



BERTHON

MARKET REPORT 2013

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By Sue Grant

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Another Market Report, after another bruising year, this recession has very boringly now been with us since 2009, and the novelty is wearing thin. A challenging year in 2011 gave way to an equally difficult 2012, and we were quickly disabused of any idea that the end of the tunnel was in sight.

At Berthon, we have yet again fine tuned the way that we do things, improved the service that we offer and we have made the best of a bad job, filling a profit and increasing market share in 2012. The Sales Team worked harder than ever before to achieve this, and we have watched with dismay as more yachting household names have either retrenched massively or fallen by the wayside completely. However, nothing is forever, and those businesses that are not prepared to think the unthinkable and continually reinvent themselves are unlikely to survive these very choppy financial waters.

It is a continuing trend that brokerage sale prices have again come under pressure and staying ahead of the curve in this market place is absolutely key. Whilst the € continues to defy gravity, the drops in non-€ priced product have been manageable but if there is the dramatic € weakening that some pundits predict, all non-€ priced yachts will have another significant fall to cope with as they will have to reduce in price to remain at a similar price point to their € priced competition. However, on the not so gloomy front, a vast proportion of € priced product is still overpriced leading to swathes of yachts sitting forlornly waiting intrepid viewers that rarely materialise. Just because € buyers may feel the strength of their currency is a benefit, they will still err on the side of caution and chase lower valued currency denomination boats to buy. It is for this reason that we continue to sell and take market share.

The most pronounced trend in 2012 was the willingness of buyers to make bids significantly below asking price – whereas a few years ago, a buyer would bid 5% to 10% beneath the asking price, now 30% has become the new 10%. Where yachts are overpriced, this is maybe fair comment, but where the price is adjusted for current trading conditions, it makes for a difficult negotiation. Buyers do need to understand that whilst the market is hard, sellers do reach a threshold of pain where a low bid is less attractive than keeping the yacht as most sellers are selling because they want to trade up or do other things – not because they must. It is important that buyers grasp that whilst the market offers good value, yacht owners will not merely grab whatever offer they chose to make. Make the offer too insulting and most sellers will prefer to either not sell to you at all, or to do so at only over market value. With a wince, we could advise that a 30% discount to offer price would be reasonable on many, but not all, € priced product; and that comment won't bring us many friends!

New yacht sales continue to be in a very sticky place. Given this fact, it is encouraging to see so much innovation and new design within the industry. With

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Beneteau reporting a surprise loss for 2012, and a number of shipyards shedding overhead, staff and assets; or shutting the doors completely, the going continues to be tough.

The numbers of yachts being manufactured new is significantly down and this is starting to positively affect the prices of recently built brokerage yachts as they become a more scarce resource.

Whilst a lot is talked of Asia, Brazil and the like, becoming important new markets, the reality is that these areas are in their infancy as far as our sport is

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concerned, and yacht sales across the board remain dependent on the traditional markets, many of which are still contracting. In 2012 we became more adept at identifying the markets where buyers were coming from. Southern Europe is not an interesting zone, nor likely to be for some time, although there is some activity in Northern Europe. Scandinavia benefits from very strong currency but they too have their problems and the huge numbers of yachts bought from our market by them over the past few years, means that they really are the day before yesterday's news. Australasia and Canada are exciting as is, of course, the USA, as demonstrated by Berthon USA's results this year. However, we do consider that it is important to have an effective strategy for dealing with the emerging markets in the longer term and Asia has to be number one on the list. In Asia, we are working hard on the Expat market as many of those who are building infrastructure of all sorts in this powerhouse are already sailors and there is good sailing to be had in the zone. An area on the radar for further investigation is India, but like China, it is most definitely a slow burn. New boat sales of larger motor yachts in the latter satisfy the urge to show off by sealing corporate deals on board a yacht that rarely leaves its marina berth.

Talking of important markets, our USA office has had a stellar year. With year on year turnover up by around 100%, we are feeling very bullish; activity hardly missed a beat during the Presidential election and the traditionally quiet parts of the year were frantic, so much so that we welcome a third member to the Berthon USA team, Stephen Lakaschus, who started with us in February this year. As well as increasing the brokerage numbers significantly, new yacht imports from Europe particularly from Rustler and Moody are being delivered via our office. In addition, we have added Contest from Holland to the new yacht stable of Berthon USA for 2013 and the all new Contest 42 will be on display at the Annapolis Boat Show this year.

Our French office had a frankly difficult year in 2012, with the new government clamping down and with higher taxes stifling the domestic yacht market. Sadly, those from outside France who yacht on the Cote d'Azur, did not make up the shortfall. New Windy sales were achieved but every one was hard won. Fortunately, despite the huge challenges of currency, the dynamic changes made to the Windy model range, has helped to secure interest. Brokerage was patchy but those yachts that we listed and marketed, we sold and we have a number of interesting listings available via Berthon France at the moment – with typically Berthon realistic pricing.

Elsewhere in the Mediterranean, the market was moving slowly in 2012 whilst everyone waited for the € to fall – which of course it stubbornly failed to do. A realignment of this important currency could see a huge change in levels of brokerage activity in this area.

As the distributors for Windy Boats, we had another challenging year, and their decision to move production of their range up to 31 feet to Poland from their base in Norway in August, was welcome news. Sales and R&D will remain at their Norway base, and the brand new Windy facility in Poland which will be closely managed by Windy personnel, will ensure that quality levels are maintained whilst welcome cost savings are made. The strong Norwegian Krone has added around 40% to the cost of a Windy in all but Windy's home market in the last 18 months and this is simply not sustainable. Production of the larger yachts will continue at Windy's Swedish facility. This bold move coupled with new model launches including the new Windy 29 Coho, Windy 45 Chinook and Windy SR 26 mean

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that the range has never looked better or more attractive in the market place. And, as with all premium product, € priced Ferraris included, quality still delivers value for money.

In Europe, it has become very evident that exchequers across the area are hungry for revenue, and yachting is definitely a target. The days of comfortable VAT avoidance schemes and the like are now far behind us. In addition, we have seen further regulation of the charter industry with France now being put in a position by the EU where VAT will have to be charged on pleasure yacht charter. None of this is helpful and it will affect our industry. However, by far the most worrying is the fact that collecting VAT on yachts using the EU is starting to become a European Customs' sport. Because the rules are not clear, we have seen a few occasions this year where yachts that are considered VAT paid in one member state, have been boarded and arrested in another, and tax has been collected on the basis of rules which are not necessarily clear as far as the European Directive is concerned. Once paid, there is very little chance of a refund or redress, so we would caution yacht owners to be very careful about their VAT paperwork and to seek advice about the best approach in the event of a difficulty in a specific member state, before making passage there.

Despite the continuing challenges and hard market, we continue to love what we do, and we also enjoy the constant reinvention of our brand to ensure that it and we, remain current, relevant and able to offer the best possible service to our clients.

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both seller and buyer is more important than ever before. In the good times, those who charged less and did relatively little could justify their fees and the market was buoyant enough that yachts were sold despite lack of attention to detail. Now, knowledge is

key and coupled with this comes a much more sophisticated process in marketing than we have ever seen before. The delivery of good accurate information is a given, and of course we all market on the web. However, this has now become a big subject with SEO, dedicated listing staff, multiple websites, twitter, blog and all of that. Conventional print continues to play its part also, with the publishers raising their game vastly, looking at new ways of reaching their audience with direct mailing, web support and of course more imaginative journalism. We now have a serious number of miles beneath our keel on the technology voyage as we seek to lead rather than follow and we continue to invest heavily in this area of activity to ensure that our listings have the best possible marketing support worldwide.

Key to our continued success are those in the business with whom we work closely, and in 2012 they were brilliant. Thanks go to Windy Boats of course, as well as Dashew Offshore whose incredible new FPB 97 is in build now, Rustler and Moody and most locally, Discovery Yachts for whom we act as their preferred broker for pre-owned Discoverys. If you haven't seen their new 57 – you really should... We are also delighted to have Charles Watson at Berthon, where our combined strengths are particularly useful with brokerage Contests. Charles has been the Contest agent for many years and they are a great brand.

However, for us, it is our clients that make the business for us – thank you. We hope that you will enjoy our Market Report 2013 with our view of what went down in 2012 together with some thoughtful Berthon passage planning for 2013.



What has become very clear is that in today's market, a professional yacht broker who is able to offer proper advice about the market and to guide competently on pricing as well as the myriad of other bumps in the road that can catch out

SAILING YACHT REVIEW

by Alex Grabau and Alan McIlroy

2012 was very kind to the cruising yacht market, mainly thanks to its ever-growing offshoot – the bluewater sector (or world-girdlers as we like to call them). Our continued support of the World Cruising Club and Ocean Cruising Club allows us to closely monitor this trend, and padding the pontoons in Las Palmas last November for the start of the WCC's sell-out Atlantic Rally for Cruisers (ARC) it struck us how truly International this event which began life as a curiously 'English affair', has now become. There is no doubting that bluewater sailing is now a global pastime, and Berthon is at the forefront with a plethora of yachts sold and for sale capable of crossing oceans comfortably.

The Asian and Australasian markets are growing like never before and the US market is bouncing back nicely. In our shrinking world filled with advanced Satcoms and ease of intercontinental air travel, pushing out past Panama is no longer a big fear, but instead a great adventure, firmly recommended to all those in a position to do so. For this reason we are now seeing a noticeable trend of Australian or New Zealand buyers selecting their yachts in Europe, enjoying our cruising grounds for a season or two and then heading home on their own 'great adventure'. Repatriation of European yachts from Australasia will doubtlessly be a trend to observe in a future Berthon Market Report!

The UK continues to be a target market for these non-EU buyers as it is generally easier to find a suitable blue water cruising yacht where the VAT has not been paid or is reclaimable, unlike many other European flags where the payment of VAT often goes hand-in-hand with the registration of the yacht. Our involvement in the fast-paced US market opens these opportunities up even further for those preferring 110vAC and 60Hz to 220vAC and 50Hz.

Also working in our favour is the glut of overpriced yachts offered for sale in Europe. At Berthon we are unrelenting in our support of the market, but we were the first to identify a correction at the very beginning of the recession. We reduced the price of our Sterling-priced cruising yacht stock by up to 20% in one fell swoop, and the market kept rolling along. In much of Europe this didn't (and still hasn't) happened. We continue to remain ahead of the curve when it comes to pricing, as it is all too easy to be left high and dry when the tide goes out. It is key that yacht owners who bought before the recession understand that the landscape of the market has now changed completely and that they must price at a level which reflects the status quo if they hope to sell.



