

The Americas Superyacht Report

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A REPORT WORTH READING

American superyacht builders need to channel what America stands for in their brand of luxury and quality: innovation, individuality and freedom.

CHARLES BAUMAN, SENIOR RESEARCH ANALYST



How to resurrect
American superyacht
building

Stakeholders from key
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challenges facing the region

Regional sales experts
on buyer trends in
South America

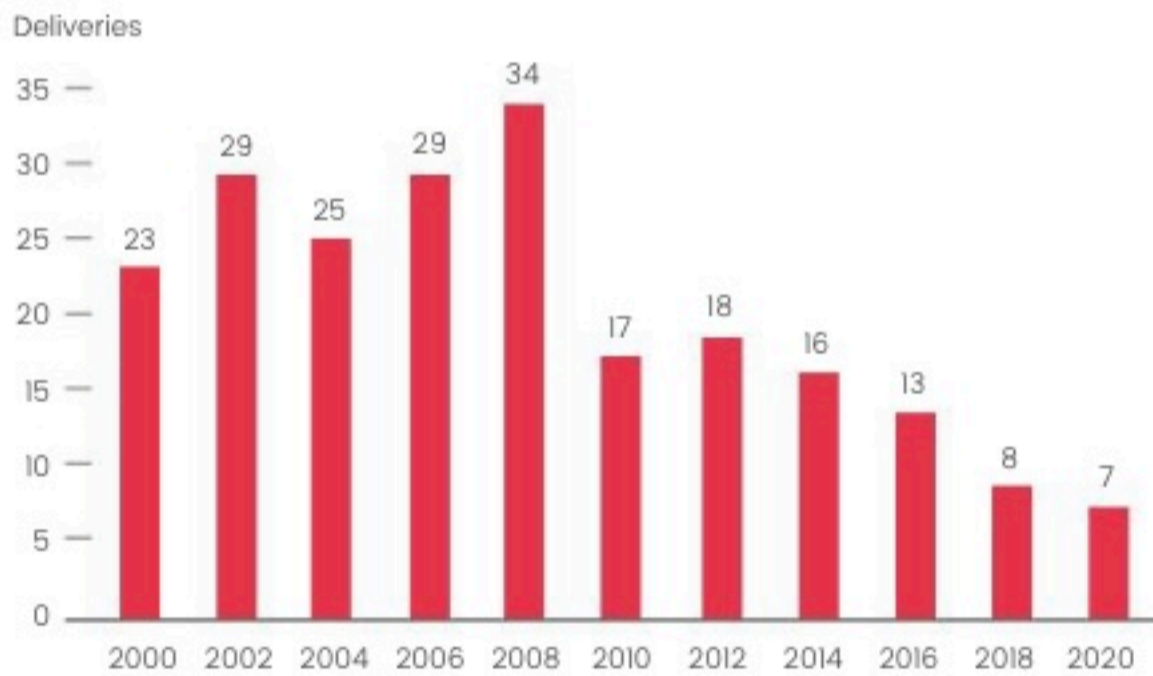
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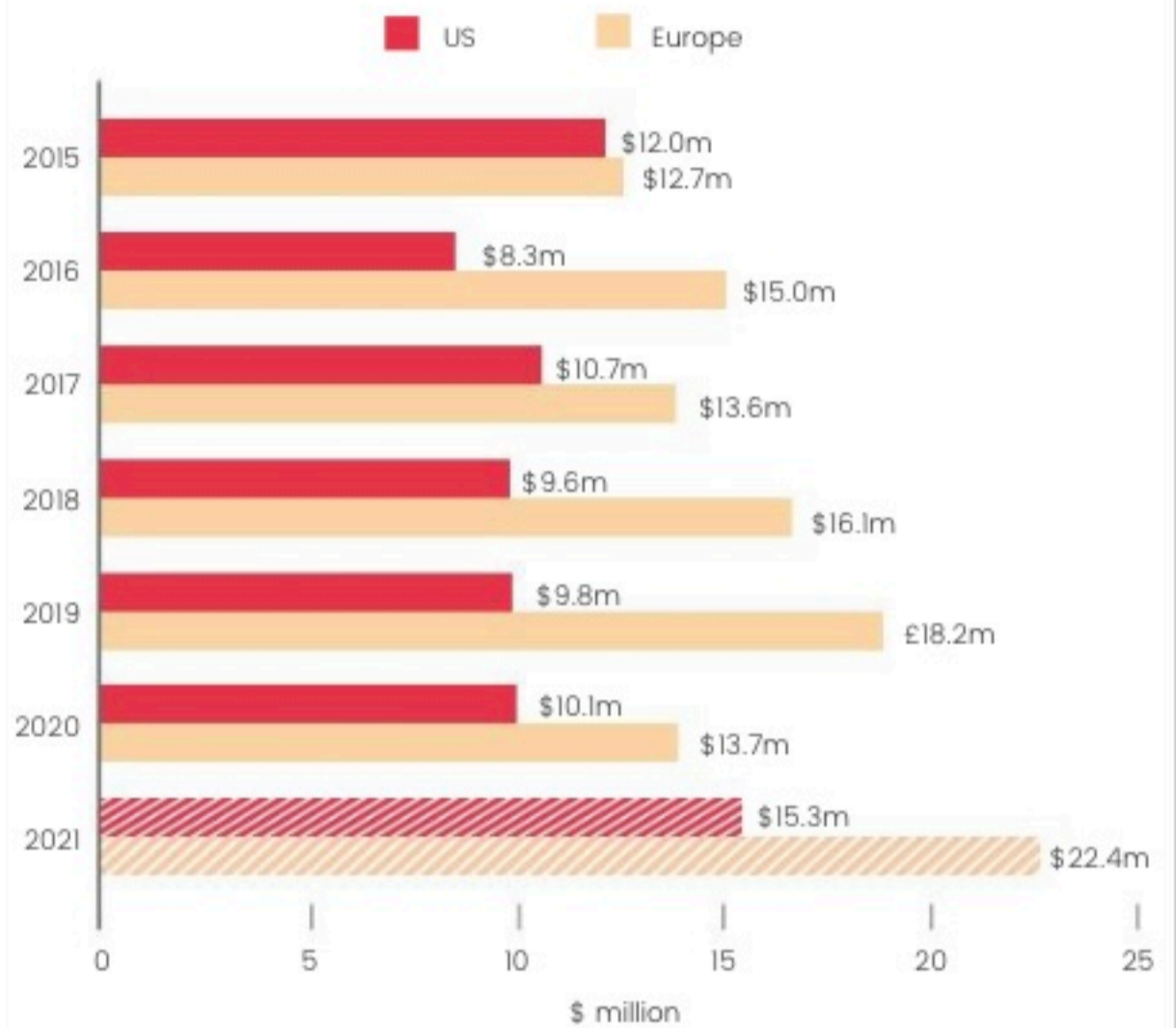
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Go big ... or go home

