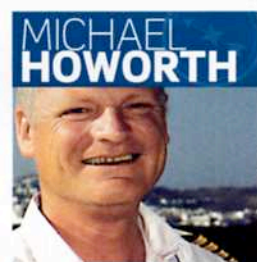


# An imperfect storm

CONTRADICTIONARY EVIDENCE IS MAKING IT HARD FOR COMPANIES AND CLIENTS TO PREPARE FOR THE LIKELY — OR UNLIKELY — IMPACT OF THE GLOBAL FINANCIAL CRISIS

**MICHAEL HOWORTH REPORTS**



**MICHAEL HOWORTH**

Highly experienced, captain Michael Howorth has commanded a number of significant superyachts and written extensively on the subject

**O**ur industry has enjoyed a great deal of stout optimism over recent years. It has even been buoyant over these recent difficult months which have seen such a sudden and seismic jolt of the global economy.

But is there any real chance that the various malevolent economic forces raging around the world could ever combine to dangerously impact the business of building and servicing superyachts?

It's important to know.

Every company and every client in the industry — no matter how insulated they may feel they are from the worst effects of the financial storm — have to be able to plan ahead.

Should they commit to new projects now and invest boldly in the future — or hold back, to a greater or lesser extent, and wait to see how this crisis builds or wanes.

The forecast is — at the very least — mixed.

Take for example the news that steel producer Corus has announced that it is temporarily downsizing its worldwide production — saying that the action is necessary to mitigate the effects of softening worldwide

could be completed in less than 30 days.

Other evidence is coming from members of sales teams inside some of the larger shipyards who are reporting that potential owners are delaying the signing of purchase contracts for their newest yachts while they try to wait to see out the possible long-term implications of the global market turmoil.

Thankfully, generally, there still remains a large backlog of orders for superyacht construction, although — surely — it must be a much smaller order book than it was a year ago.

## Sticking with superyachts

Within the industry many of the big players are resiliently optimistic — although realistic.

Robert Moran — the US broker who heads up Moran Yacht and Ship in Fort Lauderdale — tells me that one major yard in Europe recently delivered a yacht on which the loss was €80 million.

Having said that, he also told me he is confident about the future of the industry — secure in the knowledge that he has 20 yachts in-build in European yards for clients who are absolutely resolute about sticking with superyachts.

But it does look as though the mega-rich are definitely cutting back on purchases and — with the markets so far down — those who have lost \$100 million and have, perhaps, only \$300 million in assets left over have suddenly been forced to think about their finances, too.

Life may not exactly change for them but they may be beginning to feel a little concerned. And who can blame them?

Owners of large yachts are — in many ways — much the same as everyone else when it comes to money. Just like the rest of us, they have been looking at the dismal economic outlook hoping that it won't bite into their planned purchases of luxury goods.

Now however, bankers to the wealthy set are telling me that even the ultras may not be exactly immune to the downturn and that some have already begun to rein in their spending as they fret over their shrinking portfolios.

Overall, there still seems to be a fairly decent amount of uplifting news coming out of our sector. But, in balance, what is the true picture exactly?

Well, let me put it this way: if I still earned my living driving yachts, I am not sure that right now would be the very best time to ask the boss for a raise. ●

**“Should companies invest boldly in the future or hold back, to a greater or lesser extent, and wait to see how this crisis builds — or wanes?”**

short- and long-term demand for steel. In turn, some commercial ship owners are now cutting their loses and are cancelling new-build contracts even though a single project falling over can mean the loss of tens of millions of dollars. So — if this is happening to commercial ships — how long will it be before the price of steel starts to affect the building of yachts?

We then hear that the ultra-wealthy have not yet started cancelling their jets, which is good — but that there is already some evidence they are now chartering fewer aircraft and are increasingly reluctant to push ahead with new bookings, which is not so good.

In another development within the industry, a brand-new 50m yacht recently had its price reduced by no less than €9.5 million to €24.5 million — with the owner keen to sell her at this massive discount if a deal