

FUNDTRACKER TRENDWATCH

Infrastructure debt funds struggle to close

Only 7 percent of closed infrastructure funds focused on debt strategies

The theme running through all infrastructure investment is the tremendous need.

In 2013, the McKinsey Global Institute estimated \$57 trillion in infrastructure investment would be required between 2013

and 2030 just to keep up with global GDP growth. That \$57 trillion projection was more than the estimated value of the entire worldwide infrastructure stock at the time. As large as it is, even this estimated amount will not be sufficient to address major backlogs and deficiencies in infrastructure maintenance and renewal or meet the broader development goals of emerging economies.

Accessing infrastructure assets by providing financing at various points in the debt stack is often the most attractive play for investors. Rather than risking equity for what are often fixed-income-like returns, investors look to just treat the assets as fixed-income and provide debt.

Debt funds, however, are not growing the way you might assume they would given the attractiveness of infrastructure financing.

According to *FundTracker*, 85 infrastructure investment funds have closed since Jan. 1, 2013. Of those, only six funds (7 percent) were focused on debt.

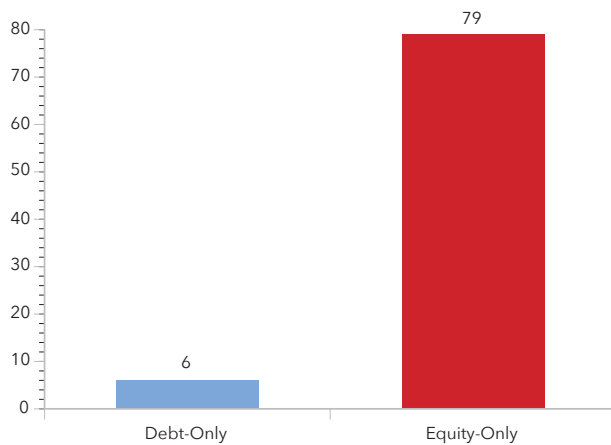
Debt strategies raised \$9.9 billion compared to \$132.1 billion raised by equity funds. The average size of these closed debt funds (\$1.65 billion), however, is about 7 percent larger than the average for closed equity funds (\$1.0 billion).

Although only six funds have managed a final close since the beginning of January 2013, infrastructure managers appear to be more optimistic than those numbers indicate. Of the 151 total new infrastructure offerings to hit the market in the past 34 months, 24 were debt funds, making up 16 percent of all new funds.

When it comes to regions, global strategies are the obvious winners. Although European, global and North American strategies each saw two funds close, the funds with a global focus raised more than three times the amount raised by their nearest competitor. A similar pattern is seen when looking at new offerings, with global strategies seeking more than twice the capital sought by North American strategies and three times that of Europe-focused funds.

- Only six infrastructure debt funds close in past 34 months
- Debt funds make up 16% of new infrastructure funds since Jan. 1, 2013
- Global debt strategies attract most investment

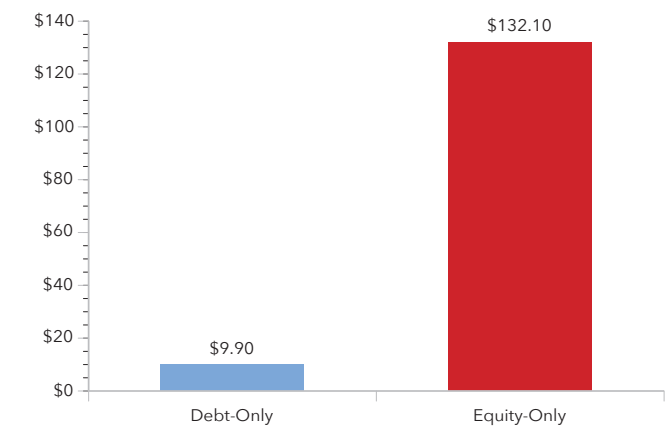
Number of closed debt funds vs. equity funds



Source: IREI FundTracker

Funds closed 1/1/13–11/01/15

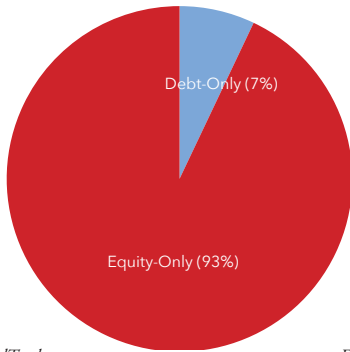
Capital raised by closed debt funds vs. equity funds (\$B)



Source: IREI FundTracker

Funds closed 1/1/13–11/01/15

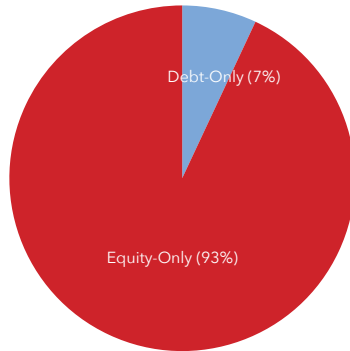
Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 1/1/13–11/01/15

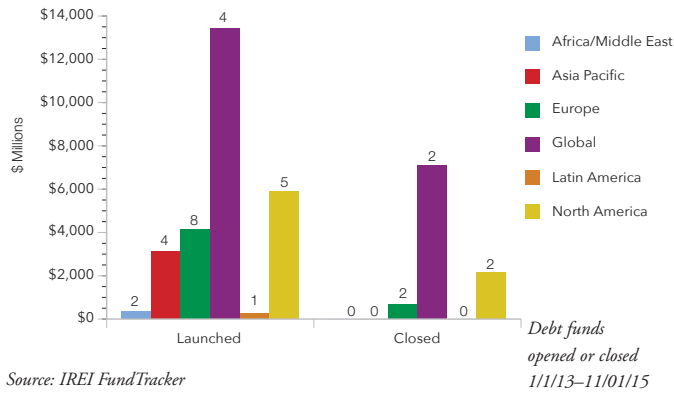
Capital raised — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 1/1/13–11/01/15

Number of funds and capital targeted/raised by region



Source: IREI FundTracker

Debt funds opened or closed 1/1/13–11/01/15

from the **IREI NEWS CLOUD**

- The debt market is key to Nigeria’s \$25 billion [infrastructure intervention fund](#) target.
- [Quercus Assets Selection](#), a private equity fund, announced that it will launch the Quercus Italian PV fund and Quercus Italian Wind fund with a target to raise €150 million (\$165 million) each to develop assets in Italy.
- The \$69.7 billion [Oregon Public Employees Retirement Fund](#) has committed \$400 million to Stonepeak Infrastructure Fund II.
- Pennsylvania Governor Tom Wolf announced the investment of \$51.7 million for 10 drinking water, wastewater and non-point source projects across eight counties through the [Pennsylvania Infrastructure Investment Authority](#) (PENNVEST).
- [Mexico](#) planning \$46 billion coast-to-coast wind-energy push.
- The \$325 billion [Surface Transportation Reauthorization and Reform Act of 2015](#) – a bipartisan, multiyear bill that will reform federal highways, transit and highway safety programs – might come up for a floor vote in the next few days.
- Thailand’s energy regulator said it expected an investment of at least 36 billion baht (\$1.01 billion) next year in the [government’s solar farm project](#).

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Information in this report has been drawn from IREI’s proprietary FundTracker database. Online subscriptions are available. Click [here](#) for more information.

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