

The Light Year



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In the beginning of 2020, no one would have thought that anything but a U.S. Presidential election was going to be disruptive to aircraft sales for this calendar year. That all abruptly changed late in the first quarter when state by state and country by country borders closed and the transactional marketplace for business aircraft more or less shutdown. Here at Par Avion, it did not take long to realize that business as we have conducted for the past 23 years was going to get tossed a curve ball in light of the fact that a huge percentage of our sales are cross-border transactions. Harking back to April to a townhall I participated in, and thinking about the limitations on travel, I prophesized that this was going to be the year of the light jet for no reason but the realization that the traveling public would be limited as to where they could go. Six months into the pandemic, our own activity level is supporting this claim.

Why, you may ask, is the favored category of aircraft the “light” one? Simply put, the airplane, be it a turboprop or small jet, meets the vast majority of travel requirements for existing, as well as new, entrants to the market in today’s environment. Large cabin, long range, or mid- to super mid-size jets are de rigeur for international trips or flights that are in excess of 2,000 nautical miles. However, for the vast majority of business and private aircraft users that is more airplane than is needed for their trips which might average 1,000 nm or include city pairs such as New York City to Palm Beach, or Houston and Atlanta. In terms of volume, demand for larger aircraft pales in comparison to that of the small jet given that business travel originating in the U.S. is restricted for the most part to domestic trips and the fact that options for leisure travelers are limited. While the percentage of aircraft for sale of the installed base for select small jet models has increased year over year, so have sales. This was evident in the September 10, 2020 issue of JETNET iQ Pulse where it was reported that small jet transactions were up by 50% in July as compared to the same period in 2019.

The light jet category offers numerous options for a buyer with a budget from \$1.00MM to \$6.00MM. Choices range, for example, from a classic (25 years or more) Citation V to a later production aircraft such as the CJ3+ with the Garmin 3000 cockpit, to a whole host of options in between. These are aircraft that also do not break the budget in terms of their fixed and variable costs, particularly important considerations for first-time buyers who are perhaps transitioning from a fractional share or charter into whole ownership. The capital investment is almost secondary to the ongoing operational costs and hence the further appeal of a means of personal transport that will take the family to their second home.

A phenomenon that has occurred since the great recession of 2008 is the idea of the disposable jet. This loosely translates into an aircraft that has time remaining of, say 3-5 years, before coming due for a major engine or airframe event that would require a significant investment that likely would exceed the present market value for the plane. This category of aircraft offers numerous viable options that are within reach of a new group of prospective buyers. While this phenomenon exists across the size spectrum of classic aircraft, it has contributed most to the popularity of the small jet thereby affording new entrants the opportunity to experience the wonders of travel by private aircraft - for less.

If attractive entry level price points were not enough to generate demand, the COVID-19 virus is filling the gap. Concern over potential exposure given the numerous touchpoints associated with airline travel and the loss of commercial routes is heightening customer interest in private jet travel.