The Superyacht Group speaks to stakeholders who were at the forefront of America's 'golden age' of US superyacht building and asks them what must be done to make America great again.

BY MAX STOTT

The nineties and the noughties were undoubtedly the golden age of American shipbuilding. Out of the top 20 largest superyachts ever built in the US, just under half were delivered before the turn of the millennium. Although it would be nearly impossible to create a nationwide foundation of luxury yacht builders practically from scratch, it's puzzling why more people haven't tried to encourage UHNWIs to buy domestically. America was once on the verge of being able to compete with the established and reputable giants in Northern Europe. So what happened?

The data detailing the downfall of the 'golden age' is very telling. In 1999, there were 17 active shipyards in the country, and together they were able to deliver 31 superyachts of more than 30 metres in length. Fast forward to 2020, and only two active shipyards had produced four superyachts over 30 metres – an 87 per cent decrease in 21 years.

There were a number of events and chain reactions that led to the fall of the 'golden age'. In the US, as elsewhere across the globe, the number of superyacht deliveries actually peaked in 2008. However, it wasn't until 1 December, 2008, when the National Bureau of Economic Research declared that the United States had officially entered a recession, that the real steep decline began. In 2010, the US was delivering half the number of superyachts it had been producing just two years before.

Jim Eden, former president of Northship Inc, once said, "Anything over 160 feet is recession-proof." Therefore, a US market primarily dominated by production-built superyachts working at the smaller production end of the market was bound to feel the brunt of the recession from the start, whereas the more diverse and scalable European market proved to be better able to weather the storm.

Although 2008 is seen as the beginning of the downfall for custom-built

superyachts in America, the industry didn't witness the fall of the US shipbuilding giants until relatively recently, most notably, the closures of both Christensen Yachts and Palmer Johnson in 2015, and Trinity Yachts in 2016. Trinity Yachts delivered 52 hulls in its lifetime; however, new superyacht construction ceased after it was purchased by Harvey Gulf. Both Christensen and Palmer Johnson were also major contributors to the American new-build market, having delivered 91 superyachts between 2000 and 2014.

Christensen has since returned to the fray under a new guise, but the loss of two global powerhouses in the past decade has left its mark on the size and scope of the market; America delivered more superyachts in 1995 alone, when there were half the number of domestic millionaires, than in the past three years combined.

Joe Foggia was with Christensen for more than 30 years. He worked in most production departments in the 1980s, in project management of several Christensen yachts in the mid-1990s, operations/VP management in the late 1990s, and eventually became president/CEO in 2001. Foggia, who now operates

through Northrop & Johnson as a pre-owned and new construction broker, has extensive experience and relations with most other shipyards outside the US. His illustrious career gives him a global perspective as to why American yards are challenged today.

"Some yards like Christensen were never able to acquire local government permits for refit," says Foggia. "In fact, our service of Christensen-built vessels had very specific operating parameters and, if violated, we faced fines. This stems from a more geopolitical issue inherent in the US West Coast. The luxury-yacht builders have always been viewed as the toy builder for the uber-wealthy and not as a consistent employment creator of high-paying diversified jobs. Like many American shipyards, Christensen consistently employed between 250 and 450 diversified employees in many fields as a large employer in the very small town of Vancouver, Washington."