In terms of 'what's hot & what's not', very little is 'hot', but some are definitely warmer than others. The market for lighter and faster cruising yachts such as the Solaris or the Shipman is seeing generous growth as buyers seek to get where they want to go quicker and with more exhilaration. The more comfortable medium-displacement market predictably dominates with yachts such as Discovery and Contest offering just the right blend of characteristics to get all and anyone almost anywhere they wish to go. The heavier displacement end of the market such as Bestavaer and Kanter does however continue to hold well, on the basis that their numbers take up smaller percentage of the overall market stock, keeping pace with the lower demand. Having said this, their suitability for the increasingly popular challenge of high latitude sailing perhaps means that this sector is one to watch in terms of strengthening residual value.

We are of course realists and acknowledge that the recession has meant less buyers in the regular cruising yacht market, but this has also meant less sellers too (many buyers are also sellers!). This has helped to keep the supply-demand ratio between the two fairly constant, thereby allowing prices to remain relatively stable since the original market correction. Further fluctuations in price will be more likely exchange-rate driven rather than our average yacht owner waking up one morning and feeling forced to hang up his or her Dubarrys. The bluewater market bucks this trend slightly as buyers generally purchase their yacht to fulfil a specific task, such as a circumnavigation or ARC, and then either downsize or step out of the market once the project is completed. The end result is still broadly similar thanks to the continuing growth in "dreams" fuelling demand within this sector.

In summary, 2012 was a good solid year for this market, whilst other markets in the industry struggled to tread water. At Berthon, because we price to sensibly sell, we feel it is neither a buyers' or a sellers' market, but a level playing field in which to do business. We expect this trend to continue well into 2013 with our own emphasis being on offering the very best in accurately-priced, well-specified, well-presented cruising yachts to what is now undeniably a truly global market.

PERFORMANCE YACHT REVIEW

by Ben Cooper

Newton's law of Physics dictates that every action has an equal or opposite reaction; over the last year, this could equally be applied to the brokerage market and more specifically the Racing and Performance Cruising Market.

The primary force has tightened global purse strings and the market for luxury goods, whilst the secondary force, best described as the 'sod it lets go sailing' force has promoted a good year for brokerage in this sector.

Sailors come from all different backgrounds, which make it the superb and enthralling sport that we all know and love. The effect of the global downturn has only really put off the casual yacht owner, who may well consider another, less expensive pastime. What is left is the Wheat, the Chaff are now digging trenches with a four iron, revving the MGB, or pulling on the Lycra chasing Mr. Wiggins. All perfectly admirable pastimes, but the point is made that we are now in a well informed marketplace, with buyers who are lifelong savvy sailors, who know where to get the right boat at the right price.

Despite the very welcome upsurge of interest as a consequence of the Secondary force, it is not all plain sailing though (please excuse the terrible pun). These deals have been hard fought and in some cases plucked out of nothing more than an offhand comment. Others have come through sensible price correction to stay ahead of the depreciation and econometric curves and the price expectation of the market.

Currency has been behaving like a recalcitrant child, no sooner had all calmed down and we had a period of stability, then it blew a raspberry at the Sterling and became best friends with the Euro. Whilst an irritant on an individual basis for the Sterling vendors, from a market viewpoint, we simply adapt and expect calls from faraway lands. We have become very adept at filtering overseas enquiries from all over the world, and are well versed and experienced enough to know which enquiry is a scam and which one could just drop into a deal.

This year we have had deals completing with clients from



Swan 66' – TOUCAN

Canada, USA, Italy, Switzerland, Spain, Germany, Russia, Belgium, Austria, Denmark, Malta, Finland, France, and even the UK amongst others. The important part of this internationality

is continually developing our knowledge and experience of foreign Bureaucracy, Registry and Cultural differences as well as the Geography, VAT and other tax complications. Whoever said that brokers had life easy was wrong and this all goes to reinforce our understanding of the world and Berthon's unique ability to offer clients a full and complete international brokerage service and give comfort for a purchase in foreign lands.

Looking towards next year, we are currently experiencing conservation of momentum and the objective for this year is to break the laws of Physics, remove the Primary force and embrace the Secondary. I am sure Mr. Newton would approve.



Volvo 70' – SANYA LAN

MOTOR YACHT REVIEW

by Hugh Rayner

2012; a memorable year in terms of the Olympics, but the weather flatly refused to play ball – even for the Diamond Jubilee flotilla review by HM the Queen. The motor yacht market has certainly felt the effect of this long-term dip in the barometer, with many purchasers eschewing the open fly-bridge and moving into, and in several cases, down to, closed or hard-top, semi-displacement and full-displacement yachts. Interestingly, these yachts are being bought by couples looking to 'live the dream' and take on some serious cruising, and often after some significant refitting to bring equipment and running gear up to scratch. It will be intriguing to see a reaction to this trend from the new yacht market in the coming seasons; with the attractions of lower running costs thanks to smaller engines, as well as increased range due to more easily-driven hull shapes, all in the cause of "liveability at sea", becoming touchstones.

Certainly our purchaser is currently a careful, considered and generally more mature character. A knock-on of this has been the almost total lack of requirement for finance amongst our clients. Decisions are balanced over longer periods, and this can be very welcome, since each requirement is individual, and thus the end solution is also individual. In practice, this does mean that interest has been especially seen outside of the mainstream, mass-production yachts on offer. It has been a delight to help with the



sales of stunning timber ships – built with the aid of steaming chambers, hydraulic tools and reliant on the Mark 1 eyeball for 'rightness', and to know that they are going to 'right' people. Equally, a lumpy Solent sea trial in a Windy Khamsin (a fairly magical experience) can be best judged by watching the grins of those buying the yacht as they envisage the future days spent on their new pride and joy.

So where are these yachts going after they leave the safety of Berthon's For Sale gantries? We are starting to see the very gentle return of Scandinavian interest in the market – both in Windy Boats and generally through the motor market – as their strong currency advantage attracts them to our shores. Good for present sales but long term it means that the stock of yachts in the UK continues to diminish. The great majority of our business has, however, not moved far – with most staying UK, or at least spending time here before heading South to the lure of the sun. The massive reach of our marketing is bringing enquiries from Australia, the US and the Middle East –every opportunity needs



to be exploited and dealt with efficiently in order not to miss a potential buyer.

Back home, our sales gantries on site have remained resolutely full, with our regular complement of Scandinavia's finest Windy Boats being joined by blue yachts from Aquastar, tough trawlers from Grand Banks, and heavy-duty Hatterae from the US. We are showing these yachts seven days a week (a fairly rare advantage these days for both buyer and seller), and still retaining our advertising footprint. In fact, the magazines are now coming to us, visiting our brokerage yachts and producing useful editorial to swell both their content, and coverage of these yachts. This also provides a useful resource for buyers as their comments on the yachts featured is well constructed and authoritative – if a yacht has shortcomings, they will say so, just as we do.

2013 will surely bring new questions and challenges. Realistic pricing will as always be crucial, with deftness of reaction to market indicators also proving vital, especially as we go into the new season. Internet "shopping" demands that pricing is kept fresh, with new offers enhancing the visibility of a listing, or limiting the visibility if out of kilter with market pricing. Presentation is still the same bugbear; and so we check our listed boats regularly, to keep owners apprised of any action required to best display their yacht.

Without our crystal ball, but with the aid of hindsight, the future is still obscure. From the view of both the Buyer and Seller, the Broker must supply timely information, negotiate as appropriate, but more than that, rely on experience in dealing with these highly emotive creatures of the sea. We do hope to exude a passion for what we do, and share our enjoyment of simply getting out there on the water – even when the conditions dictate that a good pair of sea boots and a decent hood is the order of the day.



THE WINDY REVIEW

by Ben Toogood

From the Windy desk there is no doubt that 2012 was once again challenging for new boat sales as a result of difficult economic conditions and consequent lingering uncertainty being felt across the board by potential new Windy owners. However with some exceptional new model launches such as the Windy 31 Zonda which was a real highlight for the year, we were able to deliver 4 x 31's into the UK territory and the total annual production was sold out by early Spring.

Windy Boats have continued with a serious level of investment to enable them to deliver a new generation range of Windys. The innovation of the range is of course, essential for the wellbeing of the brand for the future, and we have recently seen the launch of the new Windy 29 Coho, Windy 45 Chinook and SR26 tender all of whom made their debut at the Dusseldorf Boat Show 2013, and to great acclaim.

Windy have also focused on building and developing long term partnerships for the future and are once again working together with Super Yacht designers Dubois on the new Windy 39 Grand Zonda. Windy and Dubois have already collaborated successfully to create the stunning SR52 Blackbird.

Perhaps the most significant partnership to come about in 2012 was Windy's decision to move production of their 26 – 31' model range to Model Art in the Ostroda region of Poland. This was as

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a result of unsustainable material and labour costs in Norway. Over the past 2 years, we have seen a number of Norwegian household names go out of business because of the massive cost of building in this area and Windy's brave decision was the right one, in our view, to ensure their long term future.

Windy now has great opportunities for the future with sensible production costs and a well established network of quality suppliers and boat building expertise. Plans are already in place to introduce an exciting new range of sportsboats to complement

the main Windy range with a view to encouraging new buyers into the market and out on the water for the future. You will hear more from us about this new entry level range in due course.

The first Windy 26 Kharma built by the new team in Poland was on display at Dusseldorf this January and was well received by potential buyers as well as by Berthon and the other Windy distributors worldwide. The quality and attention to detail was everything that you would expect from Windy and this augurs well for the future.

Production of the Windy range from 40 feet upwards has been moved from the Windy HQ in Norway to Vastervik in Sweden where the larger Windy 52 Xanthos and others have been built for some years. Sweden is also the home of Windys' special projects wing, where the SR52 Blackbird super tender and new SR26 are built. As with the whole Windy range the very highest quality of finish and detail is delivered from this facility. The Vastervik Shipyard also has the ability to accommodate bespoke detailed requirements of each specific purchaser of the SR range.

At Berthon, our focus has been to offer the best possible value to our clients and to build on our strengths as a centre of excellence and one of the most established and experienced Windy distributors. Just as you simply cannot compare an Austin with an Aston, we are delighted that the marine press back us in continuing to put the Windy marque on a rightly pedestal and our clients remain very loyal – for which we thank them. Our goal is to provide a seamless service and to make Windy ownership a very enjoyable experience.

