

Offshore Supply Market Update

Of 13,501 vessels and 3,631 barges tracked by Marcon as of mid-June 2019, 2,998 are supply and tug supply boats, with 275 officially on the market for sale. 75.00% of foreign and 71.26% of U.S. flag supply / tug supply boats officially listed for sale with Marcon are directly from Owners. As of end June, Marcon's Sales Price to Asking Price ratio for all types of vessels sold in 2019 is 91.29%, an increase from 77.79% in 2018 and 81.49% in 2017. While 90% of our closed and collected sales year-to-date had asking prices, only two sales were at that level. The remaining sales were at as low as 50% of asking. This bears out what we've been seeing elsewhere – sellers' prices have been above what the market is bearing for vessels of their age and condition or at just above scrap levels in order to get the vessel sold. 82.13% of our sales so far this year have been US seller to US buyer with one foreign to foreign and three US to foreign sales. The foreign buyers were in Canada and the Caribbean.

The few sales there have been of OSVs remain at deeply discounted levels. It seems the longer the market takes to come back, even bargain prices are not enough to attract buyers. Vessels less than 10 years old are having a hard time selling even at under 25% of pre-meltdown levels. Some are finding buyers around 15% to 20% of pre-2014 levels. In the meantime, vessels languish on the market for years with market prices dropping, all while Mother Nature takes her toll on condition, further discounting the vessels' values.

With the ongoing trade disputes and expected global slow down, we expect that oil prices will continue their flat line for the foreseeable future. Scrapping oilfield vessels will continue as long as the majors remain hesitant to invest in exploration and development. Scrapping of OSVs is being reported by operators and in the worldwide fleet, though at a slower rate than was seen in 2018. Sea-Web reports 655 PSVs and AHTSs broken up, to be broken up or scuttled, up 10.83% since September 2018. 481 offshore support vessels of other types are also meeting this fate, up 7.37% in nine months. Marcon's files on 33 of the AHTSs and 15 of the PSVs we regularly track have been archived so far in 2019 due to the vessels being scrapped.

We have been told that the OSV market in the US Gulf has picked up in charters and term work a bit, but it is mostly related to the larger tonnage in the 280' – 300' LOA range. The market seems willing to absorb a vessel in this size category on a term charter basis right now, but the charter rates wouldn't really justify bringing anything out of 'stacked / laid up' status to pursue the business. We have not received any recent charter rate levels, but some operators have reported charter rate and utilization increases in their second quarter 2019 results, which show a bit of improvement but that it is not a 'blowing & going' market by any measure.

Tug supply boats officially on the market for sale tracked by Marcon in total is 127, 22 fewer than one year ago and 11 fewer than five years ago. Composition in the last year has changed with the biggest shifts being more above 12,000HP, but fewer 3-7,000HP AHTSs offered. In today's market many additional vessels, probably equal to or greater than the number "officially" listed can be developed on a private & confidential basis. The good news for potential serious buyers, the few out there, is that vessels now offered for sale generally average several years newer than those five years ago. Five years ago, the average age of all AHTSs for sale was 20 years old. Today, the average age is 15 years old. Mid-June, 64 tug supply boats officially for sale were either built within the last 10 years or are newbuilding re-sales. Only 15.75% of tug supply boats are 25 years of age. Counter-balancing today's "old ladies" are seven newbuilding 4,200-12,000BHP AHTS resales scheduled for delivery in 2019. One year ago, 18.79% of AHTSs for sale were built before 1993, fairly comparable to today's 15.75%, while five years ago 55.73% of the tug supply boats were built prior to 1989.

Over the past year, we've seen a continuation of all sizes of PSVs coming officially off the market with a decrease of ten PSVs listed for sale. The greatest changes are 7 more 220'-240' with an average year built of 1995 vs 1991, 9 fewer over 240' (2006 vs 2007) and 8 fewer 200'-220' (2002 vs 2000) PSVs presently on the market. Like the AHTSs, PSVs now being offered are generally newer than those offered five years ago with the average age of all available for sale dropping from 21 years of age to 20 years old now. Mid-June, Marcon International officially has available 67 supply boats built within the last ten years, which includes three 196.8' to 255.9', 4,000-6,400BHP newbuilding re-sales scheduled for delivery in 2019 in the Far East. 42 PSVs, or 28.38%, are 25 years of age or older, with the oldest PSV listed built in 1971 - compared to one year ago when 39 PSVs (24.68%) were older than 25 years with the oldest a 1964-built PSV. Five years ago, the oldest PSV on the market for sale was built in 1969, but 61 PSVs (56.48%) were older than 25 years.

According to *Lloyd's Register Fairplay Sea-Web*, as of June 30, 2019, there were 7,354 "sea-going" supply vessels over 100GRT worldwide. This is down 0.78% or 58 vessels compared to one year ago, reflecting the continued scrapping of older OSVs that had been laid up for the past few years. Total horsepower of this fleet is 41,870,554BHP, down 348,062BHP or 0.82% since last year. The largest national fleet of supply vessels worldwide in horsepower and count sails under U.S. registry. The U.S. operates 855 sea-going supply vessels over 100GRT, or 11.63% of the world market, totaling 4,273,668HP (10.21% of global HP) with a 17.5 year average age. Over the past year, the U.S. fleet declined by 8.46%, or 79 OSVs, while horsepower increased 321,322BHP or 6.99%, showing that higher horsepower OSVs are replacing those leaving the fleet.

Two OSVs have been delivered year-to-date as of **Colton Co.'s** July 2019 list of vessels delivered from U.S. shipyards, compared to five delivered in 2018 and four delivered in 2017.

Since Marcon's first sale in 1983, we have sold or chartered 1,486 vessels and barges, including 82 PSVs, 80 AHTSs totaling 383,363BHP, 109 crew/pilot boats, 32 research/survey vessels, 20 utility boats, 19 seismic vessels, 9 dive vessels and one drill ship.

Full report is available here: [Supply Market Report June 2019](#)