

FLY-BY



3 MINUTES IN THE PRIVATE JET MARKET

2020 YEAR IN REVIEW





THE SILVER LINING

At the risk of using an understatement – 2020 was a year of surprises. While most of the news and impact of COVID-19 has been depressing and covered in-depth, there is a pleasant surprise in the heartening strength of the aircraft transaction market. The 4th Quarter of 2020 saw an unprecedented amount of activity, driven almost exclusively by the USA. Even Europe experienced an increase in sales when compared to 2019, despite suffering from prolonged lockdowns and numerous border issues throughout all of 2020 and into the present day. A knock-on effect of this large level of transaction activity in the USA is that the 1st quarter of 2021 has fewer aircraft for sale, when seen as a percentage of the active fleet, than at any time in the last 21 years.

This increase in transactions is all the more surprising when judged against the fact that overall private jet flights were down on a year-on-year basis in 2020, including the usually active 4th quarter. Given that most people purchase private jets to fly them, seeing the juxtaposition of increasing sales and decreasing flight activity is a conundrum that we cannot solve.

There are still many challenges to overcome. For UK owners, buyers, and operators, Brexit is chief among these. How Europe and the UK agree to long-term flying rights has yet to be resolved, and the current ambiguity creates several challenges for owners and operators alike. It is an evolving situation that can hopefully be resolved quickly, but one that requires careful consideration when choosing where to register an aircraft.

Navigating the pre-owned markets has been tricky. For European sellers, the world's largest market (the USA) is functionally closed due to travel restrictions, leaving owners searching for a European buyer, which while present represents a much smaller buyer pool. European buyers, particularly for larger aircraft where EASA avionics requirements are more stringent, are struggling to find inventory that suits their needs. Acquisitions are taking longer and necessitating more patience and due diligence to complete.

For those of us in the transactions business, we are grateful that the Covid 2020 surprises have been mostly positive. For many others in different sectors in the industry, particularly in operations, this has been the greatest challenge their business has ever faced. As the vaccine roll out continues apace, I am hopeful activity levels will return to a normal level and new owners can experience the joy that ownership can bring.

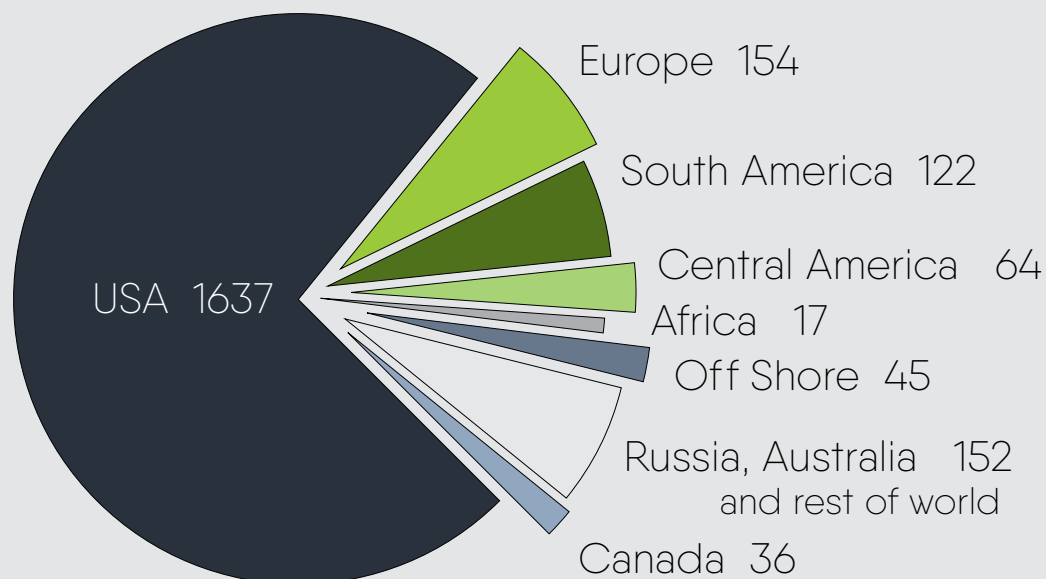
I wish everyone safe travels and sunny skies ahead.

