

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 2nd May 2013 (Week 18, Report No: 18/13)

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The first days of May end with firm secondhand purchases for tankers, higher volume of vessel disposals and a continued extraordinary ordering appetite for bulker newbuildings.

At the current week, 54 transactions reported worldwide in the secondhand and demolition market, up by 32% week-on-week with 24% increase in secondhand purchases and 44% higher scrapping volumes. At similar week in 2012, the total S&P activity was standing 5.5% higher than the current levels, when 57 transactions had been reported and secondhand ship purchasing was 20% lower than the volume of newbuilding orders. This week the secondhand purchasing activity is in close parity with newbuilding volumes with investors showing subdued activity for tanker newbuildings with firm interest in the secondhand market.

SECONDHAND MARKET

Bulk carriers and tankers are in the frontline for purchasing with containers to follow by showing a moderate activity this week through vessel purchases mainly in the sub-panamax segment. In the bulk carrier segment, 8 vessels reported to have changed hands from kamsarmax to handysize, 1 S&P deal for a Chinese kamsarmax resale, 2 S&P deals in the panamax segment for vessels of more than 10yrs old and 4 S&P deals in the handysize segment for modern and vintage tonnage. In the tanker segment, all the S&P activity has been mainly centered on MR and handysize segments with 12 S&P deals reported for modern and vintage tonnage. In addition, 3 tanker S&P deals were reported in bigger vessel sizes, 1 S&P deal in the LR1 panamax segment and 2 in the crude carrier segment one for a more than 10yrs old aframax and one for a 1yrs old very large crude carrier. Notable S&P deal of this week is the purchasing of a 320,105dwt very large crude carrier built 2012 South Korea, M/T "BLUE JADE" for about \$74mil to Singaporean buyers on subjects for offshore conversion project. In January 2012, M/T "ELECTRA GLORY" of 321,300dwt built 2009 South Korea had been reported sold for about \$78,3mil to South Korean buyers.

Overall, 31 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 309.1 mil, while 7 deals reported on private terms. Bulk carriers lost their leading position from tankers for a second week holding 26% share of this week's S&P activity against 52% share from tankers. Comparable with previous year, this week's S&P activity is almost at similar levels of last year, when 32 vessels induced buyers' interest at a total invested capital of about \$268,75mil with 9 S&P deals in the bulk carrier segment, 13 in the tanker, 4 in the liner and 2 in the container. In terms of invested capital, tanker segment appears as the most overweight segment by attracting about 54% of the total amount of money invested with an invested capital of about \$168.2mil for 16 total vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, the ordering spree of bulkers keeps going for all vessel sizes with recorded activity also in the gas tanker and container segments and silent business for tankers. In the container segment, Asian players are exploiting the bottom newbuilding prices with China Shipping Container Liners said to be preparing for massive investment plans for post panamax vessels.

CSCL said it will order five 18,000teu newbuildings through its subsidiary CSCL (Hong Kong). The parent company said in a stock filing that the newbuilding VLCs will change the fleet structure of China Shipping Container Lines and lift its core competitiveness. The aim, it added, is to promote a development strategy of 'big ship, big co-operation'. In addition, it is preparing to order a dozen 10,000teu box ships at Hudong Zhonghua Shipbuilding (Group) and Dalian Shipbuilding, at a cost of about \$1.13Bn. CSCL will



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order four of the ships at each of the two yards, with further plans to order an additional two at each of the yards. No delivery details are available, as the owner added that the contract plan is subject to approval at the general meeting of the company.

Overall, the week closed with 32 fresh orders reported worldwide at a total deadweight of 2,115,200 tons, posting 61% week-on-week decrease from previous week, with bulk carriers holding 47% share of the total volume of new orders, gas tankers 34%, and containers 19%. This week's total newbuilding business is 20% down from similar week's closing in 2012, when 40 fresh orders had been reported, 3 for bulkers, 13 for tankers, 3 for gas tankers, 4 for liners, 2 Ro-Ro, 2 car carrier and 15 for special projects. In terms of invested capital, the total amount of money invested is estimated in region of more than \$2,16 bn with 8 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money is invested in the gas tanker segment with 11 new orders, 6 for large LNG carriers, 2 for very large LPG carriers and 3 for handy LPG/ethylene carriers.

In the **bulk carrier** segment, Japanese shipbuilding group Imabari has won an order for three handysize bulkers of 37,000dwt from Hong Kong based Uni-Asia Shipping, a wholly owned subsidiary of Uni-Asia Holdings with delivery in 2014-2016 at an estimated cost of about \$24,3mil each. In addition, Atlantska Plovidba of Croatia has signed a deal with the Chinese shipyard Qingshan to build two 38,700dwt, with an option of two more. According to its statement on the Zagreb Stock Exchange, Atlantska Plovidba said that the new ships would include a new type of main engine which will use considerably less fuel than in previous ships of this type. Delivery is scheduled for the first ship in late March 2015 and on the second in late October 2015. In last, Chinese shipbuilder Yangfan Group has won another two 36,000dwt, self-unloading bulkers from Canada Steamship Lines, bringing to four the number of self-unloaders at an undisclosed contract price with delivery in late 2014 and early 2015.

