



Aircraft Intelligence Monthly

LEADING with **EDGE**

Identified **edge** in the commercial aircraft market where data-driven analysis diverges from industry sentiment

September 2026

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September 2026 – Key takeaways and risks

KEY TAKEAWAYS:

- 1 Escalation brings new challenges to future dynamics**
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 - Engine spare parts escalation is extending legacy fleet viability p. 5
- 2 Aircraft demand shifts creating new challenges and opportunities**
 - Higher costs and fares limiting industry growth trajectory through 2035 p. 6
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- 3 A220 exposed to airBaltic and AirAsia distress**
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TOP RISKS WE ARE WATCHING OVER THE NEXT 12 MONTHS:

- 1 Continued geopolitical conflict**

We don't know what new conflict will erupt, just that it is likely to do so. This month, the surprise Houthi advance took control of the Bab el-Mandeb in the Red Sea resulting in Saudi Arabia's critical oil bypass pipeline being hit by attacks. The bypass pipeline was in heavy use to avoid conflict in the Persian Gulf and showcases how soft infrastructure targets are becoming increasingly vulnerable to small-state drone attacks. We expect this to continue, potentially disrupting infrastructure elsewhere around the world.
- 2 Renewed fuel price increases**

Brent crude prices have once again eclipsed \$100/bbl, but Jet A and diesel crack spreads remain extraordinarily high. While the Middle East still accounts for much of the shortfall, Ukraine's success in attacking refining capacity has exposed a refining weakness in the world's energy infrastructure. This creates two largely unrelated crises that affect jet fuel prices – an unusual situation becoming more typical by the day.
- 3 Bond and credit concerns / AI investment bubble**

Now government bonds have joined the growing list of concerns for the global markets. U.S. 10-year treasuries exceeding 5% creates a new stress test for the overall markets just as interest rates and inflation both climb higher.



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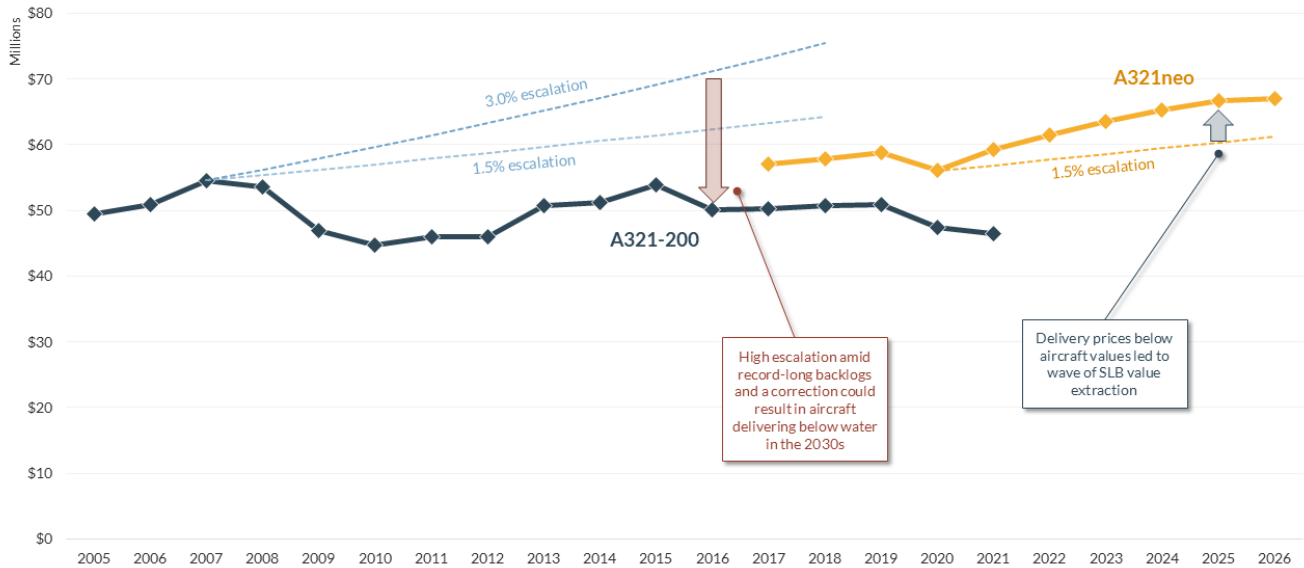
A220-300 DEMOGRAPHICS AND VALUES

Record backlogs elevate new aircraft escalation risk into 2030s

A321 new aircraft values versus escalation

(New A321ceo and A321neo aircraft values compared to theoretical delivery price escalation from order placement)

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Collateral Verifications 



Source: Collateral Verifications

 VISUAL APPROACH ANALYTICS

AIRCRAFT INTELLIGENCE MONTHLY - CHART LIBRARY

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Why it Matters:

In new aircraft commitments, the risk of the market changing over time has traditionally been borne by the airline. The aircraft's price and annual price escalation are agreed upon and set at the signing of the purchase agreement. As such, the pricing is reflective of market dynamics when the order was placed rather than when the aircraft is delivered. This creates a potential disconnect, particularly as backlogs extend seven years and beyond, increasing the gap between the market in which an aircraft's price was agreed, and the one in which it is delivered.

The past five years have presented the positive version of this dynamic, in which airlines negotiated prices in a pre-inflationary environment but took delivery after. An example A321neo ordered in 2020 would have likely received escalation caps based on low CPI values from the prior decade of low inflation. By 2022, escalation formulas ballooned and aircraft demand soared, leaving those with prior deals protected. As such, the example aircraft ultimately delivered below then-market value. By 2024, some airlines were booking large gains from entering sale-leaseback agreements for aircraft that were delivering below market value. Frontier Airlines, for instance, disclosed a \$12 million gain for one aircraft sale-leaseback deal in Q2 2024.

