DOMESTIC U.S. vs. INTERNATIONAL USED AIRCRAFT MARKET TRENDS

Mike Chase and Marj Rose share the latest JETNET >>KNOW MORE statistics for the pre-owned business jet and turboprop markets.

Market trends are always easier to analyze historically than they are to predict for the future. While our industry recovery from the 2008 low seems too slow for most of us, it is interesting how market changes just don’t seem as dramatic when comparing them over decades. This month, we’ll look back at some key industry market trends, and compare Domestic U.S. activity to the rest of the world.

To start, we will break down the current numbers of the world fleet of business aircraft by continent (Table A). We can see that North America is home to 12,762 (69%) of the world’s wholly-owned business jets, and 8,613 (62%) of the business turboprop fleet.

<table>
<thead>
<tr>
<th>Continent</th>
<th>Business Jets</th>
<th>Fleet %</th>
<th>Turboprops</th>
<th>Fleet %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>469</td>
<td>4%</td>
<td>817</td>
<td>6%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,464</td>
<td>8%</td>
<td>844</td>
<td>6%</td>
</tr>
<tr>
<td>Australia/Oceania</td>
<td>207</td>
<td>1%</td>
<td>484</td>
<td>3%</td>
</tr>
<tr>
<td>Europe</td>
<td>2,403</td>
<td>13%</td>
<td>1,219</td>
<td>9%</td>
</tr>
<tr>
<td>North America</td>
<td>12,762</td>
<td>59%</td>
<td>8,613</td>
<td>52%</td>
</tr>
<tr>
<td>South America</td>
<td>1,412</td>
<td>8%</td>
<td>1,927</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>17,171</td>
<td>100%</td>
<td>13,804</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table A - Source: JETNET

Business Jets For Sale (1990-2014)
Chart A displays the split of total business jets for sale between the Domestic U.S. and International markets. The percentage of international business jets for sale is at its highest point (40%) since 1990. This percentage has been increasing since 2008, while the Domestic U.S. side has been slowing declining.

Business Turboprops For Sale (1990-2014)
Following the business jet trend, the percentage of international business turboprops for sale is at its highest level (43%) since 1990, as shown in Chart B. This percentage has also been increasing since 2008, while the Domestic U.S. percentage shows a declining trend.

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- Oct. 14 - Evolution Advanced Features Training (11AM & 2PM)
- Oct. 21 - Introduction to Evolution (11AM & 2PM)
- Oct. 28 - Introduction to Evolution (11AM & 2PM)
- Oct. 28 - Evolution Advanced Features Training (11AM & 2PM)
- Nov. 4 - Introduction to Evolution (11AM & 2PM)

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- Oct. 8 - Marketplace Manager Demonstration (11AM & 2PM)
- Oct. 22 - Marketplace Manager Demonstration (11AM & 2PM)
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Conferences & Seminars
- November 17-19, 2015 - NBAA, Las Vegas - Booth #C11248
- Holiday Schedule
  - November 26-27, 2015 - JETNET Thanksgiving Day Holiday
  - December 25, 2015 - JETNET Christmas Day Holiday
Business Jets Full Retail Transactions (2000-2014)

The percentage of Domestic U.S. pre-owned business jets sold reached its highest point (79%) in 2003 (see Chart C). However, the percentage dropped to 65% in 2008, and dropped again to its lowest percentage of 58% in 2011. The percentage has remained steady at 62% for the past three years.

Recently, pre-owned business jet transactions have been down by 5.4%, comparing the first eight months of 2015 with 2014. However, the split between Domestic U.S. vs. International is 63%/37%, which is a slightly increased share for the Domestic U.S. market compared to International (first eight months of 2015 vs. 2014).

Business Turboprops Full Retail Transactions (2000-2014)

The percentage of Domestic U.S. pre-owned business turboprops sold reached a high (75%) in 2002 (see Chart D). However, the percentage dropped in 2008 to 61%, and has since remained at that level, indicating this is the new norm for the turboprop segment.

Recently, pre-owned business turboprops have been down 8.1%, comparing the first eight months of 2015 to 2014. However, the percentage split between Domestic U.S. vs. International has shifted to 63%/37% in 2015 (compared to 61%/39% in 2014), indicating an increased share for the Domestic U.S. compared to International.

Used Business Jet Transactions – Top 10 Countries

In 2000 the U.S. accounted for 72% of all pre-owned business jet retail transactions, and there were 47 countries that accounted for the total of 1,671 sales. In 2014, the U.S. percentage sold dropped to 62% of all pre-owned sales, and there were 88 countries that accounted for 2,554 sales.

It is interesting to note that the transactions are taking place in nearly twice as many countries in 2014 than in 2000. Brazil (highlighted in Table B) is the only emerging country of the BRIC group to make the Top 10 list in each year.

Brazil was in second place, far behind the U.S., in pre-owned retail sale transactions in 2014. Also, for the years displayed, the Top 10 Countries have accounted for 77% to 89% of all full retail sale transactions.

Used Business Turboprop Transactions - Top 10 Countries

In 2000 the U.S. accounted for 65% of all pre-owned business turboprop retail transactions, while, in all, there were 51 countries that accounted for the 1,289 sales. In 2014, the U.S. percentage sold dropped to 61% of all pre-owned sales, and there were 65 countries that accounted for 1,252 sales.

Brazil (highlighted in Table C) is the only emerging country of the BRIC to make the Top 10 list. However, Brazil was third behind Canada, and some distance from the U.S., in pre-owned retail sale transactions in 2014. India, another BRIC country, made the Top 10 in 2014, and may continue this trend for the near future.
Summary
As we look back at all these data, the business aviation market continues its approximate 60/40 split between Domestic U.S. activity and the rest of the world. Should we expect more change?

The following are the most common business aviation market trends to result in our current global supply of aircraft, without as much global demand as most of us would like to see…

- The U.S. dominates all countries in business jet and business turboprop fleet activity (in-operation, for sale, and full retail sale transactions)
- There has not been any bifurcation of the pre-owned business jet and business turboprop fleets. However, there is bifurcation of new business jet deliveries, with more Large-sized compared to Medium/Light-sized jets
- Economic decline in emerging markets such as the BRIC Countries
- Dollar Value change in new business jet deliveries, i.e.: Fewer high-dollar-value large jets
- Declining oil prices—prices are half of what they were one year ago—primarily due to OPEC Middle East policy changes
- Stronger U.S. dollar, making business jets cost more in international markets

We will continue monitoring the industry’s progress, and anticipate many more reports and predictions as we edge closer to the annual National Business Aviation Association’s Business Aviation Convention & Exhibition in Las Vegas, Nevada, November 17-19, 2015. Keep your eyes peeled!