



BERTHON

MARKET REPORT 2012

www.berthon.co.uk

» Contents

- 2 Market Report 2012
- 4 Sailing Yacht Review
- 5 Performance Yacht Review
- 6 Motor Yachts Review
- 7 Windy Review
- 8 US 'State of play'
- 9 Berthon France Review of the Market
- 10 Acquisitions and Closings
- 11 Production versus Quality
- 12 The Euro and what it means for the International Brokerage Market in 2012
- 13 VAT and all that
- 14 What's in for 2012
- 16 Yachting Events in the UK 2012 – the most important yachting year ever!
- 17 Boat Shows and the Yachting Industry
- 18 ECO Yachting – a gimmick or the future?
- 20 The Berthon Forecast for 2012

» Market Report 2012

by Sue Grant

2011 was the year where we threw away all our preconceived ideas about the market – it differed hugely from 2010 – and, as ever we learnt that the way to continue succeeding is to continually reinvent our business and remain nimble. 2011 was a harsh and challenging year, where we upped our game in order to gain market share in an environment where the market is shrinking. Now we are in what is clearly a new age for our industry, and any sustained recovery is still far from certain.

The optimists amongst us hoped that after 2010, the worst was over, and that the sunny uplands of better times were within reach. This did not prove to be the case and we adjusted our expectations early in 2011 and were able to complete the year with money on the bottom line and with all our team in place, all of whom performed with great skill and effectiveness through the year. Professional advice was and still is key, and we gave bucket-loads of it, often selling the same yacht thrice over to get past the finishing post!

The brokerage market took another significant price correction in 2011, and of course there were many factors that caused this but as ever, by far the most significant was currency. It became apparent during the year that not all yacht owners were being given the very best advice about the market, and their yachts remained on the market as a result for a long period, and many of them are still for sale as I write. It is poor advice when you are told that there is no point in reducing the price of your yacht as there is no activity in the market and that price isn't therefore a factor. The fact is that anything from a Perini to a Polar Bear sells on one thing – price. Ignore this fact, and by the time that the price is dropped, the market may well have fallen further and the bitter pill becomes yet harder to swallow as the price has to be corrected further to take into account worsening market conditions, the increased age of the yacht and probably currency as well. Ongoing maintenance and berthing or storage costs don't help the equation either.

The new yacht market had a difficult year across the board in 2011. Volumes were down and the fear of depreciation and of what 2012 might bring was not helpful. Our business is all about confidence and when yachtsmen do not feel confident about the future, this affects their cheque writing hands significantly. As our core business is brokerage, it has enabled us to focus and increase market share in this sector, and whilst new yacht prices were not increasing, potential new yacht buyers were increasingly ready to look at well presented relatively young yachts on the second hand market. Furthermore, brand loyalty was often discarded and we were able to offer solid and practical suggestions which saw the seller's expectations merge with buyers dreams and deals concluded. This in turn gave confidence to the buyer about owning and using the yacht in the future.

Our USA office had a better 2011. It became clear in 2011 that America was pulling out of recession and the enquiry rate in the States spiked significantly, with a pleasing number of yacht sales both in the USA and from Europe. We expect this trend to continue with a vengeance in 2012 as the € continues to



weaken against the \$. The most important factor in the USA market in 2011 was the increased confidence with which American clients were approaching their investment in yachting.

The Mediterranean market was confused this year with still far too many overpriced yachts sitting on the market. When yachts don't sell, yacht buyers question the wisdom of making a purchase at all. Of course the € remained relatively strong throughout 2011, with those yachts in the Med priced in US\$ and £ attracting more interest. Our French office had a solid, if unexciting year and has focused on building a listings base that will enable us to benefit from currency shift in 2012. We do feel that this sector has potential for further coverage by Berthon as we believe that reactive yacht brokerage has no future in this area; a good grasp of what is happening both in the yachting and wider world is essential to guide yacht owners through the sale and purchase process in these turbulent times.

2011 was also the year where the shine came off the Scandinavian market. For a couple of years, there has been the perception that this area would continue to ride to the rescue of sluggish demand for brokerage yachts elsewhere and would also help with new yacht sales, assisted by strong currency. This demand has now slowed to a dribble. They of course, have economic worries of their own with strong currencies affecting domestic markets and many of those selling into this, failed to consider that it is relatively small and that having absorbed many of our yachts in the last 3 years, the cupboard is now rather full!

For all its challenges, as a business, we still enjoyed 2011. We have re-learnt our trade in the past few years and we have become more open to change than ever before

The strong Scandinavian currencies also affected Windy new yacht sales and we delivered fewer yachts in the UK and France than ever but on the whole it was a better year for us than 2010, assisted by some stunning new models from the Norwegians including the Windy Zonda 31 which won the Motorboat of the Year Award in January as well as some inspirational upgrades to an already modern range. Tighter marketing budgets and cost cutting also helped. However, with more new models on the drawing board, like us, Windy recognise the importance of constant reinvention to survive.

It has been another year of confusion on title, VAT and RCD. In difficult times, the Authorities quite naturally want to tighten up and in the UK we are still relatively unhindered with bureaucracy. Elsewhere, this is definitely not the case. There are wide ranging and differing opinions from country to country, and from Authority to Authority on what is and what is not acceptable. Those who try to make hard and fast rules about what is and is not acceptable, ignore the fact that in many cases they ask for retrospective documentation from companies that do not exist or Authorities whose records are now destroyed and worse, they ask for documentation from the past that never did exist. We feel that it is important that those operating in our industry accept the limitations on paperwork existing for brokerage yachts and take a realistic attitude on what is available. Sometimes the situation is not black and white, and it is our job to be as diligent as possible in our research and approach to paperwork issues; but we do have to accept that it is an inexact science and the art of the possible must prevail.

For all its challenges, as a business, we still enjoyed 2011. We have re-learnt our trade in the past few years and we have become more open to change than ever before. In addition, we have learnt to look at the whole economic outlook and to changes far outside our small industry to plot our way forward and to advise our clients. We feel that our yacht sales navigation system is operating at a high standard of efficiency and our market trend radar is interfacing well. Assisting us on our voyage are a number of colleagues with whom we enjoy close association and we thank them for their friendship and support.

These include Windy Boats in Norway with whom we continue to work closely and whose product innovation has our total respect; as well as Dashew Offshore from the US and New Zealand. Steve Dashew put pen to paper to complete the astonishing FPB 115 in 2011 and newly delivered FPB 64s are voyaging all corners of the globe. The new 97' will be as nothing you have ever imagined. Discovery Yachts in the UK are also very good friends. We sold 5 pre-owned Discovery 55s in 2011 and their marque continues to grow in prominence as the blue water cruising yacht of choice. We continue to work closely with all these great companies and later you will hear of other relationships we are forging.

We hope that you will enjoy our 2012 Market Report with our view of the significant changes to the yachting industry in 2011 and our view of what lies ahead as we voyage (with radar firmly on) through 2012.

» Sailing Yacht Review

by Alex Grabau and Alan McIlroy

Perhaps one of the most notable trends seen over the past 12 months in the cruising yacht market has been a re-evaluation of 'value for money'. Many buyers who pre-recession may have been in the market for a Scandinavian-built yacht (or similar) on the basis that in exchange for the high asking price they got excellent build quality, are now looking at what they really need from their yacht. By switching their attentions towards the mass-production market, they are seeing that in exchange for lighter build and perhaps a slightly flatter-bottomed hull, they can pick up a yacht that ticks all the boxes for much less, or a much newer yacht for the same money.

A classic example of this is our recently listed 2008 Elan Impression 434 complete with generator, watermaker and every bluewater gadget you could think of. At just 119,950+VAT (at the time of writing), she has taken her hugely experienced owners from South Africa to the Caribbean and then into the Mediterranean, but you would barely know it by looking at her. Her owners had been considering a brokerage Hallberg Rassy, but took the decision to go with a production yacht and have never regretted it for a moment.

Of course, the Hallberg Rassys, Oysters, Najads and Sweden Yachts of this world are still extremely relevant to all markets and continue to find owners through our offices, particularly for extended blue water cruising. Although prices have softened, as they should in the current market, the relative shortage of sellers (returning the ratio of buyers to sellers similar to the pre-recession levels), has cushioned the landing, and prices are now remaining fairly static, possibly bouncing along the bottom as a result of the fact that there are less relatively "young" examples available, bearing in mind vastly reduced builds in the interim period. However, as ever, there are plenty of owners who still refuse to accept market pricing and they have the advantage in that they can continue to enjoy their yacht, but those prepared to acknowledge the market trends and consider offers that hitherto they might have dismissed out of hand should enjoy success in finding a buyer. Despite some believing the market has disappeared, and the fact that there may be less brand loyalty than in pre-recession days, Berthon can proudly say that we continue to sell yachts and plenty of them.

