

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 16th November 2012 (Week 46, Report No: 45/12)

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The week ended with a slower buying appetite for secondhand bulkers and containers, but firm volume of purchases in the container market, while demolition momentum keeps its high pace of previous week and newbuilding activity emerges strong in the tanker segment.

Overall, 37 transactions reported worldwide in the secondhand and demolition market, down by 29% week on week due to a 48.4% decline in secondhand purchasing activity and almost unchanged demolition activity from previous week. At similar week in 2011, the total S&P activity was standing at 27% lower levels than today, when 27 transactions had been reported with secondhand buying appetite standing at 38% higher levels than newbuilding. Last year, 22 secondhand vessel purchases had been reported against 16 newbuildings with strong secondhand purchases for bulk carriers and tankers at a total of 17 S&P transactions, while at the current week the secondhand buying appetite stands at lower levels than newbuilding due to 10 reported newbuilding orders in the tanker segment against 5 S&P transactions.

SECONDHAND MARKET

Dry bulk carriers continue to attract most of the investors' intense with a solid buying interest for capesize vessels at alluring asset prices. This week a capesize resale from Japan's Orient Shipbuilding reported sold to Greek buyers at a price of about \$35,4mil, when a sale in June at levels of \$44mil is said to have failed. Panamax bulk carriers of modern and vintage tonnage are also on the spotlight. M/V "HALO CYGNUS" 73,937dwt built 1998 Japan reported sold for \$8,7 mil, while at the beginning of August M/V "C.IRIS" of 71,393dwt built 1996 Japan reported sold for \$11,6mil. M/V "PERLA BULKER" 75,949dwt built 2007 Japan reported sold for \$17,8mil, when after mid-August, M/V "OCEAN TIANJIN" 76,635dwt built 2007 Japan reported sold for \$22,5mil. In the container segment, a reported firm buying activity reported for sub-panamax containerships of vintage tonnage, while in the tanker segment, a VLCC built 1993 reported sold for \$24mil, confirming the intense buying appetite for such vessel types.

Overall, 17 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 207,65 mil with bulk carriers and tankers grasping 59% share of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 48.4% from last week's activity with a 72% fall in the volume of bulk carriers' purchases, while is 23% down from previous year's weekly S&P activity, when 22 vessels induced buyers' interest at a total invested capital of about \$367,75 mil, 8 bulk carriers, 9 tankers, 2 liners, 2 containers and 1 special project. In terms of invested capital, the bulk carrier segment attracted about 44% of the total amount invested in the secondhand market with 5 total purchases at about \$92.4mil and tankers 43% with 5 total purchases at about \$89,3mil.

NEWBUILDING MARKET

In the **newbuilding market**, the volume of business showed higher weekly levels with Chinese players stepping again by placing firm volume of new orders in the tanker and gas tanker segments in order to control their imports. Notable orders were the placement for four very large crude carriers by Cosco in China State Shipbuilding and 6 very large LPG gas carriers, with an option of 10 to 16 more, by Oriental Energy Co of China at Jiangnan Shipyard. No newbuilding business emerged in the bulk carrier segment, while the container segment showed activity for the first time since week ending October 12th, with Greek player ordering two large boxship vessels of 6,800 TEU and German two post panamax vessels of 9,000 TEU.



EMAIL: snv@goldendestiny.com – Website: www.goldendestiny.com

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Overall, the week closed with 24 fresh orders reported worldwide at a total deadweight of 1,850,000 tons, posting a 71% increase from previous week with a 233% week-on-week increase in tankers ordering activity. At similar week closing in 2011, the newbuilding business was standing at 33% lower levels than today with 16 newbuilding orders, 3 bulk carriers, 2 Ro-Ro and 11 special projects. In terms of invested capital, the total amount of money invested is estimated at region more than \$1,3 bn with 3 orders reported at an undisclosed contract price. The tanker segment appears the most overweight with a total of region \$746mil invested for a total of 10 new orders (4 very large crude carriers and 6 MR units) and containers follow with a total invested capital of about \$277mil for 4 new orders (2 for large boxships and 2 for post panamax).

In the **tanker** segment, Chinese player Cosco is said to have ordered four very large crude carriers at China State Shipbuilding following recent end October newbuilding deal from Cosco Dalian Ocean Shipping for three firm 308,000dwt vessels, with an option for two more, at Guangzhou Longxue Shipbuilding at a price around less than \$90mil. However, according to latest Cosco Dalian statement, the order has been reduced to two firm ships with an option for two more. The movements follow earlier news emerged this year that state owned Chinese shipping players are aiming to place a \$4,5bn order for 50 very large crude carriers to support the profitability of their domestic yards and cater their energy transport needs.

In the MR segment, Hudong-Zhonghua Shipbuilding of China has won an order for six stainless chemical tankers of 38,000dwt from Norwegian owner Stolt Nielsen for delivery from 2015 at a price believed to be around \$60-\$70mil per vessel.

