

# MARKETLINE

Vol. 15 No. 4

NEWSLETTER

## Good Economic News Slowly Filtering to Aircraft Sales

It's been said that high tides raise all ships.

Recent good news released about our nation's economy has bolstered confidence across the country. It looks like the recovery is really taking place. The general aviation community has been patiently waiting for this "tide" to wash up on their beach, but the prices of used aircraft have continued to drop precipitously.

As of late however, there is an unbridled sense of optimism among many dealers and brokers. Prospective buyers and nervous sellers have been asking "the" question about used aircraft prices again and again for nearly three years: "have we reached bottom?" Throughout the industry, the answer is finally and almost unanimously "yes".

Every week, significant economic news is released, encouraging aircraft shoppers to come out into the sunshine. What are they finding? Some very nice aircraft at bargain basement prices.

One dealer commented, "I was wondering how low the prices were going to have to go to find some serious buyers. It seems that they've all been waiting for someone to promise them that the economy was really recovering before they put their [rears] on the line to buy an airplane."

Well, the proof just keeps on coming. The Commerce Department stunned everyone in late October by reporting that the nation's gross domestic product grew at a 7.2 percent annual rate in the third quarter. It was the strongest increase since the first quarter of 1984; it beat the government analysts' estimates for a 6 percent growth rate. Several economists reported being shocked by this unexpected 18-year high burst of production.

In early November, the Labor department added to the shock and awe, reporting that U.S. payrolls grew in October for the second straight month, contrary to Wall Street expectations, as the labor market accelerated its recovery from its longest slump since World War II. The most stubborn statistic has remained the unemployment situation. While indicator after indicator has pointed to a recovery, it all appeared to be an illusion as job losses contin-

ued to mount. But finally, this report announced that October unemployment fell to 6 percent from 6.1 percent in September.

Will all of this news send scads of aircraft buyers scrambling to take advantage of the low priced aircraft? Probably not. However, things are pointing in the direction of a slow and steady increase in aircraft purchases, and prices should reflect that in coming months. Now let's take a look at the different segments in detail, as several aircraft are still suffering from what are hopefully their last significant drops in value.

### Jet

#### Bluebook-at-a-glance

<i>Increased</i> .....	09
<i>Decreased</i> .....	215
<i>Stable</i> .....	426

Everyone knows that the jet market has been the hardest hit segment in general aviation. Over the past three years companies desperate to survive have often sold off everything possible to improve the balance sheet. Companies large and small threw their aircraft on the market and the inventories of available jets climbed to unprecedented levels. However, used retail jet sales are up 4% over last year through the third quarter, and the bloated inventories are shrinking.

At the high end of the scale, last year at this time there were 13 Gulfstream Vs on the market. Now there are five. Several recent sales have been significantly higher than Bluebook value...and of course that has resulted in the million-dollar increase in the new Bluebook.

Is this an omen of things to come for the rest of the heavy jet market? Not so fast. Air continues to leak from the value of the Challenger 604s with another half million-dollar decrease, but the prices appear to be settling there. There are still 18 of them on the market, a four-year high. Falcon 50s fell a quarter of a million dollars, and their big brother tri-jet settled another million.

The market segment that is comprised of "medium" sized business jets showed mixed changes. The Citation III fell \$200,000 and the Citation VII fell only \$100,000, but all other Cessna jets remained unchanged, showing a definitive firmness in the market.

The Falcon 20 decreased another \$100,000. The Lear 55 and 60 did not experience any change, typical of the majority of aircraft that did not see an adjustment in this issue.

On the small end of the jet market, the Beechjet again fell \$100,000. The remainder of this segment such as the Falcon 10, the 20/30 series Learjets, and the CJ series remain unchanged.

## Turboprop

### Bluebook-at-a-glance

<i>Increased</i> . . . . .	06
<i>Decreased</i> . . . . .	45
<i>Stable</i> . . . . .	515

Again, the 200 series King Airs (1990 and newer) remained stable, with only newer models suffering the normal "late-model" depreciation. The 90 series King Airs also remained flat, with the exception of late seventies and early eighties C-90s that gained \$20,000 in value (the first increase for 90 King Airs in twenty months!).

Actually there are now fewer 90 series King Airs for sale than there have been at any time since 1998. This certainly has an impact on the continued firming of the values.

The Cessna Conquest (both the I and II) went unchanged as did their Piper turboprop relatives, the Cheyenne 400 LS and the Cheyenne I and II.

## Multi

### Bluebook-at-a-glance

<i>Increased</i> . . . . .	51
<i>Decreased</i> . . . . .	205
<i>Stable</i> . . . . .	396

For the first time in three years, more than 50 of the multi-engined pistons increased in value. But again almost 400 year models remained unchanged.