In this tricky market, the devil is very much in the detail, and all aspects of the marketing need to be looked at very carefully, not just in terms of pricing. Yachts obviously need to be clean, well-presented, and their particulars comprehensive, accurate and informative. Moving the yacht is also well worth considering, as having her outside one of our offices in Lymington, South of France or Rhode Island is rather like putting her in the middle of the shop window rather than hidden away in the back. Buyers will of course travel to view yachts, but usually only when they are absolutely sure that what you are offering is what they want. 2011 saw more yachts return from the Mediterranean, from across the range not just the larger examples, and whilst they struggled to get viewings when based in their home ports, upon returning to the UK most if not all achieved relatively quick sales. Two yachts in



particular went under offer a matter of days after their lines hit the dock here in Lymington. As most of our buyers end up buying something completely different from what they originally expected, the logic of moving the yacht is clear and undeniable. Berthon is open 7 days a week and with around 80 yachts for sale on site and being so central, we are there when the buyer feels ready to jump into his car... that is a big draw.

Berthon International has long been synonymous with high quality blue water cruising yachts and nowhere is that quality more evident than in some of our more home grown offerings. It is heartening to see that in such a tough economic climate that British yacht builders are not only surviving but positively thriving. Builders such as Discovery, Rustler, Oyster and Northshore are not only satisfying the demand for existing successful designs but also having the confidence to introduce dynamic new models, with increased levels of innovation, sophistication and performance backed with the reassurance of some of the world's best craftsmanship. That there are still buyers for new quality yachts such as these in such testing times, brings not only a joy for their fortunate owners but provides a legacy for many blue water sailors for years to come. This desire to own a classic British built cruising yacht is not only borne out by the healthy order books of these British manufactures but also the consistent demand, relative liquidity, and residual value of those examples that come to the brokerage market. The Discovery 55 is a particularly good example of this phenomenon, well on her way to being a modern classic, and now a natural choice for cruising couples; we sold 5 in 2011 achieving very quick sales on strong offers. Berthon International is of course nominated by Discovery as their preferred brokerage house.

2012 is already shaping up to be a respectable year for cruising yacht brokerage. Our pencils are well & truly sharpened and we will never be afraid to give both owners and buyers our honest advice, regardless of how far removed this may be from their expectations. Our business is selling yachts for fair prices, and neither the global economy nor the banking industry will prevent us from achieving our aims!

» Performance Yacht Review

by Ben Cooper

2011 delivered the best parts of a Greek tragedy, ironically with the Greeks themselves, natural disasters and civil unrest, causing volatility and unrest in many aspects both political and financial. The resultant ripple drove through all markets, and affected all, including the brokerage market. However, for all Ying there is a Yang, and despite the stuttering of the markets, in the more recent period of relative stability, the first quarter of our financial year (October, November & December 2011) we have seen growing optimism amongst owners and potential owners alike. The more common attitude in the Performance sector now seems to be to enjoy the hard earned cash, and stop worrying about losing it before getting too old.

So what is selling? Well the "Performance Cruising and Racing" bracket is certainly frisky, with brokerage Swans, Najad, and X-Yachts all slipping through with strong demand. On the Racing front, the Volvo 60's and 70's are resurgent and proving a good investment for offshore charter and private endeavours. Custom yachts are only selling if they are in absolutely tiptop condition, built by well known yards and are a real alternative to the strong brands. It is no surprise that there has been a general price drop over the last few years in this sector, but, as ever, the best condition and most keenly priced are selling. However, as nascent demand seems to be growing, we expect prices to stabilise over the next 12 months.

With Berthon being a truly International Brokerage house, in the Racing market it really is anomalous to sell a British owned yacht to a British buyer. Currency fluctuations are driving the direction of the purchases; currently the Far East is strong,

Europe is starting to provide cheaper yachts, and the USA has become a little more stable, and shipping prices are still reasonable dependent on route, Somalian pirates are definitely to be avoided! We have developed a strong client base with the well known brands, notably Swan, Baltic, Najad, Grand Soleil and X-Yachts and understand every nut and bolt of these proven yachts with sales last year from all of our offices. We now have a strong listings book of these marques which are selling well, so don't wait too long to get in contact.

With Berthon being a truly International Brokerage house, in the Racing market it really is anomalous to sell a British owned yacht to a British buyer

The regatta scene continues to be vibrant; the well revered Rolex Series continues to flourish; the Fastnet attracted more entrants than ever, and an interesting trend for shorthanded (particularly double handed) sailing continues to grow. Key West, the year's opener was saved by sponsorship from Quantum Sails and by all accounts was a successful regatta, with more larger yachts participating than they have had for a long time. The smaller classes suffered a little from entries, but that is probably more to do with the costs of accommodation in the Florida Keys than anything else. All pointing to a more positive year worldwide and if the start of the season is anything to go by, I'd better stock up on more yachts.

Tyker Class 40'.



» Motor Yachts Review

by Hugh Rayner

Berthon's highly regarded reputation for focusing on the sale of good quality blue water sailing yachts has continued to work hand in hand with our similarly focused approach in the motor yacht market. We often find clients making the transition from sail to power if business commitments dictate less time afloat, and perhaps even when one has become tired of the physical exertion involved in sailing, yet the desire to cruise and explore still remains.

This cross-over means that we specialise in motor yachts with similar characteristics; build quality, functionality, range, comfort, and perhaps above all, excellent sea keeping abilities. We are familiar with the products from a wide range of manufactures; the semi displacement Nelsons, Aquastars, Grand Banks and Flemings, through to the full displacement offerings from Nordhavn, Selene and Elling, and obviously not forgetting our proud links with Steve Dashew and the phenomenal FPB series.

Not only do we have a personal fondness for this market, but from a purely business point of view, yachts in this sector have proved increasingly resilient on the brokerage market during these particularly difficult economic times. They are bought for a purpose and not as a fashion statement, they are cruised extensively, often maintained meticulously, and their designs are long-lived so their values hold well.

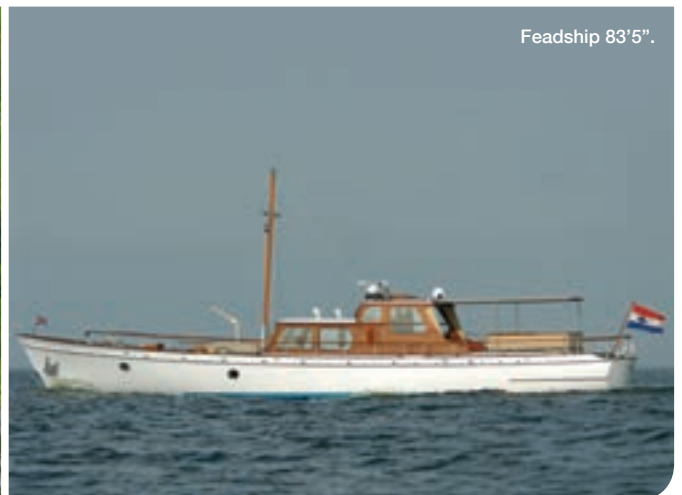
Yes, we are talking about a relatively niche market, and so Vendors should not expect overnight sales, but they can be assured that buyers will offer realistically, because there are unlikely to be a number of other examples on the market at the same time, avoiding the production-line type price-drop war. The abundance of boat sales websites on the internet allows instant access to the current availability of any particular make/model and therefore price/specification comparisons can be made quickly and easily. Exempting the fact that there are anomalies on the internet with many pricing errors (most of which we know about), any yacht pitched too high will simply not generate enquiries, but a competitive asking price coupled with extensive specification details, and a wide range of high quality photographs will make all the difference.

There is absolutely nothing like first impressions when visiting a yacht, and many buyers simply do not have the time for lengthy negotiations or a refit. If she needs attention, we say so; if not, she should be in great order

Another internet based development having an impact on the market is the advent of those websites that identify actual yacht selling prices similar to those now in abundance in the housing market. These websites are not governed by the marine equivalent of the Land Registry (because there isn't one) and therefore although both sellers and buyers will find it useful, they must also treat this information with care. Extremely low or extremely high figures should be especially treated with caution.

As highlighted, buyers are now far more informed than ever before when it comes to establishing what offers value for money, not only with regard to pricing, but also quality, condition and specification. It is therefore key that any motor yacht being brought to market should be presented to the highest degree in terms of both cosmetic appearance, and also perhaps more importantly with an exemplary maintenance and service history record. There is absolutely nothing like first impressions when visiting a yacht, and many buyers simply do not have the time nor stomach for neither a lengthy negotiation nor a refit. If she needs attention, we say so; if not, she should be in great order.

