

INCOME/EXPENSE BENCHMARK PRESENTATION
MARINE DEALER CONFERENCE & EXPO
2012 FALL CONFERENCE ORLANDO

Presented By
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Jerry McDonough is the managing director in the firm of INTEGRA REALTY RESOURCES in HARTFORD Connecticut and PROVIDENCE. Rhode Island. Where he specializes in the valuation of marine-oriented properties; recreational marinas, boat yards, and ship yards. He is also President of Marinevest in Newport Rhode Island a marine consulting firm that also includes the brokerage/sale of marinas. Jerry also holds the MAI designation from the Appraisal Institute. Additionally he is on the Legislative Committee of the Association of Marina Industries.

Some of the locations where he has completed assignments are Alabama, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Tennessee, Virginia, South Carolina, Texas, Caribbean, Costa Rica, Mexico and Panama.

Profile

- Where are dealers from?
- How many dealers have their store on the water?
- How many own their marina?
- Are boat dealerships located on the waterfront more desirable or typically more successful than off water locations?
- How many do not have an annual property tax on boats?
- How many do not have a sales tax on boats?

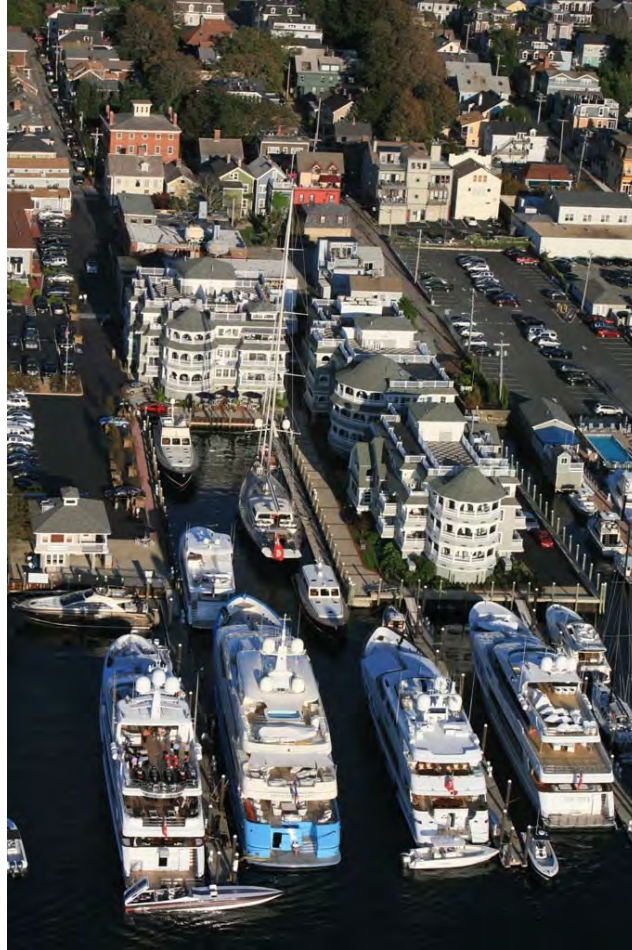
Income and Expense Ratios

- Availability of information for marinas is very limited.
- Apartments
- Office Buildings
- Self Storage
- Industrial
- Retail
- Lodging

Last Benchmark Survey

- 1998
- Further complicated by the various types of marinas. Unlike garden style apartment complex in Orlando fairly similar in style to one in Madison Wisconsin.

CHEESE AND CRACKER



Mom & Pop



Limited Service



Full Service

Originally developed by Ted Hood and currently owned by Hinckley Yacht Services. Unique characteristics of this facility include eight buildings containing 180,000 sq ft and the majority of the berths are utilized by the boat construction and repair business.



Ship Yard



Full Service Facility That Utilizes The Entire Town

#1. Storage Yard #2. Ship Store #3. Marine Office, Slips & Moorings #4. Repair Yard



#2 Ships Store

Instead of the ships store being located on the waterfront, it is located in the center of the Town's retail district, within walking distance of the marina.



