

# 757-200 values & aftermarket activity

The supply of 757s on the used market is tight and values and lease rates have firmed up. The aircraft is nevertheless an attractive option for buyers.

**T**he 757 is in a class of its own, and for this reason the supply of available aircraft remains tight. Apart from a brief period of there being some USAirways aircraft on the market while the carrier restructured under Chapter 11, there have generally been few 757s on the market.

The 757 has clearly been regarded as two fleets; those with RB211-535 engines and those with PW2000 engines. The PW2000 received negative publicity in its early years of operation and many customers specified the RB211-535E4 during the period of the aircraft's highest sales. The consequence was that the PW2000 won the minority of customers. A large number of PW2000-powered aircraft, 265, are operated by United, Delta and Northwest. Smaller fleets of PW2000-powered aircraft were also acquired by TWA and ATA. The consequence of this market polarisation of PW2000-powered aircraft in the US is that the aircraft have limited re-marketing opportunities.

If there were a surplus of PW2000-powered aircraft caused by a collapse or major fleet change of a US carrier, then values could slip substantially since there

are few potential customers for the aircraft.

The difference in values between the two types is exacerbated by the RB211-535E4 having the image of better engine reliability, and therefore aircraft with these engines are also more sought after. While the RB211-535E4 clearly has longer on-wing intervals between planned removals, it also has very high shop visit costs and so overall has higher engine maintenance reserves on a flight hour basis.

The popularity and widespread customer base of RB211-535-powered aircraft are nevertheless able to attract premiums over PW2000-powered aircraft. This has been \$2-3 million in the past, although is now not so large. It is even possible that PW2000-powered aircraft could begin to be accepted as having lower engine-related maintenance costs.

Despite the large number of aircraft that came available after 9/11, the 757 has entered the aftermarket at a slow pace. The 34 USAirways aircraft that came available were the largest number ever to be on the market, but this was only for a brief period and the aircraft

were bought by Q Aviation and then leased back to USAirways.

Market values of 757s dropped during this period, but have since rebounded following the traffic recovery and general shortage of aircraft. A large number of aircraft have changed operators over the past few years, and airlines in the CIS and smaller airlines in Europe took advantage of the market conditions and acquired 757s.

While the youngest aircraft are unlikely to come available, aircraft aged anything between eight and 20 years can come onto the market. The 757 experiences a slow rate of increase in airframe-related maintenance costs, and so there is no advantage in having younger aircraft.

The oldest, early 1980s-built RB211-powered aircraft can now be acquired for \$6-8 million, and these have about a \$2 million premium over a PW2000-powered aircraft of the same vintage. Lease rates for the same vintage aircraft got depressed to less than \$90,000 two to three years ago, but have now recovered to the region of \$120,000-130,000 per month.

Aircraft built in the late 1980s have market values of \$9-10 million, while early 1990s-built aircraft have values of \$12-13 million. Lease rates for the same vintage aircraft are in the region of \$190,000, and so represent an attractive lease rate factor for potential buyers and lessors.

The youngest aircraft that are likely to come onto the market are late 1990s-built machines, and these can attract values of up to \$20 million, and lease rates of \$225,000-300,000.

Lessors and owners should also consider that European and US airworthiness and modification regulations differ enough to effectively create two aircraft pools and markets. A surplus in the US, for example, will have only a small impact on values and lease rates in Europe.

The supply of 757s has tightened in recent years, and few are readily available. The 757 is being held onto by its operators, which is understandable given its stable maintenance costs and unique size and range configuration.

The 757 market is likely to become more fluid, however, when A320s start to come onto the secondary market and 757s start to be replaced by the 787. The supply will then increase, softening values. **AC**

*The 757 fleet is divided between RB211-powered and PW2000-powered aircraft, while also being polarised between US and European aircraft. Supply is tight, but good quality aircraft can be acquired at attractive rates making the aircraft economical.*

