As prices rationalized, buyers have returned to the market and found plenty of good deals.

Looking back at 2015 one can see a slow build of inventory and fewer transactions than in the previous year, but that comparison by no means suggests that 2015 was inactive. Rather, it’s a commentary on how off the charts 2014 was compared to several previous years. In retrospect, last year now seems more like a punctuation mark to the market’s comeback, if not in values then in overall sales. While pricing in many markets is well off owners’ hopes, it seems that it is pricing that has brought buyers back to the market and enticed some to jump in for the first time. The supply of business jets for sale remained essentially flat during the third quarter and currently stands at 2,332 airplanes or 11.4 percent of the worldwide fleet. For the first nine months, worldwide sales transactions are off 5 percent compared to the same period a year ago.

Buyers are downright giddy at what their bankroll can buy them in today’s market. For example, a Citation X operator with a walk-away lease was ecstatic, as he didn’t need to deal with the sell side of the equation before upgrading. Considering there are 40 for sale and they’re selling at a rate of one per month, finding a buyer in a timely manner can be a daunting task. Seven years ago the average price of a used Citation X was $13.3 million, according to JetNet; today it’s less than half that. The same story is unfolding with other aircraft. The GIV-SP average seven years ago was $28 million. Today that number is $6.8 million. No doubt these aircraft are seven years older, but they still do the same job today they did then and there seem to be buyers ready to pounce at the right strike price.

While we’ve witnessed some operations scaling back, more often we are seeing buyers upgrade, which for a broker in the pre-owned market is typically a two-part equation with the sell-buy. Typically, there’s a little dance as buyers clearly state they don’t want to own two aircraft at the same time and they don’t want to be without one. Strangely, this mandate is often efficiently met and perhaps that’s because the buy side of the equation can be an easier task given the relatively high number of choices in the market.

Firm pricing still seems elusive and at some levels that’s easier to understand. Clearly a G550 owner rolling up to a new
G650 doesn’t want to be holding on to $100 million worth of aircraft, especially if the outgoing one is not being used to the level it had been. While no one is going to give away an aircraft, it often makes no business sense to hold out for the long ball. It’s often said in our business that your first offer is the best offer, simply meaning that a given price today, while seemingly low, might be better than a higher offer three months from now, as one accounts for holding costs and the possibility, or perhaps probability, that market conditions will deteriorate. Add to that the negative perception of an aircraft that languishes on the market and you get the point.

So, in recent years when a seller made the decision to accept an offer, I suspect it wasn’t like the good old days when he might have exclaimed, ‘I can’t believe we made a $10 million premium on our position.’ Today I suspect it’s more like, ‘I can’t believe we lost $10 million on our aircraft!’ To be fair, sellers are taking it in stride, but I’m sure not without a shake of the head at how low aircraft prices have fallen. Setting the right price for aircraft might have given the impression that the sky is falling, but it simply adds to the efficiency of the market. I’m a firm believer that it’s the buyers, not the sellers, who set the prices. At times, an owner might ask what his aircraft is worth. In theory that’s not hard to answer, but in practice it’s worth what someone will pay, and at times that can seem excruciatingly low.

**Downward Pricing Pressure**

As most of us have seen, today’s wholesale value may be tomorrow’s retail value. So, when a seller accepts a lower offer than the previous comparable sale, the average values fall, but what also occurs, especially when this happens at the upper end of any model type, is that it compresses values of all the other downstream same-manufacturer-type models. This can also cross over into types from different manufacturers. If things get too out of balance, say in the Global Express market compared with the GV market, you will see a market reaction that will bring one or the other back in line.

A glance at research firm AircraftPost’s database shows Globals bringing higher average sales figures, but closer study shows six Global sales in six months compared with 16 GV sales over the same period. The average model year for the Globals that sold was 2002 and 1999 for the GV’s, so at a glance, buyers seem to be keeping the two models in check. There are nearly an equal number for sale. However, when you consider their respective and recent sales rate, the GV has a 5.6-month absorption rate, versus 14 for the Global.