Foggia believes America's shipbuilding reputation declined largely due to a variety of rooted and somewhat unavoidable geopolitical components. The US shipyards in the 'golden-age' era were mostly spread out across the country. Due to American shipyards not being

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Joe Foggia, pre-owned and new construction broker, Northrop & Johnson.



located within close proximity of each other, and all having significant investment in facility and infrastructure, insurance costs were even more significant. Each shipyard had to cover expenses such as builder's risk, the Longshore and Harbor Workers' Compensation Act, health and medical costs, etc. Since these are applied to individual yards in their specific location, costs are much higher because the yards can't generally pool together to get the rates down.

Foggia adds, “The launching equipment for a 50m vessel can cost anywhere from \$5 million to \$10 million. If the builder is delivering one or two vessels annually, like Christensen, one shipyard cannot really recoup the costs of that equipment. American shipyards are spread out geographically and they must vertically integrate their process, thereby employing more craftspeople to build the vessels. At Christensen, we had fibreglassers, metal workers, plumbers, electricians, carpenters, cabinet makers, interior and exterior painters, mechanics and an engineering department supporting all crafts.

“The idea of subcontractors in America is not the same as in Europe. The American subcontractor is generally local to the shipyard and commissioned by the shipyard when needed. When not needed, the subcontractor is building a house, a fast-food restaurant, a motel, where yacht-quality demands are not required. These yacht-quality demands usually must be retrained at significant expense in re-educating or [there would be] massive and costly rework due to damage caused by the subcontractor with simple lack or loss of quality understanding in the finished product. Additionally, these subcontractors notoriously underestimate their costs to accomplish the work due to sporadic demand for their services and [they] invariably go bankrupt.”

Many new-build shipyards in Northern Europe have turned their attention to the refit sector in a bid to increase revenue and boost client relations. Oceanco, for example, launched a lifecycle support programme earlier this year that not only facilitates large-scale refits, but also helps any day-to-day

issues that may crop up for owners and crew during their time on board.

However, Foggia is sceptical of this model working in the US. "As an additional source of income, American yards can offer service and refit," he says. "Geographically, this is sensitive to the yacht owners due to the distance and location of the shipyard along with costs associated with delivering the yacht to the shipyard. For example, the yacht is in Florida and the owner must send the yacht to the western US coast. In consideration are significant fuel costs, equipment hours accrued on the vessel, wear and tear on the exterior paint, etc. Other challenges are the seasonal issues depending on where the shipyard is located. Will it be iced in over the winter? Does it conflict with the use time? Exorbitant pilotage fees getting to a location like the Great Lakes?"

It would be difficult to bullet point every factor that led to the downfall of America's 'golden age'. As the youngest son of Frank and Gertrude Denison, founders of Broward Marine, Ken Denison has a unique perspective. A natural marketer and story-teller, Denison is a leading voice on the history and evolving market of American-made yachts.

The family behind Broward Marine were all about innovation. In the 1980s, Gertrude Denison designed the first-ever 'country kitchen' galley, a feature still popular on superyachts to this day. In 1983, Broward built the first yacht with triple diesel engines, the 92ft *Jervet*. In the late 1980s, Broward built the 35m *Britannia*, which had triple Detroit diesel 16V92 engines with two outboard engines utilising variable pitch Ulstein drives, allowing her to reach 43 knots. In 1996, the 48m *Bubba Too* was delivered. At the time of commissioning it was the largest US-built aluminium vessel.

Ken Denison, who now works as a senior broker in the superyacht division at Denison Yacht Sales, says, "It's important to understand the fact that there still is that sense of great value to be able to create with your hands, and we have lost that in America. I don't know how you get that back.

"I've talked about it with everyone

from Henk de Vries to Richard Heine, who founded Oceanco, and who actually worked at Broward. All of these guys [are] really doing obviously phenomenal things. But Henk and those guys grew up in it like I did. They had a father-and-son relationship and had the trades passed down to them. And within their group, they identified the real power of the hands that are creating these boats. You cannot mass manufacture this stuff."

The lack of collaboration and data-sharing is a major issue in the industry. Denison revealed that his father used to have a long lunch with Henry Burger every year at the Lauderdale Yacht Club. He is of the opinion that there was far more fellowship and camaraderie between competitors during the 'golden age'. "You couldn't even dream of that nowadays," he says.

If yacht builders are able to work together, while respecting each other's territories, then the overall product can only get better. According to Denison this was prevalent in the 1980s and 1990s, but not at all today.

