

Harrisonburg/Rockingham Area Commercial Real Estate Market Report

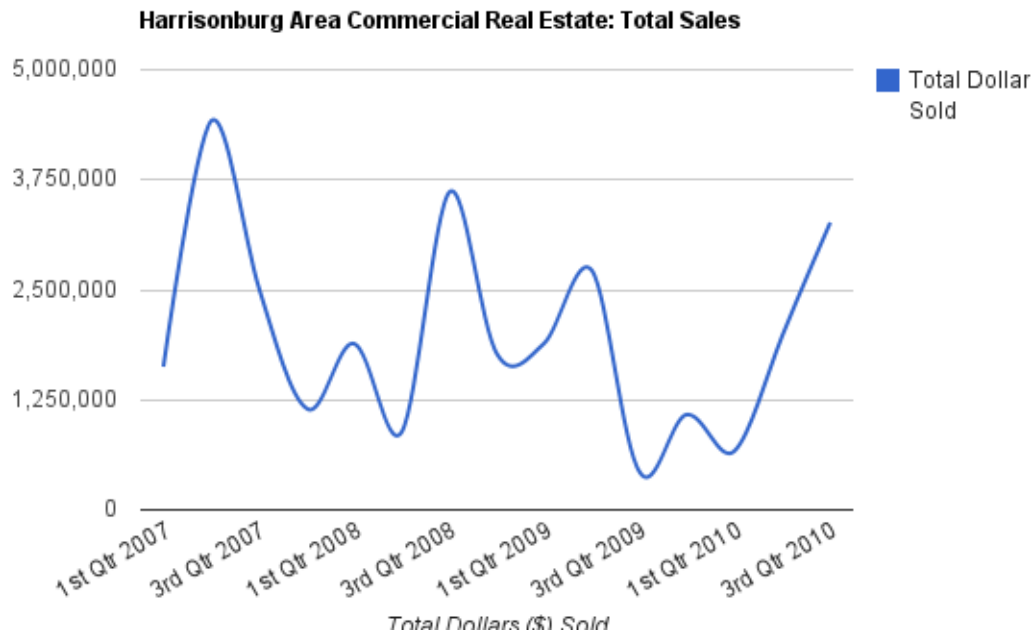
3rd Quarter, 2010

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Report Objective: The goal is to provide a comprehensive source of data for the Harrisonburg market while at the same time helping subscribers and clients identify trends that may help in making effective business decisions. This exercise will be in addition to previous and ongoing efforts to track and analyze data related to commercial real estate in the Harrisonburg/Rockingham market.

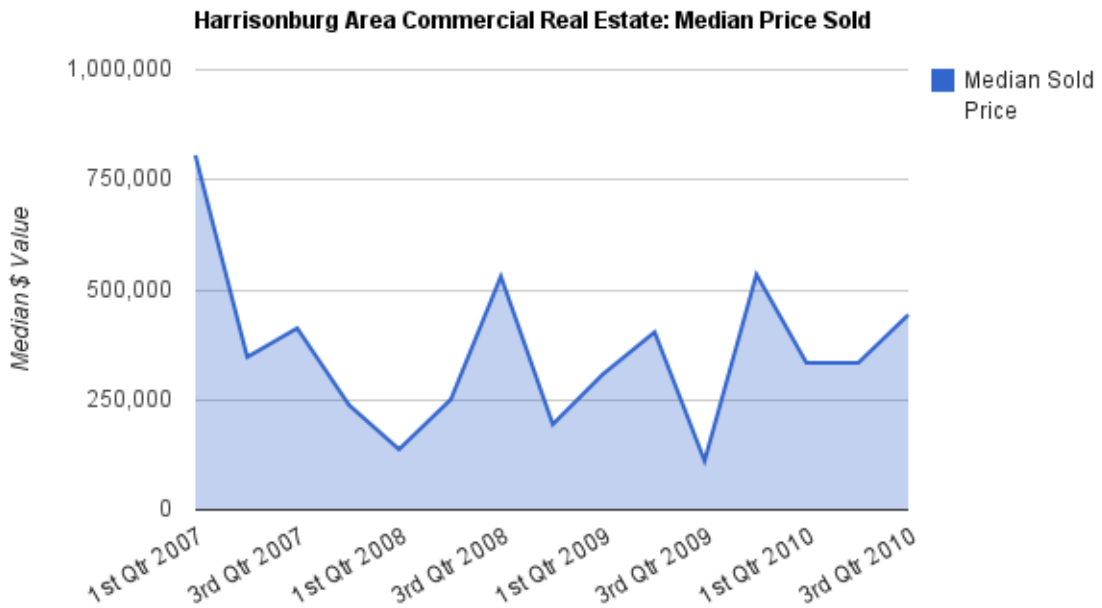
A final disclaimer: Like most quarterly data this will be subject to wild swings. As the data is tracked longer a moving average will be developed for the purpose of smoothing out the quarterly volatility.



