

GULF | OVERVIEW

Gulf boating market rides a rollercoaster

HOW STRONG IS THE GULF BOATING MARKET RECOVERY?

WORDS: MIKE DERRETT



IBI MARKET RATING

- 
BAHRAIN
Short term: Improving after a difficult few years.
Long term: Depends on continuing political stability and user-friendly security regulations for using leisure boats.
- 
KUWAIT
Short term: Medium and improving with the increasing availability of marina berths.
Long term: Good, providing there is a stable Gulf security situation and a revival of the oil price from the current low levels.
- 
OMAN
Short term: Moderate **Long term:** Good
- 
QATAR
Short and long term: Very good but the market is relatively small compared to Kuwait and the UAE.
- 
UAE
Short term: Weak to moderate, depending on market sector. A resolution of the onerous regulations enforced by the Coast Guard should be a priority issue by the local industry.
Long term: Very dependent on resolution of regional security issues and improvement of the oil price.

Back in the gloomy days of 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 Gulf was seen by many as a market that would provide a lifeline for the boating industry. However, these economies in turn suffered a slump in the face of a collapsing property market and a fall in the value of global investments held by many Arabs.

Amidst the economic turmoil, the boating market inevitably suffered, boat sales were significantly down and marinas worked hard to find customers for berths. By 2012, and into a recovering Gulf economy, the boating business seemed to be back on track, but by early 2015 significant issues have appeared, putting the recovery into question.

MAIN CHALLENGES

The boating industry has its eyes on a few economic and political trends affecting the sector.

- Oil prices have halved, putting all of the GCC economies under pressure, tightening budgets and reducing business confidence.
- The downturn in the Russian economy has had a

knock-on effect in the Gulf. Dubai, with its attractive climate and liberal economy, has been a popular haven for Russians with many renting or purchasing property. However, Dubai is now suffering from the lack of Russian spenders.

- Security threats in the Gulf, particularly from ISIS, is starting to be of real concern to both expatriates and locals.
- The increase in border security measures caused by the Gulf security are starting to affect boating. It's mandatory now in most of the GCC countries 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.
- Safety issues are also becoming more stringent. Whilst compulsory wearing of lifejackets is seen by the industry as a sensible law, being prevented from going to sea by the Coast Guard in the UAE in a relatively moderate 15 knot breeze is not.

REGIONAL ECONOMY

“Gulf governments will continue to spend on mega projects, development programmes, and social welfare initiatives despite the sharp drop in the

price of oil in the second half of 2014,” reported Tim Fox and Francisco Quintana, two leading local economists, at a seminar in early 2015 in Kuwait. There was a consensus that crude oil prices will gradually increase; an increase that will likely be drastic if political instability increases in certain parts of the Middle East.

Continued geopolitical tensions – social unrest in Egypt combined with conflict escalation in Libya and Syria – are all potential oil-price drivers, although even with the scenario of unrest continuing in the Middle East, it is very unlikely that the price of crude oil will go above US\$80 a barrel by the end of 2015.

Overall, both economists portrayed a rather positive outlook for 2015, agreeing that there will be a strain on the budget of Gulf countries, but thanks to high cash reserves generated from previous years, spending will continue. Most forecasts place GDP average growth for the GCC in 2015 at 3%-4%.

MARINA DEVELOPMENT

Back in 2007 the six GCC countries had over 100 new marina projects under construction or planned, probably the largest concentration of marina developments in the world. Fast forward eight years and one major recession to 2015, and the reality is that only some 20 of these projects have been completed.

Demand for marinas was driven not by boat berths, but by property developers building waterside developments, a tactic which drove up property prices by some 25% over other developments.

The property market grew rapidly from 2003 onwards, especially in Dubai where there were growing demands for new developments to house the fast-growing population. A market also developed for second homes for expatriates, many wishing to move either permanently or partially to a region with few taxes. Russians and others from the Indian sub-continent were lured in droves. However, demand ultimately turned into a bubble as prices rose by up to 30% a year. Opportunist investors placed deposits on properties that would not be built for two or three years and then flipped their investment to a new buyer – a scenario that continued until the bubble collapsed in 2009.

BAHRAIN

Bahrain’s economy has been hit hardest by political instability, which reached its peak some four years ago during the ‘Arab Spring’ with tensions between the Sunni and Shia populations erupted.

