



# THE RENDINO TEAM

Experience ♦ Integrity ♦ Results



## THE SONOMA COUNTY INCOME PROPERTY REPORT

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 to Sonoma County income property owners. We all have unique financial goals and need to make our decisions armed with the best information available.

As we said goodbye to the year 2016, we also had to say goodbye to our old friend Realfacts. While compiling data for this report, we learned that Realfacts has ceased operations. While searching for new subscription based rental trend data we learned that Costar provides comparable data, but from a larger pool of properties. Since Costar updates rental trend data monthly, we will now be able to update our website with more frequency.

We are also pleased to report that we will now have the ability to provide average rent statistics based on price per sq ft. Further, all statistics will be based on effective rent rather than asking rent. These additions will help owners more accurately ascertain fair market rental value of their investments.

Unfortunately we have not yet been able to locate a suitable California MSA market trend report, but will continue to search. Please look for these changes going forward.

### OUR NEW BROKERAGE!

After 18 years in Real Estate, Erika and I have purchased a **RE/MAX** franchise. Our new company name is **RE/MAX MARKETPLACE**. We are grateful to each and every one of you because none of this would have been possible without your support.

We have set up shop in a beautiful office at the Petaluma Marina, while we complete the purchase and renovation of our permanent location. We invite you to check out our new website, which is intended to become a

complete community resource. Investors will be able to find up to date rental and sales market information. Please check back from time to time as we update our community pages and provide monthly market updates. Please visit: [SONOMACOUNTYHUB.COM](http://SONOMACOUNTYHUB.COM)

### RENTAL MARKET

The average Sonoma County (Santa Rosa-Petaluma-Rohnert Park) rent for apartments was \$1,553 by the end of the 4th quarter of 2016. This represents a quarter over quarter increase of 4.4% and a year over year increase of 4.4% as well. The year to date rental growth as of 2/1/2017 was 1.2%. Many owners tend to institute rental increases after the first of the year, so it is too early to deduct market trends from this number.

The occupancy factor for the quarter ending 4Q 2016 was 96.5%. This represents a 1-year change of -.1% and a very slight downtick from the 3Q 2016 rate of 96.6%.

### WHATS IN THE NUMBERS?

The statistics show us that 2016 brought the slowest rental growth since 2012. These numbers also show us that we have entered into a market that is more in line with CPI than at any time since the start of the housing recovery.

While tenants have had to shoulder the burden of a 29.1% rent increase since 2012, renters who are paying fair market value can rest assured that the short term will likely bring predictability. In some cases, it has become necessary for apartment owners to even provide move-in "specials" when pricing units at the top of fair market value ranges.

### DODD-FRANK

In 2010 Congress passed the bi-partisan Dodd-Frank Bill, which raised the capital requirements for banks, restricted their trading and investment in hedge funds via the "Volcker Rule" and created the consumer Financial Bureau. Dodd-

Frank sought to attack the root of the problem which caused the financial meltdown, the growth and proliferation of "too-big-to-fail" financial institutions. Dodd-Frank was designed to allow for the possibility of these corporations being broken up by regulators if deemed necessary.

While the creation of Dodd-Frank succeeded in increasing the capital requirements of lending institutions, it has failed in its goal of ending too-big-to-fail. The top 5 banks now control more than 44% of all U.S. banking assets, which is more than they did in 2008 and before Dodd-Frank was enacted. With industry lobbyists outnumbering reform advocates by approx. 20-to-1 on Capitol Hill, it is easy to see how the big banks have gotten bigger, while smaller regional banks have been squeezed out of existence.

While the legislation has failed in its goal of ending TBTF, the net effect has been that many would be buyers have been locked out of the purchase market. By the end of 2016, the U.S. Census Bureau reported that home ownership fell to the lowest level in more than 50 years, owed in part to crippling lending requirements set forth in Dodd-Frank, coupled with rising home values.

### EFFECTS OF DODD-FRANK ON THE RENTAL MARKET

While new housing starts are higher than at anytime since the burst of the housing bubble, it is fair to assume that few of these homes will be entered into the rental supply. Unless Dodd-Frank is repealed or reformed, it is safe to assume that the SFR rental market will outperform the apartment market in the short term. With the new administration taking aim at reforming Dodd-Frank, it will be interesting to see how the prospect of loosening regulations will bring many tenants out of the rental market and into the purchase market. In my opinion, the reform of Dodd Frank and the prospect of increased rising mortgage rates will have the most effect on the real estate market in the coming months. We will be closely following these topics in the coming months.

