

## Infrastructure debt-fund market shrinks

Only two infrastructure debt funds have finalized YTD 2018

During the past four years, the percentage of debt funds versus equity funds reaching a final close has seen its ups and downs. First it crept up from 8.8 percent in 2014 to 16.0 percent in 2016. The number of debt funds then fell in 2017, to just 6.7 percent of the total. Year-to-date 2018, 8.3 percent of the infrastructure funds reaching a final close have been focused on debt. The percentage of capital raised by these funds has followed a similar pattern — starting at 7.2 percent in 2014, rising to 7.3 percent in 2015 and then 8.4 percent in 2016. The market then turned, with only 5.0 percent of the capital raised in 2017 going to debt funds, and only 3.2 percent so far in 2018.

- Debt funds responsible for 6.3% of capital closed 2015–2018
- Debt fund market share trending down
- Average debt fund smaller than average equity fund

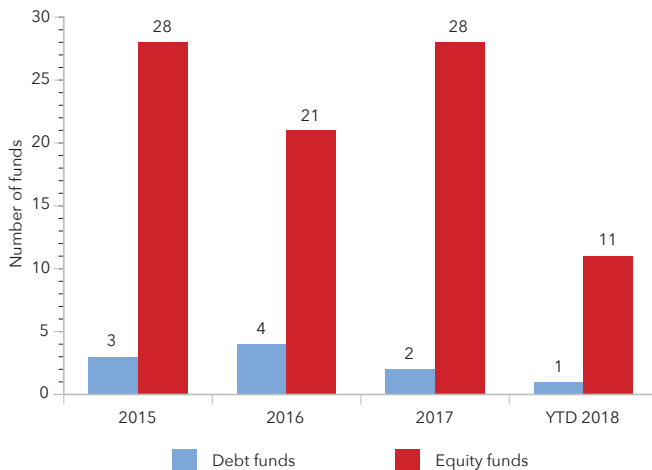
Debt funds are certainly playing an important role in the infrastructure landscape, but I think everyone thought they would account for a larger percentage of the capital raised. After the recession, when large banks pulled back from financing real estate and infrastructure projects, debt funds seemed like the perfect vehicle to fill the gap. And they have filled some

of it. But in the United States, governments are still relying on bonds and taxpayers to finance most of their projects. Recent headlines note that the state of Illinois has approved an \$11.6 billion infrastructure plan. New York State has added \$150 billion to their current \$100 billion plan. The Iowa Transportation Commission has approved \$3.54 billion and the Northern Virginia Transportation Authority has approved \$1.2 billion for infrastructure. While a bit of the financing for these projects could conceivably come from private investment, such as debt funds, nearly all is projected to come from public sources. For all everyone insists that the governments can't do this themselves, local and state governments seem intent on doing just that.

Debt funds are struggling to keep up with their more robust equity brethren when it comes to average size. Although the average size has gone up and down over the years, debt funds have consistently come in smaller, on average, than equity funds.

We have long noted that infrastructure capital is being concentrated in the hands of a few mega-managers. But not debt funds. Ten different managers were responsible for the 11 infrastructure debt funds that closed since 2015. Only Macquarie saw more than one fund close.

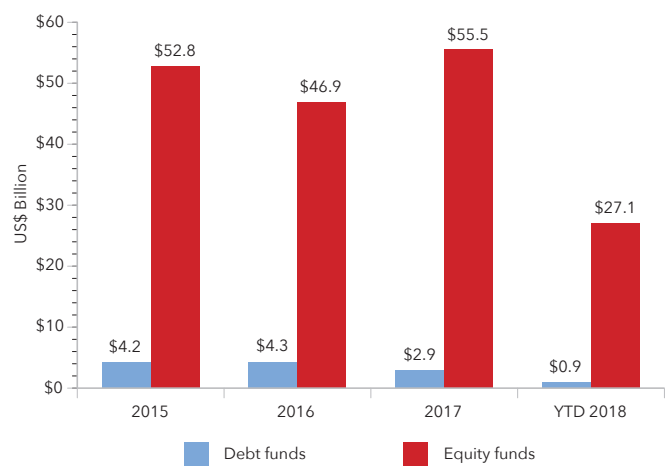
Number of closed debt funds vs. equity funds



