

A GOOD YEAR FOR TRADE

By Carl Janssens, ASA  Chief Appraiser | Aviation Week Network

Year activity for 2016 has come to a close. December turned out to be an active month for trade and finance of business aircraft. While 2016 can be considered a year of continued recovery in the overall business aviation industry when it pertains to trade, values, on the other hand, have continued to decline. The primary factor in this current market environment is supply and demand. There is a lot of late-model inventory available for sale in the global market with the majority of transactions again occurring in the North American arena. Late-model aircraft in particular continue to show their vulnerability to value retention. There are, of course, many elements that influence the bottom line in a business aircraft transaction. Dennis Rousseau, from Aircraft Post, offers a unique perspective on understanding inventories as it pertains to the late model business jet. Following his strategic insight on the late-model markets can offer some perspective in understanding value retention in the current market.

As for Aircraft Bluebook, the majority of jets reported with stability were more inclined to be in the legacy years of operation. Turboprops were more stable, mainly reflecting the demand and availability that were more balanced in their respective markets. Likewise, the same was reported in the remaining segments reported in Aircraft Bluebook.

EXPERTS DISCUSS AIRCRAFT RESIDUAL VALUES AT AIRCRAFT BLUEBOOK MARKET VALUES ROUNDTABLE

The inaugural Aircraft Bluebook Market Values Roundtable in Los Angeles in October 2016 focused on the global economic factors as well as business aircraft market-specific conditions that affect aircraft residual values.

Recruited by **Carl Janssens and Chris Reynolds, accredited senior appraisers and the editors of Aircraft Bluebook**, six experts immersed in pre-owned business aircraft discussed the challenges for residual values, especially those of large business jets.

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BLUEBOOK-AT-A-GLANCE

JET

INCREASED	12
DECREASED	546
STABLE	543

TURBOPROP

INCREASED	46
DECREASED	6
STABLE	613

MULTI

INCREASED	84
DECREASED	43
STABLE	567

SINGLE

INCREASED	139
DECREASED	81
STABLE	2507

HELICOPTER

INCREASED	0
DECREASED	35
STABLE	1205

GULFSTREAM G650

PRE-OWNED MARKET IMPACT

By Dennis Rousseau | President and Founder | AircraftPost.com

The G650 was announced in 2008 and customer deliveries started during the fourth quarter in 2012. The aircraft had an initial cost new of \$59.5 million subject to CPI, which brought the total to ~\$65 million. As of Sept., 2016., s/n 6205 entered service bringing the total in-service to 206. The published list price for a new G650/650ER today is \$66.8 million and \$68.8 million, respectively.

As is the case with “clean sheet” aircraft, the excitement to own one is overwhelming in the early stages of entry into service (EIS), however this typically wanes as more aircraft are delivered and pre-owned inventory builds. In the case of the G650, buyer enthusiasm was particularly high as the aircraft was in a league of its own relative to range, cabin size, performance, etc.

At year-end 2012, there were seven aircraft in service and one “pre-owned” G650 came to the market with an ask price of \$71 million, subsequently selling for the same. By year end 2013, there were a total of 50 aircraft in service and two came on the “pre-owned” market. One of the aircraft, a 2012-year model, had an ask of “Make Offer” and sold for \$71.5 million, capturing a \$7 million premium over the cost new.

In 2014, the “pre-owned” inventory increased to 10 available aircraft. A percentage of the fleet the G650 was now aligning with availability in corresponding markets at 10 percent. As history has shown, when supply increases, the market tendency is for ask/sell prices to drop in kind, however, in the case of the G650, ask prices remained well above their cost new, ranging from \$72-\$75 million. Selling prices followed a similar pattern ranging from \$71.5 million-\$74 million for the seven aircraft that sold. Viewing the results from another perspective, 10 percent of the fleet came on the market and 7 percent of the fleet sold, which is indicative of a very active, strong market. Average days on market (DOM) for the seven aircraft sold was 140, compared to the one aircraft sold in 2013 at 139 days

2015 was the year that better aligned the G650 with the overall pre-owned business jet market. A total of 25 aircraft came on the market, representing 15.7 percent of the fleet. As a result, the ask price range dropped to a range from \$65 million to \$73.9 million. Selling prices followed suit ranging from \$62 million to \$73 million. Of the nine aircraft that sold DOM averaged at 132, which is in line with the tally for 2013 (139) and 2014 (140).

Gulfstream G650

	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Total on Market					2	10	24	30
Percentage of Fleet					4.0%	10.1%	15.1%	14.6%
Average Time on Market					525	58	110	290
Withdrawn from Market					0	0	1	3
Entered into Service	1	0	1	5	43	49	60	47
Total In-Service	1	1	2	7	50	99	159	206
Total Sold					1	7	9	10
Percentage of Fleet					2.0%	7.1%	5.7%	4.9%
Average Sale Price (M)					71.5	72.8	68.6	60.1
Average Market Time (Days)					139	140	132	207
Average Year					2012	2013	2014	2014

GULFSTREAM G650 (CONTINUED)

PRE-OWNED MARKET IMPACT

By Dennis Rousseau | President and Founder | AircraftPost.com

YTD 2016, 30 G650s came on the market, representing 14.6 percent of the fleet and the average DOM increased from 110 in 2015 to 290 today. The ask price range for the 28 available aircraft ranged from 64.9 million to \$69.9 million. As previously mentioned, when supply increases, ask prices, and sell prices, decline. As sellers see more competition they get anxious and follow the market down. A 2016 650-ER came on the market in May, 2016, at \$66 million ask and closed one month later for \$65 million, which set a precedent for pricing in that it's a near new aircraft, competing with a list price new of \$68.8 million and a wait time of ~18 months. Also, a 2015 had 0 DOM, full warranty, delivery time only and sold for \$62 million. Two similar aircraft sold around the same time frame for \$60.5 million each, which exemplifies the effects of market saturation. Further, a major market event transpired around mid-year when a 2014 vintage aircraft sold for \$57 million, followed shortly thereafter by a 2013 EIS aircraft selling at \$50.3 million. To-date, of the 15 aircraft on the market five show ask prices in the low-to-mid-\$50 million range. If history follows course (percent delta between ask price and sell price), these aircraft could potentially see sale prices in the high 40s.

Market Effect on Long-Range Aircraft. Business jet values and their respective prices continue to deteriorate, regardless of aircraft type. This can be attributed to the global economic downturn as well as market saturation. In 2010, we saw on average 6.4 percent of the fleet of current production aircraft on the market. By 2014, the percentage had increased to 12 percent and YTD 2016 we are seeing 15.1 percent of the available fleet(s) on the market. To exacerbate the saturation problem, we have ask price cuts from \$500 thousand to over \$5 million on the upper end of the markets on a weekly basis and of course as ask prices drop so do sell prices.

To the potential buyer, this can be seen as good news. However to current owners it can have a negative impact on future values. As G650 ask prices continue to drop (4 of 15 G650s currently on the market are now asking \$52 million–\$53 million) the selling prices will trend in kind. As they migrate to the high 40s, buyers in the long range aircraft markets will have more choices creating an unimaginable pricing scenario. Brand loyalty aside, consider there are two new Global 6000s on the market with ask prices in the \$45 million–\$49 million range, 2-2014 G550s at the \$40 million price point, not to mention the potential impact the pre-owned 650 market could have on new aircraft such as the Falcon 8X (list ~\$57 million) or the upcoming Global 7000 (\$72 million) and even the G500 (\$46million). The proven capabilities of the G650, such as its 7,000 nm range at .88M (.92 Mmo), spacious 3-zone cabin that affords a 4K' cabin altitude at 45K', complete fly-by-wire system, coupled with pre-owned price levels has the potential to undermine pricing or outright sales in near term pre-owned markets as well as sales for new aircraft.

