

MARKETLINE

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NEWSLETTER

Still Cooking

**Market remains hot despite fuel woes
and natural disasters**

*By Paul Wyatt, Managing Editor,
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As we all are aware, the used aircraft market has struggled to recover from the severe downturn that started nearly five years ago. Just as sales and pricing are approaching pre-2001 levels, our nation's economy has been dealt a one-two punch of record fuel prices and two devastating hurricanes. Many predicted this would immediately take the air out of the used aircraft market.

However, demand in most market segments remains high as 2005 wraps up. Dealers reported a slowing of activity immediately after the two devastating hurricanes, but since then planes have been trading hands steadily. While the late model turbine market is undeniably strongest right now, the piston market has perked up as well, and dealers in all segments are unabashedly bullish on 2006.

Confidence in the U.S. economy is high and optimism has been fueling big ticket purchases. In the third quarter, the gross domestic product grew at an annual rate of 3.8 percent, showing that the fears of a hurricane-induced recession have been unfounded. Unemployment has fallen to 5 percent, despite half a million hurricane-related job losses.

General aviation, like the economy, is now on such sound footing that most believe business will remain strong well into next year. The manufacturers of new aircraft are having an impressive year. Through the third

quarter, piston deliveries are up 25 percent over 2004. Turboprops are up 17 percent, and business jets are up an astounding 30 percent. Two-year backlogs are not uncommon and this is putting upward pressure on some used late-model offerings.

However, price increases have been modest across the board, and huge jumps have been reserved for the largest, newest and most expensive aircraft.

Jet

Bluebook-at-a-glance

<i>Increased</i>	194
<i>Decreased</i>	88
<i>Stable</i>	434

Availability of a brand-new product greatly influences the price for a similar used offering, and prospective new owners of jet aircraft are now suffering from "backlog shock" instead of "sticker shock."

Deliveries of new jets were up significantly in the third quarter with 510 aircraft delivered, a 30.4 percent increase over 2004.

The recently released Honeywell "Aviation Outlook" report is predicting deliveries of more than 800 business jets for 2006. That's a lot of planes, but not enough to satisfy demand. Back in 2000, at the last peak, many late model Gulfstream, Falcon and Challenger prices exceeded the factory new prices. Why? Because buyers were not willing to wait years for delivery. Are we seeing a repeat of this phenomenon? Possibly. A few

prices of 2004 model aircraft are nearing the average equipped price of new.

According to Amstat, 1,469 used jets traded hands in the first three quarters of 2005, a 13 percent increase over the first three quarters of 2004 and 75 percent more than 2001 - general aviation's most recent low point. This has resulted in a corresponding dip in available jet inventory, which now stands at 1,655 aircraft for sale, the lowest number on the market since 2000.

Light jets on the way up were many, and included late model Citation CJ1s and CJ2s that experienced a \$100,000 rise in price. Citation IIs were up \$20,000. Early Citation Vs were up \$50,000 while the later version (Encore) was up \$100,000 for several year models. There has been a resurgence in the Beechjet market (up \$50,000).

In the mid-sized jet arena, the Citation III market is perking again and jumped up \$100,000 for a few year models. The Citation VI had the same amount increase.

The Lear 45 and 60 remain in demand and were both up \$100,000.

The large cabin, long-range business transports have been the stars of the show. Falcon 900s and 2000 saw increases as much as \$1,000,000 and \$2,000,000, respectively. The Global Express was up another million and a half while Challenger 601-3As were bumped \$300,000. Gulfstream G-IVs were up as much as \$1,000,000 while the G-V was up another impressive \$2,000,000.

Turboprop

Bluebook-at-a-glance

<i>Increased</i>	85
<i>Decreased</i>	83
<i>Stable</i>	419

According to AMSTAT, during the third quarter of 2005, the supply of available used turboprops currently offered for sale fell to 1,087, the least since 1999. Demand is high and supply is becoming tighter each day.

It is clear that many companies that employ turboprops for business travel are having an excellent year and their flight departments are benefiting.

This has increased or firmed prices for newer turboprops, but the old horses are stumbling.

Actual sales of used turboprops are up 13 percent so far this year and dealers don't expect to slow down as the year draws to a close. However, it is a tale of two markets with the newer examples that still have new counterparts coming off the lines (think B200) and the old players with a litany of aging and maintenance issues (think Merlin).

Cessna Conquest Is got a boost of \$25,000 and Conquest II prices jumped \$50,000. Piper Cheyenne IIs saw a gain of \$10,000.

King Air 90 series keep climbing with E-90 and C90As up \$20,000. The King Air 200s and early B200s were up \$25,000. Late model B200s are still white hot, however, after a jump of \$125,000 in the Fall Bluebook, prices are now extremely firm and no change was noted.

The Pilatus PC-12 continues to be a stand-out used offering and was up \$50,000.

On the down side, the Merlin IV continues its \$10,000 fall per quarter. The Mitsubishi MU-2s uncertain future caused a further decline of \$10,000.

Multi

Bluebook-at-a-glance

<i>Increased</i>	23
<i>Decreased</i>	61
<i>Stable</i>	574

In spite of a majority of prices remaining flat in the third quarter, the piston twin market can't seem to catch a break.