Since then the country has made great efforts to diversify its economy. Highly developed communication and transport facilities make Bahrain

home to numerous multinational firms with business in the Gulf. Its economy, however, continues to depend heavily on oil. Despite the economic setbacks of 2011 the country recovered in 2012, partly as a result of improved tourism from Saudi Arabia and in 2014 recorded GDP growth of 3.9%.

Bahrain has long-term economic challenges, with high youth unemployment and the growth of government debt being key issues. Lower oil prices in 2015 will likely exacerbate Bahrain’s budget deficit.

BOATING MARKET

Because of its strong maritime heritage, leisure boating is extremely popular in Bahrain, although with a relatively small population of 700,000 the market is not large. Industry estimates point to a market of some 10,000 leisure craft over 15ft in length, the point at which official registrations start with about 50% of these being under 24ft in length.

Despite recent difficult years for the economy the number of marinas has grown to seven with more projects in the planning and development stage. Bahrain also acts as a centre of expertise and supply for equipment, engines, and boats for the commercial small boat markets in Saudi Arabia and Iran.

Delma Marine is one of the main boat and equipment dealers in Bahrain with showroom and workshop facilities at the Yacht Club Marina. “The situation has improved in 2014 with a total market for imported boats of about 30 units per year, but we do face competition from privately imported boats. Gulf Craft and the associated brands have the largest market share at about 33%,” explains Abdulla Isa Al Doseri, director at Delma Marine.

“ Economists portrayed a rather positive outlook for 2015 agreeing that spending will continue due to high cash reserves ”

KUWAIT

Kuwait occupies a strategic position at the head of the Gulf, and has one of the most productive oil fields in the world; hence this is one of the world’s richest economies. Oil was first discovered in the early 1930s and by the time the first oil wells were in production in 1938, it was obvious that the country was virtually floating on oil. The resulting revenue has allowed the ruling Al Sabah family to develop an impressive infrastructure and welfare system for its population.

Despite the history of the Iraq invasion and the subsequent Gulf War, Kuwait – amongst other Gulf countries – has financial reserves second only to Saudi Arabia. In addition, it has a geographically small, but wealthy and relatively open economy with crude oil reserves of about 102 billion barrels; more than 6% of world reserves. Petroleum accounts for over half of GDP, 94% of export revenues, and 89% of government income. ➔

GULF | OVERVIEW

► **Kuwait held its third yacht show in February 2015**



For the last decade, high oil prices have generated budget surpluses despite increasing budget expenditure, particularly on wage hikes for public sector employees. Despite Kuwait's dependence on oil, the government has cushioned itself against the impact of lower oil prices by continuous saving of at least 10% of government revenue in the Fund for Future Generations. Nevertheless, Kuwait has done little to diversify its economy, partly due to a poor business climate and an acrimonious relationship between the National Assembly and the executive branch that has stymied most economic reforms.

BOATING MARKET

According to the only available figures from the government, which might also be treated as an estimate, there were some 20,000 registered leisure boats in Kuwait in 2009 – numbers that make the country one of the largest Gulf boating markets in terms of boat numbers and participants. Kuwaitis have always been sea people and the boat ownership per person ratio is estimated at one boat for every 38 Kuwaiti nationals and expatriates with higher incomes, a figure that is high even for developed boating markets in Europe and the US.

The invasion of Iraq by the allies in March 2003 gave the leisure boating market a major boost, as business confidence increased and boat owners were able to considerably extend their cruising waters. This resulted in increased sales for larger powerboats.

Boat sales in Kuwait have fallen since the boom years after 2005. In this period, up to 400-500 leisure boats were reported to be sold per year. With marina berths until recently at a premium, sales of larger yachts over 40ft are estimated at only 15-20 during 2014, with another 80 smaller boats being purchased, giving a total of 100 new boats sold into Kuwait of all sizes in 2014.

The good news for the market has been the opening of the new Sabah Al Ahmad Sea City in April 2015. Located near the border with Saudi Arabia, with an initial 410 berths, the marina is already

“The new Sabah Al Ahmad Sea City, open in April 2015 with 410 berths, is already being expanded with a basin for 810 berths”

being expanded with another basin for 810 berths which are currently being piled for pontoons. The opening of this marina will change the dynamics of the berthing market, especially with the potential for increased sales of larger yachts.

