2019

Business of yachting

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The Global Order Book (GOB) is the superyacht industry's trusted annual health check; a deep-dive examination of global boatbuilding that logs the number of yachts over 24 metres either on order or in build anywhere around the world.

This year, *Boat International* has introduced a new standard of data verification in compiling an even more accurate GOB than usual. We have logged more than 20,000 kilometres visiting shipyards, meeting contractors and checking the status of announced projects – and deleting many "on-hold" ones.

Read on for an unparalleled snapshot of what's happening in the world of boatbuilding in 2018 – and what to expect in the years to come. >

The big picture

The top 20 builder nations and what they have in store...

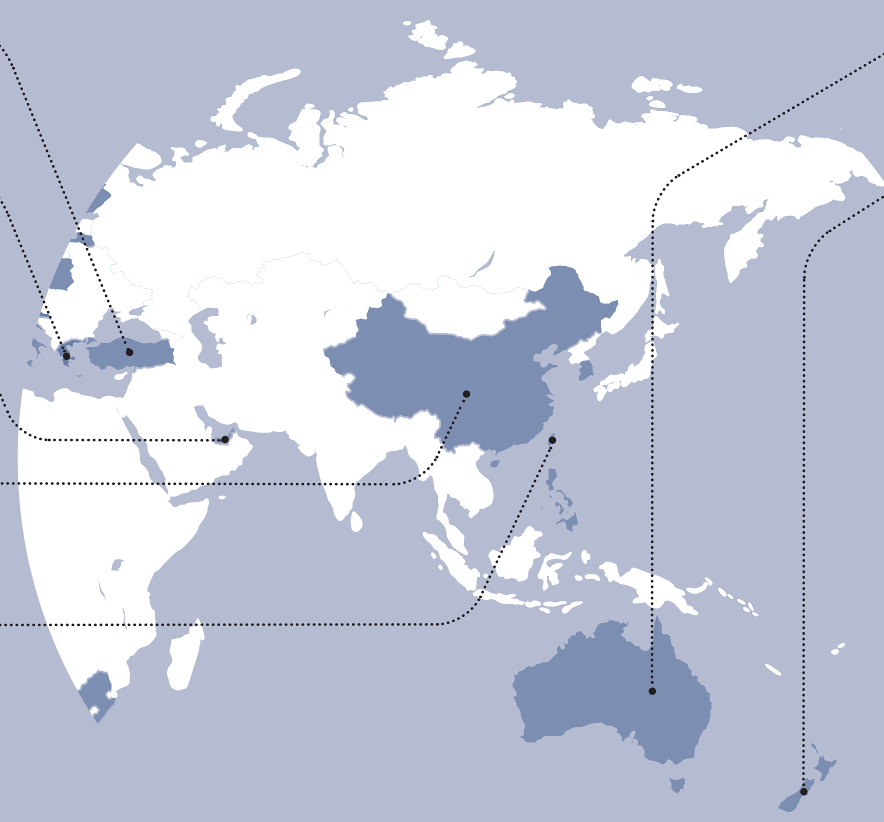
4 TURKEY
Total length: 3,000m
Number of projects: 66
Average length: 45m

16 GREECE
Total length: 145m
Number of projects: 2
Average length: 73m

11 UAE
Total length: 309m
Number of projects: 8
Average length: 39m

8 CHINA
Total length: 731m
Number of projects: 21
Average length: 35m

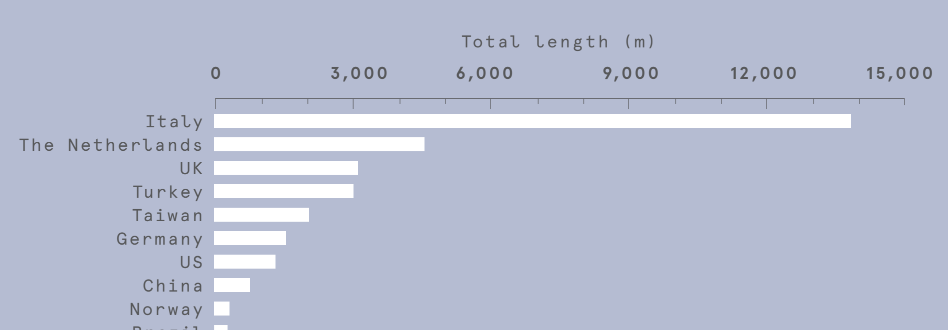
5 TAIWAN
Total length: 1,957m
Number of projects: 67
Average length: 29m



15 AUSTRALIA
Total length: 170m
Number of projects: 2
Average length: 85m

18 NEW ZEALAND
Total length: 121m
Number of projects: 3
Average length: 40m

TOTAL LENGTH OF BOATS IN PRODUCTION BY TOP 10 COUNTRIES



GOB rules

To qualify for the Global Order Book, each individual project has to have been started, or ordered (with deposit taken) by 1 September in the qualifying year. So for 2018, 830 superyachts in excess of 24 metres had been started or ordered by 1 September, 2018. The GOB counts all superyachts with an LOA equal to or greater than 24 metres. We start counting at 24 metres as this is when manning and class rules begin to apply.

