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

Not Your Grandfather's Marketplace

A few years ago, while waiting for passengers, I strolled the tarmac at a quiet New Mexico airport trying not to trip over the weeds growing up through cracks in the concrete. The most interesting thing there — other than the King Air 200 I was flying - was a chalky old Queen Air. The tires were low and worn (the Queen Air, not the King Air), and at least one strut was flat. Nearly every window was cracked or crazed. Sun-faded WAC charts could be seen in the cockpit windows. The nacelles were black with oil. I paused for a few moments as if to give this once beautiful bird a final adieu. It was clearly tied down in its final resting place.

The noise of a revved-up engine brought me back to reality. It was a rusty van, heading straight for me at a high rate of speed. The van circled the Queen Air while its driver glared at me — probably thought I was with the FAA. He stopped perilously close to the plane's door, loaded up several bags of cargo, cranked the engines and taxied away...at a high rate of speed. Apparently when you're flying the 'big iron' there's no speed limit and no need to stop for a mag check. Last I saw of it the airplane was climbing out, both engines smoking, but still running.

The moral of the story is: Airplanes are often down, but almost never out.

Nearly 70 Years of Airplanes — Did you know the V-tailed Beech Bonanza started production in the same year the Spruce Goose flew, 1947?

Furthermore, there is at least one 1947 model (Bonanza, not Spruce Goose) still flying and for sale right now.

Other manufacturers have a similar legacy. Modest airplanes with modest performance have morphed into today's much more capable *much* more expensive iterations. Piper even has the Mirage, able to cruise in pressurized comfort, skirting the tops of baby thunderstorms.

The turbine arena is just as colorful and long-lived. This full array of aircraft, piston and turbine, old and new, shares the same airspace and definitely the same marketplace.

“When should I put my airplane on the market?”

We often get asked, “When should I put my airplane on the market? I want to wait until the market goes up.” Yes, we often get asked that. At this time, it is customary to issue a prediction for the coming year. It seems there are lots of hopeful forecasts out there. So, we'll join in too.

But, before we do let us say, “This is not your grandfather's marketplace!” Airplanes that should have been retired years ago (that Queen Air) somehow keep going. At the other end of the spectrum, prices for many new-looking, late-model airplanes continue to be slashed. The reasons are much more complex than just saying ‘We've gone global.’ (Please see the last several Market Leader Newsletters for the fine points.)

It is common to hear a buyer say, “Why would I spend \$400k on a Twin Cessna when I could buy an older Citation for the same money?” Those of us who have operated a 30+ year old jet can answer that rather easily – operating costs. The owner of a Citation 550 I once flew used to cover his eyes on takeoff so he wouldn’t look at the fuel flow gauges...or maybe he was just afraid of my flying.

“How can I tell if my airplane has upside potential?”

Anyway, this brings us to the big question: How can I tell if my airplane has upside potential? By upside potential, we mean your airplane could very well increase significantly in value at some-time in the future.

Forget most of the stuff you hear in the pilots’ lounge. Stuff like, ‘They’re not building these anymore, so the value is going to increase.’ Well, there may be a reason they’re not building them anymore. Under-powered, lead-sled, high-maintenance – these are not terms from the Winter Olympics.

Here’s the checklist. Give yourself one strike for each item that fits your airplane.

- Built Before 1990, and
- Out of Production
- Manufacturer is out of business or non-supportive
- Avionics cannot be updated for intended mission
- Too much deferred maintenance
- Major damage history

If you have two strikes — some say just one — it is unlikely your airplane will appreciate in value enough to recoup your operating or holding costs. What we are saying here is, if you need to sell and there is a buyer willing to write a check right now, give it serious consideration. Remember the old Queen Air? Yes, that airplane had lots of strikes against it. Baseball fans know that 3 strikes doesn’t *always* mean you’re out. That Queen Air will probably be flying at least until it gets ramp checked, but its value will never increase. (Queen Air owners send complaints to Really?!@vrefpub.com.)

A similar checklist can be devised for airplanes with some upward potential.

- Built After 1990, and
- Reasonable amount of time on airframe and engine(s)
- Well maintained
- Recent paint & interior
- Updated panel suitable for intended mission
- Still in production with support from the manufacturer

If the answer is yes to two or more of the above, there is a real possibility you will *eventually* see enough appreciation for some bragging rights. The question is, when?!

Our So-Called Forecast — We continue to be very optimistic about the future of General Aviation. However, a pronounced turnaround does not appear to be imminent. This is due to a plentiful supply of airplanes and helicopters of nearly all ages. These things just don’t go away. This is exacerbated currently by a limited supply of *enthusiastic* buyers.

2014, a year of stabilization.

We do see some promising areas. Demand for trainers like the Cessna 172 and 182, is strong and that is reflected in their pricing. At the top, buyers who want a ready-to-go Gulfstream 550 or 650 have been willing to pay more than the previous buyer.

It is also possible we have seen some strengthening in early model King Air B200s and Pilatus PC12s. We are not ready to say these markets are trending up. Let's just say they've stabilized. That is what 2014 should be, a year of stabilization. And, when looking back over the price history graphs at VrefOnline.com, stability is a very good thing.