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Dealers Have High Expectations for 2005

Keeping with tradition, Winter activity slowed, but dealers look back fondly at 2004

By Paul Wyatt, Managing Editor, Aircraft Bluebook Price Digest

While many dealers reported that that dropping temperatures slowed the telephones during the last quarter of 2004, several also reported a brisk couple of weeks leading up to New Year. There is no doubt about it. The used aircraft market is in full comeback mode. Not for everyone, and certainly not every market segment, but most dealers could barely contain their excitement as they added up the totals from 2004.

"I was busy all year. Twelve hours a day. Even on weekends to keep up with the business," said a used dealer in the Midwest who reported fifteen fourth quarter transactions including everything from a C-172 up to a Citation I SP.

Another dealer reported, "Excellent year. 46 transactions."

As always, one of the best barometers to look at when judging the strength of the used market, are the numbers of new aircraft being produced by the OEMs. General Aviation deliveries of new aircraft rose 10% in 2004 and billings were up 19%.

Everyone involved in this business last year watched world events and economic news and held their breath. Several things fell into place that had no small influence on the general aviation:

1.The predominant viewpoint is that the presidential election was also a win for American business. And conventional wisdom tells us when business wins, general aviation wins.

2. 4% economic growth and an unemployment rate that fell to 5.4% also pointed to success for general aviation. The monthly stats were always much lower than economists predicted, but certainly the doom and gloom is over.

3. The devalued dollar has increased international sales for many American dealers of used aircraft.

Still, rising interest rates, record breaking fuel costs, the unstable condition of the Iraq war, fear of additional terrorist attacks on U.S. soil are keeping some buyers from purchasing an airplane. Dealers don't anticipate these fears going away, however, it is evident that buyers are getting used to living with them.

Jet

Bluebook-at-a-glance

Increased	*163*
Decreased	*166*
Stable	*364*

When the used aircraft market began to head south almost four years ago, corporate jets were first to get their noses bloody. For the next three years the slide in value was extraordinarily painful for everyone including primary owners, fractional owners and those who make their living buying and selling these planes. Now the used jet market is the major benefactor of a recovery now in its twelfth month.

According to Amstat, 1722 pre-owned jets found new homes in 2004, the largest number of used jets sold in the last five years. Supply remains high however, with approximately 1800 planes on the market, a figure that remained steady throughout the year.

While prices increases have jumped into high gear for a few select models, the overall supply remains high, taking a bit of the luster off an otherwise stellar recovery. As seen during all of last year, used aircraft that still have their new counterparts being produced on the factory floors are the brightest performers, while older (and often non RVSM compliant) aircraft languish for months or even years on the selling block.

For the heavy corporate transports, the Bombardier Global Express continued its resurgence with a half million increases for 1999, 2000 and 2001 models but older 600 and 601 challengers fell off the pace as they dipped down as much as $300,000 for the early 1A iteration.

The late models of the Falcon 900EX and 900B were up a million dollars. Their two-engine sibling, the Falcon 2000 also experienced a substantial bump and was up as much as $700,000 for the 98 model. Gulfstreams fared just as well. The G-V was up a million for late models and the G-IV was up as much as $700,000 for 2001 and 2002 models.

Lockheed Jetstars continue to be plagued by age issues and extraordinary fuel burn and were down $50,000 for the "TFE731 times four" Jetstar II. Gulfsteam G-IIs also fell $100,000 for most year models.

For medium sized jets, the Citation IV and VII were up $100,000. The Hawker 800XP saw a boost of $200,000 during the quarter. The Astra SPX spiked $300,000 for a few year models showing much renewed interest. Lear 60 models were up $100,000 despite a relatively large number available for sale.

Falcon 20s continued to slide in value and dropped as much as $200,000 for early eighties models. It is estimated that less than 50% of the Falcon 20 fleet has undergone any RVSM upgrading. Surprisingly, the late model Hawker 1000 was also in the losing category, falling $100,000.

Winners in the small jet market included the Citation II from 1978 to 1994, seeing all models up $25,000. The CJ1 market remains strong with mid nineties models getting a $100,000 boost. Early Encores are hot, also seeing a $100,000 kick up in value. Both the Lear 31 and the newer 31A market are noteworthy with a $100,000 increase.

Many older jets of the smaller variety are surely and steadily moving toward the end of their serviceable lives and their value continues to shrink. A value loss of ten thousand dollars a quarter may not seem like much, but link ten consecutive quarters of similar losses together on an already inexpensive airplane, and it shows. Planes in this category include 20 series Lears, most of which again fell $10,000.

Turboprop

Bluebook-at-a-glance

Increased	*132*
Decreased	*93*
Stable	*352*

When it comes to turboprops, nearly all dealers checked "brisk" when asked to assess the market. One dealer decided to add and additional box to the questionnaire and then checked it "crazy".

However, our research showed that while asking prices have risen precipitously, fourth quarter sold prices have remained in line with mid-year Bluebook prices. In other words, the market has stabilized. Almost all dealers surveyed believe that selling prices are poised to gain ground in 2005.

Leading the way with the biggest dollar improvement was the King Air 300 series, up as much as $100,000. The B200 King Air, the most prolific player in the segment continues its recovery, albeit at a slower pace; many models were up $50,000.

The single engine turboprop entries are showing strength with the Caravan and Grand Caravan showing a $25,000 increase for most year models. The TBM 700 continues to be a viable alternative to the conventional twins and experienced an increase of $100,000. The Pilatus PC-12 prices remained stable.

For the most part, turboprops from Cessna (Conquests) and Piper (Cheyennes) have seen little change in value, however the past has shown that they normally lag behind the King Airs in past recoveries, and dealers look for them to recover as 2005 progresses. This has been evident as one dealer reported many calls from several first-time turbine shoppers who have high interest in the Cheyennes.

Multi

Bluebook-at-a-glance

Increased	*148*
Decreased	*50*
Stable	*457*

Fuel and insurance concerns continue to turn buyers away from many piston twins, but a few models here and there are making a move.

One dealer commented, "Twins have been extremely cold throughout 2004, but after the first of the year I'm starting to have more calls and interest is definitely up. Actually I've had more calls on my Baron in January than the eight months I had it on the market last year."

Unless insurance companies are getting ready to slash premiums and oil prices drop significantly (two unlikely scenarios) most dealers continue to tread lightly in this market segment.

While 148 year models of piston twins saw values move in a positive direction, often the dollar amount was extremely modest. Late model Seminoles gained $5,000. Almost all of the Piper Aztecs increased by the same margin. Early model Twin Commander 500s bumped up $10,000.

The 58 Baron slipped $5,000 as did its turbocharged version. Eighties models of the Cessna 421C III dropped $20,000, although it received a reprieve from the FAA on the impending spar AD. Early and late model Senecas fell $5,000 as well.

