



THE RENDINO TEAM

EXPERIENCE • INTEGRITY • RESULTS



THE SONOMA COUNTY INCOME PROPERTY REPORT Q3 2021

Hello Friends,

We hope this report finds you and yours well, as we head into the holiday season. If this is the first time you have received our newsletter, this report aims 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) rent for apartments for the 3rd quarter of 2021 was \$1,822, with an effective rent per sq. ft. of \$2.17. This represents a year-over-year rent increase of 8.78% and a 1.56% increase from the 2nd quarter of 2021. The occupancy factor for the 3rd quarter of 2021 was 98.3%. Presently, the 3rd quarter to date shows an average rent of \$1,822 and an average occupancy factor of 97.1%.

SONOMA COUNTY EFFECTIVE RENTS **

Santa Rosa, Sonoma, Petaluma, Windsor, Rohnert Park CoStar projections highlighted.

PERIOD	STUDIO	1 BED	2 BED	3 BED
2021 Q4 QTD	\$1,365	\$1,704	\$1,935	\$2,395
2021 Q3 EST	\$1,253	\$1,720	\$2,065	\$2,561
2021 Q3	\$1,360	\$1,710	\$1,938	\$2,408
2021 Q2	\$1,352	\$1,686	\$1,920	\$2,374
2021 Q1	\$1,344	\$1,630	\$1,815	\$2,341
2020 Q4	\$1,353	\$1,602	\$1,806	\$2,320
2020 Q3	\$1,334	\$1,605	\$1,788	\$2,306
2020 Q2	\$1,332	\$1,597	\$1,791	\$2,312
2020 Q1	\$1,323	\$1,584	\$1,781	\$2,290
2019 Q4	\$1,307	\$1,592	\$1,770	\$2,295
2019 Q3	\$1,300	\$1,601	\$1,784	\$2,325
2019 Q2	\$1,293	\$1,608	\$1,808	\$2,286
2019 Q1	\$1,283	\$1,586	\$1,794	\$2,308
2018 Q4	\$1,279	\$1,577	\$1,780	\$2,301
2018 Q3	\$1,266	\$1,584	\$1,788	\$2,349
2018 Q2	\$1,262	\$1,591	\$1,813	\$2,311
2018 Q1	\$1,255	\$1,582	\$1,795	\$2,273

As previously reported, demand for apartments remained strong during the pandemic, due in part to increased migration from urban Bay Area cities and general hesitancy of residents to move during unstable times. Despite stringent rent control measures, rental values have continued to increase, since there is not enough new construction to meet the growing rental demand. Additionally, local, statewide and national rent and eviction control measures have caused many "mom and pop" landlords to remove units from the housing supply, due to loss of income and the inability to evict problem tenants during the pandemic. In the short term, it appears clear that construction costs will continue to climb, as the latest Consumer Price Index appears to be foreshadowing. Increasing building supply prices, coupled with higher labor costs, all but ensure that builders will find a lack of incentive to build low income and market rate housing in the short term. This makes it likely that tenants will find less inventory and more competition through the end of the year.

2-4 UNITS SALES

The average sales price for the 3rd Quarter of 2021 was \$936,562. This represents a -4.09% decrease from the second quarter of 2021 and a 26.01% year-over-year increase from the 3rd Quarter of 2020. The average price per unit (PPU) for the 3rd quarter was \$381,146, which is up 2.99% from the 2nd quarter of 2021, which recorded an average PPU of \$370,070.

The average days on the market (DOM) for 2-4 units in the 3rd quarter of 2021 was 41. This represents a -55.43% decrease from the same quarter of 2020, which saw an extraordinarily high number due to the pandemic and the inability for many properties to be easily shown and sold.

