

**The Commercial
Mobile Office
And
Modular Building Industry
1997 Statistical Survey**

Prepared by the
Modular Building Institute

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Table of Contents

I.	INTRODUCTION	
	A. Modular Building Institute: Annual Survey	1
	B. General Industry Description	1
	C. Survey Methodology	3
	D. Review of Descriptive Statistics	4
II.	DEALER RESULTS	
	A. 1997 Dealer Revenue	6
	B. Lease Fleet Composition	7
	C. Lease Fleet Utilization	8
	D. Age of the Lease Fleet	9
	E. Sale of Used Units	9
	F. Industry Estimates	10
III.	MANUFACTURER RESULTS	
	A. Units Shipped in 1997	11
	B. Total Square Feet	12
	C. 1997 Gross Sales	13
	D. Warranty Expense	13
	E. Sales by Market Segment	14
	F. New Data	14
IV.	CONCLUSIONS	
	A. Selected Data Recap	16
	B. 1997 Industry Estimates	16
	C. Residual Values	17
	D. Future Surveys	17

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 1998, the MBI prepared and distributed survey questionnaires to both member and non-member manufacturers and dealers (the "1997 Statistical Survey"). The 1997 Statistical Survey is the fifth survey conducted by the Association. In each of the four prior years, a similar survey was conducted by the Association covering calendar years 1996, 1995, 1994 and 1993 and on October 1, 1991, 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:

- * Independent **Manufacturers**;
- * **Integrated** companies (dealers with captive manufacturing capabilities);
- * 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's request 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 **integrated** companies.

Independent **dealers** respond to retail customer requirements for 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 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 16' x 80'. 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. Mobile Offices intended for rental on construction sites are deemed to be "temporary" and generally do not have a seal. Mobile Offices intended for use at a site other than a construction site generally do have a state seal. Building code enforcement procedures are assumed by state 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 18 months. Classrooms usually remain on lease with a single lessee for periods in excess of 36 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 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 school districts, 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 districts 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 1998, the MBI prepared survey questionnaires for all member and prospective-member dealers and manufacturers. Integrated

companies (those that manufacture, lease and sell directly to retail customers) received both questionnaires. Questionnaires were mailed to 250 dealers and 173 manufacturers.

	<u>Dealers</u>	<u>Manufacturers</u>
MBI Members	68	51
Prospective Members	<u>182</u>	<u>122</u>
Total	250	173

These recipients represent all companies engaged in business in our industry which are included in the MBI database. Responses were received from eighteen (18) dealers and twenty-nine (29) manufacturers. The response rate based on number of questionnaires mailed was 7.2% for dealers and 16.8% 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 outlayer. 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, median generally provides a better estimate of the “average” respondent.

II. DEALER RESULTS

The 1997 Dealer Questionnaire requested total floors in the lease fleet at December 31, 1997 together with break out information by six (6) size categories; fleet utilization by category; average sales price (as % of original cost) of used units together with the average age; 1997 gross revenue detail and market segment information.

A. 1997 Dealer Gross Revenue

Eighteen dealers reported total 1997 gross revenue of \$126.6 million, down from \$351.3 million reported by 21 dealers in 1996. Mean 1997 dealer gross revenue was \$7.0 million while median revenue was \$5.0 million. The data contains a large standard deviation which indicates widely scattered responses wherein median revenue is generally a more accurate measure of average.

Average Gross Revenue (Millions)		
MBI Survey	Mean	Median
1997	\$ 7.0	5.0
1996	16.7	4.4
1995	11.2	2.9
1994	12.0	3.2

The dramatic decline in total dealer gross revenue from 1996 to 1997 is attributable solely to the composition of respondents in each sample. The total figures are essentially meaningless. This is vividly illustrated by comparing the mean average decline from \$16.7 million in 1996 to \$7.0 million in 1997 with the median average increase from \$4.4 million to \$5.0 million in the same years. The 1996 sample contains a much wider dispersion of the data. Given the small sample sizes with enormous dispersion, the median average is certainly closer to reality. Median dealer gross revenue increased 50% from 1995 to 1996 and increased 14% from 1996 to 1997.

