

Boats get cut loose

By Shia Kapos
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Three years ago, with his construction business prospering, Frank Montana bought a 40-foot express cruiser for \$115,000 and quickly became a familiar sight at Diversey Harbor. His "Club Montana" parties drew 50 or 60 friends — new and old — to his boat each weekend, and he reveled in the attention.

Then his industry was double-punched by the harshest housing downturn in more than a decade and the subprime mortgage meltdown. Mr. Montana had to dissolve his demolition and excavating contracting company.

Unable to afford the \$2,700 monthly payment on his boat, named "The Storm Hunter," he called the bank earlier this year and surrendered it.

"It was the first thing to go," says Mr. Montana, 36. "Being able to support it was just too tough."

As boating season begins Thursday, the industry and its aficionados are bracing for choppy waters. Sales of new boats are down, fuel prices are up and some boaters are dropping the pastime outright or scaling back gas-guzzling excursions on the lake in favor of hanging out in the harbor.

Tony Cimino, commodore of the Chicago Yachting Assn., an umbrella group for the area's various maritime interests, expects to see boaters making fewer trips across the lake this season.

A trip from Burnham Harbor to Racine, Wis., for example, is about 70 miles. If it takes about 300 gallons of fuel at \$5.39 a gallon, which is what Mr. Cimino just paid to fill his 48-foot Carver powerboat, that's a cost of more than \$1,600 for a day trip.

"That's more than my wife and I just paid to take a cruise," says Mr. Cimino, 67. "Instead of seeing three couples taking three boats to New Buffalo, you're going to see everyone get on one boat and share the fuel. Five years ago, that's not something I would have thought about."

Donald Anderson, 63, agrees. He and his wife, Dee, 55, usually take excursions throughout the summer on the lake, but this year they expect to keep their "condo on the water" in the harbor at New Buffalo, Mich., where they dock every year. "We've got all the comforts of home right here" in a 40-foot Royal 3880 Commodore, he says.

As an expensive toy, boats have always been a symbol of making it big. In the boom years, proud owners cruised the lake with friends and family, not thinking twice about jaunts to Door County or the Indiana Dunes, and hired caterers to serve vats of shrimp.

But even the extravagant harbor party scene may well tone down this summer, says Ted Widen, publisher of *Chicago Scene* magazine and event guide and organizer of the Playpen, a weekly party of hundreds of boats in the otherwise quiet waters of Diversey Harbor.

"To keep up with the Joneses, you go out every weekend on the boat, and then you have to entertain," he says. "My (power) boat holds seven people, so that's doable. But if you've got a boat that holds 20, 30 or 40 people, then you're talking about a lot of wine and food. And that's on top of the hundreds you're spending now on gas. It gets expensive."



Photo: John R. Boehm

AN IMPULSE BUY

Retailers are feeling the impact, especially in sales of powerboats 35 feet or smaller. They're the kind manufactured by Lake Forest-based Brunswick Corp., which will be shuttering seven factories after seeing recent earnings plummet. And they're boats whose owners tend to fit an impulse-buy stereotype.

"These guys are in the trades — maybe they're dry-wallers or contractors. They see a boat on the way back from work and buy it," says Lou Sandoval, co-owner of Karma Yacht Sales on South Halsted Street in Chicago. "They buy when things are going great. The \$350-a-month payment seems easy. Then there's a falloff in the market, and these guys are upside-down."

The fate of Mr. Montana's boat — a repossession — is also becoming more common.

Florida-based National Liquidators saw a 47% increase in boat repos in the Midwest from 2006 to 2007 and expects the numbers to keep rising along with home foreclosures.

"In the past, repossessions typically occurred because people lost their jobs. Now it's people with jobs who are realizing they don't have the financial stability and net worth to make payments on an asset with negative equity," says Vice-president Matt Amata, who heads the company's Midwest office in Cleveland.

"As home values appreciate, and you think you have \$100,000 in equity in a home, people may be apt to get a \$200,000 boat," he says. "They buy that on the premise that they have equity built into the property."

"As home prices fall off, they're saddled with a boat loan, and the boat isn't worth what the loan balance is. And they no longer have the equity in their house to cover the difference."

Boat repos, he says, have significantly increased in the suburbs of Detroit, Cleveland, St. Louis, Minneapolis and anywhere with an increase in home foreclosures — Illinois included.

Jeff Henderson, president of Harrison Marine Inc. in eastern Michigan, which conducts boat repos nationally, repossessed 15 boats in Illinois last year, primarily in the southern part of the state. It has already doubled that number in the first three months of 2008.

"These people are predominantly middle-class. I'm chasing after people who are business owners," Mr. Henderson says. "Their receivables are way up. People aren't paying them, so they can't pay for a boat."

"I had a woman who said this is so low on her priority list that the bank will have to wait. But the bank isn't waiting."

SELLING OFF QUICK

Some owners try to stave off repossession by selling out at the first signs of trouble. Craigslist.org, for example, shows hundreds of boats around Chicago for sale by owners.

Skipper Bud's, which sells and maintains new and used boats at North Point Marina on the Illinois-Wisconsin border, has seen a significant increase in its brokerage business, reselling boats for individuals, while new-boat sales are down about 10%, says Mike Pretasky, CEO of the company.

"I wouldn't say it's worse than any other downturn. It's not like it was during 9/11," he says. "But there's no question that the market is soft. We're definitely in a downturn."



Yacht broker Lou Sandoval, left, sees customers struggle. Randy Michaels, a self-employed contractor, has put his boat up for sale because construction business is slow. Photos by Bonnie Bandurski

Randy Michaels, 54, is trying to sell his boat on his own. Mr. Michaels, a self-employed contractor with an expertise in concrete-raising, says boating has become out of reach since the construction slowdown.

Mr. Michaels spent tens of thousands of dollars updating his treasured 1977 Hatteras powerboat; he hopes to sell it for \$78,900. After enjoying years of leisure time with friends and family on the water, putting the boat up for sale hurt.

"I love the water. I don't know what I'll do when it's sold," Mr. Michaels says on a recent Saturday at Crowley's Yacht Yard on the city's Far South Side, where he stores his boat for the winter. "But everything is going up. Harbor fees are going up, fuel is going up and storage fees are higher. You add it all up and it's \$10,000 to \$12,000 every year just to keep the boat."

Mr. Michaels bought the boat for \$55,000 and has spent nearly \$40,000 on improvements and new features like GPS and radar and sonar technology. "I'll be taking a loss, but what can I do?" he says.

TRIMMING EXPENSES

Indeed, Chicago boaters hardest hit by the economy generally are mid-level types who live in middle- to upper-class neighborhoods and use boats for family get-togethers or short fishing trips. They may not all be in danger of forfeiting their boats and may continue to mingle with Chicago's truly affluent boaters — folks who buy their yachts with cash and pay no mind to fuel prices — but these Average Joes will keep closer tabs on fuel and entertainment costs this season.

The economic squeeze doesn't seem to be having a noticeable impact on marinas. Westrec Marina Management Inc., which runs Chicago's harbors, has 700 people waiting for slips to open up — up from 600 last year.

But at the lower end, even sailors, who use less than a tank of gas all season, are cutting back in the tight economy. Depending on where they live, it can cost a lot in fuel just to drive to the marina every weekend. Or they're just feeling pinched all the way around.

"My business is down. Last year was pretty bad," says Paul Uhl, 50, who owns Design Associates Group Inc., an Evanston corporate publisher that lost work when key clients merged or were bought out.

He is holding off on buying a sail for his 36-foot boat.

"A new sail can run up to \$5,000," he says, "so we'll wait a year."