

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 5th April 2013 (Week 14, Report No: 14/13)

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The first quarter of the year has now ended and the sentiment remains bleak despite optimistic prospects for healthier rates in 2013 & 2014 period. The ordering spree seen during the first three months of the year combined with the lower demolition volumes than the levels seen during the first quarter of the year threatens the shipping confidence that players hold in the industry for its newbuilding investments. In the secondhand market, S&P activity seems to be higher during the first quarter of the year than the first three months of 2012, with asset prices paving the way for such investments that do not have any direct or indirect effect on the current imbalance between vessel supply and demand.

According to the assessments from the Baltic Exchange, the average purchasing price for 5yrs old vessels at the end of the first quarter of 2013 is lower than last year for bulkers and tankers.

Bulkers:

- **Capesize** (172,000dwt) – Average value 1st quarter 2013: \$29,8mil with vessel earnings \$5,979/day
Average value 1st quarter 2012: \$35mil with vessel earnings \$6,946/day
Average value 1st quarter 2011: \$48,9mil with vessel earnings \$8,391/day
Average value 1st quarter 2010: \$56,5mil with vessel earnings \$34,120/day
- **Panamax** (74,000dwt)– Average value 1st quarter 2013: \$18,5mil with vessel earnings \$7,055/day
Average value 1st quarter 2012: \$24,8mil with vessel earnings \$7,983/day
Average value 1st quarter 2011: \$34,65mil with vessel earnings \$14,639/day
Average value 1st quarter 2010: \$35,8mil with vessel earnings \$29,620/day
- **Supramax** (52,000dwt)– Average value 1st quarter 2013: \$18,2mil with vessel earnings \$8,084/day
Average value 1st quarter 2012: \$23,6mil with vessel earnings \$8,679/day
Average value 1st quarter 2011: \$29mil with vessel earnings \$14,373/day
Average value 1st quarter 2010: \$29mil with vessel earnings \$25,216/day

Tankers:

- **VLCC** (305,000dwt) – Average value 1st quarter 2013: \$54,3mil with 1yr time charter earnings - \$19,500/day
Average value 1st quarter 2012: \$58,4mil with 1yr time charter earnings - \$20,000/day
Average value 1st quarter 2011: \$83,5mil with 1yr time charter earnings - \$30,000/day
Average value 1st quarter 2010: \$78,6mil with 1yr time charter earnings - \$38,000/day
- **Aframax** (105,000dwt) – Average value 1st quarter 2013: \$26,5mil with 1yr time charter earnings - \$13,600/day
Average value 1st quarter 2012: \$32,3mil with 1yr time charter earnings - \$13,700/day
Average value 1st quarter 2011: \$39,5mil with 1yr time charter earnings - \$17,000/day
Average value 1st quarter 2010: \$40mil with 1yr time charter earnings - \$18,500/day
- **MR Product** (45,000dwt) – Average value 1st quarter 2013: \$21,6mil with 1yr time charter earnings - \$13,600/day
Average value 1st quarter 2012: \$25mil with 1yr time charter earnings - \$14,100/day
Average value 1st quarter 2011: \$25,8mil with 1yr time charter earnings - \$13,000/day
Average value 1st quarter 2010: \$24,6mil with 1yr time charter earnings - \$13,200/day



The first week of April ends with silent activity in newbuilding investments from Eastern holidays, quite firm secondhand purchasing activity and lower scrapping volumes, mainly in the tanker segment. In the bulk carrier segment, the scrapping volumes is relevant high, but significantly lower than last yearly levels with India offering less aggressive scrap prices.

Overall, 22 transactions reported worldwide in the secondhand and demolition market, down by 58% week-on-week with 24% decrease in secondhand purchases and 35% lower scrapping volumes. At similar week in 2012, the total S&P activity was standing 55% higher than the current levels, when 34 transactions had been reported and secondhand ship purchasing was 22% lower than the volume of newbuilding orders. This week the highest activity has been recorded in the secondhand market due to strong volume of tanker purchases, while the newbuilding interest centered this week on the ultramax bulk carrier segment.

SECONDHAND MARKET

Tankers grasped this week the lion share of secondhand purchasing activity with 3 S&P deals reported in the aframax segment for vessels of more than 10yrs old built Korea and Japan, 6 S&P deals for MR product newbuilding resales built South Korea and 5 S&P deals in the handysize segment for mainly vessels of less than 10yrs old.

In the bulk carrier segment, S&P deals reported in all sizes from handysizes up to capesizes for modern and vintage tonnage, while in the container segment the week ended with none reported deals.

