

**BRIEFING ON THE STATE OF YACHT LENDING**  
**Maritime Law Association**  
**G. Robert Toney, Vice Chair, Yacht Finance Committee**  
**Recreational Boating**  
**May 3, 2018**

Recreational Retail Consumer Marine Loan Overview.

Active Lenders:

- SunTrust
- US Bank
- BB&T
- M&T Bank
- Huntington Bank, OH (Acquired Regional Lender First Merit, OH)
- United Bank, CT/MD
- Shore Premier-Bank of Hampton Roads
- Iberia Bank, LA
- Bank of the Ozarks [acquired C&S Bank, (GA) and C-1 Bank (FL)]
- MB Finance, Illinois
- US Alliance, Credit Union, New York
- Bank of the West
- USAA Bank
- Seacoast Bank, FL

Wealth Product-High End:

- US Trust (BofA dvision)
- Bank United, FL
- UBS
- Iberia Yacht Program (Wealth)

New Participants”

- Huntington Bank (above)
- Pier to Pier Lenders-Not much activity or experience
- Flagstar Bank, MI (entered the market in 2018)
- Wells, Bank of America and Ally Bank have expressed interest in the program and are

High Rate/High Risk Lenders (8.5% to 17.99%)

- LightStream (SunTrust Acquisition) Up to \$75,000
- BoatFinance, LLC (Funded by Private Capital) Up to \$75,000
- Medallion Finance Up to \$75,000
- ST Liberty/Maritime Capital, \$100,000 to \$500,000

## Floorplan (Wholesale) Market Update

Wells Fargo remains the only major market player (GE Capital Acquisition)

Northpoint

NextGear Capital (Cox Automotive-Manheim) exited the marine business to focus exclusively on auto.

## Retail Loan Business (NMLA reported) 2017 v. 2016

- Approximately 85% of surveyed lenders reported the same or increased loan bookings during 2017
- Pre-owned boats accounted for 55% of marine (bank) lender originations in 2017
- Most industry sources report that during 2018, new unit boat sales will increase an estimated 6%; 10% in dollars
- Profitability issues such as margin/spread management and credit risk continue to be identified as a concern by boat lending (bank) management
- Interest rates are highly likely to increase three more times during 2018, as of this writing
- There is little evidence available supporting general actionable changes in pricing models, underwriting or policy relating to boat loan margin

## Tax Cuts and Jobs Act

- Tax reform's interest deductibility for consumer boaters is expected to have little effect on the recreational boating sales market
- Interest deduction on HELOCs are no longer available (includes boats)
- Itemized interest deductions (for qualified boats/boaters) remain allowed up to \$750,000 (down from \$1,000,000); limit applies on a combined basis

*NMLA Annual Statistical Report/Quarterly Snapshot, SSI and Coburn & Associates, LLC*

## Credit Score Breakdown 2017 vs. 2016:

700 and over	100% of Lenders
650 and over	56% (increase of 50%)
600 and over	18% (increase of 15%)
500 and over	11% (increase of 10%)
Less than 500	4.5% (none in 2015)

## NMLA Conference reports (Coburn Associates Research):

Lenders are reporting that they believe credit is LESS stringent in the first quarter, 2017.

Down payment requirements are easing (Higher LTV's)

Most active marine lenders have stated that their lending criteria has reverted to underwriting practices that existed prior to 2008.

Little change expected in rate, terms or margins other than cost of fund adjustment. 40% of NMLA members reported margin decreases during the second half of 2017, therefore are anticipating minimal rate increases in 2018.

Yacht Sharing programs continue to be a bigger player in the market. Insurance companies and lenders continue to monitor “charter” issues and any effect on coverage or mortgage clause restrictions.

#### Boat Sales Update (NMLA/NMMA)

9% increase in new boat sales, 13% increase in dollars

7% increase in used boat sales, dollar increase flat

Used boats representing 54% of loan originations

Documented boat origination: 64% increase in power boats, 22% increase in sail

#### Delinquency/Charge-off Overview

<b>Year</b>	<b>Delinquency</b>	<b>Charge-off</b>
2003	0.85%	0.35%
2004	0.69	0.20
2005	0.83	0.52
2006	0.63	0.27
2007	0.85	0.77
2008	1.18	0.93
2009	2.26	1.43
2010	1.69	0.89
2011	1.48	1.14
2012	0.82	0.77
2013	0.80	0.57
2014	0.87	0.44
2015	0.69	0.38
2016	0.84	0.31

Data can fluctuate depending on changes in reporting institutions.

#### Recovery & Liquidation Overview

Repossession activity remains at historically low levels and banks are seeing better and quicker returns on owned inventory. Dealer used inventory at lowest levels in 15 years.

CFPB remains involved in debt collection practices, commercially reasonable sale and fees charged to borrowers. The industry is watching closely as the new administration is anticipating a major role change in this organization.

