

MARKETLINE

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NEWSLETTER

Chicken Little Reports Sky Is Falling

Business Aircraft Sales Unable to Substantiate Report

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Aircraft Bluebook – Price Digest



As the story goes, one day Chicken Little was walking through the woods when an acorn fell on his head. Accordingly, he assumed the sky was falling. Thus, Chicken Little initiated a media blitz to warn the government (in this case the king) of the impending doom. There are some good endings and not-so-good endings to this fairy tale, but the messenger, Chicken Little, and the message of impending doom have remained consistent.

What do Chicken Little and our current economic news have in common? Both are reporting bad news based on kerplunks. Both appear to be promoting a worst-case scenario without examining all of the facts that impact each environment. Hysteria is the catalyst of chaos.

To date, with the global economy in bloom, back orders for new large-cabin long-range aircraft continue to extend out 60 months or more. Try to find a good deal on an existing G-V, Global Express or 900EX. Expect to pay a premium price. And don't expect any breaks if you are trying to find the same on the commercial side either. Late-model 737s and A320s are selling with high values as well.

The world is indeed changing, and the U.S. economy is leading the charge. But the U.S. economy is no longer in a stand-alone environment. Change is necessary for growth. The opportunity for growth far exceeds the potential for failure. Business aviation is a

key link in this process. Contrary to the report from Chicken Little, the sky is not falling. For aircraft sales, business is good, and the sky is blue.

Jet

Bluebook-at-a-glance

Increased.....	56
Decreased	394
Stable	338

You can't hit a home run every time at bat. Sooner or later, the ball will drop in the outfield for a single. So it is with the Bluebook-at-a-glance numbers for jets for this reporting period. In the winning column, late-model light jets such as the Cessna Citation Jet 525 series increased in value when compared to the previous quarter. The same held true for select large-cabin jets as in the case of the G-IV showing \$500,000 gains. Change of ownership reported by the FAA for U.S. jet aircraft reported in Aircraft Bluebook increased substantially when compared to the previous quarter.

The majority of the jet market reported in Bluebook remained either stable or demonstrated some decline. Keep in mind values have been reported at their highest levels since 9/11, and sooner or later, interpretation of value based on condition, sales and available inventory will be on the soft side. Don't think there is a recession. Like the stock market, the jet market is just as fluid. Consider a 10-year-old aircraft such as the Citation VII. A well-equipped and well-maintained nine- to 10-year-old VII with ex-

cellent P&I and at least average airframe time is selling in the \$7 million range. In a market thought to be a bit soft, the VIIs have remained consistent with available aircraft for sale over the past year with competitive interest for this aircraft. However, the VIIs are down \$100,000 from last quarter to more accurately represent time and condition using Bluebook methodology.

Turboprop

Bluebook-at-a-glance

<i>Increased</i>	77
<i>Decreased</i>	121
<i>Stable</i>	415

Turboprops tracked by Aircraft Bluebook remained stable for yet another quarter. Few experienced increases in reported values over the previous reporting period. Declines in value were noted with late-model King Air 350s, the Piaggio P-180 and the Socata TBM series. Overall, the turboprop market remained stable with the majority of aircraft values remaining unchanged for the current reporting cycle. For U.S. activity over the previous quarter, the FAA reported a 10 percent increase in change of ownership, which indicates a healthy market. Bluebook subscribers had nothing negative to report. Business was good, and interest in acquisitions remains high in this market.

Multi

Bluebook-at-a-glance

<i>Increased</i>	25
<i>Decreased</i>	298
<i>Stable</i>	344

There were no surprises in the multi-engine market tracked by the Aircraft Bluebook. The few gains in values included Diamond Twin Stars, Cessna 414As and Beech P58 Barons. On the negative side, overall values diminished generally in the \$5,000 range. Time and condition play a significant role in earlier model years. Overall, this market segment was not as active. The FAA reported change of ownership down approximately 15 percent from the previous report-

ing period. Still, the majority of aircraft in this category remained stable for yet another quarter.

Single

Bluebook-at-a-glance

<i>Increased</i>	136
<i>Decreased</i>	717
<i>Stable</i>	1548

More than half of the single-engine pistons tracked by Aircraft Bluebook remained stable. There were a few gains noted: Piston Ag planes were in the positive value range. Select early-model Mooneys and Pipers also demonstrated slight increases. In the negative column, decreases in value were generally limited to \$5,000 or less. With available inventories of aircraft making this a buyer's market, values are generally expected to decline.

Helicopter

Bluebook-at-a-glance

<i>Increased</i>	555
<i>Decreased</i>	13
<i>Stable</i>	354

Global need for helicopters has kept this market segment robust. Across the board, just about every turbine helicopter reported in the Aircraft Bluebook has demonstrated increases in value or has remained stable when compared to the previous quarter. There is an all-time high need for well-equipped late-model helicopters that cannot be fulfilled. Time, equipment and condition play significant roles in determining value. If dealing with an in-demand model, do not think too long. Someone else on the planet will buy it without blinking an eye.

