

We all know yacht marinas are the ones with the "big boats," but what makes them different from the others? If you wanted to buy one or convert your existing marina, what would you need to know? As part of our marina valuation practice, we've analyzed yacht marina markets and have turned up some interesting market dynamics.

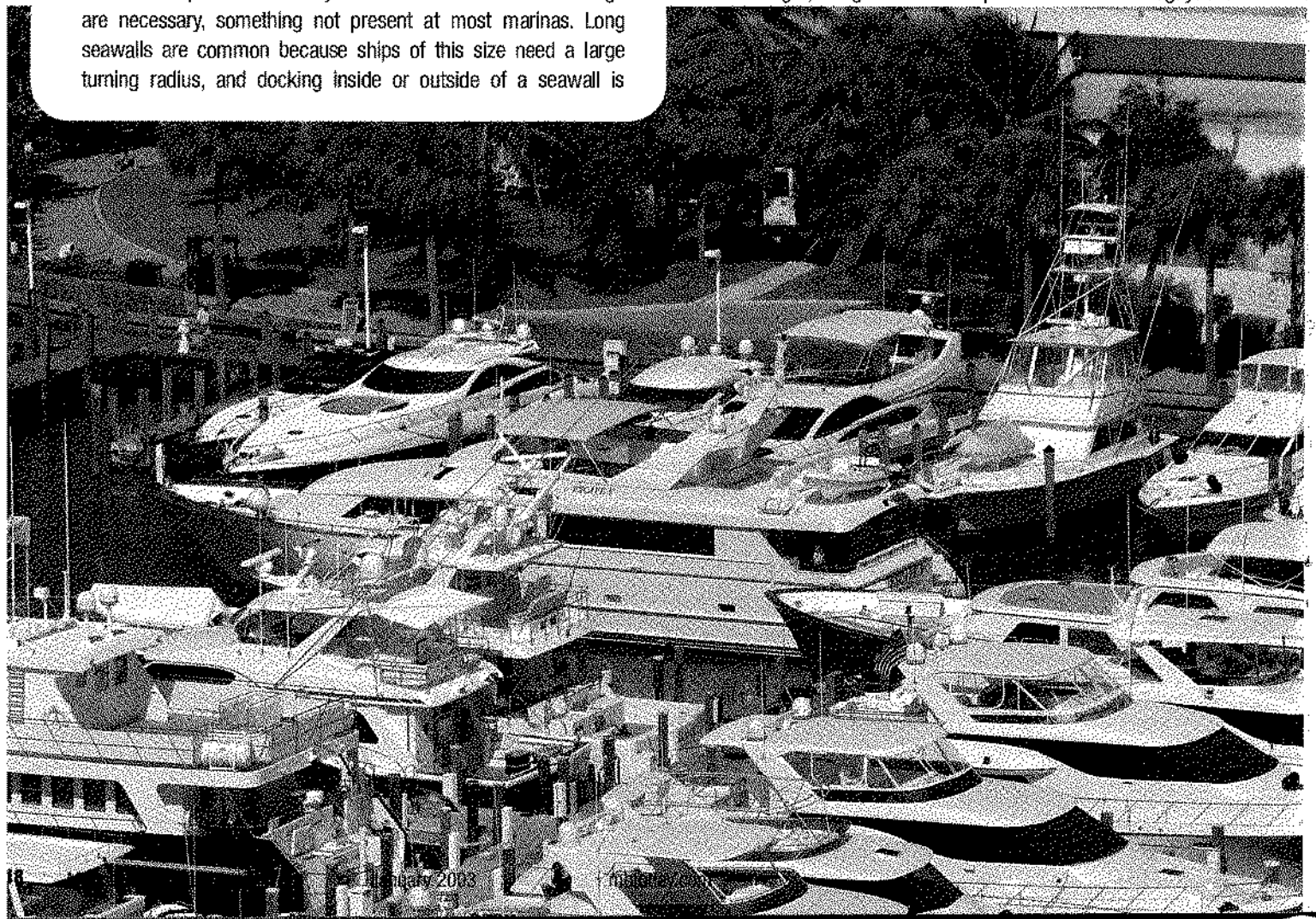
Yacht and megayacht specialized needs

To be able to service yachts, yacht marinas need different physical and service components compared with non-yacht marinas.

