

# LEASING AND TRADING BOOM SET TO LAST TWO MORE YEARS AMID SUPPLY CHAIN AND ENGINE CHALLENGES

The current boom in engine leasing and trading, particularly for narrowbody engines, is expected to last for approximately two more years. Freighters Trends learnt that this projection is based on ongoing trends, including high demand for narrowbody aircraft as airlines recover post-pandemic, as well as challenges in the supply chain and the availability of new generation engines. These factors are fueling the continued demand for leased engines as airlines and lessors navigate the complexities of maintaining fleets and ensuring timely delivery of newer, more efficient engines. However, the boom may taper off as supply chain issues resolve and the availability of new engines improves over the next couple of years. The engine leasing and trading market is expected to experience continued high demand, particularly for narrowbody engines, as we move through 2024 and 2025. However, the supply of engines will be constrained due to ongoing supply chain issues and limited availability of new generation engines, driving leasing activity and potentially higher lease rates. Here are the details .....

How long will the current boom in engine leasing and trading, particularly for narrowbody engines, last?

**Anca Mihalache, Managing Director of AERO CARE** - At Broward Aviation Services Group (BAS) we all expect that the current situation will last a few more years. There will be a small decrease in the demand for the legacy narrow body engines, if the new generation engines deliver improvement in terms of reliability, and step up deliveries. But with the continuing supply chain issues, and the strong travel demand, I don't foresee a big change in the next 2-3 years.

**Pascal Parant, Group Commercial & Marketing Director - Vallair** - As long as supply chain issues persist, airframe manufacturers face delivery delays and demand remains high, the engine leasing and trading boom will continue. This year, we are experiencing one of the lowest levels of aircraft teardowns. This limits the availability of assets, and



Anca Mihalache

some engines with limited green time remaining are becoming suitable candidates for teardown. Engine availability remains tight. We are at a point where lessors prefer to park aircraft and lease out engines instead, as the revenue generated from engine leasing is higher.

Additionally, as long as engine OEMs continue to face supply chain or technical challenges, the demand for engines will remain strong, and operators will extend the use of their ceo fleets. This mainly affects GTF engines and, consequently, all narrowbody aircraft. On the other hand, the pace of Boeing's production ramp-up remains uncertain. The impact is the same: fleet management teams must adjust by extending the use of their current fleets whenever possible. This also affects shop visit planning.

MRO shops are already full, supporting the ramp-up of neo aircraft and addressing their teething problems, which take priority. This creates even more pressure on the availability of current

engines.

The only factor that could disrupt this dynamic would be a new crisis. We never know when or in what form it might come, and I'm in no hurry to see the next one. We're just recovering from the Covid crisis and returning to 2019 levels.

**Fabrizio Laurenti, Head of Leasing, MTU Maintenance Lease Services** - We expect the current boom in leasing and trading to continue for about another two years, as the industry maneuvers issues relating to the supply chain as well as availability new generation engines. However, this should be mitigated by the slowly receding flight demand following a post-COVID boom. And improvements in the supply of assets, driven in part by some airlines restructuring their fleets in the wake of Chapter 11 proceedings, could also mitigate pricing.

**Bruce Ansell, Technical Manager Engine Division, APOC Aviation** - The current



Fabrizio Laurenti

issues with Nextgen aircraft and powerplants mean we expect the strong demand for engine leasing and trading to continue through to 2028. Following this we expect to see demand reducing a little as Nextgen engines approach maturity. Whilst the market for the CFM56-7B/5B & V2500-A5 remains strong due to engine retirements and teardowns reducing the quantity available.

**What are the anticipated shifts in the supply and demand landscape for engine leasing and trading as we move through 2024 and 2025?**

**Anca Mihalache** - The demand for leasing of narrow body engines will remain high, especially on the CFM56-7B engine type. We will see a decline in the demand for the

CFM56-5B and more USM (used serviceable material) will enter the market due to recent and future teardowns. In the meantime the airlines will continue pushing the OEMs for the deliveries of the new assets.

**Pascal Parant** - Vallair sees demand remaining high. As 757 freighters gradually approach the end of their operational life, we can expect the A321 to take their place. This transition will result in fewer teardown candidates, a reduced supply of green-time engines, and increased pressure on the availability of most narrowbody engines.

**Fabrizio Laurenti** - Although the overall market is cooling slightly, both leasing and trading demand will remain high. As mentioned in the first question, asset supply might be bolstered as some airlines restructure their operations, which might push some assets to the market.

**Bruce Ansell** - We see that the demand for 7B, and A5 Select engines will increase during 2025, whereas 5B demand is increasing now and this will continue to grow in demand throughout 2025. Funding for engine assets is readily available and financiers appear to have a good knowledge of the various assets and market demands.

