

2020

MARINAS

National Marina Market Investment Report

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As we look at marina industry performance in 2019, it is clear that the marina market is attracting more investment as buyers continue to flood the industry and boaters continue to get out on the water. External and internal factors collectively boost occupancies and profitability around the country, with current trends centered around creating a better boater experience by way of new amenities and services. We had the opportunity to sit down with John Matheson and Alain Giudice (President and Senior Vice President, respectively) of F3 Marina and discuss marina management, operational trends and 2020 forecasts—an interview you do not want to miss.

My hope is that the information drawn from this investment report continues to help shape your own investment strategy as you look for your next marina opportunity.

Key 2019 Takeaways:

- ♦ Occupancy: ↑
- ♦ # of Marina Sales: ↓
- ♦ Average Marina Sale Price: ↑
- ♦ Median Marina Sale Price: ↑
- ♦ Stock Market: ↑
- ♦ Interest Rates: ↓

In Fiscal Year 2019, marina occupancies remained strong throughout the industry as boat sales continued to grow. Marina Dock Age reported that from 2011 through 2018, occupancies trended upwards with 82% of participating marinas nationwide stating their occupancy at 75% or better (with 25% of them fully-occupied and 70% at 95% or better!). Compared alongside other asset classes (i.e. retail, apartments, office), marina occupancies are very strong. This trend is expected to continue in 2020 if we are not in a recession. With job growth and wage growth contributing to more disposable income for “would-be” boaters, in addition to the number of marinas nationwide remaining relatively unchanged, demand for storage (both wet slips and dry racks) is growing faster than supply, while simultaneously supporting an increase in rates. With occupancies up and increasing profitability, marina operators can (and are!) investing back into their facilities with storage expansions and upland developments (such as new restaurants, dry stack buildings, etc.).

While there will undoubtedly be challenges for operators in the future, 2020 is a year poised for growth. Our team is prepared to help sellers and buyers alike execute on the best investment strategy to help you sell your marina or acquire a new marina investment.

We look forward to a great 2020 for all marina owners, operators and buyers!

Sincerely,



Steven M. Ekovich

Senior Managing Director of Marcus & Millichap REIS
National Managing Director—LIPG

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Table of Contents

State of the Marina Investment Market.....	5
Average and Median Marina Sales Prices are Up!	
Prices are Strong, While Transactions are Down	
Financing is Obtainable in Today's Market	
Strong Buyer Demand; New Investors Entering the Industry	
Lower Interest Rates = More Buying Power	
High Barriers to Entry	
2020 Investment Outlook.....	6
Interview: F3 Marina.....	7
Buyer Sentiment.....	9
The Bigger Picture	
Consolidation Continues; New Buyers Enter the Industry	
Active Marina Buyers	
The Valuations	
Marina Financing in Today's Market.....	10
Is Financing Available?	
Operating Performance	
Historical Track Record (and Detailed Financials)	
Location	
Fiscal Year 2019 Sales Activity: \$1M-\$10M Tranche.....	11
The \$1M-\$10M Tranche	
Transaction Volume	
Average & Median Marina Prices	
Sales by Geography	
Fiscal Year 2020 Outlook	
Partial List of FY 2019 Sales.....	12-13
Fiscal Year 2019 Sales Activity Charts.....	14
Exclusive Listings Now Available.....	15
Team Contact Information.....	16



*Each year **Marina Dock Age Magazine** distributes a survey to gauge the current state of the marina/boatyard industry. The survey asks questions on occupancy rates, revenues, expenses, overall profitability and more to create a snapshot of how business was the previous year. In 2019, the magazine completed its 10th year of the survey and is releasing a 10-year Trends Report based on the surveys. The annual survey report and the new Trends Report provide valuable insight to buyers, sellers, investors, operators and anyone interested in the marina/boatyard industry. However, the value of the survey is dependent on the number of responses received, and the survey is continually trying to reach new facilities. **We kindly ask all marina operators to consider participating and helping Marina Dock Age continue in their efforts to provide high-quality and accurate data on the marina industry.***

For more information, please contact Wendy Larimer (Senior Editor, Marina Dock Age) at (314) 449-2717.

STATE OF THE MARINA INVESTMENT MARKET

BY: STEVEN EKOVICH—NATIONAL MANAGING DIRECTOR

Average and Median Marina Sales Prices are Up

As we look at the marina investment market, the bell weather metrics of the industry are both average and median marina prices/values. Marina owners and buyers alike are invariably tied to these metrics when considering an acquisition or disposition of a marina asset. **The big news is the average price of marina assets is up 12% to \$4,059,222 from \$3,623,714 in FY 2018 (see Fig. 1). There was a slight decrease in transactions between \$500k and \$30M, however, from 116 sales in FY 2018 to 92 sales in FY 2019.** The average price a marina sells for in any given year is determined by the number of overall transactions that took place and how they were skewed (i.e. a greater number of high-end transactions compared to just a few medium-sized deals will result in an overall higher average). **The median price also increased to \$2,530,000 - a 10.73% increase over last year - which is a more accurate indicator of values versus the average transaction price.** (We exclude portfolio sales and properties above the \$30M limit, as to provide accurate data on individual marina transactions that take place.)

Prices are Strong, While Transactions are Down

As you can see in Figure 1 below, the overall number of marina transactions is down from FY 2018. Between 2008 and 2011, transaction volume floated around 30 transactions a year, until 2015 when transactions and average sales prices increased substantially. Marina transaction volume has increased consistently for the past 10 years, but FY 2019 appears to be an exception. The initial breakout in marina sales in 2014/2015 was a result of serious institutional-level involvement, which has influenced the industry as evidenced by the increase in transaction volume through 2019. It is clear that a robust economy, relatively low interest rates, low unemployment, institutional capital and limited new marina development has helped marina values to continue the rise. More recently, core commercial real estate investors are recognizing marinas as an investment vehicle

that offers multiple income streams, barriers to entry, attractive depreciation schedules and strong, stabilized occupancies and earnings among other investment benefits. At the same time, traditional (“core”) real estate assets are becoming more expensive and producing lower returns. These few market conditions alone are beginning to motivate core commercial real estate investors to chase yield into the marina airspace, providing existing marina owners with more exit options and ultimately more transactions.

