

STARTING OUT IN SUPERYACHTS

Getting into the yachting big league offers plenty of sun, fun and excitement. But before the adventure begins, be ready to sort out the many details behind owning a pleasure cruiser.

STORY RYAN SWIFT

COURTESY SINGAPORE YACHT SHOW

Buyers take a look at available superyachts during the 2013 Singapore Yacht Show.

It all sounds too good to be true.

You wake up in the morning in a luxuriously appointed master bedroom suite, with a window onto a fantastically beautiful location, in some secluded and pristine bay which you have all to yourself. Coffee and a fine breakfast await you, served up by a great executive chef who probably spent the previous day sourcing local delicacies. Perhaps you connect with the office one last time to make sure everything is running fine before you suit up for some scuba diving in a carefully selected spot where whale sharks gather, or perhaps it's time to go ashore and laze about on a beach with family and friends. Or perhaps some deep-sea fishing is on the day's activities.

These are the visions that drive buyers into the market for superyachts. If ever there was a status symbol that stands taller than them all, it has to be a superyacht. The dreams and visions that go with the prospect of having your own are enough to encourage anyone to take the plunge.

But while all this is doable – and tempting – there is a price to pay that goes beyond just the cost of the floating lovelies available to a buyer.

“When you are looking at buying a 30- or 40-metre boat – it's not a toy any more. It's like buying a company; a lifestyle company,” says Christophe Ceard, founder and managing director of Red Coral, a yacht management company with offices in Germany and Thailand. Ceard recalls helping a Hong Kong family move up from a small yacht of about 40 feet to a larger one, and then finally on to a substantial superyacht, calling the process a “painful exercise”.

The pain usually comes for buyers after the handshake and contract is signed.

A typical mistake among Hong Kong buyers is underestimating the costs that go with the vision, according to Ceard. A common rule of thumb is, you can expect to spend about 10 per cent of the original purchase price of the yacht per year on things like maintenance, crew, insurance, fuel and other sundries. Though Ceard says while people are becoming more aware of the costs involved, misunderstandings still happen. He points out, for instance, the 10 per cent figure associated with running a superyacht is based on the original purchase price of the boat, not the price a buyer may pay for a second-hand superyacht.

In order to get the most out of your superyacht, the most important piece of advice most people in the industry have is, know what you want to do with it. “It’s not so much about size as what you want to do. There’s no rule of thumb about size,” says Ceard.

One of the big questions first-time buyers will face is whether the yacht is meant for cruising only locally, or if the aim is to take it regionally or even globally. This affects the kind of yacht you wish to buy – do you want a sleek 130-footer that goes fast but not very far, or do you want a sturdy 100-footer that’s a bit of a slowpoke, but can cross oceans and take you to the most remote, untouched and beautiful locations?

If the answer is cruise around Hong Kong, life is easier – though some would feel a bit duller. In this case, local crews, many drawn from the fishing boat life, will suffice, and this is what most buyers opt for. Going farther afield and doing some exploring will require a bit more administrative work.

01 Jackie Chan and Fan Bing Bing disembark from the superyacht Harley during the 2013 Cannes Film Festival.

02 The 46-metre semi-custom superyacht H by Benetti, part of a series of entry-level superyachts by the Italian builder.



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Crew is a major issue cited by superyacht managers, particularly with regard to Hong Kong’s own peculiar immigration system. Joe Yuen, founder of Lodestone Yachts, one of Hong Kong’s few indigenous superyacht management agencies, says visas for western crew can be a complex issue.

One of those issues concerns crew qualifications. Probably the most important person in the business of owning a superyacht is your captain. On smaller boats, you may be piloting the yacht yourself, or you may hire someone for the day. On a superyacht, the captain is the one who pilots the yacht, keeps

the crew engaged and busy, and even looks after the supplies and expenses. Local captains may only wish to work on board the yacht for a day, returning home at night. The qualifications required for such work are relatively light compared to the standard of qualifications that international captains can acquire. Yet, those qualifications may not be considered valid in Hong Kong.

Ceard reckons New Zealanders are a good option as captains. “They are more keen to come to Hong Kong looking for work,” he explains. Captains can be sourced by yacht management companies and even

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COURTESY AZMIT-BENETTI GROUP PHOTOGRAPHY NOBBE (LEFT)

brokers. Burgess and Northrop & Johnson Asia, both international names in yacht charter, second-hand sales and yacht brokerage, can also help find a captain, who can then assist in putting together a crew.

