Jet buyers' options

Choices may be even more limited than the numbers suggest.

by Bryan A. Comstock

SPRING HAS SPRUNG AND THE PREOWNED aircraft business is still germinating. A slow, orderly recovery continues its linear track to the lowest inventory levels since the market peaked at 3,110 in 2009.

While inventory represents a key indicator for buyers and sellers, it's also important to understand the makeup of today's choices. Consider that of the preowned jets now for sale, 70 percent are based in North America, 18 percent in Europe, 5 percent in South America, 4 percent in Asia and about 3 percent total in Australia/Oceana and Africa. Further, 34 percent were made in 2000 or later; 20 percent are 1990s vintage; and the remainder were manufactured prior to 1990.

OF PREOWNED JETS NOW ON THE MARKET, 66 PERCENT WERE MADE PRIOR TO 2000.

When supply of a model is plentiful, buyers don't need to travel far afield to flush out viable aircraft. So, for instance, if a U.S. buyer is seeking a Challenger 604, he may not consider the 17 that are based in other parts of the world and if he wants a 2000 model or newer, he'll rule out another 16. This will bring what had been 47 choices down to 14. Other buyer parameters–such as interior condition and configuration and ownership history–will further reduce the choices.

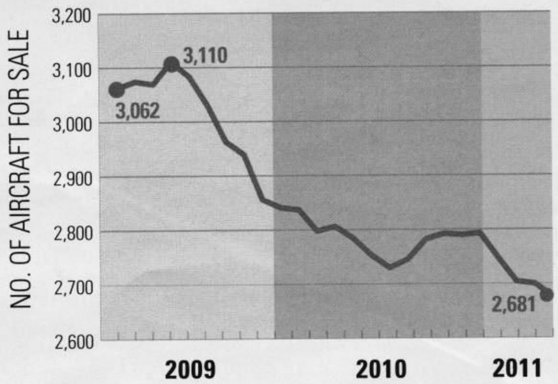
Of course, some market outliers force buyers to consider options beyond their borders. With recent unrest in the Mideast, my firm wasn't surprised to get a call from a 604 seller in Tunisia. While one could only guess at why the aircraft was being moved out of that country to be sold, this 604 would certainly be worth considering if you were hunting for value. On the other hand, you might well pass it over for related reasons, including the need to get it deregistered by a government that has its hands full at the moment.

As we move through the historically active second quarter, we should see further depletion of choices and perhaps a scarcity of prime options among a growing number of model types. Meanwhile, buyers will keep adding their specific requirements to the equation, pushing some aircraft to the side as they make their run at getting the perceived pick of the litter.

Bryan Comstock welcomes comments and suggestions at: bcomstock@bjtonline.com.

INVENTORY OF USED JETS STILL DECLINING

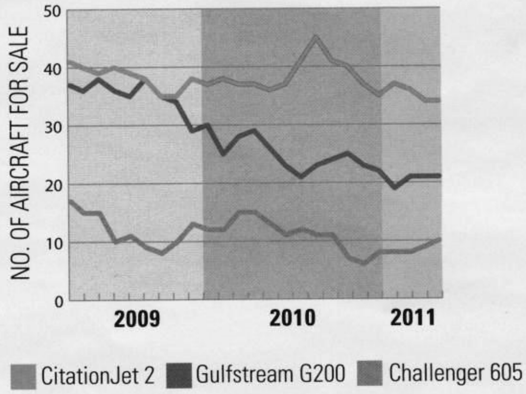
april 2009-april 2011



Source (all statistics and charts): Jetnet, LLC

TWO-YEAR INVENTORY TRENDS OF THREE BUSINESS JETS

april 2009-april 2011



SOME POPULAR PREOWNED MODELS

Model	No. in operation	Percentage for sale	Average price 2008 ($M)	Average price 2010 ($M)
PHENOM 100	200	10	3.3	3.2
CITATIONJET 2	240	14	4.5	3.7
LEARJET 45	241	12.4	5.3	4.1
LEARJET 60	314	15.9	5.9	4.1
GULFSTREAM 200	235	8.9	14.1	10.1
SOVEREIGN	303	11.2	14.6	12.3
CHALLENGER 605	134	5.2	25.9	21.5
GULFSTREAM V	192	4.1	29	25.4
BOEING BUSINESS JET	115	6.9	54.7	53
AIRBUS A319CJ	59	1.6	N/A	N/A

Note: Averages are based on published asking prices. Such prices are not available for all aircraft on the market. Actual selling prices may vary.