Buyers and sellers in our market continue to be financially stable, and thankfully distressed sales are now relatively uncommon. However, and perhaps not surprisingly, this stability is directly linked to a particularly cautious human nature. In our opinion this consequentially could lead to a particularly difficult market in the coming year with activity levels remaining quite low unless economic activity resurges. As always our strong and high profile presence will continue to ensure all our listings are extensively promoted before the widest of international markets, and if there are buyers out there, we will find them.



» Windy Review

by Ben Toogood, Windy Sales Manager, with Windy brokerage wisdom from Hugh Rayner

2011 has been an exciting year on the Windy new yacht sales desk, at Berthon in the UK. We have seen the development and launch of some remarkable new Windys that have already set the benchmark for years to come. In particular, the 31' Zonda could not have been better received with 4 boats already sold to the UK, and a full order book at Windy for the 2012 summer season – quite spectacular for mid recession. The 31' was reviewed by Motor Boats Monthly as the “best hull we’ve ever tested”, was nominated for European Motor Boat of the Year and was also awarded the 2012 UK Motor Boat of the Year award in the sports cruisers category up to 45’.

2011 also saw the launch of the new 26' Kharma, an evolution of the 25 Mirage that was originally reviewed as the “best handling boat in the world” by Motor Boats & Yachting. Like other new-generation Windy models the 26' is built using vacuum-resin infusion which makes her lighter, faster and stronger and she also benefits from an updated cockpit layout, extended bathing platform and a more comfortable fixed double berth down below.

Following similar lines to the Ed Dubois designed 31' Zonda, Windy have commissioned him to design a new 39' sports boat that we are expecting to hit the water in early 2013. We simply cannot wait!

Another development has been the introduction of the new Eidsgaard Design interior for the Windy 40' Maestro and the Windy 44' Chinook. The distinctive new interior finish combines contemporary design with Windy craftsmanship.

The definite trend in 2011 was that clients were erring towards the sports boats concept, as an alternative to much larger flybridge motor yachts. In a difficult economic environment, the dream to buy a new boat still remains but time is at a premium and a high quality small yacht has many benefits over the cost of a larger yacht that will require more maintenance. We are seeing evidence of this also via our French office where owners of villas feel that a bigger boat is wasted where the berthing and other ancillary costs do not offer value in terms of the amount of usage – particularly if mostly only used as a day boat.

At the heart of the Windy concept is great handling and undoubted sea going ability. With such unpredictable weather here in the UK, the deep-v hull design offers a soft, dry and comfortable ride even in more unpleasant conditions. This is very reassuring if you're used to larger craft, or indeed if you are a dyed in the wool sports boat owner. With this comes the confidence to go further and use the boat more often.

As described above, Windy understands the need to innovate and they are good at anticipating the market. This is why we continue to sell product and they have a reassuringly good order book at this time. They have been quick to understand that clients like to customise what is a premium product, and metallic hull and a swathe of other options means that each new Windy reflects her owner's personal choices. 2011 also saw the Volvo Power trim assistance feature as standard (automatic outdrive trim), making the driving experience even easier.



At Berthon we are extremely fortunate to enjoy a symbiotic relationship with Windy Boats, forged over a long period. Through close collaboration, we have raised the profile of this touchstone amongst fast, sea-going cruisers, and this translates directly into strong sales and values in a tough, depressed, but still competitive motor-boat market. Core brand values of excellence in performance, timeless build quality and restrained, classic good looks make for a potent mix – and thus we do see many repeat customers, but also a significant proportion who have been drawn by the widely held view from clients and the press alike, that ‘you get exactly what you pay for’.

On the brokerage market we are seeing 20 year old Windys being hotly pursued by buyers because they understand that the quality that was there at day one on the build floor in Norway, is still there! Whilst the prices are now more affordable, there is also the indisputable fact that retained values are significantly stronger than in other areas of the mass-built production motor market. Perhaps most interestingly is the strengthening of the UK market, with domestic buyers now eclipsing the export numbers of the past couple of seasons – a trend that we are confident will continue, a good sign for both buyers and sellers of this enduring marque. 2012 is already an encouraging year for Windy Sales, with 3 new boats sold from the Düsseldorf Boat Show in January alone and a pleasing number of boats in build for delivery this Spring. Windys are not cheap but they continue to offer great value for money in terms of their build quality and the enjoyment that they offer on the water – which is where it really counts.

Windy owners are also secure in the knowledge that the strong residual values on the second hand market mean that when they want to move on, there will be a ready market for their yacht. Working with Windy is a passage of continual change as they continually re-invent the product to meet the needs of the times and innovate in terms of styling and layout. However, the constant is the superb and superior attention to detail and this will never change. Unlike recent years, when boats were often to be found in stock at the factory, a big challenge for us this year is delivery. Windy builds boats for clients and not dealers, so they now rarely have spare yachts for early delivery. Rather like a Morgan car, you are fitted to your Windy and we actively encourage our clients to visit Norway to watch their boat being built, or to meet the team and see the process before you order one.

» US 'State of play'

by Jennifer Stewart

Another year passes, and it's time to reflect back on what we did (or didn't do). We have just completed our first full year as Berthon USA, and happily, ended the year up about 12% on the prior year, which I think is slightly outperforming the overall US market, which is still staggering back from the nadir that was 2009.

The Berthon name and brand continues to get better known in the States and with it, brings more boats to list. Our ability to assist our customers in the UK, and France gives us the leverage other brokerage houses are missing! Brokerage wise, we found that as the Euro finally started to react to Greek gravity, and we approached the magic threshold of 1.3 \$ to the €, the long dormant US buyer finally decided to go cruise Europe's bargains, and the tide, which has been going out for the last 4 years, is now starting to come back in. It also helps that European boat prices are finally acknowledging reality, dropping in recent months as inventory piles up.

To that end, we have sold a Swan 60' and a Swan 56' in recent months in Palma and Portugal respectively and have buyers looking at some Najads in Scandinavia. There is a complete dearth of high end European sailboat product in the States at the moment, and having seen this backswing several times already in the past 30 years, expect to see more boats return to the US as we exit the recession earlier than Europe.

On the new boat scene, we had success in selling 2 new Najads – a 380 and a 460. The 380 was delivered, and was beautifully built, with fantastic attention to detail, but sadly the 460 got caught up in Najad's bankruptcy in August. The bankruptcy was a complete surprise for us, as it was not a bank driven collapse, but rather some legacy costs and commitments (a new hull factory, primarily) that were not able to make the business cash flow positive in the current market. Luckily, the bankruptcy was relatively clean, and Najad has emerged with a new Owner – Nord West Yachts, and they have already sold a few new boats. It looks like our customer's Najad 460 will get completed, which will be a happy moment for us all.

We are delighted to have added Moody to our portfolio of new boats this fall, and with two boats exhibited at the Newport and Annapolis shows, our first sale was a Moody 45'AC to an old Swan 46' client of ours in December 2011. We have been very impressed with the innovation, sailing performance, and value for money of these new German built Moody's and think we will do very well with the brand. Furthermore, enquiry levels this January have been amazing! The magazines have been all over the new 45'DS, and we expect some good editorial coverage.

Looking forward, whilst the crystal ball is as foggy as ever, we do believe this will be a good year for us, Americans don't do the austerity thing too well. There are definitely signs of jumping back into the marketplace



Our third new boat brand is the well loved English built Rustler line, from 24' to 44'. We had an American client take delivery of a new Rustler 42' in March 2011, in the UK, and he has sailed her to Portugal and the Canaries, and has been absolutely thrilled with the attention to detail and after sales service by Rustler. We look forward to seeing the boat on this side of the pond at some point in the future. We added a 36' sale for delivery later this year and other customers are currently working on specifications. The English classic look is forever appealing.

Looking forward, whilst the crystal ball is as foggy as ever, we do believe this will be a good year for us, Americans don't do the austerity thing too well, and after 3 years of trying to do it, there are definitely signs of jumping back into the marketplace. That said, no one wants to overpay... and few people want a project.

So – if you are a seller: take your boat, make sure she is fully serviced, and in good operational order, and clean her, clean her, and clean her again. (And make sure the price is set correctly to attract attention. Whilst buyers are returning, there is still much stock available worldwide, and it is still a buyer's market).

» Berthon France Review of the Market

by Bruno Kairet and Pierre Vignes

As with other parts of the Sales Division, in France we have had a challenging year. Our focus has been on ensuring that both parts of our business deliver the very best in terms of client support – on our Windy boat sales and with our brokerage operation.

