Aviation Finance Outlook 2026

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Introduction

The commercial aircraft industry is now well and truly out of the Covid downturn. Most metrics used at a macro level such as passengers, aircraft in service and aircraft deliveries are trending up and are near or above their 2018/2019 levels. Aircraft values have stayed high and lessors have enjoyed a boom in asset values, lease extensions and low lessee receivables. Oil prices are relatively low in spite of the levels of global instability and the industry has shown a resilience to regional shocks that it would not have withstood in the past.

That is not to say that there are no headwinds. The world is certainly not becoming more stable. Protectionism and tariffs impact global trade and movement which in turn impacts airlines. Airline profit margins are stubbornly low having seen a fall off in yields during 2024 and 2025 without a corresponding reduction in costs. And lessors are gearing up for increased scheduled lease returns while also dealing with some large airline bankruptcies which will test the real demand for aircraft.

What does this mean for 2026? Will it be a year when the serious players take advantage of the increased deal flow and set themselves up to prevail in the longer term? Or will it continue to be characterised by constraints on supply of aircraft and parts that ultimately leaves capital providers fighting over too few deals? There is always the possibility of something more severe. The industry is resilient but not to global shocks. However, trying to predict that is one for the astrologers.

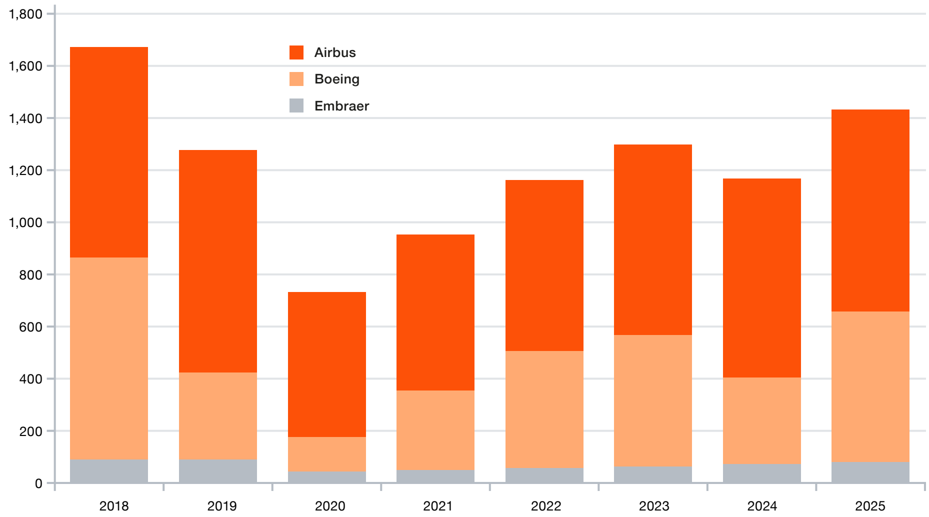
In this year's outlook, we examine how 2026 might look from the point of view of aircraft supply, airline demand and lessor activity. We layer on changes in approaches to sustainability and think about what this might mean for the lessor business model and we consider whether platforms built for yesterday's tax environment can withstand today's (and future) expectations.

Aircraft Supply

At long last there has been a return to normality in aircraft deliveries from the OEMs. In our 2025 outlook, the theme was “no people, no parts, no aircraft” and it now may be correct to expect 2026 to be characterised by “more people, more parts, more aircraft”. A lot of the supply chain constraints that have characterised the industry over the past three years are still present – especially in the engine and MRO space but there are signs that new aircraft delivery is normalising.

This can be seen most clearly in the delivery numbers for 2025. After the usual bumper numbers of deliveries in December, the 2025 totals for the three OEMs approached 2018 levels. It can be expected that 2026 deliveries will exceed this.