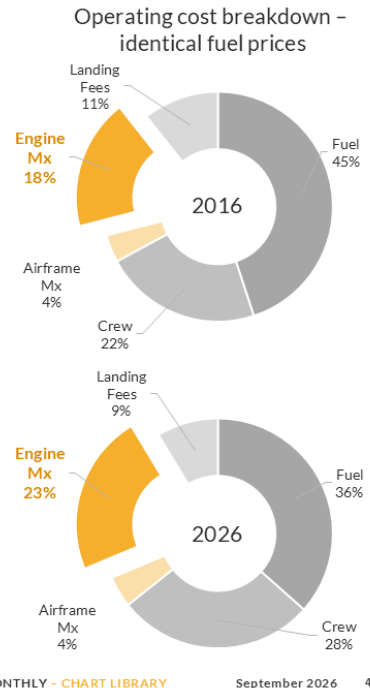
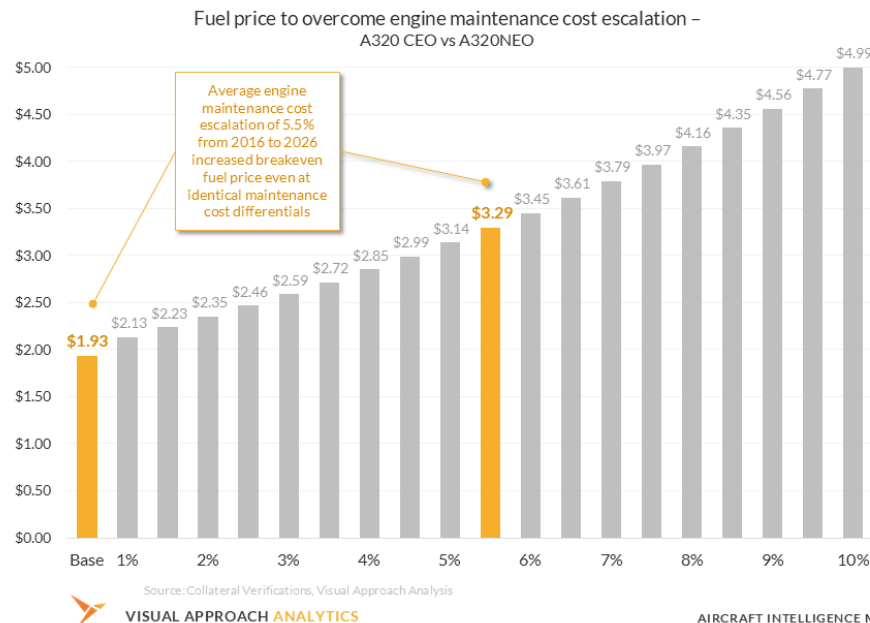
The Edge:

As beneficial as this dynamic has been for airlines during the first half of the decade, the pendulum swings both ways. For airlines that sign purchase agreements during the height of the market and aircraft values, escalation continues. Meanwhile, the market may not follow the escalated prices. The result is an aircraft that delivers above market value. In the example of an A321ceo order placed in 2007, it was likely delivered by 2011, escalated from the 2007 pricing, not the updated market values. For reasons beyond, but also including this dynamic, financing new aircraft was difficult.

Several factors influence the risk to airlines that this dynamic represents: the market dynamics at the time of order, escalation rates, the length of the backlog, and production rates. All are currently working against the airlines, creating the risk of aircraft being delivered well above market value. With record-long backlogs, the time the higher escalation can compound an aircraft price is extremely long. Escalation rates are also high with persistent inflation, and production challenges have created a strong pricing market for OEMs. Already, small examples of this phenomenon have been observed in the widebody freighter market, where deals were struck at the market peak and high escalation, only to deliver in a normalized environment for prices that were now out of market and a challenge to finance.

Engine spare parts escalation is extending legacy fleet viability

Breakeven fuel price sensitivity to engine maintenance costs – CEO vs NEO
(Fuel price to offset engine maintenance cost differentials between CEO and NEO based on 10-year average escalation)



Why it Matters:

The impact of engine parts escalation has been felt across all engine types. Whether a new technology or an out-of-production engine, escalation rates have reached double digits amid supply chain challenges and inflation, driving all engine maintenance costs up at similar rates.

Given engine durability challenges, the overall maintenance cost of a new technology engine is substantially higher than that of a prior technology engine. Regardless, both continue to escalate at similar levels, keeping the differential between the two proportional. For instance, a 25% cost differential remains a 25% differential as each escalates at the same rate; however, the overall difference increases. If two engines cost \$100 / hr. and \$125 / hr. , creating the 25% differential, escalating both to \$200 and \$250 / hr. still results in the same 25% differential. However, the overall dollar amount of the difference increased from \$25 to \$50. Considering the primary advantage of a new technology engine over an old one is lower fuel burn, a break-even fuel price to make the switch to new technology economically viable is easily calculated. As maintenance cost escalation increases on both engine types, the break-even fuel price rises to cover the higher difference.

The Edge:

As maintenance costs continue to escalate, the power of fuel to overcome the economic equation is shrinking. The result is that older-technology aircraft can now endure higher fuel prices before the lower fuel burn of new technology can economically eclipse the higher maintenance costs. What once required only a \$1.93/gal price of fuel in 2016 to offset higher new engine maintenance costs has now “escalated” with spare parts pricing to \$3.29/gal.

