



THE RENDINO TEAM

EXPERIENCE ♦ INTEGRITY ♦ RESULTS



THE SONOMA COUNTY INCOME PROPERTY REPORT Q2 2019

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

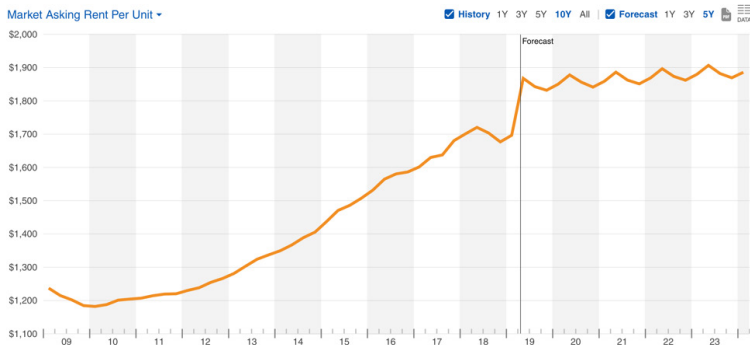
The average Sonoma County (Santa Rosa—Sonoma—Petaluma—Rohnert Park) average rent for apartments for the first quarter of 2019 was \$1,654, with an effective rent per square foot of \$2.05. This represents a year-over-year rent decrease of 1.08%. The first quarter of 2019 saw a slight increase of 1.47% from the fourth quarter of 2018. The occupancy factor for the first quarter of 2019 was 95.8%. The Q2 numbers to date show an effective rent of \$1,665.

The Q2 numbers to date show an average rent of \$1,867, which indicates that we will continue to see an increasing rental market through at least the first half of 2019. These are impressive statistics given the pressure from state and local agencies to reign in the strong and sustained rental market.

SANTA ROSA, SONOMA, ROHNERT PARK & WINDSOR AVERAGE ASKING RENT**

Period	Studio	1 Bed	2 Beds	3 Beds
2019 QTD	\$1,262	\$1,543	\$1,820	\$1,926
2019 Q1	\$1,262	\$1,533	\$1,819	\$1,916
2018 Q4	\$1,263	\$1,520	\$1,788	\$1,909
2018 Q3	\$1,244	\$1,541	\$1,826	\$1,938
2018 Q2	\$1,242	\$1,550	\$1,855	\$1,913
2018 Q1	\$1,234	\$1,539	\$1,831	\$1,880
2017 Q4	\$1,220	\$1,526	\$1,804	\$1,846
2017 Q3	\$1,210	\$1,479	\$1,761	\$1,826
2017 Q2	\$1,201	\$1,475	\$1,744	\$1,812
2017 Q1	\$1,189	\$1,449	\$1,713	\$1,781
2016 Q4	\$1,172	\$1,430	\$1,698	\$1,774

MARKET ASKING RENT PER UNIT**



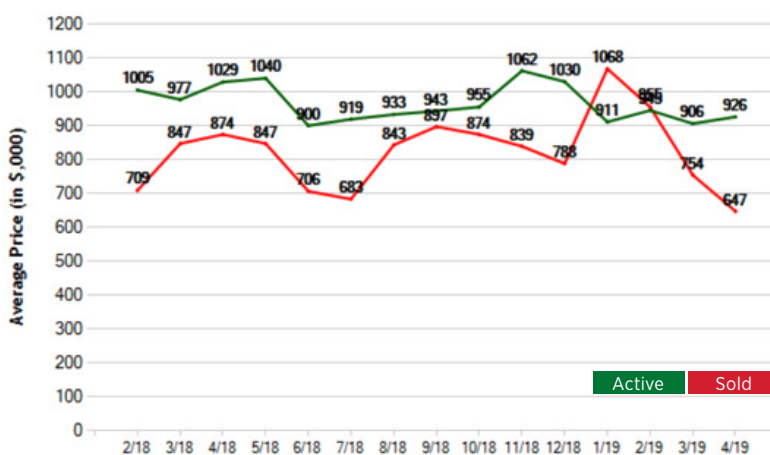
2-4 UNIT SALES

The average sales price for the first quarter of 2019 was \$925,000. This represents a 13.9% year-over-year increase for the period ending Q1 2019 and a 11.04% increase from the fourth quarter of 2018. The price per unit for this quarter was \$315,405.

