

So.....?

Not often am I at a loss for words. Not often do I struggle with defining a market environment. But, as I sat gathering my thoughts for this month's article, I had to ask myself an honest question: Am I really at a loss for words? Am I really struggling to define this market?

The real answer is no - I have just been putting off finally saying what is appropriate and necessary. It seems that we are in a buyer's market. What else could properly describe a market where pricing has shifted so dramatically and so quickly? But how can I simply describe the market as a buyer's market if there aren't enough actual transactions to even coin the name?

The rest of the truth is that there have been so few actual transactions completed in the last several months that much of the market has not realized or acknowledged this dramatic shift. So what we really have is a huge amount of unrealized loss in value. Once we have real buyers coming into the market and a few transactions closed, the loss in value will be quickly recognized as sellers start to acknowledge the change in value.

As we wait for the phenomenon of buying to begin, market indicators are begging for attention. For example, the available inventory in virtually every aircraft category has risen significantly with more coming onto the market daily. Available credit for aircraft loans, while not completely dried up, has been restricted to fewer players and terms and rates have also changed, affecting the buyers and their ability to fund and complete a deal.

Furthermore, charter is down in some segments as much as 50%. Charter was always a viable area of our industry and provided incentive to justify buying because charter increases use and provides additional revenue, leading to lower fixed costs. And lastly, fuel costs, which had contributed to dramatic increases in direct operating costs, are coming down from record highs, but still are having a negative effect on financial modeling of operational costs.

Some have described this set of circumstances as a perfect storm. I have heard some say recently that once the election is over, we can get back to business while others have said they are sure that right after the first of the year, everything will get back to normal. While no one would like to see this glass as half full more than me, I believe that unfortunately there will be no one defining moment that will right this ship in this storm.

Time, painful corrections and a global economic strategy will be all that can set our direction for calmer seas. This will not be quick. First, prices will need to be corrected, which will help buyers step in and ultimately start to balance the supply side to equal the demand side. But, new aircraft for sale are coming on the market daily - and there are a significant number of near term deliveries too. So the healing is far from beginning.

And as I look at the near-term deliveries, I note that they represent aircraft ordered two, three and four years ago, some no doubt ordered with the intention of selling for great premiums. But these new ready-for-delivery aircraft are coming to the market at a far greater pace than they are being sold. This added supply of new aircraft resembles what the factories had to offer during the early 2000s: White tails.

So you see, I really was not at a loss for words. I have just been unwilling to use them until now. I think that the sooner we start to use the right words to describe the

circumstances of our industry, the sooner we can begin doing business in this new reality. The sooner we can get our pricing in line with the financial times we are living in, the sooner we can begin to



attract buyers to their market. I tell my sellers to remove from their vocabulary words like "bottom feeders," "buyers trying to steal my aircraft" and "wholesale buyers." Today there are just buyers.

Many will read this article and wish that I would not declare the obvious, as if my declaration could start a trend toward this buyer's market. I assure you that my declaration is not a trend setting event. There is no way I have the power over any market. Actually, the only people who have power over this market are the buyers. This industry provides unique and powerful methods of getting out ahead of your competition and in front of your customers with greater frequency than your competition.

Aviation is still a viable, safe and effective method of delivering all of this. That is the best news in a bad news story. Given that good news, our industry, like housing and even banking, will recover and be strong again. In the meantime we must embrace the dynamics of these very volatile circumstances that affect us all.

Starting by using the right name to describe these times is not a declaration meant to be negative, it is a declaration meant to start the business of the business again.

> Jay Mesinger is the CEO of J. Mesinger Corporate Jet Sales, Inc. He is on the NBAA Board of Directors and is Vice Chairman of the NBAA & AMAC.

Additionally, he is on the Duncan Aviation Customer Advisory Board, is a member of MEBAA, EBAA & is associated with IBAC. More information from www.jetsales.com ■

As we wait for the phenomenon of buying to begin, market indicators are begging for attention.