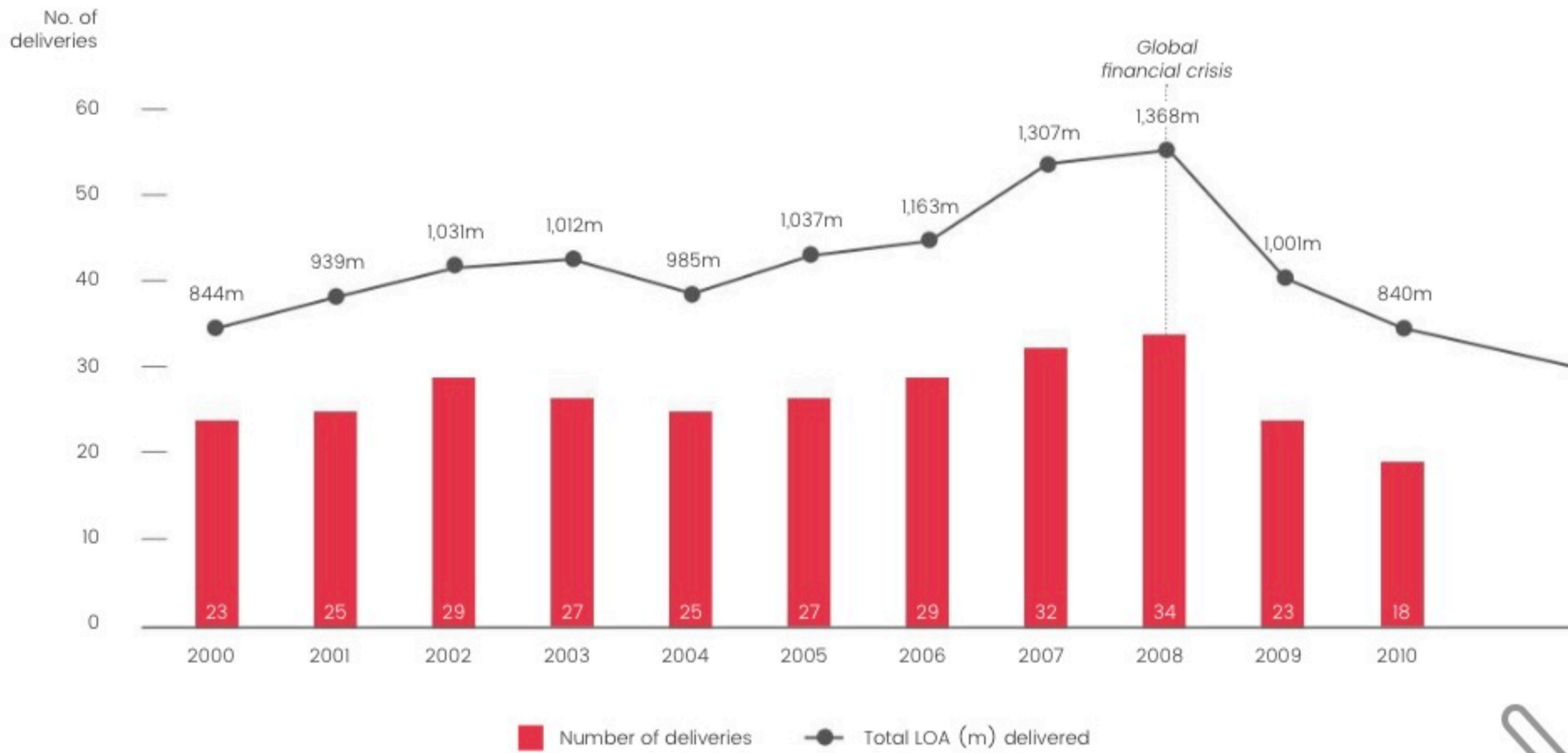
With the industry as a whole reaching something of a labour crisis point, yacht builders in America have the unenviable task of trying to attract more trades workers to the industry. Because America is so vast, and yards have typically been relatively spread out across the country, it wasn't previously possible to have a European-style subcontractor model. In Northern Europe, shipyards don't have to focus as much on vertical integration which means directly employing hundreds or thousands of diverse employee trades. This is left to the competitive subcontractors that continually go from one yacht builder to another based on demand through competitive edge.

If the US were to adopt this model, there would have to be a 'superyacht hub' whereby subcontractors from all over the US and the world would be able to set up shop locally. This would inevitably allow workers with the most specialist skill sets to have continuous work on multiple projects and evolve their craft, and so constantly maintaining the highest standards. Additionally, they