Deliveries by Manufacturer

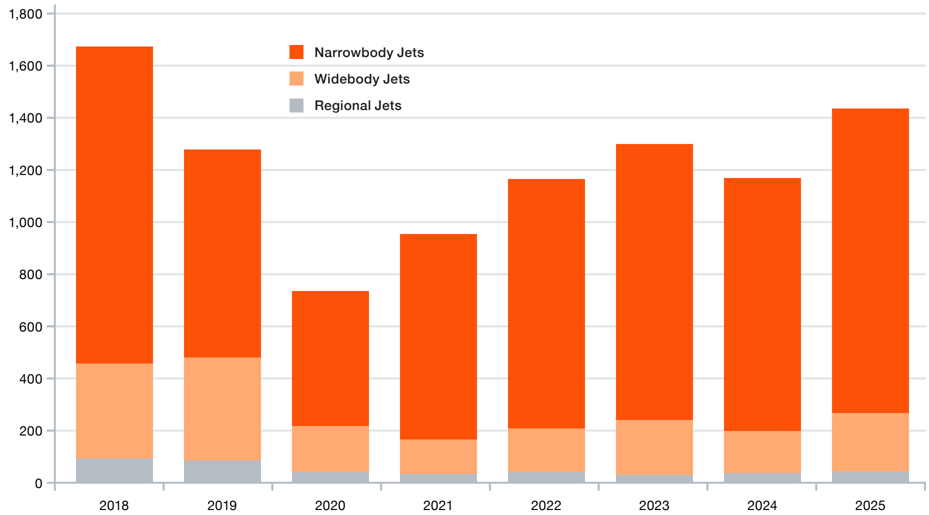


Source: Cirium, commercial jets for passenger and freighter use.

"This has led to a situation that very few predicted in the depths of the pandemic – a shortage of widebodies, including high demand for used 777-300ERs."

Separating these delivery numbers into aircraft types shows a different story with it becoming clear that narrowbody deliveries are more than making up the increases in total deliveries with widebody and regional jet numbers staying relatively flat. The delays to the 777X programme along with an anticipated slow ramp up of deliveries post-EIS will mean that the widebody shortage will take time to be filled.

Deliveries by Aircraft Type

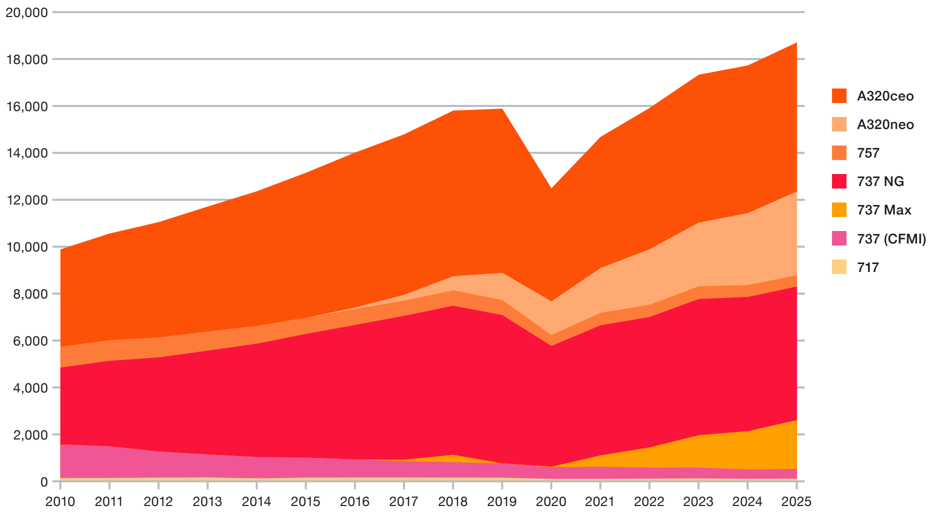


Source: Cirium, commercial jets for passenger and freighter use.

This has led to a situation that very few predicted in the depths of the pandemic – a shortage of widebodies, including high demand for used 777-300ERs. It's a situation with a precedent. Between the 1997 Asian financial crisis and the bursting of the first tech bubble and SARS, widebody deliveries were severely reduced over a five to six year period and this did not equalise until after the global financial crisis. Now it can be seen again when looking at total numbers of narrowbody and widebody aircraft in service either side of the pandemic. The effect of Covid is immediately visible but also clear is the two-speed recovery with narrowbodies being almost back on trend while widebodies have a lot to do to catch up.

