CANADIAN CONSORTIUM BUYS LONDON CITY AIRPORT FOR £2BN

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Group led by Ontario Teachers' pension fund and HS1 investor Borealis, saw off strong competition to purchase the capital's smallest airport.

London City Airport has been sold to a Canadian consortium for around £2bn.

The airport in Docklands largely serves a clientele of business executives and has been bought by a consortium led by the Ontario Teachers' pension fund and Borealis, the pairing whose UK infrastructure investments include HS1.

Other reported bidders were the Chinese transport company HNA and another Canadian consortium, as the price for the capital's smallest airport exceeded early expectations.

The value of the airport, which serves around four million passengers a year, has rocketed over the past two decades. Global Infrastructure Partners, its owner until now, also has Gatwick and Edinburgh in its portfolio. It paid a third of that price a decade ago to buy the airport from Irish businessman Dermot Desmond, who had purchased it in 1995 for just £23.5m. It was an investment that had been considered risky while Canary Wharf, a major source of business passengers, was in administration.

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The Ontario Teachers and Borealis consortium also included Aimco and Wren House, while the defeated Canadian consortium included PSP Investments, a pension fund that covers the country's mounted police.

Expansion plans for the central London airport have been blocked by the mayor, Boris Johnson. City airport is appealing against Johnson's decision to block its proposed £200m expansion plan, which would have doubled its passenger traffic by 2030, extending the terminal and airfield to allow 50% more flights.

Campaigners attempting to curb its present operations due to noise and pollution concerns have warned that the 2030 vision would mean a huge increase in flights and disruption over inner north-east London.

The sale may raise the eyebrows of the boss of London City's biggest customer, British Airways. Willie Walsh, chief executive of BA's ower IAG, recently dismissed the £2bn valuation as "foolish". He warned that BA was prepared to move its operations elsewhere should any buyer attempt to increase landing charges to cover the cost of its purchase.

The price is around 30 times London City's earnings before interest, tax, depreciation and amortisation in 2015. Walsh said he could not see how any buyer could "recover or make any return on that investment unless they make significant increases in airport charges".

The price tag dwarfs the £1.5bn paid by Manchester Airports Group for Stansted two years ago, which carries more than five times as many passengers and has permission to double that number.

However, London City airport, which is near Canary Wharf, has an unparalleled location and investors may believe airlines could sustain higher fares - despite Walsh's claim about the margins BA makes at City.

Global Infrastructure Partners declined to confirm or comment on the reported sale. London City airport and Ontario Teachers did not respond to requests for comment.

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