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2022Q4 Market Report

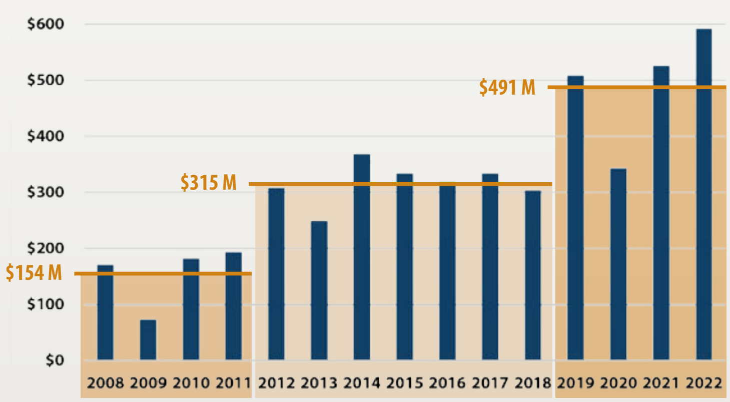
South Coast Commercial Real Estate

HIGHLIGHTS

- Commercial sales generated record volume for the second consecutive year; however, higher interest rates will slow sales momentum in 2023.
- Apartment sales brought record-high dollar volume and record-low cap rates, though greater pricing friction due to interest rates is expected this year.
- Offices offered for sublease doubled as tech tenants adapt to remote work. Traditional office vacancy is more stable, and achieved rents are as high as ever.
- Retail rents continue to appreciate as vacancy tightens everywhere except State Street. Local restaurants and retailers are driving the market.
- Robust industrial leasing activity brought vacancy to 1.7% and generated record consideration of $52 million, while pushing rents to new highs.

South Coast Commercial Sales Volume

$ Million (exluding hotels)



COMMERCIAL SALES – Exceeding Expectations

At midyear 2020, when the commercial real estate market (and nearly every other market except masks and outdoor gear) had ground to a near standstill, if you had told local commercial brokers the next 10 quarters would produce 292 sales transactions valued at nearly $2.4 billion, you would have raised eyebrows. Sure enough, the second half of 2020 defied expectations with $314 million in volume; then 2021 exceeded expectations with record annual transactions and volume despite the pandemic economy. Finally, 2022 surpassed 2021, establishing new annual high marks of 124 sales totaling $592 million. Adding in the $530 million sale of the Bacara Resort along with the other hotel sales, the dollar volume for 2022 was nearly $1.3 billion.

To place this era of unprecedented sales in historical context, the graph to the left shows South Coast sales volume has followed a stair-stepping growth pattern with three distinct phases, starting with the "great recession" 15 years ago. The recessionary phase lasted through 2011 and was followed by a seven-year stretch averaging $315 million of non-hotel volume. 2022 was the fourth year of a phase averaging $491 million. The primary engine driving the market into higher gear has been the growing influx of capital from individual, corporate, and even large-scale institutional investors seeking commercial real estate in the South Coast market. It's no coincidence the record volume of 2022 coincided with peak involvement by investors, who generated 78 sales transactions and 80% of non-hotel dollar value, both of which are historical highs. The secondary factor boosting sales since 2019 has been high demand from both investors *and* owner-users concurrently. Owner-user sales from 2019 to 2022 averaged 49 transactions annually. Thirdly, more than a decade of low interest rates—which hit a 40-year low in 2020—enabled more buyers to participate and emboldened investors.

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Do we expect 100 sales and volume over $490 million in 2023? If that happens, the market will have exceeded expectations yet again. There are two main factors creating headwind for sales activity this year. First, higher interest rates have weakened the buying power of leverage buyers. As 2022 progressed it was widely assumed the Fed's large interest rate hikes would impede commercial real estate demand, or at least create pricing friction that would slow the market. Anecdotally, there were buyers struggling to complete purchases in recent months due to new financing realities. However, so far there has been enough demand from cash and exchange buyers to keep transaction momentum up. Q3 and Q4 were each above-average quarters for both transactions and dollar value, and as of year-end the net measurable impact of high interest rates on local sales (and prices) was limited. Nevertheless, barring an adjustment in prices from sellers, we expect financing constraints to have a greater effect on transaction momentum in the coming quarters.

