

Boating Market Update

PCC – Keeping Ahead of Rising Tides

Des Moines/Seattle

April 11, 2013



Agenda

- Forces impacting the economy
- Recent Trends & Future Expectations
 - Boat sales & registration
- Key Findings & Outlook



Key Factors Affecting the Nation

Source: Oregon State Office of Economic Policy, March 2013

- The US expansion has weak momentum, but is moving forward
- The fiscal cliff was largely averted, but a battle looms over the federal debt ceiling, which will soon become a binding constraint on spending
- Housing and vehicle markets are rebounding, supporting growth
- Consumers will cautiously increase their spending in response to moderate gains in employment, income, and net worth
- Continuing stagnation in the Eurozone will restrain US export growth
- The probability of a return to recession in 2013 remains at 20%

Upside Risks Appear

(Biggest Surprises of 2013: Survey Responses)

Source: Oregon State Office of Economic Policy, March 2013

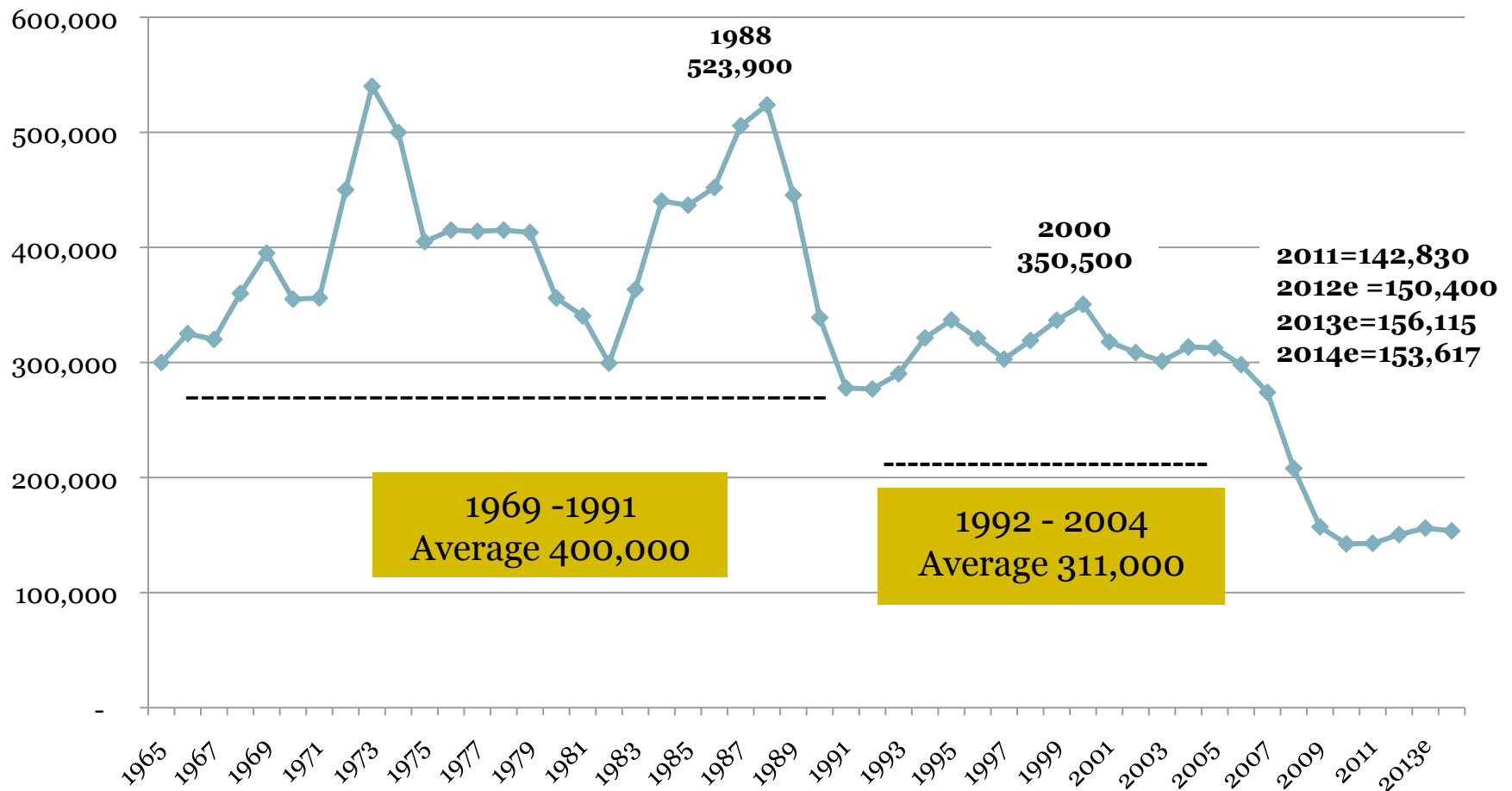
- 1) US housing booms, starts and prices beat expectations
- 2) US economic growth exceeds expectations
- 3) Economic growth in BRIC's better than assumed
- 4) US job growth accelerates, lowering unemployment
- 5) Eurozone economic situation, markets improve more than anticipated
- 6) Economic growth/inflation runs hotter than expected, pressuring long-term rates higher
- 7) Congress/White House reach "grand bargain"
- 8) US downgraded by credit rating agencies
- 9) US economic growth weakens, instead of strengthening in 2013h2
- 10) Situation in Europe deteriorates, Greece exits Eurozone in 2013

