



# The Changing Landscape of Pre-Owned Boat Values

An MRAA Interview with Lenny Sims, VP Business Development/Strategy – Specialty Vehicles for J.D. Power

Interview Date: March 2022

**QUESTION:** Many dealers have shared concerns with us that the pre-owned boats for which they have recently received valuations are higher than their market will support. Does that surprise you?

**ANSWER:** Do we know that models in the database are priced higher than normal now? Absolutely. At some point, they are going to adjust downward once the market or inventory levels catch-up. But right now, people are willing to pay it, and dealers are selling them for it.

The value of anything is based on what the market will pay. And the market is different in some areas than in others. The dealer in Texas might not be complaining about the value, but the dealer in Green Bay may not be able to get that kind of money. Maybe they could sell it to the Texas dealer.

**QUESTION:** To illustrate the extent of these increasing values, we have some dealers reporting pre-owned boat values that have gone up in recent months despite the boat continuing to age – and even pre-owned boats being valued at or over MSRP from three or four years ago. Are these the signs of a market gone crazy?

**ANSWER:** Inflation doesn't seem to be stopping. Then, you have the inventory shortage. It is benefitting the dealer in some areas of the business and could hurt them in others.

I'll give you an example: A few weeks ago, I was at a boat show. The MSRP on one new boat model was \$115,000, and the dealers were selling it for \$140,000 to \$150,000.

With that said, some dealers are not going to invest in a boat load of inventory when the prices are so high. They are concerned about the value if the market changes. Others are willing to gamble because it may pay off.

**QUESTION:** How does J.D. Power (which powers NADAguides.com) set boat pricing?

**ANSWER:** In today's environment, the last two years, there is no canned answer. There is not a one-size-fits-all. The answer in Green Bay, Wisconsin, is different than Miami.

We have a range of sources of information that we turn to throughout the season. One of them is an advisory board of more than 200 marine dealers nationally, which provide us with transactional data.

We are tied into almost every auction in the country. We have relationships with lenders, and we often get information from manufacturers.

In addition, we track economic indicators, interest rates and inflation.

Finally, the people on my team average more than 15 years of experience. We've been through the ups and downs in this industry.

**QUESTION:** How often do you and your team update pre-owned boat values?

**ANSWER:** Used boat pricing is updated every 60 days. A lot of folks want us to do it quicker than that, but markets can be volatile. A market dip could last only three weeks and then it goes back the other way. You don't check your stock values every day. You're investing for the long term.

There is a lot of economic unrest in this country right now. We've had a rate increase that hasn't happened in a very, very long time. That is scaring some people. How that impacts the specialty markets and those lenders, the impact can be significant. Inflation doesn't seem to be stopping.

All we can do is look back to look forward. We're predicting values for May and June right now. We have to reflect back on influences we've gathered over the years, the trending that has been done from similar situations.

How bad was the winter? A longer winter postpones the buying season and hurts the shows. That affects all of this. Transactional pricing is helpful and validates what we do, compared against time of year, market, mortgage rates, etc. We crunch it all up.

**QUESTION:** How much of what the market can bear is regional vs. national – and how do you account for that?

**ANSWER:** The valuations are national. We present average units in average condition for average years.

As you've seen, the weather varies dramatically across the country. If Pennsylvania is under 6 feet of snow, the dealer has to adjust in their communication with the customer. They might take \$35,000 for the boat when, in the summer, the boat might be worth \$50,000.

As a dealer, you have to be able to adjust accordingly for time of year and region, and then educate the customer about those adjustments.

**QUESTION:** What advice do you have for dealers who are concerned about boat valuations and market volatility?

**ANSWER:** Most dealers, if they're being honest with themselves, don't know where we're going to be in 3, 6 or 9 months. Same with the manufacturers. Nobody knows what will happen with the economy, and nobody wants to be holding the bag.

COVID initiated the increase in pricing. A number of factors will likely combine to take it the other way. Fifty-percent of your record-breaking year was entry-level people driven by COVID. If these brand-new buyers wake up one day, their kids are back in school, the boat is a big expense, and they have low usage, that could drive some change.

In addition, prospective buyers today may begin to be turned off by the high prices they're seeing in the market, the wait for a new boat to be delivered or the lack of selection. As a result, they may postpone their purchase decision.

Some other factors that may drive change are the rising inflation rates and the conflict in Ukraine impacting gas prices.

I don't think you're going to see the pricing fall off the table. But I think you're going to see it decline.

**QUESTION:** We're developing a guide to success in the pre-owned boat market for the marine dealer community. What best practices do you recommend in regards to using the boat values provided by companies like yours to maximize their results?

**ANSWER:** Traditionally, areas like the Pacific Northwest and the Great Lakes had more robust markets during particular times of the year and therefore had market values higher than what we would typically list.

The veteran dealers in those markets know to add a certain percentage to the national averages we publish to adjust for their regional market conditions.

So my advice to dealers is to gain an understanding of how values in their local area compare to national averages in order to make better pricing decisions and better educate their customers. Of course, boat condition, time of year and weather can also be key considerations.

For example, dealers in the Northern part of the country generate substantial business from pulling boats out of the water, winterizing, storing and launching them. During the dead of winter, for these dealers, boat values may be suppressed compared to peak buying season.

**QUESTION:** You spend a lot of time with the dealers on your advisory council understanding their markets and transactional data. If a dealer is interested in joining the advisory board and providing input on their market, can they reach out to you to learn more?

**ANSWER:** Absolutely. We're always looking for additional members for the advisory board. Any dealers who are interested can reach out to the Marine Department at: [nag-dl-boats@jdpa.com](mailto:nag-dl-boats@jdpa.com).

For more information about trends in boat values, download the [J.D. Power Market Insights 2021 Report](#). This is the first in a series of quarterly reports we'll be publishing in the MRAA Resource Center.