

Insight: Could China become a yacht building powerhouse?

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When discussing superyacht construction, the conversation often gravitates towards the West, particularly the northern and southern European regions synonymous with yacht craftsmanship. In contrast, China's involvement in superyacht construction, while not yet at the forefront in terms of volume, has seen a slow but noteworthy increase since the 2000s, as illustrated in the graph below.

Number of 30m+ yachts built in China from 2001-2025



This article explores and assesses yacht construction in China. It examines the impact of major Chinese companies acquiring European yacht manufacturers, and the relocation of construction activities by foreign yacht builders to China. Additionally, it will evaluate whether China's domestic yacht manufacturing can reach a level of prominence comparable to leading yacht manufacturing nations.

Before delving deeper into the specifics of yacht construction in China, it's important to clarify that this article will exclusively examine the industry within (mainland) China. As such, it will not cover yacht construction activities in Taiwan.

In the wake of the 2008 recession, the early 2010s saw an increase in the construction of yachts exceeding 30-metres in length, with more yachts constructed in China from 2011 to 2013 than in the preceding decade. Furthermore, from 2017 to 2020, yacht output consistently grew, with the exception of a slight dip in 2021—attributable to COVID-19. Despite this, production levels have remained relatively stable, only slightly below pre-pandemic figures.

While numerous yacht manufacturers have emerged and subsequently ceased operations, builders like Cheoy Lee, Heysea and Nordhavn have consistently delivered yachts. Since 2021, Heysea has launched five 30-metre yachts, while Cheoy Lee is currently constructing two 30-metre plus explorer model yachts.

Did Chinese investment in European yacht manufacturers impact Chinese domestic yacht manufacturing?:

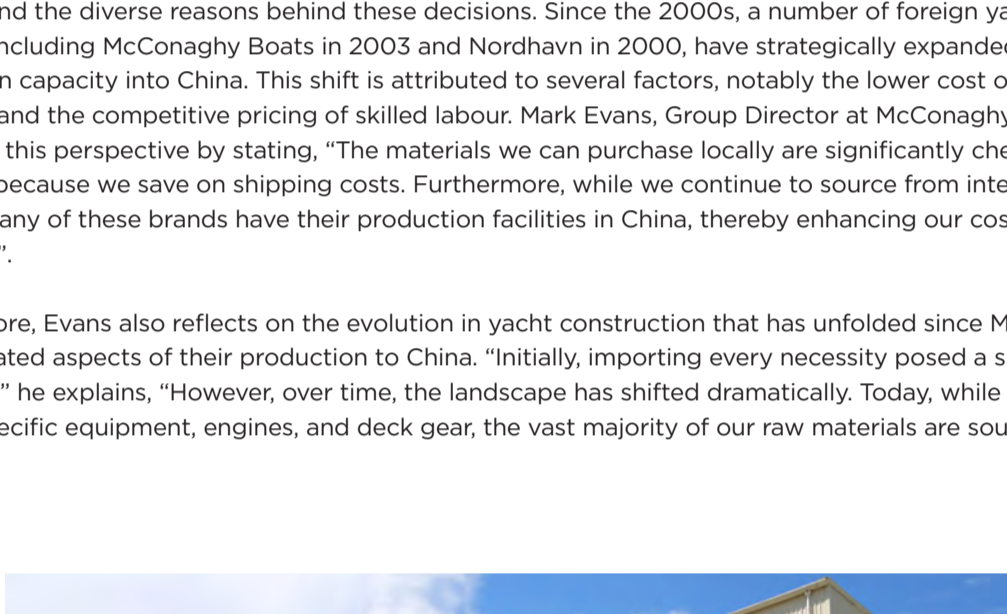
Towards the end of the 2008 recession, several European yacht manufacturers were experiencing financial difficulties, leading to an increase in Chinese firms acquiring stakes in well-established European superyacht builders. For instance, in 2012, the Weichai Group acquired a 75% stake in the Ferretti Group. Furthermore, in 2013, Sundiro Holdings purchased approximately 23% of the shares in Sanlorenzo, while the Dalian Wanda Group acquired the majority of British yacht manufacturer Sunseeker. These acquisitions prompt the question of whether they were part of a strategic initiative aimed at bolstering China's prominence in yacht manufacturing. Sales Broker Bart Kimman of Fraser Yachts expressed scepticism about the presence of a clear motive or strategy, stating: "The acquisition of Sunseeker by the Dalian Wanda Group was driven by a personal disposition. In contrast, the purchase of a stake in Ferretti Group was motivated by investment purposes, akin to Sundiro Holdings' acquisition of equity in Sanlorenzo, which was later reversed in 2019 and is fully Italian owned."



