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Green shoots

Linssen Grand Sturdy 40.9 Aft Cabin

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Market Report 2010

2009 was every bit as challenging as we predicted in last year's report. As is always the case, our market has been dominated by currency and it is no secret that a weak £ meant that sales of UK yachts to Europeans (including Scandinavia) was the overriding trend. Over 50% of all brokerage yachts sold by Berthon in the UK were to Europeans against a normal ratio of around 30%. The real surprise, however, came from an unanticipated strength from UK buyers, as they acknowledged that domestic product was the best value available to them.

Just as the weak pound played advantage to overseas buyers, it decimated new yacht sales, as we import new yachts from Norway, Sweden (Windy sports cruisers) and Holland (Linssen displacement steel motor yachts). Naturally therefore, the UK manufacturers (Sunseeker, Fairline, Sealine, and other smaller producers) benefitted twice over with continued competitiveness overseas and a UK market virtually left to themselves. Who said that staying out of the euro is bad for the UK economy? Despite these advantages, however, volumes were still down, with buyers driving ever harder deals, owing to overall weak demand for new product as the economic crisis continued to take its toll. Caution reigned then and still reigns now as the UK economy appears to be the last to emerge from the doldrums and an election looms.

We therefore inherit a confused market in 2010, with new yacht sales down, and a real shortage of good mid range brokerage yachts available, meaning yachts of recent build, from well known manufacturers, in good condition. Accordingly, it is by no means certain that yacht purchasers will be able to find the good deal for which they search, and the level of activity this year will again entirely depend on the movement of currency, rather than the ability to bag a bargain. Although sterling will remain weak at least until the markets have some inkling of the election results and new government policy, we believe that European priced yachts are due for a re-appraisal. Many have been on the market for too long at unsustainably high prices. Whilst currency traders point to deficits in the Med block members of the euro, the moral hazard argument surely means that fiscal discipline will finally be metered from central European government and relative stability may ensue. However, purchasing power parity (PPP) will eventually depreciate the euro as already seen in the first few months of 2010 with weakness against the dollar; eventually sterling should recover but the American market will be key this year in providing both a stream of good quality yachts and yacht purchasers as the US emerges from recession first. As ever, realistic pricing on an international basis is key to a quick sale. The internet

disseminates information so quickly and flights are so readily available that purchasers are ready to travel to trustworthy havens to find what they want.

In addition, we predict that our industry itself will also continue to change shape and it is still wise to think the unthinkable as the pain of 2009 stretches into 2010 and beyond; higher taxes in the UK (up 25% for those earning over £150,000) and a continued lack of easy credit for businesses will hamper demand and stretch private business finances as work-in-progress strains company balance sheets respectively, both proving difficult for our industry across the board. We are fortunate at Berthon, that we were able to file a profit in 2009 and have a clear strategy for 2010, assisted by a strong balance sheet and no bank borrowing. We look forward to being of service to our clients and to giving the best possible advice in a changing market; with our full sales team still in place we continue to invest in the business.

In this annual Market Report, we have highlighted what we believe were the key factors in 2009 and how this will affect the yacht sales market this year, and we hope that you will enjoy reading it.

Sue Grant

Contents

Review of 2010	03
What 2009 means to 2010	04
2010 / major factors influencing the market	05-08
Yacht Finance in 2010 as seen by CGI	08-09
New Yacht Sales Report - Windy and Linssen	10-11
Berthon Overseas	12-13
What's fashionable in the brokerage Market 2009/2010	14-15
The Berthon Forecast for 2010	15

What 2009 means to 2010

In many ways, 2009 was a rehearsal for 2010. There were those who entered 2009 thinking that their part of the yachting market was immune, but most of us drew conservative budgets, planned for some belt tightening and traded cautiously. What was not apparent at the start of 2009 was how quickly the market would come to a stop for new yacht sales, particularly those manufactured in zones with strong currency. This affected the whole market very rapidly as volumes of yachts selling fell, and those yachts that would have normally come onto the brokerage market to make way for their owner's new yacht did not.

As ever, currency decided what sold. The UK manufacturers have benefited hugely from the weak £ and this has cushioned the blow of lessening demand. However it did not prevent the large UK motor yacht manufacturers having to discount heavily to reduce stock levels and file some disappointing results. This further depressed the market for new yacht product like Windy and Linssen as we fought not only currency but discounting too. Yacht purchasers are not quick to purchase a euro priced new yacht at virtual parity when the PPP is closer to 1.26. Manufacturers cut back production aggressively in 2009 with those who were provident starting cut backs in 2008 – certainly both Windy and Linssen have listened to the market (and their Distributors) and had reduced production by 30% in a timely manner in each case. The result is that they did not carry frightening stock levels in 2009 and were able to continue to innovate and plan new models as their costs were under control.

