

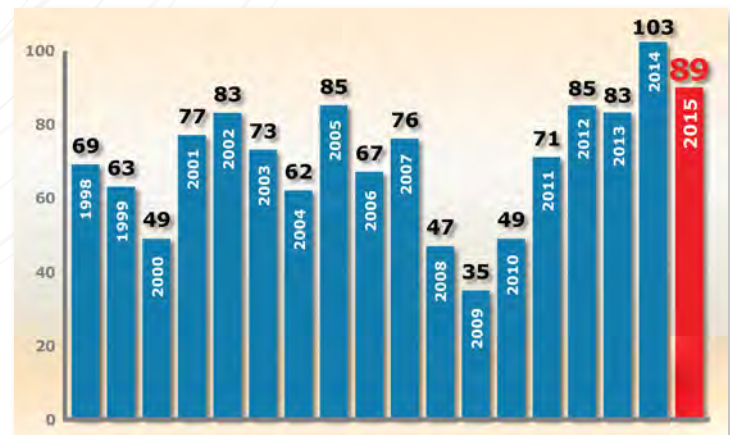
COMMERCIAL SALES SUMMARY

Let The Good Times Roll

The resurgence of commercial sales activity in the South Coast that began in 2012 has rolled into 2015 with an impressive 89 total transactions for the year. In fact, the past four years have been so strong that the annual average which Radius began tracking in 1998 has increased from 65 sales per year to 70. While the last four years have been phenomenal, 2015's 89 sales (second most recorded) could not top the record high of 103 sales achieved in 2014. However, we believe it could have been a different story had there been more inventory available because there is definitely no shortage of buyers. Additionally, while the number of transactions decreased, total sales volume has remained relatively unchanged at \$437 Million in 2015 versus \$439 Million in 2014 as a result of higher sales prices per transaction.

Commercial Sales Summary Continued on P.2

2015 South Coast Commercial Sales



*Excluding sales of apartments. **18-year average = 70 sales/year.

South Coast Leasing | Vacancy Rate & Avg. Gross Asking Rate Comparisons

	VACANCY RATES (%)					AVG. ASKING PRICES (\$/SF GROSS)				
	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
Office/R&D										
Santa Barbara	3.9%	3.5%	3.3%	3.4%	3.6%	\$2.87	\$2.94	\$2.94	\$3.00	\$2.99
Goleta	9.2%	8.9%	7.6%	7.3%	7.7%	\$1.73	\$1.75	\$1.87	\$1.74	\$1.75
Carpinteria	27.3%	26.7%	23.5%	20.7%	1.3%*	\$1.74	\$1.72	\$1.75	\$1.67	\$1.35
Industrial										
Santa Barbara	0.1%	0.3%	0.1%	0.3%	0.3%	\$1.95	\$1.66	\$2.60	\$2.03	\$1.48
Goleta	3.5%	4.0%	4.5%	5.3%	5.1%	\$1.60	\$1.37	\$1.56	\$1.52	\$1.48
Carpinteria	2.7%	2.7%	3.8%	3.8%	2.8%	\$1.09	\$1.09	\$0.94	\$1.01	\$0.82
Retail										
Santa Barbara	1.3%	1.5%	1.4%	1.5%	1.3%	\$3.77	\$3.65	\$3.82	\$3.82	\$3.80

* The dramatic drop in Carpinteria's office vacancy was due in large part to approx. 52,000 SF of inventory coming off the market after the November sale of 5464 Carpinteria Ave., which will convert from an office complex to a senior care facility. Additionally, there were a handful of notable leases during Q4 including two large leases at 6307 Carpinteria Ave. (46,000 SF) which contributed to this drop.

COMMERCIAL SALES SUMMARY

Continued from P.1

Driving the Market

Confidence in core assets, low interest rates and buyers motivated by 1031 exchanges all seem to be the drivers behind the continued strength in the local commercial real estate market. Additionally, the volatility in the stock market, coupled with investors' aversion to risk since the start of the Great Recession, has helped the commercial real estate market as investors look to acquire more stable income-generating properties. As buyers bid up income property values, sellers will become exchange buyers which will continue to put pressure on an already limited inventory. This also has the effect of pushing up median sales prices of almost all asset classes.

Interest Rates

As anticipated the Federal Reserve raised interest rates for the first time in seven years, but the minimal .25% increase had no visible effect locally on commercial real estate sales. Nationally, experts still feel good about the overall strength and durability of commercial real estate values. Should rates continue to rise we will ultimately see prices affected, but the question still remains whether the general economy will tolerate more substantial increases in interest rates.



