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MARKET UPDATE

AIRCRAFT VALUATION IN 2026

Strong Demand, Constrained Supply, and the Rise of Yield Compression

WIDEBODY AIRCRAFT UPDATE

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INTRODUCTION

The aircraft leasing market in 2026 is being shaped by a structural shortage of available lift. While next-generation aircraft continue to command premium valuations, supply constraints are also driving renewed relevance for selected legacy widebody assets. Across the market, strong demand and limited availability are supporting elevated values, even as leasing returns become more compressed.

Strong demand for aircraft capacity, combined with limited availability of next-generation aircraft, is supporting elevated valuations across the market. However, lease rate growth has not kept pace with rising asset prices, creating a growing disconnect between asset pricing and leasing returns. This imbalance reflects a structural shift in the market rather than a temporary dislocation.

GLOBAL MARKET TRENDS: MORE AIRCRAFT, YET PERSISTENT SCARCITY

After several years of supply chain disruption, 2026 is beginning to look like the first meaningful step back toward production normality. Industry forecasts from IATA Sustainability and Economics indicate that global aircraft deliveries could approach 1,800 units, moving closer to the trajectory that appeared achievable before the pandemic.

Yet the recovery is proving more complicated than delivery totals suggest. Higher production has not translated into equivalent fleet availability, as persistent engine MRO bottlenecks continue to delay aircraft returns to service. Turnaround times for next-generation engine shop visits—particularly involving GEnx and Trent XWB platforms—have in some instances stretched toward 200 days, limiting the number of aircraft available for immediate deployment.

As a result, the market is facing not only a production shortfall, but a broader shortage of usable aircraft. Geopolitical tensions in the Middle East are compounding the issue, as airspace restrictions and rerouting increase block times and require additional lift to maintain schedules.

This imbalance is most visible in the secondary market. With OEM backlogs extending well into the next decade, airlines and lessors are competing aggressively for mid-life and used aircraft. Available inventory has tightened materially, supporting asset values and flattening traditional depreciation curves.

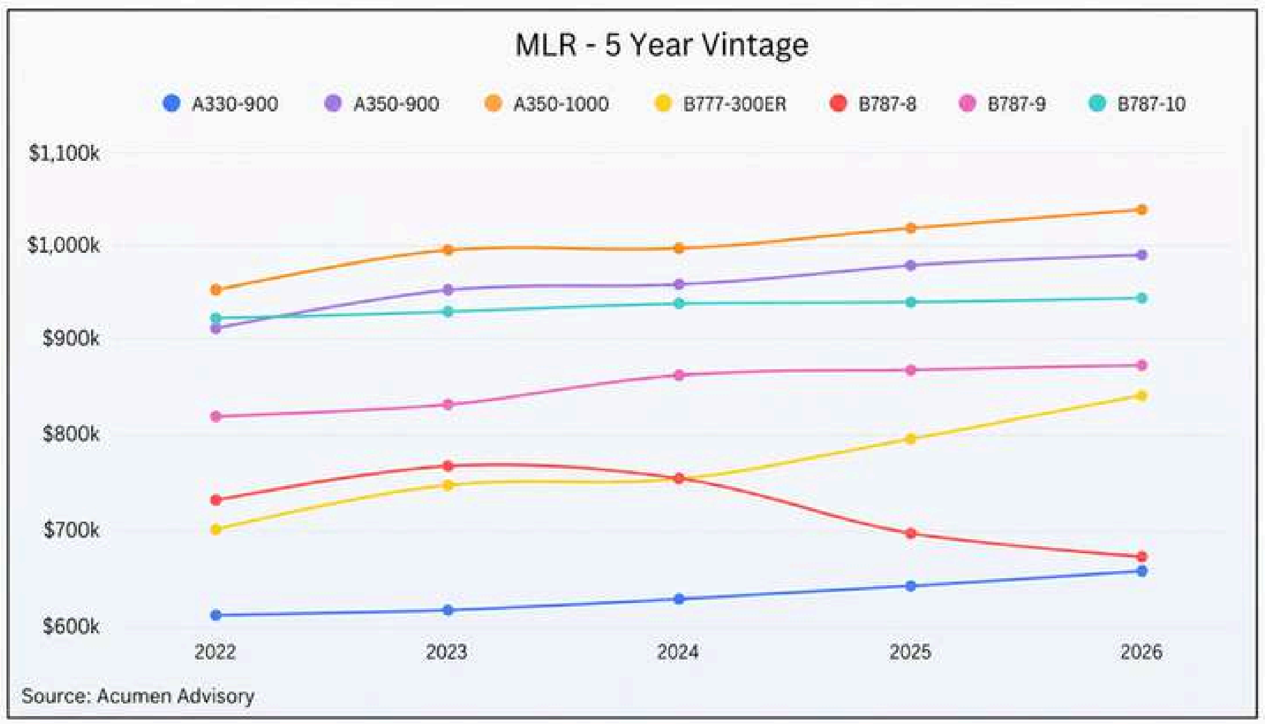
Leasing behaviour tells the same story. Extension activity has risen sharply, with rates in some portfolios approaching 80%, compared with historical norms of 50–60%, as operators retain aircraft to bridge delivery delays. For near-term serviceable assets, Current Market Values are in some cases trading at premiums to Base Value, highlighting the premium now attached to immediate availability. These dynamics are supporting not only new-generation aircraft values, but also unexpected recoveries in select mid-life widebody platforms.

