

MARKETLINE

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NEWSLETTER

Late Model Aircraft Keep Market Cooking

Dealers report a hot sales summer

*By Paul Wyatt, Managing Editor,
Aircraft Bluebook Price Digest*

Sales have been cooking this summer for the majority of used aircraft dealers, brokers and OEM pre-owned staff. Are they offering “friends and family” discounts to aircraft buyers similar to the programs that saved the auto industry this year? Not exactly. Prices are up substantially for younger airplanes, particularly if the model is still being produced new.

Regardless of oil prices in the stratosphere, the economy keeps improving, and that translates into aircraft purchases for both business and personal use. The U.S. economy grew at 3.4% in the second quarter, the ninth straight quarter exceeding three percent.

Even more significant was an 11% jump in business spending on new equipment during the same quarter. Companies have loosened the purse strings for aircraft purchases and dealers are once again struggling to find inventory to meet the demand.

In addition to the increase in the corporate aviation arena, individual purchasers of aircraft are once again ringing dealer’s phones as personal incomes are up and people continue to take advantage of continually increasing real estate equity. Many singles have come to market after their owners upgraded to the new glass cockpit offerings. Buyers have materialized to absorb these aircraft, which has kept pricing firm.

Some dealers have reported they experienced the traditional summer slowdown, but in all, it is a very good time for the used aircraft business.

However, many are having difficulty selling their older aircraft whether it is a jet, turboprop or piston. And it does not look like that will change in the future. Many of these older planes are making their way overseas to serve out the remainder of their useful lives. The dollar amount of exported used general aviation aircraft broke an all-time record during the three-month period starting March 1. More than \$445 million came to dealers and owners in the U.S. in exchange for used airplanes. The adage that any age aircraft can be economically “spruced up” and still provide service to someone somewhere still rings true.

Jet

Bluebook-at-a-glance

<i>Increased</i>	251
<i>Decreased</i>	129
<i>Stable</i>	335

Many times we hear from dealers that late-model jets need to be “flyaways” to sell quickly for top dollar. This means they need to have absolutely no maintenance issues and must look like new. Buyers of these aircraft have often been to the overloaded manufacturers and told there would be a long wait for delivery. Then they look at the used alternative and want to make sure the expe-

rience is as close as possible to picking up a new one at the factory.

Deliveries of new jets were up significantly in the first half of 2005 with 325 aircraft delivered, a 36.6% increase over 2004 and next year is gearing up to be even better. The new manufacturers are increasing production capacity but are failing to keep up with demand; in some cases their backlogs are reaching deep into 2007.

Buyers have been going to "the next best thing" and have been snatching up late model (one to eight years old) jets at a frazzled pace and their resulting scarcity has forced buyers to look farther down the age scale. There is a limit to this chain reaction, and jets 15 years and older are not benefiting from at all from the activity (with a few exceptions like the Lear 35s).

According to Amstat, a whopping 910 jets traded hands in the first two quarters, a 9% increase over the first half of 2004 and a 41% increase over 2001, general aviation's most recent low point. This has resulted in a corresponding dip in available jet inventory, which now stands at 1,692 aircraft for sale, the lowest number on the market since 2000.

The Citation 525 family has been selling briskly on the used market with early Citation jets increasing \$50,000. Early examples of CJ2s were up \$200,000 and some are now bringing more than their average equipped price new from 2001 and 2002. Surprisingly, Lear 35 sales continue to be strong and are bucking the trend with many year models increasing \$50,000.

The big story continues to be the large cabin, long-range business transports. Most examples are experiencing huge increases in value, such as the G-IVSP and the G-V, of which several model years increased \$2,000,000. Again, long backlogs for new aircraft and a dwindling supply of inventory are pushing prices up quickly. The same is true for the Challenger 601-3As and 604s. They were up \$500,000 as were most Falcon 50s and 900s.

Turboprop

Bluebook-at-a-glance

<i>Increased</i>	185
<i>Decreased</i>	49
<i>Stable</i>	335

Turboprops continue to enjoy the recovery with 747 units being sold in the first half of the year. Supply (1,103 currently available for sale) is down to levels not seen since 2000.

The low inventory has moved prices up for almost all newer turboprops, but as in the jet market, the newer the plane the better the price.

Prices for the most common of turboprops, the King Air 90 and 200 series have been flat for the past year; however in the second quarter of 2005 values have taken off. Late models of the C-90B were up as much as \$200,000. Early '90s models of King Air B200s were up \$125,000. The King Air 300 was up \$100,000 as well.

The Piper Cheyenne 400LS models saw increases as much as \$50,000. The Cessna 441 Conquest II edged up \$25,000 and its sibling, the 425 Conquest I also experienced the same increase.

The older Fairchild manufactured turboprops were off the mark with Merlin IIs and IVs again slipping another \$10,000. The King Air B-100s again didn't share the popularity experienced by other King Airs and again went down \$20,000 for several year-models.

