GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 4th November 2011 (Week 44, Report No: 44/11)
(Given in good faith but without guarantee)

The week ended with more activity in all sectors, while the highest activity has been marked once again in the newbuidling market. Overall, the secondhand ship purchasing activity is down by 66% in comparison with the ordering momentum, while the demolition activity is 80% down from the total number of orders reported and down by 42% from the secondhand ship purchasing activity.

The week closed with 30 transactions reported worldwide in the secondhand and demolition market, up by 50% from previous week and down by 37.5% from a similar week in 2010, when 48 transactions had been reported and secondhand ship purchasing activity was 27% higher than the ordering business.

SECONDHAND MARKET

The secondhand ship purchasing activity maintains its high pace, while bulkcarriers and tankers attracted most interest, with General cargo and container vessels to follow. In total19 vessels have been reported exchanging hands of a total invested capital in the region of $ 276mil, with 3 transactions reported on private terms.

In the dry bulk carrier segment, the appetite is still there amid the recent dip of the BDI below the 2,000 points high base level of this year, with modern and vintage tonnage being on the spotlight as asset prices create a lot of investment opportunities for the willing buyers. Two more capesize S&P transactions reported, of M/V "HOUHENG SUNRISE" 176,298 built 2003 and of M/V "FORMOSABULK ENERGY" 170,089dwt built 2002 Japan at $ 34 mil & $ 31 mil respectively, whereas on December 2010 a deal obtainable at $42,5mil for the same vessel had been failed.

In the tanker segment, the buying interest for MR units has emerged strong during the last days. Following last week's concluded deals for MR size units, one more came to light with the enbloc sale of two MR units of about 47,000 dwt built 2010 Japan at $31 mil each to Greek interest. In the crude market, one enbloc sale of two VLCC units of about 308,000dwt built 1999 South Korea, M/T "HERO I" & M/T "LEANDER" is rumored to have been committed at a price of $34 mil for conversion to FPSO with 6 months subjects, whereas in December 2010 a similar vessel sale for a VLCC units of 307,151dwt built 1999 South Korea had been reported sold for $55 mil. The significant lower asset prices in the VLCC segment from 2010 supports the investment plans of shipping players in this segment amid the distressed freight market conditions from the oversupply issues and the lower oil consumer demand.

NEWBUILDING MARKET

The week ended with the new building sentiment being again at firm levels. Overall, the week closed with 56 fresh orders reported worldwide at a total deadweight of 2,602,100 tons,. The new building orders reported posted an increase of 115 % week-on-week and annual since similar week of last year. The total amount of money invested is estimated at region $1.34 bil while the contract price of 33 orders hasn't been disclosed yet. Bulkcarrier orders presented a decrease of 33% while tankers showed an impressive 3000% increase from last week's ordering activity.

In the **bulk carrier** segment, the activity is relative firm with one panamax unit of 76,000 dwt being ordered by Chinese player, Tianjin Zhonghai, in domestic yard at an undisclosed price and three supramax units in Japanese yards, Oshima and Tsuneishi, by a joint venture between Japanese shipowner and Indian steel group, Tata NYK Shipping, for delivery in 2012-2013. In the handysize segment, Harbor Shipping of Greece is said to have placed an order for one 35,000 dwt unit in China's Cosco Guangdong yard at an undisclosed contract price with delivery at the end of 2013. Japanese shipbuilding industry appeared also active as some business came to light in Oshima with the placement of supramax and panamax units by Saga Shipholding of Norway, N.Y.K. Line of Japan and United Ocean Enterprises of Singapore.

In the **tanker** segment, the new building trend towards MR size continues with more units contracted this week by Mexican oil company, Pemex, for six 51,000 dwt units plus an option for six more in South Korea's SPP Shipbuilding at a price region $34 mil each for delivery in 2013 and 2014. Furthermore, Uniseas Shipping of Greece is said to have placed an order for four 52,000 dwt units in Hyundai Mipo of South Korea at a price region $37 mil with delivery in 2013, the contract includes an option for three more units.

In the **container** segment, a post panamax order came to light this week by a Chinese player, following a period of non activity since the end of July. China Shipping Container Lines has placed an order for 8 boxship units of 10,000 TEU in domestic yards, Dalian Shipbuilding and Hudong Zhonghua, for delivery in November 2013 at an estimated price of $94,25 mil per vessel, total cost of $754,24 mil. The player holds an option for two more units in each yard for delivery during 2014.

In the **gas** segment, Japan's leading players, Mitsui OSK Lines (MOL) and Osaka Gas International Transport agreed in a joint ownership for the construction of two LNG units with 153,000 cbm gas capacity in Mitsubishi H.I. for delivery in 2014-2015. The vessels, which Mitsui OSK Lines will manage after delivery, have been secured in a 20-year LNG supply contract between MOL and Osaka Gas.

DEMOLITION MARKET

In the demolition market, the death of one more worker in a Chittagong scrap yard adds further pressure on the full reopening of Bangladeshi shiprecycling industry. The import of new vessels for scrapping in Bangladesh has been halted again since early October and the situation remains vague with sources suggesting that the last death marks the 15th worker to have died at a Bangladeshi scrap yard from September. Scrap price levels are floating at lower during the last two weeks, in all ship recycling nations, with Pakistan and India offering the most competitive rates, $470-$480/ldt for dry / general and $500-$510/ldt for wet cargo. In China, levels have fallen below $400/ldt for dry and wet cargo with Chinese scrap buyers loosing their competitiveness against the Indian Subcontinent region while didn't secure any units for disposal this week. The Diwali celebrations and the closure of Chittagong have pushed the scrapping momentum downwards with limited opportunities for many high priced deals in November. From the end of September, scrap prices in India have revised downwards by $30/ldt for dry / general cargo, while levels remain firmer for wet cargo. Expectations for an early reopening of the Chittagong market are falling short as Bangladesh seems that will be out of the demolition scene for the whole of November.

The week ended with 11 vessels reported to have been headed to the scrap yards of total deadweight 409,316 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 37.5% week-on-week increase and regarding the total deadweight sent for scrap there has been a 91% increase. In terms of scrap rates, the highest scrap rate has been achieved this week in the bulkcarrier sector for two handymax bulkcarriers of 46,000dwt however including 300tons bunkers rob each for delivery India –Pakistan range. At a similar week in 2010, demolition activity was up by 36% from the current levels, in terms of the reported number of transactions, 15 vessels had been reported for scrap of total deadweight 650,139 tons.

GREEK PRESENCE

The Greek presence was noticeable this week both in the secondhand and in the new building sector. In the secondhand market 5 out of the 7 reported bulkcarriers, 4 out the 7 reported tankers and 1 out of the 2 reported containers went to Greek interests. Just in the secondhand investments, the total investment capital has been in the region of usd $ 187.85 mil. Greek investors strong presence have been noticed in the newbuilding front, by ordering 10 units, three bulkcarriers and four MR tankers, of a total invested capital in the region of $ 219 mil, with the one transaction of the handy vessel to be in private terms.

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