MAP KEY

=GOB Rank

12 FRANCE
Total length: 198m
Number of projects: 5
Average length: 40m

3 UK
Total length: 3,126m
Number of projects: 109
Average length: 29m

2 NETHERLANDS
Total length: 4,667m
Number of projects: 75
Average length: 62m

9 NORWAY
Total length: 353m
Number of projects: 3
Average length: 118m

19 SWEDEN
Total length: 109m
Number of projects: 3
Average length: 36m

14 FINLAND
Total length: 176m
Number of projects: 5
Average length: 35m

20 POLAND
Total length: 70m
Number of projects: 2
Average length: 35m

6 GERMANY
Total length: 1,608m
Number of projects: 16
Average length: 101m

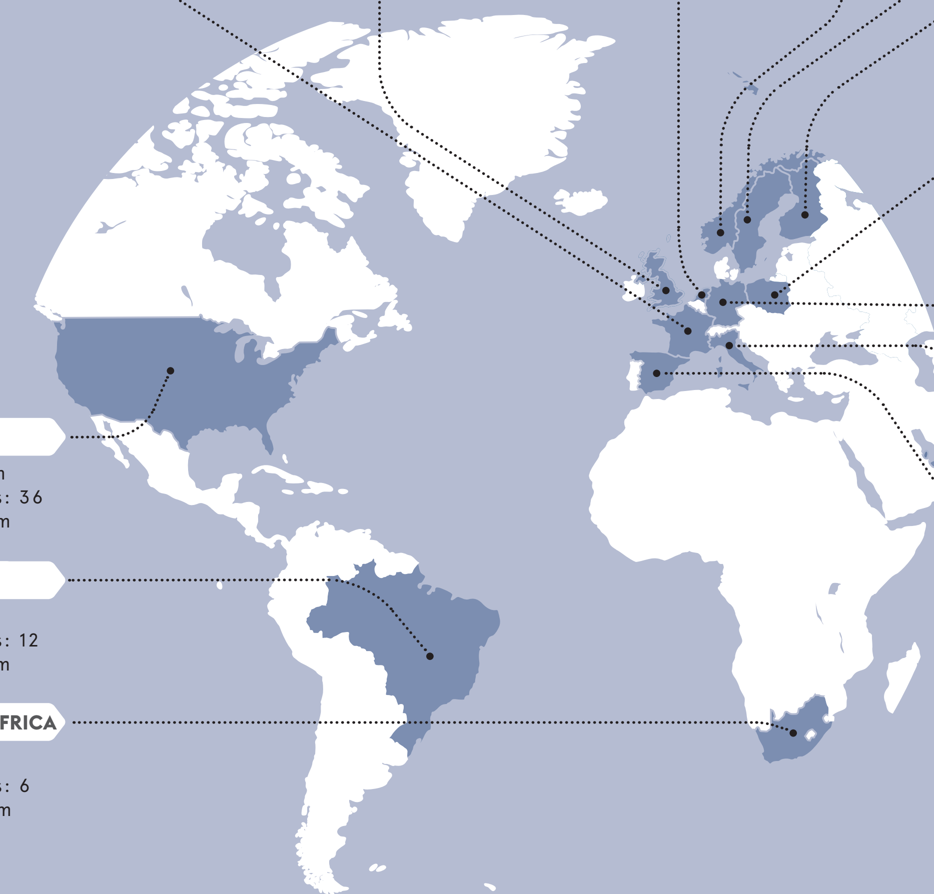
1 ITALY
Total length: 13,842m
Number of projects: 379
Average length: 37m

17 SPAIN
Total length: 133m
Number of projects: 4
Average length: 33m

7 US
Total length: 1,251m
Number of projects: 36
Average length: 35m

10 BRAZIL
Total length: 336m
Number of projects: 12
Average length: 28m

13 SOUTH AFRICA
Total length: 177m
Number of projects: 6
Average length: 30m



441,817
TOTAL GROSS TONNAGE OF YACHTS ON ORDER OR UNDER CONSTRUCTION

830
TOTAL NUMBER OF YACHTS ON ORDER OR UNDER CONSTRUCTION

TOTAL NUMBER OF YACHTS IN BUILD OR ON ORDER

Year	Total
2019	830
2018	773
2017	760
2016	754
2015	734
2014	735
2013	692
2012	728
2011	749
2010	763
2009	1008
2008	916
2007	777

182.9
LENGTH IN METRES OF REV, THE LONGEST SUPERYACHT UNDER CONSTRUCTION

32,655
TOTAL LENGTH, IN METRES, OF YACHTS ON ORDER OR UNDER CONSTRUCTION

> For the full Global Order Book report, visit boatint.com/boat-pro

Trend spotting

We've scoured the world's yards and counted the superyacht projects more accurately than ever before. And while unit numbers are up, average yacht lengths are coming down…

The positive mood that has been evident at boat shows in recent years has had a visible impact on the 2019 Global Order Book, with 57 more projects reported over the past year. Some 830 superyachts measuring 24m or more are under construction or on order with hull numbers and/or deposits at shipyards around the world. In total, the projects represent a length of 32.7km (up 3.7 per cent) but with a shorter average vessel size of 39.39m compared to last year (down three per cent). Once again, the Italian builders Azimut-Benetti, Ferretti Group and Sanlorenzo fill the top three positions in the same order as last year.

Countries

The majority of the countries where large yacht building takes place have more projects under construction, which is a positive sign. This is especially the case for the duo at the top of the pyramid, Italy and the Netherlands, which collectively have seen a 9.5 per cent increase in orders over 2017.

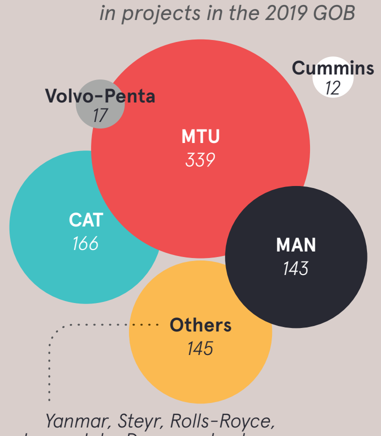
It's not all good news, though. Turkey, in fourth place, has seen its orders dip. As too has China, where deliveries have outpaced new orders, and the US, where the number of superyachts on order or started on speculation has continued on a downward trajectory since 2010 (down 67 per cent). In general, US yards tend to be far more cautious about starting builds on speculation than their European counterparts. The only other countries to see a decline in the number of superyachts in build or ordered are Australia, Norway and Greece, but we're dealing with such small numbers (two, three and two superyachts respectively) that it's hard to draw any firm conclusions.

The UK has leapt to third place in the global rankings (up from fifth last year) for total length of superyachts under construction or on order, thanks in large part to an impressive order book shared personally by Antony Sheriff, executive chairman of Princess Yachts.

In the collective gross tonnage stakes, Italy leads again, but the Netherlands has overtaken Germany thanks to an uptick in orders of large volume projects. But, as every year, the difference is stark when you average the total gross tonnage over the number of projects. Italy's total gross tonnage of superyachts in build or on order of 135,434 is spread over 379 projects (average approximately 357GT), while Germany records only 16 yachts in build or on order at an average gross tonnage of 5,400GT. The average gross tonnage for yachts in build in the Netherlands is 1,302GT. Norway's three projects in build accelerate it into fifth place, as they have a huge average gross tonnage of 8,313GT.

ENGINE MANUFACTURERS

Market share of brands, by the engines being installed in projects in the 2019 GOB



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INCREASE IN THE TOTAL NUMBER OF PROJECTS ON ORDER OR UNDER CONSTRUCTION IN 2019 VERSUS 2018

Builders

The busiest builders by total length of projects remain largely unchanged, although we welcome a new entry into the Top 20 this year with Palumbo. This group now counts ISA Yachts and Columbus Yachts within its structure, and joins the list at 14 thanks in part to the success of ISA's Extra 86, 93 and 126 models.

The top three all revealed an increase in production over the past year, in terms of number of hulls in build or on order and their combined length. For Azimut-Benetti, the acceleration is most pronounced, with 97 hulls in build or on order (up from 77), largely thanks to the Azimut side of the business. Ferretti Group, with its stable of brands, reports an increase in order numbers to 91 (up from 87 in 2017) and a jump in total length to 2,952m, up from 2,762m. Sanlorenzo's performance is impressive as it's a single-brand company, whereas Azimut-Benetti and Ferretti Group combine the totals for all the yards they control. The company has 77 Sanlorenzos under construction or on order (up from 71), making it the busiest single-brand yard in the world.

