

## Case Study: Prepare for Luxury

### The Puerto Los Cabos Marina Project

Before they assembled their planners and engineers, the developers of the Puerto Los Cabos project did their homework. The result will be a luxury resort centered around a 416-slip marina in a small town called San José, just outside of Cabo San Lucas, the Mexican tourist hotspot at the tip of Baja California. The marina will include plenty of slips for luxury mega-yachts, an increasingly popular sector of the boating community.

Though this is a large, complex project, the beginning stages went very smoothly because the developers knew what their goals were and did a thorough job of preparing to meet them. Here's how they did it:

- They examined their market.** The developers conducted market research to better understand the needs of boaters in Mexico and Southern California. ATM Senior Engineer Tim Mason, who helped manage the market research says, "They wanted to create a marina that lived up to the high expectations of the clientele they were trying to attract. The market study identified existing facilities and determined boating patterns and demand at the marina site." ATM's research showed that high-end boaters had become disillusioned with the only existing marina in Cabo San Lucas, which caters to the sport-fishing and spring break-type crowds that

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descend on the area year-round. Mason says, "We found that a lot of people were looking for an alternative, and a more laid-back, old-Mexico feel."

- They found out if it could be done.** The developers collected base information, including onshore and offshore surveys. In addition, they did initial feasibility studies to determine if the project was financially viable. Combining all of this information allowed the developers to maximize their investment, saving time and money in the long-run because they understood the limitations of the site they were working with.

- They peeked into the future.** The project's investors knew they wanted to get the best return possible on their investment, so they hired ATM to do a pro forma "business plan" to evaluate the necessary expenses and return on the development in the long-term. According to ATM Chairman Ed Modzelewski, this is not often the case in Mexican development projects. "In Mexico, they don't have the regulations that we have to contend with in the U.S., so many developers overlook long-term concerns when they build marinas or resorts. In this case, they were very concerned about the prospects for a successful development well into the future."

[continued]

## AMENITY TRENDS

The increasing number of mega-yachts and the growth of the luxury boating community have sparked demand for a new class of amenities, and interest among marina owners to provide services and facilities that will draw in big-spending boaters.

According to Sam Phlegar, senior vice president at ATM, some typical features are being retooled and reclassified as amenities. He says, "Electrical supply used to be viewed as a standard offering. With larger boats and their equipment demanding more power, marinas are starting to view increased electrical capacity as an amenity. Users want to hook up and use all of the enhanced features on their boats, and the ability to provide them with the power to do so is a real advantage for marinas."

Other standard features that have taken on amenity status include restrooms and bathhouses. In the past, Phlegar says, boaters used what they could, which in many cases was a not-so-nice facility in the marina office. "Now they want high-quality facilities that are conveniently located near their berths and restrict access to marina users."

Transient marina facilities have to spend more energy luring people to

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[Luxury continued]

o **The leveraged the information they collected.** All of the preliminary information that the developers gathered during the initial stages of the project was used in developing final plans. The market study helped them determine what to build. Preliminary site and use information showed them how to do it. But most important, perhaps, was the information from the pro forma, which showed them how to phase the project. Heading into construction, the project will be completed in stages that allow the developers to maximize their investment and see a return on it as soon as possible. Modzelewski says, "The client was able to see our track record with other planned resort communities, like Hilton Head Island in South Carolina, for example, where they can look back at the history of a 30-year phased project and see how successful it was."



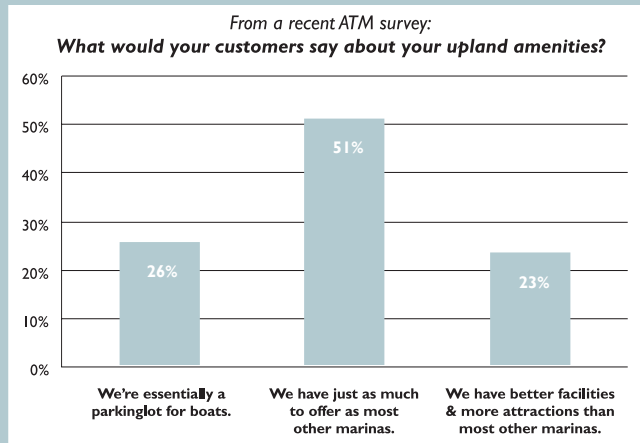
The Puerto Los Cabos marina will begin operation before construction is even complete, and once it's done, it will serve as a model for successful marina development. For more information about the Puerto Los Cabos Marina, contact Sam Phlegar, (843) 884-8750. ☉

[Amenities continued]

stop at their marina, so they have to provide something unique. Phlegar says, "They could have a captains lounge with Internet service wireless and cable internet connections are becoming more common. Other options may be navigation aids, or a reputation for great service."

In newly built marinas, owners are looking for ways to cater individually to many different types of boaters. Phlegar says, "At Puerto Los Cabos, we segregated the marina into different areas with restricted access. That allows the fishermen to hang out together, and the residential boaters can be together, too. Charter boats can be moved in and out. Transient boaters might want access to nightlife, so they're situated at the point nearest the bars and clubs. We segregate the access points, so the areas may be close, but physical access is restricted."

Proximity to existing and new facilities is also an important amenity. Phlegar says, "You don't always get the luxury of creating the upland experiences that boater groups might be interested in, but you should take advantage of your surroundings to draw in what boaters you can." ☉



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