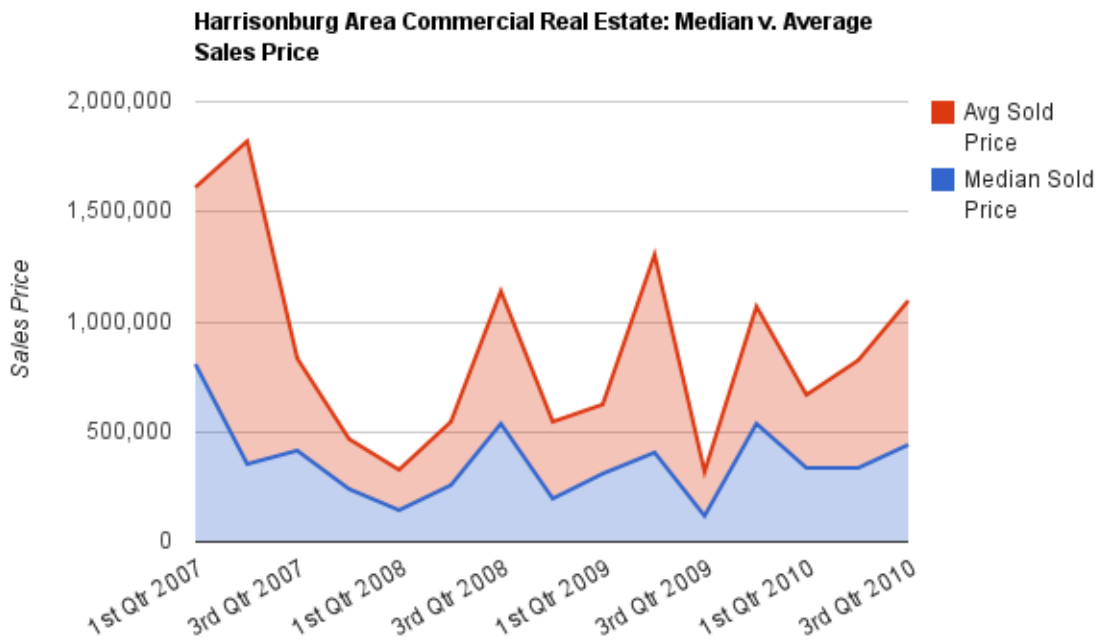
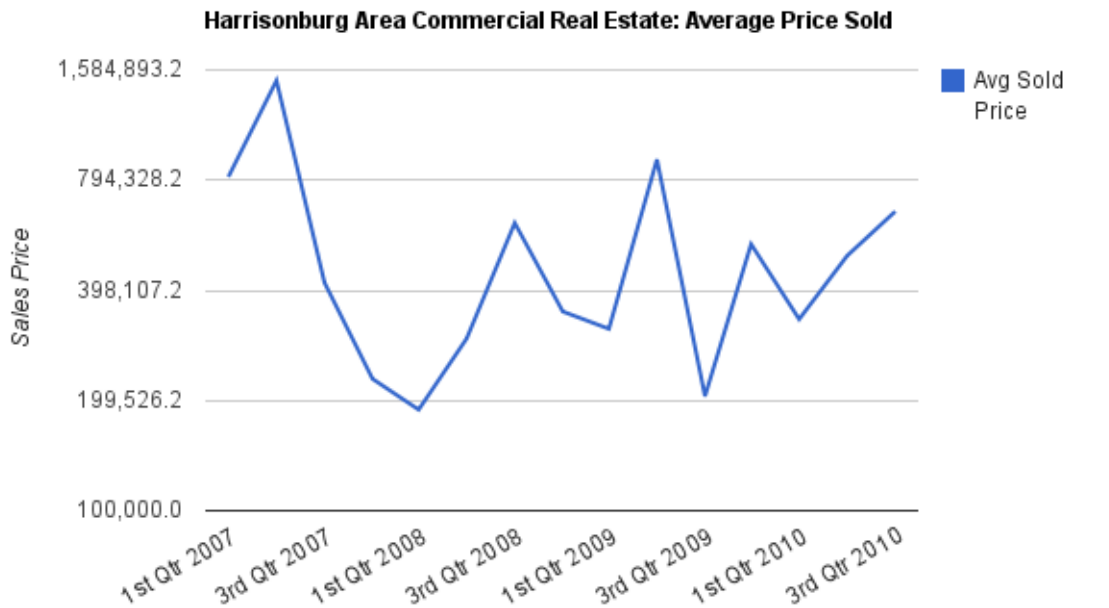
Within the chart seasonal trends can be witnessed, but 2010 is close to surpassing 2009 levels of total dollars sold and total number of sales and the trend-line is showing promising upside. **Was 2009 the bottom for commercial real estate in the local market, I believe so...and several of the charts below indicate as much.**