OFF MARKET | 1001 STATE ST., SANTA BARBARA (Saks Off 5th)

Notable Sales

5464 Carpinteria Ave. – Office

The office complex at 5464 Carpinteria Ave. was purchased by Steadfast Companies out of Irvine. Steadfast Companies is in the process of retrofitting the 52,000 SF office building into a 70+ unit senior living facility. The property was previously sold for \$8.2 Million in July, 2014 and was just recently sold to Steadfast for over \$10.7 Million in November, 2015. *(This sale also effectively shifted the entire dynamic of the office leasing market in Carpinteria. See page 3 in this report for more detail.)*

1001 State St. (Saks Off 5th) – Retail

The prominent 46,000 SF building located at 1001 State St. in downtown Santa Barbara (occupied by Saks Off 5th) was sold in December, 2015 to an investor out of Beverly Hills in an off market transaction. The property sold at a 5% CAP rate and is leased to Saks with two years remaining on the current lease term with multiple options to extend.

901 Olive St. – Mixed Use

The property located at 901 Olive St. was a unique mixed use project consisting of 19,000 SF of commercial/office space and 19 brand new luxury apartment units. The project was completed by a local developer in 2015 and sold shortly after in a 1031 exchange to the seller of 5464 Carpinteria Ave.

SOLD | 901 OLIVE ST., SANTA BARBARA
LISTED AT \$18,895,000



COMMERCIAL SALES SUMMARY

Development*State Street Downtown*

A handful of projects are underway in the lower State Street area, most notably the Entrada de Santa Barbara Hotel. The foundations are poured and framing is beginning on the long awaited 123-room, mixed use hotel project which includes over 20,000 SF of new retail space. Additional projects include the completion of MOXI – The Wolf Museum of Exploration and Innovation, the remodel of the former Bekins Building by Sonos for their long term occupancy and, of course, the City's bridge work and renovation of the Cabrillo/State Street intersection, all of which are either in or in close proximity to the Funk Zone.

Upper State Street

Well underway is the 89-unit, AUD mixed-use project being developed by Re-Think at 3885 State St. One unique element the project will feature is three unique gardens symbolizing water, fire and earth. Another notable Upper State Street development is the Sandman Redevelopment project at 3714–3744 State St. The project, which recently broke ground and is in its initial phases, consists of 73 residential condos for sale, plus roughly 5,000 SF of commercial space.

Goleta

Goleta has a variety of projects currently underway including various industrial/office projects either planned or under construction at the Sares-Regis development project at 6701 Hollister Ave.; a new 139-room Hilton hotel at 6878 Hollister Ave.; and, of course, the substantial mixed-use Westar project across from Camino Real Shopping Center located at 7000 Hollister Ave. Anchored by Smart & Final, the Westar project includes a variety of other national retailers including Verizon, PetSmart and T-Mobile. Directly behind the retail complex will be a new 266-unit apartment complex currently under construction.

Entrada Hotel Project – The Californian Hotel – on lower State Street (below); Re-Think's 89-Unit AUD mixed-use development on upper State Street (right); Hollister Village Apartment Community in Goleta (bottom right).



SOUTH COAST LEASING SUMMARY

Santa Barbara Office

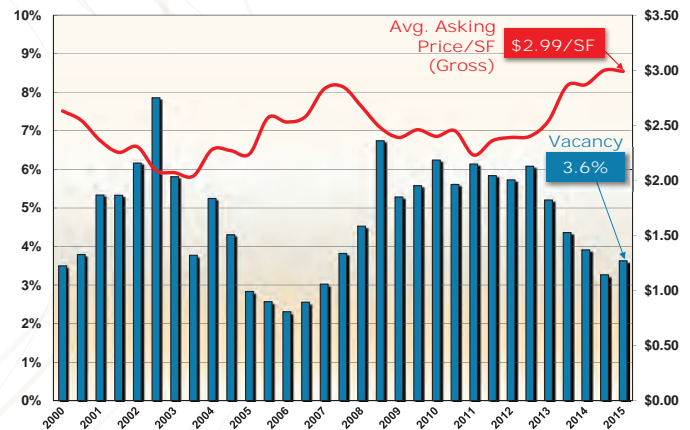
In 2015 the Santa Barbara office market strengthened for the third year in a row. Average asking rates are near all-time highs at \$2.99/SF Gross, while vacancy rates remain below 4%. Leasing remained hot for all Santa Barbara office types in the fourth quarter. Class A space leased above \$2.35/SF NNN, and some lower quality spaces that had been on the market for an extended period of time finally leased as well. Although we have said it before, it's worth noting that one of the main reasons the market is so tight is Sonos' expansion within downtown Santa Barbara. We expect the office market in Santa Barbara will continue to tighten in the first half of 2016.