The second factor working against sales is declining office occupancy—primarily among tech office tenants—due to remote work, which is covered in more detail in the office leasing section of this report. The doubling of office space available for sublease in 2022 is a bellwether of what could become major income disruption for many South Coast office properties. The increased risk to ROI that remote work presents is likely to discourage some cap-rate investors from that property type. Office property has been the most prominent segment of commercial sales in recent years and represented 43% of non-hotel dollar volume in 2022, so a decrease in sales of that type could have a large impact on the market in general.

The Bacara Resort was acquired by Brookfield Properties for $530 million, the fourth time it has changed ownership in 11 years.

If we indulge a bit of speculation, the two factors above could potentially combine to create challenges for borrowers in the coming years. If high interest rates stick around, owners who have been paying about 4.5% interest might be faced with refinancing at, say, 6.5%. If, on top of that, office buildings are carrying increased vacancy due to decreased demand, some owners could have to navigate a much tougher environment for securing funding, compared to a few years ago.

Having acknowledged some gloom and doom, let's turn to the positive. Demand from buyers has proven durable and is still evident, though less pronounced over the past few months. One indicator of demand is off-market sales, which were prevalent throughout 2022 and produced 78% of the dollar volume. On the supply side, inventory is very high at 76 properties for sale, which is especially remarkable at the end of a record year for on-market transactions that should have depleted supply. There appear to be ample buyers and sellers to make deals happen, and the question is whether they will continue to see eye-to-eye on price, given elevated interest rates, inflation concerns, and the current modest-growth economy. Prices per square foot generally have rebounded from the dip in 2020 and are now above pre-pandemic levels. For investment sales, our admittedly sparse cap rate data suggests that prices on investment property have decreased since 2019, but only slightly. In order for sales to keep pace with recent years, prices will likely need to decrease due to higher interest rates. Taking all these factors into consideration, market conditions are in place for solid sales activity in 2023, but we anticipate a significant step down in volume from the lofty plateau of the past four years.

HOTEL sales ~ The South Coast tourism industry has fully recovered its pre-pandemic luster, based on airport passenger counts and hotel occupancy reports. Also intriguing, Visit Santa Barbara recently claimed that revenue per hotel room was up 44% from 2019. Hospitality property buyers apparently got the memo, expanding on the record sales from 2021 to produce even higher volume in 2022. The past two years combined yielded 19 sales valued at $944 million. There were four substantial South Coast hotel sales in Q4. Most notably, the Bacara changed ownership for the fourth time in 11 years, this time purchased by Brookfield Properties for $530 million, a record hotel sale for our market. Also in Goleta, the Motel 6 at 5897 Calle Real traded for $13.5 million, the fourth local Motel 6 sale of the year. In Santa Barbara, the eastern half of the Pepper Tree Best Western at 3840 State St was purchased in Q4 for $17.5 million by a development team headed by Michael Rosenfeld. Finally, the 12-key Beach House Inn at 320 W Yanonali St was purchased by an out-of-town investor for $8.1 million. We've never seen hospitality sales at this level, and the timing suggests a late-pandemic rush. However, the sale prices do not indicate the work of bargain hunters or distressed-asset sellers. The average sale price per square foot of the 2022 hotel sales was quite high at $903 (excluding the Bacara sale, which included 78 acres of land that would skew the average even higher). More likely this increased activity reflects a mix of asset diversification and confidence in South Coast tourism.