However, Martin Lo, Director of Cheoy Lee and a fourth-generation member of the Lo family that founded and owns the shipyard Cheoy Lee, offers a different interpretation. He states: "Essentially, there are two distinct approaches in play. On one hand, it appears to align with a broader strategy, aimed at venturing into the realm of high-end luxury items to enhance the country's image. The rationale behind acquiring luxury yacht brands seems to be to project China into the upper echelon of yachting. Meanwhile, there are smaller shipyards that produce yachts, though not of the same caliber. Therefore, the most straightforward strategy for elevating China's status in the luxury yachting sector involves investing in established, well-known yacht-building brands".

For Bart Kimman, the acquisition that stood out most was when Zhongying Int'l Holding Group Ltd, owner of Jinlong Shipyard, acquired the historic Netherlands-based Balk Shipyard in 2022. According to Kimman, the primary goal behind this purchase was to "transfer technology and skill" to China, thereby enhancing its yacht manufacturing capabilities. This move aligns with Martin Lo's observations about China's efforts to elevate their domestic yacht manufacturing stature.

Despite the diverse motivations behind these investments, there is no clear evidence to suggest a significant enhancement in China's domestic yacht manufacturing capabilities. For instance, the Weichai Group has reduced its stake in the Ferretti Group. Meanwhile, Sunseeker's parent company, Dalian Wanda Group faced financial difficulties, which led to the sale of Sunseeker. Regarding the acquisition of Balk Shipyard, its impact on yacht building in China remains to be seen, as the investment was very recent and it takes time for such investments to yield returns.



Read: Asia-Pacific Superyacht Summit 2024 programme announced

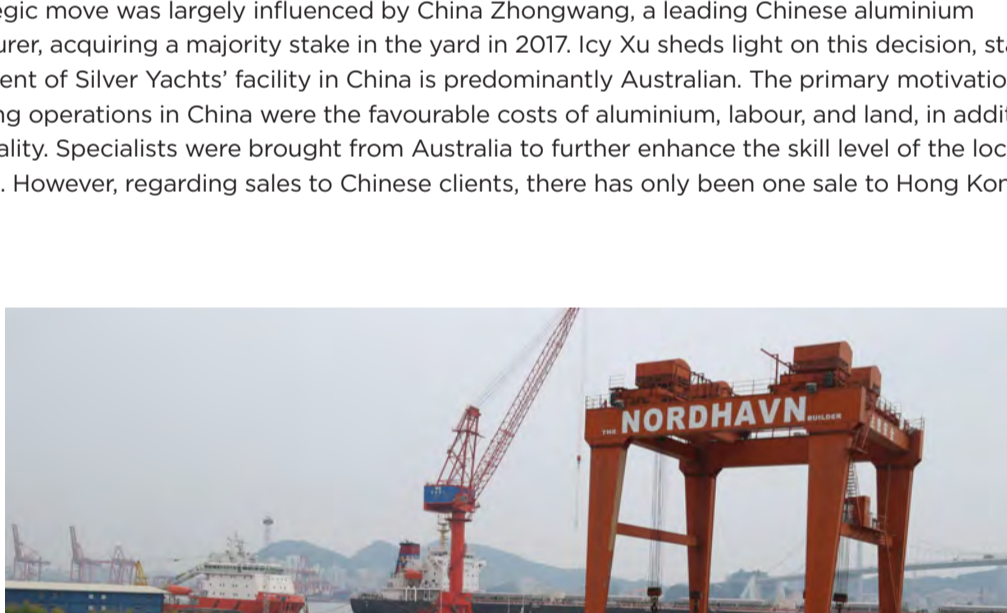
Why foreign yacht builders relocated aspects of their construction capacity to China?:

A crucial aspect of yacht construction in China is the relocation of production capacities by foreign yacht builders and the diverse reasons behind these decisions. Since the 2000s, a number of foreign yacht builders, including McConaghy Boats in 2003 and Nordhavn in 2000, have strategically expanded their production capacity into China. This shift is attributed to several factors, notably the lower cost of raw materials and the competitive pricing of skilled labour. Mark Evans, Group Director at McConaghy Boats, reinforces this perspective by stating, "The materials we can purchase locally are significantly cheaper, primarily because we save on shipping costs. Furthermore, while we continue to source from international brands, many of these brands have their production facilities in China, thereby enhancing our cost efficiency".

Furthermore, Evans also reflects on the evolution in yacht construction that has unfolded since McConaghy first relocated aspects of their production to China. "Initially, importing every necessity posed a significant challenge," he explains, "However, over time, the landscape has shifted dramatically. Today, while we still import specific equipment, engines, and deck gear, the vast majority of our raw materials are sourced locally".



