WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 30rd November 2012 (Week 48, Report No: 47/12)

(Given in good faith but without guarantee)

The last week of November ends with high business in all markets, secondhand, newbuilding and demolition. In the secondhand market, a massive LPG enbloc deal for 11 LPG sales from Maersk to Navigator Gas of UK pushed the total weekly S&P activity in new record highs, while in the newbuilding market, an interesting business for 10 plus 10 MR 52,000dwt vessels from South Korean Sinokor and high valued offshore contracts give an optimistic note in the troubled shipbuilding industry. In the demolition market, there was a week with stronger activity due to firm volume of disposals for general cargo and container ships.

Overall, 52 transactions reported worldwide in the secondhand and demolition market, up by 63% week on week due to a 92% increase in demolition activity. At similar week in 2011, the total S&P activity was standing at 33% lower levels than today, when 35 transactions had been reported with secondhand buying appetite standing at 53% higher levels than newbuilding. At the current week the secondhand buying appetite is almost at the same levels of newbuilding due to firm volume of contracts in the MR tanker segment.

SECONDHAND MARKET

Bulk carriers and tankers keep their popularity as purchasing candidates with investors willing to commit to new S&P transactions at the new lows of asset prices. In the bulk carrier segment, an interesting deal was the sale of a Chinese handysize vessel of 34,000dwt built 2011 M/V "NANTONG PRICE" reported sold at an auction to Chinese buyers as incomplete construction for a price in the region of $9,3mil. In the tanker segment, VLCC M/T "SAMCO AMERICA" of 304,966dwt built 2003 South Korea reported sold for about $37,5mil, when in September 2010, a 318,000dwt vessel built 2004 South Korea had been reported sold for about $89mil.

Overall, 27 vessels reported to have changed hands this week at a total invested capital in the region of US$ 117,5 mil with bulk carriers and tankers grasping 37% share of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 16% from last week's activity with a 54% and 64% decline in the volume of bulk carriers and tankers' purchases respectively, while is 146% up from previous year's weekly S&P activity, when 26 vessels induced buyers' interest at a total invested capital of about $334,7 mil, 6 bulk carriers, 12 tankers, 3 gas tankers, 3 liners, 1 container and 1 reefer. In terms of invested capital, the bulk carrier segment attracted about 34% of the total amount invested in the secondhand market with 6 total purchases at about $40,5mil and tankers15% with 4 total purchases at about $73mil.

NEWBUILDING MARKET

In the **newbuilding market,** the pace of ordering activity has shown some firmness during the last two weeks of November with high valued contracts emerged in the offshore segment. Some light activity has been reported in the bulk carrier segment with the contract of two handysize units in Chinese yard, while in the tanker segment there was again a boost in the MR size. A spectacular order of this week was from South Korean player Sinokor for up to 20 MR vessels of 52,000dwt in Hyundai Mipo for delivery in 2014-2015. In the container segment, a notable post panamax order came to light for up to six 9,200 TEU boxships by Chilean player, Grupo Empresas Navieras, at South Korea yard with subject to ratification by German Banks.

Overall, the week closed with 30 fresh orders reported worldwide at a total deadweight of 962,000 tons, posting a 29% decline from previous week with a 700% week-on-week decline in bulk carriers ordering activity. At similar week closing in 2011, the newbuilding business was standing at 43% lower levels than today with 17 newbuilding orders, 5 for bulkers, 1 for gas tanker, 4 for liners and 7 for special projects. In terms of invested capital, the total amount of money invested is estimated at region more than $3,8 bn with 9 orders reported at an undisclosed contract price. The offshore segment appears the most overweight by grasping 83% of the total amount invested in newbuilding business.

In the **bulk carrier** segment, Cosco Guangdong, a subsidiary of COSCO shipyard group, has won an order for the construction of two handysize bulkers of 35,500dwt from European owner at a total contract value of excess $41mil with delivery in the second half of 2014.

In the **tanker** segment, one more Norwegian player has placed an order for stainless steel chemical tankers following the order of Stolt Nielsen reported before two weeks in Chinese yard, Hudong-Zhonghua. This week, Jo Tankers of Norway is said to have placed an order for two stainless steel chemical tankers of 33,000dwt with an option for six more at Nantong Mingde Heavy HI of China at an undisclosed contract price for delivery during 2015. According to the yard, the 33,000dwt tankers will feature a new design that increases the deadweight tonnage by 10% over its previous design and cut the fuel oil consumption by 30%.

In the MR size, Sinokor of South Korea is said to have placed an order for 10 plus 10 more 52,000dwt vessels for construction in Hyundai Mipo for delivery in 2014-2015 at a price in the region of $31-$32mil each. The vessels will be chartered on long term, for at least five years, by Shell for its called “Project Silver” at about $12,000/day plus a profit share.