Gulfstream G650 Market Data

Year	Ask Price Range
2014	72M - 75M
2015	59.95M - 73M
2016	52.99M - 69M

ASK AIRCRAFT BLUEBOOK

If you have any questions about the Aircraft Bluebook, please feel free to give the editorial staff a call at 1-800-654-6776 or email us, info@aircraftbluebook.com.

CAN I BUY THE HISTORICAL VALUE REFERENCE IN PRINT?

The Historical Value Reference (HVR) program is only available online at www.aircraftbluebook.com. It is a 12-month long subscription that sells for \$249.95. It can be bundled with a subscription to aircraftbluebook.com for \$599.95.

WHERE CAN I REPORT MY AIRCRAFT SALES INFORMATION?

If you would like to report aircraft transactions, you can go to our website www.aircraftbluebook.com and click on the button that says "Click here to submit your aircraft sales reports" or you can email them to info@aircraftbluebook.com directly. All reports are kept confidential.

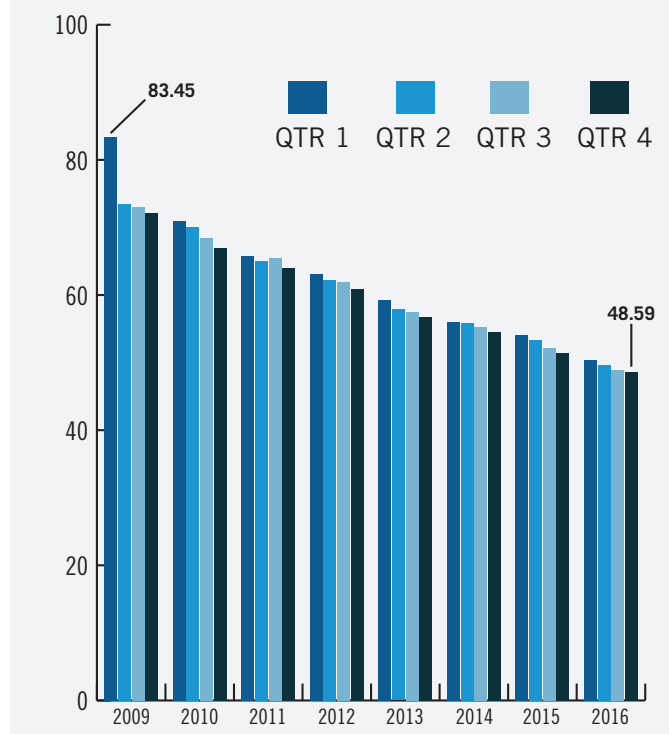
CURRENT MARKET STRENGTH

CMS represents an aircraft's current strength in the market. An A+ rating indicates the aircraft is enjoying a very firm market. Prices for an A+ aircraft are steadily rising, and holding times are very short or nonexistent. At the opposite end of the spectrum, a C- aircraft is one experiencing a very soft market. Its price is commonly discounted, and it often sets on the ramp in excess of eight months before selling. It is important to remember that Current Market Strength is not a forecast. It is valid only at Marketline's effective date of release. *See chart below.*

MARKETLINE CHARTS

All of the listed aircraft have a composite score that is presented in the Used Aircraft Market graph. Data points are represented in relationship to the respective new delivered historical price that is equal to 100%. The measure of change is reported in the actual percentage of value in relation to new. The delta between reporting periods can be concluded as the percentage of change.

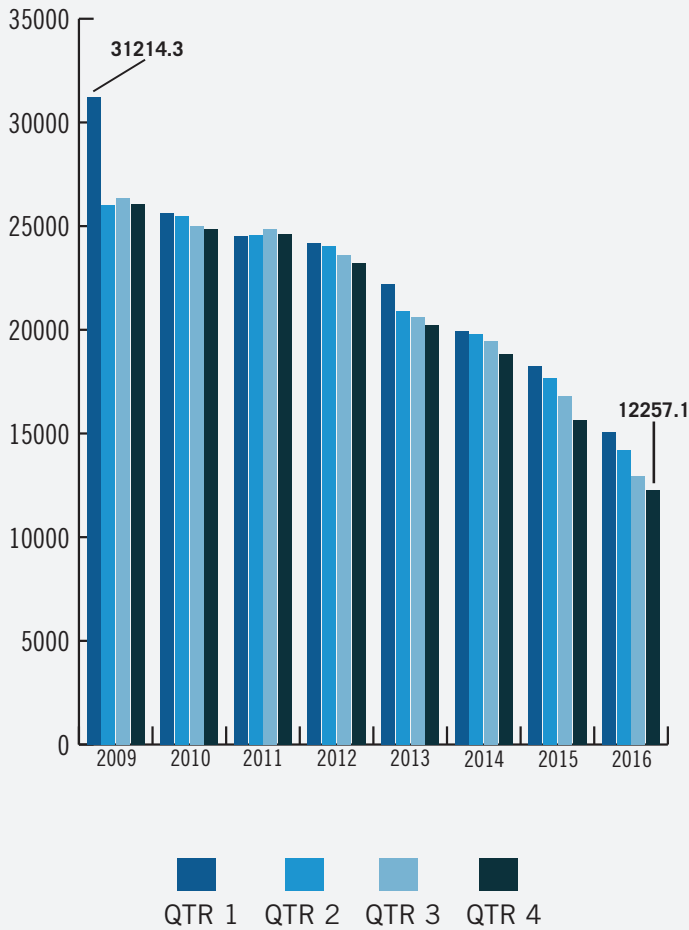
USED AIRCRAFT MARKET



CURRENT MARKET STRENGTH (CMS)

2007/2008 Model	CMS	2007/2008 Model	CMS	2007/2008 Model	CMS
Beech Premier 1A	B-	Gulfstream G-200	B	Cirrus SR22-G2	A-
Bombardier Global XRS	A	Gulfstream G150	B	Cirrus SR20-G2	B+
Bombardier Challenger 604	B	Hawker 800XP	B	Diamond DA40-180XLS Star	B
Bombardier Challenger 300	A	Hawker 400XP	C	Diamond DA20-C1 Eclipse	B-
Bombardier LearJet 60XR	B-	Beech King Air 350	A	Mooney M20TN Acclaim	B-
Bombardier LearJet	A-	Beech King Air B200	A	Mooney M20R Ovation	B-
Cessna Citation X	B+	Beech King Air C90GT	A	Piper PA46-350P Mirage	B
Cessna Citation XLS	B+	Cessna 208B Grand Caravan	A	Piper PA34-220T Seneca V	B
Cessna Citation CJ3	A	Piaggio P180	B	Piper PA28R-201 Arrow	B
Cessna Citation CJ2	A	Pilatus PC-12/47	B	Piper PA28-181 Archer III	B
Dassault Falcon 900	A	Piper PA46-500TP Meridian	B+	Evektor Sportstar (LSA)	B-
Dassault Falcon 50EX	B-	Socata TBM850	B	Flight Design CTLS (LSA)	B-
Dassault Falcon 2000EX	A	Beech 58 Baron	B	Agusta A109 Grand	B+
Embraer EMB-135 Legacy	A-	Beech A36 Bonanza	A-	Bell 206 L-4	B+
Embraer Phenom 100	A	Cessna T206H Stationair	A-	Eurocopter AS350-B3	B
Gulfstream G550	A	Cessna 182T Skylane	A-	Robinson R44 Raven II	A
Gulfstream G450	A	Cessna 172S Skyhawk	A-	Sikorsky S-76C++	B-