- Megayachts require a lot of fuel. Using a standard fuel pump, it takes 10 hours or more to fill their tanks. Using a high-speed fuel pump, it can take two hours or less. A high-speed fuel pump is expensive to install, but it is a valuable amenity to a marina that caters to yachts and megayachts. If a marina is the only one in its market with a high-speed fuel pump, it will attract yachts from other marinas, and this typically results in greater wet berth demand. A high-speed fuel pump also helps make the marina more recession-proof as well as offering the opportunity to greatly expand fuel revenues, a major income component at these marinas.
- Since yachts and megayachts require substantial drafts, these types of marinas always have deeper water. A minimum depth of 12 feet is required and usually hundreds of feet of linear dockage are necessary, something not present at most marinas. Long seawalls are common because ships of this size need a large turning radius, and docking inside or outside of a seawall is

usually the only place where they can be accommodated. Needless to say, the seawall tends to be comprised of strong materials, usually concrete.

- Utilities provided to yachts and megayachts are much greater than other types of boats. Power up to 100 amps is fairly common, and it is not cheap to install this level of power and run it all the way to the seawall. Sewer pumpout stations are larger and must handle more volume. Multiple telephone lines for each megayacht also are in demand.
- Services at these marinas are quite different. Usually, there is at least one large restaurant of high caliber. Multiple yacht brokerage sales offices usually are present to cater to the yacht owner who stays at the marina. There also is more demand for some type of upscale convenience and grocery store to provide the essentials of boat living.
- A high-speed internet connection is required by most megayacht owners so that they can conduct business on their boats. They often require access to television broadcasts from other countries, and these stations usually are not available from a cable provider. To satisfy these boaters, a satellite system is required.
- The location of yacht and especially megayacht marinas is different from smaller boat marinas. They tend to be located on more open waterways, especially near oceans. Bridges are a major deterrent to megayacht owners who simply do not want to be bothered with waiting for bridges to open. For bridges that are lower in height, it might not even be possible to allow a megayacht



to pass, so any potential purchase of a yacht/megayacht marina should give strong preference to an open waterway location.

- Privacy is in more demand by yacht and megayacht owners. Gated piers and a separate location on the marina away from smaller boats often are not enough. Security cameras often are required as well as a small security patrol.
- When you have a 100-foot boat or longer that might cost \$3 million to \$6 million or a 200-foot boat or longer that costs \$40 million and above, privacy is a major issue. Although the ships have a built-in security system on board, the presence of the onboard crew serves to help security immensely.
- The needs of the professional crew must be considered. A professional cook that is part of a megayacht crew often will have unique culinary requirements that could only be met at a marina near a major metropolitan area or a location that has easy access to a variety of international cuisine and ingredients. Not just any maritime location will do.
- In addition to the basic crew needs, when you cater to the crew, you also cater to the yacht owners. The boat and the crew go together, so having a luxury residential building nearby or on-site serves two purposes: It offers an easy "assembling" point where the crew can gather prior to departure and it offers the opportunity for a little privacy. If the residential accommodations have a pool or other amenities, so much the better.
- Services are important, and a full-service boatyard has to be in the vicinity.

How important are the services to megayachts? According to Kelly Drum, president/CEO of Fort Lauderdale, FL-based Satellite Security/BoatStation.com, a megayacht coming into Fort Lauderdale



Some megayacht owners will spend more than \$200,000 on items including boatyard expenditures, repairs and new equipment when they berth.

Photo courtesy of Debra Parker Smith/Rybovich/Spencer

could spend as much as \$250,000 to \$300,000 on all goods and services. He adds, "Typically, when they pull into our docks and they are low on fuel, the bill is around \$3,000 to \$4,000. We give discounts on anything over 1,000 gallons."

Drum says it also is typical for megayacht paint jobs to cost "several hundred thousand dollars."