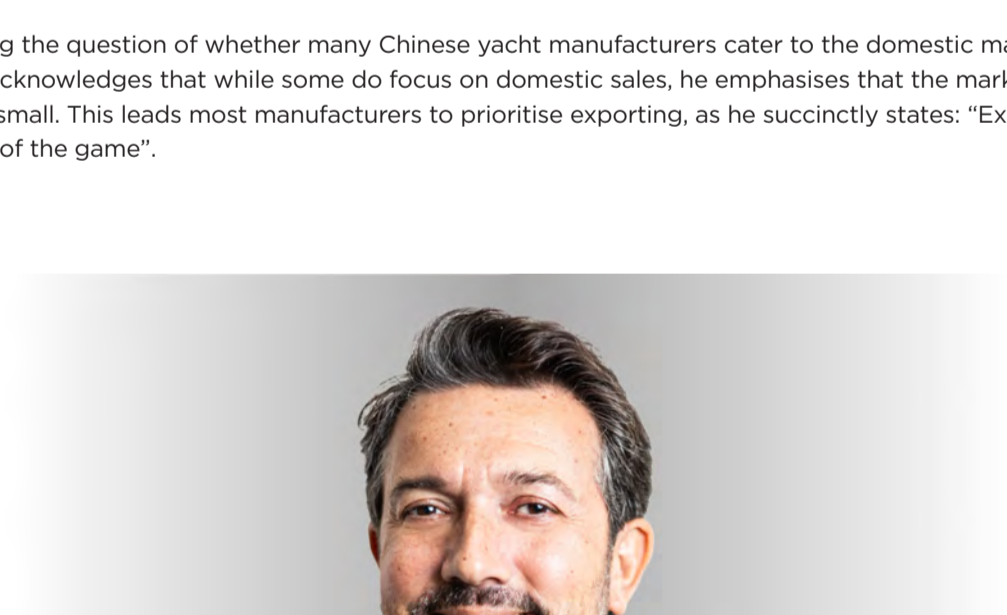
Similarly US-based yacht builder Nordhavn Yachts also expanded aspects of its production in China in 2000. In a conversation with Nordhavn President Dan Streech, he commented: "24 years ago, we made the strategic decision to expand our production capacity to Xiamen, China. The primary reason behind this move was our need for a substantial pool of skilled labour that was both high-quality and cost-effective. Our yachts require meticulous hand-finishing, demanding a level of craftsmanship that entails significant labour input. At that time, and continuing to the present, China has provided an ideal environment to meet these requirements". Martin Lo further underscores Streech's point attributing the low cost of labour as the primary driving factor.



Angel Zhou, Vice President of Simpson Marine in China, further validates the points made above, emphasising the factors motivating foreign builders to relocate to China. She cites "considerable cost savings over time, an accessible labour force among the young population, access to local expertise and creativity, proximity to the burgeoning Asian market, and opportunities for collaborations in design, technology, and innovation" as key drivers".

Streech similarly underlines the point made by Evans regarding the local sourcing of raw materials. He explains that Nordhavn has established its own lumber mill for wood production and operates a metalworking facility. This approach allows for local production of standard steel and other materials. However, when it comes to major components such as engines, stabilisers, appliances, batteries, and electrical systems, a significant portion is imported into China, predominantly from the United States.

Silver Yachts, an Australian-based yacht builder, expanded its operations to China, influenced by both unique circumstances and the cost-related considerations similar to those of other yards highlighted earlier. This strategic move was largely influenced by China Zhongwang, a leading Chinese aluminium manufacturer, acquiring a majority stake in the yard in 2017. Icy Xu sheds light on this decision, stating, "The management of Silver Yachts' facility in China is predominantly Australian. The primary motivations for establishing operations in China were the favourable costs of aluminium, labour, and land, in addition to the overall quality. Specialists were brought from Australia to further enhance the skill level of the local workforce. However, regarding sales to Chinese clients, there has only been one sale to Hong Kong".



Both emphasise that their yachts are primarily aimed at the international market, with minimal sales within China itself. Streech clarifies: "We do not cater to the domestic Chinese market; our clientele is global, spanning Europe, Australia, America, and Canada". Evans echoes this sentiment, noting, "In 19 years, we have sold only one yacht to the local market," highlighting their focus on international sales.

Assessing the potential for growth in China's domestic yacht manufacturing sector:

Analysing the growth potential of China's domestic yacht manufacturing involves examining their yacht building capabilities for both domestic and international markets. Angel Zhou elaborates on the strategy Chinese yacht builders have adopted stating that for an extended period, many Chinese shipyards prioritised the overseas market. This approach involved utilising European designers and marketing strategies to align with the European and US markets. However, as the domestic market in China has evolved and its potential has become apparent, there's a marked shift with manufacturers now beginning to focus more on domestic opportunities.

