

The Sonoma Income Property Report

CPS Property Advocates



By David Rendino



David Rendino

Realtor

Office: (707) 236-1223

Cell: (707) 696-3742

E-mail: investproperty@aol.com

www.DavidRendino.com



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CPS Property Advocates

6250 State Farm Drive

Rohnert Park, CA 94928

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Investor

4th Quarter 2006

BULLISH RENTAL MARKET

By the end of the third quarter of 2006, the average Sonoma County asking rent was \$1,123. This number represents a 3.1% one year change in rents. This statistic also represents the seventh straight quarter of flat or slightly improved rents. The vacancy factor by the end of the third quarter of 2006, dropped to an astounding 3.1%. Out of 25 Major Statistical areas (MSA) in California, Sonoma County was ranked 3rd in year over year occupancy growth.

TENANTS CONTINUE TO RENT

Higher interest rates have locked many would be first time home buyers out of the possibility of home ownership. Lenders are also making it more difficult for potential buyers to obtain 100% financing than they have in years past. Many pre-qualified first time home buyers are also taking a "wait and see" ap-

proach to getting into the real estate market. The fear of purchasing a home in a declining market is keeping these would be buyers on the sidelines of home ownership.

MULTI-UNIT SALES DECLINING

The median price for combined 2-4 and 5+ unit buildings for the third quarter of 2006 fell by 1.6%. This modest decrease by no means reflects the real time market changes that we are experiencing for Sonoma County income properties. As of October 2, 2006, there were currently 213 multi unit listings listed for sale on the M.L.S (Multiple Listing Service). The average days on the market for non-pending listings was 110 days. Of those 213 listings, only 30 (14%) were currently under contract or pending final sale. If we assume a typical 20% cancellation rate for multi-unit properties under contract, then we are looking at a projected close rate of approximately 12% of current inventory. To put it into better

perspective, if the current market conditions continue to hold, 3 out of every 25 properties listed will likely sell. In short, we now have a buyer's market!

WHAT TO EXPECT IN THE SHORT TERM

It is obvious that we are going to continue to experience a short term drop in values to income producing properties. This drop will most certainly be greater than the mere 1.6% that we experienced in the third quarter of 2006. It is also my belief that values will drop faster than the single family market, since most investors purchase real estate out of opportunity rather than out of necessity. As stated earlier, the average days on the market for listings is now exceeding 100 days. It is my belief that many of these listings will expire and not be relisted for sale. At this time we are already starting to see a large amount of these listing be withdrawn from the market.

WHAT TO EXPECT FOR THE LONG TERM

While every economist has a different prediction for the duration and value percent lost for our real estate market, what is commonly agreed is that we have more downside before it gets better. In my last report I noted the reporting of Christopher Thornberg, the senior economist for the UCLA Anderson School Of Business. He believes that we are currently susceptible to a total of 20 to 30% drop in real estate

Rental Trends of Sonoma County

Average Asking Rent 3rd Quarter 2006

	2000	2001	2002	2003	2004	2005	2006
Studio	\$635	\$694	\$705	\$700	\$694	\$678	\$688
Jr 1 Bd	\$959	\$992	\$959	\$917	\$882	\$914	\$928
1 bd/1 bth	\$861	\$933	\$929	\$946	\$944	\$941	\$960
2 bd/1 bth	\$1,045	\$1,135	\$1,123	\$1,114	\$1,092	\$1,098	\$1,113
2 bd/2 bth	\$1,143	\$1,239	\$1,222	\$1,247	\$1,248	\$1,265	\$1,307
2 bd Th	\$1,109	\$1,209	\$1,236	\$1,273	\$1,244	\$1,233	\$1,227
3 Bd/ 2 bth	\$1,390	\$1,490	\$1,519	\$1,519	\$1,493	\$1,557	\$1,596
3 Bd Th			\$2,270	\$2,065	\$1,943	\$1,685	\$1,644

value. Taking into consideration our approximate 10% drop to date, we could be looking at another 10 to 20%. He also believes that the rest of 2006 will bring us a sideways market and that our biggest declines will come in 2007. Some reasons for these predictions are, possible inflation, rising interest rates, lack of local job growth, lack of local payroll growth and too much personal debt.