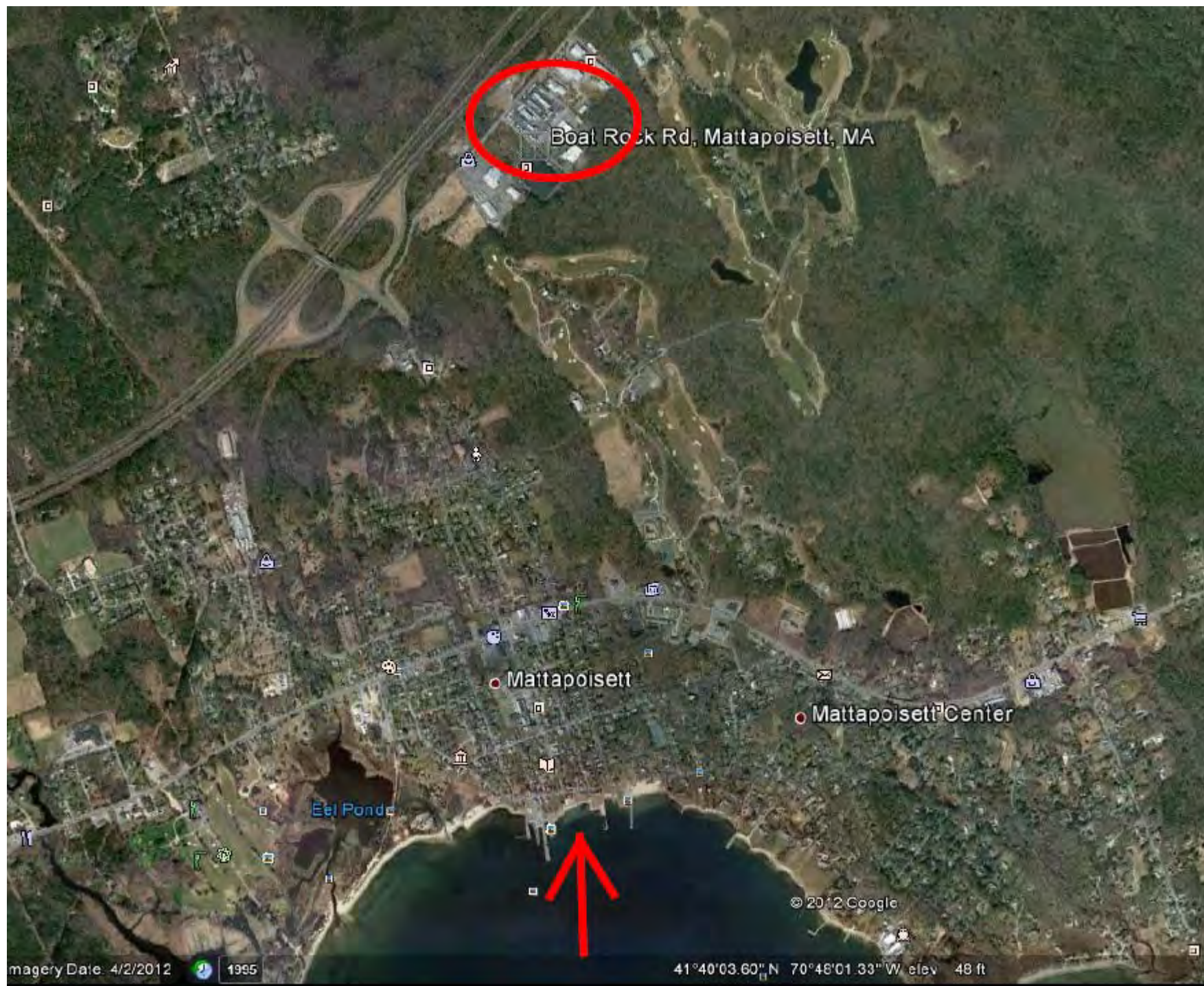
#3 Marine Office, Slips & Moorings



#4 Repair Yard







Upland Site Features

- Total Land Area
- Usuable Upland Area
- Wetlands
- Dimensions
- Configuration
- Ingress and Egress(Bridges etc. from land and water)
- Topography
- Easements or Encroachments
- Zoning
- Water/Sewer (Public/Private)
- Location Of On Site Sewage System
- Electricity (Location of Lines)
- Travel Lift Wells (Size and Location)
- Pump Out Facility

Waterfront/Basin Area Features

- Basin Area Delineation
- Nearest Waterway
- Navigation Channel
- Prevailing Wind
- Wave Exposure
- Highest Wave Height
- Attenuation/Breakwater Protection
- Average Water Depth
- Storm Damage History
- Siltation Issues
- Mooring Field
- Fetch
- Bulkhead
- Fairways


Fetch



Bulkhead



Fairway



1.5 x

Ideally the width of a fairway should be 1.5 times the boat length

Basin Area Improvement

- Pilings
- Type of Docks (Concrete or Wood)
- Commercially Made
- Stability of Docks
- Width of Finger Piers
- Width of Walkways
- Age of Docks
- Effective Age
- Water
- Electricity (Power Heads)

Association of Marina Industries
Benchmark Study

The on line survey will be activated in December 2012. www.marinaassociation.org
Prior to completing the on-line survey it is recommended that the survey is printed and reviewed off line. This will give the participant the opportunity to collect the necessary information, which will ultimately save time when filling out the survey on line.