Angel Zhou further notes the challenges experienced during the pandemic: "Due to the insufficient supply of raw materials, construction schedules were delayed. International activities halted, preventing customers from visiting and products from being exported, which led to a decrease in global orders". Additionally, Zhou introduces a compelling perspective on the industry adaptation, stating: "Brands such as Heysea quickly adjusted their strategies in response to these challenges. Heysea Yachts, for example, pivoted to focus on the development of new, smaller, and more marketable products, turning their attention back to the domestic market".

Martin Lo provides a differing insight to Angel, focusing on the complexities involved in adhering to the China Classification Society (CCS) requirements for Chinese yacht manufacturers targeting the domestic market. He explains: "To build yachts for the Chinese market, manufacturers need to comply with CCS requirements which are quite different from other common classification societies' requirements, creating a significant amount of work in modifying product specifications and equipment".

Addressing the question of whether Chinese yacht manufacturers cater to the domestic market, Bart Kimman acknowledges that while some do focus on domestic sales, he emphasises that the market is relatively small. This leads most manufacturers to prioritise exporting, as he succinctly states: "Exporting is the name of the game".



Regarding the capability of Chinese yacht manufacturers targeting the foreign market, Eric Noyel, Managing Director of Fraser Asia, emphasises the significant role of perception over reality. He notes: "Chinese-made yachts have struggled to gain traction in exports, unlike those from Taiwan, which are often perceived as American in their target markets." Noyel provides a compelling example to illustrate his point: "A significant attempt to establish yacht manufacturing in China was seen with Sunseeker after Wanda acquired a majority stake. Despite ambitious plans to design and manufacture boats in China, the initiative was ultimately abandoned due to concerns over potential devaluation of the Sunseeker brand and its market perception."

This exemplifies how perception can outweigh reality. Noyel further elaborates: "The challenge lies not in the quality of China's manufacturing, which is perfect, but in the perception of Chinese-built yachts. When producing a yacht, the brand's perception becomes a crucial factor. At present, the 'Made in China' label does not evoke the same level of prestige as yachts perceived to be American or European".

Future outlook:

The future of Chinese yacht manufacturing, targeting both domestic and international markets, remains in a state of evolution, not having accelerated as quickly as many initially anticipated. Bart Kimman contributes an intriguing perspective on this evolving landscape, highlighting a trend: "In China, there is an increasing shift towards the construction of more catamarans, tapping into this specialised niche. Notably, the global competition is relatively sparse in the mid-sized segment, particularly for yachts ranging from 80 to 120 feet.



Martin Lo echoes this sentiment, stating, "We are always exploring new manufacturing techniques, construction materials, and alternative energy sources to streamline production and enhance quality. Currently, we are constructing a fleet of 40-metre all-carbon catamaran ferries".

Angel Zhou and Ronnie Wang both reinforce this observation, noting that many shipyards, such as Hudson Yachts and Aquila, are venturing into the smaller end of the multihull segment. Hudson Yachts, for instance, recently delivered the 26.82-metre Crazy Love last year. Aquila, in particular, stands out as the largest exporter of catamarans in China. This American brand, manufactured by the Hangzhou-based Sino Eagle Group, offers a range of models from 30 to 70 feet. Another emerging name gaining visibility in the Asia-Pacific region is ILIAD Catamarans, produced at the Yuanhe Xinglong shipyard in Zhanjiang, under the guidance of an Australian management team. Additionally, Qingdao, China's northern sailing city, is home to Mazarin Yachts, known for manufacturing and exporting motor and sailing catamarans.

In explaining why multi-hull manufacturing, particularly catamarans, is gaining traction in China, Bart Kimman explains that: "Building a catamaran requires considerable space and resources due to their size. This necessitates large equipment and a substantial workforce for constructing the hull and deck, among other components. China's advantage lies in its abundant availability of industrial areas that can accommodate such large-scale manufacturing. Securing similar factory resources in Europe would prove challenging and costly. Therefore, China holds a significant price advantage for producing catamarans".

Conclusion:

As it becomes increasingly evident that China may not reach the prominence of leading superyacht manufacturers in the West, there is potential for the country to establish itself as a leader in a more niche market within the yacht building sector, particularly in the construction of multi-hulls. Focusing on the smaller end in terms of length, China has the potential to expand into the larger segment in the future. Whether this specialisation will catalyse China's growth into a major player in the broader yacht manufacturing market remains an intriguing prospect to observe.

