ALIREZA ITTIHADIEH: “WE NEED TO WAKE UP TO THE NEW DAWN”

News / Business aviation



“Markets fuelled by delusion are always dysfunctional. It may not have felt like it but the peak of this cycle was in 2014. We are now heading into the downmarket. No one wants to admit this and it is a serious problem. Brokers, dealers and OEMs have a responsibility to tell the truth.”

Alireza Ittihadieh, founder of Freestream Aircraft has never worried about standing out from the crowd. He was prepared to say the market was miserbale in 2010. And, just before the largest industry event of the year he is saying that people are need to take an honest look at the business aviation market.

“We are in a very tough, hard market. Obviously deals are happening but they are happening amongst a few brokers. People are selling aircraft as long as they are priced correctly. But there is still a big gap between buyers and sellers,” he says. “Brokers and dealers are not telling their clients – or even themselves – the truth. You cannot talk this market up. You cannot be a stock ramper for aircraft. Is it either denial or disillusion but some people are trying to do this.”

“Are people asleep or do they just not want to accept reality?”

“There are a lot of brokers who over promise sale prices to get listings despite knowing they they will not achieve them,” says Ittihadieh. “That all adds to the problems in the market. We need more reality and honesty. Are people asleep or do they just not want to accept reality?”

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He is also bearish about new aircraft sales. “The big question is how do OEMs justify prices in today’s market conditions? Of course there are buyers – there are always some buyers – but aircraft like the $48.5 million G6000 and the Falcon 8X – which will cost you with basic specs about $60 million – are expensive when you can get a G650 for under $60 million,” says Ittihadieh, who sold the first pre-owned G650 on behalf of Bernie Ecclestone for $72 million. “OEMs and brokers and dealers need to be educated about to the new reality that we all have to live by. Prices are still falling due to oversupply.”

Ittihadieh says that there are no signs of aircraft values hardening. “The problem is that prices are still falling and buyers are holding back waiting for a drop it is creating a bottle neck. It just takes a few buyers to hold back and you have a complete downturn,” he says. “One of the problems is that OEMs are launching new next generation aircraft and they are genuinely phenomenal aircraft. For example, the Falcon 8X is everything that the Falcon 7X should have been.”

“How do you feel if you bought a new aircraft from an OEM two years ago and now find out it is has lost $20 million? The answer is that you feel crap.”

Most new business jets are bought by people who already own aircraft, but he says many are unhappy and feel they have been burnt. “The problem is how do you feel if you bought a new aircraft from an OEM two years ago and now find out it is has lost $20 million?” asks Ittihadieh. “The answer is that you feel crap. You never want to buy another aircraft again. That is the sentiment in a lot of the market, especially if you are the person writing the cheque. Corporate buyers – who are not spending their own money – may not feel the same way.”

Despite his concern about the market, 2015 has not been an awful year for Freestream. The business still expects to have closed more than 60 aircraft sales in 2015 – including one ACJ, two BBJs and one A340. But transaction sizes are down. Freestream benefits from being diversified, offering completion management, interiors and managing repossessed aircraft for banks.

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“The G650 market is the most unrealistic market. It has had its fabulous run and now has aligned itself line with the rest of the market. There are 20 aircraft for sale. You can get one which has flown 700 hours for $59 million,” says Ittihadieh, who says he has traded 17 over the past 18 months. “But you get some disillusioned idiot saying: ‘this one is worth over $73 million’ or a buyer saying ‘I won’t sell mine for less than $75 million.’ They are living a fantasy. The market will be stagnant as long as sellers and buyers have unrealistic expectations.”

Ittihadieh is not enjoying the downturn. “I would love to see the market pick up. There are a lot of very good brokers – particularly younger ones – who are struggling against tough headwinds and have not closed a deal for a year. I don’t like seeing that and that are some very good brokerages who are having tough years.”

But he is not sympathetic towards all his competitors. “A lot of people came in during the boom when a monkey could sell an aircraft and they do not know how to react to the new reality,” says Ittihadieh. He also argues that there are too many people who do not understand selling aircraft. “There are too many consultants who have now become aircraft brokers that are confusing the market,” says Ittihadieh. “Not only are they conflicted but they also advise customers without having any real knowledge of the market. They are just hampering experienced professionals.”

He knows that other brokers will criticise what they see as his pessimism. But he does not care. “I

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cannot respect idiots who have a bump and dump philosophy – trying to ramp aircraft and dump aircraft. Are they so stupid that they do not even listen to the world news? The market is bigger than any individual and not even Bunker Hunt – with all his money – could ramp up the silver market in the 1980s. No one can talk this market up."

He is more positive about OEMs. "I respect the problems that manufacturers face and some of them are doing a really good job in a tough market and listening to their customers," he says. "But OEMs need to wake up to the market and slow down production. We are in the beginning of a big down market. It is a seven year cycle and we are at the beginners."

Ittihadieh says his biggest frustration is delusion. "The broker community has a responsibility to tell the market as it is. When there is downward pressure we should not be trying to hold prices up we just stop trades. Asking prices need to come down," he adds. "It is a new dawn. A new reality and we need to embrace it even if we wish it was not true. We need to wake up to the new dawn."

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