

Slips Slipping Away?

Dockominium Conversion....

It's the real estate phenomena of the 21st century. As you may already be aware there are many factors that have brought on the rapid appreciation and shortage of quality dockage over the past few years. It's a condition that has been in the making for the past 20 years and has finally begun to live up the predictions of the savvy entrepreneurs who created the first condominium docks as many years ago.

Today's modern manufacturing processes have made boating more affordable for greater segments of the population and widespread affluence of the American society in general, has allowed the industry to maintain solid growth.



Market Demand

Today, the boating industry and recreational boating market, primarily, is made up of two very large and affluent segments of our population... the "Baby Boomers" and "Generation X'ers". "Boomers" (the most affluent generation in our history) have just begun reaching retirement ages and they have clearly demonstrated their zeal for life, passion for life's luxuries and demand for quality products and services. For the next 10-15 years, many from this retiring, but active generation, will be seeking warm climates, waterfront property and charming communities with abundant social and recreational amenities to enjoy their golden years in and to leave to their heirs.

While boomers are beginning to create a fair amount of upward pressure on the waterfront property and boat dockage markets, the following group of Generation X'ers are showing that they are going to accumulate just as much wealth; and their desires and spending on luxury goods has started to exceed that of their predecessors. When you combine the two generations you can't help but to begin to understand the level of demand there is now, and will be for suitable boat dockage and waterfront property in

the foreseeable future. Even during a downturn in the residential real estate market, boat slip demand is still strong and steady.

To strengthen demand pressure (as if it needed it) many cities are finding that many of their exclusive neighborhoods have imposed different types of deed restrictions in an effort to maintain a certain quality of life, (especially in year-round boating locations). Restrictions that forbid property owners from storing boats, trailers and RV's in their yards. In these communities, owners are forced to find suitable alternatives.

Since the majority of boats owned in the U.S. are under 30 feet, indoor dry storage has become a logical and preferred storage solution for this market segment. With the implementation of new building codes, new structures are now typically required to withstand category 3 and category 4 winds in most hurricane prone states....further increasing the demand on marina zoned property and modern dry storage facilities.

And if that's not enough to convince you, over the next 20 years the Census Bureau projects that we're going to have to make room (and residences) for another 100 million Americans. Sure, there's plenty of room in the plains states, but the Census Bureau also projects that 80% of the U.S. population will live within 20 miles of a coastline by the year 2025.

This is a burgeoning market whose demand has only just begun. As "boomers" retire over the next decade and new fortunes are developed by genXers, the demand for quality dockage will continue to grow while the supply will become a growingly scarce and valuable commodity.

Market Supply

Many states are beginning to see and feel the effects that over-regulation, strict environmental laws, exasperating permitting processes and moratoriums on marina development has created. Coupled with the loss of marina property to hurricanes and condo or hotel development, it becomes pretty easy to see why recreational market marinas have not been able to keep pace AND WILL NEVER be able to catch up to demand.

While some measures are being taken in the most affected states such as tax incentives for owners who preserve their properties for public access, tax appraisal reductions for some Florida marinas, streamlining of the permitting process and in rare instances, the direct purchase of marina properties by municipalities, it's most likely too little, too late.

Most of the largest and best suited marina properties have already been gobbled up and the vast majority of vacant coastal land has been permanently set aside as wildlife

preserves, state parks or is considered environmentally too sensitive for boating facilities.

Markets like California, Florida and Michigan (that's right, even Michigan which is always one of the top 3 boating states in the nation) New York, Rhode Island and Massachusetts are the leaders of "high demand". Most of the best properties have long been developed or removed from the recreational market, leaving small parcels or sites more difficult to develop or that will make sense financially.

Southern states like Georgia, South Carolina, North Carolina and Alabama are currently being picked over by throngs of developers and prices in all of these are approaching the level of those in Florida and California. It won't be long before you won't be able to tell the difference.

Early speculators have already read the writing on the wall and if you look carefully, you will see that even markets with large amounts of coastal property and lower market prices are now beginning to see the upturn as well. States like Texas, Louisiana, Mississippi, Tennessee, Virginia and Maryland have typically seen boat slips appreciate at 5 to 10% annually. You can now find locations in these states that have witnessed as much as 15-50% over the past few years.

Some incredible developments can now be found along the Tennessee River and the Tom Bigbee Waterway which winds through Tennessee, Mississippi, Alabama and meets the Gulf of Mexico through Mobile Bay.

Even with the seemingly incredible land resources of the U.S. - Coastlines are finite and the properties suitable for marina permitting or future development are extremely limited. In what will be a very short amount of time new marina development will be a thing of the past in the USA, the same as it is in Europe now.

As long as there are boats, sunrises and sunsets – boat docks and waterfront property will remain in high demand and short supply.

Preserving Boating's Future

Atlantic Marine Management is not your typical waterfront developer. Our development process is designed to PRESERVE marinas and public access in perpetuity. Once a marina is converted to dockominium or rackominium it is forever under the control of the individual owners and the association they are a part of. This means it would be extremely difficult for a developer or hotel corporation to come in and buy up the land for other purposes, if not close to impossible.

The first thing that most developers do when they purchase a boat yard is they sell the big blue Travelift because of the liabilities it presents. Servicing of boats is not an attractive proposition for persons interested in building luxury residences. The loss of adequate service facilities is severe in many areas. It is not uncommon to find boaters who have had to travel more than 50 nautical miles to have their vessel serviced. We think this is a tragedy.....without the boating industry; there would be a pretty grim economy in Florida and many other states as well.

When we redevelop a marina – our goal is to improve the amenities and services it provides. We strive to make it a better facility with more to offer the community – making it a place people will be proud to own or stay.

You're may be thinking, but what good does that do if I prefer to just lease my boat slip...well, the fact is, that while slip ownership is a very attractive proposition for many boat owners, it is also very attractive to many investors who do not own boats. Typically, 35-40% of the available slips in a converted marina are sold to investors. Investors are counting on people who will want to continue leasing their slips.

There is very little change in how a marina operates – just different persons will have ownership of the slips. The biggest difference is that the redeveloped marina with additional amenities and improved services will be a much better place to be. Its value to owners, renters and the community will continue to rise year after year.

Sell or Convert

If you're considering selling your marina or marina zoned property and wish to make sure it continues to serve the public in the fashion you've worked so hard for – allow us an opportunity to submit an offer. If you're considering tackling a conversion on your own – give us a call and we'll help get you on the right track.

Call us today.

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