

1 Introduction and Summary



1.1 ABOUT THIS GUIDE

This guide is aimed at all parties interested in developing marinas along the inland waterways of England and Wales, to exploit the increasing demand for boat moorings. It has been prepared by British Waterways (BW) in consultation with the British Marine Federation (BMF) and The Yacht Harbour Association (TYHA) and with practical help from some of their members.

We have prepared this guide, with three purposes in mind:

- to provide an analysis of the market opportunity for developing inland waterway marinas
- to present some indicative investment cases and scenarios
- and to explain how British Waterways can provide support through the planning and development processes

This guide focuses on the marina market alongside British Waterways' canals and rivers in England and Wales. Scotland's inland waterways also offer commercial opportunities for leisure investors, but the market characteristics are somewhat different from those south of the border. British Waterways' 130 miles of inland waterways in Scotland comprise primarily coast to coast routes and their berthing requirements need to be analysed in the context of the coastal boating market.



1.2 THE BOATING MARKET

Britain's inland waterways are thriving. The number of privately owned craft on our inland waterways has been increasing steadily since the 1950s. Nearly 25,000 people now purchase a long term licence to keep a powered boat for private use on the British Waterways' network, a number that increased by an annual average of 2.4% per annum between 2000 and 2005. Spending on waterborne leisure in general is growing at 6-8% per annum.

This growth is being driven by a number of important structural changes, both in the external marketplace and the waterways infrastructure:

- leisure spending in general is increasing as real increases in personal disposable income feed through to discretionary expenditures. Boating has continued to take its 'fair share' of this increased spending and is therefore increasing its popularity
- the growing importance of the 'grey pound' benefits boating disproportionately: 80% of boaters are over 50 years old. For the waterways, this compounds the effect of the underlying increase in leisure spending
- waterways are offering steadily increasing amenity value as British Waterways and its partners continue to invest in the canal network. British Waterways is spending over £100 million a year maintaining and improving the waterway network and also creates effective partnerships to restore derelict waterways. With its joint venture partners, a further £100 million annually is currently being invested in commercial waterside property and regeneration schemes including in London, Edinburgh, Leeds, Manchester, Glasgow, Birmingham, Gloucester and Nottingham. With other larger scale projects such as at Wood Wharf in London's Docklands, the results will dramatically change perceptions of inland waterways.

Because of the impact of these trends, British Waterways is forecasting a major increase in the rate of growth of boats on the waterways and estimates that demand for boat licences could increase to close to 4% per annum over the next ten years. However, this rate of growth cannot be accommodated on the waterways unless there is a significant increase in the supply of mooring space, preferably via the construction of inland waterway marinas. Traditionally, British Waterways has met much of the growth in demand by extending the provision of simple, online moorings. Our preferred solution for the future is to promote the construction of off-line, purpose built marinas.

Most boaters have a clear preference for 'offline' moorings (i.e. off the main waterway, usually in a large marina or small basin), driven by the superior security and amenity these moorings offer relative to the traditional 'online' mooring (i.e. on the main waterway). This preference translates to a clear price premium, with marina moorings on average sustaining a price level 38% above British Waterways' online moorings in the same vicinity.

Despite this preference, the supply of marina moorings has risen only slowly over the past few years. The consequence is that unmet demand for marina moorings is building up, evidenced by the fact that over two thirds of all marinas in the UK have a waiting list, which often stretches forward several years. Mooring prices are also progressing well ahead of the rate of inflation.

This mismatch of supply and demand for marina moorings is a major concern for British Waterways. We believe that the construction of inland waterway marinas represents an excellent investment opportunity that has hitherto been largely ignored by investors and developers outside the immediate waterways community. We estimate that the quantum of unmet demand coming on stream during the next ten years can justify the construction of up to 11,700 additional marina berths - the equivalent of up to 47 x 250 berth marinas.



1.3 THE INVESTMENT OPPORTUNITY

There are opportunities throughout the British Waterways' network for new marina developments. Site suitability of course depends critically on the prevailing local demand and supply conditions. Key demand factors include accessibility to large population centres and the choice and attractiveness of local cruising routes from the mooring site. Key supply factors are land availability, the local planning environment and the canal's water resource and hydrological characteristics.

Indicative nominal pre-tax rates of return (IRR) for newly constructed marinas can be up to 18%. In addition, marinas are increasingly becoming an important part of regeneration areas where wider benefits and added value to surrounding development help to improve viability.

The key factors in a marina investment are the price payable for land, earthworks and construction costs and level of mooring charges. The most viable developments are at sites that require lower excavation and construction costs, where excavated material can be sold at a profit or where land can be acquired more cheaply.



British Waterways is a not-for-dividend, public corporation that manages and cares for more than 2,000 miles of canals and rivers in England, Scotland and Wales on behalf of the British people. A further 940 miles of navigable waterway are connected to the British Waterways' network, managed by other navigation authorities, including the Environment Agency (see map inside front cover).

British Waterways' activities are funded by government and by commercial income which is reinvested in the maintenance and improvement of its waterways. British Waterways aims to blend best commercial practice with public sector values to earn and increase its income so that it can further enhance and conserve the waterways. The organisation has extensive experience with private / public partnerships which it can bring to bear on the marinas market.

British Waterways' ambition is that by 2012 it will have created an expanded, vibrant, largely self-sufficient waterway network used by twice as many people as in 2002. It will be regarded as one of the nation's most important and valued national assets. Visitors will be delighted with the quality of the experience and as a consequence many will become active participants.

British Waterways' interest in promoting further development in marinas is both social and commercial. More marinas will improve the amenity of the waterway for boaters and the visual environment for the visitor. More marinas will also increase British Waterways' income, via the mechanisms of boat licence fees, rents or network access charges, which it will then re-invest into the waterways.

British Waterways is unable to meet this demand out of its own resources as it is precluded by statute from raising external investment capital. In any case, our intent is to actively promote a 'mixed economy' on the waterway.

