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TO COUNTY ASSESSORS:

NONCOMMERCIAL AIRCRAFT VALUES

Recently released Assessors' Handbook Section 587, Aircraft Valuation Data, estimates value for various makes and models of noncommercial aircraft. The values are for aircraft with standard equipment and in average flying condition. Values are as of the lien date, March 1, 1989.

Aircraft values in the handbook are derived from analysis of actual sales of similar aircraft, not unlike the sales comparison data that is used to develop boat and automobile "blue books."

Like other tangible property, aircraft generally depreciate from year to year due to wear and tear. As an aircraft ages, and inflation remains moderate, potential buyers frequently pay less for an aircraft in one year than they would have paid in the previous year. However, since value is set in the open marketplace, actual value in any one year is based on recent sales of like aircraft. Actual selling price is established by the number of buyers and sellers in the market and by supply and demand (similar to buying and selling a house).

The market for new and used aircraft has been extremely active and most aircraft values are significantly higher in 1989 than they were for the 1988 lien date. Primary reason for increased values are as follows:

(A) Abundance of buyers:

In addition to local buyers, overseas buyers have been very active in the marketplace. The combination of local and foreign buyers has produced an abundance of ready and willing buyers.

(B) Limited aircraft available for sale:

- (1) Availability of new aircraft - Limited production of new aircraft caused many potential purchasers to seek used aircraft rather than wait for a new aircraft.
- (2) Availability of used aircraft - High interest rates throughout the early 1980's resulted in greatly reduced new aircraft sales. Many manufacturers went out of business or reduced production.

TO COUNTY ASSESSORS

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As a result of low production in the early 1980's, there are now fewer used aircraft available.

The inventory of used aircraft has been further reduced by the number of aircraft previously sold to foreign buyers and no longer available for sale in the United States.

The combination of many willing buyers and limited availability of both used aircraft and willing sellers produced robust 1989 aircraft values. Until demand decreases and/or production of new aircraft increases, it is likely that values will remain high.

While the market value of almost all aircraft has increased in the past year, the value of single-engine aircraft has outpaced the value of most multi-engined aircraft. Concern for fuel and maintenance costs plus the more limited availability of used single-engine aircraft appear to be reasons causing even greater increases in the value of single-engine aircraft.

I hope this information helps explain increases in 1989 noncommercial aircraft values as compared to 1988 values. Please contact our Business Property Technical Services Unit at (916) 445-4982 if you have questions or comments regarding aircraft values.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

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