



Embraer Legacy Market Update
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Compliments of:

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Legacy Market Update

The Legacy has been the shining exception in the otherwise drastically slowing market for pre-owned turbine aircraft. Demand for Legacys, particularly the newer model aircraft delivered in 2007-2008, has increased further still. Owners are starting to recognize this pricing and demand trend, gradually raising prices as the buyer's networks are getting more aggressive in their search for aircraft to purchase. Prices have slowly grown, along with the willingness of buyers to pay these increased values. Embraer has been the main driving force behind the recent rise in pre-owned Legacy values, having recently announced a \$500,000 price increase in their new aircraft and with deliveries now not available until the second quarter of 2010. The last quote from Embraer to one of our customers was a \$28.4 million dollar figure for a well-equipped EASA specified aircraft. New delivery positions are selling quickly, as are new deliveries. In many cases, an EASA specified aircraft, if priced attractively, will go under contract in two to three weeks of hitting the market. In today's economy, it is an impressive figure. The United States has virtually zero impact upon pre-owned Legacys, with the last six sales occurring outside of the US. As always, Russia continues to display its voracious appetite for the Legacy, with four of those six sales going to Russian buyers.

Issue for the letter: Is high speed internet worth the money?

With the insatiable thirst for mobile connectivity becoming ever harder to quench, technology finds ways to keep us in contact at every moment of every day, regardless of our location on the planet. The airplane has become the latest technological quest, ensuring that even with our feet not planted to the soil, we can still be in touch with everyone, everywhere. The on board high speed internet creation has been touted as the latest and greatest creature comfort that aircraft manufacturers have delivered in recent years. In fact, all large cabin manufacturers currently offer this option to their customers. But the greatest question of the new technology still has yet to be answered: Is it worth it?

On board high speed internet systems can cost between \$500,000 and \$1 million, depending upon the manufacturer, to install. These systems are incredibly complex, with a tremendous amount of wiring installation. However, they are very capable systems, enabling multiple users to access the internet simultaneously. They are a quantum leap in internet technology, and they are the resolution of a technological quandary that had eluded engineers from Boeing and Airbus for a decade (remember the Boeing Connexion system?). More importantly, it gives its users the capability during a long flight to stay in touch with email, download large attachments such as legal documents and contracts, peruse the internet, and keep in touch with investments and trades. For long flights, being able to review such items can provide an enormous time benefit, giving users a time when there are many fewer distractions to review important items. Peace is rare in today's world, and airplanes often provide a quiet environment to work.

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Many buyers of this system view it as another vital form of entertainment. With the variety of websites available, it is possible to spend endless hours on the internet. For most people today, the internet is as much a part of life and entertainment as television and the movies. Removing it from their routine is a huge detriment to their day. It is for these people, those that are willing to spend the money to have access to the world at their fingers, that this system is perfect.

The downside to this technological marvel is that the installation cost is merely the starting price. Similar to an airplane, the upfront purchase price is but a small part of the total bill. Having the world at your fingertips comes at the exorbitant price of up to \$6 per minute of use. Casual web browsing adopts an entirely new persona at an hourly rate equivalent to an experienced lawyer. Worse yet, for those operators using their aircraft on charter operations, the constant use of the internet often presents a billing nightmare, with a large amount of bills often left unpaid by the users. I have heard of some unfortunate owners ending up with monthly bills the size of their aircraft finance payment. It is a very expensive luxury. The coverage can, at times, be somewhat intermittent, something that proves very irritating to those who need it. The failures are understandable, given the complexities it involves (We all have hard wired land line internet problems with our businesses. Now imagine traveling 6 miles in the air at 500 mph. It provides some logistical challenges...), but frustrating none the less. In addition, this system provides yet another item that can malfunction, and necessitate repairs, making the aircraft unavailable at that time. Admittedly, the failures are rare, but they will occur. Lastly, if it is not installed during production, the cost to install the system in the aftermarket, including downtime and the ensuing loss of use of the aircraft, is so expensive that it becomes cost prohibitive to all but the most assiduous of workers and ardent believers in 24 hour connection.

The most prevalent justification for having the internet installed is its effect on resale. The internet will not bring a higher price for your aircraft; it will make the aircraft sell faster. Of all the Legacys we have marketed or owned for resale, four out of five inquiries ask if the aircraft has the high speed internet installed. It is one of the first questions that is asked. If there is more than one aircraft on the market, having the high speed internet makes a useful selling proposition. The aircraft manufacturers have done a tremendously successful job of marketing this technology. Despite its fairly limited use, it is highly requested by pre-owned market inquiries. Buyers and users have learned to ask about the internet installation almost simultaneously when asking about large cabin aircraft. When two aircraft are compared side by side, the aircraft with the internet almost always sells first. Additionally, the reduced interest cost and hold time become a very real and quantifiable number. Installation makes the aircraft 'fully loaded', and that is a much easier sell than the standard package. If your aircraft does not have the installation, it becomes an excuse for a buyer to walk away, or to try to renegotiate a deal. However, it does not impact resale enough to justify in any way its installation. In the end, it's a great system for those who love to be connected at any price. But if you don't plan on using it, save the money and leave it off the aircraft.

Did you know that the larger cabin Legacy operates for 17% less per hour than a Falcon 900B and 54% less per hour than a Gulfstream IV? Next time you see one on the ramp, take pride that you simply made the smarter choice. Doesn't that feel good?

Currently Available Legacy 600s

As of August 22, 2008, there are four openly advertised aircraft for sale, two non advertised yet available aircraft, and two delivery positions available for purchase. The openly advertised models available are serial number 637, 775, 841 and 1020. Serial number 637 is a 2002 model aircraft that has been on the market for over 1 year. It is not enrolled on Corporate Care, nor Total Legacy Care, and it is not JAR OPS certified. Serial number 841 is a Switzerland registered 2004 model that is priced well over the current market level, asking for a healthy premium at \$26,000,000. Given its asking price, it is not really for sale.



Serial number 775 is currently operated in the Flight Options program, a US based fractional ownership provider. It has 4,600 hours of total time. It is enrolled on Rolls Royce Corporate Care and Total Legacy Care. Its asking price has been reduced to under \$20 million. It is a United States registered aircraft, with higher time, and has been for sale for approximately 6 months.

Serial number 1020 is a new entry to the market. It is a December 2007 model with 350 hours total time. It has the new recessed floor with a forward crew lavatory. It is fully JAR OPS compliant, and operating on a United Kingdom Aircraft Operating Certificate. It has a current asking price of \$27.4 million US dollars. It is the only JAR OPS aircraft seriously for sale at this time.



The delivery positions are for delivery in September 2008 and October 2008. Both are priced at \$27.5 million and are non-negotiable. The September 2008 model is a European aircraft, for sale with a management clause attached. The October 2008 model is a US aircraft, for sale with no management contract. Both aircraft have received considerable attention for the market.

About Business Air International

Business Air International is involved in the acquisition, sale and brokerage of private jets throughout the world. Personnel in the department have extensive private jet experience and typically do approximately two dozen transactions each year, most of which involve trans-border and cross-border transaction. Business Air International is one of the few aviation professionals who has the capability of purchasing inventory for resale and the structure to buy, hold and resell aircraft strictly within wholly owned European entities. They are expert in the execution of contracts and aeronautical documentation regarding EASA, JAR OPS, International Registry, FAA and individual country registration and certification. Such knowledge and experience results in smooth, efficient, and successful transactions for clients.

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