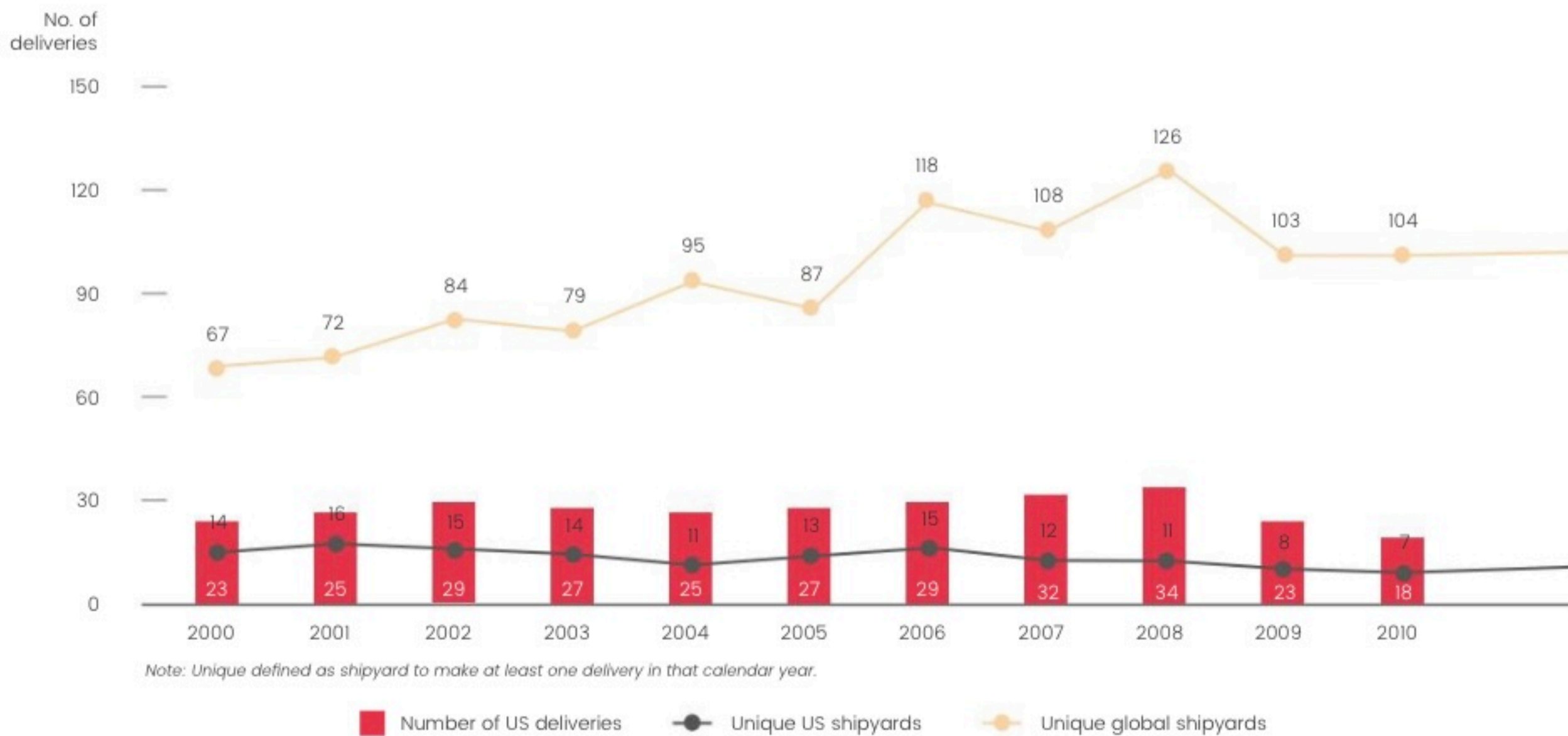
"There are people who have tried to resurrect the industry but they weren't boat builders. They maybe came from other businesses that they were really good at ... but they didn't understand the heart and soul of what it takes to build a boat and to have that total faith in your own capabilities."