Source: Blue Chip Economic Indicators, January 2013

Asked panel for 3 biggest surprises, ranked by frequency of response

Retail Sales of Traditional Powerboats

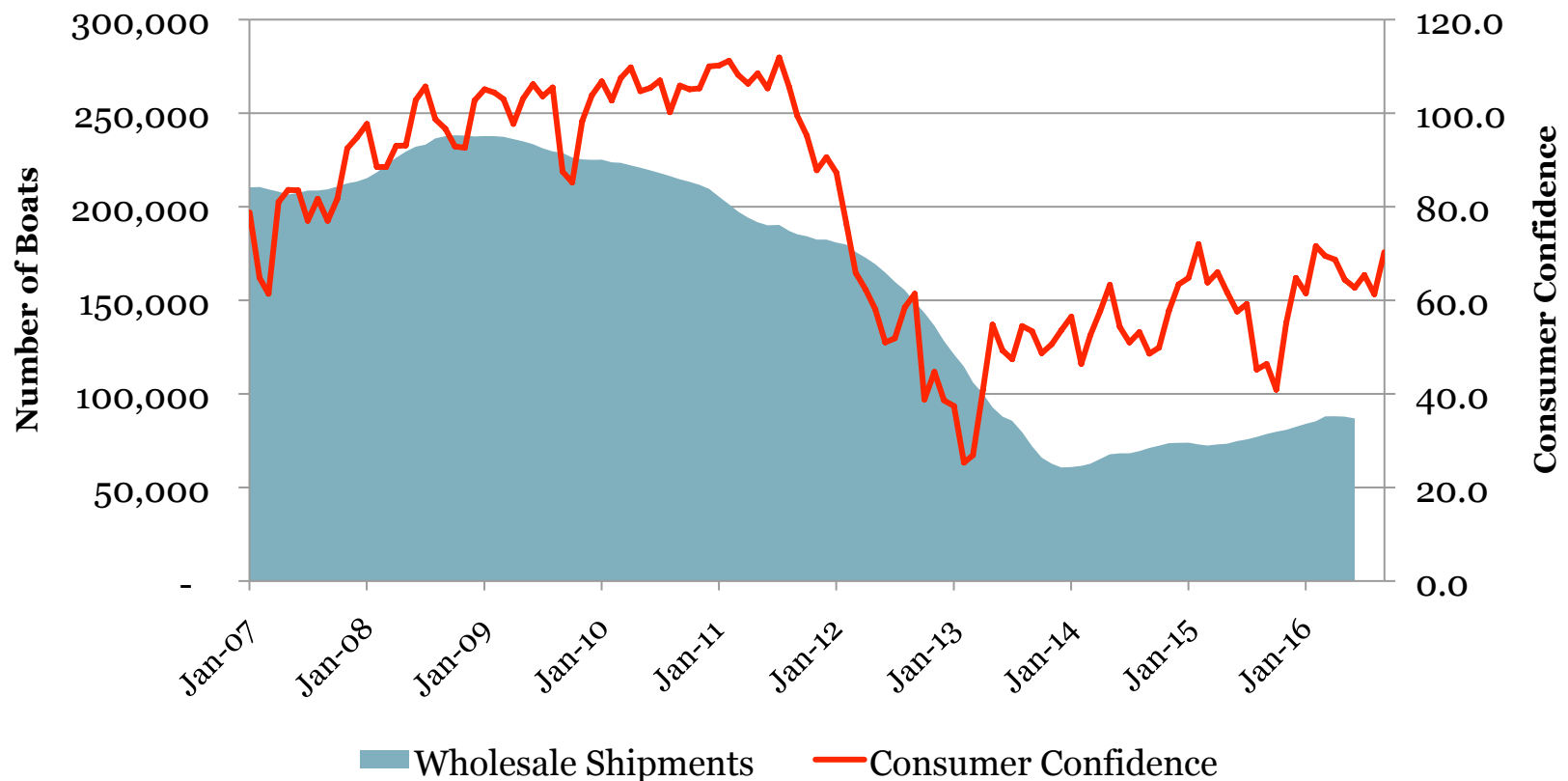
1965 to 2014 (est. by NMMA)



