

## **WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS**

**Week Ending: 8<sup>th</sup> March 2013 (Week 10, Report No: 10/13)**

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The first week of March ended with significant high volume of newbuilding contracts in the bulk carrier segment, mainly for large sized vessel categories, capesize, kamsarmax and panamax, which comes against the struggling picture of freight rates and oversupply issues till the end of 2014.

In the secondhand market, the high pace of investments persists with bulk carriers grasping the lion share of S&P activity. February ended with 11% higher volume of secondhand purchases from previous month and 14% lower volume of newbuilding contracts from the high levels of January. However, the newbuilding business during January-February 2013 recorded 42% increase in the number of vessels ordered from corresponding period in 2012. In the bulk carrier segment, newbuilding activity posted 19% monthly increase in new orders and 71% increase in the tanker segment from a boost of ordering activity for medium range tankers. In the container market, the appetite for post panamax vessels pushed the volume of new order above 20 compared with only 2 fresh contracts, in small vessel categories, during January-February 2012.

Although the newbuilding business showed an upward trend during the first two months of the year, the scrapping activity recorded a lower volume of vessel disposals than last year. During January-February 2013, 166 vessels reported to have been headed to the scrap yard of a total deadweight 7,156,339 tons, which is 25% lower than the levels of a similar period in 2012 in terms of number of vessels and 32% lower in terms of total deadweight scrapped. In the bulk carrier segment, scrapping activity posted 28% lower volume of vessel disposals in the first two months of the year from 2012, while in the tanker segment, the yearly decrease is even sharper of about 53%.

During the first week of March, 50 transactions reported worldwide in the secondhand and demolition market, up by 22% week-on-week with 64% increase in secondhand purchases and 26% lower scrapping volumes. At similar week in 2012, the total S&P activity was standing 35% lower than the current levels, when 37 transactions had been reported and secondhand ship purchasing was 53% lower than the volume of newbuilding orders. This week the secondhand purchasing activity is 10% lower than the newbuilding activity due to strong volume of contracts for bulk carrier newbuildings.

### **SECONDHAND MARKET**

The bulk carrier and tanker segment is on the spotlight with asset prices holding a persistent downward incline. According to Baltic Sale & Purchase Assessment, the purchasing prices for 5yrds old vessels in the bulk carrier segment have shown about 14% annual decrease from March 2012 in the capesize segment and 24% - 22% fall in the panamax and supramax segment respectively. In the tanker segment, the value for a 5yrs old very large crude carrier is now down by 8.4% year-on-year, in the aframax segment, down by 18% year-on-year and 13% down for medium range product vessels.

Overall, 36 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 324.65 mil , 10 S&P deals reported at an undisclosed sale price. Tankers and Bulk carriers held the lion share of this week's S&P activity, by holding 50% of the total number of vessels reported sold. Comparable with previous year, this week's S&P activity is 80% higher than last year, when 20 vessels induced buyers' interest at a total invested capital of about \$210,5mil with 7 S&P deals in the bulk carrier segment, 11 in the tanker, and 2 in the container. In terms of invested capital, the bulk carrier and tanker segment appear as the most overweight segments with bulk carriers attracting about 36% of the total amount of money invested with an invested capital of about \$115.3mil tons and tankers 39% share with an invested capital of about \$125,1mil.



**NEWBUILDING MARKET**

In the **newbuilding market**, the first days of March ended with firm emerged newbuilding bulk carrier business in Japanese yards in all vessel sizes and strong ordering interest for capesize vessels. Oshima Shipbuilding reported to have won an order for ultramax and panamax bulk carriers, while Tsuneishi Cebu in Philippines gained orders in the kamasarmax, supramax and handymax size. In addition, new established Japanese shipyard, Japan Marine United, is said to have sealed capesize orders from Greek players.

Overall, the week closed with 40 fresh orders reported worldwide at a total deadweight of 2,649,536 tons, posting 167% week-on-week increase from previous week with significant higher volume of contracts in the bulk carrier segment, up by 1600% week-on-week with a total of 23 new contracts. In the offshore segment, the newbuilding business was very quite losing their first ranking position from bulk carriers. This week's total newbuilding business is almost at similar levels from similar week's closing in 2012, when 43 fresh orders had been reported, 17 for bulkers, 2 for tankers, 7 for gas tankers, 6 for containers, 3 passenger/cruise and 8 special projects. In terms of invested capital, the total amount of money invested is estimated in the region of about more than \$1,13bn, 13 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money was invested in the bulk carrier segment, due to high volume of contracts in the capesize segment, by holding of more than 36% of the total amount of money invested in new contracts.

In the **bulk carrier** segment, Oshima Shipbuilding won an order for two ultramax vessels of 60,000dwt from Taiwanese owner, Taiwan Navigation Co, and two panamax vessels of 75,000dwt from Nordic Bulk Carriers A/S of Denmark. In addition, Tsuneishi Cebu in Philippines will construct three kamsarmax vessels of 81,656dwt for Kawasaki Kisen and another three similar units for Mitsui OSK lines, while it will construct for NYK Line, one handymax 45,000dwt vessel and three 58,000dwt vessels.

