

Volume 2, Part 12: Citation 560 Series

by Anthony Theis

World Aircraft Sales Magazine's asset evaluation series continues this month with a look at the Citation 560 series aircraft. As usual, the evaluation is presented in such a way that readers can grasp meaningful, but easy to understand information on its market value history. The goal is to give our readers highly useful applications so they remain informed.

Each featured aircraft is presented with a United States patented graph called JetTrack®. A proprietary program established in 1987, JetTrack® tracks price history, trends and transactions as a simple means to predict the value of your asset.

JetTrack® is broken up into two separate graphs in order to give you the best logical way of determining prices and trends. The top graph represents a history of true asking prices over a ten year period or since the inception of the aircraft (these prices do not represent new OEM deliveries). The bottom graph represents how many aircraft were for sale at the beginning of the month and how many remained for sale at the end of the month.

The clear picture between the two graphs is a linear understanding of the trends and prices. Since prices correlate with supply and demand, the graphs give you a simple understanding of the peaks and valleys. Not only can you predict the value of your asset, but you'll also know the best time to sell or buy.

Simple to use and uncomplicated, you stay ahead of the market with the latest pricing information that's precise and accurate. Best of all, you'll see what happened 10 years ago, five years ago, and what to expect for the future.

CITATION ULTRA

We conclude our 2006 Evaluation series by taking a look at the market values of the Citation 560 series exactly 12 months after we last looked at this market. The Citation V, Citation Ultra, and Citation Encore are all airplanes with single pilot capabilities.

The first Citation V customer delivery occurred almost eighteen years ago in 1989.



CESSNA CITATION V

This was followed by the first customer delivery of the Ultra five year later in 1994, and the newest addition to the family, the Encore, saw deliveries start in 2000. Over the years, Cessna has produced 262 straight Citation Vs, 279 Ultras (which ended production in 1999), and has thus far delivered 168 Encores.

There are three specific reasons behind our focus on these particular airplanes: Firstly, these are three business jets that may make a lot of sense as an option for first time bizjet buyers, perhaps as an upgrade over what you may be currently operating. Secondly, these aircraft offer an exceptional value – particularly in terms of operating costs. Finally, these aircraft are no older than around 1990, which tends to be a psychological break-off point for the average purchaser.

So what about the value trends of these aircraft in recent times? Let's begin by looking at the most significant trends to have shaped in the Citation V/Ultra/Encore sales market.

Starting with the Citation V, prices began a downward slope from an all time high in recent history of \$4.7m in June of 2000. As the trend continued downward, there were as many as 51 Citation Vs for sale in May of 2002 – the equivalent of approximately 20% of the entire fleet. By our calculations, once more than 10% of any production fleet is on the market, you can expect a downward movement in that aircraft's value.

The Citation Ultra, meantime, saw a downward trend from its all-time high \$6.2m

price point start six months earlier than the Citation V in January of 2000. We saw the largest supply of Citation Ultras for sale in November of 2001 with 37 on the market.

Since then both of these aircraft have never reached the same levels of available used aircraft for sale, and both have made a tremendous comeback on the market, where you would expect one to remain stronger than the other during this so-called "hot market".

Today, the Citation V has seen a significant change in its value since we touched upon these same aircraft a year ago, and this is a surprise to everyone when you compare it with the Ultra. Looking at the graphs between the two, the Citation V has continued to see an upward trend in value, while the Ultra has started to come down as of June of this year.

The supply of the Citation V is down 50% from where it was four years ago, which has helped create this positive effect.

The turn in the pricing of Citation Ultras occurred because at one point, just prior to the start of 2006, our graphs show there were very few available which kept some late-model, low-time prices over the \$5m-mark, which in our opinion is the price ceiling for this aircraft. Over this price point you need to start looking at other options to get maximum value for your money.

Also interesting: The Citation V carries a bit more stability in terms of long-term growth than the Ultra, which for a short period this summer gained some momentum for

ASSET EVALUATION

a brief period, but has seen prices fall again.