2011 has been a hard year in France for the Windy brand. However the profile of the brand increases annually and we have now been consistently and successfully promoting and selling Windy in France for over 10 years. Product awareness continues to grow. We are pleased that despite the problems with currency and uncertainties in the market, in 2011 we saw the sale of, amongst other models, an interesting number of the new 40 Maestro – 4 in fact, and we were also involved in the sales of a number of Windy SR 52 Blackbird Super Tenders; the consummately cool day yacht and perfect for our waters off the Cote d'Azur.

Windy Boats keep producing very high standard quality boats that stack up well against the competition, with as ever an emphasis on sea keeping, performance, and build quality. They are the perfect platform from which to enjoy the extensive French waters both in the South of France and on the Atlantic and Channel coasts too, where their hard tops and excellent sea keeping is perfect for all season use.

Our Windy client base is proving very loyal with a pleasing number of clients moving up through the Windy range over time. As expected with an office in sunny Golfe Juan, some 25 minutes from Nice airport, we have a truly international base of Windy owners all of whom enjoy using their yachts in French waters.

Given the challenges of the Norwegian/Euro exchange rate, it is no surprise that the second hand market was brisk in 2011.

Brokerage Windys continue to maintain their values in our area, and they continue to be the sportsboat of choice, particularly in these difficult times where boat owners want to have the confidence of buying a boat that will hold her value well. The good design, build quality and other iconic features are also key in the continued popularity of the brand in France.

The brokerage arm of Berthon France continues to develop organically and against the backdrop of uncertainties with the Euro, had an indifferent 2011. However, 2012 has started strongly with an X562, a 90'ketch from 1921 and a host of Windys already sold, and if the Euro continues to weaken, we look forward to a busy year as currency delivers the extra price reductions that we need for brokerage listings to appeal to those outside the Euro area. Our experience from 2011 shows us that yacht buyers are increasingly found this way. We have good listings and we are ready. We are also in a position to assist yacht owners in our area who are looking for realistic advice on pricing and who would like their yachts to be professionally and actively marketed which we are able to accomplish in conjunction with our colleagues in the UK and USA Berthon offices.

We look forward to the balance of 2012 with moot optimism, despite the fact that the French general election will depress the local market until the results are known. Our marketing campaign continues aggressively and Berthon France will exhibit at the Antibes Yacht Show, Mandelieu Boat Show and of course the Cannes Yacht Show. Our strength is in our local knowledge as well as our membership of an international yachting group which enables us to deliver a rounded and effective service. Currency shift in 2012 will be the catalyst that drives and shapes our market.



Windy Dubois SR 52 Blackbird.

» Acquisitions and Closings

2011 has seen the unthinkable not only be predicted (here, last year!) – but happen. With difficult trading conditions, many yacht-hold (rather than household) names have been taken over, or have drastically changed in structure, and some of them have even left the stage completely. The yachting industry like almost everyone else enjoyed the good times fuelled with cheap and easy money, during which many companies have expanded rapidly to react to demand that has now fallen hugely and they found themselves financially over-gearred. For them the future was/is uncertain and the cracks certainly became more evident in 2011.

It is the big groups that have made the headlines. It remains the case that although damaged, these will probably survive. What is less certain is the future of the swathe of smaller businesses both in manufacturing and retail that are closing their doors quietly as the levels of business make them uneconomic and their business proposition unworkable in the new world. We expect to see more of these shut in 2012. Those who remain will do so by working with good business propositions and by offering a better and sharper service to a client base who demands real value for money. So in the round for the yachtsman and the industry this is probably a good thing although painful to watch.

We thought that it would be interesting to list just a few of the changes that shook the industry in 2011, the announcements came thick and fast, and our eyebrow raising muscles are now in spectacular shape!

Sealine – sold by Brunswick to the Oxford Investment Group of San Diego.

Ferretti – bought by Shandong Heavy Industry Group – the bulldozer people in China. They paid €175m for 75% of this troubled yet mighty yachting group and partnered with the Royal Bank of Scotland and Strategic Value Partners LLC.

Sunseeker – ownership change to the Irish investment group FL Partners, with debt restructuring by Macquarie Bank of Australia and Haymarket Financial; other investors, Brian Souter of Stagecoach and Mike Clare of the bed company – Dreams. Robert Braithwaite remains the biggest investor outside FL.



Oyster bought by Wim de Punder and Klaas Meertens of HTP Investments from venture capitalists Balmoral for an estimated €13m. The word on the street is that Balmoral had acquired the company from Oyster founder Richard Matthews a few years before for around €100m and that the company struggled with around €50m of debt.

Fairline – sold by 3i to Better Capital with some help from Royal Bank of Scotland.

Najad Yachts – bought by Nordwest, the power boat people from Sweden. The yard facility was separated and is being used for refit and winter storage with new owners. The number of yachts built annually will now fall significantly but the brand does have a secure new home.

Sweden Yachts continues its voyage through bankruptcy – a great brand that is falling into obscurity. And various other Scandinavian brands have closed or amalgamated with larger groups.

Hanse was bought Dehler, only to have its founder and majority shareholder Michael Schmidt bought out by a venture capital group.

Broom Boats was taken over in July 2010 by two local Norfolk businessmen Mark Garner and Akis Chrisovelides, with the previous Chairman Martin Broom remaining in a Presidential capacity.

In the US, Fountain Powerboats has filed for bankruptcy protection for the second time in less than three years – betraying the lack of traffic in their challenging market sector of high-performance, fuel-guzzling, speedsters.

Derector Yachts boatbuilding facility filed for bankruptcy; NB the refit yard in Florida continues as a well considered service centre.

The list goes on. It has been a fascinating year and it will be interesting to see these companies develop with their new owners and new management and how they react to the changing economic outlook. It may be that the success of Princess Yachts bought a few years ago by LVMH will be replicated as these important brands restructure and reinvent themselves. What is clear is that change is both inevitable and essential in 2012 and beyond. Berthon, as always, with no debt and strong management continues to perform solidly.

» Production versus Quality

As the market continues to see the development of production/mass produced yacht yards, the perception of the quality that is expected by yacht owners is becoming more blurred. There is no doubt that a two tier market has existed for around 30 years if not longer. One of the first production classes was probably the Gauntlets which were built at Berthon in wood from the 1930s. You could order your own size (in tons in those days) and these were banded, but the basic design and layouts were common throughout the range.

As the economies of building class yachts and the technology developed to make this easier, this became the norm. Of course the advent of GRP really meant that this took off as the building of a plug was an expensive exercise and therefore yachts started to be built in series as the default option. Yachts were built for different budgets and purposes but the big change came when the likes of Beneteau started yacht factories rather than yards and with good design, economies of scale and mechanized processes, they were able to deliver yachts at prices hitherto unimagined, and with easy money, these yachts were available to a wider range of people, all of whom had more disposable cash (and easy access to credit) and that the market could grow massively. We then went through a period where there was a marked delineation between production and quality yachts. Those that were cheap and cheerful and those that one aspired to, such as Hallberg Rassy, Contest, Oyster, Princess, Sunseeker and so forth. There was also ample room for semi-custom – Jongert, Nordia, Moonen and many other great names building for those with the funds to own the best.

During the good years up to 2008, the production yards became ever more efficient and turned into big businesses – Bavaria sold for a reputed €1bn to venture capitalists who liked the scalability of the business. However, even though production volumes disintegrated for a while (and the VCs lost a whole heap of their investment), the fact is still true that cheaper yachts open the market up to more buyers, and some of those will eventually buy at the quality end, either as they retire or sell their businesses with a view to blue water cruising. Since the recession, and to a lesser extent beforehand, although the lines of engagement were relatively far apart, we have seen clients who had traditionally owned yachts at the quality end, looking at production yachts whose budgets for R&D were huge and designs attractive enough in order to buy them for a specific task. For example – why buy a Swan to keep in the Med for day sails and picnics – when the production equivalent would do the job as well (if not better as the design favours Med use with a large cockpit and airy interior) for a fraction of the price.

It is fair to say that most – if not all – yacht builders have clearly suffered during the past few years and there have sadly been many casualties. The production yachts have had a torrid time, having to refinance and radically reassess their production levels. The quality end of the market has also retrenched and has had to do more with less. However, where the production yards (and some higher quality yards such as Windy) have been clever, is that they have continued to innovate and increase the quality of their product in terms of design. With

new technology their modern interiors and great hull design are increasingly attractive. For example Baltic build a lot of Judel Vrolijk designs – Hanse also use Judel Vrolijk delivering similar exciting and attractive hull lines. Clearly, a Hanse will never be a Baltic – but there are parallels in terms of the potential enjoyment of the sailing experience. I suppose the car equivalent is Pininfarina designing Ferraris and Hondas.

