GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 2nd September 2011 (Week 35, Report No: 35/11)
(Given in good faith but without guarantee)

The secondhand ship purchasing momentum remains weak with more opportunities emerging in the demolition market for potential scrap candidates as freight earnings in the bulk carrier and tanker segment are still distressed and owners are now realizing even more that an early recovery is high unlikely.

Overall, the newbuilding business is up by 59% in comparison with the buying momentum in the secondhand market, while the demolition activity is standing at similar levels with the newbuidling activity and 55% higher than the volume of S&P activity. The week closed with 29 transactions reported worldwide in the secondhand and demolition market, posting a 11.5% increase from a similar week in 2010 when 26 transactions had been reported and secondhand ship purchasing activity was standing 17.6% higher than the ordering business. The highest activity for one week more has been recorded in the newbuilding market with 22 revealed orders reported worldwide.

SECONDHAND MARKET

In the bulk carrier segment, asset values has started to follow a negative trend for capesizes and panamaxes, while a sense of stability has been maintained for supramaxes that have experienced the smallest volatility in the freight market from the beginning of the year. In the tanker, the buying momentum for larger size vessels, crude carriers, is very limited with smaller size units appearing more appealing purchase candidates under the current market conditions.

Overall, 9 vessels reported to have changed hands this week at a total invested capital in the region of US$ 162 million. In terms of the reported number of transactions, the S&P activity is down by 50% from last week's activity and down by 47% comparable with previous year's weekly S&P activity when 17 vessels induced buyers' interest with bulk carriers grasping 53% share of the total volume of S&P activity. Notable deal of the week is the sale of another VLCC, the MT "SAGA CHELSEA" built 1995 that was acquired for $ 25 mil. In terms of invested capital the most overweight sector of this week appears to be the tanker segment, grasping 53.4% of the total invested capital.

NEWBUILDING MARKET

The last two weeks we have witnessed more intense activity in the bulk carrier segment, but overall the newbuilding business remains at lower levels from the end of July. The week closed with 22 revealed orders reported worldwide at a total deadweight of 1,509,200 tons, posting a 53% week-on-week increase due to more robust bulk carrier newbuilding business with 6 fresh bulk carriers reported in contrast with 4 tanker units ordered. This week's total newbuilding business is up by 64% from similar week's closing in 2010, when 14 orders had been reported with tankers being in the frontline grasping 50% share of the total ordering activity. In terms of invested capital, it is not clear which sector is again the most overweight since a large number of offshore support vessels has been reported at an undisclosed contract price, while bulk carries hold this week's lion share, 45% of the total ordering activity.

In the bulk carrier segment, notable order of this week has been the placement of 3 newcastlemax type units of 205,000dwt by Kumiai Navigation of Spore in China's Dalian Cosco yard at an undisclosed contract price for delivery in 2013. Despite the distressed outlook of this segment, some operators are still considering the placement of such size units.

In the tanker segment, the Greek presence has monopolized the activity of this week with the placement of two aframax units of 115,000dwt in China's Shanghai Waigaoqiao shipyard at a cost of $46 mil each and two MR units of 74,000dwt in Sungdong of South Korea at an undisclosed contract price. In the meantime, it comes as surprise the news that China Merchants Energy Shipping aims to boost its tanker fleet over the next three years by adding 10 ships, including VLCCs to increase its fleet amid the adverse market conditions in the very large crude carrier segment.

In the offshore segment, we have witnessed firm activity this week with 8 fresh orders reported worldwide that implies that non-conventional ship types continue to be appealing newbuilding investments with platform supply ships being on the front run.

DEMOLITION MARKET

In the demolition market, the scrapping momentum remains at a high pace with the oversupply of vessels urging shipowners for more disposals in the future. The top cash buyer Wirana Shipping Corp expects the market to stay buoyant for another four to five years due to the excessive number of newbuildings ordered during the boom and the minimal level of scrapping between 2003 and

2008. Meanwhile, scrapping activity in Bangladesh has been silent since July with scrap buyers and owners waiting the potential closure of the market on October. In terms of scrap prices there has been a sharp volatility recently in the Indian subcontinent region with levels still hovering at lower levels. India is now paying $505/ldt for dry/general cargo and $525/ldt for wet cargo, while there is optimism for a spike in levels offered after the end of the Eid holidays and the monsoon season. Pakistan remains weak due to the levels offered and weak demand from the month of Ramadan and there are expectations for a firmer rebound. China despite its price gap with the Indian subcontinent region has shown a stability in the levels offered and demand gaining every week more solid position in the ship recycling industry.

The week ended with 20 vessels reported to have been headed to the scrap yards of total deadweight 825,859 tons. In terms of the reported number of transactions, the demolition activity has been marked with a slight increase of 11.1% from previous week's high levels, while there has been also a similar increase in terms of the total deadweight sent for scrap. In terms of scrap rates, the highest scrap rate has been achieved this week for a handy tanker vessel M/T "CARIBIC" of 17,079dwt built 1988 with 6,000tons of lightweight at region $590/ldt in India, however the said vessel contained stainless steel. Bulk carriers continue to be the most popular scrap candidates grasping 45% of the total recorded demolition activity, in contrast with 20% of the interest that the tanker segment attracted. At a similar week in 2010, demolition activity was standing at 55% lower levels, in terms of the reported number of transactions, when 9 vessels had been reported for scrap of total deadweight 309,133 tons with zero reported activity in the bulk carrier segment. India and Pakistan were offering $395 -$400/ldt for dry/general cargo and $430-$435/ldt for wet cargo, while Bangladesh market was inactive.

GREEK PRESENCE

This week Greek investors made their movements in the tanker second hand and in the newbuilding markets. In the newbuilding market, despite the pessimistic outlook of the crude freight markets, Hellespont has placed an aframax order for two units of 115,000dwt at a price region $46mil in China's Shanghai Waigaoqiao Shipyard for delivery in the second half of 2013. In addition, Navios Shipmanagement has placed an LR1 order for two units of 74,000dwt in Sungdong of South Korea for delivery in 2012 at an undisclosed contract price. Lastly, in the bulk carrier segment, Grecomar has placed an order for1+1 option 35,000dwt units in Daesun Shipbuilding of South Korea at a price region $25-$26 mil each for delivery mid-2013. In the secondhand market, the Greek presence was evident only in the wet sector with 2 reported s&p transactions, one for a VLCC unit and one for an MR unit. The total invested capital in the second hand market has been $ 60.5 mil, while in the newbuilding market $ 117.5 mil with two transactions reported at an undisclosed contract price.