Pro-consumer bar is becoming more aggressive in representation of borrowers and challenging these issues, specifically commercial reasonableness.

#### National Liquidators Recovery/Auction Activity Overview

	2016	2017	% Change
Bank Recovery Orders	987	922	(6.58%)
Auction Sales Units	599	515	(14.08%)
Auction Sales Dollars	\$34.233MM	\$30,218MM	(8.83%)

National has seen a higher number of specialized cases involving larger yacht transactions, therefore has organized a joint effort with Fraser Yachts to better plan, maintain and market yachts of \$10 million and higher. Fraser has kindly provided their market overview of large yachts which is attached to this overview. Additionally, Fraser will continue to provide this information and become a larger supporter of the MLA Yacht Finance Committee.

#### National Marine Lenders Association Events

##### **201 NMLA 39<sup>th</sup> Annual Conference**

September 9-11, 2018

Grand Traverse Resort, Traverse City, MI

##### **2018 Marine Lending & Recreational Finance Workshop**

Spring 2018. Location and dates to be announced.

Thanks to:

James Coburn, VP & Managing Partner  
Coburn & Associates

National Marine Lenders Association, Annual Report

Josh Gulbranson, Broker  
Fraser Yachts

National Liquidators Auction Data.

# FRASER

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## MARKET REPORT

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# NEW BUILD MARKET ANALYSIS



## NEW BUILD MARKET ANALYSIS

### MY & SY 30m+ CURRENTLY UNDER CONSTRUCTION – BREAKDOWN by SEGMENT

- ◆ There are currently 462 yachts actively under construction in 160 shipyards around the world; sailing yachts account for 8% of the total order book.
- ◆ The 60-100m market continues to show a very strong growth compared to the existing fleet. The 70-100m market is set for a 32.3% increase, while the 100m+ for a 40.4% growth by 2021.
- ◆ The semi-custom market shows a continuous and distinct trends towards larger boats of this type.

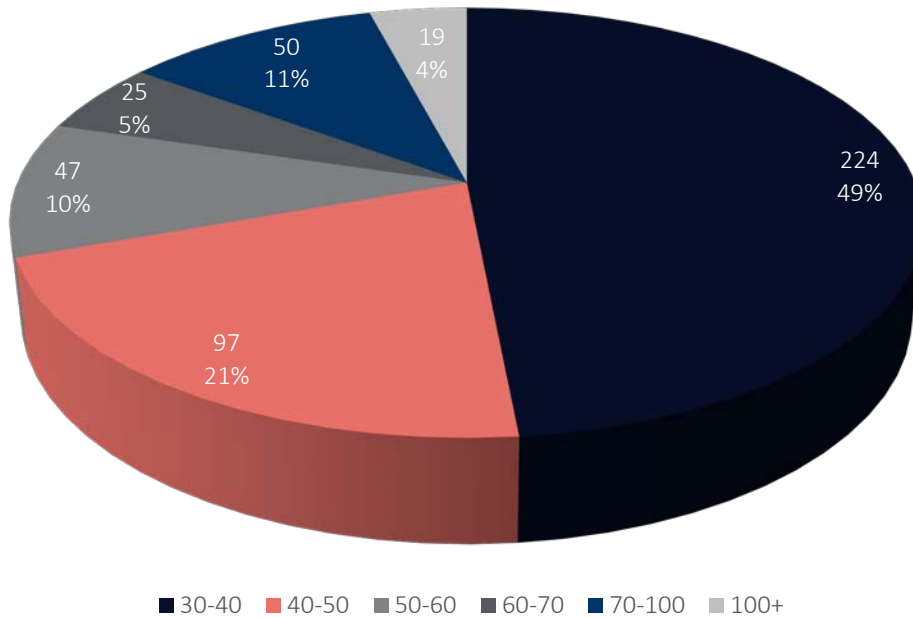
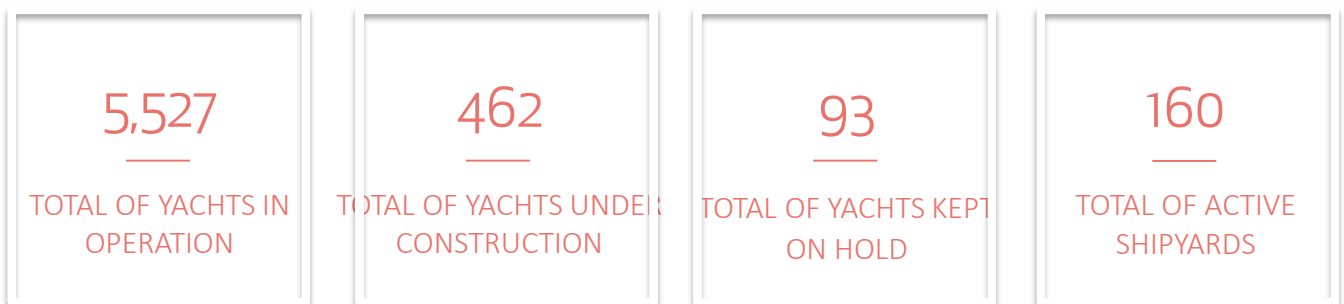


