LIPG

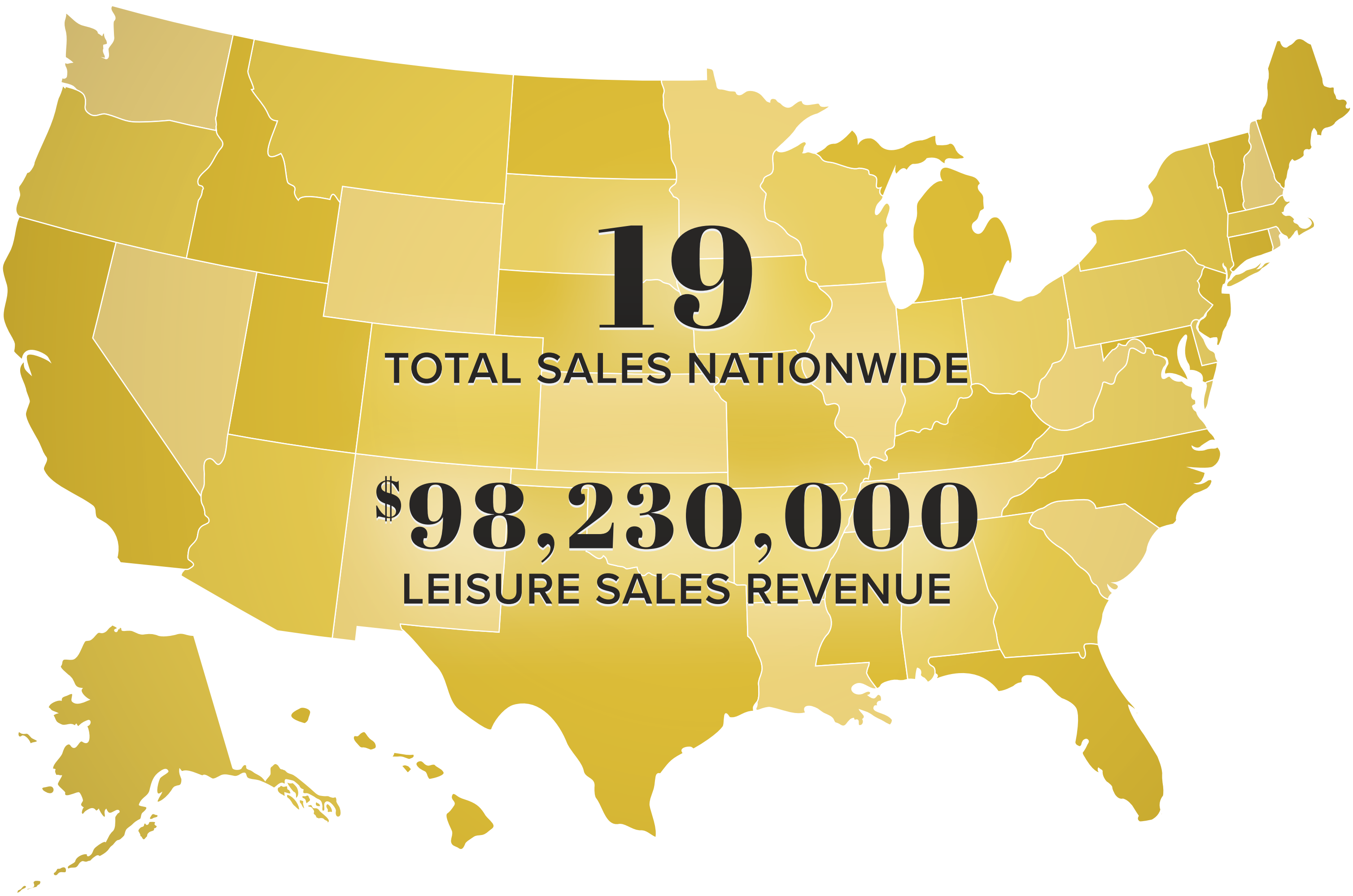
LEISURE INVESTMENT PROPERTIES GROUP

2024

MARINA INVESTMENT REPORT

LIPG
LEISURE INVESTMENT PROPERTIES GROUP

2023 YEAR IN REVIEW



LIPG ADVISORY TEAM

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Senior Managing Director – Partner
Golf Division

Terence Vanek
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Brady Bodden
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Associate
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VISION

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

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.

GUARANTEE

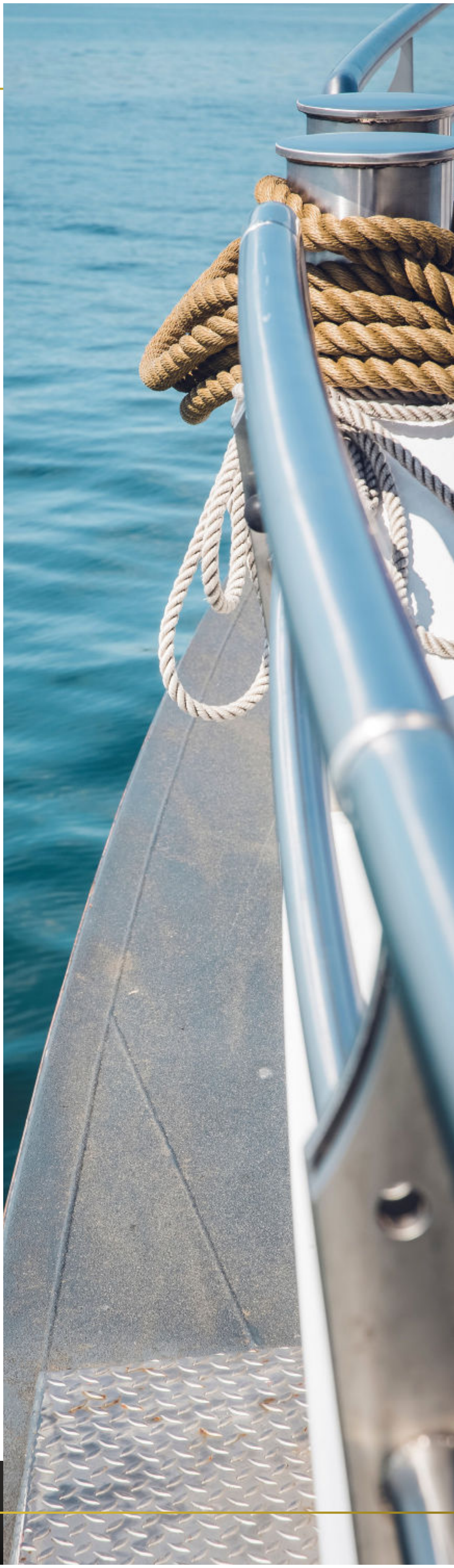
Our clients will have the clarity, knowledge, and power to make sound business decisions that will maximize their investment strategies and achieve their vision for the future.

A TRUSTED VISION FOR THE FUTURE OF GOLF

Leisure Investment Properties Group (LIPG) was founded in 2009. Formerly known as the National Golf & Resort Properties Group, LIPG has become the recognized industry leader in brokerage and advisory services exclusively to the Leisure Investment Industry which includes golf courses, marinas, master-planned communities, RV Communities, resorts, and other leisure properties.