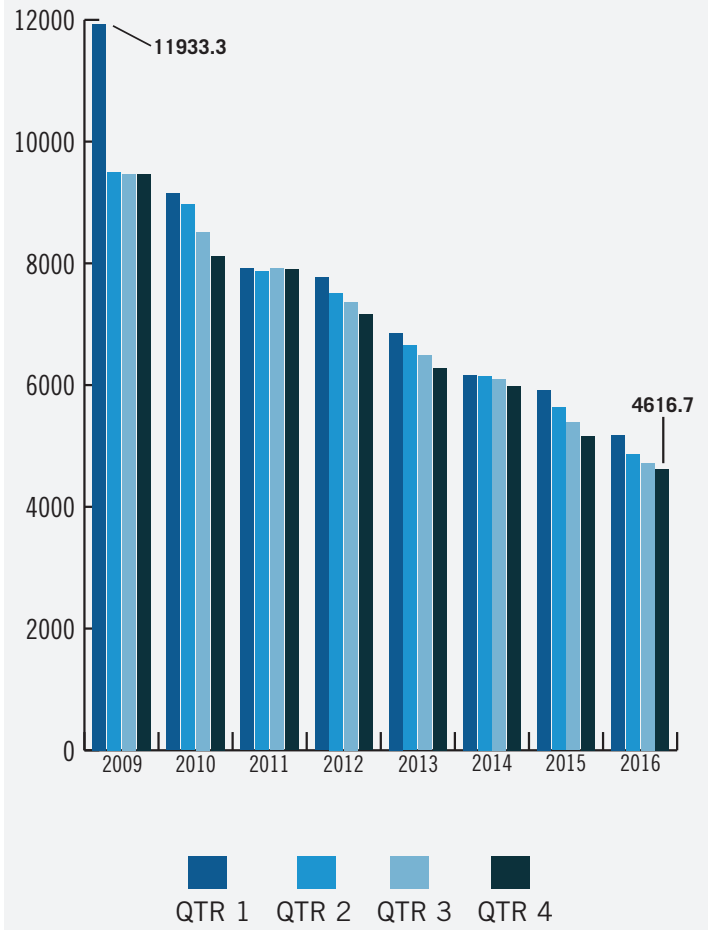
LARGE JET



The Large Jet chart depicts the average price (in thousands) of the seven jets listed. Each model's year will precede the name of the aircraft.

YEAR/MODEL	%CHANGE
2006 Bombardier Global Express	-5.0
2007 Bombardier Challenger 605	0.0
2005 Dassault Falcon 900 EX Easy	-6.7
2005 Dassault Falcon 200EX Easy	-4.5
2005 Gulfstream G550	-5.3
2005 Gulfstream G450	-10.0
2005 Embraer EMB135 Legacy	-3.1

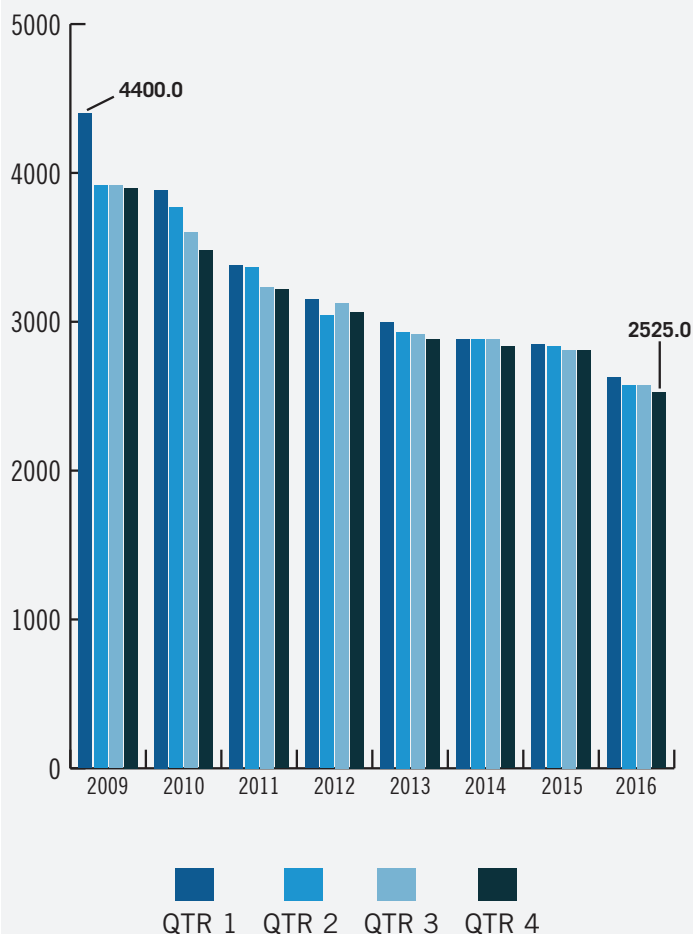
MEDIUM JET



The Medium Jet chart depicts the average price (in thousands) of the six jets listed. Each model's year will precede the name of the aircraft.

YEAR/MODEL	%CHANGE
2005 Bombardier Challenger 300	0.0
2005 Bombardier Lear 45XR	-6.3
2005 Cessna Citation Sovereign	-5.5
2005 Cessna Citation XLS	4.8
2006 Gulfstream G150	-4.2
2005 Hawker 800XP	-3.8

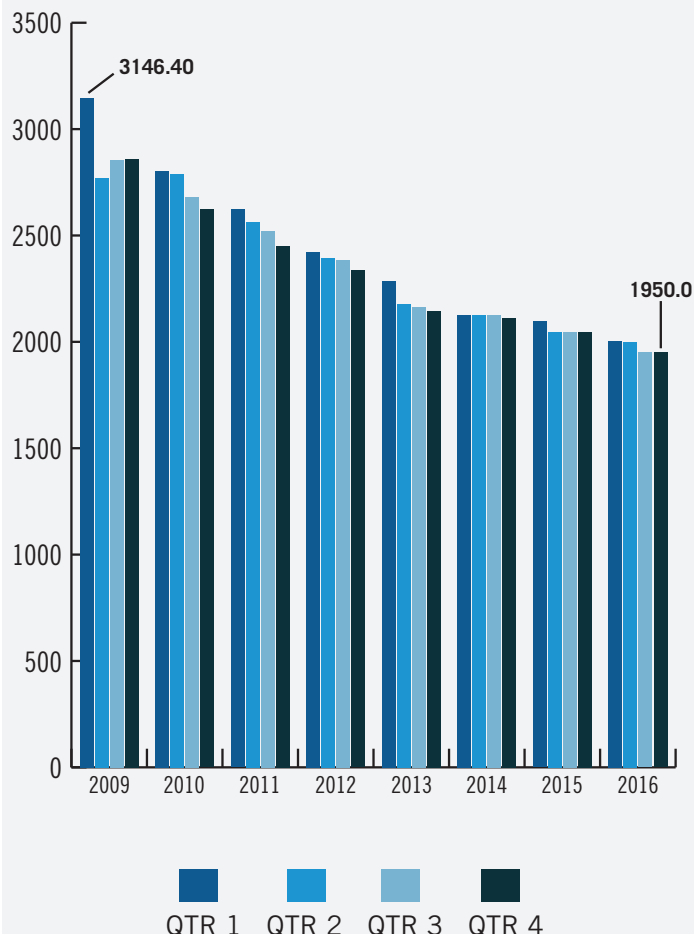
SMALL JET



The Small Jet chart depicts the average price (in thousands) of the six jets listed. Each model's year will precede the name of the aircraft.

