



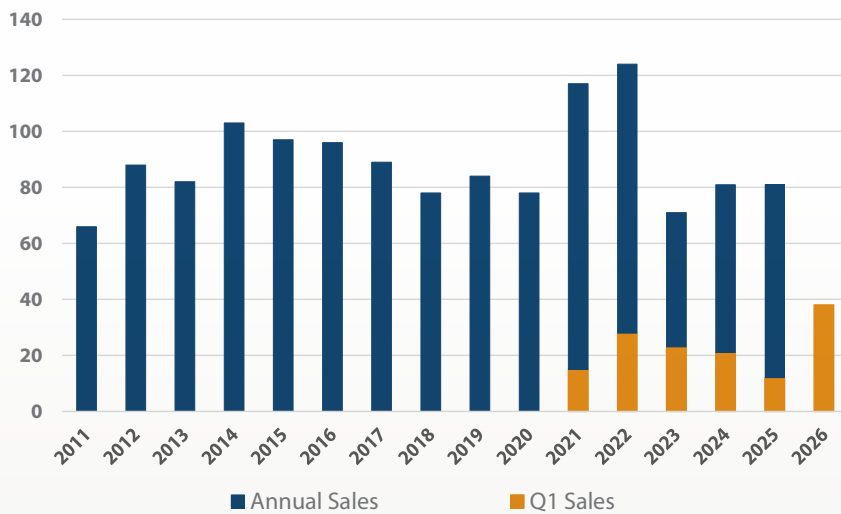
COMMERCIAL SALES: A Portfolio Sale Shapes the Quarter

South Coast commercial sales activity surged in Q1 2026, producing one of the highest-volume quarters on record by dollar value. Thirty-eight transactions closed totaling \$391 million, with \$356 million coming from non-hotel sales. While the transaction count of 36 non-hotel sales is 50% above the five-year quarterly average, dollar volume was more than three times the average, driven primarily by a single portfolio acquisition that transformed the quarter's totals and, arguably, the tenor of the local investment market.

That transaction was the \$235 million sale by Majestic Asset Management of its five "Tech Park" campuses in Goleta comprising approximately 733,000 SF of R&D, flex, and office space. The buyer, Praelium Commercial Real Estate, is an Orange County-based real estate group that already owned commercial property on the South Coast. While the portfolio sale was completed off-market in a single deal, the sales were recorded as 12 individual property transactions. Aside from prior sales of the Bacara Resort, it is the South Coast's largest commercial real estate deal on record.

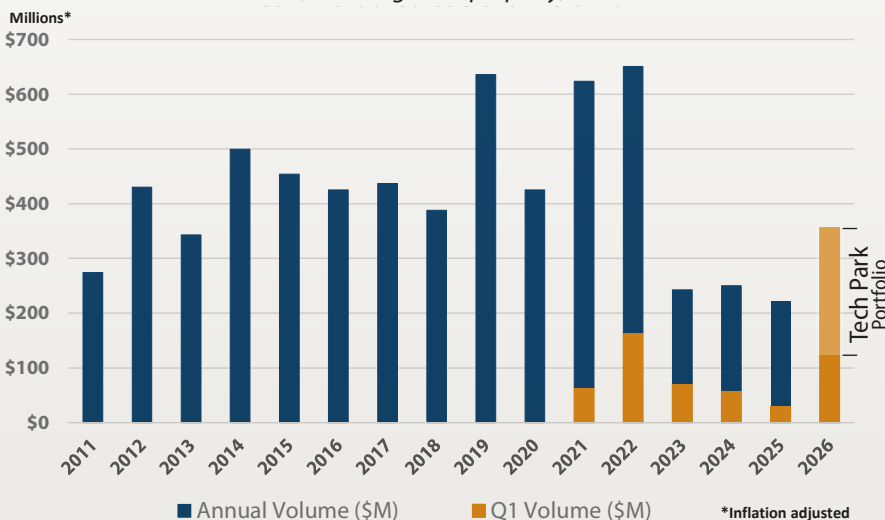
Aside from the portfolio sale, there were 26 transactions with non-hotel value of \$121 million, which is still solidly above recent quarterly norms, and offers optimism that some of the cautious sentiment defining the past three years may be lifting. However, nearly half of that dollar volume came from another blockbuster deal: the \$56 million sale by the Runyon Group of The Post retail project at East Cabrillo Boulevard and Los Patos Way.

