



THE RENDINO TEAM

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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.

RENTAL MARKET

The average Sonoma County (Santa Rosa-Petaluma-Rohnert Park) rent for apartments was \$1,569 by the end of the 2nd quarter of 2017. This represents a quarter-over-quarter increase of 2.8% and a year-over-year increase of 3%. The year to date rental growth as of 7/3/17 was 2.8%, which is in line with the recent overall trends of stabilization. Typically the lion's share of rental growth occurs during the last two quarters of the year, so we will be watching to see how the rest of the year shakes out.

The occupancy factor for the quarter ending 2Q 2017 was 96.3%. This represents a 1-year change of -.3% and a dead heat from the 1st quarter rate of 96.3%.

CRUNCHING THE NUMBERS

While 2016 brought the slowest rental growth since 2012 with a rate of 4.7%, 2017 may prove to be even slower if rental growth does not significantly increase from the year to date number of 2.8%. As stated in my prior report, these numbers offer sustained evidence 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.

Sonoma County officials state that they will finally allow streamlined new construction throughout the county. Officials are projecting that within the next 5 years 1,375 new units will become available in Santa Rosa, while the rest of the county will add 2,000. This is enough inventory to affect the vacancy factor and will likely help to keep the rental market in check.

While nobody is expecting that the genie will be put back into the bottle in favor of

significantly lower rents, it seems clear that the days of 29.1% rent increases are over and Sonoma County will settle on the new norm of rental housing values. Tenants who have had to shoulder the burden of the hand over fist gains that were seen after 2012 can rest assured that the short term will bring predictability in line with traditional rental trends.

RENT CONTROL UPDATE

On June 6th, voters were asked whether or not to approve Ballot Measure C. Measure C would have limited rent increases to no more than 3% annually and would have prohibited landlords from evicting tenants without a just cause. The ordinance would have applied to 3 or more unit apartment complexes built prior to 1995 within Santa Rosa City limits. In spite of early polling which indicated that measure C would soundly pass, **the measure lost by a margin of 52.5% to 47.5%, with all 65 precincts reporting.**

For Santa Rosa landlords that could have been affected, we woke up feeling a sense of relief. Like many of you, I was a firm believer that the approval of Measure C would have had an adverse affect on property values and would have punished landlords who maintained below market rents. It is my hope that city officials will now concentrate on effective ways to address our housing shortage and homeless problem by fast tracking approvals for fair market and subsidized housing construction permits. I want to thank those of you who were instrumental in organizing the effort to defeat Measure C.

Make no mistake about it, this issue will not go away and will likely resurface in 2018. Landlords should take this time to improve units and institute market rate rents to protect against the possibility of future measures.

2-4 UNIT SALES

Sonoma County 2-4 unit sales saw a 13.84% year-over-year increase for the period ending 2Q 2017. Quarter-over-quarter sales saw a -5.04 decrease for the period ending 2Q 2017.

ACTIVE UNITS

As of this date there are 45, 2-4 unit properties listed for sale in Sonoma County. 21 of these

properties are under contract, with an average of 94 days on the market. The average days on the market for properties not under contract is 91. The average list price for the properties under contract is \$732,043, while the average list price for properties not under contract is \$908,913. While we always like to include the active data for properties not under contract, it should be noted that 6 of these properties skewing the numbers are listed for over 1 million dollars and include multiple units on one lot, several with acreage. These units are more residential in nature and are more suitable for end users.

3Q PROJECTION

Given the fact that the average sales price during the second quarter was \$634,000 and the under contract list price for properties currently under contract is \$732,000, it is fair to assume that the third quarter of 2017 will likely erase the second quarter losses, since the list to sales price ratio has been approx -2% over the last several quarters. If this differential holds, we could be looking at an approximate 13% quarter-over-quarter gain and an 8% year to date increase by the end of the 3rd quarter of 2017.