Oliver Stone,
Managing Director
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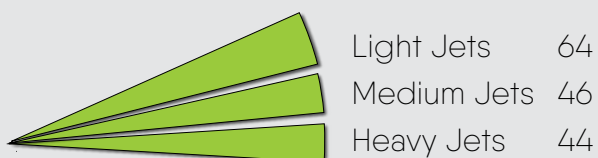
2020 PRE-OWNED JET MARKET

2227 Total Pre-owned Jets Purchased



EUROPE

154 Pre-Owned Jets

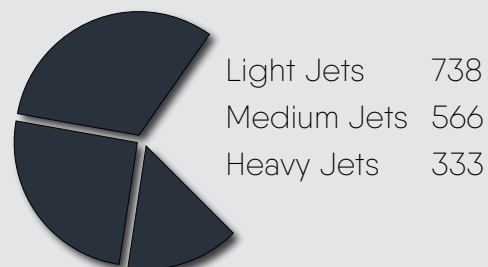


Most Popular Jets

Citation Mustang	6
Citation Jet	6
Citation CJ2+	5
Bombardier Global 5000	5
Gulfstream G150	4
Eclipse 500	4
Citation CJ3	4
Hawker 900XP	4
Citation CJ2	4
Falcon 7X	4

USA

1637 Pre-Owned Jets



Most Popular Jets

Citation CJ3	51
Hawker 800XP	48
Citation Mustang	47
Eclipse 500	45
Citation II	36
Gulfstream IVSP	34
Gulfstream G550	34
Citation Jet	34
Citation V	32

EUROPE

PRE-OWNED JET MARKET

	2020	2019	2018	2017
Total Bought:	154	152	192	170
Light Jets:	64	70	75	83
Medium Jets:	46	35	54	38
Heavy Jets:	44	47	62	49

Given travel was restricted in Europe for around half the year, it is surprising 2020 transactions were stable from 2019.

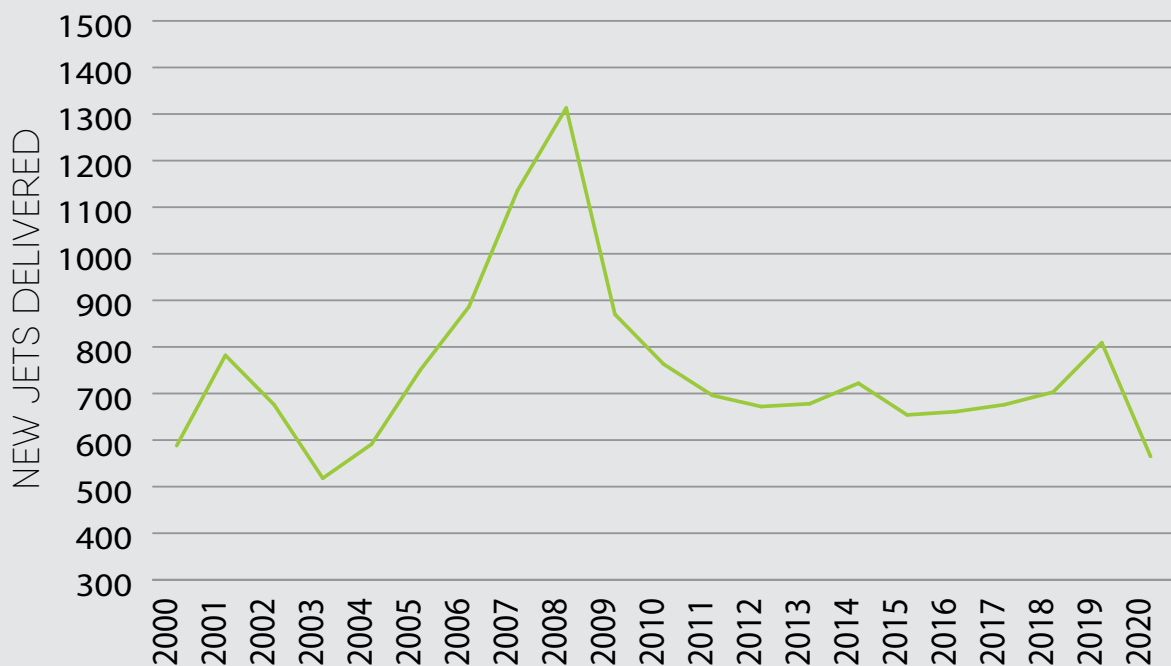
USA

PRE-OWNED JET MARKET

	2020	2019	2018	2017
Total Bought:	1637	1495	1563	1526
Light Jets:	738	661	613	654
Medium Jets:	566	511	591	563
Heavy Jets:	333	323	359	309

The USA saw 41% of its 2020 sales in Q4 with 24% happening in December. Tax incentives are the key driver of year end sales in the USA.

NEW JET DELIVERIES



Unlike the Pre-Owned market, new jet deliveries were sharply down from last year. What is unclear is whether the OEMs reduced production in 2020 and sold out their available inventory, or if production continued at normal pace and there remains a large amount of unsold inventory.

PRIVATE AVIATION Q4 FLIGHT TRAFFIC

16% decrease in fourth quarter **USA** private jet flights from 2019

While transactions in the USA were high, overall flight hours were down. The decline in flight hours was mitigated by the surge in leisure travel around Thanksgiving and Christmas. Business travel has yet to pick up momentum for a recovery.