South Coast Commercial Sales Transactions



Above: during Q1 there were 38 sales, compared to the 5-year avg of 20 sales.
Below: non-hotel volume was \$356 million versus the 5-year avg of \$78 million.

South Coast Commercial Dollar Volume (excluding hotel property)



*Inflation adjusted

The Tech Park Portfolio Sale

Majestic Asset Management first acquired commercial property in Goleta in 2010 and assembled the properties that became the Tech Park portfolio between 2018 and 2022. The five campuses represent a substantial share of Goleta’s premier R&D and flex office inventory. Tenants include Lockheed Martin, Redwire Space, Curvature, Umbra Space, True Digital Surgery, Alcon, and Aptitude Medical. Pricing across the 12 recorded transactions averaged approximately \$320 per SF, consistent with current valuations for stabilized product in the tech corridor.

Majestic will continue as property manager following the sale, providing tenants with seamless continuity through the ownership transition. The acquisition signals institutional conviction in Goleta’s fundamentals — a market anchored by UCSB, aerospace and defense contractors, and a deep bench of technology and bioscience firms. For the South Coast broadly, a transaction of this scale by an out-of-area institutional buyer is a resounding endorsement of the region’s commercial real estate.

Who’s Buying

Investors dominated Q1 activity, accounting for 24 of 38 transactions and the vast majority of dollar volume, largely due to the Tech Park portfolio sale. Even setting aside that deal, investor transactions were active. The quarter’s most notable individual investor deal was the \$56 million acquisition of “The Post” at 1801 E Cabrillo Blvd and 40–50 Los Patos Way, a retail adaptive reuse project near the East Beach waterfront. The Runyon Group assembled investors to purchase and remodel both properties in 2022, and then secured new tenants at substantially higher rents. The Q1 sale represented the team’s capital exit at more than double the acquisition price, with the Runyon Group retaining its role of managing and leasing the properties.

Another notable investor deal was the off-market land sale of 335 S Milpas St for \$22.6 million. A substantial multifamily redevelopment of the site was proposed by the previous owner, but the new owner’s intentions haven’t been confirmed. In Summerland, the mixed-use

TECH PARK PORTFOLIO:

17 buildings
733,000+ square feet
46.5 acres

TECH PARK @ ENGAGE

170,080 SF; 9.35 Acres



TECH PARK @ HOLLISTER

175,211 SF; 14.61 Acres



TECH PARK @ CREMONA

193,761 SF; 11.11 Acres



TECH PARK @ CASTILIAN

65,504 SF; 4.07 Acres



TECH PARK @ WARD

128,290 SF; 5.95 Acres





The Post includes nearly 40,000 SF at 1801 E Cabrillo Blvd & 40-50 Los Patos Way and sold for \$56 million.

“Big Yellow House” building at 108 Pierpont Ave traded for \$5.5 million.

Owner-users completed 14 transactions totaling \$15.9 million, reflecting continued demand from local businesses, medical practices, and professional users. Highlights include the sale of six condominium units at 1525 State St to a mix of owner-occupants, providing a successful example of converting a multi-tenant office building to condos. In addition, a live-work property at 2476 Lillie Ave in Summerland was purchased by a local entrepreneur for \$3.4 million, and 111 E Haley St was purchased for \$2.5 million by a local winery operator. Owner-user activity remains concentrated in the lower price ranges, where SBA financing and long-term occupancy strategies offset the higher borrowing costs of the current cycle.

Property Type Breakdown

Office property represented most of the commercial volume, yielding \$193 million, almost entirely from the Tech Park sales. Aside from that portfolio, office volume was on par with the more subdued activity seen since the beginning of 2023 with 7 transactions totaling \$12.5 million. The most substantial of those was the \$8.25 million sale of 6750 Navigator Way in Goleta, a 46,430 SF office building. The property has struggled to attract

tenants since the pandemic and will likely end up being repurposed for a different use by the new owner.