Multi

Bluebook-at-a-glance

<i>Increased</i>	19
<i>Decreased</i>	289
<i>Stable</i>	350

Vern Raburn, President of Eclipse aviation, recently commented that while many of the initial sales of his \$1.4 million Eclipse 500 VLJ (very light jet) will be to charter and air taxi companies, there will be a huge market opening up to replace owner-flown piston twin aircraft. A great majority of these aircraft are 30- to 40-years old, and Raybern believes that they are nearing the end of their useful life.

The market tends to agree as maintenance and insurance issues continue to plague many piston-twin models. Starting off with the Beech Baron, the older 58s (both pressurized and non) slipped \$5,000. Early '70s models of the 55 Baron were also off \$5,000.

Cessna 340s and 414s took a minor dip of \$2,000 for most year models, however, the

421 and 421C markets remain active and prices are stable.

Most models of the venerable PA-31 series (Navajos, Chieftains and Mojaves) also remained flat.

Single

Bluebook-at-a-glance

<i>Increased</i>	271
<i>Decreased</i>	113
<i>Stable</i>	1918

Activity in the used single market has been fairly steady during the last five years, so no clear and definable “recovery” has occurred. While 271 year models of single pistons have moved up, the increases have been small.

AG5B Tigers were up \$1,000. Beech Debonairs and their successor, the F33s were up \$2,000 as were most V-tailed Bonanzas. Cessna Cardinals (both fixed and retractable) continue to have a loyal following and their values inched up \$1,000.

Utilitarian Cessnas such as the 185 and the 206/207 continue to move quickly with increases in the \$3,000 neighborhood. Many late '70s and early '80s models of fixed-gear Cessna 182 (both turbocharged and normally aspirated) increased slightly.

Singles on the downside included the Bonanza B36TC (down \$2,000) and late model A36s (down \$10,000). The retractable Cessna 182s slipped \$2,000. The Mooney TLS/Bravo fell \$10,000 for several model years.

By and large, an overwhelming majority (1918 year models) remained flat.

Helicopter

Bluebook-at-a-glance

<i>Increased</i>	76
<i>Decreased</i>	388
<i>Stable</i>	418

The used helicopter market remains stagnant with 388 year-models listed in the Bluebook losing value.

However, a few models experienced increases, such as the Eurocopter BK117 (up as much as \$20,000), the Bell 205 A-1 (up \$20,000), the Bell 206L-4 Long Ranger (also up \$20,000) and the Bell 214B (the largest helicopter value increase of \$50,000).

Late model Eurocopter Twin Stars were down anywhere from \$20,000 to \$30,000. Eurocopter SA 365 Dauphin IIs fell \$40,000. Bell 430s slipped \$50,000. Sikorsky S-76s remain soft and several year models were down \$100,000.

A note about our Marketline graphs.

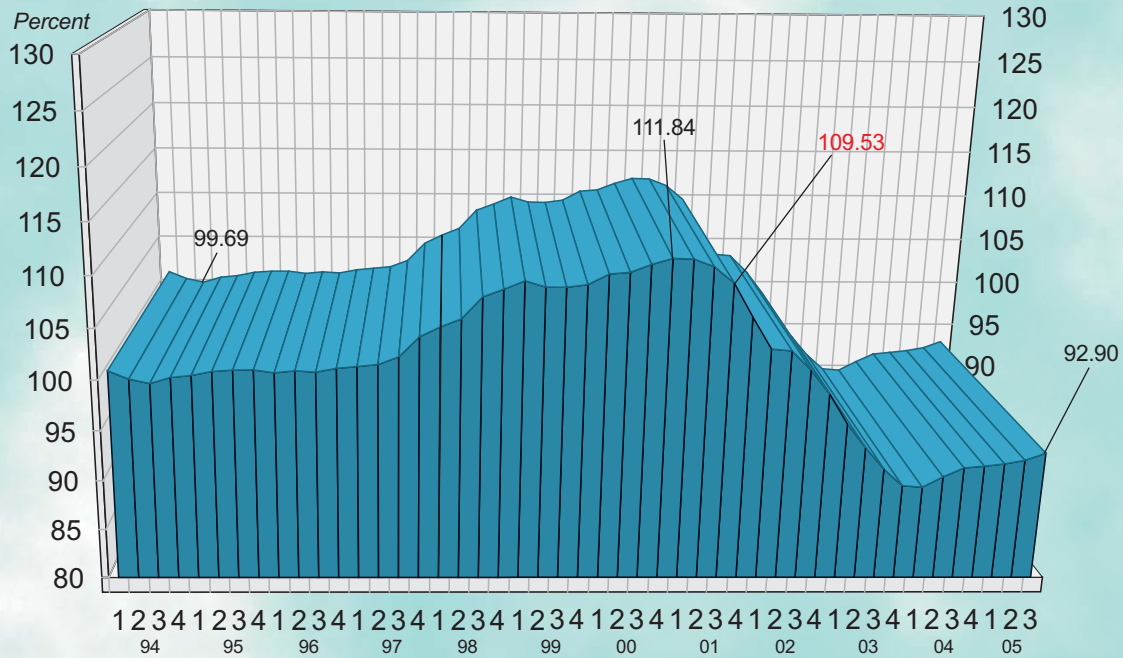
Since 1989, the Aircraft Bluebook Marketline has included graphs that depict price trends for each individual market segment (jet, turboprop, multi, single and helicopter). The individual market data is then combined for a graph titled “Used Aircraft Market.”