Leasing accounted for 38.5% of 1997 dealer gross revenue down from 44% in the prior year. Mean lease revenue in 1997 was \$3.0 million while median lease revenue was \$1.0 million. Sale of new units accounted for 37.3% of 1997 gross revenue, up from 33% in the prior year. Mean new sale revenue in 1997 was \$2.6 million with median revenue of \$1.8 million. This indicates the larger dealers did proportionately more leasing while the smaller dealers were skewed toward the sales of new units. Sale of used units increased substantially from 6% of gross dealer revenue in 1996 to 12.6% in 1997.

The following table provides a summary of the source 1997 dealer gross revenue.

Revenue Component	Percent	\$ Million
Lease	38.5%	48.7
Sale of New Units	37.3	47.2
Sale of Used Units	12.6	15.9
Set-up and Dismantle	3.9	5.0
Freight	2.8	3.5
Maintenance	1.1	1.4
Other	<u>3.8</u>	<u>4.9</u>
Total	100.0%	\$126.6

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

Revenue Source	1997 Percent	1996 Percent	1995 Percent
Construction	29	28	26
Education	29	27	23
General Office	17	27	30
Health Care	2	5	2
Other	5	5	6
Federal Government	5	4	5
State Government	5	3	4
Banks	6	1	4
Day Care	<u>2</u>	<u>-</u>	<u>-</u>
Total	100%	100%	100%

While the construction market remained very strong in 1997, significant gains were reported in both the education and banking markets. The biggest apparent loser is the general office market. Significant caution should be exercised with these figures, however, as the estimated mean averages provided by the respondents were not weighted by the size of the respondent.

B. Lease Fleet Composition

The respondents reported a total of 65,107 units in their lease fleets at December 31, 1997. The mean average was 4,069 units per dealer and the median average was 627. The data indicated 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 single largest respondent in 1997 comprised nearly 70% of the total floors in the sample indicating a substantial skew. Thus, the median is a far better estimate of the size of a

typical industry participant's lease fleet. The mean rose 9.4% over 1996 figures while the median average remained nearly flat.

Units per Dealer Lease Fleet

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Mean (weighted average)	4,069	3,718	2,168	5,359
Median (middle response)	627	624	120	646

The reported modular unit lease fleets in 1997 and 1996 were distributed among the following building types:

<u>Building Type</u>	<u>1997</u> Percent	<u>1996</u> Percent
Single	60	64
Double	23	29
Triple/Quad	3	0
Complex	<u>14</u>	<u>7</u>
Total	100%	100%

The Mobile Office (singles and doubles) component of dealer lease fleets declined from 93% in 1996 to 83% in 1997. Declines were registered for both singles and doubles. Modular Buildings (greater than doubles) as part of lease fleets grew from 7% in 1996 to 17% in 1997.

C. Lease Fleet Utilization

Ninety percent (90%) of all mobile offices and modular buildings available for lease were actually on lease at December 31, 1997, a slight increase over the 87% reported at the end of 1996. The following table shows reported utilization rates by building type at the end of each of the past four years.

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

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Single	90	87	82	83
Double	92	87	83	76
Triple/Quad	88	84	88	75
Complex	<u>88</u>	<u>96</u>	<u>95</u>	<u>79</u>
Total (*)	90	87	84	83

(*) weighted average

D. Age of the Lease Fleets

The weighted average age of the lease fleets as a whole is approximately 7 years. This is a weighted average calculated by multiplying each respondent's reported average age by that respondent's reported total units. Each respondent's lease fleet had a mean average age of 7 years with a median of 6 years. These figures are unchanged from the prior year.

The means of the reported average age statistics by building type were 6 years for Singles and Doubles and 7 years for Triples and Complexes. The medians were 5 years for singles and doubles and 6 years for triples and complexes.

In 1996 respondents were asked to answer the question "how old is the newest floor in your lease fleet?" The mean response was 1 year old and the median and the mode were each 1 year. In fact, only one respondent answered other than 1. The mean average response among the respondents who reported the oldest floor in their lease fleet in 1996 was 15 years; the median was also 15 years with a standard deviation of 7 years. This question was not included in the 1997 survey.

E. Sale of Used Units

Survey respondents reported that they sold used Mobile Offices and Modular Buildings in 1997 for a mean average 102% of original cost. The median was 102% and the mode was 101% with a very small standard deviation.

The mean age of used units sold in 1997 was 7.5 years and the median age was 7 years with a symmetrical but broad distribution.

