



market leaderTM

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*The Quarterly Newsletter of Vref – For People Who Demand Accuracy,
And Know the Difference!*

Synopsis - - In with a bang! That best describes 2011, so far. Nearly every aircraft dealer reports an increase in activity – not to be confused with an increase in prices. For the first time since 2008, distress sales are not entirely defining the market. There are still plenty of repos and airplanes that have to be ‘gone this week,’ but some stability is returning.

Just where are we in the cycle? If we assume the last quarter of 2008 was the start of the carnage (and, it wasn't), we are in the tenth down quarter. However, the real downturn started in early 2008. Vref showed prices clearly on their way down by the first quarter of 2008, and some were heading down in late 2007. Therefore, aviation is actually at least thirteen quarters into this recession. The table below depicts how long it took each category to stabilize during the previous, dot-com recession.

Total Length of Dot-Com Recession for Aviation

(2000-2003)

Light Single	7 Quarters down	Turboprop	12 Quarters down
Complex Single	8 Quarters down	Light Jet	14 Quarters down
Light Twin	12 Quarters down	Mid-Size Jet	13 Quarters down
Pressurized Twin	15 Quarters down	Large Jet	10 Quarters down

If recent history is any guide, we may be nearing the bottom - more on that later.

Piston Singles and Twins - - Most singles and twins are already bouncing along the bottom. The downtrend for the average piston aircraft halted at least several quarters ago. The key word is *average*. Take a walk down the line at the typical small airport. There are dozens of lonely, neglected, below-average airplanes. Sun-ripened is good for tomatoes, but bad for airplane paint. Deal hunters and a good export market have helped piston singles and twins recover, if and only if they are good, no excuses airplanes. Airplanes with high time, outdated radios and chalky paint jobs remain a tough sell at any price. See VrefOnline.com for Vref Market Indices for all aircraft.

Length of Current Housing Recession for Aviation to date

(2008-Present)

Light Single	7 Quarters down, followed by 6 up or flat
Complex Single	9 Quarters down, followed by 6 up or flat
Light Twin	12 Quarters down, followed by 5 up or flat
Pressurized Twin	9 Quarters down, followed by 4 up or flat

Turboprops and Jets - - Activity is up in turboprops, but late model King Airs continue to slip in price. However, older turboprops are stable with no change in the Vref Index. Just as in every segment, there is a growing distinction between the clean, low time airplanes and those closing in on major maintenance.

The jet segments are also very active, leading many of us to believe the darkest days could be behind us. At present, activity seems to be price related. If it is priced right, it moves. The Light Jet Index fell another 6.3% in value during the recent quarter. Mid-Size Jets were off an average of 4.5%, while older Large Jets slipped only 2.4%. In this *top down* recovery, the large jet sector has the greatest potential for near-term gain. Availability is very thin for Bombardier Global 5000s, XRSs, Gulfstream G450s, G550s and Falcon 7Xs. Basically, if a seller has what a buyer wants at any given moment, price is *not* the key.

Inventory levels continue to slowly drop, but not fast enough to boost prices. To use the CitationJet as an example, CJ1s and CJ2s are selling, but nearly 15% of the fleet remains available. The same is true for Hawker 800XPs and Lear 60s, with more than 16% for sale. Older aircraft like the Citation II have a long way to go with more than 20% of the fleet for sale.

Length of Current Housing Recession for Aviation to date (2008-Present)

Turboprop	7 Quarters down with 6 flat, no up
Light Jet	14 Quarters down
Mid-Size Jet	15 Quarters down
Large Jet	12 Quarters down

Another Look Ahead: There are several factors that appear very positive to us – and possibly only one negative. The first positive: Dealers are buying inventory. That indicates activity is sufficient, and prices are low enough that upside potential might offset the downside. Of course this is true only for the ready to go, current generation airplanes. Another hopeful sign: The export market remains healthy. In fact, some say aircraft exports have propped up and perhaps even saved general aviation. Finally, the popular media has found something much more interesting than the Economy – revolution in The Middle East. And, that brings us to the nagging negative, the Economy.

Few people would deny the current recession (though declared over many months ago) is unlike any before it. The GA market has endured as many or more down quarters as it did in the dot-com recession. Yet, the bloated housing market and unemployment continue to be a drag on the Economy *and* general aviation. We hate to use the tired, old phrase *the new normal*, but careful buyers and cautious lenders are likely to define the resale market for much of 2011.