Financing is Obtainable in Today’s Market

Unlike five years ago, financing is more obtainable in today’s market because the economy is booming, interest rates are relatively low and lenders have a better understanding of how to underwrite the asset. In addition, the recent consolidation and private equity involvement in marina acquisitions has increased lender confidence in income-producing marinas that can sustain current revenue streams and meet the required Debt Coverage Ratio (DCR) for a loan. Operationally, marinas are performing just as we expected in an industry where relative demand seems to be outstripping supply and is benefitting owners and investors alike. As facilities continue to upgrade, redevelop and expand, we can expect occupancy and rental rates to continue their upward trend as boaters run into fewer storage options and prefer a better marina experience.

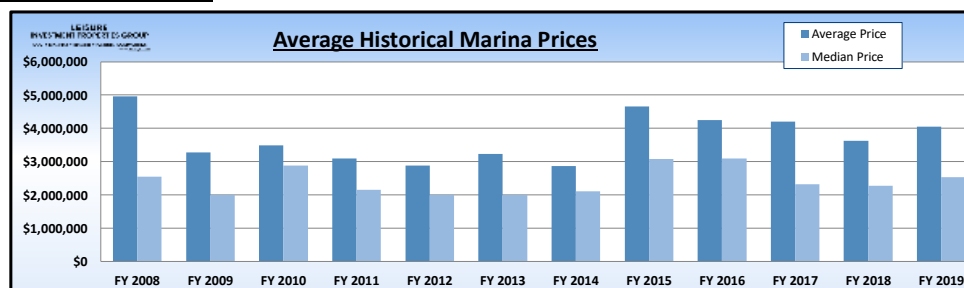
Strong Buyer Demand; New Investors Entering the Industry

Buyer demand for the marina asset class is very strong. Over the last few years we have been receiving calls from new private equity participants, family offices and other well-capitalized investors seeking marina acquisitions. Notable marina owner-operators with proven track records and strong portfolios have demonstrated how lucrative this asset class can be, and have not only (continued on Page 6)

LIPG - National Marina Sales History

	# of Sales	Average Price	% Change	Lowest Price	% Change	Highest Price	% Change	Median Price	% Change
FY 2008	14	\$ 4,968,407	N/A	\$ 1,040,000	N/A	\$ 16,632,000	N/A	\$ 2,547,500	N/A
FY 2009	29	\$ 3,277,969	-34.02%	\$ 900,000	-13.46%	\$ 21,500,000	29.27%	\$ 2,000,000	-21.49%
FY 2010	33	\$ 3,485,579	6.33%	\$ 721,000	-19.89%	\$ 16,204,400	-24.63%	\$ 2,888,000	44.40%
FY 2011	37	\$ 3,094,479	-11.22%	\$ 1,026,000	42.30%	\$ 11,688,114	-27.87%	\$ 2,155,244	-25.37%
FY 2012	50	\$ 2,881,305	-6.89%	\$ 550,000	-46.39%	\$ 8,200,000	-29.84%	\$ 2,000,000	-7.20%
FY 2013	54	\$ 3,225,398	11.94%	\$ 500,000	-9.09%	\$ 15,628,392	90.59%	\$ 2,000,000	0.00%
FY 2014	68	\$ 2,875,225	-10.86%	\$ 760,500	52.10%	\$ 10,224,000	-34.58%	\$ 2,105,000	5.25%
FY 2015	68	\$ 4,658,682	62.03%	\$ 500,000	-34.25%	\$ 27,000,000	164.08%	\$ 3,080,000	46.32%
FY 2016	84	\$ 4,245,348	-8.87%	\$ 500,000	0.00%	\$ 14,100,000	-47.78%	\$ 3,100,000	0.65%
FY 2017	99	\$ 4,197,862	-1.12%	\$ 537,000	7.40%	\$ 24,000,000	70.21%	\$ 2,330,000	-24.84%
FY 2018	116	\$ 3,623,714	-13.68%	\$ 500,000	-6.89%	\$ 22,500,000	-6.25%	\$ 2,284,800	-1.94%
FY 2019	92	\$ 4,059,222	12.02%	\$ 500,000	0.00%	\$ 39,500,000	75.56%	\$ 2,530,000	10.73%
TOTAL	744	\$ 3,750,911							

Outliers Removed (<\$500k or >\$30M)



***Data Courtesy of the Leisure Investment Properties Group of Marcus & Millichap Real Estate Investment Services:

www.LeisurePropertiesGroup.com

Fig. 1

encouraged more investment from aforementioned entities, but have really set the pace for creating the ultimate boater experience (i.e. improved customer service, updated facilities, new amenities, etc.) The marina industry is becoming increasingly sought after because of yield compression in other core asset classes from which many of these new investors/investment groups are diversifying. They see what we see - 10,000 Baby Boomers retiring every day as they reach the 65-year age bracket. For them it means relaxation, vacation, moving to better weather and maybe buying that boat they have always wanted. With boat sales up, baby boomer participation increasing, and the current barriers to entry, occupancies should remain strong. These buyers understand there is little to no new supply of marinas, and the very limited inventory of institutional-grade facilities continue to be snagged up by one of the four major owners in the business. The majority of the types of marinas that these types of investors want, are located along the Atlantic Gulf and Pacific coasts, (navigable saltwater). Marinas on these bodies of water tend to accommodate larger boats (a stickier income stream than dry stack storage, from which guests can pull their boats and trailer them back to their house).

Lower Interest Rates = More Buying Power

The Fed's policy on interest rates directly affects every marina owner. The cheaper debt is, the more a buyer can pay for a marina and in essence the more valuable your asset is. 2019 was a year of humility from the Fed which led to a dramatic reversal in policy — from hiking interest rates in 2018 to cutting them in 2019 — putting the economy on solid footing heading into 2020. Since January (when the Fed began changing course) the Standard & Poor's 500 index has risen more than 600 points, or 25 percent. The unemployment rate, meanwhile, has fallen from 4 percent to 3.5 percent. On 12/10/2019, the Fed chose to take no major action, leaving the benchmark interest rate in its current range of 1.5 to 1.75 percent. For 2020, the vast majority of Fed leaders do not anticipate changing rates at all because they think the economy will remain in a good place.

