

Record Corporate Profits Keep Used Aircraft Market Hot

By Paul Wyatt, Managing Editor, Aircraft Bluebook Price Digest

General aviation hitches its horse to one very important wagon: a wagon filled with corporate profits from companies all over the world. When the coffers are full, businesses turn to aviation to maximize their efficiency further.

Corporate profits impact not only the new and used long-range business jet, but they even affect the newly minted pilot's ability to purchase a used single-engine piston. If corporate America is posting record gains, as it has for the last four years, those profits "trickle down" (remember Ronald Reagan?) to everyone involved in aviation.

And even if corporate profits begin to level out in 2009 (as many predict), an emerging international interest in general aviation (both new and used) will be there to pick up the slack. Of course, this assumes the global economy will continue to flourish in the shadow of war, terrorism and another impending energy crisis.

Jet

Bluebook-at-a-glance

<i>Increased</i>	114
<i>Decreased</i>	293
<i>Stable</i>	358

As has been the case for two straight years, the jet market remains the strongest segment of the industry. Manufacturer backlogs

are still breaking records; the demand for new aircraft combined with newly strong international interest in business aviation has fueled furious competition for late-model jets. However, peddling aircraft more than 10 years old continues to be tough as inventories bulge at the seams.

Again, brokers and dealers report that the market is super-tight for long-range jets, and offers arrive seemingly the minute planes come available. Gulfstream prices continue into the stratosphere with 2005 and 2006 G-550s receiving a \$3 million adjustment. The G-V models were up \$2 million. The G-IVSP market remains hot with prices up \$1 million. Demand for straight G-IVs remained stable, and prices were unchanged.

The prices of the Global Express were also up \$3 million for the 1999 through 2001 models. Challenger 604 prices are stable; however, high inventories of Challenger 601s resulted in a \$300,000 loss for 1A, 3A and 3R derivatives.

Late-model Falcon 2000s were up slightly with the EX option being the most desirable. This was reflected by a \$500,000 rise in value.

For mid-size corporate transportation needs, the Citation Sovereign was up \$500,000. Learjet 40 series have cooled, and prices were down as much as \$200,000 for the 40XR. The Lear 60 also declined with a loss of \$200,000 for late models. Astra 1125s were off the pace and were down \$100,000.

Sabreliners continue to ebb away with 60 and 75A models down \$20,000.

For small jet offerings, all versions of what is now called the Hawker 400XP (once known as the Mitsubishi 300 and the Beechjet 400/400A) remained flat, with only the 2006 model experiencing the average one-year depreciation. The Citation CJ3 led the Citations with a \$400,000 bump for late models. The CJ2+ was right behind with a \$300,000 increase. The Encores and Excels are both active with a \$50,000 and \$100,000 increase respectively.

Falcon 100s fell by \$100,000, and the Lear 35 and 36 models remained firm.

Turboprop

Bluebook-at-a-glance

<i>Increased</i>	202
<i>Decreased</i>	169
<i>Stable</i>	231

The turboprop market continues to mirror the jet market. It's a simple equation: When the economy percolates, flight departments upgrade their equipment. However, the same dynamic between new and old is just as pronounced in this market; planes younger than 10 years old often sell quickly while the older aluminum sits forlornly in the back of the hangar.

Single turboprops continue to sell well, and prices have climbed. The venerable Cessna Caravan, Grand Caravan and Cargomaster were up \$25,000 for early models and as much as \$50,000 for new versions. Piper Meridians are on the move and experienced a \$50,000 boost as well. Pilatus PC-12 prices have stabilized, but the model is still in great demand. The Socata TBM was the only turboprop single to slip and declined \$50,000 for several year-models.

On the eve of the great VLJ revolution, used turboprop twins (whose prices were expected to crash as a result) continue to be strong. The Cessna Conquest I and II have bounced up \$50,000 and \$100,000 respectively. Mid-eighties versions of the King Air B200 were up \$100,000. The C90B and E-90 King Airs are trading briskly and got a \$50,000 boost for many year-models. The 300 King Air continues to hum along with another \$100,000 increase.

The older turboprops fared less favorably. Nearly every model from Fairchild continues a long, slow descent. Merlin IIs, IIIs and IVs all slipped anywhere from \$10,000 to \$30,000. Mitsubishi MU-2s once again lost \$10,000 across the board.

Multi

Bluebook-at-a-glance

<i>Increased</i>	160
<i>Decreased</i>	385
<i>Stable</i>	99

After briefly stabilizing during the winter months, the piston twin market is again flailing. The soaring price of avgas (what now seems to be an annual rite of summer), is pummeling the planes with two gas hogs mounted on the wings.

There are exceptions to the rule, however, and again age is the main factor when looking at value direction.

Twins that bucked the overall trend included late model Piper Seneca Vs. Late models were up as much as \$20,000. Decent Piper Chieftains are still sought after and remain in the \$200,000 to \$300,000 range. Many year-models moved up as much as \$10,000.

