Price Check !!!

Pricing *anything* is probably one of the most misunderstood and confusing activities anyone can undergo. In some circles, it is even considered to be an art form. When selling your aircraft, how do you put a price on a machine that has safely carried your family to far away places and home again or helped you to close many a business deal or even brought you countless hours of freedom and relaxation? It is not an easy task but at some point it is an activity that has to be undertaken in order successfully sell your aircraft. In many articles I have discussed purchasing aircraft but in this issue I would like to focus on pricing your aircraft so that it will sell. My point of view will be from a buyer’s perspective and I have a firm belief that to sell anything it is important for the seller to clearly understand the needs of the buyer – and price in many instances can be a key deciding factor in the initial consideration of a specific aircraft. No one selling their aircraft wants to leave “money on the table” by setting their price too low but how do you set a price that will get potential buyers interested?

As the seller, you should first understand your objectives and determine if those objectives are within reason. This may sound ridiculous to some readers because the object is to simply sell the aircraft – right? Not necessarily. I have found that in some situations, the current owner has just finished overhauling their engine or upgraded their avionics or completed a very expensive annual and they no longer have any desire to put another dime into their aircraft. In these situations, the seller may be looking to recoup the costs of these big ticket items and hopefully walk away with some cash in their pocket. In other situations, the owner has simply outgrown their present aircraft and is looking to buy something different - soon. Those different objectives will have different pricing strategies.

Another important concept to understand when pricing anything is to realize that price and cost don’t really have any relationship to each other. Pricing is related to the value the particular item has on the market. Computer software is an excellent example. The typical blank CD is available for about a quarter or less in any office supply store but the code contained on the CD can be worth hundreds of dollars in many cases. It is virtually the same CD but because of the configuration of the material within the CD itself the market value of that product has increased. Now let’s look at aircraft. In this situation, the fact that you paid $100,000 for an aircraft several years ago and have put another $100,000 into it for maintenance, fuel, oil, avionics, etc. does not mean that the value of that aircraft is now $200,000. In fact, the market value may actually be less than the original price paid due to many factors and the current condition of the aircraft in question. To price effectively, understand the marketplace and the spot your aircraft occupies within it.
Let’s presume for this article that you have a genuine desire to sell your aircraft at a fair price and you want to do it quickly. How do you proceed? First of all, you will need to educate yourself about the market. For example, if there are a large number of aircraft on the market of the same year, make and model, it may take some time for your aircraft to sell – especially if the economy is slow and no one is making big purchases. There are many online sources to see approximately how many aircraft are on the market but you also want to know how long they have been on the market and at what price. You will need to think about how you will position your aircraft so that someone will want to call YOU about YOUR aircraft instead of someone else’s. Secondly, you want to have realistic expectations about your pricing. I would not recommend looking at similar ads for pricing information because those are ASKING prices and not SELLING prices. A trap that many owners fall into is thinking that their aircraft is better than those aircraft being advertised and that they need to adjust their price upwards. The reality is that the ads were probably overstated to begin with and those aircraft were WAY overpriced and your pricing is going to be too inflated if you focus on those ads alone. Having your price too high puts you, the seller, in a bad situation because if you adjust it downwards it sends a message to prospective buyers that you really did not understand the market very well to begin with or that you are becoming desperate and if you keep it where it is many potential buyers will simply pass over this aircraft to look at aircraft which are more reasonably priced. Also, not advertising a price sends the message that if the buyer has to ask about the price they probably cannot afford it. As a seller, keep in mind that prospective buyers are searching the ads to find aircraft that are within their budget and meet their time (engine and airframe) and avionics requirements (basically). Don’t believe for an instant that if someone calls you can coerce them into buying your aircraft or that they will simply fall in love with it the same way you did.

I was recently helping a customer find an aircraft and we ran across one that met my clients needs (equipment, AFTT, etc.). One of the things I do before looking at any aircraft is a quick analysis based on the information in the ad to establish an estimated “fair market value” and compare that figure with the asking price. If the aircraft is priced more than about 15% over the estimated fair market value, it tells me that the seller has either omitted something in the ad or they have unrealistic expectations. In this case, we were not too far off and I performed an appraisal on this aircraft. We were a few thousand dollars apart after the aircraft was appraised but the seller would not budge from his asking price. When I spoke with the broker selling the aircraft and asked him to justify the pricing, the only response was that the seller “felt he should get this amount” without any further justification. That type of statement leads me to believe that this customer is not really interested in selling the aircraft and has probably taken some bad advice from the selling broker. After this deal fell through, I noticed that the seller increased his asking price for several months but now lists the aircraft as “call for pricing”. The interesting point is that the market values for this type of aircraft were not climbing. They had been falling or holding steady over the past few
months. It is unclear what the seller’s motives really were but it was not to sell the aircraft.

On average, aircraft take about seven to nine months to sell. Part of the reason for this time period is because many of these aircraft are priced unreasonably to begin with. Pricing the aircraft close to its fair market value will shorten the time to sell it and will cut your fixed costs of ownership (costs that you bear whether the aircraft is flying or not). Therefore, pricing the aircraft incorrectly actually costs you money.

A friend of mine asked me to help him price an aircraft that he was selling for a friend. It was at the airport where I base my aircraft and I had an opportunity to look at the aircraft in question and advise him of any problem areas a buyer would see and I recommended a pricing strategy. He got a serious inquiry in just a few days after putting the aircraft on the market and the deal closed shortly thereafter at the price he was looking for.

As Spring rolls around and many individuals begin considering aircraft purchases, it is important to remember your objectives as you put your aircraft on the market. Understand your aircraft’s place in the market, price it correctly and advertise it honestly so that prospective buyers are not immediately turned off by the price or any surprises they find when examining the aircraft and its records.

Michael J. Simmons – President, Plane Data, Inc.
NAAA Senior Aircraft Appraiser with USPAP Endorsement
800-895-1382