In recognition that providing the best possible service is a never ending voyage and with a view to making further improvements, we are now offering our Windy owners the option of a complimentary pickup and delivery of their boats for service work here at Berthon, combined with a mid-season check up of their Windy by Nick Webb, our Windy Sales Support manager and internationally recognised Windy guru. To use the auto market again as an example, full service records from creditable outlets counts for a lot when it comes to second hand value; furthermore, prevention is cheaper than cure!



Windy 45' Chinook



Windy 29' Coho



Windy SR26

STATE OF THE US MARKET

by Alan Baines

Looking back on 2012, our own Berthon USA results were very good – far outpacing the overall market, by being up about 100% in the value of yachts sold from the previous year. This marked our best performance in about a decade, and was helped tremendously in the last quarter with the sale of 3 large yachts, with a combined value of about \$6 million. One of those large deals was a cooperative effort between us and ‘the home office team’ – and that was an Oyster 72 lying in Lymington.

As in recent years, the market up to about \$300,000 is reasonably predictable, and latish model clean sensibly priced offerings will sell in a reasonable period. Offering a sensibly priced yacht however, will still provoke consternation from a potential buyer if the yacht is not clean. There is that all important “30 seconds to make the sale” when the prospective buyer goes down the steps into the cabin. If it isn’t fresh smelling, clean, tidy, and blemish free, you can pretty much guarantee a quick visit, and onto the next. If it looks like a crack den... well, you won’t even get 30 seconds.

Listings above \$1 million ‘do what they do’ and buyers of yachts at that price are a bit more recession proof, or at least not worried about their last nickel. Where the market continued to underperform was the gap in between, which includes boats around the 50 – 60 foot market, especially those that are older. Some have just lingered for what seems to be years now. Sometimes you have to wonder, that if she was a ship – she would have long been run up at full steam onto on a beach in Bangladesh. Our industry could use a clear-out once in a while, or be bought at a relatively attractive price and refitted, which is now happening.

That leads us to the ultimate in clear-out tools: Hurricane Sandy. This enormous storm damaged or destroyed 65,000 yachts, principally in the New York/ New Jersey area. Many were already on land, but the surge was so high, they floated off their cradles and stands, and ended up piled up all over the place.

While this is a boon for boatyards with insurance repairs, historically, a percentage of owners will take the insurance company check, and exit, stage left. Furthermore, this hurricane wiped out the infrastructure in many areas, so even if you have a yacht, you may find it difficult to find a place to keep her in the short term. However, it is also fair to say that there are a few forced buyers out there looking for a replacement yacht for the coming season.



Berthon USA



Alan Baines with Jennifer Stewart

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Footnote – The numbers:

According to *Yachtworld*, the brokerage industry statistics are up 2% in units sold – from 28748 to 29444, but down 2% in value to \$3.263 billion. Essentially, the market was flat.

Powerboats in the US outsell sailboats almost 5:1 – 23995 units to 5449 with the total sailboat’s sold value being 14.5% of the value of US sold powerboats (\$414M to \$2.85 billion)

Average Time on the market for sailboat was 298 days (up 1 day) and for powerboats: 257 – which is down by 11 days.

BERTHON FRANCE REVIEW OF THE MARKET

by Bruno Kairet and Pierre Vignes

The market in the Mediterranean had more than its fair share of challenges in 2012. As with every sector of our industry, our success is governed by the confidence felt by our client base which affects their desire to buy rather than their ability to do so.

In France, the general election stopped activity whilst the political drama played out. The new Government's policy on taxation has not been helpful to our domestic market, but of course here in the South of France, we are fortunate that so many international yachtsmen keep their yachts in the Côte d'Azur and in 2012, we focused on this part of our client base. Around 60% of the world's fleet of yachts find their way to our shores at the same stage so it is inevitable that there is a very international flavour to the yachtsmen with whom we deal, both buying and selling.

Positioned where we are, we are involved with brokerage yacht sales throughout the Western Mediterranean, and new

taxation policy in areas like Italy has also caused lack of confidence in the market, although it has meant that there are potentially more yachts

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available on the market that need to be sold. Here we have the inside track and are happy to advise on those yachts available in that area.

To add to the complications for us, the EU have decided that the VAT exemption offered to yachts chartering in France is to be

withdrawn which has the potential to damage this market which is not good for the area's future as a centre of yachting for large yachts.

Against this backdrop, we have had to be nimble in our approach to our business and it is here that we have been able to make progress by taking advantage of our position as part of a yachting group that has marketing reach into the areas where buyers are to be found. We regard the Western Mediterranean as a source of great brokerage listings that appeal to yachtsmen who are in a position to buy. As has been discussed elsewhere in the Report, our office in the USA provides a rich source of clients as do other areas – Scandinavian, Australasia, the ex-Soviet block, Canada and so forth. We take advantage of the worldwide marketing that the Group undertakes to give our listings the best possible coverage in all these markets. As ever, though, pricing in Euros has to be commensurate with overseas offerings. Accordingly, we make no apology for bullying over price where necessary.

To be absolutely frank, our role as the distributor for Windy in 2012 has been devilishly difficult, but the new models brought to the market and the undoubted quality and relevance of the brand has ensured that we have sold yachts and as ever, pre-owned Windys have found a ready market provided that they are correctly priced and presented. We believe that the brand continues to stay at least 2 steps ahead of the competition presenting those who wish to own a Windy with what is simply, the best in class. The SR Windys – the 52 and the 26 just launched, aimed squarely at the Super Yacht tender market have proved popular. The outstanding





Starkel 20m – ITALO

build quality, longevity and good sea keeping offered by Windy will be appreciated by those who want a tender that looks good and which is more than fit for purpose.

The euro fell slightly (albeit briefly) in 2012 and as it did so our listings become more attractive in the international market. Whilst it strengthens our listings become expensive and it is important for our yacht owners to listen to advice on pricing as currency shift adds an important dimension to pricing policy. Relying on the pages of YachtWorld to calculate the value of your yacht, and the various Boat Sold websites is not the way to get this right. A professional brokerage house who has the resources internally to catalogue actual pricing together with the ability to be in touch with brokers in our other offices internationally gives us the ability to give our clients the correct advice.

Despite the international marketing and support that Berthon is able to offer, we still believe that ours is a people business and that it is important to be out in the thick of it. As a sales organisation we are primarily marketers and therefore 2012 saw us actively

marketing in our area to ensure that our listings had the very best visibility possible. We were active at the Antibes Brokerage Show, Boat Show Mandelieu, and Cannes Boat Show. In addition to this, we continue to be mobile in our area with a lot of time spent out and about. This is not a market where one stays in one's office and expects the business to roll in. Berthon France's cars have clocked up an impressive number of miles in 2012 in making sure that we cover the ground.

As regulations and tax positioning is changing so quickly, it is important for those both buying and selling that the brokerage house that you use is up to speed on the current situation. As part of a group which is a member of the Mediterranean Yacht Brokers Association, we are able to work with our colleagues in the industry to understand and react to the changing brokerage landscape.

Sadly, we do not expect that there will be much improvement in the domestic market in France this year. However, this does not mean that the market in our geographical area will stall. The international nature of the market means that by using all the resources available to us – our local knowledge, marketing support from our Group, access to the whole Berthon clientele and by marketing in our area, we can give realistic advice to yacht owners and give them the support that they need to achieve a sale. We are also excited about the new Windy models that are already attracting a lot of interest in the Cote d'Azur and the move by Windy of production of their sportsboats to a euro based facility is also a move which will pay dividends for us in the Côte d'Azur this year.

As regulations and tax positioning is changing so quickly, it is important for those both buying and selling that the brokerage house that you use is up to speed on the current situation.



19.2m Vennekens Kotter – PITCH VIII

WIDER MATTERS – IT'S A CONFIDENCE THING...

No one needs to own a yacht, but fortunately for our industry, there are a lot of yachtsmen who regard a yacht as a crucial part of their asset inventory.

It is certainly the case that the halcyon days pre-recession, with massive amounts of funding available for the purchase of yachts, is now over. The underwriting of marine mortgages is now much tougher and so many more yachts are trading for cash or with much more modest loans. This makes the whole market more stable, although of course it has affected the volumes of yachts selling, particularly new yachts.

The changing market and the positioning of yacht values is something that we have to work hard with in order to stay in front of the curve. As yacht prices have fallen and the volume of new yacht sales has reduced, it has become apparent that whilst there is plenty of cash available to the yachting community, what is lacking in many cases, is the confidence to buy.

This, in our experience is for several reasons:

- 1 People have been waiting for the market and the world to return to the 'normality' of 2008. At this stage, their income will have resumed its pre-crash levels and they then feel that they will feel confident about spending on yachting. But the recession has now been a fact of life for 5 years and it is clear that it is not a blip, but a new cycle.
- 2 The downgrade in the numbers of new yachts being sold has encouraged people to sit on the sidelines in the hope that manufacturers will discount yet further to keep their yards producing new yachts and that an even sharper deal can be struck by adopting a 'hands in pockets' policy.
- 3 The brokerage market has seen the values of yachts falling faster than expected depreciation and this has been a fairly constant theme of the past 4 to 5 years. It is perceived that it is a buyers' market and that by waiting the prices will fall even further. Forced sellers are few and far between and the real "value" of his yacht is rated on what he can replace her with and so prices, in some cases hit a floor and go no lower. So, a reasonably priced boat is just that. Take it or leave it.
- 4 Currency shift continues to be a driver in our market. The collapse of the Euro has been widely predicted but although it weakened briefly in 2012, there has been a sharp upturn at the beginning of 2013. There is a general feeling that by waiting for a total collapse, more bargains are to be had in the European area. Well, you could be waiting a long time. Arguably, owning your own holiday vehicle is ideal during a recession when marinas and best bays are less used.

Confidence is starting to return and this can be seen most clearly in the USA. Here, the received wisdom is that 2008 normality is not going to return and that 2013 is what it is. We may none of us be as wealthy as we were then (although of course some people have done brilliantly), but we now know where we are and in the USA at least, yachtsmen have hoisted this onboard and are buying yachts. These may not be of a scale of pre-recession days but they feel the confidence to spend their cash on enjoying yachting and getting on with life.

We expect to see this trend percolating through other markets, and this attitude can already be seen in the UK and in parts of Northern Europe. Even our corporate banking clients are using terminology such as "this is the new normal". New markets, although in their infancy, are also starting to spend, helped by a recovering market elsewhere in the world which gives them the confidence to enter our sport for the first time.

Yacht Builders have had a difficult time. There have been some spectacular failures of household names like Najad, Sensation Yachts and Nimbus to name just a few. Others have had to re-finance and have changed ownership prior to the final cut – Ferretti, Oyster, Sunseeker and Fairline – the list is long. The latter group without exception have rationalised, economised, and found new ways to be more efficient. At the same time they have embraced new technology and most astoundingly of all, they have developed and brought exciting new models to the market.

