

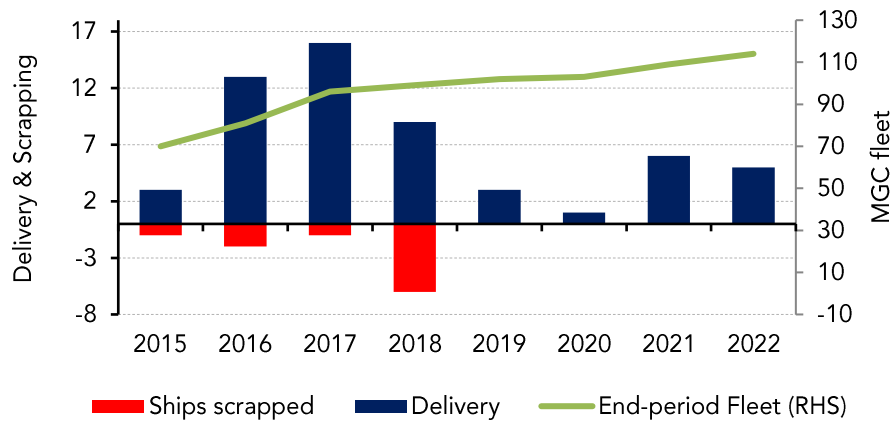


LPG World Markets

Softening sentiments for larger vessels pull down MGCs

As was seen in the VLGC and LGC segment, a wave of newbuild deliveries beginning 2016 put significant pressure on the medium size gas carrier (MGC) freight market. The MGC fleet expanded by 16% as 13 vessel deliveries. A record number of 16 MGCs hit the water in 2017, pushing total MGC fleet to just shy of 100 ships, according to Poten's records. However, number of deliveries declined to nine vessels in 2018 and to just three vessels in 2019.

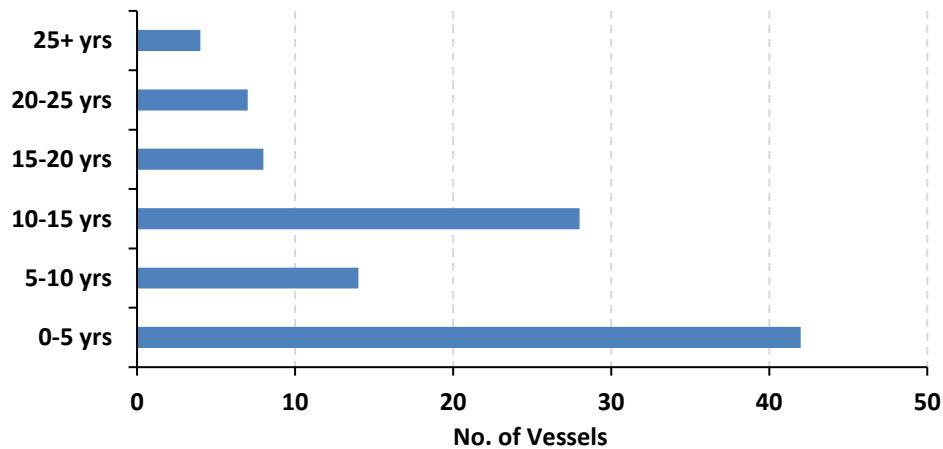
MGC Fleet Supply Demand



The MGC fleet has increased on average by 10% per annum during 2015-19. With only three deliveries in 2019 and just one in 2020, the pace of fleet expansion has slowed. Total six vessels are expected to join the MGC fleet in 2021 and five more in 2022, according to the latest orderbook schedule without accounting for future orders. As a result, the MGC fleet is expected to expand by an annual average growth rate of 4% during 2019-22 period, without accounting for future scrap sales.

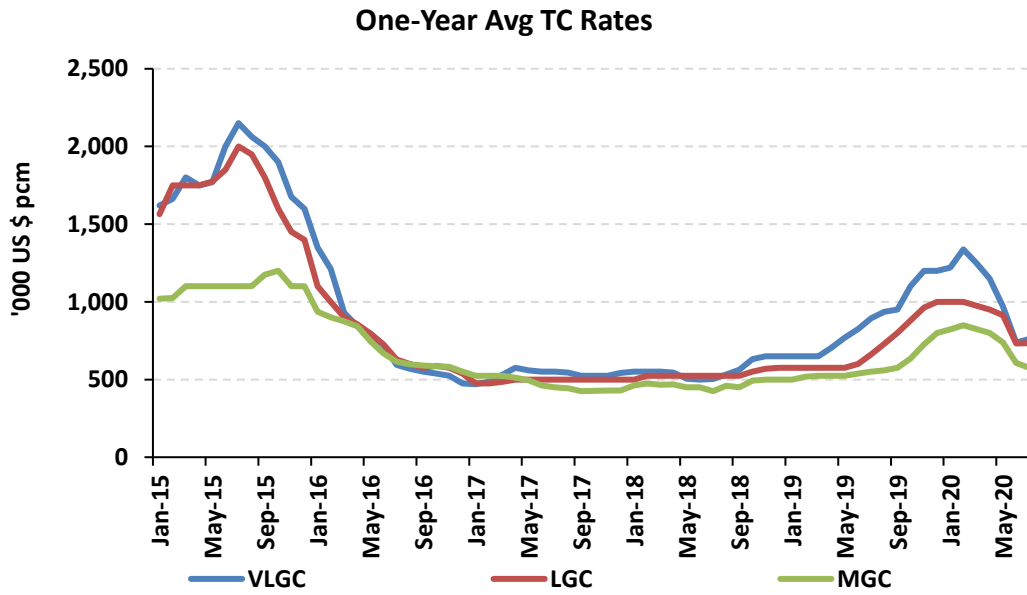
Average age of the MGC fleet is currently 9.2 years, with four vessels 25+ years old, indicating that only 4% of the fleet in terms of number of vessels are recycling candidates.