Since its inception, LIPG has sold more than 185 properties by utilizing its extensive database of prospective buyers, powerful platform, and proactive marketing techniques. The management team has more than 150 years of combined experience brokering golf courses, marinas, master-planned communities, and other commercial real estate assets.

INSIDE THIS ISSUE



Editor-in-Chief
Hector Hernandez | Marketing Coordinator

Announcement From Leisure Investment Properties Group

Steven Ekovich —Executive Managing Director – Partner

We are thrilled to share the exciting news of two esteemed additions to the LIPG family. Greg Lewis, formerly the Managing Director at Leisure Financial Group and Textron Financial Corporation, has joined LIPG to lead our capital markets group. With over 30 years of experience in corporate lending, Greg stands as the top originator of marina and golf loans nationwide. Greg also has extensive experience in hospitality, RV parks, and commercial origination.

Additionally, we welcome Jeff Dugas from Leisure Appraisal, a distinguished figure in the field of marina, golf, hospitality, and RV appraisals. As an MAI and SGA, Jeff brings three decades of expertise, having worked closely with some of the largest golf and marina companies in the nation on their appraisals, asset allocations, and tax appeals.

Their inclusion in the LIPG team expands our range of services, including Advisory, Brokerage, Research, Capital Markets, Appraisals, and Tax Appeals, making us the sole firm in the nation to offer such comprehensive solutions.

The motivation for gathering these industry leaders in one collaborative space is straightforward: our clients consistently sought guidance on financing, appraisals, and tax appeals. Considering this demand, we have assembled a team of exceptionally skilled professionals to cater to our clients' needs in a manner unmatched by any other firm.

At LIPG, the foremost golf, marina, RV, and boutique hospitality firm in the nation, our mission is to protect our clients' equity in their assets. We accomplish this by guiding them both, to seize opportunities when they are available and navigate foreseen challenges with the expert guidance we provide. Our client-centric approach is devoted to fostering long-term relationships, serving as a bridge to a prosperous future.

For more information on our new partners, please refer to the resumes provided in this report.

Greg Lewis
Senior Managing Director of Capital Markets

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Jeff Dugas
Senior Managing Director of Leisure Appraisal

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EXECUTIVE SUMMARY

The boating market has charted a course of remarkable growth in recent years, and this trajectory showed no signs of slowing in 2023, with continued momentum expected to carry into 2024. Finite storage options together with technological advancements and innovative boat designs have propelled a surge in demand for recreational boats. Notably, the allure of boats exceeding twenty-five feet has bolstered the necessity for public storage, (as storing in the back yard or in the driveway is not really an option for these size boats), amplifying the demand for wet slips and dry stack options.

KEY 2023 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:	↑

Marina sales data is dynamic as new sales become public, are recorded, or identified with a price. Based on the most current, available data recorded for 2023 sales, transaction volume was down while both the median and average sale price was up from 2022. The average price was up slightly from $4,468,685 to $4,493,488 an increase of ½ of a percent, while total recorded sales between $1-20M declined from 129 in 2022, to 78 in 2023. The median sales price in 2023 was $3,180,500 up from 2023 median of $2,750,000, a whopping increase of 16%! The median price is considered a better statistical measure of trending value because the average is easily influenced when a large quantity of small or large sales exists in the data set. Further analysis of the Intermediate Subset ($1-10M range) provides insights into where marinas traded in 2023, and the result points to the higher range with fewer overall sales.

Inside this investment report is the State of the Marina Industry, Capital Markets, Interview with four market experts on The State of the Insurance Market, Buyer Sentiment, transactions in the $1-10M Tranche.

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Marina Market Insights: Wrapping up 2023 and Gearing Up for 2024

Steven Ekovich —Executive Managing Director – Partner

FUELING GROWTH: THE BOATING MARKET'S ASCENSION

The boating market has charted a course of remarkable growth in recent years, and this trajectory showed no signs of slowing in 2023, with continued momentum expected to carry into 2024. Finite storage options together with technological advancements and innovative boat designs have propelled a surge in demand for recreational boats. Notably, the allure of boats exceeding twenty-five feet has bolstered the necessity for public storage, (as storing in the back yard or in the driveway is not really an option for these size boats), amplifying the demand for wet slips and dry stack options.

NAVIGATING ECONOMIC WATERS: A RECAP OF 2023

In 2023, the marina industry reported robust revenue of $6.7 billion, marking a 1.1% increase from the preceding year. With 37,000 employees, representing a marginal uptick of 0.06% compared to 2022, and a staggering 11,031 businesses, the sector exhibited resilience amidst economic fluctuations. However, amidst a narrowing spread between debt costs and marina cap rates, caution looms as this disparity may deepen the chasm between buyers and sellers. Despite these challenges, the industry fundamentals remain robust, underpinning operations amidst macroeconomic shifts.

Investment activity slowed but both the median and averages sales prices for marinas were up. Buyers acquiring without leverage were still buying, but the sky-high interest rates caused severe disruptions for investors needing financing.

HARBORING GROWTH: MARINAS IN THE LIMELIGHT

BOAT SALES

The boating market and industry have seen significant growth in recent years, and this trend is expected to continue in 2024.

Boat sales have slowed to a pre-pandemic level, yet there is a significantly higher number of boaters today than pre-pandemic, and the overall age of boaters has shifted towards younger generations. "Interestingly, the usual trend during economic paradigm shifts is to see the larger yacht segment cool off first, followed by a slowdown in the smaller yacht segment. However, the current situation is the opposite. This can be attributed to the rise in interest rates and inflation, which have impacted the affordability of smaller yachts. Despite these challenges, there is still hope for strong activity in the market. The larger market segment is actively engaged in both acquiring and selling yachts, and the inventory of available yachts remains scarce," as reported by a number of yacht brokers in 2023.

MARINA RENTAL RATES AND OCCUPANCY:

Rental rates (slip and dry stack) growth has benefited from full occupancies and extensive wait lists - demand indicators that are still strong through Q1 2024, and which we expect to remain strong throughout the year. Some locations have vacancies due to property-specific issues (dredging, deferred maintenance, lack of amenities), while others are organically vacant because of a tertiary market. The primary drivers in 2023 were and will continue to be in 2024: 1) limited supply of marinas; 2) increased demand for those slips/racks; 3) the excitement of owning a boat driven by impulsive buys at boat shows; and 4) inability to store the boat elsewhere.

We continue to see marinas in suburban and rural markets benefit from net migration out of major metropolitan areas to the Southeast, a shift that was initially driven by the COVID-19 pandemic and the ability to work remotely (a trend we noted in earlier reports). This is largely a shift of new second-home and lifestyle-change buyers, as most of the sought after locations are on or near lakes and attractive coastal markets. Other trends include redevelopment and re-purposing opportunities, which are either new to the property or complementary to the existing business.

RENTAL BOATS

Dockmaster states the boating rental trend continues expanding as more individuals continue to rent boats for their boating needs – be it fishing boats, yachts, or other kinds of watercraft.

Boats up to twenty-eight feet are among the most sought-after rental options, and boats between 28 and 45 feet are also in high demand. However, the market for boats longer than forty-five feet is limited. Tours, charter rentals, and day cruise rentals are also widely available. It has fantastic potential as the market expands; thus, by 2028, it is expected to surpass $280.2 million in size.