BALANCED MARKET

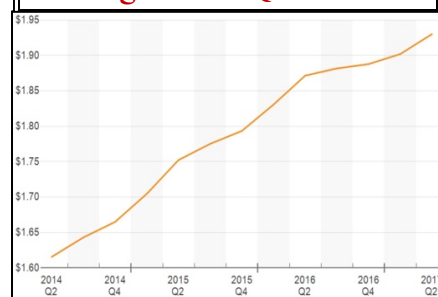
While the rental market has showed sustained evidence of leveling, the year-over-year sales numbers have increased in defiance of the flattening rental market. My experience on the ground is that cap rates on income producing properties have not significantly decreased, which leaves the recent drop in interest rates as the likely reason for the sales value increase. In addition, buyers are paying a premium for prime units with market rents now more than at any time in recent memory. It seems that a majority of our recent buyers have a 415 area code and respond to turnkey properties with savvy marketing. There are always

Sonoma County Average Asking Rents – Quarterly

	1Q2015	2Q2015	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017	2Q2017
Effective Rent \$	1381	1425	1443	1460	1491	1522	1531	1536	1548	1569
Effective Rent \$/SF	1.7	1.75	1.77	1.82	1.86	1.87	1.87	1.89	1.89	1.91
Effective Rent % Growth	6.7	8.3	8	7.8	7.3	6.4	5.7	4.7	3.5	2.8
Vacancy %	3.6	3.8	3.7	3.9	4	3.7	3.6	3.6	3.5	3.6

Statistical data provided by Costar

Asking Rent/ SQ Ft - 3 Year



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	Survey	Rents	Survey	Rents	Survey	Rents	Survey
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 YTD

Area	Street Address	# Units	# Bldgs	Listing Price	Listing Date	Sale Date	Selling Price
Cotati/Rohnert Park	434-436 Matteri Cir	2	2	779,950	11/23/16	3/13/17	761,700
Cotati/Rohnert Park	250 Arlen Dr	4	1	900,000	12/27/17	4/14/17	849,888
Cotati/Rohnert Park	1262 Southwest Blvd	4	1	725,000	3/1/17	4/28/17	796,000
Healdsburg	515-517 Prince Ave	2	2	1,195,000	1/11/17	3/23/17	1,245,000
Petaluma West	143-145 Badger Hill Ln	2	2	825,000	10/12/16	4/26/17	765,000
Petaluma West	432 Fair St	3	1	999,000	3/28/17	5/25/17	924,000
Russian River	14573 Canyon 1 Rd	2	1	500,000	12/15/16	4/15/17	480,000
Russian River	9308-9306 Champs De Elysees	2	1	525,000	12/20/16	4/4/17	440,000
Russian River	14632 Canyon 1 Rd	2	1	469,000	3/27/17	4/29/17	453,000
Russian River	17550 Hwy 116	2	1	399,000	4/14/17	6/9/17	395,000
Santa Rosa-Northeast	1246-1244 Mcconnell Ave	2	1	575,000	12/15/16	6/7/17	550,000
Santa Rosa-Northeast	8-10 Portola Ct	2	1	699,000	2/9/17	3/30/17	705,000
Santa Rosa-Northeast	923-925 Cherry St	2	1	719,900	2/14/17	3/27/17	736,500
Santa Rosa-Northeast	1017 Beaver St	2	1	575,000	4/8/17	5/3/17	575,000
Santa Rosa-Northeast	919-921 Benton St	2	1	669,000	4/26/17	6/9/17	700,000
Santa Rosa-Northeast	1033 Clark St #A	2	2	875,000	5/10/17	6/27/17	867,000
Santa Rosa-Northwest	2355 Heidi Pl	4	1	790,000	2/17/17	4/5/17	770,000
Santa Rosa-Northwest	395 Brockhurst Dr	2	1	575,000	5/4/17	6/12/17	619,000
Santa Rosa-Southeast	424 Earle St	2	1	509,000	7/27/16	3/22/17	500,000
Santa Rosa-Southeast	403-405 Earle St	2	2	620,000	8/6/16	4/12/17	610,000
Santa Rosa-Southeast	4200 Sonoma Hwy	2	2	799,000	12/6/16	3/17/17	765,000
Santa Rosa-Southeast	20 Knolls Ln	3	1	960,000	3/10/17	5/30/17	960,000
Santa Rosa-Southeast	2240-2244 Mesquite Dr	2	2	675,000	3/11/17	4/18/17	685,000
Santa Rosa-Southeast	957 Frazier Ave	2	2	499,000	5/5/17	6/16/17	560,000
Santa Rosa-Southwest	623 N Dutton Ave	2	2	495,000	8/16/16	5/5/17	460,000
Santa Rosa-Southwest	1323-25 Dutton Ave	2	1	565,000	2/27/17	5/12/17	585,000
Santa Rosa-Southwest	1645 Beachwood Dr #A	2	2	469,000	3/13/17	4/4/17	475,000
Santa Rosa-Southwest	1591 Beachwood Dr	2	1	485,000	5/17/17	6/22/17	495,000
Sebastopol	8284 Valley View Dr	2	1	625,000	10/24/16	3/15/17	599,000
Sebastopol	7415-7417 Willow St	2	1	629,000	4/5/17	5/3/17	630,000
Sonoma	17333-17335 Malek Ln	2	1	395,000	3/9/16	3/6/17	350,000
Sonoma	18176 Arnold Dr	2	2	679,000	1/28/17	5/25/17	600,000
Sonoma	147-149 W Agua Caliente Dr	2	1	495,000	2/20/17	6/1/17	451,725
Sonoma	800 Verano Ave	2	2	499,000	3/2/17	4/21/17	445,000
Sonoma	303 Maldonado Ave	2	1	655,000	3/9/17	5/18/17	640,000
Sonoma	17000 Sonoma Hwy	2	1	675,000	4/1/17	6/22/17	640,000
Sonoma	933-931 Center St	2	2	960,000	4/13/17	5/31/17	940,000

