

## GREEK SHIPPING: GROWTH AND UPGRADING CONTINUES

Greek shipping has continued its positive development across all sectors. This development can be observed both in terms of the growing size of the Greek fleet, as well as its age improvement.

Moreover, the record Greek newbuilding order program provides clear evidence that this growth trend in size and improvement in age are set to continue.

This article will be addressing the above evolution in the Greek fleet profile and is based on our recently published Petrofin Research ©.

### The Greek shipping participants

This year's research shows a total of 758 Greek-based ship management companies. This is 33 more compared to last years.

Graph 1



The significant reduction in the number of Greek owners between 1998 and 2005 was attributed to the decline in competitiveness of the small owner, usually running very small overage fleets. Economies of scale, increased regulations, attitude of banks and the collective view of all market participants contributed to this overall consolidation process. This was achieved, though, in the context of a stronger Greek sector, both in terms of number of vessels, age and especially DWT.

With the good markets from 2003 onwards, owners (especially small ones) took advantage of the high vessel prices for their overage vessels and continued selling or left the industry with some of them hoping to return when the market would correct itself, which they expected in 1-2 years at most. However, as the market continued to boom, interest in shipping exploded from shipping related and non-shipping related sources including the rapid development of interest by the public markets and private equity providers. In addition, some owners returned to shipping having given up with the 'wait and see' theory and lastly a number of companies split up to different ownership positions depending on the varying strategies of each party.

Last of all, there have been some new entrants to the market from non-shipping related areas, wishing to enjoy the potential profits of shipping. All the above will be analysed separately later as it has contributed to a rise of the total number of Greek owners by 33 to 758 in 2008.

The significant point for the 2008 research is that due to the strong shipping markets, the overall number of Greek shipping companies continued its rise which commenced in 2006.

Whilst we believe that the underlying forces pointing to a longer term decline are still in play, these will only re-manifest themselves when the shipping industry shall enter into a recession and scrapping of older tonnage shall re-emerge.

The increase in the Greek shipping companies has happened mainly in the 1-2 vessel companies. The overall downward trend in this sector of the last few years is being resisted more and more strongly in the last 4 years. Interesting to observe that this trend has not been followed this year by the 3-4 vessel companies, which have been reduced by 6, or by 3.64%.

The growth in the smallest of companies is attributed to the increase in vessel demand. Small owners that sold their fee vessels at a tremendous profit, were looking for suitable opportunities to re-enter which of course shipping and its recent fairly steady market has provided on numerous occasions.

It is therefore expected that age cannot be of prime concern when demand for tonnage is on the increase.

Although the average age of the Greek fleet has again been reduced to **18.4**, down from **18.71** years in 2007, **19.14** years of age in 2006 and **23** years in 2005, fleets of 20+ years of



age have shown an increase too. This is particularly evident in the 1-2 vessel companies where these fleets have gone up from 256 in 2007 to 270 in 2008.

**Table 1: Fleets of 20+ years of age**

	Group F 1-2 vessel companies	Group E 3-4 vessel companies	Group D 5-8 vessel companies	Group C 9-15 vessel companies	Group B 16-24 vessel companies	Group A 25+ vessel companies	Totals
<b>2008</b>	<b>270</b> ↑	<b>116</b> ↓	<b>68</b> ↑	<b>33</b> ↓	<b>11</b> →	<b>11</b> ↑	<b>509</b> ↑
2007	256 ↑	123 ↑	67 ↓	34 ↓	11 ↑	10 ↑	501 ↑
2006	239	103	72	37	9	7	467
2005	238	116	82	27	14	7	484
2004	258	112	80	35	11	10	506
2003	256	119	84	38	11	10	518
2002	262	134	81	49	10	10	546
2001	292	133	94	46	14	11	590
2000	302	138	89	45	10	9	593
1999	253	130	91	40	13	11	538
1998	No comparable data - in 1998 15-19 and 20+ year old vessels were calculated together						

Since 2001, this is the second consecutive year that we see a rise in the overall number of the overage fleets. It points directly to a growth in tonnage demands, which Greek companies are striving to fulfil, by buying older vessels.

