

SECONDHAND – DEMOLITION -NEWBUILDING COMMENTARY, SEPTEMBER 2013

Investment Trends during September: ↑ Secondhand – ↑ Newbuilding – Demolition ↑

September 2013 ended with an unexpected excessive volume of newbuilding orders that marked the highest tally of newbuilding orders reported since the beginning of economic recession at the end of 2008. The remarkable upturn of the dry bulk segment that led to 138% year-on-year rise in the value of the Baltic Dry Index and 498% year-on-year stronger charter rates for capesize vessels, at the end of September, triggered investors' plans for expanding their fleet now at a faster pace as asset prices signal upward movements. In total, 355 newbuilding orders are estimated as fresh orders to have been placed by investors worldwide with bulk carriers capturing 36% share of the total volume of ordering business.

In September 2007, when freight markets were experiencing spectacular charter rates and the value of the Baltic Dry Index was hovering above 8,000 points, 6319 points above September's 2013 average value of 1681 points, 417 new contracts have been recorded with bulk carriers holding 55% share. However, September's 2013 newbuilding activity is 35.4% higher than the volume of new orders reported during September 2008 with 36.5% higher volume of business reported in the bulk carrier segment (127 new orders for bulk carriers in September 2013 – 93 new orders in September 2008 with the average value of the Baltic Dry Index was standing near to 5,000 points), 42% higher volume of contracts for tankers and 122% higher volume of boxship new orders.

September **2013**: 355 new orders (127 bulk carriers, 61 tankers, 40 containers)

September **2008**: 262 new orders (93 bulk carriers, 43 tankers, 18 containers)

September 2007: 417 new orders (230 bulk carriers, 70 tankers, 68 containers)

In the secondhand market, investments trends are also on an upward momentum with an average number of vessels reported to have changed hands –26 vessels per week in the current year compared with 22 vessels in each week during 2012. In the newbuilding market, 47 vessels are estimated on average as reported per week in the current year compared with 25 vessels in each week during 2012. After the end of summer season, investors' fierce comeback underlines their high confidence in the shipping market as the world economy now seems to have entered in a gradual recovery for 2014 earlier than was initially estimated and seem to be more than eager for keeping their high pace of investments till the end of the year.

In the demolition market, September ended with an almost 80% increase in the number of vessel disposals due to mainly a 100% month-on-month rise in the number of bulk carrier disposals. The vessel size that led the scrapping activity in the bulk carrier segment to higher levels was the handy for vessels between 20,000-40,000dwt as 18 vessels reported to have been headed to the scrap yards during September compared with 8 in the previous month. In the capesize segment, the scrapping activity is almost standstill with only 3 vessel disposals.

Overall, secondhand S&P activity stood at 23% higher levels than August, with bulk carriers experiencing 90% increase in the number of vessels reported to have changed hands during September, but it is 57.4% lower than the volume of newbuilding orders due to 87% higher pace of investments for newbuilding bulk carriers.

Secondhand Vessel Purchases: (up 23% month-on-month and 28% up year-on-year) - 151 vessels for an invested capital of more than \$2,5bn, 31 S&P deals reported at an undisclosed sale price. (**September 2012**: 118 vessels)

Newbuilding Orders: (up 98% month-on-month and 196% up year-on-year) - 355 vessels for an invested capital of more than \$12bn, 158 new orders reported at undisclosed contact price. (**September 2012**: 120 new orders)

Demolition: (up 80% month-on-month and 12% down year-on-year) -86 vessels for disposal of about 3,6mil dwt, 41% year-on-year decline in the number of bulker disposals. (**September 2012**: 98 vessels)



Bulk Carriers - Investment Trends during September: ↑ Secondhand – ↑ Newbuilding – Demolition ↑