In the capesize segment, OceanBulk Maritime is said to have placed an order for two 180,000dwt vessels and Carras Hellas also another two similar vessels at Japan Marine United. The newbuilding cost has not revealed but it is estimated in the region of \$46mil. In addition, Norwegian Frontline 2012 is said to have inked a letter of intent with Jiangsu New Yangzijiang for the construction of up to six 180,000dwt vessels, 4 with option 2 units, but price and delivery dates have not been disclosed. Furthermore, Japanese shipbuilder Mitsubishi HI won an order from China Steel Express of Taiwan for two 200,000dwt capesize bulkers to be built at its Nagasaki yard. The delivery of these vessels is scheduled for second half 2014 and first half 2015, while the newbuilding cost is estimated in the region of \$52,5per vessel.

In the kamsarmax segment, Oceanbulk of Greece also confirmed ordering two kamsarmax vessels at Japan Marine United for delivery in 2014.

In the **tanker** segment, Croatia's shipyard 3 Maj has signed a letter of intent with the Swedish shipping company Wisby Tankers to build six tankers for the transport of crude and oil products, according to the local business news portal SEEBiz.

In the **afamax** segment, Scorpio Tankers sealed a contract for the construction of two 114,000dwt eco product tankers at Hyundai Samho HI of South Korea for delivery in the third quarter of 2014 at a newbuilding cost of \$49,75mil each. The contract includes fixed price option for the construction of two additional LR2 vessels.

In the **gas tanker** segment, China Shanghai Waigaoqiao Shipyard won an order for the construction of two LPG carriers from Norwegian owner, IM Skaugen, for delivery June and December 2015 at a newbuilding cost of about \$46mil each. The contract includes an option of two more vessels and they will be the first LPG carriers to be built by SWS yard. The vessels will have gas capacity of 17,000cum and will be powered by LNG and carry ethylene. In addition, Brave Maritime is said to have signed a contract for the construction of two 7,200cbm pressurized LPG vessels at Japan's Kyokuyo Shipyard for delivery in the first half of 2014 at a newbuilding cost of \$22mil each.

In the **Ro-Ro** segment, Croatian shipowner Jadrolinija has awarded the construction of its four 616 passenger, 145-vehicle ro-ros to local shipbuilder Uljanik Shipyard with delivery in 2014 at a newbuilding cost of \$42mil each.

In the **offshore** segment, Seadrill has exercised its options on another pair of high specification jack-up drilling rigs at Chinese shipyard Dalian Shipbuilding Industry Offshore with delivery in 3Q15 and 4Q15 at a total cost of about \$230m. The two latest jack-ups will be based on the F&G JU2000E design and have a water-depth capacity 400 feet with a 30,000 feet drilling depth. Fredrik Halvorsen, chief executive officer of Seadrill Management Ltd, said: "The two jack-up newbuilds are ordered in-line with our customers preference for high specification jack-up drilling rigs and a strengthening jack-up drilling market. "We continue to see

solid demand for this asset class with both day rates and contract duration increasing. These two new orders will increase Seadrill's jack-up fleet to 28 units and strengthen our position as the largest operator of modern high specification drilling units."

## DEMOLITION MARKET

In the **demolition** market, the downward revision of scrap price persists in the Indian subcontinent region with India still dominating after the announcement of its budget with no surprises. In Bangladesh, the activity is not fierce with a series of violent actions last week bringing demolition business to almost virtual standstill. In Pakistan, the announcement for a 5% increase in taxes on incoming vessel put a halt on the scrapping appetite, while Chinese shiprecyclers are still one breath behind in its levels offered against its Indian rivals. Benchmark prices now in India are \$400/ldt for dry/general, which is \$15/ldt more than last week, and \$425/ldt for wet cargo, while in China, \$375/ldt for dry/general and \$400/ldt for wet cargo. This week, China reported to have paid \$391/ldt for a bulker M/V "PACIFIC BANGHU" with 5,307ldt built 1982.

The week ended with 14 vessels reported to have been headed to the scrap yards of total deadweight 765,200tons. In terms of the reported number of transactions, the demolition activity has been marked with 26% decline from previous week, showing 75% increase in the bulk carrier segment, but 33%, 75% and 100% decline in the number of vessel disposals in the tanker, liner and container segment respectively. In terms of deadweight sent for scrap, there has been 11% increase with 2 capesize bulkers reported for scrap, 1 aframax tanker and one combined carrier.

At a similar week in 2012, demolition activity was up by 21.4% from the current levels, in terms of the reported number of transactions, 17 vessels had been reported for scrap of total deadweight 660,376 tons with bulk carriers grasping 30% of the total number of vessels sent for disposal. India and Bangladesh had been offering \$450-\$460/ldt for dry and \$480-\$490/ldt for wet cargo.

## GREEK PRESENCE

The first week of March ended with strong presence of Greek owners in the newbuilding market. OceanBulk Maritime is said to have placed an order for two 180,000dwt vessels and Carras Hellas also another two similar vessels at Japan Marine United. In the kamsarmax segment, Oceanbulk of Greece also confirmed ordering two kamsarmax vessels at Japan Marine United for delivery in 2014. In the tanker segment, European Navigation is said to be planning the ordering of a series medium range tankers at STX Offshore & Shipbuilding, with no concrete details. In the gas LPG segment, Brave Maritime is said to have signed a contract for the construction of two 7,200cbm pressurized LPG vessels at Japan's Kyokuyo Shipyard for delivery in the first half of 2014 at a newbuilding cost of \$22mil each.

In the secondhand market, Greek owners appeared to have bought one panamax dry bulker built 2005 and one handymax built 2001 for about \$27,8mil, in the gas tanker segment, one small LPG with 5,018cum gas capacity built 2006 for about \$15mil and in the container segment, two feedermax vessels of about 971TEU built 1998 and 1997 for about \$5,5mil.