The table shows the usual concentration of older vessels among the very small shipping companies. What is quite interesting is that the increase this year is the most substantial since 2000. 14 companies running overage fleets have been added to those running fleets of 1-2 vessels. The 3-4 vessel companies, though, have resisted that trend, as those that run overage fleets are reduced by 7.

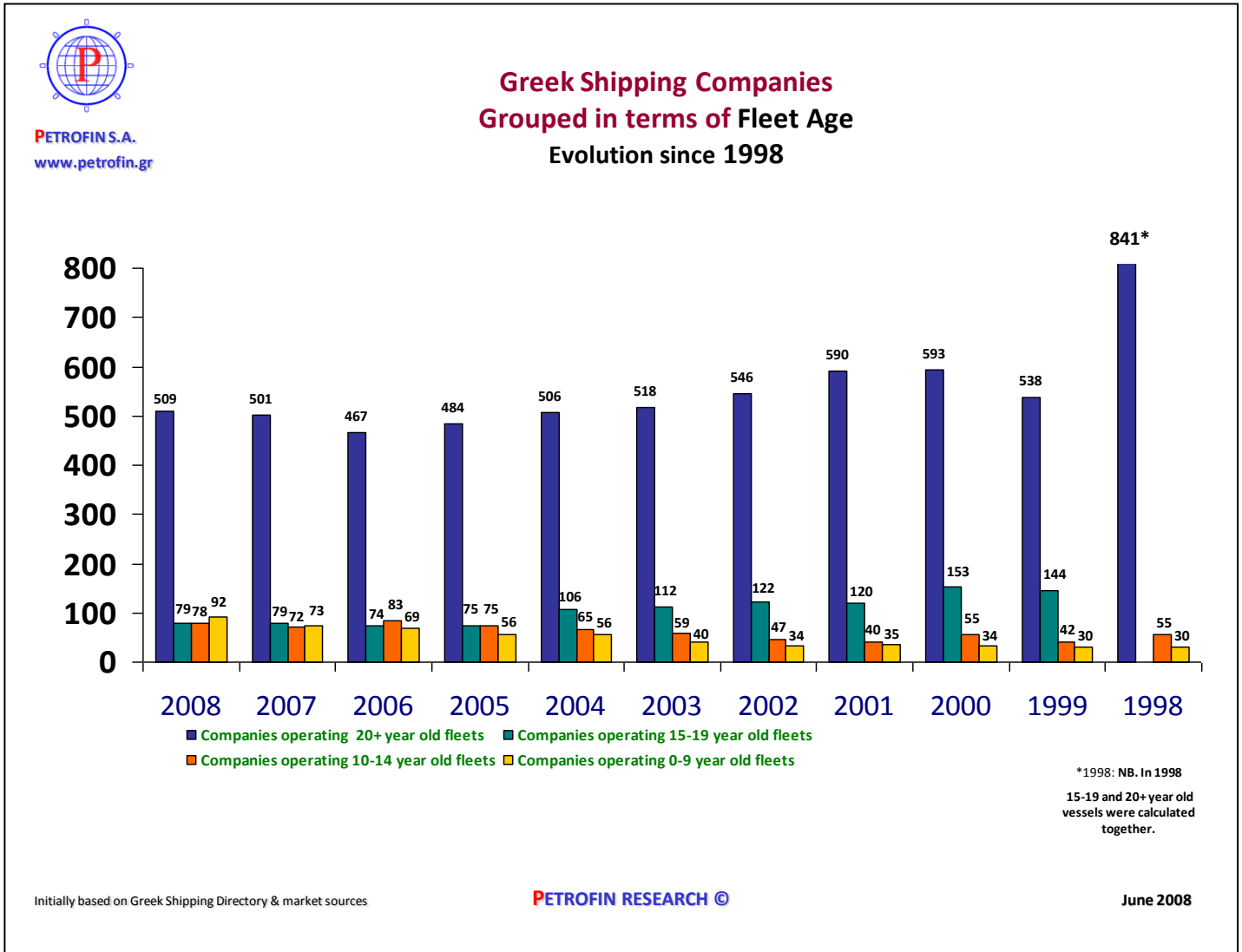
The sizeable number of companies whose fleets consisting of vessels of 20+ or 30+ years old is not only still there, it is actually growing (due to non scrapping). These are small and some not so small tankers, bulkers, ferries, etc. operating locally or in more age-relaxed zones. Noticeably, there are 846 vessels over the age of 30, whereas in 2007 there were 741 vessels over the age of 30 (645 in 2006). This means that 105 vessels over the age of 30 are currently in the fleet, a result, mainly, of the almost total lack of scrapping. This rise of really overage vessels reflects the need for tonnage that pushes aside the usual concerns over a vessels' age.