who have adjustable rate mortgages coming due in the near term and are planning on holding their investment for 3 to 5 years, refinancing into a long term fixed rate mortgage. Rising interest rates coupled with loss of equity from a declining market could lead to a large foreclosure rate. Remember, real estate is cyclical, if it happened before, chances are that it will happen again.

years is over, we are still presently in a fairly balanced market. Pricing a property at the current market value should ensure a sale in a reasonable amount of time. The first two weeks of a listing period are still the most valuable. Even to this day, I am still receiving multiple offers on properties priced at market value.

PROTECT YOUR EQUITY

I have been strongly recommending that owners

WHEN SELLING, PRICE IT RIGHT

While the great seller's market of the past five

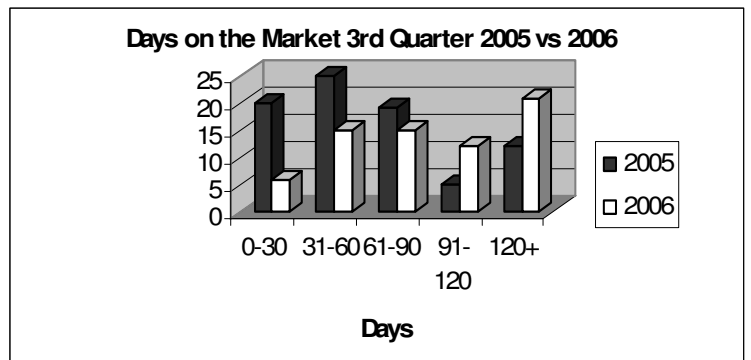
2006 3rd Quarter Income Property Sales

2-4 Units

Area	Address	Price	Area	Street Full Address	Price
Cloverdale	136 N East St	523,375	Northwest Santa Rosa	317-313 Decker St	410,000
Cloverdale	209 E Third St	565,000	Petaluma West	322 Vallejo St	699,900
Cotati/Rohnert Park	909 Country Pine Ln	785,000	Petaluma West	330 Bodega Ave	765,000
Cotati/Rohnert Park	250-252 W Cotati Ave	502,000	Russian River	14573 Canyon One Rd	450,000
Healdsburg	13825 Village Ave	650,000	Sonoma	49 Mountain Ave	625,000
Healdsburg	28 Healdsburg Ave	540,000	Sonoma	17191 Sonoma Hwy	915,000
Northeast Santa Rosa	1807 Mission Blvd	639,000	Sonoma	51 Vallejo Ave	680,000
Northeast Santa Rosa	927 Stewart St	799,000	Sonoma	288 Andrieux St	650,000
Northeast Santa Rosa	620 Pacific Ave	595,000	Sonoma	830 Studley St	1,365,000
Northeast Santa Rosa	919 Benton St	532,375	Sonoma	19146 Riverside Dr	525,000
Northeast Santa Rosa	1850-1854 Mission Blvd	625,000	Southeast Santa Rosa	1501-1511 Neotomas Ave	549,000
Northeast Santa Rosa	627 Carr Ave	650,000	Southeast Santa Rosa	2361-2371 Bethards Dr	645,000
Northeast Santa Rosa	751-753-755 Beaver St	725,000	Southeast Santa Rosa	1750-1752 Mt Olive Dr	710,000
Northeast Santa Rosa	1190 Saint Francis Rd	655,000	Southwest Santa Rosa	3195 Moorland Ave	631,000
Northeast Santa Rosa	41 Ursuline Rd	632,000	Southwest Santa Rosa	568 Olive St	630,000
Northeast Santa Rosa	129 Ursuline Rd	590,000	Southwest Santa Rosa	263 Robin Way	675,000
Northwest Santa Rosa	172-208 W 3rd & Decoe St	600,000	Southwest Santa Rosa	1038-1040 Stony Point Rd	470,000
Northwest Santa Rosa	2497 Tolar Ave	590,000	Southwest Santa Rosa	1315 Dutton Ave	435,000
Northwest Santa Rosa	1094 El Cerrito Ct	522,500	Southwest Santa Rosa	1206-1212 Gloria Dr	580,000
Northwest Santa Rosa	745 Davis St	610,000	Southwest Santa Rosa	3175 Moorland Ave	600,000
Northwest Santa Rosa	2691 Tan Oak Ct	499,000	Windsor	136 3rd St	714,500

