

Used Aircraft Market Peaking?

Dealers expect slowdown during 2007

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

While no one is predicting a downturn on the scale of 2001 to 2004, dealers and brokers we spoke to were certainly less optimistic than at any other time during 2006. By and large, business is good in most market segments, but many suggested they are bracing for a less jubilant new-year.

Again, it always depends what product they're hawking. Two year-old long-range wide-body business jet? Life couldn't be better. Twenty-two year-old complex single with original avionics and missing logs? Life is miserable.

Some of the pessimism stems from bleak national economic news. While the economy is still chugging, the decline in the U.S. housing market has economists worried about the coming year. However, a strong performing stock market and falling energy costs are making for what many hope is a "soft landing." Aircraft dealers are particularly watchful as the year comes to a close.

Exhibitors at the NBAA (National Business Aviation Association) convention made little mention of any slowdown, and a record 31,919 registered visitors broke an eight-year record for this annual gathering.

In what is always a good sign for the used aircraft business, the OEMS inked deals for new planes at a record pace, adding to their already full order books (more than 2500 aircraft). Ten or so of the biggest players in the used jet business had a successful showing of

their wares at the show's static display as well.

These dealers and their colleagues across the country are hoping the continued boom for new aircraft will continue to boost sales of used aircraft as well.

Jet

Bluebook-at-a-glance

<i>Increased</i>	18
<i>Decreased</i>	221
<i>Stable</i>	513

2006 has been a remarkable year of recovery for many jet values. But now "balance" is the word most often used when discussing the relationship between supply and demand. Due to this new equilibrium, prices are remaining stable for much of the jet market.

According to AMSTAT, there were only 1,686 jets for sale during the third quarter and 516 were sold on a retail basis. In three years this available inventory has shrunk by 22%.

However, there are two market segments where "balance" does not exist: the late model large corporate transports, and jets older than twenty years.

In the light jet segment, the Beech 400A market is active but prices were unchanged. The Citation Ultras have cooled slightly and prices have firmed as well. The Cessna 525 series has firmed with earlier CitationJets steady and a slight increase for 2001 and

2002 CJ1s (up \$50,000). The Falcon 10 has briefly stopped its freefall and prices are unchanged.

In the mid-size jet arena, the hot Citation Excels are still hard to find, but prices have firmed. The Lear 40-series fell with early examples of the 45 down as much as \$300,000. Astra SPXs and G-100s slipped \$100,000.

The Hawker 800XP has seen offerings double in the past year and prices have reflected this. Many year models were down as much as \$300,000. Falcon 20/200 series remained steady along with the Lear 55/60.

Falcons of all kinds are in short supply in the heavy jet market, and the 900DX models were up \$1.2 million. However, several 900EXs received an adjustment in the opposite direction and slipped \$500,000. Falcon 50s were off \$300,000 as well.

Gulfstream G-IVs lost \$300,000 for 1987 through 1992 models. Availability of G-550s is nil and prices jumped up \$2 million.

Turboprop

Bluebook-at-a-glance

<i>Increased</i>	69
<i>Decreased</i>	43
<i>Stable</i>	485

The turboprop market remains stout with 373 planes trading hands in the third quarter. This was particularly strong in spite of the traditional summer slowdown. Available inventory is at a record low during this century and prices are still on the rise for the bellwether models.

The King Air 350 remains in high demand and saw another increase of \$100,000. The B200 and earlier straight 200s continue to sell quickly but prices are stable. 90-series King Air pricing was also stable across the board. The 441 Conquest is seeing increased activity and prices reflected a \$50,000 jump.

Single-engine turboprops such as the Pilatus PC-12 continue to move and were up \$100,000 and most models of the 208 Caravan were up \$25,000.

Safety issues continue to plague the Mitsubishi MU-2 and prices continue to soften after a bill was recently introduced in congress that could result in the grounding of the fleet. All models fell \$10,000.

Multi

Bluebook-at-a-glance

<i>Increased</i>	10
<i>Decreased</i>	352
<i>Stable</i>	299

Prices are still heading down in the piston twin market.

"They have to be perfect. Absolutely perfect to sell them," said one dealer, meaning that no one is looking to buy cheap and refurbish.

Again, the triple-whammy (fuel cost, high insurance premiums and maintenance headaches) is pummeling the twins. However, some dealers are reporting that extremely low asking prices are finally bringing a few buyers out of hiding.

Beech 58 Barons were again typical of the slide and lost \$15,000 in value for late 1980's and early 1990's models. Dukes were down as much as \$5,000. Cessna 340s were down as well, losing \$5,000 in value.

Most Piper twins were down. Late-model Seminoles were off \$10,000. Most iterations of the PA-31 were down \$10,000. The Seneca IIs, IIIs and IVs lost \$5,000 to \$15,000.

