

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 24th May 2013 (Week 21, Report No: 21/13)

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The third week of May ends with excessive volume of new contracts in the main conventional vessel segments, bulk carriers, tankers and containers against oversupply issues and the recession of freight markets. Greek shipping players monopolized newbuilding news for their solid business placed at Chinese yards. The dynamism of Greek shipowners in the newbuilding arena is supported by Chinese ship lending institutions and underlines that 2013 seems to be a year that comes in close parity with the high levels of newbuildings orders reported by Greek owners during 2010. However, the remarkable rise of newbuilding orders does not outweigh the buying appetite of investors for secondhand vessels. During May, the average number of vessels reported sold surpasses 25 vessels every week, keeping the high pace of May 2012, when 23 vessels had been reported sold on average every week.

In the demolition market, scrapping appetite recorded lower weekly levels, but bulk carriers showed no change by retaining their lion share in the total volume of new orders and India with Pakistan competing hard in securing new business.

At the current week, 48 transactions reported worldwide in the secondhand and demolition market, down by 21% week-on-week with 19% decrease in secondhand purchases and 25% lower scrapping volumes. At similar week in 2012, the total S&P activity was standing 13% higher than the current levels, when 54 transactions had been reported and secondhand ship purchasing was 230% higher than the volume of newbuilding orders. The highest activity has been recording in the newbuilding arena, which is up by 150% from this week's secondhand purchasing activity due to hefty amount of containers and bulk carriers' new orders.

SECONDHAND MARKET

Bulk carriers and tankers have kept for two straight weeks an excessive volume of S&P deals. In the bulk carrier segment, the S&P activity keeps almost unchanged from previous week with activity in modern post panamax-kamsarmax bulkers, panamax vessel of less than 10yrs old, supramax 5-10yrs old and handymax-handysize bulkers of more than 10yrs old. In the tanker segment, one S&P deal reported in the LR1 panamax product segment for a two years old vessel, 4 S&P deals in the MR segment of about 45,000dwt for vessels of more than 10yrs old and 3 S&P deals for less than 20,000dwt tankers, one modern and one more than 10yrs old. In the container segment, only one S&P deal reported for a handy boxship of 1,730 TEU built 1997.

Overall, 30 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 287.1 mil, while 7 deals reported on private terms. Bulk carriers and tankers are holding the lion share by grasping 76% share of this week's S&P activity against 17% share from containers and liners. Comparable with previous year, this week's S&P activity is 9% lower than last year, when 33 vessels induced buyers' interest at a total invested capital of about \$502,25mil with 12 S&P deals in the bulk carrier segment, 4 in the tanker, 2 in the liner, 10 in the container and 5 for special projects. In terms of invested capital, bulk carrier segment appears as the most overweight segment by attracting about 66% of the total amount of money invested with an invested capital of about more than \$190.3mil for 15 total vessel purchases. Tankers follow with an invested capital of more than \$81mil for 8 total vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, excessive orders with ample volume of new contracts reported in the main conventional vessel segments that surpasses even the levels of new orders in the offshore segment. The third week of May is being marked with a record newbuilding business that resembles memories of 2007 for a second time since the week ending April 26th, when 83 newbuilding orders were reported.



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Chinese yards have sealed a significant amount of business with Greek shipowners supporting China's shipbuilding nation after the new era of cooperation between China and Greek government. Bulk carriers are holding for one week more a large share of the total volume of new orders reported and appeared to be in the frontline along with special projects. In the tanker segment, newbuilding contracts reported this week come mainly from Greek shipping players. MR product vessels are holding the lion share of contracting business with South Korean yards losing business from Chinese. The support of ship financing from Chinese primary lenders to foreign investors appears to be the competitive advantage of Chinese shipbuilders against its rivals. In the container segment, post panamax ordering spree keeps with China's Jinhai Heavy Industries sealing this week a contract worth \$2.4bn for the construction of 10 super-eco 8,800 TEU boxships

Overall, the week closed with 75 fresh orders reported worldwide at a total deadweight of 5,842,534 tons, posting 168% week-on-week increase from previous week, with bulk carriers holding 31% share of the total volume of new orders, tankers 16%, containers 27% and special projects 21%. This week's total newbuilding business is 650% up from similar week's closing in 2012, when 10 fresh orders had been reported, 8 for bulkers and 2 for car carriers. In terms of invested capital, the total amount of money invested is estimated in region of more than \$3.6 bn with 41 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money is invested in the container segment with 20 new orders, up by 1900% week-on-week, for an invested capital of more than \$2.6bn. In the bulk carrier segment, the volume of new orders showed a 1400% weekly increase with 23 new orders at a total value of more than \$676mil. In the tanker segment, more than \$147mil is invested for 12 new contracts, showing a 1000% weekly increase from the volume of orders reported last week.

In the **bulk carrier** segment, Diana Shipping of Greece ordered two newcastlemax bulkers of 208,500dwt at Jiangnan Changxing of China for about \$48.7mil each with delivery in 2016. In the capesize, commodities' trading house Cargill is inked in a newbuilding deal for three 180,000dwt bulkers in partnership with an undisclosed third party at Shanghai Waigaoqiao Shipyard for a total value of around \$142.5mil.

