

Continued Cautious Optimism

Now that we're well into 2015, Jay Mesinger takes this opportunity to provide some thoughts on the used aircraft market during the first quarter...

I am trying to be careful to accurately depict the market, without creating false ideas about this year compared to last. I doubt my thoughts will be an 'Ah-Ha' moment for those reading, but rather a 'Phew' moment as others realize they are not the only ones feeling the market winds drop slightly.

On a macro-level there's no doubt our industry is enjoying a positive shift in business compared to any of the preceding years since 2008. Yet I believe global and domestic economic events are causing some buyers to slow-down and watch from the fence again. The sidelines will not be a permanent position - the fence rail is never a very comfortable perch for long. Nevertheless, let's look at what could be the contributing factors to the temporary slowing.

Factor Analysis...

Just before year-end, Congress passed the extension of Bonus Depreciation, and in my estimation that action sold a few extra new airplanes domestically. We actually had three jets that were new and not yet put into service so we suggested they might qualify, but that did not generate the sale of any of the three aircraft. Thus, the impact of the extension in my opinion was flat.

Next is the "careful what you wish for" factor. As a country we have been working on many levels to create energy independence, thus making the US less dependent on foreign oil and upward price shifts. Well, guess what? We now have less dependence on foreign oil, an abundance of supply, and prices at record lows compared with the past several years. I'm filling up my car for roughly half of what it cost a few months ago. Great! But what's the near-term impact?

The shift in the economics of global oil resulted in a loss of jobs in the energy sector and lost revenue in oil-producing companies. Related industry companies have pulled back most of their 2015 capital expenditures. The bigger picture reveals other oil producing countries are having the same reaction with slower, or no 2015 capital expenditures.

Mixed with a slowing Chinese economy and an all-but-frozen Russian economy, you have a significant portion of traditional aircraft-buying segments sitting back. If you trace this loss of appetite to a particular market segment, you'll find the slowdown most dramatically affecting the large-body, long-range jets.

We still believe that the largest opportunity for transactions globally will occur in the US. At least for the short-term, transaction activity is shifting toward the pre-owned smaller and mid-sized aircraft. There's nothing wrong with increased

activity in these segments; it just leaves a large swath of inventory sitting longer and being more vulnerable to unstable pricing.

Care to Dance?

So how does the industry entice those waiting to join the dance onto the floor? If I had the answer to that, I'd be considered a magician! What the industry can do, however, is continue promoting our recovery that is in progress. Don't go fishing. Work harder every day to communicate with your prospects and clients. Continue to discuss the benefits of business aircraft. Encourage those considering an acquisition to stop fence-sitting.

I am still experiencing calls from a larger-than-usual group of first-time buyers who are really questioning the process of entering Business Aviation. We still talk daily to Board Members and business owners about what it means to own and operate these important business tools. There's no doubt that getting out in front of your clients and ahead of your competition using these aircraft is the quickest path to business growth. I've always held to that position. Advocacy should always be part of our message to buyers.

Ultimately, there's so much momentum to the recovery it will take more than a short-term questioning of the economy to slow, or stop the forward motion. It just never feels great to see any slowing.

Industry professionals must continue to take the lead in keeping discussion positive and prospects focused. After all, growth in our segment of the industry affects so many areas, such as employing skilled workers, moving small businesses forward, and promoting modernization of aircraft (which keeps the maintenance facilities, avionics, paint and interior shops busy and growing).

So once you've finished reading this publication from cover-to-cover, pick up the phone and spend the rest of the day calling prospects and clients. Let them know the recovery is still alive and well! ■



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