In the **gas tanker** segment, Chevron Transport of Hamilton, Bemuda has ordered two LNG carriers of 160,000cbm for construction in Samsung Heavy Industries of South Korea. The contract price has not been revealed and the vessels are scheduled for delivery in December 2015 and June 2016.

In the LPG segment, Mexico’s Tomza is said to be in close for finalizing a LPG newbuilding deal for a very large gas carrier vessel with an option for one more with Hyundai Heavy Industries of South Korea.

In the **container** segment, Chilean player Grupo Empresas Navieras is said to have inked an order for up to six 9,200 TEU boxships at Hanjin Subic Bay shipyard. The first two firm ships have been ordered as a part of a joint venture set up with Roberto Echevarria’s NSC Schiffahrts, with an option for four more to be exercised in the first quarter of 2013. The vessels are scheduled for delivery in 2014 at a newbuilding cost in the region of $82mil each and will be chartered for 12years to Compania Chilena de Navegacion Interoceanica – CCNI, a subsidiary of GEN group. The contract is subject to ratification by German banks, which require GEN to invest $15mil of its own equity into each vessel.

In the **offshore** segment, STX Dalian of China has won a high value contract of $425mil for the construction of a 324 metre long floating storage offshore unit signed by Libya’s Mellitah Oil & Gas under a joint agreement with Italy’s ENI. The FSO will be used for the storage of up to 1,5 million barrels of crude extracted from Libya’s Bouri oil field. Naftogaz of Ukraine has signed a contract for two semi-submersible rigs in Keppel Fels of Singapore for delivery in 2014 at a cost of $615mil each.

A high value contract has been signed also by Vantage Drilling at STX Offshore and Shipbuilding through a new joint venture Sigma Drilling. The vessel will be equipped to operate in water depths of 12,000ft and is due for delivery in 2015. Chairman and Chief Executive Officer of Vantage Drilling, Paul Bragg, said: “We view this high spec drillship construction project as an excellent opportunity for Vantage to further grow our presence in the expanding ultra-deepwater drilling market, with only a small capital commitment”. Vantage has made a $31m investment on Sigma and has an initial stake of 42% in the joint venture.

Sembcorp Marine has secured a contract for a drill ship through its wholly owned subsidiary Jurong Offshore from Sete Brazil at a value of $806mil. This is the seventh units of a series of drillships that the yard has secured since February with delivery in the third quarter of 2016. All seven drillships will be chartered to Petrobras for 15years to cater to the oil and gas discoveries in the offshore fields of Santos Basin. Capable of operating at 10,000ft of depth and drilling to depths of 40,000ft, with accommodation facilities for a crew of 180 personnel, the unit will be built based on the Jurong Espadon design, which is a next generation of high specification drillships with capabilities for ultra-deepwater operations worldwide.

DEMOLITION MARKET

In the **demolition market,** the downward pressure in scrap price levels offered by India continues with full yard capacity and weaker Indian rupee. Benchmark prices are now showing Indian levels offered of $380/ldt for dry/general and $410/ldt for wet cargo cargo, $30-$35/ldt less than the end of October. The volume of vessels disposals reported during the last two weeks of November has slowed in the bulk carrier segment, while breakers of Bangladesh are trying to return more aggressive against India.

In China, the upward momentum of scrap prices keeps for the third week of November by rising to $360/ldt for dry/general and $380/ldt for wet cargo, when at the end of September Chinese breakers were offering $300/ldt for dry and $320/ldt for wet cargo.

The week ended with 25 vessels reported to have been headed to the scrap yards of total deadweight 783,615 tons. In terms of the reported number of transactions, the demolition activity is up by 92% from previous week's business due to 700% and 133% higher scrapping activity in liner and container segment respectively. Bulk carriers and liners held the lion share of this week's total demolition activity with 16 total disposals against 1 vessel disposal in the tanker segment. In terms of total deadweight sent for scrap, there has been a rise of 45%, with India winning 10 vessel disposals, Bangladesh 3 and China 4. In terms of scrap price levels offered, the highest rate has been paid by India for an aframax tanker unit of 96,724dwt built 1993 SKR of 14,204/ldt at $430/ldt.

At a similar week in 2011, demolition activity was 64% lower than today's levels, in terms of the reported number of transactions, when 9 vessels had been reported for scrap of total deadweight 297,012 tons with 2 bulk carriers, 1 tanker and 6 liners' 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 players have showed a presence in the tanker segment with secondhand purchases of a very large crude carrier vessel built 2003 and a MR of 47,045dwt built 2002 Japan at a total value of about $50mil. In the newbuilding market, they hold their conservative approach with no contracts reported for the last two weeks of November.