As of the 3rd quarter of 2010, we have realized two consecutive quarters of increased sales. Without question, the volume is lower than 2007 and 2008 levels, but much higher than most of 2009 levels, which may be another sign of a rebounding market. Illustrations of 2009 marking a bottom for commercial real estate in the Harrisonburg/Rockingham County area is evident throughout most of the data.



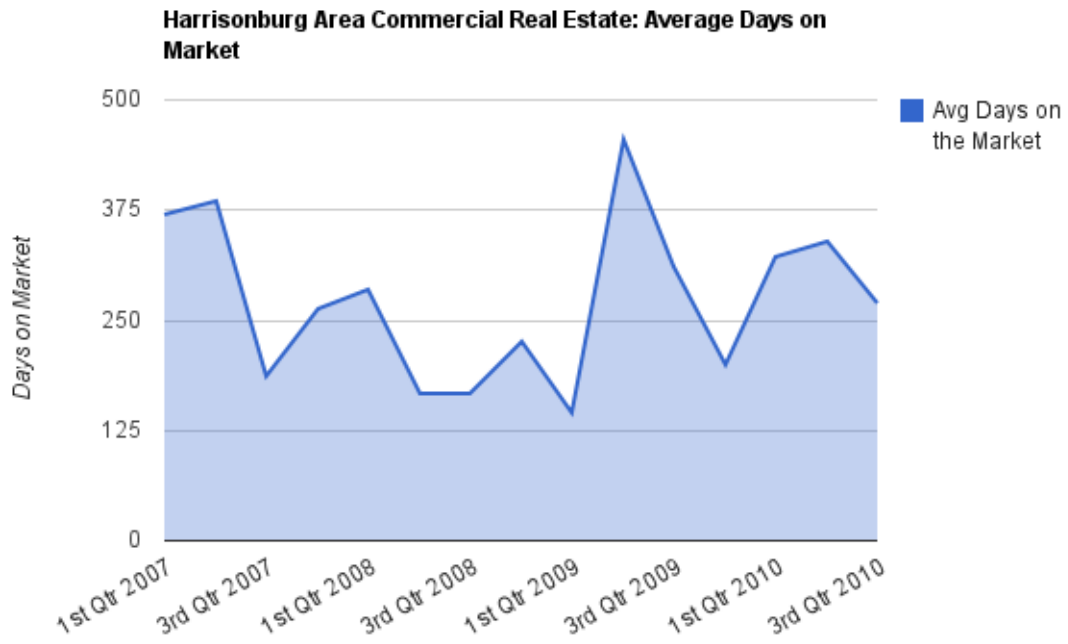
Quarterly median price data is extremely volatile. You will notice increased stability over the last year beginning in the 3rd quarter of 2009 where the median price has not dropped below \$250,000. Note: Year-over-year data smooths out the volatility within this chart. Just such a chart is included at this end of this document illustrating YOY changes for the 3rd quarter.