Aircraft Bluebook – Price Digest at EBACE

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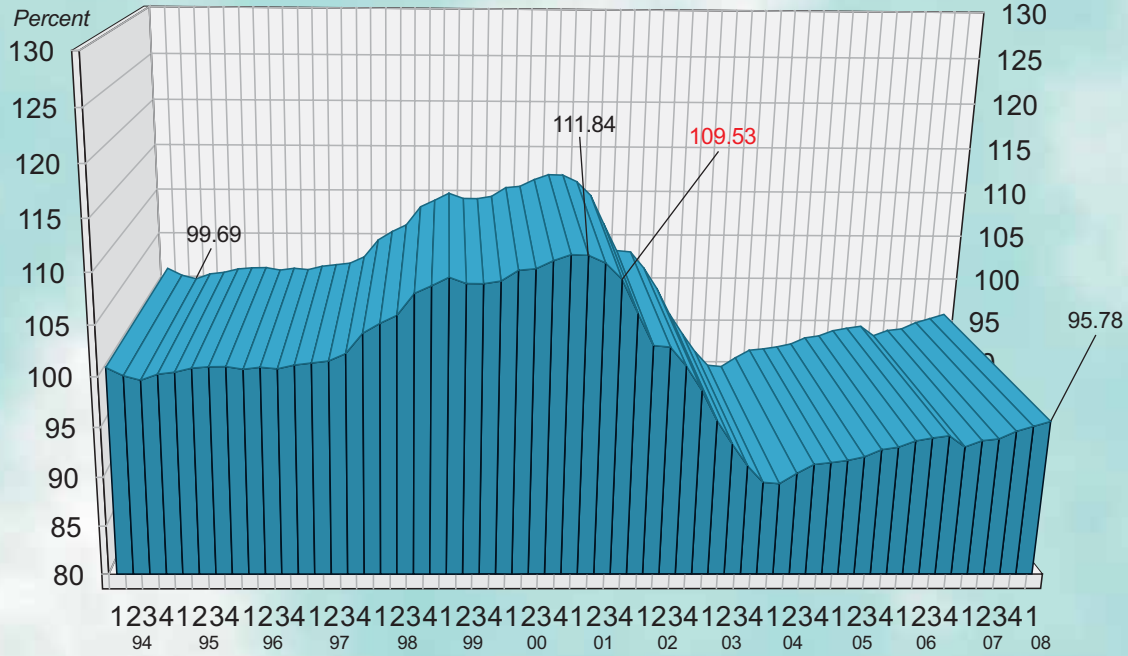
The listings range from airliner-derivatives such as an ACJ and BBJs to production slots for a G450, a Citation Mustang, a Learjet 40, and an Eclipse 500, to a wide variety of other airplanes including in-service business aircraft built by all of the top manufacturers, including Bombardier, Learjet, Gulfstream, Hawker, Beech, Cessna, Falcon, Dornier and IAI.



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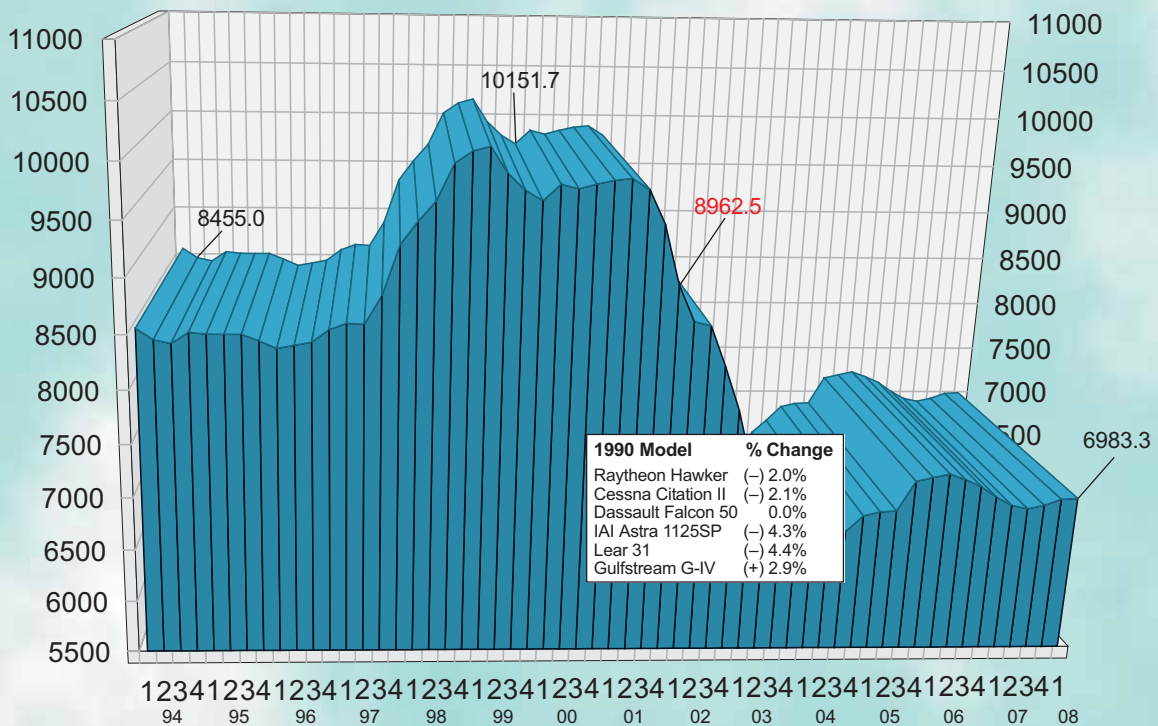
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USED AIRCRAFT MARKET VALUE



