2023

End of Year Market Report

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Introduction

The past year was certainly notable in the world of maritime commerce. From disruptions in the Red Sea, to sanctions on Russian exports, to increased imports in China, the ripple effects were felt across all major shipping sectors. Utilizing the information we have available from across our data solutions, including VesselsValue, Oceanbolt, as well as forecasting from our ViaMar shipping economists, our contributors have summarized the overall market sentiment and valuations for Bulkers, Tankers, and Containers in 2023 and what it could mean for 2024.

2023 Review: Bulkers

By: Rebecca Galanopoulos Jones, Senior Content Analyst

Since the second half of 2023, there has been a notable shift in the Bulker market, drawing attention back to the Capesizes. Does this mean the larger Bulkers have resumed their spot as the star player of this sector, following a hiatus period? We take a look at the factors that have supported the market over the past 12 months and the impact that this has had on bulker values.

The Market

The Bulker market received support from a number of areas over the course of 2023 that led to improvement in market sentiment. One of these areas was improved iron ore demand from Brazil to China as recent stimulus measures improved overall sentiment. Chinese steel production is expected to remain strong due to increasing Chinese exports of steel and infrastructure projects.

Key to driving demand for the larger vessels was the rise in the Bauxite trade between Guinea and China. This growth became particularly prominent after Indonesia imposed an export ban, leading to an upswing in tonne-mile demand for Capesizes. According to data from Oceanbolt, exports of Bauxite from Guinea to Chine rose by c.23.3% year-on-year from 80.0m mt in 2022 to c.99.6m mt in 2023, with the majority of these cargoes being carried on Capesize Bulkers.

Coal demand was also robust with increased imports to China due to limited domestic production following mine accidents and low hydropower output. In addition, for the foreseeable future, there continues to be elevated tonne mile demand for the coal sector due to the ongoing conflict in Ukraine.

After a lacklustre first half of the year, September saw a strengthening in Capesize earnings, which jumped to the highest levels since 2021. Security concerns in the Red Sea caused disruption to the Suez Canal, while low water levels in the Panama Canal due to drought led to longer waiting times, causing many owners to consider travelling longer distances around the capes in order to avoid these areas. Earnings have now tailed off, which is characteristic around the Lunar New Year celebrations in the Far East. However, despite the dip, it is important to note that rates in January were at historically high levels for that time of year.