The above holds true in many segments, whether it’s pitting the super-mids against each other, like the G200 against the Sovereign, or an XLS+ against a 60XR. If things get too far out of synch it generally won’t last more than a couple of quarters.

While the old news is that prices have fallen, the rate at which most have fallen has become steadier and therefore more predictable, giving buyers greater confidence, which spurs buying. No one likes to catch a falling knife. In other words, the dynamic price instability of the past caused the market to stall. The buyer today is not the buyer of the last decade who might have reasonably expected values to hold; today’s buyer can accept a normal rate of annual depreciation.

With the huge depreciation of the past, savvy buyers are having a field day. We’ve seen GVs for less than $10 million, Citation Xs for less than $3 million, GIVs and Learjet 60s for less than $2 million and on and on. The cheapest and the best often sell, and I can guarantee the low prices put a smile on each buyer’s face. Aging aircraft are definitely having a challenge trying to find new homes. While the number of GIV offerings for sale seems reasonable, the number selling, four in six months, does not. One has been on the market since 2010 and another since 2012, and others have been on the market for more than 800 days. Some might question if these are legitimately for sale, but they truly add to the perception of a stagnant market. I think all but one of the last GIVs we were involved with could have been considered pro bono work had we been successful in selling them, but the sad reality was that we were not. I love the expression ‘I’m a broker, not a magician,’ when asked to command an unrealistic number, but in the case of some of these older aircraft, I could use some magic at times.

Since the beginning of the year, the number of Falcon 900Bs on the market has declined to 23 airplanes from
28, equaling 14.6 percent of the fleet. Seven to ten percent is considered normal in terms of supply of any model type. Fourteen are available in the U.S. and Canada, five in Europe, one in South America, one in the Middle East and two in Africa. Asking prices currently range from $4 million to $8 million. The average asking price is $6.1 million, down $300,000 since the first of the year.

The Falcon 900B stands as a relative bargain in the large-cabin segment and we believe prices could begin to firm if the supply falls below 10 percent availability. Trading has been brisk with 20 sales year to date, or two per month compared with 16 total sales last year. Sales prices have ranged from $3.5 million to $8.8 million. Most of the activity has been in the $5- to $6 million price bracket and the average 900B sold after 625 days of market exposure. The low occurred on a 1988 model with 13,800 hours; a 1998 model with 3,000 hours established the peak, selling for $8.8 million in July.

Another Falcon worth mentioning is the 2000. Since the beginning of the year the number on the market has declined to 12 from 24, equaling 5 percent of the fleet. Seven are available in the U.S. and Canada, three in Europe, and one each in South America and Africa. Asking prices currently range from $4.5 million to a high of $11 million. The average asking price has remained stable in the $7 million range since the first of the year. The 2000 is a relative bargain in the super-midsize segment and we believe prices could begin to its value better than those larger and pricier jets bleeding resale value all over the ramp. For decades the business aviation smart set has predicted the death of turboprops in the age of fanjets and for decades they have been wrong, more so now this year with jet-A readily available for $4 per gallon or less.

Yes, propellers might be antiquated, but saving money is timeless. For that, turboprops are the ticket. “Our Vref Turboprop Index shows that the market has been relatively stable,” notes Vref publisher Fletcher Aldredge. “In fact, you can use the word stable for most things with a propeller and not for things that don’t have them. It’s good news for turboprops. They continue to fill a much-needed niche. A decade ago some of us were saying they were on their way out. That’s simply not true. King Airs and other turboprops are holding their own, and there’s a place for a turboprop in most flight departments.”

Best Fit for Mission

Aldredge said that some used turboprops, such as the (single-engine) Pilatus PC-12, are appreciating because they continue to fill an unchallenged niche. “It’s a relatively economical turboprop that goes as fast as a King Air B200,” he noted. “And it’s got a solid worldwide market.” Just how good is the PC-12? Aldredge noted in his recent newsletter that it is “not only the best turboprop...
for maintaining value, but with a percentage of new at 75 percent, it topped the entire [Vref] study.” Still, turboprop propulsion alone does not guarantee value, especially when worldwide product support is perceived to be chronically lacking as with the Piaggio Avanti, one of the worst aircraft–jet or turboprop–for holding value.

