

# Would you Care to Dance?

## I think I hear music again!



I wrote an article twelve months ago about the dance of a slowing aircraft market. It spoke of the analogy of a high school dance, girls on one side, boys on the other. This described what happens when buyers and sellers

separate from each other in what each one hopes will be a short readjustment period. Sellers hoping the market will not remain weak and buyers preparing for a new bottom. After a while just like the kids at the dance, a brave few wander back to the center floor for the dance.

If you listen closely, you can hear the music beginning to play once again. Is it the economic winds blowing stronger? Have we seen the bottom of the market or feel we are very close? It is probably all of the above. Whatever the reason, I can hear music and it sounds great. Activity is picking up steadily and sales are happening. However, it is not a fast song yet, just a ballad. Inventories are still rising in most markets so prices are far from soaring upwards. Don't mistake the events currently taking place. It will be a very slow, steady pace to price recovery. Remember back in the early 90's? It took 5 years for prices to recover and switch from a buyer market to a seller market. Hopefully this time as we pass from one to the other we will stop in the middle and enjoy a balanced market for some period of time!

As activity resumes here are some very important things to be careful of. I always see the same things occur as markets shift. In a down market everything is inexpensive; the good aircraft and the bad ones. In fact it can be very confusing as a market gets choked up with inventory. What might at first look like a virtual playground of available aircraft (for sale) can really be a minefield. It takes a real sales professional to help you differentiate the good ones from the bad ones. I always say, beware of

buying a cheap aircraft cheap and focus on buying a great aircraft cheap. The same holds true in an up market. All aircraft are expensive, the good ones and the bad ones. It is only during a very balanced market that the real aircraft individually stand out. So as you go back into today's market, do not only be aware of just a new set of lower price points, but more importantly, pedigree, records, and mechanical integrity to name a few areas.

Do not be swayed or frightened by the increased activity in the market. For the most part, prices will not ricochet back up overnight. I will say that certain newer, state of the art aircraft will rebound quicker. The older less technologically advanced aircraft may never recover. For instance, in the early 90's when a recovery was at hand, RVSM, TAWS and noise issues were so far into the future that they hardly had an impact on the price of aircraft as they recovered. Today we are in spitting distance of some very costly upgrades and some aircraft will simply not bare the weight of the needed investments.

There are a few items which will impact the recovering market that were not relevant in the past recovery. In the early and mid 90's, fractional ownership was only an idea and not a fully executed program. This recovery period will include a new standard for airframe time, as well as large numbers of aircraft put back into the general population over a very short period of time. This ingestion of inventory may weaken the bottom of those particular markets due to the

**"There are a few items which will impact the recovering market that were not relevant in the past recovery."**

higher airframe times. For instance, Flexjet will be turning a large number of Learjet 60's back into the system. Utilization has dramatically increased in the last 3 to 4 years. This means that not just the fractional aircraft will have higher time on the airframe, but a larger segment of the general population as well. As you buy, try to stay below the average airframe time. This will help insure greater values in the future.

All in all I see a very bright future for our industry. I can see inquiries popping up all over. Interest rates are still at all time lows so the opportunities to lock in a low rate and couple that with an acquisition price you can have confidence in, creates a winning combination like we have not seen in our industry in a very long time. The last time prices were down this low, interest rates were at all time highs. If the reason you have been waiting to buy was for the prices to be reflective of a weakened industry, the time has begun. Seize the moment to get in and get the best one at the lowest price. Choose an aviation professional, develop a team strategy and start the dance. In fact I think I hear Frank Sinatra singing *Strangers In The Night*. Would You Care to Dance, Again?

*Please join us for an Aviation Leadership Roundtable on May 22nd, 2002 at 2:00 EDT. This month's discussion will focus on the Dance; the buyer's view of the marketplace, the seller's view and the view from the top. How has it changed from all sides since 12 months ago? Where is it heading in the next 12/24/36 months? Go to [www.jetsales.com](http://www.jetsales.com), click on the Aviation Leadership Roundtable section and click "Enter Conference". It's free, and will last about 20 minutes. Download the software, RealPlayer(TM). It is available from our site, and takes about twenty minutes to download on a standard dial-up connection, I look forward to seeing you there.*

■ Jay Mesinger is the CEO of J. Mesinger Corporate Jet Sales. He is also the host of the Aviation Leadership Roundtable and Vice Chairman of NARA (National Aircraft Resale Association).