Single

Bluebook-at-a-glance

Increased	*704*
Decreased	*174*
Stable	*1401*

"Due to the wide variance of models in this segment it is difficult to assess the overall health (or lack of) of the single piston market. It can be further sliced and diced into fixed-gear, complex, aerobatic, even pressurized, just to name a few. However, 704 model years in this category did experience an increase, showing a healthy resurgence no matter how it gets divided.

Both turbocharged and normally aspirated Piper Saratogas lead the way with a $10,000 increase. Cessna 207 Stationairs gained $3,000. Cessna 210s gained favor again and were up $5,000 for early eighties models.

Despite news from last year that Commander aircraft ceased operations, the used Commander 114 still has a devoted following and experienced a $5,000 increase.

The Mooney M20J slipped $3,000 for early models and the Ovation was down $5,000 across the board. Socata TB-20/21 Trinidads fell $10,000.

The great majority of single pistons moved neither up, nor down, showing that this market continues to stabilized.

Helicopter

Bluebook-at-a-glance

Increased	*125*
Decreased	*141*
Stable	*603*

Helicopter dealers remain optimistic, however this segment continues to languish. If sales of aircraft from the OEM's are any indicator, the used market should see some renewed vigor in 2005. Robinson delivered a remarkable 690 helicopters during 2004; Schweizer and Sikorsky have combined forces, which should benefit both companies. Bell and Eurocopter continue to have strong sales.

According to many, demand for used ships should grow this year in all segments, particularly large corporate transports, however prices should remain stagnant.steady.

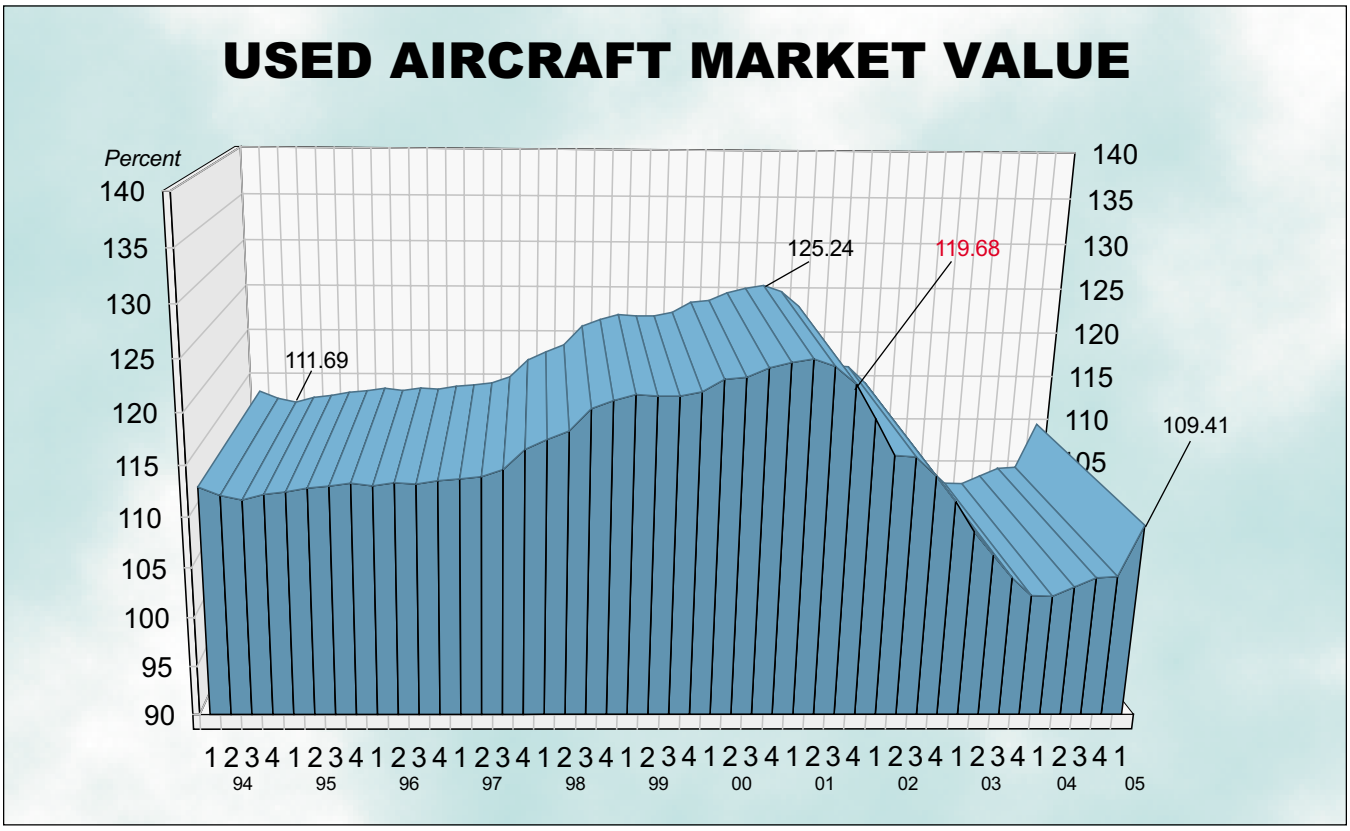
A note about our Marketline graphs.

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".

