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Chicago O'Hare Sells $1.8 Billion of Debt in Year's Largest Airport Deal.

- **January 2031 bonds priced with a 5% coupon and 3.69% yield**
- **City plans annual issuance for next decade to fund revamp**

Chicago has sold the largest municipal airport transaction this year amid swirling volatility in fixed-income markets, pricing $1.8 billion of debt that will partially fund improvements at O'Hare International Airport.

The $1.1 billion Series 2022A includes bonds due in January 2031 which priced with a 5% coupon and 3.69% yield, while debt due 2055 with a 5% coupon yielded 4.74%, according to data collected by Bloomberg.

"We are very happy with where the pricing ended up," said Jennie Huang Bennett, Chicago's chief financial officer, in an interview. She said the deal drew more than 100 investors and received about $6.3 billion of orders, making it at least four-times oversubscribed. Bennett attributed part of that investor interest to recent upgrades on the credit from both S&P Global Ratings and Fitch Ratings.

The O'Hare deal, which is the third-largest bond issue in Chicago history, priced into a weak market which saw benchmark municipal bond yields rise so far this week. Thirty-year top-rated municipals are yielding 3.29% — a five-basis point increase from where the market closed last Friday. Municipal market returns have been negative for much of the year, as an aggressive Federal Reserve rate hike schedule roils fixed-income assets. The market more broadly has lost about 8.6% since January, with a 2.2% loss so far in August.

"We garnered a lot of market attention over the course of the last few days, just given our relative size," said Bennett. "Ultimately we were able to command a lot of attention on this transaction."

The $1.8 billion deal will both refinance existing debt and fund $1.1 billion of new capital investments as the city embarks on its O'Hare 21 project, which encompasses runway extensions, the expansion of Terminal 5, and the terminal area plan, which includes construction of two satellite concourses as well as a revamped global hub that doubles the size of Terminal 2.

Another $1.5 billion sale in about a year's time is in the works, said Bennett. She anticipates annual issuance to the tune of $1 billion as the airport completes its terminal area plan over the next decade.

It's been a busy year for airport bonds with issuance up 70.2% year-to-date, according to data compiled by Bloomberg, even as overall municipal bond issuance has contracted by about 12%. Much of that volume comes from deferred maintenance projects as airport activity shrank at terminals and across the market during the pandemic.

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