Last year in this section of the Investment Report on the Fed, the Fed was signaling they were going to increase rates as the economy continued to heat up. Consequently, we expected to see a lower availability of marina financing for 2019. However, that danger on the horizon from these interest rate increases abated when the Fed reversed course. The lowering of interest rates will ultimately help sellers who want to exit the marina airspace do so at a top of the market price.



High Barriers to Entry

Marina development is very limited around the United States, as the high barriers to entry (i.e. permitting, zoning, lack of available non-tide-restricted sites and strong opposition from environmentalists) prevent new facilities from coming online more frequently. This gives the marina industry an enviable advantage to other real estate. In addition, the development market is very strong for residential housing in major metropolitan areas which influences prime marina site values and increases the potential for acquisition by condo and town house developers (effectively reducing overall marina inventory). The reduction in supply just mentioned, along with the above “barriers to entry”, create an attractive demand vs. supply relationship for both investors and marina owners. Occupancy should continue to grow, allowing marina owners to increase slip and rack rental rates, reflecting stronger overall stability and health in the operation to the investment community.

2020 Investment Outlook

In 2020, we are optimistic again. When you marry the barriers to entry for new marinas, the strong, stable demand for slips, along with more private equity and new first-time marina buyers, it is a recipe for a good transactional market in 2020. Facilities well-suited for the private client (\$1M-\$4M life-style marinas) should experience unchanged demand in 2020 as many more individual investors seek out these investment opportunities. The marinas in the middle (between \$4M-\$10M) are too small for the large marina buyers, yet too big for private client buyers. Like we saw in 2020, we should start seeing more cross-over buyers from different commercial real estate sectors helping these owners exit.

Marina owners that can capitalize on prime locations are continuing to convert their marinas as well. Where appropriate, the trend towards destination marinas is capitalized on by upgrading docks, adding restaurants, boutique hotels, rental boats and other amenities/services that today's boaters desire. This “destination” trend focuses on creating a unique experience centered around service and hospitality. Boaters from around the country and the world enjoy stays ranging from a few days to weeks at a time. There are always activities and enjoyable ways to spend time at these properties—whether it's at the marina or nearby.

Marina owners will continue developing uplands for expansions on current storage operations or for mixed-use concepts. Dry storage is very popular and necessary in many locations, especially where water frontage is scarce. We expect to see this concept continue to grow around the country as technology improves and wet slips are harder to find. As John Matheson and Alain Giudice (F3 Marina) can attest, one of the biggest considerations to new dry storage developments is the growing trend in larger vessels - in length, height, and beam. This means the facility will need a large enough footprint (more land) for the safe and efficient operation of traditional forklifts. As automation grows in concept and in practice, marinas and new sites around the country could efficiently operate on tighter footprints and create new access to boating.

INTERVIEW: F3 MARINA

INTERVIEWER: BRETT MURPHY | INTERVIEWEES: JOHN MATHESON (PRESIDENT) & ALAIN GIUDICE (SENIOR VICE PRESIDENT)



For many marina operators, hiring a third-party management company is the ideal route to ensuring optimal success, premier customer service, and consistent profitability. F3 Marina is a leader in professional marina management and consulting services to marina owners in the United States and internationally. F3 Marina's expertise, seasoned team and in-depth consultation process helps owners and communities maximize occupancies and revenues, while providing boaters with a superior boating experience.

Brett Murphy: John, how did F3 get started in the marina space?

John Matheson: Racine County, Wisconsin owns Reefpoint Marina, a formerly iconic marina on Lake Michigan between Chicago and Milwaukee. They took over the marina operations in 2012 after a slow decline from the former private operator. The County took over with a 20% occupancy and poor financials, which is when we came in. We were hired on a one-year trial basis to see if we could stem the decline. It went extremely well and we were awarded a 5-year contract (currently on the second 5-year term now).

Murphy: What was that project like?

Matheson: What we found was that our existing systems and processes transferred over very well to marinas. We focus on being the best at: 1) the physical well-being; 2) marketing; 3) financial controls and reporting; and 4) client communication and goal-setting. Today, the marina is back to its former luster as one of the top marinas in the Great Lakes with over 500 boaters and an extremely strong transient business. Since then, we have expanded our marina footprint all over the U.S. including Central America. We hired one of the most experienced marina professionals in the business, Alain Giudice, to run the division and now are involved with marina development, design, and operations.

Murphy: What are some of the services you provide owners to help their operations?

Matheson: As we do with all our clients, the first step is to discuss the strategy for the asset. Sometimes marina owners don't know where to start or what the possibilities are for their marina. We perform a marina and market evaluation then make recommendations for a long-term strategy. This could be a repositioning, changing the branding, or just improving and building upon what the owner already has created. Our services

include everything from marina planning and design, reconfiguration, new marina commissioning and all aspects of operations.

Murphy: How has marina management differed from or mirrored other product types your company is involved with?

Matheson: F3 Marina is a division of Founders 3 Management Company, providing a full-range of real estate services since 1995. Many of the same metrics and more sophisticated processes from traditional real estate can be applied to marinas. Incorporating the latest marketing techniques, processes for property maintenance, financial controls and cash management transfer over well. However, marinas are unique of course in many aspects and require very specialized knowledge of boater behavior and trends in a wide variety of markets. This required us to add experienced talent to our leadership over the years, today led by Alain. No two marinas are the same and each requires an individualized approach. Our culture is to pull from our collective experience of many marina situations to find a creative way to meet the vision of the clients.

Murphy: F3 has an extensive track record and proven success for turning around under-performing marinas. What steps have you found to be vital in making a marina well-occupied and profitable again?

Matheson: Each marina is different but it all starts with understanding the market, the marina and the potential for improvement. We have turned down assignments where we felt that we can't offer a path to improvement. It is also important for the owner to be willing to look at the marina differently. Often, it means changing staff leadership if there is resistance to change. To turn around an underperforming marina, it often takes bold measures that at first may meet resistance. Once the ownership is on board and the right staff is in place, almost anything can be accomplished. From there, we involve the local marina manager as part of the team with our experienced staff to form a long-term strategy. Creative strategies must be coupled with detailed financial analysis to see that it makes sense. Once the plan is determined and ownership approval is gained, it's all about execution.

Murphy: What is the general appetite for marina amenities when you take on new projects?

Matheson: From a boater perspective, it is clearly where the market is going. The key is to get the amenities right. Amenities bring boaters to the marina and strong staff relations with boaters keep them there. In other words, once in the marina, it is the way staff interacts with boaters that becomes more important. Owners that we have worked with are open minded to any amenities as long as we can demonstrate the return in value over time.

