

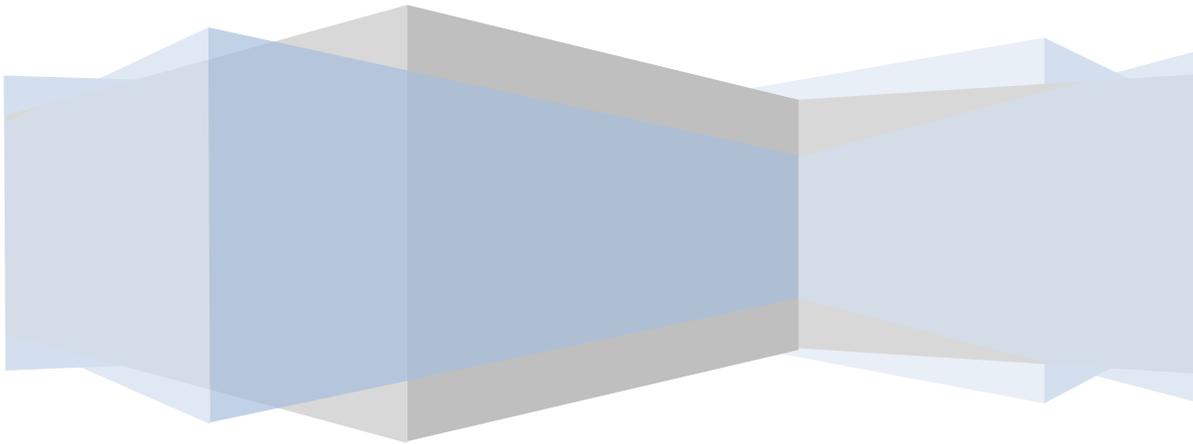


BURKARD YACHT SALES

# Buying A Vessel 101

What You Should Know  
Before You Buy A Boat

By: Chris Burkard



**Buying a pre-owned vessel for the first time** can be confusing and intimidating, but it does not have to be. A knowledgeable and reputable broker should lead a Buyer smoothly through the process and provide information in a forthright and timely manner. Below are the steps to purchasing a pre-owned (brokerage) vessel.

### **Choosing Your Broker**

Choosing an honest, knowledgeable and reputable broker is one of the most important steps in purchasing a pre-owned yacht. A good broker will take a vested interest in exactly what you are looking for in a yacht and explain the buying process thoroughly in step by step increments. A good broker will represent your interests in a transaction and essentially becomes your employee during the process. I highly recommend interviewing your broker to make sure they understand exactly what you expect and what you are looking for in your next yacht. I also suggest asking detailed questions during the process. Your broker should respond with comprehensive information in a timely manner.

### **Choosing Your Next Yacht**

It is very important to discuss with your broker exactly what you are looking for. I also suggest discussing with your broker exactly how you envision using your yacht, so the broker has a good understanding beyond the parameters you may have laid out for your yacht purchase. In many cases, a broker may have knowledge of yachts that may fit your parameters that are not even on the market yet. They may

also have information on a particular vessel that is not public knowledge and may be of interest to you. A good broker can mean the difference between a pleasurable experience and a purchase regretted.

### **Narrowing Your Search**

Your broker should present you with multiple vessels for your consideration. While this is not always possible depending on your parameters and vessel availability, many vessels, especially popular models, may have multiple choices on the market in a given area. Go through the listing information your broker provides and pay special attention to the photos. Usually once this is complete, you will have a good idea of which vessels you will want to arrange to board for your personal inspection. If you are leaning heavily to one particular vessel and that vessel is not easily viewable due to location, it may be advantageous to make an offer subject to visual inspection, trial run and survey. This is a good way to ensure you are not wasting time, money and effort on a vessel you are unable to come to terms with the Seller.

### **Viewing the Vessels**

Your broker should be present during the viewing. I suggest thoroughly examining the entire vessel leaving no cabinet or machinery space not inspected. Sit on the sofas and exterior seating and make sure you are comfortable. If the owner or owner's representative is there, it may be a good time to ask about the vessel history, service, warranty issues and how

the vessel was used, stored and cared for. If the vessel is in the water, it may also be a good idea to ask to have the generator started and power shifted over. Then walk throughout the vessel inspecting the noise levels in each area. If the owner is not present, this may not be possible. You may want to have the engines started to take note of idle operation noise and vibration levels; again this may or may not be possible if the owner is not present. In many cases, owner permission is required in order to start engines or generators. P.S. – If you are inspecting more than one vessel, make sure to allow a proper amount of time to inspect each vessel. If you are going to look at several vessels before making your decision, you may want to bring a note pad and camera so you can keep each vessel separate. Looking at multiple vessels without notes and pictures will lead to vessels melding together in your memory and it will be difficult to determine which vessels are which.