Any questions please call Jerry McDonough at 401-480-1996 or email gmcdonough@marinevest.com.

1. Regional Location *

- ☐ Coastal
 - ☐ Inland
-

2. Status of Site Ownership *

- ☐ We are an independently owned and operated marina facility.
- ☐ Our marina is located on land leased from the U.S.A.C.E. or other Federal or Regional or Federal Authority.

4. Is your marina: *

| | Yes | No |
|---|--------------------------|--------------------------|
| Managed by a certified Marina Manager (CMM) ? * | <input type="checkbox"/> | <input type="checkbox"/> |
| A designated "Clean Marina" ? * | <input type="checkbox"/> | <input type="checkbox"/> |
| Are you a member of AMI ? * | <input type="checkbox"/> | <input type="checkbox"/> |

5. Do you own or operate more than one marina facility? *

☐ Yes

☐ No

6. How many marinas do you own or operate? *

- ☐ We are a marina that is municipally (city or township) or state owned and operated.
 - ☐ We are a marina that is leased from a municipality (city or township) or the state.
 - ☐ We manage a marina that is owned by municipality or the state.
 - ☐ We manage a marina that is owned by a Private Party.
 - ☐ We are part of a military installment.
-

3. Facility Location *

Marina Name *

Street Address *

Apt/Suite/Office

Wet Slip and Storage

7. Tell us about the wet slip and storage options at your marina. *

| | # of Wet Slips / Dry Rack / Upland Storage | Total Length (ft) Linear Feet |
|---|---|----------------------------------|
| Wet Slips (Open) | <input type="text"/> | <input type="text"/> |
| Wet Slips (Covered) | <input type="text"/> | <input type="text"/> |
| Moorings/Bouys | <input type="text"/> | <input type="text"/> |
| Dry Rack | <input type="text"/> | <input type="text"/> |
| Upland Storage (Boats stored outdoors on land) | <input type="text"/> | <input type="text"/> |

8. Does your facility charge based on the square foot area of the boats stored on the upland?

| | # of Boats Stored | Square Foot Area of Upland Storage |
|---|----------------------|---------------------------------------|
| Upland Storage (Boats stored outdoors on land) | <input type="text"/> | <input type="text"/> |

Boat Service and Repair

9. Does your marina offer boat service/repair? *

☐ Yes

☐ No

What is the building area of your service/repair operation?

(Input the building square footage of the service/repair space. * *Do not* use commas or other punctuation or text.)

If you answered Yes, What type of service/repair is available?

☐ Owner Operated

☐ Leased/rented to a third party

If you operate the service and repair, how many employees do you have in this depa

Is your third party service/repair lease based on a fixed amount rent or a percentage

☐ Fixed \$ Amount

☐ Percentage of service/repair revenue?

What is the annual rent for your third party service area lease?

(Input the total yearly rental amount not a monthly or per square foot rental amount
use dollar signs(\$) commas (,) or other punctuation or text.)

Restaurant

10. Does your marina include a restaurant? *

☐ Yes

☐ No

What is the building area of your restaurant?

(Input the building square footage of the restaurant space. **Do not* use commas or other punctuation or text.)

If you answered Yes, What type of restaurant is available?

☐ Owner Operated

☐ Leased/rented to a third party

If you operate the restaurant, how many employees do you have in this department?

Is your third party restaurant lease based on a fixed amount rent or a percentage rent?

☐ Fixed \$ Amount

☐ Percentage of restaurant revenue?

What is the annual rent for your third party restaurant lease?

(Input the total yearly rental amount not a monthly or per square foot rental amount
use dollar signs(\$) commas (,) or other punctuation or text.)

How big is your marina operation?

11. How many Full Time employees do you have, not including your service/repair, boat sales or restaurant operations? *

12. What is the useable upland acreage of your marina? *

Financial Information - Income/Revenue

13. The following items represent what percentage of your total revenue? *

Do Not include boat sales or restaurant income (if you operate the restaurant). Enter zero if not applicable. Do Not use symbols (\$, %)

Wet Slips

- ☐ Dry Rack
- ☐ Upland Storage (Boats stored on land)
- ☐ Ships Store
- ☐ Boat Service/Repair
- ☐ Fuel
- ☐ Boat Rentals
- ☐ Campground
- ☐ Cabins/Motel Units 5 response(s)
- ☐ Third Party Restaurant Rental
- ☐ Third Party Rentals (office, store front etc ...)



