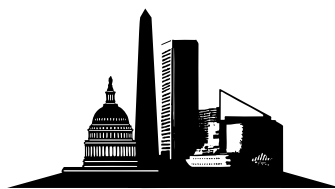

OCEAN CITY REVISITED 2002

FOR THE YEAR 2001



Lipman Frizzell & Mitchell LLC
REAL ESTATE CONSULTANTS

SUMMARY OF ECONOMIC INDICATORS

Indicator	Percent Change from Prior Year				
	1997	1998	1999	2000	2001
Bay Bridge Crossings	5.4%	4.6%	2.4%	0.8%	2.8%
Golf (Rounds Played)	12.2%	4.6%	9.4%	11.8%	6.6%
Hotel, Motel and Condo Rentals	5.3%	7.6%	7.4%	8.3%	6.9%
Retail Sales (Worcester Co.) - Gross	11.5%	7.9%	8.3%	8.0%	4.6%
Retail Sales Net of Inflation	9.8%	6.3%	5.6%	4.6%	3.0%
Assessable Tax Base	1.0%	1.8%	2.4%	4.8%	4.6%
Real Estate Sales Volume	-13.1%	28.1%	50.6%	-26.6%	36.4%
Construction Permits					
Total \$ Value (all constr.)	-32.8%	15.5%	55.8%	5.8%	25.6%
No. of Dwelling Units	-40.6%	285.2%	-79.2%	598.8%	12.4%
Condominium Sales Volume (\$'s)	13.6%	26.8%	23.3%	10.9%	-1.2%
Condo Price Change (OF, 2BR)	1.5%	3.5%	7.5%	23.5%	22.0%
Net of Inflation	-0.2%	1.9%	4.8%	20.1%	20.4%
Number of Indices Up (out of 12)	8	12	11	11	11
Ocean City Health Barometer	65%	100%	92%	92%	92%
CPI (U.S., All Urban Consumers)	1.7%	1.6%	2.7%	3.4%	1.6%
	1,290	1,570	2,210	4,190	1,387
NASDAQ	to	to	to	to	to
	1,570	2,190	4,070	2,470	2,892
	6,380	7,920	9,210	11,500	8,236
Dow Jones Industrials	to	to	to	to	to
	7,910	9,180	11,500	10,790	11,338
	8.3%	8.3%	7.8%	7.8%	4.8%
Prime Rate	to	to	to	to	to
	8.5%	8.5%	8.5%	9.5%	9.5%

M. Ronald Lipman, CRE, MAI
George P. Frizzell, CRE, MAI
Ryland L. Mitchell III, CRE, MAI
David H. Brooks, CRE, MAI
James C. Feeney, MAI
Calvin V. Thomas, Jr., MAI

Sheldon A. Stern, MAI
Joseph M. Cronyn
Kelly A. Rouse
Nathan O. Brantley
F. Ford Dennis, Jr.

Kevin M. Keane
Joanne L. Andrews
Shaun J. Broome
Malcolm Sherman, CRE, *Affiliate*
Deborah M. Ryba, *Office Manager*

Summer 2002

To the Reader:

Ocean City continues its economic expansion. We have observed increases in almost every statistic that we use to evaluate economic health. The following analysis will summarize the most important statistics and reflect upon their impact to the resort. The reader is referred to the facing page entitled Summary of Economic Indicators which highlights those statistics discussed below.

Bay Bridge Crossings

This year, as in the past, more vehicles crossed the Chesapeake Bay to the Eastern Shore, many enroute to Ocean City. Year to year increases were greatest in the months of January, December and November, followed by April, August and July. Very modest decreases were experienced in February, March and September. The overall increase in bridge traffic of 2.8% is a mid-point rate. An interesting impact of 9/11 on Ocean City, we believe, was a slight decrease in bridge traffic during September, followed by fairly substantial increases in October, November and December.

Golf (Rounds Played)

Our next indicator tracks the rounds of golf played in and around Ocean City. According to Ocean City Golf Getaway, on 17 courses, 358,165 rounds were played, an increase of over 22,000 rounds or 6.6%. Golf continues to be a season extender for Ocean City and a significant marketing tool for the lodging industry.