5+ Unit Sales

Area	Street Address	# Units	# Bldgs	Listing Price	Listing Date	Sale Date	Selling Price
Santa Rosa-Southeast	3750 Santa Rosa Ave	22	1	1,950,000	10/6/16	4/10/17	1,700,000
Cotati/Rohnert Park	6470 Country Club Dr	12	4	3,475,000	11/14/16	3/3/17	3,350,000
Petaluma West	418-422 Upham St	6	3	2,600,000	1/20/17	5/23/17	2,479,000
Penngrove	10435 Old Redwood Hwy	9	9	2,500,000	3/17/17	4/22/17	2,350,000

ways to improve the appeal of a property and it is important to make sure that units are looking their best before going on the market.

5+ UNIT SALES

Sonoma County 5+ unit sales saw a year-over-year increase of 26.31% by the end of the 2nd quarter of 2017. During this period, there were only 16 units sold, with an average of 102 days on the market.

As of this date, there are 11, 5+ unit buildings listed for sale in Sonoma County. Only 4 of these properties are under contract, with average days on the market of 61 and an average list price of \$3,035,750. While it is always interesting to track this data, there has not been adequate inventory over the last several 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 3rd quarter of 2017.

SALES MARKET PROJECTION

As previously stated, it is my opinion that the reason for the year to date gains is because of the Fed's decision to lower interest rates. There is not any evidence that cap rates have changed in Sonoma County, which provides further evidence that a ½ point change in interest rates could make or break our market. The list prices of the properties currently under contract indicate that we will see significant gains posted by the end of the 3rd quarter of 2017. It is my opinion that the fourth quarter of

2017 will show a leveling of values, as it is unlikely that the Fed will further reduce rates and the rental market will likely remain relatively flat. While we will continue to see many sellers "cashing-out" in favor of markets with greater perceived upside potential, there are still enough investors who continue to 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. As I have previously reported, millennial buyers have become a significant factor in the Sonoma County investor market. While cash flow and returns on investment are important considerations, premiums are being paid for walkable downtown locations. While older generations tend to favor "bread and butter" units, the younger generation tends to place value on mixed use, live/work and buildings with unique architectural characteristics. Emotional connection is equally as important as the income and expense statement and savvy marketing will be rewarded.