Furthermore, 249 vessels are over the age of 40, as opposed to 240 vessels in 2007 and 209 in 2006.

In Graph 2 we see a collective graph of the age results.



Graph 2



Old tonnage has regained its allure in view of the huge demand for sea transportation.

However, and most interestingly, companies running the youngest fleets are also up, by 19.

Tonnage demand is on the increase and Greek owners are purchasing older vessels without however ceasing ordering newer ones as they look well into the future.

Due to primarily the high rate of deliveries of newbuildings, the practically non-existent scrapping, together with the continuing S&P activity, the actual number of vessels of the Greek fleet has gone up to a record high **4545**, i.e. up by 199 vessels of all types and sizes or up by 4.58% in the last year. This figure represents vessels of any type, any tonnage and any flag under Greek ownership / management.



**Table 2:** *Evolution of number of vessels in the Greek fleet*

Year	2001	2002	2003	2004	2005	2006	2007	2008
Number of vessels in the Greek-based, Greek-owned fleet	4110	4142	4085	4184	3970	4164	4346	4545

The number of vessels has continued to rise substantially for the 3<sup>rd</sup> year running, as owners are keen to keep and build up on their fleets.

These vessels are managed by 758 shipping companies, have an average age of 18.4 years of age and an average DWT of 48,926mtons.

In 2007, there were 4346 vessels, managed by 725 companies, with an average age of 18.7 years and an average DWT 47,860mtons.

It is noteworthy that despite the dearth of scrapping thus aging the whole 2007 fleet by one year (sales and purchases aside), the average age of the fleet has in fact decreased by 0.3 years, due primarily to the influx of newbuildings.

Reversing recent previous trends, the total number of Greek managed fleets have risen from 725 to 758 in one year. This change shall be further analysed in depth in another research to be published shortly.

### **The Greek shipping fleet profile**

In the section that follows we present the development over time of the Greek fleet using the 20,000 DWT fleet threshold criterion. This way, the Greek fleet is stripped of a large number of overage very small vessels that operate locally. Hence, we concentrate on the global impact of the Greek fleet. We look at this sector in terms of 4 key criteria:

