

**The Commercial  
Mobile Office  
And  
Modular Building Industry  
2002 Statistical Survey**

Prepared by the  
**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 summer 2003, the MBI prepared and distributed survey questionnaires to both member and non-member manufacturers and dealers soliciting certain information about calendar year 2002 (the "2002 Statistical Survey"). The 2002 Statistical Survey is the eleventh survey conducted by the Association. In each of the prior nine years a similar survey was conducted by the Association covering calendar years 1993 to 2001 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:

- \* **Wholesale Manufacturers** that sell only to Dealers;
- \* **Manufacturers-Direct** that sell to retail customers as well as to Dealers;
- \* **Independent Dealers**; and
- \* **Suppliers** to the dealers and manufacturers.

The vast majority of **wholesale 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 wholesale manufacturer or manufacturer-direct 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.

**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 require 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, sales offices, in-plant offices and general commercial offices. Specialty mobile units function as office/storage combinations, restrooms, 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 budgets 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 2003, the MBI prepared survey questionnaires for all member and prospective-member dealers, manufacturer-direct companies and wholesale manufacturers. Questionnaires were mailed by the MBI to the following number of industry participants:

|                     | <u>Dealers</u> | <u>Direct<br/>Manufacturers</u> | <u>Wholesale<br/>Manufacturers</u> |
|---------------------|----------------|---------------------------------|------------------------------------|
| MBI Members         | 58             | 29                              | 37                                 |
| Prospective Members | <u>135</u>     | <u>62</u>                       | <u>100</u>                         |
| Total               | 193            | 91                              | 137                                |

These recipients represent all companies engaged in business in our industry which are included in the MBI database. Responses were received from twenty (20) dealers, eight (8) manufacturer-direct companies and twenty (20) wholesale manufacturers. Thus, the response rate based on the number of questionnaires mailed was 10.4% for dealers, 8.8% for manufacturer-direct companies and 14.6% for wholesale manufacturers.

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 are 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.

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. As an example, 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 survey questions asked, veracity of the responses, confidence in the calculated averages and estimate of the total number of industry participants.

Section V of this survey summarizes 2002 industry estimates based on median averages and the number of industry participants as set forth in the MBI database. The MBI estimates 2002 industry revenues were \$4.54 billion (see pages 29-31).

## II. WHOLESALE MANUFACTURER RESULTS

The 2002 Wholesale Manufacturer questionnaire requested total number of floors produced and shipped in 2002 together with breakout detail over various size categories; total square footage shipped in 2002; 2002 gross sales; and both 2002 and 2001 warranty expenses.

### A. Floors Produced in 2002

Twenty (20) respondents reported 16,470 total floors produced in 2002, off less than 1% from the 16,616 floors produced in the prior year. The mean (mathematical average) was 823 floors and the median average (middle of the ordered responses) was 567 floors. The 2001 mean average was 875 and the median was 600. Thus, both the mean and the median declined slightly from the 2001 averages. The largest respondent in terms of 2002 floors produced was 22.6% of the total while the five largest accounted for 60.9% of the total.

#### Floors Produced by Wholesale Manufacturers

| <u>Year</u> | <u>Total</u> | <u>Mean</u> | <u>Median</u> |
|-------------|--------------|-------------|---------------|
| 2002        | 16,470       | 823         | 567           |
| 2001        | 16,616       | 875         | 600           |
| 2000        | 13,811       | 727         | 594           |
| 1999        | 21,541       | 1,026       | 548           |
| 1998        | 18,534       | 1,158       | 686           |

The 2002 MBI mean and median floors produced were checked for reasonableness by comparing the computed averages with those generated by the 2002 survey of special unit producers conducted by Automated Builder magazine (see March 2003 issue). Special unit producers that manufacture modular or panelized commercial buildings reported 2002 production to Automated Builder of 5,688 floors with a mean of 517 floors and a median of 434 floors. The 2002 Automated Builder mean average is down slightly from the 2001 Automated Builder mean of 536 while the 2002 median of 434 is well above the 2001 median of 350.

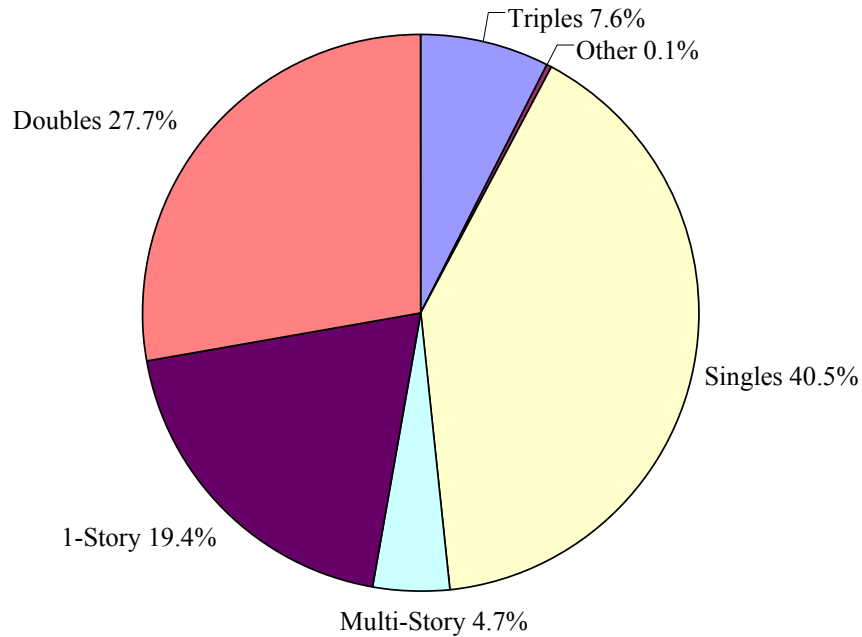
The MBI mean average of 823 is 59% above the calculated 2002 Automated Builder mean and the MBI median is 31% greater than the 2002 Automated Builder median average. The calculated averages do not correlate very well due to small, divergent sample sizes. The number of respondents to each survey was 20 for the MBI and 11 for Automated Builder. In each case, one respondent reported producing less than 75 floors in 2002. Two reported producing less than 300 floors in 2002 to Automated Builder. Five reported producing less than 300 floors in 2002 to the MBI.

#### Average Floors Produced in 2002

| Automated<br>2002 | MBI Survey | Builder |
|-------------------|------------|---------|
| Mean              | 823        | 517     |
| Median            | 567        | 434     |

Total floors produced by type in 2002 were calculated on the basis of the floors for which category information was provided. Sixty-eight percent (68%) of the units produced were Mobile Offices (singles and doubles) while thirty-two percent (32%) were Modular Buildings divided between triples (8%), single story complexes (19%) and multi-story complexes (5%). In 2001, singles accounted for 26%, doubles 39% (together 65%); triples 9%, single story complexes 21% and multi-story complexes 5%.

**WHOLESALE MANUFACTURERS  
2002 Floors Produced by Type**



The percentage of doublewide units produced in 2002 declined to 27.7% from 39.3% in the prior year while singles produced increased from 26.3% in 2001 to 40.5% in 2002. The combined increase in singles and doubles production was offset by a decrease in single story complexes (from 20.3% to 19.4%), triples (from 9.0% to 7.6%) and a slight decline in multi-story complexes (from 5.1% to 4.7% in 2002).

**Percent of Floors Produced by Wholesale Manufacturers**

| <u>Category</u>     | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| Single              | 40          | 26          | 27          | 38          | 47          |
| Doublewide          | 28          | 39          | 41          | 41          | 30          |
| Triplewide          | 8           | 9           | 11          | 9           | 10          |
| One Story Complex   | 19          | 21          | 17          | 10          | 12          |
| Multi-Story Complex | <u>5</u>    | <u>5</u>    | <u>4</u>    | <u>2</u>    | <u>1</u>    |
|                     | 100%        | 100%        | 100%        | 100%        | 100%        |

The production of singles by wholesale manufacturers increased substantially from levels in the prior two years to reclaim a dominant position. Doublewide production also reversed the trend of the past few years to settle in close to 1998 levels. Larger one-story building complexes reversed slightly, but still represent about one in five floors produced in 2002. Multi-story complexes remained at an all time high level in terms of the percentage of wholesale manufacturer production.

