



Infrastructure Outlook

Assessing the impact of COVID-19 on infrastructure funding and project pipelines

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Context

- Although total impact still uncertain, Covid-19 has ushered in massive and unprecedented disruptions across all sectors;
- Transition from relief to recovery has policy makers scrambling to address shifting priorities;
- Today we will discuss the policy context around COVID-19:
 - Framework for infrastructure funding
 - Covid-19 impact on infrastructure funding and projects
 - Considerations around stimuli packages and/or infrastructure bills
 - Adaptation and positioning for the future

Infrastructure Imperative

- COVID-19 outbreak will not diminish the accumulated global infrastructure investment need;
- On a global level, there is a need for an estimated to be **\$69 trillion** (excluding energy) by 2035; while in the US, infrastructure investment needs are estimated at over **\$4.7 Trillion** just to keep pace with GDP (OECD/WEF). These figures do NOT account for additional needs triggered by COVID-19, climate change, technology transformation, etc.;
- (ASCE) 2017 report card assigns an overall **grade of D+** to the Nation's major infrastructure, but does not contemplate all infrastructure categories;
- Facing debt ceilings and budget constraints, federal, state and local authorities have limited resources to devote to capital and operational expenditures, while users are increasingly facing affordability and capacity-to-pay issues.



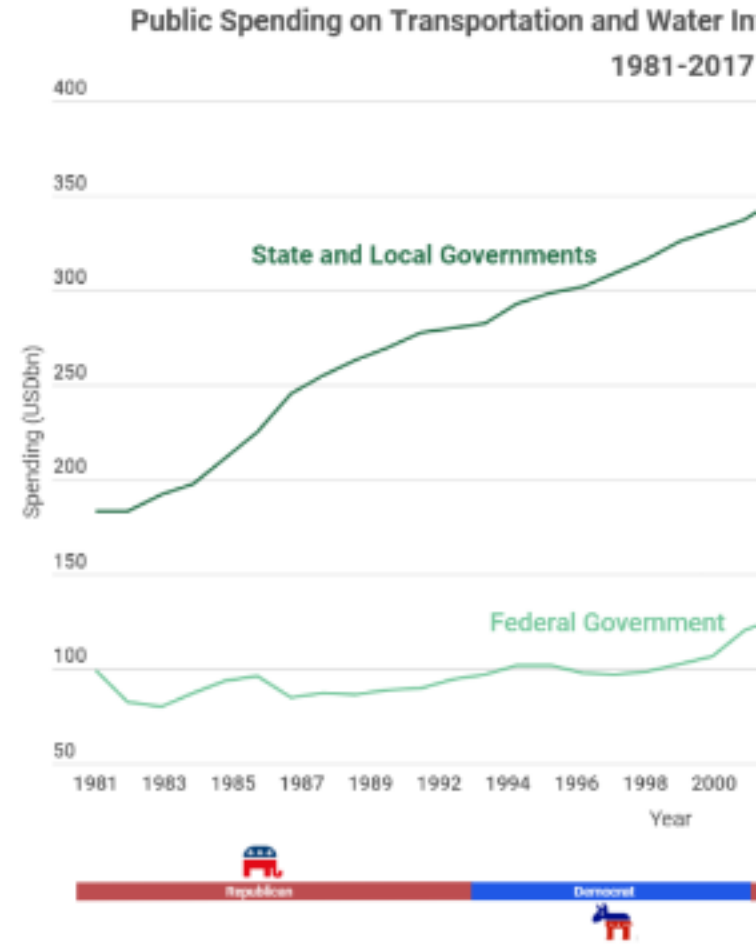
Source: ASCE Infrastructure Report Card 2017

Other key infrastructure investment needs:

- Target-driven initiatives: Resiliency, climate
- Transformational projects
- Technology upgrades
- Social infrastructure

U.S. Infrastructure Investment Profile

- Federal investment has been relatively flat for decades and has been declining in real terms
- State and local government shoulder more of the burden, despite growing fiscal pressures
- Nevertheless, according to CBO, 60% of state and local investment in transportation and water infrastructure is financed using tools that impose costs on the federal government: tax-exempt bonds, tax credit bonds, state banks, and direct federal credit programs.
- Competing visions of a “national infrastructure plan” compound uncertainty about funding (“*Green New Deal*”, “*A Better Deal to Rebuild America*”, “*Moving Forward Framework*” etc.).
- While both Republicans and Democrats agree that infrastructure investment is important, they have very different view on funding.



COVID-19: Catalyst for Change

- Significant and sudden shift in policy priorities
- Acute fiscal pressures
- Financial markets
- Supply chain disruptions
- Sector impacts:

Hardest Hit	Elevated Priorities
<ul style="list-style-type: none">• GDP-driven sectors (i.e., transportation)• Education / Higher Ed• Retail / Mixed-use• Manufacturing• Tourism• Trade	<ul style="list-style-type: none">• Public health infrastructure• Information and communications technology (ICT)• Climate and Resiliency• infrastructure supporting economic activities and supply chains

Policy Expectations



- No clear overriding theme appears largely to trigger expedited
- **Democrats** and infrastructure stimulus bill so, with hope that Mantra is "jobs,
- **Senate Republican** non-Covid-19 re 'stimulus' bill will stimulate economic non-Covid19 related
- **Is Infrastructure**
 1. Do low interest
 2. Will it create
 3. Will America benefit from
- **What an infrastructure look like?**
 1. Some look to Reinvestme particularly there are dis markets, en
 2. Sector-spec America's T AWIA, DWIA scope and fr
 3. Likely to see credit and in scope are u

Economic recovery scenarios

'V' shape



'U' shape



'W' shape



Outlook...

- Shifting priorities
- Local and state governments are being forced to make long-term choices on the basis of uncertainty and shorter-term fiscal outlooks.
- Even with a federal infrastructure stimulus package, it is highly unlikely that this will result in *“additional”* investment in infrastructure. State and local governments receiving 2009 federal stimulus infrastructure grants simply cut back on their own spending and borrowing almost dollar-for-dollar, which will likely be the case with COVID-19, particularly in light fiscal constraints.
- Additional safety standards, workforce scarcity and supply chain uncertainty will likely continue to place upward pressure on construction prices, further exacerbating the situation.

Moving Forward

- The only certainty is uncertainty
- Impactful federal stimulus focused on infrastructure is unlikely
- Need to find ways to facilitate government helping the victims of the economic shutdown to prevent a cascade of bankruptcies and a humanitarian crisis; while simultaneously allowing state and local governments to address backlog of critical infrastructure investments
- Seek to create “*additivity*”, allowing public sector to do more with its limited resources:
 - Deferred payments and bridge financing;
 - Performance contracting;
 - Asset optimization and monetization
- Limited application of infrastructure “public-private-partnerships” due to complexity and lead time
- “Shovel-Ready” conundrum and stranded investments
- Inevitable long-term reprioritization of infrastructure sectors and asset classes



Q&A

Thank you!

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