

Lloyd's List

Bulker nation keeps the faith

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Many leading Greek owners acknowledge the attractions of investing in newly designed fuel-efficient bulkers.

Despite uncertainties Greeks invest to take fleet to new heights

ALTHOUGH they were enthusiastic buyers of wartime Liberty vessels in the 1940s and 1950s, Greek shipowners were also among the first to recognise the advantages of the modern bulk carrier when it was developed for the burgeoning international trade in bulk commodities.

They have remained mainstays of the dry bulk industry ever since and bulkers are easily the most popular type of vessel among the Greek shipping community, with three-quarters of all the country's owners having at least one in their fleet.

The China-assisted dry bulk shipping boom of 2004-2008 encouraged a glut of newbuildings and as a result it is no surprise to see that the Greek-owned bulk carrier fleet has been growing steadily younger in age as well as increasing in size.

While it might be expected that enough would now be enough, Greek owners have continued to invest heavily in newbuildings and modern secondhand bulkers.

In a number of cases, the acquisitions can be traced to owners who patiently awaited the end of the boom years and are making their move countercyclically while prices remain near their lowest in recent times.

Combined with this, many leading Greek owners acknowledge the attractions of investing in newly designed fuel-efficient bulkers that, given their long-term commitment to the sector, present an opportunity to enhance an already competitive position in the market.

Despite a widespread shortage of conventional ship finance and the fact that the dry bulk market has been more famine than feast recently, a new study has found that the number of bulkers controlled by Greeks, together with the fleet's collective capacity, is higher than ever.

Petrofin Research, which counted existing vessels together with newbuildings on order if they are scheduled to be delivered prior to the end of 2014, tallied 1,736 bulkers of an aggregate 130m dwt under Greek control, the highest numbers on record.

These were owned by 330 different owners, which was about average for the number of different Greek owners involved in the dry bulk trades during the last decade.

The average age of Greek bulkers has been on a steady downward trend and this year reached a new low of 10.3 years, according to Petrofin's findings.

The consultant and researcher imposes a threshold of 10,000 dwt so as to exclude smaller, often older bulkers that may be traded locally and to therefore better focus on the globally-operating fleet.

Another trend it identified is the increasing concentration on bigger ships, with the average size of Greek-owned bulkers reaching 75,813 dwt this year, up from 70,665 dwt in 2011.

Although the fleet was larger and younger, Petrofin detected "a slight wavering" in that the number of bulk carrier owners fell by seven from last year while the bulk carrier fleet now represents 46.1% of the overall Greek-owned merchant fleet, down from 47.6% a year earlier.

Greek owners have dominated the secondhand market this year, acquiring 162 bulkers out of the 494 identified by Allied Shipbroking as being sold during the year to date.

That is just about as many as acquired by the next eight biggest bulker-buying nations put together.

However, Greek companies are focusing on larger and more modern ships than the general rule and their \$2.4bn estimated spend on bulker so far this year is almost half the total investment in secondhand and resale bulkers in cases where the buyers' nationality has been determined.

Newbuilding contracting, too, has picked up. According to another Greece-based broking house, Intermodal, the year to June saw 38 new bulker orders compared with just 11 during the prior half-year.

The numbers are impressive and the trends seem clear enough. But behind the decision-making there is little unanimity in expectations for the industry's future.

"On the dry side you do find a lot of optimism today," one eminent Greek shipbroker told Lloyd's List. "But you are buying on a prayer for the future because there is still considerable overcapacity.

"Newbuilding prices are way up on what they were earlier this year and secondhand prices will not be going down for a while either."

One of the most acquisitive companies in the sector has been publicly listed Diana Shipping, which has a well-advertised strategy of acquiring vessels throughout the down cycle and has lived up to that this year with seven purchases or orders so far, the latest being the \$52m acquisition of a 2013-built capesize.

Yet Diana is well known in the industry as not being among the most bullish owners in terms of near-term market expectations, and has occasionally been caricatured as pessimistic.

What might seem a classic countercyclical strategy in bulk shipping has baffled some investors who have yet to get their head around the market logic of a bearish market outlook combined with bullish expansion.

Another prominent Greece-based owner, who is in the middle of his own dry bulk fleet expansion, also gave a nuanced view of his commitment to the sector.

"You look back to past experience to help you as an instrument of knowledge, not to predict but to have a view for the future," he said.

"But things have changed so much that I have no clue any more."

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