

## In a downpour, marinas keep heads above water

BY ROBERT GRATAN

While the recession left some marinas relatively unharmed and saw others land in foreclosure, owners share optimism about their industry as the recovery slowly gains momentum.

Marinas that housed local boats saw steady business throughout the recession, and many operators say they've already made up the losses they suffered.

Abbad Melwani, owner of Rickenbacker Marina, admits he had it easy. Slip occupancy dropped only around 10% during the worst years of 2008 and 2009, he said, and by the summer of 2010 he'd returned to full occupancy.

"We maintained occupancy by starting to offer ancillary services that you would typically pay for at other marinas," Mr. Melwani said.

The nature of Rickenbacker's boaters also helped keep occupancy high through the recession.

"Our occupants aren't as much the weekend-warrior types. They tend to use their boats more regularly," he said, adding that these customers are more likely to hang onto their boats through tough economic times.

But destination marinas that attract boaters on a more seasonal basis were hurt as customers stopped shipping boats south for the summer or sold

their less-used craft.

"Other places were hit a lot harder," Mr. Melwani said, "down in the Keys, where you have more absentee owners."

People's boating habits changed as the economy tumbled, said Andrew Sturner, chief executive officer of Aqua Marine Partners, an owner, developer and manager of marinas in the US.

"Instead of taking their boat down to Florida in the winter, they said, 'I'm just going to shrink-wrap my boat and keep it in New York, it's just too expensive,'" he explained.

Many of these destination marinas had been built or bought by financially driven investors with little experience in marina operation, Mr. Melwani said.

Many acquisitions required large debt to buy them, and as real estate prices dropped, he said, investors couldn't flip the docks and were stuck operating them.

As slip occupancy dropped, many of these marinas couldn't service their debt and fell into foreclosure.

"People who bought marinas between '02 and '05 and tried to stick it out operating the asset and didn't know what they were doing got hit hard," he said.

Marinas that partnered with real estate developments were hurt as property values dropped and funds promised to them



Photo by Maxine Usdan

"We maintained occupancy by starting to offer ancillary services," said Rickenbacker's Abbad Melwani.

were directed elsewhere.

"One of the big things driving the marina industry was condo development," Mr. Sturner said, adding that the loss of these funds left many marinas without the capital needed for improvements.

Hideaway Marina, a 1.7-acre property in Fort Lauderdale, has been bank owned since its foreclosure in April 2010. Ash Property Group is in charge of selling the marina.

Occupancy at Hideaway has risen since its bank takeover but still hovers around 60%, said Principal Adiba Ash.

"Sixty percent in this market isn't bad," Ms. Ash said, adding that Hideaway still produces a reasonable income.

Hideaway is currently listed for sale at \$3.9 million, although before its foreclosure in 2009

the owner got an offer for \$8 million, she said.

Ms. Ash attributes the marina's foreclosure to the owner's personal financial problems.

Despite the large debt and lower occupancy looming over some marinas, many companies are beginning to see demand for marinas and commercial waterfront properties increasing.

Ash Property Group has seen renewed interest in these waterfront locations, Ms. Ash said, especially if they are bank owned, because the properties are offered at more competitive prices.

The commercial realty has sold 10 large commercial properties along the Miami River in the past five years, Ms. Ash said.

The group sold a 2.7-acre

bank-owned property for \$4 million in 2010, she said. Another bank-owned marina in Palm Beach County "is getting a lot of activity," Ms. Ash said.

Mr. Sturner's Aqua Marine Partners is making a business out of buying, managing and refinancing bank-owned marinas.

"What we realized is there is a need to help provide capital to restructure these deals, because banks and the owners are stuck..." he said. "We're talking to banks and trying to buy marinas that they own."

Mr. Sturner echoed Ms. Ash's optimism, as he also sees the marine industry's future getting brighter as it steers ahead.

"Because of the limited supply and the huge barriers to entry," he said, "we feel very strongly that as the economy recovers, the industry will recover nicely."