

Conversions in demand as all-cargo flights continue to soar

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Demand for freighter conversions is expected to remain strong over the coming years as the number of freighter flights surges compared with pre-pandemic levels.

The latest figures from consultant IBA show that in September there were 132,000 freighter flights compared with 95,000 during the same month in 2019.

IBA added that at least 110,000 freighter flights have taken place each month since May 2020.

Phil Seymour, President of IBA, said: “The Coronavirus pandemic has shaken up the freighter market like never before, driving a sustained growth in demand which we believe will result in around 1,000 conversions over the next 10 years.

“Despite the next wave of wide-body converted freighters such as the Boeing 777-300ERSF and Airbus A330-300P2F starting to come on stream, demand for legacy aircraft such as the Boeing 767-300ERSF remains strong.”

IBA said that in the main narrowbody segment, the Boeing 737-800 now dominates with 36 aircraft converted so far in 2021, up from 27 in 2020, with a further aircraft committed to conversion in future.

The Boeing 757-200 continues to be the “pre-eminent candidate for conversion” in the large narrowbody segment with eight aircraft converted so far in 2021, 10 in 2020, and an additional 30 are due to be converted in the future.

“However, conversions of the Airbus A321-200 are now growing with three so far in 2021, three in 2020, and with a further 19 set to be converted in the future,” IBA added.

Looking at conversion costs, IBA data shows the B757-300 averages at \$5.2m compared with \$6.1m for the Airbus A321-200. The average conversion cost for the B767-300ER is \$15.8m in comparison to \$18.4m for the A330-300. The conversion of a B737-800 is \$4.3-\$6m.

IBA estimated the cost of B777-300ER conversions offered by IAI to be around \$34m to \$37m.

“As the feedstock of Boeing 757s dries up, the prices of A321 aircraft will reduce and more of this type will be committed for conversions,” the consultant said. “The typical value range of the A321PCF currently stands between \$21.5m and \$24m.

“The Airbus A330 family is currently the most popular widebody aircraft in the market in terms of purchases for freighter conversions. Feedstock pricing in the A330 cluster is rapidly reducing, with 2009-build Rolls-Royce powered A330-300s, priced at \$25m before Covid-19, now available for around \$15m.”

The typical value and lease rate range for converted Airbus A330-200P2F and Airbus A330-300P2F is between \$27m and \$38m.

The trading range for a B737-800SF is between \$18m and \$19.5m but newer aircraft might attract values of just over \$20m.