



GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 7th September 2012 (Week 36, Report No: 35/12)

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The first days of September begun with record low newbuilding business, firm secondhand bulk carriers' purchasing activity from the enbloc sale of ten very large crude carriers from Vale and a steady pace of scrapings in the bulk carrier segment.

Overall, 49 transactions reported worldwide in the secondhand and demolition market, up by 11% week on week with 150% increase in secondhand buying activity and 38% lower newbuilding transactions. At similar week in 2011, the total S&P activity was standing at 21% lower levels, when 39 transactions had been reported and secondhand ship purchasing activity was 76% lower than the ordering business.

SECONDHAND MARKET

Interesting news of the week was the announcement from Brazilian mining giant Vale that it has signed an agreement to sell ten very large ore carriers for USD \$600 million to South Korean, Polaris Shipping, with a time charter back to Vale for 10 to 12 years. The vessels were acquired by Vale in 2009 and 2010 as oil tankers, VLCCs, and then converted to iron ore carriers of approximately 300,000dwt dedicated to transport iron ore for its customers. Market sources suggest that Vale is also looking to offload its series of 400,000dwt valemex newbuildings with an offer for sale to Cosco, similar to the one of Polaris, but the offer is said to be denied due to poor shipping and financing conditions and the Chinese ban on access of valemex vessels to their ports.

Overall, 35 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 802,6 mil, 4 deals reported at an undisclosed sale price, with bulk carriers holding 60% and tankers 17% of the total S&P activity. In terms of the reported number of transactions, the S&P activity is up by 150% from last week's activity with 320% rise in dry bulk carrier purchases, while is up by 188% comparable with previous year's weekly S&P activity, when 16 vessels induced buyers' interest at a total invested capital of about \$204,85 million, with 50% buyers' interest in bulk carrier and tanker purchases and 38% for liners. In terms of invested capital, the bulk segment appears the most overweight by attracting about 86% of the total amount invested due to \$600 mil Vale's enbloc deal.

NEWBUILDING MARKET

In the **newbuilding market**, the week ended with a record low ordering activity with less than 10 vessels ordered, for the first time since June 1st 2012, when 7 vessels reported to have been contracted. Notable order was the newbuilding contract for three Ro-Ro boxships in South Korean shipyard from logistics group Grimaldi followed by a container Ro-Ro order reported on August 17th by New Jersey based Altantic Container Line in Chinese yard, Hudong Zhonghua.

In the offshore segment, market fundamentals benefit fresh ordering activity with Singaporean yards opting for robust rig orders for the next two years. A sector analyst, Maybank Kim Eng's Yeak Chee Keong said: "Rig order flows would remain robust and continue to favour the rig-building yards. The latest round of rig-building cycle has remained unabated for two years. "We think that the up-cycle would last for at least two more years," said Yeak. He also noted supporting factors such as the tightening rig charter market, requirements for newer and better rigs, more stringent safety requirements, an ageing rig fleet and sustained level of high oil prices.

Overall, the week closed with 8 fresh orders reported worldwide at a total deadweight of 188,070 tons, posting a 38% decline from previous week, with limited fresh business in the main conventional segments, while news for a hefty future business came to light in the MR tanker, post panamax container and LNG segments. At similar week closing in 2011, the newbuilding business was significantly higher as 66 fresh orders had been reported with 29 contracts in the bulk carrier segment, 13 in the tanker and 20 in the offshore. In terms of invested capital, the total amount of money invested is estimated at region \$190,5 mil with 3 orders



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reported at an undisclosed contract price. The offshore segment attracted a firm amount of invested capital of about 74% of the total amount invested for newbuilt units.

In the **bulk carrier** segment, an order for two supramax units of 51,000 dwt has been emerged by Chinese owner, Guangdong Lanhai, at Chinese yard Taizhou Sanfu at a price in the region of \$25mil each with delivery in 2014.

In the **tanker** segment, energy group Shell is behind a plan named "Project Silver" for the construction of 10 MR product vessels of 50,000dwt, with an option for 10 more, by existing shipowners for a charter back deal. South Korean yards, Hyundai Mipo Dockyard and SPP Shipbuilding, are said to be in negotiations with delivery in 2014 at a price about \$28,5mil each.

In the **LNG** segment, South Korean shipbuilders, Hyundai Heavy Industries, Daewoo Shipbuilding and Marine Engineering, Samsung Heavy Industries and STX Offshore & Shipbuilding are said to have placed a bid for the construction of six LNG newbuildings for a liquefaction project of Nigeria LNG Limited, a liquefied natural gas producing company, NLNG. NLNG is looking for six 170,000 cbm LNG carriers to replace its oldest less fuel efficient tonnage built 1970-1980, for delivery in late 2015 to early 2016, to be owned and operated through its shipping arm, Bonny Gas Transport. Furthermore, Norwegian owner Hoegh LNG is planning to exercise its options with Hyundai Heavy Industries for 170,000 cbm floating storage and regacification units.