CURRENT SNAPSHOT

As of this date there are 38 2-4 unit properties listed for sale in Sonoma County. This represents a 65.4% inventory increase from the same quarter of 2018. Eight of the currently listed properties are under contract, with an average of 91 days on the market. The average list price for the properties under contract is \$885,875, while the average list price for properties not under contract is \$997,195. The average price per unit for the active listings is \$306,685.

AVERAGE PRICE FOR SALE TO SOLD*



	Curnt vs. Prev Month			Curnt vs. Same Month 1 Yr Ago			Curnt vs. Same Qtr 1 Yr Ago		
	Apr. 19	Mar. 19	% Change	Apr. 19	Apr. 18	% Change	Feb. 19 to Apr. 19	Feb. 18 to Apr. 18	% Change
Avg. Active Price	926	906	2.2% ▲	926	1029	-10% ▼	924	1008	-8.3% ▼
Avg. Sold Price	647	754	-14.2% ▼	647	874	-26% ▼	840	800	5% ▲

Q2 2019 PROJECTION

While the majority of Sonoma County's residential sales markets are experiencing varying levels of decline, it is clear that these value losses have not yet affected the 2-4 multi-unit market. This is largely due to increasing rents and interest rates, which have surprisingly inched down in spite of the strong national economic numbers.

However, it is not all puppy dogs and lollipops given the current listing data. The average sales price during the first quarter of 2019 was \$895,878 and the average list price for properties currently under contract is \$791,417. The average list to sales price ratio has been less than 1% over the last several quarters. If this ratio continues to hold true, we could be looking at value losses potentially into double digits by the end of the second quarter of 2019. However, it should be noted that even though inventory levels are increasing, we are still dealing with relatively limited sales data when analyzing quarter-over-quarter growth/loss. One good or bad quarter does not make the market. Let's not forget that the first quarter of 2019 recognized a significant increase, so a second quarter decline will not have a devastating effect on the overall market.

WHAT'S MOVING?

As noted above, less than 30% of the units presently listed for sale are in escrow. In recent months we have seen that turn-key units with market rents are moving rapidly, while units with deferred maintenance and/or with below market rents are sitting for

prolonged periods of time if not priced with the appropriate discount. In addition, the properties not in escrow are presently listed at an average of over 20% above the average list price of properties in escrow. Clearly there are many who are asking “make me move” valuations and it is likely that we will see some of these aged assets removed from the market since we are no longer seeing “dumb money” being paid in Sonoma County. Those looking to sell will still find favorable selling conditions, so long as the correct repair, marketing and pricing strategy is applied.

2-4 UNIT SALES*						
Area	Address	Units/Bldgs	Listing Price	Listing Date	Selling Price	Close Date
Healdsburg	626 Johnson St	2/2	2,695,000	9/21/18	2,550,000	1/18/19
Healdsburg	11812 Old Redwood Hwy	4/4	2,200,000	11/30/18	2,100,000	4/29/19
Petaluma East	10266 Old Redwood Hwy N	4/5	1,490,000	4/13/18	1,490,000	3/6/19
Petaluma West	612-614 Kentucky St	2/2	325,000	6/8/18	300,000	2/14/19
Russian River	17363 Park Ave	3/2	439,000	5/25/18	450,000	1/8/19
Santa Rosa-NE	85 Randall Ln	2/1	699,000	11/6/18	681,300	3/21/19
Santa Rosa-NE	527 Mendocino Ave #A	2/1	459,000	11/5/18	455,000	2/28/19
Santa Rosa-NE	838 Wheeler St	3/2	850,000	12/16/18	825,000	2/1/19
Santa Rosa-NE	811-813 Spencer Ave	2/1	610,000	1/3/19	610,000	2/14/19
Santa Rosa-NE	527 Mendocino Ave #B	2/1	459,000	1/21/19	455,000	3/21/19
Santa Rosa-NE	1720 Mission Blvd	3/1	875,000	2/21/19	875,000	3/27/19
Santa Rosa-NE	419-421 Trowbridge St	3/4	759,900	4/15/18	655,000	1/31/19
Santa Rosa-NE	1810 N Dutton Ave	2/2	575,000	7/28/18	560,000	2/15/19
Santa Rosa-NE	145 Lincoln St	4/1	949,900	11/2/18	925,000	2/28/19
Santa Rosa-NE	2817 Apple Valley Ln	4/1	925,000	11/2/18	910,000	3/8/19
Santa Rosa-NE	2355 Heidi Pl	4/1	1,100,000	11/2/18	1,075,000	2/28/19
Santa Rosa-NE	143-145 Scott St	2/1	499,000	12/21/18	450,000	3/4/19
Santa Rosa-SE	4013 Princeton Dr	2/1	549,000	5/10/18	475,000	3/21/19
Santa Rosa-SE	4065 Hoen Ave	2/1	550,000	11/11/18	527,000	4/3/19
Santa Rosa-SE	1348 Todd Rd	4/3	795,000	6/4/18	795,000	3/26/19
Santa Rosa-SE	1496-1498 Trombetta St	2/1	650,000	9/24/18	615,000	1/3/19
Santa Rosa-SE	4001 Arthur Ashe Cir	3/1	848,900	2/2/19	808,888	2/21/19
Sebastopol	8710 Green Valley Rd	4/3	1,890,000	12/5/18	1,890,000	2/13/19
Sonoma	230 Perkins St	2/2	699,800	10/22/18	655,000	3/11/19

