The Gulfstream G650 is Due for an Upgrade

Gulfstream traditionally introduces updated versions of their most popular aircraft after producing around 200 or more base units. With 230 G650’s now in service, we believe the G650 is overdue for an upgrade and an announcement is quickly approaching.

We’re speculating the G650 upgrades will include new avionics and flight controls used on the G500/G600. The combined weight savings will provide more range and allow Gulfstream to offer two derivative models manufactured simultaneously with common components.

New Avionics - When the G650 was introduced in 2008, the Honeywell PlaneView Cockpit developed for the G550 was only 5 years old. It was prudent for Gulfstream to extend the PlaneView cockpit into the G650 because it was a proven and reliable system with wide customer acceptance. The PlaneView Cockpit in Gulfstream products dates back over 14 years and has many years of useful life remaining, but owners of flagship aircraft will expect access to the newest & best technology.

That newest and best technology is found in the Symmetry Flight Deck suite developed by Gulfstream and Honeywell for the new G500 and G600. The suite is expected to enter service later this year in the G500 and followed by the G600 in late 2018.

The Symmetry Flight Deck offers a sophisticated modern interface new to avionics and is more akin to an iPad than a traditional cockpit. Ten touch screens allow pilots the flexibility to custom configure displays for monitoring over 15,000 parameters.

New Flight Controls - The yoke is eliminated and replaced with active control sidesticks that integrate with an Intelligence-by-Wire Flight System considered the next generation of fly-by-wire technology. The new Intelligence-by-Wire system uses fewer major components and moving parts translating to less weight and more fuel efficiency.

If Gulfstream could push the existing G650ER airframe to a max range of 8,000nm, it would seem appropriate to call the new model a G800.
More Cabin Choices - What the G650 lacks is a true 4 cabin-zone interior option with a dedicated crew rest area. Perhaps Gulfstream extends the G650’s fuselage by 4 to 6 feet. The additional weight will certainly decrease range but with the standard ER mod, it’s possible that a larger & heavier G650 derivative could still achieve 7,000nm max range. Hence, we would expect Gulfstream to name the longer fuselage, shorter range aircraft the G700.

Sensible Production Efficiencies - It starts to make sense considering manufacturing efficiencies. The G500 and G600 are manufactured side by side. The G650 manufacturing facility was designed with 2 parallel production lines operating together. With 2 facilities, each producing 2 derivative aircraft side-by-side, we can now conceive a logical lineup: The G500/G600 and G700/G800 – each with corresponding ranges referenced in the names. Rumors have surfaced that a shorter-range version of the G500 is in development to fill the gap between the G280 and the G500. Perhaps Gulfstream will name this derivative the G400. When that gap is bridged, the G280 suddenly doesn’t fit into the lineup as well. That’s a future topic for another article.

Timing is Everything - Gulfstream’s timing of an announcement is crucial. If done too soon, they’ll distract G650 buyers and have a hard time selling G650 positions or be forced to sell at a discount pushing residual values lower and upsetting current owners. Wait too long, Gulfstream risks losing customers to Bombardier’s Global 7000/8000 models.
In production 230
Deals Pending 1
Net For Sale 14
% Of Fleet For Sale 6

Available For Sale 24 MO High 21 - Q1 2016
Available For Sale 24 MO Low 4 - Q1 2015
Q1 2017 Transactions 4
Transaction Same Period 2016 1

Advertised Price Reductions 5
Average Price Reduction -7.3%
Current G650 Ask Price Range $50M - $66M USD(Incl. ER)
Current G650 Avg. Ask Price $62.85M USD
% Available w/Fwd Galley 71
% Equipped w/Crew Rest Area 85
Average Days On Market 255

There are 15 G650/ER aircraft on the market with 1 deal pending reducing the net supply to 14 aircraft for sale. This represents 6% of the entire fleet of 230 aircraft built between 2012 and 2017. The industry average is closer to 10%. Among the 14 aircraft for sale, 4 have the ER upgrade.

The average days on market is approximately 255 days which has doubled since June, 2016 when the average Days on Market was 135. This can be attributed to aircraft that are not selling because sellers have unrealistic expectations on price or have aircraft with non-standard interiors that don't appeal to the buyers.

In our previous update, we predicted prices would soon dip below $50M - which they have. Ask prices start as low as $49.5M for a 2013 model G650 with 725 hours and go as high as $66.5M for a 2015 model G650ER with less than 400 hours.

The average Ask Price is $62M but less than half of the aircraft for sale have a published ask price so this number is higher than actual prices.

G650s have been selling at an average of 3-4 transactions per quarter and we expect the same results in Q2 2017. Four G650’s closed so far this year and the 1 deal pending should close by the end of April.