As of this writing, there was a total of 22 Citation Vs for sale with an average asking price of \$3.9m. These aircraft average 6,000 flight hours which is just shy of engine overhauls. The average time spent on the market is 220 days each.

For Citation Ultras meantime, the average asking price is \$4.4m, down nearly \$400,000 from just six months ago. There were 17 aircraft for sale worldwide at this writing, with an average of 4,400 flight hours and an average 130 days on the open market.

So far we've detailed the Citation V and Ultra, but now we'll take a look at the Encore, and the part it plays within this particular family of jets. Does the Encore have as much of an effect on the V and Ultra? We don't think so... yet...

The Encore tends to sit by itself because of

the wide price gap between the Ultra and the Encore, which is probably why the Encore pricing for pre-owned aircraft has remained relatively flat since the beginning of 2004. During the period from 2004 to present, the average price of a pre-owned Encore has been anywhere from \$6.4m to \$6.5m with just a brief spike during the summer of 2005 when there was just two to four for sale at any given time.

The aircraft hasn't been the easiest to predict due to this flatness. One would expect some variance in the valleys and peaks when supply and demand take precedence, but it just hasn't happened. The average price of a new Encore is \$8.2m, so we know prices will most likely never exceed this in the pre-owned market place, but what is going to hold up the bottom? It sure hasn't been the Ultra per say.

What is also interesting is the average market time of an Encore - 270 days - which is more than the Citation V. This is odd since newer aircraft, especially in today's market, are selling in less than 100 days.

Today there are six Encores for sale, but Cessna so far has built 168 and the aircraft is still in production. The average total flight hours for the pre-owned Encore marketplace is 1,800 hours.

To wrap up this month's featured aircraft it's a good idea to familiarize yourself with the differences between the CE560s as well as their historical and future data. What you may be looking for may not be so clear when the facts are laid out on the table below.

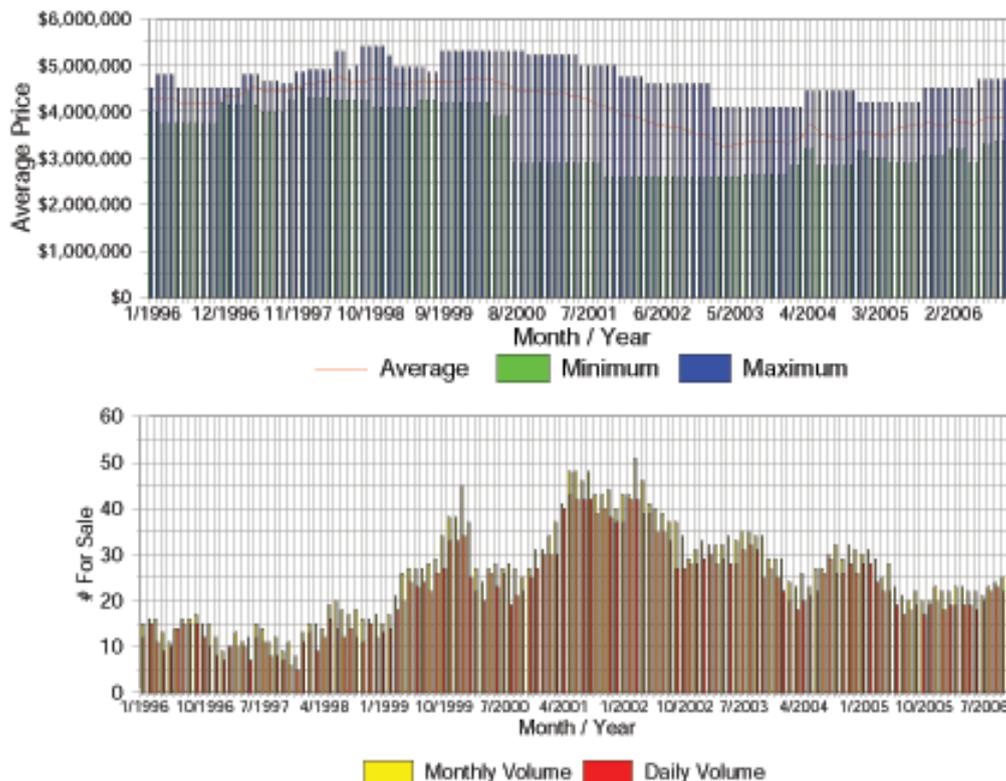
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CE 560 FAMILY					
	RANGE (AVERAGE CRUISE SPEEDS)	CABIN VOLUME (CUBIC FT)	AVERAGE SPEED	AVERAGE FUEL BURN (GAL/HR)	D.O.C (USD)
CITATION V	1,600	292	420	191	\$1,277
CITATION ULTRA	1,650	292	425	203	\$1,317
CITATION ENCORE	1,680	283	425	189	\$1,243