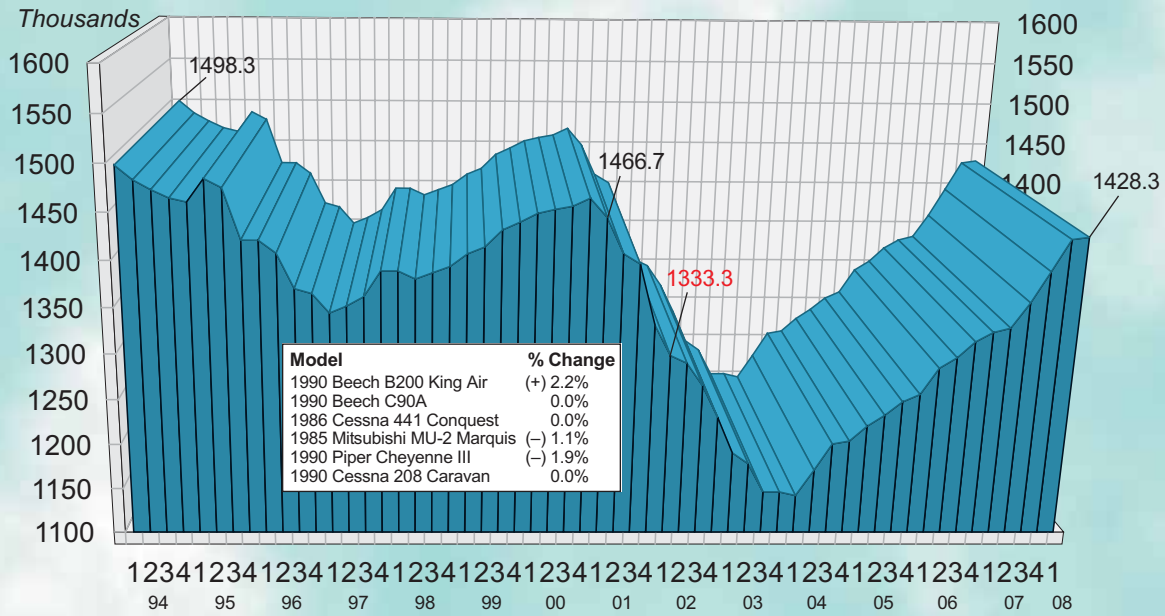
Used Aircraft Market. This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates the first reporting date after 9-11.

JET



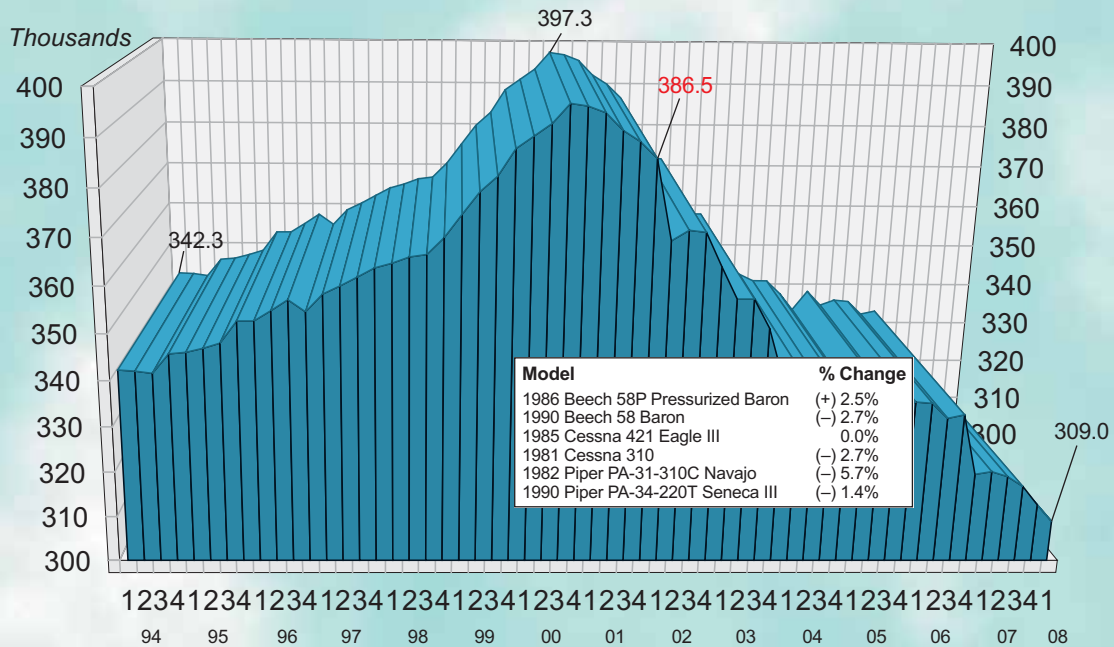
Jet. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.