The UK's Princess Yachts now ranks in fourth place. Some of its new models are already sold as far out as 2020. The British yard builds more smaller production and semi-custom yachts than others in the Top 10, but the figures revealed remain impressive as the company reaps the rewards of refreshing its range, and the early success of models like the Y85 (to debut at Düsseldorf in 2019) and X95. The introduction of new semi-custom models is an emerging market trend.

Feadship sits in fifth place with no fewer than 18 projects under construction (up from 15), with a total length of 1,380m (up from 1,187m). This is to be expected given the extra capacity the company has coming online at a large new shed in Amsterdam that can build yachts up to 160m. Lürssen's position remains strong, even after the fire in September 2018 that destroyed the 145m Project Sassi. Oceanco, meanwhile, is creeping up the table in terms of projects on order or under construction and their total length and gross tonnage. It jumps to 12th place, up from 17th, with five projects on order, four of which exceed 100m in length.

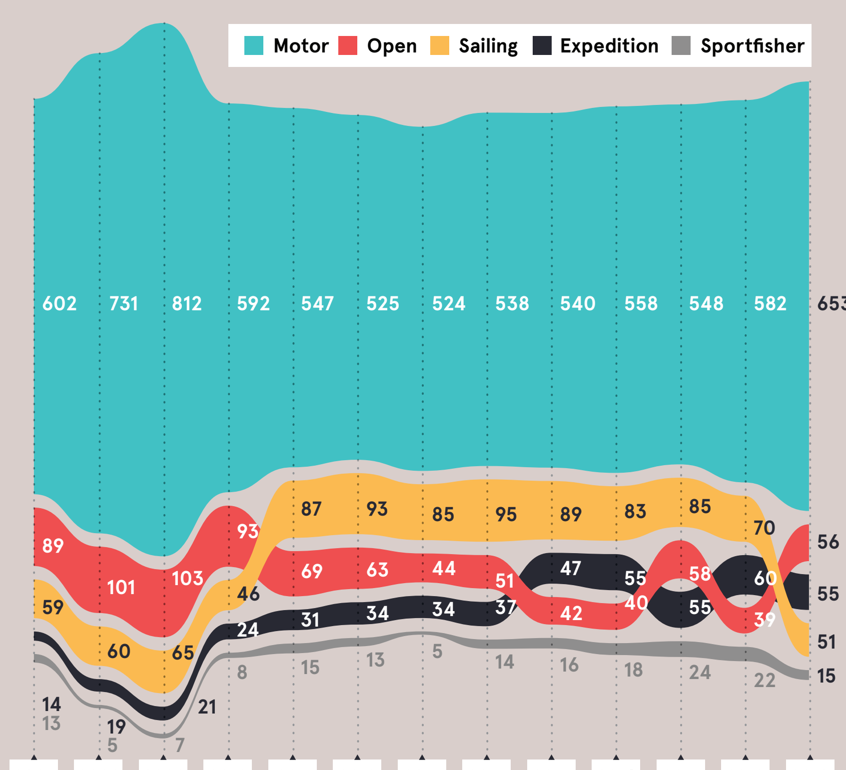
TOP 20 BUILDERS BY LENGTH

2019 RANK	COMPANY	GOB VISIT	TOTAL LENGTH (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS 2018	2018 RANK
1	Azimut - Benetti	Visited	3,526	97	36	77	1
2	Ferretti Group	Visited	2,952	91	31	87	2
3	Sanlorenzo	Visited	2,635	77	34	71	3
4	Princess Yachts	Visited	1,821	68	27	23	9*
5	Feadship	Visited	1,380	18	77	15	4
6	Alexander Marine	Visited	1,102	38	29	30	7
7	Amels - Damen	Visited	1,020	16	64	15	6
8	Sunseeker	Visited	983	31	32	21	8
9	Lurssen*		978	9	109	9	5*
10	Heesen Yachts	Visited	661	12	55	11	11
11	Horizon	Visited	622	21	30	22	10
12	Oceanco	Visited	560	5	112	4	17
13	Overmarine		453	11	41	11	13
14	Palumbo		447	9	50	New entry	New entry
15	Baglietto-CCN		422	10	42	9	18
16	Heysea Yachts	Visited	403	11	37	12	16
17	The Italian Sea Group		398	8	50	11	12
18	Viking		345	13	27	16	15
19	Cantiere delle Marche	Visited	324	9	36	10	19
20	Gulf Craft		309	8	39	13	14

*official data not shared by the yard

PROJECTS BY TYPE, 2007-2019

The number of superyacht projects by style of boat



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NUMBER OF PROJECTS IN THE GLOBAL ORDER BOOK CHECKED BY MEMBERS OF THE *BOAT INTERNATIONAL* TEAM WITH SITE VISITS

Size categories

This year we have removed some old projects from the Global Order Book that we have previously included as "on hold". We judged that these projects have little or no chance of short-term resumption, in total removing 24 projects for a combined length of 1,189m. We will keep tabs on them nonetheless, as some are brought back to life each year. An example is the 84m PJ World project that lay dormant in Norway for more than a decade, but eventually sold in 2018 to an ambitious owner.

This removing of long-term on-hold projects has had an impact on some size categories, which have slightly fewer projects this year, and this is especially the case in the biggest size category – 76m (250ft)-plus. We have removed four of these large projects, including, sadly, >

TOP BUILDER NATIONS BY VOLUME

RANK	COUNTRY	TOTAL GROSS TONNAGE	AVERAGE GROSS TONNAGE	NUMBER OF PROJECTS
1	Italy	135,434	358	379
2	The Netherlands	96,366	1,302	74
3	Germany	86,698	5,419	16
4	Turkey	41,553	630	66
5	Norway	24,939	8,313	3

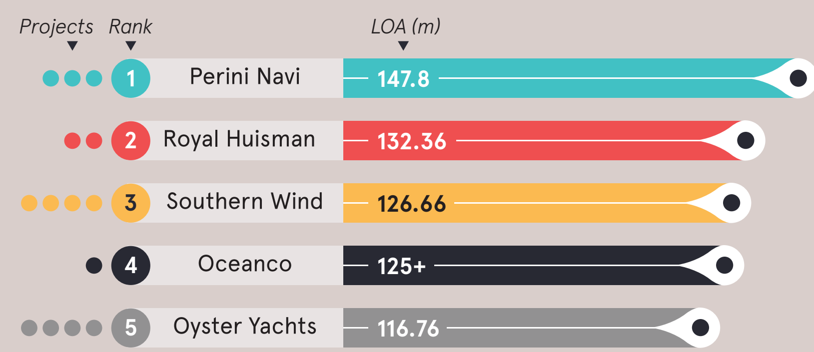
Project Sassi. However, we still recorded 48 yachts in this category, a decline of 10 per cent over last year. We have seen a flurry of 100m-plus projects delivered this year, but this biggest market has been supported by new orders and we count 19 under construction or with a deposit paid, down from 20 in 2017. Germany continues to lead this special market, with at least eight projects known including six at Lürssen and the first 100m-plus project at Abeking & Rasmussen. The Netherlands is closing the gap, however, with four 100m-plus projects at Oceanco and one at Feadship.