The 1997 results are above those reported in prior years. In 1996, used units were reported sold for 99% (mean) of original cost with a median of 100%. The 1995 survey reported mean sales price of 97% of original cost for a 6.8 year old unit.

MBI Survey	Mean Average Sales Price (*)	Average Age in Years
1997	102	7.5
1996	99	8.2
1995	97	6.8
1994	85	6.5
1993	81	7.0

(*) 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. Industry Estimates

It is possible to use calculated "averages" to estimate industry size by multiplying the appropriate averages by the estimated number of industry participants. Assuming the sample is large enough to accurately represent the population and the MBI estimate of the number of dealers is accurate, dealers generated approximately \$1.25 billion of business in 1997. (Median gross revenue of \$5 million multiplied by an estimated 250 industry participants).

Category	Median Average (Million)	Industry Estimate (Million)
Lease Revenue	\$1.0	\$ 250
Sale of New Units	1.8	450
Total Gross Revenue	5.0	1,250

Total gross dealer revenue estimated for the entire industry based on the 1997 median is down from the 1996 estimate of \$1.6 billion. Although median gross revenue increased from \$4.4 million in 1996 to \$5.0 million in 1997, the number of total domestic dealers in the MBI database dropped from 361 in 1996 to 250 in 1997. The decline is the direct result of an intensive campaign by the MBI to verify that companies in the database were in fact active in the industry. The current estimate of 250 domestic dealers is believed to be accurate with a high degree of certainty. Note that "dealers" for purposes of this survey includes 152 companies classified by the MBI as dealers and 76 companies classified by the MBI as integrated because they are dealers with their own manufacturing capabilities.

III. MANUFACTURER RESULTS

The Manufacturer Questionnaire requested total number of floors produced and shipped in 1997 together with break-out detail over five (5) size categories; total square footage shipped in 1997; 1997 gross sales; and both 1997 and 1996 warranty expenses.

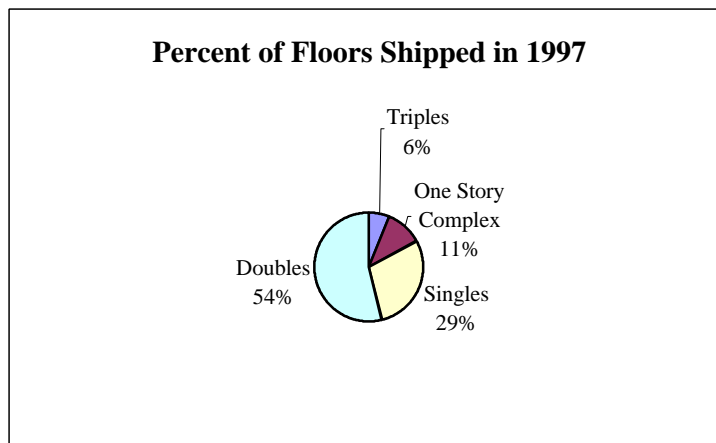
A. Floors Shipped in 1997

Twenty-eight (28) respondents reported 23,243 total floors shipped in 1997. The mean (mathematical average) was 830 units and the median average (middle of the ordered responses) was 498 units. The 1996 mean average was 653 and the median was 404. Thus, both measures of average increased significantly in 1997 over the prior year. The largest respondent in terms of 1997 floors shipped was 14.2% of the total while the five largest accounted for 61.3% of the total.

The 1997 MBI mean and median units shipped were checked for reasonableness by comparing the computed averages with those generated by the 1997 survey of special unit producers conducted by Automated Builder magazine (see March 1998 issue). Special unit producers that manufacture modular or panelized commercial buildings reported 1997 production to Automated Builder of 17,314 floors with a mean of 1,018 floors and a median of 442 floors. These figures were generally consistent with the MBI results.

<u>1997</u>	<u>Units Shipped MBI Survey</u>	<u>Automated Builder</u>
Mean	830	1,018
Median	498	442

Total floors shipped by category in 1997 were calculated on the basis of the 20,779 floors for which category information was provided. Eighty-three percent (83%) shipped were Mobile Offices (singles and doubles) while seventeen percent (17%) were Modular Buildings divided between triples (6%) and single story complexes (11%).



In 1996, Mobile Offices accounted for 78% of total floors shipped and in 1995, Mobile Offices accounted for 64% of total floors shipped.

