

Resilient markets waiting for the upturn

THE UNITED ARAB EMIRATES' BOATING MARKET HAS BEEN RIDING A ROLLER-COASTER, BUT THERE IS STILL POTENTIAL FOR GROWTH AS THE COUNTRY BUILDS UP TO EXPO 2020 IN DUBAI

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▲ Emirates Palace Marina in Abu Dhabi has 161 berths

The United Arab Emirates (UAE) is different from other Gulf countries. While the capital is the Emirate of Abu Dhabi, the most recognisable Emirate is Dubai. This Emirate has become a global brand with its reputation for a conspicuous luxury lifestyle. It has the world's tallest building, the Burj Al Khalifa, the region's largest port in Jebel Ali, and the world's largest long-haul airline, Emirates.

Both Abu Dhabi and Dubai can claim to be home to owners of some of the world's largest superyachts based both in the Gulf and around the world, with the Gulf region recognised as being home to at least 15% of the world's superyacht owners.

Abu Dhabi, the federal capital, has massive sovereign wealth due to its oil reserves, but cultivates a more conservative and cultural image with the Grand Mosque and the impressive Louvre Abu Dhabi museum attracting a more discerning and conservative visitor. The main driver for the economy in the UAE is not just oil, as in the case of most Gulf Sheikdoms, but its additional focus on tourism, airlines,

trade and finance, which all come together to position the UAE as the business hub of the Gulf together with the Indian Ocean islands and parts of Africa. The oil revenue portion of the economy has fallen to 30% as the country has successfully diversified into other areas, but oil and its related business remains the key driver.

In late 2008, at the start of the global financial crisis and the impending storm that would affect the leisure boating industry in Europe and the US, the United Arab Emirates was seen as a market that would not suffer economic downturns and the boating industry would remain relatively strong. However, in 2009 the UAE also suffered a slump in the face of a collapsing property market and a fall in the value of global investments held by many local investors.

Relying on a heavily leveraged property market, Dubai was most affected by

the downturn, but fortunately financial support in terms of US\$20bn was forthcoming from the neighbouring oil-rich Emirate of Abu Dhabi, and avoided a collapse. Amidst the economic turmoil,

the boating market inevitably suffered with boat sales in the UAE significantly down and marinas working hard to find customers for berths. By 2012 the boating business was back on track. However, since 2014 the roller coaster economy has again been on a downhill

gradient with issues affecting both the economy and the boating market becoming apparent.

“ By 2012 the boating business was back... However, since 2014 the roller coaster economy has again been on a downhill gradient ”

CULTURE AND ECONOMY

The UAE is composed of seven Emirates, the Federal capital oil-rich Abu Dhabi, its neighbour and key trading hub Dubai, and the smaller Emirates of Sharjah, Ajman,

Umm Al Quwain, Ras Al Khaimah and on the west coast the Emirate of Fujairah.

The UAE's per capita GDP has been on a par in recent years with those of leading Western European nations with GDP growth figures in the region of 4%. Its high oil revenues and its moderate foreign policy stance have allowed the UAE to play a vital role in the affairs of the region. However, in 2017 the UAE recorded minimal growth of 0.8%. In recent years the involvement of the UAE together with the Kingdom of Saudi Arabia in the proxy war against Iran in Yemen has been costly in both financial terms and, in some Western government eyes, credibility.

In 2009, falling oil prices, collapsing real estate prices, and the international banking crisis hit the UAE, especially Dubai, hard. Fortunately, because of good governance, the UAE essentially avoided the 'Arab Spring' unrest seen elsewhere in the Middle East.

Post 2012, the economy steadily improved but in 2014 faced new threats from instability in the Middle East, falling oil prices and in Dubai a dearth of Russian high spenders. Dubai with its highly

are worried about the exposure of regional banks to property". In a move to boost the Dubai economy and retain vital expatriate workers, the government has frozen private school fees, loosened visa restrictions and made property ownership easier.

BOATING MARKET

The UAE has a strong maritime heritage stemming from its past association with fishing, pearl diving and Dhow trading. This strong link with the past has encouraged the growth of marine leisure in the UAE, making it second only to Kuwait in the total number of boats owned in the GCC. Although firm figures are difficult to obtain on the boat population, current estimates are that the UAE is home to some 10,000 leisure boats over 5m in length compared to Kuwait, which numbers at just under 20,000.

