



THE RENDINO TEAM

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THE SONOMA COUNTY INCOME PROPERTY REPORT 2018 Q2

Hello Friends,

We hope this report finds you 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

The average Sonoma County (Santa Rosa—Sonoma—Petaluma—Rohnert Park) effective rent for apartments by the end of the 2nd quarter of 2018 was \$1,681. This represents a quarter-over-quarter increase of 1.3% and a year-over-year increase of 6.1%. The occupancy factor for the same period was 97.4%, with an occupancy growth rate of 6.2%. While this is a Q2 report, it is noteworthy that the Q3 numbers to date show an effective rent of \$1,677.

2-4 UNIT SALES

Sonoma County 2-4 unit sales saw a 22.52% year-over-year increase for the period ending Q2 2018. Quarter-over-quarter sales saw an increase of 2.5% for the same reporting period.

CURRENT SNAPSHOT

As of this date there are 65, 2-4 unit properties listed for sale in Sonoma County. Only 14 of these properties are under contract, with an average of 104 days on the market. The average list price for the properties under contract is \$824,786, while the average list price for properties not under contract is \$905,008.

Q3 PROJECTION

The market is changing in real time and while we always like to look at the year-over-year growth rate, it does not tell us what the conditions are like on the ground. The quarter-over-quarter and current market snapshot figures get us closer to understanding actual market

conditions. Given the fact that the average sales price during the 2nd quarter was \$817,686 and the average under contract list price for properties currently under contract is \$824,786, reasonable expectations would tell us that the 3rd quarter of 2018 will likely show an overall leveling of the market. The average list to sales ratio has been -0.8 over the last four quarters. If we apply this differential, the average sales price by the end of the 3rd quarter of 2018 should slightly increase by approximately .06%. As noted in our prior report, there continues to be a large differential between the prices of the properties under contract vs. the properties not under contract. Our last report noted the average list price of properties not under contract to be close to \$1,000,000, while the current snapshot now shows these properties to be closer to \$900,000. This tells us that while some sellers and agents are starting to understand and adjust for the changing market, there is still too much daylight between perceived value and actual value.

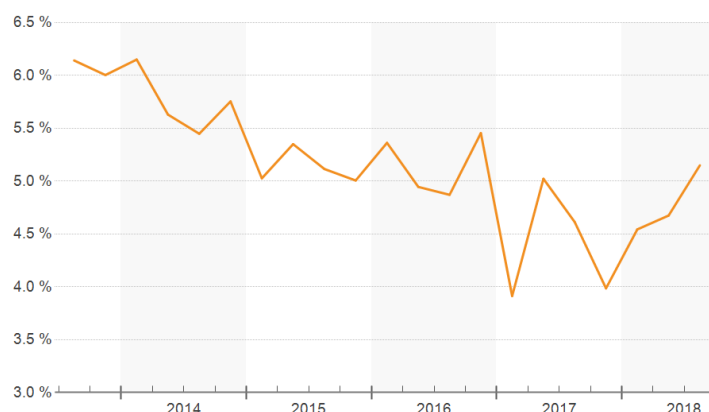
CHANGING MARKET CONDITIONS

The days on the market statistics tell an interesting story. The average DOM for the sold properties during Q2 2018 was 42. The average DOM for the properties currently in escrow is 104, which represents almost a 148% increase. Often the first signs of a changing market is extended days on the market. Rising interest rates, coupled with a leveling rental market and extended days on the market provide evidence that the next quarter will remain relatively flat. It is our opinion that these numbers provide evidence that the "Great Seller's Market" of the last few years is at a bare minimum paused, but quite possibly in our rear view mirror altogether. It is important to keep in perspective that a level market is not at all a bad market. We are back to real estate fundamentals, where proper pricing, marketing and expertise matter.

QUARTERLY RENTAL TRENDS 2017-2018 QTD

Quarter	Asking Rent			Effective Rent			Vacancy %
	Per Unit	Per SF	% Growth/Yr	Per Unit	Per SF	% Growth/Yr	
QTD	\$1,682	\$2.09	5.1	\$1,677	\$2.08	5.6	2.9
2018 Q2	\$1,686	\$2.10	5.7	\$1,681	\$2.09	6.2	2.6
2018 Q1	\$1,664	\$2.07	6.4	\$1,659	\$2.06	7.1	2.6
2017 Q4	\$1,643	\$2.04	6	\$1,636	\$2.03	6.6	3.1
2017 Q3	\$1,600	\$1.99	3.9	\$1,589	\$1.97	3.8	3.4
2017 Q2	\$1,595	\$1.98	4.5	\$1,583	\$1.97	4.3	3.6

AVERAGE CAP RATES YEARLY



5+ UNIT SALES

Sonoma County 5+ unit sales saw a year-over-year increase of 16.6% by the end of the 2nd quarter of 2018. Per the reporting agency Costar, the quarter-over-quarter sales saw an increase of 10.5% by the end of the 2nd quarter of 2018. The average cap rate for this reporting period was 4.96% on current rents.