US new recreational boat sales have fallen to a new lower plateau. NMMA forecasts 150,000 to 160,000 boats in the next few years.

U.S. Wholesale Boat Shipments and Consumer Confidence

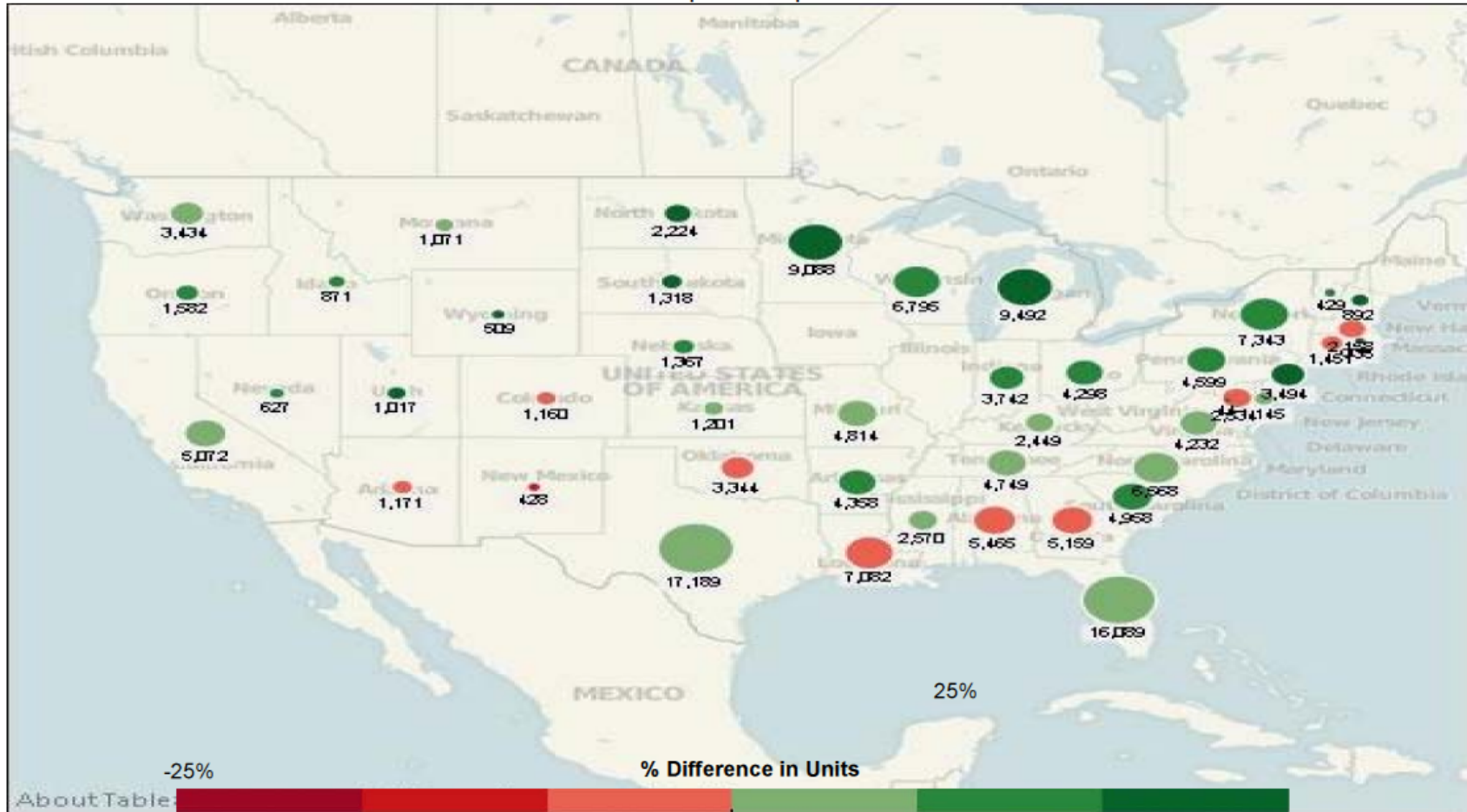
Source: NMMA



There is a strong link between boat sales and consumer confidence. Consumer confidence remains weak but is slowly improving and boat sales are starting to improve slowly.

