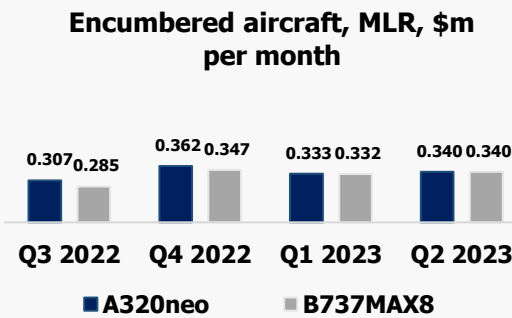
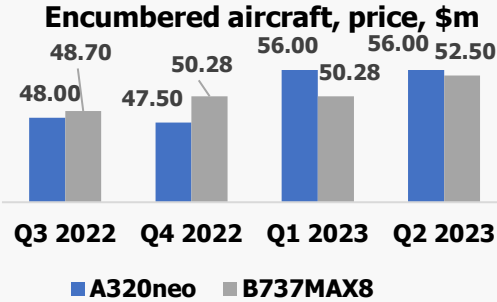


Single-aisle aircraft | New Deliveries | Data collected in Q2 2023 | USD, millions

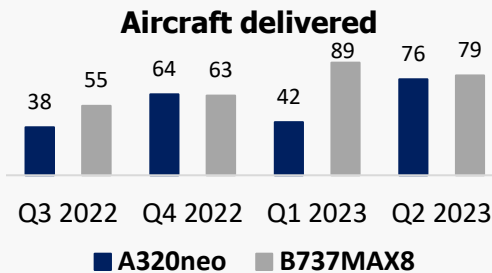
Competitive market, low availability, recovered prices and lease rates

Price and MLRs movement

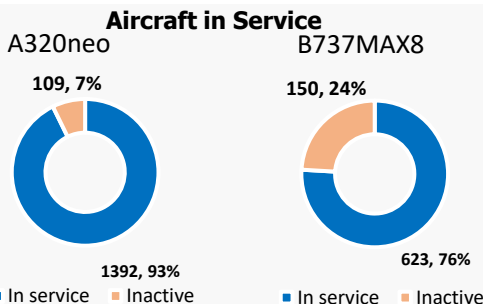


- New generation aircraft continue to command substantial interest from aviation investors. Airlines are also persisting in their efforts to rejuvenate their narrowbody fleets, as a strategic response to combat escalating fuel costs and to remain compliant with the environmental regulations within their respective regions.
- Despite the increase in interest rates, there is still competition in the SLB and acquisition markets, with a limited number of RFPs. In the current economic landscape, some investors are still looking for safe options for their capital while some new players are competing with aggressive pricing, pushing prices up. All the new generation aircraft types, with their proven efficiency, are holding their appeal in the aviation market. This perspective extends to narrowbody aircraft, recognized for their historical resilience and asset liquidity.
- Lease Rate Factors are generally continuing to plateau, rarely surpassing the 0.6% mark. With the heated competition evident on each RFP, our contributors report that with aggressive bids, the LRFs tend not to exceed this figure.
- Aircraft values for both the Airbus A320neo and Boeing 737 MAX have rebounded to pre-COVID-19 levels, with no material delta between the two models. However, concerns persist regarding engine and maintenance costs, exacerbated by a shortage of MRO (Maintenance, Repair, and Overhaul) services.
- Some of our contributors are especially concerned about escalation, which is now becoming a noteworthy factor.
- On delivery rate, the MAX 8 is now surpassing the A320neo after years of lagging behind and MAX values seem to be less impacted by the type's past issues. Lessors and airlines are building their interest in the aircraft and our contributors report that the aircraft's liquidity and its residual value is now less of a concern.