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 our Winter 2004/2005 we have 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).

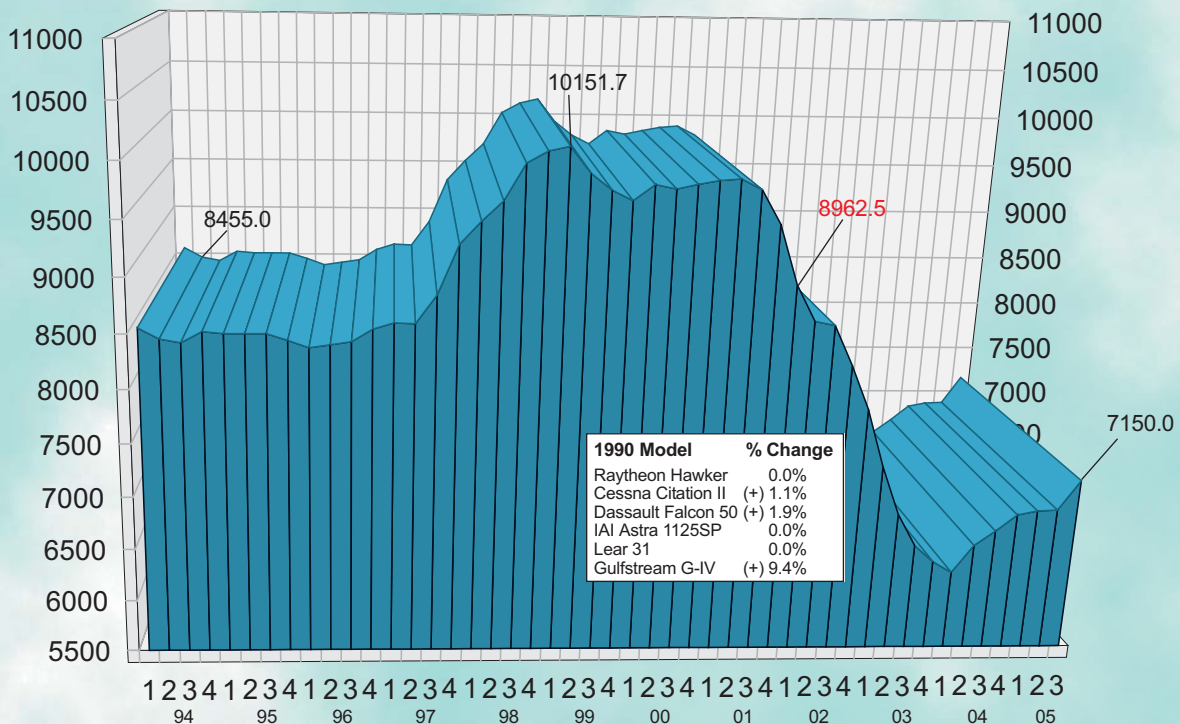
We feel that aircraft of this vintage more accurately portray “average” age aircraft now being bought and sold, and that our graphs will now more accurately inform readers about the current health of the used aircraft business.

USED AIRCRAFT MARKET VALUE



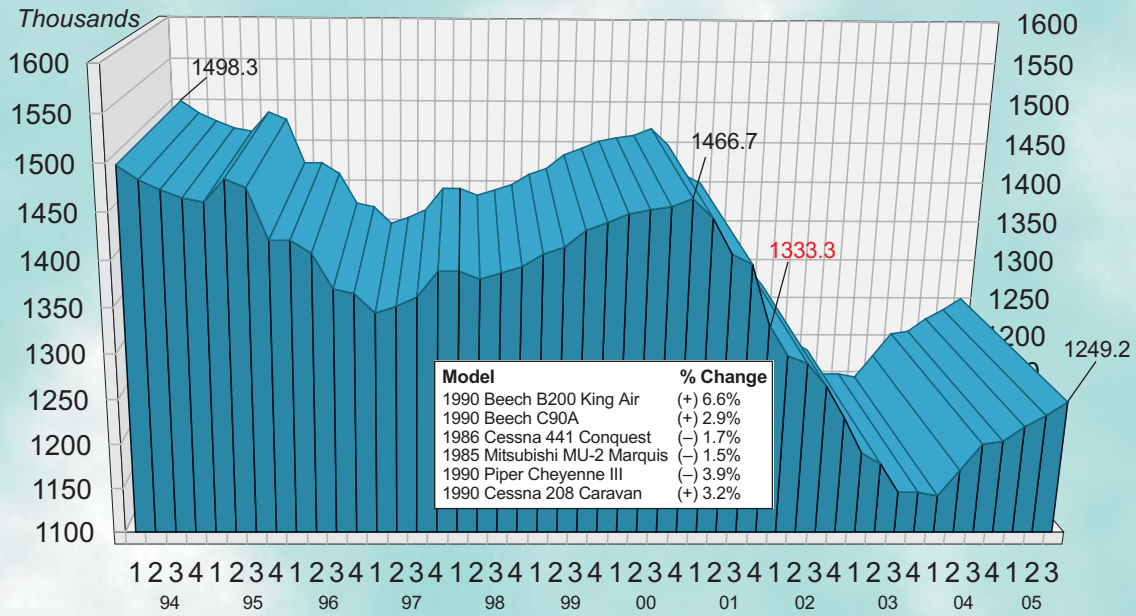
Used Aircraft Market. This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates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

