

## Commercial Sales Summary

# Solid finish to unpredictable year

## Strong showing in Q4 pushes 2020 commercial sales past 15-year average

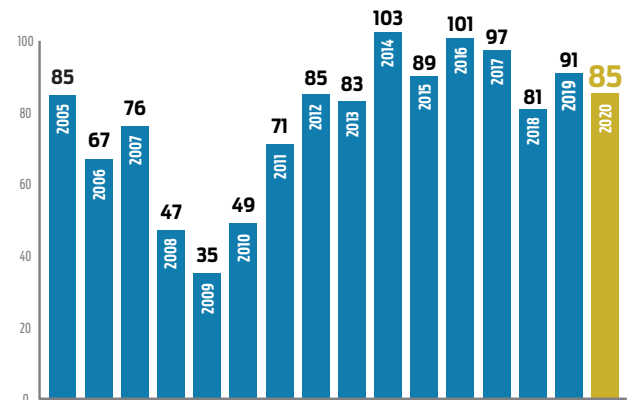
Despite the craziness of 2020, the South Coast still managed to end the year on a strong note with 85 total commercial sales, just six (6) short of 2019's 91 haul, and above the 15-year average of 77.1 sales/year. This was due in part to a solid Fourth Quarter which produced 29 total transactions, just shy of the 32 deals inked during Q4 2019. There was not much difference in volume either, with Q4 2020 coming in at \$198.0MM compared to \$217.1MM in Q4 2019. Categorically, office sales led the quarter with 11 total, followed by industrial sales (8), land sales (6), and to no surprise, retail lagging behind (3) and hospitality (1).

The Fourth Quarter also witnessed a few notable transactions. The largest commercial sale in the history of downtown Santa Barbara took place in December, with the Amazon building at **1001 State St. selling for \$36.2MM / 4.85% cap rate**. Also in December, the three-building office campus at **50-90 Castilian Dr., Goleta, closed for \$61MM / 5.7% cap rate**, trading for the second time in a year (prior sale in Q4 2019 for \$40.9MM).

**12/30/2020 | 50-90 Castilian Dr., Goleta  
Office Complex | 165,905 SF  
\$61,000,000 (Praelium Commercial Real Estate)**



2020 South Coast Commercial Sales



Excluding sales of apartments. 15-year average = 77.1 sales/year.

Other interesting sales of note include The Wayfarer Hotel at 12 E. Montecito St., Santa Barbara, the only hospitality sale of the quarter, which traded for \$7.63MM. Westmont College solidified their presence in downtown Santa Barbara by acquiring 11,522 SF at 26 W. Anapamu St. for \$6.3MM, allowing the university to expand their existing classroom operations.

Finally a land deal of note: approximately 17 acres off Los Carneros traded for \$13.5MM and is expected to be developed with more needed apartments.

Commercial Sales Summary Continued on P.2

## Commercial Sales Summary

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An interesting difference in Q4 2020 versus the rest of the year and the last half of 2019, is that **investors led the market**. About 59% (17 of 29) of the Q4 2020 transactions were investors, while that percentage was just 30% in Q4 2019. Overall we saw 44 owner-user sales versus 41 investor sales in 2020, while 2019 saw 57 owner-users and 34 investors. This year-over-year change seems to be a result of more 1031-exchange buyers in the market and potentially could be excess investment dollars from the local residential boom that occurred in 2020.

Despite the odd beginning to 2020, the year played out in ways that were not expected. Continued low interest rates and low inventory combined with large sums of money heading to Santa Barbara created a demand for commercial assets that were good fits for both owner-users and investors.

2019

2020

91

85

Sales

Sales

\$566.9

\$386.5

Million in Volume

Million in Volume

37%

48%

Investor Sales

Investor Sales

63%

52%

Owner-User Sales

Owner-User Sales

**12/4/2020 | 1001 State St., Santa Barbara**  
**Office | 48,564 SF | \$36,250,000**  
**(GM State Street Investors, LLC)**



## Multifamily Sales Summary

### Santa Barbara South County

A total of eight (8) investment properties of 5+ units in size sold during the Fourth Quarter of 2020 in South Santa Barbara County. Two of the largest sales involved the two adjacent Sandpiper Mobile Home communities on Via Real and Cravens Lane in Carpinteria, which combined for 100 units and about \$19.9MM total. Additionally, a 25-unit property on two parcels at 1119 San Pascual St. in Santa Barbara garnered just under \$9.5MM at \$378,000/unit, representing the largest asset sold downtown during the quarter.

