

AircraftBluebook⁷

MARKETLINE

VOL 30 NO 1

2017 NEWSLETTER

RECOVERY IN THE “NEW NORMAL”

By Carl Janssens, ASA  Chief Appraiser | Aviation Week Network

Aircraft Bluebook credited Jay Mesinger of Mesinger Jet Sales for coining the phrase “new normal” in 2008 to describe the attitude of those involved in the transactional process of business jets as it related to declining values.

Aircraft Bluebook has continued to receive positive feedback in regard to recent transactions in the business and personal aviation markets. The lead focus on the business jet sector continues. With the market’s acceptance of value depreciation in the jet sector as the new normal, the big question remains: When will continued devaluation stabilize or at least slow down? At the 46th annual National Aircraft Finance Association conference in Fort Lauderdale during the week of March 21, the perception of the state of the industry was wide and varying. *Hesitation* describes the current economic outlook. *With reservations* could have summed up how business jet manufacturers were anticipating new business jet deliveries in 2017. *Optimism* could summarize how business jet dealers and brokers attending the meeting would describe the state of the market. Overall this quarter, available business jet inventories declined slightly. There remains, however, an abundant supply of aircraft that still impact the downward pressure on business jet values. Dennis Rousseau of AircraftPost takes a microscopic look at the state of the business jet market in the article on page 2.

By the numbers, Bluebook demonstrated a near balance of declining values versus stable values when reporting on the jet category. Most of the declining values were attributed to late-model aircraft. Turboprop aircraft continue to weather the market more favorably. The Beechcraft King Air current production series still maintains a noteworthy footprint in the industry. The Pilatus PC-12 series continues to be a strong market leader and to hold onto its value. The Quest Kodiak 100 also has demonstrated stronger market value retention along with the venerable Cessna Caravan series. Multi-/single-engine categories continued to demonstrate a more optimistic approach to value retention with the majority of aircraft in this segment reported as being stable. Helicopter values reported in Bluebook also enjoyed another quarter of stable values.

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BLUEBOOK-ATA-GLANCE

JET

INCREASED	5
DECREASED	503
STABLE	614

TURBOPROP

INCREASED	41
DECREASED	258
STABLE	375

MULTI

INCREASED	7
DECREASED	61
STABLE	631

SINGLE

INCREASED	38
DECREASED	150
STABLE	2569

HELICOPTER

INCREASED	0
DECREASED	125
STABLE	1131

STATE OF THE MARKET FOR BUSINESS JETS

By Dennis Rousseau | President and Founder | AircraftPost.com

The business jet industry is entering its eighth year following the “great recession” where just prior there was a run up in pre-owned prices that in most cases exceeded the original cost new. By 2009, market prices had dropped on average of 50 percent to those seen in 2008. The decline was so drastic that it took the ensuing years for buyers and sellers to adjust to the “new normal.” Fundamentally, we lost sight of the fact that business jets are depreciating assets with a service life of approximately 30 years, which, historically, is mostly attributed to economic and technological obsolescence.

During the last few months, we’ve heard forecasts relating to the strength and direction of our industry, which all seemed to have been debunked by the drop in new aircraft sales orders, and subsequent pricing, as well as the continued price declines in the pre-owned market. Is the pre-owned market an indicator of our markets as a whole? Yes, we saw an unprecedented run up on pre-owned pricing leading up to 2008 and a subsequent decline in the ensuing years, but how does that translate to markets today?

In years past, we would typically see a slight difference between the upper end (late vintage aircraft) of the pre-owned market and the price new. However, as new aircraft prices increased year over year, new sales waned while pre-owned markets continued to build inventory, which subsequently drove prices lower. This created a significant price gap between new and pre-owned aircraft. This dynamic further stifled new aircraft sales and brought the attention of aircraft buyers to the pre-owned market(s). From 2013-2016, a 2000-year model GV and its competitor, the Global Express, slipped from an average selling price of \$18.4 million to \$10.75 million, losing 42 percent of its market value in three years! This dynamic

was not specific to a particular make/model considering 2008 G550s lost 21 percent (\$32 – \$25 million) in market depreciation from 2015 to 2016!

Another dynamic that had a drastic impact on pre-owned pricing is market saturation. By way of example, the Gulfstream G550 pre-owned inventory went from 46 available aircraft in 2014, to 63 in 2015 to 76 available aircraft in 2016. In other words, the percentage that came on the market in 2014 was 9.8 percent of the available fleet, compared to 12.4 percent in 2015 and 14.3 percent in 2016. However, YOY percentage of the fleet that sold was 4.7 percent (22 aircraft) in 2014, 4.9 percent in 2015 (25 aircraft) and 4.9 percent (25 aircraft) in 2016. So, as not to “cherry pick,” the clear majority of business jets demonstrated similar results. The Falcon 7X showed 17 available aircraft (7 percent of the fleet) on the market in 2014, increasing to 50 aircraft in 2016 (18.5 percent of the fleet). Conversely, the number of 7Xs that traded in 2014 was a mere 6 (2.5 percent of the fleet), increasing to 12 in 2016 (4.4 percent of the fleet). Clearly these statistics demonstrate an imbalance in supply and demand.

