## GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

**Week Ending: 14th September 2012 (Week 37, Report No: 36/12)**

*(Given in good faith but without guarantee)*

The second week of September ended with an overload of investments in the secondhand markets, a record scrapping volume of bulk carriers, while there was also a hefty newbuilding business from the buoyant offshore contracting activity. Depressed status of freight markets encourages owners to proceed in a new strategy with more scrapping removals in the main conventional vessel segments, bulk carriers and tankers, more asset purchases in the secondhand market at extremely low prices and less ordering business.

Overall, 60 transactions reported worldwide in the secondhand and demolition market, up by 22.5% week on week with 114% increase in vessel removals via scrapping as demolition activity peaked once again from the end of August, when again 30 demolition transactions were reported, 14 in the bulk carrier segment against 21 this week. At similar week in 2011, the total S&P activity was standing at 18.3% lower levels, when 49 transactions had been reported and secondhand ship purchasing activity was 100% higher than the ordering business.

**SECONDHAND MARKET**

Thailand's Precious Shipping has resold four bulk carrier newbuilidng orders, two 32,000dwt and two 54,000dwt units, under construction in India's ABG Shipyard due to delayed deliveries."Due to indefinite delays in delivery dates and passing of the contractual cancellation dates of Hull 336 and 316 and similar delay expected in delivery of Hull 340 and Hull 347, the company has opted to dispose of the contracts," said Precious Shipping. The proceeds of the sale will be used to fund acquisitions of other vessels which would have "more definitive and suitable delivery dates for the company," and possibly at lower prices, it said.

Notable sale came in the Ro-Ro segment, the enbloc deal for six modern units built 2009-2012 from Hong Kong based Pacific Basin to Italian logistics group for $153mil EURO - $193,3 mil.

In the tanker segment, rumors for the enbloc deal of four MR product tankers 46,000-50,000dwt and three LR1 70,000-74,000dwt units from Singapore based products tanker owner and operator for a total value of $146mil have not been year confirmed.

In the bulk carrier segment, interesting was the sale of capesize M/V "ORIENT VEGA" 181,433dwt built 2011 Japan at a price in the region of $36,75mil, when mid September 2011 a vessel of similar dwt of 180,200dwt built 2011 Japan had been reported sold for $48,5mil.

Overall, the buying appetite is obvious that remains strong for small and large vessel sizes in the dry bulk carrier and tanker segments at the continued discounted sale prices. Owners seem to prefer to send their vessels for sale that have ended their economic life and could no longer find any profitable employment before asset prices experience further downward revisions.

Overall, 30 vessels reported to have changed hands this week at a total invested capital in the region of US$ 336,1 mil, 14 deals reported at an undisclosed sale price, with bulk carriers holding 36% and Ro-Ro 46% of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 14% from last week's activity with 47.6% lower purchases in dry bulk carrier segment, while is up by 15% comparable with previous year's weekly S&P activity, when 26 vessels induced buyers' interest at a total invested capital of about $498,3 million, with 57% buyers' interest in the tanker and 34% for bulk carriers. In terms of invested capital, the bulk segment attracted 28% of the total amount invested in the secondhand market, while the Ro-Ro segment appears the most overweight via enbloc deals by attracting more than 58% of the total invested capital.

**NEWBUILDING MARKET**

Overall, the week closed with 40 fresh orders reported worldwide at a total deadweight of 1,257,400 tons, posting a 400% rise from previous week, with a 400% rise in offshore ordering activity, a strong MR business, interesting transactions in the Ro-Ro and car carrier segments, while in the bulk carrier segment a kamsarmax newbuilding order came to light in Japanese yard. The second week of September records a firm newbuilding business attributable to interesting deals on more specialized segments and MR intensive investors' interest. The last time the newbuilding business was reported so high was on August 17th from an emerged hefty amount of orders for bulk carriers. At similar week closing in 2011, the newbuilding business was significantly lower as 13 fresh orders had been reported with 2 contracts in the bulk carrier segment, 6 in the tanker, 4 in the liner and zero in the offshore. In terms of invested capital, the total amount of money invested is estimated at region more than $1,7 billion with 20 orders reported at an undisclosed contract price. In terms of invested capital, the offshore segment is the most overweight by attracting 72% of the total amount of invested capital via the placement of high value contracts for a FSO unit at $442mil and a drillship for $620 mil.

In the **bulk carrier** segment, London based Greek owners is said to have placed an order for two 82,000dwt units at Sasebo, Japan for delivery mid 2015 at a price $31mil each.