**B. Total Square Feet**

Thirteen (13) respondents reported a total of 5.6 million square feet produced in 2002 down substantially from 10.0 million in the prior year. The 2002 mean was 431,561 square feet and the median was 320,166. Both 2002 averages are below the corresponding averages reported in the prior year. The 2002 responses were widely scattered with a large standard deviation indicating the presence of significant outliers in the sample. The largest number of square feet produced was 213 times the smallest number reported.

**Wholesale Manufacturers  
Square Feet Produced (000's)**

|      | Total<br><u>Reported</u> | ---Averages--- |               |
|------|--------------------------|----------------|---------------|
|      |                          | <u>Mean</u>    | <u>Median</u> |
| 2002 | 5,610                    | 432            | 321           |
| 2001 | 9,997                    | 526            | 336           |
| 2000 | 7,082                    | 472            | 331           |
| 1999 | 8,162                    | 510            | 352           |
| 1998 | 7,982                    | 665            | 438           |

**C. 2002 Gross Sales**

Eighteen (18) respondents reported 2002 gross sales attributable to floors produced was \$242.0 million, down from \$303.3 million the prior year. The mean average per respondent was \$13.4 million while the median average was \$11.0 million. A high standard deviation indicates the responses were widely scattered. The 2002 mean average gross sales were down from \$16.0 million in 2001 while the median average declined from \$12.3 million in the prior year.

**Wholesale Manufacturer Gross Sales  
(Millions)**

| <u>Year</u> | <u>Total</u> | <u>Mean</u> | <u>Median</u> |
|-------------|--------------|-------------|---------------|
| 2002        | \$242.0      | \$13.4      | \$11.0        |
| 2001        | 303.3        | 16.0        | 12.3          |
| 2000        | 250.6        | 13.9        | 12.6          |
| 1999        | 293.6        | 14.0        | 10.7          |
| 1998        | 267.5        | 17.8        | 14.3          |

If the reported 2002 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 \$2,667 (the next lowest was \$10,000) to a high of \$220,000 (the next highest was only \$28,205) with a mean average of \$16,145 and a median average of \$19,914. If the significant outliers at the upper and lower end of the averages are removed from the analysis, the mean increases to \$19,267 per floor and the median increases to \$20,000 per floor. Both measures of average are above those calculated in 2001. 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 2002 gross sales were divided by square feet produced for each respondent to generate sales per square foot. Sales per square foot ranged from \$19.23 to \$314.29 (the next highest was \$106.67) with a mean average of \$32.36 and a median average of \$33.33. If a significant outlier at the upper end of the averages is removed, the mean declines to \$31.83 per square foot and the median declines to \$33.16 per square foot. In 2001, sales per square foot ranged from \$19.11 to \$168.32 with a mean of \$30.36 and a median of \$29.94 ignoring the single highest outlier.

Average sales multiplied by the estimated number of domestic wholesale manufacturers in the MBI database generates an estimate of 2002 sales.

|        |                |   |     |   |                |
|--------|----------------|---|-----|---|----------------|
| Mean   | \$13.4 million | x | 137 | = | \$1.84 billion |
| Median | \$11.0 million | x | 137 | = | \$1.51 billion |

Given a large standard deviation, the 2002 median average is probably a more reliable statistic. Thus, estimated industry sales by wholesale manufacturers is approximately \$1.51 billion in 2002, a decrease of 15% from the prior year's estimate of \$1.78 billion.

In the Automated Builder 2002 survey, thirteen (13) respondents reported aggregate gross revenue of \$144.3 million with a mean average of \$11.1 million and a median average of \$9.7 million. The 2002 Automated Builder mean is 17% below the MBI mean while the Automated Builder median is 12% below the MBI result. Given the fairly low response rates to each survey, the calculated averages are surprisingly similar.

### 2002 Gross Sales

|                        | <u>MBI Survey</u> | <u>Automated Builder</u> |
|------------------------|-------------------|--------------------------|
| Respondents            | 20                | 13                       |
| Gross Revenue Reported | \$ 242.0 million  | \$ 144.3 million         |
| Mean Average           | \$ 13.4 million   | \$ 11.1 million          |
| Median Average         | \$ 11.0 million   | \$ 9.7 million           |

#### D. Warranty Expense

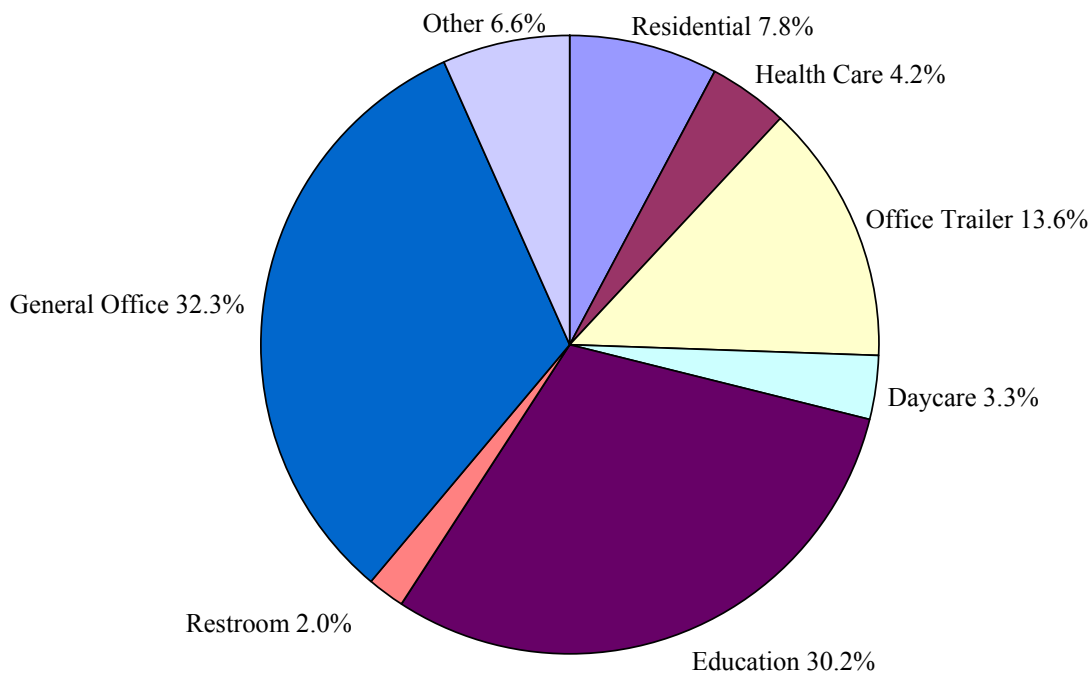
Fourteen (14) respondents reported 2002 warranty expenses ranged from .2% to 5.0% of gross revenues with a mean average of 1.8% and a median average of 1.6%. The same respondents reported 2001 warranty expenses ranged from .3% to 5.0% of gross revenues with a mean average of 1.8% and a median average of 1.5%.

#### E. Sales by Market Segment

Manufacturers were asked to break out the percentage of gross sales by end use market segment for 2002. The percentages were multiplied by gross sales for each manufacturer to get a dollar-weighted distribution. General office buildings comprised the largest end use segment at 32.3%, off from 38.1% in 2001. Education was second at 30.2% of 2002 wholesale manufacturer gross sales, up substantially from 24.1% in 2001. Office trailers accounted for 13.6% of 2002 production, down from 17.4% the prior year. Residential uses such as dormitories and man camps were 7.8% of 2002 production, down from 11.3% in 2001. Health care enjoyed an increase from 2001 figures, up from 2.8% in 2001 to 4.2% in 2002. Daycare also increased, from 1.5% last year to 3.3% in 2002.

The three largest end use markets, general office, education and office trailers, accounted for 76.1% of 2002 production by wholesale manufacturers, down from 79.6% the prior year.