Some dealer comments:

"Market glutted. Owner's get notices of insurance premium increases and put their planes on the market the same day."

"The days of the gas suckers are over."

"Just sold one \$50,000 under the appraisal from nine months ago!"

However, some dealers report pockets of success, "Trailing link 421Cs are selling as fast as I can find them."

That news is reflected in the adjustment for the 421C that saw an increase of \$5,000. Several versions of the venerable Piper PA-31 saw modest gains; almost all Chieftains and Navajos inched up slightly (\$2,000 to \$4,000).

Models that slipped included the Aerostar 601A (down \$3,000), the Cessna 340 (also

down \$3,000) and the Piper Seneca IV (off \$2,000).

Single

Bluebook-at-a-glance

<i>Increased</i>	141
<i>Decreased</i>	254
<i>Stable</i>	1929

According to one dealer, “a new era in flight training” is influencing the piston single market. Students want to learn on the latest avionics, so even flight schools with 3 year-old aircraft are clamoring to get the brand-new offerings from the manufacturers.

Many of these “students” have the economic ability to immediately purchase a plane before their newly printed license arrives. As they make this transition from training to purchasing their own aircraft, be assured they won’t want a panel full of round dials; any used late model single with a Garmin or Avidyne integrated system is snatched up immediately.

As far as piston singles go, dealers report that ready-to-go turnkey aircraft are selling well. Overhaul, avionics and paint shops find themselves doing many jobs for dealers who want “no excuses” planes to sell.

Beech Debonairs continue to climb and were up \$2,000. Cessna 210s saw a modest increase of \$1,000. Piper Dakotas were up as much as \$4,000 for some 1980 models.

Dealers report that high-end, high performance singles have been soft of late. The A36 Bonanzas fell as much as \$5,000. Climbing insurance costs are the most likely culprit. The retractable Cessna 182s slipped \$4,000. The Malibu Mirage fell \$5,000.

In the piston single market, “stability” continues to be the word of the day with 83 percent of the planes listed seeing no adjustment up or down.

Helicopter

Bluebook-at-a-glance

<i>Increased</i>	123
<i>Decreased</i>	244
<i>Stable</i>	515

Helicopter dealers are still waiting for the sustained recovery that they are seeing over

on the fixed wing side, but prices remain soft for most models. However, newer airframes are much more likely to see appreciation than helicopters in the 10-year plus crowd.

Models of note experiencing increases include the Eurocopter AS350D (up as much as \$20,000), the Bell 205 A-1 (up \$50,000 for 1970’s models), the Bell 206L-3 (up \$20,000) and the Bell 212 (an increase of \$30,000 across the board). Also on the upswing, the Bell 412s saw increases ranging from \$20,000 to \$50,000.

The Eurocopter Twin Stars were again down anywhere from \$30,000 to \$50,000. Eurocopter SA 365N Dauphin IIs slipped again and were down \$40,000.

Bell 214STs slipped \$50,000 and the Bell 430 fell as much as \$100,000 for late model ships. Robinson R44s were off \$10,000 for models built after 1994.

The same story continues for the Sikorsky S-76s. They remain soft and several year models were again down \$100,000.

A note about our Marketline graphs

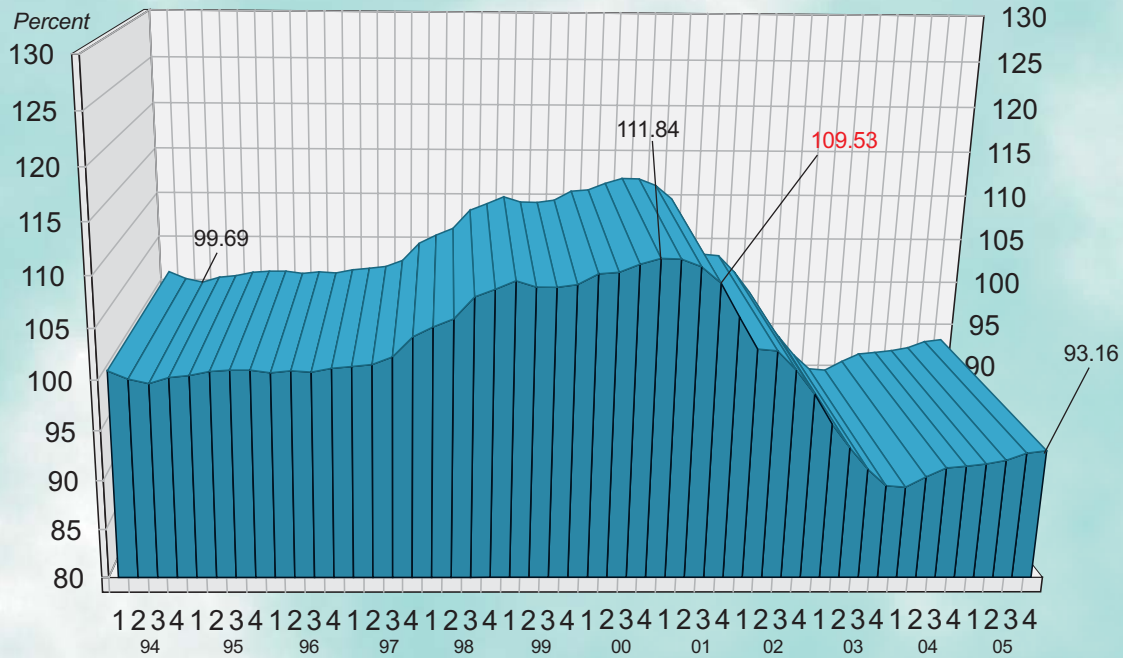
Since 1989, the Aircraft Bluebook Marketline has included graphs that depict price trends for each individual market segment (jet, turboprop, multi, single and helicopter). The individual market data is then combined for a graph titled “Used Aircraft Market.”