In the panamax segment, Safety Management Overseas of Greece sealed an order for two 77,000dwt vessels at undisclosed Japanese yard for about \$28mil each with delivery in 2014-2015.

In the ultramax segment, Germany's Oldendorff Carriers placed two 61,000dwt bulkers at Japan Marine United for about \$27mil, which seems to be an old deal. Laskaridis Shipping of Greece ordered four 64,000dwt bulkers at China's Penglai Zhongbai Jinglu for about \$24.5mil each, with an option of two more, for delivery in 2016. Laskaridis Shipping also placed an order for two kamsarmax bulkers of 82,000dwt at the same yard for about \$27mil each with delivery in 2016, with an option for two more. In the handysize segment, South Korean HI Investment Securities ordered two 36,767dwt vessels at Hyundai Vinashin for an undisclosed contract price with delivery in 2014.

In the **tanker** segment, Angelicoussis of Greece has placed an order for three very large crude carriers of 319,000dwt at China's SWS with undisclosed details for the newbuilding cost and delivery dates.

In the aframax segment, Kyklades Maritime of Greece ordered two 99,999dwt product carriers at Hyundai HI of South Korea for delivery in 2014-2015, which is rumoured to be subject to time charter agreement with Total. In addition, Flagship Marine Ventures, a joint venture between Marine Management of Greece and Perella Weinberg Partners SA have signed a contract for two 115,000dwt vessels at South Korea's Daewoo Shipbuilding, with an option of two more, for delivery in 2015.

In the MR segment, Capital Ship Management of Greece has signed a letter of intent for the construction of two 52,000dwt product carriers at China's Samsung Ningbo for about \$32mil each with delivery in 2015, with an option of two more. In addition, Capital Ship Management ordered two more identical vessels of 52,000dwt at Guangzhou Shipyard with delivery in 2015.

In the **gas tanker** segment, JIANGNAN Shipyard (Group) has won an order from compatriot CNOOC to build one 30,000 cu m LNG tanker, with option for another one for delivery in 2015 at a price of \$81.5mil that will be deployed only on China's coastal routes. In addition, Oslo listed IM Skaugen is said to be in talks with China's Shanghai Waigoqiao Shipbuilding for six 12,000cbm ethylene LNG vessels for about \$45mil each, but the deal is said to be subject to financing.

In the small **LPG segment**, Epic Shipping Pte Ltd of Singapore ordered one 5,000cbm LPG carrier at Muarakami Hide of Japan for about \$17.5mil with delivery in 2014, under a long term charter agreement with Georgas of Switzerland.

In the **container** segment, Norway's SinOceanic Shipping said it has agreed to a contract worth \$2.4Bn with China's Jinhai HI for the construction of 10 super-eco boxships of 8,800 TEU for delivery from mid-2015. One more Norwegian player, Ship Finance

International has signed an order for four 8,800 TEU boxships at South Korea's Sungdong Shipbuilding and Marine Engineering for delivery in fourth quarter of 2014. In addition, undisclosed African owner is said to have sealed a deal with Korea's Daewoo Shipbuilding and Marine Engineering for the construction of about four 9,500 TEU boxships for about \$336mil with delivery in 2015.

In the large panamax segment, Paragon Shipping of Greece is reportedly to have placed an order for two 4,800 TEU boxships at Zhejiang Ouhua for delivery in 2014. In the sub-panamax segment, Cape Shipping exercised an option from an order placed in August 2012 for two more 2,200 TEU boxships at Guangzhou Wenchong for delivery in October 2015 and January 2016 for about \$26mil each.

In the **passenger** segment, Canada's newly reactivated Davie Shipyard has signed a C\$125M (\$123M) order for two dual fuel LNG ro-pax ferries with Saint Lawrence River ferry operator Société des Traversiers du Québec (STQ). The two vessels, which are scheduled for delivery in the third quarter of 2015, will be operated on the Tadoussac-Baie-Sainte-Catherine route on the Saint Lawrence. Powered by Wärtsilä engines, they will have over 625 lane metres on two decks, allowing them to carry 115 cars or 10 heavy goods vehicles.

In the **Ro-Ro** segment, Shanghai listed Bohai Ferry is planning to order two ro-ros for 380M yuan (\$61M) each, according to a stock filing. The vessels will have the capacity for 2,300 passengers and 2,500m in long lanes for vehicles. Bohai Ferry said it would finance 65% of the newbuilding costs with bank loans without identifying the shipbuilder for the order.

In the **offshore** segment, 8 new contracts came to light for the construction of anchor handling tug supply vessels, 7 at Chinese yards and one in South Korea, 5 for platform supply vessels from Asian buyers at Malaysia's Nam Cheong Dockyard and one jack up drilling rig from an undisclosed buyer at China's Shanghai Zhenhua Heavy Industries.

