

**LEISURE
INVESTMENT PROPERTIES GROUP**

GOLF ♦ MARINAS ♦ RESORTS ♦ PLANNED COMMUNITIES

**MARINA
INVESTMENT
REPORT**

2022



OUR VISION

To be the preeminent leader in business-driven leisure investment real estate and advisory services.

THE LIPG MISSION

To help our clients create and preserve wealth. We deliver exceptional transactional expertise, superior market knowledge, and the industry's most powerful marketing platform at a personal level, treating each client's best interests as our own.

OUR GUARANTEE

Our clients will have the clarity, knowledge, and power to make sound business decisions that will maximize their investment strategies and achieve their vision for the future.

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LEISURE INVESTMENT PROPERTIES GROUP

GOLF ♦ MARINAS ♦ RESORTS ♦ PLANNED COMMUNITIES

Executive Summary

Looking back at 2021, marinas continued to be open for business even as restrictions remained in-place for many states, largely due to marinas being designated as critical infrastructure by the Department of Homeland Security. Marina occupancies are at an all-time high across the country, and immediate profit growth has resulted from increasing storage rates. In addition, marina transactions and values are up, revenues are higher, and boat sales continue to record high demand (and unfortunately, backlogged supply)...what was not to like about the marina industry?

Key 2021 Marina Market Takeaways:

Marina Occupancy Levels:	↑	Boat Sales:	↓
# of Marina Transactions:	↑	Marina Supply:	↑
Average Marina Sale Price:	↑	Stock Market:	↑
Median Marina Sale Price:	↑	Interest Rates:	↑

In This Issue:

- ♦ State of the Marina Investment Market
- ♦ Buyer Sentiment & Investment Trends
- ♦ 2021 & Historical Marina Transaction Activity
- ♦ Investment in the \$1-10M Tranche
- ♦ Exit Strategy & 1031 Exchanges with Accruit
- ♦ Marina Insurance with Sentry Insurance Partners
- ♦ Dry Stack Construction with Mack David Buildings
- ♦ Why Hire Competent Representation?
- ♦ Preparing your Marina for Sale

We look forward to working together in the future.

Sincerely,



Steven Ekovich | Executive Managing Director

A TRUSTED VISION FOR THE FUTURE OF MARINAS

Founded in 2009, and formerly known as the National Golf & Resort Properties Group, the Leisure Investment Properties Group has become the renowned industry leader in golf course and marina sales nationwide. After 12 years of extensive success, the Leisure Investment Properties Group was re-structured in 2021, now officially recognized as The Leisure Investment Properties Group, LLC—a national brokerage and advisory services company that focuses exclusively on the leisure industry. Our group has sold over 170 golf courses, marinas and other leisure - oriented properties since its origin in 2009, utilizing its powerful platform and proactive marketing techniques that will have even greater effectiveness moving forward. Our management team has over 150 years of combined experience in arranging the sale of golf courses, marinas and other commercial real estate, and we look forward to serving you.

STATE OF THE MARINA INVESTMENT MARKET

BY: STEVEN EKOVIK—EXECUTIVE MANAGING DIRECTOR OF THE LIPG, LLC

For Marina Owners: Can It Get Better Than This?

Looking back at 2021, marinas continued to be open for business even as restrictions remained in-place for many states, largely due to marinas being designated as critical infrastructure by the Department of Homeland Security. Marina occupancies are at an all-time high across the country, and immediate profit growth has resulted from increasing storage rates. In addition, marina transactions and values are up, revenues are higher, and boat sales continue to record high demand (and unfortunately, backlogged supply)...what was not to like about the marina industry?

The Demand Side (Occupancy, Rates, Boat Sales)

Occupancy

Occupancy is driven by three main factors: 1) supply of marinas; 2) demand for those slips/racks; 3) rate prices. As boat sales have continued in explosive fashion over the last two years, more boats are hitting the water yet the supply of wet slips and dry racks remains virtually the same. What has changed is the occupancy of those slips and racks—most marinas now have waiting lists as demand is incredibly high (see Fig. 1 and Fig. 2 below). While this is the general, there are specific marinas and locations that may not be 100% full and factors influencing that performance can be location to core boating population, access to primary boating from the marina, dredging issues, or amenity package offered by the marina, to name a few.

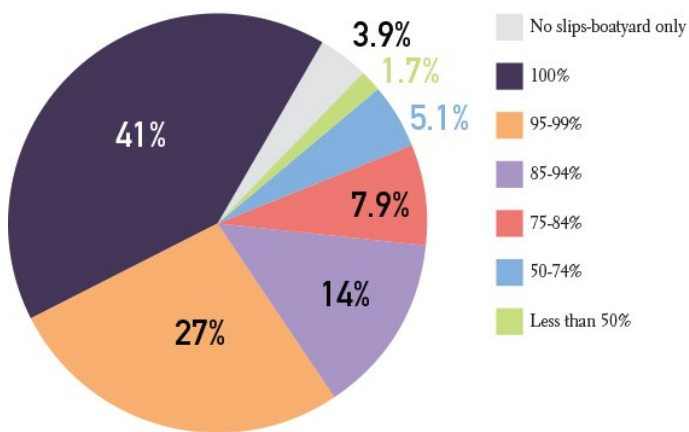


Fig. 1 - Current Occupancy Rates; Courtesy of Marina Dock Age

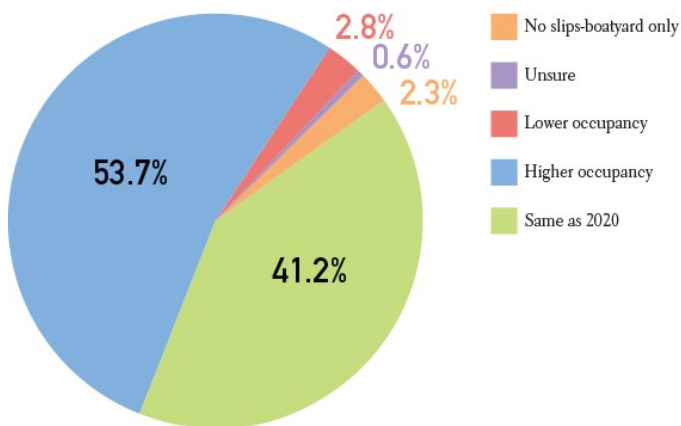


Fig. 2 - 2021 vs. 2020 Occupancy Rates; Courtesy of Marina Dock Age

Marinas in suburban and rural markets continue to benefit from net migration out of major metropolitan areas due to the COVID-19 pandemic (a trend we noted in 2020 as well). The boating industry overall has benefited greatly from this wave of new second-home/vacation home and retirement home buyers as most of these locations are on or near lakes or in attractive coastal markets. Proximity to their boat encourages greater use, resulting in higher boater retention for the industry and increased spending at marinas. Another shift in lifestyle benefitting the boating industry is the flexibility companies afford with “work-from-home”.

Rates

Marina Dock Age does a great job canvassing the country for statistics on marina performance around the country, which includes data on rate trends. While the surveys are not a complete reflection of the marina industry, they provide general trends for investors and other marina operators to review, in addition to anecdotes from our team’s experience in working with owners. As Figure 3 shows, virtually every respondent to the survey either increased or maintained rates in 2021. This comes as no surprise given the demand and growth in the boater population. This trend follows similar performance in 2020 and we believe this lends to great pricing power at many marinas for the coming seasons.

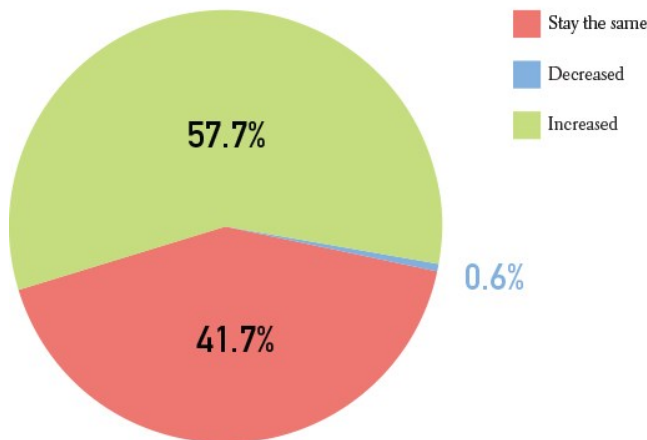


Fig. 3 - 2021 vs. 2020 Wet Slip/Dry Rack Slip Rates; Courtesy of Marina Dock Age

Boat Sales

New and used boat sales have trended in parallel to new and used car sales, with 2021 giving manufacturers no rest. Heightened demand for new boats has led to many boat buyers awaiting delivery in 2023/2024! While it is a positive that manufacturers have had this great success, there are several negative impacts resulting from unprepared manufacturers (to no fault of their own), and further exacerbated by supply chain issues.

These companies have done a great job adapting to the “new normal” - lack of materials, incomplete product, delivery delays and lack of labor. They’ve implemented customer service procedures that center on communication and transparency, some have been fortunate enough to expand operations and provide greater product outflow compared to when the pandemic first started, and most, if not all, are setting expectations based on factors outside of their control that directly slow their production.

(Continued on Page 6)

STATE OF THE MARINA INVESTMENT MARKET (CONTINUED)

Overall, manufacturing productivity is revving back up to meet demand for new boats, with boat building production nearing pre-pandemic levels as supply chain constraints ease.

“Following record sales in 2020, recreational boating remained the leading outdoor recreation sector in the U.S. in 2021 with new powerboat sales exceeding 300,000 units for only the second time in 15 years” – Frank Hugelmeyer, NMMA President

Further supporting trends and anecdotes of boat sales demand around the country, the National Marine Manufacturers Association (NMMA) recorded new powerboat retail unit sales in excess of 300,000 units in 2021—a 7% increase over the five-year sales average and roughly 4-6% below the record high set in 2020. Boat registrations may have recently shown a slight decline, but we believe this can be directed towards heightened demand, implications on production from the supply chain, and lack of inventory keeping up with boater demand. As evidenced by many of the top boat shows around the country, both existing and new boaters are actively searching for boats wherever they can find them.

The Supply Side (Quantity of Marinas)

According to IBISWorld, there are approximately 10,445 marinas in use in the US, which is a slight decline from 2020. Overall, the supply of marinas is not necessarily increasing—there are dry rack developments that are being erected, wet slip expansions, and very rarely a new marina (if not a “redevelopment” of existing, dilapidated infrastructure), but overall the asset class is not like other commercial real estate which can be easily developed with the rite site, proper zoning and capital.

Implications of the barriers to entry bring advantages and disadvantages, depending if you are an owner or a new buyer. The barriers to entry are high for the marina asset class due to: environmental concerns, governmental concerns and lack of locations conducive to marinas (water depth, access, availability). So compared to just about every other commercial real estate asset class, the barriers to entry are the highest in the marina industry.

