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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 & Erika Rendino

Whatever your needs are, always make sure to work with an expert who has vast experience and a solid track record in this changing market. There is too much at stake to use someone who requires on-the-job training.
David & Erika Rendino, REALTORS®
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Income Property Specialist
Accredited Commercial Professional
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Single Family Residence Professional

The Rendino Team
EXPERIENCE ♦ INTEGRITY ♦ RESULTS
THE SONOMA COUNTY INCOME PROPERTY REPORT Q3

Hello Friends,
I hope this report finds you safe and well. 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
When Erika and I started working on this report a little over a month ago we had thought that we had the market all figured out. Rents had continued to level off and vacancy factors remained steady. This was the same trend that we had been reporting over the last several quarters and the rental market offered proof that it had settled into a sense of stability. The take away was going to be that rent control failed and the free market survived. New units were starting to come online, which in turn had started the process of helping to meet demand for a growing demographic. The Sonoma County fires instantly made that report irrelevant and it is my attempt here to start to unpack the new data and shine a light on where we are today and where we will be going tomorrow.

Q3 NUMBERS: The average Sonoma County (Santa Rosa—Sonoma—Petaluma—Rohnert Park) effective rent for apartments was \$1,582 by the end of the 3rd quarter of 2017. This represents a quarter-over-quarter increase of 3% and a year-over-year increase of 3% as well. The occupancy factor for the same period was 96.1%, with an occupancy growth rate of -0.3%. This represents a one-year change of -.3%.

CRUNCHING THE NUMBERS: Prior to the fire it was our expectation that the



Table with 11 columns: Quarter, Inventory (Bldgs, Units, Avg SF), Asking Rent (Per Unit, Per SF, % Growth/Yr), Effective Rent (Per Unit, Per SF, % Growth/Yr, Concessions %). Rows include QTD, 2017 Q3, 2017 Q2, 2017 Q1, 2016 Q4, 2016 Q3, 2016 Q2, and 2016 Q1.

fourth quarter of 2017 was going to show a slightly increased vacancy factor and a continued leveling of rental values. It is no secret that the post-fire reality in Sonoma County will show a tighter rental market than at anytime in history. While the YTD rental growth as of 11/14/17 was 4.4%, it is clear that we will see a larger spike in rental values and occupancy rates closer to zero percent. As the dust literally settles, we will be reporting on the changing rental market as the data becomes available.

Sonoma County officials state that they will finally allow streamlined new construction throughout the county. Officials are projecting that within the next five years, 1,375 new units will become available in Santa Rosa, while the rest of the county will add 2,000 units. This is enough new inventory to make a dent in the vacancy factor but it will not solve the problem since we lost over 6,000 homes in a market that was already not able to meet demand.

STATE OF EMERGENCY AND PRICE GOUGING
While rent control had previously been a polarizing issue, most will agree that the emergency price gouging measures taken by our Governor was necessary. This excerpt was taken from California Apartment Association: "Under an executive order by Gov. Jerry Brown, protections against price-gouging in the wake of the North Bay fires — including rent increases over 10 percent — will be in effect until at least April of next year." The ban on price gouging, which originally had a 30-day time limit, is now in effect until April 18, 2018. These protections prohibit raising the price of many consumer goods and services, including that of rental housing, by more than 10% after an emergency has been declared.

Protections under California's anti-price-gouging law are not restricted to the city or county where the disaster occurred. The aim is to prevent price gouging anywhere in the state with an increased consumer demand resulting from the declared emergency. State or local officials can extend disaster declarations for additional 30-day periods after the initial declaration expires.

- Most Sonoma County rental price gouging reports since the fires are unfounded.
- The price-gouging law applies only to previously rented units, not to rentals that have come on the market since the fires.
- The City of Santa Rosa has made it illegal to displace an existing tenant and then subsequently increase the asking rent above the average price charged for the unit during the 30 days prior to October 9th.

Anyone convicted of violating the statewide anti-price-gouging law can face up to one year in county jail, fine of up to \$10,000, as well as civil penalties. Local ordinances may impose additional penalties. FAQ here.

Habla español?

Nosotros tambien

Erika Rendino

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RENT CONTROL PART 2

Given the current state of emergency, it would not be surprising if Santa Rosa saw a new rent control and just cause eviction measure on the ballot in 2018. Since the margins for defeat were so tight last time, it is our opinion that some form of rent control would likely pass since many minds have been changed by the recent fires and reported price gouging.

Price gouging hurts everyone and in the end could be the driving factor behind new rent control measures. It is our strong recommendation that if you or anyone you know sees something, say something and report it.