Now that we are living in a new world, life goes on and whilst numbers of new yacht sales are down, yachtsmen continue to be seduced by the idea of a new yacht – which of course is a thoroughly good thing! Because of the elements of uncertainty, some who had not before considered going the production route are looking at this on grounds of cost, and also it must be said, because the production builders consistently raise their game offering good packages and good looking yachts that whilst they are not of similar quality, will do the job. However, the depreciation factor is always a worry, particularly in uncertain times. It is an accepted fact that production yachts do not fare well in terms of holding value. This is for 2 main reasons, the first that they do show wear – they look older and scruffier sooner and their inherent build and value does not justify huge investment to keep them looking good. Also, as a function of their price there are many of them – they are built for the charter market as well as the retail market – and therefore when they come to market the number available pushes the price down.

However, the other side of this coin is that if you don't pay much for the yacht – the monetary loss overall is less. For example if you spend £800,000 on a yacht and lose 20% on sale, she has cost you £160,000 to own. If you buy a yacht for £250,000 and you lose 40% on sale, the bill adds up to £100,000. For these reasons, quality yards are losing some clients to the production end of the market – at Berthon USA we are the agents for Moody – great yachts, but clearly on the production end of things, now being built by Hanse in Germany. Buyers of new yachts through us have included Swan owners –for all the reasons above.

For some, the production yards will win out – these yachts offer them a good sailing experience and particularly at the larger end of the ranges the quality and design is of an acceptable level. These yachtsmen are not bothered if the interior was hand crafted or built by a computer. For others, better times will herald a return to their natural territory and we believe that there will always be room for high quality yacht building which delivers the very best that design, technology and money can manage (and this is equally so in the far more established automobile market). Of course there is also another important factor which is pride of ownership. This cannot be quantified, but yachting is a lifestyle thing and we are sure that like the Bentley driver, there are many yachtsmen who want to own the best. What will be critical for the quality end of the market is that it continues to innovate and to deliver the same design and technological improvements so well exploited by the production yards. Discovery and Windy are both good examples of this, innovating with new models and upgrading their current offerings. In this way both will continue to develop after a few bumpy years; those who do not, will probably not be here 10 years hence, to tell the tale.

» The Euro and what it means for the International Brokerage Market in 2012

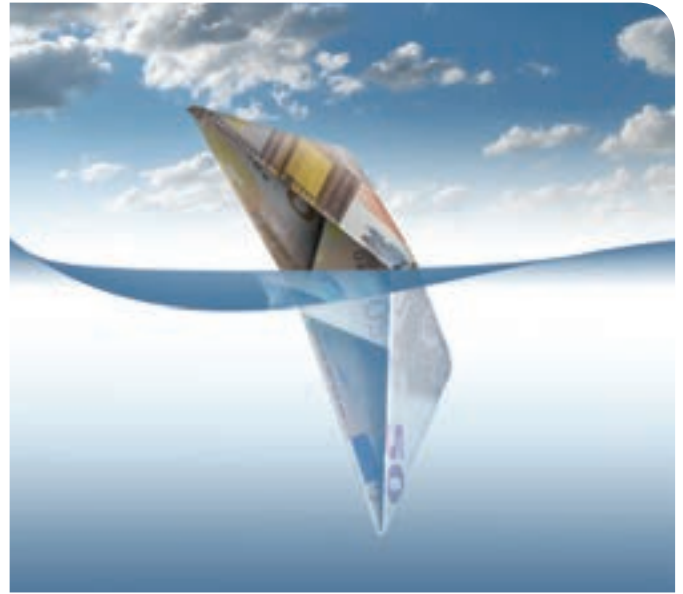
Uncertainty about the fate of the Euro is now something that we expect to read about in the newspapers, rather than being news. Whilst there is currency movement, we believe that the Euro is going to lose ground in 2012. For the yacht market in the Mediterranean and for Euro priced yacht owners this is a good thing as it will allow the market which has stalled because of overpricing to realign itself naturally, without the yacht owners having to go through the pain of significantly dropping their prices in order to be competitive in the market. In a way the much needed devaluation will take some of the strain.

The Mediterranean continues to be an important market with the two main centres being the South of France and Palma de Mallorca. Because of lack of berthing availability (mainly in the South of France) and high berthing prices – the case in both centres but less acceptable to yacht owners in Palma, we are now seeing yachts that traditionally berthed there for sale scattering to other regions. Areas like mainland Spain – Barcelona and Tarragona, Imperia in Italy, Croatia and Turkey are seeing more yachts berthing there and being offered for sale. With fewer available European flights, it is no longer a question of a day trip to see a yacht and yacht buyers with less time than ever before, will tend to go to the centres to see a few yachts than travel to the outlying areas. Therefore it is even more essential to price the yacht which resides in an outlying area even more keenly.

However, although there is activity, the market is lacking dynamism as a function of pricing. There are many yachts in the Mediterranean priced in Euros which are remaining on the market for literally years. The fall of the Euro will make these yachts more attractive to the international market provided that their owners also accept why viewings and interest have been lacking; for heaven's sake, don't try to play the currency game and increase price to account for the currency shift – the boat is probably too highly priced even after Euro devaluation. All through the recession Berthon have been selling yachts, the market is there for serious buyers and serious sellers and whilst forced sellers have largely disappeared, those holding out in hope must also realise that as each year ticks by, depreciation also takes its toll.

Whilst those buying in Euro are still an important segment, particularly those from the Northern parts of the Eurozone, they will not be the major players. We see that US buyers are now playing a major role here. Where Europeans bought from the USA and imported yachts to Europe, the reverse will become very noticeable as the Euro falls. Holders of other currencies such as the Swiss Franc, and Norwegian Krona, are also going to be attracted by this movement as well as interest from markets like Brazil, Australia and Russia.

The fall of the Euro will make these unsold yachts more attractive to the international market provided that their owners also accept why viewings and interest have been lacking



Longer term, the fall of the Euro will set a new benchmark on yacht pricing as prices of yachts priced in stronger currencies will fall to take into account the new level of Euro priced yachts. This is not necessarily a bad thing as the market needs movement to maintain a dynamic flow.

For this reason, we believe that the Mediterranean market will become a focus for yacht sales in the next period and we will see a number of yachts sell and leave the area. This trend is also compounded by the clamping down by member states on the VAT payment required by EU yachtsmen as well as the increasing numbers of local taxes – ie the new Italian tax and the new Greek wealth tax that will encourage EU owners to either sell their yachts or move them outside the EU to use them. Italian fiscal investigations have literally driven a host of supercar sales, which has been widely reported in the press. Perhaps the same will occur in the yacht market? When Croatia enters the EU we may well see a number of EU yachts leave this cruising ground as the VAT rules existing elsewhere in the EU will apply and Montenegro if it remains independent will become a popular area indeed. Turkey is also increasing in prominence both in its role as a cruising ground as well as in terms of the yacht building capabilities, which in turn means that service levels are improving, which is developing rapidly. But, even they have just introduced a maximum period of 90 days for those non-Turkish residents sailing in their waters!

Therefore, the Mediterranean for yacht sales has a key role to play over the forthcoming year and beyond. With a weaker Euro it will be a more dynamic and exciting marketplace. Buyers coming from outside to purchase Euro yachts may well also prefer to cruise the Mediterranean at the beginning of their ownership where they are untrammelled by the various regulations relating to VAT, and with a weak Euro will be better able to cope with berthing prices and any local taxes. This is good news for the yachting community as a whole and here at Berthon we are putting plans in place to cover the Mediterranean more thoroughly at this important time.

» VAT and all that

by Andrew Roy of Baker Tilly

VAT and the Single Market – sounds like a film? It's more like a circus run by the clowns. It is a mess, especially where yachts are concerned: "comme le petit déjeuner des chiens mes braves." The laws of the EU are set by the Commission in Brussels. They can also be "clarified" by the European Court of Justice (ECJ). VAT is an EU tax so should have the same rules in all 27 states. But it doesn't; now there's a surprise!

Each state has responsibility for interpreting the rules which, understandably, leads to anomalies, but some of which are downright contradictory. Italy assumes that any yacht over 24m, which is on a lease, will spend 70% of its time in international waters just because it is over 24m, whereas HMRC in the UK has outlawed yacht leasing all together as being an abuse of tax law. The Spanish say if you run a charter yacht in their waters you have to pay a one-off 12% tax on the yacht – unless of course you are turning up for the America's Cup!