5+ UNIT SALES

As usual, we do not place significant weight on sales trend data for 5+ units due to low inventory levels. Instead, we prefer to track the average price per unit and cap rates to help us determine market trends. There were 12, 5+ unit properties sold in Sonoma County during the first quarter of 2019. The average sales price was \$10,695,000, with an average of \$312,055 per unit which represents a quarter-over-quarter increase of 36.4% from the previous quarter. The average cap rate for the properties sold during this reporting period was 5.33% on current rents. This represents a 11.34% increase

5+ UNIT SALES**						
Area	Address	Bldgs/Units	Listing Price	Listing Date	Close Date	Selling Price
Cloverdale	314 N Cloverdale Blvd	1/7	1,195,000	8/29/18	1/4/19	1,150,000
Healdsburg	418 Piper St	2/9	3,250,000	11/2/18	2/4/19	2,960,000
Petaluma-East	785 Baywood Dr	1/90	Off Market	N/A	2/7/19	42,000,000
Petaluma-East	10266 Old Redwood Hwy	3/6	1,490,000	4/3/18	3/5/19	1,490,000
Santa Rosa-NE	2014-2108 4th St	1/7	1,598,000	7/24/18	2/8/19	1,500,000
Santa Rosa-NE	864 4th St	2/8	1,865,000	11/15/18	1/11/19	1,800,000
Santa Rosa-NE	2208 Sonoma Ave	2/8	1,990,000	12/18/18	2/11/19	1,990,000
Santa Rosa-NE	220-240 Burt St	26/180	Off Market	N/A	2/19/19	49,400,000
Santa Rosa-NW	6899 Montecito Blvd	7/56	14,875,000	5/19/18	1/9/19	15,000,000
Santa Rosa-SW	538 Boyd St	2/7	Off Market	N/A	3/1/19	Price ND
Sebastopol	1635 Bollinger Ln	6/6	Off Market	N/A	1/11/19	355,000

from the previous quarter.

CURRENT SNAPSHOT

There are presently 12 5+ unit buildings listed for sale in Sonoma County. This is a 50% increase in inventory from the last quarter. Five of these properties are under contract and the average list price is presently \$3,166,500, which represents \$275,347 per unit. The average cap is 4.01 on actual rents.

TAKING ADVANTAGE OF OPPORTUNITY ZONES

What is an Opportunity Zone?

Per the IRS, an Opportunity Zone is an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service.

The goal of the Opportunity Zones initiative is to provide tax incentives for investors who make long-term capital investment in designated low-income areas. To be designated an opportunity zone, at least 20% of the residents in the area must live at or below the poverty level, or with median family incomes below 80% of the regional median income.

Investors must invest through a qualified Opportunity Fund and in return can receive one of three types of financial benefits—a temporary deferral of inclusion in taxable

income for capital gains reinvested into an Opportunity Fund; a step-up in basis for capital gains reinvested in an Opportunity Fund; and a permanent exclusion in taxable income of capital gains if the investment is held for at least ten years. The investment property has to have a positive impact on the community and excludes properties such as golf courses or country clubs, but does not necessarily limit luxury buildings or hotels.