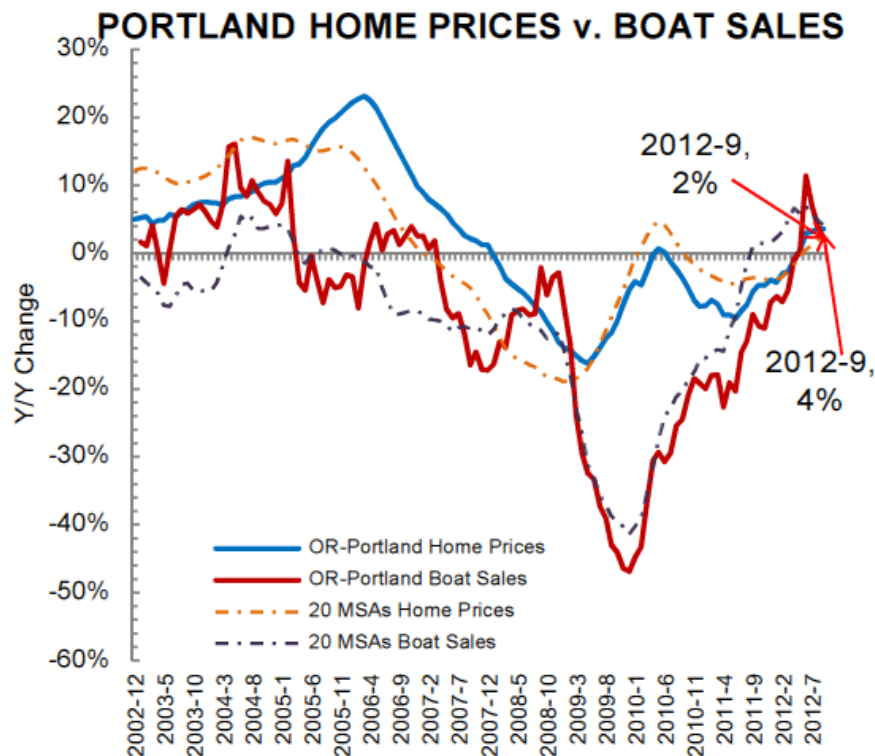
Powerboat Sales by State R12M Through June 2012

The size of the data points represent unit volume.

