As the Great Recession moves into its sixth year, the market for used business aircraft remains something of a quagmire, with some models still searching for a price bottom. But there are bright spots where values have stabilized, and inventory overall is headed in the right direction.

The pre-owned market yielded few surprises this year, underscored through 2013 without much fanfare. The news was largely lulls of jets for sale that continue to be on sale. Buyers continue to hold the upper hand as values of many models try to find firm footing while others seem to step after step below, in search of a pricing bottom. Some have made marked strides over the course of the year in terms of reduced offerings, but this thinned of the herd usually came at the expense of pricing. In recent years, the location of the aircraft has become increasingly important, as more aircraft are situated outside North America. At the entry level you see the Phenom 100 in far fewer supply than it was a year ago, when versus 21 now (with only one of those based in North America). The current supply represents approximately 6 percent of the total number in operation, making it a fairly tight market. With just 11 listed, and only half of them carrying an N number, the G505 has to be considered the tightest market at the upper end, with less than 3 percent of the active fleet for sale. In the first quarter there were nearly 25 G505s for sale. Not to be lost out is the super-midsize category, with the Challenger 300 standing out as one of the only jets showing stable values in the latest AVweb Aircraft Value Reference. Nearly half of the current 25 Challenger 300s are on sale somewhere other than the U.S. home base. The supply here is slightly above 5 percent. After five years of dropping values, prices have leveled off for some models. Others continue to fall, and not necessarily. High-sin-figure and seven-digit knockoffs are still the order of the day, as painful as that may be to sellers. Not to be left out is the super-light segment, where the Citation Mustang, the I and Mustang, was an inventory build for the Premia and press plummeted. Another bright spot in the light-jet space is the Citation XLS, but that bright spot could be a short-term one. A year ago Cessna inventory was waning in the low 9s before dropping to fewer than 19 early this year. Since then the inventory has reached the mid-20s, but with a first of just about 40, the percentage of availability remains a respectable 6.5. Half of the 20 C3s for sale worldwide reside in North America, bringing the supply there to an even tighter 4 percent.

The Challenger 400 currently represents one of the better markets for business jets, while there is still a demand for some, the major market for that model type has seen the latest quartic grow and accelerate, pricing for it, and some of the other overlooked models, could shift back. One broker recently pointed out that whereas a 10-year-old Challenger 300 typically used to sell for 70 to 80 percent of its new price, now they are selling at 14 percent. He even suggested valuations here have the potential to appreciate by next year’s fourth quarter. The statement is bold given the fact that most that people have given up pricing predictions where values will stop falling. It alone increase. However, values in 2007 suggest that the market was oversupplied, so there may have merit to the answer is only a year away. The 604 looks poised for a comeback and may already be inclining in that direction, albeit slowly. (The same could be said for some other models, among them the Sovereign and G200.) There are 363 Challenger 604s in operation, and one year ago approximately 70 of them were for sale or nearly 20 percent of the fleet. Since then, the market has been much more eb and flow, and choices have been pared back to 46 percent to 12 percent, closer to the 30 percent once often used to define a normal supply. The supply of midsize jets has seen the latest quarter decrease by 20 percent, without any significant or lasting increase.

By some accounts, that is still too many, according to one long-time industry counter who pointed that more than 25 aircraft of a particular model type for sale constitutes a soft market. That’s hard to argue with and deserve further thought. So, with the following fine-tuning, I can accept that idea. If there are 25 Challenger 604s on sale for a certain model type and they are all located in the same country, I’ll agree that it’s a soft market. As private aviation world-wide, one has to consider where these aircraft are located. Today far fewer than half of the 46 Challenger 604s for sale are based in North America, placing the total number of 14, or 11-percent availability, that percentage of North American- registered 604s a tick below 10 percent. So, on both counts, the 604 continues to impress and now, in what is historically the busiest quarter of the year, the choices have a high probability of contracting further. Europe, with its high percent of 200 and newer aircraft, remains a great place to be buying aircraft. While that fact is not lost on buyers, many in North America would shop at home if inventory levels are plentiful and purchase price points are reasonable, but many opportunistic buyers can receive the reward of shopping abroad.