BOAT SHOW

The Kuwait Yacht Show held its third edition early in February this year, and according to show director Nouf Al Hajri, the organisers aim to bring back the purchasing power for the marine industry to Kuwait. “Previously boat owners had to travel to see the new boats and equipment. Now with the show I can see exhibitors investing in their participation with latest boats and equipment on offer. The show has now been accepted as a member of the International Federation of Boat Show Organisers (IFBSO),” Al Hajri told *IBI*.

Gulf Craft from the UAE was the largest exhibitor at the show with 15 models ranging from 27ft-122ft. “We brought five examples of our Majesty Yacht range 500Nm by sea in rough sea conditions to Kuwait this year. We did this not only to show that we have a long-term commitment to this market,

but to reinforce our view of the future potential, especially with the opening of the Sabah Al Ahmad Sea City Marina,” says Gulf Craft CEO Erwin Bamps.

The boating season in Kuwait is from April to September, the opposite of lower Gulf States such as the UAE, Qatar and Oman. Temperatures in winter are substantially lower and can easily go

down to 8°C in daytime and nearly freezing at night.

The majority of boats are under 36ft and are imported from Gulf boatbuilders who have about 85% of the small boat sector. The main local builder is Gulf Master, owned by Issam Al-Gharabally who produces outboard-powered boats between 17ft-35ft.

The Kuwait market is a large market for outboard motors, with Mercury taking the largest market share, estimated at some 60% to 70%.

OMAN

Oman is heavily dependent on dwindling oil resources, which generate 77% of government revenue. Consequently, the government in the capital Muscat has actively pursued a development plan that focuses on diversification, industrialisation, and privatisation, with the objective of reducing the oil sector's contribution to GDP from 46% to 9% by 2020. Tourism and gas-based industries are part of the government's diversification strategy.

BOATING MARKET

Boating in Oman is significantly different to the other GCC countries. Oman offers some of the best

GULF | OVERVIEW

boating waters in the Middle East region with crystal clear waters and abundant fish life. While leisure boating growth has been somewhat stunted by the lack of marinas on its 1,100 nautical mile coastline in the past, there are now seven marinas operational from the Musandam area near the straits of Hormuz in the north to Salalah in the south.

The largest berthing facility is Marina Bander Al-Rowdha in Muscat, with wet berths and dry storage for 500 boats, closely followed in size by the Almouj Marina. According to Khalil Abu Jaber, marina manager at the Almouj Marina at The Wave, 79 of the total 121 berths are now occupied.

“Occupancy is above forecast and we are considering bringing forward our plans for Phase II to add additional berths,” he told *IBI*. “The occupants of the berths are mainly new boat owners with 50% expatriates and 50% local Omani citizen,” he added, also noting that once a marina is built it will stimulate boat sales. “We also need more active boat dealers and brokers in Oman to stimulate the market as currently there is only one active boat dealer in the market in Oman and one local manufacturer,” he said. “There is a lot of interest in used boats for customers to enter the market, especially for expatriates on short-term contracts. A brokerage operation would help drive the market forward,” he concluded.

Oman attracts a more sophisticated type of boat owner because of its orientation towards heritage and focus on the considerable natural attributes of the country. On the other hand, sea conditions are also more demanding in the Arabian Sea than in the more sheltered Gulf waters.

▼ **Around 60 boats were displayed on water at QIBS 2014**

“The largest berthing facility is Marina Bander Al-Rowdha in Muscat with wet berths and dry storage for 500 boats”

QATAR

A country rich in natural gas and oil, Qatar now has the distinction of being the world’s richest country in terms of GDP per head on a PPP basis at US\$179,000 in 2014. With this sort of economic power distributed through a population, excluding 600,000 expatriates, it’s not surprising that there is no political unrest.

Ruled by the Al Thani family since the mid-1800s, Qatar transformed itself from a poor British protectorate noted mainly for pearl fishing into an independent state with significant oil and natural gas revenues. As of 2007, oil and natural gas revenues have enabled Qatar to attain the highest per capita income in the world.

