

November 2021

The Asian yacht market and private wealth sector - trends and opportunities

Introduction

On Tuesday 12 October 2021, Stephenson Harwood's superyacht team hosted a panel discussion, chaired by **Sean Gibbons** and joined by fellow partner **Kevin Lee**, on the trends and opportunities within the Asian yacht market and private wealth sector, and what this meant for yacht owners and buyers, ultra-high net-worth individuals and other stakeholders, as well as the future of the yacht industry.

The pair were joined by 3 guests from around Asia:

- **Adam Blackmore** – sales broker at Fraser Asia;
- **Louis-Jérôme Monnier** – executive director at BNP Paribas Wealth Management in Hong Kong; and
- **Vincent Lam** – executive director of Flag in the Sand Lifestyle Ltd in Singapore.

This article summarises the key points raised during the panel discussion.

Growing wealth across Asia

The extraordinary growth of wealth in Asia has been a driving force behind superyacht ownership in the region. In fact, the number of billionaires in Mainland China has doubled from approximately 500 to 1,000 over the last 5 years.

This growing wealth (particularly in Singapore, Hong Kong and Mainland China), as well as the potential for it to continue, has been a key reason behind why some financial institutions have maintained a strong presence in the region for many decades. BNP Paribas, for example, has had a presence in Hong Kong since 1958, and founded its local wealth-focused sectors, offering jet and yacht financing services in 2008 and 2013 respectively.

However, the ratio of billionaires to yacht owners in the Asia Pacific region remains underrepresented. Asia Pacific accounts for only roughly 10% of the market, compared to Europe and the US, which each account for approximately 35% of the market. Some are cautiously optimistic about a boom in the Asia Pacific yacht market, whilst others remain sceptical. All of this is to say that the Asia Pacific market remains unsaturated – and this represents opportunities.

Geographical and cultural factors

Geographical and cultural factors influence the potential of such a boom in the Asia Pacific region. The most prominent example is that whilst boats are becoming more sophisticated, the general level of crew training and experience, and yachting infrastructure, has been unable to keep up.

Our speakers also remarked that, generally speaking, the Asian mindset towards owning a yacht is quite different to that in the West. Asian clients are known for likening the purchase of a yacht to that of a second home, with the added perk of the asset being movable. This attitude means that first-time buyers are not afraid to invest and this has contributed to the inflow of funds into the market. An increased demand for yachts in recent years has consequently led to new infrastructure being developed or planned, such as new berths in Hong Kong, as well as the Hainan region of Mainland China as a whole.

There are other jurisdiction-specific factors that limit or encourage growth. For example: Hong Kong, although a small city, has plenty of islands within its waters for owners to explore; whilst those in the Philippines are limited in their travel plans, as the archipelago is too far for smaller yachts to sail to; and last but not least, in Mainland China, the rich face various administrative burdens and have to

grapple with the government's scrutiny of the wealthy.

The panellists also explored how the interests and preferences of clients within Asia differed. While those in Singapore and Hong Kong generally have a greater understanding of the funding, mortgage, registration, title and other legal and due diligence processes involved, some buyers from other markets were less familiar with these processes.

COVID-19

The Covid-19 pandemic has, without a doubt, had a significant impact on the market. Sales figures across the region have generally been at an all-time high, spurred on by international travel restrictions, domestic gathering restrictions and a desire to use yachts as private office spaces.

Opinions on whether these trends would continue into the foreseeable future were divided. At a time where yachtbuilding capacity is fully occupied for at least the next couple of years, some saw no signs of slowdown; whilst others saw the regulatory pressures in Mainland China as a significant obstacle to the future of the market.

Financial institutions

Despite recent flashy headlines suggesting the contrary, our panellists agreed that cryptocurrencies have not seen any sort of meaningful adoption in the superyacht industry. This trend is not expected to change, particularly in light of the ban on cryptocurrencies in Mainland China. There has therefore generally been no need for financial institutions in this space to offer crypto-related services.

With financial institutions therefore not concerned with the usual money laundering risks inherent to crypto-related transactions, their focus has instead turned to how borrowers can properly maintain their berths and yachts, in order to properly preserve the value of the bank's collateral. The recent fire in the Aberdeen South Typhoon shelter in Hong Kong, for example, led to a significant number of boats being destroyed or otherwise seriously damaged. This is an issue not just for banks but also one for insurers, with premiums continuing to rise year after year. Although this is very much a global issue, it is generally a greater concern in Asia given its relatively nascent yachting infrastructure.

How we can help

Stephenson Harwood not only routinely advises stakeholders on yacht financing, sale and purchases, and disputes, but has also been looking after the legal needs of ultra-high net-worth individuals and their families for nearly 200 years, offering services ranging from wills and succession planning, to trust and corporate structuring, compliance and tax advice, and philanthropy.

Ring-fencing high value assets is something that every superyacht buyer should think about. It also needs to be considered at the outset, as it has implications as to how any financing or registration is structured.

The firm also certainly keeps up with innovative developments. For example, the Hong Kong team advises on "ESG" (environmental, social and corporate governance), a set of principles which is becoming increasingly prevalent, even in the superyacht sector, where shipbuilders are not only starting to come under regulatory pressure to pursue greener technologies, but are also starting to see such a demand from ESG-conscious clients.

Contact us



Sean Gibbons
Partner, London

T: +44 20 7809 2613
E: sean.gibbons@shlegal.com



Kevin Lee
Partner, Hong Kong

T: +852 2533 2843
E: kevin.lee@shlegal.com



Ezio Dal Maso
Senior associate, Paris

T: +33 1 44 15 82 17
E: ezio.dalmaso@shlegal.com



James Wong
Associate, Hong Kong

T: +852 3166 6933
E: james.wong@shlegal.com