TURBOPROP

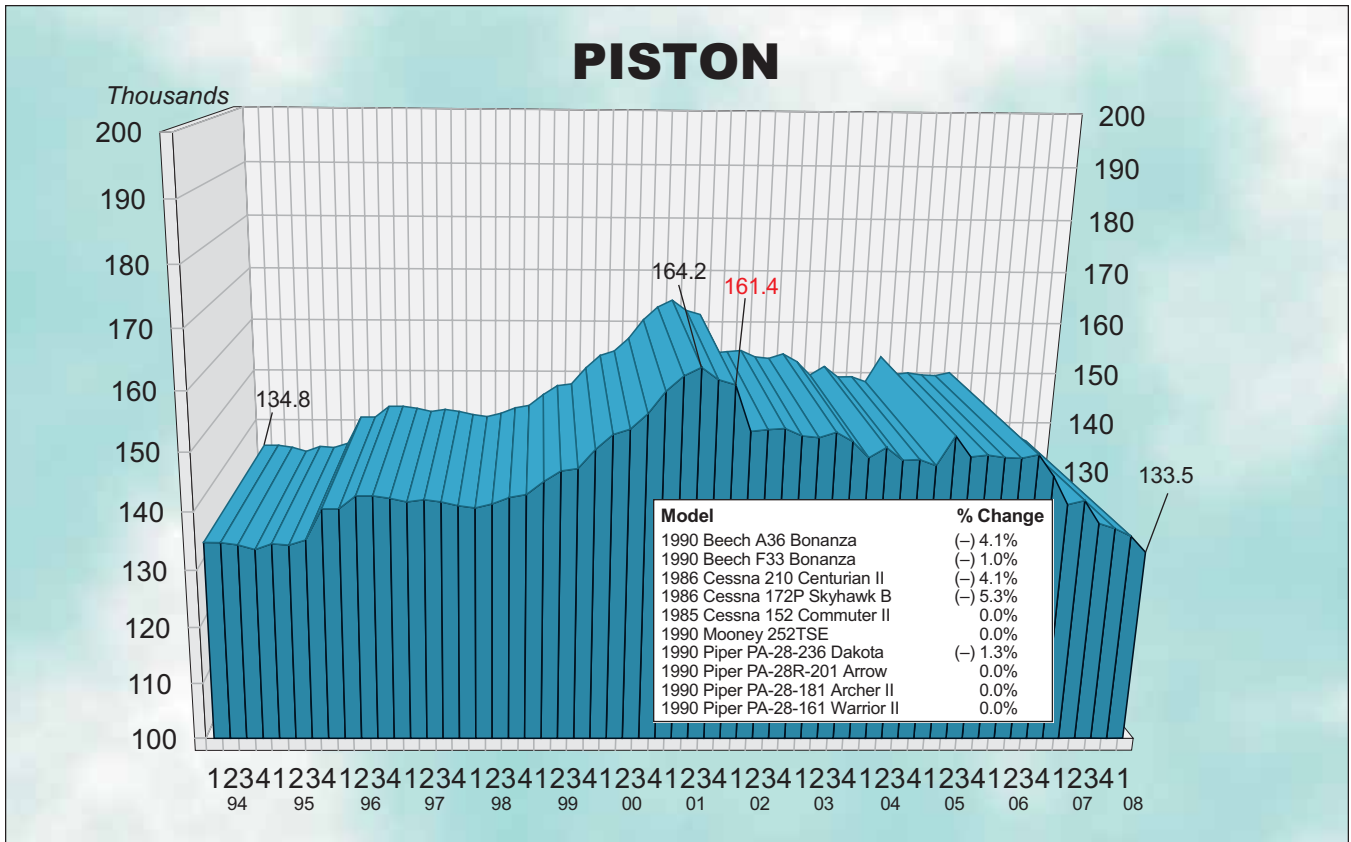


Turboprop. The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.