MGC Fleet Age profile



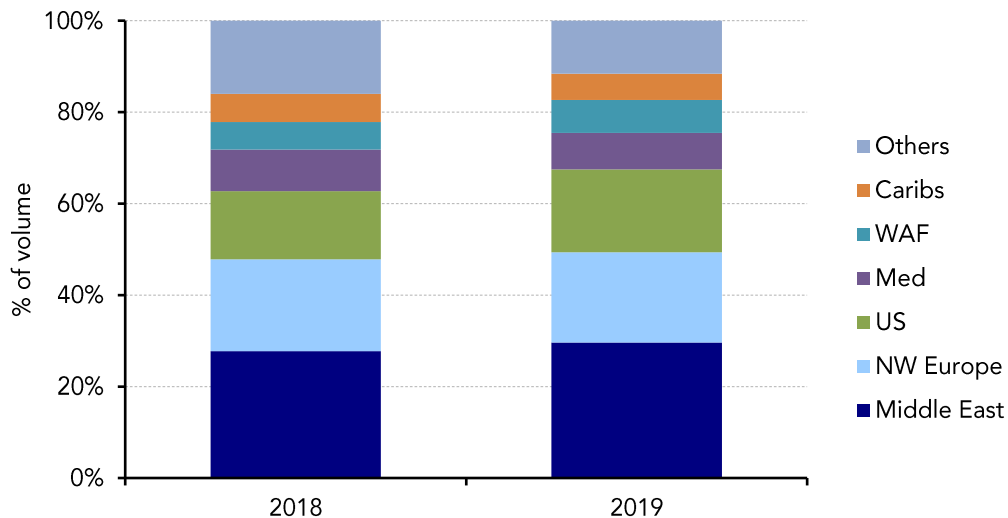
A combination of new deliveries and additional pressure from larger tonnage groups saw average one-year time charter (TC) rate assessments for MGCs (35k cbm) drop from an average of around \$708,000 per calendar month (pcm) for 2016 to approximately \$470,000 pcm for 2017 and to around \$467,000 pcm for 2018.

Expanding trade volumes and firm freight markets for larger segments helped time charter rates for MGCs to rise in 2019, from around \$500,000 pcm in January to \$800,000 pcm in December, thus averaging \$581,000 pcm for the year, up 24% from 2018.

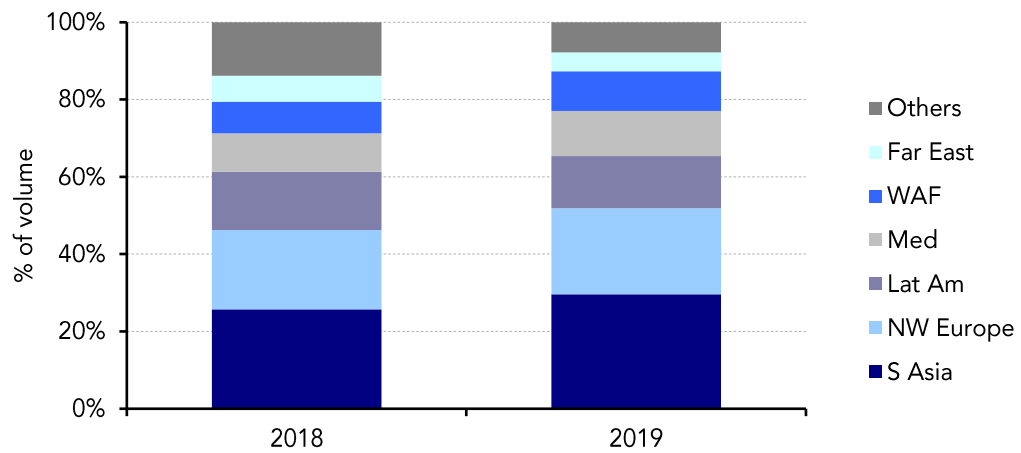


However, TC rates for MGCs declined from around \$822,000 pcm in January 2020 to around \$575,000 pcm in July, largely due to the pandemic-related decline in demand, following the declines in VLGCs and LGCs freight rates. Although VLGC and LGC TC rates have recovered m-o-m in July on tight vessel supply in key load regions, it has not trickled down to MGCs. LPG loadings onboard MGCs have also declined from the key load regions in the current year, especially the Middle East. Average TC rate for Jan-Jul 2020 stood at \$745,000 pcm, which was still 41% higher y-o-y.

Major LPG load regions for MGCs



Major LPG discharge regions for MGC



According to shiptracking data, LPG volume carried onboard MGCs was around 20 MMt in 2019, up from 18.5 MMt in 2018. The Middle East remained the top loading region for MGCs accounting for around 30% of the total volume moved by MGCs in 2019, up from 28% in 2018. Among the major discharge regions, South Asia remained the top receiver of MGC cargoes and increased its share from 26% in 2018 to 29% in 2019.