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The shifting seascape

di Pat Sakellari

tre
2022

“The shifting seascape”

Abstract a cura di Risposte Turismo

Il periodo pandemico ha portato come una delle conseguenze un ripensamento generale delle priorità e delle scelte ed abitudini, tra esse anche quelle relative alla vacanza. La privacy, la sicurezza, la possibilità di essere “sicuri” in compagnia dei propri cari ha orientato le scelte verso alcune possibili forme di vacanza. Tra esse, quella a bordo di yacht. Certamente una soluzione di vacanza – sia che si possieda sia che si noleggi lo yacht – non alla portata di tutti, ma negli ultimi anni, incluso il periodo pandemico – benché la maggior parte della popolazione abbia dovuto affrontare significative difficoltà – il numero di wealthy people è decisamente aumentato: secondo il Credit Suisse Wealth Report del 2021 il numero di persone nel mondo con un patrimonio netto superiore ai 50 milioni di dollari è cresciuto del 24% rispetto all’anno prima, il più ampio aumento degli ultimi vent’anni. Questo, tra le altre cose, ha prodotto un incremento della domanda di acquisto di grandi yacht, che nel 2021 sono stati più del doppio di quanto operatori ed analisti si aspettassero. Più di recente, nonostante la guerra in Ucraina e le sanzioni imposte, il quadro non è cambiato, con alcuni billionaire ad uscire dall’elenco ma altri ad entrarvi. Rispetto al futuro, le incertezze sul quadro complessivo mondiale (tra esse anche l’inflazione) potrebbero riflettersi sul volume di acquisti di grandi yacht, così come le difficoltà di reperimento di alcuni materiali e l’impossibilità per i cantieri di far fronte ad una domanda addizionale. Ma le prospettive restano rosee, anche sul fronte charter (non potendo acquistare oggi, la domanda si sposta sul noleggio). Vi sarà però da conquistare le nuove generazioni di

possibili acquirenti. Con il trasferimento di una enorme porzione della ricchezza esistente da una generazione ad un’altra, saranno i millennials la base di utenza per la superyacht industry, e di essi andranno considerati i gusti e le intenzioni. Una su tutte, determinante per questo comparto: una minore propensione all’acquisto e una più spiccata preferenza per il noleggio, che lascia loro il piacere esclusivo di godere di un certo tipo di vacanza senza la responsabilità di un acquisto. E, assieme a tale aspetto, l’attenzione a poter svolgere nel corso della vacanza a bordo tutta una serie di attività leisure a loro care, la volontà di raggiungere mete inusuali e di avventura, la possibilità di combinare (oggi più che mai con il sopravvento del remote working) business e svago restando a bordo per periodi più lunghi. Da ultimo, in questo comparto come ormai in tutti gli altri spettri della nostra vita, la sostenibilità guiderà le scelte della domanda e dell’offerta. Una differente presa di coscienza porterà i prossimi possessori e fruitori di yacht a porre attenzione alle emissioni di Co2, ai materiali utilizzati nel costruire ed attrezzare l’imbarcazione, ai materiali di consumo ed altro ancora. Le associazioni e i cantieri si stanno impegnando nel definire standard e strumenti di rilevazione – tra questi lo Yacht Environmental Transparency Index (YETI) – con l’intento sia di sensibilizzare maggiormente chi è all’interno delle dinamiche di questa industria, sia di rendere più facile la comprensione, e dunque il confronto, di quanto uno yacht sia improntato, con le sue caratteristiche, al rispetto dei canoni di sostenibilità.

