




**City of Santa Barbara**  
Airport Department

Meeting: 07/20/22  
Agenda Item No. 11

**DATE:** July 20, 2022  
**TO:** Airport Commission  
**FROM:**  Brian D'Amour, Interim Airport Director  
**SUBJECT:** Commercial – Industrial Rental Rates

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**RECOMMENDATION:**

That Airport Commission approve the proposed Fiscal Year 2023 property rental rates for the Commercial – Industrial buildings and land at the Santa Barbara Airport.

**DISCUSSION:**

Background

One of Santa Barbara Airport's significant strengths is its diverse portfolio of income producing assets outside the Air Operations Area (AOA). These assets not only provide a great community benefit in support of local businesses and employment but also support our efforts to ensure that those aeronautical uses inside the AOA are supported by a financially sound and well managed Airport.

The Properties Division is charged with assuring the Airport's self-sufficiency and strong financial position through prudent fiscal management of its income producing assets both inside and outside of the AOA. This responsibility involves ensuring that our rental rates are competitive and accurately reflect current market conditions. To this end, periodic and no less than one annual market survey is conducted so that changes in the market can be tracked, and our competitive position maintained.

The Properties Division manages approximately 173,000 square feet of office, retail, storage, and light industrial/flex space and over 2.5 million square feet of various types of land leases outside of the AOA. The Properties Division also manages approximately 337,000 square feet of aeronautical space inside the AOA.

Rental Market Overview

In Goleta, the office vacancy rate stayed below 6% for all of 2021 and ended the year for 2021 Q4 at 5.23%. The office vacancy rate for 2022 Q1 was 4.89%, a slight improvement over the previous quarter. The average office gross rent per square foot did not change in the most recent quarter to quarter going from \$2.10 in 2021 Q4 to \$2.11 in 2022 Q1. These indicators suggest a stable market for both vacancy rate and lease rate that should continue for the remainder of 2022.

The industrial vacancy rate in Goleta for 2022 Q1 was 4.20% reflecting an increase over the rate for 2021 Q4 of 2.84%. Goleta's industrial market set a record high for absorption in 2021 of 260,000 square feet showing very strong demand in the Goleta industrial marketplace. Absorption in 2022 is leveling off to a more normal level as reflected in the 2022 Q1 vacancy rate.

The average gross rent per square foot for industrial space in Goleta was \$1.88 in 2022 Q1 as compared to \$1.64 in 2021 Q4. This increase in rate is attributed to the strong demand that occurred in 2021. If vacancy rates stabilize at around the 5% level for the remainder of 2022, it would be reasonable to expect that rent growth would also stabilize.

### Vacancy Rates Summary

*Current Goleta market vacancy rates by property type for 2022 Q1:*

<b>Commercial Vacancy Rates</b>		
2022 Q1		
	Goleta	SBA
Office	4.89%	29.65%
Retail	1.92%	0.00%
Industrial	4.20%	0.00%
Land	N/A	1.43%
Storage	N/A	0.00%

Source: Hayes Commercial Group

As the chart above shows, the Airport Commercial - Industrial building vacancy rate is comprised entirely of office space. The overall building vacancy rate for Airport properties is currently 7.46%, concentrated almost entirely in the office category.

### Rental Rates Summary

*Current Goleta market rental rates for 2022 Q1:*

<b>Commercial Rental Rates</b>		
2022 Q1		
	Goleta	SBA*
Office	\$2.11	\$2.04
Retail	\$2.93	N/A
Industrial	\$1.88	\$1.52
Land	N/A	\$0.22
Storage	N/A	\$0.99

Source: Hayes Commercial Group

\*Goleta rates are Gross and SBA rates are Modified Gross so \$0.20 P/SF was added to gross up the SBA rate for office and industrial



It should be noted that most of the Commercial – Industrial properties at the Airport are older properties and when compared to the larger market in Goleta, there is a natural downward pressure on SBA rental rates compared to the competition.

There is no Retail rate noted above for SBA as essentially there are only two properties currently classified strictly as retail. Arrow Truck Accessories is at \$1.41 per square foot and Dean Coffee at \$2.09 per square foot. Due to the small sample size these properties were included with the industrial figures for the purposes of this report.

### Existing Vacancies

The Santa Barbara Airport currently has 12,888 square feet of leasable office space available comprised of eight spaces ranging in size from 144 square feet to 7,906 square feet. There are also two yard/storage spaces available both fully fenced, gated, and paved with a total of 35,783 square feet. The following chart details the current vacancies at the Airport:

*Current vacancies at SBA:*

Commercial - Industrial Space Vacancy List					
July 2020				Rentable \$	
Bldg #	Property Address	Unit #	Rentable SF	P/SF P/Mo.	Use
225	6150 Francis Botello	A	842	\$ 1.60	Office/Storage
258	629 Firestone Road	H	144	\$ 1.70	Office
258	629 Firestone Road	J	144	\$ 1.70	Office
258	629 Firestone Road	B	560	\$ 1.70	Office
304	53 Gerald Cass Place	A	560	\$ 1.60	Office
315	90 Dean Arnold	C	1,560	\$ 1.70	Office
351	1409 Firestone	A & B	1,172	\$ 1.60	Office
252	521 Firestone- former restaurant		8,695	\$ 1.35	Restaurant
333	1522 Cecil Cook Place	A	7,906	\$ 1.55	Office
245	495 S. Fairview Office Bldg.		30,000	\$ 1.25	Office
244	Ampersand Mezzanine		10,000	\$ 1.20	Office
Land	20 Jack Perez Pl.		24,450	\$ 0.33	Yard/Storage
Land	40 David Love Pl.		11,333	\$ 0.33	Yard/Storage

Of the vacancies above, several spaces are not in a leasable state. This includes the restaurant space due its condition and being in the FBO Redevelopment Area and the office building and mezzanine spaces at 495 S. Fairview Ave. due to significant capital investment that would be required in order to bring these spaces to a rentable condition. For the purpose of this report, these spaces were excluded from calculations regarding vacancy rates.

Proposed Rental Rates for FY2023

Based upon staff analysis of current market conditions including current vacancy factors and average market rental rates, the rates the Airport is currently achieving for the various property types, and the relative age and condition of Airport property as compared to the competitive market, it is recommended that the following proposed rental rates be used for new or amended leases in FY2023 July 1, 2022 through June 30, 2023.

Proposed Rental Rates for FY2023\*

Proposed Rental Rates FY 2023	
	Per Square Foot Per Month
Office	\$1.40 - \$2.00
Retail	\$1.50 - \$2.10
Industrial	\$1.20 - \$1.80
Land	\$0.20 - \$0.35
Storage	\$0.80 - \$1.20

*\*All rates are exclusive of utilities and common area maintenance charges*

**PREPARED BY:** Properties Division