



LPG World Markets

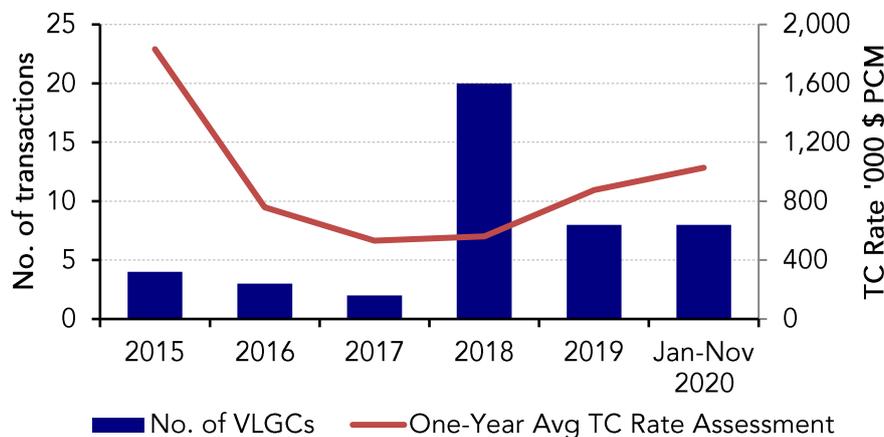
VLGC sale and purchase activity steady over 2019

Recent resale transactions of the 2007-built *BW Cedar* and the 2006-built *BW Confidence* have boosted liquidity in the VLGC sale and purchase market in 2020 to date.

Following a year of robust activity in the sale and purchase (S&P) market in 2018, with 20 concluded deals, only eight VLGCs changed hands in 2019. 2020 appears to be another lean year with eight more VLGCs changing hands between Jan and Nov of 2020, according to Poten's S&P database. One of these deals was between BW LPG and Global United which was a sale from an owner to a joint venture in which it is a partners.

The sharp rise in resale activity in 2018 was reflective of an increased appetite from Asian buyers due to rising LPG demand in the region, who collectively accounted for over half of total vessel sales. Poten's database shows that a total of 45 VLGCs changed hands between Jan 2015 through Nov 2020.

VLGC S&P transactions vs TC rates



Many sales occur for reasons such as strategic entry or exit into the market, technological advancements, or changes in regulations. VLGC resale activity is also associated to a large extent with the segment's earnings as well as the near-to-medium term freight outlook. Average one-year time charter (TC) rate assessments for VLGCs were very low from 2016 to 2018 largely because of the fleet expansion following the huge number of deliveries between 2015 and 2017. However, interest from Asian buyers was robust amid rising residential demand in South Asia, while Chinese buyers were also active to prepare for rising demand from the petrochemical sector during 2019-20.

Meanwhile, the exit of BP and DryShips from the segment was also a factor.

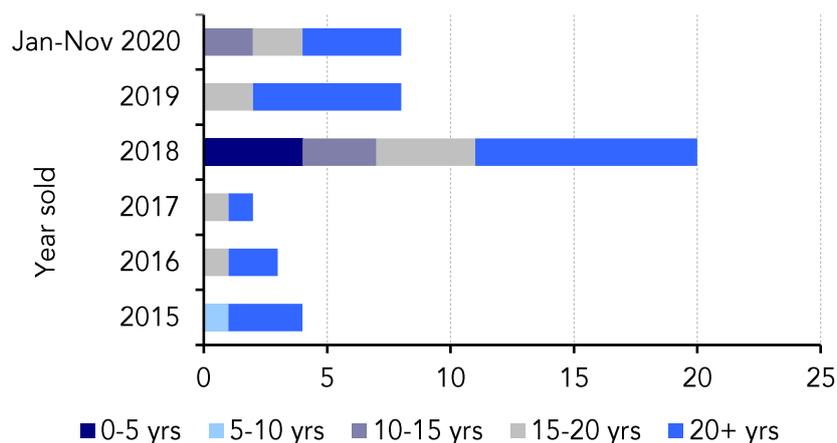
With a weak outlook for freight markets, buyers' interest in secondhand tonnage was thin in 2019 thus weighing on activity.

However, increasing seaborne trade helped boost TC rates since the start of 2Q 2019. Some exogenous factors such as Panama Canal delays, fog related delays in the Houston Ship Channel, discharge delays at a few major import destinations, attacks on Saudi oil infrastructure, and deviations from the usual trade route for crew changes due to the pandemic tightened tonnage supply intermittently, providing support to freight sentiment.

