

Everything Else...

Last month's column focused on a very thin, veneer-like sliver that I used to describe the segment directly below the new aircraft market. This like-new segment is made up of very low-time and very new aircraft, and is commanding high prices and lightning-speed selling time. Demand for this segment is global in its reach.

The long lead times that all manufacturers are experiencing is creating this segment to provide interim lift for those people that have either placed an order for a new delivery, or simply want as new an aircraft as they can possibly acquire without the long lead time of new. The weakness of the U.S. dollar fuels the price frenzy as the short supply of these aircraft tries to accommodate a demand that is not huge in general numbers, but high by comparison of supply. To learn more about this segment, please refer back to 'What Is Under That Thin Veneer?' on p92, August Issue, *World Aircraft Sales Magazine*.

I took some poetic license at the end of last month's article to define this month's topic. I promised an article about the segments below the veneer and named it 'Everything Else'. It is not to say that aircraft are not selling once they are slightly older, or have higher time. In fact, most sales professionals would say they are having their best selling year. It would be fair, though, to say that except for a relatively few pockets of models, the sales of the Everything Else segment is selling at customary selling cycles with the average number of days on the market being over 100.

This catch-all segment is also not enjoying the pricing frenzy of the top, top end. So as we look at the rest of the market there should not necessarily be cause for concern or panic. These market factors are not new to the older, higher time models. Most normal selling cycles are 100-plus days and most aircraft in most times do depreciate 2-3% per year. So no big deal, right? Well, sort of!

As I mentioned above, the global nature of the like-new and new market is not extending to the older, higher time aircraft. That means that the greatest area of growth of business is not embracing it. That is cause for concern as sellers hope for a market space

that includes foreign buyers as a way of broadening their universe of potential buyers.

Remember the old days? We used to think there was always a home for an aging, noisy aircraft in places like Mexico and South America. Places where one could always sell the -8 Jetstar or the Lear 24. That was our view from the U.S. of selling to foreign buyers. Today, however, third world countries are not as readily embracing those old, noisy aircraft. The appetite of the world market has changed but I would definitely not worry about selling the aircraft that are in the 'Everything Else' group because as I mentioned, there is still a very solid market place right here. As always, the same things will be important, such as pedigree, damage history, correct pricing and marketing efforts that differentiate your plane from the pack.

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Earlier I talked about a few bubbles of activity that do fall below the line. The Falcon 50 is one of those exceptions. It is still a fabulous aircraft with efficient operational costs and great manufacturer support. But, what makes this segment so contrary to the rest of the older, higher time planes is when you find a 1990 and newer, low time offering (by low time I mean less than 5,000 hours, and less is always better). When one comes on the market like that, it is usually snapped up.

Another interesting segment that seems to hold its own is the 1990 and newer B200 King Airs. The King Air tradition is rich with product loyalty and terrific performance for the dollar. Combine that offering with a great

pedigree and low time and it will also 'fly' off the shelf.

The older GIVs, the higher time Challengers, and the aircraft that are being turned in from the fractional programs are just not capturing what their newer sister ships are enjoying. Try as we all might, we just cannot convince the new global market to fully embrace these aircraft.

Of course, budget constraints keep many from buying the new or like-new aircraft. The lesson here is to buy wisely with assistance from a sales professional that understands the market and current pricing. The lesson is not to ignore this segment if it is all that your budget allows. Just buy with eyes wide open and the expectation that it will depreciate. Try to stay as new and low time as your budget will absolutely allow. Negotiate for the best plane combining equipment and options that will differentiate it from the pack during your ownership and in the years to come as you remarket it.

You can affect depreciation positively with smart buying. It will be too late if you think you can overcome a bad buy with smart selling. The 'Everything Else' category is a huge part of our collective universe. It is not to be ignored or minimized; it just must be approached correctly. Lenders, insurers and manufacturers still embrace this segment. Those are always the leading indicators of market spaces.

I always say, choose your plane wisely and choose your acquisition partners with the same dedication. Once focused on a segment, choose people that have recent activity in that segment. They will guide you to success.

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