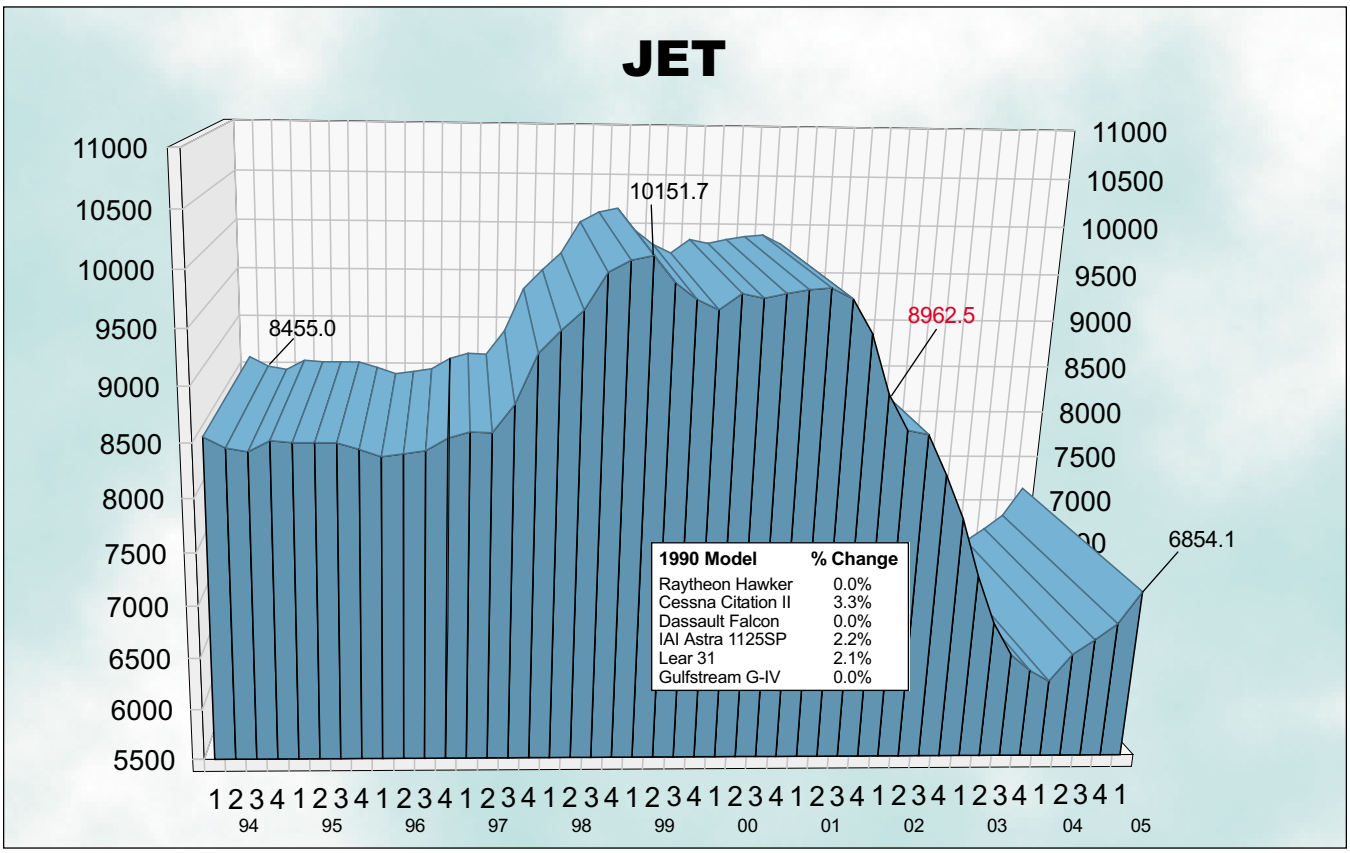
The sample aircraft used were all 1980 models, which have been representative of the "average" age aircraft for sale. For the sake of continuity, these same 1980 aircraft have been used in our graphs continually for 15 years to depict a comprehensive "value over a time" look at the used aircraft market.

Starting with our previous issue (2004-4) we have fast-forwarded ten 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).

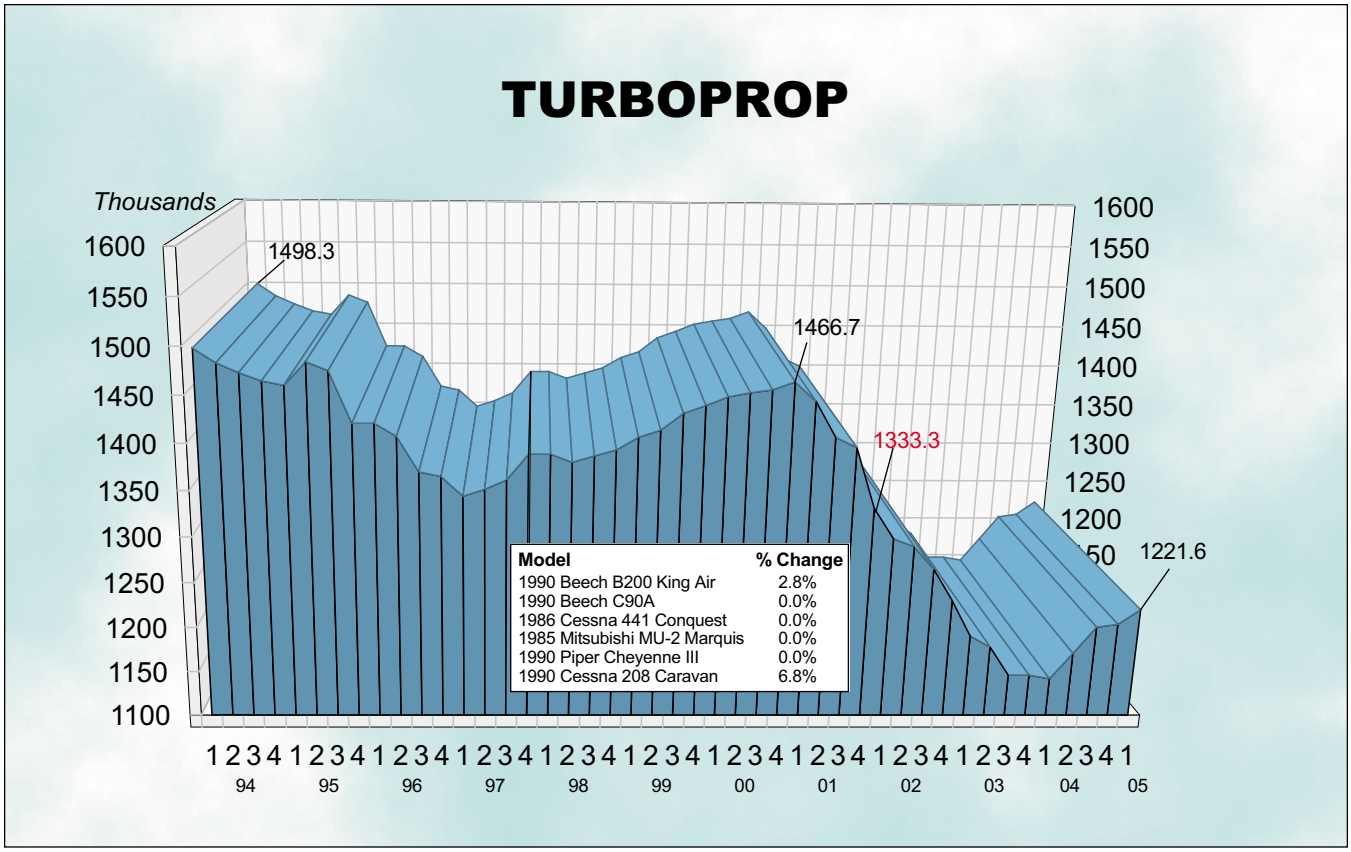
We feel that aircraft of this vintage more accurately portray "average" age aircraft that are now being bought and sold, and that our graphs will now more accurately inform readers about the current health of the used aircraft business.■



