



# JENNIFER SAIA

PRESIDENT OF THE SACKS GROUP, A YACHT CHARTER MANAGEMENT AND BROKERAGE FIRM, JENNIFER WAS BORN IN CONNECTICUT AND NOW LIVES IN FORT LAUDERDALE WITH HER LIFE PARTNER AND HIS THREE CHILDREN. SHE HAS BEEN AT THE HELM OF THE SACKS GROUP FOR OVER 13 YEARS. SHE JOINED THE FIRM IN 1990 AFTER BEING A HEAD STEWARDESS FOR THREE YEARS ON YACHTS UP TO 167'.

# CHARTER

# VS.

Story by Cecile Gauert

**CHARTER AND FRACTIONAL OWNERSHIP BOTH HAVE MADE THE WORLD OF YACHTING MORE ACCESSIBLE, BUT WHICH IS RIGHT FOR YOU? WE HAVE ENGAGED JENNIFER SAIA, PRESIDENT OF THE SACKS GROUP, AND LOREN SIMKOWITZ, PRESIDENT OF MONOCLE FRACTIONAL YACHT OWNERSHIP, IN A FRIENDLY DEBATE THAT MAY HELP YOU DECIDE.**

# FRACTIONAL OWNERSHIP

# LOREN SIMKOWITZ

LOREN MOVED FROM MARYLAND TO FORT LAUDERDALE IN 1990. BORN IN WASHINGTON D.C., HE IS MARRIED AND HAS A BRAND NEW GRANDDAUGHTER. WITH A BACKGROUND IN FINANCE AND MANAGEMENT, HE HEADED A SUCCESSFUL REAL ESTATE DEVELOPMENT FIRM IN MARYLAND FOR OVER 30 YEARS BEFORE FOUNDING MONOCLE FRACTIONAL YACHT OWNERSHIP IN 1990.



**B**oth Jennifer and Loren say their business segment is booming. Although they offer an alternative to classic yacht ownership, they feel they do not really compete but rather propose suitable options to a different clientele.

**Charter and fractional ownership offer the yachting lifestyle at a fraction of the cost of ownership. Why is your option the best?**

**JS:** Our professional charter agents have access to every yacht on the market worldwide and can fulfill any need, be it a family's Christmas vacation, a couple's anniversary, a corporate incentive outing, or a "guys" luxury fishing trip. Our charter agents not only look through our central agency yachts, but search the entire global charter fleet market for the right vessel, each time. And then the charter crews really "jump through hoops" to make the trip a memorable one.

**LS:** Fractional yacht ownership allows owners to get all of the pleasures of chartering, plus all of the

benefits of sole ownership at a fraction of the cost. In yacht chartering, such as renting, you are paying for/off someone else's asset; with fractional yacht ownership you are paying for/off your own asset. It's ownership vs. renting in a nut shell.

**What do you see as the biggest advantages of charter? What are the drawbacks?**

**JS:** With charter, there are hundreds of yachts to choose from. If there is a drawback, it could be that when a charter guest becomes attached to a specific yacht and its crew because of the great service they provide, that he/she may be disappointed if the boat sells and the crew changes. A great charter also takes a bit of pre-planning and diligent work with a charter agent before the trip to ensure that their vacation exceeds their expectations.

**What are the biggest advantages of fractional ownership? What are the drawbacks?**

**LS:** The biggest advantage of fractional ownership is that you own the yacht of your choice for a frac-

tion of the cost with absolutely no headaches and hassles of management responsibility and receive the residual upon the resale. The only drawback we have encountered thus far in the program is our owners don't want to leave their yacht when their scheduled time is up.

**Let's take the example of an 80' yacht with a purchase price new of \$3.5 million. Taking into consideration all expenses (crew, dockage, fuel, food, taxes and licensing), what would be the cost to charter or own in a fractional program?**

**JS:** The charter would be about \$22,000 to \$24,000 per week, plus expenses and gratuity. In total, it would be about \$31,000 to \$33,000. With a cost of just a little over \$10,000 per couple it is comparable to an upscale cruise and so much more enjoyable! It's like being the owner of the yacht for the week without the worry of the vessel the other 51 weeks of the year.

**LS:** Fractional program owners simply pay cash for



just a  
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planned



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their share of the yacht and then only have to pay a share of the total annual operating expenses. In an attempt to compare the two, let's assume our fractional owner finances 100% of his share cost and pays his share of the annual operating expenses. In this example a 10% share, which entitles the fractional owner to four weeks of use, costs \$350,000 (1/10th ownership). The fractional owner will also contribute his 10% share of the total annual operating expenses, which are \$40,000 annually. Combining the cost of 100% financing and their share of operating expenses for 28 days of use, cost is only \$2,500 daily.

**For what size yachts would you say most of your clients are looking? Is it changing?**

**JS:** Though the 100' to 130' market seems to be our bread and butter, the 140' to 170' plus market has really expanded. Clients who started in the 70' to 90' range have traded up. They share the charter with friends attracted by the lifestyle. Their families have grown; they travel with children, nannies, etc. They need bigger vessels to accommodate them all!

