Despite the ‘new norm’ of low oil prices and slow GDP growth, there remain signs to encourage observers of the Middle East Business Aviation industry. According to Mr. Sohanpal and WingX Advance, the trend for movements between the Middle East and Europe has been positive for the year.

“The numbers indicate a 14.1% increase Year-to-Date,” Sohanpal elaborates. “This has surprised the market since there was always a perceived correlation between government expenditure and aircraft utilization. We’ve seen budgets cut or ‘under review’, yet movements of business aircraft have steadily increased year-on-year within the region. “For example, Saudi Arabia’s international and domestic flights have seen a 2.9% increase from 2014-2015 from its international airports.”

Flight hours and common destinations for Middle East business jet owners have changed in recent times, and Sohanpal has studied the data that show an increase in the number of movements both for domestic and international flights, and may also be partly due to the strategic drive to move away from an ‘oil dependent economy’. In the case of the Kingdom of Saudi Arabia, the 2030 initiative includes sourcing the best international partners, resulting in...
visits to and from experts around the world. Evidence suggests Middle East investors are looking to diversify from the region and chase new opportunities, Sohanpal notes. “According to WingX data, the largest growth for 2016 has come from the business liners, up 60% YoY (Q3) between the Middle East and Europe. As noted above, this has been mainly government activity.”

“Interestingly, for Q3 data we’ve seen a number of movements from Beirut to Europe (800 in total). This could be due to world leaders using the city as a gateway to the region meeting counterparts. Turkey used to be the top destination from the Middle East, however this year we have seen a marked decrease.”

Passengers utilizing Super-Midsize aircraft account for the next largest percentage of users, Sohanpal specifies. “And generally the split between charter and private jet movements from the Middle East to Europe was evenly matched for the first time.

“This can be partly attributed to the success of the authorities in tackling the illegal ‘grey’ charter market. New changes to safety rules in Saudi Arabia have reduced the number of grey market charter flights and now require private owners to be accountable within an aircraft operating certificate structure.”

Sohanpal expects steady growth for Business Aviation as we move into 2017, due to the heightened geo-politics within the Middle East region, alongside investor diversification and opportunities.

New Aircraft Orders?
It appears in the Middle East that there’s a direct correlation between GDP and new aircraft orders, notes Sohanpal. “What’s needed is a recovery in oil prices and an improvement in general sentiment. If that doesn’t happen, we expect the OEMs to sell less new aircraft in the region, inevitably reduce production and instead concentrate on supporting used aircraft.

“That’s because prices have started to appeal to owners who are now looking for efficient and modern machines. Aircraft owners in the Middle East these days have decades of ownership experience. They’ve become more discerning about value,” he offers. “We expect a fleet compound annual growth rate between 4-6% in the region in 2017. That will, however, be dependent on the macro-economic outlook.”

Sohanpal expects a continued downward trend for large aircraft (as apparent with business liners), except in the case of government-related owners and flights.

Middle East Used Aircraft Market
Buyers of pre-owned aircraft are enjoying much in their favor within the region, including low interest rates, and banks are keen to lend to prominent buyers in the hope of attracting additional portfolio management fees. Sohanpal also points to a classic

Airport Codes (Departure), Alphabetic Order:
LLBG: Ben Gurion International Airport, Israel
LLSD: Sde Dov Airport, Israel
OBEH: Bahrain International Airport, Bahrain
OEJN: Eleftherios Venizelos International Airport, Greece
OERK: King Khalid International Airport, Jordan
OLBA: Rafic Hariri International Airport, Lebanon
OERK: Erbil International Airport, Iraq

Airport Codes (Arrival), Alphabetic Order:
EGGW: London Luton Airport, UK
EGLF: Farnborough Airport, UK

SOURCE: WINGX ADVANCE
case of price elasticity; supply and demand…

“Certain long-range aircraft have seen price drops, prompting owners to seek off-market buyers within their circle of contacts. Now is a good time to buy a pre-owned aircraft.

“From our perspective as one of the world’s largest specialists for long-range jets and with 16 years of Middle East experience, managing owners’ expectations is important. For sellers, it’s a challenging market, especially those with unrealistic price expectations. “We’re working very closely with our clients, and our recommendation is to be as dispassionate as possible. We advise to take a hard look at the monthly cost of ownership and be more open to reasonable offers.

“Additionally, we are finding that Middle East aircraft owners are having to work much harder to attract buyers - this is because of an incorrect perception that aircraft based here may not be maintained well, due to limited local service facilities, or the possibility of continuous exposure to harsh climates,” Sohanpal offers.

“Generally, I find that this is not the case. Most aircraft are maintained by fully-approved service centers - either in Europe or the UAE. Owners in the Middle East recognize the importance of protecting residual values.”

Sohanpal has observed a number of long-range aircraft, particularly business liners, being placed ‘For Sale’ as owners suffer from low oil prices and the global macro-economic outlook. Of 569 business aircraft operating within the region, 13.5% of the fleet is listed as ‘For Sale’ according to JETNET data.

“Perception is also a driver as owners try to project a less ostentatious stance,” he adds. “This is because of new austerity measures put in place by some of the governments seeking to balance budgets or reduce deficits.”

2017 Outlook
Sohanpal’s outlook for Middle Eastern Business Aviation in 2017 is positive. “We see the use of private jets maturing as people’s perceptions of Business Aviation change from luxury to utility,” he explains.

“The impact of charter portals has introduced a wider group of users to Business Aviation who would normally fly first class commercial – and as mentioned above, new safety rules have made grey market activity tougher.

“I expect the next generation of Middle East buyer to be more attuned to efficiency from a business aircraft, opting for smaller aircraft to meet the needs of regional trips.”

The downside of the 2017 outlook, Sohanpal notes, is that the market is becoming more price-conscious (in charter). This means that rather than being service or experientially-motivated, there is instead evidence of aggressive discounting by operators.”

The Sum of it All…?
So what is one to do if they are seeking to buy or sell used aircraft into or out of the Middle East during 2017?

“Those looking to sell will need to have realistic price expectations since buyers are much more knowledgeable now and they are taking full advantage of the current market,” concludes Sohanpal. “It’s a buyers’ market - but if you are entering to buy you need to be quick! The best aircraft, if correctly priced, are being snapped up quickly!”

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