

# Impacts and Uncertainty of COVID Recovery

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For: PCC

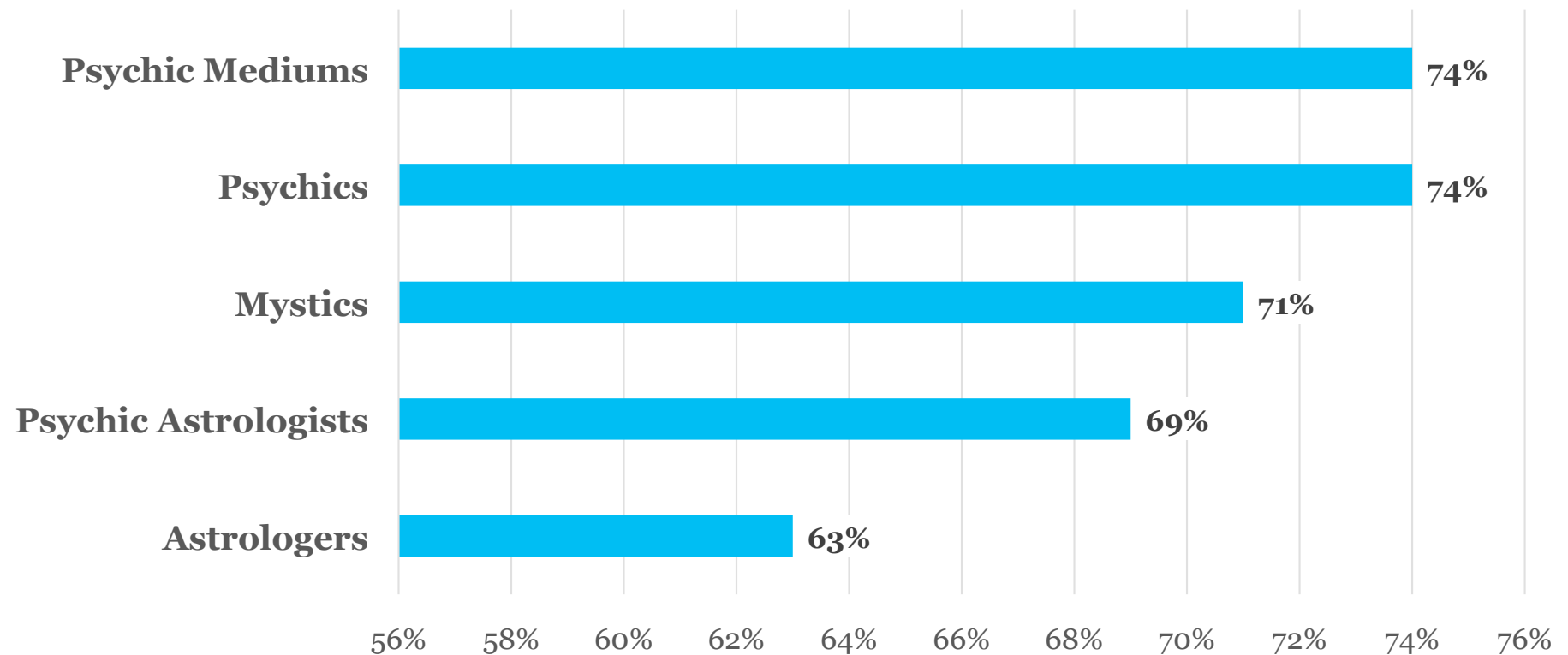
April 15, 2021

# The Pull of the Sea (or Lake)

- There are logical explanations for our tendency to go to the water's edge for some of the most significant moments of our lives.
- **Water offers you a compass, a craft, some sails, and a wind chart.**
- In an age when we're anchored by stress, technology, exile from the natural world, professional suffocation, personal anxiety, and hospital bills, and at a loss for true privacy, casting off is wonderful.

