

The idyllic days of summer and appraising marinas

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The idyllic days of summer have arrived! Early sunrises and late sunsets punctuate delightfully long days. This is the time we appraisers rejoice in having a job that lets us work in the great outdoors at least some of the time. If we are fortunate enough, one of our clients will actually hire us to value a property such as a marina which requires an extensive inspection, especially if the weather is balmy. Needless to say, a marina is a special purpose property, a boat motel so to speak, and must be appraised accordingly. Ideally, if the marina is on a body of water experiencing tide, the inspection should take place at low tide to facilitate viewing of the condition of pilings, wharfs, and dock slip and mooring depths. A marina with dock slips high and dry in mud flats at low tide has a lesser value than one with slips that are functional no matter what the tide.

Another item of focus is dock construction material. The more durable, the better. Concrete is about the most durable, treated wood is also long lasting, untreated wood typically needs replacement most often. Piling composition also needs attention. Steel starts out strong but is very susceptible to corrosion in salt water without vigilant maintenance. Treated wood lasts for many years, and the longevity of untreated wood greatly depends on pollutants in the water. Repair and replacement of docks, pilings, wharfs and the like are typically the largest expense items for any marina over the long haul.

All marinas are not created equal. Some marinas cater to smaller boats, others to larger vessels, some primarily to commercial boats, others to recreational boats, and still others to a wide variety of vessels. The amenities a marina offers is also a critical factor in the valuation process. Generally, the more amenities, the greater the desirability to boaters for dockage. Many boaters want water, electric and cable TV at the dockside. Fuel docks, pump out stations, shower and laundry facilities, ample parking, boat repair and on-site restaurant are other amenities that add value.

Locational amenities also require consideration. A marina in proximity to other services and activities such as cultural events, grocery shopping, recreational opportunities, and a hardware store may be more attractive to a boater wanting these.

In valuing a marina, the income approach will be the strongest indicator of value in that these properties are purchased for investment. Due to the relative rarity of marina and the even rarer sale of a marina, the sales comparison approach will most likely not be much help or only offer a range in value for the subject. The cost approach will be almost meaningless as the sales of land parcels suitable for a marina are few and far between and the estimate costs of constructing a marina can be wildly speculative, not to mention the approval process from state and federal agencies.

To apply the income approach, a minimum of three years income and expense data is essential, more if available. A very careful analysis of the expenses is critical. If the repair and maintenance expense has been minimal for the period in question, the most likely reason is that the facility has not been well-maintained.

Another consideration at least in the State of Maine is the submerged land lease. Maine has claimed that all land under water and located within state boundaries is the property of the state and any structures that extend out into the submerged land must have a land lease with the state and pay rent.

The best part of valuing a marina is the comparable research. Of course, during the research phase of the appraisal, the appraiser must visit other marinas to investigate the dockage fees, amenities and the like. Internet research is one method, but not very satisfactory during these idyllic days of summer. Visiting and photographing the comparable marinas via car is another method which is okay, but the best method is by boat. This I highly recommend.

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