The year closed with two smaller yet significant sales in Santa Barbara's Eastside: 1530 Bath St. (5 units) sold for just under \$2.6MM at \$516,000 per unit with a 4.3% cap rate, while 2130 Bath St. (4 units) next to Cottage Hospital sold for \$2MM at \$500,000 per unit and a cap rate of 3.2%. Additionally, a triplex at 615 W. Mission St. generated multiple offers before selling over asking price at just over \$1.6MM, notching the highest price-per-unit in downtown Santa Barbara in Q4 at \$543,333. A smaller duplex located at 2418 Calle Real sold for about \$833,000, averaging over \$416,000 per unit.

Meanwhile in Isla Vista, three notable student housing assets sold in Q4. The infamously known UCSB water polo team house at 6697 Del Playa Dr., a large capacity single family ocean front property offering up to nine beds, sold for \$1,385,000 at a 4.4% cap rate. Just down the street at 6637 Del Playa Dr., this two-unit property sold for \$1,750,000 and \$875,000 per unit. Finally, 6729 Trigo Rd., also two units, sold for \$1,615,000 and \$807,500 per door. With limited inventory, we're still seeing strong interest and demand surrounding UCSB for investors.



**Sandpiper Mobile Home Park, Carpinteria (2 Properties)**  
100 Units Total | \$19.9MM (Total both sales)

### Santa Barbara North County

Activity was minimal in the North County during the quarter with the major highlight a 208-unit asset at 333 E. Enos Drive in Santa Maria which closed just before Christmas for \$56.5MM garnering \$271,635 per unit at a 4.8% cap rate. The property, which boasted recent renovations valued at \$4MM, generated close to 50 interested buyers.

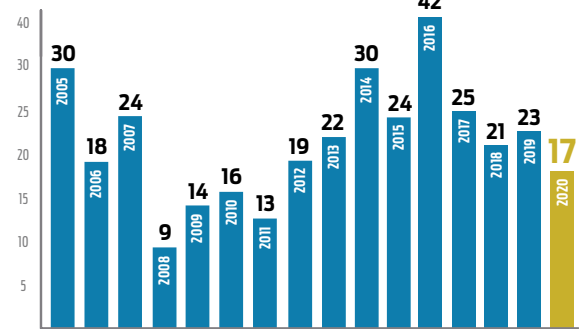
### W. Ventura County

In W. Ventura County, the two largest assets sold in November in Camarillo: 352 Townsite Promenade and 659 N. Las Posas Rd. Townsite Promenade, is a 213-unit, newly renovated complex with modern amenities generating top market rates, sold for \$95,750,000 at just under \$450,000/unit. Las Posas is a 106-unit property that sold for \$30.5MM at \$287,736/unit with a 4.01% cap.

In Oxnard, a 24-unit property on just over a half acre lot at 816 S. G St. sold for \$3,475,000 or close to \$145,000/unit. A smaller 6-unit property sold for \$1,450,000 at \$242,000/unit. In adjacent Port Hueneme, an 11-unit asset sold for \$1,724,000 or \$157,000/unit at a 4.74% cap rate.

Two Ventura properties sold in Q4, 608 Empire Ave. and 6328 Whipporwill St. The 8-unit Whipporwill asset came through at the end of December for \$1.6MM / \$200,000/unit. The 5-unit Empire Ave. building sold in October for \$1,550,000 at \$310,000/unit.

#### Annual South County Multifamily Sales



Sales of Multifamily properties 5+ Units in size

Down in Summerland, we're continuing to see a flurry of activity with multiple opportunities for investors to upgrade amenities and maximize rents in this highly sought after beachside community. There were four properties that sold with limited inventory in Q4. The largest and most recent was a 6-unit building at 2160 Ortega Hill Rd., an optimal developer opportunity, which sold for \$2,435,000 at \$405,833 per unit. Also two triplexes sold: 2525 Banner Ave. for \$2,225,000 with per unit price of just under \$742,000, and 2460 Lillie Ave. for \$1,785,357 at just over \$595,000 per unit. Rounding out the quarter a duplex at 2305 Golden Gate Ave. sold for \$1,105,000 at \$552,500 per unit.

