

# Miner & Silverstein

## Appraisal Company

Division of Miner & Silverstein, LLP

### **Pawcatuck River Marina Market Study – August 2007<sup>1</sup>**

Over the past 25 years, the Miner & Silverstein Appraisal Company division of Miner & Silverstein, LLP has appraised over 50 marinas in Connecticut and other states. 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 and marina-specific statistics provided by 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 the Pawcatuck River on both the Connecticut and Rhode Island shores, running upstream from Little Narragansett Bay for about 5 miles. The effective date of analysis is July 2007.

#### *Economic Backdrop*

Boating expenditure is a direct function of affluence. Recently, the stock market has showed a lot of volatility, but is still up on the year. This sort of action reduces consumer confidence. However, fewer individual investors are likely to suffer than in the sell-off following the Dot-Com bubble.

The weakness playing to the consumer these days is lack of home appreciation. Increasing home values spurred consumer confidence and refinance activity. This is not adding as much cash to the market as in prior years. Rapidly increasing home values, at least in this part of the world, are a thing of the past. The recent sub-prime debacle has caused a tightening in the home mortgage market. These factors will tend to strip-out new funds for large purchases. Fortunately, sub-prime lending is quite rare in the marine finance market and some of these lenders tend to hold their loans so the marine lending business may escape the sub-prime woes. I expect they will feel some side effects from the condition of all financial markets.

Even before the sub-prime lending problem, sales of larger boats were suffering and sales of smaller boats remained stable to slightly increasing. This pattern is the same as we saw going into 2002. The other trends we noted going into 2002, was that boaters tended to stay closer to home and to spend more time on boats. While that was largely a reaction to the events of 9/11/01, the current high cost of fuel will tend to reinforce this behavior today.

The Connecticut Marine Trades Association notes that entry-level boat sales continue to be brisk, there has been a recent pick-up in sales of \$200,000 boats, and high-end sales continue to be spotty. Marinas continue to run full and are flat out with repair

---

<sup>1</sup> © Miner & Silverstein, LLP, 2007. All rights reserved.

work – some are trying to hire more mechanics. The Increase in fuel prices has not really put a damper on usage. Cruisers have continued with their vacation plans – the increase in the cost of fuel is only a small component of the cost of owning a boat. Boat-owners have a large investment in their leisure time and endure the higher fuel costs.

Our survey results show an improved local market: increasing average boat size, occupancies at maximum capacity and higher rental rates. Average slip prices have shown increases commensurate with what one would expect with such a high occupancy rate. Rates for storage seem to be lagging.

As always, the Rhode Island Marinas are quite attractive to those boaters buying new boats and desiring to reduce their payments to state government.

This market study focused on marinas in the Pawcatuck River. As shown in the following figure, the response rate was quite high.

<b>Towns</b>	<b>Marinas Telephoned</b>	<b>Marinas Participating</b>	<b>Percentage Participating</b>
Stonington	4	4	100%
Westerly	10	9	90%
<b>Combined</b>	14	13	93%

### *Summer Season*

<b>Surveyed Summer Slips</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Estimated Capacity	993	993	993
Slips Surveyed	943	943	943
Percent Occupied	100%	100%	100%
Average Rate/foot of boat	\$81.46	\$88.46	\$93.98
Average Boat Length	29.08	29.15	29.31

<b>Moorings</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Estimated Capacity	77	77	77
No. Moorings Surveyed	77	77	77
Percent Occupancy	81%	81%	81%
Average Rate/LF	\$59.40	\$62.30	\$64.75
Average Length	29.14	29.14	29.14

Occupancy has stayed high in the region as the strong local economy continues. Many marinas are reporting waiting lists and turning away potential customers. Marinas report existing customers want larger boats and are hemmed in by their existing slip.

Attendant with full occupancy has been an increase in rental rates for the slips. The average increase for all surveyed marinas from 2005 to 2006 was 9% and from 2006

to 2007 was 6%. Given the shortage of product, it appears that this increase might be below what the market will bear, but necessarily low to maintain customer relations and to be affordable to boaters whose incomes may not have also increased. In the apartment rental business, it is not uncommon to have two rent tiers: one for renewing tenants and one for new tenants. This may well be a way to increase rental rates while maintaining favorable customer relations.

Marina operators reported that boaters are spending more time at the dock, especially with larger powerboats that are treated as cottages. Purchasers of larger powerboats justify their expense when they look at the prices of waterfront residences and some are purchasing smaller runabouts for which they require a second slip. Marina operators didn't say that higher gas prices are keeping boats at the dock for the past two summers; the reason may be the increased frenetic pace of summer. This is a severely imbalanced market. We expect another year of rapidly increasing slip rates.