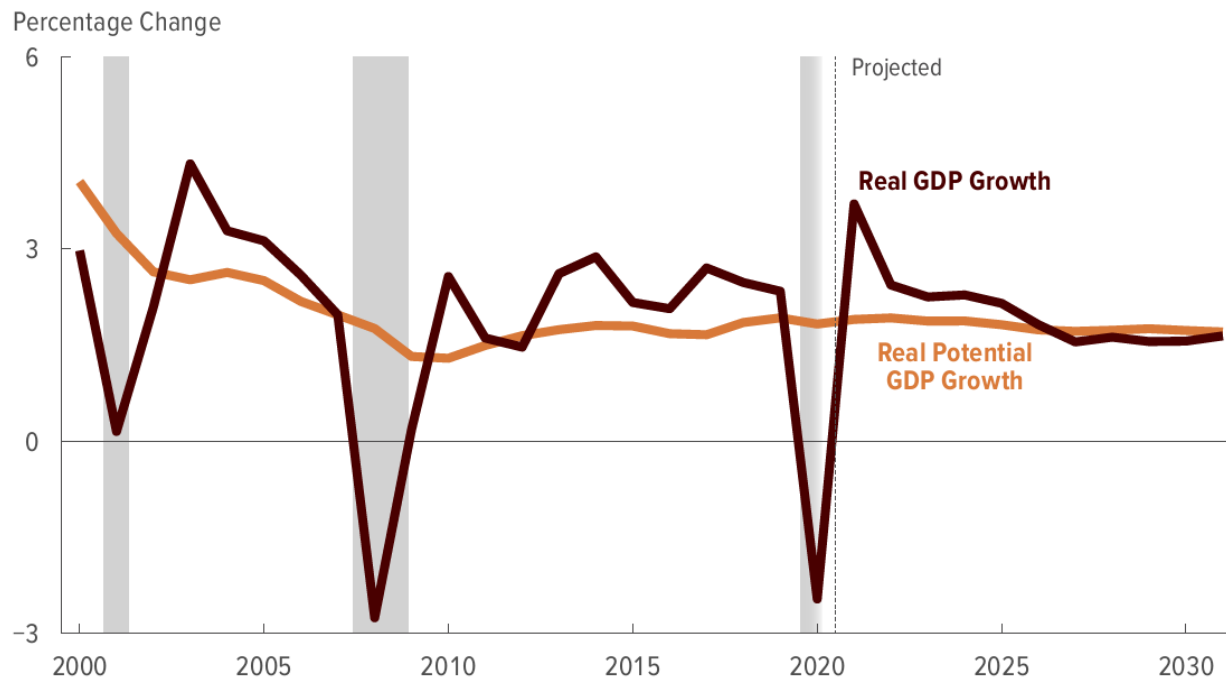
*Source: Wallace Nichols, Blue Mind*

# Increased Consumer Interest



*Source: YELP 2021 Trend Forecast*

# GDP Forecast



Potential GDP is CBO's estimate of the maximum sustainable output of the economy. NABE is the National Association of Business Economists

*Source: U.S. Congressional Budget Office*

- CBO: Real GDP expands rapidly over the coming year, reaching its previous peak in mid-2021 and surpassing its potential level in early 2025.
- NABE: 73% of surveyed forecasters say the economy will return to its pre-pandemic level by late 2021.

# Federal Reserve Forecast March 2021

- Real gross domestic product expected to grow 6.5% in 2021,
  - compared with its 4.2% forecast from its December meeting.
- The Fed estimates the unemployment rate will fall to 4.5% in 2021, below the previous estimate of 5%.
- The central bank now sees inflation running to 2.4% this year, above its previous estimate of 1.8%.

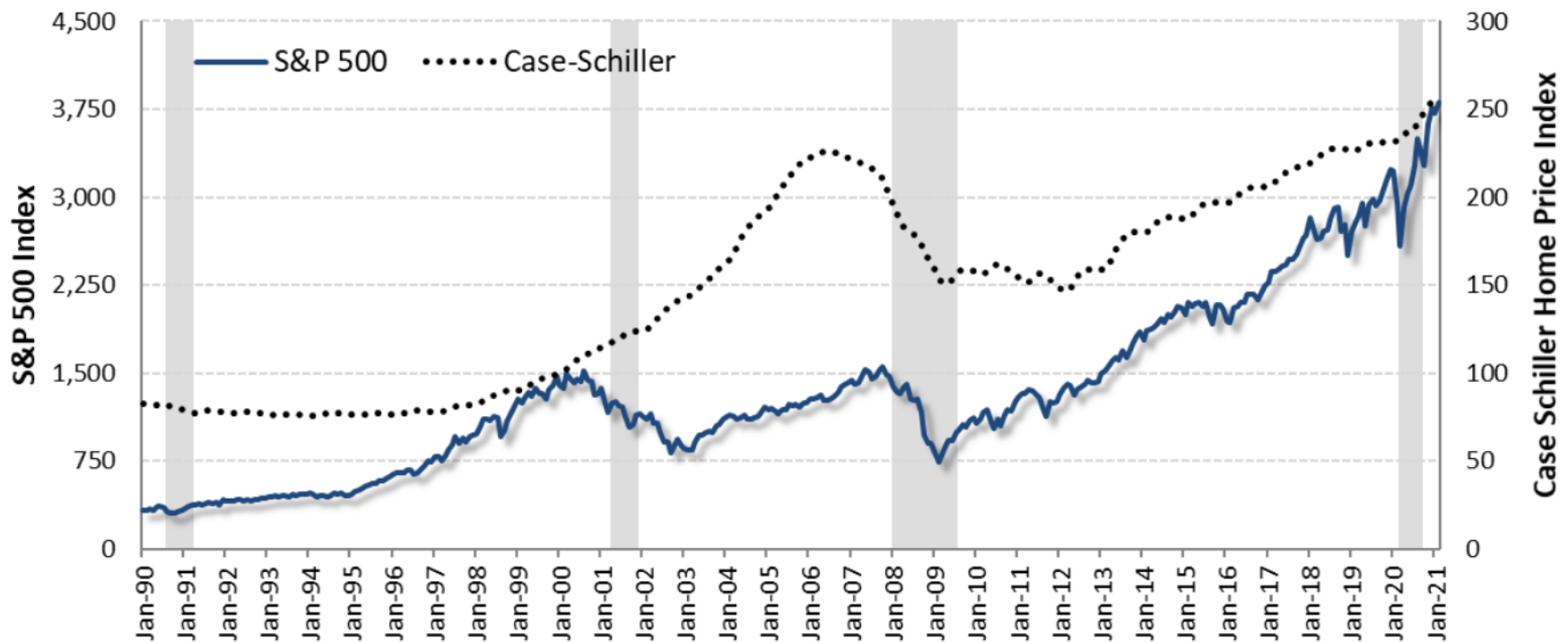
*Source: Federal Reserve*

# Forecast Risks

- Upside
  - Faster than expected COVID vaccine distribution leads to greater consumer confidence, a return to more typical spending patterns and increased employment.
- Downside
  - COVID vaccine distribution slows and infection rates increase, leading to slower pace of economic reopening, reduced consumer spending and employment.