Murphy: Regarding marinas that are too small or that do not have the necessary revenues to justify a professional management team, what is some advice you would give those owners for continuing to provide an excellent guest experience?

Matheson: *An owner with a small marina (less than 100 slips) is in a tough position because boaters still expect the same level of service and require good marketing. Hiring a strong “working” marina manager that has great customer service skills is a good start.*

Murphy: Alain, when your team is hired by a marina owner what seems to be the biggest challenge you encounter?

Alain Giudice: *I would not call this a challenge, but the main objective is providing honest feedback to a marina owner who has spent a lifetime and a great deal of money to build a dream. When we take a new assignment, we spend a large amount of time evaluating a marina and providing a detailed report on the current status of the property, both financially and physically. Sometimes the expectations of the client do not match the current realities or market changes and we must work with the client to find middle ground.*

Murphy: What are common mistakes or shortfalls that you see in marina operations, where your experience can help the business recalibrate?

Matheson: *In no specific order, some of the key mistakes we see are: 1) **invest back into the marina**—owners do not invest in updating amenities to keep the marina fresh; 2) **heavy focus on the restaurant without the expertise**—we see too much focus on operating a restaurant when the operator does not have the experience or expertise to do so efficiently. It is better to hire an outside operator so the marina owner can collect rent and focus on the marina; 3) **staff with poor customer service skills**—while it is important to hire technically competent staff, it is imperative that employees are trained in customer service. Boaters do not tolerate being treated poorly and will leave the marina if that is the culture; 4) **poor marketing**—professional website, regular use of social media along with a marketing strategy is important to maximize occupancy; and 5) **lack of competitive awareness**—owners do not regularly compare amenities and fees with the competition and make adjustments when needed.*

Giudice: *Other areas of improvement that we commonly observe involve the lack of synergy between the shore and water operations. These include services that are specific to the needs of the vessel and crew and the amenities/facilities provided to the boaters and their guests. Not having specific processes, operating procedures, or ways to measure performance both related to guest satisfaction and on the condition of the marina infrastructure are also common oversights. On the financial side, there is a lack of tracking good information and using tools that could facilitate better understanding on the marina’s financial performance. Sales and marketing are also a common challenge for some marinas, we often see that the investment in marketing dollars is not always allocated to the right market or not taking advantage of using social media as an additional tool that can provide you with good Intel on your marketing effort. Family-owned properties, specifically, could gain much*

value from using analytics to understand key performance indicators, financial performance, and CRM data. We often see static websites and social media, and understanding that marketing efforts are key drivers of better returns is important for owners.

Murphy: What additional trends do you see in saltwater and lake marinas?

Giudice: *The main trend we have observed is the difference in seasonality for saltwater and lake marinas, and the effect it has on customer habits. Our portfolio of lake marinas mainly consists of properties on the Great Lakes and rivers in the Midwest. These marinas see a high concentration of boaters over a shorter season due to harsh winters. Saltwater, or coastal, marinas, especially in warmer climates, are less dependent on seasonality for business. Boaters can enjoy the benefit of having year-round boating conditions and mobility. Lake boaters often use their boats as a summer residence on the water, meaning their stays are longer as they take full advantage of ideal boating conditions and amenities offered on the lakeshore. Coastal boaters use marinas as a springboard for travel and exploration, and are more migratory than lake boaters who are often confined to a single body of water.*

Murphy: If you could leave our readers and investors with one final piece of advice for operating a successful marina, what would that be?

Matheson: *The marina business is changing. The average boater in many marinas is over 50 years old and younger boaters are looking for different experiences. Owners must be prepared to adapt to this changing market to remain relevant. This could mean changing slip sizes to accommodate boat preferences and different amenities to attract these boaters.*

Giudice: *Understand that marinas have evolved from just a marina on its own, with docks, a fuel dock and a small ship store. The demographics are changing rapidly and therefore the new marinas need to adapt to the new generation of boaters, providing an affordable and exciting lifestyle for the existing boaters but also for the younger generation. Marina design and engineering have evolved for the past 20 years, as boats are evolving in size, requiring larger and more costly infrastructure such as state of the art floating docks, electrical services, Wi-Fi, fuel facilities, etc.*

My advice to a potential investor is to have a reliable and experienced team around them to guide and support them from the infancy of the project. They need to understand the market demand and ensure that both the shore and water amenities have a carefully planned synergy.

To view the full-length interview with John Matheson and Alain Giudice, please visit our website at www.leisurepropertiesgroup.com.

For more information on F3 Marina, please visit www.f3marina.com

MARINA BUYER SENTIMENT IN 2019

BY: JEFF SPILMAN—SENIOR INVESTMENT ADVISOR

The Bigger Picture

This article will discuss the interest, metrics and types of buyers in the marina airspace through 2019. Before we discuss the individual buyer metrics, it is instructive to look at what is fueling buyer demand from a national perspective.

US macroeconomic performance is the driving force behind what appears to be a very good 2019 for marinas in general. Strong fundamentals have fueled healthy revenue growth and greater profit margins across the airspace. Where the stock market at the end of 2018 suggested a slowdown, the stock market at the end of 2019 seems to indicate the opposite. The long economic recovery has some concerned about how long it will continue. However, consumer spending is quite strong, which translates to more discretionary dollars being spent on recreational boating.

Consolidation Continues; New Buyers Enter the Industry

As was the case in 2017 and 2018, consolidation continued in 2019 with major transactions involving the institutional operators in the industry. Smaller operators growing portfolios continued their growth strategies, while new investors that own other commercial real estate properties (the “core” product types) have been entering the marina market in pursuit of yields they cannot achieve in their predominant investments. In addition, more investment-grade capital is seeking reallocation in investment markets that are much less saturated than what their current portfolio can provide.

Institutional-class investors in the \$10M+ tranche continue to make headlines with the increasingly rare portfolio transactions and large, individual asset acquisitions (i.e. Newport Shipyard, New England Boatworks). Coupled with significant capital improvements post-acquisition (usually in pursuit of the aforementioned destination marina), these industry players set the bar for a premier customer experience.