On the bright side, the pressurized Navajo and the Mojave were up \$10,000.

Single

Bluebook-at-a-glance

<i>Increased</i>	16
<i>Decreased</i>	1306
<i>Stable</i>	1029

Demand for single pistons has been waning for a few quarters; however, the value hammer has dropped in the past few months. While the small and simple to operate singles are still selling, complex singles are withering on the vine with their "for sale" prop flags flapping audibly in the wind.

The used aircraft market always takes a breather in the summer months, to which some of the slowness can be attributed; however, many dealers do not anticipate the traditional fall recovery.

Even though avgas has dropped a little from the summer, the bad memory still hasn't left the minds of prospective buyers.

One dealer summed it up this way, "If it can fly 110-120 knots on 8 gallons per hour, we can sell it. If it can't, it sits. And sits."

All of this means one thing. There are some fantastic bargains to be had in this market segment. The dealers are trying everything possible to get that message out to buyers.

Among the singles falling in value were the Bonanza A36 which slipped as much as \$5,000 for early models and as much as \$9,000 for mid-nineties models. F33 Bonanzas fell \$5,000.

The Cessna 150/152 was off \$1,000 to \$1,500 and all iterations of the 172 were down \$2,000 to \$3,000. The Cessna 210 saw a \$10,000 reduction for many year-models.

One dealer reported that the Cessna 180 and 185 market is "off dramatically" and these planes were down \$2,000 and \$5,000 respectively. Rounding out Cessna's "utility" ranks, the 206/207 models were off as much as \$7,000.

The Mooneys were not immune to the reductions; the 201 was off \$7,000 for most year-models. The 231/252s were down \$8,000. The Ovations lost \$10,000, as did the TLS/Bravo series.

Piper Saratoga IIs slipped \$20,000 and Warriors were off \$6,000. Cherokee Sixes were down \$6,000 as well.

Helicopter

Bluebook-at-a-glance

<i>Increased</i>	129
<i>Decreased</i>	27
<i>Stable</i>	741

If your helicopter is less than ten-years old, and has a turbine powerplant, odds are that you'll find a willing buyer in a reasonably short amount of time. Even units with ultra-high component times and harsh duty histories are selling, when just a few years ago these helicopters would languish on the market sometimes for several years.

The boom in offshore drilling and the repairing of hurricane inflicted rig damage continues to push values upwards for these Gulf of Mexico workhorses. Dealers and brokers are reporting that this demand continues to filter down to much of the used helicopter market.

The models that experienced increases included the Eurocopter EC 135P1 (up \$100,000), the Agusta A109E (up a strong \$200,000 to \$500,000), the Bell 206 B-3 (up \$50,000) and the Bell 430 (up an impressive \$300,000 for several year-models).

MD530Fs are trading briskly and experienced a \$70,000 to \$80,000 bump. Robinson R22 prices remain strong and increased by \$5,000 across the board.

A note about our Marketline graphs

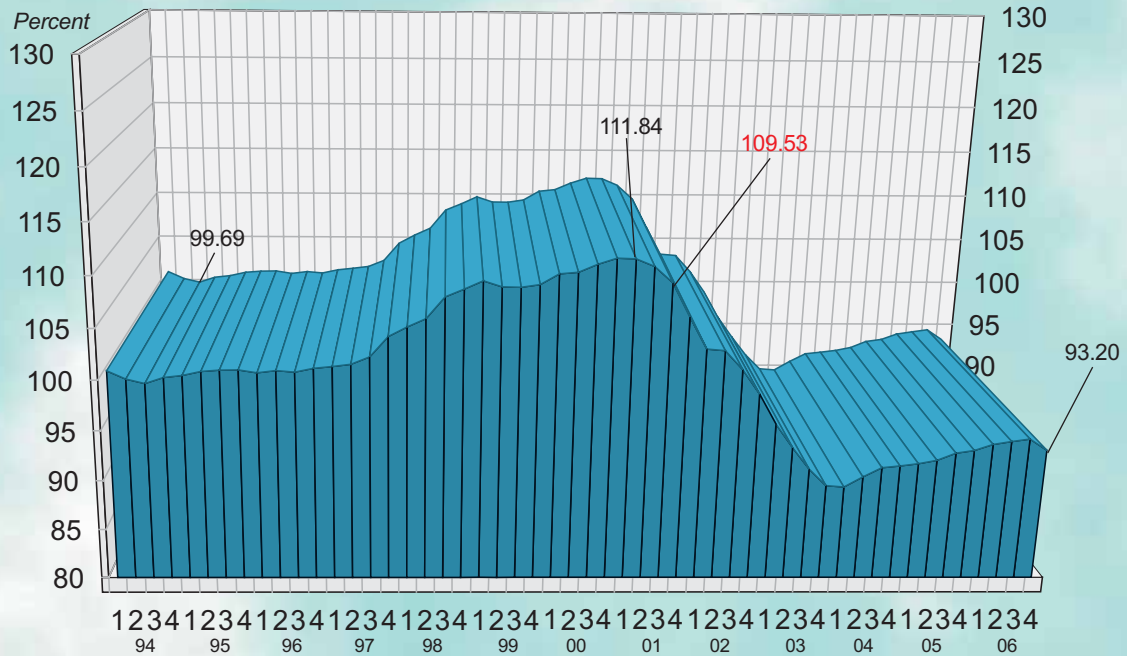
Since 1989, the Aircraft Bluebook Marketline has included graphs that depict price trends for each individual market segment (jet, turboprop, multi, single and helicopter). The individual market data is then combined for a graph titled "Used Aircraft Market."