Today, it seems that aircraft in this segment that are over ten years old are either well cared for and in excellent condition, or they're tired old dogs that have fallen on hard times. There isn't much in between. In other words, the "average" aircraft doesn't really exist anymore; it should come as no surprise when these planes trade at well above book value, or at substantially lower prices.

All Aerostars (600 and 601 series) inched up several thousand dollars. The Piper Twin Comanche was up \$5,000.

The Beech Baron 55 in all of its iterations remained stable, but all of the 58 series slipped with some 58Ps falling as much as \$20,000. Beech Dukes dropped \$5,000 for all year models, while the Cessna 414 and 421 slipped \$10,000 for most year models.

## Single

### Bluebook-at-a-glance

<i>Increased</i> . . . . .	33
<i>Decreased</i> . . . . .	348
<i>Stable</i> . . . . .	1855

Singles have weathered the storm. While it may take jet and turboprop owners several years for their values to recover, the owners of singles are really no worse for wear. The possible reason for this? While many singles are corporate owned and were offered for sale during the recession, the great majority are owner-flown personal aircraft. For these people, the ownership of an airplane was not something they were willing to give up just to get them through a financial tough spot. Thus, used inventories never really bulged, and sales remained fairly strong.

Adjustments this time were few. Models seeing increases included the American General lineup (Cheetah and Tiger) and a few model years of the Piper Malibu Mirage.

Early v-tail Bonanzas slipped \$5,000 while The Debonairs were down twice that at \$10,000. The newer Bonanzas A36 and B36TC models also saw downward adjustment of \$10,000.

Late model Skyhawks saw a seven to eight thousand dollar reduction for both standard and SP models. The Commander line (112 and 114 models) slipped \$10,000 for many year models.

But again, the vast majority of singles remained unchanged (82%).

## Helicopter

### Bluebook-at-a-glance

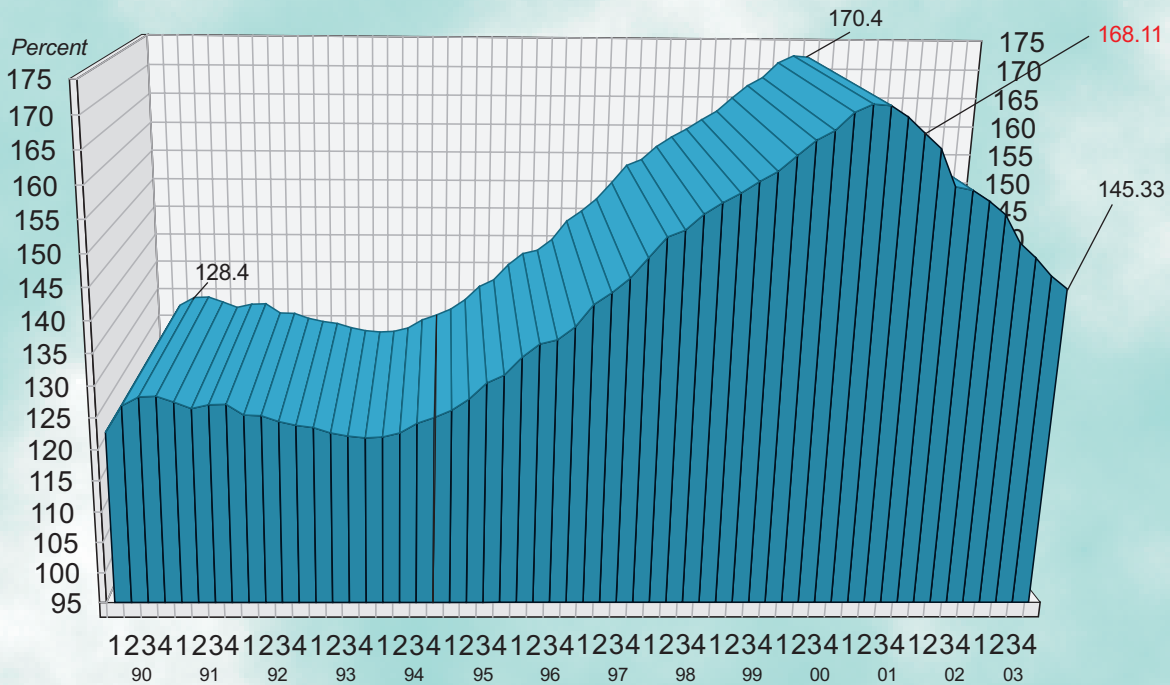
<i>Increased</i> . . . . .	0
<i>Decreased</i> . . . . .	223
<i>Stable</i> . . . . .	633

The helicopter market as a whole has also been slow to respond to the economic awakening. For the third straight quarter, not one model experienced any appreciation.

Again, the majority of helicopters tracked by the Bluebook (633 year-models) remained stable.