DEMOLITION MARKET

In the **demolition** market, Pakistan and India are competing hard in the Indian subcontinent region for securing new tonnage, while in Bangladesh, ship-breaking activity remains subdued. The upcoming budget on June 6th and the monsoon season may push further downwards the pricing levels offered by Chittagong shipbreakers. In China, benchmark scrap prices are still hovering behind of those offered in Indian subcontinent region will lull activity. Benchmark prices now in India-Pakistan region are \$405-\$410/ldt for dry compared with \$350/ldt in China and \$430-\$435/ldt for wet cargo and \$360/ldt in China.

Notable demolition transactions of this week reported in India for a container vessel M/V "MAERSK MERLION" built 1990 Japan with 22,322ldt for \$457/ldt and Pakistan for a handysize bulk carrier M/V "TURKUAZ 8" built 1985 Japan with 7,651ldt for \$430/ldt. In Bangladesh, handysize bulker M/V "SEA PILOT" built 1984 Japan with 7,651ldt fetched \$414/ldt.

The week ended with 18 vessels reported to have been headed to the scrap yards of total deadweight 673,482 tons. In terms of the reported number of transactions, the demolition activity has been marked with 25% decrease from previous week, showing 60% and 25% weekly decrease in the tanker and liner vessel disposals respectively and 50% weekly increase in the container segment. Bulk carriers showed no change from last week's volume of disposals by capturing the lion share of this week's total demolition activity, 31% share. In terms of deadweight sent for scrap, there has been **51% weekly decrease due to subdued activity** in the disposal of large sized vessel categories, only one very large crude carrier.

At a similar week in 2012, demolition activity was up by 16.6%, in terms of the reported number of transactions, when 21 vessels had been reported for scrap of total deadweight 924,997 tons with bulk carriers winning 43% share of the total demolition transactions. India and Bangladesh had been offering \$410-\$435/ldt for dry and \$440-\$455/ldt for wet cargo.

GREEK PRESENCE

Record newbuilding business of Greek owners for bulker and tankers at South Korean and Chinese yards with a presence also in the container segment.

Bulkers: Diana Shipping of Greece ordered two newcastlemax bulkers of 208,500dwt at Jiangnan Changxing of China for about \$48,7mil each with delivery in 2016. In the **panamax** segment, Safety Management Overseas of Greece sealed an order for two 77,000dwt vessels at undisclosed Japanese yard for about \$28mil each with delivery in 2014-2015. In the **ultramax** segment, Laskaridis Shipping ordered four 64,000dwt bulkers at China's Penglai Zhongbai Jinglu for about \$24,5mil each, with an option of

two more, for delivery in 2016. Laskaridis Shipping also placed an order for two **kamsarmax** bulkers of 82,000dwt at the same yard for about \$27mil each with delivery in 2016, with an option for two more.

Tankers: Angelicoussis of Greece has placed an order for three **very large crude carriers** of 319,000dwt at China's SWS with undisclosed details for the newbuilding cost and delivery dates. In the **afamax** segment, Kyklades Maritime of Greece ordered two 99,999dwt product carriers at Hyundai HI of South Korea for delivery in 2014-2015, which is rumoured to be subject to time charter agreement with Total. In addition, Flagship Marine Ventures, a joint venture between Marine Management of Greece and Perella Weinberg Partners SA have signed a contract for two 115,000dwt vessels at South Korea's Daewoo Shipbuilding, with an option of two more, for delivery in 2015. In the **MR segment**, Capital Ship Management of Greece has signed a letter of intent for the construction of two 52,000dwt product carriers at China's Samsung Ningbo for about \$32mil each with delivery in 2015, with an option of two more. In addition, Capital Ship Management ordered two more identical vessels of 52,000dwt at Guangzhou Shipyard with delivery in 2015.

Containers: In the **sub-panamax** segment, Cape Shipping exercised an option from an order placed in August 2012 for two more 2,200 TEU boxships at Guangzhou Wenchong for delivery in October 2015 and January 2016 for about \$26mil each. In the **large panamax** segment, Paragon Shipping of Greece is reportedly to have placed an order for two 4,800 TEU boxships at Zhejiang Ouhua for delivery in 2014. In the **post panamax** segment, Container Carriers Corp, Marinakis controlled Capital Ship-management, has signed a letter of intent for the construction of two 8,600 TEU boxships, with an option for two more, at Daewoo Mangalia of Romania for delivery in 2015 at a newbuilding cost of about \$80mil each vessel.

In the **secondhand market**, Greek presence appeared the same strong as last week with focus mainly on bulkers and only two vessel purchases in the tanker segment. They have bought 8 vessel purchases for an invested capital of more than \$129,4mil. In the bulk carrier segment, they bought 6 vessels, one postpanamax built 2009 China for \$21mil, one kamsarmax built 2013 China for \$26mil, two panamaxes built 2006 Japan for \$20,4mil and \$19,2mil, one panamax built 2001 Japan for \$12,5mil, one panamax built 2005 Japan for \$17,7mil and one supramax built 2002 Japan for \$14mil. In the tanker segment, they bought one panamax product built 2011 South Korea for an undisclosed price and one MR 46,874dwt built 2004 Japan for \$16,3mil.