GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 23rd September 2011 (Week 38, Report No: 38/11)
(Given in good faith but without guarantee)

The week ended with firm levels of activity in all markets with the newbuilding momentum being once more the stronger and the volume of demolition transactions being in close parity with the secondhand ship purchasing activity.

Overall, the newbuilding business is up by 127% in comparison with the buying momentum in the secondhand market, while the demolition activity is standing at 13.6% lower levels than the volume of secondhand purchasing activity. The week closed with 41 transactions reported worldwide in the secondhand and demolition market, posting a 5.1% increase from a similar week in 2010 when 39 transactions had been reported and secondhand ship purchasing activity was 6.2% lower than the ordering business. The highest activity has been recorded in the newbuilding market with 50 fresh orders reported worldwide.

SECONDHAND MARKET

The positive outlook of the dry market from the end of August seems to have pushed the secondhand ship purchasing activity upwards, whereas there are investors who are still anticipating further drop in asset prices. Handysize and supramax dry units seem to resist more to a downward correction of asset prices comparable with the larger dry units, capesizes and panamaxes. In the container market, the downfall of the charter market has started to motivate the downward revision of asset prices with quite intense activity witnessed during the last days, with 7 units reported to have changed hands this week. It will be seen if this trend will follow and urges more investors in the secondhand market. The week ended with firm activity in the bulkcarrier, liner and container segments, boosting the secondhand ship purchasing activity at higher levels than last week’s volume. Bulkcarriers hold 27.2 % of this week’s total volume of reported secondhand transactions while containers 31.8% and liners 23%.

Overall, 26 vessels reported to have changed hands this week at a total invested capital in the region of US$ 432.35 million, one transaction reported at an undisclosed sale price and three transactions reported at EURO sale price. In terms of the reported number of transactions, the S&P activity is up by 37.5% from last week’s activity and down by 31.2% comparable with previous year’s weekly S&P activity when 32 vessels induced buyers’ interest with bulk carriers and tankers grasping 68.7% share of the total volume of S&P activity. In terms of invested capital, containers attracted most of the invested capital, 58.7% of the total amount invested with bulk carriers to follow grasping 26.6%.

NEWBUILDING MARKET

The week ended with fairly active business for newbuiding units with LNG, offshore and container segments being still the most potential sectors for more new contracting activity due to the oversupplied dry and wet sector. Japanese owners are still not favoring their domestic shipbuilding industry due to strong yen appreciation seeking orders in Chinese yards due to cheaper cost. Overall, the week closed with 50 fresh orders reported worldwide at a total deadweight of 1,994,026 tons, posting a 284% week-on-week increase. This week’s total newbuilding business is up by 47% from similar week’s closing in 2010, when 34 fresh orders had been reported with bulk carriers and tankers being the protagonists by grasping 61.7% and 35.2% share respectively of the total ordering activity. In terms of invested capital, the LNG and container segment appear the most overweight of this week with containers holding the lion share of this week’s ordering activity, 30% of the total volume of orders reported.

In the **bulk carrier** segment, the supramax size seems the most popular newbuilding investment under the current market fundamental as it appears to be the size with the less freight market volatility since the beginning of the year in contrast with the oversupplied capesize and panamax segment. Notable order has been the 4 supramax units deal of 58,000dwt placed by Japanese owners, Mitsubishi Corp, Kumiai Senpaku, in Nantong Cosco Chinese yard instead of supporting their fragile domestic shipbuilding industry. Furthermore, Japanese shipowner Daiichi Chuo Kisen Kaisha is said to have ordered a trio of 97,000dwt units, in new design by IHI Marine United of Japan for delivery in June 2013 and January 2014. The vessels are being built to transport coal for Tokyo Electric Power Co.

In the **tanker** segment, the MR/chemical segment appears to be the most tempting for contracting activity. The ordering business in the crude segment remains subdued since the beginning of the year with limited hopes for a firmer rebound as we move towards the end of the year. In the small tanker segment, under 10,000dwt, 4 fresh orders revealed this week placed in Chinese yards as the only sign of tanker newbuilding business.