A year ago continues to inch lower even today aircraft being used into the market at a seemingly great deal those than that are just retired. Right now we’re a bear below the 12-months moving average of 2,162, and inventory has remained in a fairly narrow band all year. That figure is 7 percent lower for a long time. Nearly 600 aircraft have been for sale for two years or more.

Let’s just say that you don’t want to buy a jet that has been on the market for two years or more and that you want to continue your search to North America. You want a 15-year or newer aircraft, which seems to be the current market for many lenders. The choices then dip to about 500 and of course fewer still as you gravitate toward your desired segment of small, medium, super-mids and large cabin and then model type. While there are far fewer aircraft for sale today than five years ago, there is still a lot for sale, but once a buyer starts applying his own criteria, the market

Inventory of jets begins to shrink, and buyers see an end to steals

by Bryan A. Comstock

As the Great Recession moves into its sixth year, the market for used business aircraft remains something of a quagmire, with some models still searching for a price bottom. But there are bright spots where values have stabilized, and inventory overall is headed in the right direction. Right now the Premier moves in the low-to-mid $1 million range, and the successor model IA from about $1.6 million up to nearly $3 million for the latest and greatest. Questions surrounding parts availability and support clearly have created the opportunity and risk, which is why the IA model sits a tick below its inventory high of the year for 20 aircraft for sale. Only half that number is based in North America. That stockpile represents 12 percent of the total number of operations. The predecessor model too collectively have decided it’s a great time to start building for the Premier and IA. A year ago CJ3 inventory was wandering in the low 9s before dropping to fewer than 19 early this year. Since then the inventory has reached the mid-20s, but with a first of just about 40, the percentage of availability remains a respectable 6.5. Half of the 20 C3s for sale worldwide reside in North America, bringing the supply there to an even tighter 4 percent. Another bright spot in the light-jet space is the Citation XLS, but that bright spot could be a short-term one. A year ago Cessna inventory was waning in the low 9s before dropping to fewer than 19 early this year. Since then the inventory has reached the mid-20s, but with a first of just about 40, the percentage of availability remains a respectable 6.5. Half of the 20 C3s for sale worldwide reside in North America, bringing the supply there to an even tighter 4 percent.
Pre-owned Report

T-prop pricing holds steady

Continued from preceding page

would like to have seen. We look for the third quarter to reset the market to the progressive [if slow] recovery we saw between 2009 and 2012. However, we caution that the third quarter is frequently the slowest quarter each year for resale market transaction activity.”

Hot Properties

Tom Mekis, president and CEO of Piedmont Aircraft in Winston-Salem, N.C., which deals primarily in King Airs, believes that the prices have firmed a little bit, but he admits to being an eternal optimist. He told AIN that the prices seem to have stabilized and are no longer falling.

“Right now the hot market is the King Air 350,” he said. “We’ve had some real success with modified 350s that had EFIS 85, or some of the older Collins Pro Line II stuff, and people have gone in and either put in a G1000 package, or some sort of electronic or EFIS package, and maybe some engine upgrades.”

Those airplanes, Mekis said, sell rapidly. “All the 350s we’ve done this year have sold within a week of hitting the market. The King Air 200 market is good, but not as hot as the 350 market, and the C90 market seems to be flat and dead,” he added. Prices aren’t decreasing, but there also is not a lot of activity. He speculated that part of the reason for the 350’s success is a handful of military contracts that are soaking up some of the used inventory, so there are not a lot of the type out there. He also suggested that the new Wheels Up membership-based private flight program, which will use King Air 350s, might kindle fresh activity and interest in the model.

According to Mekis, it has been “kind of a tough year” for Piedmont. “We’ve gone through a pretty slow period, and certainly the shutdown of the FAA in October didn’t help keep us,” he recalled, noting there were no airplane deliveries at all. Mekis said the company’s challenge has been to get inventory. “The number of aircraft brokers in the past three years just seemed to explode,” he added.

