

## Aircraft Financing Trends in Canada – General Aviation

Travelers Aircraft Finance was formed in 2010 to address the lack of financing options available in Canada in the General Aviation sector. Our GA financing portfolio continues to grow at a reasonable pace largely due to the US dollar and higher inventory levels this has created an incredible opportunity to make a smart buy. The Canadian economy by and large has not been as negatively affected as compared to our neighbors to the south. We are seeing a general trend of shrinking inventory as there continues to be a lack of high quality, used GA aircraft in Canada. In summary, the Canadian market is down, but not out and is well poised for recovery. If there was ever a time to acquire an aircraft, the time is now.

The Canadian market is largely underserved by typical lenders such as banks and many finance companies since it remains to be a specialty market that requires expertise and experience, especially dealing with imports and older assets. The lack of liquidity of lenders has caused a general retraction from lending into specialized markets and when combined with a general tightening of the belts the industry in general has been down. We now see this trend reversing as aircraft owners, whether it be personal use or for corporate travel see that aircraft ownership and use increases productivity in many aspects of their lives. As aircraft become more efficient and with the higher price associated with “time” the value proposition is being supported in many cases. Aside from this, aircraft are being considered as a smart investment since it can return a reasonable return on investment when compared to other investments. When you can literally take flight on your investment, it can really be attractive aside from the economic benefits.

Since the introduction of our aircraft financing product we have seen an incredible demand for financing all types of aircraft. In many cases we find ourselves financing existing aircraft that require upgrades or the owner simply wishes to use the proceeds for other investments. Purchase financing remains our most active product. One of the largest factors to consider when looking at financing over purchasing directly is to consider the appreciation of the aircraft over the long term. In many cases over a 5 year term the aircraft may be worth a similar value as the purchase price and may even increase slightly so by making loan payments you are simply paying for the ‘use’ of the aircraft and any upside can offset the interest costs and therefore net down the cost of borrowing. In the event the aircraft is worth less at the end of the term the loan will have reduced to an amount that is ideally very close to its original value. Generally speaking the recreational use market is not as susceptible to economic swings and therefore the values remain consistent in contrast to other markets such as business jet where the values are married directly to the state of the economy.

Recently we have seen a trend for ‘*single purpose asset financing*’ which is simply providing financing for a single asset such as aircraft. In this case other assets such as your home or business are not used for collateral to secure the loan. The main advantage is that your other assets can be used as leverage for other purposes and you don’t end up providing too much collateral for any single loan that may create issues in the event of a job loss or any unforeseen circumstance where you can raise funds through equity in a home or business which is generally more readily available. The downside to this is that you can expect to pay a slightly higher rate since the lender is limited to a single asset as security and the lender will take extra steps to ensure its security is protected from any other creditors.

Fixed rate and term financing is another trend that we are seeing in the market as many borrowers and pilots want to ‘*fix*’ the operating costs on a monthly basis. By not having any interest rate exposure owners know what the fixed monthly costs are and can make plans for improvements knowing that there will be no surprises that may come along from a sudden jump in interest expense. Many owners recall times when interest rates were in the double digits and current market conditions make a compelling case for a fixed interest rate. When you consider financing an aircraft over 10 years, the payments, insurance, hangar and other fixed costs make it pretty attractive to own an aircraft.

**About Travelers Financial Group of Companies:** Travelers Financial Corporation is one of the largest independent equipment finance companies in Canada. Travelers offers a wide range of competitive asset based financing solutions to commercial and industrial sectors including transportation, mining, gas and oil, agriculture, manufacturing, construction and government infrastructure, as well as specialized automobile and aircraft finance. Affiliate,

Travelers Capital Corporation, provides renewable energy project financing. Travelers meets the need for uniquely structured financing solutions for Canadian operations to gain the competitive edge they seek. Travelers' access to capital, informed management, and seasoned team of professional advisors in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario have made Travelers a respected source of funding for the individualized needs of both resellers and end users and developers in the private and public sectors. For more information about Travelers, visit [www.travelersfinancial.com](http://www.travelersfinancial.com)

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