

SECONDHAND & DEMOLITION -NEWBUILDING COMMENTARY, OCTOBER 2013

Investment Trends: Secondhand . Newbuilding . Demolition

October ended with a sustained positive sentiment in the dry bulk freight market that pushed also significantly upwards secondhand investments for bulkier purchases, up by 40% year-on-year, while in the newbuilding arena, the ordering spree of September slowed its pace without losing its upward momentum from last year's levels.

Overall, secondhand investments continue to record lower pace of growth compared with newbuildings and demolition activity keeps a downward incline from last year's levels. Year 2013 is poised to end with the number of new orders surpassing 2,000 for the first time since the end of 2008 and posing a serious high risk on the optimistic expectations for an upturn of the market in the next year.

Average Number of Weekly Reported Transactions per month

		Oct 13	Sept 13	August 13
→	Secondhand	36	30	27
→	Newbuilding	52	69	45
→	Demolition	14	14	11

Average Number of Weekly Reported Transactions per year

		Year 2013	Year 2012	%y-o-y
→	Secondhand	27	22	23%
→	Newbuilding	48	24	100%
→	Demolition	17	18	-6%

Bulk carriers and tankers remain in the focus of investors for secondhand purchases with lower purchasing interest for containers. However, October ended with a higher purchasing interest for boxships from last month with focus in the sub-panamax segment.

Secondhand vessel values of bulkers keep increasing from the beginning of the year as charter rates record strong upturn from last year's weak levels. BDI is now up by 98% year-on-year with the average value of charter rates for capesize vessels, during October, showing a 78% year-on-year increase, 157% year-on-year increase for panamax vessels and 58% year-on-year increase for supramax vessels. According to 5yrs old assessments from the Baltic Exchange, the value of a capesize vessel has shown a 21% increase since the beginning of the year by rising to about \$36mil, from about \$30mil at the end of October 2012.

In the newbuilding arena, bulkers, tankers, gas tankers and containers still record remarkable upward movements from last year's ordering activity with the number of newbuilding orders marking new record levels for the first time since the end of 2008. In the bulk carrier segment, shipping players seem to concentrate their interest in the capesize and ultramax segment with Chinese yards winning the largest share of contracts. In the tanker segment, the ordering spree in the MR product segments seems to be endless with South Korean yards holding their leading position in securing of new contracts for such vessel sizes and also for the construction of large LPG or LNG carriers. In the container segment, October marked soft activity in the construction of post panamax boxships of more than 9,000 TEU, but investors have not yet lost their interest for such mega ships.

Secondhand Vessel Purchases: (down 4.7% month-on-month and 11% up year-on-year) - 144 vessels for an invested capital of more than \$2 bn, 23 S&P deals reported at an undisclosed sale price. (October 2012: 130 vessel purchases)

Newbuilding Orders: (down 31% month-on-month and 91% up year-on-year) - 221 vessels for an invested capital of more than \$9,1bn, 82 new orders reported at undisclosed contact price. (October 2012: 116 new orders)

Demolition: (down 35% month-on-month and 50% down year-on-year) -56 vessels for disposal of about 2,5mil dwt, 64% year-on-year decline in the number of bulkier disposals. (October 2012: 113 vessel disposals)

Bulk Carriers : Investment Trends (compared with previous month) Secondhand . Newbuilding . Demolition

- **Newbuilding: 40% down month-on-month and 454% up year-on-year**, in the number of new orders (72 new orders . 13 new orders October 2012). Chinese yards grasped 61% share of the new orders for bulk carriers in October with strong volume of activity in the handy and ultramax segment (44 new orders won from the total 72 new orders). Overall, capesize newbuilding orders in the frontline as 27 new contracts reported during October from zero contracting business in similar month last year. Handy (30,000-39,000dwt) and ultramax (60,000-67,000dwt) vessel sizes grasp also robust volume of orders, 16 and 13 respectively from 8 new orders placed for handy vessels in October 2012 and zero business for ultramax.
- **Secondhand: 12% down month-on-month and 40% up year-on-year**, in the number of secondhand vessel purchases (60 vessel purchases . 43 vessel purchases October 2012.)
- **Demolition: 38% down month-on-month and 64% down year-on-year** in the number of demolitions 20 vessel demolitions . 56 vessel demolitions October 2012). Strong activity in the handy-handymax segment with only one reported vessel disposal in the panamax vessel size and no recorded scrapping activity for capesize units.

Tankers : Investment Trends (compared with previous month) Secondhand . Newbuilding . Demolition

- **Newbuilding: 2% up month-on-month and 218% up year-on-year**, in the number of new orders (54 new orders . 17 new orders October 2012). Strong activity in the MR segment -36 new orders from 10 new orders reported during October 2012. In the crude segment, investors keep conservative approach as only 8 new orders emerged - 6 for aframax units and 2 for very large crude carriers. The large imbalance between vessels supply and demand keeps its sharp downward pressure on freight market recovery and shipping players appear skeptical in the full upturn of the market in sharp contrast with their approach in bulk carrier newbuildings. Overall, South Korean won 63% share of October's tanker contracts due to the large activity in the MR segment -30 new placed at South Korean yards of the total 36.
- **Secondhand: 2% up month-on-month and 14% down year-on-year**, in the number of secondhand vessel purchases (49 vessel purchases . 57 vessel purchases October 2012). The purchasing interest is still centered on handysize and MR vessel, while interesting S&P deals are also surfaced in the VLCC and aframax segments for vessels of up to 10yrs old built South Korea and Japan. Asset values on MR vessels are on rise since the beginning of the year. According to Baltic S&P Assessments, there has been a 21% increase in the average value of a 5yrs old MR vessel since the beginning of the year by fetching region \$26 mil for October (from about \$21mil in October 2012).
- **Demolition: 18.2% up month-on-month and with no change from previous year's levels** in the number of demolitions (13 vessel demolitions). The upward movement is attributable to the start up of scrapping activity in the aframax and VLCC segment with hopes that this trend will last so as to alleviate the burden from vessels oversupply.

Containers : Investment Trends (compared with previous month) Secondhand . Newbuilding . Demolition

- **Newbuilding: 34% down month-on-month and 475% up year-on-year**, in the number of new orders (23 new orders . 35 new orders in October 2012). Strong activity reported in the sub-panamax segment with 11 new orders from 4 new orders reported in October 2012. In the post panama segment, 5 new orders reported from 14 last month, while no contracts were placed during October 2012. Chinese yards grasped 13 new orders of the total 23, all placed in the sub-panamax segment.
- **Secondhand: 50% up month-on-month and 250% up year-on-year**, in the number of secondhand vessel purchases (21 vessel purchases . 14 vessel purchases October 2012).
- **Demolition: 50% down month-on-month and 61% down year-on-year** in the number of demolitions (7 vessel demolitions . 18 vessel demolitions October 2012). Vessel sizes reported for disposal were in the handy, sub-panamax and small panamax segments.

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