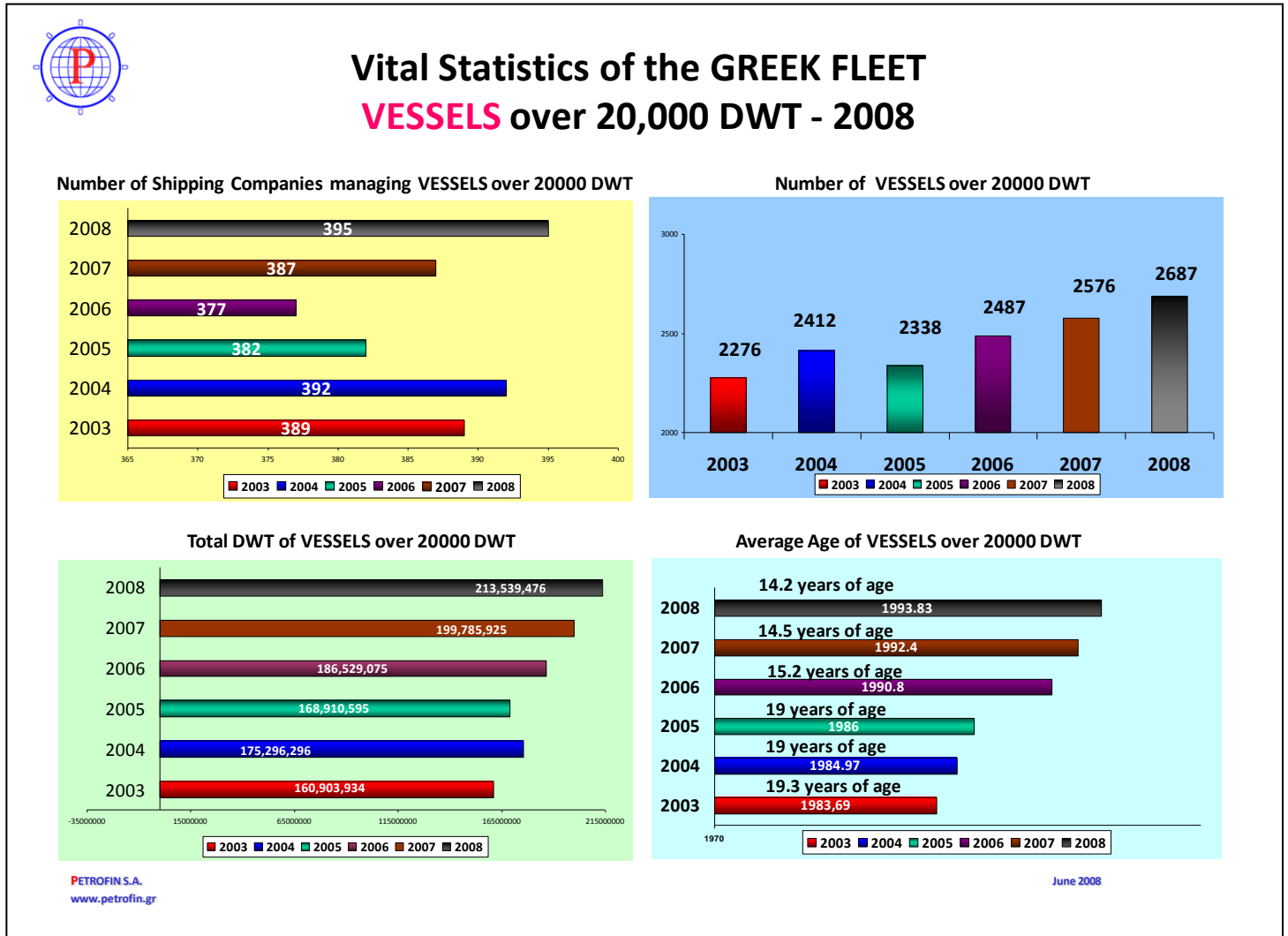
- a) Total fleet DWT
- b) Number of vessels
- c) Average DWT
- d) Average age of the fleet, and
- e) Number of shipping companies they belong to

First we look at the number of ALL vessels and age of Greek fleet with a cut-off individual vessel DWT threshold of 20,000 ('ALL vessels' means everything that floats and is under Greek control):



## Greek fleet vessels of all types of over 20,000 DWT

Graph 3



Companies that run over 20,000 tonners have also gone up this year, by 8 and the total size of the fleet. Typically, they went up to 213,539,476 DWT in 2008, from 199,785,925 tons DWT in 2007, and 186,529,075 in 2006. The over 20,000 DWT vessels represent 96% of the total of the Greek fleet, same as last year.

The total number of vessels over 20,000 DWT has also gone up to 2687, from 2576, i.e. 111 more vessels this year, as opposed to 89 more vessels in 2007. The average DWT of each vessel in this category has jumped to 79,471 DWT, from 77,557 DWT in 2007 and 75,000 DWT in 2006.

Age is reduced again slightly, down to 14.2 from 14.5 years last year.



