

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 27th January 2012 (Week 4, Report No: 4/12)
(Given in good faith but without guarantee)

This week ended with similar levels of activity in the secondhand, demolition and newbuilding market from previous week. The highest activity has been recorded in the newbuilding market due to strong revealed business in the bulk carrier segment; however it remains at very low levels with the demolition and secondhand activity being still at high levels.

Overall, 30 transactions reported worldwide in the secondhand and demolition market, down by 6.2% week on week with a 63% decline of secondhand S&P purchasing activity in the tanker segment. At similar week in 2011, the total S&P activity was standing 6.6% higher than the current levels, when 32 transactions had been reported and secondhand ship purchasing activity was 67% lower than the ordering business. The highest activity has been recorded in the newbuilding market with 18 vessels reported to have been ordered and demolition activity standing 20% lower than the ordering business.

SECONDHAND MARKET

The secondhand purchasing activity seems to follow firm levels of activity since the beginning of New Year with investors' interest being on the high side for secondhand units as asset prices are still being pushed downwards. Notable deal of this week the resale of a supramax bulk carrier from Precious Shipping of 54,000dwt from ABG Shipyard of India for \$28,16 mil, since the revised delivery date was not suitable according to company statements.

Overall, 16 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 166,09 mil, 3 transactions reported at an undisclosed sale price, with bulk carriers and tankers grasping 40% share of the S&P activity. In terms of the reported number of transactions, the S&P activity is similar with previous activity, and down by 25% comparable with previous year's weekly S&P activity when 20 vessels induced buyers' interest at a total invested capital of about \$290,3 million with bulk and tankers holding 35% and 25% share respectively of the total volume of S&P activity. In terms of invested capital, the bulk carrier and offshore sector appears the most overweight segment by attracting about 39% and 48% respectively of the total amount of money invested.

NEWBUILDING MARKET

One week more with quiet newbuilding business even the fresh activity recorded in the bulk carrier segment with a total of 10 new contracts. However, the freight market remains depressed in the dry market with bottom low freight earnings that halts stronger placement of newbuilding contracts. The weak signs that the newbuilding appetite has shown during the first month of the year resembles the sentiment of 2009, when at similar week only 11 orders had been reported, 4 in the bulk carrier segment, 2 in the tanker and 5 in the container. It seems that year 2012 will follow the low levels of 2009.

Overall, the week closed with 18 fresh orders reported worldwide at a total deadweight of 773,000 tons, posting a 38% increase from similar week's closing in 2011, when 60 fresh orders had been reported with bulk carriers and tankers grasping 48% and 27% share respectively of the total newbuilding business. In terms of invested capital, the total amount of money invested this week is difficult to be estimated as 14 of the 18 total newbuilding transactions have been reported at an undisclosed contract price.

In the **bulk carrier** segment, Greek player Efnav is set have placed an order for four kamsarmax units of 82,000 dwt, with an option for two more units, for delivery in 2013 at a price of \$33,5 mil each.

In the **tanker** segment, the low newbuilding prices encourages Norwegian owner Jonh Fredriksen's decision for being in discussions with South Korean yards for the placement of 10 medium range product tankers.

In the **gas tanker** segment, Hoegh LNG of Norway is intending to declare the first of the two newbuilding options of 170,000 cbm floating storage and regacification units that it holds at Hyundai Heavy Industries in South Korea. The owner is also seeking to extend the number of FSRU options that holds in the yard.



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DEMOLITION MARKET

In the demolition market, the volume of demolition transactions has shown strong signs during the first month of the year with appetite for large sized vessel unit disposals. The Bangladesh shiprecycling industry has fully opened, but the activity is very light due to the ongoing tax issue that the Bangladesh Shipbreaking Association tries to resolve. Scrap prices for dry and wet units have started to follow an upward revision with China closing neared with the rates offered in the Indian Subcontinent region. Levels for dry and wet units have started to exceed \$500/ldt, with signs for further vessel disposals as rates keep firm and freight earnings do not support the trading of vintage tonnage. Notable demolition deals in the crude tanker market the disposal of suezmax tankers underlining the dark outlook of this segment with hopes for similar units to follow as a remedy to the oversupply.

The week ended with 15 vessels reported to have been headed to the scrap yards of total deadweight 988,345 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 12% week-on-week decline, due to 57% and 25% lower volume of demolition transactions in the bulk carrier and liner segment respectively, whereas there has been a 2.1% decline regarding the total deadweight sent for scrap. In terms of scrap rates, the highest scrap rates have been achieved this week in the crude tanker segment by Bangladesh and Pakistan for suezmax units at \$510/ldt. Tankers have grasped the lion share of this week's total demotion activity, 33%, with India being on the frontline. At a similar week in 2011, demolition activity was down by 20% from the current levels, in terms of the reported number of transactions, 12 vessels had been reported for scrap of total deadweight 710,976 tons with bulk carriers grasping 50% of the total number of vessels sent for disposal. India and Pakistan had been offering \$465-\$475/ldt for dry and \$500/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

Notable newbuilding business by Efnav for four kamsarmax units of 82,000 dwt, with an option for two more units, for delivery in 1q 2013. The newbuilding contract is believed to be at \$33,5mil each.