

# Miner & Silverstein

## Appraisal Company

Division of Miner & Silverstein, LLP

### Clinton Marina Market Survey - June, 2006

Over the past 25 years, the Miner & Silverstein Appraisal Company division of Miner & Silverstein, LLP has appraised about 55 marinas in Long Island Sound, Fishers Island Sound, Narragansett Bay and the rivers which feed them. In order to stay abreast of the marina market and the local markets, periodic surveys are conducted. In these surveys, marina owners and managers are contacted and asked to participate in a 10-15 minute telephone survey. The survey is conducted with the understanding that the identity of the respondent will not be revealed. To this end, the reporting herein is devoted to addressing aggregate statistics and trends in the local market. This market study focuses on Clinton Harbor, the Hammonasset River that leads into it along the border with Madison to the west and Westbrook's marinas up the Menunketesuck and Patchogue Rivers off Duck Island Roads, two miles east.

<b>Towns</b>	<b>Marinas Telephoned</b>	<b>Marinas Participating</b>	<b>Percentage Participating</b>
Madison	1	1	100%
Clinton	10	7	70%
Westbrook	9	7	78%
<b>Combined</b>	<b>20</b>	<b>15</b>	<b>75%</b>

We are not reporting the results for moorings as only one facility reported in this category. The Town of Clinton offers pilings for mooring along the south edge of the Hammonasset River channel in the harbor.

### Summer

<b>Surveyed Summer Slips</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Estimated Capacity	2,740	2,740	2,740
Slips Surveyed	2,421	2,421	2,421
Percent Occupied	96%	96%	96%
Average Rate/foot of boat	\$82.25	\$83.65	\$86.97
Average Boat Length	24.12	24.15	24.17

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<b>Summer Rack Storage</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Estimated Capacity	132	132	132
No. Spaces Surveyed	132	132	132
Percent Occupancy	80%	80%	80%
Average Rate/LF	\$54.76	\$55.22	\$59.19
Average Length	22.65	22.65	22.65

Boating expenditure is a direct function of affluence. The strength of the stock market, rapid home equity gains and low mortgage rates through 2005 have fueled boat sales and the continued the strength of the marina rates and occupancies. In a number of markets, the number of boats sold and the average size of the boat has increased. In most markets, boat sales have declined.

The increase in fuel prices has caused boats to spend more time in port. With boats spending more time at the docks as weekend retreats, and less time underway, repair business has slowed for a number of marinas.

At 96% occupancy, there is little room for improvement without hurting transient income. This level of demand typically bodes well for price increases, but the uncertainty of the economic outlook has kept marinas from going ahead with increases in many cases. Average boat lengths have continued to rise, but slowly.

Of the 15 marinas surveyed, nine experienced no increase in rent over the past year. Five marinas decided to increase rates over 2005 and one marina decided to rollback an increase made the previous year. Some marinas reported being more flexible with discounts and some with boat dealerships reported offering free slips to buyers.

### *Winter*

The winter storage market was observed over the past two winters. The upcoming winter was also researched, but a number of marinas and boatyards have yet to set their rates and are waiting to see how the summer of 2006 will shape up.

<b>Outdoor Winter Storage</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07F</b>
Estimated Capacity	2,480	2,480	2,480
Capacity Surveyed	2,020	2,020	2,020
Occupancy	91%	91%	92%
Average Rate	\$30.19	\$31.14	\$32.05
Average Length	27.93	27.93	27.93

<b>Wet Winter Storage</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07F</b>
Estimated Capacity	155	154	154
Capacity Surveyed	105	104	104
Occupancy Rate	68%	67%	67%
Average Rate	\$31.87	\$32.49	\$32.85
Average Length	33.37	33.37	33.37

<b>Indoor Winter Storage</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07F</b>
Estimated Indoor Capacity	74	74	74
Capacity Surveyed	74	74	74
Occupancy	93%	93%	93%
Average Rate	\$88.43	\$92.35	\$96.68
Average Boat Length	34.33	34.33	34.33

<b>Rack Winter Storage</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07F</b>
Estimated Capacity	114	114	114
Capacity Surveyed	114	114	114
Occupancy Rate	100%	100%	100%
Average Rate	\$30.40	\$30.40	\$30.40
Average Length	21.75	21.75	21.75

In other markets, wet winter storage has become a popular alternative to all on-land storage because of the price. In this market, however, wet winter storage never caught on. There is still available capacity for outdoor dry storage and it appears that the wet winter storage is really only used by a very small and select group of boats. There will always be some wooden and large boat owners who prefer to keep their boats in the water for the winter.