Overall, 22 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 401 mil. Bulk carriers and tankers held the lion share of this week's S&P activity, 91% share of the total number of vessels reported sold. Comparable with previous year, this week's S&P activity is down by 24% year-on-year, when 18 vessels induced buyers' interest at a total invested capital of about \$149,75mil with 6 S&P deals in the bulk carrier segment, 8 in the tanker, and 3 in the liner. In terms of invested capital, tanker segment appears as the most overweight segments by attracting about 76% of the total amount of money invested with an invested capital of about \$305mil for 14 total vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, activity has eased after excessive ordering spree during the last two weeks of March. In the bulk carrier segment, no activity revealed for more capesize orders, while the first days of April end with firm business for ultramax bulkers. Japanese yards emerge strong this week in the placement of new contracts for bulk carriers of small sizes from foreign and compatriot shipping players. In the tanker segment, the week passed with reported business again in the MR product segment, while in the gas tanker segment, one more order reported in the LNG segment for construction at Japanese yard. In the container segment, business is also quiet after some new business revealed for post panamax container ships during March.

Overall, the week closed with 20 fresh orders reported worldwide at a total deadweight of 1,189,900 tons, posting 62% week-on-week decrease from previous week, with no reported activity in the tanker segment and the same hot volume of contracts for bulk carriers. This week's total newbuilding business is 13% down from similar week's closing in 2012, when 23 fresh orders had been reported, 5 for bulkers, 3 for tankers, 4 for gas tankers, 5 for Ro-Ro and 6 for special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than \$516 mil, 3 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money was invested in the bulk carrier segment with an invested capital of about \$296mil by grasping 57% share of the total invested capital through the placement of 13 new contracts.

In the **bulk carrier** segment, China's Jiangsu Hantong Ship Heavy Industry won a contract for the construction of three firm ultramax bulkers of 64,000dwt from an undisclosed Japanese contractor for delivery in 2015 at a price of region \$24-\$25mil. The contract includes an option for two more vessels. In addition, Golden Ocean, part of John Fredriksen's group of companies, ordered two 60,000dwt bulkers at Japan Marine United for delivery in the first quarter of 2015. The fuel-efficient design by JMU "represents the future design" of supramaxes, said Golden Ocean in its filing. It added: "The board is of the opinion that it has obtained favorable terms, attractive pricing and considers risk/reward as attractive from a historical perspective." Furthermore, Turkish player, GSD Marine, is said to have placed an order for up to two 63,500dwt vessels at Dayang Shipbuilding with delivery in 2014.

In the handysize segment, Taiwanese bulker specialist Shih Wei Navigations aid it ordered two 36,000dwt bulkers for \$22.6M each at Shikoku Dockyard and one 37,000dwt bulker for \$23M at Onomichi Dockyard for delivery from the end of 2014 to the middle of 2015. Shih Wei said the newbuilding orders are to respond to market demand and to replace older ships. In addition, Thailand's Precious Shipping reported to have placed an order for one more cement carrier 20,000dwt, following its previous order placed in December 2012 for two identical vessels. The newbuilding cost is around \$24,2mil for construction at China Shipbuilding Shipbuilding & Offshore International and Shanhaiguan New Shipbuilding Industry Co with delivery in July 2014.

In the kamsarmax segment, Callimanopoulos Group is said to have inked an order for three firm kamsarmax bulkers 82,000dwt at Jiangsu New Yangzijiang Shipbuilding with delivery in 2015-2016 with a newbuilding cost around \$26mil each. The contract includes option for two more vessels.

In the large capesize segment, German carrier Oldendorff is reported to have finalized its newbuilding deal for the construction of up to six newcastlemax vessels with delivery between the end of 2014 and early 2015. The newbuilding cost for each vessel is believed to be more than \$50mil, while the contact begins with the first four firm vessels with option one plus one vessel.

In the **tanker** segment, Greek NYSE-list Navios Maritime Acquisition announced the purchasing of two MR2 Eco type product tanker newbuildings of 51,200dwt each with estimated deliveries in third and fourth quarter of 2014. The purchase price for each vessel is approximately \$31,5mil and contract includes an option of two additional MR2 Eco type product tankers.

In the **gas tanker** segment, Japan's Kawasaki Kisen Kaisha has ordered a 164,700cbm LNG carrier for construction at Kawasaki Heavy Industries for delivery by end-2015 at an undisclosed contract price. The owner has secured a long term charter agreement with compatriot utility company Chubu Electric power that has signed long term long-term agreements to purchase LNG from Chevron's Wheatstone LNG project in Western Australia. Under the agreements, Chevron, Apache Energy and Kuwait Foreign Petroleum Exploration Company will supply Chubu with 1M tonnes per year of LNG for up to 20 years. Wheatstone is expected to start operating in 2015.

In the small LNG segment, CNOOC Energy & Technology Services has placed an order at Jiangnan Shipyard of China for up two 30,000cbm LNG carriers for delivery in 2015 fitted with type-C tanks.

