

MARKET ROLLER COASTER OR STABILITY

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During the last few years, AircraftPost has addressed many dynamics affecting the business jet market and specifically aircraft values. Our markets have changed dramatically since 2008. As we're in our seventh year of "recovery" the same recurring question is asked: "Is the business jet market improving?"

When we see a backlog in new aircraft deliveries with waiting times exceeding two years, pre-owned sales tend to increase as was the case in 2000 with the dot com hyperbole or the run-up to the financial debacle in 2008. However, we do not have these types of events to stimulate new or used aircraft sales. On the global economic side, the same countries that were boosting sales of business jets (China, Russia, select countries in the EU and South America) are undergoing harsh austerity measures. This is returning North America to being the dominant player in new aircraft sales, which in and of itself is not a bad thing, it simply leaves the U.S. market carrying the weight when our economic growth is batting "0."

GOOD NEWS

Our industry recently experienced an influx of good news and technological advancement with the announcement of the Falcon 5X, the Gulfstream G500/600, the Cessna Latitude, certification of the Embraer Legacy 450 and the Honda Jet, the first flight of the Pilatus PC 24 business jet as well as the Falcon 8X.

GOOD NEWS / BAD NEWS

The backlog for new aircraft deliveries is declining. Bombardier is reducing production of the Global 5000 / 6000 and has ceased production of the Lear 60XR. Production aircraft inventories continue to rise, exceeding 10 percent of the available fleet. For most pre-owned aircraft the number of transactions year-over-year are down and prices across the board continue to deteriorate. The GV experienced a 22 percent drop in price from 2013 to 2014 and a further 16 percent in 2015, which in turn may have sparked an uptick in the number of transactions. A similar scenario played out with the Challenger 605 and Global Express XRS where year-over-year pricing declined and transactions increased. In all cases, the price declines well exceed the effects of age-based depreciation.

MARKET STABILITY

Overall our markets are moving in pockets. What seems to be driving sales is value or better stated, "How much aircraft can I buy for the dollar?" The GV may be the dominant market player today but if history repeats itself, another aircraft will soon takes its place.

The following chart summarizes select business jet model sales from January through May for each reporting year:

	JANUARY - MAY 2013 SALES			JANUARY - MAY 2014 SALES			JANUARY - MAY 2015 SALES		
	# Sold	Avg Sell Price	Avg Year	# Sold	Avg Sell Price	Avg Year	# Sold	Avg Sell Price	Avg Year
Lear 45XR	4	4.8	2005	8	5.1	2008	3	3.5	2005
Citation XLS+	1	7.5	2008	3	8.5	2010	2	8	2011
Lear 60XR	1	5.3	2008	4	5.2	2008	4	5.3	2011
Hawker 900XP	4	6.2	2008	7	5.8	2008	2	6.3	2009
Citation Sovereign	5	9.4	2007	9	7.2	2007	3	7.2	2007
Citation X	7	4.3	1999	5	6.0	2001	6	5.7	2003
Gulfstream G200	2	7.0	2003	8	6.7	2003	9	7.1	2006
Challenger 300	7	14.8	2008	5	12.6	2006	8	10.8	2007
Falcon 50EX	3	5.7	2000	5	5.4	2001	2	4.8	2000
Challenger 604	17	7.6	2000	10	6.9	2001	7	7.2	2002
Falcon 2000	6	7.4	1998	10	6.9	2000	9	5.4	1998
Challenger 605	3	18.9	2009	1	17.0	2009	8	12.8	2008
Falcon 2000EXy	3	16.8	2005	8	18.7	2008	10	18.1	2009
Gulfstream GIV	3	5.3	1987	7	4.0	1990	2	3.4	1989
Falcon 900B	9	7.5	1990	3	6.6	1991	6	5.2	1991
Gulfstream GIVSP	5	9.6	1997	7	6.6	1996	12	7.3	1998
Falcon 900EX	4	14.1	1998	4	12.5	2000	2	13.9	2002
Falcon 900EXy	4	24.5	2006	0			2	22.5	2007
Gulfstream G450	4	23.0	2006	5	23.1	2008	6	20.4	2008
Gulfstream GV	4	20.7	2000	1	16.1	2000	8	14	2000
Global Express	2	21.0	2000	2	17.6	2000	2	14.5	2001
Global Express XRS	2	35.5	2006	2	36.5	2009	4	28.8	2008
Gulfstream G550	4	32.0	2005	8	34.1	2006	7	33.1	2008
Total	104	13.4	2002	122	12.2	2003	124	11.5	2004