Indoor winter storage has always been highly desirable. Occupancy has remained just below capacity. Any vacancy is surprising – we attribute this to marinas accommodating their repair operations. Rates have been steadily increasing and there is effectively no residual capacity. Therefore, we expect an increase in prices for next winter for indoor storage.

Winter storage on racks does not appear to be any more valuable to boat owners than storage on the ground, especially when racks are not enclosed. Few marinas have racks in this market area. Their main benefit is reaped in the summer when boats can be quickly launched and hauled and kept clean, high and dry when not in use.

### *Transient*

Over the past year, visits from transient boaters have stayed steady as have the rates marinas charge them. Marinas will typically try to rent their slips on a seasonal basis. Transient income is dependent upon slip availability through dedicated slips or when

their seasonal tenants go cruising. Many marinas do not cater to transients even though they offer transient rates - their seasonal rental occupancy is extremely high and the boats generally stay at the docks.

### *Other*

Tenant roll-over has been reported to be quite high at most marinas – 89% for the summer, on par with last year and 91% for the winter.

This past summer, the slip income lost to pro-rating of seasonal rent was negligible for those marinas without any occupancy problems. Many had no slips to prorate or offered the summer as part of a boat sales offer. Discounts for early payment were offered at approximately one-fifth of the marinas surveyed. These marinas offered average discounts of 5% in summer and 11% in winter; discount losses were smaller as not everyone takes advantage of the discounts.

### *Expenses*

Most marinas indicated that their costs of operation have roughly tracked the rate of inflation. Sharp energy cost increases were at the forefront of marina managers' minds. The cost of almost everything, including the disposal of shrink-wrap, has increased and some have increased environmental or energy surcharges they charge customers. None mentioned labor costs as increasing.

### *Forward Looking*

The Army Corps of Engineers is set to undertake the dredging of Clinton Harbor with money allocated for FY 2006. The federal navigation project in Clinton consists of a channel 8 feet deep, about 1.5 miles long from Long Island Sound up the Hammonasset River to the inner harbor in Clinton. The project also provides for a one-acre anchorage area in the inner harbor. Shoaling has reduced depths in the channel making it difficult for vessel traffic to safely traverse the project. The proposed project would involve removing about 40,000 cubic yards of clean sand. The material has been tested and found suitable for disposal at the Cornfield Shoals disposal site. In light of recent erosion problems at Hammonasset State Park, the state requested the material be used to nourish the beach. The current proposal is to remove the dredged material by hydraulic dredge and place it onto Hammonasset Beach. Completion of the work will depend on subsequent funding after the first year. The town of Clinton's Harbor Management Commission is planning to upgrade the boat launch ramp at Cedar Island Avenue with a new dock and widening through the removal of a portion of land that projects into the harbor basin.

We expect that the trend in new boat sales will slow in 2006 and that overall summer occupancy rates will stabilize. Those marinas which were near full occupancy this summer should be able to increase their rental rates in order to keep up with inflation.

The trend to longer and wider boats will slow as new boat sales abate. Marina owners that are reconfiguring may want to consider widening slips to meet the needs of this market, which has seen expansion through most of this decade. In general, marinas capable of handling larger boats are more likely to retain occupancy as these boats stay at marinas. Very large boats go south for the winter, trailerable boats go home.

The dredging project will enable larger boats to navigate to the marinas. Marinas that have sufficiently deep water or that piggyback on the dredging project (potentially lower cost) and dredge their boat basin may be first to see an increase in boat size.

Operators should keep an eye on the stock market and look for its patterns as a leading indicator of marina demand. The leveling off of home sales and rising interest rates will likely affect boaters contemplating boat purchases.