Gulfstream delivered only seven new G650’s in the first quarter of 2017 which indicates a slower manufacturing pace. They have been delivering between 50-60 units per year since 2015.
There are 43 pre-owned G550s on the market with 7 deals pending. The current supply represents 8% of the entire fleet of approximately 540 aircraft built between 2003 and 2017.

Net supply is 36 aircraft. Supply increased sharply over the past 90 days. Current inventory levels represent a 36 month high.

Year to date, there have been 10 G550 transactions (not including aircraft currently under contract), which indicates that the pre-owned G550 market is trading actively despite the high supply but at the expense of pricing.

Sale prices dipped lower in 2017 with prices approaching $15M on the low end. Although some late-model transactions closed in the high $30’s at the beginning of the quarter, other similar aircraft have recently contracted in the mid $30’s. Pressure from price discounts at the OEM are impacting value on the high end of the G550 market which is pushing the pre-owned values down in lock step.

Buyers have been finding good deals at all different levels of the market. Recent transactions haven’t been focused on any particular age segment.

Supply of aircraft less than 5 years old is flat compared with the previous quarter with only 6 aircraft offered for sale that were built in 2012 or newer. Also notable is the lack of new deliveries in the first quarter with only 1 new G550 delivered in February. The previous G550 delivery occurred in October, 2016 which demonstrates the lack of demand for this model because the pre-owned aircraft are offering much better value.

Although transactions have remained fairly steady for the G550, the recent increase in supply coupled with an average price reduction of nearly -6% indicates we could see additional softening in prices over the next quarter.
Current Supply of G450’s in the market:

- In production: 345
- Deals Pending: 4
- Net For Sale: 27
- % Of Fleet For Sale: 9%
- Available For Sale:
  - 36 MO High: Q4 2015
  - 36 MO Low: Q3 2014
- Transactions:
  - Q1 2017: 11
  - Same period 2016: 10
- Advertised Price Reductions: 5
- Avg Price Reduction: -3.5%
- Current G450 Ask Price Range: $11.9M - $22M USD
- Current G450 Avg. Ask Price: $16.5M USD
- Avg Sale Price Q1 2017: $15.1M US
- Q1 2017 Sale Price Range: $9M - $21M USD
- Average Days On Market: 264
- % Enrolled on RRCC: 73

Gulfstream G450 Value/Transaction History

- G450 year over year depreciation is -18.5% between Q1 2016-Q1 2017

G450 Market Summary

There are 31 pre-owned G450s on the market with 4 deals pending. The current supply represents 9% of the entire fleet of approximately 345 aircraft built between 2003 and 2017. Net supply is technically at 27 aircraft.

The G450 market is showing signs of stabilization following a major pricing correction at the end of Q2, 2016 which stimulated a record number of transactions in Q3. Inventory has remained fairly consistent with 27-30 aircraft advertised over the past 9 months and is expected to remain mostly flat.

11 pre-owned G450’s closed in Q1 2017 which has been the average over the past 24 months with a brief spike in Q3 2016 following a correction in prices. There are currently 4 G450’s under contract that are expected to close in the first few weeks of April which means the transaction trend remains on track for 10 or more sales in Q2, 2017.

What's interesting to note is the lack of price reductions in the past 90 days. There were only 5 published ask price reductions for an average of -3.5% which indicates that the remaining Sellers are not as motivated as they have been in the past or prices are stabilizing. Aircraft that are coming to market are pricing themselves in-line with current market values.
In production
191

Available For Sale 24 MO High
23 - Q2 2015

Advertised Price Reductions
1

Available For Sale 36 MO Low
7 - Q3 2016

Avg Price Reduction
NA

Net For Sale
12

Transactions YTD
0

Current GV Ask Price Range
$9.9 - $14.9M USD

% Of Fleet For Sale
6

Transactions Same period 2016
9

Current GV Avg. Ask Price
$11.9M USD

Avg Sale Price Q1 2017
NA

GV Average Days on Market
190

% with Fwd Galley
75

% With Engine Program
83

Gulfstream GV Value/Transaction History

As of March 31, 2017

GV year over year Depreciation is -14% between Q1 2016 - Q1 2017

<table>
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<tr>
<th>Quarter</th>
<th>Aircraft For Sale</th>
<th>GV For Sale</th>
<th>GV Transactions</th>
<th>GV Fleet Avg Value</th>
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<tr>
<td>Q1/14</td>
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<tr>
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<tr>
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<td>$0 USD</td>
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**GV Market Summary**

There are 13 used GV’s advertised on the market with 1 deal pending reducing the supply to 12 aircraft for sale. Two GV’s are available for Lease or For Sale. This represents 6% of the entire fleet of 191 aircraft built between 1997 and 2002. The industry average is closer to 10%. There are at least 2 other GV’s coming for sale in the next few months which should raise the supply slightly.

