

WHY DO I NEED A Professional Appraiser?

by Mike Simmons

When I talk about the methods used to select and purchase an aircraft with any number of buyers (piston or turbine), it seems their process is very similar. The buyers clearly understand their budget and needs (the type of aircraft, mission, equipment and so forth), but their next step involves going to their favorite broker, dealer or publication to see what aircraft match both that need and budget, with very little regard for the aircraft's "value" or what these aircraft are actually selling for in the marketplace, something not found in publications and NOT reflected in the asking prices.

As a result, buyers tend to overpay for the aircraft in the purchase price and therefore pay more for the related taxes, insurance and financing – just to name a few key areas. Hiring a professional to help them understand what specific aircraft to pursue and what they should expect to pay for a particular candidate is seldom part of their research – even though it's probably one of the most important aspects of the search. After all, who needs a professional aircraft appraiser when there are plenty of publications, websites and any number of "experts" who can give us a number?

The question is, which number is the most accurate? Often, the typical buyer simply wants the acquisition process to end so

he or she doesn't have to begin the search all over again – costing even more money than originally planned. Unfortunately, realistic answers to many questions and concerns tend to be elusive. With the exception of the National Aircraft Appraisers Association's (NAAA) standardization for its members, there is no consistency in the aircraft appraisal industry and EVERYONE tends to be an "expert".

When researching the requirements of aircraft appraisers and deciding who should be hired, you may find very little information. This is not too surprising in the aircraft industry; aside from selling, brokering or piloting aircraft, a good number of evaluators have no real training or background in analyzing the subject aircraft, along with the market, to arrive at an unbiased, creditable, reliable opinion of value – or "market value". So, what is the typical buyer to do and who do they hire to help them with their aircraft search/purchase or understand what they should be paying? And what should one expect from a professional appraiser?

The result is that, with the variation in biases, knowledge, skills, abilities and experience of "appraisers" in the industry, along with the various pieces of very diverse market data, there can be a wide variance in value opinions for the same aircraft. If aircraft buyers *could* find an impartial, unbiased professional to help them analyze candidate aircraft and provide creditable, reliable, supportable data to make informed purchase decisions, it would give the buyer a huge advantage over most sellers. After all, why waste time and money looking at aircraft that are priced excessively to begin with? Knowledge is power, and having the

same or more information than the seller is critical; this is where the professional aircraft appraiser can provide valuable insight.

The NAAA is the largest and oldest global organization that is focused exclusively on the evaluation and documentation of general aviation aircraft – including pistons, turboprops, business jets and helicopters. The NAAA only accepts aviation professionals who meet its minimum requirements and all members must undergo training before they are able to issue reports to the general public. Members of the NAAA also adhere to a strict code of ethical behavior to ensure that they act in an unbiased and independent manner – and these requirements are critical and unique in the aircraft appraisal industry. Some NAAA members have also received training as "buyer's agents" and can assist buyers in the selection of true candidate aircraft that are in line with the buyer's budget and requirements, while maintaining impartiality in their analysis, which is very different from the traditional brokerage/dealer arrangement.

Training Is Key

At this point, readers may be wondering about the need for training. After all, determining an aircraft's value involves little more than plugging in the year, make and model of an aircraft into any web tool or publication and then including the "add-fors" to determine the amount the aircraft is worth. This is the first mistake typically made by most evaluators. It's important to understand that there are two basic methods used to appraise aircraft; each method starts with a basic configuration or model. In the case of publications and websites, the typical model is the



“Average Retail” number or model, which is configured with “average” time on the airframe, mid-time engines and equipped with factory-original avionics. Aside from newer aircraft, most candidate aircraft don’t fit this model, so adjustments are needed. The limitations of the publication itself, and the manner in which these adjustments are applied, can create significant errors.

In one recent example I read about, a broker’s method of determining an aircraft’s price used a publication. The aircraft in question had a G1000 system with a WAAS upgrade. So, according to the publication, the broker added \$30,000 – as instructed by the publication. Here’s the problem. While the WAAS upgrade will COST about \$30,000, the actual VALUE increase is a small fraction of this amount, because the standard G1000 system for that model-year aircraft will have non-WAAS units that must be replaced and the relative value difference between these two pieces of equipment is very small. Simply adding \$30,000 overvalues the subject aircraft; this is only one of the many issues that tend to occur using a publication. Finding this type of error on ANY aircraft would pay for my appraisal fee several times over, but it is one of the smaller errors I encounter routinely in the appraisal process.

The other appraisal method used by the NAAA is quite different and begins with a model called the “Average Green Airframe”, which is a mathematical model representing the specific year, make and model stripped of all key value points – a “blank page” if you will. The aircraft’s value is then determined by what is found through field research and first-hand analysis. Essentially, the aircraft is “built”, based on the status and condition of a number of value points obtained from the field research.

Expectations

So, what should someone expect from the professional appraiser and appraisal?



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One of the most critical advantages a client should expect is that the appraiser will sign their report and leave his or her office to physically examine the aircraft and related records. These two requirements are unique to NAAA members, because EVERY signed report requires a physical examination of the aircraft along with its records.

Another benefit clients should expect is that the report contains details about the subject aircraft, along with an indication of what the appraiser did or did not do, their connection to the aircraft or deal (if any), and any biases they may have. You should also expect the appraiser to perform some analysis of the market and how the subject aircraft “ranks” in this market and why, along with any key photos and findings. Reports that are less than ten pages long will not provide this level of analysis; rarely are these shorter reports signed.

Clients should also expect an analysis using data that is reflective of actual sales data (market value), something that really isn’t found in publications or websites. It is important to note that publications are in the business of selling subscriptions and publishing information – NOT the aircraft appraisal business. Publications tend to distribute information they received with very little analysis – such as the WAAS upgrade from the previous G1000 example. Many years ago, the NAAA recognized that information in the publications was unreliable and inadequate for the purposes of appraising aircraft and developed their own proprietary database for the sole purpose of appraising aircraft.

This database is updated monthly (versus quarterly for publications) and derived from a number of creditable reliable sources, such as the banking industry, and the analytical process generally involves an analysis of the aircraft’s specifics – such as details found in the aircraft appraisal reports involving unbiased on-site examination of the aircraft and records by trained professionals. The NAAA is the only organization in this industry that tracks actual selling prices of aircraft and the data has proven itself to be credible and reliable over the years in a number of challenging situations.

The important point to understand is that trained professionals are available that can help buyers make informed purchase decisions, based on factual data. In many cases, key decisions can be made very early in the process to eliminate candidates (and expenses). In other cases, the professional appraisal report will provide a basis for negotiating the price and highlighting issues to be addressed prior to closing the transaction. It is common for the professional aircraft appraisal report to pay for itself several times over, due to the field research and detailed reporting. 

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