As this trend in rental boats continues, boat rental companies like Freedom Boat Club, Nautical Boat Club, Your Boat Club, and Carefree provide a stable income for slips at a marina with extra space. They are better tenants than individuals, as they tend to be better financed, and as a result of renting multiple slips, they don't want to lose their space in a marina so they pay on time.

THE SUPPLY SIDE

According to IBISWorld, there are approximately 10,445 marinas in use in the United States. This inventory is not materially increasing as we see with self-storage facilities and car washes, but new projects are coming online with decent consistency. The permitting/approval process can be lengthy and costly, but when planned correctly, these developments can make for an excellent investment and become an economic driver for the area.

Expansions are a common value-added component we see, as mentioned above. These can be opportunities that create additional capacity for a marina, introduce new amenities or services, or create a mixed-use component that has synergies with the existing marina. Different from curing deferred maintenance (repairing bulkhead, fixing parking lot, fixing boat ramp), these opportunities provide an economic return and typically increase the storage capacity of the marina – the core profit center of the asset class.

The "supply" takeaway is that marinas are not like other commercial real estate which can be easily developed with the right site, proper zoning, and capital. There are expansion opportunities, but there are still barriers to entry for new marinas. This can be an advantage or disadvantage depending on who you ask (marina owner, boat owner, investor, government, etc.), but marina valuations are positively impacted by limited supply (and a low probability of new supply) since demand and rate growth for existing storage space is high. On the other hand, low-demand locations with ample supply are more prone to vacancies – not necessarily due to property-specific causes, but a factor of the location and boating market. We carefully assess those factors with each asset our team works on because there are always opportunities to improve operations, change the business model, and or add value by building on the uplands, ex. building a dry stack, adding a restaurant or apartments, etc.

THE ECONOMY AND MARINAS: INFLATION METRICS PRESENT A MIXED BAG.

The headline Consumer Price Index rose in January of 2024 to 3.1 percent over the year ended January, down 30 basis points from the December 2023 reading. Falling energy prices and flattening costs for food helped slow inflation, as supply chains remained fluid despite ongoing global conflict. However, when stripping these indices out, the core CPI measure held at 3.9 percent over the year ended January, the same annual rate as last month. While sustained core pricing pressures reduced investor expectations for a rate cut in March of 2024, the trend is signaling — amid elevated wage and GDP growth — that the economy is still running hotter than the Fed intends. Yet, this presents positive implications for marina owners and investors in 2024. Over the year ended January, average hourly earnings for all U.S. employees jumped by 4.5 percent, ahead of core inflation. The pressure on marina operation expenses due to rising wages has hit marina owners the hardest over the last few years. Moderating inflation and interest rates that come down will spur more investment in the marina airspace.

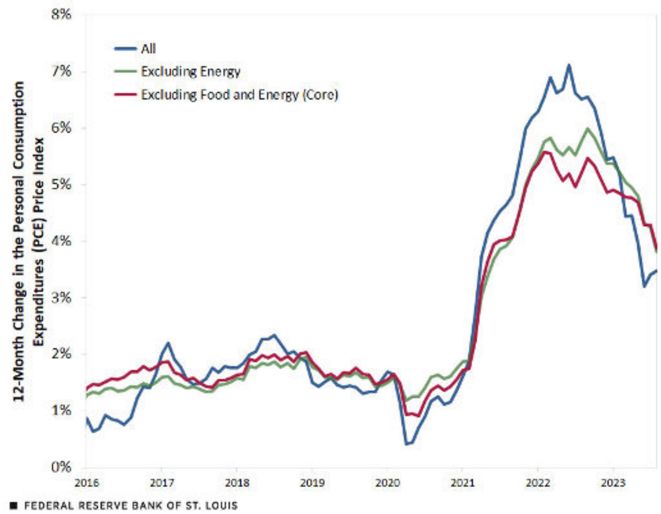

Fig 1

INVESTMENT ACTIVITY

Marina sales data is dynamic as recent sales become public, are recorded, or are identified with a price. Based on the most current, available data recorded for 2023 sales, transaction volume was down while both the median and average sale price were up from 2022. The average price was up slightly from $4,468,685 to $4,493,488 an increase of ½ of a percent, while total recorded sales between $1-20M declined from 129 in 2022, to 78 in 2023. The median sales price in 2023 was $3,18,500 up from the 2022 median of $2,750,000, a whopping increase of 15.56%! The median price is considered a better statistical measure of trending value because the average is easily influenced when a large quantity of lower or higher-priced sales exists in the data set. Further analysis of the Intermediate Subset ($1-10M range) provides insights into where marinas traded in 2023, and the result points to the higher range with fewer overall sales.

LIPG National Marina Sales Data | $1M - $20M Transactions					
	# 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	$ 4,124,388	14.13%	$ 2,350,000	14.08%
2016	79	$ 4,122,167	-0.05%	$ 3,200,000	36.17%
2017	74	$ 3,911,365	-5.11%	$ 2,750,000	-14.06%
2018	83	$ 3,755,189	-3.99%	$ 3,150,000	14.55%
2019	87	$ 4,447,740	18.44%	$ 3,800,000	20.63%
2020	81	$ 4,328,758	-2.68%	$ 2,600,000	-31.58%
2021	143	$ 4,873,758	12.60%	$ 3,160,000	21.54%
2022	129	$ 4,468,685	-8.31%	$ 2,750,000	-12.97%
2023	78	$ 4,493,488	.56%	$ 3,180,500	15.56%
Total	1,045				

Fig 2

According to Marina's global report, the marina market was expected to grow from $18.08 billion in 2022 to $18.87 billion in 2023 at a compound annual growth rate (CAGR) of 4.4%. While we do not have the exact results yet of that CAGR, the marina market is expected to reach $22.84 billion in 2027 at a CAGR of 4.9%.

OUR MARKET FORECAST 2024

After looking at all the demand drivers, marina inventory levels, macroeconomic factors, transaction data, and impact from natural disasters, we have a cautious, yet optimistic, outlook for 2024. We believe transactions will continue at a healthy pace as fundamentals remain strong. Sellers and buyers must be cognizant of the changing environment so appropriate expectations can be set:

- With financially healthy marinas, increasing occupancy, and strong support for increasing slip/rack rates, we believe the asset class remains a great alternative investment for both private clients and larger, institutional investment companies.
- We expect to see more owners continue holding their asset(s) when physically able (and desiring) to continue operating. Cash flows may stagnate in some areas, but the fundamentals are extraordinarily strong around the country and lead to excellent income for owners.
- With inflation seeming to stall and hopefully fall by the end of 2024, interest rates should come down providing easier access to credit for marina investors.
- Consolidation is expected to continue by institutional investment companies, with excellent opportunities for stabilized and value-added marinas around the country.
- Boat sales are normalizing to pre-pandemic levels. Ninety-five percent of boats sold in the U.S. are less than 26' – a demographic more likely to finance the purchase, and therefore more sensitive to rising interest rates, so smaller boat sales should pick up the second half of the year if rates drop as is widely expected.
- Marina owners should focus on boater retention and introduce amenities and events that foster a stronger community. The goal should be to keep current boaters active at the marina. A few ideas are boat rentals, boat clubs, education seminars, boat driving courses, paddleboard/kayak rentals, fishing trips, holiday events.
- Insurance rates rates are rising, and it is best to stay on top of how this expense may impact a marina's value. If you are in a hurricane country, make sure you ensure your docks as this can be an extremely expensive repair. If you are in a hurricane country, make sure you ensure your docks as this can be an extremely expensive repair.