OFFICE sales ~ It was a strong year for office sales, boosted by the $104 million purchase of the QAD campus at 101 Innovation Pl by the University of California's endowment investment team, a record office sale for our market. The sustained momentum of office sales was somewhat surprising, given how remote work has complicated the valuation of office property. The range of trajectories that tenant demand could follow over the next five or ten years could present considerable risk to investors. Combine that uncertainty with widespread layoffs in the tech sector, and one would expect both caution and a "flight to quality." In December an investor with a 1031 Exchange purchased 1290 Coast Village Rd for $9.5 million. While the building is ripe for improvements, the premium location in Montecito's Lower Village makes it a low-risk acquisition. As investors become more selective, opportunities will emerge for owner-users and value-add investors to make better use of underperforming office property. For example, in one of Q4's largest sales, the three-story building at 1919 State St was acquired by a value-add investor for $9.2 million. In addition, since the onset of the pandemic, the price per square foot of medical buildings has appreciated more rapidly than regular office buildings, since medical work is still done predominantly onsite and poses less risk of vacancy.

2840 De La Vina St is a 30,000 SF retail property purchased by Granite Peak Partners for $14.4 million.

RETAIL sales ~ Since peaking at the end of 2020, retail inventory has decreased 25% following two years of brisk sales, totaling 64 transactions valued at $278 million. 2022 brought an unprecedented change of ownership along State Street's retail corridor, as 12 buyers decided not to wait around for the new Master Plan. The largest of these properties was the former Rite Aid building at 825 State St, acquired by an investor in Q4. Half of the State Street sales had owner-user buyers, including 623.5 State and 1315 State which, both purchased by clothing retailers. On upper De La Vina Street, the 29,900 SF center anchored by Grocery Outlet was purchased by Granite Peak Partners for $14.4 million in Q4. Runyon Group bought 40 & 50 Los Patos Way--the Montecito Athletic Club and Stella Mare's property facing the bird refuge--for $7.0 million in Q4. Earlier in 2022, they acquired 1801 E Cabrillo Blvd a few parcels over with plans to rebrand the site as a destination retail center known as The Post.

INDUSTRIAL sales ~ Sales of industrial property lost momentum after Majestic Asset Management's $50.6 million purchase of the Storke & Bollay campus in March, a record industrial sale for our market. The slowdown in transactions correlates with low inventory, which averaged just four properties for sale during the year. There were several off-market sales, such as the 20,800 SF building at 5756 Thornwood Dr in Goleta, purchased by the existing tenant in Q4. Santa Barbara's Eastside saw 14 sales of industrial and industrial-zoned properties totaling $37 million, including the 12,000 SF industrial property at 926 Hutash St, purchased in Q3.

LAND sales ~ Another of the 14 Eastside sales mentioned above was 335 S Milpas St, the 2.4-acre site with industrial buildings leased by Tri-County Produce and Cordero Painting, purchased off-market by an investor/developer in Q4. In another late-year, off-market sale, an owner-user purchased 2.6 acres at 6864 Cortona Dr in Goleta for $5.2 million. All told it was a subdued year for land sales, with volume down 22% against the prior 5-year average. Nevertheless, we expect additional land sales ahead, as investors buy properties added to the city and county Housing Element maps.

APARTMENT SALES

In terms of number of sales, 2022 was an average year for the South Coast apartment market with 20 transactions. Not much else about the year was average, though. The dollar volume of $141 million was the largest total since 2015. And the average 3.39% cap rate and 18.48 GRM were both unprecedented values that indicate a great year for sellers. The average price per unit was also a record-high $503,176, though this average was skewed upward by two 5-unit properties in Montecito. Excluding those anomalous sales brings the average to $445,000 per unit.

Apartment vacancy decreased to 1.7%, which represented a year-over-year contraction of 15%. Median rent increased 9%, which was in line with other coastal California cities. If vacancy stays under 2%, the scarcity of inventory could accelerate the rise in rents in 2023.

