

The Americas Superyacht Report

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BUYER

“The very nature of the West Coast is unpretentious and raw. What you see is what you get here. Customers seem to be craving authenticity in a world seemingly in pursuit of sameness.”

Craig Norris, CEO, Victoria International Marina



Insight into the current
levels of superyacht
activity on the North
American West Coast

THE WILD (SUPERYACHT) WEST

Over recent years, many in the North American yachting market have considered the West Coast to be a hub for superyacht clients. What are the current levels of activity in this region, is it an untapped market for brokers and is the East Coast at risk of losing its status as the yachting hub? The Superyacht Report speaks to industry stakeholders to find out more.

BY RACHEL ROWNEY

The landscape of luxury acquisition is constantly changing. The source of wealth, the profile of individuals and their preferences have been the driving forces behind many trends in the yachting market. For example, the prominence of Russians in the 1990s and 2000s meant the focus was on building bigger yachts more than ever before. The market is always looking for the region that will be the source of the next generation of clients, and while many are looking east towards the Asian market, it is worth considering the West Coast of North America.

The clients who live and work there are not a homogeneous group; someone in Vancouver, Canada will have a different lifestyle and preferences from someone in San Francisco. However, if one were to generalise a West Coast mentality and individual, it would be a younger client than is typically seen in yachting, often very technology-driven and eco-conscious. There are many owners in recent years who have accrued their wealth in Silicon Valley or through technology companies and they are notable for their forward-thinking vessels. Is a West Coast mentality influencing the type of vessels that UHNWIs from this region are drawn to? If so, how is the market adjusting to this?

According to the Wealth-X Billionaire Census in 2017, “[In 2017] the global billionaire population rebounded strongly, rising by almost 15 per cent to an all-time high of 2,754 individuals”. Looking at the Americas specifically, the number of billionaires is now 884 (an increase of 10.8 per cent) with a combined wealth of \$3,758 billion (an increase of 22.3 per cent on 2017). The report outlines myriad reasons behind the region’s continued wealth expansion, including the ‘reflation trade’, an increase in policy interest rates and major tax reforms under the Trump administration.

The presidency of Donald Trump has significantly affected the North American millionaire (and billionaire) landscape. Despite the tumultuous first period of his presidency, the report notes, the “Economic and capital markets flourished, driven by two dominant themes that while at times contradictory provided strong support across a wide range of financial markets and industry

sectors, delivering wealth gains for many of the world’s billionaires”.

Wealth-X found San Francisco – and the wider Bay Area – to be the city with the third-highest of billionaires in the world, with a total of 74. “San Francisco has recorded the strongest growth in billionaire numbers of any US city in recent years, primarily reflecting the huge wealth gains in the technology sector, which has its global base in Silicon Valley.” The US also hosts the number one city for billionaires, as New York has 103 of them.

The US tax reform passed in December 2017 outlined a number cuts in corporation tax and larger exemptions to gift and estate taxes. In his column on page 149 Mark Elliott, sales and charter consultant at IYC, outlines how the ‘Trump Effect’ has affected the superyacht market specifically, although when it comes to sales, Elliott still believes the East Coast is predominant for the US brokerage market. “There are very few megayacht sales on the West Coast, there are far more trawler and sailboat sales,” he says. “Seattle, Washington is the boat capital of the US; there are many sales of 40-footers and that’s the prevalent market on the north-west coast of the United States. You go down to California and San Francisco, it’s all about 60-foot sailboats. You go down to San Diego it’s about fishing boats and smaller yachts, 100 feet or less.”

Elliott explains that the geography of the West Coast is the reason for this rather than any lack of clients or yachting enthusiasts. “The Pacific Ocean has a much larger swell than we have in the Atlantic Ocean, so trawlers in the Pacific Northwest are the most popular. Some of the roughest seas I’ve ever experienced as a captain were between California and Seattle, especially off the Oregon Coast and that’s why you’re not going to see many semi-displacement hulls or planing hulls there. You’re going to see full-displacement, trawler-type hulls in that neck of the woods simply because it’s so rough. And the distances are long.”

Elliott stresses that there is a very strong maritime community on the West Coast, but this is not the traditional white-boat market. “San Francisco’s all about sailing, all the way down to San Diego. Everybody loves sail boats. So it’s a



whole different market. I'm focused on boats in the 50m-and-up range, and that doesn't really exist on the West Coast for me." As well as the concentration of yachting on the East Coast, Elliott also argues that the West Coast offers limited dockage and that fewer yachts are sold in California as a result of the high sales tax in the state. In his experience, many clients on the West Coast will fly to yachting hot spots such as Fort Lauderdale to buy, sell and moor their vessels, rather than keep them locally.

Christian Bakewell, sales broker at the Beverly Hills branch of Burgess, agrees that owners on the West Coast tend to start off in the smaller section of the market. "Yachting has traditionally been on the East Coast, but the West Coast is certainly catching up as more UHNWIs decide to invest in their own yachts following their first experiences with chartering, especially with smaller North American builds for first-timers."

The prominence of these high-profile figures has encouraged more and more brokerage houses to open offices in the region. New UHNWIs are dipping their toes into yachting and Bakewell has seen a trend in the type of clients who are coming through the doors. "The activity in this region has grown tremendously as a result of adventurous entrepreneurs in the tech and entertainment sectors who are constantly raising the bar for what makes [for] an unforgettable experience of leisure and luxury."

