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## The Metrics of a Recovery:

### *The Best Measures of Value and what they Indicate.*

Jay Mesinger opines on the abundance of data that are available, and attempts to discern how those graphs and reports can assist Board members make informed decisions.

It seems that graphs and reports with daunting numbers captivate our financial and economic world. Every newspaper includes them, but how could a mere mortal use that information to forecast what lies ahead regarding the market for business aircraft? One analyst says his view is correct, and the very next article features data points that show conflicting trends. Different sources produce different opinions regarding the health of the aviation industry. The results are dizzying, if not simply bewildering. I want this article to help the reader sort out the tremendous amount of data and create value from the evaluation.

As we see positive precursors to our community's recovery, it is critical for those tasked with governance and fiduciary responsibly to interpret the information correctly. The more comfortable the Board becomes with sorting out this wealth of information, the better their decisions will be regarding first-time buying, transitioning or just re-investing in their company's current aviation assets.

#### AVAILABLE DATA

To prepare for this article I reviewed the current and previous editions of *AvBuyer* (nee' World Aircraft Sales) Magazine. This publication is dedicated to providing its readership with "need-to-know" information that informs and educates buyers, sellers, operators and users of business aircraft.

A quick tour of the 'Market Indicators' section of *AvBuyer*, for example, gives the reader a three hundred and sixty degree view of our community. Followers of this magazine and its >

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DON'T DISPAIR AT THE AMOUNT OF DATA ABOUT THE MARKET

# What the Boardroom needs to know about Business Aviation



website find the common thread that adds perspective and understanding to the world of Business Aviation. Within this section readers find insightful revenue reports and forecasts from Original Equipment Manufacturers (OEM). Market activity in aircraft categories ranging from ultra-long-range business jets to turboprops is addressed, as is a compilation of operational data such as hours flown and other relevant stats.

AvBuyer coverage of the pre-owned market segment is compelling. For example, lately inventory of pre-owned aircraft has been shrinking and days on the market have been decreasing. When we couple such information with data that show asking prices are rising, we might conclude that now is time for sellers to raise their prices.

But there is the problem with that logic. One must be careful how data are used. Yes, in some segments inventory is trending down, but in many areas it is remaining stagnant and in others it is even increasing. The reader needs to look at all the data, including information from specialized sources such as Aircraft Bluebook and Vref. (There is a very expansive list of inventory status for many aircraft categories on [www.vrefonline.com](http://www.vrefonline.com). Vref's latest Market Leader (2014 Volume 3,) is printed on p?? of this edition.

## TODAY'S DATA

Reviewing what is currently available, inventory of pre-owned business aircraft is more static than moving down or up. Days on the market—one of the most positive indicators—is fewer than in the preceding

few years, however.

These two items of information are good but not wonderful news. Aircraft that are selling are still being discounted. When asking prices are set at levels that might have been appropriate for the pre-crisis years, aircraft for sale remain in inventory longer than anticipated. This situation is very important to understand. Aircraft listed for sale in the most recent quarter remain flat with no change in price from the preceding quarter. This fact is huge!

In the most recent editions of both Aircraft Bluebook and Vref, many aircraft took another turn downward. The pre-owned market is not yet stable in the area of pricing.

How should Board members look at indicators depicting the market for business aircraft? I suggest they do so optimistically. When you read the data correctly you will see that the opportunity to buy smartly still exists. Modernizing and investing in your business aircraft to meet regulatory changes seems to be a safer bet now than at any time in the last six years. Note, however, that transitioning from your current aircraft to something newer will move smoothly if the relinquished aircraft is priced correctly.

All in all, we are seeing a better, healthier environment than many professionals have seen in many years.

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

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