As of year-end, interest rates on 5-year fixed financing had increased to 5.5%. If rates remain in that territory, a pricing gap will emerge between those buyers who need financing and sellers who are expecting to trade at a 3.5% cap rate. This friction is likely to cause some sellers and buyers to withdraw temporarily from the market, and we anticipate a slowdown in transaction velocity as a result. However, demand for good quality and well-located property remains strong. And higher interest rates will further the advantage of cash and exchange buyers

South Coast Apartment Sales

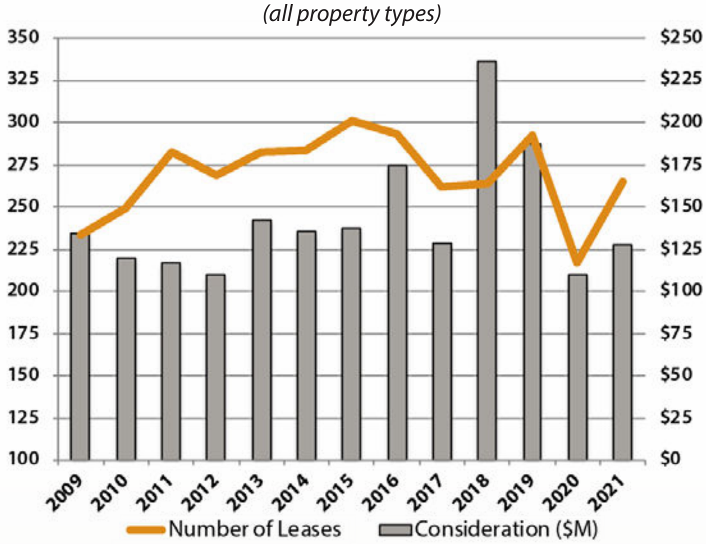
Year	Sales	Volume	Price/Unit	Cap Rate
2018	17	$131 M	$372,511	4.03%
2019	22	$88 M	$352,349	4.21%
2020	12	$116 M	$413,105	3.74%
2021	20	$131 M	$475,184	3.84%
2022	20	$141 M	$503,176	3.39%

in the market. Given these conditions, plus concerns over economic growth in the economy generally, we are forecasting approximately 15 sales in 2023, with the average cap rate landing around 4%.

Looking ahead, California's push to promote development through the revised Housing Element, which include mandates and legislation to streamline new projects, is attracting interest from investors and developers. However, the new laws and regulations are not having a discernable impact on the local apartment market so far. The degree to which Santa Barbara County and its South Coast cities will be able (or perhaps willing) to comply with the mandates is still unclear. Finding sites for development under the auspices of the Housing Element remains a major impediment, especially within the City Santa Barbara, and any projects that emerge are likely at least five years from being built and probably closer to ten. Meanwhile, as Santa Barbara's AUD program approaches its 10th anniversary, there have been some 450 units built and another 100 or so under construction, which is certainly more than would have been built without the AUD regime, but unfortunately not enough to substantively remedy the South Coast's housing shortage.

One case study to call out is 16 W Mission St, which was a tired Class C office property dating from the 1950s and 1970s. A value-add investor bought the property in 2019 for $300 PSF, converted the buildings to 23 well-appointed apartments, and sold the property in 2022 for over $900 PSF. Addressing the housing shortage in our community will almost certainly require some 60-foot tall new apartment buildings, but "small-ball" adaptive reuse projects like 16 W Mission St should also be part of the solution, while presenting opportunities for creative investors.

South Coast Leases
(all property types)



OFFICE LEASING

South Coast office vacancy entered double-digits for the first time, posting a rate of 10.4% at year end. This represents nearly 50% expansion of available inventory during 2022. The increase occurred in all three market cities, though there was some variation of cause. In general, the office market has diverged into two submarkets, which for simplicity we call professional office and creative office. Demand for professional (including medical) office space has recovered most of its pre-pandemic demand, while demand for creative office space has plummeted, as tech companies adapt to employees' overwhelming preference to work remotely.

