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## MARKET ANALYSIS

words: Caroline White

# Q3: reasons to be cheerful

As the year matures the market celebrates a healthy sales tally led by mid-sized superyachts. We ask insiders for their views and experiences

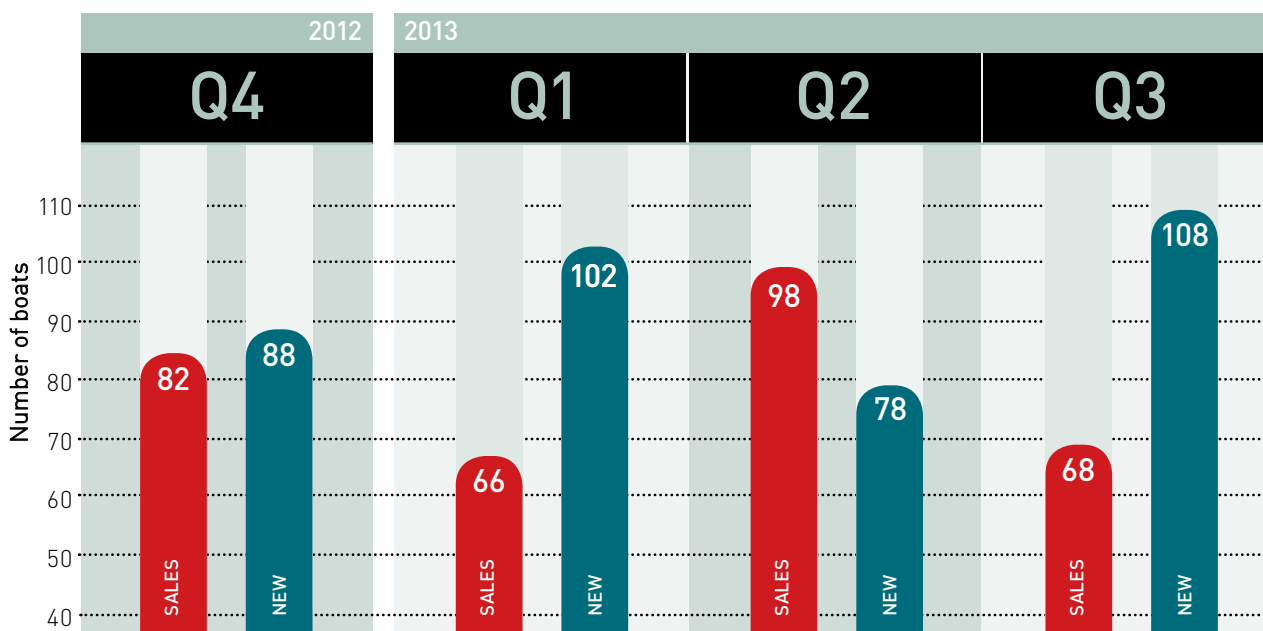
Just as the size of a middle-class is indicative of the health and prosperity of a society, the solidity of the *middle* of the superyacht market speaks volumes about its strength.

Owners continued to build small numbers of 70 metre-plus yachts during the darkest days of the GFC, but this sector bore little relation to the rest of the market – in new build or brokerage – which was suffering. Meanwhile, the departure in 2009 of new-to-superyachting owners, who often bought small and financed heavily, was important and has been often discussed since. Undoubtedly it dealt the market a serious blow – but these owners did not completely destroy it when they ran for the hills, partially because the middle brackets were less flighty.

### The growing middle

Arguably then, the most interesting statistic to come to light over the first three quarters of this year relates to the 40-50 metre bracket, which has shown significant growth. Forty-four yachts in this bracket were sold between January and September 2013 – much higher than any correlating figure in the last four years (the closest is 2011 with 36 over the same period). Along with the stabilisation of other larger size brackets, this statistic means that the encouraging overall quarter-three tally of 232 – 42 boats more than the same period last year – has real substance (we know the boats in question are not all 25 metres long).

## INSIGHT Total sales and new to the market, by quarter, last four quarters





Sold in Q3: Red Square

JEFF BROWN/SUPERYACHT MEDIA

'We've seen a whole lot of boats sell in that range and – having watched this over the last couple of quarters – the days on the market seem to be coming down a little bit,' says Cromwell Littlejohn, a broker at US brokerage house Merle Wood & Associates. 'It'll be a great sign if we can see that time continue to drop down.'