CHART 1

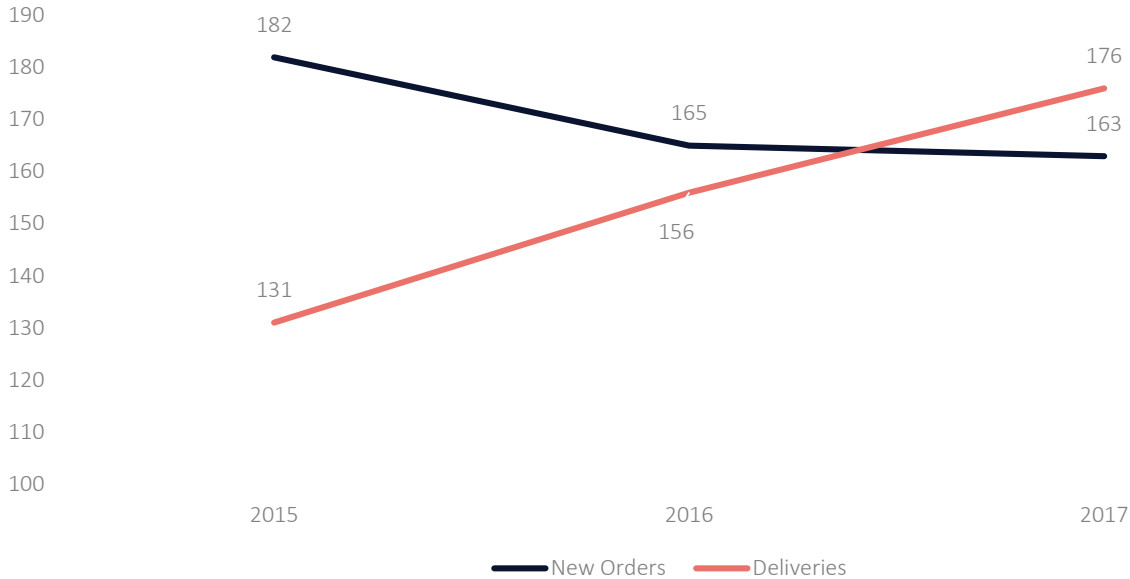


# NEW BUILD MARKET ANALYSIS



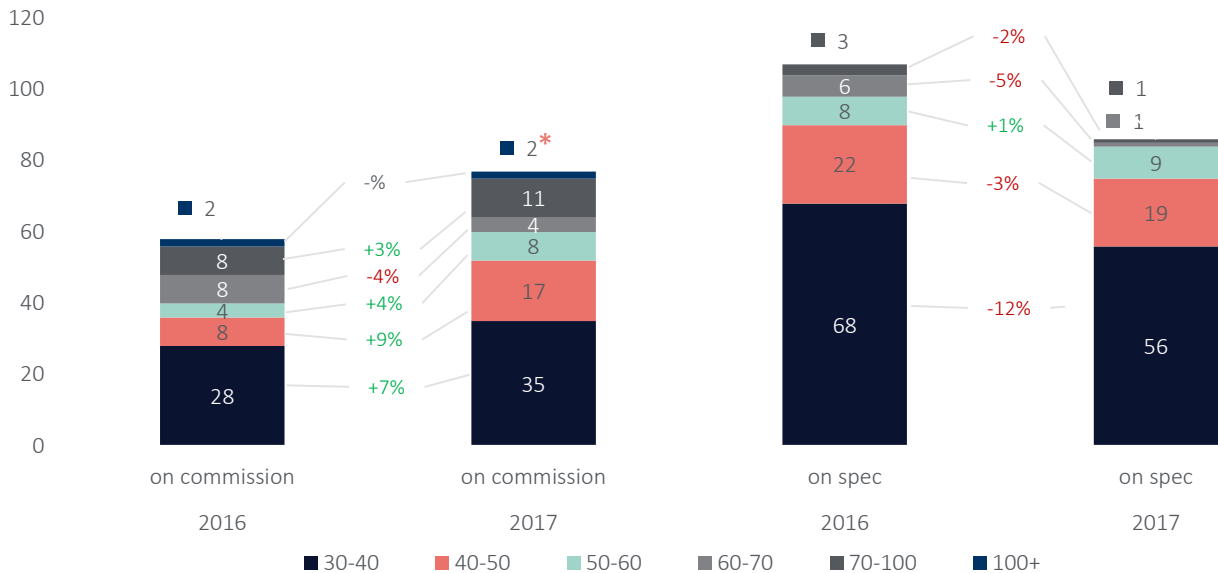
## ORDERS SIGNED OVER 3 YEARS **above 30m** – 2015, 2016 & 2017

- While deliveries keep on increasing (+34% since 2015) new orders seem to have slowed down compared to 2015, 163 contracts were signed in 2017 as opposed to the 165 same period last year (-2%).



