



Malibu M-Class Owners and Pilots Association

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MMOPATM

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Darts - It's No Game

The straight scoop on your nose gear

Four DON'Ts When Buying a PA46

To Declare Or Not

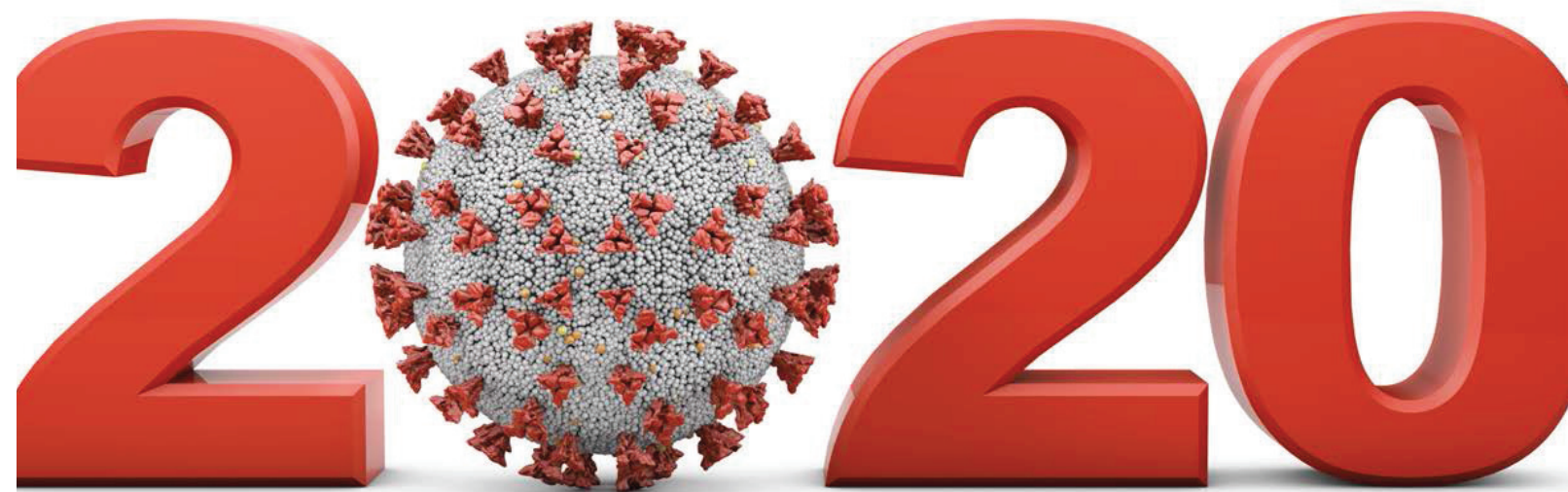
Don't hesitate to squawk 7700

Garmin G1000 NXi

Should you upgrade?

COVIDized Aircraft Marketplace Part 2

by Jesse Adams



It sure feels like we have “rounded the corner” with COVID-19; however, we are reminded to hold our applause every time we consider booking even the most straightforward weekend getaway, only to find restrictions that impact nearly every itinerary. But that’s okay. We have more reason now than ever to be optimistic about our health’s trajectory. We manage to get work done, and – just announced, MMOPA Annual Convention will be hosted in Music City!

I wrote the COVIDized Aircraft Marketplace article six months ago and offered several observations and predictions on the light aircraft market. I would like to reflect on that data and connect it to where we are today. How has the uptick in demand for personal aviation and suppression of airline travel affected the current state of the light aircraft market? The story the data is telling us at this moment is pretty incredible.

The previous article’s thesis was that it was a buyer’s market, but with the caveat that the tides may be quick to turn. I noted that latent buyers might find opportunities due to several oversupplied areas of the Piper used-aircraft marketplace. The conclusion warned, “If you are a buyer, hurry up before the market takes off without you.” Does that resemble what we have seen since then?

