

# Year in Review

## Mixed metrics mean market has not stabilized

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**T**he current market status and forecast halls have been filled with rhetoric over the last few months. As we bring 2017 to a close, let's review the numbers.

### Inventory

The fact is 1,783 current-generation business jets, representing 17.2 percent of the fleet, came on the market in 2017 (as of Dec. 15). This figure compares to 1,699 (16.8 percent) in 2016 and 1,453 (15.1 percent) in 2015 and is a clear indication that inventories are increasing year over year.

As is the case when viewing inventories of most anything, the actual number on the market is only one side of the equation. When the number of aircraft on market is expressed as a percentage of the total aircraft in ser-

vice, the dynamics of the market are seen from a more realistic perspective. As the percentage of the fleet on the market increases, pricing tends to follow a downward trend. This phenomenon has certainly been the case for 2017.

### Aircraft Brought on the Market and Then Withdrawn

One data point that seems to be overlooked yet is quite relevant in determining the health of pre-owned sales is the number of aircraft brought on the market and then withdrawn. Ten years ago, 2.9 percent of the aircraft that came on the market were subsequently withdrawn. In 2015, that number was 10 percent, representing 145 aircraft. Then, the number increased to 12 percent (204 aircraft) in 2016. For 2017, 14.6 percent (261 aircraft) of aircraft on the market were subsequently withdrawn.





## Days on the Market

Days on the market (DOM) has always been a reliable indicator relative to the state of our markets. Over the last 10 years we have seen a low of 140 DOM in 2008 and a high of 310 in 2010. For 2017, 304 DOM as of Dec. 15 is approaching the results of 2010.

An increase in inventory and DOM does not bode well for market stabilization.

## Transactions

With regard to transactions, 2017 has shown a 15 percent increase in the number of pre-owned aircraft sold compared to 2016 — 732 versus 620, respectively. However, as previously mentioned, price declines are typically tied to increased inventories.

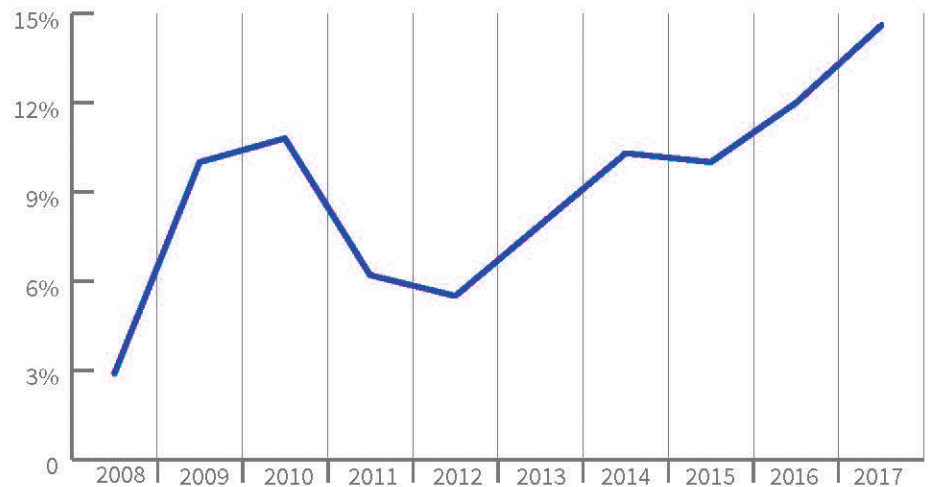
By way of example, all things being equal, a 2009 Hawker 900XP sold for \$4.9 million in 2016, and, by 2017, the same vintage aircraft sold for \$3.8 million, showing a decline of 22 percent in one year!

A 2008 Gulfstream G550 sold for \$32.1 million in 2015, \$26.1 million in 2016 and \$20.6 million in 2017, losing 35 percent of its value in three years! So as not to cherry pick, a 2013 Bombardier Global 6000 lost 35 percent in the same three-year period. A 2009 Falcon 900 EASy and 2014 Gulfstream G280 were both down 15 percent from 2016 to 2017! The good news is the Cessna CJ4 and Gulfstream G650 only depreciated 7 percent year over year.

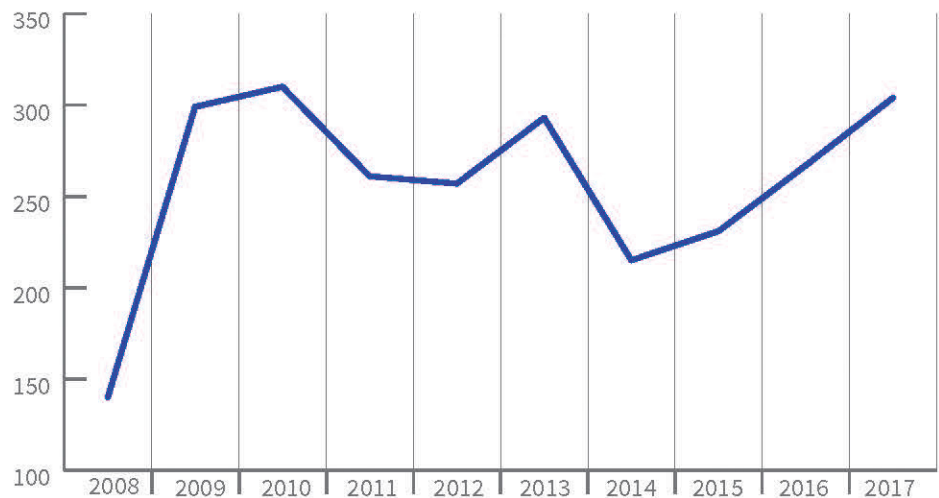
One other interesting data point is depicted in the Total Percentage of the Fleet — Market/Sales Comparison graph. In 2011, we actually saw prices stabilize when 11 percent of the fleet was on the market and nearly half, or 4.7 percent of the fleet, sold. Fast-forward to 2017, and we see 17.2 percent of the current-generation fleet on the market and only 7.1 percent being absorbed as transactions.

With new aircraft sales on a precipitous decline and the pre-owned markets offering unprecedented “deals,” 2018 should be interesting to say the least.

## Percent of Aircraft Withdrawn from Market



## Average Days on the Market



## Total Percentage of the Fleet — Market/Sales Comparison