Marina Values

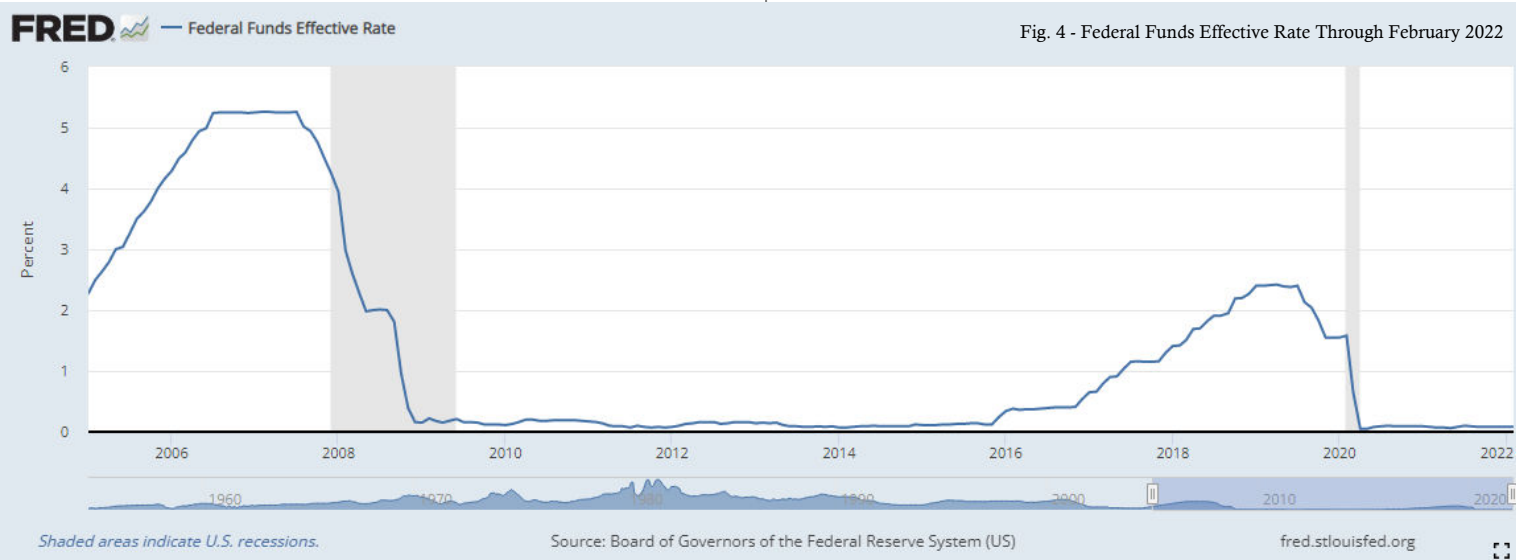
Previously mentioned supply and demand factors collectively influence marina valuations. Based on available, recorded transaction data, 2021 transaction volume between \$1-20M increased 72%, with the average and median prices in this data set increasing 18% and 20%, respectively (See Page 9).

In both commercial and residential real estate, the median price is considered a better indicator of value compared to the average because the average is easily influenced when a large quantity of small or large sales exists in the data set. Our team has seen cap rate compression on deals we have been directly involved in, as well as through deals around the country, which again goes back to the supply/demand factors, strong marina fundamentals, and a growing buyer pool that brings varying levels of capital and acquisition motivation to the table. We expect to see strong pricing through 2022, as well as more growth on the buyer side.

Marina Financing

Lending was even more available in 2021 than in 2020. The marina industry is becoming better known and more “proven” with the great success the largest players in the industry have had at the institutional level. This sentiment is marina-specific of course, but overall lenders are more receptive to marinas so long as various criteria of the property and the borrower check off. Typically investors will have great success with local/regional banks and credit unions, but depending on your strength as a borrower, the marina itself, and ultimately the bank, there have been many options for investors to help acquire marina assets.

...rising inflation nearing 10%, gas prices effectively double what they were ahead of the 2020 season, exploding wage growth, a war in Ukraine, among others.



STATE OF THE MARINA INVESTMENT MARKET (CONTINUED)

There are both positives and negatives to current economic conditions that can influence marina performance in the 2022 season.

The Fed kept rates near zero over the last couple of years as well, but we have seen several new macroeconomic factors enter the picture. For instance: rising inflation nearing 10%, gas prices effectively double what they were ahead of the 2020 season, exploding wage growth, a war in Ukraine, among others. We believe that while there are pains in the market, the pandemic was the root impetus for a large influx of new boaters - a shift we believe to be driven by a complete lifestyle change for families, where the boat will be more central to family/vacation time than before. These factors will likely persist for the foreseeable future, setting up the 2022 boating season to demonstrate just how much boating has been impacted.

The Economy and Marinas

According to the website Balance, the U.S. economy closed 2021 on a tear, with GDP growing 6.9% in the fourth quarter. Along with the growth came a spike in inflation: 7% year-over-year which is much higher than the Federal Reserve's target of 2%. As we have seen in March 2022, interest rate hikes are coming sooner rather than later.

The unemployment rate at the end of 2021 was just 3.9%, down from 6.4% at the start of the year. Unemployment hit its pandemic peak at 14.7% in April, 2020, when the economy shut down. According to the Federal Open Market Committee (FOMC) meeting on Dec. 15th 2021, U.S. GDP growth is expected to be 4% in 2022. It is estimated to then drop to a 2.2% growth rate in 2023 and slow its growth further to 2% in 2024.

For marina owners, the economy is a double-edged sword. There are positives and negatives to current economic conditions that can influence marina performance in the 2022 season. Increasing wages, a growing economy, and still very low interest rates will put more discretionary dollars in the hands of boaters (i.e. greater ability to pay rising slip rates and spend more money at the marina). Yet, continued inflation, the war in Ukraine, supply chain issues and skyrocketing oil prices will impact a marina's expenses and operations, as well as a boater's and how often the boat is used (i.e. price of fuel, service work delays, etc.).

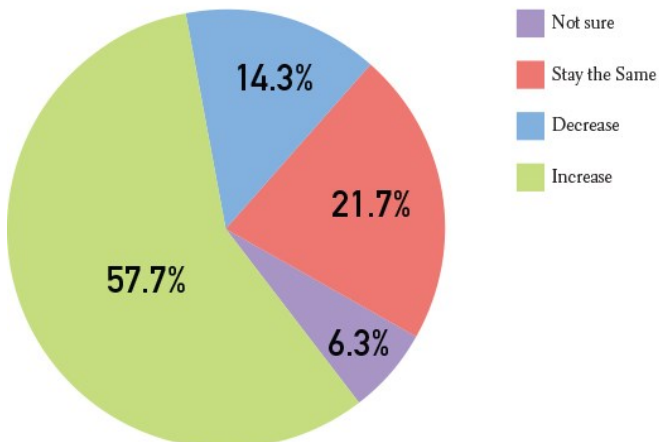


Fig. 5 - 2021 vs. 2020 Gross Profit Growths; Courtesy of Marina Dock Age



Our Market Outlook

With financially healthy marinas, increasing occupancy and strong support for increasing slip/rack rates, we believe more buyers/investors will continue to show interest in the marina asset class—both private clients and larger, institutional investment companies. At the same time, we can expect to see more owners continue holding their asset(s) as they reap the benefits a hot market has brought to their bottom line.

Marinas have increasingly become hospitality-centric compared to their storage-centric model of the past. With this trend (and expectation from boaters), we believe there will be more enhancements to the amenity package offered by marinas (details on Page 8), driving up local competition, impacting neighboring occupancy rates and potentially creating a less advantageous situation for nearby marinas that cannot keep up.

It is likely that lengthy lead times on boat deliveries will persist for the next couple of years, as well as low dealer inventory, but this could further bolster the success that boat clubs have seen as a large demographic has participated in this model for ease of use and feasibility.

Lastly, as consolidation continues we can expect to see facility upgrades, expanded amenity packages and very soon here we expect to see more portfolio sales. Overall, we are looking forward to a great year for the marina business in 2022 and will adjust accordingly on our end as new market shifts take place.

**As Tom Brady says,
“LET’S GO”
for the marina industry!**

BUYER SENTIMENTS & INVESTMENT TRENDS

While Q1 2022 has wasted no time with mergers and acquisitions, including a huge merger between Suntex and Westrec Marinas¹, 2021 proved to be a record-setting year for marina transactions. Investors are still very bullish on marinas as the asset class provides better yield, diversification and several tax advantages that core commercial real estate lacks. Buyer profiles of varying backgrounds have continued to enter the space, acquire deals, and seek marina investments. For context, we have connected with dozens of private client investors (individuals and families) seeking a marina on the coast or on lake where they are relocating for a lifestyle change or “working retirement”. Small and large investment groups who entered the space in 2021 have quickly acquired approximately half a dozen assets within about a year’s time (if that!) – each bringing advantages and skillsets to both their investment approach and for a seller’s exit. In addition, a handful of existing marina platforms² recapitalized last year ahead of new acquisitions.



Why Now?

Last year, the National Marine Manufacturers Association (NMMA) reported that there were 415,000 first-time boat buyers in 2020, introducing the activity to a younger demographic. This was evident in marina performance with maximum occupancy rates, growing waiting lists, and strong pricing power of wet slip/dry rack rates. Boat clubs and rental boats also benefitted as families and friends continued to take to the water via a non-ownership route (for now!). Fuel sales increase as boating activity increases, and service centers have consistently found themselves flooded with work. As of this writing, however, fuel costs are at a 20-year high which could curtail some use of power boating this season if costs persist at this level. Overall, marina fundamentals have been very strong and this helps fuel the interest in the asset class as cash flows are healthy and yields much better than core commercial real estate.

Reviewing industry history shows how many of today’s large marina platforms got their start, as well as the big events that inspired many of today’s new entrants to move towards the asset class (for example, when Sun Communities acquired Safe Harbor Marinas in Q4 2020 for \$2.1B). Now, there has been “proven” success as the institutional level, more industry data is available, and marina fundamentals are very strong. For the professional investment groups, now is the perfect time to execute a “roll-up” strategy³ as many owners are ready to retire or move on to a new venture – both are exit strategies that are accomplished with a sale.

Impacts of Consolidation

We see consolidation affecting marina owners/sellers and boaters in different ways. For marina owners, the main question they have when they hear “Wall Street” entering the marina space is: what does this mean for me? In our experience, consolidation can be a positive for the industry through upgraded marina facilities, expanded storage capacities, enhanced amenity package, and improved overall customer experience. For owners, this means competition may become more attractive for

boaters. Depending on amenities already offered at an owner’s marina, nearby competition may quickly add competing amenities (i.e. boat rentals, fuel sales) that could draw boaters to that facility.