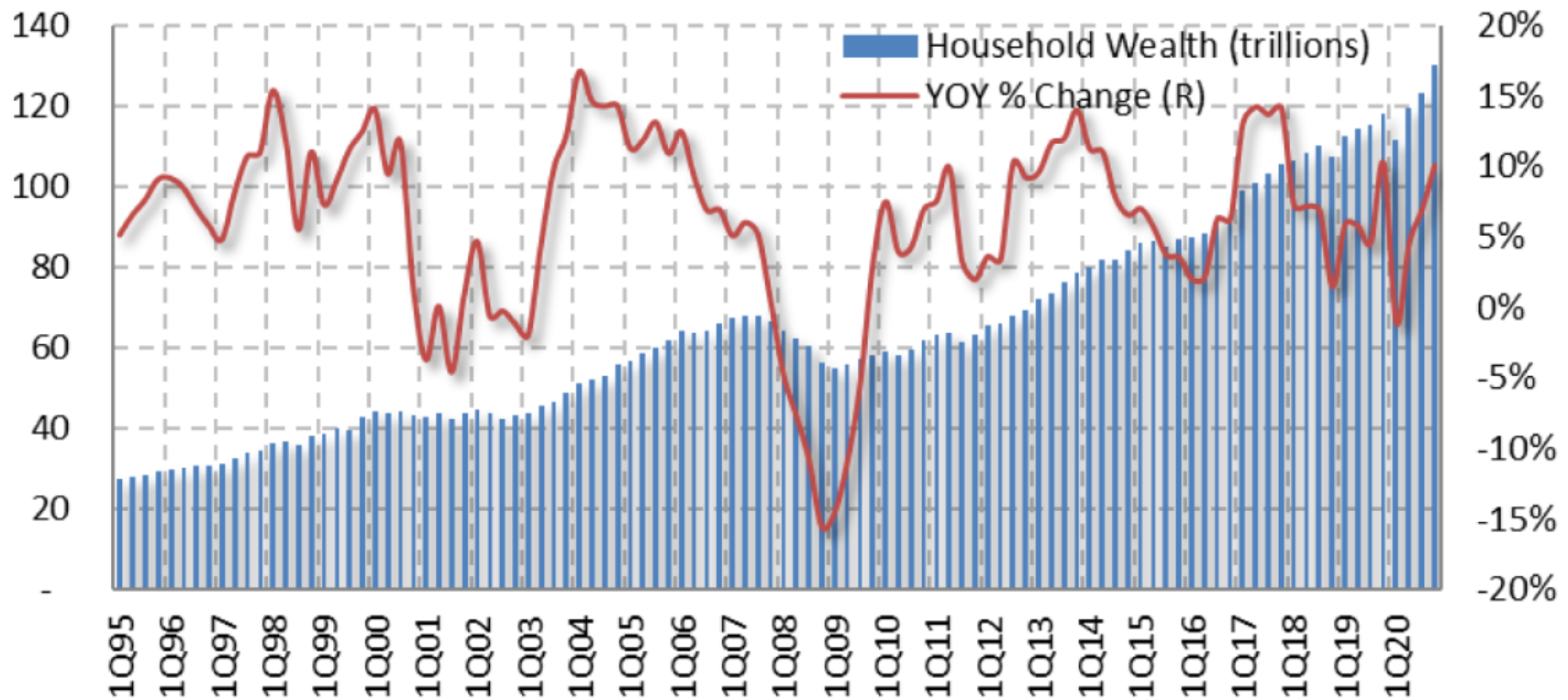
*Source: Washington State Economic and Revenue Forecast Council*

