

Buying or Selling a Boat ? - Know Your Market

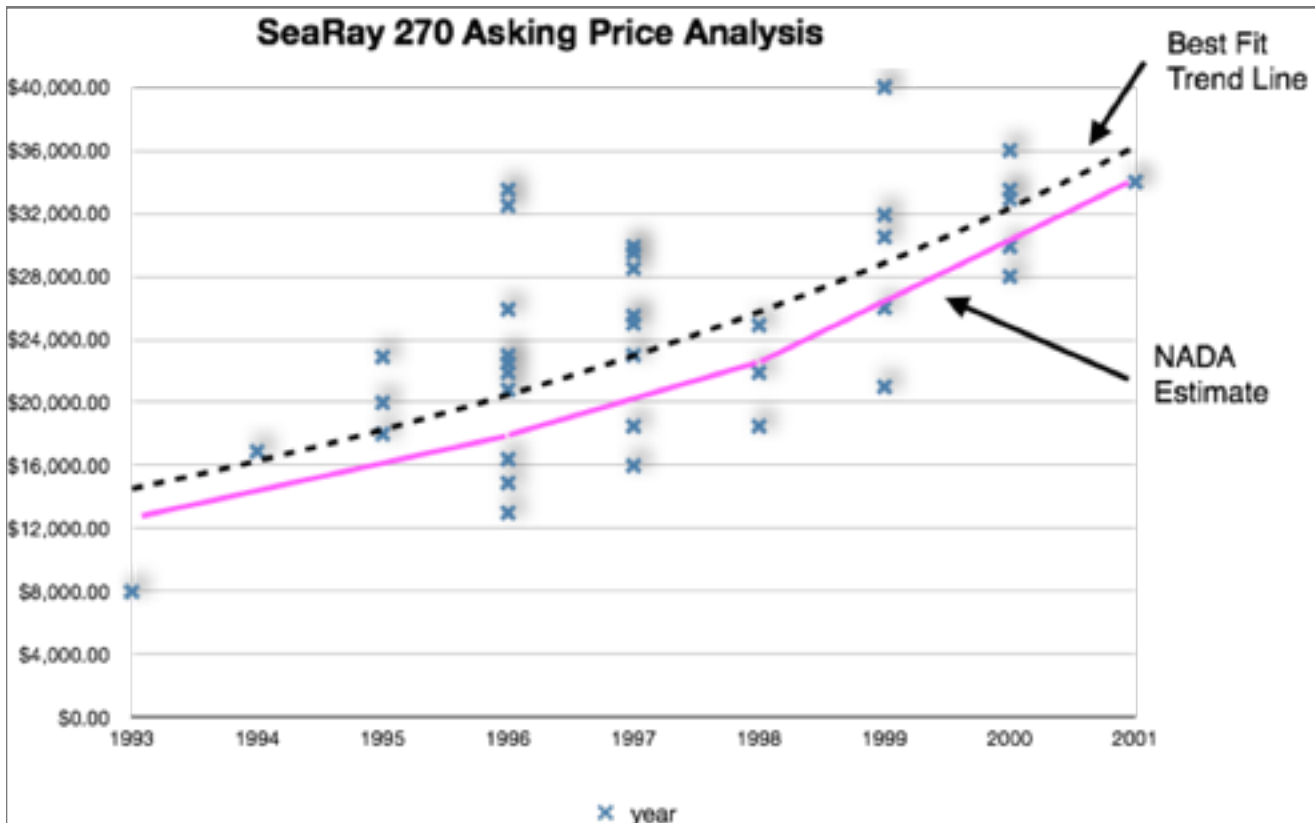
Everyone who is involved with recreational boating from an ownership perspective will buy and sell boats. Some may buy and sell often, while others may only transition to a different boat occasionally. Whether you are buying or selling, the more you know about the market, the better off you will be. The focus of this article is on evaluating the market for buying and selling used boats, which account for most boat purchases. Boats will be sold as new only once, yet are typically sold as used several times over the course of their useful life.

When buying or selling a used boat, it is helpful to know a fair bit about the market in which you are competing . . . yes, competing. Sellers compete with other sellers for a limited number of buyers, as typically there are more boats for sale at any given time than there are would-be buyers. Sometimes buyers can be in competition with other buyers for a coveted boat that appears on the market. The Spring market in 16-20 foot bowriders usually exhibits this condition. More often than not, the sellers are the ones competing as they grossly outnumber buyers. Yet, buyers need to know the market so that they are getting the best deal, and not limiting themselves to a first seen opportunity that may not be as good as others.

Quite often when someone is planning on selling their boat, they will either have a price in mind, check price reference guides, or ask others for an opinion. Equally, buyers will often do the same, but more importantly, they will typically have a budget to work within. Using the abundant access to information on the Internet, a buyer or seller can compile a wealth of information about the market that they are entering.