- **Newbuilding: 144% up month-on-month and 807% up year-on-year**, in the number of new orders (127 new orders – 14 new orders September 2012). From the 127 new orders reported in the bulk carrier segment, 42% share has been placed by Greek (15 new orders) and Chinese shipping players (38 new orders). Chinese yards grasped 81% share of the new orders for bulk carriers in September with strong volume of activity in the ultramax segment (51 new orders won from the total 52 new orders).
- **Secondhand: 90% up month-on-month and 39% up year-on-year**, in the number of secondhand vessel purchases (68 vessel purchases – 49 vessel purchases September 2012.) Average age of vessels reported sold – 7yrs old built 2013 with lull activity in the panamax and capesize segment with 6 and 3 vessel purchases respectively. Strong activity in the handy segment, mainly for vessels built China and Japan, with 19 vessel purchases for handy between 20,000-40,000dwt, 12 vessel purchases for handymax 40,000-50,000dwt and 13 in the supramax/ultramax segment 50,000-60,000dwt.
- **Demolition: 100% up month-on-month and 12% down year-on-year** in the number of demolitions (32 vessel demolitions – 16 vessel demolitions September 2012). Strong scrapping activity in the handy segment for vessels between 20,000-40,000dwt with limited potentials for solid scrapping business in large vessel sizes, capes / panamaxes, after the recent revival of freight rates.

Tankers: - Investment Trends during September ↓ Secondhand – ↑ Newbuilding – Demolition ↑

- **Newbuilding: 24% up month-on-month and 91% up year-on-year**, in the number of new orders (61 new orders – 32 new orders September 2012). Strong activity in the MR segment -20 new orders from 12 new orders reported during September 2012 and in the aframax segment with 12 new orders from only 2 reported in September 2012. The sharp upward revision of aframax newbuilding orders is attributed to the investment of Greek owners as they placed 8 of the total 12 new orders at South Korean yards. Overall, South Korean and Chinese yards won 84% share of September's tanker contracts – 28 new orders from Chinese, 23 new orders from Korean and only 5 from Japanese in the handy segment (10,000-34,999dwt vessels).
- **Secondhand: 15% down month-on-month and 41% up year-on-year**, in the number of secondhand vessel purchases (48 vessel purchases – 34 vessel purchases September 2012). Average age of vessels sold -9yrs old built 2004. Strong activity in the handy segment for vessels 10,000-20,000dwt mainly built in Japan – 14 vessel purchases, and in the MR segment for vessels 45,000-50,000dwt, mainly built in Korea – 14 vessel purchases. In the crude segment, the S&P activity for large vessel sizes is very quiet with buying interest for vessels mainly built Japan and South Korea (5 vessel purchases in the aframax, 3 in the suezmax and 1 in the very large crude carrier segment).
- **Demolition: 83% up month-on-month and 38% up year-on-year** in the number of demolitions (11 vessel demolitions – 8 vessel demolitions September 2012). In the crude segment, 4 vessels reported for disposal with an average age of scrapped 20 years old, 1 disposal in the aframax, 1 in the suezmax and 2 in the VLCC segment.

Containers: - Investment Trends during September ↓ Secondhand – ↑ Newbuilding – Demolition ↑

- **Newbuilding: 208% up month-on-month and 300% up year-on-year**, in the number of new orders (40 new orders – 10 new orders September 2012). Strong activity reported in the sub-panamax segment with 12 new orders from zero reported activity in September 2012 and in the post panamax segment for boxships of more than 10,000 TEU with 14 new orders. In September 2012, 10 new orders were reported in the post panamax segment for vessels between 9,000-9,999 TEU. Chinese yards won 21 new orders with large presence in the sub-panamax segment, while South Korean emerged strong in the post panamax segment by winning 9 new orders of the total 14.
- **Secondhand: 7% down month-on-month and 27% up year-on-year**, in the number of secondhand vessel purchases (14 vessel purchases – 11 vessel purchases September 2012). The lion share of S&P activity is centered on the handy and sub-panamax segments with only one enbloc deal reported in the panamax segment for two vessels reported sold of about 5,000TEU. Average age of vessels sold -12yrs old built 2001.
- **Demolition: 40% up month-on-month and 17% up year-on-year** in the number of demolitions (14 vessel demolitions – 12 vessel demolitions September 2012). Average age of vessels scrapped – 23yrs old built 1990 with strong activity in the small panamax segment (2 vessel disposals in the feeder, 3 in the handy, 2 in the sub-panamax and 7 in the small panamax segment for vessels between 3,000 and 5,000 TEU).

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