YEAR/MODEL	%CHANGE
2005 Beech Premier 1	0.0
2005 Cessna Citation CJ2+	-3.2
2006 Cessna 510 Mustang	-6.7
2008 Embraer Phenom 100	-5.0
2009 Embraer Phenom 300	0.0
2005 Hawker 400XP	0.0

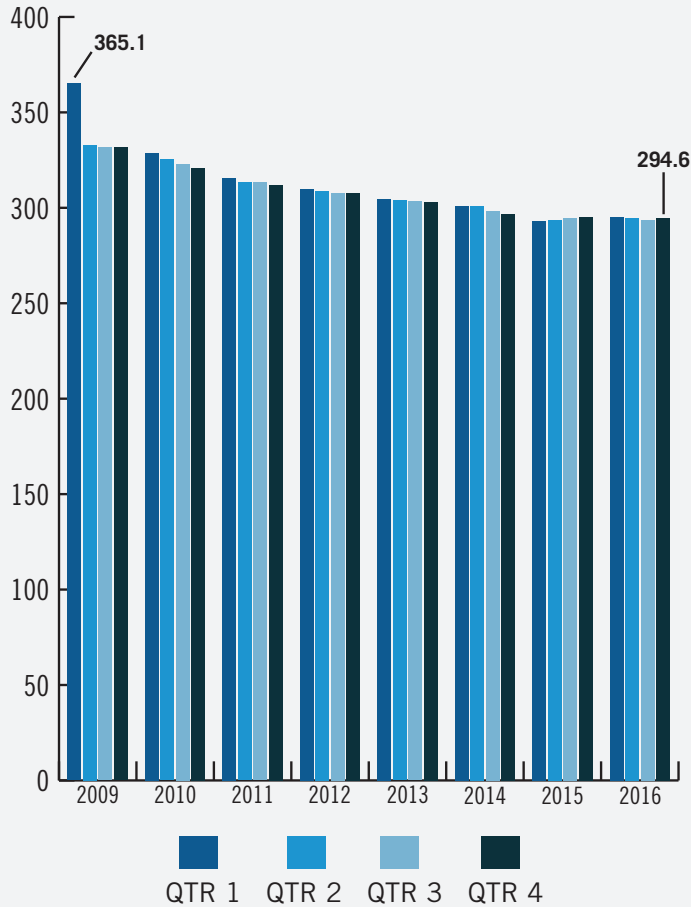
TURBOPROP



The Turboprop chart depicts the average price (in thousands) of the seven turboprops listed. Each model's year will precede the name of the aircraft.

YEAR/MODEL	%CHANGE
2005 Beech King Air350	0.0
2005 Beech King AirB200	0.0
2005 Beech King AirC-90B	0.0
2005 Cessna 208 Grand Caravan	0.0
2005 Piaggio AvantiP180	0.0
2005 Pilatus PC12/45	0.0
2005 Socata TBM700C2	0.0

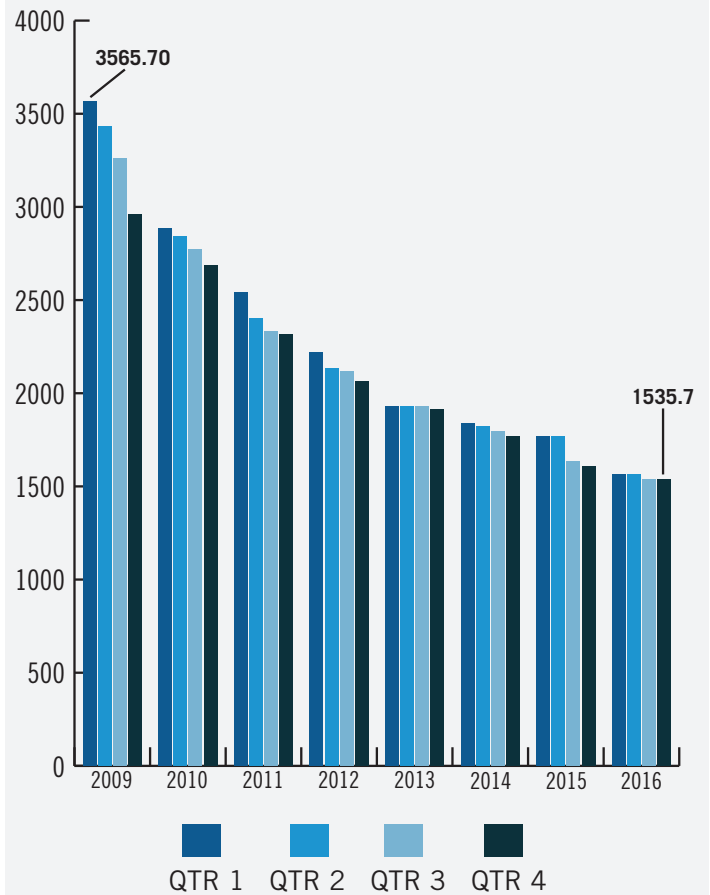
SINGLE/MULTI PISTON



The Single/Multi-Piston chart depicts the average price (in thousands) of the 12 aircraft listed. Each model's year will precede the name of the aircraft.

YEAR/MODEL	%CHANGE
2005 Beech 58 Baron	1.8
2005 Diamond DA42 Twin Star	0.0
2005 Piper PA34-220T Seneca V	0.0
2005 Beech A36 Bonanza	-1.4
2005 Cessna/Columbia 400	-3.9
2005 Cessna 182T Skylane	0.0
2005 Cessna T206H Turbo Stationair	0.0
2005 Cessna 172S Skyhawk SP	7.1
2005 Cirrus SR22-G2	3.0
2005 Diamond DA40-180 Star	0.0
2005 Piper PA46-350P Mirage	0.0
2005 Piper PA28R-201 Arrow	0.0

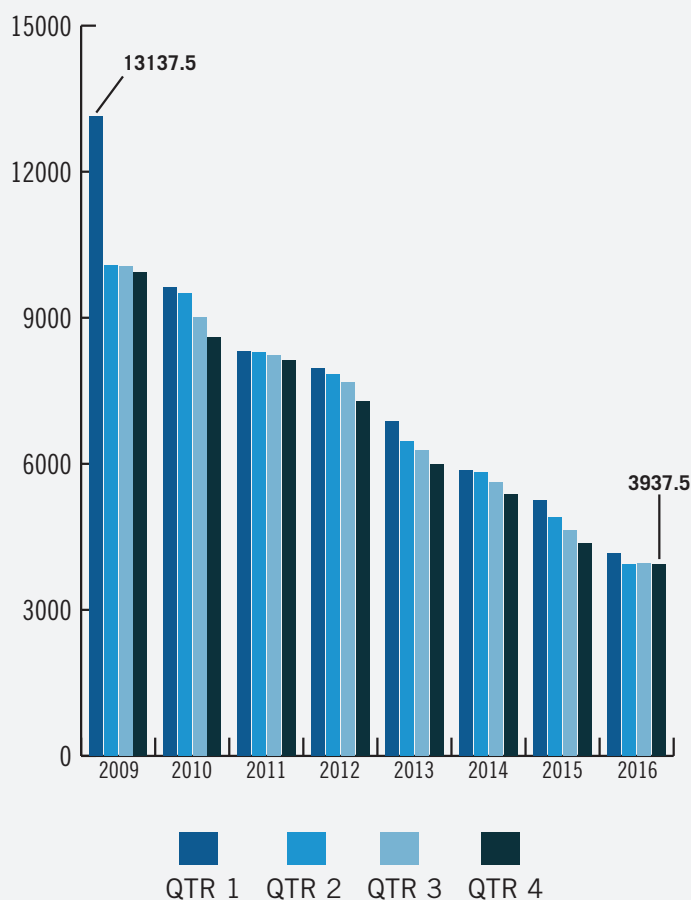
HELICOPTER



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

YEAR/MODEL	%CHANGE
2005 Agusta A109E Power	0.0
2005 Bell 430	0.0
2005 Eurocopter EC130B4	0.0
2005 Eurocopter AS350B-3 Ecureuil	0.0
2004 Enstrom 280FX	0.0
2005 Robinson R44 Raven	0.0
2005 Sikorsky S-76C+	0.0