## South Coast Leasing Summary

### 2020 SO. COAST LEASING QUICK STATS

		Vacancy	
		Q3'20	Q4'20
OFFICE	Santa Barbara	7.7%	8.1%
	Goleta	3.7%	7.1%
	Carpinteria	6.1%	6.6%
INDUSTRIAL	Santa Barbara	1.4%	1.4%
	Goleta	6.8%	6.7%
	Carpinteria	7.8%	6.1%
RETAIL	Santa Barbara	3.7%	5.0%

### Quarterly Absorption (SF)

		Q3'20	Q4'20
OFFICE	Santa Barbara	42,800	62,700
	Goleta	71,300	28,100
	Carpinteria	2,400	NA
INDUSTRIAL	Santa Barbara	16,500	3,000
	Goleta	75,500	25,600
	Carpinteria	5,800	15,800
RETAIL	Santa Barbara	7,700	38,300

### Avg. Gross Asking Rates (\$/SF)

		Q3'20	Q4'20
OFFICE	Santa Barbara	\$3.12	\$3.10
	Goleta	\$2.11	\$2.13
	Carpinteria	\$2.17	\$2.17
INDUSTRIAL	Santa Barbara	\$2.19	\$2.15
	Goleta	\$1.58	\$1.56
	Carpinteria	\$1.76	\$1.58
RETAIL	Santa Barbara	\$4.17	\$4.06

### Avg. Gross Achieved Rates (\$/SF)

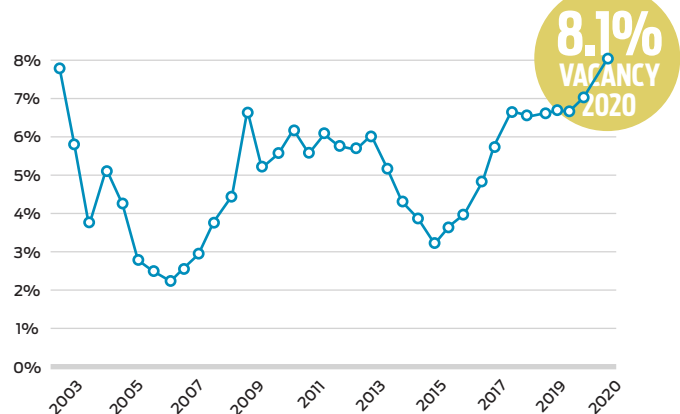
		Q3'20	Q4'20
OFFICE	Santa Barbara	\$2.88	\$2.70
	Goleta	\$1.81	\$2.08
	Carpinteria	\$1.95	NA
INDUSTRIAL	Santa Barbara	\$2.06	\$2.99
	Goleta	\$1.58	\$1.82
	Carpinteria	\$1.44	\$2.16
RETAIL	Santa Barbara	\$3.56	\$3.31

## Office

Without a doubt COVID has impacted the Santa Barbara office market as the vacancy rate rose to 8.1% for 2020, its highest annual level in more than 20 years. Many of the larger open-office “tech” spaces will likely be the slowest to lease until COVID fears wane.

The largest new lease of the Fourth Quarter was a nearly 10,000 SF traditionally retail space at 1219 State St. leasing as office space to the Community Environmental Council which plans to expand its footprint downtown as it expands from its previous +1,500 SF space at 26 W. Anapamu St. Unusually, Santa Barbara now has five available office spaces larger than 10,000 SF.

SANTA BARBARA OFFICE VACANCY



Moving on to Goleta, we saw the office market vacancy rate double from 3.7% in Q3 to 7.1% by the end of 2020. While vacancy has increased, there are currently offers/activity on the three largest available spaces in Goleta (7414 Hollister Ave., 7416 Hollister Ave. and 326 Bollay Dr.). The most notable new lease of the quarter was Google leasing nearly 18,000 SF at 5385 Hollister Ave. which is next door to the property they recently purchased. Having Google, Microsoft and Amazon all expand on the South Coast is a boon for our market and our labor force.

Down in Carpinteria, no significant activity to report as the office vacancy rate increased slightly to 6.6% for the year which is more of a normal level for this small market. There were only eight office spaces in Carpinteria available for lease at the end of the Fourth Quarter and no office leases took place during the quarter, showing the size of the market. It will be interesting to see how ProCore and Microsoft occupy their buildings post-COVID as much of their space is open and collaborative tech office.