There is more interest in larger boats in the UAE than other Gulf markets and estimates indicate that there are some 1,000 leisure boats over 45ft in length powered by inboard engines in the UAE. During the annual Dubai Superyacht Summit held at the end of February,

is a well-developed and well-managed network of over 30 marinas throughout the country. The majority of boats under 40ft are outboard-powered and used for leisure fishing by locals and for cruising by expatriate boaters. Apart from the Gulf coast, there are good boating waters on the Arabian Sea side of the UAE in the Emirate of Fujairah, where the coastal conditions are similar to Oman with excellent fishing and diving waters.

Boat sales and the rate of development of new marinas slowed in the wake of the 2009 financial crisis. Boat sales in the UAE in 2010/11 were down some 80% on 2007 figures, only picking up after 2012. Since then sales have not met expectations, with the roller coaster starting to go downhill in the last quarter of 2014.

The main issues impacting on the boating industry in the UAE are:

- Oil prices are becoming steadily weaker. According to a recent report by the business magazine *The Economist*, "rising oil prices created momentum in the short term but trends in the long term are downwards". With oil price directly and indirectly still the key economic driver for the UAE, the economies have been under pressure, tightening budgets and reducing business confidence.

- The downturn in the Russian economy has had a knock-on effect in the Gulf, especially in Dubai where its attractive climate and liberal economy had long been a popular haven for Russians. In recent years Dubai has suffered from the lack of Russians with money to spend on boating.

- Security threats, particularly from ISIS, are of real concern to both expatriates and locals in the Gulf region. While the UAE is one of the most secure countries in the world, the proximity of turmoil close to its borders is ever present.

- The increase in border security measures caused by Gulf security concerns also affect boating. It's mandatory in the UAE to be logged in and out of the marina or port by the Coast Guard. Boating is no longer the relatively hassle-free pastime it was. The tight security and weather-related regulations implemented by the Coast Guard are a particular annoyance to the industry, which sees customers unwilling to purchase boats they can't use at sea.

- Safety issues are also becoming more stringent. Whilst compulsory wearing of lifejackets is seen by the industry as a sensible law, being prevented from



▲ Dubai Marina. The local market is turning to larger vessels

leveraged economy has been affected, the stock market has fallen by 20% this year and the largest firm in the Dubai Financial Centre, the Abraaj Group, has collapsed. The real estate market is soft with rents falling and properties left empty even as developers build more. According to *The Economist* magazine, "analysts are not concerned about another 2009 crash but

Walid Altamimi from Tasneef, the marine registration and licensing authority in Dubai, said: "The market in Dubai is changing from predominantly small boats to larger yachts."

The main centres for leisure boating in the UAE are in the capital of Abu Dhabi and in Dubai. A large number of boats are kept on trailers in the UAE, although there

going to sea by the Coast Guard in the UAE in a relatively moderate 15kt breeze is not.

- The introduction of 5% VAT in the UAE has made boats and equipment more expensive for the end customer. For the many small boating-related businesses in the UAE, it's also an additional administrative burden.

- The ongoing blockade of the GCC state of Qatar, accused by both Saudi Arabia and the UAE of supporting terrorism, has affected the boating industry. Visiting yachts can no longer transit to and from Qatar via the UAE, and services and equipment, normally sourced from Dubai, face logistical problems.

SUPERYACHT MARKET

“The UAE government is adopting a positive approach to attracting superyachts,” according to Captain Mike Fetton, general manager of JLS Yachts, which manages and offers agency services for superyachts in the UAE, handling between 20-30 superyachts per year.

“In the past year the authorities have had a lot of support from the government who are very keen to promote the superyacht industry and promote the Emirates as the centre of yachting for the Middle East. The rules have changed and yachts can now have a six-month renewable cruising permit, a considerable increase from the 21 days previously available, and six-month renewable multi-

entry visas for the crews. The yachts want to come to the UAE and the market is definitely growing with the change in the rules. Abu Dhabi has enormous potential for cruising with over 300 islands. Our challenge as an industry is to encourage the government to relax the rules for the use of smaller boats.”

Wyndham Tops, director of leisure at the prestigious Emirates Palace Hotel, which has an attached 161-berth marina, commented on the government initiatives: “We are working closely with the government to ensure that we have the correct legislation for cruising and also for marinas standards with regard to health and safety which is already under discussion. Initially this is for the Emirate of Abu Dhabi, but it should extend across the country as Federal regulations. Abu Dhabi is growing as a winter base for superyachts who come from Europe or are on the way to Asia. We have 161 berths in the marina, including 10 berths for yachts up to 45m and one 160m berth, 70% of boats in the marina are locally owned, and the marina has an occupancy of 98%.”

