



# A deluge of data

Market analyses and forecasts are plentiful. But good luck finding a clear consensus about where we're headed.

by James Wynbrandt

Whether you're a prospective buyer or seller, you may well be feeling confused about the preowned aircraft market's course this year. First, an expanding array of transaction and residual-value reports and forecasts is producing a flood of information, oftentimes conflicting. Add in more finely parsed analyses from traditional market data providers—and the differences

in the fleets they track and their reporting methodologies—and the potential for a muddled market view becomes wide enough to fly a fleet of preowned BBJs through.

But as the 10th anniversary of the 2008 aircraft market meltdown nears, we can say that the preowned arena continued this year its search for stability and positive indicators; and it did so against a now-perennial backdrop of declining

values and glass-quarter-full optimism levels. Aircraft value tracker *Vref* captured the spirit of the 2017 market in its third-quarter newsletter: "Although this segment continues to trend down," it said of values for preowned business jets, "the decline is much less than in the recent past. We are viewing this as a positive change."

The *Vref* report found that values of late-model large-cabin

business jets, considered the backbone and bellwether of the preowned market, had declined 10 percent year over year—outstripping the value loss in jets of other cabin categories or vintages. That hardly seems evidence of the "new enthusiasm" the firm detects in the market, but it could be the new reality.

"The values for cabin class aircraft are starting to imitate values

## AIRCRAFT THAT HAVE RETAINED VALUE

Here are some models tracked by AircraftPost.com that have lost the least value since last year—or in a few cases actually gained value.

Out-of-Production Models					Current Models			
Type	Model	2016	2017	Change	Model	2016	2017	Change
Light	Learjet 45	\$1.6M	\$1.55M	-3.1%	Embraer Phenom 300	\$ 7.15M	\$7.16M	+0.1%
Medium	Learjet 60	\$1.6M	\$1.60M	0%	Citation Sovereign	\$11.4M	\$12.0M	+5.3%
Large	Global Express	\$8.9M	\$8.40M	-5.6%	Gulfstream G550	\$38.0M	\$36.0M	-5.3%

Note: Prices are average actual sale prices for 2016 and for 2017 through November 6.

## PREOWNED AIRCRAFT



JETS

2015	2,352
2016	2,414
2017	2,208



TURBOPROPS

2015	1,206
2016	1,201
2017	1,152

Source: JetNet LLC

Note: Figures are for November of each year.

for luxury cars,” says Anthony Kioussis, president and CEO of appraisal firm Asset Insight. “The depreciation curve is much steeper in the beginning of the asset’s life, and the final effect we believe is going to be a loss of somewhere around 50 percent, perhaps more, in the first five to seven years of an aircraft’s service life.”

Asset Insight has developed a process that tracks “maintenance exposure,” taking into account the costs of making an aircraft squaw-free and mandate-compliant in determining value. The company also continually tracks the maintenance status and related financial exposure of some 1,800 fixed-wing aircraft listed for sale to chart the fluctuating asset quality of market inventory. In its fourth-quarter 2017 report, Asset Insight found that average ask price “reached yet another all-time low” (\$11.58 million for large jets, \$2.95 million for medium jets, and \$1.88 million for light jets), while the “ask versus final transaction gap worsened” (to 12.5, 14.8, and 7.9 percent respectively).

On the other hand, transaction volume has increased, according to both market and anecdotal data. Michael Dwyer, managing partner at Guardian Jet, pronounced the market “extremely strong” at a presentation in September. JetNet reported a 5.5 percent increase in retail transactions for the first half of this year versus 2016, while Amstat put the year-over-year increase at 8.4 percent. The disparity in figures results in part from the differing fleets these and other services track. Amstat follows about 22,000 business jets worldwide; JetNet tracks about 37,000 aircraft representing some 225 models of business jets, turboprops, and helicopters.

Meanwhile, the bifurcated market observed in the aftermath of the Great Recession—with transaction activity of newer versus older preowned aircraft

trending (and often reported) separately—has now been trifurcated. Amstat, in an effort to make its data “more granular,” subdivided transaction activity in light, medium, and heavy jet categories into Newer (10 or fewer years old), Mid Age (11–20), and Older (more than 20 years old) airframe divisions in a report delivered in October. In all three cabin classes, the newest jets had the greatest increase in year-over-year transaction activity, topping out at an eye-popping 38.2 percent jump among large-cabin jets. But as Amstat

**“We’re not seeing price stabilization in any of the markets, and as the longer-range aircraft continue to plummet in value, that is putting pressure on ancillary markets,” says AircraftPost’s Dennis Rousseau.**

noted: “While these percentages seem high, [given the thin market] a few transactions plus or minus will have a significant impact from one period to another.”

