

## How has the Superyacht Industry overcome crises?



An annual gathering for the yachting industry, **La Belle Classe Superyachts Business Symposium**, organised by the Yacht Club de Monaco, is not only an opportunity to analyse developments and issues affecting the sector but to bring together owners and professionals. Some 120 people, in-person and remotely, attended to discuss how the sector has weathered crises, be they financial (2008-2009) or health (since 2020).

*“It’s wonderful to be able to debate with players across the yachting sector, as we celebrate this 13<sup>th</sup> edition. The highly unusual context obliged us to adapt by organising a mixed format, half in-person, half remotely, proof perhaps that being innovative and flexible are the keys to getting through these difficult times,”* said YCM General Secretary **Bernard d’Alessandri** who is also President of the Cluster Yachting Monaco.

A YCM ambassador on race areas around the world, owner of the superyacht *Lady Christine* and a seasoned sailor, Lord Laidlaw was among the guests. It was an opportunity for his Yacht Club to open the Symposium by presenting him with the 2020 Sailor of the Year trophy that was awarded to him last December.

## **HAS THE PANDEMIC IMPACTED THE YACHTING INDUSTRY?**

After a year of tough restrictions due to the Covid-19 pandemic, sectors the world over have had to redouble their efforts to cope with it. The Luxury Yachting industry has managed to ride the storm judging by some good results in the sales sector. Paradoxically, 2020 was the best year ever for sales of second-hand boats over 24m, a year that saw strong demand for small as well as large yachts.

With 409 yachts of +30m sold in the last year and a December considered to be the best December ever recorded with 57 units sold, the market is holding up well, even though it has been a roller coaster year for second-hand boats.

Sales in 2020 got off to a good start in January and February, exceeding month-on-month sales over the same period in 2019. But in March, restrictions on cruises and travel proved a game-changer for the following months, a situation reviewed by **Jamie Edmiston**, CEO of Edmiston. *“Deliveries in January and February were high, but with the collapse of the market in March until May, the first quarter of 2020 was down -36% compared to 2019. In April, the market was down 77% compared to April 2019, while in August global yacht sales increased by over 115%. In the third and fourth quarters of 2020 the total number of sales was higher than the same two quarters in 2019 and 2018”*.

However in the same period, as James Edmiston explained, “many events were cancelled like the Singapore Yacht Show, Dubai International Boat Show, the MYBA Charter Show and Palma Superyacht Show. And that continued into the autumn with cancellations in Cannes and Monaco. We had to adapt the way we operate, particularly in our relations with clients. Personally, I have gone from making 85 trips a year on average, often long-haul, to six since March 2020, and only one of them for more than one day!”

For larger boats, the 50m-60m segment bags the biggest market segment with 42% of orders, but even the much larger units are not left behind: 16% are superyachts of 60-70m, 19% are +90m, 25% are 70-90m. Of all these +50m units 26 were ordered from 18 different shipyards during the last year. Italy remains the country which dominates the superyacht market and has the most active yards. Of note is that the market for +70m vessels is also showing more than satisfactory results, with 59 newbuilds under construction.

Finally, despite the crisis, +85m superyacht orders increased compared to 2019, and orders are forecast to be up for 2021/2022. “That’s a good sign,” says **Stewart Campbell** from Boat International and the professionals expecting their order books to grow. “The hard work put in by shipyards in 2020 to maintain delivery schedules despite the pandemic is also to be commended. For 2021, we expect a similar level,” says Stewart Campbell. And he concluded: “The industry, at least in the brokerage market and newbuilds, has weathered the crisis.”

Points of view shared by **Antony Buneta**, Head of Mega-Yacht and Jet Financing at Société Générale. While sales came to a halt in March-April 2020, they shot back up by 30% in June, 40% in July, 50% in August, more than 50% in September and with “December having been the best month in terms of sales,” he says.

On the other hand, the situation was more complicated for charters. Although business has been impacted by travel restrictions, and this summer could be problematic, the peaks in activity registered last year, particularly in July and August as soon as travel was possible, shows the appeal chartering has in this period of uncertainty over health issues. Heading out to sea and travelling on a yacht should be uppermost in the minds of owners and charter clients for the upcoming season. “Last summer, customers would book a charter, return home after their trip and book another one,” says Jamie Edmiston. According to him, who has already signed off sales of 18 yachts of +30m in January 2021 and orders for 11 yachts of +50m in the last two months, 2021 looks as if it is going to be prosperous. “Despite the challenge this crisis represents, we can be optimistic”.

