

## mba's 1Q 2024 Aircraft Value Update Review

Last week mba Appraisal Team published its 1Q 2024 values update for aircraft. This included several updates to both Current Market Values and Lease Rates, which saw upward movement for most types, but also updates to Future Base Value curves, Aircraft Rankings, new aircraft pricing escalation, and Full Life Values. Below is a brief summary of notable changes to aircraft methodology in the latest update:

- New tech Narrowbody escalation increased from 1% YoY to 1.5% YoY for the next two years.
- Market Lease Rate Factors increased for most recent technology aircraft.
- Full Life Values reflect updated 2023 pricing from P&W, CFM, and RR in the 2H of 2023; previous 2023 maintenance costs from all engine OEMs had been reflected in mba's 3Q 2023 values update. All airframe and engine costs have been escalated to 2024 based on a 5-year escalation average for each aircraft and engine family.
- Periodically, mba performs a value accuracy analysis, which are used to inform the value forecast for each aircraft type. Future Base Value curves have been adjusted for many aircraft types based on these findings. Very brief highlights from our findings include:
  - Mature aircraft programs such as the 737-800 and A320-200 required minimal to no adjustments as the value accuracy analysis indicated a reliable forecast.
  - Future curves for new technology aircraft were adjusted slightly downward to account for higher maintenance costs in the medium term and slightly upward in the longer term to account for underestimated value retention.
  - Most widebody aircraft saw steeper depreciation applied throughout the curve to account for accelerated depreciation over the last 10 years.
  - Large regionals, particularly scope-compliant aircraft, had curves extended to account for longer service life than previous generations.
  - Converted freighter curves were extended to account for younger aircraft likely to be in service for longer than 15 years post conversion previously estimated.

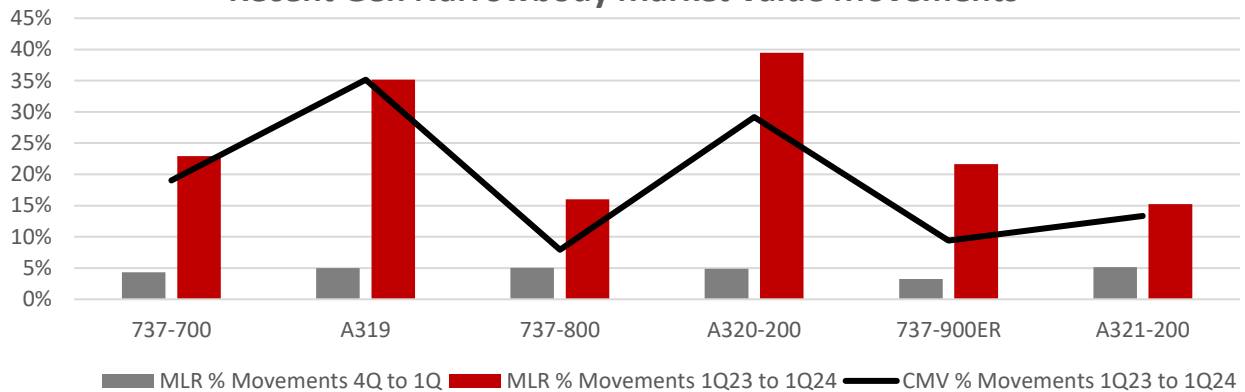
Overall, mba's 1Q 2024 aircraft values update showcased increasing Market Lease Rates followed by Market Values. Minor Current Base Value changes were made, apart from mba's standard depreciation for each type. With new tech aircraft continuing to see production delays and being AOG due to a combination of mandated engine inspections and lack of spare engines, last generation aircraft have seen recovery from the pandemic accelerated. mba anticipates Market Values will continue to climb above Base for Narrowbody aircraft and climb back up to Base for Widebodies.

