

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 9th March 2012 (Week 10, Report No: 10/12)

(Given in good faith but without guarantee)

Demolition business keeps firm, upward business for secondhand units and firm contracts for dry bulk carriers units were the highlights of the first days of March. The highest activity has been reported in the newbuilding market with 43 fresh orders with demolition business seem not enough to balance the threats from over tonnage.

Overall, 37 transactions reported worldwide in the secondhand and demolition market, up by 19% week on week with a 100% higher buying activity in the secondhand market. At similar week in 2011, the total S&P activity was 24% higher, when 46 transactions had been reported and secondhand ship purchasing activity was 12% lower than the ordering business.

SECONDHAND MARKET

Dry bulk and tanker units continue to be on the spotlight amid freight market slump with alluring asset prices grapping investors' interest for their fleet expansion via secondhand units. In the container market, the S&P activity remains subdued with asset prices being squeezed downwards. A 910 TEU vessel built 1996 Germany M/V "OSNABRUCK" reported sold this week at region of \$4,2mil with cranes 2X45t, while in May last year a 1,131 TEU vessel built Germany with cranes 1x40t had been reported sold for about excess \$10 mil.

Overall, 20 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 210.5 mil, 3 transactions reported at an undisclosed sale price, with bulk carriers grasping and tankers grasping 35% and 55% share respectively of the S&P activity. In terms of the reported number of transactions, the S&P activity is up by 100% from previous week activity mainly due to 450% higher tanker purchases and down by 31% comparable with previous year's weekly S&P activity when 29 vessels induced buyers' interest at a total invested capital of about \$440,73 million with bulk carriers and tankers holding 76% of the total volume of S&P activity. In terms of invested capital, the tanker segment appears the most overweight by attracting 58% of the total invested capital and bulk carriers to follow with 38% share.

NEWBUILDING MARKET

A fairly amount of newbuilding business has been reported this week with owners being attracted from low prices and eco friendly fuel saving designs. However, expectations remain gloomy for the shipbuilding activity with owners being skeptical about the future placement of newbuilding contracts under the tight ship financing conditions and the recession of freight markets. The interest for gas and offshore units keeps buoyant, which seems the healthiest segments in terms of supply and demand outlook with growth opportunities for trade and vessels earnings. In the container segment, some fresh newbuilding contracts came to light but not in the post panamax segment, which used to be the most fashionable size by major liner operators last year. In the bulk carrier segment, more intense newbuilding business has been seen this week in all size categories; however the glut of ships still hunts the future of the dry bulk newbuilding industry.

Notable order has been reported in the offshore segment with South Korean shipbuilder, Hyundai Mipo, winning an order for a construction support vessel for a European undisclosed owner in a bid to diversify from more conventional vessel sectors, containers, bulkers, tankers, into more specialized units.

Overall, the week closed with 43 fresh orders reported worldwide at a total deadweight of 1,712,660 tons, posting a 169 % week-on-week increase due to 750% and 250% more intense newbuilding contracts for dry bulk carriers and LPG tanker units. This week's total newbuilding business is up by 30% from similar week's closing in 2011, when 33 fresh orders had been reported with bulk carriers, and containers grasping 43% and 18% share respectively of the total ordering activity. In terms of invested capital, the total amount of money invested is estimated at region \$1,06 billion with 35% of the total number of orders being reported at an



undisclosed contract price. In terms of invested capital, the most overweight segments are bulk carriers and LPG by attracting 44% and 22% respectively of the total amount invested for newbuilding units.

In the **bulk carrier** segment, Greek London based Lomar Shipping has placed two units of 64,000 dwt under construction in Cosco Zhoushan of China in a new niche eco friendly design, including an option for four more, for delivery in March and June of 2014. In the kamsarmax segment, Oshima Shipbuilding of Japan has won an order for five fuel efficient 82,000 dwt units by National Shipping Company of Saudi Arabia at a price region of \$31,5mil each with delivery in mid 2014. In the panamax segment, Dryships of Greece is said to have contracted four 75,750dwt units with ice class 1A specification to be built in Jiangsu Rongsheng at a price region of \$34 mil each for delivery in 2014. In the supramax segment, Helikon Shipping of Greece has placed an order for a supramax unit of 57,000dwt in STX Dalian of China at an undisclosed contract price for delivery in 2014. In the handymax segment, China Navigation of Hong Kong has ordered four units of 40,000 dwt, plus an option four more, in CSSC Chengxi, for region USD \$23mil each with delivery end 2013. In the handysize segment, a Turkish player has placed one 35,000dwt unit in Cosco Guangdong of China at a price region of \$22,5 mil for delivery in 2013.

In the **tanker** segment, Densa Shipping of Turkey has ordered two LR2 aframax tanker units of 106,000 dwt for delivery in August 2013 at Hyundai HI of South Korea.