The brokerage market had a very simple theme – £ priced yachts were attractive and we saw our UK operation selling more yachts to overseas buyers than ever before, going from 30% to around 50% as the price point did the talking. Having said that, UK buyers were still strong as the UK, for them too, was the cheapest market. Our French and Spanish offices with Euro priced yachts had to work harder, although having a grasp on what values were actually doing enabled them to advise yacht owners accurately on pricing in a market where currency shift meant that prices had to fall. Having sold so many yachts abroad in 2009, there is a definite shortage of brokerage yachts on the market in the UK, and we expect that marina waiting lists will be considerably shortened in 2010. However, those with sterling priced yachts now for sale should not be sanguine about the asking price as currency can shift against them too, and very quickly at that.

Our industry is full of optimists, which is inevitable given that we are in the business of yachting. Therefore, a lot of businesses have hung on waiting for the upturn in 2010. We are afraid that they will be disappointed; we don't expect to see a significant improvement until 2011, or late 2010 at the earliest. Given that funding is short and that the business of delivering yachts purchased back in 2008 and before is over and the revenue spent, together with the simple fact that businesses are most vulnerable coming out of a recession as cash flow is tight, we expect casualties this year. For some, waiting until 2011 for an improvement will be a bridge too far.

So, 2009 gave us massive belt tightening, huge slow down in new yacht sales, a mega advantage for sterling priced brokerage yachts, and big financial strains across the industry. This sets the scene for an interesting 2010.



2010 / Major factors influencing the market

Currency

We wonder if we labour this point, but it drives our market totally. It may appear on our side of the Atlantic that the weak £ has dominated the market, however, the reality is that the \$ has been more significant. This remains the main international yacht trading currency and its relative weakness has done much to pull brokerage yacht prices down. In addition, it has meant that America has ceased to be an interesting sector for Euro priced new yacht manufacturers, again reducing volumes massively as this is clearly the biggest developed market. Because of the size of the American market and because they hit the buffers of recession first, their second hand yacht pricing has accounted for both the downturn and currency shift. Sterling priced yachts have fallen in line with this, but are vulnerable to a possible stronger £ later this year. We look to the \$ and its relationship with other currencies to determine international pricing for 2010 and beyond. We also predict that the American brokerage market will become more active in all areas over the coming months. Indeed, our US office is now experiencing good levels of activity both from domestic and European buyers – a trend that began in January 2010.

World Events

Of course, with our HQ in UK, we are rather exercised by the impending election here. Given the UK's current debt levels, the rights and wrongs of the political argument matter less than that the new Administration is able to give sufficient comfort to the debt agencies to preserve our credit rating. We expect that UK yacht buyers will be cautious this year both before and after the election, with more confidence returning to the market once these issues and how they are resolving, become apparent.

However, of more import to the European market, is the fate of the Euro. The dramatic slowdown in the Spanish home market really comes home to roost when we read that in the last year there have only been 4 new Spanish registrations of yachts of over 15 metres! Whilst we believe that the euro must fall against the £ and \$, this will assist euro importers of new yachts as well as bringing a swathe of euro priced brokerage yachts within the scope of purchasers from without the single currency boundaries. We may well see some yacht arbitrage over the next year or so, but before you get involved to turn a fast buck, remember that yachts do, on the whole, depreciate!