JET



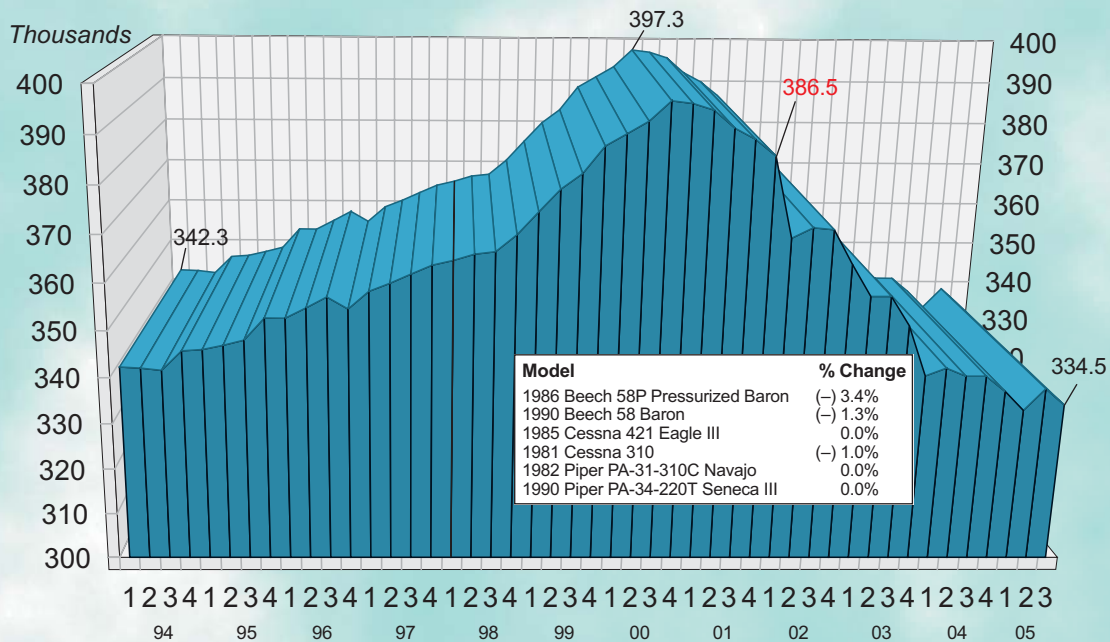
Jet. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.

