GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 9th September 2011 (Week 36, Report No: 36/11)

(Given in good faith but without guarantee)

The week ended with more firm activity in the secondhand market, a hot renewed newbuidling business and high volume of demolition transactions. What is noteworthy is that the scrapping momentum surpasses the volume of secondhand transactions with more willing owners to dispose their vintage tonnage under the current market fundamentals and renew their fleet with modern secondhand units at lower sale price levels.

Overall, the newbuilding business is up by 312.5% in comparison with the buying momentum in the secondhand market, while the demolition activity is standing 44% higher than the volume of secondhand purchasing activity. It seems that the high scrapping momentum will continue to grow as scrap prices keep their firmness and freight market conditions appear to support the scrapping decisions of the owners till the end of the year. The week closed with 39 transactions reported worldwide in the secondhand and demolition market, posting a 4.9% decline from a similar week in 2010 when 41 transactions had been reported and secondhand ship purchasing activity was 19.4% lower than the ordering business. The highest activity has been recorded for one week more in the newbuilding market with 66 fresh orders reported worldwide.

SECONDHAND MARKET

The week ended with firmer activity in the purchase of liner units that boosted the secondhand ship purchasing activity at higher levels than last week's volume, while the buying momentum in the bulk carrier and tanker segment seems to follow a steady pace of growth. Liners hold 37.5% of this week's total volume of reported secondhand transactions versus 25% each of bulkers and tankers.

Overall, 16 vessels reported to have changed hands this week at a total invested capital in the region of US$ 205 million, with two transactions reported at an undisclosed sale price . In terms of the reported number of transactions, the S&P activity is up by 78% from last week's activity and down by 36% comparable with previous year's weekly S&P activity when 25 vessels induced buyers' interest with bulk carriers and tankers grasping 72% share and containers 20% share of the total volume of S&P activity. In terms of invested capital, bulk carriers and liner attracted this week almost equally invested capital, around 34% of the total amount of money invested, due to an enbloc sale of three liner units of only 2years old of about 17,000 dwt at a total sale price of region $65 mil.

In the dry market, notable deal of the week is the sale of a panamax resale M/V "CONTI SPINELL" of 75,200dwt built 2011 China at $30,3 mil, whereas at the beginning of May a similar panamax vessel but an older one of 73,593dwt built 2007 China was reported sold for $30mil. In the wet market, a bank forced sale has been witnessed this week for a suezmax vessel M/T "Hellespont Trust" of 147,262dwt built 1999 South Korea for $24,45 mil, while at the beginning of 2009 sister vessel"NORDIC SPRITE" of 147,188dwt built 1999 South Korea had been reported sold for $56,7mil.

NEWBUILDING MARKET

After silent newbuilding activity of the last three weeks, we witness again a boost of business by Chinese and Korean yards with high activity in the offshore segment and a burst of activity in the bulk carrier segment, up 190 %w-o-w with contracting business in all vessel sizes. Japanese yards performance is still weak as the strength of the yen against the US dollar damages Japanese newbuilding business even for domestic orders. Overall, the week closed with 66 fresh orders reported worldwide at a total deadweight of 2,425,199 tons, posting a 200% week-on-week increase. This week's total newbuilding business is up by 113.% from similar week's closing in 2010, when 31 fresh orders had been reported with bulk carriers and containers being the protagonists by grasping 32% and 38% share respectively of the total ordering activity. In terms of invested capital, the offshore segment appears to be the most overweight due a hefty investment by Noble Corporation of Switzerland by exercising its final option for the construction of a fourth ultra deepwater drill ship in South Korean Shipyard Hyundai HI for delivery in 2h 2014 at a price believed to be $630 mil. In terms of volume of transactions, bulk carriers and offshore hold this week's lion share of activity by grasping 44% and 30% respectively of the total newbuilding business.

In the bulk carrier segment, Chinese yards have made their presence strong with firm contracting activity for handysize and larger size units. The week closed with 29 bulk carriers reported worldwide with China grasping 58.6% share of the activity. However, some Japanese owners honored their domestic yards this week by contracting 10 units in total for panamax, supramax, handysize vessels and even some activity was recorded in the capesize segment.

In the tanker segment, eager activity has been witnessed in the MR segment amid oversupply issues and distressed freight market conditions. Notable order of this week is the 10units contract for vessels of 52,000dwt placed in South Korean yard, SPP Shipbuilding, for delivery in 2013 and 2014.

In the gas tanker segment, BW is said to be in talks with Hyundai Heavy Industries for its first LNG newbuilding order of two units after several years, while Greek shipowner Thenamaris has extended its LNG order placed in July for two 160,000 cu.m units in Samsung H.I. by adding one more unit for delivery in 2014.

