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## **Panamax daily hire rates hit \$16,000 as open tonnage availability dries up**

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The daily hire rate for panamax containerships has surged by 30% in the past month as brokers report the sector to be “virtually sold out”.

According to the latest Alphaliner data, only one 4,000-5,299 teu ‘classic’ panamax vessel is currently classified as idle, compared with about 100 at the end of 2016.

Since then, charter rates have soared from a low of \$4,000 per day to about \$14,000, with owners now able to dictate their own terms for positioning costs and extension options.

Indeed, one broker source told The Loadstar this week he had a carrier prepared to offer up to \$16,000 a day for a six-month charter.

Extensive scrapping and almost an empty orderbook for smaller ships have combined to flip the supply/demand balance in favour of the long-suffering shipowners.

The broker said his phone had been “red hot” with carriers wanting to negotiate extensions and added that the shipping lines were “reluctant” to off-hire ships that had performed efficiently and economically, even if there was a lull in demand.

And with a typical operating expense of \$7,000 per day for a panamax, healthy returns on investment are being achieved once again by owners in the sector.

Carriers have long used the charter market as a ‘tool from their toolbox’ that they could turn off and on during peaks and troughs. In fact, top-five carriers MSC, CMA CGM and Cosco all charter-in more than 60% of their operating fleet.

Concerns over the flood of newbuild ultra-large tonnage upsetting the charter market have so far proved groundless as global cargo demand growth hovers at some 6% and carriers launch new services or enhance their existing offerings.

The only containership sector reporting falls in the past month is in the 7,500-11,000 teu VLCS size, where fixture rates have dipped slightly due to weak demand. This is a consequence of carriers cascading their smaller ships to other trades when they are displaced by the arrival of new ultra-large vessels.

Meanwhile, Alphaliner's idle fleet survey, at 28 May, records the number of containerships in hot or cold lay-up at a new low of only 85 units, for 205,829 teu, representing just 0.9% of the total global cellular fleet.

The consultant notes that the idle teu figure would be even lower if not for the inclusion of the recently fire-damaged 15,282 teu Maersk Honam, the 14,476 teu newbuild Rayen, whose handover to Iranian carrier IRISL "remains unclear", and the 9,200 teu MSC Ines, still docked at Durban after being grounded in a storm in October.

Moreover, of the remaining 83 'idle' ships, only about half are technically available for charter, with many of the others the subject of disputes or requiring repairs.

Another result of the dearth in small containerships and spike in charter rates has been the steady climb in asset values of the vessels to some 50% higher than their demolition value – just 17 ships have been sent to scrapyards so far this year, compared with more than 90 by the same time in 2017.

***(By Mike Wackett, The LoadStar)***