While there is uncertainty about the economy and several shifts to the investment landscape, we are looking forward to another momentous year for the marina business in 2024. As we receive data and information on the marina market, we will adjust accordingly on our end to help keep you informed on new opportunities and to be ready for challenges in the marina investment market. If you are interested in learning more about our marina advisory services, contact one of our advisors at the end of this report.

Marina Sales Data: Intermediate Subset ($1-10M)

Brady Bodden – Associate

In 2023, the intermediate subset data revealed some notable trends in marina investment activity. Despite challenges, the market highlighted resilience and adaptability. Across the $1-10-million-dollar tranche, the average and median sales prices fluctuated, with an average of $3,899,296 and a median of $3,200,000. In terms of distribution throughout the year, the first and second quarters maintained consistent percentages of total sales, with 23.33% and 26.67% respectively. However, the third quarter experienced a notable increase, constituting 33.33% of total sales. Conversely, the fourth quarter saw a slight decrease, representing 16.67% of total sales. While these figures portray a dynamic market, it is essential to note the data's limitations, including undisclosed prices and unreported transactions, which may not fully capture the complete landscape of marina investment activity. Comparatively, 2023 exhibited variations from prior years, indicating shifts in investor sentiment and market dynamics.

Sales in $1-10M : Sales in $1-20M Transaction Ratio

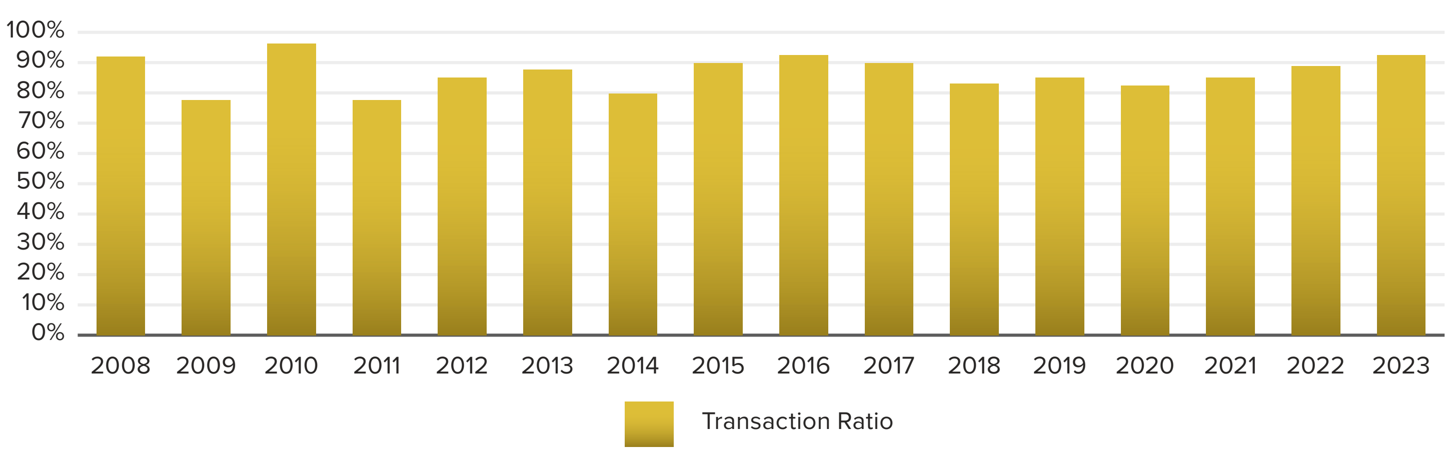

Fig. 1

$1-10M Tranche			
	2022	% Change	2023
# of Transactions	114	-47.37%	60
Average Price:	$3,463,803	12.57%	$3,899,296
Median Price:	$2, 659,642	20.35%	$3,200,000

Fig. 2

YOY COMPARISON

When evaluating the performance of 2023 in the context of preceding years, it is important to acknowledge the unique challenges and market dynamics that influenced investment activity. In comparison to the exceptional year of 2021 and the subdued second half of 2022, 2023 presented its own set of complexities.

While further exploration of the intermediate subset split in half is warranted, it remains consistent that 80% of all sales in the superset are attributed to marinas priced under $10M, noting the predominant investment focus in this price range.

TRANSACTION FREQUENCY

Analyzing the quarterly transaction frequency in 2023 compared to previous years reveals intriguing patterns that align with broader economic conditions and investor sentiment shifts. Notably, in 2023, while the first and second quarters maintained steady transaction percentages, a substantial increase was noted in the third quarter, representing 33% of total transactions.

Examining the transaction frequency data for Q4 2023 in comparison to previous years suggests that the lending environment may have played a significant role in the observed reduction in transactions. Historically, Q4 tends to be a crucial period for investment activity, as investors seek to finalize transactions before year-end deadlines and capitalize on potential tax benefits. However, in 2023, the lending landscape may have posed challenges that hindered transaction volume. Changes in Federal Reserve policies, including interest rate hikes, can influence borrowing costs and investor confidence. As interest rates rise, borrowing becomes more expensive, potentially dampening investor enthusiasm and leading to a more cautious approach to investment decisions. Additionally, tighter lending standards or increased scrutiny from financial institutions may have made it more difficult for investors to secure financing for marina acquisitions. These factors combined could explain the reduced transaction activity observed in Q4 2023 compared to previous years, highlighting the interplay between macroeconomic conditions and investment behavior in the marina market.

Disclaimer: To our knowledge, this data is not a complete set of marina sales. We strive to provide the most accurate data based on public records, but this will not always account for stock sales and other unreported sales. Price points tend to be reserved, most notably in non-disclosure states, but we still aim to record the sale as an arms-length transaction, even if we do not yet have the price.

2020	2021	2022	2023
Q1			
14%	19%	32%	23%
Q2			
26%	26%	27%	27%
Q3			
20%	20%	24%	33%
Q4			
41%	36%	18%	17%

Fig. 3

IPX 1031 Exchange Trends and Market Update 2024

Claudia Kiernan, Esq. –IPX Investment Property Exchange Services, Inc.

A 1031 tax-deferred exchange allows you to sell your marina without incurring immediate capital gains taxes. Instead, you can defer these taxes by utilizing a Starker account to reinvest in another asset, such as a marina, a single-tenant property like Walgreens, or any other form of commercial real estate.

Regarding the Tax Code, in 2023 there were no major changes regarding Section 1031. It was another year of educating our congressional representatives regarding the value that Tax Deferred Exchanges have to the US economy and the billions of dollars of tax revenue that exchange activity creates. As we enter 2024, we will be waiting for the President to issue his proposed budget which may include limitations to 1031 Exchanges. We will continue to meet with the Administration, Representatives, and Senators and we are prepared to respond to any threats to eliminate or limit Section 1031. IPX1031 will share periodic legislative updates.