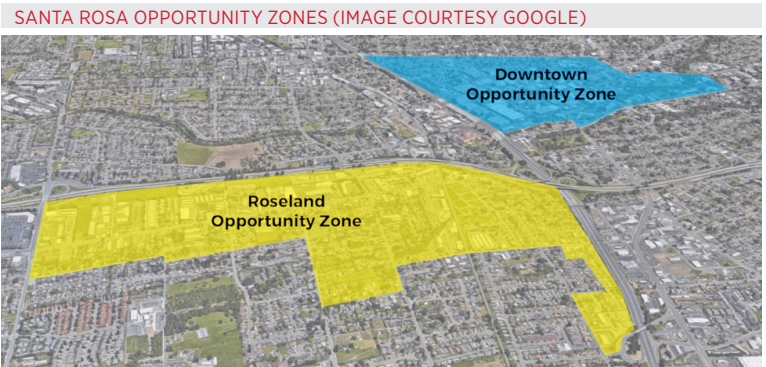
California officials selected nearly 900 census tracts for the new program, including three in Sonoma County. Two areas in Santa Rosa and one in the Sonoma Valley have been designated “opportunity zones” by the state, making them eligible for the Trump administration tax breaks designed to encourage development in low-income neighborhoods.

Unlike with a 1031 exchange where you have to trade into a property of equal or greater value, you can choose to sell your property and only invest the gain into an opportunity zone and defer the taxes.

You can take ANY capital gains and use them in this strategy. This includes stock, real estate, etc.

What are the incentives that encourage long-term investment in low income communities?

- 1. A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.
- 2. A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the taxpayer holds the investment in the qualified opportunity zone fund for at least 5 years, and by an additional 5% if held for at least seven years, excluding up to 15% of the original gain from taxation.
- 3. A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).



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 real estate agents do not understand this segment of the market and are unable to counsel their clients effectively.

Here are a few questions you should ask yourself prior to selecting an agent:

- 1. Does the agent have vast experience in this segment of the market? Ask to see a five-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, of which you already know the answers. Ask about current cap rates for comparable properties, rental and sales trends, price per unit and per square 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. Simply 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 one through four, you will likely get to this answer. ♦

OUR LISTING AND RECENT SALES



ON THE MARKET

8197 Arthur St, Cotati
4 Units - \$1,495,000



ON THE MARKET

166 Barbara Dr, Santa Rosa
4 Units - \$950,000



SOLD

4402 Montgomery Dr, Santa Rosa
3 Units - \$930,000



SOLD

2817 Apple Valley Ln, Santa Rosa
4 Units - \$910,000



ON THE MARKET

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



ON THE MARKET

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



SOLD

2355 Heidi Place, Santa Rosa
Fourplex - \$1,075,000



SOLD

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



SOLD

145 Lincoln St, Santa Rosa
Fourplex - \$925,000

What Will Mortgage Rates Do In 2019?

When will the gravy train pull into the station? How long will this fantastic ride last? As the market changes, it is important for investors to know if it's time to sell, buy, hold or refinance.

Mortgage rates are in the low 4's today, which represents an approximate 1.5% dip in rates since the height of the fourth quarter of 2018. This drop equates to approximately \$91 dollars in savings per month for every \$100k financed. So, on a \$500k loan, you will save approximately \$455 per month compared to last year's rates.

How will you take advantage of this opportunity? Give me a call at 707-981-4152 to discuss how this rate change can affect your holdings and plans. -Marlón Flores



Marlón Flores

Mortgage Consultant
NMLS ID #779895

707-981-4152 | teamflores@summitfunding.net



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



(707) 800-7880

Sean@RoundBarnPM.com
RoundBarnPM.com

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

Habla español?

Nosotros tambien

Erika Rendino

(707) 318-1851 | derendino@gmail.com

David Rendino Erika Rendino

Income Property Specialists

DRE# 01252035/01465104



RE/MAX MARKETPLACE

8220 Old Redwood Hwy, Cotati, CA 94931

In This Issue

- ◆ Rental Market
- ◆ 2-4 Unit Sales
- ◆ Q2 2019 Projection
- ◆ What's Moving?
- ◆ 5+ Unit Sales
- ◆ Opportunity Zones
- ◆ Marketing Matters, Now More Than Ever!
- ◆ Current & Sold Listings
- ◆ What Will Mortgage Rates Do In 2019

All offices independently owned and operated. If your home is listed with another REALTOR® it is not my intention to solicit that listing. The information contained herein has been obtained through sources deemed reliable by RE/MAX Marketplace, but cannot be guaranteed for its accuracy. We recommend to the buyer that any information, which is of special interest, should be obtained through independent verification. ALL MEASUREMENTS ARE APPROXIMATE. Information provided by bareis. **Statistical information provided by Costar.

Dear reader,

If you are planning on selling your property sooner or later, we 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®
(707) 696-3742



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