

ISSUE ELEVEN
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The Superyacht

TRUTH • OPINION KNOWLEDGE • IDEAS & SUPERYACHT OWNER INSIGHT



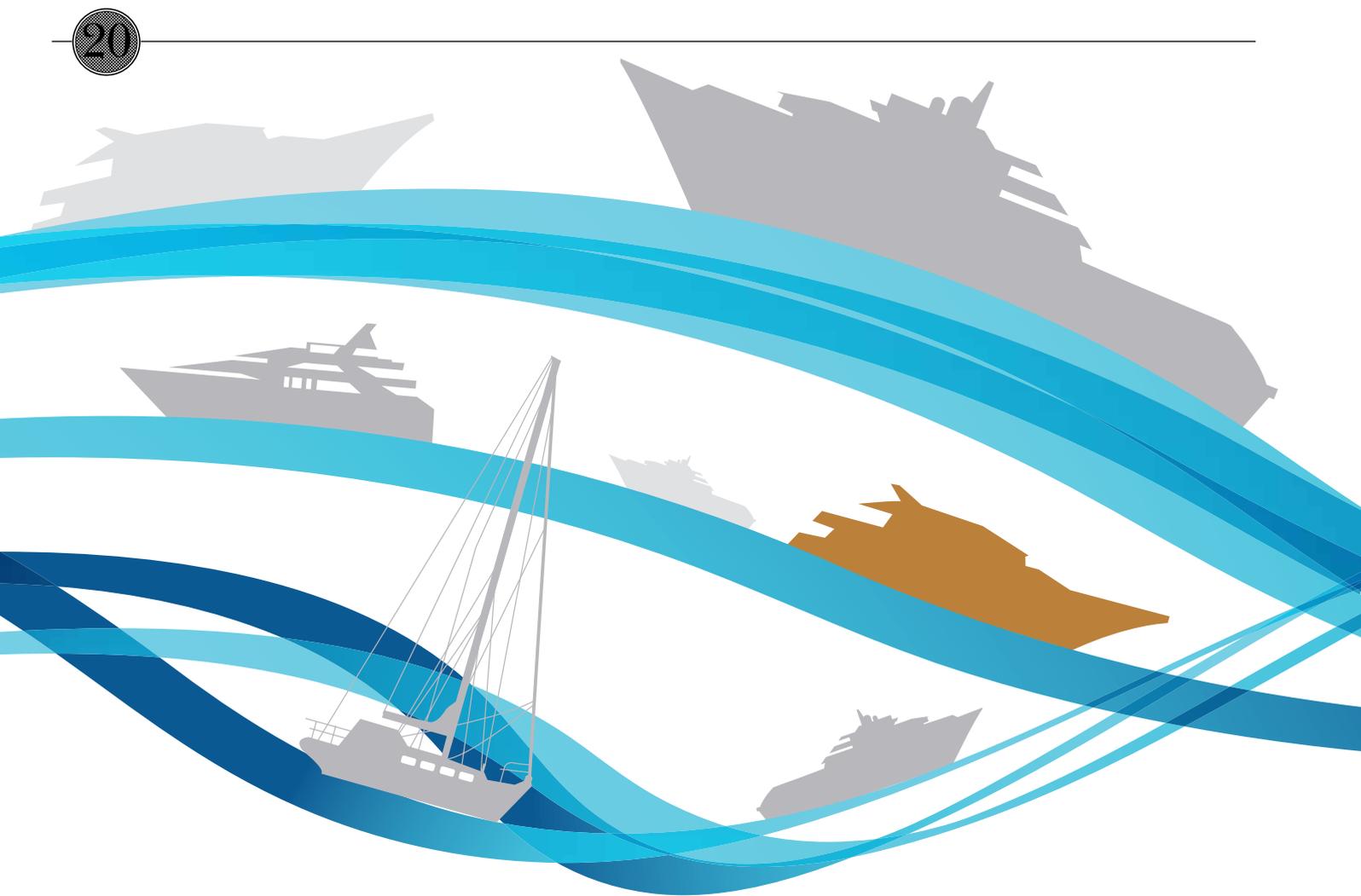
OWNER

ALESSANDRO FALCIAI
Enjoying the last of the summer wine with the owner of *Adamas II*.

EMERAUDE
Eric Merlin's unique journey to build a replica of a 1900s paddleboat using an old postcard.

THE FULL MONTE
Part of a new wave of marina communities, Porto Montenegro is more than just a place to berth.

QUANTIFYING QUALITY
Should we do more to quantify a yacht's true value before it goes on the market?