The potential crew could also help determine which luxury yacht, particularly in the 30 to 40-metre range, you buy. A quick look can tell you if the designers have left enough living space for the crew. If the bunks are tiny and impossible to move around in, you may have disgruntled crew. Captains will appreciate (if not demand) a bunk and small office that’s located just behind the wheelhouse.



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MAINTAINING YOUR NEW SUPERYACHT IS A MUST, PARTICULARLY IF YOU WANT TO SEE A REASONABLE RESALE VALUE IN FUTURE

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FLAGS, TAXES AND MORE

Getting ready for tax obligations can also be a major point to consider, particularly for new yachts. Rafael Beaudrey is the business development manager in Hong Kong for Rosemont, an international tax advisory and wealth management firm with a buoyant yacht administration business. Beaudrey and Ceard both agree one of the biggest mistakes first-time superyacht buyers make is “not optimising their taxes” with regard to their new toys. Answering some questions about the use of the yacht and ownership structure will help ensure taxes do not become a problem while you are trying to enjoy an aft-deck cocktail.

Another issue for those who want to sail the world is flag state – akin to choosing the passport for your travelling luxury toy. Choosing the right flag state will involve questions about yacht ownership (is it a person, a business, a holding company or a trust?), according to

Beaudrey. Mark Woodmansey, a long-time yacht broker in Hong Kong with Burgess Yachts, points out “flag state becomes an issue when you are looking at yachts over 24 to 30 metres, which aren’t covered by the Private Vessel Operators License.”

Most large superyacht owners will opt for a Red Ensign flag – so named for British Red Ensign jurisdictions such as the British Virgin Islands or the Cayman Islands, the two most popular flag states for superyachts. For those buyers wishing to cruise in US waters, the Marshall Islands is a popular flag state, chosen by Hong Kong businessman Richard Beattie for his custom-built 45-metre explorer yacht, Big Fish.

Maintaining your new superyacht is a must, particularly if you want to see a reasonable resale value in future. Buyers can be assured their purchase – apart from the occasional classic yacht – will never go up in value. But that doesn’t mean you want to let a yacht

03 Ferretti Yacht’s Navetta 28, a popular starter superyacht.

04 The master bedroom aboard Hong Kong owned superyacht Lady Candy from Benetti.



PHOTOGRAPHY JEFF BROWN

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dwindle in value solely because maintenance wasn’t done, or crewing issues were ignored.

Woodmansey of Burgess stresses the importance of putting a superyacht into the charter market as a way to maintain its value. “Charter is good for the crew – boats going to far-flung places, rather than just sitting at the Hong Kong Gold Coast, is good for their morale. And this means a better run boat.” He adds the older owners have been disinclined to put their yachts into the charter market, but newer owners are starting to do so. In addition to having a better run yacht, some of the costs associated with ownership and maintenance can be defrayed.

Being in the global charter market also requires a superyacht to be “classed”, which means certified by one of a handful of classification societies. These societies, the most famous being Lloyd’s Rules, DNV, RINA (Registro Italiano Navale) Germanscher Lloyd, Bureau Veritas and the American Bureau of Shipping (ABS), have sets of rules about the building and maintenance of yachts that result in surveys to ensure those standards are maintained. Keeping a yacht “in class”, can lower insurance costs and is good for resale value.

Unfortunately for Hong Kong-based owners, chartering in the city is not legally permitted, so a foreign-flagged superyacht will need to charter elsewhere in the region.

Yuen also points out yachts based locally need a license to operate in Hong Kong waters and requires a set of surveys by the Hong Kong Marine Department which has, in recent years, been tightening the rules on superyachts entering and operating in its waters. These surveys have to be done whether a superyacht is “classed” or not, and Yuen advises beginning the paperwork on this process as soon as possible so the yacht is not held up at the docks.

Finally, superyacht owners will be faced with the question of where to berth their yachts in Hong Kong. Marinas have not been able to expand to meet rising demand, leaving buyers and their managers having to experiment a little. Some have found berths by coming to an agreement with the maintenance yards in Aberdeen. Others have found places in refurbished shipyards, such as Tsing Yi North Coast Yacht Services.

One common piece of advice for prospective buyers is to consider chartering. Burgess and Northrop & Johnson are major players in charter and both have representatives based in Hong Kong. Through them, you can charter a range of superyachts and find out which one you prefer.

Kicking back on the aft-deck, cocktail in hand, in some remote, unspoiled location, may be the perfect indicator as to whether you are ready to acquire your own superyacht. ☺