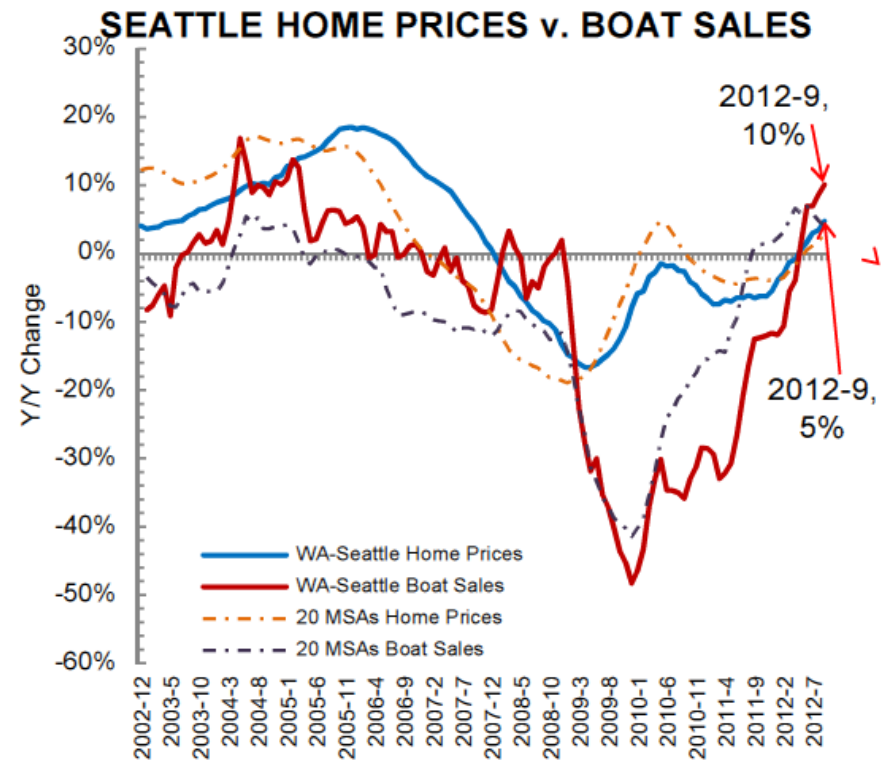


New Boats Sales and Home Prices

Source: NMMA, Statistical Surveys, Inc., Standard Poors



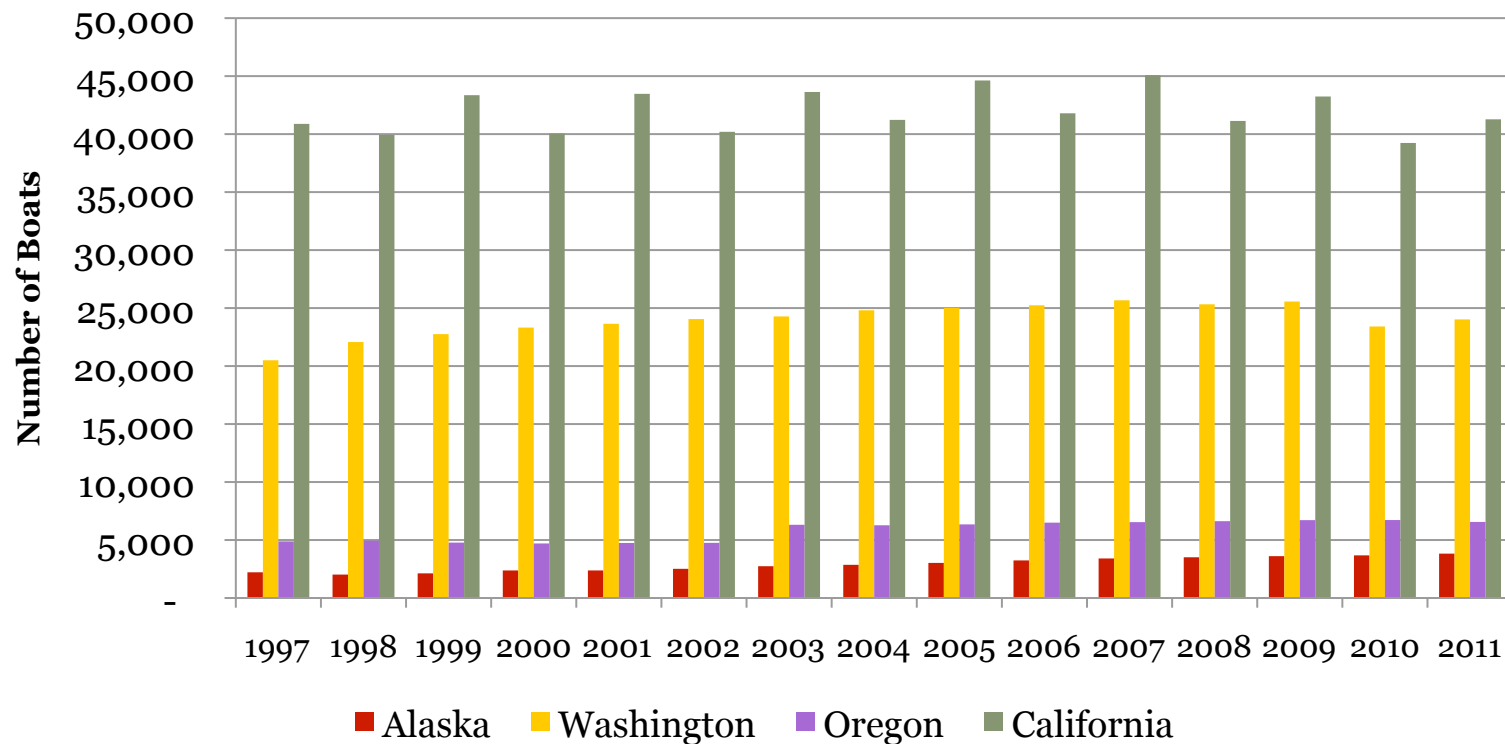
Portland boats sales up 4%,
home prices up 2%



