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BUYING EX-FRACTIONAL OWNERSHIP PLANES?

EXTRAS TO CONSIDER...

Industry experts share insights on what buyers should account for when considering the purchase of an aircraft formerly used in a fractional aircraft ownership program. How can nasty surprises be avoided? Felipe Reisch explores...

Buying a pre-owned aircraft requires a meticulous review of its airframe, interior, and maintenance history, among many other variables.

While purchasing a former fractional ownership aircraft must account for the same variables, one of the defining differences is the higher utilization of former fractionally-owned planes, even though they are usually relatively new aircraft. And this will inevitably impact the times and cycles of the engines, airframe, and most likely the wear and tear of the interior.

For those aircraft buyers who are thorough, and who hire the right expertise, there can be positive aspects to purchasing one of these aircraft, and a competitive acquisition price tops the list.

Stephan Krainer, CEO at Austria-based Primus Avia, believes these aircraft present a compelling value proposition, for example. "They tend to be more reliable than similarly aged aircraft due to the meticulous care they receive from operators who are intimately familiar with their fleets," he highlights.

Nevertheless, while H. Lee Rohde, III,

President & CEO at New Hampshire-based Essex Aviation highlights that while there will be a reduced purchase price (due to the normally higher-than-average utilization of the aircraft), understanding where the engines are in their maintenance cycle is an important item to review.

"There will be a certain percentage of buyers when the aircraft's owner goes to sell this aircraft, that will rule aircraft of this nature out as an option [preferring] other aircraft that have a more traditional utilization, and original engines that were delivered with the aircraft," he adds.

Anatoly Parkhomchuk, Managing Director at Jet Agent, based at London Biggin Hill Airport, outlines that typical fractional aircraft utilization would be around 1,000 – 1,200 hours per year, while normal [Part 91] aircraft utilization would be expected to fluctuate between 300–500 hours per year.

"The increased utilization forces rigorous aircraft maintenance (which is a benefit in some aspects) but impacts overall airframe condition, and as a result impacts aircraft residual value," he highlights. ↪



Tom Chatfield, CEO of Camber Aviation Management, highlights that the maintenance consistency of these aircraft – previously in aligned fractional fleets – ensures compliance with stringent standards. “However, most fractional programs will use a variety of different maintenance facilities during the ownership period,” he adds.

“This will require more research to ensure the records are complete and accurately reflected in the maintenance software program.”

Mitigating Surprises in ex-Frax Business Jets
It should go without saying that to mitigate any uncertainties, a thorough Pre-Purchase Inspection (PPI) must be carried out. This process can reveal hidden corrosion, which, if left unchecked, could transform a seemingly advantageous purchase into an expensive lesson.

Indeed, buyers may prefer to press for a more in-depth PPI to help clarify the precise condition of the former fractionally-owned aircraft.

“Additionally, some fractional ownership operators may not adhere strictly to the manufacturer’s maintenance recommendations, so it’s crucial to realign the aircraft with these guidelines to avoid unexpected grounding,” Krainer warns.

While newer aircraft from fractional ownership programs may only be six to eight years old, they will invariably have high hours and cycles, which means that the larger, more complicated, and costly checks could soon be due, and Chatfield believes that insulating the aircraft with service programs is paramount.

“Ensure that the aircraft engines are enrolled in an OEM or third-party hourly maintenance program, such as

JSSI or EAP, to ensure predictable maintenance costs that can be transferred to a new owner,” he suggests. “If the aircraft is not on a program, inquire about enrolment.”

In essence, buyers should be fully cognizant of when certain major maintenance events will be occurring. If the engines and APU are enrolled on programs, says Rohde, those programs can be continued to minimize maintenance cost surprises.

“On the airframe side, those areas need to be reviewed by a knowledgeable maintenance person to run a projection for the owner of the next major events and the projected scheduled maintenance for the next 12–24 months under their new utilization projections,” Rohde adds.

If the aircraft is out of manufacturer warranty, it may be enrolled with JSSI which provides coverage programs that can include the airframe too.

Interestingly, Parkhomchuk says that purchasing a former fractional aircraft could also have a potential tax implication that must be investigated and properly advised on. “Good understanding of aircraft’s service history and its compliance with regulations could be an advantage when considering the acquisition,” he hints.

