

# ***Buying A Cruising Boat***

## ***From dream to reality without tears.***

A boat is an expensive asset – to buy and to maintain. Before you take the leap, you need to do your groundwork properly so that you can make an informed decision. Here are some key processes of buying a boat, and the “must-do’s” to hopefully make your entry into cruising a happy event.

### **What do you *really* want?**

Perhaps the first step is to decide what sort of sailing you are interested in – racing, cruising or a bit of both. And whether you will be sailing on weekends, long term, local, coastal hops, or blue water. Have you done much sailing already? How many people will be sailing with you? If wanting to cruise, what is your timetable before you can go? Can you sustain your intended sailing lifestyle – financially and physically?

A systematic search of brokers' web sites and other sources will give you a feel for the range of boats that meet your needs and you will quickly get a picture of what you will pay for a particular sort of boat in a certain condition and with a certain level of equipment. Remember that all listed prices are negotiable, more or less, so boats priced 10% - 15% above your budget limit should be included.

### **Step-by-step**

Buying a boat is a series of steps. First is the initial, overview inspection. This first inspection should enable you to decide whether the boat is suitable for you, your budget, your plans, and your timetable. Never jump to a decision right then. Give reason a bit of time to balance emotion.

Then, if you think the boat meets your criteria, you arrange for a second viewing to carry out a more thorough, personal survey. If this technical inspection indicates that the boat is right for you, then you can make your offer.

If the vendor accepts your offer, a deposit is laid down with the broker, or owner if a private sale. Then you organise a pre-purchase survey by a qualified marine surveyor, and if that is satisfactory, you are entitled to a sea trial. If all goes well, you then pay the balance and become the owner. All of this has a time limit, and costs, of course.

### **Negotiating a price.**

You will need to identify the price range for your preferred model of boat: that is, the range between “top dollar” value and “project boat” value. When you go to look at a boat with a broker or owner, you alone will have to judge how the listed price for that boat relates to the actual value. The listed price rarely reflects the proper value, unless the owner is being especially honest and realistic. Brokers are often told by owners what price to put on their pride and joy – and there may be many thousands of emotional dollars in that price, especially if the boat has been excessively overcapitalised, or originally purchased way above true market value, or the seller chooses to ignore market reality. There’s a good point made by car and real-estate salesmen, and is apt for boats too – something is worth only what someone is willing to pay for it.

Consider why the boat is on the market. This might give an indication of the flexibility of the listed price. I joke that there are at least seven Ds for a boat being put up for sale – Death, Divorce, Disablement, Disease, Disillusionment, Desperation, and Disaster (usually financial). It’s a buyer’s market, if your emotion doesn’t interfere!

But be realistic. A very good boat will not be bought for peanuts, usually, and a ridiculously low offer could offend. On the other hand, no one can force you to buy any boat at any ridiculous price either, and if your reasonable offer is rudely refused, you can vote with your feet. There are a lot of other boats out there. Or you can wait until the owner comes to his senses and reduces the price to the ballpark level. I once made an offer \$10,000 under the owner’s price and he considered it insulting. Three months later I learned that he accepted an offer \$7000 less than mine! His loss, my gain.

## **The proof is in the testing.**

The best way for you to determine the approximate “right” price for a boat is to carry out a very thorough personal survey. Only after you have laid down your deposit are you entitled to engage a marine surveyor to see if the boat is as good as you think, or hope it is.

Some Australian States allow a seven days “cooling off” period, after you put down your deposit, during which you can withdraw from the contract. But few brokers will make it as easy as you would expect. If you renege after the seven days, except in the case of an unsatisfactory marine survey, the owner has the right to claim some, or all of your deposit, depending on the circumstances, if there is a valid contract. So you need to be pretty sure the boat is close to 90% right for you before you put your deposit on the table and sign the contract to buy.

A thorough personal survey will achieve three things. It will allow you to make an informed assessment of whether the boat is good enough to risk your deposit, it will provide you with evidence of approximate value, and it will highlight problems or issues that you can present to your surveyor with a request to probe more closely.

## **The marine survey**

Insurance companies insist on a pre-purchase survey undertaken by a qualified surveyor. Thus you should keep in mind that your survey is in the first instance merely an insurance value and risk assessment, and you should not expect the survey to read like an engineering report. Never accept as gospel a survey report commissioned by the owner – it is often just an insurance requirement: basically an in-water assessment of the boat’s likelihood to remain afloat under normal circumstances.

A good surveyor will invite you to accompany him as he works through the boat, pointing out defects or problems, but you will get better value from him if you have done your homework and given him a list of issues you want examined.

A surveyor will look at as many items as he deems necessary, with the view to determining the boat’s standard of seaworthiness, the quality of onboard safety equipment, and the general condition of equipment, sails, rigging, etc. He will usually not focus on something specific in depth, unless he either finds a problem, or you request him to look closely at something on which you want his judgement.

