

# A New Year And A New View

**H**appy New Year! I hope the holidays were filled with family, joy and celebration for all. As we wave goodbye to 2011 in the rear view mirror and start to look ahead, I thought it might be interesting to be sure as an industry that we are looking through the same front windshield; especially the aircraft sales professionals and consultants we work with day-to-day.

What is ahead for us and our clients in 2012? Much will be taking place. On a macro level, 2012 will be an election year, and this always brings extra market discussion. If the current administration wins what will be the effect? If a new political party is elected, how will that affect markets? Already the conversation is focused around those varying outcomes. But additionally, what will happen if Europe continues to dominate the global economic conversation? Will there be a trickle effect to our slow, but steady recovery? How will this affect both aircraft prices and transactional activity?

Some could look at all of the above items and wonder what there will be to celebrate? You know me though - I am already looking for the glass that is half full. Of course, you could be looking for the glass that is half empty, but you'll find it is the same glass. It is all about perspective.

I believe that our clients who place their trust and confidence in us are looking for honest, fact-based answers, not philosophical rhetoric. Having discussed the roadblocks, let's discuss the facts and see whether, by the end of this article, we as a group of professionals can spot the glass that is half full, aided by answers that are fact-based.

Often what can begin to happen when economic uncertainty creeps into a market is a tendency for buyers to take a 'wait-and-see' approach to purchases. They of course are waiting for a downward market correction. Think back to the 2008 time-frame: this exact phenomenon occurred. To the credit of the 'wait-and-see' group, they achieved 50-70 percent-worth of reductions from the high point of 2007.

Today with the uncertainty of Europe we should expect some to adopt that same

approach. One thing to remind buyers today, however, is that given the huge correction in the past few years there is just not another 50-70 percent of correction left to happen, and for the most part the slower pace of sales is already dialed in as a factor for what buyers are paying today. Simply put: real buyers who create certainty for sellers in being able to complete a transaction are getting the most favorable pricing without needing to wait.

For our sellers who approach us for market wisdom, the best thing we can tell them is to be ready and willing sellers when that credible buyer comes knocking. There are just not as many knocking in this environment. They may also experience closing schedules that seem protracted due to an extended financing timeline, but when someone is real and committed to buying, the seller needs to make sure they don't let the next seller have the buyer's business!

The greatest value we can add to the seller today is to help them understand the market they are selling into - and this market, except for a very few high-end segments, is all price driven. Sellers should not mistake 'price driven' for having to take huge additional discounts if their aircraft are already priced correctly for today's market.

Our value to buyers comes in helping them know the right price to pay and not mistaking a price-driven market for one that is still ripe for huge further discounting. I really believe our market is already adjusted for today's economic undercurrents. As far as a change in political leadership is concerned, I would not put much hope in any dramatic change in either transactional activity or prices regardless of the outcome.

A key indicator to watch this year will be inventory levels. The inventory of most categories of aircraft is stabilizing and this is due largely to owners once again finding value in the aircraft. Possibly their individual business is improving and selling this business tool is not as pressing a need as it once was, whereas putting it back to work is the new priority! Many of the optics-generated listings are coming off the market for that very reason.

Although higher than the 'for sale' inventory levels of better days, the key indicator

will be stability in those levels for 2012. It is important to note once again that buyers today seem less driven by manufacturer loyalty and more by price value. In past years, buyers would develop a mission profile then go to the

favored manufacturer and make a selection. Today, a buyer is more likely to choose a category of aircraft then go to a market and make the best buy from that chosen category. Thus, sellers must look - as a buyer will - at the comparable aircraft, based on desired size, range and type.

So, for example, if you own (and are considering selling) a Hawker 800XP, you must also look at the Hawker 800, Learjet 60, Learjet 45, Citation III, VII and Excel as well as the Astra markets to see what is also available for sale. All of a sudden there are over 230 aircraft potentially competing for the same buyer, even though there are just 44 Hawker 800XP aircraft that are for sale today.

That represents a significant difference in the competitive landscape to be considered by both buyer and seller. So you need to look ahead and be ready in 2012. Then in 12 months time, we can all be looking back on a great year!

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