

YACHTING AND LIVING IN MIAMI



**COMPARING THE COSTS OF OWNERSHIP BETWEEN A
WATERFRONT HOME WITH DOCK
AND
A LUXURY CONDOMINIUM WITH MARINA DOCKAGE**

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Introduction

Looking for a luxury waterfront home where you can keep a yacht and enjoy the South Florida lifestyle. At first glance, it might seem that buying a waterfront home with a dock would be less expensive than keeping the yacht at a marina. For one, you wouldn't have to pay the marina's dockage fee's. In fact, due to favorable tax laws and market conditions, a waterfront home is more expensive both initially and ongoing than a luxury condominium and docking at a local marina. We will compare these cost issues in detail as well as look at some other benefits including the privacy the marina option affords the owner.

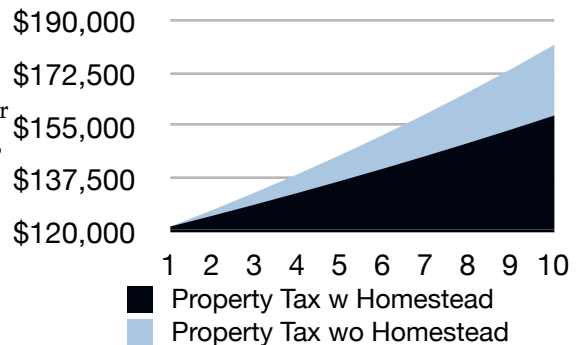
Property Taxes Issues - Working Waterfronts and Save our Homes

As waterfront property valuations escalated in recent years from high-rise building speculation, so did property taxes. As a result, many marina's and boatyards began to become overwhelmed with tax increases to the point that they either had to close or redevelop into a hotel or high-rise community. The consequence of having less access to the water offended many Florida residents. As a result, in 2008 Florida tax payers passed Amendment Six, which changed the way "Working Waterfronts" were assessed from their "highest and best use" to their "current use". This change went into effect for the 2010 tax year and has resulted in lower property taxes for marinas open to the public and boatyards. The marina's, now experiencing lower operating costs, have been able to maintain their dockage rates or even lower them.

On the other side of the coin, there is another property tax issue that affects foreigners buying homes in South Florida. The State provides Florida qualified residents a property tax benefit under the "Save our Homes Act" which caps the escalation rate of property taxes from one year to the next at 3% or CPI, whichever is the lesser. This benefit increases as time goes on, as the 20 year average increase in property values in South Florida is 4.51%. Foreign nationals, however, that do not qualify as Florida Residents do not receive this benefit. The greater the upfront costs of the home, the more the tax exposure.

For example, a person will pay \$121,000 for property taxes on a \$5 million dollar home in the City of Miami in year one. A Florida resident's property tax will increase a maximum 3% per year whereas a non-Florida resident's taxes will increase at the 4.51% rate on average. Over the course of 10 years, the person with a homestead exemption will pay an estimated \$100,451 less in property taxes than the person without the exemption.

Property Tax Homestead vs. Non-Homestead



Current Costs of a Waterfront Home

Although all South Florida real estate has gone down in valuation in recent years, waterfront homes still sell at premium compared to other properties. In analyzing sales over the last year for waterfront homes capable of receiving a 100 ft yacht, the average selling price was \$6.6 million dollars with a cost per SFT of \$793. Most sales were expectedly in Ft. Lauderdale where there is more waterfront access. Single family homes also have a higher property tax cost per building SFT due to the land and dock. Property taxes for single family homes with docks was on average \$15.64/per building SFT. Below is a table of single family homes with docks and their price data:

Recent Sales Price for Waterfront Homes with 100 lft docks

| DESCRIPTION | ADDRESS | PRICE | SFT | \$/SFT | PROPERTY TAX |
|-----------------------|-----------------------|--------------------|--------------|--------------|------------------|
| 6/6/0 (Grove) | 3301 S. Moorings Way | \$10,125,000 | 10,488 | \$965 | \$243,689 |
| 6/5/1 (Bay) | 4511 Lake Rd. | \$6,770,000 | 10,841 | \$624 | \$161,569 |
| 4/5/2 (Bay) | 1910 S. Bayshore Ln. | \$6,100,000 | 8,539 | \$714 | \$147,475 |
| 5/5/1 (Ft Lauderdale) | 2716 Aqua Vista Blvd | \$4,400,000 | 4,248 | \$1,035 | \$87,387 |
| 6/6/0 (Ft Lauderdale) | 229 Nurmi Dr. | \$7,757,000 | 6,157 | \$1,259 | \$158,788 |
| 8/9/0 (Ft Lauderdale) | 534 Bontona Ave. | \$7,640,000 | 15,725 | \$486 | \$123,260 |
| 5/5/0 (Hillsboro Bch) | 1009 Hillsboro Mile | \$6,356,759 | 10,698 | \$594 | \$126,063 |
| 5/5/3 (Palm Bch) | 510 E Alexander Rd. | \$6,750,000 | 7,738 | \$872 | \$136,204 |
| 5/6/0 (Ft Lauderdale) | 2623 Delmar Place | \$6,350,000 | 8,466 | \$750 | \$129,724 |
| 4/5/0 (Ft Lauderdale) | 13 Harborage Isle Dr. | \$4,000,000 | 6,368 | \$628 | \$82,262 |
| | Average | \$6,624,876 | 8,927 | \$793 | \$139,642 |

**Source Trulia and Miami-Dade, Broward, & Palm Beach Tax Records*

Current Costs of a Luxury Condominium

In comparison, we looked at sales of luxury condominiums in the premier addresses of Miami and Miami Beach. The average selling price of these units the last year was \$2.94 million with a cost per SFT of \$623. The average property tax expense was \$13.82/SFT. Even though these units are located in such areas as Brickell Ave and Miami Beach’s South Pointe Drive, they have lower up front costs per SFT and lower property taxes than a comparable waterfront home.

We have omitted condominium fee’s from this comparison. A large portion of condominium fee’s goes to pay property insurance, cost born to the home owner as well. Typically, waterfront homes have higher insurance rates and more deductible exposure than high-rise buildings which are built to commercial standards. The high-rise owner’s also have better purchasing power over the insurance carrier. The other costs associated with condominium fee’s typically mirror services such as concierge’s and amenities that have a value in themselves to the condominium owner.

Recent Sales of Luxury Condominiums

| DESCRIPTION | ADDRESS | PRICE | SFT | \$/SFT | PROPERTY TAX |
|----------------|--|--------------------|--------------|--------------|-----------------|
| EPIC | 200 Biscayne Blvd. 4202 | \$1,250,000 | 2,502 | \$500 | \$60,381 |
| JADE | 1331 Brickell Bay Dr. 4601 | \$3,850,000 | 6,487 | \$593 | \$93,373 |
| 900 Biscayne | 900 Biscayne Blvd. 5905 | \$1,282,500 | 2,825 | \$454 | \$31,881 |
| Four Seasons | 1425 Brickell Ave. 49F | \$3,025,000 | 3,795 | \$797 | \$74,893 |
| Grovenor House | 2627 S. Bayshore Dr, | \$2,875,000 | 4,026 | \$714 | \$41,290 |
| ICON SOBE | 450 Alton Rd. 1801 | \$1,800,000 | 4,303 | \$418 | \$39,178 |
| Santa Maria | 1643 Brickell Ave, Apt 2902 | \$3,450,000 | 5,730 | \$602 | \$63,207 |
| Continuum | 100 S. Pointe Dr, Apt 3007, Miami Bea | \$2,467,166 | 4,004 | \$616 | \$53,160 |
| Apogee | 800 S. Pointe Dr., Apt 1801, Miami Bea | \$5,900,000 | 6,554 | \$900 | \$77,653 |
| Caribbean | 3737 Collins Ave Ph-1, Miami Beach | \$3,500,000 | 5,525 | \$633 | \$80,227 |
| | Average | \$2,939,967 | 4,575 | \$623 | \$61,524 |