TURBOPROP

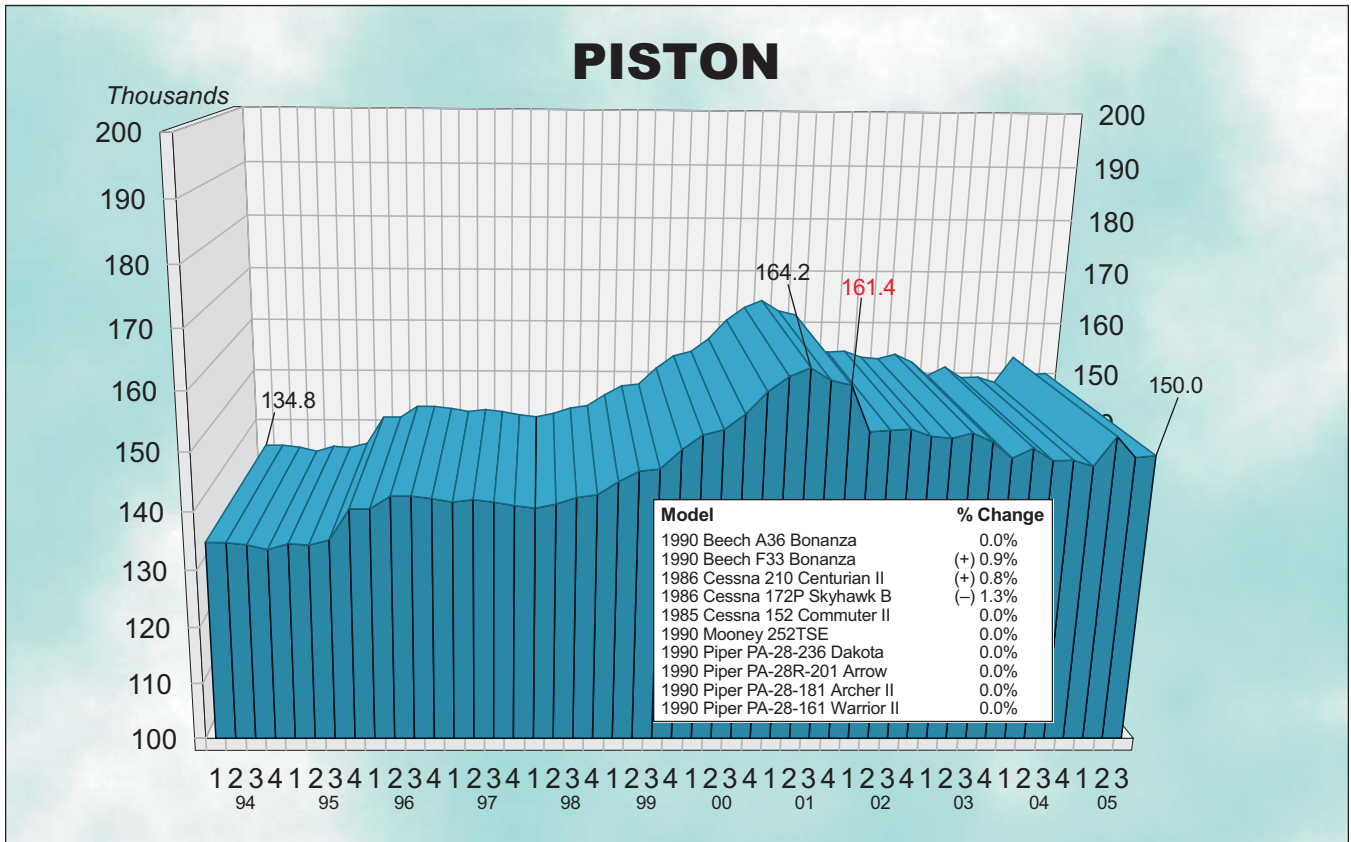


Turboprop. The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.

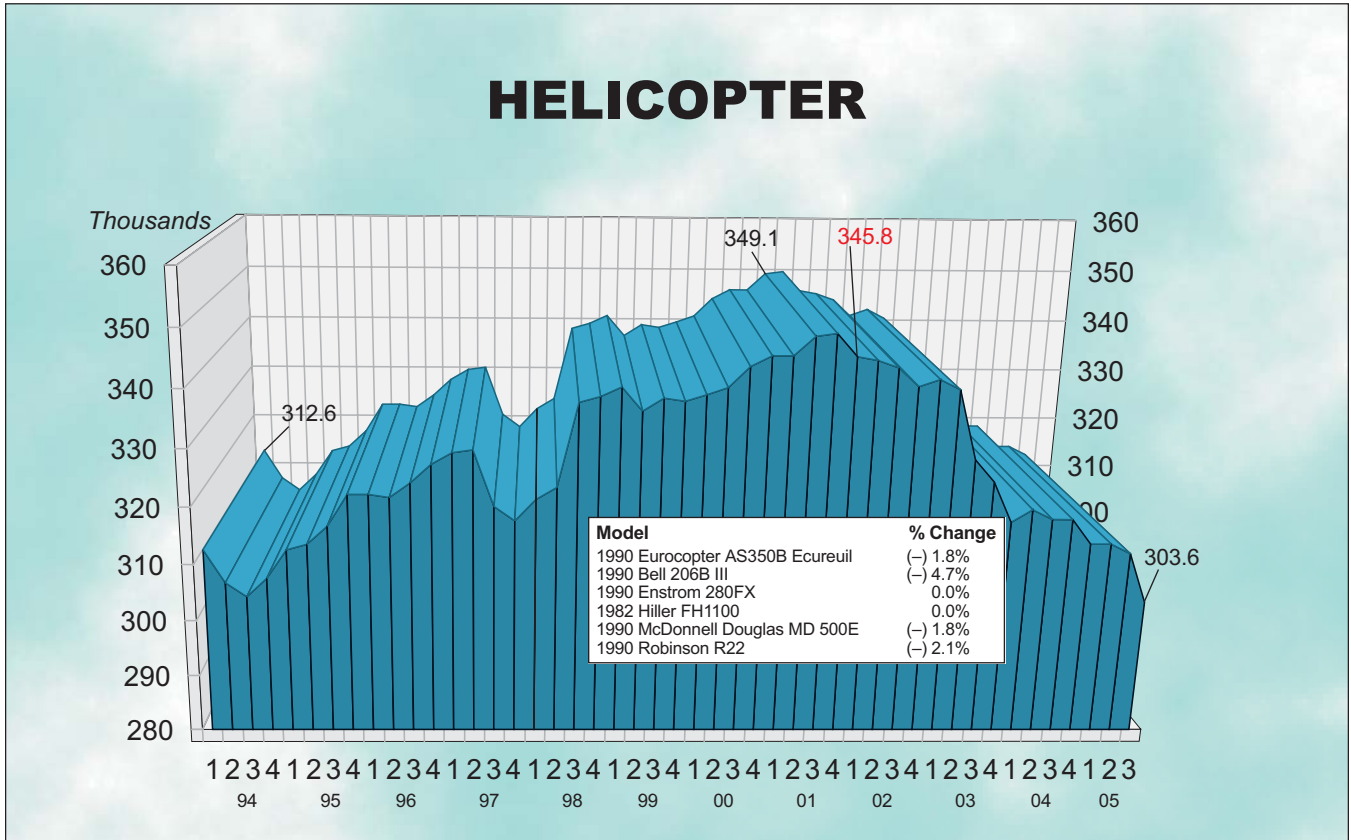
MULTI



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.

