

Miner & Silverstein

Appraisal Company

Division of Miner & Silverstein, LLP

Bridgeport to New Haven Marina Market Survey — August 2003

For over 20 years, the Miner & Silverstein Appraisal Company, division of Miner & Silverstein, LLP has conducted over 100 appraisals of boatyards, dockominium units and projects, cruise ship and ferry terminals, marine construction yards, tank farms and over 50 marinas in four states. In order to stay abreast of the marina market and the local sub-markets, periodic surveys of local markets are conducted. In these surveys, marina owners and managers are contacted and asked to participate in a telephone survey. The survey is conducted with the understanding that the identity of a respondent will not be revealed. To this end, the reporting herein is devoted to addressing aggregate statistics and trends in the local market. The market study focuses on marinas in Bridgeport, Stratford, Milford, and New Haven, Connecticut.

General Comments

Boating expenditure is a direct function of the economy and affluence. The uncertainty surrounding the war in Iraq, and threat of terrorism seems to have hindered the rapid return to a robust economy that was anticipated during the first part of 2003. This was further exacerbated by increased government spending on the war effort and security measures at home.

However, although not robust, and aided by record-low interest rates, the first half of 2003 has been through what many view as a bottoming in the U.S. stock markets, and the economy seems to be slowly pulling out of the recession. Presumably, the recent federal tax cuts will further aid the ailing economy.

“Economist and professional speaker, Jeff Thredgold describes the economic outlook for the recreational boating industry as ‘good.’ Current interest rates and the aging of the baby boomers are two factors contributing to Thredgold’s optimistic outlook for boating. ‘More discretionary income will be available from baby boomers as (we predict) the economy performs better and the stock market continues to rise,’ says Thredgold.”¹

The National Marine Manufacturers Association reports, first quarter wholesale dollar sales of all boats were up 14.9 percent compared to the prior year numbers, while unit boat shipments were down 10.9 percent, based on the March Monthly Shipment Report (MSR). The traditional powerboat segments (outboard, stern-drive, and inboard boats) were up 17.2 percent in dollars and 10.0 percent more in units shipped in the first quarter, compared to the previous year.”²

¹ National Marine Manufacturers Association, June 3, 2003

² National Marine Manufacturers Association, July 1, 2003

The Connecticut Marine Trades Association notes that sales of midrange boats are down 60 percent over last year, but large boat sales are good, and generally don't fluctuate as much with economy downturns. They note that marinas that are aggressively promoting their facility and services are doing well: waiting lists and hiring more mechanics. Those that are not vigorous in retaining customers and getting new ones complain that business is slow.

The local economy is still much healthier than the state and national economies, which have unemployment rates of 5.2% and 6.5%, respectively for June 2003. Much of the southwestern Connecticut's economy is driven by New York City, which has yet to recover from 2001. The following unemployment rates show that Westchester County is leading the region in the rebound.

Unemployment Rate	2001	2002	2003
Fairfield County	3.4%	4.2%	4.5%
New Haven County	4.1%	4.9%	5.7%
Westchester County	3.4%	4.3%	3.9%
New York PMSA ¹	5.0%	7.0%	7.1%

We view the local economy as being positive for marinas and see the proximity to New York City as being the icing on the cake. As New York City recovers, this will add to demand for marinas in southwestern Connecticut. In addition, when the stock market reverses from its bear run and some wealth is accumulated, boat sales and marinas should see the benefit.

Survey Comments

The good weather of late July meant that many marina managers were rushed making up for the rainy early summer. The survey excludes membership yacht clubs, even though some sometimes rent to non-members. The focus of this survey is rental marinas.

Towns	Marinas Telephoned	Marinas Participating	Percentage Participating
Bridgeport	6	5	83%
Stratford	3	2	67%
Milford	5	4	80%
West Haven	2	1	50%
New Haven	3	1	33%
Combined	19	13	63%

This survey presents actual performance for all but a few historic data fields with forecasts for the current summer and coming winter. In the tables that follow, we use the following terms.

- **Estimated Capacity** is the estimated total number of rental slips in the market – the number of slips that would have been surveyed if all marinas participated in the survey.
- **Boat-nights** are the sum of the number of nights that each transient boat stayed at the marina.
- **Turnover** is the percentage of boats that are new to the marina for the season and **Rollover** is the percentage of boats that have returned to the marina for the season. The sum of the two equals 100%.

Summer

We are not reporting mooring or rack storage as only two marinas reported for these types of occupancies.

