



THE RENDINO TEAM

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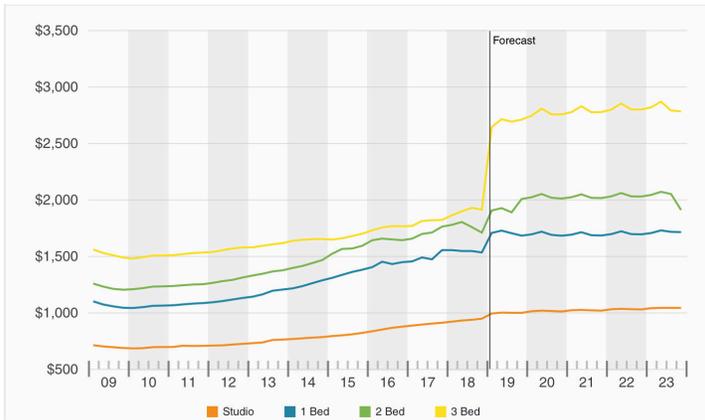
THE SONOMA COUNTY INCOME PROPERTY REPORT 2019 Q1

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) asking rent for apartments for 2018 was \$1,672, with an average rent per square foot of \$2.07. This represents a year-over-year increase of 4.06%. The 4th quarter of 2018 saw a slight decline of -1.6% from the 3rd quarter. The occupancy factor for the 4th quarter of 2018 was 96.1%, with an occupancy growth rate of -.3%. The Q1 numbers to date show an average rent of \$1,613.

MARKET ASKING RENT PER UNIT BY BEDROOM



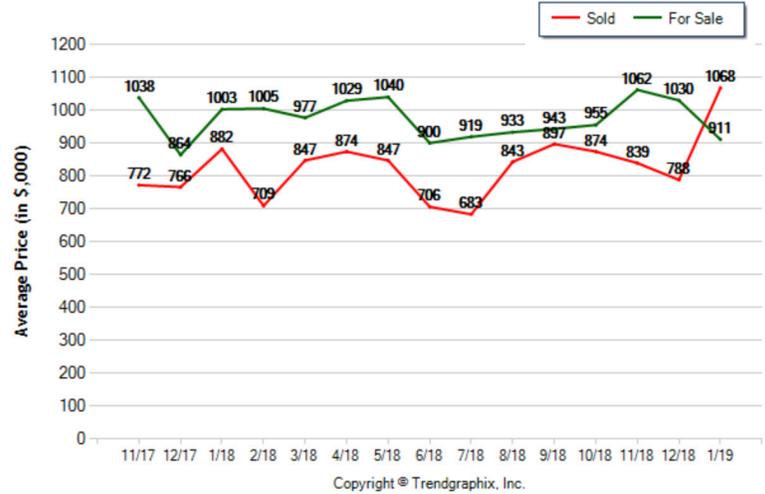
VACANCY & MARKET ASKING RENT PER UNIT



2-4 UNIT SALES

Sonoma County 2-4 unit sales saw a 5.08% year-over-year increase for the period ending Q4 2018. All of this growth occurred in the 4th quarter, which saw an increase of 7.9% over the 3rd quarter of 2018. The strong 4th quarter rally prevented us from recording the first year-over-year decline in many years.

2-4 UNIT AVERAGE PRICE*



	Curnt vs. Prev Month			Curnt vs. Same Month 1 Yr Ago			Curnt vs. Same Qtr 1 Yr Ago		
	Jan. 19	Dec. 18	% Change	Jan. 19	Jan. 18	% Change	Nov. 18 to Jan. 19	Nov. 17 to Jan. 18	% Change
Avg. Active Price	911	1030	-11.6% ▼	911	1003	-9.2% ▼	1019	973	4.7% ▲
Avg. Sold Price	1068	788	35.5% ▲	1068	882	21.1% ▲	858	810	5.9% ▲

CURRENT SNAPSHOT

As of this date there are only 37 2-4 unit properties listed for sale in Sonoma County. This represents almost half of the inventory levels that we saw during the second quarter of 2018. 13 of the currently listed properties are under contract, with an average of 103 days on the market. The average list price for the properties under contract is \$898,208, while the average list price for properties not under contract is \$853,301. Since we have started recording this statistic, this is the first time that we have found the in escrow properties to be listed higher than the properties not in escrow.

Q1 2019 PROJECTION

These days you can't pick up the newspaper without reading doom and gloom about the Sonoma County real estate market. As we have said before, often the media does not let the facts get in the way of a good story. The reality is that the 2-4 unit market has completed the process of "normalization," as evidenced by the 5.08% year-over-year growth, which is in line with historic rates.