2-4 UNIT SALES

Sonoma County 2-4 unit sales saw a 9.31% year-over-year increase for the period ending Q3 2017. This is down from the 13.84% year-over-year increase reported by the end of Q2 2017. Quarter-over-quarter sales saw an increase of a whopping 18.33% by the end of Q3 2017. This is especially impressive since the Q2 quarter-over-quarter sales saw a decrease of -5.04%. Frequent readers will note that our projection for Q3 made during our Q2 report called for an increase of 13%. While we knew that we were going to be in for a big quarter, the over asking sales brought us one of the largest increases that we have seen in years.

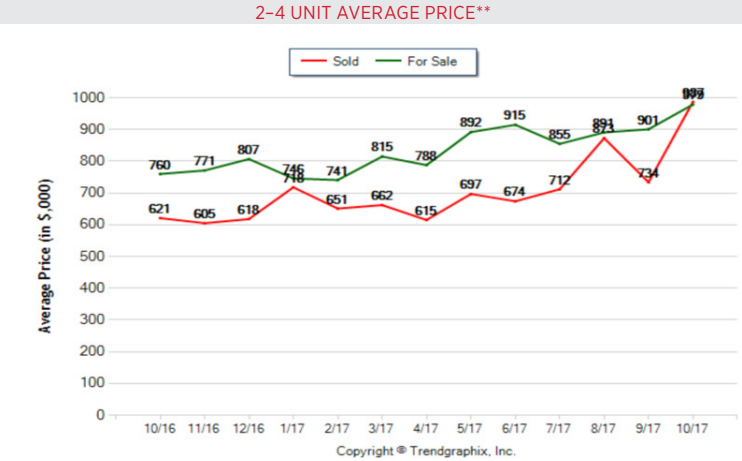
CURRENT SNAPSHOT

As of this date there are 43, 2-4 unit properties listed for sale in Sonoma County. 17 of these properties are under contract, with an average of 90 days on the market. The average list price for the properties under contract is \$837,300, while the average list price for properties not under contract is \$1,120,500. While we always like to include the active data for properties not under contract, it should be noted that seven of these properties skewing the numbers are listed for over one 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.

4Q PROJECTION

Given the fact that the average sales price during the third quarter was \$783,681 and the under contract list price for properties currently under contract is \$837,300 it is fair to assume that the fourth quarter of 2017 will likely bring another quarter of

2-4 UNIT SALES**							
Area	Street Full Address	#Units	#Bldgs	Listing Date	Listing Price	Close Date	Selling Price
Coastal Sonoma	1545 Shaw Ct	2	1	5/24/17	629,000	7/20/17	629,000
Cotati/Rohnert Park	1019 Civic Center Dr	4	1	7/31/17	998,500	8/25/17	1,050,000
Petaluma West	884-884 Petaluma Blvd S	2	3	5/23/17	599,000	8/15/17	650,000
Petaluma West	249 Kentucky St	4	2	6/14/17	925,000	7/13/17	868,915
Petaluma West	12 Post St	2	1	8/2/17	700,000	9/8/17	755,000
Russian River	11120 McPeak Rd,	2	0	5/31/17	440,000	9/11/17	435,000
Russian River	8395 Grape Ave	3	2	5/8/17	550,000	9/5/17	565,000
Santa Rosa-Northeast	415 Pheasant Ln	3	1	10/20/16	725,000	7/12/17	680,000
Santa Rosa-Northeast	418 Carrillo St	2	1	10/22/16	1,299,000	8/16/17	1,250,000
Santa Rosa-Northeast	701-701A Monroe St	2	1	10/6/16	970,000	8/11/17	876,250
Santa Rosa-Northeast	416 Talbot Ave	3	3	4/21/17	699,000	8/15/17	709,000
Santa Rosa-Northeast	600 Pacific Ave	4	1	5/24/17	998,000	8/16/17	978,000
Santa Rosa-Northeast	3234-3236 Nielsen Ct	2	1	6/1/17	889,900	7/17/17	900,000
Santa Rosa-Northeast	708 Morgan St	2	1	5/8/17	610,000	7/16/17	636,000
Santa Rosa-Northeast	811 Howard St	2	1	6/14/17	925,000	8/5/17	877,000
Santa Rosa-Northeast	752 Orchard St	4	1	7/6/17	950,000	8/11/17	955,000
Santa Rosa-Northeast	126 Leland St	3	3	5/15/17	768,000	9/26/17	725,000
Area	Street Full Address	#Units	#Bldgs	Listing Date	Listing Price	Close Date	Selling Price
Santa Rosa-Northwest	2840 Apple Valley Ln	4	1	10/17/16	665,000	8/8/17	665,000
Santa Rosa-Northwest	2372-2374 Heidi Pl	2	1	3/31/17	529,000	7/10/17	520,000
Santa Rosa-Northwest	143 9th St	4	3	6/8/17	1,050,000	7/28/17	980,000
Santa Rosa-Northwest	2331 Heidi Pl	2	1	7/20/17	600,000	9/8/17	610,000
Santa Rosa-Southeast	814 Aston Ave #A & B	2	2	4/17/17	499,000	8/9/17	472,000
Santa Rosa-Southeast	5119 Newanga Ave	3	3	7/18/17	905,000	8/25/17	885,000
Santa Rosa-Southwest	3830-3828 Sebastopol Rd	3	1	7/14/15	829,000	9/22/17	825,000
Santa Rosa-Southwest	3501 Moorland Ave	3	3	3/1/17	749,000	7/18/17	643,000
Santa Rosa-Southwest	1481 West Ave	3	2	6/19/17	799,000	7/26/17	801,000
Sebastopol	7502 Bodega Ave	2	1	7/16/17	599,000	9/1/17	630,000
Sonoma	889 W Verano Ave	2	2	4/21/17	590,000	8/6/17	575,000
Sonoma	938-AB Horn Ave	3	5	5/15/17	1,595,000	8/30/17	1,475,000
Sonoma	8099 Highway 12 Hwy	4	2	5/30/17	1,150,000	9/6/17	1,200,000
Sonoma	518 Boyes Blvd	2	2	4/18/17	514,000	9/12/17	440,000
Sonoma	522 Joaquin Dr	2	1	6/9/17	790,000	7/13/17	750,000
Sonoma	802-804 1st street west	2	1	7/11/17	885,000	9/28/17	885,000
Windsor	9950 Old Redwood Hwy	3	1	2/10/17	795,000	8/16/17	750,000