Vref notes that a 2005 Avanti that sold new for $5.97 million would fetch $2.2 million today, a plunge of 63.15 percent; a similar vintage King Air 350, which sold new for $5.89 million, would command $3.1 million today, a decline of 47.42 percent. However, that King Air, like most turboprops, has held its value steady since the beginning of 2013 while the Avanti has continued to slide, falling another $700,000 over the same period.

Aldredge sees the turboprop market as a whole staying where it is and maybe drifting a little lower. “Unless there is global prosperity and more aggressive bank lending, we don’t see prices going up. On the near horizon I don’t see the rest of the world in economic recovery. “The BRIC [Brazil, Russia, India and China] countries that were driving the used aircraft market in 2009 and 2010 aren’t doing so as much now,” he conceded. “But even in this climate the price of used turboprops isn’t moving much to the downside except for very late-model ones. Overall, if you can put a King Air or some other turboprop to work, it’s a great time to buy.”

Aldredge’s turboprop optimism is shared by Cary Friedman, sales manager at Bell Aviation in Columbia, S.C. “We’ve seen a lot of action this year in the older 90-series King Air market,” he said, pointing out that the airplanes carry a price tag of less than $600,000. “They’re reliable. You know what you are getting. It’s a lot of transportation for the money. Think about it. You see a 400-series piston Cessna out there for $300,000 or $400,000; you can get a King Air for $500,000 or $550,000, especially one on the More [Maintenance on Reliable Engines] program, which allows those 3,500-hour TBO engines to be extended out to 8,000 hours [with an STC’d inspection program] if the aircraft is on a Part 135 certificate and enrolled in the program. For the amount

Continues on next page
There are 19 Global 5000s for sale currently or about 10 percent of the number produced. Only five of the 19 for sale are U.S.-based, three percentage points lower. Slightly more than one third of the Global 5000s produced are U.S.-based, perhaps an example of the international appeal of the aircraft.

Six of the 151 Global 6000s in operation are for sale, equaling just below four percent of the fleet. The few choices are typical of a fairly new model and consequently the aircraft is thinly traded. Pricing on these runs from $41 million to $47.5 million and only two of the six are U.S.-based. Though the supply is low the absorption rate stands at 12 months, driven by trading frequency of roughly one per quarter.

Six Global 5000s have sold in the past six months and prices have ranged from $15.5 million to $32 million. Of the six aircraft that sold, four were U.S.-based and all but one was on an engine program. Global 6000s traded at a rate of one every two months over the past six months. Two of the three were based outside the U.S. and moved in the low to mid-$40 million range. The average time on market was 239 days.

For the last 12 months, G550 inventory has wavered between 29 and 34 aircraft, or roughly 6.5 percent of the 500 in service. Nineteen of these are U.S. based. Pricing ranges from $20.75 million and $45.95 million for an average of $30.05 million. Sales activity has picked up considerably in the last six months (compared with the previous six-month period), by a nearly 2-1 margin and driving the absorption rate down to 12.7 months. Sale prices have run from a low of $20.5 million for a 2006 model with more than 6,000 hours, to a reported $48.25 million for a 2013 model with fewer than 500 hours.

Now that you can no longer be the first on the block to own a G650, we’ve seen some of the ether come out of the premiums prevalent a year ago, which is not a bad thing. As it adjusts to the change we currently see a 6.5-percent supply, with eight of the 122 in operation for sale. Six of the eight are N-registered. Roughly 20 ERs are in operation, some manufactured that way and others modified, which is why only two aircraft are for sale. Pricing runs from $62.95- to $74.95 million. Five aircraft have sold in the past six months, which is twice the number that sold in the previous six-month period. The of money you spend it’s a lot of airplane,” Friedman said. “Early this year the used PC-12 market was hot for us as well. We also did a few twin Cessna transactions earlier this year.”

