

Interpreting the Updated Valuation Guides...

Both Aircraft Bluebook and Vref have published new findings for the quarter. The books differ slightly in many areas, however they do not differ in their near-term outlook, continuing to trend down in almost all categories. In those remaining categories that are not trending down, book-by-book the answer as to why could lie in different places, depending on the category.

In some cases one book or the other may have just felt that a prior period adjustment was too drastic and thus leave the trend-line flat with no adjustment. I doubt in most areas that the contemplation around a level trend is about stabilizing prices. I believe that the best interpretation around the reports is that we are still in for a downward trajectory. One of the publications' newsletters spoke of 20 consecutive quarters of downward pricing, and that now we are showing yet another downward correction. The other spoke of continuing price sliding for jets and turboprops. So rather than plan for a recovery, let's plan for a reality of the current market.

As aircraft sales professionals we have the greatest access to the buyers and sellers. We are the ones who listen daily to the heartbeat of the market; we're the ones most likely to help our clients and prospects use the data to their best advantage. If we were going to help shape a game-plan we would of course have to divide it between the offensive game and a defensive game. As there are turnovers as to who has the ball at any given time we must create a game-plan that assumes today's offense will be tomorrow's defense. Buyers and sellers will switch positions over the long-game.

Let's start with the view from the seller's position: The seller is trying to sell their aircraft and struggling to determine what price it will sell for. Will prices go up in the near-term? What would holding it for better pricing mean? How should the seller price the offering? Is 'Make Offer' a better strategy, given what could be a continuing declining market or the uncertainty of a rebounding

market? Bottom line: "Help!"

First things first: There are so few sales in so many categories it may seem impossible to show good sales comparisons to derive what the real price of the airplane should be. Since there are so few transactions, it is critical to also look carefully at good, current market research of the other like-kind offerings. Don't simply rely on the listings around the market. There are too many listings with no real input as to the motivation of the seller, the actual asking price and other critical aircraft data like complete logs or damage history.

Far more in-depth research is required. Like many other of our fellow sales professionals, we call daily into the markets, talking regularly with the sellers or their representatives. We gain an understanding of the real condition of the aircraft, the motivation of the sellers, and determine if there is an impending 1031 exchange date or delivery of a replacement plane (or other near-term motivation to sell). This input helps shape the ultimate 'take' prices of sellers.

Next, work must be done to bring asking prices of the aircraft 'for sale' much more in line with the ultimate 'take' price. In such a crowded marketplace buyers watch closely to identify real sellers using techniques as simple as correct asking prices.

The bottom line is that there are buyers today and they are very focused on price. As I have said during past downturns, when a buyer can create certainty around an offer, don't think of them as "bottom feeders" or someone trying to "steal" your airplane, just think of them as buyers.

And what of the buyers in the market today? I give the same advice that I give to the seller: It will all be about price.

Remember, buyers have never had the combination of as much inventory to choose from combined with such attractive pricing. No longer do buyers just look at the manufacturer they would like to buy into; they also look to the left and right of their desired category to see if there are other products that can deliver the same mission fulfillment.

Often times the traditional product loyalties fly out the window and price/value become the only driver. So as a buyer, always be sure to shop by mission-fulfillment and not just by product loyalty. It is never too late to create new loyalties.



If you think about my suggestion to the seller to look for certainty in a buyer, be sure to supply your aircraft sales professionals with as much information to enable them to help the seller identify you as a real buyer. Usually price is secondary to a seller if they feel confident in a transaction reaching the finish line. It is not unusual for sellers to have experienced more than one failed deal after encountering buyers who were just not as they described themselves to be.

Therefore, regardless of the side you are on, play to win. Listen to the market, be proactive and don't miss a great deal as a buyer or a seller. There is an over-supply of inventory and an under-supply of buyers. This will keep markets unstable and anxiety high for the time being.

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