Littlejohn believes the growth of this market may be due to increased confidence among new clients. 'The number of first-time buyers buying boats over 40 metres continues to grow,' he says. 'Those clients are buying boats that are much larger than those coming into the marketplace in the past used to consider. It's nothing anymore for a first-time buyer to step into a 50 metre, where 10 years ago that was virtually unheard of. Those individuals are being bombarded by luxury goods and they're much more comfortable doing this than

more conservative groups have been in the past.'

Claude Niek, managing director of French brokerage house CSO Yachts, however, believes the change is a simple progression. 'The market is moving up to the bigger sizes,' he says. 'Maybe 10

years ago we were talking about the 20 to 30 metre market, which was picking up. Slowly we're moving up. The shipyards are building bigger boats. That means there's a market for bigger boats.'

#### Pushing up

It also seems that the 24 to 30 metre bracket is solidifying. Eighty-eight boats in this small-to-medium section of the market were sold in the first three quarters of 2013, compared with 74 in 2012. It's the highest tally in this bracket since 2009. 'Sales of boats under 30 metres had been relatively nonexistent for the last few years, and they are slowly coming back,' says Littlejohn. 'The banks are only now starting to loosen up on their financing, so those guys that in the past were [using loans to finance] buying a boat, they're just now coming back. They're being much more conservative than in the past, but they're at least back in the market.'

#### Sailing superyachts

While sailing yachts still account for a relatively small proportion of the superyachts sold in the first three quarters

of this year, the figure of 24 was exactly double the number sold in the first three quarters of last year.

The number is comparable to the 22, 18 and 23 sold in the first three quarters of 2009, 2010 and 2011 respectively, suggesting this is a return to form rather than a boom. David Tydeman, CEO of Oyster Yachts, which builds sailing yachts mainly from 15 to 25 metres, believes growth in this sector is polarised between size brackets. 'What I feel is happening is the people at 30 metres are going bigger, 40 to 50, and also some are going smaller – which we're seeing in our 25 metre range. So the 30 metre market, I'm not sure there's much activity there,' he says.

'Some of it's to do with operating costs versus capital expenditure: in a much bigger boat your operating costs are significant but your opportunities for return in chartering are better. Similarly if you have a slightly smaller boat you can run it with three not four, so people are watching operating costs as much as the cap ex.'

#### Charter hopes

According to Niek, charter has been popular this year. 'In terms of charter despite the new issues – the enforcement of VAT on charters in France and the MLC 2006, which was in force almost at the same time – we are almost on the same level as last year. Which was not bad at all,' he says, adding that confusion over these matters led to more last-minute bookings.

Littlejohn has had a similarly positive experience. 'We saw a fantastic increase in charter bookings. That's a great sign for the future of large yacht sales – research tells us that about 70 per cent of large yacht owners previously chartered,' he says.

#### Positive signals

Many of those experts interviewed for Market Analysis throughout the first three quarters of 2013 have reported a growing confidence among potential buyers. 'Without question clients are more comfortable investing in their lifestyles now than they have been in the past,' says Littlejohn.

'When there was no bottom to the economic downfall many people were very concerned. People that had \$10 billion and they lost half – it really wasn't going to affect their lifestyle, but it made a major change in their way of thinking. Most of the world now feel like they know where the bottom is, we've probably hit it and they're still OK – if they haven't done better – so it's time to move on.'

Tydeman, who says his company has had a strong year, has benefitted from a combination of expected and new sailing yacht clientele. 'We've picked new business up 50/50 from customers outside Europe, and younger buyers,' he says.

'My traditional market is the person who's been sailing all his life, has survived recession, planned their retirement, they've already sold their business so they don't need to worry about buying a boat while they are restructuring. And then we're seeing some younger buyers coming in from either inherited wealth in Europe or new markets, and one or two Russian contracts. I think that's because we've done a lot of brand marketing.'

Hopefully then, as yachts leave the brokerage market at a steady pace, the decreasing number of superyachts on the market will lead buyers to yards.



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