



Business Aviation Market: It seems like it's Catching On

As we enter the New Year, the time for waiting is over. Jay Mesinger sees positive signs that the aircraft sales marketplace is changing.

For the last year I've been commenting on what I coined "precursors" to a recovery—individual data points such as price stabilization, more transactions and first-time buyers re-entering the market. These milestones are aligned with corporate profits rising and the global economy stabilizing. Inch by inch we are transitioning from several years of downward trends to emerging upwards shifts.

Obviously, comments of one observer are not sufficient. Improvements must be real and recognized by a broad segment of market participants. The parade of believers is getting longer, however, and encouraging reports of market

growth are more in sync with positive projections for the overall economy. In fact 'sustainable' would be the new word to use.

While the global news is not all sweetness and light, overall we are seeing and hearing about successes of the Business Aviation marketplace. Bravo!

Good Numbers

Employment in the US is an encouraging area of the overall recovery. Across the United States we are seeing unemployment rates decline to pre-2009 levels. What effect will this have on our sustainable recovery? Will the employment of hundreds of

thousands of people monthly really trickle up to help support the recovering aircraft market?

I believe that the answer is yes!

When you hear the word ‘jobs’ associated with aviation, you get to the economics of our industry. In fact we have been saying for years how important our industry is to the overall economy. While 1.2 million jobs are directly attributed to the Business Aviation industry in the US alone, countless millions of non-aviation workers are employed by companies that use business aircraft. Without the reach and productivity afforded to users of Business Aviation, our nation’s overall economy would be disadvantaged.

Health and well-being of our US and Global economy has always positively affected the buying and selling of corporate aircraft. For several years corporate profits have been rising and companies have been sitting on cash without putting their shareholders’ money into the economy. Why have those dots not been connected sooner to revitalize our industry at a faster pace? Confidence and the regulatory environment are reasons most often cited.

I believe the discussion is now changing, however. I think that corporations are not just enjoying tremendous profits, they are hiring as well. Hiring alone is not why Business Aviation is getting stronger. Hiring is a by-product of the confidence that corporations are exhibiting. Corporate executives are no longer thinking that someone may pull the rug out from under profits. Instead, there appears to be the feeling that profits, hiring and the growth are real and sustainable outcomes of today’s recovery.

Incidentally, when corporations are feeling more confident so are stock holders and all other individuals who watch for positive signs and plan their entry into the market for business aircraft. Companies appear willing to spend their dollars now, whereas previously they were willing to sit on the sidelines.

The Year Ahead

As we enter 2015 we can look forward to a sustained growth in Business Aviation. Manufacturers, maintenance providers, the FBO service industry and other elements of our community are positioned for growth and revitalization. Funds for product development are being invested by manufacturers. FBOs are spending capital dollars again to modernize facilities. Maintenance facilities are coping with capacity issues that require new hires and new facilities to be built. Our industry believes that recovery and growth are at hand.

How should Board Members respond to this drum roll of recovery? Should decisions be delayed, or should they be accelerated? Should a healthier



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market with sustainable growth keep one from entering the mix now? Is there a feeling you might overpay in a better market? It is better to buy in a healthy market than to participate in a market where no one can see a floor to prices.

As a Board Member responsible for your company’s sound business practices, the emerging recovery should be great news. Gone are the days when you hoped for a crystal ball to project future values. Back are the days of a more predictable annual residual depreciation.

When should you buy and sell in a recovery? The answer is basic: when acquiring or upgrading a business aircraft fits into the overall strategy of the company’s travel and operational needs. There is no need to wait for a more secure period in our market. The time is now! ■

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