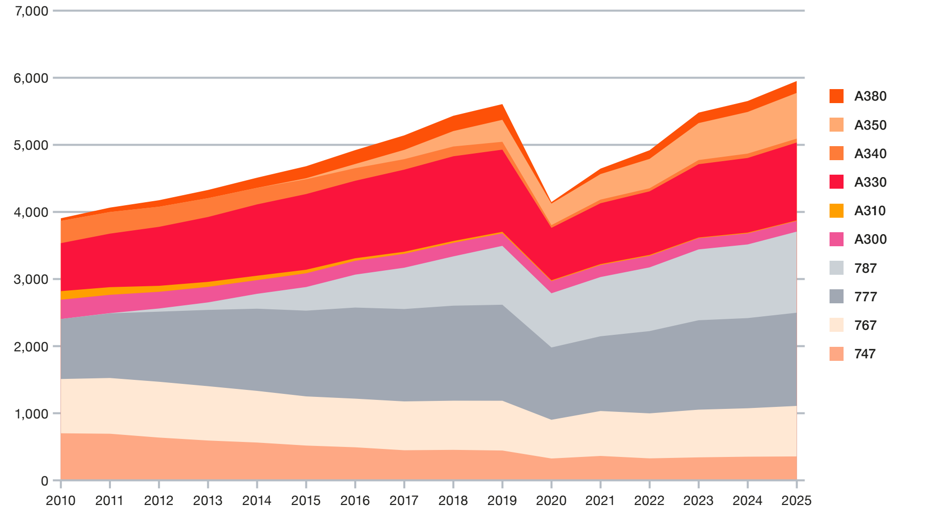
"...are we going back to a time when an airline or lessor can have an aircraft on order and be confident in what year, let alone what month it will get delivered? Almost certainly."

Narrowbody Aircraft in Service Over Time



Source: Cirium, commercial jets for passenger and freighter use.

Widebody Aircraft in Service Over Time



Source: Cirium, commercial jets for passenger and freighter use.

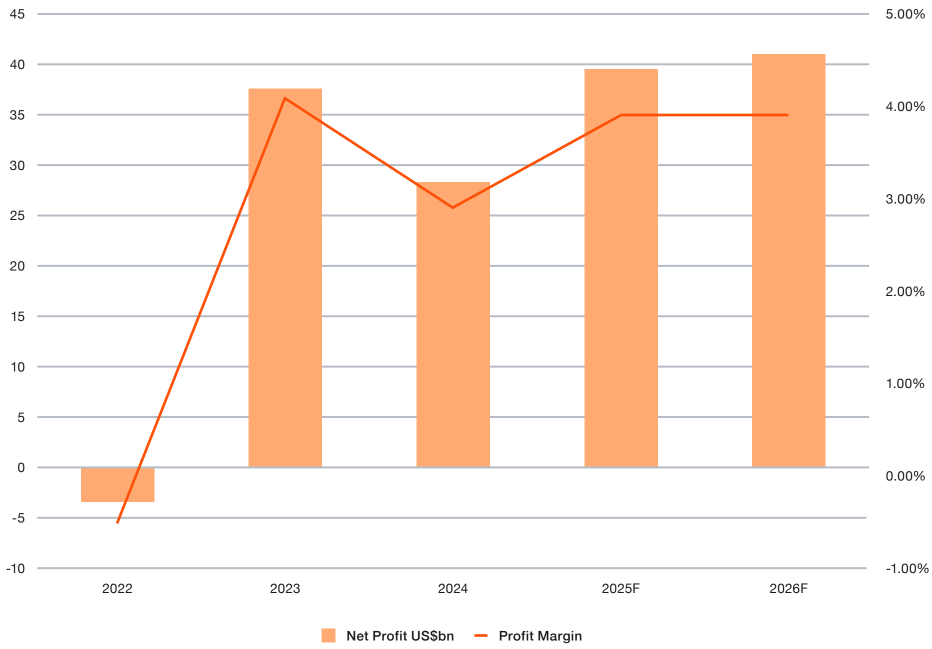
The increased supply of aircraft is a good thing for the industry. Without properly functioning, financially sound OEMs, none of the business can work in the long term. The transition to the latest technology aircraft is also important from both an airline cost and an environmental point of view. However, the issues that have been seen with all of the latest technology engines have tested the industry's ability to transition away from older aircraft. The next piece of the supply chain puzzle for 2026 will be to see if engine and MRO constraints ease up. The supply chains in these sectors are still severely constrained and lead to airlines needing to be more conservative in managing their spare aircraft, parts and engines which further increases demand.