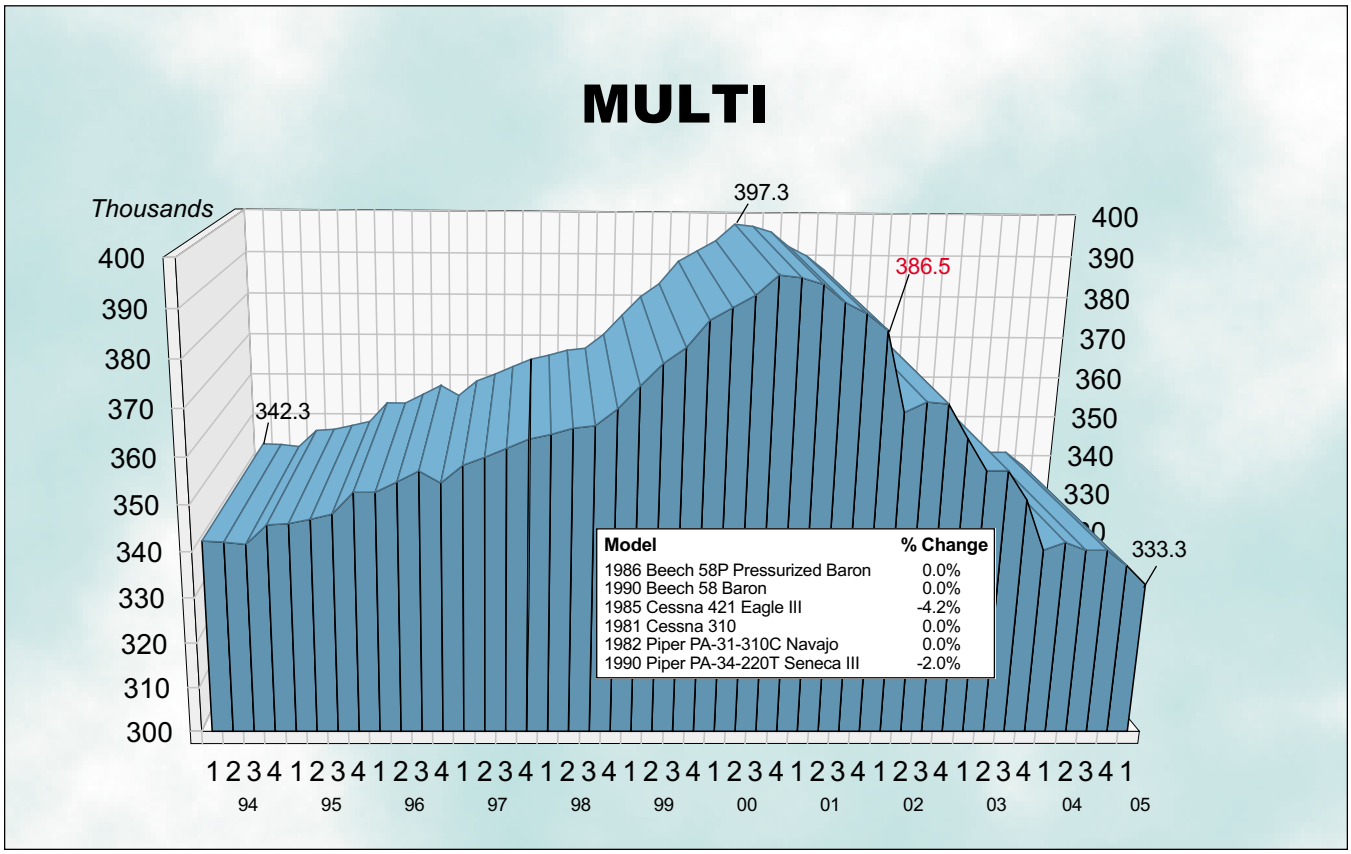
Used Aircraft Market. *This chart displays each model's quarterly value in relationship to its average equipped price at the inception of the aircraft. The study begins in the Spring quarter of 1994 and includes the Jet, Turboprop, Multi, Piston and Helicopter. For all charts, the red number indicates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



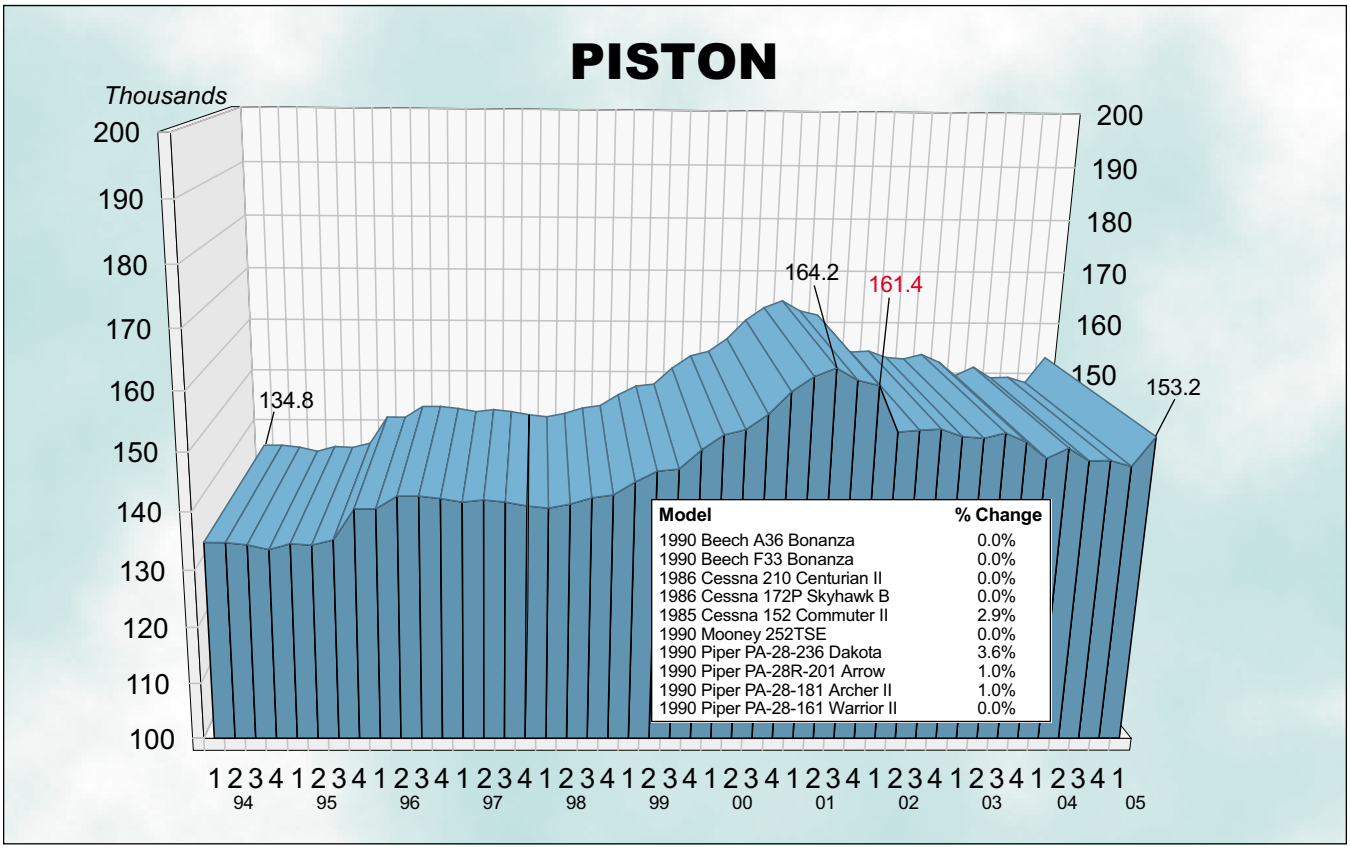
Jet*. The jet chart depicts the average price (in thousands) of the six 1990 jets listed in the box.*