Paradigm Shift

By April last year, liquidity concerns and uncertainty created a bit of a sell-off, and inventory flooded the light aircraft market. Supply in some segments rose by

more than 30%. Values remained mostly intact, but the added competition amongst sellers gave buyers leverage in the deal. The desire for more efficient travel is easy to appreciate as pilots and owners, and it has now gotten the attention of a much larger audience. While the economy may feel artificially propped up, those who have maintained solvency have gotten used to alternative modes of travel, such as personal aviation. The demand for light aircraft is higher than anyone could have predicted. In my world, sales throughout the high-performance piston and single-engine turbine markets have been record-setting since Fall. In fact, transaction volumes doubled at some of the leading aircraft brokerages, including Aerista! However, it is not just the unprecedented demand that is noteworthy, but also how the mentality of the marketplace has shifted. Fortunately (or unfortunately, depending on which side of the table you’re sitting), that oversupply was eventually met with even more robust demand, plus the typical EOY tax-motivated buyers, abruptly bringing the market supply from ROP to LOP. How long will this dynamic last?

The Numbers

If 2020 proved one thing, it was that predicting the future is perilous. Still, I will attempt to provide an accurate lay of the land. Data over conjecture is critical; it’s impartial and unapologetic and is the best foundation for understanding what is happening in this marketplace. Plain and simply, unequivocally, right now, the PA46 supply is at an all-time low. As we sit in February 2021,

there are 100 total preowned units for sale, down from 175 last summer. Supply has shrunk by nearly 45%! If you have ever considered selling your aircraft, that should've gotten your attention. The high demand winds on, and with the significantly reduced supply, a seller's market has emerged. The pressure on prices is to the upside, a phenomenon quite rare in aviation. With accurate pricing data, a seller may be able to capture opportunity by staking a very deliberate, if not lofty, "Ask" and obtaining very strong offers off of that number.

From here, let's drill down deeper to see intra-fleet marketplace activity per "segment." In what I believe to be an intuitive manner, each airframe model is further subdivided into these segments, such as the Piper Meridian into, e.g., "Meggitt Meridian" or "Garmin Meridian," etc. I feel like each segment has its idiosyncrasies and personalities as do its buyers.

A quick explanation of the charts: Figure 1 explains 'what happened?' across the PA46 fleet and shows that supply was reduced since last year's apex by 43% in total.

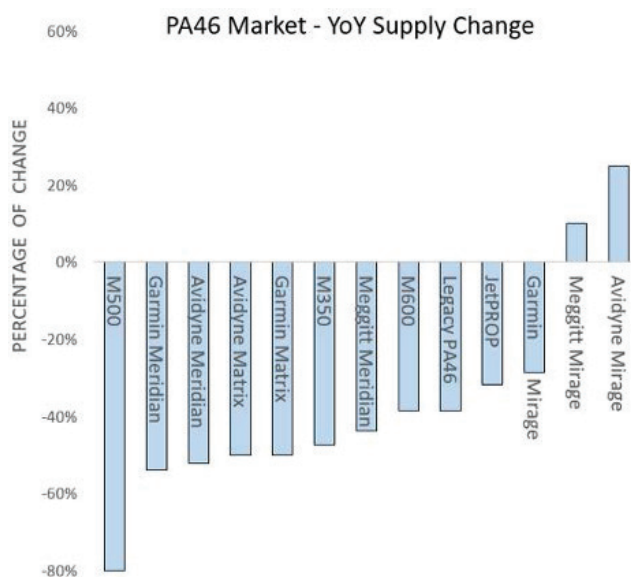


Figure 1. What Happened?

You can see the composition of that reduction broken down by segment. The segments on the left (M500, e.g.) saw the most significant reduction in supply. While I offer the disclaimer of inherent errors in dealing with very small numbers, this graphic depicts an accurate view of where the movement has been.

Figure 2 portrays what we are left with as a result, or 'what now?' The dashed lines show that 8.3% of the entire PA46 fleet was for sale in June 2020. This level of supply fell to 4.7% in February 2021. Again, left in best: you can

see that the M500 supply is now very lean, at just under 3% of all M500s, which is half the current total PA46 fleet supply average. In simple numbers, there are literally just two pre-owned M500s currently for sale – unbelievable. You can also see that segments to the right are still oversupplied.

Now to put the data in motion, interpolate between both charts. We look at the Garmin Meridian, for example, and see that supply fell 54%. Pairing that supply reduction with the current average percentage of Garmin Meridians for sale, you can see how sellers of Garmin Meridians should do well. Segments that appear on the left side of both graphs would be my bet on which aircraft hold bright prospects for sellers; these should produce the shortest sales cycle and yield the highest prices.