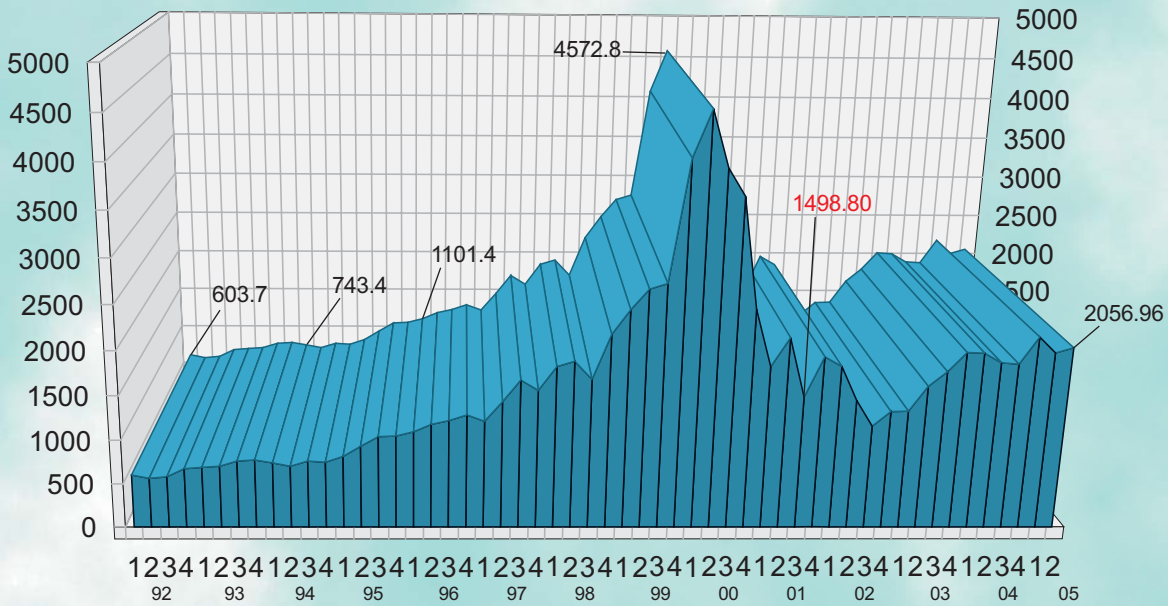


Piston. The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.



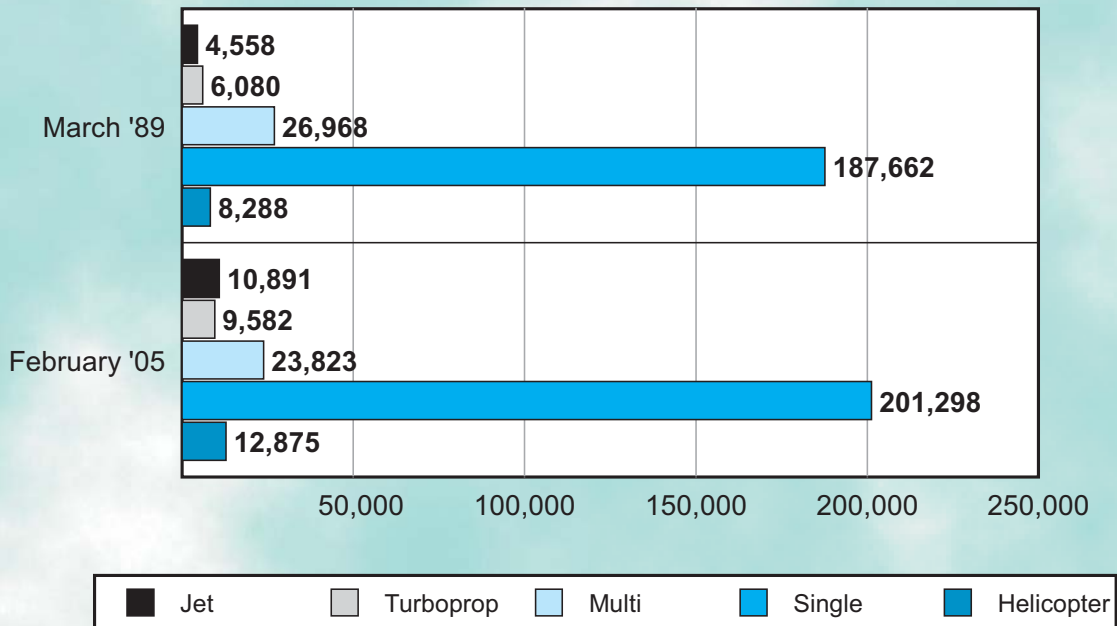
Helicopter. The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.