Pre-owned sales that are specific to make/model run in cycles. By way of example, the Gulfstream G450 market showed 17 available aircraft and 6 transactions in 2014 with an average sale price of \$35 million for a 2009-year model. By 2016, the same 2009-year model had slipped to 14.5 million with a total of 67 aircraft on the market and 36 transactions. Case in point, as inventory increases and pricing falls in line with market saturation, aircraft will transact. And as is the case in saturated markets, well-maintained, FANS-compliant aircraft with industry standard interiors are typically those that will move even in down markets.

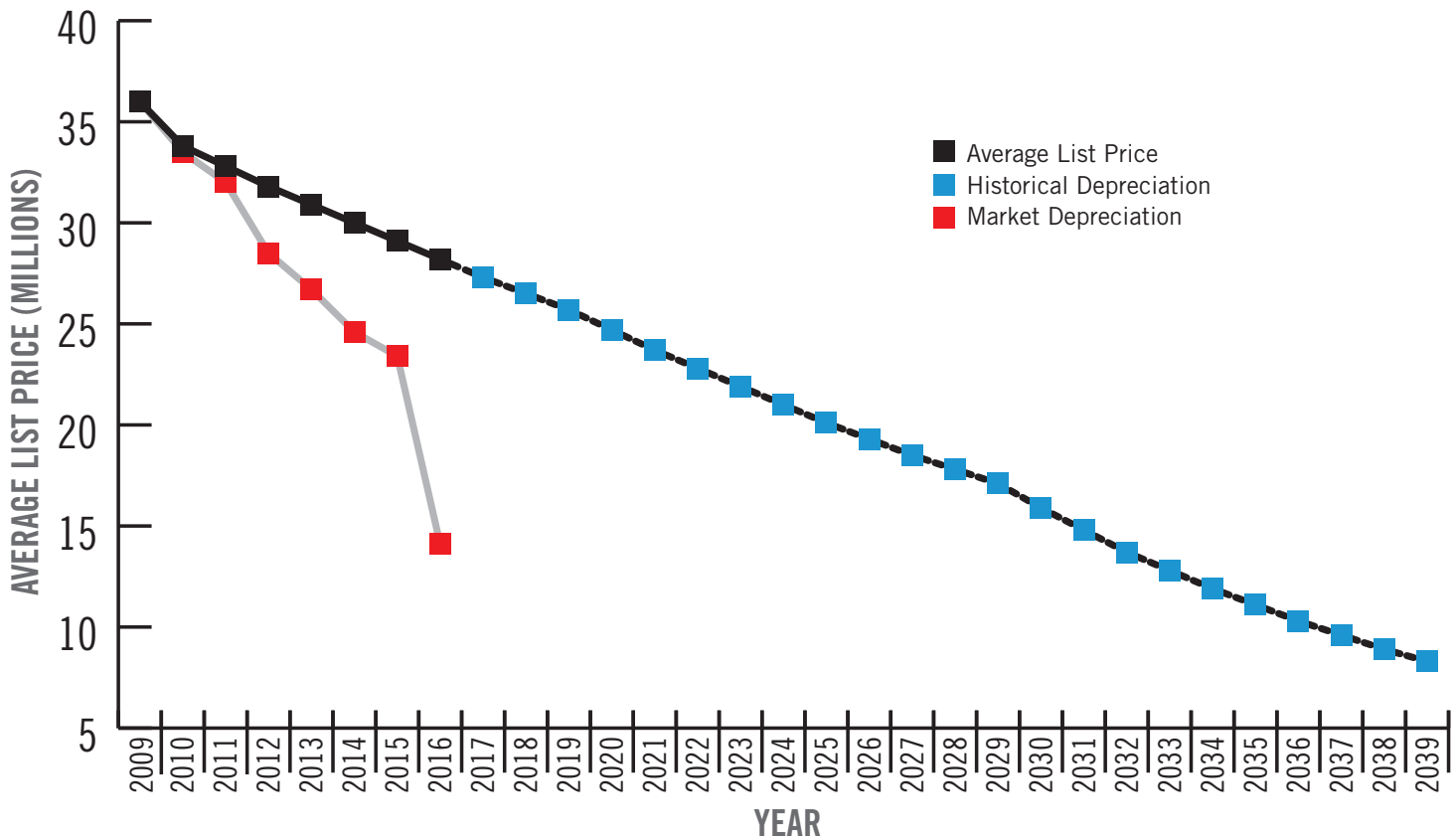
Continued on page 3

Make/Model	% On Market that Sold	Total on Market	# Sold	Make/Model	% On Market that Sold	Total on Market	# Sold
Citation XLS	51%	41	21	Challenger 300	40%	84	34
Gulfstream GV	50%	30	15	Gulfstream G550	34%	76	26
Gulfstream G200	50%	82	41	Global 6000	32%	25	8
Lear 60XR	48%	27	13	Global 5000	31%	36	11
Falcon 900B	48%	31	15	Citation Sovereign+	30%	10	3
Gulfstream G450	48%	67	32	Hawker 900XP	30%	30	9
Hawker 4000	47%	15	7	Falcon 2000EXy	29%	48	14
Citation XLS+	43%	35	15	Falcon 900EXy	28%	32	9
Citation Sovereign	42%	45	19	Citation CJ4	24%	21	5
Gulfstream G150	41%	22	9	Gulfstream G280	20%	10	2
Gulfstream G650	41%	32	13	Embraer Phenom 300	17%	30	5

Legacy aircraft approaching 30 years of age are nearing economic obsolescence because the cost to maintain and operate exceeds the value. In some cases, they're at salvage value (sum of the parts). Add the accelerated market depreciation we've seen in recent years and it's becoming quite evident that our 30 year "service life" may be approaching 22 years. The antithesis to this scenario is that new aircraft (Pilatus PC-24, Cessna Longitude,

Falcon 5X, G500/600, Global 7000, et al) are being designed and built with longer maintenance intervals (airframe & engine), newer technology and advanced materials. This could be a game changer. However, before we can count on next generation aircraft to bail us out of accelerated market depreciation, we first must address the market issue with legacy aircraft. ■

2009 GULFSTREAM G450 VALUE TREND



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?