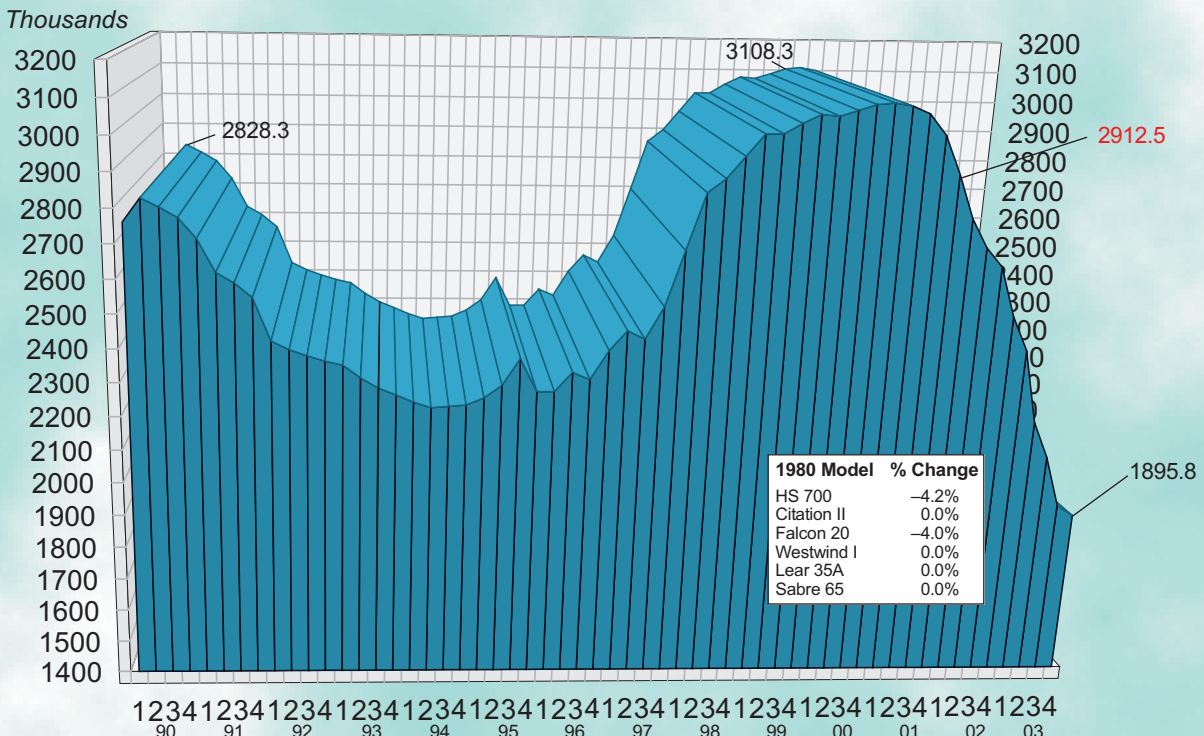
Some examples that fell include most years of the Eurocopter Dauphin II that dropped \$20,000, the Bell 206B (down \$20,000 for almost all models) and another substantial cut for the Sikorsky S-76, with many year models falling as much as \$200,000. ■

# USED AIRCRAFT MARKET VALUE



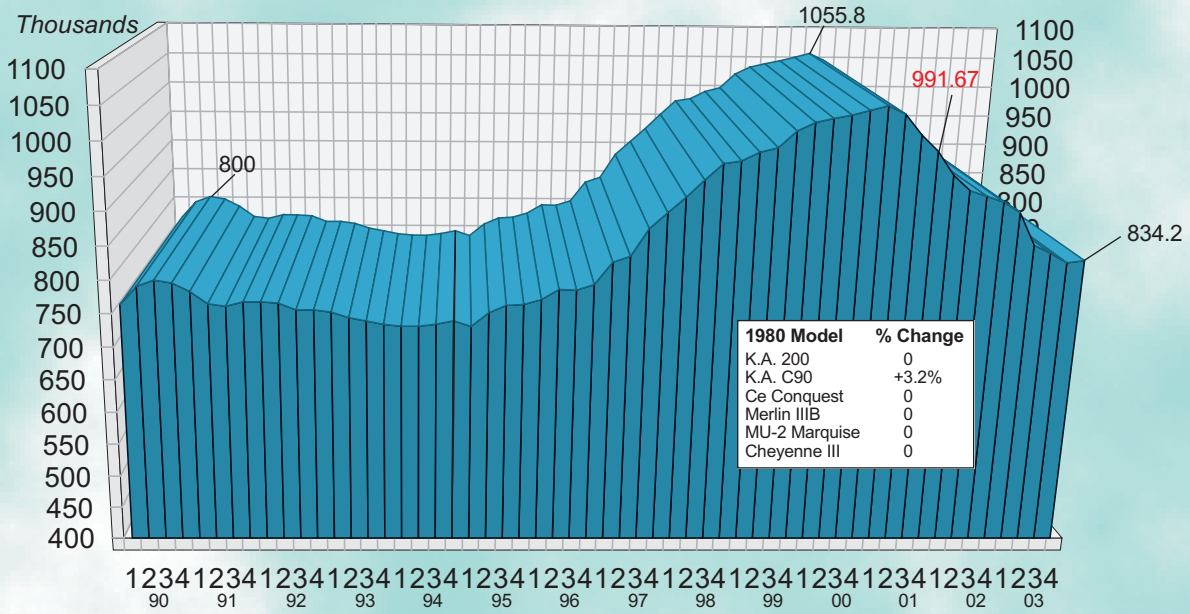
**Used Aircraft Market.** This ratio scale chart depicts the average percent-of-change for the 36 aircraft included in the Jet, Turboprop, Multi, Single and Helicopter charts. The study begins with the Fall quarter (August) of 1986 equaling 100%. The number in red on each chart indicates the first reporting date after 9-11.