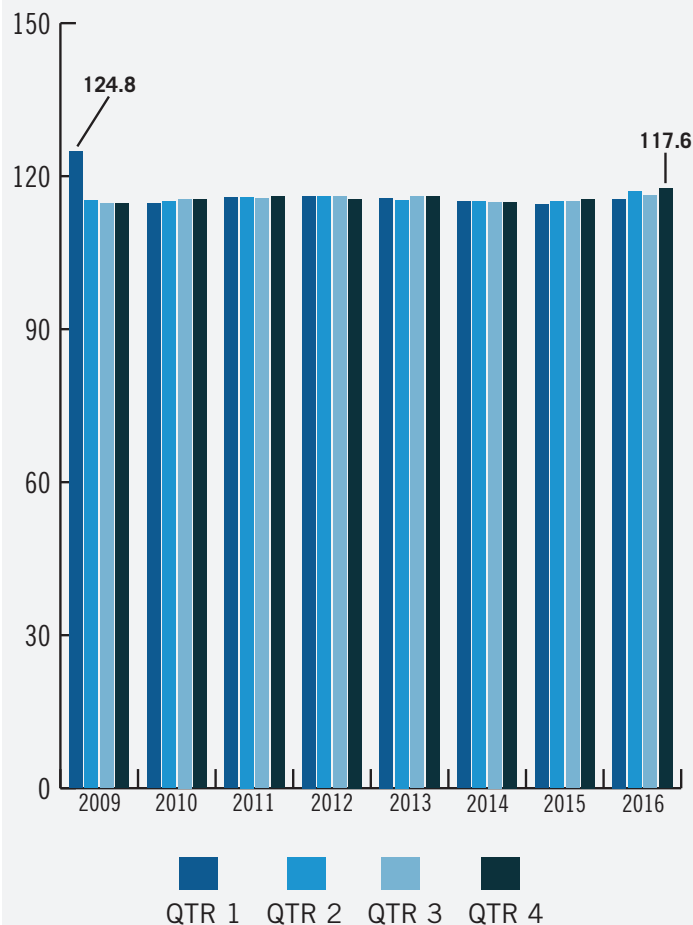
LEGACY JET



The Legacy Jet chart depicts the average price (in thousands) of the eight jets listed. Each model's year will precede the name of the aircraft. Legacy Aircraft are those produced prior to the year 2000.

YEAR/MODEL	%CHANGE
1996 Bombardier Challenger 604	0.0
1996 Bombardier Lear 31A	0.0
1996 Cessna Citation Ultra	0.0
1996 Dassault Falcon 900B	-1.7
1997 Dassault Falcon 50EX	0.0
1996 Gulfstream GV	0.0
1996 Gulfstream GIVSP	0.0
1996 Hawker800XP	-3.0

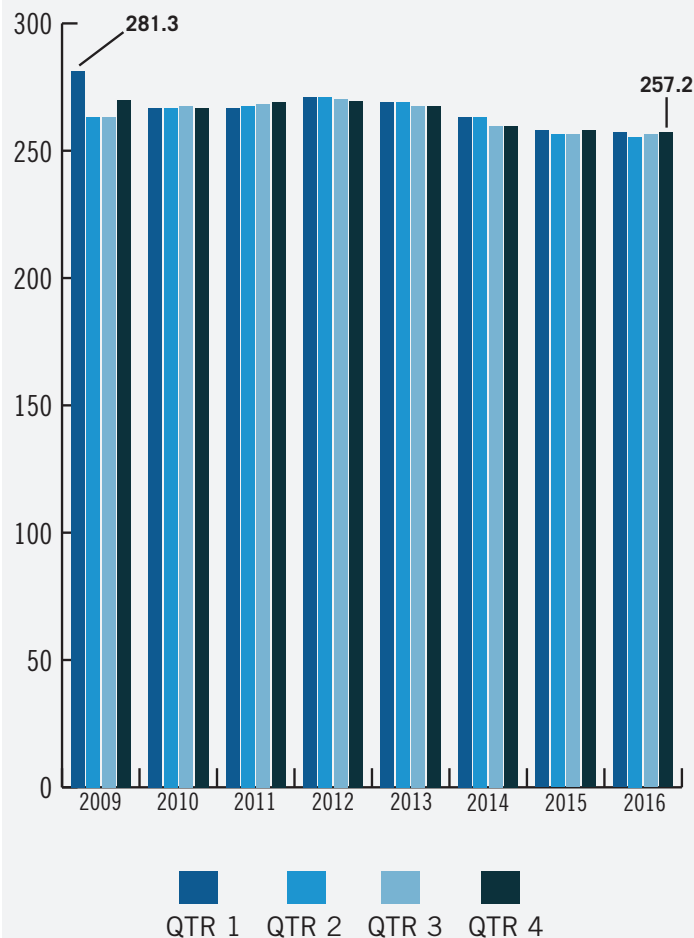
LEGACY PISTON



The Legacy Piston chart depicts the average price (in thousands) of the ten piston aircraft listed. Each model's year will precede the name of the aircraft. Legacy Aircraft are those produced prior to the year 2000.

YEAR/MODEL	%CHANGE
1990 Beech A36 Bonanza	0.0
1990 Beech F33 Bonanza	0.0
1986 Cessna 210 Centurion II	0.0
1986 Cessna 172P Skyhawk B	10.4
1985 Cessna 152 Commuter II	35.8
1990 Mooney 252 TSE	0.0
1990 Piper PA-28-236 Dakota	0.0
1990 Piper PA-28R-201 Arrow	0.0
1990 Piper PA-28-181 Archer II	0.0
1990 Piper PA-28-161 Warrior II	0.0

LEGACY MULTI ENGINE PISTON

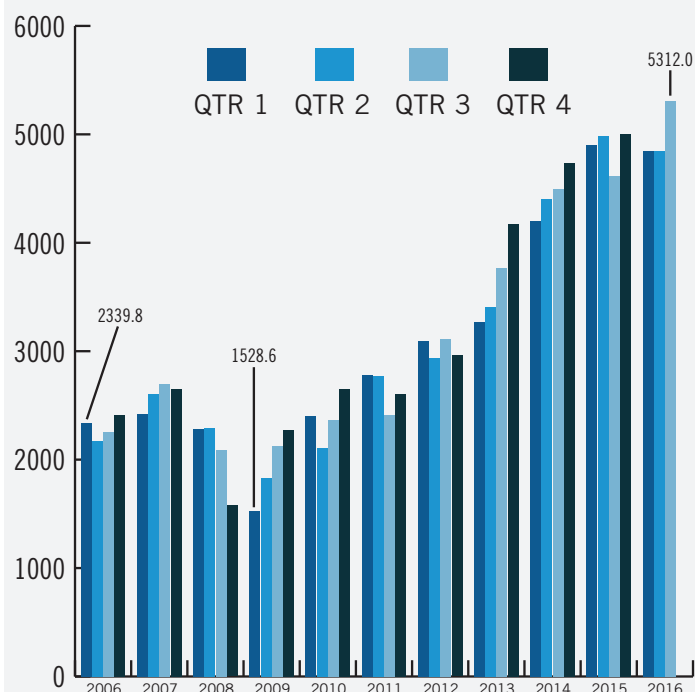


The Legacy Multi Engine Piston chart depicts the average price (in thousands) of the six aircraft listed. Each model's year will precede the name of the aircraft. Legacy Aircraft are those produced prior to the year 2000.

