GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 7th October 2011 (Week 40, Report No: 40/11)
(Given in good faith but without guarantee)

The week ended with the highest level of activity being recorded in the newbuilding market, firm secondhand ship purchasing activity and lower pace of demolition transactions

The week closed with 41 transactions reported worldwide in the secondhand and demolition market, posting a 13.8% increase from a similar week in 2010 when 36 transactions had been reported and secondhand ship purchasing activity was 44.8% lower than the ordering business.

SECONDHAND MARKET

The secondhand ship purchasing activity maintains its high pace with strong levels witnessed not only in the bulk carrier and tanker, but also in the reefer and container segments. Notable deal of the week is the enbloc sale of six reefer units with reefer capacity region 13,000 cbf to Greek buyers for $24 mil each. In the dry segment, a capesize resale of 206,000 dwt with delivery December 2011 reported sold for $56,25mil to Chinese buyers, while in the tanker segment the industry witnessed one more VLCC sale of 314,250 dwt built 1999 for $27,5 mil to Greek buyers.

The week ended with firm activity in the bulk carrier segment by holding 25.8 % of this week's total volume of reported secondhand transactions. Overall, 31 vessels reported to have changed hands this week at a total invested capital in the region of US$ 706,25 million, two transactions reported at an undisclosed sale price. In terms of the reported number of transactions, the S&P activity is up by 82.3% from last week's activity, due to firmer acquisition in the container and reefer segment, and up by 14.8% comparable with previous year's weekly S&P activity when 27 vessels induced buyers' interest with bulk carriers grasping 44.4% share of the total volume of S&P activity. In terms of invested capital, bulk carriers attracted most of the invested capital, about 31% of the total amount invested, while containers are in the second rankings by grasping 21.8% of the total invested capital.

NEWBUILDING MARKET

The week ended with some new deals emerging almost in all main segments. The newbulding business jumped to 51 fresh new orders at a total deadweight of 1,966,628 tons, with bulk carriers grasping about 37% of this week's total volume of ordering activity The newbuilding business is up by 4 % from similar week's closing in 2010, when 49 fresh orders had been reported with bulk carriers grasping 71.4% of the total ordering activity. In terms of invested capital, 46 orders reported at an undisclosed contract price with bulk carriers and offshore appearing the most overweight segments.

In the **bulk carrier** segment, there has been again eager activity reported in all sizes with Chinese shipyards being on the frontline and some business also being revealed in the Japanese shipbuilding industry. An order came to light in the very large capesize segment for two units of 205,000dwt by Ship Finance Int of Bermuda placed in Yangfan Group of China at $60 mil each for delivery in 2013.

In the **tanker** segment, there were signs of activity this week with the MR sector making its presence again as Greek player, Consolidated Marine, has changed its order placed in Hyudai Mipo for two kamsarmax bulk carriers in two 52,000 dwt product carriers for delivery within 2012. Notable order was the placement of two shuttle tankers of 75,000dwt by Shanghai North Sea Shipping in Jiangsu Rongsheng for delivery in 2013 at an undisclosed contract price.

In the **multi-purpose liner sector**, there have been strong investments with the placement of two container Ro-Ro units by French Line Delmas in Hyundai Mipo Dockyard and two multipurpose Ro Ro cargo ships by Norwegian shipowners Nor Lines at a Chinese shipyard powered by natural gas.

In the **container** market, Turkish box ship operator Arkas has placed an order for two 2,900 TEU units at Chinese shipbuilder STX Dalian for delivery in 2013, which are considered to be the largest ever vessels ordered by the Turkish player. In the post panamax segment, CMA CGM is said to be in talks with Jiangnan Changxing and Dalian Shipbuilding Industry in China for the contracting of up to 20 boxship units of 9,000-10,000 TEUs, financed by China's Exim Bank.

In the **passenger / cruise** sector, STX Finland has won an order for a 97,000 GT vessel from TUI of Germany at an undisclosed contract price with delivery in 2014, with option one more. The vessel will accommodate 2,500 passengers and 1,000 persons in crew.

In the **offshore** sector, COSCO Nantong booked two versatile construction ships from TL Offshore, Malaysia for delivery in 2014. The owner is a subsidiary of the Sapuracrest Petroleum group and will pay $116.75 million for the first and $110.25 million for the second unit. Furthermore, Shinan H.I., South Korea, having recently run out of work, booked four platform supply vessels from undisclosed interests for delivery between May 2013 and June 2014.

DEMOLITION MARKET

In the demolition market, the downward revision of scrap prices offered by India for dry cargo and the upcoming uncertainty for the extension of new deadline in Bangladesh market will be the two main factors that are going to influence the firm scrapping activity seen in September. Market sources suggest that some cash buyers are now trying to renegotiate highly priced deals achieved at levels lower than $500/ldt. Bangladesh and India are now paying $500/ldt for dry/general cargo and $525/ldt for wet cargo. Pakistan seems to be more aggressive in new deals by grasping this week a tanker of 8,774ldt for $520/ldt asis Colombo, including bunkers. In China, scrap prices have fallen by $10/ldt more with dry/general cargo units seeing levels of $430/ldt and wet $450/ldt, while cash buyers are finding difficulties in persuading sellers to position their units for disposal in their scrap yards. Market sources suggest that a bulker M/V "LUCKY OCEAN" of 22,225dwt with 5,437ldt committed last week at $450/ldt in China is again on the market for sale with end buyers willing to take the unit at prices now below $430/ldt.

The week ended with 10 vessels reported to have been headed to the scrap yards of total deadweight 301,395 tons with some deals concluded some time ago. In terms of the reported number of transactions, the demolition activity has been marked with a 44.4% week-on-week decline, due to 78% weekly decline of scrapping business in the bulk carrier segment. In terms of the total deadweight sent for scrap there has been a 72% decline. In terms of scrap rates, the highest scrap rate has been achieved this week in the tanker sector by India for a tanker of 68,159 dwt "LOUKA" with 16,248/ldt at $540/ldt, which implies stronger levels for wet tonnage in the Indian subcontinent region. India attracted 60% of the total demolition activity with Bangladesh trying to win some new deals before the end of its extension. At a similar week in 2010, demolition activity was down by 10% than the current levels, in terms of the reported number of transactions, 9 vessels had been reported for scrap of total deadweight 264,273 tons with three bulk carriers being scrapped and India offering the highest levels $435/ldt for dry and $465/ldt for wet cargo.

GREEK PRESENCE

The week has been characterized by the strength of Greek owners in the secondhand market with 2 acquisitions in the bulk carrier segment, 2 in the tanker, an enbloc 4 unit's deal in the container and an enbloc 6 unit's deal in the reefer segment. The total invested capital of Greek owners in the secondhand market is estimated to be this week at region $352,5 mil. In the newbuilding market, Greek player, Consolidated Marine, has changed its order placed in Hyudai Mipo for two kamsarmax bulk carriers in two 52,000 dwt product carriers for delivery within 2012 at an undisclosed contract price. The movement of Alpha Tankers in the LNG segment is also noticeable from cancelling two capesize units, which has already been emphasized in our previous report.