



“The bitter taste of poor quality remains long after the sweetness of low price is forgotten.”

~Anonymous

Something of value

Some people might tell you that the words *value* and *yacht* have no business being used in the same sentence, while others would argue that real value is easy to find in a good cruising yacht. Considering this, we asked **Milt Baker** to take a look at the conundrum of value and cruising yachts. Milt has owned and cruised six yachts under 50 feet over the past thirty-some years and now has taken delivery of his seventh, Nordhavn 47 #32. Here's his take on value.

BY MILT BAKER/SENIOR
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Let's face it: a private yacht of any size is an out-and-out luxury and few are bought because they make good investments. Like it or not, the truth is that privately-owned yachts are depreciating assets – a year from now just about every one afloat will be worth less money than it is today. With that in mind, is it possible to find value in a cruising motor yacht?

As the owner of a brand new Nordhavn, my answer is an unqualified **yes**.

What Is Value?

It's natural to think of value in purely financial terms, but in reality value encompasses more than the price of the yacht so let's begin by defining what we mean by value in a yacht. Any dictionary offers several definitions for value, but for

purposes of this article there are two that ring true:

- Monetary or material worth: *such as the fluctuating value of gold and silver.*
- Worth in usefulness or importance to the possessor; utility or merit: *such as the value of an education.*

In other words, two ways to consider the value of a yacht are:

- What can it be bought or sold for?
- Of what use or importance is it to the owners?

Let's start with the financial side.

First, let's make certain not to confuse price and value because a low price does not necessarily mean good value. The market is full of low-priced yachts, used and new, but few represent real value. Let's take a look at what goes into value in a yacht.

Since we've established that a privately-owned yacht is always depreciating, it's easy to conclude that yacht ownership is without value, or carries negative value. That's the half-empty view. My half-full way of looking at it, however, is this: everything is relative, so if my yacht is depreciating less than a competing or similar yacht, in one way that represents better value.

A savvy owner seeks ways to maximize the value of his investment, even when he knows it's depreciating. That leads to one of the central questions in considering financial value: how to determine which yachts will depreciate faster or more slowly.

Value and Brand

When it comes to yachts in today's market, separating value from brand is all ►

but impossible. Buying what the market considers a good brand is usually step one on the path to true value in a yacht. Buying something less is almost always a giant step in the other direction.

A top yacht brand is not made overnight. Some of the industry's grand old brands – Grand Banks and Hinckley, to name a couple – go back many decades, while others such as Nordhavn are newer on the scene. Regardless of their longevity, all of today's top yacht brands have one thing in common: they have been built over a period of a decade or more and they connote the quality of the yachts that wear the brand.

A buyer should expect to pay more up front to acquire a yacht with a top brand, new or used, than to acquire a lesser yacht. The payback, of course, comes over the course of ownership and at resale time. The record shows that serious problems with top brand yachts usually occur far less frequently – and when they do, the company can lend a hand. That's one reason

experienced buyers can be had.

My friend Harold is a good example. A successful businessman who had just sold his business and retired, he ordered a new 59-foot sailing yacht to be built; it was one of America's top quality brands. The yacht was completed on time and on budget, and he and his family sailed their new yacht to the Mediterranean and back on a memorable and trouble-free two-year voyage. Once he returned and sold his sailing yacht, he decided to build a motor yacht. He signed an agreement with a small builder in Maine for a custom 48-foot Down East-style motor yacht. At first Harold visited the builder each month to check progress, but when the builder began to fall behind Harold moved to Maine to oversee the project more closely. Still, the builder fell further and further behind, and Harold advanced him more and more money – well beyond what the agreement called for. Tempers flared, threats were made, and the relationship soured. When finally the boat was

genced on companies building yachts, checking financial strength and talking with owners who have had boats built by the company. This is where PAE and its 16-year-old Nordhavn brand shine.

“So many builders of semi-custom yachts have very limited financial resources, and they're strapped for cash,” Streech says. “PAE, on the other hand, defies industry tradition by requiring only 20 percent down.” The next payment isn't due until the boat is complete and ready to ship from the factory, when another 75 percent is paid. The final five percent is paid after commissioning, at the time the boat is delivered to the customer. “Unlike lots of companies building yachts like this,” he says, “PAE finances the construction from our own cash flow, which means there's essentially zero risk to the customer. I cannot conceive of a more risk-free way for anyone to build a new yacht of this size.”

