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# Is There Magic In Timing?

*Knowing when to make your move may yield benefits...*

As a corporate Board contemplates an aircraft acquisition, be it their first aircraft or a transition, better outcomes occur when decision makers understand the market and the need for timing, contends Jay Mesinger.

Historically the Business Aviation marketplace experienced periods of less activity, hence greater uneasiness among sellers and more potential pricing vulnerabilities. Conversely, we can find traditional peak times when transactions were more brisk and sellers felt more market confidence. There have been periods of lulls as well as periods of increased activity. Such changes are influenced by time and circumstances, but it is not easy to determine whether time or circumstances take precedence.

In the days before our industry was truly globalized, it seemed that events affecting timing were centered on a US calendar. The end of the tax year (i.e., December 31st) always was a busy time as buyers worked to book a purchase in the current year, there-

by taking advantage of possible tax incentives. If you purchased before the end of the third quarter, by the last day of September, your firm received a bigger depreciation than if the aircraft was acquired in the fourth quarter, creating another period of increased activity.

Periods of slower activity were always the summer months. Kids out of school, family trips and vacations took the focus off of purchasing aircraft. Even corporations suffered from this lull for much the same reason. Lazy days of summer brought frustration to sellers who became anxious because aircraft did not move. Such inactivity often manifested into a more aggressive pricing strategy and created a more favorable purchase price. Buyers in a slow period were often rewarded with better pricing.

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# What the Boardroom needs to know about Business Aviation

## GLOBALIZATION AS A FACTOR

Let's look at how these peaks and valleys have ebbed and flowed. As soon as our industry began to grow in the early 2000s, in large part due to emerging markets taking over the spotlight, movement occurred in peaks and valleys that were no longer related to the calendar. The OEM's (original equipment manufacturer) order books changed dramatically with respect to domestic verses international deliveries.

Traditionally the percentage of aircraft built and delivered was lopsided with respect to domestic and international buyers. On average 30% of new aircraft were delivered internationally. The US market dominated.

As the emerging markets—Asia, China, Russia, India and the Middle East—came into their own the delivery numbers started to shift significantly. International deliveries peaked to 70% with domestic deliveries diving to the 30% level. This phenomenon accounted for drastic changes in the magic of timing.

Not all of the emerging markets enjoyed the same opportunities that the US did with respect to depreciation benefits, so the end-of-the-year rush to purchase was eliminated or greatly reduced. Vacation timing and reduced activity during the summer months did not necessarily transcend globally. Activity as a result of globalization balanced out. Those of us who make their living assisting buyers and sellers (including the service providers who support the maintenance and modification process) experienced a more level business cycle.

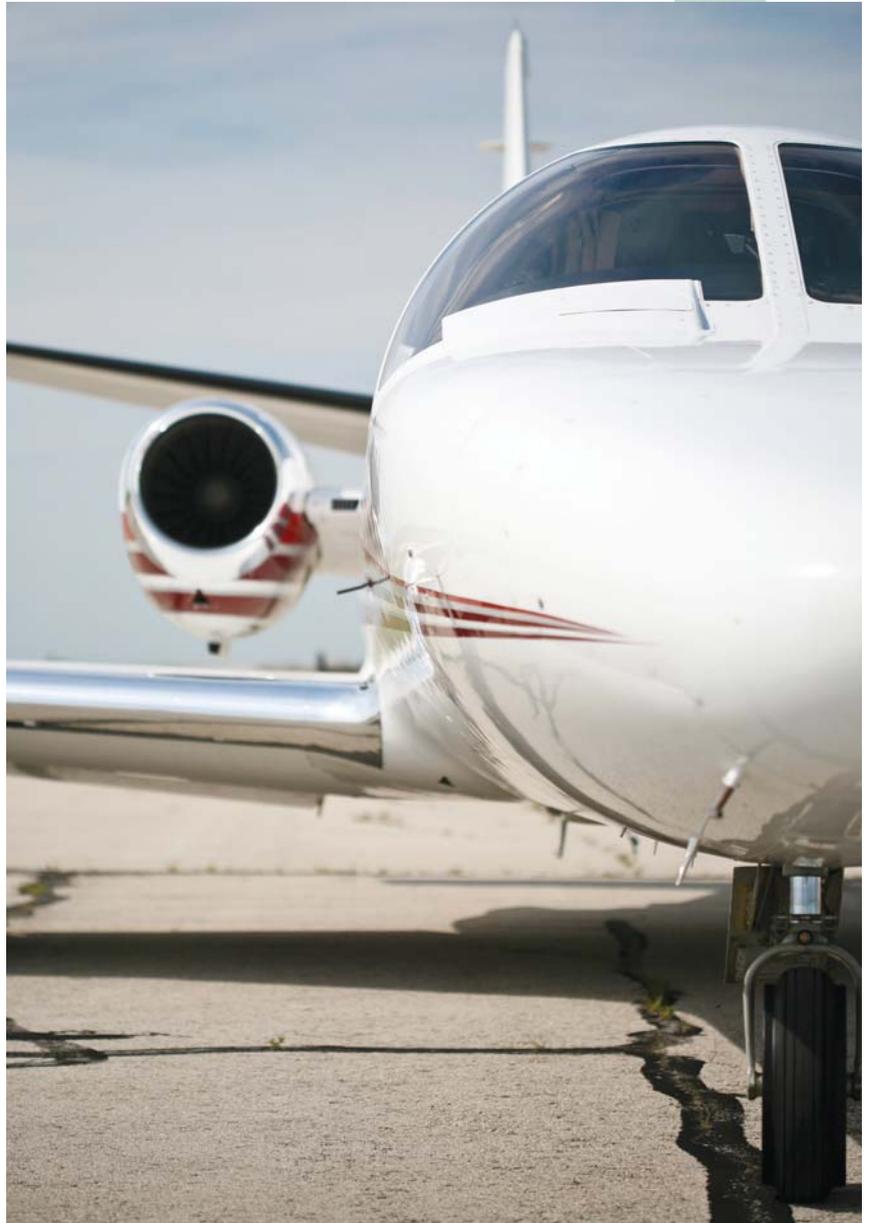
As we begin to enjoy what seems like a modest recovery, the US is beginning to regain the delivery advantage it once had. Now deliveries are more 60% domestic and 40% international. This shift back to traditional levels in deliveries, accompanied by a dominance of US transactions even among pre-owned aircraft, means that the timing of the lulls and the peaks have shifted back to a summer and year-end focus.

As a Board considers a plan to acquire or sell, understanding market peaks and valleys can be very helpful. As a buyer, being ready to act in the summer doldrums can be beneficial. Conversely, as a seller, understanding the summer lull and planning for it can minimize anxiety and the necessity to discount sharply.

I believe there are other significant timing factors that are not calendar-related and when identified can work like magic. At my company as we search for aircraft to buy for clients, we are always keen to understand seller motivation and sensitivities.

- Is a seller coming up against a 1031 Tax Free Exchange deadline (obviously a timing issue)?
- Do they have the delivery of a new aircraft looming?
- Are there financial pressures that are creating an immediate need to sell?

Once we can identify these needs on the part of a seller we may be able to help solve their problem while shaping a more favorable buying opportunity for our client. We never think of this as an unfair



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buying opportunity—just a way to build a win-win scenario for both sides.

So there may not be any magic wands for a Board when it comes to timing a purchase or sale, but there very well may be magic in timing.

**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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