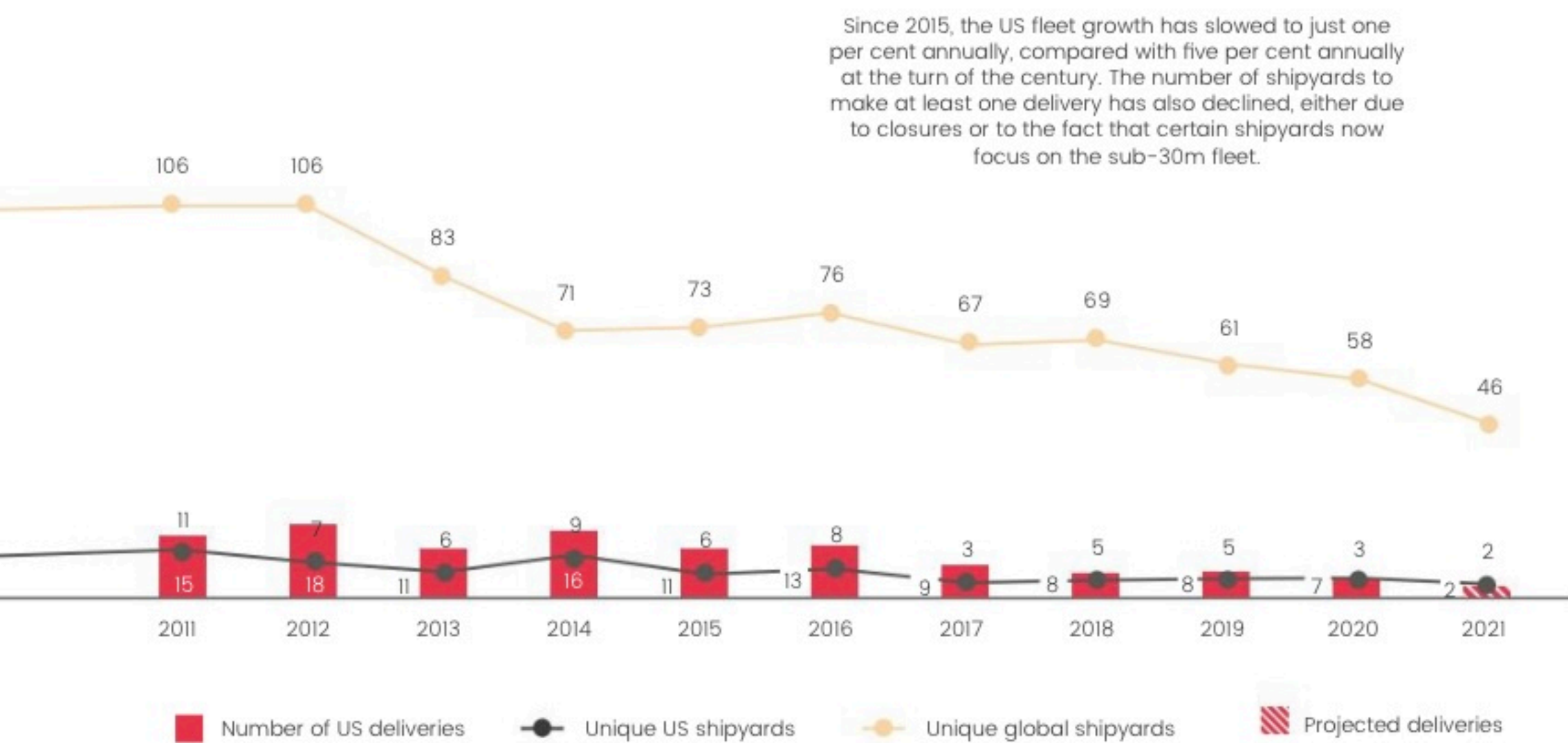
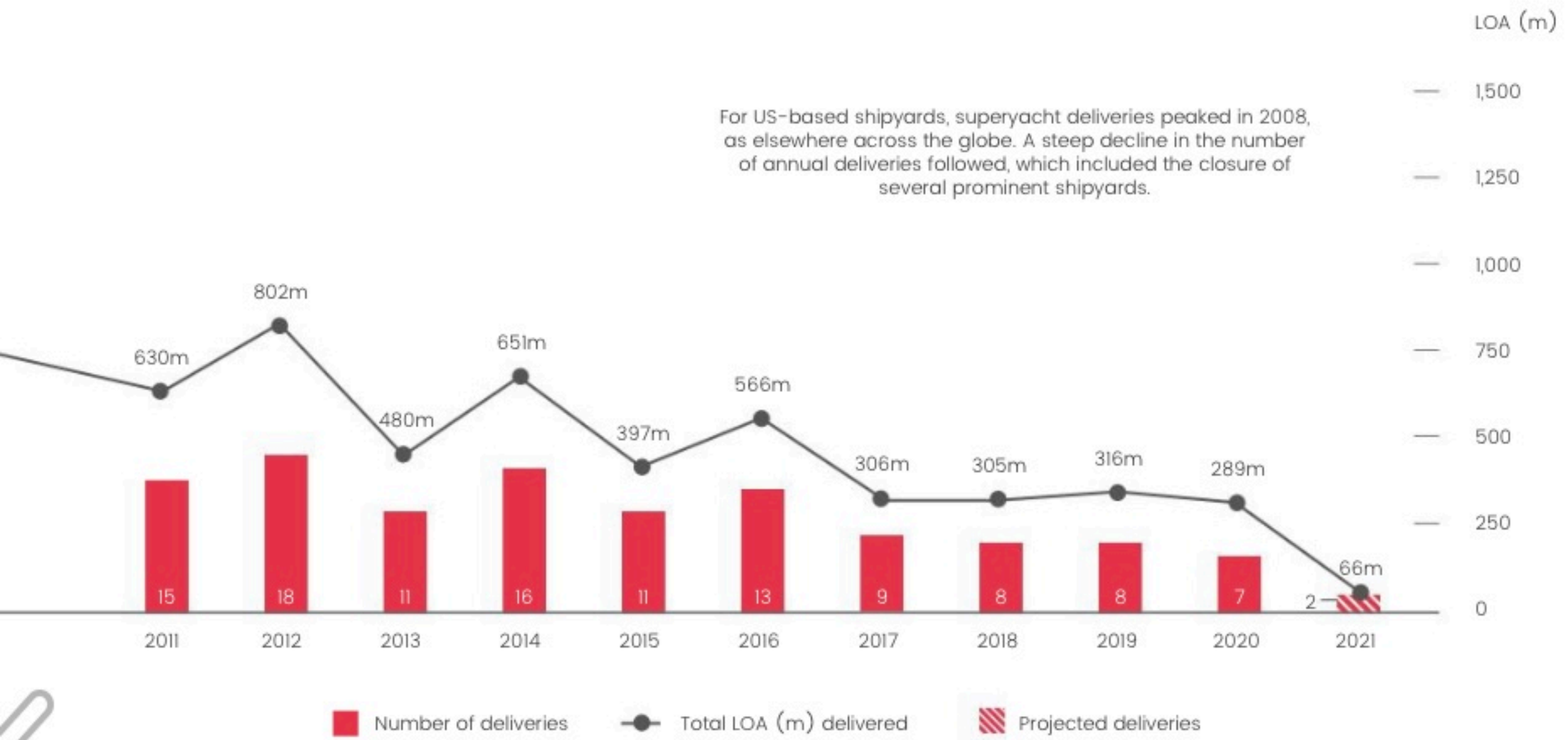


