



THE RENDINO TEAM

EXPERIENCE • INTEGRITY • RESULTS



THE SONOMA COUNTY INCOME PROPERTY REPORT Q1 2022

Hello Friends,

We hope this report finds you and yours well. 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 - Sebastopol - Healdsburg) rent for apartments for the 1st quarter of 2022 was \$1,821, with an effective rent per sq. ft. of \$2.23. This represents a year-over-year rent increase of 7.81% and a .27% increase from the 4th quarter of 2021. The occupancy factor for the 1st quarter of 2022 was 97.95%, which was virtually unchanged from the prior quarter. Presently, the 2nd quarter to date shows an average rent of \$1,845 and an average occupancy factor of 97.91%.

SONOMA COUNTY EFFECTIVE RENTS **

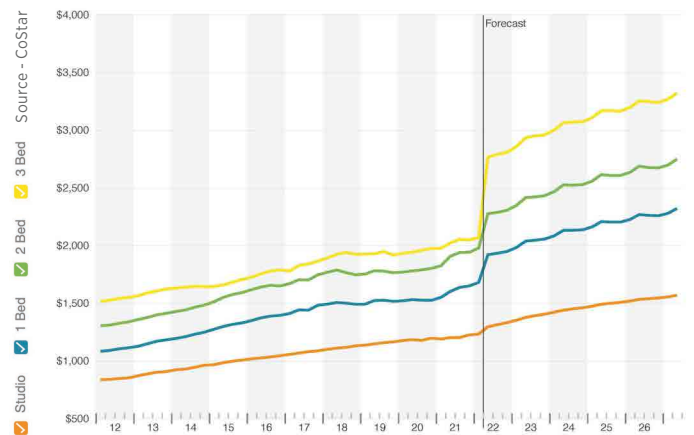
Santa Rosa, Sonoma, Petaluma, Windsor, Rohnert Park CoStar projections highlighted.

PERIOD	STUDIO	1 BED	2 BED	3 BED
2022 Q2 EST	\$1,295	\$1,919	\$2,274	\$2,765
2022 Q1	\$1,231	\$1,679	\$1,977	\$2,067
2021 Q4	\$1,216	\$1,640	\$1,990	\$1,978
2021 Q3	\$1,194	\$1,628	\$1,984	\$1,977
2021 Q2	\$1,195	\$1,594	\$1,945	\$1,954
2021 Q1	\$1,184	\$1,543	\$1,864	\$1,904
2020 Q4	\$1,190	\$1,517	\$1,844	\$1,906
2020 Q3	\$1,171	\$1,519	\$1,833	\$1,893
2020 Q2	\$1,176	\$1,524	\$1,823	\$1,878
2020 Q1	\$1,170	\$1,515	\$1,815	\$1,868
2019 Q4	\$1,159	\$1,513	\$1,808	\$1,860

Sonoma County rents have increased steadily since the beginning of the pandemic. As previously reported, much of this growth has been due in part to increased migration from San Francisco, East Bay and South Bay cities. Sonoma County is ranked the 2nd most affordable county in the Bay Area and continues to attract many tenants seeking more affordable rents. With rising interest rates and inflation being top of mind, it is clear that the cost of living will continue to climb through the end of 2022. Runaway inflation and rising interest rates will likely keep many first time home buyers in the rental market for the foreseeable future, which should in turn provide low vacancy factors and moderate rent growth.

MARKET ASKING RENT PER SF BY BEDROOM

Santa Rosa - Sonoma - Petaluma - Windsor - Rohnert Park - Sebastopol - Healdsburg | Effective Rents



2-4 UNITS SALES

The average sales price for the 1st quarter of 2022 was \$953,125. This represents a 8.33% increase from the 4th quarter of 2021 and a 10.6% year-over-year increase from the 1st quarter of 2021. The average price per unit (PPU) for the 1st quarter was \$376,217, which is up 11.89% from the 4th quarter of 2021, which recorded an average PPU of \$336,930.

The average days on the market (DOM) for 2-4 units in the 1st quarter of 2022 was 35. This represents a -55.12% decrease from the same quarter of 2021.

CURRENT SNAPSHOT

As of this date, there are 26, 2-4 unit properties listed for sale in Sonoma County. 12 of these properties are presently under contract. The average list price for the properties not under contract is \$885,523, while the average list price for properties under contract is \$947,090. The average price per unit (PPU) for the properties not under contract is \$402,510, with an average days on the market of 48. The average price per unit for the properties in escrow is \$372,071, with an average DOM of 33. Please note that the high PPU for the in escrow and not in escrow properties is due to the lack of fourplex listings presently on the market, as duplex and triplexes typically sell with a higher PPU.

2ND QUARTER SNAPSHOT

As discussed, the average sales price during the 1st Quarter of 2022 was \$953,125, while the average list price for properties under contract is presently \$947,090. 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 negligible quarter-over-quarter increase of up to .67% (virtually no change) by the end of the 2nd quarter of 2022.