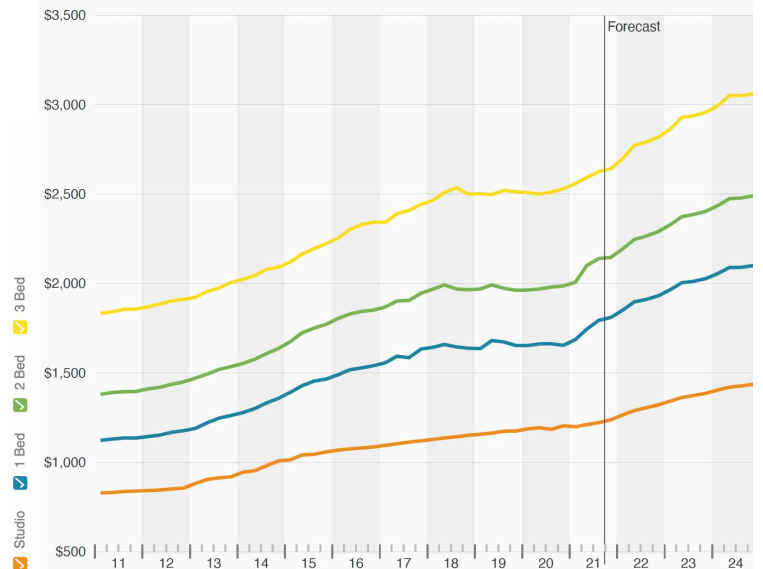
CURRENT SNAPSHOT

As of this date there are 40 2-4 unit properties listed for sale in Sonoma County. 23 of these properties are presently under contract. The average list price for the properties not under contract is \$981,112, while the average list price for properties under contract is \$975,913. The average price per unit (PPU) for the active listings is \$392,116, with an average DOM of 100. The average PPU for the properties under contract is \$301,924, with an average DOM of 61.

MARKET ASKING RENT PER SF BY BEDROOM

Santa Rosa - Sonoma - Petaluma - Windsor - Rohnert Park

Source - CoStar



Q4 2021 PROJECTION

As discussed, the average sales price during the 3rd quarter of 2021 was \$936,562, while the average list price for properties under contract is presently \$981,112. On average, the list-to-sale price differential has been 1-2% over the last several years. If this differential holds true, we will likely see a quarter-over-quarter increase of up to 5% by the end of the 4th Quarter of 2021.

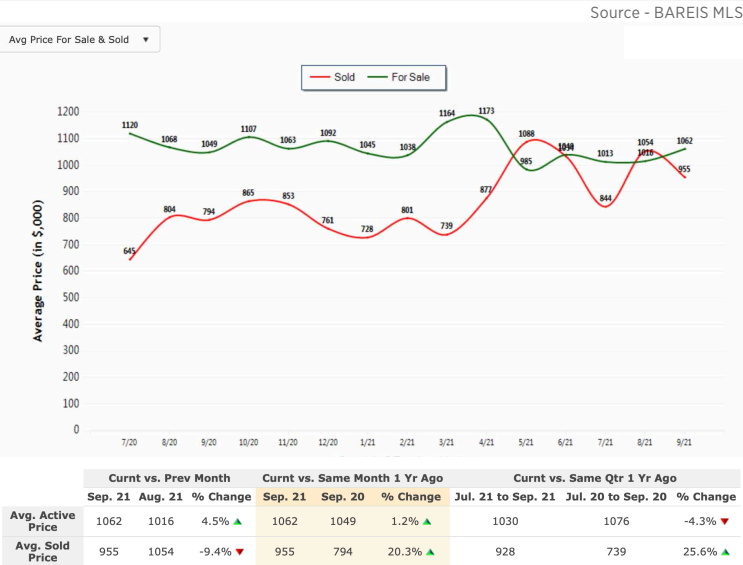
It is important to note that sales trend data should be looked at over a period of a year or more. A single quarterly increase or decrease could be the result of a few unique sales, since Sonoma County inventory levels are limited. Even though the first two quarters of 2021 brought almost a combined -9% loss, the year-over-year number recorded a 26.01% increase.

The huge year-over-year increase is a result of a post-pandemic bump, and the first two quarters have demonstrated that we have now shifted to pre-pandemic market conditions. Low interest rates will continue to act as a bandage for our real estate market, and it seems clear that it will continue to do so through the end of the year. All bets are off for next year, as the chickens will eventually have to come home to roost. For now, let's enjoy the relatively "boring" market conditions.