1031 transactions will remain active as educated investors and marina property owners utilize strategic 1031 tax deferral tools.

1031 EXCHANGE TRENDS FOR 2024 WE ARE ANTICIPATING:

- If interest rates are relatively high and quality inventory is limited, Reverse, Improvement, and Build-to-Suit Exchanges will continue to be popular. For more information on Reverse Exchanges, refer to your LIPG agent or contact IPX.
- Traditional financing challenges will spur seller financing with sellers utilizing 1031 Exchanges to maximize this strategy.
- There will be an uptick in management-intensive properties (such as marinas) being exchanged into passive types of investments such as NNN and DSTs.
- Cities and States that are not landlord/investor friendly will continue to see money being 1031 Exchanged into more real estate-friendly areas.
- We will continue to see investors exchange into areas that have warmer climates, low cost of living/lower taxes, and are retirement-friendly.

1031 EXCHANGE CHECKLIST

A 1031 Exchange transaction requires planning, expertise, and support. Here is a checklist outlining key steps in your exchange.

1. Choose your 1031 Qualified Intermediary (QI).
2. Consult with your tax professionals.
3. Include Cooperation Clause language in your purchase and sale agreement.
4. QI prepares your exchange documents.
5. Start searching for Replacement Property.
6. Sign all documents the QI prepares.
7. Sell your Relinquished Property.
8. Identify your Replacement Property.
9. Enter into contract on Replacement Property.
10. Contact QI once Replacement Property escrow is opened.
11. Close on Replacement Property.
12. QI transfers funds to complete your purchase.
13. Your exchange is complete.

TAX STRADDLING: PAY TAXES IN 2024 OR 2025?

If your marina transaction closed at the end of 2023 and you were unable to find a new property to identify or purchase the property that you have identified, you may still be able to defer paying taxes on your capital gains until 2024. Since you will receive your 1031 funds back in 2024, in certain circumstances, since you did not have control/possession of your funds until 2024, the IRS may allow you to pay taxes on your 2024 tax return, which are due in 2025. This is in accordance with IRC Section 453(d) and requires your accountant to file specific tax forms. Ask your accountant if you are eligible to take advantage of this “mini” tax deferral.

IPX1031 - CHOOSE THE EXPERTS

IPX1031 is the largest and one of the oldest Qualified Intermediaries in the United States. As a wholly owned subsidiary of Fidelity National Financial (NYSE:FNF), a Fortune 500 company, IPX1031 provides industry-leading security for your exchange funds as well as considerable expertise and experience in facilitating all types of 1031 Exchanges. Our nationwide staff, which includes industry experts, veteran attorneys, and accountants, are available to help you and your legal and tax advisors. For additional information regarding IPX1031 and questions on 1031 Exchanges.

IPX 1031®

Contact:
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Marina Insurance

Jeff Spilman, CCIM –Vice President of Investments

The National Centers for Environmental Information says that in 2023, there were twenty-eight confirmed weather/climate disaster events with losses exceeding $1 billion each to affect the United States. These events included one drought event, four flooding events, nineteen severe storm events, two tropical cyclone events, one wildfire event, and one winter storm event. Much of this activity took place in the Southeast. More specifically, “Tornado Alley” where many marinas are located. It is expected to be an equally active storm season in 2024. Indications suggest that ocean water temperatures in February 2024 are approximately equivalent to those typically observed in May. Does the phrase “batten down the hatches” apply this year?

Marinas saw insurance rates increase significantly in 2023, and the start of 2024, and some cases dramatically. The industry forecasts for the rest of 2024, do not seem any better. As a result, it is not uncommon for some marina operators to choose to under-under-ensure their docks, or even totally self-insure the docks if they have a crew on site that can repair docks. This can work for the marina owner if they do not plan to sell the marina for several years. Unfortunately, if they do plan to sell soon, they will need to realistically plan for a new owner to obtain full coverage adding to operational expense and reducing the NOI, and therefore negatively affecting the price of the marina. This is particularly true if a new buyer plans to obtain a loan and/or the buyer is an investment firm representing other investors. Full insurance will be required in either case.

If an owner plans to sell, they should make a mental note of how much their NOI will be reduced if they are not currently fully insuring the docks or other structures at the marina.

This article brings together some of the industry’s best marina insurance agencies and will cover a host of insurance questions. We were pleased to interview three very active marina insurance agents to get their take on the status of marina insurance. The following are in no particular order:

Zoltan Csete, CMIP
Vice President of Marine Operations, Coverra Insurance Services, Inc., Holmen, WI
Office Phone: 608-790-9703

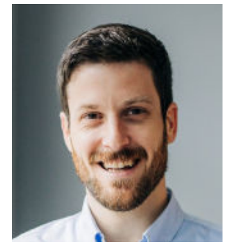
Jason Riley, CBIA
Wells Insurance, Wrightsville Beach, SC
Office Phone: 910-251-5425

Ray Barga and Will Lowe
HUB International Benton / Peel & Holland Company. Benton, Ky
Office Phone: 270-527-6142

Zoltan Csete, CMIP

Jason Riley, CBIA

Ray Barga



Will Lowe

WHAT HAS CHANGED IN THE CASUALTY INSURANCE COVERAGE FROM 2022 AND 2023?

Zoltan: We are seeing continued reduced capacity. Many carriers have a moratorium on new business in problematic states (Florida, Texas, Tennessee, Kentucky). Other carriers are limiting capacity and reserving it for best-in-class opportunities.

Jason: We are continuing to see the markets hardened, which translates to fewer carriers with an appetite for marina risks and increased rates. Those willing to write these coverages are limited in their capacity, resulting in higher premiums and often higher deductibles.

Ray & Will: Weather patterns producing tornados, hurricanes, and other natural disasters have had a tremendous impact on the industry – especially in the Midwest, South, and along the East Coast instead. All property rates have seen increases, especially floating property rates.

WHAT CHANGES TO MARINA LIABILITY COVERAGE?

Jason: We are seeing an uptick in marina liability rates, primarily within the excess or umbrella policies. The umbrella policies are also beginning to exclude certain underlying exposures such as Directors and Officers. Other exclusions have been those related to cyber risks due to the increase in cyber crimes. Most cyber coverage is now purchased as separate policy.

Ray & Will: In looking at our book of business there have been very few liability losses in the last four or five years – especially large losses. It seems like the liability rates have had very little change in the last few years when compared to property and auto.

Zoltan: The biggest hindrance to liability coverage are boat clubs and rental fleets in the state of Florida. SB606 has put undue hardship on operators and limits available options as far as carriers are willing to take on this additional exposure.

WHAT TO EXPECT IN 2024?

Ray & Will: So far, we are seeing increases in the 20% - 25% range for the renewals we have had in 2024.

Zoltan: Average operators are going to have to comply with recommendations and do whatever is needed to make their marina stand out to underwriters. Underwriters require more information to put a quote on the table. This requires marinas to know about the structures they own and be able to provide detailed outlines on items such as wind speed rating and snow load capacity.

Jason: No signs of the markets changing in ’24 and I’d expect these trends to continue. The upcoming storm season will likely dictate how things shift moving into ’25.