**Percent of Floors Shipped
1997 and 1996**

<u>Category</u>	<u>1997</u>	<u>1996</u>
Single	29	43
Doublewide	54	35
Triplewide	6	6
One Story Complex	11	13
Multi-Story Complex	<u>0</u>	<u>3</u>
	100%	100%

1997 respondents to the manufacturing survey reported shipping significantly less single units than in the prior year. The decline in single unit shipments was more than made up by the increase in doublewide shipments from 35% in 1996 to 54% in 1997. The tremendous surge in doublewide shipments is believed to be primarily attributable to the education marketplace. Recall that dealer gross revenue from the education marketplace increased from 23% in 1995 to 29% in 1997. (see page 7)

B. Total Square Feet

Twenty-six (26) respondents reported a total of 12.4 million square feet shipped in 1997 up from 9.0 million in the prior year and 8.8 million in 1995. The 1997 mean was 475,790 square feet and the median was 286,000. Both averages are well above the 1996 mean of 311,499 and the 1996 median of 180,600. Once again, 1997 responses were widely scattered with a large standard deviation indicating the presence of significant outliers in the sample.

Based on median square feet of 286,000 and an MBI estimated 173 domestic manufacturers, the industry shipped approximately 49.5 million square feet of new commercial factory built Mobile Offices and Modular Buildings in 1997.

Square Feet Shipped (000's)

	Total	---Averages---	
	<u>Reported</u>	<u>Mean</u>	<u>Median</u>
1997	12,371	476	286
1996	9,030	311	181
1995	8,800	353	268
1994	7,000	259	198

Square feet per floor were calculated for each respondent to verify reasonableness. The mean was 623 square feet per floor and the median was 606. The 1996 mean was 650 with a median of 610.

C. 1997 Gross Sales

Twenty-eight (28) respondents reported 1997 gross sales attributable to floors shipped was \$403.9 million. The mean average per respondent was \$14.4 million while the median average was \$8.0 million. A high standard deviation indicates the responses were widely scattered. 1997 mean average gross sales were up from \$9.73 million in 1996 while the median average also rose from \$7.3 million.

1997 gross sales divided by total floors produced generate a mean average cost per floor of approximately \$16,472. With a mean 623 square feet per floor, the cost per square foot manufactured in 1997 is estimated to \$26.44.

Average sales multiplied by the estimated number of domestic manufacturers generates an estimate of 1997 sales.

$$\begin{array}{l} \text{Mean} \quad \$14.4 \text{ million} \quad \times \quad 173 \quad = \quad \$2.49 \text{ billion} \\ \text{Median} \quad \$ 8.0 \text{ million} \quad \times \quad 173 \quad = \quad \$1.38 \text{ billion} \end{array}$$

Given a large standard deviation, the 1997 median average is a more reliable statistic. Thus, estimated industry sales by all manufacturers is \$1.38 billion in 1997.

In the Automated Builder 1997 survey, twenty-five respondents reported aggregate gross revenue of \$309.5 million with a mean average of \$12.38 million and a median average of \$8.8 million. The Automated Builder mean differs 16% from the MBI mean while the median differs 10% from the MBI results. This correlates favorably with the 1997 statistics generated by the MBI Survey.

1997 Gross Sales

	<u>MBI Survey</u>	<u>Automated Builder</u>
Respondents	28	25
Total Gross Revenue	\$403.9 million	\$309.5 million
Mean Average	\$14.4 million	\$12.4 million
Median Average	\$8.0 million	\$8.8 million

D. Warranty Expense

Twenty-five respondents reported total warranty expense of \$1.8 million for 1997 and 21 respondents reported total warranty expense of \$1.5 million for 1996. The 1997 mean of \$73,752 was approximately .2% of mean gross revenues. The 1996 mean of \$71,668 was .3% of mean gross revenues.

E. Sales by Market Segment

Manufacturers were asked to break out 1997 gross sales by end use market segment.