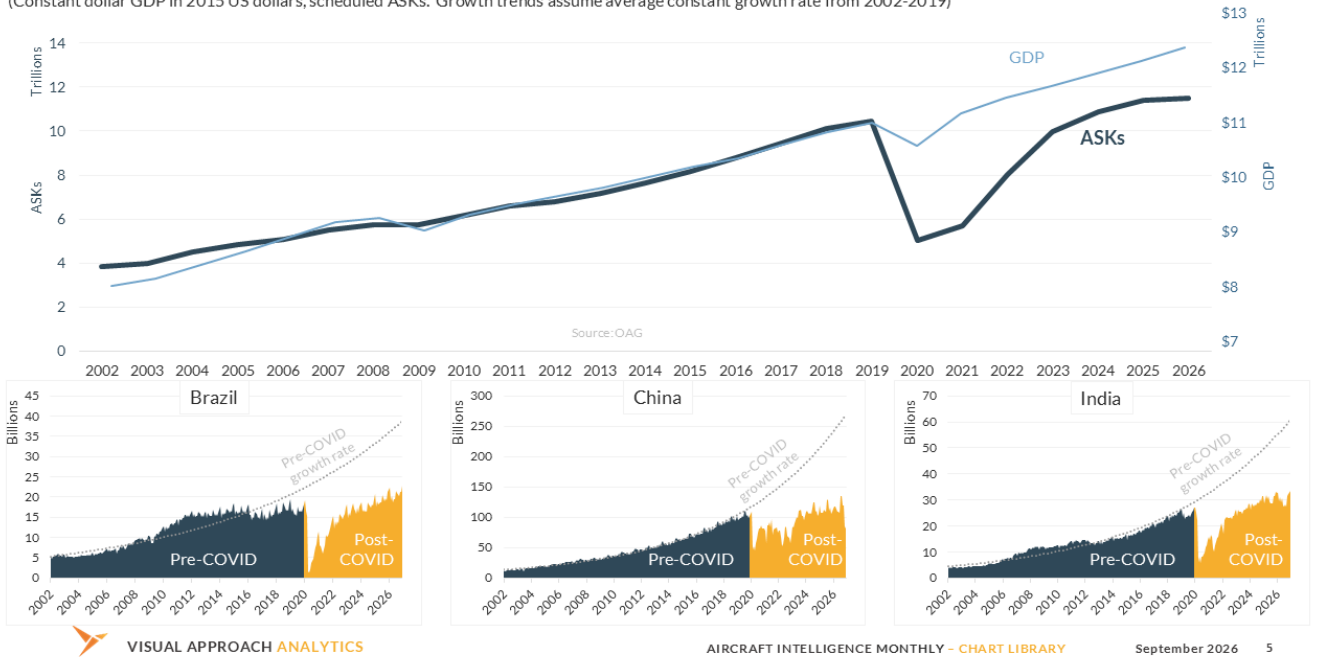
As of September, 2026, average fuel prices have spiked above \$4.50/gal, placing the economic equation clearly to the advantage of new technology aircraft. As such, we have watched new technology aircraft be prioritized during the fuel spikes, while higher fuel-burning older technology aircraft see reduced utilization.

However, the extraordinarily high fuel prices of today are not expected to continue, while engine spare parts escalation continues. With this, the breakeven fuel price for the old-tech/new-tech decision continues to move up. Additionally, the higher capital costs, limited USM availability, and greater coverage of engines in OEM hourly programs for new technology aircraft further increase the already-higher fuel costs required to overcome the economic difference. While NGs and CEOs will still eventually hit limits and find retirement, the escalation dynamic is only serving to extend the viability of the older technology aircraft.

Higher costs and fares limiting industry growth trajectory through 2035

Global ASKs vs GDP disconnect, developing country challenges

(Constant dollar GDP in 2015 US dollars, scheduled ASKs. Growth trends assume average constant growth rate from 2002-2019)



Why it Matters:

The long-held correlation between aircraft demand and economic activity appears to be disconnecting. While we do not assume inflection points in any forecasts, this disconnect was expected by several industry economists at the start of the decade. As it exists in 2026, it appears commercial aviation's lag is following the slower growth trajectory anticipated by those economists.

The trend between GDP and ASKs extends five decades. However, new dynamics of high inflation, slowing developing market growth, and increasingly K-shaped economies are dragging air travel demand below economic activity. Notably, we compare ASKs rather than RPKs to account for airline pricing departments adjusting prices to solve for fixed load factors. The result is a more complete picture across all scheduled airlines, rather than just those that report passenger loads and RPK figures to IATA or other agencies. Regardless, the emerging disconnect is real and impactful.

The Edge:

Long-term forecasts for aircraft demand will be lower if this trend continues. The expectation of stable growth in high-growth markets such as Brazil, China, and India has been broken, causing growth forecasts to be adjusted downward. While these regions remain high-growth markets, the rate of growth is substantially lower than expected in 2019. Mature markets, such as Europe, North America, and East Asia, have remained on prior growth trajectories.

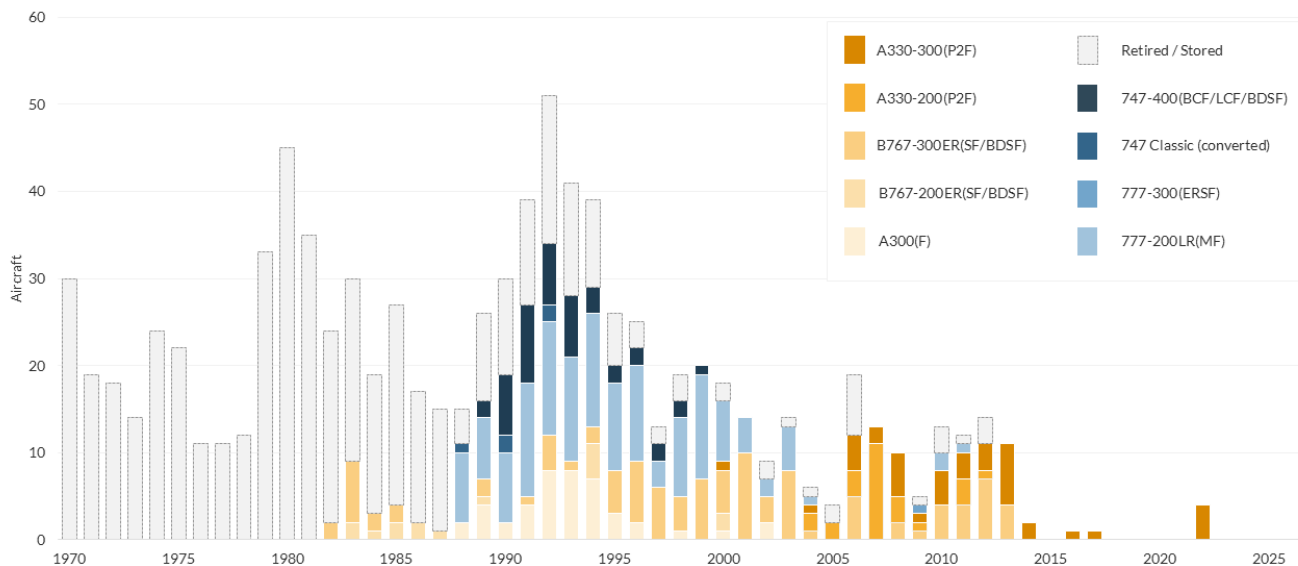
With aircraft shortages, higher interest rates, and overall inflation, it is now more expensive for airlines to grow than in prior high-growth decades. Airlines have reacted by raising costs to secure the aircraft and labor needed to continue to grow, but this also impacts the overall ability for the industry to grow. Meanwhile, the shift to premium at network airlines is resulting in the same dynamic. Airlines can harvest high fares or high growth, but not both. Even if the disconnect originated from constrained supply, airlines have adjusted costs at the expense of growth.