ARE THERE SPECIFIC AREAS OF

THE COUNTRY THAT ARE MORE VULNERABLE TO RATE SPIKES?

Zoltan: Florida, Texas, Tennessee, and Kentucky

Jason: In our opinion, the most vulnerable areas will be the coastal risks along the southeastern US and the Gulf of Mexico. These are the same areas most prone to damage from tropical storms and hurricanes.

Ray & Will: Our entire region will be vulnerable to spikes, but especially Alabama, Kentucky, and Tennessee where there have been many large wind losses. Then, Florida is a challenge all on its own.

WHAT COMPONENTS OF THE MARINAS ARE MOST PROBLEMATIC?

Jason: The most challenging piece to write with the marina risks will continue to be the wet property which includes the docks, piers, pilings, and bulkheads.

Ray & Will: The biggest problem with marinas is insuring floating docks as there are so many things that can impact them. With docks, you have not only wind issues but also fire and collapse due to the weight of ice or snow. Rental boats can also be a challenge, especially when you have rental ski boats or wave runners that afford more opportunity for injury and ensuing lawsuits.

Zoltan: Physical damage coverage on docks for the states listed above.

WHAT TYPES OF MARINAS DO UNDERWRITERS PREFER AND WHAT TYPES ARE NOT?

Ray & Will: In a perfect world underwriters would prefer marinas that do not have covered docks, rental boats, or restaurants with liquor sales. However, that is not realistic, and these are often the revenue drivers for many marina facilities. The large marinas with high values of covered floating property can be the hardest to place. Marina operators who maintain their facilities well, keep their property updated and in good working order, post appropriate signage, and have strong contracts in place (i.e., slip and boat rental agreements) are those with the best foot forward. Additionally, a strong employee culture with engaged workers and strong employee training are helpful.

Zoltan: The Midwest is an area where underwriters would love to write business. Underwriters spend a lot of time researching facilities and looking at google reviews. Facilities that lack maintenance can be problematic as well as the marina that wants to offer everything under the sun for activities. Resort activities give an underwriter heartburn!

Jason: The preferred marina risks will be those with a history of limited or no losses. Additionally, new construction is preferred. Best-in-class dock systems such as concrete docks/pilings will receive a better rate over a timber-built system by a local marine contractor. Roofs over docks may seem attractive to boat owners, but they aren't preferred by underwriters. If a fire occurs, damage is often much greater with a covered vs open dock.

WHAT IMPROVEMENTS CAN AN EXISTING MARINA MAKE TO DOCKS AND DRY RACKS TO REDUCE PREMIUMS AND INCREASE COVERAGE?

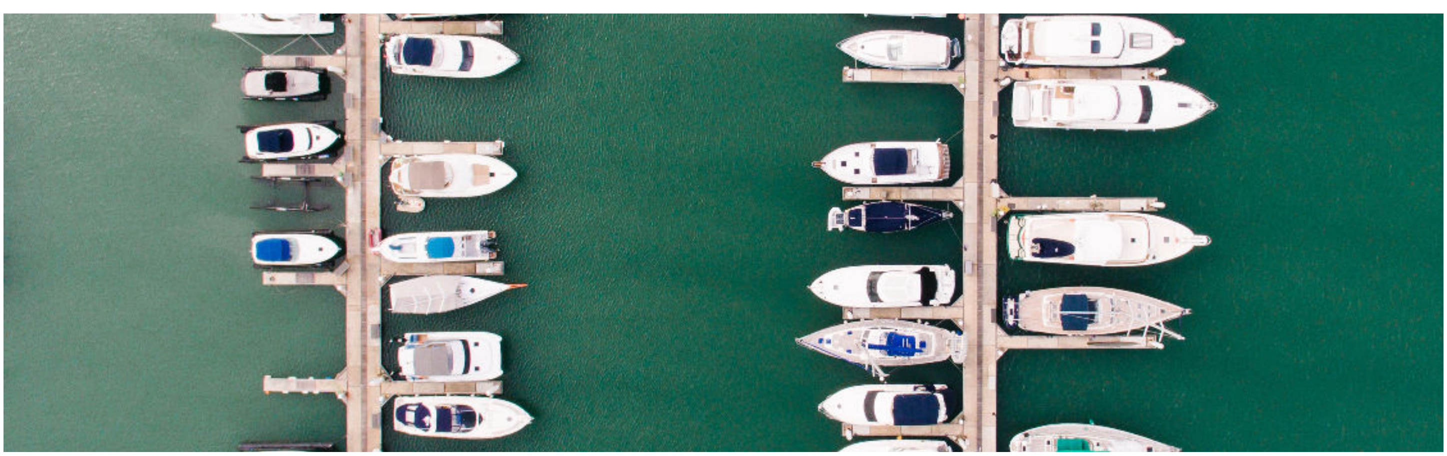
Zoltan: This is a common question. The biggest thing I would point out is that while they might not see much of a premium savings by implementing "improvements", it is crucial to do anything and everything to keep underwriters comfortable with your risk. Unfortunately, underwriters aren't fighting for your business in problematic states. They really don't want it! Documented hurricane preparation is crucial.

Jason: While newer construction is preferred, it would be advisable to have a professional such as a marine engineering company come out and inspect the marina if older than 10 years. These types of professionals can also provide an up-to-date valuation of the wet property. These professional reports can go a long way in demonstrating proper upkeep and a true valuation to justify requested coverage amounts.

Ray & Will: Dry stack storage facilities have not been a challenge. So, if they have been loss-free, they should not present a problem. On the docks, good construction, facility maintenance and updates, encased floatation, well-maintained anchorage, and protected area placement (from wind) are all very important to underwriters. Taking these measures where possible should keep them fairly loss-free and make a marina more desirable to insurance companies.

OTHER ISSUES THAT MIGHT BE CONSIDERED MOST IMPORTANT WHEN SHOPPING FOR INSURANCE FOR A MARINA.

At Leisure Investment Properties Group, we emphasize the significance of choosing knowledgeable insurance agents with expertise in the unique requirements of marina operations. We caution against relying solely on local agents, emphasizing potential coverage gaps that could result in significant financial losses in the event of various incidents. Our recommendation is to opt for proven agents with extensive marine experience and access to multiple marine insurance markets. We also stress the importance of submitting a complete application, narrative, and current valued loss reports to ensure a competitive edge in the insurance marketplace. Specialized agents familiar with marinas can streamline the process, saving owners valuable time and eliminating the need to engage with multiple agencies during the selection process.



