

Know what you're looking at: Yacht transactions can be some of the most complex in any market; hiring a trained professional can really help with it comes time to seal the deal.

*The Argument for Using a Qualified **Yacht Broker** When Buying or Selling.*

GO

WITH A

PRO

BOAT
SELLING
SERIES
PART II

BY GARY BECKETT

Sell the boat myself or hire a broker to sell it?

This is one of the most important questions a boat owner asks at the start of the selling process, and it's one that many wrestle over. The arguments for employing a yacht sales professional deserve consideration. Even for the boat owner whose sole consideration is cost, many factors come into play.

Brokers typically net a 10-percent commission on the final selling price for their services. To the uninformed, that can seem like a hefty price tag, especially for an owner selling a larger and/or newer model. However, if you are only looking solely at the expense of hiring a broker, there is another half of the equation to consider.

Think in terms of marketing, and the expense of going with a pro reveals itself to be much more like a wise investment in making sure that you price your sale correctly, expand the listing's reach to the broadest—in some cases international—audience of potential buyers, and perhaps most important of all, and ensure that your sale proceeds without hiccups or major issues.

"There is a great risk of doing a transaction without a broker," said Vincent Petrella, executive director of the Yacht Brokers Association of America (YBAA). "Because of the complexity of the transaction, which in some cases is more complex than a real estate transaction, yacht sales professionals are specifically trained to deal with the issues that come up in a yacht purchase."

From start to finish, a yacht sales pro can dramatically reduce the headaches involved in the sale. Experienced brokers have seen it all before. And if you have too much on your plate to handle the preparation, research, listing arrangements, contractual considerations, surveying, and more that are involved in the typical brokerage sale, brokers can save you time, and make sure the details are handled correctly, the first time.

Brokers also have the best resources in determining the correct market price for your vessel. If you've hunted for your next boat recently, you know how important price is in determining whether a listing gets a second glance. Often those who sell on their own simply want to move the boat quickly, which can lead them to underprice their listing. So the money you would save in commission by selling the boat yourself is lost anyway, by not receiving a fair market price—especially if your boat is newer or in higher demand. Of course, conversely, there are plenty of owners who've spent loads on improvements over the years, and want to recoup those expenses in the boat's sale, and who overprice their boat. So the vessel sits there for weeks, months and even years. Let the broker's motivation and market understanding help set your boat's price.

"In the Internet era, most boat buyers are able to conduct their own research and independently determine which brand and model boat looks suitable to purchase," said Jeff Merrill, president of the California Yacht Brokers Association (CYBA) and an independent yacht broker. "Involving a broker to help with your purchasing decisions will not only support your efforts, but provide the personal attention most buyers desire to make an informed decision. Yacht brokers know the market; understand what you are evaluating, and their product knowledge, transactional experience and professionalism are essential to make sure that the process is secure and successful."

Yacht brokers also have the connections and resources available to assist not just sellers but buyers as well through the sometimes tedious and complex brokerage sales process. "I think one of the most important things is the protection of client funds



Using a broker with knowledge of the market at large can help ensure you don't underprice yourself when it comes time to sell.

that is done through the dedicated escrow accounts that yacht sales professionals should have as part of their business plan," said Petrella.

This is especially true with international sales.

"One portion of the CPYB (Certified Professional Yacht Brokers) exam deals with international transactions and the use of brokers and experts in that field," Petrella said. "If the broker isn't particularly familiar with international transactions, at least they have the ability to contact a documentation service or an escrow agent who does have the background and the familiarity with those processes."

He points to the risks of dealing with importing a vessel without paying the proper duty or taxes or fees, which can put a buyer at great risk. "One of the most important parts of the transaction is making sure title and ownership are passed properly and legally, and that the buyer actually has clear title to the vessel and is in fact the owner of record," Petrella said. A buyer who has a broker working as his or her advocate in the transaction will be protected.

So what should one look for when hiring a broker, either to sell or aid in a vessel purchase?

Experience, good references and CPYB certification are all important. Currently, six associations have joined YBAA as sponsors of the CPYB Program—CYBA, the Florida Yacht Brokers Association, Northwest Yacht Brokers Association, Boating Ontario Dealer, Gulf Coast Yacht Brokers Association and the British Columbia Yacht Brokers Association.

