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**The market has probably bottomed, but there are still some deals**

***By Bryan Comstock***

The good news is that the bad news seems to have subsided for the time being and business aviation's recent negative publicity served to make aircraft that much more affordable.

Consider that two years ago the average inventory stood at roughly 1,600 aircraft. Last year the average rose to slightly more than 2,100, and so far this year that number sits just above 3,000, a level never breached before. Many aircraft were dumped onto the market in the last four months of last year, when the fall of Lehman Brothers and a major stock market drop spurred a number of owners to place their aircraft on the market. The market experienced a net increase in inventory of more than 450 aircraft during that span, a figure that no other recent time period comes close to.

The silver lining in all this is that by most accounts the inventory peaked a few months ago—July to be exact. The fact that it began to recede in a peak summer month, historically the slowest sales period of the year, was a clear sign that not only were buyers returning to the market, but also that some sellers were reconsidering their commitment to selling. The latter mindset may have been spurred by the combination of an improving economic outlook and the low prices that pre-owned aircraft are fetching.

Some buyers are now starting to ask

where the deals are. What aircraft have the best potential of appreciating in price in the future? That line of questioning is another sign that buyers are looking to get in, and based on this—and other encouraging signs—a slow but consistent reduction of offerings can be expected through year-end.

Activity at service centers is another sign of a rebounding market. A number of these had cut their payroll and now, with the sudden uptick in buy/sell activity, find themselves short of manpower and hangars full. Escrow companies, aircraft lenders and aviation attorneys all report an increase in deal flow. No, it's not 2007 again, but the comatose market of a year ago has awakened, and the good news for buyers is that deals abound.

From CJs to G550s, buyers still hold the upper hand, but as pricing stabilize with many models, gone are the fire-sale prices reported or realized earlier in the year. There's still a ton of inventory. The GIV-SP market offers about 10 fewer aircraft than it did at its all-time peak of more than 40 this past spring. Now it has dropped to year-ago levels, down about 10. While that sounds good for sellers, it's five times more than the handful for sale at the beginning of last year. Now, instead of selling in the \$20 million to \$30 million range, they trade in the \$10 to \$15

million area. However, a number of recent sales and a handful of early serial numbers under contract could boost values if the current buying activity continues. The upper-end serial numbers are suffering from a crossover with GV pricing. In a couple of instances the GV has sold for less than \$20 million, but right now that looks to be more the exception than the rule.

Another model backing down off its inventory high is the Falcon 50EX. Sub-\$10 million sales have been common this year, and the discount from 2008 levels caught the attention of value buyers. In January last year only three were for sale and the average asking price was about \$17 million. Inventory since then rose eightfold by this past June, but since a price correction—the average ask is now \$12 million—has receded to 15 today. That's a big move in a short period of time and exemplifies how quickly a market's complexion can change over a quarter or two.

The Challenger 300 market has also been invigorated, and pricing is the catalyst. In January last year there were only eight for sale. At the time the 300 was the new kid on the block and everyone seemed to be chasing it. Buyers were paying premiums on new delivery positions without hesitation. At that time pricing sat above the \$20 million level. After that options grew to about 35 and prices dropped off a cliff. The airplane is averaging one sale a month and most have sold for around the \$15 million level. The highest was \$17.2 million and the lowest \$11.8 million according to Aircraft Post.

Even the Learjet 60, which ballooned from about 30 available in January last year to nearly 80 just a few months ago, has turned back and now stands at a hair below 70. The price drop here—as with its peer aircraft, the Excel, Astra SPX and Hawker 800XP—has been equally dramatic.

On the light jet side the Citation Jet or CJ has also added nearly 50 to its stock but, unlike the examples above, it has not moved significantly from its high-water mark of the beginning of the year. The CJ has plenty of company. The Challenger 604, which from August last year to August this year ran from 15 to 50 choices, remains at its average supply for the year. These are but two examples of a number of aircraft in the same situation, which may mean perhaps that these types of market are the most fertile hunting grounds for deals. It's clear that price sells, and if aircraft segments are not moving there may be a need for further reductions. A word of caution to buyers is that just because an aircraft is offered for sale doesn't mean that it can be bought. The recent stigma associated with owning a jet may have been too much for some to bear, so it has been suggested that a certain percentage arrived on the market to appease stockholders and avoid bad press.

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