



GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 20th April 2012 (Week 16, Report No: 15/12)

(Given in good faith but without guarantee)

Investors haven't lost their momentum before and after Eastern Holidays with bulk carriers being a preferable choice for purchase in the secondhand market and also very popular vessel type for disposal amid the depressed dry bulk freight rates. A high business has been recorded during the last two weeks with secondhand buying appetite surpassing the newbuilding momentum in the dry and wet freight markets, while demolition keeps its pace of high record from the first three months of the year.

Overall, 71 transactions reported worldwide in the secondhand and demolition market for the weeks ending April 13th and 20th, with the highest activity being reported in the secondhand market driven by firm dry bulk carrier purchases and a high scrapping momentum. The newbuilding business has found a support from an unexpectedly relative firm contracting activity in the dry bulk segment and a strong placement of orders for liquefied natural gas carrier vessels. Offshore and LNG newbuilding trends remain always on the centre of investors' interest boosting the position of South Korean Shipbuilders in the first rankings, also for 2012 against their Chinese rivals that are facing serious delays in vessel deliveries and a slack of new ordering business.

SECONDHAND MARKET

Buying interest is still not impaired by the uncertainty in the freight markets, global trade and tight ship financing conditions as the current lows in asset prices justify vessel purchases with bulk carriers being always in the frontline. There is a positive market position in the dry bulk carrier segment supportive by China's economic activity that gives always a relief in the oversupplied distressed freight markets with a firmer commodity demand and healthier vessel returns. In the wet market, the buying interest remains intense in the MR and smaller chemical tanker segments, as the status of the crude freight market does not offer a sense of comfort to investors in proceeding with high value purchases, while in the container the S&P activity is still in the doldrums despite the recent firm upturn seen from mid-March and the low asset prices. The fragile consumer confidence in US and European economies adds worries for the stability of this euphoria given the additional capacity due for delivery this year in relation with container trade growth.

Overall, 44 vessels reported to have changed hands during the weeks ending April 13th and 20th, at a total invested capital in the region of US\$ 763,83 mil with bulk carriers grasping 61% of the total S&P activity and tankers to follow with a 16% share. A strong purchasing activity has been reported in the capesize segment with also firm business in the other vessel sizes from panamax to handysizes. In the wet market, small tankers below 10,000dwt attracted investors' interest with only one purchase in the MR segment for a vessel of 50,350dwt built 2012. In the container segment, notable sale has been an enbloc purchase by Greek buyers for two post panamax units of 7,943 TEU built 2006-2007 South Korea at a total price of \$96mil, with rumours that the sale may also includes a time charter agreement. In terms of invested capital, the bulk segment attracted about 67% of the total invested capital with liners to follow by holding 16% share.

NEWBUILDING MARKET

In the newbuilding market, there has been a strong activity in the bulk carrier segment that increased the total number of units ordered to 37 at a total deadweight of 1,858,500 tons, posting a 61% increase from the activity being reported at week ending April 6th. Notable order has been in the bulk carrier segment, the 5 kamsarmax units ordered in Japanese yard, Oshima, by Bahri Dry Bulk of Saudi Arabia, while in the tanker segment we have seen a LR1 order placed by Greek player, Sun Enterprises, which is the first order being reported for such vessel size since October of last year.

In terms of invested capital, the total amount of money invested is estimated at region \$1,858 billion with 51% of the total number of orders being reported at an undisclosed contract price. In terms of invested capital, the LNG segment appears the most overweight



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by holding 43% of this week's total amount of money invested with Golar LNG of Norway placing an order for four 160,000 cu.m units at a price of \$200 mil each.

DEMOLITION MARKET

In the demolition market, Bangladesh seems to regain its power steadily with more business sealing in Chittagong due to a renewed confidence on the back of a greater clarity in addressing the new delivery procedures and documentation coupled with the emergence of several more financially stable buyers. Scrap prices in the Indian subcontinent region remain relative flat at \$460-\$470/ldt for dry / general cargo and close to \$500/ldt for wet, while in China price levels are still below \$450/ldt. The scrapping appetite continues strong in April with high business before and after Eastern Holidays with bulk carriers being always on the frontline.

During the last two weeks, ending April 13th and 20th, 27 vessels reported to have been headed to the scrap yards of total deadweight 1,639,470 tons, with bulk carriers holding 52% share of the total number of vessels reported to have headed in the scrap yards. The first quarter of the year ended with a record of bulk carriers' disposals, while the current freight market status encourages more intense vessel removals despite the recent upturn seen during April as the BDI was pushed to more than 1,000 points mark during the last days. The overtonnage issue is so crucial for the rest of the year and the next that implies record high demolition activity and record low newbuilding appetite. India remains in the top rankings in terms of the total number of demolition transactions with Bangladesh recently being stepped in more aggressive.

In terms of scrap price, the highest scrap rate has been reported in the reefer segment by India for a vessel of 7,673 dwt with 5,996 ldt built 1985 M/V "AKADEMIK VAILOV" at \$510/ldt, including some 37tons of aluminium on board. India remains in the first position by winning 10 of the 27 total demolition transactions, while Bangladesh and China follows with 10 and 7 transactions respectively.

GREEK PRESENCE

In the secondhand market, Greek owners have shown a firm amount of money invested in the secondhand market with the purchase of 5 dry bulk carrier units and 4 containers at a total cost in the region of \$218,7 mil, 2 deals reported at an undisclosed contract price. **In the newbuilding market**, their position remains subdued with a presence by Sun Enterprises under Livanos Group for an order of two LR 2 73,000dwt tanker units to be built by Hyundai at its Gunsan Shipyard for delivery in the fourth quarter of 2013 and the first quarter of 2014.