For sellers – or owners who have made the decision to exit the asset - consolidation and heightened positive buyer sentiment have collectively influenced the compression of cap rates and increased competition for marina assets around the country. Sellers have achieved higher prices through professional representation with brokers who have unique marketing processes (see page 18). A great marketing process can capture all-cash buyers, which eliminates financing contingencies and other timing delays. As more well-capitalized groups enter the marina space, this is a more likely situation for sellers as buyers view listed marina properties as serious deals, and therefore worth their efforts in submitting an offer. While many principals of these groups are former operators/operations personnel who understand the asset class, some sellers are apprehensive in selecting an investment group as the winning buyer because they fear that the new owner will be disconnected from the operations, staff, and customers. Although more times than not, these groups bring several advantages to the transaction and future operation that benefit both the seller and the boaters.



All-Cash



No Financing Contingency



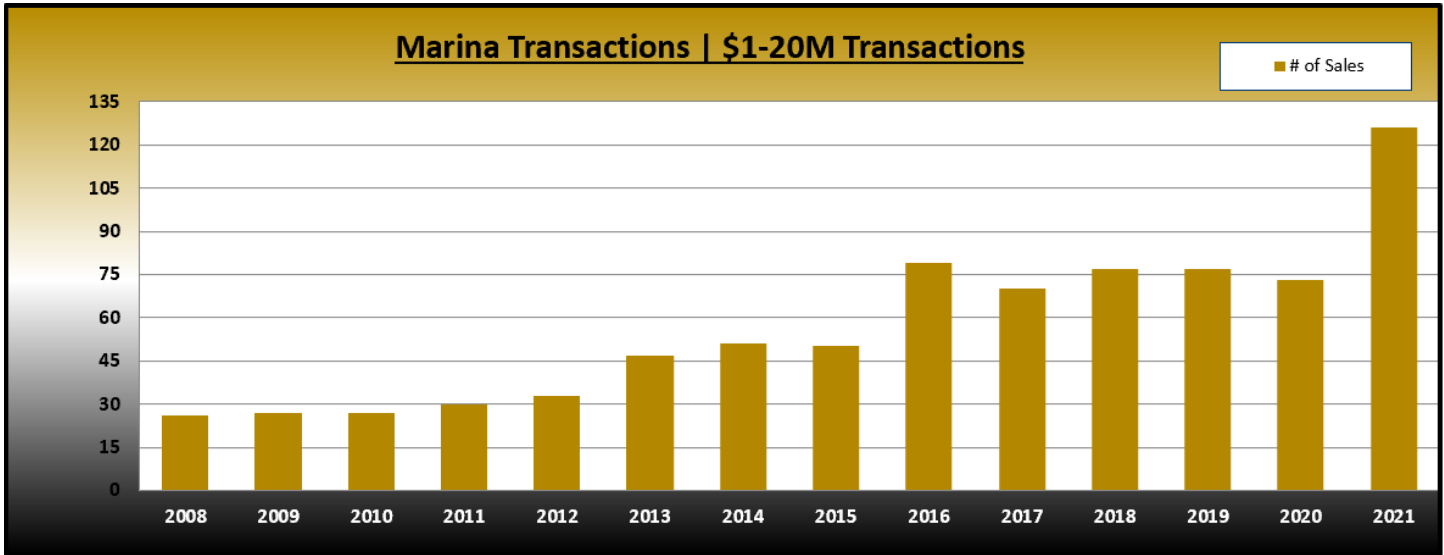
Shorter Time Frames to Close

Finally, with the fresh perspective of a new owner and new capitalization for the marina, boaters can benefit from improved amenities, additional services and new events that forge a stronger boating community and reason to dock at that marina. We expect to continue seeing rate increases and more facilities grow with greater emphasis on customer service and hospitality to provide the best, all-in-one experience for each guest. This will help in boater retention and attracting current “non-boaters” to marinas with the goal of one day converting these individuals and families to boat ownership at a facility that provides first-class customer service and experience.

2022/2023 Outlook

Should industry fundamentals remain strong, even amidst supply chain constraints and the subsequent impacts they have had on consumers across the industry, marina fundamentals should follow and continue to be great investments. Over the next few years we can expect to see portfolio sales increase as today’s portfolios mature and are sold in high 8-figure/low 9-figure transactions. This level of investment is attractive for institutional capital because significant capital can be placed in a more prudent investment compared to a single asset. Assuming the benefits of consolidation prove true, marinas within these portfolios have the potential to be turn-key (if not already) with a strong track record of customer service, employee loyalty and increasing cash flows.

MARINA TRANSACTION ACTIVITY | \$1M-\$20M TRANCHE



	# of Sales	Average Price	% Change	Median Price	% Change
2008	26	\$3,802,115	N/A	\$1,725,000	N/A
2009	27	\$3,384,343	-10.99%	\$2,200,000	27.54%
2010	27	\$3,215,593	-4.99%	\$2,450,000	11.36%
2011	30	\$2,363,473	-26.50%	\$2,057,500	-16.02%
2012	33	\$3,161,939	33.78%	\$2,325,000	13.00%
2013	47	\$3,059,931	-3.23%	\$2,450,000	5.38%
2014	51	\$3,613,645	18.10%	\$2,060,000	-15.92%
2015	50	\$4,087,388	13.11%	\$2,100,000	1.94%
2016	79	\$4,122,167	0.85%	\$3,200,000	52.38%
2017	70	\$3,852,607	-6.54%	\$2,750,000	-14.06%
2018	77	\$3,765,728	-2.26%	\$3,100,000	12.73%
2019	77	\$4,247,939	12.81%	\$3,700,000	19.35%
2020	74	\$4,157,033	-2.14%	\$2,550,000	-31.08%
2021	127	\$4,892,084	17.68%	\$3,050,000	19.61%
TOTAL	795				

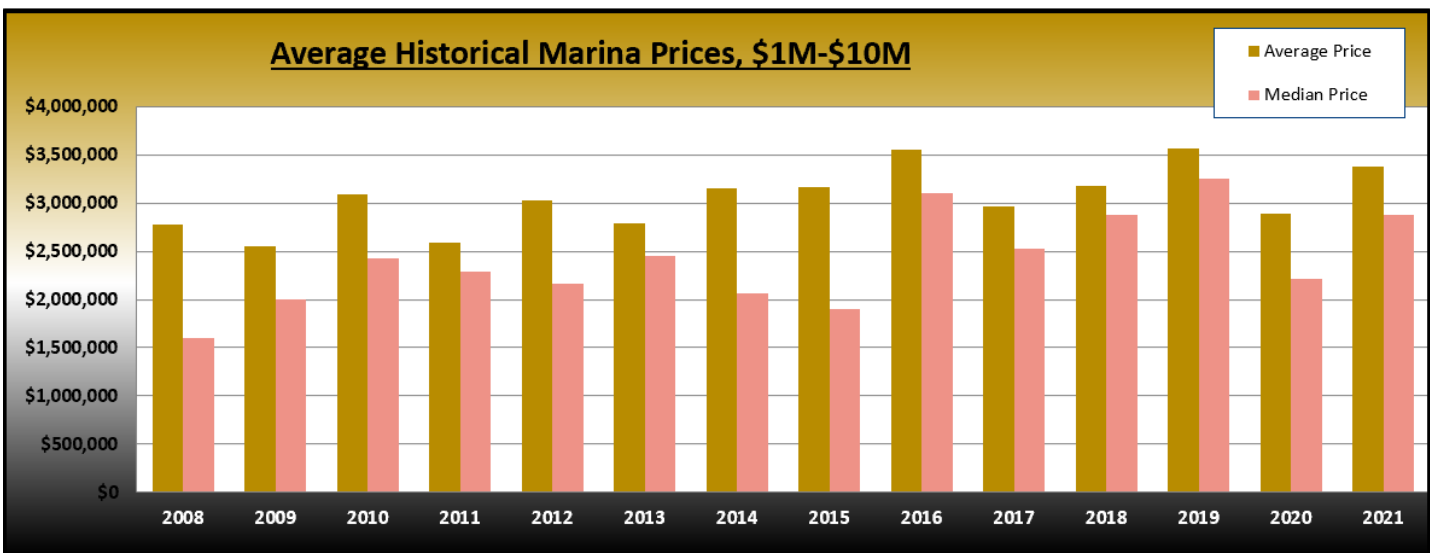
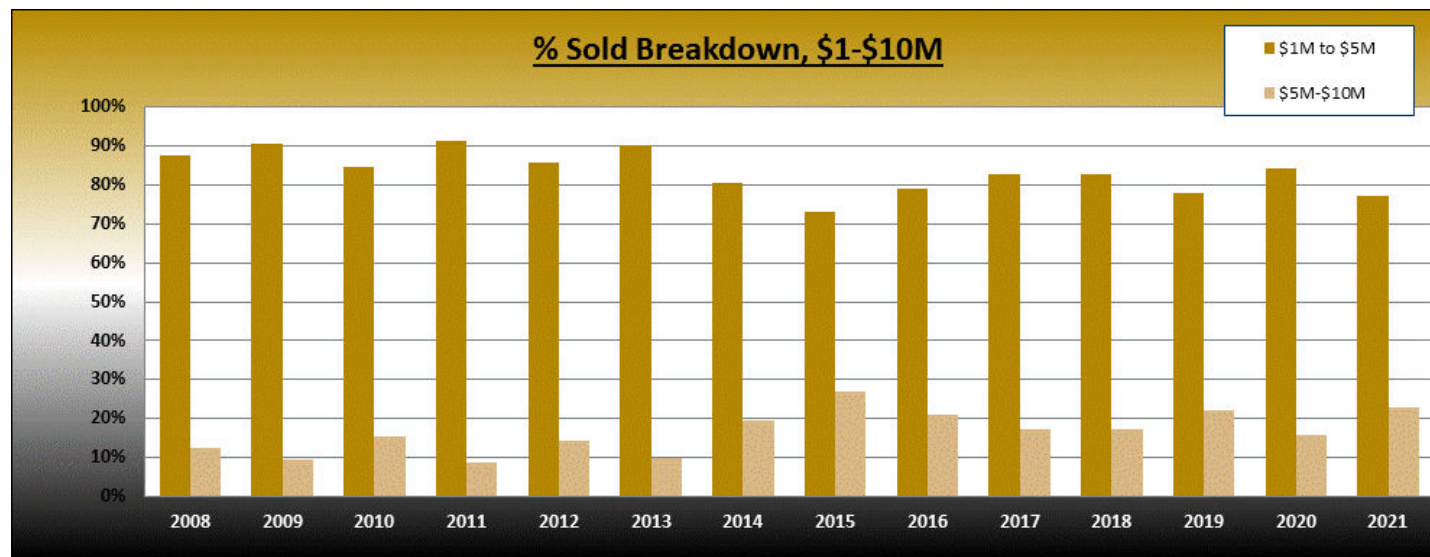
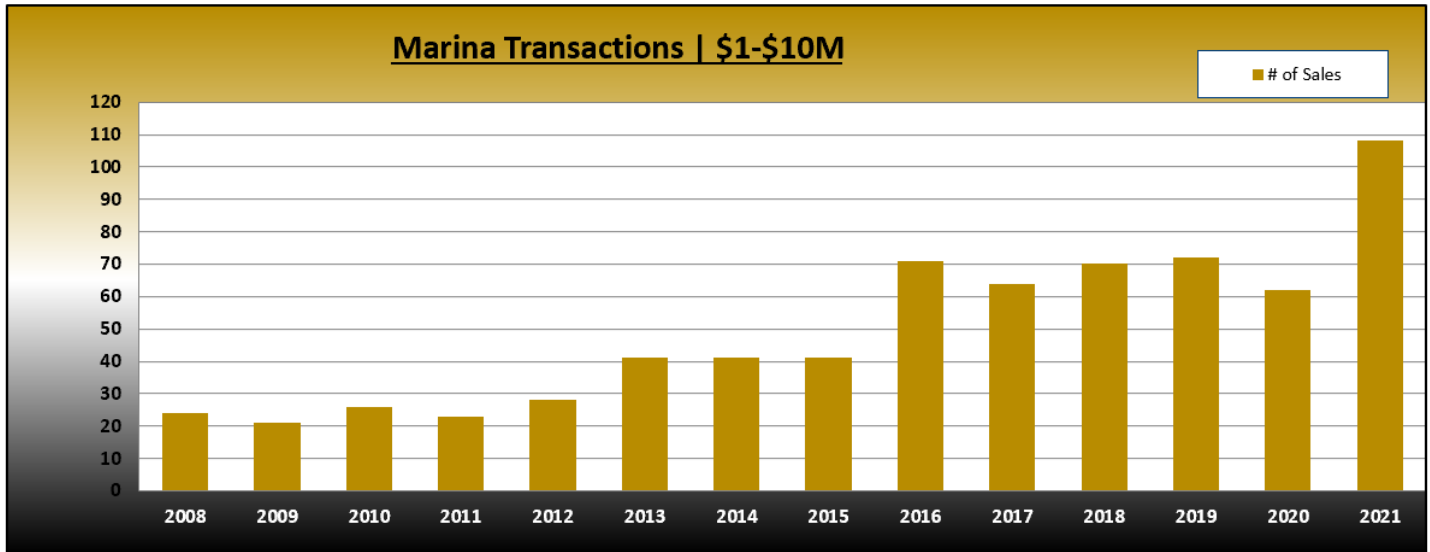
Outliers Removed for Avg. & Median (<\$1M or >\$20M)

