

FREQUENTLY ASKED INVESTOR QUESTIONS

Why invest in marina berths?

With Australian housing affordability and property prices still at all time highs, combined with increased volatility in the stock market and the lingering sub-prime crisis, marina berths provide a great alternative asset class offering above market investment returns and minimal risk.

Marina berths

- 👉 offer high rental returns
- 👉 have great tax advantages
- 👉 provide strong historical capital growth
- 👉 have low acquisition costs
- 👉 have low ongoing maintenance costs
- 👉 can be financed on a stand-alone basis
- 👉 are in limited supply with high demand
- 👉 offer consistently high occupancy levels
- 👉 are an acceptable asset class for inclusion in Self Managed Super Funds investment strategy
- 👉 offer gross income returns on investment in excess of 6% with positive cash flow when geared

Who are Meridien Marinas?

Meridien Marinas is one of the largest marina developers, owners and operators in Australia, with a commitment to operating the best marinas in Australia focusing on creating outstanding 5 star resort style marina developments that establish new world standards in marina design and operation. Meridien Marinas are part of the Meridien group of companies, which is a privately owned diversified property group with over \$3 Billion in projects and assets and has areas of expertise in property development, retirement living, marinas, student accommodation and funds management.

What are the industry supply and demand factors of marina berths?

RESTRICTED SUPPLY

- ☺ the Environmental Protection Agency (EPA) & Federal Environment Minister have very stringent environmental policies in place which govern future development of marinas
- ☺ currently the EPA has embargoed many new marina sites throughout the QLD coastline, which creates a scarcity in the market for the future supply of marina berths
- ☺ supply issues have caused lease terms to reduce from 50 years to the current 20 years, with terms of 10-15 years now common place

HIGH DEMAND

- ☺ there are currently 780,000 boats registered in Australia, with a further 110,000 not registered (e.g. being renovated, repaired, etc)
- ☺ boating registrations in QLD passed the 227,000 mark as at 31/12/2008, with current continuing growth of 5% p.a. (versus the national rate of 3.6%) and is expected to pass the 300,000 mark by 2013
- ☺ QLD currently attracts in excess of 1,800 people per week with net migration to the state along with a demographic shift of empty nesters and baby boomers looking for a 'sea change'
- ☺ QLD has a population growth of 2.2% p.a. versus the national rate of just 1.6% p.a.
- ☺ on water home occupation is increasing at 5% p.a., now making up 10% of all new boating registrations

As the industry leader in marina developments, we only build and release new stages of berths as demand arises.

How strong is the capital growth on Marina Berths?

Very strong, in fact marina berths at our Horizon Shores location have a compound average of 31% p.a. capital growth over the past 6 years.

As an investor, why buy Leasehold over Freehold?

Leasehold berths

- ☑ are able to claim back the full purchase price as a tax deduction over the first 10 years
- ☑ offer a lower entry level for first time investors (from \$135,000)
- ☑ have low acquisition costs
- ☑ have consistently high occupancy levels (all our marinas are currently operating in excess of 90% occupancy, with investor berths currently running at >97% occupancy)
- ☑ have provided strong historical capital growth
- ☑ are in strong demand with limited supply
- ☑ qualify for our exclusive finance package up to 80% of purchase price on a stand alone basis
- ☑ are not subject to land tax assessment & do not incur stamp duty on the initial purchase (although resales are subject to stamp duty)
- ☑ are the industry norm throughout Australia

Freehold berths

- are not able to claim back the full purchase price as a tax deduction
- are considerably more expensive to purchase
- have higher acquisition costs
- do not qualify for our exclusive finance package
- have higher ongoing costs
- are subject to stamp duty (approx 3%)
- are subject to land tax assessment
- are subject to council rates on an individual basis

What sort of rental income can I expect on Marina Berths?

Marina berths are rented on a daily, weekly, monthly, quarterly, half yearly and annual basis. For example, a 12 meter berth at our Horizon Shores marina can earn a rental income of between \$5,325 - \$19,162, depending on the rental period. This income yield offers income returns on investment in excess of 6% with positive cash flow when geared.

What does the management fee include?

It includes all administration fees & rental marketing charges for Meridien to advertise when your berth is available for rent, similar to an agent letting fee for property.

What does the annual maintenance levy cover?

It covers the cost of onsite security, electricity access, water usage, rates, sewage removal, rubbish collection, marina insurance, contributions to a sinking fund, dredging, lighting and general repairs & maintenance required to keep the marina in the best possible condition, similar to a body corporate fee for property. This ranges from \$138.60 - \$175 per lineal meter. For example, a 12 meter berth at Horizon Shores is less than \$32 per week.

What are the tax benefits of owning a berth lease?

