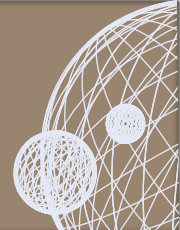


— HARRISONBURG & ROCKINGHAM — COMMERCIAL MARKET REPORT

FIRST QUARTER 2011



MARKET SNAPSHOT ▲ **TRANSACTIONS** (9) +450%** ▲ **SALES VOLUME** \$6,703,000 ▼ **AVERAGE DAYS ON MARKET** 526 ◀▶ **LIST (\$)** TO **SALE (\$)** -15%

**Year-Over-Year By Quarter

DASHBOARD*

PROPERTIES ON MARKET 202

PROPERTIES SOLD 12

SF SOLD THIS QTR 74,591SF
LAST QTR 17,848SF

(\$) **SALES THIS QTR** \$6,703,000
LAST QTR \$1,524,000

NEW LISTINGS THIS QUARTER 41

TOTAL ASKING PRICE (\$) \$32,957,000

LARGEST SALE (\$) \$2,100,000

LARGEST SALE (SF) 23,400SF

AVERAGE SALE (\$) \$471,914

NEXT QUARTER'S PENDING SALES (#) 4

* ALL AS OF THIS REPORT

For More Information:

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OVERVIEW

The first quarter represented an extremely strong start to the year. With nearly \$7 million of commercial real estate sold (excluding land) making it the best since at least 2006.

As expected, the number of transactions also increased. Just how much was truly impressive. The first quarter nearly exceed the previous two quarters combined and was the best quarter since the first quarter of 2008.

Average Days on Market (DOM) was higher than the previous quarter, but this was primarily the result of an outlier in the form of a property that had been on the market for nearly four and a half years. Excluding this, DOM was in line with the previous quarters at approximately 345 days.

The total sales volume this quarter was driven up largely by three significant transactions totaling \$5 million. Two of these transactions were investment sales.

SIGNIFICANT TRANSACTIONS

PROPERTY	LOCATION	PRICE	BROKER
Office Max	Shelby, NC	\$2,300,000	COTTONWOOD
NEI Building	Harrisonburg	\$1,600,000	COTTONWOOD
Zaxby's	Austell, GA	\$1,300,000	COTTONWOOD
725 University Blvd	Harrisonburg	\$725,000	
353 Neff Ave	Harrisonburg	\$575,000	

TRANSACTIONS BY AREA

AREA	# TRANSACTIONS	TOTAL VOLUME
Harrisonburg	4	\$2,473,400
New Market Area	1	\$300,000
Elkton Area	1	\$285,000
Broadway Area	1	\$245,500
Outside Virginia	2	\$3,400,000

***Please note this report excludes land transactions

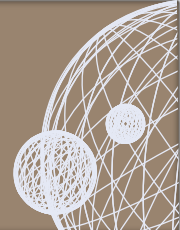


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TRANSACTIONS



Transaction volume realized its strongest quarter since the first quarter of 2008. In contrast to other quarters, the volume was not driven by a particular type of property or a particular area. Rather, property types were from across the sector spectrum and the Harrisonburg/Rockingham area.

Pending transactions heading into the second quarter appear to be weak, but in reality, several transactions not currently listed as pending will continue to strengthen this number over the course of the quarter.

WHY IT'S IMPORTANT ►

In real estate markets, changes in the frequency of transactions, as measured by changes in the number of properties sold from a stock of properties comparing one period to another (e.g., month to month, year to year), have been shown to be related to asset price movements. Therefore, transaction frequency is a key indicator of current conditions of the real estate market. In addition, it is widely viewed as an important "leading" indicator of the expected general conditions of local, regional and national economies. By monitoring transaction levels, market participants are better able to form market expectations, evaluate prices and develop investment strategies.