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).

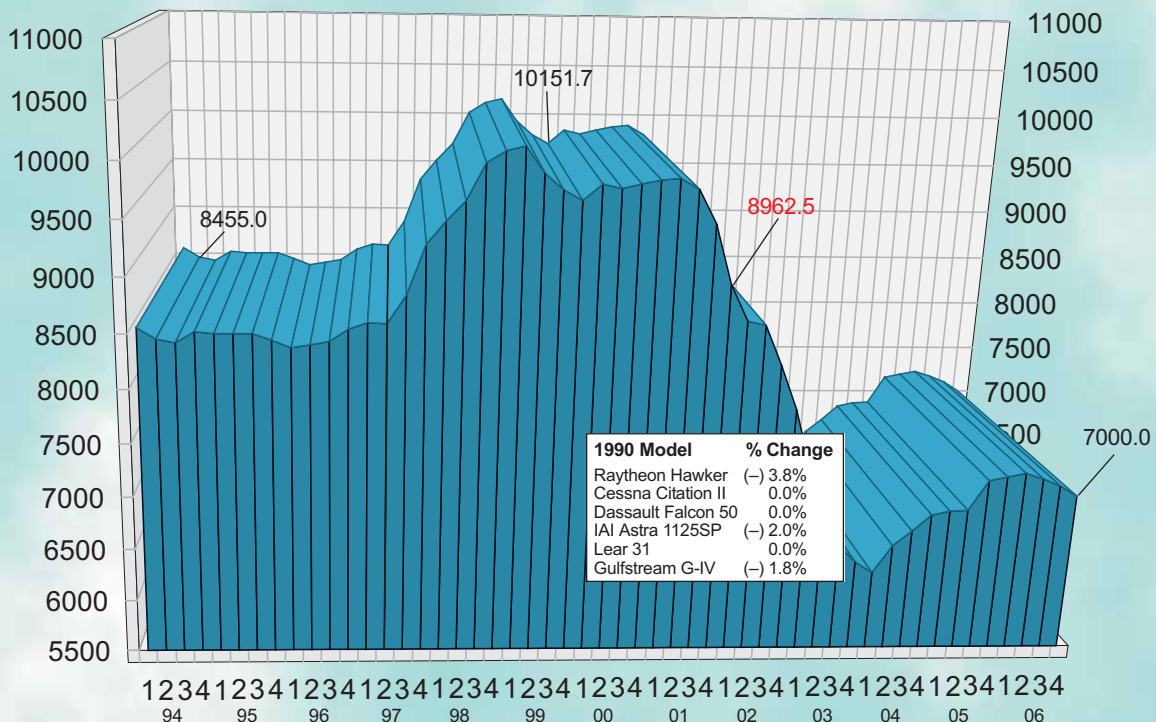
We feel that aircraft of this vintage more accurately portray "average" age aircraft now being bought and sold, and that our graphs will now more accurately inform readers about the current health of the used aircraft business.