# Stock Market & Home Prices



*Source: MRAA/Baird/Trade Only Marine Retailer Pulse Report March 2021*

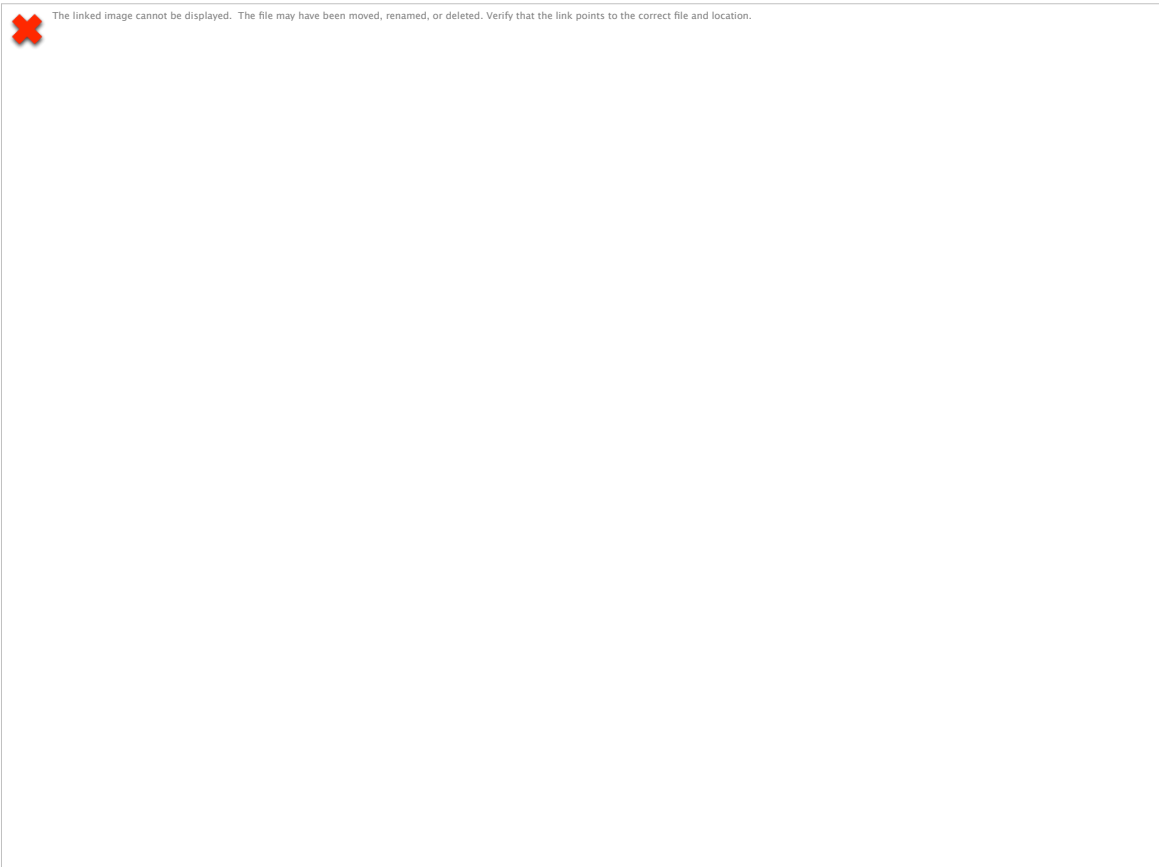
# U.S. Household Wealth



*Source: MRAA/Baird/Trade Only Marine Retailer Pulse Report March 2021*



# Wealth Distribution during Covid



- \$11 trillion in wealth created during Covid
- Distribution:
  - Top 1% of households = 35%.
  - Next 9% = 35%.
  - Next 40% = 26% of new wealth,
  - Bottom half of all Americans = 4% share in wealth created last year.

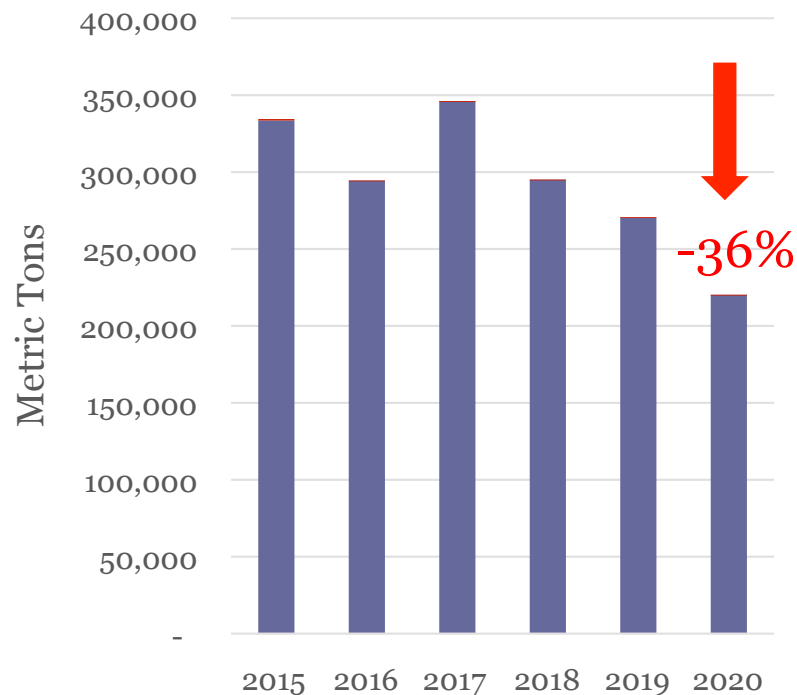
Source: [StevenRattner.com](http://StevenRattner.com)