And it is true, that yacht buyers have found good value when purchasing new, but there comes a time, when massive discounting is not a possibility for companies who have raised their game and kept their prices at a very realistic level. We are now at this point, so if you are looking at a new yacht, it's worth remembering that at list price you are receiving value, and expecting an absolute monster deal on a new yacht is often simply not, I'm afraid, on the menu. People with the confidence to purchase now, will have the advantage of a new yacht to enjoy, as well as something that will be a scarce resource on the brokerage market when the time comes to move her on, as buyers of recent second hand yachts have to choose from a smaller pool of recent models. By supporting the new yacht industry now, yachtsmen will also enjoy the warranty programme and ongoing builder support for their yacht going forward. This is only possible where Yacht Builders continue to build, innovate and of course, make money.

With cash in the bank, people want to buy well. With a falling brokerage market, no-one wants to feel that they have paid too much. However, we are now at the place where yacht owners are not prepared to drop price further on the basis that the discount is so great that they would prefer to keep the yacht that they have and use her. The distressed sale market is not nearly as large as people imagine, and particularly where finance houses are involved, there is a need to sell at proper market value – so don't expect to steal a yacht this way any more – Armageddon excepted. Where offers are not being accepted, as there is no willing seller, this indicates to us that the bottom of the market has passed. So buyers should now have the confidence to buy now as it is by no means certain that prices will fall further – and even if they do – after a 5 years recession, the time has now come to buy, go sailing – and enjoy.

So, the cash is there, and the product too. Confidence is the thing, and as this returns in the USA and elsewhere, it is our belief that a more stable and dynamic yacht market will emerge. The old adage that where America treads, the rest of the world will follow should be proven correct once again, even if some of Europe's nations and banks have a wobble or three in between.

AMAZING TECHNOLOGY FROM THE MAINSTREAM BUILDERS

The evolution of our yacht builders in a difficult market

Despite challenging trading conditions, quality yacht builders have contrived not only to survive, re-group and become much more cost efficient, but also to bring a swathe of innovations and exciting new models to the market which is quite remarkable given the challenges that they have had to deal with, most notably massively lower demand.

Here at Berthon, we count a number of great brands as friends and we asked them to tell us how this was accomplished, since we thought that you might be interested to read their comments. We take the Berthon hat off to them and their crews for making the new yachts being offered today so well...fab.....



From Nigel Stuart MD Discovery Yachts, UK

Discovery Yachts were fortunate to go into the current economic downturn with a very strong forward order book which we have managed carefully over the past few years in order to ensure a constant and steady build programme and to safeguard our skilled workforce.

The company has invested heavily throughout the recession with refurbished manufacturing buildings, new high tech equipment including a veneer press, 5 axis CNC machine and resin infusion equipment, and we have continued to take on and train new apprentices to cater for the ongoing strong demand for our product.

We have also successfully launched a new 57ft luxury blue-water cruising yacht in the last year and with orders for 6 of the new yachts at over £1.2 million each, we continue to be confident about the future of our niche brand. Far from being content, however, continual development of manufacturing techniques and investment in high quality joinery and manufacturing processes will enable us to retain a top quality reputation attracting new owners from a wide international base keen on blue water cruising.

From Christian Iscovici MD of Latitude 46, France

The new yacht market has been declining over the past 5 years across the board. For some larger builders, this fall in demand has led to a price war and a policy of bringing many new products to the market and by doing so, trying to obtain a larger share of a smaller market.



At Latitude 46, it is our view that product innovation should be relevant in terms of what our client base really wants and we have reacted to that. A good example of this has been the introduction of our Tofinou 12 and 16, which have been conceived, designed and built for our existing client base who wish to move up the Tofinou range.

However, the main thrust in the development of Tofinou has been to improve the quality of the yacht in every detail and working with our suppliers to ensure that we use the best available materials. As far as the use of modern technology is concerned, we are committed to being current but without introducing new technology for the sake of it. We deliver well constructed and conceived yachts that offer reliable sailing – not technology fashion statements, and as a result we believe we provide tremendous value for money.

It is our aim to deliver new yachts which are without build problems, so that our yacht owners can sail and enjoy their yachts without having to cope with lots of teething problems. We plan to make the Tofinou range truly plug and play.



From Arjen Conijn MD Contest Yachts, Holland

In an intensely competitive market it is not enough to build to the highest standards, it is also necessary to design and build with the flexibility to meet each buyer's requirements and to

do so efficiently. At Contest Yachts many hours are invested at the design and engineering stages of each new model to anticipate likely wishes. Every variation is then plotted in 2 and 3D to ensure that fittings and accessories are correctly placed with the best pipe and wiring runs and compatible with variations in layout.

All of this is aimed squarely at giving Contest customers the highest levels of layout choice, reliability and satisfaction at a standard price without compromise.

Since 2008 we have focused on a re-design of the Contest range, combining our ethos of building high quality and sea kindly blue water cruising yachts with the best that modern technology can provide. As a result, in 2010 we launched the 45CS, 50CS and 57CS with flush deck at Boot Dusseldorf. 2011 saw the development of the 72CS and the 52MC Contest Motor Yacht. We were able to showcase the 72CS at HISWA and Southampton Boat Show in 2012 and in January 2013 we were able to show our 52MC at BOOT Dusseldorf. We are now working on the 42CS – an aft cockpit entry level Contest, bursting with Contest DNA – watch out for her at Southampton and Annapolis Boat Shows in the Autumn of 2013.



From Knut Heiburg-Andersen President of Windy Boats, Norway

Norway is a very beautiful country!

Norway is also a very rich country!

Rich and Beautiful – sounds like every young man's dream!

Through decades Windy has been successfully built in the centre of "the Norwegian Gold Coast of Boat Building", at Skarpnes just outside Arendal.

Skilled, stubborn and proud men and women have worked in our yards since 1966 and their hands and heads have built some of the very best boats in the world, and because of this our name is a benchmark; a reference for other boat builders and fierce competitors. As David King of Princess Yachts once said to me ".....Knut, I wish I could afford to build boats like Windy.....".

Interesting statement, but clearly a statement to reflect on further.

The wealth of the Norwegian nation is unparalleled in the industrialised world.

The costs of skilled, stubborn and proud Norwegian men and women are also unparalleled in the industrialised world. Hence, our direct cost per production hour is now 70% higher than the European average. For Windy it became mission impossible to continue its operations in Norway and last year we made the bold decision to move our assembly to Sweden and Poland. These countries are within the EU and allow us to continue our vision to build some of the best boats in the world at cost levels comparable to our competitors.

Windy will remain Norwegian – heart and soul – our DNA is Norwegian and our thinking is full-blooded Norwegian.

But this is only one side of the business today.

The supply side of the market is significantly exceeding the demand side and these imbalances are creating serious challenges for the industry.

However, we also know that clients are out there, in the dark for many of the builders, but he or she is out there for certain. And he and she must be tickled by something new, fresh, and affordable, though quality is still of vital importance.

I am far from believing that the "Boat Customer passed away in 2008" and that boating is no longer an attractive life-style option. Boating will be part of people's lifestyle and free time for decades to come, but it is time to take a deep breath and adapt boating to the changing lifestyle patterns. Accordingly:

1) Our range of Sportboats and Cruisers is constantly updated and later this year we will see the Windy 39 Grand Zonda on the water for the first time.

2) We have also decided to relaunch the Draco name to the new market – the newcomers, "lifestylers", entry-level boaters.... In cooperation with Dubois Naval Architects Ltd, Design Unlimited, and our production partner Model Art we are launching 2 new models in to 2014, and a third in 2015. We firmly believe these new models will provide an interesting and notable entry level product for the new post recession generation.

3) Windy Special Project Group has been established to develop the yacht tender and super yacht tender markets in addition to offering engineering and build for Custom motor yachts in cooperation with the world's most prestigious designers and naval architects. The projects will be developed and built at our modern Yard in Västervik, Sweden.

Although our restructuring and geographical re-positioning will take most of 2013 and in 2014 we have a solid financial base, cash positive and looking to the future with confidence.

From Martin Lepoutre MD RM Yachts, France

RM has weathered the crisis which has been a brutal and long lived one starting in 2008. So severe has it been that the European market has fallen by around 70% in the last 5 years. Like others, we have adopted a number of actions



which have enabled us to survive and prosper, focusing on analysing client expectation and here we observed the growing importance of performance and speed. This has been a key driver in developing new models which are able to deliver on this requirement in order to achieve sales. We were able to react to an acceleration of the phenomena of obsolescence as these new requirements for our yachts became critical to their place in the market.

In addition, we have increased our marketing and brand positioning to support the RM brand and we have also improved our communication with our clients both current and new. The web has been a key part of making this improvement.

Of course, constant attention to the quality and efficiency of the build processes has been essential in developing our brand. The use of plywood epoxy in hull construction is a fabulous innovation which is 15% lighter, whilst providing a more rigid structure, winning us European Yacht of the Year at the Dusseldorf Boat Show. It is RM's unique selling feature and fortunately we have been successful in highlighting the fantastic qualities of this process.

From Remco Sol, MD Winner Yachts, Holland

2012 was another challenging year for the yachting industry, but despite this we have been able to post a 10% growth in turnover. The key to this growth has been innovation and finding new markets.

Last year we entered the day-sailer market, by producing the blu26 Match Race boat for Bluboats GmbH. Already 15 boats have been delivered throughout Europe. For us as a relatively small company, this has been a great achievement.

We have also produced the Admirals' Tender, a Van De Stadt designed tender for Superior Yachts. In the last 12 months 4 tenders have been produced, giving us a foothold in the motor yacht market too.

Our series Winner production remained stable, and so by building for Bluboats and Superior we have the additional turnover and margin needed to fund the development of the new Winner 900 without external funding, quite an achievement bearing in mind the banks' reluctance to provide finance these days!

We saw a gap in the market for a small fun Winner as larger yacht sales slowed, and the fleet in the smaller end of the market aged. We wanted to attract various types of clients – young 2 income families who love to sail, but do not have time to work on their boat (W900 welcome edition), the expert sailors who want a fun boat to play around with (W900 performance edition), and the mature clients with a deeper pocket who want a fast, solid, comfortable but compact luxury cruiser (W900 classic edition).

