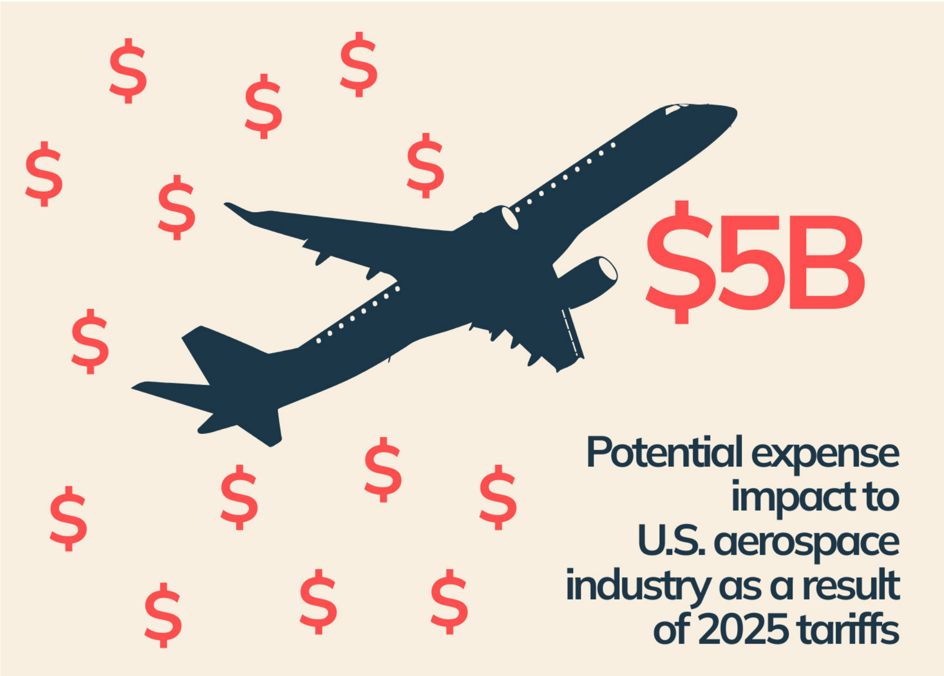
Hilco Global
Asset Smarter

SMARTER PERSPECTIVE: ENTERPRISE VALUATION

Tariff Turbulence: How 2025 Trade Policies Are Impacting The Big Ticket Transportation Asset Industry

By Andy Blumenstock

June 2025 The global market for Big Ticket transportation assets, namely aircraft, railcars, and maritime vessels, has tradition-ally relied on predictable trade flows and reasonably stable international frameworks. With the rise of geopolitical tensions and tit-for-tat tariff wars, however, these underpinnings are rapidly dissipating. As a result, financial inves-tors, lessors, and lenders of Big Ticket transportation assets are now being faced with navigating a landscape where trade policies can swing asset values, disrupt supply chains, and reshape risk profiles overnight.



Aircraft: Navigating Elevated Costs and Supply Chain Disruptions

The aviation industry faces substantial headwinds from the 2025 tariffs, which include a 25% levy on steel and aluminum imports and up to 145% on goods from China. These measures have escalated production costs significantly, with the U.S. aerospace industry potentially incurring up to $5 billion in additional annual expenses, according to a report from Kroll Bond Rating Agency (KBRA).[1]

Aengus Kelly, CEO of AerCap Holdings N.V., the world's largest aircraft lessor, emphasized the impact, stating, "Boeing needs cash. It has to convert inventory into cash. Tariffs don't help that."[2] Mr. Kelly's words reflect the concerns of many in the aircraft leasing space, where longer lead times, rising capital costs, and – due to lingering factors – decreased availability of new aircraft, have become the new normal. The complexity of global supply chains, where components cross multiple borders before final assembly, exacerbates the challenges. Tariffs applied at each stage of the production process will lead to compounding cost increases, potentially straining margins for lessors and pushing operators to extend lease durations on older aircraft.