*Data Courtesy of the Leisure Investment Properties Group Based on Available Information and Recorded Data

**Data May Not Represent Complete List of Sales If Transactions Were Not Reported or Recorded

***Portfolio Sales and Outliers Excluded

MARINA TRANSACTION ACTIVITY | \$1M-\$10M TRANCHE

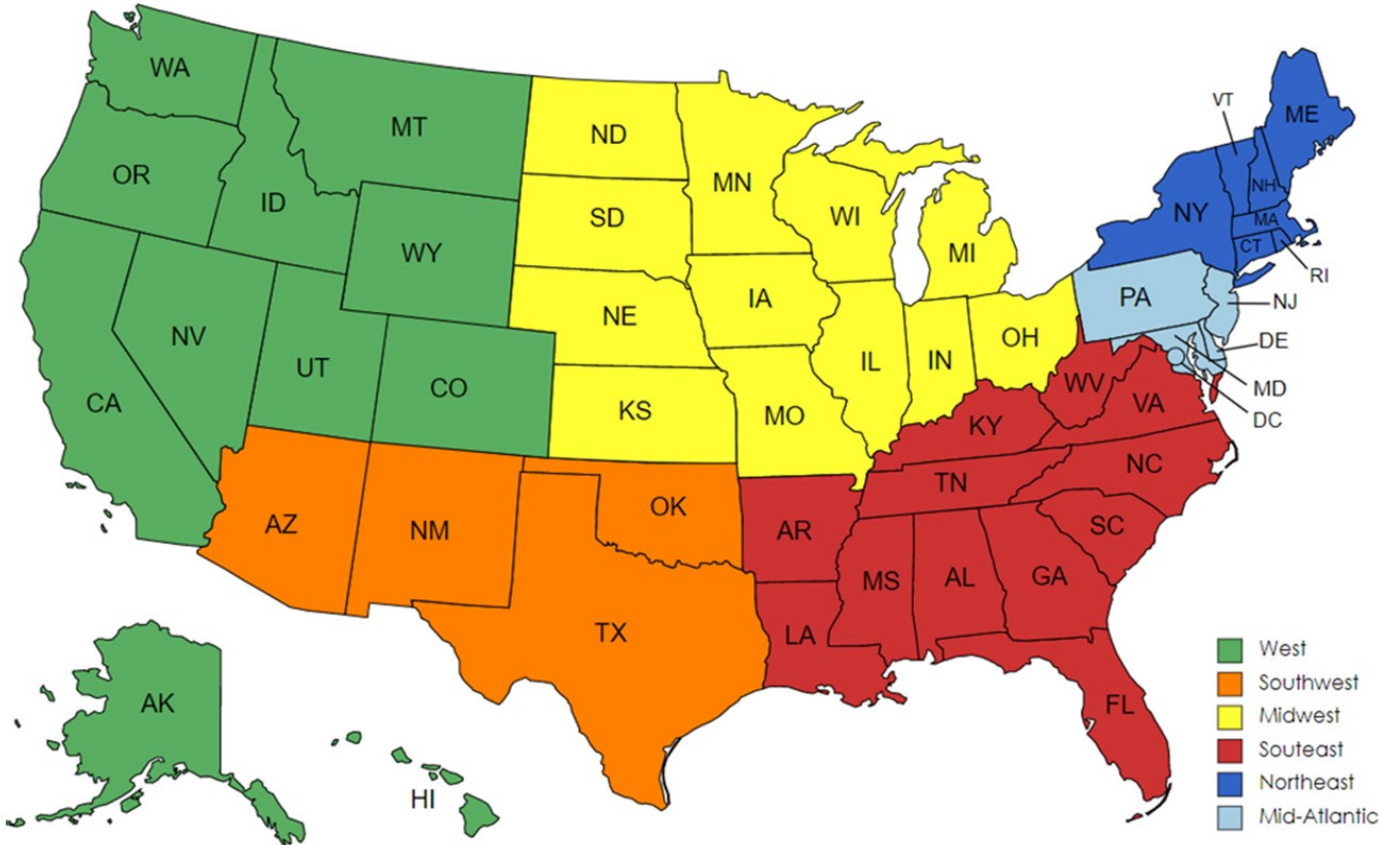


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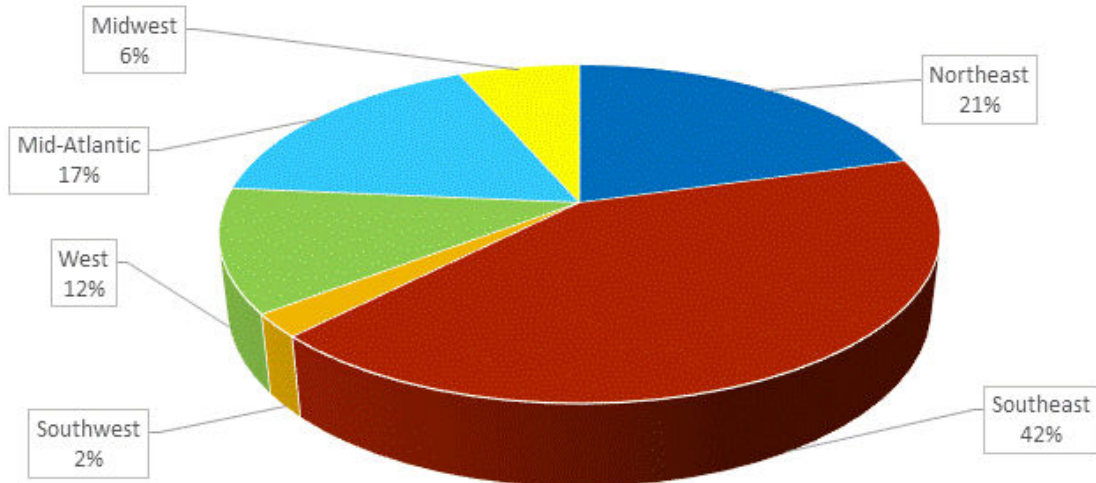
***Portfolio Sales and Outliers Excluded

2021 SALES ACTIVITY—BY THE REGION



\$1-10M Regional Sales	NE	SE	SW	W	MA	MW
	29%	38%	4%	10%	12%	7%

% of Marinas Sold by Region (2008-2021) | \$1-10M



*Data Courtesy of the Leisure Investment Properties Group Based on Available Information and Recorded Data

**Data May Not Represent Complete List of Sales If Transactions Were Not Reported or Recorded

***Portfolio Sales and Outliers Excluded

INVESTMENT IN THE \$1-\$10M TRANCHE

Transaction volume in 2021 was recorded at an all-time high in the \$1-20M range, largely supported by the \$1-10M tranche with recorded sales data indicating that transactions between \$1M and \$10M accounted for 86% of the \$1-20M transactions¹. Growth in transaction volume was complemented with higher average and median prices in this tranche, as detailed below.

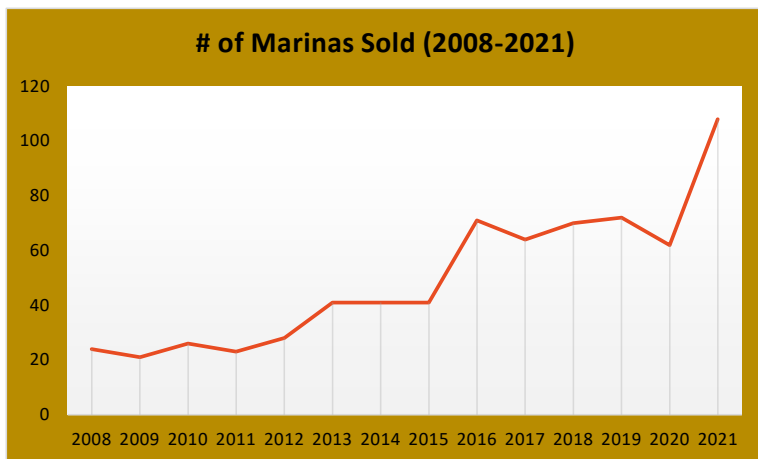
The \$1-10M tranche is an important subset to analyze because this is where the majority of marina transactions occur. While institutional capital seeks assets over \$10M (better scale and ROI), the \$1-10M range maintains a very healthy buyer pool that ranges in motivations and capital levels. Here we still see all-cash buyers, varying levels of investment experience, and many different reasons for purchasing a marina.