US fleet history



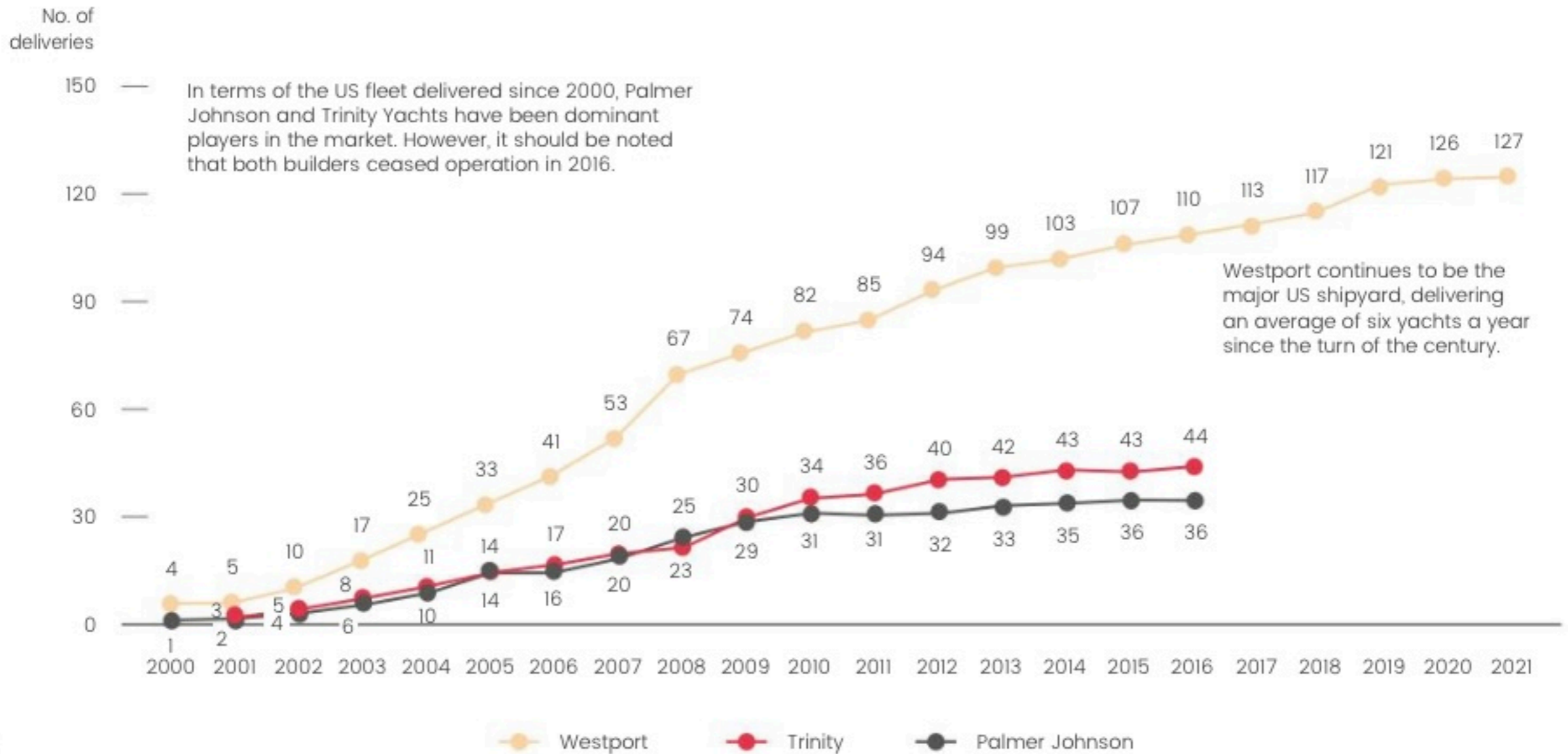
Unique US shipyards







US shipyard fleet evolution



would estimate the job accurately due to consistent demand for their services from yard to yard.

The lack of human capital and necessary skill sets compared to other regions is something that Eden also highlighted earlier this year when speaking to *SuperyachtNews*. “When you look at some of the naval architecture programmes in the UK, Holland and Germany, you can see why they are the best in the world,” said Eden. “You look at some of the work they do during their apprenticeship and it’s amazing. The level of detail and the knowledge that they gain over those years is second to none. It’s enough to make you wonder whether some of these naval architects who are fresh out of an apprenticeship could just go on and build the whole thing themselves.”

However, Denison believes that while it is all well and good having the workforce in place, you still require those special individuals, or the ‘true boat builders’, at the heart of the operation. “I think people don’t want to do that kind of [laborious] work anymore. Not enough of them. They’d rather figure out a way to

make a better mobile phone or electronic device. This seems to be the case, at least with my own son. That’s where the world is. There are people who have tried to resurrect the industry but they weren’t boat builders. They maybe came from other businesses that they were really good at ... but they didn’t understand the heart and soul of what it takes to build a boat and to have that total faith in your own capabilities. You have to be able to envision it and create it. Not everyone has that.”