BOAT MANUFACTURING

The UAE is the centre of Gulf boatbuilding with approximately 100 boatbuilders with trade licences producing an estimated 600/800 boats of all sizes per annum. Only about 20 of these builders produce boats in

volume, with 10 capable of producing boats that meet export standards. As there are no compulsory boat construction standards in the GCC, design and build quality varies considerably. Compulsory boat build standards have been muted for some years and are planned to be introduced shortly, as are factory regulations on styrene and dust emissions. These moves, when introduced and enforced, will improve quality and reduce the number of builders considerably as well as putting up costs which are already growing. No longer is the GCC the manufacturing centre of choice based solely on low labour cost. Technology is becoming more important and several GCC builders have already embraced this by introducing CAD/CAM technology and modern manufacturing systems. Gulf Craft and ENATA Industries are leading examples.

Since starting operations over 30 years ago, Gulf Craft has grown to be a major international as well as a regional force in boatbuilding, having a market share of about 25% of the total Middle East boating population of some 53,000 boats. Over the past 15 years, under the chairmanship of Mohammed Al Shaali, the company has developed its larger yacht brand Majesty Yachts, offering a range from 44ft-180ft, with over half of the production exported out of the UAE. The company has also ventured into semi-displacement boats with its new Nomad brand with a range from 65ft-95ft.

Another local company embracing technology is newcomer ENATA Industries, builders of one of the world's first production foiling sports boats. The ‘Foiler’ had its world debut during the Dubai International Boat Show in March. During a visit to the factory, chief operations manager Mostafa Agib El Nahta described the project: “We are trying to bridge the gap between foiling sailing yachts, which in recent years have made large advances in foiling technology, and motor boating, which has not developed the concept of foiling to the same extent. One of our key drivers for the project was to focus on how we could reduce harmful emissions to the environment both during manufacture and in the use of the boat. Our manufacturing process uses resin infused epoxy and carbon fibre for both the foils and the hull which reduces weight and the quantity of material used as well as avoiding emissions during the manufacturing process. Our manufacturing plant in

“The government is very keen to promote the superyacht industry and promote the Emirates as the centre for yachting”



▲ Sunreef's 40ft Open catamaran drew plenty of attention at the Abu Dhabi boat show

the Hamriyah Free Zone of Sharjah UAE has the latest technology with a 5-axis milling machine and robots to improve manufacturing efficiency”.

BOAT SHOWS

Dubai International Boat Show

The Dubai International Boat Show (DIBS) is the main boat show for the region. Despite the ups and down of the Gulf economies, the show has only missed one year in its 26-year history and has established itself as the key promotional event for boating in the Middle East, the Asian sub-continent and for the growing African boating market.

The show runs annually at the end of February and in 2018 relocated to a temporary site on the Dubai Canal in Jumeirah. The new location is closer to the city and business centre at the mouth of the Dubai Canal and the sea. The new show site required the building of a temporary 100-berth marina to host the exhibitors which completely filled the available berths.

Dubai show director Riju George told IBI: “The reason for moving the show to the temporary site at the exit to the Dubai canal was that the Dubai International Marine Club, our normal home, is being reconstructed to be part of the new Dubai Harbour marina complex with a planned

re-opening in 2020, when we should be able to return to our home site.”

Regarding the visitor profile: “We reached out to new markets in 2018 and had visitors from Russia, Seychelles, Saudi Arabia, Africa and the Indian Ocean Islands. Our international target area for visitors focused on markets with good visitor potential within four hours flying from Dubai. We had an audited visitor attendance in 2018 of 26,889.”

Show marketing director Nick Craig Waller added: “The average length of visitor time at the show went up at the 2018 show by 35% to over four hours with the visitor attractions and the mix of exhibits to hold their interest. Recent changes in the past year with visa rules in the UAE offering visas on arrival has enabled more visitors from countries such as Russia and China to attend.”

This year the show, run by the government’s Dubai World Trade Centre, upped its game, improving the infrastructure and support information to help the visitor.

Competing boat shows

DIBS is not without competitors within the UAE. On its home turf but aiming at a different market segment, is the Dubai Pre-Owned Boat Show, held in November for the past five years at the Dubai Creek Golf and Yacht Club Marina. Despite its title

hinting at used boats, the show has at least 50% new boats on display and according to Dubai Creek Golf and Yacht Club director Abdullah Al Noon: “The show is proving popular with the local industry who want to target UAE residents and is now well established in the local industry calendar.”