Occupancy at moorings has remained steady while the rates have increased only slightly. Moorings offer the only alternative to slips in this river, but moorings are better suited to those who actually take their boats out and are less attractive to those who don't. Moorings are also available independently within the river and many owners of waterfront property maintain their own moorings. Most visiting boaters to the river prefer to anchor near Napatree Point and Watch Hill.

### *Winter*

The following figures present the trends in the winter season for this market.

<b>Wet Winter Storage</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08F</b>
Estimated Capacity	53	53	53
Capacity Surveyed	53	53	53
Occupancy Rate	11%	11%	9%
Average Rate	\$26.00	\$26.00	\$27.00
Average Length	39.50	39.50	39.50

Wet storage has declined as dry storage has increased. Only two marina owners seemed interested in pursuing the wet storage business. Marinas do not want the added responsibilities of boats in the water at their marinas and the higher probabilities of ice damage. Those storing at wet slips had usually been customers for many years; the two marinas using them allowed a liveaboard who watched the marina in the winter.

<b>Outdoor Winter Storage</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08F</b>
Estimated Capacity	954	954	954
Capacity Surveyed	864	864	864
Occupancy	92%	91%	93%
Average Rate	\$36.32	\$37.61	\$39.45
Average Length	28.36	28.36	28.36

Dry storage is close to full in this market. The ratio of dry storage to wet storage is about 1:1 and has been found to be an appropriate ratio. In this market, the dry to wet storage ratio is closer to 1:2 because the two yacht clubs don't provide winter on-land storage. The Westerly Yacht Club has 239 slips and most of the moorings in Watch Hill Cove belong to the Watch Hill Yacht Club or its members. The main reason that outdoor on-land winter storage occupancy is less than 100% is that at least one owner of a small-boat marina has decided to get out of the winter storage or hauling business and another was working on the yard and didn't accept boats for the winter. The availability of overland hauling may temper future increases in winter storage rates.

<b>Indoor Winter Storage</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08F</b>
Estimated Indoor Capacity	25	25	25
Capacity Surveyed	25	25	25
Occupancy	88%	100%	100%
Average Rate	\$78.73	\$78.73	\$81.00
Average Boat Length	32.67	32.67	32.67

Indoor winter storage is offered by only two facilities. Rates increased after 100% occupancy was reached. It is most often used in conjunction with winter servicing or an overhaul of a larger vessel.

Only one marina reported statistics for rack storage. We are not commenting on this type of storage to keep from revealing statistics unique to a single marina.

### *Rollover, Proration and Discounts*

93% of the tenants in the marinas for the summer of 2007 were repeat customers, up from 92% in 2005. The percentage of tenants returning for the winter was 93% for year 2006-7. Tenant rollover has been high in this market for many years.

Four marinas reported offering early payment discounts for the summer season with discounts of five or ten percent. Two marinas noted that they offered a winter storage discount, one of which did not offer a summer discount. Discounts for annual contracts were not seen in this market. With the market so tight, we don't understand why any discounts are necessary. We have seen markets that are equally tight function quite well without using discounts to compete.

### *Expenses*

Expenses are reported to have increased consonant with the general rate of inflation with few exceptions.

Most marina managers noted that taxes had increased, especially for Westerly which just had its statistical revaluation. Stonington's revaluation this year will affect marina owners' tax bills in 2008.

---

## Comments

Marinas with repair businesses mentioned difficulty in finding and keeping employees, especially large boat mechanics who must work in confined spaces in a business that is popularly viewed as being seasonal.

Uncertainty exists regarding the enforcement of new regulations of both DEP and DEM which are effective next year and regulate the washing or scraping of hulls at marinas. The runoff from power washing must now be processed for reuse onsite (with the solids properly disposed of) or sent to the municipal sewer system for processing (with the additional requirement of a discharge permit). The alternative is to allow the hulls to dry and scrape them in the spring and properly dispose of the scrapings. Marinas are investigating onsite recycling where power washing is done over mats, but the cost of these systems are estimated to range between \$10,000 and \$70,000.

Marinas are focusing on boat storage. The big box retailers on Route 1 in Westerly have cut into profits from secondary marine stores which some have closed despite the convenience they offer.

Fewer repairs are being required as boat owners take their boats out less and thus breakdown less. This contrasts with other marina markets where owners report a shortage of mechanics to keep up with repair work.

Income from ramps is limited due to both the competition from public access ramps in downtown Westerly and Barn Island, but due to a lack of space for trailer parking. Some marinas limit non-slip holders' use of their ramps to weekdays.

There is an increase in new vessels. People are buying bigger boats. The economy is not keeping people from upgrading. Expensive boats are returning. The length of boats has been increasing. People are not putting off owning a boat. Customers are spending more. Marinas are finding themselves unable to fulfill their customers' requests for larger slips. Some reported turning away more and more boat owners who are looking for a slip.

The demand is strong. One manager noted that younger people are going into boating.