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T-Hangars: Everybody Wants To Go To Heaven, But Nobody Wants To Die

- There is always a market for T-hangars at almost any airport - but not at any price.
- The preexistence of older T-hangars which generate for low monthly rentals can be a big impediment to the development of new units.
- Pilots are sometimes reluctant to accept the premise of acceptable economic return once they get inside the airport fence - (even though they swear by it when it comes to their own investments).
- Development of T-hangars by FBO's has virtually ceased and will not resume any time soon.
- Always develop T-hangars well behind the demand curve.
- If old T-hangars have skewed the market's perception of what rental rates should be, build condo's.

With the exception of large hub airports, one of the most desirable airport improvements that can be constructed is the ubiquitous metal T-hangar. Only a few feelings in aviation are as warm and fuzzy as knowing your airplane is locked in a sturdy T-hangar during foul weather. Not having to clean frost off the wings, not having to suffer faulty avionics which have been subject to the greenhouse effect while the airplane is parked outside and being able to plug into a nice warm engine heater for winter operations are just a few of the joys of T-hangar occupancy. While there is almost always a market for T-hangars, the grim reality for airport operators is that there is not a market at any price.

T-hangars are like any other property investment; they require an outlay of capital and that capital is expected to produce an adequate return on investment. This is particularly true when private investors enter the T-hangar market, but is also applicable when airport operators decide to develop a T-hangar project.

One of the biggest problems in terms of developing an adequate return is the preexistence of older T-hangars that rent at unrealistic low monthly rentals. This can have the net effect of essentially creating an artificially low market, and make it hard for aircraft owners to accept newer rental rates which are reflective of the cost of new construction.

The reluctance of pilots to accept competitive T-hangar rental rates is sometimes made ironic by their propensity to deny basic economic laws that aircraft owners are more than happy to employ liberally when it comes to their own investments or businesses. There is nothing more ironic than having someone lean against his pressurized B-58 Baron and tell you why he thinks it is completely outrageous that he should pay $165 a month instead of $145 a month for a T-hangar.

In the current economic climate, it is very difficult to develop half decent T-hangars and generate a competitive return and rent them for any less than $225 a month. While in some sections of the country, this is a pittance, in other sections it represents a significant increase of the going rates on a given airport. The best way to avoid this if you are either a private developer or an airport operator, is to get pilots used to regular escalations in the rental rates. If these are applied consistently, and in a reasonable fashion, it is possible to keep the existing market in line with the costs of new construction.

A classic mistake made by developers is the assumption that the installation of some large amount of T-hangar units creates an irresistible economy of scale with regard to construction costs. If the demand for T-hangars is miscalculated, then the developer will be facing vacancy factors which could go on for an extended period of time. The loss of income represented by the unrented units will eat up whatever economic advantage was once inherent in buying a quantity of hangars which exceeded the demand.

If there is one rule that I think is applicable with regard to developing hangars for either rental or sale, it is to develop the structures well behind the demand curve. Despite the size of the waiting list which you may have, the acid test of a potential project's feasibility is whether or not people on the waiting list will lease hangars for prices which make the expense and hassle of construction and development worth it. My experience is that generally only about 25% of pilots on a waiting list for low-rent existing units will rent at significantly higher rental rates for a project involving newer construction.

If the T-hangar market at your airport is skewed by older units which are priced too low, a good way to bring the market into line is to build units and sell them to owners. This creates two benefits for the marketplace. The first is that the concept that the price paid for a unit represents costs of construction plus profit levels, seems to be more readily grasped by aircraft owners. The second is that if there are unit owners who lease their units to tenants, the rent charged will reflect their investment in the hangar, and will begin to establish a new baseline for the airport. Additionally, the percentage of owners who buy units and then rent them is concomitantly smaller for a hangar project which is sold. This creates one or two rental units at most, and these tend to be leased readily by pilots who own expensive aircraft and will pay the higher rental rates.

This scenario assumes that units will be sold to aircraft owners with a long-term ground lease, the norm on airports which are owned and operated by public entities. In cases where a developer can convey the land as part of the purchase price, the overall selling price of the unit will in some cases, be significantly higher.