

European equity leads US infrastructure investment

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The US infrastructure market witnessed 14 financial closes, across PPPs and secondary market transactions, over the course of 2016 with a total deal value of \$14.4 billion of which about \$5.12 billion was equity and the remaining debt.

More notably, international investors including European, Australian and Canadian sponsors lead the equity investment in the majority of the deals that closed in 2016.

A key reason for that trend is the growing use of the PPP model in the US where the public sector shifts the risk of construction, financing, operation and maintenance of an asset to the private sector over a fixed concession period. That is a model that sponsors from the UK, Europe, Australia and Canada are all too familiar with.

Transaction Name	Debt (\$m)	Equity (\$m)	Sponsors
Pocahontas Parkway Toll Road Concession Acquisition PPP	600		Global Via Infraestructuras
Vista Ridge Water Pipeline PPP	875	74	Garney Construction, Abengoa
University of California Merced Campus Redevelopment PPP	663	75	Plenary Group
MTA Maryland Purple Line PPP	1,187.64	1,234.48	Meridiam, Star America, Fluor Corporation
Acquisition of 80% in San Antonio Vista Ridge Water Pipeline PPP			Garney Construction
La Guardia Airport Central Terminal Building PPP	2,410	1,400	Vantage Airport Group, Skanska, Meridiam
Chicago Downtown Public Parking System Acquisition PPP		370	AMP Capital Investors, Northleaf Capital Partners
SH288 Toll Road Expansion PPP	629.44	369.70	ACS Group, InfraRed Capital, Shikun & Binui, Northleaf Capital, Star America
Carlsbad Desalination Plant PPP Refinancing	200		Stonepeak Infrastructure Partners
Long Beach Civic Center PPP	451.60	61	Plenary Group, City of Long Beach
I-285/SR 400 Interchange Redevelopment PPP	458		Ferrovial, Louis Berger, Neel-Schaffer
West Lafayette State Street Redevelopment PPP	65.67	4.94	Plenary Group
Chicago Skyway Toll Road Concession Company Acquisition PPP	1,400	1,536	CPPIB, OMERS, OTPP
University of Kansas Central District Development PPP	326.90		Edgemoor

The PPP model has been used widely and repeatedly in the UK, Europe, Canada and Australia and sponsors from these countries have been at the forefront of bidding for deals and winning contracts outside of their home countries, particularly in the US.

According to World Bank figures, 33 US states, District of Columbia, and the US territory of Puerto Rico have enacted statutes to date that enable the use of various PPP approaches for the development of transportation and social infrastructure projects. States are not only enabling the legislature but also putting it to use, as both PPP deal value and number of deals closed in 2016 doubled over that of the year prior in 2015.

Australian sponsor Plenary and French fund manager Meridiam reached financial close on landmark US deals in 2016 including the [LaGuardia Airport terminal redevelopment PPP](#), the first true airport PPP in the US, and the [Long Beach Civic Center](#) and [University of California's Merced Campus redevelopment](#) in California.

But it is not just international equity investors that are making a run for US assets. Debt providers like German insurer AllianzGI have also been focusing their efforts on projects stateside, reflecting a growing appetite for long-dated US

assets as the secondary market continues to heat up in the country. After making its first investment in a toll road in 2015, AllianzGI returned to invest in another toll road in 2016 -the [Pocahontas Parkway Toll Road Concession](#). Incidentally that deal also marked the first North American investment for the Spanish developer Global Via Infraestructuras that has said that increasing US investment is part of the company's strategy going forward.

A trio of Canadian institutional investors also made their first investment as a team in a US toll road deal in 2016 with the country's three major pensions; Canada Pension Plan Investment Board, OMERS and Ontario Teachers' Pension Plan buying the [Chicago Skyway toll road concession](#).

However does this mean that the returns from these investments are also taking a flight out of the US? A European fund manager and equity investor points out otherwise. They say that their country specific funds mostly comprise commitments from local state and city pension funds and institutional investors and therefore the returns made remain in the country. This, they say, is particularly important today in the US as political sentiment is increasingly in favour of keeping both jobs and investments within the country.

A couple of the major deals that are in procurement, and a few that are likely to reach financial close this year including [Virginia's Interstate 66](#), [Colorado's Interstate 70](#), the bi-national [Gordie Howe International Bridge PPP](#), are also being led by international investors which could see this trend extend into 2017 as well.

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