Carpinteria Office

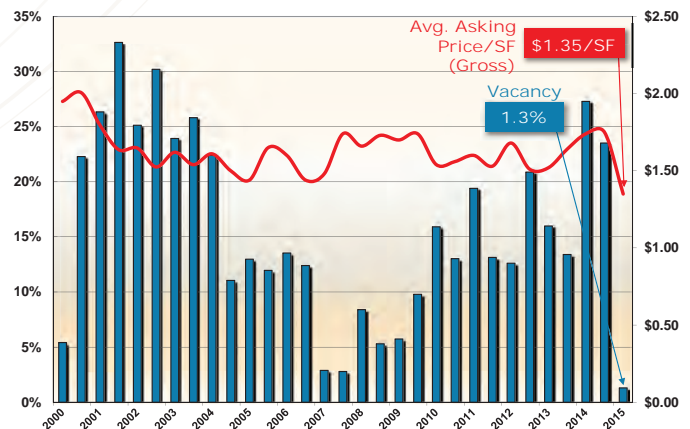
It's safe to say the most dramatic shift we have seen anywhere in the South Coast since Radius began tracking market data occurred last quarter in the Carpinteria office market when the vacancy rate dropped from 27% in the third quarter to just 1.3% by the end of the year. This is unprecedented even for a smaller submarket where one large lease can swing the pendulum swiftly the other direction.

We had anticipated this huge decrease over the course of our last four quarterly reports, and it was due in part to the growth of ProCore and LinkedIn as well as the November sale of a 50,000+ square foot office building which will be converted to senior housing. It may sound strange, but a Carpinteria office tenant in growth mode may now need to look toward Santa Barbara for expansion space.

Santa Barbara Office | Avg. Asking Price & Vacancy Rate



Carpinteria Office | Avg. Asking Price & Vacancy Rate



SOLD | 5464 CARPINTERIA AVE. | 52,000 SF

The November sale of this large office complex is perhaps the most significant deal to impact the leasing market in the South Coast in 2015. The property, which will convert to a senior care facility, has effectively removed 52,000 SF of inventory from Carpinteria's office sector.

LEASING SUMMARY

Goleta Office

Goleta's office market has remained relatively unchanged compared to Carpinteria and Santa Barbara. The story in this sector remains dominated by a number of large office/R&D vacancies created by companies such as Mentor, Allergan and FLIR either vacating or acquiring new buildings. Recently it seems for every large lease that takes square footage off the market there is a similar size vacancy or two that keeps the vacancy rate consistent at around the 7% range. That said, as vacancy rates reduce in Carpinteria and Santa Barbara, we should expect to see a decrease in Goleta's vacancy rate.

Santa Barbara Industrial

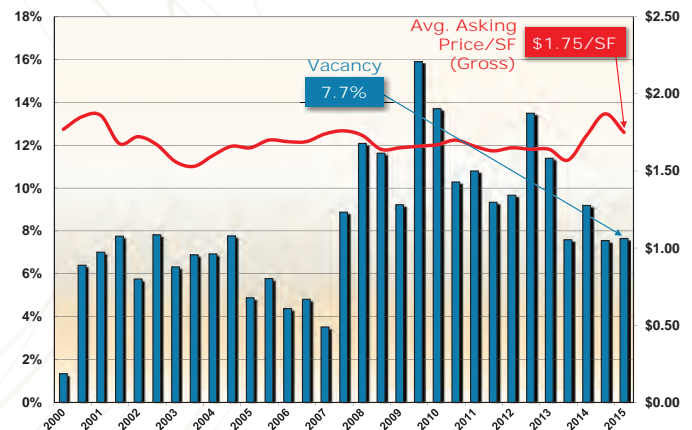
The industrial leasing market in Santa Barbara has held firm as the lowest vacancy factor of any commercial class in the South Coast. Vacancy in the 4th quarter was unchanged at just .3%. We expect vacancy to remain at this level, placing continued pressure on increasing industrial lease rates. The most notable lease that took place last quarter involved 30 S. Calle Cesar Chavez, a 10,600 SF space vacated by Ergomotion. The new tenant was not disclosed.