5+ Units

Area	Address	Price
Northwest Santa Rosa	3695 Sonoma Ave	1,290,000
Northwest Santa Rosa	865 Jennings Ave	1,999,900
Russian River	20285 River Blvd	1,260,000
Sebastopol	104 Virginia Ave	945,000
Sebastopol	8851 Graton Rd	556,000
Sonoma	124-132 Boyes Blvd	1,250,000
Southeast Santa Rosa	1600 Yulupa	3,600,000



Some of My Listings



Rare Pride of Ownership 4plex!
Rohnert Park

- 2 bed 1 bath flats.
- Quiet Rohnert Park location.
- Quality upgrades.
- Separate laundry room.

\$719,950



Great Opportunity!
Cloverdale

- 3 homes on over an acre.
- Outbuilding, perfect for work-shop.
- Live in 1 and rent the others or hold for investment.

\$689,950



No Brainer 4-plex
Santa Rosa

- 2 duplexes on a huge lot.
- Private fenced yards.
- 1 car garage per unit .
- Excellent cash flow.

\$650,000



Development
Lot Split Potential

- Near downtown Santa Rosa
- 3 Houses, all with street frontage
 - Zoned for 5-7 units
- Perfect for owner/user or Investor

\$795,950



Prime Single Level Duplex
Santa Rosa

- 2 bedroom, 1 bath units
- Quiet cul-de-sac location
- Large fenced back yards
- Separate water meters

\$519,950



Bread and Butter 4-plex
Santa Rosa

- 2 bed 1 bath flats in great neighborhood.
- All interiors of units have been updated.
- Priced to sell!

\$609,950

Liberty Property Management

Our clients tell us that we make their lives easier by taking care of all the details that entail owning a rental property.

Our services include:

- Leasing of available units.
- Tenant screening.
- Efficient rent collection.
- Payment of monthly bills.
- Detailed records and accounting reports.
- Bilingual (Spanish-English) services.
- Serve all necessary legal notices.
- 24 hour/ 7 days a week availability for emergencies.
- Advise/inform about the periodically changing rental market.
- Supervise property maintenance and repairs.

Just to mention some.

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Free

Just mention this newsletter

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WHY CHOOSE DAVID RENDINO?

- Income Property Expert
 - Huge Buyer Network
- 24/7 Local And National Exposure
- Bilingual Service For Changing Demographics

In this competitive market with thousands of local agents, a shrinking buyer base and the biggest listing inventory since the mid 90s, you can't afford to list with an inexperienced agent who will merely place your listing on the MLS and sit back and wait for offers. My experience and buyer base allows me to achieve sales, where others can't. I offer my clients financial strategies to meet their short and long term goals.





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Each office is independently owned and operated.



The Sonoma County Income Property Report
4th Quarter 2006

Investor

This newsletter is geared towards for multi-unit buildings.

Sonoma County Multi-unit property owners. The purpose is two-fold:

To inform investors on the current Sonoma County rental market trends.

To provide important information on the Sonoma County sales market

TIME TO SELL OR TRADE UP?

If you would like a no obligation market analysis of your building, please call me, **David Rendino**, on my cell phone:

(707) 696-3742



We Manage Your Properties
You Manage the Rest of Your Life

Liberty Property Management

- Because emergencies don't follow any schedule.
- Because finding quality residents can be challenging.
- Because we are a multi-cultural community.

Let us know how we can help you.

David Rendino, President (707) 236-1223

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Nosotros tambien

Llamenos al: (707)

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You can also visit me at www.DavidRendino.com for more information about my listings.