# JET



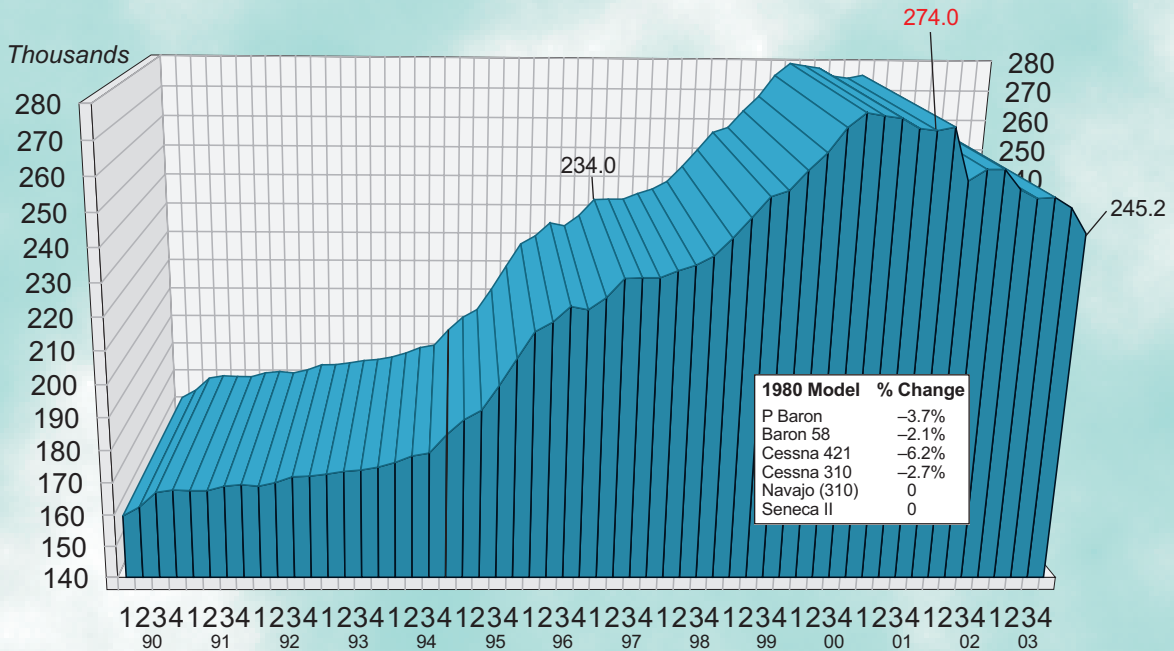
**Jet.** The jet chart depicts average price (in thousands) of the six 1980 model jets listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