Carpinteria Industrial

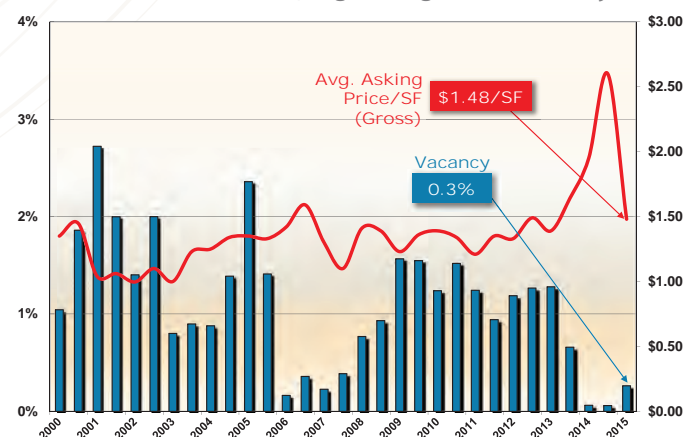
Carpinteria also continues to experience stable vacancy with a rate of 3.8%, a slight uptick from the same period in 2014. Both vacant industrial spaces do have pending leases including 6402 Cindy Ln. (former Salvation Army) and 28,000 SF at 6385 Cindy Ln. (Former Forms + Surfaces). Once these leases are executed there will be virtually no inventory. Like Santa Barbara, this low vacancy will put pressure on lease rates.

Leasing Summary Continued on P.6

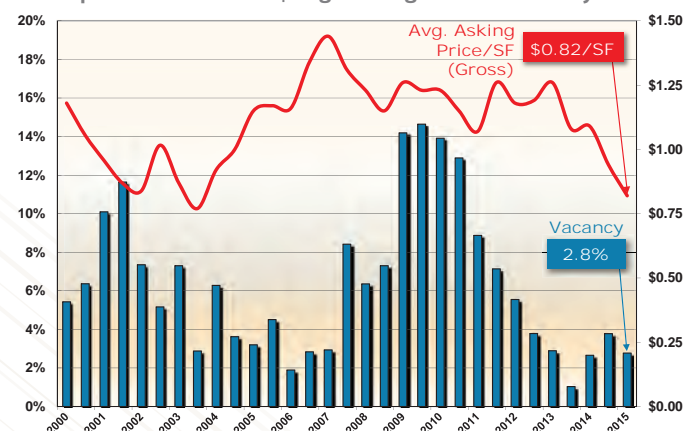
Goleta Office | Avg. Asking Price & Vacancy Rate



Santa Barbara Industrial | Avg. Asking Price & Vacancy Rate



Carpinteria Industrial | Avg. Asking Price & Vacancy Rate



30 S. CALLE CESAR CHAVEZ, SANTA BARBARA
INDUSTRIAL LEASE | 10,600 SF



205 E. CARRILLO, SUITE 100 | SANTA BARBARA, CA 93101

PHONE: 805.965.5500 | FAX: 805.965.5300

WWW.RADIUSGROUP.COM



LEASING SUMMARY

Continued from P.5

Goleta Industrial

Goleta is the largest industrial market on the South Coast and it is no surprise that vacancy increased from 3.5% at the end of 2014 to 5.1% at the end of 2015 as we saw a net increase in available space of about 66,000 SF year over year. Average asking rates remained stable, ticking down slightly for the third consecutive quarter resting around \$1.48/SF Gross. There were two notable vacancies including over 15,000 SF vacated by Integrated Procurement Technologies and 17,200 SF vacated at 749 Ward Dr. We do expect the vacancy rate to continue to decrease in the coming quarters.

