

# YACHTS & MARINAS

FINANCIAL TIMES **SPECIAL REPORT** | Friday May 27 2011

www.ft.com/yachts-marinas-2011 | twitter.com/ftreports

## The rich are still afloat, but more discreetly

The latest challenge for the industry is buyers' wariness about flaunting their riches. **Victor Mallet reports**

It is no secret that the luxury yacht industry was an early and prominent victim of the economic crisis that began with the collapse of Lehman Brothers in September 2008 and continues to affect economies throughout the world.

Manufacturers, designers and service providers for the yacht business say a recovery is now under way, although they doubt that the extraordinary explosion of demand that marked the decade before the crisis will be repeated, and believe that further consolidation among struggling shipyards is inevitable.

The numbers tell the story. According to The Yacht Report – which tracks the state of the market for “superyachts” – defined as those over 30 metres or 100 feet in length – deliveries declined to 180 last year, from 213 in 2009 and a peak of 264 in 2006, although it must be borne in mind that deliveries reflect orders made two years earlier, because of the time needed to construct and equip a large vessel.

The total number of yachts on order has also fallen steadily over the past two years.

But those headline figures mask an intriguing detail. While

the number of deliveries fell, the aggregate length of superyachts produced rose slightly in 2010 to 8,008m because the average length increased from 40m to 45m. The ultra-wealthy, in other words, are buying bigger yachts.

How can this be in times of crisis? The answer is that the very rich have, in many cases, continued to get richer over the past three years. The main obstacle to further growth in the superyacht market, then, is not so much lack of money. As in the private jet and corporate aviation businesses, it is that the wealthy find it politic not to flaunt their riches on highly visible symbols of excess.

For the superyacht industry, much will depend on the state of the European and US economies in the year ahead, but most experts agree that the worst seems to be over. And while many buyers seek to remain discreet, the occasional spectacular projects continue to bring cheer to the chosen contractors.

Take Eclipse, the 162m motor yacht built for Roman Abramovich, the Russian tycoon who owns Chelsea Football Club. It is the largest private yacht afloat, costing an estimated \$500m and reportedly supplied with a mini-submarine and a missile detection system.

Then there is the 141m Dream Symphony, being made (of wood) in Turkey, reportedly for a Ukrainian buyer, and which will be the largest luxury sailing yacht in history.



New breed of boat: the 45m motoryacht Big Fish is designed for long trips and has completed a voyage to the Antarctic Peninsula

“While things haven’t bounced back, I certainly think they have levelled out,” says Dean Smith, marketing director of Royale Oceanic, which manages superyacht projects and provides services to owners.

Inquiries have picked up so much, he says, that “in the first five months of this year we have been busier than in the previous two years... We’re certainly seeing some real interest again.”

Mr Smith adds: “The wealthy industrialists, be they Russian, American, European or Middle Eastern, they are the ones who are still there. Those who either

mine things or make things seem to be quite solid.”

One awkward reality for the superyacht business, as for the corporate jet market, is that the stock of existing vessels (the great majority are motoryachts rather than sailing yachts) inevitably continues to increase and this holds down prices for second-hand and new boats, particularly those in mid-range.

But Martin Redmayne, chairman and editor of The Yacht Report and the Superyacht Intelligence Agency and a veteran observer of the business, says that “cautious optimism” is the order of the day and that

the contract lawyers and designers who oversee new construction projects are as busy as ever.

“Yes, the big economies are still in a ‘gloom and doom’ phase, but there are still a lot of people making a lot of money,” he says.

Given that a mere 2,000 rich individuals own most of the 4,000 superyachts afloat, “you only need small market segments to be excited for there to be an upturn. There are a lot of guys in the world today that can afford a €10m (\$14m) yacht.”

If dozens of yachts were being scrapped or mothballed, there

would be plenty of space for them in the marinas of the Mediterranean, but in the most favoured locations, especially the French Riviera, demand for berths continues to exceed supply because so little capacity has been built in recent years.

“While there is wealth, people will go on building these yachts, and some of them are extraordinary things,” says Nick Maris, chairman of Camper & Nicholsons Marinas.

“You don’t need a lot of deliveries, particularly in the larger sizes, to put a lot of a stress

### Inside this issue

#### Buyers and owners

The new generation of the super-rich is not necessarily interested in the Riviera lifestyle **Page 2**

**Superyachts** The heady days of bulging order books may never return **Page 2**

#### Interview

Ed Dubois, the British naval architect, was a landlocked boy who felt the pull of the sea **Page 3**



#### Racing and regattas

Organisers are hoping 1m online gamers will take part in the 2011-2012 Volvo Ocean Race **Page 3**

**Marinas** Berth prices have risen fourfold in six years at some of the most expensive facilities **Page 4**



**A home in the Med** Big boats battle for limited berths, while suppliers vie to upgrade

marinas **Page 4**

**Security** Arming boats remains controversial despite high-profile pirate attacks **Page 4**

**Interior design** Attention to intricate detail gives the lie to external similarities with other vessels **Page 5**

**Accessories** Gadget mania: from jet packs to retractable climbing walls **Page 5**

### FT.Com

**Boat Shows** A round-up of the biggest events for browsing and buying a boat

**Asia** The super-rich still have funds to splash out on superyachts

Continued on Page 2