QUANTIFYING QUALITY

– WORDS BY WILL MATHIESON

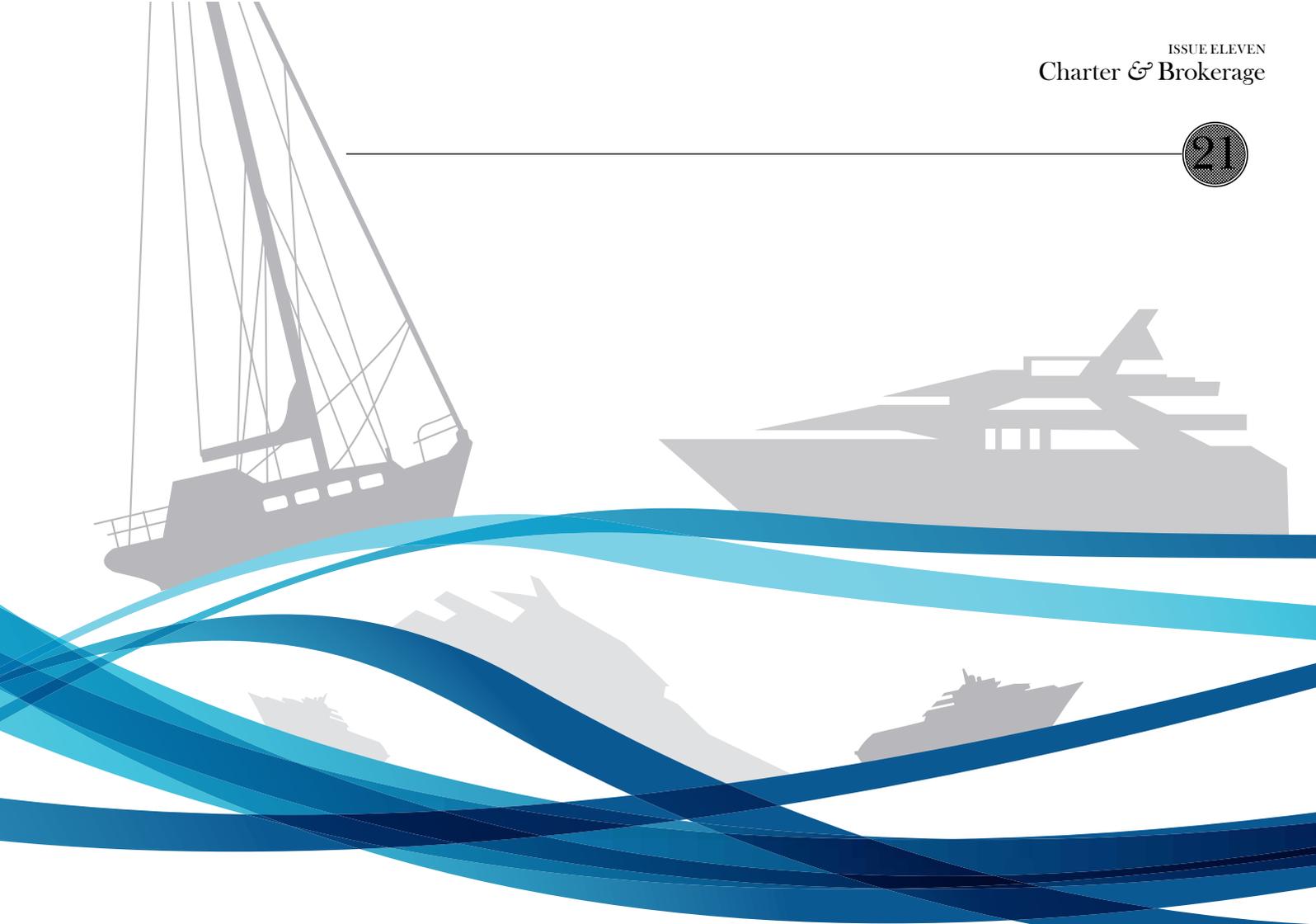
The superyacht resale market is saturated. Despite glimpses of encouraging market activity there remains a large proportion of detritus being marketed that helps to obscure the few diamonds in the rough that are for sale. Will Mathieson asks whether we should be doing more to quantify a yacht's true value prior to it going on the market.

There is simply too much of the same thing being brought to market and this is putting undue pressure on prices. Add to this a culture of brokers exaggerating yachts' market values in the belief that it will assist with client retention and one can see why buyers are reluctant to come into the second-hand market at today's prices.