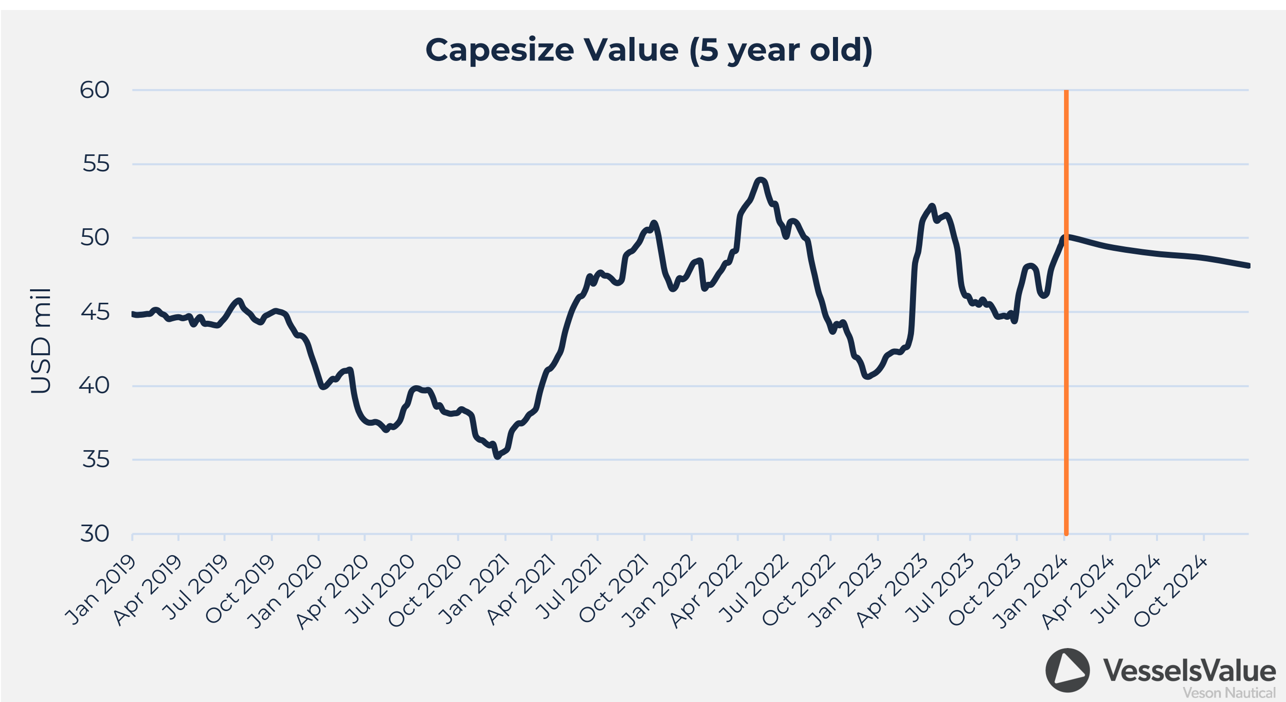
The Values

The scenarios above culminated in a positive effect on Bulker values throughout 2023, but none more so than the Capesize sector, which rose the fastest and the furthest toward the end of the year. In December alone, values for five-year-old vessels of 180,000 DWT firmed by c.7.72%. Year-on-year, Capesize values rose more than any other sector and values for newly built zero-year-old vessels saw the biggest increase, up by c. 35,4% over the course of 2023 from USD 51.16 mil at the start of January to USD 69.28 mil in December.

The current market value of a five-year-old Capesize is 19% higher than the historical median. For older Bulkers of 15 years old, this figure falls to 12% due to a significantly ageing fleet that was ordered during the boom period of the 2000s.

The Year Ahead

The combination of an ageing fleet approaching demolition age and a limited number of new orders has resulted in a constrained supply of Bulkers. Given the absence of foreseeable prospects for an increase in supply in the near future, it is anticipated that the values of Capesize vessels will remain stable and resilient in the short to medium term. According to analysis from Veson's ViaMar forecast (see graph 1), Capesize values will remain firm, falling from a fixed age value of USD 50.08 mil at the start of this year to USD 48.14 mil at the start of 2025.



Graph 1: Values for five-year-old Capesize vessels

2023 Review: Tankers

2023 Review: Tankers

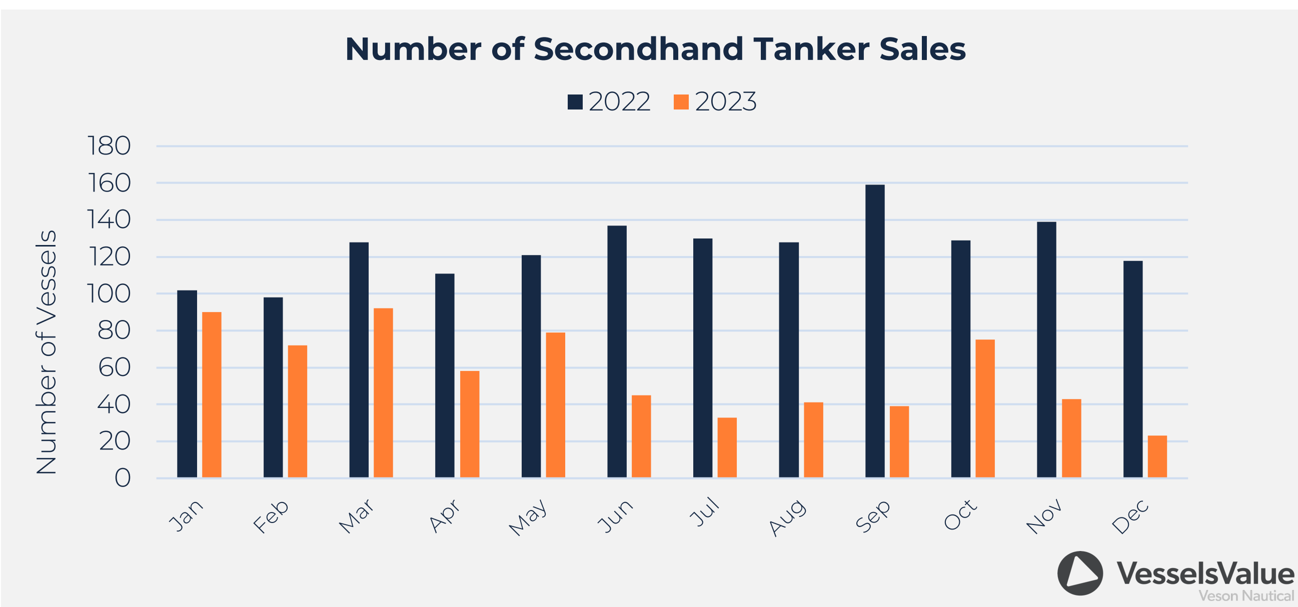
By: Rebecca Galanopoulos Jones, Senior Content Analyst at VesselsValue.