Supply and current fleet



Source: CAPA Fleet Database



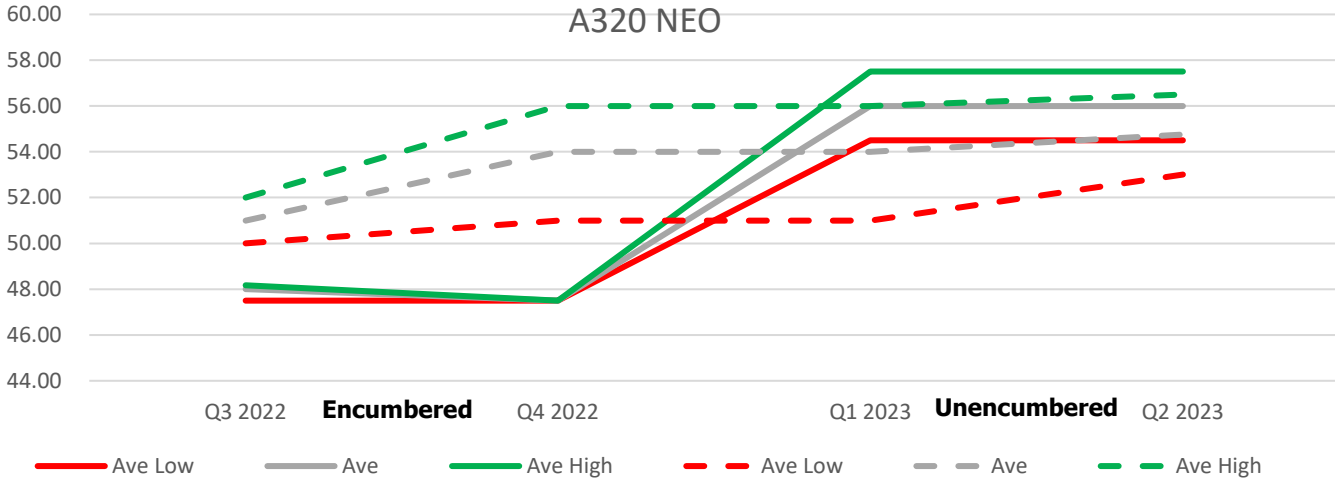
Source: CAPA Fleet Database as of June 2023

+ **Encumbered aircraft** - subject to a sale and leaseback transaction or lessor-to-lessor transaction

Single-aisle aircraft | New deliveries | Data collected in Q2 2023 | USD, millions

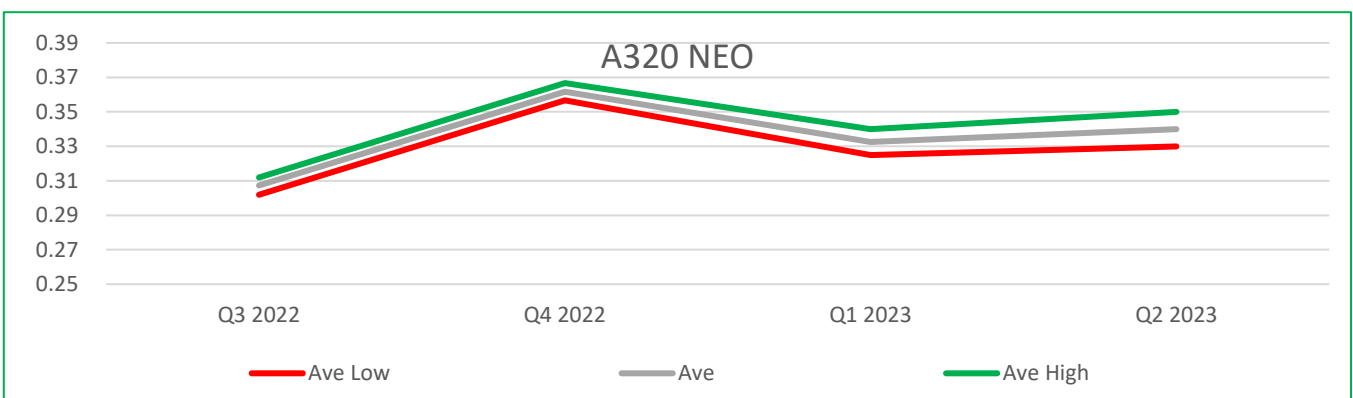
A320neo | Prices and lease rates back to pre pandemic levels, margins remain low