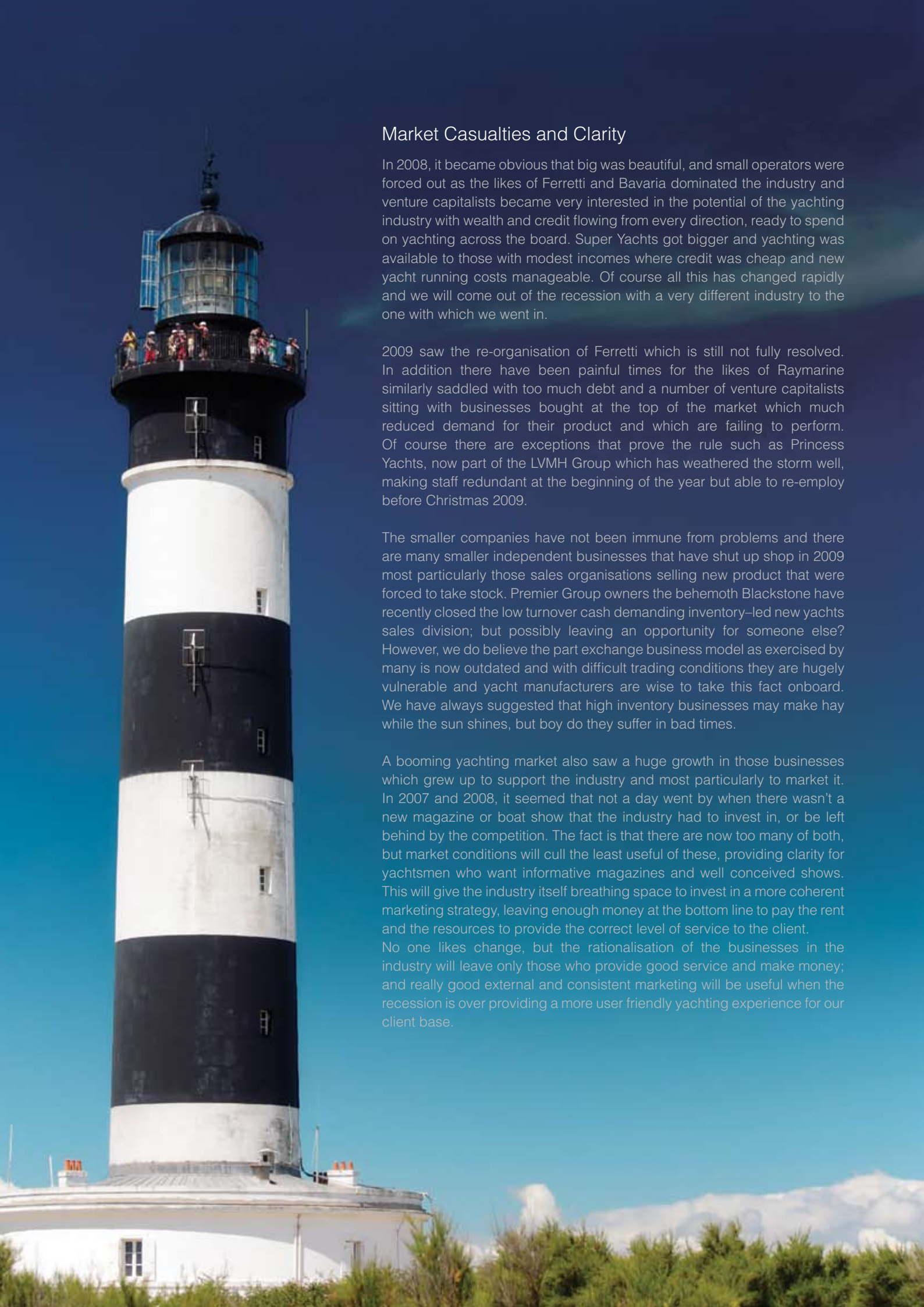
In addition, whilst we focus on the developed markets, it is a mistake to ignore the emerging ones. New Zealand and Australia are full of yachtsmen, with an under developed brokerage market who are forced to the established markets to buy, and they remain more stable than us with sound banking systems and good levels of wealth generation.

The Middle East is also an interesting place. Notwithstanding the Dubai hiccup, this is potentially a huge market with masses of infrastructure. It has had its first slow down but we believe that this will enable this market to consolidate and mature. The focus on ever more new yachts will shift as the brokerage sector develops and the total market continues to grow at a slower rate.

Eastern Europe – in particular Russia, Romania, & Bulgaria - is also an interesting market and one which we predict will grow for the sort of mid range yachts in which we specialise. At the moment, the market is dominated by production yachts like Hanse and Bavaria, but as the market matures this will start to grow organically and there will be room for quality new yachts and brokerage yachts as well. Berthon's staple stable of second hand Swans, Oysters, Halberg Rasseys, Najads, Sweden yachts, and other high quality brands will find buyers from new areas of the world since at the moment there is very little home manufacturing base, and virtually no brokerage houses. Shades of the Wild West come to mind! This is an area in which we are very interested as it has been exploited by the Super Yacht sector but not in the mid range part of the industry where there is the historic knowledge and passion for the sea as well as the wealth and desire to participate in our sport.

China and India are for another Berthon Review; suffice it to say, that these 2 new fledgling super powers will start to influence our yachting industry over the coming years.

'May you live in interesting times' said Ernest Bramah's Kai Lung, and for sure we do. It is inevitable that we will all be buffeted by the uncertainty of 2010; however, we are encouraged by the start of the American recovery and look forward to times ahead which we hope will be described as thoroughly dull.



Market Casualties and Clarity

In 2008, it became obvious that big was beautiful, and small operators were forced out as the likes of Ferretti and Bavaria dominated the industry and venture capitalists became very interested in the potential of the yachting industry with wealth and credit flowing from every direction, ready to spend on yachting across the board. Super Yachts got bigger and yachting was available to those with modest incomes where credit was cheap and new yacht running costs manageable. Of course all this has changed rapidly and we will come out of the recession with a very different industry to the one with which we went in.

2009 saw the re-organisation of Ferretti which is still not fully resolved. In addition there have been painful times for the likes of Raymarine similarly saddled with too much debt and a number of venture capitalists sitting with businesses bought at the top of the market which have reduced demand for their product and which are failing to perform. Of course there are exceptions that prove the rule such as Princess Yachts, now part of the LVMH Group which has weathered the storm well, making staff redundant at the beginning of the year but able to re-employ before Christmas 2009.