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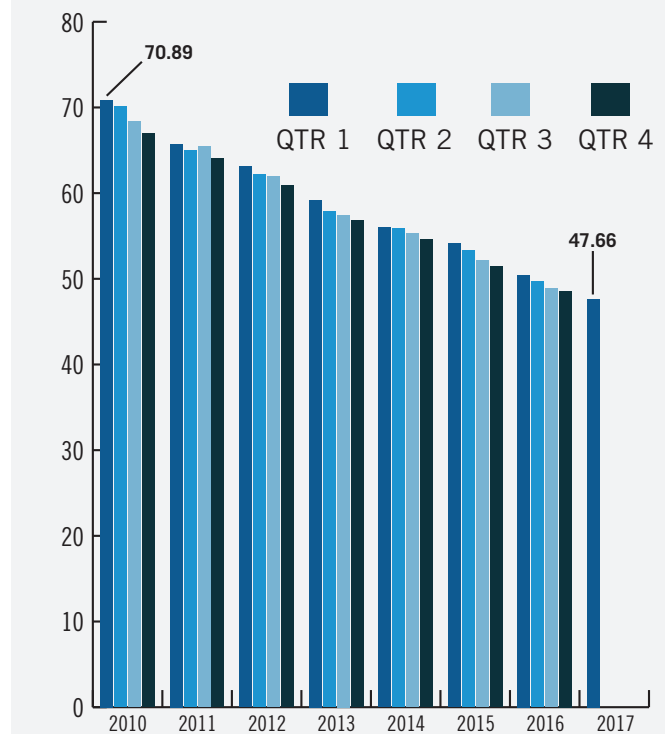
CURRENT MARKET STRENGTH

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.