A few common buyer profiles that seek marina assets in the \$1-10M range include:

- Families
- Individuals buying a job or retirement
- Local or regional investor diversifying his or her portfolio
- Lifestyle or “passion” buyer

Key Takeaways for \$1-10M Tranche in 2021:

- Number Of Transactions: 109 | **73% Increase** from 63 in 2020
- Avg. Price Point: \$3,374,951 | **18% Increase** from 2020
- Median Price Point: \$2,900,000 | **33% Increase** from 2020



\$1-4.99M²

In 2021, 84 transactions (77% of the \$1-10M tranche) occurred between \$1-5M, with average and median price points of \$2,372,811 and \$2,075,000, respectively. Average price point is approximately 8% higher than 2020, with the median price 4% higher than 2021.

\$5-9.99M³

Transaction volume in the \$5-9.99M range increased 2.5x over 2020, with 25 reported transactions accounted for around the country. Like the \$1-5M range, average price point increased by roughly 6% (\$6,742,141 vs. \$6,375,000 in 2020) and median price point was virtually unchanged (\$6,250,000 vs. \$6,225,000 in 2020). Higher volume in this range is a positive trend compared to historical data, as there is typically much

lower competition that can feasibly acquire a marina in this price range.

As of recent, existing and new investment groups in the marina space have become the optimal buyer for these deals, starting with deal size checking the box of common criteria. Where down payments in this range would be unachievable on the private client level, all-cash buyers (typically investment companies, if not high-net worth individuals/family offices) have an opportunity to acquire marinas that are either overlooked by much larger investment groups or unattainable by the private client⁴.

Differences in the \$1-10M Tranche

Marinas under \$5M, and more specifically closer to \$1-2M, tend to be simpler to manage as the amenity packages are typically limited compared to larger, full-service facilities (subsequently evidenced in lower NOI). In addition, overall storage capacity tends to be smaller, demanding less staff and allowing an owner to operate the day-to-day. Yet, these valuations do factor in occupancy levels, location, and quality of the property, leading to value-add opportunities that may fall in this sub-\$5M range today, to be much more valuable in the future once fully stabilized.

In addition, a purchase price under \$5M requires a much lower down payment (when financing is obtained), making a marina in the \$1-2M range much more attainable for individuals and families. For these reasons, we see the \$1-5M range attracting more buyers as motivations extend past purely investment goals, creating a greater propensity for multiple, competitive offers. This results in higher prices and stronger deal terms – results we expect to continue seeing through 2022.

What to Expect Moving Forward

The influx of new capital and increased strength in marina fundamentals combined to be the driving force of growth in this tranche in 2021. These trends and various metrics (i.e. price points) are important for marina owners/sellers to understand because acquisition behavior and buyer sentiment plays a direct role in the timing, valuation and success of the sale of their own marina (i.e. data useful when developing your exit strategy).

We believe that 2022 will be another great year for marina acquisitions, As macro factors continue to develop, with some influencing boater activity more than others, we can expect marinas to respond accordingly in evident performance metrics as occupancy, fuel sales, rental boat booking and eventually sale prices.

Footnotes:

1. In 2021 and 2020, 18 and 9 transactions were recorded in the \$10-20M tranche, respectively. Not only was there an increase in larger asset sales between \$10-20M, transactions over \$10M without a \$20M ceiling recorded 31 sales in 2021 and 15 sales in 2020. These figures do not account for unreported transactions or undisclosed sales prices.
2. These figures do not account for unreported transactions or undisclosed sale prices.
3. These figures do not account for unreported transactions or undisclosed sale prices.
4. Typical down payments in this price range are well over \$1.5M.

EXIT STRATEGY & 1031 EXCHANGES WITH ACCRUIT

BY: MARGO MCCLANE—ACCOUNT EXECUTIVE



Accruit: Qualified Intermediary for 1031 Exchanges

Accruit is the leading, independent Qualified Intermediary (QI) for 1031 exchanges. Since inception in 2000, Accruit has worked with Fortune 500 companies, individual property owners/operators, and everyone in-between. With over 200 years of collective experience amongst their team of 1031 exchange experts, they provide a proven solution to tax deferral for commercial real estate owners (including marina owners). Their patented technology allows them to complete exchanges in much less time compared to a paper-based system. Through autogenerated documents and electronic signatures, their seamless customer experience surpasses expectations. Accruit prides itself on Safe, Secure and Simple 1031 exchanges.

Safe

Accruit is a trusted steward of capital, partnering exclusively with 4- and 5-Star Bauer-rated banks that are monitored quarterly for safety and stability, with all funds held in segregated bank accounts. Additionally, Accruit has experience managing up to \$9 Billion annually in exchange transactions for clients large and small. They are proud to do business nationwide and they meet all best practices and state requirements for fidelity bonds, as well as errors and omission coverage.

Secure

Accruit's patented technology, Exchange Manager ProSM, is a cloud-based, automated service that provides users 24/7 access. Hosted on Microsoft Azure, the data is encrypted, continuously backed up and secured behind a robust web application firewall. Their wire process includes required written direction from the client, then a dual authority internal approval with a verbal confirmation call from Accruit to the title company.

Simple

Accruit's technology allows them to provide a better customer experience with specialized service for each client. Their team includes five staff attorneys and several Certified Exchange Specialists[®] that simplify the most complex of 1031 exchange situations for clients. Additionally, Accruit has a deep bench of experienced members on their Client Service Team, who process the transactions from beginning to end and ensure compliance with exchange rules. Through electronic signatures their process is fully paperless, and documents can be signed from anywhere. Automated, critical deadline reminders ensure adherence to all 1031 exchange deadlines. Accruit is designed for scale and service, they are proud to handle high volumes while maintaining time with their clients.

1031 Exchanges for Marina Investments

The 1031 exchange is a tax deferral strategy that allows you to defer such taxes as capital gains, depreciation recapture, state and possibly the

NIIT taxes on business use or investment properties when they are sold. The profits are then reinvested into another business or investment use property, which advances many owner exit strategies for staying invested in commercial real estate and reaping the rewards of passive ownership, cash flow, and wealth preservation.

Types of 1031 Exchanges

Forward Exchange: The most common type of exchange, in which your relinquished property is sold and a replacement property is purchased within the 180-day exchange period.

Reverse Exchange: Increasingly popular due to the hot real estate market, a reverse exchange is where you find your replacement property PRIOR to selling your relinquished property. In these exchanges, the QI will acquire your replacement property and hold it in title until you sell your relinquished property.

Build-to-Suit/Improvement Exchange: These exchanges allow the taxpayer to put exchange funds toward the cost of improvements to the replacement property.

Example of Tax Implications from a Sale

Example Tax Liability from Marina Sale

Sale Price of Property:	\$2,500,000	
Original Price of Property + Improvements (Cost Basis):	\$1,000,000	
Total Capital Gain:	\$1,500,000	
Depreciation Taken:	\$200,000	
Taxes		
Federal Capital Gains Tax ¹ :	\$300,000	20%
Depreciation Recapture ² :	\$50,000	25%
State Capital Gains Tax ³ :	\$75,000	5%
Net Investment Income Tax ⁴ :	\$57,000	3.8%
Total Tax Liability:	\$482,000	

The hypothetical scenario assumes you purchased your marina for \$1M, which has since grown in value for a \$2.5M sale price. As you can see, if you sold your marina outright, you would owe \$482,000 in the various taxes outlined above. On the other, utilizing a 1031 exchange, you could put that \$482,000 into a new investment and defer all taxes, in some instances indefinitely. For taxpayers that pass away still holding a property received as part of an exchange, they will be able to pass it to their heirs with a stepped up basis - your heirs could then sell this property with no taxable gain.

Footnotes from "Example Tax Liability for Marina Sale":

1. Federal Capital Gains Tax is between 15-20% depending on income level, but 20% is the most common.
2. Depreciation recapture rate is 25%.
3. State Capital Gains Tax varies by state and income level, but this example used 5%.
4. The Net Investment Income Tax is 3.8% if annual income is over \$200k if single, or over \$250k if married.

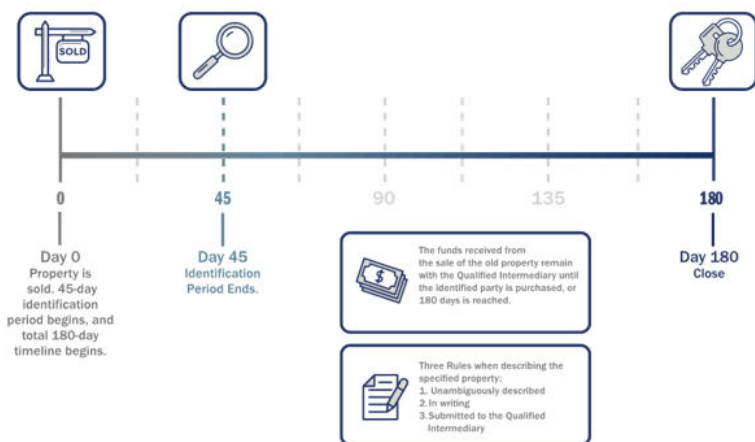
EXIT STRATEGY & 1031 EXCHANGES WITH ACCRUIT (CONTINUED)

1031 Exchange Timeline & Process

From the day you close on the sale of your marina (relinquished property), you have 180 days to close on your replacement property. The 180 days is broken up into 1) 45 days to identify your replacement property (Identification Period) and 2) 135 days to complete the transaction. In the event there is high competition on a particular property you are interested in, you are allowed to identify two additional properties (three properties all together) for your transaction(s).

At the closing of your Relinquished Property, the funds from the sale will be transferred to the Qualified Intermediary (QI) for holding until the time of closing on your replacement property. Within the 45-day identification period you will work closely with your real estate team and the Client Service Coordinator on your QI team to properly identify your replacement property(ies). If you are unable to identify replacement property within the 45 days, your exchange will be closed and your funds will be released to you, becoming taxable. (*More info. on this below with the DST*)

1031 Exchange Timeline



What Property Qualifies for a 1031 Exchange?

Any real estate property that was held for investment or business use qualifies as relinquished property (property to sell) in a 1031 exchange. There are also many options for replacement property (property to purchase), creating flexibility based on your investment goals and needs. Below are common types of replacement property for reinvestment:

- Single or multi-family rental properties
- Office buildings, shopping centers, and warehouses
- Apartment buildings
- Hotels and motels
- Farm or ranch land
- Vacant land held for investment
- Billboards, cell tower sites, and easements
- Mineral, oil, gas, water, and timber rights
- Delaware Statutory Trusts (DSTs)

Passive, Low Maintenance Investments

One increasingly popular option for reinvestment is a Delaware Statutory Trust (DST). A DST is a real estate investment vehicle that provides investors with access to investment-grade real estate that is generally larger than that which could have been acquired on their own. The reference to “DST” does little to explain the nature of the investment, but rather identifies the legal structure of the property you would be acquiring. This equates to a fractional interest in the subject property of the DST, equal to the amount of your equity investment.