USED AIRCRAFT MARKET VALUE



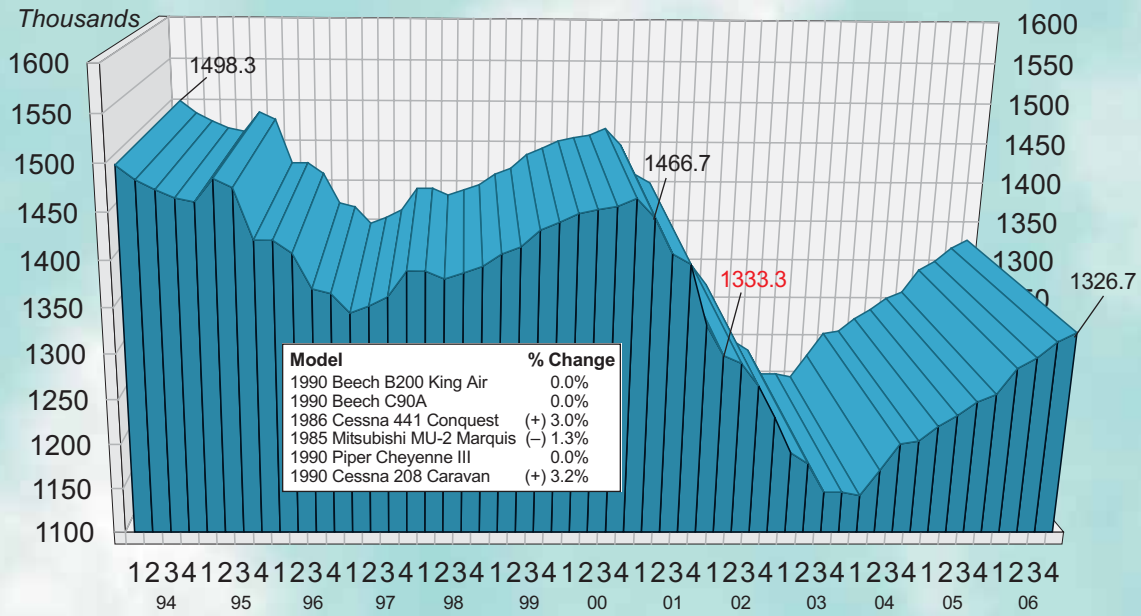
Used Aircraft Market. This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates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

JET



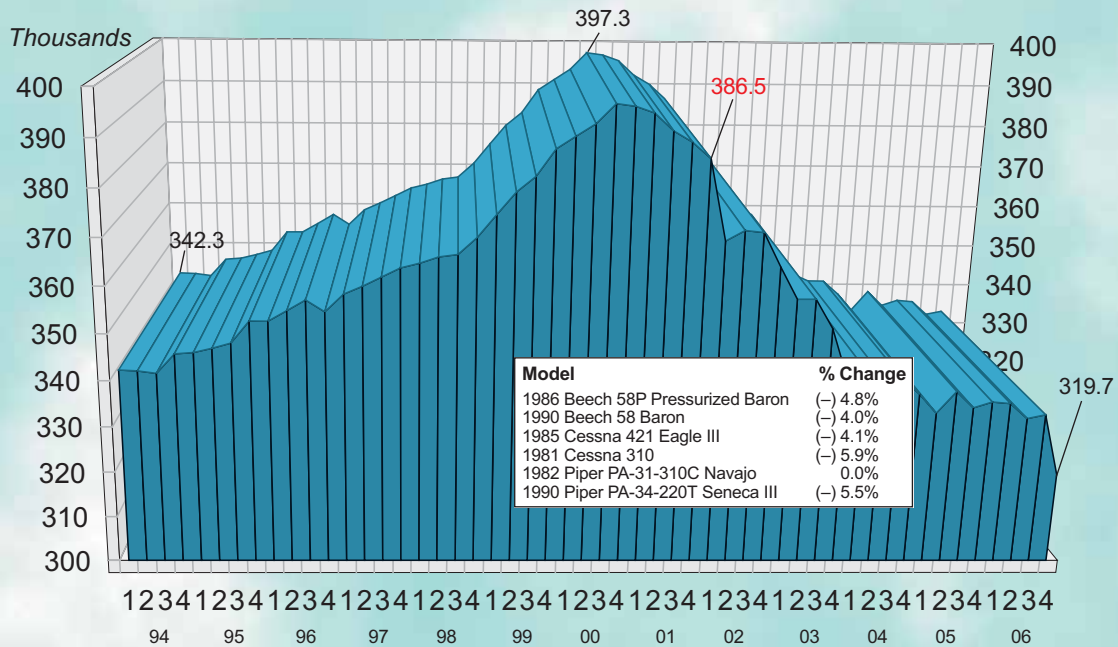
Jet. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.