The appreciation winner in this market segment was the Aerostar 601P. Several strong sales resulted in a 20 percent increase for mid-1970s models.

More than 385 model years of piston twins fell in value. Leading the pack was the Baron 58P, which took a \$20,000 hit. Fuel burn, maintenance issues and sky-high insurance premiums continue to dog this former standout.

The Cessna 414A offerings are peppered with very tired aircraft, and prices fell \$20,000 for the last ones produced in 1984 and '85.

Piper Seminoles round out the batch of descending twins. Even late models were down \$20,000.

Single

Bluebook-at-a-glance

<i>Increased</i>	482
<i>Decreased</i>	1401
<i>Stable</i>	478

Helicopter

Bluebook-at-a-glance

<i>Increased</i>	131
<i>Decreased</i>	261
<i>Stable</i>	525

As we moved into the prime spring selling season for piston singles, many dealers and owners came to grips with reality: This market segment has adjusted substantially downward. More than 1400 year-models in the Bluebook lost ground — the most ever in a single quarter.

Many believe this market has seen a correction that most likely will never reverse. As we've said before, no one is looking for a "project." Singles in excellent condition with updated avionics still sell relatively quickly, but a plane with a high-time engine and original gauges seems to have no market whatsoever.

Conventional economic wisdom dictates that when prices fall low enough, buyers should emerge with the desire and resources to buy a diamond in the rough that can be resuscitated back to a shiny new life. Evidently these individuals have become hypnotized as they stare into the glass cockpits of several new piston singles.

One New Jersey dealer summed it up this way: "These tire kickers out there all want these planes for nothing, and then they expect perfection at the pre-buy."

The ubiquitous Cessna Skyhawk has always been a mainstay for used aircraft dealers decade after decade, but now bloated inventory is putting downward pressure on prices. Some late model 172s (the ones with the steam gauges) fell as much as 10 percent in the last quarter.

Late model Skylanes are suffering the same fate and were also down a similar amount.

Newer Mooney Ovations slipped \$10,000 or more. Piper Archers from the late 1990s were off substantially and were adjusted down as much as \$12,000. The Arrows of the same age lost as much as \$20,000.

Early Saratogas were down \$4,000, and later models of the Saratoga SP fell as much as \$15,000 for early 1990s offerings.

Planes that experienced a boost in value were few by comparison. The Cessna 180/185 markets remain strong, and prices were up \$5,000 for many iterations. Commander 114Bs saw renewed interest and increased by \$15,000.

The used helicopter market continues to show considerable strength, though the main beneficiaries continue to be the newer models. While the OEMs struggle to meet demand, many "slightly" used ships are actually bringing more than the new MSRP.

While everyone else bemoans the recent rise of prices at the pump, the helicopter industry (both new and used) is reaping the rewards of renewed oil exploration, particularly in the Gulf of Mexico.

In addition, the law enforcement and EMS market segments are "trading up" in record numbers. Again, the backlogs of new helicopters are forcing several public municipalities to enter the used market for the first time.

The models that experienced increases included the Eurocopter AS 350B series, which experienced a \$100,000 increase for all models. The Agusta A109C was up a strong \$100,000 as well. The Bell 206 L-4 moved up \$50,000, and the Bell 222 was also up \$100,000 for mid-1980s models.

The Sikorsky S-76 also received a bump of \$100,000.

On the down side, trading of Eurocopter SA 315s has slowed, and prices received a \$50,000 adjustment. Bell 206Bs fell \$20,000. Robinson R44s were off slightly and were down \$10,000 throughout the production cycle.

A note about our Marketline graphs

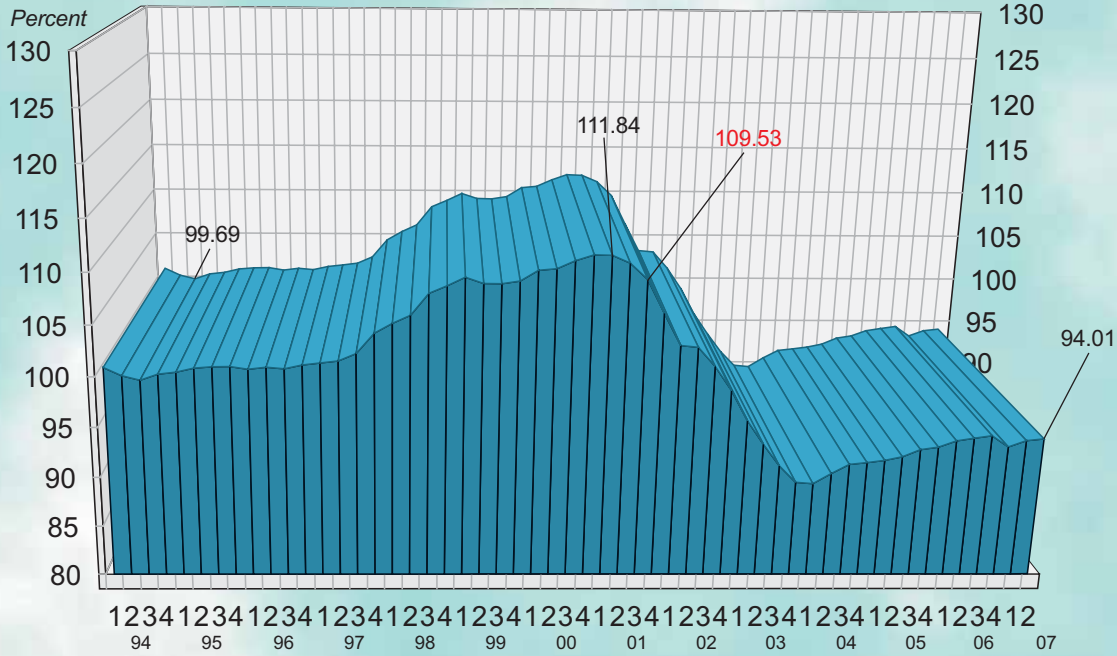
Since 1989, the Aircraft Bluebook Marketline has included graphs that depict price trends for each individual market segment (jet, turboprop, multi, single and helicopter). The individual market data is then combined for a graph titled "Used Aircraft Market."

