



THE RENDINO TEAM

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THE SONOMA COUNTY INCOME PROPERTY REPORT Q3 2019

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

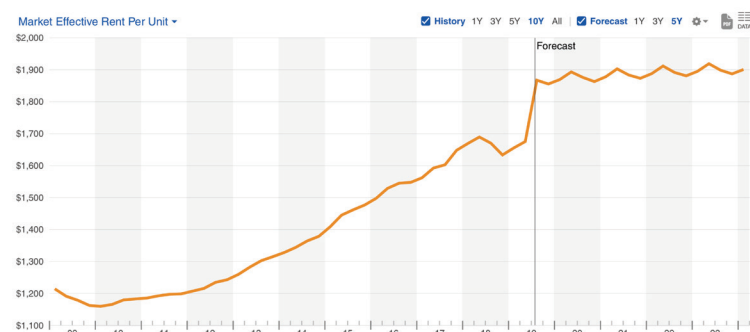
The average Sonoma County (Santa Rosa—Sonoma—Petaluma— Windsor -Rohnert Park) average rent for apartments for the 2nd quarter of 2019 was \$1,675.00, with an effective rent per sq. ft. of \$2.06. This represents a year-over-year rent decrease of -.9%. The 2nd quarter of 2019 saw a slight rental increase of 1.15% from the 1h quarter of 2019. The occupancy factor for the 2nd quarter of 2019 was 96%.

The 3Q numbers to date show an average rent of \$1,682, which indicates that we will continue to see a stable rental market through the end of 2019.

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

| Period | Studio | 1 Bed | 2 Beds | 3 Beds |
|----------|---------|---------|---------|---------|
| 2019 QTD | \$1,266 | \$1,495 | \$1,753 | \$1,889 |
| 2019 Q3 | \$1,136 | \$1,598 | \$1,899 | \$2,392 |
| 2019 Q2 | \$1,263 | \$1,507 | \$1,776 | \$1,913 |
| 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 |

MARKET ASKING RENT PER UNIT**



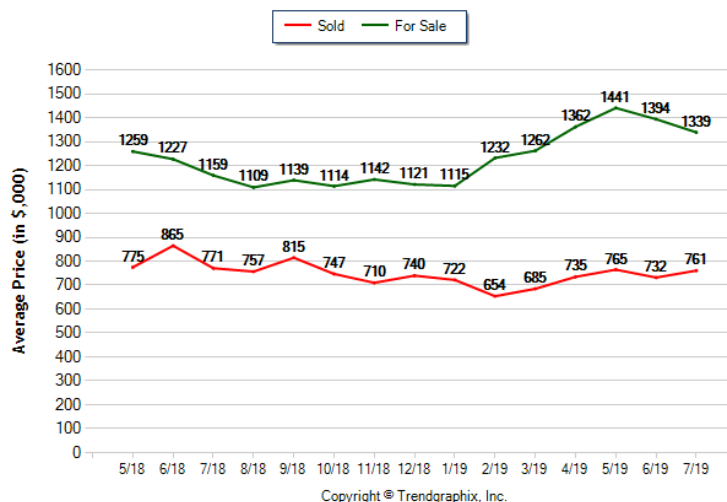
2-4 UNIT SALES

The average sales price for the 2nd quarter of 2019 was \$ 838,374. This represents a 7.85% year-over-year increase for the period ending 2Q 2019, and a -9.3% decrease from the 1st Quarter of 2019. The price per unit for this quarter was \$ 288,391.57, down -8.56% from the first quarter average of \$315,405.

CURRENT SNAPSHOT

As of this date there are 56 2-4 unit properties listed for sale in Sonoma County. This represents a 47% inventory increase from the previous quarter. Only 13 of the currently listed properties are under contract, with an average of 51 days on the market. The average list price for the properties under contract is \$758,996, while the average list price for properties not under contract is \$1,011,003. The average price per unit for the active listings is \$395,229.

