Aircraft Bluebook – PRICE DIGEST®

MARKETLINE

VOL 26 NO 2
2013 NEWSLETTER

YTD PRE-OWNED TRANSACTIONS & PRICES CONTINUE DOWN

By Dennis Rousseau | President and Founder | AircraftPost.com

When viewing a random selection of pre-owned transactions for the first 5-months of 2013, the number of sales are trending down 15 percent when compared to the same period in 2012. Actual selling prices also are down on average 15 percent, while inventory levels for the same group of business jets has increased 20 percent.

As you consider these facts we must also take into account other mitigating factors, such as the year of manufacture of the aircraft sold, cost of the aircraft when it was new, the cost new today, as well as nominal depreciation, et al. By way of example, an aircraft that sold new in 2005 for $44 million and today sells for $32 million is not too far off of a 4 percent per year depreciation schedule. From another perspective, it has retained 73 percent of its original cost , which falls in line with a 30-year useful life.

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A number of factors continue to affect growth and stability in our industry – some are geopolitical, others are related to the global financial debacle that started in 2008.

Within our industry, where 250 aircraft were once considered a standard production run, we now have 400+ that will eventually compete in the pre-owned market. Therein in the case of 'over-production', we face dynamics that were once not a factor, such as eroding residual values. As the business jet fleet ages and pre-owned inventory increases, will pricing continue to erode? What effect will new aircraft pricing and shorter delivery times have on the pre-owned market?

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BLUEBOOK-AT-A-GLANCE

JET	
INCREASED	2
DECREASED	688
STABLE	301
TURBOPROP	
INCREASED	1
DECREASED	120
STABLE	507
MULTI	
INCREASED	0
DECREASED	102
STABLE	575
SINGLE	
INCREASED	1
DECREASED	486
STABLE	2145
HELICOPTER	
INCREASED	0
DECREASED	38
STABLE	1097

	January - May 2012				January - May 2013			
Aircraft	# Sold	*Price	*Days on Market	*Year	# Sold	*Price	*Days on Market	*Year
Hawker 800XP	14	3.2	287	2000	10	2.9	240	2001
Hawker 850XP	4	5.9	287	2006	6	5.4	406	2007
Lear 60	9	2.7	400	1999	7	2.8	329	1999
Lear 60XR	2	7.3	249	2009	2	6.25	577	2008
Citation Sovereign	5	9.1	385	2007	7	9	247	2007
Citation X	6	6.9	368	2002	7	4.1	197	1999
Challenger 300	9	13.8	308	2007	7	14.8	190	2008
Gulfstream G200	11	8.2	283	2004	2	7	184	2004
Falcon 2000	6	9.2	562	2000	6	8.1	228	2000
Challenger 604	11	9.5	271	2001	16	7.7	349	2000
Falcon 900	6	7.7	423	1991	8	7.5	584	1990
Gulfstream GIV	6	6.2	384	1990	3	5	335	1988
Falcon 900EX	3	15.7	673	2000	4	14.1	185	1999
Gulfstream GIVSP	8	11.7	241	1998	4	10.2	178	1998
Global Express	4	21.5	237	1999	1	21	157	2001
Gulfstream GV	5	21.8	215	2000	4	20.7	258	2000
Global Express XRS	2	37.8	226	2007	2	35.5	168	2007
Citation XLS+	1	9.1	303	2009	1	7.5	512	2008
Challenger 605	3	19.9	287	2008	3	18.9	200	2009
Falcon 2000EXy	10	19.3	274	2007	3	16.8	210	2005
Falcon 900EXy	3	25.3	214	2006	4	24.9	465	2006
Gulfstream G450	3	28.1	204	2008	4	23	172	2007
Gulfstream G550	5	37.2	197	2006	4	31.9	414	2005
Total	136	15	316		115	13	295	

**Averages for aircraft sold.*

	January - May 2012	January - May 2013
Aircraft	# on Market	# on Market
Hawker 800XP	39	38
Hawker 850XP	11	11
Lear 60	42	32
Lear 60XR	13	20
Citation Sovereign	22	31
Citation X	12	22
Challenger 300	20	22
Gulfstream G200	26	29
Falcon 2000	18	22
Challenger 604	46	49
Falcon 900	24	27
Gulfstream GIV	29	22
Falcon 900EX	7	16
Gulfstream GIVSP	13	25
Global Express	17	21
Gulfstream GV	12	17
Global Express XRS	9	21
Citation XLS+	n/a	12
Challenger 605	14	16
Falcon 2000EXy	21	20
Falcon 900EXy	13	9
Gulfstream G450	10	15
Gulfstream G550	14	14
Total	432	511