In the middle of the market, yachts between 37m and 75m, we have seen a small production increase of two per cent. This growth is mainly coming from more orders of yachts in the 46m to 60m range, which was heavily impacted a couple of years ago, but is now recovering.

The big driver this year is the smaller end of the market, due in part to yards' increased investment in model development. Last year saw a positive growth in production, but this year represents a real boom. The smallest category, from 24m to 27m, has seen a jump of 16 per cent, with 228 projects on order or under construction globally, up from 182 last year and the best number since 2009. The success of Princess Yachts has played a big part, as too have models like the Azimut 27 Metri and Sanlorenzo SX88, both of which are selling well with demand outpacing production capacity.

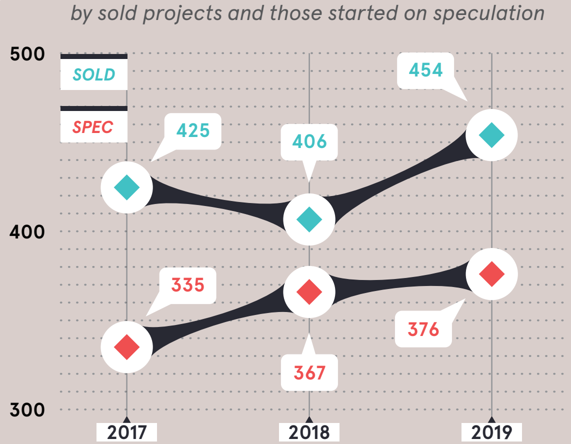
TOP FIVE SAILING YACHT BUILDERS IN THE 2019 GLOBAL ORDER BOOK

The number and total length of sailing yachts under construction in 2019



SPEC VS SOLD PROJECTS

The number of superyachts in the 2019 GOB, split by sold projects and those started on speculation



Types of yacht

The large sailing yacht market continues to struggle, with just 51 projects making up the 830 superyachts in build globally. Despite increased interest in more environmentally friendly ways to enjoy the ocean, this hasn't translated into more sailing yacht orders. There is some good news, however: more sailing yachts are changing hands on the brokerage market, with 52 selling from September 2017 to September 2018, way ahead of any figure in the previous decade. It remains to be seen if this activity will have a trickle-down effect on the new-build sector.

Orders of higher-speed open yachts (also sometimes known as sportscruisers, such as the Mangusta Maxi Open series) are on the upswing. With fuel costs not rising as high or fast as once predicted, buyers are moving into open boats in greater numbers, with 56 recorded as on order or under construction this year, compared with 39 last year. Smarter hull construction, better engine efficiency and new propulsion systems are also working to keep this bracket of boat attractive to buyers. We still admit to being a little surprised by this result, given all the talk about long-range cruising in remote locations. In fact, the number of expedition yachts recorded in this year's GOB declined for the first time in a decade, but the 10-year trend is still strongly positive. Nearly all these projects are fully custom, unlike in the other categories, and therefore more exposed to minor shifts in interest. This niche still has some truly impressive projects, including 145m Solaris at Lloyd Werft, scheduled for 2020, or 107m Northern Star at Lürssen, scheduled for 2021, plus the new SeaXplorer series from Damen.

On speculation

A large part of the GOB (44 per cent) are yachts started on speculation. This number has advanced steadily since we started recording data about spec builds in 2017; in three years it has advanced from 335 to 376. Yards are clearly banking on the impatience of the modern superyacht buyer and investing heavily in starting yachts without owners. Conversely, the number of fully custom yachts (unique projects started with owners from scratch) is on a downward march, with 241 recorded in this year's GOB, down from 300 a decade ago. Clearly the speculative business model has been a boon to builders as diverse as Westport, Amels and Heesen and to companies such as Hargrave Custom Yachts, which doesn't own a yard but directs production at contracted yards in Asia and Europe. For now at least, it appears that the market for spec projects is strong – as is the appetite for risk at the yards starting these hulls without owners.

Brokerage

This positivity is reflected by the brokerage, or second-hand market. The 12 months from October 2017 to September 2018 have seen the most business since the global financial crisis hit the superyacht industry a decade ago, with 442 sales. American owners are responsible for the largest proportion by country, about 45 per cent, while the Middle East is also seeing an improving level of brokerage buying, and Russian buyers are returning in good numbers, according to key industry figures.

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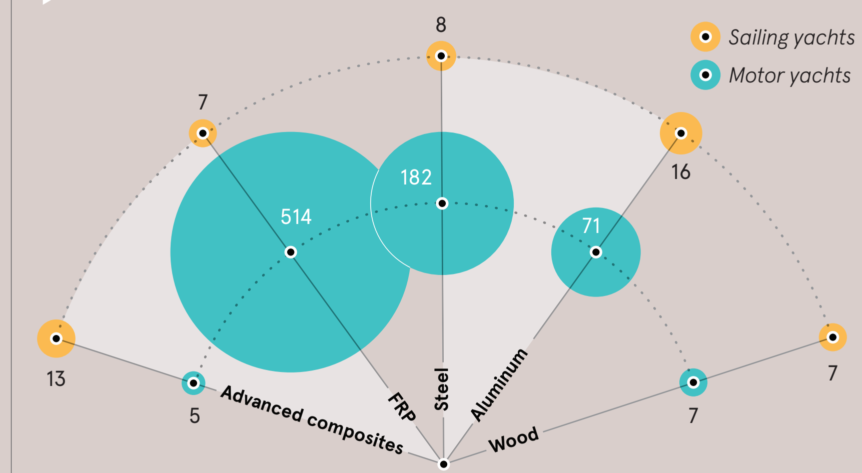
PERCENTAGE OF SUPERYACHTS ON ORDER OR UNDER CONSTRUCTION THAT HAVE BEEN STARTED ON SPECULATION

PROJECTS BY CONSTRUCTION MATERIAL

The hull materials of superyacht projects in the 2019 GOB



Conclusion

The data seem to be optimistic. Sheds are full again for many shipyards, the number of active yards has stabilised and the flurry of buying up of competitors to secure diverse or vertical markets has slowed. However, the superyacht industry is not immune to shocks. A growth of speculative production increases risk. Of the 830 yachts recorded in this year's Global Order Book, 454 were started with owners and 376 without – both figures are in advance of last year (406 and 367 respectively), but sudden and severe headwinds could seriously hurt those yards housing a lot of this speculative production. Interestingly, some yards spoken to for this report are announcing a limiting of activity to keep control over the size of their order book and quality of production. It seems like a wise move.