DSTs allow for diversification of a real estate investment portfolio. Additionally, DSTs eliminate the headaches involved in traditional real estate ownership, the so-called “Three-Ts: Toilets, Tenants and Trash”. DSTs have grown in popularity with seasoned real estate investors that are looking to change their active real estate investment into passive real estate investments, allowing them to retire from property management responsibilities. DSTs also provide a solution to challenges many are facing in the hot real estate market we have seen in recent years. Namely, many sellers have trouble finding and identifying replacement property(ies) within the 45-day identification period. Oftentimes DSTs are utilized when a seller is coming up on their 45-day mark and have been unable to find other real estate to reinvest in that would satisfy the requirements of the 1031 exchange. In these situations, the DST can be a “safety net”, offering the seller an investment that is intended to provide reliable income with no property management. Later, when the property as a whole is sold (typically 5-7 years from purchase) the investor will share in the profits on a pro rata basis (equivalent to fractional interest).

Benefits of the 1031 Exchange for Sellers

If you are considering selling your marina, one of your exit options the LIPG will discuss with you is the 1031 exchange as a tax deferral and reinvestment strategy towards future goals. There are many benefits of the 1031 exchange when it is right for your long-term goals, including: defer taxes; reinvestment in passive investment(s) (versus actively running the day-to-day management); reliable cash flow (quarterly or monthly); low maintenance; portfolio diversification; step-up in basis (estate planning implications).

If we look back to the example tax liability if you were to sell your marina with a \$1.5M gain, you would have netted \$2,018,000. Investing this amount for a year in a money market account at one half of a percent (50 basis points) would generate income of \$10,090. Doing a 1031 exchange, however, would allow the full \$2,500,000 to be invested in a DST, triple net-leased property (for example), at 5% - this would generate \$125k in the same one-year time period compared to \$10,090.

For more information or questions about 1031 exchanges, contact your LIPG Marina Advisor or Margo McClane at (303) 865-7328 or margom@accruit.com to start your free consultation.

MARINA INSURANCE WITH SENTRY INSURANCE PARTNERS

BY: ANDY FAJARDO CMIP, CLCS—PRINCIPAL & MANAGING PARTNER



SENTRY INSURANCE PARTNERS

Insuring your future, together.

Creating a Safe Harbor for Vessel Owners

Safe harbor. That's what vessel owners expect from a marina, which is why marina owners who understand this principle will go to great lengths to maintain excellent condition of their facilities and thoroughly train employees. This is just the one part to creating a safe harbor, however, as even the most secure facilities with the best-trained staff can never fully eliminate the risk of accidents.

Another part that is frequently overlooked/ignored, is your marina's efficacy in responding to a potential accidents. To truly be a safe harbor for your guests, your marina must 1) be adequately prepared to respond to the different incidents that could arise; and 2) be properly insured to alleviate financial liabilities and losses that arise from those incidents.

Effective Risk Management = Increased Profitability

Owning a marina creates a particular mixture of risks including natural disasters; liability for damages to vessels; waterborne hazards like floods; unsafe dock conditions; employee injuries; theft; fuel-related dangers; and (often exacerbated by) alcoholic beverages – just to name a few.

Having a comprehensive insurance program in place is crucial to effective risk management as it helps protect marina owners from suffering catastrophic financial losses. Yet, a marina's insurance program is only as good as its owner/operator's understanding of how the different types of policies address all your marina's risks. This is where working with a marine insurance specialist can pay dividends for marina owners.

A Marine Insurance Specialist should help you navigate the different coverages marina owners/operators should have in-place to properly insure operations. A comprehensive Marina insurance package will usually contain most, if not all of the following policies/coverages:

- ◆ Marine General Liability
- ◆ Marina Operators Legal Liability
- ◆ Piers, Docks & Wharves
- ◆ Commercial Property including Flood
- ◆ Marina and/or Tank Pollution
- ◆ General Liability / Liquor Liability
- ◆ Crime & Employment Practices Liability
- ◆ Cyber Liability
- ◆ Workers Compensation and possibly USL&H
- ◆ Commercial Auto
- ◆ Watercraft Hull P&I
- ◆ Bumbershoot / Excess Umbrella

The Sentry Experience

Our core values center on strong client relationships, transparency and authenticity. When we meet marina owners, we first sit down to learn more about them and gain a deeper understanding of their marina's risk profile and insurance needs.

After understanding the owner's goals, seeing the marina, and reviewing

the current insurance plan, we then leverage our network of the industry's top carriers and marine underwrites to achieve the best policies for that owner's goals. We bring underwriting expertise and proprietary data insights to help us negotiate the best terms and rates on your behalf.

With a better plan selected, we then introduce you to your personal Sentry service team who will manage your day-to-day risks and ensure optimal performance of your specific plan. This includes confirming contractor insurance credentials and managing any claims. We are committed to your success, and our in-house policy performance and claims management services are designed to ensure that for every client.

Your Marina Insurance Specialist

I'm Andy Fajardo CMIP CLCS, Principal Partner at Sentry Insurance Partners. After over four years of challenging coursework, testing and nationwide seminars, I am at your service as a Certified Marine Insurance Professional (CMIP). Similar to a CMM or CMO, the designation from the International Institute of Marine Insurance Studies recognizes success in the premier educational and training for Marine and Longshore Insurance. My primary concentration is in marine/maritime business, specifically helping business owners effectively manage their risk and achieve custom-tailored insurance plans that address each client's unique exposures and needs.

In my time working with marine business owners, I've had the opportunity to navigate dozens of situations in which I have provided reduced insurance costs and/or better, proper coverage for my clients. One such instance was with a marina owner who engaged me to see where they may be leaving money on the table. We discussed their specific situation, toured the facilities, and reviewed the existing insurance plan. Right away I noticed they had both Tank liability and Pollution liability coverage. Digging deeper we uncovered that the Marina's Pollution policy already included a Tank liability policy, effectively resulting in the owner overspending for 2x the insurance. We quickly resolved the duplicate coverage and procedure for consolidating these policies, saving my (now) client thousands of dollars in premiums.

Overlooked exposures is another frequent issue we encounter. Recently we uncovered insufficient minimum coverage of the service providers/subcontractors servicing vessels at a local yacht club. By adopting simple loss prevention measures, we helped the board of directors better protect themselves and the club's assets moving forward, while reducing their Marine General Liability premiums by 8%.

2022 Marine Insurance Market Outlook

2022 promises to follow the continued hardening trend of the overall insurance market that we've seen from the previous couple of years. As a result, we are likely to see even lower tolerance for underperforming accounts, reduced underwriting capacity which will in turn lead to less pressure on rate competition. From Hull P&I to Marina Operator Liability, all types of marine lines are facing rate increases of at least 2.5%, and sometimes up to 25%+ in 2022.

Q&A WITH MACK DAVID BUILDINGS

INTERVIEWEE: DAVID COYLE, FOUNDER & CEO



We recently sat down with David Coyle of Mack David Buildings to discuss dry rack building construction and insights he has for adding this component as a valuable addition to your marina. David founded Mack David Buildings in 2015, after accumulating over 25 years of experience working on projects throughout the United States and Caribbean.

LIPG: *David, we're glad to have you here and appreciate you taking the time to share a little bit of your experience and insights into the dry stack business. You've been in the business for over 25 years now—how did you get started?*

David Coyle: Having experience with all types of PEMB, my interest in dry stacks started with the first request for a quote. It intrigued me because I always look to improve on the status quo and find a better, more efficient way to store and access boats. I'm also a boating fan so that helped.

LIPG: *And was dry rack specialization always the intent, compared to taking on wet slip or bulkhead projects?*

Coyle: Well my interests have always centered on the architectural and engineering components of structures. So wet slips do not offer the same challenge that I desire. In the future MDB will venture into other aspects of marina building as we continue to grow, but dry stacks were the most natural progression or "next thing" that aligned with my experience and interests.

LIPG: *We work with marina owners who either already have dry rack buildings or outdoor rack structures at their marina, as well as others who are considering adding them. If a marina operator is considering building dry racks, what are some of the important first steps to consider?*

Coyle: First, it's not a matter of WHAT to build, but WHO will be storing their boats in the racks? I always recommend having a serious market study completed to determine the depth of the rental market. Results will shed light on where customers will come from, the likely boat sizes to occupy the racks, as well as general demand for the storage option. These three elements are the foundation for determining the size of dry rack building that would be most effective for your marina, market and ROI.

LIPG: *And once the study uncovers the feasibility of a dry rack building, what do you look for next?*

Coyle: Once you know the depth of the market and what the expected absorption is, you will then need to match that with the local building regulations, zoning and height restrictions. For example, the market study may indicate that a four-story building could be filled, but your area's zoning may only allow for a three-story building to go up. Typically some form of industrial or recreational zoning may be required for approvals.

LIPG: *Is this where you see most delays and/or obstacles to successful approvals?*

Coyle: Working with the municipality is certainly one area, but even if you have the required zoning, you may still run into neighborhood resistance (more specific to each location), increased material prices and even contractor delays. Local residents may fight the construction, dragging the project on for years. If you do your due diligence from the start, you will avoid issues that concern aesthetics, environment, and local regulations.

LIPG: *In regards to materials, what delays or price increases have affected your business over the last year or so?*

Coyle: There were certainly a few issues, mainly steel and aluminum prices taking a toll on the overall cost of project, but the inventory of these materials also impacted our business with time delays. The supply chain seems to be making these materials more available and delivery is faster, but these are factors marina operators will want to keep in mind when they engage us for a project.

LIPG: *That's a great point. How has this influenced your product and different design options?*

Coyle: There are so many variables to consider in budget pricing, including options like open racks, three-sided racks, roof-only racks, completely enclosed buildings and then the various types of building décor. In addition, our budget pricing includes the concrete, fire suppression, electrical, plumbing, the actual building and erecting it.

LIPG: *Is there a cost range you are budgeting for today based on where material availability, delivery times and other inputs to the business are at?*

Coyle: On average, costs today anywhere you go are around \$20k—\$24k per rack, not including site work or softs costs. Each project is unique, however, so material prices and design options can influence the average "per rack" cost too. For instance, some estimates may tell you that they are lower than the \$20-24k range, but these are usually just for the building and erecting, with give the impression of a much lower priced bid. This price can be wildly inaccurate based on the scope of the complete build of the project, and an important detail for the operator to know about when budgeting and sourcing the developers.



