

High-Time Aircraft

Who Buys Them, and Why?

Jay Mesinger considers buyer concerns regarding high-time aircraft, and outlines how sellers of such aircraft can help remove barriers to a deal.

The manager of a leading aircraft valuation guide asked what I thought about adding a category for aircraft previously owned and operated in fractional programs. Essentially, these aircraft were going to have higher cycles and times. Shouldn't they be viewed and valued differently to other aircraft?

When fractional ownership programs began, no one really knew if hours flown by fractionals would match the expectation at that time, which was about 800 hours annually – approximately twice the typical annual usage for a wholly-owned business jet. We concluded that it would be wise to wait and see if the fractional idea even caught on first. Imagine that!

With the benefit of hindsight, it probably would have been a good idea to add that category. It's clear now that the idea certainly caught on, and in fact there are a tremendous amount of aircraft that have been used in these programs now sitting on the market with two or three times the number of hours on their airframe and engines versus a comparable non-fractional airplane.

Perception Vs. Reality

Since aircraft typically used in fractional programs do not have airframe life-cycle restrictions, there's no reason not to consider them a viable proposition to sell and buy, but very little guidance is given – even today – as to how they should be valued. The valuation guides do report an average airframe time for each model year, and they give a calculation to use for additional hours over that, so that a prospective buyer can correct the valuation above or below the average time calculated for a given year. That works for small variances but not for significant changes.

As an example, let's assume an airplane for a given year has an average airframe time of 5,000 hours. A comparable one that has been in several years of fractional service has 10,000 or more hours on the airframe. The difference has various implications for the buyer. First, it elicits questions from the less experienced buyer regarding safety. The experienced buyer, on the other hand, will focus on cost of operation and resale. These are both legitimate questions, and are not unlike the discussions that arise from buyers with respect to damage history in an aircraft.

The outcome is usually a smaller pool of prospective buyers - sometimes significantly smaller. The smaller the pool of prospects, the longer it could take to find a buyer. Many who

discount the aircraft do so because they cannot overcome the perception that the airplane may not be as safe as a lower-time model. In my opinion, this is probably unfounded provided the aircraft has been maintained properly. Thus we find perception, rather than reality, becomes the central focus.

The idea of a higher-cost to operate is based more in reality than perception. The higher the time and cycles of the airplane, the closer one gets to the expiration of many life-limited components. Even those without life-limits become more liable to develop faults or simply wear out. While these conditions do not make the airplane unsafe, they do make it a more costly prospect.

As regards to that high-time airplane becoming harder to sell, it takes an intelligent, experienced buyer who realizes at a certain price (one less than the lower-time airplane) the value outweighs the cost.

So as we get to a fleet age that is on an upward trajectory, and then segment those airplanes into average airframe time versus higher airframe time, we arrive at a reality of segmentation that will not change.

Another problem with pegging the value of the high-time aircraft is that there are far fewer transactions that occur to create real comparisons for valuation. So if there is not an industry-recognized calculation that accurately depicts the impact of high-time, it unfortunately becomes a 'What are you willing to pay me?' scenario when selling to the smaller buying population that would accept the aircraft.

As a seller of a high-time airplane, you should be very open to buyers that express an interest in your aircraft, and refrain from using terms like 'bottom feeder'.

To answer the question in the title of this article, the 'Who' is the knowledgeable buyer, and the 'Why' is price of the aircraft. I chose the words to answer that question thoughtfully. If someone makes you an offer on a high-time aircraft, consider it carefully. Work to get a good contract and have it include realistic pre-buy protocols. Bottom line, make the deal! ■



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