**Table 3: Analysis of the Greek fleet**

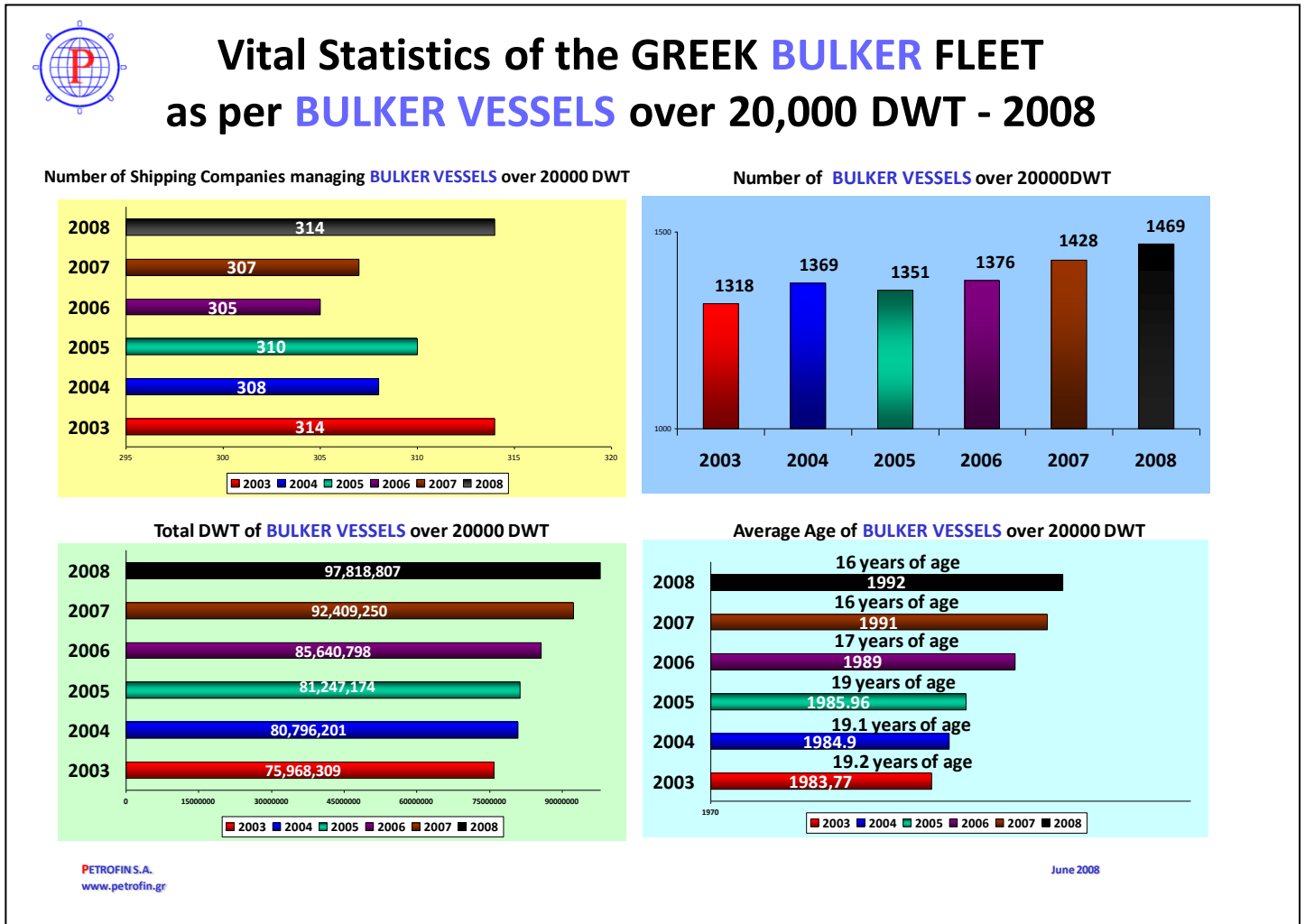
	Total Fleet DWT	No. of vessels	Average DWT	Average Age	No. of Cos.
<b>Ships over 20,000 DWT 2008</b>	<b>213,539,476</b>	<b>2,687</b>	<b>79,471</b>	<b>14.2</b>	<b>395</b>
Ships over 20,000 DWT 2007	199,785,925	2,576	77,557	14.5	387
Ships over 20,000 DWT 2006	186,529,075	2,487	75,002	15.2	377
Ships over 20,000 DWT 2005	168,910,595	2,338	72,246	19	382
Ships over 20,000 DWT 2004	175,296,296	2,412	72,677	19	392
Ships over 20,000 DWT 2003	160,903,934	2,276	70,696	19.3	389

