

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 3rd February 2012 (Week 5, Report No: 5/12)
(Given in good faith but without guarantee)

This week ended with dull newbuilding activity and hot secondhand purchasing and demolition activity. The highest activity has been recorded in the demolition market, with 21 vessels in total reported to have been sent for disposal, due to stronger volumes of scrapping business for bulk carriers and tankers.

Overall, 39 transactions reported worldwide in the secondhand and demolition market, up by 26% week on week due to a 40% increase in the volume of demolition transactions and firmer S&P business for secondhand units. At similar week in 2011, the total S&P activity was standing 2.5% higher than the current levels, when 40 transactions had been reported and secondhand ship purchasing activity was 55% higher than the ordering business. The demolition activity is standing 110% higher than the ordering business, while secondhand purchasing activity is 80% more intense than newbuilding momentum.

SECONDHAND MARKET

Despite the historical lows of the BDI the secondhand purchasing activity has not lost its momentum with dry bulk carriers and tankers being on the spotlight as attractive investment opportunities and asset prices to follow their downward trends.

Overall, 18 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 222,5 mil, 1 transaction reported at an undisclosed sale price, with bulk carriers and tankers grasping 78% share of the S&P activity. In the dry market, vessels of all sizes and age are on the spotlight with notable order being reported for an enbloc sale of two panamax units built 2001/2000 Japan for a price at region of \$16mil and \$15mil respectively, when last July a similar dwt vessel of about 76,000dwt built 2001 Japan had been reported sold for \$22mil. In the tanker segment, MR sizes are still more popular than crude carrier vessels with a notable sale of a unit of 50,366 dwt built 2009 South Korea reported sold at \$30 mil.

In terms of the reported number of transactions, the S&P activity is up by 12.5% from previous week activity, and down by 36% comparable with previous year's weekly S&P activity when 28 vessels induced buyers' interest at a total invested capital of about \$446 million with bulk and tankers holding 64% of the total volume of S&P activity. In terms of invested capital, the bulk carrier and tanker sector appear the most overweight segment by attracting about 30% and 39% respectively of the total amount of money invested.

NEWBUILDING MARKET

The week closed with little to comment on the newbuilding business as the slump of the freight markets, with the BDI falling to historical lows since 1986, has immobilized the placement of new contracts. Only 10 orders had been reported this week, 44% down from previous week, with the offshore segment attracting most of the volume of newbuilding transactions at a total invested capital of about \$197 mil tons. At a similar week in 2011, 18 newbuilding transactions had been reported with containers being protagonists, while in the bulk carrier and tanker segments 2 and 3 new units had been reported respectively.

In the **bulk carrier** segment, two 35,000 dwt handysize units are said to have been placed by Russian owned, but Belgium registered, Pola Shipping, at China's Qingshan Shipyard for delivery during the second half of 2013. No newbuilding price has been revealed, but sources are suggesting that Chinese yards are currently seeking \$22-\$23 mil for such ships.

In the **tanker** segment, U.S. listed Top Ship is said to have placed an order for two 51,000dwt MR product tankers at a newbuilding price between \$31,5mil and \$33mil each, with an option for two more units, at STX Offshore & Shipbuilding (Dalian), but sources reveal that the contract is not fresh. Top Ships is said to have signed the order at the end of last year, but the deal just came to the light.

In the **offshore** segment, notable order has been the placement of six anchor handling tug supply vessels by Shipping Corporation of India at ABG shipyard for delivery during 4/2013-2/2014 at a price of \$ 16.83 mil each.



DEMOLITION MARKET

In the demolition market, rates have shown an improvement with India leading the market and Bangladesh trying to compete. The recovery of the Indian rupee against dollar has pushed the demo rates upwards urging owners to remove their overaged fleet from the current oversupplied market, mainly in dry bulk and tanker segments. Prices for dry vessels are edging to \$500/ldt with China appearing very week from Chinese New Year holidays and Bangladesh still trying to resolve its import tax issue. Rates for wet units are even more attractive, xs \$500/ldt, and the freight market fundamentals call for more intense scrapping activity, for vessels that are less than 25yrs old, following Japan's Mitsui Osk Line decision to proceed with further crude carrier vessel disposals.

The week ended with 21 vessels reported to have been headed to the scrap yards of total deadweight 1,111,794 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 40% week-on-week increase, due to 100% and 40% higher volume of demolition transactions in the bulk carrier and tanker segment respectively, whereas there has been a 12.4% rise regarding the total deadweight sent for scrap. In terms of scrap rates, the highest scrap rate has been achieved this week in the bulk carrier segment by Pakistan for a panamax unit built 1984 with lightweight of 11,802tons at \$515/ldt. Tankers and bulk carriers have grasped the lion share of this week's total demotion activity, 29% and 33% respectively, with India winning 38% of the activity. At a similar week in 2011, demolition activity was down by 33% from the current levels, in terms of the reported number of transactions, 12 vessels had been reported for scrap of total deadweight 578,898 tons with bulk carriers grasping 50% of the total number of vessels sent for disposal. India and Pakistan had been offering \$465-\$470/ldt for dry and \$500/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

Greek investors remain absent from the newbuilding business, with recorded activity this week in the tanker secondhand market for two MR units, one 50,366dwt built 2009 South Korea and one 35,775dwt built 2000 South Korea, at a total invested capital of region \$42,75mil.