0 out of 100% Total

14. **Optional**, The following items represent what annual dollar amount of your total revenue. Do Not include boat sales or restaurant income (if you operate the restaurant). (Input yearly amount not a monthly or per square foot rental amount. * **Do not** use dollar signs, commas (,) or other punctuation or text.)

| | |
|----------------------|---------------------------------------|
| <input type="text"/> | Wet Slips |
| <input type="text"/> | Dry Rack |
| <input type="text"/> | Upland Storage (Boats stored on land) |
| <input type="text"/> | Ships Store |
| <input type="text"/> | Boat Service/Repair |
| <input type="text"/> | Fuel |
| <input type="text"/> | Boat Rentals |
| <input type="text"/> | Campground |
| <input type="text"/> | Cabins/Motel Units 5 response(s) |

15. What is your average price per linear foot ? (Enter zero if not applicable) *

Average Annual \$ Rate per Linear Foot

(* i.e. 14 or 14.50 but *Do not* use dollar signs(\$) commas (,) or other punctuation or text.)

Wet Slips (Open)

Wet Slips (Covered)

Moorings/Buoys

Dry Rack

Upland Storage (Boats stored by length)

Upland Storage (Boats stored by square foot
area, input Sq. Ft. rate.)

16. Do you charge by the cubic foot for dry rack storage ? *

☐ Yes

☐ No

17. Does your boat maintenance and repair revenue include revenue that is also generated from new or used boat sales? *

☐ Yes

☐ No

Financial Information - Cost and Expenses

18. As a percentage of income: What are your Cost of Sales? *

(* Do not use commas or other punctuation or text.)

| | Percentage Amount (%) |
|---|--------------------------|
| Mechanic labor including benefits as a % of total boat maintenance and repair revenue * | <input type="text"/> |
| Parts cost as % of total parts sales * | <input type="text"/> |
| Parts Sales as % of total boat maintenance and repair revenue * | <input type="text"/> |

| | |
|--|----------------------|
| Ships Store as % of total ship store revenue * | <input type="text"/> |
| Fuel Cost as % of Fuel Sales * | <input type="text"/> |
| Boat Rental Cost as % of Boat Rental Revenue * | <input type="text"/> |

19. As an annual dollar amount: What are your Cost of Sales? *

Do not use dollar signs(\$) commas (,) or other punctuation or text.

| | Annual Dollar Amount () |
|---|--------------------------|
| Mechanic labor including benefits as a % of total boat maintenance and repair revenue * | <input type="text"/> |
| Parts cost as % of total parts sales * | <input type="text"/> |
| Parts Sales as % of total boat maintenance and repair revenue * | <input type="text"/> |

20. What is your Gross Profit as a % of Total Revenue? *

(* Do not use commas or other punctuation or text.)

21. What are your Expenses (as % of Gross Profit)? *

(* Do not use commas or other punctuation or text.)

Real Estate Taxes

Insurance

General and Administrative

Repairs & Maintenance (Annual not capital improvements)

Advertising

Credit Card Discounts

Utilities

Salaries & Benefits (Not including service business or labor and benefits included in ships store, fuels cost and boat rental cost (see Q17))

Professional Fees (i.e. legal and accounting)

Reserves for replacement

Off Site Management (% of Total Revenue)

Total : 0

22. **Optional:** What are your Expenses (as Annual \$ Amount of Gross Profit)?

Do not use dollar signs(\$) commas (,) or other punctuation or text.

Real Estate Taxes

Insurance

General and Administrative

Repairs & Maintenance (Annual not capital improvements)

Advertising

Credit Card Discounts

Utilities

Salaries & Benefits (Not including service business or labor and benefits in ships store, fuels cost and boat rental cost (see Q17))

Professional Fees (i.e. legal and accounting)

Reserves for replacement

23. What is your Net Income as % of Gross Profit? *

When calculating net income, please do not include expenses for amortization or de
(* Do not use commas or other punctuation or text.)

Property Tax

- How many have an annual property tax on boats?
- Being proposed in Kentucky. Four wheelers and RV's not targeted
- <http://www.floridaboatingeconomics.com/>



This system of three web-based models allows users to estimate boater spending and the associated economic impacts in terms of jobs, sales, income, and value added associated with the ownership (e.g., craft spending) and use (e.g., trip spending) of different sizes and types of recreational boats in Florida. The data used to develop the models came from the Florida Boating Access Inventory and Economic Study, which completed approximately 30,000 surveys of registered Florida boat owners.

The study was commissioned by the Florida Fish and Wildlife Conservation Commission (FWWCC) with funding provided by the U.S. Fish and Wildlife Service, Lee County, Florida, and FFWCC. Information was collected about 17,300 Florida boating trips and the annual craft spending (e.g., storage, insurance, boat payments) of almost 3,800 boat owners. Users can estimate the economic impacts for: (1) boats registered in Florida counties and regions, (2) Florida marinas, and (3) boat launch (access) sites.