The question that has been asked a lot in many contexts is: when will it all be normal again? Of course, that depends on what you mean by normal. Are we going back to a time when a narrowbody engine will stay on wing for up to nine years? Probably not in the near term. Are we going back to a time when an engine shop visit will cost three million dollars? We can always dream. But are we going back to a time when an airline or lessor can have an aircraft on order and be confident in what year, let alone what month it will get delivered? Almost certainly.

Airline Performance

As supply is rising, the question that then needs to be asked is: will demand stay high to meet this rising supply? According to the most recent IATA reports, the airline industry will have generated profits of US$39.5 billion in 2025 and should generate US$41 billion in 2026. These are record levels in absolute terms but represent a profit margin of 3.9% or around US$7.90 a passenger. It's not an exciting forecast but it's also not a forecast that points to a reduction in demand for aircraft.

Airline Financial Performance



Source: IATA

2026 Forecast

Total Profits of
US$41bn

Net Margin of
3.9%

Net Margin of
US$7.90
per passenger.

The airline performance does become impressive when the geopolitical environment is layered on. Looking at the industry profits and considering the Covid overhang that was still present in 2023, the Russian invasion of Ukraine in 2022 and tariffs in 2025, to name just three, implies higher profit potential in a more stable global environment.

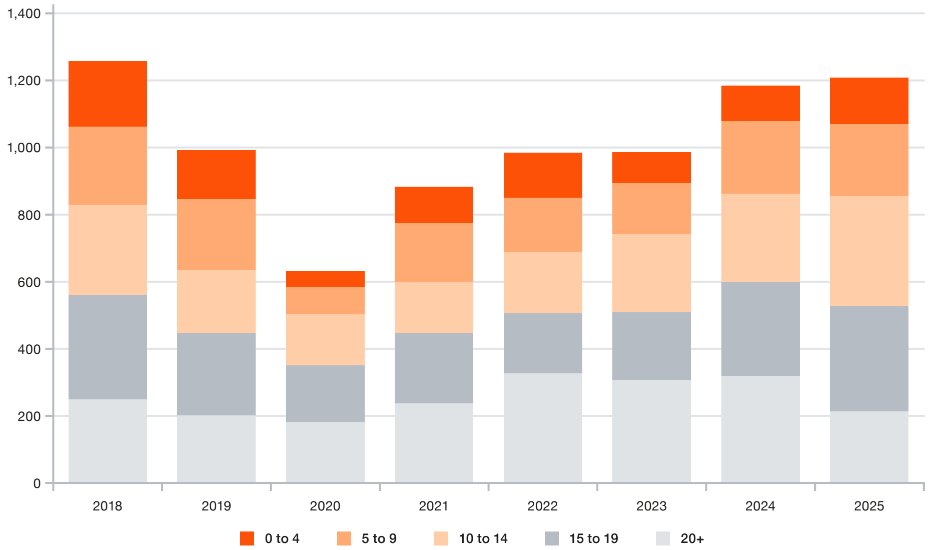
On the traffic side, IATA are forecasting traffic growth of 4.9% for 2026 following an expected 5.2% in 2025 and capacity increases of 4.7% and 4.9% respectively. This gives a high level of confidence that the rising delivery rates will not risk an oversupply of aircraft in the market. It is also worth considering the number of aircraft over 18 years of age still flying as a result of the shortages of the last few years. The investment in these aircraft will have been largely amortised by the end of 2026 and so in the event of a downturn, they will be more than likely retired without significant impact on anyone's financials, thereby providing a safety net to the market.