“The shifting seascape”

Abstract by Risposte Turismo

One of the consequences of the pandemic period was a general rethinking of priorities and choices and habits, including those relating to holidays. Privacy, security, the possibility of being "safe" in the company of loved ones has oriented the choices towards some possible forms of vacation. Among them, the one aboard yachts. Certainly a vacation solution – whether you own or rent a yacht – not for everyone, but in recent years, including the pandemic period – although most of the population has faced significant difficulties – the number of wealthy people has definitely increased: according to the Credit Suisse Wealth Report of 2021, the number of people in the world with net worth more than \$ 50 million grew by 24% compared to the previous year, the largest increase in the last two decades. This, among other things, has produced an increase in the demand for the purchase of large yachts, which in 2021 were more than double what operators and analysts expected. More recently, despite the war in Ukraine and the sanctions imposed, the picture has not changed, with some billionaires leaving the list but others joining it. With respect to the future, the uncertainties on the global picture (including inflation) could affect the volume of purchases of large yachts, as well as the difficulties in finding some materials and the impossibility for shipyards to meet additional demand. But the prospects remain rosy, even on the charter front (not being able to buy today, demand shifts to chartering). However, the new generations of potential buyers will have to

be won over. With the transfer of a huge portion of the existing wealth from one generation to another, millennials will be the user base for the superyacht industry, and their priorities and intentions must be considered. One above all, decisive for this sector: a lower propensity to purchase and a more pronounced preference for charter, which leaves them the exclusive pleasure of enjoying a certain type of holiday without the responsibility of a purchase. And, together with this aspect, the attention to being able to carry out during the holiday on board a whole series of leisure activities dear to them, the desire to reach unusual and adventure destinations, the possibility of combining (today more than ever with the remote working) business and leisure by staying on board for longer periods. Finally, in this sector as in all the other spectra of our life, sustainability will guide the choices of supply and demand. A different awareness will lead the next owners and users of yachts to pay attention to Co2 emissions, the materials used in building and equipping the boat, consumables and more. Industry's associations and shipyards are committed to defining standards and detection tools – among these the Yacht Environmental Transparency Index (YETI) – with the aim of both raising awareness among those within the dynamics of this industry, and making it easier the understanding, and therefore the comparison, of how much a yacht is based, with its characteristics, on compliance with the canons of sustainability.

“The shifting seascape”

by Pat Sakellari¹

1. Has the pandemic triggered lasting change for the superyacht market?

The pandemic has changed the world. Everything has been affected. How we live and learn, how we communicate and work, how we interact and how we travel. It has certainly had a vast impact on the superyacht industry and many of the changes that it brought about are likely to be long-lasting.

This is largely due to the fact that, although it took away many of our luxuries, it gave us back a once in a lifetime opportunity to rethink and reprioritise. In the words of Sarah Fazendin, founder of Videre Travel and recently recognised by Conde Nast Traveler magazine as a Top Travel Specialist, “in 2022 travellers are placing greater importance on time. Making up for lost time, saving time, getting the most out of time with friends and family.” This is a new breed of traveller and one that is increasingly seeking time-maximising, flexible, protected and personalised solutions. These are solutions that superyachts were always excellently placed to offer but it seems that the pandemic put a spotlight on their benefits and even drove more people to take to the water for their first yachting experience.

2. Heightened demand for privatised vacations and burgeoning wealth: their impact on yacht sales & charters

Exclusive use is what UHNW travellers are now looking for as it offers increased safety and security but also the opportunity to craft

bespoke experiences. Privacy is valued more than ever. The tendency to gather loved ones together in a secure environment when threatened has risen to the surface. A new must-visit destination has been born of all these needs: the superyacht in itself.

Being on a superyacht provides both a low-risk getaway and the opportunity to live limitless. So, many of those who possessed the financial means proceeded to either purchase or charter a yacht during the pandemic. If you could afford it, why postpone it? And the pool of clients who could afford it was large.

According to the 2021 Credit Suisse Wealth Report, the number of individuals with more than \$50 million in net worth rose by 24% in 2021, the largest increase in two decades. A new billionaire was created every 30 hours during the pandemic according to Oxfam. The influx of new billionaires was felt strongly throughout the superyacht industry which welcomed more and more new clients and their ballooning wealth correlates to the record increase in superyacht sales. The State of Yachting 2021, published by the SuperYacht Times, had forecast 180 new yacht sales for 2021 thinking it would be a good year, but the final number was actually 302 surpassing even their wildest expectations.

