

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 11th May 2012 (Week 19, Report No: 18/12)

(Given in good faith but without guarantee)

This week the activity was at lower levels for all kind of investments. The second hand and demolition activity is at 21% lower levels than last week, while the newbuilding activity at \$ 33% lower. Overall, 45 transactions reported worldwide in the secondhand and demolition market, with the activity in newbuilding and secondhand in same levels. The existing distressed market, enables investors that didn't grasp the good market and had staid "idle" to take the opportunity now, where the price levels can be considered very attractive and the terms could benefit the buyers side.

SECONDHAND MARKET

In the secondhand market in total 27 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 190 mil, with 5 transactions being reported at an undisclosed sale price. Bulkcarriers and Tankers attracted mainly the intestors' interest, while the container sector followed with sales of competitive prices. Comparing to last year's similar period, the market is at 41% lower levels now in terms of numbers of units and in terms of invested capital 70% less.

NEWBUILDING MARKET

The newbuilding market continues to move in low levels, due to the imbalance of the market. Although secondhand transactions are more popular for investing, the investors that didn't make any moves in the newbuidling market during the peak times, have now the capacity to order the units that they believe in and at price levels very competitive as well as with terms that are for their benefit. According to statistics published from Commodore Research, just in the bulkcarrier side, 1,230 vessels are expected to be delivered this year, comparing to 906 delivered in 2010 and around 1,149 in 2011. Over the last years, it has proved to be very difficult to estimate the exact number of deliveries due to the lack of information provided by yards of actual deliveries, orders and cancellations.

This week, the market has shown a 33% decrease compared to last week, with 27 news orders reported and bulkcarriers grasping the lion's share with 19 out of the 27 orders. Tanker orders followed, representing 22%, and the special projects sector with just two orders but one of a drilling rig and one of a drillship. The total invested capital is calculated to be in the region of US \$ 1.2 billion, however it should be taken into account that for 8 contracts, the contract prices haven't been disclosed.

In the bulkcarrier sector that attracted 70% of the newbuilding investment activity, we saw orders from all sizes, the biggest being of an Ore carrier, which has been reported at \$ 116 mil however this figure seems to be too high. Chinese investors, that ordered for the first time panamax size vessels, proceeded with the order of 6 units at Jiangnan, after the yard competed with Chengxi & Bohai in order to win the account. A Chinese yard that wanted to boost its operations ordered 6 ultramaxs, which will have a bareboat charter for 10 years to Greeks, with an option to acquire them at the 6th year. Lastly, 6 units were ordered on the handysize sector, while there are discussions that Greek owners Soloi Inc are investigating the market for ordering 2 kamsarmax vessel.

DEMOLITION MARKET

The dynamic presence of Bangladeshi yards is explained due to their effort to stock for the upcoming monsoon season as well as for their budget on the 10th of June, with the monsoon season most probably decreasing the scrapping activity during June to September. Furthermore, last week one more scrap yard worker died, marking the 3rd death of a scrap yard worker, after being crushed by a falling iron plate. Although scrapping activity in Bangladesh is still permitted, the situation is sensitive and the Authorities for sure are monitoring the conditions and injuries.



Until end April, in total 34 vessels have been sent to Bangladesh, comparing to 17 in 2011, while India maintained her strong presence by attracting most business with 166 vessels comparing to 130 for the same period last year. Pakistan follows with 28 vessels reported heading her scrapyards and China keeps the second place with 43 recorded transactions. Overall, 365 vessels have been reported sent to the scrapyards for 2012, a figure 52.7% increased from 2011 same period levels.

This week, the demolition activity was 28% lower in terms of number of vessels heading the scrapyards, but only 13% lower in terms of deadweight sent for scrap. This is explained from the fact that 3 capesize vessels were sold for demolition, two of which went to Bangladesh while the destination for the third remains undisclosed. In total 18 vessels went for scrap of a total deadweight of 894,843 tons. Again the vessels headed the scrapyards were from almost all types and most active markets were Bangladesh, India & Pakistan although for 6 out of the 18 the destination remains unknown. In the similar week of last year the number of vessels sold for demolition were again 18 but in terms of deadweight it was 53% higher.

GREEK PRESENCE

While Shipping is facing a difficult period, Greek investors seem to take advantage of the opportunities and present a steady presence in the investment arena. This week, the sale of one post panamax bulkcarrier vessel sold at auction and one aframax vessel were reported to be acquired by Greek buyers. In the newbuilding sector, no orders were reported although rumours are spread of Greek shipowners investigate the market before placing new orders. The total invested capital of the secondhand investments is calculated to be in the region of \$ 30.9 mil.