LIPG: *It seems like a lot of the work you do is high-quality and exterior finishes are also attractive. Do you see a lot of requests for designs that “dress up” the building to be more than just functional storage?*

Coyle: That’s right, we take pride in our work and suggest operators consider offering a better and more attractive product for their boaters. Boating has evolved to more hospitality than just storage, while the costs may be higher up-front, owners can realize great ROIs from a higher quality product.



LIPG: *What can you share about the boat sizes and racks you are installing?*

Coyle: One of the biggest trends in the boating industry is that boats are getting larger, and the newer dry rack facilities are designed with a forward-looking strategy that will accommodate these larger vessels. Going back to the initial market study ahead of any design work, knowing the market demand and sizes of boats to be stored will ultimately determine the capacity of the building.

But it’s more than just knowing how many boats and their sizes that will fit in the racks. We like to also focus on maximum boat load capacity to mitigate low rack utilization (wasted space) and vacancies due to inability to service market demand.

LIPG: *Can you elaborate on the forward-looking mindset when an operator starts thinking about bringing dry racks to their marina?*

Coyle: Sure. Think about the marina’s operations and how needs will change as the market changes. Similar to how you work with owners to update their valuation as the market changes, operators should be cognizant of changes in their own marina with slip holders and what turnover takes place. For example, is the marina constantly losing customers to be replaced by new customers, and what do the new tenant boat sizes and age of vessel look like? In today’s market, boats are getting bigger, heavier, and taller, so depending on a marina’s market and boater demand, a dry rack building will need to be sized for these changes, and those to come, as well as give thorough consideration to the quality of materials and design.

LIPG: *With new capital entering the market and expanding facilities, as well as new dry stack opportunities becoming available,*

what has Mack David been doing to adapt as the market shifts, along with subsequent operator demands for dry rack construction?

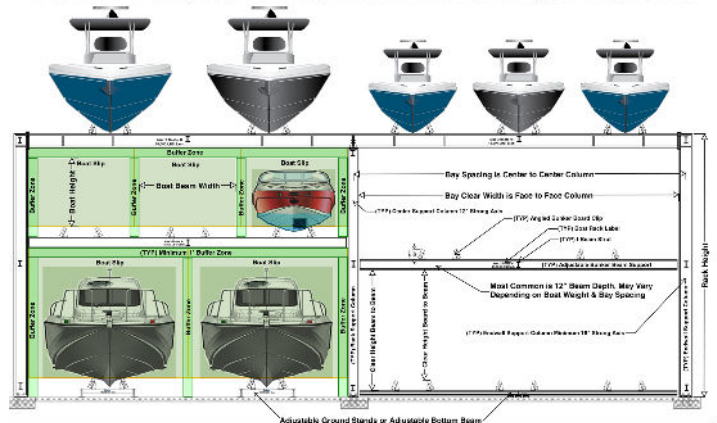
Coyle: Well something we’ve developed is a patent-pending system to accommodate future changes in boat size by using a quick release bolt system that makes it very simple to adjust the actual rack based on the boat that will be stored. Our ground stands are just as flexible. And since using this new product, we have found that the features greatly improve the day-to-day operations and creates efficiencies at the marina.

LIPG: *Any final thoughts that you would leave marina owners and investors with as they think about their own dry stack endeavors?*

Coyle: It goes back to doing the project right the first time. Many operators may want to skip options and studies like the boat market and environmental studies, usually to try and save on costs, but these reports provide significant information necessary to building a successful dry stack building and operation. We can plan all of this out so each operator has a good idea of budget and what to expect, but these costs are incredibly important for mitigating the potential for major issues or change orders down the road.



**MDB Rack Layout Guide
Boat Mix Template To Help Determine Building or Rack Size**



For more information on David Coyle and Mack David Buildings, visit their website at www.mackdavidbuildings.com

WHY HIRE COMPETENT REPRESENTATION?

Selling a commercial property is a process that most real estate investors do not frequently go through. This is particularly true for marina owners, where the real estate supports an operating business that usually also serves as the owner’s day-to-day workplace. While each ownership situation is unique, there are many “unknowns” that are universal to a first-time seller – unknowns that can be expertly navigated with the aid of competent representation, in the form of a marina broker. When you decide to sell your house, one of the first people you think of is a realtor because they bring several benefits to helping you accomplish that goal. When it comes to your marina business, why forgo the benefits of having a marina broker on your side?

Where Is the Marina Market Today?

Over the last 18-24 months, the industry has seen record levels of consolidation as institutional capital continues to enter the space in search of yield and diversification. Consolidation means that large investment groups are pursuing strategies to acquire multiple marinas, resulting in a portfolio of marina assets to later be sold as a package. As an owner in a seller’s market, it is an exciting time because your marina may fit the criteria for acquisition by these larger investment capital sources. Yet in our experience, it only takes one or two factors to derail that acquisition potential, making what was thought to be a “perfect fit”, a much larger endeavor to find the right buyer. Examples of “deal-killer” criteria include:

1. A less desirable NOI composition.
2. Deferred maintenance or “Capex” (detailed on Page 19).
3. The location is not in a primary market/near large MSA.

Working with a team of experienced advisors who understand the market, have great buyer relationships (domestic and international), transactional experience and understand your specific marina is a huge value-add to a successful transaction. Accentuating the positives and proactively engaging the investment community can make all the difference in selling your marina and achieving the outcome where you can concentrate on the next part of your long-term plan.

What Is An Unsolicited Offer?

To ensure you have the best chance of moving on to the next step in your long-term plan, let’s look at the “unsolicited offer” – or an offer/interest put forth by a prospective buyer when your marina is not actively for sale. This is not an uncommon situation. When you receive an unsolicited offer, this should be a red flag telling you that someone is trying to “rob the bank”. Every buyer in the market wants to sneak in and steal a marina (or any property for that matter) without competition from other buyers driving up the value. Think about it this way: If you wanted to buy another marina, would you rather buy a marina from a seller that does not know the value of his or her asset, while avoiding competition from other buyers who could further drive the price up? Or would you rather buy from a savvy seller who hired great representation and created a marketing process where there are many buyers competing for the asset (ultimately driving up the purchase price)?

The Disadvantages to the Seller

Below are a few common pitfalls that unsolicited offers bring to a seller:

- Misguided Transaction Management
- Improperly/Incompletely Vetting the Buyer
- The buyer would not compete with other offers (potentially

underachieving market value).






- The buyer pays the price they want to pay vs. the price they would be willing to pay when they know they are competing.
- You waste time waiting for a buyer you know of to step up and move forward with the deal (all while you are ready to sell). [*A competent broker’s process would create the urgency necessary for that prospective buyer to treat the process and your property seriously*]
- Buyers can “lock up” your property with an LOI or contract since there is no rush for them to move quickly, potentially resulting in your inability of accepting better, stronger offers.

Don’t Leave Money on the Table

Many sellers think, “if I accept this unsolicited offer, I won’t pay a commission!” But what the unsophisticated seller does not realize is that more times than not they are accepting a lower price than they would have received if they paid for competent representation that drives up the value. We have seen these deals close anywhere between 15% and 40% lower than what the seller could have received, all to save a few percent in a commission. (In the end, this really equates to a 15%-40% fee!)

By the same token, this equates to leaving money on the table. The marina market has been very active with incredible capital influx, cross-product type buyers and stronger deal terms. This has created a FOMO-like urgency for buyers to acquire marinas, given that one of the biggest barriers to entry for the industry is lack of supply. When the buyer knows they are not competing against anyone else, they are more likely to submit an offer lower than what our competitive marketing process could generate.

By working with the right marina broker, sellers can avoid pitfalls that waste time and potentially leave money on the table. With competent representation, the money invested through a commission will offset any perceived “cost”, becoming a net benefit to the seller in the end.

	Competitive Offers for Higher Prices	✓
	Premier Marina Marketing Platform Designed for Maximum Exposure and Serious Buyers	✓
	Quicker Timeframes to Closing	✓
	Stress-Free Process That Allows Sellers to Be Hands-Off Throughout Process	✓
	Stronger, Qualified Buyer Relationships Through LIPG Private Client Network	✓

PREPARING YOUR MARINA FOR SALE

As with most businesses, preparing for the sale of a marina facility requires planning (**we recommend six months to one year ahead of hitting the market**) and sometimes clean-up so the marina is viewed in the best light possible on the market. As the owner of a marina, you may have operated the marina for many years or just a few. Regardless, it is always important to assess your property through the eyes of a buyer. What potential “negatives” might stand out to fresh eyes? If you were the buyer, what would concern you about making the purchase? Where can a buyer find growth opportunities and strategies for greater profitability?

Cap-Ex & Cosmetic Repairs

It is not uncommon for many owners to decide to sell when there are outstanding cosmetic/minor repairs needed around the property. These are typically quick fixes to enhance the property’s presentation to buyers. Before addressing these, we always recommend a thorough assessment of infrastructure and heavy equipment to determine if there are items you can repair before hitting the market, or if these are items better left to a new owner with a long-term plan. These areas include: any deferred maintenance affecting the seawall, dredging, slips/racks, ramps, fork-lifts/travel-lifts, utilities, decking, electrical to slips up to code, roofs, parking, utilities like water and sewer, and general grounds condition.

Moving to the “curb appeal” items, you want your marina to look clean and presentable when buyers tour. Fresh paint, fresh landscaping, clearing out unused equipment and scraps, as well as organizing the ship’s store go a long way. Abandoned boats, broken cars, trailers, and rubbish on-site are also cause for concern to a buyer. Great first impressions are made with great curb appeal, which is just as important for your marina as it is for a house.

Problems that are known before going to market can usually be solved or at least accounted for on the market. Problems that surprisingly arise in the middle of a deal, however, can derail the transaction and cost the seller significant money that could have been avoided with proper attention on the front end.

Preemptive Investigations

To get ahead of potential “surprises”, we have a few suggestions:

Environmental: It is good practice to have a Phase I environmental study completed before going to market IF you suspect there could be a problem. Are your fuel tanks up to code? Is there hazardous runoff from your service department impacting the water and soil? Any potential problems known on the front end will save you time, money and legal liability down the road with a potential buyer.

Title: Have an owner’s title check completed to see if there are any clouds on the title that could cause a problem getting a deal closed. It is not expensive and worth the peace of mind. Are there any survey issues that have not been addressed? We recommend solving those before going to market.