Source: IREI FundTracker

YTD 2018 = June 1, 2018

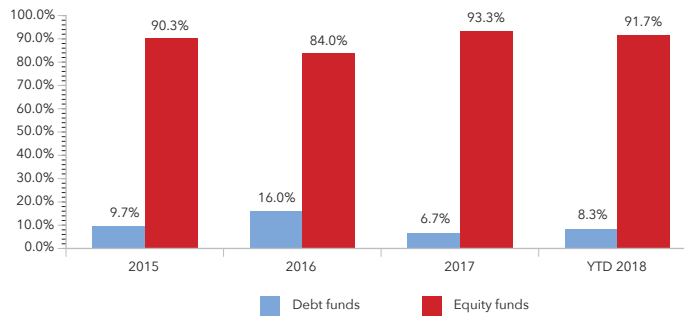
Capital raised by debt funds vs. equity funds (\$B)



Source: IREI FundTracker

YTD 2018 = June 1, 2018

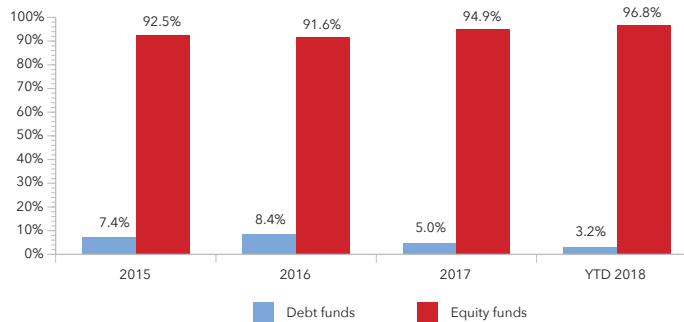
## Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

YTD 2018 = June 1, 2018

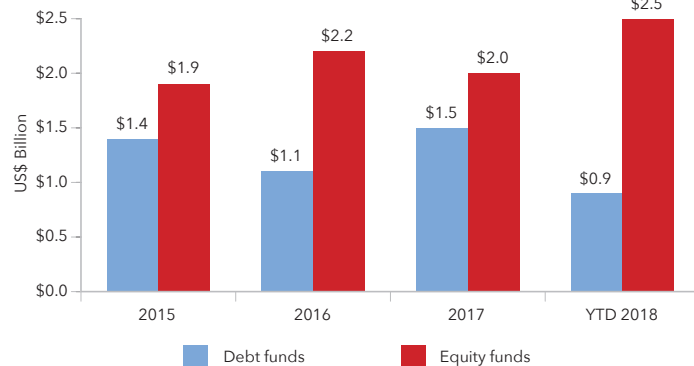
## Capital raised — percentage debt vs. equity



Source: IREI FundTracker

YTD 2018 = June 1, 2018

## Average size of closed funds — equity vs. debt (\$B)



Source: IREI FundTracker

YTD 2018 = June 1, 2018

## from IREI Infrastructure News

- The [Northern Virginia Transportation Authority](#) has approved a \$1.2 billion six-year plan for funding transportation projects across the region, totaling 44 projects.
- [New York Gov. Andrew Cuomo](#) has announced a \$150 billion infrastructure plan for the next five years, building on the existing \$100 billion infrastructure initiative.
- The \$76.6 billion [Oregon Public Employees Retirement Fund](#) has committed \$200 million to Blackstone Energy Partners III, an opportunistic energy and natural resource fund.
- The [Regents of the University of Michigan's](#) endowment has committed \$50 million to Kayne Anderson Energy Fund VIII, which will invest in energy assets throughout North America.
- [Caisse de dépôt et placement du Québec \(CDPQ\)](#), Canada's second-biggest pension fund, will commit \$2.95 billion, along with \$1.28 billion from the Government of Québec and the Government of Canada, to build a 42-mile rapid transit network, known as the Réseau express métropolitain (REM), linking downtown Montreal, South Shore, West Island, North Shore and the airport.
- [Simon](#) has teamed up with Electrify America to install electric vehicle charging stations at more than 30 Simon centers throughout the United States.

To view the latest infrastructure headlines, go to [IREI Infrastructure News](#).

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

# FUNDTRACKER TRENDWATCH

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