TURBOPROP



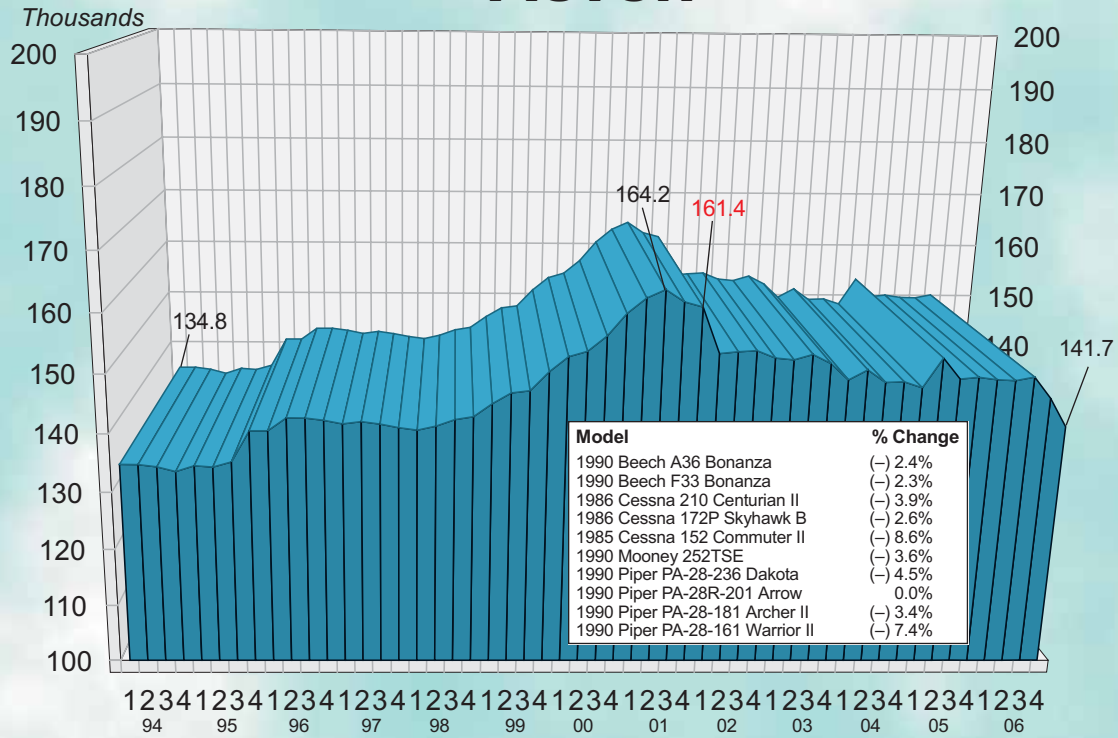
Turboprop. The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.

MULTI



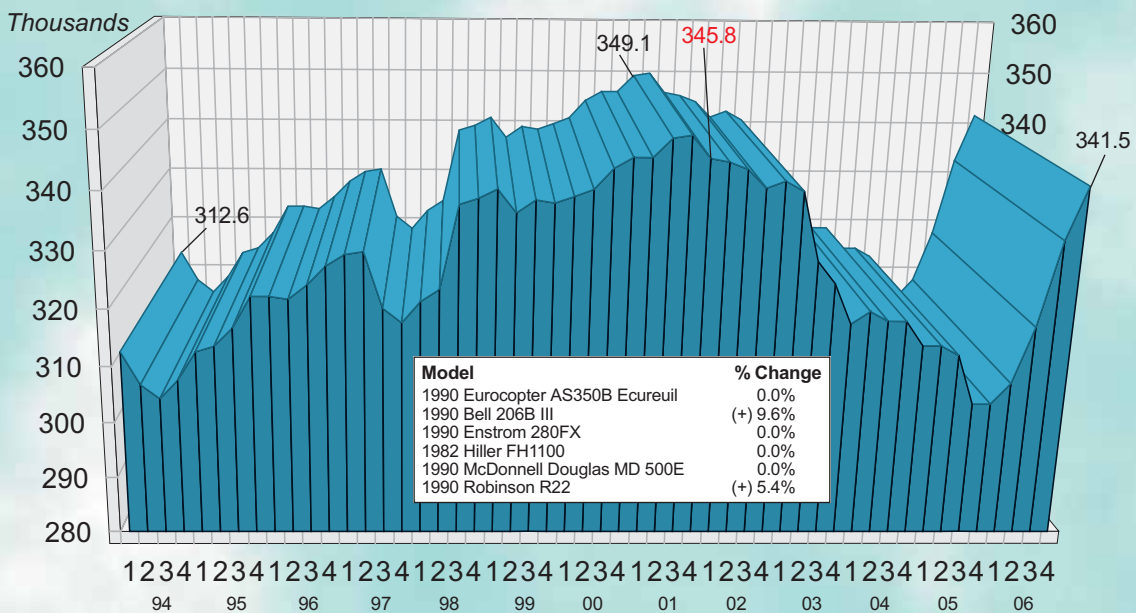
Multi. The multi chart depicts the average price (in thousands) of the six multi models listed in the box. Each model's year will precede the name of the aircraft.