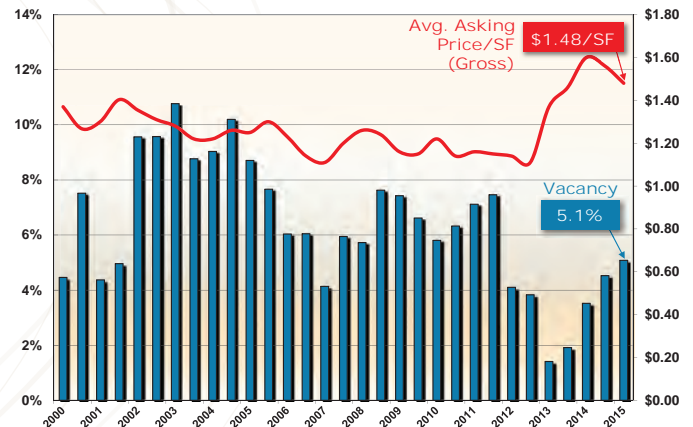
Santa Barbara Retail

While the office and industrial markets showed improvement in 2015, the retail sector continues to struggle to keep up. There was more square footage available for lease at the end of 2015 than at year-end 2014, approximately 140,500 SF versus 134,200 SF respectively. This represented a net absorption of -6,300 SF. While the vacancy rate for retail in Santa Barbara, Montecito and Summerland remained at a very low 1.3%, the average gross asking rate remained relatively flat, ticking up from \$3.77/SF at year-end 2014 to \$3.80/SF at the end of 2015.

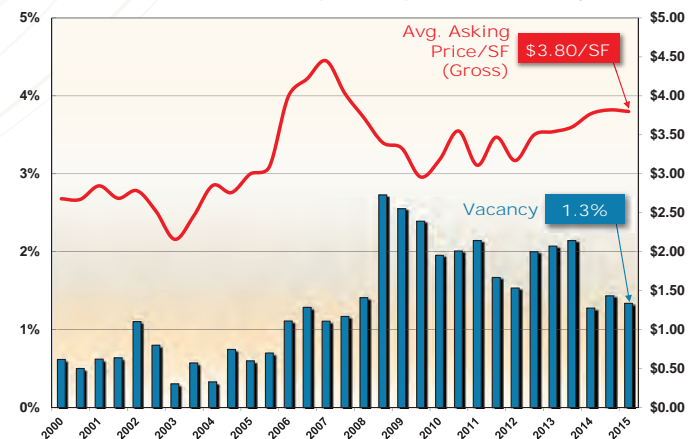
Once again the larger retail spaces (anything over 2,000 SF) are taking longer to lease, as the total monthly rent obligation tenants have to pay in this area makes it very challenging for many to run a profitable business. Approximately 40% of the retail spaces available for lease are larger than the 2,000 SF.

There is another sobering statistic. As of the end of 2015, there was over 40,000 SF of downtown State Street retail space available for lease. More national credit tenants will be needed to fill these spaces as local “Mom & Pop” tenants opt to relocate away from State Street for a variety of reasons, including better access for parking and more affordable rental rates.

Goleta Industrial | Avg. Asking Price & Vacancy Rate



Santa Barbara Retail | Avg. Asking Price & Vacancy Rate



1000 MARK AVE., CARPINTERIA
OFFICE LEASE | 32,000 SF



Trust The Team. Count on Results.

Radius delivers big. Again.

In 2015 Radius Commercial Real Estate & Investments turned in yet another record setting performance in the Tri-Counties, spearheading 47 sales valued at more than \$210 Million, in addition to 135 leases totaling over half a million square feet of space. That said, our success continues to be about much more than deals and dollars.

It's about helping our investors, landlords and tenants strengthen their own competitive advantage.

It's about providing the greatest value in serving your diverse real estate needs.

It's about always keeping you informed and in the driver's seat to finish first.

Ultimately, it's about trust.

Whatever your plans for 2016, count on The Radius Team to be at the very top of our game to ensure you're at the top of yours.

\$210+

MILLION | 47 SALES

135

LEASES | 521,000 SF



Steve Brown
BRE 00461986



Jake Chancer
BRE 01974507



Mike Chenoweth
BRE 01213196



Gene Deering
BRE 01450943



Brad Frohling
BRE 01323736



Arick Fuller
BRE 01215274



Paul Gamberdella
BRE 01267748



Steve Golis
BRE 00772218



Rob Hambleton
BRE 01858350



Austin Herlihy
BRE 01518112



Jon Ohlgren
BRE 01464358



Chris Parker
BRE 01887788



Robert Rauchhaus
BRE 01891927



Bob Tuler
BRE 00643325



Jim Turner
BRE 00970829

The Radius Team. We have you covered.