Friedman joined the growing list of industry prognosticators who think that both used and new business turboprop sales, led by Textron’s Beechcraft King Airs, will be relatively flat for the remainder of this year and next. Within the market as a whole, Friedman is seeing a slowdown in interest in used Piper Meridians. “There seem to be more on the market today than there were a year ago and they are not moving quite as quickly as they were a year ago,” he said.

While prices for light jets have been stabilizing in recent weeks, Friedman doesn’t necessarily think this will adversely affect the used turboprop market. “The recent drop in fuel prices might convince some people who were thinking about buying a turboprop to consider a light jet. That’s great until jet-A prices go back up to $6.99 a gallon,” he said. “The turboprop is a lot of bang for the dollar, and lower fuel prices make it an even better value.”

While the Meridian market has shown some softness, the used market for the Daher TBM has been tight, according to Terry Winson, director of sales at Avex in Camarillo, Calif. “The number of TBMs for sale is way down. There are only three 700Bs for sale and nine 700C2s. The airplanes that are for sale are generally ones that have been picked over and haven’t sold for one reason or another,” he explained, mentioning foreign registry or damage history as possible reasons. “Good product is difficult to come by, and if it does come on the market it sells quickly,” he said.

Winson explained the market dynamics, comparing the market in 2011 to today’s. Using the TBM as an example, he pointed out that the price remains essentially unchanged. In 2011 the 700Bs had 1,400 hours on them; today they have 1,800 hours. “If you look at the 700C2 for the same period, the prices are down about $100,000, but the times have gone up by 500 hours. The sales price was $1.65 million in 2011. Today it’s $1.544 million but with 500 more hours’ time and five years older. The 850 has gone down by $80,000 but the time has doubled. In 2011 these were fairly young airplanes with 784 hours on them; today the ones that are selling have about 1,480 hours on them. So it’s a very strong market. Airplanes equipped with the G1000 avionics in 2011 were selling with about 433 hours
four G650s that sold brought between $66.5- and $72.5 million and the sole G650ER commanded $73 million and was on the market for only 16 days, compared with an average of 73 days.

Among the super-mids we’ve seen the Sovereign inventory build this year, to 30 this quarter from a low of 17 in the first quarter. Falcon 2000 inventory fell noticeably, to six at one point from 21 at the beginning of the year, before rising to 10 early last month.

Challenger 300s held relatively steady and are currently situated slightly below the 12-month moving average of 31 aircraft for sale. In that same vein, the G200 stayed close to its moving average of 32 aircraft for sale, offering as few as 29 and no more than 33 for the past 12 months. The Citation X hovered around 40 for sale this year.

While that tells part of the story, when you take a look at the number produced of each model type above, you see that the number of Falcon offerings represents just 4.3 percent of its fleet, compared to 6.3 percent of Challenger 300s, 8.5 percent for Sovereigns and 13 percent of Citation Xs and G200s currently for sale.

In conclusion, the bar set in 2014 is perhaps the only reason why 2015 seemed a bit off pace, and once fourth-quarter numbers are tallied, they’re likely to show that it has been a particularly active year, where buyers clearly grew more confident about making purchasing decisions.

The China story faded somewhat, Brazil’s economy saw some aircraft exit the country, and Europe continues to work through its economic dol drums. While the U.S. has long been the leader in sales activity, JetNet recently pointed out in a report that sales of U.S.-based pre-owned aircraft dropped four percentage points between 2000 and 2014, offering a picture of a growing worldwide fleet with 65 countries accounting for 1,252 sales, a trend that seems likely to continue.

Bryan Comstock is the cofounder of Jeteffect, based in Long Beach, Calif., and has been writing about the pre-owned jet business for Aviation International News for more than 20 years.

**Turboprops** (continued)

on them for an average of $2.4 million; today with 771 hours they are selling for $2.34 million, so really no change at all.”