NASDAQ



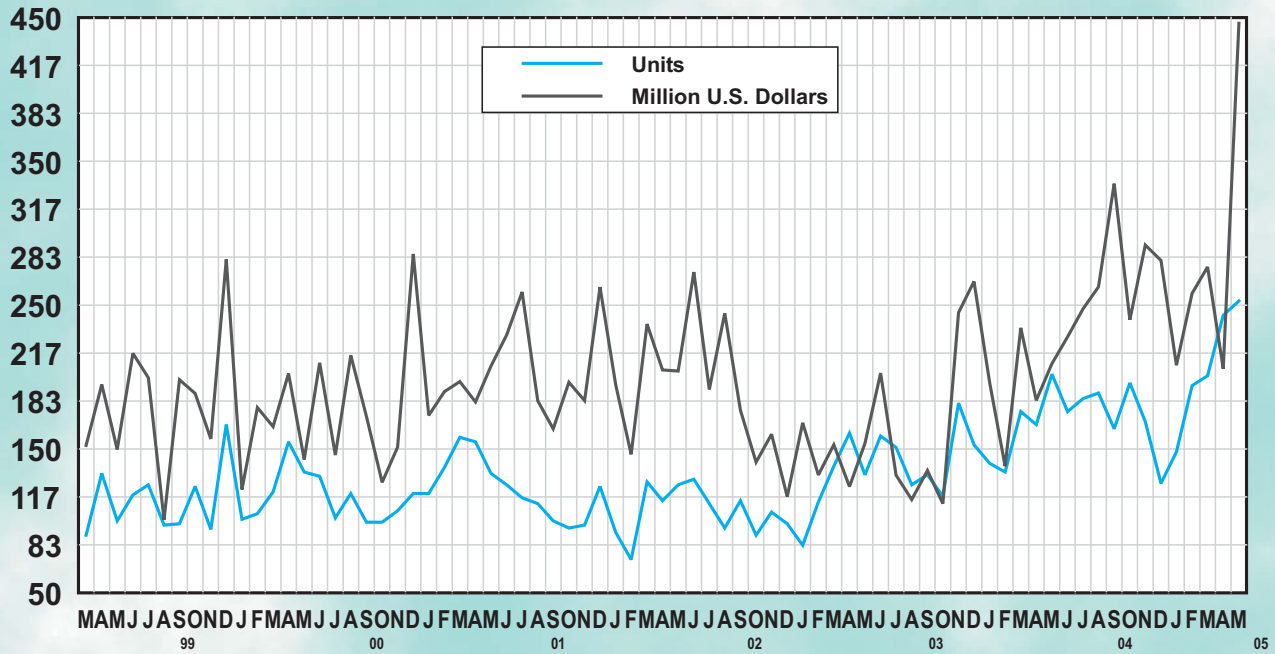
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.

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.

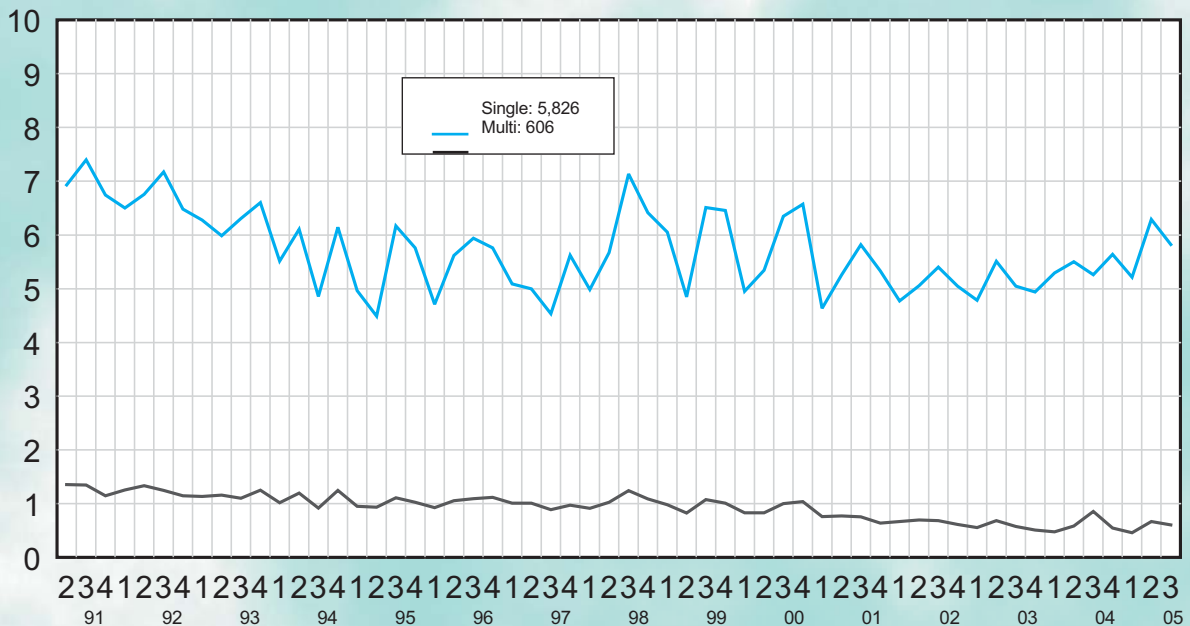
EXPORTS



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.