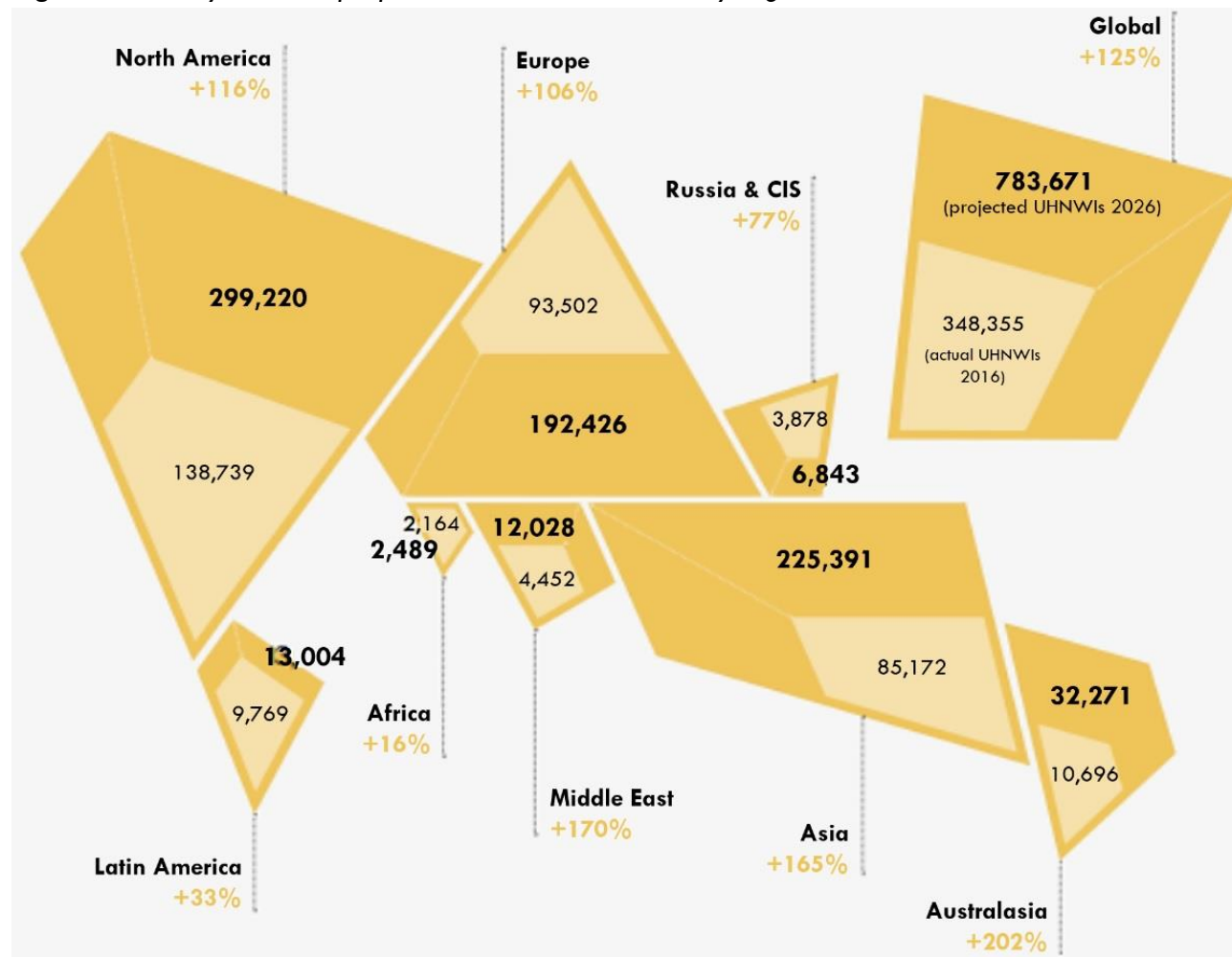
Figures released by Forbes in April 2022 show that the war in Ukraine, sanctions on Russian oligarchs and volatile stock markets have

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caused the number of billionaires to fall slightly in the last year. 329 people were struck off the list while there were 236 newcomers. However, total wealth remained high at \$12.7 trillion

(\$13.1 trillion in 2021) with 40% of those who did remain on the list getting even richer. The financial momentum is still there. And the experts predict that it will continue to grow.

