

Commercial Mobile Office and Modular Building Industry

2000 Statistical Survey (Revised)



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' August 2001, Modular Building Institute

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I. INTRODUCTION

A. Modular Building Institute: Annual Survey

The Modular Building Institute ("MBI" or the "Association") is the industry trade association representing manufacturers, suppliers and dealers of commercial factory built structures. During spring 2001, the MBI prepared and distributed survey questionnaires to both member and non-member manufacturers and dealers (the "2000 Statistical Survey"). The 2000 Statistical Survey is the ninth survey conducted by the Association. In each of the seven prior years, a similar survey was conducted by the Association covering calendar years 1993 to 1999 and in October 1991, the results of a comprehensive 1990 industry survey were released. The MBI intends to conduct an annual survey of manufacturers and dealers as a device to chart industry growth and as a tool to benefit member organizations.

B. General Industry Description

Commercial Modular Buildings are non-residential factory built structures generally designed to meet federal, state and local building codes and are capable of being relocated. The commercial modular building industry is comprised of four distinct participants:

- * **Manufacturers** that sell only to Dealers;
- * **Manufacturers** that sell direct to customers as well as to Dealers;
- * **Independent Dealers**; and
- * **Suppliers** to the dealers and manufacturers.

The vast majority of **manufacturers** are private, independent single-location facilities. Manufacturers generally operate as wholesale suppliers of modular buildings to industry dealers. The wholesale manufacturers respond to dealer requests for quotations and build both mobile offices and customized modular buildings. Manufacturers that either maintain their own lease fleet or sell new and used mobile offices and modular buildings directly to retail customers are referred to as **manufacturer-direct** companies.

Independent **dealers** respond to retail customer requirements for mobile and modular space. The dealers lease or sell new and used modular buildings and mobile offices. Dealers generally work with a customer to complete a space plan, order a new building from a manufacturer and arrange for delivery and installation of the building. Dealers may subcontract the delivery and installation or perform the work with their own personnel. Dealers range in size from single location sales operations with little or no lease fleet to large, well-capitalized lessors with sales offices nationwide. A manufacturer selling or leasing directly to customers acts as a dealer.

Suppliers include component suppliers such as plywood, steel, heating and air conditioning systems, frames, chassis, plumbing and electrical fixtures as well as freight companies, installation crews, financing, insurance and bonding companies.

The mobile and modular building industry, with its roots in construction trailers, has expanded over the years to include a multitude of uses where speed of occupancy, relocatability and the temporary need for space are primary market drivers. The industry responds to an ever-increasing need to provide timely delivery of flexible and complex commercial structures. An end user's annual budgeting or appropriation process fits squarely with the primary market drivers of the industry: flexibility of design and the ability to rapidly deliver temporary space in a cost-effective manner. The modular buildings and mobile offices are not "land attached" and can generally be moved from one site to another site that later becomes more usable or profitable. Shifting demographics play a significant role in the relocatability of these structures, particularly for the educational markets.

The modular building industry can be divided into two major segments: single and doublewide factory built buildings generally leased on a short-term basis (together referred to herein as "Mobile Offices") and multi-unit (three or more) modular buildings ("Modular Buildings") typically leased for longer terms. The Mobile Office and Modular Building segments will be referred to collectively as the "modular building industry."

Individual **Mobile Offices** vary in size, with the smallest measuring 8' x 16' and the largest 18' x 84'. Typical construction is wood frame mounted on a steel chassis, with fixed or removable axles and hitches. These offices are generally built to the same model building code as those built on-site. With normal maintenance a Mobile Office will last indefinitely. While generally built to one of three national model building codes, mobile offices may be land-locked in the state(s) in which they bear a state seal indicating compliance with that states current version of the building codes. Mobile Offices intended for rental on construction sites are deemed to be temporary and generally do not have a state seal. Mobile Offices intended for use at a site other than a construction site generally do have a state seal(s). Building code enforcement procedures are assumed by state agencies which may contract their duties to independent third party inspection agencies. While state codes and procedures differ, there is growing state-to-state code compliance reciprocity. The typical rental period for single mobile offices other than classrooms is between three and eighteen months. Classrooms usually remain on lease with a single lessee for periods well in excess of thirty-six months.

In addition to construction site offices, individual Mobile Offices are used as classrooms, in-plant offices and general commercial offices. Specialty mobile units function as office/storage combinations, toilet units, showers, decontamination units, change units, restaurants, diners, fast food buildings, equipment shelters and branch banks.

Unlike Mobile Offices, which generally offer standard floor plans and standard features, **Modular Buildings** are often designed and built to meet the specific requirements of the initial end user. Modular Buildings provide high quality, rapidly built, relocatable or permanent solutions to the space demands of a broad client base. Simultaneous manufacturing and site work often allows modular building occupancy to occur much faster than traditional methods of construction. A shorter construction period can reduce both construction period financing and supervision costs and can put the building to work sooner. Nearly all engineering, design, and architectural disciplines are part of the manufacturing team, thereby eliminating the time consuming involvement of outside engineers and consultants.

Combining the design flexibility of traditional building methods with the quality of controlled manufacturing, the industry has refined a construction process which provides speed, economics, and architectural aesthetics. Historically, Modular Buildings have been used as hospital and diagnostic health care facilities, educational facilities, daycare centers, correctional facilities, banks, commercial office buildings and in a variety of high tech fast-growth industries. These practical, time and money saving alternatives to site-built buildings effectively meet the specialized needs of diverse businesses. Customers served by Modular Buildings include federal, state and local governments, school boards, corporations, non-profit organizations, Indian tribes, quasi-government entities like the U.S. Postal Service, as well as individuals, partnerships, and sole proprietorships. Other uses include medical facilities, airport facilities, military installations, restaurants, retail businesses and remote telecommunications switch stations. Some facilities are used as an adjunct to existing buildings while others are stand-alone buildings. Flexibility and reutilization are the hallmarks of modular buildings. Unlike structures built on-site which generally have fixed utilization and occupancy design, modular units fulfill a unique function of reutilization that is not site specific. It is not unusual to have a Modular Building serve a wide variety of users during its long life span.

Since users of the relocatable buildings are diverse, specific industry slowdowns do not significantly impact sales and leasing companies. The flexibility of these buildings makes them a secure investment. During severe economic downturns, these conditions allow lessors to enjoy cash flows adequate to service debt. This flexibility is further enhanced by the ability to relocate buildings to more prosperous cities or industries as opportunities arise. Certain market segments of the industry are counter-cyclical. This is particularly true of education, prisons, and governmental agencies that want to transfer funding for facility needs from capital expenditures to operating budgets. This concept also applies to industries which may want to expand, but are uncertain about the long-term strength of their growth. Budget driven companies often opt for leased facilities. In such cases Modular Buildings offer benefits and options without long-term capital commitments.