INTEREST RATES AND THE FINANCING ENVIRONMENT

The financing landscape in 2026 is defined less by the absolute cost of debt and more by the return of stability. Following aggressive monetary tightening in prior years, central banks such as the Federal Reserve and European Central Bank are moving toward a more predictable rate backdrop. While borrowing costs remain above 2019 levels, improved visibility is helping restore confidence among investors, lenders, and lessors. As a result, fixed-rate financing structures are increasingly favored, as market participants prioritize long-term certainty and protection against renewed volatility.

At the same time, 2026 is shaping up to be an active refinancing year, with approximately $19 billion in lessor debt coming due—a theme widely discussed during the early 2026 Airline Economics conferences. Strong asset utilization, elevated aircraft values, and firm leasing conditions are continuing to support access to capital markets to meet these obligations. In addition, the renewed strength in selected legacy widebody assets—particularly the Boeing 777-300ER and Airbus A330-300—is improving collateral values and supporting refinancing flexibility across mixed-age portfolios.

Even so, the outlook is not without complications. Geopolitical tensions in the Middle East are creating fresh financing headwinds, with some lenders and insurers tightening jurisdictional exposure while aviation war-risk premiums rise for operators serving volatile regions. Any sustained disruption to global energy markets could also revive inflationary pressures and slow the path toward easier monetary condition.



Source: Acumen Advisory

These risks are emerging at a time when lessor returns are already under pressure. While absolute lease rates for widebody assets have firmed—as illustrated in the chart above—the relationship between lease rates and asset values is shifting. As Current Market Values (CMV) for next-generation assets have increased faster than Market Lease Rates (MLR), lessors are increasingly experiencing yield compression. For example, the CMV of a new A350-900 has risen from approximately $151.4M in 2022 to $168.5M in 2026, while lease rates have seen only modest growth. Consequently, the Lease Rate Factor (LRF) has compressed from roughly 0.79% down to 0.73%. This suggests that lessors are accepting lower relative yields to secure scarce aircraft—a " supply-driven pricing Premium" that is putting pressure on Debt Service Coverage Ratios (DSCR) across smaller portfolios.

ROBUST AIRLINE PERFORMANCE DRIVING DEMAND

Underpinning the widebody valuation environment is structurally strong passenger demand, though airline profitability is now facing increasing pressure. The latest IATA industry outlook initially projected global airline net profits to reach approximately $41 billion in 2026, supported by high load factors of approximately 84% and 4.9% growth in passenger traffic. However, this outlook is becoming more uncertain as operating conditions evolves amid soaring fuel prices.

THE FUEL FACTOR AND GEOPOLITICAL HEADWINDS

Recent geopolitical tensions, including disruption risks around the Strait of Hormuz and continued instability in Red Sea shipping lanes, have contributed to renewed pressure on jet fuel markets, challenging earlier assumptions of cost stability. As a result, airline margins are tightening, reducing financial flexibility even as lease rates remain firm, supported by ongoing supply constraints. Rising fuel costs are also reinforcing the economic advantage of newer, more efficient aircraft.

For many operators, securing next-generation widebodies such as the Airbus A350 or Boeing 787 is no longer simply a capacity decision, but an increasingly important lever for managing operating costs, emissions exposure, and margin resilience. At the same time, where near-term replacement aircraft remain unavailable, carriers continue to rely on selected legacy widebodies such as the Boeing 777-300ER and Airbus A330-300 as interim capacity solutions.