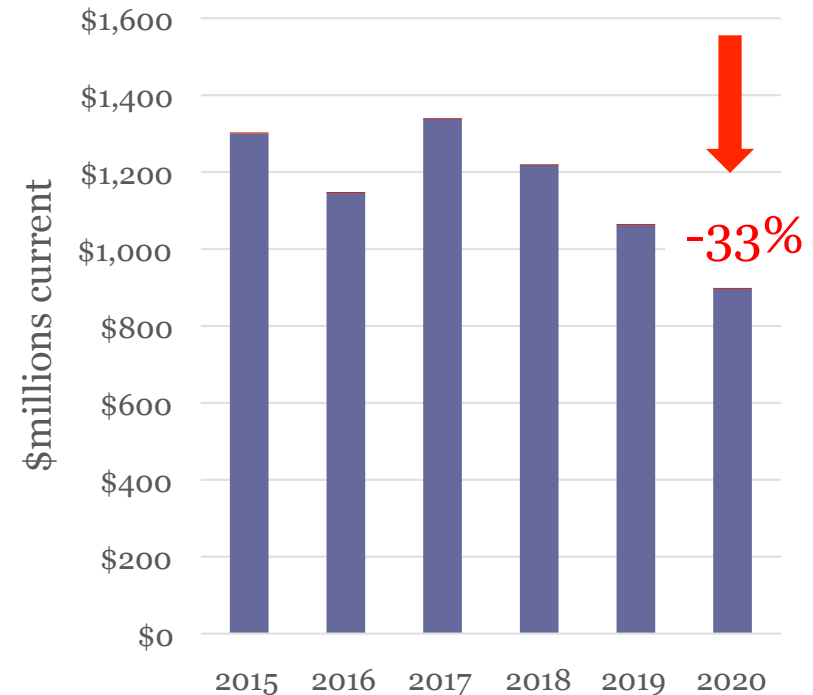
# Commercial Fishing

# Demand Impacts - Seafood Exports

**Volume – decreased 36% from 2017 to 2020; China accounted for 46% of loss**



**Value – decreased 33% from 2017 to 2020 ; China accounted for 45% of loss**



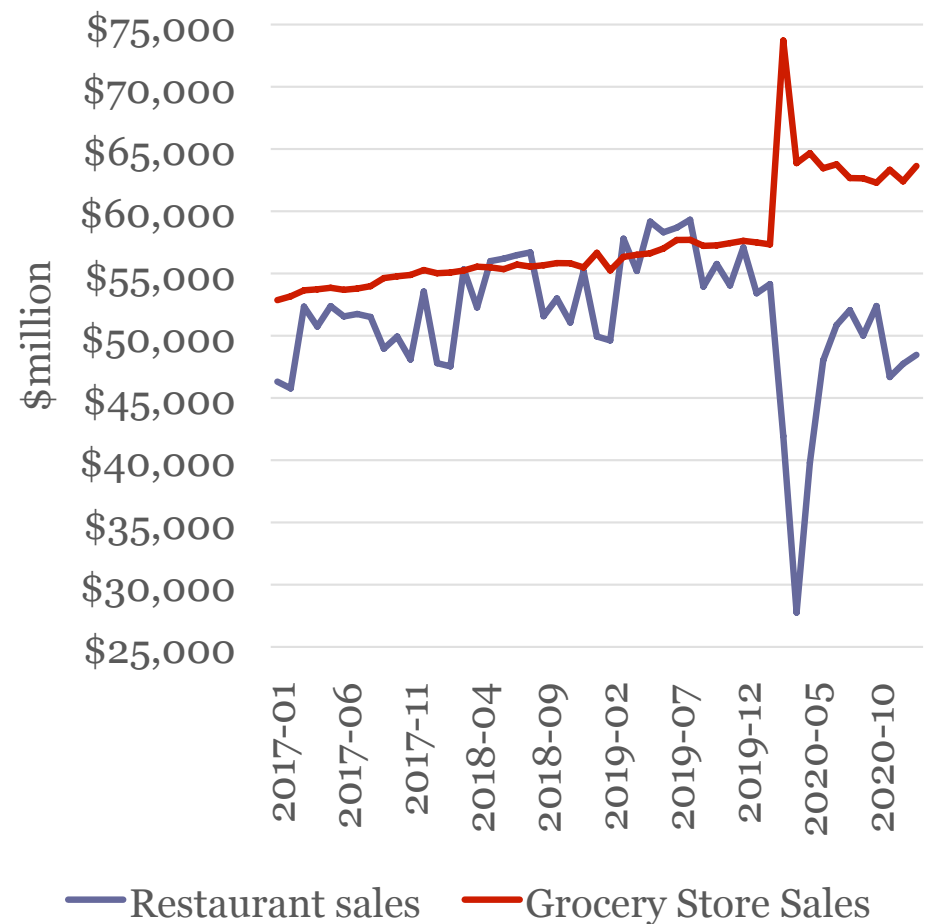
Exports declined each year from 2017 to 2020; China and other countries reduced imports from the US and in some cases began to compete for non-tariff impacted exports (Value is in current dollars (unadjusted for inflation). Exports include products transshipped from Alaska.