**How are lessors adapting to the increased demand for older engine models? What strategies are they employing to meet this demand?**

**Anca Mihalache** - I think that the lessors



Bruce Ansell

are actively trading (buying) narrow body engines - CFM56-5B/7B and V2500-A5, especially the newer models. Lessors are also working on an accurate planning of shop visits and sourcing the inventory needed for streamlined repairs from the USM market to speed up shop visit turnarounds. Due to long lead times that the MROs still predict for the overhaul of USM, lack of materials in the market, high sales prices for the USM, and the issues in finding slots for LLP replacement and performance restoration, it appears that lessors are focusing their attention on the



Pascal Parant







issues with trace history, location, or potential AD/SB requirements. To summarise high demand, high pricing, lower numbers of assets being sold.

**How are leasing companies leveraging sustainability-linked loans and bonds to progress toward their sustainability goals?**

**Pascal Parant** - It will be interesting to see how the policies of the next Trump administration impact the market. We might witness further distortions, with some regions continuing to operate without sustainability goals, while others impose even stricter constraints on operators. This imbalance is already evident, and we've noticed some investment funds reversing their strategies in response.

Currently, SAF (Sustainable Aviation Fuel) appears to be the best

- and perhaps the only - viable option for achieving decarbonisation. It's a straightforward necessity: all industries must reduce emissions through innovation. However, sustainability efforts need to be pragmatic rather than ideological.

As of now, traditional fuel remains the most efficient energy-to-power ratio combustible available. It is perfectly suited to aviation, but its inherent drawback is CO2 production. By leveraging SAF and pursuing improvements in areas such as engine technology, aerodynamics, and Air Traffic Control, the next generation of aircraft could achieve up to an additional 20% reduction in fuel consumption. Even as air traffic continues to grow, emissions will decrease in absolute terms.

Moreover, when considering the broader energy landscape, aviation's relative share of emissions may shrink further. Emerging energy-intensive industries like AI, data centers, and streaming platforms are projected to consume up to 20% or more of global electricity output, much of which remains reliant on carbon-heavy sources. As a result, aviation's proportion of overall emissions will likely diminish in comparison.

To focus on the main issue, Vallair observes that initiatives like USM (maximising the full useful life of parts), green time management, SAF adoption, and operational improvements can all demonstrate the aviation industry's commitment to sustainability. These measures can help maintain the industry's attractiveness and credibility, even as we continue to rely on burning fuel to generate energy. The key lies in burning less fuel, using cleaner fuels, deploying more efficient assets, and implementing practices that are as sustainable as possible.

scheduling of the shop visits for maximum efficiency.

**Pascal Parant** - Green time management is critical. For lessors, leasing engines often generates more revenue than leasing the entire aircraft. As a result, we frequently see airframes parked without engines, waiting for a shift in market conditions where leasing the whole aircraft will become more profitable than leasing the engines individually.

**Fabrizio Laurenti** - We cannot speak for every lessor in the industry, but at MTU Maintenance Lease Services, we are increasingly working our way up the supply chain in terms of acquiring engines and increasing the size of our asset pool. In the recent past, we have partnered with industry peers to purchase aircraft in order to get our hands on engines that we can either use for exchanges and leases or for teardown purposes to boost our stock of used serviceable material.

**Bruce Ansell** - At APOC, we look to acquire naked engine assets, engines with leases (earning from day 1), and we also buy stub-lease aircraft to ensure we have access to assets in the near future. Previously rebuilding the life limited parts (LLP) stack or overhauling the engine was an option, but parts shortages and TAT have made this a difficult strategy to pursue.

**What are engine traders' expectations for demand and volumes over the next 12 months?**

**Anca Mihalache** - Currently (and for the next 12 months), it will remain a sellers' market. At Broward Aviation Services we are taking a committed but cautious approach to engine acquisitions. We believe that the high demand for CFM56-5B/7B

and V2500 will persist through 2024. There is a limited availability of engines that are good candidates for part-out and good serviceable engines, whilst engines for leasing with green time are almost impossible to find.

**Pascal Parant** - Prices are high, and volumes are constrained by limited supply - it's the perfect time for anyone owning an engine with green time! However, caution is advised; aviation isn't a casino. While I don't anticipate significant downtime over the next 12 months, we'll need to keep an eye on what the evolving political landscape might bring.

The ideal scenario would involve an end to the war in Ukraine, normalisation of relations with Russia, and the resolution of supply chain issues, particularly for titanium and other critical raw materials. The reopening of the Russian market could also present significant opportunities, with a massive MRO challenge to restore aircraft and engines that have gone without approved maintenance for the past two years. This could drive demand and volumes even higher.

As for the worst-case scenario, I'll leave it unmentioned—it's not worth speculating on a potential crisis. Instead, let's remain optimistic and focus on enjoying a period of growth that's proving highly beneficial for the industry.

**Fabrizio Laurenti** - We expect demand still to be strong but reducing, and supply to be constrained but relaxing.

**Bruce Ansell** - The market is very hot currently with good assets becoming hard to acquire due to operator and lessor retention policies, as well as increased competition when assets do become available. Those being sold generally have