

# SONOMA COUNTY

## Income Property Report



*The goal of this report is to provide rental and sales trend information for Sonoma County income property*



Hello Friends,

If this is the first time you have received our newsletter, the goal of this report is to provide rental and sales trend information for Sonoma County income property owners. We all have unique financial goals and need to make our decisions armed with the best information available.

The 2014 sales and rental trend statistics are in the books and there is lots of speculation concerning the future of interest rates, property values and rental growth potential in Sonoma County. While the 2014 data is now several months old, it contains key information that will help us make better sense of the data that bombards us on a daily basis.

### SONOMA COUNTY ECONOMY

While the California Employment Development Department has yet to release the year to date statistics for Sonoma County, the year end report for The Sonoma County Economical Board shows that Sonoma County ended 2014 with a 4.7% unemployment rate. This represents the lowest rate since 2007. Non-farm payroll employment, which represents the number of jobs in an area, increased by 1.1% for Sonoma County for this period. While industries such as manufacturing, retail and trade have consistently gone by the wayside,

the Sonoma EDB report states that specialty goods, tourism, and technology industries will continue to build momentum in the short term. The report also states that the median household income in Sonoma County is projected to rise from the current average of \$61,010 to \$71,950 by the end of 2019.

On March 20<sup>th</sup>, The Sonoma County EDD released the February report. This report shows a 4.9 percent unemployment rate, as local employers added jobs for the first time in five months.

### INCREASING RENTAL MARKET

The average Sonoma County asking rent slightly decreased to \$1,567 by the end of the 4th quarter of 2014. This represents a year over year increase of 9%.

Sonoma County was ranked #6 out of 26 California MSAs (metropolitan statistical areas) for rent growth for the same reporting period.

The occupancy factor also remained strong, with a 97.1% occupancy by the end of the 4<sup>th</sup> quarter of 2014. Sonoma County was ranked #7 out of 26 California MSAs for occupancy, and continued to outpace cities such as San Francisco, Fremont and Oakland.

### WHAT TO EXPECT IN THE SHORT RUN

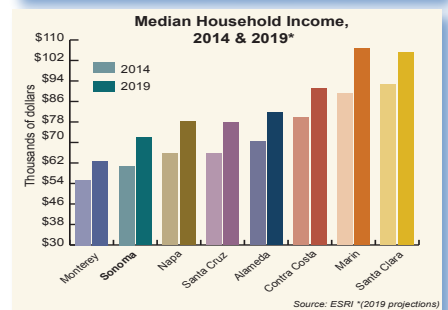
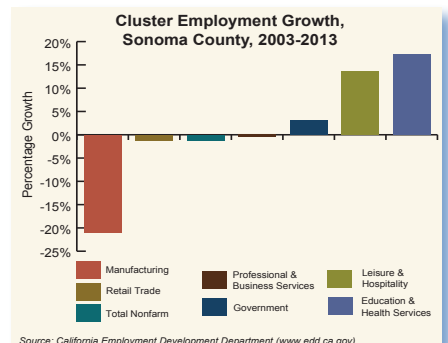
It is my expectation that Sonoma County will see a healthy rise in rental values by the end of the second quarter 2015. While my experience on the ground may be considered anecdotal, I have seen a large rise in rental values for lower income properties, which are not always included in the Real Facts survey. In addition, my experience has been that lower income rental units have been receiving multiple applications within only a few days of hitting the market. As a result, I believe that we will see a stronger occupancy rate and higher values through the first half of 2015. Just how much this will be reflected in the official Rental Trends report is unknown.

In my previous report I discussed the potential impact of the aprx. 500 rental units that are scheduled to come online in Rohnert Park and

