

# GULFSTREAM G650

## PRE-OWNED MARKET IMPACT

By Dennis Rousseau | President and Founder | AircraftPost.com

The G650 was announced in 2008 and customer deliveries started during the fourth quarter in 2012. The aircraft had an initial cost new of \$59.5 million subject to CPI, which brought the total to ~\$65 million. As of Sept., 2016., s/n 6205 entered service bringing the total in-service to 206. The published list price for a new G650/650ER today is \$66.8 million and \$68.8 million, respectively.

As is the case with “clean sheet” aircraft, the excitement to own one is overwhelming in the early stages of entry into service (EIS), however this typically wanes as more aircraft are delivered and pre-owned inventory builds. In the case of the G650, buyer enthusiasm was particularly high as the aircraft was in a league of its own relative to range, cabin size, performance, etc.

At year-end 2012, there were seven aircraft in service and one “pre-owned” G650 came to the market with an ask price of \$71 million, subsequently selling for the same. By year end 2013, there were a total of 50 aircraft in service and two came on the “pre-owned” market. One of the aircraft, a 2012-year model, had an ask of “Make Offer” and sold for \$71.5 million, capturing a \$7 million premium over the cost new.

In 2014, the “pre-owned” inventory increased to 10 available aircraft. A percentage of the fleet the G650 was now aligning with availability in corresponding markets at 10 percent. As history has shown, when supply increases, the market tendency is for ask/sell prices to drop in kind, however, in the case of the G650, ask prices remained well above their cost new, ranging from \$72-\$75 million. Selling prices followed a similar pattern ranging from \$71.5 million-\$74 million for the seven aircraft that sold. Viewing the results from another perspective, 10 percent of the fleet came on the market and 7 percent of the fleet sold, which is indicative of a very active, strong market. Average days on market (DOM) for the seven aircraft sold was 140, compared to the one aircraft sold in 2013 at 139 days

2015 was the year that better aligned the G650 with the overall pre-owned business jet market. A total of 25 aircraft came on the market, representing 15.7 percent of the fleet. As a result, the ask price range dropped to a range from \$65 million to \$73.9 million. Selling prices followed suit ranging from \$62 million to \$73 million. Of the nine aircraft that sold DOM averaged at 132, which is in line with the tally for 2013 (139) and 2014 (140).

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	2009	2010	2011	2012	2013	2014	2015	YTD 2016
<b>Total on Market</b>					<b>2</b>	<b>10</b>	<b>24</b>	<b>30</b>
Percentage of Fleet					4.0%	10.1%	15.1%	14.6%
Average Time on Market					525	58	110	290
Withdrawn from Market					0	0	1	3
Entered into Service	1	0	1	5	43	49	60	47
Total In-Service	1	1	2	7	50	99	159	206
<b>Total Sold</b>					<b>1</b>	<b>7</b>	<b>9</b>	<b>10</b>
Percentage of Fleet					2.0%	7.1%	5.7%	4.9%
Average Sale Price (M)					71.5	72.8	68.6	60.1
Average Market Time (Days)					139	140	132	207
Average Year					2012	2013	2014	2014

# GULFSTREAM G650 (CONTINUED)

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YTD 2016, 30 G650s came on the market, representing 14.6 percent of the fleet and the average DOM increased from 110 in 2015 to 290 today. The ask price range for the 28 available aircraft ranged from 64.9 million to \$69.9 million. As previously mentioned, when supply increases, ask prices, and sell prices, decline. As sellers see more competition they get anxious and follow the market down. A 2016 650-ER came on the market in May, 2016, at \$66 million ask and closed one month later for \$65 million, which set a precedent for pricing in that it's a near new aircraft, competing with a list price new of \$68.8 million and a wait time of ~18 months. Also, a 2015 had 0 DOM, full warranty, delivery time only and sold for \$62 million. Two similar aircraft sold around the same time frame for \$60.5 million each, which exemplifies the effects of market saturation. Further, a major market event transpired around mid-year when a 2014 vintage aircraft sold for \$57 million, followed shortly thereafter by a 2013 EIS aircraft selling at \$50.3 million. To-date, of the 15 aircraft on the market five show ask prices in the low-to-mid-\$50 million range. If history follows course (percent delta between ask price and sell price), these aircraft could potentially see sale prices in the high 40s.

Market Effect on Long-Range Aircraft. Business jet values and their respective prices continue to deteriorate, regardless of aircraft type. This can be attributed to the global economic downturn as well as market saturation. In 2010, we saw on average 6.4 percent of the fleet of current production aircraft on the market. By 2014, the percentage had increased to 12 percent and YTD 2016 we are seeing 15.1 percent of the available fleet(s) on the market. To exacerbate the saturation problem, we have ask price cuts from \$500 thousand to over \$5 million on the upper end of the markets on a weekly basis and of course as ask prices drop so do sell prices.

To the potential buyer, this can be seen as good news. However to current owners it can have a negative impact on future values. As G650 ask prices continue to drop (4 of 15 G650s currently on the market are now asking \$52 million–\$53 million) the selling prices will trend in kind. As they migrate to the high 40s, buyers in the long range aircraft markets will have more choices creating an unimaginable pricing scenario. Brand loyalty aside, consider there are two new Global 6000s on the market with ask prices in the \$45 million-\$49 million range, 2-2014 G550s at the \$40 million price point, not to mention the potential impact the pre-owned 650 market could have on new aircraft such as the Falcon 8X (list ~\$57 million) or the upcoming Global 7000 (\$72 million) and even the G500 (\$46million). The proven capabilities of the G650, such as its 7,000 nm range at .88M (.92 Mmo), spacious 3-zone cabin that affords a 4K' cabin altitude at 45K', complete fly-by-wire system, coupled with pre-owned price levels has the potential to undermine pricing or outright sales in near term pre-owned markets as well as sales for new aircraft.

### Gulfstream G650 Market Data

Year	Ask Price Range
2014	72M - 75M
2015	59.95M - 73M
2016	52.99M - 69M