

COTTONWOOD

Commercial

A Commercial Real Estate Brokerage

HARRISONBURG & ROCKINGHAM
COMMERCIAL LAND SALES REPORT

2010

TIM REAMER | COTTONWOOD COMMERCIAL | 540.437.3680

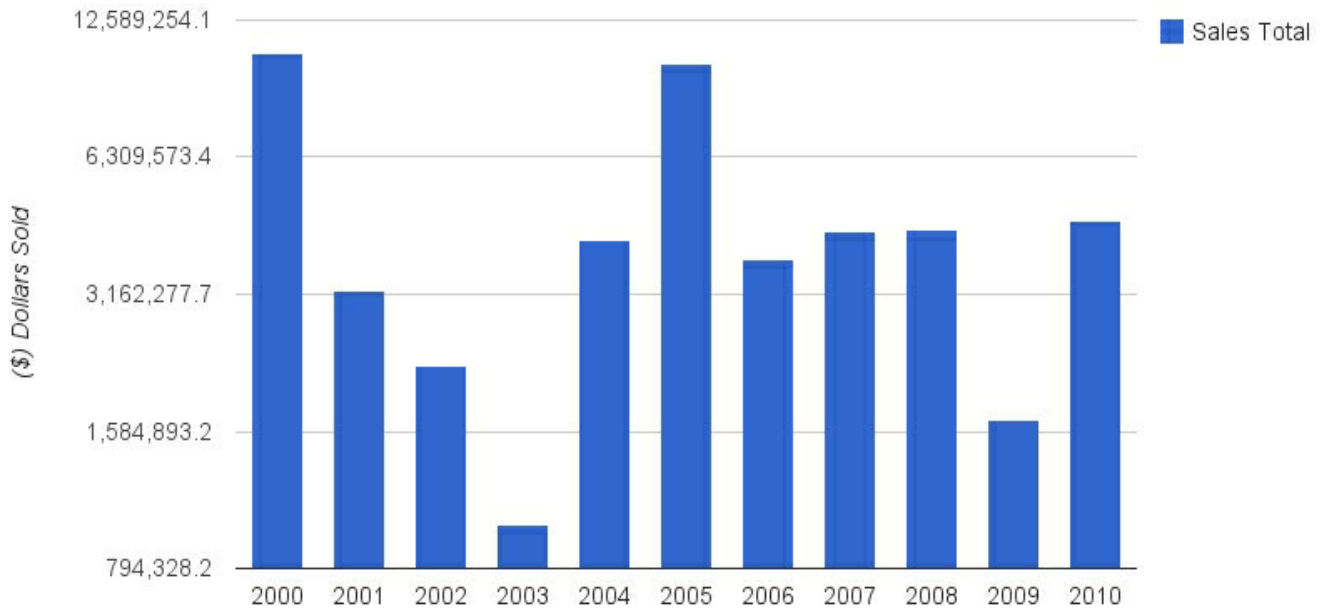
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EXECUTIVE SUMMARY

Land sales remain slightly depressed as compared to commercial sales excluding raw land. Although there were many positive indicators including sales volume and price per acre, the number of transactions remain low and the number of days on the market increased year-over-year. Given the mixed data, 2010 may have marked a bottom for raw land, but it is still too early to make a definitive judgement.

- **Low Volume:** *The last time the market witnessed volume this low was in 2003 (3 transactions), which many also consider the last normalized market in the U.S. economy. As compared to last year, transactions were only down by one sale, but the great majority of these transactions took place in the third quarter or later. Fortunately, this low volume was offset by better indicators in other areas, such as sales totals and price per acre. Additionally, there is a fair amount of activity pending with five pieces of commercial land under contract in the 1st quarter of 2011.*
- **Larger Companies the Genesis of Most Sales:** *The simple explanation, as would be expected, is that many of the transactions occurred with investors or businesses that could mobilize the financing necessary to purchase this type of asset. Of the five transactions, First Bank and Trust took one; CVS (on South High) took two; and a private investment group took one. The remaining transaction was a relatively small sale comprised of industrial land in Waynesboro.*
- **Was the Bottom in 2010?:** *Maybe. As mentioned above, transactions and days on market (increased) were still down though volume and price per acre were up. Compared to commercial transactions excluding land where nearly every indicator found has shown a positive up-trend since the 3rd quarter of 2009, it is a difficult call. A sign that may be demonstrating 2010 was the bottom lies may be found in the land deals under contract and scheduled for completion in the 1st quarter of 2011. As of this report, there are five pieces of commercial land under contract representing sales of approximately \$2.4 million, or more than 50% of last year's total volume and 100% of total transactions.*