Rhode Island

- No Sales Tax On Boats
- Since 1993
- 6,000 jobs
- Average Salary \$39,500
- \$237,000,000 wages
- \$23,700,000

| United States Coast Guard | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|--------|-----------|----------|-------|
| Boat Registrations North Atlantic Region | | | | | | | | | | |
| Year | CT | ME | MA | NH | NJ | NY | RI | Total | % Change | % CT |
| 2011 | 105,499 | 106,679 | 139,991 | 91,950 | 166,037 | 467,828 | 40,989 | 1,118,973 | -2.53% | 9.43% |
| 2010 | 108,078 | 111,873 | 141,959 | 94,773 | 169,750 | 475,689 | 45,930 | 1,148,052 | -0.35% | 9.41% |
| 2009 | 109,213 | 109,169 | 142,625 | 95,402 | 173,994 | 479,161 | 42,519 | 1,152,083 | -1.95% | 9.48% |
| 2008 | 110,650 | 109,657 | 145,113 | 96,205 | 185,359 | 485,541 | 42,524 | 1,175,049 | -1.09% | 9.42% |
| 2007 | 108,539 | 112,818 | 145,496 | 100,261 | 183,147 | 494,020 | 43,665 | 1,187,946 | -2.57% | 9.14% |
| 2006 | 108,701 | 113,276 | 148,640 | 101,297 | 205,967 | 497,975 | 43,375 | 1,219,231 | -0.39% | 8.92% |
| 2005 | 108,702 | 111,756 | 150,026 | 102,268 | 199,106 | 508,536 | 43,656 | 1,224,050 | -0.59% | 8.88% |
| 2004 | 111,992 | 94,582 | 150,683 | 101,626 | 209,678 | 519,066 | 43,671 | 1,231,298 | -0.23% | 9.10% |
| 2003 | 107,907 | 90,604 | 156,121 | 100,835 | 207,588 | 528,094 | 43,007 | 1,234,156 | -2.22% | 8.74% |
| 2002 | 107,641 | 119,243 | 151,998 | 101,638 | 209,419 | 529,732 | 42,474 | 1,262,145 | 2.04% | 8.53% |
| 2001 | 105,362 | 119,243 | 138,861 | 99,520 | 206,562 | 526,190 | 41,224 | 1,236,962 | | 8.52% |

| | Registered Boaters | Population | % Of Registered Boaters |
|---------------|--------------------|------------|-------------------------|
| Massachusetts | 139,990 | 6,587,536 | 2.13% |
| Rhode Island | 40,989 | 1,050,000 | 3.90% |
| Connecticut | 105,499 | 6,587,536 | 1.60% |

Highest & Best Use (Marina?)



Is There A More Profitable Use?



What Interest Is Being Appraised

The interest appraised must be established. Does the interest appraised include the value of the business as well as the real estate?

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. Does not include the value of the business.

Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.) Does not include the value of the business.

Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. Does not include land value or the value of the business.

Going Concern Value

A going concern is an established and operating business with an indefinite future life. For certain types of properties, hotels, restaurants, athletic clubs etc, the physical real estate assets are integral parts of an on going business. It may be difficult to separate the market value of the land and the improvements from the total value of the business, but such division of realty and non-realty components of value is often required by federal regulators. Consequently, only qualified practitioners should take these kinds of assignments.

Valuation Methodology



Sales Comparison



Cost Approach



Income Approach

MARINA VALUATION

- Unlike office, retail, industrial, self storage and apartment complexes, which generally have similar physical characteristics as stand alone property types, the physical characteristics of marine properties vary significantly from just wet slips to full service boat yards. Consequently, the valuation of marinas is fluid. In the appraisal of real estate, there are three primary approaches
- **Cost Approach**
- Due to the lack of land sales and the difficulty in accurately estimating accrued depreciation the cost approach is not considered to be a meaningful approach. Cost does not necessarily equal value.
- **Sales Comparison (Price Per Slip????)**
- Due to the varying physical characteristics of marinas the Sales Comparison Approach is also a difficult approach to utilize and simply comparing marinas based on price per slip can be very misleading.

- **Income Approach:** In most instances the only reliable approach is the Income Approach and one of the primary pieces of information that must be considered is detailed profit and loss statements as well as the past three years, year to date comparison.