According to Joseph Mann in his article "Lauderdale Hurts for Dockspace as Big Boats Grow in Numbers," published April 1, 2001, in the *Sun-Sentinel* and available online at www.theboatstation.com/news017.html, "Megayachts ... often spend more than \$200,000 each when they visit the area, including items such as boatyard expenditures, repairs and new equipment, purchases of goods and services and others ... and this translates into more than \$500,000 in overall economic output per visit." Clearly, catering to this market has large revenue potential.

What makes yacht marinas unique?

Physical characteristics and service offerings are just two factors that make yacht marinas what they are

By John Simpson and Eileen Simpson


Catering to yachts and megayachts can offer substantial revenue potential if managed properly. Photo taken by Suki Finnerly of Broad Reach Productions and provided by Marine Industries Association of South Florida (MIASF)

The market

The two largest market differences are the sheer geographic size of the competition and the difference in demographics from a typical marina.

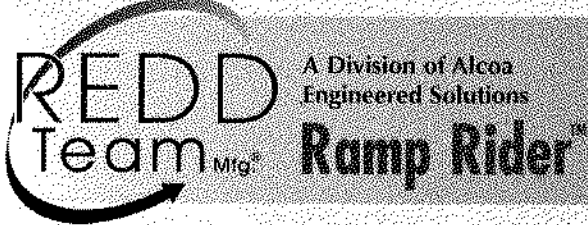
- Since water depth is such a constraining factor, this is a primary determinant of the market. It is not uncommon to have competitive facilities located in other countries. For instance, for the few Southern Florida yacht marinas, primary competitors are located in the Bahamas. The Marina at Atlantis, which offers berthing for many of the major cruise ships and for vessels of up to 220 feet, is a primary competitor. It is important to locate the true competitors for a yacht and megayacht marina and not to simply look to the local market as competition. According to Drum, dockage rates in prime locations, such as in the Fort Lauderdale area, can cost up to \$3.50 per foot and more depending on the time of year.
- The profile of a typical yachter or megayachter is quite different from owners of smaller crafts. Unlike smaller boat owners, they more frequently want upgrades to marina facilities such as higher electricity amperage, and they are willing to take on much of the bill. They also expect a more personalized experience and more flexibility from marina management for their unique requirements. It is important to first understand their needs in detail before embarking on purchasing a yacht or megayacht marina.
- Owners of megayachts tend to not want to stay in areas that have low population volumes or do not have a significant number of amenities. Easy access to a city environment, entertainment

facilities and upscale restaurants are demanded by the overwhelming majority of them. For a marina purchaser, this typically means prime waterfront real estate locations and, of course, higher acquisition prices.

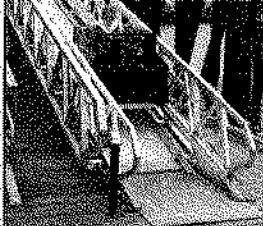
The yacht and megayacht markets are very different from cruiser or other smaller boat size markets. The marinas within are different, as are the unique requirements of the typical boater. All of these factors must be considered if you are considering entering this lucrative market. 

John Simpson is CEO of Commercialappraisal.com, a nationwide appraisal and environmental site assessment firm headquartered in Arnold, MD, that specializes in marina valuations. He holds the MAI designation from the Appraisal Institute and the CCIM designation from the CCIM Institute, a subsidiary of the National Association of Realtors. He has authored three books offered by the Appraisal Institute — Marina Valuation, Property Inspection: An Appraiser's Guide and Cooperative Apartment Valuation — as well as 11 Appraisal Journal articles on a variety of topics. He can be reached at (410) 431-5310 x 302 or john@commercialappraisal.com.

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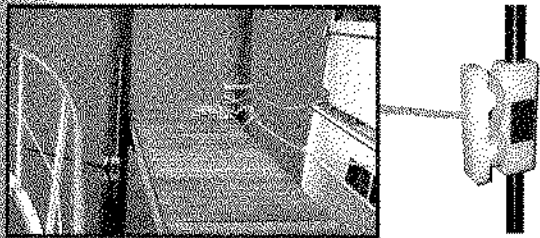
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