CURRENT SNAPSHOT

There are presently 11, 5+ unit buildings listed for sale in Sonoma County. Three of these properties are under contract, with an average days on the market of 102 and an average list price of \$1,781,629. The average list price per unit for these properties is \$242,000. The average DOM for the 8 properties not under contract is 162, with an average list price of \$2,669,998. Several of these properties are non-conforming units in the Russian River area. When you back these units out, the average price per unit for the properties not in escrow is \$257,000.

BAN ON PRICE-GOUGING EXTENDED

A reminder to all income property owners that the state of emergency declared by Governor Jerry Brown has been extended until December 4, 2018. The 10% cap stays in effect for as long as the state of emergency continues to be in effect.

California prosecutors are taking complains seriously and continue to file charges against landlords in Sonoma and Marin counties accused of unlawfully raising rents more than 10% after the October wildfires.

While the statute does not clearly define how to calculate the 10% cap, property owners will need to use their own discretion on a case-by-case basis. It remains our recommendation to err on the conservative side and when in doubt, contact an attorney for advice. It is unknown if this statute will be extended past December 4th and we will continue to report on this matter in future publications.

MEASURE TO REPEAL COSTA-HAWKINS QUALIFIES FOR NOVEMBER BALLOT

A statewide ballot measure that would repeal the Costa-Hawkins Rental Housing Act has qualified for the November 6th ballot. On June 15th, the Secretary of State's office confirmed that rent control proponents had submitted enough signatures to place the repeal measure before voters in the upcoming elections.

If Costa-Hawkins is repealed, rent controlled cities will be authorized to apply rent control to single-family homes and new multifamily housing. They'll also be able to make rent caps permanent, even after changes in tenancy.

SANTA ROSA RENT CONTROL UPDATE

The Santa Rosa city clerk has stated that the petition fell short of the required number of valid signatures needed to place the measure on the November 6th, 2018 ballot. While this is certainly good news for anti-rent control advocates, it is likely that we will see the reemergence of this issue at a future date, especially if Proposition 10 succeeds during the November elections.

5+ UNIT SALES**								
Area Display	Street Full Address	Units	Bldgs	Listing Date	Listing Price	Sale Date	Selling Price	
Glen Ellen	15411-15499 Marty Dr	42	7			8/6/18	\$ 9,950,000	
Petaluma West	15 7th St	8	3	3/20/18	1,600,000	7/6/18	\$ 1,220,000	
Santa Rosa-Northeast	2315-2335 Lomitas Ave	28	2	3/6/18	7,200,000	4/27/18	\$ 7,115,000	
Santa Rosa-Northeast	3366 Mendocino Ave	22	2			4/31/18	\$ 6,350,000	
Santa Rosa-Northwest	2705 Range Ave	140	9			6/22/18	\$ 41,000,000	
Santa Rosa-Northwest	10281 Old Redwood Hwy	23	1			7/19/19	\$ 1,125,000	
Santa Rosa-Southeast	819 Frazier Ave	6	3			7/9/18	\$ 1,425,000	
Santa Rosa-Southeast	654 Mill St	5	1			7/1/18	\$ 1,300,000	
Santa Rosa-Southwest	1453-1473 Dutton Ave	11	2			4/20/18	\$ 2,210,000	
Sebastopol	7777 Healdsburg Ave	12	2	7/9/18	3,420,000	8/15/18	\$ 3,530,000	
Sebastopol	4964-4984 Hessel Rd	7	1	4/30/18	\$1,995,000	4/30/18	\$ 1,950,000	
Sonoma	60 Waterman Ave	5	1	11/14/17	750,000	7/18/18	\$ 905,000	
Sonoma	8155-8163 Olof St	20	4	2/1/18	3,825,000	4/19/18	\$ 3,825,000	

TOO NEW
FOR
PHOTOS

Coming Soon Listings
Please call for a list of
our upcoming multi-
unit properties.