In the **gas tanker** segment, South Korea's Hyundai Heavy Industries is said to have won a $400 mil deal to build two LNG carriers for BW Maritime Pte Ltd, part of Singapore's BW Group for delivery one of the two vessels in the second half of 2014 and the other in the first half of 2015, with an option for two additional units. Furthermore, Swedish shipowner Stena Bulk is discussing a possible four LNG order with two South Korean yards. Industry sources indicate that the Swedish owner is aiming two LNG units of 174,000 cbm with Daewoo Shipbuilding and Marine Engineering and two units of 160,000 cbm with Samsung Heavy Industries with deliveries from 2014 onward.

In the **container** market, Pacific International of Spore has placed an order for two large panamax units of 6,600 teu in Dalian New Shipyard of China for delivery in 2013. The contracting activity for large panamax and post panamax units persists irrelevant with liner operators being aware of the overcapacity issues on the Asia – Europe route and the sovereign risk in the European and USA economies. Containership owner Seaspan is said to be in discussions with South Korean shipyards about 18,000 TEU units. Company's chief executive officer Gerry Wang has revealed that they will be soon in a position to place orders for a new generation of super sized boxships on behalf of long term charterers. The designs will be simpler than those Maersk is building at a price around $180 mil. Orders will be placed in South Korea as Seaspan is not confident that Chinese yards are ready to build this class of ships. Furthemore, Greek owner Technomar extended its newbuilding order of July for two 6,700 TEU units in Hyundai Samho of South Korea with two more similar units at an undisclosed contract price for delivery in March and April 2013.

In the sub-panamax segment, STX Group announced that its STX Dalian Shipbuilding has secured an order to build 2,000 TEU containerships for Sea Consortium (Seacon) at a total cost of $240 mil with first delivery in April 2013. In the small feeder sector, South Korean shipyard Daesun Shipbuilding has announced that it has won a new order from a compatriot leasing company for a 1,000 TEU capacity vessel at a price of $19,8 mil to be long term chartered to Korea Marine Transport Co.

In the **passenger / cruise** sector, Compagnie du Ponant, part of the French containership giant CMA CGM, has ordered a 264 passenger vessel in Italian yard Fincantieri for delivery in June 2013 at an estimated cost of EUR 100mil ($137mil). In addition, STX Finland is rumored to be in discussions with German cruise vessel operator TUI for a 98,000gt ship worth around EUR 390mil ($601,38mil) for delivery in 2014 from STX's Finland Turku shipbuilding facility, an option for a second vessel is also being discussed.

In the demolition market, the scrapping momentum insists at solid levels driven this week firm activity in the tanker and liner segment and fairly active levels for bulk carrier vessels. Four VLCC units were finally headed to the scrap yards and there are hopes for firmer volume of transactions in the crude carriers segment as a remedy to oversupply growth. India is still the dominant force of the Indian subcontinent region with uncertainty surrounded the Bangladesh market for the granting of new extension. Scrap prices keep their high momentum with India paying $515/ldt for dry/general cargo and $540/ldt for wet cargo, while Pakistan seems to have won some tanker scrapping activity this week. China expects more units to be sent for disposal in their yards on the occasion Bangladesh will not be certified with one more extension on early October.

The week ended with19 vessels reported to have been headed to the scrap yards of total deadweight 1,679,039tons. In terms of the reported number of transactions, the demolition activity is down by 17.3% from last week's levels, while there has been a 58% increase in terms of the total deadweight sent for scrap due to the strong number of VLCC disposals. In terms of scrap rates, the highest scrap rate has been achieved this week in the tanker segment for an aframax unit of 98,624 dwt vessel built 1990 with a lightweight of region 16,125tons that has been sent for beaching in Pakistan at $546/ldt. In terms of volume of transactions, tankers won the leading position that bulk carriers have kept for many weeks now by holding 42.1% of this week's scrapping activity. India has won 36.8% of the scrapping business. At a similar week in 2010, demolition activity was standing at 63% lower levels, in terms of the reported number of transactions, when 7 vessels had been reported for scrap of total deadweight 218,513 tons with tankers holding 57% of the total volume of activity. India and Pakistan were offering $400 -$425/ldt for dry/general cargo and $440-$455/ldt for wet cargo, while Bangladesh market was inactive.

GREEK PRESENCE

Greek owners have invested this week $106 mil in the secondhand market with the purchase of a dry handysize vessel 12years old, and two modern container units of small and large size including a time charter agreement. In the newbuilding market, Technomar has extended its large panamax order placed in July by adding two more units at an undisclosed contract price, whereas in the bulk carrier segment Harbor Shipping has placed a supramax order at Cosco Guangdong yard of China at a price of $28 mil.