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Chartering Superyachts in the summer of 2022 – key trends and issues to watch out for

Introduction

On Thursday 16 June 2022, the Stephenson Harwood superyacht team hosted a webinar discussing the key trends and issues to watch out for when it comes to chartering superyachts this summer. The webinar was chaired by Paris-based of counsel Ezio Dal Maso and London based partner, Max Lemanski. They had the pleasure of hosting guest speakers Daphne d'Offay, the Charter manager at Ocean Independence in Fort Lauderdale; Michaela Villa, the founder of Villa Yachting in Genoa; and Sinon Senol, Partner at Senol Somran based in Istanbul. This article summarises the key points that were raised and discussed between the panel chairs and their guests.

The current market

The discussion started with a general overview of the yacht and charter market. The yacht market, according to market sources, was valued at around USD\$15 billion in 2020 and is expected to reach USD\$23 billion by 2026.

Factors leading to such a growth in the yacht and chartering market include a boom in disposable income and economic wealth for many high-net worth individuals, as well as the urge for luxury travel and leisure after the COVID-19 pandemic. The year of 2021 saw an increase in European and North American charterers leading the market as many governments re-opened their borders and lifted lockdowns that had been in place since 2020.

Whilst it is anticipated that the yacht charter market is due to grow further, new and significant factors may hinder the current growth streak in the market. Increasing costs of fuel and other materials as well as an exclusion of Russian-owned yachts and charterers from the global market are all likely to have some impact on the charter market. The

webinar hosts and their guest speakers had some insightful discussions on their own experiences of this.

The effects of the COVID-19 pandemic on the chartering and superyacht industry

The general consensus among all the speakers was that the COVID-19 pandemic had an initial impact on the yacht and chartering market as people were forced to stay in one place or locked down by their governments. Ms Villa stressed the point that COVID-19 has changed the way that people see their lives, and they are willing now, more so than before the pandemic, to spend their money on luxury.

This sentiment was shared by Ms d'Offay, who also commented that more people are now able to work remotely or attend school online due to the measures put in place during the COVID-19 pandemic. This has made the prospect of being on a yacht for longer periods of time much more attractive to businessmen and their families. Ms d'Offay noted that the post-COVID market has seen a 25% increase of first-time charterers. As the time that people can actually spend on their yachts is increasing, prospective owners are more willing to spend their money on a yacht, with a large proportion of the new clientele being families.

Ms Villa also expressed her thoughts that in her experience, the yacht market has shown unexpected resilience compared to other sectors of tourism throughout the pandemic. This was largely due to the fact that yachts are often seen as a 'bubble' or safe space. Social distancing measures were extremely easy to implement, especially on large superyachts, and many families and individuals who could afford it saw being on a yacht a safe way to spend their summer whilst avoiding COVID-19.

Russia-Ukraine war and Russian sanctions

Whilst the post-COVID-19 sentiment of wanting to get back out onto the water in luxury and style had a significant positive impact on the yacht charter market, another significant recent trend that was noted was the recent geopolitical crisis with the Russia-Ukraine war. The subsequent sanctions placed on some Russian yacht owners by most western countries and the rise in fuel prices has hindered, and will likely continue to negatively impact, the market.

Russian yacht owners occupy a significant proportion of the yacht, and especially superyacht, markets. With western governments enacting sanctions against wealthy Russians and detaining their superyachts, their absence in the yacht charter market has been felt. Many of them are unable to pay for their yachts or to bring their yachts out onto the water in certain jurisdictions. Ms Villa gave an insight into the impact on Russian yacht-owners in Italy, who own many large yachts and superyachts in places like Tuscany and have seen these frozen and detained by local authorities. Not only are most wealthy Russians who are facing sanctions unable to pay for yachts themselves, brokerage houses are also reluctant to accept bookings from them in order to avoid any sort of political and financial complications it may cause them.

This was contrasted with Mr Senol's experience in Turkey. He gave an insight into the Turkish chartering market and trends. With Turkey having become a popular destination over the past few years for chartering activity, the market has been growing. Recent statutory changes allowing yachts carrying foreign flags which are larger than 39 metres to sail between Turkish ports has led to an increase in foreign flagged yachts entering Turkish ports and marinas. In addition to this, the western sanctions against Russian yacht-owners and their superyachts have actually benefitted the Turkish charter and yacht market. Turkey is one of the few countries that has not enacted any sanctions against Russia. Recent months have therefore seen a large flow of Russian-owned yachts into Turkish marinas as Russian owners feel that their vessels are safer there. Although Mr Senol noted that many of the Turkish marinas are not yet equipped to deal with such large yachts, he also commented that this was likely to lead to a positive adjustment in the Turkish infrastructure and industry as they adapt to this.

The Russia-Ukraine war has had a significant impact on fuel prices, as well as the economic livelihood of many Americans and Europeans. As yacht owners and charterers see an increase in fuel prices, charter

hire rates have also increased. This, coupled with the increase in cost of living due to the war, has led to a worry in the market that the demand may decrease.

Despite these factors affecting fuel costs, the 2022 summer season is set to be a promising one. This is reflected in the fact that it is now very difficult to find any sort of availability for yachts this summer. In addition to this, many governments, including Italy, have adopted tax relief measures in order to reduce the impact of increasing fuel prices. With many yachts for this summer already booked up, it may be the case that the economic consequences of the Russian sanctions and the war in Ukraine are not felt by the yacht chartering market until much later on in the year.

Yacht Charterparties and Terminations

A recent trend relating to yacht and superyacht charterparties was noted by Stephenson Harwood partner, Mr Lemanski. He observed that, in his experience, there had been a rise in more hasty charter terminations. Often parties are unaware of what rights they do, or do not, have under a charter. With terminations becoming common both before and after the commencement of the contract, it was highlighted that parties should seek more awareness as to what rights they may have under a charter and what they are entitled to should it be terminated. Mr Lemanski expressed a concern that parties seeking compensation after terminating their charters are often misinformed about how much they are entitled to upon termination. With geopolitical tensions around the Russia-Ukraine conflict increasing, it is likely that such impulsive terminations of charters will become more common.

Trends to look out for

With a post-COVID boom in the yacht charter market showing positive trends, and the contrast of Russian sanctions and rising fuel prices, there are definitely many new factors to look out for this year. There is no doubt that recent trends, following a period of global lockdowns, have shown a surge in people wanting to get out onto the water and enjoy their summers in new and exciting ways. At the same time, although the effects of it have not been fully seen in the market yet, there is some concern that Russia-Ukraine tensions and the subsequent sanctions imposed by governments are likely to impact the superyacht market and possibly even lead to more tensions and conflicts.

With the summer 2022 season already having kicked off in full force and with great enthusiasm globally, it will be interesting to see how the trends discussed here will impact it and what new trends it will bring.

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