HMRC has great trouble with the whole concept of commercial charter yachts; deep down they do not think there is such a thing, whereas the French say any yacht in commercial use is exempt from VAT, even on fuel. Let's not talk about Malta! Having said that, Malta is, for the moment, the place to be if you are looking for some VAT planning on your new yacht. Malta is a full and independent member state of the EU and so its tax regime has to be recognised by the other 26. The Maltese Government has designed a leasing scheme which can be very effective in VAT terms and which is currently fully acceptable throughout the EU. Let's not even mention Cyprus! They've joined the game a little late with a scheme even more extreme than Malta's. They will let you get the VAT down to 3.4% on a 24m+ yacht – just amazing!

Unfortunately the UK Government have taken an opposite tack and seem happy that they have driven tax and jobs abroad – that's fine, many clients have benefited from the leasing schemes available; it's just a shame that the business has been sent there. So what is the current VAT position in the UK vis-à-vis yachts? It does seem that recently HMRC has taken a very hard line against yachts. Most of the large VAT registered yacht management companies are run out of the Isle of Man; HMRC's "clamp down" may have back fired as the companies are now multi-jurisdictional whilst still centring in the IOM/UK. Rumours of the Island's demise are much exaggerated!

It is industry standard that if you have a large yacht you do not want to own it yourself so you register it in a company, a special purpose vehicle (SPV). This is nothing to do with tax; it's to do with liability issues and day-to-day management. People who can afford large yachts do not want their name on every invoice or insurance claim. They certainly do not want to be an employer of crew! So they have an SPV with professional directors. The Isle of Man has the unique position of being able to offer companies that are tax neutral, so are easy and not expensive to run and can be VAT registered for running a business.

Some people put HMRC's attitude down to the generally held belief that only the UK abides by EU law. Other more paranoid



Malta is, for the moment, the place to be if you are looking for some VAT planning on your new yacht. It is a full and independent member state of the EU and so its tax regime has to be recognised by the other 26

people claim it's all the fault of the Lib-Dems in the coalition for whom rich people, yachts, off-shore islands and perceived VAT avoidance are just too much of a red rag. Whatever the reason, for the moment at least, there is very little that can be done within the UK to mitigate VAT on that new boat, unless it can be shown to be "earnestly pursuing" a charter business. Unfortunately you then hit the fall-back provisions.

Many years ago HM Customs and Excise as it was then, issued a practice note that said, in effect, that yachts did not have to come to the UK for the owning company to recover the input VAT. If the owning company was not VAT registered in that country/state of delivery, it couldn't account for the tax there so the fall-back was to account for it in the UK. HMRC have now withdrawn this concession following an EJC decision so any charter yachts or goods supplied to them have to come to the UK to be able to recover the input VAT. Of course this treatment is not applied in all EU states so the problem can be overcome. However, all is not lost! Discussions are afoot with the powers that be at HMRC, so there may be something positive to report next year!

Andrew S Roy FCA, has been involved in the yacht management business for over 30 years and has a particular interest in matters to do with VAT. He is also on the VAT Committee of the IOM Yacht Forum and leads the meetings with HMRC concerning leasing and commercial yachts. He has written extensively on these subjects and is the author of the Accounting Module for the Diploma in Superyacht Operations. Andrew is the past Commodore of the Isle of Man Yacht Club and a member of RORC and has just become the proud owner of a Swan 46.

WHAT'S IN FOR 2012

An important part of our job is to adjust to changing trends in the market place and to know what has most appeal to yachtsmen at any one time. In this we steer a course that is ever changing, and below is the Berthon deeply cool board for 2012.



Regatta sailing with a bowsprit

Classic yacht regattas are gaining popularity, with almost as much fun being had in the bar as on the water. There is enormous pride of ownership and these old ladies deliver superb value in lots of ways. Vera Mary is for sale through Berthon.



Short handed sailing yachts

In particular, if they are of recent build. The Discovery 55 is a good example of this with her twizzle rig. In-mast furling continues to be favoured because of the ease of handling and electric winches are a must. Self tacking jibs are good for small crews and the use of the asymmetric is becoming more and more widespread. Cruising yachts the world over are sprouting prodders.



Fleet ownership

Adventurous yachtsmen want to do it all. We are increasingly seeing small fleets that meet all the needs and offer different experiences to the hardened yachting. A typical portfolio would be a RIB for roaring about in, a cruising yacht for long distance sailing, and a modest classic to regatta in. This gives great versatility and the fleet members change to meet new needs and for new adventures.



Hybrid/eco yachts

Of which you will read more elsewhere in this publication – are very in. Included in this section are the hybrids – Greenline, Azimut Magellano, Mochi Long Range 23m, and Arcadia 85 – these are using two different forms of propulsion and are altogether kinder to the environment. Companies like Windy are being more planet friendly in the way that they construct their boats and then of course the mighty Dashew 97' is out there saving the planet with many diverse and exciting new technologies, powering a lot of her systems with a massive and revolutionary solar panel system.



Long distance clockwork yachts

The trawler yacht market is growing, particularly in the USA, and the interest in displacement passage-makers continues to gain ground internationally. The comfort and range available from builders like Selene and Nordhavn have encouraged blue water cruising folk into straight line sailing. These breeds have proven themselves to be capable of blue water cruising to the max – the Nordhavn pictured above is available through Berthon following a full circuit of Earth.



Regular home port change

It was the case that you chose your homeport and all voyages led back to the same place. As leisure time becomes scarce, we are seeing yachts moving from port to port as people explore a whole area and then move for another. For example, it is not unusual for us to have to welcome a yacht to our marina in Lymington, to see her spend the following season in Dartmouth, before overwintering at St Kathrines' Dock. Season two sees her in La Rochelle and the season after on the Cote d'Azur. In this way less time on the water doesn't need to mean the same old cruising grounds.



Sailing away into the Sunset

This particular wheeze has never been so hot (or should we say cool), the ARC entry list is full in moments and the World ARC is now an annual starting event. With depressing economic data and bad news all around, what better way to go than to get off the escalator of life and run away to sea.



High Latitude Sailing

The new Caribbean, an incredible cruising ground is offered in both the Arctic and Antarctic. The sailing is complex and the challenges big. We have bought and sold for yachtsmen who have voyaged the North West Passage and the Beagle Channel and many points between. The last great wilderness on our planet, it is clearly massively cool. Oyster 62' UHURU's trips have been well-covered in Yachting World. After a new paint job at Berthon she lies for sale with us in Lymington, busting to return to her world girdling ways.



Multihulls

Yachts with a spare hull are definitely in! There are of course huge benefits in terms of volume, a stable platform and performance. This market is developing quickly, particularly in the USA, and Discovery certainly put a marker in the ground with their Discovery 50 – a superb blue water yacht with volume and comfort unimaginable in a 50 foot monohull. We predict that this market will continue to burgeon with other quality yards taking up the gauntlet.



Sportsboats

This whole genre is now cool to the point of freezing. Racing motorboats is very in as can be seen in the huge interest in the Round Britain Race this year and the Cowes to Monte Carlo race which takes place next year. The Cowes Torquay is still tugging at the heart strings of many and continues to be popular. The super yacht tender market is growing with boats like the Windy Blackbird collecting new owners and accolades. Also very cool are traditional Sportsboats for nice days and for warm water use. Unashamedly day boats they maybe, BUT they are 110% unadulterated fun.

» Yachting Events in the UK 2012 – the most important yachting year ever!

Through the depths of the bleak economic outlook, the UK this year is going to do what it's best at – it's going to throw a party. In fact, there are going to be 2 of them, and both of them are crucial to yachting. The Queen's Silver Jubilee and the Olympics both have a maritime angle and with them go a number of other events which will make the UK the place to be for yachting in 2012. Below are just a few of the events that will highlight our sport this year.

3RD JUNE

The Thames Diamond Jubilee Pageant to celebrate the Queen's Silver Jubilee marking her 60 years on the throne

At this event, yachts will be placed at the heart of the 1,000 strong flotilla that will assemble and sail down 7 miles of the Thames. The banks of the Thames are expected to be lined with literally millions of spectators. The flotilla will carry about 20,000 people and it will be so long that it will take around 90 minutes to pass any given point. There will be a vast array of differing sizes and types of craft from kayaks, to Tall Ships, to Dunkirk Little Ships, to narrowboats. The Queen will travel aboard a Royal Barge which is being fitted out especially for this event.

11TH JUNE TO 16TH JUNE

The Westwood Cup

Hosted by the Royal Yacht Squadron in Cowes who are organizing this event with the New York Yacht Club, this is the ultimate in large yacht racing. At the time of writing some legendary names have entered this great event. These are – *Altair*, *Camvria*, *Elena*, *Lulworth*, *Mariquita*, *Eleonora*, *Marietta* and *Moonbeam IV*.