**WHOLESALE MANUFACTURER SALES  
BY MARKET SEGMENT IN 2002**



**F. Other Data**

Manufacturers were asked to provide responses to the following questions:

- a) average number of employees in 2002;
- b) estimated total production hours in 2002;
- c) percentage 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 2000 to 2002 are set forth below:

|                              | Mean Average |             |             | Median Average |             |             |
|------------------------------|--------------|-------------|-------------|----------------|-------------|-------------|
|                              | <u>2002</u>  | <u>2001</u> | <u>2000</u> | <u>2002</u>    | <u>2001</u> | <u>2000</u> |
| Total Employees              | 116          | 133         | 109         | 80             | 85          | 95          |
| Production Hours (thousands) | 170          | 114         | 136         | 140            | 98          | 97          |
| On Time Delivery             | 87%          | 91%         | 91%         | 95%            | 95%         | 90%         |
| Slow Month/High Month        | 42%          | 32%         | 35%         | 44%            | 30%         | 36%         |
| Number States Shipped        | 16           | 13          | 13          | 12             | 10          | 10          |
| Average Ship Radius (miles)  | 349          | 323         | 299         | 300            | 300         | 250         |
| Five Largest Customers       | 74%          | 66%         | 76%         | 80%            | 71%         | 85%         |

The mean average number of employees decreased from 133 in 2001 to 116 in 2002 while the median average decreased from 85 to 80. The trend differed for total production hours year to year; the mean average increased from 114,000 to 170,182 hours while the median average increased from 98,000 to 140,000 total production hours.

The percentage of units shipped “on time” declined from 91% in 2001 to 87% in 2002 at the mean while the slowest month production as a percentage of largest month production increased to 42% (44% median average). The five largest customers accounted for 80% of the wholesale manufacturer’s business based on the median average and 74% based on the mean average. Both measures of customer concentration are well above the 2001 figures. In the prior year, the five largest customers accounted for 71% (median) and 66% (mean) of gross sales.

Wholesale manufacturers were also asked to list the “biggest problems” encountered in 2002. The problems listed by manufacturers together with the frequency of responses (a manufacturer could list more than one problem) were:

|   |    |
|---|----|
| Inconsistent Backlogs (Economic Slowdown) | 10 |
| Government or Dealer Review Delays        | 2  |
| Labor Shortage (Quality)                  | 0  |

## G. Summary – Wholesale Manufacturers

|                             | <u>Reported</u> | <b>2002 MBI Averages</b> |                |
|-----------------------------|-----------------|--------------------------|----------------|
|                             |                 | <u>Mean</u>              | <u>Median</u>  |
| Gross Sales (millions)      | \$242.0 million | \$13.4 million           | \$11.0 million |
| Floors Produced in 2002     | 16,470          | 823                      | 567            |
| Square Feet Produced        | 5.6 million     | 431,561                  | 320,166        |
| Gross Sales/Floors Produced | N/A             | \$19,267                 | \$20,000       |
| Gross Sales/Square Feet     | N/A             | \$31.83                  | \$33.16        |

Based on unit count, 40.5% of the floors produced by wholesale manufacturers in 2002 were singles; 27.7% were doubles; 7.6% were triples; 19.4% were single story buildings of four or more floors; and 4.7% were multi-story buildings.

Gross sales in 2002 for wholesale manufacturers were made to the general office market (32.3%); 30.2% to education; 13.6% to the construction industry; 7.8% residential such as dormitories and man camps; 4.2% health care; 2.0% restrooms; 3.3% daycare and 6.6% other.

The average number of employees declined from 2001 to 2002 both at the mean and the median. Conversely, production hours increased year to year. Wholesale manufacturers built for more states, on average, and shipped units farther in 2002 than in 2001. Customer concentrations (five largest) increased to 80% at the median and 74% at the mean while the slowest month's production as a percentage of the largest month's production increased substantially as production levels moderated.

Using median averages as calculated herein and a universe of Wholesale Manufacturers of 137, it is possible to estimate total 2002 sales and production.

|                      |   |                |
|----------------------|---|----------------|
| Gross Sales in 2002  | = | \$1.51 billion |
| Floors Produced      | = | 77,679         |
| Square Feet Produced | = | 43.86 million  |

### III. DEALER RESULTS

The 2002 Dealer questionnaire requested total floors in the lease fleet at December 31, 2002 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; 2002 gross revenue detail and market segment information.

#### A. 2002 Dealer Gross Revenue

Twenty (20) dealers reported total 2002 gross revenue of \$1.20 billion, up from \$1.16 billion reported by seventeen (17) dealers in 2001. The increase in total dealer gross revenue from 2001 to 2002 is attributable solely to the composition of respondents in each sample. Mean 2002 dealer gross revenue was \$59.9 million while median revenue was \$5.1 million. The data contains a large standard deviation which indicates widely scattered responses wherein median revenue is generally a more accurate measure of average.

| <b>Dealer Average Gross Revenue (Millions)</b> |             |               |
|--|-------------|---------------|
| <b>MBI Survey</b>                              | <b>Mean</b> | <b>Median</b> |
| 2002   | \$59.9      | \$5.1         |
| 2001   | 68.3        | 5.1           |
| 2000   | 44.8        | 2.6           |
| 1999   | 28.0        | 5.2           |
| 1998   | 32.3        | 2.8           |

The 2002 mean average of \$59.9 million is below the 2001 mean of \$68.3 million, but well above the 2000 mean of \$44.8 million. The 2002 median average of \$5.1 million is equal to the 2001 median of \$5.1 million and nearly twice the 2000 median.

The 2000 sample included one highly disproportionate response on the topside which lowered the 2000 mean while the 2001 and 2002 samples included two disproportionately large responses.

The large discrepancy between the mean and the median 2002 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 4,226 times the smallest (up from 1,334 in 2001). Even more startling, the highest reported total gross revenue figure is 92 times the median average (down from 96 in 2001).

The two largest respondents together reported 70% of the total dealer revenues down from 80% in 2001. The composition of total dealer revenue (in thousands) by type together with the 2002 mean average and the 2002 median average is set forth below.

**2002 Dealer Gross Revenues**  
(figures in thousands)

|                  | <b>Reported<br/>Total</b> | <b>Mean<br/>Average</b> | <b>Median<br/>Average</b> |
|------------------|---------------------------|-------------------------|---------------------------|
| Rental Income    | 617,758                   | 32,514                  | 2,000                     |
| Sales – New      | 193,521                   | 11,384                  | 2,882                     |
| Sales – Used     | 65,155                    | 3,258                   | 328                       |
| Freight In/Out   | 72,574                    | 4,536                   | 273                       |
| Set-up/Dismantle | 144,281                   | 9,619                   | 880                       |
| Service          | 55,755                    | 4,646                   | 43                        |
| Other            | 49,185                    | 9,837                   | 1,200                     |
| <b>Total</b>     | <b>1,198,229</b>          | <b>59,911(*)</b>        | <b>5,102(*)</b>           |

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

Rental income in 2002 was \$617.7 million, up 8% from \$571 million the prior year. Rents constituted 51.6% of total dealer revenues in 2002, up slightly from 49.1% in 2001 and above the 50.3% reported in 2000. Mean rental income was \$32.5 million, down nearly 9% from \$35.7 million in 2001 yet well over the \$24.8 million reported in 2000. Although the mean average was down, the median average increased. The 2002 median rental income per dealer was \$2.0 million, up from \$650 thousand in 2001 and well above the \$850 thousand reported in 2000.

The range of responses for rental income in 2002 was substantial with the smallest being \$8 thousand and the largest in excess of \$227 million. The top two respondents comprised 69% of reported rents and the top four comprised more than 91% of the total. The broad divergence of the mean and median averages indicates a very large dispersion of the responses. When the data is widely scattered, a median average is generally a superior measure. Thus, based on the median, an average dealer generated \$2.0 million rental revenue in 2002.

Sales of new units in 2002 were \$193.5 million, up slightly from \$193.1 million in 2001. Mean sales in 2002 were \$11.4 million and median 2002 new sales were \$2.9 million. The mean average was 6% below the 2001 mean and the 2002 median average was 21% below the 2001 median. New sales accounted for 16.1% of 2002 total revenues, down from 16.6% of the 2001 totals, but over the 15.9% share reported in 2000.