Established in 1999, the CPYB program has become the industry performance standard in North America. Working with the National Occupational Competency Testing Institute, a team of brokerage-industry volunteers designed the program around a set of key performance and knowledge criteria. A certification exam with more than 150 questions was created. Even after certification, however, ongoing education is strongly encouraged

given how the market changes over time.

Still, the lack of CPYB certification doesn't necessarily mean the broker isn't qualified.

"We would love to see all brokers be certified, but just because a broker isn't certified doesn't mean he/she is not qualified," said Petrella. "It just means he hasn't gone to the next level of professional credentialing. Still we do encourage all yacht sales professionals to become certified."

And while licensing is an important consideration, currently California and Florida are the only two states that license brokers. At the end of the day, Petrella urges boating consumers to use a broker who is a member of a yacht brokerage association; preferably one of the seven associations sponsoring the CPYB program, and is bound by a code of ethics and business practices.

"This gives the consumer an ability to file a complaint when there is a potential problem with a yacht sales professional and have it resolved internally instead of through legal means," he said. "With a FSBO sale, if something goes wrong, the only recourse a buyer and seller have in a dispute is to hire lawyers."

Association-member brokers also have access to a vast library of resources, including members-only, copyrighted sales documents (not available to FSBO sellers), and a network of marine surveyors, lenders and other professionals who can help expedite the sale. "Yacht brokers have the network of experienced pros, as well as the legal resources, to work their way through any issue that might come up during a sale or purchase," said Merrill.

Brokers also understand the complexities of listing a yacht, which can be daunting in an FSBO sale.

There are two types of listings—central and open. A central

Less time dealing with marketing could mean more time doing this.



Jay Campbell

BE SMART ABOUT YOUR BROKER

A good broker will make a buying or selling transaction as simple and stress-free as possible. Here are four bits of advice on how to get what you want.

- 1. TRUST. But with a Reason.** So you decide you want to use a broker, but which one? Ask your knowledgeable friends and acquaintances for tips on who to use. Meet with the broker, face to face if possible, and begin to form your own relationship. And check references: A good broker will have plenty of them.
- 2. USE THE RESOURCE.** A broker has access to an immense wealth of boat knowledge—based on following the market in general, information about recent, comparable sales of boats similar to yours, surveyors, service yards, and much more. Listen to their advice—they know what they're talking about.
- 3. BE STRAIGHT WITH YOUR BROKER.** If you sign on with a broker, let him do his job. If you have questions, ask your broker. If you find interesting listings online at midnight, ask your broker to run them down—don't email the listing broker directly. Sometimes you may be doubling efforts or causing obstacles to future transactions.
- 4. DO WHAT IT TAKES TO BE COMFORTABLE.** Even when working with a broker, it's not a bad idea to bring in an attorney experienced in brokerage sales to review agreements between all parties and insure that everything is being handled appropriately. A good broker will expect this and be glad to share all information.

listing establishes your broker as the central, controlling broker in the sale. That broker controls the advertising, marketing, and showing of the boat to other brokers and their clients. The central broker also controls who sees your boat and when, and communicates with other brokers about any offers.

The central broker splits the commission, even if another broker sells your vessel. Since commissions are paid only when the sale is completed, the central broker is incentivized at all times to market your vessel as aggressively as possible, knowing he/she will be paid when the deal is done.

In an open listing, any broker can advertise your boat, and whoever sells the vessel receives full commission. If the owner sells the boat, the broker does not receive a commission.

This may seem attractive to the seller at first. However, you can guess which type of listing is most popular with brokers—the central listing. But from the seller's perspective, it is also the best arrangement since it ensures that you, via your broker, have more control over the selling process and that all brokers are incentivized to close a deal.

Most brokers will require a six-month commitment for a boat listing, although 12 months isn't unheard of. These terms are negotiable, but make sure they're spelled out in the listing agreement.

For buyers, it's advisable to hire a buyer's broker who will work independently of the seller and focus specifically on your needs, many industry pros say. It makes sense, since a buyer's broker gets a split of the seller's broker commission. But it is in his or her best interest to have the transaction go down the way you want. After all, he or she will want to help you buy your next boat, too.

For additional tips from brokers on buying and selling boats, pay a visit to www.BoatQuest.com. 