

Aircraft pricing under pressure

[Print](#)

By Tracy Alloway

Published: September 24 2009 03:00 | Last updated: September 24 2009 03:00

The troubles of the airline industry and the shifting fortunes of aircraft lessors are all having an impact on the market values and lease rates of planes.

"Most of the leasing industry is up for sale or rumoured to be up for sale," said Joe Gill, an aviation analyst at Bloxham stockbrokers in Dublin. "All of that is causing dislocations in the market as to what are the real values of the aircraft in these leasing companies and in their order books."

Values of new, short-haul, narrow-body aircraft, such as the Boeing 737 and Airbus A320, have fared the best, dropping 7-9 per cent over the past nine months, according to data from Ascend Worldwide, a consultancy.

The price of a new Boeing 737-800, one of the US manufacturer's latest versions of its best-selling aircraft, has fallen by 7 per cent to \$39.5m in the past nine months, Ascend says. The twin-engined aircraft is a popular model for low-cost carriers on shorter routes, and is relatively fuel-efficient. Longer-range, wide-body aircraft have suffered more. The value of a used B747 has fallen by 16 per cent to \$43.25m in the past nine months. Although upgraded by Boeing over the years, as a four-engined aircraft it is much less fuel efficient than many of the more modern twin-engined long-haul aircraft.

Technological developments have allowed manufacturers to make huge strides in improving the fuel efficiency of their newer models - a crucial factor for airlines that have faced sharply higher fuel bills in recent years, accounting for up to 40 per cent of total operating costs.

"Younger, narrow bodies as an asset class tend to be more liquid and hold their value a lot better than the wide bodies when things go pear shaped," said Mr Gill. "The four-engine is finding it much harder than the twin engine right now because of the relatively high price of fuel that's stuck with us in recent months."

Lease rates have largely mirrored the decline in aircraft market values - with older or wide-body models particularly affected. It now costs \$115,000 to lease a used 737-300, one of the older 737 variants, compared with \$155,000 at the beginning of the year - a decline of 26 per cent. Leasing rates for A320-200s and Boeing 737-800s have declined 6-7 per cent to between \$325,000 and \$340,000 a month.

With Boeing and Airbus considering replacements for their current 737 and A320 families some fleet managers believe there is a very real possibility that values for much of the world's fleet could drop even further.

Copyright The Financial Times Limited 2009. Print a single copy of this article for personal use. [Contact us](#) if you wish to print more to distribute to others.