# TURBOPROP



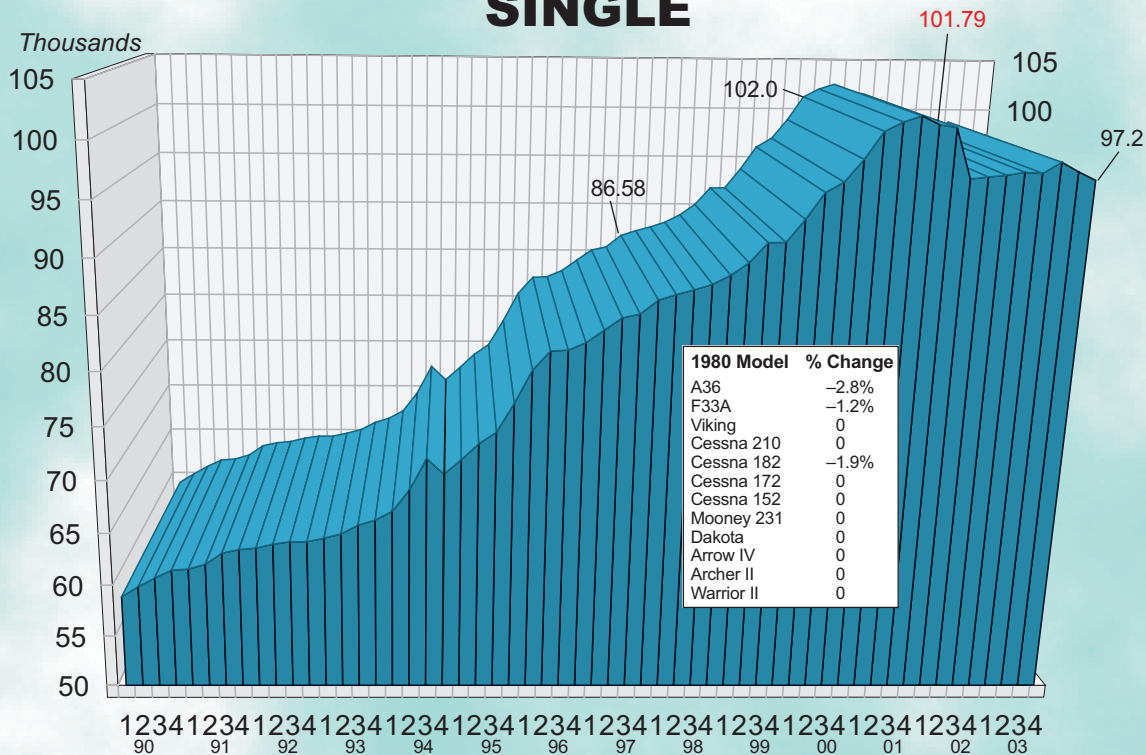
**Turboprop.** The turboprop chart depicts average price (in thousands) of the six 1980 model turboprops listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

# MULTI



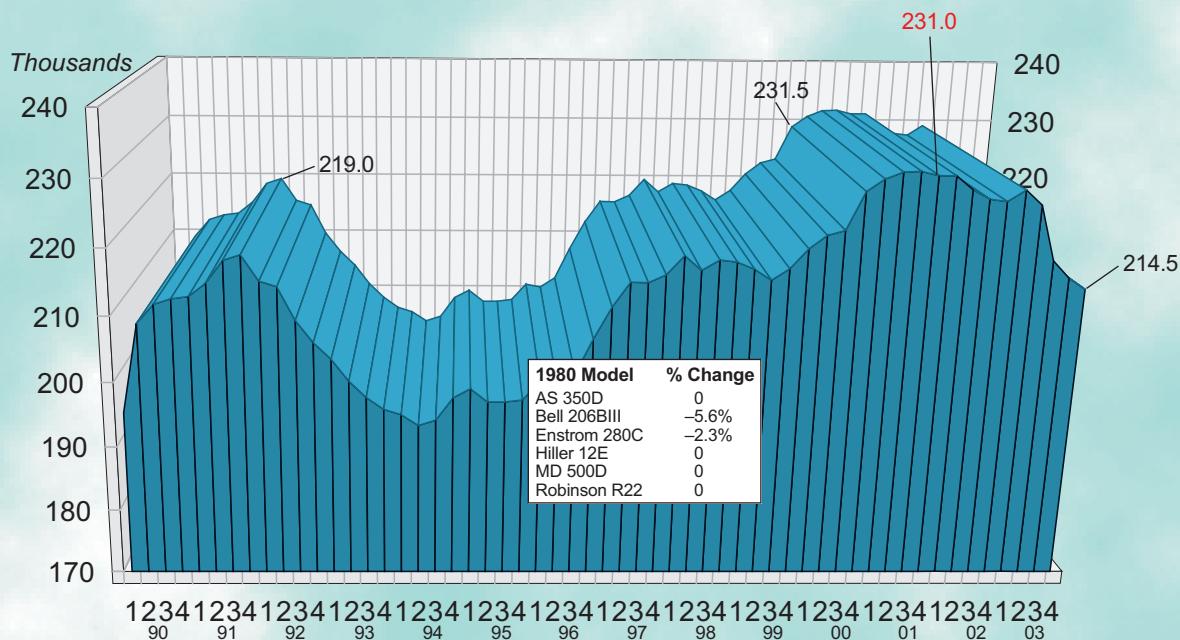
**Multi.** The multi chart depicts average price (in thousands) of the six 1980 model piston twins listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