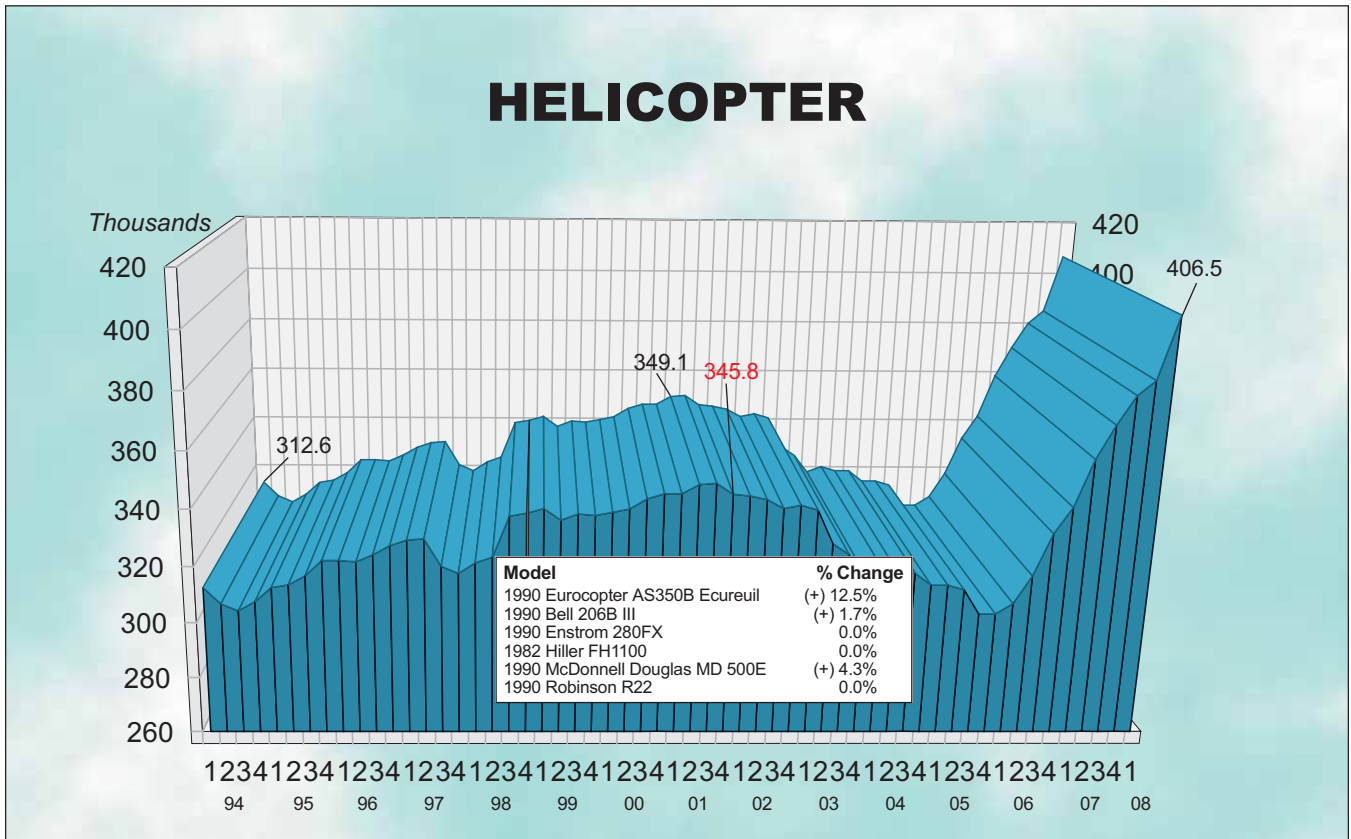
MULTI



Multi. The multi chart depicts the average price (in thousands) of the six multi models listed in the box. Each model's year will precede the name of the aircraft.