**LS:** Most of our fractional clients prefer the 4- and 5-stateroom yachts, which range in size from 100' to 150'. This allows owners to bring their friends and family and still have ample space for dining and entertaining. The larger yachts also have a higher level of service with a greater crew-to-guest ratio.

**Do charter and fractional ownership target the same segment of people? Do you compete directly?**

**JS:** I have not heard of a single client calling us to say they are comparing the two. I think people who want to charter do not need to have ownership; they just want a wonderful vacation that has been meticulously planned. In my opinion fractional companies compete for people who are already looking to buy a boat and try to entice them to buy into a bigger boat by joining a fractional program.

**LS:** Our markets are different but they might overlap somewhat. The fractional client is interested in the investment aspect of ownership while the charter client prefers not to own and chooses to rent his yachting time. I don't believe we compete at all, in fact I think we compliment each other.

**Where do most of your clients come from?**

**JS:** We are very blessed with a healthy stable of

repeat clients year after year, who also refer their friends and associates to us. Repeat and referral is the name of the game. However, to be in this industry, you have to advertise in many marine and lifestyle publications, join forces with other luxury items to cross-market, participate in specialty shows, mailings and other creative arenas which I cannot discuss openly (trade secrets!)

**LS:** They come from all over the world.

**Shipyards are building increasingly for the charter business. Others are developing fractional ownership programs of their own. How do you assess you industry's relationship with shipyards?**

**JS:** Which builders are developing fractional ownerships programs of their own? Hatteras tried it; so did Resortship with a line of vessels. Both failed. Certainly builders consult with charter marketing firms, maritime attorneys and naval architects to build yachts that will meet their customer's private needs. This includes making the vessel suitable for charter, which not only may fulfill the yacht's current requirements but also addresses the yacht's resale value.

**LS:** By making yacht ownership more affordable, the demand for yachts will increase and consequently yacht manufacturers will be producing more. Monocle has established an alliance with many of the major yacht manufacturers to satisfy our individual client's tastes.

**Finally do you foresee a day when charter and fractional ownership would "convert" people who have been yacht owners?**

**JS:** We have the pleasure of having many "ex-yacht owners" as our charter clients. It may be they only have a small boat now or that they are building a very large yacht and they need to charter in the meantime. Or it may be that their kids have grown, and they don't want to have to use their yacht or have a crew anymore. They know we will fulfill their "ownership" needs for a week here and there on someone else's vessel just fine!

**LS:** We are seeing this phenomenon taking place every day. Sole yacht owners are selling their boats just to buy into our fractional ownership program because they appreciate the value of shared ownership and can simultaneously take advantage of Monocle's professional asset management experience.



# THE NITTY GRITTY

## THE BASIC CONCEPT

**CHARTER:** Essentially it is like renting. Cost is most often weekly, occasionally daily and varies with size of yacht and season.

**FRACTIONAL OWNERSHIP:** It allows purchasing a share of a yacht entitling the owner to a numbers of days of use per year. The number of owners in the program, and number of days of use vary with fractional programs.

## FOUR-WEEK COST COMPARISON OF AN 80' YACHT WITH A VALUE OF \$3.5 MILLION

**FRACTIONAL OWNERSHIP:** Initial cost is \$350,000, plus a yearly \$40,000 of maintenance expenses. Onboard expenses (fuel, food and transient dockage) are excluded here.

Presuming the yacht experiences a typical depreciation, the yacht's residual value after resale would offset part of the initial cost. Assuming there are no financing charges and that maintenance fees remain constant over the 3-5 years ownership, after resale of your share the cost of 28 days would be:

**\$66,666 PER YEAR (AFTER THREE YEARS)\***

**\$50,000 PER YEAR (AFTER FIVE YEARS)\***

**NOTE:** The typical residual value on a US-built 80' yacht may fluctuate as follows:

**2008: \$2.8 MILLION • 2009: \$2.7 MILLION • 2010: \$2.8 MILLION • 2011: \$3 MILLION**

## ACCESS

**CHARTER:** Availability is the only restriction here. In theory charter allows you to go just about anywhere, knowing that the greatest yacht selection exists in the Mediterranean in summer and Caribbean in winter. Delivery fees may apply for repositioning the yacht to your desired port of embarkation.

**FRACTIONAL OWNERSHIP:** Fractional ownership programs usually allow for a summer and a winter destination, such as United States/Caribbean, or Caribbean/Mediterranean, but the choice of destinations is more limited.

## SERVICE

**CHARTER:** Extensive charter requirement lists filled before departure will get guests personalized menus and service. These lists have to be filled before each charter.

**FRACTIONAL OWNERSHIP:** The Company that manages the fractional program keeps track of each owner's personal preferences and choices. How far the company will go in personalizing the yacht each time an owner comes aboard varies; customized menus are standard issue.

## INDUSTRY STANDARDS

**CHARTER:** The charter industry is very organized. Professional associations such as the MYBA, CYBA and AYCA help set standards for all, including charter agreements.

**FRACTIONAL OWNERSHIP:** Yacht fractional ownership is still very new. A membership organization with set standards and protocols is yet to develop. Programs differ in terms of number of owners, days of use and duration of ownership.