YEAR/MODEL	%CHANGE
1986 Beech 58P Pressurized Baron	1.6
1990 Beech 58 Baron	0.0
1985 Cessna 421 Eagle III	0.0
1981 Cessna 310R II	0.0
1982 Piper PA-310C Navajo	0.0
1990 Piper PA-34-220T Seneca III	0.0

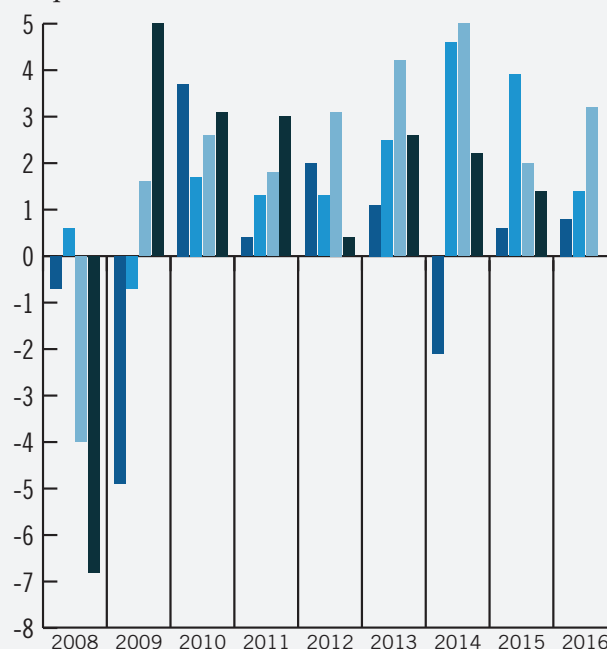
NASDAQ

Consider these graphs as crosschecks. The general aviation and business aircraft market does not operate in a vacuum but is a part of the bigger picture.



U.S. REAL GDP

Each data point represents the BEA's final figure or latest estimate of the quarter-to-quarter seasonally adjusted annual rates of change in real GDP "based on chained 2005 dollars." The study begins with the first quarter in 2006.

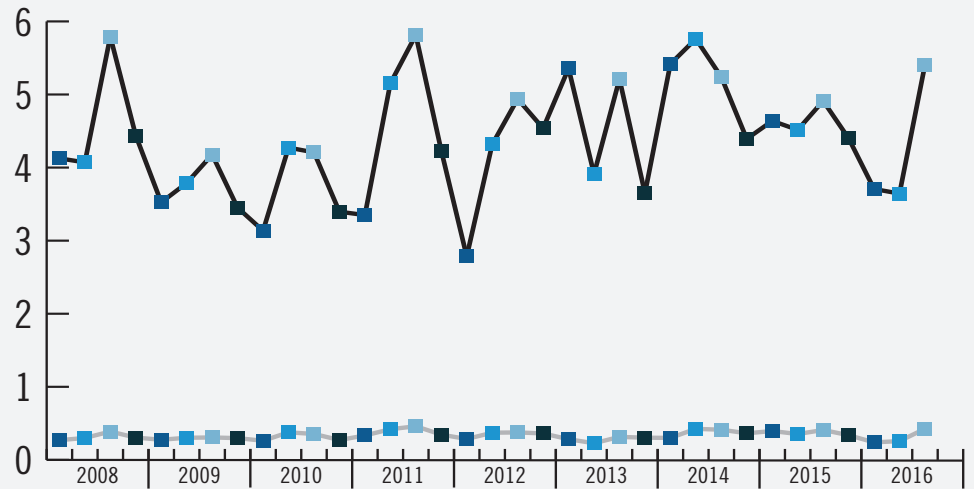


CHANGE OF STATUS: SINGLE/MULTI

The black line in the chart depicts change-of-status data for singles. The light gray line represents multi.

Single: 5406
Multi: 426

QTR 1 QTR 2 QTR 3 QTR 4

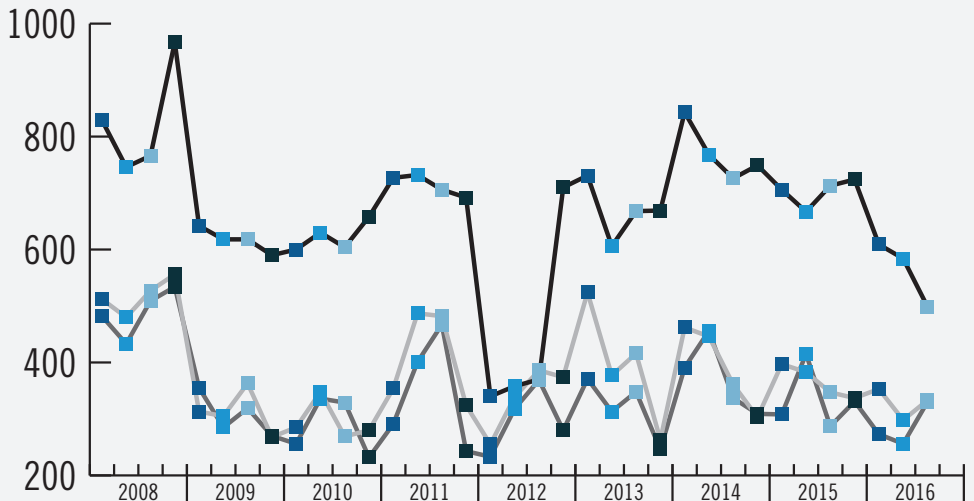


CHANGE OF STATUS: JET/TURBO/HELI

The black line in the chart represents change-of-status information for jets. The light gray line depicts turboprops, while the dark gray line represents helicopters.

Jet: 499
Turboprop: 333
Heli: 330

QTR 1 QTR 2 QTR 3 QTR 4

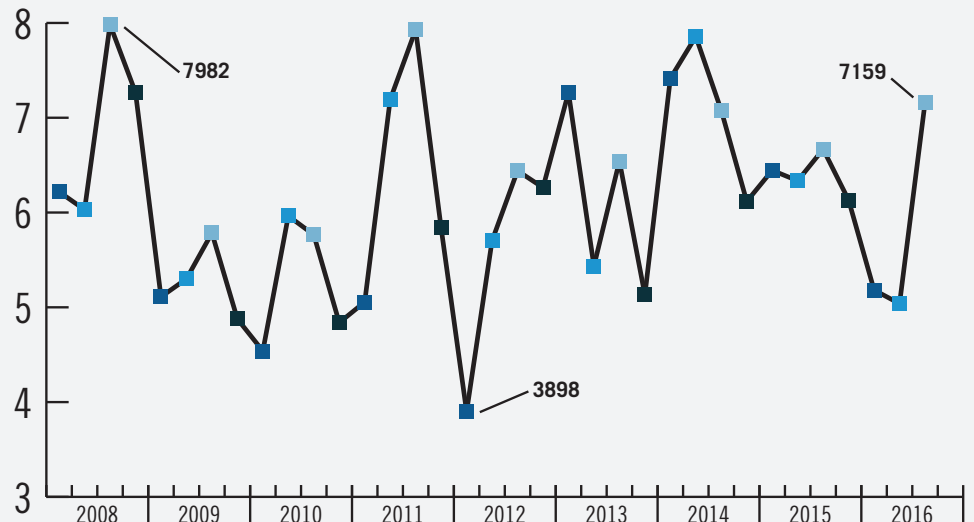


CHANGE OF STATUS: TOTAL MARKET

Depicts change-of-status 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.