Our expectation is that this trend will continue for at least another 10 years. Even as production rates recover, cost bases have increased, limiting the new markets available for passengers willing to pay the now-required higher fares. It will take a new cohort of start-up airlines focused on new cost structures to potentially reset the growth to prior trajectories. However, given current dynamics, we do not expect this to happen at the scale required before 2035. Until then, forecast demand and deployed capacity is expected to be suppressed by 2-4% below the traditional GDP correlation.

Lack of widebody feedstock creating new challenges and opportunities

Widebody converted freighter fleet – September 2026

(Widebody converted freighters by year of original delivery. Excludes factory freighters)



VISUAL APPROACH ANALYTICS

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Why it Matters:

The lack of widebody feedstock for freighter conversion is a long-running theme in the air cargo world. Following the depletion of most of the 767-300ER feedstock, available passenger widebody aircraft suitable for conversion have been limited. The 777-200ER has found minimal application as a converted freighter due to its need for a reinforced floor, leaving the small fleet of 777-200LR as viable candidates.

The A330-200 and -300 variants have proven capable as freighter conversions, though with more variance in available candidate configurations than the 767-300ER, and the need for a container loading and locking system to compensate for the sloped floor. Still, the high demand for A330s in passenger service today has kept feedstock prices high and conversion candidates low. The 777-300ER has shown promise at the high end of the capacity range, even if expensive to source and convert to freighter configuration. Similarly, the development of a 787 converted freighter remains in the distant future. As time progresses, the remaining options for widebody cargo lift will be increasingly limited to factory freighters.

The Edge:

Factory cargo aircraft do not fill the same market as converted. Despite similar payload and range characteristics, the extreme difference in capital costs drives two separate markets. While established carriers can utilize a \$200 million factory freighter consistently over a 40-year economic life, many carriers require the low capital requirements to match the volatile demand of air cargo.

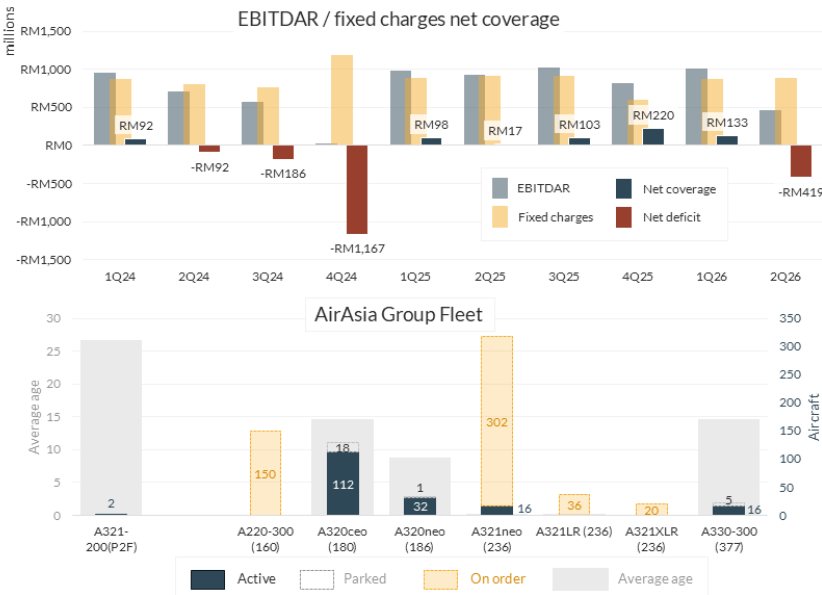
We believe this dynamic is creating a long-term disconnect in the market between airlines able to finance and utilize an expensive factory freighter, and those that require lower capital outlays to align with market seasonality and volatility. With future factory freighter programs limited to the larger 777-8F and A350F, a further disconnect is expected for those airlines looking for medium cargo lift at lower mid-life capital outlays.

An opportunity is expected for lessors and financiers who can close the capital gap of new freighters with competitive lease products. Additionally, we expect the economic lives of existing 767F and 777F freighters, both factor and converted, to be extended as the aging fleet becomes the de facto replacement for lift at similar capital outlays to the prior generation of converted freighters.

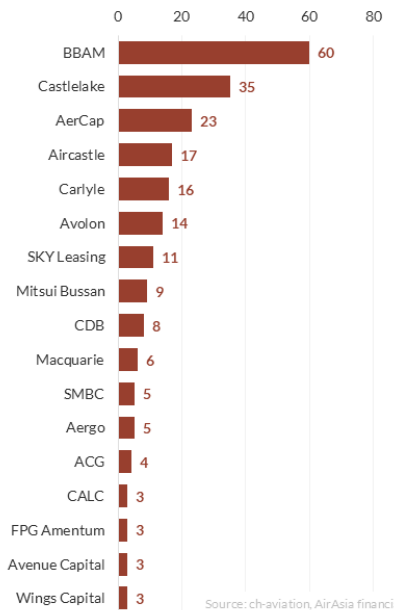
AirAsia reportedly delinquent as fixed costs lack sufficient coverage

AirAsia Group fixed cost coverage and fleet demographics

(Quarterly coverage of fixed costs by EBITDAR, current fleet, and lessor profile as of September 2026)



AirAsia top lessors by managed fleet



Source: ch-aviation, AirAsia financials

Why it Matters:

Recent rumors of AirAsia becoming delinquent on payments have been spreading through the commercial aircraft community. Even as the airline exited restructuring in a positive position in 2025, soaring fuel prices arrived simultaneously with a new 150-aircraft A220-300 order in spring 2026. Since then, the airline has been reducing capacity and increasing revenues, but at an insufficient pace to make up for the spike in fuel costs.