Seattle boats sales up 10%,
home prices up 5%

Boats 26 feet and above by State

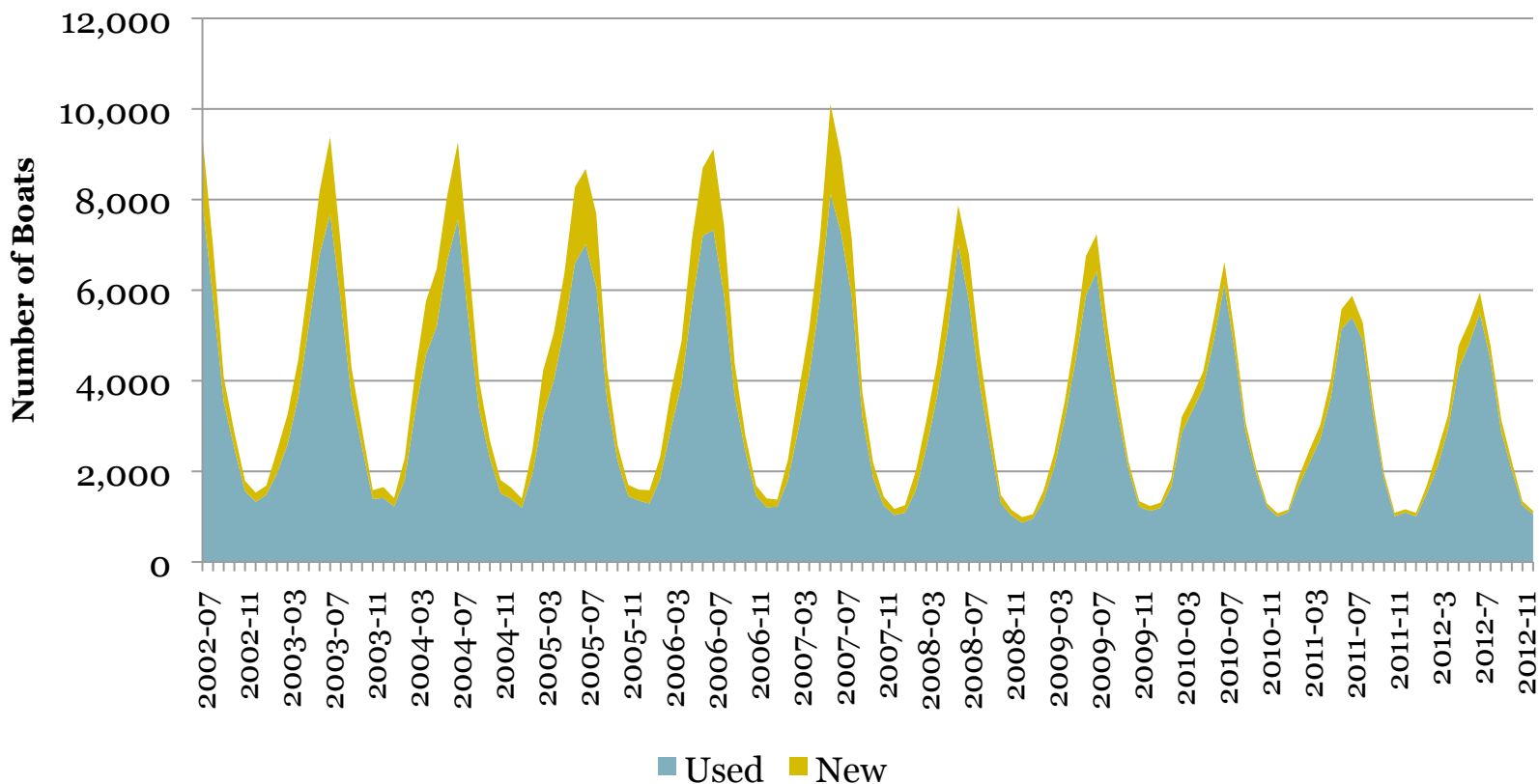
Source: U.S. Coast Guard (registrations)



Registrations of boats 26 feet and longer were essentially the same in 2011 as they were a decade earlier but they were up from 2010.