INCOME

Sales

| | |
|---------------------------|----------------|
| 720-000-125-9115.000 | Gasoline |
| 720-000-125-9400.115 | COS - Gasoline |
| Net Gasoline Sales | |

| | |
|------------------------|------------------|
| 720-000-125-9150.100 | Food & Beverage |
| 720-000-125-9150.140 | Tobacco Products |
| 720-000-125-9150.150 | Beer |
| 720-000-125-9150.200 | Ice |
| 720-000-125-9150.225 | General Store |
| 720-000-125-9150.250 | Marine Supplies |
| 720-000-125-9150.300 | Oil |
| Total Store | |
| 720-000-125-9400.150 | COS - Store |
| Net Store Sales | |

| | |
|-----------------------------|----------------------|
| 720-000-125-9175.010 | Service Labor |
| 720-000-125-9175.200 | Repair/Parts |
| Total Service Center | |
| 720-000-125-9400.175 | COS - Service Center |
| Net Service Center | |

Gross Profit From Sales

Rental Income

| | |
|----------------------|--------------------|
| 720-000-125-9210.100 | Wet Slip - Covered |
| 720-000-125-9220.000 | Dry Storage |
| 720-000-125-9260.000 | Boat Rentals |
| 720-000-125-9325.000 | Restaurant |

Total Rental Income**Other Income**

| | |
|----------------------|---------------------------|
| 720-000-125-9375.150 | Electricity |
| 720-000-125-9375.200 | Late Fees/Service Charges |
| 720-000-125-9375.275 | License Fees |
| 720-000-125-9375.550 | Misc. Income |

Total Other Income**TOTAL INCOME**

EXPENSE

Salaries & Benefits

| | |
|----------------------|---------------------------|
| 720-000-125-9500.100 | Office Salaries |
| 720-000-125-9500.250 | Dock Salaries |
| 720-000-125-9500.275 | Equipment Operator |
| 720-000-125-9500.350 | Service Salaries |
| 720-000-125-9500.550 | FICA |
| 720-000-125-9500.560 | FUTA |
| 720-000-125-9500.570 | SUI |
| 720-000-125-9500.600 | Insurance - Health |
| 720-000-125-9500.625 | Insurance - Worker's Comp |
| 720-000-125-9500.700 | Employee Relations |

Total Salaries & Benefits

Advertising

| | |
|----------------------|--------------------------|
| 720-000-125-9525.200 | Magazine Advertising |
| 720-000-125-9525.250 | Advertising - Boat Shows |

Total Advertising

Administrative

| | |
|-----------------------------|-------------------------------|
| 720-000-125-9550.200 | Rent Expense |
| 720-000-125-9550.225 | Payroll Service |
| 720-000-125-9550.275 | Telephone Service |
| 720-000-125-9550.350 | Copier/Facsimile |
| 720-000-125-9550.375 | Computer Supplies/Maint. |
| 720-000-125-9550.380 | Internet Expense |
| 720-000-125-9550.400 | Office Supplies |
| 720-000-125-9550.425 | Postage |
| 720-000-125-9550.450 | Courier/Overnight |
| 720-000-125-9550.475 | License/Permits |
| 720-000-125-9550.525 | Credit/Background Checks |
| 720-000-125-9550.650 | Service Charges - Misc. |
| 720-000-125-9550.675 | Service Charges - Visa/MC |
| 720-000-125-9550.700 | Service Charges - AE/Discover |
| 720-000-125-9550.750 | Bank Charges |
| 720-000-125-9550.765 | Freight Expense |
| Total Administrative | |

Marina & Grounds

| | |
|----------------------|-------------------------|
| 720-000-125-9600.130 | Service Supplies |
| 720-000-125-9600.135 | Boat Rental Expense |
| 720-000-125-9600.150 | Equipment Rental |
| 720-000-125-9600.200 | Equipment Fuel |
| 720-000-125-9600.300 | Maintenance Supplies |
| 720-000-125-9600.400 | Fire Insp/Extinguishers |
| 720-000-125-9600.900 | Miscellaneous |

Total Marina & Grounds**Restaurant Expense****Maintenance**

| | |
|----------------------|----------------------------|
| 720-000-125-9650.120 | General Marina Maintenance |
| 720-000-125-9650.150 | Dock/Pier Maintenance |
| 720-000-125-9650.700 | Outside Contracting |

Total Maintenance**Utilities**

Utilities

| | |
|----------------------|-------------------------------|
| 720-000-125-9700.100 | Electric - Office/Club |
| 720-000-125-9700.215 | Electric - Slips |
| 720-000-125-9700.400 | Electric - Common Area |
| 720-000-125-9700.600 | Electric - Dry Storage Buildi |
| 720-000-125-9710.000 | Water |
| 720-000-125-9730.500 | Trash Removal |

