

MEGA YACHTS IN SOUTH FLORIDA
TRENDS, IMPACTS & ISSUES
— 1997-2018 —

Executive Summary

Prepared by:
Thomas J. Murray & Associates, Inc.

January 2018

On behalf of
Marine Industries Association of South Florida



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EXECUTIVE SUMMARY

This study has been completed on behalf of the Marine Industries Association of South Florida (“MIASF”).¹ It updates three previous comprehensive reports by the author with a similar summary of information and evaluation of the economic activity associated with the mega yacht sector of the boating industry. This latest update is the fourth assessment completed since 1998 and once again focuses most specifically upon the Broward, Miami-Dade, and Palm Beach (“Tri-County”) region of Florida. The original 1998 study set the baseline from which the 2003 and 2007 studies and this current assessment allow comparisons. The current report documents and updates the mega yacht population (yachts of 80’ and larger) and economic activity estimates and describes economic trends and issues relevant to the future of the mega yacht sector and the marine industry in Southeast Florida.

Major Findings

Trends

The Broward-Miami-Dade-Palm Beach “Tri-County region” of Florida remains in the forefront of the worldwide growth in yachts in excess of 80’ and related business activities.

- An estimated 1,800 mega yachts were present in Tri-County waters during 2017 compared to 1,500 in 2007 and 800 during 1997.

Worldwide, the “mega yacht” industry has continued to expand in new construction, brokered sales of new and previously owned mega yachts, and in the activity of yachts for charter.

- Since 1997, the worldwide fleet of mega yachts has nearly doubled. At the beginning of 2007, 777 mega yachts were reported to be under construction worldwide. Most recently, it was estimated that 760 new mega yachts were under construction.

¹ The current address for the Marine Industries Association of South Florida (“MIASF”) is: 221 S.W. 3rd. Avenue, Fort Lauderdale, FL 33312

- Nearly 13,000 new mega yachts have been constructed since 1997, including more than 8,500 since 2007.
- Over the past decade, Italy has been responsible for constructing 46% of luxury mega yachts worldwide.

Impacts

Mega yachts boost business at Tri-County region businesses, and the region continues to represent the world’s most significant cluster of professional services and talents necessary for the world’s growing mega yacht sector.

- A median sized mega yacht (140’) spends over \$2.0 million annually, generating economic impacts across hundreds of business types; directly supporting 11 full-time employments and 41 total jobs via the regional multiplier.
- Additionally, each vessel generates \$2.0 million in labor income, \$3.1 million in value added, and \$5.8 million in overall economic activity throughout the State.
- Overall, this level of activity provides \$146,000 in local and State taxes and \$362,000 in total Federal taxes.

Economic Impacts of A 140’ Mega Yacht Operating Expenses in the State of Florida				
<i>Impact Type</i>	<i>Employment (Jobs)</i>	<i>Labor Income</i>	<i>Value Added</i>	<i>Industry Output</i>
Direct Effect	11	\$566,148	\$760,710	\$1,774,088
Indirect Effect	6	\$318,941	\$490,462	\$906,186
Induced Effect	24	\$1,123,672	\$1,881,772	\$3,205,670
Total Effect	41	\$2,008,761	\$3,132,943	\$5,885,944

Issues

Competition for the mega yacht business, from both U.S. and foreign regions, is increasing dramatically.

- The Tri-County region is widely believed to be at capacity in terms of adequate dockage for mega yachts. The challenge to provide adequate dockage relative to growth in other regions will continue. Competitive regions will continue attempts to capture economic activity from the Tri-County region.
- The Tri-County region continues to provide the foremost base for an expanding worldwide mega yacht sector. The mega yacht support sector requires a wide range of talents. The region’s clustering of a broad spectrum of necessary talents has positioned it at the forefront of mega-yachting worldwide. Competition for this position is strong and increasing in such areas as Savannah, Georgia, Portsmouth, Virginia, and Newport Rhode Island.

Recent policies to adjust sales tax imposition on sales and repair of yachts have provided a boost to the industry and the State.

- The Florida Legislature’s decision in 2010 to place a “sales and use tax cap” actually lead to an increase in collection of the tax. That policy generated in excess of \$13.46 million in direct sales tax revenue to the State. This compared favorably to the original Florida Department of Revenue analysis of the revenue impact of the sales and use tax cap; which projected a \$1.5 million loss during the first year of implementation.
 - In the post-cap era, transactions for which either no sales tax was paid, or the closing was conducted out-of-state, dropped from 21.5% in the pre-cap era to an estimated 12.8% following implementation of the sales tax cap.
 - The average sales price for post transactions in Florida was \$907,002 - nearly double the pretax value of closings taking place in Florida prior to the cap.
 - The sales price at which there is a 50% chance that the sale will close out-of-state is now in excess of \$7,000,000 – having risen from the pre-cap data of \$1,935,873.
 - The number of vessels in excess of 65’ more than doubled in the region since 2007. This rapid change may reflect the impact of the tax cap on vessel sales which are registered in Florida rather than completing costly purchase closures offshore.

Building upon that success, the legislature approved a similar tax cap on refits and repairs beginning in Fiscal Year 2015. That change has also begun to provide significant development at Florida boatyards. In recent surveys, the boatyards overall reported an average project value of just over \$66,000. ² During 2017, yards reported major refit projects ranging in value from \$1.2 million to \$2.7 million; attributed primarily to the 2015 tax cap initiation.

A \$1.5 million refit project generates \$60,000 in sales tax under the 2016 cap. However, in addition to the direct sales taxes there are \$97,500 of additional taxes generated to the State and local government. By virtue of the reduction of \$30,000 in total sales tax, new business activity generates over a three-fold replacement in public revenues.

Building upon these fiscal enhancements, the newly created Foreign Trade Zone in the region provides additional competitive advantages for the local marine industry.

Long awaited physical enhancements, including the dredging of the Dania Cutoff Canal and the most recent deepening of the Intracoastal Waterway in Broward County to a 15’ depth, are already adding to the boost in larger mega yacht activity in the region.

Synergies between the recent physical and fiscal enhancements have induced significant capital investments by local industry. Though not inclusive, examples include greatly increased haul-out capacity at Derektor of Florida’s Fort Lauderdale facility, and the Carlyle Group’s acquisition and expansion at the Lauderdale Marine Center. Together these public and private efforts will do much to maintain the region’s competitive advantage.

² “Economic Impact of Dania Cutoff Canal Dredging”. September 2015. Thomas J. Murray & Associates. Florida Inland Navigation District.