### RENT CONTROL UPDATE

The Santa Rosa municipal elections brought 3 new city councils members, all with varying views on rent control. Santa Rosa opponents of rent control submitted over 12,500 signatures aimed at halting the implementation of the already approved Rent Control and Just Cause Eviction Ordinance, which was

## Sonoma County Average Asking Rents – 8 Year

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Effective Rent</b>	1178	1124	1142	1156	1199	1271	1325	1425	1504
<b>Effective Rent/ Sq Ft</b>	1.43	1.36	1.38	1.4	1.46	1.55	1.61	1.73	1.83
<b>Effective Rent % Growth</b>	0.9	-4.9	1.6	1.3	3.9	6.2	4.4	7.5	5.3
<b>Vacancy %</b>	4.9	5.4	4.5	4.1	3.4	3.5	3	3.1	3.3

Statistical data provided by Costar

## Rental Survey by City

Petaluma		Santa Rosa		Sonoma		Rohnert Park	
Leasing Units	Survey	Leasing Units	Survey	Leasing Units	Survey	Leasing Units	Survey
Vacant Units	178	Vacant Units	601	Vacant Units	44	Vacant Units	252
Vacancy Rate	4.1%	Vacancy Rate	3.2%	Vacancy Rate	3.5%	Vacancy Rate	4.2%
12 Mo. Absorption Units	123	12 Mo. Absorption Units	68	12 Mo. Absorption Units	-4	12 Mo. Absorption Units	57
Rents		Rents		Rents		Rents	
Studio Asking Rent	\$1,314	Studio Asking Rent	\$873	Studio Asking Rent	\$787	Studio Asking Rent	\$930
1 Bed Asking Rent	\$1,598	1 Bed Asking Rent	\$1,329	1 Bed Asking Rent	\$964	1 Bed Asking Rent	\$1,440
2 Bed Asking Rent	\$1,893	2 Bed Asking Rent	\$1,627	2 Bed Asking Rent	\$1,519	2 Bed Asking Rent	\$1,641
3+ Bed Asking Rent	\$1,970	3+ Bed Asking Rent	\$1,622	3+ Bed Asking Rent	\$1,153	3+ Bed Asking Rent	\$1,852

### 2-4 Unit Sales

Area	Address	Units	Listing Price	Selling Price	Close Date
Cotati/Rohnert Park	928 Civic Center Dr	4	\$ 935,000	\$ 1,000,000	10/27/16
Russian River	14648-14654 Rio Nido Rd	4	\$ 425,000	\$ 450,500	12/1/16
Santa Rosa-Northeast	905 Maple Ave	2	\$ 400,000	\$ 354,000	10/10/16
Santa Rosa-Northeast	6177 Hwy. 12	3	\$ 750,000	\$ 750,000	10/4/16
Santa Rosa-Northeast	1315-1317 Beaver St	2	\$ 649,500	\$ 652,500	10/25/16
Santa Rosa-Northeast	811-813 Spencer Ave	2	\$ 499,000	\$ 505,000	12/12/16
Santa Rosa-Northeast	1420 Wright St	4	\$ 839,000	\$ 800,000	11/16/16
Santa Rosa-Northeast	811 Howard St	2	\$ 549,500	\$ 535,000	1/4/17
Santa Rosa-Northeast	2401 Lomitas Ave	3	\$ 849,000	\$ 777,000	12/22/16
Santa Rosa-Northeast	1591 King St	2	\$ 650,000	\$ 650,000	12/29/16
Santa Rosa-Northwest	2410 Van Patter Dr	2	\$ 529,000	\$ 580,000	11/3/16
Santa Rosa-Northwest	109 Carrillo St	2	\$ 525,000	\$ 527,000	12/22/16
Santa Rosa-Southeast	1103-1105 Santa Catalina Way	2	\$ 528,000	\$ 528,000	10/17/16
Santa Rosa-Southeast	833-839 Aston Ave	4	\$ 920,000	\$ 920,000	11/23/16
Santa Rosa-Southeast	1537-1539 Camden Ct	2	\$ 650,000	\$ 642,000	11/10/16
Santa Rosa-Southeast	68-70 Royal Gorge St	2	\$ 825,000	\$ 806,000	12/29/16
Santa Rosa-Southeast	2435 Teaberry St	2	\$ 650,000	\$ 670,000	12/28/16
Santa Rosa-Southwest	801 West Ave	2	\$ 475,000	\$ 440,000	10/21/16
Santa Rosa-Southwest	1700-1702 Dutton Ave	2	\$ 450,000	\$ 450,000	11/4/16
Santa Rosa-Southwest	1704-1706 Dutton Ave	2	\$ 450,000	\$ 445,000	11/7/16
Santa Rosa-Southwest	184-186 Neville Way	2	\$ 525,000	\$ 515,000	12/9/16
Sebastopol	5221 Lone Pine Rd	4	\$ 729,000	\$ 485,000	11/16/16
Sebastopol	225-3191 Edison St	3	\$ 527,000	\$ 580,000	12/7/16
Sonoma	750-754 Verano Ave	2	\$ 695,000	\$ 670,000	11/10/16