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 back 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).

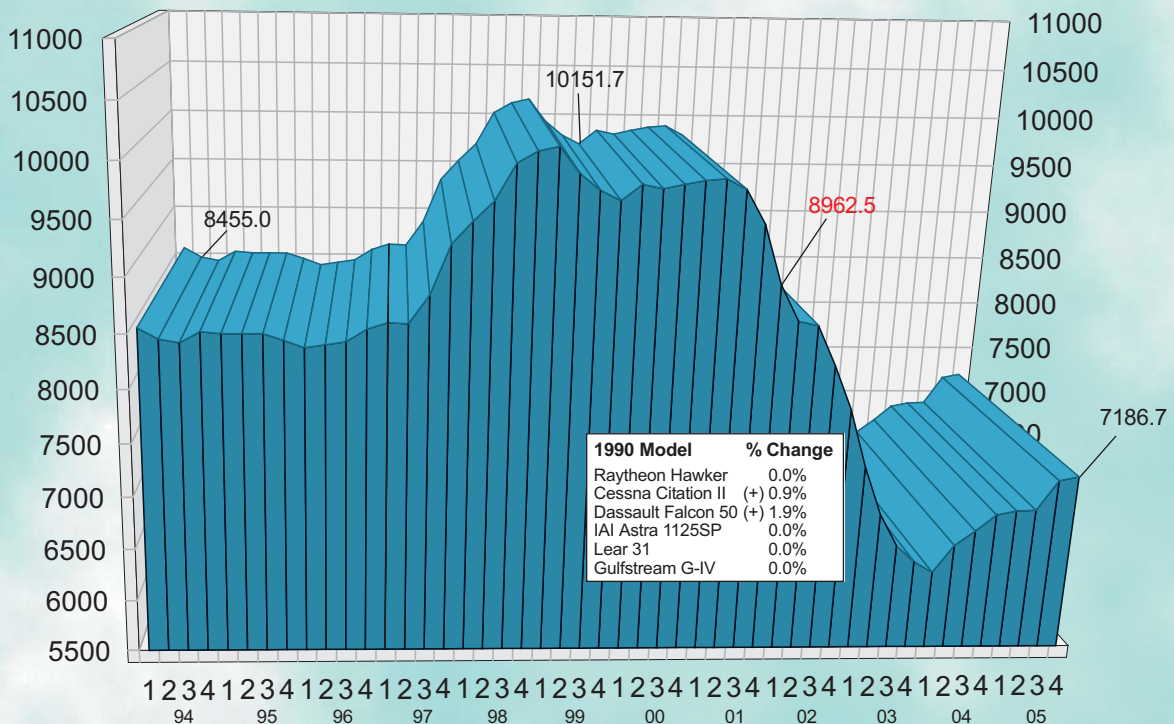
We feel that aircraft of this vintage more accurately portray “average” age aircraft now being bought and sold, and that our graphs will now more accurately inform readers about the current health of the used aircraft business.

USED AIRCRAFT MARKET VALUE



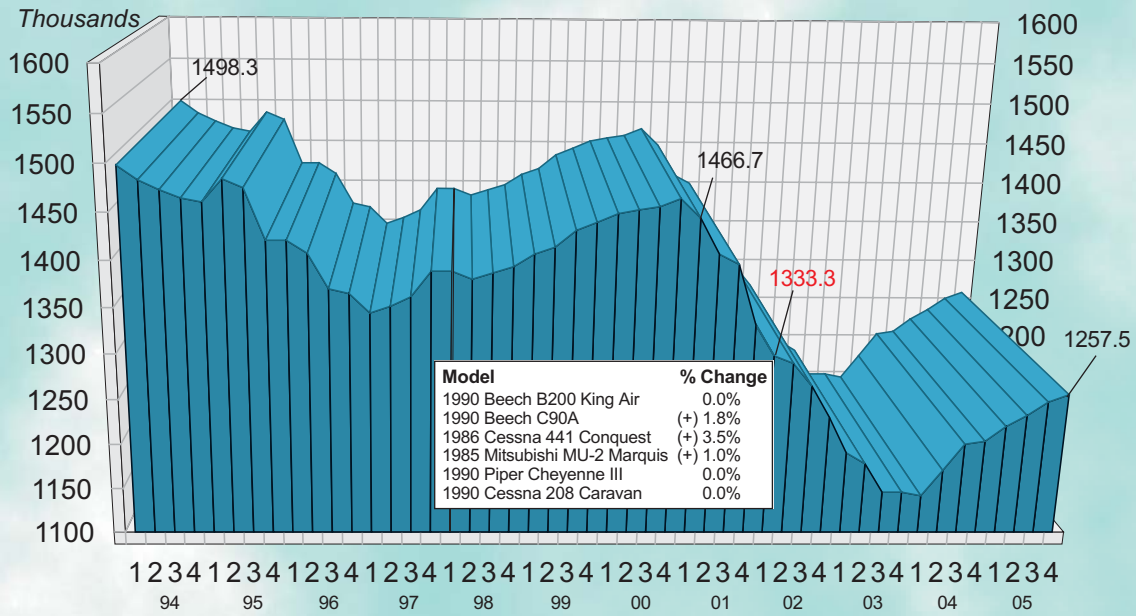
Used Aircraft Market. This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates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