Total Utilities

Fees, Taxes & Insurance

| | |
|----------------------|---------------------|
| 720-000-125-6705.000 | Management Fees |
| 720-000-125-6710.000 | Real Estate Taxes |
| 720-000-125-6724.000 | Hazard Insurance |
| 720-000-125-6726.000 | Liability Insurance |

Total Fees, Taxes & Insurance

Total Operating Expense

Net Operating Income

- **REVENUE**

- **Wet Slip:** Potential wet slip income should be identified with a basin area/dock layout plan that corresponds with the slip rent roll. The primary focus should be on the total linear footage that is available including T head areas. Owners need to make certain that all potential slip space is clearly identified and included. Concessions should be addressed as well as any reduction in slip rates. In locations where vacancy rates are higher than normal, owners should offer concessions before implementing rent reductions.

| Line | Address | City | State | Dock | Slip # | Slip Size (Ft) | Boat Length | Differential | |
|------|------------------------|----------------|-------|------|--------|-------------------|----------------|--------------|--------|
| 1 | 4653 Berrywood Rd | Virginia Beach | VA | B | 20 | 40 | 36 | 4 | |
| 2 | 729 Milby Drive | Chesapeake | VA | F | 63 | 27 | 25 | 2 | |
| 3 | 2430 Beaufort Avenue | Virginia Beach | VA | E | 27 | 31 | 27 | 4 | |
| 4 | 1940 Sandee Cres | Virginia Beach | VA | F | 9 | 27 | 21 | 6 | |
| 5 | 1013 Granby St | Norfolk | VA | C | 22 | 40 | 33 | 7 | |
| 6 | 217 Dauphin Lane | Virginia Beach | VA | D | 34 | 40 | 29 | 11 | |
| 7 | 409 Whisper Walk | Chesapeake | VA | D | 8 | 40 | 28 | 12 | |
| 8 | 2312 Windy Pines Rd | Virginia Beach | VA | B | 16 | 40 | 34 | 6 | |
| 9 | 4925 Quaker Drive | Suffolk | VA | C | 44 | 40 | 35 | 5 | |
| 10 | 9500 30th Bay St | Norfolk | VA | B | 1 | 40 | 36 | 4 | |
| 11 | 1123 Winston Street | Norfolk | VA | E | 61 | 31 | 24 | 7 | |
| 12 | 9500 30th Bay St | Norfolk | VA | B | 24 | 40 | 36 | 4 | |
| 13 | 9500 30th Bay St | Norfolk | VA | C | 28 | 40 | 38 | 2 | |
| 14 | 9535 Bay Front Drive | Norfolk | VA | A | 50 | 45 | 43 | 2 | |
| 15 | 2324 Rookery Way | Virginia Beach | VA | D | 9 | 40 | 28 | 12 | |
| 16 | 2600 Washington Avenue | Newport News | VA | D | 2 | 40 | 31 | 9 | |
| 17 | 2733 Einstien Drive | Virginia Beach | VA | C | 23 | 40 | 34 | 6 | |
| 18 | 100 Main St | | VA | B | 13 | 40 | 38 | 2 | |
| 19 | 5224 Club Head Rd | Virginia Beach | VA | A | 40 | 45 | 44 | 1 | |
| 20 | 961 Unicorn Trail | Chesapeake | VA | C | 42 | 40 | 31 | 9 | |
| 21 | 232 Dalebrook Drive | Virginia Beach | VA | E | 22 | 31 | 24 | 7 | |
| 22 | 100 Main St | Franklin | VA | F | 23 | 27 | 24 | 3 | |
| 23 | 2809 Stanhope Avenue | Norfolk | VA | F | 57 | 27 | 27 | 0 | |
| 24 | 1800 Churchside Lane | Virginia Beach | VA | E | 53 | 31 | 27 | 4 | |
| 25 | 1428 Shamrock Avenue | Virginia Beach | VA | B | 22 | 40 | 32 | 8 | |
| 26 | 506 Dickermey Drive | Akron | Ohio | D | 55 | 40 | 32 | 8 | |
| 27 | 208 64th Street | Virginia Beach | VA | D | 6 | <u>40</u> | <u>27</u> | <u>13</u> | |
| | | | | | | 1002 | 844 | 158 | 15.77% |

ADDITIONAL POTENTIAL REVENUE

| | |
|----------------------------------|-----------------|
| Linear Feet Differential | 156 |
| Annual Slip Rate Per Linear Foot | <u>\$100.00</u> |
| Additional Income | \$15,600 |

Slip Income



The slip income should be based on the total slip length as opposed to the boat length. For example a 32 foot boat in a 34 foot slip should be charged based on the slip length. Many facilities are still leaving money on the table as noted in the following table.

| | | | % Vacant |
|-----------|--------|--------|----------|
| Slips | 362 | 442 | 81.90% |
| Linear Ft | 11,033 | 16,318 | 67.61% |
| | | | 14.29% |

- **Upland Storage:** How many boats and how many linear feet can be comfortably stored on the upland?. Although current owners may not be maximizing storage capacity, the potential must be identified and taken into consideration if stabilized occupancy can be achieved relatively quickly with efficient and aggressive management.