AVERAGE PRICE FOR SALE TO SOLD*



| | Curnt vs. Prev Month | | | Curnt vs. Same Month 1 Yr Ago | | | Curnt vs. Same Qtr 1 Yr Ago | | |
|-------------------|----------------------|---------|----------|-------------------------------|---------|----------|-----------------------------|--------------------|----------|
| | Jul. 19 | Jun. 19 | % Change | Jul. 19 | Jul. 18 | % Change | May. 19 to Jul. 19 | May. 18 to Jul. 18 | % Change |
| Avg. Active Price | 1339 | 1394 | -3.9% ▼ | 1339 | 1159 | 15.5% ▲ | 1389 | 1210 | 14.8% ▲ |
| vg. Sold Price | 761 | 732 | 4% ▲ | 761 | 771 | -1.3% ▼ | 753 | 804 | -6.3% ▼ |

Q2 2019 PROJECTION

The second quarter numbers tell us that this segment of the market is starting to cool off. The average sales price during the 2nd quarter of 2019 was \$838,374, and the average list price for properties currently under contract is \$758,996. The average list to sales price ratio has consistently been around 1% over the last year, and if this ratio continues to hold true, we could be looking at value losses up to 10% by the end of the 3rd quarter of 2019.

FORECAST SCORECARD

Frequent readers will note that our previous report called for a second quarter loss "potentially into double digits by the end of the 2nd quarter of 2019". We are going to call the -9.3% loss close enough for horseshoes and hand grenades. Should our current projection hold up, we will be looking at back to back quarter losses of almost 20%, which would mark the first significant value decrease in years. Let's hope we are wrong.

*Statistical Information Provided By Costar. **Information Provided By Bareis.

2-4 UNIT SALES*

| Area | Address | Bldgs | Units | Listing Price | Listing Date | Selling Price | Close Date |
|----------------------|----------------------------|-------|-------|---------------|--------------|---------------|------------|
| Cotati | 8197 Arthur St | 4 | 4 | 1,495,000 | 3/8/19 | 1,490,000 | 7/1/19 |
| Guerneville | 14573 Canyon 1 Rd | 1 | 2 | 650,000 | 9/20/18 | 590,000 | 6/20/19 |
| Guerneville | 17598 Hwy 116 | 0 | 2 | 285,000 | 1/26/19 | 284,000 | 5/22/19 |
| Guerneville | 14924-14926 Canyon 2 Rd | 1 | 2 | 395,000 | 4/21/19 | 380,000 | 6/5/19 |
| Penngrove | 9527 Old Redwood Hwy | 3 | 3 | 1,199,000 | 7/24/18 | 1,109,000 | 5/24/19 |
| Petaluma West | 607 7th St | 2 | 3 | 1,490,000 | 4/16/18 | 1,490,000 | 7/30/19 |
| Petaluma West | 837 Madison St | 1 | 2 | 699,000 | 3/5/19 | 650,000 | 5/31/19 |
| Petaluma West | 310 Payran St | 2 | 4 | 1,090,000 | 4/30/19 | 1,025,000 | 7/19/19 |
| Petaluma West | 143-145 Badger Hill Ln | 2 | 2 | 869,000 | 5/15/19 | 845,000 | 7/12/19 |
| Rio Nido | 15101 Canyon 2 Rd | 1 | 2 | 480,000 | 5/1/19 | 439,000 | 7/6/19 |
| Santa Rosa-Northeast | 323 10th St | 1 | 4 | 845,000 | 2/1/19 | 800,000 | 7/10/19 |
| Santa Rosa-Northeast | 504 Juilliard Park Dr | 1 | 4 | 575,000 | 4/8/19 | 600,000 | 5/17/19 |
| Santa Rosa-Northeast | 4402 Montgomery Dr | 2 | 3 | 949,900 | 4/22/19 | 930,000 | 5/30/19 |
| Santa Rosa-Northeast | 1119 Humboldt St #A-C | 1 | 3 | 945,000 | 4/24/19 | 945,000 | 5/31/19 |
| Santa Rosa-Northeast | 746 Slater St | 3 | 4 | 600,000 | 5/5/19 | 600,000 | 6/23/19 |
| Santa Rosa-Northwest | 2180 Naomi Pl | 1 | 2 | 655,000 | 3/8/19 | 643,000 | 6/24/19 |
| Santa Rosa-Northwest | 1658-1660 Ridley Ave | 1 | 2 | 579,000 | 4/2/19 | 611,000 | 5/20/19 |
| Santa Rosa-Northwest | 1101 Jennings Ave | 2 | 4 | 989,000 | 5/13/19 | 1,020,000 | 6/18/19 |
| Santa Rosa-Southeast | 3800 Mayette Ave | 4 | 4 | 699,950 | 1/19/19 | 751,000 | 6/8/19 |
| Santa Rosa-Southeast | 4465 Hoen Ave | 2 | 2 | 610,000 | 3/12/19 | 610,000 | 4/4/19 |
| Santa Rosa-Southeast | 1221 Jacky Dr | 3 | 4 | 1,100,000 | 4/8/19 | 1,055,000 | 6/28/19 |
| Santa Rosa-Southwest | 2100 Corby Ave | 2 | 2 | 499,000 | 11/4/18 | 460,000 | 5/22/19 |
| Santa Rosa-Southwest | 2529 Daniel Ct | 2 | 2 | 675,000 | 12/1/18 | 683,000 | 4/22/19 |
| Santa Rosa-Southwest | 1870 West Ave | 2 | 3 | 850,000 | 6/12/19 | 886,000 | 7/19/19 |
| Sebastopol | 7540 Meadowlark Dr | 1 | 2 | 749,000 | 5/21/19 | 759,000 | 7/30/19 |
| Sonoma | 17189-17197 Sonoma Hwy | 3 | 3 | 1,375,000 | 4/10/19 | 1,365,500 | 6/11/19 |
| Sonoma | 1403-1405 Lovall Valley Rd | 3 | 3 | 1,100,000 | 4/17/19 | 1,116,000 | 5/3/19 |
| Sonoma | 20556 Birch Rd | 2 | 4 | 1,250,000 | 2/15/19 | 1,200,000 | 7/24/19 |
| Windsor | 150 3rd St | 1 | 2 | 615,000 | 3/5/19 | 600,000 | 6/6/19 |