A320 NEO Polled Market Values \$M



- The A320 NEO continues to hold its position as the most coveted aircraft type in its category, with fierce competition persisting in the pricing arena. However, our contributors are reporting LRFs which range between 0.5% - 0.58% and typically do not exceed 0.6%.
- Based on feedback from our contributors, pricing has bounced back to pre-COVID-19 levels. The upward trend that we observed starting from the last quarter of the previous year has continued well into this year, with high-end pricing approaching the \$58m mark. At the same time, we are noting an influx of more entrants eager to capitalize on the new generation aircraft market, which combined with the low production rates of new aircraft, has led to competitive bidding.
- In the present market climate, our contributors have also raised concerns regarding engine and MRO costs. Rising maintenance costs and the shortage of MRO slots have meant that some airlines are choosing to stay with older generation aircraft in the near term, avoiding the current escalation in engine price and maintenance costs of new generation engines.
- Our contributors have highlighted the active buyer market, which has mostly been profiting the airlines. Market lease rates have nevertheless come up, and we are now looking at \$0.350m per month, although along with high interest rates, the margins remain low.

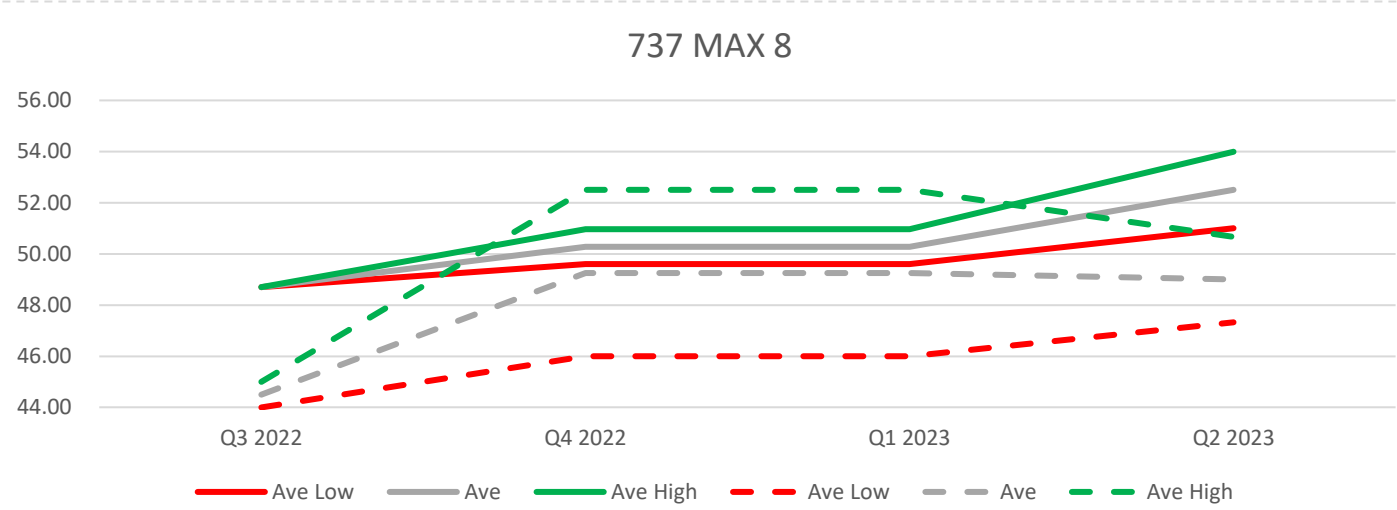
A320 NEO Polled Lease Rates for Encumbered Aircraft \$M



Single-aisle aircraft | New deliveries | Data collected in Q2 2023 | USD, millions