### 2-4 Unit Sales

Area	Street Full Address	Units	Listing Price	Selling Price	Close Date
Cotati/Rohnert Park	6500 Country Club Dr	22	5,300,000	5,375,000	1/11/17
Santa Rosa-Northeast	615 McDonald Ave	7	1,200,000	1,200,000	12/28/16
Santa Rosa-Northwest	2901 Fulton Rd	7	1,200,000	1,080,000	1/2/17

scheduled to have taken effect on September 30th. On December 22, 2016, election officials confirmed that enough signatures were collected to qualify for a referendum on Santa Rosa's rent control ordinance. Sonoma County's registrar of voters confirmed 9,648 valid signatures of the 8,485 needed for the referendum to qualify.

On Jan 10th, the Santa Rosa City Council decided to place the rent control ordinance before voters during the June 6th special election. As of this date it is business as usual for multi-unit owners. We will be tracking this issue throughout 2017.

#### 2-4 UNIT SALES

Sonoma County 2-4 unit sales saw a -2.96% year-over-year decrease for the period ending 4Q 2016. This decline occurred at the same time that listing inventory decreased by 5.79%, which is in contradiction to the laws of supply and demand. Most of the declines

occurred during the 4th quarter of 2016, which saw a -8.96% decrease from the 3rd quarter of 2016. While it is customary for sales to cool off during the 4th quarter, it is noteworthy that the 4th quarter of 2015 saw a -6% decrease, while the year over year sales increased by 22.8% in 2015.

#### ACTIVE UNITS

As of this date there are 33, 2-4 unit properties listed for sale in Sonoma County. Out of these, only 15 are currently under contract with an average of 111 days on the market. The average days on the market for properties not under contract is 120. The average list price for the properties under contract is \$667,069, while the average list price for properties not under contract is \$771,187.

The average days on the market (DOM) for sales during the 3rd quarter of 2016 was 67, while the average DOM for sales during 4Q of 2016 was 72. Given that that current DOM for

the properties currently not under contract is 117, it is likely that we will see an increasing trend of properties sitting on the market by the end of the 1st quarter of 2017.

The increasing DOM and slightly deteriorating sales values are proof that we have entered into a more traditionally balanced market. It is likely that the 1st quarter of 2017 will continue to reward properly priced and marketed properties, while overpriced and under marketed properties will continue to collect days on the market.

#### 5+ UNIT SALES

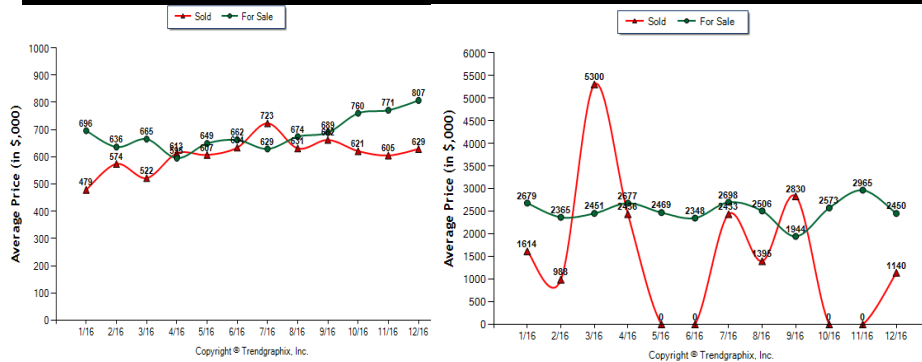
Sonoma County 5+ unit sales saw a year-over-year increase of 12.33% by the end of the 4Q of 2016. During this period, there were only 19 units sold, with an average of 85 days on the market.