Over the last few years, despite the media’s attention towards big-ticket acquisitions, more than 90% of marina operators have only one location, with the four largest companies accounting for less than 10% of industry revenue (IBISWorld). Therefore, most active buyers are private investors or small groups. More private investors are starting to build small portfolios, and of those, only a few have obtained the cash to build larger portfolios. However, as reflected in 2019, more capital is entering the space through other capital sources, creating joint venture opportunities that couples strong buying power with experienced operators/managers. Many of these groups are looking primarily for value-add marinas. Family offices have been a recent buyer group showing interest in the space as well.

Active Marina Buyers

While the general composition of the marina investment community has not changed from the last few years (with the exception of increased involvement from some segments of the market), the main players involved in today’s transactions range from private clients to national/international owner-operators. (See Fig. 2)

Buyer Types

Institutional Buyers
Regional Buyers
Lifestyle Buyers
International Buyers
1031 Exchange Buyers
Cross-Product Type Buyers
(i.e. from Apartments, Retail, etc.)
Passion Buyers

Fig. 2

The Valuations

Less entrepreneurial investors still prefer marinas with just slips and racks as the primary source of income. If there are other ancillary businesses, they prefer them to be leased to separate operators. They treat the slips and racks in a similar fashion to other investments like self-storage, or other multi-tenant properties. Cap rates for those marinas tend to be lower than marinas with marina-owned ancillary businesses because of the inherent risk in operating the ancillary businesses.

Typically, transactions that occur in the 7% cap rate range are Tier 1 assets with very large ticket prices, scalability, significant size and unmatched locations. That said, transactions are predominantly occurring between the range of 9% to 12% cap rate, with some properties even trading at higher cap rates—typically due to location, deferred maintenance and/or a high percentage of restaurant or service revenue. These factors not only influence the likely buyer for the asset, but can also push the cap rate higher—especially when the marina is isolated from larger metropolitan areas and requires owner involvement in the day-to-day operations. Additional considerations are the current management structure, staffing, cap-ex needs, and income mix (i.e. the allocation of revenue/NOI generated from storage, boat sales, service department, restaurant, etc. for the entire marina).

Marinas can be very complex to evaluate because no marina is the same. Location is key like any other real estate, but income mix, cap-ex needed and upside are all just as important. Some buyers are more attracted to saltwater over lakes, because larger boats tend to be stored at saltwater marinas and they tend to be a stickier income stream than lake or dry stack boats that can be easily trailered. Some investors will only buy marinas that cater to the large boat customer. However, small-boat lake marinas are seen by some investors as where the opportunities to upgrade the marina are the best.

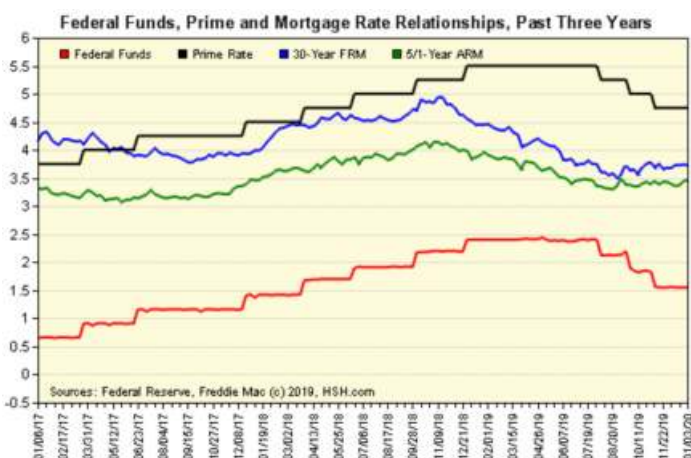
In conclusion, there are several different types of marina buyers in the market, all looking for specific things in a marina acquisition and it takes an expert to properly underwrite and price a marina that is attractive to today’s marina buyer. If you would like to know what your marina is worth or would like some ideas on how to increase the bottom line, give one of our marina advisors a call.

MARINA FINANCING IN TODAY'S MARKET

BY: BRETT MURPHY—INVESTMENT ADVISOR/SENIOR MARINA ANALYST

Is Financing Available?

Securing financing in today's market for a marina investment can be tougher than other commercial real estate property types, but leverage is attainable and there are lenders in the industry that specifically focus on the asset class. The main sources of financing remain the same, however, ranging from conventional sources to SBA, USDA, regional & local banks and credit unions. Seller-financing is a viable source as well when the option can be provided. More often than not this financing structure offers buyers shorter terms, favorable interest rates, and lower down payments than those they would receive from the aforementioned sources.



With historically low interest rates, the current U.S. prime rate at the time of publishing this report is 4.75%. We often have marinas pre-qualified at interest rates one to two points (1-2%) above Prime, depending on the program. While this rate is higher than more core real estate financing, there is more risk in the property type with revenues centrally generated around a business based on disposable income. Thus, the property type is dependent on the economy and US boating sentiment, which is very strong in today's market and a trend we expect to continue.

Experienced marina operators and individuals with strong backgrounds will qualify for better loan terms and usually more leverage under certain programs. A few other factors, in addition to the buyer's background are:

1. Operating Performance of the Marina
2. Historical Track Record (and Detailed Financials)
3. Location (Seasonality)

Operating Performance

Marinas that have a solid revenue stream generated from storage activities tend to be more desirable for qualified financing and strong terms. A buyer's background that reflects a strong operating history with other marinas and understanding of the business improves the chance of securing the most desirable financing. Lastly, when opting for leverage with local/regional banks, these sources are typically already familiar with the asset, they may understand the performance (depending on current or prior involvement) and can be more inclined to lend when the property has strong profitability and a history of timely payments.

Historical Track Record (and Detailed Financials)

As is the case when buyers analyze the investment, the marina's historical performance is reviewed thoroughly by lenders to gauge and understand the inherent volatility and risk of the income streams. For marinas that have strong, consistent revenue streams as mentioned above, future profitability can be projected with a higher degree of certainty and the Debt Coverage Ratio (DCR) can be satisfied—a critical metric used to measure the marina's cash flow against its debt obligations. When the ratio meets a lender's DCR requirements, it signals that the marina can satisfy the debt service, based on the lender's terms of the requested loan.

With financials backed by historical operating metrics that reflect positive future growth for the marina, lenders can confidently move forward with the financing because there is less probability of the buyer defaulting. That said, it is imperative that a marina owner maintain clean, detailed financial statements to reduce potential ambiguity and highlight areas of growth.