Additional equipment has been designed to be very easy to retrofit, so that owners can start with a simple yacht within their budget and then customise her during their ownership, so that they can actually grow with their yacht instead of changing her. This approach means we stay in contact with our clients, and they make regular visits to our yard. When the time does come to move up, we can then help them with a larger yacht.

All Winner 900 rigs come without a backstay so that a fat head mainsail can be used as well. Although originally designed for less sheltered waters, we also realised our yachts are slippery in light weather making them fun to sail on inland lakes in southern Germany and Switzerland, giving us another market. Another advantage of the rig design is that a shorter rig can be fitted, allowing our yachts to pass under a number of Dutch bridges – and still sail beautifully.

We have also been innovative with steering on the new 900 by designing the cockpit to allow for either tiller or wheel, using JEFA's pivoting pedestal which is less obtrusive in a smaller cockpit. So far 40% of yachts ordered will have wheel steering.

15 x 900s have been sold for delivery by Summer 2013. The development of our business continues and we are looking forwards with optimism.

With this much imaginative thought and good management in place in yacht building in 2013, we can look forward to great sailing for our clients aboard yachts that meet their needs perfectly and to yachts which when they come to brokerage market will find a market.



WAS YOUR YACHT BUILT ON THE RIGHT SIDE OF THE TRACKS – AND IF SO – SO WHAT...?

It has historically been the case that the location of the yard that built your yacht was critical as far as residual value was concerned down the line. Yachts built in Taiwan, Turkey, South Africa and other areas had a reputation for poor systems and you could expect to buy well new but suffer on resale as buyers discounted automatically in making an offer, backed up by the market's perception of the value of a yacht built in one of these zones.

Yachts built in Europe, and the USA enjoyed the best residual values and the best reputation as the places that had the skill and know how in order to deliver yachts that were reliable and had the necessary design characteristics to fit them for their purpose adequately.

A number of serious brands have moved their build facilities away from the European/American basket over the past few years.

It is certainly the case that 15 or 20 years ago, there were a number of spectacularly inferior yachts being produced in areas outside the traditional yacht building areas. A number of South African built yachts particularly stick in the memory which were home built, very often to Bruce Roberts designs, and then sailed to Europe to be sold by their owners. The object of the game here was to sell the yacht to get hard currency that wasn't subject to the exchange control regulations operating in the country at the time.

With some notable exceptions, they really were shockers.

However, over the last few years the whole way that the yacht building process works has changed together with the market segments. Also the variety of yachts on offer and the way that yachts are used in new and traditional? has morphed for the better. With all these changes, has come the need to be price competitively and so designers, builders and marketers have had to look closely at how they can produce yachts at a price point that the market can bear and how they deliver given the demand in the market with the correct price point. This is particularly apposite in the Super Yacht market where the push to find new builders in new areas started well before the recession, when build slots were sold far in advance.

It is tempting to think of areas like Turkey as new to the maritime building scene. Of course this is not the case, as they have had a well developed industry building ships and military craft for many years and so there is a superb infrastructure and a lot of skills available. Perini Navi have built in Turkey for many years, bringing the hulls to their facility in Italy for finishing which rather bears out this point. However, Turkish yards are now capable of high quality total builds.

Where the Super Yacht market led, mid-range builders have followed and we are now seeing a rapidly changing landscape. It is interesting to see traditional builders investing heavily in design and technical innovation in the build process to reduce the labour



Shipman 63' – TUCANA PJ



Windy 26' Kharma

content in each yacht. The new areas therefore now have the advantage in terms of labour rate as well as this new technology. This enables them to deliver a product that is much more cost effective than could ever before have been imagined.

As with most things in life, it is the management and supervision of build that is everything, and where a product is built specifically to compete on price, there is the danger that the supervision is not sufficiently stringent to deliver a result that is acceptable to yachtsmen who have a very clear idea of what they expect in a yacht. This is particularly important given the complexity of a yacht either sail or power, the environment in which she is expected to operate, and the fact that safety must come first. Reliability of systems is key to a successful outcome which is a function of intelligent installation of proper marine equipment in such a way that ongoing maintenance is easy.

It is our sense that the new world builders if you like, have grasped that being cheaper is no longer the goal – as we see more yacht building occurring outside the traditional centres – Asia, Slovenia, Poland, Turkey and so on, the thing that one notices most is that the facilities are new, the technology is 21st century and the supervision is very well organised.

When yards like Sensation and Alloy started to build in New Zealand 20 years or so ago, these were regarded as New World and there was some resistance in terms of perceived value at re-sale. Now, a yacht built in New Zealand will have exactly the same residual appeal as one built in say, Holland – provided that the yard is established and the design is well known.

We consider that exactly the same is happening to established yards in the new centres that have been developing over the last 5 to 10 years. Buyers are now looking at the brand and importantly the designers both exterior and interior to guide them on both initial value and residual value. A number of serious brands have moved their build facilities away from the European/American basket over the past few years. Examples of this are – Oyster with their super yachts building in Turkey, Moody to Eastern Germany, Nordhavn to Asia, and of course closer to home – Windy to Poland for their smaller sports boats. It was interesting to see the Windy 29 Coho at the Dusseldorf Boat Show this January built by Polish personnel at the Windy's



Nordhavn 72'

Norwegian facility as a tester – the standard was absolutely what we expect from the Windy brand and the yachts that will start production in Poland soon will be of the same high standard.

The growth of yacht building in this area has also allowed for the development of some new and exciting brands that are gaining prominence with superb design – Shipman is a great example of this.

For sure it remains important to be comfortable with the standard of build on the yacht that you buy whether new or second hand, and to be very clear

what you want to use her for. A Hanse is a great cruiser racer, but she wouldn't be the first choice for high latitude sailing. In the same way, a Koopman is probably not the best yacht for round the cans racing.

However, the physical geography of the build yard should not be of concern. In our world of instant information delivery, most new models are very well reviewed in the yachting press and will give you what you need to know together with input from your surveyor. We expect to see more great brands being built in new areas to a high standard, so please don't steer clear of them – they should have a definite place on your shopping list at the time of purchase.

We expect to see more great brands being built in new areas to a high standard, so please don't steer clear of them.

ASIA AND BEYOND

As the traditional markets for both second hand and new yachts shrinks, there has been a rush to exploit new markets and there is a lot talked about the market in Asia. It does have enormous potential and over the coming years will increase in importance and scale. Yacht marketers internationally have been working in this area and the growth rate is impressive, given the base line from which it started.

However, it is not the silver bullet that people imagine and for those seeking to sell their brokerage yacht in the Asia Market, we would caution against the wisdom of rushing to put their yacht on the market in this area and expecting her to fly off the shelf. For a start, Asians like to buy new.

Asia is a very large land mass. However, yachting is mainly concentrated in a few areas – Hong Kong, Phuket and Singapore. These areas are all growing but they are relatively small in European terms. A number of marinas to service the yachting industry of the future are being built, but these lack the infrastructure to be able to service volumes of yachts, and this is hampering the development of the area. Certainly this will all change over the next few years but for now this means that these areas are populated in the main, with new yachts supplied by

companies on the ground who are able to support them properly.

In the main areas, it is very clear that sailing yachts are primarily being bought by expats who are already

sailors working locally. As they are normally on a contract of say, three years, they might buy a modest yacht that can be sold into the home market when they move on. Production companies like Beneteau do well supplying new yachts, and whilst shipping a yacht is not cheap – a 55 footer will cost around \$50,000 to ship from Europe to Hong Kong for example – it is better to buy well in established markets than just take

what's on offer in a small local market. In Hong Kong, 27 new sailing yachts were sold in 2012 – not a huge number and this gives you an idea of the size of the market today. It is probably equivalent to the size of the Scottish market.

For the Chinese, yachting is a new sport and motor yachting is more popular as they offer volume and pace and lifestyle. Many of them have skippers for yacht driving and the flybridge concept is the default option with all the benefits that this brings in terms of interior volume, air conditioning and space to have corporate meetings. Catamarans are also a popular choice because of the interior and exterior space that they offer. The exception to this rule is Thailand where the King's interest in yachting and the annual King's Cup has led to a healthy sailing yacht community in Phuket. It will be some years before the rest of the territory embrace sailing as a recreational sport, yet once they do, we should watch out for their racing teams, as they will surely do this well. We should also remember that they are good yacht builders too, and will support their home market as well as continuing to expand operations to export more to the rest of the world.

Therefore, Asia does not offer huge potential at the moment for yachtsmen wanting to buy in the area, but if a specific style (classic or blue water) or purpose (raceboat) is in mind the shipping and dearth of marina spaces can be overcome.

Other areas that we are marketing to include Australasia, Canada, the ex-Soviet block and of course Russia. Like Asia, they are developing fast and we look forward to working in India which in the longer term is also going to be a very exciting place for international yacht brokers, but we don't expect to see too much movement over the next decade.

However, these are all small markets, all of which taken together do not make up for the lack of demand in our traditional markets in Europe. So, please do not helter skelter to Asia to find a buyer for your yacht. Use a professional brokerage house that is covering the fledgling markets and the rest. We are afraid that for now, correct pricing, good condition and keeping your yacht in a major yacht selling centre remain the important factors that will make the difference and will get her sold.

... for those seeking to sell their brokerage yacht in the Asia Market, we would caution against the wisdom of rushing to put their yacht on the market in this area and expecting her to fly off the shelf.



RUNNING COSTS AND FALLING VALUES – THERE IS AN UPSIDE

The received wisdom is that a yacht should cost approximately 10% of her value annually to run. This precept has held true for many years and has acted as a useful guide for yachtsmen as they then knew approximately what they were in for.

However, as with so much in the yacht brokerage world, the landscape has now changed and with some larger, older yachts, the running costs have shifted up a few gears to as much as 30% of the value of the yacht. This is as much a function of currency as of falling values. But headline figures like this should not necessarily rule out buying second hand. If the purchase price is relatively low and provides value for money, the high percentage should be seen in overall terms of the cost of yachting. Older yachts are sometimes overlooked which has meant that these yachts are yet more difficult to sell as potential buyers worry about the cost of running them which of course in turn has put further pressure on value.

However, at the risk of stating the obvious, what this actually represents is not a massive problem, but a great opportunity for yacht buyers to purchase a yacht that would have been in a totally different price bracket pre-2008 but with the same running costs as she had in those halcyon days. Maintaining and running yachts has not become massively more expensive, it is simply that you can buy so much more yacht for your splosh – one of the few circumstances in which it really can be a question of having your cake and eating it...

