New players on the North American fundraising field

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The North American fundraising market has been making the headlines over the past 18 months thanks to its mega-funds, but a renewed hope in the region's future project pipeline has seen a number of 'new' market entrants looking to tap investors' growing infrastructure bucket.

Ridgewood Infrastructure is understood to have in June hit the local market with a $500 million fund investing in infrastructure and energy assets. The recently-established unit is part of Ridgewood Companies, which has mainly been investing in water infrastructure projects since 2015 through its private equity arm.

While details on the new vehicle are yet to emerge, the strategy is understood to be much broader than just water infrastructure. According to its website, Ridgewood Infrastructure "is a private equity investment firm focusing on investment opportunities within the infrastructure sector. Particular subsectors of focus include water, power, renewables, midstream, transmission, transport and telecommunications."

Market sources also told *IJGlobal* that US engineering company AECOM is in fundraising mode to invest up to $2 billion in infrastructure and energy. So far, the company has been investing directly in clean water and energy projects as well as broader infrastructure including roads, bridges, tunnels and transit systems.

CEO Michael Burke told the press in March that AECOM was planning to spend some $3.5 billion in infrastructure deals throughout 2017 and that it was aiming to become the largest infrastructure firm in the world.

PE, RE experts and developers

As well as larger vehicles like I Squared and Stonepeak Infrastructure Partners' second funds – which are both likely to wrap up fundraising pretty quickly above $6 billion – the North American, and in particular the US, funds market seems to be sufficiently mature and robust to encourage relatively new players to make an entrance too.

However, local sources point out, these are not complete newcomers in the space. Quite interestingly, it sounds like real estate and private equity managers are ready to start sinking their teeth into the infrastructure and energy fundraising beat.

"I have been to a number of presentations recently organised by real estate firms where companies have expressed an interest in getting into infrastructure since Donald Trump won the election," an investment consult based in New York said.

So rather than managers launching fundraising from scratch, new vehicles are expected to come to the North American market from investors who will piggy-back off their real estate and private equity expertise to raise capital.

More than Trump's pledges of a $1 trillion infrastructure plan, however, it is the rise of more sophisticated institutional investors and their increased interest in infrastructure as a safe haven to achieve higher yields to potentially support smaller, newer funds as well as the larger ones. A pretty low yield environment on bonds and expectations of rising inflation also sustain the view that infrastructure is a good space for investors to park money for a few years and expect better returns.

The appearance of new players in the infrastructure space is also a sign of a maturing asset class, another local adviser argues. “Back in 2007 there was only about 10 options in the market. Today the investment universe is significantly larger and, for investors, infrastructure has become a good match to their private market portfolio providing the long duration income and inflation protection that they need,” they say.

Local placement agents and advisers are already seeing growing numbers of general partners seeking advice for setting up infrastructure and energy funds as the flow slightly increases in both the greenfield and brownfield space. Some of these are indeed traditional private equity investors.

US infrastructure plan?

In May 2016, after the Obama administration announced that the federal government would spend from $7 to $12 billion in infrastructure over 10 years, Magic Johnson resigned from his post at payments company Square to launch an infrastructure fund. The former basketball legend teamed up with Chicago-based Loop Capital Markets and its CEO Jim Reynolds and launched the JLC Infrastructure Fund, which recently raised more than $300 million.

In his resignation letter, Johnson says that the fund was set up specifically “to take advantage of the development opportunities nationally”.

Fast-forward 15 months and the Obama administration is gone and Trump’s electoral pledges are still to produce any results. However, morale on the ground is fairly positive as some development opportunities are expected to arise at a municipal level and on the smaller end of the spectrum. “The US federal Department of Transportation is issuing grant programmes, all sub-$50 million, of the likes of the Providence Intermodal Transit Centre. You are not going to get big funds looking at this,” a source said.

While a grand infrastructure plan at a federal level is not expected to materialise soon, the administration is expected to promote re-investments in social infrastructure which could promote municipal and state procurement with different level of financing, possibly including PPPs at a later stage.