Indeed, by comparing historical EBITDAR to reported fixed cash outlays, the fixed cost coverage for the airline is the worst it has been, excluding the atypical Q4 2024 restructuring quarter. The fixed costs of the airline were underfunded by RM419 million in Q2, driven primarily by higher fuel costs. Even as fuel prices dipped through the start of Q3, they have since risen to new highs, putting renewed pressure on the airline.

The Edge:

New rumors have surfaced that the Malaysian government has been talking to other domestic carriers regarding their ability to backfill AirAsia capacity, should the airline fail. While we believe the rumors to be true, we don't believe this suggests any pending failure of the airline; rather, it reflects prudent discussions by the Malaysian government now, with a sharp focus on the impacts of high fuel prices on the country's economy. Our understanding is that the questions from the government were just that, questions to competitors which are happy to leak to the public, rather than any indication of a pending decision to force a change.

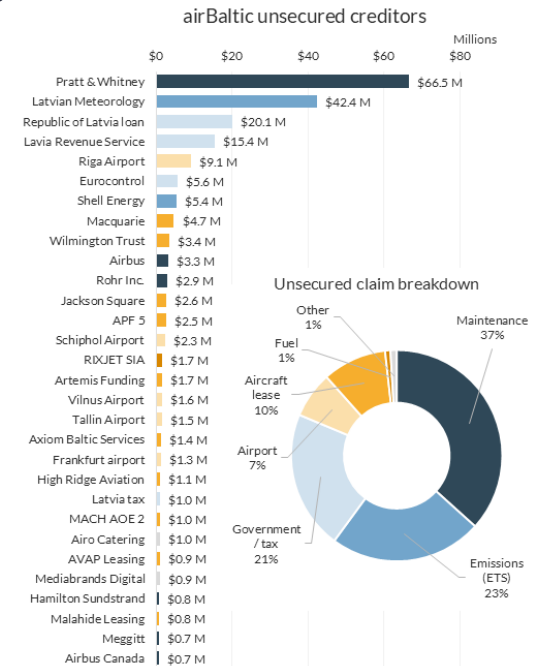
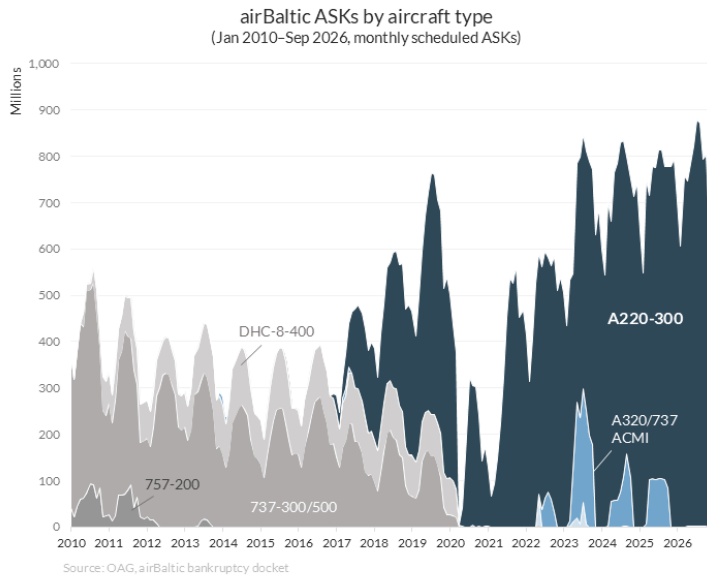
Still, the airline is showing signs of excess capacity at a time when the orderbook exceeds the current fleet by a factor of three. For an airline unable to cover the fixed costs of the fleet, new deliveries arriving at escalated prices are not expected to help matters. The expectation is for fuel prices to drop back to normal levels upon conclusion of the crisis in the Strait of Hormuz; however, the crisis that was expected to be short is now entering its seventh month, with no sign of impending conclusion.

The lessor exposure to the fleet is substantial, with almost all of the fleet leased (and delivering high rental costs in the face of reduced EBITDAR), though much of the fleet remains in mid-life assets toward the end of lease terms, limiting the exposed value. Further, AirAsia is not new to challenges, and the airline has a proven ability to continue with the support of Malaysia and the rapid growth sector. As a result, our concerns lie not with waning government support, but with a massive orderbook that still brings flexibility, but now with uncovered financial commitments and PDP payments at an increasing rate.

airBaltic unsecured creditors skew to engine maintenance and emissions

airBaltic fleet deployment over time and unsecured creditors

(Monthly scheduled ASKs by fleet type, unsecured creditors by type of claim)



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Why it Matters:

airBaltic filed for Chapter 11 bankruptcy protection in New York on September 14. The restructuring process was already underway, through which a future fleet plan with 20 fewer A220 aircraft was communicated, but this process was assuming a UK filing, if necessary.

By the week of September 7, the airline held €1.1 million in unrestricted cash with a €5 million weekly fuel bill. The available DIP financing required a U.S. Chapter 11 process, resulting in the immediate draw of €140 million of the total €350 million DIP financing on the day of the filing. Of the €140 million in new liquidity, the finance-lease debt repayment of €78.9 million was made on the same day. This extends airBaltic's runway through an in-court restructuring process for which the existing restructuring can continue, if in a different venue than originally planned.