In late 1993 the Florida Department of Education released the results of a comprehensive study of **The Use of Relocatable Classrooms in the Public School Districts of Florida**. This research report from the Florida Office of Education Facilities was prepared based on the results of surveys sent to superintendents and facility planners in all 67 counties, over 1,300 teachers, site visits to schools and factories as well as meetings with industry representatives. Over sixteen thousand (16,000) relocatable classrooms were reported to be in use in Florida in 1993. The average age of those units was reported as 19 years. Each of the 67 counties had some relocatable classrooms. Facilities planners expected a service life of 23 years with many in place beyond 40 years. This study has found that the **primary advantages** of the relocatable classroom are its ability to **provide flexible, suitable short-term accommodation** for Florida's growing student population and its ability to **provide that accommodation incrementally, in a timely and cost efficient manner."** (emphasis added)

C. Survey Methodology

The MBI Membership Committee in cooperation with the Board of Directors maintains an updated list of industry participants. During May 2001, the MBI prepared survey questionnaires for all member and prospective-member dealers, manufacturer-direct companies

and manufacturers. Prior to 1998, manufacturer-direct companies (those that manufacture, lease and sell directly to retail customers) received both dealer and manufacturer questionnaires. This is the third year that manufacturer-direct companies received their own questionnaire. Questionnaires were mailed by the MBI to the following number of industry participants:

	Dealers	Integrated	Manufacturers
MBI Members	55	25	29
Prospective Members	181	73	141
Total	236	98	170

These recipients represent all companies engaged in business in our industry which are included in the MBI database. Responses were received from twenty-two (22) dealers, ten (10) manufacturer-direct companies and nineteen (19) wholesale manufacturers. Thus, the response rate based on the number of questionnaires mailed was 9.3% for dealers, 10.2% for manufacturer-direct companies and 11.2% for manufacturers. Weighted response rates based on size of the respondents could not be calculated as the MBI received only averages or totals without the benefit of individual company information.

PFS Corporation, an independent company providing quality control, testing, inspection and certification services for the modular building industry tabulated the results. The survey was conducted on a double blind basis. PFS did not have company names associated with the responses and the MBI did not receive the individual responses. The original survey responses will be held by PFS Corporation and are not available to the public or to MBI officers, members or management staff.

Only those responses answering the specific question(s) were included in any tabulation. "Zero" responses were counted as non-responses and were not included in the sample for calculating averages and other statistics.

D. Review of Descriptive Statistics

PFS Corporation tabulated the questionnaire results and provided the MBI with totals and number of responses for each total. PFS Corporation also provided certain range and concentration data as requested.

An "average" can be calculated using three different methods. The mean is the numerical average, which is the sum of the responses divided by the number of responses. "Mean" is the most commonly understood meaning of average. The median is the response that lies in the middle of a sequence, i.e., the value above and below which there are an equal number of responses (regardless of the values of those responses). The mode is the most frequently occurring response. The mean and median are provided throughout this report. The mode is reported when meaningful.

In a sample or population that has a normal or "bell-shaped" frequency distribution, the mean, median and mode all have the same value. This generally occurs when there are a large number of similar responses. "Similar" is a relative term. Similarity among observations is

reported as a standard deviation, which measures the dispersal or scatteredness of the observations. A sample population with a normal distribution has 68% of the observations within one standard deviation of the mean, and 95% of the observations within two standard deviations of the mean. When a small number of atypical observations distort the mean relative to the median and mode, the distribution is skewed. This generally occurs when there are a small number of responses or when the responses contain a significant outlier. By way of example, if survey results provide significantly different measures of average lease fleet size, then the population has a wide distribution (lots of dealers with 400 units and one dealer with 60,000 units). WHEN THE POPULATION IS SKEWED, A MEDIAN AVERAGE GENERALLY PROVIDES A BETTER ESTIMATE OF THE AVERAGE RESPONDENT.

Calculation of the appropriate average is essential in the quest to ascertain the size of the commercial modular building industry. If we were curious as to the total number of Mobile Offices and Modular Buildings in active lease fleets, the most accurate measure would be if all industry participants would truthfully disclose the number of units in their own lease fleet at a given point in time. Since this is not feasible, a reasonable method to estimate the total number of units in domestic lease fleets is to calculate a reliable average and multiply by the number of active industry participants. Accuracy of this estimate is a function of numerous factors including clarity of the questions asked, veracity of the responses, confidence in the measure of the calculated averages and estimate of the total number of industry participants.

II. MANUFACTURER RESULTS

The 2000 Manufacturer Questionnaire requested total number of floors produced and shipped in 2000 together with breakout detail over various size categories; total square footage shipped in 2000; 2000 gross sales; and both 2000 and 1999 warranty expenses.

A. Floors Produced in 2000

Nineteen (19) respondents reported 13,811 total floors shipped in 2000. The mean (mathematical average) was 727 floors and the median average (middle of the ordered responses) was 594 floors. The 1999 mean average was 1,026 and the median was 548. Thus, the mean declined while the median rose slightly over the 1999 average. The largest respondent in terms of 2000 floors produced was 19.3% of the total while the five largest accounted for 55.6% of the total.

Wholesale Manufacturer Floors Produced

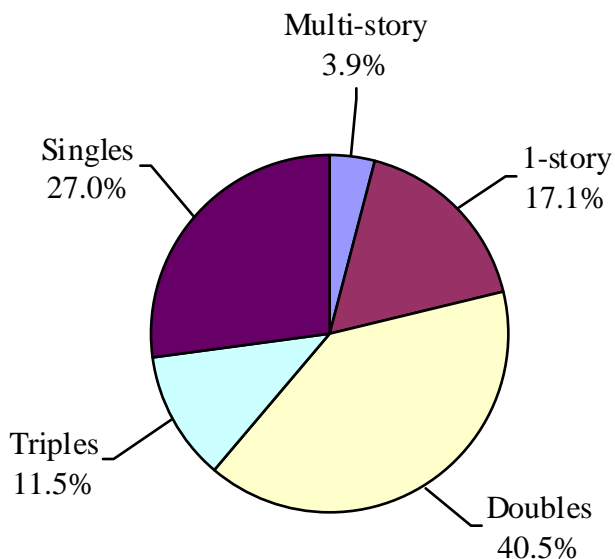
Year	Total	Mean	Median
2000	13,811	727	594
1999	21,541	1,026	548
1998	18,534	1,158	686

The 2000 MBI mean and median floors produced were checked for reasonableness by comparing the computed averages with those generated by the 2000 survey of special unit producers conducted by **Automated Builder** magazine (see March 2001 issue). Special unit producers that manufacture modular or panelized commercial buildings reported 2000 production to **Automated Builder** of 20,760 floors with a mean of 1,038 floors and a median of 600 floors. The 2000 averages are up from the 1999 **Automated Builder** mean of 692 and median of 400. While the MBI mean differs from the **Automated Builder** mean by 42%, the medians differ only 1%. Given the dispersion of the responses, the medians are the better measure of average. Since the medians are so close, the statistics are deemed reliable.