Surveyed Summer Slips	Forecast		
	2002	2003	2004
Estimated Capacity	1,765	1,847	1,902
Slips Surveyed	1,618	1,620	1,675
Percent Occupied	98%	99%	99%
Average Rate/foot of boat	\$73.77	\$77.07	\$78.93
Average Boat Length	28.40	28.76	28.76

Transients	2002	2003	2004
Boat-nights	3,908	3,917	3,917
Rate per LF per night	\$1.67	\$1.76	\$1.76
Average Length	30.93	31.26	31.26

Although the boating year got off to a slow start due to cool, wet spring weather, the season is now in full swing. Summer wet slip occupancy has nearly reached its limit at 99% of reported capacity. We believe that by season end, all slips will be full - this primes the pump for price increases.

Our survey results demonstrate that marina operators are wary of the local market. Most did not raise rates from last summer, while a few stuck with regular increases of 6 to 14%. In 2003, the rates are in a wide range: \$50 per linear ft. of boat plus electricity to \$110 with electricity included. The rates are generally higher in Milford and Stratford and lower in Bridgeport and New Haven. Also worthy of note is the slight trend toward larger boats.

In light of the recovering economy in New York City, we anticipate that next year will be another year of cautiously increasing rates.

Winter

Outdoor Winter Storage	Forecast		
	2001-02	2002-03	2003-04
Estimated Capacity	2,124	2,124	2,124
Capacity Surveyed	1,992	1,992	1,992
Occupancy	74%	76%	76%
Average Rate	\$31.05	\$32.77	\$32.99
Average Length	28.09	27.93	27.93

Wet Winter Storage	2001-02	2002-03	2003-04
Capacity Surveyed	715	715	715
Occupancy Rate	17%	17%	17%
Average Rate	\$28.01	\$29.64	\$30.01
Average Length	29.49	29.58	29.58

Indoor Winter Storage	2001-02	2002-03	2003-04
Capacity Surveyed	43	43	43
Occupancy	100%	100%	100%
Average Rate	\$81.88	\$84.83	\$87.27
Average Boat Length	38.33	38.33	38.33

Indoor storage is, as usual, the darling of the winter storage categories. This type of space is nearly always full and the demand has pushed prices up steadily winter-to-winter. We would expect some entrepreneur with a hydraulic trailer to find some underused industrial property and use it for winter storage.

Otherwise, outdoor winter rates show slight improvements in occupancy and about a 5% increase in outdoor storage rates. The capacity for on-land storage is at about 75%, but is closer to 94% when excluding one marina with an extremely large storage lot. This bodes well for price increases of a greater magnitude. If there were any expansion in the number of boats in this market, one could expect winter outdoor dry storage to increase.

Also interesting is that the number of boats stored over the winter is nearly 200 boats less than are in the water for the summer. This implies that some boats go south for the winter and that this market pretty much handles its own for the winter season.

Generally, the wet winter storage category is not very popular in this market, although occupancy numbers have remained steady at about 17% of capacity.

Other

In spite of a difficult time in the region's economy, tenant rollover has been quite good with participating marinas reporting 90% for summer Rollover for winter customers was also a healthy 90%.

One marina offered a discount on summer slip storage for year round customers and another marina offered winter hauling, washing, blocking and launching to their year round customers (winter-only customers pay for the services). We do not expect discounts to survive long – they just are not necessary.

Most marina owners are cautious about raising prices, even in times of strong demand. Generally, owners plan to pass-on increased expenses to the tenants, with perhaps a modest increase at the rate of inflation.

Marina owners noted that insurance costs have risen at a rapid rate, as much as 40% the first year after 9/11/2001. Most marinas also reported taxes as rising faster than the general rate of inflation. Seasonal labor costs have been increasing and shortages of qualified mechanics along with increased wages is being reported.

Forward Looking

It appears likely that the economy will slowly improve for the near future, well into 2005. Longer term, it is also likely that interest rates will increase as the government borrows money to pay the increasing federal deficit. This could have a negative effect on boat sales, but in the short term, larger-boat sales are expected to remain firm.

Boat sales have declined in the small and mid-size range, while larger boat sales have remained robust. Incrementally increasing the boat size that can berth at a marina and maintaining configuration for an increasingly larger boat clientele should be of prime importance to secure the greatest long-term value of a marina. This market should be gaining wealth over the next decade and will be the most profitable customers. Note: we are not recommending converting to a mega-yacht, only, facility without doing a lot more homework.

Summer slip occupancy should remain full and increased expenses can easily be passed along to tenants. We expect that with occupancy so high, the market could stand greater increases as the State and National economies work their way out of the recent recession. There is no little upward pressure on rental rates for in-water winter storage. It would appear that outdoor winter storage has no pricing power at 76% occupancy. However, with 11 of 15 marinas full, those marinas may have room to raise rates a bit. We expect occupancy rates for indoor winter storage will continue to remain high and prices will continue to increase.