The flat sales projection for the second quarter tells us that the Fed's recent interest rate hikes are starting to cool off the sales market. While it is clear that increased interest rates have sidelined many investors seeking a fair return on their investment, the market appears to have accepted the rate increases without detriment to property values. The wildcard at this time is the Fed's imminent rate increases throughout the remainder of 2022. It is likely that rents will not increase fast enough to offset the further rate increases, which could in turn have a negative effect on investor cash flow. This could potentially soften the sales market, as investors may become less likely to make new investments.

Presently we are seeing 30 year fixed rate mortgages as high as 7% for non-owner occupied investor loans. For the first time in many years, we are seeing investors opt for 5 and 7 year arms, with the intention of refinancing if and when interest rates drop to more attractive levels. While this could be a good strategy for many, it is also not without risk. While unlikely, it is possible that when these loans come due, values could drop, which could reduce equity and the ability to refinance. Another possible risk of these types of loans is that interest rates could end up higher than current levels when the short term loans come due. While unlikely, it is also possible that we could enter a more restrictive lending environment, where investor loans are more difficult to refinance.

While history does not always repeat itself, it does sometimes rhyme and it is important to understand the benefits and risks associated with short term loans. While the “salad days” may be behind us, there is always opportunity for buyers and sellers in any market. Studying history and knowing market trends are crucial for investors, especially in times of change.

2-4 UNITS SALES

CITY	STREET ADDRESS	UNITS	LISTING PRICE	SOLD DATE	SOLD PRICE
Santa Rosa	1225 Morgan St	4	\$1,150,000	1/19/22	\$1,100,000
Rohnert Park	343 Arlen Dr	3	\$985,000	1/20/22	\$935,000
Sonoma	137 Agua Caliente W	3	\$1,250,000	1/20/22	\$1,175,000
Sonoma	17387-17389 Hillcrest Ave	2	\$799,000	1/20/22	\$799,000
Santa Rosa	4440-4442 Yukon Dr	2	\$785,000	1/21/22	\$800,000
Sonoma	514-516 Joaquin Dr	2	\$849,000	1/21/22	\$860,000
Santa Rosa	2451 Kenton Ct	4	\$939,950	1/26/22	\$940,000
Sonoma	842-844 3rd St W	2	\$1,200,000	2/7/22	\$1,225,000
Petaluma	109 Ellis St	4	\$1,195,000	2/9/22	\$1,115,000
Santa Rosa	908-910 Wright St	2	\$799,000	2/15/22	\$850,000
Santa Rosa	102 Leland St	2	\$779,000	2/16/22	\$855,000
Santa Rosa	1101-1105 Mission Blvd	2	\$749,000	2/19/22	\$800,000
Rohnert Park	6190 San Ramon Pl	2	\$879,950	2/23/22	\$880,000
Rohnert Park	280 Arlen Dr	4	\$1,150,000	3/11/22	\$1,250,000
Sonoma	51 Vallejo Ave	3	\$869,000	3/16/22	\$916,000
Santa Rosa	1229-1231 Phyllis Cir	2	\$725,000	3/23/22	\$750,000

2-4 UNITS AVERAGE FOR SALE VS. SOLD PRICE

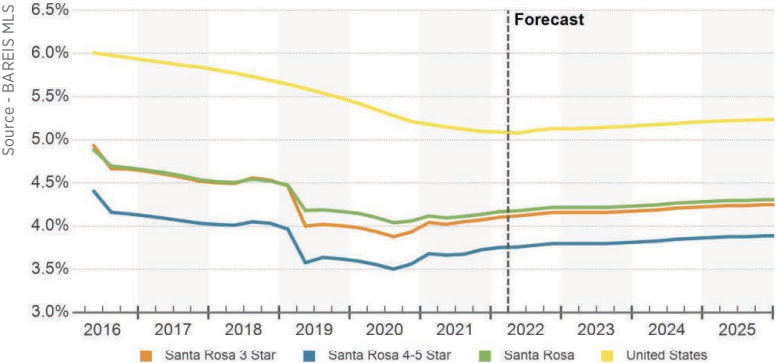


	Curnt vs. Prev Month			Curnt vs. Same Month 1 Yr Ago			Curnt vs. Same Qtr 1 Yr Ago		
	Mar. 22	Feb. 22	% Change	Mar. 22	Mar. 21	% Change	Jan. 22 to Mar. 22	Jan. 21 to Mar. 21	% Change
Avg. Active Price	1116	1061	5.2% ▲	1116	1164	-4.1% ▼	1128	1075	4.9% ▲
Avg. Sold Price	1000	954	4.8% ▲	1000	739	35.3% ▲	957	746	28.3% ▲

5+ UNITS SALES

There were 12, 5+ unit properties sold in Sonoma County during the 1st quarter of 2022. The average sales price was \$4,351,417, with an average price per unit of \$261,376. This represents a year-over-year price per unit decrease of -17.56% from the 1st quarter of 2021 and a -.37% quarter-over-year decrease (virtually no change). The average DOM for these sales was 114, representing a 75.32% decrease from the same quarter in 2021. The average cap rate for the properties sold during the 1st quarter was 4.7% on current rents.