GRAPH 3

- Out of the 163 orders signed 47% were commissioned as opposed to 58% in 2016.



GRAPH 4

(\* ) 100m Kleven Lurssen and 182m Vard REV.

NOTA: Information is still confidential therefore these statistics may change in the next quarters.

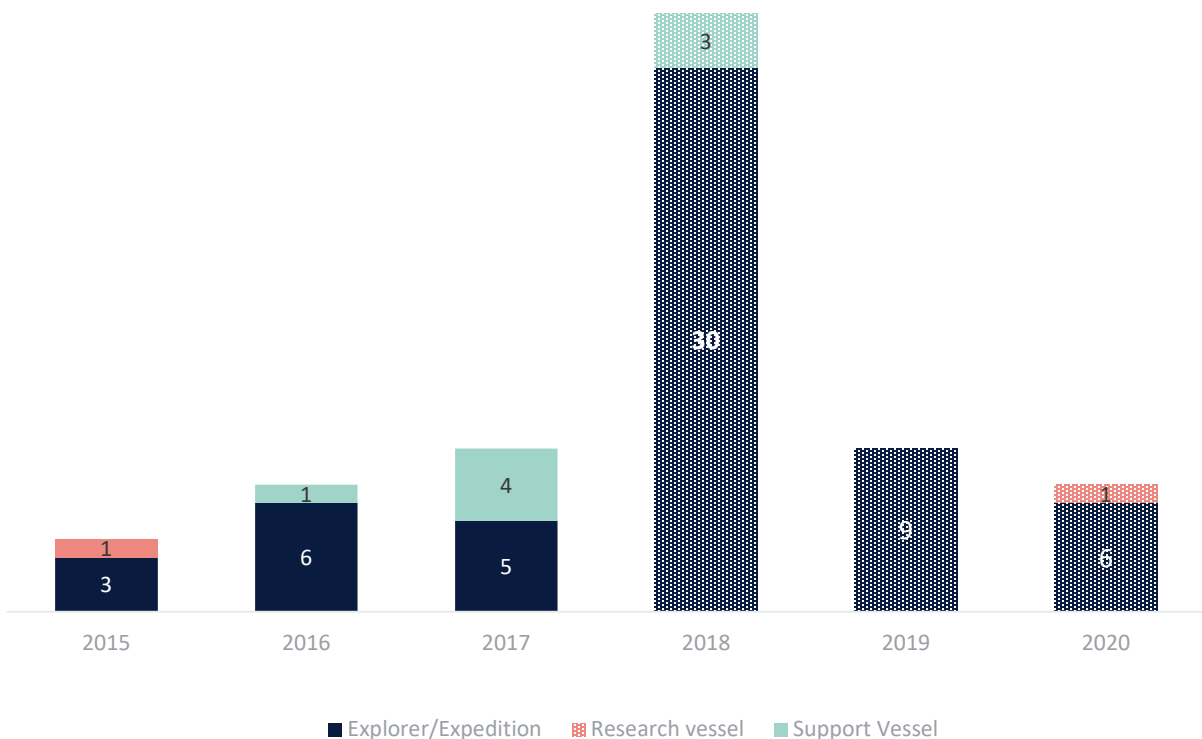
FRASER analysis and estimations are based on specialized media providers, company data and interviews with global operators .



## EXPEDITION/SUPPORT MARKET FOCUS **above 30m** - DELIVERED 2015-2017 - FORECAST 2018-2020

- ◆ 8% of the current global order book consists of explorer yachts, expedition vessels and support yachts. Out of 163 contracts signed in 2017, 7% are explorers/expeditions/support.
- ◆ in terms of deliveries, we expect the explorers/support vessel market have a peak in 2018 with the highest estimated number of deliveries ever: 33
- ◆ Both Yacht Owners and Charterers are willing to step out of the box, looking to discover new destinations and keen to live exclusive experiences. They prefer good crew and good range of toys instead of beautiful boats to show off. They also like remote destinations (eg. Antarctica, Galapagos, South East Asia...) where only expedition yachts are available.

### EXPLORERS & SUPPORT & RESEARCH VESSELS Delivered 2015-2017 – Forecast 2018-2020



GRAPH 5

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# PRE-OWNED MARKET ANALYSIS 2014-2017



- ◆ In terms of number of sales, the bar was set in 2014, the best year since the financial crisis. In 2017 however, the brokerage market appeared to post a record number of sales since 2014: 445 yachts were sold, an increase of +17%.
- ◆ The superyachts sold in 2017 were slightly smaller than those sold in previous years, but for the first time in 4 years the overall sold value equaled 2014, thanks to some significant sales such as the 107m Kleven ULYSSES, the 86m Oceanco AMORE VERO(\*) and the 85m Lurssen SOLANDGE.
- ◆ 2017 was also the best year for the sailing yacht market, which sold the most yachts of the past 4 years (a 20% increase compared to 2014).