Sublease space offered by tech firms grew dramatically over the past year, creating an oversupply of creative space on the South Coast. Tech firms currently marketing space for sublease include AppFolio, Procore, Invoca, Lull, Yardi, and Resonant. Based on our observation, most of the creative office spaces in the area continue to be sparsely occupied. Apeel, Amazon Alexa, and Impact, to name three, have either announced or completed rounds of layoffs affecting local employees. At the national level, recent layoff announcements by Alphabet, Microsoft, Salesforce, and dozens of other tech companies have been prominent news. It's important to note that the current round of layoffs will only shed a fraction of the tech workforce hired during the pandemic, when many companies went on a hiring spree. Some executives have taken the specter of layoffs as an opportunity to push back against remote work and require employees to be in the office more regularly, but it's too soon to tell whether those efforts will have an enduring impact.

SANTA BARBARA ~ The relatively high proportion of professional office (compared to creative office) in Santa Barbara helped sustain surprisingly robust leasing in 2022, which resulted in 108 transactions and $55.7 million of consideration, the highest annual total on record. Leasing of traditional office both downtown and along upper State Street was voluminous. To pick one recent example, Charles Schwab signed a long-term renewal of 9,300 SF at 902 Chapala St in Q4. The year's largest transaction was the 21,950 SF building at 111 E Victoria St, leased by UCLA Health. As for creative office, there were renewals by downtown tech tenants LogicMonitor (820 State St) and FastSpring (801 Garden St). On the other hand, Invoca reportedly went fully remote, offering their vacated 27,750 SF building at 419 State St for sublease.

Despite the high leasing volume, Santa Barbara's vacancy rate grew to 11.0% because the 145,000 SF former Nordstrom building at Paseo Nuevo came to market for lease as an office conversion, with construction underway for delivery next year. The upper floors of the Ortega Building (formerly Macy's) are still on offer to large office tenants as well. Setting aside these two buildings, Santa Barbara vacancy would be 6.9%, still a notch higher than the historical norm, but well below double-digits. The number of available spaces has decreased about 20% since the peak in 2021, another sign of underlying stability. Finally, average achieved lease rates were as high as ever, matching the 2019 level. Taken together, these factors depict Santa Barbara's "existing" office market on a path of recovery from a five-year expansionary cycle. The large floor plates of Paseo Nuevo's repositioned anchor buildings represent a new and untested category of office product for downtown, and one with exciting potential.

GOLETA ~ Since back-to-back peak leasing years in 2018 and 2019, Goleta's office market has been on a trend of pronounced slowdown in volume. Lease consideration in 2022 was a record-low $6.8 million on 27 transactions.

More than half of the leased area was renewed space, such as Santa Barbara Imaging's 5-year renewal of 11,250 SF at 340 Storke Rd. The paltry deal flow allowed vacancy to climb to 8.5%, its highest rate since 2018. Demand for large suites has been elusive—just three transactions over 10,000 SF were signed in 2022, leaving 15 available properties over that size threshold at year-end. Sublease space more than doubled year-over-year to 175,000 SF, most of which is tech space. AppFolio's two vacant buildings at 50 & 90 Castilian Dr represent nearly half of the sublease space.

Goleta landlords have begun to address the lack of demand for larger office suites in two ways. First, more spaces are being marketed as divisible, and in some cases, landlords are proactively demising larger spaces into smaller suites on spec. Second, since tenants seeking lab and R&D space are relatively abundant, buildings that can "flex" from office to lab use—via roll-up doors, high ceilings, heavy power and enhanced structural—are being marketed as such. Goleta has R&D in its blood, and virtually all of its business parks were designed to accommodate some degree of lab, warehouse or light industrial occupancy. What landlords haven't done so far is lower asking rents; the average asking gross rate for the 10,000+ SF listings is a record-high $2.23 PSF.