PISTON



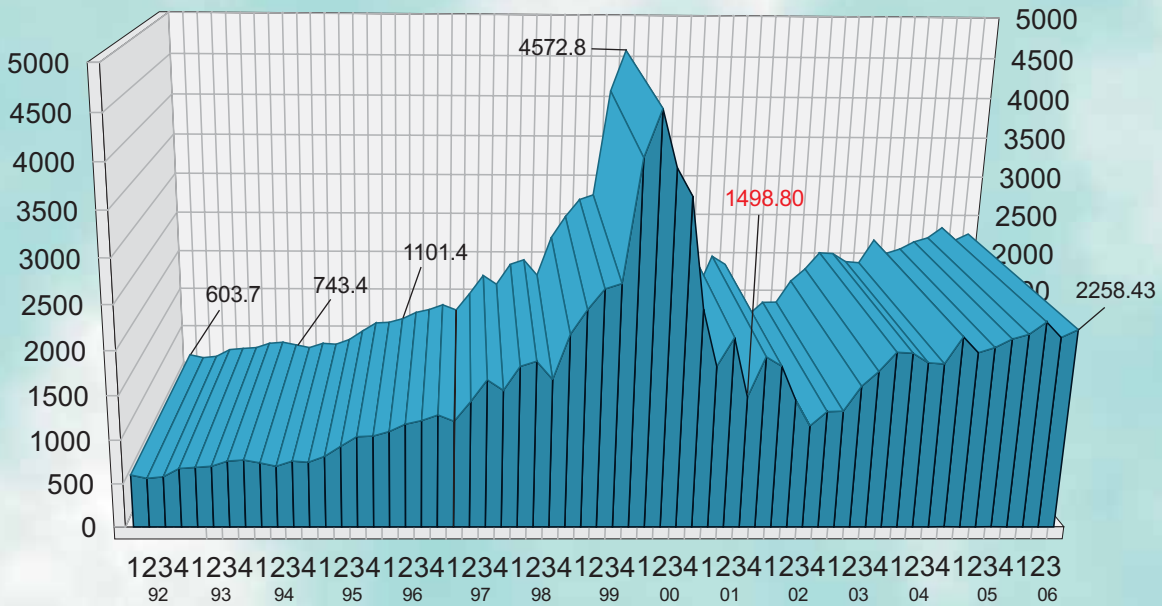
Piston. The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.

HELICOPTER



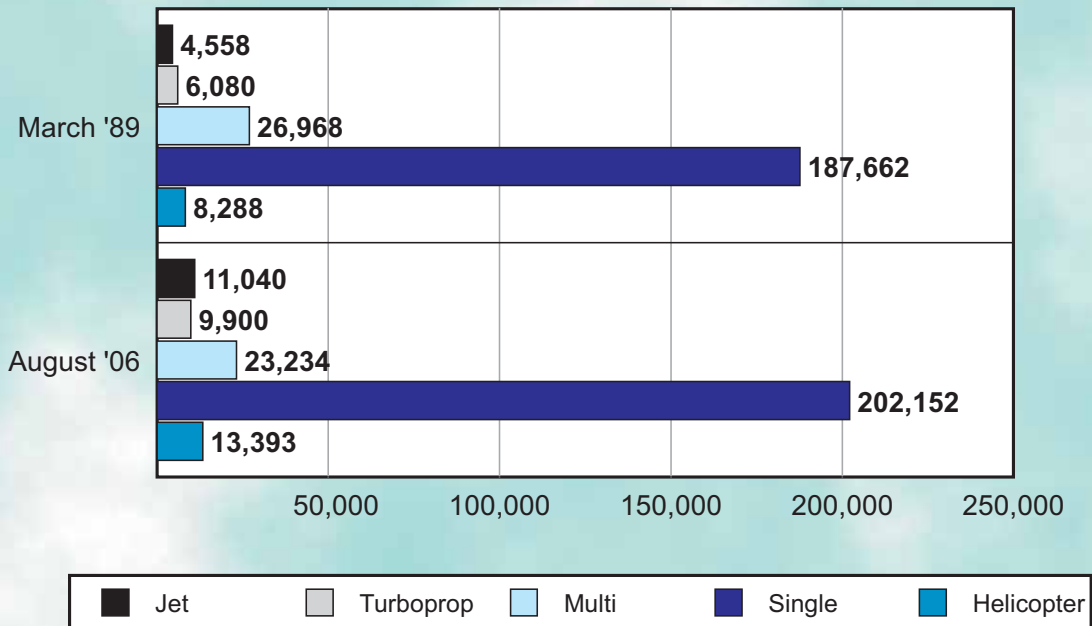
Helicopter. The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.