Market Spotlight: Florida

Brady Bodden – Associate

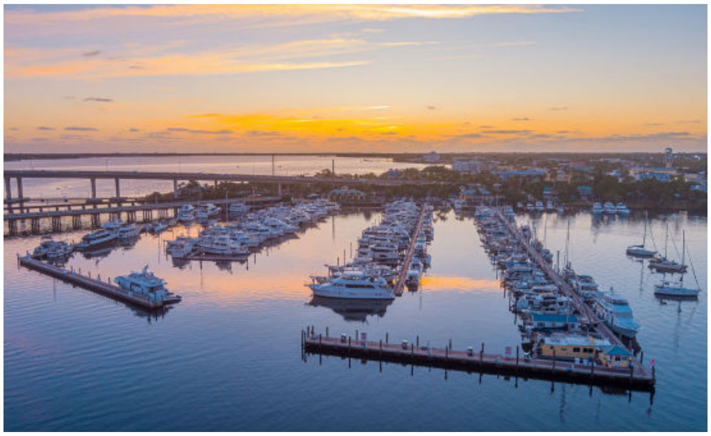
The marina market in Florida stands as a vibrant and dynamic sector within the state's extensive maritime landscape. Florida's vast coastline and intricate network of waterways make it an ideal destination for boating enthusiasts and maritime adventurers alike. From bustling urban marinas in Miami and Fort Lauderdale to serene coastal havens in the Florida Keys and Gulf Coast, the state offers a diverse array of marina experiences catering to different preferences and interests. With its favorable climate, abundant sunshine, and rich maritime culture, Florida has solidified its reputation as a premier boating destination, attracting visitors from around the world seeking to explore its pristine waters and vibrant coastal communities.

INVESTOR OUTLOOK:

Florida's marinas present an attractive investment opportunity for discerning investors seeking to capitalize on the state's thriving maritime industry and robust tourism sector. One of the key drivers of investor interest is Florida's favorable climate, which fosters year-round boating and recreational activities, ensuring consistent demand for marina services and facilities. Additionally, the state's burgeoning population, fueled by domestic migration and international immigration, further amplifies the demand for boat storage, docking facilities, and related services. With increasing boat traffic along Florida's waterways and a limited supply of storage space for boats, marina investments offer the potential for stable cash flow, capital appreciation, and long-term growth prospects.

SALES SUMMARY

The marina market in Florida witnessed significant transactions in 2023, reflecting the continued strength and resilience of the state's waterfront real estate sector. Among the notable acquisitions, Integra emerged as a key player with strategic



Sunset Bay Marina & Anchorage, Stuart, FL.
198 Wet Slips, 66 Mooring Spaces, up to 150' length vessels.

purchases that underscored its commitment to expanding its presence in Florida's thriving maritime industry. These strategic acquisitions included Sunset Bay Marina & Anchorage, The Perry Marina in Key West's Stock Island, and Williams Island Marina. These purchases marked substantial additions

The Perry Marina, Key West, FL.
288 Wet Slips on 35 Acres, up to 350' length vessels.

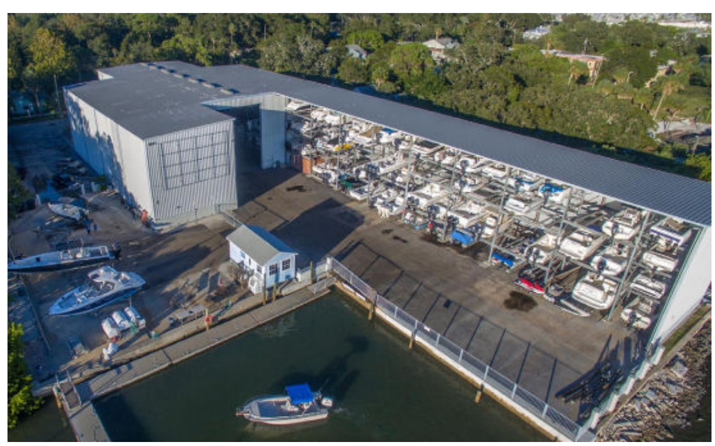
to Integra's portfolio, reflecting its commitment to meeting the growing demand for marina facilities in Florida's coastal regions.

Suntex's continued expansion of their Florida portfolio with the acquisition of Mariners Cove, following their purchase of Legendary Marina in 2022, signifies a strategic thrust in their growth trajectory within the state's marina market. This move underscores Suntex's commitment to establishing a significant presence in Florida's maritime industry, leveraging the state's extensive coastline and popularity as a boating destination. Through

Lighthouse Point Marina, Lighthouse Point, FL.
102 Wet Slips, accommodating up to 80' length vessels.

strategic acquisitions like Mariners Cove, Suntex strengthens its position as a leading player in the Florida marina market, contributing to the growth and meeting the demands of the overall marina market.

Port 32's acquisition of Lighthouse Point Marina, now their ninth property in Florida, marks a strategic expansion within the state's maritime industry. This move notes Port 32's commitment to establishing a significant presence in Florida's coastal regions, enhancing its ability to cater to boaters and maritime enthusiasts across the state. The acquisition aligns with Port 32's goal of becoming a key player in Florida's marina market. Through strategic acquisitions like Lighthouse Point Marina, Port 32 strengthens its position as a premier destination for boaters in Florida, solidifying its reputation as a leader in the Florida marina industry.

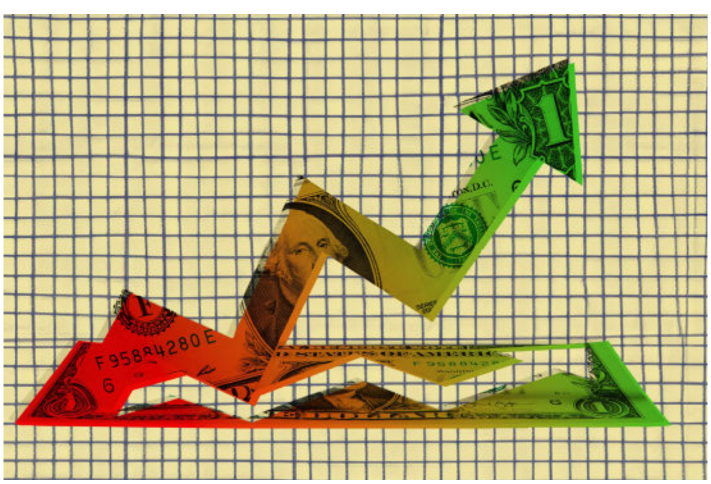


Mariners Cove Marina, Gulfport, FL.
105 Dry Slips, accommodating up to 48' vessels.

The Debt Hangover: Will It Hurt the Marina Market

Greg Lewis - Senior Managing Director of Capital Markets

Commercial real estate borrowers operated for more than a decade in a historically low interest-rate environment. Independent owners and operators of “specialty assets”, marinas, golf courses, hotels, RV Parks, and the like, have traditionally relied on regional lenders for their debt financing needs. Property values increased and debt financing was plentiful. Cap rates on core assets were low, leverage percentages climbed steadily, and transaction volume increased year over year. Trillions of dollars were deployed to buy, sell, and develop real estate. Banks thrived during this period and most institutions from the global money center banks to local community banks loaded their balance sheets with commercial real estate loans.



ALL GOOD THINGS MUST COME TO AN END

With Covid in the rear-view mirror, and after years of buying billions of dollars in bonds to stimulate the economy, the Fed turned its focus to inflation. Concerned that the economy was overheating, the Fed began its systematic attempt to tame inflation. Unfortunately, inflation proved to be resistant to initial rate increases, so the Fed accelerated its efforts. What ultimately unfolded was a nearly historic increase in interest over the next 18 months. Eleven increases totaling 5.25%.

