

# SANTA BARBARA NEWS-PRESS



## Reports: local building sales are freefalling

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July 9, 2008 7:07 AM

It has taken only a few months for the sale of commercial real estate on the South Coast to go from the penthouse to the outhouse, summed up Santa Barbara's two biggest players, Radius Group and Leider-Hayes.

According to Radius Group's "Real Estate Sales Trends" report, while it cautions that only a small amount of data could be mined because of a "decrease in activity," it said that commercial market sales volume has declined 35 percent for the first six months of 2008 as compared with the same period a year ago.

"I don't know if this is historically the lowest it's been," said Kirk Carson, the group's associate agent, "but by the number of transactions, this is the largest decrease in volume (we've seen)."

Mr. Carson said that prices have not been largely affected yet, "but they will be simply because of supply and demand."

Francois DeJean of Leider Hayes said his company's figures show a 20 percent decline in the number of commercial sales and a decline of 50 percent on total dollar volume during the aforementioned period. "We're definitely seeing a slowdown," said Mr. DeJean. "People read the headlines ... economy, oil, unemployment. They are more pessimistic (about the economy)."

Mr. DeJean, obviously, isn't surprised by the precipitous downward spiral, but fears that the bottoming out -- as evidenced by the residential market -- won't happen for a while. "Fortunes turn. Last year commercial real estate was doing great, but we're finally feeling it now. The biggest difference I'm seeing is the fallout of the title offices -- Chicago Title, Equity Title and others --- that have left or are not going to renew their leases."

While some available properties being counted are not in the most desirable South Coast locations and are apt to stay on the market longer, Mr. Carson confirmed that even State Street has been hit hard. "There's more property on the market, not only because it's a buyers' market, but some developers have had to sell their Santa Barbara property to pay off properties they own elsewhere. The demographics (from mom-and-pop stores to national chains) are changing and the best buyers on State Street are staying on the sidelines."

Mr. DeJohn said that Apple leasing out 18,000 square feet at the former Pier 1 Imports building on State Street skewed the vacancy rate on that thoroughfare, falling a half-percentage point to 1 percent. "Also, SIMA is renovating some of their buildings and that forced businesses out. But rental rates are still up."

So how foreboding is commercial real estate sales in Santa Barbara? As an example, Mr. Carson said

that the Trader Joe's building on De la Vina Street has been up for sale for the past three to four months. He also said that the average time a commercial property is without a buyer has gone up to "approximately two to three months, and we haven't seen the bottom yet."

To begin to turn the market around, Mr. Carson advises sellers to have realistic expectations. "They have to be a real seller (not someone who has unrealistic expectations)."

Mr. DeJohn echoes that point and adds, "We're in for one."

**IT IS ALIVE?:** The Entrada de Santa Barbara timeshare project near the Amtrak station at 125 State Street, which every time Real Deals drives by is just a pile of dirt that doesn't seem to get any higher, is going before the Planning Commission to seek approval to "allow 10 parking spaces associated with the Visitor Information Center at the northeast corner of State and Mason streets, to be provided within the parking structure."

By the time Entrada de Santa Barbara is finished, Real Deals wonders, will we even have cars?

**TRANSACTIONS:** 38-unit apartment building at 175 Kinman Ave., Goleta, sold for \$124,000 per unit (\$471,200). Steve Golis and Jan Finley of Radius Group represented the seller.

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