There were fears that protectionism and isolationist politics would affect international trade in 2017 but they proved unfounded. Although these trends were to impact large corporate deals outside the liner shipping industry, trade in 2017 not only showed a strong resilience but seemed largely immune to the political discourse. 2018 started in a similar fashion.

Containerships

Light at the end of the tunnel

CMA CGM TANYA
10,034 teu, delivered in 2016 by Samsung, operated by CMA CGM

Photo: Christian Costa
The ongoing consolidation among carriers is increasingly concentrating the fleet in a few hands, and the top five carriers will soon control some 65% of the containership capacity, versus just 45% five years ago. This growing concentration is driving the charter market towards an oligopsony, ie many sellers but only a small number of buyers, with a handful of giant carriers facing a serious counterweight to the largest carriers.

Although Non Operating Owners (NOOs or ship lessors) continue to support such tonnage on their current trades. On the other, it is not a fl at peak summer season, and an almost non-existent low winter season. A brighter outlook

Throughput growth rose 6.5% in 2017, a sharp increase on the paltry 2.5% recorded in 2016. It is expected to remain above 5% in 2018. The year was also marked by a fl at peak summer season, and an almost non-existent low winter season, in stark contrast to previous years. Despite the improved context, box rates remain lacklustre while charter rates, although on the rise, are still moribund. Box rates could remain under pressure in 2018 due to the inﬂuence of extra capacity on most trades and the lack of carrier discipline. Charter rates for small containerhips of up to 4,000 teu should climb to more attractive levels, while the prospects are poor for the larger vessels.

When unveiling their spring/summer 2018 programmes in late 2017, the OCEAN Alliance and THE Alliance did not announce new Far East-Europe or Far East-North America loops. Meanwhile, the 2M partners have yet to announce their 2018 programmes and an extra loop, at least on the Far East US trade, cannot be excluded.

In 2017, the OCL alliance created a new route between Shenzhen and Northwest Europe. This might be the start of a new wave of programme extensions among carriers, especially for those ordered at high prices. Only the owners that purchased ships through distressed sales turned a proﬁt from the year’s rates.

Consolidation is concentrating the fleet in a few hands

Charter rates have improved by around 50% during the year to ﬂirt with the $9,000 level as the year closed. Further scrappings and sales to Far East carriers for use on domestic services helped to improve the supply-demand balance.

Charter rates from 2000 to end January 2018

3,000-3,900 teu

2017 review

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THE FLEET
Supply growth at all time lows

The global containership fleet grew by 3.7% to reach 21.1 million teu at the end of 2017, according to Alphaliner figures. New containerizations deliveries reached 1,195,000 teu in 2017, while scrappings recorded 413,000 teu. The sustained cargo demand both absorbed the new deliveries, and brought down the idle containership fleet by 1 million teu to 416,000 teu between end 2016 and end of 2017. The surplus capacity overhang remains a headache, and numerous deliveries of large ships have recently been deferred from 2018 to 2019.

Regarding the orderbook, orders placed in 2017 reached a cumulative 672,000 teu versus the low 280,000 teu contracted in 2016. Despite the increase, the orderbook-to-fleet ratio fell from 15.7% to 12.6%.

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Alphaliner - Cellular fleet as of 1st January 2018

- The cellular fleet counts 5,176 ships of 21.1 million teu - of which 54.6% is chartered from non-operating owners.
- The cellular fleet represents 98.1% of the total capacity deployed on liner trades in teu terms.
- Total capacity active on the liner trades is 6,046 ships of 21.1 million teu and 264.4 million dwt.
- The orderbook counts 346 ships of 2.6 million teu representing 12.7% of the existing fleet (firm orders only).
- The orderbook includes 160 ships for 1.1 million teu with charter status representing 41.1% of the total orderbook.

<table>
<thead>
<tr>
<th>Size ranges</th>
<th>All Of which chartered in NDD</th>
</tr>
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<tbody>
<tr>
<td>18,000-23,000</td>
<td>28 1,375,163 17 1,353,556 59.9%</td>
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<tr>
<td>23,000-36,000</td>
<td>144 1,507,327 83 666,790 57.0%</td>
</tr>
<tr>
<td>36,000-50,000</td>
<td>480 2,423,873 272 2,411,087 57.1%</td>
</tr>
<tr>
<td>50,000-74,999</td>
<td>458 2,842,259 237 1,464,317 51.5%</td>
</tr>
<tr>
<td>75,000-99,999</td>
<td>31 384,822 140 400,204 58.7%</td>
</tr>
<tr>
<td>100,000-119,999</td>
<td>2,652,950 398 1,053,230 63.9%</td>
</tr>
<tr>
<td>120,000-159,999</td>
<td>595 1,020,276 364 524,199 51.4%</td>
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<tr>
<td>160,000-179,999</td>
<td>703 810,213 413 422,838 59.6%</td>
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<tr>
<td>180,000-219,999</td>
<td>789 586,438 447 542,426 58.6%</td>
</tr>
<tr>
<td>220,000-299,999</td>
<td>91 62,954 37 13,822 22.1%</td>
</tr>
<tr>
<td>Total</td>
<td>5,176</td>
</tr>
</tbody>
</table>

Note on non-Panamax: The ships of 13,350 to 14,500 teu with non-Panamax gauge are counted in the 10,000-13,299 teu segment.