Fig. 1 – The ten-year view: projected increase in UHNWIs by region 2016-2026



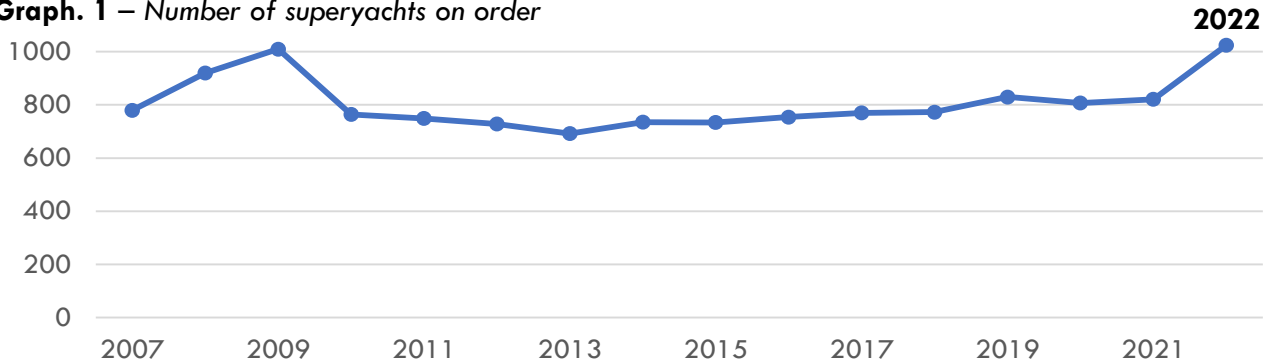
Fonte: Knight Frank Wealth Sizing Model

The secure environment that a superyacht offers has also led to existing owners becoming less likely to sell, pushing prices up, and to an unprecedented increase in demand for new builds.

Yacht market intelligence analysts at Boat International Media annually compile the Global Order Book, a ranking of the world's leading yacht builders which provides a shipyard perspective of the existing state of the yachting

market. It records and analyses new yacht build and sales activity on power and sail yachts of 80 feet (24 metres) in length and larger, and yacht builders are ranked according to number of projects underway and length of projects currently in build. The 2022 Global Order Book records an impressive 1,024 projects in build or on order, a rise of 24.7% on last year's 821.

Graph. 1 – Number of superyachts on order



Source: Boat International Global Order Book 2022

Italy is leading the way globally as far as the number of projects is concerned but Germany and the Netherlands are the countries that are building

the mega yachts. In fact, the average length on the order book of Lürssen, one of the world's leading builders of custom luxury superyachts, is 124 metres.

Tab. 1 – Top builder nations by volume

RANK	COUNTRY	TOTAL GROSS TONNAGE	NOMBER OF PROJECTS	AVERAGE GT
1	Italy	184,845	523	353
2	Germany	103,371	20	5,169
3	The Netherlands	95,552	75	1,274
4	Turkey	44,022	91	484
5	Norway	20,439	2	10,220