One promising trend reported by several analysts: a decline in pre-owned inventory, bringing these figures down to near 10 percent of the in-service fleet for some models—lows not seen since before the meltdown—and portending a halt to the steep drops in pricing and values of the last decade. “We’re starting to hit the mark on what we project a sale or purchase price to be when we get to a closing, where we’d been behind the eight ball, catching a falling knife, since 2008,” Dwyer says.

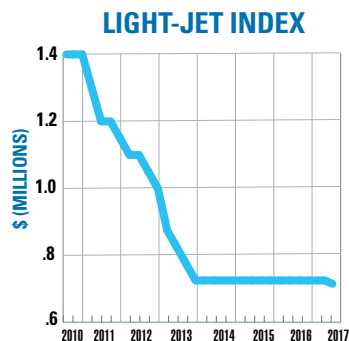
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But AircraftPost, which tracks some 11,000 business jets worldwide, sees no evidence of inventory shrinkage. It reports that 14.5 percent of long-range jets, 17 percent of medium-size models, and 19 percent of the light jets in service are currently for sale.

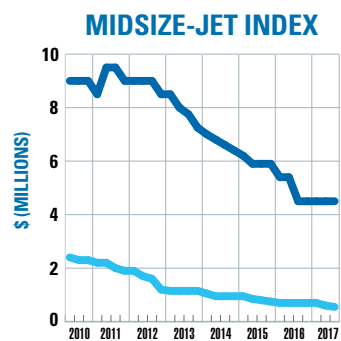
“Unfortunately, we’re not seeing price stabilization in any of the markets, and as the longer-range aircraft continue to plummet in value, that is putting pressure on ancillary markets,” says Dennis Rousseau, AircraftPost’s founder and president. The transaction data service also reports that time on market has continued to lengthen, a statistic based on the average number of days on market not of aircraft for sale, but rather of aircraft that have sold. Among light jets that changed hands so far this year, days on market ballooned to 599 from 477 in 2016; for medium jets, the figure rose to 580 from 482 last year; but for large jets, days on market actually dropped, from 674 last year to 631 in 2017. (Note that large-cabin models have seen the largest value loss and the most sales activity among jets this year, according to market watchers. That suggests that if prices keep dropping, buyers will eventually come.)

The bottom line is that the pre-owned arena continues to be a buyers’ market. Inventory remains high, though quality, late-model aircraft are the first to find new owners.

Sellers are not likely to be as happy as buyers these days, because valuations may have declined more than they anticipated when they bought their aircraft. Then, again, sellers are often disappointed regardless of what price they get. “It doesn’t matter if you’re selling an aircraft, a motorcycle, or a car,” says Rick Cox, *Vref’s* publisher. “Everybody thinks it’s worth more than it really is.” **EJT**

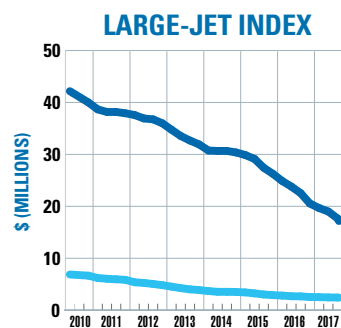


This older-models index is a compilation of data for the 1991 Beechjet 400A, 1993 Cessna CitationJet, 1990 Citation II, 1990 Citation V, 1982 Falcon 10, 1985 Westwind II, and 1991 Learjet 31A. Data for late-model light jets is not available.



This late-models index is a compilation of data for 2008 models of the Challenger 300, Challenger 605, Citation XLS+, Citation Sovereign, and Gulfstream G150.

This older-models index is a compilation of data for the 1988 Citation III, 1992 Citation VII, 1990 Gulfstream Astra SP, 1990 Hawker 800A, and 1993 Learjet 60.



This late-models index is a compilation of data for 2010 models of the Global 5000, Embraer Legacy 650, Falcon 7X, Falcon 900EX, Gulfstream G450, and Gulfstream G550.

This older-models index is a compilation of data for 1990 models of the Bombardier Challenger 601-3A, Falcon 50, Falcon 900, and Gulfstream IV.