

Miner & Silverstein

Appraisal Company

Division of Miner & Silverstein, LLP

WESTCHESTER, NY – JUNE, 2003 - MARKET ANALYSIS

For over 20 years, the Miner & Silverstein Appraisal Company, division of Miner & Silverstein, LLP has conducted over 100 appraisals of boatyards, dockminium 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 City Island, New Rochelle and Mamaroneck, New York. See www.msac.com for more information on Miner & Silverstein.

General Comments

Boating expenditure is a direct function of the economy and affluence. The uncertainty surrounding the recent 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, and 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, “Current year-to-date (January – March 2003) 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,

¹ National Marine Manufacturers Association, June 3, 2003

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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.”¹

The Connecticut Marine Trades Association notes that sales of midrange boats are down 60% over last year, but large boat sales are good, and generally don't fluctuate as much with economy downturns. Those that are not vigorous in retaining customers and getting new ones complain that business is slow.

Westchester County's unemployment rate fell in June — the sixth time this year that the rate was lower from the previous year's month in 2002, the New York State Department of Labor announced July 17, 2003. Regional economists said they expect the positive trend to continue, at least in the short run. In Westchester, the unemployment rate was 3.9 percent compared with 4.3 percent in June 2002.

[Westchester is] seeing job growth, the labor department reported. Westchester employers provide about 423,600 jobs in the county, up about 1,900 in the past year. "It's positive overall," said Sean MacDonald, an economist with the state labor department in White Plains. "In the immediate future I don't see anything that will change this."

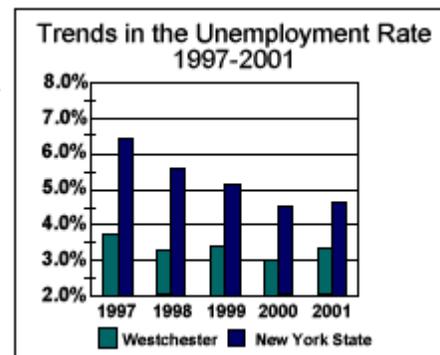
MacDonald specifically cited job growth in the lower Hudson Valley in education and health services, which saw an increase of 9,800 jobs over the past year, and said a reason for the strong growth is that those areas are less affected by the economy. The construction sector added 2,500 jobs.

"At the moment employment is strong in the industry following a slow start because of the long winter and cold, wet spring," said Ross J. Pepe, president of the Construction Industry Council of Westchester and Hudson Valley. "But now, unemployment is at a minimum and jobs are strong. There's a strong demand for workers."

<http://www.thejournalnews.com/newsroom/071803/d01w18unempwp.html>

The local economy is still much healthier than the state and national economies. Much of the State's economy is driven by New York City, which has yet to recover from 2001. The figure to the right shows the stability of the local economy in the years up to 2001.²

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 the City recovers, this will add to demand for marinas in Westchester County. In addition, if the stock market reverses from its bear



¹ National Marine Manufacturers Association, July 1, 2003

² Westchester County Office of Economic Development
http://economic.westchestergov.com/economic_data/emp_data.asp

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run and some wealth is accumulated, boat sales and marinas should see the benefit.

Survey Comments

The survey started in the rain in early June and ended on a sunny day. The participation rate declined accordingly. Once the weather broke, marina managers did not have time to speak with us. While rain may be bad for marinas, it is apparently good for surveyors of marinas. Not by choice, the survey excluded the high-end resort-type marinas. By choice, it excluded municipal facilities and membership yacht clubs. This is a survey of rental marinas.

	Marinas Contacted	Marinas Participating	Percentage Participating
City Island	4	2	50%
New Rochelle	5	2	40%
Mamaroneck	5	4	80%
Combined	14	8	57%

This survey presents actual performance with forecasts for the current summer. 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-night** this is the sum of the number of nights that each transient boat stayed at a 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 one marina reported for these types of occupancies.

Summer Slips	2002	2003
Estimated Capacity	1,277	1,277
Slips Surveyed	613	613
Percent Occupied	100%	96%
Average Rate/foot of boat	\$101.97	\$112.06
Average Boat Length	30.86	31.00

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Transient Slips	2002	2003
Boat-nights	87	17
Rate per LF per night	\$1.08	\$0.88
Average Length	33	30

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 100% 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 a strong local market. Seasonal slip rates increased 10% on average, but the range in increase was from 0% to 18%. The 18% appears to be a City Island operator's effort to catch-up to the rest of the market. In 2003, the rates are in a reasonably predictable range: \$100/LF of boat with electricity included to \$133.32, plus electricity. The rate generally increases from City Island to Mamaroneck. 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 increasing rates. We do not expect rates to rise as rapidly as over the past year, but certainly anticipate no problem for marinas to double their expense increases.

Winter

Outdoor Winter Storage	2001-02	2002-03
Estimated Capacity	1,754	1,742
Capacity Surveyed	1,474	1,462
Occupancy	93%	93%
Average Rate	\$44.86	\$46.24
Average Length	31.31	31.31

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Wet Winter Storage	2001-02	2002-03
Estimated Capacity	338	338
Capacity Surveyed	68	76
Occupancy Rate	20%	22%
Average Rate	\$29.45	\$30.45
Average Length	34.50	34.50

Indoor Winter Storage	2001-02	2002-03
Capacity Surveyed	119	119
Occupancy	100%	100%
Average Rate	\$64.61	\$77.15
Average Boat Length	35.63	35.63

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 by 19% over last 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 3% increase in outdoor storage rates. The capacity for on-land storage is above 90% and all but one marina are full. 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 wet storage to increase. A number of marinas use uncovered racks to expand their winter storage capacity. Also interesting is that the amount of winter storage is greater than the number of slips and moorings in this market by a couple hundred boats which are apparently taken-up by customers of the municipal marinas.

Generally, the wet winter storage category is not very popular in this market, although occupancy numbers have increased by 12%. This may be due to the improving economy and more people deciding to leave their boats at a marina for the winter.

Other

In spite of a difficult time in the State's economy, tenant rollover has been quite good with participating marinas reporting 80-95% for summer rollover. One marina reported 70% rollover because of the brokerage activity. Rollover for winter customers was a healthy 80%-95%.

Only one marina offered a discount for early payment for summer customers and another marina offered a discount for early payment to the summer customers who opted to stay for the winter. We do not expect discounts to survive another year – they just are not necessary.

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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: (5%, 25% and 20%/yr. since 2001). City Island marinas have been especially hard hit by tax (18%-25%) and license (300%) increases. New Rochelle marinas have had lesser tax increases (9% was cited). Mamaroneck marinas did not mention taxes increasing at an unusual rate. Seasonal labor costs have been increasing and shortages of qualified mechanics along with increased wages is being reported.

Forward Looking

It appears we are in an improving economy because of lower interest rates, weakened dollar, and recent federal income tax cuts are supposed to help. It is likely that the economy will slowly improve for the near future, and 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 the boating industry, 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. Some marinas might want to consider constructing enclosed rack storage facilities catering to 30'+ speedboats.

There is no upward pressure on rental rates for in-water winter storage.

We expect occupancy rates for indoor winter storage will continue to remain high and would expect rates to increase next winter faster than the rate of inflation.