In the **LPG tanker** segment, Oriental Energy Co of China is said to have ordered six very large gas carriers, including an option for 10 to 16 more, at Jiangnan Shipyard at a total estimated cost of about \$360mil, \$60 mil per vessel for delivery in the last quarter of 2014.

In the **container** segment, Aelos Management of Greece has ordered two large boxships of 6,800 TEU in Hanjin's Subic Bay Shipyard of Philippines at a price believed to be \$55-\$57mil each for delivery in 2014. In addition, German owner Roberto Echevarria led NSC Schifffahrts is said to have ordered two 9,300 TEU vessels in Hanjin Heavy Industries and Construction's Subic Bay facility for delivery in 2015 at an estimated cost of about \$82,5mil each. The vessels are going to be under a long term charter agreement with Compania Chilena de Navegacion Interocanica (CCNI) for delivery in 2015, while the newbuilding deal is still at a letter of intent stage.

In the **Ro-Pax** segment, National Ferries Co of United Arab Emirates has placed an order in Strategic Marine of Australia for the construction of two 154 pax aluminium catamaran hull ferries with an accommodation of 38 cars or a mix of 28 cars and 4 trucks with delivery at the end of 2013.

In the **car carrier** segment, Siem Car Carriers of Norway has ordered two energy efficient pure car and truck carriers with 6,500 ceu vehicles capacity, with option for six more units. The vessels are scheduled for delivery in 4q 2014 and 1q 2015 at a price of about \$60mil each.

In the **offshore segment**, Rem Offshore of Norway has ordered a second offshore construction vessel at Kleven Verft of Norway for delivery 1q 2014 at the contract price of about 600mil kroner (\$120mil). The vessel is of the MT6022 design with a length of 108m and a breadth of 22m. The first ship was contracted in April. Rem Offshore has entered in a eight year time charter agreement for the vessel with an undisclosed customer upon vessel's delivery, with an option to extend it by five years. In addition, Nam Cheong of Malaysia has won deal for four Anchor handling tug supply vessels from various clients at a total price of \$45mil with delivery between the first and fourth quarter of 2013.

DEMOLITION MARKET

In the **demolition market**, scrap prices show a softening with levels in Indian subcontinent region falling to less than \$400/ldt for dry/general cargo and \$420/ldt for wet cargo. In India, weaker Rupee against dollar and lower prices for steel plate give a downward direction in the price levels offered with Diwali celebrations influencing the volume of vessels sent to the scrap yards. China remains more aggressive in its levels offered at \$350/ldt for dry/general cargo and \$370/ldt for wet cargo, while Bangladesh still holds a weak position against India in the number of vessels securing for its scrap yards and Pakistan tries to secure more deals after the end of its Eid holidays.

The week ended with 20 vessels reported to have been headed to the scrap yards of total deadweight 1,850,000 tons. In terms of the reported number of transactions, the demolition activity is up by 5% from previous week's business due to 38% and 50% higher scrapping activity in the bulk carrier and container segments. Bulk carriers still hold the lion share of this week's total demolition

activity with 11 disposals against 2 vessel disposals in the tanker segment. In terms of total deadweight sent for scrap, there has been a decline of 20%, with two capesize bulk carriers and one suezmax tanker reported for disposal. India with China won the major share of this week's vessel disposals by securing 4 vessel scrapings each. In terms of scrap price levels offered, the highest rate has been paid by Pakistan for a suezmax tanker unit of 149,563dwt built 1992 of 20,765ldt at \$437/ldt.

At a similar week in 2011, demolition activity was 75% lower than today's levels, in terms of the reported number of transactions, when 5 vessels had been reported for scrap of total deadweight 149,554 tons with 3 bulk carriers and 2 tankers disposals. Scrap prices were floating at stronger levels with India and Pakistan offering \$450/ldt for dry and \$475-\$480/ldt for wet cargo.

GREEK PRESENCE

Greek owners keep their buying spree in the secondhand market from previous week with a notable presence in the bulk carrier segment, as 5 bulk carriers reported to have changed hands this weeks and all gone to Greek buyers by buying one capesize resale, two panamax vessels, one 5yrs old and the other 14yrs old, one 2yrs old supramax vessel and one 15yrs old handymax vessel for a total amount of about \$92,4mil. In the tanker segment, Greek owners bought a VLCC tanker of 298,900dwt built 1993 at a price in the region of \$24mil, while they showed also firm appetite for containerships by buying 4 of the 6 vessels reported sold. In the container market, they invested about \$20,95 mil for buying two subpanamax vessels of 2,682 TEU built 1996, one subpanamax vessel of 2,210 TEU built 1998 and one handy boxship of 1,730 TEU built 1999.

In the newbuilding market, they follow their conservative strategy with Greek player Aeolos Management emerging this week to have placed an order for two large panamax containerships of 6,800 TEU in Hanjin's Subic yard of Philippines at a price of \$55-\$57mil each for delivery in 2014.