**Cockpit and Engine Upgrades Key**

Winson credits some of the strong market to pride of ownership; TBM owners tend to be the pilots who fly them, and they keep their aircraft current with the latest upgrades, especially in the cockpit. “People are upgrading panels and that sort of thing to make sure their airplanes are as modern as possible. That is obviously adding value to the airplane, but it still doesn’t account for the [price] difference in time and the difference in age,” Winson said.

He added that only a small percentage of the TBMs on the market are being sold by owners upgrading to TBM 900s. “Those are almost always trades that a dealer is selling, and the dealers have a backlog of demand for good [pre-owned] airplanes. We’re sliding them into end-users’ hands without even putting them on the market,” Winson said. While some used TBMs are coming from owners upgrading to 900s or upgrading to twins or jets, others are coming from owners leaving private aviation altogether. “We have a demographic in this market of older pilots,” Winson noted. “They’ve got as close to jet performance as they are going to get in the TBM and when they get into their mid-70s they hang up their spurs. A number of sales this year have been retiring pilots.”

“Overall it’s a stable market. Inventory is short and there is a surplus of buyers,” he said.

There might be another reason turboprop inventory is starting to tighten across the board, according to Jerry Griffith of Griffith Aviation in Tulsa, Okla. The general aviation industry collapse during the 1980s saw the end of production of many popular twin-engine turboprops such as Cessna Conquests and Piper Cheyennes. Many of those aircraft now either have timed-out airframes or airframes that are no longer worth further investment. That makes marketable aircraft worth more or at least allows them to hold their value better. “Things are pretty flat in the entry-level twin-
Turboprops (continued)

engine turboprop market. Among airplanes that are 25 and 30 years old, I don’t think there has been any real appreciation there to speak of, but it’s not declining like we saw in 2008 and 2009, either.”

For example, the Mitsubishi MU-2 remains tight as demand catches up with valuations, according to Mike Laver, president of Air 1st Aviation in Aiken, S.C., a brokerage that specializes in the type. Laver estimates that at any given time only 15 MU-2s are on the market and that this year he will move about a dozen aircraft. "The market is stable—no doubt,” Byerly said. “And we still have some pretty good investment—$450,000 to $550,000—on the airplanes with the Garmin G950 panel upgrades. It’s a three-screen fully integrated flight deck.”

Byerly said the panel upgrade takes about 10 to 12 weeks depending on what other upgrades are being performed on the aircraft concurrently and includes everything that is either standard or optional with a factory-fresh Garmin G1000 system on a new aircraft. The availability of that upgrade has helped keep the market for 900- and 1000-series Twin Commanders strong, giving the avionics the same capability as those in new light jets, Byerly said. Of the 700 Twin Commanders still on the federal registry, an estimated 130 are 900 and 1000 series, seen as the most desirable, and an estimated 20 of those likely will change hands in the coming year, predicted Byerly.

There also has been an uptick in demand for the 690 for use as a fire spotting aircraft, placing price pressure on those aircraft. Late-model 900- and 1000-series Commanders with panel upgrades are trading for between $1.8 and $2.4 million; prices for legacy Commanders without panel upgrades are typically $1 million for 690s, $1.2 million for 840s and $1.5 million for 900s and 1000s, Byerly said.

Griffith sees some soft spots in the market such as the Conquest I, which he calls “considerably softer” than a year ago and “certainly in the last eight to ten months.” He said he has received reports that the King Air C90A and B market also is softening, while the market for the 150 and 250 is picking up for the F90 and the B200, especially those with the upgraded Dash 52 engines and upgraded avionics. Conquest IIs with the Honeywell TPE331 Dash 10 engine upgrade continue to bring “good money.”

Airframe time, engine time and upgraded avionics is what it’s all about with older airplanes. There are buyers for the older airplanes if they have had some of those things done to them. We are seeing some buyer resistance to older airplanes—1980s vintage—just due to their age, unless they have something that stands above the crowd in terms of condition and upgrades.”

The hottest upgrades that add value continue to be “in the panel,” Griffith said. "The Garmin G600 continues to be a popular retrofit on these older airplanes and there are STCs to put them in a lot of them. It’s just unbelievable

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