Financials & Accounting

After addressing the physical items of the marina, it is time to look at the financial performance and valuation of the business. We recommend a complete Strategic Analysis performed by the LIPG because it offers owners a comprehensive approach to understanding the various exit

options they can pursue, as well as learn the value of the marina in the current market. To start, financial data normally requested includes:

P&Ls:

- 2-3 year-end P&Ls detailing Revenues, Cost of Goods Sold (COGS) and Expenses
- Each Profit Center (restaurant, ship’s store, service department, etc.) broken out to isolate the various income streams
- If you are taking cash, you need to start booking it 12 months before a sale for that income to be considered as part of the value of the marina.
- Identify one-time Capital Expenditures in the operating expenses, and significant personal items that are not pertinent to the marina business

Rent Rolls:

- Organized and up-to-date list of your slips, racks, and/or land storage
- Occupancy rates for each storage option
- Rent rolls of on-site commercial tenants
- Rental rates associated with each storage option and tenant

List of Capital Improvements Made (Cap-Ex): A list of major capital improvements you have made over the last 3-5 years, including the cost of each improvement. Identifying those items will accurately reflect operating expenses vs. the one-time capital expenditures to improve the property, translating into a more accurate valuation of your marina.

Appraisal: If available, an appraisal can provide additional detail on the property, and down the road information for a potential buyer to review. We recommend reviewing the appraisal to ensure the facility details are still accurate, while noting any changes that have been made since the time of the appraisal.

Survey and Land and Submerged Restrictions: Ideally a recent survey will provide acreage, zoning, land use restrictions, utilities, and land for potential expansion that adds value to the marina. Many marinas operate with subsurface or real estate leases or permits. Put those documents together. If you have a recent survey, ask the surveyor if they would be willing to recertify the survey for a buyer. This will save a great deal of time and money. If you don’t have a survey, optionally, it will save time in the due diligence process if you get a survey before going to market. You can ask to be compensated for the survey by the buyer. A survey will also identify any potential issues for a title report.

(Continued on Page 20)

PREPARING YOUR MARINA FOR SALE (CONTINUED)

Questions to Consider

- What is your exit strategy and how does receipt/re-investment of the net proceeds from a sale help you get to where you want to be?
- How is the property owned, and if there are multiple decision-makers have you thought about what a sale would look like for all parties involved? (i.e. solely owned, partnership, LLC, etc.)
- What operational matters need to be addressed? (i.e. does the staff know about the sale and do they wish to stay on board, are there outstanding obligations to your customers, are third-party vendors agreements/licenses/leases ready for transfer, etc.)
- If you do not 1031 exchange for re-investment of your net proceeds, are you informed on the amount of capital gains tax you could owe, and are you prepared to pay it?
- Have you considered your approximate loan payoff amount, if any? Is there a prepayment penalty? This penalty could be a deal killer for you. Best to know about it up front.
- Is there a liquor and/or beer license which is assumable or that needs to be obtained?
- Do you know the value of your marina at the time you begin to think of selling?
- Do you offer services compared to your competition? If not, how does it affect your occupancy?

What is Your Marina Worth?

You do not have to do all the above before we can help you understand the value of your marina. With the above critical information (like the P&Ls and rent rolls), we prepare you with a complete **Strategic Analysis**. This analysis includes the following:

- Complete and detailed financial analysis showing the investment financial position and how it relates to the current marketplace
- Analysis of your current operation and any issues
- Competitive market rate analysis
- Competitive marina sales analysis
- Pro Forma Business Plan that outlines a path to future profitability
- Pre-marketing recommendations
- Suggested asking price and likely sales price range

When all combined, a valuation, cosmetic repairs and any deferred maintenance remediation will ensure you are in a strong position as you prepare for a sale. The analysis will help you make rational business decisions as you move forward; minor cosmetic touches and repairs will increase property presentation; and maintaining organized files will allow for a smoother transaction when you do decide to sell. **Helping owners achieve this peace of mind and clarity of direction as they navigate the complexities of a sale is what the Leisure Investment Properties Group does.** Our analysis, presentation and packaging is institutional-grade and offered to every marina owner because understanding your investment and how it can help you get to where you want to be is too important to you and your family's future to be approached any other way.

WET SLIPS & DRY RACKS

Slip/Rack	Area	Area	Area
Slip 01	100	100	100
Slip 02	100	100	100
Slip 03	100	100	100
Slip 04	100	100	100
Slip 05	100	100	100
Slip 06	100	100	100
Slip 07	100	100	100
Slip 08	100	100	100
Slip 09	100	100	100
Slip 10	100	100	100
Slip 11	100	100	100
Slip 12	100	100	100
Slip 13	100	100	100
Slip 14	100	100	100
Slip 15	100	100	100
Slip 16	100	100	100
Slip 17	100	100	100
Slip 18	100	100	100
Slip 19	100	100	100
Slip 20	100	100	100
Slip 21	100	100	100
Slip 22	100	100	100
Slip 23	100	100	100
Slip 24	100	100	100
Slip 25	100	100	100
Slip 26	100	100	100
Slip 27	100	100	100
Slip 28	100	100	100
Slip 29	100	100	100
Slip 30	100	100	100
Slip 31	100	100	100
Slip 32	100	100	100
Slip 33	100	100	100
Slip 34	100	100	100
Slip 35	100	100	100
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Slip 37	100	100	100
Slip 38	100	100	100
Slip 39	100	100	100
Slip 40	100	100	100
Slip 41	100	100	100
Slip 42	100	100	100
Slip 43	100	100	100
Slip 44	100	100	100
Slip 45	100	100	100
Slip 46	100	100	100
Slip 47	100	100	100
Slip 48	100	100	100
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Slip 50	100	100	100
Slip 51	100	100	100
Slip 52	100	100	100
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Slip 88	100	100	100
Slip 89	100	100	100
Slip 90	100	100	100
Slip 91	100	100	100
Slip 92	100	100	100
Slip 93	100	100	100
Slip 94	100	100	100
Slip 95	100	100	100
Slip 96	100	100	100
Slip 97	100	100	100
Slip 98	100	100	100
Slip 99	100	100	100
Slip 100	100	100	100

SUMMARY OF CURRENT OPERATIONS

Mathews Fleet generated an NOI of \$183,000 on Gross Revenue of \$208,000 in 2020 (in this Operating Market). The marina is currently dominated by wet slip rental income representing 85% of Gross Revenue. This profit center is followed by boat fuel gas and diesel sales, equating to 12% of Gross Revenue. Other than Mathews Fleet is currently a wet slip marina, we believe there is ample room for growth in not only wet slip (50 wet slip rates and 100 slips), but fuel sales as well. Going to more premium, 100 wet slip rates to attract higher income, and the increased demand in nearby Monroeville City/Rearfoot represents an aggressive marketing campaign to attract more premium and boat fuel sales.

The 100 wet slip at Mathews Fleet offer other water services, fully staffed construction with expert facilities, utilities to each slip and numbered slips for guest convenience. While most slips are leased to full boats, we believe a new owner will find great interest in offering 50 slips to guests, as well as offering to more guest boats in general. There are other market competitors in Monroeville City/Rearfoot, and because Mathews Fleet is so close to this market, we believe second home owners in the Capital City, as well as more second home owners will find a complete marina in both quality and offering at Mathews Fleet.

This marina is very attractive for a new owner that is open to either hands-on or hands-off involvement. With a new owner's vision and vision, a new owner can take full advantage of the marina and actively manage the property. Conversely, the 1,000 SF residence could become a vacation rental or included in a manager's compensation package. The current owner has high-level involvement in the operation looking at a slip dockspace to handle the dockside, with most of his time spent on other ventures - therefore current income has not been pushed to higher levels over the years.

Expenses are minimal as well, leading to favorable management for a new owner. The only outlay in the fiscal distribution is only accumulated water and gas with the marina ponds. One expense that will appear on the higher side is "Utilities", equating to 30% of Gross Revenue and 25% of the total expense total. Utilities are a bit higher relative to the marina 100 due to electric for the owner's residence and equipment sheds also being accounted on the site fees.

Our pro forma business plan has not been a new owner could significantly increase revenue and continue to manage expenses in order to a double digit return on investment.

COMPETITIVE SURVEY

Feature	Mathews Fleet Marina	Highland Marina	100 Lakes Marina
Location	Monroeville, PA	Highland, PA	Highland, PA
Water Access	Yes	Yes	Yes
Competition on Site	No	Yes	Yes
Size of Basin	100	100	100
Bridge Construction	No	Yes	Yes
Level of Slip	100	100	100
Slip Type	Wet	Wet	Wet
Year Began	1978	1978	1978
Annual Slip Fee	\$1,000	\$1,000	\$1,000
Available	1,000	1,000	1,000
Comments	Mathews Fleet Marina is the premier slip marina in the area for the Capital City. The marina is currently dominated by wet slip rental income representing 85% of Gross Revenue. This profit center is followed by boat fuel gas and diesel sales, equating to 12% of Gross Revenue. Other than Mathews Fleet is currently a wet slip marina, we believe there is ample room for growth in not only wet slip (50 wet slip rates and 100 slips), but fuel sales as well. Going to more premium, 100 wet slip rates to attract higher income, and the increased demand in nearby Monroeville City/Rearfoot represents an aggressive marketing campaign to attract more premium and boat fuel sales.		

5-YEAR CASH FLOWS

Year	2021	2022	2023	2024	2025
Revenue	\$208,000	\$210,000	\$215,000	\$220,000	\$225,000
Operating Expenses	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)
Net Operating Income	\$83,000	\$85,000	\$90,000	\$95,000	\$100,000
Capital Expenditures	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Depreciation	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Change in Working Capital	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	\$88,000	\$90,000	\$95,000	\$100,000	\$105,000
Initial Investment	(\$100,000)				
Payback Period	1.14 Years				
NPV (10%)	\$105,000				
IRR	25%				

WHAT OUR CLIENTS SAY



Brett's professional presentation was by far the best out of all the firms we interviewed prior to listing the asset. His extensive marina business knowledge is impressive and his easygoing personality is a pleasure to work with. It is refreshing to find an agent who cares on a personal level, is always available day and night 7 days a week, and who treats his clients in a very professional manner in every instance, including during challenging moments."



We were very impressed with their professionalism and attention to detail throughout the entire process. Jeff and Brett walked us through the process with an initial analysis of the marina, and really sat down with us to go over different exit options."



I was promised professionalism, transparency, communication and an effective marketing process among other things...Jeff and Brett delivered on their promises. If you own a marina and are thinking about selling, I highly recommend speaking with LIPG."



Overall working with Brett and LIPG brought us the best value for our marina...we worked with him to identify a potential value and what areas we needed to improve to obtain the best possible price...his assistance was invaluable in making the sale an efficient and great experience. I would highly recommend [LIPG] and their support!"

RECENT LIPG MARINA ASSIGNMENTS



Hayden Lake Marina



Coan River Marina



Horizon Marina



Lakeshore Marina



Flat Hollow Marina & Campground



All Seasons Marina



Matthews Point Marina



Lady's Island Marina



Fall Creek Marina & Campground



Laughlin Bay Marina



Bayway Marina



Surfside Marina

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