MARKET CAP RATE



5+ UNITS SALES

CITY	STREET ADDRESS	TYPE	UNITS	SOLD PRICE	PRICE/UNIT	SALE DATE
Santa Rosa	1270 Slater St	MF	8	\$1,500,000	\$187,500	4/28/2022
Santa Rosa	903 Sonoma Ave	MF	5	\$1,575,000	\$315,000	4/11/2022
Sonoma	17700 Highway 12	MF	8	\$1,580,000	\$197,500	4/6/2022
Santa Rosa	1575 Yulupa Ave	MF	8	\$2,208,000	\$276,000	4/5/2022
Cotati	298 E Cotati Ave	MF	27	\$8,400,000	\$311,111	3/18/2022
Graton	2601 S Brush St	MF	5	\$1,600,000	\$320,000	3/11/2022
Petaluma	619 F St	MF	49	\$18,075,000	\$368,878	3/10/2022
Petaluma	1200 D St	MF	31	\$10,800,000	\$348,387	3/10/2022
Sonoma	18014 Mulberry Ave	MF	9	\$1,978,000	\$219,778	3/2/2022
Windsor	6491 Old Redwood Hwy	MF	11	\$1,401,000	\$127,364	3/2/2022
Cloverdale	420 S Franklin St	MF	10	\$1,550,000	\$155,000	1/28/2022
Sebastopol	104 Virginia Ave	MF	5	1,550,000	\$310,000	1/27/2022

CURRENT SNAPSHOT

At the time of this report, there are 9, 5+ unit buildings listed for sale in Sonoma County. Four of these properties are under contract, with an average days on the market of 393. The average list price of the properties under contract is \$1,837,500, which represents \$229,686 per unit. The average list price for the properties not under contract is \$3,461,250, which represents \$317,194.81 per unit. The average days on the market for the properties not under contract is 133.

Presently, the income property market is mirroring the low inventory levels of the residential market. The excessive days on the market of the active listings is due to overpricing, excessive repairs, and/or marketing that does not properly portray the investment opportunity. Savvy investors will only buy properties if they understand the opportunity and it makes financial sense. The strategy of “lets price it high and see who bites” is only a strategy to not sell. Properly priced and marketed properties are still selling with excellent demand. Prime properties are especially desirable at this time, as many investors are not interested in pursuing repairs due to rising labor and material costs. Additionally, cash flow is still king, so properties listed with an attractive actual cap rate will sell with higher demand than a property priced for projected rents.

CALIFORNIA PASSES NEW EXTENSION ON EVICTINO BAN

On March 31st, California lawmakers approved a fourth extension of an eviction moratorium, granting a reprieve to renters awaiting relief from the state's hard-pressed and backlogged assistance program. The new law was approved just one day before the moratorium was set to expire and it extends an eviction moratorium through June 30th of 2022 for more than 100,000 California tenants who have applied to the emergency rental assistance program, but who have yet to receive aid. The law also offers landlords some protections by banning several new proposals by cities and counties, which would have provided more restrictions on evictions.

PLEASE SEE THE EXPLANATION FROM CAA BELOW:

AB 2179 extends notice requirements and eviction procedures originally enacted by the COVID-19 Tenant Relief Act (CTRA) and the COVID-19 Rental Housing Recovery Act (Recovery Act) in 2020 and 2021. The notice requirements and eviction procedures described in this paper apply to non-payment notices served between April 1, 2022, and June 30, 2022, and evictions based on those notices.

Restrictions on evictions will continue to be a pain point for many landlords that have suffered throughout the pandemic attempting to collect rents, while navigating the assistance provided by the state that has been everything but confusing for many.

EXPERTISE AND MARKETING MATTERS

Despite the challenges that we have endured during the pandemic, including the constant barrage of anti-housing provider legislation and inflation, 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. Is the agent local and do they 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 to find out 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.

OUR LISTINGS



6372 OLD REDWOOD HWY, WINDSOR, CA 95403



COMING SOON 7 UNITS (3 DUPLEXES + SFR)

MULTI-UNITS
PRICE: TBD
DEVELOPMENT POTENTIAL FOR UP TO 8
ADDITIONAL UNITS.
1.25 ACRES



888 PETALUMA BLVD S, PETALUMA

COMING SOON 4 UNITS

MULTI-UNITS
PRICE: \$1,500,000
BUILDING 2,597 SQFT
4,792 SQFT LOT



TOO NEW FOR PHOTO

6314 ANDERSON RD, FORESTVILLE

COMING SOON DUPLEX

MULTI-UNITS
PRICE: TBD
2 BED/1 BATH UNITS
14,156 SQFT LOT

David & Erika Rendino

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THE SONOMA COUNTY INCOME PROPERTY REPORT Q1 2022



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 income property owners 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