Sales of used buildings reported in 2002 was \$65.2 million, down from \$77.5 million in 2001. The 2002 mean declined from \$5.2 million in 2001 to \$3.3 million in 2002 while the median average declined from \$411 thousand in 2001 to \$328 thousand in 2002. Sales of used buildings constituted 5.4% of 2002 total revenues, down from 6.7% in the prior year and 9.4% in 2000.

Together, new and used sales in 2002 were \$258.7 million, off 4% from \$270.6 million in 2001. Aggregate 2002 sales were 21.6% of revenues, down from 23.3% of 2001 revenues and below the 25.3% reported in 2000. Based on median averages, each dealer sold \$2.9 million of new buildings and \$328 thousand of used buildings in 2002.

Set up and dismantle revenues in 2002 were \$144.3 million, up 1% from the \$142.7 million reported in 2001. Set up and dismantle revenues accounted for 12% of 2002 dealer revenues. Mean 2002 set up and dismantle revenues were \$9.6 million while the 2002 median was \$880 thousand. Both averages are up slightly from the figures reported in 2001. Reported set up and dismantle revenues in 2002 range from \$76.3 million to \$6 thousand. The two largest accounted for 87.5% of the reported totals.

Freight revenues were \$72.6 million in 2002, up 9% from \$66.8 million in 2001. The mean average in 2002 was \$4.5 million, up 9% from the 2001 mean of \$4.1 million while the median increased significantly from \$115 thousand in 2001 to \$273 thousand in 2002.

Service was \$55.8 million in 2002, well above the \$4.1 million reported in 2001. Not surprisingly, the mean soared from \$370 thousand in 2001 to \$4.6 million in 2002 while the median average declined slightly from \$50 thousand to \$43 thousand in 2002. Service accounted for 4.7% of 2002 revenues, up from .5% in the prior year.

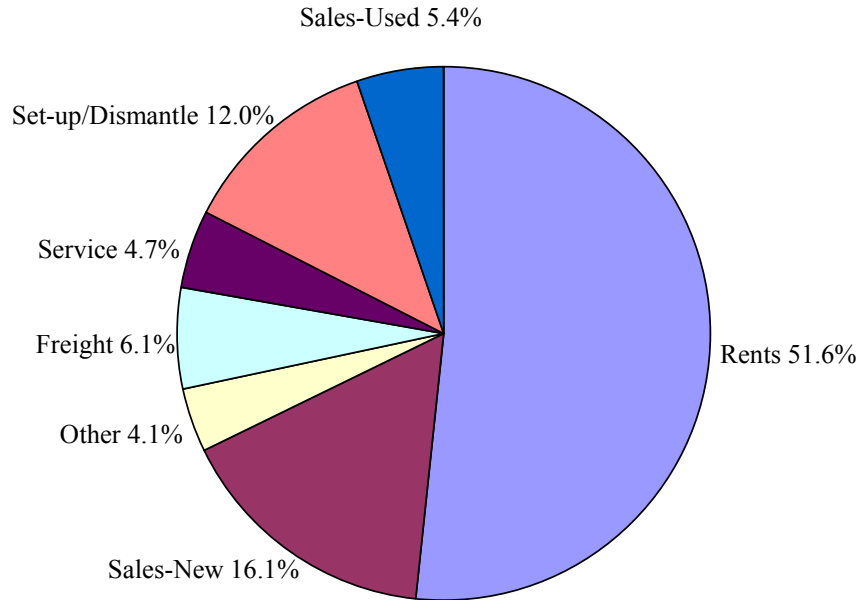
Ancillary fleet services including delivery, set up and dismantle, and service together was slightly over \$272.7 million in 2002, a 28% increase over \$213.6 million in the prior year. Together these ancillary services constituted 22.8% of total gross revenue, up from 18% of total revenues in 2001.

Other revenue reported in 2002 was \$48.4 million, less than half the \$104.6 million reported in 2001. The 2002 mean was \$9.8 million, off 3% from the 2001 mean of \$10.1 million. The 2002 median, however, was \$1.2 million, well above the \$164 thousand median of 2001. While respondents reported "other" income, no detail was provided as to what constituted the other income. Typically, other would include insurance waivers, furniture rentals and security and alarm system rentals. One respondent reported more than 91% of total "other" revenue. If this response is removed, other revenue in 2002 drops to a mean of \$1.1 million and a median of only \$870 thousand.

In summary, rents were nearly 52% of total reported 2002 dealer gross revenues. Aggregate sales were 22% of 2002 totals and ancillary services such as set up, dismantle, freight and service accounted for 23% of total 2002 reported revenues.

Including all reported gross income, the 2002 revenue composition for dealers is as follows:

**SOURCE OF 2002 GROSS REVENUES**  
**Percent of Total**

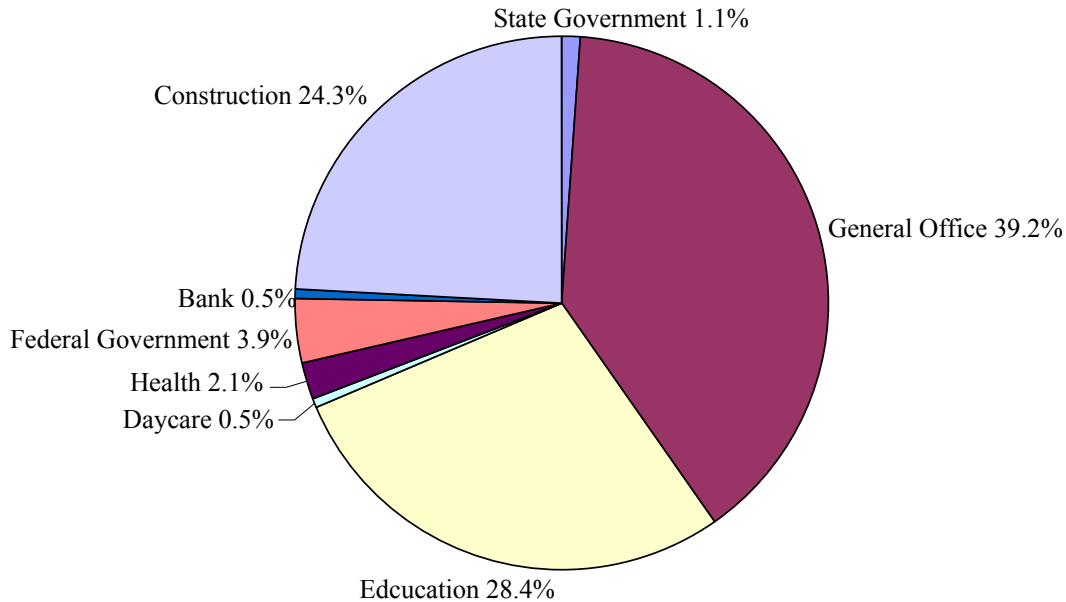


If the large “other” response is removed from the analysis, the composition of total 2002 revenues may be recast as follows: rents 53.5%; sales of new 16.8%; sales of used 5.6%; (sales total 22.4%); set up and dismantle 12.5%; freight 6.3%; service 4.8%; and other .4%.

**B. Revenues by Market Segment**

Survey respondents were asked to allocate total 2002 gross revenues over nine primary 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 39.2% of total 2002 revenues while construction provided 24.3% and education 28.4%. Together these three primary market segments accounted for nearly 92% of dealer gross revenues in 2002.

**DEALER MARKET SEGMENTS  
(Revenue Weighted)**



Last year the construction market accounted for 26% of dealer revenues, down from 27% in 2000. In 2002, construction segment revenues fell to 24.3%. 2002 revenues from the education market rose from 22% in 2001 to 28% in 2002 while the general office market declined slightly from 40% in 2001 to 39% in 2002.

