

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 18th November 2011 (Week 46, Report No: 46/11)
(Given in good faith but without guarantee)

For second consecutive week, the secondhand buying momentum is on the frontline with newbuilding and demolition transactions floating at record low yearly levels. The highest activity has been recorded in the secondhand market with 22 S&P transactions reported worldwide, while the newbuilding business is down by 27.2% in comparison with the buying momentum in the secondhand market and the demolition activity is standing 77% lower than the volume of S&P activity.

The week closed with 27 transactions reported worldwide in the secondhand and demolition market, up by 35% from previous week and down by 35.7% from a similar week in 2010, when 42 transactions had been reported and secondhand ship purchasing activity was 25% higher than the ordering business.

SECONDHAND MARKET

The buying interest for secondhand modern and vintage units keeps very robust amid economic turmoil as asset prices are appealing low and investors seem to not lose the buying opportunities that emerge in the dry and wet segment. Bulk carriers and tankers have monopolized buyers' appetite with bulk carriers of all sizes and ages being on the spotlight and MR tanker units being of high interest. Bulk carriers and tankers have attracted the lion share by holding 36% and 41% respectively of this week's total volume of S&P activity. Notable deal of the week has been the container market, the en-bloc sale of two large panamax size units of 5,872 TEU built 2004 Korea reported sold on subjects for \$45 mil each, including 5 years time charter back at \$25,000/day. In the wet market, the industry experienced one more disposal in the VLCC segment, M/T "EAGLE VALENCIA" of 306,999dwt built 2005 South Korea at a price region of \$53 mil on subjects. In the bulk carrier segment, two kamsarmax resales reported to have gone to Greek hands at a price region \$32-\$33 mil.

Overall, 22 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 376,75 mil, one transaction reported at an undisclosed sale price. In terms of the reported number of transactions, the S&P activity is up by 22.7% from last week's activity, and down by 37% comparable with previous year's weekly S&P activity when 35 vessels induced buyers' interest with bulk carriers and tankers grasping 54% and 20% share respectively of the total volume of S&P activity. In terms of invested capital, tankers appear as the most overweight segment by attracting about 44.6% of the total amount of money invested and bulk carriers to follow with 27.7%.

NEWBUILDING MARKET

For second consecutive week, no business has been revealed in the tanker and container vessels segments, with special projects grasping 69% of the total volume of ordering activity. In the bulk carrier segment, some activity has been revealed in the handysize segment by an undisclosed owner in a Korean yard, while a notable order has been reported in the capesize segment by a Singapore player, The-Hu, in a Chinese yard at a price region \$53 mil with delivery in 2013. The significant slowdown of newbuilding business, during the last two weeks, gives positive signals in the already distressed vessels' supply picture and brings renewed hopes that the market uncertainty seems to have refrained significantly the ordering momentum.

Overall, the week closed with 16 fresh orders reported worldwide at a total deadweight of 285,000 tons, posting a 100 % week-on-week rise, while is down by 79% from similar week's closing in 2010, when 28 vessels had been reported worldwide at a total deadweight of 1,228,200 tons. Bulk carriers are holding only 18.7% of this week's newbuilding business compared with a 39% share a year ago. The total amount invested for newbuilding units is difficult to be estimated as 69% of this week's newbuilding business has been reported at an undisclosed contract price. The amount invested in the bulk carrier segment is region \$103mil, when last week was \$144 mil for six newbuilding orders.



DEMOLITION MARKET

In the demolition market, the scrapping momentum remains subdued with price levels still floating below \$500/ldt for dry /general cargo and Bangladesh being out of the scene. Pakistan and India are competing at the same levels offered with India winning every week the lion share of the activity, while Chinese scrap buyers are offering very low levels to bridge the gap with the Indian Subcontinent region, \$350/ldt for dry/general and \$375/ldt for wet cargo. In Bangladesh, the court hearing for the market extension failed to take place on November 13th and the shipbreaking nation now expects the new outcome of the hearing that would take place on November 20th. Bulk carriers have lost their strength as popular scrap candidates with only three units reported to have been headed to the scrap yards of India this week, while the scrapping momentum for wet units remains poor even demo countries are still offering quite firm levels \$500/ldt.

The week ended with 5 vessels reported to have been headed to the scrap yards of total deadweight 149,554 tons with some scrapping activity revealed in the bulk carrier and tanker segment. In terms of the reported number of transactions, the demolition activity has been marked with 67% increase from previous weekly levels and 230% rise in the total deadweight sent for scrap. In terms of scrap rates, the highest scrap has been achieved this week for an en-bloc scrap deal in the tanker segment for two small/handysize units of about 13,000 dwt built 1982 with 3,891ldt achieved \$726/ldt for India including 250 tons stainless steel and 100 tons cladded. India remains in the frontline by grasping this 80% of this week's total demolition activity. At a similar week in 2010, demolition activity was up by 40% from the current levels, in terms of the reported number of transactions, 7 vessels had been reported for scrap of total deadweight 122,630 tons with bulk carriers and tankers holding 57% of the total demolition activity. India and Pakistan had been offering \$425-430/ldt for dry and \$455-\$465/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

Greek investors showed a strong presence this week in the secondhand market with 2 purchases in the bulk carrier segment for two kamsarmax and one panamax, 1 MR unit in the tanker segment and one en-bloc deal of two large panamax container units. Their total amount of money invested for secondhand units is estimated to be at region of \$193,25 mil, while in the newbuilding market no business has been revealed.