**Petrofin Research ©** **June 2008**

## The Greek bulker fleet

Similar trends here also. Vessels are up by 41 units as opposed to a rise of 52 units last year, companies are up by 7, compared to 2 in 2007, and tonnage is up by 5,409,557 DWT against the 6,7m tons DWT in 2007. Age has remained the same, reflecting owners' wish to keep older tonnage purchases that make financial sense in a market where charter rates are so high. Average DWT here is 66,589 DWT in 2008, compared to 64,712 DWT in 2007 and 62,239 DWT in 2006.

**Graph 4**

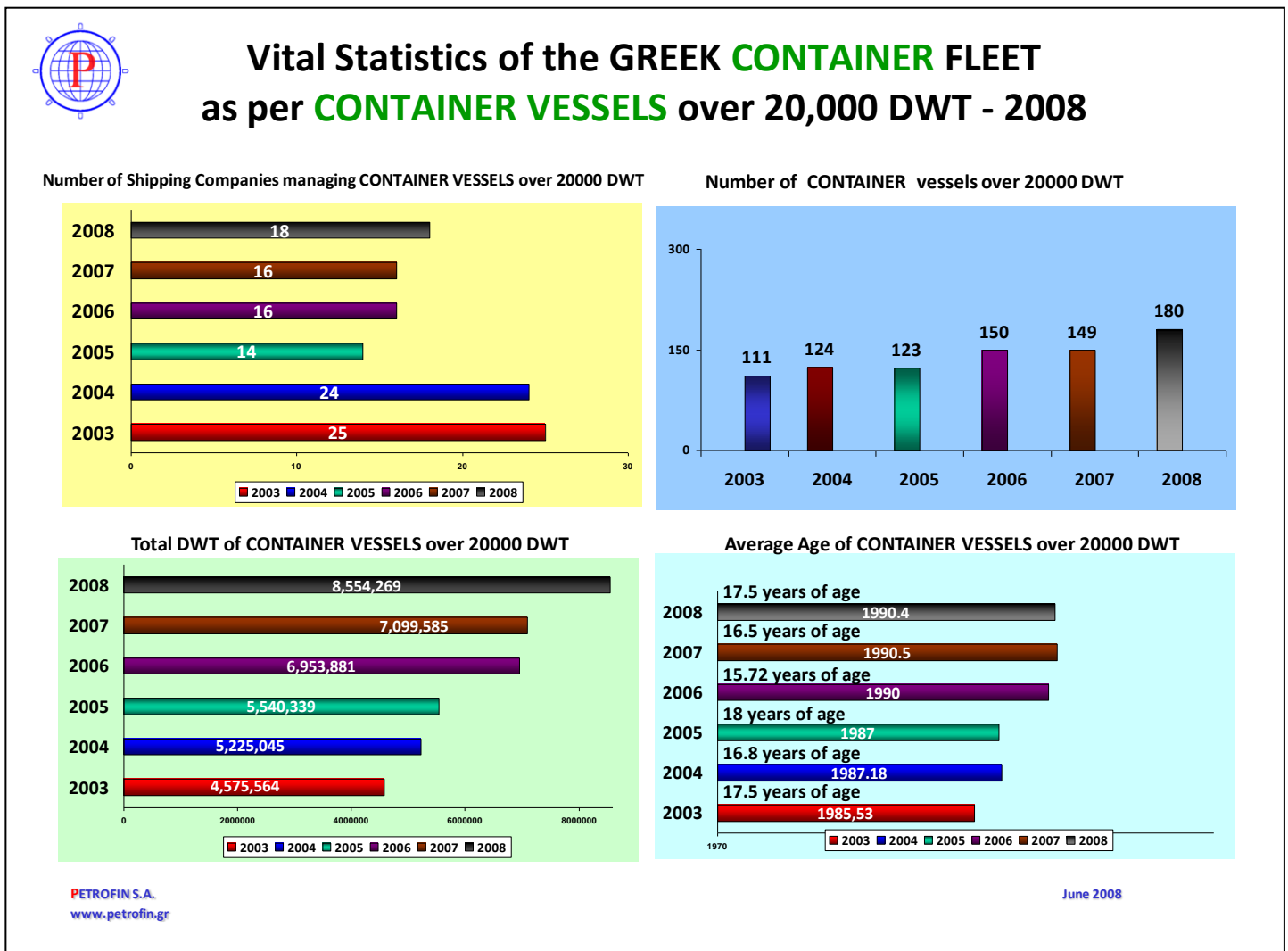


## The Greek container fleet

### Comparisons between 2003, 2004, 2005, 2006, 2007 and 2008

Here, the tonnage increase by 1.45m DWT is again impressive compared to last year's mere 145,700. The number of companies has gone up by 2 and the number of units is up by 31. The age has also gone up here, by one year for the second year running, a trend not followed by the other sectors and reflecting the need for acquiring new tonnage. An explanation for the higher age reflects the purchase of large but older container vessels on period charter back.