Industrial property posted 7 transactions totaling \$63.6 million, with three Tech Park properties accounting for 85% of the dollar value. Other sales included 1351 Holiday Hill Rd in Goleta (\$4.0 million), acquired by an investor, and 111 E Haley St in Santa Barbara (\$2.5 million), purchased by a winery. The scarcity of sales reflects the very limited industrial inventory on the South Coast.

Retail volume was very strong, thanks to the \$56 million acquisition of The Post on Cabrillo Blvd and Los Patos Way. Excluding those two properties, retail sales numbered just three transactions totaling less than \$3 million.

There were two notable hotel sales, reflecting continuing confidence in Santa Barbara’s tourism industry. The Franciscan Inn at 109 Bath St traded for \$22.5 million, while the PaliHouse at 913 Garden St fetched \$12.8 million. The lone land sale was the 2.4-acre parcel at 335 S Milpas St noted previously.

Looking Ahead

The missing element in recent years has been transactions in the higher price range, which has proven more difficult for buyers to underwrite given higher interest rates. The Tech Park sale delivered an enormous, one-time correc-



The Franciscan Inn at 109 Bath St in Santa Barbara traded for \$22.5 million, one of two hospitality sales in Q1.

tion in the upper price range. The unprecedented \$356 million of non-hotel sales during Q1 is a record for our market, and a quarterly volume that is very unlikely to be surpassed. The Tech Park portfolio sale was a remarkable and singular event that provides limited insight for understanding the broader South Coast market. It does confirm that well-located, improved commercial campuses can attract institutional investors at a level not previously seen in our region. It also underscores Goleta's bright future as a focal point for tech and engineering.

Looking beyond the Tech Park deal, the underlying market continues to exhibit selective demand due primarily to higher interest rates. The non-portfolio tally of 26 sales and \$121 million of volume represents a rebound from Q4, which produced 22 sales and \$46 million. Buyers appear somewhat more engaged, and the gap in pricing expectations between buyers and sellers is gradually narrowing. Much of the movement is relationship-driven, as strong off-market deal flow indicates both latent demand and passive supply. Conditions are evolving incrementally, but they appear to be heading in the direction of growth.

OFFICE LEASING

South Coast office leasing got off to a measured start in 2026, with 30 transactions completed in Q1, roughly 20% below the quarterly average. However, gross absorption of 244,000 SF was bolstered by Lockheed Martin's major

renewal in Goleta. Achieved rents remain near record levels, and the overall vacancy rate for the South Coast continued its gradual descent to 6.1%.

Goleta

Goleta's office market produced the quarter's headline transaction as Lockheed Martin signed 7-year renewals totaling over 111,600 SF on adjacent buildings at 336 Bollay Dr and 340 Storke Rd. That commitment signifies continuing confidence in Goleta's aerospace and defense corridor by a Fortune 100 corporation. Alcon Research also renewed its 18,345 SF at 315 Bollay Dr. Both tenants are in one of the Tech Park campuses just purchased by Praelium, and the renewals were negotiated in tandem with the change of ownership.

All told, 6 of 10 transactions were renewals, amounting to nearly 90% of the leased area in Q1. In addition, though not technically a renewal, Surgical Eye Expeditions is approaching the end of its sublease term at 6500 Hollister Ave and signed a direct lease to remain in the 5,784 SF suite for 5 to 10 more years. While the quarter's transactions didn't produce much movement, the renewals nevertheless indicate tenants choosing to stay rooted in Goleta's tech and engineering corridor.

The vacancy rate edged up to 6.2% from 5.2% at year-end, driven primarily by 35,000 SF at 6550 Hollister Ave returning to the direct market after recently being offered as sublease space. Much of the available space is second-floor office, which has been in relative surplus since the pandemic. But overall, office demand in Goleta remains solid.