2000	Floors Shipped MBI Survey	Automated Builder
Mean	727	1,038
Median	594	600

Total floors produced by category in 2000 were calculated on the basis of the floors for which category information was provided. Sixty-seven percent (67%) of the units shipped were Mobile Offices (singles and doubles) while thirty-three percent (33%) were Modular Buildings divided between triples (11.5%), single story complexes (17.1%) and multi-story complexes (4%). In 1999, singles accounted for 38.6%, doubles 40.8% (together 79.4%); triples 8.8%, single story complexes 9.6% and multi-story complexes 2.2%.

**WHOLESALE MANUFACTURERS
2000 Floors Produced by Type**



While the percentage of doublewide units produced in 2000 remained fairly level at 40.5% (down from 40.8% in 1999), singles produced declined drastically from 38.6% in 1999 to 27.0% in 2000. The decline in singles production was absorbed by increases in triple-wides produced (up from 8.8% in 1999 to 11.5% in 2000), single story offices (up from 9.6% to 17.1%) and multi-story complexes (up from 2.2% to 3.9% in 2000).

Percent of Floors Produced by Wholesale Manufacturers

Category	2000	1999	1998
Single	27	38	47
Doublewide	41	41	30
Triplewide	11	9	10
One Story Complex	17	10	12
Multi-Story Complex	4	2	1
	100%	100%	100%

Doublewide production sustained an increased market share since the rise from 1998 while singles production continues to decline from a dominant position in 1998. As a percentage of total units produced, singles have dropped nearly in half over two short years. This may be the result of a modest slowdown in the construction industry and certainly is the result of continued strong demand in the education marketplace which is predominately served by the doublewide. Larger buildings including triple-wides, single story complexes and multi-story buildings each were shipped in far greater percentages in 2000.

B. Total Square Feet

Fifteen (15) respondents reported a total of 7.1 million square feet shipped in 2000 down from 8.2 million in the prior year. The 2000 mean was 472,107 square feet and the median was 331,002. Both are below prior year averages of 510,110 (mean) and 352,031 (median) and below the 1998 mean of 665,148 and the 1998 median of 438,342. The 2000 responses were widely scattered with a large standard deviation indicating the presence of significant outliers in the sample.

Wholesale Manufacturers Square Feet Shipped (000 s)

	Total Reported	---Averages---	
		Mean	Median
2000	7,082	472	331
1999	8,162	510	352
1998	7,982	665	438

C. 2000 Gross Sales

Eighteen (18) respondents reported 2000 gross sales attributable to floors shipped was \$250.6 million. The mean average per respondent was \$13.9 million while the median average was \$12.6 million. A high standard deviation indicates the responses were widely scattered. 2000 mean average gross sales were down from \$14.0 million in 1999 while the median average rose from \$10.7 million in the prior year.

Wholesale Manufacturer Gross Sales (Millions)

Year	Total	Mean	Median
2000	\$250.6	\$13.9	\$12.6
1999	293.6	14.0	10.7
1998	267.5	17.8	14.3

If the reported 2000 gross sales for each respondent were divided by the number of floors produced for that respondent, we can look at a rough measure of sales price per floor. The range of prices per floor was a low of \$11,114 to a high of \$128,571 (the next highest is only \$30,769) with a mean average of \$25,196 and a median average of \$18,312. If a significant outlier at the upper end of the averages is removed from the analysis, the mean declines to \$19,115 per floor and the median declines to \$18,002 per floor. Caution must be used in analyzing this data as the reported gross sales figures may include revenues from items other than sales of floors and the percentage of other revenues included for each respondent may be different. In addition, this survey treats all floors alike although there is certainly a dramatic price difference between a stock 8 x 16 and a custom floor which can be as large as 18 x 84. In light of these caveats, the range of prices per floor is understandable. Moreover, the calculated price per average floor correlates very highly with the percentage of custom floors reported by each manufacturer. Lower average prices per floor are generally stock units while higher prices are custom buildings.

In order to eliminate the bias created by different floor sizes, reported 2000 gross sales were divided by square feet produced for each respondent to generate sales per square foot. Sales per square foot ranged from \$13.89 to \$163.64 with a mean average of \$43.97 and a median average of \$35.03. If a significant outlier at the upper end of the averages is removed, the mean declines to \$34.76 per square foot and the median declines to \$32.05 per square foot. In 1999, sales per square foot ranged from \$12.39 to \$46.44 with a mean of \$29.48 and a median of \$29.84.

Average sales multiplied by the estimated number of domestic wholesale manufacturers in the MBI database generates an estimate of 2000 sales.

Mean \$13.9 million x 170 = \$2.36 billion
 Median \$12.6 million x 170 = \$2.14 billion

Given a large standard deviation, the 2000 median average is probably a more reliable statistic. Thus, estimated industry sales by wholesale manufacturers is approximately \$2.14 billion in 2000, an increase of 18% from the prior year's estimate.

In the **Automated Builder** 2000 survey, twenty-four respondents reported aggregate gross revenue of \$384.0 million with a mean average of \$16.0 million and a median average of \$14.8 million. The 2000 **Automated Builder** mean differs by 15% from the MBI mean while the median differs by 17% from the MBI result.