Total Market

QTR 1 QTR 2 QTR 3 QTR 4



INTO THE BLUE

Aircraft Bluebook At-a-Glance

Beechcraft King Air F-90

By Chris Reynolds, ASA | Aircraft Bluebook

Aircraft Bluebook At-a-Glance has reviewed the current market status of the Beechcraft King Air F-90 turbo-prop aircraft. Research for this study was obtained in part from Aircraft Bluebook, Aircraft Bluebook's Historical Value Reference, the FAA's registry website and various trade services.

Demand

Currently, the F-90 fleet is approximately 186 aircraft. At the time of this writing, approximately 20 F-90 aircraft, representing nearly 12 percent of the fleet, were reported for sale. Average time on market appears to be more than 200 days.

Pricing

Current offerings for the F-90 range from low \$500-thousands to \$1.6 million. Airframe time varies from several thousand hours to greater than 10,000 hours, depending on the year-model. During the last year,

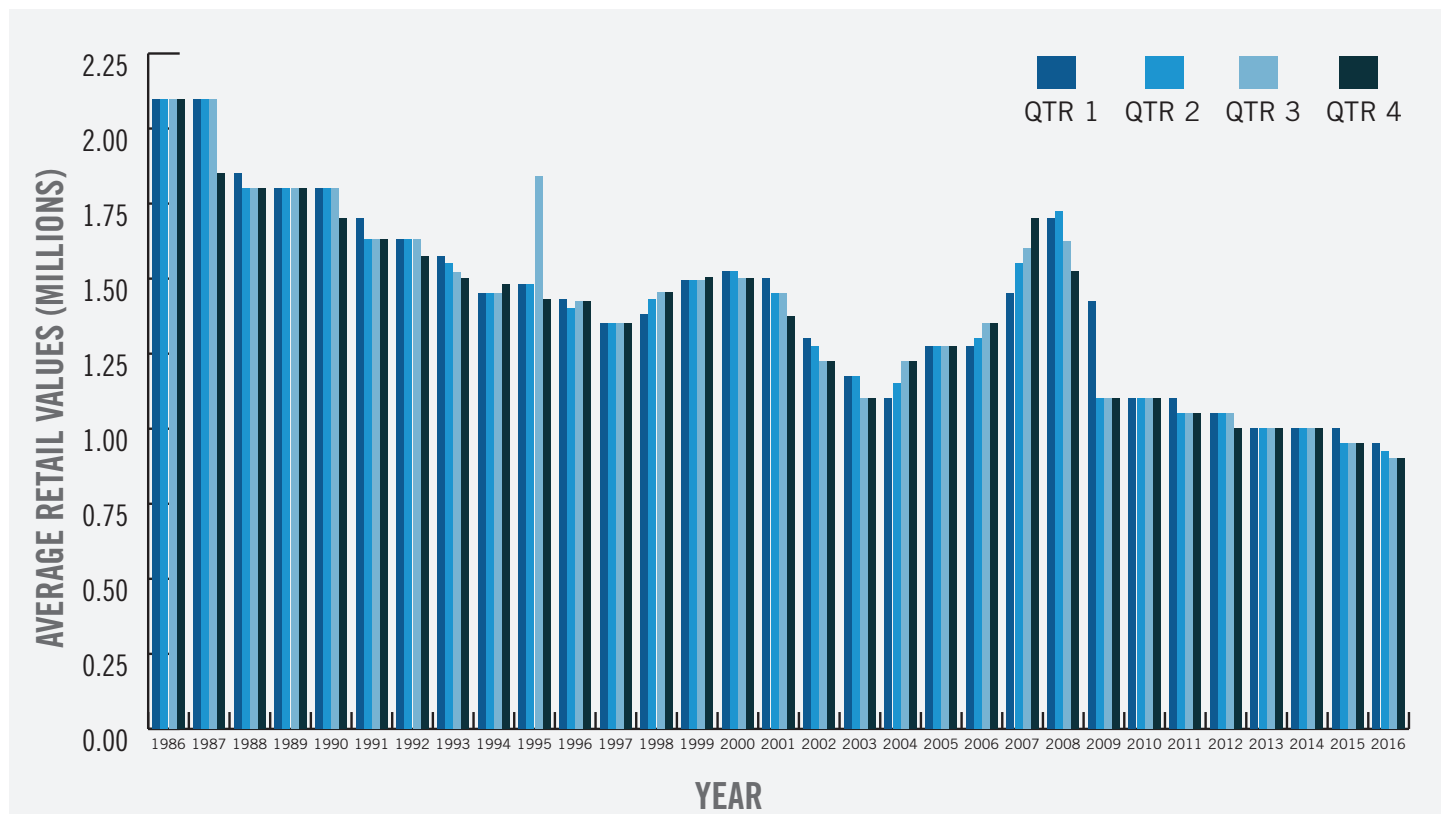
approximately 15 to 20 sales appear to have occurred. Equipment and time/condition can significantly affect time on market and marketable value. For the Winter 2016 Aircraft Bluebook, a 1986 Beechcraft F-90 had a reported average retail value of \$900 thousand, which represented no change from the previous quarter's average retail value.

Residual Values

A 1986 Beechcraft King Air F-90, which market values have been tracked since the first quarter of 1986, was reported new with an average equipped price of \$2,097,500. Aircraft Bluebook's Historical Value Reference has demonstrated the F-90 market value (performance by quarter) in the graph for this 1986 model.

Other historical values can be obtained at Aircraft Bluebook's website, www.aircraftbluebook.com.

AVERAGE RETAIL VALUES



Molly McMillin, managing editor of The Weekly of Business Aviation, primed the attendees with a rundown of news from the business aviation beat to help explain why used business jet inventories had gone up and why residual values are down. She framed the developments within the context of unprecedented growth in the previous decade and the continuing search for renewed growth since the financial crisis and economic downturn. Original equipment manufacturers Bombardier Business Aircraft and Dassault Falcon Jet had reduced their forecasts in guidance to investors in 2016, she said. Likewise, Embraer Executive Jets and Textron Aviation were taking steps to adjust their production to the current market conditions.

Thomas Fissellier, manager, market intelligence and analysis, market development and business planning at Bombardier Business Aircraft, gave a concise presentation to represent a perspective of an OEM next. He argued that residual values now take on more importance when customers consider purchasing aircraft. Previously, when there were fewer products and the aircraft served unique missions, ranges and performance were the key considerations. More products with similar performances are converging into the same competitive niches; therefore, residual value becomes more of a differentiator.

Fissellier noted that preowned inventory and residual values appear correlated, particularly for large jets. Stable preowned inventory can help maintain residual values; however, the market must remember that aircraft are depreciating assets.

Rolland Vincent, president of Rolland Vincent Associates and creator/director of JETNET iQ, presented business jet delivery; fleet share and growth; fleet age; and pre-owned inventory data. Together, the data established a frame through which to draw conclusions about how the business aircraft market, local economic conditions and macroeconomic factors have affected residual values during the last decade or so.

Vincent shared responses to a third quarter 2016 JETNET iQ Survey question: "The rate of depreciation of aircraft values in the first five years after delivery has increased over the past two years. Choose up to three factors that you feel are driving this change." Three of the highest-

weighted responses provided by owners and operators of large jets echoed throughout the event: economic/business slow-downs, the number of late-model pre-owned aircraft for sale and deep discounting of new aircraft.