Harrisonburg Rockingham Land Transactions: Volume Sold By Year

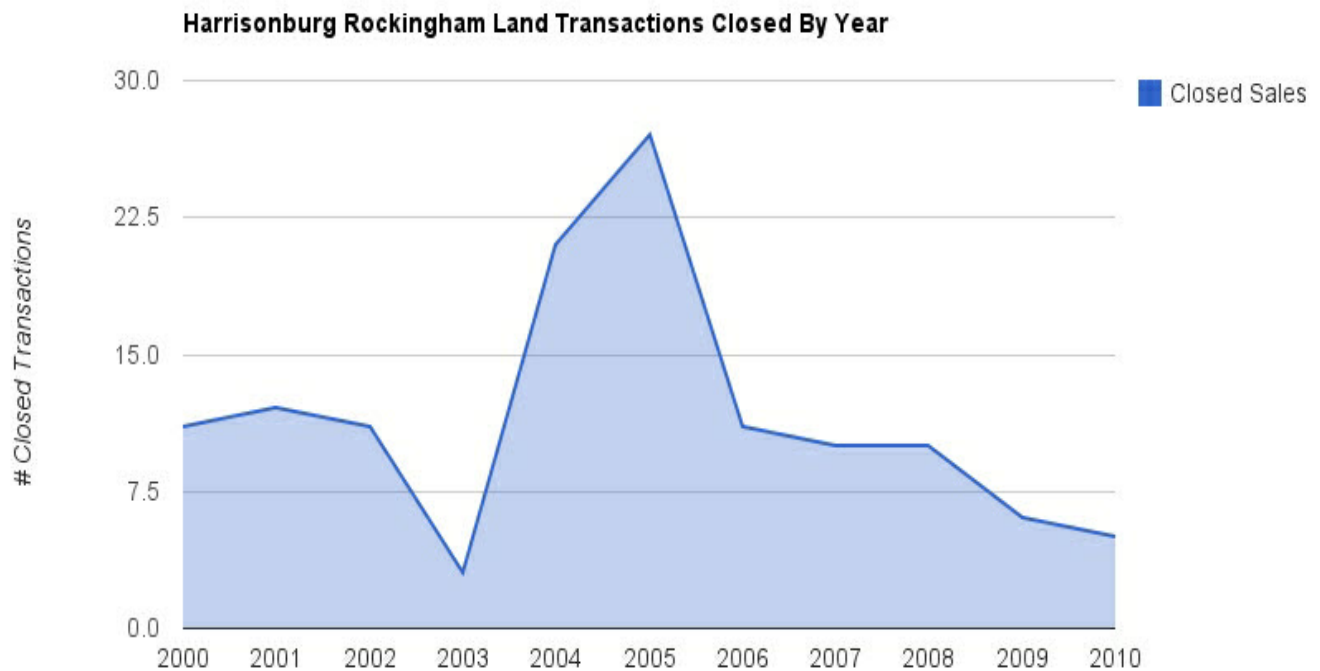


TOTAL VOLUME

On the surface, it would appear that 2009 actually marked the bottom for land transactions. After all, total sales in 2010 outpaced not only 2009, but 2006, 2007, and 2008 as well. As you read in the executive summary, I believe this is an incorrect assessment as far too many other indicators provide evidence that 2009 could have just been a precursor to the bottom with 2010 (2nd quarter) actually being the base from which we climb over the next several years.

Interestingly enough, it was suggested in the commercial property report that the market area had “treasures or traumas” mentality in which prospective purchasers were in no mood to compromise and only pulled the trigger if the property was considered a perfect fit or was so deeply discounted due to distress that it could not be ignored. There is evidence of the same within the commercial land transactions in 2010, although it is not nearly as pronounced. For those counting, I would suggest that 40% of transactions were traumas, 40% were treasures, and only 20% fell into the middle of the spectrum.

It was further suggested in the commercial property report that as the economy has slowly healed, investors have shown a willingness to take on property with greater perceived risk. This has brought additional investors into the market as they do not want to miss out on the apparent bottom.