One other thing we have noted in recent years is the increasing corporatisation of shipyards – where the nature of boatbuilding is shifting from being a cottage industry to one dominated by large overseas owners and the need to announce profits to shareholders. Consolidation and more incoming investment is responsible, but that's not in itself a bad thing and may speed innovation and the diversity of product offerings. This, too, is part of the shifting narrative of the Global Order Book. ◘

PROJECTS BY LENGTH, 13 YEAR COMPARISON

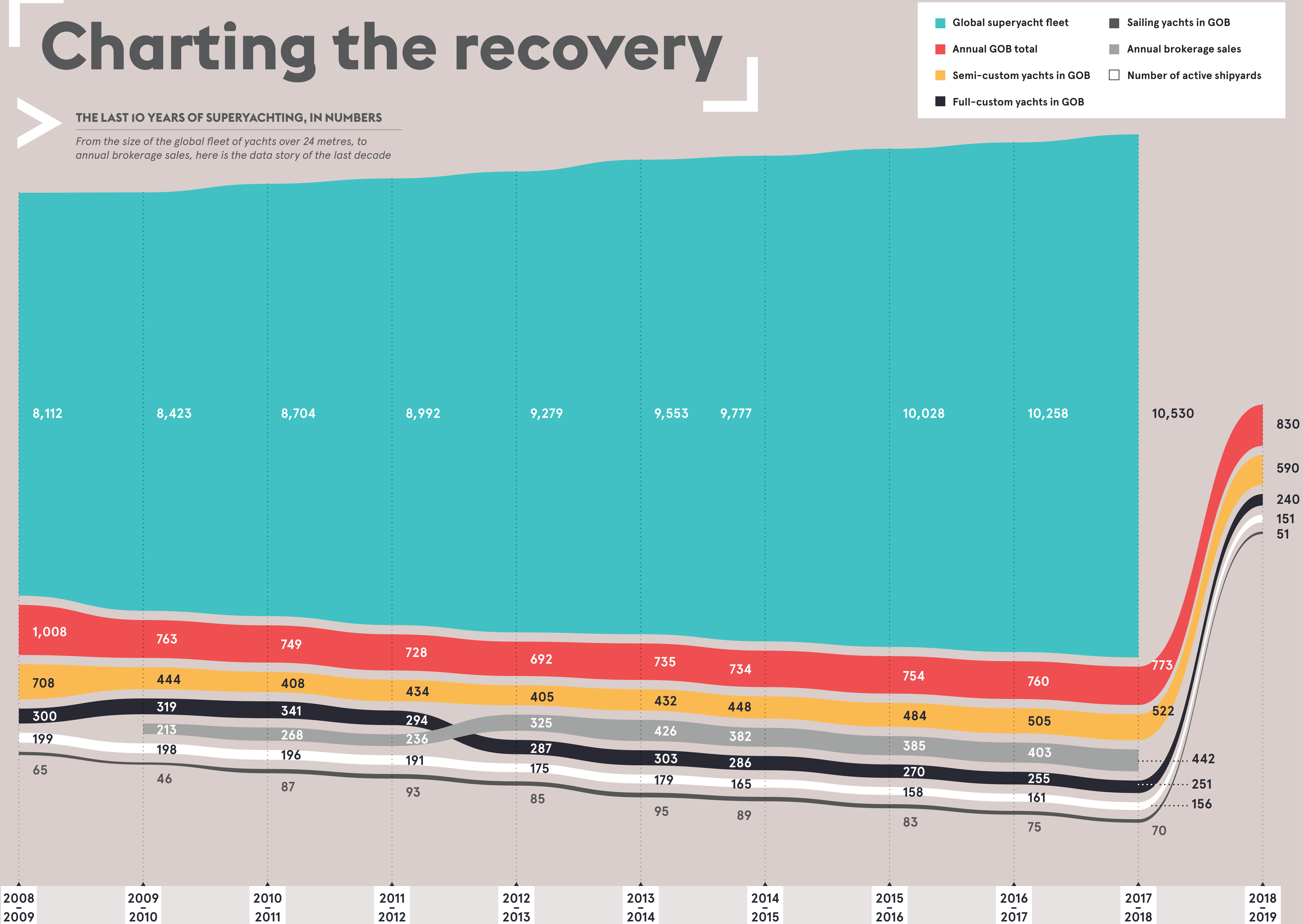
LENGTH	24-27M 80-89FT	28-30M 90-99FT	31-36M 100-119FT	37-45M 120-149FT	46-60M 150-199FT	61-75M 200-249FT	76M+ 250FT+	TOTAL
2019	228	117	172	121	104	40	48	830
2018	182	114	162	123	100	39	53	773
2017	195	103	138	132	96	44	52	760
2016	168	93	163	141	106	34	49	754
2015	174	84	157	125	106	38	50	734
2014	164	82	151	149	113	36	40	735
2013	119	94	142	151	100	47	39	692
2012	178	70	151	150	109	43	27	728
2011	158	78	151	155	132	45	30	749
2010	187	89	144	150	122	41	30	763
2009	286	117	190	193	155	43	24	1,008
2008	253	114	179	175	125	47	23	916
2007	207	109	155	152	108	28	18	777

For the full Global Order Book report, visit boatint.com/boat-pro

Charting the recovery

THE LAST 10 YEARS OF SUPERYACHTING, IN NUMBERS

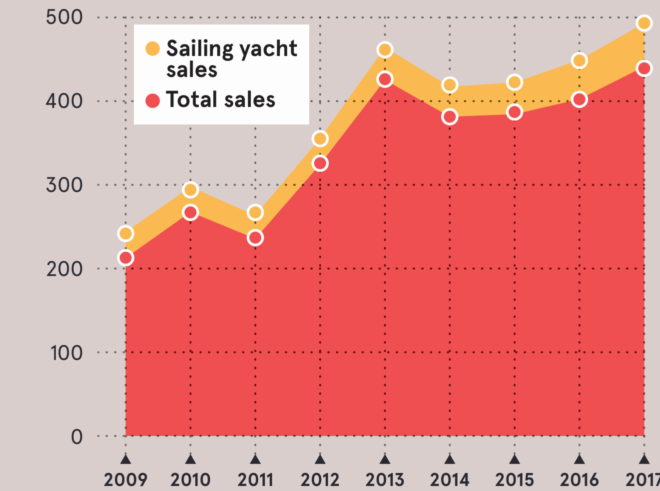
From the size of the global fleet of yachts over 24 metres, to annual brokerage sales, here is the data story of the last decade