Older yachts require expenditure through life and naturally this does not stop. As a client of Berthon remarked recently – my yacht is like an enchanting child requiring constant attention – but of course she never grows up, or moves out... Again, this fact provokes much angst in the breast of the yacht buyer and resultant pain in the yacht seller's pocket as he is hauled over the coals during the post survey negotiation. But, if we may – the reality is much less depressing.

Despite the recession, or may be because of it, there have been enormous strides made in terms of onboard systems of all types. Manufacturers have had to be nimble and innovative in bringing new product to the market which is well priced and significantly better than what went before.

Therefore a refit on an older yacht of quality enables her owner to enjoy all this new technology aboard a yacht which has been originally beautifully built (and fit to keep sailing for the long term) without the cost of buying a more recent box (hull, deck and interior).

Much is talked about depreciation and it is certainly the case that yacht buyers are very wary of burning their fingers when they come to sell. Indeed, we have a weather eye on this, and this is another reason to consider an older yacht which is getting to the bottom of her depreciation curve, helped further

along this road by worries about the costs of running her. In buying a yacht, the critical figure is the likely exit rather than the entry figure and this is where an older and larger yacht really wins.

The American market has recently embraced this idea particularly in the 60' to 90' sector where prices have fallen as people are afraid of the cost of running a yacht with crew. Here they forget entirely that a yacht which is crewed and in commission for the majority of the sailing year will deliver probably 40% more value in terms of usage than an owner driver yacht that is in use for probably only 5 or 6 months a year. Whilst the charter market is not at its zenith, a well run yacht will still find charters if correctly priced and positioned and this reduces the hole in the wallet at least a little.

This brings us to the punch line.....yacht buyers sometimes overlook great value in the market place by expecting to buy something

that they will be able to sell without losing money on their exit. We are afraid that the

first rule of yacht ownership is that a yacht is a depreciating asset. She is a captivating hole in the water into which buckets (or lorries depending upon the size of your purchase) of cash are hurled.

Expect to take no risk and you will certainly miss out on the fun of yacht ownership completely. Expect her to cost you some money which is the price you pay for pride of ownership, and you will have enormously much more fun than any charterer will ever experience with their short term contract; set cruise programmes (and menu in many cases) and only the vaguest connection with the yacht on which they sail for such a very limited time.

Manufacturers have had to be nimble and innovative in bringing new product to the market which is well priced and significantly better than what went before.



Ocean 80' – OCEAN LEOPARD

Cool Board for 2012...



Zonda 31' Motorboat of the Year Award

The astonishing Windy Zonda took the Motorboat & Yachting Sportsboat of the Year award in January. We have sold 4 of these astonishing rocket ships in 2012 - very, very cool.



FPB97 goes into build

The Steve and Linda Dashew Legend lives on - in the shape of the FPB 97 - with a 4 wheel drive motor yacht now in build at Circa in New Zealand - of scale, unsinkable and with a range that would put the space shuttle to shame. Cool to the point of freezing.

Lymington Sailor Ben Ainslie takes gold in the British Olympics

The sailing town of Lymington, home to Berthon's HQ was brimming with pride this summer as Ben Ainslie took Gold in the Men's Finn



Class at the Olympics. Sir Ben is a well known figure in Lymington and learnt much through our local yacht club and in local waters. The UK also took silver in the Men's 470, Men's Star, Men's RS-X and Women's 470 classes, as well as gold in the Paralympic Single Person Keelboat and bronze in the Two Person Keelboat classes.

Discovery 57' launch

Our chums at Discovery hit the jackpot with this great new blue water cruising yacht which is perfect for blue water of every hue. Up to hull & as we write - a definite entry to the Berthon cool board.





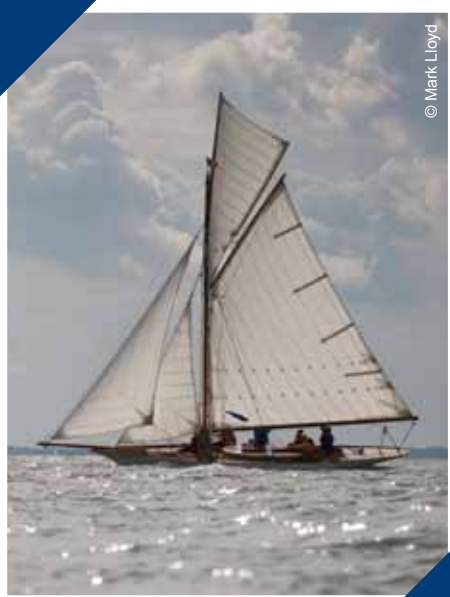
Lifeboat trials - self right

Berthon completed the prototype of the new Shannon lifeboat in 2012. We all turned out to watch her turn upside down - what a sight! It was all over very quickly with her returned to the upright position in just 3.8 seconds. Her production sisters are now taking shape in the big blue Berthon sheds - which is of course - seriously cool....



Contest 72' launch

High tech, incredible joinery, carbon rig and rigging - she rocks. A modern and elegant addition to the Contest fleet shown for the first time at the 2012 Southampton Boat Show, she is deeply cool for all things nautical.



© Mark Lloyd

Panerai Regatta supported by Berthon

The Classics came to town - or rather Cowes - the home of yachting again in 2012. Also regatta-ing it was the J Class. In an astonishing event the Round the Island sail was one of THE spectacles of the year. The Super Yacht Cup was also run at Cowes - it was great to see those leviathans battling it out in our modest little Solent with many of the participants using Berthon as their base pre and post event.



Finish of the Volvo race

The adventure finished in Ireland, the stuff of which yachting myths truly are made. Marten 80' NIMROD pictured above was there to see it all happen, her owner was the Timekeeper for the event and she supported the Committee boat for this epic finish. NIMROD was sold to him by Berthon..... How cool is that.....! Berthon also sold a Volvo 70' and a Volvo 60' in 2012.

YACHT INSURANCE REVIEW:

Finding an Insurer that meets your needs

For most owners their yacht is their pride and joy, and, after their home, is also probably one of their biggest investments. That is why it makes sense to ensure she is fully protected. Choosing the right policy can be a time-consuming process. So what do you need to look out for? The most important thing is the claims service and prompt settlement of valid claims. The claims service is the product being purchased and is the shop window. It is only when claiming that the service is tested. Ask around and find the experience of others with your insurer. If mostly good you are probably choosing wisely. If mostly bad keep away. Obviously there are claims that are not recoverable or someone may not have recovered as much as he thinks he ought but generally this is a good guide.

Look at the reputation of the company you are considering, as well as how long they have been in business. Both can be good indicators of their level of expertise – this is, after all, a specialist market. GJW Direct, a division of, Groves John & Westrup Limited, has been associated with marine insurance for over 185 years since Charles Groves Esq., a Liverpool merchant and far sighted business man, set up his own insurance broking company in 1826 to place his own business and that of others. Since those early days the company has evolved from being a broker to an insurer which writes the risk rather than places the risk with others. We are justifiably proud of our history and equally keen in maintaining our reputation.

The financial security of your insurer is an important factor too. You need to understand who is underwriting your policy and what their credentials are. One of the advantages of dealing direct is that you know exactly where you stand in this regard. Your policy is underwritten at Lloyd's by Watkins Syndicate through GJW Direct who are both part of one of the world's largest and most secure insurance groups. Clients get excellent financial security especially in these uncertain economic times. When you face financial loss you want to know your insurer will be there for you.

For most owners their yacht is their pride and joy, and, after their home, is also probably one of their biggest investments.

Of course you can get a feel for a company's service by the way your application is handled. Will you be speaking to a named contact,

or will you be waiting in an endless queue to get through to someone in a call centre?

At GJW Direct, we pride ourselves on delivering an outstanding personal service as described by our customers and have a philosophy of paying genuine claims fast and fairly. Our claims staff are highly trained. We attach importance to offering a sympathetic and swift response in the event of a claim, as well as giving sound, practical advice and assistance. A yachting incident can be very stressful, and we see it as our job to do what we can to make it less so. To assist we provide a 24/7 claim helpline.

You may want to check whether or not your insurer takes an active role in the yachting community. If they do, they will be in a better position to understand your needs. Our office in Hamble, which is backed by all of the resources of GJW Direct, has been expanded to do exactly this. We are there to help at every stage

of the insurance process.

Also, several senior members of the management team are life long sailors and yacht club members.

There are other perhaps more important considerations too. Yacht insurance is a highly competitive market and you want to make sure your insurer offers you value for money. But comparing policies can be complex, because policies vary not only in price but also in the level of cover offered. You only get what you pay for.

You need to decide what level of cover is right for you. As a minimum you should cover the value of the yacht including contents, and liability (taking into account Limitation of Liability in accord with International Convention). It goes without saying that you need to make sure your yacht is insured for her worth (usually the price paid for her) as this is what would be paid in the event of a total loss. Also review the value regularly to avoid paying unnecessary premiums for over-insurance or not adequately protecting your asset by under-insuring.

You need to ensure you are fully covered for the use you intend for your yacht as to time in use and area of use. Check the cost of extras such as medical expenses and legal cover, whether or not the No Claims Bonus is protected, or whether, as is the case with our yacht insurance, these benefits come as standard.

Dig a little deeper into the policy details, scrutinise 'exclusions' and 'warranties' – you need to be clear about what is expected of you in terms of maintaining your yacht. Do not overlook the excess that will apply in the event of a claim – a high excess may lower your premium, but could end up being costly. Read the Key Facts that are supplied by your Insurers. If there is anything you do not understand within the Key Facts document or your policy, contact the company to ask them to explain it – you need to be clear about the contract you are entering into.

Remember, there are also circumstances that will typically reduce your premium – sheltered mooring, owner qualifications and your own track record being the most obvious – make sure these are accurately reflected on your application form and have been taken into consideration in the calculation of your premium.

In short, you need to understand the detail of the cover in order to make an informed choice. The cover you choose needs to offer value for money, suit your needs and be provided by an organisation that is financially secure and is proud to offer an excellent claims service as opposed to making you jump through hoops.

Glen Wallis

GJW Direct Business Development Manager



THE BUSINESS OF YACHT BROKERAGE IN 2013

In a challenging market, a brokerage commission of 8% + VAT in the UK or 10% for an international sale does seem to be a monumental amount of money to some sellers. But it is not. Unfortunately for us, we are not taking 4 month holidays in the Bahamas at regular intervals and running round in Aston Martins on the back of this fee! The reason for this is that the marketing and the work of selling yachts effectively today is an expensive and in our view, skilful business which requires considerable investment and long hours. We regard what we do as a profession with a large element of lifestyle choice within it, as the rewards to the bottom line are not as massive as popular yachting myth would have you believe.