If a potential owner has a bank account large enough to buy a super-yacht, it’s likely that they will want to buy a ‘thoroughbred’ or a product that at the very least derives from heritage. These are vital values that drive UHNW individual spending habits in the US, and if the country’s boat builders can integrate that into their marketing strategy, they will be able to encourage Americans to buy and build domestically.

For such a puzzling challenge, the insight of an industry power player such as Bob Saxon, president of the International Yacht Brokers Association (IYBA), can help to clear the fog. Saxon

has been in the yacht-management and charter business in the US for a number of decades. The former president of Camper & Nicholsons USA is now president of yacht sales at Westport, by far the most active private shipbuilders in the country.

“There are those who hold the unfounded perception that American yacht building lacks pedigree and that there is an appeal in building overseas,” says Saxon. “Americans with intent to build yachts should understand that many of the advances in engineering were introduced, and are being developed, by American builders such as Westport and that they should compare before they decide to build elsewhere. With over 160 Westports built and in service, that is testament in itself to the quality of the workmanship.”

For the past couple of years, Westport has proven to be the leading builder in the US. It currently has four superyachts in build, including a 52m motoryacht that is expected to be launched in 2022. Daryl Wakefield, president of Westport since 2000, has a first-hand account of the various peaks and troughs of shipbuilders over the past couple of decades.

The European model is the benchmark, and if nobody else manages to come up with an out-of-the-box solution, then perhaps trying to replicate the best in the business is the way forward.

Westport argues that it is currently in the middle of leading a resurgence rather than a resurrection. Wakefield says, “We have encountered endless amounts of regulatory agencies unwinding restrictions affecting our standard business model. This is across the board, including emissions, mechanical, paint and environmental.”

For Westport to truly lead a significant resurrection, there needs to be a degree of acceptance and acknowledgement of the changing social and cultural landscape in America. The concept of ‘two Americas’ is not new but while there has always been some animosity between the financial elite and the general public, the financial crash – as well as the pandemic – has only widened that gap. America is becoming increasingly plutocratic, and one could easily argue that it’s not currently the easiest time to be marketing superyachts.

“In the United States, where wealth was once an admired quality, there’s been a steady progress towards wealth and affluence being perceived as a negative thing, with many ills of our society blamed on the affluent,” says Wakefield. “Consequently, most Americans have moved their yacht-building overseas on the basis of ‘out of sight, out of mind’. To make America great again we need to bring back confidence in the industry and eliminate the apprehension relating to yachting and yacht owners. Westport always does the right thing and accomplishes the promises made. Westport is a testament to numerous repeat clientele.”

The American consumer places great importance on tradition, class and heritage. Many yacht builders in the country share a similar story of entrepreneurial individuals building small-scale boats as a passion project. As their product gains traction and market demand increases, the builder needs to expand and improve their assets and infrastructure. At this point, an investor, typically from a different industry, will enter the fold, and this ultimately leads to added financial pressure and a shift in direction. The yacht builders who can meet those expectations, while retaining the same original values that they began with, have the best chance of success; those who can’t will ultimately fail. It’s no easy task by any stretch of the imagination.

Foggia believes that any yacht builder, no matter how big or small, can focus on their original mission of evolving their tradition, quality and legacy, while meeting their financial goals and investor expectations. However, in order to do that, the geopolitical challenge must first be addressed.

“The geographic region of the US shipyards must be common among the yacht builders. The solution is to bring several shipyards together in one location in America,” says Foggia. “For instance, up north in Fort Pierce, Florida, there are newly created service shipyards such as Derektor Shipyards. In this area there is substantial infrastructure, created during World War Two, in deep protected water, sea walls and large

plots of land protected, but with direct access to the Atlantic Ocean. If a state or federal entity invested by developing the area for several yacht builders of any size, and the shipyard facilities are built alongside each other, they could share common ground for launching and moving the vessels.”

There’s an enormous uphill battle facing American shipbuilders operating in the 30m-plus bracket over the next decade. As Foggia points out, it would feel somewhat naive to have a whimsical idea of ‘what could be’ in the future even if shipyards and investors manage to get everything right.

The European model is the benchmark, and if nobody else manages to come up with an out-of-the-box solution, then perhaps trying to replicate the best in the business is the way forward. However you look at it, ushering in a ‘golden age 2.0’ will take a lot of time and money, but fundamentally, it will require a grassroots approach.

Culturally speaking, the US has undergone an enormous change in the past two decades, and if the superyacht industry – or any other industry for that matter – wants to succeed in the current climate, then that change needs to be embraced. The US was once a country famous for idolising individual prosperity and entrepreneurial figureheads, but is that still the case? Individuals who were once shining examples of the triumphs of capitalism and the American Dream are no longer revered as they were during the golden age.

A poll by *Forbes Magazine* revealed that only 22 per cent of people have a favourable view of Mark Zuckerberg. Perhaps America needs to stop relying on its old heroes and role models. To ensure success in today’s age, stakeholders need to band together, both geographically and logistically, and do what America does best – go big or go home. **MS**

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‘US NEW BUILD’**



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