AIR PARTNER REMARKETING MARKET UPDATE

News / Business aviation, Finance



Air Partner's Russ Hubbard comments on the Remarketing division's recent activity and the current market for aircraft sales and leasing

Recent Remarketing activity

The first half of 2018 has continued to be busy for Air Partner Remarketing in terms of both remarketing and ACMI (Aircraft, Crew, Maintenance, Insurance). The conclusion of one long-term contract involving the successful sale of four B777s, one spare GE-90 engine and two B737-700s for a national airline dovetailed with a remarketing programme for another national airline, covering several B777 aircraft. These projects, in addition to the remarketing of an ATR72, a B787-8 and some E145s, show that the used aircraft market remains buoyant across all sectors.

Air Partner Remarketing's acquisition services have also been in strong demand in 2018, with the team receiving an increasing number of enquiries and mandates to help clients source and negotiate purchases or leases on their behalf. Far from being left behind by the new technology NEO and MAX variants, the ever popular A320ceos and B737NGs remain at the forefront of demand for airlines seeking additional lift.

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Narrow and wide body aircraft

Availability of many variants of narrow and wide body aircraft types has remained tight in the first half of 2018. Demand for new aircraft, as evidenced by continuing airline and aircraft lessor orders and steady increases in production rates from Boeing and Airbus, means operators seeking additional new capacity could have to wait three or more years for new deliveries.

Somewhat across the board, new generations of engines have been experiencing entry into service technical issues, adding to the overall lack of availability as deliveries are temporarily delayed or operators extend leases to wait for new delivery slots. However, once the engine issues are resolved and production ramps up fully, there may well be a reversal of the current supply/demand imbalance.

New aircraft

With finance options plentiful and new capital still seeking deployment, competition in the new aircraft arena has remained fierce, with new aircraft sale and leasebacks at record levels. This has been aided in part by low interest rates attracting vast amounts of capital but, even with rates rising, it will take some time for any tangible slowdown to materialise in this sector. New aircraft lease rates tend to lag around six months behind interest rates and as debt costs start to rise, the full impacts will take time to materialise.

Air Partner has seen capacity demand continue to move across the aircraft age spectrum, partly due to the high new aircraft demand, but also because a relatively sustained period of lower fuel prices has made used mid-life equipment an attractive option for many airlines. Many airlines are seeking quality used aircraft to replace older aircraft or “upsize” their fleet due to increased demand.

Freighter aircraft

There has been a continuing marked upturn in the global freight markets, leading to a strong market for both freighter and passenger-to-freight (P2F) conversion candidate aircraft. As an example, the stock of used B767s is generally very low, as consolidator and specialist operators have added to the market entry of Amazon in seeking large numbers of compatible used aircraft.

ACMI (Aircraft, Crew, Maintenance, Insurance)

Summer is always a busy time for ACMI and the season is now well underway: the Air Partner team is as busy as ever, receiving ad-hoc requirements on a daily basis, in addition to placing wide body capacity with major long-haul airlines for contracts lasting several months. There have also been recent well-publicised issues affecting some Rolls Royce Trent engines which power the B787, meaning that airlines across Europe, Asia and the Pacific have been taking up large blocks of wide body short-term capacity as the engine inspection issues run their course. The impact on both the package C and now package B Trent engines is likely to take some time to filter through fully.

It is set to be another busy summer for the Air Partner Remarketing team, and the ever-changing nature of the used aircraft markets will no doubt have further twists and turns as 2018 rolls on.

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