For private equity investors, the 2025 tariffs have introduced a more volatile and bifurcated investment landscape. The repercussions of tariff-induced cost pressures on new aircraft and replacement parts production may extend delivery timelines and will undoubtedly raise the cost of heavy maintenance events, respectively. These added factors are likely to strengthen the existing trend of investing more heavily in mid-life aircraft and entering

into sale-leaseback transactions, where lease yields are resilient and pricing dislocations offer compelling entry points.

Credit investors in Enhanced Equipment Trust Certificates have already started to reevaluate their risk assumptions, with higher yields being demanded for portfolios concentrated in new aircraft exposed to tariff risks. Lessors, in turn, are assessing their standard lease terms, and seeking ways to share cost volatility with lessees considering escalators and more dynamic maintenance reserves arrangements.

Railcars: Facing Demand Uncertainty and Rising Costs

The railcar industry, which routinely battles cyclical supply-demand imbalances, is now contending with new layers of complexity. The 25% duty on steel imports has already begun to drive up the cost of new railcar builds and repair parts. This, in turn, has the potential to dampen capital investment and delay fleet modernization initiatives. Trinity Industries, a major railcar manufacturer and lessor, reported on its February 2025 earnings call (prior to any formal announcements by the administration) that, based on lower customer confidence and longer procurement cycles, it projected that U.S. tariffs could reduce industry-wide deliveries by 20% in 2025. [3] On GATX's April 2025 earnings call, shortly after the tariff announcements, its CEO Bob Lyons, noted that tariff announcements had yet to have an impact on its business to date, but that "if there are certain commodities that either benefit or are hurt by tariffs, we could see that impact and demand for certain car types." [4]

Private equity firms active in the rail sector are revisiting exit timelines and expected internal rates of return, as compressed lease spreads and tariff-induced commodity risk undermine traditional assumptions associated with related railcar classes. From a financing standpoint, lenders are increasingly cautious about backing fleet expansions without stronger credit enhancements.

Maritime Vessels: Adjusting to Shifting Trade Patterns

The maritime vessel market is experiencing broad disruptions stemming from the U.S. tariffs on Chinese goods and corresponding trade realignments. Port activity, shipping volumes, and leasing rates are all under pressure. The Port of Los Angeles reported a 9% year-on-year drop in imports in May 2025, its lowest monthly volume in over two years.   Shipowners and lessors are beginning to see knock-on effects. This softening in demand has pushed many lessors to reduce day rates and offer more flexible terms to retain customers in certain vessel types.

The implications for financing are significant. Several banks have begun to tighten lending criteria for new builds, especially those reliant on tariff-affected inputs. Asset-backed securities markets, which are vessel-backed securities, are beginning to price in higher spreads, particularly for container ships operating on Asia–U.S. lanes.

Investors in maritime leasing platforms are reexamining their diversified exposure strategies, which may include pivoting to intra-Asia routes or to specialized vessels such as LNG carriers, which can be perceived as more tariff-resilient.

Strategic Considerations for Lessors, Lenders, and Investors

The 2025 tariffs have introduced complexities that necessitate immediate and long-term strategic adjustments across all Big Ticket transportation asset verticals:

- Geographic and asset diversification is more critical than ever. Portfolios overly reliant on single trade routes in marine, commodity types in rail, or a single aircraft OEM in aviation, face increased exposure.
- Lease structuring innovations including

floating rate mechanisms, index-linked escalators, more dynamic maintenance reserve terms, and force majeure clauses tied to trade disruptions are likely to gain traction.
- Proactive scenario modeling is now a baseline requirement for private equity and credit investors. Forward-looking strategies should incorporate geopolitical stress testing and contingency planning.
- Cross-sector partnerships such as those between lessors and OEMs, or between private equity sponsors and specialty finance lenders may become more of a trend in order to provide resiliency through shared insights and resources.