Cost of Interior & Exterior Refurbishment Should be Factored

Beyond the cost of airframe and engine maintenance, former fractional ownership program aircraft are likely to have functional, generic, hard-wearing interiors that a buyer may wish to see personalized to their own tastes, raising the question of what kind of cost that would incur.

Beyond the soft furnishings, the aircraft’s new owner is likely to need to ensure the jet’s Wi-Fi matches their mission needs, along with the avionics in the cockpit. ➔



Typical fractional aircraft utilization would be around 1,000 – 1,200 hours per year.

According to Krainer, the cost for these items can vary, depending on the level of luxury or personalization desired or needed. "A modern approach involves using wraps instead of traditional woodwork refurbishment, which is cost-effective, more resilient, and easier to repair," he suggests. "However, I advise removing any existing wraps to assess the underlying condition, as future buyers will likely demand this transparency."

For Chatfield, personalizing the cabin begins with the replacement of the upholstery and soft furnishings and can extend to replacement of the hard finishes (such as the veneers and plating).

"Refurbishment costs for Light Jets can start at \$300k up to \$800k, while larger jets – depending on the extent of customization – may range between \$1.5m to \$5m or more, and may include high-end materials for seats, custom cabinetry, upgraded flooring, mood lighting, and advanced entertainment systems," he outlines.

Rohde underlines that the buyer's representatives should be able to contact various third parties to get estimated costs for the numerous soft goods replacements, give the aircraft a fresh, clean look and allowing the new owner to personalize it.

In terms of in-flight connectivity, many fractional aircraft will have a current system that should still be utilized, he argues. "There are significant changes going on both in terms of consolidation and of lower cost satellite systems being offered," Rohde shares. "The new owner of any aircraft is going to have decisions to make in this area, and will have several options to consider to [find a system to] meet their requirement."

And updating the aircraft's exterior livery to reflect a personal or corporate identity is another critical customization aspect. Chatfield reckons that a high-quality repaint can cost between \$150k and \$400k, depending on the complexity of the design and aircraft size.

"This process should include a full strip of the original livery, an inspection of damage or corrosion, and can include the application of corporate logos, unique colour schemes, and high-performance paint finishes to enhance durability and aesthetics," he outlines.

It's important to note that these customizations may require downtime for the aircraft, which should be factored into the overall cost consideration. ↴





Additionally, Parkhomchuk adds that some modifications may affect the aircraft's weight and balance, potentially impacting performance and requiring recertification. "Given the potentially high costs of personalization, new owners should carefully evaluate their needs and budget, possibly considering a phased approach to upgrades to manage expenses over time."

Final Considerations Before Making a Buying Decision
As mentioned, an independent Pre-Purchase Inspection is essential when acquiring any pre-owned business aircraft, let alone a former fractional ownership program aircraft. Fractional operators often retire their aircraft with the same Maintenance, Repair, and Overhaul (MRO) facilities, which may not provide an unbiased assessment.

Krainer shares that retired aircraft may not always receive the best engines from the fleet, so this aspect warrants careful consideration to ensure optimal performance and reliability.

"You may also want a third party on-site while conducting a pre-purchase inspection," he suggests, "one with a more detailed view on regulations – especially when the aircraft [will be transferred] to a different registry. Some modifications accepted by one authority may need additional approvals from another."

And according to Rohde, one last item to consider is that when the buyer eventually seeks to sell their jet, a percentage of the market will immediately rule it out due to its past use on a fractional ownership program.

"Plan for long-term value by addressing deferred

maintenance, refreshing exterior paint, and documenting all upgrades," Chatfield adds. "Invest in a thorough review and cataloging of the aircraft historical records."

"When transitioning from fractional to full ownership, buyers must address maintenance planning, interior customization, avionics upgrades, regulatory compliance, insurance, operational costs, management and crew arrangements, and tax implications," Parkhomchuk concludes. ■

More information from:

Camber Aviation Management:

<https://camberaviationmanagement.com>

Essex Aviation: <https://essexaviation.com>

Jet Agent: <https://jet-agent.com>

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