Despite these pressures, long-haul demand remains resilient—particularly in Asia-Pacific markets led by China and India. This combination of sustained traffic demand, constrained fleet availability, and renewed focus on fuel efficiency continues to support widebody valuations across both next-generation and selected mature platforms.

WIDEBODY OUTLOOK: THE YIELD PARADOX AND THE RENEWED RELEVANCE OF LEGACY WIDEBODIES

Against this backdrop, the widebody segment is emerging as a primary beneficiary of current market dynamics. The recovery in long-haul travel, combined with constrained aircraft availability, is supporting a strong valuation cycle across both next-generation and selected mature platforms.

Geopolitical factors are reinforcing this trend, as longer routing requirements increase the importance of fuel-efficient, long-range aircraft—particularly on Europe–Asia and other intercontinental sectors. At the same time, delayed deliveries are extending the operational relevance of legacy widebodies that remain immediately deployable.

In 2026, the definition of an airworthy asset has shifted from a matter of age to a matter of availability. While traditional valuation models assume a steady depreciation curve, the current market is instead characterized by a structural shortage of usable lift. This has supported renewed demand for legacy widebodies while compressing returns for owners competing to secure scarce next-generation delivery positions.

AIRBUS A350: THE PREMIUM BENCHMARK

The Airbus A350 continues to represent the benchmark widebody asset in 2026. The A350-900 and -1000 variants have materially outperformed traditional depreciation expectations, reflecting strong demand and limited near-term availability. With delivery slots effectively constrained, airlines and lessors are competing for immediate capacity, pushing new-build aircraft values to premium levels. From a valuation perspective, the A350 benefits from strong operator demand, deep market liquidity, and limited placement risk, particularly for newer vintages.

BOEING 787 DREAMLINER: VERSATILITY DRIVING VALUE STABILITY

The Boeing 787 remains a well-supported widebody asset, benefiting from broad operator demand and limited near-term availability. As production conditions improve, annual deliveries are likely to return to triple-digit levels in 2026, although the existing backlog will continue to constrain immediate supply. Secondary market 787 aircraft continue to command a premium, supported by strong placement demand. Its flexibility for point-to-point long-haul operations makes it particularly attractive to both airlines and lessors. Valuations remain robust, with limited downside risk in the near to medium term.

AIRBUS A330NEO: THE STRATEGIC ALTERNATIVE

The Airbus A330neo is increasingly positioned as a strategic alternative in the current environment. The type is benefiting from substitution demand, as carriers seek earlier delivery positions unavailable on competing platforms. With A350 and 787 delivery slots largely unavailable in the near term, airlines are turning to the A330neo to meet capacity requirements. Airbus continues to maintain steady A330neo production, supporting incremental fleet growth and near-term delivery demand. This spillover effect is supporting base values and lease rates. While not commanding the same premium as next-generation peers, the A330neo offers a competitive combination of cost, availability, and efficiency.

THE HALO EFFECT ON LEGACY WIDEBODIES

Beyond next-generation platforms, supply constraints are also reshaping valuation outcomes across legacy widebody fleets. A notable secondary impact of the current cycle is the renewed strength in valuations for mid-life and mature aircraft. Rather than facing accelerated retirement, 12–15-year-old assets—such as 2011–2014 vintage Airbus A330-300s and Boeing 777-300ERs—are seeing stronger demand relative to recent years. Current Market Values (CMV) for these aircraft have recovered meaningfully from pandemic-era lows. This trend is driven largely by operational necessity, as airlines and lessors extend the service life of existing fleets to bridge delayed next-generation deliveries, despite associated MRO costs and ongoing engine/component bottlenecks.

THE BOEING 777-300ER: THE INDISPENSABLE BRIDGE ASSET OF 2026

One of the more notable valuation developments in 2026 is the renewed strength of the Boeing 777-300ER. Aircraft that would typically be entering a phase of accelerated mid-life depreciation are instead benefiting from extended operational relevance. With the Boeing 777X still ramping into service and replacement capacity remaining limited, the 777-300ER continues to offer a valuable combination of high seating capacity, long-range capability, and proven fleet reliability.

This has supported firmer CMV levels and stronger lease demand for select mid-life examples. The aircraft has also gained additional utility as airlines adapt to longer routings caused by airspace restrictions across parts of Russia and the Middle East, where its payload-range capability remains highly relevant on dense Europe–Asia and other intercontinental sectors.