## Narrowbodies

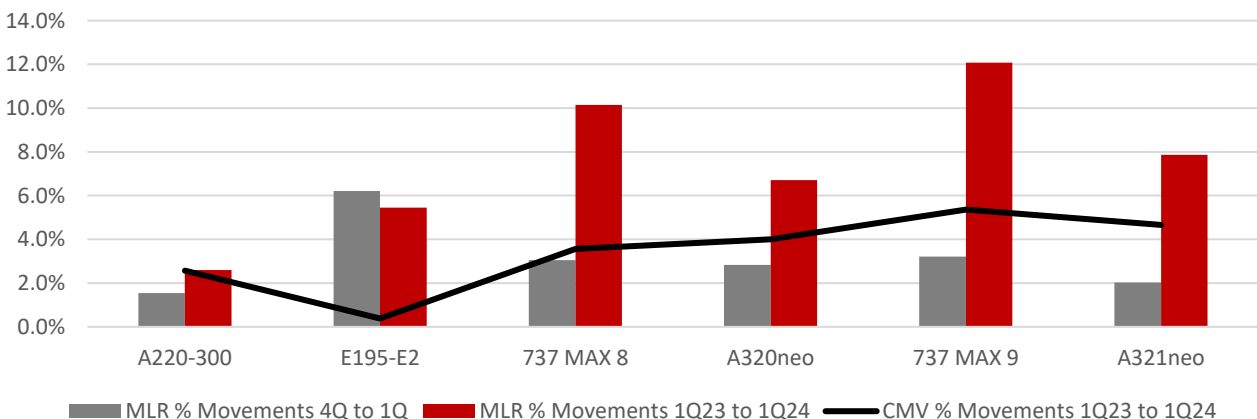
The largest Market Value movements were seen on recent generation narrowbodies, with Market Lease rates exhibiting the biggest YoY swings for the same aged aircraft. Given the last gen aircraft like the 737-800 and A320-200, had negative value impacts upwards of 15 % during the pandemic, and A319s and 737-700 had negative impacts closer to 25%, the accelerated rate of recovery is to be expected compared to new tech aircraft which saw much lower value cuts in 2020 and 2021.

- Market Values and Lease Rates for the 737-800 remain elevated over A320-200, however recovery for the A320 appears stronger mostly driven by older aircraft which had already been elevated for the 737-800 in 2023 due to freighter and part out demand.
- Base Values for all types only saw standard depreciation YoY.
- mba anticipates Market Values and Lease Rates will remain above Base Values in the near term due to production delays, new tech engine in service issues, and demand for engines and spare parts underpinning older aircraft values.
- Market Values and Lease Rates for new tech aircraft were boosted by a combination of escalation rate impacts, interest rates, and continued demand for lift.

### Recent Gen Narrowbody Market Value Movements



### New Tech Narrowbody Market Value Movements

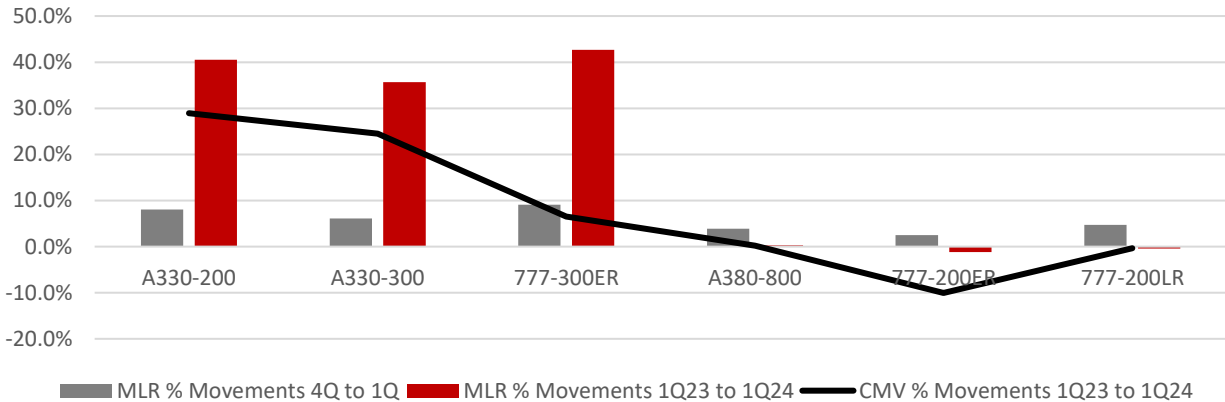


## Widebodies

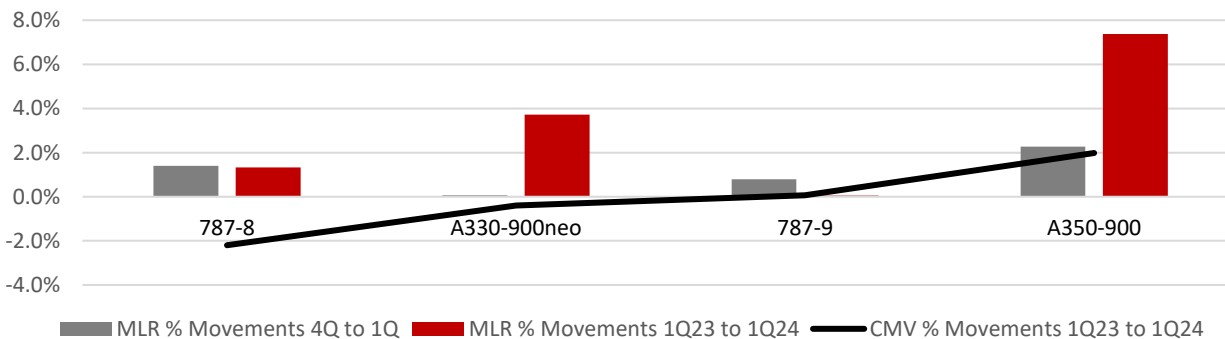
Similar to narrowbodies, recent generation Widebody aircraft saw higher percentage Market Value increases YoY, with the A330s and 777-300ER leading the pack. New technology Widebodies, which had seen full recovery by 2H 2023, saw minimal value change between 4Q 2023 and 1Q 2024, with most value impacts seen earlier in 2023. As noted in mba's 4Q 2023 value update, Base Value changes were made to the 787-8, 787-9 and 787-10 to incorporate lower escalation impacts due to delayed production and delivery.