In the capesize segment, Quintana Maritime of Greece is reportedly to have placed an order for two 180,000dwt vessels, with an option for two more, at Sungdong of South Korea for delivery in 2015 at an estimated newbuilding cost of about \$47-\$48mil.

In the **gas tanker** segment, South Korea's STX Offshore & Shipbuilding has received an exercised option for three LPG ethylene carriers from Unigas pool of companies, one each for Othello Shipping, Bernhard Schulte and Sloman Neptun. The 12,000m³ vessels, which were part of an original order placed at the beginning of October 2012, with delivery in 2015 at an estimated newbuilding cost of \$32mil each.

In the very large LPG segment, Bermuda based trader Petredec is said to have signed a deal with South Korean yard, Hyundai Heavy Industries, for the construction of two 84,000cbm LPG carriers, with an option of two more, for delivery in the third quarter of 2015 for a total newbuilding cost of about \$300mil.

In the **LNG** segment, MITSUI OSK Lines and its Chinese partners China Shipping and SINOPEC have confirmed orders of six LNG carriers, to be built by Hudong-Zhonghua Shipbuilding. The ships are to be owned by a joint venture being formed by the three shipping groups, with MOL taking a 20% stake. The LNG carriers are expected to be delivered on or before April, July and November in 2016 and March, July and November 2017. The total price of the six ships will be about \$1.5Bn, with debt financing of \$1.2Bn provided by a syndicate made up of the Export-Import Bank of China, Industrial & Commercial Bank of China, Bank of China, Sumitomo Mitsui Banking Corp, Bank of Tokyo-Mitsubishi UFJ and Mizuho Corporate Bank, with Sumitomo Mitsui Banking Corp as financial adviser.

In the **container** segment, Bernard Schulte of German has placed an order for four more 2,300 TEU vessels at China's Yangfan for delivery in 2015 at an undisclosed contract price. The initial order of four was placed in October last year and the owner currently holds an additional option of four more vessels bringing the total to 12. In the post panamax segment, Embiricos connected company, international Maritime Enterprises, is said to have inked a deal for the construction of two 9,000 TEU boxships at Hyundai Samho for delivery in 2014 at a cost of \$81mil each.

DEMOLITION MARKET

In the **demolition** market, Pakistan keeps bullish in its levels offered and paid this week \$434/ldt for a general cargo M/V "AUSTANGER" of 7,526ldt built 1985. In the Indian subcontinent region, India follows Pakistan with firm volume of scrapping activity for container vessels at level in the region of \$440/ldt. One notable demolition transaction is reported in India for a container vessel M/V "HANJIN COLOMBO" with 18,750ldt built 1994 for \$470/ldt in India, including sufficient amount of bunkers.

In Bangladesh, some activity is reported this week on the deadline to import vessels before the June 6th budget deadline. One bulker converted from suezmax tanker M/V "GLOBE UNITY" of more than 20,000ldt is reported for disposal in Bangladesh at a price in the region of \$420/ldt, including 600tons bunkers remaining on board, asis Qinghuangdao. In China, benchmark prices are

still low compared with Indian subcontinent region with one deal reported this week at \$375/ldt for a panamax bulker M/V "ZHUSHUI 9" with spare propeller of 11,621ldt.

The week ended with 23 vessels reported to have been headed to the scrap yards of total deadweight 839,065 tons. In terms of the reported number of transactions, the demolition activity has been marked with 44% increase from previous week, showing 700% weekly increase in the container and 20% increase in the liner segment. Tankers' vessel disposals are subdued with only 2 vessel reported in the scrap yards, while bulk carriers' vessel disposals recorded no change from previous week. In terms of deadweight sent for scrap, there has been 2.4% weekly increase with India winning 13 of the 23 total demolition transactions, 2 vessels' disposals reported at an undisclosed destination.

At a similar week in 2012, demolition activity was up by 56%, in terms of the reported number of transactions, when 25 vessels had been reported for scrap of total deadweight 1,032,443 tons with bulk carriers winning 40% share of the total demolition transactions. India and Bangladesh had been offering \$450-\$470/ldt for dry and \$490/ldt for wet cargo.

GREEK PRESENCE

In the secondhand market, Greek owners are reported to have purchased 6 vessels for about \$98,35mil. In the bulk carrier segment, they bought 3 vessels, one kamsarmax built 2013 China for about \$24,9mil, one handymax built 1999 Japan for about \$10,5mil and one handysize built 2002 Japan for about \$11,75mil. In the tanker segment, they bought one panamax vessel built 2008 China for \$24mil and one MR built 2008 Japan for about \$20,5mil. In the container segment, they bought one sub-panamax vessel built 1998 Germany for about \$6,7mil.

In the newbuilding market, Greek owners made their presence during the first days of May in the bulk carrier and container segments for large vessel sizes. Their total amount of money invested for newbuildings is estimated in the region of \$257mil for 4 new contracts. In the bulk carrier segment, Quintana Maritime of Greece is reportedly to have placed an order for two 180,000dwt vessels, with an option for two more, at Sungdong of South Korea for delivery in 2015 at an estimated newbuilding cost of about \$47-\$48mil. In the container segment, Embiricos connected company, international Maritime Enterprises, is said to have inked a deal for the construction of two 9,000 TEU post panamax boxships at Hyundai Samho for delivery in 2014 at a cost of \$81mil each.