

Stock Market Review



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Malta's strategic positioning as a superyacht homeport

Following the recent press release issued by Grand Harbour Marina plc that it successfully concluded the sale of a second superyacht berth, I interviewed a director of GHM, Nick Maris, to discuss the dynamics of the superyacht industry and Malta's positioning in this respect.

Nick Maris is also the CEO of Camper & Nicholson's Marinas which has an 80 per cent equity stake in GHM. Currently, GHM owns the marina in Vittoriosa as well as a 45 per cent shareholding in Cesme Marina near Izmir in Turkey.

The first berth sale that took place this year was in March and the 2011 half-year financial statements of GHM revealed that the 30-metre berth was sold for a value of €436,320. Although the press release issued on October 6 referring to the second sale of the superyacht berth concluded at the recent Monaco Yacht Show did not reveal the value of the berth, Camper & Nicholson's indicated that berths are currently being marketed at a rate of €2,020 per square metre.

When asked whether this rate was maintained for the latest sale, Nick Maris was quick to point out that the "negotiated price for the 30 metre berth was €540,000". This is equivalent to €2,000 per square metre. However, he also remarked that "for berths of a size in excess of 60 metres, the price per square metre is €2,250 due to the scarcity and increased value of such berths".

GHM currently has 33 superyachts berths in Vittoriosa, although the company has plans for a berth reconfiguration possibly leading to the creation of another very large berth in excess of 130 metres.

Over the years, a total of 14 berths were sold from GHM's overall stock. GHM releases a small number of berths for sale each year. In 2007 GHM concluded sales for three berths of 75 metres each for a total value of just over €10 million. Moreover, two smaller berths of 30 metres each were sold in 2008 for a value of just over €1 million. However, the 2008 international financial crisis which led to a worldwide recession in 2009 also impacted the yachting industry and the marina sector leading to a halt in sales as yacht owners adopted a more cautious attitude. In fact, no sales of superyacht berths took place in 2009 and 2010. As a result, GHM's financial per-

formance suffered in both years although the rental income from the pontoon berths grew steadily.

However, even during the difficult years of 2009 and 2010, GHM were always of the view that due to the industry dynamics with berthing requirements far exceeding the supply available, yacht owners would eventually return to conclude purchases of berths.

In view of the worsening eurozone debt crisis and the fear of a renewed recessionary environment that gripped international financial markets in recent months, the resumption of sales of superyachts berths by GHM may be surprising for market participants and the public shareholders of the company.

When questioned on the rationale for such a renewed appetite for berth sales following the past three challenging years, Nick Maris highlighted some important reasons. He continued to stress upon the point made over the years that "there is still a scarcity of long-term berth ownership options as the global fleet of superyachts is growing steadily from year to year but the marina berths in premium locations that can accommodate vessels of 50 metres or more are failing to grow at the same pace".

The Financial Times of London recently gave wide coverage of the international yachting industry in conjunction with the Monaco Yacht Show. In one of the articles published in the yachting supplement, further information was provided on the scarcity of marina berths for superyachts. Although the superyacht market shows a continuing decline in orders and launches since the peak of 2008, the future pipeline in terms of the number of yachts ordered but not yet delivered still amounts to 402 vessels.

Mr Maris goes on to explain that the excess need for superyacht berths "is anticipated to lead to a continued steady increase in marina berth prices at a similar pace to historical figures". Berth rates at Grand Harbour Marina have surged from €500 per square metre when the first sale took place in 2003 to over €2,000 per square metre, eight years later.

However, despite the strong growth rates achieved in the superyacht berths at GHM, these are still substantially lower when compared to marinas in the South of France or the Balearic Islands for example. According to the Financial Times, some of the most expensive marinas are charging



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between €4,000 and €8,000 per square metre for a 25-year lease.

Another reason cited by Nick Maris is Malta's ideal location at the heart of the Mediterranean and the benefits from a financial perspective of choosing Malta as a homeport. When questioned on the financial, tax and operating benefits being offered to berth owners, he explained that the structure of a berth sale in Malta is in the form of a deed of sale as opposed to a long-term lease.

"The deed provides the owner with a definite right of ownership for the duration of the contract (normally 25 years)," and Mr Maris explained that this is an "asset-based investment" bringing a host of other benefits, namely "flexible financial restructuring to suit individual circumstances, low acquisition and maintenance costs, low yacht registration costs, tax exemption for certain private yachts, duty-free fuel for yachts under charter and other favourable tax benefits including easy access to the Maltese yacht registry".

Mr Maris also cited the concerted efforts made by various yachting industry specialists with the help of the Maltese government to "promote Malta as the ideal superyacht homeport". Camper & Nicholson's are of the view that Malta established itself as a premier yachting destination with a high standard of infrastructure and services in place including the ship repair facilities located next to GHM's marina in Vittoriosa. Mr Maris praised the government of Malta for fully sup-

porting the yachting industry, providing a friendly culture and promoting as well as encouraging international super-yachts to visit or berth permanently.

Following the sale of two berths this year, the natural question to ask Nick Maris was on the current level of enquiries. Although he was initially cautious due to the uncertain and rapidly changing economic environment, he commented that "sales discussions and negotiations are currently taking place on a number of berths ranging from the smallest available berths of 30 metres to the largest size of 134 metres" primarily as a result of the positive attention in the industry surrounding GHM and Malta in particular as well as the "increasingly limited spaces available".

When quizzed on the upcoming competition for GHM from newer locations such as Tunisia and possibly other North African countries, Mr Maris explained that at present they did not offer the breadth or quality of offering that Malta did, while in the short term "due to the continued political uncertainty, there are still fears over yachting tourism in the region".

With the package of benefits being offered to yacht owners and the very high standards within GHM's Vittoriosa marina, Nick Maris is clearly confident that the company will gradually sell its remaining super-yacht berths at higher price levels to the many owners who require appropriate home porting facilities for their vessels.

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