PRE-OWNED UPDATE: NOVEMBER 2015

News / Business aviation



Any time I hear a financial news broadcast on CNBC tossing out biblical phrases along the lines of “the four horsemen of the apocalypse” or the term “death cross” to define the bearish environment on Wall Street, I think,*This is not good for aircraft sales*. In simple terms, the death cross refers to a time when the short-term moving average (such as the 50-day) breaks through (or crosses), the long-term trend (such as the 200-day). Four major indexes did just that at the beginning of the quarter, hence the Four Horsemen reference. The last time this happened was in 2011.

There’s some solace knowing that bad news in recent years, or even good news for that matter, has had little effect on aircraft values, which have been on one track–down–for the last several years. In fact, despite the Dow’s doubling since 2008, many aircraft have lost half their value. The steep, across-the-board price drops seem for the most part to be over and the rate of depreciation is on a much more linear slide.

At the beginning of this quarter, inventory levels were where they had been the same time last year. The surprising rate at which buyers gobbled up aircraft in last year’s fourth quarter effectively pushed inventory in January to this year’s low, a mark not likely to be eclipsed between now and the end of the year unless a similarly surprising wave of buying kicks in.

Some markets continue to perplex buyers, sellers, brokers and bankers. The first one that comes to mind is for the G450, bereft of buyers. The 12-month low, which was a year ago, contrasts with 30 today–the high for the year. Nine sold over the last six months, up from the five that sold in the previous six-month period. The average sale price was squarely at the $19 million mark, with a low coming in just under $15 million and the high fetching $27.5 million. Expect lower lows as a trio of early serial-numbered offerings currently for sale have posted asking prices of less than $15 million. In fact, two are priced below $14 million. The current choices represent just under 10 percent of the more than 300 in operation worldwide, but the supply could become top heavy if more of the aircraft spill onto the market. The U.S. market fares even better, with just 13 available, or 7.5 percent of the N-registered fleet.

The Global 5000 also offers up about 10 percent of its fleet to the used market but, here again,

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only five of the nearly 20 choices, or about 7 percent, are U.S.-based. Over the past six months Global 5000s have sold at a rate of approximately one per month, an improvement from the previous six-month period, when trading was non-existent. The high sale price reached $32 million, according to data provider AircraftPost, with a low of $17.5 million.

The Learjet 40/40XR has seen its numbers inflate from nine a year ago to 23 today, and as a result the average price has fallen by $1 million, to $2.7 million today. Lack of buyer interest has dominated this model, with only three selling over the past six months. The 45/45XR market is divided, with attractive pricing in the 45 segment drawing buyers and reducing inventory to 26 today from 38 a year ago; the XR offerings climbed to 24 from 17 during the same time frame. The Learjet 45 currently sells at a rate of one per month and carries an average price of $1.9 million. The 45XR moves at the same rate at an average sale price of $4.63 million, according to AircraftPost.

One model type decidedly back in favor among buyers is the Falcon 2000, which started the year with 21 for sale, just under 10 percent of its fleet. Consistent month-over-month drops through August whittled the number of choices to six, which is likely to be the low for the year after a few aircraft were added to the mix this fall. Despite the few that have been added, the U.S. supply stands at five; three are based in Europe and one in South America. Over the past six months 2000s have traded at a two-per-month clip and pricing has ranged from as low as $2.9 million for an early variant up to $8.3 million for a 2004 model.

Despite Wall Street rumblings, the market has been uncharacteristically active in the typically slow third quarter. Given the expected seasonal fourth-quarter push, the number of transactions will approach 2,000, a smaller figure than in either of the past two years.

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SOURCE: AIN
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