In the **container** segment, Chilean operator, Compania Sud Americana de Vapores (SCAV) is said to be looking for the construction of ten post panamax vessels of 10,000 TEU with five South Korean yards, two Chinese and one Japan. In addition, unconfirmed reports suggest that Korean shipyard STX Offshore and Shipbuilding is behind an order for a series of 16,000 TEU boxships from UK owner Zodiac Maritime to be chartered to Mediterranean Shipping Co.

In the **Ro-Ro** segment, South Korean shipbuilder Hyundai Mipo has won a new order from multinational logistics group Grimaldi for three ro-ro box ships of 28,690dwt for delivery in second and third quarters of 2014 with length of 236m and beam of 32.26m.

In the **offshore** segment, US offshore player Hornbeck Offshore Services has exercised its option for two additional OSVs at S\$111M (\$89M) to be built by Singapore Technologies Marine's VT Halter Marine in the US. The orders are part of the deal in November 2011 to construct eight 97.2m-long OSVs worth S\$441M (\$353M) for Hornbeck, which came with an option for up to 24 additional identical vessels. Based on VT Halter Marine's Super 320 design developed for Hornbeck, the DP2 OSVs can carry up to 20,800bbl of liquid mud and has a 1,136sqm of deck area and a fire-fighting class notation. The OSVs will be constructed in VT Halter Marine's yards at Moss Point Marine and Halter Moss Point in Mississippi and are slated for delivery in the fourth quarter of 2014 and first quarter of 2015.

DEMOLITION MARKET

In the demolition market, year "2012" is one more firm year as the volume of ships sent for disposal has changed after the financial crisis with bulk carriers showing record volume of scrapings. See below, statistics figures for the total number of units sent for disposal before and after 2007 and the increase in the number of bulk carriers' disposals:

- **Demolition transactions year "2007"**: 167 vessels for scrapping – 9 Bulk carriers
- **Demolition transactions year "2008"**: 330 vessels for scrapping – 78 Bulk carriers
- **Demolition transactions year "2009"**: 980 vessels for scrapping – 209 Bulk carriers
- **Demolition transactions year "2010"**: 975 vessels for scrapping – 116 Bulk carriers
- **Demolition transactions year "2011"**: 869 vessels for scrapping – 320 Bulk carriers

During January-August "2012", 710 vessels have been sent in the scrap yards- 281 bulk carriers:

- Handysize** 10,000-39,999 dwt: 116 vessels / **January – August 2011**: 75 vessels
- Handymax** 40,000-59,999 dwt: 48 vessels / **January – August 2011**: 24 vessels
- Panamax** 60,000-100,000 dwt: 64 vessels / **January – August 2011**: 52 vessels
- **Capesize** more than 100,000 dwt: 50 vessels / **January – August 2011**: 55 vessels

Scrap prices keep firm with India paying \$452/ldt for a bulk carrier of 36,663dwt built 1985 M/V "WHITE ARROW" of ldt:10265, including minimum 300tons of bunkers on board and full set of spares, while Pakistan secured this week suezmax tanker demolition transactions at \$440/ldt. Chinese market has not yet shown signs of recovery driven from a lower steel demand with falling scrap steel prices.

The week ended with 14 vessels reported to have been headed to the scrap yards of total deadweight 1,178,386 tons. In terms of the reported number of transactions, the demolition activity is down by 53% from previous week's business with a 50% and 86% decline in bulk carriers' and liners scrapping activity respectively. In terms of total deadweight sent for scrap, there has been an increase of 43% due to the disposal of large sized units, one offshore vessel of 211,641tons, 3 capesize bulk carriers and 2 suezmax tankers. Bangladesh won 8, India 2 and Pakistan 2 of the total 14 demolition transactions, while no scrapping activity had been reported in China from August 10th.

At a similar week in 2011, demolition activity was 64% higher than today's levels, in terms of the reported number of transactions, when 23 vessels had been reported for scrap of total deadweight 756,187 tons with bulk carriers holding 48% of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with India and Bangladesh offering \$500-\$505/ldt for dry and \$525-\$530/ldt for wet cargo.

GREEK PRESENCE

No newbuilding business has been emerged this week from Greek owners that overall hold a conservative view in the placement of new contracts, while in the secondhand market, they have bought two panamax bulker resales from China at price of \$24mil each and one small tanker of 3,851dwt built 2003 at an undisclosed sale price.

