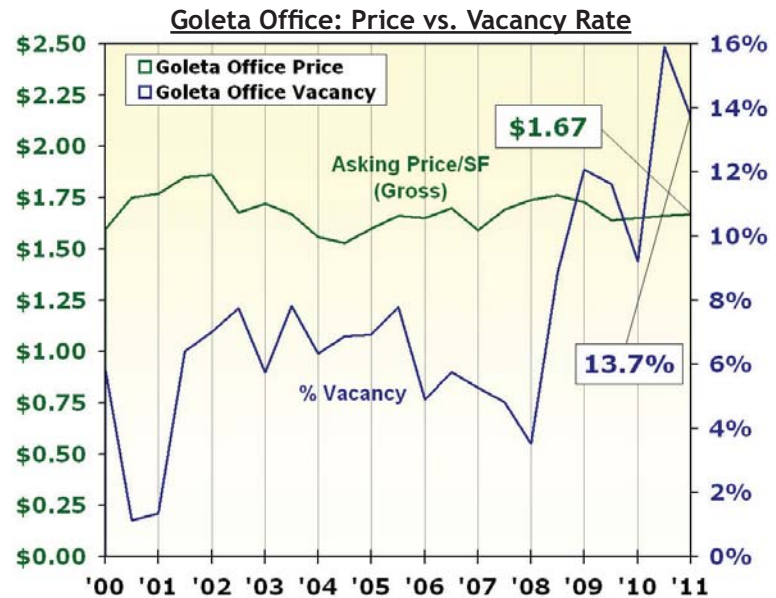
ADDRESS	SIZE (SF)	VACATED BY
6775 Hollister Ave.	81,300 SF	DuPont
82 Coromar Dr.	53,000 SF	Nexxus
30 S La Patera	40,000 SF	Multiple Tenants
6466 Hollister Ave.	20,900 SF	FedEx

LARGEST INDUSTRIAL LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
600 Ward Drive	30,000 SF	DuPont
6780 Cortona Drive	11,800 SF	DuPont
5551 Ekwill Drive	11,200 SF	Akela, Inc.
5737 Thornwood Drive	10,100 SF	Newton Enterprises

Goleta Office Leasing

For the 2nd consecutive quarter, the Goleta Office market experienced a drop in the vacancy rate. This was a (much needed) trend reversal as Q1 and Q2 of 2010 saw sharp spikes upward in vacancy to levels not seen over the last 10 years (approximately 16%). Goleta’s Office leasing activity was highlighted by InTouch Health’s leasing of approximately 44,000 SF at 6330 Hollister (the space formerly occupied by Bargain Network). There were four other Goleta Office leases of note (see chart) ranging in size from approximately 6,500-10,200 SF. Looking at the five Goleta leases of note, two were relocations of tenants formerly officed in downtown Santa Barbara, one a relocation of a Goleta tenant, one a renewal of an existing tenant in their current space and one an expansion of an existing tenant into additional square footage within their current Goleta location. Although Goleta Office vacancy experienced some tightening over the past two quarters, the current Goleta Office vacancy rate still sits at just under 14% which is higher than any point in time from 2000-2009. With a large quantity of quality office space currently available for lease in Goleta, expect Goleta Office lease rates to decline over the next 6 months as Landlords offer lower rates and greater incentives to attract tenants in the market to lease Goleta Office space.



LARGEST AVAILABLE OFFICE SPACES

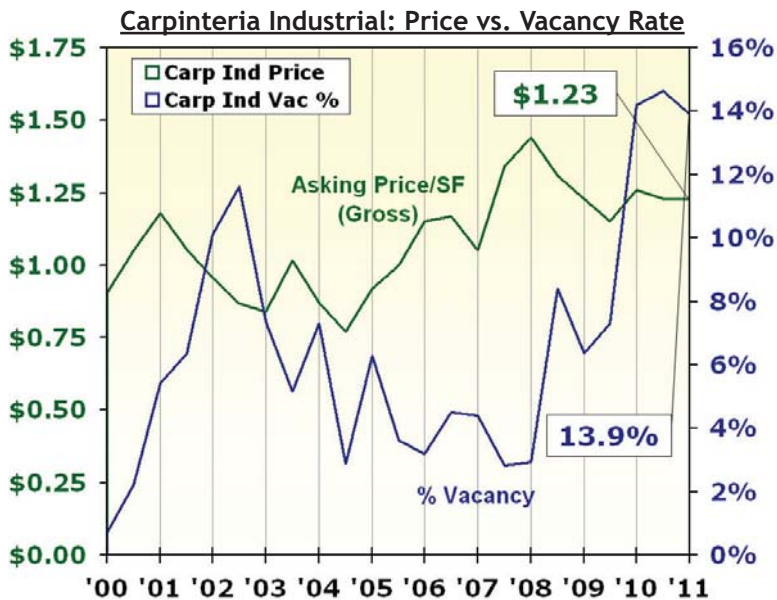
ADDRESS	SIZE (SF)	VACATED BY
7418 Hollister Ave.	86,300 SF	Raytheon
6500 Hollister Ave.	53,300 SF	Citrix
50 Castilian Drive	43,300 SF	Cottage Hospital
1 S Los Carneros	27,800 SF	SB Bank & Trust