## **THE FINANCIAL CRISIS VERSUS HEALTH CRISIS**

Parallels between the effects of the pandemic and those of the 2008-2009 crisis which strongly impacted sales were high on the agenda. For **Michel Buffat**, Head of Aviation & Yacht Finance at Credit Suisse, the worst-case scenario did not happen, “the banks being better prepared this time round as were the clients”. Various explanations back this up: the crisis was health, not financial, yacht owners were better prepared and not at their limits financially, stock markets were not hyped up just before the crisis, government interventions helped many companies survive and lastly stock markets rebounded far more quickly than in 2008-2009.

But while there is optimism, it is guarded as the crisis is not over yet. “We had a good year, surprisingly, but must keep an eye on several factors, including determining what is going to weigh more between the financial practices of buyers and the appeal of Covid-remote holidays”.

Other questions remain he says: “Will closures continue this summer, can governments continue to save companies or not, and will unemployment figures rocket?” All could have an impact on yacht sales, boat prices and certainly new orders warns Michel Buffat.

“Unexpected crises generate high levels of uncertainty when decision-makers are forced to adjust policies. Often a crisis starts at a local level (USA in 2008, Wuhan in 2019) and spreads around the world,” notes **Alan Mudie**, Global Head of Investment Strategy at Société Générale. “We’ll see what happens with vaccination campaigns to plan how that will affect charters this summer,” he continued. “To limit the impact of these shocks, monetary authorities and fiscal policies have been deployed to provide massive support. The 2008 experience left decision-makers better equipped to cope with Covid-19. Governments are using all the tools in the box to contain it. Unconventional tools such as quantitative easing or negative interest rates have become the new norm. G20 countries have rebuilt the financial system’s stability by re-establishing capital adequacy and reducing the effect of leveraging, so the financial system today is more resilient than ever.”

**Tanguy Ducros**, Chief Commercial Officer at Monaco Marine notes that the sector is doing well, with owners taking advantage of the situation to refit their boats. “A specialist in 50m to 80m yacht refits, Monaco Marine has nine yards between Monaco and Marseille. From 2008 to 2020, we entered a new era and continued our expansion policy. From now on we are putting the emphasis on sophistication, more requests for complex refits and are responding to the demands of increasing numbers of crew and buyers of services. The health crisis hasn’t slowed our progress, as evidenced by the work ongoing in our sites at Antibes and Marseille.”

**Paris Baloumis**, Group Marketing Manager at Oceanco, reviewed key aspects of the market namely potential buyer profiles, number of yachts over 80m and what they represent on the market. The number of billionaires has been increasing since 2008. In 2020 there were 2,189 and latest predictions estimate 2,362 in 2021, “so more potential buyers,” he says.

“In 2008 and the two years that followed we faced a sluggish market. But we knew it was going to pick up again. What’s most interesting today is that despite the health crisis we are ready to reboot in 2021. We have done everything to maintain trust, not only with our clients but also our employees. Clients understand the pandemic and are supporting us. No-one has turned their backs on us”.

It is this loyalty that gives players confidence. Paris Bouloumis adds that the industry is changing rapidly. “So we are working on the next project as we have to look to the future and anticipate. We are preparing for the next crisis which will be global warming and climate change. It’s not being pessimistic to say that but realistic. We have to mobilise, to work on this issue. There are initiatives and tools developed to measure the environmental impact of superyachts. We have a responsibility to change this.”

**Bernard d’Alessandri** agreed, adding: “The climate emergency is a reality. Our industry knows it has to reinvent itself as the automobile sector is doing.” It is with this in mind that the SEA Index was established, a benchmark to measure the environmental impact of +40m yachts. The Index is designed for owners to assess and improve their environmental performance and reduce their carbon emissions.

After the **La Belle Classe Superyachts Business Symposium**, attention now turns to the **Environmental Symposium** held on **Thursday 25<sup>th</sup> March 2021** as part of **Monaco Ocean Week** in collaboration with the **Prince Albert II of Monaco Foundation**. This is yet another initiative, a day of meetings and discussions illustrating the YCM’s proactive approach as a major player in the industry, to develop vocations, build the yachting of the future and further consolidate its **Monaco Capital of Yachting** project begun in 2013.

#### **A few figures:**

- 409:** number of 35.6m boats sold in 2020
- 56m:** average length of superyachts built in 2020
- 2,189:** billionaires listed in the world in 2020
- 144:** number of +80m superyachts delivered in 2020