The sample aircraft used were all 1980 models, which have been representative of the "average" age aircraft for sale. For the sake of continuity, these same 1980 aircraft have been used in our graphs continually for 15 years to depict a comprehensive "value over time" look at the used aircraft market.

Starting with the Winter 2004/2005 we fast-forwarded 10 years. The sample aircraft now used in the following graphs are 1990 models (with a few exceptions where we had to go back further and use older year-models of some planes that had ceased production by 1990).

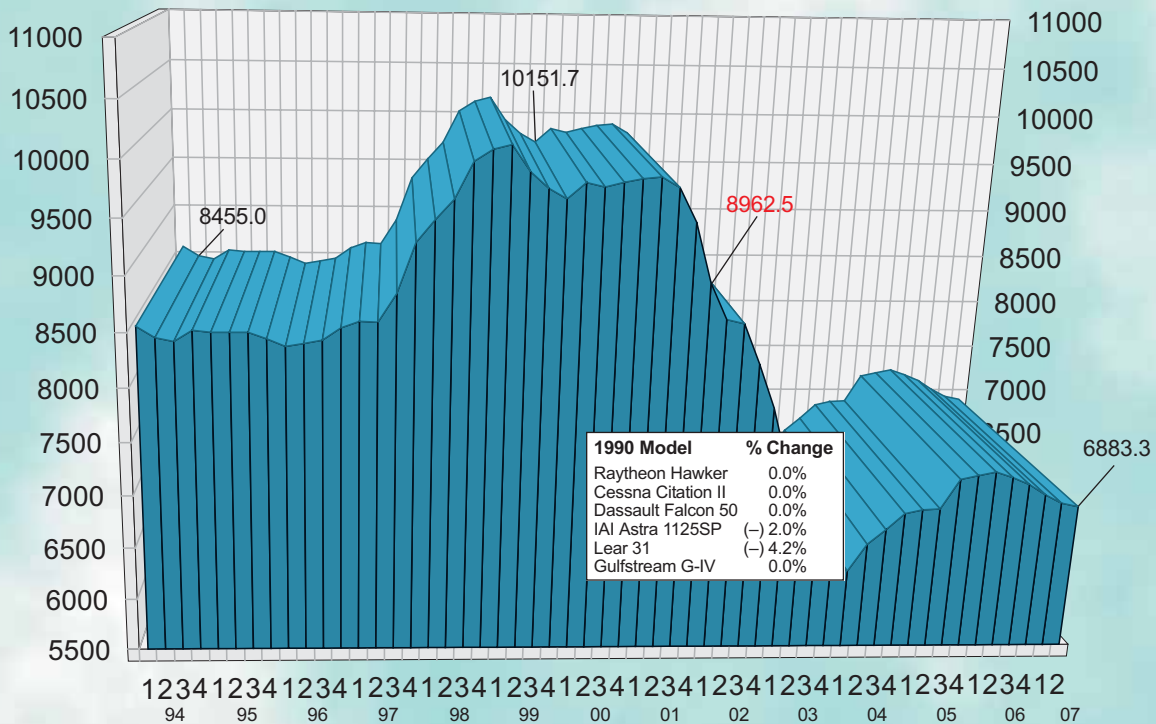
We feel that aircraft of this vintage more accurately portray “average” age aircraft now being bought and sold and that our graphs will now more accurately inform readers about the current health of the used aircraft business.