LARGEST OFFICE LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
6330 Hollister Avenue	43,900 SF	InTouch Health
326 Bollay Drive	38,900 SF	Inogen
6755 Hollister Avenue	11,960 SF	Eucalyptus Systems
120 Cremona Drive	10,200 SF	Maps.com

Carpinteria Industrial Leasing

Carpinteria's industrial market saw the year end close to where it began with the vacancy rate decreasing less than .5% over the last year. There has been little activity outside of lease renewals and with lease rates being similar in Goleta and much lower in Ventura the market has been able to do little to capture enough transactions to make a significant dent in the vacancy rate. We project that 2011 will be similar to 2010 in that there will be fewer deals completed than in years past and that tenants will only commit to this area if the landlords are willing to effectively compete on pricing with the nearby Ventura market.



LARGEST AVAILABLE INDUSTRIAL SPACES

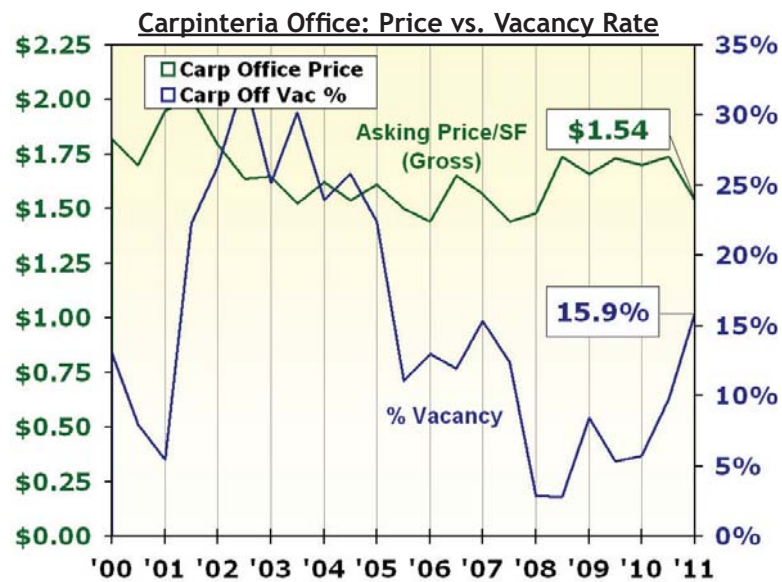
ADDRESS	SIZE (SF)	VACATED BY
1026 Cindy Lane	68,400 SF	Multiple Tenants
6382 Rose Lane	39,100 SF	Pacific Scientific
1015 Cindy Lane	19,400 SF	Helix
5045 6th Street	13,000 SF	

LARGEST INDUSTRIAL LEASES 2010

ADDRESS	SIZE (SF)	LEASED BY
6384 Via Real	24,000 SF	Northrop Grumman
1035 Cindy Lane	13,800 SF	ZBE, Inc.
1115 Mark Avenue	5,300 SF	Gigavac. Inc.
517 Maple Avenue	3,900 SF	Rincon Catering

Carpinteria Office Leasing

Carpinteria retains its title of Most Lackluster Office Market on the South Coast. The fourth quarter of 2010 continued the streak of five straight quarters of increases in vacancy as an additional 25,000 SF of office space made its way to the market at 5464 Carpinteria Avenue. This space, being offered by Microsoft as they look to exit the South Coast, is high quality office space being marketed very aggressively for sublease. This continued aggressiveness from landlords and sublandlords alike has helped lower asking rates to two-year lows. The vacancy rate increased from 5.7% to 15.9% over the last year. Activity in the Carpinteria market continues to be low with the majority of deals being done by one company, lynda.com. They have expanded into over 58,000 SF of Carpinteria office space over the last 18 months and that doesn't include another 60,000 SF of building space that they have purchased. There are few potential bright spots in Carpinteria's future, however. Even if Deckers chooses Carpinteria as the new home for its headquarters that would not lower the vacancy rate since the buildings have not yet been built. It would, however, be a second feather in the cap of a city who in 2010 saw lynda.com commit to making Carpinteria its long term home.