The smaller companies have not been immune from problems and there are many smaller independent businesses that have shut up shop in 2009 most particularly those sales organisations selling new product that were forced to take stock. Premier Group owners the behemoth Blackstone have recently closed the low turnover cash demanding inventory-led new yachts sales division; but possibly leaving an opportunity for someone else? However, we do believe the part exchange business model as exercised by many is now outdated and with difficult trading conditions they are hugely vulnerable and yacht manufacturers are wise to take this fact onboard. We have always suggested that high inventory businesses may make hay while the sun shines, but boy do they suffer in bad times.

A booming yachting market also saw a huge growth in those businesses which grew up to support the industry and most particularly to market it. In 2007 and 2008, it seemed that not a day went by when there wasn't a new magazine or boat show that the industry had to invest in, or be left behind by the competition. The fact is that there are now too many of both, but market conditions will cull the least useful of these, providing clarity for yachtsmen who want informative magazines and well conceived shows. This will give the industry itself breathing space to invest in a more coherent marketing strategy, leaving enough money at the bottom line to pay the rent and the resources to provide the correct level of service to the client.

No one likes change, but the rationalisation of the businesses in the industry will leave only those who provide good service and make money; and really good external and consistent marketing will be useful when the recession is over providing a more user friendly yachting experience for our client base.

Time on the water

Our client base is spending more time in the office. This is a major factor influencing the market that became very apparent to us in 2009. The ability to take a sabbatical to make that long voyage, or the 4 day weekend, we are seeing less and less. Boat Shows were busy all week, now they are at their busiest at the weekends. This is simply a function of yachtsmen sailing a desk. This means that it is massively important that every minute spent on the yacht is fun and that the process of buying, owning, refitting and selling her is as straight forward as possible. Of course, increasingly fast and effective communication makes things easier, but we have never been more aware that the time available to our clients is probably more limited than ever before. Of course this has an impact on yachting activity – chartering may become a real option, a yacht may be sold not because of immediate financial reasons but because the level of use doesn't justify the investment. And to cater for that market Berthon have a charter section on their website; however, we still believe that personally owning a yacht will still attract many. For others the cruising programme is curtailed or a motor yacht takes over from a sailing yacht as the ability to make the Solent to St Peter Port in 4 hours becomes compelling. Here at Berthon we are open 7 days a week, as we believe that we must be available during our clients' scarce leisure time.

However, for those that are not office bound, and there are still many, a long trip via sail or power is a great experience and marvellous antidote for the pressures of time today as well as the best way to see the world be it in tropics or high latitude. The ARC had another full house this year and Berthon was again proud to be a prominent sponsor of this blue water sailing event.

Super Yacht Market

No Market Report would be complete without a mention of the Super Yacht Market. Despite the initial thought that the market was too big, its clients too rich and the sport too glamorous to be affected by recession, of course the inevitable has occurred. The market now has capacity at new build level so the old concept of ordering a new yacht and selling your slot at a premium is a thing of the past. The second hand market has adjusted and now has a profile similar to our mid-range market where yacht owners accept that a yacht is not an asset that you make money on and that you must sell at market value, factoring in the difference between buy and sell price as part of the cost of the fun of yachting. A number of yachts have been mothballed and this is an interesting exercise, as you certainly can't lift her ashore as easily, lock her up and leave her. These yachts still need continuous maintenance and need to maintain a skeleton crew. It is interesting to see the UK's old ports filling up with Super Yachts as the ability to accommodate them reasonably and a weak £ makes the UK a sensible port in a storm.

The Yacht Charter Business

The Charter business is a useful barometer of what is happening in the market. When the charter agents are busy, the mid-range crewed yachts, many of whom ply their trade between the Mediterranean and the Caribbean, are happy and there is obviously traction in the market as people (many of whom own yachts themselves) spend on a sailing holiday where warmth and sun is guaranteed. The more hard core of these are increasingly finding their way to the North and South Pole where these cruising grounds are now becoming the new Caribbean, giving navigational challenge, awe inspiring land and seascapes, and incredible wildlife.

In 2009 the charter market too was poor. Many yachts could not get charters and those bookings that were cleared, were often very last minute and discounted. We "white label" our charter business enquiries through a well established company (see <http://www.berthon.co.uk>) and the benefit of being web based is the ability to react massively quickly to this sort of request. Whilst traditional charter brokers continue to complain, this consolidator is reporting ever increasing turnover at reduced commission levels commensurate with their highly controlled costs. However, overall, the vibes are that 2010 is better and we believe that this indicates that yachtsmen are willing to commit to a holiday, hopefully



as a precursor to buying a yacht or perhaps replacing the one that they own. This is also good news for those yachts that are in the charter business as although their owners do not make a profit from charter (there are some rare exceptions) charter helps with running costs and keeps the yacht moving.

Yachts and Borrowing Money

As with the rest of the economy, it is no longer easy to borrow money and the underwriting has tightened up hugely, which on the whole is a good thing.

