

# Bridging the infrastructure investment gap

The world has a tremendous need for infrastructure, a hunger that governments alone cannot meet. Private investment will be essential for communities to ensure they can meet the challenges of this century, explains Wolfgang Egger, CEO and Founder of PATRIZIA.

Investment demand for infrastructure has never been so high. Global investors are increasingly adding this real asset sector to their portfolios, appreciating its solid long-term investment potential amid the turmoil of a rapidly changing world.

This is because governments alone cannot handle today's global megatrends: decarbonisation, demographics, digitalisation and urbanisation. Nor can we expect them to singlehandedly overcome the challenges these megatrends present and finance the smart infrastructure needed to manage them.

In the Asia-Pacific (APAC) region alone, there is an annual shortfall in infrastructure investment of \$900 billion. This region is expected to contribute approximately 60% of global growth up to 2030 and beyond. Last year, the American Society of Civil Engineers gave United States infrastructure a 'C-' score overall noting that there was a \$2.59 trillion shortfall in government spending to address crumbling roads, bridges and other programs.

Governments, therefore, need the support of private investment to finance future growth and build smarter infrastructure for liveable cities that meet future sustainability needs. Without the right infrastructure investment, communities won't be able to thrive in the cities of the future.

The need for a sustainable urban environment will be even more critical as more people flock to cities. Today, around 75% of Europe's population already lives in cities. By 2050, this is projected to rise to over 80%.

## Investing in times of uncertainty

However, there is a real danger that the need to smarten up our cities to meet longer-term and – quite frankly – existential challenges will be neglected because of geopolitical risks and macro-economic challenges. The impact is felt everywhere – from

rising energy prices to inflation, food shortages and disrupted global supply chains.

The level of uncertainty and unpredictability experienced today is even higher than that felt during the financial crisis in 2008 or the COVID-19 pandemic in the last two years. In the short term, this will hit the growth and profitability of the world economy.

The uncertainty and market volatility will, rightly, make people cautious. Investors will think twice about their next investments and how to spread their risks while seeking stable returns.

PATRIZIA has a unique offering of infrastructure, real estate, and technology. We provide a much broader product choice for our clients, including the added benefits of risk diversification and stable returns. Our real assets help clients diversify their portfolios and offer stable income streams significantly higher than fixed-income or real estate only.

Real assets can also offer an attractive inflation hedge, with long-term inflation linked income streams. And we expect some real asset sectors, such as renewable energy, data centres and social care, to grow faster than inflation in the mid-term. Our approach allows investors to participate in and benefit from the global energy transition.

## Leveraging synergies between real estate and infrastructure

Besides access to the latest insights and research and our extensive network, PATRIZIA benefits from decades of experience. For 24 years, PATRIZIA Infrastructure has invested some EUR 7 billion in debt and equity in over 110 infrastructure investments worldwide.

We have invested in making an impact, ensuring that modern infrastructure addresses future transport, energy and water supply

requirements while fulfilling the need for social and affordable housing, efficient logistics and attractive community spaces.

Essentially, PATRIZIA views itself as the bridge between global investors and the infrastructure assets that will cater for tomorrow's smart, low carbon and sustainable communities. We are already engaged in implementing smart building tech across our real estate portfolio to cut energy consumption and reduce CO2 emissions.

We are also pioneering new building materials that are far less carbon intense, like using cross-laminated timber in construction projects rather than concrete and steel. We are also installing renewable energy sources in and around our real estate. For example, we are undertaking the 'solarfication of logistics' by actively implementing solar panelling across all our logistics warehouses.

## Focus on growth

PATRIZIA is exploring infrastructure megatrends and investment in greater detail. We plan to increasingly focus on new asset types, including renewable energy and smart city infrastructure investment, as we move towards a more sustainable future. Likewise, we will build, strengthen, and develop partnerships with global investors seeking the advantages of a long-term capital allocation to infrastructure.

In addition, governments will need 'intelligent' private capital – expertise and experience, not just 'money' – to manage urbanisation and modernise their existing infrastructure. Opportunities for investment are increasingly emerging across the infrastructure spectrum, including water, electricity, and roads, in digital assets like data centres and in assets that support the transition to renewable energy.

In Europe, we believe there are attractive investment opportunities in real assets with a clear focus on smart

cities and smart city infrastructure. Specifically, smart building technologies will become a real game changer for our industry.

For example, our experience shows that combining Artificial Intelligence with Heating Cooling and Air Conditioning (HVAC) systems in buildings can reduce energy consumption by up to 30% per building. This not only cuts costs it also cuts operational carbon emissions while increasing the value of assets. We are implementing this technology in multiple countries, including Germany, the Netherlands and the UK, with multiple partners.

These initiatives should be accelerated as much as possible to realise rapid social and community benefits. Imagine if we can rapidly smarten-up buildings across the whole real estate industry worldwide. This could make a huge difference in our global fight to protect our climate and ensure our planet remains a liveable home for future generations.

## AUTHOR BIO



Wolfgang Egger is the CEO and Founder of PATRIZIA. PATRIZIA manages more than EUR 56 billion in assets and employs over 1,000 professionals at 28 locations worldwide. Through its PATRIZIA Foundation, PATRIZIA is committed to social responsibility. The Foundation has helped around 250,000 children in need worldwide gain access to education and thus, has given them the chance of a better life over the last 23 years.

