Shipbreaking prices maintain strength

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Demolition rates continue a year-long steady climb, reflecting higher steel scrap prices

Wait is over: Gadani yards are back in the picture, having spent weeks being overshadowed by India.

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Elsewhere, a buyer in Pakistan was able to secure a tanker at a very attractive price, bringing Gadani yards back into the picture after weeks on the sidelines being overshadowed by India.

Rates in India for tankers are above $500 per ldt and large bulk carriers can reach those numbers too. Rival countries are following close behind those levels.

Overall, rates are the highest they have been since the end of 2008. At the close of that year, tankers were fetching on average around $285 per ldt and dry units around $270 per ldt, according to Clarkson Research.

Demolition prices have been climbing steadily since January 2009 and, barring an occasional slip, the trend continues for now.

The last time average demolition rates were higher than at present was in the first half of 2008, when breakers were paying prices of over $700 per ldt.

The pick of the recent sales went, once again, to India, where a buyer was reported to have paid $528 per ldt, or $15m, for Polempos Shipping’s 1981-built, 28,500 ldt capesize bulker Mykonos.

In another hefty deal, the 1978-built, 13,075 ldt bulk carrier Panamax Ride, operated by Cyprus Maritime, was reported sold to India for $520 per ldt, or nearly $6.6m.

Clipper Star’s 1983-built, 15,259 ldt gas tanker Clipper Positano was reported sold to an Indian buyer on an ‘as is’ basis in Fujairah for $520 per ldt, or $7.9m.

The ship had 480 tonnes of bunkers on board and some brokers put the rate as high as $540 per ldt, or $8.2m.

Demolition buyers are routinely offering a significant premium for ships with bunkers, as was evidenced by another recent sale.

Telmar Shipping’s 1982-built, 17,790 ldt bulk carrier Ava was reported sold to an Indian buyer for $515 per ldt, or nearly $9.2m. The ship had 1000 tonnes of bunker fuel on board.

In another two sales to India, the 1978-built, 3,925 ldt bulk carrier Derya 2, operated by Horizon Demir, was fetched $500 per ldt, or just under $2m, while another buyer paid the same rate for the 1978-built, 6,150 ldt general cargo ship Tegra, netting $2.3m for operator Atlantic Ice Carriers.

The 1979-built, 7,115 ldt bulk carrier Vignes, operated by Aep Shipmanagement, was reported sold for $487 per ldt, or nearly $3.5m.

Looking ahead, there is a suggestion many of these high prices are driven by speculative cash buyers and owners should be wary of the potential for renegotiation on delivery.

And while the fundamentals remain firm, some brokers warned of the possibility of a downward correction.

Prices in India dipped toward the end of last week, despite the string of healthy deals. “Although the price levels continue to remain attractive, there are rumours that the market might be softening,” said Piraeus-based broker Golden Destiny in its latest report.

In the run-up to the Chinese New Year, Chinese yards stocked up on tonnage ahead of the two-week break and closed several deals at prices on a par with those on offer in the Indian subcontinent.

They included the 1977-built, 16,018 ldt bulk carrier Ebolute, operated by Good Faith Shipping and reported sold for $495 per ldt, or $8.8m, a rate that reflected the presence of 1,300 tonnes of bunker fuel on board.

The 1979-built, 7,750 ldt general cargo ship Pheasorn, operated by Shanghai Vasteast, was also reported sold to a Chinese buyer for $470 per ldt, or $3.6m.

"Whether Chinese buyers will emerge just as strong post New Year remains to be seen, but after a record-breaking year the only way, surely, is up,” said US-based cash buyer GMS.

In Pakistan, where tankers are the vessel of choice, the sale of a 30-year-old unit demonstrated that Gadani buyers can still offer good rates for the right ship.

FAL Shipping’s 1981-built, 18,409 ldt tanker Sea Giant was reported sold to a buyer in Gadani for $495 per ldt, or $9.1m.

There was little overall change in neighbouring Bangladesh — although some positive signs were evident, in that several ships were allowed in for beaching.

Another round of court hearings and meetings is scheduled in the coming weeks, with little hope of a full or even partial reopening of the yards until then.

"It is doubtful whether there will be any further movement in the next month or so, despite the government becoming increasingly concerned about the economic effects a deadlocked shipbreaking industry has wrought on the country over the past nine months or so,” GMS said, n