

Volume 2, Part 5: Challenger 604

by Anthony Theis

World Aircraft Sales Magazine's asset evaluation series continues this month with a look at the Challenger 604. The evaluation is presented in such a way that readers can grasp meaningful, but easy to understand information on its market value history. The goal is to give our readers highly useful applications so they remain informed.

Each featured aircraft is presented with a United States patented graph called JetTrack®. A proprietary program established in 1987, JetTrack® tracks price history, trends and transactions as a simple means to predict the value of your asset.

JetTrack® is broken up into two separate graphs in order to give you the best logical way of determining prices and trends. The top graph represents a history of true asking

prices over a ten year period or since the inception of the aircraft (these prices do not represent new OEM deliveries). The bottom graph represents how many aircraft were for sale at the beginning of the month and how many remained for sale at the end of the month.

The clear picture between the two graphs is a linear understanding of the trends and prices. Since prices correlate with supply and demand, the graphs give you a simple understanding of the peaks and valleys. Not only can you predict the value of your asset, but you'll also know the best time to sell or buy.

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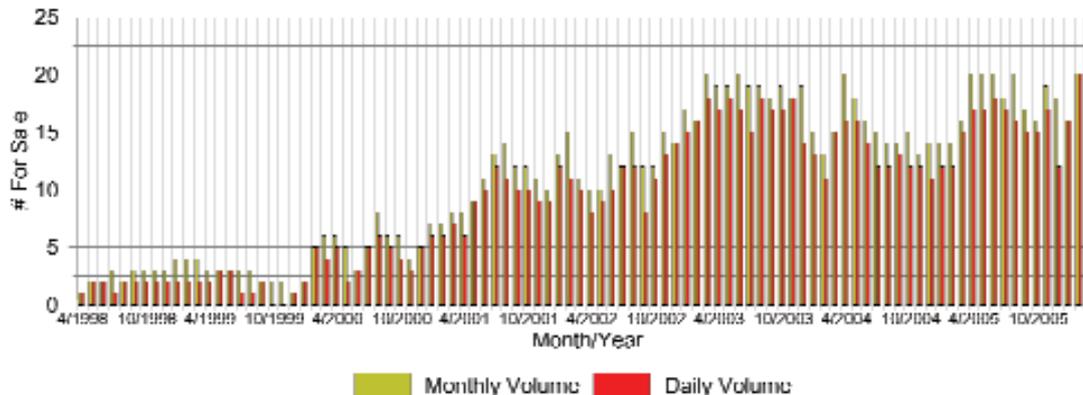
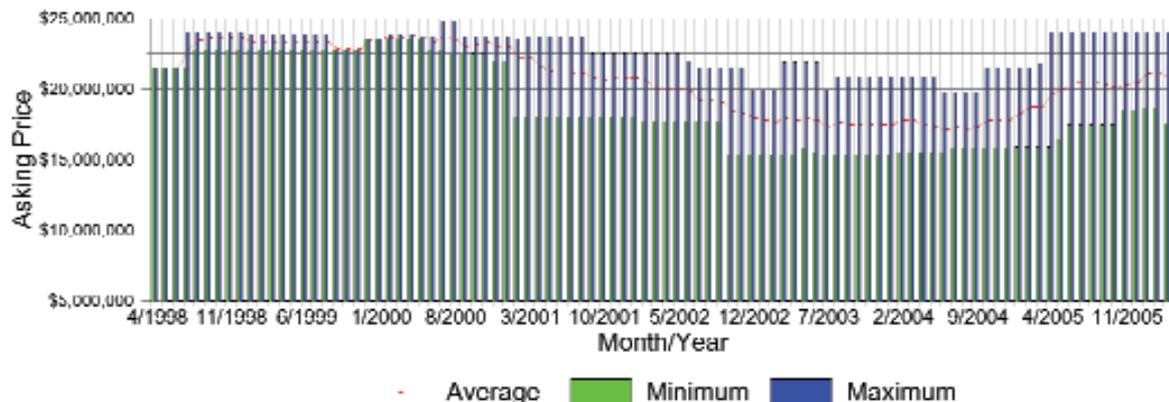
CHALLENGER 604

A year ago when we evaluated the Challenger 604, the aircraft's average re-sale price had swung on a much higher positive scale than we had seen back in 2004; the difference was, without question, noticeable. Average prices ranged from \$16-22m (mean price approx \$19m compared to around \$17.5m in May 2004); The later 2001 models saw asking prices exceed \$20m while the older 1997 and 1998 models' average prices ranged lower between \$16m-\$17.5m.