21% decrease in fourth quarter **European** private jet flights from 2019.

As long as travel restrictions remain in place, Europe will have a longer and harder road to build long term stability.

COMMERCIAL AVIATION Q4 PASSENGER TRAFFIC

63% decrease in fourth quarter **USA** airline passengers from Q4 2019

82% decrease in fourth quarter **European** airline passengers flights from Q4 2019

Many businesses say they intend to utilize private air travel more in the future for a larger group of their employees than they had pre-COVID. The main reasons for this are to limit employee exposure to the virus and to avoid multiple flight connections due to limited airline services.

With the COVID-19 vaccine being administered on a larger scale by second or third quarter 2021, it will be interesting to see how private jet use is effected.

LARGE CABIN PRE-OWNED JET PRICING

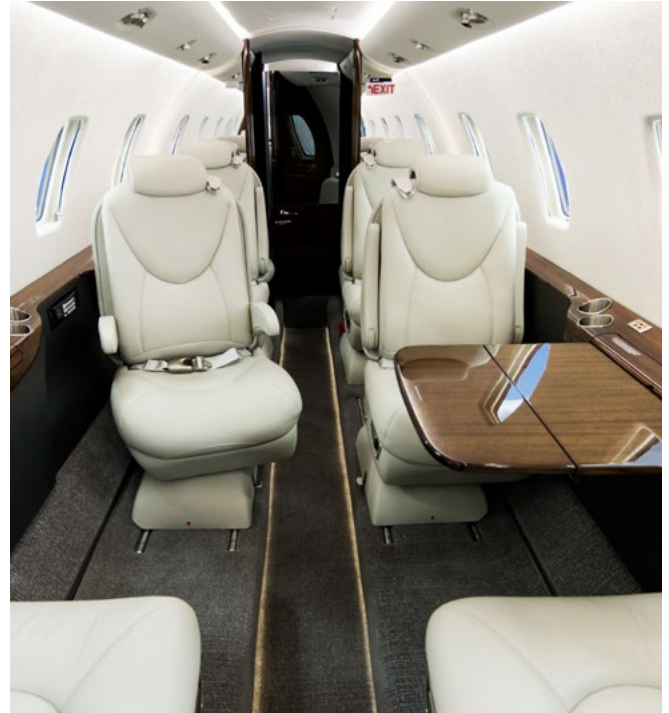
Aircraft Model	Avg Ask Price Dec 2020	Value Change from Dec 2019
Gulfstream G550	\$17,180,000	-27%
Bombardier Global 6000	\$24,430,000	-23%
Dassault Falcon 7X	\$24,590,000	+7%
Gulfstream G650	\$44,450,000	-7%
<p>The fundamentals of these large cabin jets are very similar: >12 hour range and seats 13+ passengers. Buyer's in the large cabin arena have quite a few options of very similarly capable aircraft within a wide price range</p>		<p>Depreciation is a big cost to consider. It varies model to model and year to year. It is impossible to predict but must be accounted for.</p>

TAKING ADVANTAGE OF DOWNTIME

WHAT TO DO WHEN YOUR AIRCRAFT IS NOT IN USE

A proactive move as an owner is to take advantage of any downtime when your aircraft is not flying often, or at all. Clearly as of early 2021, most jets are experiencing this downtime as governments have restricted travel to other countries. But there are other more normal downtimes in your ownership when you are not using your jet very often such as the winter months (winter is also a time when charter tends to be lower).

This is an opportune time to improve or update your jet or even to bring forward a maintenance inspection that would come due during a busier season for you like the summer. Taking advantage of natural down time when the plane is not needed is a great way to minimize downtime when the plane is needed most.



A few ideas:

Avionics Upgrades – Some upgrades are mandated by EASA or the FAA to be completed by a certain date (such as ADS-B Out was) and others are upgrades you choose to do to improve the capabilities of your aircraft. Installing these during downtime means you are not rushing to do it when a deadline comes due or taking it out of service for installations in the future.

Maintenance Inspections – Bring forward a maintenance inspection that is coming due in the near-term future, that way when you need your aircraft in the summer, for example, you will not have to worry about it being in a maintenance facility.

New Exterior Paint – This can take a month to complete and doing this during prolonged downtime not only improves the look of the aircraft and its protection, but is a great use of time when you aren't flying.

Interior Refurbishments – New seat leather, carpet or woodwork. Some of these projects can take weeks to complete but will be very appreciated when you are using your jet frequently again.

Install new WIFI or entertainment systems - WIFI systems can take weeks to install but are one of the most in demand features for today's buyer.

Make the most of the time your jet is not flying, or when you cannot fly your jet due to travel restrictions, so when your busier travel months hit or when travel bans are lifted, you are able to use your jet in all the ways you need to.

