

Information on Rackominiums and Dockominiums

History of Dockominiums

While the term or idea of a Dockominium may seem to be a new idea, they first appeared on the market around 20 years ago. Many of these new projects were poorly structured condominium associations with condo owners in seasonal boating areas who had no need for their boat slips. Enterprising marketing companies showed many condo owners how to turn their unused slips into assets by converting them into "Dockominiums." Since most of these projects did not provide the new dock owner with any real world amenities such as Dockmasters, Fuel Docks, Security, Restaurants, Marina Clubs, Swimming Pools, Tennis Courts, etc.....the lack of sufficient amenities doomed most of these early dockominiums to failure and a tainted name.

Fortunately, there were a few smart developers, who understood the needs of the boating community and they built some very successful projects with the amenities boaters needed to call their dock home. These early successes have endured the test of time and using the benefit of their experiences as a historical model today's Dockominium and Rackominium projects are wildly successful operations and in extreme demand..

What is a Dockominium?

Dockominiums are individually owned wet slips for sailboats and cruisers. They can be found for any size boat or vessel and can be constructed as a simple fixed pier to luxury indoor, climate controlled, high security facilities with many amenities.

The concept is much the same as a condominium except that it is a home for your boat and based upon a deeded title to the basin bottom and in some instances may be based upon a basin bottom that is leased from the government or a municipality.

These slips and racks are located in highly landscaped, well-lighted and gated marinas, each with a complete amenity package.

What is a Rackominium?

Rackominiums are individually owned dry-stack boat storage racks. They are the easiest way to handle motor cruisers less than 40' and 22,000 pounds. They can be open air racks, covered, three-sided buildings or completely enclosed and climate controlled. Special crane systems, lifts and fork lifts are used to safely haul & store or lift and launch your boat as often as you wish to use it. Whether it is once every couple of weeks to several times a day, these facilities provide you the same access to the water as a wet slip but provide equal or better protection than if you had your very own boat lift.

The concept is much the same as a condominium except that it is a home for your boat and based upon the land that the rack sits on and the structure itself (like a condo).

These slips and racks are located in highly landscaped, well-lighted and gated marinas, each with a complete amenity package.

What are the advantages of owning or investing in your own slip?

The purchase of a dockominium or rackominium provides the discriminating owner or investor with multiple benefits, including, but not limited to:

EQUITY: You will build equity in a rapidly dwindling resource as demand continues to outstrip supply,

APPRECIATION: Increasingly stringent governmental regulation limiting the number of marinas which can be built, coupled with the consistent demand for boat slips, creates the potential for an appreciation in your slip's value. While no value can be predetermined, a little historical research will show solid appreciation rates of 10-30% annually for similar investments.

RENTAL INCOME. Your slip can provide rental income when not in use, and this can even be managed for you. For investors the income can even be guaranteed.

POTENTIAL TAX BENEFITS. Ownership can offer possible tax savings. If the purchase is financed by a qualifying home equity loan or if the boat and slip can qualify as a second home, the interest is generally tax deductible. Additionally, the real estate taxes paid in connection with the slip are also tax deductible. Always consult with your tax advisor

LIQUIDITY: The dockominium or rackominium can be sold or transferred, at any time, or passed by inheritance.

CONTROLLED EXPENSES: Ownership can assure control of expenses as rental rates climb even higher. If structured properly, the after-tax cost to many boat owners will be less than the rental rate they would be paying for the same period. After the loan is paid off, the ongoing cost of owning the slip is a small fraction of rental.

SECURITY: Ownership will secure for you and your family a permanent home for your yacht and the lifestyle that it provides.

VALUE: Ownership of a slip or rack allows its owner many of the benefits of waterfront ownership, without the tremendous costs associated with this type of ownership.

What forms of ownership are available?

FEE SIMPLE

Ownership of deep-water dockage is in fee simple title with a warranty deed framing ownership of the submerged land and air rights associated with the slip forever. Similar

to owning a condominium, all aspects of common and limited common elements are detailed in the association documents provided prior to purchase.

LEASE HOLD

Some marinas are built on leased basins. Submerged land leases are treated differently than fee simple ownership. Each of these types of marinas presents a different set of circumstances depending on the lease structure. Full details will be available should the property being presented fall into a Lease Hold Classification.(Back to top of page)

What types of amenities are available to owners or investors?