# SINGLE



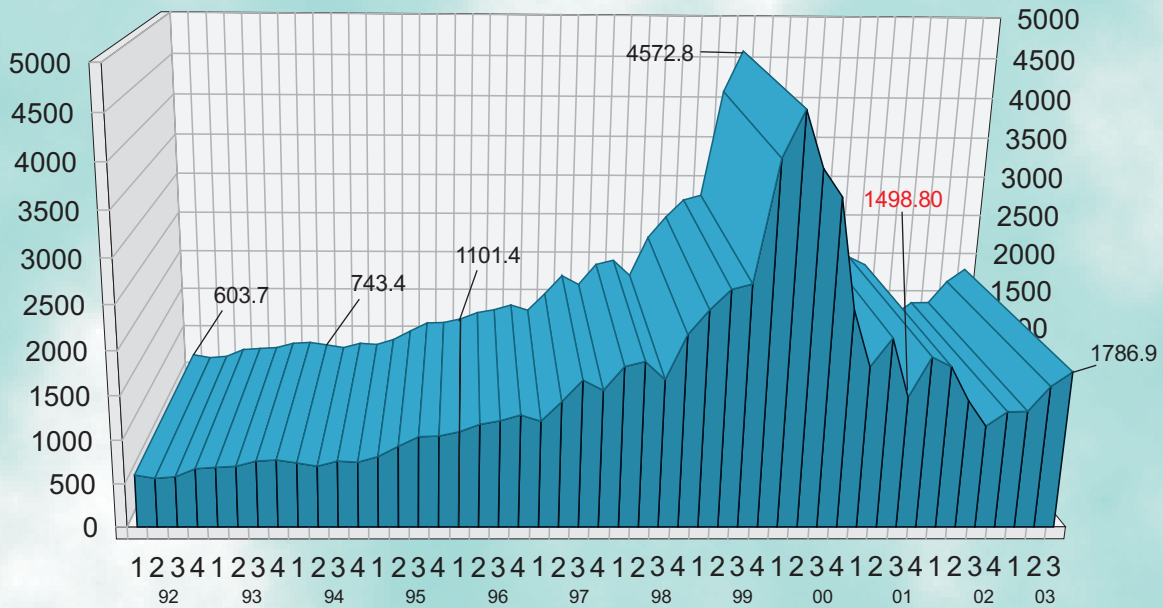
**Single.** The single chart depicts average price (in thousands) of the twelve 1980 model singles listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

# HELICOPTER



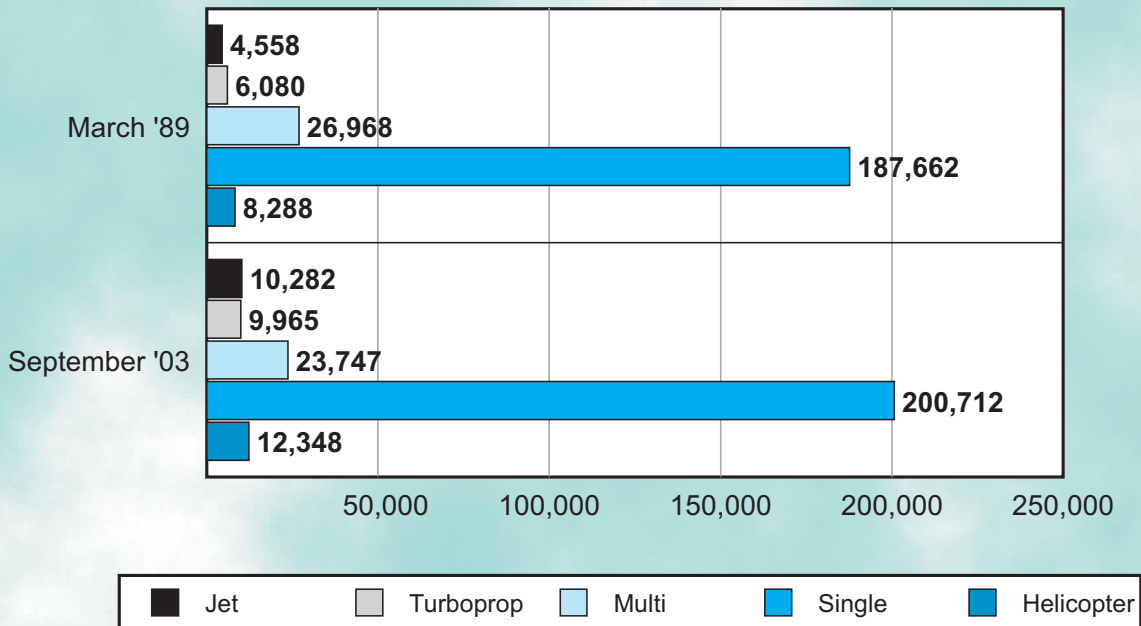
**Helicopter.** Depicts average price (in thousands) of the six 1980 model helicopters listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

