GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 11th November 2011 (Week 45, Report No: 45/11)
(Given in good faith but without guarantee)

The week ended with record lows volume of demolition transactions from the beginning of the year, very silent newbuilding activity and some firm secondhand purchases. The economic and political uncertainties that influence significantly the shipping finance scene seems that have not refrain investors' appetite for strong buying plans in the secondhand market. The highest activity has been recorded in the secondhand market with 17 S&P transactions reported worldwide. The worrying issue remains the significantly lower scrapping business that the shipping industry experiences every week with bulk carriers loosing their lion share and tankers demolition activity standing at virtual standstill.

The week closed with 20 transactions reported worldwide in the secondhand and demolition market, down by 33.3% from previous week and 51.4% from a similar week in 2010, when 35 transactions had been reported and secondhand ship purchasing activity was 42% lower than the ordering business.

SECONDHAND MARKET

The secondhand buying momentum has shown strong investors' interest in the bulk carriers segment with tankers and liners to follow, while the S&P activity in the container sector continues to be almost zero with newbuilding mega boxship units attracting shipping players' focus. Bulk carriers and tankers with liners are holding 58.8%, 35.2% respectively of this week's total volume of S&P activity with MR tanker units and dry vessels of all sizes being on the spotlight. Notable deal of the weak has been in the wet market, the sale of an aframax tanker M/T "SALI" of about 110,000 dwt built 1994 Croatia at a price region of $11 mil.

Overall, 17 vessels reported to have changed hands this week at a total invested capital in the region of US$ 101,53 mil, two transactions reported at an undisclosed sale price. In terms of the reported number of transactions, the S&P activity is down by 10.5% from last week's activity, and down by 22.7% comparable with previous year's weekly S&P activity when 22 vessels induced buyers' interest with bulk carriers and tankers grasping 27% and 41% share respectively of the total volume of S&P activity. In terms of invested capital, bulk carriers appear as the most overweight segment by attracting about 62.2% of the total amount of money invested.

NEWBUILDING MARKET

The week has been highlighted by very silent newbuilding activity with dry bulk carriers being again in the frontline with a revealed 6 handysize units reported order. Overall, the week closed with only 8 fresh orders reported worldwide at a total deadweight of 222,000 tons, posting a significantly 86 % week-on-week decline, while is down by 79% from similar week's closing in 2010. The total amount invested for newbuilding units is estimated to be at $278 mil, far below the excess $1,4 billion placed last week. Notable order of the week has been the placement of two pure car carrier units by Hyundai Glovis of South Korea at a compatriot yard at a price of about $67 mil each. At similar week closing in 2010, 38 vessels had been reported worldwide at a total deadweight of 1,640,480 tons, with bulk carriers grasping 44,7% of the total numbers of units ordered and liners 21%.

In the **bulk carrier** segment, Greek shipowner Ariston Navigation has ordered six handysize bulkers from Chinese shipyard, CSC Jinling, for delivery from 2013. The preference of Greek owner towards handysize against larger size vessels, panamax and capesizes, is being justified by the oversupply issues that these vessel classes are facing with the handysize orderbook standing at significantly lower ratio.

In the **container** segment, Taiwan's Yang Marine is discussing a new series for five ultra large containerships of 16,000 TEU with compatriot shipbuilder CSBC, the order is subject to board of directors' approval.

In the **offshore** segment, HORNBECK Offshore Services, the US offshore support vessel operator, is planning to order 16 offshore supply vessels from an undisclosed domestic yard with delivery in 2013 and 2014 at an estimated cost of $45 mil each. The vessels will be 6,000dwt with carrying capacity of 20,000 barrels of liquid mud and particularly well suited for the increased demands of deepwater and ultra-deepwater customers.

DEMOLITION MARKET

In the demolition market, the Bangladesh remains closed with Pakistan and India being in the frontline, while China is out of the game by offering scrap levels below $400/ldt. Overall, the momentum is on a downward trend with bulk carriers' demolition activity floating at lower levels from the highs seen during the second and third quarter of this year. India sub-continent region offers scrap levels below $500/ldt for dry / general cargo from the end of September, while the Muslim Eid holidays in Pakistan do not support prompt spike in the levels already offered. Wet units are fetching $10-$20/ldt more than dry; however wet operators still do not dispose enough volume of vintage tonnage to alleviate the oversupply issue in the crude market.

The week ended with only 3 vessels reported to have been headed to the scrap yards of total deadweight 45,360 tons with zero scrapping activity revealed in the bulk carrier segment. In terms of the reported number of transactions, the demolition activity has been marked with 73% decline from previous weekly levels and 89% decline in the total deadweight sent for scrap. The dropdown of scrapping business per week continues to be led by lower disposals for vintage bulk carriers and tankers disposal. In terms of scrap rates, the highest scrap has been achieved this week for a RO-RO cargo vessel of 9,700 dwt "BALTICUM" with 4,960/ldt at $470/ldt asis Singapore. India remains the most popular scrap destination for shipowners. At a similar week in 2010, demolition activity was up by 77% from the current levels, in terms of the reported number of transactions, 13 vessels had been reported for scrap of total deadweight 495,880 tons with bulk carriers and tankers holding 38.4% of the total demolition activity. India and Pakistan had been offering $420-425/ldt for dry and $450-$460/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

In the newbuilding market, Greek player Ariston Navigation has placed an order for six handysize bulkers of 37,000dwt in Chinese yard, CSC Jinling Shipyard, at price region $24 mil each for delivery from 2013. In the secondhand market, Greek buyers reported to have purchased handysize dry bulk carrier of 46,634 dwt built 1997 at price about $14mil.

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