BOATING MARKET

The interior of Qatar is flat and arid desert, which explains why sea sports are so popular in the country. Most of the marine leisure activity takes place in the capital Doha. There are five full service marinas in operation, and an attractive horseshoe-shaped bay for boating. Outboard-powered small boats represent 90% of the current market of about 3,500 boats with increasing numbers of powerboats being imported.

BOAT SHOW

Qatar has also developed its own boat show, with the second edition successfully held in November 2014. There were 60 yachts on display in water and 15 boats on land.

The venue for the show was Mourjan Marina in Lusail City, which was superbly equipped for the event with 4m-wide pontoons, sun canopies and on-water lounges. Speaking to *IBI* at the show, Wayne Shepherd, the marina general manager, said: “The marina is located in the new Lusail City complex, which when completed is planned to have a population of over 200,000. The first marina basin, which is the venue for the show, currently has 145 berths, but when fully completed with an additional two basins, will have 1,500 berths.”

UAE

Per capita GDP income in the UAE is on a par with those of leading West European nations. 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.

For more than three decades, oil and global finance drove the UAE’s economy, and later so did the tourism, airlines and property sectors. However, in 2009, falling oil prices, collapsing real estate prices, and the international banking crisis hit the UAE, especially Dubai, hard. Thanks to its good governance, the UAE has essentially avoided the ‘Arab Spring’ unrest seen elsewhere in the Middle East.



Post 2012, the economy has been steadily improving but in 2015 faces new threats from instability in the Middle East, falling oil prices and, in Dubai, a dearth of Russian tourists who were particularly high spenders.

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. There is more interest in larger boats in the UAE than other Gulf markets.

Boat sales and the rate of development of new marinas slowed in the wake of the 2008 financial crisis. Boat sales in the UAE were down some 80% on 2007 figures, only picking up after 2012. Sales in 2015 have not come up to expectations so far, a trend that started in the last quarter of 2014. Reasons include the low oil price and associated weakening Gulf economy, regional security issues, shortage of marina berths in Dubai and Abu Dhabi, and lack of Russian buyers as prime causes.

The tightening security and weather-related regulations implemented by the Coast Guard are a particular annoyance to the industry, which has seen customers unwilling to purchase boats that they can't use at sea.

The main centres for leisure boating in the UAE are in the capital of Abu Dhabi and in Dubai. Like Kuwait, a large number of boats are kept on trailers in the UAE, although there is a network of 20 marinas.

The majority of boats under 40ft are outboard-powered and used for leisure fishing by locals and for cruising by the increasing number of 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 MANUFACTURING

The UAE is the centre of the Gulf boatbuilding industry, with some 100 boat manufacturers with trade licences producing some 600-800 boats of all sizes per year. However, only about 20 of these builders produce boats in volume. As there are no compulsory boat construction standards in the GCC, design and build quality does vary considerably.

Compulsory boatbuilding standards are expected to be introduced shortly, as are factory regulations on styrene and dust emissions. These moves, when introduced and if enforced, will reduce the number of builders considerably, as well as putting up costs which are already growing.

The GCC is not only 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. Motoryacht builder Gulf Craft is a leading example. Since starting operations 30 years ago, Gulf Craft has grown to become a major international – as well as regional – force in boatbuilding, having a market share of about 25% of the total Gulf boating population of some 50,000 boats.

Over the past 10 years, under the chairmanship of Mohammed Al Shaali, Gulf Craft has developed its larger yacht brand, Majesty Yachts, offering a range from 44ft-155ft – about half of which are exported outside the GCC. The company has also ventured ➔

START WITH RELIABILITY

Outboard Starter **PWC Starter**

Inboard Starter **Diesel Starter**

the best in the business
Sierra
 Marine Engine and Drive Parts
WARRANTY

**ALTERNATORS
 SIERRA STARTERS**

We have a starting lineup that brings performance, reliability and quality all backed with Sierra's lifetime warranty.

www.seastarsolutions.com

Explore

GULF | OVERVIEW



▲ Dubai International Boat Show

into semi-displacement boats with its new Nomad brand that was introduced at the recent Dubai International Boat Show. The new product line comprises boats ranging from 65ft-95ft.

DUBAI BOAT SHOW

The Dubai International Boat Show is the main nautical event for the region, with the first edition staged in 1992. Despite the ups and down of the Gulf economies,

the invasions of Kuwait and subsequently Iraq, the show has only missed one year and it has established itself as the main promotional event for boating in the Middle East, the Asian sub-continent and latterly for the growing African boating market.