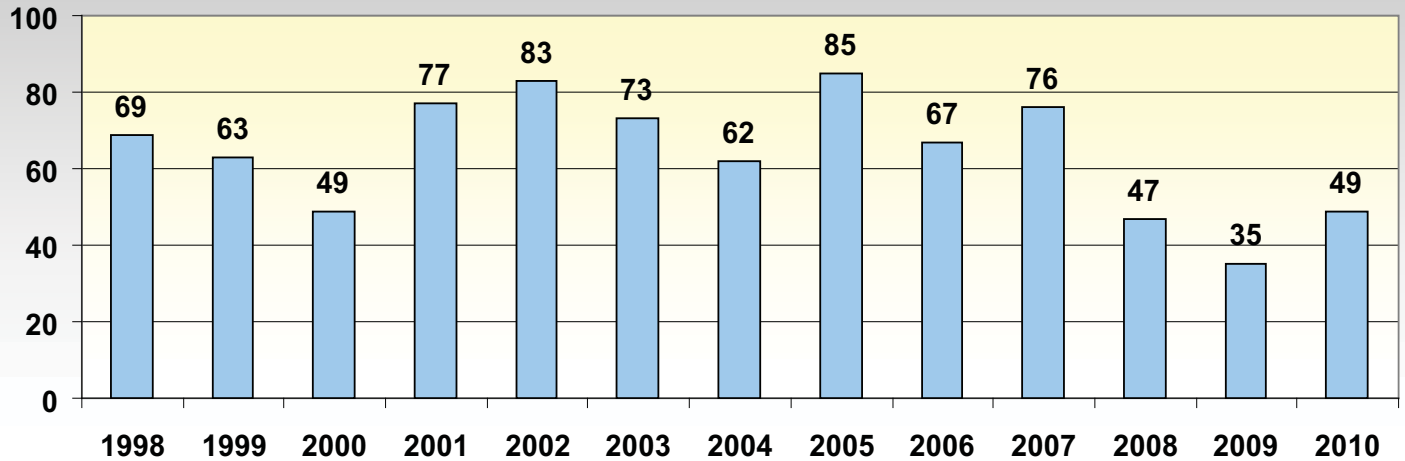
LARGEST AVAILABLE OFFICE SPACES

ADDRESS	SIZE (SF)	VACATED BY
5464 Carpinteria Ave	23,800 SF	Microsoft
4180 Via Real	16,100 SF	Multiple Tenants
6307 Carpinteria Ave.	9,900 SF	Clipper Windpower
1180 Eugenia	5,600 SF	Divecon, Inc.

LARGEST OFFICE SPACE LEASES 2010

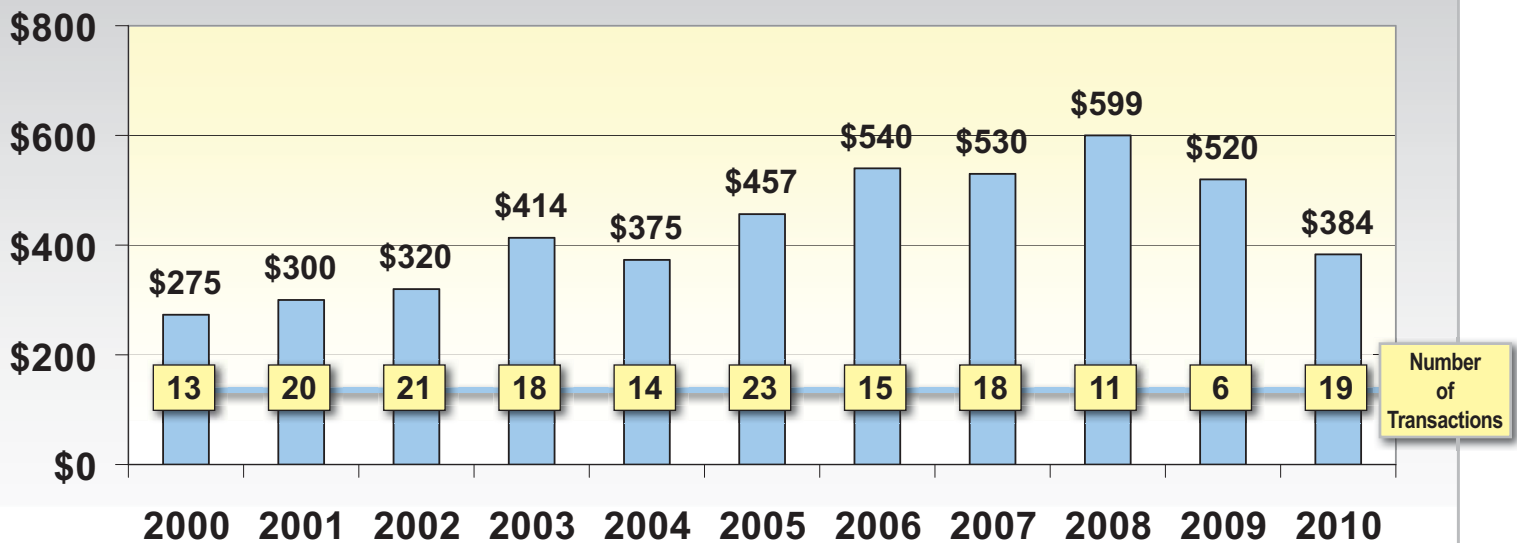
ADDRESS	SIZE (SF)	LEASED BY
6410-6460 Via Real	58,400 SF	lynda.com
1013 Mark Avenue	9,700 SF	ISSA
6383 Rose Lane	7,800 SF	RiteMap, Inc.
1090 Eugenia Place	2,800 SF	Continental Windpow-