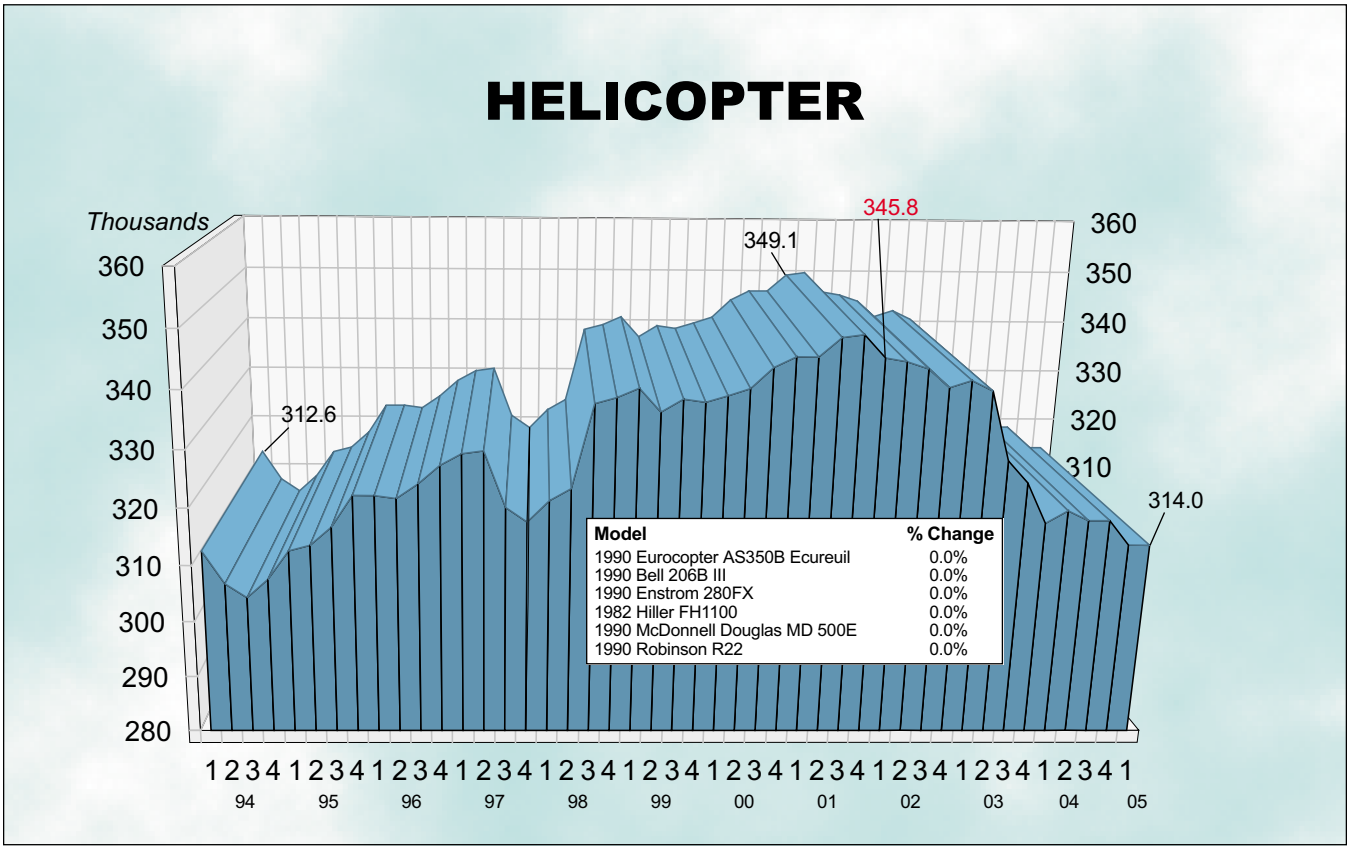
Turboprop. *The turboprop chart depicts the average price (in thousands) of a 1985, 1986 and four 1990 turboprops listed in the box.*



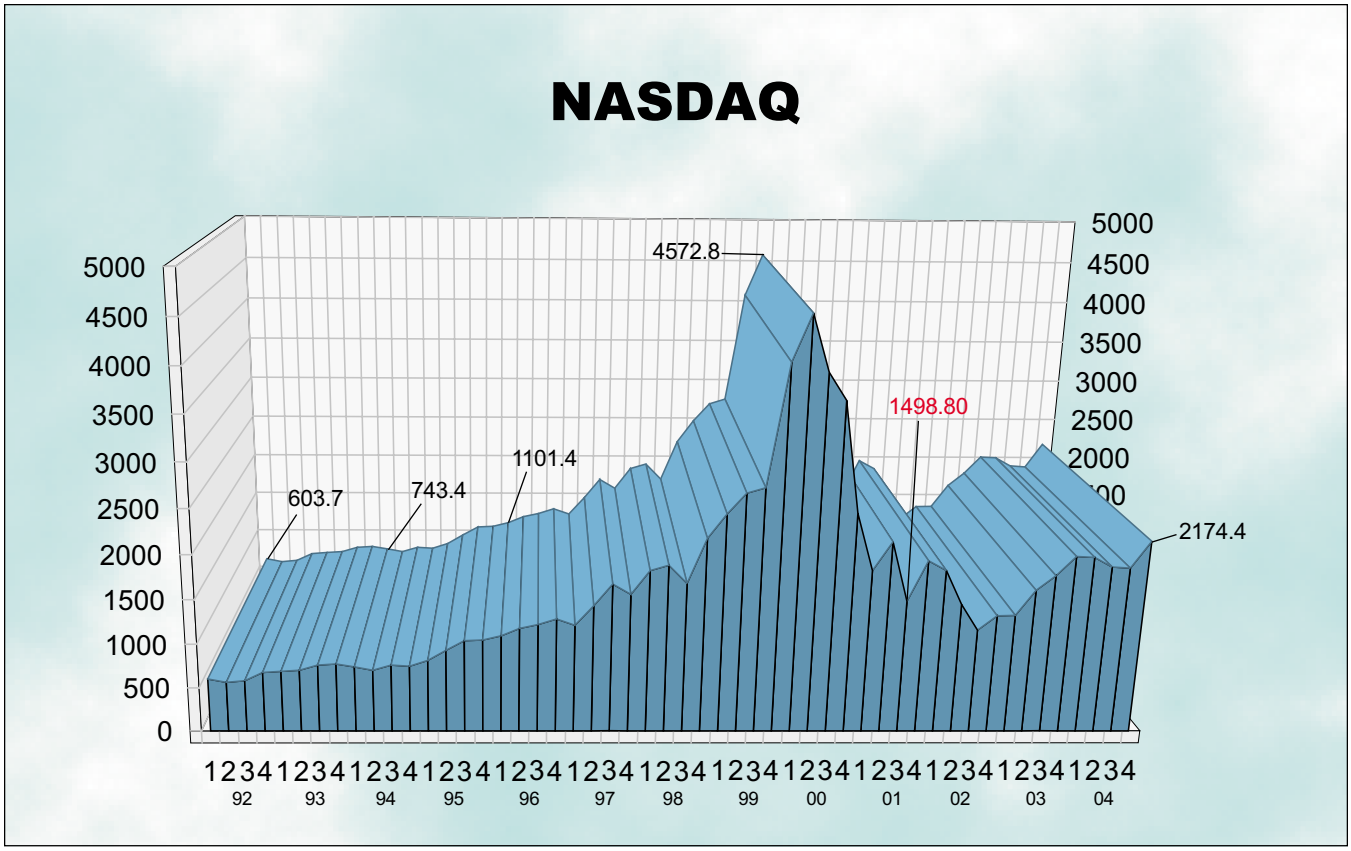
Multi. *The multi chart depicts the average price (in thousands) of the six multi models listed in the box. Each model's year will precede the name of the aircraft.*