For Skytech, which specializes in high-end owner-down business aircraft, executive vice president Mike Fitzgerald says what while the new-aircraft market still resembles what it was last year, the used market has evolved into much more of a seller’s market from a buyer’s market. The company is a dealer for the Pilatus PC-12 and Piper Meridian.

“For both of those types, it’s because of the number of airplanes that are on the market at the time,” he said. “In the case of the Pilatus, it’s at a very low number. A lot of people make the assumption that a normal ratio for used airplanes on the market for sale versus the total production run is about 15 percent.

“I don’t know where that evolved [from], but it has become an industry standard, and as you get below that 15 percent number there are fewer airplanes, making it more of a seller’s market. If you get above that, it obviously becomes more of a buyer’s market.”

Both the Meridian and the PC-12 have spent most of this year getting well below that number. Specifically, the Meridian has been running at less than 10 percent most of the time, and as low as 7 or 8 percent. The Pilatus has even been below that level; first glance suggests that about 5 percent of the total production run of the Swiss airplane is available for resale. But that is somewhat misleading.

According to Fitzgerald, if you look for airplanes that are truly saleable to a U.S. buyer, the number could go as low as 2.5 to 3 percent. “A lot of folks won’t chase an airplane that is in India or Australia or South Africa or someplace else for a variety of reasons,” he explained. “A lot of U.S. buyers eliminate non-U.S. airplanes.”

Skytech operates facilities at Carroll County Regional Airport in northern Maryland and York County Airport in Rock Hill, S.C. In addition to being Pilatus and Piper dealers, these locations offer nearly identical maintenance operations. Skytech also performs maintenance on Cessna Caravans.

Since Skytech is a turbo- prop shop, AIN asked Fitzgerald if the company has given any thought to the arrival of the Pilatus PC-24. “Not only would we do that, but within the last month we just signed our dealer agreement to be the PC-24 dealer,” he revealed. “As a matter of fact, they selected the entire PC-12 dealer network from the United States and all were offered that contract. We’ve all been given 10-year contracts for that airplane, so we’re really excited about it.”

Mike O’Keefe, senior vice president of Fort Lauderdale-based Banyan Air Services, is bullish on the future of the turboprop market. He said this year is shaping up as one of the best years in the company’s history, and the majority of Banyan’s sales have been turboprops, specifically late-model King Airs and PC-12s.

“We’ve seen tremendous strengthening in both of those markets,” he said. “The Pilatus is just on fire, for whatever reason. It has not seen the downward fall that a lot of other aircraft have, with roughly 4 percent of the entire Pilatus fleet on the market, which is probably a record.”

The late-model, current-production King Airs are in demand. Prices haven’t necessarily gone up, but if a buyer wants a really good one, he is going to have to pay for it. There are no deals or steals out there. O’Keefe said there also is a real strengthening in the Cessna Caravan market, not the high-time workhorses but the lower-time executive-configured aircraft.

Banyan is a stockin, inventoried dealer with a substantial credit rating, “and we can’t even find aircraft to buy for inventory. We are seeing a decline in inventory, we’re seeing a decline in average days on market, and I have to believe price increases are not far behind,” O’Keefe said.

Banyan still receives a fair amount of activity from the Latin American market, particularly Brazil and Venezuela. O’Keefe expressed surprise that Brazil doesn’t seem to be as viable as it was a couple of years ago, but he added “we are still seeing buyers and interest from that country.”

In comments released in the JSSI Airways publication at the NBAA Convention in October, NARA’s Harris said that while market-watchers have been expecting growth to come from overseas markets, this recovery seems to be driven by activity in the U.S.

While his company does business internationally, the bulk of Dallas Jet Internationals business has shifted back to the U.S. in recent months. “There are indications that U.S. companies are returning to corporate aircraft as a competitive advantage.”