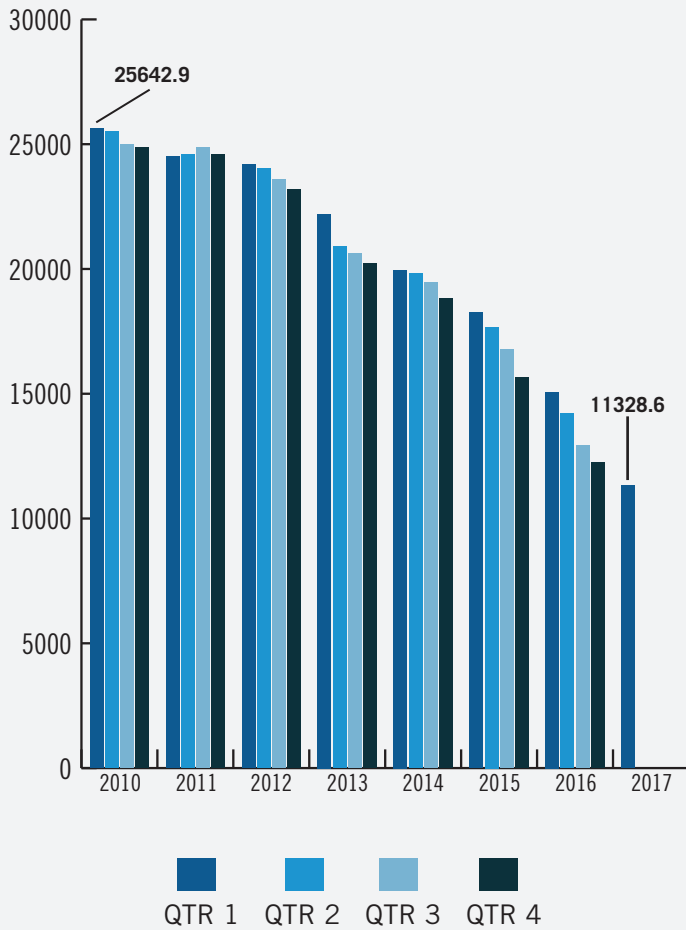
USED AIRCRAFT MARKET



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-

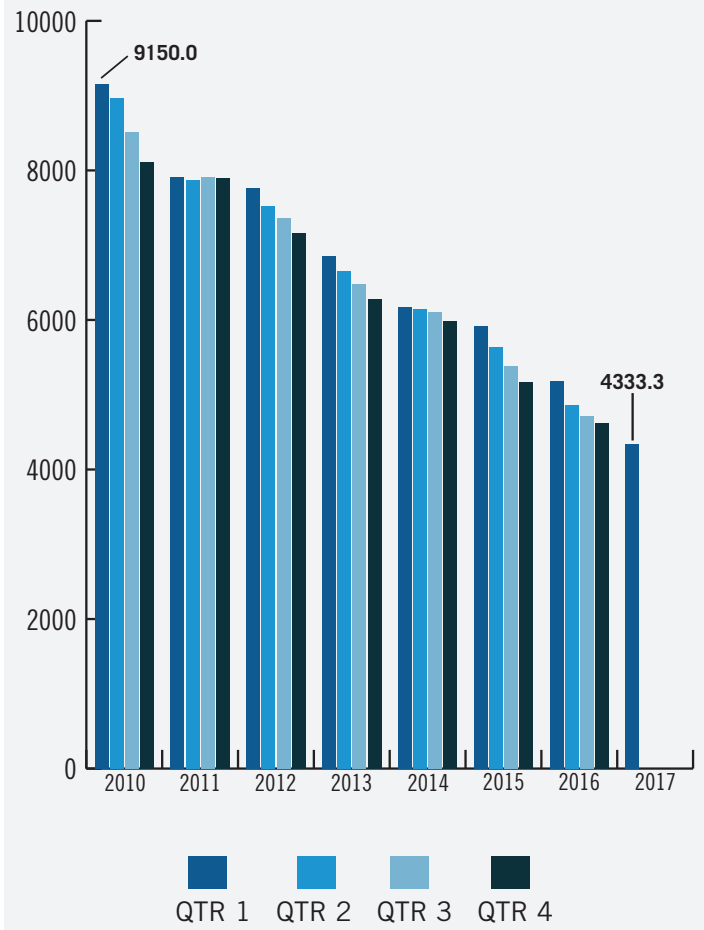
LARGE JET



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	-5.3
2007 Bombardier Challenger 605	-8.9
2005 Dassault Falcon 900 EX Easy	-7.1
2005 Dassault Falcon 200EX Easy	-9.5
2005 Gulfstream G550	-11.1
2005 Gulfstream G450	-5.6
2005 Embraer EMB135 Legacy	-3.2

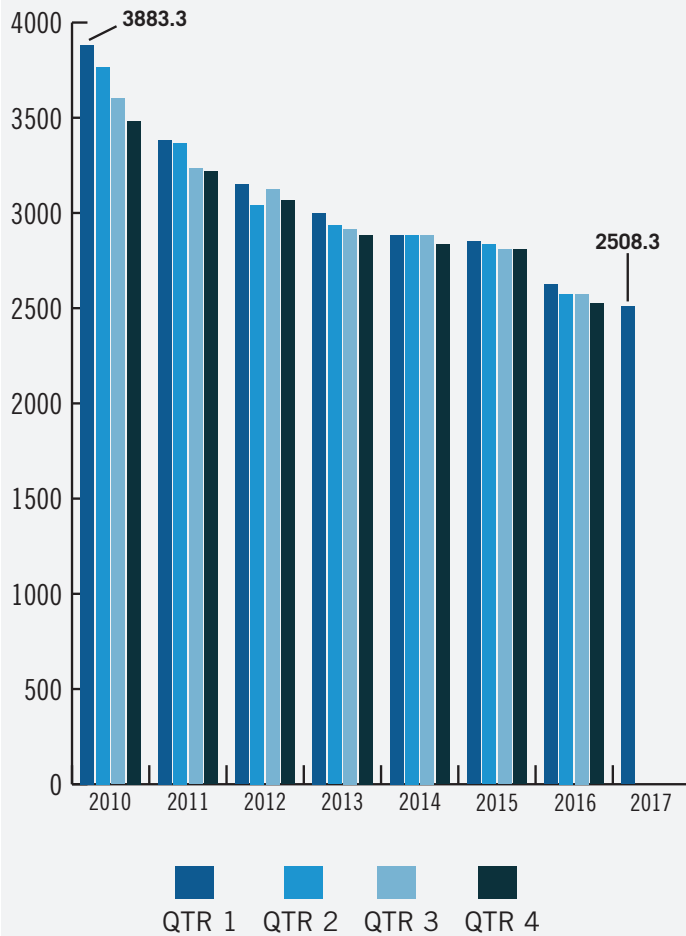
MEDIUM JET



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	-10.0
2005 Bombardier Lear 45XR	-6.7
2005 Cessna Citation Sovereign	0.0
2005 Cessna Citation XLS	-4.5
2006 Gulfstream G150	-10.9
2005 Hawker 800XP	0.0

