FANCY A BARGAIN BUSINESS JET? GULFSTREAM G650 IS A SNIP AT JUST $58.8M

News / Business aviation

The private jet Janine Iannarelli is selling for a Russian client has leather seats, wood paneling, a satellite phone and can fly non-stop from Tokyo to Los Angeles.

The price has dropped US$3 million since September and is still falling.

Ms Iannarelli is hawking the 10-year-old Bombardier Global 5000 for $14.5m but recommends that her client cut the price further as the market for large-cabin business jets keeps weakening. A new Global 5000 lists for $50.4m.

The slump extends even to the Gulfstream G650 – just two years ago an aircraft so coveted by well-heeled buyers that some would pay $10m above list for a used jet rather than wait four years for a new model. Now there are 19 G650s for sale, about 11 per cent of the global fleet in operation. One 2013 plane that first was posted for sale in June at $68m has had its asking price cut twice, to $58.8m.

"There’s absolutely no evidence of a recovery on the horizon," says Ms Iannarelli, the founder of

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the Houston aircraft brokerage Par Avion. "None of the jet models has hit bottom."

Rarely seen bargains abound for big corporate aircraft as tumbling oil wealth, a stronger dollar and a downturn for emerging-market giants from Brazil to Russia cripple demand. As owners from tycoons to Archer-Daniel-Midlands try to sell their planes, Bombardier, General Dynamics' Gulfstream unit and other plane makers are cutting output and chopping list prices to cope with a glut of new and used business jets.

"It's probably one of the best times I've seen in my career to get the values for a big-cabin jet," says Brian Foley, a business-aircraft consultant who spent 20 years as director of marketing for the North American jet unit of France's Dassault Aviation.

That marks a turnabout from the 2008-09 recession, when large planes – some spacious enough to let almost 20 people roam around – weathered the storm better than smaller jets, which cram as few as five passengers in too tight a space to stand up. Sales of bigger aircraft jumped with the economic surge of Brazil, Russia and other developing countries, plus a jump in oil prices and a commodities boom that fed China's surging exports.

Now, with many emerging markets faltering, oil companies trimming costs and commodities prices trending down, the tables have turned. Prices of used, large-cabin business jets fell 16 per cent last year, according to AircraftPost, which compiles data on the industry. Business-jet sales tumbled 16 per cent to $3.53 billion in the first quarter, the biggest drop in almost five years, according to the General Aviation Manufacturers Association. Large-cabin jets led the decline.

"Have prices come down? Yes. Have they come down quicker than usual? I'd say yes," says Steve Varsano, an aircraft broker in London who is helping to sell three preowned G650s. "But the activity level is still there."

Gulfstream, which is based in Savannah, Georgia, has reduced production and prices of its G450 and G550 models but does not intend to cut prices for new G650s, says Phebe Novakovic, the chief executive of the parent company General Dynamics. The jet remains a "hot plane", with about a two-year wait for a new one, she says.

Wynn Aircraft II wants to unload an extended range G650ER that sells for more than $70m new. A spokesman for Wynn Resorts, the casino company run by Steve Wynn, declines to comment on the sale.

ADM is selling a 2010 Dassault Falcon 7X for $25.5m in an effort to reduce executive travel expenses. "Commercial airlines offer options for long-range, nonstop flights which can provide significant savings on our overall costs," says Steve Schrier, a spokesman for the world's largest corn processor.

General Electric is selling a 2003 Gulfstream G550, part of an effort to shed assets of its finance unit as the company focuses on industrial operations.

The price on a 2008 Gulfstream G550 registered to Gulf States Toyota, a Houston car dealership, has dropped $750,000 to $24.95m in about six months, according to the plane broker Mesinger Jet Sales.

The average value of a used jet currently falls about 8 per cent to 10 per cent a year, compared with a 3 per cent to 4 per cent drop before the market slumped, says Jay Mesinger, who is based in Colorado. The steeper decline may last for years, he says. "This is going to take a while to

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correct itself."

Prices have dropped most sharply for older models, says Neil Book, the chief executive of JSSI, which manages 1,800 corporate, commercial and private jets. A Gulfstream GV – one of the largest, longest-range corporate jets – fetches about $10m now, down from $18m two years ago, he says.

Bombardier has been the biggest culprit for the drag on prices, analysts and consultants say. The Montreal company overproduced business jets last year and has been discounting heavily to raise cash as its grapples with a C Series commercial-jet programme that is over budget and behind schedule, according to Rolland Vincent, an aerospace consultant in Texas.

"There are some shark-infested waters in that large-cabin space around the $30m to $40m list price," says Mr Vincent, a former executive at Bombardier and the Cessna business-jet arm of Textron. "It’s very aggressive right now, and Bombardier has been leading the aggression."

Bombardier jet prices have been helped by the company’s decision to cut output of large-cabin planes last year, says the spokeswoman Anna Cristofaro. She declines to comment on production rates. Mr Vincent estimates the company will produce about 50 Global jets, down from 80 last year.

With the large price gap between new planes and late-model preowned jets, it makes less sense for buyers to purchase aircraft straight from the factory, says Ms Iannarelli. That may put pressure on original-equipment manufacturers (OEMs)to discount further.

"The OEMs are eating their young," she says. "People are waiting on the sidelines wondering when the next price cut is coming."

Not all is gloomy, however.

The Brazilian plane maker Embraer on Monday sold 23 business jets with a list value of $260m to an expanding Mexican charter operator, which has an option to double the order.

Servicios Aereos Across has begun to take deliveries for the first aircraft in its firm order, which includes eight Legacy 500, eight Phenom 300 and seven Phenom 100E aircraft. The deal was included in first-quarter backlog, Embraer said on Monday during the European Business Aviation Convention and Exhibition in Geneva.

Across, which operates out of Toluca International Airport near Mexico City, plans to use the Embraer jets to replace its fleet of mostly Textron Cessna planes, says the chief executive Pedro Corsi. A pilot who is certified to fly the Legacy 500, Mr Corsi called the Embraer jet a "work of art that flies".

"The customers are very happy with the larger cabins and performance," he says. "We are very happy with the operating costs, which are very low."

Mexico has the world’s second-largest fleet of private jets after the United States. Last year, Across’ charter flights jumped 50 per cent to 9,000 hours, Mr Corsi says. About 60 per cent of the charter operator’s business is within Mexico, 30 per cent to the US and 10 per cent to South and Central America, he says.

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Mr Corsi, who founded Across in 2009, says his company often receives requests to fly large groups and is contemplating purchasing an Embraer Lineage 1000. That is a converted commercial airliner that is big enough to accommodate a bedroom, shower and other amenities.

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