MULTIFAMILY SALES SUMMARY

South County

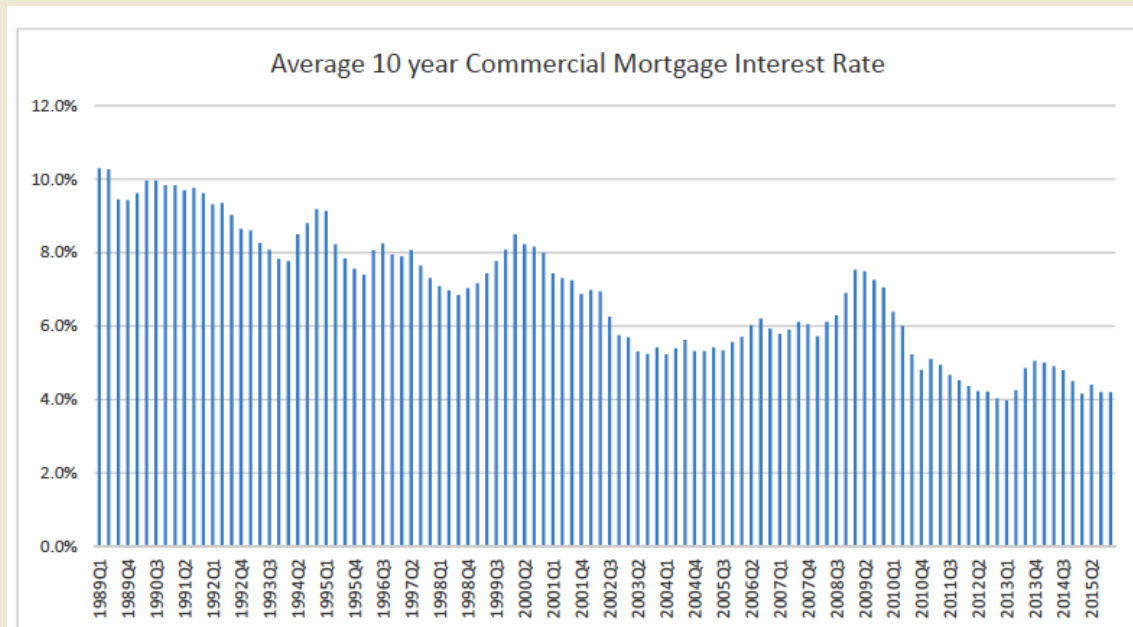
Apartments remain in extremely high demand for all investors. C.A.R.'s 2015 Investor Survey found 21% of investors purchased Multifamily properties in the past year, up from 14% in 2014. Multifamily is experiencing an incredibly strong sellers market, with rents on the rise, low interest rates and very limited inventory.

The Average Freddie/Fannie Commercial 10 year fixed Mortgage rate over the last 27 years has gone from 10% to 4% (see the graph below). The low rates have enabled upward trades and have enabled investors to upgrade their buildings. The low interest rates permit owners to finance upgrades and create an "all inclusive" high end hotel type of tenant experience. The increased rents follow the upgrades, especially on the non Marquis properties.



2015 CASTILLO ST. | 6 UNITS | SOLD 12/24 | \$1,950,000

The 4th quarter of 2015 was active along the South County but was constrained by the lack of available inventory, a common theme throughout the entire year. As such, in Q4 there were only two multifamily sales of properties 5+ units in size and five sales of 2-4 unit properties, with the largest sale being a 6 unit property at 2015 Castillo St. which closed for \$1,950,000 at the end of the year. For the entire year there were 41 sales of 2-4 unit properties and 23 sales of 5+ units, for a grand total of 64 sales. Currently in the 1st quarter of 2016 there are only six properties 5+ units in size available for sale along the South County with three of those in negotiations. It's clear we remain in one of the highest demand eras we have ever seen for this property type. Interest rates remain at historic lows and are expected to stay low, well into Q2 of 2016. CAP rates continue to be compressed, averaging in the high 3% to mid 4% range.



MULTIFAMILY SALES SUMMARY

Isla Vista continues to be red hot, and in all regards, the epicenter of Multifamily sales activity in 2015. Highlight sales for the year include the record setting 3-property, 208-unit portfolio of Tropicana Gardens, Tropicana Del Norte and Tropicana Villas which sold to UC Regents for \$156.4 Million in Q2; the \$38 Million sale of the Icon and Icon Gardens in Q1; and the 19 unit property at 6565 Sabado Tarde which sold for \$5,795,000 in Q3. The 42 unit Skyview apartments at 910 Camino Pescadero was listed at \$13.5 Million and put into contract at the end of Q4.