In the container market, the post panamax ordering spree has eased off from August as uncertainty shadows the outlook of the market from European and U.S. sovereign debt. This week some business has been witnessed in the handy-small segment by SITC International Holdings of China that exercised an option to build two containerships of 1,100 TEU each with China's Yangfan yard for delivery in August 2012 valued at a total of $36,2 mil. In addition, French line CMA CGM Group is said to be in discussions with South Korean Hyundai's Mipo Dockyard for three more container-roro units with nominal capacity of 1,700 TEU extending its series order to nine units with delivery in 2014 at an undisclosed contract price. In the post panamax segment there are some rumors circulating that a Chinese yard, Penglai Zhongbai Jinglu Ship Industry, is in close negotiations with a European owner for the order of five 10,000 TEU units. Moreover, Greek owner Eurobulk is said to be in discussions with a South Korean yard, Ulsan based Hyundai, for five 5,000 TEUs units for delivery in 2013, at a total estimated price of $300 mil.

In the offshore segment, the activity is 150% up from last week's levels with 20new units reported worldwide. AHTS, platform supply vessels and drilliships are on the frontline as popular newbuilding investments with positive prospects for more intense activity for the rest of the year. Notable order of the segment has been the placement of three platform supply vessels by GulfMark Offshore of the U.S. in Poland's yard Remontowa Shipbuilding at the contract price $112mil enbloc. Chief executive officer of the company said that they are excited about the initiation of their new construction program as recent oil/gas finds in the North Sea, a drilling focus on frontier areas and the announcement of more than 60 new offshore drilling rigs give them the confidence to initiate the construction of newbuilding vessels designated for this developing market. In addition, Noble Corporation of Switzerland exercised its option in Hyundai Heavy Industries for the construction of its fourth ultra deepwater drill ship at a price of $630 mil. Chief executive officer of Noble stated that they continue to see an increase in deepwater demand, both near and longer term. This view is bolstered not only by geological successes in the traditional regions offshore the U.S. Gulf of Mexico and Brazil, but also by emerging regions offshore West Africa, Indonesia, Black Sea, India and Eastern Africa.

DEMOLITION MARKET

In the demolition market, the scrapping momentum is being monopolized by bulk carriers with owners willing enough to send their vintage units for disposal at the best levels offered by scrap buyers in the Indian subcontinent region. With the monsoon season and Ramadan Holidays to have ended, the scrapping momentum is estimated to continue firm supported by solid scrap levels with India and Bangladesh now paying $500-$505/ldt for dry/general cargo and $525/ldt for wet cargo.

The week ended with 23 vessels reported to have been headed to the scrap yards of total deadweight 756,187 tons. In terms of the reported number of transactions, the demolition activity has been marked with an increase of 15% from previous week's high levels, while there has been a 9.2% increase in terms of the total deadweight sent for scrap. In terms of scrap rates, the highest scrap rate has been achieved this week in the tanker segment for a handysize unit of 33,115dwt built 1994 with a lightweight of region 10,830tons that has been sent for beaching in India at $615/ldt including 140t/150t stainless steel. Bulk carriers continue to be the most popular scrap candidates grasping 48% and liners follow with a 30.5% share, whereas scrapping activity in the tanker segment remains limited with only 2 units reported for scrap. India is on the frontline digesting every week the largest volume of demolition transactions, this week won the 52% share of the scrapping business. At a similar week in 2010, demolition activity was standing at 30.4% lower levels, in terms of the reported number of transactions, when 16 vessels had been reported for scrap of total deadweight 462,284 tons with tankers holding 37.5% of the total volume of activity and bulk carriers only 18.8%. India and Pakistan were offering $390 -$395/ldt for dry/general cargo and $430 wet cargo, while Bangladesh market was inactive.

GREEK PRESENCE

Greek owners are again absent from the secondhand market, while they continue their newbuilding investments in Chinese and Korean shipyards. In the bulk carrier segment, Navarone placed an order for two handysize units of 33,000dwt in Chinese yard Yangfan Group for delivery in the end of 2012 at an undisclosed contract price. The vessels are likely to be chartered to CANFORNAV, Canada for Great Lakes trade. Eurobulk is said to be in discussions with a South Korean yard, Ulsan based Hyundai, for five 5,000 TEUs units for delivery in 2013, at a total estimated price of $300 mil. In the gas tanker segment, Thenamaris has extended its LNG order placed in July for two 160,000 cu.m units in Samsung H.I. by adding one more unit for delivery in 2014 at a price region $200 mil.