JET



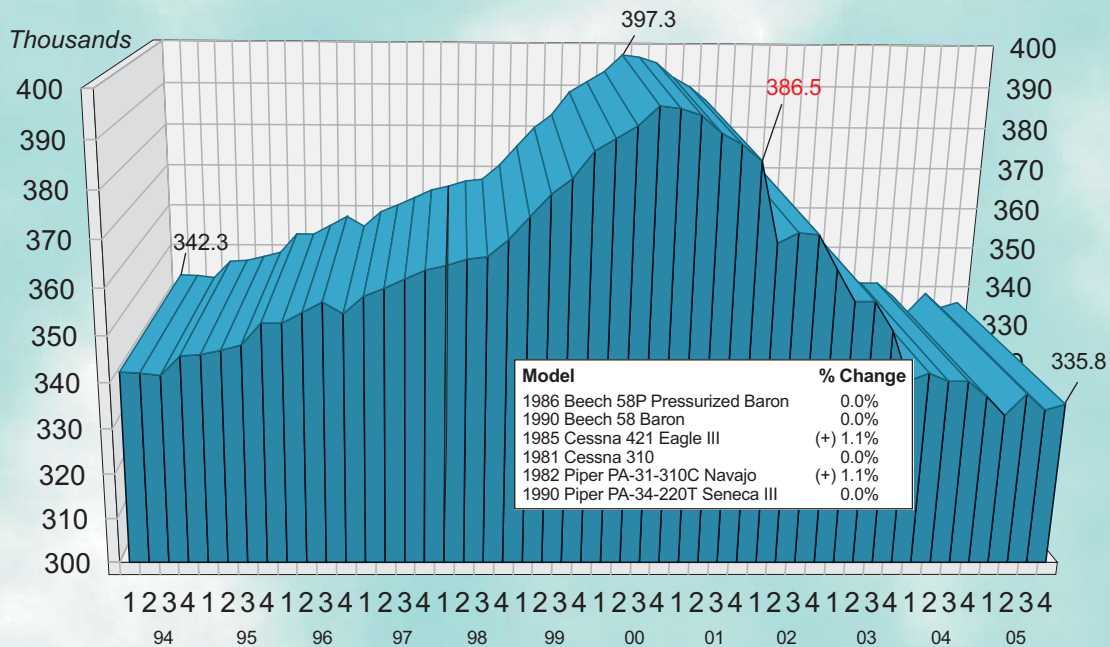
Jet. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.