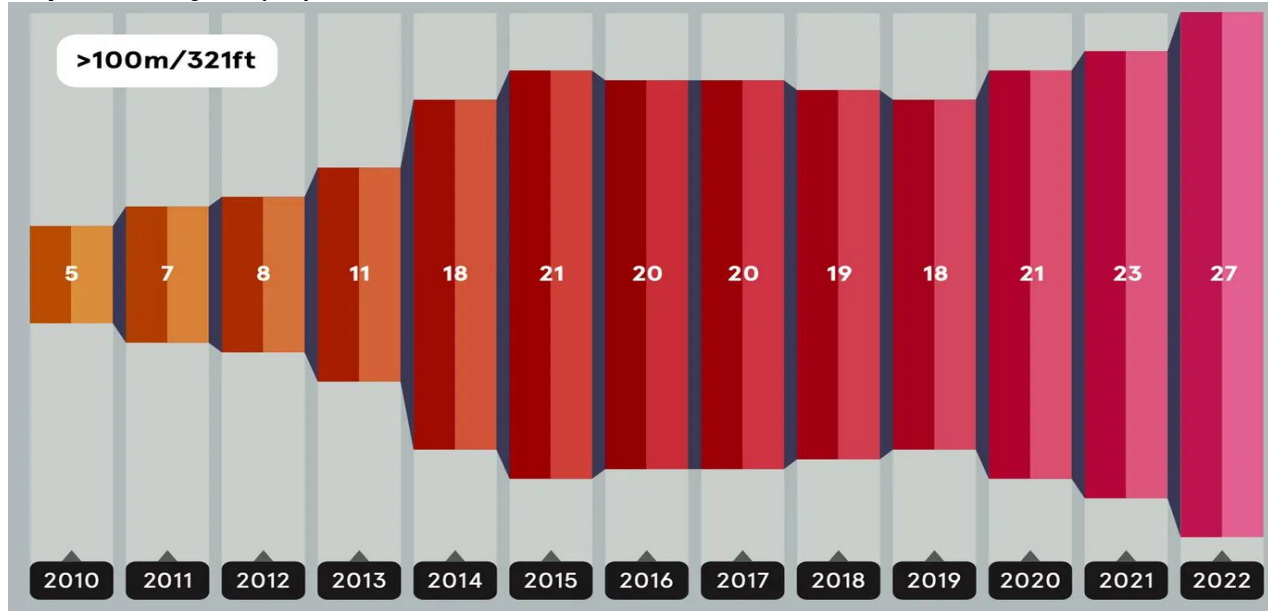
Source: Boat International Global Order Book 2022

The above increase has led to fierce competition for a production slot with the number of boats started without owners – speculative production – dropping to its lowest level since the Global Order Book started collecting this data, with just 25.5%

of the order book representing “spec” builds, down from 39.3% a year ago.

The number of larger yachts (over 100 metres in length) on order has also increased, with 27 projects listed in 2022, a rise of 47,4% on the 18 in 2019.

Graph. 2 – Larger superyachts on order



Source: Boat International Global Order Book 2022

“The fog has dispersed, back to chasing the sun” announced the front page of the 13th SYBAss Economic Report. However, there are questions to be answered before we rest on our laurels.

The first question is can this impressive boom continue? Is this growth sustainable?

In an interview granted to CNBC in December 2021, Raphael Sauleau (CEO Fraser Yachts and MYBA Vice-President) remained optimistic that

new and existing clients’ passion for yachting will remain as strong as ever. However, he said that a slowdown in sales was likely for 2022 due to a lack of inventory (as the lead-time for a new build is now 3-4 years with deliveries scheduled for 2025 and 2026) and the numbers are proving that he is correct, as it has been noticeable since February 2022.

According to the SuperYacht Times Report 2021, apart from the plummeting inventory and

lengthening lead times, the Ukraine conflict is also set to influence the yacht sales & purchase market. Given that Russian clients own 13% of all in-built yachts over 40 metres, their expected absence from the market for at least 2022 is bound to have a negative impact on sales figures. The same source notes that costs for shipyards are rapidly rising and yards have had to pass these on to their clients in the form of price increases. All industries in the world are facing supply chain issues which are causing delays in production, and it is not clear yet when these issues will be over.

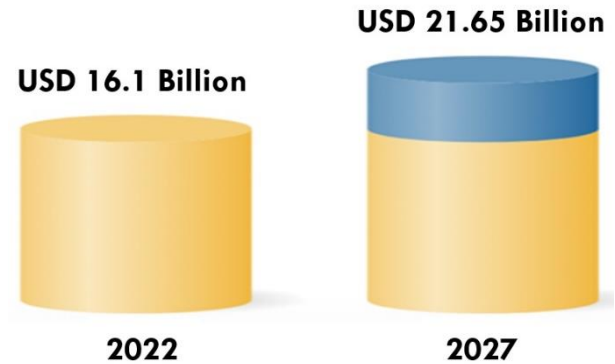
Despite the challenges, the outlook still remains positive for both the sales and charter market.

There has been a change in mindset, a “life is too short to wait” approach, which will surely positively influence the demand for yachts and yachting even though the risk of high inflation and low growth (stagflation), is higher according to David Malpass, World Bank President, and there is still some hesitancy as the affluent wait to see how the conflict evolves before they proceed with purchasing a yacht.

