

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 18th January 2013 (Week 3, Report No: 3/13)

(Given in good faith but without guarantee)

This Report/Analysis is distributed for the primary use of GOLDEN DESTINY'S subscribers and should not be redistributed to any third parties without the written consent of GOLDEN DESTINY. An extraction of market information from GOLDEN DESTINY'S Reports/Analysis is allowed only when GOLDEN DESTINY is mentioned as a source.

The newbuilding business remains hot for the first month of the year with investors being also willing to conclude S&P transactions in the secondhand market and dispose their vintage tonnage at the current favoring scrap prices. The third week of January ends with lower volume of newbuilding deals but with higher value contracts for the construction of large sized vessels, fewer reported demolition transactions at firm scrap prices and appetite for secondhand purchases in the bulk carrier and tanker segments.

Overall, 19 transactions reported worldwide in the secondhand and demolition market, down by 61% week on week due to a 53% decrease of secondhand purchasing activity and 74% lower scrapping vessel removals. At similar week in 2012, the total S&P activity was standing 69% higher than the current levels, when 32 transactions had been reported and secondhand ship purchasing activity was 15% higher than the ordering business. The highest activity has been recorded in the newbuilding market with 30 new orders reported, while secondhand purchasing activity has been centered more on vintage tonnage than modern vessels.

SECONDHAND MARKET

The week ended with S&P transactions in all main vessel segments with focus on small vessel sizes of vintage tonnage. In the bulk carrier segment, there was an activity in the handymax segment for vessels of more than 15yrs old. The most modern S&P transaction took place in the handysize segment for a vessel of 32,400dwt built 2003 Japan for about \$10,5mil with special survey passed. In the tanker segment, two S&P transactions reported in the very large crude carrier segment for vessels built 1993 and 1997 sold for about \$21mil and \$26,5mil respectively.

Overall, 14 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 146 mil , 5 S&P deals in the bulk carrier, 3 in the tanker, 2 in the gas tanker, 2 in the liner and 2 in the container segment. In terms of the reported number of transactions, the S&P activity is down by 53% from last week's activity, due to a 58% weekly decrease in the purchase of bulk carriers and 81% decrease in tanker purchases. Comparable with previous year's weekly S&P activity is almost at similar levels, when 15 vessels induced buyers' interest at a total invested capital of about \$219,02mil with tankers holding 53% of the total volume of S&P activity. In terms of invested capital, the tanker segment appears as the most overweight segment by attracting about 39% of the total amount of money invested with the purchase of 2 VLCCs and one handysize vessel.

NEWBUILDING MARKET

In the **newbuilding market**, the third week of January concludes with slower business from previous weeks but with interesting news for the upcoming construction of large sized vessels under negotiations. In the container segment, Seaspan is sealing an agreement with Hyundai Heavy Industries for the construction of up to ten 14,000 TEU boxships including a time charter agreement for over ten years with Yangming Marine. In the gas LNG tanker segment, China Shipping Group and Mitsui OSK are expected to conclude an agreement for the construction of up to eight 174,000 cum LNG carriers before the Chinese New year with Hudong-Zhonghua shipyard of China with a total value of about \$1,5bn to service the Australia Pacific LNG project. In addition, Bonny Gas of Nigeria has reached an agreement with South Korean shipyards for the construction of six 170,000 cum LNG carriers, four will be built in Samsung and two in Hyundai for delivery in 2015-2016.

One more interesting newbuilding deal emerged for South Korean shipyards under the current freight market recession and uncertainty of worldwide shipping demand for the construction of new vessels in the main vessel segment. Spore-based BW Maritime has signed a contract with Samsung Heavy Industries of South Korea for the construction of a LNG floating storage



EMAIL: snv@goldendestiny.com – Website: www.goldendestiny.com

ISO 9001

BUREAU VERITAS
Certification



regasification unit of 170,000 cbm at an undisclosed contract price with delivery in 2015. Chinese yards are still benefiting from newbuilding deals in the very large crude carrier segment under the country's strategic plan to establish a giant VLCC pool of 50 very large crude carriers. Following December's order of last year from China Ocean Shipping Group for the construction two 308,000dwt tankers in Dalian Shipbuilding, China Merchant Energy is said to have now ordered three very large crude carriers with an option of three more at CSSC Jiangnan shipyard.

Overall, the week closed with 30 fresh orders reported worldwide at a total deadweight of 2,252,500 tons, posting a 33 % week-on-week decline from previous week due to a 900% decline in contracting activity for bulk carriers and 1800% downfall in the demand for the construction of special projects. In the gas tanker segment, there has been a remarkable 700% week-on-week increase from strong LNG orders placed at South Korean Shipyards, while in the container segment the massive postpanax order from Seaspan lifted the weekly contracting activity by 600%. This week's total newbuilding business is up by 131% from similar week's closing in 2012, when 13 fresh orders had been reported, 2 for bulkers, 6 for tankers, 1 gas tanker and 4 special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than \$2,25bn, 17 newbuilding deals reported at an undisclosed contract price, with a hefty amount invested in the offshore segment from the placement of a contract in Chinese yard, CIMC's Yantai Raffles for two semisubmersible drilling rigs from Frigstad Deepwater of Cyprus at a total cost of \$1,3bn.

