

# PRICE DIVERGENCE...

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In 2006, the average cost new for a Pro Line 4 equipped Lear 60 was about \$12.5 million. In 2007, the Lear 60XR entered service with the Pro Line 21 avionics and had an average cost new of about \$13 million. The \$500 thousand delta basically gave the operator a Pro Line 21 cockpit and redesigned interior. The engines, fuselage, empennage, etc., were unchanged and both aircraft certified under the same type certificate (TC), A10CE. In the last few months, a 2006 Lear 60 sold for \$3.8 million and a 2007 Lear 60XR sold for \$3.8 million.

A 2007 Hawker 850 with 731-5BR engines had an average cost new of approximately \$13.5 million and today has a resale value of \$4.5 million. A 2007 Hawker 900XP with 731-50R engines sold new for roughly \$14.5 million and has a resale value of \$5.4 million. Other than engines, the aircraft are near identical (interior / exterior, Pro Line 21 cockpit) and have the same TC (A3EU). All things considered, the above-mentioned facts represent quite an interesting scenario for value retention and age-based depreciation.

However, when the original cost new price point exceeds the \$20 million mark, the results portray a different picture, regardless of the manufacturer. In 2005, Dassault delivered the CFE738 powered Falcon 2000 with the Pro

Line 4 cockpit (CRT displays) for about \$23 million. The same vintage Falcon 2000 equipped with the EASy cockpit and P&W engines had an original price new of about \$25 million. In the last few months, a 2005 legacy 2000 sold for roughly \$10 million whereas the same vintage 2000 EASy averaged \$14 million. Once again, the same type certificate (A50NM), fuselage, empennage and interior, etc., with a \$2 million delta when new, yet a \$4 million spread 10 years hence.

The Gulfstream GV and G550 are another example of this price divergence. A 2002 GV had an original price new of about \$42 million. Its successor, the G550, had an average price new of \$42.5 million in 2003. The primary difference between the aircraft was the introduction of the Plane View cockpit, replacing the CRTs in the GV with 4 LCDs in the 550. Both aircraft shared the same TC (A12EA), fuselage, wing, empennage, etc. The average selling price today for the 2002 GV is \$15 million compared to the 2003 G550's \$22.8 million. The Challenger 604 (Pro Line 4) and 605 (Pro Line 21) follows a similar pattern. However, as large as the pre-owned price spread seems, with global economic conditions worsening and new aircraft deliveries slowing, it's only a matter of time before the divergence becomes a convergence and aligns with the original price spread when new.

## GV G550 MARK-TO-MARKET VALUES

- 2002 GV Mark-to-Market Value
- 2002 GV Average Sale Price
- 2003 G550 Mark-to-Market Value
- 2003 G550 Average Sale Price