South Santa Barbara County Commercial Sale Transactions (Excludes Apartments)

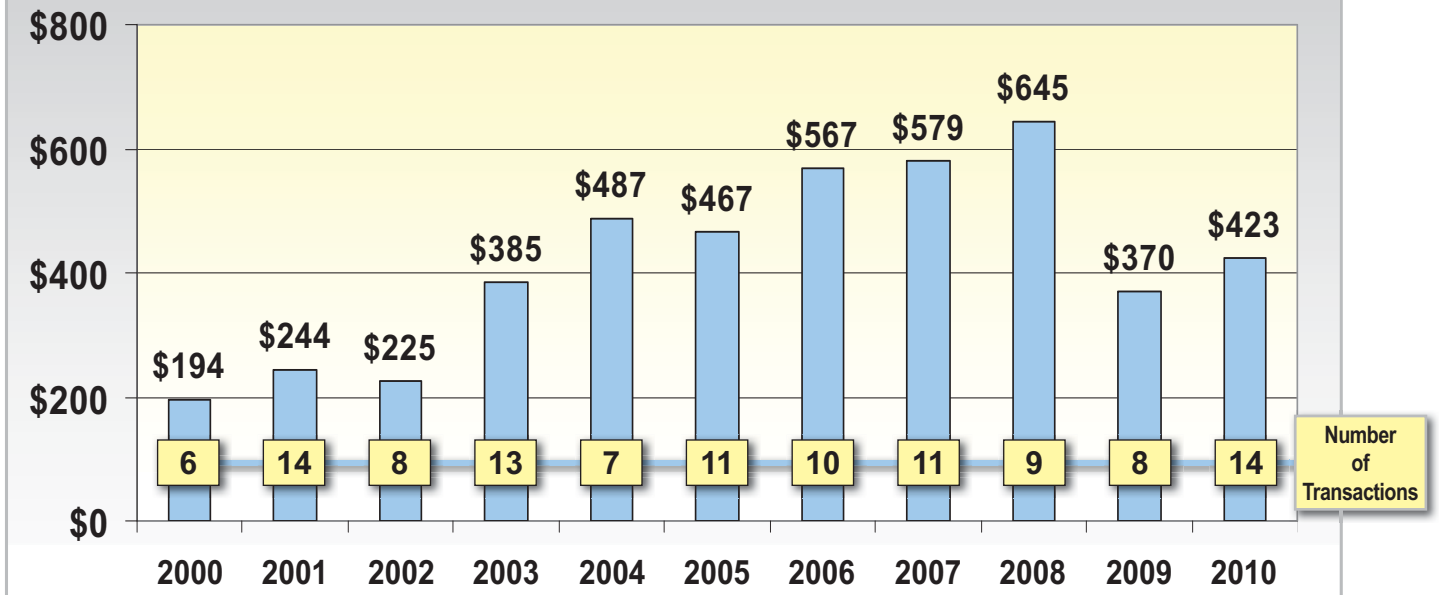


The average number of transactions over the last 12 years is **64** per year.