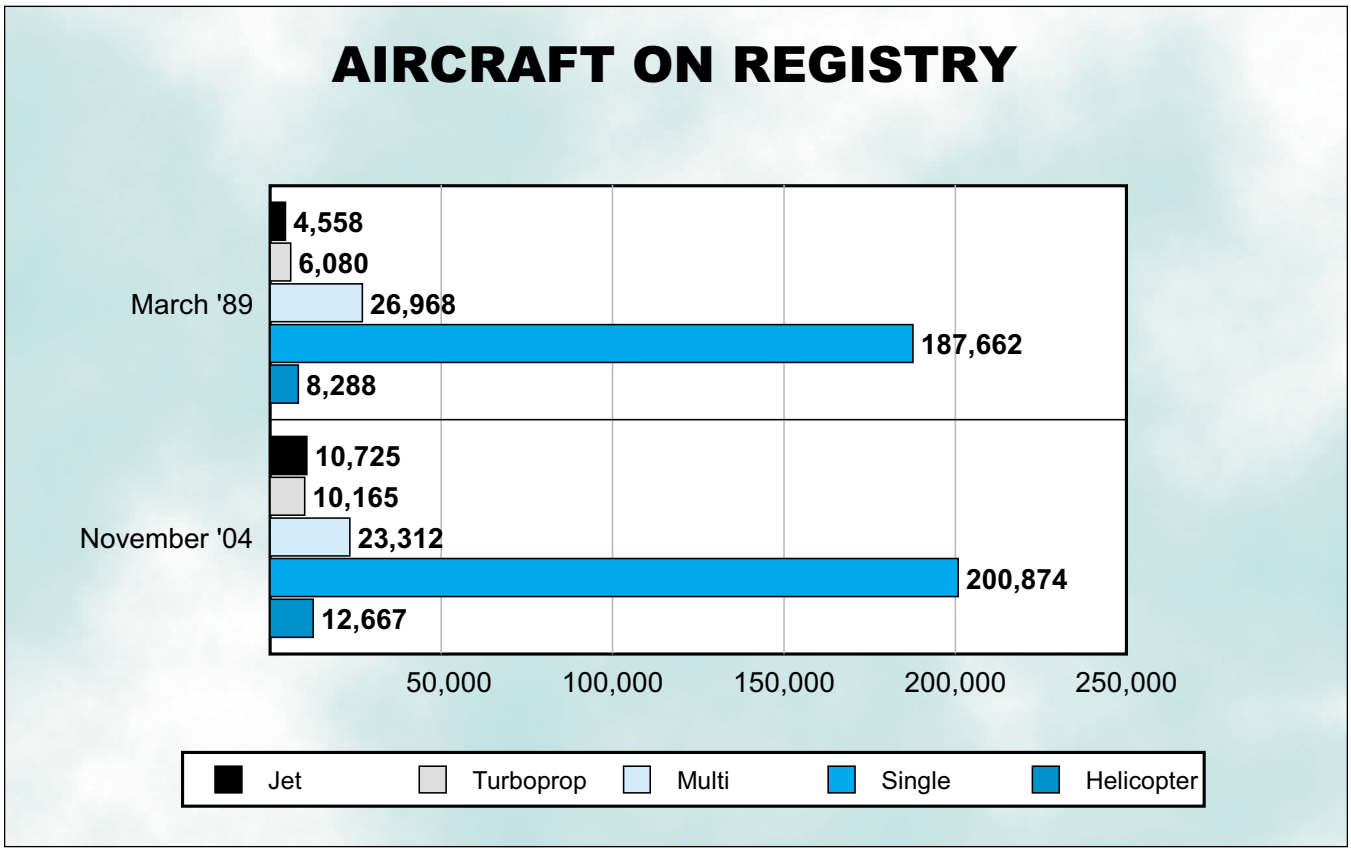
Piston. *The piston chart depicts the average price (in thousands) of the 10 pistons listed in the box. Each model's year will precede the name of the aircraft.*



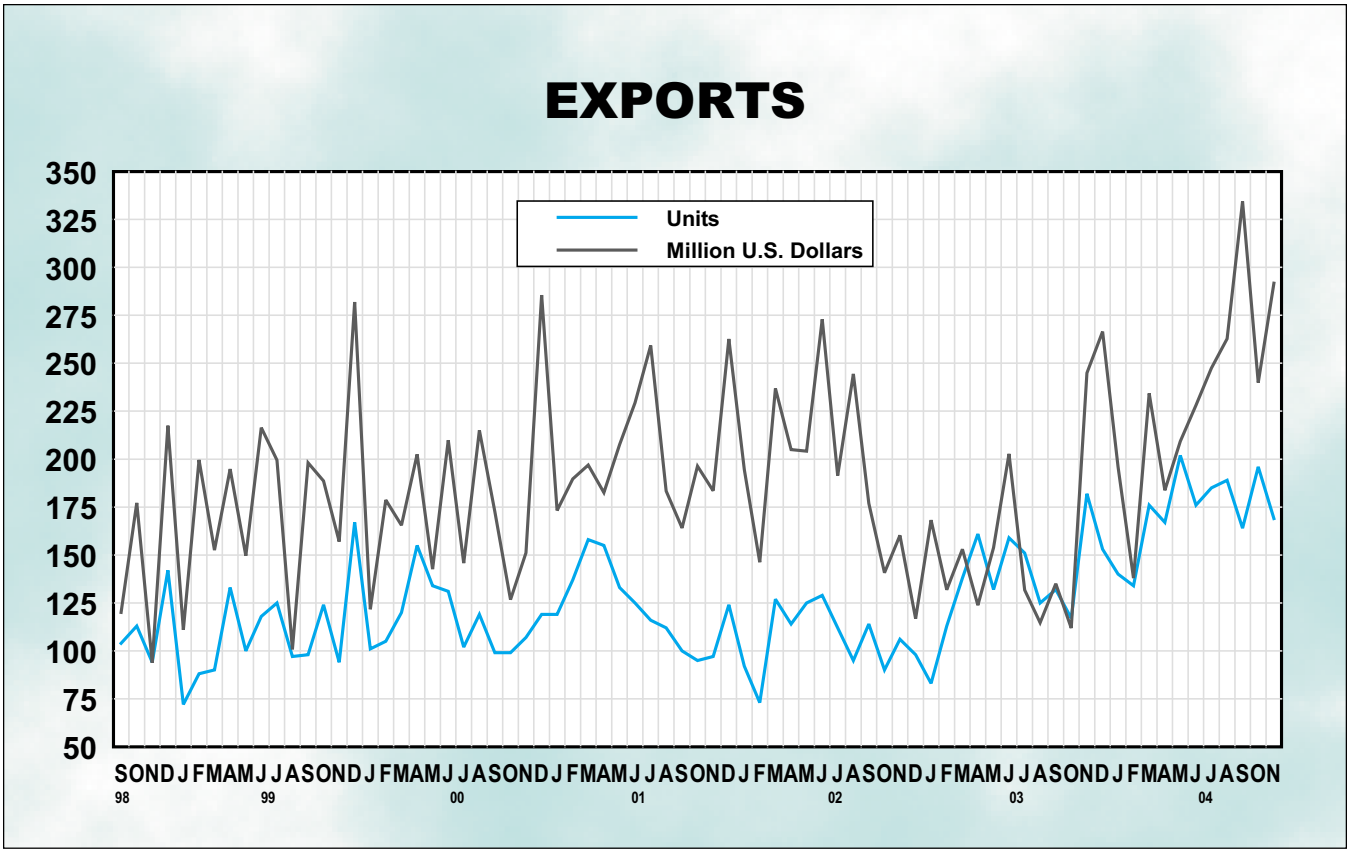
Helicopter. *The helicopter chart depicts the average price (in thousands) of the six helicopters listed in the box. Each model's year will precede the name of the aircraft.*