VLCCs have lagged behind in earnings when compared to other Tanker sectors in recent years. The exceptional performance of Suezmax and Aframax Tankers can be attributed to the sanctions imposed on Russian trades. Meanwhile, VLCCs have been held back by lower Middle East OPEC exports. As smaller vessels within the crude sector outperform VLCCs, the question arises: Is there potential for VLCCs to stage a recovery in the coming year?

The Market

The ongoing Russian sanctions and the resulting surge in tonne-mile demand continue to bolster the demand for Tankers. However, a pivotal focus for the Tankers sector at the close of the year and extending into 2024 is the situation unfolding in the Red Sea. This development is particularly impacting Suezmax and Aframax vessels within the crude trades. Whilst lower production and end user demand growth could put pressure on rates, the disruption to the Suez Canal, which could force owners and operators to travel longer distances to avoid this area, will at least in the short term positively impact rates.

In terms of sale and purchase, 2023 got off to a strong start with a flurry of secondhand sales, as owners (often new entrants to the market) sought to capitalise on the market potential. This is highlighted in graph 2, where at the start of 2023, although Tanker sales were slightly lower than the highs of 2022, levels remained strong. Therefore, with values high, this priced many traditional players out of this market.

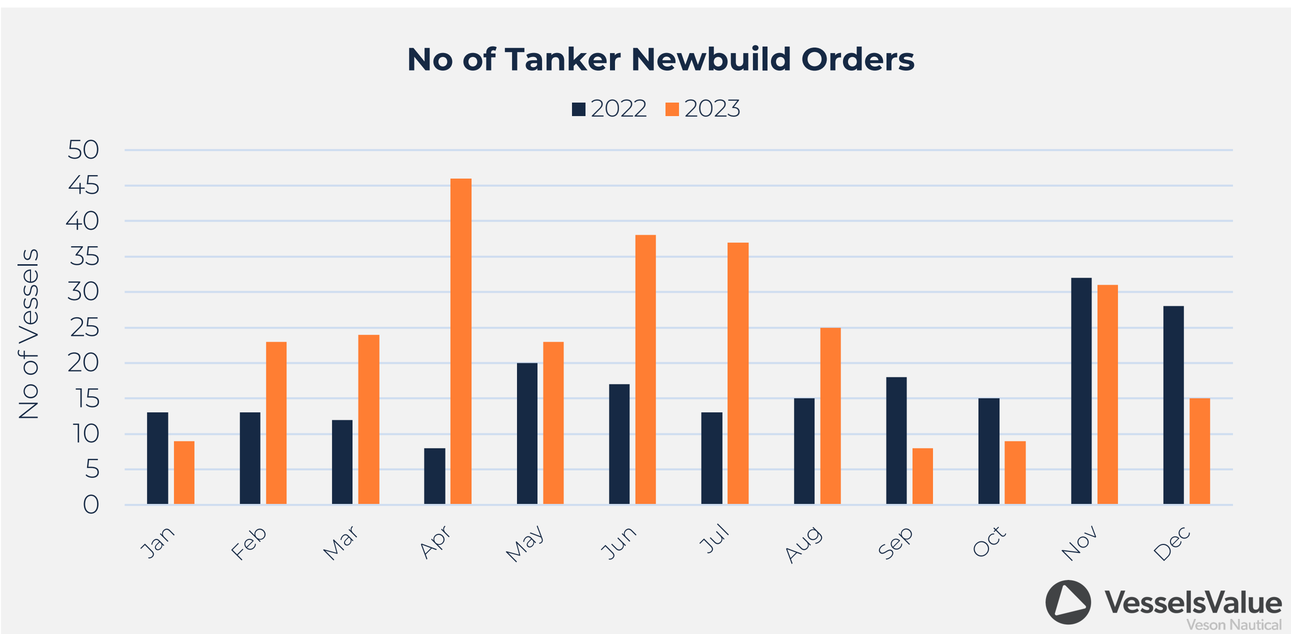


Graph 2: Monthly comparison of secondhand Tanker sales from 2022 to 2023.