- **Service/Boat Maintenance Repair:** This revenue source is treated differently by prospective appraisers, buyers, etc. Some marine facilities typically lease space to a third party vendor as opposed to directly operating the service business. For those facilities where the service business is owned and operated by the marina one method that is used in allocating revenue to this source is assigning a percentage rent to the revenue in arriving at an implied rental rate to the real estate. For example based on 8% of a potential annual income of \$500,000 in service income, the indicated annual rent is \$40,000. If the service operation is located in a 6,000 square foot building the indicated price per square foot is \$6.66. This price per square foot can be compared with rents at other marine facilities to see if its in concert with the market. However, if a marina has had a successful and profitable service business for an extended period of time this must be given very serious consideration because a significant amount of contributory value could be overlooked by not taking into consideration the cash flow that is generated from the service business. For example if we use the \$500,000 revenue noted earlier and apply a 60% expense ratio, the implied net income of \$200,000 is significantly higher than the other allocation methods that may be used. If this method is used the durability of this income stream must be addressed very carefully and the capitalization rate that is ultimately selected must be increased accordingly to reflect the additional risk from this revenue source when compared with wet slip and upland storage income.

- **BOAT SALES:** Typically revenue from boat sales is not included and a rental rate should be applied to the space that is occupied by the boat sales operation.

| | |
|-----------------------------|---------------|
| Building Square Feet | 7,500 |
| Rental Rate Per square Foot | <u>\$8.50</u> |
| Income From Boat Sales | \$63,750 |

- **BOAT RENTALS:** This is a very viable revenue source, particularly where there is limited competition, however, the appropriate expenses for reserves for replacement must be taken into consideration.
- **FUEL:** Depending on location and competition this revenue source is essentially an amenity. Since the profit margin is low with typical expenses in the 80% range, there has to be notable volume to justify the high installation cost and higher insurance costs.
- **OTHER INCOME:** Income generated from third party rentals such as restaurant, retail stores etc.

- **EXPENSES**
- **REAL ESTATE TAXES:** Marinas should be assessed as currently utilized and not based on other potential development such as residential uses.
- **INSURANCE:** Generally speaking, insurance costs typically range between 4% to 6% of gross margin/profit. If the income from the service repair business is not directly included in the analysis, the insurance cost must be adjusted accordingly.
- **PAYROLL:** This expense category must be closely reviewed to make certain the facility does not have any unnecessary employees on payroll. In some family operated businesses this is the case.

- **REPAIRS AND MAINTENANCE:** This expense category is for on going repairs. Make certain one time capital improvements category is for on going repairs. Make certain one time capital improvements are not included in this expense item.
- **UTILITIES:** If some of the utilities are reimbursed make certain, the appropriate reimbursements are included in the revenue.
- **RESERVES FOR REPLACEMENT:** This expense item must be addressed very carefully, particularly in instances where the docks are near the end of their useful life and will need significant renovations or have to be totally replaced. In those facilities where the docks are in good condition and have notable remaining economic life, this needs to be noted.
- **NET OPERATING INCOME:** Revenue-Cost of Sales-Operating Expenses = Net Operating Income.

- **CAPITALIZATION OF NET OPERATING INCOME**

- In arriving at the value of a marina via the Income Approach, the typical method is dividing the net operating income by a capitalization rate or rate of return. For example a net operating income of \$250,000 divided by a 10% capitalization rate would result in an indicated value of \$2,500,000 ($\$250,000 / .10$). In today's marketplace most qualified and knowledgeable buyers are purchasing property on in place income as opposed to future potential income. However, if the net operating income is extraordinarily low due to inefficient management this must be taken into consideration and upward adjustments in revenue made accordingly.
- Capitalization rates are typically derived from recent marina sales. For example if a property sold for \$2,500,000 and the net operating income was \$250,000, the implied capitalization rate is 10%. ($\$250,000 / \$2,500,000$)
- In instances where slips are being added for example and it may take several years to absorb the inventory, a discounted cash flow analysis will be utilized

Revenue
Less Cost OF Sales
Gross Margin/Profit
Less Operating Expenses
Net Operating Income
NOI/Capitalization Rate
=Value

Capitalization Rate

- Net Operating Income (EBITA) \$250,000
- Divided By Capitalization Rate 10%
- $\$250,000 / 10\% = \$2,500,000$