Leasing Summary Continued on P.5

## South Coast Leasing Summary

Continued from P.4

### Industrial

The Goleta Industrial vacancy rate remains at 6.7% which is consistent with where it finished Q3. The majority of the vacant space lies within two buildings 30 S. La Patera Ln. (102,000 SF vacated by SkateOne) and 7418 Hollister Ave. (96,323 SF vacated by LogMeIn). The largest lease of the quarter was GTX Turf Farms leasing 11,700 SF at 147 Castilian Dr.

Meanwhile in Carpinteria, the Industrial market ended the year with a vacancy rate of 6.1% up from the 2.0% rate at the end of last year. The largest lease in the Fourth Quarter was 14,400 SF of warehouse space at 6385 Cindy Ln., a sublease from ProCore. The largest available space is the 24,000 SF former Northrop Grumman building which ProCore is also trying to sublease.

As a repeat of our last 40 quarterly reports, the Santa Barbara Industrial vacancy rate remains below 2%. The two largest available spaces (both approx. 12,500 SF) are within the project at Gutierrez and Montecito Streets. Our market remains starved for quality industrial space with good access and loading. All three of the industrial leases in Santa Barbara completed in Q4 resided at The Platform (126 E. Haley St.) which just came on the market for sale.

### Santa Barbara Retail

The fourth quarter capped an already difficult year for many Santa Barbara retailers with regional stay at home orders expanded during the critical holiday shopping season, a time when sales are typically expected to be higher. Due to this, many would-be tenants were skeptical of committing to long term leases during the quarter and a majority that signed were for 1-3 year terms. One noteworthy retail lease involved Wingstop at La Cumbre Plaza as the casual restaurant chain settled into a 10-year term on a 1,438 SF space to open its first location in Santa Barbara.

On the vacancy front, the market gained a staggering 149,000 SF of retail space with the old Sears building at La Cumbre coming to market for lease. This single retail box pushed our total retail vacancy to over half a million square feet and our vacancy rate to 5.0%, compared to 3.8% to end 2019.



**Leased | 5385 Hollister Ave., Building 5 & 12, Goleta**  
**Retail | 17,897 SF (Google)**



**Subleased | 6385 Cindy Ln., Carpinteria**  
**Industrial | 14,400 SF (Big Sale Group, LLC)**



**Leased | 1219 State St., Santa Barbara**  
**Office | 9,966 SF (Community Environmental Council)**

Combined, the old Macys building at Paseo Nuevo Mall and Sears at La Cumbre hold over half the vacant space in the market.

The average gross asking rate during the fourth quarter was \$4.06/SF, with the actual achieved gross rates at \$3.31/SF. Achieved rates may likely trend downward in 2021 as market supply continues to increase.

# Downtown State Street Q4 Retail Vacancy Update

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

## State Street Retail Vacancy

	Q3   2020	Q4   2020
Total Storefronts	249	249
Storefronts Available For Lease	42	48
Vacancy Rate of Storefronts Available For Lease	16.87%	19.28%
Vacant Storefronts	36	39
Perceived Vacancy Rate	14.46%	15.66%
Storefronts Still Occupied by Tenant	1	2
Pop-Up Shops	5	7

\*Report updated as of 1/19/2021

Not surprisingly, the trend of higher vacancy on the downtown State Street corridor continued in Q4 2020 as we saw an increase in the number of vacant storefronts, rising from 36 in Q3 to 39 in Q4, as well as the number of storefronts available for lease, rising from 42 in Q3 to 48 in Q4. As it did with the rest of the retail sector, the expanded stay at home orders through the holiday season certainly impacted State Street merchants. Still, generally popular adaptations like the temporary “State Street Promenade”, created by closing a part of State Street to encourage foot traffic and activity, remain bright spots for the downtown neighborhood. We also continue to see more businesses considering this area for office use, such as the Community Environmental Council, which leased a nearly 10,000 SF space at 1219 State St. to expand its operations on the South Coast.

### New leases & vacancies

There appeared to be five (5) new leases in Q4 2020 to offset the five (5) new vacancies. Still, two of those leases involved Pop-up shops:

- **1219 State St.** — 9,966 SF (Community Environmental Council)
- **532 State St.** — 3,080 SF (Yona Redz - *Pop-Up*)
- **1305 State St.** — 1,819 SF (Teru Japanese)
- **432 State St.** — 1,414 SF (Paradise - *Pop-Up*)
- **723.5 State St.** — 485 SF (Tondi Gelato)



### VACANT STOREFRONTS BY THE BLOCK

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