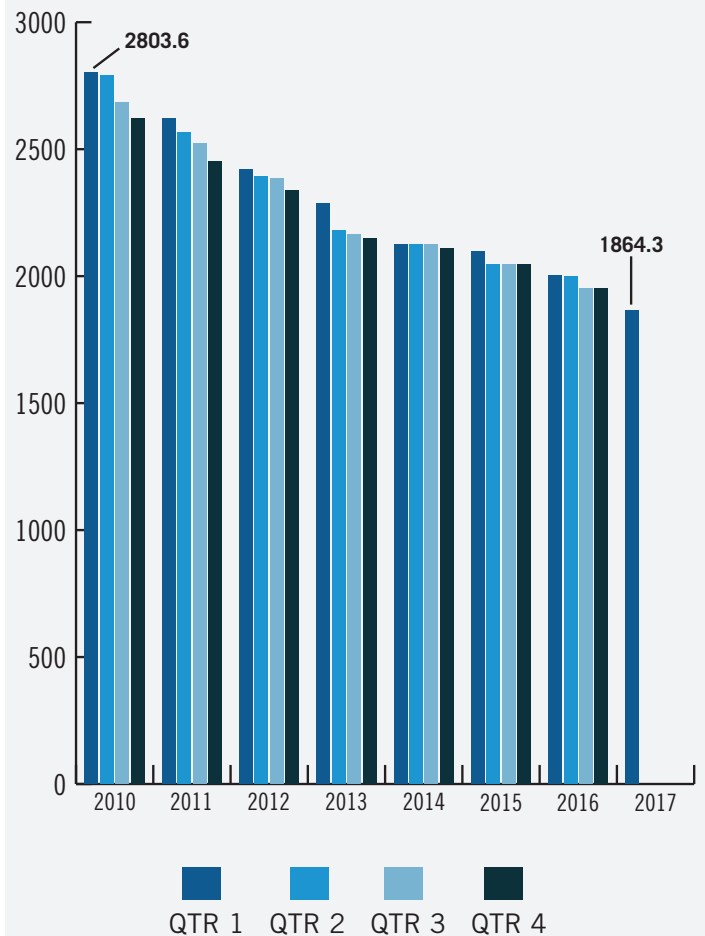
SMALL JET



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+	0.0
2006 Cessna 510 Mustang	0.0
2008 Embraer Phenom 100	-5.3
2009 Embraer Phenom 300	0.0
2005 Hawker 400XP	0.0

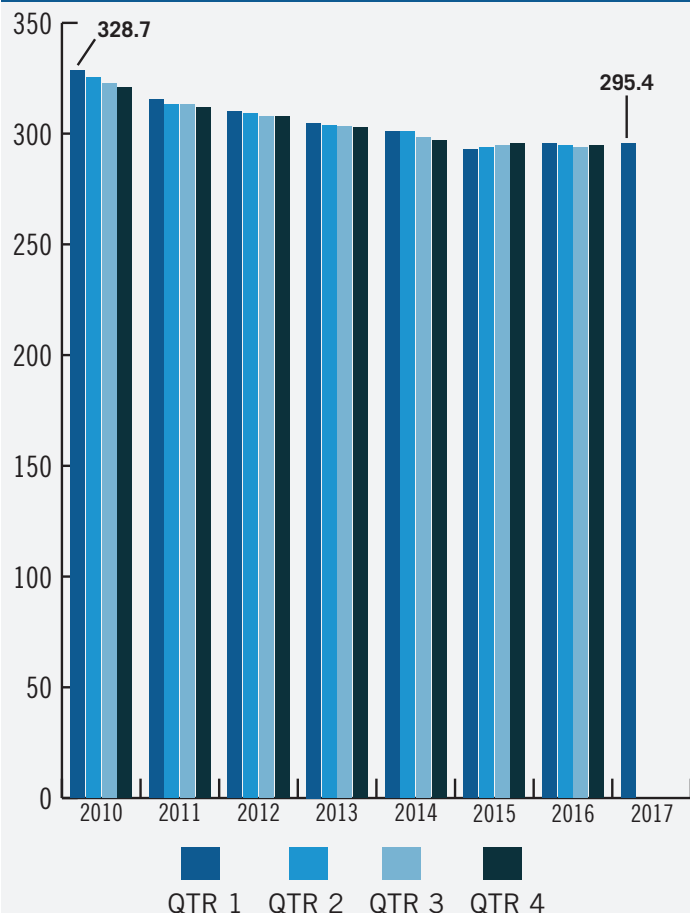
TURBOPROP



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	-7.4
2005 Beech King AirB200	-2.2
2005 Beech King AirC-90B	-20.0
2005 Cessna 208 Grand Caravan	-4.3
2005 Piaggio AvantiP180	0.0
2005 Pilatus PC12/45	0.0
2005 Socata TBM700C2	0.0

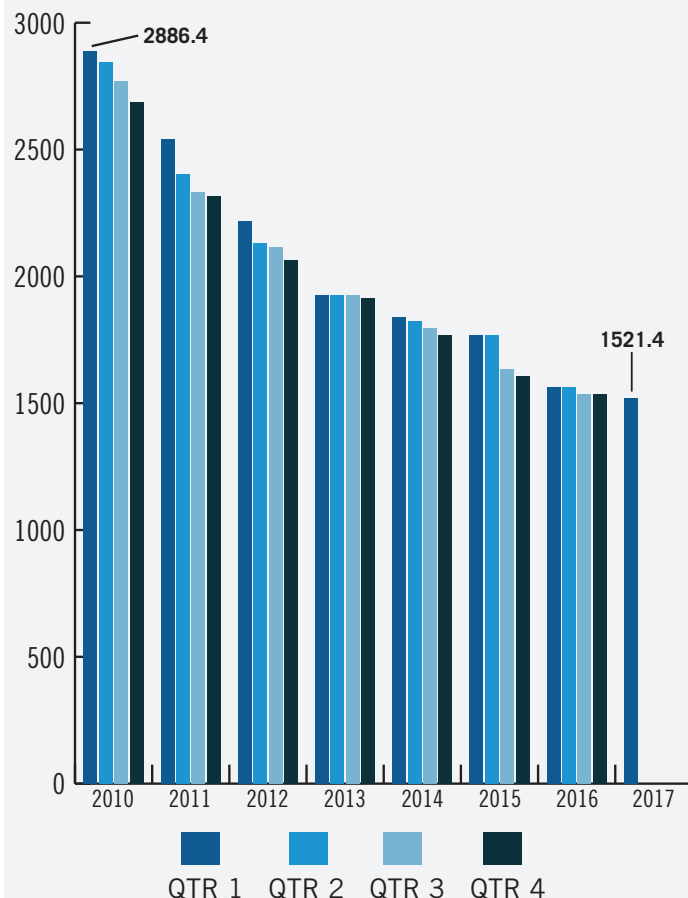
SINGLE/MULTI PISTON



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	0.0
2005 Diamond DA42 Twin Star	3.3
2005 Piper PA34-220T Seneca V	0.0
2005 Beech A36 Bonanza	0.0
2005 Cessna/Columbia 400	0.0
2005 Cessna 182T Skylane	0.0
2005 Cessna T206H Turbo Stationair	0.0
2005 Cessna 172S Skyhawk SP	0.0
2005 Cirrus SR22-G2	0.0
2005 Diamond DA40-180 Star	0.0
2005 Piper PA46-350P Mirage	0.0
2005 Piper PA28R-201 Arrow	0.0