USED AIRCRAFT MARKET VALUE



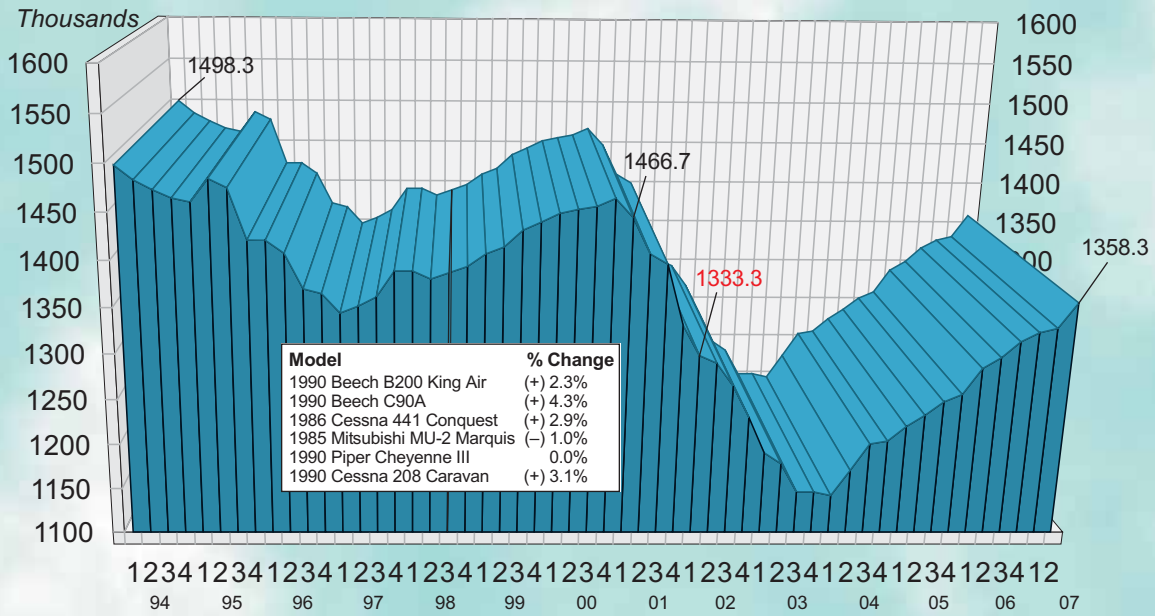
Used Aircraft Market. This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates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

JET



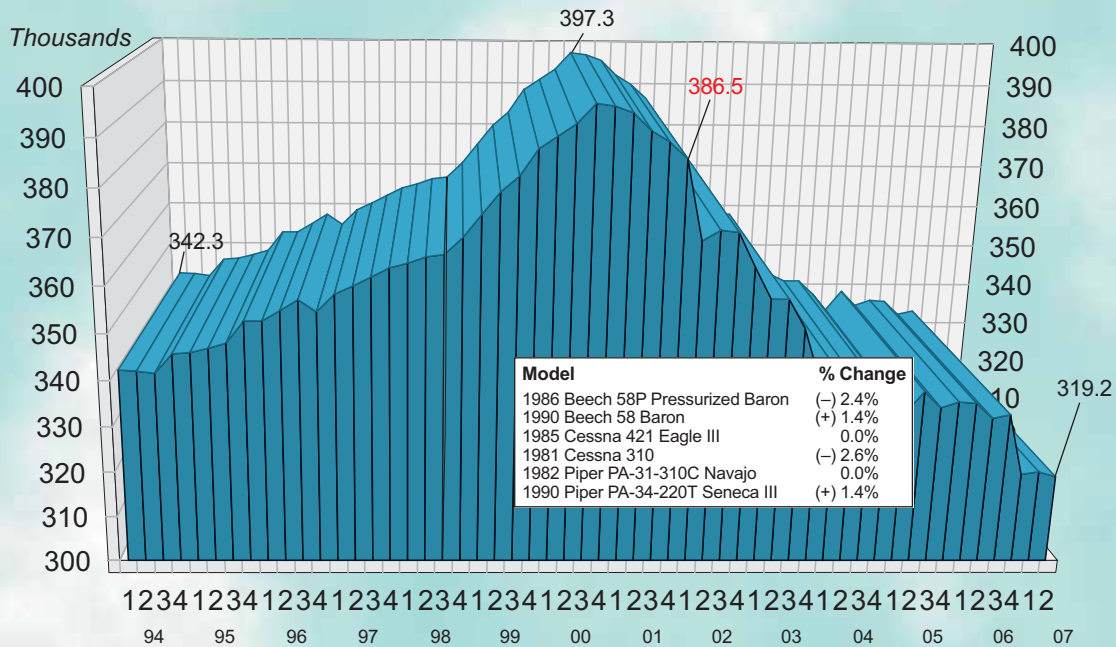
Jet. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.