2000 Gross Sales

	MBI Survey	Automated Builder
Respondents	18	24
Total Gross Revenue	\$ 250.6 million	\$384.0 million
Mean Average	\$ 13.9 million	\$ 16.0 million
Median Average	\$ 12.6 million	\$ 14.8 million

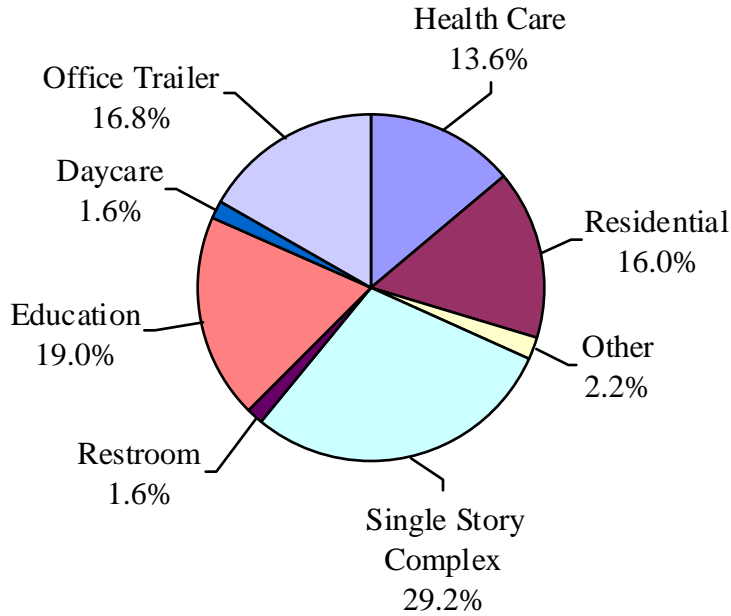
D. Warranty Expense

Seventeen (17) respondents reported 2000 warranty expenses ranged from .2% to 4% of gross revenues with a mean average of 1.3% and a median average of .85%. The same respondents reported 1999 warranty expenses ranged from .1 to 4% of gross revenues with a mean average of 1.4% and a median average of 1.0%.

E. Sales by Market Segment

Manufacturers were asked to break out the percentage of gross sales by end use market segment for 2000. The percentages were multiplied by dollar-weighted units produced for each manufacturer to get a dollar unit weighted distribution.

2000 Sales by Market Segment



F. Other Data

Manufacturers were asked to provide responses to the following questions:

- a) average number of employees in 2000;
- b) estimated total production hours in 2000;
- c) % of units shipped on time as promised at order;
- d) slowest month of production as a percent of largest month;
- e) shipments were made into how many states;
- f) ninety percent (90%) of business conducted within how many miles of plant;
- and
- g) five largest customers constitute what percent of business.

The mean and median averages for 1998 to 2000 are set forth below:

	Mean Average			Median Average		
	2000	1999	1998	2000	1999	1998
Total Employees	109	120	135	95	92	86
Production Hours (thousands)	136	221	243	97	157	132
On Time Delivery	91%	87%	88%	90%	90%	90%
Slow Month/High Month	35%	42%	40%	36%	40%	31%
Number States Shipped	13	8	13	10	8	9
Average Ship Radius (miles)	299	305	383	250	250	275
Five Largest Customers	76%	67%	65%	85%	80%	79%

The mean average number of employees decreased from 120 in 1999 to 109 in 2000 while the median average increased from 92 to 95. The trend differed for total production hours year to year; the mean average decreased from 221,000 to 136,000 and the median average decreased from 157,000 to 97,000 total production hours.

The percentage of units shipped on time remained constant at 90% (91% mean average) while the slowest month production as a percentage of largest month production decreased to 36% (35% mean average). The five largest customers accounted for 85% of the wholesale manufacturer s business based on the median average and 76% based on the mean average. While these figures were not production weighted, the larger manufacturers exhibited greater customer diversity.

Manufacturers were also asked to list the biggest problems encountered in 2000. The problems listed by manufacturers together with the frequency of responses (a manufacturer could list more than one problem); were:

Labor Shortage (Quality)	5
Inconsistent Backlogs (Economic Slowdown)	4
Government Review Delays	3
Managing Production Volume	2

SUMMARY WHOLESALE MANUFACTURERS

	2000 MBI Averages	
	Mean	Median
Gross Sales (millions)	\$13.9	\$12.6
Floors Produced in 2000	727	594
Square Feet Produced	472,107	331,002
Gross Sales/Floors Produced	\$19,115	\$18,002
Gross Sales/Square Feet	\$34.76	\$32.05

III. DEALER RESULTS

The 2000 Dealer Questionnaire requested total floors in the lease fleet at December 31, 2000 together with break out information by various size categories; fleet utilization by category; average sales price (as % of original cost) of used units together with the average age; 2000 gross revenue detail and market segment information.

A. 2000 Dealer Gross Revenue

Twenty-two (22) dealers reported total 2000 gross revenue of \$986.9 million, up from \$560.7 million reported by twenty (20) dealers in 1999. The increase in total dealer gross revenue from 1999 to 2000 is attributable solely to the composition of respondents in each sample. The total figures are essentially meaningless. Mean 2000 dealer gross revenue was \$44.8 million while median revenue was \$2.6 million. The data contains a large standard deviation which indicates widely scattered responses wherein median revenue is generally a more accurate measure of average.

Dealer Average Gross Revenue (Millions)		
MBI Survey	Mean	Median
2000	\$44.8	\$2.6
1999	28.0	5.2
1998	32.3	2.8

The 2000 mean average of \$44.8 million is well above the 1999 mean of \$28.0 million. The 2000 median average is below both the 1999 median of \$5.2 million and the 1998 median of \$2.8 million. The 2000 sample has a greater dispersion of responses resulting in a divergence of the averages. The 1999 sample included one highly disproportionate response on the top side which lowered the 1999 mean while the 2000 sample included two disproportionately large responses.

The large discrepancy between the mean and the median 2000 dealer gross revenue averages indicates a small sample with a wide variance in the responses. The highest reported total gross revenue figure is more than 3,279 times the smallest. Even more startling, the highest reported total gross revenue figure is 164 times the median average. The two largest respondents together reported 84% of the total dealer revenues. The composition of total dealer revenue (in thousands) by type together with the 2000 mean average and the 2000 median average is set forth on the following page.

**2000 Dealer Gross Revenues
(figures in thousands)**

	Reported Total	Mean Average	Median Average
Rental Income	495,971	24,799	850
Sales New	157,253	7,488	1,684
Sales Used	92,473	5,780	602
Freight In/Out	59,058	3,691	120
Set-up/Dismantle	111,812	6,988	324
Service	15,463	1,189	40
Other	54,822	7,832	293
Total	986,852	44,839(*)	2,638(*)

(*) average columns do not add up as number of respondents differed for each category.