2-4 UNITS SALES

CITY	STREET ADDRESS	UNITS	LISTING PRICE	SOLD DATE	SOLD PRICE
Rohnert Park	915 Kirsten Ct	4	1,349,000	7/23/21	1,310,000
Healdsburg	536 College St	2	875,000	9/1/21	1,000,000
Petaluma	408 Cleveland Ln	3	1,500,000	7/30/21	1,452,500
Petaluma	425 B St	4	1,600,000	8/20/21	1,610,000
Russian River	16249 4th St	2	598,888	9/28/21	650,000
Santa Rosa	5270 Old Redwood Hwy	2	765,000	9/17/21	740,000
Santa Rosa	910-914 Mcconnell Ave	2	580,000	7/9/21	580,000
Santa Rosa	1908 Malano Ct	3	775,000	7/6/21	775,000
Santa Rosa	927-929 Cherry St	2	689,000	7/19/21	685,000
Santa Rosa	1510 Montgomery Dr	2	599,000	7/16/21	579,000
Santa Rosa	1243-1245 Carr Ave	2	649,000	7/9/21	659,000
Santa Rosa	1213 Fair Oaks Ave	0	565,000	7/20/21	525,000
Santa Rosa	809-811 Swift Ct	2	975,000	7/19/21	1,000,000
Santa Rosa	919-921 Benton St	2	769,000	8/4/21	775,100
Santa Rosa	416 Klute St	4	998,000	9/10/21	1,100,000
Santa Rosa	312 Wikiup Dr	2	799,000	9/28/21	850,000
Santa Rosa	1693 Clover Dr	2	675,000	7/26/21	783,000
Santa Rosa	958-960 Cleveland Ave	2	510,000	9/13/21	485,000
Santa Rosa	1317 Edwards Ave	3	799,000	9/15/21	875,000
Santa Rosa	138 Fleming Way	2	699,500	8/13/21	685,000
Santa Rosa	4050 Mayette Ave	2	799,950	8/17/21	826,000
Santa Rosa	4402 Montgomery Dr	3	1,099,000	8/13/21	1,099,000
Santa Rosa	3303 Magowan Dr	3	1,325,000	7/30/21	1,227,330
Santa Rosa	4785 Newanga Ave	3	1,399,000	9/9/21	1,375,000
Santa Rosa	1560-1596 Ronne Dr	3	1,395,000	9/16/21	1,330,000
Santa Rosa	668 Dutton Ave	3	875,000	8/5/21	870,000
Santa Rosa	166 Barbara Dr	4	1,050,000	8/16/21	1,040,000
Santa Rosa	1704 Dutton Ave	0	700,000	9/30/21	700,000
Sebastopol	7996 Washington Ave	2	695,000	7/1/21	881,500
Sonoma	141 W Agua Caliente Rd	4	1,390,000	8/6/21	1,300,000
Sonoma	1011-1053 Sonoma Glen	2	899,000	9/3/21	899,000
Sonoma	507-509 Joaquin Dr	2	799,000	7/19/21	800,000
Sonoma	856-858 3rd St W	2	1,085,000	7/30/21	1,135,000
Sonoma	18800 Fairview Ln	3	989,000	9/13/21	977,200
Sonoma	1270 Brockman Ln	3	1,239,000	9/17/21	1,200,000

2-4 UNITS AVERAGE FOR SALE VS. SOLD PRICE



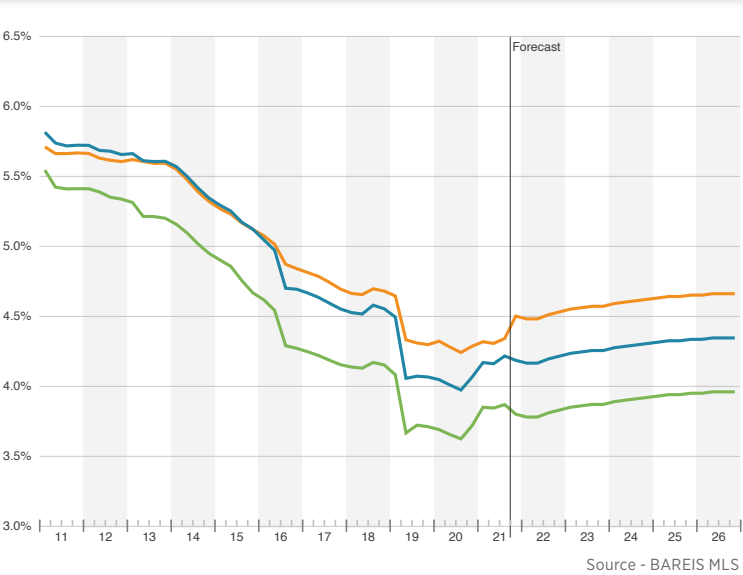
5+ UNITS SALES

There were 15 5+ unit properties sold in Sonoma County during the 3rd quarter of 2021. This is the largest sales volume since the second quarter of 2019, and the third largest volume in the last 10 years. The average sales price was \$2,745,071, with an average price per unit of \$267,248.