Moreover, a few vessels have been intermittently off the market preparing for the emission regulations, while there have been reports of longer than usual dry docking periods due to Covid-19. Around 80 vessels that were delivered between 2015-16 are expected to undergo the mandatory inspection surveys during 2020-21. Apart from these, around 23 VLGCs with older delivery dates are also scheduled to undergo surveys during these two years. As a result, many owners expect freight markets to carry the current momentum into the next year thus counterbalancing the heavy delivery schedule.

Expecting healthy freight market outlook, sellers' price ideas for older tonnage has firmed up, at least on paper, though many owners preferred to hold on to their tonnage in hopes of even better returns. Potential buyers, on the other hand, appear to have stayed away while waiting for the market to cool down. S&P activity managed to stay flat so far this year but the number of deals is much lower compared with 2018.

Age profile of VLGC S&P transactions



The average age of VLGCs that were traded in the secondhand market (average age at sale) went down this year when compared to those traded last year, from around 25 years in 2019 (with a minimum of 18 years of age at sale and maximum of 29 years) to 22 years in Jan-Nov 2020 (with a minimum of 8 years of age at sale and maximum of 30 years).

A summary of the deals done this year to date can be seen in the nearby table. It is notable that four of the eight VLGCs were purchased by buyers in the Indian subcontinent, while two were bought by Southeast Asian buyers and an equal number of VLGCs by a Middle Eastern buyer. All the regions where the buyers are located have been experiencing fast growth in seaborne trade.

VLGC Sale & Purchase Transactions: Jan-Nov 2020

Takao Gas	1993	75	Global United	Max Energy	13.0
Berge Summit	1990	78	BW LPG	Siamgas	11.0
Lavender Passage	1996	78	NYK	FGAS	15.7
Avance	2003	82	Avance Gas	Bashundhara LP Gas Ltd	35.0
Grace River	2002	80	K Line	GESCO	34.0
Gas Jenny	1991	75	Green Energy Global	UAE-based Buyer	13.0
BW Cedar	2007	82	BW LPG	Global United	46.0
BW Confidence	2006	83	BW LPG	Global United	41.0
					Source: Poten

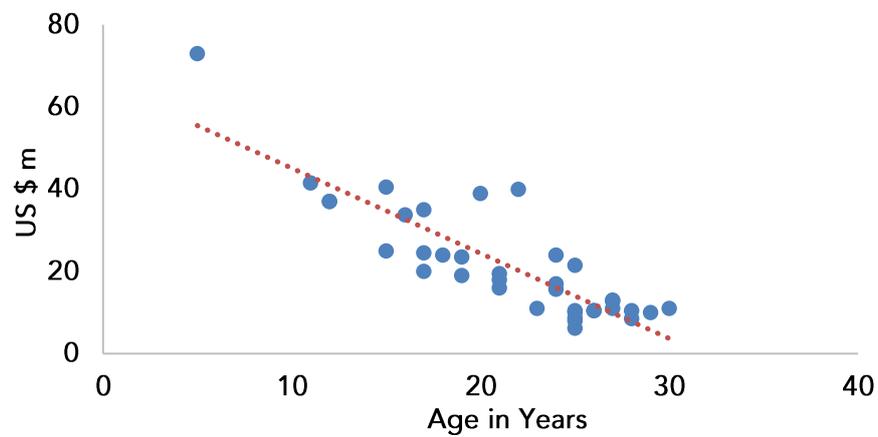
Altogether, a total of 21 vessels have been purchased by Asian owners out of total 36 VLGCs that were traded in the secondhand market since Jan 2018.

Buying interest has more recently emanated from India. Great Eastern Shipping Company (GESCO) had purchased BP's 2007-built VLGC *British Councillor* at around \$41.5m in March 2018, *British Commerce* at around \$37.0m in Aug 2018 and the 2002-built *Grace River* at a reported price of around \$34.0m in Sep 2020. Including the deals by GESCO, India-based buyers have snapped six VLGCs in the secondhand market since Jan 2018.

Greek owners have dipped in and out of the second-hand market in the last couple of years, with Benelux adding three ships, while Naftomar added two ships from the S&P market.

China-based buyers have bought four VLGCs in the secondhand market since Jan 2018, while one VLGC was bought by a Hong Kong-based buyer.

VLGC resale age vs price 2015-20



The nearby graph plots individual S &P deals for VLGCs over the last five years. Only those deals for which sale prices have been reported are included while transactions for vessels with less than five years of age at sale have been removed. Aside from the obvious trend whereby achievable resale values decline as a ship ages, it is also possible to see when resale values have been trading at a premium versus a discount according to the strength of the market