As usual, the IATA forecast looks different for different regions with an expected 1.5% traffic growth in North America and 3.8% in Europe but over 6% in all other regions of the world for 2026. The forecast for growth in North America is at least an increase on the expected 0.2% growth for 2025 and comes with an expected 6.1% EBIT margin, above the global average and above the expected 4.9% for Asia Pacific.

Leasing Company Activity

If the theme on aircraft supply recently has been no people, no parts, no aircraft, the equivalent theme in the leasing market has probably been lots of money but too few deals. The knock on impact of the reduced deliveries has been felt in the numbers of aircraft being traded. There are signs however that this is coming to an end as can be seen from the chart below which shows aircraft sales by lessors (and includes sales with lease attached, sales for part out and sales to airlines) between 2018 and 2025, grouped by age. Some allowance must be made for a time lag in data coming in on sales for 2025 but, like with deliveries, the data shows a return to 2018 levels. Also interesting in this data is the big jump in the number of aircraft between 10 and 14 years of age being sold. This would include a lot of aircraft that lessors would have targeted to sell during 2023 and 2024 but which were held back because of the lower deliveries and are now being sold in large numbers but also reflects the high demand for mid-life aircraft.

Number of Aircraft Sold by Operating Lessors



Source: Cirium, commercial jets for passenger and freighter use.

The other big theme in leasing for 2026 will undoubtedly be consolidation. True consolidation has been a slow burner but has become a feature of the business since 2022. Most of the sales of leasing companies, and the vast majority by volume, have been to existing platforms. New equity, with a handful of exceptions, has preferred to invest behind asset managers either directly in aircraft portfolios or via structured vehicles. Some of this has been driven by the levels of competition in the market which has made it difficult for any investor to be sure how many aircraft they could successfully bid for - investors have preferred to let the portfolios come to them rather than the other way round.

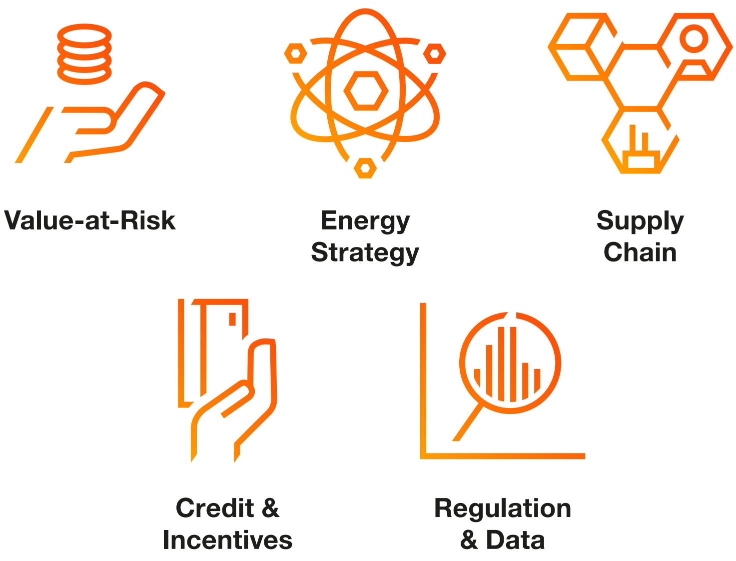
These two trends met in the landmark transaction of this cycle: the proposed takeover of Air Lease Corporation, where the co-investors combine an existing lessor with diverse sources of capital to create a new model for buying a leasing company. What makes this structure so interesting is that it consolidates the management of leased aircraft but not the money behind it. It also allows for multiple investors with different appetites and targets to team up and each get what they want. With other platforms being up for sale in 2026, it is hard to bet against trade buyers but it remains to be seen if and how this structure will be replicated.

Underlying the healthy state of the market is the broad availability of finance for all shapes, sizes and ages of aircraft. The growth of private credit and its success in issuing loan ABS during 2025 has led to increased confidence among lenders about their underwriting capabilities. Banks have responded to this competitive threat by broadening their deal parameters to offer larger balloons and to go further down the credit chain more than they normally would. Availability of financing has been one of the most resilient components of the leasing market, even during Covid, and it will be a major surprise if this tightens significantly in 2026, or beyond, outside of a full blown banking crisis.

