

The New York Times

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Published: **April 24, 1988**

TALKING: Dockominiums; Navigating The Resale Market

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A dockominium is a boat slip in a marina where slips are individually purchased rather than rented from a marina operator. Ownership may take three forms - a deed, shares or a long-term lease. Day-to-day operations of the marina are usually in the hands of a professional manager.

Much is now known about the way in which the resale market operates and the best ways to finance a purchase. It also is known that appreciation has been strong because demand still exceeds supply. Moreover, there is a good deal of information on the types of slips and the locations that fare best in the resale market.

Most lenders are still reluctant to finance a boat slip directly. If they do, they usually require the borrower to be well-to-do. "We look for substantial net worth in addition to the ability to make the payments," said Robin Smith, assistant vice president at Union Trust of Stamford, Conn.

The best way to finance a purchase, the experts say, is with an equity loan on a home. Robert D. Milburn, a tax partner at the accounting firm of Laventhol and Horwath, noted that an equity loan remains the only way to assure that interest costs will be tax deductible.

Moreover, the equity loan is usually less expensive to carry. For instance, an interest-only repayment schedule for a \$50,000 equity loan would cost around \$416 a month. By comparison, a 10-year, fully amortized loan for a slip would cost about \$660. Such loans rarely exceed a 10-year term.

Several options are available for resale marketing. They are listing the slip directly with the manager operating the dockominium, listing with a boat broker who deals with a broader range of marinas or placing a classified advertisement in a boating or general readership publication.

Listing with the local marina operator is a popular option. Some marinas, like the Anchorage at Lyndhurst, L.I., treat a slip sale like regular real estate, charging 6 percent of the sale price. Others, like the Minneford boat yard on City Island, consider a slip sale more akin to a boat sale and charge a 10 percent commission.

But unlike the case in a regular property transaction where an agent is involved, the owner might be able to sell his slip without paying a commission if he finds a buyer independently. That question should always be raised before signing any agreement.

A broader market can probably be tapped by listing with a larger regional clearing house like Marine/Consult of Cataumet, Mass., consultants and brokers heavily involved in introducing the dockominium concept to the Northeast. According to its president, Edward J. Doherty, Marine/Consult (800 732-2667) regularly advertises in national and regional daily newspapers since the company is normally busy promoting resales as well as primary sales for sponsors and developers. Marine/Consult might be a good contact for a potential buyer, too, since it can provide a list of dockominiums from New Jersey to the Canadian border. It would also be a quick way to compare prices.

IF owners are advertising a slip themselves, they should get an accurate sense of values at the marina before setting a price. As with regular real estate, unrealistic asking prices can frighten away customers since the assumption always is that the seller is not likely to bargain too heavily.

A slip-for-sale advertisement should be placed in the classified section that deals specifically with boating products or services, not the one reserved for real estate.

Regardless of sales strategy, it is important to pass the word among friends and associates. Last year, after advertising two slips he owned at the Minneford yard - and listing them with management as well - Joe Burck, a sailing enthusiast from City Island, eventually sold both to people who had heard about his slips through the grapevine. "It was not what I had expected," he said. He got about a third more than he had paid two years earlier.

Values have been soaring, with prices now ranging anywhere from \$25,000 to \$100,000 depending on size and location. And this is expected to continue. "There is only a finite amount of land available for the purpose," said Dwight Merriam, a land-use lawyer in Hartford specializing in marine development. "And it is exceedingly difficult to get permission to develop new sites."

Suzanne B. Sloan of Sloan Marine Associates, who has handled about 75 resales for the Anchorage on Long Island, said the prices of larger slips - around 45 feet in length - have appreciated faster than smaller ones.

Stephen Smith, a real estate appraiser with Heberger Associates of Cheshire, Conn., attributes this phenomenon to the greater affluence of larger boat owners. "They are more likely to have the money to buy their own slips," he said. Moreover, owners of smaller craft have more alternatives, he said, such as dry-dock storage and launching from a trailer.

The "right" address seems to have as positive an influence on dockminium values as it does on any other form of real estate. Mr. Doherty said there already seems to be a cachet attached to some locations - for example, Northport, L.I., Point Pleasant, N.J., and Greenwich, Conn.

Values, he said, also seemed to have forged ahead in marinas that offer support services and recreational amenities in addition to the slip. The same has been true of marinas that have the easiest access to Long Island Sound or the open sea.

Even so, a fear that the investment may run into problems remains. Joseph Cohen, East Coast regional editor for Soundings, a monthly boating newspaper, warns that dredging costs, which are now rising sharply, could add significantly to carrying charges in future years.

ANOTHER possible pitfall is a potential legal challenge to the right to actually own a section of a public waterway. According to Mr. Merriam, the land-use lawyer, marinas hold licenses from public regulators that allow them to build slips over public waterways; the licenses are revocable at any time.

"The state does not even have to give compensation like they do when they take over someone's land," he said. However, revocation is rare, he said, except in instances of gross mismanagement.