Santa Barbara

Santa Barbara office vacancy ended Q1 at 6.4%, a substantial decrease from year-end due mostly to the upper floors of 817 State St—the former Nordstrom building at Paseo Nuevo—having been removed from our inventory tracking. These two floors comprise over 111,000 SF in rough shell condition that have been offered for lease since 2023, and though the space is still technically available to large office tenants, we are



25 W Cota St in downtown Santa Barbara will be home to Impact Tech following its lease of the 13,971 SF creative office building.

no longer including it in our office vacancy calculations. Setting aside 817 State St, the underlying vacancy rate was essentially unchanged from year-end. Available space has contracted by 26% from the cyclical peak 18 months ago, as office demand in downtown Santa Barbara has recovered significant momentum. In fact, the vacancy rate has nearly returned to pre-pandemic levels.

Leasing activity was consistent with recent quarterly levels, producing 20 transactions totaling 76,000 SF. The most notable deals were signed by tech companies that literally have “tech” in their names. Impact Tech leased the 13,971 SF building at 25 W Cota St. The building was leased to Sonos for 10 years, then subleased to Honey/Paypal, but sat vacant for most of that time due to the pandemic. Intake Breathing Technology claimed 8,028 SF of creative office formerly occupied by Zoom at 420 E Carrillo St. On the renewal front, Regus extended its 11,400 SF coworking operation at 7 W Figueroa St, affirming continued demand for flexible office in the downtown core. Analog Devices renewed 7,180 SF at 901 Olive St. Achieved rents for downtown spaces averaged \$3.05 per SF gross. On Upper State, Montecito Bank & Trust renewed its 5,054 SF branch office at 3802 State St on a 10-year term.

Carpinteria

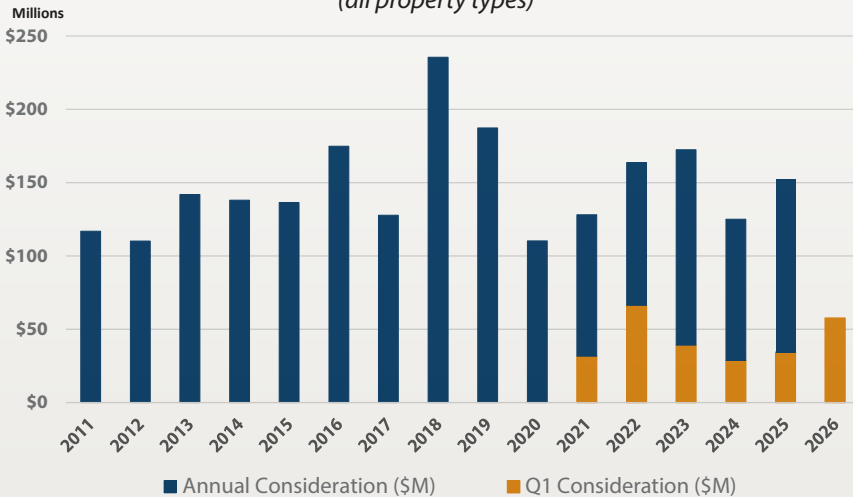
Carpinteria recorded no office transactions in Q1, a fairly common result for a submarket that averages about 5 leases per year. Vacancy held near historic lows at 4.3%. However, a substantial new availability is expected to come to market soon at 6185 Carpinteria Ave, vacated by PlanMember Services as it relocates to 6267 Carpinteria Ave.

RETAIL LEASING

South Coast retail leasing presented a familiar bifurcation: neighborhood and daily-use centers throughout the market area continue to operate with vacancy well below 5%, while destination retail in the large malls and State Street continue to face challenges with turnover and lack of demand. What set Q1 apart was the scale of leasing activity on State Street itself, which produced several significant transactions that meaningfully reduced vacancy from its elevated year-end level. Taken together, the picture is one of underlying retail health in most areas and cautious optimism for the downtown corridor that has struggled to regain its balance for the past eight years.