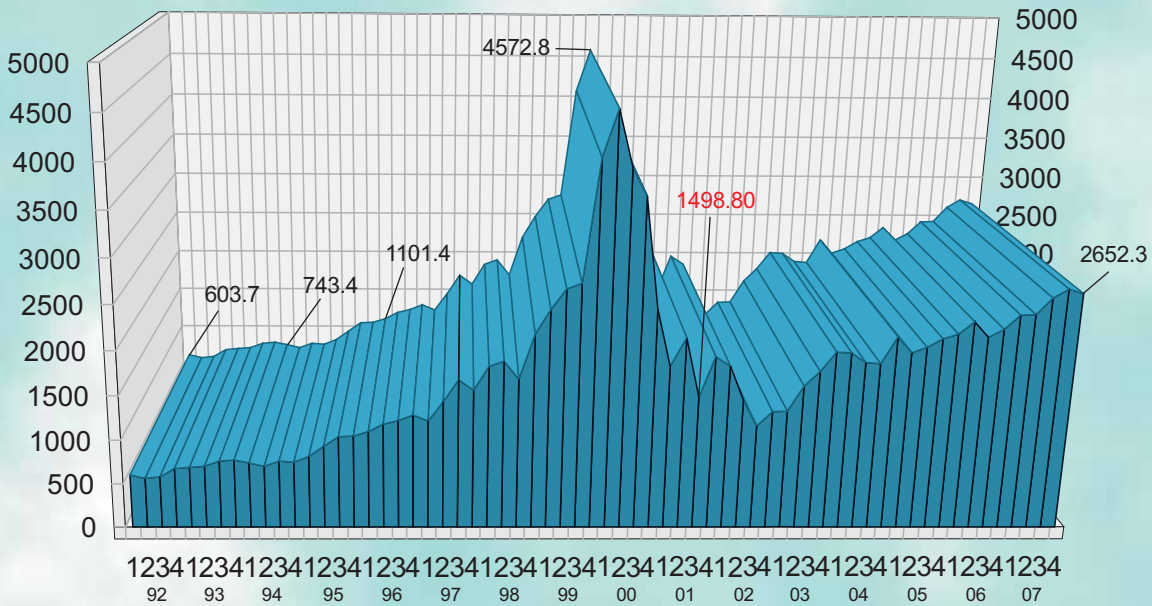


Piston. The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.



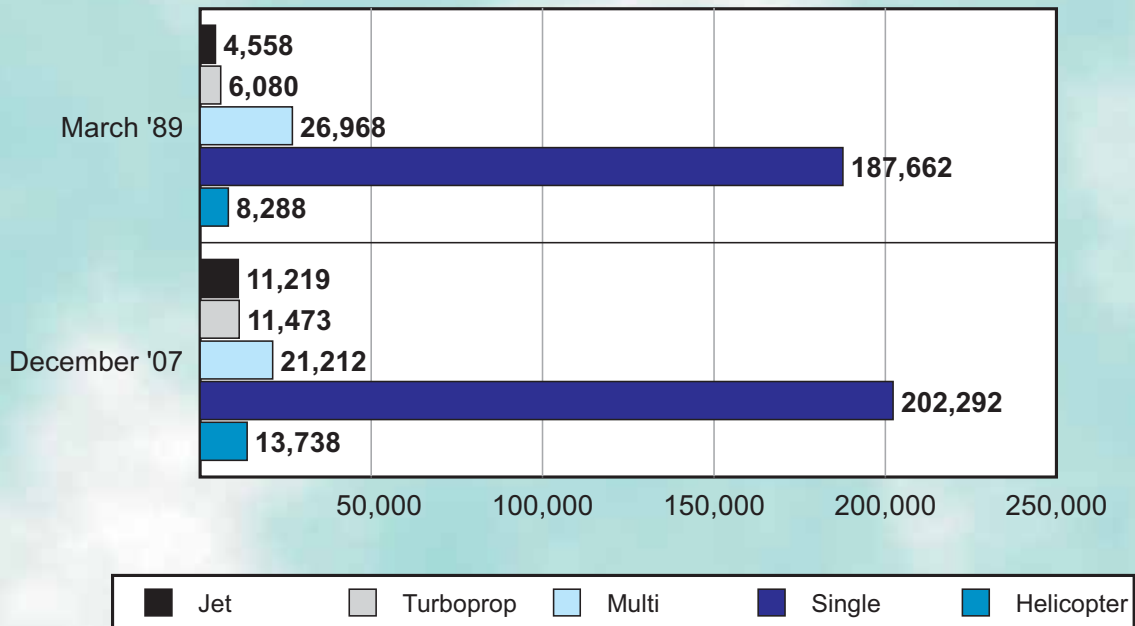
Helicopter. The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.

NASDAQ



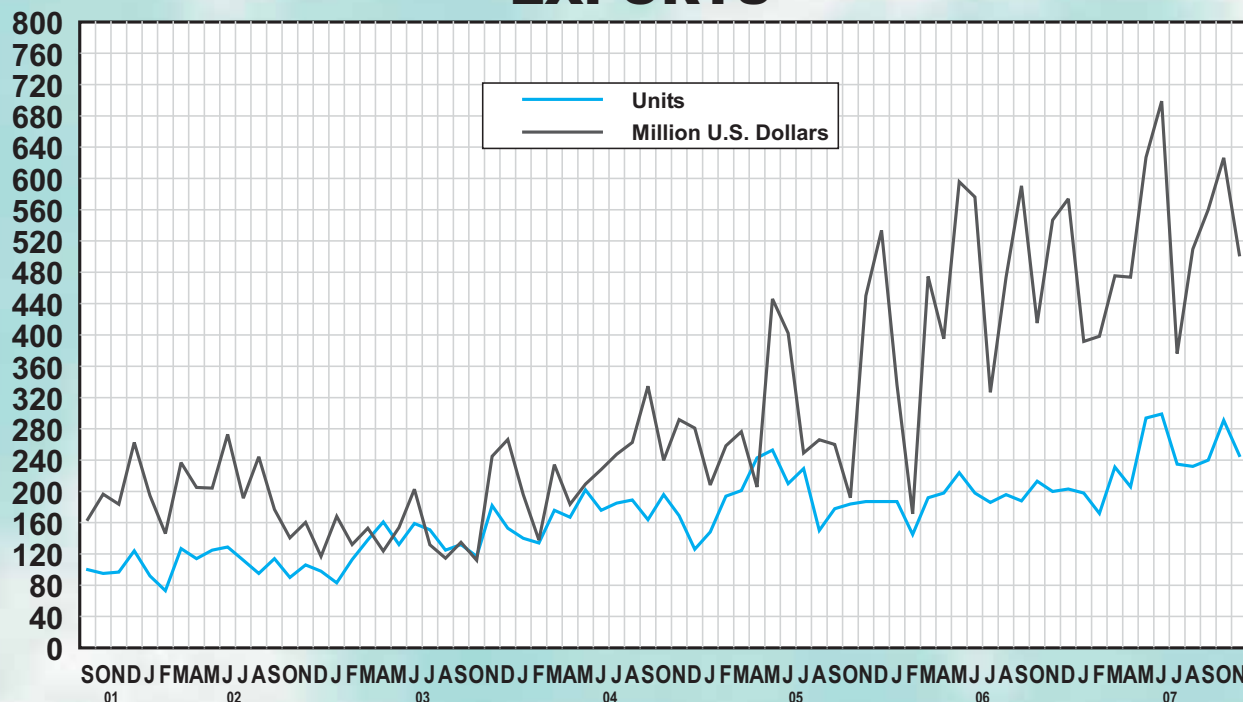
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.