In the **bulk carrier** segment, Ultrabulk of Denmark will build kamsarmax vessel of 81,000 dwt in Tsuneishi yard of Japan and it would charter the vessel for up to 13 years upon its delivery at end-2014. In the handysize segment, Canadian CanForNav has order four 36,000dwt vessels in Yangfan yard of China, an eco design with an option for two more vessels.

In the **tanker** segment, China Merchant Energy is said to have now ordered three very large crude carriers with an option of three more at CSSC Jiangnan shipyard. The first very large crude carrier is scheduled to be delivered at the end of 2014 and the other two in the first and third quarter of 2015. In addition, US listed -Nordic American Tankers is under the process of ordering two suezmax tankers in Samsung Heavy Industries of South Korea for delivery from late 2014 at an expected cost of about \$56-\$57mil each, including option for further units.

In the product segment, Stena Bulk of Sweden has declared an option for two more sophisticated vessels of 50,000dwt for construction at Guangzhou Shipyard International (GSI) for its vegoil activities, extending the series to eight sister vessels from its initial order of six vessels placed in May 2012. The newbuilding cost is estimated in the region of \$40mil each with delivery in late 2015.

In the **gas tanker** segment, Bonny Gas of Nigeria has reached an agreement with South Korean shipyards for the construction of six 170,000 cum LNG carriers, four will be built in Samsung and two in Hyundai for delivery in 2015-2016.

In addition, Spore-based BW Maritime has signed a contract with Samsung Heavy Industries of South Korea for the construction of a LNG floating storage regasification unit of 170,000 cbm at an undisclosed contract price with delivery in 2015. A company official stated in Fairplay: "We are not strangers to the LNG business. We want to increase LNG activities as this is our strategy going forward." BW noted that it has a good relationship with South Korean shipbuilders and that it chose Samsung, the second-biggest among South Korea's yard groups, because it offered an attractive proposition. "SHI also has a proven track record in delivering LNG vessels to some of the world's biggest LNG players," it added. "BW has been investing in the LPG and LNG sectors. In the last 18 months, we have had six LPG acquisitions, and we ordered two LNG carrier newbuildings," BW explained. The Singaporean owner declines to reveal either the price of the newbuilding or future employment of the vessel.

In the **container** segment, Hyundai Heavy Industries of South Korea has won the order for five 14,000 TEU containerships, including an option for five more, for Canadian shipowner Seaspan to be chartered on a long term contract with Taiwan's Yang Ming Marine Transport Corp. The order is valued at about \$600mil and vessels will be delivered from the beginning of 2015. The ships will measure 368m in length, 51m in width and 30m in depth, HHI said. The vessels will have electronically controlled main engines for fuel efficiency and HiBallast seawater treatment systems, HHI added.

DEMOLITION MARKET

In the demolition market, Bangladesh and India have remained very active for the first weeks of January with aggressive prices above \$400/ldt, while China is in very close proximity with the Indian subcontinent region before the Chinese New Year. During **2012**, 1291 vessels are estimated to have been sent to the scrap yards, 529 bulkers, 158 tankers, 169 containers, with an ongoing trend for further intensive scrapping in 2013. Compared with 2011 levels, demolition activity increased by 49% year-on-year, when 869 vessels were scrapped, 321 bulkers, 147 tankers, 42 containers.

The week ended with 5 vessels reported to have been headed to the scrap yards of total deadweight 130,077 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 74% week-on-week decline, due to 78% and 72% lower volume of demolition transactions in the bulk carrier and container segment respectively. In terms of deadweight sent for scrap, there has been 86% decrease with no activity in the disposal large sized vessels. India won 3 of the 5 total demolition transactions and China 2 demo deals. At a similar week in 2012, demolition activity was up by 240% from the current levels, in terms of the reported number of transactions, 17 vessels had been reported for scrap of total deadweight 1,009,630 tons with bulk carriers grasping 41% of the total number of vessels sent for disposal. India and Pakistan had been offering \$470-\$475/ldt for dry and \$495-\$500/ldt for wet cargo.

GREEK PRESENCE

The third week of January ends with weak investments of Greek owners. In the newbuilding market, there were no contracts reported by Greek owners, while in the secondhand market, they reported to have purchased one handymax bulker of 46,641dwt built 1995 Japan for about \$6,5mil with drydock due this month and one handy containership built 1997 South Korea for about \$2,8mil with special survey due.