Given the fact that the average sales price during the 4th quarter of 2018 was \$831,370 and the average list price for properties currently under contract is \$898,208, reasonable expectations would tell us that the 1st quarter of 2019 will likely show an increase in sales prices by the end of the quarter. The average list to sales price ratio has been less than 1% over the last four quarters, with the 4th quarter of 2018 recording a -0.13% list to sales price differential. If we applied even a 1% list to sales price differential, our projected sales price would be \$889,225 by the end of the 1st quarter of 2019. While the in escrow vs the not in escrow average list prices could be an anomaly, it is possible that we will see a sales price well below the less than 1% list to sales price differentials that we have seen over the last several years. On the other hand, the very low inventory levels could make for a late quarter surge, as 1031 exchange money will need to be identified with less inventory to choose from. Given

2-4 UNIT SALES*

Area Display	Street Full Address	Units	Bldgs	Listing Price	Listing Date	Selling Price	Close Date
Cloverdale	489 W 2nd St	2	1	425,000	5/1/18	425,000	12/28/18
Rohnert Park	930 Santa Alicia Dr	4	1	950,000	10/15/18	875,000	12/18/18
Glen Ellen	1004 Robertson Rd	2	2	849,000	1/19/17	825,000	11/10/18
Glen Ellen	13910 Arnold Dr	2	2	875,000	7/30/18	925,000	10/18/18
Petaluma West	249 Kentucky St	4	2	2,150,000	6/29/18	2,150,000	10/13/18
Petaluma West	310 Lily Vine Ln	4	4	949,000	8/23/18	875,000	1/2/19
Petaluma West	320-322 Upham St	2	1	699,000	8/31/18	720,000	10/19/18
Petaluma West	100-104 Kent St	2	0	699,000	9/28/18	692,000	11/16/18
Petaluma West	2-2B Cochrane Way	3	3	1,466,000	11/8/18	1,450,000	12/16/18
Russian River	17550 Hwy 116 Hwy #A & B	2	1	449,500	9/8/18	450,000	10/11/18
Russian River	14250-14252 Sunset Ave	2	1	599,000	9/24/18	588,000	10/17/18
Santa Rosa-Northeast	86 Woelfe Dr	2	1	639,950	7/22/18	630,000	12/31/18
Santa Rosa-Northeast	816 Spencer Ave	2	2	599,500	6/7/18	550,000	11/19/18
Santa Rosa-Northeast	80 Woelfe Dr	2	1	639,950	9/18/18	630,000	11/9/18
Santa Rosa-Northeast	5666-5664 Raters Dr	2	1	799,000	9/14/18	785,000	11/24/18
Santa Rosa-Northeast	5204 Piedmont Dr	2	2	749,000	10/3/18	680,000	10/18/18
Santa Rosa-Northwest	2617 W Steele Ln	2	2	535,000	4/23/18	507,000	11/8/18
Santa Rosa-Northwest	2565-2569 N Village Dr	2	1	669,000	10/23/18	669,000	12/29/18
Santa Rosa-Northwest	911-915 Coulter St	2	1	520,000	11/4/18	512,000	12/11/18
Santa Rosa-Northwest	1575 Ridley Ave	2	1	689,000	11/14/18	689,000	12/27/18
Santa Rosa-Southeast	1544-1546 Atlanta Ct	2	1	649,000	7/31/18	600,000	11/29/18
Santa Rosa-Southwest	898 Dutton Ave	3	3	675,000	4/30/18	675,000	11/18/18
Sonoma	425 Boyes Blvd	3	3	629,000	7/29/18	610,000	10/15/18
Sonoma	162-164 W Spain St	4	1	1,450,000	8/29/18	1,850,000	11/30/18
Sonoma	793-795 1st St W	2	1	1,325,000	9/10/18	1,300,000	11/30/18
Sonoma	832 1st St W #1 & 2	2	1	799,000	10/26/18	815,000	11/22/18
Sonoma	133 W Agua Caliente Rd	4	1	1,000,000	10/18/18	970,000	12/14/18

these factors, we will go out on a limb to predict that Q1 of 2019 will show an overall net increase over the Q4 average sales price.

WHAT'S TAKING SO LONG?

The days on the market (DOM) statistics often give us a better snapshot into current market conditions. The average days on the market for 2-4 unit sales by the end of the third quarter of 2018 was 48. In the fourth quarter this number increased by 62.5% to 78 days. Presently, the average DOM for all active 2-4 unit listings is 103, which represents an increase of 114.58% from Q3 2018.

In our opinion, the increased days on the market statistic furthers the narrative of normalization of market conditions. While the first signs of a changing market is almost always increased days on the market, our experience on the ground is that properly marketed and priced properties are selling faster and at stronger valuations than under marketed properties.

In recent years we have seen the "Zillowization" of the multi-unit market, where everyone is an expert because they are able to read the online "Zestimate" of value. We live in a fast paced environment where prospective buyers must be made to understand exactly how a property will perform within the first minute of reading the offering memorandum. This means that the listing agent must employ the proper tools and have the expertise necessary to be able to have intelligent conversations with prospective buyers and agents. The marketing material must lay out in a way that is engaging, complete, yet simple to understand. If the buyer does not understand

the opportunity and how he/she is going to make money, then the property will not sell. Placing a for sale sign, listing at the price third party real estate websites say the property is worth and hoping that a buyer will figure out how the property performs might have worked in recent years, but no longer applies in normalized market conditions. Anecdotally, we have been seeing some of this throughout our market and believe that it could be contributing to the increased DOM that we have been seeing

5+ UNIT SALES

2018 saw 84 5+ unit properties sold in Sonoma County. The average sales price was \$7,376,142, which represents a year-over-year gain of 17.4%. The average cap rate for the properties sold during this reporting period was 4.76% on current rents. The average price per unit of the sold properties was \$228,700.