This represents a quarter-over-quarter increase of 23.18% from the 2nd quarter of 2021. The price per unit saw a 14.36% year-over-year increase and the average DOM was 96. Please note that there was one low-income building sold during this reporting period which was not used in these calculations, since it did not represent a fair market sale.

The average cap rate for the properties sold during the 3rd quarter was 4.2% on current rents. This low cap rate seems like a bit of an anomaly and is more in line with Marin cap rates rather than typical Sonoma County rates. Costar is projecting even lower rates in the future. We will watch this rate in the 4th quarter and will report accordingly.

MARKET ASKING RENTPER UNIT



5+ UNITS SALES

CITY	STREET ADDRESS	TYPE	UNITS	SOLD PRICE	PRICE/UNIT	SALE DATE
Bodega Bay	3005 Maryanna Dr	MF	5	\$1,800,000	360,000	8/23/2021
Cotati	8564 Cypress Ave	MF	17	\$4,420,000	260,000	7/9/2021
Guerneville	14615 River Rd	MF	5	\$585,000	117,000	7/28/2021
Healdsburg	108 Fitch St	MF	7	\$2,450,000	350,000	9/2/2021
Petaluma	333 Keller St	MF	19	\$5,646,000	297,158	7/7/2021
Santa Rosa	515 Davis St	MF	9	\$1,335,000	148,333	9/3/2021
Santa Rosa	616 B St	MF	11	\$2,450,000	222,727	9/1/2021
Santa Rosa	647 Dutton Ave	MF	18	\$3,635,000	201,944	8/27/2021
Santa Rosa	1650 Slater St	MF	7	\$1,450,000	207,143	8/25/2021
Santa Rosa	862 West Ave	MF	16	\$2,650,000	165,625	8/16/2021
Santa Rosa	2378 Heidi Pl	MF	5	\$1,425,000	285,000	7/16/2021
Santa Rosa	1945 Long Dr	MF	49	\$8,250,000	168,367	7/1/2021
Healdsburg	4311 St	MF	8	\$2,335,000	291,875	9/20/2021

CURRENT SNAPSHOT

At the time of this report, there are 16 5+ unit buildings listed for sale in Sonoma County. Eight of these properties are under contract, with an average days on the market of 188. The average list price for the properties under contract is \$2,851,813, which represents \$223,671 per unit. The average list price for the properties not under contract is \$2,511,250, which represents \$365,272 per unit. The average days on the market for the properties not under contract is 121.

The year 2021 to date is showing increased inventory over the 2020 pandemic levels, where many buyers and sellers took a "wait and see" approach.

Presently there are enough properties in escrow, which if closed, will help us determine the direction of our market for the rest of 2021 and into 2022.

Lately, we have had a lot of conversations with our clients regarding the lapsing of the eviction moratorium and the legal collection of past due rents and evictions. There is a lot of misinformation floating around on these subjects, and we are sharing information provided by LEGAL AID OF SONOMA COUNTY. We think that you will find this information to be clear as mud.

EVICTON MORATORIUM UPDATE

The statewide COVID-19 eviction protections end on September 30, 2021. However, Sonoma County tenants are still protected under the local eviction moratorium (Ordinance Nos. 6301 and 6337).

Here is how it works: Evictions Based on Nonpayment of Rent due to COVID-19

Sonoma County Ordinance No. 6301 creates a legal defense for tenants who live anywhere in Sonoma County and are being evicted due to non-payment of rent and who can demonstrate financial losses due to lost work or medical expenses resulting from the coronavirus pandemic. The ordinance requires that tenants who use this defense share that information with their landlord to support claims for mortgage relief.

- **Legal Aid interprets these protections to continue for 60 days after the local emergency is declared over. As of now, the local emergency is ongoing.**
- **WARNING: The County interprets these protections as expiring on September 30, 2021, putting tenants who fail to pay rent in full on October 1st at risk of eviction.**
- **Therefore, tenants should pay rent in full, if they can, as of October 1, 2021.**
- **If unable to pay in full as of October 1, 2021 because of financial losses due to COVID-19, tenants should apply for the Sonoma County Emergency Rental Assistance Program (ERAP), as discussed further below, which also provides additional eviction protections.**

In order to be as protected as possible, tenants who have been financially impacted by COVID-19 should submit a COVID-19 hardship declaration to their landlord and, if they can, pay 25% of their total rent owed from September 1, 2020 through September 30, 2021 by September 30, 2021.