What does this have to do with value? Let me give you a personal example: as a Nordhavn buyer, I can tell you my comfort level was very high in dealing with an established builder to whom I paid only 20 percent of the price of my boat until the boat was ready to ship from the factory. Since I flew to China and visited the factory a week before my boat shipped, I could see exactly what my boat looked like before I wrote the big check. To me, the fact that I had little at risk in building a 47-foot yacht represents real value.

Just as the buyer of a Lexus or a Mercedes-Benz has a reasonable expectation of high quality in the automobile he's buying, so does the buyer of a new or used Nordhavn. The expectation comes because the market places a high value on those brands, and that's because the brands have proven their quality time after time over the years.

The reality is that today we live in a world of brands, and a quality yacht brand such as Nordhavn provides the assurance of value. That quality brand – reputation really – is hard won in the marketplace because a builder must focus on making certain that every yacht delivered meets high standards and must have a proven track record of doing so. Yet that's precisely why the brand has real value to a buyer – it's a de facto guarantee of a certain level of quality.

In truth, it's a long road between the preliminary designs and the final delivery of a fully functioning yacht. The road is full of potholes and other surprises, and it's fraught with danger for a first-time buyer.

resale history shows that quality brand yachts tend to hold their value better.

I learned the hard way about brands in yachting. In the 1970s I bought a wonderful 32-foot cruising ketch, but when the time came to sell it a dozen years later there was a problem: its small builder had gone bust and the brand was all but unknown. Buyers didn't want to look at a no-name boat, and I took a bath when finally it sold. But I learned a valuable lesson: all my subsequent yachts have been well-known brands.

Yacht buyers most at risk today, in my opinion, are those who succumb to the compelling image of an effortless journey to ownership created by designers and builders of custom yachts. In truth, it's a long road between the preliminary designs and the final delivery of a fully-functioning yacht. The road is full of potholes and other surprises, and it's fraught with danger for a first-time buyer. Even

launched close to a year behind schedule, Harold had to take it to another builder to be finished at his own expense. Disillusioned, he sold the new boat not much more than a year after taking delivery because being aboard brought him such painful memories. The whole experience cost him untold pain and a pot of money. Harold can tell you a lot about value!

Anyone ordering a new yacht needs to feel a certain level of comfort with the company designing, engineering, and building the yacht, something easy to do with Pacific Asian Enterprises Inc. (PAE). “PAE is in the sweet spot with age, wisdom and experience – a healthy company without turmoil or change or weird stuff going on,” PAE president Dan Streech says. “A guy comes in to buy a new boat and he can get competent service, safe and well-proven design work, and good engineering. But his money is safe.”

Smart buyers do their own due dili-

When it was first introduced in 1989, the Nordhavn 46 sold for \$299,000. In the summer of 2005, one such model was selling for \$410,000.



Building Value

What goes into building value and making a top quality brand? While answers vary from builder to builder, let's take a look at some of the key factors that have put PAE and its Nordhavn brand in the catbird seat.

Pre-eminence. When it comes to building mom-and-pop ocean-crossing motor yachts, Nordhavn is the world's pre-eminent brand. The market says that nobody does it better.

Going to Sea. Much of PAE's experience derives from company owners and employees who go to sea and cross oceans in the yachts they build. The company put its brand and reputation on the line with its Around-the-World trip in a stock Nordhavn 40 in 2001-02 and again when 18 yachts (15 of them Nordhavns) and more than 100 people crossed the Atlantic in Nordhavn Atlantic Rally 2004.

Company. Over the long haul for more than 30 years, PAE has shown consistently that it has the experience, management skills, cash flow, industry reputation, and proven ability to design, build and deliver quality ocean-crossing yachts.

No Middle Men. PAE has no dealers or other middle men to add to costs, so the

company can deliver a lot of yacht for the money.

Experience. By any measure, no company anywhere in the world has as much experience as PAE building ocean-going motor yachts under 100 feet.

