

# THE AUSTRALIAN INFRASTRUCTURE INVESTMENT REPORT 2016



**PERPETUAL CORPORATE TRUST**

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The 2016 Australian Infrastructure Investment Report shows continuing high levels of global interest in Australian infrastructure, but a lack of projects and privatisations is forcing infrastructure investors to look beyond Australia.

Developed in partnership with Infrastructure Partnerships Australia, the report captures the views of 20 global and domestic investors (including sovereign wealth funds, pension funds, fund managers, developers, banks and insurance companies) who collectively manage more than \$110 billion in infrastructure investments worldwide.

## Key findings at a glance

- 50% of investors looking beyond Australia because there are not enough projects
- 94% still 'highly likely' to invest in Australian infrastructure, up 15% on 2015
- The combination of high demand and a low number of projects is creating price competition a key challenge for 40% of respondents – up from 5% last year.

## **APPETITE FOR AUSTRALIAN INFRASTRUCTURE INVESTMENTS IS STRONGER**

Australian infrastructure investments remain extremely attractive, with 94% of participants indicating that they are 'highly likely' to invest in Australian opportunities – this is an increase on last year's results.

Two thirds of participants are ready to invest over A\$1 billion in Australian infrastructure and 61% ready to invest over A\$2 billion.

## **ALL ROADS LEAD TO ROADS**

Road projects remain the most attractive infrastructure asset class for 70% of participants. There was also a notable jump in the interest in renewable energy generation – with an increase in investor appetite rising from 36% last year to 50% in 2016.

This reflects the certainty provided to the sector by the reinstatement of the Renewable Energy Target (RET). Renewable energy generation is growing globally, offering new opportunities for investment and growth.

## **INCREASED COMPETITION AND LACK OF PIPELINE**

The major challenge facing the Australian market at the moment is the dual and interlinked challenge of increased competition and a lack of opportunities. Competition for assets emerged as the major challenge this year, with 50% of participants indicating competition was a challenge.

This was followed by concern around the limited visibility of the pipeline – 40% of participants cited the lack of a visible investment pipeline as a barrier. This is consistent with last year's reading (45%) and shows more needs to be done on this issue.

## **AUSTRALIAN MARKET HIGHLY REGARDED**

This research confirms Australia as an attractive destination for infrastructure investment thanks to our economic stability, the strong knowledge of market participants and the ease of doing business. However, we must continue to attract global skills and capital into Australia's domestic infrastructure.

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