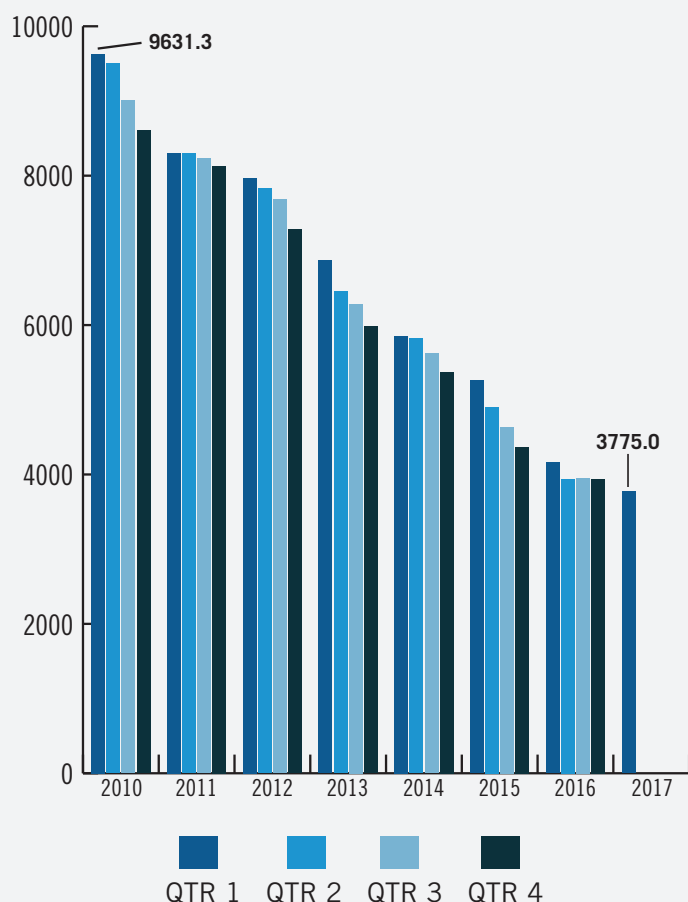
HELICOPTER



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	-5.3
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

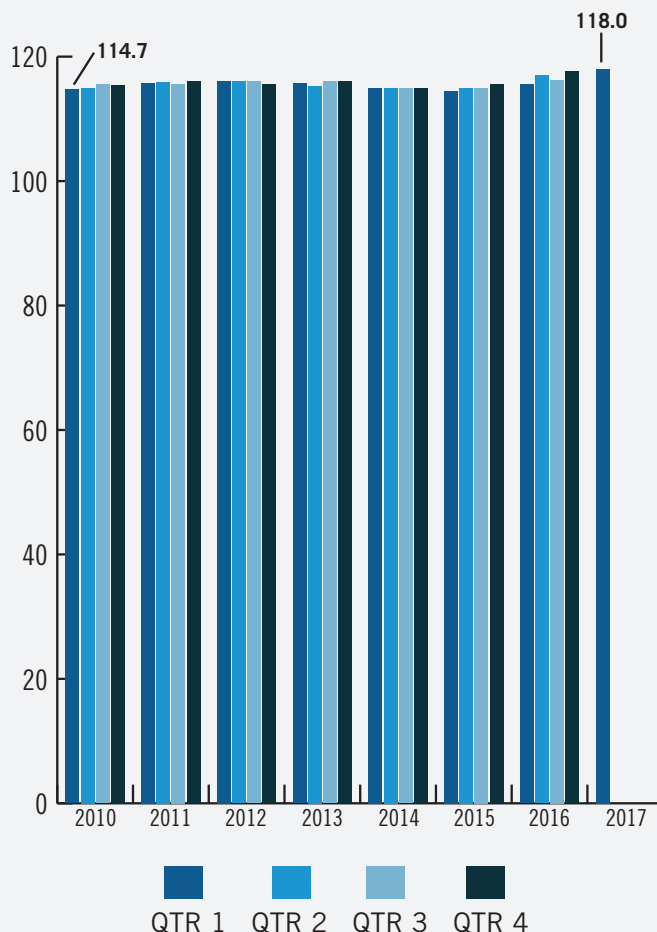
LEGACY JET



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	-5.3
1997 Dassault Falcon 50EX	-10.0
1996 Gulfstream GV	-7.1
1996 Gulfstream GIVSP	0.0
1996 Hawker800XP	0.0

