

Region's technology sector keeps real estate business humming

Pacifica Commercial Realty's recently released first quarter report found that the technology sector has been generating enough new ventures to account for the majority of the quarter's leases.

More than 60,000 square feet of office space in Goleta was leased during the first quarter, which Pacifica Executive Vice President Mark Mattingly said is entirely attributable to companies in either the technology or information management industries.

"At year-end everyone was wondering if we had the tools to rein in the market free-fall that was affecting the stock market, bond market and the economy as a whole," Mattingly said. "Three months later, it would appear the answer is 'yes,' but that the cost will be staggering."

Large deficits and easy monetary policy generally lead to inflation, and if past performance is any indicator, real estate is generally considered to be a good hedge.

Of note: Carpinteria's office vacancy rate dropped significantly as Lynda.com — an online computer software training service — leased a 15,404-square-foot office space that previously housed Global Brand Marketing; this single transaction reduced the available inventory by 38 percent.

Pacifica Agent Gene McKnight said "the retail sector is down for obvious reasons, but overall there are deals out there."

In the overall relative world of retail, Santa Barbara is faring significantly better than the state and national markets, with a vacancy rate hovering near 2 percent.

The report said that while this is purely relative, the perception is that Santa Barbara's retail market is in the midst of a free fall. It is interesting to note the actual vacancy rate has increased very little over the past 12 months. Although more retail

stores are vacant, they are, for the most part, smaller spaces.

While market statistics show the number of vacancies increasing, the report said asking rents are being reduced as landlords try to fill empty storefronts.

"Currently there is an increasing supply of properties on the market with prices being adjusted downward," said Pacifica Associate Vice President Peter Borneman.

"Therefore buyers are seeing better opportunities to own on the South Coast."

The average retail space in downtown Santa Barbara is approximately 15 to 20 percent below asking rents of two to three years ago.

"We expect the balance of 2009 to remain sluggish, with investment sales at a virtual standstill," Mattingly said. "During the first quarter, there were only five commercial sale transactions. Until sellers' expectations come more in line with buyers' expectations, we see no reason to believe the investment market will show signs of vitality."

DEALS OF THE WEEK

- Mark C. McDade of McDade Orthodontics leased 1,859 square feet of medical office space at 1525 State St. Gene Deering of Radius Group represented the lessee while Dan Moll of Hayes Commercial represented the lessor, Kaljian Santa Barbara.

- Vegetable Growers Supply signed a five-year lease on a 5,000-square-foot industrial/warehouse building on 2.11 acres at 715 S. Blosser Road in Santa Maria. The tenant and landlord were represented by Al Segal and Marty Indvik of Lee & Associates.

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