

# PRE-OWNED UPDATE: FEBRUARY 2016

News / Business aviation



Attractive pricing and an active fourth quarter pushed inventory down in January to levels below the previous quarter. While that's encouraging for sellers, inventory is still perched about 100 aircraft above the year-ago level and about 50 aircraft higher than the 12-month moving average of roughly 2,300. The year begins against a backdrop of a marginal Fed funds increase, a stock market correction and the lowest oil prices in a dozen years; how those factors will influence aircraft sales remains to be seen.

With the worldwide growth of business aviation, it's hard to paint the inventory landscape with a broad brush as some regions have their own unique influencers. Clearly the reported pullback in buyers out of Russia has negatively affected sales in Europe. Information gleaned from aircraft database JetNet shows inventory of aircraft produced in 2000 or later for sale in Europe is about five percentage points higher there than in North America, at 12.9 percent in Europe, 8 in North America and 11.5 in South America. While China has been in the financial news a lot lately, its supply of jets for sale has remained fairly low, with slightly less than 10 percent of its small fleet (fewer than 300 but growing). That's in keeping with the rest of Asia, where slightly more than one in 10 of 2000 and newer aircraft is for sale. The number of aircraft in China is approaching 20 percent of the fleet population of Asia. The actual number is likely higher, too, as some aircraft appear to be operating there under N registration, held in U.S. trust companies.

Rumored discounting of some long-range, large-cabin aircraft by OEMs has exerted significant pressure on the used market prices, some of which are taking seven-figure quarterly hits in the value guides. In North America, where the supply of newer aircraft stands at reasonable levels, I'm not sure the tanking of prices is warranted. As you might expect, almost all downstream aircraft are affected as well. While no one hangs their hat on the book values, they have been used as an instrument of convenience by buyers who want to soften up a seller. Surprisingly, 2012 and newer G550s show a price reduction of \$2 million last quarter, which triggered a chain reaction on early models as well as other models in the brand. In this case it's as if the G550 is pummeling the G450. According to *Vref*, the price of the G450 fell \$4.75 million last year and transactions over the last six months have been few and far between, managing to reach only one third of the number of G550s that have sold.

The same holds true in other markets. For example, the Global 6000 seems to be overshadowing the Global 5000, which has seen less than a handful of sales in the last six months at prices ranging from as low as \$17 million for a 2006 model to \$43 million for a 2015. Ten percent of the supply is for sale, so there doesn't appear to be an oversupply. Rather, there is an undersupply of ready buyers. The Falcon 7X, too, experienced a recent \$2 million knock from *Vref* on every model from the 2007 to the 2014. About 10 percent of the aircraft delivered are for sale, but the two that have sold over the past six months equate to an absorption rate of 66 months. Pricing currently runs from \$23 million to \$46 million.

Even the ever popular Challenger 300 has felt the pinch as 350s slowly make their way to the used arena. Sub-\$20 million pricing here has ratcheted down the pricing in the 2014-model 300s to around the \$15 million range, while the earliest models can be found with regularity below \$10 million. With 34 for sale there's plenty to go around and the number of sales, an average of 1.5 per month, makes for an absorption rate of nearly two years. Pricing and popularity make this segment a nice upgrade to the super-midsize class for operators of Learjets, Hawkers and Excels, to name a few.

A nearly equal number of Citation Xs are being offered, but the aircraft's smaller production run equates to a higher percentage for sale. A handful more Citation Xs have sold, however, and pricing has ranged from just under \$3 million for a 1996 model up to as much \$10.6 million for a 2009 with fewer than 2,000 hours, but that's the only one to have pierced the \$10 million ceiling—the next highest price was \$3 million less, which is why the average for this model type is \$5.35 million, according to research firm AircraftPost. Another choice in this segment, the Falcon 2000, is tighter, with only about 5 percent for sale and ranging in price from \$4.5 million to \$7.5 million. Not surprisingly, five of the French-built super-mids currently for sale are based outside the U.S. Despite the low inventory level, sales are anything but robust: less than a handful sold over the last six months and the average time these aircraft collectively spent on the market was 672 days. Two of the four were 1990s vintage and one sold for south of \$3 million; the latest, a 2002, reportedly sold for nearly \$8 million, according to AircraftPost.

A stock market in correction territory, an election year and the Fed tightening are factors that are likely to cause some to pause. The initial perception of the year ahead is that it will be challenging for aircraft sales. While prices have been clobbered, the economic backdrop is also serving as the catalyst to keep buyers licking their chops and engaged in the market.

07 FEBRUARY 2016

**SOURCE: AIN**

**ARTICLE LINK:**

<https://to.50skyshades.com/news/business-aviation/pre-owned-update-february-2016>