SOUTH FLORIDA
THE BUSINESS JOURNAL

EXCLUSIVE REPORTS

From the April 15, 2005 print edition

Firm makes waves with marina buys

Ed Duggan

Raymond Graziotto and his partner, J.C. Solomon, are relatively new to the marina real estate business, but they have grown to be big fish in a relatively short time.

"We've grown from minnows in the last five years by a lot of hands-on experience," Graziotto, 38, laughed.

As Seven Kings Holdings, the partners currently own seven marinas totaling 3,000 slips and have an aggressive business plan to own 13 additional marinas within the next five years.

It is already a fairly sizeable operation, with a headquarters staff of 15 in Jupiter and 75 operational employees in the various marinas in the tri-county area .

Of their current locations, six are open and one is under construction. All will operate under the Loggerhead Club and Marina brand - even though it technically doesn't operate as a private club.

The strategy is that boaters will go from one marina to another as they travel up and down the coast.

Revenue is estimated at $9 million in fiscal 2005, which ends Sept. 30, and $10.5 million in fiscal 2006.

The partners didn't start out to own and develop marinas. They had originally developed a boutique hotel in Morgantown, W.Va., then turned toward South Florida sites in the early '90s.

"We couldn't believe all the real estate opportunities in south Florida at that time," Graziotto said. "Banks were eager to get non-performing properties off their books and we did some great commercial deals with not much cash. Luckily, we still had good banking relationships with our West Virginia sources."

The partners' past deals became the capital for the foray into the marina business.

An analysis of the various real estate niches convinced the eager investors that institutions were the major players in all forms of commercial real estate - including apartment projects, office buildings and shopping centers.

"Marinas were a ma-and-pa-type business and looked ripe for a rollup," Graziotto said. "It was undiscovered by the institutions."

Precisely because it is not yet a field dominated by institutions, there are some problems with doing a rollup.

"Every bank says it wants to finance marinas, but they are very conservative when it comes to an actual deal and are reluctant to lend more than 60 percent loan-to-value," Graziotto said. "The Bank of America used to have a specialty marina financing group that did a great job, but it was closed down when the brilliant guy who ran it retired."

Dock space is at a premium

Bank of America spokeswoman Christina Beyer said the bank does not currently finance marinas, but does finance inventory for marina stores.

The finance picture may be changing for the better.

"Dockage in South Florida is at a premium - an industry concern - and Key Bank is happy to entertain marina finance requests," said Ken Landon, CEO of Key Bank's Recreational Lending Division. "We'll do solid marina deals at 80 percent loan-to-value all day long."

This rollup is not a slam-dunk.

There are marina-pricing problems - although it seems typical that real estate buyers complain about high prices.

"The ma-and-pa marina owners seem to think all their properties could be high-priced dockominiums, where the slips are sold instead of being rented," Graziotto said. "That puts a huge, above-market premium on operating marinas that the numbers simply can't justify."

He compares it to the apartment market, where rental properties are commanding huge premiums, based on the fact that they will be converted to condos for sale.

Dockominiums, or yachtominiums in the case of larger ships, are popular, if somewhat pricey.

Some existing competitive marinas are going that route.

The Grayhawk Marine Group recently launched its Pier 17 Marina and Yacht Club conversion in Fort Lauderdale, offering 40 commercial yachtominiums that will accommodate megayachts - vessels from 80 feet to 160 feet in length.

Pre-construction prices for the first 10 slips with garages range from $1.5 million to $3.5 million, said Ginger Hornaday, sales and marketing director.

The disappearance of marinas and their boat slips to residential use and dockominium conversion is fueling complaints by recreational boaters.

In Cocoa Beach, a plan to convert the Whitney Bay Marina, the only public marina in the city, into a private yacht club has caused an outcry from boaters who will lose use of its 117 slips.

There have been statewide calls from politicians for reform on how the Department of Environmental Protection grants submerged land leases to marinas. They want non-conversion clauses written into the leases.

Martin County has taken a different approach. It has started the yearlong process to add a "no net loss" provision to its master development plan regarding marinas and boatyards. They want them to stay anchored in place.

That all plays into Seven Kings' strategy.

"We're interested in developing a portfolio of marinas with steady cash flows, not flipping them for a quick buck or creating dockaminiums," Graziotto said.

It's not just a question of money. Seven Kings has developed the tools to succeed.

"Our hard-worn expertise has been to be sensitive to and anticipate environmental objections in advance and come to the regulators or planning departments with solutions," Graziotto said. "Even if we are justified in doing something, we try to be conciliatory in all our dealings - and it has paid off by speeding up the process and given us great rapport with the decision makers."

Now, if only those ma-and-pa operators would lower their prices.

E-mail residential real estate writer Ed Duggan at eduggan@bizjournals.com.