



## Preowned Annual Report

# As inventories decline, a buyers' market may be fading.

by Bryan A. Comstock

**THIS YEAR TURNED OUT BETTER FOR BUSINESS** jet sellers than some analysts had predicted, as quite a few models staged impressive gains. Gulfstream's G550, Bombardier's Challenger 300 and Cessna's Citation CJ3 are among the aircraft that exhibited clear signs of a market traversing the slippery slope of the bust-to-boom cycle.

That doesn't necessarily mean that their values increased, but their inventories shrank—a change that generally leads to price appreciation sooner or later. For some models, the inventory reduction represented a fresh development. In other cases, the decline continued a trend that had begun before 2013.

Resigned to the misery that the market has dealt them over the last five years, sellers seemed to resist brokers' advice that they needed to reduce their asking prices in order to have any hope of rolling out of their current aircraft and into other ones. The only way to achieve equilibrium has been to lick the wounds on the sell side and take advantage of market forces on the buy side of the equation. For example, a GIV owner—who may have seen his aircraft's value plummet from \$15 million to \$5 million in five years—might take

some comfort from knowing that he can now buy any GIV-SP for what he paid for his current model and might even be able to get into an early GV for \$15 million or so.

Of course, the first question such buyers ask is, "Has the market stopped going down?" Having answered that query incorrectly at least twice since 2008, I now usually reply, "Values are so low today, what does it matter?" Admittedly, that's easier to say when you're not the one with seven-figure money at risk.

What's next? Some believe that 10-year-old and newer aircraft may be oversold and could actually tick up in the next 12 months. Though others might consider that notion preposterous, keep in mind that people usually start saying we have a buyer's or seller's market when we're actually beginning to see a change in the other direction. While buyers have held the upper hand for several years, we may now be witnessing a slight shift toward more equal power for buyers and sellers. ■

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## Residual Values of 2008 Bizjets

(Current value as % of original cost)

Aircraft	%
Gulfstream 550	82%
Falcon 7X	81%
Phenom 100	80%
Global 5000	74%
Citation Mustang	72%
Falcon 900EX	71%
Falcon 2000LX	70%
Global Express XRS	69%
Falcon 900DX	68%
Gulfstream G450	67%
Challenger 300	65%
Citation CJ2+	65%
Citation CJ3	63%
Citation CJ1+	62%
Falcon 2000DX	58%
Citation XLS	55%
Challenger 605	55%
Gulfstream G150	54%
Citation Encore+	53%
Citation X	53%
Eclipse 500	52%
Citation Sovereign	50%
Legacy 600	49%
Challenger 850	49%
Learjet 45XR	48%
Gulfstream G200	44%
Hawker 900XP	40%
Learjet 60XR	37%
Hawker 850XP	35%
Premier 1A	34%
Beechjet 400XP	29%
Hawker 4000	22%

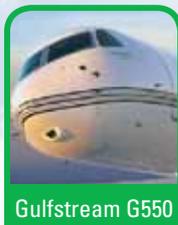
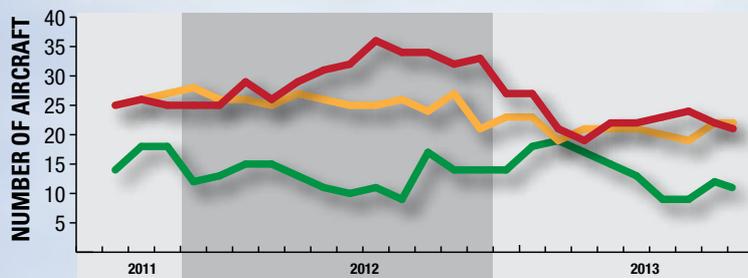
Source: Aircraft Value Reference Guide Vol. 13-3

## TWO-YEAR INVENTORY TRENDS OF THREE BUSINESS AIRCRAFT

Each of the three business jets on this chart has enjoyed production runs that have resulted in more than 400 aircraft and counting. That alone qualifies them as popular models and further confirmation comes from how few are currently available—5 percent of the fleet or less.

