Appetite for infrastructure investment outpaces perceived investment opportunities

Global study finds an increasing preference for long-term investments and emerging market exposure over the next 3-5 years. Key findings include:

- 65% of investors intend to increase their allocations to infrastructure over the next 3-5 years;
- The number of investors seeking emerging market infrastructure exposure is set to more than double over the next 3-5 years;
- 82% of investors say that the classic close-ended PE infrastructure fund is outdated;
- Close to 80% of respondents believe that private infrastructure is an asset class but only half thinks that listed infrastructure has distinctive characteristics; and
- 94% of investors declare that no usable benchmark currently exists for infrastructure investment.

SYDNEY, AUSTRALIA // 29 July, 2016: The Global Infrastructure Hub (GI Hub) and EDHEC Infrastructure Institute-Singapore (EDHECinfra) have released the results of study of more than 184 infrastructure investors and advisors, representing approximately USD 8 trillion of global assets under management. The study, released today, is one of the largest such studies undertaken and includes the views of C-level, investment directors and senior advisors in the infrastructure sector.

The study found that investors are increasingly comfortable with long-term investments and less concerned about the lack of liquidity typically associated with infrastructure investment; 81% of respondents intend to hold investments for at least 10 years.

Respondents identified diversification (40%), higher returns (20%) and inflation hedging (12%) as key drivers of their increased weighting to infrastructure investments. Nevertheless, the study found that increased demand for infrastructure investments is fuelling concerns that available capital will exceed the number of available opportunities. 92% of the surveyed investors expressed concerns about the build-up of ‘dry powder’ (or funds allocated to infrastructure in excess of available investment opportunities).

Chris HEATHCOTE, GI Hub CEO said that the study findings will help infrastructure bodies guide regulation and identify opportunities for sector growth, “In an increasingly volatile marketplace, it comes as no surprise that stability in regulation and earnings were listed as two of the most important factors of for investors looking to invest in infrastructure.

“Importantly, the report highlights need for a number of reforms to help galvanise the investment landscape, particularly in emerging markets, including guaranteeing regulatory and contractual stability, minimising policy reversals, and a focus on creating a pipeline of viable projects,” said Chris.

Co-author and Director of EDHECinfra, Dr Frédéric Blanc-Brude said, “The study results were telling of a much needed progress for infrastructure investment management and the study is only the first step to take the market forward. We hope the findings will encourage investors, regulators and policy makers to recognise the importance of creating usable benchmarks for private infrastructure investments that can
measure their risk-adjusted performance to allow investors to better understand the potential of these assets.”

Chris Heathcote continued: “As the market evolves, investors are looking for clearly agreed benchmarks to measure asset class performance. The study found that 70% of investors believe defining infrastructure as an investment class – and all that this entails – will be critical to growth in the sector.”

“We are witnessing a significant shift in the appetite for infrastructure investment. The time is ripe to review and reset the structures, processes and approaches that underpin the sector to create a pipeline of viable projects to meet investor demand and the needs of society,” said Heathcote.

A copy of the study can be found at http://www.globalinfrastructurehub.org/reports/.

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About Global Infrastructure Hub

The Global Infrastructure Hub (GI Hub) was launched in 2014 with a G20 mandate to increase the flow and the quality of opportunities for public and private infrastructure investment. We work to facilitate a better supply of quality, bankable government infrastructure projects to the private sector, identifying reforms, planning approaches and risk management strategies that drive public-private partnership and investment into infrastructure. We aim to be a leading reference on infrastructure best practices, providing innovations that enhance the market’s ability to finance, build and secure the best returns from infrastructure projects.

For more information about GI Hub, visit: http://globalinfrastructurehub.org/

About EDHEC Infrastructure Institute – Singapore (EDHECinfra)

EDHECinfra was launched on 24 February 2016 by the EDHEC Business School to address the profound knowledge gap faced by infrastructure investors, by collecting and standardising private investment and cash flow data and running state-of-the-art asset pricing and risk models to create the performance benchmarks that are needed for asset allocation, prudential regulation and the design of new infrastructure investment solutions. EDHECinfra currently has the world’s largest dedicated database of infrastructure investment cash flows, covering more than 15 years of data and hundreds of projects across the globe. EDHECinfra is headquartered in Singapore.

For more information about EDHECinfra, visit: http://edhec.infrastructure.institute