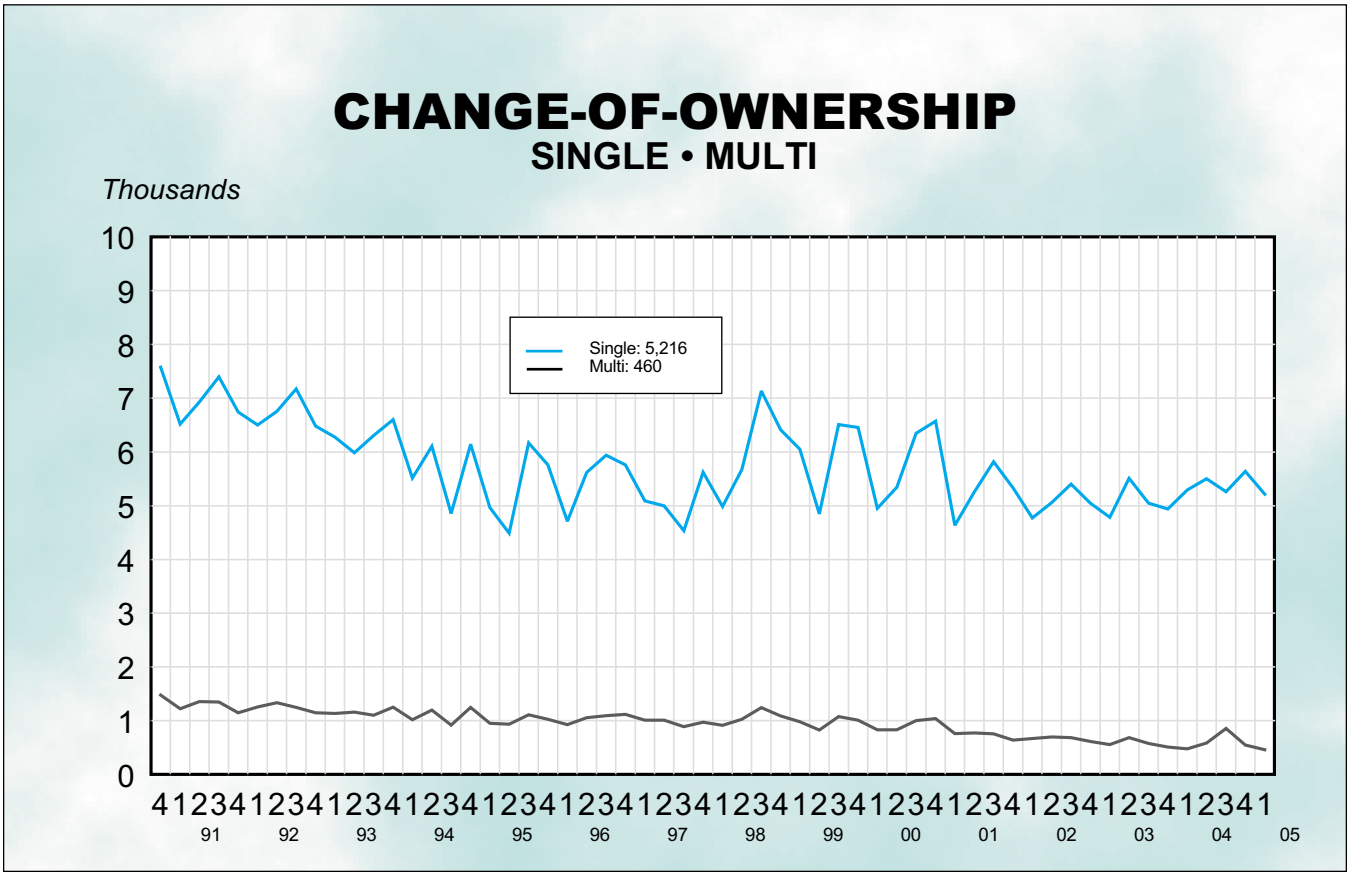
NASDAQ: *This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1992. Each data point represents the closing daily average on the last trading day of each quarter. This study originates in the first quarter of 1971.*