Rental income of \$496 million reported in the 2000 survey is 50.3% of total 2000 gross revenues, up from 47% in 1999. Mean 2000 rental income was \$24.8 million, up substantially over the \$15.5 mean in 1999. While the mean was up, median rental income per dealer declined from \$2.15 million in 1999 to \$850 thousand in 2000. The divergence of the averages as compared to 1999 indicates a greater spread of the responses. Generally, the median is a more reliable average given significant divergence of responses. Thus, the average dealer generated \$850 thousand of rental income from his lease fleet in 2000.

Rental income per respondent in 2000 was divided by the number of units reported in the lease fleet at the end of the year to give some indication of rent per unit. Since an average fleet size was not used, the computed statistic suffers from a failure to account for changes in lease fleet size during the year both on the upside because units may have generated rent during the year and were sold just before year end, or on the downside because units may have been purchased just prior to year end, but contributed no rent for the year. Notwithstanding these shortcomings, the data is a fairly good indicator of rents per unit. Annual rent per unit ranged from a low of \$818 to a high of \$16,667 for the reporting dealers. The mean average was \$2,643 and the median \$2,670. Thus, a unit generated \$2,643 during 2000 at the mean. At 100% fleet utilization, this is \$220 per month. The average monthly rent will increase as utilization falls below 100%. At 82.1% utilization (the 2000 year-end utilization rate see Section III C hereinafter at page 17) the average unit rented for \$268 per month during 2000.

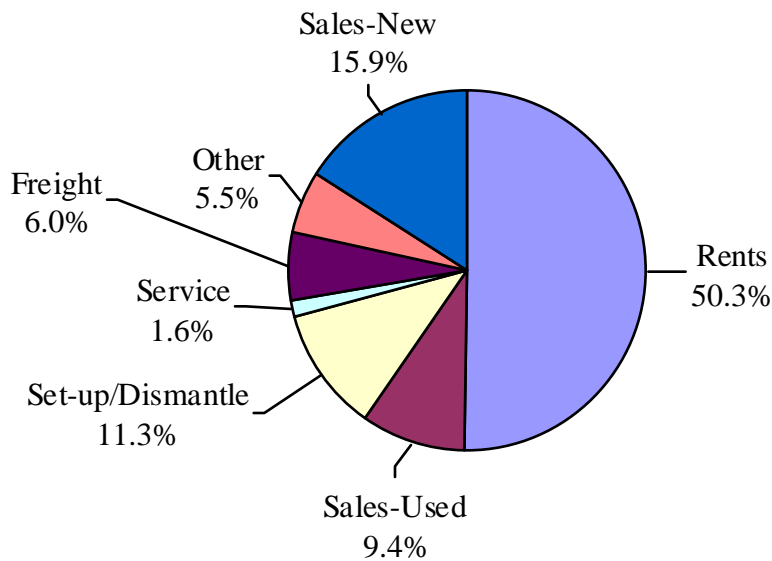
Sales of new units in 2000 was \$157.3 million, up from \$127.4 million the prior year. Once again, the mean rose (from \$6.7 million in 1999 to \$7.5 million in 2000) while the median declined per dealer (from \$2.4 million in 1999 to \$1.7 million in 2000). New sales constituted 15.9% of total 2000 revenue down from 24.3% of 1999 total revenues. Sales of used units increased from \$34.1 million in 1999 to \$92.5 million in 2000. Similarly, sales of used units accounted for 6.5% of 1999 revenue while 2000 used sales rose to 9.4% of total 2000 revenue. Together, new and used sales were \$248.7 million in 2000 representing 25.3% of total 2000 revenue. The average dealer sold \$5.8 million of used units in 2000 at the mean, nearly double the 1999 mean of \$2.4 million yet the median average dropped from \$684 thousand to \$102 thousand in 2000.

Freight (\$59.1 million in 2000), set-up/dismantle (\$111.8 million) and service (\$15.5 million) together accounted for 18.9% of 2000 revenues. Each 2000 total was nearly twice the total reported for 1999. Each mean average rose substantially over 1999 yet the median average declined in 2000. The average dealer based on the median had 2000 freight revenues of \$120 thousand, set-up/dismantle of \$324 thousand and service revenue of only \$40 thousand.

Other revenue was \$54.8 million in 2000 up from \$41.3 million in 1999. Other accounted for 5.6% of total 2000 gross revenues. Once again, the 2000 mean rose substantially (to \$7.8 million) while the median dropped to \$293 thousand. Two substantial Other responses significantly distorted the overall dealer revenue results. If these responses are ignored, the overall composition of total 2000 dealer gross revenue changes.

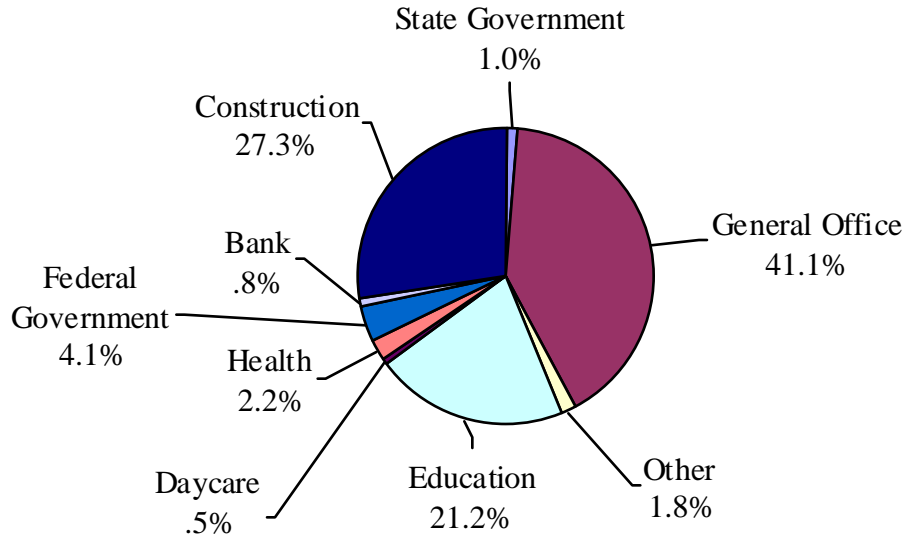
If the two significant Other responses are eliminated from the results, the share of rental revenue in 2000 rises to 53.1%, new sales are 16.9%, use sales are 9.9% (total sales = 26.8%), set-up/dismantle 12%, freight 6.3%, service 1.7% and other drops to .1%. Since only two respondents had significant other revenue, the revenue composition set forth above is probably more representative of an average dealer. Despite the taint of abnormal other responses, revenue composition based on all data submitted to the MBI is graphically depicted below.