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

| Revenue Source     | 2002<br>Percent | 2001<br>Percent | 2000<br>Percent | 1999<br>Percent | 1998<br>Percent |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Construction       | 24              | 26              | 27              | 40              | 34              |
| Education          | 28              | 22              | 21              | 31              | 26              |
| General Office     | 39              | 40              | 41              | 18              | 17              |
| Health Care        | 2               | 2               | 2               | 3               | 3               |
| Other              | -               | 1               | 2               | 1               | 6               |
| Federal Government | 4               | 5               | 4               | 6               | 3               |
| State Government   | 1               | 2               | 1               | 1               | 4               |
| Banks              | 1               | 1               | 1               | -               | 4               |
| Day Care           | <u>1</u>        | <u>1</u>        | <u>1</u>        | <u>-</u>        | <u>3</u>        |
| Total              | 100%            | 100%            | 100%            | 100%            | 100%            |

### C. Lease Fleet Composition

Nineteen (19) dealers reported a total of 202,722 units in their lease fleets at December 31, 2002, up 4% from 194,146 reported last year. The mean average was 10,670 units per dealer down from 11,420 in 2001 while the median average was 371, up from 263 in 2001.

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 fleets of the two largest respondents in 2002 comprised nearly 71% of the total floors in the sample indicating a substantial skew. Indeed, the largest reported fleet was 23,451 times the smallest in 2002 (one dealer reported a lease fleet of 4 with 100% utilization). Thus, the median is a far better estimate of the size of a typical industry participant's lease fleet.

#### Units in Dealer Lease Fleets at December 31

|                          | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Mean (weighted average)  | 10,670      | 11,420      | 9,874       | 6,402       | 11,877      |
| Median (middle response) | 371         | 263         | 217         | 675         | 480         |

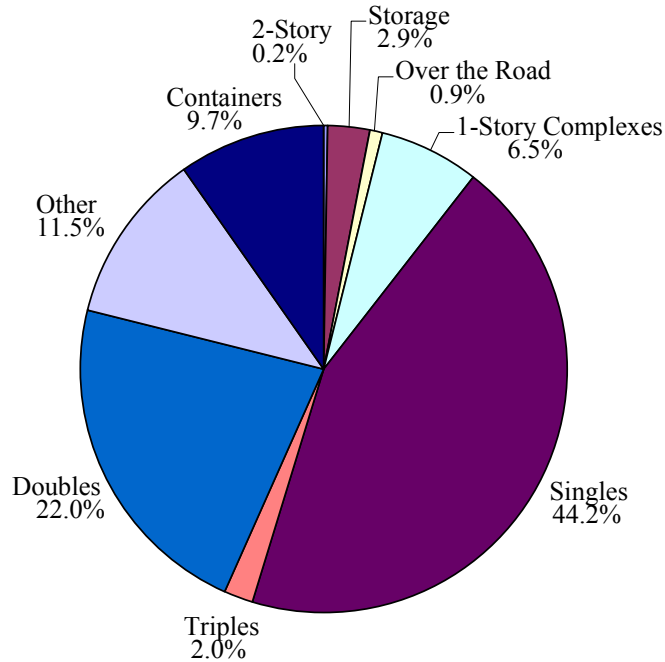
The single unit, leased for a variety of purposes including a construction site field office, classroom, sales office or bank building, accounted for 44.2% of total 2002 dealer lease fleets, down from 44.4% in 2001. Containers, storage units and over the road trailers together accounted for 13.6% of total units, up from 12.6% in 2001. Doublewides accounted for 22.0% of dealer fleets in 2002, down from the 2001 share of 27.8%. Triples were down from prior years at 2.0% while single-story complexes were off from 11.9% in 2001 to 6.5% in 2002.

Dealers reported a total of 89,571 single mobile offices, up from 86,289 the prior year. The mean average was 4,976 at December 31, 2002, below the 5,753 reported at the end of the prior year. The 2002 median declined from 203 at the end of 2001 to 129 at the end of 2002. See the summary at page 21.

A total of 44,625 doubles were reported at December 31, 2002, down from 53,996 at the end of the prior year. The mean declined from 3,375 to 2,975 while the median increased from 200 at the end of 2001 to 416 at the end of 2002.

Single-story complexes were reported at 13,135 floors at December 31, 2002, down significantly from 23,147 at the end of 2001. The 2002 mean declined from 2,104 to 1,194 while the median average increased from 56 at the end of 2001 to 77 one year later.

**Percent of Mobile Offices and Modular Buildings  
In Lease Fleet at December 31, 2002**



Dealers reported 19,691 containers at the end of 2002, up from 16,992 a year earlier. The mean average rose from 2,124 to 2,189 while the median increased from 232 to 261.

Triple-wides suffered a large reported percentage decline, from 5,367 units at the end of 2001 to only 4,064 at December 31, 2002. The averages split with the mean declining from 447 to 339 and the median rising from 8 to 43 at the end of 2002.

The number of storage units reported increased year to year from 5,429 at the end of 2001 to 5,940 a year later. Despite the increase, the averages split. The mean declined from 1,086 to 990 at the end of 2002 while the median climbed from 505 to 615.

Over-the-road trailers decreased slightly in reported totals from 2,034 at the end of 2001 to 1,849 a year later. Both averages declined: the mean declined from 1,017 to 925 while the median dropped from 1,017 to the same 925.

The largest percentage increase in reported total units was in multi-story complexes. A total of 168 units were reported at the end of 2001 while 500 were reported at the end of the following year. Not surprisingly, both averages rose significantly: the mean from 168 to 500 and the median from 168 to 500.

#### D. Lease Fleet Utilization

Lease fleet utilization was measured at December 31, 2002 based on units leased divided by total units. Seventy-six and two thirds percent (76.7%) of all mobile offices and modular buildings available for lease on December 31, 2002 were actually on lease, down from 79.0% at December 31, 2001 and 82.1% on December 31, 2000.

Utilization of single Mobile Offices was reported to be 72.6%, down from 75.7% as of December 31, 2001. Utilization of doubles also declined at December 31, 2002 from the prior year, but the drop was a modest .4% from 81.9% to 81.5%. Triple-wide utilization declined year over year from 82.0% at the end of 2001 to 79.4% at the end of 2002. Single-story complex utilization increased slightly from 81.0% to 81.5% at December 31, 2002 while utilization of multi-story leased complexes increased from 76.2% to 80.0%. Over-the-road trailer utilization declined from 95.4% at the end of 2001 to 78.0% a year later. Utilization of storage units (72.4% to 68.5%) declined in 2002 while container utilization (82.4% to 83.1%) rose.

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

|             | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Single      | 73          | 76          | 82          | 82          | 84          | 90          |
| Double      | 82          | 82          | 83          | 89          | 76          | 92          |
| Triple/Quad | 79          | 82          | 81          | 83          | 77          | 88          |
| Complex     | <u>82</u>   | <u>81</u>   | <u>81</u>   | <u>87</u>   | <u>88</u>   | <u>88</u>   |
| Total       | 77          | 79          | 82          | 85          | 82          | 90          |

#### E. Sale of Used Units

Twenty (20) survey respondents reported that they sold used Mobile Offices and Modular Buildings in 2002 for a mean average 98% of original cost, down from 101% in the prior year. The median average was 97% of original cost, down from 101% in 2001. The sample had a very small standard deviation.

The mean age of used units sold in 2002 was 8 years and the median age was 9 years with a symmetrical but broad distribution.

The 2002 results are fairly consistent with those reported in prior years. In 2002, used units were reported as sold for 101% (mean) of original cost with a median of 101% of original cost. In 2000, used units sold for 110% of cost at the mean with a median of 99% of cost.

| MBI Survey | Mean Average<br>Sales Price (*) | Average<br>Age in Years |
|------------|---------------------------------|-------------------------|
| 2002       | 98                              | 8.0                     |
| 2001       | 101                             | 6.9                     |
| 2000       | 110                             | 7.7                     |
| 1999       | 111                             | 8.0                     |
| 1998       | 104                             | 8.8                     |
| 1997       | 102                             | 7.5                     |

(\*) 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.