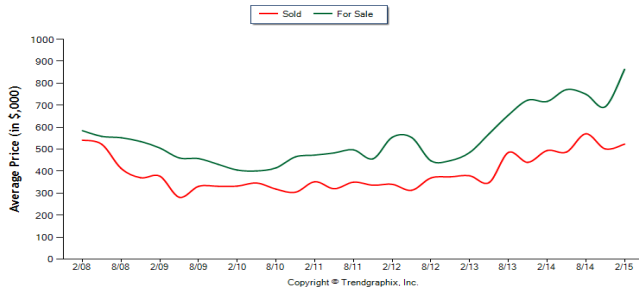
## Sonoma County Average Asking Rents

	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q 2014	1 Yr. Change
<b>Average</b>	<b>\$ 1,307</b>	<b>\$ 1,335</b>	<b>\$ 1,407</b>	<b>\$ 1,438</b>	<b>\$ 1,431</b>	<b>\$1,521</b>	<b>\$1,579</b>	<b>\$1,567</b>	<b>9.0%</b>
Studio	\$ 847	\$ 848	\$ 874	\$ 891	\$ 898	\$ 927	\$ 946	\$ 973	9.2%
1 bd 1 bth	\$ 1,128	\$ 1,174	\$ 1,234	\$ 1,245	\$ 1,242	\$ 1,322	\$ 1,386	\$ 1,382	11.0%
2 bd 1 bd	\$ 1,279	\$ 1,308	\$ 1,376	\$ 1,435	\$ 1,432	\$ 1,550	\$ 1,546	\$ 1,540	7.3%
2 bd 2 bth	\$ 1,563	\$ 1,566	\$ 1,669	\$ 1,712	\$ 1,671	\$ 1,758	\$ 1,839	\$ 1,814	6.0%
2bd TH	\$ 1,482	\$ 1,496	\$ 1,554	\$ 1,566	\$ 1,572	\$ 1,719	\$ 1,766	\$ 1,674	6.9%
3 bd 2 bth	\$ 1,807	\$ 1,809	\$ 1,875	\$ 1,979	\$ 2,009	\$ 2,045	\$ 2,179	\$ 2,171	9.7%
3 bd TH	\$ 1,772	\$ 1,828	\$ 1,900	\$ 1,972	\$ 1,923	\$ 2,002	\$ 2,045	\$ 2,095	6.3%

Statistical data provided by Realfacts



## Average Price For Sale & Sold 2-4 Units



	Current vs. Prev Qtr			Current vs. Same Qtr 1 Yr Ago			Current vs. Same Qtr 7 Yrs Ago		
	Dec. 14 to Feb. 15	Sep. 14 to Nov. 14	% Change	Dec. 14 to Feb. 15	Dec. 13 to Feb. 14	% Change	Dec. 14 to Feb. 15	Dec. 07 to Feb. 08	% Change
Avg. Active Price	863	693	24.5% ▲	863	717	20.4% ▲	863	584	47.8% ▲
Avg. Sold Price	523	501	4.4% ▲	523	494	5.9% ▲	523	541	-3.3% ▼

## California Housing Market Outlook

	2009	2010	2011	2012	2013	2014	2015
SFH Resales (000s)	474.9	416.5	422.6	439.8	414.9	383.3	402.5
% Change		24.5%	-12.3%	1.4%	4.1%	-5.9%	-7.6%
Median Price (\$000s)	\$275.0	\$305.0	\$286.0	\$319.3	\$407.2	\$447.0	\$478.7
% Change		-21.1%	10.9%	-6.2%	11.6%	27.5%	9.8%
Housing Affordability Index		51%	48%	53%	51%	36%	30%
30-Yr FRM		5.0%	4.7%	4.5%	3.7%	4.0%	4.3%

Santa Rosa within the next few years. While these units will eventually create more competition in the rental market, it is clear that current rental market conditions will continue to favor property owners in the short term.

It is still important to note that compared to the greater Bay Area, Sonoma County rents are a relative bargain. While I believe that we will ultimately see a cooling off of the market, I do not anticipate a decline of epic proportions due to overall affordability and the fact that Sonoma County as a whole is a desirable place to live.

### 2-4 UNIT SALES

Sonoma County multi-unit sales saw a 12% year over year increase for the period ending 4Q 2014. However, multi unit sales saw a quarter over quarter decrease of 9.2% from the 4Q 2014. The total number of sales for 4Q was 30, while the preceding quarter recorded 38 units sold. It is important to note that for the first time this year it appears that most of the sales were to non-owner occupants. It is clear that rents have influenced investors' interest as they shift from flipping properties to buying long term income units. Having taken that into consideration, it is still clear that the year 2014 was kind to income property sellers.

As of this date there are 39 2-4 unit units listed for sale in Sonoma County. Out of these, 22 are presently under contract. These numbers tell us that we are still in an overall balanced market. However, the median list price for the properties under contract is \$599,000. The median sales price by the end of 4Q 2014 was \$502,500, with a median list price of \$500,000. If the current under-contract properties closed today at the list price, it would show an

## Average Price For Sale & Sold 5+



	Current vs. Prev Qtr			Current vs. Same Qtr 1 Yr Ago			Current vs. Same Qtr 7 Yrs Ago		
	Dec. 14 to Feb. 15	Sep. 14 to Nov. 14	% Change	Dec. 14 to Feb. 15	Dec. 13 to Feb. 14	% Change	Dec. 14 to Feb. 15	Dec. 07 to Feb. 08	% Change
Avg. Active Price	2388	1953	22.3% ▲	2388	1155	106.8% ▲	2388	1933	23.5% ▲
Avg. Sold Price	1339	1752	-23.6% ▼	1339	1130	18.5% ▲	1339	2967	-54.9% ▼

increase of 19.2%. It is important to note that two of the presently under-contract properties include a \$2,000,000 property with 123 acres and a \$1,300,000 property that has development potential. When we remove these two properties the medium contracted price is \$584,000, which provides us with a projected increase of 16.2% by the time these properties close escrow. This number assumes that the medium contracted price will equal the medium list price, which is a reasonable expectation given the list-to-sales ratio of the 4Q sales.