Additional highlight sales for the year include 16 units at 431 E. Victoria St. which sold for \$4,925,000; 13 Units at 4320 Modoc (Hope Ranch Annex) which sold for \$5.2 Million; and 10 units at 593 Avenue of the Flags in Buellton which sold for \$3,575,000.

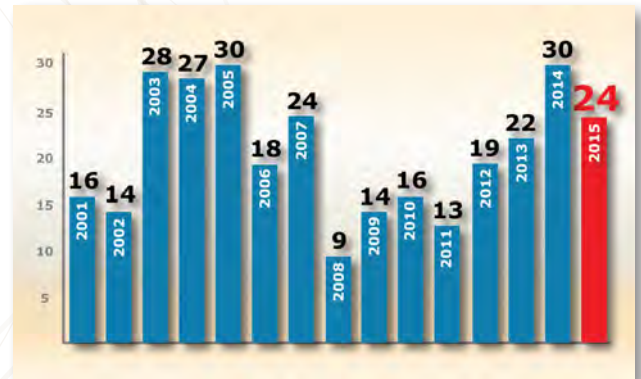
Rental rates continue to increase as a result of the lack of supply and extreme demand for housing. The vacancy rate continues to average around 1% for the Santa Barbara area compared to the national apartment vacancy rate which held steady at 4.4% according to REIS. Per Dyer Sheehan, occupancy rates have been above 99% since 2013 and rents soared with the overall average rent jumping 13% from 2014. Santa Barbara rental rates continue to be the strongest, averaging \$1,750 for a one bedroom and \$2,350 for a 2 bedroom. The largest increases in rents have been seen in the upgraded B location apartments.

Multifamily Sales Summary Continued on P.10

2016 SOUTH COUNTY MULTIFAMILY PREDICTIONS

- Price per unit for properties 10+ units in size will average \$300,000 or higher.
- Cap rates will remain level and we forecast sales will trade in the low 3% to Mid 4% range.
- Rents in Santa Barbara will increase 3-5%.
- Vacancy rates will remain stable and near 1%.
- Mortgages remain difficult to get for homes; the rental market will continue to remain strong. The number of young adults aged 20-40 (Millennials) will continue to contribute significantly to the demand for rentals, as will the number of retirees preferring to be mobile.

SALES TRANSACTIONS (5+ UNITS)



Notable 2015 South County Transactions

- Tropicana Gardens, Tropicana Del Norte & Tropicana Villas, Isla Vista – 208 Units near UCSB; Sold June 5 for \$156.4 Million; 200,000 SF of space
- Icon Gardens & Icon Apartments, Isla Vista – two properties sold March 11 for \$38 Million
- Seaview Apartments – 6565 Sabado Tarde, Santa Barbara – 19 Units near UCSB; Sold Sep. 1 for \$5,795,000; \$305,000 PPU; CAP Rate 4.70%; GRM 12.97
- 4320 Modoc Rd., Hope Ranch Annex – 13 Units; Sold Jan. 24 for \$5.2 Million; \$400,000 PPU; CAP Rate 4.52%; GRM 13.53
- 431 E. Victoria St., Santa Barbara – 16 Units; Sold Aug. 4 for \$4,925,000; \$307,826 PPU
- 593 Avenue of the Flags, Buellton – 10 Units; Sold May 21 for \$3,575,000; \$357,500 PPU; CAP Rate 3.38%; GRM 18.62
- 450 Por La Mar, Santa Barbara – 6 Units near the beach; Sold Sept. 25 for \$2,567,500; \$427,916 PPU; CAP Rate 3.05%; GRM 19.78
- 720 De La Vina St., Santa Barbara – 4 Units near Paseo Nuevo; Sold Aug. 7 for \$2,225,100; \$339,285 PPU; CAP Rate 4.33%
- 2015 Castillo St., Santa Barbara – 6 Units near Cottage Hospital; Sold Dec. 24 for \$1,950,000; \$325,000 PPU

MULTIFAMILY SALES SUMMARY

Continued from P.9

North County

Santa Barbara's North County experienced great activity in 2015 with not surprisingly the bulk of transactions coming in Santa Maria and Lompoc, the most densely populated areas of the region. By the end of the 4th quarter, the North County had registered 10 sales of properties 5+ units in size, and 8 sales of properties 2-4 units for a grand total of 18 multifamily sales.