TURBOPROP

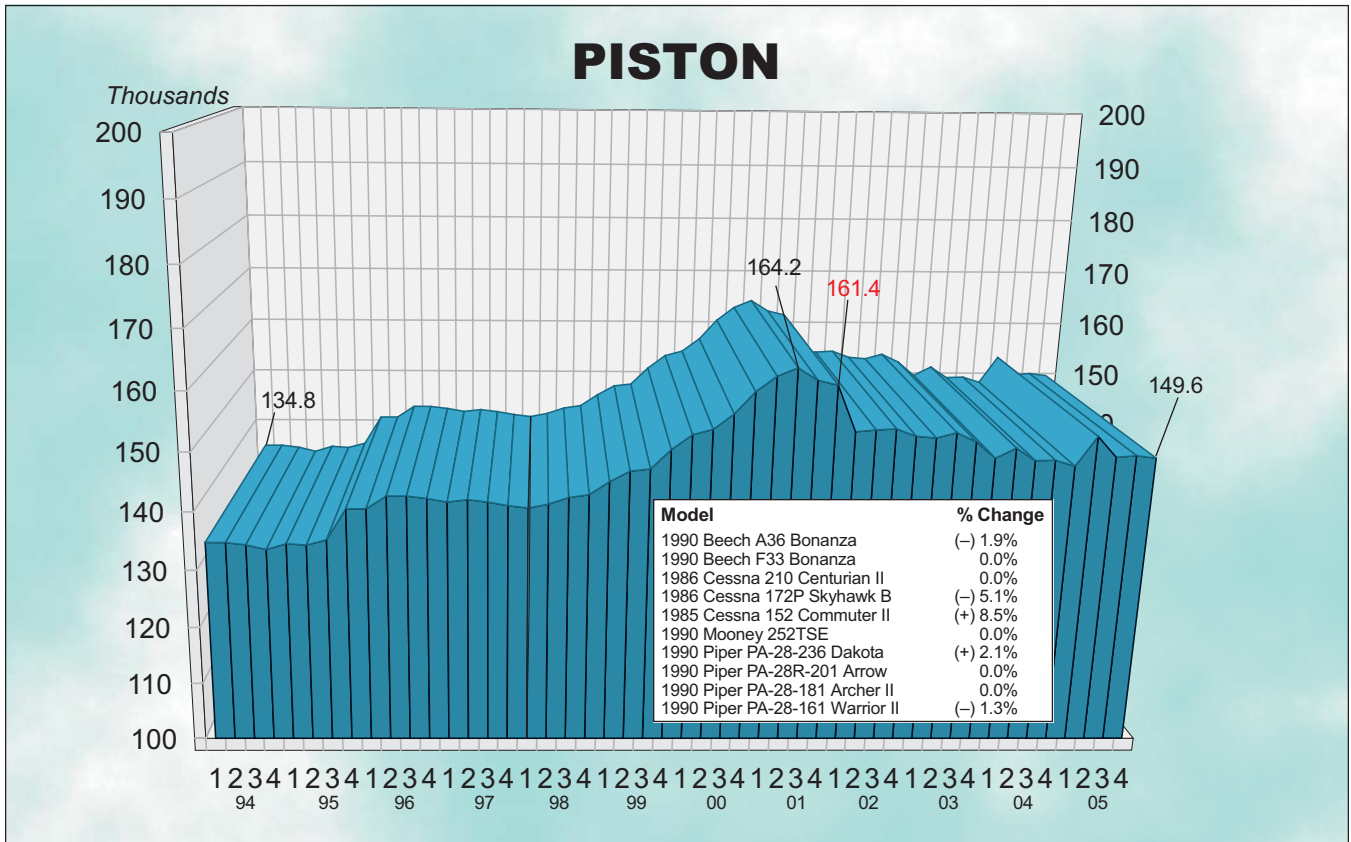


Turboprop. The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.

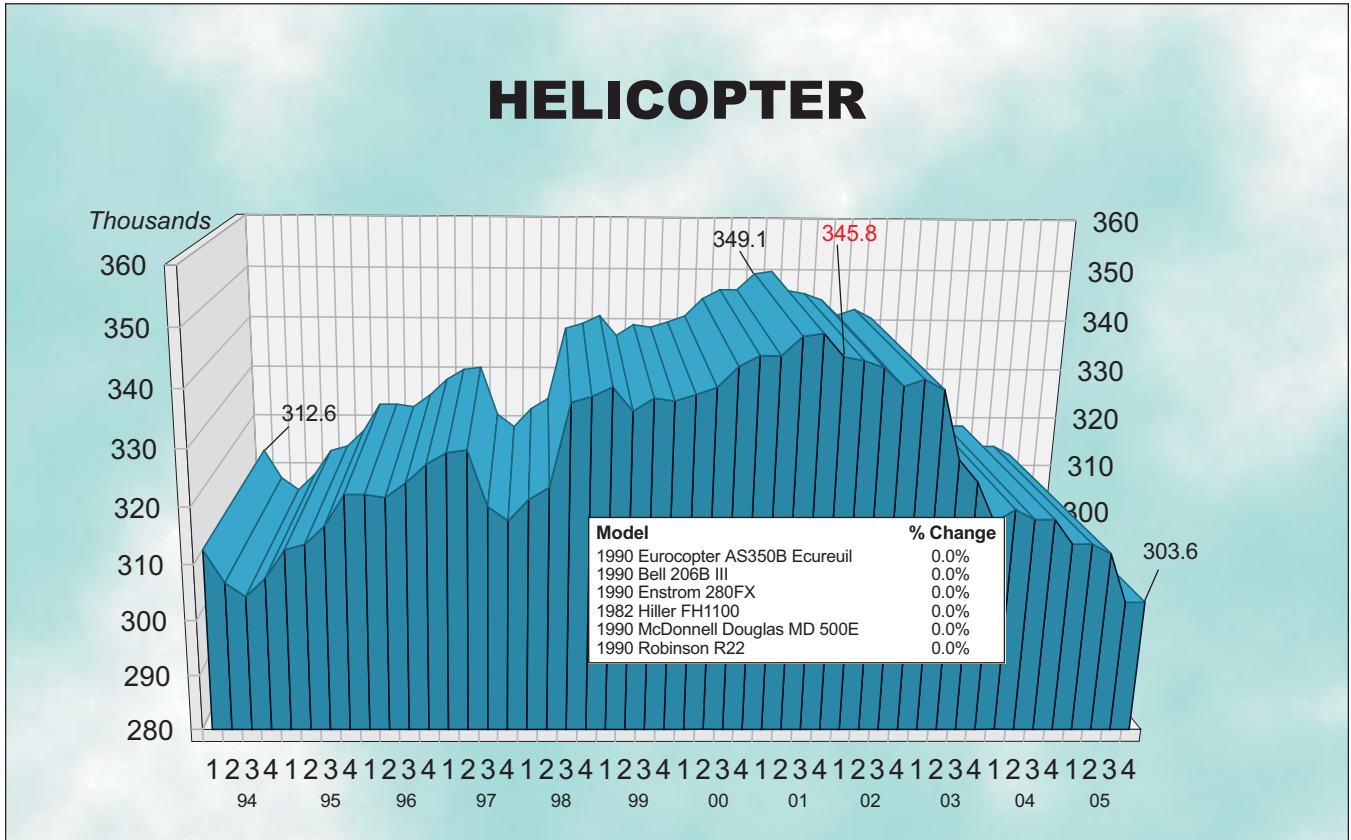
MULTI



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.