In the **gas tanker** segment, SK Shipping of South Korea has firmed a third 82,000 cu.m LPG unit in Hyundai of South Korea at a price region of \$76 mil for delivery in December 2013. In addition, Norwegian shipowner Solvang has added an additional large LPG carrier of 84,000 cu.m in its existing orderbook under construction in South Korean Shipbuilder, Hyundai HI. The contract represents the declaration of an option attached to the order placed last June, set for delivery in December 2013. In the LNG segment, Greek owner Almi Tankers is said to have moved closer to ordering its first LNG carrier, 160,000 cu.m tri-fuel, with Daewoo Shipbuilding offering slot for delivery year end 2014. Sources close to the newbuilding projects said that Almi has also the option for a second slot delivery a year later.

In the **container** segment, Nordic Hamburg Shipping of Germany has placed an order for two boxship units of 3,400 TEU, with an option for two more, in Guangzhou Wenzhou of China. The yard has a long track record with German owners on smaller units of 1,700-2,500 TEUs, but these will be far the largest built from the builder to date. Furthermore, Nigbo Ocean Shipping of China has placed four units of 1,100 TEU in domestic yard, Yangfan Group, for delivery in 2013.

In the **special projects** segment, Dutch heavy-lift specialist Rolldock has placed an order to build two 151m-long, multifunction heavy-lift ships. This latest order has been contracted to leading ro-ro and ro-pax builder Flensburger Schiffbau-Gesellschaft, with construction expected to start in February 2013 and deliveries are planned for the first half of 2014. The 8,000dwt vessels design permits loading using three different methods, two heavy-load cranes can move cargo weighing up to 700 tonnes, a stern ramp allows for rolling cargo weighing up to 3,000 tonnes and finally the vessel can be submersed by more than 12m to allow cargo to be floated in or out.

DEMOLITION MARKET

In the demolition market, the flurry of vessels available for scrapping in Alang has made difficult for owners to find end buyers with scrap prices still being at moderate levels, below \$500/ldt for dry and near to \$500/ldt for wet units. Pakistan, which is usually competitive for tankers, seems to be out of the game with limited tanker disposals, while in China prices are still holding around \$410-\$430/ldt with some light activity being reported for dry units. In Bangladesh, the status remains stressed with recent advice for owners to keep distances from Chittagong with end buyers positioning away from the market due to constant delays, endless paperwork and lack of finance from the local market.

The week ended with 17 vessels reported to have been headed to the scrap yards of total deadweight 660,376 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 19% week-on-week decline, whereas there has seen a 49% decline regarding the total deadweight sent for scrap, due to lower scrapping removals, 38% and 17% for dry bulkers and liners respectively. In terms of scrap prices, the highest scrap rate has been achieved this week in the tanker segment by India for a small unit of 9,312 dwt with 3,402 ldt built 1985 at \$700/ldt including 291tons stainless steel and 189 tons solid. Bulk carriers and liners have grasped the lion share of this week's total demotion activity, 59%, with India winning 11 out of the 17 total; demolition transactions with China and Bangladesh winning only two vessels each. At a similar week in 2011, demolition activity was standing at similar levels, in terms of the reported number of transactions, 17 vessels had been reported for scrap of total

deadweight 959,925 tons with bulk carriers and tankers grasping 59% of the total number of vessels sent for disposal. Scrap prices were floating at current levels. Bangladesh and India had been offering \$465-\$500/ldt for dry and \$490-\$525/ldt for wet cargo.

GREEK PRESENCE

This week Greek newbuilding investments emerged strong for bulk carrier units. Greek London based Lomar Shipping has placed two units of 64,000 dwt under construction in Cosco Zhoushan of China in a new niche eco friendly design, including an option for four more, for delivery in March and June of 2014. In the panamax segment, Dryships of Greece is said to have contracted four 75,750dwt units with ice class 1A specification to be built in Jiangsu Rongsheng at a price region of \$34 mil each for delivery in 2014. In the supramax segment, Helikon Shipping of Greece has placed an order for a supramax unit of 57,300dwt in STX Dalian of China at an undisclosed contract price for delivery in 2014 and London based Lomar two 64,000dwt units in Cosco Zhoushan..

In the LNG segment, Greek owner Almi Tankers is said to have moved closer to ordering its first LNG carrier, 160,000 cu.m tri-fuel, with Daewoo Shipbuilding offering slot for delivery year end 2014. Sources close to the newbuilding projects said that Almi has also the option for a second slot delivery a year later.

The total investment of Greek owners in the newbuilding market is estimated to be at region of \$ 191 mil for this week, 4 units reported at an undisclosed contract price, with their newbuilding appetite being in a downward trend, while in the secondhand market have purchased two aframax tanker units built 1994-1995 for a total of \$18,3 mil.

