Gulfstream Quarterly Market Update

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It’s Not Always a Buyer’s Market Anymore

With pre-owned business jet supply remaining stubbornly above 10%, conventional thinking suggests that buyers will control this market into the foreseeable future. But we see signs of a transition. New buyers evaluating choices are facing unanticipated challenges finding pre-owned aircraft that meet their requirements. We hear countless stories about buyers’ multi-year searches pursuing specific make/model/floorplans ending with little or no success of buying the right airplane at the right price. Informed buyers look for turn-key aircraft priced below the last transaction. They prefer U.S. or European-operated aircraft with attractive cosmetics and avionics mandates and inspections completed. The choices narrow further if there are special requirements such as specific floorplans or cabin layouts.

The uptick in Broker Wanted advertisements could indicate the market is stabilizing. If Buyers do not find what they need on the open market, they look for off-market opportunities which is like finding a needle in the haystack.

The G550 market is a good example of a segment that deceives unsuspecting buyers. With an active base of 550 aircraft, the 30 aircraft for sale represent 5% of the fleet.

At first glance, buying a G550 would seem easy with 30 choices. But, the list of suitable options is limited for discerning buyers. With 11 airplanes under contract, available supply drops to 19. The supply is further limited to 9 if a buyer demands a U.S. registered aircraft. Suddenly a 5% percent supply becomes a 2% supply. In other words, it’s now a Sellers’ market for the right G550.

A unique characteristic of the large-cabin Gulfstream models compared to Dassault and Bombardier products is Galley location flexibility for either forward or aft. Typically, a buyer prefers one versus other which immediately eliminates more than half the choices. Of the 9 N-Registered G550’s for sale, seven have a
forward galley. If a crew-rest area is required, the supply is reduced to 5 aircraft. This is before we evaluate price, year model, hours, paint, interior, equipment, programs or ownership history.

Young inventory is lower. There's only 1 G550 for sale that is 5 years old or newer compared with 4 aircraft for sale one year ago. This is good news for the manufacturer which now faces less competition from young inventory in the pre-owned market but limits buyer's options for late-model used aircraft.

Over the past 36 months, the G550 values decreased 20% on average per year. Factors contributing to the steep decline include foreign sellers with less desirable pedigrees competing solely with price, and heavy OEM discounting.

Although Vref and Blue Book decreased values in their Spring 2017 editions, we anticipate future residual value loss will become more moderate and show signs of stability. We're certainly not predicting an increase in values, but we are expecting aircraft values to normalize and follow similar asset depreciation patterns.

Buyers considering purchasing any used business jets within the next 12-24 months need to engage the market sooner than later to understand the intricacies and personality of each market. Buyers need access to accurate and informative data from reliable sources with a specialization in the product they prefer.
In production 247
Deals Pending 0
Net For Sale 13
% Of Fleet For Sale 5

Available For Sale 24 MO High 21 - Q1 2016
Available For Sale 24 MO Low 8 - Q2 2015
Q2 2017 Transactions 1
Transaction Same Period 2016 5

Advertised Price Reductions 2
Average Price Reduction -3.1%
Current G650 Ask Price Range $48.5M - $66.5M USD(Incl. ER)
Avg. YTD Sales Price $57M

% Available w/Fwd Galley 76
% Equipped w/ Crew Rest Area 92
Average Days On Market 236

There are 13 G650/ER aircraft on the market with no deals pending. This represents 5% of the entire fleet of 247 aircraft built between 2012 and 2017. The industry average is double that amount, at an average of 10%. Among the 13 aircraft for sale, 4 have the ER upgrade.

The average days on market is approximately 236 days, 100+ days longer than this time last year, when the average Days on Market was 135. This can be attributed to a handful of older 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 this segment who tend to prefer ferry-time aircraft.