As far as the charter market is concerned, Raphael Sauleau foresaw that it will probably see an additional boom going forward. Those who cannot find the right yacht to buy, at this point in time, will most likely turn to the charter market which has already seen a surge of requests over the last two years.

Graph. 3 – Global yacht charter market

Market forecast to grow at a CAGR of 6.1%



Source: [researchandmarkets.com](https://www.researchandmarkets.com)

The second question is how can we ensure momentum in the coming years?

According to Knight Frank’s Wealth Report (01.03.2022), while the market is currently in a good place, this momentum will only be maintained if the yachting industry continues to mature and appeal to the next generation of potential clients.

3. The next generations: the millennial trend for chartering, the repudiation of commercial destinations and the rise of the bleisure traveller

The fact is that the new generation of UHNW individuals is radically changing the face of luxury travel. Much of this change is being driven by a transfer of wealth among the top tier of UHNW from the older generation to the younger one. However, the fastest growing segment of the billionaire population, in terms of wealth source, are those who inherited only part of their fortunes and became billionaires through their own endeavours.

Regardless of the source, in less than a decade no less than \$15 trillion of ultra-high-net wealth will be transferred from one generation to the next. In less than five years, 60 percent of the value of the luxury market will be dominated by the generation born between 1981 and 1996, often referred to as “millennials”.

Millennials participate in yachting at similar rates to their parents, yet they're far less likely to actually own a yacht. This is partly due to a changing mindset (with the sharing culture becoming an ever-more-accepted means to accessing everything), but also to their views that yacht ownership is a restriction and their tendency to be more frugal. Peter Lürssen, CEO of the German shipyard Lürssen, stated in the RobbReport (May 10, 2019) that “the biggest change is that these affluent consumers are tighter with the purse strings than their parents”.

Millennials could be defined as “smart shoppers” as they believe in collecting information, comparing different solutions and also questioning their peers before spending their money.

So what do they want?

The answer is experiences and adventure. This is confirmed by some rising trends such as:

- ▶ The popularity of water toys
- ▶ The increase of the number of explorer yachts
- ▶ The quest for new exotic charter destinations.

Millennials want a yacht in order to practise the many activities that interest them like jet surf, jet ski, paddle, sea scooter, wakeboard and scuba diving. They want to be able to book the yacht at the last minute, use it and then move on.

How is this impacting the charter market? Are the charterers the next generation owners? And what will it take to entice them?

Judith Estrella, co-founder of Charter & Dreams and Chair of the MYBA Charter Show Panel, shared some valuable insights with us. “Millennials are playing a huge role in the charter market. The median age of charterers has decreased by about 10 years in the last 20, and a similar pattern is expected over the next 20 years, with the majority of yacht owners being between 35-45 years old at the end of that time period. Millennials have different values. They crave exceptional experiences and don't seek pre-planned vacations; they prefer last-minute active vacations, with good food, in unique and off the beaten track destinations. Spending their vacations on board a luxury yacht offers both the best in personalised service and a thrilling adventure. Owning a yacht doesn't exactly fit into the fast-paced millennial lifestyle. They prefer the freedom of chartering as it allows them to jump from one yacht in Ibiza to another in Santorini without being tied to a physical boat. With an increasing number of millennials preferring yacht charters to full ownership, yacht sales and management companies have come up with new co-ownership plans and added charter management capabilities that offset some of the responsibilities of ownership.

And we can't forget the current trends in superyachts for the new generation owners; they are interested in research and development, adventure-proof craft and the integration of cutting-edge technology. Millennials ask for suggestions from friends, they are very active on social media networks, sensitive to careful

customer service and use digital communication channels. If we wish to open the conversation with them and bring them on board, we need to adapt our methods of communication.”