Perception. Based on the prices at which new and used Nordhavns change hands, it's easy to see that buyers are willing to pay premium prices to own Nordhavn yachts. History shows that Nordhavns typically sell for a higher percentage of their original cost than competing yachts and they also sell at higher prices than competing yachts.

Ability. Nordhavn owners are almost cult-like in their devotion of the Nordhavn brand, reporting over and over again that their Nordhavn yachts have successfully done what they were built to do: cross oceans and make safe, comfortable offshore passages.

Confidence. Ask any owner what he thinks of his Nordhavn and you'll find that owner

confidence levels in their Nordhavn yachts are high. That's one reason you'll find lots of owners in their second Nordhavn and some in their third.

Systems Integrity. No production yacht builder in the world designs and constructs yachts with greater proven-at-sea systems integrity. Systems integrity begins with the design and specifying quality equipment and redundancy. Proper, seaman like installations and in-the-water testing are the norm. Nordhavn systems work well and keep on working.

Support. PAE excels at support, warranty work, and service after the sale, and owners know that. The company owners and project managers are accustomed to calls from Nordhavn captains at sea with a question.

New or Used?

From a value standpoint, whether to buy a new or used yacht is a tough call. I've done it both ways, and I see real advantages and

In short, the choice between new and used is a personal one; there's no right answer for everyone and there's value to be found in both new and used yachts.

disadvantages to each.

Buying a new Nordhavn, you have the opportunity to order a current model and to spec the boat exactly the way you want it. You can pick the exact configuration, equipment and electronics you want – nothing more and nothing less – and you can also decorate the boat the way you want. Once you take delivery, you receive a squeaky clean yacht with a full warranty and lots of hand-holding from PAE to get you up and running. Those are powerful arguments for buying a new yacht. But consider some of the downsides:

- Depending on the model you want, it may be a year or two more before you can take delivery – and delivery dates are not cast in stone.
- It's hard to determine up front what the final cost of the yacht will be because you'll make changes and add equipment along the way.
- There are many decisions to be made by the buyer. To get the boat you want,

answer for everyone and there's value to be found in both new and used yachts. Whatever you do, my advice is to buy a yacht that will do what you want it to and one that makes your heart sing.

Timing

When is the best time to buy a new or used Nordhavn? Timing the purchase and sale of a yacht is everything, and it's definitely more art than science.

If getting a good price on a new yacht is your principal goal, there's a strong case to be made for going after what PAE calls "introductory pricing" on a new design – but your timing must be perfect! Introductory pricing is offered when the company wants commitments from customers for a certain number of hulls before it will invest in building the costly tooling (molds) for a new model. You'll never find a lower price for a new model than the introductory pricing. But there's a downside: since introductory pricing is

Not only does the building yard get "in the groove" turning out and fine-tuning these models, but buyers come along and see the early models and they request improvements and changes – small and large alike – that are often incorporated in later hull numbers. The owners of many Nordhavn 47s ahead of mine, for example, were most generous in opening their boats to me and pointing out ways to make improvements; my boat will incorporate many changes from earlier models plus a few of my own.

Value here is in the eye of the beholder. If you see value in introductory pricing for a new Nordhavn model and your timing is right, my advice is to go for it. If, on the other hand, you see more value in the many evolutionary changes in a yacht that's been in production for two or three years, that's surely the best choice for you.

But when you see a 1989 Nordhavn, which cost \$299,000 new, for sale for \$410,000, as was one case in 2005, value will take on real meaning.

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managing a new build will take as much time and effort as you're willing to give it.

- Commissioning, shaking down the boat and getting the systems working in harmony with one another takes time and effort on the owner's part.

Nordhavn yachts typically hold their value well, which means buying a nearly new one could cost close to as much as a new one. Nevertheless, buying a used boat allows you to see exactly what you're getting in advance and to know exactly when you can take delivery, and the yacht will likely have been shaken down before you see it. You may also be able to negotiate a better price on a used boat. The level and style of care and maintenance provided by previous owners will have a direct effect on price and value, something particularly important with yachts more than a few years old.

In short, the choice between new and used is a personal one; there's no right

only for yachts that haven't yet been built, buyers must place their orders and make their decisions based on plans, rather than being able to go aboard and see the boat with their own eyes. For many buyers, buying a yacht sight unseen is a fair trade-off for getting a low price, and there's real value there. On the other hand, other buyers are like me – they have a hard time taking the plans and visualizing the final form of the yacht.