It has been said that with the growth of the internet, that selling a yacht (*she's only another product which like many others finds a new home quite easily courtesy of Mr eBay after all..*) is a simple process. All you have to do is to put her up on the web – there are plenty of sites that will of course enable you to do this – and wait for the emails to start spewing out enquiries – which you answer and do a deal – how hard can it be? Alternatively, you can use a cut price agent (they are not yacht brokers) to put her onto the web and for a reduced fee they will put you in touch with the buyer and you're off to the races.

This is in our view – tosh. In a buoyant market there was certainly a place for the cut price agents and private sites (and for some lower valued yachts there is still merit in this business model) but in an environment where buyers are scarce and the business is influenced by many external factors, it is our belief (and the number of listings that we have and sales achieved would tend to bear this out) that it has never been more important to employ a professional yacht broker to handle the sale of what is probably one of your most valuable assets. There are a number of weapons in the yacht brokers' armoury:

The successful sale of a yacht relies on good marketing, this unsurpassed a myriad of factors and during the past 18 months we have changed and up-rated the service that we offer hugely. The focus for us has been to harness and use technology to increase the coverage for our listings whilst continuing and upgrading the more traditional print and other marketing initiatives that are required. Anyone who tells you that print advertising is dead or that granular, well executed and accurate particulars are outdated are talking, in our view, rubbish. This focus on marketing is a major cost for any yacht broker doing the job properly and for us it has been key that the amount that we spend on marketing has **risen** in real terms rather than fallen since 2008 because the market is frankly, difficult. Not many brokerage houses can say that.

Our print advertising remains key and you will see Berthon in all the major publications both sides of the Atlantic. Whilst the major magazines are also more web savvy – you will only buy this coverage from buying print pages and it remains the case that these magazines are widely read by yachtsmen with time to spare during air travel or at home on rainy days. The magazines are also doing much better in achieving direct distribution to first class airport lounges, private jet lounges and direct delivery to areas like the Côte d'Azur. We monitor circulation very carefully to

ensure that we are buying print for our listings that will be seen in the right places.

We also carry out promotions like our Collection event concurrent with the Southampton Boat Show which accompanies our lifestyle magazine – writing, producing and mailing these publications to 10,000 yachtsmen with the accompanying advertising support is not a cheap experience.

Having a website seems like an easy cheap thing to do. Of course, that's entirely true if it is basic. However, having a proper policy for disseminating listing information on the web is a very big subject and requires an SEO programme (ours is ongoing), using a number of websites worldwide and updating all listings ourselves in real time, and the use of blog, twitter and all that to further market our listings. At Berthon we have a full time listings manager – he spends all day, every day, ensuring that listing information is sharp and accurate wherever it appears – and we correspond with around 60 of the world's most respected brokers if not more, to ensure we have covered the entire planet. He is, by the way, a star...

Listing information is another factor that we consider vital to any successful marketing campaign for the yachts that we list. Photographs are important and we work hard on this aspect, but photographs on their own simply do not cut it if the written information is not up to snuff. Yacht buyers are a smart group of people and they do their research – really good information is paramount and there is no excuse for not providing this and keeping it up to date. To collect the information needed we are happy to jump on a plane or turn detective to find out more history on a yacht whose current owner may not have access to information about his yacht's previous life.

Then there is getting the message to the right people – there is a lot more to this than just putting

yacht details up on a website or doing a bit of advertising. At Berthon we have a full customer relationship package so we can target our client base and identify who might be interested in the yacht – over 55% of our business is repeat so we have the contacts. There is a whole community of other agents worldwide out there, in addition to our overseas offices. We co-operate with all the major players and assist to provide what they need to bring a client of theirs to yachts that we are handling. They are handsomely rewarded with well over half the commission – we regard this as what we need to do if they find a buyer for our client, the seller. We also make our yachts available to the full worldwide network of brokers from Day One of listing – this shortens the process which is good for the yacht owner, although not perhaps as good for us.

In addition to this, we run promotions to get the message out to new contacts – we support the ARC – you will have seen the Berthon crew if you've participated in the last few years roaring around in Las Palmas. Our raceboat broker attends many important events in the yachting calendar. You will see

it has never been more important to employ a professional yacht broker to handle the sale of what is probably one of your most valuable assets.

REFIT – MAJOR DRAMA OR THE WEAVING OF A MAGIC CARPET...?

representation at all the major shows as well as the Berthon mixing it in the yachting scene – you’ve got to be in it to win it and we regard this as a key part of what our yacht owners pay for.

Next comes the the legal transaction – people can be pretty casual about the contract aspects of the sale of yachts. It amazes us that people are so unconcerned about selling a valuable asset with so few safeguards. You wouldn’t sell a house without a solicitor to do all the checks for you – so why sell/buy a yacht based on scant information or reliance on a prompt sheet picked off the internet? At Berthon we spend a lot of time and money to ensure that we get it right. Our contracts are bespoke and written and regularly updated by a London firm who advise when needed and we ensure that we are ahead of the curve on title, RCD, VAT and a host of other issues that need to be dealt with. In addition, costly Professional Indemnity cover (mercifully unused so far) adds another protection to both buyer and seller.

Negotiation doesn’t often get mentioned and brokers are often compared to estate agents. When I bought my current house, I looked at what happened and the estate agent’s role very carefully. As with many things, it was a simple transaction that didn’t go smoothly – and the estate agent was great as far as his role went. However, from the point of agreement of the sale – the papers went to the solicitors – exit side left Mr Estate Agent. This is where a yacht broker starts – driving the deal, managing the process and negotiating to make the sale happen. Acting for the Seller yet with a duty of care to the buyer – it is a complex process and skill in the management of the sales process is not a simple thing if the yacht is to sell, and the buyer and seller are to come out of the deal content with the outcome and happy to share a drink in the future, having may be fumed about each other during the sale – but only to a third party.

The successful marketing and sale of a yacht should be regarded as a marathon rather than a sprint and a yacht of scale can often take 6 months or more to sell. A good broker will be in touch regularly and will live the sales process with you and keep you informed. They will also keep the pedal to the gas on the marketing – it is crucial that the marketing spend does not stop and will advise on the next steps which by the way, isn’t just about price – there are many other wrinkles that can help generate a sale and a good broker will employ them all. Remember that a broker is only paid when the yacht sells, so be sure to use a brokerage house that has the financial muscle to be in it for the long term and who is prepared to spend for as long as it takes.

Of course, I could go on boring you about our tasks and the profession of yacht brokerage, but I hope that the next time that you email a broker after 1700hrs or you call at weekends and get an immediate response you might just consider that they are not emailing you (or answering from a mobile, the call having been diverted) from the beach in some far flung holiday destination. Remember too, that every sheckle knocked off the price affects our commission and that is why we earn our crust by being professional, knowledgeable and in it for the long run. To the 55% of you that keep coming back, thank you, and to the buyers out there, keep it coming!

It is an undisputable fact that new yachts are not selling like hot cakes....Yacht builders across the board have tightened their belts, rationalised and reduced production to deal with the new financial landscape (“the new norm”) which sees fewer yachtsmen commissioning new build both on grounds of cost and value for money. Coupled with this, currency shift has meant that over the past few years a lot of brokerage yachts have been sold into different markets and so the indigenous stock of yachts in various areas has fallen. A good example of this is Scandinavia where a rush of deals done 3 years ago resulted in Berthon at least, selling 30% of the yachts transacted by our UK office, to Scandinavia, and we are aware this simple percentage applied to our colleagues in other UK brokerage businesses at that time also.

Add to this the fact that less new boats sold since 2008 also means that the stock of second hand yachts from 2008 and newer is very much smaller than it was before, and whilst this isn’t immediately apparent there are some sectors where the numbers of yachts on the second hand market have dwindled significantly. This is particularly true of the blue water cruising and semi-displacement and displacement motor yacht market. Why, you might ask? Because more and more owners are out there using them for long term projects. This phenomenon is aggravated or pushed by the demographic of baby boomers retiring (the silver pound) and as the stock on the water worldwide is grabbed, and new boat sales decline, little is left on the shelf. So, what next?

Yachtsmen are concerned that in buying an older yacht there is work to do with systems and cosmetics. This often means that their search is elongated as they hunt for a newish yacht that doesn’t require this sort of spend, which as a function of the market, is scarce. This problem is further exacerbated by the fact that the owners of yachts of more recent build are now tending to hang onto them for longer because the cost to change is more than they want to invest in their yachting. This is borne out by the fact that the average ownership period of 36 months has now stretched to around 5 years in this sector. It is said that yachts that are priced to take the cost to change to a new yacht are overpriced. We disagree. We believe that these yachts are priced relative to their owner’s future plans which is fair comment, although we do occasionally question whether they should be on the market at all.

Against this backdrop, the idea of buying an older yacht and refitting her to your exact requirement becomes doubly attractive. Particularly at the quality end of the market, the year of manufacture although relevant is not as critical as for high volume production yachts where whether a yacht is from say 2005 or 2008 has serious impact on her value.

No one pretends that a serious nautical refit is a cheap option, but it does offer the opportunity to purchase a yacht of higher quality than would have been possible pre-2008 for your budget and have the freedom to fit modern systems and upgrade the cosmetics to your personal taste and needs. The whole refit can also be accomplished in bite sized pieces if you wish. Many owners have the dream to buy now, get used to their steed and update over a three year period leading to retirement and an ARC or ocean crossing. This means that you can start with systems, and have a programme of refit over a period so that you can use



and get to know the yacht and exactly what you want from her. It also means that you don't need to spend all your cash in one hit, which relieves cash flow. At the end of it, you end up with a yacht which is both eminently suited to your needs, and also attractive on the brokerage market at the end of the dream. Alternatively, some owners prefer to do the refit in one chunk and to go sailing once the yacht has been completely remodelled. If you are planning this it is worth sailing her for at least a few weeks to ensure that you make the right calls on the stuff that you are planning to change. Sometimes a must change becomes a 'want to keep' as you find that there is a very good reason for it.

For some yachtsmen the drama of the process is something that puts them off. This is where it is important to assemble a team around you and to plan carefully before the process begins. A good shipyard with a dedicated project manager who is on your wavelength is key to making the process a success. Much in the same way as renovating property, if the project is not planned properly before the refit starts, the costs will spiral, deadlines will be missed and the end result will not be as you had planned. It is also very important that the yacht owner is engaged with the process throughout. A good yard will keep you closely informed about progress and will ensure that you know exactly where your money is going. However, for them, it is crucial that the owner is able and available to make decisions promptly and it is also hugely helpful if they are able to visit the yacht regularly whilst the refit is ongoing.

