



# The Sonoma County Income Property Report

## 2<sup>nd</sup> Quarter 2009



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Income Property Specialist

REO Specialist

President Liberty Property Management

Top Producer

## Investor

It has been quite some time since I have published my quarterly income property report. Over the last two years, my wife and I have been very busy listing and selling REO (bank owned homes.) The recent slow-down in REO activity due to the foreclosure moratoriums has allowed me to do what I love best: analyze and report on the state of the Sonoma County income property market.

We all have unique financial needs and goals. Some of us may pursue loan modifications; others may look to complete a short sale; while yet others may look to complete a new purchase. Whatever our individual goals may be, we all need to arm ourselves with the very best information available so that we can make informed decisions.

### DECLINING RENTAL MARKET

By the end of the second quarter of 2009, the average Sonoma County asking rent was \$1,176. This number represents a -2.8% one year

## 1<sup>st</sup> and 2<sup>nd</sup> Quarter 2009

change in rents. The vacancy factor by the end of the same period increased to 6.6%. Out of 25 Major Statistical areas (MSA) in California, Sonoma County was ranked 14<sup>th</sup> in year-over-year occupancy ranking and 10<sup>th</sup> in year-over-year rent ranking.

### WHY THE DECLINE?

Conventional wisdom would have us believe that the tightening of credit to first time home buyers would put more demand on rental housing. However, these are extraordinary times and the rules seem to be changing daily. As the job market continues to decline, we are seeing more and more tenants pooling resources and moving in with other family members and friends. We are also seeing many of our tenants moving out of the area to seek gainful employment.

### EFFECTS OF FORECLOSURE MORATORIUM ON OUR RENTAL MARKET

The recent foreclosure moratoriums and banks'

inability/unwillingness to foreclose seems to have unintended consequences on our rental market. It is common to hear stories of homeowners who have not paid mortgages for over a year and continue to have the trustee sales delayed. Many of these homes are occupied by multiple families free of rent or at discounted rates. In addition, evictions for tenant occupied bank-owned homes are taking longer for the final lock-out.

### THE REST OF 2009

Look for rents to continue to decline and vacancy factors to increase through the rest of 2009. It is important for owners to be proactive and price vacant units at attractive rents and offer strong move-in incentives.

### MULTI-UNIT SALES

The median price for 2-4 unit buildings for the second quarter of 2009 fell by 17.4% from the first quarter of 2009. Year-over-year sales for the period ending 2Q 2009 fell by a staggering 35.3%. The year-over-year statistic may be more telling because it includes the medium sales price of a larger amount of sales.

### REO VS. SHORT SALES

In Sonoma County there were 97 total sales of 2-4 unit properties for a 12 month period ending 2 Q 2009. Of these, 66 were REOs and 7 were approved short sales. While 7 short sales out of 97 total sales seems insignificant, it is

## Sonoma County Rental Trends

Average Asking Rent 2001 to 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	4 Yr. Change
<b>AVERAGE</b>	\$1,076	\$1,074	\$1,088	\$1,083	\$1,091	\$1,115	\$1,169	\$1,205	\$1,183	8.40%
<b>studio</b>	\$694	\$705	\$700	\$694	\$678	\$690	\$743	\$803	\$799	17.90%
<b>jr 1bd</b>	\$992	\$959	\$917	\$882	\$914	\$925	\$964	\$996	\$1,018	11.40%
<b>1bd 1bth</b>	\$933	\$929	\$946	\$944	\$941	\$960	\$1,015	\$1,047	\$1,035	10.00%
<b>2bd 1bth</b>	\$1,135	\$1,123	\$1,114	\$1,092	\$1,098	\$1,110	\$1,162	\$1,197	\$1,185	7.90%
<b>2bd 2bth</b>	\$1,239	\$1,222	\$1,247	\$1,248	\$1,265	\$1,313	\$1,378	\$1,417	\$1,383	9.30%
<b>2bd TH</b>	\$1,209	\$1,236	\$1,273	\$1,244	\$1,233	\$1,209	\$1,247	\$1,314	\$1,238	0.40%
<b>3bd 2bth</b>	\$1,490	\$1,519	\$1,519	\$1,493	\$1,557	\$1,605	\$1,677	\$1,732	\$1,682	8.00%
<b>3bd TH</b>	\$2,270	\$2,065	\$1,943	\$1,685	\$1,647	\$1,675	\$1,665	\$1,683		-0.10%