**Source of 2000 Gross Revenues
Percent of Total**



Survey respondents were asked to allocate total 2000 gross revenues over nine market segments. The percentages from each respondent were then multiplied by that respondent's reported total revenue in order to provide the appropriate weight to each response. Revenues from the general office segment constituted more than 41% of total 2000 revenues while construction provided 27.3% and education 21.2%. Together these three primary market segments accounted for nearly 90% of dealer gross revenues in 2000.

Dealer Market Segments



Last year the construction market accounted for nearly 40% of dealer revenues, up from 34% in 1998. This year construction segment revenues fell to 27.3%. 2000 revenues from the education market also dropped from 31% in 1999 to 21% in 2000 while the general office market increased dramatically to offset the declines in both construction and education. The commercial office segment more than doubled from 18% in 1999 to 41% in 2000. Interestingly, these three primary markets increased in the aggregate from 88.8% in 1999 to 89.6% in 2000.

Gross Dealer Revenue was derived from the following markets in the past four years.

Revenue Source	2000 Percent	1999 Percent	1998 Percent	1997 Percent
Construction	27	40	34	29
Education	21	31	26	29
General Office	41	18	17	17
Health Care	2	3	3	2
Other	2	1	6	5
Federal Government	4	6	3	5
State Government	1	1	4	5
Banks	1	-	4	6
Day Care	1	-	3	2
Total	100%	100%	100%	100%

B. Lease Fleet Composition

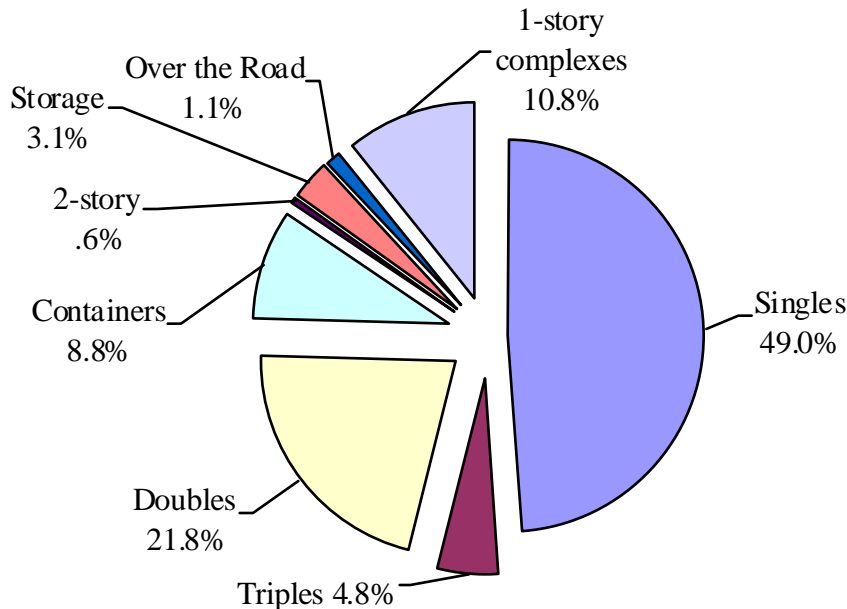
Nineteen dealers reported a total of 187,601 units in their lease fleets at December 31, 2000, up from 108,827 reported last year. The mean average was 9,874 units per dealer up from 6,402 in 1999 while the median average was 217, down significantly from 675 the prior year. The data indicates a large standard deviation which implies that the individual responses were widely scattered with significant outliers. The median was very low relative to the mean indicating that relatively few respondents had very large numbers of modular units in their lease fleets. The lease fleet of the two largest respondents in 2000 comprised nearly 86% of the total floors in the sample indicating a substantial skew. Indeed, the largest reported fleet was 29,416 times larger than the smallest in 2000. Thus, the median is a far better estimate of the size of a typical industry participant's lease fleet. See also the Summary at page 18.

Units per Dealer Lease Fleet

	2000	1999	1998	1997	1996
Mean (weighted average)	9,874	6,402	11,877	4,069	3,718
Median (middle response)	217	675	480	627	624

The single unit, leased for a variety of uses including a construction site field office, classroom, sales office or bank building, accounted for 49% of total 2000 dealer lease fleets, while containers, storage units and over the road trailers accounted for 13.0% of total units. Together, the containers, storage units, over the road trailers and singles represented nearly two-thirds of total reported units. Doublewides accounted for 21.8% of dealer fleets, up from the 1999 share of 19.0%. Triples were up from prior years at 4.8% while single-story complexes were down slightly from 11.9% in 1999 to 10.8% in 2000.

Percent of Mobile Offices and Modular Buildings In Lease Fleet at December 31, 2000



C. Lease Fleet Utilization

Eighty-two percent (82.1%) of all Mobile Offices and Modular Buildings available for lease were actually on lease at December 31, 2000, down from the 84.7% reported at the end of 1999. Singles declined modestly from 81.8% in 1999 to 81.6% in 2000. Doubles utilization declined from 89.4% in 1999 to 82.9 % in 2000 while triples declined from 82.8% to 80.8%. Containers and storage units also declined from 1999 to 2000. Single-story complex utilization dropped from 87.1% in 1999 to 80.7% in 2000. Only over-the-road trailers and multi-story complex utilization rose year to year, although both increases were with very small reported data. Over-the-road trailer utilization increased from 88.1% in 1999 to 90.6% in 2000. Multi-story complex utilization rose from 77.8% in 1999 to 96.2% in 2000.

**Percent of Mobile Offices and Modular Buildings
on Lease at December 31**

	2000	1999	1998	1997	1996	1995	1994
Single	82	82	84	90	87	82	83
Double	83	89	76	92	87	83	76
Triple/Quad	81	83	77	88	84	88	75
Complex	81	87	88	88	96	95	79
Total	82	85	82	90	87	84	83

A more detailed Summary can be found at page 18.

D. Sale of Used Units

Survey respondents reported that they sold used Mobile Offices and Modular Buildings in 2000 for a mean average 110% of original cost. The median average was 99% of original cost and the sample had a very small standard deviation.

The mean age of used units sold in 2000 was 8 years and the median age was 8 years with a symmetrical but broad distribution.

The 2000 results are very consistent with those reported in prior years. In 1999, used units were reported as sold for 111% (mean) of original cost with a median of 115% of original cost.