In many cases, valuation outcomes are increasingly influenced by engine condition and remaining maintenance life, particularly for GE90-powered units with meaningful green-time remaining. Lease extensions have also become more common, reducing secondary market supply and reinforcing residual value support for the type.

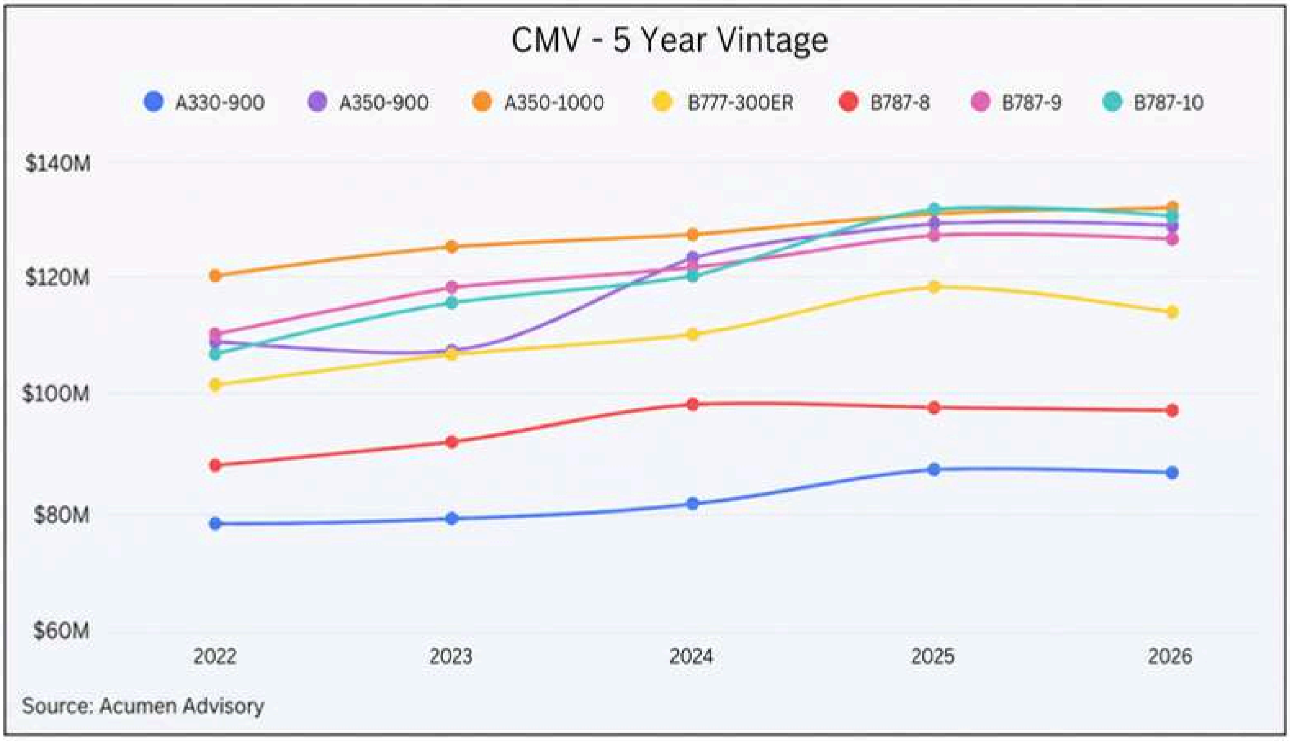
In addition to its passenger utility, the 777-300ER may benefit from longer-term residual support through emerging Passenger-to-Freighter (P2F) conversion prospects. While the conversion market is less mature than that of the A330 family, the aircraft’s size, payload capability, and installed base provide potential secondary-life optionality for older examples.

THE AIRBUS A330-300: THE GREAT VALUATION COMEBACK

The Airbus A330-300 is one of the clearest examples of value recovery in the widebody market. After several years of weak pricing, the type has benefited from renewed demand as airlines seek readily available, lower-capital-cost alternatives to newer platforms such as the A350 and Boeing 787.

Its established global operator base, operational flexibility, and relatively lower acquisition cost have made it an attractive near-term capacity solution, particularly for operators facing delayed deliveries of next-generation aircraft. In addition, the A330-300 benefits from meaningful downside protection through its secondary-life potential, as it remains a well-recognized candidate for Passenger-to-Freighter (P2F) conversion programs.

This combination of passenger utility and cargo conversion optionality is supporting firmer CMV levels and improving lease demand for select mid-life examples.