5+ UNIT SALES**

Area Display	Street Full Address	Units	Bldgs	Sale Date	Selling Price	Price/Unit
Rohnert Park	8288 Lancaster Dr	105	9	11/14/18	\$12,037,493	\$114,642.00
Rohnert Park	7380 Adrian Dr	28	1	11/14/18	\$9,951,872	\$343,168.00
Rohnert Park	181-187 Avram Ave	40	4	11/14/18	\$9,795,099	\$244,877.00
Rohnert Park	7300 Adrian Dr	27	1	11/14/18	\$9,265,536	\$343,168.00
Cloverdale	146 N East St	9	2	10/18/18	\$925,000	\$102,777.00
Guerneville	14241 Mill St	5	2	11/20/18	\$517,979	\$103,595.80

CURRENT SNAPSHOT

There are presently only six 5+ unit buildings listed for sale in Sonoma County. None of these properties are under contract and the average list price is presently \$3,321,666, which is \$301,969 per unit.

While it is interesting to look at these statistics, we always like to point out that there is not enough listing inventory to be able to draw reasonable conclusions on market trends. Given the low inventory levels and high list prices, which are being offered at over \$73,000 more per unit than the sold comps, we will refrain from making market projections at this time.

BAN ON PRICE-GOUGING EXTENDED

On November 28, Governor Jerry Brown, before leaving office, extended the anti-price gouging protections through May 31, 2019. These extensions apply to Lake, Mendocino, Napa, Santa Barbara, Shasta, Siskiyou and Sonoma counties. Presently the protections are scheduled to expire on May 31, 2019. It is our understanding that the emergency ordinance can be extended for up to a total of two years from the date of the declaration, which would make a further extension until November of 2019 not only possible, but likely in our opinion.

The chart, "How Much Can You Increase Rent" below, summarizes the most relevant and important portions of the anti-price gouging ordinance as they pertain to multi-residential income property owners. It is of utmost importance that landlords pay close attention to these provisions. +

HOW MUCH CAN YOU INCREASE RENT?

TYPE OF TENANCY

Existing tenant remains in possession

Existing tenant vacates

Existing tenant evicted

No tenant and unit offered or rented in the previous year

No tenant and not advertised, offered or rented in the previous year

Furnished when previously unfurnished

INCREASE ALLOWED

Current rent +10%*

New tenant's at old tenant's rate +10%*

New tenant can't be charged more than amount that could be charged to old tenant +10%*

Most recent price offered +10%*

160% of HUD FMV +10%*

+5% (plus increase allowed above)

CALL 707.696.3742 FOR MORE INFO

Chart: Provided by CAANet.org *Additional rules apply for units advertised, offered or rented at a daily rate; units previously provided unfurnished and will now be offered furnished; units which become vacant after a state of emergency is declared, and are subject to a local ordinance, rule, regulation or initiative measure.

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

COMING SOON

FOUR HOUSES ON ONE LOT, DOWNTOWN COTATI
FOURPLEX, HEALDSBURG
TRIPLEX, SOUTHEAST SANTA ROSA

CALL 707.696.3742 FOR INFORMATION



ON THE MARKET

2180 Corby Ave, Santa Rosa
Multi-Residential Development - \$999,000



ON THE MARKET

607 7th St, Petaluma
Triplex - \$1,490,000



PENDING

2355 Heidi Place, Santa Rosa
Fourplex - \$1,100,000



PENDING

10266 Old Redwood Hwy, Petaluma
5 Units + Barn - \$1,490,000



SOLD

864 4th St, Santa Rosa
8 Units - \$1,800,000



SOLD

8710 Green Valley Rd, Sebastopol
4 Units - \$1,890,000



SOLD

2208 Sonoma Ave, Santa Rosa
8 Units - \$1,990,000



PENDING

145 Lincoln St, Santa Rosa
Fourplex - \$949,000

2019 Exciting News! Bank Statement Loans Are Back!

Like me, most of you "Real Estate Savvy" folks are hearing from the news, YouTube, and other social media outlets, that we are currently at the peak of the real estate market, and that we should all wait until the market crashes, then buy up all the rentals and multi units we can at ½ the price. Sounds great for all you Investors, right? Well, since that's not going to happen any time soon, let's talk about what we can do RIGHT NOW that makes financial sense.

We are offering Bank Statement Loans! This is exciting news for Investors! With the roll out of the Bank Statement Loan, we can take 12 months of bank statements and use up to 65% of your total business deposits as qualifying income. This allows you to utilize those deposits as income when they may not have been considered before. That means no more tax returns, and no more pay stubs, just more qualifying income, less paperwork!

Too good to be true? We close them every month without issues.

Too many properties? No problem, with this program that is a non-issue.

Remember, you can refinance your investment property and take cash out without having to pay capital gains tax on the money now.

Call us today for any Home Loan and Investor Financing questions.



Marlón Flores

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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 también

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RE/MAX MARKETPLACE

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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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