Ten-year snapshot

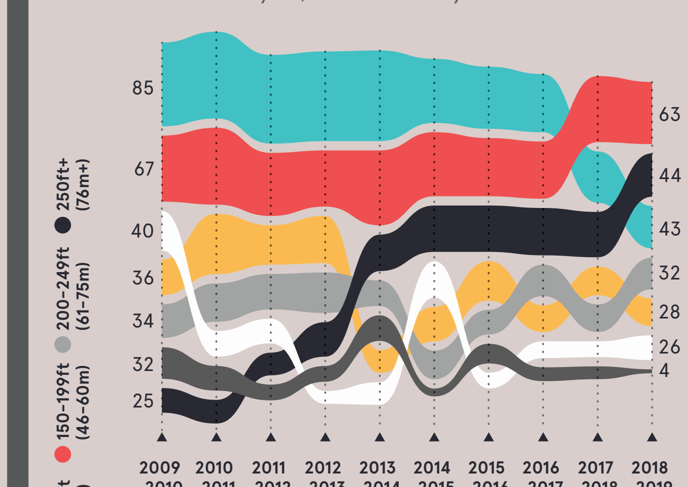
BROKERAGE MARKET

From a low point following the financial crisis, it's been largely one-way traffic for brokerage sales

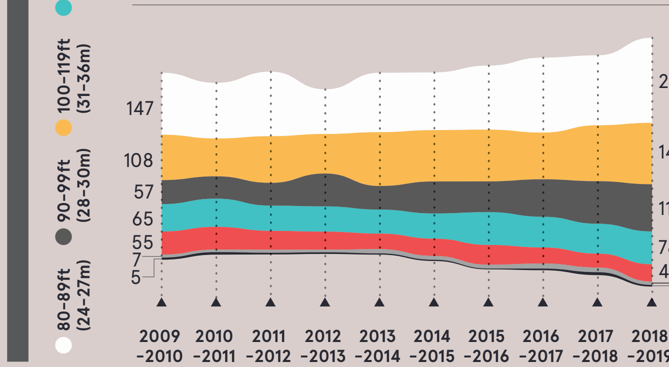


FULL CUSTOM

The number of full- and semi-custom yachts in the Global Order Book each year, broken down by size bracket



SEMI-CUSTOM



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The superyacht survival story

A decade ago, the global financial crisis began laying waste to parts of the superyacht industry, cutting orders by a third over the years that followed. Yet some hard lessons – and a lot of hard work – have resulted in a long-awaited revival

By Giles Whittell
Photography by Silvano Pupella

Ten years after the crash, they're hardening the concrete outside the "gigayacht" sheds at the Benetti shipyard in Livorno. The reason is simple: they don't want the ground to crack when the world's biggest hybrid yacht is hauled across it next spring with 60 tonnes of lithium-ion batteries in its belly. The scene is not especially glamorous – for now the giant yacht is still shrouded in scaffolding – but it still tells an extraordinary story.

From Italy to the North Sea and Turkey to the United States, the financial crisis left the superyacht industry staring into the abyss. It's etched in the memories of those who witnessed it, and not in a good way. Alberto Galassi, now chairman of Ferretti Group, says it "was like *The Lord of the Rings* but the bad guy wins. It was a very, very dark scenario."

The fabulous extravagance of superyachting became, for a few years at least, unacceptable even for the lucky few who still had the financial means. Customers retrenched, dealers despaired and shipyards went to the wall. The number of superyachts on order fell off a cliff, from 1,008 in 2008-2009 to 763 the following year, bottoming out at 692 in 2013, a decline of just over a third.

And then lessons were learned and the industry began to correct itself. New boats, new toys, new partnerships and years of hard labour have brought confidence back to the sometimes surreal business of building dream boats for billionaires. The process has been lubricated by the return of money on a prodigious scale: part of the global recovery has been a record expansion of personal wealth for the world's UHNWIs. UBS says the fortunes of this group grew by 20 per cent in 2017 alone; China is minting new billionaires at a rate of two a week. Yet the irony of this business is that money isn't everything. Billionaires aren't necessarily yachtsmen (especially in China) and in uncertain times big luxuries are the first to go. "No one needs a superyacht," one well-known broker reminds me in Monaco. "It's like skating on thin ice."

Giles Whittell is one of the UK's most respected journalists and the author of six books. He spent 25 years reporting on politics and economics for *The Times*, latterly acting as chief leader writer for the newspaper. He now works for the "slow news" journal *Tortoise* as world affairs editor.

Whether that ice thickens or breaks in the near future is a £20-billion-a-year question. In the meantime there's no mistaking the scale of what's going on at Benetti. All three of its biggest sheds are full. Within a few months, its huge doors will reveal yachts totalling more than 320 metres in length, each one longer and more expensive than anything the company has built before. There's a new helipad outside to help owners fly in more easily to watch them grow.

Heeding the lessons of 2008, shipyards are broadening their appeal to insulate against a future crash

This ambition is infectious. Up the coast in La Spezia, Sanlorenzo is building its biggest boats ever in a facility that can hold eight of them at a time. If the Italians are moving into waters hitherto dominated by the Dutch and Germans, the Germans are returning the compliment. After years spent building some of the biggest yachts in the world, Lürssen is set on muscling into the 55 to 85-metre market. Over at Feadship, a brand new shed in Amsterdam means the company can build yachts as big as 160 metres, but no one has forgotten the more modest end of the market, with recent launches including a run of five yachts all around 35 metres in length.

Heeding the lessons of 2008, shipyards are broadening their appeal to insulate against any future crash. Ferretti Group's Galassi is fizzing with energy. "We're posting amazing growth each year >