As of this date, there are only 8, 5+ unit buildings listed for sale in Sonoma County. 6 of these properties are under contract, with average days on the market of 101 and an average list price of \$3,204,167. While it is always interesting to track this data, there has not been adequate inventory over the last few years to draw reasonable conclusions on market value trends. However, it is reasonable to assert that the current inventory level continues to favor sellers and it is likely that this trend will continue through the first quarter of 2017.

#### SALES MARKET PROJECTION

It is my view that the current sales market is more in balance now than at any time since the great recession. While many investors will continue to "cash-out of their Sonoma County properties, there are enough investors who still view our area as a value play compared to the San Francisco and Silicon Valley areas. Qualified buyers will continue to find suitable purchase inventory and sellers will be able to sell, providing that the property is listed in accordance with the competition and properly marketed. While Millennial buyers have been a dominant force in the residential market for several years, a growing number of these 25-34 year olds are venturing into the investor market. Many of these buyers look for the same features in their income producing properties as they do with their owner-occupied properties and premiums are being

## Average for Sale vs Sold



paid for properties in walkable downtown locations. Emotional connection is equally as important as the income and expense statement and savvy marketing will be rewarded.

### DEAR READER,

If you are planning on selling your property sooner or later, Erika and I would appreciate the opportunity to provide you with an obligation-free comparative market analysis and marketing proposal. Obtaining the highest possible price for your property takes careful consideration. Our market analysis includes an "as is" value, as well as partially repaired and fully repaired values. We provide a

comprehensive list of recommended repairs and obtain competitive bids that will help you achieve the best possible return on your investment. If a repaired strategy is pursued, we will oversee all repairs from beginning to end. We have successfully helped both our multi-unit and SFR sellers achieve extraordinary results and hope for the opportunity to show you how we can do the same for you. As usual, we are a phone call or email away if you have any questions. As seasoned agents we will always have your best interests at heart.

Thank you for your loyalty.  
David Rendino

David Rendino



### 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

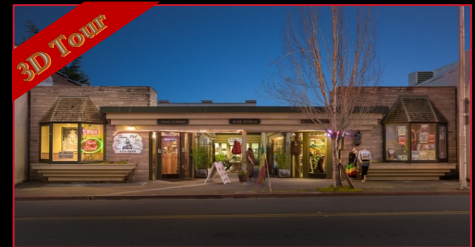
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## OUR LISTINGS



Downtown Sebastopol  
Bar/Restaurant  
\$675,000



Downtown Sebastopol  
Small Plaza -3 Commercial tenants  
\$875,000



NW Santa Rosa  
4-Plex for Sale  
\$790,000

### Coming Soon

City of Sonoma—Boyes Hot Springs  
2 Detached Homes  
Lot Size:5,227 Sq FT

## Loan Update



**Marlon Flores**  
Mortgage Consultant  
NMLS ID #779895



### Should I Refinance or Buy After the Recent Interest Rate Spike?

First, let's start with the most recent Fannie Mae breaking news as of January 2017. Conforming loan limits have increased, please review the chart below from the Fannie Mae site. Very good news for homeowners on the cusp of those loan limits. **Now let's look at the top 4 reasons to refinance or buy with the current interest rates:**

1. Our forecast is that rates are going up in 2017 so it's a good time to lock in a low rate and a low payment.
2. 15 year fixed loans are still in the 3's, lower your rate shorten your term, and save yourself hundreds of thousands in interest.
3. Cashing out does not incur any tax disadvantages, while you continue to own your home, whether it's a rental or a primary. Therefore, it's a great time to take cash out now while money is still cheap.
4. Taking cash out to consolidate and pay off high interest rate debt will lower your monthly expenses and increase your cash flow. This cash can be helpful for home repairs and/or college expenses.

### Maximun Original Principal

Units	New Loan Limits (Conforming Loan Limits)
1	\$424,100
2	\$543,000
3	\$656,350
4	\$815,650
Units	New Loan Limits (High Balance Loans)
1	\$595,700
2	\$762,600
3	\$921,800
4	\$1,145,600

Call me to discuss your specific scenario and ways to improve your financial situation.

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The Sonoma County Income Property Report  
 4<sup>th</sup> Quarter 2016



**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 all multi-unit properties.
3. To provide information about the overall real estate market outlook for Sonoma County.

Never miss our newsletter...

**[WWW.RENDINOSREALESTATE.COM](http://WWW.RENDINOSREALESTATE.COM)**

*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 ♦Single Family Residence Professional



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**Habla español?**

Nosotros tambien

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