Source: Acumen Advisory

As illustrated in the chart above, CMV for next generation widebodies has followed a consistent upward trajectory since 2022, with several variants approaching or exceeding pre-pandemic levels. At the same time, lease rate growth has not kept pace. This divergence between asset values and lease rates is increasingly defining the return profile for widebody lessors and highlighting the growing disconnect between asset pricing and leasing returns.

CONCLUSION

The 2026 aircraft valuation landscape is being shaped by structural supply constraints, stabilizing financing conditions, and sustained passenger demand. Although delivery volumes are improving, effective fleet availability remains limited by ongoing supply chain bottlenecks, maintenance delays, and geopolitical disruption. This imbalance continues to support firm asset values and elevated lease rates, particularly within the widebody segment.

From a valuation perspective, the defining feature of the current cycle is the widening gap between long-term fundamental value and scarcity-driven market pricing. While constrained supply is pushing asset prices higher, lease rate growth has been more measured, resulting in growing yield compression for lessors.

As the market moves through late 2026, competitive advantage is likely to favor owners with strong maintenance positioning, available capacity, and flexible financing structures rather than simply the youngest fleets. As long as aircraft availability remains constrained, values are likely to stay firm—even as returns become more complex.

Another important feature of the 2026 cycle is the increasing divergence between short-term market pricing and long-term economic fundamentals. Values for immediately available aircraft are being supported by scarcity, while long-run returns will continue to depend on lease durability, maintenance exposure, and eventual supply normalization. For investors and lessors, the challenge is not only securing assets in the current market, but ensuring today's pricing remains justified over the full ownership horizon.

While the market is currently robust, long term elevated fuel prices specially in Asia have potential to disrupt this trend specially for older and less fuel-efficient aircraft type.

For inquiries, contact us.

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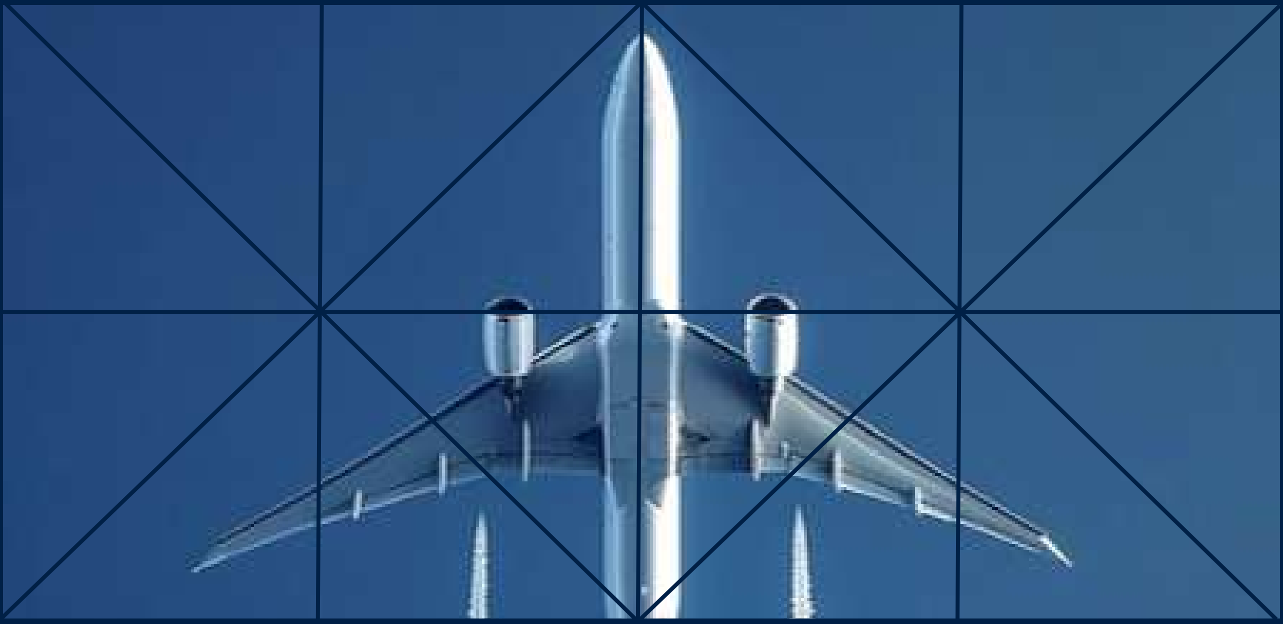

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