Sustainability

The 2026 outlook for sustainability looks vastly different to that of a year ago, when many lessors were gearing up to begin their CSRD reporting. With lessors out of scope for CSRD and a hostile political environment, what does it mean for sustainability in aviation? The answer is that it is now largely a government and airline led project but one that is showing progress, even if it is too slow. The introduction in 2025 of the EU STIP which creates an auction market for eSAF, of guaranteed Contracts for Difference on green hydrogen and the growing acceptance of book and claim for SAF purchasing are all positive moves. They are not enough to significantly move the dial on SAF production however, particularly in the near term as airlines in some markets try to hit mandated and committed levels of SAF usage of between seven and 10 percent by 2030.

None of this reduces the urgent need to act however. In 2026, companies that want to advance their thinking and actions on sustainability should look at it under five areas. Firstly, they should look at value at risk. What is the risk of stranded assets or changes in asset values because of climate-related changes in their customers. For example, what happens if the seasonal influx of tourists to the Mediterranean stops happening in the summer because of rising temperatures? Secondly, they should look at energy strategy and what needs to be done to secure a supply of low carbon energy. Next, they should consider their supply chain and how it might be affected by climate risks as well as geopolitical risks which are often climate-linked. They should also ensure that they take advantage of credits and incentives on offer and take advantage of opportunities to further the energy transition. Finally, they need to navigate regulation and reporting requirements and ensure that they can provide accurate reporting on their business and its efforts to decarbonise while also fulfilling mandatory requirements.



Lessor Business Model

"It's not the most exciting topic in the world but if lessors can do one thing in 2026 it should be to organise their data and access rights properly. Automation and GenAI won't work properly without well organised structured and unstructured data."

There are good reasons to expect the leasing world to look different by the end of 2026 compared to now. A more regular delivery and aircraft trading cycle should help lessors to grow their portfolios and, coupled with the expected continued consolidation, should create larger asset managers who then need to look at their operating models in more detail to ensure that they are fit for purpose.

From a strategic point of view, there is one trend that is worth following. It has long been a tenet of the leasing world that younger aircraft represent the lowest risk investment and that the mid-life and older space was for the specialists. The last two years of activity have tested that assumption. Engine reliability and maintenance costs on new aircraft have led to significant, and hard to predict, maintenance exposures for owners. Top tier credits have been very happy to extend the ages of their fleets and, at the same time, younger neo aircraft are being rejected in bankruptcy processes. It is now debatable that an A320ceo or 737-800 is the lowest risk investment in the market.

How long this lasts is an open question. In leasing, many market effects are cyclical and it always takes some time to separate these from the structural effects. 2026 will tell us a lot however, particularly when it comes to the numbers of aircraft being returned. The markets for current and old technology have been supported by the supply chain constraints and the number of lease extensions but the true test will be once larger numbers become available. Also, mid-life aircraft don't have the same luxury of time that new aircraft have. They will need to be retired at some stage and then the latest technology will be the only one available.

At an operational level, the availability of new technologies, including but not limited to GenAI, offers lessors the chance to begin transitioning off spreadsheets and into systems that employ better dashboards, automation and data integrity.

It's not the most exciting topic in the world but if lessors can do one thing in 2026 it should be to organise their data and access rights properly. Automation and GenAI won't work properly without well organised structured and unstructured data. GenAI in particular will analyse any files that it can and so having it look at a set of LOIs labelled "Final", "Final – use this one" and "Final v2", for example, doesn't just risk but guarantees inaccurate results.

While GenAI has been a common feature of the world since the launch of ChatGPT in 2022, in 2025 the use cases, especially for lessors, became clearer. In theory, GenAI can fit in to all stages of a lessor operation. There are three areas that deserve more focus up front however: deal assessment, contract management and investor reporting. These are parts of the lessor workflow that tend to have the key features that make them ideal for using AI: the need to extract data from multiple sources to populate a model or system, the manual nature of this process today and the similarity of this process on a day by day basis.

