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Greeks in frame for distressed assets

More foreclosures and forced sales are highly likely this year but a secondary trend is spotlighting liquid Greek owners as the potential beneficiaries.

The combination of a lack of liquidity available for European banks, more stringent lending policies and shipping markets that continue to hammer owners will almost certainly lead to increased foreclosures and forced sales this year.

But a subsidiary trend seems to be developing that throws light on an interesting aspect of what is an otherwise unwelcome development.

Banking and other shipping sources concur that if financing banks are unable to find an owner of the same nationality as that of the company forfeiting its ship, they are most likely to turn to Greek owners to take on the vessels and the loans.

Rather than put a ship up for auction, where it would fetch a fraction of its real value, banks are choosing to shift the ownership of vessels and the loan to a liquid Greek client, according to one banker who prefers not to be named.

"Greek clients have, admittedly, been much less affected by the crisis and generally many of them are still highly liquid and hungry for ships," he said.

The primary rule of thumb is working it out with the client, which, up to now, has happened in the majority of cases, says Greek analyst Ted Petropoulos.

"Where the relationship has broken down, the next best alternative is to organise asset transfers to owners who have the trust of the bank," he added.

This would normally involve a sale with some sort of "soft loan deal", he says.

Given the size of the industry and of the problems, there have been relatively few asset transfers as yet, says Petropoulos. "However, as [asset] values and earnings collapsed at the end of last year and early this year, the interest in such deals has increased," he added.

The question is: what competitive advantage do Greek owners have compared with others?

Several observers comment that they are more competitive, citing their hands-on management style, flexibility and capability to get the best out of the market.

"Where the Greeks stand out is their ability to achieve a better recovery," said Petropoulos.

Shipbroker Dimitris Koukas of Optima points out that a number of Greek owners have showed their ability in previous market downcycles.

"There is a serious element of trust together with knowledge of how to tackle crisis situations and this blend sometimes is unique," he said.

Citing both the 1980s and 1990s, Koukas recalls that a number of owners were entrusted then with buying ships that had been taken back by the banks. The rapid rise, for example, of Diamantis Diamantides of Marmaras Navigation took place as he spooned up tonnage during the 1980s.

By chance or not, the owner was last year the buyer of a capesize bulker formerly controlled by Korea Line Corp (KLC) that had been arrested by Nordea Bank in Singapore.

The 175,000-dwt *Captain Petros H* (ex-*Poinsettia*, built 2010) was reported sold to Marmaras for \$52m in May in a private deal. At the time of the arrest, Nordea was said to be owed \$53.82m on the ship.

Another Greek owner understood to have bought several ships in bank-arranged deals was Andreas Hadjiyiannis of Cyprus Maritime. The owner took over four vessels when the Lygnos family's company collapsed in the late 1990s and then in 2002 took over half-a-dozen Royal Bank of Scotland-financed ships that had been controlled by Good Faith Shipping.

"I would not be shocked if Hadjiyiannis took more ships. At the moment, he doesn't have a fleet of 50 ships, he has cash and he hasn't done anything stupid. On the other hand, I don't know how eager he would be," said one observer.

In the latest cycle, the largest bank-generated deal was when the Logothetis-controlled Libra group, through its shipping arm, Lomar, bought out the Allseas fleet of 25 containerships in December 2009 in a \$325m deal.

Looking at the size of the group, says Koukas, the comfort level for bankers is obvious.

More recently, Greek owner Karlog bought the 69,500-dwt *Yialia* (ex-*Newlead Esmeralda*, built 1990) for \$11m in a bank-arranged sale, while earlier this month two more vessels belonging to Nasdaq-listed NewLead were seized by the Bank of Scotland and are believed to have been sold on to another Greek-listed company.

Petropoulos, who himself was involved in such deals in the late 1990s with the Bank of Scotland, says he believes there will be a lot more such deals in the future.

"It hasn't yet developed enough momentum and enough force. But what I am aware of is that there are a number of such potential deals being considered and discussed between banks and potential Greek owners," he said.

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