Reminder - Just Cause For Eviction:

Sonoma County Ordinance No. 6337 requires landlords to state a "Just Cause" reason to evict tenants in any eviction notice and prove that is the real reason for the eviction in court.

The only allowable "Just Cause" reasons for eviction are:

- The tenant poses an imminent threat to health or safety (like violence);
- The landlord is removing the property from the rental market; or
- Nonpayment of rent (but there may be protections in place for tenants who cannot pay rent because of COVID-19).

Ordinance No. 6337 creates a legal defense for tenants who live anywhere in Sonoma County and receive an eviction notice based on any other reason. The COVID-19 Just Cause protections apply to all Sonoma County tenants, including those who are unable to pay rent and those who are able to pay rent. The COVID-19 Just Cause protections are in effect until June 30, 2022.

EXPERTISE AND MARKETING MATTERS

Despite the challenges that we have endured during the pandemic, including the constant barrage of anti-housing provider legislation, it is our feeling that the investment market will continue to provide good opportunities for educated and disciplined investors. There will always be a need for rental housing, and it is our belief that savvy investors will adapt and thrive over the long run in this ever changing market.

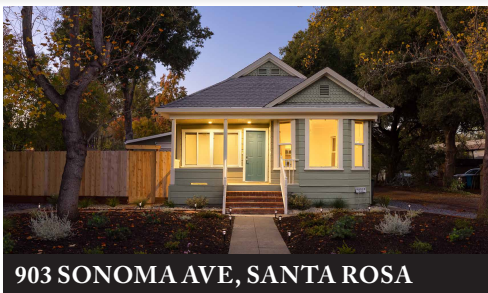
As we always say: knowledge is power. If you do not have the time or will to educate yourself on the fine points of rent control, COVID-19, and other landlord-related legislation, surround yourself with the very best professionals in their respective fields who can help you navigate through these challenging times. There are a handful of professionals that we trust implicitly and we are always happy to offer a referral.

If you are considering selling, the right plan, coupled with the very best marketing campaign, matters more now than at any time in a decade. While there are many unknowns, we do know that change is inevitable. Sales and purchases will continue, and making good decisions is the key to thriving in changing markets. California will continue to be appealing to many investors seeking a fair return and a stable asset, regardless of the current state of affairs.

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 5-year production report for properties like yours. Make sure that these numbers reflect their production only, not the office. Ask the agent to detail their experience during the last financial crisis so that you will know how they will help you navigate this market. Lastly, ask where he/she resides.
2. **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 price 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. How will the agent navigate tenant's rights during the marketing and sale?
4. **Ask to see detailed examples of marketing packages.** During normal markets, just listing on the MLS and hoping for a great offer is not enough. Find out exactly how he/she is going to safely and virtually market the property, and make sure to ask to see examples of 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.

COMING SOON



5 UNITS

MULTI FAMILY HOME
\$1,500,000
.79 ACRES
903Sonoma.com

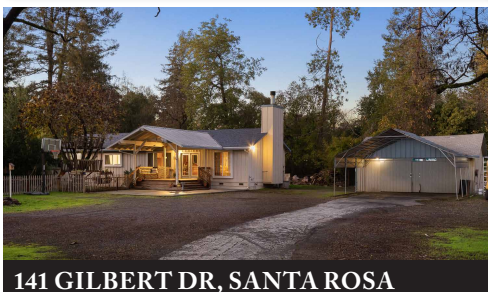
903 SONOMA AVE, SANTA ROSA



2 UNITS

MULTI FAMILY HOME
\$1,190,000
2.74 ACRES
3658Primrose.com

3658 PRIMROSE AVE, SANTA ROSA



3 UNITS

MULTI FAMILY HOME
\$1,288,000
2.39 ACRES
101Gilbert.com

141 GILBERT DR, SANTA ROSA



4 UNITS

3,156 SQ FT
LOT SIZE 10,454 SQ FT
\$925,000-950,000

2451 KENTON CT, SANTA ROSA

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THE SONOMA COUNTY INCOME PROPERTY REPORT Q3 2021



RE/MAX MARKETPLACE

8220 Old Redwood Hwy, Cotati, CA 94931

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
- Certified Distressed Property Expert
- Single Family Residence Professional