Data extraction for systems has a clear business case, as long as it is built around a workflow that can review the outputs efficiently and link up to the system, model or report that is being populated. Well designed AI prompts can focus on the characteristics of leases and lease summaries to ensure that the data is extracted accurately and that exceptions can be flagged. By the end of the year, there should be a range of tools available for this and other operational tasks. But is operational efficiency asking enough of what it and other technologies can do? Should lessors be looking into predictive models for maintenance, asset management and airline credit?

Conclusion

“For lessors, 2026 is poised to be a year of change. On a strategic level, more M&A in 2026 will continue to transform the landscape of the industry.”

The aircraft finance market enters 2026 with good reasons to be optimistic, having decisively moved beyond the turbulence of the Covid era. The sector’s resilience is evident in the recovery of passenger numbers, aircraft deliveries and asset values, all of which now approach or surpass pre-pandemic benchmarks. Lessors have benefited more than most from this, while the industry as a whole has demonstrated an ability to weather regional shocks that would have been destabilising in the past.

The recovery is still frustratingly slow. The supply chain, while improving, still faces major constraints, particularly with engines and MROs and these will test the industry’s ability to sustain growth and transition to newer, more efficient aircraft. Geopolitical instability and protectionism are contributing to the stubbornly low airline profit margins and remain significant challenges. The industry’s capacity to absorb further shocks is not limitless, and the spectre of global disruptions continues to loom.

Sustainability remains a complex and evolving challenge. While regulatory pressures have shifted, the imperative for lessors and airlines to address climate risk, secure low-carbon energy, and adapt supply chains is undiminished. Companies that proactively manage these risks and leverage incentives will be best positioned for long-term success.

For lessors, 2026 is poised to be a year of change. On a strategic level, more M&A in 2026 will continue to transform the landscape of the industry. Increased lease returns and transitions will really show which aircraft are low risk and which ones have the strongest underlying demand. And finally, the rapid pace of technology change, including GenAI, offers an opportunity to reevaluate operating models and position themselves for future growth.

Aviation and the tax landscape: What Lessors Should Expect on the Taxiway in 2026

Introduction: A decade of nonstop change

"Tax is no longer a peripheral consideration—it is a strategic driver influencing how lessors structure platforms, negotiate leases, and pursue growth through M&A."

The global tax landscape has been anything but static for several years now, and aviation lessors have not been immune to those changes. Globally, the OECD's Pillar Two (the 15% global minimum tax for groups >€750m) moved from concept to concrete rules and guidance. The implementation of Interest Limitation Rules under the EU Anti-Tax Avoidance Directive (ATAD) compelled lessors and others to actively manage interest deductibility and preserve an efficient repatriation structure. The EU outbound payments rules are a further anti-avoidance measure which can disapply familiar withholding tax (WHT) exemptions for certain interest, royalties and distributions paid. Collectively, these base erosion and anti-avoidance measures have made the tax landscape significantly more complex for structuring, particularly in an industry based on mobile assets and fuelled by global capital. For aviation lessors, this means tax planning can no longer be a static exercise—it requires careful, ongoing management to ensure efficiency and compliance.

In Ireland, domestic tax changes have provided clarity and modernisation. The codification of leasing and finance lease treatments has brought greater certainty to long-standing practices but with it additional challenges, while the introduction of new "qualifying financing company" rules offer structured pathways for efficient funding. Revenue's shift away from historic approaches has resulted in lessors having to strengthen governance and align with best practice. Across the Atlantic, US rules continue to evolve: Corporate Alternative Minimum Tax guidance is bedding in, and in mid 2025 Congress adjusted BEAT/FDII/GILTI in a broader tax package—moves that can cascade into cross border leasing and financing structures for global groups.

Finally, the tariff drumbeat slightly eased in the latter part of 2025 when the US negotiations with major economic counterparts preserved "zero for zero" tariffs on aircraft and parts, removing a material exogenous cost risk from many fleet and MRO flows, albeit the story does not feel like it ends there.

With this context and background, the question now shifts from what has changed to what lies ahead. Tax is no longer a peripheral consideration—it is a strategic driver influencing how lessors structure platforms, negotiate leases, and pursue growth through M&A.