- Lease rates increased 30% to 40% YoY for A330s and 777-300ERs which saw similar downward movements during the pandemic.
- Market Values have shown improvements on both the A330s and the 777-300ER. This is likely due to continued concern for lease placement and residual value impacts of 777s more than A330s.
- Market Values are expected to continue recovering for these types in 2024, however mba does not anticipate Market Values will exceed Base in the near term for last gen widebodies.
- New tech widebodies are not seeing the same fevered demand as narrowbodies, however have benefited from higher escalation rates, interest rates, and recovery of international traffic. Mba anticipates values will remain mostly stable in the near term.

### Recent Gen Widebody Market Value Movements



### New Tech Widebody Market Value Movements

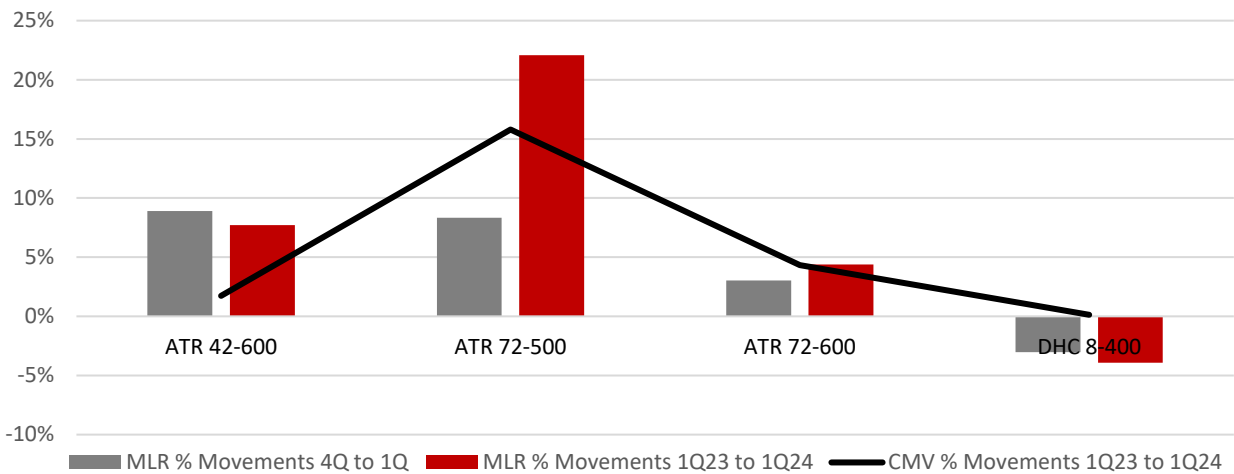


## Regional & Turboprop

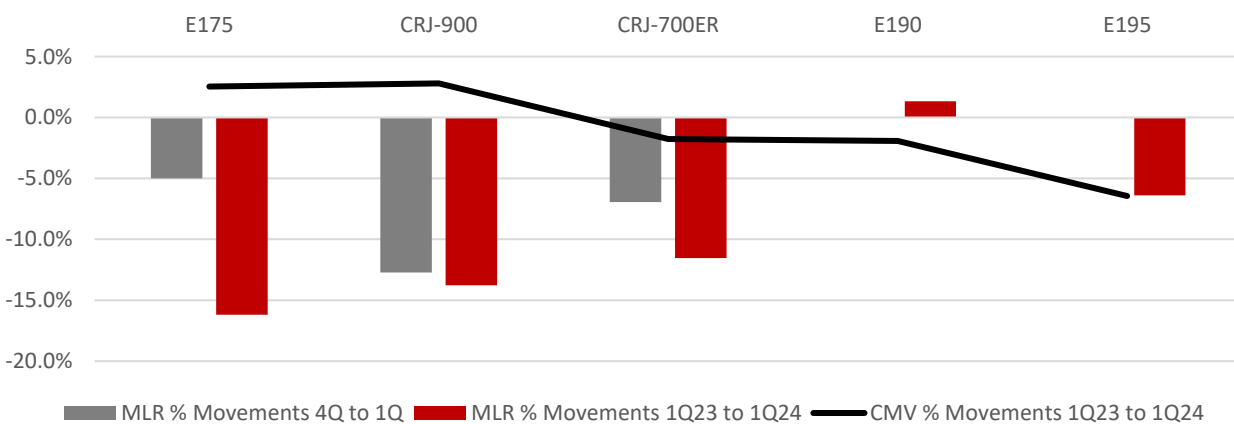
The turboprop market benefited in 2023 from the return of passenger traffic in Asia, seeing full recovery for most ATR aircraft. Regional jets continue to be challenged by pilot shortages restricting utilization and leaving the secondary market softer than e the pandemic.

