



Published on MadMariner.com (<http://www.madmariner.com>)

Dockominium Dilemma

By Greg Proteau

For years now, marinas have been leaving the rental business, parsing their property for sale as individual boat slips or selling it to developers with similar intentions. The individual parcels, known as "dockominiums," were structured to be far more profitable – and far more expensive.

But that may be changing. With the real estate market in decline and property values shrinking, real estate experts say that prices on dockominiums and their rackominium cousins have also dropped, a situation that may present opportunities for would-be buyers.

"Prices of dockominiums and rackominiums across the board have come down dramatically this past year and a half because many were bought by investors," said Brenda Vitucci, a Florida-based real estate saleswoman and member of the Alaqu Professional Group whose background is in marina management and leasing.

For example, she said that a dry-slip rackominium at the Port Marina in Ft. Lauderdale recently sold for about \$90,000. In 2005 and 2006, similar units were selling for \$179,000 to \$300,000.

"Owners are having difficulty re-selling," she said.

THE MARKET

Boating clearly needs waterfront development and investors to fund it. The trouble with the current situation is that anxious planners read the tea leaves wrong – not an uncommon practice for those who look at boating as an investment. Toss in the spice of those alluring stories about real estate investors buying property and flipping it for two- and three-fold gains and the market became frothy.



Hit by a declining real estate market, dockominiums may be a bargain.

While there are no good statistics for the number of dockominiums nationwide, a recent survey of marina operators by Applied Technology & Management, a marine consulting firm, indicated that almost 4 in 10 respondents have dockominiums or rackominiums at their facilities.

For several years, the number of slips appeared to be contracting, and the number of new boats to fill them appeared to be expanding. Why not own some bay bottom in Boston? But it is not at all clear that the equation – too few slips and too many boats – was correct, at least not in the proportions that many people bet on.

While there is no doubt that dock space is scarce in many parts of the country, little hard data exists to track the trend nationwide. Furthermore, the Applied Technology & Management study found that the number of people who perceive that there is a shortage of slips was underwhelming in some key states. In Florida, for example, 38 percent of the respondents said there was a shortage compared to 21 percent who said there was not.

On the other hand, there is little disagreement that new boat production had fallen off dramatically. While the really big boats of 80 feet and larger continue to roll out of yards, production of boats up to 40 and 50 feet is down by between 20 and 30 percent, depending on which set of statistics is used.

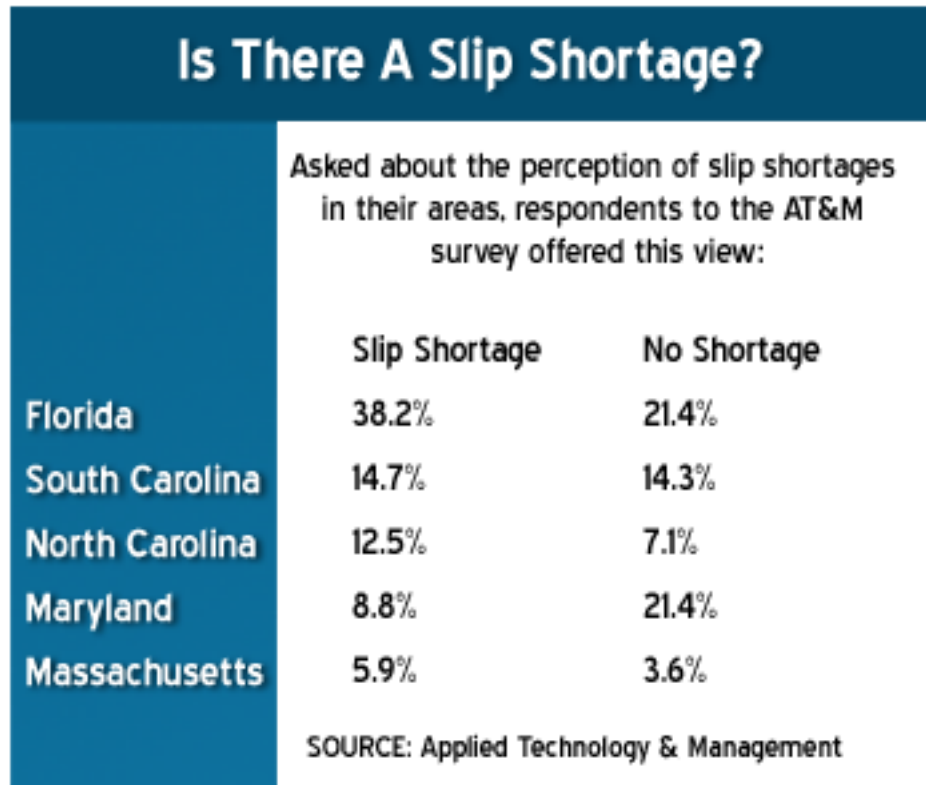
Vitucci said many new dockominium projects slated for sale have now gone back to being rental marinas. In the survey, 78 percent of marina operators said they have no plans to sell slips or racks in the future, compared to 16 percent who said they plan to sell them. Roughly 6 percent were not sure.