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

The show, however, is not without competitors who have popped up over recent years. These include the Kuwait Yacht Show in February, the Qatar International Boat Show in November and, on its home turf, the Dubai Pre-Owned Boat Show in November at the Dubai Creek Golf and Yacht Club Marina. Despite its title hinting at used boats, the 'pre-owned' show has at least 50%

“The UAE is the centre of the Gulf boatbuilding industry, with some 100 boat manufacturers producing 600-800 boats”

new boats on display. According to marina manager Abdullah Al Noon, the event is “proving popular with the local industry who want to target UAE residents and the show is now well established in the local industry calendar”.

CONCLUSION

The Gulf boating market has endured many turbulent times in the past, including the Iran/Iraq war of the 1980s, the invasion and recovery of Kuwait in 1990/1991, the invasion of Iraq in 2003 and the ever-present tension with Iran. Despite these events, the market has always recovered.

A key influence that helps to promote boating growth is the Arab love of the sea and boating, which is in their DNA and for Gulf-based expatriates it's also one of the few outdoor activities available. **IBI**

MARKET <i>(leisure vessels over 5m LOA)</i>	STRENGTHS/OPPORTUNITIES	WEAKNESSES/THREATS
GCC REGION <i>(excluding Saudi Arabia)</i> Total vessels: 48,000 <i>(estimate)</i> Total fleet value: US\$3,274m <i>(estimate)</i> Import duty into GCC: 5% in all countries. Sales tax: In all countries: Zero Marinas: 57	<ul style="list-style-type: none"> Oil-based regional economy which is likely to recover from current downturn when oil price recovers Servicing and repair of leisure boats is a key opportunity for new business 	<ul style="list-style-type: none"> Risk of regional conflict Regulations due to growing security issue are making the use of leisure boats more difficult Low oil price is depressing boating market in the short term Quality of repair and maintenance generally poor
BAHRAIN Total vessels: 10,000 <i>(estimate)</i> Total fleet value: US\$145m <i>(estimate)</i> Marinas: 7	<ul style="list-style-type: none"> Mature boating market Lowest marina berthing rates in the GCC Recovering from a period of civil unrest three years ago 	<ul style="list-style-type: none"> Has been overtaken by Dubai as the main Gulf financial centre Security restrictions on the use of leisure boats Shortage of good vessel repair and support
KUWAIT Total vessels: 20,000 <i>(estimate)</i> Total fleet value: US\$1,846m <i>(estimate)</i> Marinas: 8	<ul style="list-style-type: none"> Largest GCC boating market Improved market for larger yacht sales with new marina now opened Several options for vessel repair, lift-out facilities 	<ul style="list-style-type: none"> Proximity to Iran and Iraq makes boating subject to security issues and restrictions Licensing rules for boats are not transparent
OMAN Total Vessels: 2,500 <i>(estimate)</i> Total fleet value: US\$88m <i>(estimate)</i> Marinas: 7	<ul style="list-style-type: none"> Strong medium/long-term boat destination New marinas planned One good repair facility in Muscat 	<ul style="list-style-type: none"> Some piracy risk in the south of the country Some risk of cyclones with subsequent marina and vessel damage
QATAR Total vessels: 3,500 <i>(estimate)</i> Total fleet value: US\$195m <i>(estimate)</i> Marinas: 5	<ul style="list-style-type: none"> Highest GDP per head in the world, with large development plans for marinas Growing market for yacht and boat sales Qatar show to run third edition in 2016 	<ul style="list-style-type: none"> Lack of good repair and maintenance facilities for private vessels Lack of clear leisure boating regulations
UAE Total vessels: 12,000 <i>(estimate)</i> Total fleet value: US\$1,000m <i>(estimate)</i> Marinas: 30	<ul style="list-style-type: none"> Best network of repair facilities in UAE Big expatriate market for boat owners Dubai is hub for growing boating market in Africa Dubai show is the regional event for the industry 	<ul style="list-style-type: none"> Coast Guard regulations are becoming restrictive for leisure boating in all Emirates Berthing now becoming in short supply in Abu Dhabi and Dubai