TURBOPROP



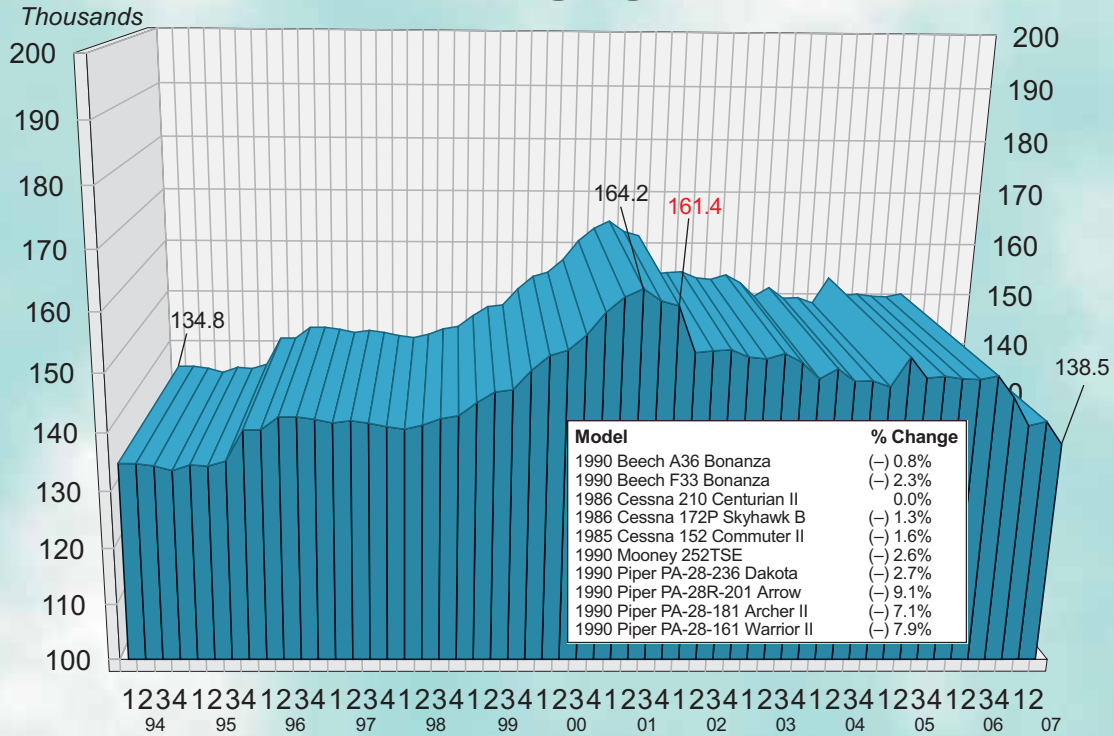
Turboprop. The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.

MULTI



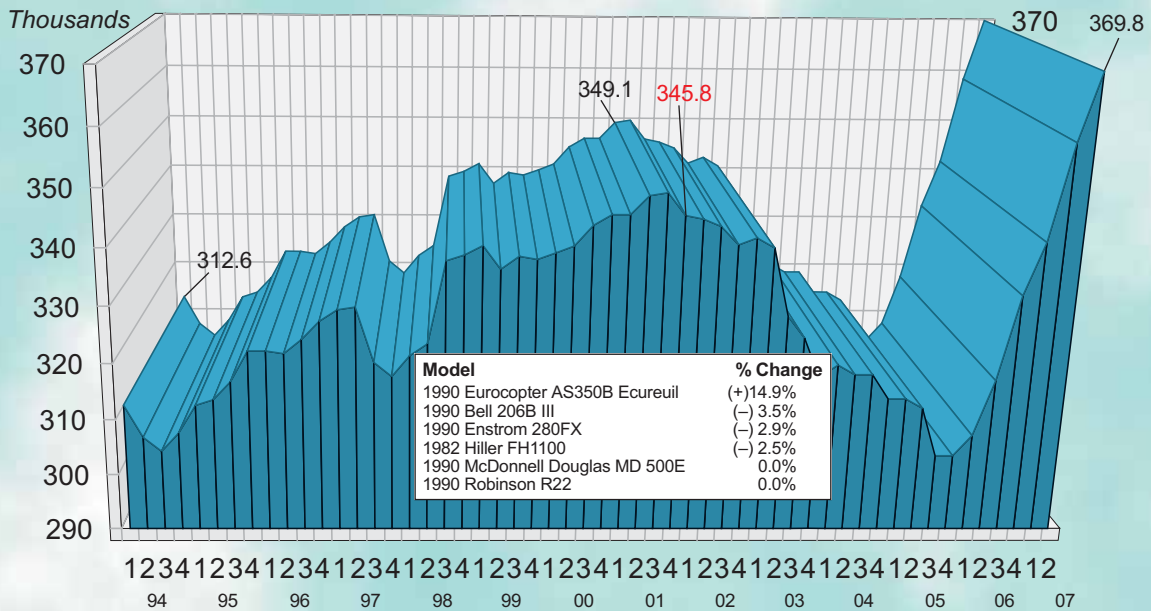
Multi. The multi chart depicts the average price (in thousands) of the six multi models listed in the box. Each model's year will precede the name of the aircraft.

