
M BLUE YACHTS

SALES & CHARTERS

YACHT PURCHASE PROCEDURE

When buying a yacht, there are a multitude of factors that need consideration in order to effectively negotiate the purchase and optimize the closing process. Rest assured our team will assist you with every aspect of the yacht purchase process.

There are buyers that will know exactly what type of yacht he or she wishes to obtain, and it is just a matter of finding it. Potential and first time buyers would certainly benefit of guidance to refine their search; i.e. motor yacht or sailing yacht, new or used, modern or classic, length of the yacht, construction of the hull and so on.

The following important step is to establish the purchase budget. This is also the time to discuss the expected operational budget, annual expenses and long term running costs which can vary significantly even within an identical size range. The running costs of a yacht will play a part in which yachts should be presented for consideration. An additional factor is planning on how to use your yacht? Would you consider chartering?

Time Frame

The final factor is determining the time period. Some buyers are willing to wait for the right opportunity and this means they may rather consider building a yacht or await until the right yacht is available. In case a buyer is looking to own a yacht right away, then we may have to guide the buyer through making some compromise in order to expedite the process.

Procedure

Once a yacht has been found and fulfills all of the criteria she* should be inspected. Our team will make a pre-inspection of the yacht on your behalf to ensure time is being used in the most efficient manner and any positives or negatives are highlighted during the initial phase. If after inspection a decision is made to go after a specific yacht then negotiations should commence. Findings from a detailed inspection and document research will help our team to advise the buyer at what level to make a formal offer in the shape of a letter of intent (LOI).

Once initial negotiations have concluded with an agreed sales price then the first legal document the Memorandum of Agreement (MOA) will be drawn up between the buyer and seller. This lays out the agreed terms and conditions of the potential sale.

Once both parties agree on a deposit placement and a deposit is placed into a designated escrow account the seller will make the yacht available to the buyer for a sea trial and survey. It is important to understand the buyer is completely within his or her rights to withdraw from the sale with no losses following an unsatisfactory sea trial.

If the sea trial has demonstrated suitability of the yacht, it is advisable to arrange to have the yacht hauled out of the water and for a survey to take place by an independent marine surveyor. Survey findings can, in some instances then, be used as a means to renegotiate the price and terms.

Once the final price is agreed our team would advise taking on the services of a qualified maritime lawyer who will oversee the process. The process will take longer than the buyer anticipates but it is very important not to cut corners ensuring that all due diligence is correctly performed. Once the agreement has been concluded and crew is in place, your next question is where to sail!

Analytical Procedure

1. Inspection of the Yacht

- a) Our team will arrange the viewing of the yacht; send you her latest pictures and conditions

2. Agree on a Sales Price

- a) Undertake a formal offer to purchase the yacht with a Letter of Intent (LOI)
- b) Seller will generally counter offer and start negotiations. After the agreement on a sales price both parties move forward to implement a signed Memorandum of Agreement (MOA)

3. Memorandum of Agreement (MOA) - Sale and Purchase Agreement Sea Trial Condition Survey

A) Signing the MOA

- i) Upon agreement of a sales price an MOA is signed by both parties.

We use the Mediterranean Yacht Brokers Association (MYBA) Sales and Purchase Agreement/MOA

- ii) The MOA should be circulated by fax/e-mail for signature application by all parties.

Original copies in duplicate should also be executed and couriered between all parties before completion takes place

- iii) An inventory of the yacht, clearly stating any items which will be excluded from the sale, as well as photographic evidence is kept with the MOA, so that there is no confusion at a later date

- iv) We advise the Buyer to appoint a specialist maritime lawyer. Completion paperwork can sometimes be complex, so we would recommend a specialist in the field – we can provide a list of good maritime lawyers for you to choose from. The appointed lawyer will draw up the complete list of paperwork necessary for the completion

- v) Upon signature of the MOA a deposit of 10% (general terms) of the agreed sales price is payable into the approved stakeholder account (and held subject to the terms of the MOA).

B) Sea Trial

- i) The first stage of the MOA is to sea trial the vessel

- ii) The Seller makes the vessel available for sea trial (usually a maximum number of hours apply)

- iii) The Buyer must choose to accept / reject the vessel following this sea trial by written confirmation within 24 hours (or prior to the placing of the vessel ashore for condition survey (if sooner). If the vessel is rejected, the deposit is refunded immediately to the Buyer. If the vessel is accepted, the Buyer proceeds to the survey stage

C) Condition Survey

- i) Next stage is the condition survey

- ii) Our team will recommend a marine surveyor experienced in this task. The costs of the survey is borne by the Buyer

- iii) The survey is started as soon as possible after the sea-trial and completed before the date outlined in the MOA

- iv) A survey report is subsequently produced and sent to the Buyer

- v) Following receiving the survey report the Buyer then must decide whether to accept the condition of the yacht or whether to reject the yacht because of defects that have been discovered during survey.

- vi) The buyer can, as per the MOA;

Give written acceptance of the vessel

Give written notice requiring the Seller to make good defects or make a reduction in sales price (this could result in an extended completion date)

Give written notice of rejection specifying defect (a defect is something that an officially appointed marine surveyor shall have certified to affect the operational integrity of the vessel/machinery/systems or renders her unseaworthy)

vii) If there are valid defects the Seller can either chose to repair these defects at his or her cost; or discount the purchase price accordingly to cover the cost of repairing these defects; or decide not to continue with the sale of the vessel

viii) If the vessel is accepted by the Buyer following survey, or an agreement is reached with regards to any defects found, then the next step is to prepare the documentation ready for the completion date

4. Moving to Completion

a) Our team will arrange to prepare all documentation ready for the Completion

b) Our team will check all the requirements of the Flag state (Flag) and Classification Society (Class) to complete the sale

c) Our team will investigate insurance requirements

d) There may be charters which need canceling / transferring. Our team will coordinate all these matters

e) Completion involves signing the bill of sale and handing over all valid original documents (provided by the Seller), in exchange for the balance transfer of funds (provided by the Buyer)

f) Completion also involves making sure that the captain has all the necessary original completion

g) Once all of the documents are in order, simultaneously the balance of the purchase price is transferred to the Seller, the protocol of delivery is then signed by both Buyer's and Seller's representatives on board the yacht. It states the time and place of the transaction and the current condition and position of the vessel. Position is important as it would determine any potential tax application of the transaction

h) Our team will then conclude with Flag and Class documentation requirements including issue of new registration with new owners name and address

i) Should an import process be required our team will conduct this procedure on behalf of the new owner

Your yacht purchase is now complete!

* Old sailors used to answer this with a sexist joke: "Like a woman, a ship is unpredictable." A more likely suggestion relates to the idea of goddesses and mother figures playing a protective role in looking after a ship and crew. Linked to this is the common practice of giving ships female figureheads and names, often after deities or members of a shipowner's family. Christopher Columbus famously crossed the Atlantic in a ship called La Santa Maria, named after the Virgin Mary.

Another theory comes from the roots of language. Many Indo-European languages have "male", "female" and sometimes "neuter" words. English instead has evolved into using neuter words such as "the". So it could be that making ships female and calling them "she" is an example of a really ancient, English-speaking practice of giving a gender to an inanimate object. It's worth noting that Lloyd's Register of Shipping now calls ships "it".