NASDAQ



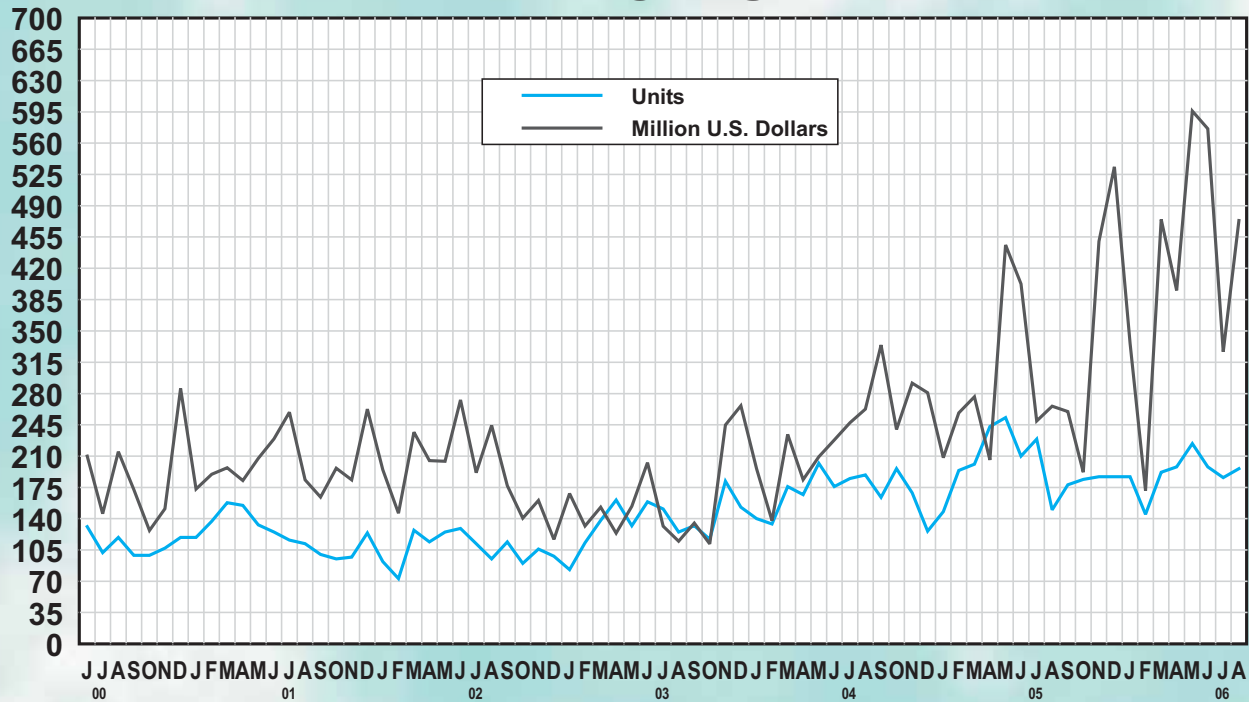
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.

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.

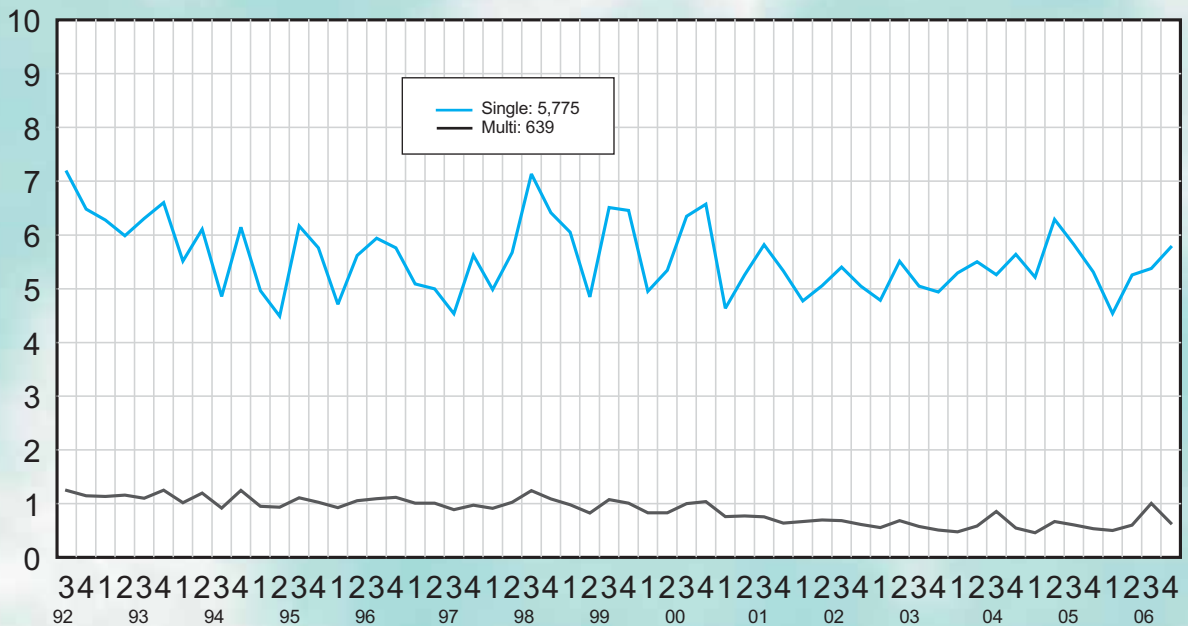
EXPORTS



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.

