

Leading Edge Aviation Solutions: Anything Can Happen – and Fast.

TIM KERN



Just a year ago, Joseph L. Carfagna, Jr., President, Leading Edge Aviation Solutions, LLC told us, “These are the best conditions we’ve seen in eight years. The market has loosened up a bit, especially for the U.S. buyer. Prices are low, and sales activity has increased.”

Now Joe reveals, “Rather than the market loosening up a bit, **today may be the start of a market that’s as good as it’s ever been.**” Why? “In late May 2018, many factors are fundamentally different: I believe we’re going to look back on the third quarter of 2017 as the point where the market had bottomed and began to turn. In less than a year, excepting the oldest and least-desirable models, we shifted from a buyer’s to a seller’s market. There is still a supply of pre-owned airplanes, but if the trend continues, the shortage in desirable airplanes will be very acute. It’s really something.”

As he mentioned last year, this change is “... primarily driven by U.S. buyers. They’ve led the charge on this market change. There’s no huge surge of offshore buyers.” He added: “The value of the stock market drives the market for corporate airplanes.”

So, why is this happening? And why, at this particular moment?

“A few months after it felt like the recovery had begun,” Carfagna says, “Congress began discussing the tax plan that seemed like it was going to be favorable for the corporate jet owner.” This of course subsequently passed. The result? “This market has really turned around, and in an extremely short period of time. U.S. sales activity, especially, has ramped up steeply, which narrows the field of U.S. airplanes for sale. Manufacturers must love it. You can’t help but be optimistic.”

But with the price difference between new and used aircraft still quite wide, American buyers are increasingly looking at foreign-based aircraft, often from countries where maintenance and inspection do not mirror FAA conventions. “International sellers are coming out of

the woodwork, selling to U.S. buyers,” Carfagna says. While this means there are more choices for buyers, it also opens a window of unfamiliarity.

Carfagna whittles away that unfamiliarity by staying current on all sales and by passing that immediacy to the customers. “Leading Edge does the same preparatory type of consulting with clients prior to commencing with a sale or an acquisition. We give a lot of counsel about what needs to be done to get the best value for their money. An educated buyer or seller is empowered with knowledge and more likely to make good decisions. ‘What does a buyer notice?’ is a question for both parties.”

In a pre-purchase inspection, buyers appreciate that, “We have a full-time director of maintenance available for on-site representation and, of course, to render



Joseph L. Carfagna, Jr., President, Leading Edge Aviation Solutions, LLC

expert opinion. Joe Esmerado, with his 50 years of experience, has intimate knowledge of most of the aircraft in the market and the experience to know what's up with any new considerations."

What's hot? Emphasizing that the market is volatile, Carfagna ventured some examples. "Late model, low time, large cabin intercontinental business jets, like the G550 and Global 6000 with the right interior configuration are hard to find. Falcon 2000LX, 900LX and Challenger 300/605 are right behind." Tastes also change, affecting certain design features. "Range isn't always a magic bullet. If the customer doesn't need intercontinental range, there are great large cabin and super midsize jets that can handle everything they need."

"U.S. buyers historically tend to shop U.S. registrations. The N registration remains the gold standard," Carfagna adds. However, if a suitable U.S. registered aircraft cannot be located, Leading Edge knows where to look, and has plenty of experience and contacts abroad.



"We provide legwork before we even get close to a pre-purchase inspection; we weed out the undesirable airplanes before you see them," says Carfagna. "With airplanes from China, Russia, India, for a few non-exclusive examples, you must watch their condition closely. And yes, there are some good ones, but you must be vigilant to avoid problems and wasted motion."

And 2020 is coming. "An airplane that's worth \$1.5-\$4 million but requires \$300-\$600k in upgrades--that's a daunting proposition," Carfagna says that the low prices of some well performing airplanes are superficially attractive; but what's the plan for two years out? "A lot of older airplanes will simply stop being viable. There's just nowhere they can go, and many of them will simply be taken out of service in 2020."

"We know that there is no better way to expand our customer base than by creating satisfied customers who realize we brought real value to the table." Leading Edge Aviation Solutions facilitates nearly as many acquisitions as dispositions. "Aircraft sales, both sides, require a very hands-on, consultative process. Even the most-experienced buyers and sellers don't see hundreds of transactions in their careers. But we do. In fact, some of our best clients are what the industry would consider the 'most experienced.' However, they appreciate the depth of knowledge and experience that Leading Edge can bring to a buy or sell transaction or their future aviation planning. A satisfied customer is a powerful asset because we are in the quintessential referral business. Our customers have friends and their friends rely on friends."

Customers, more now than ever, are looking at total cost of ownership, from search, through acquisition, operation, maintenance ... to disposition. Leading Edge has stayed on top of this trend. Carfagna adds, "Everyone enjoys getting something 'extra' and having peace of mind about the decisions they make. Leading Edge Aviation Solutions together with key players in our industry have put together an exclusive aviation benefits package that provides an 'extra' as well as peace of mind for our clients. We call this exciting new program THE EDGE - Benefits Program. Through this, we have exclusive arrangements with several industry partners that provide discounts on services that corporate operators use. Most notably, we have an exclusive arrangement with ARGUS, providing clients who acquire their aircraft using our acquisition services with a valuable three-year bundled package of follow on services. The package consists of annual operational financial benchmarking for their operation, best practices auditing twice, and an annual market value analysis. This package provides clients with peace of mind, as well as providing extraordinary value.

He says, "We help ensure that not only did they make a prudent purchase, but also that operational costs of running the airplane are in line and procedures follow good practices. This is valuable during ownership and to help in disposition planning. We're taking out some of the uncertainty of what an airplane should

cost throughout its service to our customers. It's a very deep and comprehensive data gathering and analysis." And one size doesn't fit all. "In conjunction with ARGUS we examine costs regionally – costs vary tremendously from region to region, even airport to airport."

Advice?

"Stay ahead of the looming year 2020 regulations – keep your fleet modern. This is a real deadline for compliance, and an extension to meet requirements is most unlikely. It's now or never."

Of primary importance in a seller's market, he says, "Make sure that on anything you do, get educated. Do the homework." Even so, a good broker is essential, and a time-saver. "The market ultimately is a pretty perfect thing. We listen to it carefully and interpret it. And we work hard to be sure we're good at interpretation."

We have said this before, "Leading Edge doesn't blame reality; Leading Edge listens to it, analyzes it and helps its clients deal with it effectively. We make sure clients are well-informed. Our personalized and professional customer service makes for satisfied clients." Big isn't everything. "We do plenty of business, but we make sure that clients are pleased. We're not the biggest brokerage and acquisitions firm, but we'd like to think we're as good as it gets, making sure that things are done right."

What's it all about? "Our goal," says Joe Carfagna Jr., "is simple--to use our knowledge and experience to build a base of very satisfied clients." In the words of Albert Einstein "Information is not knowledge. The only source of knowledge is experience." ■

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