4 YEAR OVERVIEW	2014	2015	2016	2017
NUMBER OF YACHTS SOLD	381	397	391	445
TOTAL VALUE OF YACHTS SOLD	€ 2.9B	€ 2.8B	€ 2.5B	€ 2.9B
AVERAGE LAST ASKING PRICE	€ 7.8M	€ 7M	€ 6.5M	€ 6.7M
AVERAGE SIZE	36	35	35	34
AVERAGE AGE	12	13	13	13
S/Y vs M/Y	45 vs 336	37 vs 360	43 vs 348	54 vs 391
LARGEST M/Y SOLD	LUNA Lloyds Werft 2009 115m	SERENE Fincantieri 2013 130m	GOLDEN ODYSSEY II Blohm & Voss 1990 80m	ULYSSES Kleven Verft 2016 107.4m
LARGEST S/Y SOLD	AGLAIA (now ANATTA) Vitters 2011 66m	RED DRAGON Alloy Yachts 2008 51.7m	TWIZZLE Royal Huisman 2010 57.5m	SILENCIO Perini Navi 50m
MOST EXPENSIVE YACHT SOLD	LUNA 115m Lloyds Werft 2009 € 152M	SERENE 133m Fincantieri 2013 € 380M	GOLDEN ODYSSEY II (now GRAND OCEAN) 80m B&V 1990 € 60M	ULYSSES 107m Kleven Verft 2016 \$ 195M

TABLE 1

SOURCE: BI.COM & FRASER YACHTS CENTRAL INTELLIGENCE DEPARTMENT.

(\*) all calculations are based on the last asking prices in Euros, and brokerage yachts 24m and above.

(\*) M/Y AMORE VERO was not officially on the market when it got sold in June 2017 (announcement was given by Imperial Yachts). An estimated asking price value of €95M was considered.

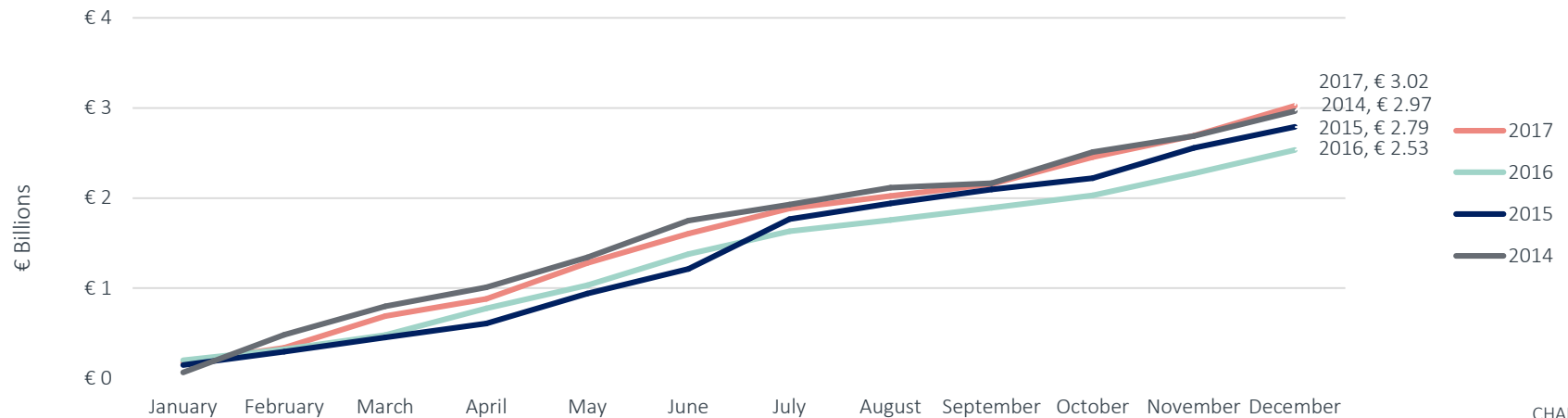
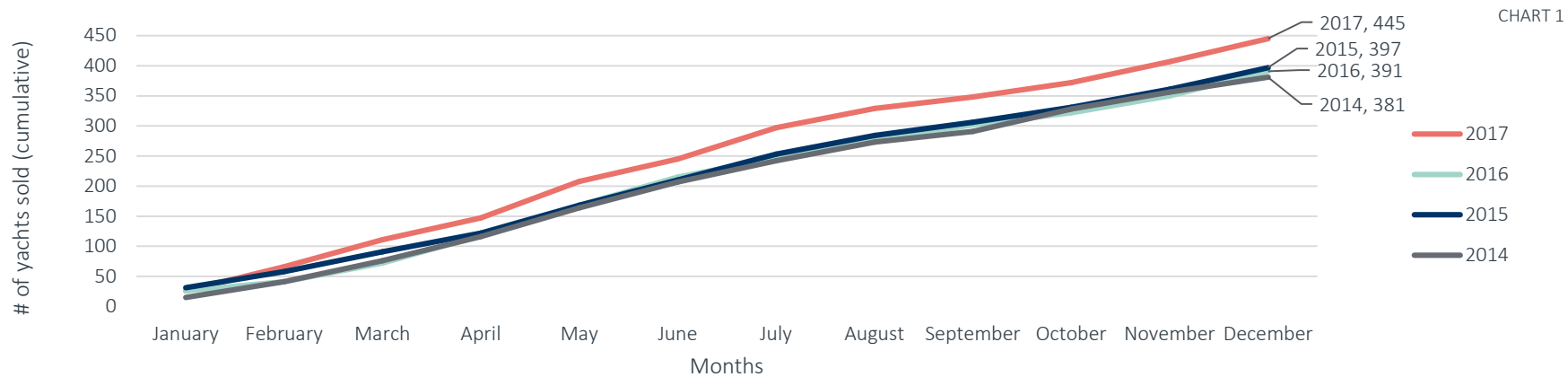
# PRE-OWNED MARKET ANALYSIS 2014-2017