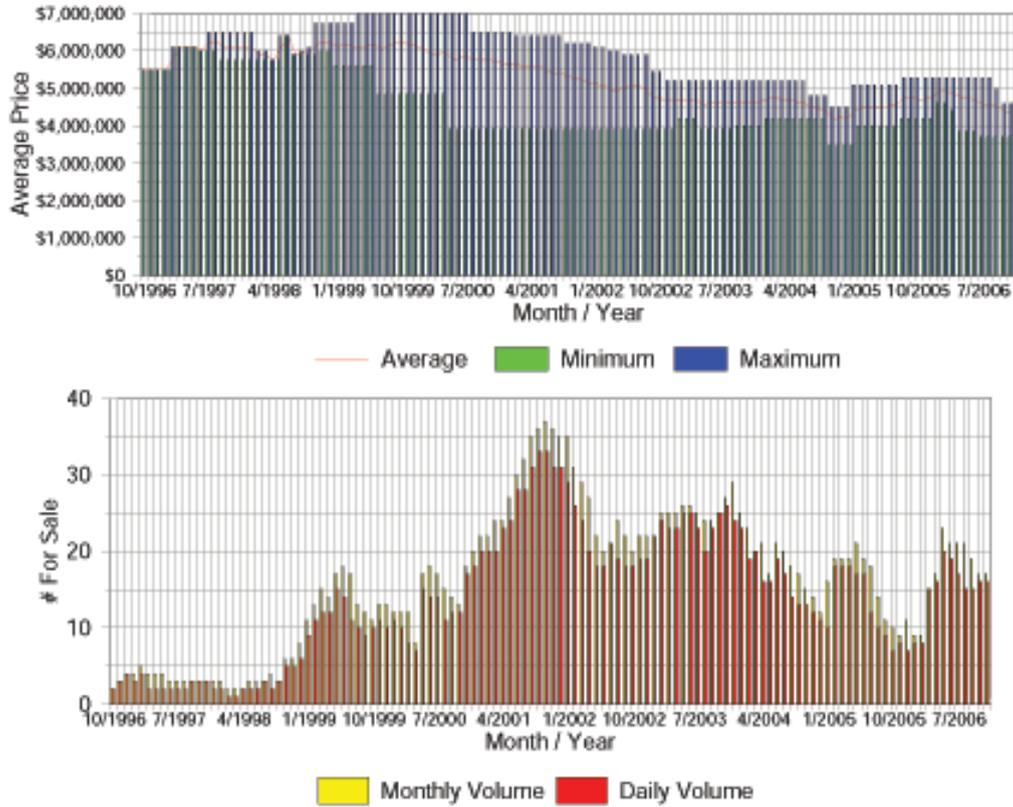
1. The average D.O.C. uses \$4.00 USD / gal.
2. Range is calculated using max fuel on board with IFR reserves.
3. Total D.O.C. costs are derived from operator feedback and include airframe & engine inspections, life limited components, fuel burns, engine, APU, and avionics reserves.

Source: Central Business Jets JETCOST® REPORT

Citation V For Sale (Citation Ultra & Encore graphs appear over page)



Citation Ultra For Sale



Citation Encore For Sale