### **Making the Big Decision**

Once you have found the vessel you wish to purchase, now is the time to structure your offer. Most Florida brokers use the I.Y.B.A. (International Yacht Brokers Association) contract. This is a very well thought out contract, which protects Buyer, Seller, and brokers equally and thoroughly. As with any contract, you should carefully read the agreement and you may even want your attorney to review it. Dates are a very important part of a contract. The dates are performance deadlines. Failure to meet a deadline will invalidate a contract. Make sure that dates are set back far enough to allow for trial runs, inspections, surveys, paperwork and service yard quotes for survey deficiencies. Keep in mind that surveys may take a few days to complete

and it may take a couple of days to get reports back. Once the reports are received, it may take several days to receive quotes for survey deficiencies. My suggestion is to set closing at least 2 to 3 weeks from the initial offer. You may always perform ahead of schedule, but going beyond a performance date requires a written extension signed and agreed upon by all parties.

### **Your Offer**

Sometimes it is hard to know what to offer for a particular vessel. Your broker should do a thorough market evaluation of comparable vessels on the market and compare that to recent sales of similar vessels with similar engines, hours and equipment. Keep in mind that book values for low production vessels are very inaccurate. In many cases, the data for the pricing information is gathered 12 to 18 months prior to print. The other issue is vessel equipment. Certain optional equipment on vessels can cost tens of thousands of dollars and even into hundreds of thousands of dollars and into the millions on mega yachts. Book values do not take this optional equipment into consideration or they use unrealistic values for this optional equipment. If you look at equipment values in the N.A.D.A. Guide, they assign values to a G.P.S. Plotter as \$250 to \$500.00. An electronics package on a modest 35' yacht could cost between \$15,000.00 and \$50,000.00. The offer should be realistic based on the comparable current vessels on the market and recent sales of like vessels. Making an offer that is unrealistic is likely to insult the Seller and in some cases may cause a Seller to refuse to sell the vessel to the Buyer at any price.

Your broker should be able to guide you to an offer that is acceptable to you and the Seller.

### **Contract**

The typical progression of a deal is as follows: An offer to purchase is created and signed by the Buyer with offer price and all performance dates detailed. The offer is then submitted by the selling broker to the listing agent or Seller. If the contract is accepted, the Buyer then has three business days to remit the deposit to the selling broker's escrow account (the deposit is 10% of the offer price). The deposit is held in escrow until one of two things happen; either you accept the vessel and the money is remitted to the Seller at closing, or, if you reject the vessel, the deposit is returned. Deposits via personal check are acceptable; however, they may take several days to clear. Inspections and surveys may not proceed until the funds have cleared. If a deal has a very tight timeline, it is suggested that the deposit be remitted via wire transfer so the funds arrive cleared into the escrow account. All closings must be in the form of cleared funds before the vessel is released to the new owner. A contract requires the deposit in order to be binding on any of the parties. If there is concern that there are multiple Buyers working the same vessel, it may be a good idea to remit the deposit with the contract. Once the contract has been signed by all parties and the deposit is in the selling agent's escrow account, the deal then proceeds to trial run and surveys and, in some cases, personal inspection by Buyer.