#### F. Summary of 2002 Dealer Lease Fleets

| <u>Type</u>   | <u>Total Units</u> | <u>Mean</u>      | <u>Median</u> | <u>On-Lease</u> | <u>2002 Utilization</u> | <u>2001 Utilization</u> |
|---------------|--------------------|------------------|---------------|-----------------|-------------------------|-------------------------|
| Singles       | 89,571             | 4,976            | 129           | 65,015          | 72.6%                   | 75.7%                   |
| Doubles       | 44,625             | 2,975            | 416           | 36,367          | 81.5%                   | 81.9%                   |
| Triples       | 4,064              | 339              | 43            | 3,228           | 79.4%                   | 82.0%                   |
| Containers    | 19,691             | 2,189            | 261           | 16,363          | 83.1%                   | 82.4%                   |
| Storage       | 5,940              | 990              | 615           | 4,068           | 68.5%                   | 72.4%                   |
| Over the Road | 1,849              | 925              | 925           | 1,442           | 78.0%                   | 95.4%                   |
| 1-story       | 13,135             | 1,194            | 77            | 10,708          | 81.5%                   | 81.0%                   |
| 2-story       | 500                | 500              | 500           | 400             | 80.0%                   | 76.2%                   |
| Other         | 23,347             | 3,891            | 61            | 17,827          | 76.4%                   | 85.9%                   |
| <b>Total</b>  | <b>202,722</b>     | <b>10,670(*)</b> | <b>371(*)</b> | <b>155,418</b>  | <b>76.7%</b>            | <b>79.0%</b>            |

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

Average dealer revenues multiplied by the estimated number of dealers in the MBI database should generate an estimate of industry revenues produced by dealers in 2002.

|        |  |
|--------|--|
| Mean   | \$59.9 million x 193 = \$11.56 billion |
| Median | 5.1 million x 193 = \$984.3 million    |

Given a large standard deviation in dealer responses, the 2002 median average should be the more reliable statistic. Unfortunately, the twenty (20) respondents to this years survey reported 2002 gross revenue of \$1.20 billion. The number reported exceeds our calculated estimate based on the median average. The actual 2002 contribution from all dealers undoubtedly lies somewhere between the two amounts calculated above based on the different averages.

The two largest respondents to the 2002 survey reported aggregate revenues of \$840.2 million. If you believe these two dealers represent a 50% market share, then industry revenues for 2002 can be estimated at \$1.68 billion. If the two dealers U.S. market share is actually below 50%, then the estimate of 2002 dealer revenues would increase. Conversely, if the two largest dealers U.S. market share in 2002 exceeded 50%, then the estimate of total dealer revenues would decline.

Despite the calculations outlined herein, the MBI estimates the two largest dealers have an aggregate 33% market share. The \$840.2 million reported revenues divided by the 33% estimated market share generates an industry revenue estimate of \$2.52 billion for the independent dealers in 2002.

Using the same 33% market share assumption for the two largest dealers in the United States, the MBI estimates domestic lease fleets total approximately 431,500 floors.

#### IV. MANUFACTURER-DIRECT RESULTS

The 2002 Manufacturer-Direct questionnaire requested all information detailed for the Wholesale Manufacturers as well as all information requested of Dealers. Manufacturers-Direct are manufacturers that also sell and lease directly to retail customers. The Manufacturers-Direct questionnaire requested the total number of floors produced in 2002 together with breakout information over various size categories; total square footage, and 2002 gross sales from manufacturing. The Manufacturers-Direct questionnaire also requested total floors in the lease fleets at December 31, 2002; fleet utilization by building size; 2002 gross revenues from leasing and used unit sales as well as average sales prices of used units.

##### A. Manufacturing Data

Eight (8) direct manufacturers reported total 2002 gross sales of \$96.7 million with a mean average of \$12.1 million and a median average of \$9.5 million. The gross sales figure is down from \$250.7 million in 2001 (\$104.3 million in 2000). In addition, both the 2002 mean and the 2002 median are well below the 2001 mean of \$25.1 million and the 2001 median of \$20.5 million. The eight direct manufacturers produced 2,813 floors with a mean average of 352 floors and a median average of 335 floors. Both averages are below the 2001 averages of 506 and 492 respectively. The floors constituted 1.1 million square feet (down from 2.4 million in 2001) with a mean average of 186,059 square feet and a median average of 190,159 square feet. Both averages are below the 2001 averages of 262,116 (mean) and 202,180 (median).

|                                    | <b>DIRECT MANUFACTURERS</b> |                      |                      |                      |                      |                      |
|------------------------------------|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | <b>2002 Averages</b>        |                      | <b>2001 Averages</b> |                      | <b>2000 Averages</b> |                      |
|                                    | <b><u>Mean</u></b>          | <b><u>Median</u></b> | <b><u>Mean</u></b>   | <b><u>Median</u></b> | <b><u>Mean</u></b>   | <b><u>Median</u></b> |
| <b>Gross Sales (millions)</b>      | \$12.1                      | \$9.5                | \$25.1               | \$20.5               | \$11.6               | \$10.2               |
| <b>Floors Produced</b>             | 352                         | 335                  | 506                  | 492                  | 308                  | 263                  |
| <b>Square Feet Produced</b>        | 186,059                     | 190,159              | 262,116              | 202,180              | 212,463              | 188,588              |
| <b>Gross Sales/Floors Produced</b> | \$32,387                    | \$30,082             | \$44,917             | \$53,365             | \$32,766             | \$27,474             |
| <b>Gross Sales/Square Feet</b>     | \$60.05                     | \$61.14              | \$90.03              | \$81.29              | \$47.14              | \$45.22              |

While manufacturing capacity is generally less for direct manufacturers, gross sales per floor and gross sales per square foot are significantly higher than their wholesale counterparts.

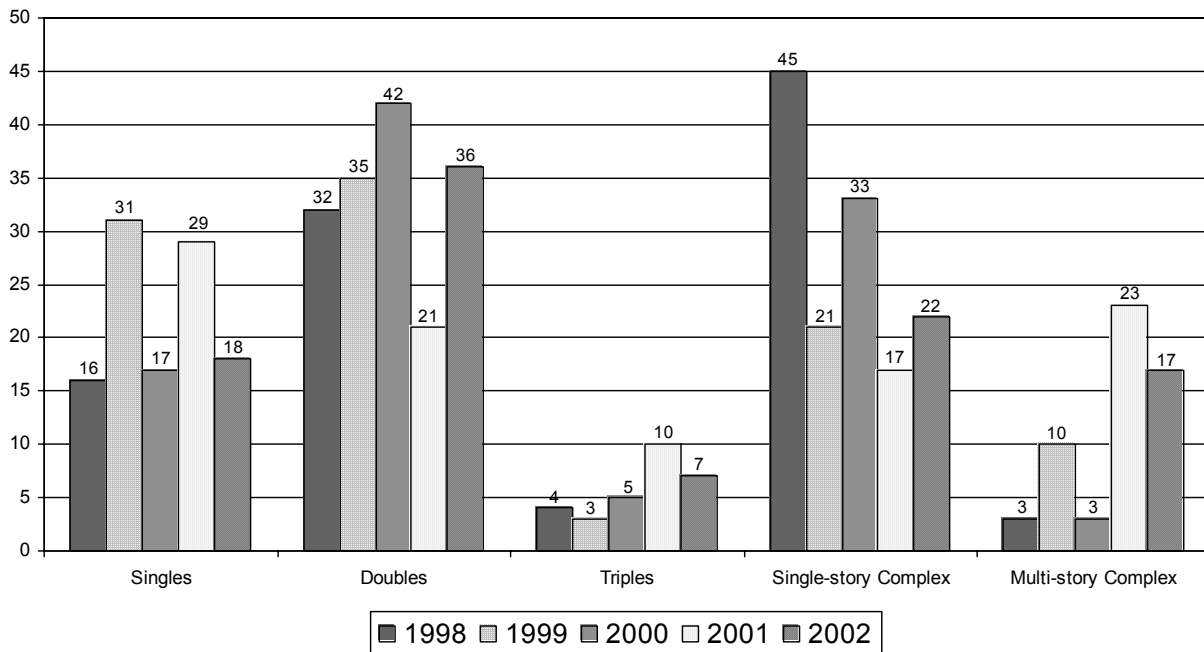
Gross sales per floor produced in 2002 by direct manufacturers ranged from a low of \$7,143 to a high of \$75,000 with a mean average of \$32,387 and a median average of \$30,082. These averages are significantly below the 2001 mean of \$44,917 and median of \$53,364 but in line with the 2000 mean of \$32,766 and median of \$27,474. Compare also to the 2002 mean of \$19,267 and median of \$20,000 for wholesale manufacturers. 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 in 2002 for direct manufacturers ranged from \$27.17 to \$88.72 with a mean of \$60.05 and a median of \$61.14. Last year the range was \$30.20 to \$187.50 with much higher averages: a mean of \$90.03 and a median of \$81.29.