Inventory levels of the Citation CJ3 and Gulfstream G550 have made some interesting up and down moves over the past couple of years while the number of Challenger 300 choices has remained fairly steady. For instance, in the fall of 2011, 25 were for sale and today there are 22, but consider that the production numbers were considerably lower two years ago than they are now. Though the number of aircraft for sale has held fairly steady, the increase in fleet size pushed down choices from 7 percent then to 5 percent now.

A similar drop attributable to increased production holds true for the G550, which has the tightest market supply of any business jet today with only 2.3 percent available, and the CJ3, which has 5 percent availability. Consider that when the market went off a cliff five years ago, G550 inventory spiked to more than 30, or nearly 15 percent of the fleet at that time. —B.C.



Gulfstream G550



Challenger 300



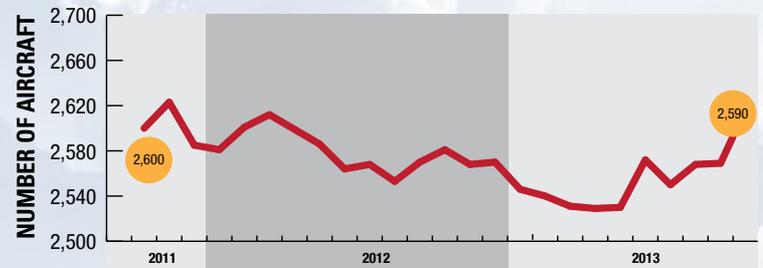
Citation CJ3

## BUSINESS AIRCRAFT INVENTORY — THE TWO-YEAR TREND

The number of business aircraft for sale has not wavered much over the last two years and, in fact, about as many are on the market today as in the fall of 2011.

The demographics may have changed, though. If there's a blue-light special in aisle four, then aisle four is Europe, where more than 16.5 percent of the collective fleet is for sale, compared with North America at 12.8 percent and the rest of world at 11 percent. A further breakdown of 10-year-old and newer aircraft shows a nearly 5 percentage-point drop for both Europe and North America and about a 3 percent decline for the rest of the world.

"Are they really for sale?" you might ask of the nearly 15 percent of North America-based aircraft (nearly all more than 10 years old) that have been on the market for more than two years. Clearly they are overpriced, or perhaps they're priced in anticipation of a future recovery. Be that as it may, if you strip these older models out of the equation, North American inventory drops another 2 percentage points—close to the 10 percent availability figure often used to define an average supply. —B.C.



### SOME POPULAR PREOWNED MODELS

	PHENOM 100	CITATION CJ3	HAWKER 400XP	LEARJET 60	GULFSTREAM G200	CHALLENGER 300	CITATION X	FALCON 2000	CHALLENGER 605	GULFSTREAM G550
<b>No. in Operation</b>	285	399	242	312	246	413	310	230	223	411
<b>Percentage for Sale</b>	6.6%	5.0%	9.0%	15.3%	11.3%	5.3%	9.0%	11.7%	6.7%	2.7%
<b>Avg. Price 2011 (millions)</b>	\$3.0	\$6.0	\$3.1	\$3.1	\$9.3	\$15.0	\$8.5	\$11.3	\$20.8	\$40.8
<b>Avg. Price 2012 (millions)</b>	\$3.0	\$5.0	\$2.4	\$3.0	\$8.9	\$13.7	\$7.8	\$8.3	\$18.8	\$39.9
<b>Avg. Days on Market</b>	252	162	372	252	176	187	163	384	229	243

The 10 randomly selected jets in this table are selling far faster than last year's group of 10—200 days faster on average. Last year's group spent an average of nearly 450 days on the market. Note also the two-year price changes, which are not as drastic as they have been on several past charts.

These spreads are averages derived from asking prices posted in Jetnet and can vary widely depending partly on how many "make offer" aircraft are omitted from the list. Consider the Falcon 2000, which shows the widest two-year price variance. In 2011, 72 percent of the 2000s for sale had "make offer" pricing, leaving a small fraction from which to calculate the average. In a falling market "make offer" pricing is common. Today, perhaps due to market clarity, more than half of the aircraft for sale have prices attached, affording buyers and sellers with more accurate market insight. —B.C.

Source [all charts and statistics on this page]: Jetnet, LLC