*Source Trulia, Zillow, and Miami-Dade Property Tax Records

Current Market Rates for Public Yacht Marina

There have been several new marina's open up in Ft. Lauderdale and West Palm that have increased the supply of yacht dockage for all of South Florida. Like any market, whenever there is additional supply, prices tend to either stabilize or go down. New additions include the Rybovich Superyacht facility in West Palm and the Lauderdale Marine Center. The below table shows a list of some of the local marinas and their annual slip fees for a 100 lft vessel.

| Marina | # Slips | \$/LFT/MO | Annual Cost (100 FT Yacht) |
|----------------------------|---------|----------------|-------------------------------|
| Miami Beach Marina | 63 | \$50 | \$60,000 |
| Williams Island | 35 | \$32.21 | \$38,650 |
| Sunset Harbour Yacht Club | 125 | \$35 | \$42,000 |
| Turnberry Isle Marina | 19 | \$34.50 | \$41,400 |
| Epic Marina | 10 | \$55 | \$66,000 |
| 5th Street Marina | 6 | \$20 | \$24,000 |
| Lauderdale Marine Center | 70 | \$72 | \$86,400 |
| Bahia Mar Yachting Center | 250 | \$70.50 | \$86,600 |
| Rybovich Superyacht Center | 50 | \$52.50 | \$63,000 |
| Average | | \$46.86 | \$56,450 |

*Source Marina Life and telephone survey. Prices subject to change.

Running the Numbers

The above data shows that on average, a waterfront home will cost approximately \$3.6 million dollars more up front than a buying a luxury condominium. In addition, the higher property taxes levied on a waterfront home will more than offset the costs of the dockage fee's associated with keeping the yacht at a marina.

The below table compares the costs of buying a waterfront home with that of a luxury condominium with a marina slip:

| | WATERFRONT HOME W / YACHT DOCKAGE | LUXURY CONDO W / MARINA DOCKAGE |
|---|--------------------------------------|------------------------------------|
| Avg Cost of Waterfront Home or Luxury Condo | \$6,624,876 | \$2,939,367 |
| Yearly Property Tax | \$139,642 | \$61,524 |
| Yearly Marina Dockage Fee's | \$0 | \$56,450 |
| Total Yearly Cost | \$139,642 | \$117,974 |

For the foreign buyer of a waterfront home, as explained earlier, the property tax burden will increase from year to year at a higher rate. With a condominium, the foreign buyer has a lower initial investment and thus will have a lower total tax outlay over time.

Privacy Matters and Marine Insurance

Many insurance carriers require large yachts to have at least the captain and skeleton crew living on the yacht. This is in case there is a fire, bilge pumps malfunction, windstorm risk, etc., that could cause a loss to the yacht. Sometimes owners do not realize that if the yacht is to be docked at their home, then the crew is essentially living in the backyard of the house. A certain level of privacy is lost for the family. This is obviously not the case when the yacht is docked at a marina.

Also, many insurance carriers will charge a higher premium for the vessel insurance if it is docked at a house instead of a marina. That is because marina's have dockside fire fighting equipment and usually have onsite security which lowers the risk exposure for the insurance carrier.

Conclusion

A real estate buyer who has yacht dockage requirements as a consideration in purchasing a luxury home in South Florida should consider the lower initial and ongoing costs of a condominium with dockage at a local marina rather than a waterfront home. South Florida is unique in that it offers a plethora of both yacht marinas and luxury building options to choose from. The numerous selections and lower costs will attract many buyers who may not have thought they could enjoy this lifestyle before. There is more privacy for the family and foreign buyers benefit from having a lower exposure to property taxes.

written by Orin Black

About Us

The 5th Street Marina is located on the Miami River near Downtown Miami's Brickell District. The Marina has 600 LFT of alongside dockage for mega yachts or commercial vessels. Onsite services include a full service boatyard for vessels to 90 LFT operated by Norseman Shipbuilding. Also onsite is Langer Krell Marine Electronics, one of South Florida's largest marine electronics dealers. For more information, see <http://www.5thstmarina.com>