Many dockminium facilities offer a club or resort style atmosphere to you, your family and friends. They may include swimming pools, tennis courts, showers and restrooms, laundry facilities, picnic areas, assigned and guest parking, cafes, lounges, ship's stores, car and/or bicycle rentals, complete fuel dock(s) (both gas and diesel), pump-out stations at each slip, as well as complete maintenance programs, staffs, facilities and services for your yacht.

The purchase of a Rackminium affords the owner the same amenities as any wet slip dockminium owner and includes ownership of the marina property through automatic membership in the Dock Owner's Association

The types of marinas that are available vary considerably. Obviously, those that offer the nicest and greatest amount of amenities are reflected in the sale prices of their slips. Location is another major factor.

Are there any property taxes for dockminiums?

Yes. Taxes must be paid on dockminiums and rackminium just like any other real estate that you might own.

Please consult our representative for a current quotation regarding estimated appraisal values and Mil rates for the particular location where you are interested in purchasing. Outside of the United States, property and other taxes may differ depending on the country.

What slip lengths are available and what are the costs?

There are dockminiums (wet slips) available for virtually any size boat, yacht or vessel up to about 250 feet. The larger they are however, the more difficult they are to find. Dry stack rackminiums can be purchased for vessels up to approximately forty-eight feet in some facilities and can be purchased relatively inexpensively. Although this is true in the current market conditions, we predict that Dry Rack spaces will at some point in the not too distant future reach or even surpass wet slip prices as the Dry Racks offer far superior benefits. Dry Racks provide greater protection and will contribute to a longer life, lower

the required finish maintenance, increase resale values and may someday potentially lower insurance rates for boats stored in such facilities.

Depending on the geographic location and type of marina development, dockominiums can range widely in price from as low as one thousand dollars per linear foot to as much or more than fifty thousand dollars per linear foot for luxury indoor climate controlled wet slips.

Rackominiums (dry racks) also range in price but not quite as drastically as dockominiums. They start as low as five-hundred per linear foot to three thousand per linear foot. These amounts are not intended to reflect specific pricing, but rather to show the range in values.

Why should I consider purchasing a slip or rack instead of leasing?

Why consider purchasing a dockominium or rackominium now? Although ownership of permanent yacht slips, berths and moorings may appear to you like a relatively new concept, knowledgeable yacht owners and real estate investors the world over continue to seek and purchase prime yacht dockage for their vessels and income opportunities.

Dockominiums are available for purchase in many of the world's major ocean, lake and river accessible communities. The number of new dockominiums available for purchase, especially in the coastal regions of the United States, continues to decrease as demand continues to grow. They have soared in popularity more recently because of a number of factors.

Yachting continues to expand world wide as more owners are entering the market. Larger and more costly vessels are being constructed every day, thus placing pressure on an already oversubscribed and limited rental marketplace. Small, formerly independent marinas are being purchased by large international companies and developed for their maximum utility. High priced resorts and condominiums are ousting the recreational boater.

In addition, there are stringent environmental, regulatory and land use restrictions reducing the available supply of marinas at large. As the number of high quality, deep water wet slips decreases, their value continues to grow. Recent moratoriums on new marina construction and dock permitting has influenced some dockominium owners and investors to purchase additional available slips simply for the investment value that they represent.

Yes, you can still choose to lease, but why would you want to?

What are the estimated annual costs of ownership?

If purchased without financing, a unit owner's annual cost of ownership would be the tax deductible real estate taxes of about 2.25% of the property's fair market value. There will

also be a monthly Association assessment for common area maintenance, property insurance, security and related expenses.

If financed, a unit owner will also be responsible for the principal and interest payments associated with the financing. As noted above, the interest component of the payment would be tax deductible if the loan is structured as either a qualifying home equity or second home mortgage loan. The principal part of the monthly payment would increase the equity of the dockominium unit. The association fee would remain the same whether owning or leasing.

Once again, we ask that you consult with your tax advisor in connection with your particular tax situation.

What are the requirements for purchasing?

Like any other real estate transaction - the purchase of a dockominium or rackominium is no different. The requirements do differ a little depending on whether your interest lies as a slip owner looking for a permanent home for his boat or as an investor.

Do dockominiums meet the requirements for 1031 tax deferred exchanges?

Yes, depending on the type of exchange you are considering. If you wish to defer capital gain taxation indefinitely, please consult first with your tax and/or legal advisors. (Back to top)