

Want to sell a marina? It's a new ballgame



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Selling a marina in this environment isn't easy, but it's also not impossible.

“There's still a large gap between sellers' expectations and buyers' expectations,” says broker Karen Calvacca of Waterfront Investment Properties in Newburyport, Mass. Typical capitalization rate, a figure derived by dividing a marina's net operating income into its market value, is probably 8 to 10 percent now instead of 5 to 6, which is what it was a couple years ago, Calvacca says. That means a marina has to be able to pay for itself in 10 to 12 years instead of 18 to 20. That means operating income must go up or sales price come down.

“No more valuations through the roof,” she told an audience in a session on the marina market at the International Marine and Boatyard Conference in Fort Lauderdale.

Operating income has held up reasonably well, if a marina doesn't depend on boat sales for a big part of its income, says Jed Harris, a principal in Marina Sales of Portland, Maine. Marinas without large numbers of boat sales were off 5 to 10 percent in 2008, Harris says, but he suspects they will have a tougher time in 2009 as the recession deepens, further undercutting marina valuation.

“It's all about cash flow now,” not development potential, he says.

And cash flow is on a downward curve. People are using their boats less; they're keeping them at home, spending less on fuel, buying less from the marina store.

Yet there are bright spots. Polly Fuqua, president of Eye on the Market LLC in Knoxville, Tenn., recently brokered the sale of Elm Hill Marina in Nashville for \$11.25 million — top dollar. It is a unique property, she explains: 170 acres, 668 slips, a 21-year lease with the Army Corps of Engineers, permits to build 300 more slips, and a good revenue stream. The marina has a restaurant, a fuel dock, pumpout facilities, full utilities at the docks, wireless Internet, swimming pool, showers, a laundry, boat rentals — and a long waiting list for slips. The marina also hadn't raised its slip rates in five years. It remains a good income producer.

“The basic cash flow is the way you're going to get your loan,” Fuqua says.

An owner who wants to sell a marina should plan for it, says Marc Anton, also of Marina Sales LLC. The seller will need a good appraiser — one who knows marinas — to make a realistic valuation. That valuation should determine the seller's expectations. The seller should compile detailed documentation of his or her finances. Sellers can expect to spend a lot of time — up to a year — negotiating a deal.

They may have to offer partial owner financing. Buyers may have to find mezzanine financing for part of the loan, which converts to an equity share in the marina if the borrower defaults.

Financing can be the biggest hurdle for a transaction.

Most national lenders have gotten out of the business of financing marina sales, so buyers must beat the bushes for a loan and often seek out a local lender.

“The money is out there, but it's like finding a needle in a haystack,” says Andrew Cantor, president of NorthPoint Marina Finance Corp. of Alpharetta, Ga.

Heavily leveraged loans are out. Where a buyer might have found 60 to 75 percent financing a few years ago, 50 to 60 percent is the maximum today, Cantor said. Interest rates are about 6 percent at most local banks. A buyer often must find a guarantor — someone who will guarantee the loan — to get it.

Potential buyers do remain in the market. “Lifestyle” buyers who want to be around boats and the water, and entrepreneurs, still are interested, as are some institutional buyers, Harris says. But he says marina chains have been sidelined by the shortage of financing, and overseas buyers are retrenching.

Revaluation of real estate may be slow in coming, according to Cantor. He foresees more financing becoming available in the next 12 to 18 months, “but it will still be tough,” he says. “Hard money” — loans at rates of 12 to 14 percent — is available now. “If you don’t have to do it, I wouldn’t,” he said. He suspects owner financing will drive most marina sales during the next 12 months.

If a seller goes that route, “You really must understand who you are dealing with,” he says, “because you could end up with that marina again 12 months down the road.”

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