OUR NEW BROKERAGE UPDATE

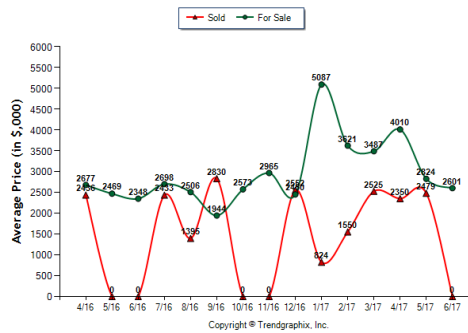
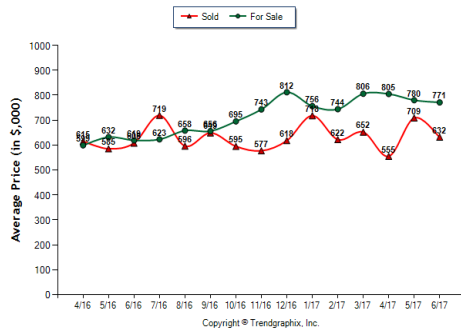
As many of you are aware, Erika and I have purchased a **RE/MAX** franchise early this year. Our new company name is **RE/MAX MARKETPLACE** and we are occupying leased space in the Petaluma Marina. We recently closed escrow on our permanent location in Downtown Cotati and are in the process of completing beautiful renovations. Stay tuned for an invite to our Grand Opening/Salsa party, which we are anticipating to have in the fall. We are grateful to each and every one of you who has made this possible and look forward to celebrating with you.

Please visit:
SONOMACOUNTYHUB.COM

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.

Average for Sale vs Sold



	Currt vs. Prev Month			Currt vs. Same Month 1 Yr Ago			Currt vs. Same Qtr 1 Yr Ago		
	Jun. 17	May. 17	% Change	Jun. 17	Jun. 16	% Change	Apr. 17 to Jun. 17	Apr. 16 to Jun. 16	% Change
Avg. Active Price	771	780	-1.2%	771	619	24.6%	785	618	27%
Avg. Sold Price	632	709	-10.9%	632	608	3.9%	636	603	5.5%

	Currt vs. Prev Month			Currt vs. Same Month 1 Yr Ago			Currt vs. Same Qtr 1 Yr Ago		
	Jun. 17	May. 17	% Change	Jun. 17	Jun. 16	% Change	Apr. 17 to Jun. 17	Apr. 16 to Jun. 16	% Change
Avg. Active Price	2601	2824	-7.9%	2601	2348	10.8%	3166	2472	28.1%
Avg. Sold Price	0	2479	-100%	0	0	N/A	2415	2436	-0.9%

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.

David Rendino

Direct: (707) 696-3742

OUR LISTINGS



Sonoma Duplex
2 Detached Homes
\$575,000



In Escrow

NE Santa Rosa Pride of Ownership
Duplex
3 bed/2.5 Units
\$889,900



In Escrow

NW Santa Rosa-JC Area
4-Plex for Sale
\$998,000



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- 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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FANNIE MAE NEWS, YOU CAN NOW GET CASH OUT SOONER THAN YOU THOUGHT!

Loan Update



Marlon Flores
Mortgage Consultant
NMLS ID #779895



For properties listed for sale in the previous six months, the cash-out refinance rules have now changed.

The information below applies to all occupancy type homes: investment, primary, and second homes

Old rule: You had to wait 6 months after taking your house off the market before you could take cash out.

New rule: You can take cash out day 1 after pulling your house off the market.

Delayed financing cash-out rule change. If you bought a home using all cash, and now want to recover your investment and replenish the account you used to buy the home, you can a lot faster.

Old rule: You had to wait 6 months after purchasing your home before you could take any cash out of the home.

New rule: You can take cash out day 1 after you purchased the home to recuperate your cash investment.

Remember that taking cash out of your home with a refinance is tax free.
Call me to discuss your specific scenario and ways to improve your financial situation.

Marlón Flores • 707-981-4152 • mflores@summitfunding.net

Just Listed



Rohnert Park
Commercial Building-Street Frontage
Sq Ft: 1405 Sq Ft
\$475,000

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The Sonoma County Income Property Report
 2nd Quarter 2017



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.

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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

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♦ Income Property Specialist ♦ Accredited Commercial Professional
 ♦ Certified Distressed Property Expert ♦ Single Family Residence Professional



Habla español?

Nosotros tambien

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