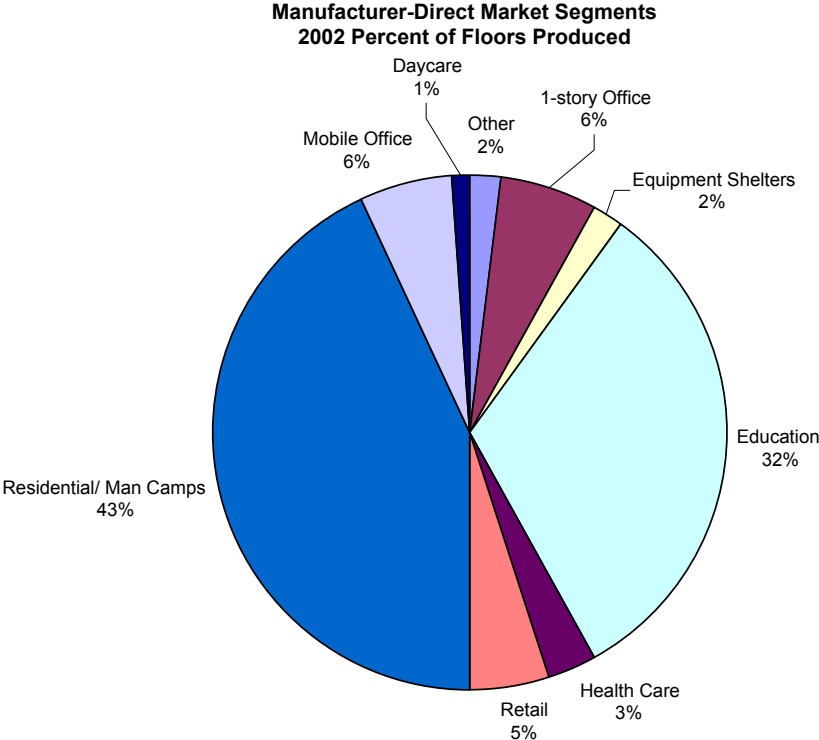
These averages are well in excess of the 2002 wholesale manufacturers' mean of \$31.83 and median of \$33.16.

For 2002, the direct manufacturers reported producing 17.9% singles, 36.2% doubles, 6.8% triples, 22.1% single-story complexes and 17.0% multi-story buildings. Singles are down significantly from 28.7% in 2001 and near the 2000 level of 17%. Doubles increased from 20.7% in 2001 to 36.2% in 2002. The production of triplewides declined from 10% in 2001 to 6.8% in 2002. The production of single story complexes increased from 17% of 2001 production to 22.1% of 2002 production. The converse was true of multi-story complexes. In 2001, 23% of manufacturer direct production was reported for multi-story buildings. In 2002, the production declined to 17%.

**MANUFACTURERS-DIRECT  
% of Units Produced by Type  
1998 to 2002**

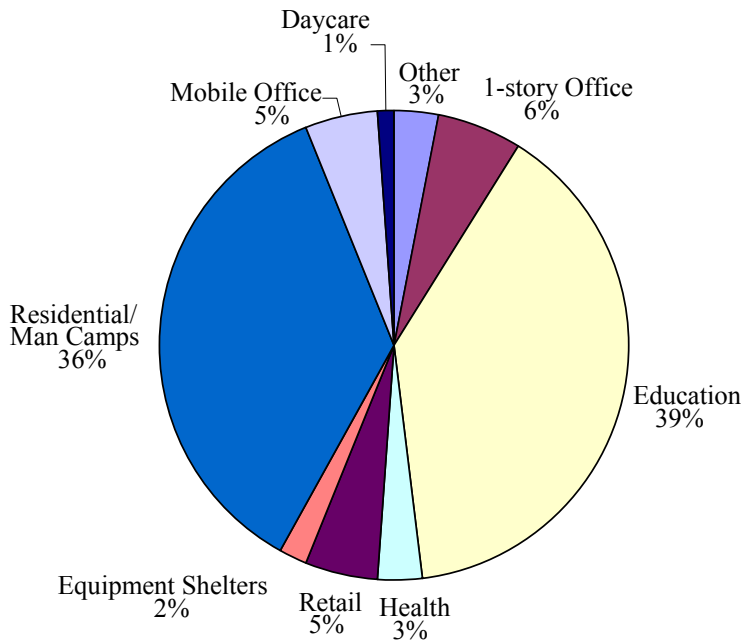


Residential units and man camps accounted for 43% of the floors produced in 2002 up from 41% last year. Classrooms and schools were 32% of 2002 production, up significantly from 27% of total 2001 floors. Single-story offices declined from 12.4% in 2001 to 6% in 2002. Equipment shelters experienced the largest decline in terms of percentage of production, dropping from 12.3% in 2001 to just 1.5% in 2002. Last year both retail and health care were so small they were grouped into other. In 2002 retail was 5% of the floors produced as reported by the eight respondents and health care was 3%. The production of mobile offices increased from 2% in 2001 to 6% in 2002.



Residential units and man camps accounted for 35.8% of gross dealer revenues from manufacturers-direct in 2002 which correlates positively with the 43% of floors produced as set forth above. This suggests the cost of a residential floor is well below the average. Education, both classrooms and school buildings, were 38.8% of 2002 gross revenues yet they were 32% of the floors produced in 2002. Thus, the cost of the education floors must be above the average floor price for manufacturer-direct companies. Single story offices accounted for both 6% of 2002 gross revenues and 6% of floors produced.

**MANUFACTURERS-DIRECT**  
**Market Segments as a Source of 2002 Gross Revenue**



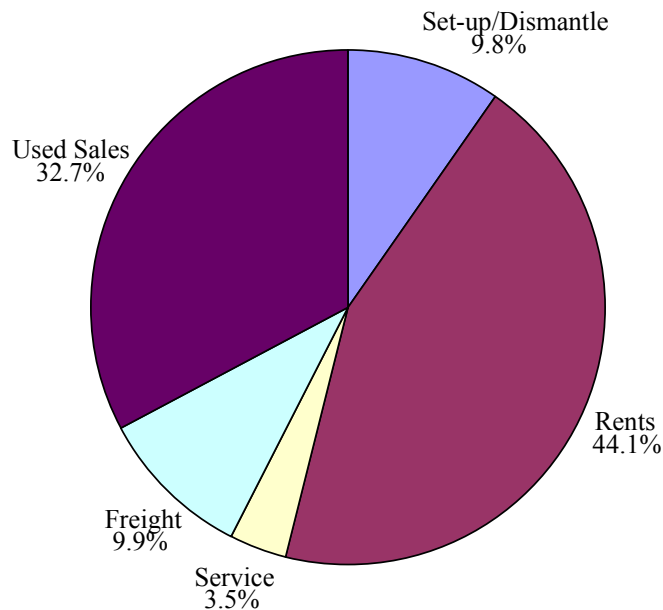
**B. Manufacturers-Direct Dealer Data**

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

Three (3) direct manufacturers reported 2002 gross lease fleet revenue of \$5.8 million down from \$32.6 million reported by five (5) respondents in 2001. Gross dealer revenues in 2002 had a mean average of \$1.9 million and a median average of \$2.3 million. The 2002 mean is well below the \$6.5 million in 2001, but the 2002 median of \$2.3 million is above the \$650 thousand reported in the prior year.

Rental income accounted for 44.1% of total 2002 gross revenues, down from 48% the prior year. Used sales were 32.7% of 2002 revenue, down from 43.4% in 2001. Freight was 9.9% of 2002 revenue (4.3% in 2001) while set up and dismantle was 9.8% of 2002 revenue (2.9% in 2001) and service constituted 3.5% of 2002 total revenue (up from 1.3% in 2001).