As of March 2006, the average asking price of the CL604 had reached just over \$21m with an average 22 available for sale daily around the world. You may initially think that an average 22 aircraft for sale represents the brink, and that the market is in danger of getting flooded.

Look at the bigger picture: with over 340 of >

Challenger For Sale



these jets built to date, we're still on the low side of supply at just 6.5% of the total fleet available for sale. Personally, as with our other featured aircraft this year, I do think we're approaching the top end of the upward curve – and this would seem to be represented in the graph too.

So when exactly can we expect to see a downward price trend for this market? Well, you can always dream about owning that all-knowing crystal ball that sits neatly on the top of your desk ready to tell you exact data - but the reality is, you can never pinpoint the exact time. I bet if you asked your stockbroker the same question, they'd say the same thing. What we can do, however, is make educated estimates based on market history, trends and facts. Your stockbroker would do the same.

The main purpose for the graphs above is to indicate when you may expect a change. Your best bet is to pay close attention to the curve as to what type of trend is occurring, then be ready to take action – after all, if you wait in aviation you're already too late. As a simple rule of thumb: the more aircraft for sale, the better chance for a softening in price.

This isn't always the case though. You need to understand what other factors come into play... To go even deeper, we should try to understand what else might be

influencing some of the changes to the Challenger market. As I mentioned above, we need to look at the bigger picture.

We established that with 22 of some 340 CL604s built to date we have just 6.5% of the fleet for sale, which won't necessarily directly influence the price trend of the aircraft. Should we get to a point where we see 12-14% of the CL604 fleet for sale, we may then expect a change to the resale value. Interestingly, supply has been edging up since late 2005, but prices have continued to increase along with more airplanes being built in this product line.

Another area we need to consider is the competition. Each market drives other markets – something we've studied in depth in the past. Right now, the Gulfstream IVSP, which has more to offer in terms of performance numbers to the CL604, has held a stiff price within the past few months. Should this soften (predictions point towards the next nine to 15 months), it will have a knock-on effect on the prices of CL604s. Gulfstream IVSPs are currently averaging prices between \$22m-\$29.5m.

The same holds true for another competitor, the Falcon 2000. Prices for the Falcon 2000 have also held their value up there with the best, and again we expect that to change. The lesson here is that you can't just pay attention to the CL604 market

itself in order to get a complete understanding of where things are headed – once more, *look at the bigger picture.*

While we're looking at the bigger picture, let us also take a look at the rest of the Challenger family - including the 3R, 3A, and 1A, as the price of one product changes, it will have an overall change on the rest of the family. This tends to be driven from the top – so the high-end product in the range drives the price of the other family members.

For those of you that may have read this article last May, we predicted there would be a new version to the CL604 by the end of 2005. Sure enough, in November 2005 at the NBAA convention, Bombardier introduced the CL605 with avionics and interior improvements. For the current fiscal year in 2006, we don't expect this aircraft – as the leading aircraft in the Challenger family - to have any significant impact on the CL604 prices. Deliveries for this aircraft are two years out at a base list price near \$27m.

You won't, however, need your crystal ball to predict that Bombardier is ready to continue its dedication to the Challenger line that has been a success for over 25 years.

› More information from Central Business Jets, Inc;
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COMPETING IN THE CHALLENGER 604 CATEGORY, THE FOLLOWING AIRCRAFT SHOW SOME COMPARISON:

	RANGE (AT AVERAGE CRUISE SPEEDS)	CABIN VOLUME(CUBIC FT)	MAX ALTITUDE	AVERAGE FUEL BURN(GAL/HR)	DIRECT OP.COST - US\$
DA2000EX	3,800	1,025	47,000ft	315	\$1,475
DA2000	3,000	1,025	47,000ft	297	\$1,490
CL604	3,800	1,150	41,000ft	345	\$1,515

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