Abu Dhabi International Boat Show

With the first edition launched this October and perceived by many in the industry to be a competitor to DIBS, the Abu Dhabi International Boat Show gives the UAE the potential for two sizeable boat shows. While the Dubai event is well established, the Abu Dhabi newcomer, also government backed, is clearly serious about becoming a key player not just locally but regionally. After the event, show director Alex Nicholl spoke with IBI: “The feedback we have been getting at METSTRIDE and at the Fort Lauderdale International Boat Show has been really positive from people who visited or exhibited at this year’s show in October and from industry members who did not visit but have heard about the show from third parties. As a result we are already signing up exhibitors for the 2019 show. To put satisfaction about the show into statistical terms, we have just received our feedback survey results which were done by Nielson, an independent survey firm. These show that 94% of exhibitors were satisfied with the show and 96%

NEW GULF CRAFT CEO ON MARKET POTENTIAL

IBI MET UP WITH the new CEO of Gulf Craft Gregory Yeakle in his office in the corporate headquarters in the Emirate of Ajman. Yeakle was appointed to succeed Erwin Bamps, the previous CEO who was with the company for 14 years. Gregory gave IBI his thoughts on working in the industry in the UAE and the boating market.

“The job as CEO of Gulf Craft is a bit of a dream come true for me, as it’s the first time in my life through all of the diverse experiences that I have had, where I have been able to say that I’m working in something that has been my lifelong passion – boating! As my father said to me, ‘Find a job that you love and you will never work a day in your life’. The work here with Gulf Craft is very enjoyable.

Coming to the UAE from the developed boating markets of the USA and Europe, I was surprised how much potential for growth there is in the GCC markets. I was also impressed at how Gulf Craft is

so vertically integrated, being able to manufacture almost all of the components for their boats and superyachts.

Gulf Craft is a privately owned business and we have a three-point strategy; firstly it’s around growth, secondly on quality, and lastly on developing a learning organisation to attract and retain the best talent in the industry.

For growth we have given the individual Gulf Craft brands their own accountability for sales and marketing, product lifecycle and profitability. This is already providing positive results. We began exporting outside of the GCC more than 25 years ago. Today we are boosting our geographical expansion with particular focus on Europe, Australia and the South East Asian markets. Right now our first action is particularly focussed on the European market. Capitalising on the success of Majesty Yachts, we are promoting



◀ **Keen boater Gregory Yeakle has been in the post six months**

our Nomad and leisure brands: Silvercraft and Oryx. Developing a learning organisation is a key factor in improving quality and we are focusing strongly on this.

Regarding the current market

situation in the GCC, I will restate that the potential for marine market growth is strong. Local, regional and global economies are cyclical; that’s a fact of life. If I look at the number of new berths, marinas and perhaps selfishly – our own sales – I see growth. Ensuring that Gulf Craft has an executable growth strategy that for both the short and longer term is mandatory.

We exhibited very successfully at the recent Abu Dhabi International Boat Show, with sales that far exceeded our expectations. I believe that the UAE is big enough to support two boat shows as the visitor profile is different at the two events.

of visitors were pleased with their visit experience. We were delighted with our exhibitor numbers of 270 exhibiting brands including 96 boats on water and land, above our target. Our visitor numbers also exceeded our target at 21,123, of which over 2,000 were VIPs or VVIPs.” As for the 2019 event, Nicholl added: “It will run at the same Abu Dhabi National Exhibition Centre venue from the 16th to 19th October 2019 – we aim to make the show, by the end of 2019, a key event for the Middle East region.”

IBI visited the show for the duration of the event and it was clear from the first day’s attendance that a high proportion of the visitors are either UAE or other Gulf State nationals. With a strong attendance by Arabs rather than expatriates, it was apparent that one of the key objectives of ADIBS, to build a stronger awareness of leisure boating within the UAE and the Gulf, is on track.

During the show Alex Nicholl spoke with IBI about the first day: “We have received hundreds of important visitors from Abu Dhabi and the other Emirates. We have been well supported by the Abu Dhabi government who have helped in encouraging local VIPs to attend.”

Gulf Craft, the UAE’s major boat manufacturer, was the largest exhibitor in the show. The company showcased three yachts – the Majesty 100, Majesty 135 and Majesty 62, together with smaller boat models from the Silvercraft range.

John Bush, managing director of Bush & Noble regional yacht broker, which exhibited two brokerage yachts at the show, said: “It’s good to see a government-backed boat show in Abu Dhabi. The first edition has been very successful and there are definitely good visitor numbers. In terms of the market the superyacht sector is the most buoyant in the UAE with a lot of enquiries before and during the show. Interest in mid-range yachts, however, is slower this year. Internationally the Middle East is becoming more recognised. Gulf Craft has done a lot to increase the visibility of superyachts and boats made in the UAE.”