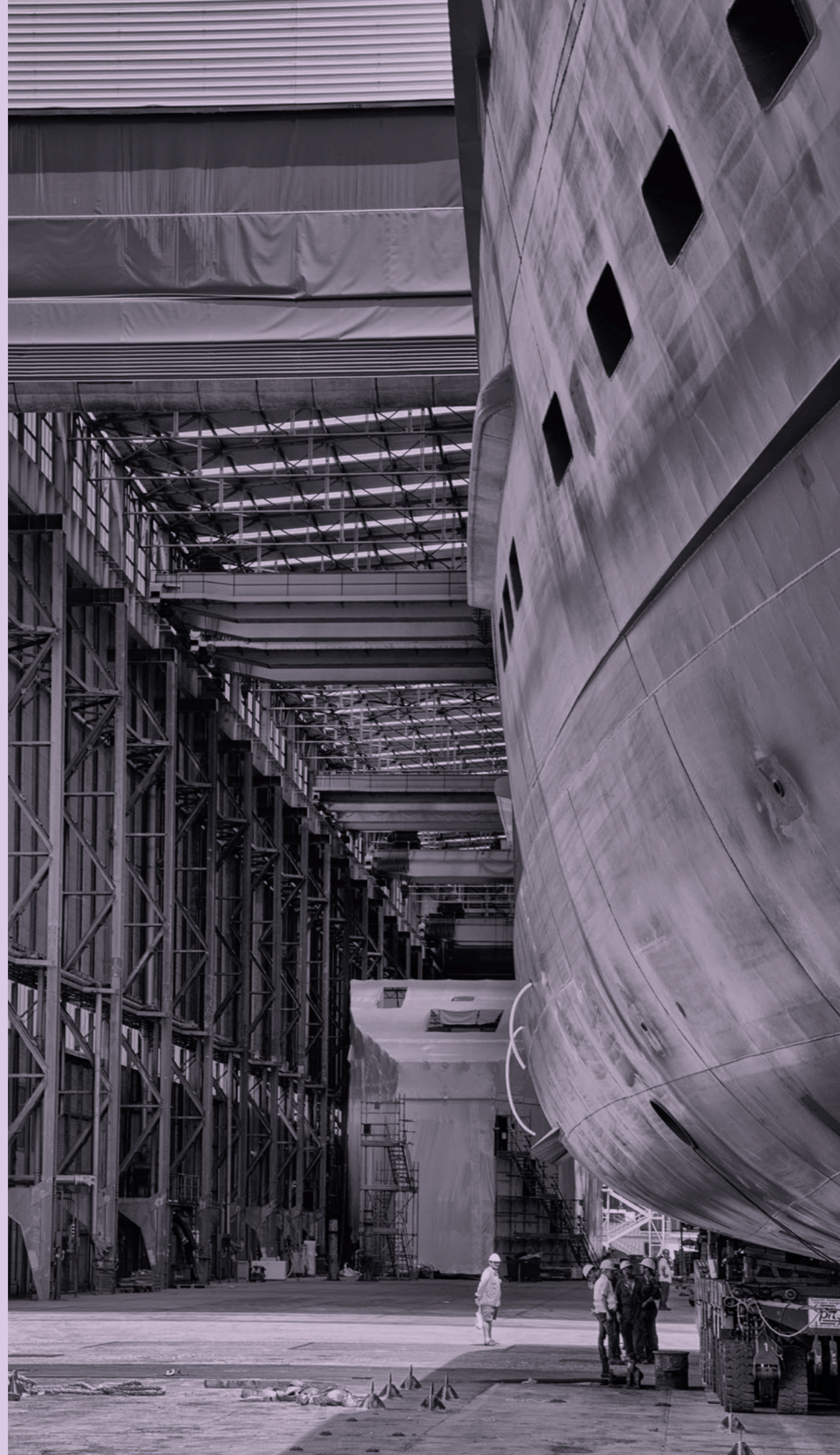
For the full Global Order Book report, visit boatint.com/boat-pro because we take from the competition," he says. Looking back over the past five years he exudes nothing but pride. Look forward, and apprehension creeps in. "We hear nothing good from the news. There's danger in Korea, huge uncertainty between the US and China and between the US and Europe. Brexit doesn't help, and for Italy to go three months without a government is a disgrace. But as Einstein said, it's better to be optimistic and wrong than pessimistic and right."

Galassi is joking, up to a point. He knows there's a fine line between blind

"As Einstein said, it's better to be optimistic and wrong than pessimistic and right"

optimism and the sort of hubris that infected much of the industry on the eve of the Lehman Brothers collapse. Back then, another linchpin of the industry confides, suitcases of cash were being used to buy up flats in Monaco, and the superyacht industry was afloat on a similar ocean of no-questions-asked money. "Regulations," he says smoothly, "were a bit looser than they are now."

When the bubble burst, few of the big builders were as hard hit as the Ferretti Group, which faced significant issues before being snapped up by China's Weichai Group in 2012. But Ferretti



wasn't alone. "There's no doubt the crash had a massive effect on the whole industry," says Jonathan Beckett, the veteran CEO of Burgess. "No one wants uncertainty. No one wants to see their assets devaluing. It had been a while since there had been a recession and people had got used to stable markets and assets maintaining certain levels."

People got used to complacency, in other words. Then – freefall. By one estimate, the industry's value tumbled from €9 billion to €3 billion in a year; over-leveraged owners had to sell at a loss. In the course of the recession, superyachts depreciated on average by 60 per cent, says Giovanna Vitelli, vice-president of Azimut-Benetti (who insists her own boats held their value much better). Smaller yards abandoned by their creditors or let down by their customers had to look for buyers – and 10 years on, the number of active shipyards in the 24-metre-plus sector is still dwindling, from 199 at the pre-crash peak to 155 today. Some, like Denmark's Royal Denship, didn't find any and went into liquidation. Charter rates fell by up to half but some boats still sat empty on their moorings. Beckett remembers one regular client saying he couldn't risk being photographed on the back of a superyacht at any price – not when he'd just laid off 1,000 people. Another client, an owner, put his boat up for sale in June 2008 for €75 million. He declined an offer of €68 million and was lucky to sell a year later for €42 million. "That was the new reality," says Beckett. "It was a different playing field."

For some, the reality check had a silver lining. "Overall, it had a calming effect," says Raphael Sauleau, CEO of Fraser, one of the world's biggest superyacht brokers. "Before the crisis, prices were going a little crazy."

Russians in particular had been running

Superyachting exists at the intersection of extreme wealth and extreme extravagance, which is a rarefied place at the best of times

the market high, to spectacular effect. They are more cautious now, as the industry is with them. KYC – "know your client" – is the new mantra for brokers and builders dealing with customers from anywhere east of Odessa, and not just because US sanctions laws require it. Common sense does too. Since the 2014 Crimean crisis, Sauleau says, suitcases of cash are out and extensive due diligence is in, to ensure compliance with US sanctions imposed on a list of Russian individuals and companies. Superyachting exists at the intersection of extreme wealth and extreme extravagance, which is a rarefied place at the best of times. It's acutely sensitive to the slightest change in economic or political weather and no one wants to be left high and dry with a big superyacht no one can pay for.

What caught many UHNWIs out in the last crash was an over reliance on finance. Brokers tell stories of clients pre-2008 who were worth around £100 million, but holding big assets like luxury properties, yachts and planes often funded with borrowing, leaving them plenty of liquidity in their savings accounts to live like a billionaire. These owners might be earning £15 million a year, but if that drops to a million, "the haemorrhaging can happen very quickly", says Beckett. The Burgess boss adds that the owners he works with are more savvy in their buying choices in 2018, but cautions that even true billionaires can feel the pinch when an economy turns. "Even if you're worth 15 billion and overnight you find you're worth nine, you've lost all confidence," he says. And who feels comfortable dropping a few hundred million on a yacht in those conditions?

The question is rhetorical. The answer is no one. Is any market niche immune to geopolitics? Probably not. But across Port Hercules at the Monaco Yacht Show, one man insists he rode out the crash like a stately Lürssen fitted with zero-speed stabilisers. Step forward the brand's CEO Peter Lürssen, upbeat despite the fire that destroyed a giant superyacht at his shipyard just days before the show. "Not much changed," he says, looking back 10

years. "We had the good fortune to have clients who were very careful in their financial planning."

Lürssen says companies that built on spec suffered most. He is surely right, but that doesn't mean 100 per cent bespoke is the only way to get through boom and bust. Vitelli, the daughter of Paolo Vitelli, says her father's semi-custom navettas kept the company bustling right through the crisis. There's no doubt they've won a following. Benetti sold two of them a year in the mid-1980s and sells 25 a year now, most of them in the 30- to 50-metre range. The entry level price is an approachable (for superyachting) €8 million.

