

PRIVATE AIRCRAFT GOING, GOING, ... GONE

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¹ Marketplace by JetNet Flight Activity.

² E.g., XO Charter's peak booking deadline changed from 24 hours to 72 hours' notice in September 2021, Executive Jet Management's (EJM) Ascend program changed from ten hours to 24 hours.

³ JetNet.

⁴ JetNet.

Brief:

In this edition of mba Aviation's Insight Series, Anna Kopinski, Senior Associate – Asset Valuations, analyzes the private aircraft market considering the current scarcity in availability.

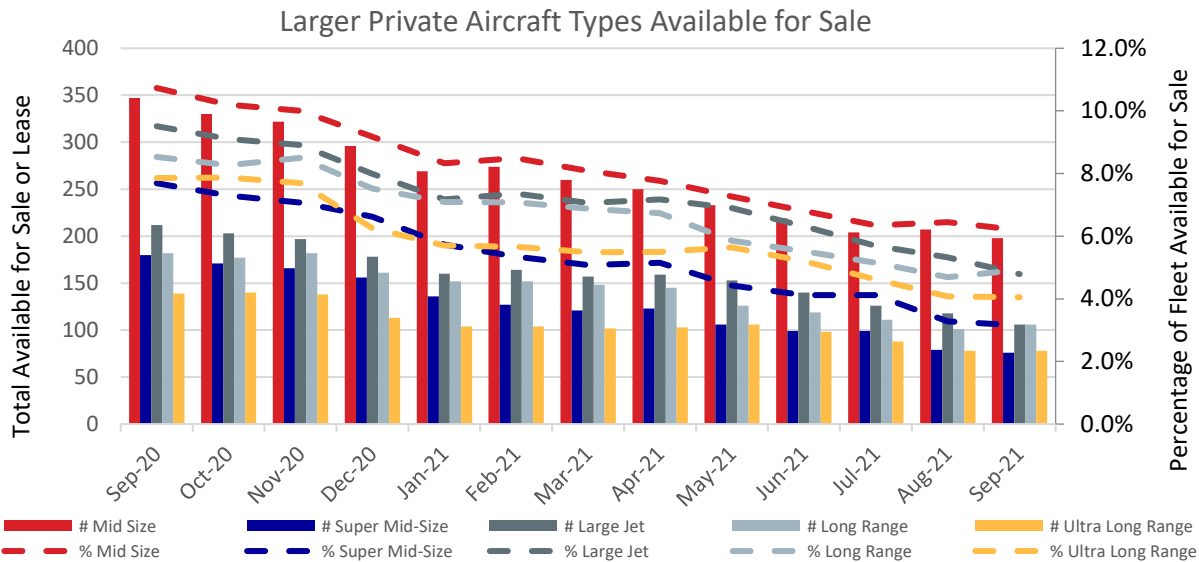
Key Concepts:

- ➔ Decline in Private and Corporate Jets Available for Sale
- ➔ Current Growth in Popularity of Private Air Travel
- ➔ Business Jets' Utilization Rising

Given the increasingly slim availability in the private jet secondary market, mba has analyzed the availability trends in the mid-sized and large private aircraft markets over the past year.

The COVID-19 era has ushered in myriad motivations for seeking out safe and reliable air travel that is not beholden to the same restrictions as commercial air transport. This has made private air travel increasingly popular, demonstrated by a variety of metrics:

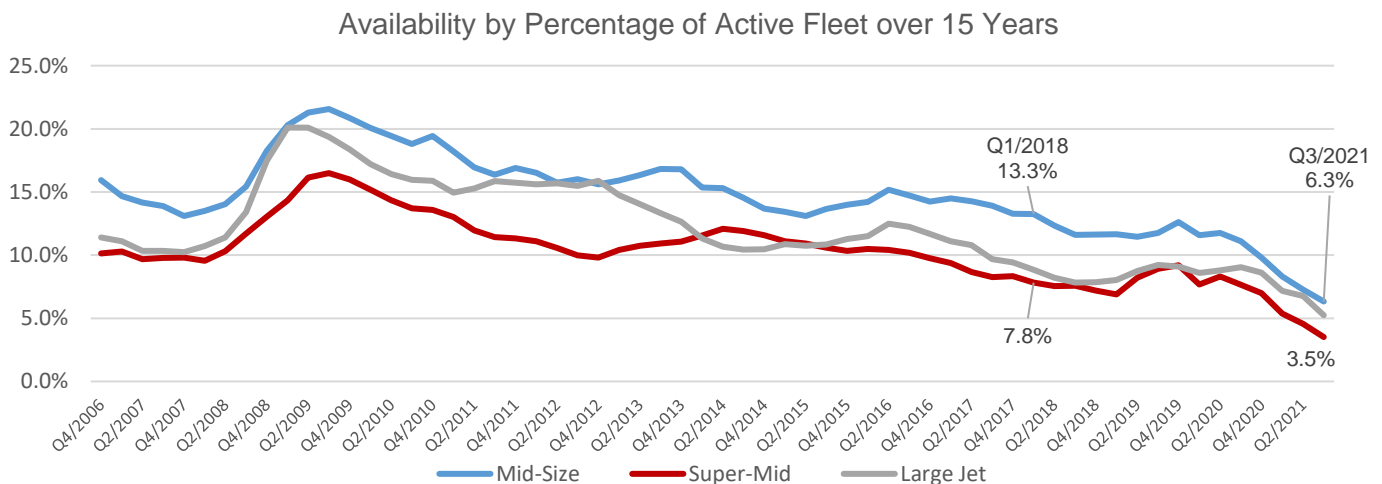
- ➔ The total number of business jet flights each month has exceeded 2019 levels every month this year;¹
- ➔ Charter wait times are growing longer;²
- ➔ The most capable jets (i.e., Long-Range and Ultra Long-Range jets like the Falcon 7X and 8X and Gulfstream G550 and G650ER) are flying shorter legs;³
- ➔ Smaller jets, like the Embraer Phenom 300 and Citation Mustangs, are flying longer average segments than in 2019;⁴ and
- ➔ Critically, more aircraft have been pulled from the market and fewer have been brought to market in 3Q 2021 than in any quarter in recent years, leading to the lowest number of private and business aircraft available on the market in the last two decades.