Supply of GV’s peaked in mid-2015 with 23 aircraft for sale. Prices shifted lower which increased transactions that lowered the supply of aircraft for sale to only 7 by the end of the summer of 2016 leaving very few turn-key GV’s to choose from.

Over the past 6 months, supply has been increasing steadily but transactions slowed dramatically in the first quarter of 2017 with only one deal pending. The decrease in transactions is caused by the lack of turn-key inventory with good ownership pedigrees that are priced accurately.

Ask prices currently range between $9.95M to $14.9M but ask prices are not reflective of where the market is or should be. In fact, among the 13 airplanes advertised, none of them have a published ask price. Ask prices are listed as “Make Offer” or “Call for Pricing” which tells us the brokers in this segment don’t know how to price these aircraft.
Gulfstream IV-SP

Current Supply of GIV-SP’s in the market:

In production
335 Incl. G300/G400

Deals Pending
3

Net For Sale
39

% Of Fleet For Sale
12.5

Available For Sale 24 MO High
45 - Q1 2017

Available For Sale 24 MO Low
19 - Q1 2015

Transactions YTD
4

Transactions Q1 2016
11

Advertised Price Reductions
13

Average Price Reduction
-10.96%

Current GIV-SP Ask Price Range
$2.5M - $7.95M USD

Current GIV-SP Avg. Ask Price
$5.5M USD

Avg Sale Price Q1 2017
$4.1M USD

Q1 2017 Sale Price Range
$3.5M - $5.2M USD

Average Days On Market
403

% Enrolled on Engine Program
81

Gulfstream GIV-SP Value/Transaction History  As of March 31, 2017

GIV-SP/G400 Year Over Year Depreciation is -8.5% between Q1 2016-Q1 2017

Current GIV-SP Ask Price Range
$2.5M - $7.95M USD

Current GIV-SP Avg. Ask Price
$5.5M USD

Avg Sale Price Q1 2017
$4.1M USD

GIV-SP Market Summary

There are 42 pre-owned GIV-SP, G400 and G300 aircraft on the market with 3 deals pending representing 12.5% of the entire fleet of 335 aircraft built between 1993 and 2003. 4 aircraft are currently advertised as “Lease Only”. Net supply is technically at 35 aircraft.

Ask prices currently range from $2.95M to $7.95M. Supply has remained fairly flat over the past 6 months but considerably higher than the low in Q1 2015.

Ask prices remained fairly stable in the previous quarter but Seller’s expectations softened in the beginning of 2017 with 13 published ask price reductions representing an average of -10%. The Book Value on the IV-SP only dropped by -2.8% this past quarter and the YOY depreciation is closer to -8.5%.

With so many variables for buyers to take into consideration when purchasing a GIV-SP, it’s inevitable that a Buyer will have to compromise in this market. Buyers have been more focused on interior condition and configuration and are more willing to overlook higher time or engine inspections coming due. Many of the aircraft selling are going into the charter market.
Current Supply of G280’s in the market: 6

In production: 100
Deals Pending: 0
Net For Sale: 6
% Of Fleet For Sale: 6

Available For Sale 24 MO High: 6 - Q1 2017
Available For Sale 24 MO Low: 1 - Q1 2015
Transactions Q1 2017: 0
Transactions Same period 2016: 0

Number of Price Reductions: 2
Average Price Reduction: -3.3%
Current G280 Ask Price Range: $13.3M - $17.9M USD
Current G280 Avg. Ask Price: $15.6M USD

Net For Sale: 6
N Registered on Market: 3/6
# Enrolled on Engine Program: 3/6
# Based in US: 3/6
Average Days On Market: 200

Gulfstream G280 Value/Transaction History

As of March 31, 2017

G280 year over year
Depreciation is -19% between Q1 2016 - Q1 2017

G280 for sale
G280 transactions
G280 fleet avg value

The first pre-owned G280 sold in the second quarter of 2016, causing many market insiders to believe this would act as a catalyst to generate further G280 pre-owned activity which did not happen. The second pre-owned G280 finally sold in October, 2016 which added one more transaction to the G280’s short transaction history but activity has remained quiet.

Currently, there are 6 aircraft for sale with no deals pending. The supply of G280’s has fluctuated between 3-6 aircraft for sale representing about 3-6% of the fleet in service which is a very healthy level in comparison to other current production models.