Closing his discussion, Vincent plotted retail values as percentages of new prices for new through five-year-old large jets for two different periods: 2011 and 2016. The large-cabin jets held significantly less residual value in 2016 than in 2011. However, Vincent also compared Cessna Citation CJ3 and CJ4 retail values between 2011 and 2016. The 2011 and 2016 residual value curves for the smaller Citations were nearly identical. This graph illustrated stability in residual values in the light jet segment.

Finally, he graphed Pilatus PC-12 values. One- through five-year-old aircraft retained higher percentages of retail values in 2016 than aircraft of the same ages in 2011. This snapshot of the values of the versatile single-engine turboprop revealed a contrast with residual values in the large-cabin jet segment. The PC-12, Vincent said, has a unique position in the market. This evidence supported Fissellier's earlier assertion.

Dennis Rousseau, founder and president of AircraftPost.com, prepared an in-depth presentation that considered additional financial and economic indicators as well as a close analysis of aircraft transaction data to put the business aircraft market in perspective. It did not provide much reason for optimism about the pre-owned aircraft market.

Indeed, Rousseau has observed in valuation data that business jets are not following what had been "normal" value retention models. His slides presented plenty of data to support the expectation that business aircraft and especially business jets will continue to experience softness in the shadow of the glut of aircraft sold between 2005 and 2008, market saturation and weak global economic conditions.

Perhaps the most vivid example of the risks to aircraft values since the financial crisis and recession provided by Rousseau was the case of a 1998 Gulfstream V. First, Rousseau plotted an expected age-based depreciation curve, assuming a 30-year useful life, 500 hours of use per year and ultimate value retention at 20 percent of the original cost new. At midlife, the mark-to-market value is approximately 30

Continued on page 13

percent of its original cost new — only 10 percent higher than the expected value retained at the end of a 30-year useful life — and approximately \$8 million less than the normal depreciation curve would predict.

Rousseau's presentation served as a reminder and a dose of sober reality: Aircraft depreciate and may be expected to be worth their salvage value or the sum of the values of their parts. Also, supply and demand related to the market approach to value and other conditions in the global economy drive business jet values.

Anthony Kioussis, president and CEO of Asset Insight, examined how maintenance status affects aircraft values. Kioussis defined three terms useful when considering maintenance valuations:

1. Maintenance exposure — “an aircraft's accumulated/ embedded maintenance expense”
2. Maintenance equity — “an aircraft's available maintenance dollar value;” it increases as maintenance is performed and decreases with utilization
3. Exposure-to-price ratio — an aircraft's maintenance exposure divided by the asking price

Assuming that all maintenance is completed when due, the maintenance equity of a 3 3/4-year-old aircraft should be less than or equal to the maintenance equity of an 18 3/4-year-old aircraft, he said.

Kioussis showed how enrollment in an hourly cost maintenance program (HCMP) protects an aircraft value in two ways. First, an HCMP helps manage maintenance exposure to keep an aircraft's maintenance equity higher than the maintenance equity of a comparable aircraft without an HCMP. Second, Asset Insight data shows that the residual value trend of aircraft participating in an HCMP closely follows a normal value trend over time and utilization. Residual values of aircraft not participating in an HCMP veer farther — negatively or positively, depending on whether the engines have been through a major maintenance event — from the expected value trend.

Asset Insight analysis has found that aircraft with maintenance exposure-to-price (ETP) ratios exceeding 40 percent tend to stay on the sales market for 30 percent more days.

The final expert to present at the roundtable, **Joe DiLallo, head of corporate aircraft finance and leasing for BMO**

Harris Equipment Finance Co., titled his contribution “Managing Aircraft Residual Value Trends as a Finance & Leasing Company.”

From the vantage point of a lessor and a lender, the business jet market is going through a cyclical transition. Supply exceeds demand. As a result, buyers are acquiring new and pre-owned business jets at “historic low prices,” he said. Lessors and other owners have experienced significant decreases in jet values.

DiLallo provided two fundamental examples for why residual values matter to financial institutions. In the case of a loan, if a borrower files for bankruptcy, a bank may repossess and sell the jet. Residual values that weakened more quickly than forecast during the structure of the loan offer leave the bank with an overvalued asset, and it takes a loss on the sale. Similarly, at the end of a lease, if a lessee returns the aircraft, the lessor risks a collateral shortfall if the residual value has fallen below the forecast value when the lease was booked.

He also identified keys to success in financing and leasing of aircraft: Careful selection of clients, understanding of the asset, proper loan and lease structures, complete and appropriate documentation, and attention to the portfolio. Finally, DiLallo also recommended four tips financiers can use to forecast jet values:

1. Cultivate business aviation experts in house
2. Network with a broad mix of experts involved in business aircraft from manufacturers to consultants to engine maintenance program professionals
3. Request appraisals from trustworthy experts
4. Consult multiple, diverse sources for more information

The Aircraft Bluebook Market Values Roundtable capped two-plus days of business aviation discussion and networking. The roundtable immediately followed the **SpeedNews 21st Annual Business & General Aviation Industry Suppliers Conference**.

Expect Aircraft Bluebook to host another event in 2017. **Subscribe to the Aircraft Bluebook Marketline newsletter** to stay informed.

For more information about the 2016 Aircraft Bluebook Market Values Roundtable contributors, visit <http://www.aircraftbluebookmarketline.com/aircraft-bluebook-market-value/>.

AIRCRAFT BLUEBOOK AROUND THE GLOBE

Asian Business Aviation Conference & Exhibition (ABACE); Shanghai, China; April 11 - 13, 2017

ABACE is the region's largest show dedicated strictly to showcasing business aviation products and services to thousands of the region's top business leaders, entrepreneurs, wealth creators and other purchase decision-makers.

National Aircraft Resale Association (NARA) Annual Meeting; Miami, Fla.; April 26 - 28, 2017

An exclusive organization of the world's most respected aircraft brokers/dealers and aviation products and services providers. All Members of the National Aircraft Resale Association must adhere to the NARA Code of Ethics. In addition, NARA Certified Brokers/Dealers must pass a rigorous certification process. NARA is recognized by NBAA and the National Aircraft Finance Association.

National Aircraft Finance Association (NAFA) Annual Conference; Ft. Lauderdale, Fla.; March 21-24, 2017

The National Aircraft Finance Association is a non-profit corporation dedicated to promoting the general welfare of individuals and organizations by providing aircraft financing and loans secured by aircraft, improving the industry's service to the public, and working with government agencies to foster a greater understanding of our members' needs.

European Business Aviation Convention & Exhibition (EBACE); Geneva, Switz.; May 22 -24, 2017

EBACE, jointly hosted each year by the European Business Aviation Association (EBAA), the leading association for business aviation in Europe, and the National Business Aviation Association (NBAA), the leading voice for the business aviation industry in the United States, is the premier annual meeting place for the European business aviation community.

Experimental Aircraft Association's (EAA) AirVenture; Oshkosh, Wis.; July 24 - 30, 2017

Beginning more than 60 years ago, EAA AirVenture has evolved from a small gathering of aircraft and aviators into a grand, week-long celebration known as The World's Greatest Aviation Celebration. Oshkosh is filled with dazzling displays of aerobatics, informative programs, hands-on workshops, and diverse aircraft spanning all eras of flight.

National Business Aviation Association (NBAA) Annual Meeting; Las Vegas; October 10 - 12, 2017

Founded in 1947 and based in Washington D.C., the National Business Aviation Association (NBAA) is the leading organization for companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful.

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