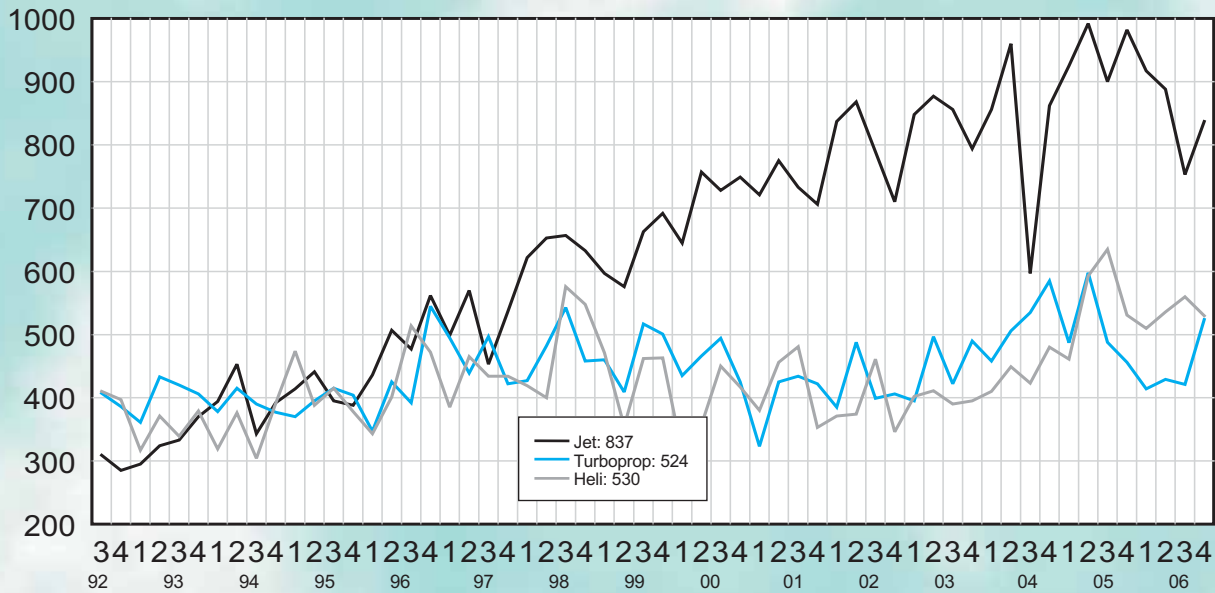
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



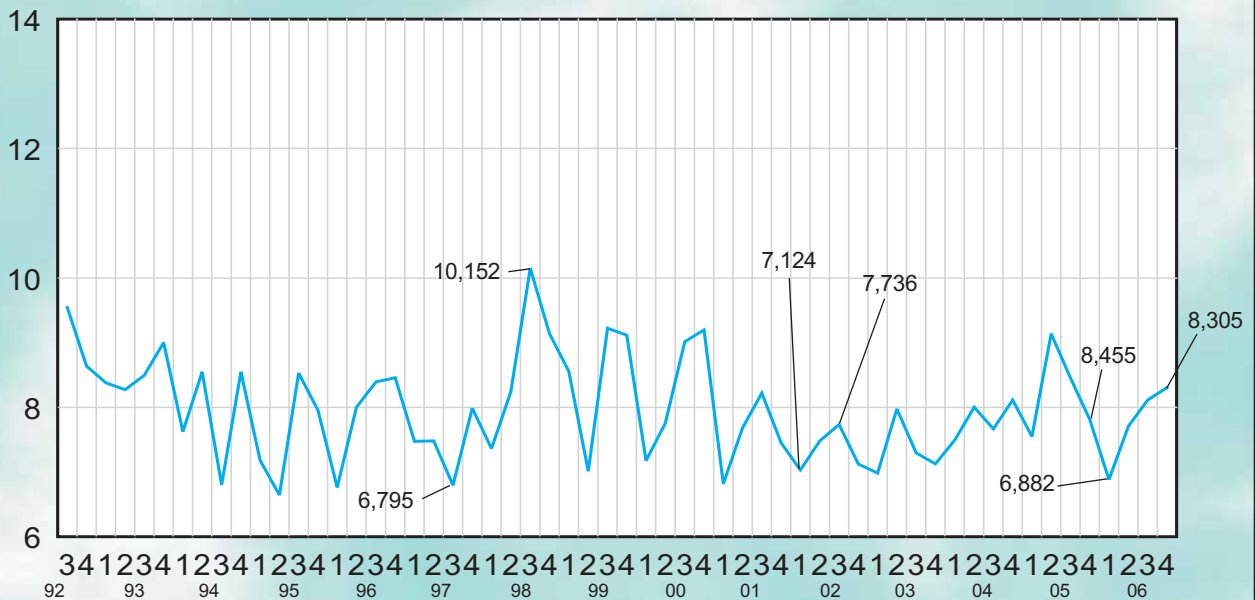
Single/Multi. The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

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.