The Edge:

Many of the unsecured claims of airBaltic in the Chapter 11 filing are from maintenance agreements, emissions payments, and taxes. Pratt & Whitney tops the list at over USD \$66 million due from engine maintenance (the majority of which, we must point out, comes from distinct challenges posed by low PW1500 durability).

We expect the Chapter 11 process to proceed normally (or as normal as an in-court restructuring process can proceed). Based on the high growth rates beyond what the airline had historically offered, in combination with new extreme spikes in fuel prices, a reduction of 18 aircraft to an approximate 36-aircraft fleet is a reasonable path forward for the airline.

Our expectation for the backlog is that pre-delivery payments are suspended, but the order is unlikely to be canceled – rather deferred far into the future. From our perspective, this serves both Airbus and airBaltic in the context of the restructuring, but turns the 40 “firm” commitments in Airbus's backlog into something more similar to an option for airBaltic to negotiate or exit later. Either way, it reduces our expectations of the firm backlog for the A220 by 40 aircraft, as airBaltic has no near-term plans to take delivery of the aircraft.

Regarding the A220, we think the program will fare the airBaltic restructuring well enough, though it is the first real test of the airplane's remarketability. Our concern is more with AirAsia and the stability of the 150-aircraft A220-300 order than with the 20 aircraft potentially looking for homes after airBaltic.

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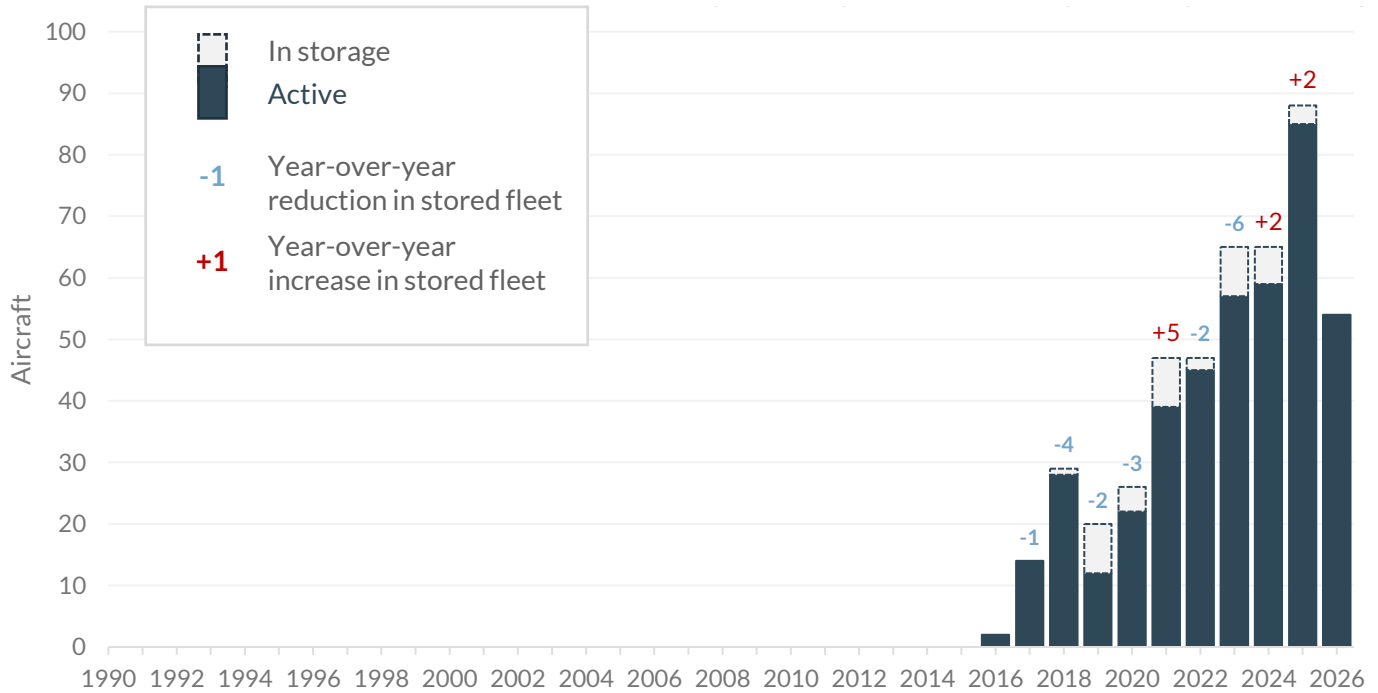
Collateral Verifications aircraft rating

A220-300 fleet demographics

% of fleet stored

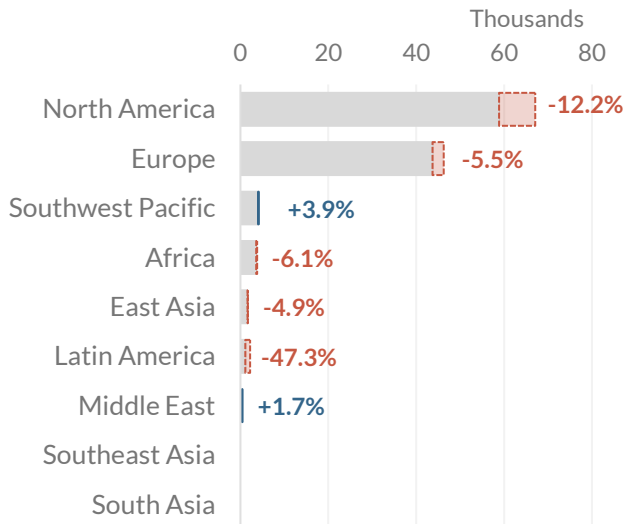
8.8%

↓ -4.7pp



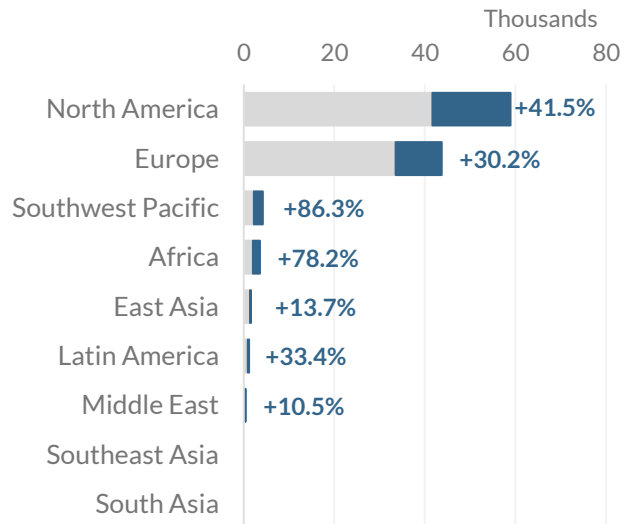
Month-over-month utilization

(monthly scheduled block hours by departing region)