## CUMULATIVE NUMBER AND VALUE OF YACHTS SOLD (2014 – 2017)

(\*based on last asking price)

- ◆ Besides recording the most number of yachts sold, for the first time in 4 years, the cumulative value of sales in 2017 exceeded 2014 and set the bar to €3 Billions(\*).



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# PRE-OWNED MARKET ANALYSIS 2014-2017



## NUMBER OF YACHTS SOLD BY SEGMENT (2014 – 2017)

- ◆ 2017 saw an overall increase in the total number of yachts sold. The 24-50m markets showed a continuous and steady growth over the past few years. Compared to 2014, the 24-30m, the 30-40m and the 40-50m segments enjoyed respectively a increase of +27%, +12% and +21%, while the 70-100m+ equaled the performance of 4 years ago.
- ◆ The 60-70m market however experienced an overall contraction after the peak of 2016, with a sharp drop of -69% compared to 2014.

YEAR	TOTAL YACHTS SOLD	24-30m	30-40m	40-50m	50-60m	60-70m	70-100m	100m+
2014	381	149	139	58	15	13	6	1
2015	397	155	142	67	20	10	2	1
2016	391	159	144	51	16	15	6	0
2017	445	189	156	70	19	4	6	1
<b>TOTAL YACHTS</b>	<b>1614</b>	<b>652</b>	<b>581</b>	<b>246</b>	<b>70</b>	<b>42</b>	<b>20</b>	<b>3</b>
<b>% of TOTAL YACHTS SOLD by SEGMENT</b>	<b>100%</b>	<b>40.40%</b>	<b>36%</b>	<b>15.24%</b>	<b>4.34%</b>	<b>2.60%</b>	<b>1.24%</b>	<b>0.19%</b>