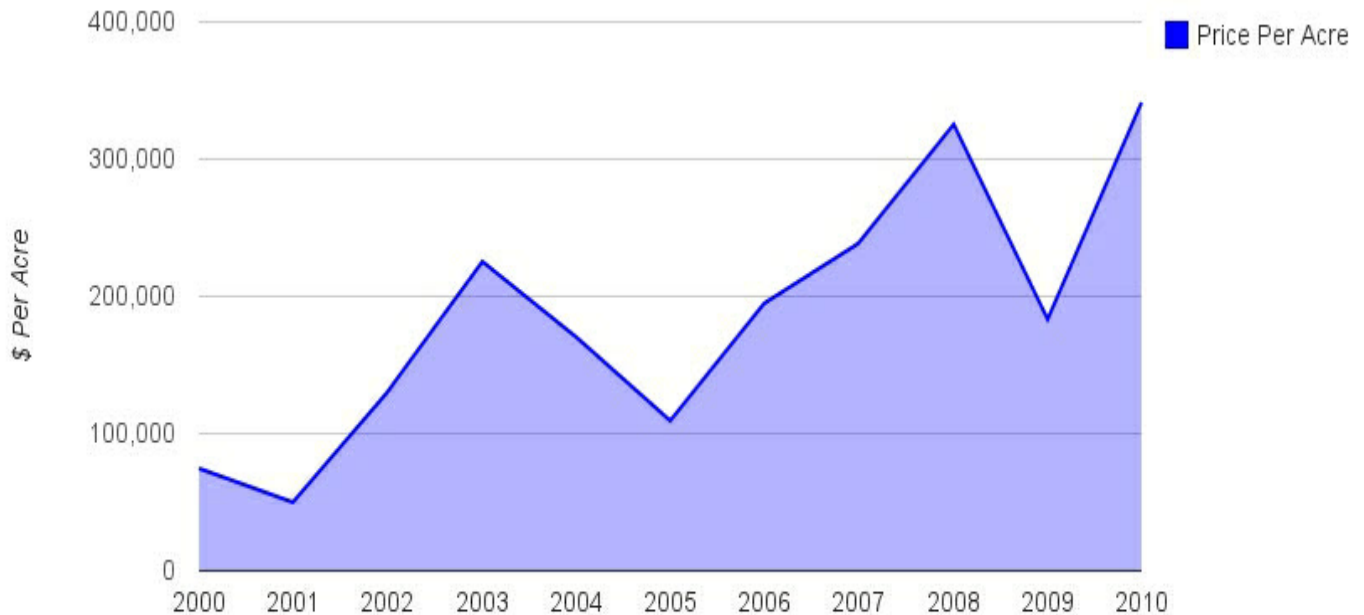


TRANSACTIONS

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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Harrisonburg Rockingham Land Transactions: Average Price Per Acre By Year