*Source: NOAA (via Seattle and Portland Customs Districts for Jan-Oct)*

# COVID-19 Impact on U.S. Seafood Sales

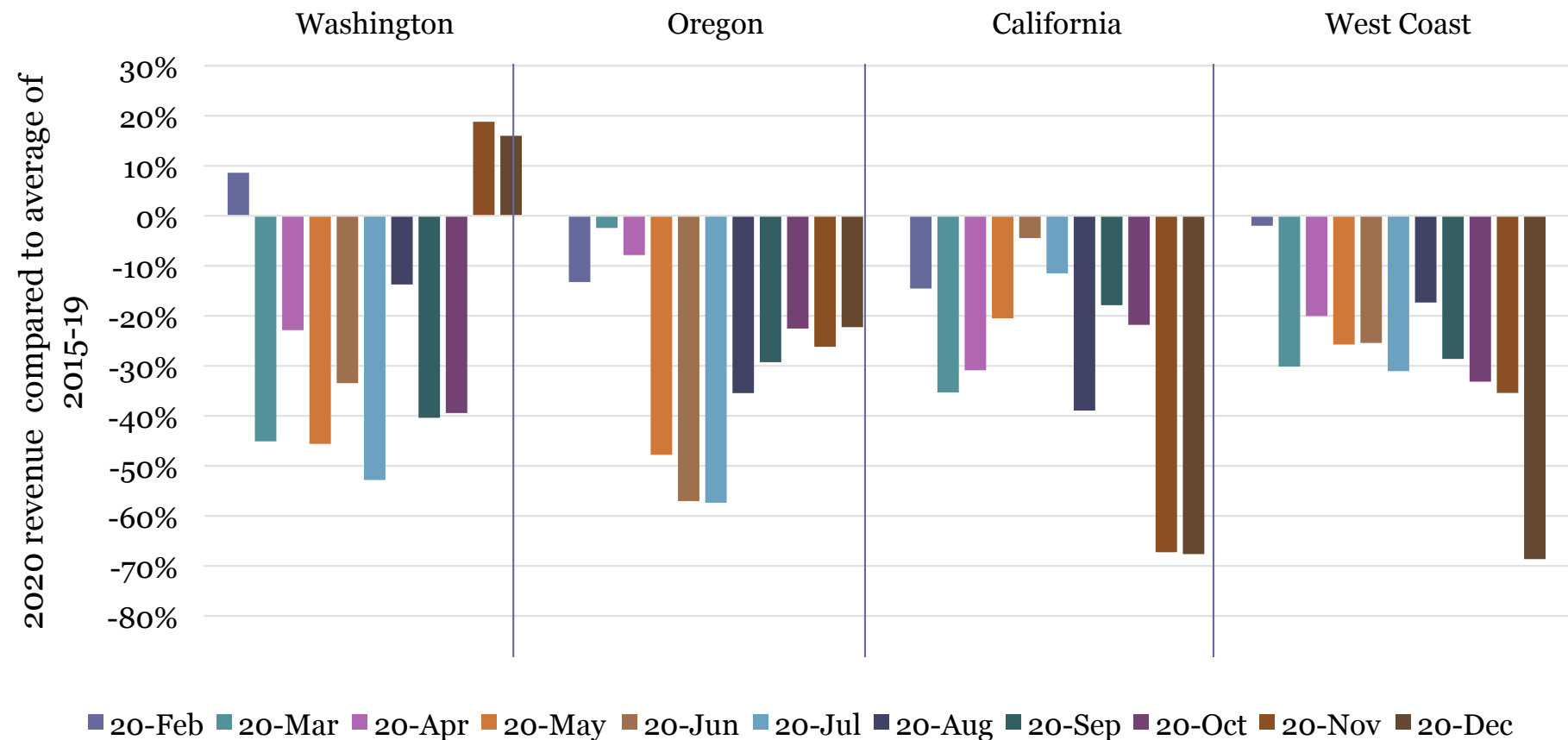
- Pre-covid, food service accounted for ~2/3rds of seafood sales
- Shift of seafood sales from restaurants to grocery stores 2019 to 2020:
  - Restaurants down -15.6%.
  - Grocery Stores up 10.9%.
- Recovery for full service restaurants expected by 2025.

Sources: Congressional Research Service  
September 2020;  
National Restaurant Association's 2021 State  
of the Restaurant Industry;  
St. Louis Federal Reserve



# Ex-Vessel Revenue - US West Coast

(Feb-Dec 2020 change in real \$)



Ex-vessel revenues fell ~-27% in 2020 compared the average of the prior 5 years (Feb-Dec)

Source: NOAA

# Supply Chain Impacts

- Alaskan processors spent ~\$50 million on COVID-19 protocol compliance:
  - Moving workers into Alaska early for quarantine,
  - Putting them up in hotels for their quarantine period,
  - Flying them on chartered planes,
  - Additional food costs,
  - Paying for significant coronavirus testing and personal protective equipment, and medical professionals embedded onsite in remote locations to ensure care to their employees.

*Source: [Seafoodsource.com/McDowell Group](https://seafoodsource.com/McDowellGroup)*

# Commercial Fishing Issues

- Commercial Boats
  - Most fisheries are run in a sustainable manner
  - Markets will recover after Covid
  - Number of boats is declining slightly
  - Boats getting longer/wider and with multiple permits
- Moorage/Facility Providers
  - Upward cost of operations
    - Moorage rate increases insufficient
  - Cost of reconstruction, permit delays increasing
    - Facilities aging
    - Tough decision whether/how to rebuild



# Recreational Boats



# Recreational Boats

- US boat sales were up in 2020:
  - Unit sales of new powerboats were up 12% in 2020 compared to 2019
    - Pre-pandemic expectations = 2% increase.
  - Annual U.S. sales of boats, marine products and services are estimated to total \$47 billion in 2020, up 9% from 2019.
- Retail sales of outboard engines were up across all horsepower segments, with growth ranging between 6% and 38%.

*Source: NMMA*

# Recreational Boats

- Boaters come from all walks of life, financial backgrounds and areas of the country.
  - An estimated 100 million Americans go boating each year.
  - Sixty-one percent of boaters have an annual household income of \$75,000 or less. [[United States Coast Guard](#)]
  - Ninety-five percent of boats on the water in the U.S. are less than 26 feet—boats that can be trailered by a vehicle to local waterways.