5+ UNIT SALES

As usual, we do not read too much into the 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 14, 5+ unit properties sold in Sonoma County during the 2nd quarter of 2019. The average sales price was \$5,110,357, with an average of \$265,966.54 per unit, which represents a quarter over quarter decrease of -14.7% (price/unit) from the previous quarter. The average cap rate for the properties sold during this reporting period was 5.53% on current rents. This represents a 3.75% increase from the previous quarter.

5+ UNIT SALES**

| Area | Address | Bldgs | Units | Listing Price | Close Date | Selling Price |
|----------------------|--------------------------|-------|-------|---------------|------------|---------------|
| Guerneville | 15096-15098 Old River Rd | 2 | 10 | 1,599,000 | 5/30/19 | 1,100,000 |
| Santa Rosa-Southwest | 780 SW Dutton Ave | 3 | 6 | 1,750,000 | 5/14/19 | 1,650,000 |
| Santa Rosa-Northeast | 1331-1381 North St | 4 | 16 | 4,400,000 | 4/2/19 | 4,275,000 |
| Santa Rosa-Southeast | 1109-1147 Evans Dr | 5 | 20 | 4,400,000 | 6/11/19 | 3,930,000 |
| Santa Rosa-Northeast | 721 Mendocino Ave | 3 | 4 | 1,060,000 | 4/25/19 | 1,030,000 |
| Healdsburg | 1301 Prentice Dr | 2 | 21 | | 7/23/19 | \$7,950,000 |
| Healdsburg | 1302 Prentice Dr | 2 | 23 | | 6/5/19 | \$5,000,000 |
| Rohnert Park | 7400 Bridgit Dr | 4 | 32 | 6,900,000 | 7/10/19 | \$6,700,000 |
| Santa Rosa | 2371 Corby Ave | 2 | 20 | | 6/14/19 | \$3,500,000 |
| Santa Rosa | 615 Healdsburg Ave | 1 | 79 | | 6/12/19 | \$28,850,000 |
| Santa Rosa | 1109 Evans Dr | 5 | 20 | 4,400,000 | 6/6/19 | \$3,930,000 |
| Rohnert Park | 6920 Commerce Blvd | 6 | 20 | | 5/22/19 | \$4,500,000 |
| Santa Rosa | 764 Dutton Ave | 3 | 6 | | 4/24/19 | \$1,650,000 |
| Santa Rosa | 455 S E St | 4 | 5 | 1,750,000 | 4/19/19 | \$1,010,000 |
| Cloverdale | 10 Orange Dr | 3 | 6 | | 4/12/19 | \$400,000 |
| Santa Rosa | 1331 North St | 4 | 16 | 4,400,000 | 4/2/19 | \$4,275,000 |

CURRENT SNAPSHOT

There are presently 26, 5+ unit buildings listed for sale in Sonoma County. This is a 116% increase in inventory from the last quarter. Five of these properties are under contract, and the average list price is presently \$3,392,192.31, which represents \$ 295,749.13 per unit. The average cap is 4.8%.

5+ UNIT OUTLOOK

As most of us are aware, the sales market for 5+ units started rising significantly around 2010, with the most significant gains occurring between 2016 to 2018. Per CoStar, the price per unit during this time has risen from \$117,000 per unit in 2010 to approximately \$296,000 per unit by the end of 2018, representing an increase of over 140%.