B737MAX8 | Prices and lease rates picked up, no delta with A320Neo

737 MAX 8 Polled Market Values \$M

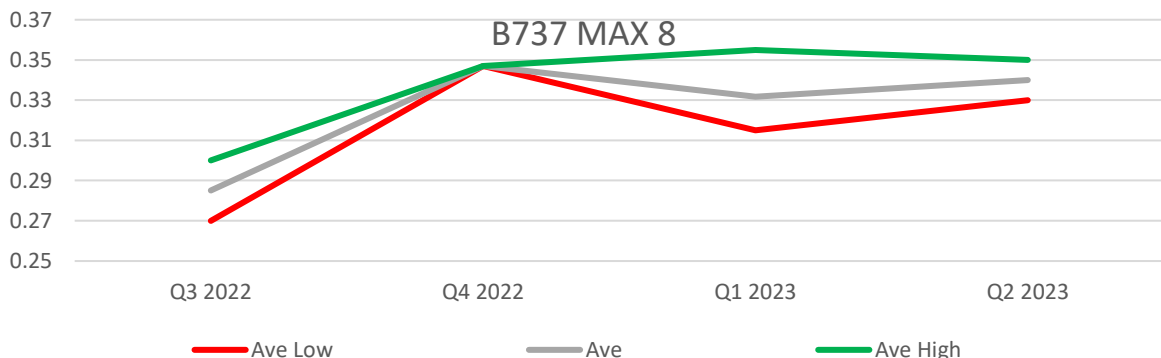


Encumbered

Unencumbered

- The Boeing 737 MAX 8, has been experiencing a gradual recovery in market values and lease rates. As of mid-2023, contributors see the B737 MAX 8's market value at approximately \$52M with a monthly lease rate of around \$345k, both of which reflect a modest increase since the start of the year.
- Contributors are also reporting that values for both the A320neo and B737 MAX 8 have rebounded to pre-COVID-19 levels, with no noticeable delta between the two models. There is a steady demand for the B737 MAX 8, indicating a degree of restored trust and acceptance within the aviation industry.
- Although pricing and market lease rates for these aircraft types have made a recovery, lease rate factors (LRFs) continue to pose challenges. They have recently moved between the low and high 0.5% range, which complicates deal closures for investors and financial institutions. Despite the narrowing of profit margins, the new-generation aircraft market is still experiencing intense competitiveness. Investors with capital to invest appear to be downplaying long-term considerations. Given the thin margins, portfolio expansion has become a strategy for profit augmentation, drawing new market participants into the fold.

737 MAX 8 Polled Lease Rates for Encumbered Aircraft \$M



Methodology and key information

Assets covered

- The Ishka Aircraft Pricing Benchmark (APB) spectrum covers pricing sentiment for both single-aisle and twin-aisle aircraft, including the A320neo, A320ceo, B737 MAX 8 and B737-800. The APB also covers the A350-900, A330-300, B787-9 and the B777-300ER. In the 3rd Edition we initiated coverage of Turboprops (Q400, ATR72-600) and Regional Jets (A220-300, and E190)
- The Ishka APB covers both naked/unencumbered and encumbered (lease attached or subject to a sale and leaseback transaction) aircraft
- The Ishka APB covers – new build, eight-year-old and 16-year-old asset vintages
- For older aircraft, the data presented reflects best efforts to consider aircraft in overall 'half-life' condition

Data collection

- The data shown in this document was collected from a broad and active set of those in the business of buying, leasing, financing and/or selling aircraft (e.g., lessors, airlines, investors, aviation banks, asset managers, part-out companies, advisors), who have shared their views anonymously
- Market participants were asked about a price range for spot prices and monthly lease rents they had reviewed or participated in. This may include asks/bids won or in which the contributor participated, or trades undertaken
- The data collected may include operators covering all types of creditworthiness, business models and geographies
- The data collection was made through videocalls, phone calls or e-mails during the second quarter of 2023
- The first edition of the Ishka Aircraft Pricing Benchmark was published in January 2021

Data processing

- The minimum and maximum values for the low-end range and high-end range are the values as collected, i.e., no data removal for outliers was performed
- From the data collected, Ishka has calculated the minimum and maximum for both the low-end ranges and high-end ranges of prices and lease rates, a mean was also computed for the different vintages and lease types using the midpoints in the range.
- In order to provide meaningful data a minimum number of datapoints is required (quorum). If insufficient data is available, we can elect not to publish the data for that asset/vintage.

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