OVERCOMING TRANSACTION OBSTACLES DURING COVID-19

Government mandated restrictions on travel have had the most obvious effect on aircraft transactions during COVID-19. This is especially true in Europe where almost every transaction involves international travel of some kind. It is difficult to structure a transaction for aircraft based in Europe when the largest market, the United States, is functionally unavailable due to travel restrictions.

The solution is to get creative. We have closed many deals in the last year, and each involved a slightly unorthodox solution in order to accomplish closing while also following the travel rules in place.

Below are a few of the stumbling blocks we have recently encountered and ways to navigate them.

How to view an aircraft when the buyer cannot enter the country

Some clients are comfortable with a live virtual viewing of the aircraft using Zoom or WhatsApp video calls. They can ask questions and see areas of the aircraft that may not be included in marketing photos.

Hiring a local representative to view the aircraft and take photos and videos is another option.

Some people need to physically see the aircraft before proceeding and will not consider an aircraft in a country they cannot visit. This is either a 'no go' situation or requires arranging a flight to meet in a neutral territory where both parties are able to enter the country. The latter option requires a lot of planning and a buyer or seller willing to pay for the expenses to view the aircraft.

Will maintenance be held up because parts cannot arrive in time? Will the records arrive at closing when they need to?

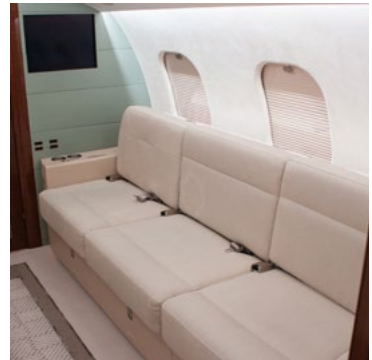
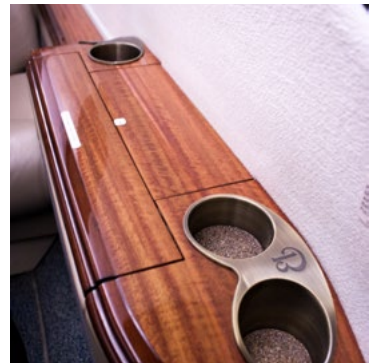
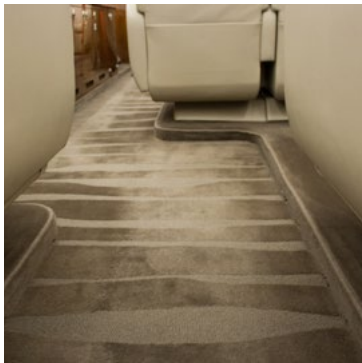
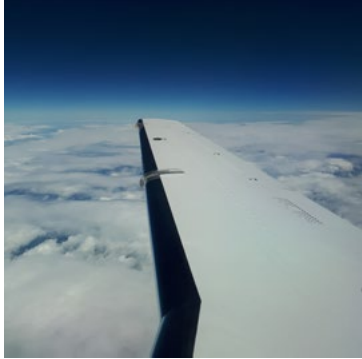
Shipping companies are overwhelmed right now and delays are common. Wait times may be longer than usual for a part replacement during a PPI or records to arrive at closing. It is a frustrating time delay but out of everyone's control. Expectations management is key, informing all sides that 3 day shipping promises can easily turn into 10 day realities. Information sharing is vital so all sides can take comfort that everything is being done that can be done and to have patience.

How to get a) crew in for the test flight or delivery flight and b) inspectors in from the buyer's country to register the aircraft when travel is limited or restricted

Research the country to know if entry is even a possibility. They may only need a negative COVID test or be able to enter and exit if they do not leave a certain area at the airport. Typically, crew members have more flexibility than traditional passengers, but this requires research and ensuring you are on top of any amendments that occur in today's world of rapidly changing rules.

We closed a transaction with a North American buyer who could not get his inspectors to the aircraft to provide a ferry permit. The seller was willing to fly the aircraft to the buyer's country for closing. There are pros and cons to this, such as who pays if something breaks on the flight or who covers crew costs, but with compromise and good faith the parties were able to reach a successful transaction in difficult times. The key is the willingness of both parties to recognize the situation at hand, realize it is no one's fault, and work together to find a solution. Cooperation, now more than ever, is vital.

All the obstacles due to travel restrictions and COVID 19 add time to your transaction. The world has changed and things are happening differently than pre-March 2020. Most often there is a solution to problems that arise. As a buyer or seller you need to decide if you are willing to accept the solution and the compromise that is involved to reach a successful transaction. Most importantly, patience is the key virtue especially with international transactions. Travel bans, quarantines, shipping times, illness of key people – all of these items require patience to overcome, but with patience a successful transaction can be completed.



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