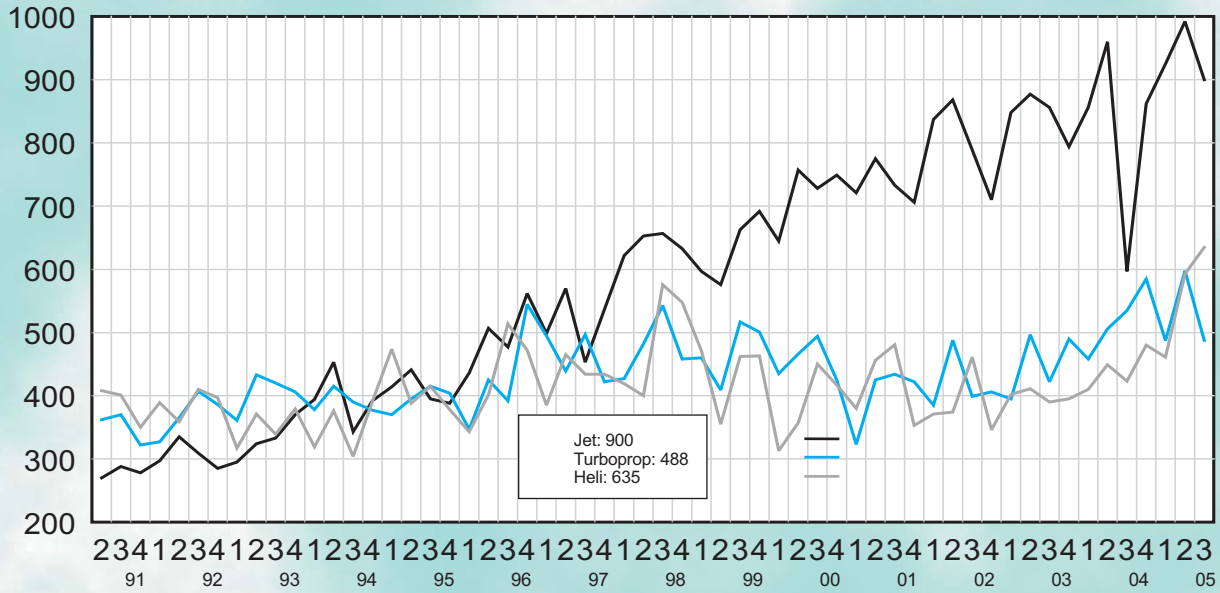
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



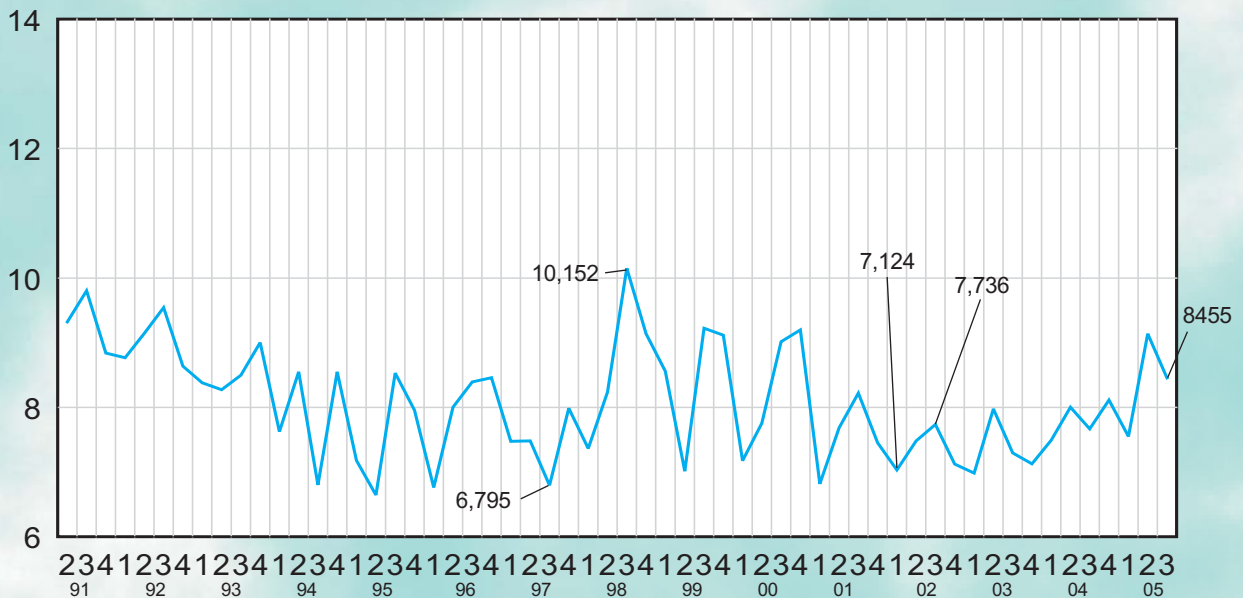
Single/Multi. The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

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.