Honorable Mentions: While the Avidyne Meridian and M350 continue to be oversupplied based on the percentage of the fleet, as well as actual units for sale (10 apiece), competition amongst the sellers and increased demand has created some much-needed motility, reducing both

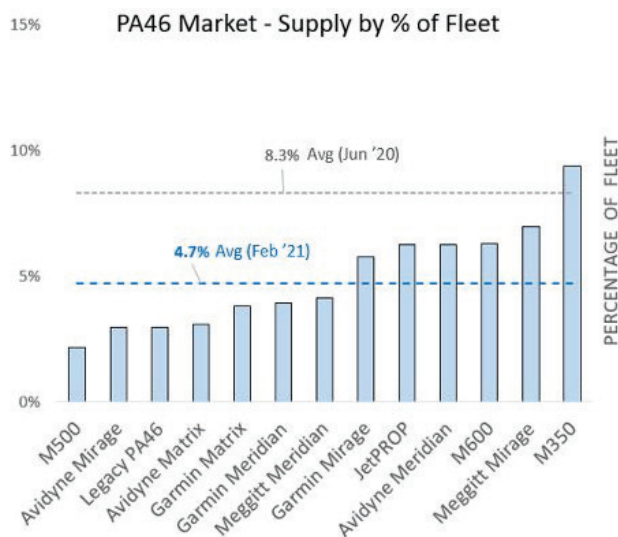
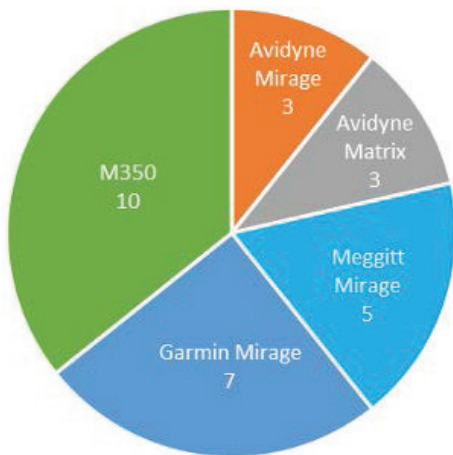


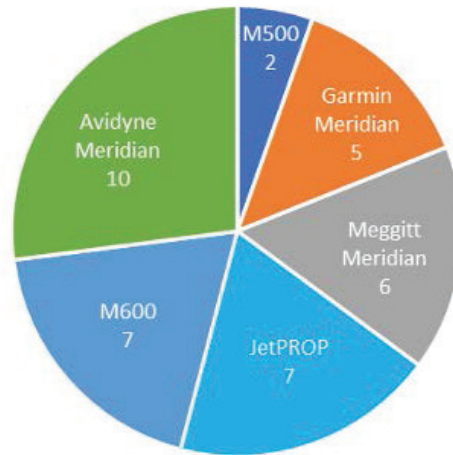
Figure 2. What Now?

segments by ~50%. There is also some interesting data that is not graphically represented here, namely 1) the number of units for sale and 2) international vs. North American supply. North American supply of the JetPROP is down 53%; that is showing a great deal of interest in the most efficient turbine of the fleet! Also, the fleet size of Avidyne & Meggitt Mirage segments is so small that a selection of only 3-5 units for sale at a time won't cause much competition amongst sellers and should help maintain value. While there are several theories behind what has

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caused more activity in specific segments, it's evident that the marketplace is very efficient at restoring balance.

The Good and the Bad

The good news? If it wasn't made obvious enough, it is a great time to be selling a PA46, period. The bad news? If you're looking to purchase, expect many aircraft you

encounter to already be under contract, and if not, there is a fair chance you will be competing with another buyer. So, if you can wait (or care to wait) until supply catches up a bit and the market cools off, wait.

If you are moving up or decide to purchase now, in what seems to be a tough market, make sure you are resourceful to stack the odds in your favor. Connect with a broker.

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We are the ones who know what units are coming to market and can source and leverage professional marketing tactics – ultimately giving you priority access to new inventory. If you are upgrading, be deliberate on where you are going and establish a timeline. It can help to have guidance and continuity through both sides of the transaction. Also, pricing accuracy is key for the sale, paired with the expectation that upside may merely counteract any downside ahead. Not to say it's impossible to find "tailwinds" both ways if you know where the opportunity lies... 




Jesse Adams, CFI, II, MEI is an accomplished aviation and business professional. As a Cirrus owner and PA46 mentor pilot, Jesse was an organic fit for the high-velocity brokerage firm Aerista and leads their Piper Sales & Acquisitions.

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