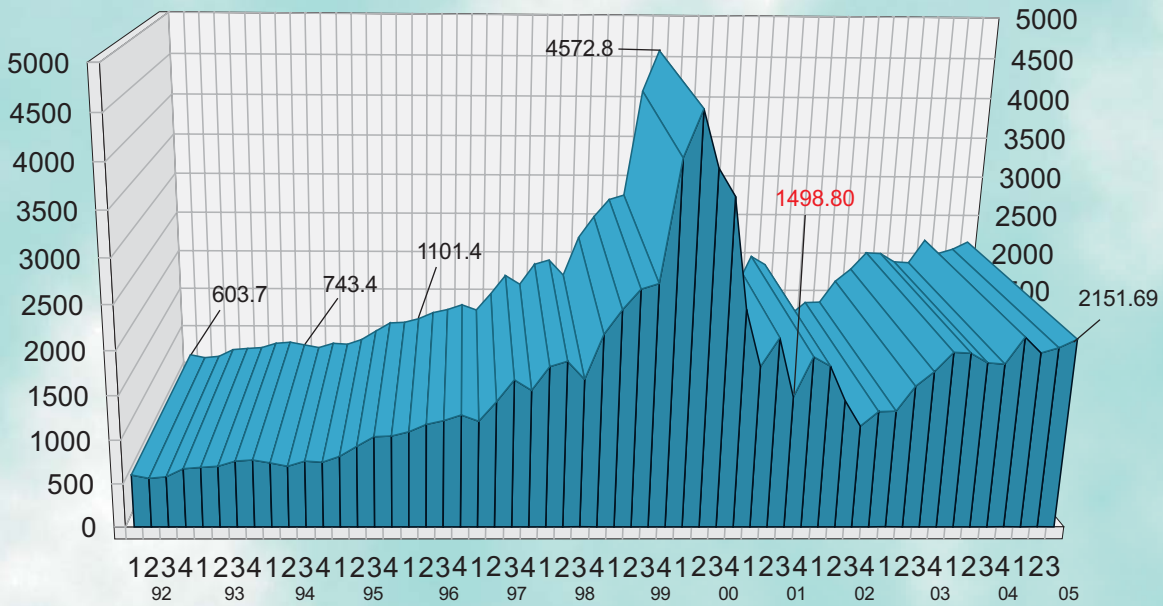


Piston. The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.



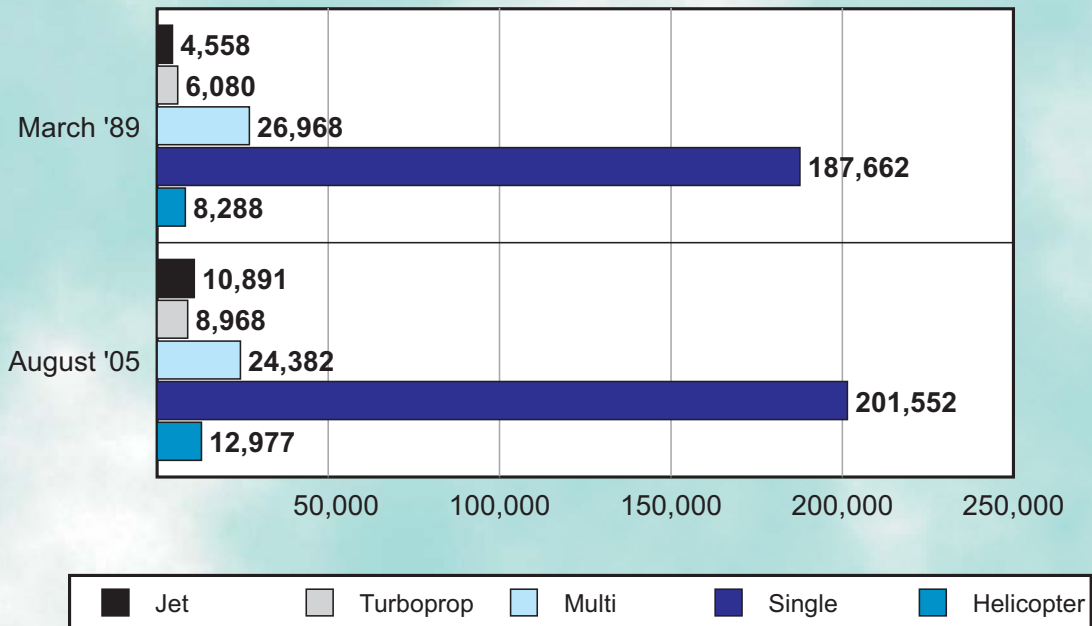
Helicopter. The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.