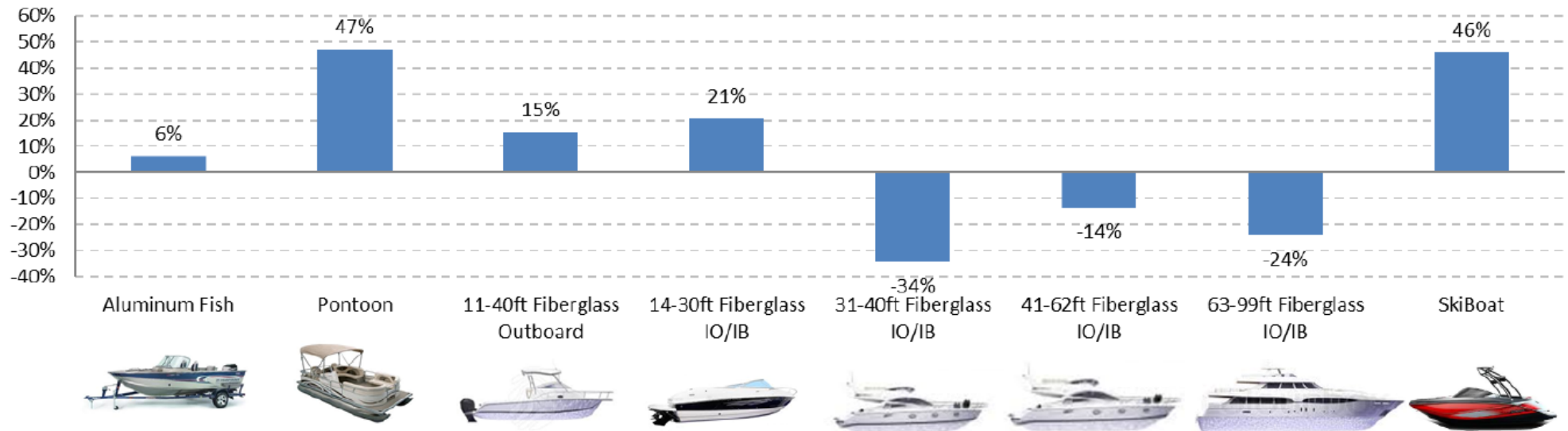
*Source: NMMA*

# Changing Market in Boat sales

- Brunswick CEO David Foulkes sees signs to suggest the pandemic-fueled boom in recreational boating will continue past 2020:
  - We've attracted a new demographic. ... I think that provides us great momentum, not just next year but into future years.
    - More ethnically diverse,
    - Average age dropped from the low 50s into the high 40s this year,
    - Sales also have risen among women.
- Another factor: low inventories in 2020 = expect replacement trade to increase.

# Retailer Sentiment

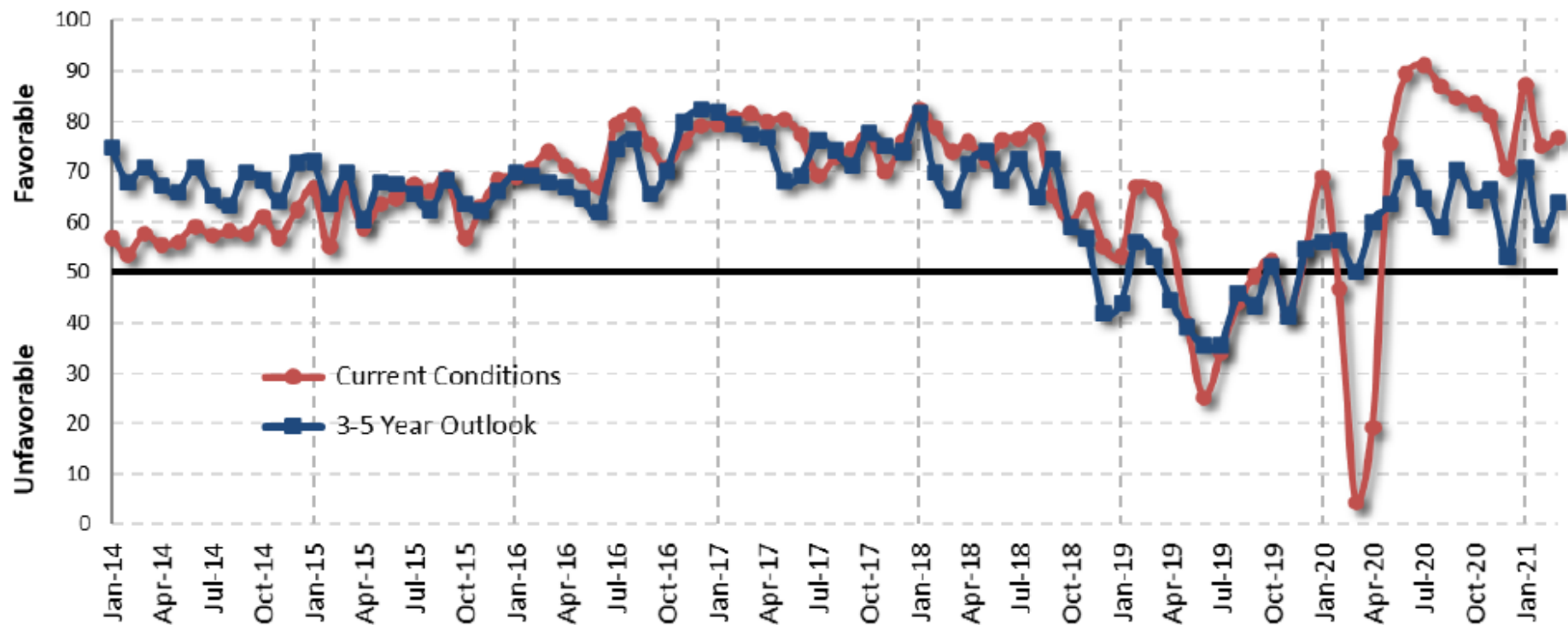
U.S. Retail Growth by Category - YTD



Source: SSI, Trade Only Today, Baird research

Source: MRAA/Baird/Trade Only Marine Retailer Pulse Report March 2021

# Retailer Sentiment



*Source: MRAA/Baird/Trade Only Marine Retailer Pulse Report March 2021*

# Retailer Sentiment

## What's Working

- We have shifted to selling production slots and having little resistance to late deliveries.
- Inventory is dwindling.
- Not promoting anything. Everything is selling as soon as it hits the yard.