Location

A marina's location plays a factor in every aspect of the investment, from immediate boating market, distance from second-home owners (if on a lake), access by transient boaters, demographics, fee-simple or land lease, etc. The financing is affected by location primarily because of seasonality and inherent risk of defaulting in the off-season. For marinas that generate most of their cash in peak boating months (late April-early May), lenders must ensure that there are enough cash reserves to satisfy debt obligations in the off-season.

Predominant to lake marinas are land leases (with the State, Army Corps of Engineers, TVA, etc.) can hinder one's ability to secure financing with certain programs. But, that does not mean it's the end of the road. When a marina does not qualify for SBA or conventional programs, credit unions and USDA loans provide buyers (especially those of marinas in secondary/tertiary, more rural markets) with very favorable terms that can provide the necessary leverage and desirable interest rates.

Average Loan Terms

Loan Amount: Min. \$1.5M
(as low as \$250k for SBA)

Loan Term: 3- to 15-Year Terms
(Up to 25-30 for SBA/USDA)

Amortization: 15-30 Years

Current Interest Rates: Low 4% to Mid-7%

Loan-to-Value: 60-70% (Conventional); 80-90% (SBA)

Debt Yield: 1.30-1.70

FISCAL YEAR 2019 SALES ACTIVITY—THE \$1M-\$10M TRANCHE

BY: BRETT MURPHY—INVESTMENT ADVISOR/SENIOR MARINA ANALYST

The \$1M-\$10M Tranche

Fiscal Year 2019 was another great year for operators, sellers and investors in the marina industry. While it is important to understand the complete sales activity picture for the entire asset class, deal size plays a pivotal role in accurately honing in on core tracking metrics when it comes to evaluating market transactions. For instance, a \$30M+ transaction that involves a marina, as well as numerous restaurants, retail and hospitality components does not offer a comprehensive reflection of overall marina market activity. To that end, we put the more relevant \$1M-\$10M tranche under the microscope to better understand the investment behavior in this price range. **As noted, 61% of marina sales that were recorded in FY 2019 transacted in this \$1M-\$10M range, with 43 (77%) of those transactions completed in the \$1M-\$5M range.**

The three main takeaways from FY 2019 Year-over-Year sales in the \$1M-\$10M tranche are:

Transaction Volume: **Decreased**
 Average Sale Price: **Increased**
 Median Sale Price: **Increased**

Transaction Volume

The key variance for this “core” investment tranche between FY 2019 and FY 2018 is the number of transactions that were recorded. **There were 24% fewer sales (56) in FY 2019 compared to FY 2018 (74) in this tranche, yet the average and median prices sustained (and slightly surpassed) levels achieved in FY 2018.** Fewer sales is a telling sign that one of two primary factors could be at play: 1) the available supply of marina inventory currently on the market for sale is lacking; and/or 2) buyer sentiment towards the marina product type and the overall economy creates a disparity between “Ask” and “Bid” prices that elongate the sales cycle for marinas around the country. If the “Ask” – “Bid” chasm is too wide, sales are more likely not to be made.

We believe that the result of fewer sales in this core tranche is more a result of factor #2. Records indicate there is an abundance of inventory on the market today, with over 200 marinas for sale at the time of writing this article. While some investors opt to reserve their capital and enter the market at later date, one could hypothesize that fewer investors are acquiring marinas and the product type is just not as enticing as other product types. **But nothing could be further from the truth!** Over the course of 2019, we noticed much more investment from larger, seasoned marina operators that are well-known to the industry, a few smaller groups building portfolios and more frequently from new investors entering the space. The latter group is comprised of a wide range of investors from a multitude of both professions and other “core” commercial real estate product types with various capital sources backing their acquisitions (i.e. private equity, high-net worth individuals, family offices, etc.). One thing is clear, however – **investors are intent on securing solid, irreplaceable real estate, with ample cash flow that traditionally offers multiple income streams and strong fundamentals (i.e. occupancy).**

Average & Median Marina Prices

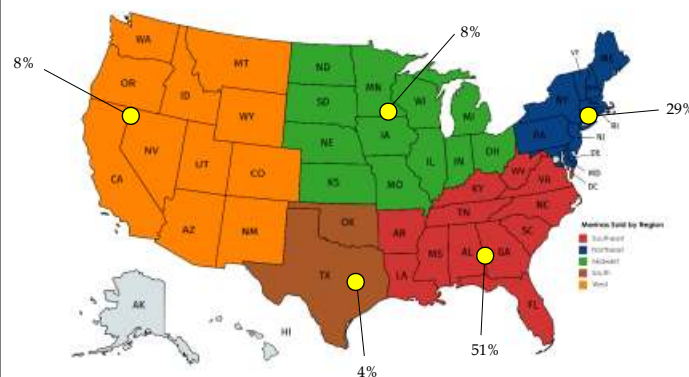
For the above reasons, we view the slight increase in average marina sale price for the core \$1M-\$10M tranche with an optimistic outlook for 2020 (up from \$3,326,370 in FY 2018 to \$3,558,747 – a 7%

increase). Average and median price levels were both achieved on 25% fewer transactions than those recorded in FY 2018, with the median price increasing approximately 9% (\$3,275,000). We believe “Ask” to “Bid” gaps will still exist (as they do in every market), but for the transactions that do occur, high prices are continuously achieved when the underlying marina market fundamentals are strong, upside is abundant and new capital continues to enter this high-yield product type.

While the increase in average price is equivalent to a normal growth rate, it is imperative to assess this data in conjunction with the transaction volume over the same time period, to see that these price levels were achieved over significantly fewer transactions.

Sales by Geography

Marinas around the United States offer guests varying levels of amenities and services that are largely based on demands/trends in the marina’s market, the prominent type of boating for that region and the demographic that will utilize the services being offered (return on investment). Below is a map that separates the continental United States into regions to reflect where marinas were sold in FY 2019. The Southeast continues to command the most investment attention (51%) for good reasons - destination locations, navigable year-round boating and welcoming weather to name a few.