What we can surmise is that the new generation has an entirely different attitude to superyachts. Previous generations used yachts more as a status symbol, the new generation does not. This generation cares more about how they are made, what they can do with them and where they can go. They want products that leave a minimal footprint while venturing further and doing as much as possible. Soon GenZ will be entering the

yachting space, and these trends are expected to get stronger. It is clear that in the future the emphasis will be on creating environment-friendly superyachts. What we are also detecting is the gradual but important reduction of shore-centric cruising. One could say that the “explorer mentality” is by far the biggest change, especially with younger owners, and it seems that it is not a fad. In 2022, there are 85 explorer yachts on order, an increase of 33% on 2021, and 55% compared to the 2015-2019 average. This represents a larger increase than any other category.

Graph. 4 – Number and type of yachts on order in 2022

	Number of yachts on order 2022	Compared to 2021 order book	Compared to 2015-2019 average
Total	1,024	+25%	+33%
Expedition	85	+33%	+55%
Motor	782	+24%	+36%
Open (sport)	61	+5%	+30%
Sportfish	26	+136%	+35%
Sailing	70	+19%	-4%

Source: Boat International Global Order Book 2022

Millennials want to explore remote locations, perhaps even combining yachting with philanthropy and aiming for a purpose and transformational-based experience. One that will evoke and awaken this inner spirit of discovering something

new and unseen. After the pandemic, we all somehow need to restore our minds and bodies. Deepak Chopra encourages travellers to prioritise places that reduce their existing anxieties rather than add to them. “Every vacation needs to be a

restoration of the spirit," he says. Superyachts are an excellent way to achieve that. They can transport you from the bottom of the world, the Antarctic Peninsula, to remote islands in the Pacific such as the Pitcairn Islands. The trend for long-legged cruising has firmly cemented itself, with owners demanding more robust designs, greater autonomy and cruising ranges, as well as larger living and storage spaces, from their yachts. One of the factors that has contributed to the rise of long-legged cruising is the ability to work far from the office. Working remotely is more than a passing trend. The number of bleisure travellers (individuals who combine leisure with professional business obligations) has been rising steadily since first studied in 2011 but now – that we have discovered how well we can work from anywhere – it is set to see major growth. The advances in telecommunications allow for work, schooling and entertainment on board and, above all, the freedom to choose. One can be fully connected when necessary or they can switch off completely.

How does this affect the superyacht market?

We are already seeing owners and charterers taking longer vacations as they are able to do business and/or run their companies from a superyacht. And they are using private yachts to transfer between destinations wherever possible. They are simply spending more time afloat as they can combine all their activities with ease. Freedom! The definition of true luxury.

While the majority of the global workforce cannot work remotely, in advanced economies up to one quarter can do so three to five times a week. According to a McKinsey Report published on 23 November 2020, the future of remote work is likely

to be hybrid in the wake of the pandemic, mostly for the highly educated with high incomes, giving UHNWIs ample room to move.

4. Sustainability

Recent research shows that 56% of luxury consumers are interested in social responsibility, and 62% buy brands on the basis of their sustainability programs. A study by Forbes informs us that as much as 50% of millennials and 54% of Generation Z are willing to pay extra for sustainable products. In other words, they are willing to pay a premium for superyachts that offer sustainable alternatives.

Millennials, in particular, put great value on the environment and responsibility. Less teak, better materials, fewer emissions, better production processes, the smallest carbon footprint possible. Could we be bold enough to say that the younger wave of owners and charters are more mindful?

The pandemic brought to the surface the universal truth that life is fragile and needs to be protected. The love of the ocean that attracts people to owning or chartering a yacht is now, more than ever, accompanied by the desire to be responsible and contribute to a collective sustainable future.

Owners are now investing heavily in scientific and philanthropic initiatives, leading by example when building their own yachts. This means implementing new technologies and innovative features, such as waste-heat recovery, battery banks and hybrid propulsion. And there is a definite willingness among the younger generation to reduce its eco-footprint. They want products that leave a minimal footprint while doing as much as possible.

Charterers are also becoming more conscious when choosing a yacht for their vacation with a growing number enquiring about chartering a green yacht. Soon GenZ, people born between 1997 and 2012 according to the Pew Research Center, will be entering the yachting space and these trends are expected to get stronger. It is clear that in the future the emphasis will be on creating environment-friendly superyachts.