The J Class Regattas which will see these leviathans sail both in Falmouth and on the Solent. The programme looks like this:

FALMOUTH 27TH JUNE TO 30TH JUNE & THE SOLENT 18TH JULY TO 20TH JULY

This will culminate in the Hundred Guinea Cup in which the yachts will race around the Island clockwise over the 1851 course.

7TH JULY TO 14TH JULY

Panerai British Classic Week

A gathering in Cowes of an international fleet of classic sailing yachts whose owners are committed enthusiasts. A week of fun racing and other events make this a memorable event. Berthon sponsor this event and look forward to seeing you there. Look out for the Berthon/Panerai magazine that supports this event, or contact us for your very own copy.



15TH JULY TO 21ST JULY

International Eight Metre World Championship

Ferociously tight racing and a great spectacle.

21st July to 28th July

Brewin Dolphin Commodores' Cup

The most important IRC event in the yachting calendar which is likely to be well attended this year.

22ND JULY TO 25TH JULY

The Super Yacht Cup Cowes

The companion to the Palma Super Yacht Cup, this event organised by the Royal Yacht Squadron will field 3 days of racing in Solent waters and some of the world's foremost super yachts will be participating.

29TH JULY TO 11TH AUGUST

Weymouth and Portland Harbour will play host to the 2012 Olympic Sailing Events



During this fest of yachting, there will be 10 medal events and 380 yachtsmen from all over the world will be competing in South Coast UK waters. Tickets are long ago taken up, but the location of the events means that good televisual coverage is available of this iconic event.

11TH AUGUST TO 18TH AUGUST

Aberdeen Asset Management Cowes week

The regatta to end them all, which will continue to be a pull for yachtsmen and women from throughout our sport and which is as ever held at sailing's mecca at Cowes.

Not only will these events see a huge number of yachts from around the world in our waters, they will provide a tremendous spectacle and we expect to see many yachts coming to the Solent to watch some of these events. We expect that the profile of yachting as a sport will also be raised and maybe we will encourage more people into yachting which is essential if the industry is to grow. At a time of austerity it will be good to have so much happening in sailing in 2012. After all, in difficult times, there is nothing as heartening as a jolly good party and the Solent looks forward to lots of them this summer...

» Boat Shows and the Yachting Industry

Everyone in our industry grumbles about boat shows – the time that they spend at them, the cost of them, how long they go on for, and the number they have to attend. Pay no attention, everyone who loves yachts, loves boat shows; and that includes the industry; what we don't love is the cost!

With new technology, the way that people buy yachts has changed. It is possible to do a lot of research online and to narrow the choice considerably before you ever see your short list live. However, viewing in the flesh, be it new or second hand is totally essential to enable you to make your choice. For this boat shows are, and will continue to be absolutely irreplaceable. Even when buying a second hand yacht, boat shows are excellent, allowing you to see how the yard building your second hand yacht has evolved and seeing the brand's culture. All this is great stuff which adds to the buying experience.

Over the past 10 years, the boat show programme has burgeoned – there are literally hundreds of them. Attendance is falling and the 'why go to boat shows' debate rages in our industry. The organiser's cries of 'if you don't your competitors will do for you', these days we're afraid, cuts absolutely no ice. Exhibitors have to cut their cloth to allow for current market conditions and attend fewer shows and put in good displays where they do exhibit.

For the industry, we believe that apart from being great fun, they are a must for new yachts. How else do you successfully show case what you have to sell, meet new clients and catch up 'live' with your existing owners?

There are of course the monster shows whose future is assured – Düsseldorf is a good example. THE show in Northern Europe; it is an incredible experience and well worth the visit. Fort Lauderdale

is another; then there are the smaller shows which have a contribution to make like Southampton, Annapolis and Cannes.

It is clear from examining the data, that the major shows are just about holding their own in terms of attendance. There are small percentage drops but the trends look healthy. This gives exhibitors the confidence to exhibit, and clients the confidence to know that a trip to a specific show will be a worthwhile investment of their time. It is not the same story with some shows who struggle with their attendance figures. Easy travel makes for an international clientele and this makes it worthwhile for manufacturers expending scarce resource to exhibit. In shrinking markets, this aspect is becoming ever more important.

It is no good having a token presence from a manufacturer at the best of best shows – to be at an international show you need the bulk of the range, as well as to see new models and innovations – after all the web delivers on this – the show should do the same. This is why some shows that dominated in the past are struggling and others such as Düsseldorf continue to prosper.

Of course, regional shows have their place and probably more so in difficult times; they are small and largely cater for local enthusiasts. Accordingly Berthon participate in a number on both our South Coasts in England and in France. However, the key with these is that the costs for both exhibitor and client must be modest. Spending £200 for a family to go to a regional show simply does not cut it in 2012.

We continue to be energised and excited by boat shows. Berthon were at and are planning to be seen at Düsseldorf, Jersey, Sandbanks, Southampton, Cannes, Newport, Annapolis and Paris this year. This continues to be a cornerstone for our marketing strategy. We look forward to meeting you at these shows in 2012.



» ECO Yachting – a gimmick or the future?

Saving the planet has become the popular, as well as the right thing to do. The will to improve and innovate both the way that we build yachts and their efficiency when in use increases, and as a result we are seeing greener technology being deployed within our industry.

Of course, the use of greener construction methods is being applied across the board and we expect to see this trend increase. However, one of the areas where we have seen yacht builders try to innovate has been with the use of hybrid technology and its application to the motor yacht side of things.

Sunseeker are building a Manhattan 70 that is hybrid powered; and the Azimut Mogellano 50 has a hybrid power option. The Mochi Long Range 23 is another offering with hybrid roots, and the Greenline 33 was also conceived and built around its hybrid credentials.

A hybrid yacht is one which uses two or more different types of propulsion. It would be possible to call a sailing yacht a hybrid as she uses sails and an auxiliary motor. However, in this case we are dealing with a conventional combustion engine and an electric engine. The electric engine normally shares the same propeller shaft and is mounted between the diesel engine and its drive train. Without the main engine working, electric propulsion is achieved using power from the yacht's batteries (lithium are favourite). Of course, the diesel engine needs to charge the batteries so this delivers a reduction in carbon emissions rather than the silver bullet of a fully eco yacht. These yachts have been made possible by both increased interest in the green solution and new technology which delivers lithium-ion batteries which are not cost prohibitive and weight and volume is modest enough to make them feasible to fit.

The next upgrade may well be the use of fuel cells. Frauscher in Austria have just launched the 757 St Tropez which is a hydrogen-cell powered sportsboat. Here the only emission is water which is deeply green. However, you have to have somehow to make and store hydrogen which makes the widespread use of this particular technology likely to be something for tomorrow's world.

Added to this, of course, is the use of technology and the use of modern design to reduce the amount of power required to drive the yacht. Steve Dashew and Dashew Off shore are at the



Optimizing hull shapes and engines for a realistic cruising speed is essential.



The FPB 97 has twenty 320 watt roof-mounted solar panels.

forefront of this with use of solar energy. We asked Steve to write a few words on the subject, please see below:

A motor yacht that combines a minimal carbon footprint with a pleasant ambiance may seem like an impossible dream, but we can tell you from experience that it is possible. Even more surprising is the fact that it can cost less to operate than a comparably sized sailboat.

To achieve this requires starting at the beginning. Hull shape, structure, propulsion, air conditioning, ventilation, and deck plan amongst other items have to be holistically integrated, with efficiency as the goal. The first step in this process is picking a realistic cruising speed, where you operate most of the time, as opposed to a higher, but rarely used number. Optimizing hull shape and engines for this speed will yield substantial dividends in fuel efficiency, noise, draft and cruising range.

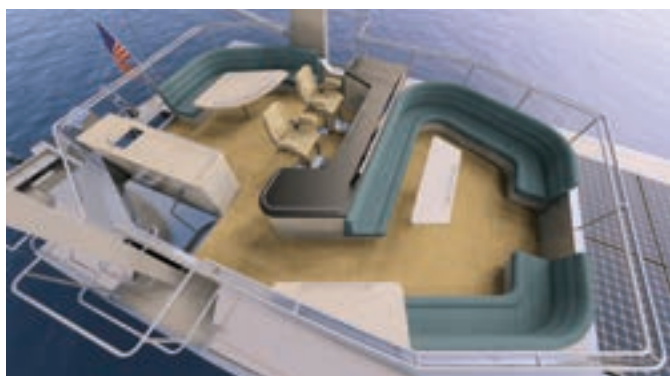
Next is careful engineering of the electrical systems. This starts with ventilation, heating, and air conditioning. Insulation, window design, natural shading, and interior air flow, have a huge impact on air conditioning loads, which in turn forms the baseline for generator sizing. Getting this part of the equation fine tuned substantially reduces generator size. Then switch to highly efficient DC based systems including "traction" batteries, modern inverter chargers, evaporator plate refrigeration with extra insulation, and the latest high efficiency cooking appliances and you can sit for days at anchor without touching the generator start button.