Year-over-year utilization

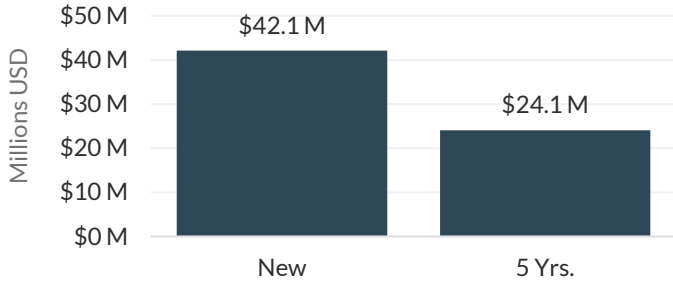
(monthly scheduled block hours by departing region)



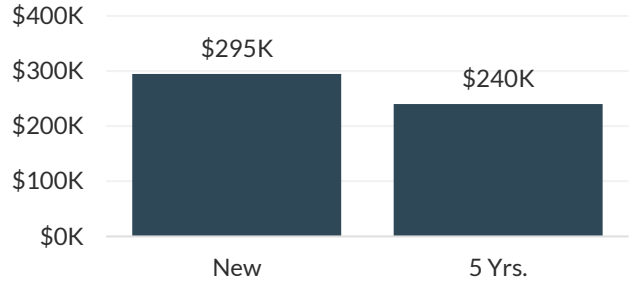
A220-300 values and lease rates



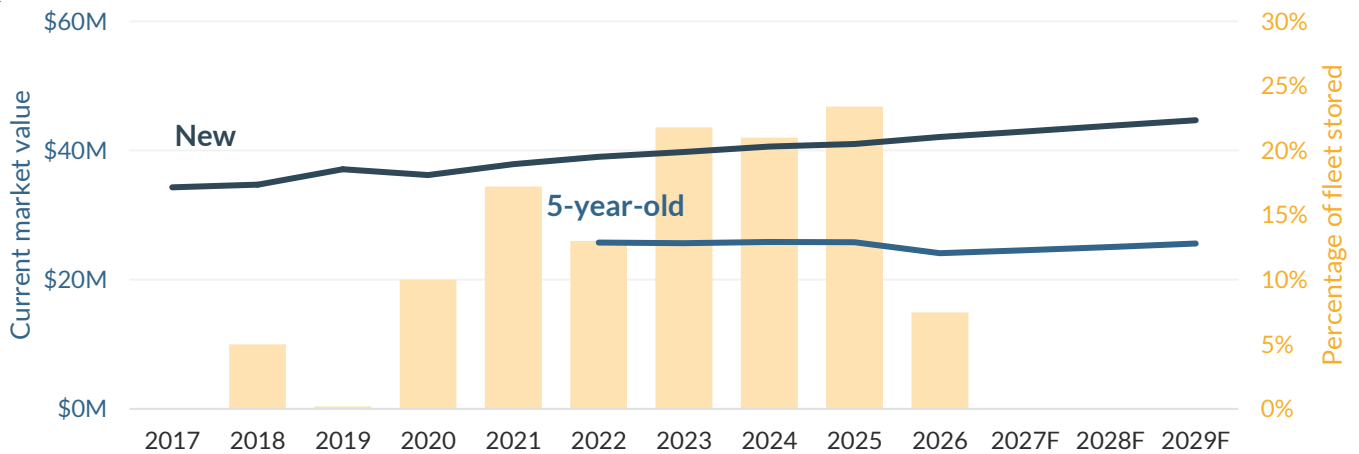
Current market values



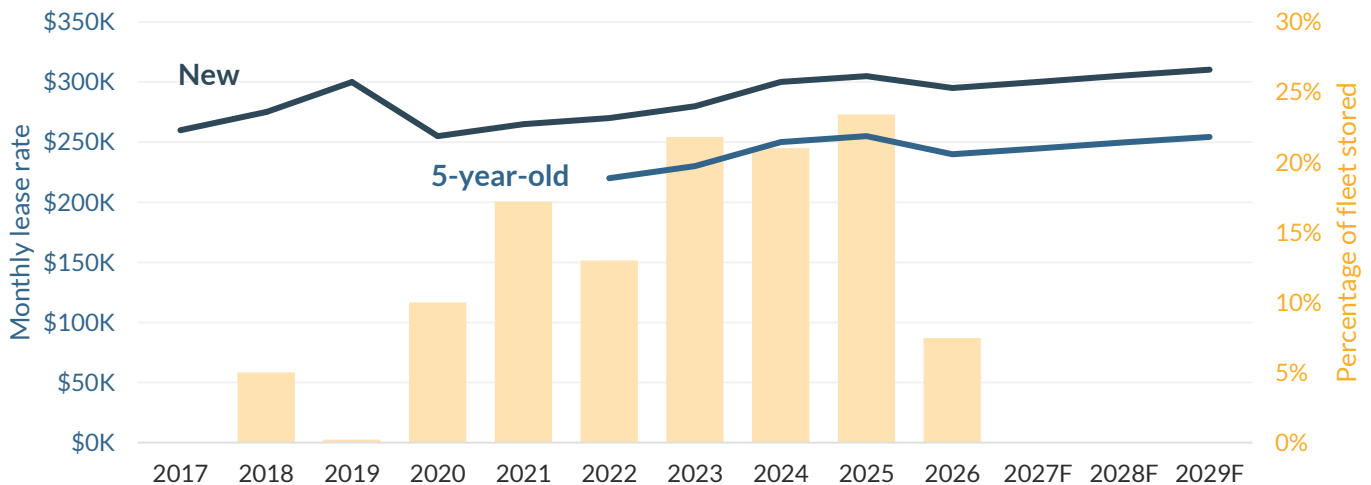
Current lease rates



Historical values



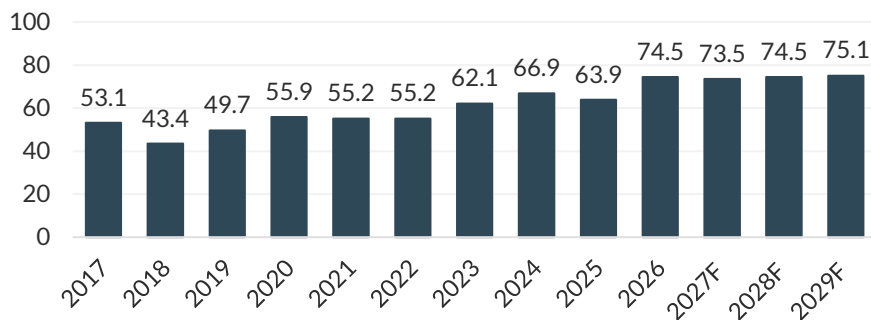
Historical lease rates



Current market summary

1. Market Values have been stable over the last 12 months as demand continues for the type, however we do expect some temporary softness due to the Air Baltic bankruptcy which will add some additional near term availability.
2. Monthly Lease Rates have also been stable over the last 12 months as demand continues to be sufficient for the type. However, we do expect some temporary softness due to the Air Baltic bankruptcy which will add some additional near-term availability.
3. Market demand has been fairly positive for the type as operators see the benefit of the type for certain markets. The -300 variant will remain the most popular variant, until then -500 is launched, as it offers operators more flexibility and offers a lower cost per seat mile than its smaller sibling.
4. The aircraft had picked up some traction in the last several years over its competitor the Embraer E195E2. The clean sheet design and cabin appeal has been a strong selling point for the type and the additional support now received from the existing Airbus infrastructure should allow this aircraft to see many years of success. However, in the last 12 months, we have seen the E195E2 make a very strong comeback with Embraer winning a few good campaigns. The engine issues and also corrosion issues on the airframe have created problems for operators which has also helped Embraer win additional campaigns in our opinion.
5. The engine issues on the GTF(PW1500G), which include the #4 compartment oil leak, combustor, and HPT distress, continue to be a problem for many operators. We believe that all of the aircraft stored are due to these issues. It is our understanding that it will still take P&W another 18-24 months to resolve the engine issues for the overall GTF fleet. Based on the smaller A220 fleet, this should mean that all stored aircraft go back into service sooner than this timeframe perhaps as early as late 2026 or early 2027. Because P&W has made some decent headway in getting the fleet back in the air, demand for spare engines is coming down making it more challenging to lease spare engines in the near-term. HL engine values are in the \$10M range with lease rates in the \$130-150k depending on term and credit. We do expect lease rates to come down a bit in the near term if we are to see any of the Air Baltic aircraft get parted-out and the engines leased.
6. Some additional issues have come up with the airframe as there seem to be some quality control and corrosion issues with the aircraft affecting some operators. This and the engine issues have slowed demand somewhat as lessors seem to be struggling a bit more to place aircraft. As these issues get resolved, we fully expect that the aircraft will once again continue to perform well and be desirable amongst the existing operator base.

