

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 18th May 2012 (Week 20, Report No: 19/12)

(Given in good faith but without guarantee)

This week ended with much lower activity in all investment types. The second hand and demolition activity is at 29% lower levels than last week, while the newbuilding activity at \$ 22% lower levels. Overall, 32 transactions reported worldwide in the secondhand and demolition market, with the activity in newbuilding the demolition sector being at similar levels.

SECONDHAND MARKET

In the secondhand market the activity was 55% less active with 12 vessels in total reported to have changed hands at a total invested capital in the region of US\$ 159 mil (at least 16% lower than last week), and 1 transaction being reported at an undisclosed sale price. Bulkcarriers and Tankers attracted mainly the investors' interest, while the container sector again followed. Comparing to last year's similar period, the market is at 40% lower levels in terms of numbers of units and in terms of invested capital 83.8% less, which illustrates also the fall in asset prices.

NEWBUILDING MARKET

Newbuilding investments continue to attract investors' interest although the industry as such is facing its own problems. Many shipbuilding yards are trying to cope with the difficult market and stay alive. China State Shipbuilding Corporation estimates as much as 50% capacity could disappear within 2-3 years, but a 30% is a more conservative figure. South Korea and Japan are also facing similar issues, with finance options as well as bareboat charter options are offered to the prospective investors in order to induce them.

This week, the market has shown again a 22% decrease compared to last week, with 21 new orders reported and this week tankers grasping the lion's share with 12 out of the 21 orders. Orders in the special projects follow representing 23.8% of the total weekly orderbook. The total invested capital is calculated to be in the region of US \$ 1.67 billion, with 5 orders contracted on private terms.

In the bulkcarrier sector, just 2 Ultramaxs have been ordered by Greek owner Laskaridis at Jinhai of China, while London based Ravi Mehrota is in discussions to order six bulkers in China. The discussions are on with four Chinese yards and refer to a pair of panamaxs and four supramaxs. In the tanker sector the MR sector continues to be in the top preference of investors and a Japanese group proceeded to the order of 2 VLCC at compatriot yard IHI Marine at a reported price of \$ 100 mil each. The LNG sector, continues to attract interest of big investors with Stena Bulk to have booked two units of 174,000cbm at Daewoo Shipbuilding, with the subjects of the order being lifted at mid-June, while the company is in discussions to finalise long term employment for the units.

In the container sector, it has been rumored that Zodiac is looking to invest in up to ten 5,000teu vessels and is in talks with Korean yards in order to find the most competitive price and rates. It is said that the company is looking to pay only around \$ 45 mil per vessel, with the normal breakeven cost would be around \$ 50 mil per vessel. At these levels some South Korean yards have refused while others such as Hyundai Mipo, STX & Hanjin seem to be interested. In case such a deal moves forward Chinese yards would have more pressure to compete in order to be attractive. Additionally Bernard Schulte of Germany is also rumored to be in discussions for 8 x 2,400teu vessels in two Chinese yards (Jiangsu Yangzijiang & Jiangnan) for delivery in 2014, although nothing has been confirmed yet.

DEMOLITION MARKET



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The reason of Pakistan and Bangladesh increasing their imports in stock is because of the upcoming announcement of their budgets. Overall, the week ended with 20 vessels reported for demolition, 11% higher than last week, while in terms of deadweight the figure this week is 48% higher. This occurs due to the capesize vessels that were sent to the scrapyards. The majority of vessels that were sent to the scrap yards were bulkcarriers, representing the 65% of the number of vessels that were reported this week for demolition.

GREEK PRESENCE

The greek presence was seen this week in the wet sector in the secondhand business with two aframaxes of 2004-2005 being acquired at \$ 20.75 mil each and one gas tanker built 1991 at \$ 2.5 mil. On the newbuilding investments, Laskaridis ordered 2 ultramax vessels at \$ 26 mil each at Jinhai of China.