CARPINTERIA ~ For Carpinteria's office market, 2022 was a year of extremes: extreme lack of leasing volume and extreme increase in availability. Demand was almost non-existent, and consequently only two office leases were transacted, the fewest we have ever seen in a year. Meanwhile, a handful of large spaces were added to the market, causing the vacancy rate to balloon from 3.5% at the beginning of the year to a record-high 19.2% at year-end. The 18,000 SF professional building at 1155 Eugenia Pl is for lease in anticipation of AGIA vacating at the end of 2023. Meanwhile, Procore started offering large spaces on the bluffs for sublease: 50,000 SF on two stories at 6267 Carpinteria Ave and 28,500 SF at 6307 Carpinteria Ave. These offerings represent more than half of Procore's office footprint in Carpinteria. The company's leases in Carpinteria are synchronized to expire in four years, a clock which will tick with gradually increasing volume for Carpinteria's office market. In the near term, securing tenants for large offices presents a substantial challenge, and vacancy is expected to remain in double digits for some time. This reality likely informed a recent pause in the marketing of build-to-suit suites in the entitled 85,000 SF office project at 6380 Via Real.

A rendering of the office conversion currently under construction at the former Nordstrom building at Paseo Nuevo, known as 817 State.

RETAIL LEASING

Retail leasing was surprisingly robust in Santa Barbara, generating 62 transactions and the highest dollar consideration since 2016, numbers suggesting--for the city as a whole--full recovery from the impacts of the pandemic. Even achieved rents have returned to pre-pandemic levels, with the average gross rate above $4.00 PSF for the first time since 2017. There were a few deals by national tenants, but local and regional concepts were much more active, helping shrink vacancy to 3.5%, the lowest rate since 2018.

In fact, the year's largest lease was a local retailer, Mattress Mike, which leased the 70,000 SF lower floor of the former Sears building at La Cumbre Plaza. Across the street at Five Points Center, the Houston-based chain Mattress Firm leased the former Saigon and La Salsa spaces. It's a notable pivot for Five Points, to convert two underutilized restaurant spaces into a furniture showroom space, simultaneously allowing Little Alex's to be the only restaurant in the building when it opens in the former Fresco Café space a few doors down.

Coast Village Road saw four leases in Q4, including an unnamed restaurant tenant in the former Cava space at

1212, and an unnamed tenant in the former Angel space at 1221. Less secretive were the deals by Montecito Fitness at 1250 and First American Title at 1165. There are only two small spaces available on Coast Village Road, which has emerged as a South Coast retail hot-spot over the past few years.

The Upper State Street area was also unusually active with 11 transactions, including those mentioned above at La Cumbre and Five Points. Llama Dog leased the former Rumba Room space at 3435 State St, with the team from Sama Sama subleasing part of the space to provide food. In another Funk Zone-to-Upper State expansion, Brass Bear opened a new location at the former Stella's restaurant building near State and Las Positas. Also expanding is Channel City Lumber with the signing of 6,000 SF at 3888 State St for a hardware store.

The State Street retail corridor has not enjoyed the same degree of recovery as the rest of the city, though the situation is certainly better than during the early phase of the pandemic. Storefront vacancy on the 400 to 1300 blocks is 13.7%, a slight year-over-year decrease from 2021. The long-suffering 900 block has carried at least seven vacancies for the past four years, and four of the currently vacant spaces have been available that entire time, including the former Forever 21 space. The 1200 block has had four restaurant vacancies emerge in the past year with departures of McDonald's, Brasil Arts Café, Beans BBQ, and Bedda Mia. On paper, this is a strong block for restaurants, near dozens of professional office buildings by day and several historic theaters at night, so these spaces are unlikely to stay vacant for long. Another departure was confirmed as Restoration Hardware will vacate 710 State St and move to the Old Firehouse building at 1486 East Valley Rd in Montecito. While RH is on the way out, a few national retailers opened stores downtown in 2022, notably Vuori, Athleta and Havianas.