In the **tanker** segment, MR segment attracts business for Korean yards with a US investment fund placing this week a contract in STX of Korea for two 51,000dwt product units at a price in the region of $33mil each for delivery in 2q 2014, with an option for two more units. Furthermore, Kuwait Oil Tanker is seeking offers for the construction of four MR product tankers and three very large gas carriers LPGs from the end of this year or beginning 2013, while initial reports were indicating that the owner was seeking to order three LNG carriers instead of LPGs. In addition, Hong Kong's Tai Chong Cheang Steamship is planning to order two aframax tankers and it is in contact with South Korean yards, Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries, at a contract price said to be in the region $40mil, whereas in June 2008 a similar tanker unit had been ordered in South Korean yard at $78mil each.

In the **LNG** segment, China's state owned Hudong-Zhonghua Shipbuilding has won a newbuilding order for four 174,000 cbm LNG dual fuel diesel electric vessels from compatriot shipowner Sinopec and its transportation partner China shipping group. The vessels are the largest dual fuel diesel electric LNG carriers ever built by Hudong for delivery from 2015 to 2017 to be chartered to Sinopec. The yard will deliver one ship in 2015, two in 2016, and the fourth with optional vessels in 2017. China's appetite for LNG imports from higher consumption with estimations for China's LNG imports exceeding 40m tonnes per year by 2020 and nation's energy majors needing tens of newbuilding LNG carriers in the coming years provides a sense of optimism in Chinese shipbuilding Industry for future LNG vessels' contracting business.

In the **liner** segment, Chinese Shipbuilder Jiangzhou Union has won a new order for four multipurpose heavy-lift ships from Montana Shipping of Switzerland. The 8,500dwt vessels are due for delivery during 2014 and will be equipped with two 80-tonne cranes capable of combined lifting. Montana Shipping holds options for a further two ships as part of this contract.

In the **car carrier** segment, Jinling Shipyard in China has won a new order for two pure car and truck carriers from Global Carcarriers of Bermuda of 6,700 ceu car capacity with delivery during 2014, which will be amongst the largest PCTCs to be built in china. The contract holds an option for four more units and vessels will be managed by Gram Car Carriers of Norway with a long track record of operating PCTCs and ro-ro vessels. In addition, Israel shipowner Ray Shipping is said to have placed an order for one more PCTC of 6,700 ceu car capacity, bringing the number of ships it has on order to six, at a price believed to be in the region mid-$60mil with delivery in 2014.

In the **offshore** segment, STX Offshore & Shipbuilding of South Korea has won an order for one floating storage offloading unit worth 500Bn won ($442M) from an undisclosed owner in North Africa fro delivery by mid 2015. The unit will be built at STX Dalian in China with a storage capacity of up to 1,500bbl and is 324m in length and 51m in width. In addition, Singapore's Axis Offshore has placed a new order for a semi-submersible accommodation vessel at Chinese shipyard Cosco Qidong, with an option for two more units. The new vessel will be built to Global Maritime's GM500A design and is due for delivery in Q1 2015 for deployment in the North Sea. Furthermore, Hyundai Heavy Industries sealed an order for the construction of a drillship from Rowan Companies at $620 mil for delivery in the first quarter of 2015. The vessel will have 229 meters length and 36 meters in width with a maximum drilling depth of 12 km from the surface of sea. The drillship will also be equipped with a thruster canister, saving time in maintenance and operating costs.

**DEMOLITION MARKET**

In the demolition market, the high appetite for scrapping creates worries for the future stability of the current firm price levels offered in the Indian sub continent region. The ability of yards' capacity for accepting additional tonnage has already become an issue in Bangladesh with prices in India showing signs of downward revision, while demolition transactions are still concluded at levels xs$400/ldt for dry and wet cargo. China has finally won a deal for a liner M/V "TRADE FORTUNE" of 1,669ldt built 1985 at $290/ldt. .

The week ended with 30 vessels reported to have been headed to the scrap yards of total deadweight 1,838,320 tons. In terms of the reported number of transactions, the demolition activity is up by 114% from previous week's business with a 200% and 400% increase in bulk carriers' and liners scrapping activity respectively. In terms of total deadweight sent for scrap, there has been an increase of 56% due to the disposal of large sized units, 5 capesize bulk carriers, 3 post panamax bulk carriers, 1 aframax tanker. Bangladesh won 11, India 12, Pakistan 2 and China 3 of the total 30 demolition transactions.

At a similar week in 2011, demolition activity was 31% lower than today's levels, in terms of the reported number of transactions, when 23 vessels had been reported for scrap of total deadweight 1,063,319 tons with bulk carriers holding 61% of the total number of vessels sent for disposal. Scrap prices were floating at stronger levels with India and Bangladesh offering $510-$515/ldt for dry and $535-$540/ldt for wet cargo.

**GREEK PRESENCE**

In the newbuilding market, London based Greek owners have placed an order for two 82,000dwt kamsarmax units in Japanese yard at $31mil each, while in the secondhand market have bought a capesize bulk carrier built 2011 Japan for a price in the region of $36,75mil and an aframax tanker built 2010 Japan at a price in the region of $33mil.