- The ATR 72-500 had the biggest value momentum driven by freighter demand in domestic Asia.
- The DHC 8-400 remains challenged by a high rate of availability, particularly for younger aircraft. However, mba has noted a decline in availability over the last year which may indicate a potential for uplift in 2024.
- Scope compliant regionals absorbed the largest value impacts mainly in lease rates coming down as regional airlines show signs of struggle. Market Values remain stable but typically trend behind Lease Rates and may show softness in the near term.

### Turboprop Market Value Movements



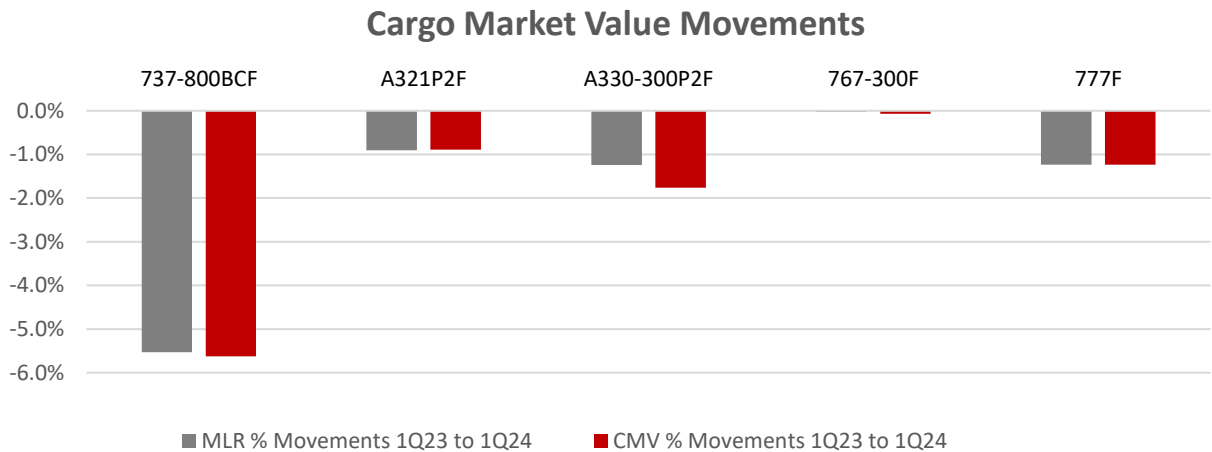
### Regional Market Value Movements



## Cargo

After several years of CMVs well above CBV for most freighter aircraft, the retraction of cargo traffic has impacted demand for aircraft and in turn values for all types.

- The 737-800 freighter variants in particular have faced value retraction as the quick influx of supply over the last few years has oversaturated a retreating market. Many 737-800s were pulled from their future conversion slots to move into passenger service as lease rates for passenger aircraft move higher upwards of 5.0% higher than converted freighters of the same age.
- Lease Rates and Market Values for aircraft with smaller in service fleets such as the A321P2F and A330P2Fs also experienced value pull backs but to a lesser extent as competition for placing these types is not as significant as seen with the -800Fs.
- The larger factory freighters mostly remained untouched however, mba believes these values may soften further in the near to mid-term as additional freight capacity enters the market.



If you have any questions or would like to discuss any of mba's commentary above, please contact Lindsey Webster [lwebster@mba.aero](mailto:lwebster@mba.aero). mba's full appraisal team can also be reached at [appraisals@mba.aero](mailto:appraisals@mba.aero). mba's next value update will occur in April 2024, however should the market move at an accelerated rate before then, mba may at times revise values mid-quarter to reflect the latest market data. Subscribers will be notified if these changes occur.