We have seen a number of bank repossessions in 2009 with the finance houses having a difficult time in reconciling the change in market value with the mortgagor's perception on price, as they clearly cannot sell for less than market value, but any shortfall between the sell price and the mortgage becomes the responsibility of the old owner. Even where there is enough cash to go around, it is still the case the finance house needs to be clear that the correct figure was achieved. After all a market is defined by a willing buyer and a willing seller!

From our records it appears that around 80% of the yachts being repossessed are motor yachts with the sailing yacht market much less affected. This bears out the theory that sailing is an hereditary sport and sailing yacht owners are likely to borrow less and be more reluctant to relinquish their yacht which is a part of the family and an essential vehicle for family holidays and weekends.

It now appears that we are through the worst of these, although we expect another flurry as 2010 progresses with the prospect of interest rate hikes to stifle too rampant a recovery. This will continue until the upturn is well and truly declared.


It is also interesting to see how the landscape of lending has changed. With the UK banking system changing fundamentally, we are seeing lenders from Europe and elsewhere take the initiative and move into a market which longer term has great potential. Like their UK rivals their underwriting is well developed but they have more appetite and confidence to exploit this market.

Yacht Finance in 2010 – as seen by CGI

Financing a yacht in the UK has changed since the giddy days of the past. Finance companies and banks have become more circumspect during the recent recession, indeed some banks have pulled out of the market place altogether, such as Bank of Scotland Marine.

The other traditional players in the market are either more or less enthusiastic. All have bad debt concerns and some other marine hirers had or are experiencing troubled times. There are lenders out there in the UK who are cautious and the days of low deposits, on long terms e.g. 15 years and easy fag packet calculations have gone. The hue and cry against banks profligate lending of the past has resulted in what some may deem as a backlash against the historic easy terms.





However, there are new marine lenders to the UK, such as CGI Finance, a subsidiary of Societe Generale, a large French banking group. CGI are very well known in Europe having 16 offices worldwide. They bring with them a view that all is not lost! CGI Marine have employed 5 highly experienced marine financiers and have opened offices in Lymington, home of Berthon. It is refreshing to see investment in the marine industry and with over 13,000 yachts currently financed throughout the world, CGI know the market and are marine friendly.

In the UK, the view is that new boat sales are going to remain becalmed over the next 12 months and mariners are tending towards either refitting existing craft or looking to purchase keenly priced brokerage boats. Another major concern for the UK market is the recent prolonged low interest rate environment and nature of traditional marine products sold. When interest rates start to rise again, affordability will play an ever greater concern in assessing loan applications. Such that people with existing marine mortgages should be ever vigilant as to their actual capital balance reduction measured against the value of their financed yacht.

In Europe boat sales are up or down dependent on country, on the low side the German and Spanish markets are struggling. Last year the Scandinavians were buying boats, primarily in the UK, in large numbers because of the Euro and the French market is humming with a 'can do' attitude and that life is for living.

► Julian Vincent
CGI

New yacht sales report from the Windy and Linssen crews

Windy Boats

2009 was a challenging year for the entire marine industry; companies without exception saw a global drop in demand. Fortunately both Windy and Berthon are very seaworthy companies and whilst we saw a marked dip in demand in new boat sales, brokerage became particularly buoyant with many used examples heading back to Scandinavia due to the current weakness of the Pound.

Both Windy's shipyards in Västervik and Arendal are now fully operational across the production range and capacity has even had to be increased for the 28 Ghibli and 35 Khamsin, which had sold out for delivery in 2010. Important projects are also underway such as the new Windy 39 Typhoon, due to hit the water in August. The 39 will be a 2 cabin, performance yacht capable of speeds in the region of 45 knots with twin D6 370hp engines. Windy have also introduced special editions of their popular 32 Grand Tornado and 37 Grand Mistral models. For 2010 they have been re-engineered and each loaded with the very latest Volvo command and control systems. They are not only the most desirable sports cruisers in their class, but also the most persuasively priced. The factory at Västervik has also been particularly busy with the introduction this Autumn of the greatly anticipated Windy T52 tender, designed in cooperation with the world renowned Lymington local, Ed Dubois. Combining the exceptional flair of Dubois, production capability and performance of the Windy brand, the elegant, yet uncompromising T52 is guaranteed to turn heads. She will be powered by triple IPS 600 engines and will have an outstanding top speed of circa 46 knots. Initial sea trials will be carried out in June with the first boat being exhibited on the Berthon stand at the Cannes Boat Show in September. Come and enjoy the sun in September 2010!

It was with mixed feelings in September 2009, that we decided to cease exhibiting at the London International Boat Show and put our efforts into Europe's largest Winter Show, which took place in Düsseldorf at the end of January. We are very pleased to say that preliminary results from the Show proved our decision to be correct with orders for the 44 Chinook being particularly strong. What was more important for us was that those UK customers who attended the exhibition found that the choice of products available for them to look at was far greater than they had anticipated and that the Show could easily be visited in a day although many said there was so much to see and do that they wished they had combined the Show with a short Winter break. We will definitely be at Düsseldorf next January and look forward to welcoming new and existing owners onto the Windy stand in 2011.

