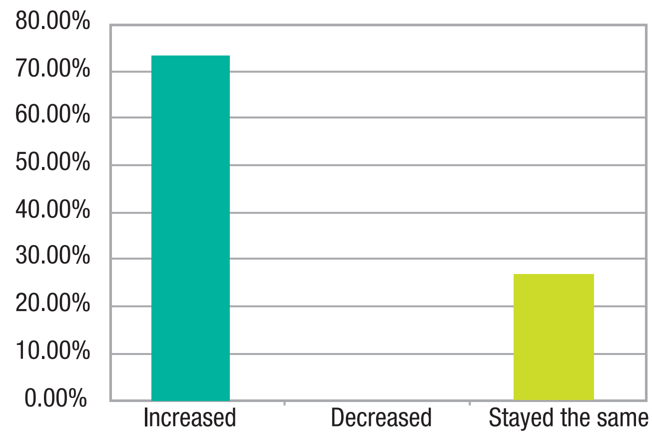
Marine Money

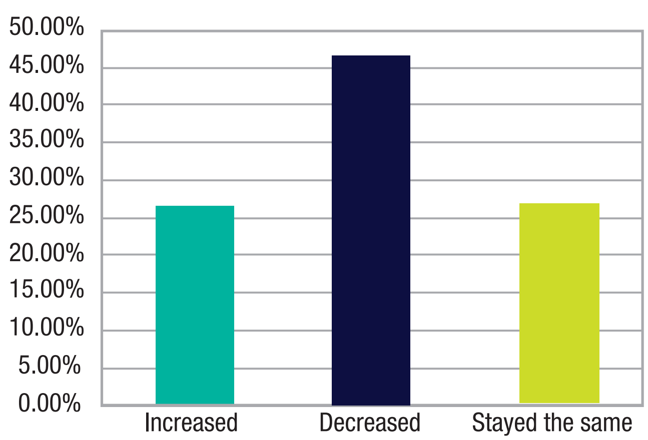
Non-Bank Lender Monthly Survey Results: Liquidity Increases, So Does Pricing

Although broader credit markets are showing signs of tightening liquidity from non-government sources, the same cannot be said of the market for non-bank sources of ship finance. While many non-bank lenders spent the initial months of the COVID-19 crisis focused on making sure that their existing borrowers were okay, now they report that they are seeking new business. At the same time, about 75% report reduced or static deal flow in April. Add to this the fact that the overwhelming majority of funds have increased their pricing to reflect both the higher cost of their own funding and the increased risk created by an uncertain economic recovery. Considering the fact that 80% of the funds have either kept volume targets unchanged or increased them, this has created a market in which there is more capital than transactions at the moment. Ordinarily, this might mean non-banks lenders would expand their risk parameters. That is not the case now. Instead, the survey indicates a lagging effect. And although the supply of non-bank lender capacity temporarily exceeds demand, we expect that over time the market will move more in the direction of non-bank lenders, increasing their ability to be selective regarding which deals they will do. In terms of sectoral preferences, Offshore tops the list for the least attractive sector, while Tankers and Bulkers remain on the most desirable list. The main takeaway is that the alternative ship finance market continues to function well, though most funds report a decline in new fundraising during 1Q, which may impact liquidity in the future.

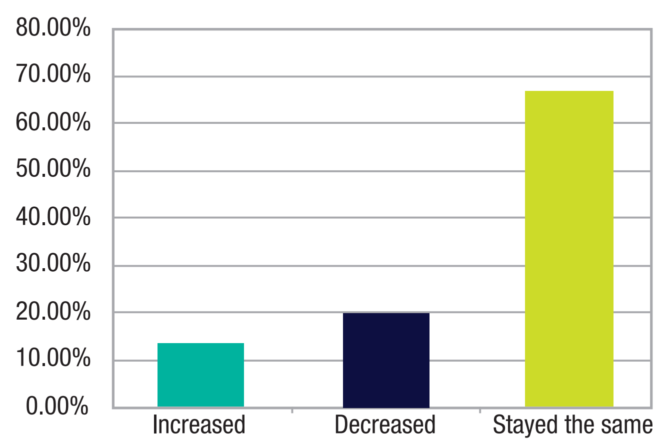
Q2 In the month of April, My pricing:



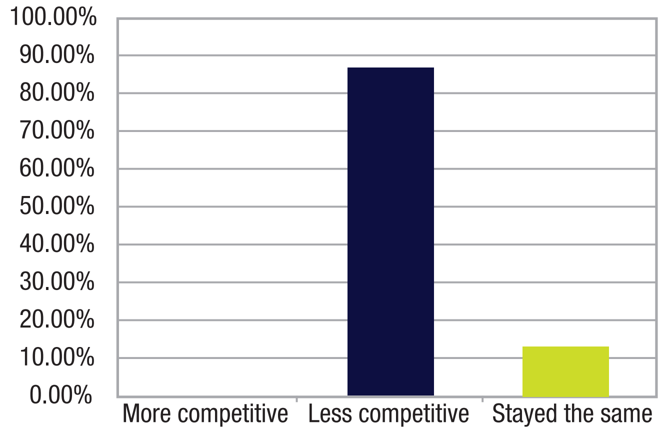
Q1 In the month of April, My deal flow:



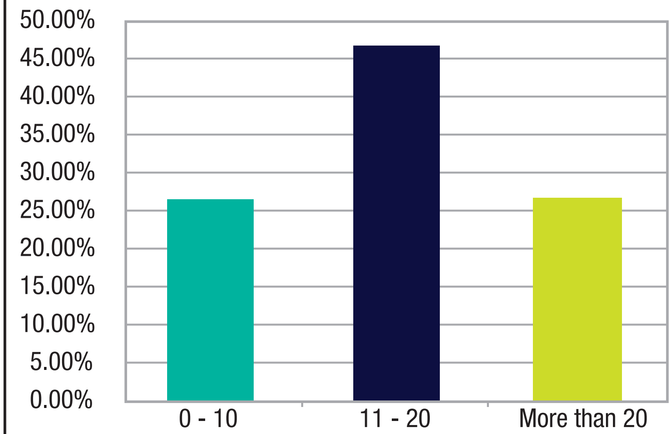
Q3 In the month of April, My Appetite for new deals:



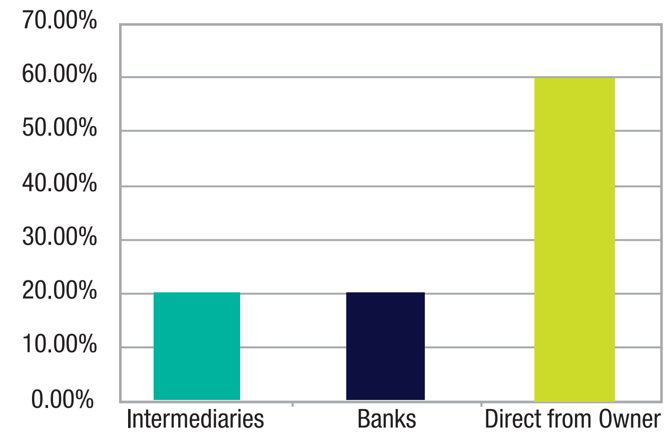
Q4 In the month of April, The overall market for ship finance was:



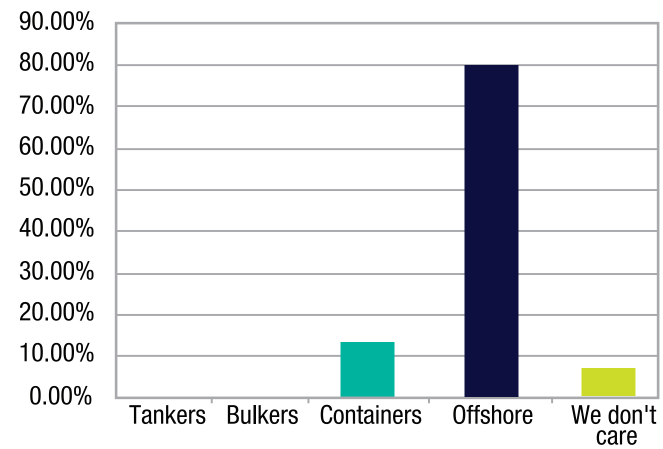
Q5 How many deals do you look at for every deal you fund?



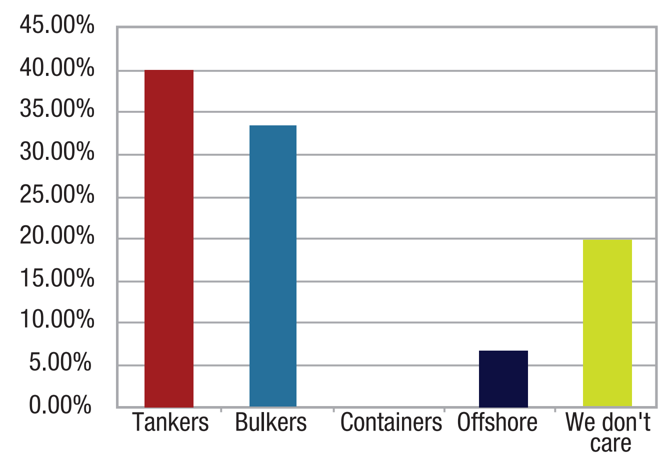
Q6 The best deals come from:



Q7 Least favorite sector for investment right now:



Q8 Favorite sector for investment right now:



Q9 We are looking to sell-down exposure