PISTON



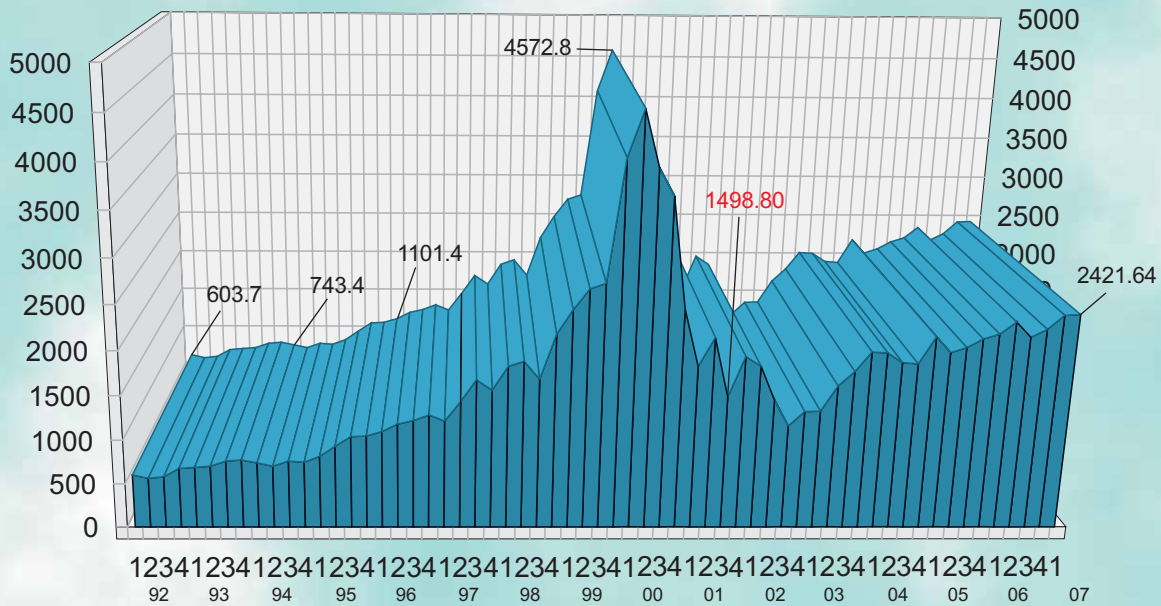
Piston. The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.

HELICOPTER



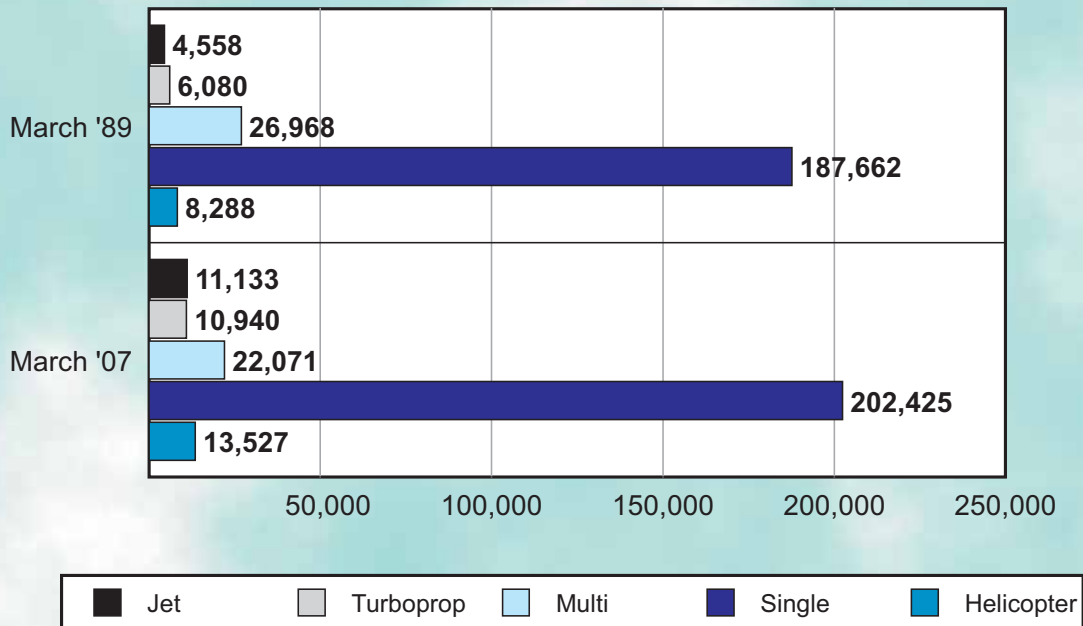
Helicopter. The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.

