



O U T E R R E E F  
Y A C H T S

## HOW TO MINIMIZE YOUR RISK WHEN BUYING A YACHT

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**W**e all know that the last few years have seen some difficult times in the marine industry. Some builders and dealers have survived and some have gone by the way side, others have been absorbed into larger builder's portfolios or sold to major corporations overseas.

How this will play out over the next few years is largely a guessing game, some marques will improve with greater investment in technology and better production systems and others may find the pressure to produce returns for investors will have a negative impact on quality and value.

So where does that leave buyers in the future? One thing is for sure, if we are going to sink a significant proportion of our savings into a new yacht (or even a second hand vessel) we better go armed with the best information possible before parting with our money.

There are a myriad of dealers, brokers, builders and middlemen that vie for our attention (and money). Who is working for our best interests and who is telling us simply what we want to hear?

Buying a yacht is a highly emotive proposition for many people. Often we see quite rational and even exemplary business people walk into a boat show and part with significant sums of money purely in the "heat of the moment" only to regret it years later when it comes to resale. Suddenly it becomes clear why that boat show "exceptional" deal was on the table if we signed there and then. Perhaps the wrong specification, the wrong brand, poor quality engineering behind the glamour or a hull that was later known to slam in a head sea. Perhaps over production of certain models that didn't sell well. Whatever the reason if you haven't done your due diligence you could be in for a nasty surprise later.

Most brokers are professionals and if good will be members of a recognised trade association such as the ABYA (Association of Broker and Yacht Agents) and adhering to their code of practice. Choose wisely and you will have an unlimited source of good information. As a buyer it may be well worth engaging a good broker to act on your behalf, even if buying new. You may feel his fee or small commission is a waste of money; but, he or she could potentially save you significant amounts, especially when you need an exit strategy later. By engaging a broker to source and negotiate on your behalf, he will be working solely for you and your interests.

No matter how much you think you know the market, a good broker that sees both ends of the field and has years of historical knowledge of values, day in and day, out has a better inside track to information than you will. Often, your broker will know which builders spend more time in litigation with customers, which are better at warranty claims and those that almost reject every claim. This is the type of information that comes with experience. Below is list of questions/considerations you should be able to determine with a little guidance from your chosen broker, to uncover:

- if a particular brand/model is right for you
- if a particular yacht has a good residual value
- if she is a saleable boat several years later

**1.** Golden rule number one, never buy a boat at a boat show if you feel under pressure to sign there and then. Dealers and builders have targets to reach, stock to move and production to fill and while there are genuine deals to be had at a show, in the majority of cases a dealer or builder will just as well accept your money a few weeks later on a same deal basis. There is never just a "one off" deal to be had. Give yourself time to think and do some quality research but do keep in mind not to procrastinate too long, prices never continually go down, even in tough times eventually prices rise. Labour costs, inflation, shipping prices etc have historically never become cheaper year on year.

**2.** Check out the second hand prices on used yacht multiple listing websites. This can be very telling. Find your particular brand and model and check prices three or four years older than what you are about to buy. Those are the numbers you should expect when your boat gets to the same age. Forget whatever the sales people tell you, the prices you see from your own research are the real prices, but don't forget advertised prices are not realised prices. Allow for some discount and negotiation to get a true figure.

**3.** Be wary of unknown brands or ones that have only recently appeared, it will be hard to get any track record of prices and where these boats will be in a few years time, it's a gamble, it may pay off but it could also be an expensive mistake.



4. Buy the best quality yacht you can afford. If it means going slightly smaller, do so. Whatever budget you have you want as much of that money going into high quality equipment, machinery, joinery, fittings and particularly mouldings and hull structure, not the builders marketing and PR budget. The ocean is a harsh environment for marine gear. Low grade or average quality materials degrade quickly in a salt laden atmosphere. What was a nice shiny cleat or bollard at the boat show now looks like a pitted and corroded low rent piece of equipment. A thinly laminated hull now has deformations and gel cracks. That is going to have a significant impact on what your boat is worth. Would you buy a car with only one coat of cheap paint over a low grade steel body? Amazingly there are boats for sale that you can actually see daylight through the laminations of the hull, do you know which ones?