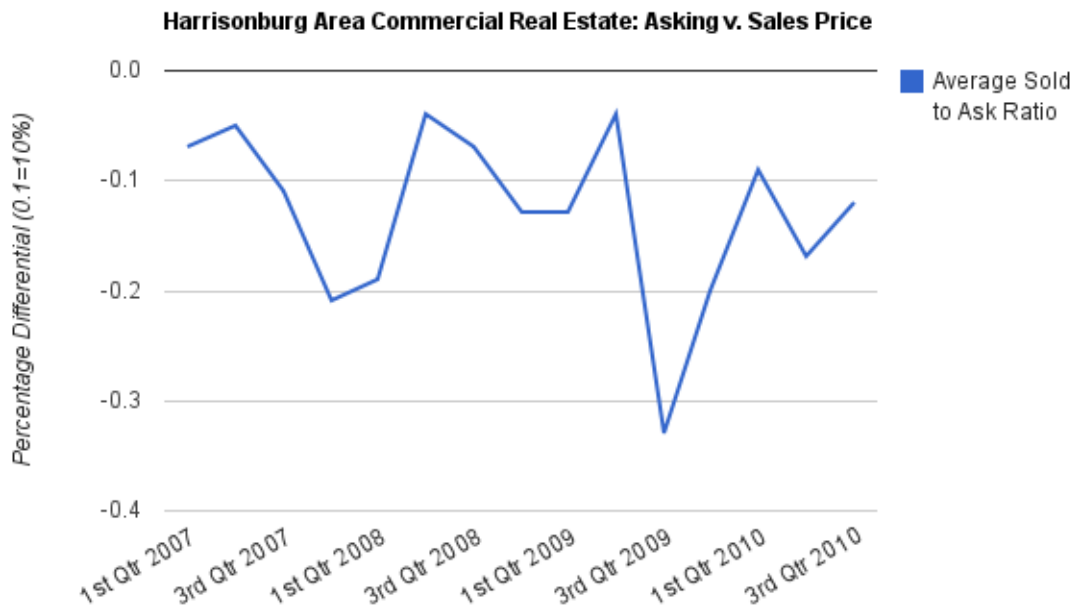
Like median price data, average price data is volatile, but both serve a useful role in establishing ranges within the local market (much like the floors and ceilings within the stock market).



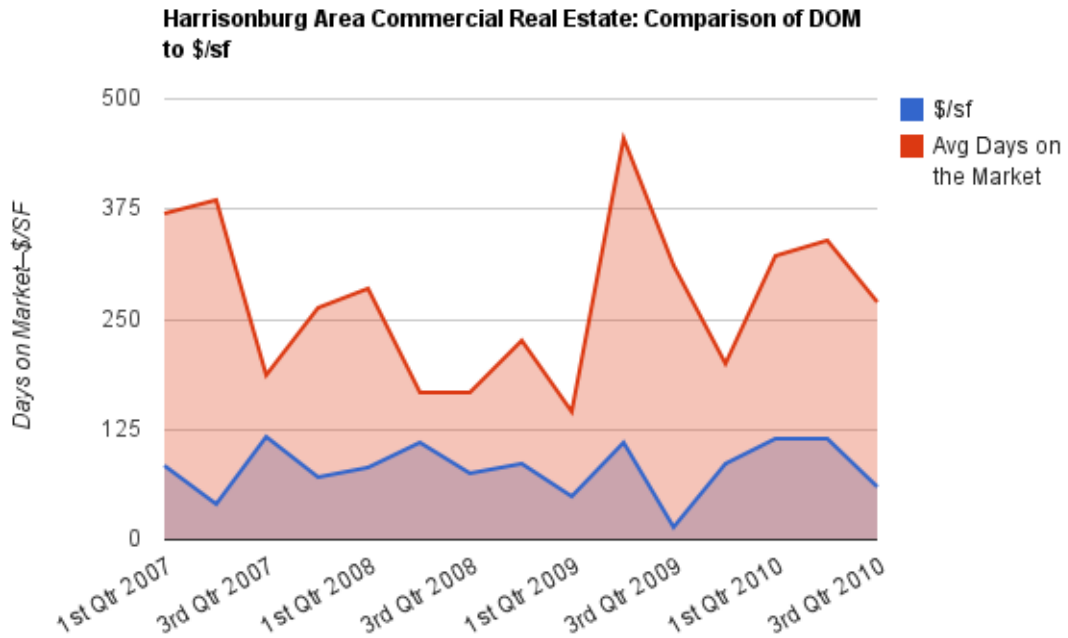
The average price/sf illustrates the same trend indicating the 3rd quarter of 2009 may have been the bottom. This data can be easily skewed by a limited number of sales, but can be confirmed in year-over-year charts. Several other charts, including Ask to Sold Ratio, would seem to illustrate the same. As more data is collected, a rolling average will be created.



Days on market has remained remarkably stable throughout the end of boom times in 2007 through the deep recession of 2008-09 and into the beginning of the recovery in 2010.