NASDAQ



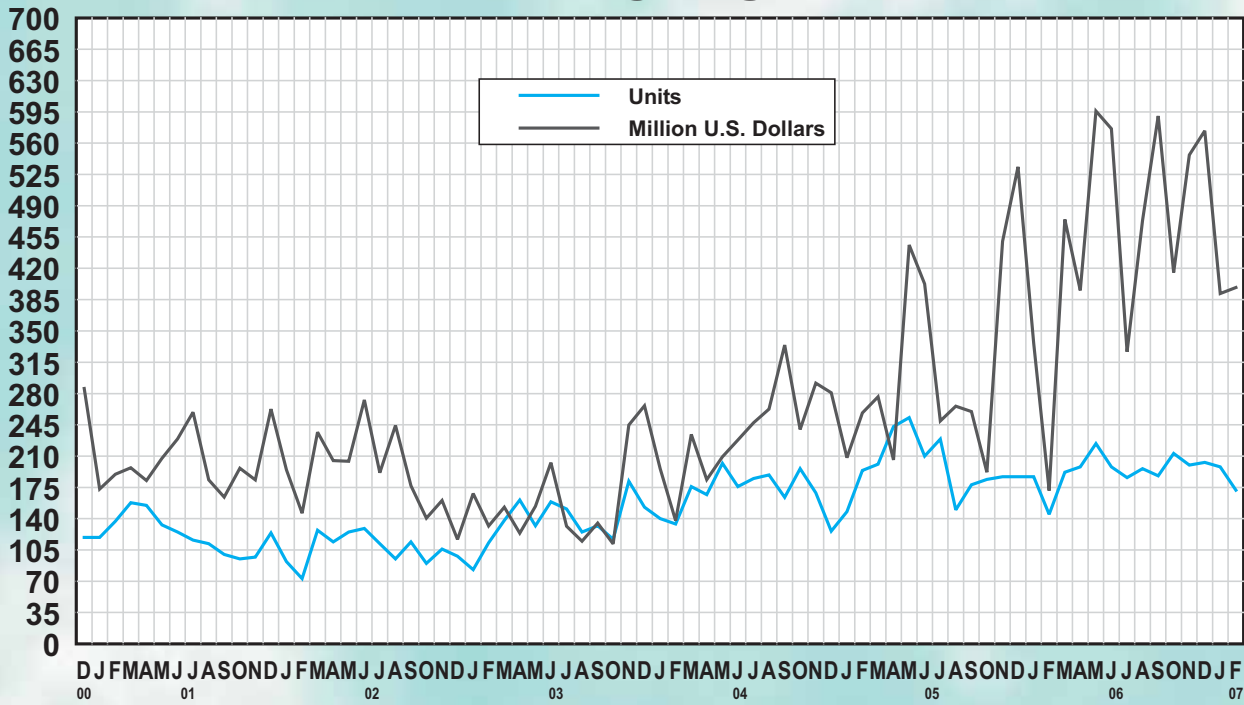
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.

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.

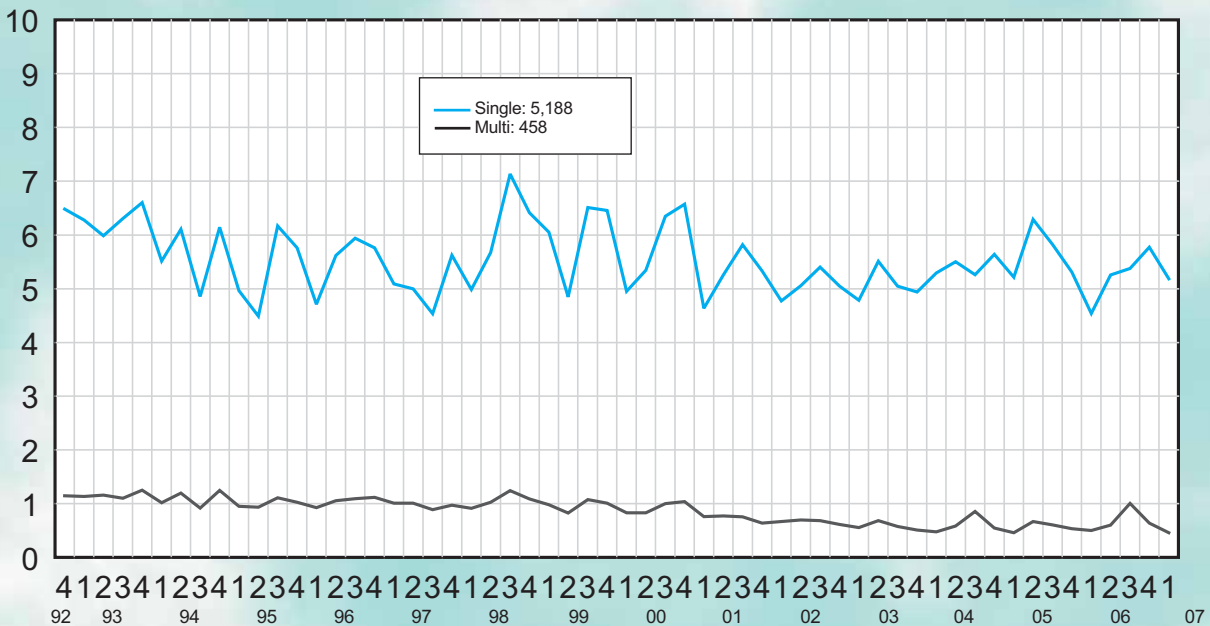
EXPORTS



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.