CoStar is now projecting flat pricing over the next few years. In our opinion, this flat line projection is due in large to uncertainty with local and state legislation aimed at significantly reigning in rental values. Anecdotally, we are seeing more and more investors taking their investments out of California to states with less aggressive rental market legislation.

STATEWIDE RENT CONTROL BILL PASSES FIRST TEST IN SENATE

The California Association of Apartment Owners reported that the bill to impose rent control and “just cause” eviction policies statewide won passage on July 9, 2019 in the Senate Judiciary Committee.

The legislation advanced on a 6-1 vote with one abstention. It now heads to its last stop before the Senate floor, the Senate Appropriations Committee.

The bill would restrict landlords from raising rents by more than 7% plus the Consumer Price Index (which averages about 2.5 percent in the state), so about 10 percent a year. Originally, the bill would have capped rent hikes at 5 percent, but an “11th hour handshake deal” between lawmakers and the California Association of Realtors resulted in several amendments.

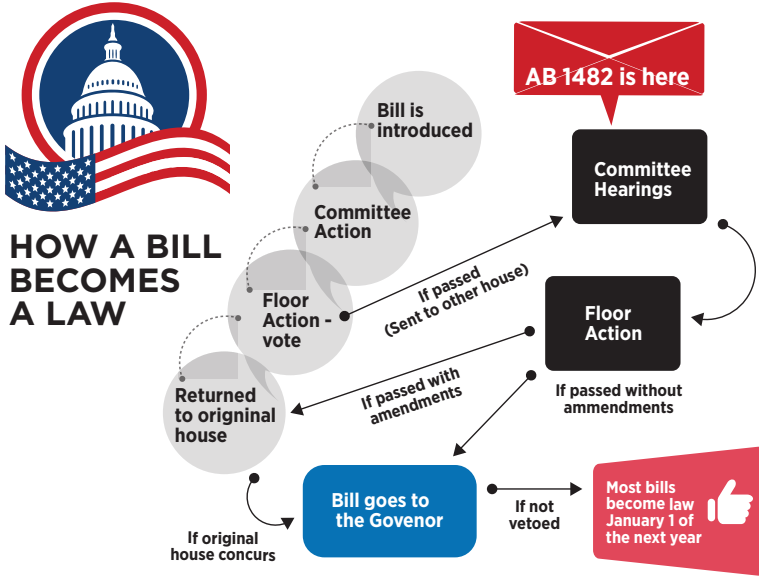
In addition to instating rent control, AB 1482 would also require landlords to demonstrate “just cause” before ousting tenants. Originally, this provision—which aims to cut down on predatory evictions—was part of AB 1482’s sister bill, AB 1481, which was among the casualties of the May housing bloodbath (RIP).

WHERE THE BILL STANDS

To become a law, AB 1482 still must:

- Pass the Senate Appropriations Committee
- Pass off Senate floor
- Pass review of amendments in Assembly
- Win governor’s approval

Information provided by CAA.



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 have been seeing for some time is that real estate agents often 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:

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.

- 1. Does the agent have an understanding of the market?** Ask a few pointed questions which you already know the answer to. 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.
- 2. 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.
- 3. 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.
- 4. 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.

*Statistical Information Provided By Costar. **Information Provided By Bareis.

OUR LISTING AND RECENT SALES



ON THE MARKET

422 Grant St, Healdsburg,
2 Units ~ \$1,150,000



SOLD

8197 Arthur St, Cotati
4 Units ~ \$1,490,000



SOLD

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



SOLD

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



ON THE MARKET

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



SOLD

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



ON THE MARKET

809-11 Swift Ct, Santa Rosa
Dupl ~ \$1,100,000



SOLD

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



SOLD

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



SOLD

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



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3.50% | 7-Year Fixed | 10-Year Year Term | 30 Year Amortization | 75% LTV | 1.20 DSCR | Step Down Prepay | 1% fee
3.75% | 20-Year Fixed | 20-Year Year Term | 20 Year Amortization | 50% LTV | 1.20 DSCR | Step Down Prepay | 0% fee
4.19% | 30-Year Fixed | 30-Year Year Term | 30 Year Amortization | 55% LTV | 1.55 DSCR | Step Down Prepay | 0% fee

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David Rendino Erika Rendino

Income Property Specialists

DRE# 01252035/01465104



RE/MAX MARKETPLACE

8220 Old Redwood Hwy, Cotati, CA 94931

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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®
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