InfraRed Capital Partners

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Infrastructure takes center stage

*We recently sat down with **Gianluca Minella,** head of research at **InfraRed Capital Partners,** to discuss the outlook for infrastructure investment in 2026. Following is an excerpt of that conversation.*

Your outlook for 2026, titled *Infrastructure Takes the Central Stage* is out. Why this title?

During the past three years, most alternative asset classes suffered from the high interest rate environment, which reduced market activity, distributions and exits. However, infrastructure performance has proven resilient. It did what it said on the tin by providing an inflation hedge, and on a relative return basis, infrastructure has proven more attractive than private equity or real estate during the past three years.

This environment has also somewhat changed the way investors look at the asset class. Previously, it used to be just a fixed-income replacement; however, it has now also become an equity replacement. Part of the reason is that the asset class has changed. It's no longer only composed of traditional income-generating infrastructure, such as toll roads, airports or utilities. Now we have megatrends that provide avenues for growth and capital appreciation, and a larger number of infrastructure sectors, particularly in the mid-market.

The two aspects have come together. On the one hand, more capital is chasing the asset class; on the other hand, more opportunities are coming to the market. This is borne out by the fact that 2025 was a record year for private equity infrastructure fundraising.

That's why infrastructure is likely to remain center stage: it can provide a path toward growth while also enabling investors to play defense, as these are essential assets.

Is the macroeconomic environment going to affect 2026?

In 2024, the consensus among managers was that interest rates would come down in 2025. We told our investors that the long-end of the yield curve would likely remain sticky – and we were right. During 2025, we saw a slight deflation of government bond yields, but geopolitical uncertainty as well as fiscal pressures have made it less feasible for long-term yields to come down. This has been positive for new infrastructure buyers because entry prices have come down in the past couple of years – you can currently access assets with very attractive entry returns.

Now, for 2026, we expect more of the same, as we don't anticipate government bond yields falling significantly.

There may be a bit of a GDP deceleration while inflation remains sticky, particularly in the United States, but we are relatively neutral to this macroeconomic environment. We will continue to face significantly higher interest rates compared to 10 or 15 years ago. Investors will continue to seek higher returns in this environment, and we think they will continue to look for infrastructure assets that provide some growth and capital appreciation.

Is geopolitical uncertainty affecting infrastructure?

Aside from the more cyclical nature of events, we believe that we are seeing a fundamental, medium- to long-term shift toward increased regionalization of the global economy. The world is increasingly dividing into trade blocks that are competing for global leadership, not only on trade, but also other factors such as energy and technological leadership. We see this as both a risk and an opportunity for infrastructure investors. Just think about the reshoring of production to Europe and North America from China and the growing demand for logistics infrastructure.

Data sovereignty is also becoming an important topic. Investors and companies are increasingly required to host data in their own countries. This is creating demand for new digital infrastructure, which in turn boosts energy demand. Beyond energy transition, Europe is now also focusing on energy security by increasing domestic energy production to support local economies and reducing energy prices following the curtailment of Russian gas inflows to the region, which were replaced by more expensive liquified natural gas.

In a nutshell, unlike in the past, new dimensions of country risk, trade uncertainty, energy policy and technological innovation will really affect the potential future returns of infrastructure investment.

Are investors concerned about liquidity?

Many investors want to hold established infrastructure assets for the long term because they provide attractive income, and they're often difficult to replicate in a portfolio. Ports, for example, are scarce, essential assets, and they've performed really well in the past 15 years. It's hard to see an investor deciding to sell a port, because it can provide an attractive combination of yield and growth.

But we are seeing an interesting development, particularly in the mid-market. Investors have realized that distributions are important, and these distributions have been very dynamic in the mid-market, underpinning demand for this market segment. Why? Because that's where new sectors and new assets are emerging and expanding amid today's megatrends. These assets can then be traded from value-added investors to core-plus or core investors when they reach the right maturity stage for these strategies. We've seen a lot of activity there, and we expect this trend to continue in 2026. Investors are focusing on managers that have a solid track record of exits, as it allows investors to recover and reinvest their capital across vintages.

Is greenfield development the focus for growth?

Greenfield and capital expansion are not only important in newer infrastructure sectors, such as data centers, but also in established sectors, such as utilities, as demand grows. Fifteen years ago, energy demand was effectively growing at 1 percent or 2 percent a year. Today, established network utilities need to spend billions to connect renewables, battery storage and power data centers.

How are megatrends affecting investment?

The megatrends are a meaningful opportunity for infrastructure investors. Two trends — energy transition and digitalization — are dominating the landscape. The energy transition alone accounts for about $4 trillion of capital a year, and it's now broadening to areas such as energy security. It's basically adding German annual GDP to the global economy every year. Within the energy transition, renewables continue to grow — with or without subsidies — and electrification is gradually spreading to transport infrastructure, for example. The pipeline is full of opportunities, but you need to make sure that assets selected display resilient infrastructure characteristics and fit your portfolio.

Digitalization is a $3.5 trillion-of-capital-a-year megatrend. Over the past couple of years, we have seen a lot of growth in data centers, with AI recently driving a further acceleration in investment. From an infrastructure investor perspective, you want to take a very prudent stance on the AI growth you embed in your investment case. Although it is an important growth trend, there remains uncertainty on many fronts — from access to power supply to regulation and to which players and business models will eventually emerge. These risk factors may not always be aligned with infrastructure strategies, so investors should carefully consider them in their underwriting cases to protect the downside. But separately from AI, if you look at underlying data demand drivers — such as the migration to the cloud, the need for greater tower density, and growing network demand — digital infrastructure growth is projected to remain strong.

Where will investors be focusing in 2026?

Investors will continue to focus mainly on Europe and North America, where regulatory frameworks, despite undergoing changes, remain comparatively predictable and infrastructure markets are well established. Asia continues to grow, but on a relative basis, it is still a smaller market. We will continue to see investments in energy — particularly renewables and battery storage, which has now become a largely commoditized sector — as well as digital infrastructure. Transportation may experience an increase in deal volumes as electrification continues to mature.

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CORPORATE OVERVIEW

InfraRed Capital Partners is a leading international mid-market infrastructure asset manager. Over the past 25 years, InfraRed has established itself as a highly successful developer, particularly in early-stage projects, and an active steward of essential infrastructure. InfraRed manages $13 billion of equity capital for investors around the globe and combines a global reach, operating worldwide from offices in London, New York, Miami, Frankfurt, Madrid, Seoul and Sydney, with deep sector expertise from a team of more than 160 people.