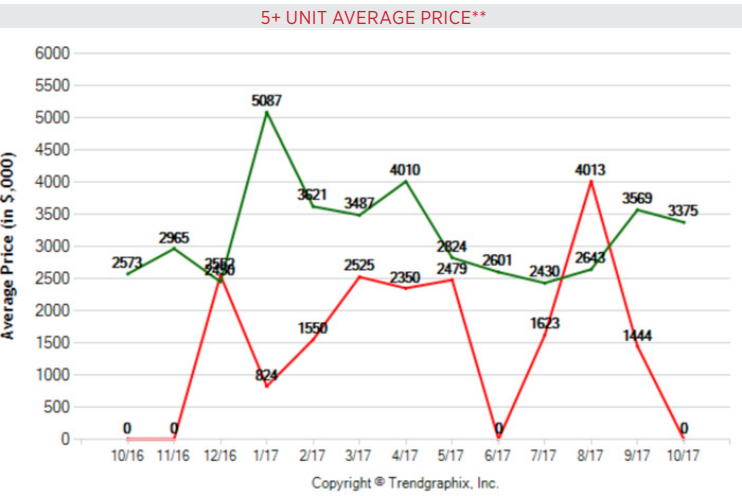
2-4 UNIT ACTIVE VS SOLD**									
	Curnt vs. Prev Month			Curnt vs. 13 Months Ago			Curnt vs. Same Month 1 Yr Ago		
	Oct. 17	Sep. 17	% Change	Oct. 17	Oct. 16	% Change	Oct. 17	Oct. 16	% Change
	Avg. Active Price	979	901	8.7% ▲	979	760	28.8% ▲	979	760
Avg. Sold Price	987	734	34.5% ▲	987	621	58.9% ▲	987	621	58.9% ▲

increasing values, since the list to sales price ratio has been approximately -2% over the last couple of years (last quarter excluded). If this -2% differential holds, we are likely looking at an approximate 4.7% quarter-over-quarter gain by the end of the 4th quarter of 2017. Please note that this projection is based on pre-fire metrics. In actuality, it is likely that we will see a fourth quarter spike well above 4.7%. Since we do not have a frame of reference for how to project values after a fire in an already tight market, we will refrain from making a further projection. Having said that, the current in-escrow numbers suggest that the fourth quarter will bring us more gains.