However, as the year progressed and as regulations on Russian sanctions tightened, it became harder to find a secondhand vessel with a clean title, which is crucial to sale and purchase transactions as it ensures that the ownership of the Tanker is clear and undisputed. Many ships were not able to change hands due to limitations placed by sanctions, and consequently the market cooled significantly.

At this point, there was a notable shift in interest towards newbuildings, a sector that had been quiet for an extended period due to a lack of berth availability. Despite an ageing fleet, orderbook levels have remained low in recent years as Container and LNG newbuildings took centre stage, leaving little availability for other, less costly sectors to build.

New orders do not present an immediate solution to the problem since vessels ordered now would not deliver until around 2026. In the longer term, newly built vessels presented an obvious solution to the problem of lack of suitable tonnage for sale, whilst giving owners the opportunity to renew their fleet and at the same time, meet new environmental regulations. In graph 3, we can see the spike in Tanker newbuildings in April 2023 and the general increase in demand for new vessels over the course of the year compared to 2022.



Graph 3: Monthly comparison of Tanker newbuilding orders from 2022 to 2023.

The Values

At the beginning of 2023, the sale and purchase sector continued to center around older Tanker tonnage. The emergence of a new breed of Tanker owners, drawn into the market to capitalise on premiums associated with trading sanctioned cargoes, led to a sustained trend of acquiring more mature vessels.

By Q2 the landscape was beginning to change once again and older vessels became less attractive due to high prices and safety fears. Instead, buyers sought younger tonnage both from an investment point of view and in order to mitigate risk. In Q4 2023, values for VLCCs gained steam with the largest increases in values in the crude sector and five-year-old vessels of 320,000 DWT rose to 15-year highs, up by c.6.98 % from October to December from USD 100.18 mil to USD 107.17 mil and up from USD 97.74 mil at the start of the year, an increase of c.9.65%.

As sentiment for larger modern Tankers gained strength over the course of 2023, the Suezmax sector saw the most impressive gains all around with values up across all ages. Values for modern vessels of 160,000 DWT increased by c.13.87% year on year from USD 68.08 mil to USD 77.52 mil, however older vessels of 20 years of age and 155,000 DWT saw the biggest jump of c.24.98% from USD 26.34 mil to USD 32.92 mil.

The Year Ahead

Despite a decline in oil production from OPEC+, persistent global conflicts are expected to bolster the Tanker industry as tonne-mile demand continues to rise. Furthermore, the presence of the 'Dark Fleet' continues to affect tonnage supply by diverting vessels from conventional trade routes. While VLCCs are generally less impacted by trade embargoes compared to their smaller counterparts, any increase in crude spot rates is likely to have a positive impact on this sector. As per ViaMar's latest forecast, values for the overall crude sector are anticipated to maintain steady in the coming year.

2023 Review: Containers

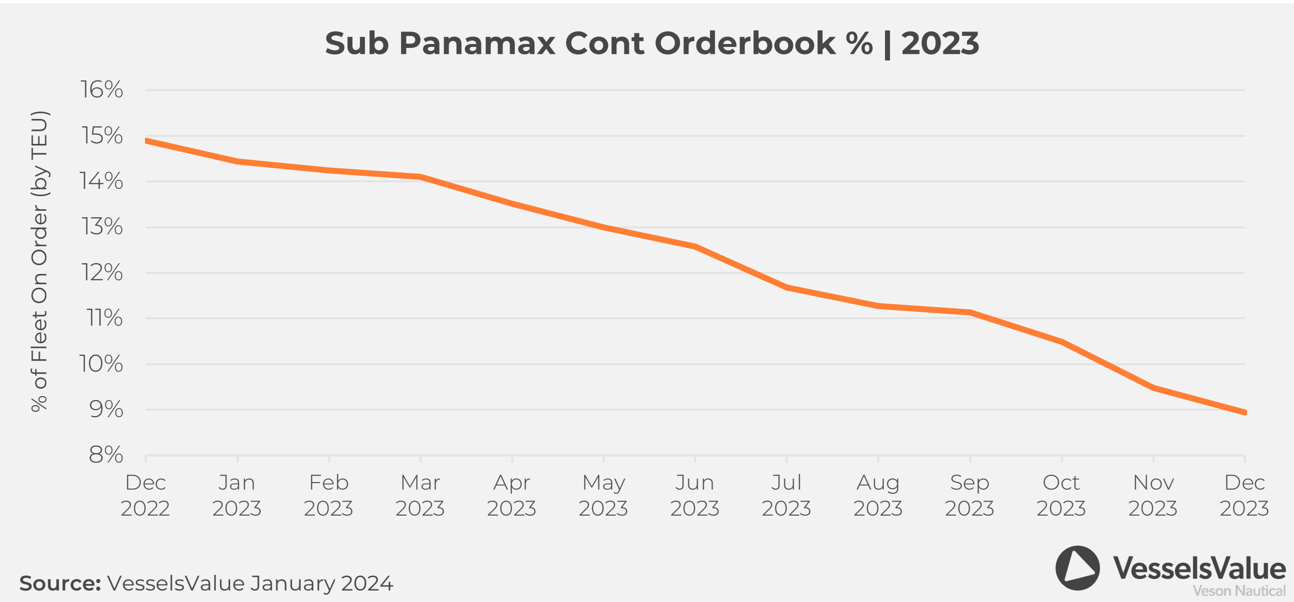
By: Daniel Nash, Head of Vehicle Carriers & RoRo