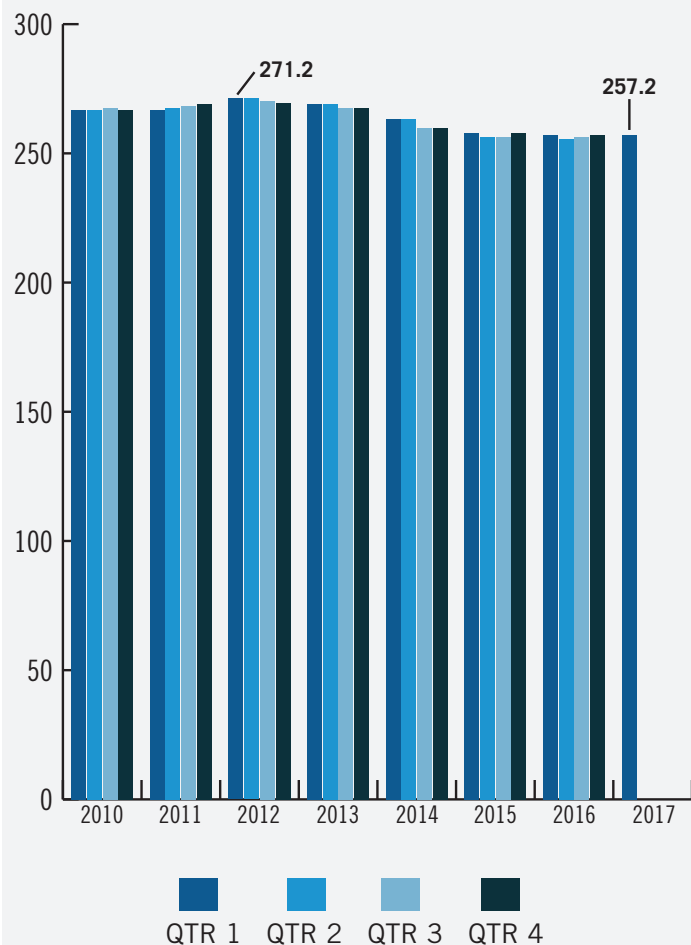
LEGACY PISTON



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	0.0
1985 Cessna 152 Commuter II	0.0
1990 Mooney 252 TSE	2.6
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

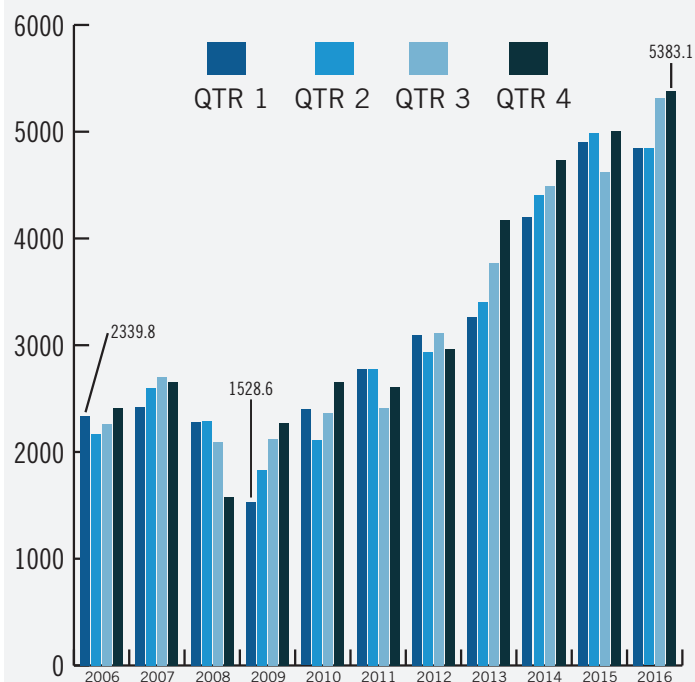


The Legacy Multi Engine Piston chart depicts the average price (in thousands) of the six aircraft listed. Each model's year will precede the name of the aircraft. Legacy Aircraft are those produced prior to the year 2000.

YEAR/MODEL	%CHANGE
1986 Beech 58P Pressurized Baron	0.0
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

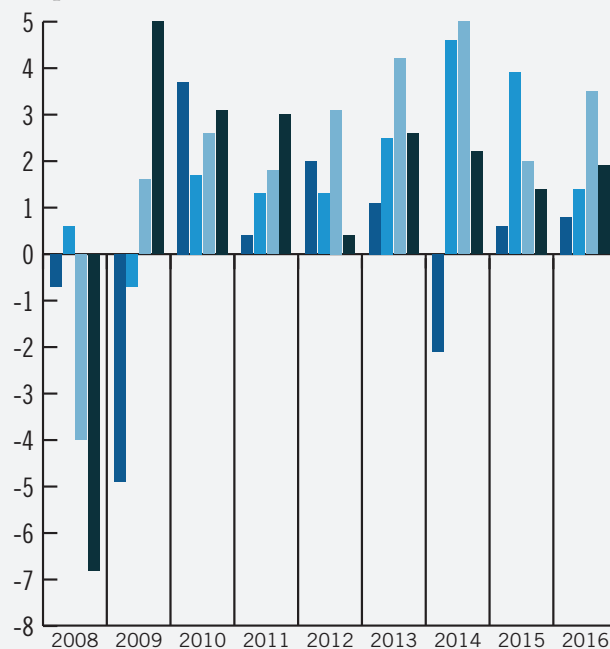
NASDAQ

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.