MBI Survey	Mean Average Sales Price (*)	Average Age in Years
2000	110	7.7
1999	111	8.0
1998	104	8.8
1997	102	7.5
1996	99	8.2
1995	97	6.8
1994	85	6.5

(*) percent of original cost

The survey was not designed to provide data to correlate age and sale prices of used modules. While the data might have been so used, there was no significant correlation. Although one might intuitively expect older buildings to sell for less than newer buildings, maintenance and other external factors appear to have a greater impact on the sales prices for used buildings.

Summary 2000 Dealer Lease Fleets

Type	Total Units	Mean	Median	On-Lease	Utilization	1999 Utilization
Singles	92,013	5,751	87	75,112	81.6%	81.8%
Doubles	40,904	3,146	63	33,922	82.9%	89.4%
Triples	8,977	997	33	7,250	80.8%	82.8%
Containers	16,526	1,156	252	13,876	84.0%	85.7%
Storage	5,831	729	235	4,623	79.3%	83.9%
Over the Road	1,996	499	259	1,808	90.6%	88.1%
1-story	20,241	2,024	49	16,326	80.7%	87.1%
2-story	1,113	371	417	1,071	96.2%	77.8%
Total	187,601			153,988	82.1%	84.7%

IV. MANUFACTURER-DIRECT RESULTS

A separate Manufacturer-Direct questionnaire was prepared by the MBI in 1998, 1999 and 2000. 1998 was the first time information was solicited from Manufacturer-Direct companies with a questionnaire which differed from that used for the Wholesale Manufacturers and the Dealers. Consequently, comparative data is only available since 1998.

A. Manufacturing Data

Nine direct manufacturers reported total 2000 gross sales of \$104.3 million with a mean average of \$11.6 million and a median average of \$10.2 million. These figures are down from the \$125.2 million gross sales in 1999 (\$114.9 in 1998) and the 1999 mean of \$15.7 million and median of \$13.5 million. The nine direct manufacturers produced 2,467 floors with a mean average of 308 floors and a median average of 263 floors. The floors constituted 1.7 million square feet (up from 1.5 million in 1999) with a mean average of 212,463 square feet and a median average of 188,588 square feet.

	DIRECT MANUFACTURERS					
	2000 Averages		1999 Averages		1998 Averages	
	Mean	Median	Mean	Median	Mean	Median
Gross Sales (millions)	\$11.6	\$10.2	\$15.7	\$13.5	\$10.4	\$11.0
Floors Produced	308	263	310	266	397	339
Square Feet Produced	212,463	188,588	186,220	171,000	246,095	256,069
Gross Sales/Floors Produced	\$34,010	\$32,129	\$52,618	\$53,759	\$34,022	\$24,865
Gross Sales/Square Feet	\$49.30	\$44.81	\$78.77	\$63.41	\$46.26	\$43.51

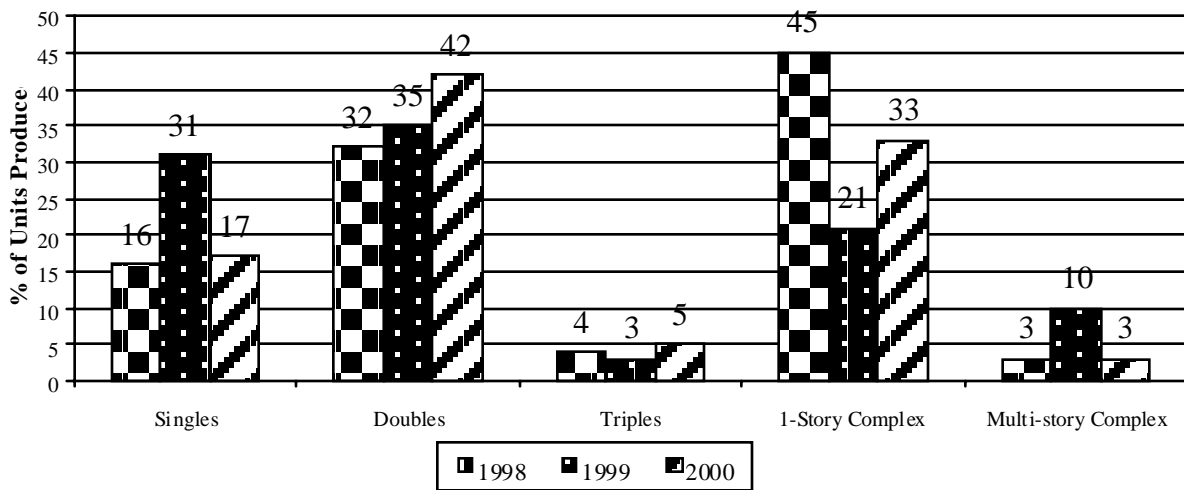
While the capacity may be less for direct manufacturers, the gross sales per floor and gross sales per square foot are significantly higher than their wholesale counterparts.

Gross sales per floor produced for direct manufacturers ranged from a low of \$14,146 to a high of \$75,000 with a mean average of \$32,766 and a median average of \$27,474. These averages are significantly below the 1999 mean of \$52,618 and median of \$53,759 but in line with the 1998 mean of \$34,022 and median of \$24,865. Compare also to the 2000 mean of \$19,115 for wholesale manufacturers and median of \$18,002. This indicates direct manufacturers generally do not produce stock units in bulk but tend to focus on custom projects. The data also indicates far less dispersion meaning the direct manufacturers are closer in size to each other than are the wholesale manufacturers. Gross sales per square foot for direct manufacturers ranged from \$16.67 to \$96.77 with a mean of \$47.14 and a median of \$45.22. Last year the range was \$29.09 to \$156.43 with much higher averages: a mean of \$78.77 and a median of \$63.41.

These averages are well in excess of the wholesale manufacturers mean of \$34.76 and median of \$32.05. There were five direct manufacturers with calculated sales per square foot in excess of the upper range for the wholesale manufacturers.

