

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 26th October 2012 (Week 43, Report No: 42/12)

(Given in good faith but without guarantee)

It has been a week with a slower pace of secondhand purchasing activity, no contracting business for newbuilding bulk carriers with offshore segment being on the focus of investors for new orders, while demolition keeps its robust pace with ample tonnage for disposal and scrap price levels still floating at levels excess of \$400/ldt encouraging owners' decision.

Overall, 45 transactions reported worldwide in the secondhand and demolition market, up by 25% week on week with a 16% decline in secondhand purchases and 71% increase in scrapping activity. At similar week in 2011, the total S&P activity was standing at 55% lower levels than today, when 20 transactions had been reported with secondhand buying appetite standing at 54% lower levels than newbuilding. Last year, 12 secondhand vessel purchases had been reported against 26 newbuildings, while at the current week scrapping activity shows robust levels with freight markets posing a downward direction.

SECONDHAND MARKET

Secondhand purchases for tankers slowed this week with the MR size still being a popular investment opportunity with two tanker units of about 47,000dwt and 40,000dwt built 2002 reported to have changed hands at a price in the region of \$12,85mil and \$13,5mil respectively. In the bulk carrier segment, smaller sized units, handysize and handymax, grasped this week's lion share of investors' appetite, while in the capesize segment, M/V "RUBIN ACE" OF 151,279dwt built 1996 reported sold for \$10,5mil, and in the post panamax segment, M/V "HULL 111" Tsuneishi Zhoushan built 2012 vessel resold to Taiwanese buyers for about \$24,8mil.

Overall, 16 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 193,35 mil, 2 deals reported at an undisclosed sale price, with bulk carriers and tankers holding 75% share of the total S&P activity. In terms of the reported number of transactions, the S&P activity is down by 16% from last week's activity with a 45% decline in tanker purchases and a 50% rise for bulkers, while is 33% up from previous year's weekly S&P activity, when 12 vessels induced buyers' interest at a total invested capital of about \$92,2 mil, 2 bulk carriers, 7 tankers and 3 containers had been reported sold. In terms of invested capital, the bulk carrier and tanker segment attracted about 63% of the total amount invested in the secondhand market with 12 total purchases at about \$121mil with asset prices attracting further investors' interest.

NEWBUILDING MARKET

In the **newbuilding market**, this week ended with some firm activity in the LPG tanker and offshore segment. No fresh contracting activity recorded for bulk carriers and containers, whereas in the tanker segment, an appetite for very large crude carriers emerged again from Chinese in an attempt to minimize their reliance on international fleet for their crude oil imports. China National Petroleum Corp is going to build its own very large crude carriers with its joint venture Petroleo De Venezuela after receiving approval from the National Development and Reform Commission. The initial target of the joint venture is to build four 320,000dwt very large crude carriers to transport crude oil between the two countries.

Offshore segment is again on the centre with a notable ordering business won by STX's Jinhae Shipyard for a European owner at a price in the region of \$673mil with delivery in 2015, while STX shipbuilding of South Korea secured a firm LPG tanker activity for ethylene carriers of about 12,000 cum from German and Denmark owners.

Overall, the week closed with 27 fresh orders reported worldwide at a total deadweight of 786,000 tons, posting a 69% rise from previous week due to an 800% increase in the offshore segment and a firm volume of orders for harbour tugs. At similar week closing in 2011, the newbuilding business was standing at similar levels but with a firm volume of contracting activity in the bulk carrier segment, overall 26 newbuilding orders had been reported, 18 bulk carriers, 1 tanker and 7 special projects. In terms of invested capital, the total amount of money invested is estimated at region more than \$803 mil with 24 orders reported at an



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undisclosed contract price. The offshore segment appears the most overweight by attracting 84% of the total invested capital due to a drillship newbuilding order placed by European owner.

DEMOLITION MARKET

In the **demolition market**, the surge of disposals in the bulk carrier segment seems endless with 15 firm demolition transactions reported this week, while India remains the key leader in terms of price levels offered and tonnage won. During January-September 2012, 332 bulk carriers reported for scrap of a total deadweight of about 23mil tons, showing a 28% increase from the number of bulk carriers scrapped in January-September 2011. The average number of bulk carriers reported for scrap per quarter of 2012 is about 110 vessels, when during 2011, the average number of bulk carriers was about 86 vessels, with the freight market recession showing direction for further firm disposals during the fourth and final quarter of the year. In the tanker segment, the demolition levels are far behind the record levels of bulk carriers' scrapping activity with an average number of disposals per quarter about 40 tankers and showing a 3% year-on-year decline with 120 tankers heading to the scrap yards in January-September 2012.

The week ended with 29 vessels reported to have been headed to the scrap yards of total deadweight 1,450,697 tons. In terms of the reported number of transactions, the demolition activity is up by 71% from previous week's business due to a 66% higher scrapping activity in the bulk carrier segment. In terms of total deadweight sent for scrap, there has been an increase of 120% with India winning 18 demolition transactions. In terms of scrap price levels, the highest rate was paid by India for a panamax tanker M/T "THERESA MEDITERRANEAN" of 77,788dwt with 14,889/ldt built 1986 at \$445/ldt.

At a similar week in 2011, demolition activity was 73% lower than today's levels, in terms of the reported number of transactions, when 8 vessels had been reported for scrap of total deadweight 213,623 tons with 2 total bulk carriers and 1 tanker disposals. Scrap prices were floating at stronger levels with India and Pakistan offering \$470-\$480/ldt for dry and \$500-\$510/ldt for wet cargo.

GREEK PRESENCE

Four fourth consecutive weeks, no newbuilding order reported from Greek owners, while in the secondhand market, Greek owners have purchased a capesize bulk carrier of 151,279dwt built 1996 Japan for about \$10,5mil and a handysize bulk carrier of 32,400dwt built 2003 Japan for about \$11mil. In the tanker segment, they purchased a MR vessel of 40,113dwt built 2002 South Korea for about \$13,5mil. Greek investors' preference towards more secondhand purchases than newbuilding orders seems that will last as freight market status does not support firm investments for newbuildings in the main conventional vessel segments, bulk carriers and tankers.