For all their brave talk now, European builders and brokers have all had to re-evaluate product lines and cast their nets wider for customers. Massimo Perotti has said Sanlorenzo is looking for growth in Malaysia, Indonesia and Singapore. Azimut-Benetti uses a marina built by Stalin on the Moscow River to sell boats to Russians. Most CEOs report promising sales upticks in Central and South America. None has much to say about China, where Xi Jinping's anti-corruption efforts have put a dampener on conspicuous consumption. Few see much growth in the short term from a Middle East beset by war and a raft of other uncertainties. All are truly, madly, deeply grateful to the good old US of A.

"Everybody's been waiting for Asia for ever," Sauleau of Fraser says. "But the North American market has been the driving force for the past two years, and when the US is strong the rest of the world can benefit."

Those two years have been the beginning of the Trump era. Lürssen and others are in no doubt that the president's dramatic corporate tax cuts will inject new money into the superyacht industry, but it was the long, steady recovery of the Obama years that brought the US economy back up off its knees, and the great American businessman back to the world's boat shows with money to spend.

"The big challenge today is to interpret how lifestyles are changing and deliver projects which respond to the ultimate standards of quality and sophistication," Vitelli says. It means sensing shifts in what she calls "the luxury language of style" (hint:

"The North American market has been the driving force... when the US is strong the rest of the world benefits"

less gold leaf and backlit onyx than in the 1990s; more country club leather and hand-woven fabrics). It means efficiency – the industry is neuralgic about its reputation for burning too much diesel in some of the world's most beautiful places – and it means exploring.

Can all these desires be satisfied in one definitive 21st-century yacht? Quite possibly. Oceanco's 106-metre, three-masted *Black Pearl* should be able to cross the Atlantic Ocean using its screws for regenerative power, and no fuel at all. Without sails, though, the scope for genuine eco-friendly superyachting is limited. Most naval architects are ready to build big battery packs into their designs, but chiefly to indulge their customers' demands. Boats this size are too heavy to operate like nautical Teslas for more than a few kilometres, and they will remain so until the next leap forward in battery technology.

None of which means efficiency or exploring are mere fads. A superyacht industry that survived the last financial crisis will surely survive the next one, and it will do so partly by reinventing itself. Vitelli boasts that Azimut-Benetti's use of carbon fibre in yacht superstructures cuts their fuel use by a third compared with older boats. Twenty years hence, expect exotic composites throughout, ever-more sophisticated diesel-electric hybrid propulsion systems and a

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superyacht route map that spans the globe in a way 19th-century explorers could only dream of. "We have a client who has no interest in Saint-Tropez, but knows every bay in Greenland, Iceland and Alaska," says Peter Lürssen. Where boats like these lead, others will follow.

Meanwhile, this much is clear: when the history of the past decade comes to be written, the survival of superyachts will deserve a part in it. The concentration of wealth in these floating palaces has no precedent, except in the palaces past ages left on land. How long they endure as an expression of unbridled dreaming is unclear, because there's easily enough instability in the world to keep even the industry's more bullish figures wide awake at night. But that doesn't mean we've reached peak boat yet. Not by a long chalk. "This will go on," Sauleau says without a trace of doubt, looking around at $2 billion worth of boats ringed by Monaco's waterfront. "Someone will always want to go bigger."

Or a little bit greener. Or that much further. Because these are the things that will drive the next phase of growth – to a future that is hopefully more stable than the past ◘

Change of tack

We've studied the last decade and this year's figures are in – but where will future growth for the superyacht industry come from? Financial journalist *Simon Greaves* investigates

Over the next decade or so, the superyacht industry can expect steady progress in both boatbuilding and brokerage markets, with generic growth likely to check the destabilising shocks of geopolitical events and moderate the unsettling headwinds of global market movements. However, to avoid being left behind with other businesses in the manufacturing sector, the industry will need to follow its fortunes in emerging markets (EM). Only then will it profit from their progressive potential and find itself well positioned by 2050.

China is still sleeping, but other emerging markets have big potential... While observers have long been looking to China to breathe new life into the superyacht sector, this potential remains largely latent. Resource-hungry Beijing is still trading in an atmosphere of digital and visa isolation while in a costly trade war with the US. But opportunity knocks

The upside for yacht builders is the world economy could more than double by 2050

in emerging countries as the global economic order continues to reshuffle towards 2050. The "emerging seven" (E7) countries of China, India, Indonesia, Brazil, Russia, Mexico and Turkey will dominate the world's top 10 economies in 2050, with India slipping into second place behind China and ahead of the US, research by consultants PwC indicates.

Growth around the world will be driven by younger workforces... As the West becomes increasingly burdened by ageing populations, by 2035 the number of people in low-income countries reaching working age (15 to 64) will exceed that of the rest of the world combined, according to the IMF's *World Economic Outlook*. Fast working-age population growth equals fast economic growth.

The greatest progress up the GDP rankings, a proxy for swelled ranks of wealthy potential yacht purchasers, will be made by the Philippines, Vietnam and Nigeria. Vietnam's growth rate of 5.1 per cent will lead the tearaway trio, while the US and Europe will steadily lose ground to China and India as economic power shifts from the G7 to the E7. The macroeconomic upside for yacht builders is that the world economy could more than double in size by 2050, assuming broadly growth-friendly policies are maintained, and that includes no long-term retreat into protectionism.

By 2050, six of the seven largest economies could be emerging... EM economies will continue to be the growth engine, increasing their share of world GDP by 2050 from around 35 per cent to nearly 50 per cent. Standout predictions include Mexico being larger than the UK and Germany by 2050, with purchasing power parity (in currency adjusted terms). Six of the seven largest economies in the world could be EMs by then. Another key forecast is that the EU27's share of world GDP could be less than 10 per cent by 2050. While Vietnam, India and Bangladesh will be the fastest growing over this period, the UK has the potential to overtake the average rate in the EU27 after the unsettling Brexit transition. The fastest-growing EU economy is likely to become Poland, with its Baltic ports and Gdansk shipyards squeezed between the weakening consumer spending of Russia and the eurozone's largest economy, Germany, now looking for new leadership.

Stability is key in EM markets, but the US isn't going anywhere... The key takeaway is that to realise this growth potential, the governments of EM countries need to ensure macroeconomic stability by diversification, and the superyacht sector can piggyback profitably by investing in its own infrastructure. This may be new or revitalised yards in these countries, or on the doorstep of the highlighted Asia region, and putting funds into sourcing and training personnel with the necessary skills to trade with these fledgling partners.

The US is likely to stay at the forefront of buying countries for the next decade. But looking ahead to 2050, there will be a far greater democratisation of GDP share globally. The key challenge for the industry is to find ways to engage buyers in the E7 economies, if they're not to be left behind by other luxury markets.

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