# NASDAQ



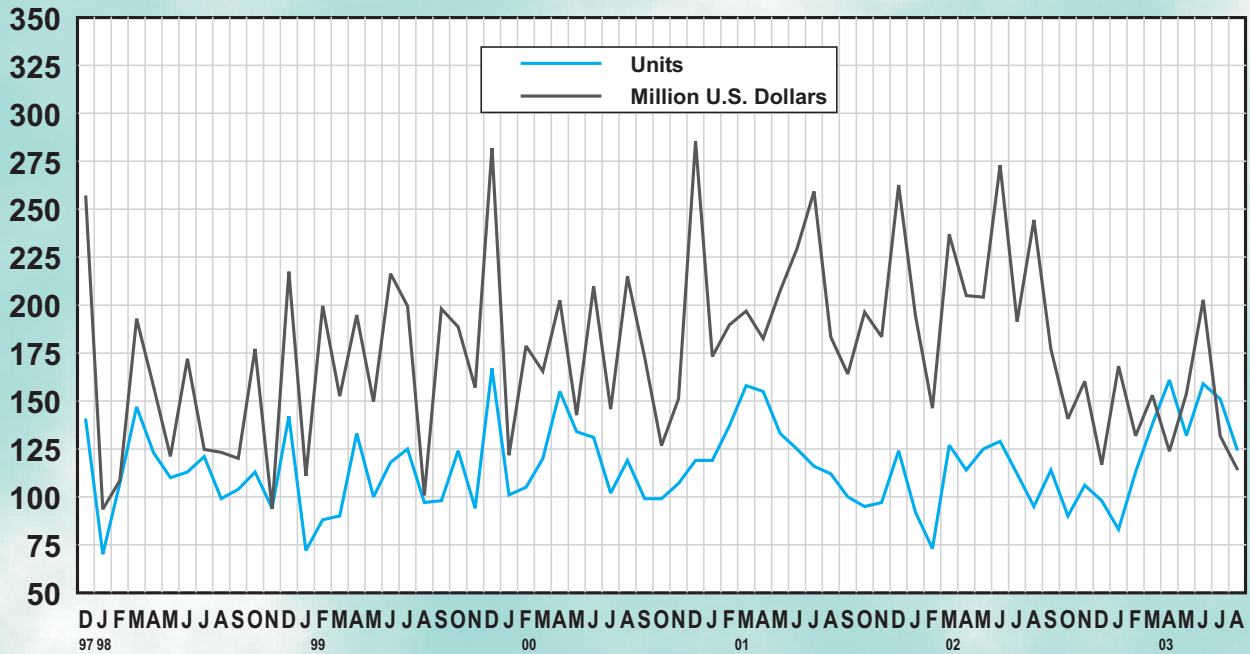
**NASDAQ:** This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. The scale originated in the first quarter of 1971.