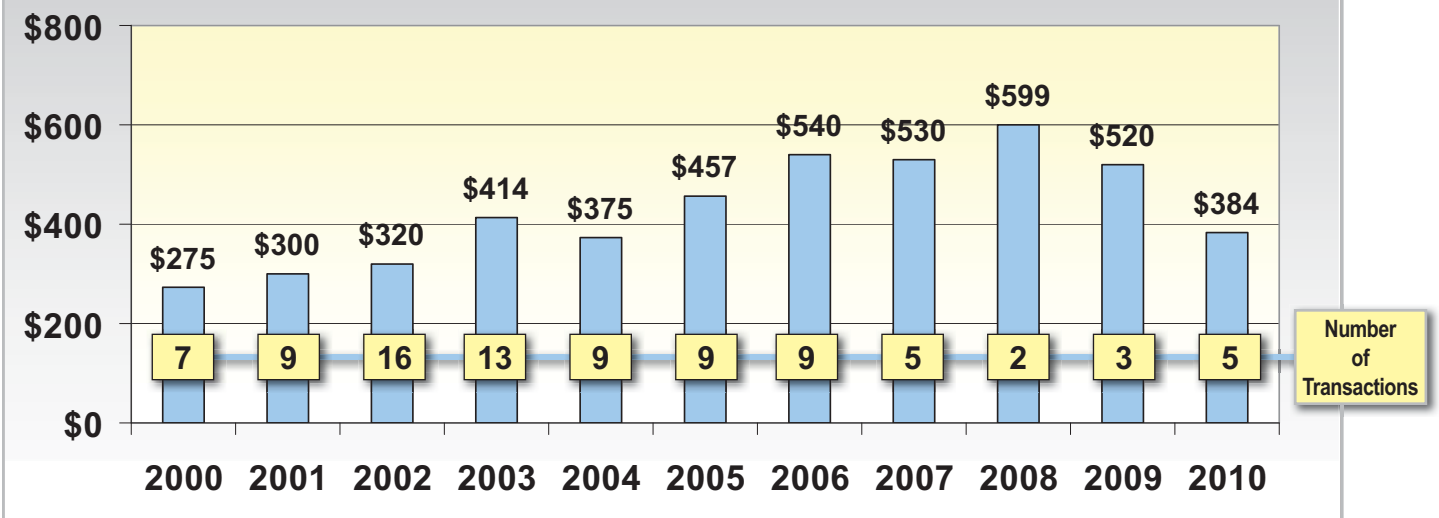
Average Santa Barbara Office Building Sales Per Square Foot (All Sizes)



Average Santa Barbara Retail Building Sales Per Square Foot (All Sizes)



Average Santa Barbara Office Building Sales Per Square Foot (All Sizes)



Highlight Apartment Sales South Santa Barbara County

During the 4th quarter 2010, there were a total of 4 apartment deals (of 5+ units) closed along the South Coast of Santa Barbara. That put the total number of sales for 2010 to 16, which exceeded the 14 sales in 2009 and only 9 sales in 2008. We anticipate that the smaller buildings, those ranging from 5-20 units, will continue to make up the vast majority of apartment deals in 2011.

For 2011 the price per unit for 10+ units will average between \$180,000 to \$220,000 per unit. Smaller buildings (5-9 units) will sell between \$195,000 and \$230,000 per unit.

We forecast that cap rates have moved down for the South County and sales will happen between 5.25% to 6.00% on average. We also believe gross rent multipliers will stay at or near 10.5X – 12.75X for 10+ units while 5-9 unit buildings will sell between 11-14 x gross.

The rents in Santa Barbara will increase modestly by between 1-3%. Vacancy rates will remain stable and should still be under 5% and we predict that may go down even further as would be home buyers cannot qualify for home loans without proper credit and income. With our little to no growth rental climate it should keep the rental market strong though with mostly stable rents.

We forecast that interest in multi-family deals along the central coast shall be more robust than the years from 2008 to the first half of 2010. We have seen some larger transactions that took place in 2010 with the biggest sales in 2010 happening in Isla Vista. If any additional questions please call Steve Golis or Dan McGregor.

South SB County (PPU)



Radius Group Commercial Real Estate is the dominant full service commercial real estate brokerage firm on California's Central Coast. Our dedication to providing successful real estate solutions to client requirements is evidenced by our unparalleled results.

Our Reputation Says It All...Ask Anyone

Radius Group Commercial Real Estate 2010 Accomplishments

☞ Radius completed more leases and sales in 2010 than any other brokerage on the South Coast.

☞ Radius handled over half of all commercial sales in 2010, including the largest retail building sold in Santa Barbara and the largest office sales in Montecito and Carpinteria.

☞ Radius completed 4 of the top 10 commercial sales and 5 of the top 10 commercial leases on the South Coast.

☞ Radius was involved in over 40% of all apartment sales of 5+ units on the South Coast in 2010.

☞ Radius Group has sold and leased more commercial property than any other company on the South Coast since 2002.

☞ What can we do for you in 2011?

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