



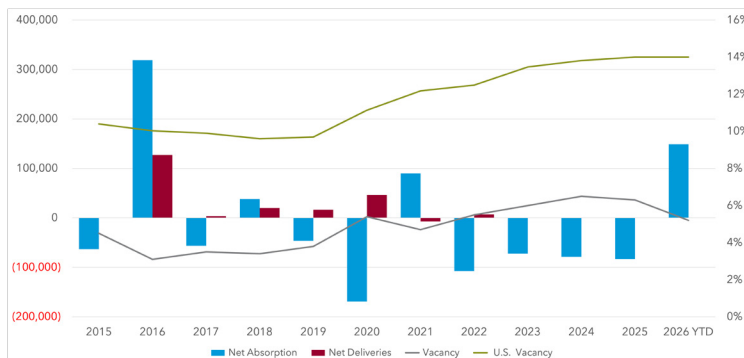
OFFICE MARKET OVERVIEW

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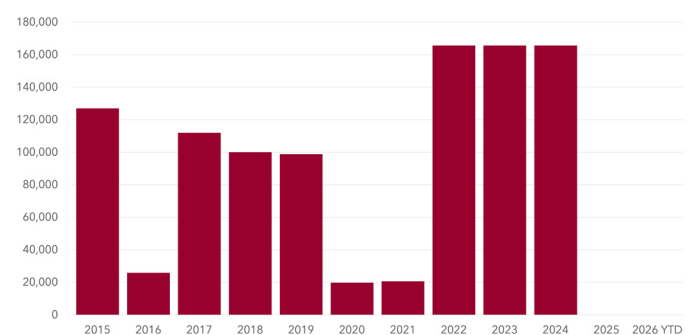
Santa Barbara's office market demonstrated improving fundamentals through Q3 2026, supported by its aerospace, healthcare, and defense-related employment base. Vacancy declined to approximately 5.2%, below the five-year average, as positive net absorption totaled 98,000 SF over the trailing 12 months. Leasing activity reached its highest level since 2021, highlighted by Lockheed Martin's 90,000 SF renewal, although smaller transactions continue to drive most new leasing activity. Limited new construction and constrained availability have supported stable occupancy levels. Average asking rents increased 2.3% year over year, slightly trailing national growth. Looking ahead, minimal supply pressure and steady tenant demand are expected to support stable vacancy and moderate rent appreciation.

MARKET INDICATORS	Q3 2026	Q2 2026	Q1 2026	Q4 2025	Q3 2025
▲ 12 Mo. Net Absorption SF	97,945	(89,627)	(76,278)	(55,973)	32,127
▼ Vacancy Rate	5.20%	6.00%	5.90%	6.46%	6.10%
▲ Avg NNN Asking Rent PSF	\$37.02	\$36.16	\$35.87	\$35.30	\$34.77
▲ Sale Price PSF	\$329.51	\$323.51	\$322.17	\$323.00	\$316.00
▼ Cap Rate	7.50%	7.60%	7.70%	7.69%	7.76%
◀ ▶ Under Construction	-	-	-	-	-
▼ Inventory	13,216,543	13,231,978	13,167,413	13,339,944	13,380,733

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
5575 Hollister Ave Goleta, CA	18,352 SF	\$4,898,822 \$266.94 PSF	AJR Capital Kellog Square LLC	Class B
Chapala Lofts (350 Chapala St) Santa Barbara, CA	42,284 SF	\$2,395,000 \$56.64 PSF	Jeffrey Brookshire Lynda Ballard	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
50 Castilian Dr Goleta, CA	43,655 SF	AppFolio, Inc. (sublessor)	Toyon Research Corporation	Defense / Aerospace R&D
417 Commerce Ct Lompoc, CA	15,785 SF	Sobani	Bechtel National Inc	Engineering & Con- struction
Santa Maria, CA Fairway Dr	11,046 SF	Gary Gallup	Unknown	Unknown

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