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
July 26, 2023	+25	5.25% to 5.50%
May 3, 2023	+25	5.00% to 5.25%
March 22, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

Forbes, January 26, 2024

While these increases may not have extinguished inflation, they certainly cooled the commercial real market. Transaction volume dropped dramatically as did loan volume. What did increase was the rapid divergence in buyer-seller expectations. Fueled by years of artificially low interest rates, buyers derived high returns with a favorable capital stack - high leverage at low rates.

THE NEW NORMAL

The initial shock of these rapid and multiple rate increases is over. Buyers of Marinas have had to accept the consequences of a higher interest rate environment - lower leverage. All new transactions require more equity and presumably lower returns as a result. Borrowers still reminisce however about the not-so-distant good-ol' days and therein the market struggles to acquire a new equilibrium between buyer and seller expectations.

A STORM IS BREWING

Anyone who follows the capital markets, particularly the debt market, has no doubt read or heard recently about the concerns of a potential banking crisis. At the heart of the matter is more than a half trillion dollars in commercial loans maturing this year. Borrowers must refinance these assets at higher rates with potentially lower asset values. Many banks' balance sheets are loaded with CRE loans, and there is going to be increased scrutiny for the foreseeable future as regulators and the government watch for increasing defaults.

Of particular concern is the amount of CRE debt held by regional and community banks. CNN recently reported, "...US banks hold about $2.7 trillion in commercial real estate loans. The majority of that, about 80%, according to Goldman Sachs economists, is held by smaller, regional banks — the ones that the US government hasn't classified as "too big to fail". Additionally, according to the AEI, a recent study by the National Bureau of Economic Research underlines the dimension of the prospective regional bank crisis. It estimates that should interest rates stay at their current levels, a wave of commercial property loan defaults could result in the failure of up to 385 regional banks.

WHY THIS MATTERS

As I mentioned heretofore, marinas, golf courses, hotels, RV Parks, and the like, have traditionally relied on regional lenders for their debt financing needs. Larger lenders particularly in higher-risk environments, tend to focus on the core four asset

Average Marina Course Financing In Today's Market				
Conventional Bank Loan	SBA Guaranteed Loan 504 Program	Life Company	Bridge Loan	Private Equity
Fixed Rate: 7 - 8% fixed	Interest: 7.5 - 8.5% fixed	Interest: 6.5 - 7.5%	Interest: 12 - 15%,	Interest: 18 - 22%
Points: Up to 1%,	Points: 50 bps	Points: 0 - 1%	Fees: 3%	Unleveraged IRR: 20%
Term: 3 - 7 years,	Term: 25 yrs.	Term: 3 - 10 yrs.	I/O Term: 12 - 18 Months	Preferred Returns: 12 - 15%
Amort: 20 - 25 yrs.	Amort: 10 yrs	Amort: 25 yrs.		
LTV: 55 - 65%	LTV: Up to 75%	LTV: Up to 60%	LVT: Up to 70%	
DCR: Minimum 1.25:1				
Loan Size: $2MM & Up	Loan Size: Up to $15MM	Loan Size: $25MM+		
Recourse: Yes	Recourse: Yes	Recourse: Carve-out	Recourse: TBD	Waterfall Structure: Deal by Deal on Profit

As of March 11, 2024

groups. Community-based lenders by definition tend to rely on and focus on local businessmen and businesses that operate in their footprint. While the community lenders still prefer multi-family and industrial loans, nobody understands local economies and property values better. Subsequently, even though securing good loan execution on specialty assets often feels like trying to find a needle in a haystack, there is a qualified lender out there even during periods of heightened risks where there is a natural "flight to quality". We have been successful at that for over 30 years and continue to find that proverbial needle in the haystack for our clients.

The key to success in any loan solicitation is to view your debt from a lender's perspective. What are the unique risks associated with this asset and how do we access that risk? Because specialty assets are operating businesses, it is important to identify the competitors in the market, and where this particular asset falls within this comp set. Lenders increasingly focus on trend analysis, so have your KPIs identified and educate them about your past and future performance. Whether or not a lender ever articulates this to a borrower, the final credit decision maker is always asking themselves one final question "In a worst-case scenario, what is our exit strategy for this property?" If you can put yourself in their shoes and anticipate that question, you are on your way to securing a loan.

With more than 30 years of experience in the Capital Markets, I am uniquely qualified in the structuring and arrangement of financing for "specialty assets" (marinas, golf courses, hotels, and RV Parks). These properties do not fit neatly into conventional underwriting boxes. I work with the borrower and lender to help quantify and access both the risk and reward associated with providing debt on these types of assets. In doing so, we help achieve the best possible execution on each transaction.

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Meet Our Newest Team Members

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Gregory E. Lewis ("Greg") was the Managing Director – Real Estate and Business Lending at Leisure Financial Group. Greg has more than 30 years of corporate lending experience. His background includes vendor finance, asset-based lending, and 14 years at Textron Financial Corporation in real estate finance in hotel, resort, and golf industries. During his tenure with Textron, Greg was responsible for originating first mortgage loans, including refinancing, acquisition financing, warehouse facilities, take-out financing, construction financing, and mezzanine financing on hotel, resort, and golf assets throughout the U.S.

Greg's career began at NCR Credit Corporation where he provided off-balance sheet financing to Fortune 500 companies, followed by a period at Norwest Bank where he originated and developed private-label finance programs for life science and technology companies. Greg was also a Vice President at Deutsche Bank where he enlisted and managed product and subject area specialists from the Bank's Corporate Investment Bank and Commercial Lending divisions for ultra-high net worth individuals and families.

Greg helped launch DYH, a high-tech sports equipment firm based in Philadelphia, PA and served as the organization's President. In addition to managing day-to-day operations, he successfully raised $3 million in a Regulation D private placement offering to recapitalize the business and position the company for future growth.

Jeffrey R. Dugas, MAI, SGA, has been active in commercial real estate since the mid-1980s, with over 30 years of experience in recreational real estate. He has completed more than 3,000 golf and marina appraisal assignments in 24 different states. After 27 years of a successful partnership known as Wellspeak Dugas & Kane, he formed Leisure Appraisal to better portray the focus of the firm and his work history. He is one of a select group of invited specialists to the prestigious (SGA) Society of Golf Appraisers, and he holds the acclaimed MAI designation from the Appraisal Institute.

Jeff has taught an Advanced Income Capitalization course for the University of Connecticut and has spoken at various public forums including the International Association of Assessors, National Golf Club Owners Association, Golf Inc., and the Club Managers Association. He has been quoted in many industry publications, and his appraisals have helped establish legal precedent. Two of his lower court favorable decisions on golf course valuation have been upheld by the court of appeals. Jeff has maintained an exemplary record on the stand. He has achieved favorable decisions in state, federal, and supreme courts in MA, CT, RI, NJ, NH, PA, FL, & NY.

Jeff has also worked on some of the most prestigious clubs in the country including Sleepy Hollow, Friars Head, Larchmont Yacht Club, Manuring Beach Club, The Bears Club, Liberty National, and National Golf Links, to name a few. He has worked as a consultant where he helped negotiate several lease agreements. Furthermore, he represents numerous clubs in assessments that have led to over $500 million in aggregate reduced values, resulting in substantial savings for these clubs in property taxes.

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