The Market

In November 2023, industry experts all agreed that nothing could stop the rot in the oversupplied Container market, based on long-term weak demand prospects comfortably lagging supply growth by five to six percentage points per annum through to 2026 and beyond. Fast forward to mid-January 2024, and the market has temporarily flipped on its head after 40 days of disruption in the Red Sea absorbing c.6% of global capacity, from multiple diversions via Africa instead of the Suez.

Consequently, spot box rates have almost tripled on some trades, including China to North Europe up 237% since the 1st of December as per the SCFI (Shanghai Container Freight Index). Time Charter rates are now following, up 12% on the Panamax 1-year Index since the outbreak. Last week, a premium of 10,000 USD/Day was fixed for a Sub Panamax vessel to transit the Suez upon the charterer’s request, significantly higher than the 2,000 USD/Day rises reported on indexes, signalling charter rates are about to climb higher. Additionally, China was running short of container equipment just before the Lunar New Year which will take months — not weeks — to iron out.

All of a sudden, shipowners are facing a better year than last, which was a disaster for most Carriers. They are starting to profit from prolonged disruption along a major artery for global trade that is evolving into a midterm crisis, keeping ship supply lower for longer and supporting improved rates and values. Tonnage providers should gain the most, particularly owners of small to mid-sized Container fleets based on more sensible orderbook to live fleet ratios of 8.5% for Panamax and Sub Panamax – significantly more favourable than the 34% orderbook to live fleet ratio for New Panamax (>10,000 TEU).