New life has also sprouted in the form of restaurant and beverage openings on State Street, including L'Antica Pizzeria at 1031, Langoria Winery at 732, Elena's Kitchen at 738 State, and Augie's Tequila at 700. And the Drift Hotel's dual restaurants at 524 State officially open in February. This is in addition to other openings just off State, such as Fresco Cafe, Shalhoob's at the market, Hook & Press,

An unnamed restaurant tenant leased the 4,650 SF former Cava space at 1212 Coast Village Rd.

and Black Sheep, among others. The City decided to start charging fees for the parklets restaurants use for outdoor seating, and placed restrictions (including no roofs or floors) on new parklets. Meanwhile, 79% of respondents to a recent survey said State should remain closed to cars. If that sentiment becomes part of the forthcoming master plan, hopefully a more permanent solution to outdoor dining on State Street can be implemented.

In Goleta, with the big-box Camino Real Marketplace and like-new Hollister Village essentially fully leased, the bulk of leasing was in traditional grocery-anchored centers. Calle Real Center, Storke Plaza, Magnolia Center, and The Plaza at 7127 Hollister Ave combined had 14 leases totaling 38,000 SF. These deals ranged from fitness (The Pad Climbing, F45 Training) to dentists to restaurants (Rusty's Pizza, Santa Barbara Fish Market). Leasing activity slowed toward the end of the year, and there were only a few leases of note in Q4: Killer B Fitness leased 2,600 SF at 5342 Hollister Ave, and Bagel Café Inc leased the long-vacant space at 6533 Trigo in Isla Vista. All told, average achieved gross rent was up 15% compared to the 5-year average. Goleta's retail vacancy is very low at 2.3%, and would be near record-low if not for the addition of the 12,750 SF Santa Barbara Motorsports building at 5955 Calle Real to the market.

A rebound in the restaurant sector has been evident across the South Coast. According to the Restaurant Guy at SantaBarbara.com, in 2022 there were 52 restaurant openings--near the record of 54--and 35 closings. Inflation and softening consumer spending could undercut the success of these ventures in the near term, but it reflects a positive momentum shift in the economy. In an additional promising sign, our brokers have noticed more calls from prospective retail tenants in recent months. Despite predictions to the contrary, it appears the combination of internet shopping, food delivery apps, and online fitness haven't yet brought the demise of brick-and-mortar retail and restaurants.

INDUSTRIAL LEASING

Perhaps inflation played a role, but all three industrial market cities posted record average rents in 2022, and the combined South Coast average was 17% above the 5-year mean. In related news, South Coast inventory contracted by 14% and the vacancy rate of 1.7% is near the historic low.

In a past report we once noted that Santa Barbara's industrial vacancy was so low you could tour the entire inventory in half a day. At the moment you could tour the entire inventory before your second cup of coffee. There are two small spaces available, amounting to 0.1% vacancy, the lowest we have seen. The year brought 14 transactions, which is below trend, but dollar consideration for the year was on par with the 5-year average. There were 4 leases in Q4, most notably Roofline Inc leased 9,600 SF at 35 N Calle Cesar Chavez, and Hayward's of Santa Barbara leased 7,140 SF at 726 Cacique St. The perpetual market imbalance of demand exceeding supply continues to put upward pressure on gross rents, which are averaging over $2.00 PSF, with the caveat that Santa Barbara has a wide range of industrial space from uninsulated warehouses to boutique, polished-concrete ateliers, and rents vary accordingly.


Soli Organics leased two former Procore buildings totaling 34,400 SF at 6395 Cindy Ln in Carpinteria.