There is much anecdotal evidence of the 'type' of owners from the West Coast who are making an impact on the market. The UHNWIs from Silicon Valley and the tech boom of the early 1990s are not traditional yachting clients. Although it's important not to generalise, these young entrepreneurs typically are not interested in the established methods and destinations of yachting. "As a market that values unique experiences and high technology more than any other more traditional predecessor, the West Coast is a burgeoning frontier of new yachting. We haven't yet scratched the surface," says Bakewell.

The popularity among these clients of the Silver Series from Silver Yachts is a prime example of this. The Silver Series yachts are notable for their long-range cruising capabilities, with low fuel consumption and ability to travel quickly, which means they are perfect for visiting far-flung destinations in a short time. Among tech gurus

with this West Coast mentality, there is also the propensity for expedition yachts. Michael Potter, owner of 58.8m M/Y *Seawolf*, is one of those with an unconventional approach to yachting. Potter and his family typically spend around 100 days on board, travelling to Central America, Indonesia, New Zealand, Australia, the Black Sea, the Baltic Sea, the Tuamotus Islands and the Mamanuca Islands. The sturdy build of *Seawolf* backs up Elliott's earlier comments about the hardy vessels found on the West Coast.

Although the cruising regions of the West Coast are not the typical for 'white boats' (as Elliott highlights), Craig Norris, CEO of Victoria International Marina in British Columbia, Canada, argues that although the region has a solid sailing yacht history, he has seen a change in recent years, with many UHNWIs turning to motoryachts. "There was a time when sailing yachts prevailed in number to motoryachts here, but those days are long gone. The motoryacht is the choice of cruisers on the West Coast, although you will see your fair share of magnificent sailing vessels here. The infrastructure to support the growing motoryacht fleet is getting there."

The rugged nature of the West Coast is part of its appeal; those who cruise there want a different experience from those who travel in the milk run of the Mediterranean and the Caribbean. "The West Coast of North America, when compared to many of the world's cruising grounds, is pristine, wild and largely untouched by development," says Norris. "Much of the British Columbia coastline looks just as it has for tens of thousands of years. And I'm not just talking about the physical structures and telltale signs of human development; the marine and terrestrial wildlife outnumber humans practically as soon as you venture beyond any port or town."

Time away from the hustle and bustle of 21st-century life is now seen as the new luxury and this is what yachts are intrinsically built for. "One thing I hear a lot is that superyacht clients are overwhelmed by the authenticity of the people, the culture and the experiences offered while cruising the West Coast," says Norris. "The very nature of the West Coast is unpretentious and raw. What you see is what you get here. Customers seem to be craving authenticity in a world seemingly in pursuit of sameness."

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The focus of many charter clients and owners in today's society is on getting away rather than being seen in all the right places. Elliott agrees and argues that this new generation of clients is cruising increasingly in unchartered territory. “[These clients] hop on a new jet that they just bought and fly over and join the boat in the Bahamas or the Caribbean. When people think of cruising, they mean island-hopping, and for the West Coast people that means going way out to the South Pacific.”

In such a niche industry, so dependent on a small pool of clients, there is often concern about introducing ‘fresh blood’ into the market. Embracing these clients’ desires to venture further afield is a prudent way to ensure more people become interested in the yachting experience. “Unlike our more traditional client markets, this generation of yachting clients didn’t necessarily grow up in a yachting culture. As a result, they tend to value unique experience and thrill-seeking adventures with their vessels,” says Bakewell.

Do brokerage houses see this as an untapped market? And if so, how are they working with UHNWIs to introduce them to yachting? “The potential is only growing,” adds Bakewell. “Yachting as a culture hasn’t quite penetrated the West Coast as much as the East [Coast], so we’re constantly exploring creative ways to bring yachting as an emotional experience to UHNWIs in the area – tapping into the evocative components that make yachting so spectacular.” These ‘evocative components’ include a focus on more experiential travel usually associated with safaris or immersive luxury holidays.

This group of younger clients entering the market may not have experienced yachting before. Chartering more frequently and for longer offers

an insight into the intricacies of ownership, but how does this demographic of clients interact with brokers and advisors? For Elliott, transactions often occur at a much faster rate, with clients requesting trips at the last minute, paying with credit cards and organising cruises almost overnight. Unsurprisingly, if customers are new to the market, they often rely heavily on their advisors. “The relationship between the broker and this younger client is similar, but definitely representative of a longer-term strategic partnership that begins well before the purchase of a client’s first yacht,” says Bakewell. “This generation is busier than ever and has a tendency to rely on the broker for a broader range of expertise, guidance and advice.”

Arguably, when one is discussing the West Coast market for superyachts, it would appear the conversation has two strands: the billionaire, with a forward-thinking approach to yachting and a technology-focused background and the client who is eager to explore the rugged natural environment of the region with expedition vessels. These are not mutually exclusive but they are distinctive from each another.

As the results of the Wealth-X report indicate, the East Coast remains the hub for the billionaires of America. However, the rising number of those on the West Coast (up 14 per cent from 2017 to 2018) illustrates the flourishing UHNW population in the region, especially when the growth of billionaires in New York over the same period was only one per cent. The changing landscape of yachting clients is one that has already started to shape the market. Even if clients do not wish to keep their yachts on the West Coast or use them as a base to travel from, it is a significant region and one that will continue to influence the brokerage market. RR