‘Astonishing’ 43m cgt of new ships set to flood the market this year

Sam Chambers

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The extraordinary busy scenes at Asian shipyards are redolent of the years following the global financial crisis.

Annual newbuild deliveries reached a seven-year high in 2023, when 35m compensated gross tonnes (cgt) was added to the world fleet, according to a new report from Danish Ship Finance, which also details how an “astonishing” 43m cgt is scheduled to be delivered in 2024. Annual deliveries have only been above 40m cgt in the five years between 2008 and 2012.

Newbuilding prices have continued to move upwards during 2024 and are now close to the all-time high experienced during 2008 in nominal terms.

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“The high ordering activity for container and LNG vessels in 2021/22 has exerted even more pressure on shipyard capacity and building periods,” a recent report from VesselsValue suggested, adding: “Due to the increase in orders, shipyards have held the upper hand in price negotiations and prices have climbed.”

The average newbuild price in 2024 has hit $90m, 30% above the previous high set in 2022, and far above the average levels across the last decade of closer to $50m, according to Clarksons data.

Shipyards have seen a firm run of newbuild ordering so far this year across most sectors, with the volume of tonnage contracted – 93.6m gt in the first nine months – already greater than the full-year totals of 2022 and 2023. Clarksons is forecasting more than 100m gt will be contracted for the full year, a high level, but still far off the record 172m gt contracted in 2007.

The busy shipyard scene was discussed at length at last month’s Maritime CEO Forum held at the Monaco Yacht Club.

“We have current newbuilding prices reaching levels which make them unviable especially when combined with the forward delivery now being quoted. Is the consolidation we’ve seen amongst the shipbuilders going to allow them to keep prices high? Could shipbuilders suddenly get addicted to profitability?” said Tim Huxley, the CEO of Mandarin Shipping.

Milena Pappas, commercial director of Star Bulk, focusing on the dry bulk sector, told delegates that since January 2021 newbuilding prices have gone up 50%, secondhand values have gone up “more or less” 90 to 100% whilst freight has gone up just 40%.

“So that’s a factor right there, putting up a stop for newbuilding orders,” she said. “The other one is shipbuilding capacity. The fact that it’s full for the next three and a half years.”

Such a wait for a newbuild – the equivalent of a whole cycle – means owners have no idea what the market will be like when the ships deliver, potentially without all the inefficiencies and black swans being experienced today, Pappas warned, going on to add that since around 50% of all ships on order today are dual-fuel using engines that take three times as long to test.

“There’s going to be a slipppage because of the engine supplies,” Pappas predicted.

Looking at the make up of today’s total merchant ship orderbook, Pappas pointed out that while 35% of orders were for gas and containers, these two segments took out 66% of capacity.

Graham Porter, chairman of Tiger Group Investments, reflecting on 30 years of investing, told attendees in Monaco: “I realised we made almost all our money from the bottom of a crisis when the shipyard phoned us, not when we phoned the shipyard. And when the shipyard gives you the best ship at the lowest price today, I would say we’re on the other side of that cycle. You get the ship that the shipyard wants to build, not the one you want to build and it’s at a high price.”