NASDAQ



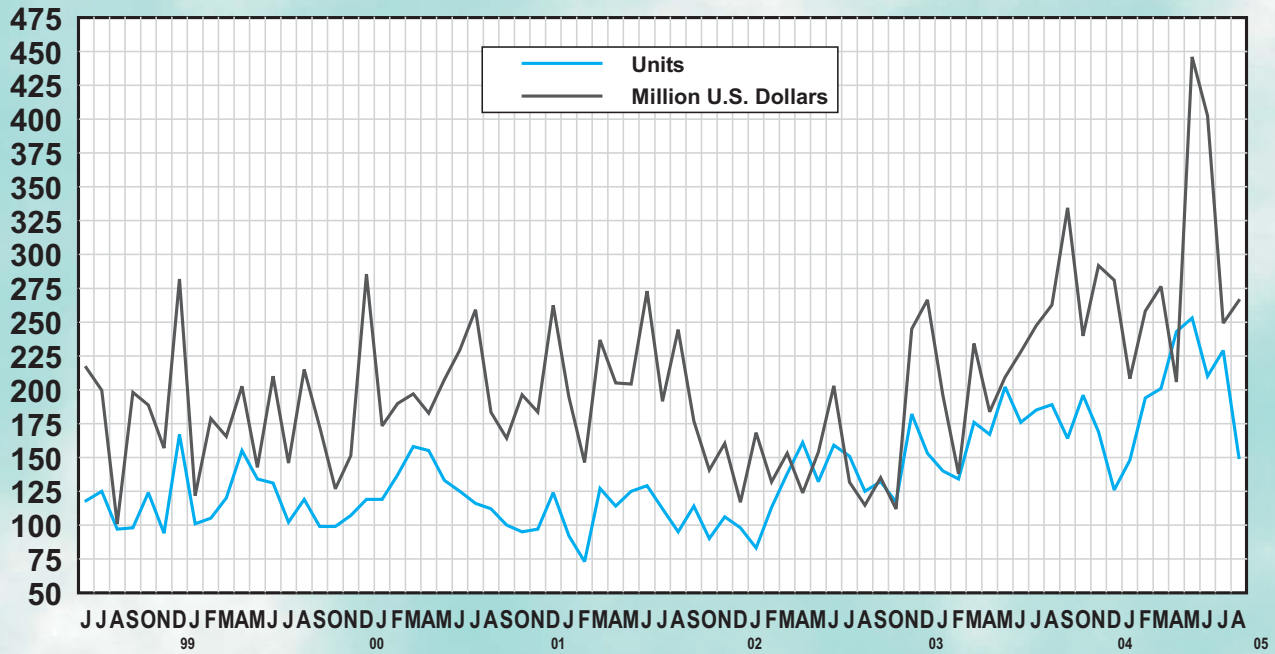
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.

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.

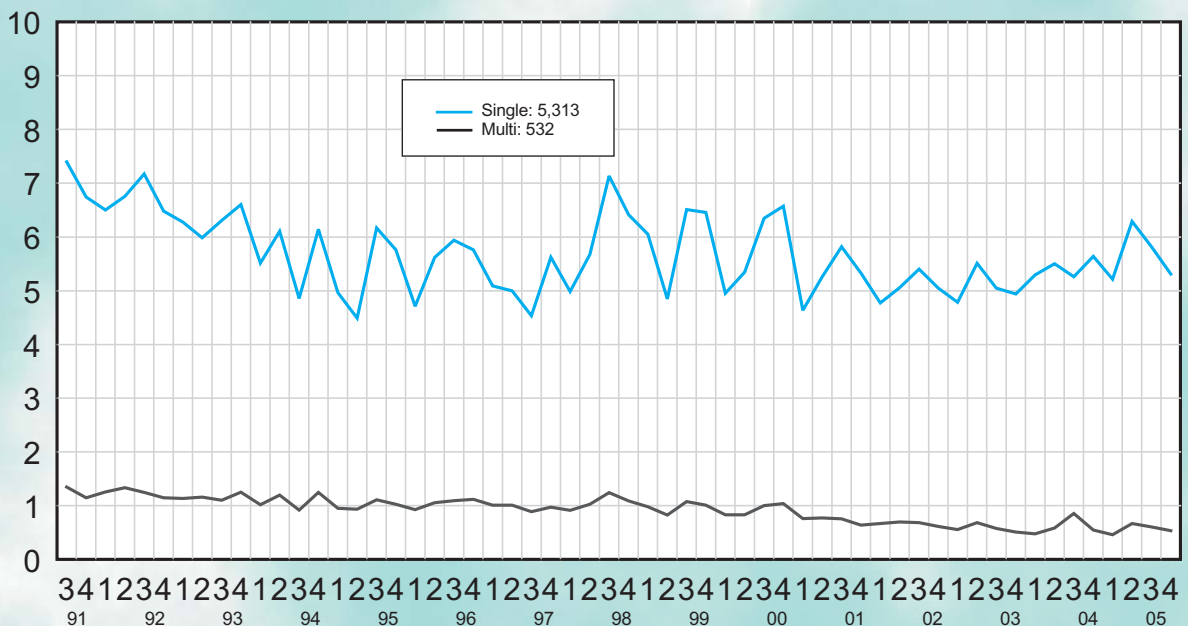
EXPORTS



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.