► Andrew Constance, Bruno Kairet & Ben Toogood



The new Windy 39 Sports Cruiser raises the bar for high-performance, all-weather cruising

Linssen Yachts

The Linssen HQ Maasbracht reception area has a framed canvas bearing the motif, “The bitterness of poor quality remains long after the sweetness of low price is forgotten.” and such is the essence of Linssen Yachts. The 2009 season heralded the company's Diamond Anniversary, with celebrations throughout the year of 60 years in boat-building. The Linssen family story, started by Jac Linssen Sr. in 1949, with pioneering development in construction, continues today in its third generation as one of the oldest yacht-builders in the Netherlands.

2009 has seen a lesser demand globally – yet Linssen have continued to research and develop where other Dutch builders have failed. Last November saw the launch of the stunning new 25.9 Sedan, which represents a completely new way of approaching the use of inner/outer space, and ploughs a new furrow in the quality 8-metre sector. Indeed, this new yacht so captivated the press that she was awarded a sparkling 9/10 review and then won the coveted Motor Boat of the Year Award! Linssen will also be launching a new model in the mid-range 11.5m length sector for their June Summer Festival to reinforce their strength in this key market. The investment in the Linssen LogiCam production lines enable a design to be brought from draught to reality in a shorter time, using a rational process, and this is a strong area of advantage for the company. The line process also ensures rigorous control over quality – with each employee recording every separate phase throughout construction; from secondary shot-blasting of the welded steel construction prior to conservation and painting, to the individual labeling of on-board electrical connections for ease of recognition.

These efficiencies in production and the end quality of the engineering and finish have softened the impact of the unfavourable €Euro/£Sterling rate. Whilst we are very aware that the UK buying market of €Euro-priced products has been depressed, our current buyers are investing for the longer term in their new Linssen. The range offers the best steel motor yacht in a niche segment of the boating market, and we are delighted to confirm that Linssen have a full firm order book for the next twelve months. By striving to create an exceptional yacht, with premium after sales care and service, the Linssen Yachts proposal remains strong through a weaker commercial climate.

Cruising in Linssen comfort is certainly still very much on the menu for our owners, with the majority of all yachts handed over in the past twelve months having already completed considerable trans-European routes. Durable full-steel construction, advanced anti-vibration and noise reduction packages and evolved floor-plans, which maximize available space, make the boats ideally suited to longer-distance passage-making. This versatility in role translates into prolonged periods of ownership and stronger residual values, with purchase being a duly considered choice. Combine this with a recent magazine article's findings that a Linssen 500 Variotop was less costly to run per annum than a similar wind-powered craft, and you have another powerful reason to invest in some precious metal.

► Hugh Rayner



Berthon Overseas

Berthon France

2009 has been a year of consolidation at Berthon France. We are fortunate to be listing a wide range of quality yachts and this has paid dividends in a market where the euro has been and remains strong. Current lists include Nautor Swan, Najad, Baltic, Moody, Shipman, Oyster and Hallberg Rassy; as well as a selection of good condition De Vries, Azimut, Princess and Sunseeker motor yachts. We are also fortunate to list a number of classic yachts, ideal for the regatta circuit on the Cote d' Azur, including 2 classic yachts built at Berthon last century.

Windy sales have been encouraging this year in France. Exchange rates being kinder for euro purchasers with clients appreciating the quality, timeless design and superb sea handling and strong residual value. As in the UK second hand Windy sales have been strong this year, and our knowledge of the brand has made Berthon France the natural broker of choice for Windy owners in France.

We have increased our presence this year exhibiting at Paris, Cannes and Mandelieu. We plan more of the same in 2010 extending this activity to include Antibes, Monaco, Genoa and La Ciotat.

As our business in France grows our team will look to helping you with all things yacht based in the Cote d' Azur.

► **Bruno Kairet & Pierre Vignes**

Berthon Spain

2009 was a very different year and it was very noticeable that the staple nationalities that Berthon Spain have dealt with historically - the English, German and Spanish - were not in a position to buy and were not viewing either. The domestic market was noticeably quiet, most clients came from Scandinavia, Holland, Belgium or Italy and much further afield. Over one fortnight during August we had viewings with clients from New Zealand, South Africa, Finland, Canada and America. Europe has certainly been earmarked as the place to go to find good quality international yacht purchases.

Things appear to be steadily improving, and this started in December 2009 with January and February activity continuing the trend. We have been very encouraged to see more Americans looking at yachts in the Mediterranean via Berthon Spain, excited by the opportunity to cruise in the Mediterranean before their new yacht heads across the Atlantic.

With the Euro falling, and the structural problems becoming apparent in Spain as well as Greece, Italy and Portugal, yachts in Palma are at last becoming more price competitive. We are hoping also to see more English clients in 2010, depending on how the UK fares economically.