On the second hand market quality always sells first providing the price is right, there is a reason some boats sell in a shorter time frame and at acceptable prices while others languish sometimes for months on end without even a viewing.

### The three Q's should be your guide....."Quality-Quality-Quality"

We can all be lulled into "boat show mode" with amazing hull shapes, huge hull windows that make the interior look stunning, cutting edge design interiors, glass and stainless steel everywhere. Unfortunately, all that means nothing when years later you cannot sell your dream yacht because the quality was not there behind the scenes from the start. Now it all looks dated, worn and generally shabby or broken.

5. Learn what production methods various builders use. There are very few standardized construction methods used in boat building, unlike the automotive industry where there are small tolerances which manufacturers have to work to. In boat building much of the quality comes down to the skill of the individual shipwrights and engineers at the yard. There are yards that build them fast and stack them high and others that can take twice as long to construct but the quality and engineering is vastly superior.

Do you know the difference between a resin infused hull, a cored hull, a polyester or vinylester gelcoat, hand lamination, chop and shut extended or shortened hulls ? These are just few considerations that a good broker will be able to tell you about. A good builder can produce an immaculate resin infused hull, a bad one can send you off on your travels with major defects that may not be apparent until years later. A cored hull can produce a strong and light hull but poorly executed can leak moisture into the core which can be a very expensive repair later. Which builders have the best production methods and which are at best barely acceptable? It is not always the biggest builder or the one that has the largest advertising budget. Some smaller bespoke builders have exceptional quality and have earned a reputation as premium builders.

6. Finally, go with a mindset "what is my exit strategy?". Before you part with any money think to yourself what is going to be the best investment for reliability, residual value and saleability second hand? It may be very tempting to go for the boat that really stirs your emotions, the glamour and glitz can be very persuasive, but, that soon wears off come resale time, now it is about salvaging what you can from a poorly made decision several years ago. In general the more cutting edge the design and "of the moment" the higher the depreciation.

As a general overview and with our experience of many years selling yachts, here are a few bullet points that should help colour your thinking.

- Buying from the biggest or highest profile builder is not always a guarantee of preserving your investment. Don't forget, come resale you will be one of dozens of sellers with the same brand and model, you will have a lot of competition. Try not let your heart rule your head, what looks amazing at a boat show particularly if it is a very cutting edge design but sports many impractical features like square edged furniture, no hand holds, poor engine access, delicate fabrics etc will take the biggest hit in depreciation.
- The cheapest deal can be the most costly in maintenance, poor residual values and lack lustre desirability. There is a reason why it will be a "cheap deal", if it were in demand it wouldn't be cheap. Often the boat with limited availability, perhaps at a higher price but with a solid reputation will be the best investment. Consider the wise saying "the best deal is never done until you have sold..."
- Try and avoid excessively high powered yachts; truth is, whether we like it or not, come resale time fuel burn and cost of running will be major factors to your potential buyer. Think very hard whether you really need to fly across the water at 30+ knots all the time. Most experienced yachtsmen will tell you it is rare that you will ever sail more than 30% of the time at higher speeds. Sea state plays a big part on whether your 30+ knot yacht can actually achieve those speeds for a good proportion of the time you are afloat. Often the steady, solid boat will get you to your destination faster than the more flighty speed machine, and at a fraction of the cost. It is true to say that the correlation between the rise in fuel cost is almost in direct proportion to the sales charts of high performance cruising yachts. As fuel prices rise the sales figures for second hand large engine cruising yachts goes in the opposite direction. Fuel is not going to become cheaper anytime soon!

In summary, time and time again, we see that the highest residual values are seen in yachts built in low numbers to high standards, but with years of solid reputation behind them and often direct from the builder. They may not be the most dashing of yachts or even the highest performance but their list of premium equipment and solid engineering along with more conservative styling keeps them current, timeless and value for money.



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