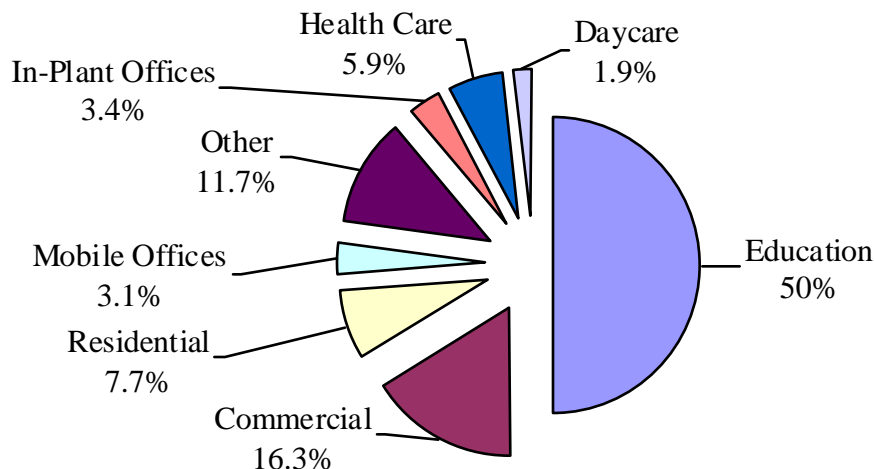
For 2000, the direct manufacturers reported producing 17% singles, 42% doubles, 5% triples, 33% single-story complexes and 3% multi-story buildings. Singles are down significantly from 31% and near the 1998 level of 16%. Doubles increased yet again to 42% while multi-story complexes declined from 10% in 1999 to 3% in 2000, the same as in 1998.

**MANUFACTURERS-DIRECT
2000 % of Units Produced by Type**



Classrooms accounted for more than 44% of 2000 production with other school buildings adding six percent to bring education market up to one-half annual production. Commercial office accounted for 16% of 2000 production totals while health care (5.9%), daycare (3.9%) and in-plant offices (3.4%) represented much smaller market shares.

Manufacturer-Direct Market Segments



B. Manufacturers-Direct Dealer Data

The results presented in this section are from member and non-member Direct Manufacturers that have their own lease fleets.

Four direct manufacturers reported 2000 gross lease fleet revenue of \$10.1 million with a mean average of \$2.5 million and a median average of \$1.9 million. This is a significant increase from the \$2.5 million total revenue reported by two respondents in 1999 with a mean of \$1.3 million and a median of \$1.3 million. Rental income accounted for more than 82% of total 2000 revenue with a mean average of \$2.1 million and a median average of \$980 thousand. Sales to retail customers accounted for just under 10% of total 2000 revenues while set-up and dismantle constituted 2.7% of revenue, service was 2.7% of revenue and freight was 2.3% of total 2000 revenue.

Direct Manufacturers reported 2000 lease fleets included 1,218 floors with a mean average of 406 floors and a median average of 273 floors. Utilization was 88.5% in the aggregate, up from 83.7% in 1999. The reported manufacturer-direct dealer fleets consist of 585 singles, 200 floors configured into doubles, 54 floors for triples, 303 containers, 12 storage trailers, and 64 floors for single-story complexes.

Used floors sold out of the lease fleets by integrated dealers in 2000 were an average of nine years old and were sold for 89% of original cost.

V. CONCLUSIONS

A. Selected Data Recap

Set forth below is a summary of some of the information detailed in sections II, III and IV of this survey.

		---Averages---	
Wholesale Manufacturers	Totals	Median	Mean
Floors Produced in 2000	13,811	594	727
Square Feet Produced	7.1 million	331,002	472,107
2000 Gross Sales	\$250.6 million	\$12.6 million	\$13.9 million
Manufacturers-Direct			
Floors Produced in 2000	2,467	263	308
Square Feet Produced	1.7 million	188,588	212,463
2000 Gross Sales	\$104.3 million	\$10.2 million	\$11.6 million
Dealers	Totals	Median	Mean
2000 Gross Revenue	\$986.5 million	\$2.6 million	\$44.8 million
2000 Lease Revenue	\$496.0 million	\$.9 million	\$24.8 million
2000 New Sale Revenue	\$156.5 million	\$1.7 million	\$7.5 million
Lease Fleet (floors)	187,601	675	9,886
Lease Fleet Utilization	--	84.7%	--
Used Units Sold (as % of cost)	--	99%	109%
Manufacturer-Direct as Dealers			
2000 Gross Revenue	\$ 10.1 million	\$1.9 million	\$2.5 million
Lease Fleet (floors)	1,218	273	406
Lease Fleet Utilization	--	88.5%	--
Used Units Sold (as % of cost)	--	89%	--

B. 2000 Industry Estimates

Using the averages provided by the MBI Survey and the number of dealers, manufacturers direct and wholesale manufacturers in the MBI database, it is possible to estimate certain information about the domestic industry as a whole. The calculated information is reliable only to the extent the statistical averages are accurate and the estimates of industry participants are accurate.

Based upon **median averages**, the MBI estimates 2000 industry totals as follows:

1. New Floors Produced in 2000	126,754
2. New Square Feet Produced in 2000	74.8 million
3. 2000 Gross Sales by Manufacturers	\$2.142 billion
4. 2000 Gross Sales by Manufacturer-Direct	\$1.00 billion
5. 2000 Dealer Gross Revenue	\$614 million
6. Floors in Dealer Lease Fleets	353,000
7. Floors in Manufacturer-Direct Lease Fleets	26,754

The number of floors in dealer lease fleets based upon the 2000 median average of 217 multiplied by 236 estimated industry participants is 51,212. This cannot be accurate as two respondents reported total fleets for their own company in excess of this computed figure. The largest reported fleet size was 88,250. Assuming a 25% market share for this respondent, total domestic dealer lease fleets are estimated at 353,000 units.

Based upon median averages and the number of companies involved in the commercial mobile office and modular building industry, the MBI estimates 2000 aggregate gross revenues of \$3.76 billion.

C. Residual Values

The economic value of a leased mobile office or modular building is determined by comparing the total cost of the asset with the income producing capacity over its useful life. Cost includes the initial manufactured cost plus all expenditures for items such as maintenance and taxes incurred during its useful life. Income includes lease revenue during the buildings useful life and sale value upon disposition. Residual value is understood to be the anticipated value of the building at the end of the lease. Dealers were asked the average sales price of units sold from their lease fleet as a percentage of original cost.

Dealers reported eight-year-old used lease fleet units sold for a mean average of 109% of original cost, and a median average of 99% of original cost. The 2000 figures are below the 1999 mean (111%) and median (115%). Despite the decline from 1999 to 2000, the 2000 mean average remains above 104% from 1998 and 102% from 1997.

D. Future Surveys

The MBI intends to conduct annual surveys in order to provide information about our dynamic industry to member organizations. A greater number of respondents to future surveys will provide more information. As the number of respondents increases, the level of confidence in the results will increase. Greater reliability of the survey results will promote market efficiencies, which will in turn attract capital. Additional capital will spur growth and contribute to the ever-increasing acceptance and use of our temporary buildings.