

Perspectives on the Market and Work-From-Anywhere



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As 2020 officially becomes hindsight, many were eager to slam the door on such a tumultuous year and never look back. However, in a year that delivered many challenges, there was also tremendous opportunity, and business aviation capitalized on that upside in the second half of the year, specifically in sales of fuel-efficient light to midsize business jets, and turboprops. These were sweet spots for first time buyers, and those looking to expand their domestic operation during COVID. Yet, despite such strong performance, uncertainty remains as we look to 2021. What do the drivers that led to such activity in these market segments last year look like in this year's market dynamic? And what does that mean for buyers and sellers?

Perhaps the most common phrase uttered over the last 12 months is, "I can't wait for things to get back to normal." However, as we approach the one-year anniversary of widespread shutdowns, our grasp on the definition of "normal" is all the more tenuous these days. Interestingly enough, another common phrase used as it pertained to the business aviation marketplace pre-pandemic was "new-normal."

As our industry sought to emerge from the 2008 financial crisis, it became apparent that despite years of optimistic musings on the subject, it seemed unlikely the industry was going to return to pre-2008 & 2009 transaction levels. It took nearly a decade for OEMs to adjust production levels accordingly and pricing integrity was just finally making a comeback. We had settled into our new normal - and

then the world turned upside down. Initial comparisons were swiftly drawn to the last crisis the aviation industry had been through...but 2020 went quite differently.

At the start of 2020, pre-owned inventory levels were high, and increased at the onset of the pandemic. The high percentage of aircraft on the market for sale had the expected resultant effect on pricing - and for a time, the outlook in our industry was rather bleak. Then opportunism came out in force, with buyers wisely sensing there were deals to be had. In the second half of 2020, the vast majority of pre-owned turbine markets were on fire with transactional activity. Our firm alone closed over 100 transactions, with 45 of those taking place in the fourth quarter.

At jetAVIVA, we point to three main drivers of this increased demand: COVID, tax, and the U.S. Presidential election. The global pandemic changed the way many looked at travel, and in addition to first time buyers entering the market, our firm saw a majority of this demand come from current aircraft owners who sought to expand business aircraft utilization in all aspects of their lives. In addition, the standard increase in year-end transactional activity was exacerbated by the availability of 100% bonus depreciation. And lastly, the market experienced another boost in activity as buyers took advantage of known business benefits of a purchase in 2020 versus the potential unknowns of tax law changes under a new Presidential administration.

Now we find ourselves in this new year - and while demand drivers related to COVID seem poised to continue, and buyers continue to seek tax benefits while they exist, there is one significant difference between this year and last: available inventory. Inventory levels of quality pre-owned turbine aircraft are at the lowest levels seen in years. This has strengthened pricing across the board with some pockets of modest increases. For clients looking to sell, early 2021 represents an outstanding time to put their aircraft on the market. Quality aircraft priced to the market will not last long. And the news is also good for savvy buyers who are prepared to move quickly to seize pockets of opportunity.

Activity in the first quarter has been strong, and we remain hopeful for tailwinds that will support long-term sustained recovery. The widespread access of vaccines should usher in a return of increased corporate travel, while our ability to retain new entrants into the market will be indicative of continued growth. In the meantime, many clients are exploring their options for upgrading their existing operation to support the modest increases in utilization we are already seeing.

Perspectives on the Market and Work-From-Anywhere (cont.)

If 2020 showed us any one thing - it is the resiliency of the human spirit. Shakespeare said it best, "How beautiful mankind is! O brave new world. That has such people in it!" We enter 2021 with optimism for our industry, and great opportunities for buyers and sellers. So, back to normal? I would hope not. New normal? Perhaps change will be our new normal. This is our brave new world.

2020 also dramatically impacted businesses within our industry - the full ramifications of which we likely have not yet seen. Some businesses did not survive the pandemic. Other companies were rattled by cancellations of contracts, challenges in supply chain, or mergers and acquisitions that fell through. Yet some businesses thrived. Many are calling for 2021 to be the year of consolidation. While a common buzzword at many aviation events for years, successful mergers always seemed just out of reach. Will COVID be the driving force that realizes a streamlining in our industry that is long-overdue? Early signs point to yes, but only time will tell.

There are many factors that enabled our industry to take advantage of the opportunities presented in the marketplace at the end of 2020: for the most successful, this included a healthy book of listings, strong client relationships, clear messaging, and decisive actions among them. But the one critical component I want to explore is the ability to preserve a strong company culture in a majority remote work environment. With stay-at-home orders in place, and employee health as a top priority, many organizations experienced a transition to work-from-anywhere (WFA) at some point last year. While many see the increase of remote work within organizations as a threat to business aircraft utilization, the long-term impacts are still yet unseen. That said, I have to hope that the dawning of the work-from-anywhere age will give many employees and businesses a chance to rise to new heights in the aviation industry.

The Dawning of the Work-From-Anywhere Age

It is clear that the work-from-anywhere model offers notable benefits to organizations and their employees. Organizations can reduce real estate costs, enjoy recruitment benefits, and as research indicates, see productivity gains. Employees can live where they need to and eliminate lengthy work commutes, and they report better work/life balance. However, companies implementing WFA should have a clear plan of action to successfully manage corporate communications, project management, socialization, training and mentoring.

Like many of my friends, colleagues, and peers in this industry can attest, the reality is that it is challenging to balance a demanding career with a high emphasis on travel while juggling a family. This can be especially true for women. I've seen employees "commute" over 1,000 miles to keep their job, while only seeing their loved ones on the weekends because remote work was not considered possible. I witnessed friends spend over 300 days on the road - because it was the "way it had always been done." And I've now seen many celebrate the two extra hours of the day they got back by eliminating their drive to and from work.

WFA supports initiatives to increase the representation of women in all facets of business aviation, from support roles to executive sales and senior leadership positions. With WFA, each team member can work remotely, reside in their own community, and contribute their many talents free from the constraints of geography.

While I recognize the importance of proximity as it pertains to successful selling and acknowledge that many roles (e.g., pilots, manufacturing, and maintenance) cannot be performed from home, I encourage organizations to embrace WFA. Work-From-Anywhere businesses help open doors for knowledge-based workers to enter and build their careers in our industry, while enabling employers to cast a much broader net when recruiting talent.

In 2011, Emily (Weber) Deaton was introduced to the business aviation industry when hired to support the newly formed sales team at Embraer Executive Jets' Melbourne, Florida location. A long-time resident of Florida's Space Coast, she was no stranger to the aerospace industry, and during her childhood, shuttle and rocket launches were a regular occurrence. Emily spent seven years with Embraer in Sales Operations, Business Development, and CRM Strategy roles. Then, in late 2018 she joined jetAVIVA where Emily now serves as the Chief Operating Officer, driving and leading one of the largest private jet sales organizations in the world as measured by total annual transaction volume.

