

“real” sellers

TO UNLOAD A USED AIRCRAFT, START BY SETTING A PRICE THAT REFLECTS MARKETPLACE REALITIES
_by Bryan A. Comstock

GORDON MCCALL'S MOTORWORKS REVIVAL, which takes place annually at the Monterey [Calif.] Jet Center and serves as the kick-off for the Concours d'Elegance, lives up to its billing as “a very cool party...with classic cars and airplanes scattered over the acreage like a rich giant's toy box.” So when our company received word from McCall that he had a static-display spot available for us at this August's event, we quickly arranged to have a client's G150 flown in.

The soirée proved noteworthy, and not just because it gave us an opportunity to showcase the Gulfstream. New-aircraft salespeople, fellow preowned brokers, aviation attorneys and aircraft finance people mingled throughout the evening, which turned into an impromptu summit meeting on the state of the business jet market. New aircraft salespeople cited the challenges of selling delivery positions so far out into the future. The finance folks, meanwhile, talked about the credit crisis and about who is and isn't funding deals in the current environment. They also chatted about the prospects for improving margin spreads that have been squeezed wafer thin over the past few years.

One new-aircraft salesperson asked me what was going on in preowned sales and I used the term “real sellers.” He then asked me to define the phrase, and I responded with a line borrowed from CNBC's Jeff Macke: A real seller trades the market that is, not the one he wishes it was.

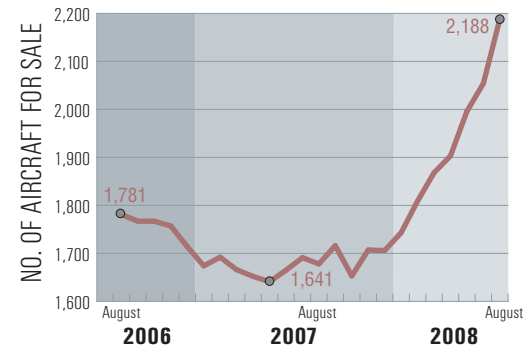
Alas, there may not be enough “real sellers” around right now. One of the main reasons more used aircraft are available for sale than ever before—in November 2002 the market peaked at 2,069 units—is because prices haven't dropped enough to reflect the reduced demand. Many are still perched at levels that a year ago would have been realistic, but today are out of touch with the market.

Sellers rely heavily on brokers to give them the straight scoop and any brokers embellishing prices in order to earn listings are now feeling the effects of their faux pas. We're beginning to see aircraft that have stagnated on the market get pulled from one broker and awarded to another. In this atmosphere, it seems, sellers want to know what it will take to sell their aircraft—and they want the facts without the sugarcoating. ■

Bryan Comstock welcomes comments and suggestions at: bcomstock@bjtonline.com.

INVENTORY OF USED BUSINESS JETS CONTINUES ITS UPWARD TREND

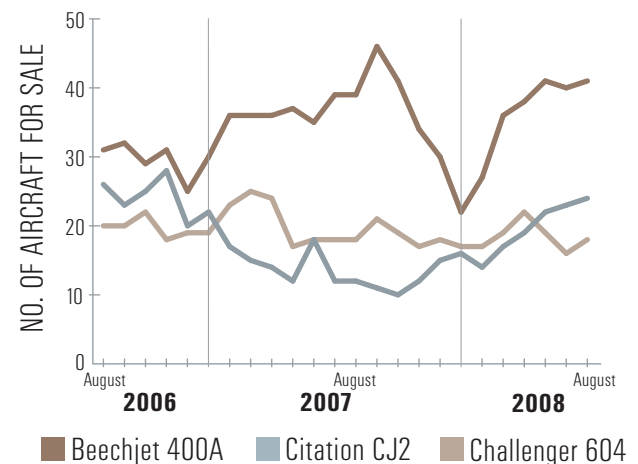
august 2006-august 2008



Source (all statistics and charts): Jetnet, LLC

TWO-YEAR INVENTORY TRENDS OF THREE POPULAR MODELS

august 2006-august 2008



SOME POPULAR PREOWNED MODELS

Model	No. in operation	Percentage for sale	Average price 2006 (\$M)	Average price 2008 (\$M)
BEECHJET 400A	347	42	3.0	3.2
ASTRA SP	36	5	5.4	4.6
CITATION CJ2	240	24	5.1	5.1
CITATION ENCORE	165	17	6.6	7.1
LEARJET 60	315	39	7.0	7.2
HAWKER 800XP	424	32	9.1	9.2
CITATION X	288	22	15.3	13.8
FALCON 2000	231	15	20.2	19.6
CHALLENGER 604	363	18	19.4	20.5
GLOBAL EXPRESS	150	9	39.0	48.8

Note: Averages are based on published asking prices. Such prices are not available for all aircraft on the market. Actual selling prices may vary.