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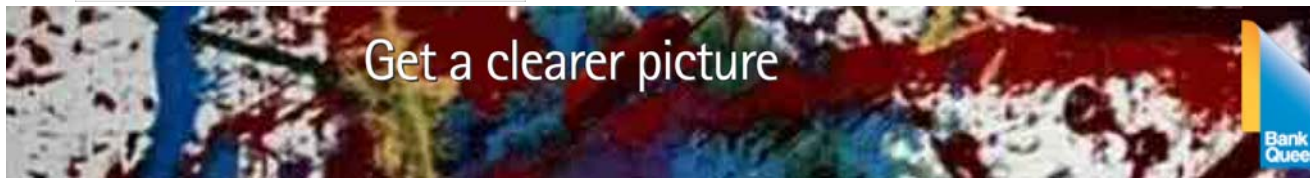
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REUTERS 

Luxury yacht boom continues as new money floods in

CANNES, France (Reuters) - Size matters in luxury yachting and for now there is no sign that demand for bigger and faster vessels is slowing, according to industry players at the Cannes boat show this week.

Driven by new money from emerging markets like Russia, low interest rates and technology that allows people to use their ships as mobile offices and enjoy all the comforts of home, demand for high-end yachts of over 30 meters is strong.

The boom is not limited to boat builders. Service suppliers from wine merchants to banks are benefiting, although some said they detected the first signs of moderation in the market for smaller vessels.

"My view is things are not as buoyant as the production boat manufacturers make it out to be. Anything below 30 meters seems to hang around a bit at the moment," said Russell Crump, of U.K.-based yacht brokerage Edmiston.

"Ten or 15 years ago anything over 30 meters was huge -- unbelievably big. A lot of those boats are now on the second-hand market. The most buoyant part of the market right now is mega yachts - 60 meters and up."

Paolo Vitelli, chairman and founder of Italy's Azimut Benetti SpA, which vies with Ferretti Group for leadership in the market for motor boats of up to 50 meters, said: "Anything below 45 feet is a difficult market. Anything above 45 feet is a reasonably decent market and it becomes easier the bigger you get. Below that limit (45 feet) the industry is suffering, above it the industry is enjoying."

"Last summer there was absolutely a shortage of boats for charter above 60 meters. There was enormous demand that was unsatisfied," he said. The result was soaring rates, but people still paid.

"We, through our Fraser yacht (charter and broker) unit, did one single charter of 7.8 million euros -- something like half a million a week plus, that is without paying for fuel, berths and tipping the crew."

Michael Kurtz, managing director of leading yacht insurance broker Pantaenius, estimates in 1990 there were around 800 yachts in Europe of over 20 meters. Now there are about 30,000.

"What has happened in this industry in the last 10 years is phenomenal. Growth is definitely coming from the big boats of 2.5 million to 5.0 million euros and more," he said.

The sums involved are huge. Gabriele Del Torchio, chief executive officer of Ferretti Group, estimated the market was already worth more than 11 billion euros.

Edmiston's Crump said demand for super yachts costing upwards of 65 million euros to build was so strong that those lucky enough to have boats on order could sell them when they were delivered for profits approaching 50 percent, challenging the norm that boats are a depreciating asset.

Barclays Marine Finance, which began expanding outside Britain four years ago, said it too had noticed the shift. "Four years ago our average loan was 70,000 to 75,000 euros. Now it's 250,000 to 300,000 euros. Our biggest lend to date was 15 million euros, but we are looking to go beyond that," said Marine Sales Manager Christine Chadwick.

The unit expects to do 250 million euros of new business this year compared with around 40 million four years ago.

"The top end of the market has grown for two years and we anticipate it will grow for another two years," she said.

"People at the top end are not affected by economic trends, such as higher interest rates, in the same way as people at the lower end."

Emmanuelle Ott of Yacht Support Group, one of many companies that have sprung up to provide owners and charter firms with everything they need from crew training to spare parts, said she supplied wine alone worth 20,000 euros to one yacht this summer and some yachts have wine cellars worth 150,000 euros.

Didier Cazeaux, chairman of listed French yacht maker Couach , said the market was being driven by the growth of new wealth and the emergence of a non-traditional customer who wanted boats providing the comfort of cruise ships.

"This is offered by boats of around 30 meters and up."

Five years ago the shipyard mostly sold 22-meter boats, now it was 30 to 33 meters. The average price: 7 million euros.

Smaller French sailing yacht and catamaran makers complained at the show that they could sell more if the country would expand its ports, which are all full. Vitelli said capacity was also an issue in Florida and New England in the United States.

However Vitelli, Kurtz and others said that with new harbors being built all over the world only a geopolitical event or politicians -- Sardinia last summer tried to tax luxury yachts visiting its shores -- could threaten growth.

Cazeaux said he saw "nothing" that could slow down the industry.

"The world economy has been able to resist all kinds of shocks from oil prices to monstrous attacks. When something bad happens on one side of the world, things often continue on the other. There's no reason why the creation of new potential owners should slow. That is what is going to drive growth in this sector which is only at its beginning, it is going to literally explode."

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