This common mistrust of the accuracy or legitimacy of many asking prices is detracting from sales and there is a desire beyond the brokerage sector for more accurate pricing of yachts when they go up for sale. The use of empirical data and the quantification of a yacht's value through an independently conducted survey is a service that

is offered by some companies and, to this writer, seems like a legitimate stamp of authenticity for prospective buyers. After all, yachts are maintained to different degrees of quality and a price cannot legitimately be ascertained on the traditional broker metrics: age, builder, hull type, LOA, speed ... Any one of these may have been compromised or enhanced depending on the diligence of the yacht's crew, as well as other variables such as the frequency of use or her status as a charter vessel.

"If you just do the bare minimum to keep things ticking along, the yacht will retain a certain value," says Royale Oceanic's Geoff Moore. "But if you go above and beyond



WHILE PRE-PURCHASE SURVEYS ARE COMMONPLACE – IN FACT THEY ARE WRITTEN INTO THE MYBA CONTRACT – OWNERS ARE YET TO EMBRACE THE CONCEPT OF HAVING THEIR VESSEL VALUED THROUGH AN INDEPENDENTLY CONDUCTED SURVEY BEFORE TAKING THEIR YACHT TO MARKET.

the call of duty that will actually add value.” It is this consideration that conventional broker valuations won’t distinguish between. Only through the deployment of a technical survey will a yacht’s condition be accurately analysed.

“If a yacht is in class it does the job but there are other aspects a buyer should consider,” Moore continues. “Systems have finite life cycles and a buyer would want to know if anything on board is approaching the end of its life.” Obviously, if an engine has only one year of optimal performance left, it is going to cost the new owner a significant sum to replace it and the asking price of the yacht should be adjusted accordingly. However, this is actually not taken into consideration with conventional broker listings; so in essence, the technical people are being bypassed by the facilitators. “The technical survey takes the emotion out of the sales process and looks at the asset itself, its condition, the cost of restoration, and it gives a realistic figure for

its overall value,” Moore surmises. Likewise, Braemar Yacht Services’ Stefano Scarpa is keen to educate the ownership fraternity about the benefits of seeking independent verification of a yacht’s worth. “Keeping a vessel unsold for a long period of time is very expensive, and owners see themselves bleeding money,” he explains. “These surveys are effectively there to verify the assumptions of those brokers that do their job properly.” And while the ‘real price’ is “only what the purchaser is prepared to pay”, a comprehensive report on the yacht’s condition can give a very accurate picture of what it is worth.

Condition surveys “could be powerful sales tools if only they were not just used at the point of sale, but instead when the yacht is listed”, says Scarpa. “If you really want to know the value of a vessel you take the broker’s valuation and then you bring in an independent surveyor who can come on board and conduct a condition survey.” The results of these surveys can, he adds, add gravitas to a broker’s initial 



valuation. “When you buy something, you always want to know exactly what you’re getting for your money,” he says. “Some believe that commissioning this type of survey is like opening Pandora’s box, but if owners value a transparent transaction they will see the potential of such surveys.”

Condition surveys could seemingly then serve as tools of validation for the work of sales brokers. But while pre-purchase surveys are commonplace – in fact they are written into the MYBA contract – owners are yet to embrace the concept of having their vessel valued through an independently conducted survey before taking their yacht to market. This is seemingly counterintuitive as it stands to reason that a buyer would be far more attracted to a vessel that had been approved by a third party than an equivalent vessel that had been arbitrarily valued. But it is simply not happening.

Simon Burt, director at Winterbothams Ltd, acknowledges that it’s often difficult for brokers to give owners the stark reality check they need and that’s where an independent survey can be useful – as the bearer of bad news. But for him, the main stumbling block for the widespread adoption of this process is scepticism on the part of the stakeholders. “If you do have a good boat and we come along and say ‘we’ve found fifty defects and they’re all pretty minor’, how can the buyer trust that we haven’t been paid by the seller to say that?” Consequently, Burt questions its practicality as a sales tool. “Very few owners are going to take our valuation on board and thank us. Most of them will

be thoroughly disappointed,” he says. “I don’t think it’s a sales tool but perhaps more an information tool for the owner, manager or broker if they want to gain a better understanding of what they’re trying to sell.”

Burt’s qualms may be founded but there is still no denying that this process can help to inform and educate both buyers and sellers, and offers a quantifiable mechanism for identifying a price, removing the arbitrary nature of price estimates. Furthermore, this service is available and incurs a negligible cost in the context of the residual value it adds. If the industry as a whole is going to continue to bemoan the status of the second-hand market, maybe it is time for us to place our faith in empiricism. □

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– STEFANO SCARPA, BRAEMAR YACHT SERVICES



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