In Palma in particular, what is noticeable are the number of vacant berths for large yachts - a phenomenon not seen for a decade or more. This is good news for those wanting to cruise the Balearics as there is now available berthing and the opportunity to enjoy these lovely cruising grounds. Palma will continue to be a centre of yacht sales in the Mediterranean and with currency shift, it is a great place to bring her to be sold too, allowing Berthon Spain to play its part

► **Chris James**



Berthon USA

Well, last year was, shall we say....odd. Hopefully we won't have another one like that again anytime soon otherwise sweeping sidewalks / flipping burgers and similar erstwhile careers start to look like attractive alternatives to yacht brokerage.

What we experienced in the 'States was essentially no market for the first half of last year, certainly while the stock market was relentlessly falling. As that happened, the dollar rallied, solely due to "fear factor" rather than anything else (more like, the dollar was the 'least worst' of all the major currencies).

The upshot of that was that the euro and UK buyers who had been bargain hunting in the states simply stopped calling. As the spring wore on, and the markets rallied, we noticed a gradual strengthening of the brokerage market, from the bottom up. First it was \$200 000 and down, then \$300 000, and now there is some activity in the \$500 000 to \$1M market, which truly had been in the doldrums.

The summer is always patchy – people using boats, and not looking to buy during those months, but relatively, from Labor day, it was if someone flipped the switch back on. The dollar had by now weakened again, and the magic number for euro based buyers was \$1.45 to the dollar. Once above that exchange rate, the transatlantic phone lines hummed. Also that rare bird – the American buyer, seemed to have decided that they had had enough with the puritan/poverty/austerity program, and little by little (if the price was right) dipped their toes back into the pool. (The pool, by now being well and truly a seller's bloodbath).

This year has started strong, by any benchmark, and we even have sold a few new boats, plus some Euro priced brokerage boats to Americans. Will it stay this way? It's hard to say – curveballs like Greece (and others) are causing currency volatility to spike, and if your cards are played correctly, then the boat-as-carry-trade almost works (well at least you can use it as a mitigating reason to buy!) . Our personal belief is some unknown factor could very well send us downwards once again, so we're living for the day, deal wise.

► Alan Baines



What's fashionable in the brokerage Market 2009/2010

Sailing Yachts

2009 was a strong year for Berthon in terms of our sales of bluewater cruising yachts. Our continued focus on the bluewater market with ever-growing relationships with the World Cruising Club and the Ocean Cruising Club has allowed us to tap into a growing market ideally suited to the types of yacht we are renowned for offering. Although currency worked heavily in our favour throughout 2009, the most notable trend we have seen is that buyers are always happy to pay the right money for the right yacht, but not a penny over. This is a trend we are happy to work with and for 2010 we will continue in our aim to advise sellers and buyers alike on realistic pricing for their yachts.

Scandinavian-built yachts have been the gold bullion of the yachting market this year. Immensely popular on both sides of the Atlantic and always in limited supply, prices have remained impressively stable, with currency deviations making UK-based brokerage examples particularly attractive. Due to higher levels of personal taxation within Scandinavia's EU-nations, there is also an ongoing trend to 'repatriate' brokerage domestically-built yachts, which further helps to keep prices stable by reducing the pool of available yachts and keeping demand high.

Looking more specifically at the individual brands and their performance in the brokerage market, Nautor's Swan will continue apace and prices will rise and fall with the strength of the dollar. Hallberg Rassy and Malo will continue like clockwork to the extent where you could set your watch by the accuracy of their pricing. Older Najads are beginning to find a very solid following in the market, and positive changes within the structure of Najad should ensure that their reputation continues to grow with a combination of cutting edge design and ultra-reliable build. Until such time as the Sweden Yachts name rises back from the ashes, the finite supply of 42's and 45's will also be hotly pursued with prices remaining firm but fair. The strong but gradual introduction of the Regina of Vindo range into the UK market will also set the scene for a brand to watch as buyers begin to look towards high-quality deck saloons that actually work in practice.

Looking at the UK brands, the more traditional brands such as Rival Bowman and Rustler have also proved to be immensely popular thanks to their timeless yet capable lines and beautiful build quality. With the prices of new-builds going through the roof, the 10-20yr old Bowman 40/42 or 48 has never looked so attractive. Southerly appear to be chasing hard on the heels of Discovery Yachts and Oyster with their impressive and well-engineered range, extensive marketing and heavy focus on exporting to new markets. We predict that there still a great deal of growth ahead for the lifting-keel market as buyers begin to see the practicality of the concept and understand that when executed properly, the compromises are few and far between. As ever, the Oyster market moved but we wait to see how the company settles with its new owners; but meanwhile this marque continues to attract yacht purchasers worldwide. However, Discovery has been the true star surviving the wider downturn with gusto, orders and new designs; it is well and truly recognised internationally as another very strong UK yacht builder and the introduction of their 67 in 2009 has set a benchmark for others to follow. We appreciate the quality of the Discovery marque and the commitment of Discovery to delivering the very best in terms of quality. We celebrated a five-year close working relationship with them by signing an agreement for Berthon to act as their preferred brokerage and refit house early in 2010. The bold new Discovery catamaran is also extremely exciting and we expect that many established monohull sailors will take more than a passing glance at the promise of twin-hulled comfort coupled with Discovery's renowned build quality, attention to detail and class-leading ergonomics as a solution for their Caribbean and Med adventures.