## April 09 to June 09 ✦ 2-4 Unit Sold

Area	Street Full Address	Listing Price	Selling Price
Guerneville	17401 Orchard Ave	249,000	230,000
Healdsburg	360 March Ave	332,500	333,000
Monte Rio	21608-21610 Moscow Rd	209,000	220,000
Petaluma West	524 6th St #C & D	424,900	390,000
Russian River	12590 Mays Canyon Rd	399,900	326,400
Santa Rosa-Northeast	621 Hendley St	310,000	255,776
Santa Rosa-Northeast	1267 Ripley St	306,700	305,000
Santa Rosa-Northeast	747-749 A&B Humboldt St	407,000	412,000
Santa Rosa-Northwest	1672 Clover Dr	399,000	350,000
Santa Rosa-Northwest	1721 W 3rd St	425,000	460,800
Santa Rosa-Northwest	1550 Herbert St	255,000	261,000
Santa Rosa-Southeast	4395 Hoen Ave	359,000	330,000
Santa Rosa-Southeast	1165 Hendley St	317,900	305,000
Santa Rosa-Southeast	1013-1017 Grand Ave #3	350,000	350,000
Santa Rosa-Southeast	1524 Lynn Ct	285,000	322,000
Santa Rosa-Southwest	1325-2335 Gloria - West Dr	132,900	133,000
Santa Rosa-Southwest	441 Arrowood Dr	375,000	318,000
Sebastopol	8732-8730 Oak Grove Ave	259,900	240,000
Sebastopol	7402 Bodega Ave	274,900	220,000
Sonoma	176 Buena Vida Ct	274,000	275,000
Sonoma	909-911 Solano Ave	248,900	238,500
Sonoma	140 Rose Ave #2	149,000	137,000
Windsor	8934 Windsor Rd	259,000	281,300
Windsor	337-339 Johnson St	224,900	230,000

## April 09 to June 09 ✦ 5+ Unit Sold

Area	Address	Listing Price	Selling Price
Santa Rosa-Southeast	4005 Hoen Ave	995,000	933,000
Santa Rosa-Northeast	200 S E St	1,150,000	1,100,000
Sebastopol	2601 S Brush St	875,000	800,000

important to note that there were 0 short sales for the 12 months preceding. While these statistics imply that lenders are still more willing to foreclose on 2-4 unit properties rather than approve a short sale, it is evident that there is an increasing trend to approve short sales.

### FORECLOSURE MORATORIUMS AND PROPERTY VALUES

Every expert seems to have different theories as to why the banks continue to postpone pending trustee sales. Some of these reasons may include backlog from the foreclosure moratoriums, willingness to work with borrowers on loan modifications and short sales, political pressure to implement strong foreclosure prevention, and financial pressure to keep these bad loans off the books to improve shareholder wealth.

While nobody knows why there continues to be a delay in REO inventory, what is fairly certain is that they will have to

eventually implement meaningful loan modifications and/ or start foreclosing again. If the banks choose to flood the market with REO inventory all at once, we can expect values to continue to decline. If there is a steady release of inventory, then we can expect values to hold stable or even improve.

### BUYER'S MARKET?

A buyer's market occurs when there is an abundance of listing inventory and a shortage of ready willing and able buyers. One of the largest myths surrounding the present state of our real estate market is that this is a buyer's market. While the higher end residential market continues to show weakness, lower end homes priced under \$300K are being snatched up by investors as fast as they hit the market, and often over the asking price. A first time homebuyer using FHA financing has very little chance of competing against an investor paying all cash for an REO

### Coming Soon Bank Owned



3 bed / 2 bath SFR



4 bed / 2.5 bath SFR



3 bed / 2 bath condo



3 bed / 2 bath SFR

property. The present shortage of bank-owned inventory is the primary reason for this feeding frenzy. In recent months, some of my REO listings have fetched up to 30 offers. While it is commonly agreed that inventory will eventually increase, there is little consensus on when and how many REOs will hit the market.

### SELLING IN THIS MARKET

Financial necessity/ opportunity may have some owners considering selling in this market. Recent changes in some major lenders' Loss Mitigation Departments have made the short sale process possible. Prior to completing a short sale it is imperative that the lender issue a debt forgiveness letter. Without this agreement, the lender may have future recourse. It is also important that a principal considering a short sale consult with an accountant and/ or an attorney prior to completing a short sale.

## Some of my listings



**Cash Cow!  
Russian River**

- Eight, 2 bed 1 bath cabins on 2.1 acres. Excellent rents, 10 cap on seller's stated income and expense!
- Top of the world views of the Russian River Valley and Korbel vineyards.

**\$799,900**



Bank Owned

**Great Buy!  
Santa Rosa**

- Two fixer homes on a .69 acre lot!
- Main residence has 3 bedrooms, 2 baths and an attached 2 car garage.
- 2nd unit has two bedrooms, 1 bath and an attached 1 car garage. Additional 2 car detached garage.
- Development potential.

**\$465,500**



Bank Owned

**King of the Hill!  
Mill Valley**

- This home has wonderful views and is located in a great neighborhood.
- Only minutes to the G.G Bridge.
- Home is in need of work but has an excellent floor plan and tons of potential.

**\$648,500**



Bank Owned

**Bank Owned Bargain!  
Santa Rosa**

- This 4 bed/2 bath home is priced to sell!
- Rehabbed and in-move in condition.
- Large private lot. This is a must see!

**\$228,900**

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## David L. Rendino

Multi unit specialist

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CPS Property Advocates

Each office independently owned and operated

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### The Sonoma County Income Property Report 2<sup>nd</sup> Quarter 2009

This newsletter is geared towards Sonoma County multi-unit property owners. The purpose is two-fold:

1. To inform investors on the current Sonoma County rental market trends.
2. To provide important information on the Sonoma County sales market for multi-unit buildings.

### TIME TO BUY OR SELL?

If you would like a no obligation market analysis of your building or buyer consultation, please call me, David Rendino, on my cell phone:

**(707) 696-3742**

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**David Rendino**, President (707) 236-1223  
More information inside this edition...

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