Excited? It gets better. Add an array of the best commercial solar panels into the mix and, depending on quantity and location, total independence from fossil fuel is possible. Of

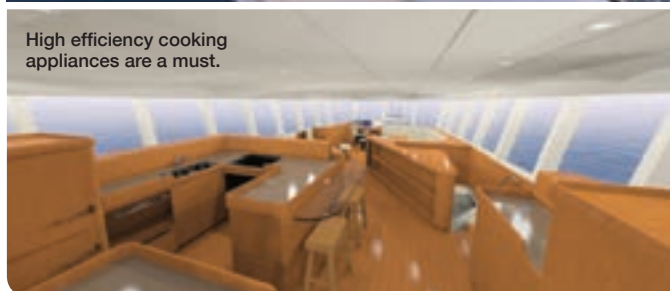


course you need the real estate in which to place those panels, and here we get back to the basic design.

How does this work in the real world? With our FPB 83, Wind Horse, we typically sit at anchor for three days before running the 8kW generator. Longer periods see us lighting off the genset every other day for two hours. We routinely cross oceans at 11 knots, burning an average of 26 liters per hour. Over the last 55,000 miles the average per mile cost of operation has been approximately one third less than our previous yacht, the 78 foot ketch, Beowulf.



High efficiency cooking appliances are a must.



The FPB 97, with its array of twenty 320 watt solar panels is generator independent at anchor, including an allowance for air conditioning the owner's suite during the evening hours. The benefits of this approach are many: a quieter environment (for those aboard and their neighbors), more reliable, easily maintained systems, lowered costs, a substantially reduced carbon foot print, and long term sustainability should the traditional fuel supplies become disrupted.

There is no downside, and nothing magical or radical in the formula. It just takes a different mindset, starting at the beginning with efficient operation as the goal, and the willingness to spend a little extra on design, engineering, and construction. The payback is immediate in more pleasurable yachting.

As this is a review of the market, we felt we should comment about how the market will receive these new technologies and whether, if you choose to sail with green credentials, you will struggle to sell your yacht at the end of the cycle.

We believe that green technologies are something that will develop over the next period and that they will become more main stream as time goes on. This is a big subject and we are seeing this with housing, cars and a legion of other products that we use in our everyday life. Those who are buying now are the pioneers and this may imply some risk. Therefore in opting for modern green technology of the type that we describe, it is important to ask a few key questions that are important not just for the residual value of the yacht but for your enjoyment of the yacht during your ownership:

- 1 Do you like, understand and feel at ease with the technology and the way the yacht looks? If you do, the chances are that her next owner will buy into the concept too.
- 2 Is the design, yard and developer of the technology well known, financially stable and do they have a good track record? A new-comer, without a known name and with no track record is unlikely to be favoured in the market place going forward.
- 3 Is the technology likely to be superseded or hugely improved during your ownership of the yacht? This implies built in obsolescence of the worst sort; and is something to guard against.
- 4 Is the technology practical and easy to use and durable? If so, the longevity follows naturally.

If you are happy that you have satisfactorily answered the above then you need to ask one further key question:

Is this genuine eco-yachting and does it seriously add to the efficiency and green credentials of your yacht? If the innovations are simply paying lip service to the concept then it really isn't worth having. If you're happy that the design does deliver, we suggest that you go for it and enjoy the ride.

» The Berthon Forecast for 2012

We do not expect 2012 to be a stellar year for yacht sales anywhere. Further, we predict that we have at least two more difficult years before we see a significant improvement in the volume of sales. However, we have decided that our policy of investing in the business needs to be continued, as we are focused on market share and it is important to increase our service levels; if we stop, by the time that there are big improvements in volume levels, it will be too late.

At the beginning of the recession, we saw some notable casualties. As we have detailed earlier in this report, 2011 has seen a huge amount of activity in terms of company sales and re-organisations. There have also been casualties. We expect to see more re-organisations and also some failures in our sector, some of them well known. Therefore it is important to carry on thinking the unthinkable, and be very careful who you trust with your hard earned cash in this market – always run the checks and presume nothing. As the market adapts to the financial situation, there are some companies which are not nimble enough to change their business model to suit the new world that we find ourselves in. They have continued to trade albeit with falling margins, but as things continue to tighten, we are afraid that they will simply not survive as their model is no longer sustainable.

New markets will continue to develop in 2012 and these are a factor which we ignore at our peril. With the purchase of Ferretti by a Chinese group, this is a notice of clear intent that the Chinese intend to become serious players in the yachting industry. The interest in yachting in China is growing much more quickly than we anticipated and the number of marinas, whilst limited is growing. Despite the slight slowdown of their dramatic growth, now that they have embraced capitalism they are important players for the future. Areas like Brazil also need watching in 2012, with an economy that is now larger than the UK, despite the 100% import tax on new yachts and restrictions on second hand yachts, wealthy Brazilians have a whole world of cruising grounds outside their own waters to enjoy.

The problems within the Eurozone affect yachting as they affect everything else. Whilst the likely fall of the € which we predict will become a reality in 2012, will bring a welcome boost in terms of yacht sales and will assist in encouraging those with other currencies to use the wonderful cruising grounds in the Mediterranean, there are problems in the area too. Yachting is seen as a soft target for the European Revenue Authorities who need to collect cash. It is not just the VAT issue and the problems in proving that your yacht has paid VAT; beware the demise of many VAT deferment schemes that will make yachting less affordable for Europeans. The wealth tax – a whopping 12% addition over and above VAT in Greece which has just been put into law, the continuing matriculation tax in Spain which is a similar percentage on top of 19.6% IVA are other examples of an unfriendly attitude to yachting in the area. The Italians introduced a tax on all yachts at a daily rate that was to apply to all yachts using their harbours this summer but changed their tone as the exodus commenced (it now applies only to Italian owned yachts). The list goes on, and these interventions are not good for the yachting industry. George

Bush Senior's 25% luxury tax on yachts destroyed the USA yacht building industry, paving the way for Italian groups to buy century old brands – nothing changes. We expect to see people setting sail for points outside EU – Turkey will definitely benefit, although they too have brought in new regulations relating to the length of stay for yachts in their waters. We hope and expect that some of these draconian measures will be withdrawn as it becomes evident that they are counter-productive and do not generate significant additional revenue.

Pricing is key to the sale of anything – from pen to jeep to yacht. We expect a further price correction across the board because of the fall in the value of the €. What is evident is that the market is separated into a series of niches and some niches are more susceptible to softening price than others. Whilst there is a market for everything, there are some where the levels of interest are extremely low and it pays to take advice about the niche into which your yacht falls. If you are not content to take advice about the yacht's value in this market, it is our strong advice to withdraw her from sale and to either mothball her if you don't have time for her or to use her and get some value out of her that way. It is very damaging to keep a yacht on the market at the wrong price over a long period. The market knows exactly how long she has been on sale and to achieve a sale at whatever price becomes progressively more difficult.

In 2012, those niches that will continue to sell well will be those where it is acknowledged that the class in question has a strong residual value. This is of course a self fulfilling prophecy as yachts which are correctly priced sell, the market sees that and then they are easier to sell as they are seen to be a safe buy as the exit is certain.

Here at Berthon, we will be working harder in 2012. We are investing in the USA where we see big opportunities as well as in the Mediterranean where we see that there is a job to be done. We do this adding to the same Berthon team, which has now been in post for around 10 years. Continuity is of key importance and as the going gets tough, we are responding with stronger marketing, more strategic thinking and where we have added to our team, have chosen those that we know and trust – Jennifer and Alan from the USA and in 2012 Richard Baldwin who strengthens the Berthon presence in the Mediterranean. We all recognise that our voyage of improving the Berthon service is a never ending one, and we remain committed to offering the best possible service as well as the best possible advice to our clients.

We don't pretend that the advice will always be what you wanted to hear, but in these difficult times, it will be our considered opinion of the best course of action for you. Because Berthon has been in yachting since 1877, and the Sales Division can trace its roots back to the 1930s; we wish to be of service to you for many years to come. Our brokers and new boat sales teams are predominantly paid salaries, and therefore whatever the question, you can be sure of unbiased advice based on what is best for you and not merely advice that earns Berthon a prompt commission. We wish you fair winds and good sailing through the turbulent waters of 2012.