*The above map reflects the overall recorded marina sales for FY 2019

Fiscal Year 2020 Outlook

As we look towards 2020, we maintain an optimistic outlook for transaction volume, average sale price and median sale price. We do not expect much to change in the preferred regions of acquisition and believe that capital will continue to be poured into facilities that will further increase values and enhance the boater experience. The marina product type has grown significantly (from both an operations and investment perspective), ultimately providing boaters with a much more desirable and hassle-free experience. With this in mind, there is ample room for growth for the entire industry and for new investors to enter the space and leave their mark.

PARTIAL LIST OF FY 2019 SALES

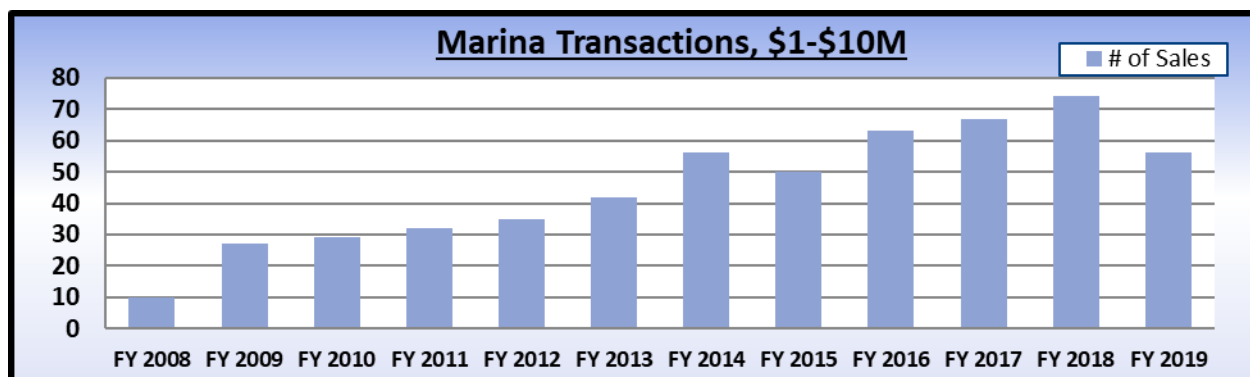
Horn Harbor Marina	\$	950,000	June	2019	Port Haywood	VA
RPM Marine, Inc.	\$	975,000	April	2019	Lindenhurst	NY
Big Island Marina	\$	1,012,600	January	2019	Portland	OR
Southern Grand Marina	\$	1,025,000	September	2019	Grand Haven	MI
Magnum Point Marina & Restaurant	\$	1,050,000	October	2018	Union Hall	VA
Lake James Boat Slips	\$	1,100,000	August	2019	Nebo	NC
Mackenzie's Landing Marina	\$	1,150,000	August	2019	Amesbury	MA
Brannan's Island Tune Marina	\$	1,195,000	September	2019	Isleton	CA
Skull Creek Marina	\$	1,200,000	July	2019	Hilton Head Island	SC
New Port Richey Site	\$	1,225,000	August	2019	Port Richey	FL
Dozier Yachting Center	\$	1,250,000	September	2019	Deltaville	VA
River's Rest Marina	\$	1,263,600	June	2019	Charles City	VA
Brielle Yacht Club Marina	\$	1,295,000	September	2019	Brielle	NJ
The Boatyard Marina	\$	1,400,000	July	2019	Fort Walton Beach	FL
Macke Marine	\$	1,421,000	December	2018	North Fort Myers	FL
Prosperity Pointe Marina	\$	1,500,000	September	2019	North Fort Myers	FL
Hogan's Marina	\$	1,550,000	October	2018	Savannah	GA
Marathon Marina Development Site	\$	1,570,000	June	2019	Marathon	FL
Eastern Bay Yachting Center	\$	1,665,000	January	2019	Chester	MD
Queen's Boat Co. (Dunham Bay Boat Co.)	\$	1,800,000	October	2018	Lake George	NY
Brentwood Marina	\$	2,000,000	December	2018	Brentwood	CA
Holland Riverside Marina	\$	2,300,000	January	2019	Brentwood	CA
Backyard Boats	\$	2,400,000	July	2019	Shady Side	MD
Your Boat Club (formerly North Shore Marina)	\$	2,486,000	January	2019	Orono	MN
Treasure Harbor Marina	\$	2,500,000	April	2019	Islamorada	FL
Sportsmans Lodge Campgrounds & Marina	\$	2,530,000	September	2019	Benton	KY
Horizon Marine Group	\$	2,600,000	October	2018	Toms River	NJ
Dry Dock at Longboat Key	\$	2,700,000	July	2019	Sarasota	FL
McKinley's Marina & RV Park	\$	2,900,000	February	2019	Waldport	OR
Lady's Island Marina	\$	2,995,000	October	2018	Beaufort	SC