Despite the near-term volatility triggered by the 2025 tariffs, savvy investors may find this an opportune moment to deploy capital strategically. Dislocations in asset pricing caused by cost inflation or delayed deliveries, can create attractive entry points for value-focused investors. Private credit funds and structured finance vehicles are apt to see increases in demand, as lessees seek flexible capital solutions to navigate working capital constraints and shifting cost structures. For investors positioned to underwrite complexity and act with speed, the current environment offers both yield premium and potential asset value arbitrage once markets stabilize.

Conclusion: Vigilance and Nimbleness Evermore Important

The 2025 tariff regime has underscored how quickly macroeconomic shocks can reshape equipment leasing dynamics. While some segments of the market will adapt and even benefit, others will struggle with reduced margins, elevated costs, and delayed capital returns.

To thrive in this environment, lessors, financial institutions, and private capital providers must evolve their underwriting, sourcing, and operational practices. Asset dislocations, lease price swings, and capital scarcity may also serve as favorable entry points for value-focused investors that are confident in their ability to underwrite the complexities and hedge the emerging risks. Agility, dynamic modeling capabilities, and international awareness will be the defining traits of successful financial stakeholders in Big Ticket transportation assets in this ever-uncertain market.

Hilco Global is a leading provider of valuation opinions for lenders, investment firms, advisors and corporations on the realizable value of going concerns, distressed companies, intangible assets and other specialized business assets. Our reports are rigorously reviewed by senior level valuation specialists who confirm the validity of assumptions, data and methodologies.

Sources:

[1] *Kroll Bond Rating Agency. "Navigating Trade Winds: Tariff Impacts on Aviation ABS." 20 May 2025. Kroll Bond Rating Agency, New York. PDF.*
[2] *Hepher, Tim. "AerCap CEO Warns Tariffs Could Hinder Boeing Cash Recovery." Reuters, 13 Jan. 2025, www.reuters.com/business/aerospace-defense/aercap-ceo-warns-tariffs-could-hinder-boeing-cash-recovery-2025-01-13/.*
[3] Trinity Industries, Inc. "Trinity Industries, Inc. Announces Fourth Quarter and Full Year 2024 Results." Trinity Industries, Inc., 20 Feb. 2025, www.trin.net/investor relations/press releases/news details/2025/Trinity Industries Inc. Announces Fourth Quarter and Full Year 2024 Results/default.aspx.
[4] Baertlein, Lisa. "May Imports Drop 9% at Busiest U.S. Seaport on 145% China Tariffs." Reuters, 13 June 2025, www.reuters.com/business/autos-transportation/may-imports-drop-9-busiest-us-seaport-145-china-tariffs-2025-06-13/.

ANDY BLUMENSTOCK SERVES AS MANAGING DIRECTOR AT HILCO ENTERPRISE VALUATION SERVICES

He provides valuation services to corporate clients and Alternative Investments managers involving Tax and Financial Reporting services, Portfolio Valuation, Strategic Valuation projects, and Transaction Opinions.
Throughout his 20+ year career, Andy has provided valuation services across a broad range of industries, including the industrial products, life sciences, power and utilities, technology and telecommunications, retail, and consumer products sectors. He has a particular expertise in the equipment finance industry supporting private equity, hedge funds, and banks with their aircraft, shipping, trucking, and railcar lease investment portfolios. Andy has focused on helping clients understand the intrinsic value of their businesses, both explicitly – though discrete financial, tax, and investor reporting valuations – and implicitly through consequential, decision-purposed capital allocation analyses.
Before joining Hilco, Andy was a Managing Director, Strategy and Transactions, at Ernst & Young where he led transaction teams supporting clients through acquisitions, divestitures, and related strategic transactions. He received a bachelor's degree in Industrial Engineering with a concentration in Economics from Lehigh University. He is an Accredited Senior Appraiser in Machinery and a Chartered Valuation Surveyor.

Contact Andy at ablumenstock@hilcoglobal.com or 212.682.6058.