"The pace of dockominium conversion has slowed in recent months for existing marinas as well as new projects for several reasons: A primary one is that prices have ramped up too high for it to be economically feasible for the end users," Vitucci said.

BARGAIN HUNTING

Boat owners unfortunate enough to have purchased dockominiums in the past 18 months or so may be feeling the pain of bad timing as prices nosedived. On the brighter side, this is not such a big deal for those who look at ownership with a long-term perspective – and it could be a buying opportunity for others.

Long-term trends point to a continuing slow conversion of rental slips and racks, which means boat owners currently renting should have a back-pocket strategy to own, move or sell their boat if the phenomena visits their marina. Those inclined to own should do their homework.



Marty Laven, a member of Alaqua and owner of an affiliated marine real estate brokerage, The Dockominium Group, urges prospective buyers to consider their budget and to look long term.

"Owners who expect to be involved in boating for at least seven years and out to 20 years will find cost justification in owning a slip or rack," he said.

Higher prices generally reflect more active and year-round boating communities where new boat sales and demand for storage has been strong, or at least more stable, over time. Lower prices correlate to properties less convenient to busy or easily-navigable waterways, where boating is limited and where on-site amenities are more Spartan.

Laven cautions buyers to make cost comparisons between renting and buying that include all potential charges and benefits – an exercise with many variables.

To start, calculate what it would cost each month to rent a slip for your boat in the same facility or one nearby that offers similar amenities. Then, calculate the monthly cost of ownership, using realistic numbers for the down payment and the interest rate. Remember that purchasing expenses for buyers will add five to seven percent on top of the selling price, including closing costs, and that title insurance can add another two to three percent. Real estate and sales taxes, maintenance fees and special assessments can also increase costs, so be sure.

Then, compare the services and amenities included for both options; benefits such as the term of the loan versus the length of lease and options to renew; and the appreciation you can expect – if any – as an owner.

A BUYER'S AGENT

Getting objective advice and guidance about the purchase is a solid idea. This usually comes in the form of a buyer's agent, who represents only you – the buyer – in

Dockominium Checklist



If you are considering a dockominium or rackominium, here are some questions to consider.

- How much are monthly maintenance charges? With new or pre-construction developments, most start low for the first year and then increase substantially.
- What is included in the monthly maintenance charges? Washes? Flushes? Limitless in-and-out launches? Access to all amenities? Will sales tax be added? This varies from marina to marina with many charging extra for these services.
- How much are property taxes? And how much are they expected to be following the first year?
- Is dredging anticipated – and when?
- How is ownership defined?

What are the owner's insurance requirements for both

the transaction.

In active boating markets, it will be easier to find agents knowledgeable about on-water properties. Buyers should determine that the agent is significantly involved in slip and rack transactions, ask for a list of client referrals (and call a few), and verify the agent is savvy about the local boating market and perhaps involved in local or regional marine trade associations.

Once properties have been identified, on-site inspections are crucial. Walk the docks, talk to the owners or renters and ask questions of employees or service providers. For rack operations, watch to determine if the in-and-out is prompt and careful. For properties in development, carefully study layouts and plans. If the feedback is positive, consider the property. If not, move on.

Financing is often offered through a developer on new properties, though the underlying lender programs should be vetted and compared with at least two others. This exercise will establish if rates and terms are competitive and may provide a double check on the reputation of the developer. Buyers should see if their own bank will provide financing and if marine lending specialists serve the area where the slip or rack is located. If any of these sources hesitate, you may want to ask the developer more questions.

For racks, it is common to finance them with a home equity loan, which may prove problematic for some in the current lending climate.

At present, there's little reason for would-be dock or rack owners to rush a purchase decision. Sure, there might be an opportunity – perhaps that last end spot for a 120-footer at Ocean Reef – that would justify quick action. But for most boat owners, taking time to do the homework and run the numbers will be a useful exercise. When the opportunity arises, you'll be ready.

Greg Proteau writes about trends, companies and people in the boating and finance industries, and serves as Executive Director of Boating Writers International, an association of marine journalists. He also works as a marketing and communications consultant, both within and outside the marine sector.

Source URL:

http://www.madmariner.com/ownership/story/DOCKOMINIUMS_BOAT_SLIPS_031908_OX

© 2007 Mad Mariner LLC

- What are the owner's insurance requirements for both slip or rack and boat?
- What will the reselling, renting or leasing options be as an owner? Can you do this on your own, or must you involve the developer? If the developer is involved, will they be entitled to a fee or commission. If so, how much? Can they dictate pricing?
- What are the owner's service options? Can owners work on their boats? Can outside service professionals be brought in, or is there a requirement to use the marina's service personnel only?