AIRCRAFT ON REGISTRY



Aircraft on Registry. The Aircraft on Registry chart depicts the number of aircraft reported in Aircraft Bluebook which are listed on FAA records and considered to be in the U.S. inventory.

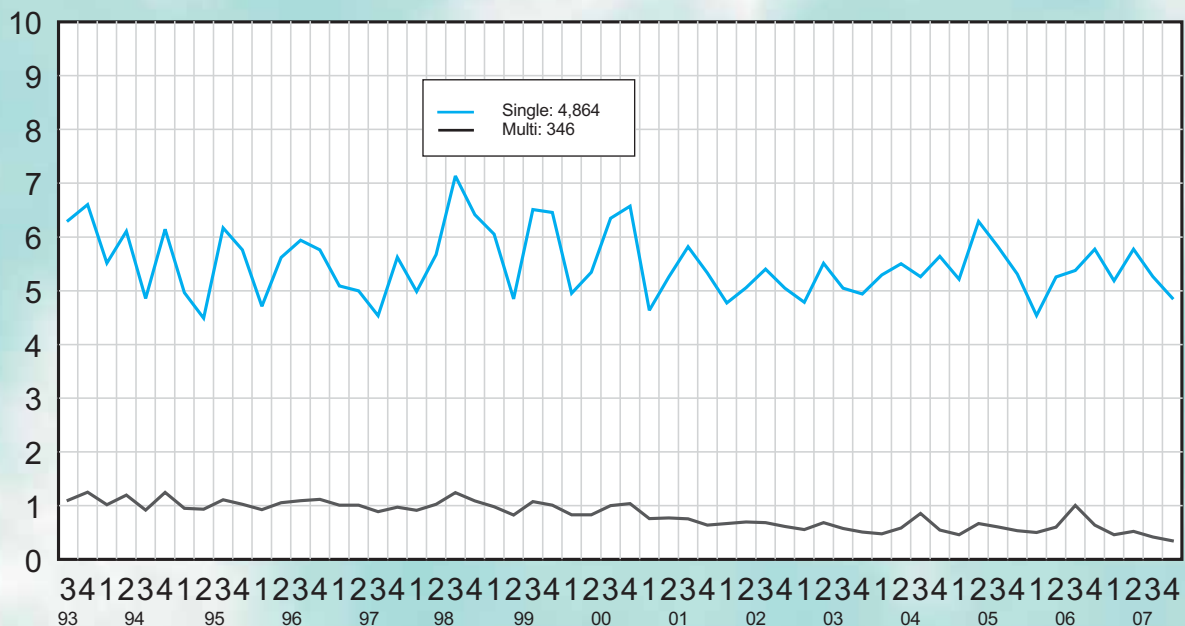
EXPORTS



Export Data. These numbers include both airplanes and helicopters. The numbers do not include aircraft that have empty weights in excess of 33,069 lbs.