PRICE PER ACRE

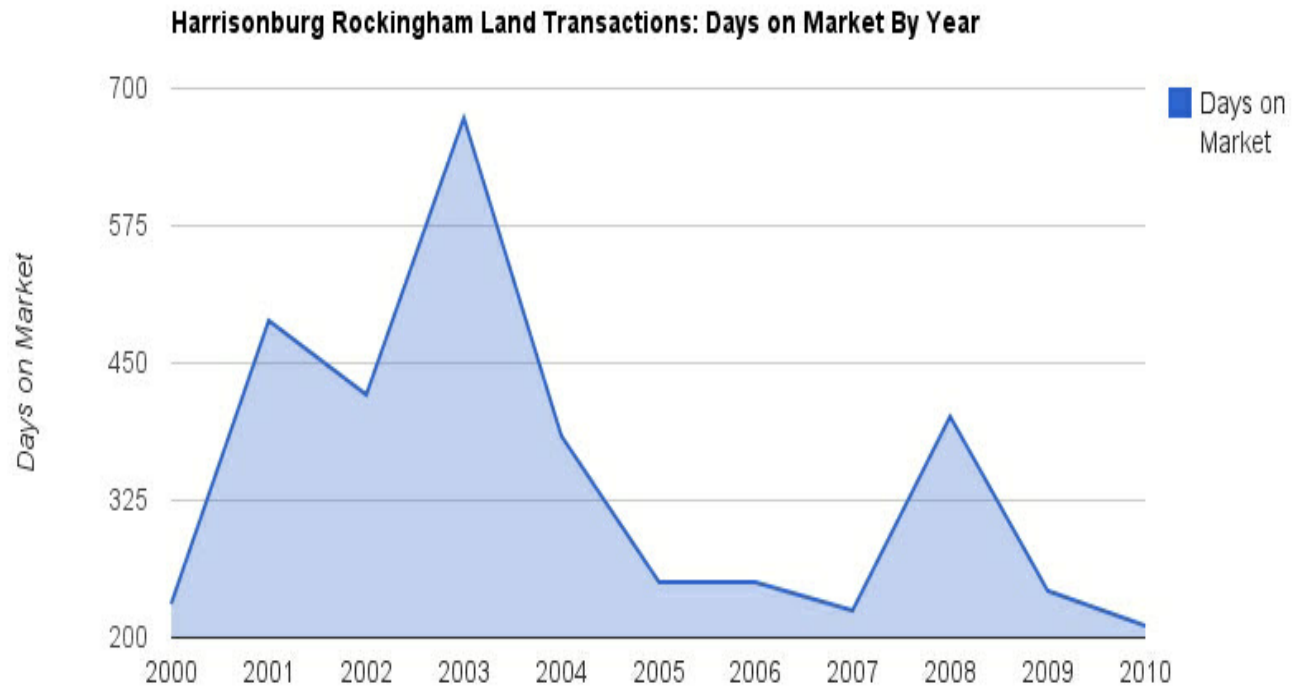
Three months after champagne corks popped to celebrate the dawn of the year 2000, the stock market turned south, a recession soon followed, then extreme volatility (first positive then negative), and finally, what many refer to as a lost decade ended with the most severe recession since the Great Depression.

The net result, the Dow Jones Industrial Index finished the decade with 9.3% loss; there was 0% job growth for the first time since the Great Depression; and "this was the first business cycle where a working-age household ended up worse at the end of it than the beginning, and this in spite of substantial growth in productivity, which should have been able to improve everyone's well-being," said Lawrence Mishel, president of the Economic Policy Institute.

So where in this is there a 27.5% annualized return over ten years. Evidently, commercial land zoned for commercial purposes in Harrisonburg, Virginia.

Without question, there was volatility within Harrisonburg's commercial land (specifically, land in Harrisonburg, zoned B1 or B2, less than five acres). Year-over-year prices were subject to wild swings. However, at the end of ten years the cumulative increase was 275% for the sub-section.

Closer review of closed sales reveals a less aggressive, but still impressive, trend for lots sold multiple times throughout the decade. For example, a 1 acre lot on Peoples Drive sold in 2001 for \$100,000. The same lot sold four years later in 2005 for \$150,000, and a similar lot (1 acre on Peoples Drive) sold in 2009 for \$195,000 or 195% return.



DAYS ON MARKET

Days on market, while a good indicator of market velocity, is subject to great volatility due to the limited number of transactions in any given year. Year-over-year data smoothes out this volatility slightly and is represented in the chart above. Excluding land that was not on the market (CVS, not reflected above), days on the market is up approximately 29% year-over-year at 310 days.

FOR MORE INFORMATION

Contact:

Tim Reamer
Cottonwood | Commercial
1958 Evelyn Byrd Avenue
Harrisonburg, Virginia 22801
(e) tim.reamer@cottonwood.com
(w) www.cottonwood.com/ www.timreamer.com
(ph) 540.437.3680
(mob) 540.271.7525

About Tim Reamer

Tim Reamer joined Cottonwood after serving nine years as an economic development director. As Director for the City of Buena Vista, he worked with commercial, industrial, and residential sector clients to provide site selection, demographic study, financing, and marketing assistance that attracted several million dollars in private capital investment. Tim's nine years of experience in the interpretation of market analysis and consumer behavioral studies have provided an irreplaceable recognition of the economic and social factors affecting business and consumer decisions. Previously Tim served in similar positions for the Town of Broadway and Town of New Market.

Outside of his professional duties, Tim has dedicated himself to the study of real estate, finance, and economics. He has successfully completed training from the Appraisal Institute and is completing his Masters Program in Real Estate Finance and Analysis through Florida State University. In addition to being a student of real estate theory, Tim has put this knowledge into practice as an active investor with income properties in Rockingham and Rockbridge County.