Standout deals for the year include the 208-unit Montivao Apartments at Bradley Square which sold for \$47 Million in Q2; the 128-unit Carmen Apartments which sold for nearly \$15.47 Million in Q1; and the 64-unit Seabreeze Apartments at 2200 Briar Creek Way in Lompoc near Vandenberg Air Force Base which sold for \$10.3 Million in Q3 at a 5.3% CAP Rate. Fourth quarter activity ended strong with an additional 136 units scheduled to market in the 1st quarter of 2016.

Additional notable sales include a trio of rent restricted properties in Lompoc: 44 units at 720 N. D St. which sold for \$2,175,000 at a 6.45% CAP Rate; 22 units at 721 N. C St. which sold for \$1,130,147 at a 4.87% CAP Rate; and 22 units at 716 N. D St. which sold for \$1,044,853 at a 4.71% CAP Rate.

North County Vacancy Rates are continuing to compress (currently around 1.8%). Rents continued to improve during the second half of the year with many complexes implementing rent increases. We expect rents to continue to rise for the same fundamentals as in the South County, new construction not keeping pace with demand and would-be homeowners becoming renters because they don't qualify for loans.

Average price per unit has been around \$116,355 with CAP Rates averaging slightly under 5% on smaller properties and slightly higher on larger properties.

Multifamily loans remain very competitive with rates in the low 4% range. We expect investors to continue seeing the benefit of investing in North County apartments and senior living facilities. All of the properties with which we are involved continue to experience very high levels of

2016 NORTH COUNTY MULTIFAMILY PREDICTIONS

- Price per unit for properties 10+ units in size will average at or near \$120,000.
- CAP Rates will average between 4.8-5.4%, depending on location, condition and income, slightly lower for smaller properties.
- Rents in Santa Maria will see significant increases in the 4-6% range.
- Vacancy Rates in Santa Maria will average below 1.5% while Lompoc should see vacancy levels in the 1.25 to 1.7% range.

SEABREEZE APARTMENTS
2200 BRIAR CREEK WAY, LOMPOC | 64 UNITS
Sold in August for \$10.3 Million



MULTIFAMILY SALES SUMMARY

West Ventura County

Demand for Multifamily investments continues to hold strong in the Ventura market, and like most areas there has not been adequate supply to satisfy investors. By the end of 2015 there were 25 2-4 unit sales, 4 sales of properties 5-9 units in size, and 4 sales of properties 10+ units in size.

Countywide vacancy has been just 1.82 and rents are aggressively rising in accordance. Many owners are saying the market is the strongest they have ever seen. With more Millennials entering the housing market most are choosing to rent instead of buy. Many are delaying purchasing homes due to insufficient income or just the inability to make a down payment. Tighter loan qualifications will also push many people into rental housing where they will probably stay for at least a decade. The average overall rent has been about \$1,775 for a one bedroom and \$2072 for a two bedroom depending on location.

The largest transaction in Ventura County was The Vines, a 164 unit complex at 3040 N. Oxnard Blvd. in Oxnard which was purchased for \$55.5 Million or \$338,628 per unit. This is the highest per-unit price paid for a 100+ unit multifamily property in Ventura County in the past 10 years. The property was constructed in 2013 and 2014 as part of the popular River Park master planned community at Highway 101 and Oxnard Blvd. Other notable deals include three off-market sales: the 54-unit Citron Apartments in Ventura which sold in August for \$14.45 Million; 52 units at 3060-3074 Channel Dr. in Ventura which sold in May for \$11.25 Million; and 58 units at 313 Westpark Court, Camarillo, which sold in March for \$14.75 Million. In Q1 of 2016 another large acquisition of 391 units was completed that had underway in Q4

The average CAP Rate for properties sold in 2015 was 5.18%, ranging from as low as 4.65% and as high as 5.50% depending on location, asset quality and size. Sales price per unit has ranged from \$200,000 to \$250,000.



THE VINES AT RIVERPARK
3040 N. OXNARD BLVD., OXNARD | 164 UNITS
Sold for \$55.5 Million | \$338,628/Unit

In Summary

Multifamily sales activity and values for quality assets are expected to continue to increase as individual and institutional investors compete for the most desirable properties. Recent activity has encompassed a broad range of property types; the limited amount of available inventory has prompted an interest in all property types.

The Ventura County rental market remains stronger than ever. For owners who have been waiting to sell, 2016 may be the right time. The large number of enthusiastic buyers far outweighs sellers; we are anticipating current trends to continue well into 2016.