PARTIAL LIST OF FY 2019 SALES

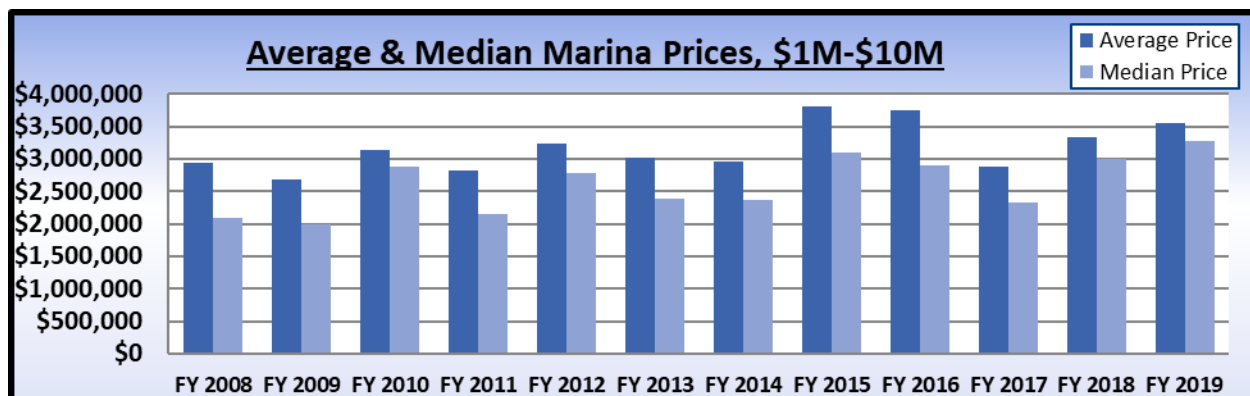
Jerry's Dock	\$	3,250,000	November	2018	Milwaukee	WI
Non-Profit Land by La Conner Marina	\$	3,300,000	June	2019	La Conner	WA
Chesapeake Yachting Center	\$	3,500,000	July	2019	Middle River	MD
Tome's Landing Marina	\$	3,600,000	April	2019	Port Deposit	MD
Causeway Marina	\$	3,700,000	April	2019	Manahawkin	NJ
Smugglers Cove Marina	\$	3,800,000	October	2018	Islamorada	FL
Hales Bar Marina & Resort	\$	3,980,000	April	2019	Guild	TN
Key's Boat Works (Redevelopment Project)	\$	4,000,000	December	2018	Marathon	FL
Safe Harbor Westport	\$	4,000,000	February	2019	Denver	NC
Anchor Marina	\$	4,000,000	July	2019	North Myrtle Beach	SC
Highland Pines Resort & Marina	\$	4,100,000	October	2018	LaGrange	GA
Barefoot Marina	\$	4,305,000	August	2019	North Myrtle Beach	SC
Casey Key Marina	\$	4,500,000	May	2019	Osprey	FL
Salt Creek Marina & Boat Yard	\$	4,750,000	March	2019	St. Petersburg	FL
Open Bay Marina	\$	4,800,000	August	2019	Merrick	NY
Montauk Anglers Club & Marina	\$	5,000,000	October	2018	Montauk	NY
Palmetto Bay Marina	\$	5,000,000	April	2019	Hilton Head Island	SC
Little Creek Marina	\$	5,000,000	December	2018	Norfolk	VA
Westland Marina	\$	5,150,000	May	2019	Titusville	FL
Bradenton Boat Club	\$	5,309,650	May	2019	Bradenton	FL
Anclote Village Marina	\$	5,400,000	September	2019	Tarpon Springs	FL
St. Michael's Marina	\$	5,750,000	April	2019	St. Michaels	MD
Safe Harbor Pier 77 (One Particular Harbor)	\$	6,900,000	March	2019	Bradenton	FL
Sundance Marina	\$	7,000,000	November	2018	Fort Lauderdale	FL
Rio Town Center	\$	7,162,000	January	2019	Jensen Beach	FL
Ocean Marine Yacht Center	\$	8,000,000	August	2019	Portsmouth	VA
Fisherman's Wharf Marina	\$	8,000,000	March	2019	Venice	FL
Halesford Harbour Marina	\$	8,300,000	March	2019	Moneta	VA
Riverwatch Marina & Boatyard	\$	10,950,000	May	2019	Stuart	FL
Skipper Bud's	\$	11,150,000	October	2018	Harrison Township	MI

FISCAL YEAR 2019 SALES ACTIVITY CHARTS

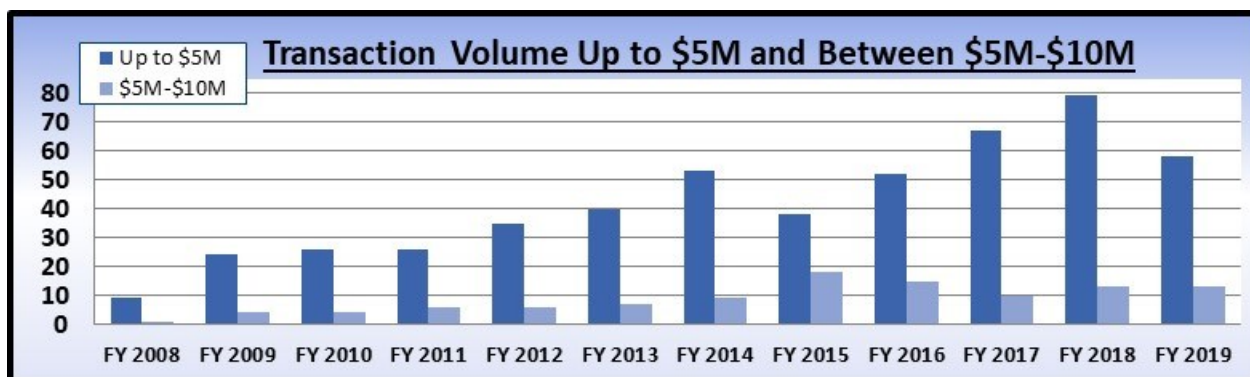
Transaction Volume—\$1M-\$10M Tranche



Average & Median Sales Prices—\$1M-\$10M Tranche



Transaction Volume for Transactions Between \$1M-\$5M & \$5M-\$10M



LIST OF EXCLUSIVE OFFERINGS NOW AVAILABLE



Confidential NJ Marina | \$8,000,000

Lead Advisors: Jeff Spilman | Brett Murphy



Confidential NW Marina | \$14,500,000

Lead Advisors: Brett Murphy | Steve Ekovich



Homosassa Springs Marina | \$4,000,000

Lead Advisor: Jeff Spilman



Gulf Coast Marina Development Site

Lead Advisors: Jeff Spilman | Brett Murphy



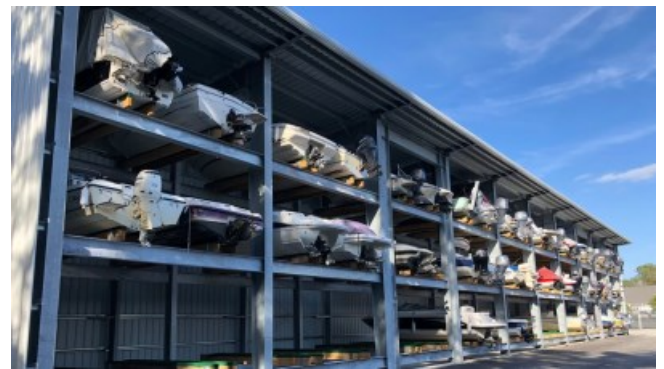
Fall Creek Marina & Campground | \$2,550,000 | 10% Cap

Lead Advisors: Brett Murphy | Jeff Spilman



Flat Hollow Marina & Resort | \$5,250,000

Lead Advisors: Jeff Spilman | Brett Murphy



Grande Harbour Marina | Contact Advisor for Price

Lead Advisor: Brett Murphy

**Please Contact Our Marina Advisors For
Additional Information and Investment
Opportunities!**

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