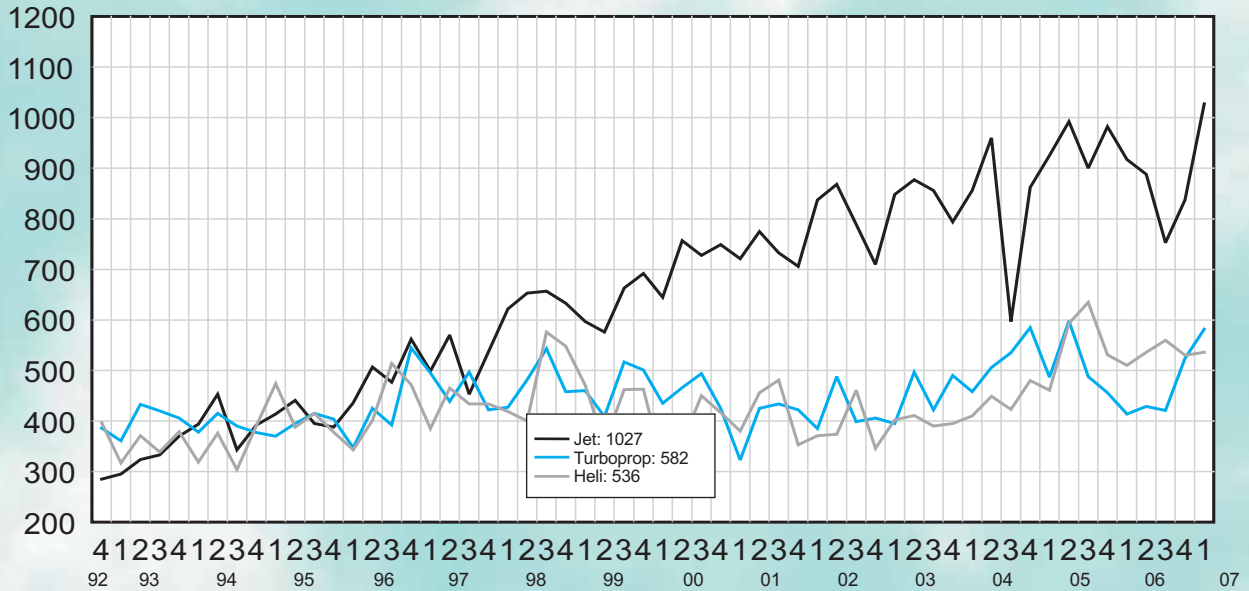
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



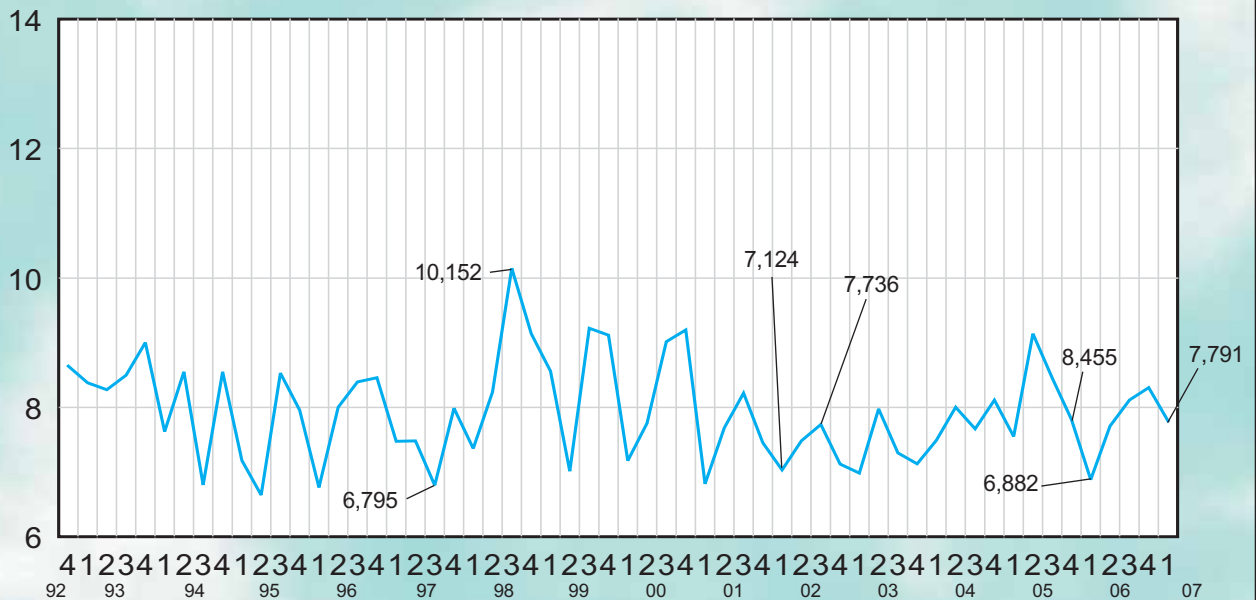
Single/Multi. The blue line in the Single•Multi chart depicts change-of-ownership data for singles. The black line represents multis.

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.