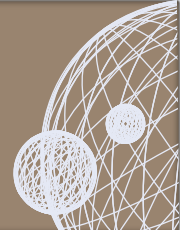


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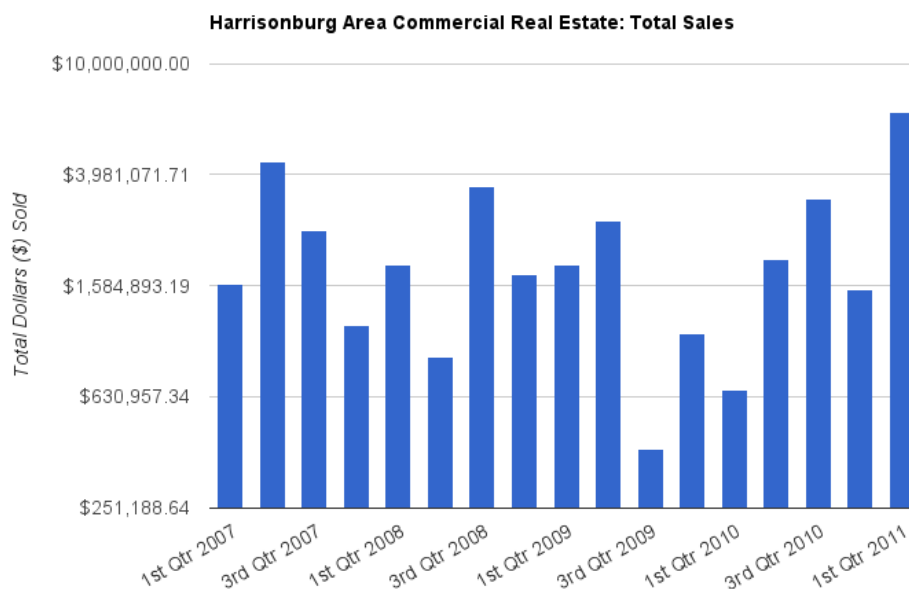
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TOTAL VOLUME



Last quarter's report stated that activity pending for the 1st quarter 2011 appeared to be bullish. This indeed appears to have been the case as buyers acquired more commercial real estate than they have in years.

As previously mentioned, transactions in the first were up significantly as a result of two large investment sales totaling \$3.4 million. However, this should not be used to dismiss the fantastic results. Excluding the two investment sales, volume was still up at its highest levels since the 3rd quarter of 2008.

Moreover, the volume does not appear to be the result of distress situations, but rather actual need for users or better returns on capital for investors.

WHY IT'S IMPORTANT ►

Since the low volume translates to relatively few transactions, the commercial real estate market is subject to much more volatility. Low volume periods usually result in a property being hammered down harder than during periods of high volume. Limited buyers often cause owners of commercial real estate to jump on early offers often at a price lower than perceived value. The opposite is true in periods of high volume as buyers seem plentiful.

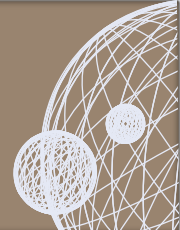


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OUTLOOK

Commercial growth is derived from residential growth, but generally lags behind a bit as developers assess the market. In the 2000's as residential growth hit its peak, commercial growth did too. The same is true of large growth periods in other decades.

What's important about residential growth isn't necessarily the new houses being constructed, but the spending that accompanies the new construction. The area has not stopped growing, it has just restrained spending, and as a result, demand for commercial space has fallen. As consumer confidence locally begins to improve, so to, will spending. Increased spending will bring entrepreneurs seeking to capitalize (in need of space) and a tightening of existing supply ultimately leading to demand for new construction.

Statistics aside, there is a growing sentiment (the first quarter helping quite a bit) among brokers that the market is improving, albeit slowly. This thought elsewhere seems to be a bit more aggressive. According to an article in the April 18 edition of *USA Today*,

"The commercial real estate market is bouncing back with a vengeance and exceeding forecasts from analysts. The signs are clear: The number of troubled loans are dropping, occupancy is soaring, and office building sales are rising in some of the country's largest commercial real estate markets.

Meanwhile, mortgage defaults for office, retail, and industrial building loans are decreasing for the first time since 2005 in the fourth quarter. Real Capital Analytics economist Sam Chandan expects they will fall even further, adding that the "worst-case scenarios have been avoided."

There is a lot yet to prove in terms of the recovery fully taking hold in the Harrisonburg/Rockingham County market, but the cumulative results in the commercial market since the 3rd quarter 2009 seem to be indicating that we could be heading for equally bullish sentiments in the near future.

CONTACT

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