Presented below is a technique that can be used to display a variety of information using fairly simple computer spreadsheet capabilities. It involves searching the Internet for asking prices of used boats and compiling them in a spreadsheet by model year and price. Additionally, market value information from sources such as NADA, BUC, and ABOS can be added to the spreadsheet. The graphing of all of this information can give a visual relationship of asking price ranges and market value references, resulting in a market analysis at a quick glance.

The analysis of the boat market can be done for a particular brand and model of boat or even for a particular size and type of boat. Below is an example of the market for a Sea Ray 270, which is a 27 foot cruiser. Being a fairly popular boat, there happened to be quite a few boats on the market when this data was compiled for the model years ranging from 1993 to 2001, as denoted by the blue X's on the graph, which is their asking price. Also on the graph are the NADA value estimates and the 'best fit' (or average) trend line for the asking prices.



At a glance, you can get a fairly good idea of the market for this boat for the model years displayed, and how the asking prices relate to price references, like NADA or BUC. Within each model year you can see a variety of asking prices, ranging from the ‘dreamers’ to the ‘desperate’. Compiling this information in graphic form gives a great visual of the market for either buyer or seller.

“ Boats tend to sell from the bottom of the range of asking prices”

Now one might think there is a logical explanation for the range of asking prices, in that they are related to the condition of the boat, but that is usually not the case. The bulk of boats in a market such as this will have some variation, but generally will be in good condition. A few may be exceptional, having little wear and tear, and a few may have significant issues, but typically the majority of the boats will be in decent condition. Geographical differences in the market can account for some variation in prices, but not to the extent that is shown in the range of asking prices.

As far as what impact a boat in exceptional condition has in terms of buying and selling, take a look at the 1999 models on the graph, for example. The prices range from \$21K to \$40K, nearly 100% difference, with the average being around \$29K. If the \$40K boat were in exceptional condition, would it likely fetch a 35% higher than average price? Most boats will be negotiated down somewhat from their asking price, but all things being relative, an exceptional boat is probably not

going to get a 35% price premium over a good condition boat. The effects of exceptional condition are more likely to be a quicker sale and a somewhat higher than average price; more like 10-20% higher.

If you think for a moment about buyer and seller philosophies. A seller will want to get the most money for their boat in a fairly straight forward manner. A buyer will want to get the best boat for the least amount of money. Only when there is a meeting of the minds between these two different philosophies does a sale actually occur. Additionally, a buyer usually enters the market with a budget figure in mind along with a desired type, size, feature set or even brand of boat, whereas the seller has a specific boat that they are trying to sell.

“ Buyers are looking for the best boat at the lowest price”

Referencing the graph, a buyer with between \$20K-\$24K to spend could consider boats that span over 5 model years. If we assume that the overall condition and appeal of a boat follows age to some extent, then a buyer will tend to gravitate towards newer boats at lower prices, based on typical buyer philosophy.

A seller, with a certain boat to sell, has to compete with other sellers that are offering the same or a comparable boat at similar or even lower prices. As an example from the graph, a 1996 model at \$32K being the highest priced in that realm is not only competing with other 1996 models, but also competing with newer models, including a 2000 model offered at the same price. The odds of selling greatly diminish as the asking price goes up relative to the market, because there is less chance of buyer and seller having a meeting of the minds. You have to wonder about the ‘outliers’ on the very high end of the price range. There are probably a variety of reasons that sellers do this, be it excessive love of the boat or a financial situation they are trying to address. My theory is that sellers on the very high end of the price range do not really understand the market and the fact that they are competing with other sellers. Their perception is more likely that they are competing with the buyers over perceived value of their boat, which is simply not true.

The resulting dynamics from the buying and selling philosophies at work, along with the realities of the market reveal that boats tend to sell from the bottom of the range of asking prices. For that is where buyer and seller are most likely to have a meeting of the minds. The boats in good condition offered at the lower range of asking prices are the ones most likely to sell, because that is where the buyers are. It is kind of like fishing; you go to where the fish are biting. Buyers are not looking to pay a high price for a good boat or even an exceptional boat. If you are a seller looking to sell at the higher end of the price range, there aren’t any ‘fish’ there. If you are buying, you can gain greater insight by examining the market and seize your opportunities in terms of getting the ‘best boat for the lowest price’.

All it takes is to watch the boating market for a period of time. What you will notice is that the boats in good condition AND at the lower prices are the ones that sell. Poor condition and low price tends

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not to work and exceptional condition at a high price doesn't either. Often you will see sellers at the high price ranges stay there for months and even years. They are the 'dreamers' and have actually positioned themselves away from the market. I see these boats listed all the time and they become quite familiar, because they are on the market forever. The longer a boat stays on the market, the less valuable it is. So, for sellers, the best approach is to go where the market is for your boat, and for buyers it is to know where your greatest opportunity and value lie within the market.

That's my story of the recreational boat market and how the knowledge of it can be used for buying or selling. Hopefully it can be useful in a future purchase or sale.

Happy boating,

Ted Penfield