

## SECONDHAND – DEMOLITION -NEWBUILDING COMMENTARY, AUGUST 2013

August 2013 ends with an upward momentum in secondhand and newbuilding investors' appetite, while demolition activity follows a downward incline from previous year with lower vessel removals for bulkers and tankers and almost stable volume of disposals in the container segment.

**Secondhand Vessel Purchases:** 123 vessels for an invested capital of more than \$1,9bn, 33 S&P deals reported at an undisclosed sale price. (**August 2012:** 91 vessels)

**Newbuilding Orders:** 179 vessels for an invested capital of more than \$9,2bn, 51 S&P deals reported at undisclosed contact price. (**August 2012:** 96 new orders)

**Demolition:** 48 vessels for disposal of about 2,4mil dwt. (**August 2012:** 102 vessels)

The newbuilding activity is 41% up from the number of vessels changed hands during August as the appealing bottom low newbuilding prices and the new eco designs trigger investors' desire for newbuilt vessels. The threat of oversupply seems to be ignored by shipping players that hold optimistic expectations for a full upturn of the market after the end of 2014.

The declining trend in scrapping activity combined with the accelerated newbuilding business during 2013 create additional negative pressure in the current vessel supply-demand imbalance and narrows hopes for a full early recovery. Demolition activity stood at 73% lower levels than the strong placement of newbuilding orders during August, with bulk carriers, tankers and containers experiencing higher volume of newbuilding activity than last year's levels.

Compared with **August 2012** levels, S&P and Newbuilding activity recorded 35% and 86% yearly increases respectively, for all vessel types, while demolition activity showed 53% year-on-year decrease.

Bulk carriers and tankers remain in the main focus for investors either for buying secondhand vessels or ordering newbuilt vessels. In the bulk carrier segment, the S&P activity for secondhand vessels is lower than investors' appetite for ordering due to strong placement of new orders for handy, ultramax and capesize vessel sizes. In the tanker segment, strong secondhand purchasing activity for small vessel sizes of less than 10,000dwt and MR products sustained a firm pace of investments and led the number of vessel purchases for secondhand tankers to surpass the number of new orders – 56 vessel purchases / 49 new orders. Despite oversupply issues, demand for the placement of new orders for large vessel sizes either in the bulk carrier or tanker segment represent excessive volume for August 2012 levels.

In the bulk carrier segment, 9 new orders reported in the capesize sector from only 1 new order in August 2012. In the tanker segment, 9 new orders reported in the VLCC segment from 2 in August 2012 and 10 for aframax vessels from zero reported business at similar month last year.

In the container segment, the secondhand buying activity seems to follow the low pace of last year, while the repeated preference for the construction of post panamax containers led to new highs in the placement of new orders for containers (8 new orders reported for boxships of more than 10,000TEU from zero reported newbuilding business at similar month last year).

### Bulk Carriers:

- **Newbuilding:** 49% year-on-year increase, in the number of new orders (52 new orders – 35 new orders August 2012)
- **Secondhand:** 38% year-on-year increase, in the number of secondhand vessel purchases (36 vessel purchases – 26 vessel purchases August 2012)
- **Demolition:** 61% year-on-year decrease in the number of demolitions (16 vessel demolitions – 41 vessel demolitions August 2012)



**Tankers:**

- **Newbuilding:** 449% year-on-year increase, in the number of new orders (49 new orders – 9 new orders August 2012)
- **Secondhand:** 115% year-on-year increase, in the number of secondhand vessel purchases (56 vessel purchases – 26 vessel purchases August 2012)
- **Demolition:** 42% year-on-year decrease in the number of demolitions ( 7 vessel demolitions – 12 vessel demolitions August 2012)

**Containers:**

- **Newbuilding:** 160% year-on-year increase, in the number of new orders (13 new orders – 5 new orders August 2012)
- **Secondhand:** 6% year-on-year decrease, in the number of secondhand vessel purchases (15 vessel purchases – 16 vessel purchases August 2012)
- **Demolition:** 9% year-on-year decrease in the number of demolitions ( 10 vessel demolitions – 11 vessel demolitions August 2012)



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