2-4 UNIT SALES**								
Area Display	Street Full Address	Units	Bldgs	Listing Date	Listing Price	Sale Date	Selling Price	
Cotati/Rohnert Park	8197 Arthur St	4	4	2/20/18	\$1,250,000	4/12/18	\$1,125,000	
Cotati/Rohnert Park	8197 Arthur St	4	4	4/13/18	\$1,260,000	5/3/18	\$1,260,000	
Cotati/Rohnert Park	8450-8452 Linden Ave	2	1	6/12/18	\$599,000	8/7/18	\$645,000	
Petaluma West	110 Wilson St	4	2	4/6/18	\$1,000,000	5/14/18	\$1,310,000	
Petaluma West	216 Sunnyslope Ave	2	2	5/25/17	\$1,475,000	4/9/18	\$1,425,000	
Petaluma West	715 Western Ave	3	3	4/24/18	\$599,900	6/23/18	\$997,000	
Guerneville	14301 Mill Ct	4	1	4/9/18	\$880,000	5/9/18	\$845,000	
Guerneville	17598 Hwy 116	2	1	5/14/18	\$275,000	6/23/18	\$305,000	
Santa Rosa-Northeast	1115-1117 14Th St	2	2	2/26/18	\$650,000	5/19/18	\$625,000	
Santa Rosa-Northeast	1202 Fair Oaks Ave #2	2	1	2/26/18	\$635,000	5/24/18	\$620,000	
Santa Rosa-Northeast	1203 College Ave	2	2	3/23/18	\$650,000	5/10/18	\$640,000	
Santa Rosa-Northeast	1401 Mission Blvd	2	1	3/22/18	\$779,000	5/24/18	\$785,000	
Santa Rosa-Northeast	1692 Beaver St	2	1	4/6/18	\$749,000	5/4/18	\$810,000	
Santa Rosa-Northeast	3227-3229 Nielsen Ct	2	1	3/25/18	\$869,900	5/10/18	\$869,900	
Santa Rosa-Northeast	5120 Roma St	4	1	4/29/18	\$1,049,000	5/25/18	\$1,100,000	
Santa Rosa-Northeast	663 Doyle Park Dr	2	3	5/4/18	\$749,000	5/14/18	\$785,000	
Santa Rosa-Northeast	720 Mill St	2	1	6/8/18	\$449,950	7/20/18	\$455,000	
Santa Rosa-Northeast	727 Beaver St	2	1	1/15/18	\$620,000	5/2/18	\$590,000	
Santa Rosa-Northeast	73-75 Ramsgate Ct	2	1	3/14/18	\$675,000	7/31/18	\$690,000	
Santa Rosa-Northeast	921-923 Bush St	2	2	5/4/18	\$685,000	7/23/18	\$685,000	
Santa Rosa-Northwest	100-102 W 8th St	2	1	12/1/17	\$650,000	4/6/18	\$765,000	
Santa Rosa-Northwest	1186 Poggie Ct	2	1	5/25/18	\$695,000	7/13/18	\$695,000	
Santa Rosa-Northwest	1300 Kenneth Ct	2	1	2/23/18	\$695,000	4/25/18	\$695,000	
Santa Rosa-Northwest	1753-1759 W 3rd St #4	4	1	2/7/18	\$875,000	4/5/18	\$850,000	
Santa Rosa-Northwest	206 Boyce St	3	1	2/15/18	\$799,000	5/2/18	\$951,000	
Santa Rosa-Northwest	2671-2673 Tan Oak Ct	2	1	6/26/18	\$569,000	7/28/18	\$625,000	
Santa Rosa-Northwest	2821-2823 Papago Ct	2	1	1/19/18	\$529,000	4/18/18	\$535,000	
Santa Rosa-Southeast	2730 Tachevah Dr	4	1	5/10/18	\$939,000	5/25/18	\$940,000	
Santa Rosa-Southeast	365 E Robles Ave	2	1	4/26/18	\$529,000	7/6/18	\$552,000	
Santa Rosa-Southeast	4371-4373 Hoen Ave	2	1	5/14/18	\$620,000	6/19/18	\$625,000	
Santa Rosa-Southwest	1351 Vineyard Ct	2	1	2/14/18	\$699,000	5/1/18	\$675,000	
Santa Rosa-Southwest	2500 Covelline St	2	0	4/10/18	\$639,900	8/3/18	\$609,950	
Santa Rosa-Southwest	4187 Price Ave	2	2	5/21/18	\$489,000	6/8/18	\$520,000	
Santa Rosa-Southwest	640 Metaxa Ct	2	0	3/20/18	\$595,000	4/19/18	\$615,000	
Santa Rosa-Southwest	923 Delpont Ave	4	1	5/29/18	\$950,000	8/1/18	\$960,000	
Sebastopol	122 N High St	4	1	5/5/18	\$1,100,000	8/2/18	\$1,020,000	
Sebastopol	4321-4325 Daywalt Rd	2	1	5/13/18	\$699,000	7/1/18	\$700,000	
Sonoma	133 W agua caliente Rd	4	1	5/26/18	\$850,000	5/26/18	\$908,000	
Sonoma	13912 Arnold Dr	3	0	2/25/18	\$975,000	4/18/18	\$950,000	
Sonoma	17185 Sonoma Hwy	2	2	2/12/18	\$649,000	5/21/18	\$633,000	
Sonoma	17709 Sunset Way	4	1	11/14/17	\$850,000	7/18/18	\$980,000	
Sonoma	18393 Riverside Dr	2	2	3/14/18	\$1,175,000	6/26/18	\$1,165,000	
Sonoma	18791 Gillman Dr	2	1	2/7/18	\$849,500	7/3/18	\$795,000	
Sonoma	583 Verano Ave	3	1	3/8/18	\$699,000	4/23/18	\$759,000	
Sonoma	830 Studley St	4	2	12/24/17	\$1,700,000	4/10/18	\$1,625,000	
Windsor	9661 Old Redwood Hwy	3	2	5/1/18	\$869,900	6/14/18	\$762,500	

