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James Jaffa, Sarah Flavell and Brandon Kummer

Expert roundtable: How are price escalations affecting the new build superyacht market?

30 April 2025 • by Gabrielle Lazaridis

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BOATPro sits down with a group of industry experts for an in-depth look at how the new build superyacht market is being affected by the current state of global affairs and socio-economic developments...

The cost of a new build superyacht is going up significantly, and at a much quicker rate than the industry is accustomed to seeing. According to Brandon Kummer, co-founder of [Kitson Yachts](#), the issue has stemmed primarily from the major inflationary spike that began in 2021, which has continued to gain momentum and is starting to eat away at the consumer appetite for new superyachts.

“I’ve been in the marine industry for more than 15 years, and I’ve never seen inflation rates and labour costs going up by three and a half per cent every year,” said Kummer. “We’ve had to

put a lot of extra time and care in educating the buyer, which becomes quite a challenge when you first quote a project, and then eight months later the price has increased by 20 per cent. It's a tough pill to swallow."



Kitson Yachts finalised the sale of the 88-metre Admiral yacht Project Spyder on behalf of an American owner • Credit: Kitson Yachts

The Peterson Institute for International Economics reported inflation at a 40-year high in 2021, fed largely by a surge in fiscal support packages and a sudden labour supply shortage during the Covid-19 pandemic. This led to a sharp increase in the cost of materials across various industries, which had a direct impact on manufacturing costs and forced businesses to adjust their pricing or risk lower margins. Global upheavals and the war in Ukraine continue to add to a difficult economic situation.

According to Kummer, the spike is causing some clients to opt out of commissioning a new superyacht entirely, with many turning to the brokerage market or even charter as an alternative. However, most clients who have already entered the build phase are essentially stuck with a ballooning budget, thanks to the price escalation clause in their contracts that allows for price adjustments in relation to the rising cost of materials, labour or other project-related expenses.



Project Spyder · Credit: Kitson Yachts

James Jaffa, co-founder of superyacht and aviation law firm [Jaffa & Co](#), explained that this provision helps contractors manage the risk associated with price volatility over the duration of a project, especially for long-term contracts or those involving materials susceptible to market fluctuations. However, the extent of some price escalations is starting to put a strain on the relationship between the two parties. “We’ve seen some instances where price escalation clauses in construction contracts are starting to have a significant impact on the client. For instance, some buyers who signed up for a construction project one or two years ago have seen the cost increase by 10 or 12 million already due to inflation,” he added.

With prices increasing so rapidly, it’s no wonder that prospective owners are increasingly pushing for a cap on price escalations for new builds, but Jaffa said more shipyards are now starting to push back. “[Placing a limit on price escalations] was considered a normal stance within the industry until the global economy – or rather, Western developed economies – experienced meaningful inflation for the first time in approximately 30 years,” he explained. “Very quickly, the shipyards got wise to this and started refusing to cap price escalation – and you could argue that they were right to.”



Project Spyder · Credit: Kitson Yachts

As much as owners dislike shouldering the increased cost, shipyards forced to contend with shrinking operating margins may struggle to stay in the black. “Imagine the cost of raw materials suddenly spike 25 per cent and yards aren’t able to increase the sales price by more than 5 per cent – those yards will suddenly find themselves in financial difficulty because they can’t afford to finish the project,” said Jaffa.

If the yard is unable to deliver, it could create significant challenges for owners left with an unfinished yacht after having invested substantial capital into its construction. “What typically happens in that situation is the client would seek out a bank fund guarantee, where the bank will reimburse the money they’ve paid if the shipyard goes bankrupt or if there’s a total loss, for instance, due to a fire,” Jaffa explained, though the client isn’t always successful. “As for the unfinished vessel, the only option here is to remove the yacht and finish it elsewhere. However, this brings its own set of problems since it often leads to a devaluation of the yacht as a pedigree build and can even lead to issues of quality.”



Project Spyder · Credit: Kitson Yachts

Faced with this new reality of skyrocketing prices, Jaffa thinks it is likely that the bigger, more established shipyards will not accept new clients who refuse to accept unlimited price increases for project inputs. But even in those cases, Kummer said he has seen instances where significant price hikes have caused owners to abandon a project mid-way through construction. “Some owners just find the [build] process more laborious than they’d initially anticipated, and in those instances, we’ll try to take more of the decision-making off their hands, but others will want to sell the project,” he explained.

Meanwhile, the yards that do not have as strong of an order book – and need new builds to survive – will likely be more willing to accept a cap on price increases, which could put them at greater risk. “Now, this isn’t to say that our clients are running to us in fear of shipyards going bust – they’re not. But it’s an interesting problem we’ve seen in recent years with inflation – the conclusion being either you pay more for your yacht or the shipyard’s going to have a problem completing the build because they can’t work for the price,” said Jaffa.



Kitson Yachts represented the seller of the 73m Admiral superyacht Project Primo in a recent deal with Edmiston · Credit: Kitson Yachts

Overall, the uncertainty surrounding new builds appears to be contributing to a drop in consumer demand, evidenced by the mild decline in new superyacht projects (either in build or on order) reported by *BOAT International's* most recent Global Order Book. The results showed a total of 1,138 projects at the beginning of 2025, which was down 2.4 per cent from 1,166 in 2024. The decline appears even more pronounced when factoring in the rise of speculative builds over the past year (which rose from 21.9 per cent of all new builds to 31.5 per cent), meaning there were even fewer projects started with an owner attached.

But according to Jaffa, starting more yachts on speculation could point to a potential workaround for both owners and shipyards. “Owners are willing to pay a larger premium for newly delivered – almost new – yachts because that two- or three-year uncertainty period gets taken away,” he explained. On the other hand, the premium pricing would also help shipyards cover higher production costs resulting from inflation.



Project Primo is scheduled for delivery in 2027 · Credit: Kitson Yachts

Still, [Damen Yachting](#) marketing manager Sarah Flavell highlighted there are several risks to consider when starting a new build on speculation – all of which might prevent shipyards from adopting it as a business strategy. “When you are not building full custom, the biggest challenge comes down to who are we building for. Who is the typical owner not just of hull number one, but all the way through to hull 10 and beyond,” said Flavell. “Building on spec also means you need to be ahead of the game when it comes to pre-empting regulation and predicting technology changes, long before they are even on the radar of the clients [...] For us, especially with semi-custom, this has meant making difficult decisions on which technologies you focus on leading with and which ones you let evolve or even leave out.”

Yet, with annual revenues reaching into the tens of billions each year, the continuing strength of the new-build sector can hardly be denied. “The general feeling is that there is still a willingness to build new superyachts, particularly among supremely wealthy clients,” said Jaffa, who is seeing a strengthening of the 60-metre-plus end of the new build market. However, both Jaffa and Kummer expect rapid price increases in the new build sector will last for another couple of years, at least, with enhanced material and labour costs tied directly to the state of the economy. “As inflation and prices start to cool again, the problem will ease, but it takes time,” said Jaffa.

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