

THE BOND BUYER

Airport bond sales are taking off

Published

September 06, 2023, 7:30 a.m. EDT

Airports are reviving plans to tap the \$4 trillion municipal bond market to build and renovate runways, concourses and terminals as passenger traffic rebounds to levels last seen before the pandemic.

During the first half of 2023, sales of airport bonds dropped to roughly \$3 billion — less than a third of the amount seen in the year-earlier period — as the Federal Reserve raised interest rates. But a cluster of sales totaling \$1.8 billion in August has brought the sector back to life.

Recent sales for hub airports in Chicago, Atlanta and Dallas Fort Worth indicate a pick up of issuance given pent-up capital needs, said Mikhail Foux, head of municipal strategy at Barclays.



American Airlines planes at Dallas Fort Worth International Airport, which sold about \$933 million of bonds in August.
Bloomberg News

And a number of upcoming sales signal issuance will continue. Charlotte, North Carolina, and [Minneapolis-St. Paul in Minnesota](#) are expected to sell debt for their respective facilities, according to preliminary bond documents.

US airports need [\\$151 billion](#) over the next five years to meet infrastructure needs, according to Airports Council International — North America. With pandemic federal aid running out as travel rebounds, airports and the governments that run them will turn to the bond market for money to fund long-term projects.

"Airports are feeling confident because travel is back in a big way," C. Courtney Knight, Atlanta's treasurer, said in an interview. "That gives us confidence and the desire now to implement capital projects that are driven by increased travel."

The city kicked off a \$10.6 billion capital plan that runs through 2029 with the sale of about \$700 million of bonds in mid-August. Proceeds [of the sale](#) will refinance old debt, expand a concourse and replace a parking deck among other projects

at Hartsfield-Jackson Atlanta International Airport, Knight said. The airport was the [busiest](#) in the world last year, according to latest data from Airports Council International.

The city expects to sell debt annually for the next several years, Knight said.

"In Covid, we deferred or adjusted many capital projects," Knight said. The city was cautious even last year but now "we can see the impact of Covid is well behind us and we are seeing lots of travel at Hartsfield-Jackson returning."

The Dallas Fort Worth International Airport borrowed about \$933 million of refunding and capital improvement bonds last month.

As the world's [second-busiest](#) airport, Dallas Fort Worth plans to tap investors for \$6 billion through 2029 and is expected to post its largest-ever bond issuance in the next several years, said Christopher Poinatte, chief financial officer for the airport. He expects sales "very regularly" starting late next summer given a large capital program.

The airport had put the construction of a terminal on hold because of the pandemic, but got approval in May to restart the project, he said.

"It's totally related to the growth of the region and growth of the airport," he said. The airport budget forecasts a record 81.6 million passengers in fiscal 2024 and that number could reach 100 million by 2030, Poinatte said.

Investors are also refocusing on airport bonds because [rising passenger volume](#), high-profile projects and the liquidity of larger hubs gives them comfort that their investment won't go bust in case the US economy slows, said James Iselin, head of municipal fixed income at Neuberger Berman Group, which holds about \$12 billion of muni assets.

"The supply is manageable and the demand is fairly strong," he said. "The airports are incredibly busy. Everyone who has traveled this summer, you have seen first hand how busy they are."