Aircraft Rating Tool scores – A220-300



Future market outlook

1. Values and Lease Rates will decline in the near term as availability increases but will go back to being stable and even continue to improve in the longer term as the Air Baltic aircraft find new homes and availability once again comes down. With no real replacement for the aircraft, as of yet, this trend will continue until a replacement is announced. The aircraft continues to do well globally amongst its current operators and once the engine issues are all resolved, this trend will also continue.
2. Market demand should remain positive as operators move to replace their aging CRJs or E190s over the next decade. The potential launch of the A220-500 or A221 may impact demand and values once the aircraft enters service and is at mature production rates but this is not going to happen in the near term which will be positive for the A220-300s residual values. We do expect that most of the larger existing operators would opt for the larger -500, as it will offer much more attractive seats costs. However, the additional capacity will come at a price when it comes to performance so we don't expect demand for the -300 to go away with the introduction of the new variant.

Notes and disclosures

Current Market Values:

1. The values provided are expressed in millions of US Dollars and assume that, except for new aircraft, the aircraft and all of its major components will be in a half-time condition as determined by the then-current maintenance program and TBOs for the respective component.
2. CV did not physically inspect the aircraft for this report, nor were their maintenance records reviewed.
3. The Aircraft is certified, maintained and operated under U.S. Federal Aviation Regulation Part 91, or similar regulatory authority.
4. All mandatory inspections and Airworthiness Directives have been complied with.
5. The aircraft has no damage history and is in overall good condition.
6. The economic useful life of the aircraft is at least 32 years.

Lease Rates:

The Lease Rentals provided in each valuation report represent CV's opinion of aircraft lease rates in today's operating lease environment. These lease rates are derived from CV's own proprietary transactions database which contains a wide range of lease transactions received from numerous sources within the industry. This data is then compiled to produce the lease rentals provided in each aircraft valuation report.

Aircraft Rating Tool (ART):

ART was designed to help the industry better understand the various factors and parameters influencing the overall performance of an aircraft during its life. Using Ch-aviation fleet data and our 20+ years of industry experience, this tool looks at 15 different parameters to assign a rating to each aircraft type. This allows the user to understand the current performance of an aircraft as it compares to others and differentiate the potential investment risk of each aircraft.

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