## What's Not Working

- Unfortunately, there have been substantial price increases and 2022 product will cost us much more.
- Keeping up with demand.
- Not enough new/used boats.
- Trying to find good help.

*Source: MRAA/Baird/Trade Only Marine Retailer Pulse Report March 2021*

# THE 2020 ANGLER / BOATER JOURNEY



The journey of the Newcomer is largely due to the social, environmental and personal implications of the global Covid-19 Pandemic. Originally having busy, packed schedules, Non-Anglers and Non-Boaters didn't have the time to fit these activities in, spending the little flexible time on other priorities.

- However, the **spread of the coronavirus led to flexible schedules, reduced working hours and the elimination of typical activities, offering up free time with few things to do.**
- Looking ahead, it will be critical to **maintain appeal and remain top of mind to ensure fishing and boating stays in the consideration set of 'things to do.'**

*Source: Casting a wide net: Identifying New Anglers & Boaters and Determining Tactics for Retention, (TAKEMEFISHING/IPSOS Nov 2020)*

# Convenience Matters



- When it comes to convenience, **consumers send a mixed message.**
- They overwhelmingly opt for quality at the lowest price when asked what matters most while shopping — just one in 10 mentions convenience.
- At the same time, nearly all have **backed out of a purchase** because it was inconvenient for them.

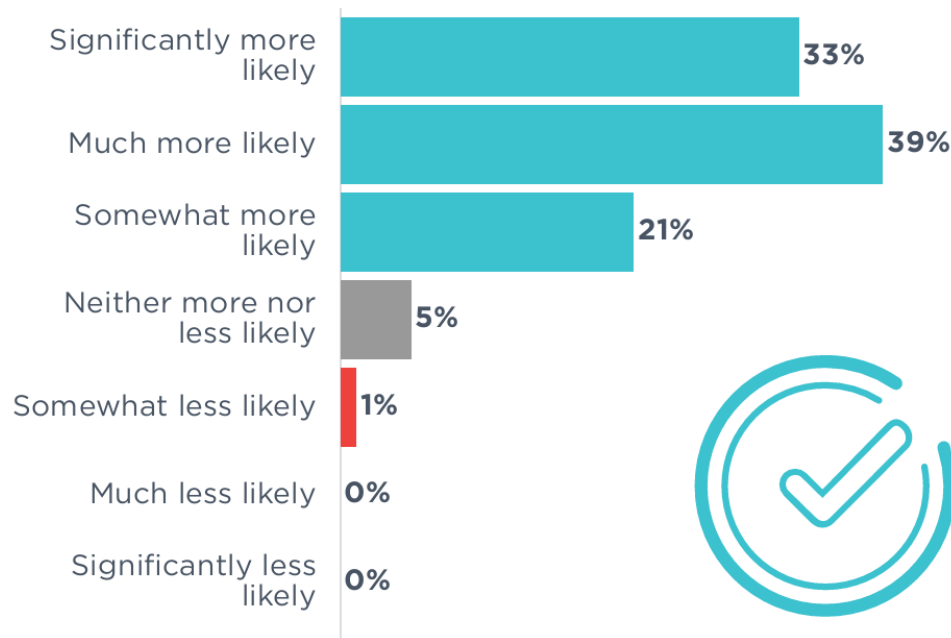
*Source: National Retail Foundation's Winter 2020 Consumer View*



# Convenience's competitive edge

## Over 9 in 10

are more likely to choose a retailer based on convenience. A third are significantly more likely.



- Retailers continue to raise the bar when it comes to convenience, and consumer expectations have grown as a result.
- Nearly all consumers are more likely to choose a retailer based on convenience.
- That said, there's still more to do.

*Source: National Retail Foundation's Winter 2020 Consumer View*

# Recreational Boating Issues

- Upward cost of operations
  - Moorage rate increases are not keeping pace
- Increased cost of reconstruction and permit delays
- Providing the required package (education, moorage, repair, fueling, retail and other goods/services) in a coordinated manner
  - New boaters – 40% of new owners leave within a few years
  - Aging out of older boaters
  - Boat clubs, shared ownership – reducing number of boats

# Things to Consider

- Marketing
  - Know your market areas and how they change over time
  - The importance of sound marketing strategies and waitlists
    - Develop Covid-19 friendly events...they are possible and safe...and profitable
    - Berthing sign up specials can work, if applied properly
  - Protect and support your long-term tenants so they don't leave
- Facilities/Operations
  - Marina office operations: keep customer interactions safe for public and staff
  - With available upland space, consider trailered boat yard options

# Things to Consider (continued)

- Finance

- Be careful NOT to lower moorage rates by joining the race to the bottom
- Apply CPI in your moorage rate structure to avoid conflicts and resistance to reasonable rate increases
- Maximize parking revenues beyond tenant use
- Address reality of moorage terminations and delayed payments due to Covid-19 linked unemployment and other financial hardships



# *Questions?*

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