# 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.

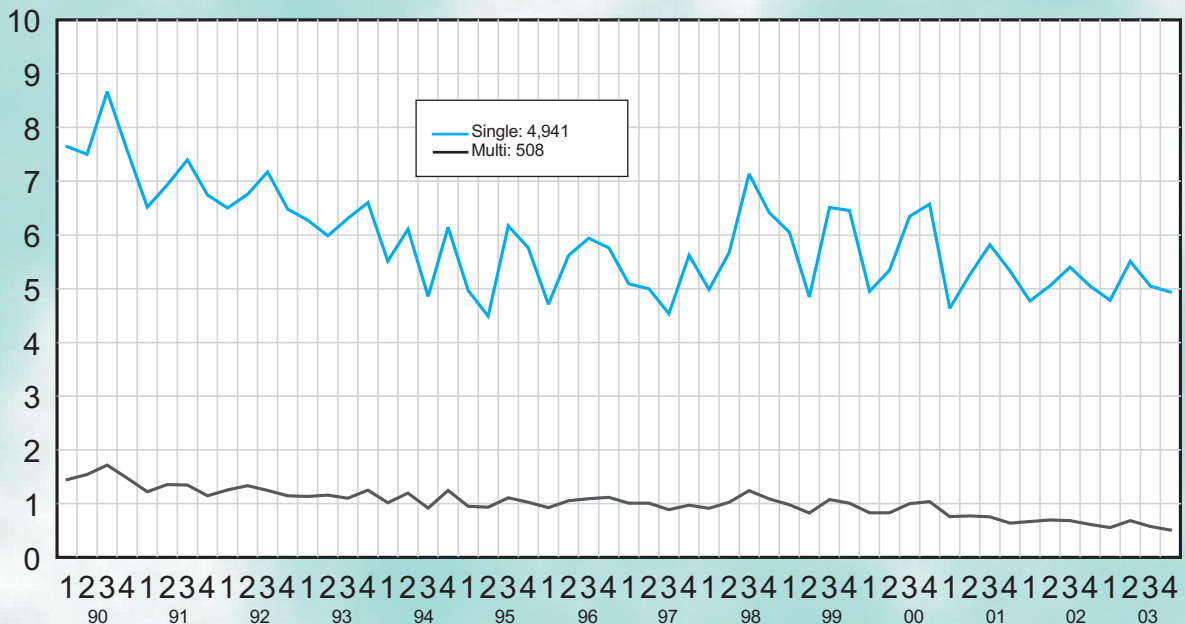
# EXPORTS



**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.

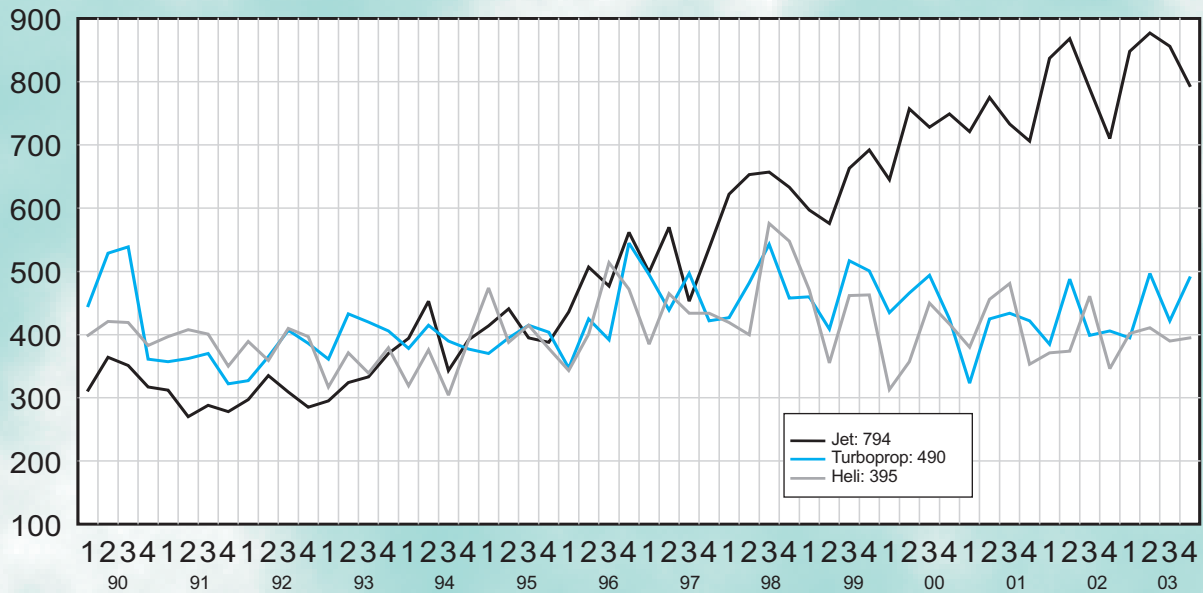
# CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



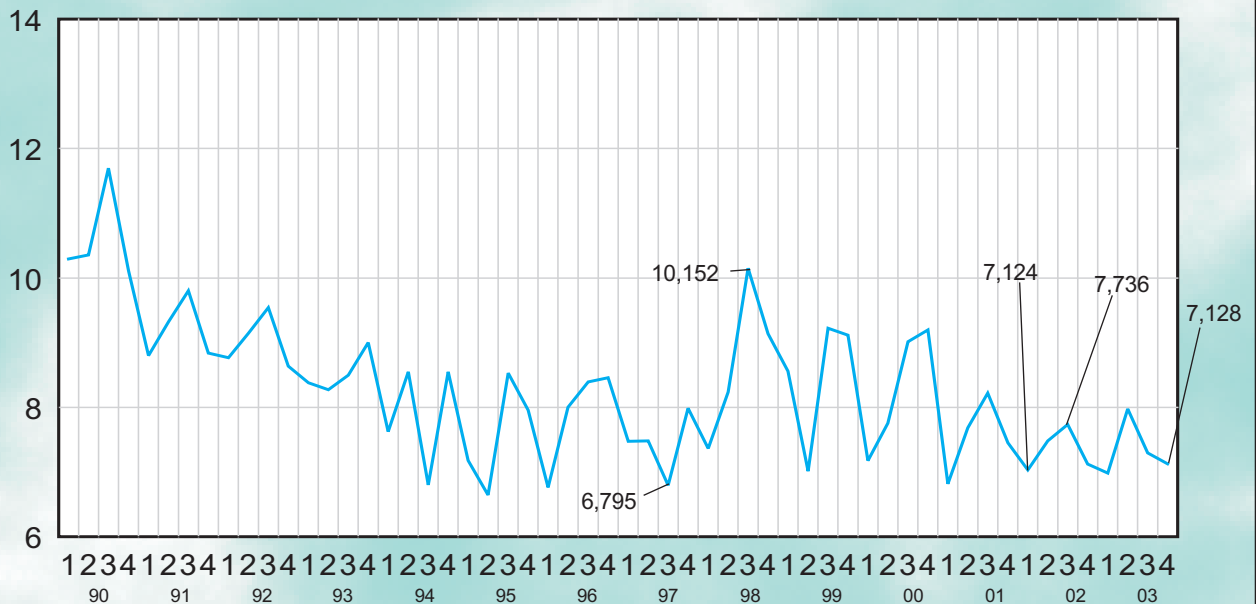
**Single/Multi.** The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

## 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.