But it's not only owners and charterers. According to the Economic Impact Study (April 2021), commissioned by MYBA The Worldwide Yachting Association and compiled by two masters' students at the Queen Mary University of London, the increasing importance of sustainability and eco-friendliness has had a broader impact on the superyacht industry.

For years, countries on an international and European level have encouraged sustainability in the shipping industry in general. International Conventions (e.g., the International Convention for the Prevention of Pollution from Ships (MARPOL), the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) and the Honk Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (Hong Kong Convention) were adopted and aim to protect the marine environment. Most of the international conventions apply to ships larger than 500 gross tonnages (GT). Consequently, these conventions only apply to the larger superyachts. Superyachts below 500 GT are rarely covered by international conventions, but the International Maritime Organization (IMO) has further challenged the industry to address the issue of sustainability as it seeks to promote an

emission-free shipping industry in general. As of 2021, smaller superyachts are also required to meet the MARPOL Tier III limitations on NOx emissions. Industry efforts have accompanied these regulations and a combined effort to make positive changes is underway. The Water Revolution Foundation, founded in 2018, aims to neutralise the ecological footprint of the superyacht industry. It started to implement a measuring tool that explores the environmental impact of the superyacht industry and has enlisted the aid of large shipbuilders including Benetti, Feadship, Heesen and Lürssen as well as yacht designers, tech companies and yachting associations. This challenging transformation in the history of yachting can only be achieved by a joint effort in design, build, operation and refit of yachts, and with effective tools.

One of these tools is the Yacht Environmental Transparency Index (YETI). Its objective is to compare yachts on their environmental credentials, for more informed decisions on new build projects as well as optimising the fleet already in navigation. The YETI calculator is currently in beta stage and needs to be tested for robustness and inclusiveness. For this exercise Water Revolution is looking for 200 very diverse yachts. In return for their participation, a feedback report is being provided with the score, how this came about and what can be done to further optimise.

Promoting an approach to yachting that respects and protects the environment is also one of the primary concerns of MYBA The Worldwide Yachting Association as it recognises the scale and urgency of the issues at hand. It has recently reinforced its commitment through the creation of

an Environmental Committee headed by Tim Morley. The Environmental Committee has the following charge: (1) to raise environmental awareness not only among MYBA Members but also across a broader global audience (2) to keep abreast of research and developments that pertain to the industry's sustainability and (3) to recommend policies for adoption by the superyacht sector.

MYBA is one of the proud signatories of Clear Ocean Pact (COP) which is an international, non-profit initiative dedicated to changing the culture and practices of the yachting industry for the good of our oceans. COP is calling on the superyacht industry to unite behind five common goals to reduce dependency on single-use plastics, to share information about viable alternatives to single-use plastic items, and to inspire other industries to take a similar approach.

However, as Graeme Somerville-Ryan, the founder of "Eyesea", rightly pointed out "solving the pollution problem is going to be impossible if we didn't know accurately what is going on and where." Eyesea is a not-for-profit initiative that MYBA supports and whose mission is to map maritime pollution and marine hazards with the support of seafarers, ship owners, managers and maritime professionals. The Eyesea reporting tool allows seafarers to collect and submit data on marine pollution by simply taking a photo and categorising the pollution type. Images are then automatically GPS-tagged,

anonymised, and vetted before being incorporated into a database of pollution to enable Eyesea to create detailed oceanic maps and charts. These comprehensive maps will empower environmental leaders with the actionable, empirical evidence they need to support their efforts.

5. In summary

A new age is dawning on the superyacht industry. It will be characterised by the environmental sensitivity of young owners, with a differentiated view of luxury, who will be the ones driving change. Whether they are owners or guests, they will be spending more time on board and yacht designers will be taking this into account by focusing on functionality and technological advancements. Flexibility will be key, and we will be hearing more about shared yacht ownership. The social media echo will influence an increasing number of owners and charterers and remote cruising destinations will present a strong challenge for the traditional hot spots. Exploration and experiences will be favoured over status and ostentation.

The entire industry and its workforce will need to evolve in the correct manner in order to ensure the sustainable future of super yachting and MYBA is committed to providing the inspiration, support and empowerment that are necessary for this evolution.

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