5+ UNIT SALES

Sonoma County 5+ unit sales saw a year-over-year increase of 10.44% by the end of the 3rd quarter of 2017. This is down from the Q2 year-over year numbers, which recorded an increase of 26.31%. As of this date, there are seven, 5+ unit buildings listed for sale in Sonoma County. Five of these properties are under contract, with average days on the market of 71 and an average list price of \$1,718,990. While it

5+ UNIT SALES**							
Area Display	Street Full Address	#Units	#Bldgs	Listing Date	Listing Price	Sale Date	Selling Price
Cotati/Rohnert Park	382 E School St	5	3	3/28/17	1,500,000	8/10/17	1,425,000
Petaluma West	210-212 Keller St	8	8	4/7/17	1,650,000	9/19/17	1,625,000
Petaluma West	201-203 Howard St	7	2	6/12/17	1,625,000	8/2/17	1,850,000
Russian River	10381 116 Hwy	7	4	7/22/17	900,000	9/26/17	900,000
Santa Rosa-Northeast	1108 14th St	20	2	3/4/16	6,600,000	9/5/17	6,600,000
Santa Rosa-Northeast	1204 Morgan St	7	5	3/22/17	1,550,000	7/27/17	1,395,000
Santa Rosa-Northeast	864 4th St	7	2	4/1/17	1,129,000	9/17/17	1,000,000
Santa Rosa-Northeast	303 Farmers Ln	10	1	6/15/17	1,695,000	9/29/17	1,365,000
Santa Rosa-Southwest	960 Sunset Ave	10	1	5/17/17	2,348,000	9/11/17	2,330,000



*Statistical information provided by Costar. **Information provided by BAREIS

5+ UNIT ACTIVE VS SOLD**								
Avg. Active Price	Curnt vs. Prev Month			Curnt vs. 13 Months Ago			Curnt vs. Same Month 1 Yr Ago	
	Oct. 17	Sep. 17	% Change	Oct. 17	Oct. 16	% Change	Oct. 17	Oct. 16
	3375	3569	-5.4% ▼	3375	2573	31.2% ▲	3375	2573
Avg. Sold Price	0	1444	-100% ▼	0	0	N/A	0	0

is always interesting to track this data, there is rarely adequate inventory 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 4th quarter of 2017.

POST-FIRE REALITY

As previously stated, our pre-fire prediction was going to call for relatively stable market conditions through the rest of 2017 and into the first quarter of 2018. Rents had previously stabilized, cap rates were holding steady and there was not any indication that the Fed was going to significantly raise rates. Our post-fire reality pretty much assures that the market will be anything but stable. Please look for supplemental reports as the data becomes available and we are able to provide clearer insights into Sonoma County's changing market. ♦

Coming January 2018

♦ Santa Rosa Fourplex. Townhomes with garages ♦

♦ 32 Units Northwest Santa Rosa. Coddingtontown location ♦

♦ Petaluma Class C Industrial. Fully leased 11,692 Sq Ft ♦

Call David or Erika at (707) 696-3742 for more information.

Sonoma County Fires Will Affect Home Prices

There has been inventory shortage and an estimated 8,800 structures burned down during the North Bay fires, complicating the housing market even further. As the Bay Area and Sonoma County prices continue to rise, the lack of housing will surely cause a spike in prices in the North Bay. The question is when can we expect to see this increase?

The standard forecast would say spring and summer would be soonest however, the current inventory has been reduced by motivated fire victims and a substantial amount of cash offers. Additionally, FHA has a 203h loan that is offering displaced families 100% financing. This will help renters who have lost their homes the ability to purchase rather than rent again. With the maximum FHA loan limit in Sonoma County being \$595,700 it gives buyers with FHA financing an opportunity to compete in this housing market with 0 down. Houses are selling far faster than before and for a higher percentage above asking. Now the question is how long this will continue? It's a simple case of supply and demand.

If you any mortgage financing questions please call us anytime. My team and I are happy to assist you.

Marlón Flores

Mortgage Consultant

NMLS ID #779895

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SUMMIT FUNDING Inc.

THE HOME LOAN EXPERTS

OUR NEW BROKERAGE UPDATE

As many of you are aware, Erika and I have purchased a RE/MAX franchise called **RE/MAX MARKETPLACE**. For the better part of a year we have been occupying leased space in Petaluma while we finish up construction on our new location in downtown Cotati. We chose this location because it puts us smack dab in the middle of Sonoma County and the markets we serve.

Stay tuned for an invite to our Grand Opening Salsa Party, which we are anticipating to have in early 2018. We are grateful to each and every one of you who have made this possible and look forward to celebrating with you.

PLEASE VISIT SONOMACOUNTYHUB.COM

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