Ask prices for the G280 range between $13.3M and $17.9M. Most G280’s for sale are not publishing the ask prices but simply advertising "Make Offer" which indicates that the brokerage community is unsure of what the values of the G280 should be. Most pricing in the pre-owned market is based off the price for a new one from the OEM.

Another interesting note about the G280 market is the lack of deliveries in Q1 2017. According to FAA records, no G280’s delivered new since December which is a bit concerning.
Current Supply of G200’s in the market:

- In production: 246
- Deals Pending: 4
- Net For Sale: 24
- % Of Fleet For Sale: 11

As of March 31, 2017:

- There are 28 pre-owned G200’s on the market with 4 deals pending representing 11% of the entire fleet of 246 aircraft built between 1999 and 2011. Net supply is 24 aircraft. Unlike many other Gulfstream markets, there are no G200’s advertised for lease.
- Ask prices currently range from $2.7M to $7.95M. Supply has been tapering down for the past 6 months and many of the nicer G200’s that were priced accurately have already sold although some nice inventory remains.
- Ask prices remained fairly stable in Q1 as demonstrated by only 1 price reduction.
- 11 of the 28 aircraft advertised for sale are based outside of the United States.

Gulfstream G200 Value/Transaction History

As of March 31, 2017

G200 year over year
Depreciation is -25% between
Q1 2016 - Q1 2017

G200 Market Summary

There are 28 pre-owned G200’s on the market with 4 deals pending representing 11% of the entire fleet of 246 aircraft built between 1999 and 2011. Net supply is 24 aircraft. Unlike many other Gulfstream markets, there are no G200’s advertised for lease.

Ask prices currently range from $2.7M to $7.95M. Supply has been tapering down for the past 6 months and many of the nicer G200’s that were priced accurately have already sold although some nice inventory remains.

Ask prices remained fairly stable in Q1 as demonstrated by only 1 price reduction.

11 of the 28 aircraft advertised for sale are based outside of the United States.
Gulfstream G150

Current Supply of G150s in the market:

- **Active Fleet**: 123
- **Deals Pending**: 1
- **Net For Sale**: 6
- **% Of Fleet For Sale**: 7%

<table>
<thead>
<tr>
<th>Available For Sale</th>
<th>Number of Price Reductions</th>
<th>For Sale w/ High Speed Data</th>
<th>For Sale w/ Engine Program</th>
<th>Average Days On Market</th>
<th>For Sale w/ U.S. Registration</th>
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<tr>
<td>24 MO High</td>
<td>1</td>
<td>33% (3 of 9)</td>
<td>100%</td>
<td>162</td>
<td>33% (3 of 9)</td>
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<td>24 MO Low</td>
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<td>7 in Q3 2016</td>
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<td>2 Transactions YTD</td>
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<td>2 Transactions Same Period 2016</td>
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G150 Market Summary

There are 7 G150’s advertised for sale with 1 deal pending. Net supply is 6 airplanes for sale.

Ask prices currently range between $4.45M and as high as $7M. Sale prices have not dipped below $5M for any transaction over the past 6 months.

The supply of G150’s has been fairly stable for the past 6 months with 8 or fewer for sale.

Transactions have been steady with 2-3 aircraft selling each quarter.

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Recent Transactions

**Recent Acquisitions**

- **2008 Gulfstream 150**
  - SN: 254
  - Acquired

- **2001 Falcon 2000**
  - SN: 152
  - Acquired

- **2002 Citation Excel**
  - SN: 5284
  - Sold

- **2008 Gulfstream G450**
  - SN: 4141
  - Sold

- **1995 Gulfstream IVSP**
  - SN: 1294
  - Sold

- **2002 Piaggio P-180 Avanti**
  - SN: 1050
  - Sold

- **2009 Gulfstream G550**
  - SN: 5230
  - Sold

- **2000 Gulfstream IVSP**
  - SN: 1411
  - Sold

- **1996 Gulfstream IVSP**
  - SN: 1292
  - Sold

- **2012 Gulfstream G550**
  - SN: 5361
  - Sold

- **1995 Gulfstream IVSP**
  - SN: 1265
  - Sold
Recent Transactions

Acquired

2004 Gulfstream G650  
SN: 5039

2007 Gulfstream G550  
SN: 5154

2002 Gulfstream V  
SN: 665

Acquired

2005 Gulfstream G550  
SN: 5068

2015 Gulfstream G650  
SN: 6117

2004 Legacy 600  
SN: 145770

Sold

2005 Gulfstream G550  
SN: 5096

2004 Gulfstream G650  
SN: 5039

2002 Gulfstream V  
SN: 665
In founding Hagerty Jet Group, we set out to build an independent firm that excelled beyond traditional aircraft brokerage.

- James Hagerty

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