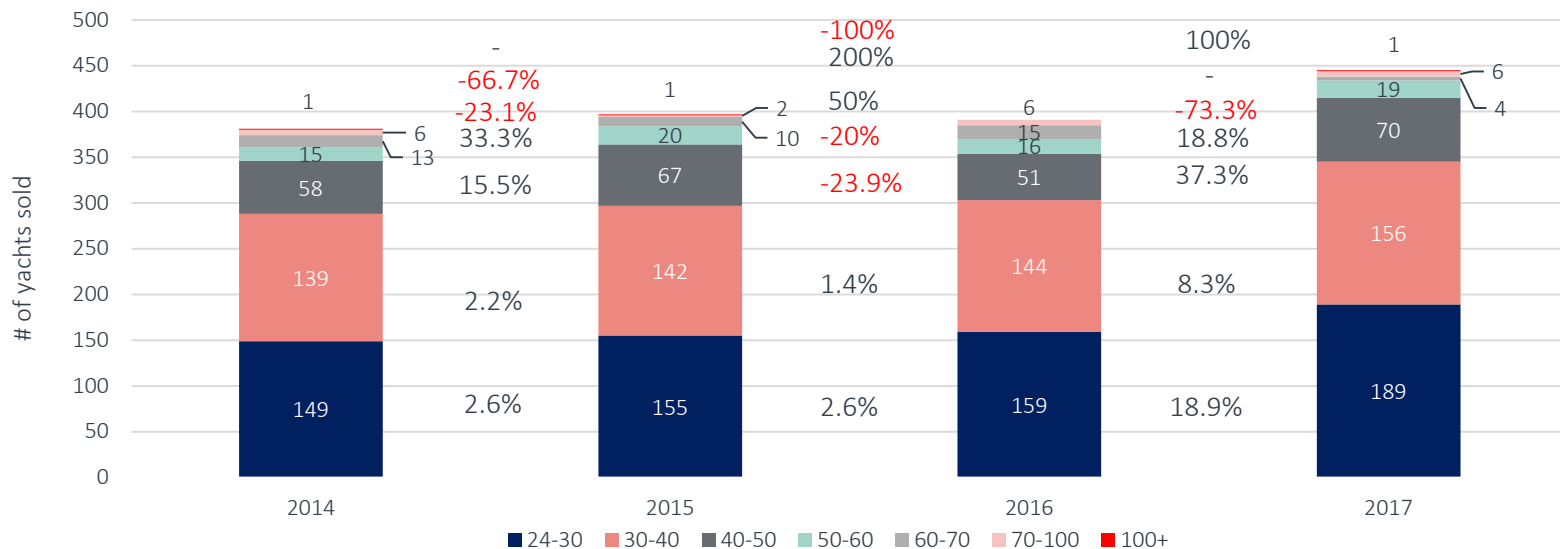


CHART 1

# PRE-OWNED MARKET ANALYSIS 2014-2017



## BROKERAGE COMPARISON – TOTAL NUMBER OF DEALS & YACHTS SOLD

◆ Fraser leads with 50 yachts sold and performed best in terms of number of deals representing the seller (40). Northrop & Johnson represented the most buyers (23) and closed the most number of internal deals (14).

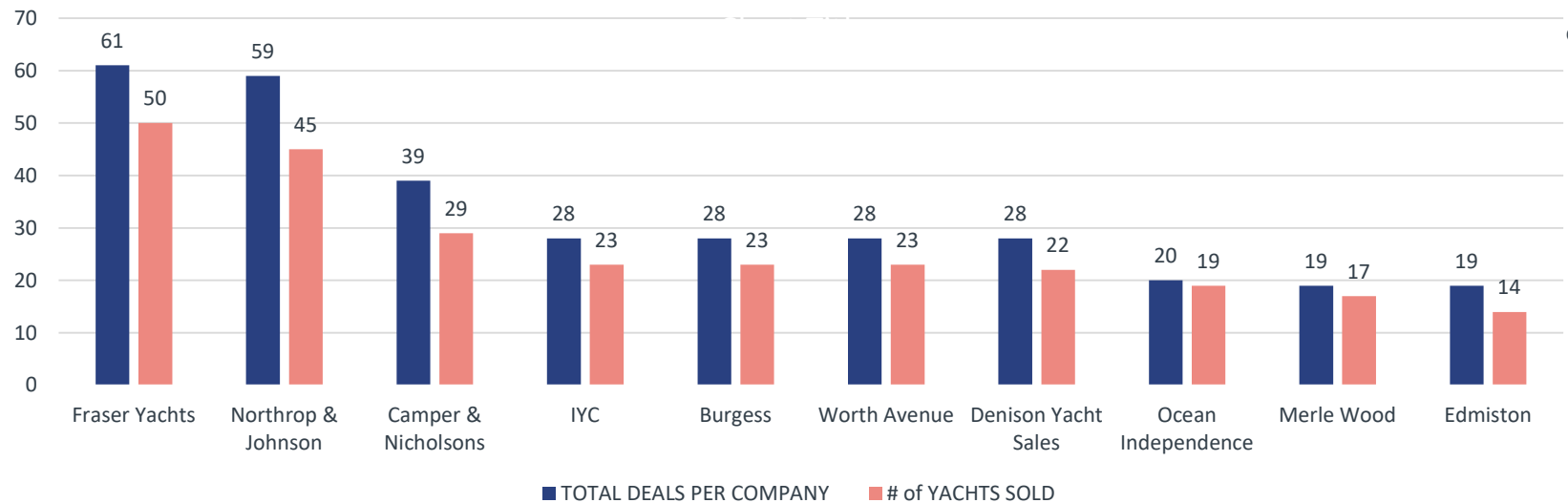
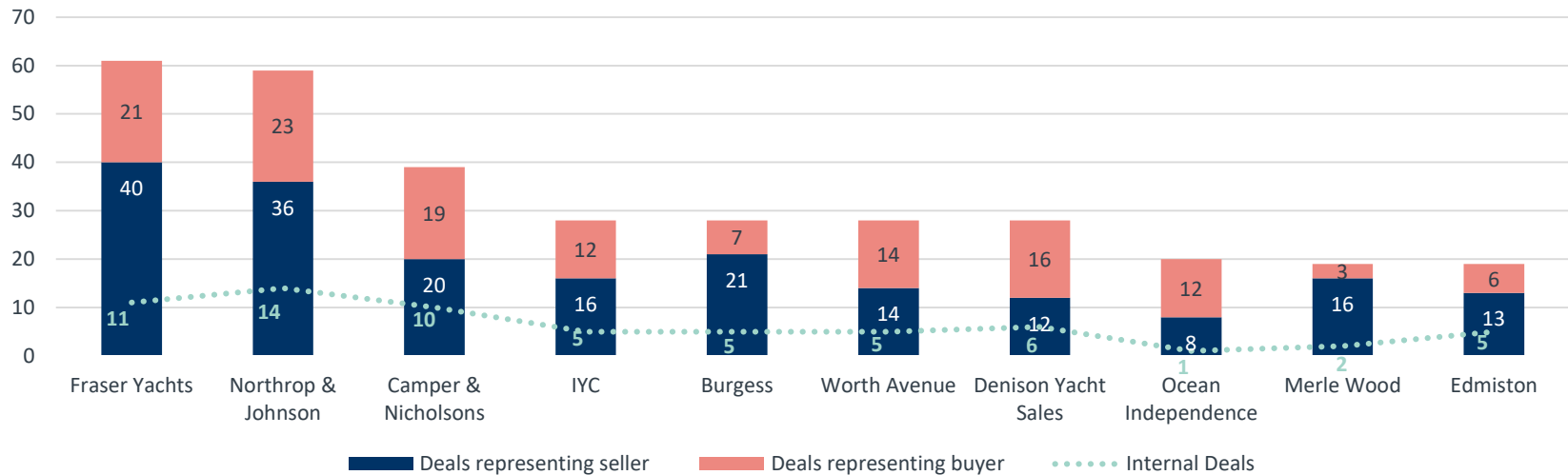