Hotel, Motel and Condominium Rentals

Ocean City has exceeded \$225 million in Gross Hotel, Motel and Condominium Rentals for the first time in its history. Continuing on a steady and strong path since 1996, 2001 exhibited a 6.9% rise in lodging rental revenue. Prior years' increases were 8.3%, 7.4%, 7.6%, and 5.3%. We anticipate that 2002 will continue this trend, however the 433 hotel rooms added in 2001 and the 323 added in 2000 will continue to dilute the revenues of some of the properties at the resort. Ocean City tourists frequent new hotels, giving them an advantage over the old ones at least temporarily. Once the novelty wears off, the cream will once again rise to the top. Then it should be business as usual for the top properties, as the most effective hoteliers reinvigorate their properties to compete with the newest two and three year-old properties.

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To the Reader (continued from page 3)

Retail Sales

Vacationers not only rent hotel rooms, they also purchase food, clothing, gifts and other taxable items. The State tracks these items by county and we use them in our evaluation of Ocean City's economic condition in our Retail Sales Analysis. Worcester County experienced a 4.6% increase in retail sales this year and 8.0% and 8.3% increases in the prior two years. The statistics indicate strong retail growth, well above the level of inflation

Assessable Tax Base

After a slight decrease in 1996, the Assessable Tax Base has been rising steadily at an increasing pace, with the latest increase (2001 over 2000) at 4.6%, twice that of the prior year. Due to the three-year assessment cycle and effective tax appeals, the tax base tends to lag behind sales. **Real Estate Sales Volumes** increased 36% over last year in Worcester County, according to the State Department of Assessments and Taxation.

New Construction

New Construction continues to occur at the beach, as over \$72 million in construction indicated an increase of nearly 26% over the prior year. Also significant is the increase in permitted living units of over 12%. Certificates of occupancy were issued for 433 hotel rooms, 127 condominium units and 76 other housing units, for a total of 636 new units, compared to 566 last year and 81 the prior year. This is the largest number since 1991, when 702 units were granted certificates of occupancy. Hotels comprised the largest portion of the new units, including the long-awaited Grand, the Holiday Inn Suites-oceanfront and the Nassau expansion. 2002 will have many fewer new hotel rooms, with the anticipated completions of the Fager's Island addition (12 rooms), Tidelands (68 rooms) and Sunset Landing (102 rooms-bayside). There will be a number of condominiums, including Adagio with 56 (15 oceanfront and 41 oceanview) three-bedroom units; Sunset Landing with 25 bayside units; and Ocean's Edge with 9 three-bedroom, boardwalk-front units.

Condominium Sales

Ocean City condominium sales continue to be our most requested statistic. While the dollar volume of \$205 million (total sales) represents a decrease of just over 1%; the total number of units sold decreased by 15%, but the average unit price of \$146,334 was 16% greater than the prior year. The number of transactions decreased in all categories except bayside, due to the availability for lack of development land. The average oceanfront sale was \$206,477, up 17% from last year. A number of new oceanfront, three-bedroom condominium units have sold for in excess of \$700,000. This milestone represents a reaction to the lack of new oceanfront unit supply. It also suggests that there is increased demand for higher-priced property, with a greater level of finishes and amenities. Owners of units in the older oceanfront buildings are continually being solicited by agents to list their existing units and "trade-up", in order to stimulate sales and increase the oceanfront product on the

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To the Reader (continued from page 4)

market.

Ocean City is enjoying the effects of a continues strong general economy. Families in the market area are doing well financially and the Ocean City resort businesses are in an excellent position to benefit from these consumer spenders. A general trend of off-season and shoulder season visitation growth has been buoyed by the convention center expansion and the increasing influence of the area's golfing amenities. The Ocean City market is expected to continue its growth, albeit with cyclical periods of reduced development, well into the future.

In summary, Ocean City had another great year in 2001 by virtue of greater retail sales, room revenues, construction activity and gains in condominium unit sales prices. We anticipate that these statistics will continue in 2002, with continued condominium price increases. The condominium market awaits development of a new high-rise on the ocean-front. The lodging industry will still be absorbing the last two years' entrants into the marketplace.

We'll see you at the beach and on our website at www.lfmvalue.com!

Lipman Frizzell & Mitchell LLC



David H. Brooks, CRE, MAI

Partner