<u>Market Segment</u>	<u>%</u> <u>1997</u>	<u>%</u> <u>1996</u>	<u>%</u> <u>1995</u>
Classroom	39.8	26.3	26.4
One story office	14.8	18.3	22.5
Construction Trailer	12.9	14.7	11.6
Storage	7.5	10.3	3.8
Residential	9.7	7.0	6.8
Multi-story office	4.2	6.1	3.6
Health care	2.6	5.1	5.0
Day care	1.9	2.9	2.9
Bank	.9	2.8	1.4
Toilet/Shower	1.9	1.9	1.3
Equipment Shelter	2.8	1.2	8.1
In-Plant	.1	1.2	2.2
Detention	.5	1.2	3.1
Other	<u>.4</u>	<u>.2</u>	<u>1.3</u>
Total	100.0%	100.0%	100.0%

Manufacturers in 1997 reported an enormous increase in sales to the education marketplace. Classrooms accounted for nearly 40% of gross sales. This dominant market increased more than 50% over 1996 market share. Sales of construction trailers were 12.9% of manufacturer production in 1997, down from 14.7% of the market in the prior year. Similar declines in market share from 1996 to 1997 were reported in single and multi-story offices, storage buildings, health care, day care and banks. Production for the residential marketplace and equipment shelters increased as a percent of the total market in 1997.

F. Other Data

Manufacturers were asked to provide responses to the following questions:

- average number of employees in 1997;
- estimated total production hours in 1997;
- % of units shipped on time as promised at order;
- slowest month of production as a percent of largest month;
- shipments were made into how many states;
- ninety percent (90%) of business conducted within how many miles of plant;
and
- five largest customers constitute what percent of business.

	Mean Average		Median Average	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Total Employees	101	82	85	78
Production Hours (thousands)	215.7	65.8	84.0	95.3
On Time Delivery	83%	78%	88%	95%
Slow Month/High Month	44%	30%	40%	38%
Number States Shipped	6	9.8	4	6.0
Average Ship Radius (miles)	329	450	250	350
Five Largest Customers	68%	54%	80%	75%

The number of employees increased from 1996 to 1997 for both mean and median averages. Median production hours dropped while mean production hours increased more than 300%. These radical changes year-to-year must be a function of a very different sample. Sales by manufacturers to their “five largest customers” increased from 75% to 80% for the median average and 54% to 68% for the mean average. This indicates the smaller manufacturers are generally more dependent on a smaller group of customers. It also suggests there are certain dealers with enormous purchasing strength.

Manufacturers were also asked to list the “biggest problem” encountered in 1997. The problems listed by manufacturers together with the frequency of responses (a manufacturer could list more than one problem); were:

Code and Approval Issues	6
Labor Shortage	5
Set-up Difficulties	4
Rain Delays	3
Materials Delivery Delays	2

IV. CONCLUSIONS

A. Selected Data Recap

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

<u>Manufacturers</u>	<u>Totals</u>	---Averages---	
		<u>Median</u>	<u>Mean</u>
Floors Shipped in 1997	23,243	498	830
Square Feet Shipped	\$ 12.4 million	286,000	475,790
Square Feet per Floor		606	623
1997 Gross Sales	\$403.9 million	\$8.0 million	\$14.4 million
1997 Warranty Expense	\$ 1.8 million	--	.2% of sales
1996 Warranty Expense	\$ 1.5 million	--	.3% of sales

<u>Dealers</u>	<u>Totals</u>	<u>Median</u>	<u>Mean</u>
1997 Gross Revenue	\$126.6 million	\$5.0 million	\$7.0 million
1997 Lease Revenue	\$ 48.7 million	\$1.0 million	\$3.0 million
1997 New Sale Revenue	\$ 47.2 million	\$1.8 million	\$2.6 million
Lease Fleet (floors)	65,107	627	4,069
Lease Fleet Utilization	--	90%	--
Used Units Sold (as % of cost)	--	102%	102%

B. 1997 Industry Estimates

Using the averages provided by the MBI Survey and the number of dealers and 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** and upon 250 dealers and 173 manufacturers, the MBI estimates 1997 industry totals as follows:

1. New Floors Shipped in 1997	86,154
2. New Square Feet Shipped in 1997	49,478,000
3. 1997 Gross Sales by Manufacturers	\$1,384,000,000
4. Employees of Manufacturers	14,705
5. 1997 Dealer Gross Revenue	\$1,250,000,000
6. Floors in Lease Fleets	156,750

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 seven year old used lease fleet units sold for a mean average of 102% of original cost, a median average of 102% of original cost and a mode (most frequently occurring response) average of 101% of original cost. The 1997 figures are once again up over the prior year. The mean average sales price of used fleet units was reported as 99% in 1996 and 97% in 1995.

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.