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## *Still Stuck In A Down Market*

Last month Jay Mesinger identified several factors that define market conditions and outlined that recovery was still sluggish. This month he expands upon that thesis.

**H**istorically, market recovery is characterized by several trends. In down-markets, the best aircraft sell and what remains are the less-than-perfect offerings. In fact, during downturns there is typically no difference in the price of a great aircraft versus one that is less than great. They are all cheap. Differentiation between aircraft

based on airframe time, cosmetics, damage and extra equipment occurs only when the market becomes more balanced. As recovery emerges, subtly the cream gets sold first. Prices remain down but choice is dramatically reduced. As new aircraft enter the market, the price of better offerings firm and then inch upward.

The next phenomenon that occurs in a recovering market is the sheer number of aircraft within each segment becomes less, so there is less choice as well as a clear delineation in price between the great ones and the mediocre. More demand leads to less supply, which leads to the recovery we are all anticipating so vigorously. But as I cautioned last month, not even the most subtle signs of the recovery are occurring.

The latest editions of *Aircraft Bluebook* and *VREF*, two popular guides for reporting industry valuations, were updated recently. Both respected sources of information continue to show a majority of aircraft trending down in retail and wholesale price. Both continue to characterize the current conditions with very guarded outlooks, such as "While activity is good in most segments, prices continue to slide," and "Incredibly, after more than twenty quarters of eroding prices, we see yet another downward correction." These quotes came directly from one of the books' quarterly newsletter while the other used words like, "Prices for pre-owned aircraft continue to decrease quarter-to-quarter in the jet and turboprop category." >



GOING NOWHERE FAST

# What the Boardroom needs to know about Business Aviation



## TIMELY ADVICE

To the Seller, never before has it been more important to listen to your aircraft sales professionals. Those of us who talk daily to sellers, buyers and fellow sales professionals, tracking activity, following prices and embracing realities of the markets, are instructing our clients to set "ask" prices far closer to the expected "take" price. No longer is it wise to leave big gaps between the two.

By setting a realistic "ask" price, buyers perceive that we are realistic sellers. Since there are so few sales compared to available inventory, we must not discourage any buyer in their quest to discuss an aircraft in which they may be interested. The second outcome of the closer numbers is less clear cut. If there is not much room between the "ask" price and the "take" price, the buyer may treat negotiations less as a sport and more like a business deal. The right price will generate more calls and open the dialogue to work through the process with less sport involved.

The end to our sluggish market is not yet around the corner. In fact, from this observer's perspective, it is not even in view. Given the lack of financing availability on a grand level and the sheer supply of inventory, as well as a still shaky global economy, I think it could be another 24 to 36 months before this market levels out across the board. So if you want to sell, price right and be open to offers!

## BUYING OPPORTUNITY

As a buyer the current and future market conditions

play right into your hands, with the caveat that financing may not be readily available. This situation keeps many well-intentioned buyers sidelined. If you can get a loan on an aircraft or can generate the funds from other credit facilities, you have a wonderful path ahead of you. Just remember not to be blinded by price. Even as a buyer, it is imperative to work closely with your aircraft sales professional to be sure that you do not buy a cheap aircraft cheap. Rather, you want to buy a great aircraft cheap, which is a fully attainable goal.

From my perspective our business is strong, albeit with low and continuing falling and unstabilized pricing. We are seeing more players coming into the market to buy—not in the numbers of yesteryear and not enough to turn this market around, but at least there are buyers today who will step up if the price is right. We are also beginning to see an emergence of first-time buyers again, still not in big numbers but a positive trend nonetheless.

The notion of negative optics is less apparent, replaced by a greater understanding that Business Aviation is a powerful business tool. Using this tool to get out ahead of the competition and in front of customers are benefits that more companies now appreciate.

Do you have any questions or opinions on the above topic? Get them answered/published in *World Aircraft Sales Magazine*. Email feedback to: [Jack@avbuyer.com](mailto:Jack@avbuyer.com)

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