► Alex Grabau & Alan McIlroy

Motorboats

The general motoryacht market has been surprisingly busy over the past year with buyers broadly falling into two categories. Firstly, we found there were lots of clients with cash, ready to move on the most competitively priced production planing cruisers available. Due to their build quality and longstanding reputation, names such as Windy, Sunseeker, Fairline and Princess all proved popular. These yachts were being snapped up for some very relative good prices, with buyers justifying their running costs by the savings achieved off the asking prices at the outset.

The other interesting market that remained strong, was that of those clients who were still realising their dream of purchasing a large cruising boat and embarking on a change of pace and life. These buyers were focusing on displacement or semi-displacement craft with extensive inventories capable of offering home from home accommodation with

economical cruising and extended range. The Nordhavns from America, with their globe trotting abilities have generated much interest, whilst Trader and Aquastar have also met these criteria to a certain degree, but in a more affordable way!

The coming season is set to be yet another challenging one, with buyers seeking good value, high quality, well presented yachts. We can't emphasise enough the importance of presenting to the market in immaculate condition, with a thorough and up-to-date service history. The absence of this level of detail can often mean boats are overlooked at the first hurdle. Vendors will need to be realistic with their expectations on price, but equally so, buyers will have to accept that some of the forced sales available last year have passed them by, and good deals rather than bargains should be expected this year.

► Ben Wyatt

Racing Yachts

2009 will be remembered for many things, a new president of the USA, the outbreak of Swine flu, saying goodbye to Michael Jackson and of course the shock of Ryan Giggs winning the Sports personality of the year. However all of these important events were overshadowed by the R – word. Recession. When the first twinges of the downturn were felt in late 2008 we entered into 2009 holding our breath and clenching our buttocks expecting the first swipe of the economy's cane. When a soft blow appeared we managed to slowly open one eye to a reality that the world markets were in fact still alive and currency seemed to be top of the table.

It is probably fair to say that those that could afford new race boats did so and those that could not merely soldiered on with their old boat, buying new sails, for example. Hence whilst the market slowed, there are still buyers out there, and as long as the yacht is well sorted, and in showroom condition and priced sensibly, a sale will ensue. The markets swung swiftly, from Australasia, to the Far East and then finally over to the USA, who seem to be the first to be leaving the detention room of the downturn. The market trends have not been type formed; all shapes and sizes have found new homes, again though, only the ones that are sensibly priced, and in good condition. The outlook for 2010 is likely to be similar however this time we have entered the New Year with a copy of Seahorse in the seat of our trousers! But with a new format America's Cup, a new Volvo Race and a recovering developed world, regatta entries will recover and yacht racing will once again prosper. As usual Berthon have close ties with Volvo, and are closely involved with the Volvo 70's sold and currently on the market. Contact us for anything from a Melges to a Maxi!

► Ben Cooper

The Berthon Forecast for 2010

As will be clear from this Market Report, it is Berthon's view that 2010 is a year of challenge, where we expect sales for new yachts to be slow across the board. Because the majority of manufacturers have decreased production, we will not see the massive stock levels available in 2009, and the discounts available will not be replicated this year as yacht manufacturers have reassessed their situation and are producing at a level that takes the new demand levels into account. Currency movement will to an extent dictate which new yacht brands do best, although it is our observation that in difficult times, yachts of quality with stronger residual value are most attractive to cautious buyers.

However, brokerage yachts will continue to sell and this part of the market will continue to be driven by currency. Those buyers looking for an absolute bargain have probably missed the boat as it were, as the market has adjusted to currency and the cheap yachts have virtually all sold. Those yacht owners who have yachts available in good condition can expect a reasonable price for them, although they should listen to advice on pricing as local movements are occurring all the time for all sorts of reasons.

The US will be an important part of the brokerage market this year, with well priced yachts available in the US and US buyers looking at well priced yachts (of reasonable size) in Europe. If as expected the euro falls then we will see a shift of interest in those yachts priced in euros. Owners of these yachts need to guard against trying to play the currency game too aggressively, as their yachts will have moved into an area where they are saleable and they need to be aware as with the UK market, that there is no point raising the price to the equivalent of a yacht in a zone with stronger currency. To sell their yacht overseas, she needs to be attractively priced or buyers won't bother to travel. Using currency to maximise price is a great advantage but it is not an opportunity to profit by inflating price.

As ever, Berthon are here to help navigate you through these choppy waters, safe and sound, no bank debt and continually investing for the future and with a complete team of dedicated professional sales staff. No cuts here yet!

Adventure Capitalist



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