Another downside to buying with introductory pricing is the learning curve, and there's one for every new model. Thanks to its experience level, PAE does an incredibly good job of anticipating problems and solving them in the design and building phases, but Nordhavn's excellent history notwithstanding, it's a good bet that you'll have fewer problems with a later hull than an early one. Experienced owners know that the longer a particular model has been in production, the higher the quality of the yachts being delivered.

Non-financial Value

It's normal to think first of yacht value in purely financial terms, and certainly there's a huge financial component to value. But there's another facet to value as well, arguably more important than the price at which a yacht is bought and sold. In terms of value, the non-financial side of yacht value goes to the very core of why we buy yachts in the first place: to enjoy owning and cruising in them.

Though it's impossible to quantify, I think most Nordhavn owners would agree that the best measure of true value in a yacht is the enjoyment they derive from owning and using their yachts. If a yacht is often broken down or smells bad or doesn't perform or has dull, splotchy gel coat, or frightens your first mate, ask yourself what kind of value it represents. On the other hand, if it runs like a top, is mostly trouble-free, smells good, does what it's supposed to do, shines up nicely with a coat of wax, and your admiral loves being aboard, what kind of value does that represent? And how can you put a dollar amount on that?

Simply put, most owners buy yachts for the enjoyment and adventure we expect them to bring. With a top quality brand

like Nordhavn, that's a reasonable expectation because owners can look forward to enjoying their yachts. Whether we can quantify it or not, a yacht that brings nothing but breakdowns, delays, headaches and boatyard bills surely has far less intrinsic value than one that's working well and doing what it was designed to do.

If you've spent much time on the waterfront, you've likely seen dozens of boatyard queens – yachts immobilized in boatyards for months at a time while owners or yard personnel chase and solve one problem after another. This is not only an expensive process but it's eating away at another valuable commodity: your time. If much of your time is spent in the boat yard, that's time away from cruising and enjoying your yacht. It's hard to argue that a boatyard queen has much value to anyone except the boatyard owner.

Final Analysis

I've long felt that the best true measure of the financial cost of a yacht is the difference between what an owner buys it for and what he sells it for. That's a simplistic equation, to be sure, but it leaves out so many costs that are irrelevant: upgrades, operating costs, maintenance, insurance, and repairs. Maybe it's unfair not to consider those costs, especially upgrades and repairs. Even so, looking at the price an owner paid for a yacht and the price he sold it for will tell you a lot about value. The real truth, however, is that it says nothing about the enjoyment an owner gets from his yacht, and I for one believe that's where you find the real value in any cruising yacht. ☐

Milt Baker, senior editor of Circumnavigator, with his wife Judy founded the popular and respected Bluewater Books & Charts in Fort Lauderdale. Since selling the business, they have enjoyed the cruising life, with one hectic year devoted to managing Nordhavn Atlantic Rally 2004. At presstime, they were commissioning their new Nordhavn 47 which will called Bluewater.



10 Rules for Maximizing Value in a Trawler Yacht

Whether you buy a Nordhavn or some other trawler yacht, here are 10 rules for getting the best value in a new or used cruising yacht:

1. Define what you want to do with your yacht, then find one you can afford that will do it safely, comfortably and capably.
2. Don't confuse low price with good value.
3. Buying a top brand is the first step on the road to value; buying anything less is a giant step in the wrong direction.
4. Buy new or buy used, but buy a yacht that makes your heart sing. If the admiral is a part of your team, it should make the admiral's heart sing too.
5. Be careful not to pay too much money too soon when you're building a new yacht.
6. Can you take advantage of introductory pricing in a new model? Do you want to? Know the tradeoffs.
7. Be cognizant of models that are new and those going out of production, and use this information to your advantage in buying and selling.
8. Sell your yacht when you've done with it what you wanted and you're ready for new challenges.
9. Keep in mind that the true financial cost of a yacht is the difference between what you buy it for and what you sell it for.
10. Though it's impossible to quantify, the very best value a yacht can offer is the enjoyment it brings its owners. Take advantage of the value and enjoy your yacht!