In our previous update, we predicted prices would soon dip below $50M - which they have. Ask prices start as low as $48.5M 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. There are off market ferry-time airplanes looking for prices north of $67.5M. The average Ask Price is $57.5M but approximately only half of the aircraft for sale publish an ask price, so this number is higher than actual prices.

G650 transactions slowed in the second quarter of 2017 with only 1 transaction versus 4-5 transactions in each of the the previous 4 quarters. This may be a result of only 3 ferry-time airplanes for sale. Ferry-time aircraft are selling more frequently than the older used models.
Gulfstream G550 Value/Transaction History

As of June 30, 2017

G550 year over year Depreciation averages -18% from Q2 2016 through Q2 2017

G550 Market Summary

There are 30 pre-owned G550s on the market with 11 deals pending. The current supply represents 5% of the entire fleet of approximately 540 aircraft built between 2003 and 2017. Net supply is 19 aircraft. Supply decreased by 12 aircraft since the previous quarter as a result of increased transactions. Current inventory levels represent a 36 month low.

Year to date, there have been 22 G550 transactions (not including aircraft currently under contract), which indicates that the pre-owned G550 market is trading actively. If demand continues at the current pace, we have less than 10 months of supply for sale assuming no additional aircraft are added.

Prices have continued to soften in Q2 2017 as Sellers compete for the next deal but with lower supply and stable demand, we expect the value losses to soften over the remainder of the year. We also expect prices to continue to soften but not at the same pace we've seen over the past 36 months.

Buyers have been finding good deals at all different levels of the market. Recent transactions haven't been focused on any particular age segment but demand for forward galley configurations has been the strongest.

Supply of aircraft less than 5 years old is at an all time low with only 1 available for sale.
There are 30 pre-owned G450s on the market with 5 deals pending. The current supply represents 8% of the entire fleet of approximately 360 aircraft built between 2003 and 2017. Net supply is technically at 25 aircraft.

The G450 market has showed 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 12 months and is expected to remain mostly flat.

9 pre-owned G450’s closed in Q2 2017 compared with 11 in the first quarter. There are currently 5 G450’s under contract that are expected to close in the first few weeks of Q3 which means the transaction trend remains on track for 10 or more sales in Q3, 2017.

What's interesting to note is the lack of price reductions in the past 90 days. There were only 6 published ask price reductions for an average of -5.5% 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. The G450 market is trading between $10M and $21M.
**Current Supply of GV's in the market:**

There are 13 used GV's advertised on the market with no deals pending. 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.

Supply has been steady over the last 9 months but transaction levels have slowed. 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 $13M but ask prices are not reflective of where the market is or should be. Only 7 of the 13 GV’s for sale have published ask prices.

Days on market has remained flat over the past 6 months despite fewer transactions. This was due to several aircraft recently being removed from market that had been on for so long.

The average GV value remained flat this past quarter. This was the first time in 36 months that we've seen a slower loss in value. GV prices and supply appear to have met stability but now the lack of transactions is an indicator that Seller's will compete heavily for the next buyers.

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**Gulfstream GV Value/Transaction History**

As of June 30, 2017

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</table>

**GV Market Summary**

There are 13 used GV's advertised on the market with no deals pending. 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.

Supply has been steady over the last 9 months but transaction levels have slowed. 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 $13M but ask prices are not reflective of where the market is or should be. Only 7 of the 13 GV’s for sale have published ask prices.

Days on market has remained flat over the past 6 months despite fewer transactions. This was due to several aircraft recently being removed from market that had been on for so long.

The average GV value remained flat this past quarter. This was the first time in 36 months that we've seen a slower loss in value. GV prices and supply appear to have met stability but now the lack of transactions is an indicator that Seller’s will compete heavily for the next buyers.
There are 39 pre-owned GIV-SP, G400 and G300 aircraft on the market with 3 deals pending representing 9.50% of the entire fleet of 335 aircraft built between 1993 and 2003. 2 aircraft are currently advertised as "Lease Only". Net supply is technically at 36 aircraft.

