

## Offshore Market Summary

Marcon International is pleased to report that 2019 is off to a good start with one sale closed and another six or so pending expected to close in February. This follows Marcon completing 39 sales and fixing two long-distance tows in 2018. In addition, a 5,000HP ASD tug has been extended on a previously arranged long-term charter. 2018's sales included 20 tugs, 6 AHTS/OSVs, 2 crew boats, 4 deck barges, 6 tank barges and 1 general cargo vessel. Since our first sale in 1983, Marcon has sold/chartered over 1,468 vessels and barges between companies located in the U.S. and worldwide. We specialize in the towing, marine construction and offshore petroleum industries.

The various markets remain a mixed bag. Whipsaw oil prices continue to bring uncertainty to the offshore market. Just about anyone we speak with has given up trying to predict a turn around. Owners have taken a duck and cover approach. Buyers are usually only hunting for "deals". The decline may be over, but the new normal is painful. Day rates need to rise to provide for long-term sustainability.

The overhang of surplus vessels still exists and further consolidation is expected. Prices of a few select vessels have increased, but trying to predict when the offshore market will see a comeback still remains elusive. Sea-Web reports 621 PSVs and AHTSs broken up, to be broken up or scuttled, up 10.11% from August 2018. 462 offshore support vessels of other types are also meeting this fate. Marcon's data shows 132 tug supply vessels officially on the market, which is down 23 from one year ago, November 2017, and ten less than five years ago, November 2013. Composition in the last year has changed with the biggest shifts being two more 7-8,000HP, but seven fewer 5-6,000HP, six fewer 3-4,000HP, five fewer 10-12,000HP and three fewer 4-5,000HP 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 – just a phone call or e-mail away. 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. November 2013, the average age of all AHTSs for sale was 23 years old. Today, the average age is 14 years old. While previous market reports saw number of vessels officially for sale increase due to continued scrapping of older tonnage or owners laying-up and looking to dispose of select idle / under-utilized tonnage or non-core assets, recently we began to see some owners putting vessels to work on term contracts. At the time of this report, 61 tug supply boats officially for sale were either built within the last 10 years or are newbuilding re-sales. Only 18.94% of tug supply boats are 25 years of age. Counterbalancing today's "old ladies" are eight 4,400-12,000BHP foreign-built newbuilding 6,000BHP AHTS resales scheduled for delivery end of 2018 and in 2019. One year ago, 18.71% of AHTSs for sale were built before 1993, fairly comparable to today's 18.94%, while five years ago 61.27% of the tug supply boats were built prior to 1988.

Over the past year, we have seen all sizes of PSVs coming on and off the market ending up with a net decrease of one PSV listed for sale. The greatest changes are 17 fewer over 240' with average year built of 2006 vs 2007, six more 190'-200' (2003 vs 1999), four fewer 180'-190' (1989 vs 1987) and three more under 150' (1987 vs 1990) PSVs presently on the market. Like the anchor handling tug supply boats, PSVs now being offered are generally newer than those offered in November 2013 with the average age of all for sale dropping from 23 years of age to 19 years old. As of the time of this latest report, Marcon International officially has 34 supply boats for sale built within the last ten years, which includes five 190'-256', 3,600-6,400BHP newbuilding re-sales scheduled for delivery in the Far East. 39 PSVs, or 27.08%, are 25 years of age or older, with the oldest PSV listed built in 1969 - compared to one year ago when 40 PSVs (25.81%) were older than 25 years with the oldest a 1964-built PSV. Five years ago, the oldest PSV on the market for sale had been built in 1969, but 61 PSVs (56.86%) were older than 25 years. As with the AHTSs discussed above, many PSV owners find themselves still with too many boats and too little work.

Marcon wishes all our clients a happy and prosperous 2019. We stand by to assist with all your brokerage needs.