Graph 5



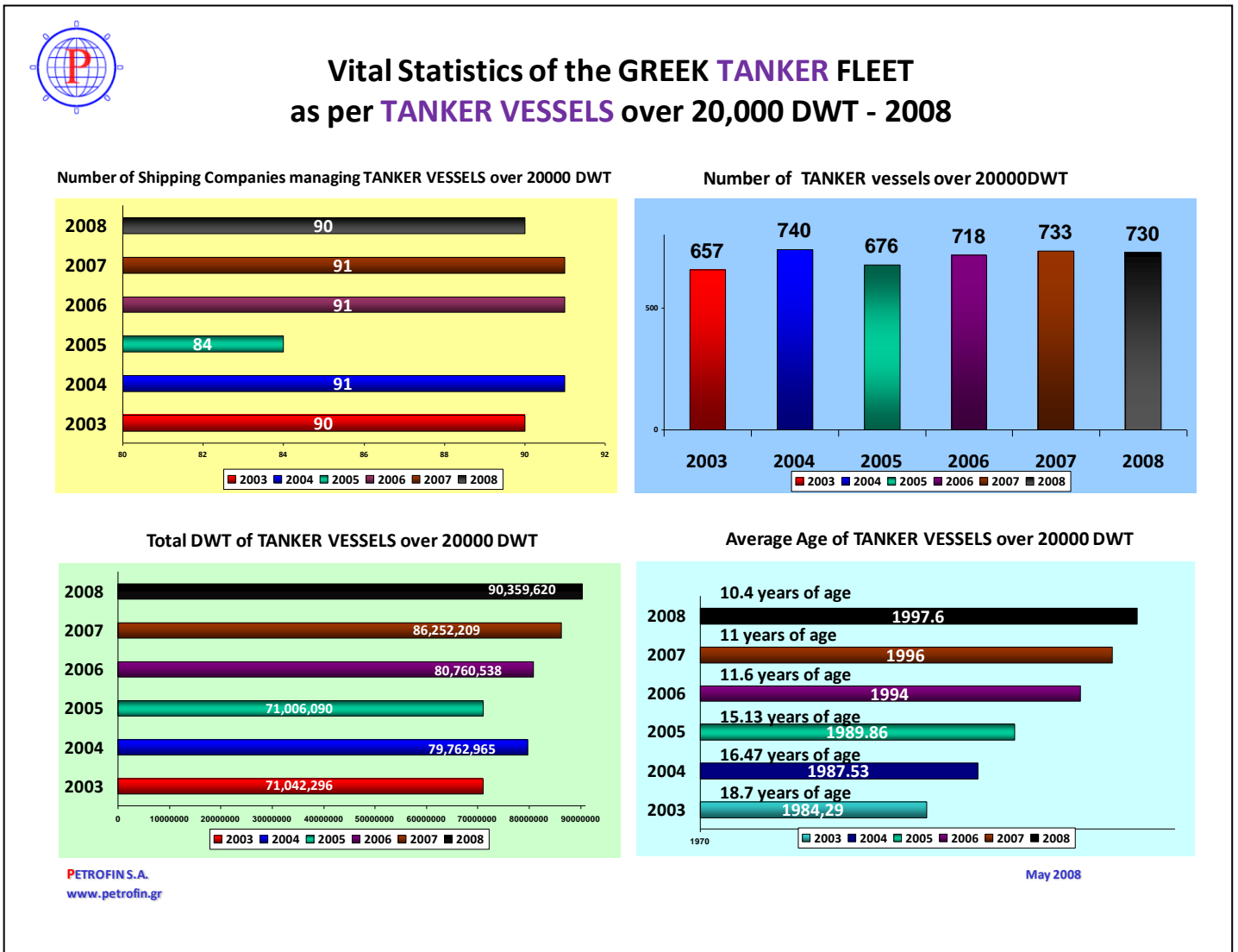


## The Greek tanker fleet

### Comparisons between 2003, 2004, 2005, 2006, 2007 and 2008

Similar trends apply in the over 20,000 DWT tankers. Companies in this sector have also gone down by 1 and the number of vessels by 3. Tonnage has gone up by 4.1m DWT and the age is down from 11 to 10.4 years of age. The average unit's size is 123,780 DWT in 2008 against 117,670 DWT last year.

Graph 6



### **Conclusion**

The Greek fleet is continuing its steady rise and modernisation. The fleet continues to get bigger, younger and even where it is not younger (containers), it is definitely bigger.

The market is still holding, as we write this, despite the influx of newbuildings, and purchases of older tonnage also continue. Scrapping is still non-existent. Demand appears to still outstrip supply which has resulted in record vessel prices and charter rates.

There is a problem that might upset the above trend in the future. Purchases happen at extremely high prices, totally unprecedented and, one could say, quite shocking. This, coupled with the current global oil / financial crisis may bring about a recession which may decrease demand at the time of increased newbuilding deliveries and result in charter rates dropping and vessel prices plummeting.

Current liquidity, however, allows for such risks to be taken, and they are taken, as owners have widely divergent view over the market's prospects.

The impact to the Greek fleet of the extraordinary developments of the last 4 years continues.

New companies are appearing but their interest focuses mainly on either the overage or the youngest vessels.

Clearly, the figures this year point out the fact that newbuildings and very young (0-9 year-old) vessels continue to enter the Greek fleet at a good pace as 19 companies running them have been added to the total.