Published Ask prices currently range from $3.3M to $6.4M. Supply has remained fairly flat over the past 6 months with approximately 40 for sale but considerably higher than the 25 for sale in Q1 2015.

There were 18 price reductions in Q2 for an average of 10%. There were only 13 price reductions in Q1.

For the second consecutive quarter, Average Value of the IV-SP only dropped by -2.8% this past quarter and the YOY depreciation is closer to -9% which is better than the 20% average in the G550 market.

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: 3

As of June 30, 2017

The G280 pre-owned market has steadily declined in supply for sale since the beginning of the year. Conversely, the average price and number of solds have seen an increase.

Currently, there are 3 aircraft for sale with one deal 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 $14M and $17.9M. Most pricing in the pre-owned market is based off the price for a new one from the OEM.

Overall fleet values continue their decline. The average G280 is currently valued at $15.06, down 17% from this time last year and 30% from Q2 2015.
There are 34 pre-owned G200’s on the market with 10 deals pending representing 13% 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 $3M to $7.95M. Supply increased slightly in the past quarter but we expect supply to shift lower in Q3 once the 10 deals pending have closed.

Ask prices remained fairly stable in Q2 as demonstrated by only 6 price reductions.

19 of the 34 aircraft advertised for sale are based outside of the United States.
Gulfstream G150

Current Supply of G150s in the market: 9

<table>
<thead>
<tr>
<th>Active Fleet</th>
<th>Available For Sale 24 MO High</th>
<th>Number of Price Reductions</th>
<th>For Sale w/ High Speed Data</th>
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<tr>
<td>125</td>
<td>10 - Q2 2016</td>
<td>1</td>
<td>44% (4 of 9)</td>
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<td>Deals Pending</td>
<td>Available For Sale 24 MO Low</td>
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<td>For Sale w/ Engine Program</td>
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<td>1</td>
<td>6 in Q3 2016</td>
<td>-10.4%</td>
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<td>Net For Sale</td>
<td>Transactions YTD</td>
<td>Current Ask Price Range</td>
<td>Average Days On Market</td>
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<tr>
<td>8</td>
<td>2</td>
<td>$4.45 to $6.99 $USD</td>
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<tr>
<td>% Of Fleet For Sale</td>
<td>Transactions Same Period 2016</td>
<td>Average Ask Price</td>
<td>For Sale w/ U.S. Registration</td>
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<td>7%</td>
<td>1</td>
<td>$5.72M</td>
<td>55% (5 of 9)</td>
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Gulfstream G150 Value/Transaction History
As of June 30, 2017

G150 year over year Depreciation was -14% between Q2 2016 - Q2 2017

G150 Market Summary

There are 9 G150's advertised for sale with 1 deal pending. Net supply is 8 airplanes for sale.

Ask prices currently range between $4.45M and as high as $7M. Sale prices have not dipped below $5.3M for any transaction over the past 9 months.

The supply of G150's has been fairly stable for the past 6 months with 9 or fewer for sale.

Transactions have declined in Q2, with no G150's sold since March 2017, a statistic not seen since Q4 2015.
### Recent Transactions

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<td><img src="image19" alt="2009 Gulfstream G550" /></td>
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**Gulfstream® Sales and acquisition experts**

Hagerty Jet Group is a business aircraft brokerage firm providing aircraft sales, marketing and acquisition services to large corporations and high-net-worth individuals. Founded by veteran Gulfstream Specialist James Hagerty, the firm is headquartered in Savannah, Georgia conveniently near Gulfstream’s headquarters, with satellite offices in Washington, D.C, Dallas, Texas and Orange County, California.

“In founding Hagerty Jet Group, we set out to build an independent firm that excelled beyond traditional aircraft brokerage.”

- James Hagerty

**Where we are located**

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- Ken Hart
  - Dallas, TX
- James Hagerty
  - Savannah GA
- Greg Kinsella
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