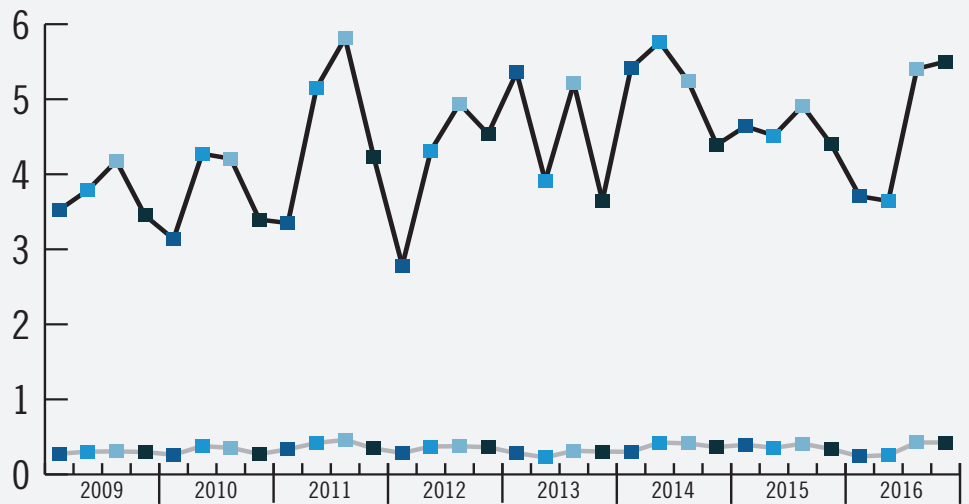
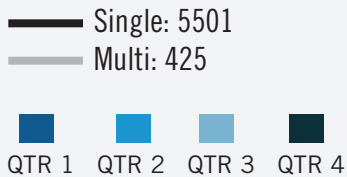
U.S. REAL GDP

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.



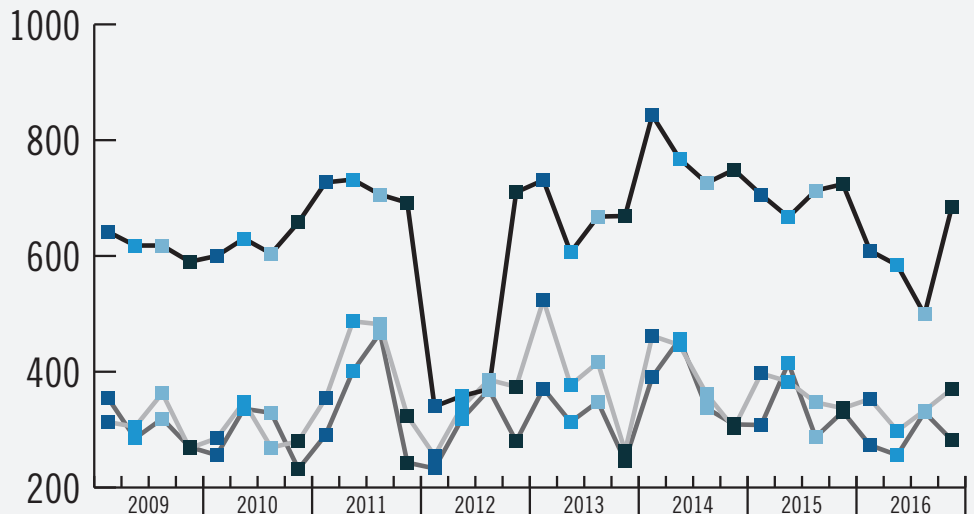
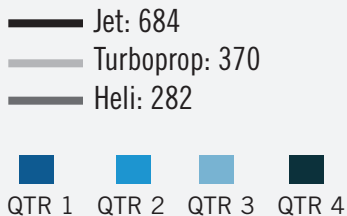
CHANGE OF STATUS: SINGLE/MULTI

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



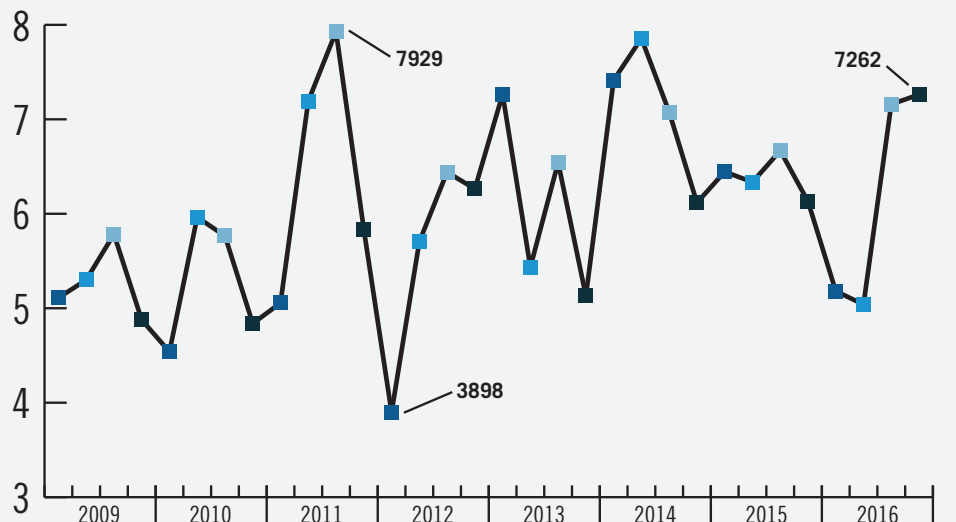
CHANGE OF STATUS: JET/TURBO/HELI

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.



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.



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.

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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WHAT'S NEW IN ABB

- Updated 2017 Models
- Updated Maintenance Service Programs

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