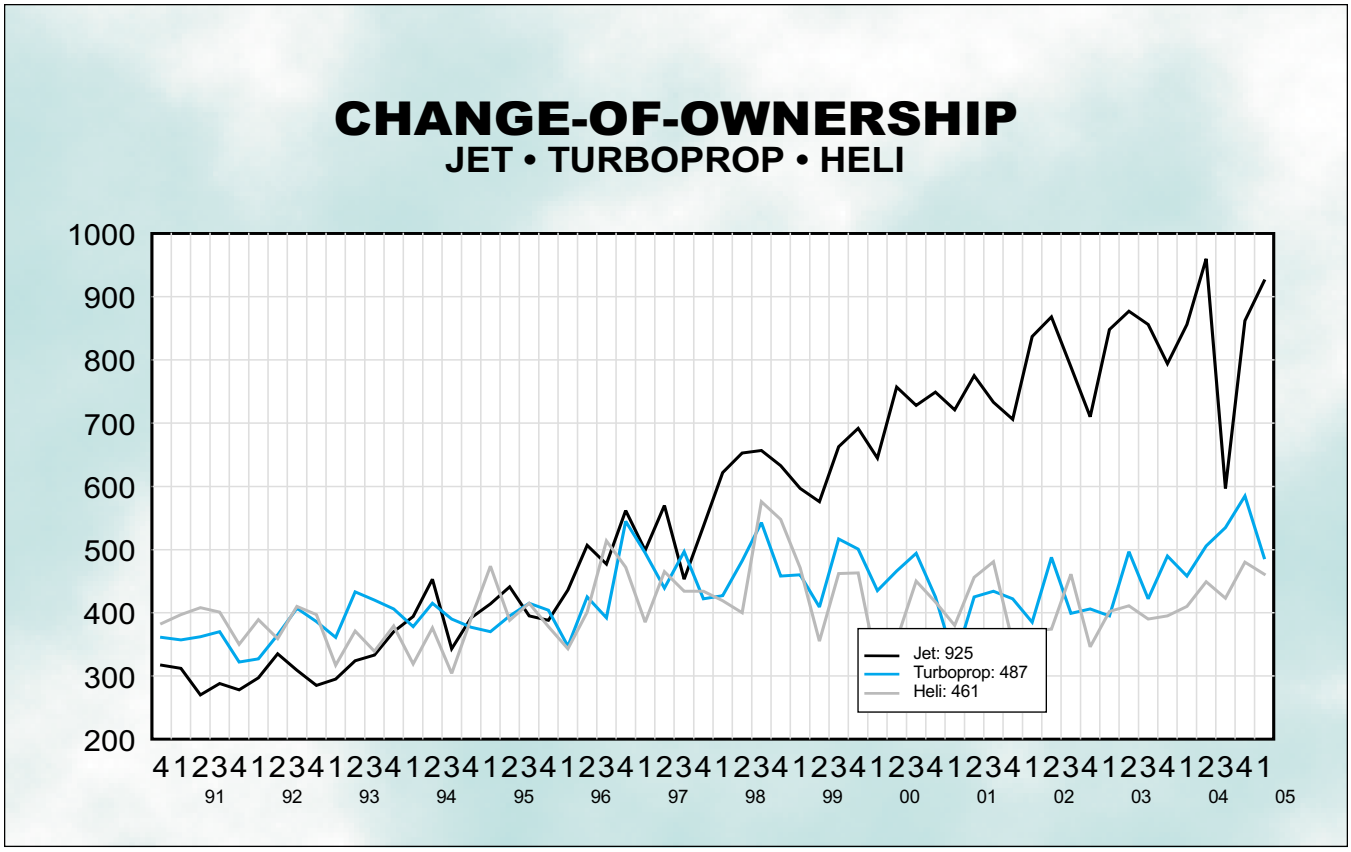
Aircraft on Registry. *The Aircraft on Registry chart depicts the number of aircraft reported in Aircraft Bluebook which are listed on FAA records and considered to be in the U.S. inventory.*



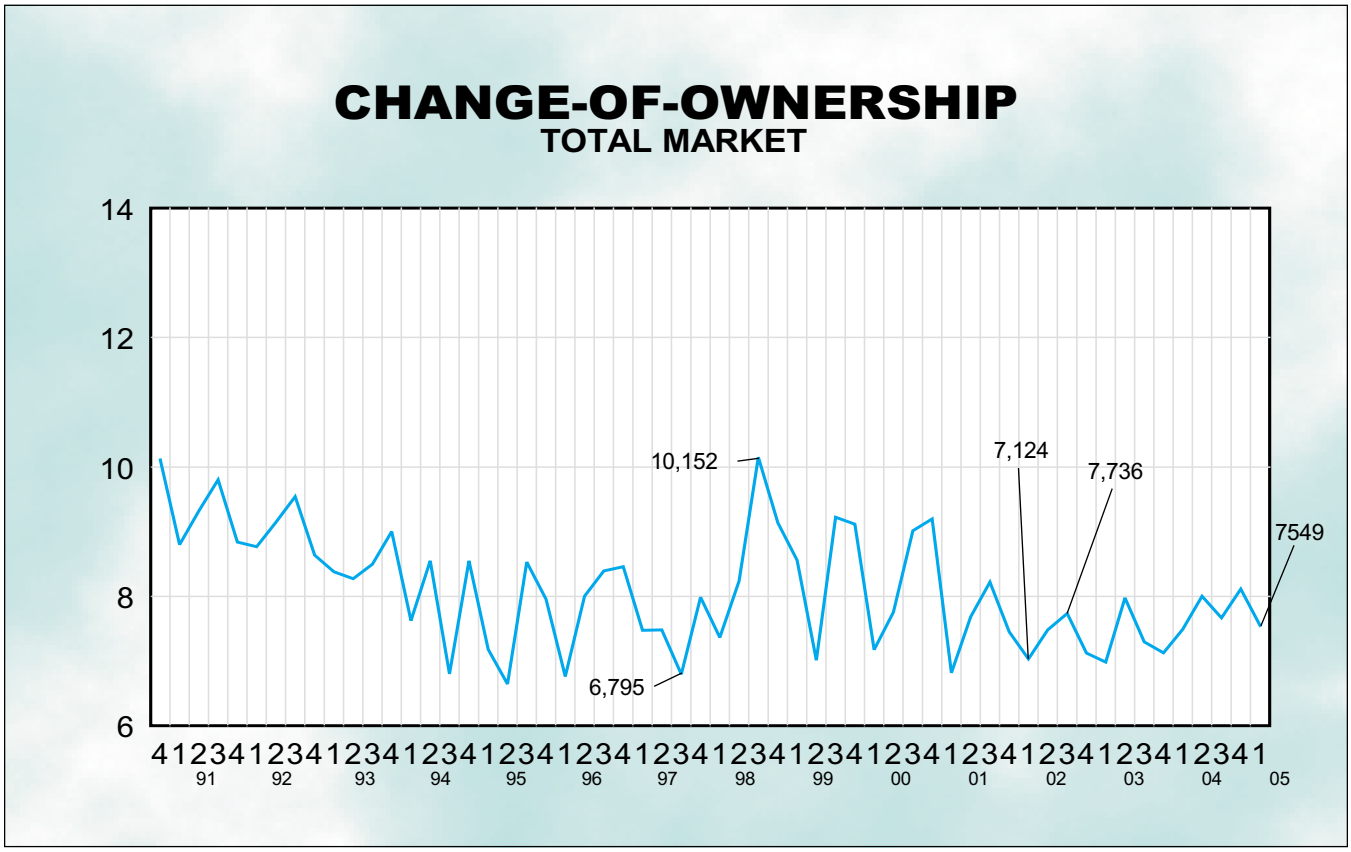
Export Data. *These numbers include both airplanes and helicopters. The numbers do not include aircraft that have empty weights in excess of 33,069 lbs.*



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



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.*



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.*