



AEROCOR

PURCHASING YOUR AIRCRAFT

BEST ADVICE? GET SOME HELP.

By JUSTIN BEITLER

No one would try and teach themselves how to fly. An obvious mountain of risk makes the idea nothing short of foolish. What many of us fail to recognize, however, is that buying an aircraft involves its own unique set of risks. “Going it alone” when buying an aircraft is akin to on-the-job training with little or no experience, guidance, or prior know-how, and the results can be costly. Most aircraft owners will utilize the skills and experiences of a broker to sell an aircraft, so why not use a broker when buying one?

The process of purchasing an aircraft is more complex than it seems. It typically begins with a buyer defining his or her ‘mission requirements’—where is he or she going to fly, how fast does he or she need to get there, how much does he or she need to carry... A buyer will use that information to select the right aircraft model, find the best example, conduct a pre-buy inspection, and if all goes well, complete the transaction.

Beyond the purchase, however, a buyer will need to investigate a range of other details: pilot training, aircraft management, maintenance, financing, insurance, etc. The whole process, from the very beginning until the final handshake, is where an aircraft broker can be worth his/her weight in gold.

A good buyer’s agent comes with a

network of trusted professionals with which they already have considerable experience. Outlets for financing, insurance, training, and maintenance have all been researched, vetted, and ranked. Without a broker, buyers must do the research on their own, and finding the right resources can involve some luck. While a good broker is buying and selling aircraft on a regular basis, developing useful insights along the way, a first-time buyer is prone to making some mistakes. What this really means is that, by hiring an experienced broker, one can learn from the broker’s previous mistakes, and avoid the cost of repeating them.

Experience creates a wealth of lessons. As an example, consider the process of inspecting an airplane. The goal is to save money by uncovering hidden flaws, but there are financial risks associated with mismanaging the process. If inspection results are managed in a reactionary setting, with each discrepancy negotiated as it is discovered, a compounding level of frustration could lead to an irreconcil-

“Going it alone when buying an aircraft...can be costly.”

able position, ending a potential sale and costing both parties time and money. A far more effective and efficient method would be to not only limit negotiations to a single discussion, but also anticipate common or known discrepancies, outlining the response to each ahead of time. This properly establishes expectations, reduces emotional strains, and minimizes the risk that an unforeseen problem will lead to a failed deal.

Before an inspection begins, there are potential pitfalls. Buyers often do not understand all the nuances associated with aircraft values and the result can be overpaying for an airplane. Consider “pay by the hour” engine maintenance plans available for many common light jets (such as the Eclipse, Mustang, and Phenom). Many buyers don’t fully understand the subtle difference between Pratt and Whitney’s ESP-Gold and ESP-Gold “Flex” programs. That one word can change an aircraft’s value by hundreds of thousands of dollars. A buyer’s agent will not only provide protection against this type of innocent oversight, they will also guard against a less than honest seller deliberately misquoting this information.

But even with the correct information, how does one accurately determine the correct market value of a potential purchase? Valuing an aircraft can be difficult task. Sellers often (improperly) quote the

price they paid to buy the airplane as a basis for determining its current value, often because this is the only reference point available. The harsh reality is that the price one paid to buy an airplane has no bearing on its current market value. Consider the stock market, for example. The current value of a stock is not based upon what the owner paid. The stock has a market value based upon current supply and demand trends, and aircraft are no different. In the case of buying an aircraft, however, market value can be incredibly difficult to define. Brokers gather information related to sale prices of comparable aircraft (i.e. "comps") in order to provide a better outline for current market values. Some brokers, such as AEROCOR, also track additional market details such as transaction volume and supply trends, as well as more granular information related to aircraft configuration details (such as hours, options, and condition). This allows for a more detailed analysis of values, and provides

context for negotiations. By utilizing the services of a buyer's agent, one can gain clarity and ultimately acquire an aircraft at the right price.

Unfortunately, the all too common mistake of overpaying means that many owners will attempt to recover lost money years later when it's time to sell, often setting an unrealistically high asking price. The reality, however, is that this is a problem that can't be corrected. Overpriced aircraft will remain for sale (potentially indefinitely) until the price is reduced to the current market value. In this case, the "ounce of prevention" spent hiring a buyer's agent is worth the pound of cure.

When considering the option of engaging a professional acquisition service, there is one potential additional benefit that can outshine all the others: being first in line. With some brokerage firms, such as AEROCOR, an acquisition client will receive the "right of first refusal" on any purchase opportunity, includ-

ing wholesale opportunities normally reserved for the brokerage firm itself. Should a wholesale opportunity arise, the savings realized by the average buyer will far outweigh any acquisition/consulting fees incurred, meaning the buyer will receive all the normal benefits of risk mitigation, value transparency, and overall deal efficiency, while at the same time receiving a "net positive" financial savings. In a scenario such as this, it would be hard to justify not engaging the services of a professional.

Getting professional help when buying an airplane can save time, money, lots of aggravation, and provide insulation from common (i.e. costly) mistakes. Just like with flying, learning from a pro will allow you to simply focus on having fun. 

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