CHART 2

CHART 3

# PRE-OWNED MARKET ANALYSIS 2014-2017



## VALUE OF DEALS PER TOP 10 BROKERAGE COMPANIES

- ◆ With a total value of €552M, Fraser represents today 20% of the total sold market value. Burgess and Moran follow with €452M and €309M respectively.
- ◆ Thanks to the sale of 107m ULYSSES, for which Burgess represented also the Buyer, the company overall had the best performance in terms of internal deals.

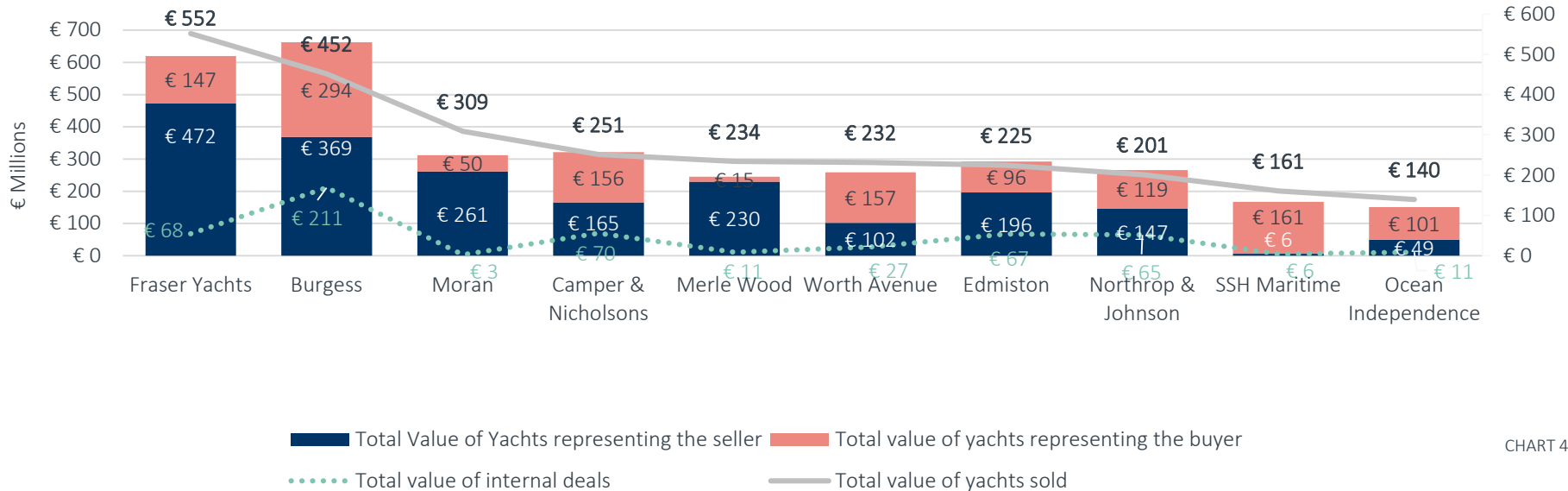


CHART 4

## TOTAL VALUE OF YACHTS SOLD PER TOP 10 BROKERAGE COMPANIES



CHART 5

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