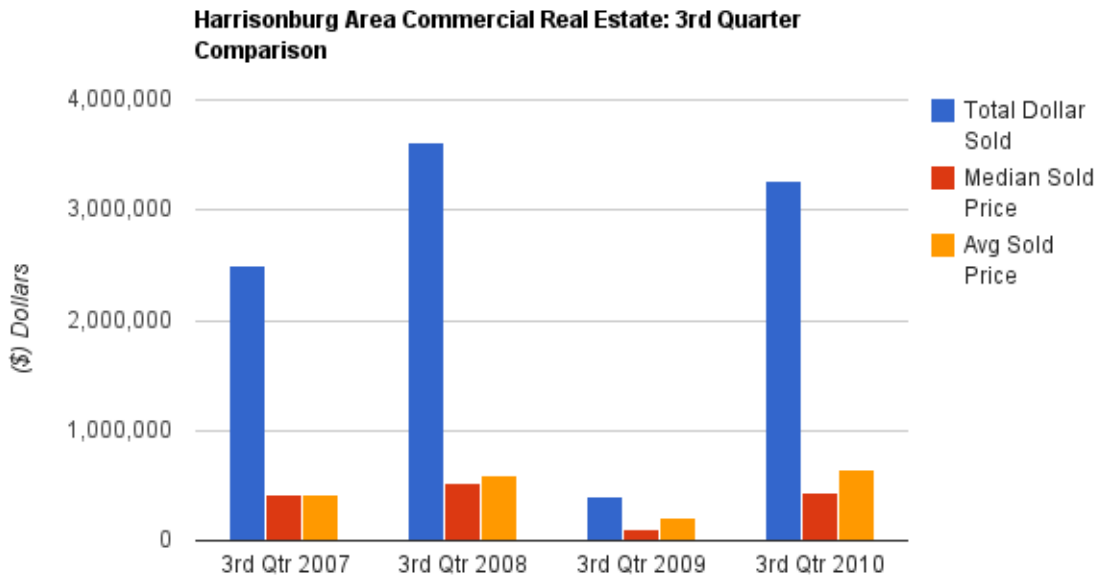


Again, you will notice the 3rd quarter of 2009 represented a low point for data collected. The average price reduction in the 3rd quarter of 2009 was approximately 32%. A limited number of sales contribute to this high percentage.

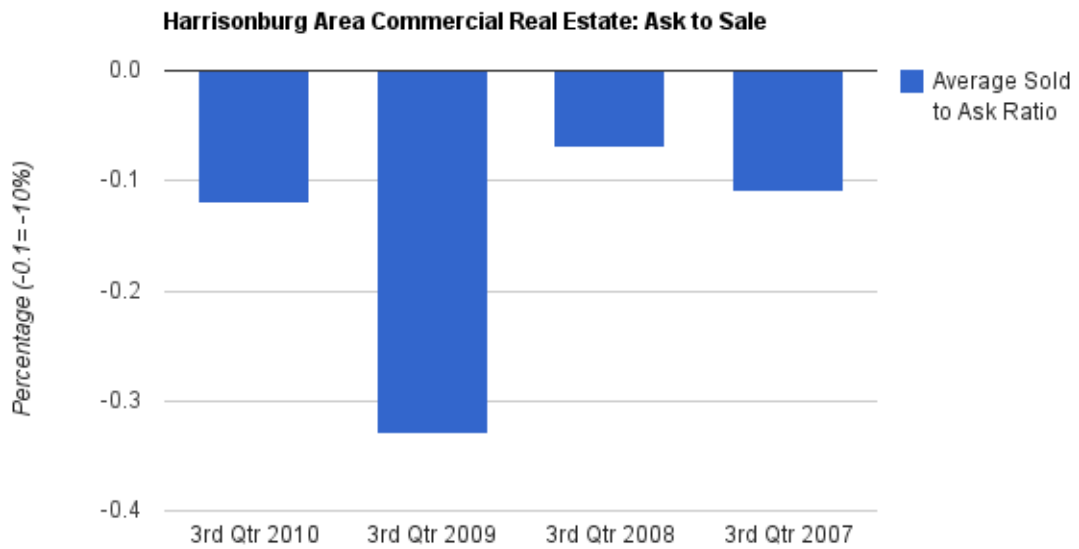


If you have ever heard the saying, "Shoot for the moon. Even if you miss, you'll land among the stars," forget it when pricing commercial real estate.

A complete review of sales demonstrates that buildings priced above market value tend to set on the market longer...and, ultimately, have a substantially reduced selling price (compared to the initial asking price). Turns out you don't end up among the stars, but crash back down to earth (although at a fairly slow and agonizing pace).



I did not put trend-lines on the chart themselves, but it is fairly visible. Year-over-year, the local market has blown past 2007 and 2009 levels and approached 2008 levels in the 3rd quarter of this year.



Over the last two years, you may notice that the differential between listing price and selling price has increased while the price per square foot has remained fairly consistent. Have sellers been too lofty in their initial listing price or is this just a reflection of uncertainty in the economy and local commercial market?

You may also notice the significant reduction in price per square foot in 2009 with an increase in 2010. This may or may not be a signal of positive feelings returning to the commercial market. The balance of 2010 and 2011 sales will provide an answer.