THE CARRIERS

Consolidation wave goes on

2017 began with 17 large-scale international carriers and ended with only 15, equivalent to 85.1% of the global container ship capacity, based on Alphaliner’s carriers league. This resulted from the acquisition of Hamburg Süd by the Maersk Group and the merger of Hapag-Lloyd and Antong Holdings (QASC) climbed to the 18th and 19th rank with their respective fleets of 123,800 teu and 111,000 teu. The growth has been steep: the fleet of Zhenrong Logistics has tripled within the last three years while the Antong fleet doubled in the same period.

THE SECOND HAND MARKET

The year of the rebound?

After close to ten years of darkness with a couple of short rays of light, non-operating owners at last generated some profits in 2017. Higher daily rates and improved assets values were both a cause and a consequence of this phenomenon.

The superior chartering rates and higher volumes described in the previous paragraphs go some way to explaining the explosion in the containership sale and purchase market in 2017.

We note the following figures for this segment:

- 393 sale and purchase (S&P) transactions for further trading, equivalent to 1,512,421 teu (7.4% of the total containership fleet).
- Only 147 vessels sold to demolition (413,982 teu, and an average age of 21), versus 192 vessels in 2016.

The German banks’ continued clearance of tonnage which started in 2015-2016, combined with better market prospects, was largely behind the numbers. This incredible figure of 393 transactions is the highest ever seen in the boxship S&P market.

The banks’ practice of selling distressed assets at attractive prices to reduce their portfolios should, however, progressively slow down after nearly three years of active disposals.
The above encouraged shippers to form, or renew, their fleets. If the traditional players like Maersk, CMA CGM, Technomar and Capital Ship Management are either still present or back in this market, other newcomers also helped make the 2017 boxship market a record year.

The top four companies purchasing tonnage in 2017, with a total of 103 units between them, were:
- MPC Container Ships, with 46 units purchased
- Navios Maritime Containers with 23 vessels purchased
- SM Line with 19 vessels purchased
- Antong Holding Co (China) with 15 vessels purchased

The CMA CGM Group has been consistently active in the newbuilding market, but last year after a break of many years for the containership market as a whole. The CMA CGM Group has been consistently active in the newbuilding market, but last year after a break of many years for the containership market as a whole. This was logical that among the 106 units sold, 79 were from German sellers.

There were 938 vessels (9,766,132 teu) trading in this segment at end 2017 vs only 22 in 2016. This was the second most active in 2017 and prices remained cheap despite a more than doubling in rates since 2016. The segment also benefited from an excellent scrap price (averaging $400-$430 per LT), which improved the residual value for buyers and enabled sellers to more easily sell their units. As mentioned above, we noted a 100%-200% increase in purchase prices since December 2016.

By contrast, there were only two secondhand units sold this year: 2 x 13,000 teu units, sold by Pasha and Mediterranean Shipping Company, for $7 million each, having originally been contracted for $66 million.

This segment consisted of 980 vessels as of 31 December 2017, or 3.1% of total container capacity.

The majority of buyers came from Asia, such as China’s Antong Holding, which purchased 9 x 700 teu (Mawei 437) units from various German owners. Many other single-ship purchasers were made by other Chinese, Indonesian or Philippine buyers.

Despite slightly better rates for the 500-700 teu segment, there was none real underlying increase in second hand prices, except mathematically higher values due to the higher scrap price.

A total of 22 vessels were sold for demolition against only 17 newbuildings delivered. As mentioned last year, the fleet continues to age with the average age of vessels scrapped in 2017 at 25 years, versus an average of 20 years for the containership market as a whole.

### Analysis of 2017 transactions by size

#### Containerships

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<thead>
<tr>
<th>Size Range</th>
<th>Units Sold</th>
<th>% of Total</th>
<th>% of Total Capacity</th>
</tr>
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<tbody>
<tr>
<td>&lt; 900 teu</td>
<td>477</td>
<td>33%</td>
<td>3.8%</td>
</tr>
<tr>
<td>900-2,000 teu</td>
<td>154</td>
<td>11%</td>
<td>11.4%</td>
</tr>
<tr>
<td>2,001-3,000 teu</td>
<td>97</td>
<td>7%</td>
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<td>Over-Panamax</td>
<td>32</td>
<td>2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>&gt; 10,000 teu</td>
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<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Total</td>
<td>775</td>
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#### Second hand market

<table>
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<tbody>
<tr>
<td>&lt; 900 teu</td>
<td>225</td>
<td>35%</td>
<td>2.1%</td>
</tr>
<tr>
<td>900-2,000 teu</td>
<td>154</td>
<td>23%</td>
<td>12.3%</td>
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<tr>
<td>2,001-3,000 teu</td>
<td>39</td>
<td>6%</td>
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<tr>
<td>Panamax</td>
<td>44</td>
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<td>6.6%</td>
</tr>
<tr>
<td>Over-Panamax</td>
<td>22</td>
<td>3%</td>
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<tr>
<td>&gt; 10,000 teu</td>
<td>8</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Total</td>
<td>305</td>
<td>100%</td>
<td>37.1%</td>
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### Analysis of 2017 S&P transactions by size

<table>
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<tr>
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