In the **container** segment, Aeolos Management of Greece is said to be finalizing a deal for the construction up to four 9,000TEU boxships at Hyundai HI for delivery at the end of 2014 at about \$80mil each. The order is for two plus two options.

In the **offshore** segment, Norway's Rem Offshore ordered the construction of a VS 485 type platform supply vessel to be built at domestic yard, Kleven Verft for delivery by the end of May 2013. The owner has already secured a charter agreement with a major oil company for two years with options to extend it by three years or nine months. The newbuilding cost has not been revealed but it is believed to be in the region \$60mil.

DEMOLITION MARKET

In the **demolition** market, first quarter of the year ends with lower scrapping volumes than the first three months of 2012 and India being on the frontline at lower scrap price levels than last year. Overall, the demolition activity has recorded 25% year-on-year decline, in terms of vessel disposals, with 23% and 28% decrease in bulk carrier and tanker scrapping volumes, but 50% increase in container vessel disposals. Benchmark scrap prices in Indian subcontinent region are floating around \$50-\$55/ldt less than last year for dry and wet cargo. Chinese market remains soft with a price gap of about \$40-\$50/ldt for dry/wet cargo with the Indian subcontinent region and it is expected to remain at these levels as Chinese yards have excessive inventories from previous tonnage secured at rocket high prices earlier in the year.

Bangladesh market is still out of the game with political crisis and issues with letters of credit affecting seriously its performance with no success in securing new tonnage. Notable demolition transaction emerged again this week from Pakistan ship-recyclers for a very large ore capesize vessel, following last week's deal for a very large crude tanker. Pakistan paid \$448/ldt for M/V "HANGANG ELITE" built 1991 with 25,733ldt. The high price could be explained likely by vessel's excellent condition and conversion from tanker. In China, there were some deals reported this week for bulkers at \$390/ldt, but these appear to be old as these levels are far away from the current benchmark prices of about \$360/ldt.

The week ended with 15 vessels reported to have been headed to the scrap yards of total deadweight 611,274 tons. In terms of the reported number of transactions, the demolition activity has been marked 35% decrease from previous week, showing 29% and 33% weekly increase in the bulk carrier and container segment respectively. In the tanker and liner segment, there has been 100% and 60% weekly decrease in vessel disposals. In terms of deadweight sent for scrap, there has been 41% weekly decrease with one capesize reported for scrap and India with China winning 12 of the 15 total demolition transactions.

At a similar week in 2012, demolition activity was up by 6.6%, in terms of the reported number of transactions, 16 vessels had been reported for scrap of total deadweight 1,065,600 tons with minimal activity in the bulk carrier segment as tanker and containers had

won 50% share of the total demolition transactions. India and Bangladesh had been offering \$450-\$455/ldt for dry and \$485/ldt for wet cargo.

GREEK PRESENCE

NYSE listed-Navios Maritime Acquisition Corporation, an owner and operator of tanker vessels, announced that it agreed to acquire five MR2 product tankers for an aggregate purchase price of approximately \$143.8 million. Two of the vessels are 2007-built MR2 product tankers of about 51,000 dwt each with expected delivery in June 2013. The purchase price for each vessel is approximately \$23.2 million. One of the vessels is a newbuilding MR2 Eco Type product tanker of 50,000 dwt for approximately \$34.3 million with expected delivery in Q3 2013. Two of the vessels are newbuilding MR2 Eco Type product tankers of 51,200 dwt each, with estimated deliveries in Q3 and Q4 2014, respectively. The purchase price for each vessel is approximately \$31.5 million. Navios Acquisition has been granted the option to acquire two additional MR2 Eco Type product tankers. Navios Acquisition is expected to finance the acquisitions with cash on its balance sheet and 60% bank debt consistent with its existing credit facilities.

In the **bulk carrier** segment, Callimanopoulos Group is said to have inked an order for three firm kamsarmax bulkers 82,000dwt at Jiangsu New Yangzijiang Shipbuilding with delivery in 2015-2016 with a newbuilding cost around \$26mil each. The contract includes option for two more vessels. In the **container** segment, Aeolos Management of Greece is said to be finalizing a deal for the construction up to four 9,000TEU boxships at Hyundai HI for delivery at the end of 2014 at about \$80mil each. The order includes option for two more vessels. In the **tanker** segment, rumours suggesting that Kyklades Shipping is close to signing a contract for two aframax tankers at Hyundai HI, South Korea subject to a time charter agreement with Total.

In the secondhand market, Greek players purchased this week one supramax Japanese newbuilding resale and one 12yrs old Japanese built handysize for about \$35,75mil. In the tanker segment, they bought one 10yrs old aframax tanker built Japan and one MR South Korean newbuilding resale for about \$49,3mil.