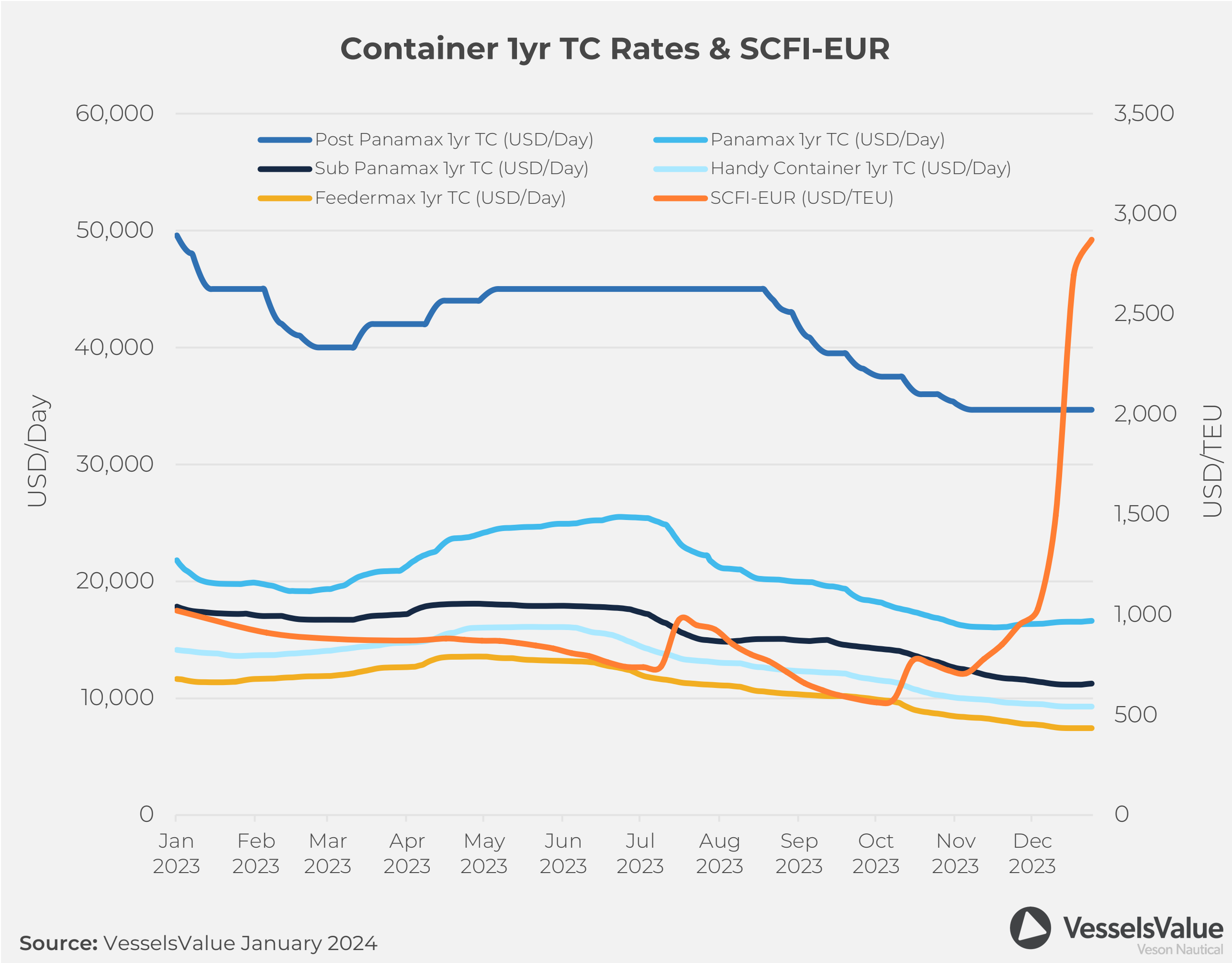


Graph 5: Sub Panamax Orderbook & Compared to Live Fleet On Order %

The Values

Box rates bottomed in October last year, hitting 562 USD/TEU on the SCFI from China to North Europe. This was down 45% from January 2023, which was easily loss making, before rebounding in December and recovering toward long-term historical averages. Time Charter rates typically follow with some lag, although not linearly, and we are starting to see tonnage availability tighten up in Asia, which is net positive for asset prices.

Nevertheless, last year was a wash-out by all accounts as rates and secondhand values collapsed. Classic Panamax values depreciated the most, losing 31% on 10-year-olds, and 44% on 20-year-olds between January and December. A key sale involved Northern Promotion (4,586 TEU, Jan 2010, Daewoo) sold for USD 27.7 mil to Ignazio Messina in May. By the year's end, its value has fallen to USD 21.58 mil, depreciating 22% over seven months but is now starting to recover from improved earnings.



Graph 5: Container 1-Year TC Rates & SCFI to North Europe

The Year Ahead

So, how long can this rate rally last? Nobody really knows because it is tied to stability returning to the Red Sea, which would allow supply imbalances to even out. We could be facing another three months of the same as hinted by Maersk in January, which would provide much needed breathing space for Carriers posting heavy losses in 2023.

Perhaps this will encourage Aponte's MSC to postpone their highly anticipated scrapping spree until post peak season. Likewise, Marinakis may be persuaded to delay his exit from the Container sector staying for one last dance before a swollen orderbook forces the inevitable.

In all fairness, no one could have foreseen this supply crunch incoming (including this writer). Although we did caveat for an unexpected event, but never believed it would happen. Shipping always surprises.

About Veson Nautical

Veson Nautical delivers maritime freight management solutions that propel the global shipping economy. Trusted by buyers and sellers of bulk marine freight in every region of the world, Veson solutions are responsible for managing $109 billion in freight traded and moving 4.4 billion tons in annual trade each year.

With a suite of offerings in marine freight trading and operations, voyage documentation, and data and analytics, Veson's products are widely recognized for their strong utility, sustained innovation, and measurable business impact.

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