A Marina Berth is a very tax effective investment, and assuming the berth is used for investment purposes, can be negatively geared just like residential property. You can claim the full purchase price of your berth lease over the first 10 years (10% tax deduction per year) which is something that you can't do with property. You can also claim the annual maintenance levy, management fees, set up costs plus any interest on funds you have used to purchase a berth.

How is a marina berth lease tax deductible?

Under existing tax law, Australian Tax Office Interpretative Decisions, stating that because a marina berth purchase is a lease, it is treated as a prepaid expense and is therefore tax deductible over a period of 10 years. That is, an owner of a leasehold marina berth receives a 10% tax deduction per annum, assuming the berth is used for investment purposes.

Does the price include GST?

Yes, the price does include GST. There are nominal lease registration costs with local Council and Land Titles Office paid on settlement.

PURCHASING A BERTH

How much GST is included in the berth price?

- In most circumstances your berth price is inclusive of a concessional 5% GST rate in accordance with the ATO standards e.g. a berth price of \$300,000 includes \$15,000 GST. This lower rate of GST allows us to competitively price our marina berths.
- If you are registered for GST you may be able to claim an Input Tax Credit for the GST component of the price. Please consult your tax adviser with regards to your own situation.

RENTING MY BERTH

What are the benefits of Meridien Marinas renting my berth for me?

- Meridien Marinas provide the highest level of care and cover for berths that we rent on behalf of owners. With an onsite professional management team, we promote the berths to achieve the best occupancy rates possible. Meridien Marinas handle the rental selection process, ensure the required insurances are held, and monitor the Renter throughout the rental period which can range from overnight bookings to yearly rental bookings, collect rent and issue rental statements to you.

If Meridien Marinas rent my berth, how much rent do I receive?

- There are 2 different GST rates paid by Berth Renters depending on whether the Berth is used for private or commercial purposes by the Renter.
- To ensure Berth Owners are not disadvantaged by having either a commercial or private Renter on their berth, we pass on to you 80% of the GST-inclusive gross rent collected from the Renter. If you are registered for GST you will receive 80% plus GST.
- The remaining 20% is retained by Meridien for:
 1. our services and costs in renting your berth, and
 2. to pay the GST collected on the rent which we then remit to the ATO.

How much GST does Meridien Marinas remit on rent collected?

- The amount of GST we remit to the ATO on the rent collected varies. In some cases we remit 9.09% of the gross rent and in other cases this is 5% depending on whether the berth is used for private or commercial purposes by the Renter.

What Management Fee does Meridien Marinas charge for renting my berth?

- As the amount Meridien retains from the gross rent for renting your berth depends on the amount of GST remitted to the ATO, the amount we retain for managing your berth varies between 10.91% and 15%, which is still less than the management fees charged at many other marinas of up to 20%.

Can I finance my new marina berth purchase?

Yes, you can finance up to 80% of the marina berth purchase price on a stand alone basis through an exclusive finance package that Meridien has tailored with the CBA.

Can I mortgage my marina berth lease?

Yes you can, as a leasehold property, marina berth leases can be mortgaged by your financier.

What happens at the end of the lease term?

As the existing berth lease owner, at the expiration of your lease you will receive the first option to purchase the next lease on your berth at the market price at that time & you will receive a 5% discount as a reward for your loyalty.

Can I sell my marina berth investment at any time during the lease term?

Yes, you can sell your berth at any time regardless of the lease term either by

- * selling the berth yourself by advertising privately
- * using an external sales agent (i.e. real estate or boating agent)
- * you can instruct the professional team at Meridian to sell the berth on your behalf utilizing our extensive database of boat owners & investors

As a boat owner, rents are increasing with each year (on an industry average of 10% p.a. or more) and with boat ownership increasing at great rates; demand for marina berths will increase also creating higher rental returns.

LIMITED SPECIAL OFFER (as at 01/03/2009)

- ⊕ Rental Guarantee of 8% p.a. net for the first 3 years
- ⊕ Management Fee waived for the first 3 years
- ⊕ Annual Maintenance Levy waived for the first 3 years

For example, when buying a 12 meter marina berth at our Horizon Shores marina for \$135,000 over a 20 year lease period, the above special offer gives you a guaranteed gross rental income for the first 3 years of \$10,800 per annum, plus the waived management fee and annual maintenance levy will save you between \$2,743 - \$3,283 per annum for the first 3 years.

With bank deposit rates continuing to fall, this gives investors a market leading income return on their money versus leaving the money in the bank with dwindling returns and no opportunity for capital growth. This also gives investors surety of their return in a volatile market, where their investment purchase in a marina berth is from as little as \$135,000 or up to \$550,000.