

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 19th October 2012 (Week 42, Report No: 41/12)

(Given in good faith but without guarantee)

The third week of October ends with an intense secondhand purchasing activity in the tanker segment from previous week, lower newbuilding volume in the offshore segment and stronger bulk carrier newbuildings, while bulk carriers scrapping activity keeps its high pace with Indian ship recyclers holding their dominance.

Overall, 36 transactions reported worldwide in the secondhand and demolition market, down by 16% week on week with a 14% decline in secondhand purchases and 56% fall in newbuilding volume of orders. At similar week in 2011, the total S&P activity was standing at 36% lower levels than today, when 15 transactions had been reported with secondhand buying appetite standing at 58% lower levels than newbuilding. Last year, 34 secondhand vessel purchases had been reported against 36 newbuildings, while at the current week secondhand buying levels surpasses the newbuilding volume with strong purchases in the tanker segment.

SECONDHAND MARKET

Tanker purchases have grasped the lion share of total S&P activity for two consecutive weeks. An aframax tanker M/T "GENMAR AJAX" of 96,183dwt built 1996 South Korea reported sold for \$7,5 mil, when in September 2012, a 95,420dwt tanker unit built 1995 South Korean had been reported sold for about \$17,2mil.

A downward pressure in asset values is also noticeable in the LPG segment for very gas tanker units as freight rates is said to have fallen at levels of less than \$25,000/day during the last week. LPG carrier M/T "GAS LEO" of about 78,000cbm built 1990 Japan reported sold for a price in the region of \$10mil, when in July, M/T "PACIFIC HARMONY" of about 74,000cbm built 1990 Japan sold for a price in the region of \$19,5 mil.

Overall, 19 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 95,45 mil, 7 deals reported at an undisclosed sale price, with bulk carriers and tankers holding 21% and 58% respectively 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 a 27% decline in tanker purchases, while is 27% up from previous year's weekly S&P activity, when 15 vessels induced buyers' interest at a total invested capital of about \$270,2 mil, 6 bulk carriers and 6 tankers had been reported sold. In terms of invested capital, the tanker segment attracted about 60% of the total amount invested in the secondhand market with 11 total purchases at more than \$57mil and bulkers 17% with total 4 S&P transactions at about \$16mil.

NEWBUILDING MARKET

In the **newbuilding market**, slower contracting activity recorded this week with bulk carriers showing a strong presence by grasping the lion share, 38% of the total number of units ordered. The offshore segment shows 87% weekly decline with only 2 units reported, while no activity reported in the tanker and container segments.

Overall, the week closed with 16 fresh orders reported worldwide at a total deadweight of 385,150 tons, posting a 56% decline from previous week, with an activity again in the car carrier segment from a Japanese player NYK. At similar week closing in 2011, the newbuilding business was 125% higher than the current weekly levels, when 11 bulk carriers, 8 tankers, 4 gas tankers, 2 Ro-Ro and 11 special projects had been reported. In terms of invested capital, the total amount of money invested is estimated at region more than \$975 mil with 13 orders reported at an undisclosed contract price. In terms of invested capital, the passenger segment appears the most overweight with an order by Norwegian Cruise Lines for a 163,000gt, 4,200-passenger at a price of €700M (\$919M).



In the **bulk carrier** segment, French player Unishipping is said to have placed an order for four 39,000dwt handysize newbuildings at China's Zhejaing Yangfan Group for delivery between the fourth quarter of 2014 and first quarter of 2015 to expand its dry bulk fleet. The contract price has not been revealed but sources suggest that the total contract value is around \$96mil. In the kamsarmax segment, Norwegian owner, Norse Management is said to have placed an order for two 82,000dwt units at Shanghai Waigaoqiao for delivery in the second half of 2014 at a price of \$28mil each with eco friendly design. The contract includes an option for three more similar units to be declared before the end of the year.

In the **tanker** segment, Greek owner Tsakos confirms its discussions with South Korean Sungdong Shipbuilding and Marine Engineering for a pair of suezmax shuttle tanker newbuildings for delivery at the end of 2014 to be chartered to Brazilian energy player Petrobras.

In the **passenger/cruise** segment, Norwegian Cruise Line announced a firm contract at Germany's Meyer Werft for a 163,000gt, 4,200-passenger newbuilding scheduled for delivery in October 2015. The cruise ship is priced at €700M (\$919M), with NCL obtaining export credit financing arranged and underwritten by Germany's KfW IPEX-Bank. Norwegian Cruise Line has also an option for one more sister ship, which if exercised, would be delivered in spring 2017.

In the **car carrier** segment, Japanese player NYK ordered four pure car and truck carriers, two of them to be built by Imabari Shipbuilding and the other two by Shin Kurushima Dockyard for delivery in 2014-2015. Each carrier on order will have 200 metres LOA with a capacity of about 7,000 vehicles. A company statement said: "NYK expects the worldwide demand for PCTC transport to steadily expand, and these four new vessels will be the post-Panamax vessels capable of transiting the Panama Canal when the third lane of locks, larger than the current two, becomes operational in the autumn of 2014=2E" The vessels will be 2-3m wider than current PCTCs and will be equipped with the latest energy-saving technology, improving fuel performance by about 30% per ship."

In the **offshore** segment, South Korea's Samsung HI won a deal to build its fourth drill ship for its Norwegian client Ocean Rig for delivery in 2015 at an undisclosed contract price. The 7th Generation Ultra Deepwater Drillship is a sister ship to three other 60,150dwt drill ships currently under construction at Samsung's yard to be delivered in 2013. The fourth drill ship ordered will expand the company's fleet of ultra deepwater drilling units to 10.

DEMOLITION MARKET

In the **demolition market**, India leads the game with continued firm scrap price levels at more than \$400/ltd for dry/general and tanker units, while Pakistan tries hard to compete and win business at also firm attractive levels with Bangladesh being far behind in the Indian subcontinent region and China widening its gap at levels of \$300/ltd for dry and \$320/ltd for tanker units.

The week ended with 17 vessels reported to have been headed to the scrap yards of total deadweight 658,560 tons. In terms of the reported number of transactions, the demolition activity is down by 19% from previous week's business due to a 31% lower scrapping activity in the bulk carrier segment. In terms of total deadweight sent for scrap, there has been a decline of 44% with India winning 11 demolition transactions. In terms of scrap price levels, the highest rate was paid by India for a MR tanker M/T "BOW LION" of 39,423dwt with 9,689/ltd built 1987 at \$468/ltd, including 70tons solid stainless steel, while dry bulk carrier M/V "NEW OJI PIONEER" of 46,832 with 9,320ltd built 1994 reported for scrap in India at \$430/ltd.

At a similar week in 2011, demolition activity was 53% lower than today's levels, in terms of the reported number of transactions, when 8 vessels had been reported for scrap of total deadweight 249,561 tons with 4 total bulk carriers and 2 tankers' disposals. Scrap prices were floating at stronger levels with India and Pakistan offering \$480/ltd for dry and \$510/ltd for wet cargo.

GREEK PRESENCE

Greek owners slowed their secondhand purchases this week, while they are absent from newbuilding arena for three consecutive weeks. In the secondhand market, they purchased a tanker unit of 34,999dwt built 1999 China for \$8,5mil and a very large LPG carrier of about 78,000cum built 1990 Japan for a price in the region of \$10,6mil. In the newbuilding market, Tsakos group is said to be under discussions for a pair of shuttle suezmax newbuildings in Sungdong of South Korea, but the deal is not yet finalized.