

## Private Sector Capital Could Be Source for Some of the Estimated \$20 Trillion Needed to Refurbish and Build New Global Infrastructure

More information available through:

Information page on the Gallen.Neilly website  
<http://www.gallen.com/clients/ey.htm>

Andrew Neilly  
[andrew@gallen.com](mailto:andrew@gallen.com)

[www.gallen.com](http://www.gallen.com)

**Denver, CO (October 26, 2006)** – The private sector is poised to provide capital for strapped regional and local economies that are balancing their need to rebuild old infrastructure and keep up with new improvements demanded by global competition, according to Dale Anne Reiss, Ernst & Young’s Global and Americas Director of Real Estate.

Reiss spoke on the topic of the growth of infrastructure investing by institutional funds to more than 6,000 real estate professionals attending the fall meeting of the Urban Land Institute, a Washington, D.C.-based nonprofit research and planning group with members worldwide.

Ernst & Young tracked development and maturation of several emerging investment markets in the United States and globally, including real estate investment trusts, commercial mortgage backed securities and most recently, real estate private equity funds. Indicators show the emerging field of infrastructure investment has the potential to be larger than all of these.

Infrastructure on a global basis requires massive amounts of funding because, by their very nature, infrastructure projects, such as roads, airports, rail and water systems and other public works, are huge capital projects.

“With pure global infrastructure demand in the next decade estimated to be well in excess of \$8.0 trillion and with one billion new inhabitants projected to populate the planet in the next 14 years, it has been suggested that this has the potential to create a \$20 trillion-plus capital requirement in the near term,” Reiss said. “At the same time, budget deficits in many countries, such as Germany, India, Italy and even here in the United States, are making it increasingly difficult for governments to meet the rising cost of new infrastructure development.”

The emergence of public-private partnerships around the world is one sign of a growing acceptance among private capital sources that infrastructure projects can be viable investments. In addition, several major investment banking houses have announced infrastructure initiatives in recent months. Even leaving aside groups such as Macquarie, who are well established in infrastructure investment, Ernst & Young LLP estimates that new players have raised approximately US\$20 billion since early 2005 through “I-funds” – equity funds specifically targeting infrastructure investment opportunities.

“Global capital is in a quandary,” Reiss stated. “Real estate has been a global moneymaker over the last several years, so much so that the competition for transactions today is acute. The fact is that available assets in the real estate sector today are scarcer than they have ever been, and major investors need alternatives that they can underwrite and understand. Infrastructure is the next logical step for these investors.”

According to Reiss, the long-term nature of infrastructure investments, their low

volatility and relatively secure revenue streams, make them prime investments for larger institutional investors such as pension and private equity funds.

# # #

#### About Ernst & Young

Ernst & Young, a global leader in professional services, is committed to restoring the public's trust in professional services firms and in the quality of financial reporting. Its 114,000 people in 140 countries pursue the highest levels of integrity, quality, and professionalism in providing a range of sophisticated services centered on our core competencies of auditing, accounting, tax, and transactions. Further information about Ernst & Young and its approach to a variety of business issues can be found at [www.ey.com/perspectives](http://www.ey.com/perspectives). Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited does not provide services to clients.