### **Personal Inspection, Trial Run and Survey**

All I.Y.B.A. contracts are automatically subject to trial run and survey acceptable to Buyer. If you are not using an I.Y.B.A. contract and broker, it would be a very good idea to insist that your contract is subject to these conditions. If the Buyer has not yet seen the vessel, it is a good idea this is done before the survey. Buyers are responsible to pay for the Hull Survey, Haul-out (for the surveyor to inspect the hull bottom and running gear) and Engine Survey. There is no sense in spending money on a survey if a Buyer has not yet personally seen the vessel. The Seller is responsible for the operation of the vessel during the trial runs and surveys (captain's fees and fuel), keeping the vessel moored/dry-docked and insured until closing. In some cases, the Buyer will trial run the vessel (which can only be done with a fully executed contract and cleared deposit) prior to the survey. The Buyer should make sure they enjoy the experience. How does the vessel ride, handle water conditions, feel, noise conditions, vibration? Typical trial runs last between 1 and 2 hours (vessels 30' to 50'), larger vessels may require longer trial runs. If the trial run is acceptable to the Buyer, then it is time to proceed to the survey. I highly suggest that a Buyer attend the survey if at all possible. The survey is a great learning opportunity. Every system of the vessel is operated and inspected. Much will be learned about the vessel by observing the survey. It is important not to impede the surveyors however. Interruptions to their inspections can lead to missed items. Since their job is to find any issues with the vessel, it is best not to interrupt them by getting in their way or asking questions while they are busy. I highly suggest hiring an engine surveyor. Hull surveyors will do an overview of the engines, but they will not do an in-depth engine survey. An in-depth engine survey consists of compression tests (gas), computer scans (computer controlled engines), oil samples (4-stroke engines), engine mounting back down tests, W.O.T. testing,

and several other important engine checks. Engine surveys include all engines, including generators. Once the surveys are complete, allow up to 2 days to receive the reports back for your review. Oil samples may take longer.

### **Survey Reports**

Once you receive the survey reports back, it is important to thoroughly go through them and review every deficiency listed. In many cases, it is wise to go over the inspections line by line with your selling broker. Ask questions if there is something you don't understand. It may also be wise to contact the surveyors and go over any deficiencies and get their take on each item. A deficiency could be as simple as a light bulb out to something as complicated as a major engine issue and everything in between. If the survey reports look good and you are satisfied with the reports, notify your broker and they will prepare a document known as an "Acceptance of Vessel". This means that you are going to proceed to closing and purchase the vessel. Once you sign this document, you will proceed to closing in the days following. If there were some concerns about the deficiencies, it would be wise to have the deficiency items quoted by a reputable, licensed and insured marine repair facility. Keep in mind that it could take several days to receive quotes depending on how extensive the deficiencies are. Nearly all vessels will have some deficiencies, including a brand new vessel, but the severity of the deficiencies is what is important. Once you have received the repair quotes, you have one of three choices to make. Keep in mind that maintenance items such as oil changes and bottom paint may be listed on the survey

reports, but are not considered deficiencies unless specifically referenced in such a manner. You may either accept the vessel as is and proceed to closing. You may also reject the vessel and receive your deposit back. The third choice is to "conditionally accept" the vessel with the conditions being that the Seller repair specific deficiencies or you could ask for a monetary reduction in purchase price based on the value of the deficiencies.

Warning: a conditional acceptance is essentially a renegotiation. If a backup contract on the vessel has been submitted to the Seller by another Buyer, the Seller may choose to take the backup contract rather than accept your "Conditional Acceptance." This is something you should discuss with your selling agent before submitting the "Conditional Acceptance" to the Seller.

### **Closing**

Vessel closings are much more akin to purchasing a car than a home purchase. It consists of transferring the balance of the monies, signing bills of sale and closing statements. Closings can be done remotely using Notaries and any Express Mail service.

**BURKARD YACHT SALES** is licensed and bonded by the State of Florida. Our local business licenses are in Naples, Collier County. Our Broker of Record is a Certified Professional Yacht Broker (C.P.Y.B.) through the National Yacht Broker Certification Program Advisory Council.

**Burkard Yacht Sales** has provided a list of surveyors for the Naples, Marco Island, Fort Myers, Cape Coral, Punta Gorda and Port Charlotte areas on our website. If your vessel is located elsewhere, please contact our office to assist you in locating a surveyor in your area. Please visit our website at [www.burkardyachts.com](http://www.burkardyachts.com) to download a P.D.F. of this list.

Whether you wish to find that Perfect Yacht or Boat in Naples, Marco Island, Fort Myers, Cape Coral, Punta Gorda, Port Charlotte, Sarasota or anywhere in the U.S.A., Burkard Yacht Sales is here to guide you through each step of the way.

**We would be happy to discuss your needs regarding your yacht purchase in more detail.**

**Contact one of our sales executives today.**

**Burkard Yacht Sales  
895 10th Street South, Suite 302B  
Naples, FL 34102**

**239-262-1030**

**[sales@burkardyachts.com](mailto:sales@burkardyachts.com)  
[www.burkardyachts.com](http://www.burkardyachts.com)**