Goleta's industrial market saw a 31% deceleration of transactions compared to the 5-year average. However, dollar consideration was a record-high $36.4 million, thanks largely to the blockbuster lease of three newly constructed buildings in Cabrillo Business Park. In that transaction, the University of California Regents secured 71,000 SF for a 10-year term before construction was complete, affirming that newly developed industrial space is a hot commodity on the South Coast. During Q4, Moog renewed 23,500 SF at 7406 Hollister Ave, and Launchpoint leased the entire 16,300 SF building at 320 Storke Rd in Majestic Asset Management's recently acquired campus. Average achieved gross rent climbed to $1.83 PSF, a new high mark, and the range of rents was narrower than in Santa Barbara. Nevertheless, space in new or newly remodeled buildings can fetch $2.15 PSF gross or higher, often more than one would pay for office space in Goleta. The vacancy rate was virtually unchanged from the prior year and is under 3%.

As with Goleta, Carpinteria's industrial leasing generated record consideration totaling $10.4 million in 2022. In addition, the average gross rent cleared the $1.50 PSF threshold for the first time. The year's largest deal came in Q4 as Soli Organics signed a 10-year lease at 6395 Cindy Ln, a 34,400 SF property previously held by Procore. The Virginia-based tenant grows salad greens and herbs indoors and is new to the South Coast. Rincon Power leased 8,600 SF at 6381 Rose Ln in Q4 as well. There are only two spaces available, but both are over 20,000 SF. One is the Procore building for sublease at 6384 Via Real, and the other is the space long occupied by Reality of Carpinteria at 5251 6th St. Given the large size and limited number of these available spaces, leasing activity in Carpinteria is likely to be sparse in the near term.

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SALES DATA (YEAR-OVER-YEAR CHANGE)

Property Type	Dollar Volume ($M)		Transactions		Off-Market Sales		Properties For Sale	
Office/Medical	**$260**	68.1%	**32**	-3.0%	**16**	23.1%	**27**	80.0%
Industrial	**$109**	48.4%	**20**	-23.1%	**10**	25.0%	**5**	-16.7%
Retail	**$131**	-11.7%	**37**	37.0%	**16**	23.1%	**24**	-7.7%
Land	**$37**	-55.5%	**9**	-18.2%	**5**	-28.6%	**8**	100.0%
Mixed Use	**$19**	-23.0%	**8**	0.0%	**1**	0.0%	**9**	28.6%
Hotels	**$699**	183.9%	**12**	71.4%	**8**	166.7%	**3**	50.0%
Other	**$36**	-13.3%	**6**	20.0%	**2**	-50.0%	**0**	0.0%
Total	**$1,290**	67.39%	**124**	5.98%	**58**	18.4%	**76**	26.7%
Excl Hotels	**$592**	12.76%						

LEASING DATA (YEAR-OVER-YEAR CHANGE)

Market	Vacancy Rate		Transactions		Gross Absorption (SF)		Achieved Rent (PSF GR)	
OFFICE								
Santa Barbara	**11.00%**	+20%	**108**	+2%	**368,209**	+7%	**$3.02**	+1%
Goleta	**8.53%**	+63%	**27**	-13%	**119,269**	-54%	**$2.04**	-3%
Carpinteria	**3.47%**	+452%	**2**	-80%	**7,139**	-77%	**$2.46**	+33%
RETAIL								
Santa Barbara	**3.58%**	-26%	**62**	+32%	**229,943**	+145%	**$4.13**	+9%
Goleta	**2.38%**	+24%	**20**	+0%	**48,297**	-37%	**$3.48**	+16%
Carpinteria	**6.70%**	-55%	**1**	-50%	**1,994**	-34%	**$4.01**	+87%
INDUSTRIAL								
Santa Barbara	**0.11%**	-83%	**14**	-18%	**77,134**	-13%	**$2.16**	+19%
Goleta	**2.85%**	+2%	**19**	-24%	**278,035**	+7%	**$1.83**	+12%
Carpinteria	**3.65%**	-8%	**11**	+57%	**121,317**	+54%	**$1.53**	+30%

Change percentages are compared to 2021 values.