

# Waxing Lyrical About Market Realities

## Key Advice for Today's Aircraft Sellers

What have Meghan Trainor's hits got to do with the Business Aviation industry? Jay Mesinger finds himself applying lyrics to the realities of the used jet sales process.

**N**ew aircraft delivery delays, OEM layoffs (due to a reduction in orders), slower growth reported by most industry analysts and bank reporting arms, continued pricing pressures and emerging market paralysis... These are somber times within the Business Aviation industry, but it's also time to add a little levity to the outlook...

### I'm Gonna Love You like I'm Gonna Lose You

Performed by Meghan Trainor and John Legend, the title implies a changed methodology of how to love someone. Might you love them or treat them differently if you could lose them? You wouldn't take them for granted. You might respect them more...

So how does this possibly apply to an aircraft transaction? If you are a seller and you have a real buyer that's identifiable, qualified and doing all the right things, 'love them like you're gonna lose them'. Treat them with the respect they deserve. Work diligently to keep them in the deal.

Please don't compromise the integrity of a transaction. By that I mean that you should never veer from usual and customary practices or take risks in a contract that make the transaction one-sided. Be prepared to build a transaction that may ultimately be for less money than you wanted, but is correct for today's pricing realities.

Rather than just say 'no' to what seems a low price, or be unwilling to fix what needs to be fixed because you feel the price is too low (and therefore the buyer should just take the airplane as it is), work diligently to keep the deal alive.

Typically, that is unlikely to happen to you, but preparing a pricing scheme that embraces the realities of today with your trusted aircraft professional is critical. Bottom line is, 'love them like you're gonna lose them'. Don't dare lose a real deal with a real, qualified buyer!

### It's All About that Bass

Consider another Meghan Trainor song, this time focusing on what's really important – but in this case let's substitute the word 'Bass' for 'Price'. Today it's not about all the other noise surrounding an aircraft—it's just about price.

Don't misunderstand me. I don't mean that great pedigree, wonderful turnkey cosmetics and upgraded equipment don't have value. I'm not implying these are just 'noise'. I do mean that the way a buyer values them today won't necessarily add bottom line value when you sell. More than likely these features will help the airplane sell faster than one that cannot boast these items.

The days of adding dollar-for-dollar amounts to the bottom line of the airplane price for special features are long-gone. I wish I could say that buyers are willing to pay more for more, but

they're very concerned about the continued market price declines. These are predictable and easy to track at somewhere between 7-10% annually.

This predictability (at least for now) characterizes a very different landscape than the 2008-time period when the bottom was falling away and the global business conditions were in entirely uncharted territory. Today there's a more stable floor for aircraft values.

The problem is that the greatest number of market entrants came into our industry as aircraft owners between 2000 and 2007, a period of enormous industry growth. The emerging markets were booming, and it seemed like the golden era would continue forever. This growth cycle would change the valuation component of the annual residual loss rate.

For all those first time entrants who entered the market with the belief that airplanes went up in value each year, or could at least be treated like commodities contrary to the reality of them being depreciating assets, this is a new era. This is reality.

### Back to the Beat

Returning to the music, if you have an opportunity to sell to a real buyer who you can identify – if the transaction is not a convoluted maze obscuring the actual buyer and you have a contract that the Escrow agent signs off on and acknowledges that the deposit paid can be bound to the contract signed – hold on to the people involved, as the song says.

If you're trying to decide how to price the airplane and you believe you can get more if you ask for more, and you're not acknowledging the reality of the selling comps around you, then you're ignoring the message of the second song.

Crank up the volume, sit back, listen carefully to the messages and get ready to sell. There are buyers and they're willing to complete a transaction. However, they're not going to be willing to over-pay or have terms and conditions that are not usual and customary. They want the same thing you want as a seller.

A fair deal given today's market is a deal that has all the right and balanced safeguards for both sides. Remember there is no award given for the aircraft that has been on the market the longest. ■



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