# Infrastructure Investment In The US – Why Private Equity Should Be Looking At Small Cities

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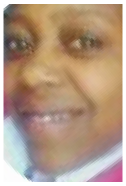

It's a known fact that US infrastructure needs an upgrade. Both sides of the political divide do appreciate the urgency on this matter. While they haven't agreed on the modalities to fund the upgrade, there is enough political will to suggest that reaching a deal will be much easier compared to other policy issues. Investment on infrastructure is economically and socially useful from the perspective of most governments. But the challenge has always been raising money.

Creative and innovative financing mechanisms that bring private-public partnerships at play are seen as the most viable ways to raise investment capital albeit there are still a few challenges. Recent trends however indicate that the appetite for infrastructure investment has often favored large established cities as opposed to smaller counties. The logic is actually simple. As major corporations move their headquarters in major cities, they attract a lot of talent. These are basically highly educated, often younger, and skilled people working in high paying jobs. The influx creates demand for new housing, commercial real estate, and other social amenities.

But large cities already have a significant head start when it comes to investment on their infrastructure. After all, they have massive populations and tend to be centers of administration in many states. This gives them a priority in public led infrastructure investments. However, smaller cities do offer an opportunity. Small counties can reinvigorate infrastructure as a means of spurring growth, attracting outside investment, and enhancing technology. This concept is not new. There are some local authorities in other countries like the UK that are partnering with large financial institutions to support infrastructure investments in their local jurisdictions.

## Why Smaller Cities Should Be On the Radar

The startup scene in the US is probably one of the fastest growing in the world. Small companies, largely technology based, are coming up in almost every part of the country. These companies start small, probably somewhere in a local college or university, and expand rapidly. Traditionally, startups will set their base in one of the larger more established cities even if the company was started elsewhere in a smaller county.

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There is nothing wrong with this. If anything, large cities offer the kind of amenities and infrastructure that would attract a younger workforce. But smaller cities could offer a more realistic starting point for such businesses if they had the requisite infrastructure to attract and maintain young talent. Besides, the overhead costs for startups in a smaller county would be considerably lower compared to those in major cities. From this view, it is possible for smaller counties to attract a significant portion of emerging startups if only they had the right infrastructure.

Corporate culture has also become relatively dynamic in recent decades. Corporations are no longer large entities based in one single location. Since many of these companies operate in very fluid circumstances, they are relatively dynamic than they used to be three or four decades ago. Part of this dynamism involves creating a presence in different locations. Smaller counties with significantly lower overhead could be important second homes for large companies.

## How Can These Investments Be Realized?

Reinvigorating small cities through infrastructure investment is by no means an easy task. But it can be done through partnerships between local authorities and financiers. Long term investment partnerships in particular could be very useful in transforming smaller counties into attractive tech hubs for startups. The thinking for any financier has to be long term too. It cannot be just another opportunity to get a return. Such investments must be driven by one common goal - and that is spurring regional prosperity for future growth. Despite that, there is still a real opportunity for steady long term returns for investors.

Want To Know More About Infrastructure Investment?

Investing in real assets as a way of diversifying your portfolio can be a very good idea. Infrastructure offers a relatively stable asset for long term returns. The Brookfield Infrastructure Income Fund gives you an opportunity to invest into infrastructure assets through a managed portfolio. You can buy into the fund in the NYSE under the ticker symbol INF or visit here to learn more.