After many years of planning studies, community input, and deliberation, the City of Santa Barbara is approaching a meaningful decision point on the State Street Master Plan as it considers a design that would formalize portions of the street as a permanent pedestrian promenade. For property owners, tenants, and developers who have long faced uncertainty about the corridor’s future configuration, the prospect of a tangible policy direction is itself significant. That said, if a plan is adopted, the physical transformation of State Street would reportedly take up to ten years. Fortunately, in the meantime the Downtown Improvement Association has made noticeable progress on cleanliness and upkeep along the State Street corridor, making the area generally more inviting.

South Coast Lease Consideration
(all property types)



Total lease value (or consideration) during Q1 was \$58 million, a 45% increase compared to the 5-year avg of \$40 million.

Overall, Santa Barbara retail vacancy held low and steady at 2.8%, showing little movement over the past three quarters. Fourteen Q1 transactions totaled 81,000 SF of gross absorption. Achieved rents averaged \$3.25 per SF gross.

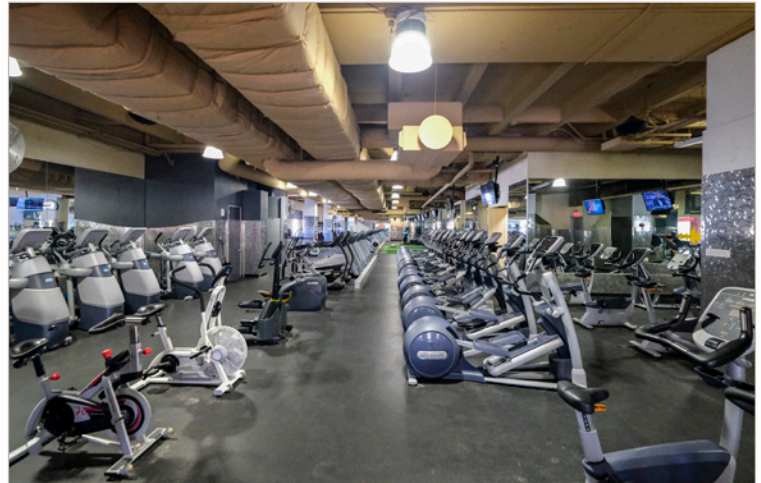
State Street storefront vacancy along the 400 to 1200 blocks decreased from 14.5% at year-end to 12.8% at the end of Q1. This notable reduction was driven by one of the more active leasing quarters the corridor has seen in recent years. Six transactions were recorded on State Street, headlined by two large-format signings that together absorbed over 50,000 SF of vacant space.

The quarter's biggest deal was EōS Fitness leasing the former 24 Hour Fitness space at 820 State St. The new tenant expanded the footprint to include storefront space fronting State Street directly, bringing the total to 37,313 SF on a 15-year term. The commitment fills one of downtown's most prominent vacancies and brings a high-traffic fitness operator to a block that can use a boost. At 1109 State St, A Royal Suite—a home furnishings concept based in Santa Clarita—leased the 13,700 SF former CVS, marking another absorption of a substantial storefront.

Among the other signings: Candy X took the former Starbucks at 800 State St, a prominent corner location that has been vacant for several years. Gallery Santa Barbara leased 2,800 SF at 1220 State St, formerly Wendy Foster. At the south end of the corridor, Habitat for Humanity leased 8,000 SF at 400 State St for its ReStore resale location, filling another vacant space.

In the Funk Zone, Mollusk Surf Shop renewed 3,555 SF at 205 Santa Barbara St, a welcome sign that the surf and lifestyle brand remains committed to its Santa Barbara outpost. And S&J Fitness leased 3,450 SF at 116 Anacapa St, which has seen gym use in the past.

Coast Village Road has been quiet from a leasing standpoint, with only one space available (at 1250 Coast Village Rd) and no lease transactions in Q1. There has been some apparent turnover of businesses, however, such as the announced arrival of Sally Boy's restaurant at 1080 Coast Village Rd and soft goods retailer Viva O Sol at 1101 Coast



In the heart of downtown, EōS Fitness will occupy over 37,000 SF at 820 State St, formerly 24 Hour Fitness.

Village Rd. If these moves entailed new lease transactions, we have yet to track them down. In any case, the Lower Village remains in very high demand.