“This relative calm presents an opportunity and a challenge. For aviation lessors, now is the time to take stock.”

Can the industry withstand any further tax changes?

As the old adage goes, there are only two certainties in life: death and taxes. But for aviation finance, the real uncertainty is whether more tax upheaval lies ahead. Looking ahead, while it’s inevitable that tax rules—both local and international—will continue to evolve, there is currently **no clear runway for changes as seismic as those of recent years.** Jurisdictions such as Ireland appear to be using this breathing space to refine rather than reinvent their frameworks. Ongoing consultations on interest deductibility and the recently concluded participation exemption review suggest a focus on simplifying rules to ensure flexibility and fairness, rather than introducing wholesale change.

This relative calm presents an opportunity and a challenge. For aviation lessors, now is the time to take stock. Platforms built for yesterday’s tax environment may not be fully aligned with today’s expectations, let alone tomorrow’s. Buyers in M&A transactions are scrutinising tax assets and liabilities more closely than ever, and lessees are increasingly demanding clarity and protection through tax clauses in leases.

M&A momentum: why platform tax efficiencies will continue to play a major part in deals

Deal activity in aircraft leasing has been buoyed by strong airline demand, scarce OEM slots, and capital seeking durable, asset backed yield—conditions widely expected to persist into 2026 and possibly beyond. Independent outlooks point to resilient lessor fundamentals and active capital markets (including unsecured and ABS), while broader M&A markets show improving sentiment and capacity to transact. Buyers are scrutinising platforms not just for fleet quality and funding cost, but for the durability of their tax architecture.

Key considerations shaping this dynamic:

- **Deferred tax positions and exposures.** Buyers want clarity on historic tax treatments, deferred tax assets, and any contingent liabilities—especially where legacy financing or leasing structures intersect with new rules like Pillar Two or ILR.

- **Rate integrity.** Given the new rules, players are analysing the risk of not achieving optimal tax rates and whether the historic position can continue to be defended in a new tax landscape. Pillar Two top-up mechanics can materially shift effective tax rates—buyers expect scenario modelling and mitigation strategies.

- **Funding flow efficiencies.** With defensive measures now live, platforms continue to be scrutinised for robust processes for withholding tax on interest and dividends to avoid post-close surprises.

- **Investors exposure.** The ultimate tax pick up for vendors and that of buyers continues to drive discussions around what approach is taken in selling or buying (i.e. portfolio asset v. share sales).

Tax is used as leverage in lease negotiations—And It's Here to Stay

Over the past few years, a clear trend has emerged: **lessees are paying far closer attention to tax provisions in their lease agreements.** What was once a secondary consideration is now a core negotiation point, and this focus is expected to deepen and spread across more jurisdictions—not just the traditional markets where tax diligence has always been rigorous.

Lessees are increasingly sophisticated in how they approach tax risk allocation. They want certainty, transparency and contractual protection against unexpected liabilities.

This trend reflects a broader shift: lessees want to transact with lessors who demonstrate **commercial substance and tax certainty,** and they are embedding that expectation into the legal framework of leases. As more countries adopt complex tax regimes and enforcement tightens, these provisions will likely become universal rather than niche.

Conclusion: Why act now?

Recent years have proven that tax is no longer a background compliance issue—it's a front-line strategic consideration for aviation lessors. While the pace of sweeping reforms may have slowed, the complexity and scrutiny have not. Buyers, investors, and lessees alike are demanding transparency, substance, and resilience in tax structures.

In short, 2026's winners will be those who can demonstrate a platform that is **fit for purpose** for both those selling and those looking to scale up via acquisitions. For lessors, this means taking stock today: validate trading status, stress-test ILR capacity, audit outbound flows, and refresh governance around refinancing and global minimum tax.

For lease negotiations, the takeaway is clear: **standardise your approach now.** Develop consistent positions on gross-up mechanics, indemnity scope, and representations, and ensure your platform can stand behind them. In a competitive market, tax clarity isn't just a compliance issue—it's a differentiator.

In this environment, platforms that treat tax as a core pillar of their business model—not an afterthought—will command and navigate future changes with confidence.

Thank you

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