Marine surveyors do not examine rigging, spars, engine or mechanicals in great detail on a pre-purchase survey. If you think these items need closer inspection, a rigger and a marine mechanic are the people to talk to. Nor will they look closely at structural integrity, unless the situation calls for it – for example, an ex-charter boat that may have a history of collision, grounding, or high stress damage.

Items of your concern will then be looked at and detailed in the survey report, with an assessment of the extent of any repairs to be done, or a statement of the condition of equipment. You can then decide whether to negotiate a lower price so you are not out of pocket twice over (once by paying for junk, and second by paying to replace or repair it), or accept it as is.

For example, the surveyor may merely note the presence of a radar, but not turn it on to test it. If you are concerned that the radar might not be operational, despite being included in the printed inventory provided by the owner or broker, you could ask the surveyor to check it for you. This goes for all inventoried equipment.

You may not be looking to make a profit with your purchase, but the budget conscious buyer should seriously consider how much he may potentially lose when he goes to sell the boat again, or when he begins to spend on repairs and replacements. You don’t want to compound the pain by throwing your money away up front!

## **The big decision – to buy or not to buy?**

David Pascoe, an American marine surveyor, estimates that it would take about 50% of the buying price of a boat in average condition to bring it back to “as new” condition, and 100% of the buy price for one in poor condition. So deduct estimated repairs, replacement costs, etc. from the “top dollar” value for your boat of interest, to arrive at a starting price. For example, boat listed at \$55,000 might

cost \$20,000 get it up to “top dollar” asset value condition, but be worth only \$60,000 “top dollar” on the market. You would have to buy it for no more than \$40,000 otherwise you will have lost money before you start. If the owner won't budge, leave it – don't be an emotional sucker.

Good brokers will understand the need for you, the buyer, to take the time and effort with your own inspection, in order to make an informed decision. If you have to say “no thanks”, it will be easier all round if you have the hard evidence to back your decision.

Having looked at many boats over the years, and bought five, I can say I've had my fingers burnt a few times. If you are patient and systematic, you will find problems, and the surveyor will probably find more, but you will never find all the problems until you have owned and used the boat for a while. And that goes for the newer boats as much as the older ones.

When you consider their age and initial cost, many older boats in Australia are relatively expensive. One well-known 11-metre production family yacht of good, not high, quality fully completed and ready to sail-away, cost \$50,000 in 1980. Thirty two years later, despite age, depreciation, wear and tear, an old engine, suspect electrics and electronic systems, rigging and sails as old as the boat and even with poor maintenance, owners of this model boat are asking close to \$100,000 or more. Go figure!

There are several “cult” boats that sustain high values for no reason other than their name – and that was not necessarily a guarantee of superior quality, or practicality. The point here is not to become obsessed with one particular, and expensive, model when there might be cheaper alternatives floating past into other peoples' dreams.

### **Caveat emptor**

Boats are covered by legal title of ownership the same way as a car, or a house. But people can still get badly burned by buying a boat with encumbrances, or which is not even owned by the seller. Sooner or later solicitors are engaged and many tears later the new owner is sorely out of pocket, if not boat-less as well.

All States have a system of registration, and a Boatcode or other HIN (hull identification number) system that can provide some, but not complete assurance of ownership. Unfortunately, it's difficult to access information that might tell if a boat has a mortgage, or if it has other owners. Even the boat PPSR check (<https://transact.ppsr.gov.au/ppsr/Home>) may be out of date. A broker's contract for sale should include a statutory declaration, which the vendor signs, to state that the vessel is owned by the vendor, and is unencumbered. If there is not a statutory declaration with the contract, provide your own, and especially so if it is a private sale. You can download a “stat dec” form relevant to your state from <http://www.homeloanadvicecentre.com.au/downloads/downloads.php>. Read the fine print though.

Ask if the boat in question is Australian Registered (different to State registration). Usually this is obvious by the presence of an ON number together with the boat's length inscribed in plain sight in the cabin somewhere. This is an international registration and much stricter on title. If unsure, do a search at [www.amsa.gov.au/Shipping\\_Registration/List\\_of\\_Registered\\_Ships/](http://www.amsa.gov.au/Shipping_Registration/List_of_Registered_Ships/). If the vessel is listed, you can arrange to get a copy of the Registration Certificate, which will indicate whether the person selling it owns the vessel, and if there is a lien (registered debt) on the boat. Ownership of a ship, under international rules, is in the form of shares, and every registered ship, no matter how big or small, comprises 64 shares. A single owner owns all 64 shares. Make sure you are buying all 64.

Many boats purchased overseas are not Australian Registered. The owner merely processes the boat as an import, pays the necessary tax etc. and takes out State registration. The history of such boats is very difficult to ascertain. Ask for the Bill of Sale and have the stat dec state that the seller is the sole legal owner and that the boat is not encumbered. And do a PPSR check (<https://transact.ppsr.gov.au/ppsr/Home>)

### **At last....**

The first-time buyer might shudder at the sometimes complex process he needs to wade through in order to become a boat owner. But it just needs patience, a systematic, rational approach to the search and the purchase processes to avoid traps and disappointments, and then he can relax and begin living the dream.