Goleta's retail market remains tight, with vacancy edging down to 2.5%. All three Q1 lease transactions were in Old Town Goleta along Hollister Avenue, most notably ASP Market Corp's lease of the 5,800 SF Santa Cruz Market space at 5777 Hollister Ave. The market is a multi-decade family institution that will reportedly continue under new ownership. Eddie's Grill renewed its 2,664 SF at 5725 Hollister Ave, and Batdorf Beverageworks signed 1,200 SF at 5871 Hollister Ave. The distribution of available space remains weighted toward the Calle Real and Fairview centers, which combined are carrying more than 60% of the available space in Goleta. Isla Vista has more availability than usual, with five spaces totaling more than 10,000 SF on the market.

INDUSTRIAL LEASING

South Coast industrial leasing activity was even lighter than usual during Q1, generating six transactions totaling 60,600 SF. Despite the dearth of signings, combined vacancy dipped from 3.2% at year-end to 2.7%, which is still above average in our perennially undersupplied industrial market.

Following three quarters of relatively high vacancy, Goleta’s industrial inventory tightened from 4.3% to 3.3%. Only two transactions were completed, including a 8,940 SF sublease at 75 Robin Hill Rd claimed by Sionyx. The other signing was by Maker House—a nonprofit clay and maker studio—which signed a new lease for its existing 16,454 SF space with the new owner of 1351 Holiday Hill Rd. The most notable addition to available inventory was 9,900 SF of flex space at 600 Ward Dr, vacated by Czero, Inc. Asking rents averaged \$1.62 per SF gross, which is lower than the recent trend due to a few warehouse spaces asking 85 to 90 cents per SF gross.

Santa Barbara saw only two industrial leases, including 6,500 SF at 519 E Gutierrez St signed by San Luis Marble. Vacancy held essentially flat at 1.6%, as it has for the past several quarters, with 10 spaces available. Smaller spaces continue to lease more readily. All of the available spaces under 4,000 SF have been on the market for less than 9 months, whereas all but one of the larger offerings have been on the market for over a year. The average asking rent for spaces of all sizes is \$2.68 per SF gross.



San Luis Marble leased the 6,500 SF warehouse at 519 E Gutierrez St in Santa Barbara.

Carpinteria also had two industrial transactions in Q1: The French Press leased 8,200 SF of warehouse and office space at 6383 Rose Ln on a 10-year term; and Dakar renewed 19,400 SF at 1015 Cindy Ln for five years, keeping a major tenant anchored in the market. The 28,800 SF warehouse building at 6395 Cindy Ln came to market, now offered for direct lease after previously being for sublease. This addition doubles the available industrial space at that property to 57,600 SF.

LEASING MARKET DATA

Market		Vacancy Rate		Transactions		Gross Absorption (SF)		Achieved Rent (PSF GR)	
OFFICE	Santa Barbara	6.4%	-25%	20	-14%	76,223	+4%	\$3.34	+6%
	Goleta	6.2%	+18%	10	+11%	167,947	+94%	\$2.67	+12%
	Carpinteria	4.3%	+18%	0	-100%	0	-100%	na	na
RETAIL	Santa Barbara	2.8%	-1%	13	-16%	81,335	+148%	\$3.25	-26%
	Goleta	2.5%	-9%	3	-14%	9,660	-29%	\$2.66	-32%
	Carpinteria	3.1%	+16%	1	-50%	750	-68%	\$2.90	-19%
INDUSTRIAL	Santa Barbara	1.6%	-1%	2	-33%	7,602	-17%	\$2.94	+10%
	Goleta	3.3%	-25%	2	-58%	25,394	-44%	\$0.90	-55%
	Carpinteria	4.6%	-6%	2	+33%	27,600	+48%	\$1.41	+1%

Change percentages are compared to 2025 values, annualized where appropriate.

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SOLD

Congratulations to
Francois DeJohn & Caitlin Hensel
for completing the Tech Park @
Goleta portfolio sale!

\$235 million

5 Campuses

17 Buildings

733,000+ square feet

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Rely on our expertise. Stay ahead of the market.



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