Washington State Boat Sales

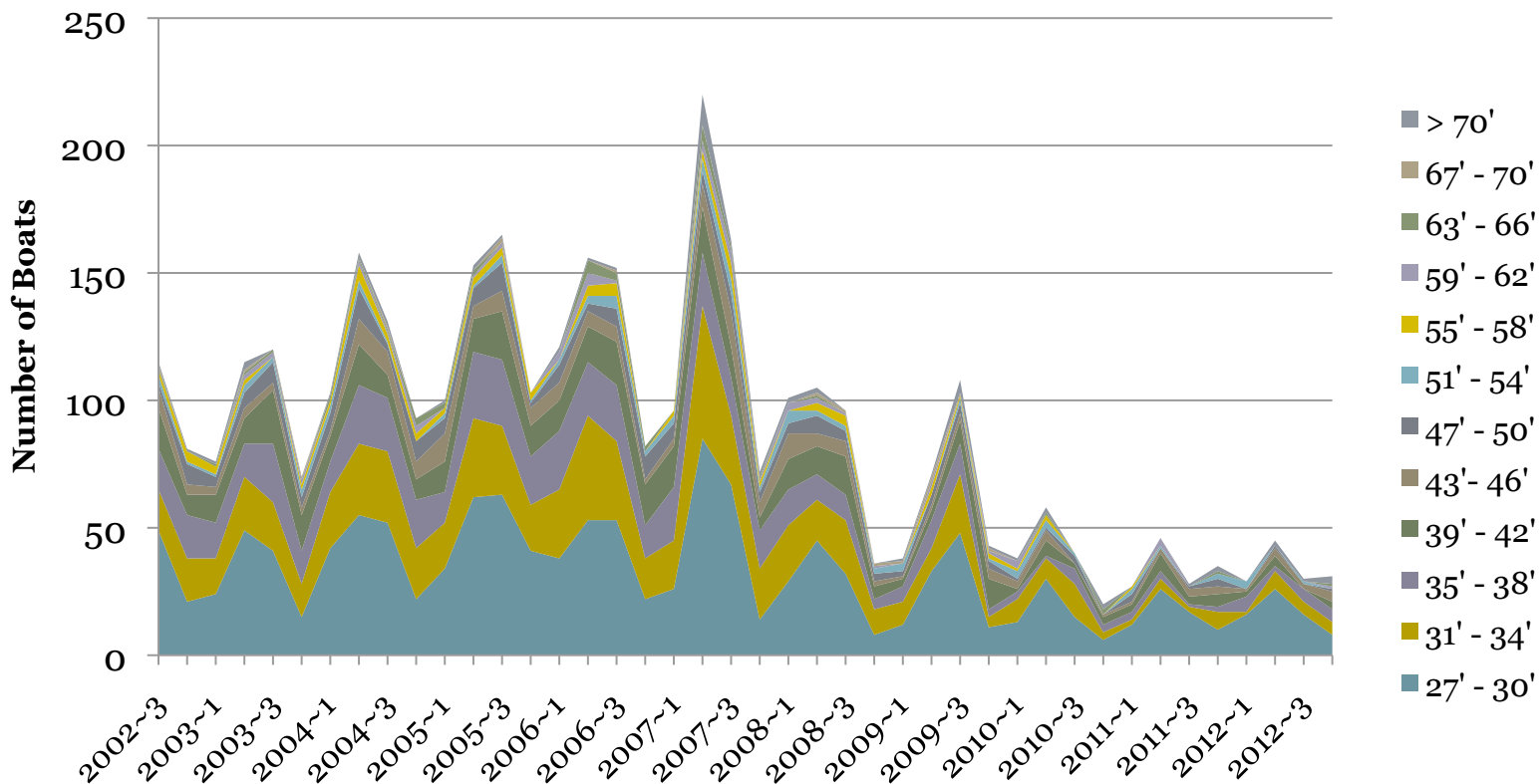
Source: NMTA Data



New boats currently account for 9.0% of sales, which is a slight improvement from last year (8.2% of sales) but it is still down from the heydays (~20% in 2005). Overall sales of new boats grew 9.0% from prior year.