**Source of 2002 Gross Revenues  
Manufacturers - Direct**



Direct Manufacturers reported 2002 lease fleets included 1,328 floors with a mean average of 443 floors and a median average of 449 floors. Utilization was 73.8% in the aggregate, up significantly from 62.5% in 2001. Utilization percentages by building size were as follows in 2002: singles 78.6%; doubles 68.0%; triples 100%; single-story complexes 100%; and containers 0%. The reported manufacturer-direct dealer fleets consist of 369 singles, 212 floors configured into doubles, 18 floors for triples, 9 containers and 33 floors for single-story complexes. One respondent reported 687 total floors, but provided no detail as to type of units.

Used floors sold out of the lease fleets by direct manufacturers in 2002 were an average of seven years old and were sold for a mean average of 108% of original cost (median was 110% of original cost).

Eight (8) direct manufacturers reported employing 662 with a mean average of 83 and a median of 80. Total production hours in 2002 were 474 thousand with a mean of 79,000 and a median of 67,964. On time deliveries were 87% (90% median) and the slowest month of production was 24% of the highest month. The five largest customers accounted for 34% of business in 2002 at the mean (and 30% median). The biggest problems on the manufacturing side of the business were finding and retaining a skilled workforce and dealing with a slow down of demand.

### **C. Summary**

Based upon median manufacturing revenues from the Manufacturers-Direct in 2002 and an estimated 91 companies in the United States, total manufacturing side revenues from Manufacturers-Direct in 2002 is \$864.5 million. Using the same median averages and 91 companies, the Manufacturers-Direct produced 30,485 floors in 2002 comprised of 17.3 million square feet.

On the dealer side, gross revenues are estimated at \$209.3 million (median of \$2.3 million x 91) in 2002. Total floors in Manufacturers-Direct lease fleets as of December 30, 2002 are estimated at 40,859 with 74% utilization.

## 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. The "Totals" reflect amounts reported by the survey respondents. The averages have been calculated from the available data.

|                                       |                 | ---Averages--- |                |
|---------------------------------------|-----------------|----------------|----------------|
| <u>Wholesale Manufacturers</u>        | <u>Totals</u>   | <u>Median</u>  | <u>Mean</u>    |
| Floors Produced in 2002               | 16,470          | 567            | 823            |
| Square Feet Produced                  | 5.6 million     | 320,166        | 431,561        |
| 2002 Gross Sales                      | \$242.0 million | \$11.0 million | \$13.4 million |
| <br>                                  |                 |                |                |
| <u>Manufacturers-Direct</u>           |                 |                |                |
| Floors Produced in 2002               | 2,813           | 335            | 352            |
| Square Feet Produced                  | 1.1 million     | 190,159        | 186,059        |
| 2002 Gross Sales                      | \$96.7 million  | \$9.5 million  | \$12.1 million |
| <br>                                  |                 |                |                |
| <u>Dealers</u>                        | <u>Totals</u>   | <u>Median</u>  | <u>Mean</u>    |
| 2002 Gross Revenue                    | \$1.20 billion  | \$5.4 million  | \$59.9 million |
| 2002 Lease Revenue                    | \$618 million   | \$2.0 million  | \$32.5 million |
| 2002 New Sale Revenue                 | \$194 million   | \$2.9 million  | \$11.4 million |
| Lease Fleet (floors)                  | 202,722         | 371            | 10,670         |
| Lease Fleet Utilization               | --              | 76.7%          | --             |
| Used Units Sold (as % of cost)        | --              | 97%            | 98%            |
| <br>                                  |                 |                |                |
| <u>Manufacturer-Direct as Dealers</u> |                 |                |                |
| 2002 Gross Revenue                    | \$5.8 million   | \$2.3 million  | \$1.9 million  |
| Lease Fleet (floors)                  | 1,328           | 449            | 443            |
| Lease Fleet Utilization               | --              | 73.8%          | --             |
| Used Units Sold (as % of cost)        | --              | 110%           | 108%           |

### B. 2002 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 2002 industry totals as follows:

|  |                 |
|--|-----------------|
| 1. New Floors Produced in 2002 (Wholesale)         | 77,679          |
| 2. New Floors Produced (Manufacturers-Direct)      | 30,485          |
| 3. New Square Feet Produced in 2002 (Wholesale)    | 43.86 million   |
| 4. New Square Feet Produced (Manufacturers-Direct) | 17.30 million   |
| 5. 2002 Gross Sales by Wholesale Manufacturers     | \$1.51 billion  |
| 6. 2002 Gross Sales by Manufacturer-Direct         | \$.86 billion   |
| 7. 2002 Dealer Gross Revenue                       | \$2.52 billion  |
| 8. 2002 Manufacturer-Direct Dealer Gross Revenues  | \$209.3 million |
| 9. Floors in Dealer Lease Fleets                   | 431,500         |
| 10. Floors in Manufacturer-Direct Lease Fleets     | 40,859          |

Manufacturers produced 108,164 new floors in 2002, down 18% from the prior year. Consistent with the decrease in the number of units produced, total computed square feet produced declined from 67.5 million in 2001 to 61.1 million in 2002.

Gross sales by wholesale manufacturers in 2002 are estimated at \$1.51 billion, down from \$1.78 billion the prior year. Gross sales by direct manufacturers in 2002 were computed to be \$864.5 million, down from \$1.9 billion in 2001. The estimate of direct manufacturer manufacturing revenue in 2002 is somewhat suspect given the small sample size. In addition, it has always been assumed the wholesale side of the manufacturing business is much larger than the direct manufacturer side of the business. Thus, the averages computed above for manufacturers should not be relied upon.

As discussed at the end of Section III (Dealer Results), the median average as a basis for computing the dealer contribution to the industry revenues is not valid given reported data. Assuming a 33% market share for the two largest respondents, dealer revenues in 2002 were estimated at \$2.52 billion. This computation suffers from two flaws. First, it is based on an estimate of market share for the two largest respondents. Second, the estimate double counts 2002 new sales because the figures are also included in the wholesale manufacturer estimates. In order to eliminate the duplication, \$556.2 million (\$2.88 million median new sales x 193) of new sales in 2002 must be eliminated generating a modified industry-wide dealer revenue contribution of approximately \$1.96 billion in 2002.

Eliminating manufacturer to dealer sales and using median averages (unless otherwise noted) and an estimate of the number of total industry participants, the MBI estimates 2002 revenues for the commercial mobile office and modular building industry to be \$4.54 billion. As discussed earlier, small sample sizes and large standard deviations in the reported data do not generate very reliable data. Although median averages have generally been utilized to calculate industry estimates in lieu of much higher mean averages, the total industry estimate is still an educated guess.

The number of floors in dealer lease fleets based upon the 2002 median average of 371 multiplied by 193 estimated industry participants is 71,603. This cannot be correct as dealers reported 202,722 floors in their lease fleets at the end of 2002. Assuming the two largest dealer fleets represent 33.3% of the domestic market, the MBI estimates aggregate dealer lease fleets at the end of 2002 are 431,500 floors.

In addition, direct manufacturers reported a median lease fleet of 449. If this average is multiplied by 91 industry participants, there are an estimated 40,859 units in direct manufacturer lease fleets. Added to the dealer lease fleets, there are an estimated 400,000 units on lease or available for lease in the U.S. at the end of 2002.

The industry database is actively maintained by the MBI. Information about non-member participants is gleaned from numerous sources and verified through communication with MBI members. The original database was compiled by reviewing all firms listed in the yellow pages under relevant headings and calling them to verify their business.

### 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.

For 2002, dealers reported eight-year-old used lease fleet units sold for a mean average of 98% of original cost, and a median average of 97% of original cost. The 2002 figures are below the 2001 mean (101%) and the 2001 median (101%).

| <u>Survey</u> | <u>Age<sup>(1)</sup></u> | <u>Mean<sup>(2)</sup></u> | <u>Median<sup>(2)</sup></u> |
|---------------|--------------------------|---------------------------|-----------------------------|
| 2002          | 8.4                      | 98                        | 97                          |
| 2001          | 6.9                      | 101                       | 101                         |
| 2000          | 7.7                      | 109                       | 99                          |
| 1999          | 8.0                      | 111                       | 115                         |
| 1998          | 8.8                      | 104                       | 110                         |
| 1997          | 7.5                      | 102                       | 102                         |

<sup>(1)</sup> mean average of units sold, in years

<sup>(2)</sup> as a percentage of original cost

### 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 better 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 both our temporary buildings and modular construction.