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

WILDFIRES: ONE YEAR LATER

The 2017 fires destroyed approximately 5 percent of Santa Rosa's housing supply. This temporarily drove up rents, and in turn property values, at a time when the market was showing signs of leveling. Almost one year later, we still have a few small pockets of the market where investors will pay a premium, but on the whole the market is deciding that rental upside is limited and the market is vulnerable to a correction. The days of overpricing and under marketing are over. This is evidenced by extended days on the market and a leveling of values.

Marketing matters, now more than ever. The right marketing campaign, with proper pricing and sometimes strategic repairs are the key to a successful transaction in this market. As reports of market stabilization (and/or decline) spread, it is important to not get caught with a listing that is collecting days on the market. Part of the disconnect that we are seeing is that often residential real estate agents do not understand or have experience in this segment of the market and are unable to counsel their clients effectively.

Loan Moment

HOW ABOUT THOSE RATES?

As you many of you already know, rates are higher now than they were at the beginning of the year. With only one quarter left in 2018, what will rates do? Well, the Feds have confirmed one more rate hike and possibly a second. So, what does all of this mean to the investors out there wondering whether to sell or purchase? If the future seems foggy, then both are the answer. Rates are low today and we know they will be much higher by the end of the year. That means now is an excellent time to take advantage of locking in a great rate and securing your cash flow.

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



Marlón Flores, Mortgage Consultant

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WHEN WAS 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 | 24/7 Emergency availability
Serving legal notices | Payment of monthly bills
Supervision of property maintenance and repair



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Mention this newsletter for **1ST MONTH'S MANAGEMENT FREE!**

Habla español?

Nosotros tambien

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Here are a few questions you should consider when selecting an agent:

1. Does the agent have vast experience in this segment of the market? Ask to see a 5-year production report for properties like yours. Make sure that these numbers reflect their production only, not the office.
2. Does the agent have an understanding of the market? Ask a few pointed questions, which you already know the answer. Ask about current cap rates for comparable properties, rental and sales trends, price per unit and per foot of comparable properties. How do your rents compare to market rents? Ask to see some current comps.
3. How will he/she present your property in its best light? In a market where many buyers have more knowledge than real estate agents, it is important to know how your agent will answer buyer objections. Do a little role-playing and see how he/she answers your tough questions and matters of negotiation.
4. Ask to see detailed examples of marketing packages. Just listing on the MLS and hoping is not enough. Find out exactly how he/she is going to market the property and make sure to ask to see sample offering memorandums, with pro forma income and expense statements.
5. Is the agent just trying to make a commission or does he/she truly have your back, even if it is against their own financial interests? If you ask items 1-4, you will likely get to this answer.

David Rendino Erika Rendino

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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 and 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
- Certified Distressed Property Expert
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