In essence, the quality revolution of Greek Shipping continues to show in figures. Vessel prices are going up as they have never done in the past. It is in everybody's mind that this market is running ahead of everyone's predictions, analysis and expectations.

However, those running very old vessels have gone up too, reflecting the urgent demand for tonnage, to which Greek companies responded without many qualms regarding fleet age.

The increase by 33 of Greek shipping companies shows that despite a worldwide consolidation trend, the temptation of shipping is too much for ex-owners or liquid business people to stay out of this extraordinary market.

The Greek success story riding on the strength of international trade flows has attracted capital from non-traditional shipping sources, i.e. public markets via flotations, private equity funds, as well as an entry by non shipping oriented investors.

We are still waiting for this frenetic activity resulting in huge vessel price rises to stop and reverse itself. No one can forecast accurately when such a turning point shall occur. Our analysis indicates that this turning point may well take place in / about 2010 when the increasing deliveries will require an acceleration of demand to maintain equilibrium. However, logic commands that when the turning point occurs, the added older fleets will be the first to suffer. Let us not forget that these vessels were bought at comparatively high prices.

Profits at great volumes are being generated, though, as we speak. It is important to observe that liquidity will exist when the crunch point shall occur and Greek companies may not see such a



collective collapse such as experienced in the past. Indeed, nearly everyone is aiming at taking advantage of any pronounced vessel price falls.

Greek shipping is still overall a happy story, full of versatility, vitality and growth and its future is bound to continue.