### 5+ UNIT SALES

There were only 25 five-plus unit properties sold in 2014. These sales ranged from \$500,000 to \$7,845,000 and had a 93.9% Sold/List price differential. The average days of the market for these units was 116 days.

Since there is such a large variance in values and very little data, the statistical information does not provide a meaningful reflection of market behavior. In my opinion inventory levels are the best indication of market behavior.

As of this date there are only 7 5+ units listed for sale in Sonoma County, 3 of which are under contract. The average days on the market is 138, which is typical of this segment of the market. These inventory numbers tell us that we are still in a seller's market if a property is properly priced.

### REAL ESTATE MARKET OUTLOOK

The Federal unemployment rate fell to 5.5%, which is the lowest rate since May of 2008. This is also the 12<sup>th</sup> straight month that the economy has gained over 200,000 jobs. These strong numbers have fueled concerns that the Federal Reserve may choose to raise interest rates at its June meeting.

The interest rates offered today are too good for many investors to pass up, especially with the strong county wide rental trends. It is my belief that we will see relative stability in the overall market until interest rates approach

5%. An increase to or above 5% would likely have a negative impact on our sales market, especially for 1<sup>st</sup> time home buyers who find themselves on the border of being priced out of the market.

As can be seen in the above chart, The California Association of Realtors now predicts that we will see an interest rate national average of 4.5% through the rest of 2015. It will be interesting to see if this prediction holds up in the face of a possible tightening by the Federal Government.

### DEAR READER

If you have been on the fence about completing a refinance or sale, I would

recommend trying to get your refinance done by the end of the year. If you are planning on selling your property during 2015 and/or 2016, I would recommend that you get a comparative market analysis so that you can put a plan in place. Getting the highest possible price for your property takes careful consideration and may require some repairs, rent assessment, etc. As always, sellers looking to trade up or cash out should educate themselves about current market values, and should set reasonable expectations. Knowing the values and market behavior will eliminate false hope and tenant discomfort. Extensive days on the market could result in higher vacancies, as occupants lose patience

and look for stability elsewhere. There are many online tools available to the general public and anyone can go online to see the listing history of any particular property. As a result, a property owner who is testing the waters may lose credibility with future buyers and should change their strategy to a list-to-sell price.

As usual, we are a phone call or an email away if you have questions about buying or selling your property, even if this is a plan that may take place down the road. As seasoned agents we will always have your best interest at heart. Thank you for your loyalty and time.



### When is the last time you reassessed rental rates?

We can help you get your property in shape to today's standards and set the rental price right.

**Our goal is to provide property owners with the greatest possible return on their investment.**

### Our services include

- Leasing of available units
- Tenant screening
- Efficient rent collection
- 24 hour/7 days a week availability for emergencies
- Serve all necessary legal notices
- Payment of monthly bills
- Supervise property maintenance and repair

**1st month's management fee FREE**  
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## Mortgage Corner



Prospect Mortgage is the fourth largest purchase lender in the state of California and in 2014 became the 20<sup>th</sup> largest lending institution in the Nation. It has a wide range of products that it provides to its clients that includes, FHA & VA loans, Conventional financing for Primary Ownership 2<sup>nd</sup> Homes and Investment Properties, as well as Jumbo loans and Renovation loans.

**Paul Pisaro** has been in the Lending industry for about 15 years and has a very diverse background. He has been with major Fortune 500 companies such as Lockheed Martin and Unisys as well as a small business owner. His background in Construction, Construction Lending and Renovation lending allows him to have a wide background that helps home buyers and investors get a unique perspective into the lending world and how to apply those experiences.

Please feel free to give Paul a call to review any loan scenario and see how he can help provide solutions and opportunities.



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**Paul Pisaro**

Senior Loan Officer NMLS# 863735

### For Sale



Forestville Duplex

**\$429,900**

2295 Sq Ft/ Lot size 7405

### Coming Soon



16 Prime Rincon Valley Units

8-2 bed/ 1 Bath and 8 1 bed/ 1 bath units



Benneth Valley Condo

**\$244,000**

2 bed/2 bath

For information regarding any of these upcoming listings, please give me a call:

**707-696-3742**

**David Rendino**  
**Erika Hernandez**  
 Income Property Specialists



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## The Sonoma County Income Property Report

1<sup>ST</sup> QUARTER 2015



**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 single-family residences and multi-unit
3. To provide with sales information for all 2+ units.

*Whatever your needs are, always make sure to work with an expert that has vast experience and a solid track record in this challenging market. There is too much at stake to use someone who requires on the job training.*

**David Rendino**  
 Realtor

**Direct: (707) 696-3742**

♦ Income Property Specialist ♦ Accredited Commercial Professional  
 ♦ Certified Distressed Property Expert



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## Habla español?

Nosotros tambien  
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