Bruno Meier, chief operating officer of Art Marine, which exhibited a Riva 100 at the show and represents the Ferretti Group brands in the UAE, Bahrain, Oman, Egypt and the Kingdom of Saudi Arabia, was happy with the show: “Sales of larger yachts, more than 70ft, are better ➔



▲ Titanic ambitions - a scale model of the famous ship at the Abu Dhabi show



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than the smaller yachts. Our marina management business [Art Marinas] is doing very well with eight marinas under our management. Once again, larger yacht berths have a greater take-up than the smaller berths.”

CONCLUSION

The tight security and weather-related regulations implemented by the Coast Guard are a particular annoyance to the industry who see customers unwilling to purchase boats that they can't use at sea. However, recent actions by the industry including dialogue with the government has brought hope that these will be alleviated in the near future.

Positive factors for the market include the forthcoming World Expo that Dubai will host starting in October 2020. This should provide a substantial boost to the economy and tourism of the UAE with the proximity of the Expo site to both Dubai and Abu Dhabi. Some of these benefits will spin off into marine tourism and subsequently to the growth of a consumer leisure boating market as the awareness of boating becomes more widely known.

While the presence of two potentially conflicting boat shows in Dubai and Abu Dhabi is seen by some trade members as unnecessary, a more enlightened view is

that the events are owned and promoted by the two local governments and are providing a valuable contribution to the growth of the boating market in the UAE. The differentiating factors are that the two shows are five months apart and have a different visitor profile mirroring that of the two Emirates. Abu Dhabi having strong Arabic appeal, while Dubai is more expatriate focused, it will be interesting to see how the scenario develops. However, both shows are there for the long haul.

The UAE boating market has endured turbulent times in the past, particularly the fallout from regional events such as the Iran/Iraq war of the 1980s, the invasion of Kuwait by Iraq in 1990, the removal of Saddam Hussain in 2003 and the ever-present tension with Iran. On the economic front there have been major downturns largely related to the price of oil and from global recessions. The current economic squeeze in the UAE is another to add to the list. Despite these economic and regulatory issues, the market has always recovered, as it will again. The ability of the UAE and its marine industry to bounce back against all odds is well proven.

A key underlying factor behind the market remains. The people of the UAE love the sea and boating, it's in their DNA, they won't give it up easily, and for Gulf-

based expatriates boating is one of the best outdoor activities available.

IBI MARKET RATING

Short term: Moderate for larger yachts, weak for smaller boats which are more affected by the onerous regulations for leisure boating.

Long term: Medium to strong, especially for larger yachts, very dependent on resolution of regional security issues and how the UAE handles the long-term decline in oil prices. **IBI**



▲ Gulf Craft was the largest exhibitor at the new Abu Dhabi show

UAE MARKET DASHBOARD AND SWOT ANALYSIS

MARKET DASHBOARD

Market data:

- Total boats of all types over 5m in length estimated: 10,000
- Power boats over 45ft in length estimated: 1,000
- Total passenger and utility craft for transport and marine tourism: estimated: 500
- Hotel beach boats, canoes, catamarans, dinghies and PWC for marine tourism: estimated 2,000/3,000
- Import duty into the GCC for leisure boats and marine equipment: 5%
- VAT on boat and equipment sales: 5%
- Operational marinas: 30
- Boatbuilders: 100 with 10 building to export standards.

STRENGTHS/OPPORTUNITIES

Strength:

- Marine industry hub for the Middle East, Indian Ocean Islands and East Africa.
- Abu Dhabi has large sovereign wealth reserves and assets overseas.
- Strong network of 30 marinas which are professionally managed.
- In 2018 the Federal and local Governments have become aware of the value of leisure boating for the economy and are supporting the industry.
- Growing marine tourism market.
- GDP is high at US\$40,000 per head.
- Year round boating season, although July to September is very hot up to 45C.

Opportunities:

- Expo 2020 will create large number of visitors to the country.
- The economy is diversifying into non-oil related areas which will bring opportunities for the leisure boating and marine tourism activities.

WEAKNESSES/THREATS

Weaknesses:

- No boat construction standards.
- Marine tourism market is dominated by local builders.
- Regulations for cruising at sea are strict and enforced by the coastguard.

Threats:

- The economy is still dependant on the price of oil which is in long term decline.
- Regional security issues.