

VREF Reports Aircraft Values Climb Despite Economic Jitters

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BUFFALO GROVE, IL, USA, June 1, 2022 /EINPresswire.com/ -- The first six months of 2022 have been filled with several contradictions, a booming aviation market, aircraft selling at all-time highs, increasing backlogs for new aircraft, inventory at its lowest level in over a decade, juxtaposed with a

supply chain nightmare, fuel and operating costs escalating over 120% from this time a year ago, inflation at the highest it has been in 40 years, interest rates reached levels not seen in a decade, and the Russian invasion of Ukraine. On the one hand, things have never been so good in aviation; demand for general and business aviation is back; it's the roaring Twenties all over

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Jason Zilberbrand, ASA

again, with little to no end in sight for the demand on the charter market. On the other hand, will the current market withstand the number of obstacles ahead? So far, the answer has been an amazing yes, but is the sentiment shifting and the bubble about to burst?

While a downturn is unlikely, we have probably hit the ceiling regarding escalating values. A downturn is doubtful because this isn't 2008, and there are several key differences between the great recession and today. The

first is that inventory remains extremely low. Yes, the inventory has gone up slightly from 4th Q 2021 levels, but it's barely noticeable, and for most actively traded models, it's still nowhere near normal levels. For example, popular aircraft like the Citation Excel/XLS is trading at or above the asking price, and even with a slight uptick in aircraft for sale, we still have well under 2% of the total fleet for sale. Let's assume that with off-market listings, that number is closer to 3%, which in my opinion, is not enough to move the meter into a bear market. The same holds true for just about every popular and actively traded aircraft model, with a slight uptick in the number of



aircraft sold and no slowdown in buyers' appetite. Secondly, the banks and their respective balance sheets are healthy. While interest rates have gone up, they are still low compared to the past thirty years. Thirdly, aircraft owners have skin in the game this time around. The loan to value requirements for aircraft lending has remained at approximately 75%, allowing most borrowers to stay far away from foreclosure and build equity.

Aircraft that have higher operating costs or are more sensitive to fuel burn, as the aging segment of the long-range market, will see fissures in the market first, but nothing has changed much. Surprisingly, I have only had one comment from a new Cirrus SR22 purchaser complaining that the high fuel costs will force him to park his new plane. It seems as though this time around, more operators are choosing to ignore fuel prices, and again we will see how long things can maintain at the current pace given this major issue for smooth operations. Charter operators and Commercial airlines will only be able to pass along so much of the inflation to ticket/seat purchasers before killing off the opportunity.

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Piston Market:

The 182 market is up another 10% from last quarter, and based on closing numbers and activity levels, this market keeps on ticking; like a Timex, not much seems to slow it down.

The same holds for the 172 markets, up another 10% from last quarter. Market demand is far greater than supply, and inventory is meager.

For a while there, Cirrus's were going up in value daily. The SR20 market has gone up tremendously, and prices were adjusted by 15%. This is one market to watch, as many buyers are frustrated with the escalating values; it will be interesting to see if the numbers stall in the 3rd quarter. The SR22 is also up 15%, with backlogs growing and premiums paid for newer aircraft. With many aircraft finally delivering from the pandemic orders, we may see an uptick in newer inventory.

The Piper Meridian has benefited from several other markets' tight inventory levels and entry-level jet prices exceeding budgets, resulting in a 17% increase in value since last quarter. With lower operating costs, a modern cockpit, and owner/operator capability, we see increasing values continuing for some time.

The Pilatus PC-12 market continues to be the darling of the segment, once again demonstrating the best residual values in the single-engine turboprop market. All variants are up 20% over the last quarter.

The Caravans also benefit from scarcity, as utility, cargo, and commercial operators can't seem to buy enough of them. Market values are up 15% and should continue to perform well in the coming months.

The King Air's also shot up in the last quarter, the B200's is up 25% since last quarter, and the 350 market is up 20% since last quarter.

Demand continues to outpace supply, inflation, and fuel prices. The only thing that can slow down the market is the lack of aircraft. More and more transactions being reported are off-market, unlisted aircraft. Entry-level light jets continue to go up in price, creating a few opportunities for the twin-piston and turboprop markets and older vintage jets. Lear 35 aircraft, as an example, is up 20% from last quarter, and Lear 45's and Lear 60s are up 30% as buyers battled for the few available units not being swallowed up by management/charter operators.

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