Historically Low Availability for Larger Jets

According to Marketplace by JetNet, availability in the most capable types of aircraft has shrunk across all segments by up to 55.0% since September 2020. This is thanks largely to the 100.0% Bonus Depreciation portion of the 2018 U.S. Tax Cuts and Jobs Act, which will be in full effect until 2024. This clause now allows used aircraft to be fully written off in their first year.

- ➔ Since 2018, mid-size and larger aircraft types, which the U.S. market has always dominated, have resulted in less supply than seen in recent history, and levels have continued to diminish ever since.
- ➔ Q4 2020 saw more transactions than any quarter in 15 years and set off three quarters of continuously shrinking availability.



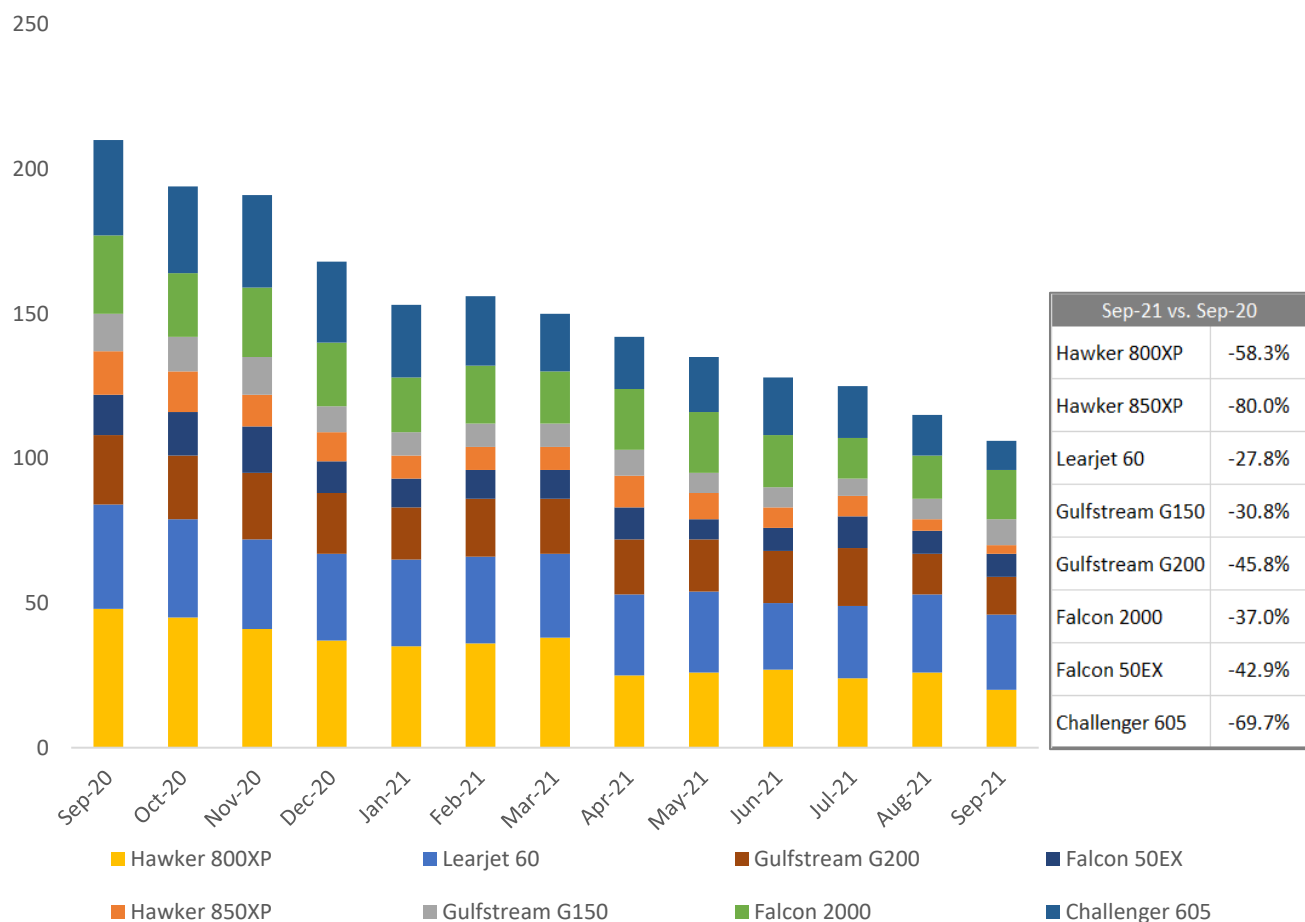
Source: JetNet October 2021

Mid-Life, Mid-Size Jet Availability Dwindling

Aircraft that have an average age of 12 to 22 years old is where there is a good mix of popular aircraft in the US\$2–10 million range, the supply for which has nearly halved in the last 12 months.

- ➔ The biggest drops have been in the youngest programs:
 - There are 80.0% fewer Hawker 850XP today compared to September 2020 and 69.7% fewer Challenger 605s
- ➔ The Falcon 50EX, with an average age of 22.33 years, has seen availability drop 42.9%.

Mid-Size and Super Mid-Size Older Jets for Sale



Source: JetNet October 2021

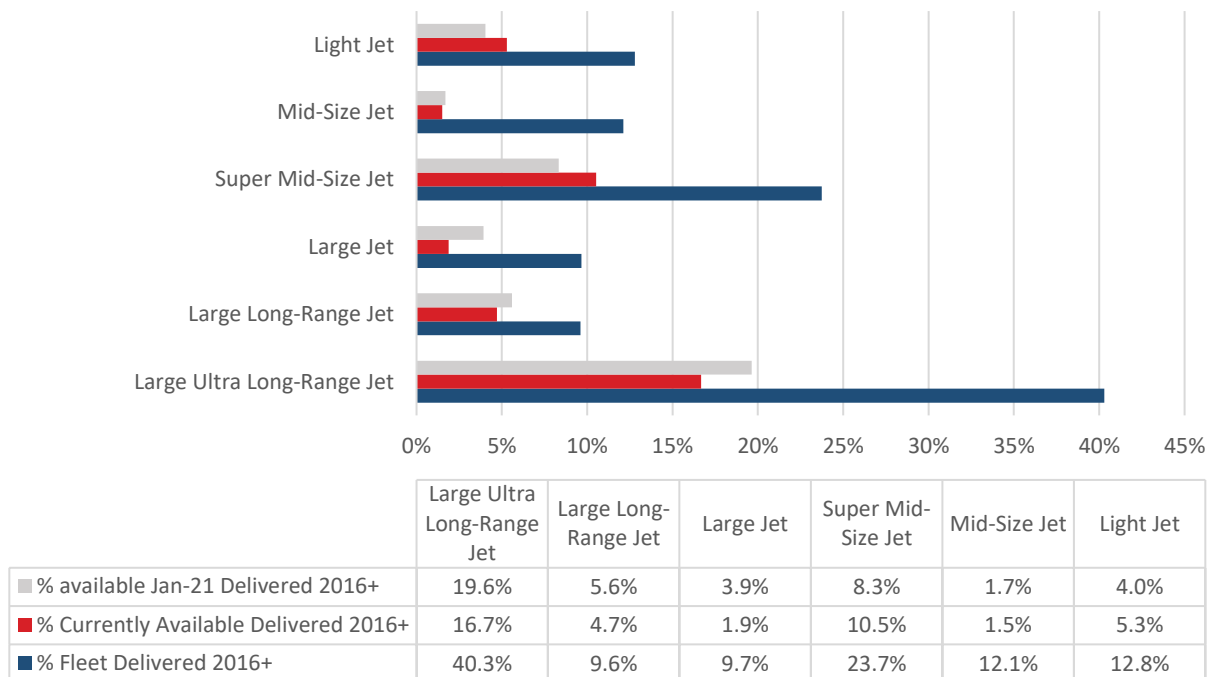
Youngest Aircraft Have All But Disappeared

Furthermore, finding a young aircraft in the secondary market has become increasingly difficult. As of October 20, 2021, only 72 out of 1,131 business jets available on JetNet were delivered in 2016 or later.

➔ Only 13 of 78 Ultra-Long Range, five of 106 Large Long-Range jets listed, and two of 106 Large Cabin jets currently available were delivered after 2015. With such short supply and assuming that the appetite for used aircraft rivals that of last year, the question becomes, what will be left for year-end buyers to purchase?

➔ The final quarter has historically been the most active of any year, but Q4 2021 may see more bidding wars than actual trades as values for private jets continue to show upward movement across all types.

Aircraft Delivered 2016-2021



Source: JetNet October 2021



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