Of course as with refits of anything, there will be emergent work (things that were not costed at the time that the refit was planned), although a good yard will have a pretty good idea of what might come up and will have pre-warned the owner to expect up to 50% growth in the budget. Any yard that does not offer this advice readily should be questioned. Very often something like a hot water tank will be replaced, and it will be discovered that the plumbing to and from it, was operating on the old tank purely out of habit and this will need to be replaced too. A leaking section of pipe can be replaced which beefs up the pressure only to burst further down the line. An extra is not necessarily a bad thing as it increases the reliability of the yacht going forward but it does add to the cost.

Yachtsmen buying yachts that need refit do tend to look at the likely costs of work revealed at survey or indeed disclosed prior to offer and to expect that the full cost of this work should be deducted from the asking price. In doing so they normally ignore the fact that the yacht has been priced at least to an extent, to reflect the work that is needed, and that a yacht has a bottom of the curve, residual value which is not compromised because of

things that the buyer may want to do to her. In addition, and this is important – the buyer of a yacht in truly great condition will nearly always spend around 10% of her value on personalising her to his wish – his choice of electronics, may be hull colour and so on. Discounting the yacht to allow for this when she is correctly priced is not the seller's look out and this normal spend should be allowed for in budgeting for a yacht that needs work.

Another important point to remember is that it is not realistic to expect the cost of the yacht and the refit to add up to a sum of less than the value of the yacht on the brokerage market when completed. It will cost more. In the same way as when you buy a yacht that needs no work, she will depreciate over time, you need to depreciate the cost of the refit over time. Sadly for us all, yachts are not, and never have been, appreciating assets. The depreciation is part of the cost of ownership and to amortise this, it is important to have serious amounts of fun aboard the yacht which is what delivers value for money.

Therefore in conclusion, there are significant benefits attached to buying a yacht that is somewhat down at heel and refitting her to suit your needs. As the stock of recent yachts continues to diminish, we believe that we will see more of this occurring, which is all to the good as far as the health and longevity of the whole brokerage fleet is concerned.

From Brian May, MD of Berthon Boat Company

Berthon Boat Company has ten project managers well experienced in refits of all shapes and sizes, with excellent modern facilities. The yard has doubled its turnover in the last five years with all prices – even for the marina – held at 2008 levels. Investment has continued at approximately £1m a year and we are proud to have 25 apprentices across all disciplines ensuring not only that skills are handed down, but modernised at the same time. Lean Management reviews occur regularly to boost productivity and efficiency and so pound for pound you currently get far more value for your buck than ever. Inflation is, however, knocking at the door and we are not certain how long prices can be sustained at pre-recession levels; what we do know is that we have many delighted owners sailing the ocean blue and modern communication allows us to be at hand to solve even the most minor irritable issue from afar. Do therefore consider what is on offer in the big blue sheds behind the broking function and tap into wealth of unrivalled experience that is Berthon.

THE 2013 BERTHON FORECAST

Reading the 2012 Forecast shows that we called it correctly on the state of the market and also predicted the fall of the Euro, with accuracy. We are certainly sure that we are not going to see any particular improvement in the yachting market in 2013 and the recession which now started over 5 long years ago, shows no sign of upturning with any great speed. As we have mentioned above, this is the "new normal".

We predict that there will be no return to the 2008 levels of activity in our industry for the rest of the decade. Those companies who survive the choppy waters of current trading conditions will be the architects of the way that our industry develops over the next few years. In the last 12 months we have seen many new model launches and much innovation in technology as companies reinvent their product to appeal to new markets and to the changing aspirations of those yachtsmen who are buying and selling and who support the sport.

For us, Berthon USA was our success story of 2012 with figures up by almost 100% and with a new broker in place at the beginning of this year to deal with continued growth in demand. In addition to the brokerage part of the business, Berthon USA offers a number of new yacht products from the UK and Europe. All of these have innovative new designs that appeal to a market which constantly questions conventional wisdom about what is good and what is bad. We predict that the American market will continue to grow in 2013 as the political administration is now stable and that despite the circus that surrounds the USA fiscal cliff, this bump in the road will be dealt with, and with normal American pragmatism. The American nation is above all a practical lot, and as far as their yachting is concerned they

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are determined to have fun. If they were thinking of buying a 60 footer in 2008 and personal budget now dictates that she's 40 ft – so what – they're getting out there and having fun on the water.

The situation in Southern Europe which houses the huge Mediterranean market

is grave. Yacht owners are asking too much for their yachts, hampered by a euro which is far too high, failing to maintain them properly and they are also without the budget to use them properly. Added to this, the new administrations in areas like France, Italy and Greece have identified yachting as a good area from which to derive tax revenue. They are also investigating the tax affairs of those with yachts in the area and this does absolutely nothing for confidence in the market. As if all this wasn't bad enough, local businesses and authorities seem hell bent on driving away visiting yachtsmen with very high berthing fees and the threat of local taxation if they stay too long. (NB Berthon France has a number of berths for sale listed which is a good way of guaranteeing a much valued slot).

As a result, this area is filled with overpriced yachts that are slow to sell. Unless the euro falls significantly, these yachts will stay on the market and will still be available in 2014 when they will be even less saleable.

We arrived in 2013 on the back of an improvement in the market that appears to have been felt across the board. However, as every yacht on the planet had a birthday on January 1st 2013, with this came the annual depreciation which does not alter year on year. We started to bring the prices of our listings into line at the beginning of February when it became clear to us that another correction had occurred. We believe that prices are a long way from bouncing back on the brokerage market although we do believe that we are now bumping along the bottom – like so much else in the world today.

New yacht sales continue to be extremely difficult but because of the relatively small numbers of buyers around in comparison to the pre-recession era, there is not nearly enough demand for this to assist the second hand market. What happened in 2012 was that new yacht dealers had expected an early upturn which did not materialise and some were left discounting heavily to move new product which further depressed the prices of brokerage yachts across the board. It is our belief that in 2013 the will and ability of new yacht manufacturers to sustain such small margins will be severely tested and whilst we will doubtless see some more casualties, new yacht prices will harden. We have already mentioned that inflation will inevitably take its toll and this needs to happen for the natural balance between new and second hand yachts to re-establish itself.

It is only when prices hold firm that the industry can start to recover. What we are seeing is great value from manufacturers today as they have embraced new design and technology to build at a more competitive price point and this in turn means that they are providing a more exciting product. As ever, however, it rather depends which currency you are holding.

The new markets of Asia and elsewhere have also improved product design as yachting has to reach out to clients who are new



to the sport and have to be sold the concept of buying a yacht and have their own ideas about the style of usage. When these markets start to produce on their own account we are going to see more product development which will challenge our perception and which will propel our industry firmly forwards in the 21st century.

As prices fall we are seeing a number of owners who have reached the limit of their endurance in terms of seeing the value of their yacht fall to way below anything that they might have dreamt of when they bought their yacht a few years ago. These owners are voting with their feet, refitting and re-commissioning their yachts to take them sailing again on the basis that their yacht is worth more to them than she is to the market. We identify with them and understand their frustration. They do well to get as much use out of their yacht as possible, as her value is not going to rise again whatever happens to currency.

We therefore predict that a combination of less discounting of new yachts and the reluctance of yacht owners to take a very low price for their yacht will stabilise prices in the longer term, perhaps beginning in second half of 2013. For the moment valuations are still subject to pressure.

We also expect 2013 to bring more uncertainty on VAT and all that. Croatia's entry into the EU means that VAT payment is offered at 5% if the yacht is flagged in Croatia and goes to the country prior to this date. We are confident that there will be an ugly rush to Croatian waters in the first part of the year as VAT becomes an evermore thorny problem, as loopholes close and the only way to actually own and operate a yacht in the EU as an EU national is to pay it.

The whole question of what constitutes a VAT paid yacht in Europe remains a complete disaster area, and there is no co-ordinated Europe wide policy. Yacht owners in the UK need to take onboard the fact the HM Customs and Revenue has no power to influence their European counterparts and attempts therefore, to persuade them to issue letters of comfort relating to VAT treatment of yachts outside UK waters are doomed to failure. We live in hope that in the future, the EU will issue a moratorium for older yachts as the 1993 rule is now too old to be useful,

but we doubt that we will see this any time soon, particularly as demanding VAT from yachts is a useful source of revenue yield. After all, there can be very little political capital to be had from making life easier for 'rich yachtsmen'.

What we do hope is that the various agencies who offer advice to yachtsmen in the UK at least, will be pragmatic in the advice that they offer, as we are conscious that the resources available to Customs to answer queries on this subject are not limitless. The whole issue has to be approached with pragmatism and remains very much the art of the possible.

The Berthon recipe for 2013 is more of the same.

We continue to invest in marketing both in traditional mediums which remain important but also with new media and other promotions which increase the visibility of the yachts that we have on the market. The full Berthon professional broking team remain in post and we are continuing our voyage of uplifting service. We consider it key to remain current and to understand the movements of the market and also to be up to date on all the issues that exercise our clients – VAT, title, RCD, and of course value.

When the recession took hold in 2008, Berthon took the decision to tough it out. For the Sales Division this has meant longer hours and expanding our knowledge and the support that we offer for our client base. We often have to sell the same yacht two or three times as nervous buyers succumb to lack of confidence, but we persevere and we are fortunate to be part of a very strong group, and the continued success of Berthon Boat Company is important to us. We are very proud of the apprenticeship programme run by the company and to see the young people apprenticed at Berthon learn their trade and develop on an annual basis. We rather hope that we can join our Berthon Boat Company colleagues in staff expansion, but until markets definitely show some strength, this will have to wait. But Berthon has been around for more than 135 years, so we look forward to helping you out well into the future, come rain or shine.

Our research indicates that in 2012 we took market share and it is our goal to improve on our percentage in 2013. We will do so with hard work and by continuing to put our client base first. Whilst the advice offered by us may not appear that palatable, it will be considered and will be given as a result of the experience that we have in the market. Toughing it out means being in the business in the long term, and we have no interest in short term gain, as over 55% of our business is repeat and it is a milestone for us, to build on this. What it does mean is that if the advice we give you is not what you want to hear, it is because we present the facts – and not what you would like to hear. At such time as this market upturns, you will hear it from Berthon first.

We wish you all thoroughly fair winds and good sailing in 2013 (perhaps less rain as well!), although the Berthon market forecast suggests that the market climate will continue to be rather unsettled this year.

We predict that a combination of less discounting of new yachts and the reluctance of yacht owners to take a very low price for their yacht will stabilise prices in the longer term.



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