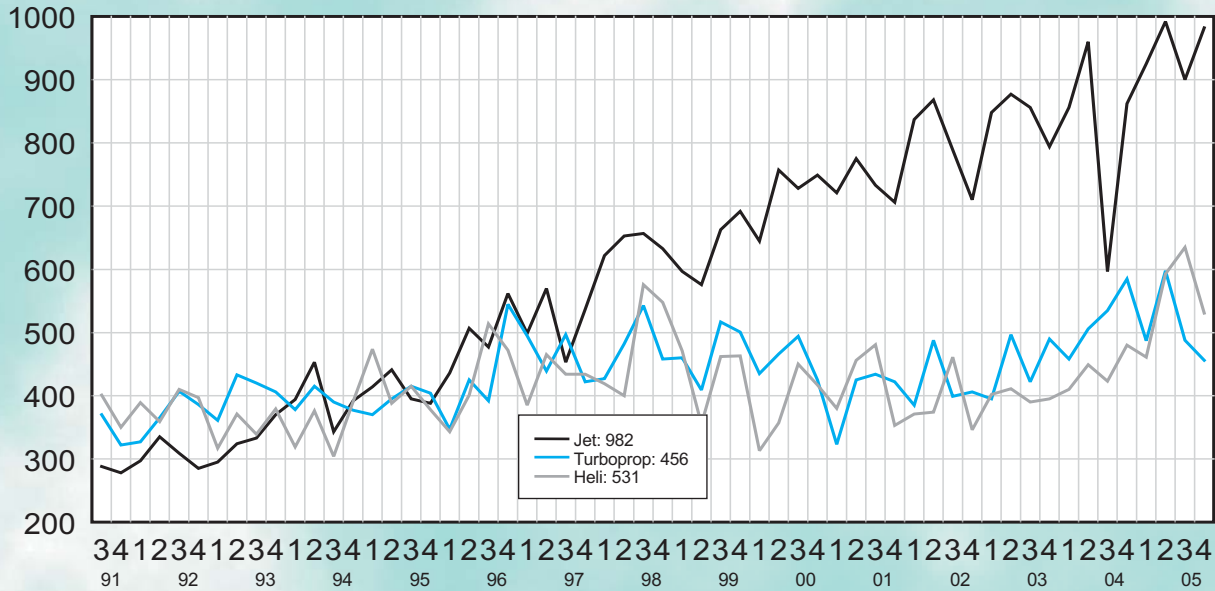
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



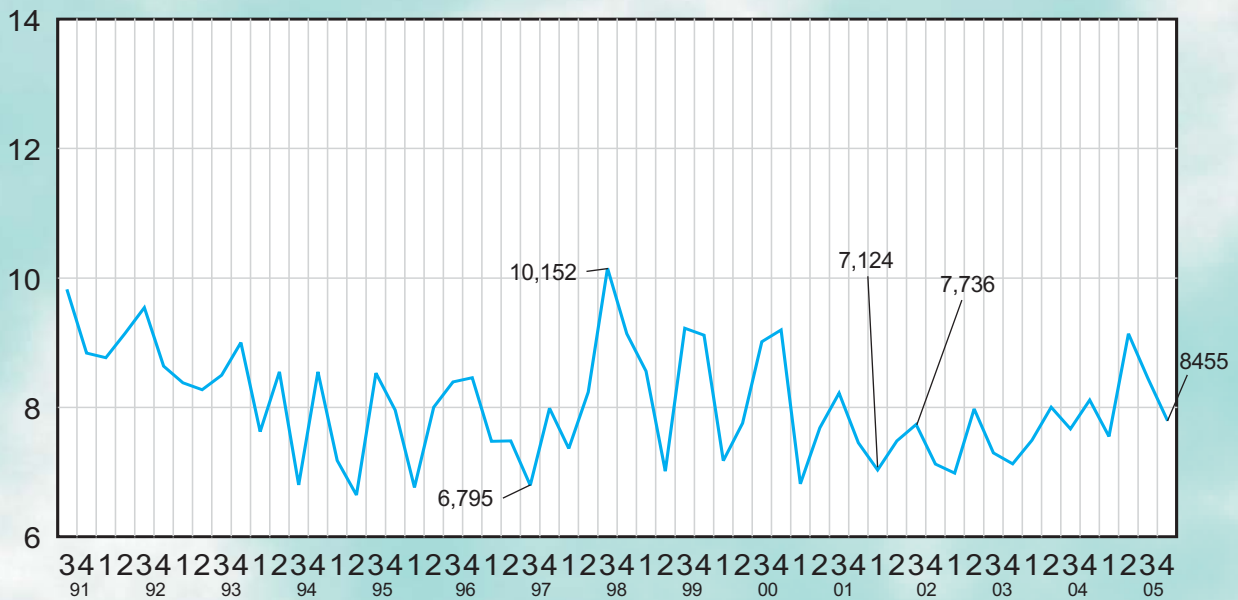
Single/Multi. The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

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.