GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 16th December 2011 (Week 50, Report No: 50/11)

(Given in good faith but without guarantee)

As we move towards the festive period, the secondhand ship purchasing activity has started to ease off with demolition activity starting to bite for tankers and newbuilding business persisting hot for offshore units. Asset prices in the secondhand market give signs for further transactions to follow in the main vessel segments, bulk carriers and tankers, while newbuilding activity will be on the downside for the traditional vessel types in the forthcoming months.

The week ended with record lows of secondhand volume S&P transactions and quite firm newbuilding and demolition pace. The week closed with 23 transactions reported worldwide in the secondhand and demolition market, at similar previously weekly levels due to 114% increase in the demolition. At similar week in 2010, the total S&P activity was standing 22% higher than the current levels, when 28 transactions had been reported and secondhand ship purchasing activity was 30% lower than the ordering business. The highest activity has been recorded in the newbuilding market with 35 fresh orders reported worldwide, whereas the reported total deadweight sent for scrap is 147% higher than the ordered and the newbuilding business is up by 338% in comparison with the buying momentum in the secondhand market.

SECONDHAND MARKET

Notable deal of the week has been in the dry bulk market, the sale of a capesize unit of 169,159dwt built 2000, South Korea for $25 mil, when a similar unit of 171,075 dwt built 2004 was said to have been bought by the same buyer at $31,5 mil in the previous week.

Overall, 8 vessels reported to have changed hands this week at a total invested capital in the region of US$ 111.45 mil. In terms of the reported number of transactions, the S&P activity is down by 46% from last week's activity, and down by 62% comparable with previous year's weekly S&P activity when 21 vessels induced buyers' interest at a total invested capital of about $500 mil with bulk carriers and tankers grasping 52% of the total volume of S&P activity. In terms of invested capital, the dry bulk carrier sector appears as the most overweight segment by attracting about 93% of the total amount of money invested.

NEWBUILDING MARKET

In the newbuilding market, the week ended with quite strong newbuilding momentum due to high offshore contracting activity by attracting 66% of the total number of orders reported worldwide. Overall, 35 new more transactions have been reported this week ,showing a 47% week-on-week decline, at a total deadweight of 409,900 tons. The total invested capital is estimated to be in excess of $1,08 billion with 57% of the total number of reported at an undisclosed contract price. At similar week in 2010, the ordering momentum was at quite similar levels, in terms of volume of transactions, standing 14% lower than the current business with 30 total contracts being recorded and bulk carriers holding 40% share.

In the **bulk carrier** segment, the contracting activity this week is very limited after the 19 transactions reported last week with Chinese players placing some new units. In the handysize segment, three 30,000dwt units reported to have been placed by Glory Ocean Shipping of China at domestic yard, Tsuji Jiangsu at an undisclosed contract price with delivery end 2012. In the panamax segment, Chinese owner Shenhua Zhonghai Shipping is planning to order eight units at domestic yards to be deployed in coastal trades for delivery in 2013-2014.

In the **gas tanker** segment, an outstanding order came to light in the LPG segment by Singapore based player, Kumiai Navigation, for a very large gas carrier of 82,000 cbm at Japan's Kawasaki Heavy Industries with delivery at the end of 2013. The newbuilding price of the contract has not been officially confirmed with sources revealing that the unit will cost excess of $77 mil, but less than $80 mil.

In the **multipurpose liner** segment, state owned State Co for Maritime Transport of Iraq has placed an order for four 17,500 dwt multipurpose vessels in South Korea and China, at a cost of $24,5 mil each, with delivery in 2013-2014

In the **container** segment, a handysize order emerged by South Korean feeder liner Namung Shipping for three 1,850 TEU vessels at Hyundai Mipo Dockyard with delivery in the first half of 2013. The contract price has not been confirmed with sources suggesting an estimated cost of less than $30mil per unit.

DEMOLITION MARKET

In the demolition market, the scrapping activity has shown signs of firmness this week, while scrap prices are still squeezed downwards with Bangladesh demolition ban being still in effect. The Rupee remains weak against the dollar with scrap buyers offering $465/ldt for dry/general and $495/ldt for wet cargo. Pakistan has narrowed its price gap with Alang cash buyers, but it still struggles to attract vessels for beaching. China has improved its levels by attracting this week dry units at about $400/ldt. Market rumors for a late Bangladesh market upturn do not support a prompt spike in scrap levels; whereas the recent dry euphoria do not stimulate further vessels' disposals in the capesize segment. In the tanker market, rumors circulated in the market for two more double hull VLCCs, built 1996 and 1998, being sent for disposal by Japanese shipping giant Mitsui OSK Lines (MOL). This decision describes the dire freight market and gives an incentive for other wet operators to follow in similar movements as a step to ease the oversupply pain.

The week ended with 15 vessels reported to have been headed to the scrap yards of total deadweight 1,011,574 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 114% week-on-week increase and regarding the total deadweight sent for scrap there has been a 370% increase. In terms of scrap rates, the highest scrap rate has been achieved this week in the container segment by India for M/V "MSC MAHIMA" with 16,143/ldt at $517/ldt due to decent country built, non ferrous content and vessels equipment with full spares. India has attracted 53% of the total demolition activity with China winning 4 bulk carriers and one liner unit. At a similar week in 2010, demolition activity was down by 53% from the current levels, in terms of the reported number of transactions, 7 vessels had been reported for scrap of total deadweight 575,804 tons with tankers grasping 71.4% of the total number of vessels sent for disposal. India and Pakistan had been offering $440-445/ldt for dry and $475/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

The week ended with Greek investors being absent from the newbuilding market, while in the secondhand market they have purchased an 11yrs old capesize unit, 14yrs old handymax and 2yrs old supramax at a total invested capital of $62,7 mil.