

Reduced Inventory Will Likely Sustain Business Jet Prices in 2023 Because Private Jet Travel Enjoys “The Stickiness Factor”



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What will happen to the business aviation market in 2023?

That the \$64,000 question on everyone’s mind now as we come to end of 2022 and what has been a truly unprecedented 18-month paroxysm in market growth. Everyone in the industry, from aircraft brokers, sellers and buyers to management companies, charter providers, aircraft maintenance and repair facilities and even hangar landlords, would like to know the answers as they draft their business plans and draw up their budgets with a new calendar in mind.

I attended the 2022 Corporate Jet Investor Miami Conference in early November at the Fontainebleau Miami Beach and several panels were devoted to forecasting the future. Rollie Vincent, president of Rolland Vincent Associates, LLC and co-creator of JETNET iQ, and Wayne Starling, executive director of the International Aircraft Dealers Association (IADA), two seasoned veterans of the industry with more than 60 years of experience under their collective belts, looked to the numbers rather than tea leaves in an effort to glean the answers.

Starling shared data from IADA’s Third Quarter 2022 Market Report and Quarterly Forecast based on information collected from some 50 dealer/members with 300 brokers (full disclosure, Aerlex Law Group is an IADA Products and Services Member) and it indicated that the third quarter of 2022 was nearly as busy as the whirlwind third quarter of 2021 when the

post-Covid 19 recovery first erupted. The numbers were impressive – 331 completed transactions in 3Q 2022 versus 340 in 3Q 2021 and 355 deals under contract in 3Q 2022 versus 360 in 3Q 2021 – although there were a few statistics that suggested a slowdown may be in the offing: 31 transactions with lowered prices in 3Q 2022 versus only 7 in 3Q 2021 and 162 new acquisition agreements in 3Q 2022 versus 190 in 3Q in 2021.

Starling also shared feedback from some 900 respondents to quarterly IADA surveys offering their expectations regarding what to anticipate across four different industry segments, turboprops, light jets, midsize jets, and large and ultra long-range jets, in terms of demand, supply, pricing and inventory, and the consensus seemed to be that prices will remain steady for at least six months and perhaps through all of 2023 and won’t fall because there is simply not enough inventory to meet the demands of business jet buyers. He said brisk activity in the last few months of 2022 will likely soak up all of the available inventory, especially of newer, higher-quality aircraft, leaving brokers and buyers starting the new year with relatively few airplanes to sell and, consequently, no incentive for owner-sellers to lower their prices. My own observations, as a lawyer handling personal and corporate aircraft transactions, support this conclusion. Buyers are anxious to close now, to acquire aircraft and get them into service before the end of 2022 so that they can take advantage of the last year of 100% accelerated depreciation, so I do not expect to see a plethora of available aircraft in early 2023.

Looking at data going back to the turn of the century, including U.S. Gross Domestic Product and U.S. Business Jet Takeoffs and Landings, Rollie Vincent noted that the only two times bizjet flight activity has fallen in the United States was in 2009, the year after the subprime mortgage meltdown spurred the Great Recession, and 2020, when the Covid-19 pandemic afflicted the entire world, but he said those downturns were, in fact, more dramatic than the declines in GDP. “When

the U.S. economy gets a cold, we [business aviation users] get pneumonia,” Vincent warned. He also noted that the United States has about 63% of the entire world’s business jet fleet, so any economic slump in America will likely have an outsized impact on the U.S. business jet industry.

Vincent believes there will be a recession in 2023, probably beginning in Europe, in part, due to the Russian invasion of Ukraine and the looming energy crisis, but he thinks its impact will ultimately be global in scope. Noting that we have already seen evidence of a slowdown in corporate flight activity, Vincent asked “Are there signs for concern? Yes, in the short-run,” but, he added, “Is this a great industry to be in for the long-run? Absolutely.” Over the 10-year period from 2022-2031, JETNET iQ is forecasting 8,200 new business jet deliveries with the two biggest segments being small jets, 3,518, and large jets, 2,974.

Noting all of the new money that has flowed into business jet acquisitions in the past 1½ years, Vincent described certain sectors of the business as being “sticky,” meaning he thinks new buyers are in for the long run and are prepared to ride out any downturns. He said he thinks both fractional owners on the low end, and large, long-range aircraft buyers on the high end will be “very sticky,” meaning people who have discovered the value of business and private aviation ownership and aren’t prepared to give it up. Speaking for all those bizjet customers, Vincent declared, “Life is short, death is long, I want my private plane!”

As a big fan of both cinnamon rolls and private jets, I hope Rollie is right – here’s to maximum stickiness! ■

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