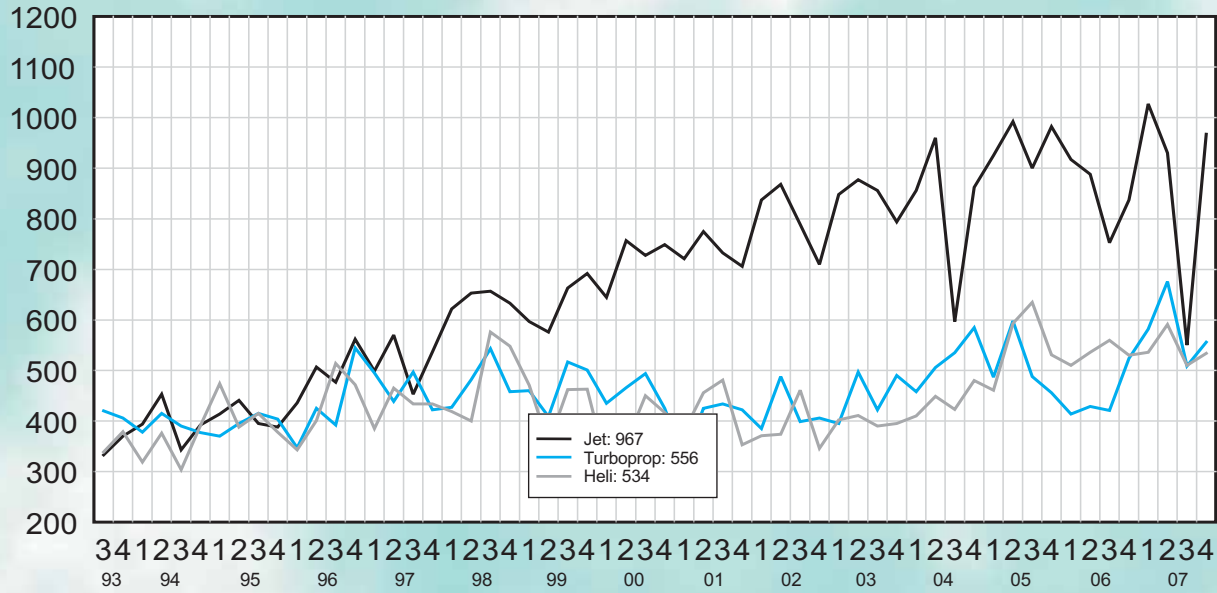
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



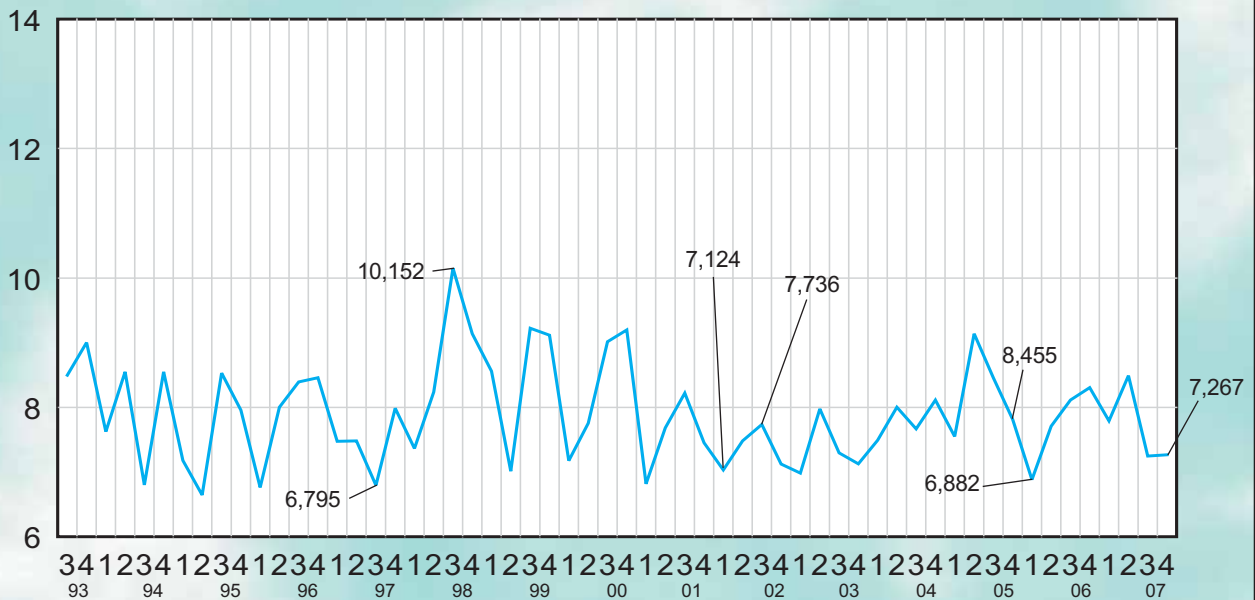
Single/Multi. The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

CHANGE-OF-OWNERSHIP JET • TURBOPROP • HELI



Jet/Turboprop/Heli. The black line in the Jet • Turboprop • Heli chart represents change-of-ownership information for jets. The blue line depicts turboprops, while the gray line represents helicopters.

CHANGE-OF-OWNERSHIP TOTAL MARKET



Total Market. Depicts change-of-ownership data for all aircraft included in the Aircraft Bluebook. The numbers are from the FAA Registry. Gliders, homebuilts, airliners and other aircraft not found in the Bluebook are not included in this study.