Washington New Boat Sales by Range

(27 feet and longer) Source: NMTA data

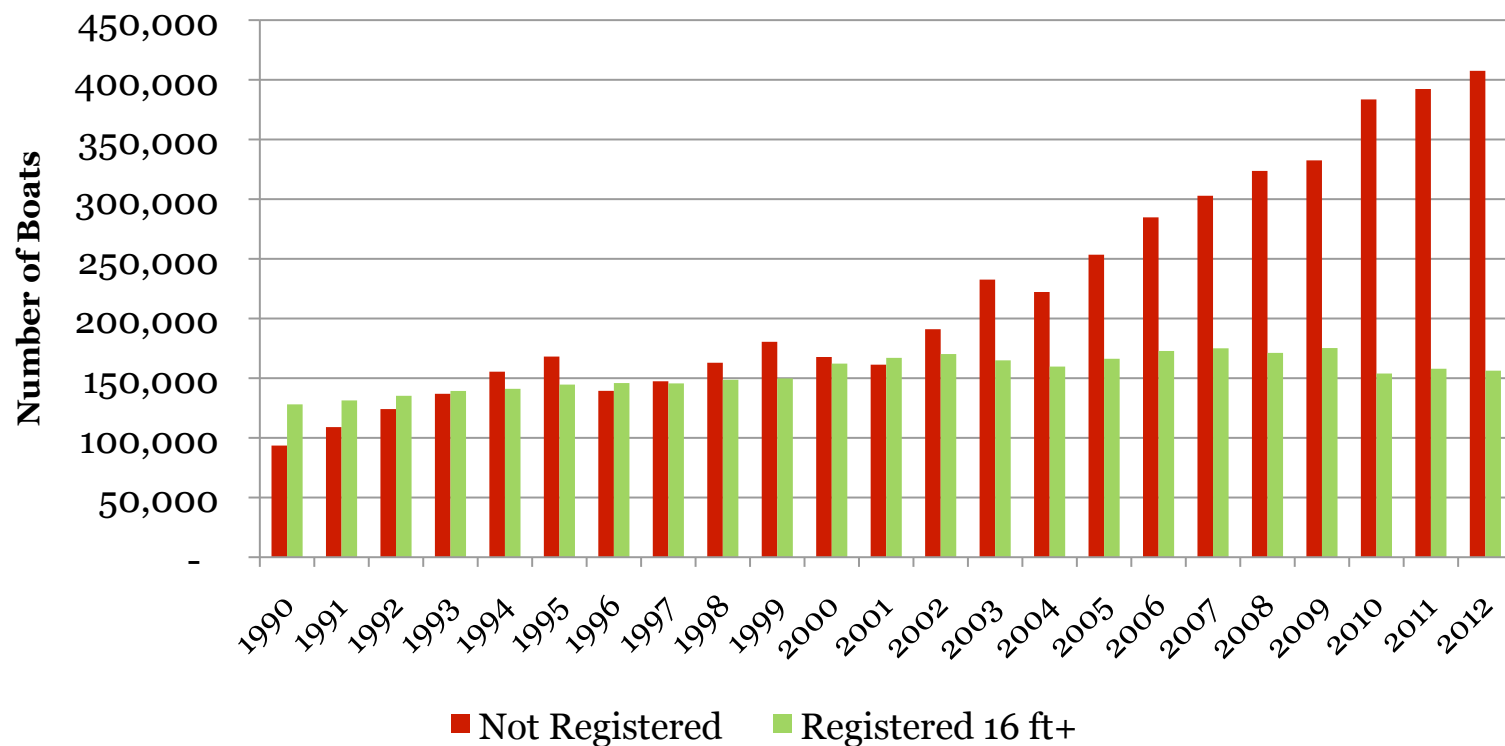


Growth averaged 9.7%/year from 2003 through 2007 (~490 boats added per year on average). Sales dropped each year from 2008 to 2011, with ~135 sold in both 2011 and 2012. Sales of new boats 27' & up were flat from 2011 through 2012.

2012 was the first year without decline since 2007-2008.

Relationship between Registered and Non-registered boats

Source: Department of Licensing



An increasing number of boaters are choosing not to register their boats. This is the first stage toward leaving boating. Need to draw them back.



Take Aways

- New boat sales and sales are improving slowly.
- Need to find a way to bring back boaters.
- Challenging demographics.
 - Powerboat owner's average age is increasing.
 - Need to introduce new users
- Age of boats is increasing.
- But – participation is up and growing.
- Opportunity to convert 150 million people to boating participation.



Outlook for 2013

Source: GE Capital, Commercial Distribution Finance (CDF)

- Sales are improving, costs are down and earnings are up at the dealer level.
- 2013 will look a lot like 2012 -- slow and steady growth in a smaller, healthier market.
 - 43% expect sales to increase 5 percent to 10 percent,
 - 30% expect sales to increase 10 percent to 15 percent.
- Positive news on some of the most critical economic factors could kick up consumer demand and drive industry performance beyond current expectations



Rental Markets

- New boat business in the NYC metropolitan area
 - **Sailorsnyc**
- Club providing rental access (30' sailboats).
- Target market is the middle-class - no limitations on the amount of days they can sail.
- Meet the needs of sailors who don't have time to sail more than a few hours at a time.

Agua Verde - UW Boat Street



Experience all that Seattle has to offer at Agua Verde Cafe & Paddle Club. Located on Lake Union's Portage Bay, we're the only place in the city where you can enjoy a scenic paddle and then relax with a delicious meal of Baja-inspired Mexican fare on our outdoor deck. Unwind with one of our signature margaritas or enjoy one of our daily specials – you'll have earned it after your paddle!





Questions?

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